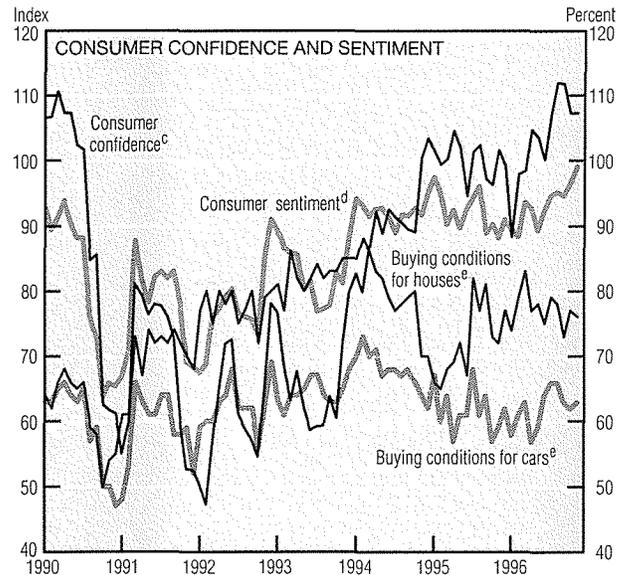
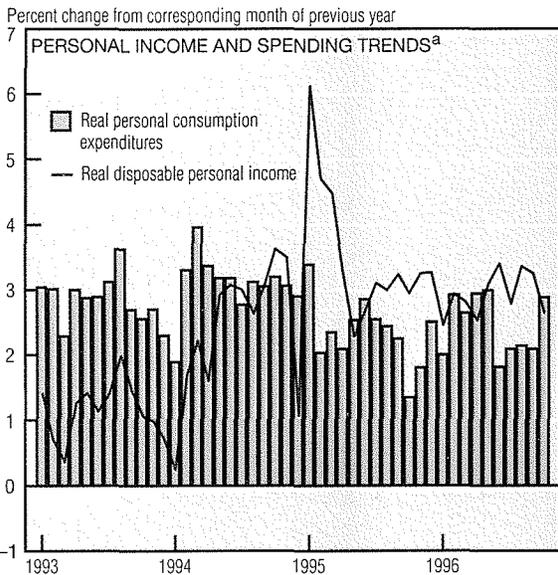
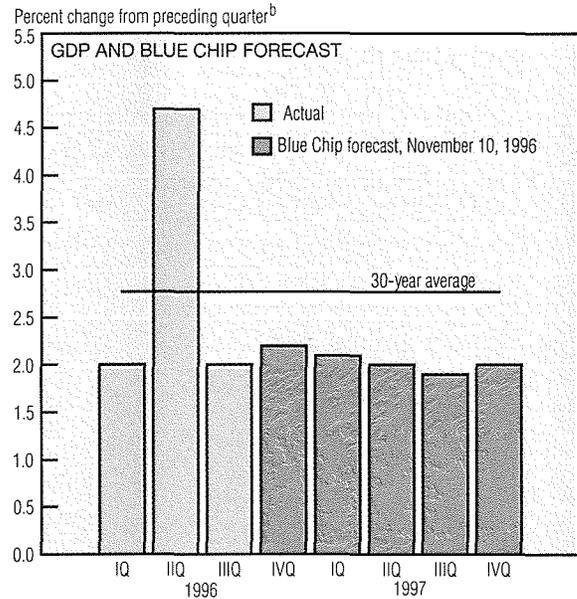


	Change, billions of 1992 \$	Percent change, last:	
		Quarter	Four quarters
Real GDP and Components, 1996:IIIQ^a (Preliminary estimate ^b)			
Real GDP	33.6	2.0	2.2
Consumer spending	6.7	0.6	2.1
Durables	-3.1	-2.0	4.0
Nondurables	1.1	0.3	1.2
Services	8.4	1.3	2.2
Business fixed investment	29.9	16.9	8.5
Equipment	26.8	20.3	10.6
Structures	3.4	7.6	3.0
Residential investment	-4.2	-5.8	5.8
Government spending	-0.8	-0.3	1.1
National defense	-4.3	-5.3	-1.3
Net exports	-24.1	—	—
Exports	-1.8	-0.9	4.2
Imports	22.2	9.9	7.9
Change in business inventories	25.7	—	—



