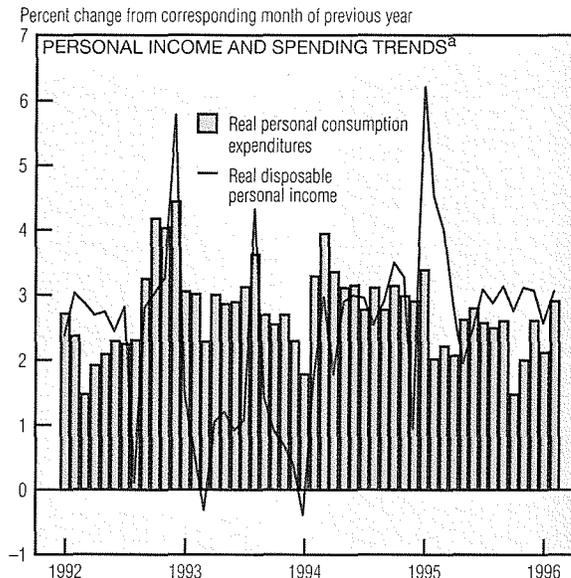
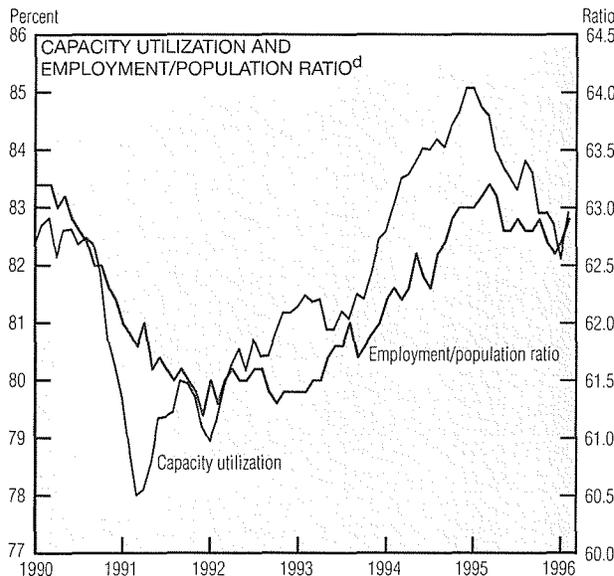
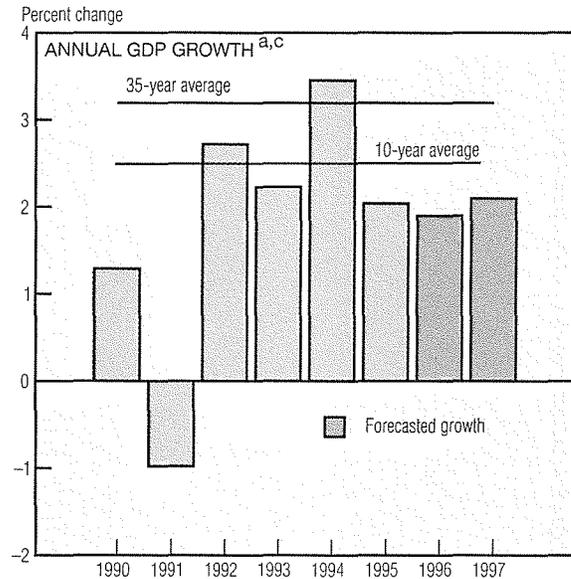


# Economic Activity

	Change, billions of 1992 \$	Percent change, last:	
		Quarter	Four quarters
Real GDP	8.2	0.5	1.3
Consumer spending	13.7	1.2	2.0
Durables	0.4	0.3	1.8
Nondurables	-1.2	-0.3	1.1
Services	14.1	2.2	2.6
Business fixed investment	5.6	3.1	6.7
Equipment	5.3	4.0	7.3
Structures	0.4	0.9	5.0
Residential investment	4.1	6.4	-1.4
Government spending	-13.2	-4.1	-1.3
National defense	-10.0	-12.0	-6.6
Net exports	17.7	—	—
Exports	20.7	11.1	6.5
Imports	3.0	1.3	4.6
Change in business inventories	-16.7	—	—



a. Chain-weighted data in 1992 dollars.

b. Seasonally adjusted annual rate.

c. 1996 and 1997 estimates are from *Blue Chip Economic Indicators*, March 10, 1996.

d. Seasonally adjusted.

SOURCES: U.S. Department of Commerce, Bureau of Economic Analysis; U.S. Department of Labor, Bureau of Labor Statistics; Board of Governors of the Federal Reserve System; and *Blue Chip Economic Indicators*.

Winter's recession fears have melted away, but forecasted growth rates—approximately 2% this year and next—remain below historic norms. Many economists, however, regard this rate as compatible with sustained expansion in an economy operating at high levels of industrial capacity and employment.

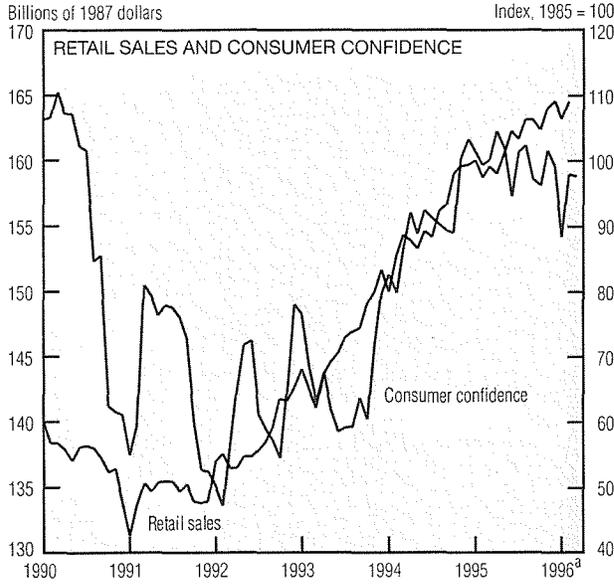
Downward adjustments in business fixed investment, smaller in-

ventory accumulation, and higher imports pared real GDP growth in 1995:IVQ to 0.5% from 0.9%. The revisions, however, included higher estimates of consumer spending. Real GDP grew 2.0% for all of 1995.

