

Business Situation

Preliminary Estimates for the Fourth Quarter of 2001

UNITED States production and sales rebounded in the fourth quarter of 2001, according to the “preliminary” estimates of the national income and product accounts (NIPAs). Real gross domestic product (GDP) increased 1.4 percent (revised) after decreasing 1.3 percent in the third quarter, and final sales of domestic product increased 3.6 percent after decreasing 0.5 percent (table 1 and chart 1).¹

The preliminary estimate of GDP growth is considerably larger than the 0.2-percent increase shown in last month’s “advance” estimate.² Moreover, the preliminary estimate shows an increase in the production

of goods, while the advance estimate had shown a decrease. Despite this difference and the larger-

1. Quarterly estimates in the NIPAs are expressed at seasonally adjusted annual rates. Quarter-to-quarter dollar changes are the differences between the published estimates. Quarter-to-quarter percent changes are annualized and are calculated from unrounded data unless otherwise specified.

Real estimates are calculated using a chain-type Fisher formula with annual weights for all years and quarterly weights for all quarters; real estimates are expressed both as index numbers (1996=100) and as chained (1996) dollars. Price indexes (1996=100) are also calculated using a chain-type Fisher formula.

2. The source data underlying the revision to GDP and its components are discussed in the section “Revisions.”

Daniel Larkins and Frederick von Batchelder prepared this article.

Table 1. Real Gross Domestic Product, Real Gross Domestic Purchases, and Real Final Sales to Domestic Purchasers

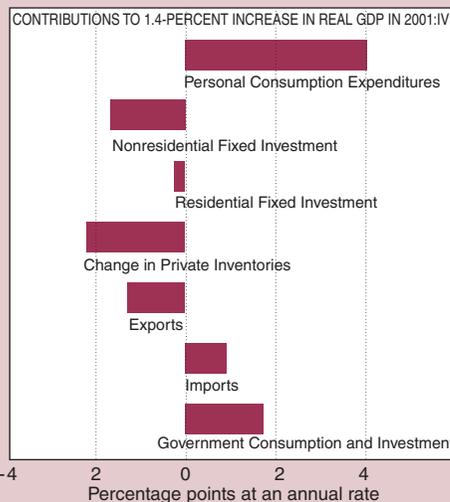
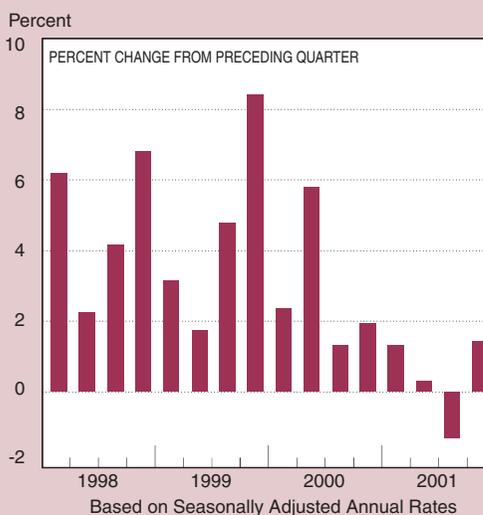
[Seasonally adjusted at annual rates]

	Billions of chained (1996) dollars					Percent change from preceding quarter			
	Level	Change from preceding quarter							
	2001	2001				2001			
	IV	I	II	III	IV	I	II	III	IV
Gross domestic product	9,342.7	30.6	7.2	-31.3	32.3	1.3	0.3	-1.3	1.4
Less: Exports of goods and services	1,018.6	-3.4	-35.8	-56.1	-33.6	-1.2	-11.9	-18.8	-12.2
Plus: Imports of goods and services	1,437.2	-19.9	-33.6	-51.8	-26.0	-5.0	-8.4	-13.0	-6.9
Equals: Gross domestic purchases	9,736.0	16.0	10.0	-25.3	40.9	0.7	0.4	-1.0	1.7
Less: Change in private inventories	-120.0	-69.9	-11.2	-23.6	-58.1	.....	.....	.....	.....
Equals: Final sales to domestic purchasers	9,829.9	76.7	19.9	-6.2	92.4	3.2	0.8	-0.3	3.9
Personal consumption expenditures	6,538.5	47.4	39.9	15.5	94.6	3.0	2.5	1.0	6.0
Durable goods	1,021.3	23.0	15.7	2.1	81.1	10.6	7.0	0.9	39.2
Nondurable goods	1,893.3	11.2	1.4	2.6	11.3	2.4	0.3	0.6	2.4
Services	3,657.1	16.3	24.7	10.6	16.7	1.8	2.8	1.2	1.8
Private fixed investment	1,623.8	8.2	-43.9	-24.8	-47.8	1.9	-9.7	-5.7	-11.0
Nonresidential	1,247.5	-0.6	-53.0	-28.9	-44.5	-0.2	-14.6	-8.5	-13.1
Structures	250.8	8.4	-9.4	-5.5	-26.0	12.3	-12.2	-7.5	-32.6
Equipment and software	1,006.9	-11.6	-44.5	-23.8	-12.5	-4.1	-15.4	-8.8	-4.8
Residential	375.7	7.6	5.4	2.2	-4.8	8.5	5.9	2.4	-5.0
Government consumption expenditures and gross investment	1,663.7	20.6	19.6	1.1	39.6	5.3	5.0	0.3	10.1
Federal	575.1	4.3	2.5	4.9	15.5	3.2	1.8	3.6	11.6
National defense	373.5	6.5	2.1	2.9	8.2	7.5	2.3	3.2	9.4
Nondefense	201.5	-2.2	0.5	2.0	7.2	-4.3	0.9	4.2	15.7
State and local	1,088.0	16.2	16.9	-3.6	24.2	6.4	6.6	-1.3	9.4
Addendum: Final sales of domestic product	9,435.6	91.1	17.0	-12.3	83.1	4.0	0.7	-0.5	3.6

NOTE. Chained (1996) dollar series are calculated as the product of the chain-type quantity index and the 1996 current-dollar value of the corresponding series, divided by 100. Because the formula for the chain-type quantity indexes uses weights of more than one period, the corresponding chained-dollar estimates usually are not additive. Chained (1996) dollar levels and residuals, which measure the extent of nonadditivity in each table, are shown in NIPA tables 1.2, 1.4, and 1.6. Percent changes are calculated from unrounded data. Percent changes in major aggregates are shown in NIPA table S.1. (See “Selected NIPA Tables,” which begins on page D-2 in this issue.)

CHART 1

Real Gross Domestic Product



than-usual revision to GDP growth, both the preliminary estimate and the advance estimate paint pictures of the economy that are similar in many important respects. In both estimates,

- The increase in GDP mainly reflects increases in consumer spending and government spending (table 2).³ Imports, which are subtracted in the calculation of GDP, decreased.
- The increase in GDP was damped by decreases in inventory investment, fixed investment, and exports.
- The upswing in GDP from the third quarter to the fourth mainly reflected accelerations in consumer spending and government spending.
- The strength in consumer spending was concentrated in durable goods, which registered its biggest

3. In the NIPA's, consumer spending is shown as personal consumption expenditures, government spending is shown as government consumption expenditures and gross investment, and inventory investment is shown as change in private inventories.

