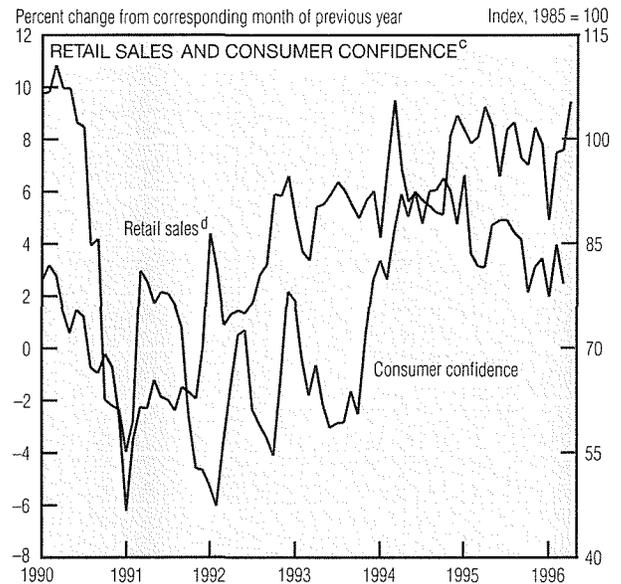
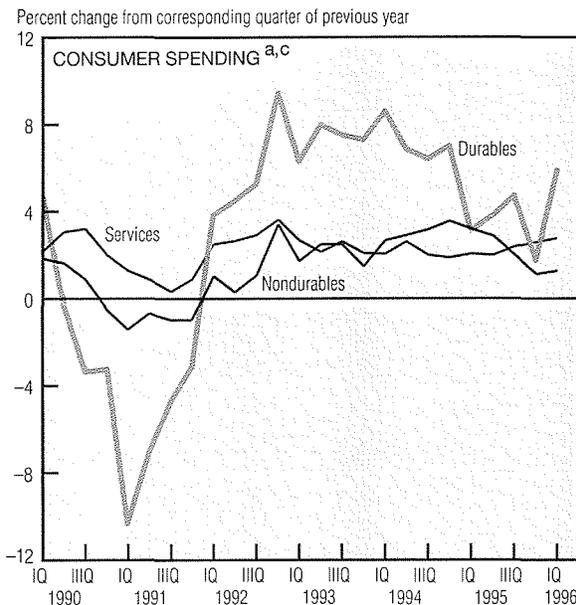
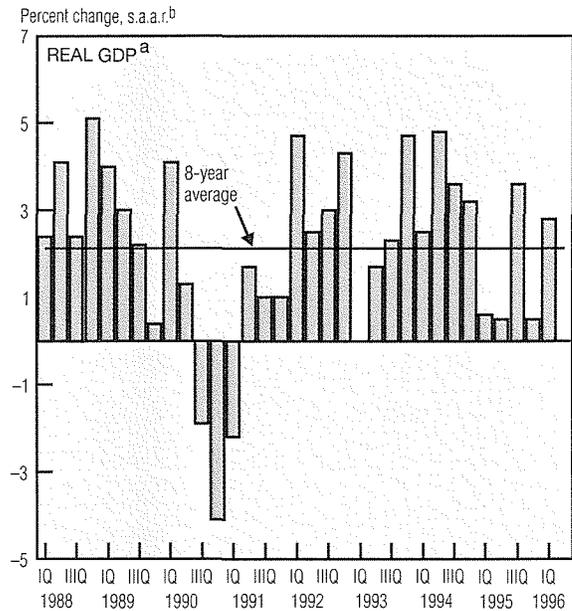


