

GDP and the Economy

Advance Estimates for the Second Quarter of 2007

IN THE second quarter of 2007, real gross domestic product (GDP) accelerated according to the “advance” estimates of the national income and product accounts (NIPAs).¹

Real GDP increased 3.4 percent after increasing 0.6 percent in the first quarter (chart 1 and table 1).² The acceleration primarily reflected a downturn in imports (which are subtracted in the calculation of GDP), upturns in Federal Government spending and in private inventory investment, accelerations in exports and in nonresidential structures, and a smaller decrease in residential fixed investment.³ In contrast, consumer spending decelerated, especially spending for goods.

- Prices of goods and services purchased by U.S. residents increased 3.9 percent after increasing 3.8 percent. Energy prices accelerated, and food prices decelerated slightly. Excluding food and energy, prices increased 1.7 percent, compared with a 3.1-percent increase in the first quarter.
- Real disposable personal income (DPI) decreased 0.8 percent after increasing 5.9 percent. The downturn reflected a deceleration in current-dollar DPI and an acceleration in the personal consumption expenditures implicit price deflator that is used to deflate current-dollar DPI.
- The personal saving rate, personal saving as a percentage of current-dollar DPI, was 0.6 percent in the second quarter; in the first quarter, it was 1.1 percent.

The NIPA estimates for the first quarter of 2007 and for 2004–2006 have been revised as part of the regular annual NIPA revision. See “Annual Revision of the National Income and Product Accounts” in this issue.

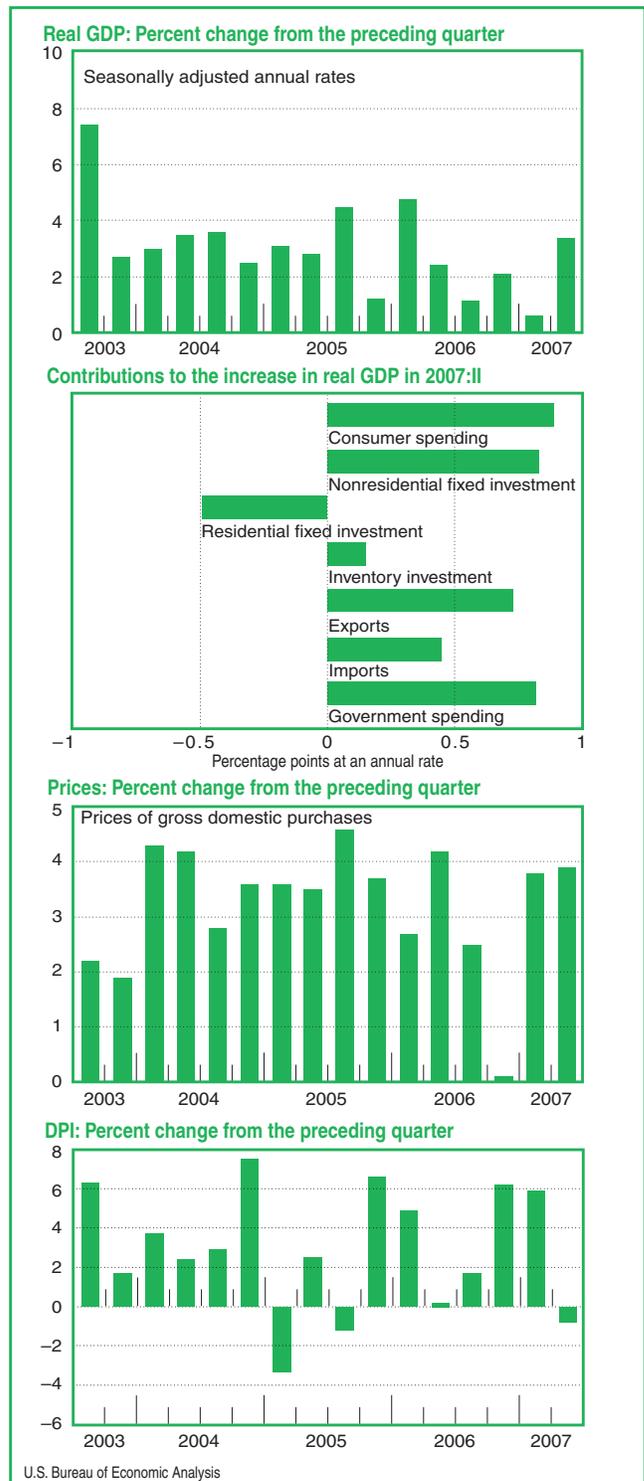
1. Each GDP estimate for a quarter (advance, preliminary, and final) incorporates increasingly comprehensive and improved source data. More information can be found at <www.bea.gov/bea/about/infoqual.htm> and <www.bea.gov/bea/faq/national/gdp_accuracy.htm>. Quarterly estimates are expressed at seasonally adjusted annual rates, which assumes that a rate of activity for a quarter is maintained for a year.

