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BEA 00-04

### **GROSS DOMESTIC PRODUCT: FOURTH QUARTER 1999 (PRELIMINARY)**

Real gross domestic product -- the output of goods and services produced by labor and property located in the United States -- increased at an annual rate of 6.9 percent in the fourth quarter of 1999, according to preliminary estimates released by the Commerce Department's Bureau of Economic Analysis. In the third quarter, real GDP increased 5.7 percent.

The GDP estimates released today are based on more complete source data than were available for the advance estimates issued last month. In the advance estimates, the increase in real GDP was 5.8 percent (see "Revisions" on pages 2 and 3).

The major contributors to the increase in real GDP in the fourth quarter were: Personal consumption expenditures, government spending, inventory investment, and exports. The contributions of these components were partially offset by the effects of an increase in imports.

The price index for gross domestic purchases, which measures prices paid by U.S. residents, increased 2.3 percent in the fourth quarter, the same increase as in the advance estimate; this index increased 1.7 percent in the third quarter. Excluding food and energy prices, the price index for gross domestic purchases increased 1.9 percent in the fourth quarter, compared with an increase of 1.2 percent in the third. The price index for personal consumption expenditures increased 2.5 percent in the fourth quarter, compared with an increase of 1.8 percent in the third. Excluding food and energy prices, the price index for personal consumption expenditures increased 2.0 percent in the fourth quarter, compared with an increase of 1.2 percent in the third.

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NOTE.--Quarterly estimates are expressed at seasonally adjusted annual rates, unless otherwise specified. Quarter-to-quarter dollar changes are differences between these published estimates. Percent changes are calculated from unrounded data and annualized. "Real" estimates are in chained (1996) dollars. Price indexes are chain-type measures.

Real personal consumption expenditures increased 5.9 percent in the fourth quarter, compared with an increase of 4.9 percent in the third. Real nonresidential fixed investment increased 2.5 percent, compared with an increase of 10.9 percent. Nonresidential structures decreased 4.3 percent, compared with a decrease of 3.8 percent. Equipment and software increased 4.7 percent, compared with an increase of 15.7 percent. Real residential fixed investment increased 1.0 percent, in contrast to a decrease of 3.8 percent.

Real exports of goods and services increased 8.7 percent in the fourth quarter, compared with an increase of 11.5 percent in the third. Real imports of goods and services increased 10.0 percent, compared with an increase of 14.9 percent.

Real federal government consumption expenditures and gross investment increased 14.2 percent in the fourth quarter, compared with an increase of 4.1 percent in the third. National defense increased 16.7 percent, compared with an increase of 11.2 percent. Nondefense increased 9.9 percent, in contrast to a decrease of 7.1 percent. Real state and local government consumption expenditures and gross investment increased 6.6 percent, compared with an increase of 4.8 percent.

The real change in private inventories added 1.33 percentage points to the fourth-quarter change in real GDP, after adding 1.09 percentage points to the third-quarter change. Businesses increased inventories \$68.7 billion in the fourth quarter, following increases of \$38.0 billion in the third quarter and \$14.0 billion in the second.

Real final sales of domestic product -- GDP less change in private inventories -- increased 5.6 percent in the fourth quarter, compared with an increase of 4.5 percent in the third.

### **Gross domestic purchases**

Real gross domestic purchases -- purchases by U.S. residents of goods and services wherever produced -- increased 7.2 percent in the fourth quarter, compared with an increase of 6.3 percent in the third.

### **Current-dollar GDP**

Current-dollar GDP -- the market value of the nation's output of goods and services -- increased 9.1 percent, or \$203.8 billion, in the fourth quarter to a level of \$9,501.6 billion. In the third quarter, current-dollar GDP increased 6.8 percent, or \$151.6 billion.

### **Revisions**

The preliminary estimate of the fourth-quarter increase in real GDP is 1.1 percentage points, or \$24.0 billion, higher than the advance estimate issued last month. The upward revision to the percent change in real GDP reflected upward revisions to personal consumption expenditures (\$9.1 billion), to state and local government spending (\$5.2 billion), to exports (\$4.6 billion), to inventory investment (\$3.3 billion), and to residential structures (\$2.1 billion); there was a downward revision to federal government spending (\$2.2 billion).

