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GDP Grew at a 1.3% Annualized Rate in the 1st Quarter

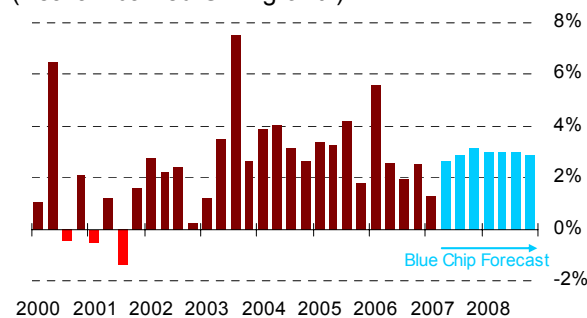
The Bureau of Economic Analysis (BEA) released its “advance” estimate of 1.3% annualized growth in the inflation-adjusted (“real”) gross domestic product (GDP) for the 1st quarter (<http://www.bea.gov/newsreleases/national/gdp/2007/pdf/gdp107a.pdf>). Real GDP grew at a 2.5% in the 4th quarter of last year.

Highlights of today’s GDP report:

- The deceleration in growth relative to the 4th quarter primarily reflected a 1.2% decline in exports, a 2.3% rise in imports, slightly slower consumer spending growth (3.8% in the 1st quarter vs. 4.2% in the 4th quarter), and a 3.0% decline in federal government spending.
- Non-residential business investment increased 2.0% in the 1st quarter, in contrast to a decrease of 3.1% decline in the 4th quarter.
- Residential investment declined 17.0% in the 1st quarter, following a decrease of 19.8% in the 4th quarter. Residential investment has declined for six consecutive quarters.
- Annualized inflation in the “core” personal consumption expenditures (PCE) price index, which excludes volatile energy and food prices, was 2.2% in the 1st quarter, up from 1.8% in the 4th quarter. The core PCE is one of the Fed’s preferred measures of consumer price inflation.
- Real GDP growth has averaged 3.35% since enactment of tax relief in 2003 and 2.53% since the beginning of 2001. Over the past four quarters, growth has averaged a below-trend 2.07%, partly reflecting continued adjustments in the housing sector.

Economic Growth Since 2000

(Real annualized GDP growth)



Sources: Bureau of Economic Analysis; Blue Chip Economic Indicators

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