



**Technical Note**  
Gross Domestic Product  
Third Quarter of 2012 (Advance)  
October 26, 2012

This technical note provides background information about the source data and estimating methods used to produce the estimates presented in the GDP news release. The complete set of estimates for the third quarter is available on BEA's Web site at [www.bea.gov](http://www.bea.gov); a brief summary of "highlights" is also posted on the Web site. In a few weeks, the estimates will be published in BEA's monthly journal, the *Survey of Current Business*, along with a more detailed analysis of the estimates ("GDP and the Economy").

### **Real GDP**

Real GDP increased 2.0 percent (annual rate) in the third quarter of 2012, following an increase of 1.3 percent in the second quarter. The acceleration in real GDP in the third quarter reflected an upturn in federal government spending, a downturn in imports, an acceleration in consumer spending, a smaller decrease in inventory investment, an acceleration in residential fixed investment, and a smaller decrease in state and local government spending that were partly offset by downturns in exports and in nonresidential fixed investment.

### **Source Data for the Advance Estimate**

The advance GDP estimate for the third quarter of 2012 is based on source data that are incomplete and subject to revision. Three months of source data were available for consumer spending on goods; shipments of capital equipment; motor vehicle sales and inventories; durable manufacturing inventories; federal government outlays; and consumer, producer, and international prices. Only two months of data were available for most other key data sources; BEA's assumptions for the third month are shown in table A. Among those assumptions are the following:

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

### **Prices**

The price index for gross domestic purchases—the prices paid by U.S. residents for goods and services wherever produced—increased 1.5 percent in the third quarter after increasing 0.7 percent in the second. Excluding food and energy prices, the price index for gross domestic purchases increased 1.3 percent after increasing 1.4 percent.

### **Disposable Personal Income and Personal Saving**

Real disposable personal income increased 0.8 percent in the third quarter, following an increase of 3.1 percent in the second. The personal saving rate was 3.7 percent in the third quarter, compared with 4.0 percent in the second.

## Effects of the Midwest Drought

BEA's GDP estimates reflect the effects of this summer's extreme hot weather and drought in the Midwest on farm production. For the most part, these effects are embedded in the regular source data that are used by BEA. When the source data do not completely reflect the effects of the drought, BEA attempts to supplement these data, applying methodologies similar to those used in the past. While the drought could indirectly affect many components of GDP, such as personal consumption expenditures and exports, it is only possible to separately identify its effects on a few components, such as the change in farm inventories.

The farm inventory investment estimates reflect the continuing effects of the drought on farm production (particularly for corn and soybeans). The estimates for the third quarter of 2012 are based on farm income statistics from the U.S. Department of Agriculture released in August and on crop production reports for corn and soybeans released through October. In current dollars, the estimates indicate that the drought reduced farm inventory investment by \$29 billion in the third quarter after reducing farm inventory investment by about \$12 billion in the second quarter. Adjusting for inflation, the change in farm inventories subtracted 0.42 percentage point from the third-quarter change in real GDP after subtracting 0.17 percentage point from the second-quarter change.

Many farmers participate in crop insurance programs; federal government funding of crop insurance is recorded as a current transfer payment to the farm sector from the federal government. Crop insurance benefits do not directly affect either GDP or gross domestic income, but they do affect personal income, specifically, farm proprietors' income. In the third quarter, crop insurance benefits received by farmers offset about \$15 billion of the crop losses related to the drought; in the second quarter, insurance benefits offset about \$6 billion of the losses. Consequently, the drought's impacts on farm proprietors' income in the second and third quarters were smaller than the corresponding impacts on farm inventory investment.

For additional information about the methodology used to estimate the impacts of the drought, see the box "[Effects of the 2012 Midwest Drought on the NIPA Estimates](#)" in the October 2012 *Survey of Current Business*.

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**Table A. KEY ASSUMPTIONS FOR THE ADVANCE ESTIMATE OF GDP  
FOR THE THIRD QUARTER OF 2012**

For many of the key series used to prepare the advance estimate of GDP, including retail sales, unit automobile and truck sales and inventories, manufacturers' shipments of nondefense capital goods, manufacturers' inventories of durable goods, federal defense spending, and consumer, producer, and international price indexes, actual data are available for all months of the quarter.

For the key series shown in this table, actual data for the third month of the quarter usually are not available in time for inclusion in the advance GDP estimate. BEA makes assumptions for the source data that are not yet available; assumptions for September 2012 are shown in the last column of the table. For most series shown, the data for August are preliminary and subject to further revision. Occasionally, the data for earlier months are also subject to revision.

All series shown in the table are in billions of dollars, seasonally adjusted at annual rates, and are published by the Bureau of the Census.

	2012					
	Apr.	May	Jun.	Jul.	Aug.	Sep.*
<b>Private fixed investment:</b>						
Nonresidential structures:						
1 Value of new nonresidential construction put in place.....	298.2	299.5	295.1	293.7	288.7	291.2
Residential structures:						
Value of new residential construction put in place:						
2 Single family.....	119.6	121.8	125.6	127.6	131.2	135.5
3 Multifamily.....	19.6	20.6	21.7	22.2	23.1	23.8
<b>Change in private inventories:</b>						
NOTE: Historical (Apr.–Jul.) data may reflect concurrent seasonal factors.						
4 Change in inventories for nondurable manufacturing.....	-20.4	-29.1	-21.2	5.6	15.5	-1.7
4a Change in inventories for merchant wholesale and retail industries other than motor vehicles and equipment...	24.3	25.5	-4.7	53.6	38.1	60.1
<b>Net exports:</b>						
Exports of goods:						
5 U.S. exports of goods, international-transactions-accounts basis.....	1566.9	1569.3	1593.1	1568.0	1542.2	1554.7
5a Excluding gold.....	1525.8	1538.5	1555.3	1542.0	1513.2	1523.7
Imports of goods:						
6 U.S. imports of goods, international-transactions-accounts basis.....	2349.7	2326.8	2282.3	2262.0	2254.2	2286.9
6a Excluding gold.....	2332.4	2308.8	2265.2	2245.5	2234.2	2269.9
7 Net exports of goods.....	-782.8	-757.5	-689.1	-694.0	-712.0	-732.2
7a Excluding gold.....	-806.7	-770.3	-709.9	-703.4	-721.0	-746.2
<b>Government:</b>						
State and local:						
Structures:						
8 Value of new construction put in place.....	247.3	249.8	252.8	252.1	249.7	250.9

\*Assumption.