

GDP and the Economy

Advance Estimates for the First Quarter of 2008

ECONOMIC growth was unchanged in the first quarter of 2008, according to the “advance” estimates of the national income and product accounts.¹ Real gross domestic product (GDP) increased 0.6 percent, the same rate of growth as in the fourth quarter of 2007.²

The increase in real GDP reflected different sources of growth in the first quarter than in the fourth quarter. In the first quarter, growth stemmed mainly from increases in consumer spending for services, inventory investment, and exports. In contrast, housing investment and consumer spending for durable goods declined (chart 1 and table 1).³

- Prices of goods and services purchased by U.S. residents slowed slightly, increasing 3.5 percent after increasing 3.7 percent in the fourth quarter (see page 3). Food prices picked up, and energy prices grew at a slower rate than in the fourth quarter. Excluding food and energy, prices slowed slightly.
- Real disposable personal income (DPI) increased 1.4 percent in the first quarter, following an increase of 0.1 percent in the fourth quarter. The pickup reflected a deceleration in personal current taxes, an acceleration in personal income, and a deceleration in the personal consumption expenditures (PCE) implicit price deflator used to deflate current-dollar DPI.
- The personal saving rate, personal saving as a percentage of current-dollar DPI, was 0.2 percent in the first quarter; it was zero in the fourth quarter.
- Residential investment declined for the ninth consecutive quarter, and prices for residential investment decreased more than in the preceding three quarters, reflecting continuing deterioration in residential real estate and declining new home prices.