- a. Chain-weighted data in 1992 dollars.
- b. Seasonally adjusted annual rate.
- c. Index, 1985 = 100; seasonally adjusted.
- d. Index, February 1966 = 100.
- e. Percent of University of Michigan survey respondents reporting that now is a good time to buy.

SOURCES: U.S. Department of Commerce, Bureau of Economic Analysis; The Conference Board; the University of Michigan; and *Blue Chip Economic Indicators*, November 10, 1996.

The Commerce Department recently pared its estimate of third-quarter economic growth from 2.2% to 2.0%. Downward adjustments to the overall pace of inventory accumulation and to net exports dominated the revisions, but were partially offset by upward corrections to business fixed investment and state and local government spending. Although the 2.0% growth rate is below the exceptional second-

quarter rate of 4.7%, it is consistent with estimates of U.S. potential economic growth, which generally range from 2.0% to 2.3%.

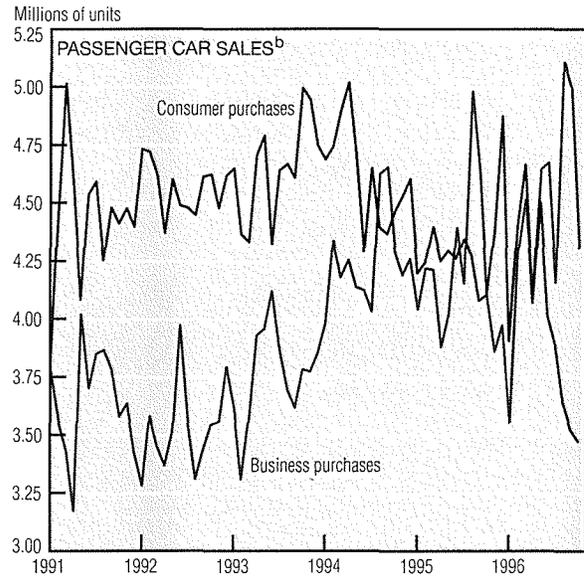
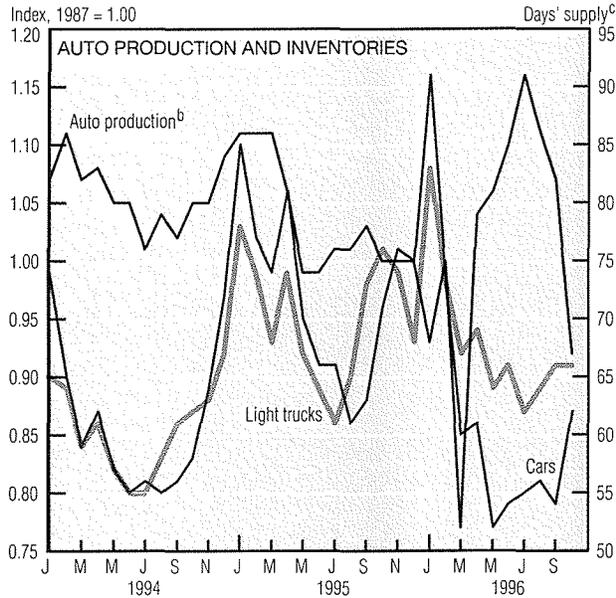
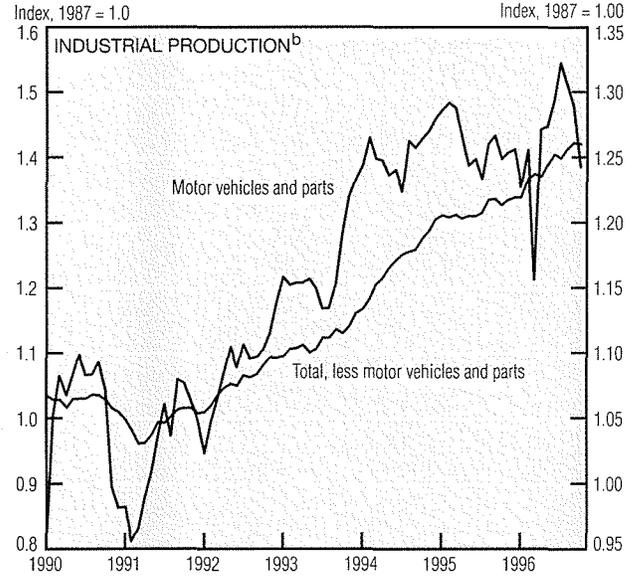
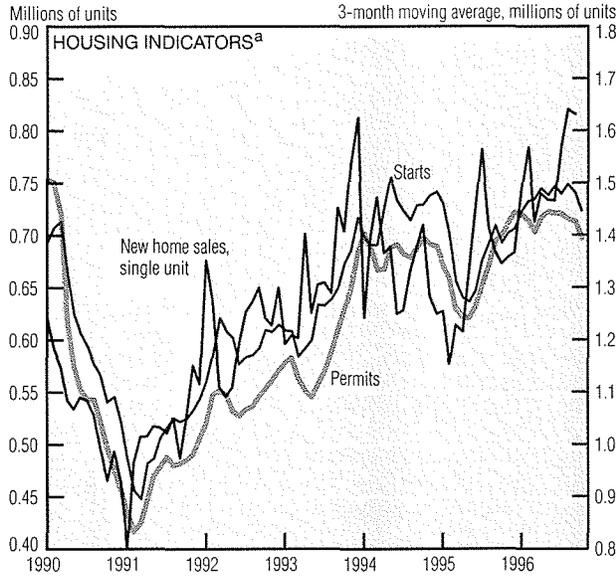
Consumer expenditures, accounting for approximately two-thirds of GDP, slowed in the third quarter. Throughout the summer months, consumers augmented their savings, but October's data suggest a return to the brisker spending pace seen earlier this year. Real personal con-