Table 2. Contributions to Percent Change in Real Gross Domestic Product

[Seasonally adjusted at annual rates]

	2001			
	I	II	III	IV
Percent change at annual rate:				
Gross domestic product.....	1.3	0.3	-1.3	1.4
Percentage points at annual rates:				
Personal consumption expenditures	2.05	1.72	0.67	4.06
Durable goods	0.83	0.56	0.07	2.83
Nondurable goods	0.49	0.06	0.12	0.48
Services.....	0.73	1.10	0.48	0.75
Gross private domestic investment.....	-2.28	-2.16	-1.79	-4.07
Fixed investment	0.33	-1.74	-0.97	-1.88
Nonresidential.....	-0.02	-1.99	-1.08	-1.66
Structures	0.39	-0.44	-0.26	-1.23
Equipment and software	-0.41	-1.55	-0.82	-0.43
Residential.....	0.35	0.25	0.10	-0.23
Change in private inventories	-2.61	-0.42	-0.81	-2.19
Net exports of goods and services	0.63	-0.12	-0.27	-0.35
Exports	-0.13	-1.37	-2.13	-1.27
Goods.....	-0.19	-1.45	-1.55	-0.73
Services.....	0.06	0.08	-0.58	-0.54
Imports.....	0.76	1.25	1.86	0.92
Goods.....	0.87	1.21	1.20	0.38
Services.....	-0.11	0.05	0.66	0.54
Government consumption expenditures and gross investment	0.92	0.87	0.05	1.75
Federal.....	0.19	0.11	0.21	0.67
National defense	0.28	0.09	0.12	0.35
Nondefense.....	-0.09	0.02	0.09	0.31
State and local.....	0.73	0.76	-0.16	1.08

NOTE. More detailed contributions to percent change in real gross domestic product are shown in NIPA table 8.2. Contributions to percent change in major components of real gross domestic product are shown in tables 8.3 through 8.6.

increase since the third quarter of 1986. Motor vehicle purchases surged.

- The strength in government spending reflected an upturn in State and local government spending and an acceleration in Federal Government spending. The upturn in State and local spending partly reflected a rebound after a large sale of existing structures that lowered State and local investment in the third quarter; this rebound did not affect GDP, because it was offset by a corresponding reduction in private nonresidential structures.⁴
- Inventories were liquidated for the fourth consecutive quarter. The pace of liquidation was almost twice as fast as the already rapid pace of the third quarter, and the ratio of real private inventories to final sales fell from 2.22 to 2.16—a record low level and the biggest quarter-to-quarter decrease since 1983.⁵
- The weakness in fixed investment was marked by
 - a third consecutive decrease in nonresidential structures (and the biggest quarterly drop since the second quarter of 1986),
 - a fifth consecutive decrease in nonresidential equipment and software (though the drop in the fourth quarter was smaller than that in the third), and
 - a decrease in residential investment after three quarterly increases.
- Final sales of domestic product and real gross domestic purchases both turned up.⁶
- The price index for gross domestic purchases increased 0.4 percent after decreasing 0.1 percent. The third-quarter dip reflected insurance expendi-

4. In the third quarter, the Port Authority of New York leased properties at the World Trade Center to two private corporations. In the NIPA's, such a transaction is treated as a sale of an existing asset. The transaction resulted in a \$12.8 billion decrease (in current dollars at an annual rate) in State and local government gross investment and an offsetting increase of the same amount in private net purchases of used structures.

5. Other real inventory-sales ratios reached their lowest levels since 1966 (see NIPA table 5.13B).

6. Gross domestic purchases is calculated as the sum of personal consumption expenditures, gross private domestic investment, and government consumption expenditures and gross investment; thus, gross domestic purchases includes imports of goods and services, which are subtracted in the calculation of GDP, and does not include exports of goods and services, which are added in the calculation of GDP.

tures resulting from the terrorist attacks of September 11th. In the NIPAs, insurance expenditures are defined as premiums net of benefits; thus, the large benefit payments resulting from the September 11th

attacks resulted in a reduction in the average net price of insurance.⁷

Table 3. Real Gross Domestic Product by Type of Product
[Seasonally adjusted at annual rates]

	Billions of chained (1996) dollars					Percent change from preceding quarter			
	Level	Change from preceding quarter							
	2001	2001				2001			
	IV	I	II	III	IV	I	II	III	IV
Gross domestic product.....	9,342.7	30.6	7.2	-31.3	32.3	1.3	0.3	-1.3	1.4
Goods	3,647.1	-24.1	-34.0	-40.8	15.7	-2.6	-3.6	-4.4	1.7
Services	4,900.7	26.2	32.3	21.3	31.0	2.2	2.7	1.8	2.6
Structures	793.5	23.3	4.2	-15.1	-13.2	12.3	2.0	-7.1	-6.4
Addenda:									
Motor vehicle output	351.1	-15.0	18.0	6.9	8.1	-16.9	24.7	8.5	9.8
Gross domestic product less motor vehicle output.....	8,992.3	44.2	-9.1	-37.5	24.9	2.0	-0.4	-1.7	1.1
Final sales of computers .....	.....	.....	.....	.....	.....	9.0	-26.5	-10.7	29.6
Gross domestic product less final sales of computers...	.....	.....	.....	.....	.....	1.2	0.6	-1.2	1.2

NOTE. See note to table 1 for an explanation of chained (1996) dollar series. Chained (1996) dollar levels and residuals for most items are shown in NIPA table 1.4. Detail on motor vehicle output is shown in NIPA table 8.9B.

- Real disposable personal income dropped almost 8 percent after jumping more than 12 percent, and the personal saving rate fell to less than 1 percent from almost 4 percent.⁸ These sharp movements reflected large taxpayer refunds in the third quarter under the Economic Growth and Tax Relief Reconciliation Act of 2001.
- Real final sales of computers increased almost 30 percent in the fourth quarter after decreasing in the second and third quarters, and real motor vehicle output increased for the third consecutive quarter (table 3).

7. See the box "The Terrorist Attacks of September 11th as Reflected in the National Income and Product Accounts," SURVEY OF CURRENT BUSINESS 81 (November 2001): 2-3. Revised estimates were presented in the box "Adjustments for the Terrorist Attacks," SURVEY 81 (December 2001): 2.

8. The personal saving rate is measured as personal saving as a percentage of current-dollar disposable personal income. The fourth-quarter estimate of the *national* saving rate (which is measured as gross saving as a percentage of gross national product) will be available at the end of March along with the "final" estimate of fourth-quarter GDP.

Personal Consumption Expenditures

Real personal consumption expenditures (PCE) increased 6.0 percent in the fourth quarter, its largest in-

crease in 3½ years (table 4 and chart 2). Durable goods accounted for most of the step-up from the third quarter's 1.0-percent increase, but nondurable goods and services also contributed.

