

GDP and the Economy

Advance Estimates for the Second Quarter of 2011

REAL GROSS domestic product (GDP) increased 1.3 percent at an annual rate in the second quarter of 2011, according to the advance estimates of the national income and product accounts (NIPAs) (chart 1 and table 1).¹ In the first quarter of 2011, real GDP increased 0.4 percent (revised).

The NIPA estimates for the first quarter of 2011 and for 2003–2010 have been revised as part of this year’s annual NIPA revision. See “Annual Revision of the National Income and Product Accounts” in this issue.

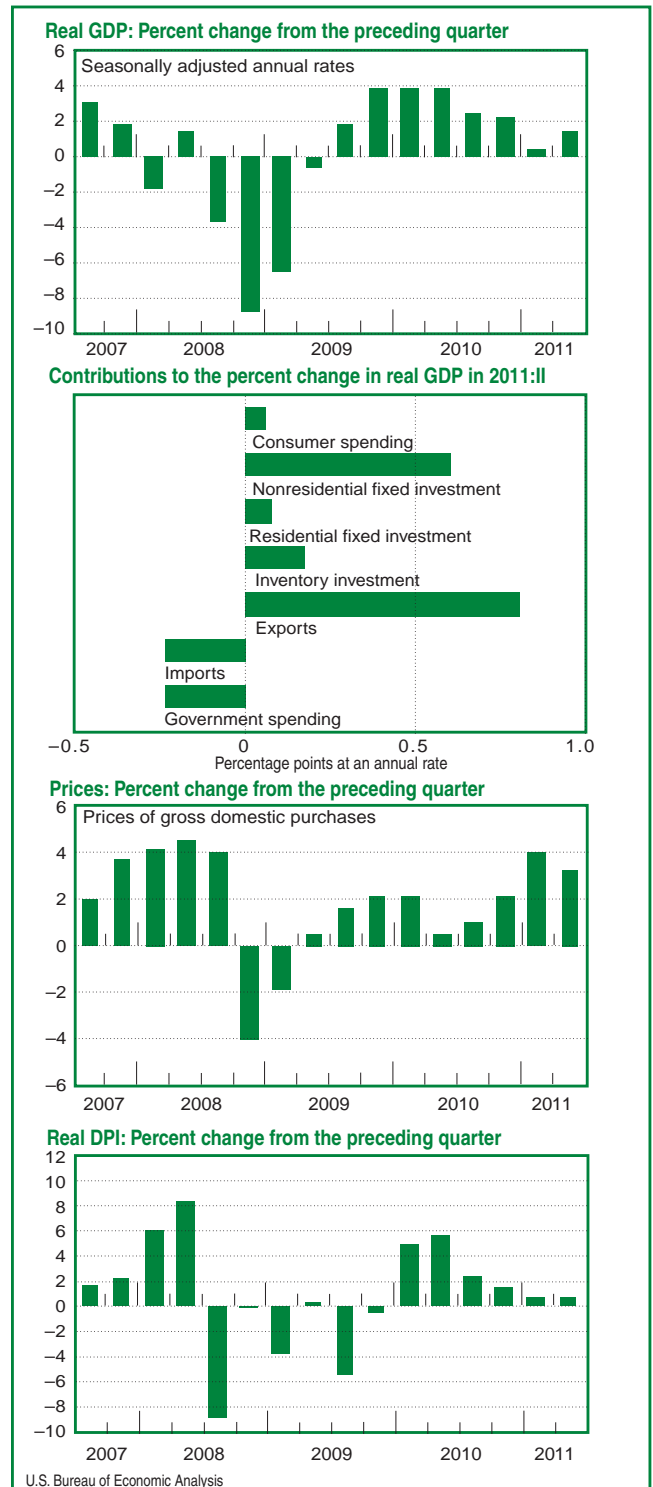
The acceleration in real GDP in the second quarter primarily reflected a deceleration in imports, an upturn in federal government spending, and an acceleration in nonresidential fixed investment that were partly offset by a sharp deceleration in consumer spending.²

