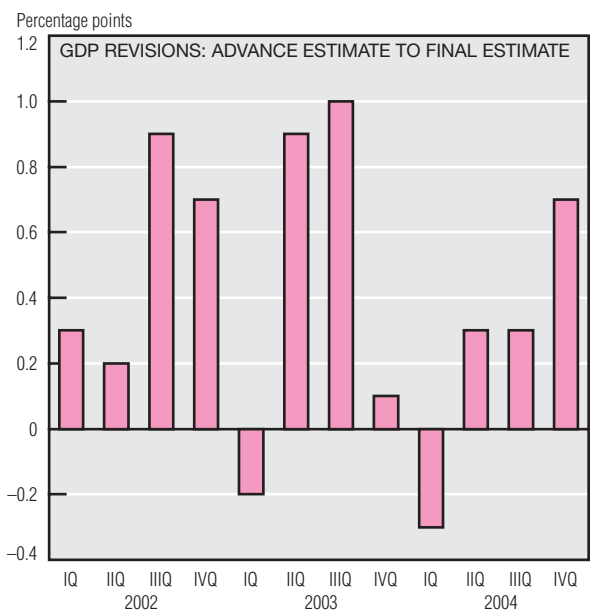
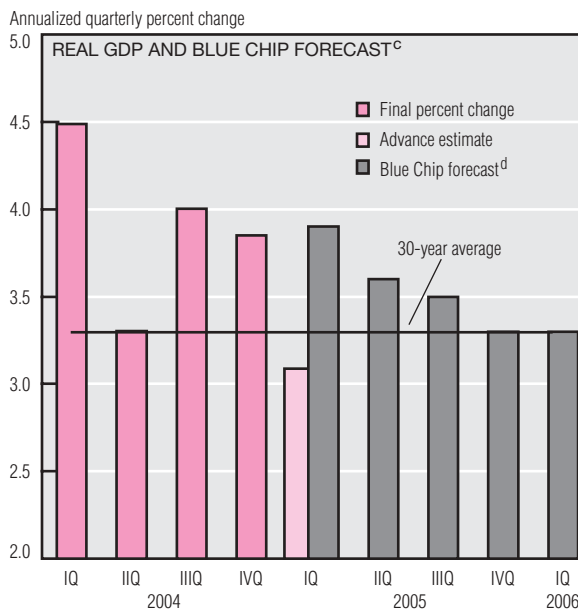
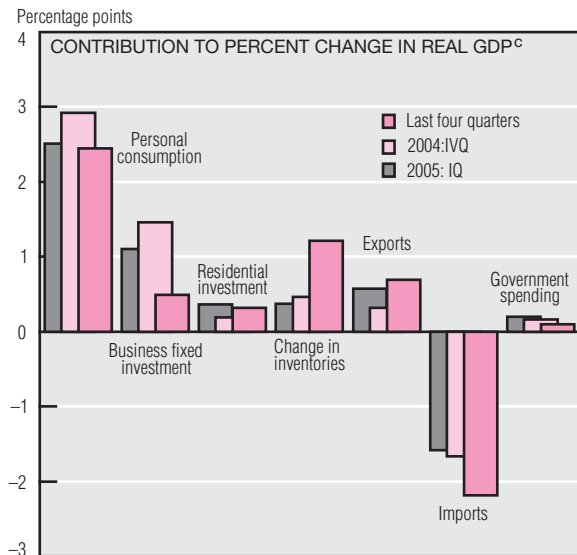


GDP Growth

	Change, billions of 2000 \$	Annualized percent change	
		Current quarter	Four quarters
Real GDP	83.9	3.1	3.6
Personal consumption	67.2	3.5	3.6
Durables	0.0	0.0	5.0
Nondurables	26.9	4.9	3.9
Services	38.6	3.6	3.2
Business fixed investment	14.7	4.6	11.1
Equipment	17.7	6.9	14.1
Structures	-1.6	-2.6	1.3
Residential investment	8.0	5.7	6.7
Government spending	2.7	0.6	1.1
National defense	0.3	0.2	2.8
Net exports	-42.1	—	—
Exports	19.5	7.0	5.9
Imports	61.5	14.7	10.8
Change in business inventories	33.0	—	—



a. Chain-weighted data in billions of 2000 dollars.

b. Components of real GDP need not add to the total because the total and all components are deflated using independent chain-weighted price indexes.

c. Data are seasonally adjusted and annualized.

d. Blue Chip panel of economists.

SOURCES: U.S. Department of Commerce, Bureau of Economic Analysis; and *Blue Chip Economic Indicators*, April 10, 2005.

The U.S. Commerce Department's advance estimate of real GDP growth in 2005:IQ was 3.1%, substantially lower than the final 2004:IVQ estimate of 3.8%. The slowdown in real GDP growth primarily reflected a deceleration in investment in equipment and software from an 18.4% annual rate in 2004:IVQ to 6.9% in 2005:IQ, an acceleration in imports from 11.4% to 14.7%, and a deceleration in personal consumption from 4.2% to 3.5%. However, this was partly offset by an acceleration in exports from 3.2% to 7.0% and a very large increase in

private inventory investment. Inventories (see chart at upper right) added 1.2 percentage points (pp) to the change in real GDP compared to 0.5 in 2004:IVQ. Only two other categories, residential investment and exports, made increased contributions to the change in real GDP.

The advance estimate fell far short of Blue Chip expectations of 3.9% real GDP growth. This forecast for 2005:IQ, published April 10, was revised upward from the March prediction of 3.7%. They predict that by year's end, growth will converge with GDP's 30-year average of 3.3%.

Regarding the low advance estimate of GDP for 2005:IQ, it is important to remember that substantial revisions often occur between the advance and final estimates. The 2004:IVQ advance estimate was identical to 2005:IQ at 3.1%. However, the preliminary and final readings were 0.7 pp higher at 3.8%. According to the Commerce Department, the average revision between the advance and the final estimate for 1978–2003, without regard to sign, was 0.6 pp. Given this average, we can expect a final reading for GDP growth in 2005:IQ that is substantially different from the current 3.1%.