



GDP INCREASED IN THE FIRST QUARTER

"Advance" GDP Estimates

The U.S. economy grew 3.1 percent in the first quarter of 2005 after increasing 3.8 percent, according to estimates released today by the U.S. Bureau of Economic Analysis. Prices increased at about the same rate as at the end of 2004.

At 3.1 percent, the inflation-adjusted annual growth rate of **gross domestic product (GDP)** compares to a 3.6-percent average growth rate (measured from the first quarter of 2004 to the first quarter of 2005). GDP is the most comprehensive measure of U.S. economic activity.



Note: Quarterly real GDP is measured at seasonally adjusted annual rates.

Consumer spending, business investment, and exports contributed to the first-quarter increase.

- Consumer spending increased 3.5 percent after increasing 4.2 percent; spending on both goods and services increased.
- Business investment increased 12.5 percent after increasing 13.3 percent. Investment in equipment and software increased 6.9 percent, following three consecutive quarters of double-digit growth. Inventory investment also increased.
- Exports increased 7.0 percent after increasing 3.2 percent; exports of goods accelerated sharply.

The growth in real GDP was moderated by imports, which increased 14.7 percent after increasing 11.4 percent.

Prices paid by U.S. residents increased 3.0 percent after increasing 2.9 percent. Excluding food and energy, prices increased 3.1 percent after increasing 2.0 percent.

Real disposable personal income grew at a 3.4-percent average rate from the first quarter of 2004 to the first quarter of 2005. First-quarter income decreased 0.3 percent, following an 8.3-percent increase in the fourth quarter, when income was boosted by a special dividend payment by the Microsoft Corporation. (For more information, see the FAQs on the Microsoft special dividend on BEA's Web site at www.bea.gov.)

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 at www.bea.gov.

NOTE: Additional information that becomes available in the coming weeks will be incorporated in a revised estimate of first-quarter GDP on May 26, 2005.

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