- Prices of goods and services purchased by U.S. residents increased 3.2 percent in the second quarter after increasing 4.0 percent in the first quarter (see page 3). Energy prices decelerated in the second quarter, and food prices increased at about the same rate as in the first quarter. Excluding food and energy, gross domestic purchases prices increased 2.6 percent after increasing 2.4 percent. The federal pay raise for military personnel had added about 0.1 percentage point to the first-quarter percent change in the gross domestic purchases price index.
- Real disposable personal income (DPI) increased 0.7 percent in the second quarter, the same increase as in the first quarter (see page 4), reflecting a deceleration in current-dollar DPI that was offset by a deceleration in the PCE implicit price deflator used in deriving real DPI. The deceleration in current-dollar DPI reflected a larger deceleration in personal income than in personal current taxes.
- The personal saving rate, personal saving as a percentage of current-dollar DPI, was 5.1 percent in the second quarter; in the first quarter, it was 4.9 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. More information can be found at www.bea.gov/about/infoqual.htm and www.bea.gov/faq/national/gdp_accuracy.htm. 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 (PCE),” “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)			
		2010		2011			2010		2011	
		II	III	IV	I	II	III	IV	I	II
Gross domestic product ¹	100.0	2.5	2.3	0.4	1.3	2.5	2.3	0.4	1.3	
Personal consumption expenditures	71.0	2.6	3.6	2.1	0.1	1.85	2.48	1.47	0.07	
Goods.....	24.2	4.8	8.3	4.7	-1.3	1.09	1.87	1.10	-0.33	
Durable goods.....	7.6	8.8	17.2	11.7	-4.4	0.63	1.20	0.85	-0.35	
Nondurable goods.....	16.5	3.0	4.3	1.6	0.1	0.47	0.67	0.25	0.02	
Services.....	46.9	1.6	1.3	0.8	0.8	0.75	0.61	0.36	0.40	
Gross private domestic investment	12.7	9.2	-7.1	3.8	7.1	1.14	-0.91	0.47	0.87	
Fixed investment.....	12.2	2.3	7.5	1.2	5.9	0.28	0.88	0.15	0.69	
Nonresidential.....	9.9	11.3	8.7	2.1	6.3	1.04	0.82	0.20	0.61	
Structures.....	2.6	4.2	10.5	-14.3	8.1	0.10	0.26	-0.40	0.20	
Equipment and software.....	7.3	14.1	8.1	8.7	5.7	0.94	0.56	0.60	0.41	
Residential.....	2.2	-27.7	2.5	-2.4	3.8	-0.76	0.06	-0.06	0.08	
Change in private inventories.....	0.5	.....	.....	.....	.....	0.86	-1.79	0.32	0.18
Net exports of goods and services	-3.9	.....	.....	.....	.....	-0.68	1.37	-0.34	0.58
Exports.....	14.0	10.0	7.8	7.9	6.0	1.21	0.98	1.01	0.81	
Goods.....	9.9	8.9	9.2	10.6	6.8	0.75	0.79	0.94	0.65	
Services.....	4.1	12.6	4.7	1.7	4.0	0.46	0.18	0.07	0.16	
Imports.....	17.9	12.3	-2.3	8.3	1.3	-1.89	0.39	-1.35	-0.23	
Goods.....	15.0	12.4	-0.5	9.5	1.5	-1.58	0.08	-1.29	-0.22	
Services.....	2.8	11.6	-10.4	2.2	0.2	-0.31	0.31	-0.06	-0.01	
Government consumption expenditures and gross investment	20.2	1.0	-2.8	-5.9	-1.1	0.20	-0.58	-1.23	-0.23	
Federal.....	8.2	3.2	-3.0	-9.4	2.2	0.26	-0.26	-0.82	0.18	
National defense.....	5.5	5.7	-5.9	-12.6	7.3	0.31	-0.34	-0.74	0.39	
Nondefense.....	2.7	-1.8	3.1	-2.7	-7.3	-0.05	0.09	-0.08	-0.21	
State and local.....	12.0	-0.5	-2.7	-3.4	-3.4	-0.06	-0.33	-0.41	-0.41	

