

GDP and the Economy

Preliminary Estimates for the Second Quarter of 2006

REAL gross domestic product (GDP) slowed and inflation accelerated in the second quarter of 2006, according to the “preliminary” estimates of the national income and product accounts (NIPAs).¹ Real GDP increased 2.9 percent after a 5.6-percent surge in the first quarter (chart 1 and table 1).²

The slowdown primarily reflected a sharp deceleration in consumer spending for durable goods, downturns in business investment in equipment and software and in Federal Government spending, decelerations in exports and in consumer spending for non-durable goods, and a larger decrease in residential fixed investment. The slowdown was somewhat muted by a slowdown in imports, an acceleration in consumer spending for services, and an upturn in inventory investment.³

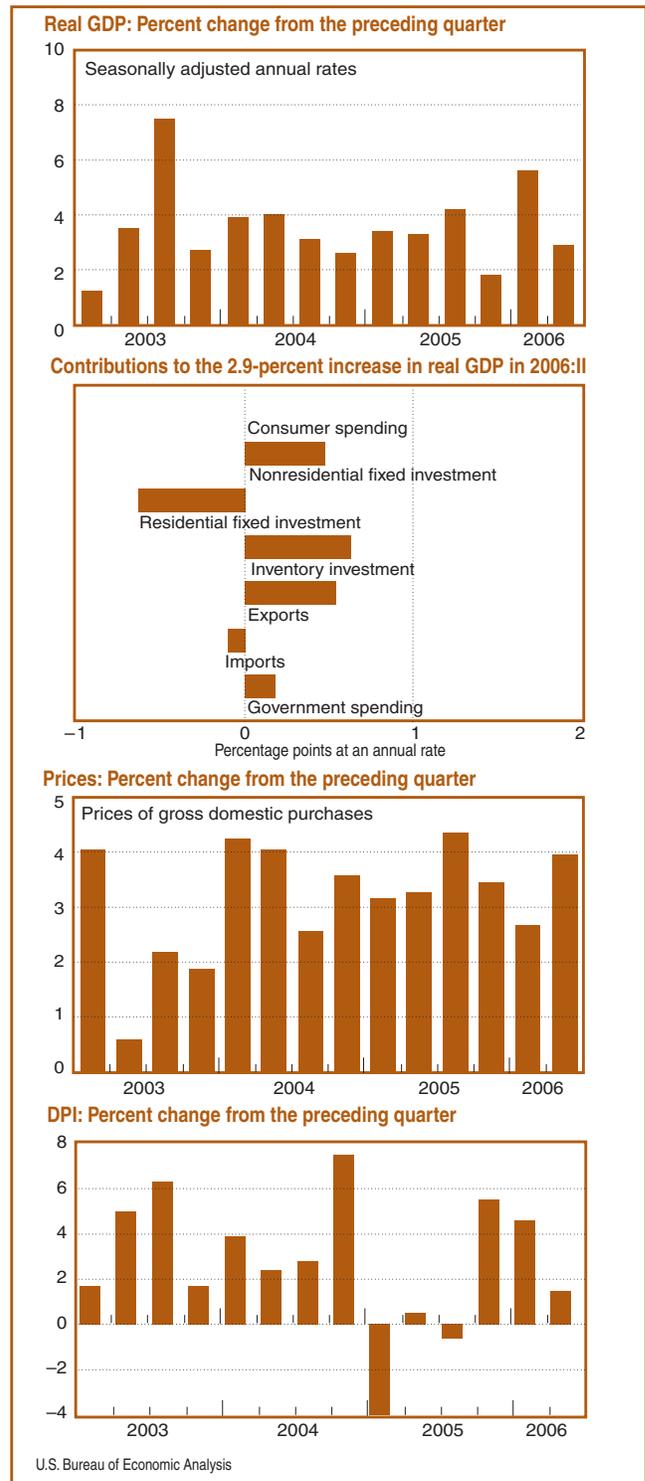
- Prices of goods and services purchased by U.S. residents increased 4.0 percent, following a 2.7-percent increase. Energy prices turned up, but food prices decelerated.
- Real disposable personal income (DPI) increased 1.5 percent, following a 4.6-percent increase (revised).
- The personal saving rate, personal saving as a percentage of current-dollar DPI, was -0.7 percent; in the first quarter, it was -0.3 percent (revised).

1. Each of the sequential GDP estimates for each quarter (advance, preliminary, and final estimates) incorporates increasingly comprehensive and improved source data. Detailed information on BEA estimates, revisions, and accuracy can be found on BEA's Web site at www.bea.gov/bea/about/infoqual.htm and at www.bea.gov/bea/faq/national/gdp_accuracy.htm. Quarterly estimates are expressed at seasonally adjusted annual rates, which show the value that would be registered if the rate of activity that is measured for a quarter were 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” is shorthand for “personal consumption expenditures,” “inventory investment” is shorthand for the NIPA series “change in private inventories,” and “Federal Government spending” is shorthand for “Federal Government consumption expenditures and gross investment.”

