

Economic growth



The economy's need for workers originates in the demand for the goods and services that they provide. So, in order to project employment, BLS starts by estimating the production of final—or complete—goods and services produced in the United States for each year of the projections decade. This measure is called gross domestic product (GDP). Then, BLS estimates the size—in inflation-adjusted dollars—of the five major categories of production. The categories are:

- ◆ **Personal consumption expenditures.** This category includes the things that individuals buy, including goods (such as automobiles, clothes, and food) and services (such as education, healthcare, and rental payments).

- ◆ **Gross private domestic investment.** This includes business investment in equipment and software, the construction of factories and residential structures, and changes in business inventories.

- ◆ **Government consumption expenditures and gross investment.** This includes goods and services bought by Federal, State, and local governments.

- ◆ **Exports.** These are goods and services produced in the United States and purchased in foreign countries.

- ◆ **Imports.** Imports are goods and services produced abroad and purchased in the United States. Because GDP measures production in the United States, the value of imports is subtracted from the other four categories of GDP.

Finally, BLS breaks down these major categories into more detailed ones, such as the production of medical services, automobiles, and food and beverages.

Changes in the level and composition of production will affect industry employment levels. For example, an increased level of business investment in microcomputers will increase employment in the computer industry and in all those industries, such as electronic components, that provide inputs to the computer industry. In turn, occupations that those industries employ also will grow.

One chart shows a measure of productivity—the amount an employee produces per hour of work—over time. This type of productivity is calculated by first measuring total nonfarm output. This includes all of the

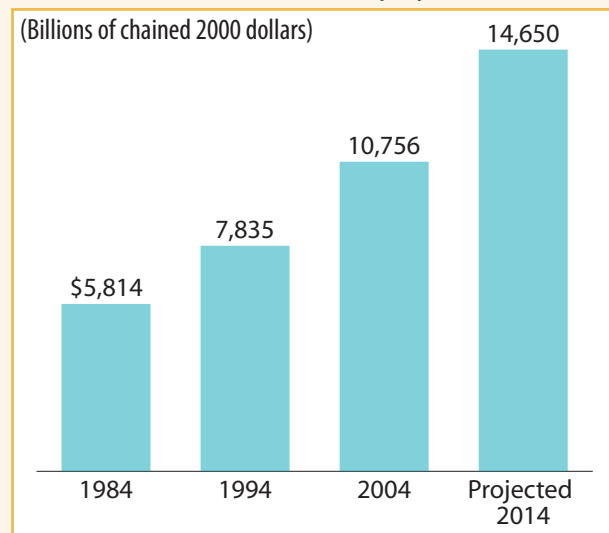
goods and services purchased—and all of the additional goods and services used to make them. Then, total output is divided by total labor hours. Productivity as shown here concentrates on the output produced by labor and may differ from other BLS measures.

A final chart in this section illustrates production from an industry standpoint. It shows how much of total output each industry division generates.

Unlike previous charts, the charts in this section show annual rates of growth instead of change over the entire projections decade. Annual rates are used here, in part, because they are the measure used for other economic indicators, including inflation.

