

GDP and the Economy

Advance Estimates for the Second Quarter of 2012

REAL GROSS domestic product (GDP) increased 1.5 percent at an annual rate in the second quarter of 2012, according to the advance estimates of the national income and product accounts (NIPAs) (chart 1 and table 1). In the first quarter of 2012, real GDP increased 2.0 percent (revised).¹

The NIPA estimates for the first quarter of 2012 and for 2009–2011 have been revised. See “Annual Revision of the National Income and Product Accounts” in this issue.

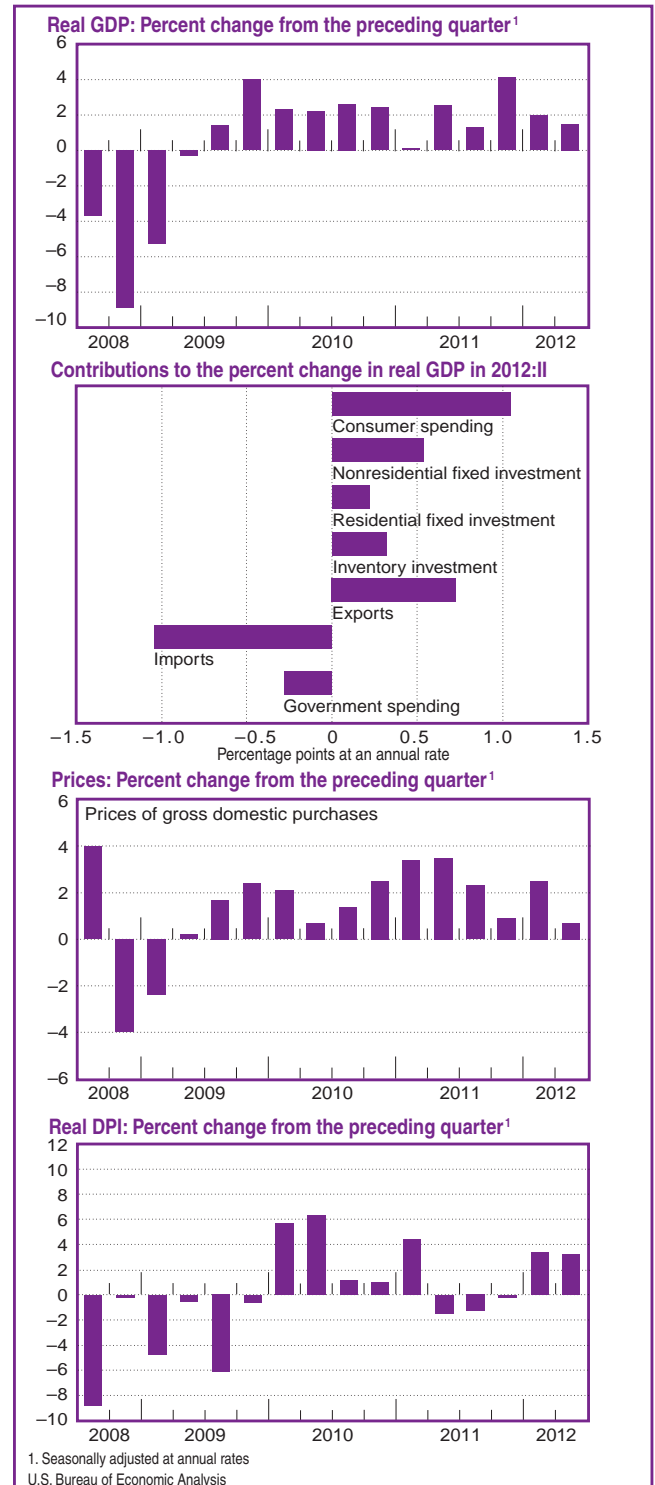
The deceleration in second-quarter real GDP growth primarily reflected a deceleration in consumer spending, an acceleration in imports, and decelerations in both residential and nonresidential fixed investment that were partly offset by an upturn in inventory investment, a smaller decrease in federal government spending, and an acceleration in exports.²