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)			
	2006		2005		2006		2005		2006	
	II	III	IV	I	II	III	IV	I	II	
Gross domestic product¹	100.0	4.2	1.8	5.6	2.9	4.2	1.8	5.6	2.9	
Personal consumption expenditures	69.9	3.9	0.8	4.8	2.6	2.76	0.53	3.38	1.80	
Durable goods	8.0	9.0	-12.3	19.8	0.5	0.74	-1.08	1.50	0.04	
Nondurable goods	20.6	3.4	3.9	5.9	1.7	0.70	0.79	1.20	0.34	
Services	69.9	3.9	0.8	4.8	2.6	2.76	0.53	3.38	1.80	
Gross private domestic investment	17.0	5.2	16.2	7.8	2.8	0.84	2.51	1.31	0.47	
Fixed investment	16.5	6.3	2.8	8.2	-0.9	1.02	0.46	1.34	-0.15	
Nonresidential	10.5	5.9	5.2	13.7	4.7	0.59	0.52	1.36	0.48	
Structures	3.1	-7.0	12.0	8.7	22.2	-0.20	0.31	0.25	0.60	
Equipment and software	7.4	11.0	2.8	15.6	-1.6	0.78	0.21	1.11	-0.12	
Residential	6.0	7.1	-0.9	-0.3	-9.8	0.43	-0.06	-0.02	-0.63	
Change in private inventories	0.5	.....	.....	.....	.....	-0.18	2.05	-0.03	0.63
Net exports of goods and services	-5.9	.....	.....	.....	.....	-0.06	-1.07	-0.04	0.44
Exports	10.9	3.2	9.6	14.0	5.1	0.33	0.97	1.41	0.54	
Goods	7.7	3.7	11.5	17.3	5.5	0.27	0.80	1.20	0.42	
Services	3.2	2.1	5.5	6.7	3.9	0.06	0.17	0.21	0.13	
Imports	16.8	2.5	13.2	9.1	0.6	-0.39	-2.04	-1.46	-0.10	
Goods	14.2	2.7	14.1	9.4	-0.1	-0.36	-1.84	-1.27	0.02	
Services	2.6	1.2	8.3	7.4	4.5	-0.03	-0.20	-0.19	-0.12	
Government consumption expenditures and gross investment	19.0	3.4	-1.1	4.9	0.9	0.64	-0.21	0.94	0.18	
Federal	7.0	9.6	-4.6	8.8	-4.3	0.66	-0.33	0.61	-0.31	
National defense	4.7	11.2	-9.9	8.9	-1.8	0.52	-0.49	0.41	-0.08	
Nondefense	2.3	6.2	7.1	8.5	-9.3	0.14	0.16	0.20	-0.23	
State and local	12.1	-0.1	1.0	2.7	4.2	-0.01	0.13	0.33	0.49	

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.

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)			
	2006		2005		2006		2005		2006	
	II	III	IV	I	II	III	IV	I	II	
Gross domestic product¹	100.0	4.2	1.8	5.6	2.9	4.2	1.8	5.6	2.9	
Final sales of domestic product	99.5	4.4	-0.3	5.6	2.3	4.36	-0.28	5.61	2.27	
Change in private inventories	0.5	.....	.....	.....	.....	-0.18	2.05	-0.03	0.63
Goods	31.3	6.7	3.1	12.8	4.3	2.07	0.97	3.86	1.35	
Services	57.6	3.5	0.8	2.4	2.3	2.02	0.46	1.39	1.36	
Structures	11.1	0.7	3.1	2.9	1.7	0.09	0.33	0.33	0.19	
Addenda:										
Motor vehicle output	3.1	22.6	-19.1	3.8	-8.5	0.70	-0.71	0.12	-0.28	
GDP excluding motor vehicle output	96.9	3.6	2.6	5.6	3.3	3.48	2.47	5.46	3.18	
Final sales of computers	0.6	11.6	33.8	9.5	7.4	0.08	0.20	0.07	0.05	
GDP excluding final sales of computers	99.4	4.1	1.6	5.6	2.9	4.10	1.56	5.52	2.85	

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.

Consumer spending decelerated sharply, increasing 2.6 percent after increasing 4.8 percent, and accounted for more than half of the slowdown in real GDP. The deceleration reflected a slowdown in spending for durable goods that was due to a downturn in motor vehicles and parts and to a slowdown in furniture and household equipment. Nondurable goods also slowed, increasing 1.7 percent after increasing 5.9 percent.

Nonresidential fixed investment slowed, increasing 4.7 percent after increasing 13.7 percent. The slowdown was mainly attributable to a downturn in business investment in equipment and software that was partly offset by a sharp acceleration in structures investment.

Residential investment decreased 9.8 percent, the third consecutive decrease and the largest decrease since the second quarter of 1995.

Inventory investment turned up, adding 0.63 percentage point to real GDP growth. The upturn mainly reflected additions to inventory investment by mining, utilities, and construction industries and by merchant wholesalers.

Exports slowed, increasing 5.1 percent after increasing 14.0 percent. The slowdown was primarily due to a sharp deceleration in goods exports. Services exports also decelerated somewhat.

Imports decelerated, increasing 0.6 percent following a 9.1-percent increase. Goods imports turned down, and services imports decelerated.

Federal Government spending turned down, decreasing 4.3 percent and subtracting 0.31 percentage point from real GDP growth. In the first quarter, spending increased 8.8 percent.

Real final sales of domestic product, real GDP less inventory investment, slowed, increasing 2.3 percent after increasing 5.6 percent.

Motor vehicle output turned down, decreasing 8.5 percent after increasing 3.8 percent in the first quarter.

Final sales of computers decelerated, increasing 7.4 percent after increasing 9.5 percent.

Consumer Spending

Table 3. Real Personal Consumption Expenditures (PCE)

[Seasonally adjusted at annual rates]

	Share of current-dollar PCE (percent)	Change from preceding period (percent)				Contribution to percent change in real PCE (percentage points)			
		2005		2006		2005		2006	
		II	III	IV	I	II	III	IV	I	II
PCE ¹	100.0	3.9	0.8	4.8	2.6	3.9	0.8	4.8	2.6
Durable goods	11.5	9.0	-12.3	19.8	0.5	1.05	-1.54	2.14	0.05
Motor vehicles and parts	4.8	10.5	-34.9	18.9	-0.8	0.54	-2.15	0.85	-0.04
Furniture and household equipment	4.4	13.7	11.6	22.8	3.8	0.56	0.47	0.92	0.16
Other ²	2.4	-2.0	6.1	16.3	-2.9	-0.05	0.14	0.37	-0.07
Nondurable goods	29.5	3.4	3.9	5.9	1.7	1.00	1.12	1.71	0.49
Food	13.8	6.4	4.1	6.7	2.2	0.86	0.55	0.92	0.31
Clothing and shoes	3.9	3.0	10.3	8.6	-3.5	0.12	0.38	0.33	-0.14
Gasoline, fuel oil, and other energy goods	3.9	-5.8	-2.3	-1.3	1.6	-0.21	-0.09	-0.05	0.06
Other ³	7.9	2.9	3.6	6.4	3.3	0.23	0.28	0.51	0.26
Services	59.0	3.2	2.0	1.6	3.5	1.87	1.18	0.96	2.03
Housing	14.8	2.3	1.7	2.3	2.4	0.34	0.25	0.34	0.36
Household operation	5.4	2.4	0.3	-14.0	5.9	0.13	0.02	-0.84	0.31
Electricity and gas	2.2	2.1	2.0	-29.7	15.0	0.05	0.05	-0.83	0.32
Other household operation	3.1	2.7	-0.8	-0.1	-0.2	0.09	-0.03	0.00	-0.01
Transportation	3.6	-1.7	-0.2	4.0	1.4	-0.06	-0.01	0.15	0.05
Medical care	17.1	4.4	3.7	4.3	3.4	0.75	0.62	0.74	0.58
Recreation	4.1	1.8	1.5	3.1	-2.0	0.07	0.06	0.13	-0.08
Other ⁴	13.9	4.6	1.7	3.2	5.9	0.63	0.23	0.45	0.81

1. The estimates under the contribution columns are also percent changes.

2. Includes jewelry and watches, ophthalmic products and orthopedic equipment, books and maps, bicycles and motorcycles, guns and sporting equipment, photographic equipment, boats, and pleasure aircraft.

