

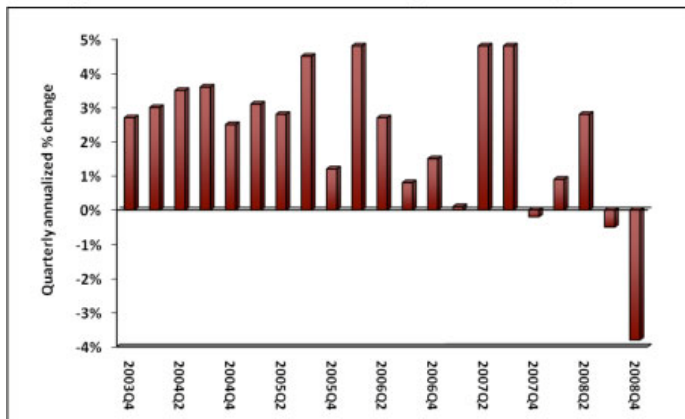
Fourth Quarter GDP: Nonresidential Investment Tumbles

"All eyes remain on the stimulus package working its way through Capitol Hill."

—ABC Chief Economist Anirban Basu

Investment in the commercial and industrial industry tumbled in the fourth quarter of 2008 falling 19.1 percent, according to the January 30th gross domestic product (GDP) report from the U.S. Commerce Department. For the year, real nonresidential fixed investment, which includes the purchase of nonresidential structures, equipment and software, expanded 1.8 percent. (See [what this means](#) below)

Change In Real Gross Domestic Product, 2003Q4 through 2008Q4



Meanwhile, residential fixed investment plunged 27.8 percent. Personal consumption expenditures dropped for the second consecutive quarter, falling 3.5 percent, with durable goods consumption expenditures showing the steepest decline, down 22.4 percent. Exports dropped drastically and were down 27.7 percent while imports were 15.7 percent lower. In contrast, federal government expenditures increased 5.8 percent on an annualized basis during the fourth quarter.

Overall, real GDP fell 3.8 percent during the fourth quarter – the worst showing in a quarter century. For 2008, GDP expanded a mere 1.3 percent following a 2 percent growth in 2007.

What This Means

“Remarkably, the 3.8 percent decline in GDP during last year’s fourth quarter will be greeted by many as good news,” said Associated Builders and Contractors (ABC) chief economist Anirban Basu. “Many economists had forecasted sharper declines, with the consensus forecast calling for GDP declines between 5 and 6 percent. However, ABC members should remain skeptical regarding any near-term relief from boosted economic activity.

“Both consumer and business spending are in decline as demonstrated by the data regarding retail sales and durable goods orders,” added Basu. “Moreover, the credit noose remains very much around the economy’s neck, and given the general lack of confidence in the economy, will not loosen in any meaningful way for months to come.

“All eyes remain on the stimulus package working its way through Capitol Hill,” remarked Basu. “However, there is growing discontent with the package given its propensity toward pork barrel spending and disappointing level of infrastructure-related spending. Analysts also believe that rather than providing a jolt to the economy, the package will act more like a time-release capsule, which would not be enough to shake the economy out of its doldrums in 2009.”