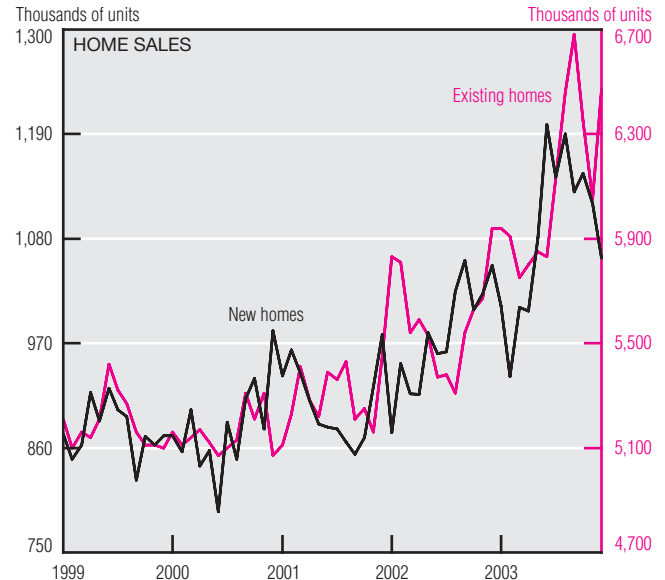
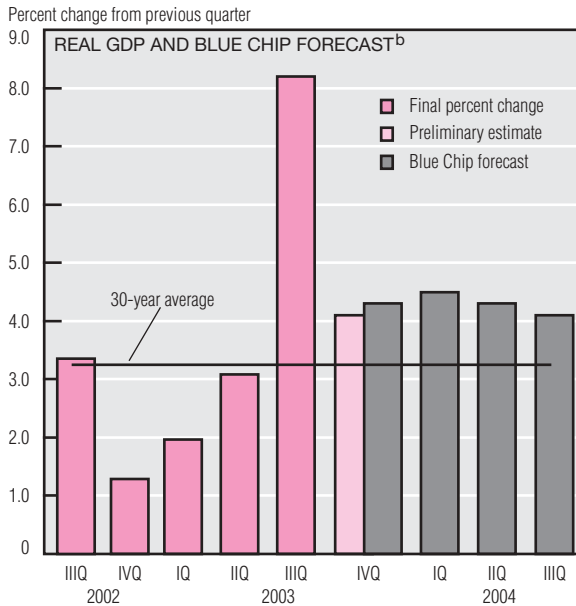
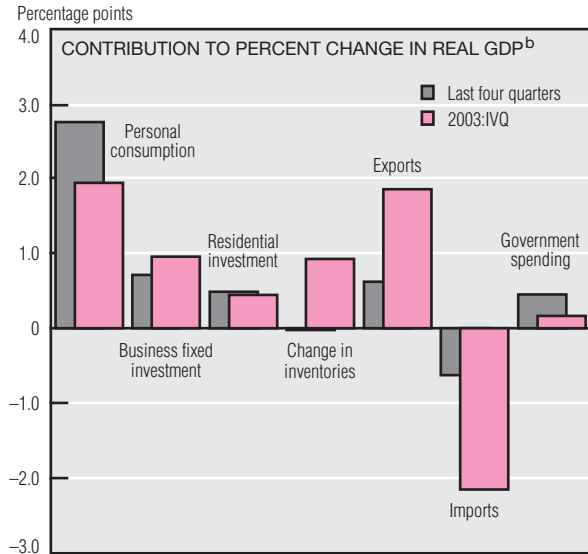


Economic Activity

	Change, billions of 2000 \$	Annualized percent change, last:	
		Quarter	Four quarters
Real GDP	106.1	4.1	4.3
Personal consumption	50.3	2.7	3.9
Durables	-0.4	-0.1	10.9
Nondurables	27.2	5.2	4.8
Services	22.8	2.2	2.0
Business fixed investment	26.4	9.6	7.1
Equipment	32.4	15.1	10.1
Structures	-4.3	-7.0	-2.3
Residential investment	10.8	8.6	9.7
Government spending	4.0	0.8	2.4
National defense	4.9	4.2	8.3
Net exports	-9.2	—	—
Exports	50.4	21.0	6.5
Imports	59.7	16.4	4.6
Change in business inventories	24.0	—	—



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*, February 10, 2004.

According to the Commerce Department's revised estimate, the annualized growth rate of real GDP in 2003:IVQ was 4.1%, a modest increase from the 4.0% reported in the initial estimate. The Blue Chip panel of economists' forecast of output growth in 2004:IQ was also revised slightly upward in February, from 4.4% to 4.5%. Their estimate for 2003:IVQ was 4.3%, a little higher than the actual number, but the most

recent Commerce Department revision shrinks the difference.

Imports had the largest negative impact, taking 2.15 percentage points (pp) from output growth in the fourth quarter. Exports, meanwhile, made a positive contribution of 1.85 pp to output growth.

