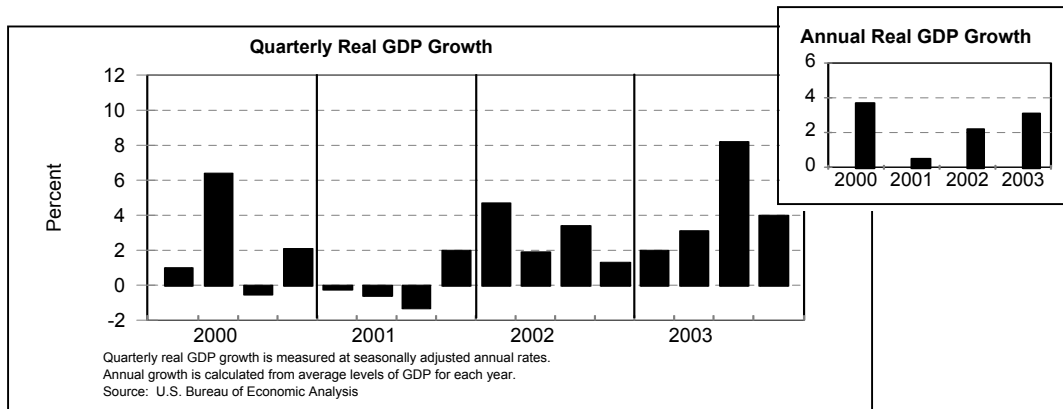




GROWTH MODERATES IN FOURTH QUARTER BUT IS UP FOR THE YEAR

Economic growth slowed in October-December 2003; for the year as a whole, however, growth stepped up, according to estimates of GDP released today by the U.S. Bureau of Economic Analysis. (GDP, or gross domestic product, is the most comprehensive measure of U.S. economic activity.)

In the fourth quarter, GDP increased at an inflation-adjusted annual rate of 4.0 percent after increasing 8.2 percent in the third quarter. For the year as a whole, GDP grew 3.1 percent; in 2002, it had risen 2.2 percent. Inflation remained modest, both for the quarter and for the year.



Fourth quarter

The slowdown in GDP mainly reflected a slowdown in consumer spending, but the trade balance, business investment in equipment and software, and residential investment also contributed.

- The growth of consumer spending slowed from its high rate in the third quarter, when advance payments of the child tax credit were sent to taxpayers.
- The trade balance improved less than in the third quarter. Exports stepped up, but imports stepped up even more.
- Business investment in equipment and software also increased 10 percent—somewhat more than half its increase in the third quarter. Transportation equipment turned up, but the other major categories of equipment did not match their third-quarter gains.
- Residential investment increased about 10 percent, roughly half as much as in the third quarter, as brokers' commissions turned down, reflecting a drop in house sales from the third-quarter's record level.

GDP growth received a boost from inventory investment, which swung from liquidation in the third quarter to accumulation in the fourth.

Prices paid by U.S. residents increased 1.0 percent after increasing 1.8 percent; real disposable personal income decreased 0.5 percent after increasing 6.3 percent.

The year 2003

- Nonresidential fixed investment was the largest contributor to the step-up in GDP in 2003: Investment in equipment and software turned up, and investment in structures decreased less than in 2002.
- The trade balance also contributed to the 2003 step-up in GDP, reflecting an upturn in exports.
- Real disposable personal income increased 2.5 percent after increasing 3.8 percent in 2002.
- Prices increased 1.9 percent after increasing 1.4 percent.

BEA's data—including GDP, personal income, the balance of payments, foreign direct investment, the input-output accounts, and economic data for states and industries—are available on its Web site: <www.bea.gov>.

NOTE: Additional information that becomes available in the coming weeks will be incorporated in a revised estimate of fourth-quarter GDP on February 27, 2004.

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