

# THE BUSINESS SITUATION

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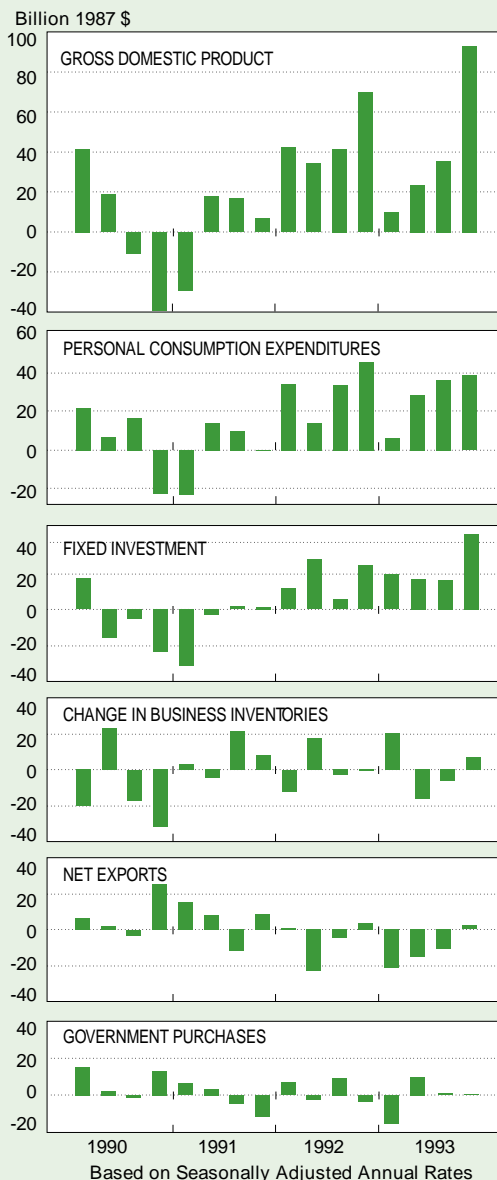
**R**EAL GROSS domestic product (GDP), a measure of goods and services produced in the United States, increased 7.5 percent in the fourth quarter of 1993, according to the "preliminary" estimate of the national income and product accounts (NIPA's). The "advance" estimate of the NIPA's, reported in the January "Business Situation," showed a 5.9-percent increase.<sup>1</sup> Real gross domestic purchases, a measure of goods and services purchased by U.S. residents, increased 7.2 percent, 0.7 percentage point more than the advance estimate. The fixed-weighted price index for gross domestic purchases increased 2.2 percent, about the same as the advance estimate. (The sources of these revisions are discussed in "Revisions" later in this article.)

The 7.5-percent increase in real GDP in the fourth quarter followed a 2.9-percent increase in the third and was the largest increase since the first quarter of 1984 (chart 1). The acceleration was more than accounted for by a very sharp step-up in the production of goods and a smaller—but still sizable—step-up in the production of structures (table 1). Half of the acceleration in goods production was accounted for by an upturn in motor vehicle production; both

residential and nonresidential construction contributed to the step-up in structures production. The production of services increased consider-

CHART 1

### Real Product: Change from Preceding Quarter



1. Quarterly estimates in the national income and product accounts are expressed at seasonally adjusted annual rates, and quarterly changes are differences between these rates. Quarter-to-quarter percent changes are annualized. Real, or constant-dollar, estimates are expressed in 1987 dollars and are based on 1987 weights. For a discussion of estimates based on alternative weights, see "Alternative measures" at the end of this article.

Table 1.—Real Gross Domestic Product, by Major Type of Product

(Seasonally adjusted at annual rates)

	Billions of 1987 dollars					Percent change from preceding quarter			
	Level	Change from preceding quarter				1993			
		1993				I	II	III	IV
	1993:IV	I	II	III	IV				
<b>Gross domestic product ..</b>	<b>5,232.1</b>	<b>9.9</b>	<b>23.9</b>	<b>36.2</b>	<b>93.8</b>	<b>0.8</b>	<b>1.9</b>	<b>2.9</b>	<b>7.5</b>
Goods .....	2,139.1	2.5	8.9	5.8	64.2	.5	1.7	1.1	13.0
Motor vehicles .....	212.9	6.6	-2.6	-10.2	19.5	13.9	-4.9	-18.6	46.9
Other .....	1,926.2	-4.1	11.5	16.0	44.7	-9	2.5	3.5	9.8
Services .....	2,604.2	8.8	12.2	19.2	7.5	1.4	1.9	3.0	1.2
Structures .....	488.8	-1.5	2.8	11.1	22.2	-1.3	2.5	10.1	20.4

NOTE.—Dollar levels of most series are found in table 1.4 of the "Selected NIPA Tables." Output of motor vehicles is the sum of auto output and truck output (from tables 8.4 and 8.6).

ably less in the fourth quarter than in the third; household operation was the biggest contributor to the slowdown.

