

B U S I N E S S S I T U A T I O N

This article was prepared by Daniel Larkins, Larry R. Moran, Ralph W. Morris, and Deborah Y. Sieff.

ECONOMIC GROWTH accelerated in the fourth quarter of 1996, according to the "advance" estimates of the national income and product accounts (NIPA's), as real gross domestic product (GDP) increased 4.7 percent after increasing 2.1 percent in the third quarter (chart 1 and table 1).¹ Real final sales of domestic product accelerated even more—to a 4.9-percent increase from a 0.5-percent increase. The price index for gross domestic purchases increased 2.5 percent after increasing 1.9 percent; the step-up was accounted for by an upturn in energy prices.

The strength of the economy in the fourth quarter was especially evident in exports and in personal consumption expenditures (PCE). Exports increased sharply after a small third-quarter decrease; the upturn largely reflected exports of

nonautomotive capital goods.² PCE accelerated after a small third-quarter increase; durable goods turned up, and nondurable goods and services increased more than in the third quarter. The acceleration in real GDP growth also reflected, to a lesser extent, changes in government spending and in residential investment. The acceleration was moderated by changes in inventory investment and in nonresidential fixed investment. Inventory accumulation slowed after a substantial step-up; the slowdown was concentrated in retail trade. Nonresidential fixed investment increased much less than in the third quarter; structures increased considerably more than in the third quarter, but producers' durable equipment (PDE) posted its first decrease in 5 years after increasing sharply in the third quarter.

1. Quarterly estimates in the national income and product accounts are expressed at seasonally adjusted annual rates, and quarter-to-quarter dollar changes are differences between these estimates. Quarter-to-quarter percent changes are annualized and are calculated from unrounded data. Real estimates are expressed in chained (1992) dollars. Price indexes are chain-type indexes.

2. Exports and imports of nonautomotive capital goods include both parts and equipment. In contrast, parts are *not* included in the producers' durable equipment component of business fixed investment and in the equipment component of government investment.

Table 1.—Real Gross Domestic Product, Real Gross Domestic Purchases, and Real Final Sales to Domestic Purchasers

[Seasonally adjusted at annual rates]

	Billions of chained (1992) dollars						Percent change from preceding period							
	Change from preceding period						1995	1996	1996					
	1995	1996	1996											
			I	II	III	IV								
Gross domestic product	134.2	168.1	33.6	78.3	35.8	80.3	2.0	2.5	2.0	4.7	2.1	4.7		
Less: Exports of goods and services	63.4	50.7	3.6	11.2	-1.8	47.7	8.9	6.5	1.8	5.6	-9	25.5		
Plus: Imports of goods and services	65.4	57.3	22.7	21.9	20.9	11.0	8.0	6.5	10.6	9.9	9.3	4.7		
Equals: Gross domestic purchases	135.3	173.8	51.7	88.4	57.7	44.6	2.0	2.5	3.0	5.2	3.3	2.6		
Less: Change in business inventories	-25.8	-15.5	-17.6	10.1	27.4	-2.6								
Equals: Final sales to domestic purchasers	159.3	189.1	69.1	79.7	29.7	48.0	2.4	2.8	4.1	4.7	1.7	2.8		
Personal consumption expenditures	104.6	112.8	39.7	38.5	5.9	38.8	2.3	2.5	3.5	3.4	.5	3.4		
Durable goods	17.8	31.7	11.7	16.4	-4.0	8.1	3.2	5.5	8.2	11.4	-2.6	5.4		
Nondurable goods	31.4	20.0	12.9	4.8	1.3	6.0	2.3	1.4	3.7	1.3	.4	1.7		
Services	55.6	61.2	15.4	17.6	8.3	24.6	2.2	2.4	2.4	2.7	1.3	3.8		
Private nonresidential fixed investment	62.2	51.9	20.2	7.0	30.9	8.0	9.5	7.3	11.6	3.8	17.5	4.2		
Structures	12.3	8.6	3.4	-1.7	3.7	9.9	7.3	4.7	7.7	-3.7	8.4	22.5		
Producers' durable equipment	50.4	43.8	16.9	9.2	27.5	-2.5	10.4	8.2	13.1	6.7	20.9	-1.7		
Private residential investment	-6.1	14.0	4.8	10.4	-3.7	-9	-2.3	5.4	7.4	16.3	-5.2	-1.3		
Government consumption expenditures and gross investment .....	.2	11.6	5.1	23.5	-2.1	2.2	0	.9	1.6	7.7	-.6	.7	
Federal	-17.5	-4.1	6.7	10.5	-4.1	-2.2	-3.6	-9	6.0	9.4	-3.5	-1.8		
State and local	18.1	15.9	-1.8	12.9	2.2	4.4	2.4	2.0	-9	6.7	1.1	2.2		
Addendum: Final sales of domestic product	158.2	183.3	51.0	69.5	8.0	83.7	2.4	2.7	3.0	4.1	.5	4.9		

