

# GDP and the Economy

## Preliminary Estimates for the Fourth Quarter of 2007

REAL gross domestic product (GDP) decelerated sharply in the fourth quarter, increasing 0.6 percent after increasing 4.9 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> GDP growth was unrevised from the “advance” estimate (page 9).<sup>2</sup>

The deceleration in real GDP growth reflected a downturn in inventory investment and slowdowns in exports, consumer spending, and federal government spending.<sup>3</sup> In contrast, state and local government spending accelerated. Imports turned down.

- Motor vehicle output turned down in the fourth quarter and subtracted 0.85 percentage point from real GDP growth.
- Prices of goods and services purchased by U.S. residents increased 3.9 percent, 0.1 percentage point more than in the “advance” estimate (page 8). In the third quarter, prices rose 1.8 percent. In the fourth quarter, energy prices turned up, and food prices slowed. Excluding food and energy, prices rose 2.5 percent after rising 1.9 percent in the third quarter.
- Real disposable personal income (DPI) fell 0.3 percent in the fourth quarter, 0.6 percentage point lower than in the “advance” estimate. In the third quarter, real DPI increased 4.0 percent (revised). The fourth-quarter downturn reflected a deceleration in current-dollar personal income, an acceleration in personal current taxes, and an acceleration in the personal consumption expenditures implicit price deflator used to adjust current-dollar DPI.
- The personal saving rate was essentially zero in the fourth quarter, 0.2 percentage point less than the “advance” estimate; it was 0.4 percent (revised) in the third quarter.

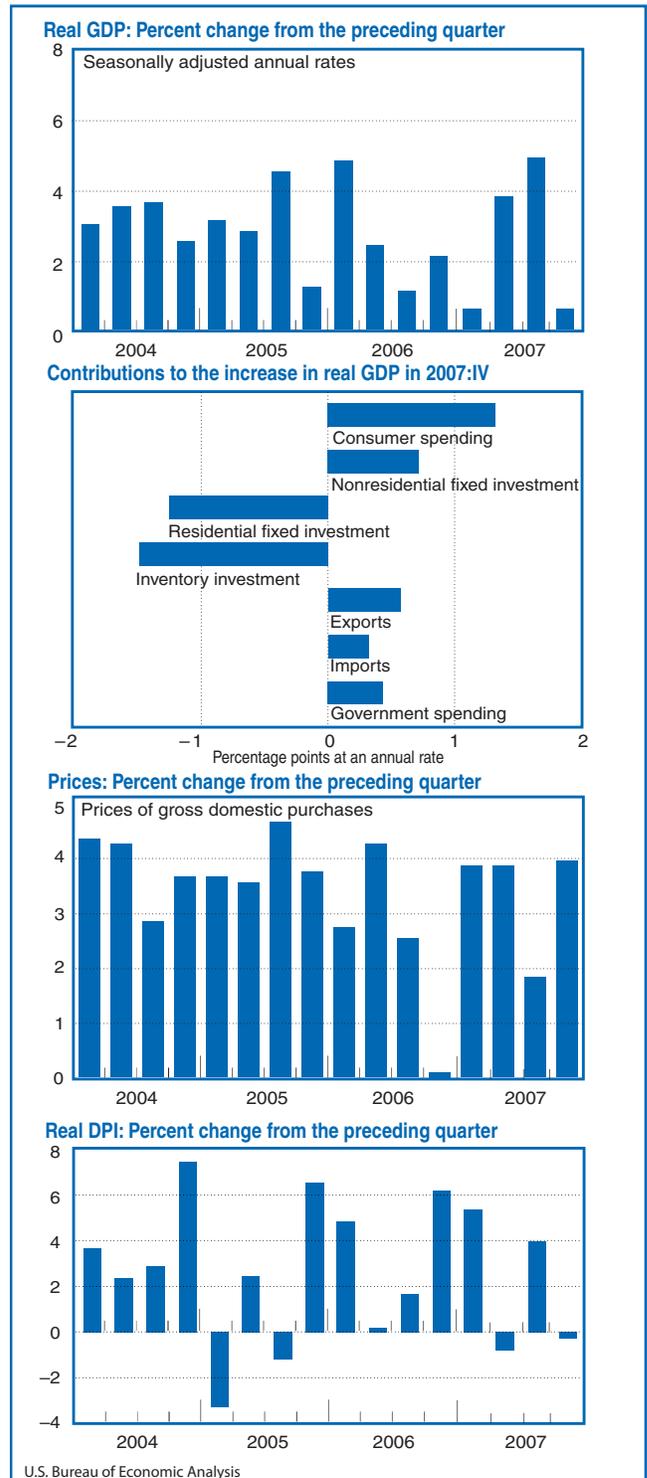
1. “Real” estimates are in chained (2000) dollars, and price indexes are chain-type measures.

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 <[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 assume that a rate of activity for a quarter is maintained for a year.

3. In this article, “consumer spending” refers to “personal consumption expenditures,” “inventory investment” refers to “change in private inventories,” and “government spending” refers to “government consumption expenditures and gross investment.”

Christopher Swann prepared this article.

