

The economy grew at a 3.2% annual rate in the first quarter, down from the 5.6% pace in the fourth quarter, but the third quarterly gain in a row. Real GDP was 2.5% above the year earlier quarter – the best year-over-year comparison since the third quarter of 2007.

Personal consumption expenditures made the largest contribution, followed by the change in business inventories. Fixed business investment made a small contribution. Investment in residential structures, net exports and government spending subtracted from growth during the quarter.

Final sales of domestic product increased for the fourth quarter in a row, but only at a modest annual pace of 1.6%. Final sales have increased at an annual rate of 1.4% since reaching a trough in the first quarter of 2009, comparable to the initial 4-quarter recoveries following the last two recessions, but far weaker than in all recovery periods prior to the 1990s.

The consensus is for continued moderate growth through year end at a pace of approximately 3%. Leading indicators remain consistent with uninterrupted growth. The ECRI Weekly Leading Index posted the ninth straight increase on a 4-week moving average basis in the week ending April 30. The string of increases has followed five weekly declines from late January through February. The smoothed six-month rate of change was +12.7% – less than one-half the peak reached early last October.

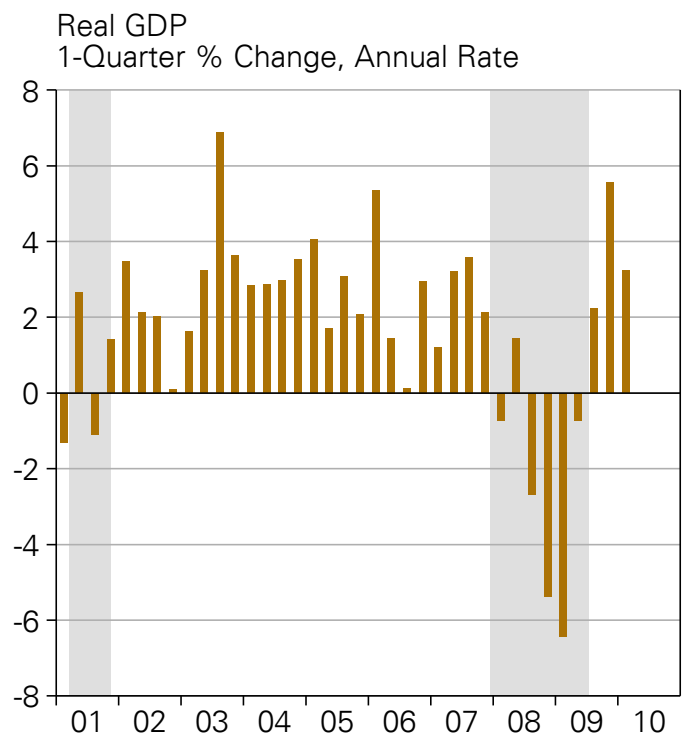
The peak growth rate in the WLI has been highly correlated with the peak 4-quarter growth rate in real GDP during the first two years of previous economic recoveries. The current growth rate of the WLI is consistent with a much stronger rate of growth in real GDP than was widely anticipated and has unfolded so far.

The Leading Economic Index published by the Conference Board jumped by 1.4% in March – the twelfth consecutive monthly rise that matched the largest of the string. The 6-month smoothed percent change increased to 11.1% – the fastest of this cycle and the fastest since October 1983.

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The Ratio of the Coincident to Lagging Economic Index was unchanged for the second straight month in March after ten consecutive increases. The ratio has reached its cyclical trough at approximately the same time that recessions have ended on many occasions in the past. The most recent low was reached in March 2009.

Jim Coons



Initial Claims for Unemployment Insurance  
Thousands Per Week, Seasonally Adjusted



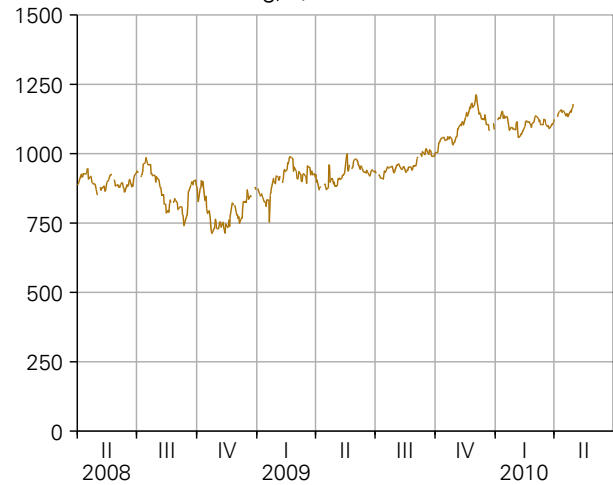
U. S. Dollar Exchange Rate  
FRB Major Currency Index, 1973 = 100



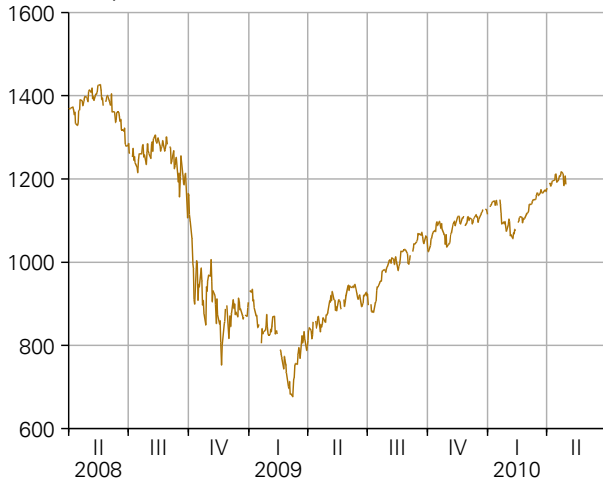
Price of Oil  
West Texas Int, \$/bbl



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

