

GDP and the Economy

Preliminary Estimates for the First Quarter of 2007

REAL gross domestic product (GDP) increased 0.6 percent in the first quarter after increasing 2.5 percent in the fourth quarter, according to the “preliminary” estimates of the national income and product accounts (NIPAs) (chart 1 and table 1).¹ The first-quarter growth rate was revised down 0.7 percentage point (see “Revisions”).

The deceleration in real GDP growth in the first quarter primarily reflected an upturn in imports (subtracted in the calculation of GDP) and a downturn in exports. Federal Government spending also turned down, and consumer spending for nondurable goods slowed. In contrast, investment in equipment and software turned up, residential investment decreased less than in the fourth quarter, and consumer spending for both durable goods and services accelerated.²

- Prices of goods and services purchased by U.S. residents increased 3.6 percent, the same as in the advance estimate, following a 0.2-percent increase in the fourth quarter. Energy prices turned up after dropping sharply in the fourth quarter, and food prices accelerated.
- Real disposable personal income (DPI) increased 4.7 percent after increasing 6.4 percent (revised) in the fourth quarter. Current-dollar DPI accelerated, but a stronger upturn in prices (as measured by the PCE implicit price deflator used to deflate DPI) resulted in a slowing of the overall real measure.
- The personal saving rate, personal saving as a percentage of current-dollar DPI, was -0.8 percent in the first quarter; in the fourth quarter, it was -0.9 percent (revised).

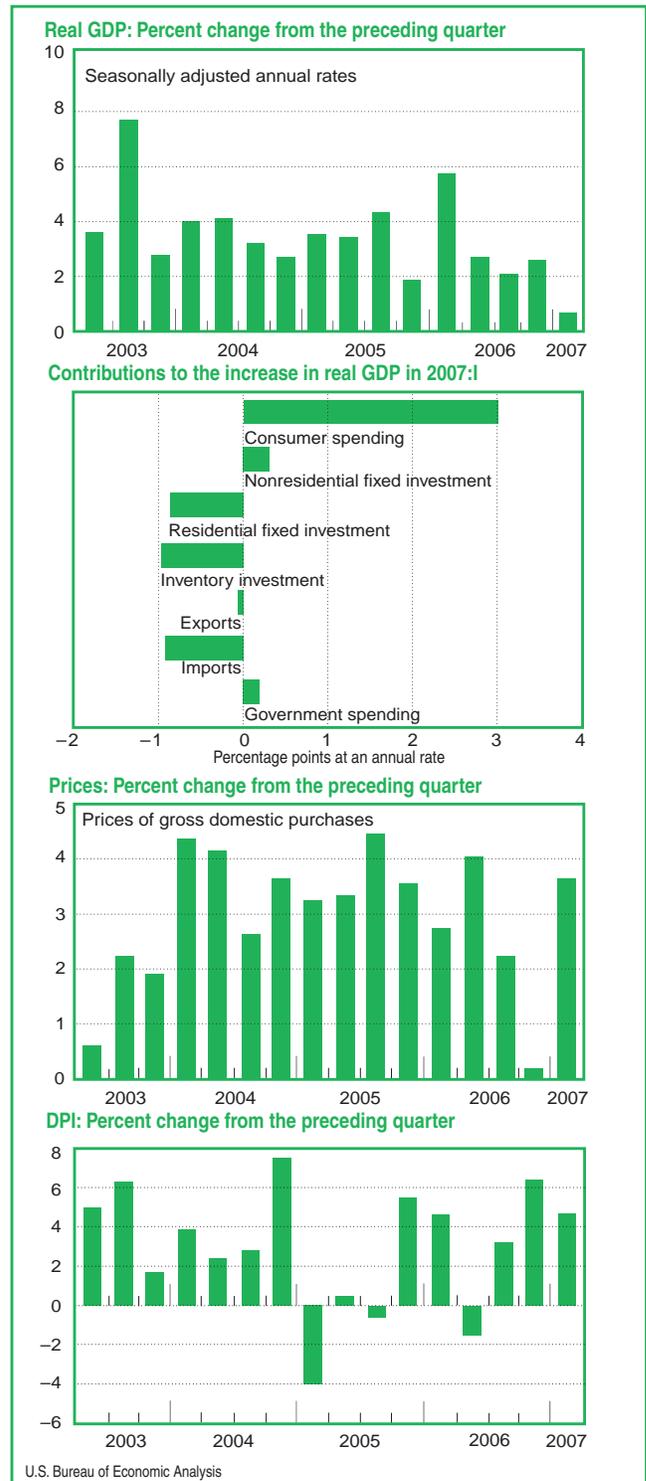
1. “Real” estimates are in chained (2000) dollars, and price indexes are chain-type measures.