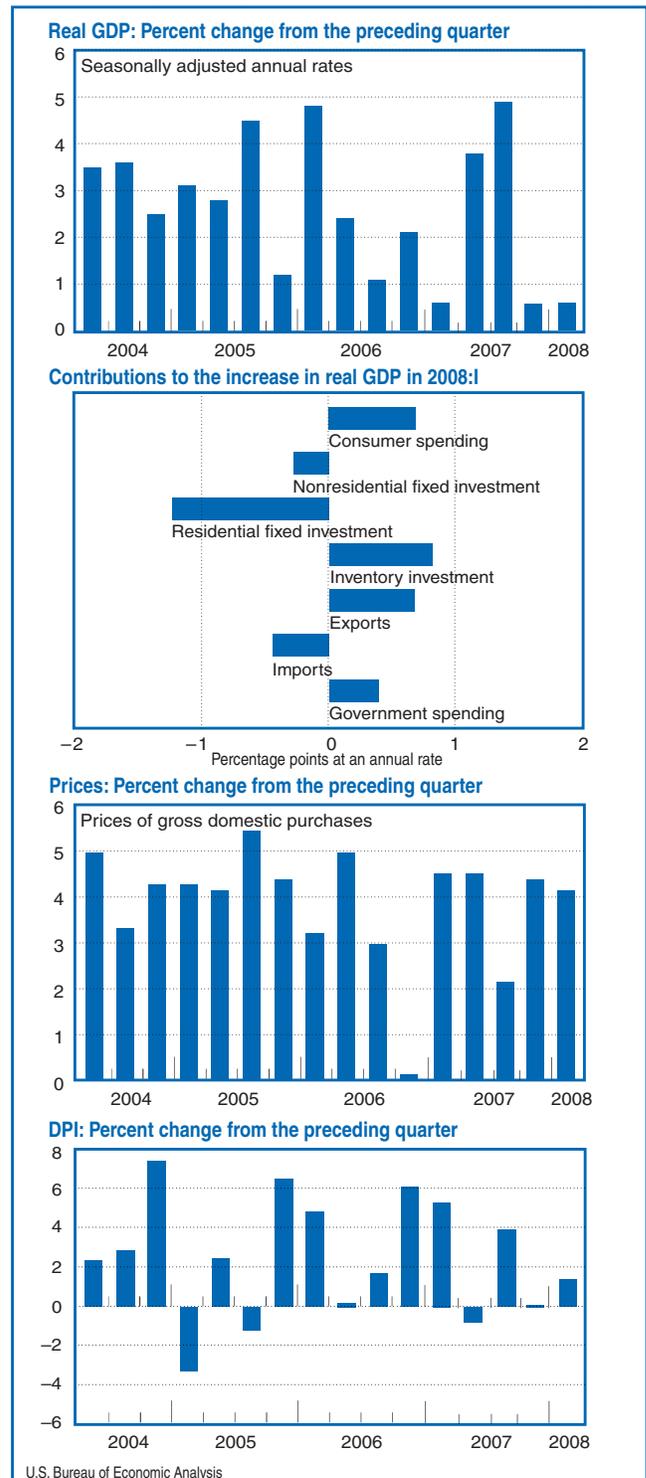
1. Each GDP estimate for a quarter (advance, preliminary, and final) incorporates increasingly comprehensive and improved source data. More information can be found at <www.bea.gov/bea/about/infoqual.htm> and <www.bea.gov/bea/faq/national/gdp_accuracy.htm>. Quarterly estimates are expressed at seasonally adjusted annual rates, which assume 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 “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)				
	2008				2007				2008				
	I	II	III	IV	I	II	III	IV	I	II	III	IV	
Gross domestic product¹.....	100.0	3.8	4.9	0.6	0.6	3.8	4.9	0.6	0.6	3.8	4.9	0.6	0.6
Personal consumption expenditures.....	70.8	1.4	2.8	2.3	1.0	1.00	2.01	1.58	0.68				
Durable goods.....	7.5	1.7	4.5	2.0	-6.1	0.14	0.35	0.15	-0.48				
Nondurable goods.....	20.7	-0.5	2.2	1.2	-1.3	-0.10	0.46	0.25	-0.27				
Services.....	42.6	2.3	2.8	2.8	3.4	0.96	1.20	1.18	1.43				
Gross private domestic investment.....	14.5	4.6	5.0	-14.6	-4.7	0.71	0.77	-2.40	-0.70				
Fixed investment.....	14.5	3.2	-0.7	-4.0	-9.7	0.49	-0.11	-0.62	-1.50				
Nonresidential.....	10.7	11.0	9.3	6.0	-2.5	1.12	0.96	0.63	-0.28				
Structures.....	3.5	26.2	16.4	12.4	-6.2	0.78	0.52	0.41	-0.23				
Equipment and software.....	7.2	4.7	6.2	3.1	-0.7	0.34	0.44	0.22	-0.05				
Residential.....	3.8	-11.8	-20.5	-25.2	-26.7	-0.62	-1.08	-1.25	-1.23				
Change in private inventories.....	0.0	.....	.....	.....	.....	0.22	0.89	-1.79	0.81				
Net exports of goods and services.....	-5.2	.....	.....	.....	.....	1.32	1.38	1.02	0.22				
Exports.....	12.7	7.5	19.1	6.5	5.5	0.85	2.10	0.77	0.67				
Goods.....	8.9	6.6	26.2	3.9	5.2	0.53	1.96	0.33	0.45				
Services.....	3.7	9.6	4.0	13.2	6.1	0.33	0.14	0.45	0.22				
Imports.....	17.9	-2.7	4.4	-1.4	2.5	0.47	-0.72	0.24	-0.44				
Goods.....	15.1	-2.9	4.8	-2.6	2.4	0.42	-0.67	0.39	-0.35				
Services.....	2.8	-1.7	1.7	5.5	3.5	0.05	-0.05	-0.15	-0.09				
Government consumption expenditures and gross investment.....	19.9	4.1	3.8	2.0	2.0	0.79	0.74	0.38	0.39				
Federal.....	7.2	6.0	7.1	0.5	4.6	0.41	0.50	0.04	0.32				
National defense.....	4.9	8.5	10.1	-0.5	6.0	0.39	0.47	-0.03	0.28				
Nondefense.....	2.3	0.9	1.1	2.8	1.8	0.02	0.03	0.06	0.04				
State and local.....	12.7	3.0	1.9	2.8	0.5	0.37	0.24	0.34	0.07				

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, reflecting downturns in spending for durable goods and nondurable goods. The sharp downturn in durable goods reflected downturns in motor vehicles and parts and in furniture and household equipment. The downturn in nondurable goods mainly reflected a downturn in spending for food. Spending for services accelerated.

Nonresidential fixed investment turned down, mainly reflecting a downturn in investment in structures that was widespread across types of construction. Investment in equipment and software also turned down.

Residential fixed investment subtracted 1.23 percentage points from real GDP growth after subtracting 1.25 percentage points.

Inventory investment turned up, reflecting upturns in retail motor vehicle and parts dealers, in wholesale trade nondurable goods, and in nondurable-goods manufacturing.

Exports slowed. Exports of goods picked up slightly, reflecting upturns in nonautomotive consumer goods and in food, feeds, and beverages. Exports of services slowed; "other" private services slowed, and "other" transportation services turned down.