- Prices of goods and services purchased by U.S. residents increased 0.7 percent after increasing 2.5 percent. Energy prices turned down and food prices decelerated. Excluding food and energy, gross domestic purchases prices increased 1.4 percent after increasing 2.4 percent.
- Real disposable personal income (DPI) increased 3.2 percent after increasing 3.4 percent. Current-dollar DPI increased 4.0 percent after increasing 6.0 percent, reflecting a slowdown in personal income that was slightly offset by a slowdown in personal current taxes. The sharper deceleration in current-dollar DPI than in real DPI reflected a sharp deceleration in the personal consumption expenditures (PCE) implicit price deflator, which is used to deflate DPI.
- The personal saving rate, personal saving as a percentage of current-dollar DPI, was 4.0 percent in the second quarter; in the first quarter, it was 3.6 percent.

1. “Real” estimates are in chained (2005) dollars, and price indexes are chain-type measures. Each GDP estimate for a quarter (advance, second, and third) incorporates increasingly comprehensive and improved source data; for more information, see “Revisions to GDP, GDI, and Their Major Components” in the July 2011 SURVEY OF CURRENT BUSINESS. Quarterly estimates are expressed at seasonally adjusted annual rates, which assumes that a rate of activity for a quarter is maintained for a year.

2. In this article, “consumer spending” refers to “personal consumption expenditures” “inventory investment” refers to “change in private inventories,” and “government spending” refers to “government consumption expenditures and gross investment.”

Chart 1. GDP, Prices, Disposable Personal Income (DPI)



Christopher Swann prepared this article.

Real GDP Overview

Table 1. Real Gross Domestic Product (GDP) and Components

[Seasonally adjusted at annual rates]

	Share of current-dollar GDP (percent)	Change from preceding period (percent)				Contribution to percent change in real GDP (percentage points)			
		2011		2012		2011		2012	
		II	III	IV	I	II	III	IV	I	II
Gross domestic product ¹	100.0	1.3	4.1	2.0	1.5	1.3	4.1	2.0	1.5
Personal consumption expenditures	71.0	1.7	2.0	2.4	1.5	1.18	1.45	1.72	1.05
Goods.....	24.0	1.4	5.4	4.7	0.7	0.33	1.29	1.11	0.18
Durable goods.....	7.7	5.4	13.9	11.5	-1.0	0.40	1.00	0.85	-0.08
Nondurable goods.....	16.3	-0.4	1.8	1.6	1.5	-0.06	0.29	0.26	0.25
Services.....	47.0	1.8	0.3	1.3	1.9	0.85	0.16	0.61	0.87
Gross private domestic investment	13.3	5.9	33.9	6.1	8.5	0.68	3.72	0.78	1.08
Fixed investment.....	12.8	15.5	10.0	9.8	6.1	1.75	1.19	1.18	0.76
Nonresidential.....	10.4	19.0	9.5	7.5	5.3	1.71	0.93	0.74	0.54
Structures.....	2.9	20.7	11.5	12.9	0.9	0.51	0.31	0.35	0.03
Equipment and software.....	7.4	18.3	8.8	5.4	7.2	1.20	0.62	0.39	0.51
Residential.....	2.4	1.4	12.1	20.5	9.7	0.03	0.26	0.43	0.22
Change in private inventories.....	0.5	.....	.....	.....	.....	-1.07	2.53	-0.39	0.32
Net exports of goods and services	-3.8	.....	.....	.....	.....	0.02	-0.64	0.06	-0.31
Exports.....	14.0	6.1	1.4	4.4	5.3	0.83	0.21	0.60	0.73
Goods.....	9.9	6.2	6.0	4.0	6.0	0.59	0.58	0.39	0.58
Services.....	4.1	6.1	-8.8	5.2	3.6	0.25	-0.38	0.21	0.15
Imports.....	17.9	4.7	4.9	3.1	6.0	-0.81	-0.85	-0.54	-1.04
Goods.....	14.9	2.9	6.3	2.0	6.0	-0.43	-0.90	-0.29	-0.88
Services.....	2.9	13.8	-1.7	9.0	5.5	-0.38	0.05	-0.25	-0.16
Government consumption expenditures and gross investment	14.0	6.1	1.4	4.4	5.3	0.83	0.21	0.60	0.73
Federal.....	19.5	-2.9	-2.2	-3.0	-1.4	-0.60	-0.43	-0.60	-0.28
National defense.....	7.8	-4.3	-4.4	-4.2	-0.4	-0.36	-0.35	-0.34	-0.03
Nondefense.....	5.2	2.6	-10.6	-7.1	-0.4	0.15	-0.60	-0.39	-0.02
State and local.....	2.6	-17.4	10.2	1.8	-0.3	-0.51	0.25	0.05	-0.01