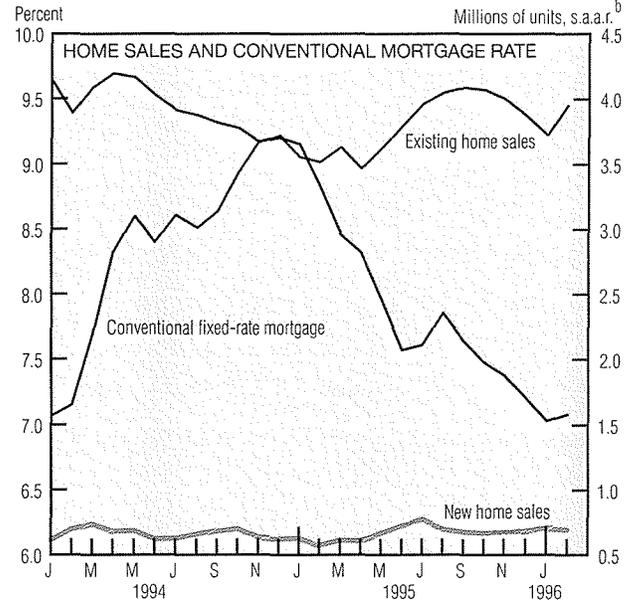
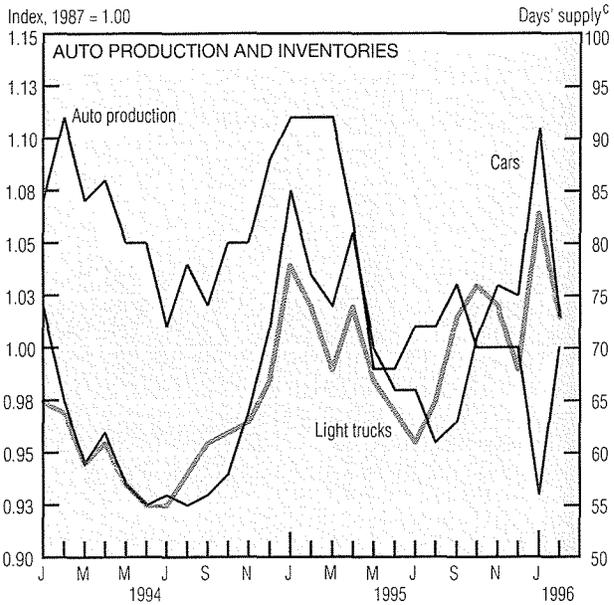
The outlook for consumers is cautiously optimistic. Real disposable income increased 3.1% in February and supported a rise in real personal consumption expenditures. With in-

come generally growing faster than consumption last year, consumers were able to improve their balance sheets. Household financial net worth showed a sharp rise, largely on the strength of equity market gains (see page 10). Overall consumer confidence, which sagged in late 1995, seems to be recovering. Estimates suggest that real retail  
(continued on next page)

# Economic Activity (cont.)



	Dec. 1994–	1995:IIIQ–	Dec. 1995–
	Dec. 1995	1995:IVQ	Feb. 1996
Total index	1.5	0.6	5.0
Consumer goods	0.4	-0.6	-0.5
Durable	-0.9	3.6	-7.4
Nondurable	0.8	-1.5	1.6
Business equipment	4.5	0.2	23.2
Defense and space equipment	-9.1	-16.1	-1.9
Intermediate products	-0.1	1.5	0.0
Materials	2.4	2.0	4.3



a. February data are estimated by deflating nominal retail sales by the Consumer Price Index for commodities.  
 b. Seasonally adjusted annual rate.  
 c. U.S. dealers' current stock as a share of daily average sales (includes domestic and imported vehicles).  
 SOURCES: U.S. Department of Commerce, Bureau of Economic Analysis and Bureau of the Census; U.S. Department of Labor, Bureau of Labor Statistics; The Conference Board; Board of Governors of the Federal Reserve System; the National Association of Realtors; the Federal Home Loan Mortgage Corporation; and Ward's Automotive Reports.

sales rose 0.8% in February. Industrial production surged in February, with growth in many categories offsetting January declines. Strong gains in the production of business equipment have led the index since December, but could diminish during the year if businesses follow through with plans to trim capital spending. The General Motors strike, which ended on March 22, will have some short-term ripple

effects on output, but should have no lasting impact on the pace of economic activity. Sales of light vehicles (at 15.8 million units) advanced 7.8% in February from year-ago levels, and the industry trimmed its inventories and increased production. Although production remains relatively weak, it could get a boost in April from strike-related inventory reductions in March.

New home sales fell 1.3% in February following three consecutive monthly gains. All of the decline was concentrated in the Midwest. Sales of existing homes jumped 6.5%, however—the first increase since September. Housing starts continued to rise in February. Although multi-unit housing starts improved, high vacancy rates seem to be holding them at low levels.