

# BUSINESS SITUATION

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**E**CONOMIC GROWTH stalled in the second quarter of 1995, according to the “advance” estimates of the national income and product accounts (NIPAs). BEA’s featured fixed-weighted measure of real gross domestic product (GDP) increased only 0.5 percent after increasing 2.7 percent in the first quarter and 5.1 percent in the fourth quarter of 1994 (chart 1).<sup>1</sup> The chain-type annual-weighted measure of real GDP decreased 0.2 percent after increasing 1.7 percent in the first quarter and 4.0 percent in the fourth (see the section “Alternative measures”).<sup>2</sup>

The slowdown in fixed-weighted GDP reflected downturns in the output of goods and of structures. The output of motor vehicles decreased much more than in the first quarter, and the output of other goods decelerated sharply; this weakness in the output of goods was reflected in a sharp reduction in inventory investment. The downturn in structures was mainly accounted for by residential construction. In contrast to the weakness in goods and structures, the output of

services increased in the second quarter after little change in the first (table 1).

Growth in real gross domestic purchases increased only 1.0 percent in the second quarter after a 3.5-percent increase in the first (table 2). The difference between the 1.0-percent increase in gross domestic purchases and the 0.5-percent increase in GDP reflects the fact that imports increased more than exports.

About two-thirds of the slowdown in gross domestic purchases was attributable to inventory investment, which decreased \$20.7 billion in the second quarter, as the rate of accumulation slowed from \$51.1 billion to \$30.4 billion; in

1. Quarterly estimates in the NIPAs are expressed at seasonally adjusted annual rates, and quarterly changes are differences between these rates. Quarter-to-quarter percent changes are annualized. Real, or constant-dollar, estimates are expressed in 1987 dollars.

2. In the next comprehensive revision of the NIPAs, which is scheduled for the end of 1995, the featured measure of real GDP growth will be calculated using chain-type annual-weighted indexes similar to those presently published as one of the alternative measures. For more information, see “Preview of the Comprehensive Revision of the National Income and Product Accounts: BEA’s Featured Measures of Output and Prices” in this issue.

**Table 1.—Real Gross Domestic Product, by Major Type of Product**  
[Seasonally adjusted at annual rates]

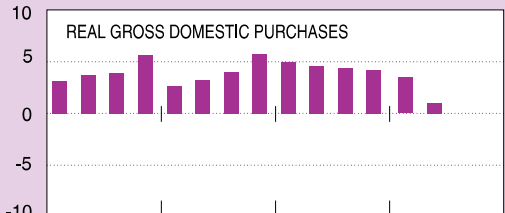
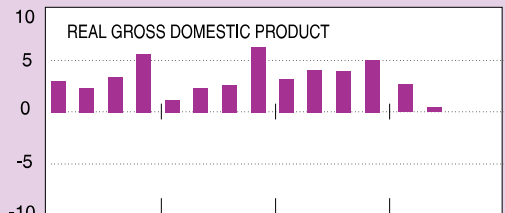
	Billions of 1987 dollars					Percent change from preceding quarter			
	Level	Change from preceding quarter				1994		1995	
		1994		1995		III	IV	I	II
		1995:II	III	IV	I				
<b>Gross domestic product</b> .....	<b>5,477.3</b>	<b>52.9</b>	<b>66.8</b>	<b>36.3</b>	<b>7.2</b>	<b>4.0</b>	<b>5.1</b>	<b>2.7</b>	<b>0.5</b>
Goods .....	2,310.6	34.2	51.4	32.5	-8.8	6.4	9.5	5.8	-1.5
Motor vehicles .....	215.1	4.8	7.1	-3.3	-16.9	8.9	13.0	-5.5	-26.1
Other .....	2,095.5	29.4	44.3	35.8	8.1	6.1	9.1	7.2	1.6
Services .....	2,685.1	18.1	8.5	1.3	21.4	2.8	1.3	.2	3.3
Structures .....	481.5	.7	6.9	2.5	-5.5	.6	5.9	2.1	-4.4

NOTE.—Most series are found in NIPA table 1.4. Output of motor vehicles is the sum of auto output and truck output (from tables 8.4 and 8.6, respectively).