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



## 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)			
	2007	2007					2007			
	IV	I	II	III	IV	I	II	III	IV	
<b>Gross domestic product<sup>1</sup> .....</b>	<b>100.0</b>	<b>0.6</b>	<b>3.8</b>	<b>4.9</b>	<b>0.6</b>	<b>0.6</b>	<b>3.8</b>	<b>4.9</b>	<b>0.6</b>	
<b>Personal consumption expenditures .....</b>	<b>70.5</b>	<b>3.7</b>	<b>1.4</b>	<b>2.8</b>	<b>1.9</b>	<b>2.56</b>	<b>1.00</b>	<b>2.01</b>	<b>1.32</b>	
Durable goods .....	7.7	8.8	1.7	4.5	2.3	0.67	0.14	0.35	0.18	
Nondurable goods .....	20.6	3.0	-0.5	2.2	1.4	0.61	-0.10	0.46	0.28	
Services .....	42.2	3.1	2.3	2.8	2.1	1.28	0.96	1.20	0.86	
<b>Gross private domestic investment .....</b>	<b>14.9</b>	<b>-8.2</b>	<b>4.6</b>	<b>5.0</b>	<b>-12.5</b>	<b>-1.36</b>	<b>0.71</b>	<b>0.77</b>	<b>-2.02</b>	
Fixed investment .....	15.0	-4.4	3.2	-0.7	-3.5	-0.70	0.49	-0.11	-0.53	
Nonresidential .....	10.9	2.1	11.0	9.3	6.9	0.22	1.12	0.96	0.72	
Structures .....	3.6	6.4	26.2	16.4	14.7	0.20	0.78	0.52	0.48	
Equipment and software .....	7.3	0.3	4.7	6.2	3.3	0.02	0.34	0.44	0.24	
Residential .....	4.1	-16.3	-11.8	-20.5	-25.2	-0.93	-0.62	-1.08	-1.25	
Change in private inventories .....	-0.1	.....	.....	.....	.....	-0.65	0.22	0.89	-1.49	
<b>Net exports of goods and services .....</b>	<b>-5.1</b>	.....	.....	.....	.....	<b>-0.51</b>	<b>1.32</b>	<b>1.38</b>	<b>0.90</b>	
Exports .....	12.3	1.1	7.5	19.1	4.8	0.13	0.85	2.10	0.57	
Goods .....	8.7	0.9	6.6	26.2	4.0	0.07	0.53	1.96	0.34	
Services .....	3.6	1.6	9.6	4.0	6.8	0.05	0.33	0.14	0.24	
Imports .....	17.3	3.9	-2.7	4.4	-1.9	-0.63	0.47	-0.72	0.32	
Goods .....	14.6	4.2	-2.9	4.8	-2.1	-0.57	0.42	-0.67	0.31	
Services .....	2.7	2.3	-1.7	1.7	-0.3	-0.06	0.05	-0.05	0.01	
<b>Government consumption expenditures and gross investment .....</b>	<b>19.7</b>	<b>-0.5</b>	<b>4.1</b>	<b>3.8</b>	<b>2.2</b>	<b>-0.09</b>	<b>0.79</b>	<b>0.74</b>	<b>0.43</b>	
Federal .....	7.1	-6.3	6.0	7.1	0.9	-0.46	0.41	0.50	0.06	
National defense .....	4.8	-10.8	8.5	10.1	-0.3	-0.54	0.39	0.47	-0.01	
Nondefense .....	2.3	3.8	0.9	1.1	3.4	0.08	0.02	0.03	0.07	
State and local .....	12.6	3.0	3.0	1.9	3.0	0.36	0.37	0.24	0.37	

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.

Consumer spending slowed in the fourth quarter, increasing 1.9 percent after increasing 2.8 percent in the third quarter. It contributed 1.32 percentage points to real GDP growth after contributing 2.01 percentage points. The deceleration was widespread and was led by a slowdown in spending for services.

Nonresidential fixed investment slowed, mainly reflecting a deceleration in equipment and software. Investment in structures also slowed.

Residential fixed investment fell for the eighth consecutive quarter, decreasing 25.2 percent after decreasing 20.5 percent. The fourth-quarter decrease subtracted 1.25 percentage points from real GDP growth.

Inventory investment turned down, mainly reflecting a downturn by retail motor vehicle and parts dealers. The downturn in inventory investment subtracted 1.49 percentage points from real GDP growth.

Exports slowed markedly, contributing 0.57 percentage point to real GDP growth after contributing 2.10 percentage points. The slowdown mainly reflected a sharp and widespread deceleration in goods exports. Exports of services picked up.

Imports turned down. Goods imports turned down despite a strong upturn in petroleum and products. Imports of services also turned down.

Federal government spending decelerated sharply, as spending for national defense turned down.

State and local government spending picked up.

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)			
	2007	2007					2007			
	IV	I	II	III	IV	I	II	III	IV	
<b>Gross domestic product<sup>1</sup> .....</b>	<b>100.0</b>	<b>0.6</b>	<b>3.8</b>	<b>4.9</b>	<b>0.6</b>	<b>0.6</b>	<b>3.8</b>	<b>4.9</b>	<b>0.6</b>	
Final sales of domestic product .....	100.1	1.3	3.6	4.0	2.1	1.25	3.60	4.02	2.11	
Change in private inventories .....	-0.1	.....	.....	.....	.....	-0.65	0.22	0.89	-1.49	
Goods .....	30.7	0.2	5.4	11.7	-0.6	0.06	1.65	3.48	-0.18	
Services .....	59.3	2.1	3.1	3.1	2.4	1.21	1.85	1.86	1.42	
Structures .....	10.0	-6.2	3.0	-4.2	-5.9	-0.68	0.32	-0.43	-0.61	
<b>Addenda:</b>										
Motor vehicle output .....	2.7	6.2	1.0	13.1	-25.9	0.18	0.03	0.36	-0.85	
GDP excluding motor vehicle output .....	97.3	0.4	3.9	4.7	1.5	0.42	3.79	4.54	1.48	
Final sales of computers .....	0.7	-1.3	35.7	49.8	26.8	-0.01	0.21	0.28	0.16	
GDP excluding final sales of computers .....	99.3	0.6	3.6	4.6	0.5	0.61	3.61	4.63	0.46	

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.

Real final sales of domestic product, real GDP less inventory investment, increased 2.1 percent after increasing 4.0 percent.

Motor vehicle output decreased 25.9 percent after increasing 13.1 percent. The decrease subtracted 0.85 percentage point from real GDP growth. Excluding motor vehicle output, real GDP increased 1.5 percent.

Final sales of computers increased 26.8 percent, following an increase of 49.8 percent, and added 0.16 percentage point to real GDP growth.