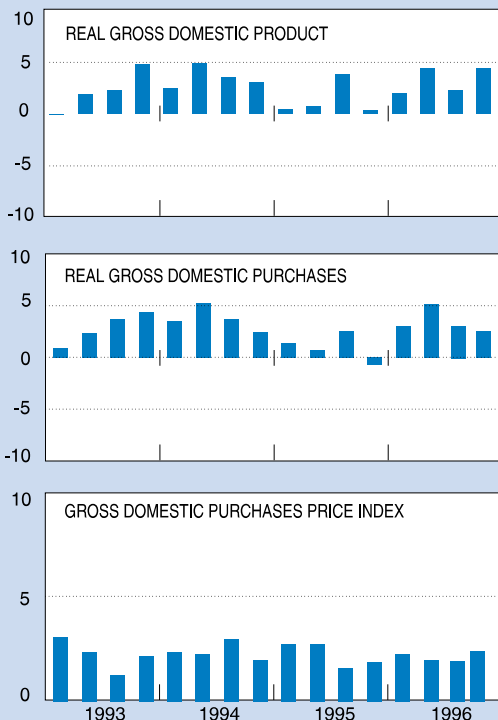
NOTE.—Chained (1992) dollar series are calculated as the product of the chain-type quantity index and the 1992 current-dollar value of the corresponding series, divided by 100. Because the formula for the chain-type quantity indexes uses weights of more than one period, the correspond-

ing chained-dollar estimates usually are not additive. Chained (1992) dollar levels and residuals, which measure the extent of nonadditivity in each table, are found in NIPA tables 1.2, 1.4, and 1.6. Percent changes are found in table 8.1.

CHART 1

**Selected Measures:
Change From Preceding Quarter**

Percent



Note—Percent change at annual rate from preceding quarter; based on seasonally adjusted estimates.

U.S. Department of Commerce, Bureau of Economic Analysis

Motor vehicles.—Real motor vehicle output decreased 15.6 percent in the fourth quarter after decreasing 3.3 percent in the third; the fourth-quarter decrease was more than accounted for by autos (table 2). According to data on units, domestic auto production decreased to 5.7 million (seasonally adjusted annual rate) in the fourth quarter from 6.7 million in the third.

Final sales of motor vehicles to domestic purchasers decreased 1.8 percent in the fourth quarter after decreasing 3.7 percent in the third. Auto sales more than accounted for the decrease in both quarters; truck sales increased considerably more in the fourth quarter than in the third.

Motor vehicle sales to consumers decreased less in the fourth quarter than in the third; in the fourth quarter, increased sales of new autos and trucks were more than offset by a decrease in sales of used autos.³ General factors frequently considered in analyses of consumer spending were mixed in the fourth quarter: The growth in real disposable personal income slowed to 2.5 percent from 4.8 percent, but the Index of Consumer Sentiment (prepared by the University of Michigan's Survey

3. Used autos in PCE is defined as consumer purchases of used autos from business, government, and foreigners less consumer sales of used autos to these sectors. PCE used autos has two components: Net transactions—consumer purchases less sales valued at wholesale prices—and dealers' margins, the difference between the retail and wholesale value of purchases by consumers from these sectors. The sum of the net transactions of all sectors is zero, and does not affect total GDP; dealers' margins do affect total GDP.

