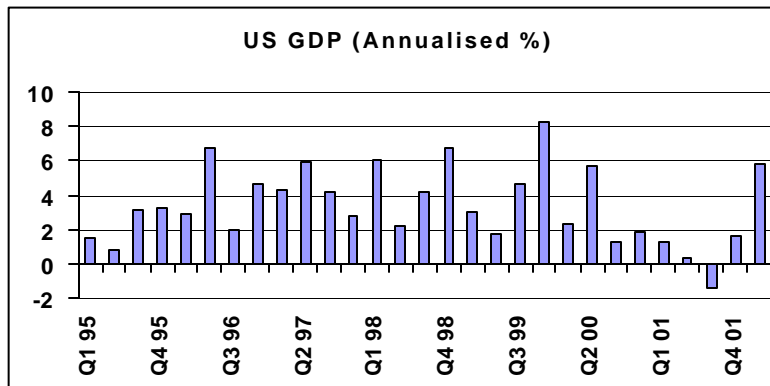


US Economy Expands by Robust 5.8%

The advance estimate of first quarter GDP was better than forecast with the headline growth of 5.8% above the consensus forecast of 5.0%. This robust growth rate is up from a 1.7% rate in the fourth quarter and was the fastest growth since Q4 1999. Inventories continued to be cut, this time by \$36.2 billion. Nevertheless, this was significantly down on Q4's \$120 billion liquidation. As a result inventories contributed just over half, or 3.1%, to the quarter's GDP growth performance. Consumer spending growth was down from the auto-driven 6.1% pace of the fourth quarter, but still put in a very solid performance at 3.5%.

Growth in final sales came in at 2.6%, compared to the consensus forecast of a 2.0% rise. This unexpectedly strong number illustrates that there is underlying strength in the economy and that first quarter growth did not just come from the inventory correction.

Businesses continue to cut back on spending, but the pace of decline is at least easing. Business investment fell 5.7%, but that most of this decline was in structures which fell by 19.9%. Equipment and software spending declined by a very modest 0.5% which is very encouraging news. Exports rose a very respectable 6.8% but this was outweighed by a 15.5% rise in imports, which meant that the traded sector acted as a drag on growth. Government spending rose 7.9%, with spending heavily concentrated in the defense area. Price pressures remained subdued with the GDP deflator and PCE deflator, rising by a respective 0.7% and 0.6%.



<i>(Annualised % Growth Rate)</i>	Q1-02	Q4 '01	Q3 '01	2001
GDP	5.8	1.7	-1.3	1.2
Consumer Spending	3.5	6.1	1.0	3.1
Business Investment	-5.7	-13.8	-8.5	-3.2
- Equipment Software	-0.5	-5.3	-8.8	-4.4
Housing Investment	15.7	-4.6	2.4	1.5
Exports	6.8	-10.9	-18.8	-4.5
Imports	15.5	-7.5	-13.0	-2.7
Government Purchases	7.9	10.2	0.3	3.6
Inventory Change (US\$ bln)	-36.2	-119.3	-61.9	-61.7

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