	<u>Advance</u>	<u>Preliminary</u>
	(Percent change from preceding quarter)	
Real GDP.....	5.8	6.9
Current-dollar GDP.....	7.9	9.1
Gross domestic purchases price index....	2.3	2.3

### **1999 GDP (Revised)**

Real GDP increased 4.1 percent in 1999 (that is, from the 1998 annual level to the 1999 annual level), compared with an increase of 4.3 percent in 1998. In the advance estimates, the increase in real GDP was 4.0 percent in 1999.

The increase in real GDP in 1999 was more than accounted for by increases in personal consumption expenditures and in private fixed investment. The increase in GDP was moderated by an increase in imports.

The price index for gross domestic purchases increased 1.5 percent in 1999, compared with an increase of 0.7 percent in 1998.

Current-dollar GDP increased 5.6 percent, or \$494.7 billion, in 1999. Current-dollar GDP increased 5.5 percent, or \$459.1 billion, in 1998.

During 1999 (that is, measured from the fourth quarter of 1998 to the fourth quarter of 1999), real GDP increased 4.5 percent. Real GDP increased 4.6 percent during 1998. The price index for gross domestic purchases increased 1.9 percent during 1999, compared with an increase of 0.7 percent during 1998. The price index for personal consumption expenditures increased 2.0 percent during 1999, compared with an increase of 1.0 percent during 1998.

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Next release -- March 30, 2000, at 8:30 A.M. EST for:  
Gross Domestic Product: Fourth Quarter 1999 (Final)  
Corporate Profits: Fourth Quarter 1999











Goods.....	6.4	6.0	5.4	2.7	9.0	4.7	4.2	8.8	7.9	4.9	3.7	14.0	-3.0	5.7	11.7	2.9	.5	9.5	11.7
Services.....	3.2	2.9	3.3	2.2	4.2	.7	5.1	2.2	4.1	3.3	2.8	1.3	5.0	2.6	2.1	3.1	3.7	4.4	4.3
Structures.....	4.4	5.5	3.6	8.1	15.1	.6	6.7	5.6	.1	4.8	2.5	9.7	7.6	2.7	5.0	10.2	-2.8	-2.0	3.2
Motor vehicle output.....	6.6	7.5	9.3	-33.7	69.6	-2.4	-19.2	11.4	4.0	28.7	13.7	-4.4	-8.2	6.3	69.2	-20.7	8.4	26.2	5.2
GDP less motor vehicle output.....	4.4	4.2	3.9	4.5	5.1	2.4	5.9	4.7	5.2	3.2	2.7	7.1	2.5	3.7	4.0	4.8	1.6	5.0	7.0
Final sales of computers\1\.....	45.4	53.9	43.9	73.4	36.6	45.4	33.0	56.1	51.2	53.6	19.9	66.8	62.2	77.5	44.4	31.6	44.2	53.2	12.9
GDP less final sales of computers.	4.1	3.9	3.7	2.4	6.6	1.8	4.6	4.5	4.7	3.6	2.9	6.2	1.6	3.2	5.5	3.4	1.5	5.2	6.9
Farm product\2\.....	11.8	-2.5	-1.0	21.7	14.4	-.2	4.1	27.6	10.8	18.5	-8.6	-9.1	-11.4	7.3	3.6	-4.4	5.9	-21.1	22.1
Nonfarm business less housing product\3\.....	5.4	5.3	4.8	4.0	7.9	2.6	6.1	5.7	6.2	4.8	4.2	8.5	2.4	4.4	7.3	4.1	1.9	6.9	8.2
Price indexes:																			
GDP.....	1.7	1.2	1.4	2.5	1.3	1.8	1.4	2.4	1.5	1.2	1.3	1.0	1.1	1.4	.9	2.0	1.3	1.1	2.0
GDP less food and energy.....	1.7	1.3	1.5	2.2	.6	1.9	1.7	2.2	1.7	1.1	1.3	1.2	1.3	1.5	1.0	1.9	1.4	1.2	2.3
GDP less final sales of computers.	2.0	1.6	1.8	2.9	1.7	2.1	1.8	2.7	1.9	1.5	1.5	1.4	1.5	2.0	1.3	2.4	1.5	1.3	2.3
Gross domestic purchases.....	1.4	.7	1.5	2.3	1.2	1.5	1.9	1.9	.6	1.0	1.1	.1	.8	1.1	1.0	1.6	1.9	1.7	2.3
Gross domestic purchases less food and energy.....	1.3	1.0	1.4	1.9	.3	1.5	1.4	1.8	1.4	.9	1.0	.8	1.2	1.3	1.1	1.7	1.2	1.2	1.9
Gross domestic purchases less final sales of computers.....	1.8	1.2	1.9	2.8	1.7	1.8	2.3	2.3	.9	1.4	1.5	.5	1.3	1.6	1.5	2.0	2.2	2.1	2.6
Personal consumption expenditures.	1.7	.9	1.6	2.4	2.4	1.4	2.5	2.1	.8	1.1	1.2	.5	1.1	1.2	1.2	1.4	2.2	1.8	2.5
Personal consumption expenditures less food and energy.....	1.6	1.3	1.4	1.8	1.5	1.3	1.9	1.9	.8	1.0	1.3	1.7	1.4	1.4	1.4	1.4	1.3	1.2	2.0

