Real gross domestic product (GDP) increased 0.6 percent in the fourth quarter after increasing 4.9 percent in the third quarter, according to estimates released by the Bureau of Economic Analysis. Annual growth in 2007 was 2.2 percent, compared with 2.9 percent in 2006.

Fourth-quarter highlights

- Inventory investment turned down and reduced real GDP growth by 1.25 percentage points, after adding 0.89 percentage point in the third quarter. The downturn was mostly in motor vehicles inventories.
- Exports slowed, adding 0.46 percentage point to growth after adding 2.1 percentage points in the third quarter.
- Consumer spending decelerated, adding 1.37 percentage points to growth, compared with 2.01 percentage points in the third quarter.
- Housing investment continued to decline, subtracting 1.18 percentage points from GDP growth; in the third quarter, it subtracted 1.08 percentage points.

Prices for personal consumption expenditures rose 3.9 percent, compared with 1.8 percent in the third quarter. Excluding food and energy, consumer prices increased 2.7 percent, compared with 2.0 percent in the third quarter.

2007 highlights

Consumer spending on services, exports, and investment in business structures were major contributors to the 2.2 percent growth in real GDP in 2007. The continued drag from housing and a drawdown in inventories accounted for a significant share of the slowdown in growth compared to 2006.