Table 4. Real Personal Consumption Expenditures

[Seasonally adjusted at annual rates]

	Billions of chained (1996) dollars					Percent change from preceding quarter			
	Level	Change from preceding quarter							
	2001	2001				2001			
	IV	I	II	III	IV	I	II	III	IV
Personal consumption expenditures.....	6,538.5	47.4	39.9	15.5	94.6	3.0	2.5	1.0	6.0
Durable goods.....	1,021.3	23.0	15.7	2.1	81.1	10.6	7.0	0.9	39.2
Motor vehicles and parts.....	419.5	13.1	4.9	-0.4	58.0	16.1	5.6	-0.5	81.3
Of which:									
New autos.....	124.6	4.1	-3.0	-2.5	22.5	16.6	-10.7	-9.2	122.2
New light trucks.....	166.6	7.4	4.2	4.6	38.9	29.5	14.9	15.7	190.1
Furniture and household equipment.....	417.6	7.2	9.5	3.2	13.9	7.7	10.0	3.3	14.4
Other ¹	183.4	2.1	2.0	-0.2	4.1	5.0	4.6	-0.5	9.6
Nondurable goods.....	1,893.3	11.2	1.4	2.6	11.3	2.4	0.3	0.6	2.4
Food.....	887.6	0.9	-1.2	-2.3	3.8	0.4	-0.5	-1.0	1.7
Clothing and shoes.....	349.1	2.8	1.4	0.6	4.4	3.3	1.8	0.7	5.2
Gasoline, fuel oil, and other energy goods.....	151.9	1.7	-2.5	2.5	-0.7	4.7	-6.5	6.9	-1.8
Other ²	507.2	5.9	4.1	1.6	4.2	4.9	3.4	1.3	3.4
Services.....	3,657.1	16.3	24.7	10.6	16.7	1.8	2.8	1.2	1.8
Housing.....	873.2	4.7	3.6	3.5	4.8	2.2	1.7	1.6	2.2
Household operation.....	381.0	-1.1	-5.3	1.0	-7.0	-1.0	-5.3	1.0	-7.0
Electricity and gas.....	129.4	-4.3	-5.1	-1.0	-4.6	-11.2	-13.8	-2.8	-13.1
Other household operation ..	252.6	3.6	0.4	2.0	-2.1	6.0	0.5	3.3	-3.3
Transportation.....	249.7	0.6	-0.2	-2.2	-2.3	1.0	-0.4	-3.5	-3.5
Medical care.....	948.4	6.6	10.5	8.1	8.2	2.9	4.6	3.5	3.6
Recreation.....	232.9	3.7	0.6	-1.6	1.7	6.5	1.0	-2.7	2.9
Other ³	969.9	1.5	14.9	2.0	10.2	0.6	6.5	0.8	4.3

1. 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.

2. 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.

3. Includes personal care, personal business, education and research, religious and welfare activities, and net foreign travel.

NOTE: See note to table 1 for an explanation of chained (1996) dollar series. Chained (1996) dollar levels and residuals are shown in NIPA tables 2.3 and 8.9B (motor vehicles). Percent changes in major aggregates are shown in NIPA table S.1.

Expenditures for durable goods increased 39.2 percent after increasing 0.9 percent. Motor vehicles and parts surged after a small drop, as consumers responded to favorable financing terms on many makes and models of vehicles. Furniture and household equipment increased more than in the third quarter, and "other" durable goods increased after decreasing.

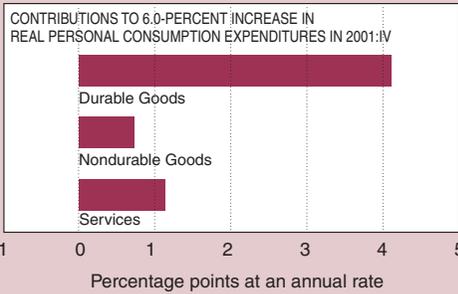
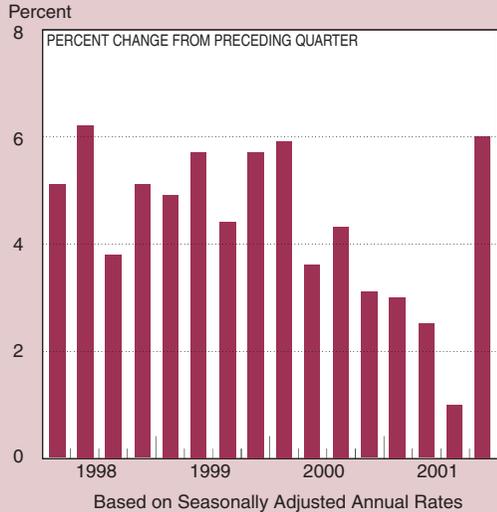
Expenditures for nondurable goods increased 2.4 percent after increasing 0.6 percent. Food turned up; clothing and shoes and "other" nondurables increased more than in the third quarter. In contrast, energy goods decreased after increasing, partly because of an unusually warm fourth quarter.

Expenditures for services increased 1.8 percent after increasing 1.2 percent. The step-up was mainly accounted for by "other" services and reflected a sharp upturn in expenditures on brokerage and investment counseling and a smaller upturn in net foreign travel.

Several factors frequently considered in the analysis of consumer spending became less favorable in the fourth quarter (chart 3). The unemployment rate jumped to 5.6 percent, the highest quarterly rate in 6 years. Real disposable personal income dropped after being boosted by the large tax refunds sent in the third quarter. The Index of Consumer Sentiment (prepared by the University of Michigan's Survey Center) decreased for the seventh consecutive quarter.

CHART 2

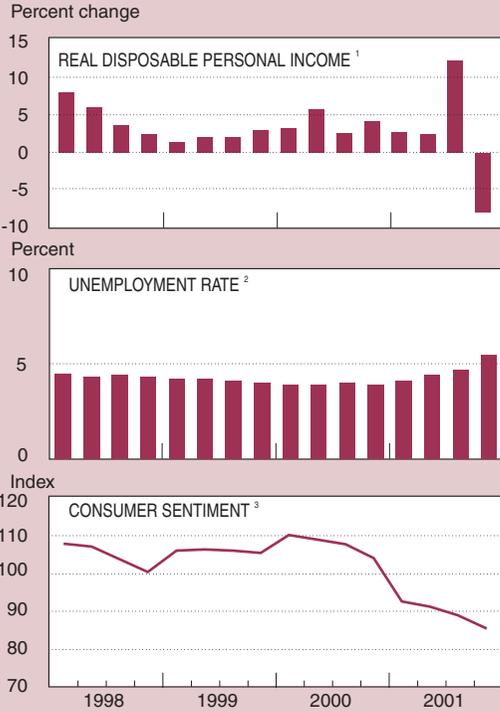
Real Personal Consumption Expenditures



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CHART 3

Selected Factors Affecting Consumer Spending



1. Based on seasonally adjusted annual rates.
 2. All civilian workers, seasonally adjusted. Data: U.S. Department of Labor, Bureau of Labor Statistics
 3. Data: University of Michigan's Survey Research Center

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Private Fixed Investment

Real private fixed investment decreased 11.0 percent in the fourth quarter, almost twice as much as in the third quarter and a little more than in the second. The three consecutive decreases were the first since 1990–91 (table 5 and chart 4). Nonresidential investment decreased more than in the third quarter but less than in the second, and residential investment turned down.

