

BUSINESS SITUATION

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REAL GROSS domestic product (GDP) increased 1.8 percent in the second quarter of 1999, according to the "preliminary" estimates of the national income and product accounts (NIPA's), after increasing 4.3 percent in the first quarter (table 1 and chart 1); the "advance" second-quarter estimate of real GDP, reported in the August "Business Situation," had shown a 2.3-percent increase.¹ The downward revision to

1. Quarterly estimates in the NIPA's are expressed at seasonally adjusted annual rates. Quarter-to-quarter dollar changes are the differences between the published estimates. Quarter-to-quarter percent changes are annualized and are calculated from unrounded data unless otherwise specified.

Real estimates are calculated using a chain-type Fisher formula with annual weights for all years and for all quarters except those for the most recent year, which are calculated using quarterly weights; real estimates are expressed both as index numbers (1992=100) and as chained (1992) dollars. Price indexes (1992=100) are also calculated using a chain-type Fisher formula.

Table 1.—Real Gross Domestic Product, Real Gross Domestic Purchases, and Real Final Sales to Domestic Purchasers

[Seasonally adjusted at annual rates]

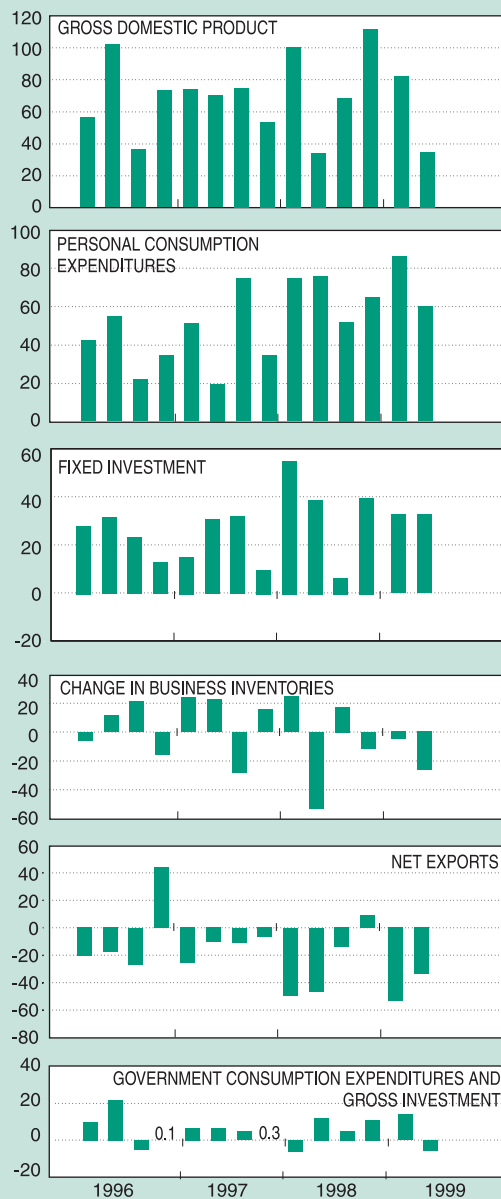
	Billions of chained (1992) dollars					Percent change from preceding quarter			
	Level	Change from preceding quarter				1998		1999	
		1999	1998	1999		III	IV	I	II
		II	III	IV	I	II			
Gross domestic product	7,794.3	67.9	111.2	81.9	34.7	3.7	6.0	4.3	1.8
Less: Exports of goods and services	1,007.1	-6.8	44.3	-13.1	10.6	-2.8	19.7	-5.1	4.3
Plus: Imports of goods and services	1,344.5	7.0	35.3	40.5	44.4	2.3	12.0	13.5	14.4
Equals: Gross domestic purchases	8,089.2	80.2	102.5	126.5	61.4	4.2	5.4	6.6	3.1
Less: Change in business inventories	12.1	17.5	-11.5	-5.5	-26.6				
Nonfarm	9.4	17.1	-9.5	-2.4	-25.7				
Farm	2.9	.4	-1.9	-3.6	-7				
Equals: Final sales to domestic purchasers	8,068.3	63.4	112.7	131.1	84.7	3.3	6.0	6.8	4.3
Personal consumption expenditures	5,391.8	51.6	64.2	85.9	59.9	4.1	5.0	6.7	4.6
Durable goods	817.2	4.3	41.3	23.9	18.3	2.4	24.5	12.9	9.5
Non-durable goods	1,612.6	8.2	16.0	35.8	11.7	2.1	4.2	9.5	2.9
Services	2,978.2	38.0	12.4	29.6	31.4	5.4	1.7	4.1	4.3
Gross private domestic fixed investment	1,376.9	6.8	40.1	33.0	32.9	2.2	13.2	10.5	10.1
Nonresidential fixed investment	1,039.4	-1.7	33.2	20.3	27.2	-7	14.6	8.5	11.2
Structures	207.2	.1	3.0	2.8	-6	.2	6.0	5.7	-1.2
Producers' durable equipment	850.6	-2.0	32.2	18.3	30.8	-1.0	17.8	9.5	15.9
Residential investment	342.2	7.4	7.6	11.8	6.3	9.9	10.0	15.4	7.7
Government consumption expenditures and gross investment	1,318.4	4.8	10.7	13.6	-5.5	1.5	3.3	4.2	-1.7
Federal	454.4	-1.6	8.1	-2.2	-4.0	-1.4	7.3	-1.9	-3.5
National defense	296.8	3.2	1.1	-5.2	-2.6	4.3	1.3	-6.6	-3.4
Nondefense	156.6	-4.5	6.8	2.8	-1.4	-11.5	19.8	7.4	-3.5
State and local	864.3	6.4	2.7	15.8	-1.5	3.1	1.3	7.7	-7
Addendum: Final sales of domestic product	7,773.2	51.2	121.3	86.5	57.8	2.8	6.6	4.6	3.0

NOTE.—Chained (1992) dollar series are calculated as the product of the chain-type quantity index and the 1992 current-dollar value of the corresponding series, divided by 100. Because the formula for the chain-type quantity indexes uses weights of more than one period, the corresponding chained-dollar estimates usually are not additive. Chained (1992) dollar levels and residuals, which measure the extent of nonadditivity in each table, are in NIPA tables 1.2, 1.4, and 1.6. Percent changes are calculated from unrounded data. Percent changes in major aggregates are in NIPA table 8.1. (See "Selected NIPA Tables," which begin on page D-2 of this issue.)

CHART 1

Real Product: Change from Preceding Quarter

Billion chained (1992) \$



Based on Seasonally Adjusted Annual Rates

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

real GDP primarily reflected an upward revision to imports, which are subtracted in the calculation of GDP, and a downward revision to nonfarm inventory investment; these revisions were partly offset by an upward revision to consumer spending for durable goods. Real final sales of domestic product was revised down less than GDP, and real gross domestic purchases was revised up. (The sources of the revisions are discussed in the section "Revisions.")

The 1.8-percent increase in the second quarter was the smallest in four quarters and was below the 3.1-percent average annual growth rate for real GDP over the current expansion, which began in the second quarter of 1991.

The picture of the economy in the second quarter presented by the preliminary estimates is little changed from that presented by the advance estimates. Like the advance estimates, the preliminary estimates showed the following:

- Real GDP growth decelerated for the second consecutive quarter. The second-quarter deceleration was primarily accounted for by a slowdown in consumer spending, by a downturn in government spending and investment, and by a larger decrease in inventory investment. These changes were partly offset by an upturn in exports of goods and services.