Economic Activity

	Change, billions of 1992 \$	Percent change, last:	
		Quarter	Four quarters
Real GDP	47.1	2.8	1.8
Consumer spending	39.4	3.5	2.7
Durables	10.1	7.0	5.9
Nondurables	11.0	3.1	1.3
Services	18.5	2.9	2.8
Business fixed investment	21.0	12.1	5.9
Equipment	18.7	14.5	6.7
Structures	2.6	5.8	4.0
Residential investment	2.9	4.4	1.3
Government spending	5.7	1.8	-0.5
National defense	5.6	7.4	-3.2
Net exports	-14.4	—	—
Exports	5.4	2.7	6.5
Imports	19.8	9.1	4.7
Change in business inventories	-8.6	—	—



a. Chain-weighted data in 1992 dollars.
 b. Seasonally adjusted annual rate.
 c. Seasonally adjusted.
 d. March data are estimated by deflating nominal retail sales by the Consumer Price Index for commodities.
 SOURCES: U.S. Department of Commerce, Bureau of Economic Analysis; and The Conference Board.

Advance estimates released by the Commerce Department show real GDP rising 2.8% in the first quarter, substantially above the 1.5% that analysts had generally anticipated. The lower forecast was based in part on the General Motors strike, the government shutdown, and the exceptionally hard winter. The Commerce Department estimated that real GDP would have increased 4.2% in the first quarter without the auto production figures, and that other special factors trimmed 0.2% off the

overall growth rate. Advance estimates are based on very preliminary data, but the size of past revisions suggests that the final estimates are unlikely to drop as low as 1.5%.

Over the past four quarters, real GDP advanced 1.8%. This rate is below historic norms, but is not substantially different from recent estimates of the economy's long-term growth potential (2.0%).

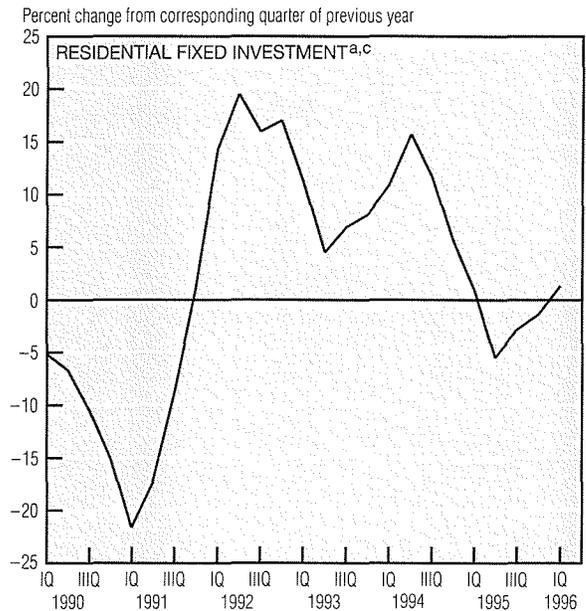
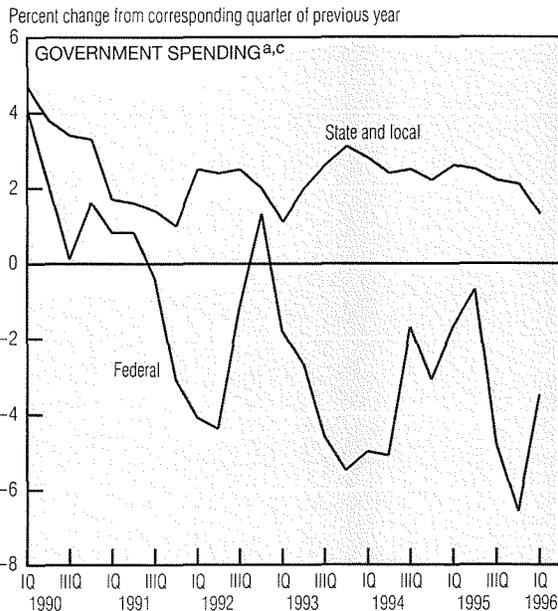
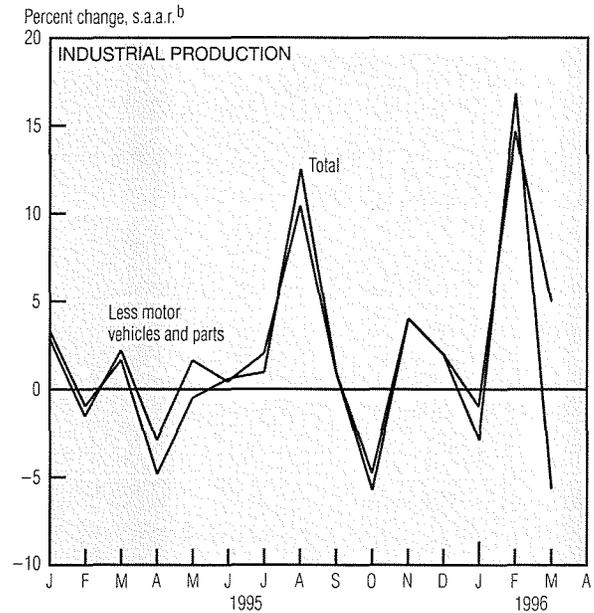
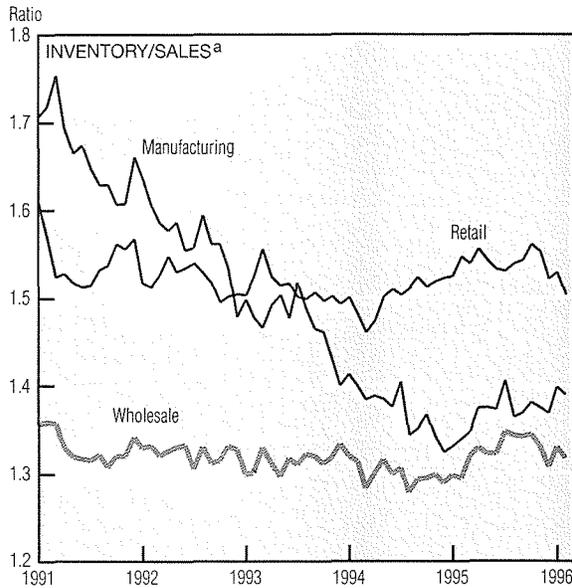
Consumer spending rose a strong 3.5% in 1996:1Q and 2.7% over the last four quarters, with big gains in consumer durables. Early concerns

