



# **JOINT ECONOMIC COMMITTEE**

## **ROBERT F. BENNETT, VICE CHAIRMAN**

### **GDP Grew at a 1.6% Annualized Rate in the 3<sup>rd</sup> Quarter**

The Bureau of Economic Analysis released its “advance” estimate of growth in the inflation-adjusted (“real”) gross domestic product (GDP) for the 3<sup>rd</sup> quarter of 2006 ( available at <http://bea.gov/bea/newsrelarchive/2006/gdp306a.pdf> ).

GDP growth in the 3<sup>rd</sup> quarter was estimated to have been an annualized 1.6%, an expected continuation of the moderation from the rapid 5.6% rate of growth in the 1<sup>st</sup> quarter. In the 2<sup>nd</sup> quarter, real GDP increased 2.6%.

#### Highlights:

- The deceleration in GDP growth in 3<sup>rd</sup> quarter relative to the 2<sup>nd</sup> quarter primarily reflected an acceleration in imports, lower inventory investment, a larger decline in residential investment, and slower growth in some components of consumer spending.
  - Overall personal consumption spending increased at a 3.1% annualized rate in the 3<sup>rd</sup> quarter, up from a 2.6% gain in the 2<sup>nd</sup> quarter.
  - Non-residential investment grew at a healthy 8.6% annualized rate in the 3<sup>rd</sup> quarter, up from an increase of 4.4% in the 2<sup>nd</sup> quarter.
- GDP growth has averaged 3.0% over the past 20 quarters of consecutive increases in the Nation’s output of goods and services.
  - Growth has averaged over 3.5% since pro-growth tax relief was enacted in 2003, compared to an average of 1.3% between the beginning of 2001 and the 3<sup>rd</sup> quarter of 2003.
- The personal consumption expenditure (PCE) price index excluding volatile food and energy prices, one of the Fed’s preferred measure of consumer prices, grew at an annualized 2.3% rate relative to the 3<sup>rd</sup> quarter, a deceleration from 2.7% in the 2<sup>nd</sup> quarter.

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