1. The estimates of GDP under the contribution columns are also percent changes.

NOTE: Percent changes are from NIPA table 1.1.1, contributions are from NIPA table 1.1.2, and shares are from NIPA table 1.1.10.

Table 2. Real Gross Domestic Product (GDP) and Related Measures

[Seasonally adjusted at annual rates]

	Share of current-dollar GDP (percent)	Change from preceding period (percent)				Contribution to percent change in real GDP (percentage points)			
		2011		2012		2011		2012	
		II	III	IV	I	II	III	IV	I
Gross domestic product ¹	100.0	1.3	4.1	2.0	1.5	1.3	4.1	2.0	1.5
Final sales of domestic product.....	99.5	2.3	1.5	2.4	1.2	2.35	1.56	2.35	1.22
Change in private inventories.....	0.5	.....	.....	.....	.....	-1.07	2.53	-0.39	0.32
Goods.....	28.3	2.1	16.1	3.9	3.0	0.58	4.23	1.09	0.86
Services.....	64.7	0.5	-1.0	0.6	1.0	0.33	-0.62	0.38	0.65
Structures.....	7.0	5.5	7.2	7.4	0.5	0.37	0.49	0.50	0.03
Addenda:									
Motor vehicle output.....	2.8	1.5	24.0	30.9	4.6	0.03	0.55	0.72	0.13
GDP excluding motor vehicle output.....	97.2	1.3	3.6	1.3	1.5	1.25	3.54	1.23	1.41
Final sales of computers.....	0.4	31.5	31.1	4.5	-14.1	0.12	0.12	0.02	-0.07
GDP excluding final sales of computers.....	99.6	1.2	4.0	1.9	1.6	1.16	3.97	1.94	1.60

1. The estimates under the contribution columns are also percent changes.

NOTE: Percent changes are from NIPA table 1.2.1, contributions are from NIPA table 1.2.2, and shares are calculated from NIPA table 1.2.5.

Consumer spending slowed in the second quarter. The slowdown was widespread. The largest contributors to the slowdown were downturns in motor vehicles and parts and in clothing and footwear. In contrast, spending for both housing and utilities services and gasoline and other energy goods turned up.

Nonresidential fixed investment slowed, mainly reflecting a downturn in power and communications structures. In contrast, equipment and software picked up, mainly reflecting an upturn in industrial equipment.

Residential fixed investment slowed, mainly reflecting slowdowns in "other" structures and in single-family structures. Within "other" structures, improvements turned down and was partly offset by a pickup in brokers' commissions.

Inventory investment turned up, primarily reflecting upturns in wholesale trade inventories and in "other" industries inventories.

Exports of goods and services picked up, mainly reflecting a pickup in goods exports. Both industrial supplies and materials and food, feeds, and beverages turned up. In contrast, nonautomotive capital goods turned down.

Imports of goods and services accelerated, primarily reflecting an acceleration in goods imports. Both petroleum and products and nonautomotive consumer goods turned up. In contrast, automotive vehicles, engines, and parts slowed, and nonpetroleum industrial supplies and materials turned down.

Federal government spending decreased less than in the first quarter, mainly reflecting a smaller decrease in national defense spending.

State and local government spending decreased about the same as in the first quarter; it was the eleventh consecutive quarterly decrease.

Real final sales of domestic product, real GDP less inventory investment, decelerated, increasing 1.2 percent after increasing 2.4 percent.