Table 2.—Contributions to Percent Change in Real Gross Domestic Product

[Seasonally adjusted at annual rates]

	1998		1999	
	III	IV	I	II
Percent change at annual rate:				
Gross domestic product	3.7	6.0	4.3	1.8
Percentage points at annual rates:				
Personal consumption expenditures	2.78	3.48	4.56	3.09
Durable goods .....	.20	1.90	1.09	.80
Nondurable goods .....	.42	.84	1.77	.58
Services	2.15	.74	1.70	1.72
Gross private domestic investment	1.22	1.42	1.31	.34
Fixed investment .....	.33	1.95	1.58	1.53
Nonresidential	-.08	1.52	.91	1.18
Structures .....	.01	.17	.15	-.03
Producers' durable equipment	-.09	1.35	.76	1.22
Residential .....	.41	.43	.66	.35
Change in business inventories .....	.89	-.53	-.27	-1.19
Net exports of goods and services	-.62	.52	-2.23	-1.34
Exports	-.32	2.02	-.58	.46
Goods .....	.04	1.76	-.68	.37
Services	-.36	.26	.10	.10
Imports	-.30	-1.50	-1.65	-1.81
Goods	-.32	-1.46	-1.42	-1.77
Services .....	.01	-.04	-.23	-.04
Government consumption expenditures and gross investment .....	.27	.60	.70	-.29
Federal	-.09	.44	-.08	-.21
National defense .....	.17	.06	-.23	-.14
Nondefense	-.26	.38	.14	-.08
State and local .....	.35	.16	.78	-.08

NOTE.—NIPA table 8.2 also shows contributions for 1998:I and 1998:II.

- Real final sales of domestic product decelerated less than GDP, as inventory investment—which is not included in final sales of domestic product—decreased more than in the first quarter.²
- Real gross domestic purchases decelerated more than GDP, as exports—which are not included in gross domestic purchases—turned up.³ Nevertheless, the increase in gross domestic purchases exceeded that in GDP for the second consecutive quarter.
- The largest contributors to the second-quarter increase in real GDP were consumer spending and private investment in equipment (table 2). The increase in GDP was moderated by an increase in imports and by a decrease in inventory investment.

The price index for gross domestic purchases increased 2.1 percent in the second quarter after increasing 1.2 percent in the first (table 3). The second-quarter increase was the largest since the first quarter of 1997. The second-quarter step-up was largely accounted for by sharp upturns in

2. Final sales of domestic product is calculated as GDP less change in business inventories.

3. Gross domestic purchases—a measure of purchases by U.S. residents regardless of where the purchased goods and services were produced—is calculated as the sum of personal consumption expenditures, gross private domestic investment, and government consumption expenditures and gross investment.

Table 3.—Percent Changes in Prices

[Annual rates; based on seasonally adjusted index numbers (1992=100)]

	1998		1999	
	III	IV	I	II
Gross domestic product	1.0	0.8	1.6	1.5
Less: Exports of goods and services	-2.8	-.9	-.6	-.1
Plus: Imports of goods and services	-4.8	-.2	-3.3	4.6
Equals: Gross domestic purchases .....	.7	.9	1.2	2.1
Less: Change in business inventories				
Equals: Final sales to domestic purchasers .....	.7	.9	1.2	2.2
Personal consumption expenditures	1.0	1.1	1.2	2.5
Food	2.8	2.0	1.8	1.2
Energy	-5.8	-6.8	-2.4	28.1
Other personal consumption expenditures	1.1	1.3	1.3	1.5
Private nonresidential fixed investment	-3.6	-2.5	-2.0	-1.5
Structures	1.2	1.8	.9	2.7
Producers' durable equipment	-5.3	-4.0	-3.0	-2.9
Private residential investment	3.7	4.2	2.2	2.9
Government consumption expenditures and gross investment	1.5	1.5	3.1	3.1
Federal .....	.4	1.5	6.6	.8
National defense .....	.4	1.8	6.0	1.0
Nondefense .....	.5	1.1	7.6	.4
State and local	2.1	1.5	1.3	4.3
Addendum: Gross domestic purchases less food and energy .....	.7	1.1	1.3	1.4

NOTE.—Percent changes in major aggregates are in NIPA table 8.1. Index number levels are in tables 7.1, 7.2, and 7.4.

prices for energy goods and services purchased by consumers, business, and government.

GDP prices increased 1.5 percent in the second quarter after increasing 1.6 percent in the first. The contrast between the small difference in the first- and second-quarter increases in GDP prices and the acceleration in gross domestic purchases prices was primarily due to the sharp upturn in the prices for petroleum imports, which are not included in GDP prices.

Real disposable personal income (DPI) increased 2.4 percent in the second quarter after increasing 3.5 percent in the first. The personal saving rate—personal saving as a percentage of current-dollar DPI—continued its downtrend, decreasing to -1.3 percent from -0.7 percent in the first quarter. (For additional information, see “[Note on the Personal Saving Rate](#)” on page 8 of the February 1999 SURVEY OF CURRENT BUSINESS.)

Personal consumption expenditures

Real personal consumption expenditures (PCE) increased 4.6 percent in the second quarter after increasing 6.7 percent in the first (table 4). Although PCE slowed, the second-quarter increase was well above the 3.4-percent average annual growth rate for PCE over the current expansion. In the second quarter, expenditures for nondurable goods increased much less than in the

first, and expenditures for durable goods slowed less markedly. Expenditures for services increased about as much as in the first quarter.

As mentioned earlier, growth in real DPI slowed in the second quarter. Other factors frequently considered in analyses of PCE remained strong (chart 2). The unemployment rate remained at 4.3 percent, its lowest quarterly rate since 1970. The Index of Consumer Sentiment (prepared by the University of Michigan’s Survey Research Center as a measure of consumer attitudes and expectations) increased to 106.2 from 105.9; thus, the index remained close to its record level of 107.8 set in the first quarter of 1998.

Expenditures for nondurable goods increased 2.9 percent after increasing 9.5 percent. The deceleration mainly reflected a sharp slowdown in clothing and shoes, but “other” nondurable goods also contributed.⁴

Expenditures for durable goods increased 9.5 percent after increasing 12.9 percent. Furniture and household equipment increased about half as much as in the first quarter; within the category, slowdowns were widespread. “Other” durable

4. “Other” nondurable goods includes tobacco, toilet articles, stationery and writing supplies, toys, film, flowers, cleaning preparations and paper products, and magazines and newspapers.

Table 4.—Real Personal Consumption Expenditures

[Seasonally adjusted at annual rates]

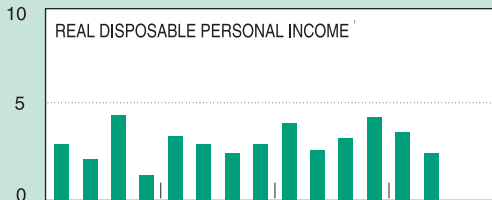
	Billions of chained (1992) dollars					Percent change from preceding quarter			
	Level	Change from preceding quarter				1998		1999	
	1999	1998		1999		III	IV	I	II
	II	III	IV	I	II				
Personal consumption expenditures	5,391.8	51.6	64.2	85.9	59.9	4.1	5.0	6.7	4.6
Durable goods	817.2	4.3	41.3	23.9	18.3	2.4	24.5	12.9	9.5
Motor vehicles and parts	284.4	-6.3	26.7	-4	5.5	-9.3	49.6	-6	8.1
Of which: New autos	91.0	-6.5	6.8	-9	5.9	-27.2	38.9	-3.8	30.7
New trucks	76.7	-4.4	11.2	-1.3	.1	-22.5	86.1	-6.6	1.0
Furniture and household equipment	391.8	12.7	10.1	19.5	10.2	15.7	12.1	23.3	11.2
Other	151.9	.5	1.9	7.7	3.2	1.6	5.6	23.5	8.9
Nondurable goods	1,612.6	8.2	16.0	35.8	11.7	2.1	4.2	9.5	2.9
Food	737.1	2.6	11.2	4.2	2.8	1.4	6.4	2.3	1.6
Clothing and shoes	336.3	-1.6	2.7	20.6	3.2	-2.0	3.5	29.2	3.9
Gasoline and oil	121.7	2.7	.4	-1	.3	9.3	1.4	-4	.9
Fuel oil and coal	11.2	.2	-4	1.2	.5	9.4	-17.5	63.7	17.9
Other	412.3	4.2	1.8	12.1	5.0	4.4	1.9	12.8	5.0
Services	2,978.2	38.0	12.4	29.6	31.4	5.4	1.7	4.1	4.3
Housing	751.0	4.4	4.4	5.3	4.2	2.4	2.4	2.9	2.3
Household operation	333.3	9.8	-8.1	7.4	7.7	13.1	-9.6	9.6	9.8
Electricity and gas	120.2	6.4	-10.9	4.0	3.3	24.0	-30.8	14.9	11.7
Other household operation	212.8	3.5	2.6	3.4	4.4	7.2	5.1	6.9	8.8
Transportation	225.2	-9	1.3	1.8	1.6	-1.7	2.5	3.2	2.9
Medical care	739.9	3.7	5.5	3.7	5.4	2.1	3.1	2.0	3.0
Other	931.4	21.5	8.1	12.1	13.0	10.2	3.6	5.4	5.8

