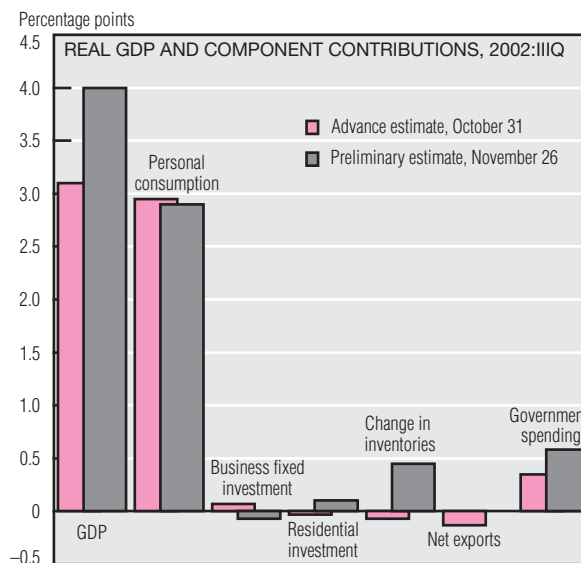
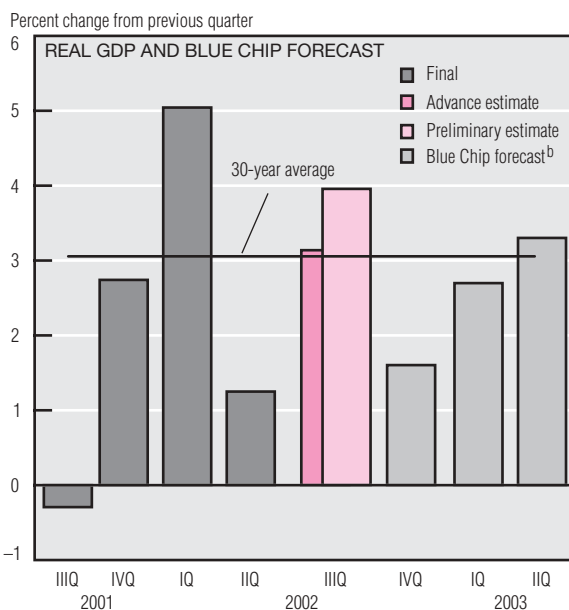
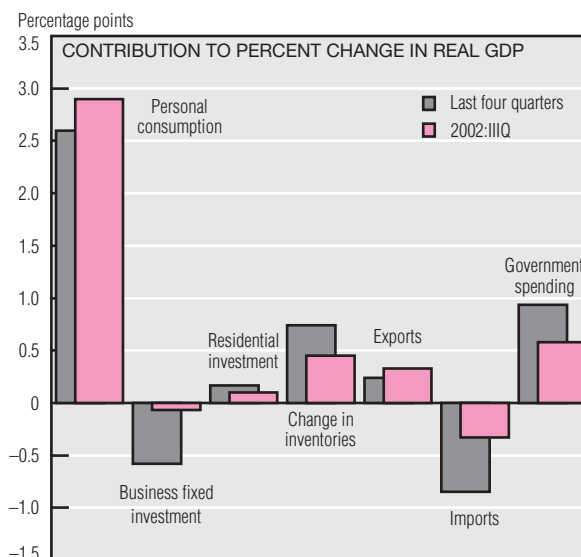


