



Biden says US not in a recession despite two consecutive quarters of shrinking economy

Description

USA: The U.S. enters a recession following two quarters of negative GDP growth. FOX Business' Edward Lawrence with more.

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President Biden said the United States “is not in a recession,” despite Thursday’s GDP report, saying it is “no surprise that the economy is slowing down” amid inflation.

The U.S. economy shrank in the spring for the second consecutive quarter, meeting the criteria for a recession as record-high inflation and higher interest rates forced consumers and businesses to pull back on spending.

Gross domestic product, the broadest measure of goods and services produced across the economy, shrank by 0.9% on an annualized basis in the three-month period from April through June, the Commerce Department said in its first reading of the data on Thursday. Refinitiv economists expected the report to show the economy had expanded by 0.5%.

“Coming off of last year’s historic economic growth — and regaining all the private sector jobs lost during the pandemic crisis — it’s no surprise that the economy is slowing down as the Federal Reserve acts to bring down inflation,” Biden said Thursday in a statement. “But even as we face historic global challenges, we are on the right path and we will come through this transition stronger and more secure.”

Biden touted the job market, saying it “remains historically strong, with unemployment at 3.6% and more than 1 million jobs created in the second quarter alone.”

“Consumer spending is continuing to grow,” he said.

President Biden speaks at the White House on July 27, 2022

President Biden speaks in the Rose Garden of the White House in Washington on Wednesday, July 27, 2022. (AP Photo/Andrew Harnik / AP Newsroom)

Biden said he met with the chairman of SK Group from Korea earlier this week, saying it is “just one of the companies investing more than \$200 billion in American manufacturing since I took office, powering a historic recovery in American manufacturing.”

“My economic plan is focused on bringing inflation down, without giving up all the economic gains we have made,” he said. “Congress has an historic chance to do that by passing the CHIPS and Science Act and Inflation Reduction Act without delay.”

Biden’s comments came just days after he said the U.S. was “not coming into recession.”

“We’re not coming into recession, in my view,” Biden said Monday. “I don’t think we’re going to — God willing — I don’t think we’re going to see a recession.”

Recessions typically refer to two consecutive quarters of negative economic growth.

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Bahnsen Group managing partner David Bahnsen argues the Fed is coddling markets, telling ‘Varney & Co.’ the economy is facing a supply-side generated inflation problem.

But in a blog post on July 21, the White House Council of Economic Advisers attempted to change the definition of a recession, saying that two consecutive quarters of falling GDP doesn’t mean the country is in a recession.

“What is a recession? While some maintain that two consecutive quarters of falling real GDP constitute a recession, that is neither the official definition nor the way economists evaluate the state of the business cycle,” the blog post states.

Citing figures from the National Bureau of Economic Research (NBER), the post states that their “recession indicator variables” have “exhibited strong growth in the U.S. economy since the start of the pandemic, and have continued to expand through the first half of this year.”

Thursday’s GDP report revealed back-to-back declines in growth, bringing the economy to the technical criteria for a recession, which requires a “significant decline in economic activity that is spread across the economy and that lasts more than a few months.”

Still, the NBER — the semi-official arbiter — may not confirm it immediately as it typically waits up to a year to call it.

The NBER has also stressed that it relies on more data than GDP in determining whether there’s a recession, such as unemployment and consumer spending, which remained strong in the first six months of the year. It also takes into consideration the depth of any decline in economic activity.

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1. Economy-Business-Fin/Invest
2. Main
3. Politics-Geopolitics-Gov.-Events

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