

GDP and the Economy

Advance Estimates for the Fourth Quarter of 2012

REAL GROSS domestic product (GDP) decreased 0.1 percent at an annual rate in the fourth quarter of 2012 after increasing 3.1 percent in the third quarter, according to the advance estimates of the national income and product accounts (NIPAs) (chart 1 and table 1).¹ For the year 2012, real GDP increased 2.2 percent after increasing 1.8 percent in 2011 (see page 7).

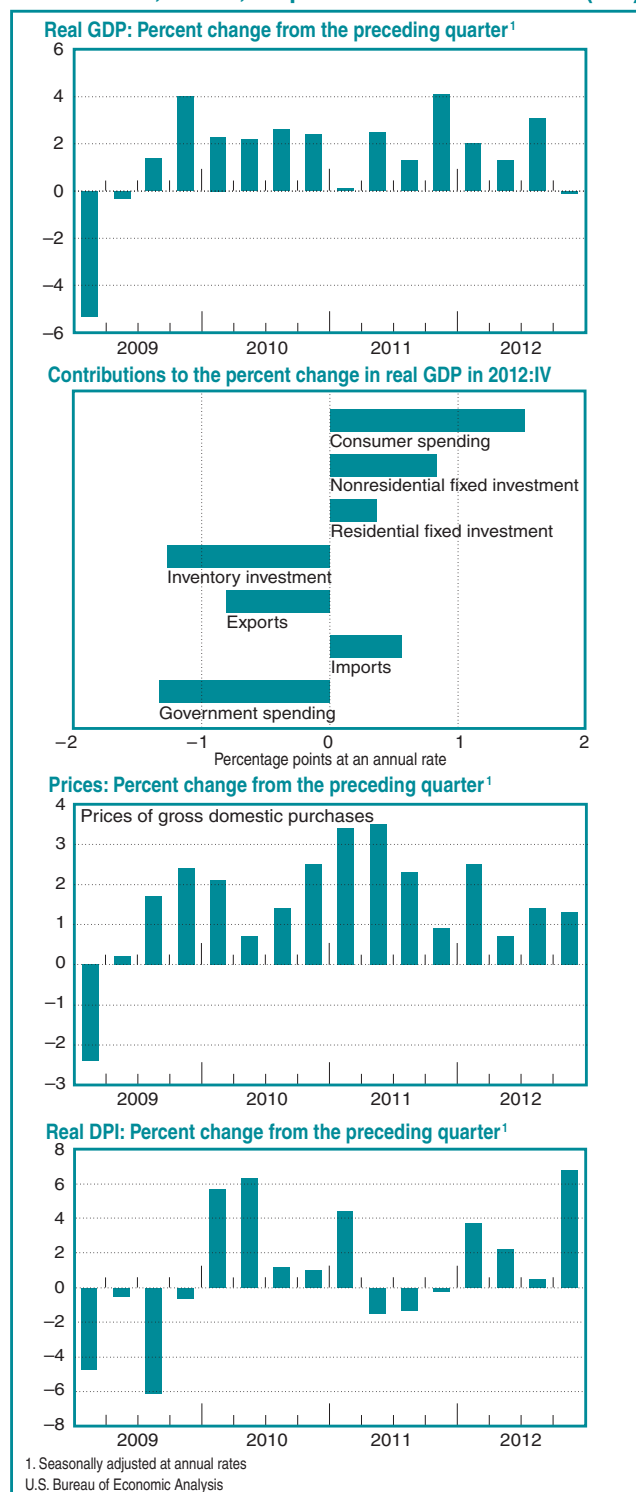
The downturn in real GDP in the fourth quarter primarily reflected downturns in private inventory investment, in federal government spending, in exports, and in state and local government spending that were partly offset by an upturn in nonresidential fixed investment, by a larger decrease in imports, and by an acceleration in consumer spending.²

