

Latest GDP Data Fail to Support Major Indexes

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Stocks fell Wednesday as investors reacted to the second-quarter GDP revisions, which showed the U.S. economy growing at its slowest pace in eight years.

In mid-afternoon trading, the Dow Jones Industrial Average was down 102 to 10120 after dropping 160 the previous session. The Nasdaq Composite Index lost 20.70 to 1844.20 after losing 47, or 2.5%, on Tuesday.

Other major indexes were off. The Standard & Poor's 500-stock index declined 8.90 to 1152.60, the New York Stock Exchange Composite Index was down 2.90 to 595.90, and the Russell 2000 Index of small-capitalization

stocks edged down less than a point to 473.30.

Bonds rose and the dollar was mixed.

U.S. economic growth was slower than first estimated in the second quarter, as businesses continued to slash spending. GDP growth was revised to 0.2% from the initial estimate of 0.7%.

Despite the downward revision, consumers once again propped up the headline number. The GDP report revised consumer spending, which accounts for two-thirds of all economic activity, to 2.5% growth from 2.1%.

Economists had expected the latest reading to show no economic growth at all, and many market watchers were prepared to see a negative number. Two quarters of a negative GDP rate signifies a recession.

Still, the negative-GDP scenario isn't out of the picture -- next month the government releases its final look at the quarter.

One economist said the reaction to the GDP numbers didn't bode well for the economy or the stock market. "Falling stocks and rising bonds means the markets see a recession coming," said David L. Smith, an economist and editor of *Cyclical Investing Reports*.

While the GDP report confirmed a decline in corporate spending, Mr. Smith added that recent indicators seem to hint at a pullback in consumer spending as well.

"Yesterday's fall in consumer confidence -- added to last month's decline in consumer credit plus recent weak existing housing and back-to-school sales -- tells the market the other shoe is about to drop."

