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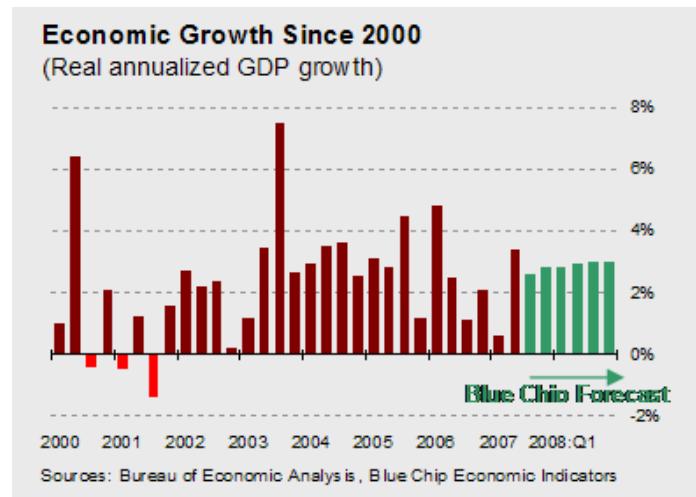
July 27, 2007

GDP Grew at a 3.4% Annualized Rate in the 2nd Quarter

The Bureau of Economic Analysis (BEA) released its “advance” estimate of 3.4% annualized growth in the inflation-adjusted (“real”) gross domestic product (GDP) for the 2nd quarter (<http://www.bea.gov/newsreleases/national/gdp/gdpnewsrelease.htm>). Real GDP grew at a 0.6% in the 1st quarter of this year.

Highlights of today’s GDP report:

- The increase in real GDP in the 2nd quarter primarily reflected consumer spending (which grew 1.3%), exports (which grew 6.4%), non-residential structure investment (which grew 22.1%), federal government spending (which grew 6.7%), and state and local government spending (which grew 2.9%).
- The acceleration in growth relative to the 1st quarter primarily reflected lower imports (imports decreased 2.6% in the 2nd quarter, compared to an increase of 3.9% in the 1st quarter), an upturn in federal government spending (which increased 6.7% in the 2nd quarter, compared to a decrease of 6.3% in the 1st quarter), an upturn in inventory investment (which added 0.15 percentage point to the 2nd-quarter change in real GDP, after subtracting 0.65 percentage point from the 1st-quarter change), an acceleration in exports (which increased 6.4% in the 2nd quarter, compared to an increase of 1.1% in the 1st quarter), an acceleration in non-residential structures investment (which increased 22.1% in the 2nd quarter, compared to an increase of 6.4% in the 1st quarter), and a smaller decline in residential investment (which decreased 9.3% in the 1st quarter, compared to a decrease of 16.3% in the 1st quarter).
- Partly offsetting the factors above that contributed positively to the acceleration in growth in real GDP relative to the 1st quarter was a notable deceleration in consumer spending (which increased 1.3% in the 2nd quarter, compared to an increase of 3.7% in the 1st quarter).
- Residential investment has declined for six consecutive quarters.
- There have been 23 consecutive quarters of expansion of the Nation’s GDP.
- Real GDP growth has averaged 3.0% since enactment of tax relief in 2003 and 2.4% since the beginning of 2001. Over the past four quarters, growth has averaged a below-trend 2.7%, partly reflecting continued adjustments in the housing sector.



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