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Statistics Administration

BUREAU OF  
ECONOMIC ANALYSIS

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GROSS NATIONAL PRODUCT (GNP)  
GROSS DOMESTIC PRODUCT (GDP)  
PRELIMINARY REPORT FOR FOURTH QUARTER AND YEAR 1974

Gross national product -- the market value of the Nation's output of goods and services -- rose \$11.7 billion or 3.3 percent at an annual rate in the fourth quarter of 1974 to a seasonally adjusted annual rate of \$1,428.0 billion, according to preliminary figures released by the Bureau of Economic Analysis, an agency of the Commerce Department's Social and Economic Statistics Administration. In the third quarter, GNP increased \$32.5 billion or 9.7 percent at an annual rate.

Real output (GNP adjusted for price changes) declined at an annual rate of 9.1 percent in the fourth quarter, compared with a decline of 1.9 percent in the third. Prices, as measured by the GNP implicit price deflator, rose at an annual rate of 13.7 percent, compared with 11.9 percent in the third quarter.

Gross domestic product increased \$14.0 billion, compared with \$31.1 billion in the third quarter. Real GDP declined at an annual rate of 8.9 percent, compared with a decline of 2.1 percent in the third.

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GNP and personal income statistics for 1974 are shown in the accompanying table. Additional detail will appear in the January issue of the Survey of Current Business, the monthly magazine of the Bureau of Economic Analysis.

The Survey is available from Department of Commerce District Offices or from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402, at an annual subscription price of \$48.30, including weekly supplements; single copy \$3.00.

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For the year 1974, GNP totaled \$1,396.7 billion, an increase of \$101.8 billion or 7.9 percent over 1973. All of the increase was attributable to prices, which rose 10.2 percent. Real output declined 2.2 percent. In 1973, GNP increased \$136.9 billion or 11.8 percent over 1972, as real output increased 5.9 percent and prices rose 5.6 percent. Real GDP declined 2.0 percent in 1974, compared with an increase of 5.9 percent in 1973.

The Bureau emphasized that the fourth quarter figures are based on preliminary and incomplete source data. Data are not available for December on foreign trade and consumer prices, and are incomplete for inventories and domestic trade. Revised estimates based on more comprehensive data will be issued next month.

#### Fourth Quarter 1974

Final sales increased \$5.9 billion in the fourth quarter, compared with \$37.3 billion in the third. Increases occurred in business fixed investment, net exports, and government purchases. These were largely offset by declines in consumer spending and in residential construction.

Inventory investment amounted to \$14.4 billion in the fourth quarter compared with \$8.7 billion in the third and \$13.5 billion in the first. The fourth quarter increase was due to the buildup in stocks of unsold new cars.

#### Consumer spending

Personal consumption expenditures declined \$4.5 billion in the fourth quarter, compared with an increase of \$32.2 billion in the third. Purchases of durable goods declined \$14.6 billion with new car purchases falling \$11.5 billion. Purchases of nondurable goods increased \$2.5 billion, reflecting increased spending on food and declines in other nondurables. Expenditures on services increased \$7.6 billion. In the third quarter, durables increased \$6.6 billion, nondurables \$13.2 billion, and services \$12.4 billion.

Disposable (after-tax) personal income increased \$15.6 billion in the fourth quarter, compared with a decline of \$4.3 billion in personal outlays. As a result, personal saving increased \$19.9 billion and the saving rate (saving as a percentage of disposable income) increased from 6.6 percent in the third quarter to 8.5 percent in the fourth.

### Fixed investment

Business fixed investment increased \$1.8 billion in the fourth quarter, compared with \$1.5 billion in the third. Nonresidential construction outlays increased \$3.3 billion, compared with a \$1.2 billion decline in the third. Spending on producers' durable equipment declined \$1.5 billion, compared with an increase of \$2.7 billion in the third. Residential construction outlays declined \$5.7 billion, compared with a decline of \$2.6 billion in the third.

### Net exports

Based on preliminary and incomplete data, net exports of goods and services increased \$4.3 billion in the fourth quarter as exports showed a small increase while imports declined. In the third quarter, net exports declined \$1.6 billion.

### Government purchases

Federal Government purchases of goods and services increased \$5.6 billion in the fourth quarter, compared with \$2.9 billion in the third. Defense spending was up \$5.1 billion and nondefense \$0.5 billion. A pay raise for Federal employees that went into effect in October accounted for \$2.3 billion of the increase. Excluding the pay raise, defense spending increased about \$3.2 billion and nondefense was little changed. State and local government purchases rose \$4.5 billion, compared with \$5.0 billion in the third quarter.

### Alternative measure of price change

The implicit price deflator is a measure of price change based on shifting weights that reflect changes in the composition of GNP. An alternative measure of price change, the chain price index, uses weights of the prior quarter in the calculation of price change each quarter. This index rose at an annual rate of 11.3 percent in the fourth quarter, compared with 12.7 percent in the third.

### Definitions of GNP and GDP

GNP is the market value of the output of goods and services accruing to residents of the Nation. It includes factor income received by U.S. residents from abroad - primarily the return on U.S.-owned capital in foreign countries - and excludes factor income earned in the United States by foreigners - primarily the return on foreign-owned capital in the United States. GDP is the market value of the output produced within the boundaries of the United States. It excludes factor income received by U.S. residents from abroad and includes factor income earned in the United States by foreigners.