3. Includes tobacco, toilet articles, drug preparations and sundries, stationery and writing supplies, toys, film, flowers, cleaning preparations and paper products, semidurable house furnishings, and magazines and newspapers.

4. Includes personal care, personal business, education and research, religious and welfare activities, and net foreign travel.

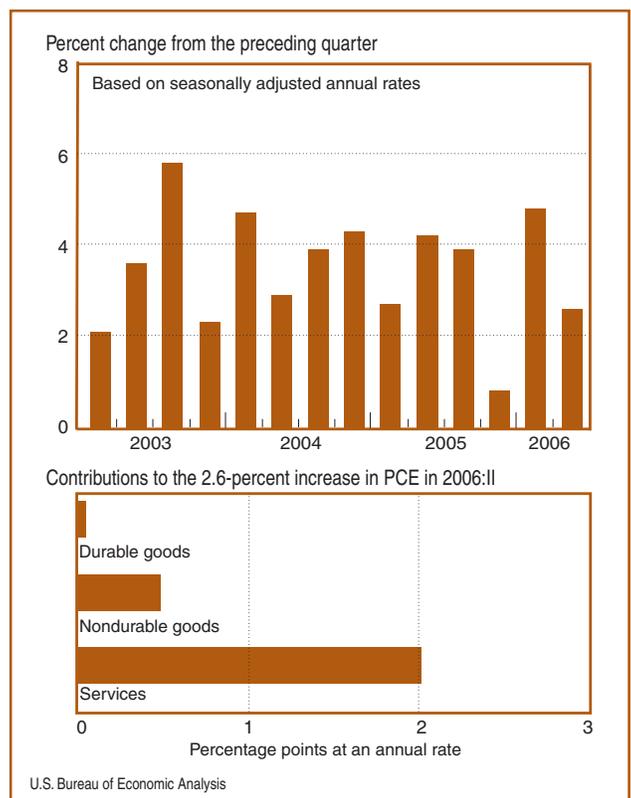
NOTE: Percent changes are from NIPA table 2.3.1, and contributions, from NIPA table 2.3.2; shares are calculated from NIPA table 2.3.5.

Consumer spending for durable goods decelerated sharply, increasing 0.5 percent after increasing 19.8 percent. The second-quarter contribution to real PCE growth was 0.05 percentage point, following a contribution of 2.14 percentage points. The deceleration reflected a downturn in motor vehicles and parts and a deceleration in furniture and household equipment.

Spending for nondurable goods also decelerated, increasing 1.7 percent and contributing 0.49 percentage point to real PCE growth after increasing 5.9 percent and contributing 1.71 percentage points. Spending for food decelerated and spending for clothing and shoes declined.

Spending for services accelerated, increasing 3.5 percent, compared with a 1.6-percent increase. The second-quarter increase contributed 2.03 percentage points to real PCE growth. An upturn in electricity and gas was the main contributor to the acceleration.

Chart 2. Real Personal Consumption Expenditures



Private Fixed Investment

Table 4. Real Private Fixed Investment (PFI)

[Seasonally adjusted at annual rates]

	Share of current-dollar PFI (percent)		Change from preceding period (percent)				Contribution to percent change in real PFI (percentage points)			
	2006		2005		2006		2005		2006	
	II	III	IV	I	II	III	IV	I	II	
Private fixed investment¹	100.0	6.3	2.8	8.2	-0.9	6.3	2.8	8.2	-0.9	
Nonresidential	63.6	5.9	5.2	13.7	4.7	3.65	3.19	8.30	2.89	
Structures	18.7	-7.0	12.0	8.7	22.2	-1.19	1.92	1.50	3.62	
Commercial and health care	6.8	-3.7	3.2	7.1	13.7	-0.25	0.21	0.46	0.86	
Manufacturing.....	1.4	17.8	32.0	-1.7	33.8	0.19	0.34	-0.02	0.38	
Power and communication	2.0	-25.2	12.4	14.3	6.4	-0.57	0.23	0.27	0.12	
Mining exploration, shafts, and wells.....	5.0	-9.0	22.4	2.0	28.8	-0.34	0.81	0.09	1.19	
Other structures ²	3.6	-6.8	11.1	23.6	37.0	-0.22	0.33	0.71	1.07	
Equipment and software	44.9	11.0	2.8	15.6	-1.6	4.84	1.27	6.80	-0.73	
Information processing equipment and software	22.0	7.3	7.0	21.8	-1.4	1.60	1.50	4.52	-0.31	
Computers and peripheral equipment.....	4.0	8.6	27.1	24.9	5.1	0.35	0.98	0.94	0.20	
Software ³	9.5	4.6	2.8	12.2	3.0	0.44	0.26	1.12	0.28	
Other ⁴	8.6	9.9	3.0	31.6	-8.6	0.82	0.25	2.46	-0.79	
Industrial equipment.....	7.8	20.1	16.2	-3.6	13.5	1.41	1.16	-0.28	0.97	
Transportation equipment.....	7.2	23.0	-21.8	27.7	-23.0	1.67	-1.89	1.90	-1.93	
Other equipment ⁵	7.9	2.0	6.6	8.5	7.1	0.16	0.50	0.66	0.54	
Residential.....	36.4	7.1	-0.9	-0.3	-9.8	2.68	-0.36	-0.11	-3.81	
Structures	36.0	7.1	-1.1	-0.5	-9.9	2.67	-0.40	-0.17	-3.80	
Permanent site.....	22.7	10.6	5.6	0.8	-15.6	2.46	1.30	0.19	-3.93	
Single family.....	20.2	9.8	4.8	-1.8	-17.2	2.06	1.02	-0.39	-3.90	
Multifamily.....	2.6	17.9	12.5	25.7	-1.1	0.40	0.29	0.58	-0.03	
Other structures ⁶	13.2	1.5	-11.6	-2.7	1.0	0.21	-1.70	-0.36	0.13	
Equipment	0.5	2.1	9.9	13.6	-2.4	0.01	0.04	0.06	-0.01	

1. The estimates of fixed investment under the contribution columns are also percent changes

2. Consists primarily of religious, educational, vocational, lodging, railroads, farm, and amusement and recreational structures, net purchases of used structures, and brokers' commissions on the sale of structures.

