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EMBARGOED UNTIL RELEASE AT 8:30 A.M. EST, WEDNESDAY, JANUARY 30, 2008

BEA 08-03

\* See the navigation bar at the right side of the news release text for links to data tables, contact personnel and their telephone numbers, and supplementary materials.

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## GROSS DOMESTIC PRODUCT: FOURTH QUARTER 2007 (ADVANCE)

Real gross domestic product -- the output of goods and services produced by labor and property located in the United States -- increased at an annual rate of 0.6 percent in the fourth quarter of 2007, according to advance estimates released by the Bureau of Economic Analysis. In the third quarter, real

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GDP increased 4.9 percent.


The Bureau emphasized that the fourth-quarter "advance" estimates are based on source data that are incomplete or subject to further revision by the source agency (see the box on page 3). The fourth-quarter "preliminary" estimates, based on more comprehensive data, will be released on February 28, 2008.

The increase in real GDP in the fourth quarter primarily reflected positive contributions from personal consumption expenditures (PCE), nonresidential structures, state and local government spending, exports, and equipment and software that were largely offset by negative contributions from private inventory investment and residential fixed investment. Imports, which are a subtraction in the calculation of GDP, increased slightly.

The deceleration in real GDP growth in the fourth quarter primarily reflected a downturn in inventory investment and decelerations in exports, in PCE, and in federal government spending that were partly offset by a deceleration in imports and an acceleration in state and local government spending.

Final sales of computers contributed 0.18 percentage point to the fourth-quarter growth in real GDP after contributing 0.28 percentage point to the third-quarter growth. Motor vehicle


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subtracted 0.90 percentage point from the fourth-quarter growth in real GDP after contributing 0.36 percentage point to the third-quarter growth.

FOOTNOTE.--Quarterly estimates are expressed at seasonally adjusted annual rates, unless otherwise specified.

Quarter-to-quarter dollar changes are differences between these published estimates.

Percent changes are

calculated from unrounded data and are annualized. "Real" estimates are in chained (2000) dollars.

Price indexes are chain-type measures.

This news release is available on BEA's Web site at [www.bea.gov/newsreleases/rels.htm](http://www.bea.gov/newsreleases/rels.htm).

The price index for gross domestic purchases, which measures prices paid by U.S. residents, increased 3.8 percent in the fourth quarter, compared with an increase of 1.8 percent in the third.

Excluding food and energy prices, the price index for gross domestic purchases increased 2.5 percent in the fourth quarter, compared with an increase of 1.9 percent in the third.

Real personal consumption expenditures increased 2.0 percent in the fourth quarter, compared with an increase of 2.8 percent in the third. Durable goods increased 4.2 percent, compared with an

increase of 4.5 percent. Nondurable goods increased 1.9 percent, compared with an increase of 2.2 percent. Services expenditures increased 1.6 percent, compared with an increase of 2.8 percent.

Real nonresidential fixed investment increased 7.5 percent in the fourth quarter, compared with an increase of 9.3 percent in the third. Nonresidential structures increased 15.8 percent, compared with an increase of 16.4 percent. Equipment and software increased 3.8 percent, compared with an increase of 6.2 percent. Real residential fixed investment decreased 23.9 percent, compared with a decrease of 20.5 percent.

Real exports of goods and services increased 3.9 percent in the fourth quarter, compared with an increase of 19.1 percent in the third. Real imports of goods and services increased 0.3 percent, compared with an increase of 4.4 percent.

Real federal government consumption expenditures and gross investment increased 0.3 percent in the fourth quarter, compared with an increase of 7.1 percent in the third. National defense decreased 0.6 percent, in contrast to an increase of 10.1 percent. Nondefense increased 2.2 percent, compared with an increase of 1.1 percent. Real state and local government consumption expenditures and gross investment increased 4.0 percent, compared with an increase of 1.9 percent.

The real change in private inventories subtracted 1.25 percentage points from the fourth-quarter change in real GDP after adding 0.89 percentage point to the third-quarter change. Private businesses decreased inventories \$3.4 billion in the fourth quarter, following increases of \$30.6 billion in the third and \$5.8 billion in the second.

Real final sales of domestic product -- GDP less change in private inventories -- increased 1.9 percent in the fourth quarter, compared with an increase of 4.0 percent in the third.

#### Gross domestic purchases

Real gross domestic purchases -- purchases by U.S. residents of goods and services wherever produced -- increased 0.2 percent in the fourth quarter, compared with an increase of 3.3 percent in the third.

#### Disposition of personal income

Current-dollar personal income increased \$129.1 billion (4.5 percent) in the fourth quarter, compared with an increase of \$169.4 billion (6.0 percent) in the third.

Personal current taxes increased \$22.3 billion in the fourth quarter, compared with an increase of

\$11.6 billion in the third.

Disposable personal income increased \$106.8 billion (4.2 percent) in the fourth quarter, compared with an increase of \$157.8 billion (6.4 percent) in the third. Real disposable personal income increased 0.3 percent, compared with an increase of 4.5 percent.

Personal outlays increased \$138.3 billion (5.5 percent) in the fourth quarter, compared with an increase of \$131.7 billion (5.3 percent) in the third. Personal saving -- disposable personal income less personal outlays -- was \$25.1 billion in the fourth quarter, compared with \$56.7 billion in the third. The personal saving rate -- saving as a percentage of disposable personal income -- was 0.2 percent in the fourth quarter, compared with 0.6 percent in the third. Saving from current income may be near zero or negative when outlays are financed by borrowing (including borrowing financed through credit cards or home equity loans), by selling investments or other assets, or by using savings from previous periods. For more information, see the FAQs on "Personal Saving" on BEA's Web site. For a comparison of personal saving in BEA's national income and product accounts with personal saving in the Federal Reserve Board's flow of funds accounts and data on changes in net worth (which helps finance negative saving), go to <http://www.bea.gov/bea/dn/nipaweb/Nipa-Frb.asp>.