2. “Real” estimates are in chained (2000) dollars, and price indexes are chain-type measures.

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

Christopher Swann prepared this article.

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



Real GDP Overview

Table 1. Real Gross Domestic Product 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)				
		2007		2006		2007	2006		2007		
		II	III	IV	I	II	III	IV	I	II	
Gross domestic product¹.....	100.0	1.1	2.1	0.6	3.4	1.1	2.1	0.6	3.4		
Personal consumption expenditures.....	70.3	2.8	3.9	3.7	1.3	1.88	2.68	2.56	0.89		
Durable goods.....	7.8	5.6	3.9	8.8	1.6	0.43	0.30	0.67	0.13		
Nondurable goods.....	20.5	3.2	4.3	3.0	-0.8	0.64	0.86	0.61	-0.16		
Services.....	42.0	2.0	3.7	3.1	2.2	0.81	1.52	1.28	0.92		
Gross private domestic investment.....	15.5	-4.1	-14.1	-8.2	3.1	-0.70	-2.50	-1.36	0.49		
Fixed investment.....	15.5	-4.7	-7.1	-4.4	2.2	-0.80	-1.19	-0.70	0.34		
Nonresidential.....	10.6	5.1	-1.4	2.1	8.1	0.53	-0.15	0.22	0.83		
Structures.....	3.4	10.8	7.4	6.4	22.1	0.31	0.23	0.20	0.66		
Equipment and software.....	7.3	2.9	-4.9	0.3	2.3	0.21	-0.38	0.02	0.17		
Residential.....	4.9	-20.4	-17.2	-16.3	-9.3	-1.33	-1.04	-0.93	-0.49		
Change in private inventories.....	0.0	.....	.....	.....	.....	0.10	-1.31	-0.65	0.15
Net exports of goods and services.....	-5.2	.....	.....	.....	.....	-0.25	1.25	-0.51	1.18
Exports.....	11.6	5.7	14.3	1.1	6.4	0.62	1.51	0.13	0.73		
Goods.....	8.1	7.4	9.6	0.9	6.1	0.56	0.73	0.07	0.48		
Services.....	3.5	2.0	26.0	1.6	7.2	0.07	0.78	0.05	0.25		
Imports.....	16.8	5.4	1.6	3.9	-2.6	-0.88	-0.26	-0.63	0.45		
Goods.....	14.2	6.2	-0.6	4.2	-2.4	-0.84	0.09	-0.57	0.34		
Services.....	2.6	1.3	14.2	2.3	-4.0	-0.03	-0.35	-0.06	0.11		
Government consumption expenditures and gross investment.....	19.4	0.8	3.5	-0.5	4.2	0.14	0.66	-0.09	0.82		
Federal.....	7.1	0.9	7.3	-6.3	6.7	0.06	0.50	-0.46	0.47		
National defense.....	4.8	-1.5	16.9	-10.8	9.5	-0.07	0.74	-0.54	0.44		
Nondefense.....	2.3	6.0	-10.0	3.8	1.3	0.14	-0.24	0.08	0.03		
State and local.....	12.4	0.7	1.3	3.0	2.9	0.08	0.16	0.36	0.35		

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 increased 1.3 percent after increasing 3.7 percent. It contributed 0.89 percentage point to real GDP growth in the second quarter. Spending on nondurable goods turned down.

