



Economy grows at slowest pace in 3 years

Posted by [Stuart Staniford](#) on January 28, 2006 - 1:39am

Topic: [Economics/Finance](#)

Tags: [hubbert linearization](#), [hubbert peak](#), [oil prices](#), [peak oil](#) [[list all tags](#)]

Quoth BusinessWeek:

The economy slowed to a near crawl in the final quarter of 2005, a listless showing that was the worst in three years. However, growth was respectable for the year and is expected to perk up again soon.

Gross domestic product clocked in at an annual rate of just 1.1 percent from October through December. That marked a loss of speed compared with the third's quarter's brisk 4.1 percent pace, the Commerce Department reported Friday.

Belt tightening by consumers, businesses and the government figured into the fourth-quarter's slowdown.

Well, you [heard it here first](#):

Uh, oh! Look at that drop in growth rate from 2004 to 2005. There's never been a year in the past 35 years when that big a drop in the red line was not followed by a big drop in the blue line the same or the following year. This is particularly so when the blue line is as high above the red line as it is in 2004. Look at 1984-1985 for the closest precedent. So that suggests that the chances we'll drop to GDP growth at or around zero in the near future are excellent.

Where's Freddy Hutter? At the time (in late October) he [said](#):

Sorry Stuart, but while your analysis would indicate zero growth, the usa is indeed in the middle of its business cycle and the critical mass is such that growth avg'g greater than 2% is guaranteed til 2006Q4

and later [declared premature victory](#) over the Q3 results. Q3 was already over at the time I made my prediction about "the near future":

Hey Stuart, Real GDP was announced at 4.1% this morning. I have been a proponent of sustainable growth thru 2006/2007. With respect to our disagreement on potential USA growth wrt Miles Data on Oct 25th when u said:

"We'll see who's right :-). Maybe driving and economic activity have become uncoupled recently, but I doubt it. (I'm not saying zero growth btw - I have no way to be that precise. I just think the growth rate is bound to drop pretty significantly for a while.)"

Are u ready to say "uncle"?!!

The [New York Times](#) adds:

The intensity of the economic slowdown, which reduced yearly growth to 3.5 percent from 4.2 percent in 2004, surprised many forecasters, who had expected a sharp pickup in business investment in the final months of the year to take up some of the slack in consumer spending. They had predicted an overall growth rate of 2.5 percent to 3 percent in the nation's gross domestic product, the broadest measure of goods and services produced in the United States.

"It is not so much surprising as baffling," said Ian Shepherdson, chief economist for the United States at High Frequency Economics in Valhalla, N.Y.

He should have been looking at this:



1.1%. Oh, I feel a terrible attack of Schadenfreude coming on....

Ok, all kidding aside, if the [oil supply plateau](#) continues flat and prices go up some more, this could well be the start of the peak oil economic ugliness.



This work is licensed under a [Creative Commons Attribution-Share Alike 3.0 United States License](#).