The 7.2-percent increase in real gross domestic purchases followed an increase of 3.7 percent (table 2). Inventory investment added about as much to the change in gross domestic purchases in the fourth quarter as it had subtracted in the third; the upswing was more than accounted for by farm inventory investment, which rebounded from a third-quarter decrease that largely re-

flected the effects of floods and drought.<sup>2</sup> Final sales to domestic purchasers increased 6.7 percent after increasing 4.2 percent. Most of the step-up was accounted for by fixed investment, which increased almost three times as much in

2. In allocating the annual loss caused by the floods and drought to the quarterly estimates, the Bureau of Economic Analysis lowered farm inventories by \$7.5 billion in the third quarter and by \$2.5 billion in the fourth. See "Impact of the 1993 Floods and Drought," SURVEY OF CURRENT BUSINESS 73 (September 1993): 2. These adjustments lowered third-quarter growth of real GDP by 0.6 percentage point and raised fourth-quarter growth by 0.4 percentage point; growth in the first quarter of 1994 will be raised 0.2 percentage point.

**Table 2.—Real Gross Domestic Product, Real Gross Domestic Purchases, and Real Final Sales to Domestic Purchasers**

[Seasonally adjusted at annual rates]

	Billions of 1987 dollars					Percent change from preceding quarter			
	Level	Change from preceding quarter				1993			
		1993				I	II	III	IV
	1993:IV	I	II	III	IV				
<b>Gross domestic product</b> .....	<b>5,232.1</b>	<b>9.9</b>	<b>23.9</b>	<b>36.2</b>	<b>93.8</b>	<b>0.8</b>	<b>1.9</b>	<b>2.9</b>	<b>7.5</b>
Less: Exports of goods and services .....	620.1	-3.6	5.2	-1.3	28.2	-2.4	3.6	-9	20.5
Plus: Imports of goods and services .....	704.2	17.6	20.5	9.8	26.0	11.6	13.3	6.0	16.2
<b>Equals: Gross domestic purchases</b> .....	<b>5,316.2</b>	<b>31.0</b>	<b>39.3</b>	<b>47.2</b>	<b>91.6</b>	<b>2.5</b>	<b>3.1</b>	<b>3.7</b>	<b>7.2</b>
Less: Change in business inventories .....	13.4	20.6	-16.3	-6.5	6.9				
<b>Equals: Final sales to domestic purchasers</b> .....	<b>5,302.8</b>	<b>10.4</b>	<b>55.5</b>	<b>53.8</b>	<b>84.7</b>	<b>.8</b>	<b>4.4</b>	<b>4.2</b>	<b>6.7</b>
Personal consumption expenditures .....	3,508.6	6.6	28.9	36.9	39.0	.8	3.4	4.4	4.6
Nonresidential fixed investment .....	625.2	18.6	22.0	10.5	30.4	14.4	16.6	7.4	22.1
Residential investment .....	226.9	.8	-5.2	5.9	14.8	1.5	-9.5	11.9	31.0
Government purchases .....	942.0	-15.6	9.8	.6	.3	-6.4	4.3	.3	.1

NOTE.—Dollar levels are found in tables 1.2 and 1.6 of the "Selected NIPA Tables." Percent changes are found in table 8.1.

**Table 3.—Real Personal Consumption Expenditures**

[Seasonally adjusted at annual rates]

	Billions of 1987 dollars					Percent change from preceding quarter			
	Level	Change from preceding quarter				1993			
		1993				I	II	III	IV
	1993:IV	I	II	III	IV				
<b>Personal consumption expenditures</b> .....	<b>3,508.6</b>	<b>6.6</b>	<b>28.9</b>	<b>36.9</b>	<b>39.0</b>	<b>0.8</b>	<b>3.4</b>	<b>4.4</b>	<b>4.6</b>
Durable goods .....	511.1	-1.5	12.3	8.9	18.0	-1.3	10.8	7.6	15.4
Motor vehicles and parts .....	199.8	-2.9	5.6	-1.4	9.9	-6.0	12.6	-2.9	22.5
New autos .....	84.3	-3.4	2.4	-7	6.1	-16.0	13.2	-3.5	35.0
New trucks .....	47.5	1.3	1.3	-2.4	6.6	13.4	13.0	-20.4	81.9
Other .....	68.0	-8	1.9	1.7	-2.8	-4.6	11.8	10.2	-14.9
Furniture and household equipment .....	227.8	2.3	5.9	7.0	8.4	4.6	11.9	13.8	16.2
Other .....	83.4	-9	.9	3.1	-3	-4.4	4.6	16.3	-1.4
Nondurable goods .....	1,102.7	-5.8	7.1	9.9	9.7	-2.1	2.7	3.7	3.6
Food .....	537.8	-2.6	1.9	4.0	5.2	-2.0	1.5	3.1	4.0
Clothing and shoes .....	204.5	-5.2	3.0	2.8	3.9	-10.0	6.3	5.8	8.0
Energy <sup>1</sup> .....	98.7	.5	-1	2.7	-7	2.1	-4	11.6	-2.8
Other .....	261.7	1.5	2.2	.5	1.3	2.4	3.5	.8	2.0
Services .....	1,894.8	13.9	9.5	18.1	11.3	3.1	2.1	3.9	2.4
Housing .....	495.2	2.1	1.9	2.6	1.9	1.7	1.6	2.1	1.5
Household operation .....	221.2	1.3	-2.3	5.2	.4	2.4	-4.2	10.0	.7
Energy <sup>2</sup> .....	100.5	.6	-2.9	4.4	-1	2.5	-11.2	19.6	-4
Other household operation .....	120.7	.7	.6	.8	.5	2.4	2.0	2.7	1.7
Transportation .....	127.7	.8	1.6	.4	1.2	2.6	5.2	1.3	3.8
Medical care .....	469.3	4.8	3.1	4.0	4.2	4.3	2.7	3.5	3.7
Other .....	581.3	5.1	5.0	6.1	3.4	3.7	3.6	4.3	2.4