3. Excludes software "embedded," or bundled, in computers and other equipment.

4. Includes communication equipment, nonmedical instruments, medical equipment and instruments, photocopy and related equipment, and office and accounting equipment.

5. Consists primarily of furniture and fixtures, agricultural machinery, construction machinery, mining and oilfield machinery, service industry machinery, and electrical equipment not elsewhere classified.

6. Consists primarily of manufactured homes, improvements, dormitories, net purchases of used structures, and brokers' commissions on the sale of residential structures.

NOTE: Percent changes are from NIPA table 5.3.1, contributions are from NIPA table 5.3.2, and shares are calculated from NIPA table 5.3.5.

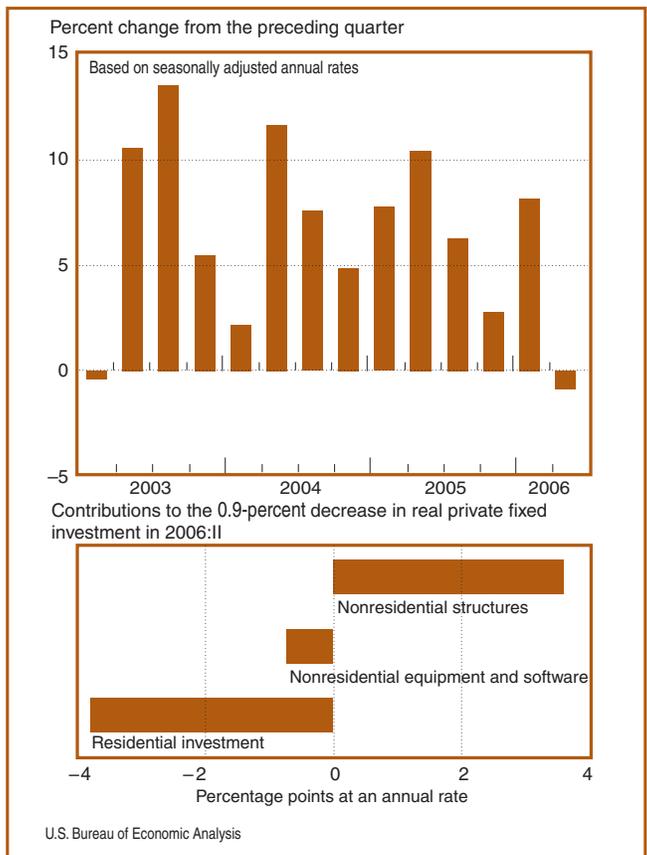
Private nonresidential investment slowed, increasing 4.7 percent after increasing 13.7 percent. It contributed 2.89 percentage points to real private fixed investment growth, compared with 8.30 percentage points. The slowdown mainly reflected a downturn in business investment in equipment and software.

Investment in nonresidential structures accelerated, reflecting step-ups in mining exploration, shafts, and wells and in commercial and health care structures and an upturn in manufacturing structures.

Investment in equipment and software turned down, reflecting downturns in information processing equipment and software and in transportation equipment.

Residential investment decreased more in the second quarter than in the first, primarily reflecting a larger decrease in single-family structures and a downturn in multifamily structures.

Chart 3. Real Private Fixed Investment



Inventory Investment

Table 5. Real Change in Private Inventories by Industry

[Billions of chained (2000) dollars; seasonally adjusted at annual rates]

	Level					Change from preceding quarter				
	2005			2006		2005		2006		
	II	III	IV	I	II	III	IV	I	II	
Change in private inventories¹	-7.4	-12.7	43.5	41.2	58.7	-5.3	56.2	-2.3	17.5	
Farm.....	-5.8	1.1	4.8	4.3	4.0	6.9	3.7	-0.5	-0.3	
Mining, utilities, and construction.....	4.9	-1.1	-0.5	-2.0	5.8	-6.0	0.6	-1.5	7.8	
Manufacturing.....	-13.1	-12.2	0.5	7.6	11.9	0.9	12.7	7.1	4.3	
Durable-goods industries.....	-5.9	0.6	-1.3	-0.1	7.2	6.5	-1.9	1.2	7.3	
Nondurable-goods industries.....	-7.1	-11.8	1.5	7.1	4.7	-4.7	13.3	5.6	-2.4	
Wholesale trade.....	17.4	10.2	13.3	15.0	19.8	-7.2	3.1	1.7	4.8	
Durable-goods industries.....	13.1	7.5	17.8	6.4	15.4	-5.6	10.3	-11.4	9.0	
Nondurable-goods industries.....	4.5	2.8	-3.3	8.2	4.8	-1.7	-6.1	11.5	-3.4	
Retail trade.....	-11.3	-9.2	26.4	12.8	8.4	2.1	35.6	-13.6	-4.4	
Motor vehicle and parts dealers.....	-21.9	-13.3	19.8	5.5	1.0	8.6	33.1	-14.3	-4.5	
Food and beverage stores.....	0.6	-1.5	1.3	1.0	1.1	-2.1	2.8	-0.3	0.1	
General merchandise stores.....	1.3	3.1	1.1	-4.7	-0.9	1.8	-2.0	-5.8	3.8	
Other retail stores.....	7.2	1.8	5.1	10.8	6.9	-5.4	3.3	5.7	-3.9	
Other industries.....	-0.1	-1.6	0.8	5.2	7.6	-1.5	2.4	4.4	2.4	
Residual ²	1.8	-0.3	-3.6	-0.5	1.1	-2.1	-3.3	3.1	1.6	
Addenda: Ratios of private inventories to final sales of domestic business:³										
Private inventories to final sales.....	2.4	2.4	2.4	2.4	2.4					
Nonfarm inventories to final sales.....	2.2	2.2	2.2	2.2	2.2					
Nonfarm inventories to final sales of goods and structures.....	3.6	3.5	3.6	3.5	3.5					

1. The levels are from NIPA table 5.6.6B.

2. The residual is the difference between the first line and the sum of the most detailed lines. It reflects that chained-dollar estimates are usually not additive, because they are based on quantity indexes that use weights of more than one period.

