

Document 1512

[21512001]

The government issues its first reading on third-quarter real gross national product this week in a report that is expected to disclose much tamer inflation .

[21512003]

But inflation , as measured by the GNP deflator in Thursday 's report , is expected to rise only 3.5 % , down from 4.6 % in the second quarter .

[21512004]

" Inflation could be a real surprise . " said Samuel D. Kahan , chief financial economist at Kleinwort Benson Government Securities Inc. , in Chicago .

[21512005]

" If that gets people excited , it could serve as an impetus to the fixed-income markets to lower their rates , " he added .

[21512006]

The week 's other notable indicators include mid-October auto sales , September durable goods orders as well as September personal income , personal consumption and the saving rate .

[21512007]

Most are expected to fall below previous-month levels .

[21512008]

Many economists see even slower GNP growth for the remainder of the year , with some leaning more strongly toward a possible recession .

[21512009]

In addition to softer production data , weaker housing starts and lower corporate profits currently in evidence , some analysts believe the two recent natural disasters - Hurricane Hugo and the San Francisco earthquake - will carry economic ramifications in the fourth quarter .

[21512011]

" The stock market is sick because profits are crumbling , " says Michael K. Evans , president of Evans Economics Inc. , Washington .

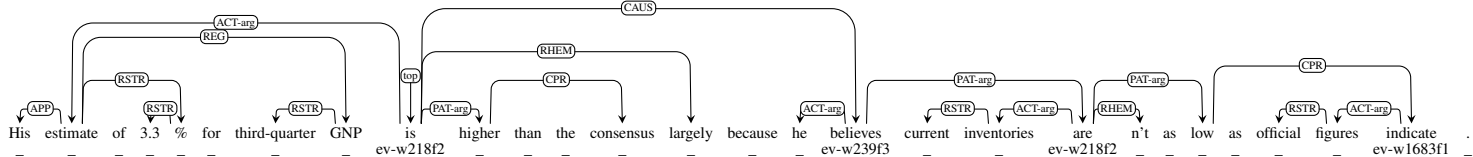
[21512012]

The economy , he noted , moves the market , not vice versa .

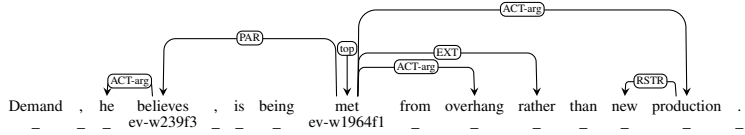
[21512013]

On the other hand , Mr. Evans expects the hurricane and the earthquake " to take a hunk out of fourth-quarter GNP . "