Table 2.—Motor Vehicle Output, Sales, and Inventories

[Seasonally adjusted at annual rates]

	Billions of chained (1992) dollars					Percent change from preceding quarter			
	Level	Change from preceding quarter				1996			
	1996	1996				I	II	III	IV
	IV	I	II	III	IV	I	II	III	IV
Output	226.4	-18.2	22.8	-2.0	-9.8	-27.6	49.6	-3.3	-15.6
Autos	108.7	-16.9	19.5	1.7	-12.6	-46.4	103.6	5.7	-35.5
Trucks	117.6	-1.2	3.3	-3.7	2.8	-4.2	12.1	-11.8	10.1
<i>Less: Exports</i>	26.2	1.0	-.8	2.4	.3	19.0	-13.0	47.0	5.5
Autos	16.2	.6	-1.5	2.7	-1.3	15.6	-32.2	96.7	-27.4
Trucks	10.0	.5	.7	-4	1.7	26.3	39.2	-15.8	111.8
<i>Plus: Imports</i>	74.5	4.1	3.4	2.8	-2.0	27.6	21.1	16.0	-10.4
Autos	62.0	4.3	1.9	2.1	-.9	35.7	13.4	14.7	-5.8
Trucks	12.5	-.1	1.5	.7	-1.1	-6.3	67.3	22.4	-29.5
Equals: Gross domestic purchases	274.8	-15.0	26.9	-1.4	-12.2	-20.0	48.0	-2.0	-15.9
Autos	154.4	-13.2	22.8	1.2	-12.3	-29.7	80.6	2.9	-26.3
Trucks	120.3	-1.8	4.2	-2.7	.1	-6.0	15.0	-8.4	.3
<i>Less: Change in business inventories</i>	-4.0	-18.9	27.1	1.1	-10.9	.....	.....	.....	.....
Autos	-.4	-14.0	18.2	4.4	-6.2	.....	.....	.....	.....
Trucks	-3.6	-4.9	8.8	-3.2	-4.7	.....	.....	.....	.....
Equals: Final sales to domestic purchasers	278.8	4.0	-.2	-2.7	-1.2	5.9	-.3	-3.7	-1.8
Autos	154.8	.9	4.5	-3.3	-6.0	2.4	11.6	-7.7	-14.0
Trucks	123.8	3.0	-4.6	.6	4.7	10.6	-14.2	2.1	16.7
Addenda:									
Personal consumption expenditures	162.9	1.5	1.6	-6.8	-1.0	3.7	4.0	-15.1	-2.3
Producers' durable equipment	108.5	1.3	2.1	4.7	-.6	5.1	8.4	19.3	-2.0
Gross government investment	8.6	1.3	-4.0	.1	.2	53.9	-78.7	.4	12.5

NOTE.—Chained (1992) dollar series are calculated as the product of the chain-type quantity index and the 1992 current-dollar value of the corresponding series, divided by 100. Because the formula for the chain-type quantity indexes uses weights of more than one period, the correspond-

ing chained-dollar estimates usually are not additive. Chained (1992) dollar levels for motor vehicle output, auto and truck output, and residuals, which measure the extent of nonadditivity in each table, are found in NIPA tables 1.4, 8.5, and 8.7.

Research Center) increased from an already high level; the unemployment rate was unchanged at 5.3 percent. Among factors specific to motor vehicle purchases, interest rates on new-car loans changed little from the third quarter.

Motor vehicle sales to businesses decreased after a sharp increase; new domestic autos more than accounted for the decrease. Sales to government increased slightly in the fourth quarter; autos accounted for the increase.

Exports of motor vehicles increased less in the fourth quarter than in the third; trucks accounted for the fourth-quarter increase. Imports turned down in the fourth quarter; both autos and trucks decreased.

Motor vehicle inventory investment decreased substantially in the fourth quarter, reflecting a swing in both auto and truck inventories from accumulation to liquidation. Nevertheless, the inventory-sales ratio for new domestic autos, which is calculated from units data, edged up to

Fourth-Quarter 1996 Advance GDP Estimate: Source Data and Assumptions

The "advance" GDP estimate for the fourth quarter is based on preliminary and incomplete source data; as more and better data become available, the estimate will be revised. The advance estimate is based on the following major source data. (The number of months for which data were available is shown in parentheses.)