1. Gasoline and oil, and fuel oil and coal.  
2. Electricity and gas.

NOTE.—Dollar levels of most series are found in table 2.3 of the "Selected NIPA Tables." New auto and truck purchases are found in tables 8.4 and 8.6. Percent changes in major aggregates are found in table 8.1.

the fourth quarter as in the third. An acceleration in nonresidential fixed investment reflected step-ups in both structures and producers' durable equipment; an acceleration in residential investment was largely accounted for by single-family construction.

Exports and imports are the link between the goods and services produced in the United States (or GDP) and the goods and services purchased by U.S. residents (or gross domestic purchases). Exports, which are produced in the United States but not purchased by U.S. residents, posted a strong increase in the fourth quarter after a small decrease in the third. Imports, which are purchased by U.S. residents but not produced in the United States, posted almost as strong an increase as exports after a moderate increase in the third.

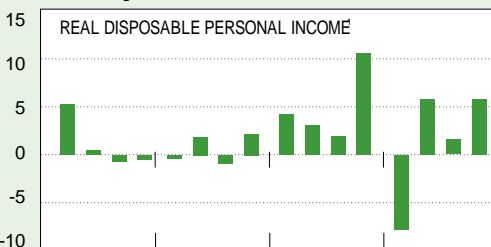
### Personal consumption expenditures

Real personal consumption expenditures (PCE) increased 4.6 percent in the fourth quarter after increasing 4.4 percent in the third (table 3).

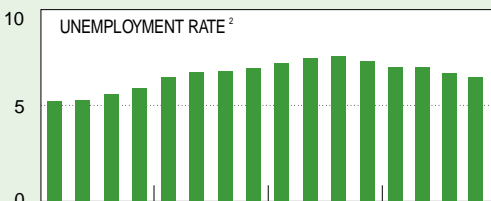
CHART 2

### Selected Factors Affecting Consumer Spending

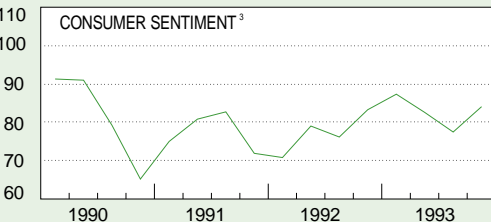
Percent change



Percent



Index



1. Disposable personal income in 1987 dollars; seasonally adjusted, annual rates

2. All civilian workers, seasonally adjusted.

Data: U.S. Department of Labor/Bureau of Labor Statistics

3. Data: University of Michigan's Survey Research Center

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

Durable goods accelerated, nondurable goods increased at about the same rate as in the third quarter, and services slowed.

Three factors that were favorable to consumption spending in the fourth quarter are shown in chart 2. Real disposable personal income jumped 5.8 percent after increasing only 1.6 percent. The unemployment rate fell to 6.5 percent, its lowest level since the first quarter of 1991. The Index of Consumer Sentiment (prepared by the University of Michigan's Survey Research Center) jumped to its highest level in three quarters.

Expenditures for durable goods increased 15.4 percent after increasing 7.6 percent. The step-up was accounted for by motor vehicles and parts, which turned up sharply, and by furniture and household equipment, which increased even more than in the third quarter. The upturn in motor vehicles and parts was nearly evenly split between new autos and trucks. Most of the step-up in furniture and household equipment was in consumer electronics. "Other" durable goods decreased slightly after increasing sharply.

Expenditures for nondurable goods increased 3.6 percent after increasing 3.7 percent. Clothing and shoes, food, and "other" nondurable goods increased more than in the third quarter. Energy—primarily gasoline and oil—turned down.