- Prices of goods and services purchased by U.S. residents increased 1.3 percent in the fourth quarter after increasing 1.4 percent in the third quarter. Energy prices decelerated in the fourth quarter, and food prices turned up. Excluding food and energy, gross domestic purchases prices increased 1.1 percent after increasing 1.2 percent (see page 3).
- Real disposable personal income (DPI) increased 6.8 percent in the fourth quarter after increasing 0.5 percent in the third quarter. Current-dollar DPI increased 8.1 percent in the fourth quarter after increasing 2.1 percent. The sharp acceleration in fourth-quarter DPI reflected a sharp acceleration in personal income that was partly offset by an acceleration in personal current taxes (see page 4).
- The personal saving rate, personal saving as a percent of current-dollar DPI, was 4.7 percent in the fourth quarter; in the third quarter, the rate 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)



Lisa S. Mataloni 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)			
	2012	2012					2012			
	IV	I	II	III	IV	I	II	III	IV	
Gross domestic product ¹	100.0	2.0	1.3	3.1	-0.1	2.0	1.3	3.1	-0.1	
Personal consumption expenditures	71.1	2.4	1.5	1.6	2.2	1.72	1.06	1.12	1.52	
Goods	24.2	4.7	0.3	3.6	4.6	1.11	0.08	0.85	1.08	
Durable goods	7.9	11.5	-0.2	8.9	13.9	0.85	-0.02	0.66	1.02	
Nondurable goods	16.3	1.6	0.6	1.2	0.4	0.26	0.10	0.19	0.06	
Services	46.8	1.3	2.1	0.6	0.9	0.61	0.99	0.26	0.44	
Gross private domestic investment	13.2	6.1	0.7	6.6	-0.6	0.78	0.09	0.85	-0.08	
Fixed investment	13.0	9.8	4.5	0.9	9.7	1.18	0.56	0.12	1.19	
Nonresidential	10.4	7.5	3.6	-1.8	8.4	0.74	0.36	-0.19	0.83	
Structures	2.9	12.9	0.6	0.0	-1.1	0.35	0.02	0.00	-0.03	
Equipment and software.....	7.5	5.4	4.8	-2.6	12.4	0.39	0.35	-0.19	0.86	
Residential	2.6	20.5	8.5	13.5	15.3	0.43	0.19	0.31	0.36	
Change in private inventories.....	0.2	.....	.....	.....	.....	-0.39	-0.46	0.73	-1.27
Net exports of goods and services	-3.5	.....	.....	.....	.....	0.06	0.23	0.38	-0.25
Exports.....	13.7	4.4	5.3	1.9	-5.7	0.60	0.72	0.27	-0.81	
Goods.....	9.6	4.0	7.0	1.1	-7.9	0.39	0.67	0.11	-0.80	
Services	4.1	5.2	1.1	4.0	-0.1	0.21	0.05	0.16	-0.01	
Imports.....	17.3	3.1	2.8	-0.6	-3.2	-0.54	-0.49	0.11	0.56	
Goods.....	14.4	2.0	2.9	-1.2	-2.7	-0.29	-0.42	0.18	0.40	
Services	2.9	9.0	2.3	2.6	-5.4	-0.25	-0.07	-0.07	0.16	
Government consumption expenditures and gross investment	19.3	-3.0	-0.7	3.9	-6.6	-0.60	-0.14	0.75	-1.33	
Federal.....	7.6	-4.2	-0.2	9.5	-15.0	-0.34	-0.02	0.71	-1.25	
National defense	5.0	-7.1	-0.2	12.9	-22.2	-0.39	-0.01	0.64	-1.28	
Nondefense	2.6	1.8	-0.4	3.0	1.4	0.05	-0.01	0.08	0.04	
State and local.....	11.7	-2.2	-1.0	0.3	-0.7	-0.26	-0.12	0.04	-0.08	

