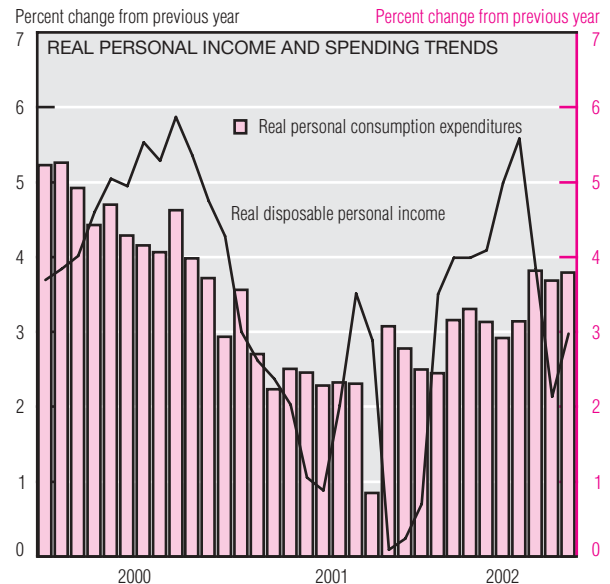
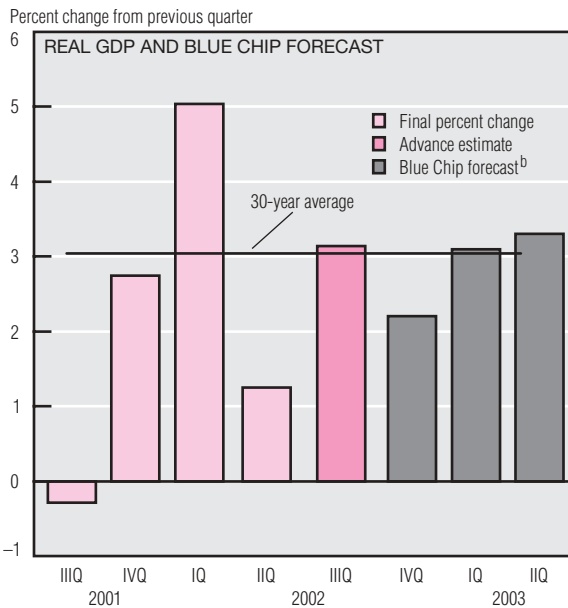
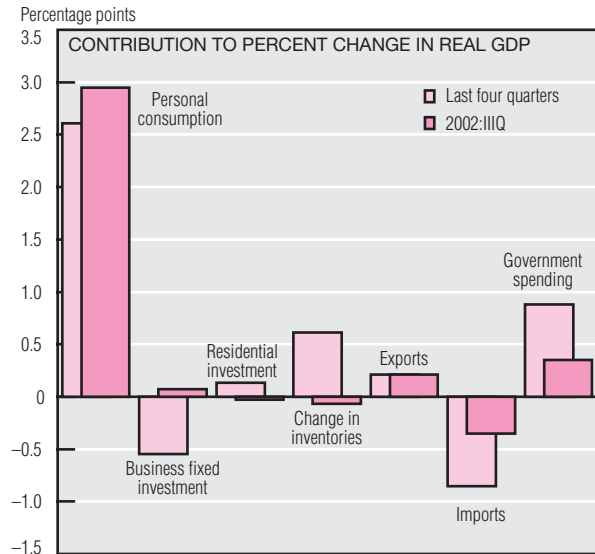


# Economic Activity

	Change, billions of 1996 \$	Percent change, last:	
		Quarter	Four quarters
Real GDP	72.8	3.1	3.0
Personal consumption	68.4	4.2	3.8
Durables	51.3	22.7	11.9
Nondurables	6.3	1.3	3.2
Services	20.7	2.3	2.5
Business fixed investment	1.7	0.6	-4.7
Equipment	15.3	6.5	1.1
Structures	-9.9	-16.0	-19.7
Residential investment	-0.7	-0.8	2.9
Government spending	7.8	1.8	4.8
National defense	5.0	5.1	9.6
Net exports	-3.8	—	—
Exports	5.7	2.1	2.2
Imports	9.5	2.5	6.5
Change in business inventories	-3.0	—	—



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. Blue Chip panel of economists.

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

The advance estimate of real gross domestic product (GDP), released October 31, revealed that output increased 3.1% during 2002:IIIQ (annual rate). Personal consumption expenditures grew a robust 4.2% and were a major contributor to the increase in real GDP, comprising nearly three percentage points of total output growth. The \$51 billion (chained 1996 dollars) increase in durable goods spending was largely driven by automobile sales during the quarter. In a positive sign for business spending, business fixed investment rose 0.6%, marking the category's first gain since 2000:IIIQ.

However, spending on residential investment and business inventories showed signs of slowing. Along with imports, these categories exerted a drag on real GDP growth. Although government spending increased 1.8%, its growth was more modest than the 4.8% jump of the past four quarters.

The advance estimate of real GDP growth in 2002:IIIQ just barely exceeded the long-term average. Blue Chip forecasters expect that the rate will slow to 2.2% (annualized) in 2002:IVQ, but they predict that real GDP growth will exceed its long-term average during the first half of 2003.

Although income growth has displayed volatility, spending growth seems to be stabilizing. Following the plunge of September 2001, real personal consumption expenditures have bounced back. Recent growth in consumer spending has not reached early-2000 levels, but it has exceeded the rates seen during most of 2001. This September, real personal consumption expenditures rose 3.8% (year-over-year), exceeding the 3.0% gain in real disposable personal income.