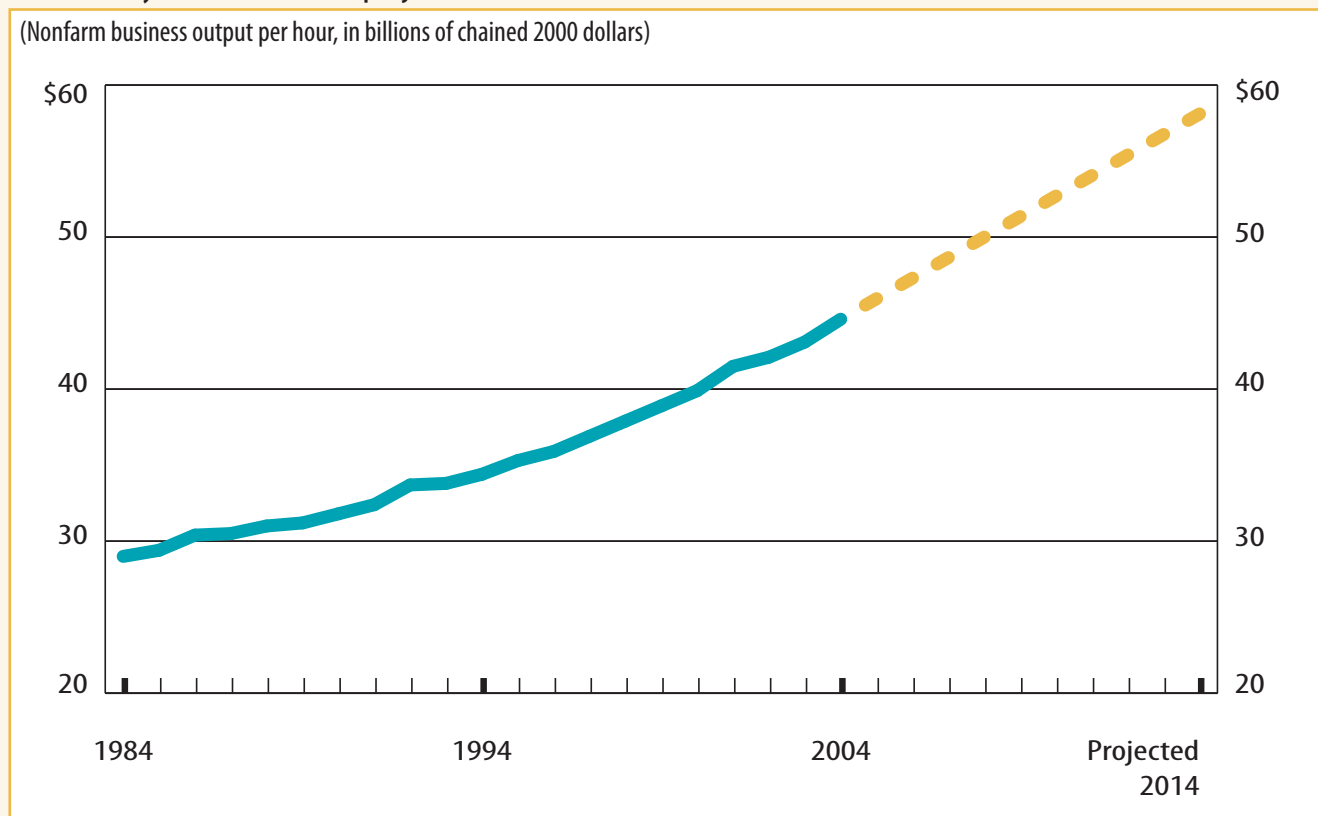
To show changes in demand more accurately, dollar amounts in this section are given in 2000 chain-weighted dollars rather than in current dollars. This means that amounts have been adjusted for changing prices over time. Only the last chart in the section is based on current dollars.

GDP in 1984, 1994, 2004, and projected 2014



The steady growth in the amount of goods and services demanded (gross domestic product, or GDP).