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)			
	2012	2012					2012			
	IV	I	II	III	IV	I	II	III	IV	
Gross domestic product ¹	100.0	2.0	1.3	3.1	-0.1	2.0	1.3	3.1	-0.1	
Final sales of domestic product	99.8	2.4	1.7	2.4	1.1	2.35	1.71	2.37	1.12	
Change in private inventories.....	0.2	.....	.....	.....	.....	-0.39	-0.46	0.73	-1.27
Goods	28.5	3.9	1.3	6.1	1.0	1.09	0.38	1.73	0.28	
Services	64.3	0.6	1.2	1.7	-1.2	0.38	0.76	1.11	-0.78	
Structures.....	7.2	7.4	1.7	3.9	5.2	0.50	0.12	0.27	0.36	
Addenda:										
Motor vehicle output	2.7	30.9	7.3	-8.6	1.5	0.72	0.20	-0.25	0.04	
GDP excluding motor vehicle output.....	97.3	1.3	1.1	3.5	-0.2	1.23	1.06	3.36	-0.18	
Final sales of computers.....	0.5	4.5	-19.9	29.5	40.5	0.02	-0.10	0.11	0.15	
GDP excluding final sales of computers.....	99.5	1.9	1.4	3.0	-0.3	1.94	1.35	2.99	-0.30	

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

NOTE: For GDP and its components, 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. For GDI, percent changes are from NIPA table 1.7.1.

Consumer spending accelerated in the fourth quarter, reflecting pickups in both goods and services. In goods, the pickup reflected an acceleration in durable goods, primarily in new motor vehicles and in net purchases of used motor vehicles, that was partly offset by a deceleration in nondurable goods, primarily due to a downturn in clothing and footwear. In services, the pickup primarily reflected an upturn in financial services and insurance and an acceleration in food services and accommodations that were partly offset by a downturn in electricity and gas utilities.

Private fixed investment accelerated, adding 1.19 percentage points to the change in real GDP after adding 0.12 percentage point. The acceleration reflected an upturn in equipment and software, primarily due to upturns in computers and peripheral equipment and in transportation equipment, and an acceleration in residential fixed investment that were partly offset by a downturn in nonresidential structures.

Inventory investment turned down, subtracting 1.27 percentage points from the change in real GDP after adding 0.73 percentage point; the downturn reflected a downturn in nonfarm inventory investment that was partly offset by an upturn in farm inventory investment. In nonfarm industries, the downturn primarily reflected downturns in manufacturing industries and in wholesale trade industries. (For information about the effects of the summer drought on farm inventory investment, see page 6).

Exports turned down, reflecting downturns in exports of both goods and services.

Imports decreased 3.2 percent after decreasing 0.6 percent; the larger decrease primarily reflected a downturn in services and a larger decrease in goods. In services, the downturn was primarily in royalties and licensing fees; in the third quarter, these fees reflected broadcast rights for the Summer Olympics.

Federal government spending turned down, reflecting a sharp downturn in defense spending and a deceleration in nondefense spending (see page 6).

Real final sales of domestic product, real GDP less inventory investment, increased 1.1 percent in the fourth quarter after increasing 2.4 percent.

Motor vehicle output turned up, increasing 1.5 percent in the fourth quarter after decreasing 8.6 percent.

Final sales of computers increased 40.5 percent, adding 0.15 percentage point to the change in real GDP after adding 0.11 percentage point in the third quarter.

