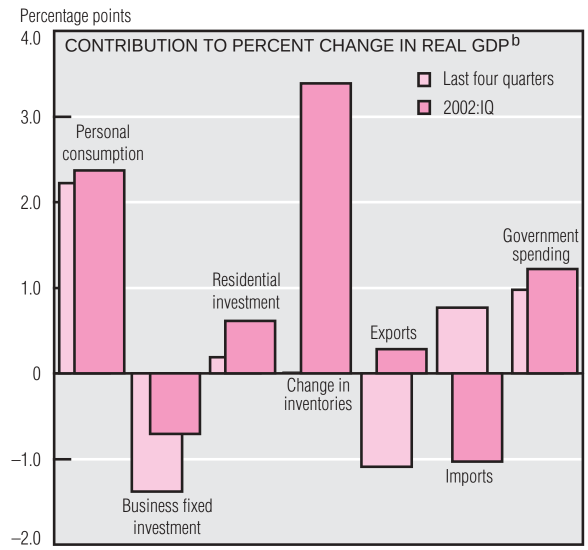
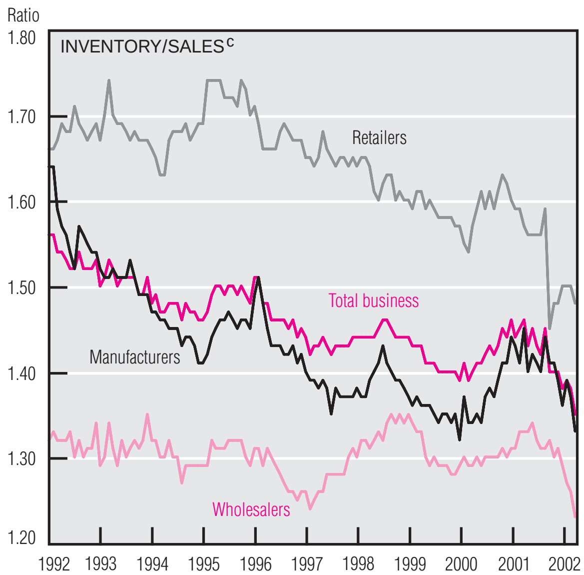
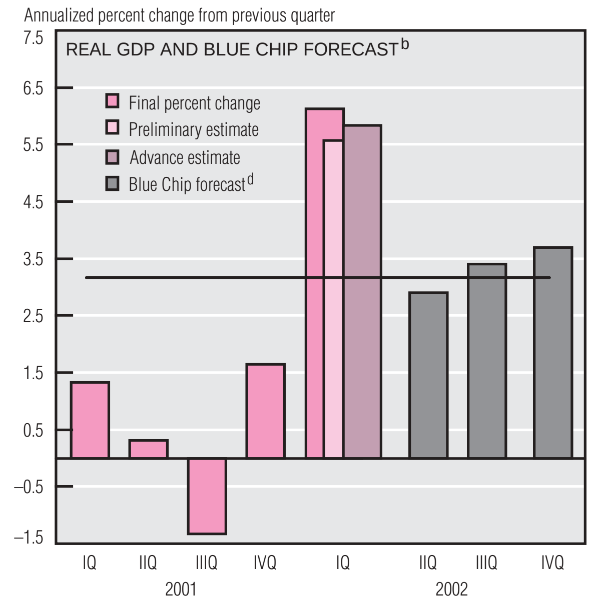
# Economic Activity

**Real GDP and Components, 2002:IQ[a,b]**
**(Final estimate)**

| | Change, billions of 1996 $ | Percent change, last: Quarter | Four quarters |
|---|---|---|---|
| Real GDP | 140.0 | 6.1 | 1.7 |
| Personal consumption | 53.2 | 3.3 | 3.2 |
| Durables | –24.9 | –9.4 | 8.1 |
| Nondurables | 37.5 | 8.2 | 2.8 |
| Services | 34.4 | 3.8 | 2.4 |
| Business fixed investment | –19.7 | –6.2 | –10.8 |
| Equipment | 0.3 | 0.1 | –7.5 |
| Structures | –15.7 | –22.8 | –19.7 |
| Residential investment | 13.0 | 14.6 | 4.3 |
| Government spending | 27.0 | 6.6 | 5.5 |
| National defense | 16.0 | 18.3 | 8.0 |
| Net exports | –21.8 | — | — |
| Exports | 7.1 | 2.8 | –10.0 |
| Imports | 28.9 | 8.3 | –5.5 |
| Change in business inventories | 91.6 | — | — |




