

DAILY ECONOMIC COMMENT

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US Recession Technically Over

After a year of history-making economic contraction in the United States, data released this morning shows a technical end to the Great Recession of 2008/'09 is finally here.

US economic output expanded at an annualized pace of 3.5% in the third quarter of '09, confirming the predictions of many economists that US government stimulus programs would help to move the world's largest economy into the black for the July-September period.

The third quarter expansion was the fastest growth in output the US economy has experienced since the same period in 2007 (+3.6%). The US "cash-for-clunkers" program and incentives for first-time-homebuyers were key factors in propping up US GDP.

The technical definition of a recession is two consecutive quarters of negative GDP growth, so with this morning's

release, the US recession can be considered 'technically' over. However, in contrast to Canada, which just uses the technical definition involving positive and negative GDP growth, official US recession dating depends on a host of other indicators, including unemployment. With the American jobless rate still on the rise, we won't know if the recession is 'officially' over until US authorities announce it is.

Looking ahead, the US economy is predicted to continue growing in the fourth quarter, but at a more moderate pace as government stimulus programs come to an end. And with a 9.8% unemployment rate and governments and consumers that are shackled with debt, the US economy is far from being out of the woods yet.



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