

# US defies recession fears, GDP grows 3.3%

BLOOMBERG

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The US economy's fourth-quarter growth trounced forecasts as cooling inflation fuelled consumer spending, capping a surprisingly strong year that defied recession calls.

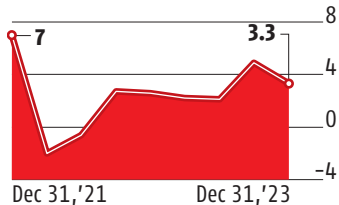
Gross domestic product increased at a 3.3 per cent annualised rate, according to the government's preliminary estimate out Thursday. For all of 2023, the economy expanded 2.5 per cent.

The economy's main growth engine — personal spending — rose at a 2.8 per cent rate. Business investment and housing also helped fuel the larger-than-



## SIGH OF RELIEF

US GDP growth (Y-o-Y in %)



Source: Bloomberg

expected advance last quarter.

A closely watched measure of underlying inflation rose 2 per cent for a second straight quarter, in line with the Federal Reserve's target, the Bureau of Economic Analysis report showed. Stock futures rose

while Treasury yields were lower as traders focused on the inflation figures and boosted the odds of a March rate cut.

The figures wrap up a year in which the economy showed surprising stamina, defying expecta-

tions by many Wall Street economists that the country was poised to slip into a recession.

Despite the burden on households and businesses from Fed interest-rate hikes, consumer spending was continuously powered by durable job growth and diminishing inflation.

Boosted by better-than-expected holiday spending, the fourth-quarter numbers suggest the economy carried some momentum into the new year, feeding expectations the expansion is on stronger footing.

The path of inflation, and how the Fed responds to it, will be key in defining the direction the economy is headed this year.

## ECB keeps rates unchanged; no hint of rate-cut timeline

The European Central Bank (ECB) kept rates unchanged at a record high on Thursday



and reaffirmed its commitment to fighting inflation, giving not a hint that policymakers are starting to contemplate policy easing. The

ECB ended its fastest ever rate-hiking cycle in September but has been adamant that even discussing a reversal would be premature.

REUTERS