## 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)			
		2007					2007			
		IV	I	II	III	IV	I	II	III	IV
<b>PCE<sup>1</sup></b> .....	<b>100.0</b>	<b>3.7</b>	<b>1.4</b>	<b>2.8</b>	<b>1.9</b>	<b>3.7</b>	<b>1.4</b>	<b>2.8</b>	<b>1.9</b>	
<b>Durable goods</b> .....	<b>10.9</b>	<b>8.8</b>	<b>1.7</b>	<b>4.5</b>	<b>2.3</b>	<b>0.97</b>	<b>0.19</b>	<b>0.49</b>	<b>0.25</b>	
Motor vehicles and parts .....	4.4	11.3	-2.9	-5.2	2.9	0.51	-0.14	-0.24	0.13	
Furniture and household equipment .....	4.2	9.5	4.2	10.8	5.0	0.40	0.18	0.44	0.21	
Other <sup>2</sup> .....	2.3	2.7	6.8	13.4	-3.6	0.06	0.15	0.29	-0.08	
<b>Nondurable goods</b> .....	<b>29.3</b>	<b>3.0</b>	<b>-0.5</b>	<b>2.2</b>	<b>1.4</b>	<b>0.88</b>	<b>-0.14</b>	<b>0.65</b>	<b>0.41</b>	
Food .....	13.8	1.7	-1.4	1.3	4.2	0.23	-0.19	0.18	0.57	
Clothing and shoes .....	3.7	8.4	2.4	6.3	-3.3	0.32	0.09	0.24	-0.13	
Gasoline, fuel oil, and other energy goods .....	4.0	2.4	-4.5	-0.6	-0.5	0.08	-0.17	-0.02	-0.02	
Other <sup>3</sup> .....	7.8	3.1	1.7	3.3	-0.2	0.25	0.13	0.25	-0.02	
<b>Services</b> .....	<b>59.8</b>	<b>3.1</b>	<b>2.3</b>	<b>2.8</b>	<b>2.1</b>	<b>1.86</b>	<b>1.35</b>	<b>1.70</b>	<b>1.24</b>	
Housing .....	15.1	2.5	2.7	2.5	3.2	0.37	0.41	0.38	0.49	
Household operation .....	5.4	1.0	1.4	6.2	1.9	0.05	0.08	0.33	0.10	
Electricity and gas .....	2.3	1.6	1.2	13.5	3.8	0.04	0.03	0.30	0.09	
Other household operation .....	3.1	0.5	1.5	1.1	0.5	0.01	0.05	0.03	0.02	
Transportation .....	3.7	2.6	4.4	3.5	2.4	0.10	0.16	0.13	0.09	
Medical care .....	17.4	3.9	2.3	2.2	3.1	0.68	0.40	0.38	0.54	
Recreation .....	4.1	2.1	0.9	3.5	-0.7	0.09	0.04	0.14	-0.03	
Other <sup>4</sup> .....	14.2	4.0	1.9	2.4	0.3	0.57	0.27	0.34	0.05	

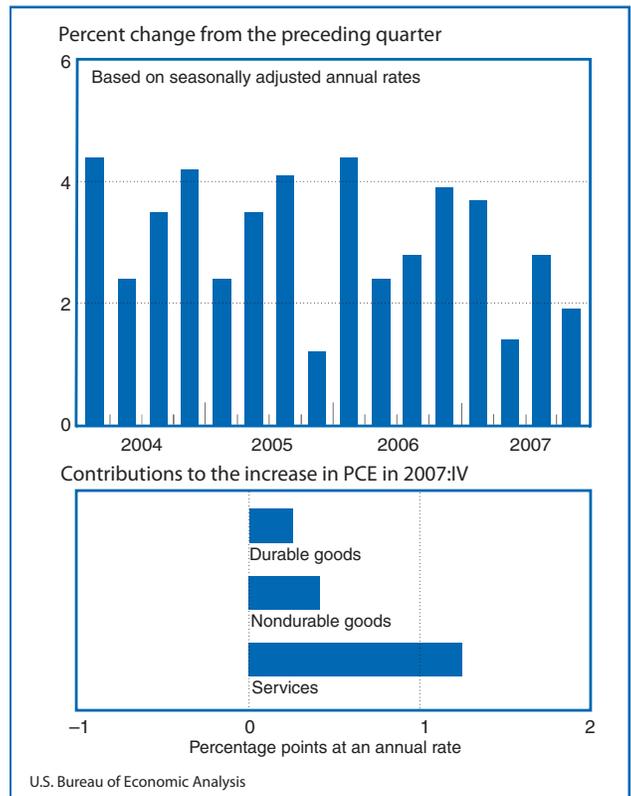
Spending for durable goods slowed in the fourth quarter, reflecting a downturn in “other” durable goods and a deceleration in furniture and household equipment. In contrast, spending for motor vehicles and parts turned up.

Spending for nondurable goods decelerated, mainly reflecting downturns in clothing and shoes and in “other” nondurable goods. Spending for food picked up. Spending for gasoline, fuel oil, and other energy goods decreased about the same as in the third quarter.

Spending for services slowed, reflecting a deceleration in “other” services and in electricity and gas and a downturn in recreation. Spending for medical care picked up.

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.

