ECONOMIC GROWTH IN THE U.S. EASES; THE FEDERAL RESERVE BOARD RETHINKS ITS POLICY

The cracked-up and much-vaunted pace of economic growth in the world's largest and most-dynamic economy, that of the **U**nited **S**tates of America (US), eased, considerably, in the last quarter of 2003, ended December 31, causing the US Federal Reserve Board to have a little rethink about the matter of any increases in short-term, interest rates.

Had there been a continuation of the pace of economic growth that existed in the third quarter of 2003, today, **TARGET** might have been writing about the recent determination of The Fed to increase in the Federal Funds Rate, as proposed on Wednesday, January 28.

In a nutshell, what transpired in the fourth quarter of 2003 in the US was that Real **G**ross **D**omestic **P**roduct (GDP) – the output of goods and services, produced by labour and property, located in the US – increased at an annual rate of 4 percent, according to The **B**ureau of **E**conomic **A**nalysis (BEA) of the Government of the US.

That was a decrease in Real GDP of about 52.50 percent, Quarter-on-Quarter.

Which is, of course, a dramatic downturn, no matter how one puts it.

Those statistics, the BEA was quick to point out, were advance estimates, only, and were based on source data that are *'incomplete or subject to further revision by the source agency.'*

On February 27, 2004, there will be more comprehensive data, spewing out from the BEA, thus allowing a revision of the advance estimates.

TARGET's economic analyst, however, does not expect any material change in the revised statistics, compared to the advance estimates, although, of course, anything is possible.

One thing about US Government's economic statistics is that, historically, unlike the US Government's intelligence-gathering agency, they have been, pretty much, on target (excuse the pun).

The BEA's advance estimates in respect of the Real GDP for the fourth quarter were:

1. The main contributors to the fourth-quarter increases were:
    a. Personal consumption expenditures;
    b. Exports;
    c. Equipment and computer software;
    d. Inventory investment; and,
    e. Residential fixed investment.

2. The deceleration in the Real GDP growth in the fourth quarter reflected:

    a. A deceleration in personal consumption expenditures, Quarter-on-Quarter;

    b. An acceleration in the value of imports into the US*;
    c. A deceleration in equipment and computer software; and,

    d. A deceleration in residential fixed investment.

* Imports are a subtraction in the calculation of the GDP

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