Personal consumption expenditures: Sales of retail stores (3) and unit auto and truck sales (3);

Nonresidential fixed investment: Unit auto and truck sales (3), construction put in place (2), manufacturers' shipments of machinery and equipment other than aircraft (3), aircraft shipments (2), and exports and imports of machinery and equipment (2);

Residential investment: Construction put in place (2) and single-family housing starts (3);

Change in business inventories: Manufacturing and trade inventories (2), and unit auto and truck inventories (3);

Net exports of goods and services: Exports and imports of goods and services (2);

Government consumption expenditures and gross investment: Department of Defense outlays (3), other Federal outlays (3), State and local construction put in place (2), and State and local employment (3);

GDP prices: Consumer Price Index (3), Producer Price Index (3), price indexes for nonpetroleum merchandise exports and imports (3), and values and quantities of petroleum imports (2).

BEA made assumptions for source data that were not available. Table A shows the assumptions for key series; a more comprehensive list of assumptions is available on the Department of Commerce's Economic Bulletin Board or from BEA.

Table A.—Summary of Major Data Assumptions for Advance Estimates, 1996:IV

[Billions of dollars, seasonally adjusted at annual rates]

	1996					
	July	August	September	October	November	December ¹
Fixed investment:						
Nonresidential structures:						
Buildings, utilities, and farm:						
Value of new nonresidential construction put in place	136.2	140.7	142.2	149.9	152.3	149.4
Producers' durable equipment:						
Manufacturers' shipments of complete civilian aircraft	15.8	23.9	28.1	22.4	26.0	20.9
Residential structures:						
Value of new residential construction put in place:						
1-unit structures	157.6	158.0	157.3	156.1	155.7	154.6
2-or-more-unit structures	18.0	18.5	18.9	19.5	20.6	19.6
Change in business inventories, nonfarm:						
Change in inventories for manufacturing and trade (except nonmerchandise wholesalers) for industries other than motor vehicles and equipment in trade	39.1	18.5	8.5	51.0	27.9	6.2
Net exports: ²						
Exports of goods:						
U.S. exports of goods, balance-of-payments basis	585.3	613.1	603.6	634.5	632.8	639.9
Excluding nonmonetary gold	580.6	606.6	599.0	630.1	629.6	636.9
Imports of goods:						
U.S. imports of goods, balance-of-payments basis	795.3	810.2	813.9	803.6	809.7	836.0
Excluding nonmonetary gold	789.8	800.6	810.4	799.7	806.2	832.9
Net exports of goods (exports less imports)	-210.0	-197.1	-210.3	-169.1	-176.9	-196.1
Excluding nonmonetary gold	-209.2	-194.0	-211.4	-169.6	-176.6	-196.0
Government consumption expenditures and gross investment:						
State and local:						
Structures:						
Value of new construction put in place	125.5	124.5	129.3	130.5	135.6	134.0

1. Assumed.

2. Nonmonetary gold is included in balance-of-payments-basis exports and imports but is not used directly in the estimation of NIPA exports and imports.

2.2 at the end of the fourth quarter from 2.1 at the end of the third; the traditional industry target is 2.4.

Prices

The price index for gross domestic purchases, which measures the prices paid for goods and services purchased by U.S. residents, increased 2.5 percent in the fourth quarter after increasing 1.9 percent in the third ([table 3](#)).⁴ The acceleration was accounted for by imported petroleum. Excluding the relatively volatile food and energy components, prices of gross domestic purchases increased 2.0 percent, the same as in the third quarter ([chart 2](#)).

PCE prices increased 2.9 percent after increasing 1.7 percent. Energy prices increased 6.9 percent after decreasing 7.8 percent; prices of fuel oil and coal and of gasoline and oil turned up. Food prices increased 4.2 percent after increasing 4.9 percent; most food prices slowed. "Other" PCE prices increased 2.5 percent after increasing 1.7 percent; prices of medical care and of transportation services stepped up, and prices of clothing and shoes increased after a decrease.

