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## Recession In The US 'Has Arrived'

**The feared recession in the US economy has already arrived, according to a report from Merrill Lynch.**

**By The BBC**

**08/01/08 "BBC"** -- -It said that Friday's employment report, which sent shares tumbling worldwide, confirmed that the US is in the first month of a recession.

Its view is controversial, with banks such as Lehman Brothers disagreeing.

But a reserve member of the committee that sets US rates warned that it could do little about the below-trend growth expected in the next six months.

"I am concerned that developments on the inflation front will make the Fed's policy decisions more difficult in 2008," Charles Plosser, president of the Federal Reserve Bank of Philadelphia said.

He was referring to the problems faced by the US Federal Reserve, which might want to cut interest rates to avoid a recession, but is worried about inflationary factors such as \$100-a-barrel oil.

### 'Significant decline'

An official ruling on whether the US is in recession is made by the National Bureau of Economic Research, but this decision may not come for two years.

The NBER defines a recession as "a significant decline in economic activity spread across the economy, lasting more than a few months".

It bases its assessment on final figures on employment, personal income, industrial

production and sales activity in the manufacturing and retail sectors.

Merrill Lynch said that the figures showing the jobless rate hitting 5% in December were the final piece in that puzzle.

"According to our analysis, this isn't even a forecast any more but is a present day reality," the report said.

### **'Actual downturn'**

But NBER president Martin Feldstein denied Merrill's claims.

"I think we're not in a recession now," he told CNBC.

"But I think there is a serious risk that it could get worse and we could see an actual downturn," he added.

Merrill said that the current consensus view on Wall Street that there is a good chance of avoiding a recession is "in denial".

It also objected to the use of euphemistic terms for the state of the economy.

"To say that the backdrop is 'recession like' is akin to an obstetrician telling a woman that she is 'sort of pregnant'," the report said.

### **Housing figures**

There were further signs of the housing slowdown that has sparked off the problems in the US economy in home sale figures.

Pending sales of existing homes fell 2.6%, according to the National Association of Realtors, which saw its pending sales index drop to 87.6 in November, 19.2% below the point it was at a year ago.

The figures were better than expected, however, because October's index reading was revised upwards from 87.2 to 89.9.

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