sumption expenditures increased 2.9% (year over year) in October, exceeding the 2.6% gain in real disposable income. Measures of consumers' overall confidence in the economy are at the highest levels yet reached in the current expansion.

Building permits and housing starts, both fairly volatile on a month-to-month basis, have declined markedly since last May and

(continued on next page)

Economic Activity (cont.)



a. Seasonally adjusted annual rate.
 b. Seasonally adjusted.
 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 the Census and Bureau of Economic Analysis; Board of Governors of the Federal Reserve System; and Ward's Automotive Reports.

August, respectively. Nevertheless, sales of new single-unit homes remain brisk. Although consumer attitudes about home buying have deteriorated over the year, approximately 76% of respondents to the University of Michigan's survey believe that conditions for purchasing a home are good.

Industrial production, which increased an average 0.3% per month this year, fell 0.5% in October, largely because of labor disputes in

the automobile industry. (The Canadian Auto Workers returned to work on October 24, after a 21-day work stoppage, and the United Auto Workers ended brief, localized strikes on October 29.) Nonautomotive industrial production also declined slightly in October, due primarily to reduced output of consumer durable goods.

With labor issues resolved, auto production will probably rebound in the coming months, but manufactur-

ers are not likely to make up all their lost output. Consumer purchases of new cars have declined sharply this year, reaching 3.47 million units in October, the lowest level in more than 10 years. Business purchases of new cars, which now exceed consumer acquisitions, also declined in September and October. Despite the strike-induced disruption of supply, dealers' current stocks of cars and light trucks seem adequate.