Prices of nonresidential fixed investment were unchanged after increasing 1.8 percent; prices of

4. The implicit price deflator for gross domestic purchases increased 2.0 percent in the fourth quarter after increasing 1.5 percent in the third. In the estimates for the most recent quarters, the deflator reflects changes in prices and in the composition of output; in contrast, chain-price measures reflect only changes in prices. (For more information, see the box "Calculation of Implicit Price Deflators" on page 31 of the October 1995 issue of the SURVEY OF CURRENT BUSINESS.)

Table 3.—Price Indexes

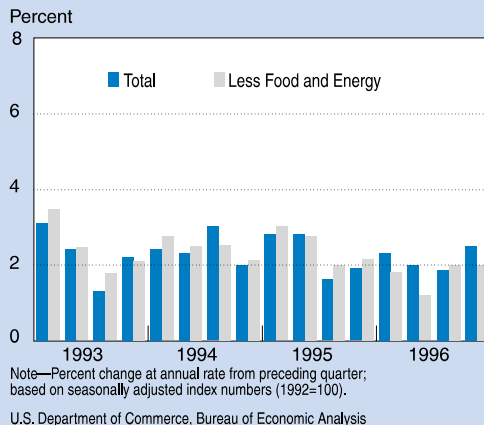
[Percent change at annual rates; based on seasonally adjusted index numbers (1992=100)]

	1996			
	I	II	III	IV
Gross domestic product	2.3	2.2	2.0	1.8
Less: Exports of goods and services .....	.2	1.4	-1.8	-2.2
Plus: Imports of goods and services .....	.1	.7	-2.0	3.7
Equals: Gross domestic purchases	2.3	2.1	1.9	2.5
Less: Change in business inventories				
Equals: Final sales to domestic purchasers	2.3	2.1	1.9	2.5
Personal consumption expenditures	2.4	3.2	1.7	2.9
Food	2.4	3.7	4.9	4.2
Energy	12.9	18.8	-7.8	6.9
Other personal consumption expenditures	1.7	2.2	1.7	2.5
Private nonresidential fixed investment	-2	.1	1.8	0
Structures	1.2	2.0	3.4	1.9
Producers' durable equipment	-7	-6	1.1	-8
Private residential investment	0	1.3	3.3	.8
Government consumption expenditures and gross investment	4.1	-3	2.5	2.6
Federal	2.0	-7	.9	2.0
National defense	3.0	1.7	.6	1.6
Nondefense .....	.1	-5.4	1.4	2.8
State and local	5.4	0	3.6	2.9

NOTE.—Percent changes in major aggregates are found in NIPA table 8.1. Most index number levels are found in tables 7.1 and 7.2.

CHART 2

Gross Domestic Purchases Prices: Change From Preceding Quarter



nonresidential structures increased less than in the third quarter, and prices of PDE decreased after increasing. In PDE, prices of transportation and related equipment turned down, and prices of computers and peripheral equipment posted a larger decrease than in the third quarter. Prices of residential investment increased 0.8 percent after increasing 3.3 percent.

Prices of government consumption expenditures and gross investment increased 2.6 percent, about the same as in the third quarter. Prices paid by the Federal Government increased 2.0 percent after increasing 0.9 percent; both national defense and nondefense prices accelerated. Prices paid by State and local governments increased 2.9 percent after increasing 3.6 percent.

The GDP price index, which measures the prices paid for goods and services produced in the United States, increased 1.8 percent after increasing 2.0 percent. The GDP price index, unlike the price index for gross domestic purchases, includes the prices of exports and excludes the prices of imports. Export prices decreased 2.2 percent after decreasing 1.8 percent; the fourth-quarter decrease was mainly accounted for by foods, feeds, and beverages and by nonautomotive capital goods. Import prices increased 3.7 percent after decreasing 2.0 percent; petroleum more than accounted for the increase.

Personal income

Real disposable personal income (DPI) increased 2.5 percent in the fourth quarter after increasing 4.8 percent in the third ([chart 3](#)). Current-dollar DPI increased \$72.7 billion, or 5.3 percent, after increasing \$87.1 billion, or 6.4 percent. The personal

saving rate (saving as a percentage of current-dollar DPI) decreased to 5.1 percent from 5.3 percent, reflecting a larger increase in personal outlays than in DPI.