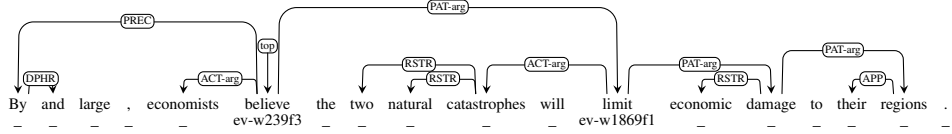
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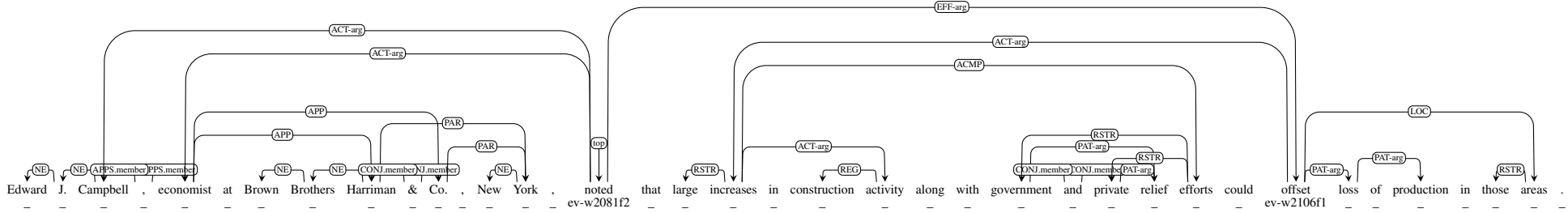
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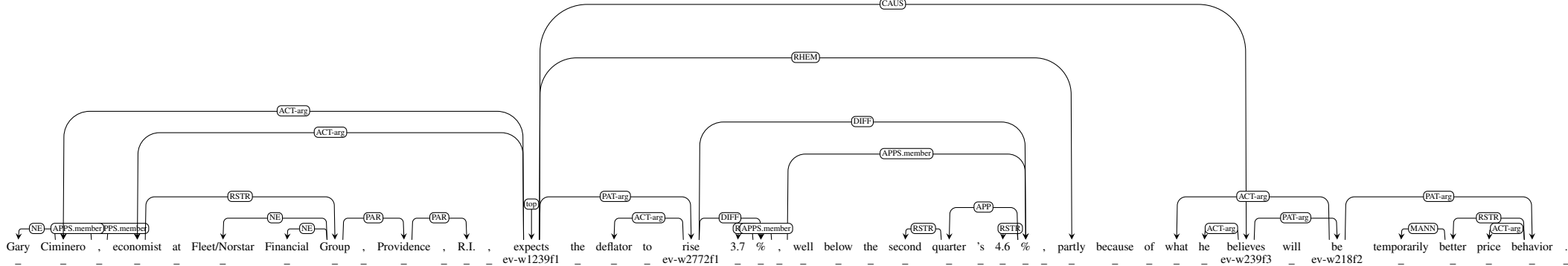
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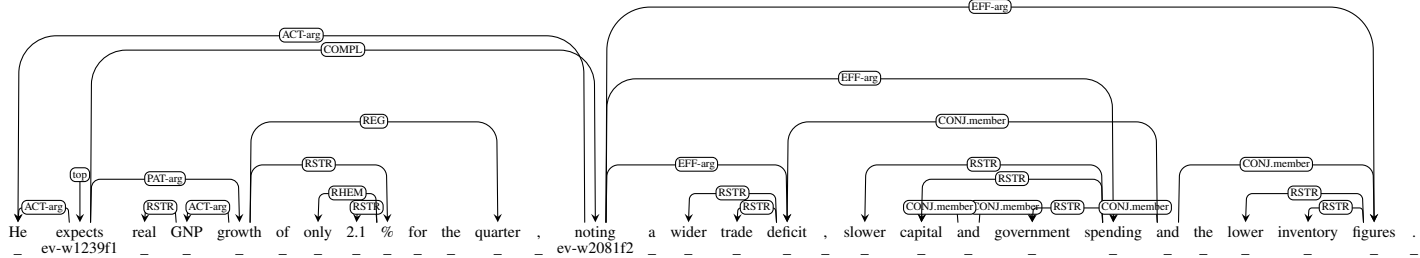
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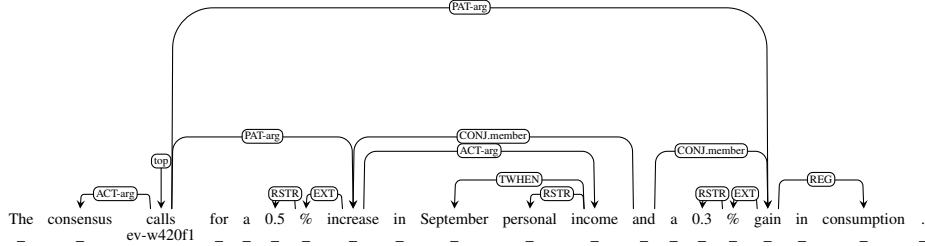
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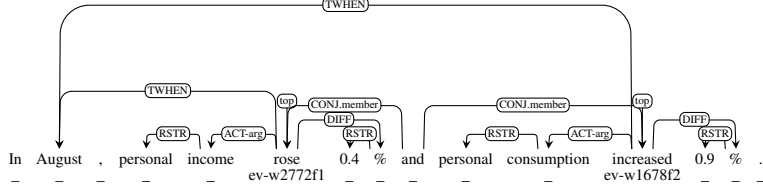
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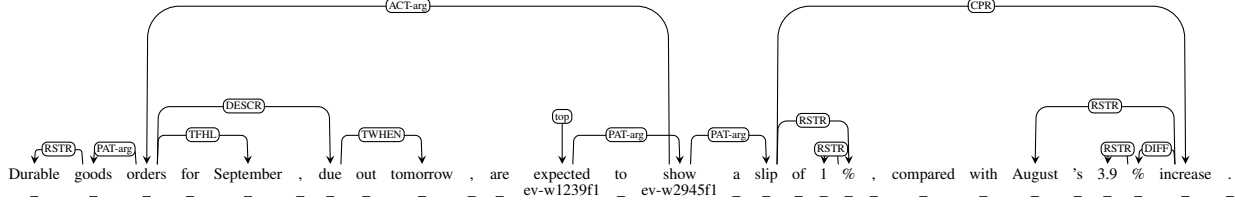
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