Nonresidential fixed investment increased 8.1 percent after increasing 2.1 percent. It added 0.83 percentage point to real GDP growth in the second quarter. The acceleration mainly reflected a step-up in structures.

Residential fixed investment decreased again in the second quarter but by less than in the first quarter. The 9.3-percent decrease subtracted 0.49 percentage point from real GDP growth.

Inventory investment turned up and added 0.15 percentage point to real GDP growth.

Exports increased 6.4 percent after increasing 1.1 percent. Exports added 0.73 percentage point to second-quarter real GDP growth. The acceleration reflected upturns in exports of industrial supplies and materials and of nonautomotive capital goods and an acceleration in automotive vehicles and parts. Exports of services accelerated.

Imports decreased 2.6 percent after increasing 3.9 percent, reflecting downturns in imports of petroleum and products and in "other" goods imports, a deceleration in nonautomotive capital goods, and a downturn in nonautomotive consumer goods. Imports of services turned down.

Federal Government spending turned up, reflecting an upturn in Federal defense spending.

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)				
		2007		2006		2007	2006		2007		
		II	III	IV	I	II	III	IV	I	II	
Gross domestic product¹.....	100.0	1.1	2.1	0.6	3.4	1.1	2.1	0.6	3.4		
Final sales of domestic product.....	100.0	1.0	3.5	1.3	3.2	0.96	3.40	1.25	3.24		
Change in private inventories.....	0.0	.....	.....	.....	.....	0.10	-1.31	-0.65	0.15
Goods.....	30.7	3.4	1.1	0.2	3.9	1.06	0.36	0.06	1.18		
Services.....	58.9	2.0	4.4	2.1	3.3	1.15	2.50	1.21	1.91		
Structures.....	10.4	-9.9	-7.0	-6.2	2.7	-1.14	-0.77	-0.68	0.29		
Addenda:											
Motor vehicle output.....	2.9	15.1	-21.6	6.2	1.1	0.44	-0.74	0.18	0.03		
GDP excluding motor vehicle output.....	97.1	0.6	2.9	0.4	3.5	0.63	2.84	0.42	3.35		
Final sales of computers.....	0.7	5.1	27.0	-1.3	26.4	0.03	0.16	-0.01	0.16		
GDP excluding final sales of computers.....	99.3	1.0	1.9	0.6	3.2	1.04	1.93	0.61	3.23		

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.

Real final sales of domestic product, real GDP less inventory investment, increased 3.2 percent after increasing 1.3 percent.

Motor vehicle output slowed, increasing 1.1 percent after increasing 6.2 percent.

Final sales of computers rebounded, increasing 26.4 percent after decreasing 1.3 percent.

Prices

Table 3. Prices for Gross Domestic Purchases

[Percent change at annual rates; based on seasonally adjusted index numbers (2000=100)]