Motor vehicle output slowed sharply, contributing only 0.13 percentage point to real GDP growth after contributing 0.72 percentage point.

Final sales of computers turned down, subtracting 0.07 percentage point from real GDP growth after adding 0.02 percentage point.

Prices

Table 3. Prices for Gross Domestic Purchases

[Percent change at annual rates; based on seasonally adjusted index numbers (2005=100)]

	Change from preceding period (percent)				Contribution to percent change in gross domestic purchases prices (percentage points)			
	2011		2012		2011		2012	
	III	IV	I	II	III	IV	I	II
Gross domestic purchases¹	2.3	0.9	2.5	0.7	2.3	0.9	2.5	0.7
Personal consumption expenditures	2.3	1.1	2.5	0.7	1.59	0.71	1.70	0.49
Goods	3.0	-0.2	2.5	-1.9	0.69	-0.06	0.59	-0.44
Durable goods	-0.6	-2.5	-1.0	-1.2	-0.05	-0.19	-0.07	-0.09
Nondurable goods	4.7	0.8	4.2	-2.2	0.73	0.13	0.66	-0.35
Services	2.0	1.7	2.5	2.1	0.90	0.77	1.11	0.93
Gross private domestic investment	1.6	1.2	1.0	1.1	0.21	0.16	0.13	0.14
Fixed investment	1.8	1.4	1.2	1.1	0.21	0.16	0.14	0.13
Nonresidential	1.9	1.5	1.8	1.1	0.18	0.15	0.17	0.11
Structures	5.7	4.5	2.7	2.8	0.14	0.12	0.08	0.08
Equipment and software	0.5	0.4	1.4	0.4	0.04	0.03	0.10	0.03
Residential	1.4	0.6	-1.4	1.1	0.03	0.01	-0.03	0.02
Change in private inventories .....	.....	.....	.....	.....	0.00	0.00	-0.01	0.00
Government consumption expenditures and gross investment	2.4	0.0	3.6	0.6	0.47	0.00	0.68	0.12
Federal	2.2	-0.9	3.2	1.2	0.18	-0.07	0.24	0.09
National defense	2.3	-0.9	4.2	0.8	0.12	-0.05	0.21	0.04
Nondefense	2.1	-0.8	1.2	1.9	0.06	-0.02	0.03	0.05
State and local	2.6	0.6	3.8	0.3	0.29	0.07	0.44	0.03
Addenda:								
Gross domestic purchases:								
Food	4.7	3.4	1.2	0.7	0.24	0.18	0.07	0.04
Energy goods and services	4.8	-5.2	7.6	-13.4	0.21	-0.22	0.31	-0.58
Excluding food and energy	2.0	1.0	2.4	1.4	1.82	0.91	2.14	1.29
Personal consumption expenditures (PCE):								
Food and beverages for off-premises consumption	5.1	3.3	1.3	0.7	.....	.....	.....	.....
Energy goods and services	4.7	-5.0	8.1	-13.6	.....	.....	.....	.....
Excluding food and energy	1.9	1.3	2.2	1.8	.....	.....	.....	.....
Gross domestic product (GDP)	3.0	0.4	2.0	1.6	.....	.....	.....	.....
Exports	1.7	-3.8	2.8	0.2	.....	.....	.....	.....
Imports	-1.9	0.0	5.6	-4.1	.....	.....	.....	.....

1. The estimates under the contribution columns are also percent changes

NOTE: Most percent changes are from NIPA table 1.6.7; percent changes for PCE for food and energy goods and services and for PCE excluding food and energy are calculated from index numbers in NIPA table 2.3.4. Contributions are from NIPA table 1.6.8. GDP, export, and import prices are from NIPA table 1.1.7.

Prices paid by U.S. residents, as measured by the gross domestic purchases price index, decelerated sharply in the second quarter, primarily reflecting the downturn in energy prices. Prices excluding food and energy also slowed.

Consumer prices slowed sharply in the second quarter, mainly reflecting a downturn in prices paid for gasoline and other energy goods.