Personal income increased \$87.4 billion in the fourth quarter after increasing \$89.0 billion in the third (table 4). The difference between the changes in personal income and those in DPI reflect personal tax and nontax payments, which increased \$14.6 billion after an unusually small third-quarter increase of \$1.9 billion.⁵

Wage and salary disbursements increased \$56.3 billion after increasing \$53.1 billion. Disbursements in the services and distributive industries increased more in the fourth quarter than in the third, and disbursements in the commodity-

producing industries and in government increased less in the fourth quarter than in the third.

Farm proprietors' income decreased \$2.8 billion after increasing \$6.0 billion. The downturn resulted from a sharper decrease in crop prices, a sharp deceleration in livestock prices, and a slow-down in crop production. Nonfarm proprietors' income increased \$7.9 billion after increasing \$5.2 billion; about half of the step-up was the result of an acceleration in the services industries.

Transfer payments to persons increased \$11.7 billion after increasing \$9.5 billion. Half of the step-up was the result of social security lump-sum payments to recent retirees based on recalculated benefits.

5. The third-quarter increase was small because the second-quarter level was unusually high. The Omnibus Budget Reconciliation Act of 1993 had retroactively increased tax rates for high income taxpayers for tax year 1993; the additional tax could be paid in three annual installments, the last of which came due in the second quarter of 1996.

Table 4.—Personal Income and Its Disposition

[Billions of dollars; seasonally adjusted at annual rates]

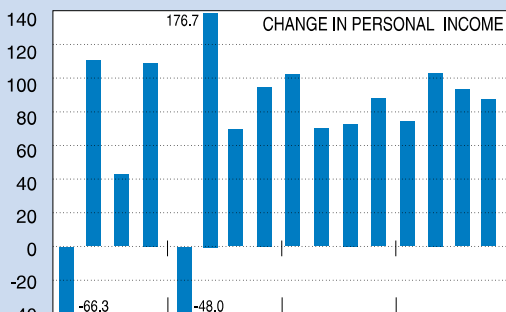
	Level	Change from preceding quarter			
	1996	1996			
	IV	I	II	III	IV
Wage and salary disbursements	3,715.9	38.0	68.3	53.1	56.3
Private industries	3,068.9	30.9	63.3	47.6	53.8
Commodity-producing industries	921.0	4.8	21.6	10.7	10.0
Manufacturing	685.1	.1	17.0	6.7	6.6
Distributive industries	845.4	9.8	11.8	10.1	13.0
Service industries	1,302.6	16.5	29.8	26.7	31.0
Government	647.0	7.1	4.9	5.7	2.4
Other labor income	442.9	-1.1	4.9	4.6	4.3
Proprietors' income with IVA and CCAAdj	531.5	12.8	15.7	11.1	5.2
Farm	49.0	6.6	7.4	6.0	-2.8
Nonfarm	482.5	6.2	8.3	5.2	7.9
Rental income of persons with CCAAdj	130.5	1.1	-2.4	2.5	3.5
Personal dividend income	234.8	4.9	2.7	2.2	3.3
Personal interest income	749.9	-1.1	7.0	9.8	7.0
Transfer payments to persons	1,096.8	21.6	12.6	9.5	11.7
Less: Personal contributions for social insurance	313.7	2.2	4.8	3.9	4.0
Personal income	6,588.8	74.0	103.9	89.0	87.4
Less: Personal tax and nontax payments	887.1	17.7	45.7	1.9	14.6
Equals: Disposable personal income	5,701.6	56.2	58.3	87.1	72.7
Less: Personal outlays	5,409.5	73.4	82.6	29.1	79.7
Equals: Personal saving	292.2	-17.2	-24.3	58.0	-6.9
Addenda: Special factors in personal income:					
In wages and salaries:					
Federal Government and Postal Service pay adjustments, including "buyouts"		3.3	.2	0	0
Strike in motor vehicle industry		-2.9	2.9	0	-2
In other labor income: Employer pension contributions		-6.0	0	0	0
In farm proprietors' income:					
Subsidies .....		.2	.2	.1	-1
In rental income of persons with CCAAdj:					
Due to Hurricane Opal		1.6	0	0	0
In transfer payments to persons:					
Social security retroactive payments		-1.2	0	0	1.1
Cost-of-living adjustments in Federal transfer programs		9.7	1.7	0	.2
Earned Income Tax Credit payments		2.9	0	0	0
In personal tax and nontax payments:					
Recent tax law changes		-5.3	16.4	-16.6	-1