# Economic Activity

|                                | Change, billions of 1996 \$ | Annualized percent change, last: |               |
|--------------------------------|-----------------------------|----------------------------------|---------------|
|                                |                             | Quarter                          |               |
|                                |                             | Quarter                          | Four quarters |
| Real GDP                       | 91.6                        | 4.0                              | 3.2           |
| Personal consumption           | 66.8                        | 4.1                              | 3.7           |
| Durables                       | 52.3                        | 23.1                             | 12.0          |
| Nondurables                    | 4.4                         | 0.9                              | 3.1           |
| Services                       | 20.2                        | 2.2                              | 2.5           |
| Business fixed investment      | -2.1                        | -0.7                             | -5.1          |
| Equipment                      | 15.4                        | 6.6                              | 1.1           |
| Structures                     | -13.0                       | -20.6                            | -20.9         |
| Residential investment         | 2.0                         | 2.1                              | 3.7           |
| Government spending            | 12.9                        | 3.1                              | 5.1           |
| National defense               | 6.9                         | 7.1                              | 10.2          |
| Net exports                    | -0.1                        | —                                | —             |
| Exports                        | 8.8                         | 3.3                              | 2.5           |
| Imports                        | 8.9                         | 2.3                              | 6.5           |
| Change in business inventories | 10.6                        | —                                | —             |



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*, November 10, 2002.

The preliminary estimate showed that real gross domestic product (GDP) advanced at an annual rate of 4.0% during 2002:IIIQ. Personal consumption expenditures rose 4.1% (annual rate) and made the largest contribution to real GDP growth. Consumer spending was boosted by a rise of 23.1% (annual rate) in durable goods expenditures. Business spending fell slightly, with expenditures on structures falling \$13.0 billion (chained 1996 dollars). Residential investment and government spending

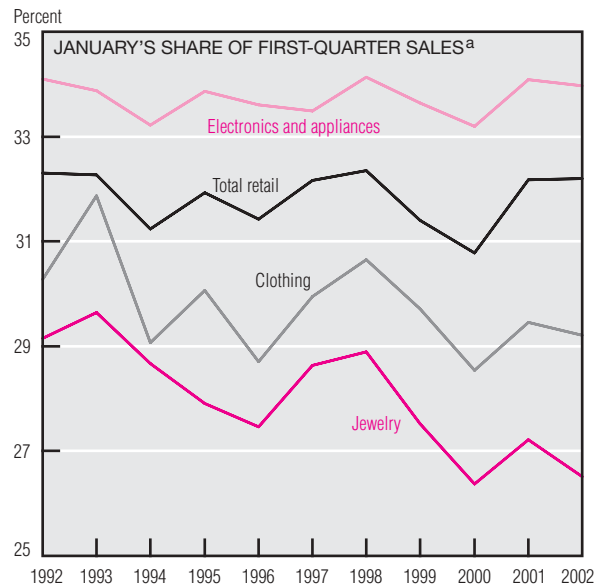
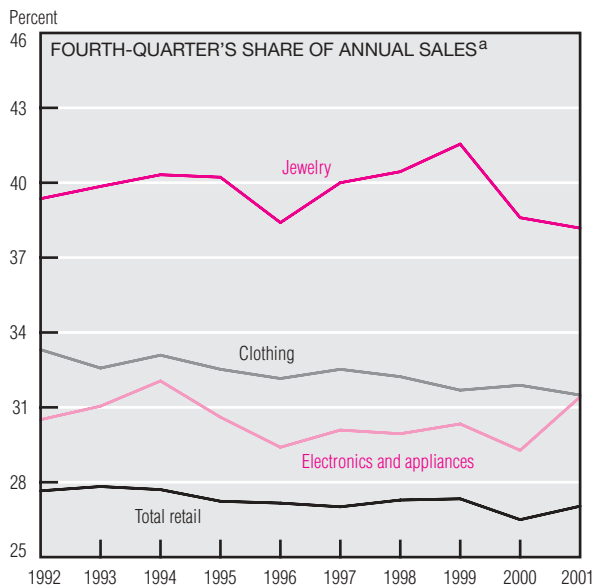
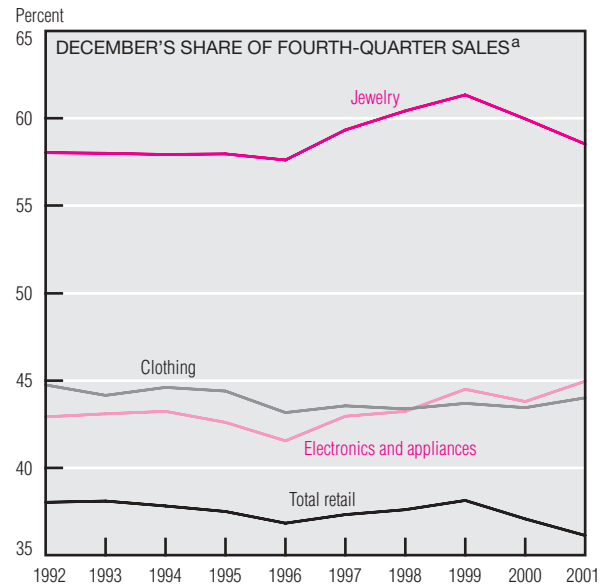
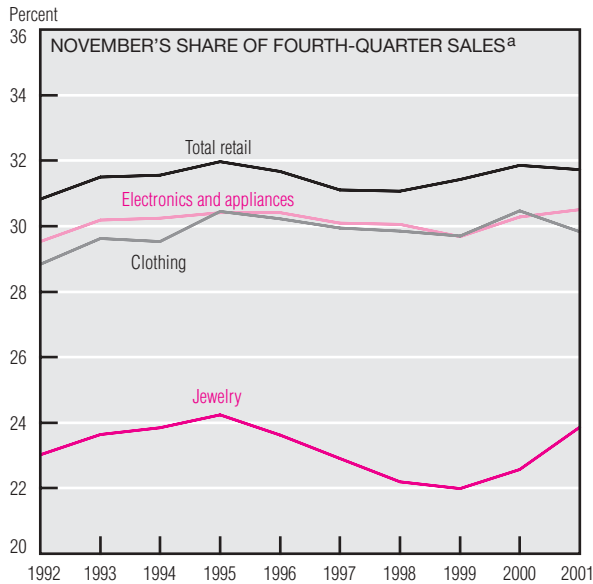
both added to real GDP growth, but at a slower rate than in the last four quarters. In international trade, exports increased 3.3% and imports rose only 2.3% (annual rates).