Imports turned up, reflecting an upturn in goods imports. Industrial supplies and materials decreased less than in the fourth quarter, "other" imports turned up, and nonautomotive capital goods picked up. Services imports slowed.

Federal government spending picked up, reflecting an upturn in spending for national defense.

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)				
	2008				2007				2008				
	I	II	III	IV	I	II	III	IV	I	II	III	IV	
Gross domestic product¹.....	100.0	3.8	4.9	0.6	0.6	3.8	4.9	0.6	0.6	3.8	4.9	0.6	0.6
Final sales of domestic product.....	100.0	3.6	4.0	2.4	-0.2	3.60	4.02	2.36	-0.21				
Change in private inventories.....	0.0	.....	.....	.....	.....	0.22	0.89	-1.79	0.81				
Goods.....	30.5	5.4	11.7	-1.6	0.6	1.65	3.48	-0.49	0.18				
Services.....	60.1	3.1	3.1	3.1	3.5	1.85	1.86	1.80	2.08				
Structures.....	9.4	3.0	-4.2	-7.0	-15.7	0.32	-0.43	-0.73	-1.66				
Addenda:													
Motor vehicle output.....	2.6	1.0	13.1	-26.0	-10.8	0.03	0.36	-0.86	-0.30				
GDP excluding motor vehicle output.....	97.4	3.9	4.7	1.5	0.9	3.79	4.54	1.43	0.90				
Final sales of computers.....	0.7	35.7	49.8	26.6	18.4	0.21	0.28	0.16	0.12				
GDP excluding final sales of computers.....	99.3	3.6	4.6	0.4	0.5	3.61	4.63	0.41	0.48				

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, decreased 0.2 percent in the first quarter after increasing 2.4 percent.

Motor vehicle output decreased less than in the fourth quarter of 2007. The 10.8 percent decrease subtracted 0.30 percentage point from real GDP growth. Excluding motor vehicle output, real GDP increased 0.9 percent after increasing 1.5 percent.

Final sales of computers slowed, increasing 18.4 percent after increasing 26.6 percent; it added 0.12 percentage point to real GDP growth.

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)			
	2007			2008	2007			2008
	II	III	IV	I	II	III	IV	I
Gross domestic purchases¹	3.8	1.8	3.7	3.5	3.8	1.8	3.7	3.5
Personal consumption expenditures	4.3	1.8	3.9	3.5	2.84	1.21	2.64	2.36
Durable goods	-1.4	-1.8	-1.7	-0.2	-0.11	-0.13	-0.12	-0.02
Nondurable goods	10.0	1.1	7.1	6.6	1.89	0.22	1.37	1.28
Services	2.6	2.8	3.5	2.7	1.06	1.12	1.40	1.10
Gross private domestic investment	-0.4	-0.3	0.8	-1.1	-0.05	-0.05	0.12	-0.16
Fixed investment	-0.3	-0.5	0.7	-0.7	-0.04	-0.07	0.10	-0.10
Nonresidential	0.0	-0.6	1.1	-0.1	0.00	-0.06	0.12	-0.01
Structures	-1.1	0.5	3.2	1.4	-0.04	0.02	0.11	0.05
Equipment and software	0.5	-1.1	0.1	-0.9	0.03	-0.07	0.01	-0.06
Residential	-0.8	-0.3	-0.4	-2.3	-0.04	-0.01	-0.02	-0.09
Change in private inventories					-0.01	0.02	0.02	-0.06
Government consumption expenditures and gross investment	5.5	3.2	5.2	6.9	1.00	0.59	0.96	1.27
Federal	3.8	1.6	2.5	6.0	0.26	0.11	0.17	0.40
National defense	4.1	1.9	3.0	5.8	0.18	0.09	0.14	0.26
Nondefense	3.3	1.1	1.3	6.4	0.07	0.02	0.03	0.14
State and local	6.5	4.2	6.8	7.4	0.74	0.48	0.79	0.87
Addenda:								
Gross domestic purchases:								
Food	4.8	4.8	4.0	4.3	0.44	0.44	0.38	0.40
Energy goods and services	49.6	-5.2	29.3	23.7	2.02	-0.27	1.37	1.20
Excluding food and energy	1.5	1.9	2.3	2.2	1.32	1.58	1.97	1.88
Personal consumption expenditures (PCE):								
Food	4.7	4.7	3.6	4.8				
Energy goods and services	51.3	-6.7	24.9	18.6				
Excluding food and energy	1.4	2.0	2.5	2.2				
"Market-based" PCE	4.7	1.4	4.0	3.6				
Excluding food and energy	1.2	1.5	2.3	1.9				
Gross domestic product	2.6	1.0	2.4	2.6				

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.