Each GDP estimate for a quarter (advance, preliminary, and final) incorporates increasingly comprehensive and improved source data. More information can be found on 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 of an activity if the quarterly rate were maintained for a year.

2. In this article, “consumer spending” refers to the NIPA series “personal consumption expenditures (PCE),” “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				
	I	II	III	IV	I	II	III	IV	I	II	III	IV	
Gross domestic product¹.....	100.0	2.6	2.0	2.5	0.6	2.6	2.0	2.5	0.6	2.6	2.0	2.5	0.6
Personal consumption expenditures.....	70.5	2.6	2.8	4.2	4.4	1.81	1.96	2.93	3.01				
Durable goods.....	8.1	-0.1	6.4	4.4	8.8	-0.01	0.50	0.35	0.68				
Nondurable goods.....	20.5	1.4	1.5	5.9	3.5	0.30	0.32	1.18	0.71				
Services.....	42.0	3.7	2.8	3.4	4.0	1.52	1.14	1.41	1.63				
Gross private domestic investment.....	15.6	1.0	-0.8	-15.2	-9.3	0.17	-0.13	-2.71	-1.55				
Fixed investment.....	15.6	-1.6	-1.2	-9.1	-3.5	-0.27	-0.19	-1.54	-0.57				
Nonresidential.....	10.6	4.4	10.0	-3.1	2.9	0.45	1.01	-0.34	0.31				
Structures.....	3.2	20.3	15.7	0.8	5.1	0.56	0.46	0.03	0.16				
Equipment and software.....	7.3	-1.4	7.7	-4.8	2.0	-0.10	0.55	-0.36	0.14				
Residential.....	5.1	-11.1	-18.7	-19.8	-15.4	-0.72	-1.20	-1.21	-0.87				
Change in private inventories.....	0.1	.....	.....	.....	.....	0.44	0.06	-1.16	-0.98				
Net exports of goods and services.....	-5.3	.....	.....	.....	.....	0.42	-0.19	1.59	-1.00				
Exports.....	11.3	6.2	6.8	10.6	-0.6	0.66	0.73	1.14	-0.07				
Goods.....	8.0	6.0	9.4	8.4	-0.6	0.45	0.71	0.65	-0.05				
Services.....	3.3	6.7	0.8	16.3	-0.6	0.21	0.03	0.50	-0.02				
Imports.....	16.6	1.4	5.6	-2.6	5.7	-0.24	-0.93	0.45	-0.93				
Goods.....	14.0	-0.1	7.1	-4.1	6.2	0.01	-1.00	0.61	-0.84				
Services.....	2.7	9.9	-2.6	6.2	3.3	-0.25	0.07	-0.16	-0.09				
Government consumption expenditures and gross investment.....	19.2	0.8	1.7	3.4	1.0	0.16	0.32	0.64	0.19				
Federal.....	6.9	-4.5	1.3	4.6	-3.9	-0.32	0.09	0.31	-0.28				
National defense.....	4.7	-2.0	-1.2	12.3	-7.3	-0.09	-0.06	0.55	-0.36				
Nondefense.....	2.3	-9.3	6.5	-9.6	3.6	-0.23	0.15	-0.23	0.08				
State and local.....	12.3	4.0	1.9	2.7	3.9	0.48	0.23	0.33	0.47				

