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Economic Growth Surges To 4.8%

GDP Posts Fastest Climb in 2 1/2 Years

By [Fred Barbash](#) and [Bill Brubaker](#)

Washington Post Staff Writers
Saturday, April 29, 2006; Page D01

The nation's economy regained momentum in the first quarter of the year as it recovered from the hurricanes of 2005, the Commerce Department reported yesterday, growing at a rate of 4.8 percent, compared with 1.7 percent in the previous quarter.

It was the hottest annualized pace for the gross domestic product in 2 1/2 years, with robust spending by consumers, business and government all doing their part.

"This rapid growth is another sign that our economy is on the fast track," President Bush said.

But the Commerce Department report was no surprise to economists, who expected a bounce-back from the slowdown following the hurricanes in the Gulf of Mexico region, including Hurricane Katrina. The rate announced yesterday was more in line with the pre-hurricane quarterly pace.

"It reflects the pickup" after the hurricane, said Treasury Secretary John W. Snow, speaking on

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Attendees to a job fair sponsored by the Hispanic Alliance for Career Enhancement file into the Jacob Javits Convention Center Wednesday, April 26, 2006 in New York. The Labor Department will issue unemployment figures on Thursday. (Mark Lennihan - AP)

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CNBC. "I would expect to see some moderation" for the rest of the year.

Spending on motor vehicles, business equipment and software contributed to the performance. Overall business spending increased by 14.3 percent, the fastest pace in six years.

Exports accelerated by 12.1 percent. Imports grew more, however, at an annualized rate of 13 percent, contributing to the nation's record-setting trade deficit.

And consumer spending increased at an annual rate of 5.5 percent in the first quarter, the most since the third quarter of 2003.

The numbers released yesterday do not reflect the sharp run-up in oil prices this month.

House Democratic Leader Nancy Pelosi of California called the report "cold comfort to working Americans faced with the reality of struggling to pay their bills."

"Gas prices have doubled, oil company profits have tripled, and real income has stalled," Pelosi said in a statement. "Middle-class Americans are feeling squeezed and going deeper into debt, while the wealthy few are rewarded with giveaways, subsidies, and tax breaks."

While Bush trumpeted the Commerce Department results, he also said: "This good news cannot be taken for granted. With gas prices on the minds of Americans, we need to keep our foot on the pedal of this strong economy."

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Nationally, the average price of a gallon of regular gasoline was \$2.93 yesterday, up from \$2.50 a month ago, according to AAA.

"The surest way to put the brakes on our economic growth would be to raise taxes or spend too much of the people's money here in Washington," Bush said. "That's why I'm going to continue to work with Congress to make the tax relief that helped spur this economic growth permanent . . . [and] to make this country less dependent on foreign sources of oil."

The Commerce Department report said the rate of inflation decreased during the quarter, from 3.7 percent to 2.7 percent. Excluding food and energy, prices increased 3.1 percent.

Disposable personal income -- the amount available for personal spending or saving -- increased 3.8 percent, compared with a 6.7 percent increase in the previous quarter.

The GDP is the broadest statistical measure of U.S. economic activity, gauging the value of spending and investment for all goods and services.

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The report represents an advance estimate and is often subject to significant modification as more solid data arrive.

"This remarkable pace was partially catch-up from the 1.7 percent growth posted in the fourth quarter but also reflected fundamental shifts in the sources of demand," said Peter Morici of the University of Maryland's Robert E. Smith School of Business. "Business investment is increasingly the engine pulling the economy forward."

Separately, the Labor Department reported yesterday that total compensation costs for civilian workers increased 0.6 percent from December 2005 to March 2006, seasonally adjusted, compared with the 0.8 percent gain from September to December 2005.

The rate of increase for employee benefits slowed, rising 0.5 percent, compared with 0.9 percent in the previous quarter, the Labor Department said. Wages and salaries increased 0.7 percent during the quarter, the same percentage increase as the previous quarter.

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