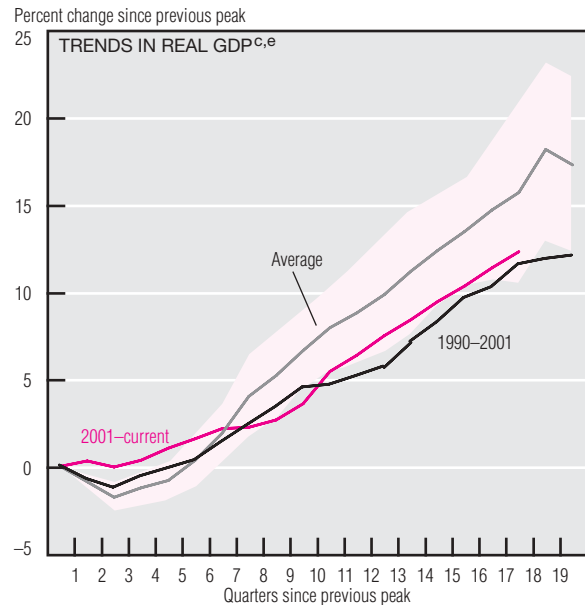
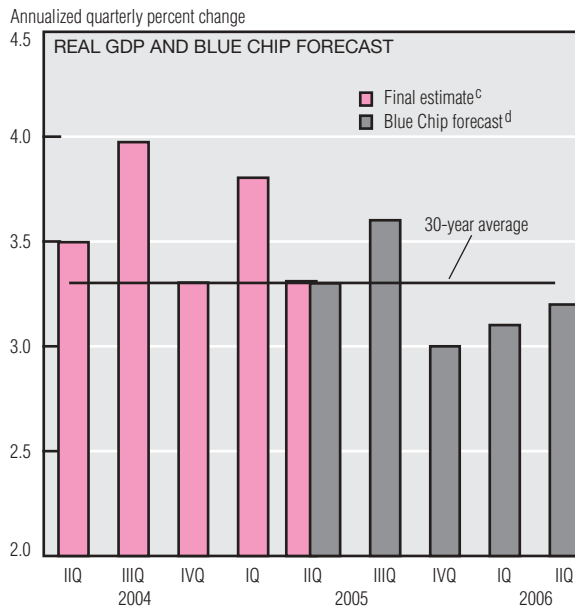
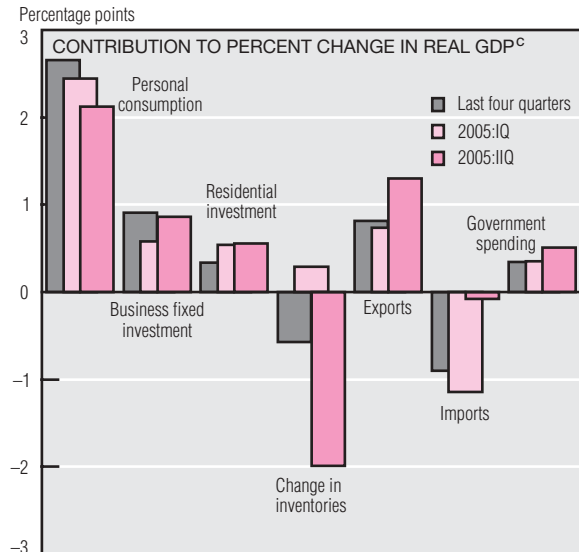


Economic Activity

	Change, billions of 2000 \$	Annualized percent change	
		Current quarter	Four quarters
Real GDP	89.9	3.3	3.6
Personal consumption	58.3	3.0	3.8
Durables	21.0	7.7	6.6
Nondurables	19.5	3.5	4.5
Services	20.7	1.9	2.9
Business fixed investment	25.6	8.4	9.1
Equipment	25.4	10.4	11.6
Structures	1.7	2.7	1.7
Residential investment	13.8	9.8	5.8
Government spending	13.1	9.8	1.8
National defense	2.9	2.4	2.7
Net exports	34.2	—	—
Exports	36.6	13.2	8.3
Imports	2.4	0.5	5.9
Change in business inventories	-55.6	—	—



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.

e. The shaded band represents the average for the nine previous business cycles, plus or minus two standard errors.

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

The Commerce Department's final reading of real GDP for 2005:IIQ was 3.3%, unchanged from the preliminary estimate. This was 0.5 percentage point (pp) lower than the final 2005:IQ growth of 3.8%. The deceleration was attributed primarily to a downturn in inventories, partly offset by deceleration in imports and acceleration in exports. Imports, which subtract from GDP, grew at an annual rate of only 0.5%, compared to 5.9% over the last four quarters. Exports, which contribute positively to GDP, grew at an annual rate of 13.2%, compared to 8.3%.

Personal consumption was the largest positive contributor to the change in real GDP, adding 2.1 pp. Exports contributed 1.3 pp, compared with only 0.7 pp in 2005:IQ. However, inventories subtracted 2.0 pp from real GDP, its heaviest drag since 2001:IVQ.

Real GDP growth as low as 3.3% was last observed in 2004:IVQ. Before that, 2003:IQ was the last time real GDP growth was less than in 2005:IIQ. The economy is currently growing at exactly its 30-year average rate. But except for 2005:IVQ, Blue

Chip forecasters do not expect this to continue. Their September 10, 2005, publication predicted that growth in 2005:IIIQ would be 3.6%, 0.3 pp lower than the August prediction of 3.9%. They also lowered their 2005:IVQ prediction by 0.3 pp to 3.0%.

Compared to previous recessions, real GDP growth since the 2001 event still lags the post-1949 average. However, it is slightly higher than the 1990 recession and within the average range for all recessions in the last 56 years.