3. The ratios are from NIPA table 5.7.6B.

Inventory investment turned up, increasing \$17.5 billion and adding 0.63 percentage point to real GDP growth.

Inventory investment in the mining, utilities, and construction industries turned up, increasing \$7.8 billion after decreasing \$1.5 billion.

Inventory investment in manufacturing slowed. A downturn in nondurable-goods inventories muted an acceleration in durable-goods industries.

Inventory investment in wholesale trade picked up, reflecting an upturn in durable-goods industries. Inventory investment in nondurable-goods industries turned down.

Inventory investment in retail trade decreased less in the second quarter than in the first, reflecting a smaller decrease in inventory investment by motor vehicle and parts industries and a downturn in "other" retail stores. In contrast, inventory investment by general merchandise stores turned up.

Inventory Investment

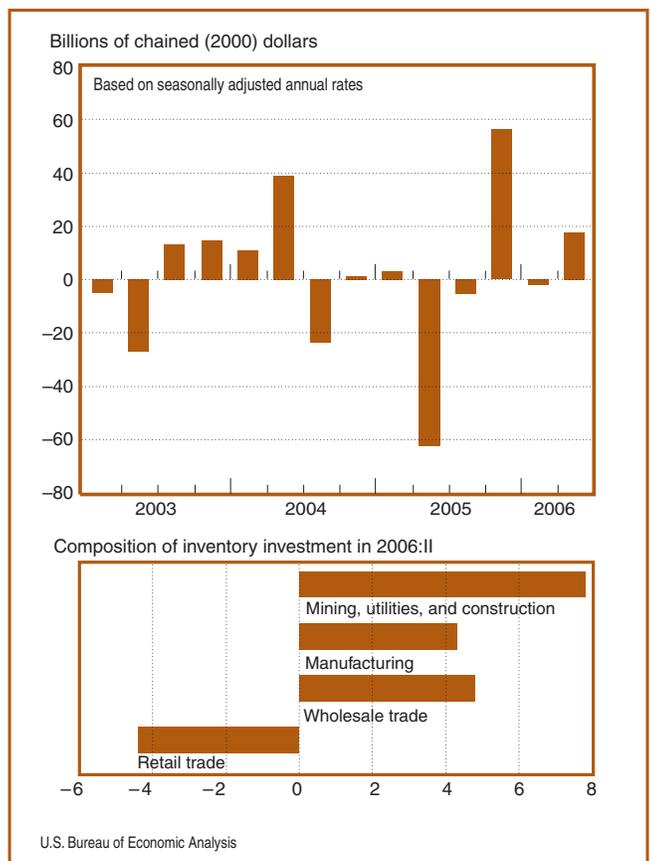
The real change in private inventories, often called real private inventory investment, represents the change in the physical stock of goods held by businesses. It includes finished goods, goods at various stages of production, and raw materials.

The change in private inventories is a key component of gross domestic product (GDP), which aims to measure output derived from current production. To include the value of currently produced goods that are not yet sold and to exclude the value of goods produced in previous periods, change in private inventories must be included in the GDP calculation.

Thus, GDP can also be seen as the sum of final sales of domestic product and the change in private inventories (table 2).

For most industries, the estimates of change in private inventories are prepared by revaluing book-value estimates of inventories from the Census Bureau to a replacement-cost basis and calculating the change over a quarter or year. BEA does not always have complete data for every industry.

Chart 4. Real Private Inventory Investment



Exports and Imports

Table 6. Real Exports and Imports of Goods and Services

[Seasonally adjusted at annual rates]

	Share of current-dollar exports and imports (percent)	Change from preceding period (percent)				Contribution to percent change in real exports and imports (percentage points)			
		2005		2006		2005		2006	
		II	III	IV	I	II	III	IV	I
Exports of goods and services¹	100.0	3.2	9.6	14.0	5.1	3.2	9.6	14.0	5.1
Exports of goods²	70.5	3.7	11.5	17.3	5.5	2.60	7.94	11.92	3.89
Foods, feeds, and beverages	4.5	-13.1	11.8	15.8	20.1	-0.62	0.52	0.69	0.84
Industrial supplies and materials	18.5	-5.2	-10.3	26.5	15.0	-0.97	-1.86	4.36	2.57
Capital goods, except automotive	28.3	3.0	28.3	16.3	6.4	0.82	7.24	4.59	1.81
Automotive vehicles, engines, and parts	7.2	27.6	13.6	2.7	-5.0	1.86	1.02	0.22	-0.38
Consumer goods, except automotive	8.7	10.8	11.7	15.7	0.5	0.92	1.02	1.39	0.05
Other	3.2	18.9	0.2	20.5	-26.0	0.60	0.01	0.68	-0.98
Exports of services²	29.5	2.1	5.5	6.7	3.9	0.62	1.71	2.07	1.17
Imports of goods and services¹	100.0	2.5	13.2	9.1	0.6	2.50	13.20	9.10	0.60
Imports of goods²	84.5	2.7	14.1	9.4	-0.1	2.28	11.88	7.90	-0.09
Foods, feeds, and beverages	3.3	14.5	1.9	16.5	-4.6	0.46	0.07	0.54	-0.16
Industrial supplies and materials, except petroleum and products	12.9	4.8	15.6	1.9	-2.0	0.58	2.03	0.27	-0.26
Petroleum and products	14.3	-12.5	40.6	-4.8	-17.8	-1.67	4.85	-0.67	-2.71
Capital goods, except automotive	18.7	5.9	9.7	16.1	11.5	1.10	1.82	2.88	2.03
Automotive vehicles, engines, and parts	11.6	11.2	15.6	14.3	-1.9	1.27	1.81	1.65	-0.22
Consumer goods, except automotive	19.4	-2.6	12.1	8.4	5.9	-0.53	2.38	1.64	1.12
Other	4.3	27.8	-22.4	44.1	2.5	1.08	-1.06	1.61	0.11
Imports of services²	15.5	1.2	8.3	7.4	4.5	0.19	1.32	1.15	0.69
Addenda:									
Exports of agricultural goods ³	5.1	-5.1	6.4	23.8	18.7	.....	.....	.....	.....
Exports of nonagricultural goods	65.4	4.5	11.9	16.8	4.6	.....	.....	.....	.....
Imports of nonpetroleum goods	70.2	5.7	9.7	12.3	3.8	.....	.....	.....	.....