Nonresidential fixed investment. Real private nonresidential fixed investment decreased 13.1 percent, its fourth consecutive quarterly drop. Spending on structures decreased much more than in the third quarter, while spending on equipment and software decreased less than in the third quarter.

The larger drop in structures mainly reflected a return of “other” structures to a more normal level after a jump in the third quarter that reflected the lease of properties by the Port Authority of New York to private corporations (see footnote 4). Nonresidential buildings decreased about as much as in the third quarter. Public utilities changed little after decreasing, and mining exploration, shafts, and wells decreased after little change.

In equipment and software, computers and peripheral equipment increased after three consecutive quarterly decreases. Transportation equipment also turned up, and industrial equipment decreased less than in the third quarter. In contrast, “other” equipment turned down.

The investment climate has generally been unfavorable in recent quarters. The capacity utilization rate for manufacturing, mining, and utilities has decreased for six consecutive quarters. Growth of real final sales of domestic product has been below par.⁹ Profits of domestic corporations have decreased since the second quarter of 2000.¹⁰ Long-term interest rates have trended down, but only modestly; for example, the yield on high-grade corporate bonds decreased from

9. The growth of real final sales has averaged 2.1 percent over the last six quarters; it averaged 3.5 percent over the first 37 quarters of the most recent expansion.

10. Profits data for the fourth quarter of 2001 are not yet available; they will be included in the “final” NIPA estimate for the fourth quarter, which will be released at the end of March.

Table 5. Real Private Fixed Investment

[Seasonally adjusted at annual rates]

	Billions of chained (1996) dollars					Percent change from preceding quarter			
	Level	Change from preceding quarter							
	2001	2001				2001			
	IV	I	II	III	IV	I	II	III	IV
Private fixed investment	1,623.8	8.2	-43.9	-24.8	-47.8	1.9	-9.7	-5.7	-11.0
Nonresidential.....	1,247.5	-0.6	-53.0	-28.9	-44.5	-0.2	-14.6	-8.5	-13.1
Structures.....	250.8	8.4	-9.4	-5.5	-26.0	12.3	-12.2	-7.5	-32.6
Nonresidential buildings, including farm.....	170.8	2.9	-10.4	-10.8	-10.0	5.9	-19.0	-20.8	-20.4
Utilities.....	49.9	2.6	-1.1	-5.1	0	20.6	-7.6	-32.3	0.4
Mining exploration, shafts, and wells.....	25.0	3.5	2.1	-0.4	-5.0	68.1	33.7	-5.3	-52.1
Other structures.....	6.2	-0.7	-0.4	11.1	-10.8	-33.1	-21.4	(¹)	(¹)
Equipment and software.....	1,006.9	-11.6	-44.5	-23.8	-12.5	-4.1	-15.4	-8.8	-4.8
Information processing equipment and software.....	568.1	-20.9	-32.8	-16.0	-4.0	-12.4	-19.5	-10.5	-2.7
Computers and peripheral equipment ²	285.3	-3.2	-27.1	-21.6	19.6	-3.9	-30.3	-26.8	32.9
Software ³	190.9	-3.1	-1.8	2.0	-2.2	-6.3	-3.7	4.4	-4.6
Other.....	151.2	-12.4	-14.9	-7.8	-6.9	-23.3	-29.1	-17.5	-16.2
Industrial equipment.....	146.0	5.1	-9.5	-9.9	-5.3	12.9	-20.5	-22.4	-13.3
Transportation equipment.....	176.5	1.2	-3.0	-0.4	2.5	2.8	-6.6	-0.9	5.8
Of which: Motor vehicles.....	133.5	2.0	-1.3	-6.7	-0.3	5.7	-3.6	-17.7	-0.7
Other.....	137.4	-1.1	-2.2	1.2	-4.9	-3.0	-6.0	3.6	-13.1
Residential.....	375.7	7.6	5.4	2.2	-4.8	8.5	5.9	2.4	-5.0
Structures.....	366.0	7.5	5.3	2.3	-4.9	8.7	6.0	2.5	-5.2
Single-family.....	190.2	6.1	1.7	0.5	-3.1	13.9	3.5	1.2	-6.4
Multifamily.....	25.1	1.1	0.9	0.5	0.4	20.2	18.2	7.0	8.0
Other structures ⁴	150.6	0.3	2.6	1.3	-2.3	0.6	7.3	3.4	-5.8
Equipment.....	9.8	0.1	0	0	0.1	0.7	2.8	-2.8	4.4

1. The percent change is not calculated for the third and fourth quarters of 2001; as a result of the leasing of properties described in footnote 4 of the text, the percent change calculation is of little value.

2. Includes new computers and peripheral equipment only.

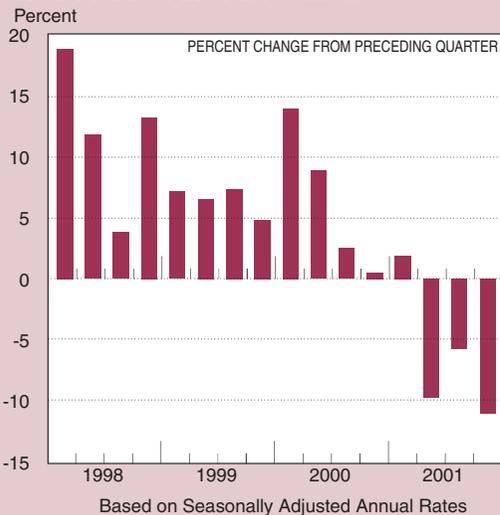
3. Excludes software “embedded,” or bundled, in computers and other equipment.

4. Includes home improvements, new manufactured home sales, brokers’ commissions on home sales, net purchases of used structures, and other residential structures (which consists primarily of dormitories and of fraternity and sorority houses).

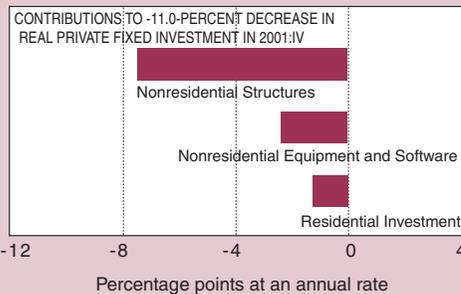
NOTE: See note to table 1 for an explanation of chained (1996) dollar series. Chained (1996) dollar levels and residuals are shown in NIPA tables 5.5 and 8.9B (motor vehicles). Percent changes in major aggregates are shown in NIPA table S.1.

