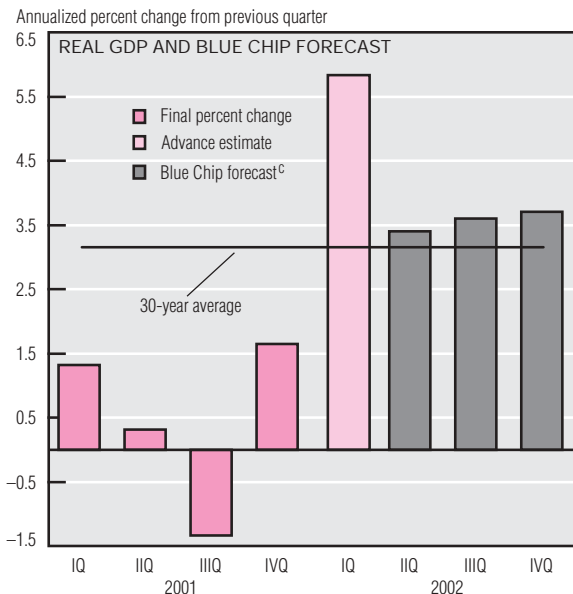
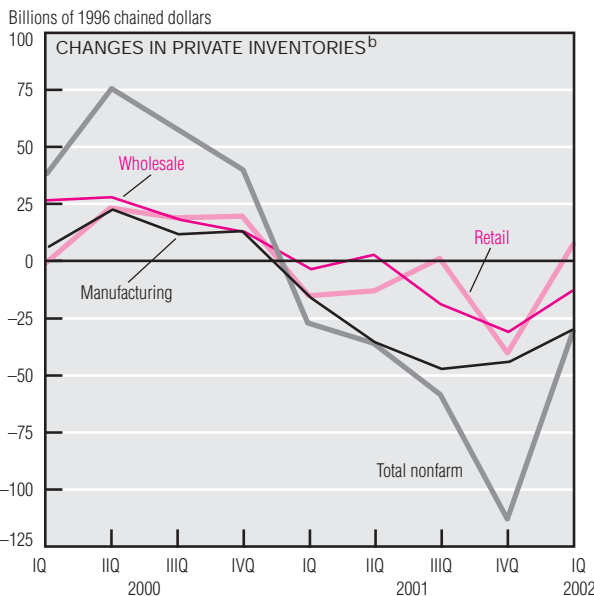
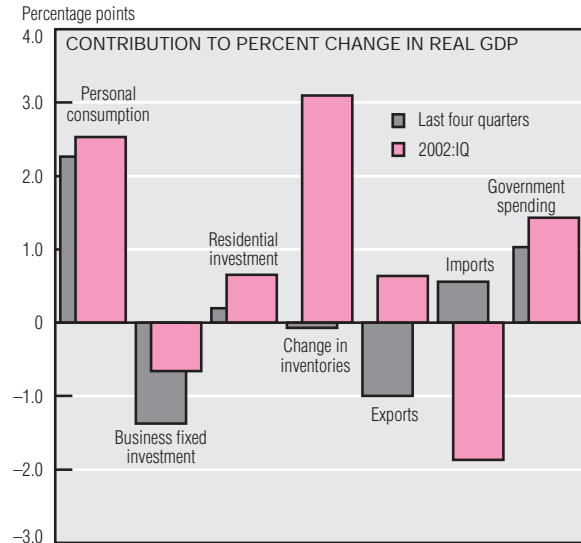


Economic Activity

	Change, billions of 1996 \$	Percent change, last:	
		Quarter	Four quarters
Real GDP	133.5	5.8	1.6
Personal consumption	57.2	3.5	3.3
Durables	-21.2	-8.0	8.5
Nondurables	38.8	8.4	2.9
Services	34.2	3.8	2.4
Business fixed investment	-18.2	-5.7	-10.7
Equipment	-1.2	-0.5	-7.7
Structures	-13.5	-19.9	-18.9
Residential investment	14.0	15.7	4.6
Government spending	31.9	7.9	5.8
National defense	17.0	19.6	8.3
Net exports	-35.8	—	—
Exports	16.9	6.8	-9.2
Imports	52.7	15.5	-3.9
Change in business inventories	83.1	—	—



NOTE: All data are seasonally adjusted and annualized.