Prices paid for nonresidential fixed investment slowed, primarily reflecting a downturn in prices paid for transportation equipment.

Prices paid by government slowed, reflecting slowdowns in prices paid by both state and local governments and the federal government. Prices paid by state and local governments for consumption expenditures (mostly petroleum) turned down.

Consumer prices excluding food and energy, a measure of the "core" rate of inflation, slowed, increasing 1.8 percent after increasing 2.2 percent.

The GDP price index increased 1.6 percent in the second quarter, 0.9 percentage point more than the increase in the price index for gross domestic purchases, reflecting a decrease in import prices (4.1 percent) in contrast to an increase in export prices (0.2 percent).

Note on Prices

BEA's gross domestic purchases price index is the most comprehensive index of prices paid by U.S. residents for all goods and services. It is derived from the prices of personal consumption expenditures (PCE), private investment, and government consumption expenditures and gross investment.

BEA also produces price indexes for all components of GDP. The PCE price index is a measure of the total cost of consumer goods and services, including durable goods, nondurable goods, and services. PCE prices for food, energy goods and services, and for all items except food and energy are also estimated and reported. Because prices for food and energy can be volatile, the price mea-

sure that excludes food and energy is often used as a measure of underlying, or "core," inflation. (The core PCE price index includes purchased meals and beverages, such as restaurant meals, and pet food. See [FAQ 518](#) on BEA's Web site.)

BEA also prepares a supplemental PCE price index, the "market-based" PCE price index, that is based on market transactions for which there are corresponding price measures. This index excludes many imputed expenditures, such as financial services furnished without payment, that are included in PCE and the PCE price index. BEA also prepares a market-based measure that excludes food and energy.

Personal Income

Table 4. Personal Income and Its Disposition

[Billions of dollars; quarterly estimates are seasonally adjusted at annual rates]

	Level		Change from preceding period			
	2012		2011		2012	
	I	II	III	IV	I	II
Personal income	13,217.3	13,357.8	37.4	41.1	199.9	140.5
Compensation of employees, received	8,484.8	8,552.4	31.7	22.0	144.7	67.6
Wage and salary disbursements	6,815.7	6,872.1	21.9	14.3	123.3	56.4
Private industries	5,616.6	5,672.2	21.6	19.5	116.7	55.6
Goods-producing industries	1,139.0	1,140.5	8.5	-9.0	31.6	1.5
Manufacturing	719.6	721.7	3.1	-9.1	18.6	2.1
Services-producing industries	4,477.6	4,531.7	13.0	28.5	85.1	54.1
Trade, transportation, and utilities	1,083.7	1,097.6	7.4	2.4	27.1	13.9
Other services-producing industries	3,393.9	3,434.1	5.7	26.0	58.0	40.2
Government	1,199.1	1,199.9	0.3	-5.2	6.6	0.8
Supplements to wages and salaries	1,669.1	1,680.3	9.8	7.7	21.4	11.2
Proprietors' income with IVA and CCAAdj	1184.3	1,199.2	6.7	3.9	19.0	14.9
Farm	52.3	55.3	2.7	-0.9	-2.1	3.0
Nonfarm	1,132.1	1,143.9	4.0	4.8	21.2	11.8
Rental income of persons with CCAAdj	445.3	455.5	9.1	16.5	15.0	10.2
Personal income receipts on assets	1,696.4	1,741.6	-3.3	-4.5	11.8	45.2
Personal interest income	991.8	1,013.5	-20.9	-16.4	3.8	21.7
Personal dividend income	704.6	728.1	17.6	11.9	8.0	23.5
Personal current transfer receipts	2,348.0	2,356.4	-5.2	5.2	28.1	8.4
Government social benefits to persons	2,302.7	2,310.6	-4.4	5.6	26.7	7.9
Social security	753.2	759.4	4.0	5.9	31.3	6.2
Medicare	555.9	556.9	6.0	4.0	2.8	1.0
Medicaid	397.6	405.0	-12.6	-4.1	5.6	7.4
Unemployment insurance	94.2	84.0	-5.8	-2.1	-6.7	-10.2
Veterans benefits	68.8	71.5	2.5	-0.2	4.1	2.7
Other	433.0	433.8	1.5	2.2	-10.5	0.8
Other current transfer receipts from business, net	45.3	45.8	-0.8	-0.4	1.4	0.5
Less: Contributions for government social insurance	941.5	947.3	1.6	2.0	18.7	5.8
Less: Personal current taxes	1,449.1	1,474.0	7.2	15.3	30.0	24.9
Equals: Disposable personal income (DPI)	11,768.2	11,883.8	30.3	25.7	169.9	115.6
Less: Personal outlays	11,348.7	11,408.6	105.8	84.7	143.1	59.9
Equals: Personal saving	419.5	475.3	-75.6	-58.9	26.8	55.8
Personal saving as a percentage of DPI	3.6	4.0				
Addenda: The effects of special factors on changes in personal income						
In government wages and salaries:						
Federal pay raise			0.0	0.0	1.8	0.0
In supplements to wages and salaries:						
FICA increase in maximum taxable wages			0.0	0.0	1.8	0.0
State unemployment insurance changes in tax rates and taxable wage base			0.0	0.0	1.7	0.0
In government social benefits to persons:						
Cost-of-living adjustments (COLAs) ¹			0.0	0.0	30.2	0.0
Automatic Earnings Reappraisal Operation			0.0	2.4	-2.4	0.3
Refundable tax credits			0.0	0.0	-13.1	0.0
In employee contributions for government social insurance:						
FICA increase in maximum taxable wages			0.0	0.0	1.2	0.0
In personal current taxes:						
Change in indexation			0.0	0.0	-2.0	0.0
Refunds, settlements, and back taxes			0.0	0.0	-2.4	0.0