CHART 4

Real Private Fixed Investment



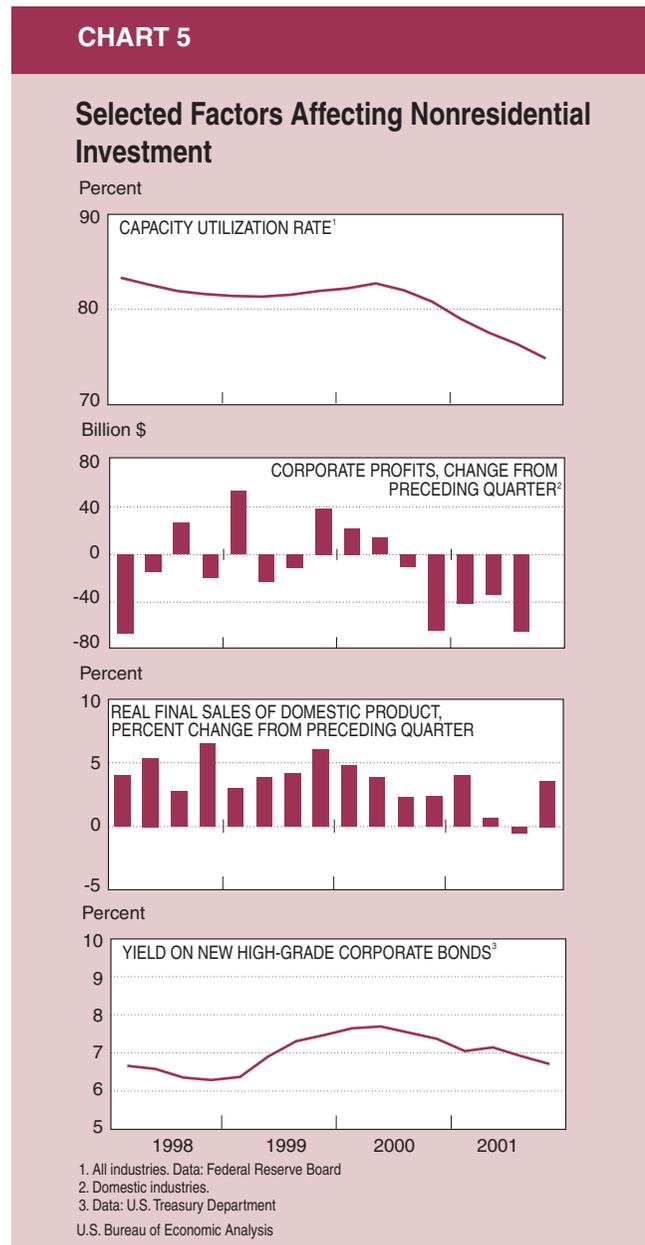
Based on Seasonally Adjusted Annual Rates



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7.75 percent in June 2000 to 6.80 percent in December 2001 (chart 5).

Residential investment. Real private residential investment decreased 5.0 percent after increasing in the three preceding quarters (table 5 and chart 4). Multi-family structures increased about the same as in the third quarter, but single-family structures and “other” structures turned down. The downturn in “other” structures reflected a bigger decrease in brokers’ commissions on home sales, a downturn in improvements, and a slowdown in manufactured homes.



Inventory Investment

Real inventory stocks decreased \$120.0 billion in the fourth quarter, about twice as much as in the third (table 6 and chart 6). The larger fourth-quarter decrease subtracted 2.19 percentage points from GDP growth; in the third quarter, inventory investment had subtracted 0.81 percentage point.

The fourth-quarter decrease in inventory investment was dominated by trade inventories. Retail inventories decreased \$41.2 billion after increasing \$1.2 billion, and wholesale inventories decreased \$32.3 billion after decreasing \$18.9 billion. In contrast, manufacturing inventories decreased less than in the third quarter.

Most of the decrease in retail trade inventories was accounted for by motor vehicle dealers, where inventories plummeted \$31.8 billion after a small increase. Inventories of clothing stores and of general merchandise stores decreased more than in the third quarter.

In wholesale trade, inventories of durable goods decreased somewhat more than in the third quarter. Motor vehicle inventories of merchant wholesalers swung from accumulation to liquidation, and inventories of electrical goods and of computer equipment were reduced more than in the third quarter. Inventories of

nondurable goods turned down, led by farm products and raw materials.

In manufacturing, inventories of both durable-goods manufacturers and nondurable-goods manufacturers decreased less than in the third quarter. In durable-goods inventories, computers were liquidated at a slower rate, and nonmotor vehicle transportation equipment was accumulated at a faster rate; in nondurable-goods inventories, inventories of food and paper turned up.

Farm inventories decreased more than in the third quarter, reflecting a steeper decline in crop inventories. Livestock inventories changed little.

The ratio of real private nonfarm inventories to final sales of goods and structures decreased to 3.57 from 3.66 (see NIPA table 5.13B). A ratio that includes all final sales of domestic businesses decreased to 2.01 from 2.06.¹¹ Both ratios are at their lowest levels in 35 years.

11. Using the ratio that includes all final sales of domestic businesses in the denominator implies that the production of services results in a demand for inventories that is similar to that generated in the production of goods and structures. In contrast, using the "goods and structures" ratio implies that the production of services does not generate demand for inventories. Both implications are extreme. Production of some services may require substantial inventories, while production of other services may not.

Table 6. Real Change in Private Inventories

(Billions of chained (1996) dollars; seasonally adjusted at annual rate)

	Level					Change from preceding quarter			
	2000	2001				2001			
	IV	I	II	III	IV	I	II	III	IV
Change in private inventories	42.8	-27.1	-38.3	-61.9	-120.0	-69.9	-11.2	-23.6	-58.1
Farm	3.0	0.2	-2.5	-2.9	-5.3	-2.8	-2.7	-0.4	-2.4
Construction, mining, and utilities ...	-6.8	1.9	6.8	2.4	0.5	8.7	4.9	-4.4	-1.9
Manufacturing	12.9	-15.0	-35.6	-47.0	-41.6	-27.9	-20.6	-11.4	5.4
Durable goods industries	17.9	-10.5	-25.3	-39.1	-36.4	-28.4	-14.8	-13.8	2.7
Nondurable goods industries	-4.4	-4.5	-10.2	-8.0	-5.3	-0.1	-5.7	2.2	2.7
Wholesale trade	12.5	-3.0	2.6	-18.9	-32.3	-15.5	5.6	-21.5	-13.4
Durable goods industries	5.5	-3.7	-11.6	-24.0	-28.9	-9.2	-7.9	-12.4	-4.9
Nondurable goods industries	6.8	0.6	12.8	3.8	-4.1	-6.2	12.2	-9.0	-7.9
Retail trade	19.3	-15.3	-13.2	1.2	-41.2	-34.6	2.1	14.4	-42.4
Of which: Motor vehicle dealers ...	8.4	-19.6	-5.6	2.2	-31.8	-28.0	14.0	7.8	-34.0
Other industries ¹	2.8	3.6	1.2	0.5	0.2	0.8	-2.4	-0.7	-0.3
Addenda:									
Motor vehicles	6.4	-22.6	-8.3	3.7	-37.3	-29.0	14.3	12.0	-41.0
Autos	2.5	-9.5	-4.2	3.0	-15.3	-12.0	5.3	7.2	-18.3
Trucks	3.6	-12.1	-3.8	0.9	-20.0	-15.7	8.3	4.7	-20.9

