

US economy contracts in second quarter

LUCIA MUTIKANI
Washington, August 25

THE US ECONOMY contracted at a more moderate pace than initially thought in the second quarter as consumer spending blunted some of the drag from a slower pace of inventory accumulation, dispelling fears that a recession was underway.

That was underscored by the report from the Commerce Department on Thursday, which also showed the economy growing steadily last quarter when measured from the income side. This fits in with recent solid readings on the labour market, retail sales and industrial production.

Gross domestic product shrank at a 0.6% annualised rate last quarter, the government said in its second estimate of GDP. That was an upward revision from the previously estimated 0.9% pace of decline. The economy contracted at a 1.6% rate in the first quarter. Economists polled by *Reuters* had expected GDP would be revised slightly up to show output falling at a 0.8% rate.

While the two straight quarterly decreases in GDP meet the standard definition of a technical recession, broader measures of economic activity suggest a slow pace of expansion rather than a downturn.

An alternative measure of growth, gross domestic income, or GDI, increased at a 1.4% rate in the second quarter. GDI, which measures the economy's performance from the income side, increased at a 1.8% pace in the first quarter.

The average of GDP and GDI, also referred to as gross domestic output, increased at a 0.4% rate in the April-June period up from a 0.1% growth pace in the first quarter.

The income side of the growth ledger was boosted by strong profits as well as wage gains amid a tight labour market.

National after-tax profits without



Peiter Zatko, former security chief of Twitter

US jobless claims fall for 2nd week

Applications for US unemployment insurance fell for the second week, suggesting that employers are holding on to workers despite growing economic uncertainty.

Initial unemployment claims decreased by 2,000 to 243,000 in the week ended August 20, Labour Department data showed Thursday. The median estimate in a Bloomberg survey of economists called for 252,000 new applications.

Continuing claims for state benefits fell to 1.42 million in the week ended August 13. —BLOOMBERG

inventory valuation and capital consumption adjustments, conceptually most similar to S&P 500 profits, increased \$284.9 billion, or at a 10.4% pace, accelerating from the 1.0% growth pace in the January-March period.

—REUTERS