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)			
	2012				2012			
	I	II	III	IV	I	II	III	IV
Gross domestic purchases ¹	2.5	0.7	1.4	1.3	2.5	0.7	1.4	1.3
Personal consumption expenditures	2.5	0.7	1.6	1.2	1.70	0.47	1.09	0.85
Goods	2.5	-1.8	1.9	0.2	0.59	-0.43	0.44	0.05
Durable goods	-1.0	-1.2	-2.3	-2.5	-0.07	-0.09	-0.18	-0.19
Nondurable goods	4.2	-2.2	4.0	1.5	0.66	-0.34	0.62	0.24
Services	2.5	2.0	1.4	1.8	1.11	0.90	0.65	0.80
Gross private domestic investment	1.0	1.3	0.6	1.4	0.13	0.17	0.08	0.17
Fixed investment	1.2	1.2	1.3	1.3	0.14	0.14	0.16	0.16
Nonresidential	1.8	1.2	0.8	1.0	0.17	0.12	0.08	0.10
Structures	2.7	3.2	1.0	1.2	0.08	0.09	0.03	0.03
Equipment and software	1.4	0.4	0.7	0.9	0.10	0.03	0.05	0.06
Residential	-1.4	1.2	3.3	2.7	-0.03	0.03	0.08	0.07
Change in private inventories .....	.....	.....	.....	.....	-0.01	0.02	-0.08	0.01
Government consumption expenditures and gross investment	3.6	0.6	1.4	1.6	0.68	0.11	0.26	0.30
Federal	3.2	1.2	0.9	1.7	0.24	0.09	0.07	0.13
National defense	4.2	0.9	0.9	2.0	0.21	0.04	0.05	0.10
Nondefense	1.2	2.0	1.0	1.1	0.03	0.05	0.02	0.03
State and local	3.8	0.1	1.6	1.6	0.44	0.02	0.19	0.18
Addenda:								
Gross domestic purchases:								
Food	1.2	0.7	-0.6	2.1	0.07	0.03	-0.03	0.10
Energy goods and services	7.6	-13.1	10.3	5.9	0.31	-0.55	0.40	0.23
Excluding food and energy	2.4	1.4	1.2	1.1	2.14	1.26	1.06	0.99
Personal consumption expenditures (PCE):								
Food and beverages for off-premises consumption	1.3	0.7	0.6	2.1	.....	.....	.....	.....
Energy goods and services	8.1	-13.6	10.5	5.7	.....	.....	.....	.....
Excluding food and energy	2.2	1.7	1.1	0.9	.....	.....	.....	.....
Gross domestic product (GDP)	2.0	1.6	2.7	0.6	.....	.....	.....	.....
Exports	2.8	0.5	0.0	1.3	.....	.....	.....	.....
Imports	5.6	-3.9	-6.5	5.6	.....	.....	.....	.....

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 increased 1.3 percent in the fourth quarter after increasing 1.4 percent.

Consumer prices slowed, increasing 1.2 percent after increasing 1.6 percent. The slowdown was primarily in nondurable goods and mainly reflected a deceleration in the prices paid for motor vehicle fuels, lubricants, and fluids.

Prices paid for nonresidential fixed investment picked up somewhat, reflecting an acceleration in equipment and software prices.

Prices paid for residential investment decelerated, increasing 2.7 percent after increasing 3.3 percent.

Prices paid by the federal government picked up, increasing 1.7 percent after increasing 0.9 percent. The pickup was primarily in prices for national defense petroleum-related goods.

Prices paid by state and local governments increased 1.6 percent, the same as in the third quarter.

Consumer prices excluding food and energy, a measure of the “core” rate of inflation, slowed, increasing 0.9 percent after increasing 1.1 percent.

The GDP price index increased 0.6 percent, 0.7 percentage point less than the percent change in the price index for gross domestic purchases, reflecting differences between the movements in import prices and export prices. Import prices turned up, increasing 5.6 percent after decreasing 6.5 percent, and export prices increased 1.3 percent, following no change in the third quarter.