**CHART 1**

**Selected Measures:  
Change From Preceding Quarter**

Percent



Note.—Percent change at annual rate from preceding quarter; based on seasonally adjusted estimates.

the first quarter, inventory investment had increased \$1.7 billion. The rest of the slowdown in gross domestic purchases was attributable to fixed investment: Nonresidential fixed investment increased less than in the first quarter, and residential investment decreased more than in the first quarter. Personal consumption expenditures was the only major component of gross domestic purchases to register a bigger increase in the second quarter than in the first.

The fixed-weighted price index for gross domestic purchases increased 2.9 percent after increasing 3.0 percent. The fixed-weighted price in-

dex for GDP increased 2.7 percent after increasing 3.3 percent.

**Motor vehicles.**—Motor vehicle output dropped 26.1 percent in the second quarter after decreasing 5.5 percent in the first (table 3). Final sales to domestic purchasers decreased for the second consecutive quarter. Inventory investment fell sharply after four consecutive quarterly increases.

Autos dominated the drop in output in both quarters. According to data on units, domestic auto production decreased to 6.0 million (seasonally adjusted annual rate) in the second quarter from 7.1 million in the first.

**Table 2.—Real Gross Domestic Product, Real Gross Domestic Purchases, and Real Final Sales to Domestic Purchasers**

[Seasonally adjusted at annual rates]

	Billions of 1987 dollars					Percent change from preceding quarter			
	Level	Change from preceding quarter				1994		1995	
		1994		1995		III	IV	I	II
	1995:II	III	IV	I	II				
<b>Gross domestic product</b> .....	<b>5,477.3</b>	<b>52.9</b>	<b>66.8</b>	<b>36.3</b>	<b>7.2</b>	<b>4.0</b>	<b>5.1</b>	<b>2.7</b>	<b>0.5</b>
Less: Exports of goods and services .....	718.5	22.6	31.4	8.3	12.3	14.8	20.2	4.8	7.2
Plus: Imports of goods and services .....	843.4	27.9	21.5	19.6	18.8	15.6	11.4	10.1	9.4
<b>Equals: Gross domestic purchases</b> .....	<b>5,602.3</b>	<b>58.2</b>	<b>56.9</b>	<b>47.7</b>	<b>13.7</b>	<b>4.4</b>	<b>4.2</b>	<b>3.5</b>	<b>1.0</b>
Less: Change in business inventories .....	30.4	-2.1	-7.7	1.7	-20.7	.....	.....	.....	.....
<b>Equals: Final sales to domestic purchasers</b> .....	<b>5,571.9</b>	<b>60.3</b>	<b>64.6</b>	<b>46.0</b>	<b>34.4</b>	<b>4.6</b>	<b>4.8</b>	<b>3.4</b>	<b>2.5</b>
Personal consumption expenditures .....	3,666.5	26.9	44.9	14.3	22.6	3.1	5.1	1.6	2.5
Nonresidential fixed investment .....	764.6	22.1	28.2	35.4	21.0	14.1	17.6	21.5	11.8
Residential investment .....	220.9	-3.6	1.3	-2.0	-8.6	-6.0	2.3	-3.4	-14.2
Government purchases .....	919.9	14.9	-9.8	-1.7	-6	6.7	-4.1	-7	-3

NOTE.—Dollar levels are found in NIPA tables 1.2 and 1.6. Percent changes are found in table 8.1.