NOTE.—See note to table 1 for an explanation of chained (1992) dollar series. Chained (1992) dollar levels and residuals are in NIPA tables 2.3, 8.5 (autos), and 8.7 (trucks). Percent changes in major aggregates are in NIPA table 8.1.

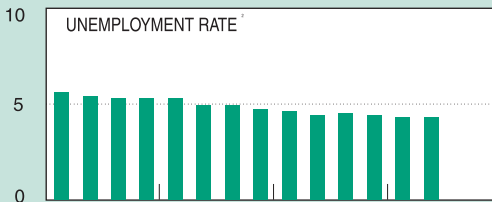
CHART 2

Selected Factors Affecting Consumer Spending

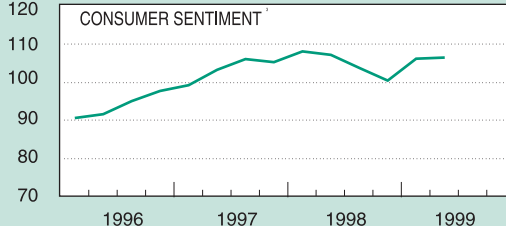
Percent change



Percent



Index



1. Based on chained (1992) dollars; seasonally adjusted annual rates.
 2. All civilian workers, seasonally adjusted. Data: U.S. Department of Labor, Bureau of Labor Statistics
 3. Data: University of Michigan's Survey Research Center
- U.S. Department of Commerce, Bureau of Economic Analysis

goods also slowed.⁵ In contrast, motor vehicles and parts increased after a small decrease.

Expenditures for services increased 4.3 percent after increasing 4.1 percent. Expenditures on medical care, "other" services, and household operation increased somewhat more than in the first quarter, and expenditures on housing and transportation increased somewhat less.⁶

Nonresidential fixed investment

Real private nonresidential fixed investment jumped 11.2 percent in the second quarter after increasing 8.5 percent in the first (table 5). The acceleration reflected an acceleration in spending on equipment; spending on structures turned down.

Over the past four quarters, nonresidential fixed investment has increased at an average annual rate of 8.2 percent. The strength in recent quarters partly reflected strength in some of the factors that affect investment spending (chart 3). Over the past four quarters, real final sales of domestic product increased 4.2 percent, and domestic corporate profits increased 5.1 percent. In contrast, the capacity utilization rate declined to 80.4 percent from 82.3 percent, and long-term

5. "Other" durable goods includes jewelry and watches, ophthalmic products and orthopedic equipment, books and maps, bicycles and motorcycles, guns and sporting equipment, photographic equipment, boats, and pleasure aircraft.

6. "Other" services includes personal care, personal business, recreation, net foreign travel, education and research, and religious and welfare activities.

Table 5.—Real Gross Private Domestic Fixed Investment

[Seasonally adjusted at annual rates]

	Billions of chained (1992) dollars					Percent change from preceding quarter			
	Level	Change from preceding quarter							
	1999	1998		1999		1998		1999	
	II	III	IV	I	II	III	IV	I	II
Gross private domestic fixed investment	1,376.9	6.8	40.1	33.0	32.9	2.2	13.2	10.5	10.1
Nonresidential	1,039.4	-1.7	33.2	20.3	27.2	-7	14.6	8.5	11.2
Structures	207.2	.1	3.0	2.8	-6	.2	6.0	5.7	-1.2
Nonresidential buildings, including farm	154.9	.3	3.7	4.0	-2.9	.8	10.4	10.9	-7.3
Utilities	30.8	.2	0	.5	.6	2.1	.2	7.3	8.0
Mining exploration, shafts, and wells	14.4	-6	-1.1	-1.6	.7	-12.3	-23.9	-36.2	21.5
Other	7.1	.3	.2	-1	1.2	21.0	18.6	-7.6	105.8
Producers' durable equipment	850.6	-2.0	32.2	18.3	30.8	-1.0	17.8	9.5	15.9
Information processing and related equipment	486.3	22.8	22.9	25.7	38.1	26.4	25.0	26.6	38.6
Computers and peripheral equipment	500.2	39.0	42.5	39.9	47.3	56.1	54.4	44.7	48.7
Other	161.9	3.1	2.8	5.4	10.9	9.3	8.1	15.6	32.1
Industrial equipment	132.9	.6	.4	-2.3	1.7	1.7	1.4	-6.9	5.4
Transportation and related equipment	171.6	-16.2	17.0	-2.5	5.4	-33.4	53.0	-5.8	13.5
Of which: Motor vehicles	140.5	-11.3	11.6	3.5	4.5	-29.9	43.9	11.1	14.0
Other	127.3	1.2	-3.3	6.4	-1.6	3.6	-9.5	21.9	-5.6
Residential	342.2	7.4	7.6	11.8	6.3	9.9	10.0	15.4	7.7
Single-family structures	167.7	4.3	4.1	7.3	.7	11.8	10.9	19.5	1.8
Multifamily structures	23.6	.1	.9	1.9	0	1.6	19.6	38.7	-1
Other ¹	151.7	3.0	2.5	2.6	5.8	8.9	7.4	7.5	16.8

1. "Other" residential investment includes home improvements, new mobile home sales, brokers' commissions on home sales, residential equipment, and other residential structures (which consists primarily of dormitories and fraternity and sorority houses).

NOTE.—See note to table 1 for an explanation of chained (1992) dollar series. Chained (1992) dollar levels and residuals are in NIPA tables 5.5, 8.5 (autos), and 8.7 (trucks). Percent changes in major aggregates are in NIPA table 8.1.

interest rates increased; for example, the yield on high-grade corporate bonds increased to 6.88 percent from 6.55 percent.