**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)			
		2007							
		IV	I	II	III	IV	I	II	III
<b>Private fixed investment<sup>1</sup> ....</b>	<b>100.0</b>	<b>-4.4</b>	<b>3.2</b>	<b>-0.7</b>	<b>-3.5</b>	<b>-4.4</b>	<b>3.2</b>	<b>-0.7</b>	<b>-3.5</b>
<b>Nonresidential .....</b>	<b>72.4</b>	<b>2.1</b>	<b>11.0</b>	<b>9.3</b>	<b>6.9</b>	<b>1.42</b>	<b>7.16</b>	<b>6.22</b>	<b>4.75</b>
<b>Structures .....</b>	<b>23.9</b>	<b>6.4</b>	<b>26.2</b>	<b>16.4</b>	<b>14.7</b>	<b>1.28</b>	<b>4.97</b>	<b>3.37</b>	<b>3.18</b>
Commercial and health care	8.7	14.7	2.5	5.2	7.1	1.09	0.21	0.42	0.59
Manufacturing.....	1.5	-2.2	19.0	-7.2	47.8	-0.03	0.23	-0.10	0.55
Power and communication ....	3.1	11.6	52.1	21.3	29.0	0.26	1.07	0.53	0.75
Mining exploration, shafts, and wells.....	5.9	-3.6	48.6	25.5	6.8	-0.19	2.13	1.27	0.38
Other structures <sup>2</sup> .....	4.7	4.0	40.7	34.0	22.0	0.14	1.34	1.24	0.91
<b>Equipment and software .....</b>	<b>48.5</b>	<b>0.3</b>	<b>4.7</b>	<b>6.2</b>	<b>3.3</b>	<b>0.15</b>	<b>2.19</b>	<b>2.86</b>	<b>1.57</b>
Information processing equipment and software ....	25.0	16.7	10.1	6.6	14.2	3.54	2.30	1.52	3.24
Computers and peripheral equipment .....	4.7	43.0	12.3	11.7	32.3	1.56	0.53	0.50	1.29
Software <sup>3</sup> .....	10.6	9.3	10.8	4.4	10.7	0.86	1.03	0.44	1.06
Other <sup>4</sup> .....	9.6	13.5	8.4	6.5	9.9	1.11	0.73	0.58	0.89
Industrial equipment.....	8.3	-2.9	16.3	8.2	-12.6	-0.23	1.22	0.66	-1.13
Transportation equipment.....	7.0	-15.2	-23.8	3.0	-14.2	-1.27	-2.03	0.21	-1.08
Other equipment <sup>5</sup> .....	8.2	-21.3	9.3	6.1	6.8	-1.88	0.69	0.47	0.53
<b>Residential .....</b>	<b>27.6</b>	<b>-16.3</b>	<b>-11.8</b>	<b>-20.5</b>	<b>-25.2</b>	<b>-5.79</b>	<b>-4.01</b>	<b>-6.95</b>	<b>-8.23</b>
<b>Structures .....</b>	<b>27.2</b>	<b>-16.6</b>	<b>-11.9</b>	<b>-20.8</b>	<b>-25.5</b>	<b>-5.80</b>	<b>-3.98</b>	<b>-6.97</b>	<b>-8.22</b>
Permanent site.....	14.5	-27.7	-14.4	-23.3	-37.9	-6.05	-2.77	-4.44	-7.25
Single family.....	12.3	-29.8	-14.2	-24.5	-41.4	-5.71	-2.35	-4.05	-6.95
Multifamily.....	2.2	-12.6	-15.8	-15.6	-12.9	-0.34	-0.42	-0.39	-0.31
Other structures <sup>6</sup> .....	12.7	1.8	-8.5	-17.6	-7.4	0.25	-1.21	-2.53	-0.97
<b>Equipment .....</b>	<b>0.5</b>	<b>3.7</b>	<b>-6.0</b>	<b>3.3</b>	<b>-1.8</b>	<b>0.02</b>	<b>-0.03</b>	<b>0.01</b>	<b>-0.01</b>

Nonresidential fixed investment slowed, mainly reflecting slower growth in equipment and software.

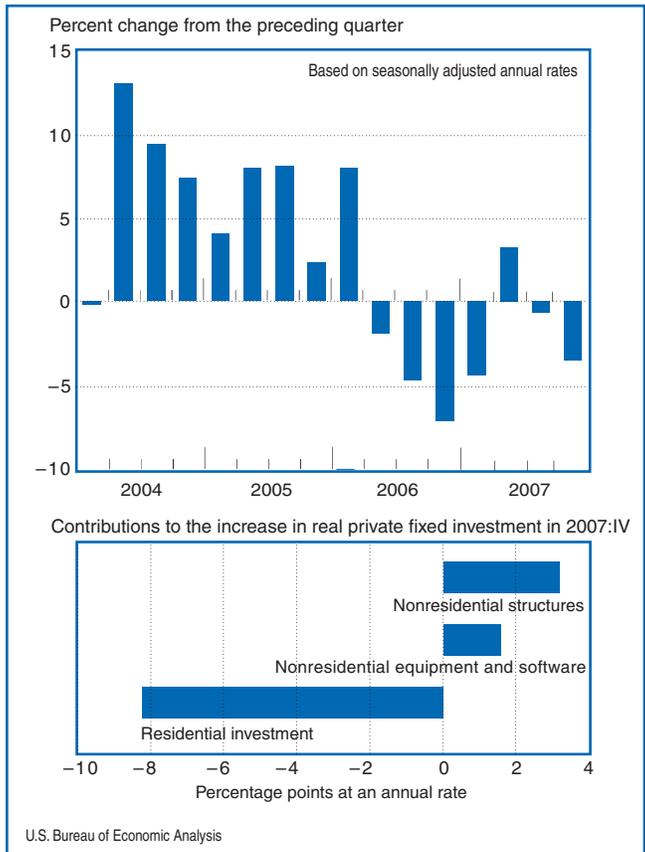
Investment in nonresidential structures slowed in the fourth quarter, primarily reflecting decelerations in mining, exploration, shafts, and wells and in "other" structures. In contrast, manufacturing structures turned up, and power and communication and commercial and health care both accelerated.

Investment in equipment and software decelerated, mainly reflecting downturns in industrial equipment and in transportation equipment that were moderated by a pickup in information processing equipment.

Residential investment decreased more than in the third quarter, mainly because of a larger decrease in single-family homes. "Other" structures decreased less than in the third quarter, reflecting an upturn in improvements and a smaller decrease in brokers' commissions.

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.

