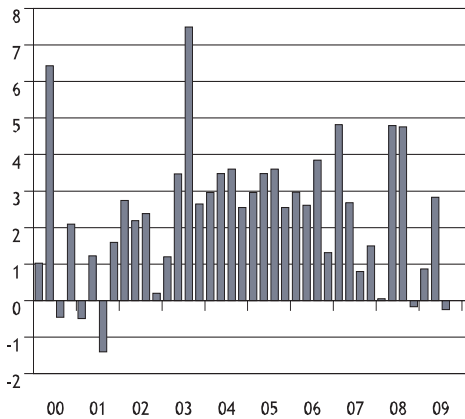


## U.S. NATIONAL GDP ACCOUNTS

November 25, 2008

### U.S. real GDP

Quarter-over-quarter %change, annualized



## GDP revised down on weakness in person consumption

The U.S. economy shrank 0.5% on a quarter-over-quarter annualized basis in the third quarter. The initial estimate had been for a 0.3% fall. Personal consumption was revised down from -3.1% to -3.7%. The personal consumer expenditures (PCE) index was revised down to 5.2% from 5.4% and core PCE was revised down to 2.6% from the initially reported 2.9%.

The biggest revision was to personal consumption, which is now estimated to have fallen 3.7% (initially reported at -3.1%). The initial estimate suggested that this component reduced headline GDP by 2.3 percentage points, but the downward revision points to a 2.7 percentage point reduction in overall growth.

Services accounted for much of the downward revision (initially reported to have grown 0.6%, but revised down to flat). The downward revision to business investment in equipment and software to a 5.7% fall from an initially estimated 5.5% drop also added to the overall weakness. Providing some offset was residential construction, whose fall was trimmed from -19.1% to -17.6%. Real final sales were revised down to -1.4% (-0.8% initially). The report also brought the first official estimate of corporate profits in the third quarter. Profits were estimated to have fallen 0.4% compared to the 3.8% fall in the prior quarter. Much of the weakness (2.4%) came from corporate income taxes; current production profit fell 0.9%.

Although the Fed appears more preoccupied with growth than inflation at the moment, today's report will provide it comfort on the latter front with the downward revisions to both headline and core PCE as well as the Fed's preferred measure of inflation, down to 2.6% from 2.9% initially, bringing the year-on-year rate to 2.4%, which is still above the Fed's unofficial 1%-2% range. The Fed has, however, said that it expects weaker growth to bring inflation down in the coming quarters.

### Q3 national accounts

Annualized % change from previous quarter

	Q1/07	Q2/07	Q3/07	Q4/07	Q1/08	Q2/08
Consumer spending	2.0	2.0	1.0	0.9	1.2	-3.7
Durables	5.0	2.3	0.4	-4.3	-2.8	-15.2
Non-durables	1.9	1.2	0.3	-0.4	3.9	-6.9
Services	1.4	2.4	1.4	2.4	0.7	0.0
Business fixed investment	6.2	3.5	-11.9	-5.8	-11.5	0.4
Residential	-11.6	-20.6	-27.0	-25.0	-13.3	-17.6
Non-residential structures	18.3	20.6	8.6	8.7	18.4	6.6
Equipment and software	6.9	3.6	1.0	-0.5	-5.0	-5.6
Government spending	3.9	3.8	0.8	1.9	3.9	5.3
Inventory change (\$ bn)	-2.8	16.0	-8.1	-10.2	-50.6	-29.1
Final domestic demand	2.5	1.9	-0.1	0.1	1.3	-2.3
Exports	8.8	23.0	4.4	5.1	12.3	3.4
Imports	-3.7	3.0	-2.3	-0.8	-7.3	-3.2
<b>Real GDP</b>	<b>4.8</b>	<b>4.8</b>	<b>-0.2</b>	<b>0.9</b>	<b>2.8</b>	<b>-0.5</b>

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