Producers' durable equipment (PDE) jumped 15.9 percent after increasing 9.5 percent. The acceleration was accounted for by an upturn in transportation and related equipment, by an acceleration in information processing and related equipment, and by an upturn in industrial equipment. The upturn in transportation and related equipment reflected upturns in aircraft and in autos; trucks, buses, and trailers slowed. The acceleration in information processing and related equipment reflected step-ups in communications

equipment and in computers and peripheral equipment. "Other" PDE turned down.⁷

Structures decreased 1.2 percent after increasing 5.7 percent. The downturn was more than accounted for by nonresidential buildings. Mining exploration, shafts, and wells and "other" structures turned up, and utilities increased about the same as in the first quarter.⁸

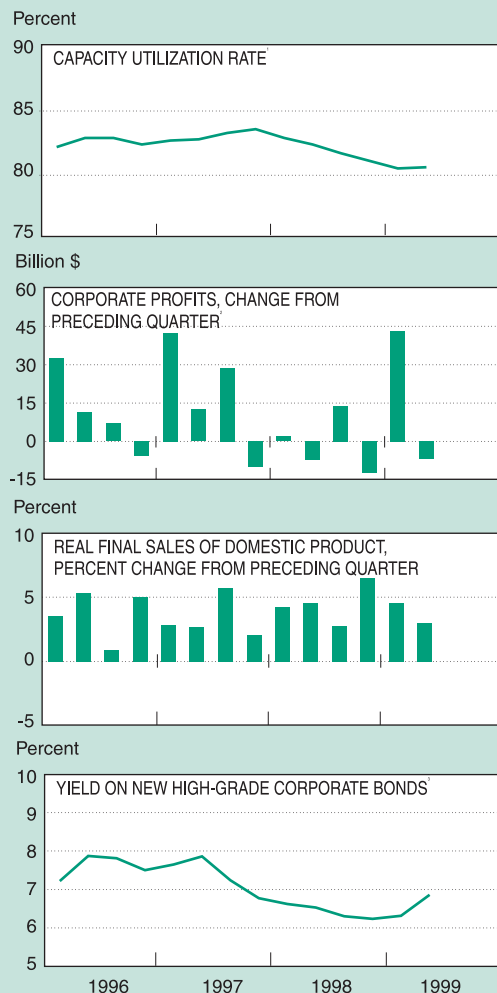
Residential investment

Real private residential investment increased 7.7 percent in the second quarter after increasing 15.4 percent in the first (table 5). The slowdown was accounted for by single-family structures, which increased much less than in the first quarter, and by multifamily structures, which changed little after increasing.

"Other" residential investment increased 16.8 percent after increasing 7.5 percent; the acceleration was more than accounted for by an upturn in brokers' commissions on home sales.⁹ The upturn in brokers' commissions partly reflected an increase in sales of new and existing homes of 408,000 units (seasonally adjusted an-

CHART 3

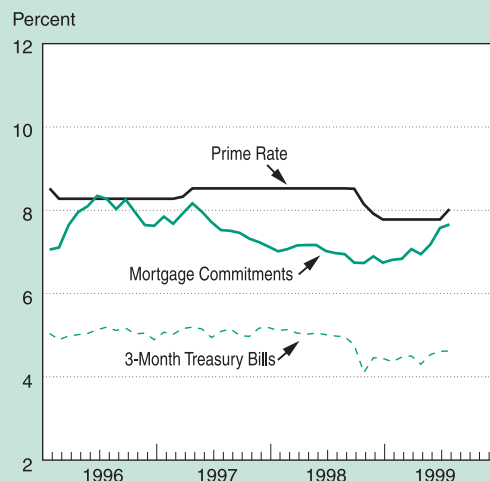
Selected Factors Affecting Nonresidential Investment



1. All industries. Data: Federal Reserve Board
 2. Domestic industries.
 3. Data: U.S. Treasury Department

CHART 4

Selected Interest Rates



Data: Federal Reserve Board, Federal Home Loan Mortgage Corporation

7. "Other" PDE includes construction and agricultural equipment, mining and oilfield equipment, electrical equipment not included in other categories, furniture and fixtures, and service-industry machinery.

8. "Other" structures includes streets, dams and reservoirs, sewer and water facilities, parks, airfields, brokerage commissions on the sale of structures, and net purchases of used structures.

9. "Other" residential investment includes investment such as home improvements, new mobile home sales, brokers' commissions on home sales, residential equipment, net purchases of used structures, and other residential structures (which consists primarily of dormitories and of fraternity and sorority houses).

nual rate) in the second quarter after a decrease of 100,000 units in the first; the upturn was largely accounted for by existing home sales. In the second-quarter, home sales increased despite an increase in the commitment rate on 30-year, fixed-rate mortgages from 6.9 percent to 7.2 percent (chart 4).

Inventory investment

Real inventory investment—that is, the change in business inventories—decreased \$26.6 billion in the second quarter, as inventory accumulation slowed to \$12.1 billion from \$38.7 billion; inventory investment had decreased \$5.5 billion in the first quarter (table 6). The second-quarter slowdown in inventory accumulation mainly reflected a swing in retail trade inventories from substantial accumulation to modest liquidation.

Retail trade inventories decreased \$4.1 billion after increasing \$16.1 billion. Inventories of durable goods industries decreased \$6.4 billion after increasing \$6.3 billion; inventories of motor vehicle dealers accounted for most of the downturn. Inventories of nondurable goods industries increased \$2.5 billion after increasing \$9.9 billion; most categories of stores contributed to the slowdown.

Wholesale trade inventories increased \$9.6 billion, about the same as in the first quarter. Inventories of durable goods industries increased a little more than in the first quarter, and inventories of nondurable goods industries increased a little less.

Manufacturing inventories decreased \$4.3 billion after decreasing \$3.3 billion. Inventories of durable goods industries decreased more than in the first quarter; the larger second-quarter decrease mainly resulted from downturns in inventories of industrial machinery and of instrument manufacturers. In the nondurable goods industries, inventories increased after decreasing; the upturn reflected an upturn in inventories of chemical manufacturers and slower liquidation of inventories of apparel and tobacco manufacturers. In contrast, liquidation of petroleum inventories increased.

“Other” nonfarm inventories increased less than in the first quarter.¹⁰

Farm inventories increased \$2.9 billion after increasing \$3.6 billion. Crop inventories more than accounted for both increases.

In the second quarter, the ratio of real nonfarm inventories to real final sales of domestic businesses decreased to 2.22, its lowest level in more than 6 years, from 2.23 in the first quarter. The inventory-sales ratio that includes only final sales of goods and structures decreased to 3.91, its lowest level in more than 25 years, from 3.93.¹¹

10. “Other” nonfarm inventories includes inventories held by the following industries: Mining; construction; public utilities; transportation; communication; finance, insurance, and real estate; and services.

11. Use of the ratio that includes all final sales of domestic businesses in the denominator implies that the production of services results in a demand for inventories that is similar to that generated in the production of good and structures. In contrast, use of the “goods and structures” ratio implies that the production of services does not generate demand for inventories. Both implications are extreme. Production of some services may require substantial inventories, while production of other services may not.

Table 6.—Real Change in Business Inventories

[Billions of chained (1992) dollars; seasonally adjusted at annual rates]

	Level					Change from preceding quarter			
	1998			1999		1998		1999	
	II	III	IV	I	II	III	IV	I	II
Change in business inventories	38.2	55.7	44.2	38.7	12.1	17.5	-11.5	-5.5	-26.6
Farm	8.7	9.1	7.2	3.6	2.9	.4	-1.9	-3.6	-.7
Nonfarm	29.9	47.0	37.5	35.1	9.4	17.1	-9.5	-2.4	-25.7
Manufacturing	23.9	19.2	6.2	-3.3	-4.3	-4.7	-13.0	-9.5	-1.0
Durable goods	19.1	12.0	3.8	-1.7	-5.6	-7.1	-8.2	-5.5	-3.9
Nondurable goods	4.9	7.2	2.4	-1.6	1.2	2.3	-4.8	-4.0	2.8
Wholesale trade	7.6	29.6	13.7	9.4	9.6	22.0	-15.9	-4.3	.2
Durable goods	1.6	15.2	12.3	7.8	8.6	13.6	-2.9	-4.5	.8
Nondurable goods	5.9	14.3	1.5	1.7	1.2	8.4	-12.8	.2	-5
Retail trade	-11.9	-5.3	10.9	16.1	-4.1	6.6	16.2	5.2	-20.2
Durable goods	-16.3	-7.7	11.4	6.3	-6.4	8.6	19.1	-5.1	-12.7
Of which: Motor vehicle dealers	-13.8	-9.1	3.3	1.2	-9.4	4.7	12.4	-2.1	-10.6
Nondurable goods	4.9	2.6	-.7	9.9	2.5	-2.3	-3.3	10.6	-7.4
Other	10.4	4.0	6.6	12.3	8.1	-6.4	2.6	5.7	-4.2
Durable goods .....	.7	-.1	-1.7	3.0	1.4	-.8	-1.6	4.7	-1.6
Nondurable goods	10.0	4.3	8.8	9.5	6.8	-5.7	4.5	.7	-2.7
Addenda:									
Motor vehicles	-22.6	-9.2	7.0	1.8	-5.6	13.4	16.2	-5.2	-7.4
Autos	-12.3	-3.0	1.9	-3.4	-12.1	9.3	4.9	-5.3	-8.7
Trucks	-10.2	-6.0	4.9	4.9	5.9	4.2	10.9	0	1.0

