

Oil Prices Spiral Downwards as Economic Gloom Intensifies

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Crude oil prices continued their downward spiral during the week as new data confirmed that U.S. economic growth is slowing.

The benchmark West Texas Intermediate contract settled 2.6% lower for the week on Friday, at \$73.46 a barrel compared to the \$75.39 close a week ago, itself a decline of 7% from the previous week.

News Thursday of an increase in jobless claims and a slowdown in manufacturing activity in the key mid-Atlantic region knocked both stock prices and commodity prices.

The Friday close marked oil's lowest price since the beginning of July as recurring doubts about the economy take the steam out of any rally in prices. Market participants speak of a malaise in the absence of any breakthrough on the economic front.

Initial claims for jobless insurance in the U.S. rose 12,000 in the week to 500,000, the Labor Department reported on Thursday. Consensus forecasts had predicted a drop in jobless claims. Separately, the Federal Reserve Bank of Philadelphia said on Thursday that its index of manufacturing activity in the region fell to -7.7 points in the month, after registering 5.1 points in July. The Dow Jones Industrial Average fell 1.4% to 10,271 in Thursday trading.

Economists continue to debate the prospects of a double dip recession, with some claiming that the U.S. actually is in the grip of a long recession punctuated by periods of slow growth that don't really constitute a recovery. Unemployment remains stubbornly high at 9.5%.

Although crude oil inventories declined in the week, according to Wednesday's report from the Energy Information Administration, the decline was less than expected and overall stockpiles of crude and refined products remained at record levels amid the sluggish demand. Supplies rose to 1.13 billion barrels, the EIA said, the highest level since the introduction of weekly reports in 1990.

Not even the weather cooperated in a dismal week for oil. One low-pressure system over the Atlantic looked like it would turn north, avoiding the Gulf of Mexico and possible disruption of oil supplies. The system, which would be named Danielle, has only a 40% chance of becoming a tropical depression, the National Hurricane Center said.

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