**Table 3.—Motor Vehicle Output, Sales, and Inventories**

[Seasonally adjusted at annual rates]

	Billions of 1987 dollars					Percent change from preceding quarter			
	Level	Change from preceding quarter				1994		1995	
		1994		1995		III	IV	I	II
	1995:II	III	IV	I	II				
<b>Output</b> .....	<b>215.1</b>	<b>4.8</b>	<b>7.1</b>	<b>-3.3</b>	<b>-16.9</b>	<b>8.9</b>	<b>13.0</b>	<b>-5.5</b>	<b>-26.1</b>
Autos .....	111.7	2.4	2.5	-3.4	-15.7	7.8	8.0	-10.0	-40.9
Trucks .....	103.4	2.4	4.6	.1	-1.2	10.2	19.7	.4	-4.5
Less: Exports .....	19.6	1.5	-1.8	1.8	-1.2	34.9	-30.4	43.6	-21.2
Autos .....	13.6	1.8	-2.6	1.4	-1.0	62.2	-51.3	49.7	-24.7
Trucks .....	6.0	-3	.8	.4	-2	-20.8	81.1	30.6	-12.3
Plus: Imports .....	67.6	3.2	2.2	.7	-5	22.3	14.2	4.2	-2.9
Autos .....	57.9	2.7	1.2	.5	.4	21.9	8.9	3.6	2.8
Trucks .....	9.7	.5	1.0	.2	-9	24.4	49.8	7.9	-29.9
<b>Equals: Gross domestic purchases</b> .....	<b>263.1</b>	<b>6.5</b>	<b>11.1</b>	<b>-4.4</b>	<b>-16.2</b>	<b>10.1</b>	<b>17.3</b>	<b>-6.1</b>	<b>-21.3</b>
Autos .....	156.0	3.3	6.3	-4.3	-14.3	8.2	15.8	-9.5	-29.6
Trucks .....	107.1	3.2	4.8	-1	-1.9	13.3	19.7	-4	-6.8
Less: Change in business inventories .....	1.9	4.4	3.1	3.1	-12.2	.....	.....	.....	.....
Autos .....	-5	1.9	6.8	3.5	-14.1	.....	.....	.....	.....
Trucks .....	2.4	2.5	-3.7	-4	1.9	.....	.....	.....	.....
<b>Equals: Final sales to domestic purchasers</b> .....	<b>261.2</b>	<b>2.1</b>	<b>8.0</b>	<b>-7.5</b>	<b>-4.0</b>	<b>3.2</b>	<b>12.6</b>	<b>-10.6</b>	<b>-5.9</b>
Autos .....	156.5	1.4	-5	-7.8	-2	3.5	-1.2	-17.7	-5
Trucks .....	104.7	.7	8.5	.3	-3.8	2.9	38.7	1.1	-13.3

NOTE.—Dollar levels for autos and trucks are found in NIPA tables 8.4 and 8.6, respectively.

Final sales to domestic purchasers decreased 5.9 percent after decreasing 10.6 percent. Sales to consumers decreased 7.5 percent after decreasing 17.5 percent, and sales to businesses decreased 18.2 percent after increasing 2.2 percent; the second-quarter decreases primarily reflected truck sales.

The second-quarter decrease in consumer sales was consistent with factors that are frequently considered in analyses of consumer spending: Real disposable personal income decreased, the

unemployment rate increased, and the Index of Consumer Sentiment (prepared by the University of Michigan's Survey Research Center) decreased. Among the factors specific to motor vehicle purchases, manufacturers offered more attractive sales-incentive programs than in the first quarter.

Inventories of motor vehicles increased much less than in the first quarter, reflecting a swing in auto inventories from substantial accumulation

### Second-Quarter 1995 Advance GDP Estimate: Source Data and Assumptions

The "advance" GDP estimate for the second quarter is based on preliminary and incomplete source data. As more and better data become available, the estimate will be revised in August (the "preliminary" GDP estimate) and again in September (the "final" GDP estimate). Based on the experience for 1980 through 1991, two-thirds of the revisions between the advance and final estimates of the change in real GDP have been within a range of -0.7 and +0.9 percentage point. This range suggests that the direction of change in the "final" estimate of second-quarter real GDP, now estimated at 0.5 percent, may differ from that of the advance estimate.

The advance GDP estimate was based on the following major source data. (The number of months for which data were available is shown in parentheses.)

