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US Economic Dip Sparks Fresh Recession Fears

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The U.S. economy shrank by 0.5% in the first quarter of 2025, according to updated figures released Monday by the Commerce Department. This is a larger decline than the initial estimate of 0.3%, and it's raising new concerns about a possible slowdown.

This marks the first time the economy has contracted since early 2023. Economists say the decline shows that growth is weakening more than expected, even as inflation continues to ease.

The drop was driven by slower consumer spending, weaker business investment, and a dip in exports. High interest rates meant to fight inflation are now making it harder for families to borrow and for companies to grow.

“Americans are spending less, and companies are starting to hold back,” said Amanda Liu, senior economist at Northview Analytics. “This report confirms the economy is under more pressure than we thought.”

Consumer spending, which makes up most of the U.S. economy, grew at a slower pace. Businesses also reduced spending on equipment and cut back on hiring. Exports fell slightly due to weaker demand overseas.

The stock market reacted quickly to the news. The Dow Jones Industrial Average dropped more than 300 points, while the S&P 500 and Nasdaq also fell. Investors are now focused on what the Federal Reserve will do next.

The Fed has raised interest rates over the past two years to bring down inflation, but this new data could cause it to pause or even lower rates if the economy continues to weaken.

“The Fed is in a tough spot,” said Eli Morales, a financial strategist at Shoreline Capital. “They don’t want to slow the economy too much, but they also don’t want inflation to come back.”

The White House responded to the report by pointing to job growth and lower inflation as signs that the economy is still on solid ground. Still, many economists are cautious about the rest of the year.

“This isn’t a crisis,” Liu said, “but it is a sign that growth is slowing more than expected.”

With the second quarter nearly over, many are watching closely to see if this is just a temporary dip or the start of a longer slowdown.