NOTE.—Most dollar levels are found in NIPA table 2.1.
IVA Inventory valuation adjustment
CCAAdj Capital consumption adjustment

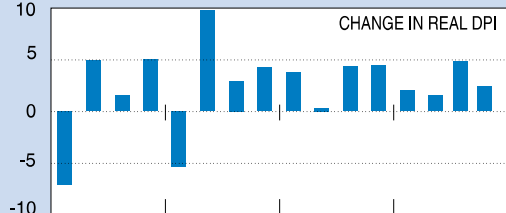
CHART 3

Selected Personal Income and Saving Measures

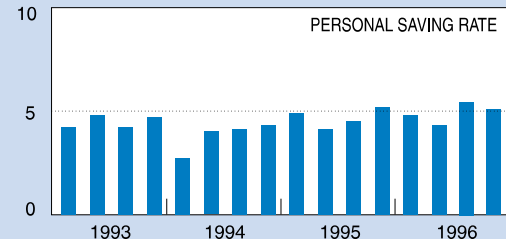
Billions \$



Percent



Percent



Note—Changes are from preceding quarter, based on seasonally adjusted annual rates.

Personal dividend income increased \$3.3 billion after increasing \$2.2 billion, and rental income of persons increased \$3.5 billion after increasing \$2.5 billion. "Other labor income" increased \$4.3 billion, slightly less than in the third quarter. Personal interest income increased \$7.0 billion after increasing \$9.8 billion; the slowdown was due to lower interest rates in the fourth quarter.

Personal contributions for social insurance, which is subtracted in the calculation of personal income, increased \$4.0 billion, about the same as in the third quarter.

The Year 1996

Production growth stepped up, income growth slowed, and inflation remained low in 1996. Real GDP increased 2.5 percent, up from a 2.0-percent increase in 1995. Real DPI increased 2.9 percent, down from a 3.5-percent increase. The price index for gross domestic purchases increased 2.1 percent, down from a 2.4-percent increase.

The increase in real GDP in 1996 was primarily accounted for by PCE and by nonresidential fixed investment. In PCE, increases were widespread; some of the largest increases were posted by furniture and household equipment (including computing equipment), by clothing and shoes, and by medical care services. In nonresidential fixed investment, PDE, especially computers and peripheral equipment, accounted for most of the rise.

Residential investment, government spending, and exports also contributed to the 1996 increase in real GDP. In residential investment, the increase was spread across single-family structures, multifamily structures, and "other." In government

spending, the increase was more than accounted for by State and local government spending. In exports, most of the increase was accounted for by nonautomotive capital goods. (Imports, which are subtracted in the calculation of GDP, increased somewhat more than exports.)

Real GDP growth in 1996 was dampened by a decrease in inventory investment, as the rate of inventory accumulation slowed; the slowdown was widespread, but was especially pronounced in retail trade.

The slowdown in real DPI mainly reflected a slowdown in current-dollar personal income, which, in turn, reflected a sharp deceleration in personal interest income. Interest income increased \$20.9 billion in 1996 after increasing \$53.4 billion in 1995; the growth in interest-earning assets of the personal sector slowed in 1996, and the rate of return on those assets turned down. Personal tax and nontax payments, which increased a little more than in 1995, also contributed to the slowdown in real DPI.

The price index for gross domestic purchases increased 2.1 percent, down from a 2.4-percent increase. The slowdown was widespread. PCE prices increased 2.2 percent after increasing 2.4 percent, as step-ups in food and energy prices were more than offset by a deceleration in prices of "other" PCE. In nonresidential fixed investment, prices of structures increased 2.2 percent after increasing 3.3 percent, and prices of PDE edged down 0.1 percent after edging up 0.2 percent. Prices of residential investment increased 1.6 percent after increasing 3.1 percent. Prices paid by the Federal Government increased 2.3 percent after increasing 3.8 percent, and prices paid by State and local government increased 2.9 percent after increasing 3.0 percent. 