

GROWTH CONTINUES IN FOURTH QUARTER

“Preliminary” Estimates of GDP

Real gross domestic product increased 2.2 percent in the fourth quarter of 2006 after increasing 2.0 percent in the third quarter, according to the “preliminary” estimates released by the Bureau of Economic Analysis. The fourth-quarter growth rate was revised down 1.3 percentage points from the “advance” estimates released in January. Annual growth in 2006 was 3.3 percent, 0.1 percentage point lower than the January estimate.

Gross Domestic Product (GDP)

The small acceleration in fourth-quarter GDP growth reflected accelerations in consumer spending, exports, and Federal government spending and a downturn in imports. In contrast, inventory investment, equipment and software investment, and nonresidential structures investment turned down.



Prices

Inflation, measured by the price index for gross domestic purchases, increased 0.2 percent, 0.1 percentage point higher than in the advance estimate. In the third quarter, it increased 2.2 percent.

Excluding food and energy, prices increased 2.4 percent in the fourth quarter following an increase of 2.2 percent in the third quarter.

Real Disposable Personal Income (DPI)

Real DPI increased 5.3 percent in the fourth quarter, 0.1 percentage point less than in the advance estimate. In the third quarter, real DPI increased 3.2 percent (revised).

Revisions

This month’s GDP revision was relatively large. The average revision (without regard to sign) between the “advance” and “preliminary” estimates is 0.5 percentage point. Revisions equal to or larger than this month’s revision have occurred only 7 times in 30 years. This month, most of the major components of GDP were revised down. Typically, revisions to the components tend to offset each other.

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

NOTE: Additional information that becomes available in the coming weeks will be incorporated in a “final” estimate of fourth-quarter GDP on March 29, 2007. An estimate of corporate profits will also be released.