

# GDP and the Economy

## Preliminary Estimates for the Fourth Quarter of 2006

REAL gross domestic product (GDP) increased 2.2 percent after increasing 2.0 percent in the third quarter, according to the “preliminary” estimates of the national income and product accounts (NIPAs) (chart 1 and table 1).<sup>1</sup> The fourth-quarter growth rate was revised down 1.3 percentage points, an unusually large revision, from the “advance” estimate released in January (see “Revisions”).<sup>2</sup>

The small acceleration in real GDP growth in the fourth quarter primarily reflected a downturn in imports (subtracted in the derivation of GDP) and accelerations in consumer spending, in exports, and in Federal Government spending that were partly offset by downturns in inventory investment, in equipment and software investment, and in nonresidential structures investment.<sup>3</sup>

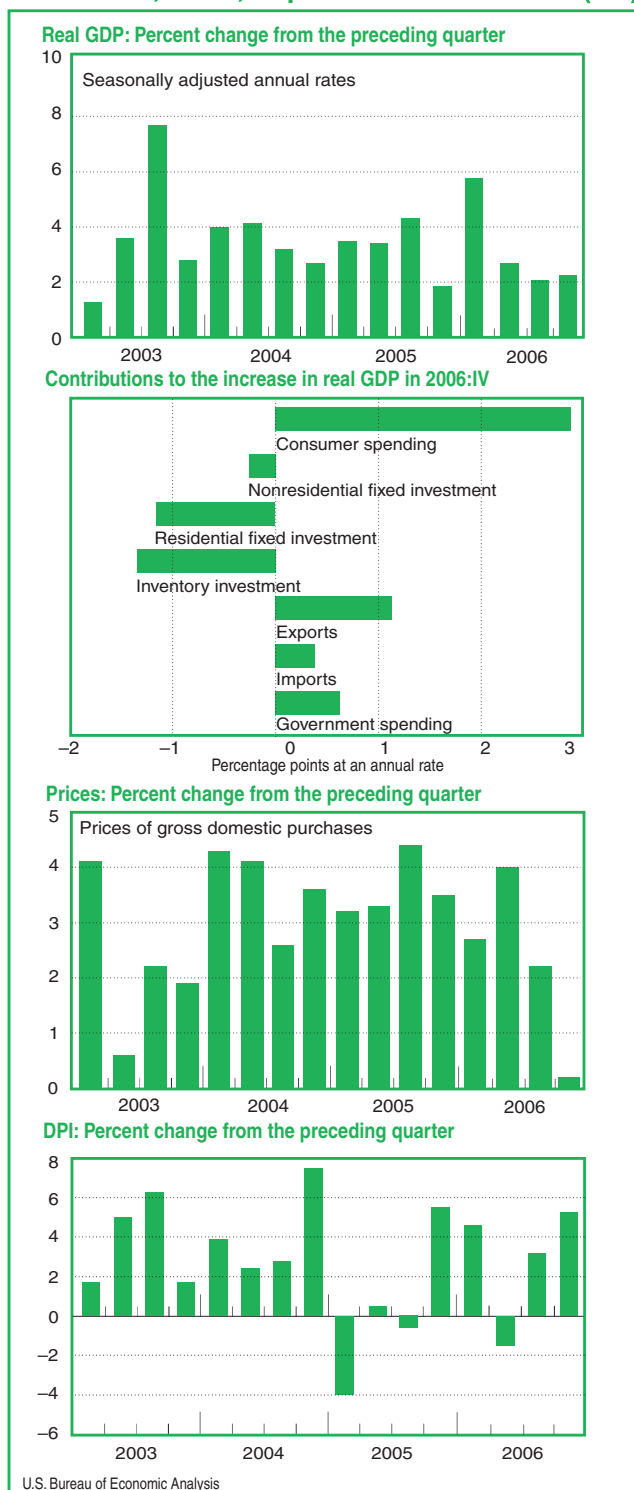
- Prices of goods and services purchased by U.S. residents increased 0.2 percent, following a 2.2-percent increase. Energy prices turned down sharply, and food prices decelerated.
- Real disposable personal income (DPI) increased 5.3 percent after increasing 3.2 percent (revised) in the third quarter. The acceleration reflected a downturn in the implicit price deflator used to adjust current-dollar DPI, which decelerated.
- The personal saving rate, personal saving as a percentage of current-dollar DPI, was -1.2 percent in the fourth quarter; in the third quarter, it was -1.4 percent (revised).

1. “Real” estimates are in chained (2000) dollars, and price indexes are chain-type measures.

2. Each GDP estimate for a quarter (advance, preliminary, and final) incorporates increasingly comprehensive and improved source data. More information can be found at <[www.bea.gov/bea/about/infoqual.htm](http://www.bea.gov/bea/about/infoqual.htm)> and at <[www.bea.gov/bea/faq/national/gdp\\_accuracy.htm](http://www.bea.gov/bea/faq/national/gdp_accuracy.htm)>. Quarterly estimates are expressed at seasonally adjusted annual rates, which show the value of an activity if the quarterly rate were maintained for a year.

3. In this article, “consumer spending” refers to the NIPA series “personal consumption expenditures,” “inventory investment” refers to “change in private inventories,” “Federal Government spending” refers to “Federal Government consumption expenditures and gross investment,” and “state and local government spending” refers to “state and local government consumption expenditures and investment.”

Chart 1. GDP, Prices, Disposable Personal Income (DPI)



Christopher Swann prepared this article.

## Real GDP Overview

**Table 1. Real Gross Domestic Product and Components**

[Seasonally adjusted at annual rates]

