The final estimate of 1999:IIIQ growth in gross domestic product, released in December, was 5.7%. This was stronger than November's 5.5% preliminary estimate, which itself exceeded October's 4.8% advance estimate. The small (0.2 percentage point) upward revision reflected slightly higher estimates of inventory accumulation and personal consumption expenditures on services, offset by slightly lower estimates of private fixed investment in equipment and software. The overall shape of the U.S. economy's eight-year-long expansion remained unchanged, as the mutually offsetting second-quarter slowdown and third-quarter speedup in inventory accumulation maintained the economy's above-average growth rate. Forecaster's, however, predict slower growth in 2000.

The durability and strength of the current expansion has evoked voluminous comment, but most of it overlooks an interesting feature of this expansion: the changing industrial composition of the economy. Starting (arbitrarily) at the end of the 1960-61 short recession, the industrial sector (measured by the set of industries included in the Federal Reserve Board's Industrial Production Index) grew slightly faster than the overall economy (measured by GDP). Despite traditional industries' movement from the north to the south and west and their reorientation around the quasiwartime demands of the Vietnam conflict, the composition of the economy's output continued to shift toward the highly productive industrial sector. Then, at about the time of the 1973-74 recession, a process of deindustrialization began. It was (continued on next page)
associated with the onset of an energy crisis, escalating inflation, and the movement of heavy industrial activities offshore to emerging nations. For almost 20 years, industrial growth lagged GDP growth. Consequently, the ratio of industrial output to GDP was about 17% lower at the beginning of the 1990s than it had been 30 years earlier, arousing fears about a service economy of “hamburger flippers.”

The current long economic expansion has been one of reindustrialization. By 1999, the ratio of industrial output to GDP had climbed back to its level of 40 years earlier. Of course, productivity gains mean that employment in a particular industry may increase far less than output or may even decline. Moreover, the industrial sectors that have blossomed during reindustrialization are not the same ones that consolidated during deindustrialization. This fact is somewhat obscured by the need to aggregate industries within traditional groupings to allow consistent comparisons over short intervals. Nonetheless, the computer and telecommunications revolution that caused the flowering of the information age can be identified in the composition and growth of industrial output. Most notably, the weight attached to the rapidly growing industrial machinery sector increased about 2½ percentage points over the past 40 years, but computer and office equipment now make up about 2½ percentage points of that weight. Similarly, electrical machinery’s weight increased about 2½ percentage points, but semiconductors and related electronic components now account for about 3½ percentage points of that weight.

a. Series that measure the output of an individual industry are weighted according to their share of the total value-added output of all industries.
NOTE: All data are seasonally adjusted.