Expenditures for services increased 2.4 percent after increasing 3.9 percent. The deceleration was accounted for by household operation (primarily electricity and gas), "other" services, and housing. Electricity and gas expenditures for cooling and heating edged down, as a slightly colder-than-normal fourth quarter followed a hotter-than-normal third quarter. A slowdown in "other" services was mostly accounted for by religious and welfare services and by recreation services—primarily motion picture admissions, which decreased after jumping sharply. Transportation services increased more in the fourth quarter than in the third, primarily reflecting the reaction of consumers to lower air fares. Medical care services increased at about the same rate in the fourth quarter as in the third.

### Nonresidential fixed investment

Real nonresidential fixed investment jumped 22.1 percent in the fourth quarter after increasing 7.4 percent in the third (table 4). Structures and producers' durable equipment both contributed to the acceleration.

Several factors that affect investment spending were favorable in the fourth quarter. The

yield on new high-grade corporate bonds increased only slightly from the 25-year low it had reached in the third quarter. The capacity utilization rate in manufacturing resumed its uptrend with a substantial increase. Real final sales of domestic product increased strongly after having increased moderately over the preceding four quarters. (Fourth-quarter corporate profits and cash flow are not yet available.)

Structures increased 14.2 percent, the largest increase in more than 6 years, after a very small increase. Nonresidential buildings accelerated sharply; industrial structures jumped after a moderate increase, and commercial structures jumped after a moderate decrease. Utilities turned up and oil well drilling turned down by about equal amounts.

Producers' durable equipment (PDE) increased 24.9 percent after increasing 10.0 percent. About two-thirds of the acceleration was accounted for by an upturn in transportation equipment; purchases of trucks turned up, and purchases of civilian aircraft decreased less than in the third quarter. Industrial equipment and "other" PDE increased substantially after increasing moderately in the third quarter; in both categories, the strength was widespread. Information processing equipment posted another 30-plus-percent increase. Computers and peripheral equipment, which accounted for most of the third-quarter increase, accounted for about half of the fourth

quarter increase; communications equipment accounted for the rest.

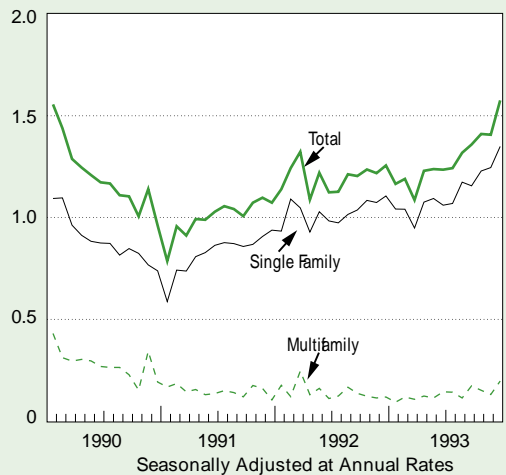
### Residential investment

Real residential investment increased 31.0 percent in the fourth quarter after increasing 11.9 percent in the third. A jump in single-family construction accounted for most of the step-up.

CHART 3

### Housing Starts

Millions of units



Data: Bureau of the Census  
U.S. Department of Commerce, Bureau of Economic Analysis

Table 4.—Real Gross Private Domestic Fixed Investment

[Seasonally adjusted at annual rates]

	Billions of 1987 dollars					Percent change from preceding quarter			
	Level	Change from preceding quarter				1993			
		1993				I	II	III	IV
		1993:IV	I	II	III				
<b>Gross private domestic fixed investment</b> .....	<b>852.2</b>	<b>19.4</b>	<b>16.9</b>	<b>16.3</b>	<b>45.3</b>	<b>10.7</b>	<b>9.0</b>	<b>8.5</b>	<b>24.4</b>
Nonresidential .....	625.2	18.6	22.0	10.5	30.4	14.4	16.6	7.4	22.1
Structures .....	156.3	.2	2.9	.1	5.1	.5	8.1	.3	14.2
Nonresidential buildings, including farm .....	106.7	1.8	1.2	1.0	5.2	7.6	4.9	4.0	22.1
Utilities .....	31.1	-1.7	.7	-1	.6	-19.8	9.7	-1.3	8.1
Mining exploration, shafts, and wells .....	11.0	.1	1.0	.3	-7	3.9	44.4	10.9	-21.9
Other .....	7.5	0	.1	-1.2	0	0	4.7	-44.8	0
Producers' durable equipment .....	469.0	18.4	19.1	10.4	25.4	19.9	19.8	10.0	24.9
Information processing and related equipment .....	215.3	10.1	8.2	14.1	14.4	26.2	19.7	33.8	31.9
Computers and peripheral equipment .....	112.8	12.3	5.0	10.6	7.7	80.6	24.3	53.0	32.7
Other .....	102.6	-2.3	3.3	3.6	6.7	-9.7	15.7	16.5	31.0
Industrial equipment .....	84.9	1.0	2.1	1.7	4.4	5.4	11.4	8.9	23.7
Transportation and related equipment .....	89.0	3.6	7.1	-7.1	3.3	18.7	37.5	-27.3	16.3
Motor vehicles .....	77.0	2.7	6.9	-3.0	2.9	17.0	45.5	-14.7	16.6
Other .....	12.0	.9	.2	-4.1	.4	27.0	5.3	-70.2	14.5
Other .....	79.7	3.8	1.7	1.6	3.2	23.8	9.6	8.8	17.8
Residential .....	226.9	.8	-5.2	5.9	14.8	1.5	-9.5	11.9	31.0
Single-family structures .....	119.7	6.0	-5.2	1.3	9.7	24.2	-17.0	4.9	40.2
Multifamily structures .....	9.4	-1.3	-1	.8	-4	-41.4	-4.3	40.6	-15.4
Other .....	97.8	-3.9	.2	3.8	5.5	-15.9	.9	18.3	26.1