a. Chain-weighted data in billions of 1996 dollars. Components of real GDP need not add to the total because the total and all components are deflated using independent chain-weighted price indexes.
b. Data are seasonally adjusted and annualized.
c. Data are not adjusted for price changes.
d. Blue Chip panel of economists.
SOURCES: U.S. Department of Commerce, Bureau of the Census and Bureau of Economic Analysis; and *Blue Chip Economic Indicators*, June 10, 2002.

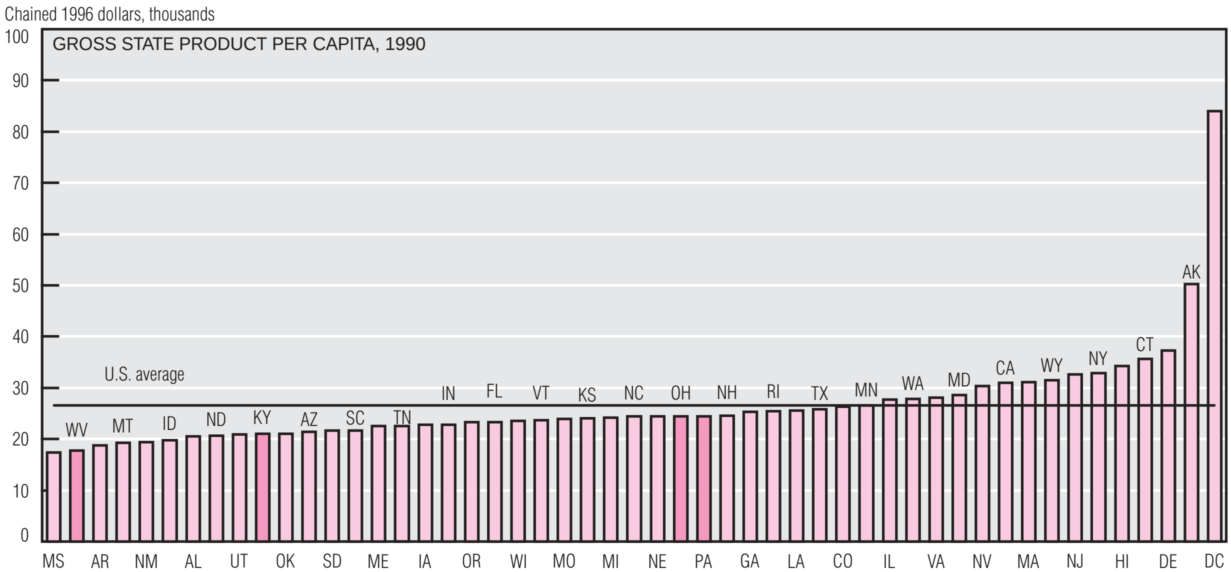
Real gross domestic product (GDP) grew at an annual rate of 6.1% in 2002:IQ, the fastest pace since 1999:IVQ. Consumer spending combined with an extraordinary housing market to boost output growth: Consumption increased 3.3% from 2001:IVQ, while residential investment rose nearly 15%. Strong government spending also contributed. Although business fixed investment declined for the fifth consecutive quarter, its 6.2% decrease in 2002:IQ was an improvement over the previous four quarters. Both export and import spending increased for the first time since 1999:IIIQ; however, the increase in import spending presented the greatest drag on the economy.

