



CONGRESS OF THE UNITED STATES

JOINT ECONOMIC COMMITTEE

CHAIRMAN JIM SAXTON

PRESS RELEASE

For Immediate Release
October 27, 2006

ECONOMIC GROWTH CONTINUES FOR 20 CONSECUTIVE QUARTERS

Press Release #109-101
Contact: Christopher Frenze
Executive Director
(202) 225-3923

WASHINGTON, D.C. – Inflation-adjusted gross domestic product (GDP) advanced at an annual rate of 1.6 percent in the third quarter of 2006 and 2.9 percent over the last year. In the third quarter of 2006, consumer spending increased 3.1 percent, while equipment and software investment rose 6.4 percent. However, a decline in residential investment shaved over one percentage point off the growth rate in the last quarter. The Commerce Department data release “emphasized that the third-quarter ‘advance’ estimates are based on source data that are incomplete or subject to further revision...”

A number of economists, including former Federal Reserve Chairman Alan Greenspan, suggest that most of the correction in the real estate sector may have already occurred. If so, residential investment may have less of a negative impact on GDP growth going forward. Contrary to some predictions, the softness in the real estate sector has been well contained and has not devastated consumer spending or other aspects of the economy. Chairman Jim Saxton made the following statement about the new data released by the Commerce Department today:

“Consumer spending and business investment are both growing at healthy rates. The decline in residential investment has had a negative impact on the advance estimate, as is to be expected. However, it is important to emphasize that the correction in real estate is not having significant effects on other sectors of the economy.

“Fortunately, the recent sharp reductions in gasoline and other energy prices have boosted the real incomes of consumers, while reducing production costs of businesses. The real earnings of American workers have increased 2.2 percent over the last year, 1 percent in September alone. The fall in energy prices has helped to offset much of the impact of the real estate correction. The U.S. economy is on track to grow at a rate of about 3 percent in 2006, as forecast by the Federal Reserve.”

###