	Share of current-dollar GDP (percent)	Change from preceding period (percent)					Contribution to percent change in real GDP (percentage points)			
	2006	2006					2006			
	IV	I	II	III	IV	I	II	III	IV	
<b>Gross domestic product<sup>1</sup>.....</b>	<b>100.0</b>	<b>5.6</b>	<b>2.6</b>	<b>2.0</b>	<b>2.2</b>	<b>5.6</b>	<b>2.6</b>	<b>2.0</b>	<b>2.2</b>	
<b>Personal consumption expenditures.....</b>	<b>70.1</b>	<b>4.8</b>	<b>2.6</b>	<b>2.8</b>	<b>4.2</b>	<b>3.38</b>	<b>1.81</b>	<b>1.96</b>	<b>2.88</b>	
Durable goods.....	8.0	19.8	-0.1	6.4	4.4	1.50	-0.01	0.50	0.35	
Nondurable goods.....	20.3	5.9	1.4	1.5	6.0	1.20	0.30	0.32	1.19	
Services.....	41.7	1.6	3.7	2.8	3.2	0.67	1.52	1.14	1.34	
<b>Gross private domestic investment.....</b>	<b>16.1</b>	<b>7.8</b>	<b>1.0</b>	<b>-0.8</b>	<b>-15.6</b>	<b>1.31</b>	<b>0.17</b>	<b>-0.13</b>	<b>-2.78</b>	
Fixed investment.....	15.9	8.2	-1.6	-1.2	-8.5	1.34	-0.27	-0.19	-1.43	
Nonresidential.....	10.6	13.7	4.4	10.0	-2.4	1.36	0.45	1.01	-0.26	
Structures.....	3.2	8.7	20.3	15.7	-0.8	0.25	0.56	0.46	-0.03	
Equipment and software.....	7.4	15.6	-1.4	7.7	-3.2	1.11	-0.10	0.55	-0.24	
Residential.....	5.3	-0.3	-11.1	-18.7	-19.1	-0.02	-0.72	-1.20	-1.16	
Change in private inventories.....	0.1	.....	.....	.....	.....	-0.03	0.44	0.06	-1.35	
<b>Net exports of goods and services.....</b>	<b>-5.2</b>	.....	.....	.....	.....	<b>-0.04</b>	<b>0.42</b>	<b>-0.19</b>	<b>1.50</b>	
Exports.....	11.3	14.0	6.2	6.8	10.5	1.41	0.66	0.73	1.13	
Goods.....	8.0	17.3	6.0	9.4	8.5	1.20	0.45	0.71	0.65	
Services.....	3.3	6.7	6.7	0.8	15.5	0.21	0.21	0.03	0.48	
Imports.....	16.6	9.1	1.4	5.6	-2.2	-1.46	-0.24	-0.93	0.38	
Goods.....	13.9	9.4	-0.1	7.1	-3.8	-1.27	0.01	-1.00	0.56	
Services.....	2.7	7.4	9.9	-2.6	7.1	-0.19	-0.25	0.07	-0.18	
<b>Government consumption expenditures and gross investment.....</b>	<b>19.1</b>	<b>4.9</b>	<b>0.8</b>	<b>1.7</b>	<b>3.3</b>	<b>0.94</b>	<b>0.16</b>	<b>0.32</b>	<b>0.62</b>	
Federal.....	7.0	8.8	-4.5	1.3	4.4	0.61	-0.32	0.09	0.30	
National defense.....	4.7	8.9	-2.0	-1.2	12.3	0.41	-0.09	-0.06	0.54	
Nondefense.....	2.2	8.5	-9.3	6.5	-10.2	0.20	-0.23	0.15	-0.24	
State and local.....	12.2	2.7	4.0	1.9	2.6	0.33	0.48	0.23	0.32	

1. The estimates of GDP under the contribution columns are also percent changes.

NOTE: Percent changes are from NIPA table 1.1.1, contributions are from NIPA table 1.1.2, and shares are from NIPA table 1.1.10.

**Table 2. Real Gross Domestic Product (GDP) by Type of Product**

[Seasonally adjusted at annual rates]

	Share of current-dollar GDP (percent)	Change from preceding period (percent)					Contribution to percent change in real GDP (percentage points)			
	2006	2006					2006			
	IV	I	II	III	IV	I	II	III	IV	
<b>Gross domestic product<sup>1</sup>.....</b>	<b>100.0</b>	<b>5.6</b>	<b>2.6</b>	<b>2.0</b>	<b>2.2</b>	<b>5.6</b>	<b>2.6</b>	<b>2.0</b>	<b>2.2</b>	
Final sales of domestic product.....	99.9	5.6	2.1	1.9	3.6	5.61	2.11	1.90	3.57	
Change in private inventories.....	0.1	.....	.....	.....	.....	-0.03	0.44	0.06	-1.35	
Goods.....	31.2	12.8	3.6	3.8	3.7	3.86	1.12	1.17	1.16	
Services.....	58.2	2.4	2.4	2.8	3.8	1.39	1.40	1.63	2.19	
Structures.....	10.6	2.9	0.3	-7.4	-10.1	0.33	0.04	-0.84	-1.14	
<b>Addenda:</b>										
Motor vehicle output.....	2.9	3.8	-9.4	27.4	-33.4	0.12	-0.31	0.76	-1.24	
GDP excluding motor vehicle output.....	97.1	5.6	3.0	1.2	3.6	5.46	2.87	1.20	3.46	
Final sales of computers.....	0.7	9.5	6.7	11.7	43.0	0.07	0.04	0.07	0.23	
GDP excluding final sales of computers.....	99.4	5.6	2.5	1.9	2.0	5.52	2.51	1.89	1.99	

1. The estimates of GDP under the contribution columns are also percent changes.

NOTE: Percent changes are from NIPA table 1.2.1, contributions are from NIPA table 1.2.2, and shares are calculated from NIPA table 1.2.5.

Consumer spending accelerated and contributed 2.88 percentage points to real GDP growth in the fourth quarter after adding 1.96 percentage points in the third quarter. Nondurable goods and services accelerated, while durable goods decelerated.

Nonresidential fixed investment turned down and subtracted 0.26 percentage point from real GDP growth after adding 1.01 percentage points. The downturn reflected downturns both in equipment and software and in structures.

Residential investment decreased about the same in the fourth quarter as in the third and subtracted 1.16 percentage points from real GDP growth after subtracting 1.20 percentage points.

Inventory investment turned down and subtracted 1.35 percentage points from real GDP growth after adding slightly to third-quarter growth.

Exports accelerated and contributed 1.13 percentage points to real GDP growth after adding 0.73 percentage point. A strong acceleration in services more than offset a slight deceleration in goods.

Imports turned down, reflecting a downturn in goods that more than offset an upturn in services, and added 0.38 percentage point to real GDP growth after subtracting 0.93 percentage point.

Federal Government spending picked up, reflecting an upturn in national defense spending that added 0.54 percentage point to real GDP growth. Nondefense spending turned down, reducing real GDP growth by 0.24 percentage point.

State and local government spending accelerated, primarily reflecting an upturn in investment.

Real final sales of domestic product, real GDP less inventory investment, accelerated, increasing 3.6 percent after increasing 1.9 percent.

Motor vehicle output turned down sharply, primarily reflecting downturns in both truck and auto output, and subtracted 1.24 percentage points from real GDP growth after adding 0.76 percentage point.

Final sales of computers accelerated, increasing 43.0 percent after increasing 11.7 percent.

## Consumer Spending

**Table 3. Real Personal Consumption Expenditures (PCE)**

[Seasonally adjusted at annual rates]