1. The estimates under the contribution columns are also percent changes.

2. Exports and imports of certain goods, primarily military equipment purchased and sold by the Federal Government, are included in services.

3. Includes parts of foods, feeds, and beverages, of nondurable industrial supplies and materials, and of nondurable nonautomotive consumer goods.

NOTE: Percent changes are from NIPA table 4.2.1, contributions are from NIPA table 4.2.2, and shares are calculated from NIPA table 4.2.5.

Real exports slowed, increasing 5.1 percent after a 14.0-percent increase. The slowdown reflected decelerations in exports of both goods and services.

Exports of goods increased 5.5 percent, compared with a 17.3-percent increase in the first quarter. Non-automotive capital goods decelerated, reflecting a downturn in civilian aircraft, engines, and parts. Industrial supplies and materials decelerated, contributing 2.57 percentage points to real export growth. Automotive vehicles, engines, and parts turned down. "Other" exports turned down sharply.

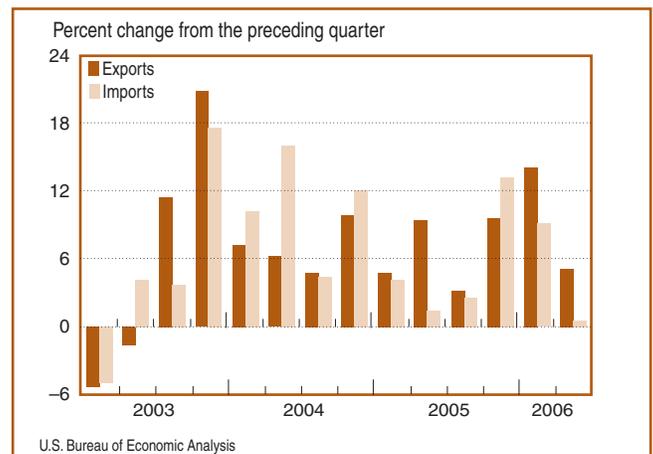
Exports of services decelerated, reflecting a downturn in passenger fares and decelerations in other transportation and in other private services.

Real imports decelerated, increasing 0.6 percent after a 9.1-percent increase.

Imports of goods turned down, reflecting a larger decrease in petroleum and products and a downturn in automotive vehicles, engines, and parts. "Other" imports decelerated sharply.

Imports of services decelerated, reflecting a downturn in royalties and license fees, a sharp deceleration in other transportation, and a decrease in direct defense expenditures. Travel turned up.

Chart 5. Real Exports and Imports of Goods and Services



Government Spending

Table 7. Real Government Consumption Expenditures and Gross Investment (CEGI)
[Seasonally adjusted at annual rates]

	Share of current-dollar CEGI (percent)	Change from preceding period (percent)				Contribution to percent change in real CEGI (percentage points)			
		2005		2006		2005		2006	
	II	III	IV	I	II	III	IV	I	II
Government consumption expenditures and gross investment¹.....	100.0	3.4	-1.1	4.9	0.9	3.4	-1.1	4.9	0.9
Consumption expenditures.....	82.8	4.2	-2.1	4.4	-0.5	3.50	-1.74	3.65	-0.38
Gross investment.....	17.2	-0.9	4.0	7.6	8.1	-0.14	0.66	1.26	1.33
Federal.....	36.6	9.6	-4.6	8.8	-4.3	3.44	-1.73	3.17	-1.63
National defense.....	24.5	11.2	-9.9	8.9	-1.8	2.70	-2.57	2.15	-0.44
Consumption expenditures.....	21.4	11.1	-10.8	9.1	-3.9	2.36	-2.47	1.91	-0.86
Gross investment.....	3.1	11.7	-3.1	7.9	14.5	0.34	-0.10	0.24	0.42
Nondefense.....	12.1	6.2	7.1	8.5	-9.3	0.74	0.84	1.02	-1.19
Consumption expenditures.....	10.5	4.0	2.4	8.1	-4.8	0.42	0.25	0.85	-0.53
Gross investment.....	1.5	22.8	43.8	10.8	-33.9	0.32	0.59	0.18	-0.67
State and local.....	63.4	-0.1	1.0	2.7	4.2	-0.08	0.66	1.74	2.58
Consumption expenditures.....	50.9	1.4	1.0	1.7	2.0	0.72	0.49	0.89	1.00
Gross investment.....	12.5	-6.4	1.4	7.0	13.6	-0.80	0.17	0.85	1.58

Real government spending decelerated, increasing 0.9 percent after increasing 4.9 percent.

Federal Government spending turned down, reflecting downturns both in national defense spending and in nondefense spending.

State and local government spending accelerated, increasing 4.2 percent after a 2.7-percent increase. The acceleration mainly reflected a step-up in gross investment in structures.

1. The estimates under the contribution columns are also percent changes.
NOTE: Percent changes are from NIPA table 3.9.1, contributions from NIPA table 3.9.2, and shares are calculated from NIPA table 3.9.5.

Government Spending

“Government consumption expenditures and gross investment,” or “government spending,” consists of two main components: (1) Consumption expenditures by Federal and by state and local governments and (2) gross investment by government and government-owned enterprises.