	Change from preceding period (percent)				Contribution to percent change in gross domestic purchases prices (percentage points)			
	2006		2007		2006		2007	
	III	IV	I	II	III	IV	I	II
Gross domestic purchases¹	2.5	0.1	3.8	3.9	2.5	0.1	3.8	3.9
Personal consumption expenditures	2.6	-0.9	3.5	4.3	1.72	-0.60	2.32	2.88
Durable goods	-1.3	-2.7	-1.9	-1.4	-0.09	-0.21	-0.14	-0.11
Nondurable goods	2.8	-7.9	5.0	10.0	0.55	-1.58	0.96	1.89
Services	3.2	3.0	3.8	2.7	1.26	1.19	1.49	1.09
Gross private domestic investment	1.6	2.2	2.0	0.3	0.24	0.33	0.30	0.05
Fixed investment	1.5	2.0	1.9	0.4	0.23	0.30	0.29	0.06
Nonresidential	1.9	2.0	1.9	0.3	0.19	0.20	0.19	0.03
Structures	5.6	4.6	4.1	-0.6	0.16	0.14	0.13	-0.02
Equipment and software	0.4	0.8	1.0	0.7	0.03	0.06	0.07	0.05
Residential	0.8	2.1	2.0	0.5	0.04	0.11	0.10	0.03
Change in private inventories					0.01	0.03	0.01	-0.01
Government consumption expenditures and gross investment	3.0	2.1	6.4	5.4	0.54	0.38	1.15	0.99
Federal	1.3	0.5	5.3	3.3	0.09	0.03	0.35	0.22
National defense	1.6	-0.1	5.0	3.5	0.07	-0.01	0.23	0.16
Nondefense	0.7	1.7	5.9	2.8	0.02	0.04	0.13	0.06
State and local	4.0	3.1	7.0	6.6	0.46	0.35	0.80	0.77
Addenda:								
Gross domestic purchases:								
Food	3.0	2.1	5.0	4.8	0.27	0.19	0.47	0.44
Energy goods and services	2.3	-34.4	14.9	49.7	0.12	-2.04	0.65	2.02
Excluding food and energy	2.5	2.3	3.1	1.7	2.12	1.96	2.65	1.44
Personal consumption expenditures (PCE):								
Food	3.0	1.9	4.8	4.7				
Energy goods and services	5.1	-36.6	16.1	51.5				
Excluding food and energy	2.3	1.9	2.4	1.4				
"Market-based" PCE	2.4	-1.6	3.6	4.6				
Excluding food and energy	2.1	1.6	2.4	1.1				
Gross domestic product	2.4	1.7	4.2	2.7				

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.

Prices paid by domestic purchasers increased 3.9 percent after increasing 3.8 percent. Energy prices accelerated, and food prices decelerated slightly. Excluding food and energy, prices increased 1.7 percent after increasing 3.1 percent. About 0.1 percentage point of the first-quarter increase in the gross domestic purchases price index was accounted for by the Federal pay raise for civilian and military personnel.

Consumer prices accelerated, mainly reflecting an acceleration in prices paid for gasoline, fuel oil, and other energy goods.

Prices of private fixed investment slowed, largely reflecting a downturn in prices paid for nonresidential structures. Prices paid for residential fixed investment decelerated.

Prices paid by government decelerated, mostly reflecting decelerations in the prices paid by the Federal Government for both defense and nondefense goods and services.

Consumer prices excluding food and energy, a measure of the "core" rate of inflation, decelerated, increasing 1.4 percent after increasing 2.4 percent.

The "market-based" PCE price index accelerated, increasing 4.6 percent after increasing 3.6 percent, reflecting a boost in energy prices.

The GDP price index increased 2.7 percent, 1.2 percentage points less than the increase in the price index for gross domestic purchases. The smaller increase in the GDP price index primarily reflected a larger increase in import prices than in export prices.

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 and 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. However, because prices for food and energy can be volatile, the price measure that excludes food and energy is often used a measure of underlying, or "core," inflation.

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

More information on these market-based measures is available on BEA's Web site at <www.bea.gov/bea/faq/national/markbsdPCE.htm>. For a comparison of price measures, including a comparison of the PCE price index and the consumer price index, visit <www.bea.gov/bea/papers.htm>.