**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				
	2006	2007				2007				
	IV	I	II	III	IV	I	II	III	IV	
<b>Change in private inventories<sup>1</sup></b>	<b>17.4</b>	<b>0.1</b>	<b>5.8</b>	<b>30.6</b>	<b>-10.1</b>	<b>-17.3</b>	<b>5.7</b>	<b>24.8</b>	<b>-40.7</b>	
Farm.....	3.8	5.0	3.6	4.1	2.3	1.2	-1.4	0.5	-1.8	
Mining, utilities, and construction.....	5.4	4.3	1.9	-2.6	0.0	-1.1	-2.4	-4.5	2.6	
Manufacturing.....	-1.8	-5.0	-4.2	3.1	9.9	-3.2	0.8	7.3	6.8	
Durable-goods industries.....	9.7	0.8	-7.5	1.4	21.2	-8.9	-8.3	8.9	19.8	
Nondurable-goods industries.....	-10.3	-5.3	2.7	1.7	-8.7	5.0	8.0	-1.0	-10.4	
Wholesale trade.....	6.5	4.4	-0.2	13.9	-2.0	-2.1	-4.6	14.1	-15.9	
Durable-goods industries.....	5.4	8.7	-13.3	-0.4	8.0	3.3	-22.0	12.9	8.4	
Nondurable-goods industries.....	1.3	-3.4	10.9	12.7	-8.0	-4.7	14.3	1.8	-20.7	
Retail trade.....	0.1	-13.5	3.3	12.7	-24.6	-13.6	16.8	9.4	-37.3	
Motor vehicle and parts dealers.....	-11.2	-15.4	-5.2	11.6	-31.0	-4.2	10.2	16.8	-42.6	
Food and beverage stores.....	-0.3	-0.1	0.7	1.8	0.2	0.2	0.8	1.1	-1.6	
General merchandise stores.....	5.0	2.3	2.5	-1.8	-1.1	-2.7	0.2	-4.3	0.7	
Other retail stores.....	5.5	-1.5	4.6	1.9	4.1	-7.0	6.1	-2.7	2.2	
Other industries.....	2.0	2.3	0.6	0.3	0.1	0.3	-1.7	-0.3	-0.2	
Residual <sup>2</sup> .....	1.1	2.4	4.3	-0.1	2.8	1.3	1.9	-4.4	2.9	
<b>Addenda: Ratios of private inventories to final sales of domestic business:<sup>3</sup></b>										
Private inventories to final sales.....	2.43	2.43	2.41	2.39	2.38					
Nonfarm inventories to final sales....	2.24	2.24	2.21	2.20	2.18					
Nonfarm inventories to final sales of goods and structures.....	3.61	3.61	3.57	3.54	3.52					

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.

Real inventory investment turned down, decreasing \$40.7 billion in the fourth quarter after increasing \$24.8 billion in the third quarter.

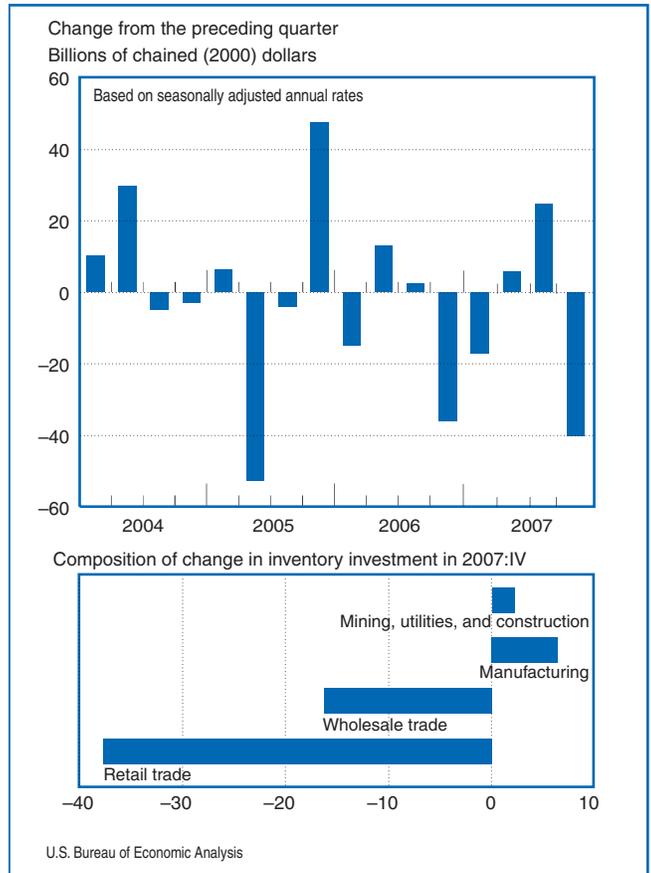
Inventory investment in mining, utilities, and construction turned up in the fourth quarter after declining for three consecutive quarters.

Inventory investment in manufacturing industries slowed somewhat. A larger decrease in nondurable-goods industries was partly offset by a pickup in durable-goods industries.

Inventory investment in wholesale trade industries turned down, mainly because of a downturn in nondurable-goods industries. Inventory investment in durable-goods industries slowed.

Inventory investment in retail trade industries turned down, mainly reflecting a substantial downturn in inventory investment of motor vehicle and parts dealers.

**Chart 4. Real Private Inventory Investment**



### 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.

## 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)			
		2007				2007			
		IV	I	II	III	IV	I	II	III
<b>Exports of goods and services<sup>1</sup></b> .....	<b>100.0</b>	<b>1.1</b>	<b>7.5</b>	<b>19.1</b>	<b>4.8</b>	<b>1.1</b>	<b>7.5</b>	<b>19.1</b>	<b>4.8</b>
<b>Exports of goods<sup>2</sup></b> .....	<b>70.6</b>	<b>0.9</b>	<b>6.6</b>	<b>26.2</b>	<b>4.0</b>	<b>0.65</b>	<b>4.66</b>	<b>17.84</b>	<b>2.84</b>
Foods, feeds, and beverages	5.5	2.8	24.4	44.0	-13.8	0.13	1.09	2.06	-0.82
Industrial supplies and materials.....	18.9	-7.6	6.4	19.9	8.8	-1.44	1.16	3.67	1.59
Capital goods, except automotive.....	27.2	-2.0	5.1	28.3	10.5	-0.56	1.41	7.37	2.76
Automotive vehicles, engines, and parts.....	7.3	5.9	24.5	40.7	-9.9	0.41	1.64	2.80	-0.78
Consumer goods, except automotive.....	8.7	12.0	4.5	21.3	-2.6	1.02	0.41	1.89	-0.24
Other.....	3.0	40.3	-28.2	1.0	11.2	1.08	-1.04	0.03	0.32
<b>Exports of services<sup>2</sup></b> .....	<b>29.4</b>	<b>1.6</b>	<b>9.6</b>	<b>4.0</b>	<b>6.8</b>	<b>0.48</b>	<b>2.87</b>	<b>1.28</b>	<b>1.98</b>
<b>Imports of goods and services<sup>1</sup></b> .....	<b>100.0</b>	<b>3.9</b>	<b>-2.7</b>	<b>4.4</b>	<b>-1.9</b>	<b>3.9</b>	<b>-2.7</b>	<b>4.4</b>	<b>-1.9</b>
<b>Imports of goods<sup>2</sup></b> .....	<b>84.4</b>	<b>4.2</b>	<b>-2.9</b>	<b>4.8</b>	<b>-2.1</b>	<b>3.49</b>	<b>-2.44</b>	<b>4.07</b>	<b>-1.80</b>
Foods, feeds, and beverages	3.4	8.1	-5.9	7.2	-13.1	0.27	-0.21	0.24	-0.48
Industrial supplies and materials, except petroleum and products.....	11.7	-17.8	22.2	4.9	-27.4	-2.47	2.53	0.62	-3.90
Petroleum and products.....	16.4	29.6	-22.3	-18.3	29.3	3.21	-3.27	-2.75	3.86
Capital goods, except automotive.....	18.6	9.8	1.3	9.4	0.7	1.82	0.24	1.72	0.12
Automotive vehicles, engines, and parts.....	10.7	-11.0	-2.3	26.2	-11.9	-1.33	-0.26	2.61	-1.39
Consumer goods, except automotive.....	20.0	4.7	-3.5	1.8	7.4	0.98	-0.73	0.37	1.43
Other.....	3.7	27.9	-16.7	36.0	-30.9	1.01	-0.73	1.25	-1.44
<b>Imports of services<sup>2</sup></b> .....	<b>15.6</b>	<b>2.3</b>	<b>-1.7</b>	<b>1.7</b>	<b>-0.3</b>	<b>0.38</b>	<b>-0.26</b>	<b>0.28</b>	<b>-0.05</b>
<b>Addenda:</b>									
Exports of agricultural goods <sup>3</sup>	6.0	-4.1	35.5	56.3	-25.6	.....	.....	.....	.....
Exports of nonagricultural goods.....	64.6	1.3	4.6	23.8	7.3	.....	.....	.....	.....
Imports of nonpetroleum goods.....	68.0	0.3	1.2	10.0	-7.9	.....	.....	.....	.....