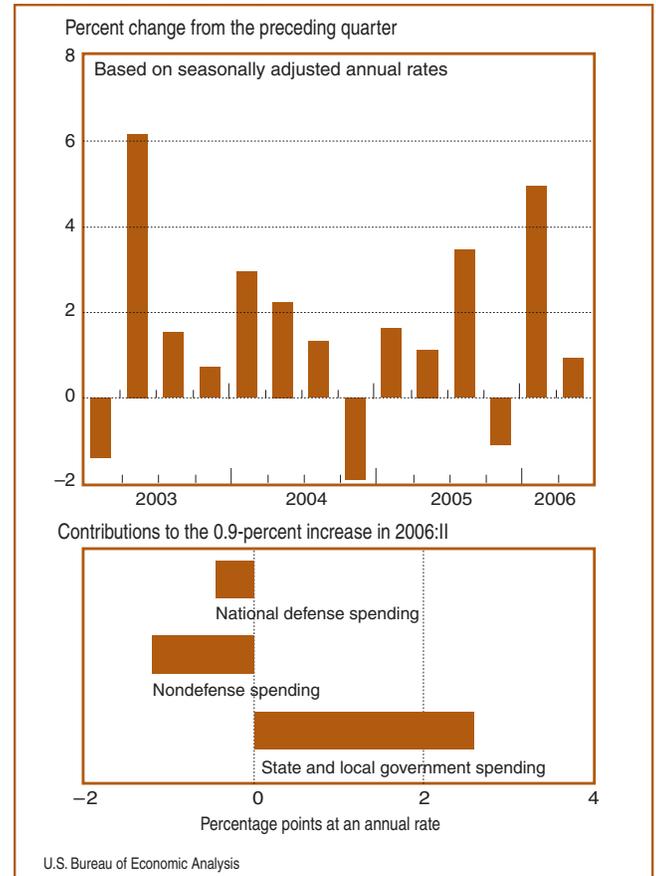
Government consumption expenditures consists of the goods and services that are produced by general government (less any sales to other sectors and investment goods produced by government itself). Governments generally provide services to the general public without charge. The value of government production—that is, government’s gross output—is measured as spending for labor and capital services and for intermediate goods and services.¹

Gross investment consists of new and used structures (such as highways and dams) and equipment and software purchased or produced by government and government-owned enterprises.

Government consumption and gross investment excludes current transactions of government-owned enterprises, current transfer payments, interest payments, subsidies, and transactions in financial assets and nonproduced assets, such as land.

1. Capital services is also known as consumption of fixed capital (depreciation) and represents a partial measure of the services provided by government-owned fixed capital.

Chart 6. Real Government Consumption Expenditures and Gross Investment



Prices

Table 8. 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)			
	2005		2006		2005		2006	
	III	IV	I	II	III	IV	I	II
Gross domestic purchases¹	4.4	3.5	2.7	4.0	4.4	3.5	2.7	4.0
Personal consumption expenditures	4.1	2.9	2.0	4.1	2.74	1.93	1.35	2.71
Durable goods	-2.9	-1.3	-1.0	-0.8	-0.23	-0.10	-0.07	-0.06
Nonurable goods	9.0	0.6	1.1	8.3	1.70	0.11	0.21	1.58
Services	3.2	5.0	3.1	3.1	1.27	1.92	1.22	1.20
Gross private domestic investment	3.7	4.3	3.7	2.9	0.59	0.68	0.58	0.46
Fixed investment	4.0	4.6	3.8	2.8	0.62	0.71	0.59	0.44
Nonresidential	2.2	3.5	3.7	3.0	0.21	0.34	0.36	0.29
Structures	13.2	16.8	12.4	10.6	0.32	0.41	0.32	0.29
Equipment and software	-1.5	-1.0	0.6	0.0	-0.11	-0.07	0.04	0.00
Residential	6.9	6.3	3.8	2.5	0.40	0.37	0.23	0.15
Change in private inventories .....	.....	.....	.....	.....	-0.03	-0.03	-0.01	0.02
Government consumption expenditures and gross investment	5.9	4.7	4.4	4.8	1.05	0.84	0.79	0.86
Federal	3.3	0.4	7.6	3.7	0.23	0.03	0.49	0.24
National defense	3.4	1.0	6.7	4.0	0.15	0.04	0.29	0.18
Nondefense	3.2	-0.7	9.5	3.1	0.07	-0.01	0.20	0.07
State and local	7.4	7.3	2.6	5.4	0.82	0.81	0.30	0.61
Addenda:								
Gross domestic purchases:	1.2	2.3	2.6	1.7	0.12	0.22	0.24	0.16
Food	54.1	14.8	-2.4	30.5	2.08	0.70	-0.11	1.37
Energy goods and services	2.5	3.0	3.0	2.9	2.18	2.54	2.59	2.51
Excluding food and energy	1.2	2.3	2.6	1.7	0.12	0.22	0.24	0.16
Personal consumption expenditures (PCE):								
Food	1.4	2.3	2.8	1.7	.....	.....	.....	.....
Energy goods and services	56.3	9.8	0.1	29.7	.....	.....	.....	.....
Excluding food and energy	1.6	2.5	2.1	2.8	.....	.....	.....	.....
"Market-based" PCE	4.3	2.5	1.7	4.2	.....	.....	.....	.....
Excluding food and energy	1.2	1.9	1.6	2.7	.....	.....	.....	.....
Gross domestic product	3.3	3.3	3.3	3.3	.....	.....	.....	.....

1. The estimates under the contribution columns are also percent changes.

NOTE: All the percent changes except those for PCE for food and energy goods and services and for PCE excluding food and energy are from NIPA table 1.6.7; the changes for PCE are calculated from index numbers in NIPA table 2.3.4. The contributions are from NIPA table 1.6.8.

Prices, as measured by the price index for gross domestic purchases, accelerated, increasing 4.0 percent after increasing 2.7 percent.

Consumer prices accelerated, increasing 4.1 percent after increasing 2.0 percent. An acceleration in nondurable-goods prices primarily reflected an upturn in prices paid for gasoline, fuel oil, and other energy goods.

Prices of fixed investment decelerated, increasing 2.8 percent after a 3.8-percent increase. The deceleration primarily reflected decelerations in prices paid for both nonresidential investment and residential investment.

Prices paid by government stepped up a little, increasing 4.8 percent after a 4.4-percent increase. An acceleration in prices paid by state and local governments more than offset a deceleration in prices paid by the Federal Government.

Prices paid by consumers for energy goods and services accelerated sharply, increasing 29.7 percent after increasing 0.1 percent.

The PCE price index excluding food and energy accelerated, increasing 2.8 percent after increasing 2.1 percent.

