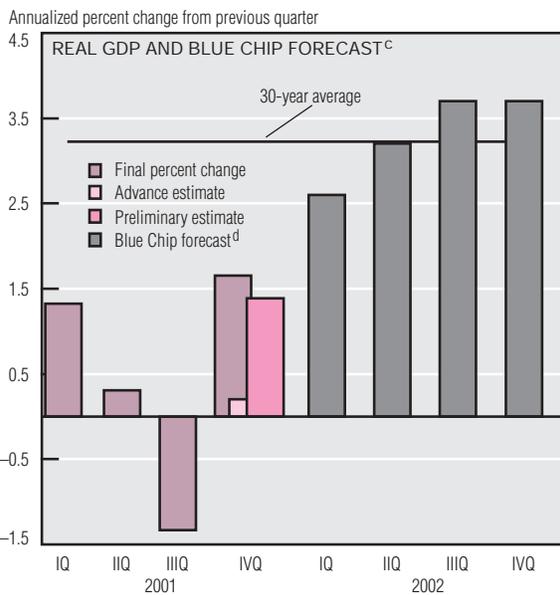
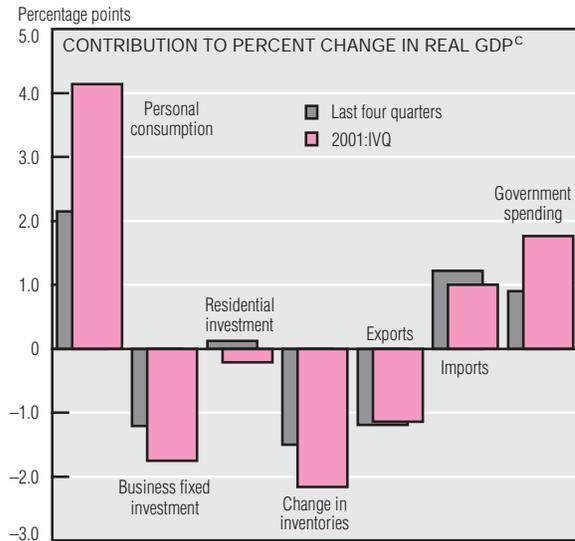


Economic Activity

	Change, billions of 1996 \$	Percent change, last:	
		Quarter	Four quarters
Real GDP	38.2	1.7	0.5
Personal consumption	96.4	6.1	3.1
Durables	81.5	39.4	13.6
Nondurables	11.6	2.5	1.4
Services	17.8	2.0	1.9
Business fixed investment	-47.0	-13.8	-9.4
Equipment	-13.8	-5.3	-8.5
Structures	-26.9	-33.6	-11.8
Residential investment	-4.5	-4.6	2.9
Government spending	39.8	10.2	5.1
National defense	7.9	9.0	5.5
Net exports	-1.7	—	—
Exports	-30.0	-10.9	-10.9
Imports	-28.3	-7.5	-8.5
Change in business inventories	-57.4	—	—



	Percent change, peak to trough:		
	Current recession	1990 recession	Average of last six recessions
Manufacturing			
Output	-4.5	-4.1	-6.9
Hours	-5.9	-3.7	-8.2
Productivity	1.4	-0.4	1.3
Nonmanufacturing			
Output	1.0	-0.7	-0.2
Hours	-0.4	-0.8	-0.1
Productivity	1.4	0.1	-0.1
Total economy			
Output	0.2	-1.3	-1.7
Hours	-1.2	-1.3	-2.1
Productivity	1.4	0.0	0.4

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of Commerce, Bureau of Economic Analysis; U.S. Department of Labor, Bureau of Labor Statistics (published and unpublished data); and *Blue Chip Economic Indicators*, March 10, 2002.