Prices paid by U.S. residents, as measured by the gross domestic purchases price index, slowed slightly in the first quarter, increasing 3.5 percent after increasing 3.7 percent. About 0.3 percentage point of the first-quarter increase was due to federal government pay increases.

Consumer prices, as measured by the PCE price index, slowed somewhat, reflecting decelerations in prices for medical care services and for gasoline, fuel oil, and other energy goods.

Prices of nonresidential fixed investment turned down. Prices paid for structures slowed, and equipment and software prices turned down.

Residential investment prices decreased 2.3 percent, the largest percentage drop in residential prices since the third quarter of 1970.

Prices paid by government accelerated, increasing 6.9 percent after increasing 5.2 percent in the fourth quarter. The acceleration in prices paid by the federal government reflected the pay raise for federal civilian and military personnel, which is treated as an increase in the price of employee services purchased by the federal government. Prices paid by state and local government also accelerated.

Consumer prices excluding food and energy, a measure of the "core" rate of inflation, increased 2.2 percent after a 2.5 percent increase.

The GDP price index increased 2.6 percent, 0.9 percentage point less than the increase in the price index for gross domestic purchases, reflecting 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 as 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>. See also "Comparing the Consumer Price Index and the Personal Consumption Expenditures Price Index" in the November 2007 SURVEY OF CURRENT BUSINESS.

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		
	2008	2007			
		I	II	III	IV	I
Personal income	11,986.2	108.1	157.7	121.6	129.6
Compensation of employees, received	8,064.9	37.0	80.8	74.5	107.7
Wage and salary disbursements	6,526.8	24.5	63.8	59.7	84.4
Private industries	5,422.6	14.2	52.9	47.9	64.9
Goods-producing industries	1,224.0	3.7	4.9	1.5	5.0
Manufacturing	756.9	-1.3	0.6	-1.1	3.3
Services-producing industries	4,198.6	10.4	48.0	46.4	59.9
Trade, transportation, and utilities	1,048.4	13.7	-0.4	5.7	9.4
Other services-producing industries	3,150.2	-3.2	48.4	40.7	50.5
Government	1,104.1	10.2	11.0	11.8	19.4
Supplements to wages and salaries	1,538.1	12.5	17.0	14.8	23.3
Proprietors' income with IVA and CCAdj	1,056.6	11.0	10.3	7.2	0.7
Farm	39.1	4.0	5.5	5.2	-4.7
Nonfarm	1,017.5	7.0	4.7	2.1	5.4
Rental income of persons with CCAdj	79.3	8.9	6.3	9.4	1.5
Personal income receipts on assets	2,012.6	47.1	46.2	23.6	12.8
Personal interest income	1,169.3	22.3	22.7	2.1	-3.9
Personal dividend income	843.3	24.8	23.4	21.6	16.7
Personal current transfer receipts	1,784.2	6.4	25.2	14.2	27.7
Less: Contributions for government social insurance	1,011.4	2.4	11.0	7.4	20.8
Less: Personal current taxes	1,510.3	22.9	12.2	18.2	2.3
Equals: Disposable personal income	10,475.9	85.2	145.5	103.4	127.3
Less: Personal outlays	10,455.7	151.7	131.7	148.0	106.8
Equals: Personal saving	20.2	-66.5	13.9	-44.7	20.5
Addenda: Special factors in personal income					
In government wages and salaries:					
Federal pay raise	13.7	0.8	0.0	0.0	7.8
Reservists' pay	6.0	-0.1	0.7	-0.2	0.3
In private wages and salaries:					
Irregular pay (bonuses and stock option exercise gains)	15.0	0.0	0.0	0.0	15.0
In supplements to wages and salaries:					
Employer contributions for social insurance	6.4	0.0	0.0	0.0	4.0
In personal current transfer receipts:					
Social security retroactive payments	0.0	0.0	0.0	2.3	-2.3
Cost-of-living adjustments under federal transfer programs	37.9	0.0	0.0	1.4	15.5
In contributions for government social insurance:					
Increase in taxable wage base	11.8	0.0	0.0	0.0	7.0
Changes in premium for supplementary medical insurance	5.9	0.0	0.0	0.0	2.5
In personal current taxes:					
Federal tax law changes	-8.1	0.0	0.0	0.0	-4.1
Refunds, settlements, and other	-19.1	0.0	0.0	0.0	-23.2

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

CCAdj Capital consumption adjustment

Personal income, which is only measured in current dollars, increased \$129.6 billion in the first quarter after increasing \$121.6 billion in the fourth quarter of 2007. The acceleration primarily reflected accelerations in wage and salary disbursements and in government social benefits. In contrast, rental income and proprietors' income slowed.

