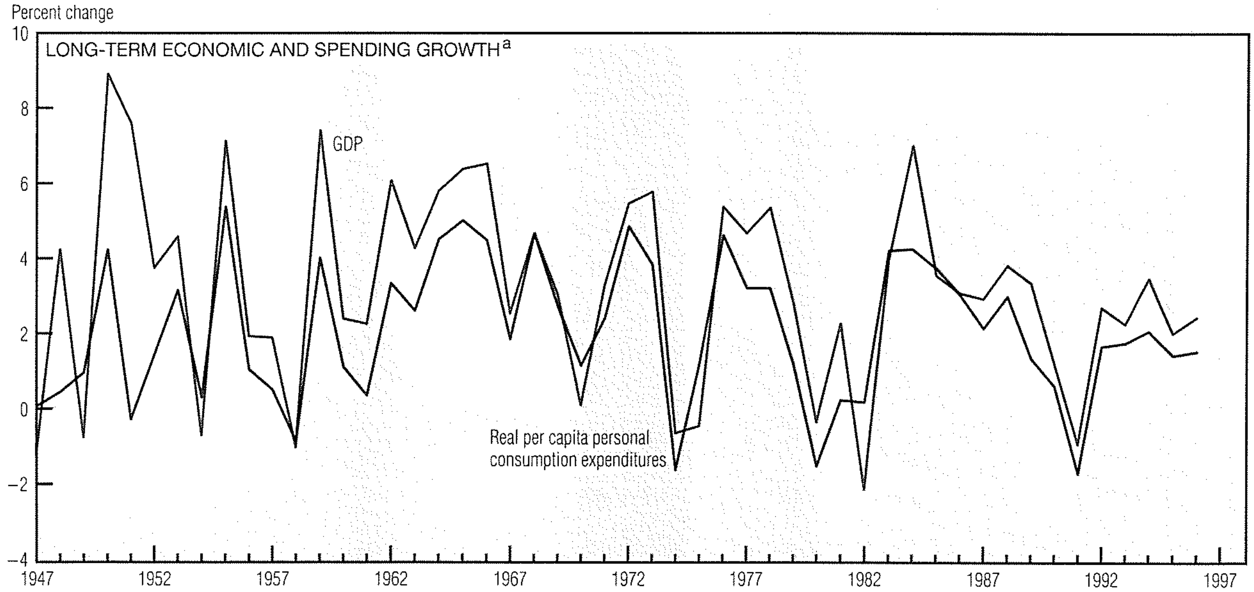
Real GDP: Trend and Cycles



Economic Expansions

Trough to peak	Number of quarters	Average annual growth rate
1949:IVQ–1953:IIQ	14	7.5
1954:IIQ–1957:IIIQ	13	3.9
1958:IQ–1960:IQ	8	6.4
1960:IVQ–1969:IIIQ	35	4.9
1970:IVQ–1973:IVQ	12	5.2
1975:IQ–1980:IQ	20	4.2
1980:IIIQ–1981:IIIQ	4	4.2
1982:IIIQ–1990:IIQ	31	3.8
1991:IQ–1997:IQ	24	2.7

Economic Contractions

Peak to trough	Number of quarters	Average annual growth rate
1948:IIIQ–1949:IVQ	5	−1.2
1953:IIQ–1954:IIQ	4	−2.6
1957:IIIQ–1958:IQ	2	−7.6
1960:IQ–1960:IVQ	3	−2.4
1969:IIIQ–1970:IVQ	5	−0.5
1973:IVQ–1975:IQ	5	−3.0
1980:IQ–1980:IIIQ	2	−4.9
1981:IIIQ–1982:IIIQ	4	−3.0
1990:IIQ–1991:IQ	3	−2.7

a. Chain-type quantity index; 1992 = 100.
NOTE: All data are seasonally adjusted.
SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis.

History is the standard (a tenuous one at best) by which we often measure current macroeconomic performance. According to the Commerce Department's recently released output indexes, long-term growth in the U.S. slowed from an average annual rate of 4.2% between 1950 and 1973 to 2.5% between 1974 and 1996. Growth in our standard of living, measured in terms of real per capita personal consumption expenditures, also decelerated, from 2.6% per year to 1.9% over the same time frames.

The composition of GDP has changed as well. In 1952, for example, exports and imports each accounted for slightly more than 4% of total output. By 1996, those shares had risen to 12.0% and 13.6%, respectively. Although personal consumption expenditures have remained a fairly constant two-thirds of GDP since 1952, the fraction of that spending devoted to services has ballooned from one-third to more than one-half.

The U.S. has experienced nine economic downturns since 1948. Although differing substantially in depth and duration, these contractions have averaged nearly four quarters, with a 3.1% annual output loss. The correlation between the duration of a contraction and the accompanying output loss suggests that mild downturns are generally longer lived. Expansions last longer than recessions—almost 18 quarters on average—with an average annual growth rate of 4.8%. Long recoveries appear to proceed more slowly.