NOTE.—Dollar levels of most series are found in table 5.5 of the "Selected NIPA Tables." Motor vehicles are found in tables 8.4 (autos) and 8.6 (trucks). Percent changes in major aggregates are found in table 8.1.

Single-family construction increased 40.2 percent after increasing 4.9 percent. Single-family construction in a quarter is largely determined by housing starts in that quarter and in the preceding quarter. Fourth-quarter construction, thus, reflects housing starts in the third and fourth quarters. Starts averaged 1.207 million units (annual rate) in the third and fourth quarters, up from an average of 1.111 million in the second and third quarters (chart 3).

Multifamily construction decreased 15.4 percent after increasing 40.6 percent; the third-quarter increase was the first in more than a year and only the third in 4 years. The rental vacancy rate decreased slightly in the fourth quarter but remained high; at 6.9 percent, it was

not significantly different from the third-quarter rate or from the rate in the fourth quarter of 1992. The Low Income Housing Tax Credit program, which was reauthorized in mid-1993, is expected to give a substantial boost to starts of subsidized housing, which currently accounts for about one-fourth of multifamily construction.

“Other” residential investment increased 26.1 percent after increasing 18.3 percent; the step-up was accounted for by brokers’ commissions.<sup>3</sup> Sales of existing houses increased 10.2 percent (not an annual rate) after increasing 8.0 percent, and sales of new houses increased 16.4 percent after increasing 3.7 percent. Mortgage rates continued near their lowest levels in a generation (chart 4).

**Inventory investment**

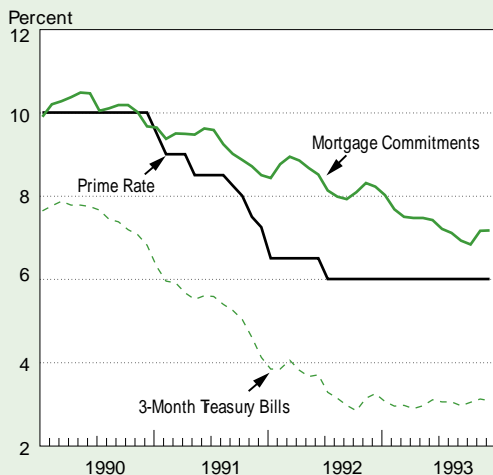
Real inventory investment—that is, the change in business inventories—increased \$6.9 billion in the fourth quarter after decreasing \$6.5 billion in the third. The upturn was more than accounted for by farm inventories (table 5).

Farm inventory investment increased \$8.5 billion, as inventory decumulation slowed to \$4.4 billion from \$12.9 billion. Crop inventories were reduced in both quarters as a result of the Midwest floods and Southeast drought; the reduction was substantially larger in the third quarter than in the fourth. Inventories of livestock increased slightly after decreasing.

Nonfarm inventory investment decreased slightly, as the pace of accumulation, though still substantial, slowed to \$17.8 billion from \$19.4 billion. Retail trade other than auto dealers ac-

CHART 4

**Selected Interest Rates**



Data: Federal Reserve Board

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

3. The “other” component includes improvements (major replacements and additions and alterations), sales of new mobile homes, brokers’ commissions on house sales, and residential equipment.

**Table 5.—Change in Real Business Inventories**

[Billions of 1987 dollars; seasonally adjusted at annual rates]

