Real gross domestic product (GDP) increased 3.5 percent in the fourth quarter after increasing 2.0 percent in the third quarter, according to estimates released today by the Bureau of Economic Analysis. Annual growth in 2006 was 3.4 percent, compared with 3.2 percent in 2005.

Fourth-quarter highlights

The fourth-quarter acceleration in GDP growth reflected the following:

- Imports of goods turned down, while exports of services turned up.
- Consumer spending accelerated, mainly for food.
- Federal Government spending and state and local government spending both accelerated.

In contrast, private investment declined 11.0 percent, compared with a 0.8-percent decline in the third quarter.

Prices for personal consumption expenditures decreased 0.8 percent, compared with an increase of 2.4 percent. Excluding food and energy, prices increased 2.1 percent, compared with 2.2 percent.

Real disposable income increased 5.4 percent in the fourth quarter, following an increase of 4.1 percent.

2006 highlights

The acceleration in GDP growth in 2006 mainly reflected an upturn in inventory investment and accelerations in exports, in nonresidential structures, and in state and local government spending that offset a downturn in residential investment.