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. Changes in wholesale, manufacturing, and retail inventories do not sum to the change in total nonfarm private inventories because other industries' inventories and the residual are not included.

c. Blue Chip panel of economists.

SOURCES: U.S. Department of Commerce, Bureau of Economic Analysis; and *Blue Chip Economic Indicators*, April 10, 2002.

Real gross domestic product (GDP) grew at an annual rate of 5.8% in 2002:IQ, according to the advance estimate from the national income and product accounts released April 26. This is the fastest rate of real GDP growth since 1999:IVQ. Although spending on durable goods declined, overall consumer spending remained robust, increasing 3.5% from 2001:IVQ. In addition, consumers gave a boost to the housing sector, where residential investment grew nearly 16%. Government expenditures, concentrated primarily in

national defense, also bolstered output growth. Business fixed investment and imports, in contrast, were drags on real GDP growth. However, increased imports signal stronger consumption demand.

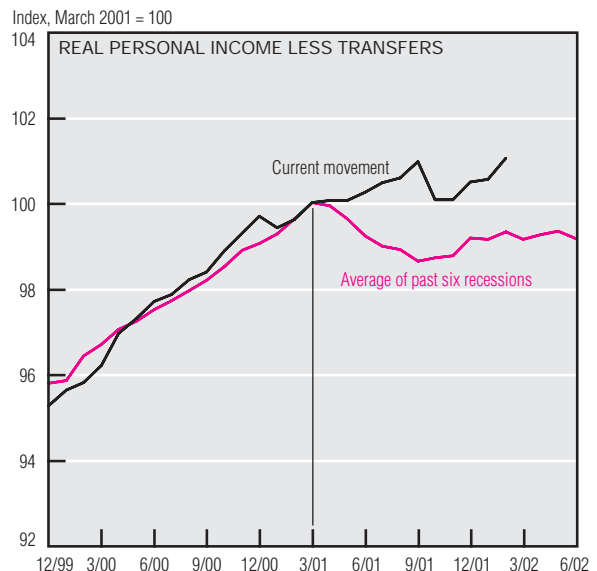
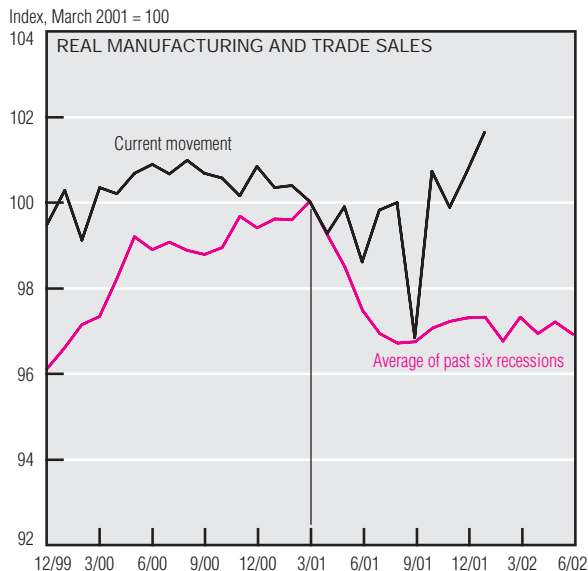
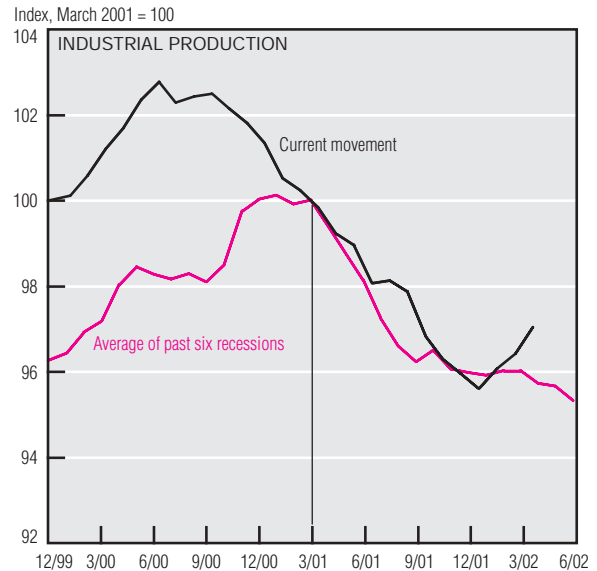
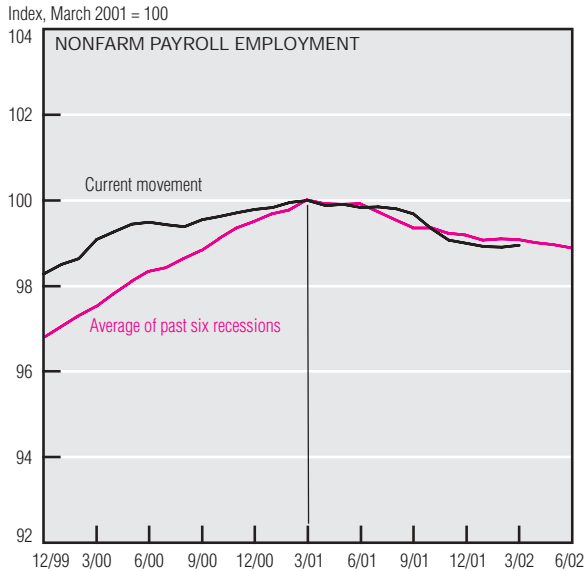
A major reason for real GDP growth's strong showing was a substantial decline in the rate of inventory liquidation. Changes in private inventories contributed a whopping 3.1 percentage points to real GDP growth, and inventories rose \$83.1 billion (1996 chained dollars) from 2001:IVQ. Although the change in