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			
	2007	2006		2007	
	II	III	IV	I	II
Personal income	11,598.4	115.4	169.3	283.9	114.3
Compensation of employees, received	7,842.3	70.6	157.4	184.2	58.2
Wage and salary disbursements	6,355.6	57.4	137.2	158.4	44.2
Private industries	5,292.1	44.2	126.9	144.1	32.3
Goods-producing industries	1,224.4	2.6	32.9	17.3	15.7
Manufacturing	758.4	1.0	19.0	6.9	8.2
Services-producing industries	4,067.7	41.7	94.1	126.7	16.6
Trade, transportation, and utilities	1,027.2	4.9	16.4	14.7	10.3
Other services-producing industries	3,040.5	36.7	77.7	111.9	6.4
Government	1,063.5	13.2	10.2	14.5	11.8
Supplements to wages and salaries	1,486.7	13.2	20.2	25.8	14.0
Proprietors' income with IVA and CCAj	1,035.1	-9.9	6.2	17.6	7.7
Farm	25.7	3.5	5.8	5.2	-3.4
Nonfarm	1,009.4	-13.4	0.3	12.5	11.1
Rental income of persons with CCAj	58.4	-2.5	-2.0	2.3	5.2
Personal income receipts on assets	1,924.7	32.4	8.5	46.3	41.8
Personal interest income	1,143.1	7.0	-16.9	23.3	17.0
Personal dividend income	781.6	25.5	25.4	23.0	24.8
Personal current transfer receipts	1,717.1	31.5	17.1	63.0	6.4
Less: Contributions for government social insurance	979.3	6.7	17.8	29.5	5.2
Less: Personal current taxes	1,486.7	12.6	45.8	58.0	27.7
Equals: Disposable personal income	10,111.7	102.9	123.4	225.9	86.6
Less: Personal outlays	10,055.8	134.2	80.1	160.3	138.3
Equals: Personal saving	55.9	-31.4	43.4	65.6	-51.7
Addenda: Special factors in personal income					
In government wages and salaries:					
Federal pay raise	5.9	0.0	0.0	5.1	0.8
Reservists' pay	5.2	0.0	0.0	5.3	-0.1
In private wages and salaries:					
Irregular pay (bonuses and stock option exercise gains)	0.0	0.0	0.0	50.0	-50.0
In supplements to wages and salaries:					
Employer contributions for social insurance	2.4	0.0	0.0	2.4	0.0
In personal current transfer receipts:					
Social security retroactive payments	0.0	0.0	2.2	-2.2	0.0
Cost-of-living adjustments under Federal transfer programs	21.0	0.0	0.0	21.0	0.0
In contributions for government social insurance:					
Increase in taxable wage base	4.8	0.0	0.0	4.8	0.0
Changes in premium for supplementary medical insurance	3.4	0.0	0.0	3.4	0.0
In personal current taxes:					
Federal tax law changes	-4.0	0.0	0.0	-4.0	0.0
Refunds, settlements, and other	4.1	0.0	0.0	4.1	0.0

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

Personal income, which is measured in current dollars, increased \$114.3 billion after increasing \$283.9 billion. The deceleration primarily reflected decelerations in wage and salary disbursements, in personal current transfer receipts, in supplements to wages and salaries, and in proprietors' income.

Wages and salaries increased \$44.2 billion, compared with an increase of \$158.4 billion. The deceleration primarily reflected a first-quarter upward adjustment of \$50 billion (at an annual rate) for unusually large bonus payments and exercises of stock options.

Supplements to wages and salaries decelerated, mainly reflecting a deceleration in contributions for government social insurance that resulted from the first-quarter increase in the maximum taxable wage base.

The deceleration in proprietors' income primarily reflected a downturn in farm proprietors' income.

The deceleration in personal current transfer receipts was primarily due to a downturn in state and local Medicaid payments and a deceleration in Federal social security payments. The first-quarter payments included a January cost-of-living adjustment.