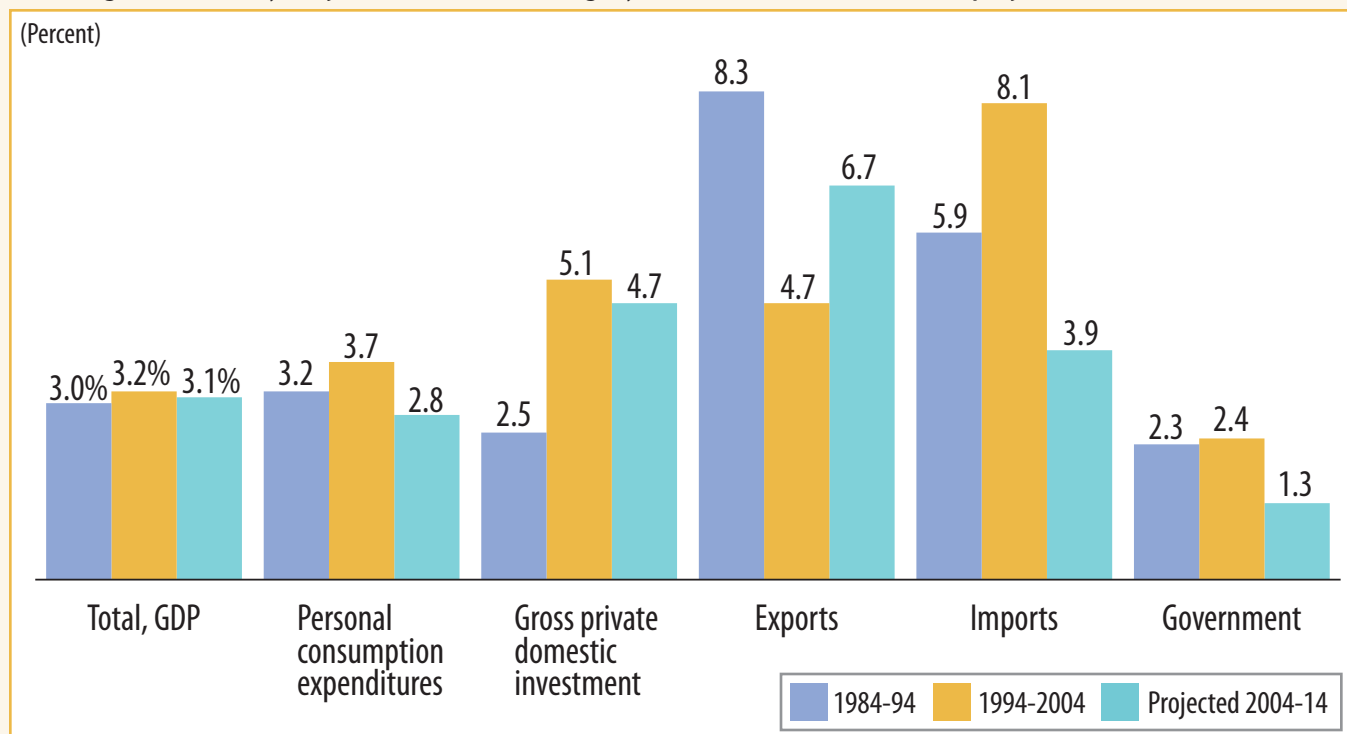
Productivity, 1984-2004 and projected 2004-14



Growth in GDP is due, in part, to accelerating productivity.

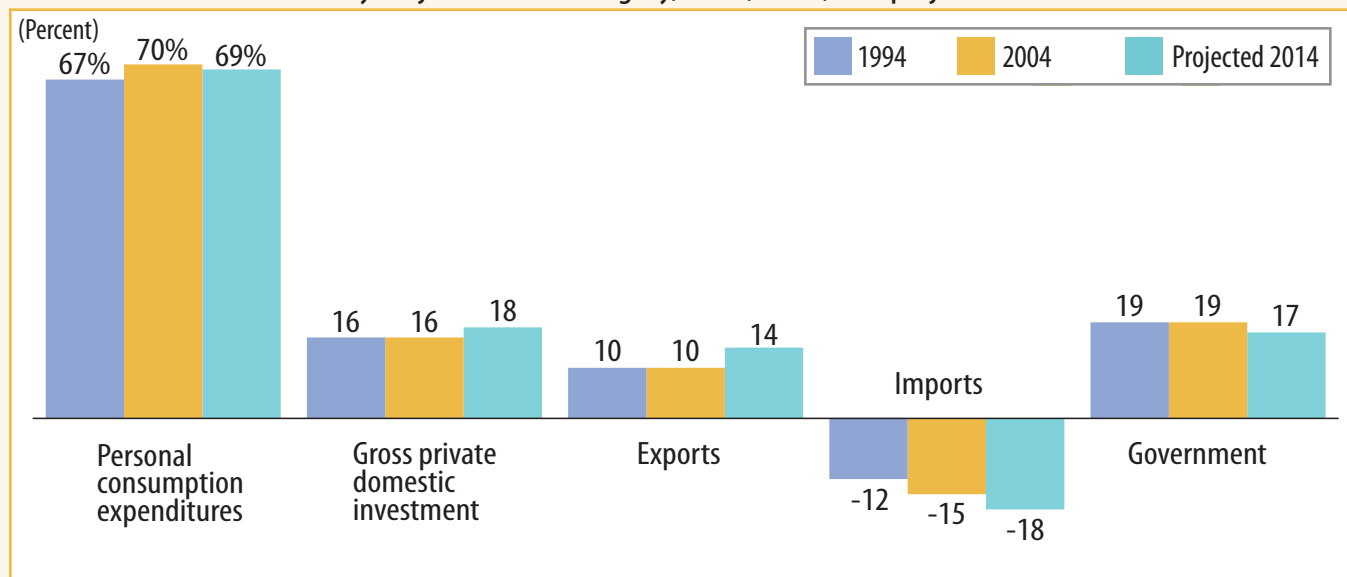
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Annual growth rate by major GDP demand category, 1984-94, 1994-2004, and projected 2004-14



