Gross domestic product (GDP) grew at a 2.4% annual rate in 2000:IIIQ. This preliminary estimate, released late in November, is 0.3 percentage point below the advance estimate of a month earlier. Much stronger import growth and slower investment spending estimates contributed to the downward revision. A sharp upward revision to construction spending offset some of these declines, while consumer spending growth was unchanged. Overall, GDP growth posted its lowest rate since 1996:IIIQ. Blue Chip forecasters expect it to rebound slightly to a rate approximately equal to the 30-year average.

Retail sales of computers and automobiles clearly are part of the slowing economy. Despite very strong GDP growth in late 1999 and early 2000, retail computer and software sales growth has been decelerating since 1999:IIQ. After adjusting for price changes, the most recent quarter’s 19.6% growth rate is the lowest reported since 1993, when computer and software sales were first tracked. Much of this growth may be explained by quality adjustments rather than increased unit sales. Growth in motor vehicle sales also has decreased dramatically over the last year. Both computer and automotive manufacturers’ inventories seem to have risen as sales slowed, although detailed inventory numbers are only available in current dollars. Thus, much of the steady decline in computer and software inventories after 1995 may reflect steadily declining prices rather than fewer units on the shelf. However, it is unlikely that

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this year’s rise in inventories resulted from sudden increases in computer and motor vehicle prices.

More than just retail sales have been involved in the slowing economy. Corporate profits grew much more slowly in the third quarter than earlier in the year. Because companies continue to raise dividends at a steady rate, undistributed corporate profits bore the brunt of slower profit growth.

The winter holidays emphasize the seasonal nature of the U.S. economy. Certain products and industries depend on this time of year for a significant portion of annual sales. For example, in the month of December, the candy and nut, toy, and jewelry industries do more than 20% of their year’s business, with liquor stores not far behind.

The trend in holiday shopping depends on the industry. During the latest expansion, as Americans have grown wealthier, the holidays have become less a time for giving essentials than a season for luxury purchases. December’s share of clothing sales has shrunk because people tend to purchase such necessities when they need them instead of waiting for a special occasion. December sales of jewelry, on the other hand, have increased dramatically over the last eight years. Despite the growth of luxuries in holiday shopping, the aggregate importance of the holidays and the last quarter of the year clearly had been trending down over the last 20 years—until 1999. It remains to be seen whether that year’s phenomenal fourth quarter was an anomaly or the beginning of a change in trend.

b. Non-seasonally-adjusted current dollars.