Gross domestic product increased at a 5.4% annual rate in 2000:IQ, according to the advance estimate released in late April. This is higher than the 3.7% average growth rate of the current expansion, which began in 1991:IIQ; the 4.5% average growth rate of the past four years; and the 4.7% early-April Blue Chip forecast. The forecast for the remainder of 2000 shows growth returning to its 30-year average value. This prediction can be taken with a grain of salt, however; for the actual advance estimate has exceeded the forecast in all but five of the past 21 quarters, by an average of 1.2 percentage points (30%). For several years, forecasters seemed skeptical that this burst of high productivity growth would continue, but rising growth-rate forecasts have brought the average error down from –1.3 to –0.8 percentage points.

The pattern of sectoral contributions to GDP growth in the first quarter changed only slightly from the experience of recent years. Personal consumption and nonresidential fixed investment spending continued to be the largest contributors to GDP growth, but both showed further increases in the most recent quarter. Government spending and inventory investment, on the other hand, accounted for noticeably smaller portions of GDP growth in 2000:IQ, while the contributions of residential investment and net exports were essentially unchanged.

Major components of changes in sectoral contributions to GDP growth provide few clues to the durability of rapid GDP growth on the demand side. Without anecdotal evidence, there still may be a statistical basis for expecting components—and GDP growth—to regress to the average of prior values during... (continued on next page)
the current expansion. This might be expected, for example, if dominant changes in demand were more than two standard deviations from the mean, a range that would include 67% of past observations.

Spending on clothing and shoes showed an unusually large increase, contributing a full percentage point to GDP growth. This was offset, however, by unusually large decreases in expenditures on food and on gasoline, fuel oil, and other energy goods. Similar calculations for exports of goods and services, nonfarm inventories, and federal government defense consumption spending suggest the latter two were unusually low. However, none of the dominant components of the strong increase in nonresidential fixed investment was outside its normal range.

The total contribution of spending on computer and peripheral equipment and on software has not increased over the past two years, an indication of computers’ and computer chips’ growing integration with other aspects of personal and commercial activities. Other investment in information-processing equipment and software (that is, other than computers and software) has been a source of substantial increase in this category’s contribution to GDP growth in recent years and in 2000:IQ. The “other” category includes communications equipment, instruments such as medical equipment, industrial process controls, and scientific instruments, photocopier and related equipment, optical-based equipment, and office equipment excluding computers, such as typewriters and mail-handling equipment.