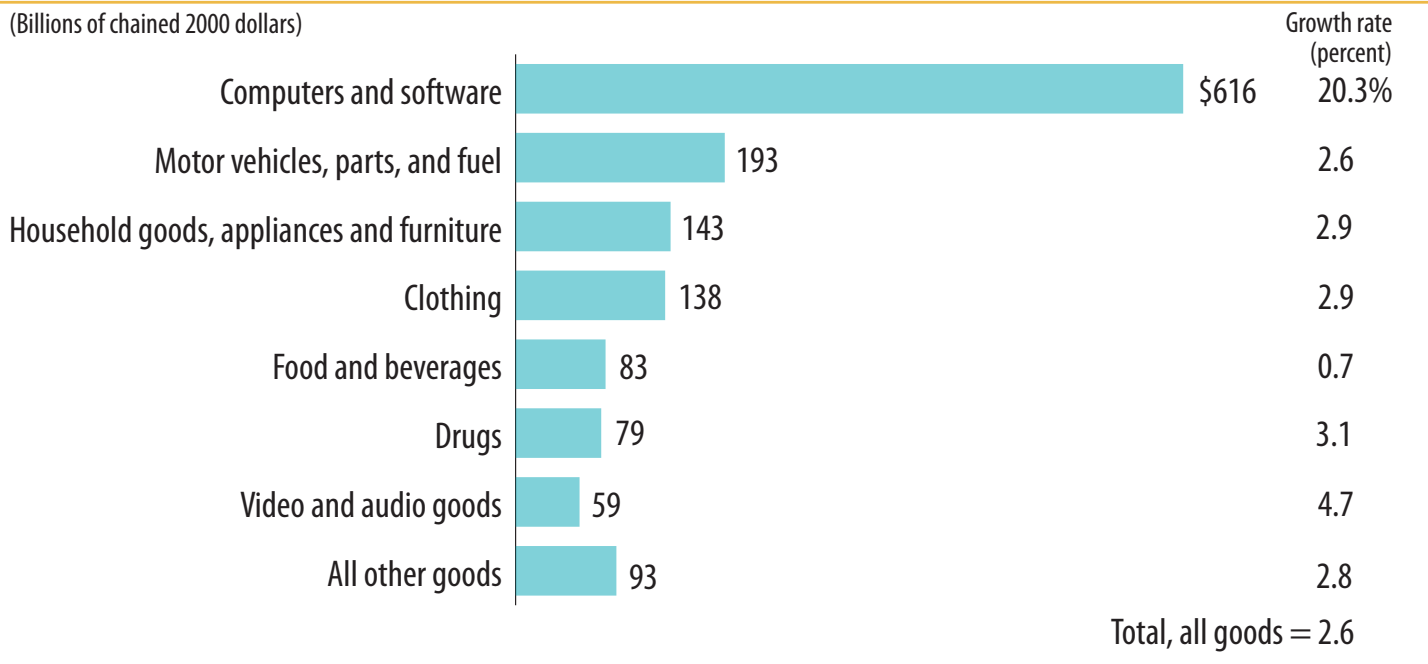
Imports are projected to increase by an average of 3.9 percent annually between 2004 and 2014, significantly slower than their rate of increase during the previous decade.

Percent distribution of GDP by major demand category, 1994, 2004, and projected 2014