*Personal consumption expenditures:* Sales of retail stores (3) and unit auto and truck sales (3);

*Nonresidential fixed investment:* Unit auto and truck sales (3), construction put in place (2), manufacturers' shipments of machinery and equipment (3),

and exports and imports of machinery and equipment (2);

*Residential investment:* Construction put in place (2) and single-family housing starts (3);

*Change in business inventories:* Manufacturing inventories (3), trade inventories (2), and unit auto and truck inventories (3);

*Net exports of goods and services:* Exports and imports of goods and services (2);

*Government purchases:* Military outlays (3), other Federal outlays (3), State and local construction put in place (2), and State and local employment (3);

*GDP prices:* Consumer Price Index (3), Producer Price Index (3), price indexes for nonpetroleum merchandise exports and imports (3), and values and quantities of petroleum imports (2).

BEA made assumptions for the source data that were not available. A table detailing these assumptions is available on the Department of Commerce's Economic Bulletin Board or by request from BEA; the assumptions for the major source data are summarized in [table A](#).

**Table A.—Summary of Major Data Assumptions for Advance Estimates, 1995:II**

[Billions of dollars, seasonally adjusted at annual rates]

	1995					
	January	February	March	April	May	June <sup>1</sup>
Fixed investment:						
Nonresidential structures:						
Buildings, utilities, and farm:						
Value of new nonresidential construction put in place .....	105.7	106.7	107.8	108.8	106.9	108.6
Producers' durable equipment:						
Manufacturers' shipments of complete civilian aircraft .....	18.3	22.0	22.4	22.2	17.4	21.3
Residential structures:						
Value of new residential construction put in place:						
1-unit structures .....	151.9	150.0	145.5	141.7	136.9	133.8
2-or-more-unit structures .....	16.8	17.2	18.4	18.4	19.2	18.5
Change in business inventories, nonfarm:						
Change in inventories for manufacturing and trade (except nonmerchant wholesalers) for industries other than motor vehicles and equipment in trade .....	92.8	63.0	57.8	89.0	41.8	53.7
Net exports:						
Exports of merchandise:						
U.S. exports of merchandise, balance-of-payments basis .....	537.3	545.8	573.7	563.4	573.1	578.2
Imports of merchandise:						
U.S. imports of merchandise, balance-of-payments basis .....	728.6	718.9	749.8	761.9	770.9	771.0
Net merchandise trade (exports less imports) .....	-191.3	-173.1	-176.1	-198.5	-197.8	-192.8
Government purchases:						
State and local:						
Structures:						
Value of new construction put in place .....	120.3	121.8	123.6	124.8	122.1	124.0

1. Assumed.

to modest liquidation; the swing was partly offset by a small step-up in the accumulation of truck inventories. The inventory-sales ratio for new domestic autos, which is calculated from units data, remained unchanged at 2.9—well above the traditional industry target of 2.4.

### Prices

The fixed-weighted price index for gross domestic purchases, which measures prices paid for goods and services purchased by U.S. residents, increased 2.9 percent in the second quarter after increasing 3.0 percent in the first (table 4). Prices of gross domestic purchases less food and energy, which is sometimes viewed as a gauge of the underlying inflation rate in the U.S. economy, increased 2.9 percent in both quarters (chart 2).

Prices of personal consumption expenditures (PCE) increased at about the same rate as in the first quarter. Prices of nonresidential fixed investment stepped up, and prices of residential investment and government purchases slowed.

Prices of PCE increased 2.9 percent after increasing 2.7 percent. Accelerations in food and energy prices were offset by a deceleration in "other" PCE prices. Food prices increased 3.3 percent after increasing 1.6 percent; most of the step-up was accounted for by prices of fresh fruits and vegetables. Energy prices increased 2.5 percent after increasing 0.8 percent; gasoline and oil prices accounted for most of the step-up. "Other" PCE prices increased 2.8 percent after increasing 3.0 percent; the slightly smaller second-quarter increase partly reflected

slowdowns in the prices of motor vehicles (specifically, used cars) and in the prices of medical care services.

Prices of nonresidential fixed investment increased 3.1 percent after increasing 1.3 percent. Prices of producers' durable equipment (PDE) stepped up; prices of structures slowed somewhat. All four categories of equipment contributed to the step-up in PDE prices. Prices of transportation equipment turned up. Prices of information processing equipment were unchanged after decreasing, as computer prices decreased less than in the first quarter. Prices of industrial equipment and of "other" PDE accelerated.