	Share of current-dollar PCE (percent)	Change from preceding period (percent)					Contribution to percent change in real PCE (percentage points)			
		2006					2006			
		IV	I	II	III	IV	I	II	III	IV
<b>PCE<sup>1</sup></b> .....	<b>100.0</b>	<b>4.8</b>	<b>2.6</b>	<b>2.8</b>	<b>4.2</b>	<b>4.8</b>	<b>2.6</b>	<b>2.8</b>	<b>4.2</b>	
<b>Durable goods</b> .....	<b>11.5</b>	<b>19.8</b>	<b>-0.1</b>	<b>6.4</b>	<b>4.4</b>	<b>2.14</b>	<b>-0.01</b>	<b>0.72</b>	<b>0.50</b>	
Motor vehicles and parts .....	4.7	18.9	-1.2	8.6	-4.4	0.85	-0.06	0.40	-0.21	
Furniture and household equipment .....	4.4	22.8	3.3	6.7	13.3	0.92	0.14	0.28	0.55	
Other <sup>2</sup> .....	2.4	16.3	-3.7	1.6	7.2	0.37	-0.09	0.04	0.17	
<b>Nondurable goods</b> .....	<b>29.0</b>	<b>5.9</b>	<b>1.4</b>	<b>1.5</b>	<b>6.0</b>	<b>1.71</b>	<b>0.42</b>	<b>0.46</b>	<b>1.73</b>	
Food .....	13.9	6.7	2.0	-0.7	6.6	0.92	0.27	-0.10	0.90	
Clothing and shoes .....	3.9	8.6	-3.8	5.5	6.7	0.33	-0.15	0.21	0.26	
Gasoline, fuel oil, and other energy goods .....	3.3	-1.3	0.7	5.0	1.0	-0.05	0.03	0.19	0.04	
Other <sup>3</sup> .....	8.0	6.4	3.4	2.0	6.9	0.51	0.27	0.15	0.54	
<b>Services</b> .....	<b>59.5</b>	<b>1.6</b>	<b>3.7</b>	<b>2.8</b>	<b>3.2</b>	<b>0.96</b>	<b>2.17</b>	<b>1.64</b>	<b>1.94</b>	
Housing .....	15.1	2.3	2.4	2.6	3.2	0.34	0.36	0.38	0.48	
Household operation .....	5.5	-14.0	8.4	9.7	3.9	-0.84	0.44	0.51	0.22	
Electricity and gas .....	2.3	-29.7	15.8	21.9	8.5	-0.83	0.34	0.46	0.19	
Other household operation .....	3.2	-0.1	3.4	1.6	0.7	0.00	0.11	0.05	0.02	
Transportation .....	3.6	4.0	1.7	1.3	3.5	0.15	0.06	0.05	0.13	
Medical care .....	17.2	4.3	2.6	2.1	3.1	0.74	0.44	0.36	0.53	
Recreation .....	4.1	3.1	0.8	3.0	2.6	0.13	0.03	0.12	0.11	
Other <sup>4</sup> .....	14.0	3.2	6.1	1.6	3.4	0.45	0.83	0.22	0.48	

1. The estimates under the contribution columns are also percent changes.

2. Includes jewelry and watches, ophthalmic products and orthopedic equipment, books and maps, bicycles and motorcycles, guns and sporting equipment, photographic equipment, boats, and pleasure aircraft.

3. Includes tobacco, toilet articles, drug preparations and sundries, stationery and writing supplies, toys, film, flowers, cleaning preparations and paper products, semidurable house furnishings, and magazines and newspapers.

4. Includes personal care, personal business, education and research, religious and welfare activities, and net foreign travel.

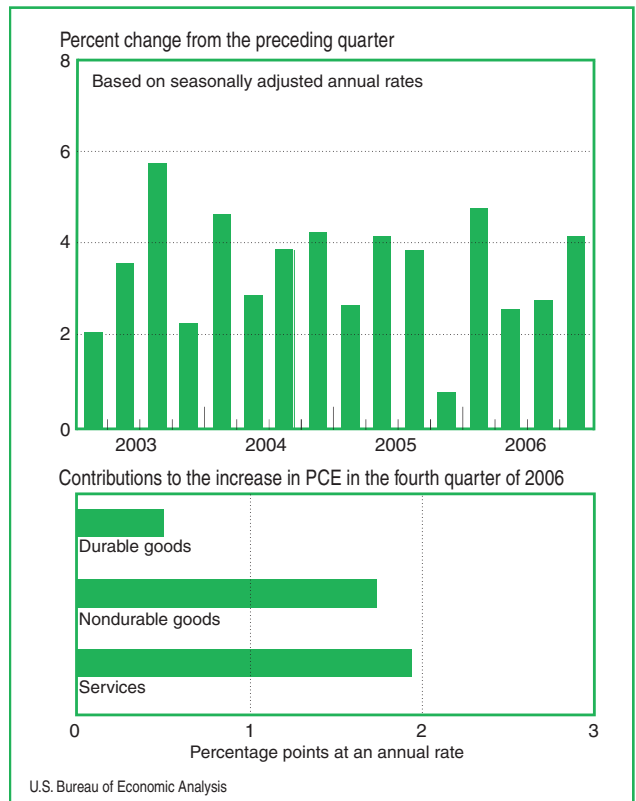
NOTE: Percent changes are from NIPA table 2.3.1, and contributions, from NIPA table 2.3.2; shares are calculated from NIPA table 2.3.5.

Spending for durable goods slowed in the fourth quarter, reflecting a downturn in motor vehicles and parts that was partly offset by accelerations in furniture and household equipment and in "other" durable goods.

Spending for nondurable goods accelerated and contributed 1.73 percentage points to the growth in real consumer spending. The acceleration mainly reflected an upturn in spending for food. Spending for "other" nondurable goods accelerated.

Spending for services accelerated and contributed 1.94 percentage points to the growth in real consumer spending. Accelerations in "other" services, in medical care, and in housing were the main contributors to the growth in real consumer spending for services. Spending for electricity and gas decelerated.

**Chart 2. Real Personal Consumption Expenditures**



## Private Fixed Investment

**Table 4. Real Private Fixed Investment (PFI)**

[Seasonally adjusted at annual rates]

	Share of current-dollar PFI (percent)	Change from preceding period (percent)					Contribution to percent change in real PFI (percentage points)			
		2006					2006			
		IV	I	II	III	IV	I	II	III	IV
<b>Private fixed investment<sup>1</sup> ...</b>	<b>100.0</b>	<b>8.2</b>	<b>-1.6</b>	<b>-1.2</b>	<b>-8.5</b>	<b>8.2</b>	<b>-1.6</b>	<b>-1.2</b>	<b>-8.5</b>	
<b>Nonresidential .....</b>	<b>66.4</b>	<b>13.7</b>	<b>4.4</b>	<b>10.0</b>	<b>-2.4</b>	<b>8.30</b>	<b>2.72</b>	<b>6.16</b>	<b>-1.56</b>	
<b>Structures .....</b>	<b>20.2</b>	<b>8.7</b>	<b>20.3</b>	<b>15.7</b>	<b>-0.8</b>	<b>1.50</b>	<b>3.34</b>	<b>2.79</b>	<b>-0.16</b>	
Commercial and health care	7.5	7.1	11.7	25.6	-2.1	0.46	0.74	1.61	-0.15	
Manufacturing.....	1.4	-1.7	28.0	11.3	-9.7	-0.02	0.32	0.15	-0.14	
Power and communication ...	2.1	14.3	4.9	16.0	-11.5	0.27	0.10	0.31	-0.25	
Mining exploration, shafts, and wells.....	5.3	2.0	28.0	10.0	3.7	0.09	1.16	0.48	0.19	
Other structures <sup>2</sup> .....	3.8	23.6	35.1	7.3	5.5	0.71	1.03	0.25	0.20	
<b>Equipment and software .....</b>	<b>46.2</b>	<b>15.6</b>	<b>-1.4</b>	<b>7.7</b>	<b>-3.2</b>	<b>6.80</b>	<b>-0.62</b>	<b>3.36</b>	<b>-1.41</b>	
Information processing equipment and software ...	22.8	21.8	-1.1	10.0	0.6	4.52	-0.24	2.13	0.13	
Computers and peripheral equipment.....	4.0	24.9	4.7	22.0	1.5	0.94	0.18	0.79	0.06	
Software <sup>3</sup> .....	10.0	12.2	4.2	6.0	8.3	1.12	0.39	0.56	0.78	
Other <sup>4</sup> .....	8.8	31.6	-9.0	9.3	-7.8	2.46	-0.82	0.78	-0.71	
Industrial equipment.....	8.0	-3.6	13.6	0.2	-5.4	-0.28	0.98	0.02	-0.42	
Transportation equipment.....	7.2	27.7	-22.8	13.6	-14.0	1.90	-1.91	0.92	-1.05	
Other equipment <sup>5</sup> .....	8.2	8.5	7.4	3.8	-0.9	0.66	0.56	0.30	-0.07	
<b>Residential.....</b>	<b>33.6</b>	<b>-0.3</b>	<b>-11.1</b>	<b>-18.7</b>	<b>-19.1</b>	<b>-0.11</b>	<b>-4.33</b>	<b>-7.31</b>	<b>-6.91</b>	
<b>Structures .....</b>	<b>33.1</b>	<b>-0.5</b>	<b>-11.2</b>	<b>-18.9</b>	<b>-19.3</b>	<b>-0.17</b>	<b>-4.32</b>	<b>-7.30</b>	<b>-6.91</b>	
Permanent site.....	19.9	0.8	-17.6	-25.0	-29.7	0.19	-4.46	-6.28	-6.91	
Single family.....	17.1	-1.8	-19.2	-28.6	-34.5	-0.39	-4.39	-6.47	-7.23	
Multifamily.....	2.8	25.7	-2.6	7.8	12.3	0.58	-0.07	0.19	0.32	
Other structures <sup>6</sup> .....	13.3	-2.7	1.1	-7.5	0.0	-0.36	0.14	-1.02	0.00	
<b>Equipment .....</b>	<b>0.5</b>	<b>13.6</b>	<b>-2.9</b>	<b>-2.2</b>	<b>-1.3</b>	<b>0.06</b>	<b>-0.01</b>	<b>-0.01</b>	<b>-0.01</b>	

