Small dip in economy adds to recovery hopes

Analysts warn job market must improve for real benefits to occur

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THE ASSOCIATED PRESS

WASHINGTON — Further evidence the recession is ending came in a report Thursday confirming that the economy shrank at an annual rate of just 1 percent in the spring.

Many analysts say growth likely returned in the current quarter. Smaller dips in consumer spending and other areas during the April-June period led some economists to raise their forecasts for the July-September quarter.

But with unemployment aid claims stubbornly high, Americans may benefit little from a recovery if jobs remain scarce and spending stays too low to fuel a strong rebound.

The Commerce Department estimated that the U.S. gross domestic product, the broadest gauge of economic health, shrank at an annual rate of 1 percent in the second quarter. The new estimate of the nation's output of goods and services was the same as an earlier estimate released last month.

The negative figure marks a record fourth consecutive quarterly decline. But it was far smaller than the nosedive the economy had taken during the previous two quarters.

Businesses did slash inventories at an even greater rate than had been expected in the spring. But economists were encouraged by upward revisions to consumer spending, exports and housing construction.

"The big surprise in this report was that there was enough spending in the consumer sector and elsewhere to offset all the loss from inventory reductions," said Nigel Gault, chief U.S. economist at IHS Global Insight.