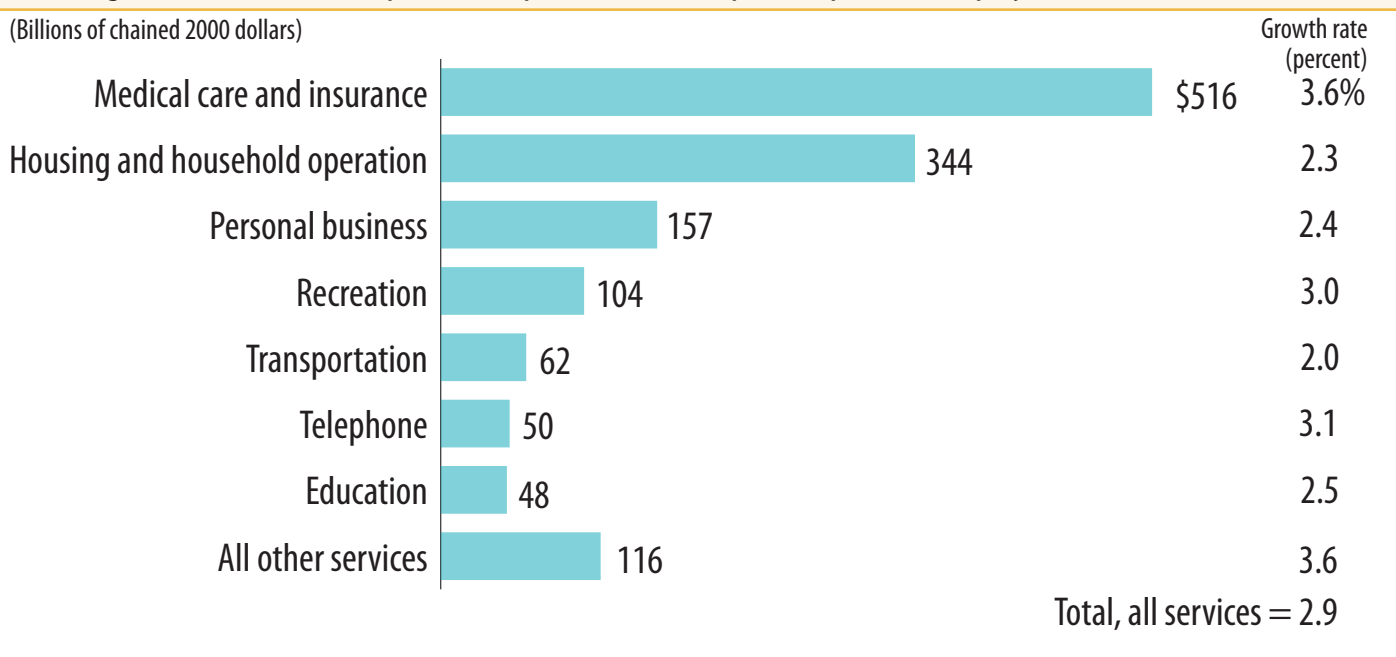
Gross private domestic investment, which includes business investment and residential construction, is expected to increase its share of the GDP to about 18 percent in 2014. Personal consumption expenditures are projected to decrease their share slightly but to still make up about 69 percent of GDP in 2014. Imports are shown as negative—and subtracted from the other components—because they are not produced in the United States.

Numeric growth in goods components of personal consumption expenditures, projected 2004-14



Of all goods components, consumer spending on computers and software is expected to have the largest and the fastest growth, much faster than the annual 2.6-percent overall growth rate for goods.

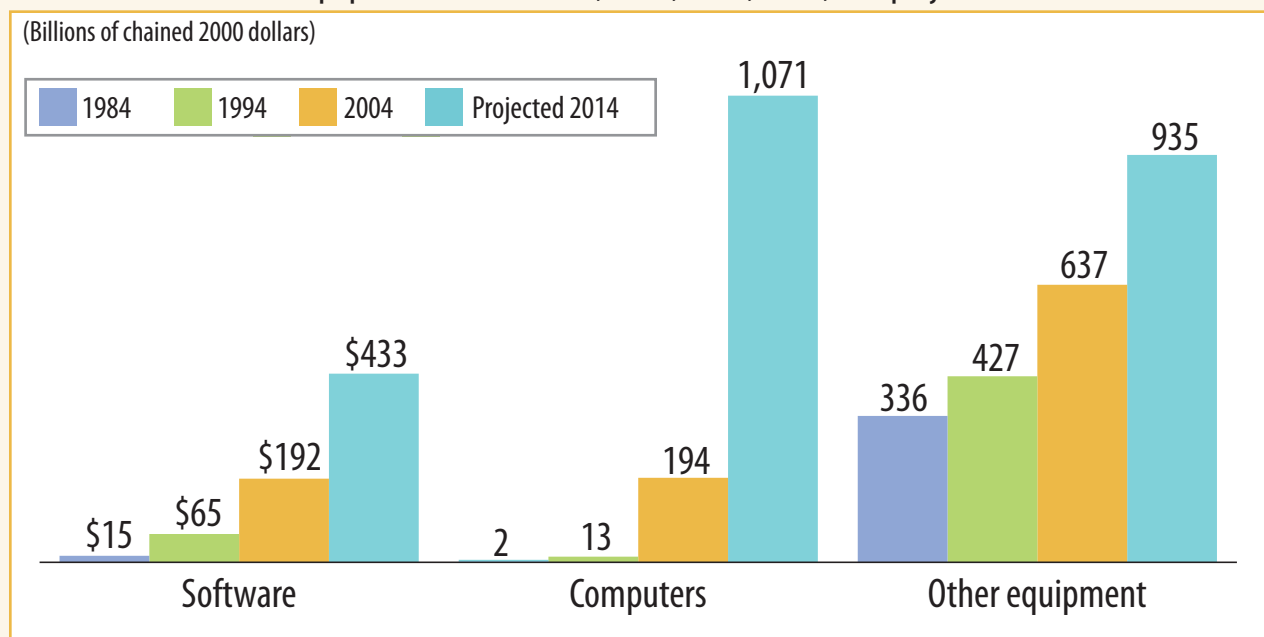
Numeric growth in services components of personal consumption expenditures, projected 2004-14