1. The estimates of fixed investment under the contribution columns are also percent changes  
 2. Consists primarily of religious, educational, vocational, lodging, railroads, farm, and amusement and recreational structures, net purchases of used structures, and brokers' commissions on the sale of structures.  
 3. Excludes software "embedded," or bundled, in computers and other equipment.  
 4. Includes communication equipment, nonmedical instruments, medical equipment and instruments, photocopy and related equipment, and office and accounting equipment.  
 5. Consists primarily of furniture and fixtures, agricultural machinery, construction machinery, mining and oilfield machinery, service industry machinery, and electrical equipment not elsewhere classified.  
 6. Consists primarily of manufactured homes, improvements, dormitories, net purchases of used structures, and brokers' commissions on the sale of residential structures.  
 NOTE: Percent changes are from NIPA table 5.3.1, contributions are from NIPA table 5.3.2, and shares are calculated from NIPA table 5.3.5.

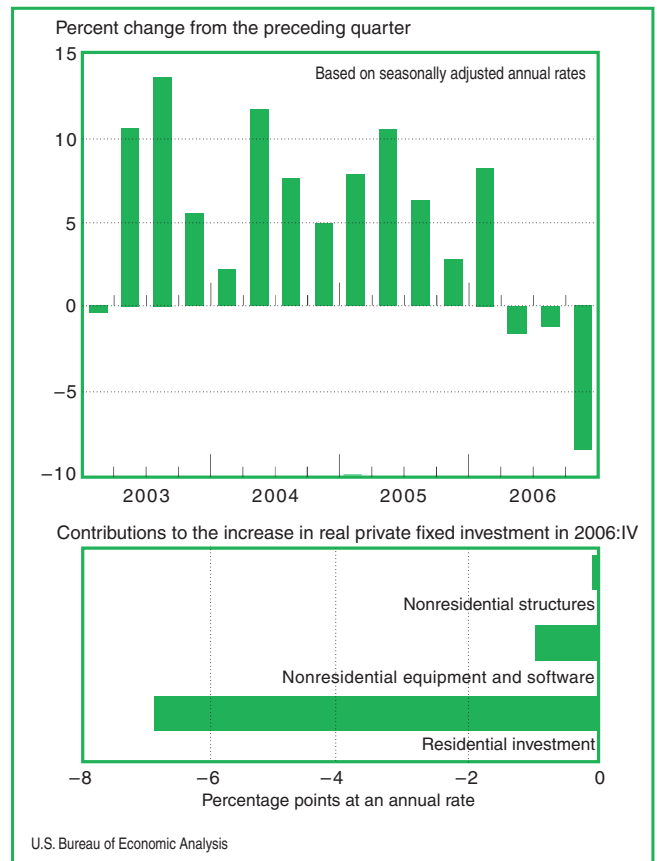
Real private fixed nonresidential investment turned down, reflecting downturns in business investment in equipment and software and in structures.

Investment in nonresidential structures turned down, mainly reflecting downturns in commercial and health care structures, power and communication structures, and manufacturing structures.

Investment in equipment and software turned down; a deceleration in information processing equipment and software and a downturn in transportation equipment were the main contributors.

Residential investment decreased about the same in the fourth quarter as in the third quarter. A larger decrease in single-family structures was offset by a upturn in "other" structures, notably brokers' commissions.

**Chart 3. Real Private Fixed Investment**



## Inventory Investment

**Table 5. Real Change in Private Inventories by Industry**  
 [Billions of chained (2000) dollars; seasonally adjusted at annual rates]

	Level					Change from preceding quarter				
	2005	2006				2006				
	IV	I	II	III	IV	I	II	III	IV	
<b>Change in private inventories<sup>1</sup> ..</b>	<b>43.5</b>	<b>41.2</b>	<b>53.7</b>	<b>55.4</b>	<b>17.3</b>	<b>-2.3</b>	<b>12.5</b>	<b>1.7</b>	<b>-38.1</b>	
Farm .....	4.8	4.3	1.9	2.5	2.4	-0.5	-2.4	0.6	-0.1	
Mining, utilities, and construction .....	-0.5	-2.0	5.4	1.6	1.0	-1.5	7.4	-3.8	-0.6	
Manufacturing .....	0.5	7.6	11.1	10.1	8.5	7.1	3.5	-1.0	-1.6	
Durable-goods industries .....	-1.3	-0.1	5.7	9.4	14.3	1.2	5.8	3.7	4.9	
Nondurable-goods industries .....	1.5	7.1	5.2	1.1	-4.8	5.6	-1.9	-4.1	-5.9	
Wholesale trade .....	13.3	15.0	19.3	33.7	8.1	1.7	4.3	14.4	-25.6	
Durable-goods industries .....	17.8	6.4	15.3	27.7	4.8	-11.4	8.9	12.4	-22.9	
Nondurable-goods industries .....	-3.3	8.2	4.5	6.9	3.2	11.5	-3.7	2.4	-3.7	
Retail trade .....	26.4	12.8	7.8	2.2	-7.9	-13.6	-5.0	-5.6	-10.1	
Motor vehicle and parts dealers .....	19.8	5.5	1.0	-7.2	-17.6	-14.3	-4.5	-8.2	-10.4	
Food and beverage stores .....	1.3	1.0	1.0	0.2	-0.2	-0.3	0.0	-0.8	-0.4	
General merchandise stores .....	1.1	-4.7	-0.5	4.8	4.7	-5.8	4.2	5.3	-0.1	
Other retail stores .....	5.1	10.8	6.1	3.6	3.5	5.7	-4.7	-2.5	-0.1	
Other industries .....	0.8	5.2	7.4	5.1	3.6	4.4	2.2	-2.3	-1.5	
Residual <sup>2</sup> .....	-3.6	-0.5	0.7	-0.3	2.4	3.1	1.2	-1.0	2.7	
<b>Addenda: Ratios of private inventories to final sales of domestic business:<sup>3</sup></b>										
Private inventories to final sales .....	2.42	2.40	2.40	2.41	2.39					
Nonfarm inventories to final sales .....	2.22	2.20	2.20	2.21	2.20					
Nonfarm inventories to final sales of goods and structures .....	3.55	3.48	3.50	3.52	3.50					

1. The levels are from NIPA table 5.6.6B.  
 2. The residual is the difference between the first line and the sum of the most detailed lines. It reflects that chained-dollar estimates are usually not additive, because they are based on quantity indexes that use weights of more than one period.  
 3. The ratios are from NIPA table 5.7.6B.

