



**Technical Note**  
Gross Domestic Product  
Fourth Quarter of 2007 (Advance)  
January 30, 2008

This technical note provides background information about the source data and estimating methods used to produce the estimates presented in the GDP news release. The complete set of estimates for the fourth quarter is available on BEA's Web site at [www.bea.gov](http://www.bea.gov); a brief summary of "highlights" is also posted on the Web site. In a few weeks, the estimates will be published in BEA's monthly journal, the *Survey of Current Business*, along with a more detailed analysis of the estimates ("GDP and the Economy").

### **GDP Deceleration**

Real GDP increased 0.6 percent (annual rate) in the fourth quarter, compared with an increase of 4.9 percent in the third quarter. The deceleration in real GDP growth reflected the following factors:

- Inventory investment turned down, subtracting 1.25 percentage points from GDP growth in the fourth quarter, after adding 0.89 percentage point in the third. The downturn was mostly in motor vehicle inventories.
- The contribution of net exports to GDP growth was smaller in the fourth quarter (0.41 percentage point) than in the third (1.38 percentage points). The effects of a deceleration in exports were partly offset by a deceleration in imports.
- Consumer spending slowed, contributing 1.37 percentage points to fourth quarter growth after contributing 2.01 percentage points in the third.

Housing investment continued to be a drag, subtracting 1.18 percentage points from GDP growth in the fourth quarter after subtracting 1.08 percentage points in the third.

### **Source Data for the Advance Estimate**

The advance GDP estimate for the fourth quarter of 2007 is based on source data that are incomplete and subject to revision. Three months of source data were available for consumer spending on goods; shipments of capital equipment other than aircraft; motor vehicle sales and inventories; manufacturing durables inventories; federal government outlays; and consumer, producer, and international prices. Only two months of data were available for most other key data sources; BEA's assumptions for the third month are shown in table A. Among those assumptions are the following:

- An increase in nondurable manufacturing inventories,
- an increase in non-motor-vehicle merchant wholesale and retail inventories,
- an increase in exports of goods, excluding gold, and
- a small decrease in imports of goods, excluding gold.

## **Prices**

The price index for gross domestic purchases increased 3.8 percent in the fourth quarter, compared with increases of 1.8 percent in the third quarter and 3.8 percent in both the first and second quarters. This pattern of price change largely reflected movements in energy prices. Excluding food and energy prices, the price index for gross domestic purchases increased 2.5 percent in the fourth quarter, after increasing 1.9 percent in the third.

Brent R. Moulton  
Associate Director for National Economic Accounts  
Bureau of Economic Analysis  
(202) 606-9606

**Table A. KEY ASSUMPTIONS FOR THE ADVANCE ESTIMATE OF GDP  
FOR THE FOURTH QUARTER OF 2007**

For many of the key series used to prepare the advance estimate of GDP, including retail sales, unit automobile and truck sales and inventories, manufacturers' shipments of nondefense capital goods (other than aircraft), manufacturers' inventories of durable goods, federal defense spending, and consumer, producer, and international price indexes, actual data are available for all months of the quarter.

For the key series shown in this table, actual data for the third month of the quarter usually are not available in time for inclusion in the advance GDP estimate. BEA makes assumptions for the source data that are not yet available; assumptions for December 2007 are shown in the last column of the table. For most series shown, the data for November are preliminary and subject to further revision. Occasionally, the data for earlier months are also subject to revision.

All series shown in the table are in billions of dollars, seasonally adjusted at annual rates, and are published by the Bureau of the Census.

	2007					
	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.*
<b>Private fixed investment:</b>						
Nonresidential structures:						
1 Value of new nonresidential construction put in place.....	346.4	355.8	365.1	369.5	375.8	378.6
Equipment and software:						
2 Manufacturers' shipments of complete aircraft.....	42.4	50.2	42.0	49.1	47.4	39.6
Residential structures:						
Value of new residential construction put in place:						
3 Single family.....	308.6	298.3	286.9	274.9	261.2	246.3
4 Multifamily.....	48.8	48.3	47.5	47.2	47.4	48.5
<b>Change in private inventories:</b>						
5 Change in inventories for nondurable manufacturing.....	3.9	-1.9	24.0	-4.7	15.2	24.0
5a Change in inventories for merchant wholesale and retail industries other than motor vehicles and equipment...	18.8	21.3	37.0	30.4	0.7	66.7
<b>Net exports:</b>						
Exports of goods:						
6 U.S. exports of goods, international-transactions-accounts basis.....	1183.3	1187.7	1204.3	1210.2	1211.4	1225.7
6a Excluding gold.....	1171.4	1170.4	1190.7	1197.2	1200.9	1211.5
Imports of goods:						
7 U.S. imports of goods, international-transactions-accounts basis.....	1996.5	1980.7	1994.5	2013.5	2083.9	2083.8
7a Excluding gold.....	1984.5	1971.5	1983.8	2005.2	2078.8	2075.3
8 Net exports of goods.....	-813.2	-793.0	-790.2	-803.3	-872.5	-858.1
8a Excluding gold.....	-813.1	-801.1	-793.1	-808.0	-877.9	-863.8
<b>Government:</b>						
State and local:						
Structures:						
9 Value of new construction put in place.....	267.4	269.2	275.3	277.2	284.1	283.5

\*Assumption.