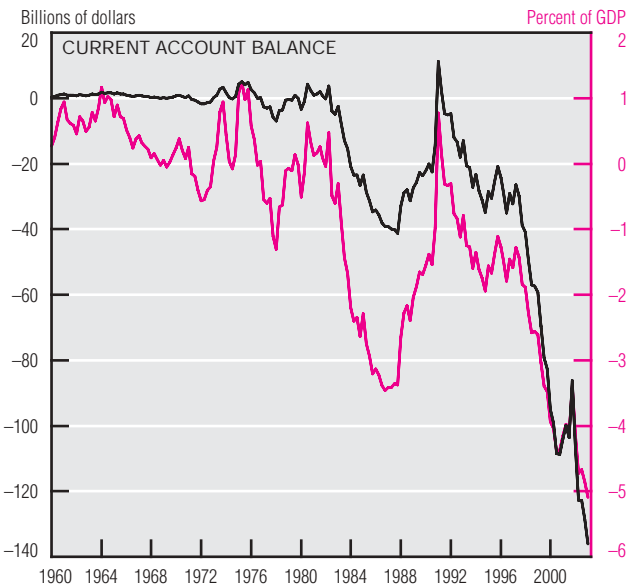
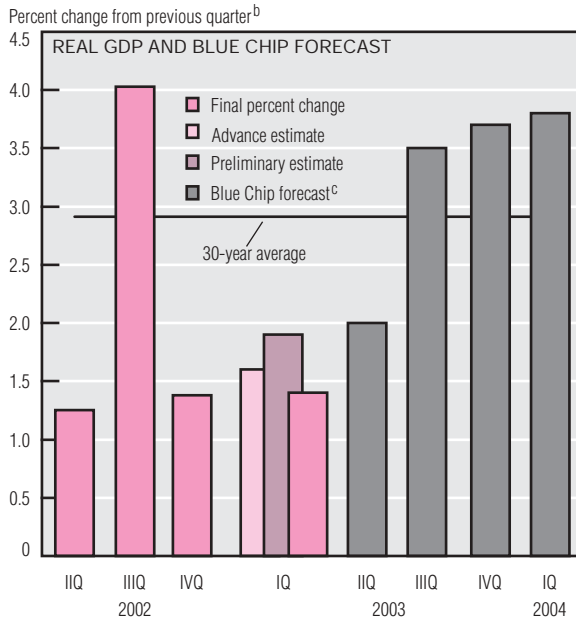
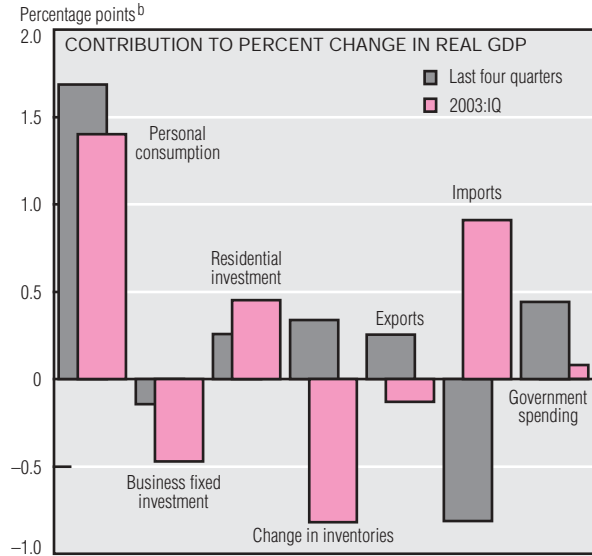


# Economic Activity

	Change, billions of 1996 \$	Annualized percent change, last:	
		Quarter	Four quarters
Real GDP	33.8	1.4	2.0
Personal consumption	33.0	2.0	2.4
Durables	-5.2	-2.0	3.0
Nondurables	28.9	6.1	3.0
Services	7.9	0.9	2.0
Business fixed investment	-13.2	-4.4	-1.4
Equipment	-12.2	-4.8	2.7
Structures	-1.6	-2.9	-13.2
Residential investment	9.6	10.1	5.7
Government spending	1.7	0.4	2.3
National defense	-3.5	-3.3	5.5
Net exports	21.9	—	—
Exports	-3.5	-1.3	2.7
Imports	-25.4	-6.2	6.2
Change in business inventories	-21.0	—	—



NOTE: All data are seasonally adjusted.

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. Annualized.

c. Blue Chip panel of economists.

SOURCES: U.S. Department of Commerce, Bureau of Economic Analysis; and *Blue Chip Economic Indicators*, June 10, 2003.