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 the 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 measure 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 the FAQ “What is the core PCE price index and why has it been redefined?” 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		2012			
	III	IV	I	II	III	IV
Personal income	13,399.7	13,655.9	209.7	99.9	72.7	256.2
Compensation of employees, received	8,570.3	8,645.4	155.6	32.0	42.6	75.1
Wage and salary disbursements	6,881.7	6,943.7	133.5	23.3	32.5	62.0
Private industries	5,678.4	5,740.4	126.9	22.6	29.0	62.0
Goods-producing industries	1,167.4	1,171.5	36.6	17.8	5.6	4.1
Manufacturing	749.9	751.3	22.1	21.2	5.6	1.4
Services-producing industries	4,511.1	4,568.9	90.2	4.9	23.5	57.8
Trade, transportation, and utilities	1,107.4	1,119.7	26.7	15.1	9.0	12.3
Other services-producing industries	3,403.7	3,449.2	63.5	-10.2	14.5	45.5
Government	1,203.3	1,203.3	6.6	0.7	3.5	0.0
Supplements to wages and salaries	1,688.6	1,701.7	22.1	8.7	10.1	13.1
Proprietors' income with IVA and CCAdj	1,205.4	1,227.4	19.0	10.6	10.5	22.0
Farm	59.4	64.7	-2.1	0.2	6.9	5.3
Nonfarm	1,146.0	1,162.8	21.2	10.3	3.6	16.8
Rental income of persons with CCAdj	471.0	484.9	15.0	7.5	18.2	13.9
Personal income receipts on assets	1,712.8	1,854.4	11.8	34.4	-18.0	141.6
Personal interest income	975.3	994.0	3.8	14.3	-30.8	18.7
Personal dividend income	737.5	860.4	8.0	20.0	12.9	122.9
Personal current transfer receipts	2,388.0	2,399.6	28.1	17.2	22.8	11.6
Government social benefits to persons	2,341.8	2,353.0	26.7	16.8	22.3	11.2
Social security	765.1	768.2	31.3	6.2	5.7	3.1
Medicare	566.2	566.5	2.8	1.0	9.3	0.3
Medicaid	424.2	433.4	5.6	16.3	10.3	9.2
Unemployment insurance	74.9	70.0	-6.7	-10.4	-8.9	-4.9
Veterans benefits	74.0	74.7	4.1	2.7	2.5	0.7
Other	437.4	440.2	-10.5	0.9	3.5	2.8
Other current transfer receipts from business, net	46.1	46.6	1.4	0.5	0.3	0.5
Less: Contributions for government social insurance	947.8	955.7	19.8	1.8	3.4	7.9
Less: Personal current taxes	1,475.2	1,496.2	31.7	14.4	10.0	21.0
Equals: Disposable personal income (DPI)	11,924.5	12,159.7	178.1	85.4	62.7	235.2
Less: Personal outlays	11,494.7	11,589.7	143.1	57.4	88.6	95.0
Equals: Personal saving	429.8	570.0	35.0	28.0	-25.9	140.2
Personal saving as a percentage of DPI	3.6	4.7				
Addenda: The effects of special factors on changes in personal income						
In wages and salaries:						
Superstorm Sandy adjustment			0.0	0.0	0.0	-6.1
Accelerated wages			0.0	0.0	0.0	15.0
Federal pay raise			1.8	0.0	0.0	0.0
In supplements to wages and salaries:						
FICA increase in maximum taxable wages			1.8	0.0	0.0	0.0
State unemployment insurance changes in tax rates and taxable wage base			1.7	0.0	0.0	0.0
Federal Unemployment Tax Act credit reduction			1.8	0.0	0.0	0.0
In personal dividend income:						
Accelerated dividends			0.0	0.0	0.0	105.6
In government social benefits to persons:						
Cost-of-living adjustments (COLAs) ¹			30.2	0.0	0.0	0.0
Automatic Earnings Reappraisal Operation			-2.4	0.3	-0.3	2.3
Refundable tax credits			-13.1	0.0	0.0	0.0
In employee contributions for government social insurance:						
FICA increase in maximum taxable wages			1.2	0.0	0.0	0.0
In personal current taxes:						
Change in indexation			-2.0	0.0	0.0	0.0
Refunds, settlements, and back taxes			-2.4	0.0	0.0	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 \$26.2 billion.

NOTE: Dollar levels are from NIPA tables 2.1 and 2.2B. CCAdj Capital consumption adjustment
FICA Federal Insurance Contributions Act
IVA Inventory valuation adjustment

Personal income, which is measured in current dollars, accelerated in the fourth quarter, increasing \$256.2 billion after increasing \$72.7 billion; the acceleration primarily reflected a sharp acceleration in personal dividend income, an upturn in personal interest income, and a pickup in wage and salary disbursements.

The pickup in wages and salaries reflected the pattern of monthly Bureau of Labor Statistics data for employment, hours, and earnings in the fourth quarter and a BEA adjustment for accelerated compensation, such as bonus payments and other irregular pay. This pickup more than offset an adjustment for reduced wages and salaries due to work interruptions caused by "Superstorm Sandy."

Farm proprietors' income decelerated, reflecting a slowdown in the expected indemnity payments to farmers for crop losses associated with the drought in the Midwest (see page 6).

The upturn in personal interest income primarily reflected an upturn in interest rates associated with Treasury Inflation-Protected Securities.

The sharp acceleration in personal dividend income reflected accelerated and special dividends that were paid by many companies in the fourth quarter in anticipation of changes in individual income tax rates.