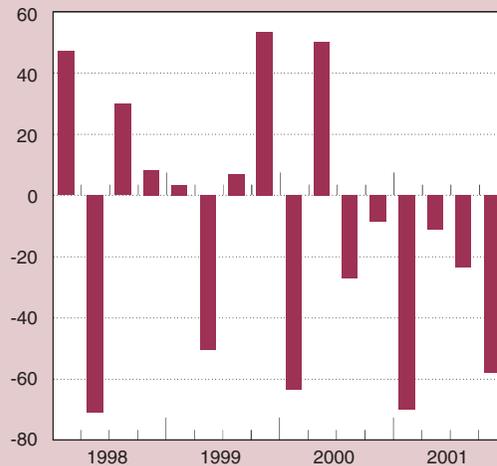
1. Includes inventories held by establishments in the following industries: transportation; communication; finance, insurance, and real estate; and services.

NOTE: See note to table 1 for an explanation of chained (1996) dollar series. Chained (1996) dollar levels and residuals are shown in NIPA tables 5.11B and 8.9B (motor vehicles).

CHART 6

Real Private Inventory Investment: Change from Preceding Quarter

Billion chained (1996) \$



Based on Seasonally Adjusted Annual Rates

U.S. Bureau of Economic Analysis

Exports and Imports

Real exports and real imports declined much less than in the third quarter; for each, it was the fifth consecutive quarterly decline (table 7 and charts 7 and 8).

Exports of goods decreased 10.1 percent, about half as much as in the third quarter. Smaller decreases were posted by exports of nonautomotive capital goods and nonautomotive consumer goods. Exports of services decreased 16.8 percent in the fourth quarter, about the

same as in the third; travel and passenger fees were the major contributors in both quarters.

Imports of goods decreased 3.4 percent after de-

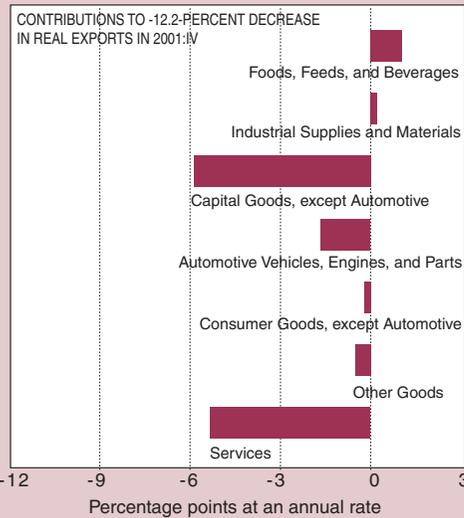
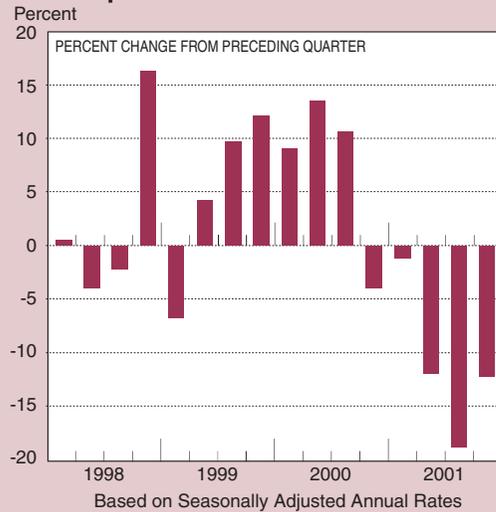
Table 7. Real Exports and Imports of Goods and Services
[Seasonally adjusted at annual rates]

	Billions of chained (1996) dollars					Percent change from preceding quarter			
	Level	Change from preceding quarter							
	2001	2001				2001			
	IV	I	II	III	IV	I	II	III	IV
Exports of goods and services	1,018.6	-3.4	-35.8	-56.1	-33.6	-1.2	-11.9	-18.8	-12.2
Exports of goods ¹	742.8	-5.1	-39.2	-42.3	-20.1	-2.4	-17.3	-19.4	-10.1
Foods, feeds, and beverages	62.7	2.3	-1.0	-1.7	3.3	15.9	-6.0	-10.6	24.0
Industrial supplies and materials	160.6	-3.4	-6.0	-2.5	0.4	-7.8	-13.5	-6.0	0.9
Capital goods, except automotive	321.2	0.9	-37.9	-29.1	-17	0.8	-32.4	-28.2	-18.6
Automotive vehicles, engines, and parts	71.1	-5.4	4.2	1.0	-4.1	-25.6	26.4	5.8	-20.3
Consumer goods, except automotive	85.0	3.4	-0.2	-7.7	-0.6	16.1	-0.8	-29.2	-3.0
Other	42.8	-1.9	-0.1	-2.8	-1.4	-14.5	-0.8	-22.1	-12.1
Exports of services ¹	276.6	1.3	1.8	-14.0	-13.0	1.8	2.4	-17.2	-16.8
Imports of goods and services	1,437.2	-19.9	-33.6	-51.8	-26.0	-5.0	-8.4	-13.0	-6.9
Imports of goods ¹	1,245.9	-23.1	-32.7	-33.5	-10.7	-6.7	-9.5	-10.0	-3.4
Foods, feeds, and beverages	52.7	-0.7	0.9	3.2	-1.1	-5.4	6.8	27.8	-7.6
Industrial supplies and materials, except petroleum and products	162.9	-2.2	1.5	0	-3.6	-5.1	3.6	-0.1	-8.3
Petroleum and products	86.2	5.4	0.9	-6.9	0.9	27.1	4.3	-26.7	3.9
Capital goods, except automotive	370.9	-13.5	-56.2	-26.0	-3.5	-11.0	-40.9	-23.6	-3.7
Automotive vehicles, engines, and parts	185.6	-6.1	4.9	0.9	-3.6	-12.1	10.9	2.1	-7.5
Consumer goods, except automotive	292.0	-0.8	-4.7	-6.1	-2.6	-1.1	-6.0	-7.9	-3.5
Other	86.8	-9.0	7.6	-0.9	2.5	-35.5	45.1	-4.2	12.4
Imports of services ¹	192.4	2.7	-1.2	-18.6	-15.2	4.9	-2.0	-29.1	-26.3

1. Exports and imports of certain goods, primarily military equipment purchased and sold by the Federal Government, are included in services.
Note. See note to table 1 for an explanation of chained (1996) dollar series. Chained (1996) dollar levels and residuals are shown in NIPA table 4.4. Percent changes in major aggregates are shown in NIPA table S.1.

