

First quarter real GDP growth was revised up from 0.6% to 0.9%, due largely to a downward revision to the trade deficit and an upward revision to investment in nonresidential structures. Partially offsetting these upward adjustments was a reduction in inventory accumulation. Growth in consumer spending, which accounts for about 70% of overall economic activity, was unrevised at 1.0%.

Compared with a year earlier, real GDP was higher by 2.5% in the first quarter. The economy grew 0.6% in the fourth quarter of 2007. Even after the revisions, real final sales to domestic purchasers decreased by 0.1% – the first decline since 1991.

Corporate profits were essentially unchanged in the first quarter, following substantial losses during the previous half-year. Pre-tax operating profits were up by 1.7% from the first quarter of 2007, down from a peak rate of year-over-year growth of 28.4% in the second quarter of 2004 and 8.4% as recently as 2006.

Activity at factories appears to have strengthened during April. Overall orders of durable goods fell by 0.5% during the month, due to weakness in the auto sector. But non-transportation orders jumped by 2.5%. Orders in the machinery, primary metals, and electrical equipment posted large gains. Orders for nondefense capital goods excluding aircraft increased by 4.2% to more than 13% at an annualized rate above the first quarter level – a positive sign for investment during the second quarter.

Nonetheless, consumers were still downbeat in early May. The Conference Board's Index of Consumer Confidence fell to its lowest level since October 1992. The Index of Consumer Expectations fell to the second lowest level since the inception of the survey in February 1967. Expectations have been darker only in December 1973, after the Arab oil embargo and on the eve of the nasty 1973-75 recession.

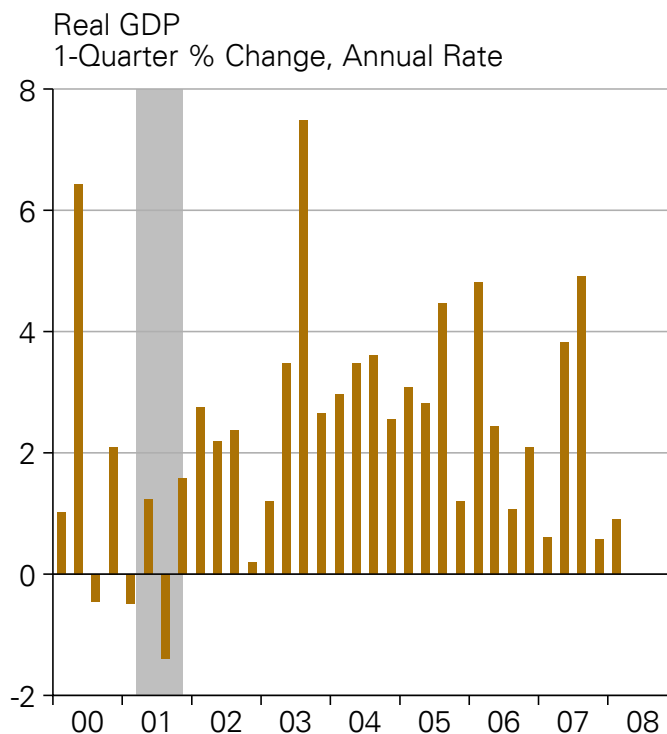
Personal income increased 0.2% in April, following an upwardly revised increase of 0.4% in March. Compared with a year earlier, income was up by 4.8%. Real disposable personal income was flat for a second consecutive month at only 1.8% above the year earlier level. Year-over-year growth was as high as 4.0% last August. Wage

Real GDP was a little stronger in the first quarter than originally reported, but the mood of consumers darkened notably in May.

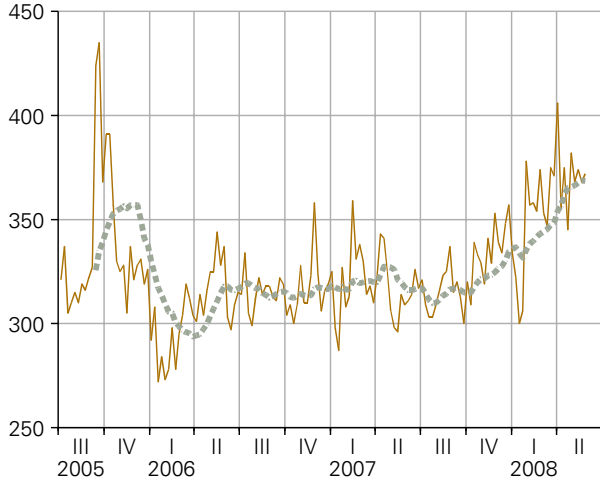
and salary distributions fell in April for the third year in a row, suggesting a distortion in the seasonal adjustment process.

Personal consumption expenditures increased 0.2% in April to 4.8% above the year earlier level. After adjusting for inflation, however, consumption edged down marginally for the third decline in the last five months. Compared with a year earlier, real consumption increased 1.6% versus a year-over-year increase of 3.0% in April 2007.

Jim Coons



Initial Claims for Unemployment Insurance
Thousands Per Week, Seasonally Adjusted



U. S. Dollar Exchange Rate
FRB Major Currency Index, 1973 = 100



Price of Oil
West Texas Int, \$/bbl



Price of Gold
London PM Fixing, \$/oz



S&P 500 Stock Prices
Daily Close, Index 1941-43 = 10



Mortgage Loan Originations
MBA Purchase Index 3/16/90=100 SA