The acceleration in wages and salaries reflected accelerations in both private industries and government. The acceleration in private wages and salaries was due mainly to a first-quarter adjustment for large bonus payments. The acceleration in government wages and salaries reflected the federal pay raise.

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

Rental income decelerated, primarily reflecting an acceleration in expenses.

Personal interest income turned down, reflecting a larger decrease in interest rates.

Personal current transfers increased \$27.7 billion after increasing \$14.2 billion. The pickup reflected an acceleration in government social benefits, due mainly to an acceleration in federal social security payments, including cost of living adjustments.

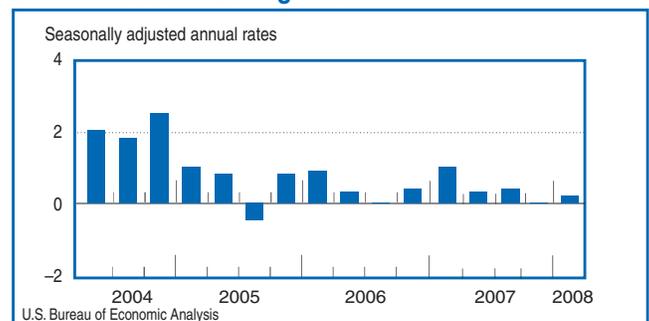
Personal current taxes decelerated, primarily reflecting a downturn in federal income taxes that was largely in nonwithheld taxes.

Personal saving turned up, reflecting the deceleration in personal outlays and the acceleration in disposable personal income.

Saving

Personal saving—disposable personal income less personal outlays—was \$20.2 billion in the first quarter; it was nearly zero in the fourth quarter of 2007. Saving from current income may be near zero or negative when outlays are financed by borrowing, 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, 2008:1

[Billions of dollars, seasonally adjusted at annual rates]

	2007			2008		
	Oct.	Nov.	Dec.	Jan.	Feb.	March ¹
Private fixed investment:						
Nonresidential structures:						
Value of new nonresidential construction put in place	369.1	374.4	373.8	370.1	369.7	367.9
Equipment and software:						
Manufacturers' shipments of complete aircraft	49.1	47.4	43.6	53.6	37.3	35.2
Residential structures:						
Value of new residential construction put in place:						
Single family	274.6	260.5	246.3	234.6	221.3	209.8
Multifamily	46.6	45.9	43.6	43.4	43.2	43.0
Change in private inventories:						
Change in inventories for nondurable manufacturing	-4.7	18.3	14.2	60.9	16.9	19.9
Change in inventories for merchant wholesale and retail industries other than motor vehicles and equipment	37.9	5.4	69.3	72.2	56.8	37.0
Net exports:²						
Exports of goods:						
U.S. exports of goods, international-transactions-accounts basis	1206.9	1209.3	1235.3	1256.8	1287.5	1281.9
Excluding gold	1193.9	1198.7	1222.9	1238.9	1261.0	1256.5
Imports of goods:						
U.S. imports of goods, international-transactions-accounts basis	2013.6	2083.2	2051.3	2090.2	2162.6	2152.0
Excluding gold	2005.3	2078.2	2043.5	2079.5	2140.8	2131.1
Net exports of goods	-806.7	-873.9	-816.0	-833.3	-875.1	-870.1
Excluding gold	-811.4	-879.5	-820.6	-840.6	-879.7	-874.6
State and local government structures:						
Value of new construction put in place	277.7	279.8	273.1	273.3	274.3	273.8

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 invest-

ment: 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 March, including the following:

- Decreases in nonresidential structures, in aircraft shipments, and in both single-family and multifamily residential structures,
- Increases in nondurable-goods manufacturing inventories and in nonmotor vehicle merchant wholesale and retail inventories, and
- Decreases in exports of goods excluding gold 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.