1. Includes COLAs for social security, veterans benefits, railroad retirement, and supplemental security income. In the first quarter, the social security COLA boosted benefits \$2.6 billion.

NOTE: Dollar levels are from NIPA tables 2.1 and 2.2B.

CCAAdj Capital consumption adjustment
FICA Federal Insurance Contributions Act

Saving

Personal saving—disposable personal income less personal outlays—was \$475.3 billion in the second quarter, an increase of \$55.8 billion, following a first-quarter increase of \$26.8 billion. The second-quarter acceleration reflected a larger deceleration in personal outlays than in disposable personal income.

Personal income, which is measured in current dollars, slowed in the second quarter, increasing \$140.5 billion after increasing \$199.9 billion. The slowdown primarily reflected a sharp deceleration in wage and salary disbursements, but it also reflected slowdowns in government social benefits to persons, in supplements to wages and salaries, and in nonfarm proprietors' income that were partly offset by pickups in personal interest income and in personal dividend income. Contributions for government social insurance (a subtraction in the calculation of personal income) also slowed.

The deceleration in wages and salaries reflected an extrapolation from revised first-quarter wages based on the incorporation of a partial tabulation from the Bureau of Labor Statistics (BLS) quarterly census of employment and wages and monthly BLS data for employment, hours, and earnings for the second quarter.

The slowdown in supplements to wages and salaries primarily reflected a deceleration in employer contributions for government social insurance, based on the pattern of wages and salaries.

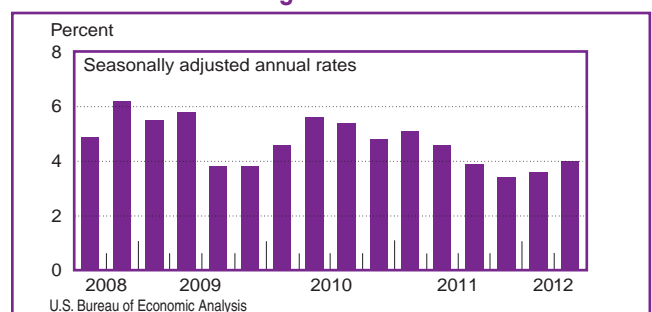
The slowdown in nonfarm proprietors' income was widespread; the largest contributor was construction.