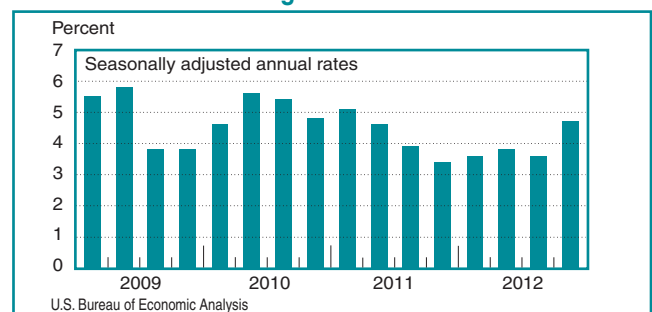
Government social benefits to persons decelerated, primarily reflecting a deceleration in Medicare benefits due to a downturn in Medicare prescription drug benefits.

Personal current taxes increased \$21.0 billion after increasing \$10.0 billion.

Personal saving—disposable personal income less personal outlays—was \$570.0 billion in the fourth quarter, increasing \$140.2 billion after decreasing \$25.9 billion.

The personal saving rate was 4.7 percent in the fourth quarter; in the third quarter, it was 3.6 percent.

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 Fourth Quarter of 2012

[Billions of dollars, seasonally adjusted at annual rates]

	2012					
	July	August	Sept.	Oct.	Nov.	Dec. ¹
Private fixed investment:						
Nonresidential structures:						
Value of new nonresidential construction put in place	297.7	295.5	297.0	296.5	294.5	295.5
Residential structures:						
Value of new residential construction put in place:						
Single family	127.7	131.6	136.4	141.4	143.3	145.6
Multifamily	21.9	22.4	22.6	23.8	23.9	24.2
Change in private inventories:						
Change in inventories for nondurable manufacturing	4.6	16.9	35.5	-16.4	-9.9	11.7
Change in inventories for merchant wholesale and retail industries other than motor vehicles and equipment	54.0	41.8	64.5	44.8	38.7	45.2
Net exports: ²						
Exports of goods:						
U.S. exports of goods, international-transactions-accounts basis	1,568.7	1,544.7	1,607.4	1,532.1	1,551.7	1,550.3
Excluding gold	1,542.7	1,515.7	1,569.7	1,504.8	1,517.7	1,515.1
Imports of goods:						
U.S. imports of goods, international-transactions-accounts basis	2,261.2	2,251.0	2,295.3	2,241.2	2,340.2	2,300.8
Excluding gold	2,244.7	2,231.2	2,276.2	2,223.2	2,317.2	2,283.0
Net exports of goods	-692.6	-706.3	-687.9	-709.1	-788.5	-750.5
Excluding gold	-702.0	-715.5	-706.5	-718.4	-799.5	-767.9
State and local government structures:						
Value of new construction put in place	249.4	252.6	251.0	251.5	251.7	251.6

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), consumers' shares of auto and truck sales (2), motor vehicle fuels data (1), and electricity and gas usage and unit-value data (1);

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 (3), 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); farm 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 construction 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).

Key assumptions

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

- An increase in nondurable manufacturing inventories,
- An increase in non-motor-vehicle merchant wholesale and retail inventories,
- A decrease in exports of goods excluding gold, and
- A decrease in imports of goods excluding gold.

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

Key Issues Affecting the NIPAs for the Fourth Quarter of 2012

Federal government spending

Federal government spending for the fourth quarter decreased at a 15.0 percent annual rate, reflecting a large decrease in national defense spending that is primarily based on the *Monthly Treasury Statement (MTS)* for October, November, and December from the Department of the Treasury. The *MTS* showed a large decrease in fourth-quarter outlays for Department of Defense military programs other than for military personnel. (The *MTS* showed a fourth-quarter increase in outlays for military personnel, but that increase reflects special factors such as annual lump-sum payments that BEA distributes across the quarters of the year and an extra pay day for which BEA adjusts when preparing accrual-based estimates.)

