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STATEMENT BY COURTENAY M. SLATER, CHIEF ECONOMIST FOR THE
DEPARTMENT OF COMMERCE, ON FOURTH QUARTER GNP

During the 2nd half of 1980 real GNP rose at an annual rate of 3.7 percent, restoring most --but not all-- of the ground lost to the recession during the 2nd quarter. In the 4th quarter real GNP was still about 0.8 percent below its 1st quarter peak.

Growth during the 2nd half was entirely in final sales to consumers and private businesses. Real government purchases were little changed and business inventories were reduced somewhat.

The inflation rate (as measured by the GNP fixed weight price index) showed only minor variation during the year. In the 4th quarter, the Federal pay raise added 1.4 percentage points to the rate of price increase. Apart from this special factor, the inflation rate remained between 9 and 10 percent.

The recovery of home building and motor vehicle production from their depressed 2nd quarter levels accounted for much of the growth during the 2nd half, but both of these industries continue to operate well below previous peaks. New domestic auto production in the 4th quarter was about 25 percent below the 1st quarter in 1979 in real terms. Residential construction was about 18 percent below 1st quarter 1979 levels.

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