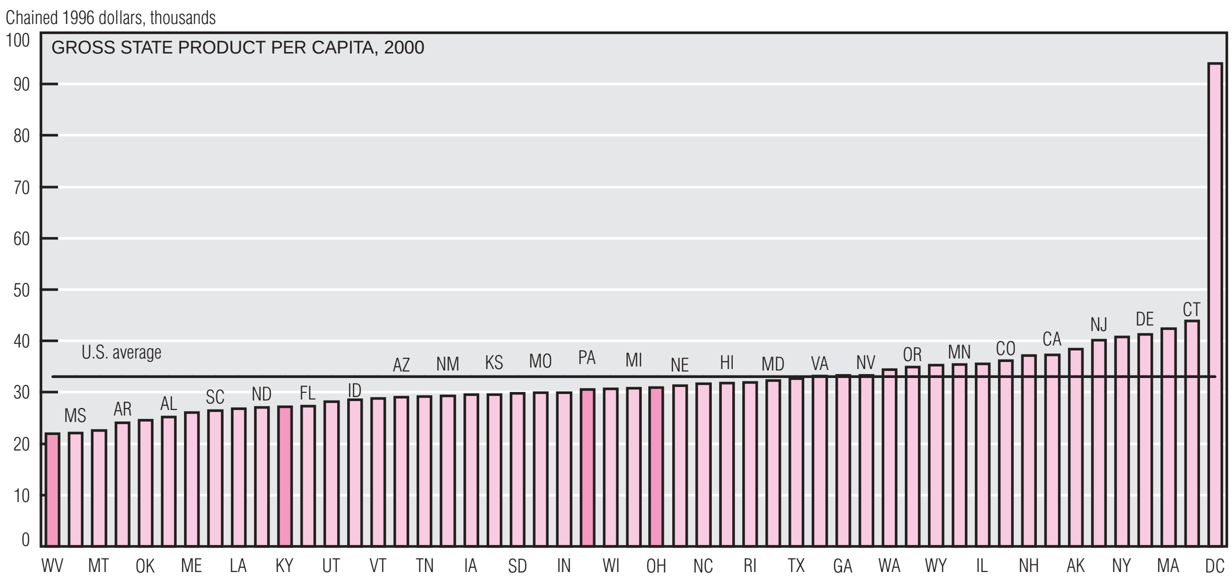
The strongest contributor to real GDP in 2002:IQ was the slowdown in inventory liquidation. Changes in inventories represented 3.4 percentage points of the quarter's real GDP growth. Including the most recent correction, inventories have declined for 15 consecutive months, and the ratio of inventory to sales for all businesses reached a record low of 1.35 in April. Since the beginning of 2002, wholesalers have experienced a greater decline in their inventory-to-sales ratios than either retailers or manufacturers.

The final estimate of real GDP growth for 2002:IQ came in higher than the advance and preliminary estimates. However, Blue Chip forecasters expect real GDP growth to weaken by more than 3% in 2002:IIQ and to surpass its long-term average in 2002:IIIQ.

*(continued on next page)*

# Economic Activity *(cont.)*




NOTE: Darker bars indicate Fourth District states.
SOURCES: U.S. Department of Commerce, Bureau of the Census and Bureau of Economic Analysis.

Gross state product (GSP) represents the value of goods and services produced within a state's borders. Per capita GSP represents the value of goods and services produced per state resident. Generally speaking, per capita GSP can be used to measure the income or well-being of a state's residents. For some states, however, this measure may be significantly distorted. For example, a state that has a large city near its border may attract sizable numbers of workers from neighboring states. This distortion is particularly pronounced for the District of Columbia, whose per capita GSP was $94,026 in 2000, more than double Connecticut's. The District draws many of its workers from Maryland and Virginia, so its per capita GSP is overstated and that of its neighbors is understated.

Comparing per capita GSP for various states over different periods reveals some interesting facts. In 2000, when U.S. GDP per capita was $33,015 (up 24.3% from a decade earlier), every state in the Fourth District fell below the U.S. average. Ohio led the District with $30,965, and West Virginia lagged with $21,977, the lowest per capita GSP in the nation. Compared to 1990, the national ranking in per capita GSP fell in three Fourth District states: Ohio's ranking slipped from 24 to 25; Pennsylvania's from 23 to 28; and West Virginia's from penultimate to last. Only Kentucky moved up, from 42 to 41.

Between 1990 and 2000, growth rates of per capita GSP for Fourth District states exceeded the U.S. average of 24.3% except for West Virginia (24.1%). Kentucky's growth rate was 29.4%, while Ohio came in at 26.5% and Pennsylvania at 25.0%.