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.

Real export growth slowed, mainly reflecting a sharp and widespread deceleration in exports of goods.

The slowdown in exports of goods reflected a deceleration in nonautomotive capital goods and downturns in automotive vehicles, engines, and parts, in foods, feeds, and beverages, and in nonautomotive consumer goods. Industrial supplies and materials also slowed, while "other" exports picked up.

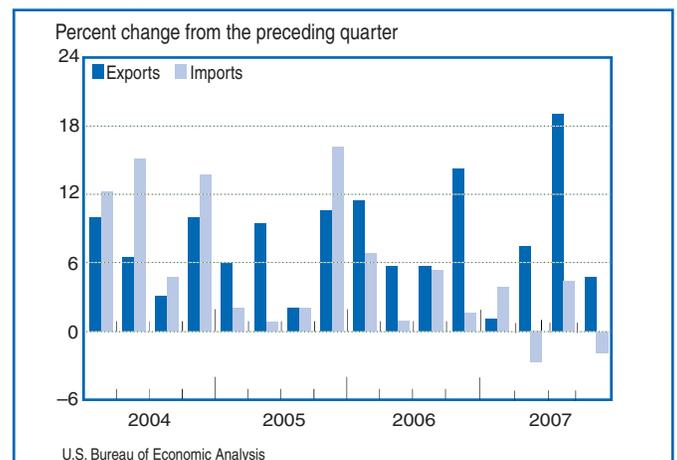
Exports of services accelerated, mainly reflecting upturns in other private services, in other transportation, and in transfers under U.S. military agency sales. Travel by foreigners in the United States slowed.

Real imports turned down, reflecting downturns in both goods and services.

The downturn in imports of goods mainly reflected downturns in industrial supplies and materials, in automotive vehicles, engines, and parts, and in "other" imports. In contrast, imports of petroleum and products turned up.

Imports of services turned down, mainly because of downturns in travel abroad by U.S. citizens and in other transportation services. In contrast, other private services accelerated, and passenger fares turned up.

**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)			
	2007	2007					2007			
	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>-0.5</b>	<b>4.1</b>	<b>3.8</b>	<b>2.2</b>	<b>-0.5</b>	<b>4.1</b>	<b>3.8</b>	<b>2.2</b>	
Consumption expenditures.....	82.5	-0.4	3.3	3.5	1.9	-0.33	2.73	2.89	1.60	
Gross investment.....	17.5	-0.9	7.9	5.2	3.6	-0.15	1.35	0.90	0.62	
<b>Federal</b> .....	<b>36.1</b>	<b>-6.3</b>	<b>6.0</b>	<b>7.1</b>	<b>0.9</b>	<b>-2.37</b>	<b>2.15</b>	<b>2.54</b>	<b>0.31</b>	
<b>National defense</b> .....	<b>24.5</b>	<b>-10.8</b>	<b>8.5</b>	<b>10.1</b>	<b>-0.3</b>	<b>-2.81</b>	<b>2.04</b>	<b>2.41</b>	<b>-0.07</b>	
Consumption expenditures.....	21.6	-9.2	8.7	9.6	1.4	-2.09	1.81	2.01	0.30	
Gross investment.....	2.9	-20.6	7.6	13.7	-11.7	-0.72	0.23	0.40	-0.38	
<b>Nondefense</b> .....	<b>11.6</b>	<b>3.8</b>	<b>0.9</b>	<b>1.1</b>	<b>3.4</b>	<b>0.44</b>	<b>0.11</b>	<b>0.13</b>	<b>0.39</b>	
Consumption expenditures.....	10.1	7.3	-0.9	2.0	2.1	0.73	-0.09	0.20	0.22	
Gross investment.....	1.4	-18.0	14.9	-4.7	12.6	-0.30	0.20	-0.07	0.17	
<b>State and local</b> .....	<b>63.9</b>	<b>3.0</b>	<b>3.0</b>	<b>1.9</b>	<b>3.0</b>	<b>1.88</b>	<b>1.93</b>	<b>1.25</b>	<b>1.90</b>	
Consumption expenditures.....	50.9	2.0	2.0	1.3	2.1	1.02	1.01	0.67	1.08	
Gross investment.....	13.1	7.1	7.2	4.4	6.5	0.86	0.92	0.57	0.82	

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 slowed in the fourth quarter, mainly reflecting a deceleration in federal government spending.

Federal government spending decelerated. A downturn in national defense spending more than offset an acceleration in nondefense spending.