High growth is expected in the demand for medical care and insurance as the population ages. All other services, a component that includes legal services and religious and welfare activities, is projected to grow by 3.6 percent annually over the projections decade.

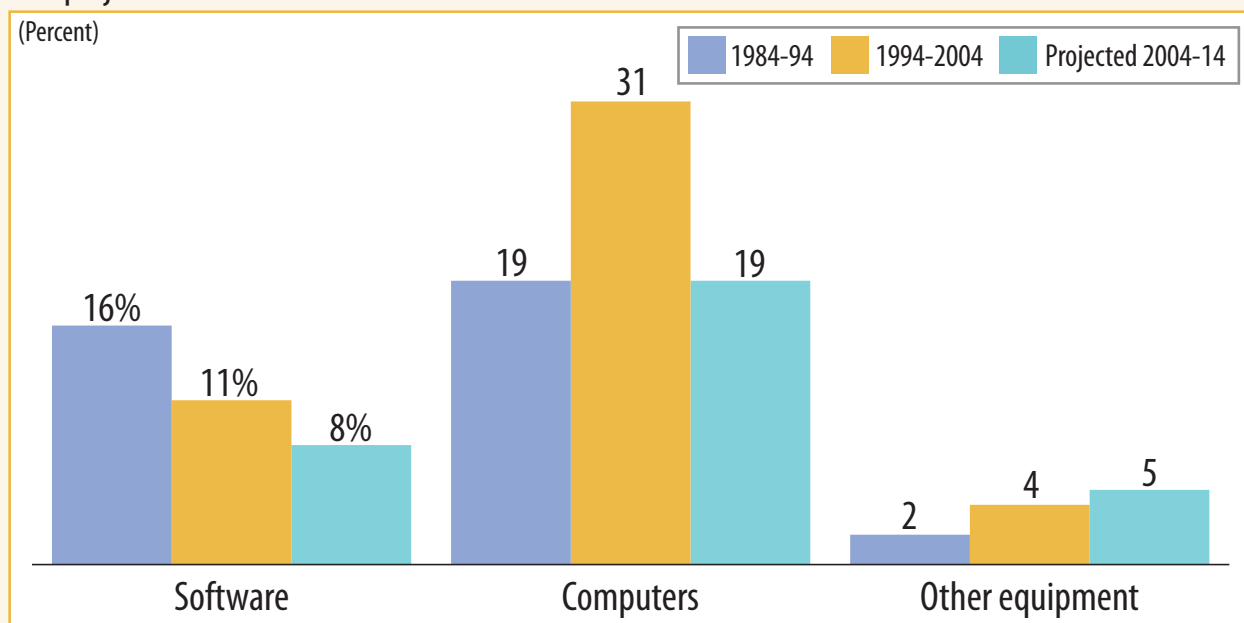
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Business investment in equipment and software, 1984, 1994, 2004, and projected 2014