## Current-dollar GDP

Current-dollar GDP -- the market value of the nation's output of goods and services -- increased 3.2 percent, or \$110.3 billion, in the fourth quarter to a level of \$14,080.8 billion. In the third quarter, current-dollar GDP increased 6.0 percent, or \$201.7 billion.

## 2007 GDP

Real GDP increased 2.2 percent in 2007 (that is, from the 2006 annual level to the 2007 annual level), compared with an increase of 2.9 percent in 2006.

The major contributors to the increase in real GDP in 2007 were personal consumption expenditures (PCE), exports, nonresidential structures, and state and local government spending. These positive contributions were partly offset by decreases in residential fixed investment and in inventory investment. Imports, which are a subtraction in the calculation of GDP, increased.

The deceleration in real GDP primarily reflected a larger decrease in residential fixed investment, a downturn in private inventory investment, and a deceleration in equipment and software that were partly offset by a deceleration in imports.

The price index for gross domestic purchases increased 2.7 percent in 2007, compared with an increase of 3.3 percent in 2006.

Current-dollar GDP increased 4.9 percent, or \$648.3 billion, in 2007. Current-dollar GDP increased 6.1 percent, or \$760.8 billion, in 2006.

During 2007 (that is, measured from the fourth quarter of 2006 to the fourth quarter of 2007), real GDP increased 2.5 percent. Real GDP increased 2.6 percent during 2006. The price index for gross domestic purchases increased 3.3 percent during 2007, compared with an increase of 2.4 percent during 2006.

#### BOX

Information on the assumptions used for unavailable source data is provided in a technical note that is posted with the news release on BEA's Web site. Within a few days after the release, a detailed "Key Source Data and Assumptions" file is posted on the Web site. In the middle of each month, an analysis of the current quarterly estimates of GDP and related series is made available on the Web site; click on Survey of Current Business, "GDP and the Economy."

BEA's national, international, regional, and industry estimates; the Survey of Current Business; and BEA news releases are available without charge on BEA's Web site at [www.bea.gov](http://www.bea.gov). By visiting the site, you can also subscribe to receive free e-mail summaries of BEA releases and announcements.

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Next release -- February 28, 2008, at 8:30 A.M. EST for:  
Gross Domestic Product: Fourth Quarter 2007 (Preliminary)

Release dates in 2008

Gross domestic product

	2007: IV and 2007 annual	2008: I	2008: II	2008: III
Advance.....	January 30	April 30	July 31	October 30
Preliminary..	February 28	May 29	August 28	November 25
Final.....	March 27	June 26	September 26	December 23

Corporate Profits

Preliminary..	....	May 29	August 28	November 25
Final.....	March 27	June 26	September 26	December 23

## Comparisons of Revisions to GDP

Quarterly estimates of GDP are released on the following schedule: "Advance" estimates, based on source data that are incomplete or subject to further revision by the source agency, are released near the end of the first month after the end of the quarter; as more detailed and more comprehensive data become available, "preliminary" and "final" estimates are released near the end of the second and third months, respectively. The "latest" estimates reflect the results of both annual and comprehensive revisions.

Annual revisions, which cover the quarters of the 3 most recent calendar years, are usually carried out each summer and incorporate newly available major annual source data. Comprehensive (or benchmark) revisions are carried out at about 5-year intervals and incorporate major periodic source data, as well as improvements in concepts and methods that update the accounts to portray more accurately the evolving U.S. economy.

The table below shows comparisons of the revisions between quarterly percent changes of current-dollar and real GDP for the different vintages of the estimates. From the advance estimate to the preliminary estimate (one month later), the average revision to real GDP without regard to sign is 0.5 percentage point, while from the advance estimate to the final estimate (two months later), it is 0.6 percentage point. From the advance estimate to the latest

estimate, the average revision without regard to sign is 1.2 percentage points. The average revision (with regard to sign) from the advance estimate to the latest estimate is 0.3 percentage point, which is larger than the average revisions from the advance estimate to the preliminary or to the final estimates. The larger average revisions to the latest estimate reflect the fact that comprehensive revisions include major improvements such as the introduction of chain indexes and the capitalization of software. The current quarterly estimates correctly indicate the direction of change of real GDP 98 percent of the time, correctly indicate whether it is accelerating or decelerating 74 percent of the time, and correctly indicate whether real GDP growth is above, near, or below trend growth more than three-fifths of the time.

Revisions Between Quarterly Percent Changes of GDP: Vintage

Comparisons

[Annual rates]

Vintages	Average	Average without	Standard
deviation of			
compared		regard to sign	revisions
without regard			
			to
sign			

Current-dollar GDP

Advance to preliminary.....	0.2		0.5	
0.4				
Advance to				
final.....	.2	.7		.4
Preliminary to				
final.....	.0	.3	.2	
Advance to latest.....	.4			
1.1	.9			

Real GDP

Advance to preliminary.....	0.1		0.5	
0.4				
Advance to				
final.....	.1	.6		.4
Preliminary to				
final.....	.0	.3	.2	
Advance to latest.....	.3		1.2	
1.0				

NOTE.--These comparisons are based on the period from 1983 through 2004.

Bureau of Economic Analysis is an agency of the U.S. Department of Commerce.