The preliminary estimate put real GDP growth nearly 1% above its long-term average. Blue Chip forecasters, however, predict that real GDP growth will not surpass this average again until 2003:IIQ. The preliminary figure of 4.0% real GDP growth issued in November represented a substantial upward revision from the advance

estimate of 3.1% (annual rates). Inventories were among the most important factors in the revision: Whereas the advance release had estimated that inventories reduced real GDP growth by 0.1%, the preliminary figure showed them adding nearly 0.5%. Last month, business spending was expected to increase real GDP growth slightly. But instead of making its first positive contribution since 2000:IIIQ, business spending declined for the eighth consecutive quarter.

(continued on next page)

## Economic Activity (cont.)



a. Current dollars, not seasonally adjusted.  
SOURCE: U.S. Department of Commerce, Bureau of the Census.

The holiday season is in full swing, and December is the biggest month for shopping. For example, both clothing and electronics and appliances typically post about 30% of their fourth-quarter sales in November but nearly 45% in December. This pattern is especially dramatic for jewelry, where roughly 24% of fourth-quarter sales occur in November compared to 60% in December.

The importance of the holiday season—and thus the fourth quarter—is evident for many items. Without the seasonal component,

roughly 25% of a given item's purchases would occur in the fourth quarter. Jewelry sales have the largest seasonal component by far, with nearly 38% of 2001 sales made in the fourth quarter. Clothing and electronics and appliances follow, with about 31% of annual sales in the fourth quarter. The season is becoming somewhat less important, however, for jewelry and clothing. Its impact on total retail sales is also lessening slightly, perhaps because other outlets, such as the Internet, account for a greater share of holiday purchases.

It is also notable that although the holiday season is certainly important for retailers' yearly success, its importance is probably less than the rhetoric suggests. Retailers make about 27% of their annual sales in the fourth quarter.

There is no evidence for the many reports that people are delaying some of their holiday shopping until January to take advantage of post-holiday sales. January's importance in first-quarter sales for all the usual holiday items is either stable or decreasing.