

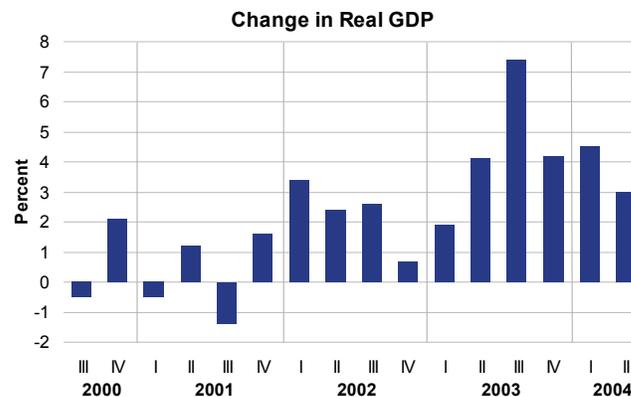


## GDP GREW 3.0% IN THE SECOND QUARTER

*Advance GDP Estimates*

U.S. economic growth slowed in the second quarter of 2004, according to estimates released today by the U.S. Bureau of Economic Analysis. Prices and real disposable income increased at roughly the same rates as in the first quarter.

Gross domestic product (GDP), the most comprehensive measure of U.S. economic activity, increased at an inflation-adjusted annual rate of 3.0 percent in the second quarter after increasing 4.5 percent in the first quarter. (The first-quarter growth rate has been revised up from 3.9 percent as part of the regular “annual revision” of the national income and product accounts.)



*Note: The change in real GDP is measured at seasonally adjusted annual rates.*

The slowdown in GDP growth was mainly accounted for by decelerations in consumer spending (especially for food and clothing) and, to a lesser extent, in inventory investment.

In contrast to the slowdowns in consumer spending and inventory investment:

- residential investment accelerated on the strength of house sales,
- business investment accelerated, partly on the strength of aircraft and computer purchases, and
- exports accelerated, as most categories of both goods and services were stronger than in the first quarter.

Prices paid by U.S. residents increased 3.5 percent after increasing 3.4 percent. Excluding food and energy, prices increased 2.4 percent after increasing 2.5 percent.

Inflation-adjusted after-tax personal income increased 2.9 percent after increasing 3.2 percent.

BEA today released revised GDP estimates for the first quarter of 2001 through the first quarter of 2004. This “annual revision” had little effect on year-to-year growth rates of the major aggregates, but quarter-to-quarter growth rates were changed. The largest revision to a quarterly growth rate (1.8 percentage points) was for the second quarter of 2001. As a result of this revision, the picture of the 2001 recession is changed: Instead of decreasing modestly in each of the first three quarters of that year, GDP is now estimated to have decreased in the first quarter, increased in the second, and decreased in the third.

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BEA's data—including GDP, personal income, the balance of payments, foreign direct investment, the input-output accounts, and economic data for states, local areas, and industries—are available on its Web site: <[www.bea.gov](http://www.bea.gov)>.

NOTE: Additional information that becomes available in the coming weeks will be incorporated in a revised estimate of second-quarter GDP—and a preliminary estimate of second-quarter profits—on August 27, 2004.

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