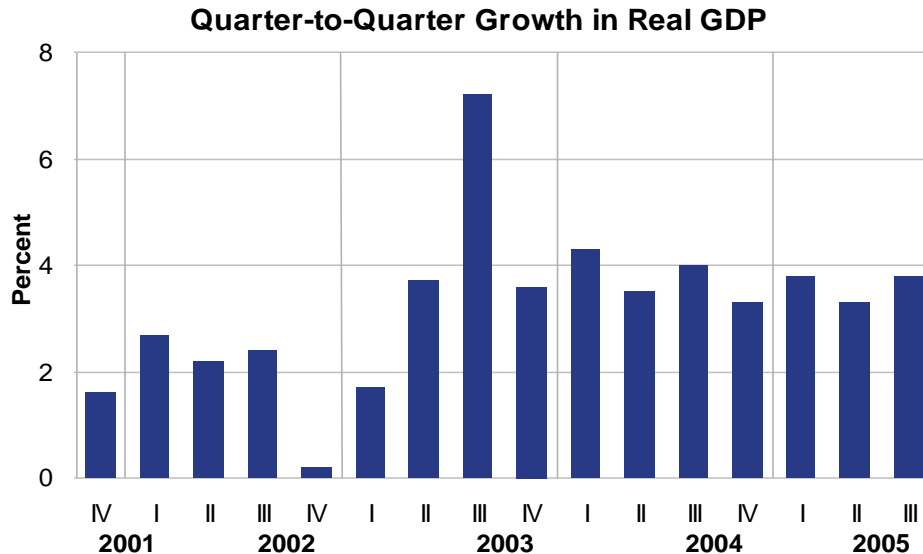


## ECONOMY ACCELERATES IN THE THIRD QUARTER

*"Advance" Estimates of GDP*

Real gross domestic product (GDP), the most comprehensive measure of economic activity, increased 3.8 percent in the third quarter after increasing 3.3 percent in the second quarter, according to estimates released today by the Bureau of Economic Analysis.



*Real GDP growth is measured at seasonally adjusted annual rates.*

The following components contributed to the third-quarter increase in real GDP:

- Consumer spending on goods and services increased 3.9 percent.
- Business investment in equipment and software increased 8.9 percent.
- Federal government spending increased 7.7 percent.
- Residential fixed investment increased 4.8 percent.

The higher GDP growth rate in the third quarter resulted from inventories—which continued to be drawn down, but at a slower pace than in the second quarter—and from faster growth in consumer spending and Federal government spending. These were partly offset by a slowdown in exports.

Inflation, as measured by prices for domestic purchases, increased 4.0 percent in the third quarter after increasing 3.3 percent. Excluding food and energy, prices increased 2.2 percent following a 2.1-percent increase. Real disposable personal income decreased 0.9 percent after increasing 1.5 percent in the second quarter.

### The Effects of the Hurricanes

Most of the effects of hurricanes Katrina and Rita are embedded in the retail sales and other source data used to calculate GDP. These data do not separately identify the hurricanes' effects. Therefore, the economic impact of the hurricanes cannot be specifically quantified. However, for selected components for which the source data do not fully capture the effects, BEA makes adjustments. For more information, see [www.bea.gov/bea/faq/national/disasters.htm](http://www.bea.gov/bea/faq/national/disasters.htm).

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BEA data—including GDP, personal income, the balance of payments, foreign direct investment, the input-output accounts, and economic data for states, local areas, and industries—are available on the BEA Web site: [www.bea.gov](http://www.bea.gov).

NOTE: Additional information that becomes available in the coming weeks will be incorporated in a revised estimate of third-quarter GDP—and a preliminary estimate of corporate profits—on November 30, 2005.