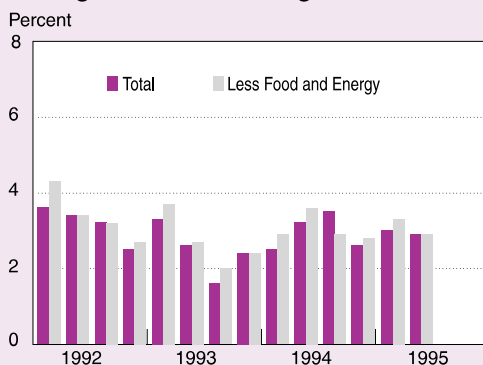
Prices of residential investment increased 1.1 percent after increasing 1.7 percent. Prices have slowed for three consecutive quarters, and the second-quarter increase was the smallest in 3½ years.

Prices of government purchases increased 3.5 percent after increasing 5.2 percent. Prices paid by the Federal Government increased 3.1 percent after increasing 6.0 percent (the first-quarter increase reflected a pay raise for Federal employees). Prices of defense purchases slowed, and prices of nondefense purchases turned down. Prices paid by State and local governments increased 3.9 percent after increasing 4.6 percent.

The price index for GDP, which measures prices paid for goods and services produced in the United States, increased 2.7 percent after increasing 3.3 percent. This index, unlike the index for

CHART 2

### Gross Domestic Purchases Prices (Fixed Weights): Change From Preceding Quarter



Note—Percent change at annual rate from preceding quarter; based on seasonally adjusted index numbers (1987=100).

U.S. Department of Commerce, Bureau of Economic Analysis

Table 4.—Fixed-Weighted Price Indexes

[Percent change at annual rates; based on seasonally adjusted index numbers (1987=100)]

	1994		1995	
	III	IV	I	II
<b>Gross domestic product</b> .....	<b>3.0</b>	<b>2.6</b>	<b>3.3</b>	<b>2.7</b>
Less: Exports of goods and services .....	3.1	5.4	6.7	6.7
Plus: Imports of goods and services .....	8.2	4.3	2.4	7.7
<b>Equals: Gross domestic purchases</b> .....	<b>3.5</b>	<b>2.6</b>	<b>3.0</b>	<b>2.9</b>
Less: Change in business inventories .....	.....	.....	.....	.....
<b>Equals: Final sales to domestic purchasers</b> .....	<b>3.5</b>	<b>2.6</b>	<b>3.0</b>	<b>3.0</b>
Personal consumption expenditures .....	3.6	2.5	2.7	2.9
Food .....	5.5	2.8	1.6	3.3
Energy .....	10.4	.1	.8	2.5
Other personal consumption expenditures .....	2.8	2.6	3.0	2.8
Nonresidential fixed investment .....	2.7	1.4	1.3	3.1
Structures .....	4.6	5.2	2.7	2.4
Producers' durable equipment .....	1.7	-.7	.5	3.5
Residential investment .....	6.3	4.5	1.7	1.1
Government purchases .....	3.0	3.3	5.2	3.5
<b>Addenda:</b>				
Merchandise imports .....	8.9	3.3	4.7	8.1
Petroleum and products .....	50.0	-18.3	23.8	35.4
Other merchandise .....	5.9	5.5	3.1	5.9

NOTE.—Percent changes in major aggregates are found in NIPA table 8.1. Most index number levels are found in tables 7.1 and 7.2.

gross domestic purchases, includes the prices of exports and excludes the prices of imports. Export prices increased 6.7 percent, the same as in the first quarter; a step-up in the prices of agricultural exports was offset by a slowdown in the prices of nonagricultural exports, especially exports of industrial supplies and materials. Import prices increased 7.7 percent after increasing 2.4 percent; prices of both petroleum and nonpetroleum imports stepped-up.

