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Downturn in Finance and Insurance Restrains Real GDP Growth in 2007

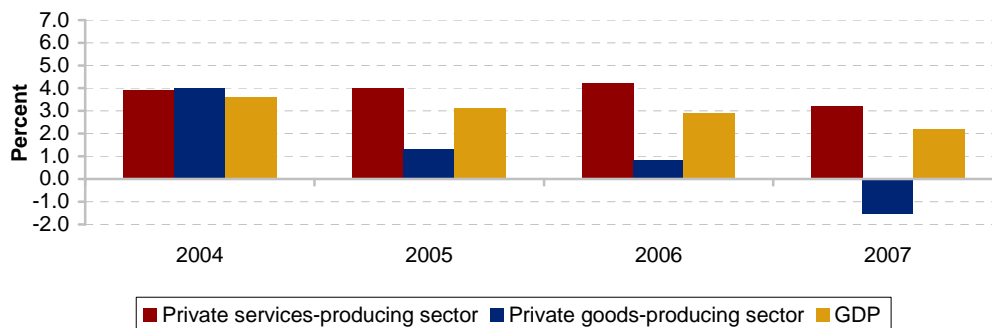
Advance GDP-by-Industry Statistics

A downturn in the finance and insurance industry group accounted for nearly half of the slowdown in economic growth in 2007, according to preliminary statistics on industry contributions to real gross domestic product (GDP) growth from the Bureau of Economic Analysis. Overall, 13 of 20 private industry groups contributed to the slowdown in real GDP growth.

- Finance and insurance industries' value-added—a measure of an industry's contribution to GDP—fell 0.3 percent in 2007 after rising 9.8 percent in 2006.
- Construction's value added declined 12.1 percent in 2007 after falling 6.0 percent in 2006.
- Real estate and rental and leasing value added growth slowed to 2.1 percent in 2007 from 3.4 percent in 2006.
- Mining value added grew less than 0.1 percent in 2007 after growing 6.1 percent in 2006.

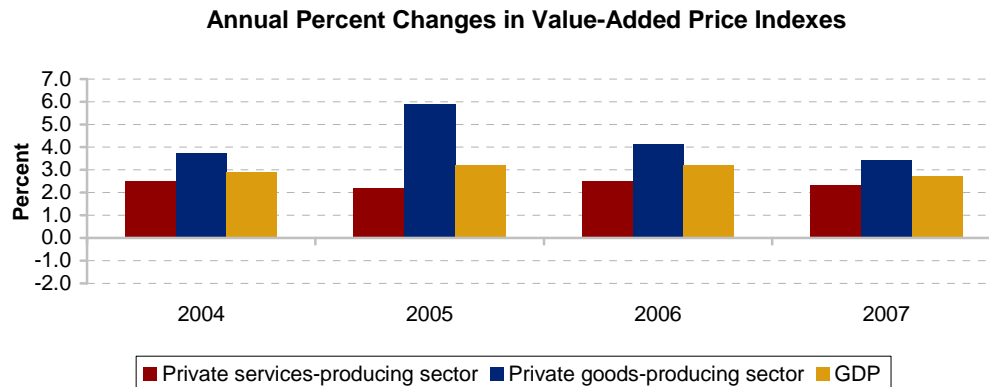
These four industry groups accounted for about one quarter of GDP in 2007. However, they accounted for nearly 80 percent of the slowdown in economic growth. GDP growth fell to 2.2 percent in 2007 from 2.9 percent in 2006.

Annual Growth in Real GDP



Source: U.S. Bureau of Economic Analysis

Within the private goods-producing sector, growth in the value-added price index for construction slowed sharply, increasing 1.6 percent in 2007 after an increase of 10.3 percent in the previous year. In contrast, the agriculture, forestry, fishing, and hunting industry group turned up, growing 26.9 percent in 2007 after contracting 3.5 percent in 2006.



Source: U.S. Bureau of Economic Analysis

Other highlights include the following:

- The private goods-producing sector declined 1.5 percent in 2007, the first downturn in real value added for this broad sector since 2001. The contraction was primarily due to the steeper decline in construction and the slowdown in mining.
- The private goods-producing sector's current-dollar share of the economy fell to 18.9 percent in 2007, its lowest share on record.
- Information-communications-technology industries continued their double-digit growth for the fourth consecutive year, increasing 13.2 percent in 2007. These industries accounted for 3.9 percent of the economy but for 22.3 percent of real economic growth.
- The utilities industry was the largest contributor to decelerating value-added price growth in the private services-producing sector; prices increased 2.8 percent in 2007 after increasing 12.1 percent in the previous year.

NOTE: These preliminary statistics incorporate data from the March 2008 update of the National Income and Product Accounts. They will be revised in December 2008 when more accurate and detailed industry data become available. For more information on these GDP-by-industry statistics, see the May, 2008 *Survey of Current Business*.