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) by Type of Product

[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)			
		2010		2011			2010		2011	
		II	III	IV	I	II	III	IV	I	II
Gross domestic product ¹	100.0	2.5	2.3	0.4	1.3	2.5	2.3	0.4	1.3	
Final sales of domestic product.....	99.5	1.7	4.2	0.0	1.1	1.65	4.14	0.04	1.11	
Change in private inventories.....	0.5	.....	.....	.....	.....	0.86	-1.79	0.32	0.18
Goods.....	28.2	7.9	5.9	4.9	2.5	2.12	1.63	1.36	0.70	
Services.....	65.1	1.5	1.0	-0.1	1.0	0.98	0.65	-0.05	0.66	
Structures.....	6.7	-8.0	1.0	-13.1	-1.2	-0.59	0.07	-0.95	-0.08	
Addenda:										
Motor vehicle output.....	2.5	14.9	-17.4	59.2	-4.7	0.33	-0.43	1.08	-0.12	
GDP excluding motor vehicle output.....	97.5	2.2	2.9	-0.7	1.4	2.18	2.78	-0.73	1.40	
Final sales of computers.....	0.6	72.7	64.2	14.7	27.4	0.29	0.29	0.08	0.15	
GDP excluding final sales of computers.....	99.4	2.2	2.1	0.3	1.1	2.22	2.06	0.27	1.14	

1. The estimates of GDP 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, adding 0.07 percentage point to real GDP growth after adding 1.47 percentage points. A downturn in motor vehicles and parts was the largest contributor to the slowdown. Services grew at the same rate as in the first quarter.

Nonresidential fixed investment accelerated, reflecting an upturn in structures that was partly offset by a deceleration in equipment and software.

Residential investment turned up, mainly reflecting an upturn in "other" structures, specifically brokers' commissions on the sale of residential structures and residential improvements.

Inventory investment slowed somewhat, contributing 0.18 percentage point to real GDP growth after contributing 0.32 percentage point.

Exports slowed somewhat. A slowdown in exports of goods was partly offset by a pickup in exports of services.

Imports decelerated sharply, reflecting decelerations in both goods and services. The deceleration in goods imports mainly reflected a downturn in automotive vehicles, engines, and parts, which was affected by supply chain disruptions resulting from the Japanese earthquake and tsunami. Petroleum and products also turned down. In contrast, "other" imports turned up. The slowdown in services mainly reflected a downturn in "other" transportation.

Federal government spending turned up, reflecting an upturn in national defense spending. Federal nondefense spending decreased more than in the first quarter.

State and local government spending decreased the same as in the first quarter. A downturn in consumption expenditures was largely offset by a smaller decrease in gross investment.

Real final sales of domestic product, real GDP less inventory investment, increased 1.1 percent in the second quarter after increasing less than 0.1 percent in the first quarter.

Motor vehicle output turned down, subtracting 0.12 percentage point after adding 1.08 percentage points.