CHART 7

Real Exports

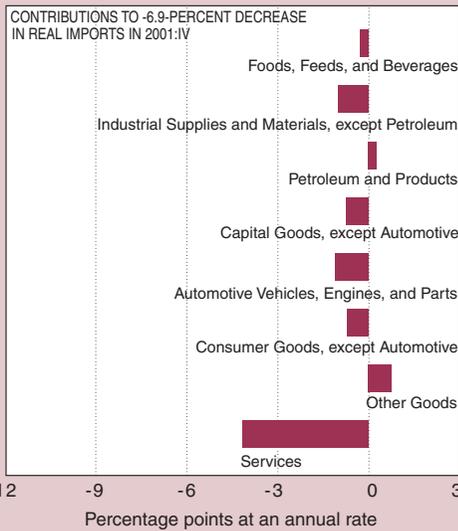


creasing 10.0 percent. Nonautomotive capital goods decreased less than in the third quarter, and petroleum products turned up. Imports of services decreased 26.3

percent, a little less than in the third quarter; as with exports of services, travel and passenger fees were the major contributors to the decreases.

CHART 8

Real Imports



U.S. Bureau of Economic Analysis

Government Spending

Government spending increased 10.1 percent in the fourth quarter, the biggest increase since the third quarter of 1985. Federal Government spending increased more than in the third quarter, and State and local government spending increased after decreasing (table 8 and chart 9).

Federal defense and nondefense spending increased by similar amounts. In defense spending, consumption expenditures accelerated, mainly reflecting step-ups in research and development and in employee compensation and an upturn in nondurable goods other than petroleum and ammunition. Gross investment increased after little change; most categories contributed to the upturn.

In nondefense spending, consumption expenditures turned up, reflecting an upturn in nondurable goods (mainly purchases by the Commodity Credit Corporation) and a step-up in services. Gross investment slowed, as a slowdown in equipment and soft-

ware more than offset a step-up in structures.

State and local government spending rebounded strongly after a slight dip. A jump in gross investment, reflecting the World Trade Center transaction (see footnote 4), was partly offset by a slowdown in consumption expenditures.

Table 8. Real Government Consumption Expenditures and Gross Investment

[Seasonally adjusted at annual rates]

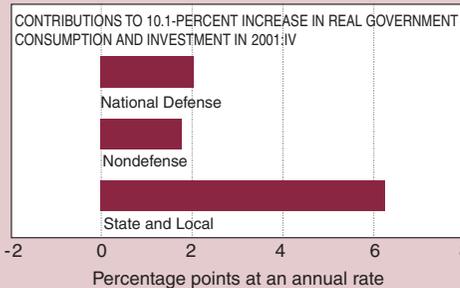
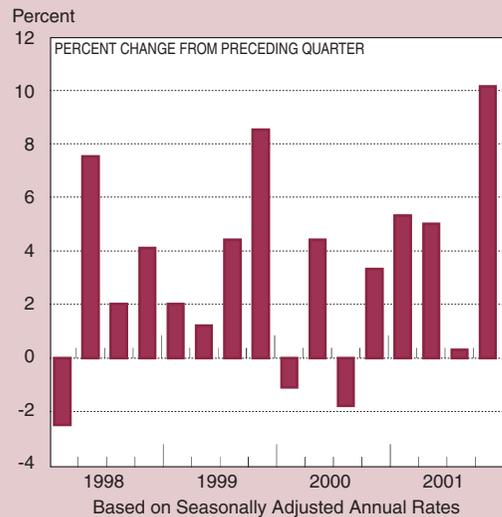
	Billions of chained (1996) dollars					Percent change from preceding quarter			
	Level	Change from preceding quarter							
	2001	2001				2001			
	IV	I	II	III	IV	I	II	III	IV
Government consumption expenditures and gross investment¹	1,663.7	20.6	19.6	1.1	39.6	5.3	5.0	0.3	10.1
Federal.....	575.1	4.3	2.5	4.9	15.5	3.2	1.8	3.6	11.6
National defense.....	373.5	6.5	2.1	2.9	8.2	7.5	2.3	3.2	9.4
Consumption expenditures.....	312.4	8.4	0.2	2.9	4.9	11.8	0.2	3.9	6.5
Gross investment.....	61.8	-2.3	2.1	-0.1	3.7	-14.6	16.0	-0.7	28.1
Nondefense.....	201.5	-2.2	0.5	2.0	7.2	-4.3	0.9	4.2	15.7
Consumption expenditures.....	155.3	-2.3	0.5	-0.2	5.5	-5.9	1.4	-0.4	15.4
Gross investment.....	46.9	0.3	-0.1	2.4	1.7	2.1	-0.7	24.1	16.8
State and local.....	1,088.0	16.2	16.9	-3.6	24.2	6.4	6.6	-1.3	9.4
Consumption expenditures.....	863.3	8.6	7.8	9.0	7.4	4.2	3.8	4.3	3.5
Gross investment.....	225.1	7.7	9.4	-13.1	17.2	16.1	18.9	-21.6	37.4

1. Gross government investment consists of general government and government enterprise expenditures for fixed assets; inventory investment is included in government consumption expenditures.

Note. See note to table 1 for an explanation of chained (1996) dollar series. Chained (1996) dollar levels and residuals are shown in NIPA table 3.8. Percent changes in major aggregates are shown in NIPA table S.1.

CHART 9

Real Government Consumption and Investment



U.S. Bureau of Economic Analysis

Prices

The price index for gross domestic purchases, which measures the prices of goods and services purchased by U.S. residents, increased 0.4 percent in the fourth quarter after decreasing 0.1 percent in the third. (The advance estimate had also shown a fourth-quarter increase of 0.4 percent.) As already noted, the pattern of price change in the third and fourth quarters was affected by the NIPA treatment of insurance benefit payments associated with the September 11th terrorist attacks. Excluding the insurance-related price effects, the index decreased 0.3 percent in the fourth quarter after increasing 0.6 percent in the third.

Food prices decelerated in the fourth quarter, and energy prices decreased more than in the third quarter. Excluding food and energy prices, the price index for gross domestic purchases increased 1.9 percent after increasing 0.6 percent (table 9 and chart 10).

Prices of personal consumption expenditures increased 0.7 percent after decreasing 0.2 percent. The upswing partly reflected the NIPA treatment of insur-

ance benefit payments; an acceleration in prices of medical care services also contributed. In contrast, prices of energy goods and services dropped more than in the third quarter, and food prices slowed.

Prices paid by government decreased after no change in the third quarter. The decrease mainly reflected lower energy prices.

Prices of private nonresidential fixed investment decreased 1.6 percent after decreasing 0.5 percent. Prices of transportation equipment decreased after a moderate increase; other categories of equipment posted changes similar to those in the third quarter.

The GDP price index, which measures the prices paid for goods and services produced in the United States, decreased 0.2 percent after increasing 2.3 percent. This index, unlike the price index for gross domestic purchases, excludes the prices of imports and includes the prices of exports. Import prices increased after a substantial decrease. Prices of imported services swung up sharply; the third-quarter decrease had reflected insurance payments from foreign insurers and reinsurers related to the September 11th attacks. Excluding the insurance-related price effects on imports and on PCE (and a small effect on State and local government spending), the GDP price index increased 0.8 percent in the fourth quarter after increasing 1.2 percent in the third.