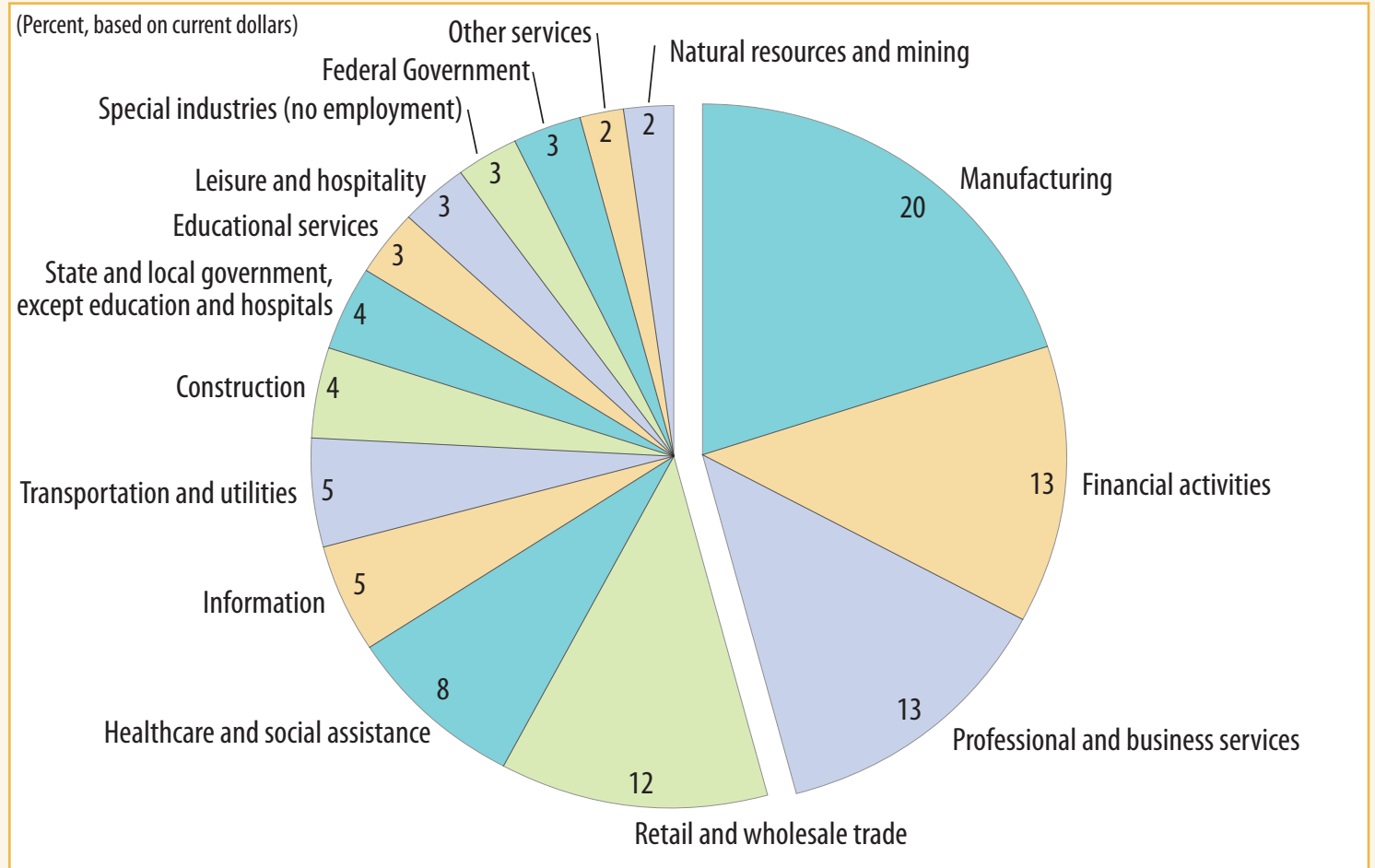
Business investment in computers has risen dramatically since 1984. Investment in software also increased significantly. Growth in these investments is expected to continue over the projections decade as businesses continue to invest in information technology.

Annual growth rate, business investment in computers and software, 1984-1994, 1994-2004, and projected 2004-14



Although investment in computers and software is projected to continue increasing substantially, the rates of increase are expected to slow. The annual rate of growth for computer investment is projected to drop from 31 percent between 1994 and 2004 to 19 percent during the 2004-14 decade. The rate of growth for investment in software is expected to fall from 11 percent to 8 percent annually.

Percent distribution of output by industry sector, projected 2014



As this chart shows, three industry sectors—manufacturing, financial activities, and professional and business services—are projected to account for almost half of all output in 2014. However, their high productivity enables them to reach this level of output with less than one-third of the wage-and-salary employment across all industries.