about debt-burdened consumers and shrinking consumer confidence seem to have been unwarranted. (Adjusted for inflation, March retail sales fell slightly, but on a year-over-year basis seem consistent with moderate growth.)

Business fixed investment was a major component of the strong first-quarter showing. Over the past year, companies have purchased a large volume of information processing equipment, especially computers.

(continued on next page)

Economic Activity (cont.)



a. Seasonally adjusted.
 b. Seasonally adjusted annual rate.
 c. Chain-weighted data in 1992 dollars.

SOURCES: U.S. Department of Commerce, Bureau of Economic Analysis and Bureau of the Census; and Board of Governors of the Federal Reserve System.

The pace of inventory accumulation slowed in the first quarter. On balance, businesses added \$7.9 billion (1992 dollars) to their stocks, compared with \$16.5 billion in 1995:IVQ. The retail sector actually drew down inventories. Inventory/sales ratios suggest that further substantial inventory corrections are unlikely, especially at the retail and wholesale levels. Manufacturing inventories, however, may still be a bit high relative to shipments. Industrial production slowed in 1995 as inven-

tories rose relative to shipments. Excluding the production of automobiles and parts, which the GM strike affected, industrial production advanced 4.2% in the first quarter.

Federal government purchases of goods and services increased 6.7% in 1996:IQ, but continued to decline on a year-over-year basis (down 3.5%). The persistent reductions in federal expenditures have been concentrated in the defense category. State and local government outlays have grown a fairly steady 2% in

each of the last few years.

Residential fixed investment advanced in the first quarter after declining on a year-over-year basis throughout 1995. Housing starts dropped 3.9% in March, but, discounting the extreme month-to-month volatility in this series, have remained moderately high since early 1995. Existing home sales were up a strong 6.9% in March, bringing the median U.S. home price to \$115,300—a 6.8% increase from last year.