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1. For some components of final sales of computers, includes computer parts.
2. Farm output less intermediate goods and services purchased.
3. Consists of GDP less gross product of farm, of housing, of households and institutions, and of general government.

See "Explanatory Note" at the end of the tables.

## Explanatory Note: Measures of Output and Prices

This note describes the calculation of chain-type quantity and price indexes used in the NIPA's.

Changes in current-dollar GDP measure changes in the market value of goods, services, and structures produced in the economy in a particular period. These changes can be decomposed into quantity and price components. Quantities, or "real" measures, and prices are expressed as index numbers with the reference year--at present, the year 1996--equal to 100.

The annual changes in quantities and prices are calculated using a Fisher formula that incorporates weights from two adjacent years. (Quarterly changes in quantities and prices are calculated using a Fisher formula that incorporates weights from two adjacent quarters; quarterly indexes are adjusted for consistency to the annual indexes before percent changes are calculated.) For example, the 1997-98 annual percent change in real GDP uses prices for 1997 and 1998 as weights, and the 1997-98 annual percent change in GDP prices uses quantities for 1997 and 1998 as weights. These annual changes are "chained" (multiplied) together to form time series of quantity and price indexes. The Fisher formula also produces percent changes in quantities and prices that are not affected by the choice of reference years. In addition, because the changes in quantities and prices calculated in this way are symmetric, in general, the product of a quantity index and the corresponding price index equals the current-dollar index. (BEA also publishes a measure of the price level known as the "implicit price deflator (IPD)," which is calculated as the ratio of current-dollar value to the corresponding chained-dollar value, multiplied by 100. The values of the IPD are very close to the values of the corresponding "chain-type" price index for all periods.)

Chain-type quantity and price indexes for GDP and its major components are presented in this release as index numbers in table 5 and in the form of percentage changes from the preceding period in tables 1, 4, 6A, and 6B. Contributions by major components to changes in real GDP are presented in table 2. BEA also prepares measures of real GDP and its components in a dollar-denominated form, designated "chained (1996) dollar estimates." For GDP and most other series, these estimates, which are presented in table 3, are computed by multiplying the 1996 current-dollar value by a corresponding quantity index number and then dividing by 100. For example, if a current-dollar GDP component equaled \$100 in 1996 and if real output for this component increased 10 percent in 1997, then the chained (1996) dollar value of this component in 1997 would be \$110 ( $\$100 \times 1.10$ ).

For analyses of changes over time in an aggregate or in a component, the percentage changes calculated from the chained-dollar estimates and from the chain-type quantity indexes are the same; any differences will be small and due to rounding. However, because the relative prices used as weights for any period other than the reference year differ from those used for the reference year, the chained-dollar values for the detailed GDP components will not necessarily sum to the chained-dollar estimate of GDP or to any intermediate aggregate. A measure of the extent of such differences is provided by a "residual" line, which indicates the difference between GDP (or another major aggregate) and the sum of the most detailed components in the table. For periods close to the reference year, when there usually has not been much change in the relative prices that are used as weights for the chain-type index, the residuals tend to be small, and the chained (1996) dollar estimates can be used to approximate the contributions to growth and to aggregate the detailed estimates. As one moves further from the reference year, the residual tends to become larger, and the chained-dollar estimates become less useful for analyses of contributions to growth. Thus, the contributions to percent change shown in table 2 provide a better measure of the composition of GDP growth. In particular, for components for which relative prices are changing rapidly, calculation of contributions using chained-dollar estimates may be misleading even just a few years from the reference year.

References: "A Preview of the 1999 Comprehensive Revision of the NIPA's: Statistical Changes," October 1999 Survey, pp. 6-17; "A Guide to the NIPA's," March 1998 Survey, pp. 36-40; "BEA's Chain Indexes, Time Series, and Measures of Long-Term Economic Growth," May 1997 Survey, pp. 58-68.