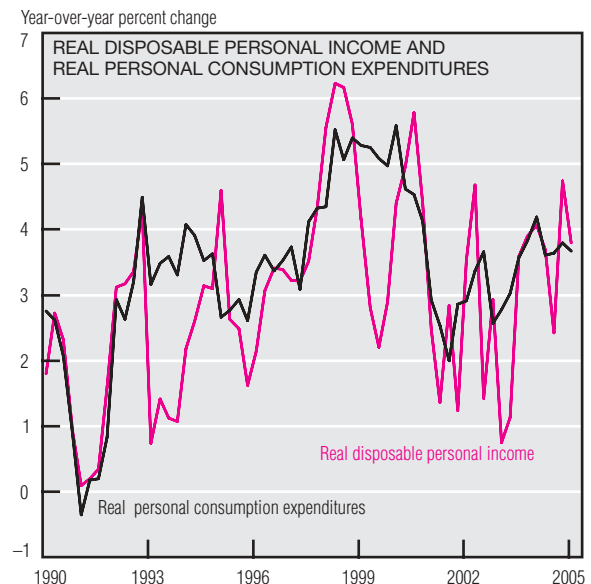
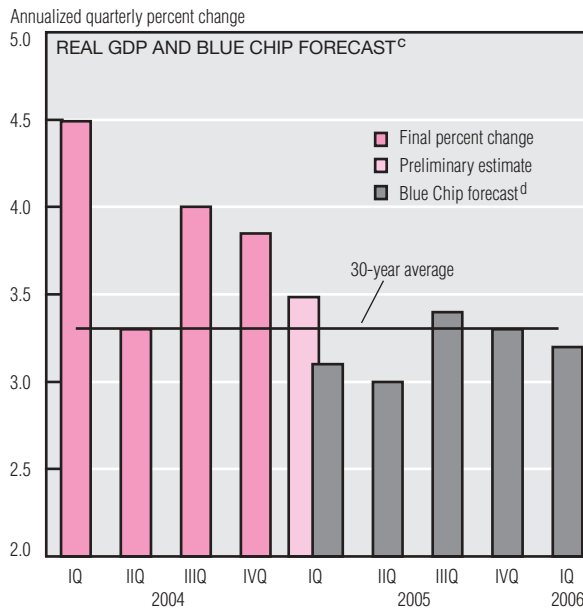
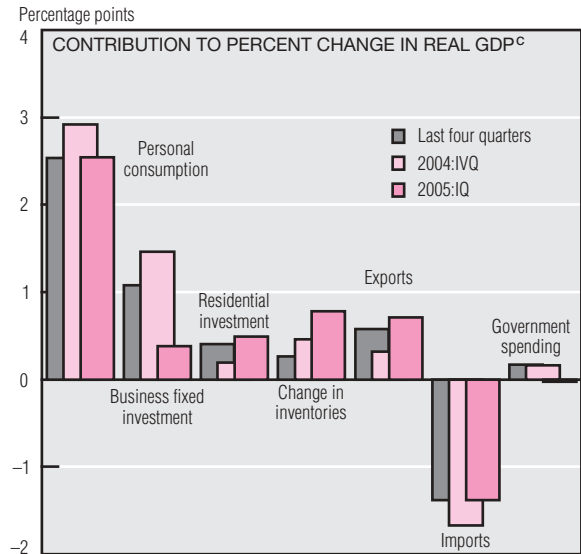


Economic Activity

	Change, billions of 2000 \$	Annualized percent change	
		Current quarter	Four quarters
Real GDP	94.5	3.5	3.7
Personal consumption	69.5	3.6	3.6
Durables	4.8	1.7	5.4
Nondurables	29.9	5.4	4.0
Services	34.2	3.2	3.1
Business fixed investment	11.2	3.5	10.8
Equipment	14.5	5.6	13.8
Structures	-2.0	-3.3	1.1
Residential investment	12.1	8.8	7.4
Government spending	-0.8	-0.2	0.9
National defense	0.4	0.3	2.8
Net exports	-18.9	—	—
Exports	19.9	7.2	5.9
Imports	38.7	9.1	9.4
Change in business inventories	21.2	—	—



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*, May 10, 2005.

According to the U.S. Commerce Department's preliminary estimate, GDP growth in 2005:IQ was 3.5%, up from the advance estimate of 3.1%. The revision was attributed primarily to upward revisions for personal consumption expenditures, residential investment, and exports. Imports, which subtract from GDP, decreased.

Most components' contributions to the change in real GDP have remained relatively stable over the last four quarters. The only significant changes occurred in business fixed investment

and changes in inventories. However, compared to 2004:IVQ, personal consumption, business fixed investment, and government spending combined to subtract 1.7 percentage points (pp) from GDP, which was partly offset by increases in other components.

Although the preliminary GDP reading for 2005:IQ was lower than both 2004:IIIQ and 2004:IVQ, it was still 0.2 pp higher than the 30-year average. In May, the Blue Chip forecasters downgraded their estimate of GDP growth for 2005:IIQ to 3.0% from the 3.6% predicted in April.

They also lowered their estimates of 2005:IIIQ and 2006:IQ growth by 0.1 pp each.

Although real disposable personal income growth tends to vary more than real personal consumption expenditures, both series follow the same basic trends. Since 2001:IIIQ, the long-term trend has been an increase in year-over-year growth. Despite the 2005:IQ slowdown in income growth, both series have averaged annual growth of 3.6%, only 0.1 pp lower than the overall economy.