State and local government spending accelerated, reflecting pickups in consumption expenditures and investment in structures.

### 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.

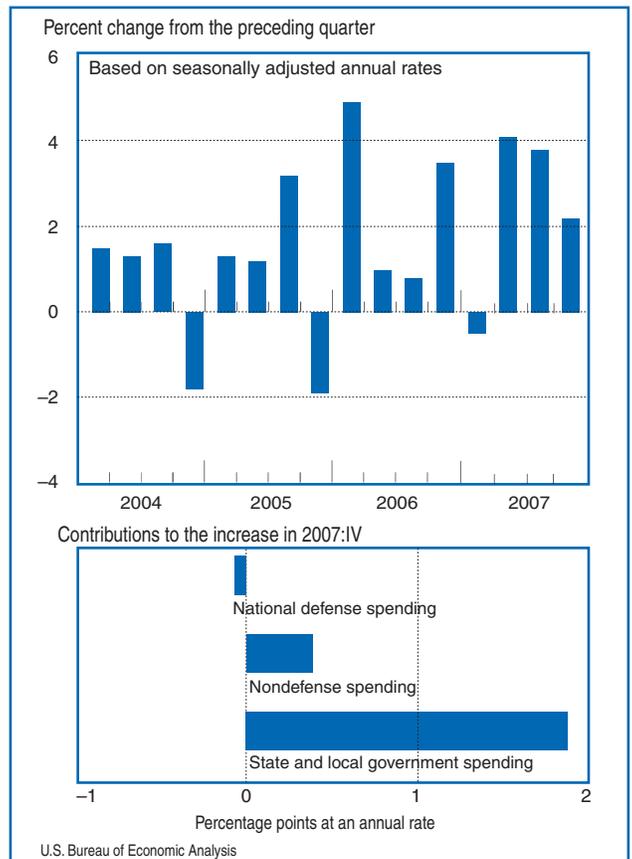
Government consumption expenditures consists of the goods and services that are produced by general government (less any sales to other sectors and investment goods produced by government itself). Governments generally provide services to the general public without charge. The value of government production—that 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)			
	2007				2007			
	I	II	III	IV	I	II	III	IV
<b>Gross domestic purchases<sup>1</sup></b> .....	<b>3.8</b>	<b>3.8</b>	<b>1.8</b>	<b>3.9</b>	<b>3.8</b>	<b>3.8</b>	<b>1.8</b>	<b>3.9</b>
<b>Personal consumption expenditures</b> .....	<b>3.5</b>	<b>4.3</b>	<b>1.8</b>	<b>4.1</b>	<b>2.32</b>	<b>2.84</b>	<b>1.21</b>	<b>2.73</b>
Durable goods.....	-1.9	-1.4	-1.8	-1.7	-0.14	-0.11	-0.13	-0.12
Nondurable goods.....	5.0	10.0	1.1	7.1	0.96	1.89	0.22	1.37
Services.....	3.8	2.6	2.8	3.7	1.49	1.06	1.12	1.48
<b>Gross private domestic investment</b> .....	<b>2.0</b>	<b>-0.4</b>	<b>-0.3</b>	<b>1.1</b>	<b>0.30</b>	<b>-0.05</b>	<b>-0.05</b>	<b>0.16</b>
Fixed investment.....	1.9	-0.3	-0.5	0.9	0.29	-0.04	-0.07	0.14
Nonresidential.....	1.9	0.0	-0.6	1.2	0.19	0.00	-0.06	0.13
Structures.....	4.1	-1.1	0.5	3.8	0.13	-0.04	0.02	0.13
Equipment and software.....	1.0	0.5	-1.1	0.0	0.07	0.03	-0.07	0.00
Residential.....	2.0	-0.8	-0.3	0.2	0.10	-0.04	-0.01	0.01
Change in private inventories.....					0.01	-0.01	0.02	0.02
<b>Government consumption expenditures and gross investment</b> .....	<b>6.4</b>	<b>5.5</b>	<b>3.2</b>	<b>5.4</b>	<b>1.15</b>	<b>1.00</b>	<b>0.59</b>	<b>1.00</b>
Federal.....	5.3	3.8	1.6	2.4	0.35	0.26	0.11	0.17
National defense.....	5.0	4.1	1.9	3.0	0.23	0.18	0.09	0.14
Nondefense.....	5.9	3.3	1.1	1.3	0.13	0.07	0.02	0.03
State and local.....	7.0	6.5	4.2	7.2	0.80	0.74	0.48	0.84
<b>Addenda:</b>								
Gross domestic purchases:								
Food.....	5.0	4.8	4.8	4.0	0.47	0.44	0.44	0.38
Energy goods and services.....	14.9	49.6	-5.2	30.1	0.65	2.02	-0.27	1.40
Excluding food and energy.....	3.1	1.5	1.9	2.5	2.65	1.32	1.58	2.12
Personal consumption expenditures (PCE):								
Food.....	4.8	4.7	4.7	3.6	.....	.....	.....	.....
Energy goods and services.....	16.1	51.3	-6.7	25.1	.....	.....	.....	.....
Excluding food and energy.....	2.4	1.4	2.0	2.7	.....	.....	.....	.....
"Market-based" PCE.....	3.6	4.7	1.4	4.0	.....	.....	.....	.....
Excluding food and energy.....	2.4	1.2	1.5	2.3	.....	.....	.....	.....
Gross domestic product.....	4.2	2.6	1.0	2.7	.....	.....	.....	.....

1. The estimates under the contribution columns are also percent changes.  
 Note: Most percent changes are from NIPA table 1.6.7; percent changes for PCE for food and energy goods and services and for PCE excluding food and energy are calculated from index numbers in NIPA table 2.3.4. Contributions are from NIPA table 1.6.8.

Prices paid by U.S. residents, as measured by the price index for gross domestic purchases, accelerated in the fourth quarter, increasing 3.9 percent after increasing 1.8 percent in the third quarter.

Consumer prices, as measured by the PCE price index, accelerated, increasing 4.1 percent after increasing 1.8 percent in the third quarter. The largest contributor to the acceleration was prices paid for nondurable goods, led by a sharp upturn in prices of gasoline, fuel oil, and other energy goods. Prices of services also picked up, mainly reflecting an upturn in electricity and gas prices and an acceleration in medical care services.

