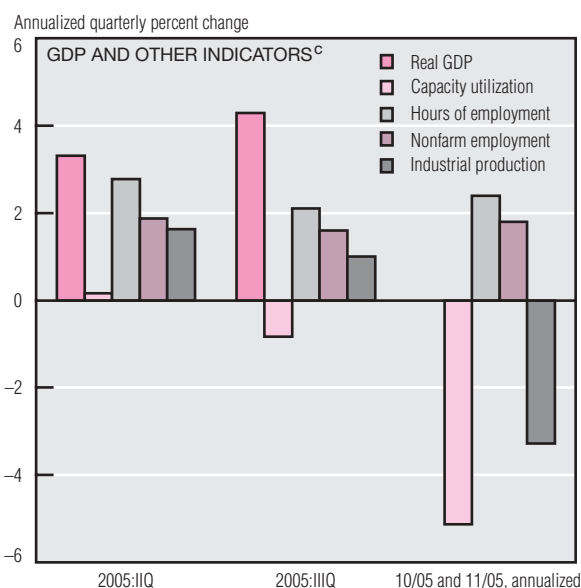
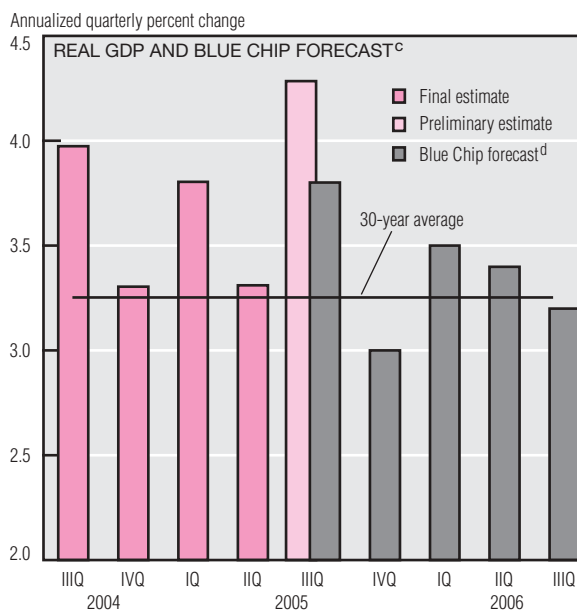
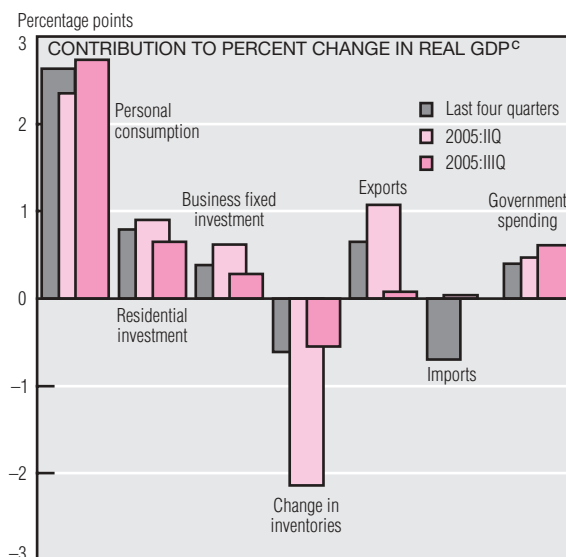


Economic Activity

	Change, billions of 2000 \$	Annualized percent change	
		Current quarter	Four quarters
Real GDP	116.9	4.3	3.6
Personal consumption	75.2	3.9	3.8
Durables	29.6	10.8	6.6
Nondurables	14.7	2.6	4.2
Services	34.9	3.2	3.0
Business fixed investment	19.4	6.2	7.8
Equipment	22.4	8.9	10.1
Structures	-0.9	-1.4	1.0
Residential investment	7.0	4.8	6.6
Government spending	15.8	3.2	2.1
National defense	12.2	10.3	3.3
Net exports	2.4	—	—
Exports	2.2	0.7	6.5
Imports	-0.2	0.0	4.5
Change in business inventories	-14.9	—	—



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*, November 10, 2005.

The Commerce Department's preliminary reading of 2005:IIIQ real GDP growth was 4.3%, up from the advance reading of 3.8%. The upward revision to the preliminary estimate resulted from upward revisions to residential fixed investment, nondurable consumption, and business spending on equipment and software.

Most components' contributions to the percent change in real GDP were similar to their average for the previous four quarters. However, the components with the largest contributions did shift from 2005:IIQ to 2005:IIIQ. Personal consumption

contributed 2.7 percentage points (pp) to the change in real GDP, compared to only 2.4 pp in 2005:IIQ; private inventories subtracted only 0.6 pp from the change in real GDP, compared to 2.1 pp in 2005:IIQ. Conversely, exports contributed a modest 0.1 pp in the third quarter, after adding 1.1 pp to the change in real GDP in 2005:IIQ.

Real GDP growth of 4.3% or higher has not been achieved since 2004:IQ. This is significantly higher than the 30-year average of 3.3%. However, according to the November report, the Blue Chip panel of economists

predicts that growth will slow to 3.0% in 2005:IVQ and then remain between 3.1% and 3.5% in 2006.

Although real GDP growth increased in the third quarter, other important indicators of the economy's health faltered. Industrial production and capacity utilization decreased between 2005:IIQ and 2005:IIIQ, and data from the first two months of the fourth quarter suggest that they will continue to drop. However, monthly data from both hours of employment and nonfarm employment currently indicate that these numbers will increase in 2005:IVQ.