	Level					Change from preceding quarter			
	1992	1993				1993			
		IV	I	II	III	IV	I	II	III
<b>Change in business inventories</b> .....	<b>8.7</b>	<b>29.3</b>	<b>13.0</b>	<b>6.5</b>	<b>13.4</b>	<b>20.6</b>	<b>-16.3</b>	<b>-6.5</b>	<b>6.9</b>
Farm .....	1.2	0	-4.1	-12.9	-4.4	-1.2	-4.1	-8.8	8.5
Nonfarm .....	7.5	29.3	17.1	19.4	17.8	21.8	-12.2	2.3	-1.6
Manufacturing .....	-12.5	-8	5.0	3.1	-3.5	11.7	5.8	-1.9	-6.6
Wholesale trade .....	10.7	.7	6.6	6.4	3.7	-10.0	5.9	-2	-2.7
Retail trade .....	9.7	24.0	3.0	4.8	13.2	14.3	-21.0	1.8	8.4
Auto dealers .....	-1.7	16.6	-5	-7.1	1.0	18.3	-17.1	-6.6	8.1
Other retail trade .....	11.4	7.4	3.5	11.9	12.2	-4.0	-3.9	8.4	.3
Other .....	-4	5.4	2.4	5.0	4.4	5.8	-3.0	2.6	-6
<b>Addenda:</b>									
Motor vehicles .....	1.9	14.8	-1.9	-4.4	2.1	12.9	-16.7	-2.5	6.5
Nonfarm less motor vehicles .....	5.6	14.5	19.0	23.8	15.7	8.9	4.5	4.8	-8.1

NOTE.—Dollar levels for most series are found in table 5.11 of the “Selected NIPA Tables.” Motor vehicles are found in tables 8.4 (autos) and 8.6 (trucks).

counted for two-thirds of the accumulation in the fourth quarter and for almost as much in the third; in both quarters, more than half of the accumulation was accounted for by furniture and appliance stores and by building materials and hardware stores. Retail automotive inventories increased modestly after a sharp drop.

Wholesale trade inventories increased less than in the third quarter. Inventories of durable goods increased about half as much as in the third quarter, while inventories of nondurable goods increased about the same amount as in the third quarter.

Manufacturing inventories of both durable goods and nondurable goods decreased in the fourth quarter after increasing in the third. The decrease in inventories of durable goods was more than accounted for by transportation equipment other than motor vehicles (mainly air-

craft). The decrease in inventories of nondurable goods was accounted for by food and chemicals.

Reflecting a surge in sales in the fourth quarter, the constant-dollar ratio of nonfarm inventories to all final sales fell to 2.45 in the fourth quarter from 2.49 in the third. A ratio in which final sales are limited to goods and structures fell to 4.21 from 4.32. Both ratios were at the lowest levels in 20 years.

### Net exports of goods and services

Real exports increased 20.5 percent in the fourth quarter after decreasing 0.9 percent in the third. Real imports increased 16.2 percent after increasing 6.0 percent (table 6).

Exports of goods jumped 29.5 percent after a small decrease. Exports of agricultural products turned up, and exports of nonagricultural products accelerated sharply. Most of the acceleration

**Table 6.—Real Net Exports of Goods and Services**

[Seasonally adjusted at annual rates]

	Billions of 1987 dollars					Percent change from preceding quarter			
	Level	Change from preceding quarter				1993			
		1993				I	II	III	IV
		1993:IV	I	II	III				
<b>Net exports of goods and services</b> .....	<b>-84.1</b>	<b>-21.1</b>	<b>-15.3</b>	<b>-11.1</b>	<b>2.2</b>	.....	.....	.....	.....
Exports of goods and services .....	620.1	-3.6	5.2	-1.3	28.2	-2.4	3.6	-9	20.5
Merchandise .....	463.1	-7.1	4.3	-4	29.0	-6.3	4.1	-4	29.5
Agricultural products .....	39.1	-2.4	.1	-1.5	1.8	-21.4	1.0	-14.6	20.7
Nonagricultural products .....	424.0	-4.6	4.2	1.1	27.2	-4.6	4.4	1.1	30.4
Services .....	157.0	3.5	.8	-8	-8	9.4	2.0	-2.0	-2.0
Imports of goods and services .....	704.2	17.6	20.5	9.8	26.0	11.6	13.3	6.0	16.2
Merchandise .....	598.9	15.6	19.8	9.2	24.0	12.3	15.3	6.7	17.8
Petroleum and products .....	58.5	.6	4.4	-1.1	1.8	4.6	37.3	-7.4	13.3
Nonpetroleum products .....	540.4	14.9	15.4	10.3	22.2	13.1	13.1	8.4	18.3
Services .....	105.3	2.0	.7	.6	2.0	8.2	2.8	2.4	8.0

NOTE.—Dollar levels of these series are found in tables 4.2 and 4.4 of the "Selected NIPA Tables," and percent changes in major aggregates are found in table 8.1.

