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For Immediate Release
October 27, 2006

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ECONOMY SLOWS FURTHER IN THE THIRD QUARTER

Washington, D.C. – The economy grew at a 1.6 percent annual rate in the third quarter, according to the Department of Commerce. The economy has been slowing since the first quarter of this year, and growth in the past six months has been below the long-term rate necessary to keep the unemployment rate from rising.

"This report undercuts the President's claim that his tax cuts are working," said **Sen. Jack Reed** (D-RI), Ranking Democrat on the **Joint Economic Committee (JEC)**. "Economic growth has slowed even before most ordinary Americans have benefited from this recovery. Job creation has stalled and high prices for energy, health insurance, and college costs continue to squeeze most families. It's clear that we need a new direction in policy to create an economy that works for all Americans."

The rebound from last year's hurricanes and other special factors produced an unsustainable growth spurt in the first quarter of this year, with real (inflation-adjusted) gross domestic product (GDP) growing at a 5.6 percent annual rate. Growth was expected to slow and it did, falling to 2.6 percent in the second quarter. However, the 1.6 percent rate for the third quarter is even less than forecasters and financial markets were expecting earlier this year. Most economists, including Fed Chairman Bernanke, believe that growth of 3 to 3½ percent is sustainable without generating inflationary pressures.

Residential housing was a major drag on overall activity, dropping at an annual rate of 17.4 percent, the largest decrease since the first quarter of 1991. The decline in housing alone sliced 1.1 percentage points off the overall growth rate. Imports of goods and services grew more rapidly than exports and the resulting widening of the trade deficit reduced overall growth by an additional 0.6 percentage point. Since summer, many economists, including those at the Federal Reserve, have been marking down their projections for growth in the second half of the year.

The Joint Economic Committee, established under the Employment Act of 1946, was created by Congress to review economic conditions and to analyze the effectiveness of economic policy.

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