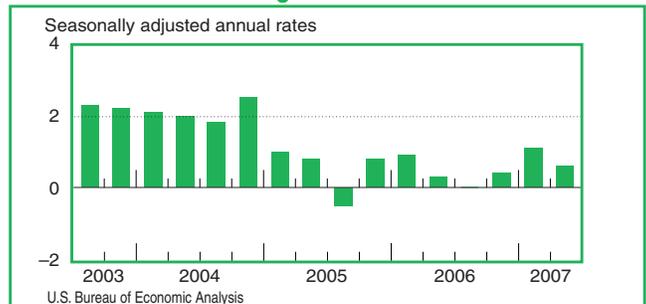
Personal current taxes decelerated, reflecting decelerations in both Federal income taxes and in state and local income taxes.

Current-dollar disposable personal income decelerated, increasing \$86.6 billion after increasing \$225.9 billion. The deceleration reflected the sharp deceleration in personal income, which was moderated by the deceleration in personal current taxes.

Saving

Personal saving—disposable personal income less personal outlays—was \$55.9 billion in the second quarter. Saving from current income may be near zero or negative when outlays are financed by borrowing (including borrowing financed through credit cards or home equity loans), by selling investments or other assets, or by using saving from previous periods. See “Alternative Measures of Personal Saving” in the February 2007 SURVEY OF CURRENT BUSINESS.

Chart 2. Personal Saving Rate



Source Data for the Advance Estimates

Table 5. Monthly Advance Estimates of Key NIPA Components Based on Partial Data, 2007:II

[Billions of dollars, seasonally adjusted at annual rates]

	2007					
	Jan.	Feb.	March	April	May	June ¹
Private fixed investment:						
Nonresidential structures:						
Value of new nonresidential construction put in place	316.9	326.7	331.2	333.6	343.1	338.4
Equipment and software:						
Manufacturers' shipments of complete aircraft	54.7	34.8	37.0	39.8	39.1	38.4
Residential structures:						
Value of new residential construction put in place:						
Single family	344.3	333.1	330.9	327.5	323.6	319.1
Multifamily.....	53.9	53.1	52.7	52.1	51.9	51.2
Change in private inventories:						
Change in inventories for nondurable manufacturing.....	-15.9	-0.3	8.5	13.1	19.8	6.5
Change in inventories for merchant wholesale and retail industries other than motor vehicles and equipment	23.5	57.9	6.1	50.8	46.0	12.3
Net exports:²						
Exports of goods:						
U.S. exports of goods, international-transactions-accounts basis	1,085.9	1,062.8	1,092.7	1,091.2	1,119.6	1,124.9
Excluding gold	1,078.6	1,055.5	1,075.6	1,073.4	1,105.7	1,115.0
Imports of goods:						
U.S. imports of goods, international-transactions-accounts basis	1,861.4	1,848.8	1,941.6	1,899.4	1,947.6	1,970.1
Excluding gold	1,856.8	1,845.1	1,926.4	1,886.7	1,936.6	1,963.8
Net exports of goods.....	-775.5	-786.0	-848.9	-808.1	-828.0	-845.2
Excluding gold	-778.2	-789.6	-850.7	-813.3	-830.8	-848.9
State and local government structures:						
Value of new construction put in place.....	255.9	253.8	258.4	260.5	265.8	263.1

1. Assumption.

2. Nonmonetary gold is included in balance-of-payments exports and im-

ports, but it is not used directly in estimating exports and imports in the national income and product accounts.

Summary of the Source Data 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);

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

Residential investment: Construction 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 investment: Federal outlays (3), state and local government construction put in place (2), and state and local government employment (3);

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

GDP 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:

- An increase in nondurable-goods manufacturing inventories
- An increase in nonmotor vehicle merchant wholesale and retail inventories
- Increases in exports and in imports of goods excluding gold

Table 5 shows the assumptions for key series; a more comprehensive list is available on BEA's Web site at www.bea.gov/national/index.htm#supp.