### Alternative measures

Like the fixed-weighted measure of real GDP, BEA's alternative measures of real GDP portray a flat economy in the second quarter. Using the fixed-weighted measure, real GDP increased 0.5 percent; using the alternative measures—the chain-type annual-weighted measure and the benchmark-years-weighted measure—real GDP decreased 0.2 percent (table 5). A decrease in inventory investment more than accounted for the decreases in the alternative measures and, as previously noted, was the major cause of the sluggish growth in the fixed-weighted measure. Final sales of domestic product—GDP less inventory investment—increased about 1 percentage point less in both of the alternative measures than in the fixed-weighted measure, which increased 2.1 percent.

The 0.7 percentage-point difference between the change in the alternative measures and the change in the featured measure was more than

accounted for by a strong increase in purchases of computers, a product whose prices have decreased steadily since 1987. The decrease in inventory investment made the difference between the alternative and featured measures smaller than it otherwise would have been; inventory prices have increased less than overall prices since 1987.

In the first quarter, both alternative measures of GDP increased about 1 percentage point less than the fixed-weighted measure. About four-fifths of this difference was accounted for by computers.

The chain-weighted price index for gross domestic purchases increased 2.7 percent in the second quarter, 0.2 percentage point less than the featured fixed-weighted price index. The benchmark-years-weighted price index increased 2.8 percent in the second quarter. In the first quarter, both alternative price measures increased 2.9 percent, 0.1 percentage point less than the featured measure.

### Personal income

Real disposable personal income (DPI) decreased 1.3 percent in the second quarter after increasing 4.1 percent in the first; the decrease was the first since the first quarter of 1993 (chart 3).<sup>3</sup> Current-dollar DPI increased 0.9 percent after increasing 6.6 percent, and the personal saving rate (saving as a percentage of current-dollar DPI) fell to 4.1 percent from 5.1 percent.

Personal income increased \$42.0 billion after increasing \$105.4 billion (table 6). About half of the slowdown was accounted for by wage and salary disbursements, which increased \$18.7 billion after increasing \$47.0 billion. Wages and salaries turned down in manufacturing and slowed in other industries. In private industry, slower growth of wages and salaries was mainly due to employment, but average weekly hours and average hourly earnings also contributed; a slowdown in earnings largely reflected a downturn in profit-sharing and bonus payments. In government, slower growth of wages and salaries reflected a first-quarter increase that had been boosted by pay adjustments (including "buyouts").

Transfer payments to persons increased \$12.6 billion after increasing \$25.1 billion. The slowdown reflected the timing of various cost-of-living adjustments (COLA's) in Federal transfer

Table 5.—Fixed-Weighted and Alternative Quantity and Price Indexes

[Percent change at annual rates; based on seasonally adjusted index numbers (1987=100)]

	1994		1995	
	III	IV	I	II
<b>Gross domestic product:</b>				
Quantity indexes:				
Fixed 1987 weights .....	4.0	5.1	2.7	0.5
Chain-type annual weights .....	3.6	4.0	1.7	-2
Benchmark-years weights .....	3.6	4.1	1.8	-2
Price indexes:				
Fixed 1987 weights .....	3.0	2.6	3.3	2.7
Chain-type annual weights .....	2.8	2.5	3.2	2.6
Benchmark-years weights .....	2.7	2.6	3.3	2.6
<b>Final sales of domestic product:</b>				
Quantity indexes:				
Fixed 1987 weights .....	4.3	5.7	2.6	2.1
Chain-type annual weights .....	3.9	4.6	1.7	1.0
Benchmark-years weights .....	3.9	4.7	1.8	1.1
Price indexes:				
Fixed 1987 weights .....	3.0	2.7	3.3	2.8
Chain-type annual weights .....	2.7	2.5	3.2	2.6
Benchmark-years weights .....	2.7	2.6	3.3	2.6
<b>Gross domestic purchases:</b>				
Price indexes:				
Fixed 1987 weights .....	3.5	2.6	3.0	2.9
Chain-type annual weights .....	3.2	2.4	2.9	2.7
Benchmark-years weights .....	3.2	2.5	2.9	2.8

3. Bonus payments that normally would have been made in the first quarter of 1993 had been shifted into the fourth quarter of 1992 in anticipation of changes in the tax code (specifically, the Omnibus Budget Reconciliation Act of 1993).



payments and the timing of Earned Income Tax Credit program payments. For most programs, COLA's were made in the first quarter; for Federal civilian and military retirees, however, they were made in the second.