Table 9. Percent Change in Prices

[Annual rates; based on seasonally adjusted index numbers (1996=100)]

	2001			
	I	II	III	IV
Gross domestic product	3.3	2.1	2.3	-0.2
Less: Exports of goods and services	-0.1	-1.0	-1.7	-3.1
Plus: Imports of goods and services	-3.0	-6.0	-17.1	2.5
Equals: Gross domestic purchases	2.7	1.3	-0.1	0.4
Less: Change in private inventories .....	.....	.....	.....	.....
Equals: Final sales to domestic purchasers	2.6	1.3	-0.1	0.4
Personal consumption expenditures	3.2	1.3	-0.2	0.7
Durable goods	-0.7	-3.5	-2.8	-1.6
Nondurable goods	1.9	2.7	-1.5	-3.2
Services	4.7	1.7	0.9	3.2
Private fixed investment	-0.4	0.6	0.3	-0.3
Nonresidential	-1.9	-0.1	-0.5	-1.6
Structures	6.2	4.7	2.7	0.8
Equipment and software	-4.6	-1.9	-1.7	-2.4
Residential	4.6	2.6	2.5	3.3
Government consumption expenditures and gross investment	3.5	1.8	0	-0.4
Federal	4.4	1.2	0.2	-0.5
National defense	3.6	1.0	0.3	-0.9
Nondefense	5.8	1.7	0	0
State and local	3.0	2.1	-0.1	-0.3
Addenda:				
Gross domestic purchases:				
Food	4.1	2.6	3.7	2.5
Energy	9.3	6.1	-21.0	-33.1
Less food and energy	2.3	0.9	0.6	1.9
Personal consumption expenditures:				
Food	4.0	2.6	3.8	2.4
Energy goods and services ¹	11.7	9.2	-20.6	-31.9
Less food and energy	2.6	0.7	0.5	2.6

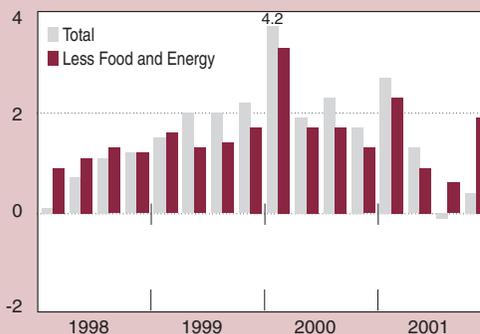
1. Consists of gasoline, fuel oil, and other energy goods and of electricity and gas.

Note. Percent changes in major aggregates are shown in NIPA table 8.1. Index numbers are shown in tables 7.1, 7.2, and 7.4.

CHART 10

Gross Domestic Purchases Prices: Change From Preceding Quarter

Percent



Note—Percent change at annual rate from preceding quarter; based on seasonally adjusted index numbers (1996=100).

U.S. Bureau of Economic Analysis

Revisions

The preliminary estimate of a 1.4-percent increase in real GDP in the fourth quarter is considerably larger than the advance estimate's 0.2-percent increase (table 10). In the past 20 years, the average revision, without regard to sign, from the advance estimate to the preliminary estimate has been 0.5 percentage point.

A substantial downward revision to imports of goods contributed 0.49 percentage point to the upward revision to GDP, and a substantial upward revision to consumer spending contributed 0.43 percentage point. The revision to imports mainly reflected the incorpo-

ration of newly available Census Bureau data on trade in goods for December; the revision mainly affected imports of nonautomotive consumer goods, nonautomotive capital goods, and autos. The revision to consumer spending reflected revised Census Bureau data on retail sales for December; it was most pronounced in nondurable goods, especially food.

Upward revisions to government spending, fixed investment, inventory investment, and exports also contributed to the upward revision to GDP.

Table 10. Revisions to Change in Real Gross Domestic Product and Prices, Fourth Quarter 2001

[Seasonally adjusted at annual rates]

	Percent change from preceding quarter		Preliminary estimate minus advance estimate	
	Advance estimate	Preliminary estimate	Percentage points	Billions of chained (1996) dollars
Gross domestic product	0.2	1.4	1.2	27.1
<i>Less: Exports</i>	-12.4	-12.2	0.2	0.6
Goods.....	-11.6	-10.1	1.5	3.2
Services.....	-14.1	-16.8	-2.7	-2.3
<i>Plus: Imports</i>	-3.4	-6.9	-3.5	-13.4
Goods.....	1.0	-3.4	-4.4	-13.8
Services.....	-26.7	-26.3	0.4	0.3
Equals: Gross domestic purchases	1.0	1.7	0.7	15.7
<i>Less: Change in private inventories</i>.....	.....	.....	.....	0.6
Equals: Final sales to domestic purchasers	3.2	3.9	0.7	14.6
Personal consumption expenditures.....	5.4	6.0	0.6	10.1
Durable goods.....	38.4	39.2	0.8	1.5
Nondurable goods.....	0.9	2.4	1.5	7.0
Services.....	1.6	1.8	0.2	1.9
Fixed investment.....	-11.1	-11.0	0.1	0.9
Nonresidential.....	-12.8	-13.1	-0.3	-0.9
Structures.....	-31.0	-32.6	-1.6	-1.5
Equipment and software.....	-5.2	-4.8	0.4	1.0
Residential.....	-6.4	-5.0	1.4	1.5
Government consumption expenditures and gross investment.....	9.2	10.1	0.9	3.5
Federal.....	9.5	11.6	2.1	2.6
National defense.....	9.3	9.4	0.1	0
Nondefense.....	9.9	15.7	5.8	2.6
State and local.....	9.0	9.4	0.4	1.0
Addenda:				
Final sales of domestic product.....	2.5	3.6	1.1	26.0
Gross domestic purchases price index.....	0.4	0.4	0	.....
GDP price index.....	-0.3	-0.2	0.1	.....

NOTE: The preliminary estimates for the fourth quarter of 2001 incorporate the following revised or additional major source data that were not available when the advance estimates were prepared.

Personal consumption expenditures: Retail sales for November and December (revised), consumers' share of new-car purchases for December, average unit value for domestic new autos for December (revised), and consumers' share of new-truck purchases for December.

Nonresidential fixed investment: Construction put-in-place for October and November (revised) and December, manufacturers' shipments of machinery and equipment for November and December (revised), and manufacturers' shipments of complete civilian aircraft for November (revised) and December.

Residential fixed investment: Construction put-in-place for October and November (revised) and December.

Change in private inventories: Manufacturing and trade inventories for November (revised) and December.

Exports and imports of goods and services: Exports and imports of goods for November (revised) and December.

Government consumption expenditures and gross investment: Monthly Treasury Statement detailed data for December, General Services Administration data for computer contract awards for the fourth quarter, and State and local government construction put-in-place for October and November (revised) and December.

Wages and salaries: Employment, average hourly earnings, and average weekly hours for November and December (revised).

GDP prices: Detailed merchandise export and import price indexes for October through December (revised), unit-value index for petroleum imports for November (revised) and December, and housing prices for the fourth quarter.