Final sales of computers picked up, contributing 0.15 percentage point to real GDP growth after contributing 0.08 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)			
	2010		2011		2010		2011	
	III	IV	I	II	III	IV	I	II
Gross domestic purchases¹	1.0	2.1	4.0	3.2	1.0	2.1	4.0	3.2
Personal consumption expenditures	1.0	1.9	3.9	3.1	0.68	1.34	2.67	2.15
Goods	0.8	3.4	8.0	5.1	0.19	0.76	1.80	1.17
Durable goods	-2.5	-2.4	-0.6	1.7	-0.18	-0.18	-0.04	0.13
Nondurable goods	2.4	6.2	12.4	6.7	0.37	0.94	1.84	1.04
Services	1.1	1.2	1.9	2.2	0.49	0.57	0.87	0.98
Gross private domestic investment	0.9	1.7	2.1	2.3	0.09	0.20	0.26	0.28
Fixed investment	0.5	0.8	1.4	2.4	0.06	0.09	0.17	0.28
Nonresidential	0.5	0.4	1.4	2.6	0.04	0.04	0.14	0.25
Structures	2.5	3.6	5.0	6.6	0.07	0.09	0.12	0.16
Equipment and software	-0.3	-0.8	0.2	1.2	-0.03	-0.06	0.01	0.09
Residential	0.6	2.5	1.5	1.5	0.01	0.05	0.03	0.03
Change in private inventories .....	.....	.....	.....	.....	0.04	0.10	0.09	-0.01
Government consumption expenditures and gross investment	0.9	3.1	5.4	4.1	0.18	0.61	1.05	0.79
Federal	1.1	2.0	5.3	3.5	0.09	0.16	0.42	0.27
National defense	0.9	2.5	6.3	3.5	0.05	0.14	0.33	0.19
Nondefense	1.5	1.1	3.4	3.4	0.04	0.03	0.09	0.09
State and local	0.7	3.8	5.5	4.5	0.09	0.45	0.63	0.51
Addenda:								
Gross domestic purchases:								
Food	0.8	2.4	5.9	5.8	0.04	0.12	0.29	0.29
Energy goods and services	6.1	25.5	42.4	14.8	0.21	0.90	1.49	0.60
Excluding food and energy	0.8	1.2	2.4	2.6	0.71	1.12	2.20	2.33
Personal consumption expenditures (PCE):								
Food and beverages for off-premises consumption	0.3	1.4	6.5	6.4	.....	.....	.....	.....
Energy goods and services	5.6	24.7	40.7	15.0	.....	.....	.....	.....
Excluding food and energy	0.8	0.7	1.6	2.1	.....	.....	.....	.....
Gross domestic product (GDP)	1.4	1.9	2.5	2.3	.....	.....	.....	.....
Exports	0.6	8.6	11.0	8.6	.....	.....	.....	.....
Imports	-2.2	8.4	19.1	12.7	.....	.....	.....	.....

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, slowed in the second quarter. Excluding food and energy, prices picked up slightly. About 0.1 percentage point of the first-quarter increase in the price index had reflected the pay raise for military personnel, which is treated as an increase in the price of employee services purchased by the government.

Consumer prices slowed in the second quarter, reflecting a slowdown in prices paid for goods. The largest contributor to the slowdown in goods prices was a slowdown in prices paid for gasoline and other energy goods. Services prices picked up slightly.

Prices paid for nonresidential fixed investment picked up, reflecting accelerations in prices paid for equipment and software and for structures.

Prices paid for residential investment increased 1.5 percent, the same rate of increase as in the first quarter.

Prices paid by government slowed, reflecting slowdowns in prices paid by both the federal government and by state and local governments. The slowdown in federal government prices followed the first-quarter military pay raise.

Consumer prices excluding food and energy, a measure of the "core" rate of inflation, picked up, increasing 2.1 percent after increasing 1.6 percent.

