According to the recently released preliminary estimate, real GDP growth in 2000:IVQ was somewhat weaker than reported in the advance estimate—1.1% compared to 1.4%. Growth in inventory investment and exports was revised downward substantially, while growth in business investment and imports increased.

Declining exports and inventory investment were the largest contributors to relatively weak output growth in 2000:IVQ. Residential investment, traditionally a leading indicator, also declined, albeit by less than in the previous quarter. Business fixed investment fell slightly, a result of the first outright decline in the equipment and software component in almost a decade. One explanation for the U.S. economy's remarkable growth during the 1990s is that it reaped the benefits of previous investments in information technology. If this is true, the decline in equipment and software investment may foreshadow slower growth. Personal consumption grew at a slower pace than in previous quarters, and growth in government spending increased relative to past quarters. The decline in exports accounted for much of the fall in output growth.

The Blue Chip forecast suggests that GDP may weaken further in 2001:IQ, but it is expected to regain strength later in the year. By the end of 2001, forecasters predict output growth will return to its historical average. Forecasters, however, have tended to predict a reversion to the historical mean output growth. They were surprised on the upside in the first half of 2000 and on the downside in the last half of that year.

One of the major industries in the Fourth District is steel production. Accord-

(continued on next page)
According to the American Iron and Steel Institute, the U.S. industry “has been severely weakened by high levels of dumped, subsidized and disruptive steel imports.” Recently the Institute called for temporary import quotas to stabilize the industry.

Presumably, imports of foreign steel drive down U.S. steel prices. Experience in the 1990s lends some credibility to this story: Steel prices rose sharply in 1995–96 as steel imports fell, and prices fell in 1997–99 as steel imports rose. There must be more to the story, though, because prices also increased in 1994–95, a period when imports rose.

Asia, the European Union, and the rest of Europe are the largest exporters of steel to the U.S. Our NAFTA partners, Canada and Mexico, are also important sources. Growth of exports to the U.S. was strongest in Europe, exclusive of the European Union.

After declining in the early 1990s, the U.S. steel industry’s capacity has risen. Capacity utilization fluctuated throughout the decade and appears to be positively correlated with steel prices. For the most part, total U.S. steel production rose during the 1990s.

Profits in the steel industry appear to move fairly closely with the price of steel. Undoubtedly, the U.S. steel industry was pleased when a U.S. trade panel recently voted 6–0 to allow the Commerce Department to continue its investigations of “dumping” (selling below cost) of hot-rolled steel exports by 11 nations. The European Union, Brazil, Chile, India, Indonesia, Japan, South Korea, and Thailand have disputed these charges as being illegal under international trade rules.