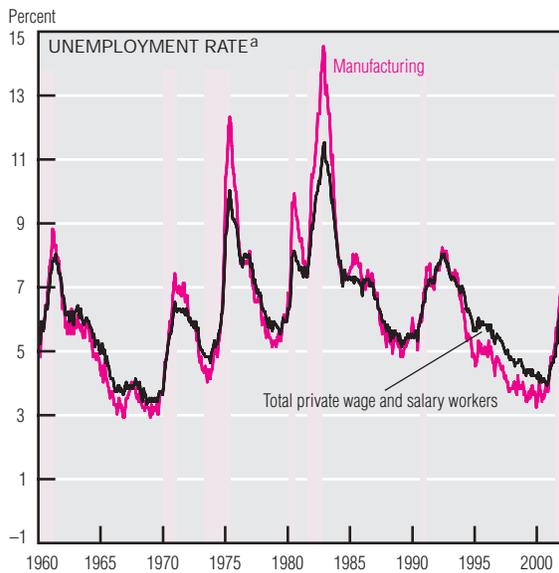
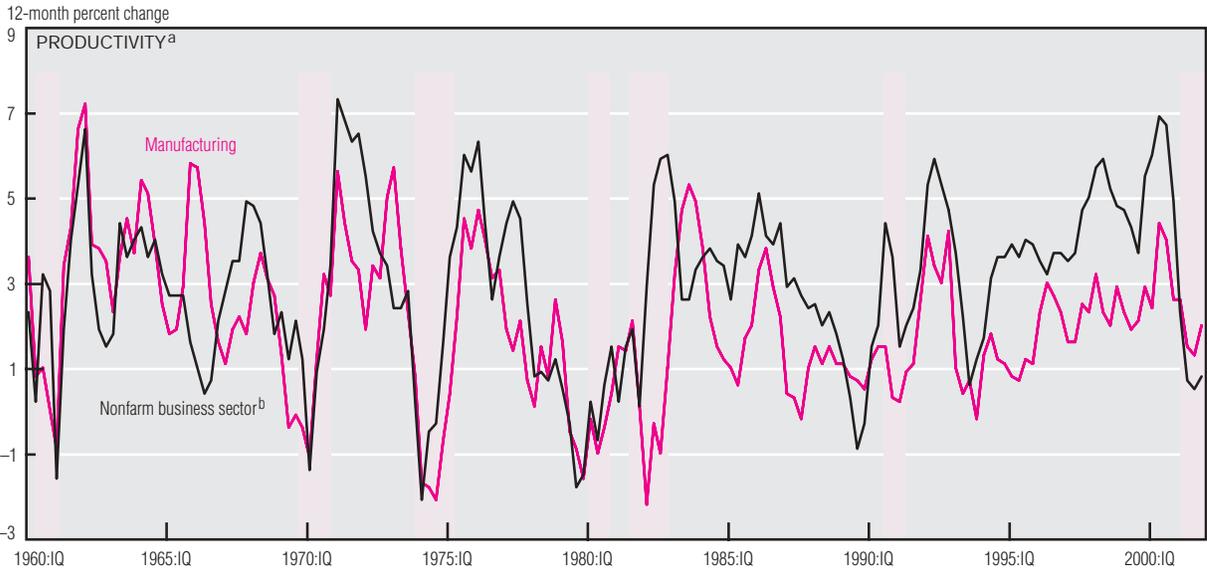
The final estimate from the national income and product accounts shows that during 2001:IVQ, real gross domestic product grew at an annual rate of 1.7%. This rate of real GDP growth reflects the resilience of the U.S. economy: It more than triples the real GDP growth rate over the past four quarters. Consumers expressed unreserved confidence during 2001:IVQ, with personal consumption increasing at an annualized rate of 6.1% from the previous

quarter and contributing 4.1 percentage points to real GDP growth. Strong government spending also contributed substantially. The greatest drags on output growth in 2001:IVQ came from business fixed investment and the fast pace of inventory liquidation, which accounted for a combined -3.9 percentage points. Blue Chip forecasters predict robust growth in real GDP for 2002. In fact, they expect it to reach its long-term average as early as 2002:IIQ.

Although the National Bureau of Economic Research, the official arbiter of recessions, has not declared the current recession to be over, accumulating evidence makes it increasingly likely that it ended around December 2001. Assuming that this is the case, it is constructive to examine this recession's similarities to—and differences from—earlier ones. One of the most remarkable features of this recession is that output fell during only one quarter, 2001:IIIQ. Over the

(continued on next page)

Economic Activity (cont.)



	Percent change, peak to trough:		
	Current recession	1990 recession	Average of last six recessions
Real GDP	0.2	-1.3	-1.7
Personal consumption	2.4	-1.3	0.0
Durables	10.8	-6.4	-6.3
Nondurables	0.8	-1.2	-0.1
Services	1.5	-0.2	1.9
Business fixed investment	-9.4	-4.5	-6.2
Residential investment	0.8	-13.1	-11.0
Business inventories	-3.7	-0.6	0.1
Government spending	3.8	1.4	1.6
Exports	-10.7	2.0	1.2
Imports	-7.3	-5.9	-6.2

NOTE: All data are seasonally adjusted.

a. Shaded areas mark NBER-defined recessions.

b. The nonfarm business sector accounted for about 76% of GDP in 1996.

SOURCES: U.S. Department of Commerce, Bureau of Economic Analysis; and U.S. Department of Labor, Bureau of Labor Statistics.

course of the recession, it rose 0.2%. This contrasts sharply with the 1.7% average decline in output during the previous six recessions.

Another remarkable feature of this recession is the surprising strength in productivity. This strength comes almost exclusively from nonmanufacturing productivity, which rose 1.4% during the recession. During a typical recession it falls 0.1%. Manufacturing productivity, which grows 1.3% in a typical recession, advanced 1.4% during this one.

Unemployment also increased less than it usually does, but this is entirely due to the mildness of this recession. If GDP had fallen as much as it usually does, unemployment would have increased by more than is usual.

This recession has shown extraordinary strength in personal consumption, which rose throughout the period. Durable goods consumption grew a whopping 10.8% from the peak of the business cycle to its trough, largely because of its fourth-quarter increase. But even without the

fourth quarter, durable goods consumption would have grown nearly 2% during this recession. Housing mirrored the strength in consumption. Residential investment, which typically falls 11% during a recession, rose 0.8% this time around.

On the flip side, business fixed investment fell 9.4%, although it usually declines only 6.2%. The weakness in investment is especially surprising in view of the strength in productivity, which normally would portend strong investment growth.