Farm proprietors' income decreased \$6.4 billion after increasing \$2.7 billion. The decrease reflected declines both in Federal farm subsidy payments and in other farm income. Farm subsidies fell \$4.6 billion after increasing \$2.2 billion; the drop reflected smaller deficiency payments. (Deficiency payments are made when the market price of a crop is, or is projected to be, below the Federal target price.) Other farm income decreased \$1.8 billion after edging up \$0.5 billion; the decrease reflected a decline in livestock output.

**Table 6.—Personal Income and Its Disposition**

[Billions of dollars; seasonally adjusted at annual rates]

	Level	Change from preceding quarter			
		1994		1995	
		III	IV	I	II
1995: II					
Wage and salary disbursements .....	3,422.1	36.7	62.5	47.0	18.7
Commodity-producing industries .....	842.1	10.2	15.5	11.2	-6.4
Manufacturing .....	629.5	5.5	11.2	8.6	-8.6
Other .....	212.6	4.7	4.3	2.6	2.2
Distributive industries .....	783.3	11.0	16.1	7.2	6.5
Service industries .....	1,176.5	13.1	26.2	20.4	15.6
Government and government enterprises .....	620.3	2.5	4.6	8.2	3.1
Other labor income .....	403.9	5.3	5.0	10.9	4.3
Proprietors' income with IVA and CCAAdj .....	489.9	-4.3	18.7	7.9	-3.7
Farm .....	38.0	-9.5	11.9	2.7	-6.4
Nonfarm .....	451.9	5.2	6.9	5.2	2.7
Rental income of persons with CCAAdj .....	24.0	-1.5	-3.6	-3.6	-1.4
Personal dividend income .....	208.1	5.2	5.8	2.8	2.6
Personal interest income .....	734.2	24.8	26.9	22.5	10.6
Transfer payments to persons .....	1,017.4	11.4	10.7	25.1	12.6
Less: Personal contributions for social insurance .....	295.7	3.0	3.7	7.2	1.9
<b>Personal income .....</b>	<b>6,004.0</b>	<b>74.6</b>	<b>122.1</b>	<b>105.4</b>	<b>42.0</b>
Less: Personal tax and nontax payments .....	807.9	-2.3	10.6	22.9	30.3
<b>Equals: Disposable personal income .....</b>	<b>5,196.1</b>	<b>76.8</b>	<b>111.6</b>	<b>82.5</b>	<b>11.7</b>
Less: Personal outlays .....	4,981.4	74.6	82.3	51.4	60.7
<b>Equals: Personal saving .....</b>	<b>214.7</b>	<b>2.2</b>	<b>29.3</b>	<b>31.1</b>	<b>-49.0</b>
<b>Addenda: Special factors in personal income:</b>					
In wages and salaries:					
Federal Government and Postal Service pay adjustments, including "buyouts" .....		-1.5	.8	3.5	-9
Private profit-sharing and bonus payments .....		0	3.0	2.7	-5.7
In other labor income: Private employer pension contributions .....		0	0	6.3	0
In farm proprietors' income:					
Agricultural subsidy payments .....		-7.3	7.2	2.2	-4.6
In transfer payments to persons:					
Social security retroactive payments .....		-1	1.2	-1.2	.2
Cost-of-living increases in Federal transfer payments .....		0	0	10.2	1.3
Earned Income Tax Credit payments .....		0	0	5.1	0
In personal contributions for social insurance:					
Social security base changes and increase in premium for supplementary medical insurance .....		0	0	3.9	0

NOTE.—Most dollar levels are found in NIPA table 2.1.  
IVA Inventory valuation adjustment  
CCAAdj Capital consumption adjustment

Nonfarm proprietors' income, personal interest income, and other labor income all increased roughly half as much as in the first quarter. In personal interest income, the slowdown reflected recent decreases in interest rates. In other labor income, the larger first-quarter increase reflected a \$6.3 billion pension-plan contribution by a motor vehicle manufacturer.

