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GDP SLOWS AND REAL WAGES REMAIN FLAT; RECOVERY HAS BEEN WEAKER THAN PREVIOUSLY THOUGHT

Washington, D.C. – The economy expanded at a 3.4 percent annual rate in the second quarter, according to the advance estimate of gross domestic product (GDP) released today by the Bureau of Economic Analysis (BEA) of the Department of Commerce. The economy's average annual growth rate for 2001-2004 was lowered to 2.8 percent from 3.1 percent in the annual revisions to the national income and product accounts included with today's estimates.

Wage growth was exceptionally weak in a separate report on the employment cost index (ECI), released today by the Bureau of Labor Statistics (BLS). Employer costs including both wages and non-wage compensation rose 0.7 percent in the second quarter to a level just 3.2 percent higher than a year earlier. The wage component rose just 2.4 percent over the past 12 months, while consumer prices rose 2.5 percent.

"Today's data show that economic growth is healthy, but certainly not strong enough to deliver a satisfactory recovery in jobs and wages," said **Sen. Jack Reed** (D-RI), Ranking Democrat on the **Joint Economic Committee (JEC)**. "Workers have been shortchanged in this recovery, with job gains barely enough to keep up with normal growth in the labor force and wages struggling to keep up with inflation."

The 3.4 percent annual rate of growth of real (inflation-adjusted) gross domestic product in the second quarter was about in line with market expectations, but lower than the 3.8 percent annual rate in the first quarter. The downward revision of estimated growth for 2001-2004 to below that range may help explain why employment growth was so unusually low during that period. Job growth has been just enough to keep up with normal expansion in the labor force, but it is well below the pace of job creation typically seen in a strong economic recovery.

Sluggish growth in the ECI is consistent with other evidence of earnings weakness. In the past 12 months, for example, average hourly earnings of production or nonsupervisory workers were flat after adjusting for inflation. The stagnation of earnings in the face of higher prices for gasoline, food, and medical care is squeezing the take home pay of workers.

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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