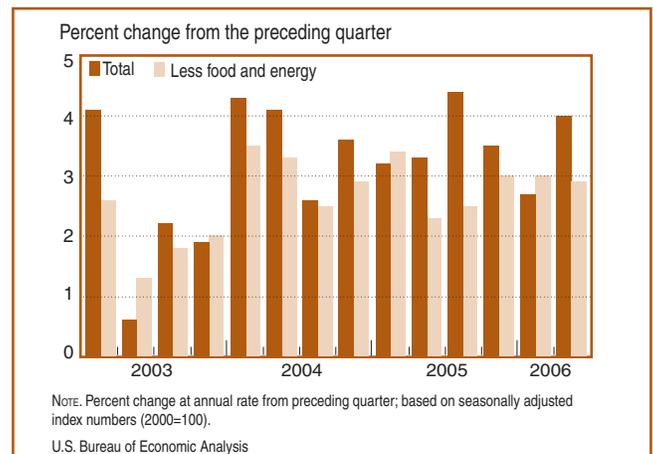
Note on Prices

BEA's gross domestic purchases price index is the most comprehensive index of prices paid by U.S. residents for all goods and services purchased in the United States. It is derived from prices of consumer spending, private investment, government spending, and prices paid for imports.

The GDP price index measures the prices paid for all the goods and services produced in the United States, and it includes the prices of goods and services that are exported.

The difference between the gross domestic purchases price index and the GDP price index reflects the differences between the imports prices (included in the gross domestic purchases index) and the exports prices (included in the GDP price index).

Chart 7. Gross Domestic Purchases Prices



Revisions

Table 9. Preliminary and Advance Estimates for the Second Quarter of 2006

[Seasonally adjusted at annual rates]

	Change from preceding quarter (percent)			Contribution to percent change in real GDP (percentage points)		
	Advance	Preliminary	Preliminary minus advance	Advance	Preliminary	Preliminary minus advance
Gross domestic product (GDP) ¹	2.5	2.9	0.4	2.5	2.9	0.4
Personal consumption expenditures	2.5	2.6	0.1	1.74	1.80	0.06
Durable goods	-0.5	0.5	1.0	-0.04	0.04	0.08
Nondurable goods	1.7	1.7	0.0	0.34	0.34	0.00
Services	3.5	3.5	0.0	1.43	1.42	-0.01
Gross private domestic investment	1.7	2.8	1.1	0.28	0.47	0.19
Fixed investment	-0.7	-0.9	-0.2	-0.12	-0.15	-0.03
Nonresidential	2.7	4.7	2.0	0.28	0.48	0.20
Structures	12.7	22.2	9.5	0.36	0.60	0.24
Equipment and software	-1.0	-1.6	-0.6	-0.07	-0.12	-0.05
Residential	-6.3	-9.8	-3.5	-0.40	-0.63	-0.23
Change in private inventories				0.40	0.63	0.23
Net exports of goods and services				0.33	0.44	0.11
Exports	3.3	5.1	1.8	0.35	0.54	0.19
Goods	2.2	5.5	3.3	0.17	0.42	0.25
Services	5.8	3.9	-1.9	0.18	0.13	-0.05
Imports	0.2	0.6	0.4	-0.03	-0.10	-0.07
Goods	-0.6	-0.1	0.5	0.09	0.02	-0.07
Services	4.5	4.5	0.0	-0.12	-0.12	0.00
Government consumption expenditures and gross investment	0.6	0.9	0.3	0.11	0.18	0.07
Federal	-3.4	-4.3	-0.9	-0.24	-0.31	-0.07
National defense	-1.0	-1.8	-0.8	-0.05	-0.08	-0.03
Nondefense	-7.8	-9.3	-1.5	-0.19	-0.23	-0.04
State and local	3.0	4.2	1.2	0.35	0.49	0.14
Addenda:						
Final sales of domestic product	2.1	2.3	0.2	2.05	2.27	0.22
Gross domestic purchases price index	4.0	4.0	0.0			
GDP price index	3.3	3.3	0.0			

1. The estimates for GDP under the contribution columns are also percent changes.

The 2.9-percent preliminary estimate of real GDP growth is 0.4 percentage point more than the advance estimate. For the period 1978-2005, the revisions, without regard to sign, averaged 0.5 percentage point from the advance to the preliminary estimates.

Investment in nonresidential structures was revised up. The largest contributor to the upward revision was commercial and health care structures.

Residential fixed investment was revised down. Single-family structures was the principal contributor to the downward revision.

Private inventory investment was revised up, mainly reflecting an upward revision to inventories of nondurable-goods manufacturing industries.

Exports was revised up. The largest contributor to the upward revision was nonpetroleum industrial supplies and materials.

State and local government spending was revised up, mainly reflecting an upward revision to structures investment.

Source Data for the Preliminary Estimates

Personal consumption expenditures: Retail sales for May and June (revised). Motor vehicle registrations for April and May (revised) and for June (new). Retail electricity and natural gas sales for May (new).

Nonresidential fixed investment: Construction put-in-place data for April and May (revised) and for June (new). Manufacturers' shipments of machinery and equipment for April, May, and June (revised). Exports and imports for May (revised) and for June (new).

Residential investment: Construction put-in-place data for April and May (revised) and for June (new).

Change in private inventories: Manufacturers' inventories for May and June (revised) and trade inventories for May (revised) and for June (new).

Exports and imports of goods and services: International transactions accounts for May (revised) and for June (new).

Government consumption expenditures and gross investment: State and local government construction put-in-place data for April and May (revised) and for June (new).

Personal Income for the First Quarter

With the release of the preliminary estimates of GDP, BEA also releases revised estimates of various income-related series for the previous quarter. This revision reflects the incorporation of newly available, first-quarter tabulations from the Quarterly Census of Employment and Wages from the Bureau of Labor Statistics.

Wages and salaries increased \$183.1 billion in the first quarter, an upward revision of \$79.2 billion. Personal current taxes increased \$85.0 billion, an upward revision of \$6.6 billion. Contributions for government social insurance—a subtraction in calculating personal income—increased \$37.8 billion, an upward revision of \$11.1 billion. The revision also shows

- Personal income increased \$237.7 billion, an upward revision of \$73.9 billion.
- Disposable personal income increased \$152.7 billion, an upward revision of \$67.3 billion.
- Personal saving decreased \$1.2 billion, an upward revision of \$67.3 billion.
- The personal saving rate was -0.3 percent, an upward revision of 0.7 percentage point.