### Inventory Investment

The real change in private inventories, often called real private inventory investment, represents the change in the physical stock of goods held by businesses. It includes finished goods, goods at various stages of production, and raw materials.

The change in private inventories is a key component of gross domestic product (GDP), which aims to measure output derived from current production. To include the value of currently produced goods that are not yet sold and to exclude the value of goods produced in previous periods, change in private inventories must be included in the GDP calculation.

Thus, GDP can also be seen as the sum of final sales of domestic product and the change in private inventories (table 2).

For most industries, the estimates of change in private inventories are prepared by revaluing book-value estimates of inventories from the Census Bureau to a replacement-cost basis and calculating the change over a quarter or year. BEA does not always have complete data for every industry.

Real inventory investment turned down, decreasing \$38.1 billion; in contrast, in the third quarter, it increased \$1.7 billion.

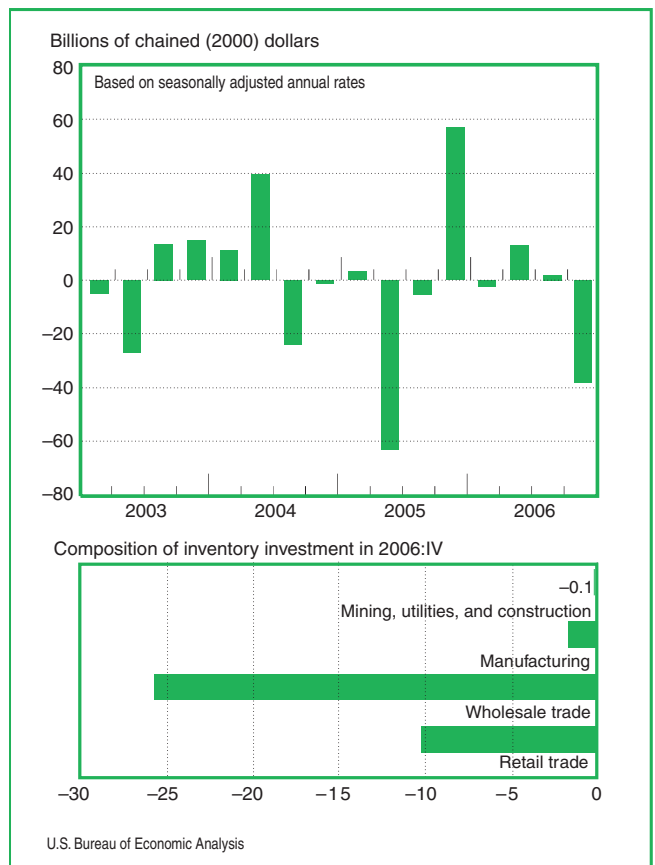
Inventory investment in the mining, utilities, and construction industries decreased \$0.6 billion after decreasing \$3.8 billion.

Inventory investment in manufacturing decreased \$1.6 billion in the fourth quarter after decreasing \$1.0 billion, reflecting a larger decrease in nondurable-goods industries that more than offset a step-up in durable-goods industries.

Inventory investment in wholesale trade turned down sharply. The downturn was widespread across both durable-goods and nondurable-goods industries.

Inventory investment in retail trade decreased more than in the third quarter, primarily reflecting a larger decrease in investment by retail motor vehicle and parts dealers.

**Chart 4. Real Private Inventory Investment**



## Exports and Imports

**Table 6. Real Exports and Imports of Goods and Services**

[Seasonally adjusted at annual rates]

	Share of current-dollar exports and imports (percent)	Change from preceding period (percent)					Contribution to percent change in real exports and imports (percentage points)			
		2006					2006			
	2006	IV	I	II	III	IV	I	II	III	IV
<b>Exports of goods and services<sup>1</sup></b> .....	<b>100.0</b>	<b>14.0</b>	<b>6.2</b>	<b>6.8</b>	<b>10.5</b>	<b>14.0</b>	<b>6.2</b>	<b>6.8</b>	<b>10.5</b>	<b>10.5</b>
<b>Exports of goods<sup>2</sup></b> .....	<b>70.8</b>	<b>17.3</b>	<b>6.0</b>	<b>9.4</b>	<b>8.5</b>	<b>11.92</b>	<b>4.22</b>	<b>6.58</b>	<b>6.05</b>	<b>6.05</b>
Foods, feeds, and beverages ..	4.5	15.8	20.7	13.2	-18.3	0.69	0.86	0.59	-0.93	
Industrial supplies and materials .....	18.3	26.5	14.4	3.1	9.5	4.36	2.48	0.58	1.73	
Capital goods, except automotive .....	28.5	16.3	6.6	5.6	15.0	4.59	1.85	1.58	4.11	
Automotive vehicles, engines, and parts .....	7.2	2.7	-4.6	26.9	-7.8	0.22	-0.35	1.81	-0.59	
Consumer goods, except automotive .....	9.0	15.7	1.1	15.2	14.9	1.39	0.10	1.29	1.28	
Other .....	3.4	20.5	-19.7	24.0	13.8	0.68	-0.72	0.73	0.45	
<b>Exports of services<sup>2</sup></b> .....	<b>29.2</b>	<b>6.7</b>	<b>6.7</b>	<b>0.8</b>	<b>15.5</b>	<b>2.07</b>	<b>1.97</b>	<b>0.25</b>	<b>4.43</b>	
<b>Imports of goods and services<sup>1</sup></b> .....	<b>100.0</b>	<b>9.1</b>	<b>1.4</b>	<b>5.6</b>	<b>-2.2</b>	<b>9.1</b>	<b>1.4</b>	<b>5.6</b>	<b>-2.2</b>	
<b>Imports of goods<sup>2</sup></b> .....	<b>84.0</b>	<b>9.4</b>	<b>-0.1</b>	<b>7.1</b>	<b>-3.8</b>	<b>7.90</b>	<b>-0.05</b>	<b>5.98</b>	<b>-3.26</b>	
Foods, feeds, and beverages ..	3.5	16.5	-4.8	10.4	-1.2	0.54	-0.16	0.33	-0.04	
Industrial supplies and materials, except petroleum and products .....	13.0	1.9	-1.2	14.2	-19.6	0.27	-0.15	1.77	-2.84	
Petroleum and products .....	11.9	-4.8	-18.3	7.1	-20.4	-0.67	-2.78	1.01	-3.01	
Capital goods, except automotive .....	19.2	16.1	11.6	13.5	-2.7	2.88	2.05	2.41	-0.51	
Automotive vehicles, engines, and parts .....	11.6	14.3	-1.3	-8.3	7.3	1.65	-0.15	-0.97	0.80	
Consumer goods, except automotive .....	21.1	8.4	5.7	15.2	18.2	1.64	1.07	2.80	3.39	
Other .....	3.8	44.1	1.9	-28.6	-23.9	1.61	0.08	-1.38	-1.04	
<b>Imports of services<sup>2</sup></b> .....	<b>16.0</b>	<b>7.4</b>	<b>9.9</b>	<b>-2.6</b>	<b>7.1</b>	<b>1.15</b>	<b>1.49</b>	<b>-0.40</b>	<b>1.07</b>	
<b>Addenda:</b>										
Exports of agricultural goods <sup>3</sup>	4.9	23.8	19.1	2.1	-17.9					
Exports of nonagricultural goods .....	65.8	16.8	5.1	10.0	10.8					
Imports of nonpetroleum goods .....	72.1	12.3	3.9	7.2	-0.4					