Effects of the summer drought

GDP for the fourth quarter reflected the continuing effects of last summer's extreme hot weather and drought in the Midwest on farm production. For the most part, the effects are embedded in the regular source data that are used to prepare estimates of components of GDP, such as personal consumption expenditures or exports of goods, but they are not identifiable.

The estimates of farm inventory investment reflect the effects of the drought on farm production, particularly for corn and soybeans. The estimates for the fourth quarter of 2012 are based on farm income statistics from the U.S. Department of Agriculture released in November and on crop production reports for corn and soybeans released through January.

In current dollars, the estimates indicate that the drought reduced farm inventory investment by about \$24 billion in the fourth quarter after reducing it by about \$28 billion in the third quarter and by about \$12 billion in the second quarter. Adjusting for inflation, the change in farm inventories added 0.11 percentage point to the fourth-quarter change in real GDP after subtracting 0.38 percentage point from the third-quarter change and 0.17 percentage point from the second-quarter change.

For additional information, see [“Effects of the 2012 Midwest Drought on the NIPA Estimates”](#) in the October 2012 SURVEY OF CURRENT BUSINESS.

Superstorm Sandy

In late October 2012, Superstorm Sandy caused major damage and disrupted production throughout the Northeast region through closures of factories, offices, and transportation facilities, while causing certain types of production, such as emergency services and rebuild-

ing activities, to increase. These effects on production are included, but they are not identifiable, in the source data that BEA uses to prepare the estimates of GDP; consequently, BEA is not able to provide an estimate of the overall impact of Sandy on GDP for the fourth quarter of 2012. For wages and salaries, because the source data did not reflect the impacts of Sandy, BEA made an adjustment for wages lost due to work interruptions.

While the destruction of fixed assets, such as residential and nonresidential structures, does not directly affect GDP, national income, or personal income, BEA does track disaster losses as part of its fixed asset accounts. BEA's preliminary estimate is that \$35.8 billion in private fixed assets and \$8.6 billion in government fixed assets, measured at current cost, were lost as a result of Superstorm Sandy.

BEA also prepares estimates of the insurance benefits paid and received because of major disasters. These benefits are recorded on an accrual basis in the quarter in which the disaster occurs and are classified as capital transfers; thus, they do not affect the measures of GDP, personal income, or saving. BEA's preliminary estimate is that domestic and foreign insurance companies expect to pay benefits for losses related to Sandy of \$20.6 billion (\$82.5 billion at an annual rate) and that the federal government's National Flood Insurance Program is expected to pay an additional \$7.5 billion (\$30.0 billion at an annual rate) in Sandy-related benefits.

For more details, see the FAQ [“How are the measures of production and income in the national accounts affected by a natural or man-made disaster?”](#) on BEA's Web site.

Table 6. Disaster Losses and Insured Damages Resulting From Superstorm Sandy in the Fourth Quarter of 2012

[Billions of current dollars, not at annual rates]

Disaster-related losses of fixed capital ¹	
Total	44.4
Private.....	35.8
Domestic business.....	15.5
Households and institutions.....	20.3
Government.....	8.6
Federal.....	0.3
State and local.....	8.2
Disaster-related insurance benefits ²	
Paid by:	
Financial corporations.....	14.3
Federal government.....	7.5
State and local government.....	0.0
Rest of the world.....	6.3
Received by:	
Financial corporations.....	0.7
Nonfinancial corporations.....	6.1
Noncorporate business.....	5.5
State and local government.....	1.4
Persons.....	14.4

1. Annualized rates of disaster losses are presented in the addenda lines of NIPA table 5.1.

2. Insured damages correspond to the annual rates in the lines for disaster-related insurance benefits in NIPA table 5.10U.