Prices of nonresidential fixed investment turned up slightly, primarily reflecting an acceleration in prices paid for structures.

Prices paid for residential investment turned up.

Prices paid by government accelerated, increasing 5.4 percent after increasing 3.2 percent. Prices paid by the federal government accelerated, primarily reflecting a step-up in the prices paid for national defense. Prices paid by state and local government accelerated because of energy prices.

Consumer prices excluding food and energy, a measure of the "core" rate of inflation, accelerated, increasing 2.7 percent after increasing 2.0 percent.

The GDP price index increased 2.7 percent, 1.2 percentage points less than the increase in the price index for gross domestic purchases, reflecting a larger increase in import prices than in export prices.

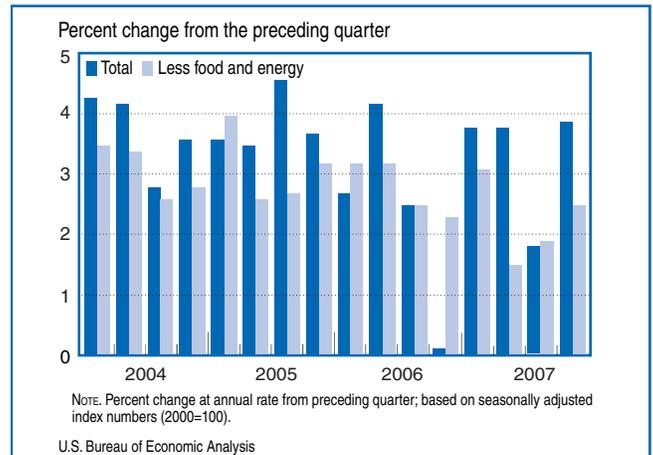
**Note on Prices**

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 2007**

[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>0.6</b>	<b>0.6</b>	<b>0.0</b>	<b>0.6</b>	<b>0.6</b>	<b>0.0</b>
<b>Personal consumption expenditures</b> .....	<b>2.0</b>	<b>1.9</b>	<b>-0.1</b>	<b>1.37</b>	<b>1.32</b>	<b>-0.05</b>
Durable goods .....	4.2	2.3	-1.9	0.32	0.18	-0.14
Nondurable goods .....	1.9	1.4	-0.5	0.38	0.28	-0.10
Services .....	1.6	2.1	0.5	0.67	0.86	0.19
<b>Gross private domestic investment</b> .....	<b>-10.2</b>	<b>-12.5</b>	<b>-2.3</b>	<b>-1.64</b>	<b>-2.02</b>	<b>-0.38</b>
Fixed investment .....	-2.6	-3.5	-0.9	-0.39	-0.53	-0.14
Nonresidential .....	7.5	6.9	-0.6	0.79	0.72	-0.07
Structures .....	15.8	14.7	-1.1	0.52	0.48	-0.04
Equipment and software .....	3.8	3.3	-0.5	0.27	0.24	-0.03
Residential .....	-23.9	-25.2	-1.3	-1.18	-1.25	-0.07
Change in private inventories .....				-1.25	-1.49	-0.24
<b>Net exports of goods and services</b> .....				<b>0.41</b>	<b>0.90</b>	<b>0.49</b>
Exports .....	3.9	4.8	0.9	0.46	0.57	0.11
Goods .....	2.4	4.0	1.6	0.20	0.34	0.14
Services .....	7.5	6.8	-0.7	0.26	0.24	-0.02
Imports .....	0.3	-1.9	-2.2	-0.06	0.32	0.38
Goods .....	0.3	-2.1	-2.4	-0.04	0.31	0.35
Services .....	0.5	-0.3	-0.8	-0.01	0.01	0.02
<b>Government consumption expenditures and gross investment</b> .....	<b>2.6</b>	<b>2.2</b>	<b>-0.4</b>	<b>0.50</b>	<b>0.43</b>	<b>-0.07</b>
Federal .....	0.3	0.9	0.6	0.02	0.06	0.04
National defense .....	-0.6	-0.3	0.3	-0.03	-0.01	0.02
Nondefense .....	2.2	3.4	1.2	0.05	0.07	0.02
State and local .....	4.0	3.0	-1.0	0.49	0.37	-0.12
<b>Addenda:</b>						
Final sales of domestic product .....	1.9	2.1	0.2	1.88	2.11	0.23
Gross domestic purchases price index .....	3.8	3.9	0.1			
GDP price index .....	2.6	2.7	0.1			

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

The 0.6-percent preliminary estimate of real GDP growth is the same as the advance estimate, primarily reflecting a downward revision to imports that was largely offset by a downward revision to inventory investment. The average revision (without regard to sign) between the “advance” estimate and the “preliminary” estimate is 0.5 percentage point.

The largest revision to services was an upward revision to electricity services that was based on revised seasonal adjustment factors as well as on the new data on usage and unit value.

The revision to inventory investment was to nonfarm inventories. The largest contributors were manufacturing inventories and retail trade inventories.

The revision to imports was mostly to goods. The largest contributors to the downward revision were automotive vehicles, engines, and parts, “other” goods, and petroleum and products.

The price index for gross domestic purchases increased 3.9 percent in the fourth quarter, which was 0.1 percentage point more than the advance estimate. The upward revision was mainly due to the personal consumption expenditures price index and reflected revised seasonal adjustment factors for the detailed consumer price indexes that are used for deflation.

### 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 (revised) and December (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 November and 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 measures 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.

Wage and salary disbursements increased \$63.8 billion in the third quarter, a downward revision of \$10.8 billion. Personal current taxes increased \$12.2 billion, an upward revision of \$0.6 billion. Contributions for government social insurance, which are subtracted in calculating personal income, increased \$11.0 billion, an upward revision of \$1.7 billion. As a result of these revisions

- Personal income increased \$157.7 billion, a downward revision of \$11.7 billion.
- Disposable personal income increased \$145.5 billion, a downward revision of \$12.3 billion.
- Personal saving increased \$13.9 billion, a downward revision of \$12.3 billion.
- The personal saving rate was 0.4 percent, a downward revision of 0.2 percentage point.