Real export growth accelerated, reflecting an acceleration in exports of services that more than offset a small deceleration in exports of goods.

The deceleration in exports of goods reflected downturns in automotive vehicles, engines, and parts and in foods, feeds, and beverages. The downturns were partly offset by step-ups in nonautomotive capital goods and in industrial supplies and materials.

Exports of services accelerated, primarily reflecting an upturn in travel and an acceleration in "other" private services.

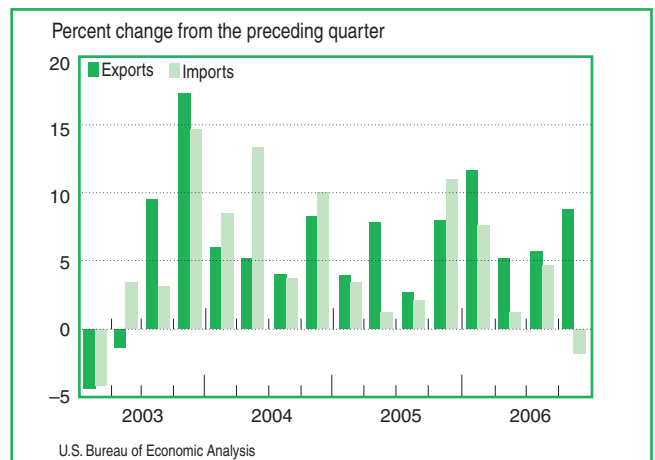
Real imports turned down, reflecting a downturn in imports of goods.

The downturn in imports of goods primarily reflected downturns in nonpetroleum industrial supplies and materials, in petroleum and products, and in nonautomotive capital goods.

Imports of services turned up, primarily reflecting an upturn in travel by U.S. citizens abroad and an acceleration in "other" private services.

1. The estimates under the contribution columns are also percent changes.  
 2. Exports and imports of certain goods, primarily military equipment purchased and sold by the Federal Government, are included in services.  
 3. Includes parts of foods, feeds, and beverages, of nondurable industrial supplies and materials, and of nondurable nonautomotive consumer goods.  
 NOTE: Percent changes are from NIPA table 4.2.1, contributions are from NIPA table 4.2.2, and shares are calculated from NIPA table 4.2.5.

**Chart 5. Real Exports and Imports of Goods and Services**



## Government Spending

**Table 7. Real Government Consumption Expenditures and Gross Investment (CEGI)**

[Seasonally adjusted at annual rates]

	Share of current-dollar CEGI (percent)	Change from preceding period (percent)				Contribution to percent change in real CEGI (percentage points)			
		2006				2006			
	IV	I	II	III	IV	I	II	III	IV
<b>Government consumption expenditures and gross investment<sup>1</sup>.....</b>	<b>100.0</b>	<b>4.9</b>	<b>0.8</b>	<b>1.7</b>	<b>3.3</b>	<b>4.9</b>	<b>0.8</b>	<b>1.7</b>	<b>3.3</b>
Consumption expenditures.....	82.9	4.4	-0.5	2.5	3.6	3.65	-0.41	2.06	2.98
Gross investment.....	17.1	7.6	7.4	-2.3	1.6	1.26	1.22	-0.39	0.28
<b>Federal.....</b>	<b>36.4</b>	<b>8.8</b>	<b>-4.5</b>	<b>1.3</b>	<b>4.4</b>	<b>3.17</b>	<b>-1.69</b>	<b>0.47</b>	<b>1.58</b>
<b>National defense.....</b>	<b>24.7</b>	<b>8.9</b>	<b>-2.0</b>	<b>-1.2</b>	<b>12.3</b>	<b>2.15</b>	<b>-0.50</b>	<b>-0.30</b>	<b>2.86</b>
Consumption expenditures.....	21.5	9.1	-4.1	-0.9	11.3	1.91	-0.91	-0.20	2.31
Gross investment.....	3.2	7.9	14.1	-3.1	19.0	0.24	0.41	-0.10	0.55
<b>Nondefense.....</b>	<b>11.7</b>	<b>8.5</b>	<b>-9.3</b>	<b>6.5</b>	<b>-10.2</b>	<b>1.02</b>	<b>-1.19</b>	<b>0.77</b>	<b>-1.28</b>
Consumption expenditures.....	10.3	8.1	-5.0	6.5	-9.1	0.85	-0.55	0.67	-0.99
Gross investment.....	1.5	10.8	-32.9	6.7	-17.3	0.18	-0.65	0.10	-0.28
<b>State and local.....</b>	<b>63.6</b>	<b>2.7</b>	<b>4.0</b>	<b>1.9</b>	<b>2.6</b>	<b>1.74</b>	<b>2.50</b>	<b>1.20</b>	<b>1.69</b>
Consumption expenditures.....	51.1	1.7	2.1	3.1	3.3	0.89	1.05	1.59	1.67
Gross investment.....	12.5	7.0	12.5	-3.1	0.1	0.85	1.46	-0.39	0.01

1. The estimates under the contribution columns are also percent changes.

NOTE: Percent changes are from NIPA table 3.9.1, contributions from NIPA table 3.9.2, and shares are calculated from NIPA table 3.9.5.

Real government spending picked up, reflecting an acceleration in consumption expenditures and an upturn in gross investment that was due to an upturn in investment in structures.

Federal Government spending accelerated, reflecting an upturn in national defense spending that more than offset a downturn in nondefense spending.

State and local government spending accelerated, reflecting an upturn in gross investment that primarily reflected a smaller decrease in structures than in the third quarter; consumption expenditures accelerated.

### Government Spending

“Government consumption expenditures and gross investment,” or “government spending,” consists of two main components: (1) Consumption expenditures by Federal and by state and local governments and (2) gross investment by government and government-owned enterprises.