**Table 7.—Real Government Purchases**

[Seasonally adjusted at annual rates]

	Billions of 1987 dollars					Percent change from preceding quarter			
	Level	Change from preceding quarter				1993			
		1993				I	II	III	IV
		1993:IV	I	II	III				
<b>Government purchases</b> .....	<b>942.0</b>	<b>-15.6</b>	<b>9.8</b>	<b>0.6</b>	<b>0.3</b>	<b>-6.4</b>	<b>4.3</b>	<b>0.3</b>	<b>0.1</b>
Federal .....	349.5	-16.1	1.8	-5.7	-4.2	-16.2	2.0	-6.2	-4.7
National defense .....	238.0	-15.3	.4	-6.3	-2.1	-21.4	.7	-9.8	-3.5
Compensation of employees .....	94.1	-1.3	-1.3	-1.1	-1.2	-5.1	-5.2	-4.5	-4.9
Other .....	143.9	-14.0	1.7	-5.2	-9	-30.3	4.7	-13.2	-2.5
Nondefense .....	111.5	-.9	1.5	.7	-2.2	-3.2	5.5	2.5	-7.5
Compensation of employees .....	51.0	1.2	.4	.2	-6	10.0	3.2	1.6	-4.6
Other .....	60.5	-2.1	1.1	.5	-1.6	-12.8	7.5	3.3	-9.9
State and local .....	592.5	.5	7.9	6.4	4.5	.3	5.6	4.5	3.1
Structures .....	99.0	-1.7	5.5	4.1	2.5	-7.5	27.8	19.0	10.8
Other .....	493.5	2.2	2.4	2.3	2.0	1.8	2.0	1.9	1.6
Compensation of employees .....	365.7	1.0	1.4	1.1	1.2	1.1	1.6	1.2	1.3
Other .....	127.8	1.2	1.0	1.2	.8	3.9	3.2	3.9	2.5

NOTE.—Dollar levels of most series are found in table 3.8B of the "Selected NIPA Tables," and percent changes in major aggregates are found in table 8.1.



in nonagricultural exports reflected upturns in civilian aircraft and parts and in autos. Exports of services decreased the same amount as in the third quarter.

Imports of goods increased 17.8 percent after increasing 6.7 percent. Imports of petroleum and petroleum products turned up, and non-petroleum imports accelerated. The acceleration in nonpetroleum imports was more than accounted for by autos and by nonautomotive capital goods. Imports of services increased moderately after a smaller increase.

### Government purchases

Real government purchases increased 0.1 percent in the fourth quarter after increasing 0.3 percent in the third (table 7). Federal Government purchases decreased somewhat less than in the third quarter, and State and local government purchases increased somewhat less.

Federal defense purchases decreased 3.5 percent after decreasing 9.8 percent. The fourth-quarter decrease was spread across all types of purchases, but more than half of it was in compensation of employees, which decreased for the 11th consecutive quarter.

Federal nondefense purchases decreased 7.5 percent after increasing 2.5 percent. The fourth-quarter decrease was accounted for by purchases of services.

State and local government purchases increased 3.1 percent after increasing 4.5 percent. Most of the slight slowdown was accounted for by structures.

### Revisions

The preliminary fourth-quarter estimate of a 7.5-percent increase in real GDP is 1.6 percentage points higher than the advance estimate (table 8). This revision, which is nearly three times as large as the average revision from the advance to the preliminary estimate, is the largest in more than 5 years. More than half of the revision reflected revisions to exports and imports. Exports were revised up \$7.6 billion, and imports were revised down \$3.9 billion. (Imports are subtracted in the calculation of GDP, so a downward revision in imports leads to a upward revision in GDP.) The revision to exports primarily reflected the incorporation of newly available merchandise trade data that showed an unexpectedly large jump in merchandise exports in December; the jump was almost as large as the increase over the first 11 months of the year. Similarly, the revision

to imports primarily reflected the incorporation of newly available merchandise trade data that showed an unexpected decrease in merchandise imports in December.

Personal consumption expenditures was revised up \$4.7 billion on the basis of revised source data on retail sales for November and December; more than half of this revision was reflected in expenditures for food, for clothing and shoes, and for furniture and equipment. Farm inventory investment, State and local government purchases, and nonresidential fixed investment were revised up by smaller amounts. Small downward revisions were made to nonfarm in-

**Table 8.—Revisions in Real Gross Domestic Product and Prices, Fourth Quarter 1993**

[Seasonally adjusted at annual rates]

	Billions of 1987 dollars	Percent change from preceding quarter	
		Advance estimate	Preliminary estimate
<b>Gross domestic product</b> .....	<b>20.0</b>	<b>5.9</b>	<b>7.5</b>
Less: Exports of goods and services .....	7.6	14.7	20.5
Plus: Imports of goods and services .....	-3.9	18.8	16.2
<b>Equals: Gross domestic purchases</b> .....	<b>8.5</b>	<b>6.5</b>	<b>7.2</b>
Personal consumption expenditures .....	4.7	4.0	4.6
Durables .....	1.2	14.3	15.4
Nondurables .....	2.6	2.6	3.6
Services .....	.9	2.2	2.4
Fixed investment .....	1.2	23.7	24.4
Nonresidential .....	1.4	21.0	22.1
Structures .....	1.2	10.7	14.2
Producers' durable equipment .....	.3	24.6	24.9
Residential .....	-3	31.7	31.0
Change in business inventories .....	.7	.....	.....
Nonfarm .....	-1.6	.....	.....
Farm .....	2.3	.....	.....
Government purchases .....	1.9	-7	.1
Federal .....	-3	-4.3	-4.7
National defense .....	-2	-3.1	-3.5
Nondefense .....	-1	-7.2	-7.5
State and local .....	2.1	1.6	3.1
Gross domestic purchases price index (fixed weights) <sup>1</sup> .....	.....	2.1	2.2
GDP price index (fixed weights) <sup>1</sup> .....	.....	2.2	2.3

1. Based on 1987 weights.

NOTE.—Preliminary estimates for the fourth quarter of 1993 incorporate the following revised or additional major source data that were not available when the advance estimates were prepared in January.