NOTE.—See note to table 1 for an explanation of chained (1992) dollar series. Chained (1992) dollar levels for most series are in NIPA table 5.11; chained (1992) dollar levels for autos (new and used) and trucks (new only) are in NIPA tables 8.5 and 8.7, respectively.

Exports and imports

Real exports of goods and services increased in the second quarter after decreasing in the first, and real imports of goods and services increased slightly more in the second quarter than in the first (table 7).

Exports of goods and services increased 4.3 percent after decreasing 5.1 percent. The upturn was accounted for by an upturn in goods. Services increased less than in the first quarter.

Exports of goods increased 4.8 percent after decreasing 8.7 percent. The upturn was primarily accounted for by upturns in industrial supplies and materials, in automotive, engines, and parts, and in foods, feeds, and beverages and by a sharp acceleration in computers, peripherals, and parts.

Exports of services increased 3.1 percent after increasing 4.3 percent. The slowdown was accounted for by a slowdown in "other private

services" and by downturns in transfers under U.S. military agency sales contracts and in "other transportation."

Imports of goods and services jumped 14.4 percent after increasing 13.5 percent. Goods increased more than in the first quarter, but services increased much less.

Imports of goods jumped 16.9 percent after increasing 13.8 percent. An acceleration in computers, peripherals, and parts accounted for most of the step-up, but several other components also contributed. In contrast, automotive vehicles, engines, and parts and other consumer goods except automotive increased less than in the first quarter.

Imports of services increased only 1.9 percent after jumping 11.8 percent. The slowdown was accounted for by a downturn in passenger fares, by slowdowns in travel and in royalties and license fees, and by a larger second-quarter decrease in "other transportation."

Table 7.—Real Exports and Imports of Goods and Services

[Seasonally adjusted at annual rates]

	Billions of chained (1992) dollars					Percent change from preceding quarter			
	Level	Change from preceding quarter				1998		1999	
	1999	1998		1999					
	II	III	IV	I	II	III	IV	I	II
Exports of goods and services	1,007.1	-6.8	44.3	-13.1	10.6	-2.8	19.7	-5.1	4.3
Goods	760.1	1.0	41.1	-17.2	8.9	.6	24.6	-8.7	4.8
Agricultural goods	49.0	-1.8	5.8	-5.8	3.2	-14.5	61.3	-37.5	30.8
Nonagricultural goods	715.7	3.2	35.0	-10.9	5.5	1.9	22.0	-5.9	3.1
Services	251.5	-6.7	4.9	2.6	1.9	-10.4	8.3	4.3	3.1
Imports of goods and services	1,344.5	7.0	35.3	40.5	44.4	2.3	12.0	13.5	14.4
Goods	1,172.3	7.5	35.4	35.9	44.7	2.9	14.1	13.8	16.9
Petroleum and products	77.2	-1.1	-2.6	1.2	5.2	-5.7	-13.2	7.0	31.7
Nonpetroleum products	1,093.7	8.2	36.6	34.3	40.0	3.4	15.7	14.2	16.1
Services	177.3	-2	.8	4.9	.8	-6	2.0	11.8	1.9
Addendum: Net exports of goods and services	-337.4	-13.8	9.0	-53.6	-33.8				

NOTE.—See note to table 1 for an explanation of chained (1992) dollar series. Chained (1992) dollar levels and residuals are in NIPA table 4.4. Percent changes in major aggregates are in NIPA table 8.1.

Table 8.—Real Government Consumption Expenditures and Real Gross Investment by Type

[Seasonally adjusted at annual rates]

	Billions of chained (1992) dollars					Percent change from preceding quarter			
	Level	Change from preceding quarter				1998		1999	
	1999	1998		1999					
	II	III	IV	I	II	III	IV	I	II
Government consumption expenditures and gross investment	1,318.4	4.8	10.7	13.6	-5.5	1.5	3.3	4.2	-1.7
Federal	454.4	-1.6	8.1	-2.2	-4.0	-1.4	7.3	-1.9	-3.5
National defense	296.8	3.2	1.1	-5.2	-2.6	4.3	1.3	-6.6	-3.4
Consumption expenditures	257.0	-1.0	2.2	-6.2	-4.1	-1.4	3.3	-9.0	-6.0
Gross investment	40.0	4.4	-1.3	1.3	1.5	62.4	-12.4	13.7	17.2
Nondefense	156.6	-4.5	6.8	2.8	-1.4	-11.5	19.8	7.4	-3.5
Consumption expenditures	136.1	-4.5	6.2	.5	1.0	-12.8	20.8	1.4	3.2
Gross investment	20.3	0	.6	2.8	-3.0	-2	12.3	66.6	-43.0
State and local	864.3	6.4	2.7	15.8	-1.5	3.1	1.3	7.7	-7
Consumption expenditures	704.5	4.3	4.0	5.2	3.7	2.6	2.3	3.0	2.2
Gross investment	159.7	2.1	-1.3	10.7	-5.3	5.6	-3.3	30.7	-12.2

NOTE.—See note to table 1 for an explanation of chained (1992) dollar series. Chained (1992) dollar levels and residuals are in NIPA table 3.8. Percent changes in major aggregates are in NIPA table 8.1.

Government spending

Real government consumption expenditures and gross investment decreased 1.7 percent in the second quarter after increasing 4.2 percent in the first (table 8). Federal Government spending decreased more in the second quarter than in the first, and State and local government spending turned down.

Table 9.—Revisions to Change in Real Gross Domestic Product and Prices, Second Quarter 1999

[Seasonally adjusted at annual rates]

	Percent change from preceding quarter		Preliminary estimate minus advance estimate		
	Advance estimate	Preliminary estimate	Percentage points	Billions of chained (1992) dollars	Contribution to percent change in real GDP
Gross domestic product	2.3	1.8	-0.5	-9.3	.....
<i>Less:</i> Exports of goods and services	4.5	4.3	-2	-5	-.03
Goods	4.8	4.8	0	.1	.01
Services	4.0	3.1	-9	-5	-.03
<i>Plus:</i> Imports of goods and services	9.7	14.4	4.7	13.9	-.57
Goods	11.4	16.9	5.5	13.9	-.55
Services	1.3	1.9	.6	.3	-.01
Equals: Gross domestic purchases	3.0	3.1	.1	2.2	.....
<i>Less:</i> Change in business inventories .....	.....	.....	.....	-7.3	-.33
Nonfarm .....	.....	.....	.....	-6.4	.....
Farm .....	.....	.....	.....	-9	.....
Equals: Final sales to domestic purchasers	3.9	4.3	.4	8.6	.....
Personal consumption expenditures	4.0	4.6	.6	7.1	.36
Durable goods	5.6	9.5	3.9	7.4	.32
Nondurable goods	3.0	2.9	-.1	-.1	-.01
Services	4.2	4.3	.1	1.0	.05
Private fixed investment	9.1	10.1	1.0	3.3	.15
Nonresidential	10.8	11.2	.4	.9	.03
Structures	-1.2	-1.2	0	0	0
Producers' durable equipment	15.3	15.9	.6	1.0	.04
Residential	5.1	7.7	2.6	2.1	.12
Government consumption expenditures and gross investment	-1.2	-1.7	-.5	-1.6	-.08
Federal	-3.2	-3.5	-.3	-.3	-.02
National defense	-3.2	-3.4	-.2	-.1	-.01
Nondefense	-3.1	-3.5	-.4	-.2	-.01
State and local	-1	-7	-6	-1.2	-.07
Addenda:					
Final sales of domestic product	3.2	3.0	-.2	-2.8	.....
Gross domestic purchases price index	2.1	2.1	0	.....	.....
GDP price index	1.6	1.5	-.1	.....	.....