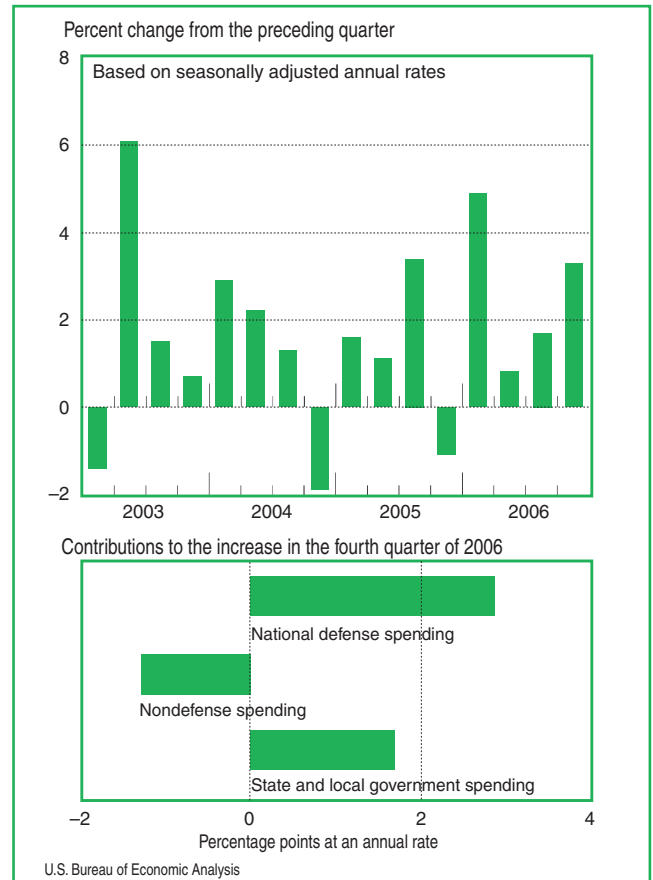
Government consumption expenditures consists of the goods and services that are produced by general government (less any sales to other sectors and investment goods produced by government itself). Governments generally provide services to the general public without charge. The value of government production—that is, government’s gross output—is measured as spending for labor and capital services and for intermediate goods and services.<sup>1</sup>

Gross investment consists of new and used structures (such as highways and dams) and equipment and software purchased or produced by government and government-owned enterprises.

Government consumption and gross investment excludes current transactions of government-owned enterprises, current transfer payments, interest payments, subsidies, and transactions in financial assets and nonproduced assets, such as land.

1. Capital services is also known as consumption of fixed capital (depreciation) and represents a partial measure of the services provided by government-owned fixed capital.

**Chart 6. Real Government Consumption Expenditures and Gross Investment**



**Prices**

**Table 8. Prices for Gross Domestic Purchases**

[Percent change at annual rates; based on seasonally adjusted index numbers (2000=100)]

	Change from preceding period (percent)				Contribution to percent change in gross domestic purchases prices (percentage points)			
	2006				2006			
	I	II	III	IV	I	II	III	IV
<b>Gross domestic purchases<sup>1</sup></b> .....	<b>2.7</b>	<b>4.0</b>	<b>2.2</b>	<b>0.2</b>	<b>2.7</b>	<b>4.0</b>	<b>2.2</b>	<b>0.2</b>
<b>Personal consumption expenditures</b> .....	<b>2.0</b>	<b>4.0</b>	<b>2.4</b>	<b>-0.9</b>	<b>1.35</b>	<b>2.66</b>	<b>1.55</b>	<b>-0.58</b>
Durable goods .....	-1.0	-0.8	-1.1	-2.7	-0.07	-0.06	-0.08	-0.21
Nondurable goods .....	1.1	8.3	2.3	-7.7	0.21	1.58	0.46	-1.55
Services .....	3.1	2.9	3.0	3.0	1.22	1.15	1.18	1.18
<b>Gross private domestic investment</b> .....	<b>3.7</b>	<b>3.1</b>	<b>0.6</b>	<b>3.2</b>	<b>0.58</b>	<b>0.50</b>	<b>0.10</b>	<b>0.49</b>
Fixed investment .....	3.8	3.0	0.5	3.1	0.59	0.47	0.08	0.47
Nonresidential .....	3.7	3.0	0.9	2.6	0.36	0.30	0.09	0.26
Structures .....	12.4	10.7	5.3	5.4	0.32	0.29	0.15	0.16
Equipment and software .....	0.6	0.1	-0.9	1.5	0.04	0.01	-0.06	0.10
Residential .....	3.8	2.9	-0.1	4.1	0.23	0.17	-0.01	0.21
Change in private inventories .....					-0.01	0.03	0.02	0.02
<b>Government consumption expenditures and gross investment</b> .....	<b>4.4</b>	<b>4.8</b>	<b>2.8</b>	<b>1.6</b>	<b>0.79</b>	<b>0.86</b>	<b>0.51</b>	<b>0.30</b>
Federal .....	7.6	3.8	2.0	0.0	0.49	0.25	0.13	0.00
National defense .....	6.7	4.1	2.3	-0.3	0.29	0.18	0.10	-0.02
Nondefense .....	9.5	3.2	1.4	0.8	0.20	0.07	0.03	0.02
State and local .....	2.6	5.4	3.4	2.6	0.30	0.61	0.38	0.29
<b>Addenda:</b>								
Gross domestic purchases:								
Food .....	2.6	1.7	3.0	2.3	0.24	0.16	0.28	0.21
Energy goods and services .....	-2.4	30.6	0.6	-33.8	-0.11	1.37	0.03	-2.03
Excluding food and energy .....	3.0	2.9	2.2	2.4	2.59	2.49	1.85	2.03
Personal consumption expenditures (PCE):								
Food .....	2.8	1.7	2.9	1.9				
Energy goods and services .....	0.1	29.7	3.7	-36.0				
Excluding food and energy .....	2.1	2.7	2.2	1.9				
"Market-based" PCE .....	1.7	4.2	2.2	-1.6				
Excluding food and energy .....	1.6	2.7	1.9	1.6				
Gross domestic product .....	3.3	3.3	1.9	1.7				

1. The estimates under the contribution columns are also percent changes.

NOTE: All the percent changes except those for PCE for food and energy goods and services and for PCE excluding food and energy are from NIPA table 1.6.7; the changes for PCE are calculated from index numbers in NIPA table 2.3.4. The contributions are from NIPA table 1.6.8.

Inflation, as measured by the price index for gross domestic purchases, was 0.2 percent, compared with 2.2 percent in the third quarter. It was the slowest rate of inflation since the first quarter of 1998. Energy prices turned down sharply, decreasing 33.8 percent. Food prices decelerated. Excluding food and energy, inflation was 2.4 percent, compared with 2.2 percent in the third quarter.

Consumer prices, as measured by the PCE price index, turned down, reflecting a sharp downturn in energy prices and a deceleration in food prices.

Prices paid for nonresidential fixed investment accelerated, primarily reflecting an upturn in prices paid for transportation equipment.

Prices paid for residential investment turned up, increasing 4.1 percent after decreasing 0.1 percent.

Prices paid by government slowed. Prices paid by the Federal Government were unchanged after increasing 2.0 percent, and prices paid by state and local governments decelerated.

Consumer prices excluding food and energy, a measure of the "core" rate of inflation, slowed, increasing 1.9 percent after increasing 2.2 percent.

The "market-based" PCE price index decreased 1.6 percent; excluding food and energy, it increased 1.6 percent.