*Personal consumption expenditures:* Revised retail sales for November and December, and consumers' share of new car purchases for November.

*Nonresidential fixed investment:* Construction put in place for October and November (revised) and December, manufacturers' shipments of machinery and equipment for December (revised), and business' share of new car purchases for November.

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

*Change in business inventories:* Manufacturing and trade inventories for November (revised) and December, and revised unit inventories of motor vehicles for December.

*Net exports of goods and services:* Merchandise exports and merchandise imports for November (revised) and December.

*Government purchases:* Federal outlays for December, State and local construction put in place for November (revised) and December, and Employment Cost Index for State and local government wages and salaries for the quarter.

*Wages and salaries:* Revised employment, average hourly earnings, and average weekly hours for November and December.

*GDP prices:* Detailed merchandise export and import price indexes for October through December, values and quantities of petroleum imports for December, and new house prices for the quarter.

ventory investment, residential investment, and Federal Government purchases.

For real gross domestic purchases, the preliminary estimate of a 7.2-percent increase is 0.7 percentage point higher than the advance estimate. (Revisions to gross domestic purchases are not affected by revisions to exports and imports.)

The fourth-quarter increases in the fixed-weighted price indexes for gross domestic purchases and for GDP were both revised up 0.1 percentage point.

### *Alternative measures*

Alternative measures of output and prices for GDP and other major aggregates are shown in NIPA table 7.1; corresponding percentage changes are shown in table 8.1. Beginning with the May 1993 SURVEY OF CURRENT BUSINESS, the alternative measures have been published as part of the regular presentation of the preliminary and final quarterly NIPA estimates. Differences between changes in the alternative measures and in BEA's featured—fixed-1987-weighted—measure of real GDP for the third quarter of 1993 and for the period since the most recent business-cycle trough were briefly noted in the November 1993 "Business Situation."


As explained in the March 1993 SURVEY, both of the alternative measures of output and prices for the quarters of 1993 are currently calculated using 1992 annual weights.<sup>4</sup> Consequently, the alternative measures provide an estimate of the effect of shifting the price and quantity weights used in BEA's featured measures of output and prices from 1987 to 1992.

Using the alternative measures, real GDP increased 6.7 percent in the fourth quarter of 1993, compared with the 7.5-percent increase using the featured measure. The 0.8-percentage-point difference in growth rates, while the largest in the current expansion, is about the same as in the third quarter of 1993, when the growth rate of

the alternative measures was 0.7 percentage point lower than that of the featured measure. Nevertheless, a historical comparison using any one of the measures shows that the growth in real GDP in the fourth quarter was the strongest since the first quarter of 1984.

The slower growth in fourth-quarter GDP in the alternative measures indicates that less weight is being given to components that since 1987 have above-average increases in output and below-average increases in prices. Computers and peripheral equipment, the output of which grew rapidly in the third and fourth quarters of 1993, account for almost all of the difference between the 1992- and 1987-weighted measures in the third quarter and for about one-half of the difference in the fourth. Between 1987 and 1992, prices of computers and peripherals dropped sharply, while prices of most other components increased. Additional components for which price increases since 1987 have been below average contributed to the differences in both quarters, but they were less important factors in the third quarter than in the fourth. The most significant contributions came from other components of personal consumption expenditures for durable goods and of producers' durable equipment and from residential structures.

GDP growth rates based on the alternative measures were also lower in the full year 1993 than the 3.0-percent increase in the featured measure. The benchmark-years-weighted measure increased 2.7 percent, and the chain-type annual-weighted measure increased 2.8 percent.

Measures of price change have been only slightly affected by changes in the composition of output since 1987. In the fourth quarter, the alternative measures for gross domestic purchases prices increased 2.3 percent, 0.1 percentage point *more than* the featured measure. Larger increases in the alternative measures for government purchases were offset by smaller increases for fixed investment, primarily in computers. For the year 1993, the alternative measures for gross domestic purchases increased 2.9 percent, 0.2 percentage point *less than* the featured measure. 

4. See Allan H. Young, "Alternative Measures of Change in Real Output and Prices, Quarterly Estimates for 1959-92," SURVEY 73 (March 1993): 31-41. As explained in table B of that article, estimates of the alternative measures beginning with the third quarter of 1992 that are released after this summer's annual NIPA revision will be produced using different weights.