NOTE.—The preliminary estimates for the second quarter of 1999 incorporate the following revised or additional major source data that were not available when the advance estimates were prepared.

Personal consumption expenditures: Retail sales for April through June (revised, including the incorporation on a best-change basis of data based on the preliminary results of the 1997 Census of Retail Trade), consumers' share of new-car purchases for June, average unit value for domestic new autos for June (revised), and consumers' share of new-truck purchases for June.

Nonresidential fixed investment: Construction put in place for April and May (revised) and June, manufacturers' shipments of machinery and equipment for May and June (revised), and exports and imports of machinery and equipment for May (revised) and June.

Residential fixed investment: Construction put in place for April and May (revised) and June.

Change in business inventories: Manufacturing inventories for May (revised) and June, and retail trade and wholesale trade inventories for March through May (revised, including the incorporation on a best-change basis of data based on the preliminary results of the 1997 Census of Wholesale and Retail Trade) and June.

Exports and imports of goods and services: Exports and imports of goods for May (revised) and June.

Government consumption expenditures and gross investment: State and local government construction put in place for April and May (revised) and June.

Wages and salaries: Employment, average hourly earnings, and average weekly hours for May and June (revised).

GDP prices: Detailed merchandise export and import price indexes for April through June (revised), unit-value index for petroleum imports for May (revised) and June, and housing prices for the second quarter.

Federal nondefense spending decreased 3.5 percent after increasing 7.4 percent. Investment spending turned down, reflecting spending for equipment, which decreased sharply after increasing substantially. In contrast, consumption spending increased slightly more than in the first quarter.

Federal defense spending decreased 3.4 percent after decreasing 6.6 percent. Consumption expenditures decreased less than in the first quarter, reflecting an upturn in spending for goods. Investment spending increased more than in the first quarter; the acceleration was accounted for by equipment.

State and local government spending decreased 0.7 percent after increasing 7.7 percent. Investment decreased after increasing; the downturn was attributable to structures. Consumption expenditures increased less than in the first quarter.

Revisions

As noted earlier, the preliminary estimate of a 1.8-percent increase in real GDP in the second quarter is 0.5 percentage point lower than the advance estimate (table 9); for 1978–98, the average revision, without regard to sign, from the advance estimate to the preliminary estimate was 0.5 percentage point.

The downward revision to real GDP primarily reflected an upward revision to imports, which are subtracted in the calculation of GDP, and a downward revision to nonfarm inventory investment; these revisions were partly offset by an upward revision to consumer spending for durable goods.

The upward revision to imports mainly reflected the incorporation of newly available Census Bureau data on international trade in goods for June. For the advance estimate, BEA had assumed an increase in goods imports in June of slightly less than 1.0 percent (monthly rate), but newly available data indicate an unusually large increase of 4.4 percent.

The downward revision to nonfarm inventory investment primarily reflected the incorporation of revised data for May and newly available data for June on change in manufacturing and trade inventories from the Census Bureau.

The upward revision to PCE for durables goods was to motor vehicles and to "other" durable goods. The upward revision to motor vehicles reflected the incorporation of newly available auto and truck registration data for June, which are used to allocate purchases among consumers,

businesses, and government; the upward revision to the consumers' share of motor vehicle purchases was offset by a downward revision to businesses' share, which resulted in a downward revision to business investment in motor vehicles. The upward revision to "other" durable goods reflected the incorporation of revised retail sales data from the Census Bureau.

The preliminary estimate of the increase in the price index for gross domestic purchases (2.1 percent) was the same as the advance estimate, and the preliminary estimate of the increase in the price index for GDP (1.5 percent) was 0.1 percentage point lower than the advance estimate.

The preliminary estimate of the increase in real DPI was 2.4 percent, and that of the increase in current-dollar DPI was 4.9 percent, both of which were the same as the advance estimates. The preliminary estimate of the personal saving rate was -1.3 percent, 0.2 percentage point lower than the advance estimate.

Corporate Profits

In the second quarter, profits from current production decreased \$9.2 billion (or 1.1 percent at a quarterly rate) after increasing \$47.1 billion (5.7

percent) in the first quarter (table 10).¹² Profits of domestic nonfinancial corporations decreased \$3.8 billion (0.6 percent) after increasing \$29.0 billion (4.9 percent); in the second quarter, unit profits decreased, reflecting a smaller increase in unit prices than in unit costs. Profits of domestic financial corporations decreased \$3.0 billion (2.1 percent) after increasing \$13.4 billion (10.3 percent). Profits from the rest of the world decreased \$2.2 billion (2.2 percent) after increasing \$4.6 billion (4.7 percent); the downturn was more than accounted for by receipts of earnings from foreign affiliates.¹³

Cash flow from current production, a profits-related measure of internally generated funds available for investment, decreased \$13.3 billion after increasing \$34.7 billion.¹⁴ The ratio of

12. Profits from current production is estimated as the sum of profits before tax, the inventory valuation adjustment, and the capital consumption adjustment; it is shown in NIPA tables 1.9, 1.14, 1.16, and 6.16C (see "Selected NIPA Tables," which begins on page D-2 of this issue) as corporate profits with inventory valuation and capital consumption adjustments.

Percent changes in profits are shown at quarterly, not annual, rates.

13. Profits from the rest of the world is calculated as (1) receipts by U.S. residents of earnings from their foreign affiliates plus dividends received by U.S. residents from unaffiliated foreign corporations minus (2) payments by U.S. affiliates of earnings to their foreign parents plus dividends paid by U.S. corporations to unaffiliated foreign residents. These estimates include capital consumption adjustments (but not inventory valuation adjustments) and are derived from BEA's international transactions accounts.

14. Cash flow from current production is undistributed profits with inventory valuation and capital consumption adjustments plus the consumption of fixed capital.