total private nonfarm inventories remained negative in 2002:IQ, the pace of inventory liquidation declined substantially from the record set in 2001:IVQ. In 2002:IQ, inventory reductions moderated for both manufacturers and wholesalers; retailers actually began to accumulate inventories.

Blue Chip forecasters predict that the real GDP growth rate will slacken in the coming quarters but still remain above its long-term average for the rest of the year.

(continued on next page)

Economic Activity (cont.)



NOTE: Vertical lines indicate the NBER-defined beginning of the current recession.

SOURCES: U.S. Department of Labor, Bureau of Labor Statistics; Board of Governors of the Federal Reserve System; Conference Board; and National Bureau of Economic Research.

The National Bureau of Economic Research's (NBER) Business Cycle Dating Committee has not yet marked the end of the latest recession. In light of recent data, though, many analysts believe the recession may have ended as early as last December.

According to the NBER, the four most important monthly indicators of economic activity are employment, industrial production, real manufacturing and trade sales, and real personal income less transfers. The charts show recent movement in economic activity (green lines) compared to the average movement in activity

over the past six recessions (red lines). The average-movement series are superimposed, so that the beginning of a recession corresponds to March 2001 (the start of the current recession).

The NBER considers employment to be the broadest and most reliable indicator. Nonfarm payroll employment peaked in March 2001 but appears to have bottomed out recently. It posted an increase in March 2002, the first in eight months. Industrial production rose for a third consecutive month in March, marking its largest gain since May 2000.

Real manufacturing and trade sales have been volatile, but increased in December 2001 and January 2002. Recent activity in real personal income less transfers did not peak until September 2001. However, the series increased from November 2001 through February 2002. All four series have already begun rebounding from declines. The latter two series have surpassed previous peaks, satisfying one of the NBER's dating criteria: Usually activity must surpass its previous peak before a trough date can be determined.