The pickup in personal interest income primarily reflected an upturn in interest rates.

The slowdown in government social benefits was primarily in social security benefit payments, which increased sharply because of the 3.6 percent cost-of-living adjustment that occurred in the first quarter.

The slowdown in personal current taxes reflected a slowdown in federal income taxes that was partly offset by a pickup in state and local income taxes.

Chart 2. Personal Saving Rate



Source Data for the Advance Estimates

Table 5. Source Data and Key Assumptions for the Advance Estimates of GDP for the Second Quarter of 2012

[Billions of dollars, seasonally adjusted at annual rates]

	2012					
	Jan.	Feb.	March	April	May	June ¹
Private fixed investment:						
Nonresidential structures:						
Value of new nonresidential construction put in place	297.9	291.9	295.3	298.0	299.1	298.5
Residential structures:						
Value of new residential construction put in place:						
Single family	115.6	117.8	117.7	119.1	121.3	125.5
Multifamily	17.1	17.8	18.0	19.3	20.5	21.2
Change in private inventories:						
Change in inventories for nondurable manufacturing	15.0	6.1	-5.8	-20.9	-29.1	-18.8
Change in inventories for merchant wholesale and retail industries other than motor vehicles and equipment	43.7	66.5	15.2	25.0	31.7	35.8
Net exports: ²						
Exports of goods:						
U.S. exports of goods, international-transactions-accounts basis	1,535.5	1,541.1	1,585.5	1,568.4	1,568.6	1,577.9
Excluding gold	1,492.6	1,500.7	1,544.9	1,527.2	1,538.0	1,536.6
Imports of goods:						
U.S. imports of goods, international-transactions-accounts basis	2,338.0	2,261.8	2,395.8	2,350.4	2,331.0	2,323.2
Excluding gold	2,321.7	2,245.7	2,381.2	2,333.1	2,313.0	2,306.8
Net exports of goods	-802.5	-720.8	-810.3	-782.0	-762.4	-745.3
Excluding gold	-829.1	-745.0	-836.3	-805.8	-775.0	-770.1
State and local government structures:						
Value of new construction put in place	251.1	249.4	245.9	245.1	242.6	243.8

1. Assumption.

2. Nonmonetary gold is included in balance-of-payments exports and imports, but it is

not used directly in estimating exports and imports in the national income and product accounts.

Source Data and Key Assumptions for the Advance Estimates of GDP

The advance estimates of many components of GDP are based on 3 months of source data, but the estimates of some components are based on only 2 months of data. For the following items, the number of months for which data are available is shown in parentheses.

Personal consumption expenditures: sales of retail stores (3), unit auto and truck sales (3), and consumers' shares of auto and truck sales (2) gasoline (2), and utilities (2);

Nonresidential fixed investment: unit auto and truck sales (3), construction spending (value put in place) (2), manufacturers' shipments of machinery and equipment (3), and exports and imports of machinery and equipment (2);

Residential fixed investment: construction spending (value put in place) (2), single-family housing starts (3), sales of new homes (2), and sales of existing houses (3);

Change in private inventories: trade and nondurable-goods manufacturing inventories (2), durable-goods manufacturing inventories (3), and unit auto and truck inventories (3);

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

Government consumption expenditures and gross investment: federal outlays (3), state and local government con-

struction spending (value put in place) (2), and state and local government employment (3);

Compensation: employment, average hourly earnings, and average weekly hours (3); and

Prices: consumer price indexes (3), producer price indexes (3), and values and quantities of petroleum imports (2).

Unavailable source data

When source data were unavailable, BEA made various assumptions for June, including the following (table 5):

- A decrease in nonresidential structures,
- Increases in both single-family and multifamily residential structures,
- A decrease in the change in inventories of nondurable-goods manufacturing industries and an increase in the change in nonmotor vehicle merchant wholesale and retail trade inventories,
- An small decrease in exports of goods excluding gold and a somewhat larger decrease in imports of goods excluding gold, and
- An increase in state and local government structures.

A more comprehensive list is available on BEA's Web site at www.bea.gov.