The advance (first) estimate of gross domestic product (GDP) for 1999:IQ shows strong economic growth continuing into the beginning of 1999. The 4.5% annualized GDP growth rate was unexpectedly robust. Blue Chip forecasters had been marking up their forecasts this year, but their expectation for first-quarter growth was only three-quarters of the actual rate in the advance estimate.

This early indication of the state of the economy may well change as the preliminary and final estimates are prepared over the next two months, and as further revisions to the estimates are made in later years. Early estimates include the Bureau of Economic Analysis' assumptions where data are unavailable. Factoring in the missing data can make a substantial difference in subsequent estimates. Our experience over the past 20 years indicates that the final estimate of a quarter's GDP growth rate may lie between –0.6 and 0.9 percentage points of the advance estimate two-thirds of the time, and between –1.0 and 1.3 percentage points ninetenths of the time. The ultimate, or “latest” estimate of the quarterly GDP growth rate may lie between –1.3 and 1.7 percentage points of the advance estimate. Even assuming the worst about successive future downward revisions to the data, however, GDP growth in 1999:IQ still appears to have been strong.

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GDP growth was rapid in the usual places, consumer and business investment spending. Weakness, at least relative to 1998:IVQ GDP, was most obvious in net exports. Imports sliced 1.5 percentage points from the first quarter’s GDP growth rate, the same as in 1998:IVQ. Moreover, declining exports sliced another 0.9 percentage point, so that exports added almost 3 percentage points less to GDP growth than they did in 1998:IVQ. Any hint that export markets had stopped deteriorating seems to have been dispelled by this performance. Economic growth may be strong in the U.S., but it remains sluggish in much of the rest of the world—albeit the economies of the Asian “tigers” and the Latin American nations may be stabilizing.

Final sales in the automotive- and computer-related sectors of the economy slowed sharply in 1999:IQ. The weakness in motor vehicles and parts may represent nothing more than the resumption of a more normal pace of activity after a post-strike “make-up” spurt in 1998:IVQ. A roughly similar quarterly pattern can be seen in both GDP and industrial production data for computers, although the 1999:IQ level is more striking in the GDP measure than in the industrial production index.

Final sales of computers have contributed an average of 0.5 percentage point to quarterly growth rates of GDP since 1995:IQ, but their stronger-than-average contribution in late summer fell to zero in 1999:IQ. If this estimate were to prevail in June’s final GDP estimates, it would be an extremely rare event. As with motor vehicles, roughly similar patterns can be seen in both GDP and industrial production data for computers, although the 1999:IQ level is more striking in the GDP measure than in the industrial production index. The imprecision of advance GDP estimates, however, cautions against drawing conclusions about the computer industry without more reliable estimates.