Table 10.—Corporate Profits

[Seasonally adjusted]

	Billions of dollars (annual rate)					Percent change (quarterly rate)				
	Level	Change from preceding quarter				1998		1999		
	1999	1998		1999		III	IV	I	II	
	II	III	IV	I	II					
Profits from current production	859.6	6.4	-5.3	47.1	-9.2	0.8	-0.6	5.7	-1.1	
Domestic industries	760.5	13.7	-12.1	42.5	-6.9	1.9	-1.6	5.9	-9	
Financial	140.5	-6	.6	13.4	-3.0	-4	.5	10.3	-2.1	
Nonfinancial	620.0	14.3	-12.7	29.0	-3.8	2.4	-2.1	4.9	-6	
Rest of the world	99.2	-7.4	6.9	4.6	-2.2	-7.6	7.6	4.7	-2.2	
Receipts (inflows)	163.0	-5.5	10.1	10.9	1.5	-3.8	7.2	7.2	1.0	
Payments (outflows)	63.9	1.8	3.3	6.3	3.8	3.9	6.4	11.7	6.3	
IVA	-17.1	3.9	1.7	-1.8	-28.7	.....	.....	.....	.....
CCAadj	108.6	5.4	5.4	4.4	4.0	.....	.....	.....	.....
Profits before tax	768.2	-3.0	-12.4	44.5	15.6	-4	-1.7	6.3	2.1	
Profits tax liability	257.5	1.6	-7.6	15.1	6.8	.6	-3.1	6.4	2.7	
Profits after tax	510.7	-4.5	-4.8	29.4	8.8	-1.0	-1.0	6.2	1.7	
Cash flow from current production	834.2	9.2	4.9	34.7	-13.3	1.2	.6	4.3	-1.6	
Domestic industry profits:										
Corporate profits of domestic industries with IVA	651.9	8.3	-17.5	38.1	-10.9	1.3	-2.7	6.1	-1.6	
Financial	143.0	-1.2	-2	13.2	-3.2	-9	-1	9.9	-2.2	
Nonfinancial	508.9	9.5	-17.3	24.9	-7.7	1.9	-3.4	5.1	-1.5	
		Dollars								
Unit price, costs, and profits of nonfinancial corporations:										
Unit price	1.064	.001	-.002	.001	.003	.....	.....	.....	.....
Unit labor cost .....	.704	0	.001	0	.004	.....	.....	.....	.....
Unit nonlabor cost .....	.225	-.001	.003	-.004	.001	.....	.....	.....	.....
Unit profits from current production .....	.135	.002	-.005	.004	-.002	.....	.....	.....	.....

NOTE.—Levels of these and other profits series are in NIPA tables 1.14, 1.16, 6.16C, and 7.15.
 IVA Inventory valuation adjustment
 CCAadj Capital consumption adjustment

cash flow to nonresidential fixed investment, an indicator of the share of the current level of investment that could be financed by internally generated funds, decreased to 83.8 percent, its lowest level since 1990, from 87.1 percent; its average level for 1990–98 was 89.9 percent.

Domestic industry profits and related measures.—Domestic industry profits decreased \$10.9 billion after increasing \$38.1 billion.¹⁵ Profits of domestic nonfinancial corporations decreased \$7.7 billion after increasing \$24.9 billion. The downturn in domestic nonfinancial profits was widespread; manufacturing, the transportation and utilities group, retail trade, and wholesale trade all contributed. In the first quarter, the increase had partly represented a rebound from a fourth quarter in which profits were depressed by payments of tobacco companies to States under the terms of various settlement agreements. Profits of domestic financial corporations decreased \$3.2 billion after increasing \$13.2 billion.

Profits before tax (PBT) increased \$15.6 billion after increasing \$44.5 billion. The difference between the \$15.6 billion increase in PBT and the \$9.2 billion decrease in profits from current production mainly reflected a sharp decrease in the inventory valuation adjustment (IVA), which removes inventory profits and losses from business income.¹⁶ In the second quarter, inventory profits amounted to \$17.1 billion; in the first quarter, inventory losses had been \$11.6 billion. A sharp upswing in energy prices was mainly responsible for the swing from inventory losses to profits; the companies that were most affected were in petroleum extraction and refining, in “other” retail, and in transportation.

Government Sector

The combined current surplus of the Federal Government and of State and local governments—the NIPA measure of net saving by government—increased \$18.5 billion, to \$310.9 billion, in the second quarter after increasing

\$56.1 billion in the first (table 11).¹⁷ The deceleration was accounted for by a slowdown in the Federal Government current surplus; the State and local government current surplus changed little in both quarters.¹⁸

Federal

The Federal Government current surplus increased \$18.1 billion, to \$140.8 billion, in the second quarter after increasing \$56.9 billion in the first. The deceleration resulted from an upturn in current expenditures and a slowdown in receipts.

Receipts.—Federal receipts increased \$32.2 billion in the second quarter after increasing \$44.3 billion in the first. The deceleration was more than accounted for by slowdowns in contributions for social insurance and in corporate profits tax accruals.

Contributions for social insurance increased \$8.1 billion after increasing \$16.5 billion. The deceleration was mostly attributable to contributions for social security (old-age, survivors, disability, and health insurance), which increased \$8.0 billion after increasing \$15.0 billion. In the first quarter, contributions had been boosted by an increase in the social security taxable wage base. In addition, wage and salary disbursements decelerated slightly in the second quarter.

Corporate profits tax accruals increased \$5.7 billion after increasing \$12.8 billion, reflecting a deceleration in domestic corporate profits before tax. The first-quarter increase followed fourth-quarter settlement payments to the States by tobacco companies that had dampened corporate profits and thus corporate profits tax accruals.

Personal tax and nontax receipts increased \$18.0 billion after increasing \$15.4 billion. The acceleration was mostly accounted for by estate and gift taxes, which increased \$2.7 billion after increasing \$0.3 billion.

Current expenditures.—Current expenditures increased \$14.1 billion in the second quarter after decreasing \$12.6 billion in the first.¹⁹ The upturn reflected turnarounds in subsidies less the

15. Domestic industry profits are estimated as the sum of corporate profits before tax and the inventory valuation adjustment; they are shown in NIPA table 6.16c (on page D–16 of this issue). Estimates of the capital consumption adjustment do not exist at a detailed industry level; they are available only for total financial and total nonfinancial industries.

16. As prices change, companies that value inventory withdrawals at original acquisition (historical) costs may realize inventory profits or losses. Inventory profits—a capital-gains-like element in profits—result from an increase in inventory prices, and inventory losses—a capital-loss-like element in profits—result from a decrease in inventory prices. In the NIPA’s, inventory profits or losses are removed from business incomes by the IVA; a negative IVA removes inventory profits, and a positive IVA removes inventory losses.

17. Net saving equals gross saving less consumption of fixed capital (CFC); the estimates of government gross saving, CFC, and net saving are shown in NIPA table 5.1.

18. The NIPA estimates for the government sector are based on financial statements for the Federal Government and for State and local governments, but they differ from them in several respects. For the major differences, see NIPA tables 3.18b on page 10 and 3.19 on page 11 of the October 1998 SURVEY OF CURRENT BUSINESS.

19. For information on the definition of current expenditures and other major NIPA components, see Eugene P. Seskin and Robert P. Parker, “A Guide to the NIPA’s,” SURVEY 78 (March 1998): 26–36.

current surplus of government enterprises and in net interest paid, and it reflected accelerations in transfer payments (net) and in grants-in-aid to State and local governments.

Subsidies less the current surplus of government enterprises increased \$6.9 billion after decreasing \$10.9 billion. The upturn was largely accounted for by subsidies, which increased \$7.9 billion after decreasing \$8.0 billion. Within subsidies, agricultural subsidies increased \$7.8 billion after decreasing \$8.0 billion (annual rate). The changes in agricultural subsidies largely reflected the timing of special payments to farmers under the Omnibus Consolidated and Emergency Supplemental Appropriations Act for Fiscal Year 1999; these payments amounted to \$11.8 billion in the fourth quarter and \$6.5 billion in the second.

Net interest paid increased \$0.6 billion after decreasing \$7.1 billion. The turnaround was mostly attributable to interest paid to persons and business, which decreased \$0.3 billion after a decrease of \$7.6 billion.