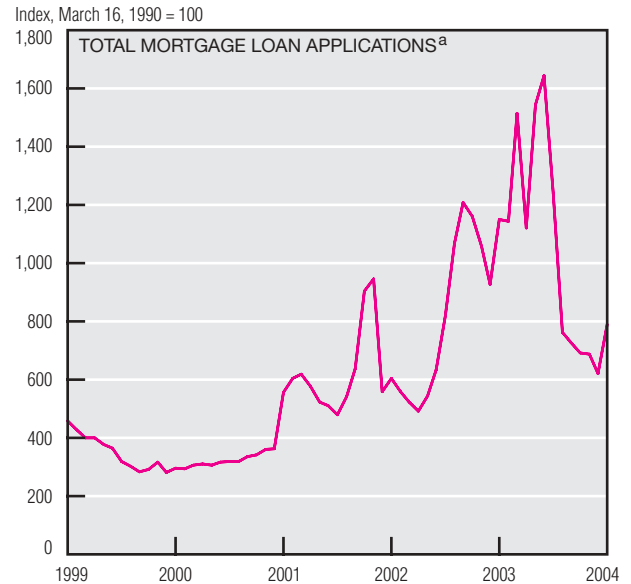
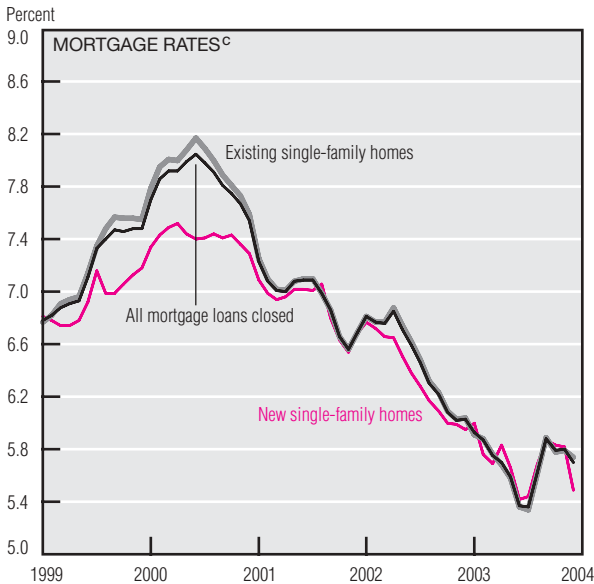
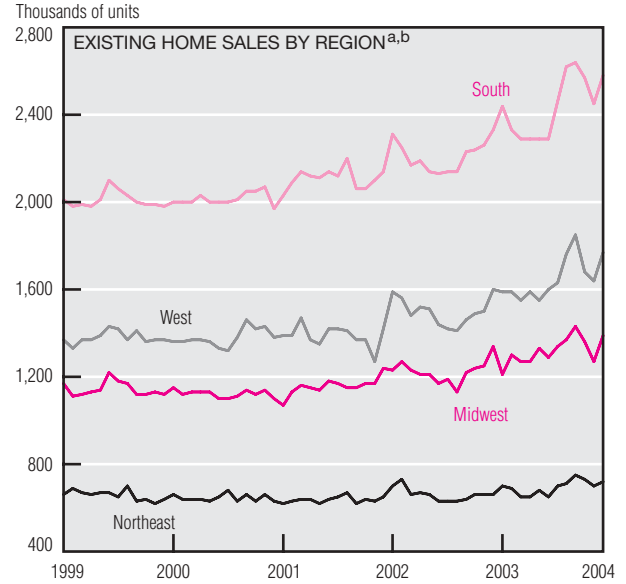
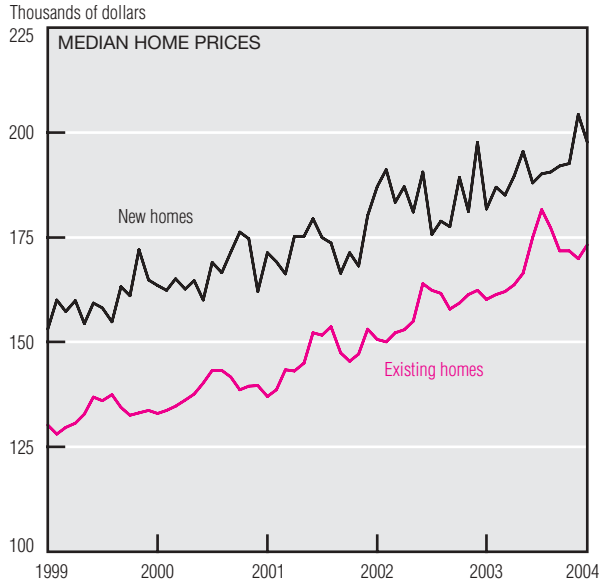
Personal consumption after the revision remained the largest source of output growth, adding 1.93 pp in 2003:IQ and an average of about 2.74 pp for the year. Government

spending added 0.16 pp to output growth, down from the previous quarter and lower than the 2003 average. About half of the government contribution came from growth in national defense, which ticked up 4.2%, adding 0.19 pp to output growth and offsetting the negative impact of government's nondefense and consumption spending.

Residential fixed investment rose 10% and business fixed investment

(continued on next page)

Economic Activity (cont.)



a. Seasonally adjusted.

b. Annual rates.

c. Contract interest rate.

SOURCES: U.S. Department of Commerce, Bureau of the Census; Federal Housing Finance Board; Mortgage Bankers Association of America; and National Association of Realtors.

gained 6.9% in 2003:IVQ, pushing fixed investment's increase to 8.1%.

Data on housing sales have always been notoriously volatile, but trends from recent data suggest that the housing market may be cooling off. In December 2003, new homes sold at a median price of \$198,000, reversing some of November's gains, but remaining well above pre-November levels. Meanwhile, prices of existing homes ticked up in December to \$173,000 after dropping from July's peak of \$182,000, a level 6.7% above

the median existing home sale price in December 2002.

Market volume falls short of the highs established in 2003, but still surpasses previous years. Existing home sales in each of four geographical regions peaked in September, which is typically a high-volume month. Although sales ran below the September peak, on a year-over-year comparison, sales exceeded 2002 levels. In particular, December sales were about 6.7% higher in 2003 than in 2002.

Interest rates for mortgage loans, after increasing for the last several months, have risen from the all-time lows set in the summer of 2003. However, the recent 5.7% contract interest rate for all new and existing homes is still lower than in any year before 2003. Mortgage loan applications have slowed significantly since peaking last year, and are now running at about the same level as in the summer of 2002.