

Is This the Recovery?

7.2 % GDP Growth in Third Quarter

[Fadhel Kaboub](#) Nov . 03 . 2003

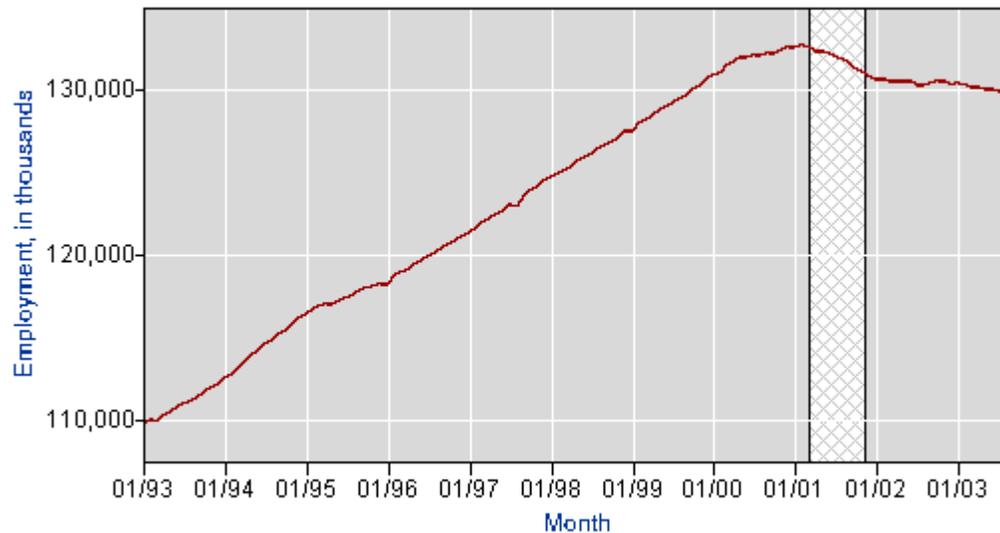
Real gross domestic product (GDP) increased at an annual rate of 7.2 % in the third quarter of 2003, according to advance estimates of the Bureau of Economic Analysis (BEA) released on Oct. 30.

" That's the fastest growth we've had in nearly 20 years," said President George Bush .

According to the BEA, the major contributors to the increase in real GDP in the third quarter were consumer spending, equipment and software purchases, residential fixed investment and exports.

Sen. Joseph Lieberman (D-Conn.), called the GDP figures "encouraging" but said : "We've lost more than three million jobs. "Three million people have fallen into poverty," Lieberman stated.

Total nonfarm payroll employment (seasonally adjusted)



Note: Cross-hatched area represents recession.

Source: Bureau of Labor Statistics (BLS)

According to recent BLS figures, only 54,000 jobs were added in September. However, nearly two-thirds of them - about 33,000 - were non-permanent, and job losses in the manufacturing sector continue to increase.

The Fed has been cutting interest rates over the last year and a half, reaching historical low levels in an effort to revive the sluggish US economy.

"The US has lost 427,000 jobs since September 2002," said Stephanie Bell, UMKC Economics Professor.

"With so much ground to make up the Fed may be resisting rate hikes in order to orchestrate a more traditional recovery - one that includes job growth as well as growth of GDP," said Bell.

"GDP growth of 7.2 % is the most rapid growth since the first quarter of 1984, and that's going to mean rising incomes and living standards for Americans," said Gregory Mankiw, Chairman of the White House Council of Economic Advisors.

"Those who think the recovery is here and has been complete need to continue to watch the employment and unemployment news, as well as the contribution of military and other government spending to the recent up-tick in growth, which can cover for some weakness in the private sector," said Mathew Forstater, UMKC Economics Professor, and Director of the Center for Full Employment and Price Stability (C-FEPS).

The fourth quarter of 2003 could bring about more decisive indicators about the robustness of the US economy, which would influence market expectations. Until then, uncertainty continues to overshadow the economic landscape.

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