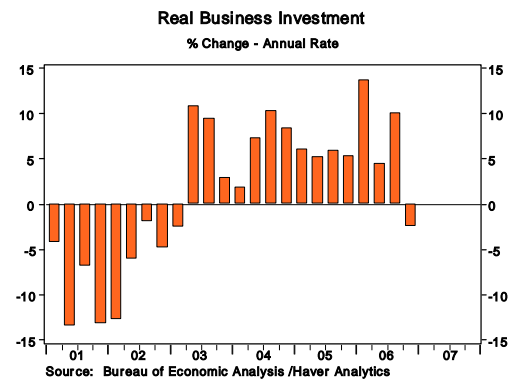
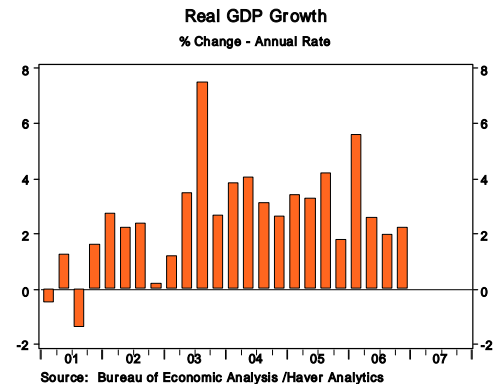


4TH QUARTER GDP (PRELIMINARY)

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- Real GDP was revised to show a 2.2% growth rate in Q4 versus the originally reported 3.5% and the consensus forecast of 2.3%. The GDP chain-weighted price index was revised up to 1.7% from an original estimate of 1.5%. Nominal GDP (or aggregate demand) rose 3.9% at an annual rate in Q4 (originally +5.0%).
- Real personal consumption expenditures were revised slightly lower to a 4.2% annualized growth rate from 4.4%. Real business investment fell at a 2.4% annual rate in Q4, a downward revision from the originally reported 0.4% drop. The contraction in residential investment was essentially unchanged, with a new estimate of a 19.2% decline at an annual rate versus 19.1% originally reported.
- A decline in inventory accumulation subtracted 1.4 percentage points from the real GDP growth rate in Q4, twice the original estimate of a drag of 0.7 percentage points. The trade balance added 1.5 percentage points to real GDP growth versus an original estimate of 1.6 percentage points.
- Removing the effects of inventories, the trade deficit, and government purchases, “core” real GDP (final sales to domestic private purchasers) grew at a 1.5% annual rate in Q4 versus 1.8% originally reported.

Implications: The revision downward in real GDP growth in Q4 was widely anticipated based on data out the past few weeks. The headline number of 2.2% is not strong. However, about half of the downward revision was attributable to lower inventory accumulation, which leaves more room for business purchases in the months ahead. Also, real GDP growth outside the housing sector remains strong. Real GDP excluding housing grew at a 3.4% annual rate in Q4 and was up 4% in 2006, the fastest growth in any calendar year since 1999.



4th Quarter GDP <i>Seasonally Adjusted Annual Rates</i>	Q4-06	Q3-06	Q2-06	Q1-06	4 Quarter Change
Real GDP	2.2%	2.0%	2.6%	5.6%	3.1%
GDP Price Index	1.7%	1.9%	3.3%	3.3%	2.5%
Nominal GDP	3.9%	3.9%	5.9%	9.0%	5.7%
PCE	4.2%	2.8%	2.6%	4.8%	3.6%
Durables	4.4%	6.4%	-0.1%	19.8%	7.4%
Nondurables	6.0%	1.5%	1.4%	5.9%	3.7%
Services	3.3%	2.8%	3.7%	1.6%	2.8%
Business Investment	-2.4%	10.0%	4.4%	13.7%	6.2%
Structures	-0.8%	15.7%	20.3%	8.8%	10.7%
Equipment and Software	-3.1%	7.7%	-1.4%	15.6%	4.4%
Contributions to GDP Growth (p.pts.)	Q4-06	Q3-06	Q2-06	Q1-06	4Q Avg.
PCE	2.9	2.0	1.8	3.4	2.5
Business Investment	-0.3	1.0	0.5	1.4	0.6
Residential Investment	-1.2	-1.2	-0.7	0.0	-0.8
Inventories	-1.4	0.1	0.4	0.0	-0.2
Government	0.6	0.3	0.2	0.9	0.5
Net Exports	1.5	-0.2	0.4	0.0	0.4

Source: Commerce Department