Transfer payments (net) increased \$4.3 billion after increasing \$0.6 billion. The acceleration was more than accounted for by an upturn in transfer payments to the rest of the world, which increased \$1.5 billion after decreasing \$12.7 billion. The first-quarter decrease had followed a large fourth-quarter increase that included a payment to Israel of \$3.0 billion—\$12.0 billion at an annual rate—in economic support and other payments. Transfer payments to persons increased \$2.8 billion after increasing \$13.3 billion. In the first quarter, payments of social security benefits (old-age, survivors, and disability insurance), Federal employee pension benefits, veterans pension benefits, and supplemental security income benefits were boosted by a 1.3-percent cost-of-living adjustment that went into effect in January. In addition, first-quarter transfer payments were boosted by a \$3.4 billion increase in earned income tax credits.

Grants-in-aid to State and local governments increased \$4.4 billion after an increase of \$3.7 billion. Grants for highways, for medical research, for mass transit, for food and nutrition, and for other programs turned up; grants for education and for cash assistance turned down.

Consumption expenditures decreased \$2.2 billion after increasing \$1.2 billion. The downturn was mostly accounted for by nondefense consumption expenditures, which increased \$1.6 billion after increasing \$4.0 billion. The deceleration was more than accounted for by services, which increased \$0.4 billion after increasing \$3.8

billion; within services, compensation of employees decreased \$0.7 billion after increasing \$3.5 billion in the first quarter, when employee compensation was boosted by a pay raise in January. Nondurable goods increased \$1.2 billion after increasing \$0.2 billion; the acceleration was mostly accounted for by the Commodity Credit Corporation inventory change, which increased \$1.1 billion after increasing \$0.2 billion.

Defense consumption expenditures decreased \$3.7 billion after decreasing \$3.0 billion. Services

Table 11.—Government Sector Receipts and Current Expenditures

[Billions of dollars, seasonally adjusted at annual rates]

	Level	Change from preceding quarter				
	1999	1998			1999	
	II	II	III	IV	I	II
Receipts	2,909.4	41.6	34.5	36.5	50.4	42.8
Current expenditures	2,598.4	24.9	9.4	40.9	-5.7	24.3
Current surplus or deficit(-)	310.9	16.7	25.0	-4.4	56.1	18.5
Social insurance funds	190.3	6.3	5.5	9.5	9.8	7.2
Other	120.6	10.4	19.5	-13.9	46.3	11.3
Federal Government						
Receipts	1,946.9	29.2	20.5	11.6	44.3	32.2
Personal tax and nontax receipts	909.3	19.2	8.1	12.1	15.4	18.0
Corporate profits tax accruals	219.5	1.4	1.3	-6.5	12.8	5.7
Indirect business tax and nontax accruals	95.9	1.3	3.1	-2.3	-3	2
Contributions for social insurance	722.1	7.3	8.0	8.3	16.5	8.1
Current expenditures	1,806.1	13.6	2.8	37.9	-12.6	14.1
Consumption expenditures	469.6	13.1	-5.3	11.9	1.2	-2.2
National defense	300.0	9.7	-1	3.8	-3.0	-3.7
Nondefense	169.6	3.3	-5.1	8.2	4.0	1.6
Transfer payments (net)	834.7	2.6	5.9	12.8	.6	4.3
To persons	823.3	3.5	3.7	1.4	13.3	2.8
To the rest of the world	11.4	-9	2.2	11.4	-12.7	1.5
Grants-in-aid to State and local governments	245.5	-1.8	4.5	6.0	3.7	4.4
Net interest paid	214.9	-5	-2.6	-4.3	-7.1	.6
Subsidies less current surplus of government enterprises	41.4	.1	.5	11.4	-10.9	6.9
Subsidies	42.3	-5	-4	11.8	-8.0	7.9
Of which: Agricultural subsidies	19.2	-1	-1	11.8	-8.0	7.8
Less: Current surplus of government enterprises ...	.9	-6	-9	.4	2.9	1.0
Less: Wage accruals less disbursements	0	0	0	0	0	0
Current surplus or deficit (-)	140.8	15.6	17.6	-26.2	56.9	18.1
Social insurance funds	122.2	6.1	5.8	9.0	9.9	6.9
Other	18.5	9.5	11.8	-35.2	47.0	11.1
State and local governments						
Receipts	1,207.9	10.5	18.5	30.8	9.8	15.0
Personal tax and nontax receipts	253.4	6.8	7.4	4.3	3.9	.6
Corporate profits tax accruals	37.9	.3	.3	-1.2	2.4	1.0
Indirect business tax and nontax accruals	586.1	4.5	5.7	20.9	-1.2	8.2
Contributions for social insurance	85.1	.6	.7	.8	1.0	.9
Federal grants-in-aid	245.5	-1.8	4.5	6.0	3.7	4.4
Current expenditures	1,037.8	9.5	11.1	9.0	10.6	14.6
Consumption expenditures	823.6	8.0	9.2	7.3	9.0	13.4
Transfer payments to persons	328.7	3.0	3.2	3.7	3.2	3.0
Net interest paid	-88.8	-1.5	-1.5	-1.6	-1.7	-1.8
Less: Dividends received by government	17.0	.3	.0	.6	.1	.3
Subsidies less current surplus of government enterprises	-8.8	.3	.2	.3	.1	.2
Subsidies .....	.4	0	0	0	0	0
Less: Current surplus of government enterprises ...	9.2	-3	-2	-3	-1	-2
Less: Wage accruals less disbursements	0	0	0	0	0	0
Current surplus or deficit (-)	170.2	1.1	7.4	21.8	-8	.5
Social insurance funds	68.0	.2	-3	.5	-1	.2
Other	102.1	.9	7.7	21.3	-7	.2

NOTE.—Levels of these series are in NIPA tables 3.1-3.3.

decreased \$5.7 billion after decreasing \$1.9 billion. Within services, compensation of employees decreased \$0.6 billion after increasing \$3.0 billion in the first quarter, when employee compensation was boosted by military and civilian pay raises in January. Nondurable goods increased \$1.1 billion after decreasing \$0.4 billion, and durable goods increased \$0.9 billion after decreasing \$0.6 billion. Within nondurable goods, expenditures for petroleum and for ammunition turned up; the upturn was partly attributable to spending for the U.S. military action in Kosovo. Within durable goods, expenditures for aircraft parts increased \$0.9 billion after decreasing \$0.6 billion.

State and local

The State and local government current surplus increased \$0.5 billion, to \$170.2 billion, in the second quarter after decreasing \$0.8 billion in the first. Receipts and current expenditures both increased more in the second quarter than in the first.

Receipts.—State and local government receipts increased \$15.0 billion after increasing \$9.8 billion. The acceleration was more than accounted for by an upturn in indirect business tax and nontax accruals.

Indirect business tax and nontax accruals increased \$8.2 billion after decreasing \$1.2 billion. The upturn was more than accounted for by non-

tax accruals, which increased \$1.6 billion after decreasing \$11.2 billion; the first-quarter decrease followed a large increase of \$12.7 billion in the fourth quarter that was attributable to tobacco settlement payments of \$13.5 billion.

Federal grants-in-aid increased \$4.4 billion after increasing \$3.7 billion. Corporate profits tax accruals increased \$1.0 billion after increasing \$2.4 billion, reflecting the deceleration in domestic corporate profits before tax.

Personal tax and nontax receipts increased \$0.6 billion after increasing \$3.9 billion. The deceleration was mostly attributable to income taxes, which decreased \$0.5 billion after increasing \$2.8 billion. The downturn was attributable to an acceleration in “special” State tax refunds, which increased \$3.1 billion after increasing \$0.8 billion; these special refunds were enacted by State legislatures to return unneeded revenue to taxpayers.

Current expenditures.—Current expenditures increased \$14.6 billion after increasing \$10.6 billion. The acceleration was more than accounted for by consumption expenditures.

Consumption expenditures increased \$13.4 billion after increasing \$9.0 billion. The acceleration was mainly attributable to an acceleration in nondurable goods. Expenditures for petroleum increased \$3.4 billion after decreasing \$0.2 billion. 