

Beat: Business

U.S. economy suffers sharpest decline in 5 years after extreme winter

-, 26.06.2014, 01:15 Time

USPA News - The U.S. economy contracted at a much steeper pace in the first quarter than was previously estimated, partly the result of this year's extreme winter that affected businesses for much of the period, according to figures released by the U.S. Commerce Department on Wednesday. Real gross domestic product (GDP) dropped at a 2.9 percent annual rate in the first quarter of 2014, the sharpest decline in five years, according to the third estimate from the Commerce Department's Bureau of Economic Analysis (BEA).

It follows an increase of 3.4 percent at an annual rate in the second half of 2013. The revision reflects "a re-estimation of consumer spending on healthcare, which was substantially lower than originally reported, as well as exports, which were below the initial estimates," said Jason Furman, the chairman of President Barack Obama's Council of Economic Advisers. Previous data showed a more optimistic estimate for the first quarter with a minor expansion of one tenth of a percentage point, but according to the latest figures released on Wednesday, the increase in personal consumption expenditures (PCE) was smaller than previously estimated while the decrease in exports was greater than previously estimated. The decline in overall real GDP in the first quarter primarily reflected negative contributions from private inventory investment, exports, state and local government spending, nonresidential fixed investment, and residential fixed investment that were somewhat offset by a positive contribution from PCE. Exports and inventory investment are two particularly unpredictable factors of GDP. The downturn was largely the result of severe weather that continued to affect the economy until the end of the quarter. "Light vehicle sales, average weekly hours, core retail and food service sales, and core capital goods shipments dipped starting in December and/or January before bouncing back in March," the White House said, reflecting on the latest numbers. One outside group estimated that the elevated snowfall in the first quarter slowed the annual rate of GDP growth by 1.4 percentage point. But although these estimates are significantly worse than had previously been expected, economists anticipate a sharp recovery during the second quarter of 2014. Indicators for April and May suggest a rebound in the second quarter, in spite of the fact that total economic recovery is still in progress.

Article online:

<https://www.uspa24.com/bericht-2362/us-economy-suffers-sharpest-decline-in-5-years-after-extreme-winter.html>

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Official Federal Reg. No. 7442619