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Table 1. Percent Changes in Real Value Added by Industry Group
[Percent change]

	2004	2005	2006	2007
Gross domestic product.....	3.6	3.1	2.9	2.2
Private industries.....	3.9	3.4	3.5	2.1
Agriculture, forestry, fishing, and hunting.....	6.7	4.9	0.9	1.4
Mining.....	1.0	-2.4	6.1	0.0
Utilities.....	5.7	-2.2	-2.3	5.3
Construction.....	0.3	2.7	-6.0	-12.1
Manufacturing.....	5.6	1.0	2.9	2.3
Durable goods.....	5.8	4.9	6.0	4.9
Nondurable goods.....	5.3	-3.9	-1.0	-1.1
Wholesale trade.....	2.0	1.8	1.7	0.9
Retail trade.....	2.6	6.1	5.0	4.9
Transportation and warehousing.....	9.1	4.1	5.2	3.1
Information.....	11.7	11.5	7.2	9.0
Finance, insurance, real estate, rental, and leasing.....	2.9	4.8	5.8	1.2
Finance and insurance.....	1.1	6.2	9.8	-0.3
Real estate and rental and leasing.....	4.1	4.0	3.4	2.1
Professional and business services.....	4.1	4.0	3.8	4.6
Professional, scientific, and technical services.....	7.9	4.4	6.0	5.4
Management of companies and enterprises.....	-4.8	0.3	-2.4	0.9
Administrative and waste management services.....	1.1	5.6	2.7	4.9
Educational services, health care, and social assistance.....	3.3	1.8	3.5	3.5
Educational services.....	2.0	-0.3	1.1	3.3
Health care and social assistance.....	3.5	2.1	3.9	3.5
Arts, entertainment, recreation, accommodation, and food services.....	3.8	1.3	3.1	1.9
Arts, entertainment, and recreation.....	3.0	0.0	3.8	1.0
Accommodation and food services.....	4.1	1.8	2.8	2.2
Other services, except government.....	0.2	-0.6	-0.3	2.1
Government.....	0.5	0.7	0.4	1.2
Federal.....	0.9	0.2	-0.1	0.4
State and local.....	0.2	0.9	0.7	1.5
Addenda:				
Private goods-producing industries ¹	4.0	1.3	0.8	-1.5
Private services-producing industries ²	3.9	4.0	4.2	3.2
Information-communications-technology-producing industries ³	11.4	11.3	11.7	13.2

1. Consists of agriculture, forestry, fishing, and hunting; mining; construction; and manufacturing.

2. Consists of utilities; wholesale trade; retail trade; transportation and warehousing; information; finance, insurance, real estate, rental, and leasing; professional and business services; educational services, health care, and social assistance; arts, entertainment, recreation, accommodation, and food services; and other services, except government.

3. Consists of computer and electronic products within durable-goods manufacturing; publishing industries (includes software) and information and data processing services within information; and computer systems design and related services within professional, scientific, and technical services.

Note. The industry estimates for 2005, 2006, and 2007 are based in part on data from the Census Bureau's accelerated November 2007 release of the Annual Survey of Manufactures (ASM). These data were unavailable for the July 2007 release of the National Income and Product Accounts (NIPAs). The ASM data and other key source data for GDP will be incorporated in the July 2008 release of the NIPAs.

Source: U.S. Bureau of Economic Analysis

Table 2. Percent Changes in Chain-Type Price Indexes for Value Added by Industry Group
[Percent change]

	2004	2005	2006	2007
Gross domestic product.....	2.9	3.2	3.2	2.7
Private industries.....	2.8	3.0	2.8	2.6
Agriculture, forestry, fishing, and hunting.....	16.5	-13.7	-3.5	26.9
Mining.....	18.4	34.9	9.6	5.1
Utilities.....	3.3	6.2	12.1	2.8
Construction.....	8.4	9.8	10.3	1.6
Manufacturing.....	-0.5	2.9	1.5	1.9
Durable goods.....	-1.1	-0.7	-1.0	0.1
Nondurable goods.....	0.3	7.9	4.8	4.5
Wholesale trade.....	5.7	3.5	3.5	3.9
Retail trade.....	0.7	-1.4	-0.6	-0.4
Transportation and warehousing.....	-0.2	-0.1	2.2	1.5
Information.....	-2.9	-3.5	-2.1	-1.1
Finance, insurance, real estate, rental, and leasing.....	3.0	2.2	2.2	2.6
Finance and insurance.....	3.9	1.9	1.4	2.1
Real estate and rental and leasing.....	2.4	2.4	2.7	2.9
Professional and business services.....	3.0	4.4	3.5	3.2
Professional, scientific, and technical services.....	0.2	3.0	2.5	2.8
Management of companies and enterprises.....	12.9	11.4	5.7	7.1
Administrative and waste management services.....	3.6	3.5	4.6	1.6
Educational services, health care, and social assistance.....	3.5	3.1	2.7	3.1
Educational services.....	6.1	5.5	5.0	3.6
Health care and social assistance.....	3.1	2.7	2.4	3.1
Arts, entertainment, recreation, accommodation, and food services.....	3.2	3.5	3.8	3.4
Arts, entertainment, and recreation.....	3.0	3.3	3.5	2.9
Accommodation and food services.....	3.3	3.6	3.9	3.6
Other services, except government.....	3.1	5.8	4.9	2.9
Government.....	4.7	4.4	4.7	4.3
Federal.....	5.9	4.6	4.9	3.5
State and local.....	4.1	4.4	4.6	4.7
Addenda:				
Private goods-producing industries ¹	3.7	5.9	4.1	3.4
Private services-producing industries ²	2.5	2.2	2.5	2.3
Information-communications-technology-producing industries ³	-6.1	-4.1	-3.8	-5.3

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