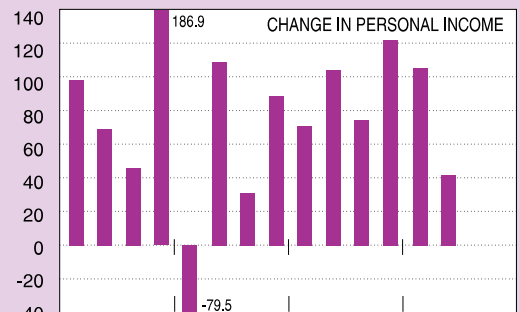
Rental income decreased \$1.4 billion after decreasing \$3.6 billion, and personal dividend income increased \$2.6 billion, about the same as in the first quarter.

Personal contributions for social insurance, which is subtracted in the calculation of personal income, increased \$1.9 billion after increasing \$7.2 billion. The large first-quarter increase reflected changes in the social security base and an increase in the premium for supplementary medical insurance.

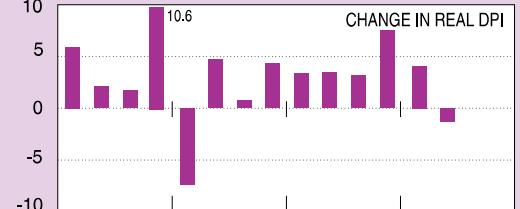
**CHART 3**

### Selected Personal Income and Saving Measures

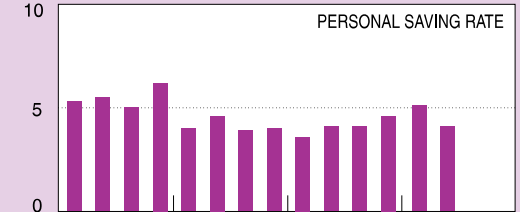
Billions \$



Percent



Percent




Based on Seasonally Adjusted Annual Rates

Note—Changes are from preceding quarter.

U.S. Department of Commerce, Bureau of Economic Analysis

Personal tax and nontax payments jumped \$30.3 billion after increasing \$22.9 billion. About two-thirds of the second-quarter increase reflected provisions of the Omnibus Budget Recon-

ciliation Act of 1993 that allowed certain retroactive taxes to be paid in three annual installments, the second of which was due on April 17, 1995; the rest reflected growth in the tax base. 

### BEA Estimates of Wages and Salaries for 1994

The annual change from 1993 to 1994 in the national income and product accounts (NIPA's) estimate of wage and salary disbursements is about \$40 billion larger than the change in the U.S. total of the State estimates of wages and salaries that underlie the estimates presented in "Personal Income by State and Region, First Quarter 1995" in this issue. As explained below, the difference mainly reflects the incorporation into the State estimates of newly available source data that are more accurate and more comprehensive; these data would normally be incorporated into the NIPA estimates this month as part of the annual NIPA revision, but this year's annual revision is being combined with the comprehensive NIPA revision, which is scheduled for release in late 1995.

The NIPA estimate for 1994, which appears in table 2.1 of the "Selected NIPA Tables," is based primarily on monthly national data on total employment and on average weekly hours and average hourly earnings of

production and nonsupervisory workers; these data are from the Bureau of Labor Statistics (BLS). The State estimates for 1994 are now based primarily on BLS tabulations of wages and salaries of employees covered by State unemployment insurance (UI) for all four quarters. The major source of the difference between the 1994 NIPA and State estimates is bonus payments. For the NIPA estimate, these payments, which are not covered in the average hourly earnings data, are based primarily on past trends; for the State estimate, the unemployment insurance tabulations include these payments.

Incorporation of the more complete UI data in place of BEA's quarterly estimates of total wages and salaries has been a major source of revisions in the past, and improvements in BEA's projection methods for bonus payments and the extension of the scope of existing surveys were among the priority improvements discussed in BEA's Mid-Decade Review of the Accounts.