According to the Commerce Department's final estimate, real GDP increased at an annual rate of 1.4% in the first quarter of 2003, matching growth in the last quarter of 2002. Consumer spending increased 2.0% (annual rate) and made the largest positive contribution, but growth in that category was lower than in the past year. Residential investment, however, was robust in comparison to the previous four quarters. Vigorous housing activity led to a 10.1% increase (annual rate) in this category and boosted real Gross Domestic Product (GDP)

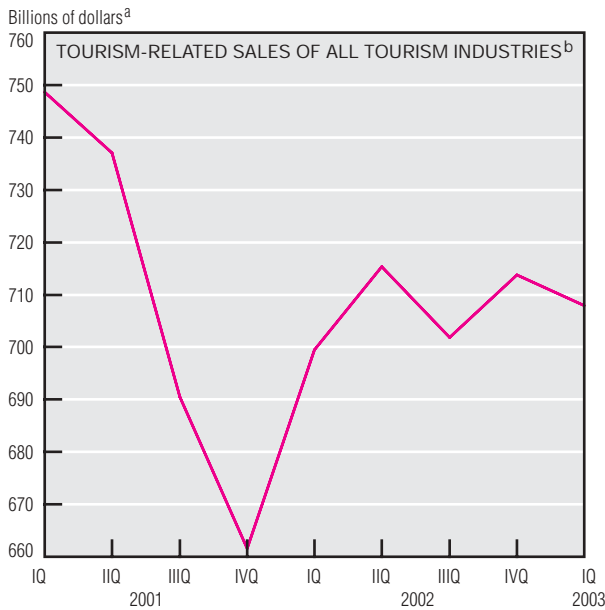
growth nearly 0.5 percentage points. In contrast, business spending slipped, mostly in the category of equipment and software spending. During the quarter, business also cut inventories, which fell \$21.0 billion (1996 chained dollars), and represented the greatest drag on the U.S. economy.

The final estimate for real GDP growth in the first quarter represented a 0.5% reduction from May's preliminary estimate. But Blue Chip forecasters expect acceleration in growth next quarter, followed by even stronger numbers for the subsequent three quarters.

The current account deficit—the combined balance on trade in goods and services, income, and net unilateral current transfers—increased from \$128.6 billion to \$136.1 billion during the first quarter of 2003. The deficit on goods accounted for half of the increase. The current account balance has not been positive since the second quarter of 1991, and the most recent deficit is the largest to date. As a share of GDP, the current account deficit rose from 4.9% to 5.1%, also the highest reading on record.

(continued on next page)

## Economic Activity (cont.)



Tourism industry	Direct tourism-related sales	Direct total sales	Tourism-related sales, percent
Hotels and lodging places	110.0	137.5	80.0
Eating and drinking places	64.9	381.7	17.0
Railroads and related services	1.3	44.7	3.0
Local and bus passenger transit	2.4	10.5	23.0
Taxicabs	5.0	10.9	46.0
Air transportation	89.3	117.5	76.0
Water transportation	9.6	56.5	17.0
Automotive rental and leasing	23.1	39.8	58.0
Travel agency services	3.5	16.8	21.0
Amusement and recreation services	17.4	86.8	20.0
Membership sports and recreation clubs	6.3	19.8	32.0
Motion pictures and other entertainment	8.0	44.2	18.0
Professional sports clubs and promoters	2.0	22.6	9.0
Gasoline service stations	3.8	53.8	7.0
Retail excluding restaurants and gas	32.8	1,092.5	3.0
<b>All tourism industries</b>	<b>379.4</b>	<b>2,135.6</b>	<b>17.8</b>

Tourism industry	Indirect sales
Hotels and lodging places	\$0.79
Eating and drinking places	\$1.06
Railroads and related services	\$0.76
Local and bus passenger transit	\$0.76
Taxicabs	\$0.76
Air transportation	\$0.89
Water transportation	\$1.14
Automotive rental and leasing	\$0.98
Travel agency services	\$0.76
Amusement and recreation services	\$0.75
Membership sports and recreation clubs	\$0.75
Motion pictures and other entertainment	\$0.75
Professional sports clubs and promoters	\$0.75
Gasoline service stations	\$1.82
Retail excluding restaurants and gas	\$0.56
<b>All tourism industries</b>	<b>\$0.87</b>

a. Data are seasonally adjusted and annualized.

b. Total sales include direct (from tourism industry to visitor) and indirect (from supplier to tourism industry) sales.

SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis.

The Travel and Tourism Satellite Accounts, developed by the Bureau of Economic Analysis, are especially useful in observing not only the impact of the terrorist attacks of September 11, 2001 but also the more recent behavior of various tourism industries. In 2003:IQ, total tourism sales decreased \$5.7 billion, reaching a level of \$708.0 billion (annualized). Total sales remain almost midway between pre-September 11 levels and the trough of 2001:IVQ. Hotels and lodging places, eating and drinking places, and air transportation represent more than 70% of total

sales. As one might expect, both hotel and airline sales fell sharply in the last half of 2001.

In fact, air transportation sales plummeted more than 45% (annual rate) during these quarters. This industry has shown a great deal of volatility and probably will continue to do so. Because it owes 76% of its sales to tourism, air transportation is particularly susceptible to sudden, unusual events. For example, it seems likely that the outbreak of the SARS virus affected air travel throughout much of the first half of 2003, to a greater extent than some other industries.

Total tourism sales represent both direct and indirect sales. Direct sales are defined as sales by tourism industries to out-of-town visitors (for example, a meal provided by a restaurant to a business traveler). Indirect sales are defined as sales to tourism industries by a supplier (for example, the sale of fuel to airlines). Therefore, total tourism sales take into account the full impact of tourism as it filters through the economy. Thus, every dollar of sales for all tourism industries results in \$0.87 worth of purchases from other industries.