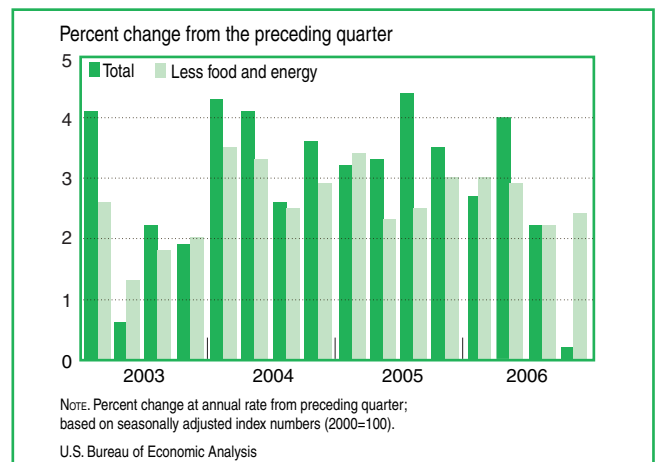
**Note on Prices**

BEA's gross domestic purchases price index is the most comprehensive index of prices paid by U.S. residents for all goods and services purchased in the United States. It is derived from prices of consumer spending, private investment, government spending, and prices paid for imports.

The GDP price index measures the prices paid for all the goods and services produced in the United States, and it includes the prices of goods and services that are exported.

The difference between the gross domestic purchases price index and the GDP price index reflects the differences between the imports prices (included in the gross domestic purchases index) and the exports prices (included in the GDP price index).

**Chart 7. Gross Domestic Purchases Prices**





## Revisions

**Table 9. Advance and Preliminary Estimates for the Fourth Quarter of 2006**  
[Seasonally adjusted at annual rates]

	Change from preceding quarter (percent)			Contribution to percent change in real GDP (percentage points)		
	Advance	Preliminary	Preliminary minus advance	Advance	Preliminary	Preliminary minus advance
<b>Gross domestic product (GDP) <sup>1</sup></b> .....	<b>3.5</b>	<b>2.2</b>	<b>-1.3</b>	<b>3.5</b>	<b>2.2</b>	<b>-1.3</b>
<b>Personal consumption expenditures</b> .....	<b>4.4</b>	<b>4.2</b>	<b>-0.2</b>	<b>2.13</b>	<b>2.88</b>	<b>0.75</b>
Durable goods .....	6.0	4.4	-1.6	0.66	0.35	-0.31
Nondurable goods .....	6.9	6.0	-0.9	0.33	1.19	0.86
Services .....	2.9	3.2	0.3	1.15	1.34	0.19
<b>Gross private domestic investment</b> .....	<b>-11.0</b>	<b>-15.6</b>	<b>-4.6</b>	<b>-0.34</b>	<b>-2.78</b>	<b>-2.44</b>
Fixed investment .....	-7.3	-8.5	-1.2	-0.24	-1.43	-1.19
Nonresidential .....	-0.4	-2.4	-2.0	0.88	-0.26	-1.14
Structures .....	2.8	-0.8	-3.6	0.41	-0.03	-0.44
Equipment and software .....	-1.8	-3.2	-1.4	0.46	-0.24	-0.70
Residential .....	-19.2	-19.1	0.1	-1.12	-1.16	-0.04
Change in private inventories .....				-0.10	-1.35	-1.25
<b>Net exports of goods and services</b> .....				<b>-0.58</b>	<b>1.50</b>	<b>2.08</b>
Exports .....	10.0	10.5	0.5	0.70	1.13	0.43
Goods .....	8.8	8.5	-0.3	0.75	0.65	-0.10
Services .....	13.0	15.5	2.5	-0.05	0.48	0.53
Imports .....	-3.2	-2.2	1.0	-1.28	0.38	1.66
Goods .....	-5.0	-3.8	1.2	-1.31	0.56	1.87
Services .....	6.7	7.1	0.4	0.03	-0.18	-0.21
<b>Government consumption expenditures and gross investment</b> .....	<b>3.7</b>	<b>3.3</b>	<b>-0.4</b>	<b>0.37</b>	<b>0.62</b>	<b>0.25</b>
Federal .....	4.5	4.4	-0.1	0.12	0.30	0.18
National defense .....	11.9	12.3	0.4	-0.03	0.54	0.57
Nondefense .....	-9.3	-10.2	-0.9	0.15	-0.24	-0.39
State and local .....	3.3	2.6	-0.7	0.25	0.32	0.07
<b>Addenda:</b>						
Final sales of domestic product .....	4.2	3.6	-0.6	1.68	3.57	1.89
Gross domestic purchases price index .....	0.1	0.2	0.1			
GDP price index .....	1.5	1.7	0.2			

1. The estimates for GDP under the contribution columns are also percent changes.

The 2.2-percent preliminary estimate of real GDP growth is 1.3 percentage points less than the advance estimate. The average revision (without regard to sign) between the “advance” and “preliminary” estimates is 0.5 percentage point; only seven times in 30 years has the revision been 1.3 percentage points or more. The downward revision to the percent change in real GDP primarily reflected downward revisions to inventory investment and to consumer spending and an upward revision to imports of goods.

The downward revision to consumer spending reflected new Census Bureau retail data and new vehicle registration data. Downward revisions to nondurable goods and durable goods were widespread.

The downward revision to inventory investment reflected new Census Bureau data; a downward revision to wholesale trade inventories was partly offset by an upward revision to retail trade industries.

The upward revision to imports of goods reflected new Census Bureau goods data. Automotive vehicles, engines, and parts were revised up.

### Source Data for the Preliminary Estimates

*Personal consumption expenditures:* Retail sales for November and December (revised). Motor vehicle registrations for October and November (revised) and December (new). Retail electricity sales for November (new) and natural gas sales for October (revised) and November (new).

*Nonresidential fixed investment:* Construction put in place for October and November (revised) and December (new). Manufacturers’ shipments of machinery and equipment for October–December (revised).

*Residential investment:* Construction put in place for October and November (revised) and December (new).

*Change in private inventories:* Manufacturers’ inventories for November and December (revised) and trade inventories for November (revised) and December (new).

*Exports and imports of goods and services:* International transactions for October and November (revised) and December (new).

*Government consumption expenditures and gross investment:* State and local construction put in place for October and November (revised) and December (new).

### Personal Income for the Third Quarter

With the release of the preliminary estimates of GDP, BEA also releases revised estimates of various income-related series for the previous quarter. This revision reflects the incorporation of newly available, third-quarter tabulations from the quarterly census of employment and wages from the Bureau of Labor Statistics.

Wages and salaries increased \$46.7 billion in the third quarter, a downward revision of \$26.9 billion. Personal current taxes increased \$1.5 billion, a downward revision of \$3.7 billion. Contributions for government social insurance—a subtraction in calculating personal income—increased \$6.4 billion, a downward revision of \$3.7 billion. As a result of these revisions

- Personal income increased \$132.1 billion, a downward revision of \$25.1 billion.
- Disposable personal income increased \$130.8 billion, a downward revision of \$21.3 billion.
- Personal saving decreased \$2.2 billion, a downward revision of \$21.3 billion.
- The personal saving rate was -1.4 percent, a downward revision of 0.2 percentage point.