The GDP price index increased 2.3 percent, 0.9 percentage point less than the increase in the price index for gross domestic purchases, reflecting a smaller increase in export prices (8.6 percent) than in import prices (12.7 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			
	2011		2010		2011	
	II	III	IV	I	II	
Personal income	12,962.0	127.6	124.4	251.9	132.5	
Compensation of employees, received	8,230.0	62.2	28.6	102.3	76.9	
Wage and salary disbursements	6,626.8	54.7	22.5	82.8	67.0	
Private industries	5,434.7	61.2	23.7	80.3	66.0	
Goods-producing industries	1,105.6	11.9	0.3	19.3	15.5	
Manufacturing	709.0	8.6	3.3	13.0	10.5	
Services-producing industries	4,329.1	49.3	23.4	61.0	50.5	
Trade, transportation, and utilities	1,043.9	11.4	0.2	12.5	15.3	
Other services-producing industries	3,285.2	37.9	23.2	48.5	35.2	
Government	1,192.1	-6.4	-1.3	2.5	1.0	
Supplements to wages and salaries	1,603.2	7.5	6.0	19.5	10.0	
Proprietors' income with IVA and CCAAdj	1,105.3	31.4	24.5	14.1	9.7	
Farm	68.2	12.5	1.8	6.0	2.1	
Nonfarm	1,037.2	19.0	22.7	8.1	7.7	
Rental income of persons with CCAAdj	397.1	3.7	2.0	30.2	12.1	
Personal income receipts on assets	1,803.2	-1.1	20.1	33.7	26.0	
Personal interest income	1,015.8	-30.2	5.7	15.1	11.1	
Personal dividend income	787.5	29.0	14.5	18.6	15.0	
Personal current transfer receipts	2,344.8	37.3	51.8	-13.1	16.7	
Government social benefits to persons	2,305.4	37.3	50.5	-13.3	16.8	
Social Security	712.2	5.6	6.0	3.2	9.1	
Medicare	553.9	9.9	13.9	12.5	6.1	
Medicaid	437.6	15.4	34.6	-7.7	5.5	
Unemployment insurance	107.3	-1.6	-7.1	-11.2	-10.2	
Veterans benefits	62.8	1.7	0.4	1.9	1.5	
Other	431.6	6.2	2.6	-11.8	4.7	
Other current transfer receipts from business, net ..	39.4	-0.1	1.4	0.2	-0.1	
Less: Contributions for government social insurance ..	918.5	5.8	2.6	-84.7	9.1	
Less: Personal current taxes	1,385.8	37.4	28.1	122.3	22.6	
Equals: Disposable personal income	11,576.2	90.2	96.3	129.6	109.9	
Less: Personal outlays	10,985.6	87.8	133.8	153.5	83.5	
Equals: Personal saving	590.6	2.3	-37.5	-23.8	26.3	
Addenda: Special factors in personal income						
In government wages and salaries:						
Federal pay raise	1.6	0.0	0.0	1.6	0.0	
Reservists' pay	6.7	-1.5	-0.7	-0.5	0.2	
In supplements to wages and salaries:						
Employer contributions for social insurance	494.5	3.1	1.2	13.3	4.3	
State unemployment insurance programs	49.6	0.2	-0.1	7.4	-0.2	
In current transfers:						
Government social benefits to persons	2,305.4	37.3	50.5	-13.3	16.8	
Social Security	712.2	5.6	6.1	3.2	9.2	
AERO (Automatic Earnings Reappraisal Operation)	0.4	-0.3	2.5	-2.5	0.4	
Other	1,593.2	31.7	44.4	-16.5	7.6	
Refundable tax credits	87.5	0.0	0.0	-8.9	0.0	
In contributions for government social insurance:						
Employer contributions	494.5	3.1	1.2	13.3	4.3	
State unemployment insurance programs	49.6	0.2	-0.1	7.4	-0.2	
Employee contributions	424.0	2.6	1.5	-98.1	4.9	
Social security rate reduction	-105.4	0.0	0.0	-105.4	0.0	
In personal current taxes:						
"Making Work Pay" tax credit	0.0	0.0	0.0	38.6	0.0	
Refunds, settlements, and other	-93.2	0.0	0.0	50.5	0.0	

NOTE: Dollar levels are from NIPA tables 2.1 and 2.2B. CCAAdj Capital consumption adjustment
IVA Inventory valuation adjustment

Personal income, which is measured in current dollars, slowed in the second quarter, increasing \$132.5 billion after increasing \$251.9 billion. The slowdown reflected an upturn in contributions for government social insurance (a subtraction in the calculation of personal income), decelerations in rental income of persons, in wage and salary disbursements, and in supplements to wages and salaries that were partly offset by an upturn in government social benefits to persons.

Wage and salary disbursements slowed, reflecting an extrapolation from a revised first-quarter level of wages, based on the incorporation of partial tabulations from the Bureau of Labor Statistics (BLS) quarterly census of employment, and monthly BLS employment, hours, and earnings for the second quarter.

