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U.S. Economic Activity Strengthened in Fourth Quarter 2011

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According to the advance estimate released today by the U.S. Bureau of Economic Analysis, the growth rate of U.S. real gross domestic product (GDP) increased to 2.8 percent in fourth quarter 2011. The advance estimate is a bit weaker than we previously projected.¹ The growth of consumer spending remained strong in fourth quarter, and investment in residential housing accelerated (Table 1). Business fixed investment slowed, and government spending declined. A rise in imports—driven in part by higher oil prices—reduced net exports.

Table 1. Contributions to the Growth of U.S. Real GDP

	2010 Q4	2011 Q1	2011 Q2	2011 Q3	2011 Q4	2012	2013
Real GDP (percent change annual rate)	2.3	0.4	1.3	1.8	2.8	2.5	3.2
Contributions to Real GDP Growth							
Final Domestic Sales	2.78	0.38	1.38	2.74	0.93	2.4	3.0
Consumption	2.48	1.47	0.49	1.24	1.45	1.5	1.6
Business Fixed Investment	0.82	0.20	0.98	1.49	0.18	0.9	1.2
Residential Investment	0.06	-0.06	0.09	0.03	0.23	0.3	0.4
Government Purchases	-0.58	-1.23	-0.18	-0.02	-0.93	-0.3	-0.2
Net Exports	1.37	-0.34	0.24	0.43	-0.11	-0.1	-0.2
Exports	0.98	1.01	0.48	0.64	0.64	0.6	0.7
Imports	0.39	-1.35	-0.24	-0.21	-0.75	-0.7	-0.9
Inventory Investment	-1.79	0.32	-0.28	-1.35	1.94	0.2	0.4

Sources: U.S. Bureau of Economic Analysis; Center for Business and Economic Research, UNLV.

Perhaps the most troubling aspect of the fourth quarter data was the strong contribution of inventory investment. A sharp rise in business inventories could lead to slower output growth in the first half 2012. Accordingly, we have reduced somewhat our projections for economic growth in 2012. An acceleration of economic activity in the second half of 2012 still seems likely.

Implications for the Nevada Economy

Our favorable outlook for the Nevada economy is based on the idea that improving economic conditions in the United States, particularly in the West, benefit Nevada. A little bit slower growth of the U.S. economy is likely to have only a mild effect on continuing economic growth in Nevada.

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¹ See <http://business.unlv.edu/wp-content/uploads/2011/03/CBERonNevadaEconomy-Jan2012.pdf>.