



JOINT ECONOMIC COMMITTEE  
SENATOR CHARLES E. SCHUMER  
CHAIRMAN



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## **SCHUMER: GDP REBOUND IS ENCOURAGING, BUT SUBPRIME MARKET WOES AND HOUSING SLUMP WORRISOME FOR LONG-TERM STRENGTH OF U.S. ECONOMY**

Today, U.S. Sen. Charles E. Schumer, the Chairman of the Joint Economic Committee, responded to the Department of Commerce advance report of 3.4 percent growth in the nation's Gross Domestic Product (GDP) for the second quarter of 2007. The GDP is the most comprehensive measure of our domestic production.

**“This GDP rebound is a temporary oasis amidst too much bad economic news. Unless we curb the impact of the subprime mortgage market fallout, I will continue to be concerned about the ability of the housing market to recover and prevent further drag on the U.S. economy. Rogue lenders, unscrupulous mortgage brokers, and an absence of federal standards and enforcement have seriously damaged one of the most important engines of our economy – the housing market,”** Schumer said.

Sales of new homes decreased 6.6 percent in June, a 22 percent drop from the same time last year, underscoring the effects of the subprime mortgage lending fallout that has pushed the housing market into its worst slump in 16 years. The National Association of Realtors yesterday revealed sales of previously owned homes fell 3.8 percent to an annual rate of 5.75 million, the slowest pace since November 2002. June home building permit applications, announced last week, dropped far below expectations to the lowest rate in the last decade, Reflecting pessimism among builders over the near-term outlook for new homebuilding, permits were down 7.5 percent to 1.406 million units, just slightly higher than the 1.402 million unit rate in June of 1997.

### **Some quick facts on today's economic news:**

***Economic growth rebounded in the second quarter of 2007.*** Real (inflation-adjusted) gross domestic product (GDP) grew at a 3.4 percent annual rate in the second quarter. That growth follows a 0.6 percent advance in the first quarter. In the second quarter, real GDP was only 1.8 percent above its level a year earlier. Economists do not expect the 3.4 pace of growth in the second quarter to be sustained in the second half of the year.

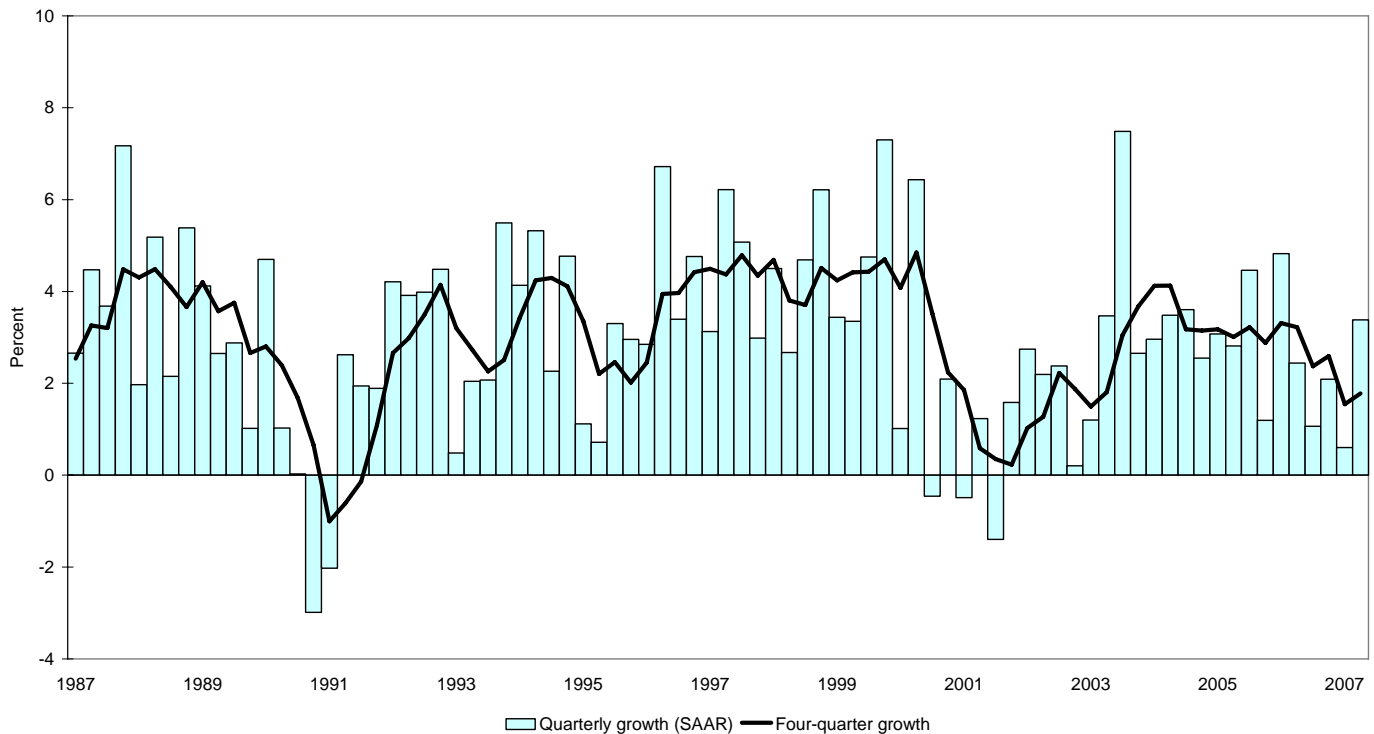
***The second-quarter acceleration in economic growth was widely anticipated and largely reflects growth in components of demand that were unusually low in the first quarter.*** The acceleration in real GDP growth in the second quarter reflects an upturn in the trade balance on goods and services

(exports accelerated and imports turned down), a pickup in federal defense spending and inventory accumulation, and some acceleration in business investment, concentrated in construction. While business investment in equipment and software accelerated in the second quarter, its 2.3 percent growth pace (annual rate) remains slow.

**Housing continued to decline in the second quarter.** Real residential investment fell at a 9.3 percent annual rate—the sixth consecutive quarterly decline—and subtracted ½ percentage point off the pace of GDP growth.

**Consumer spending slowed sharply in the second quarter.** Real (inflation-adjusted) consumption expenditures grew at a 1.3 percent annual rate. That is considerably slower than consumption growth in the first quarter (3.7 percent) and the fourth quarter of last year (3.9 percent).

Growth of Real Gross Domestic Product: Quarterly, 1987:I-2007:II  
(Source: Bureau of Economic Analysis)



The Department of Commerce releases its advance second-quarter estimate of GDP before June data are available on some components on GDP (particularly, the trade deficit and inventory change). The Department will revise its first-quarter estimates in late August, using more complete data

*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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