Supplements to wages and salaries slowed, primarily reflecting a downturn in employer contributions for government social insurance for regular state unemployment programs, reflecting changes in state tax rates and wage caps that had boosted supplements in the first quarter.

Rental income of persons slowed, mainly reflecting a much smaller decrease in contract interest (an expense deducted in the calculation of rental income), reflecting drops in interest rates in the last half of 2010.

Government social benefits to persons turned up, reflecting upturns in "other" government social benefits and in Medicaid and a pickup in social security benefits that were partly offset by a slowdown in Medicare.

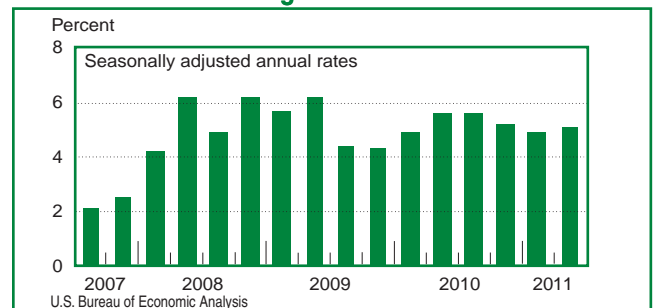
Contributions for government social insurance turned up sharply, mainly reflecting the 2.0 percentage point reduction in the social security contribution rate in the first quarter.

Personal current taxes slowed. The slowdown primarily reflected the January expiration of the Making Work Pay tax credit.

Saving

Personal saving—disposable personal income less personal outlays—was \$590.6 billion in the second quarter, an increase of \$26.3 billion that followed a first-quarter decrease of \$23.8 billion. The upturn in second-quarter personal saving reflected a smaller increase in personal outlays than in disposable personal income.

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 2011

[Billions of dollars, seasonally adjusted at annual rates]

	2011					
	Jan.	Feb.	March	April	May	June ¹
Private fixed investment:						
Nonresidential structures:						
Value of new nonresidential construction put in place	244.5	245.3	249.9	245.4	248.3	246.9
Equipment and software:						
Manufacturers' shipments of complete aircraft	31.6	34.4	28.4	36.6	32.2	36.4
Residential structures:						
Value of new residential construction put in place:						
Single family	108.0	107.0	105.9	105.5	105.2	106.8
Multifamily	13.5	13.7	13.5	13.5	13.3	13.5
Change in private inventories:						
Change in inventories for nondurable manufacturing	51.9	33.6	22.0	56.1	-0.9	17.8
Change in inventories for merchant wholesale and retail industries other than motor vehicles and equipment	76.2	47.9	107.0	60.9	87.0	62.2
Net exports: ²						
Exports of goods:						
U.S. exports of goods, international-transactions-accounts basis	1,433.6	1,408.8	1,493.6	1,518.5	1,501.8	1,493.6
Excluding gold	1,411.0	1,381.3	1,461.4	1,491.5	1,473.7	1,466.1
Imports of goods:						
U.S. imports of goods, international-transactions-accounts basis	2,173.5	2,125.3	2,226.6	2,216.4	2,280.4	2,264.2
Excluding gold	2,161.9	2,110.9	2,208.6	2,200.9	2,265.6	2,249.0
Net exports of goods	-739.9	-716.5	-733.0	-697.9	-778.6	-770.6
Excluding gold	-750.9	-729.7	-747.3	-709.4	-791.9	-783.0
State and local government structures:						
Value of new construction put in place	259.6	255.3	255.4	249.6	246.7	248.1

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

While the advance estimates of many components of GDP are based on 3 months of source data, some estimates 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);

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

Residential 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);

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

Government consumption expenditures and gross invest-

ment: 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).

Unavailable source data

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

- A small decrease in nonresidential structures,
 - An increase in aircraft shipments,
 - An increase in single-family structures and a slight increase in multifamily structures,
 - An increase 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,
 - A decrease in exports of goods excluding gold and a 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.