Real GDP for 2012

Table 7. 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)	
	2012	2011	2012	2011	2012	2011
Gross domestic product ¹	100.0	1.8	2.2	1.8	2.2	2.2
Personal consumption expenditures	70.9	2.5	1.9	1.79	1.34	1.79
Goods.....	24.1	3.8	3.1	0.89	0.74	0.89
Durable goods.....	7.8	7.2	7.8	0.53	0.58	0.53
Nondurable goods.....	16.3	2.3	0.9	0.36	0.16	0.36
Services.....	46.8	1.9	1.3	0.90	0.60	0.90
Gross private domestic investment	13.1	5.2	9.6	0.62	1.18	0.62
Fixed investment.....	12.8	6.6	8.5	0.76	1.02	0.76
Nonresidential.....	10.3	8.6	7.7	0.80	0.75	0.80
Structures.....	2.9	2.7	9.6	0.07	0.26	0.07
Equipment and software.....	7.4	11.0	6.9	0.72	0.49	0.72
Residential.....	2.4	-1.4	11.9	-0.03	0.27	-0.03
Change in private inventories.....	0.4	.....	.....	-0.14	0.16	-0.14
Net exports of goods and services	-3.6	.....	.....	0.07	0.00	0.07
Exports.....	13.9	6.7	3.2	0.87	0.44	0.87
Goods.....	9.8	7.2	4.0	0.65	0.39	0.65
Services.....	4.1	5.6	1.3	0.22	0.05	0.22
Imports.....	17.5	4.8	2.5	-0.80	-0.44	-0.80
Goods.....	14.6	5.2	2.2	-0.72	-0.32	-0.72
Services.....	2.9	2.8	4.2	-0.08	-0.12	-0.08
Government consumption expenditures and gross investment	19.5	-3.1	-1.7	-0.67	-0.34	-0.67
Federal.....	7.7	-2.8	-2.2	-0.23	-0.18	-0.23
National defense.....	5.2	-2.6	-3.1	-0.15	-0.17	-0.15
Nondefense.....	2.6	-3.1	-0.3	-0.09	-0.01	-0.09
State and local.....	11.8	-3.4	-1.3	-0.43	-0.16	-0.43

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.

Consumer spending slowed in 2012, adding 1.34 percentage points to the change in real GDP after adding 1.79 percentage points in 2011. Slowdowns in nondurable goods and in services were partly offset by a pickup in durable goods.

Nonresidential fixed investment decelerated slightly, reflecting a deceleration in equipment and software that was partly offset by an acceleration in structures.

Residential fixed investment turned up, adding 0.27 percentage point to the change in real GDP in 2012 after subtracting 0.03 percentage point in 2011. This was the largest positive contribution to the change in real GDP from residential fixed investment since 2005.

Inventory investment turned up, adding 0.16 percentage point to the change in real GDP after subtracting 0.14 percentage point.

Exports slowed in 2012, adding 0.44 percentage point to the change in real GDP after adding 0.87 percentage point in 2011.

Imports also slowed in 2012, subtracting 0.44 percentage point from the change in real GDP after subtracting 0.80 percentage point in 2011.

Federal government spending decreased less in 2012 than in 2011, subtracting 0.18 percentage point from the change in real GDP after subtracting 0.23 percentage point.

State and local government spending decreased less in 2012 than in 2011, subtracting 0.16 percentage point from the change in real GDP after subtracting 0.43 percentage point.

Chart 3. Contributions to the Change in Real GDP in 2012

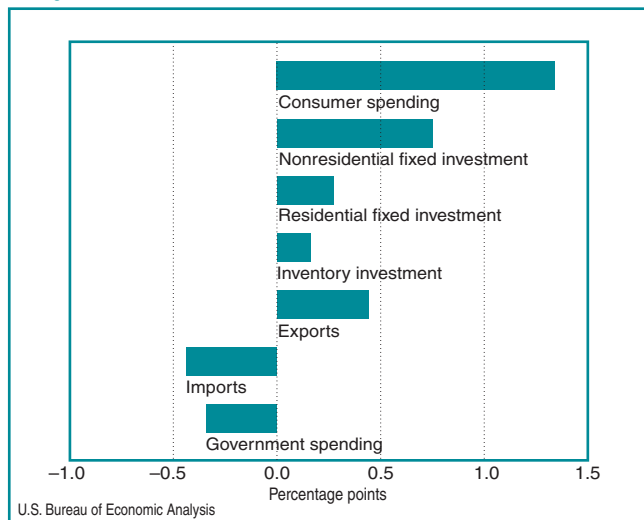


Chart 4. Change in Selected Components of Real GDP

