

# National Economic Trends

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The growth rate of the nation's output slowed in the third quarter of this year, according to the advance estimate of the national income and product accounts. Real GNP growth slowed to a 2.2 percent annual rate from the 4.2 percent increase registered in the previous year. The table below shows the compounded rate of change for real GNP and selected components for both the third quarter and the previous year.

Two components, business purchases of equipment and exports, played the dominant role in the rapid growth of real GNP and its subsequent slowing. In the year ending in the second quarter, real exports rose 19.3 percent. During the same period, producers' durable equipment purchases rose 16.3 percent, a strong rebound from their stagnant performance over the prior two and one-half years when they were adversely affected by the Tax Reform Act of 1986.

The growth of purchases of exports and producers' durable equipment was relatively rapid in the third quarter, but such growth was much slower than it had been in the previous year. While these two components account for less than 22 percent of real GNP, their rise in the third quarter accounted for 70 percent of the rise in real GNP. The rise in such purchases had accounted for 80 percent of the rise in real GNP during the previous year. The slowdown in their growth accounted for the decline in real GNP growth shown in the table; real GNP less exports and equipment purchases grew at about a 1 percent rate in both periods.

## Annual Growth Rates of Real GNP and Selected Components

	<u>II/1988 to III/1988</u>	<u>II/1987 to II/1988</u>
Real GNP	2.2%	4.2%
Exports	8.4	19.3
Producers' durable equipment (PDE)	5.8	16.3
Personal consumption expenditures	3.5	2.5
Nonresidential structures	1.6	3.4
Residential investment	1.3	-4.0
Government purchases	-1.4	1.5
Real GNP less exports and PDE	0.9	1.0

— John A. Tatom

