



March 29, 2007

### **GDP Grew at a 2.5% Annualized Rate in the 4<sup>th</sup> Quarter**

The Bureau of Economic Analysis (BEA) released its “final” estimate of growth in the inflation-adjusted (“real”) gross domestic product (GDP) for the 4<sup>th</sup> quarter of 2006 (at <http://www.bea.gov/newsreleases/national/gdp/2007/pdf/gdp406f.pdf>).

GDP growth in the 4<sup>th</sup> quarter was estimated to have been an annualized 2.5%, an upward revision from the earlier 2.2% “preliminary” estimate released on February 28.

#### Highlights:

- The upward revision to the percent change in real GDP primarily reflected upward revisions to inventory investment and consumer spending. In contrast, investment in equipment and software was revised down.
- Real GDP grew at an annualized 2.0% rate in the 3<sup>rd</sup> quarter, 2.6% in the 2<sup>nd</sup> quarter, and 5.6% in the 1<sup>st</sup> quarter of last year.
- Real GDP increased at a robust 3.3% rate in 2006 (from the 2005 annual level compared to the 2006 annual level). In 2005, real GDP increased 3.2%.
- The acceleration to 2.5% annualized growth in the 4<sup>th</sup>-quarter relative to the 2.0% growth in the 3<sup>rd</sup> quarter reflected accelerations in consumer spending, exports, and Federal government spending and a downturn in imports. The effects on GDP growth of those accelerations were moderated by downturns in inventory investment and equipment and software investment.
- BEA also released the first estimate of 4<sup>th</sup>-quarter corporate profits. Corporate profits with inventory valuation and capital consumption (depreciation) adjustments rose 18% in the 4<sup>th</sup> quarter of 2006 relative to the same quarter a year earlier.

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