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)				
	2007				2006				2007				
	I	II	III	IV	I	II	III	IV	I	II	III	IV	
Gross domestic product¹.....	100.0	2.6	2.0	2.5	0.6	2.6	2.0	2.5	0.6	2.6	2.0	2.5	0.6
Final sales of domestic product.....	100.1	2.1	1.9	3.7	1.6	2.11	1.90	3.62	1.63				
Change in private inventories.....	-0.1	.....	.....	.....	.....	0.44	0.06	-1.16	-0.98				
Goods.....	31.1	3.6	3.8	4.0	-1.1	1.12	1.17	1.25	-0.36				
Services.....	58.5	2.4	2.8	4.1	2.8	1.40	1.63	2.32	1.59				
Structures.....	10.4	0.3	-7.4	-9.9	-5.4	0.04	-0.84	-1.11	-0.58				
Addenda:													
Motor vehicle output.....	2.9	-9.4	27.4	-32.0	3.5	-0.31	0.76	-1.18	0.10				
GDP excluding motor vehicle output.....	97.1	3.0	1.2	3.8	0.6	2.87	1.20	3.63	0.55				
Final sales of computers.....	0.6	6.7	11.7	40.9	-5.6	0.04	0.07	0.22	-0.04				
GDP excluding final sales of computers.....	99.4	2.5	1.9	2.2	0.7	2.51	1.89	2.23	0.69				

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 picked up, adding 3.01 percentage points to real GDP growth. Accelerations in spending for durable goods and for services were partly offset by a deceleration in spending for nondurable goods.

Nonresidential fixed investment turned up and added 0.31 percentage point to real GDP growth after subtracting 0.34 percentage point. Equipment and software turned up, and structures accelerated.

Residential investment decreased 15.4 percent, following a 19.8-percent decrease, and subtracted 0.87 percentage point from real GDP growth.

Although inventories were drawn down, they decreased somewhat less than in the fourth quarter and subtracted 0.98 percentage point from real GDP growth.

Exports turned down sharply, decreasing 0.6 percent after increasing 10.6 percent, and reduced real GDP growth by 0.07 percentage point. The first-quarter decrease was the first decrease in real export growth since the second quarter of 2003 and reflected downturns in exports of both goods and services.

Imports rebounded, increasing 5.7 percent after a 2.6-percent decrease, primarily reflecting an upturn in imports of goods.

Federal Government spending turned down, decreasing 3.9 percent, compared with a 4.6-percent increase. A downturn in defense spending more than offset an upturn in nondefense spending.

State and local government spending accelerated and added 0.47 percentage point to real GDP growth.

Real final sales of domestic product, real GDP less inventory investment, slowed, increasing 1.6 percent after increasing 3.7 percent.

Motor vehicle output turned up, increasing 3.5 percent after decreasing 32.0 percent in the fourth quarter.

Final sales of computers turned down, decreasing 5.6 percent after increasing 40.9 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)				
		2006				2007				
		I	II	III	IV	I	II	III	IV	I
PCE¹	100.0	2.6	2.8	4.2	4.4	2.6	2.8	4.2	4.4	
Durable goods	11.4	-0.1	6.4	4.4	8.8	-0.01	0.72	0.50	0.98	
Motor vehicles and parts	4.7	-1.2	8.6	-4.4	11.9	-0.06	0.40	-0.22	0.54	
Furniture and household equipment	4.3	3.3	6.7	13.2	9.5	0.14	0.28	0.54	0.40	
Other ²	2.4	-3.7	1.6	7.5	1.6	-0.09	0.04	0.17	0.04	
Nondurable goods	29.1	1.4	1.5	5.9	3.5	0.42	0.46	1.70	1.03	
Food	13.8	2.0	-0.7	6.6	1.5	0.27	-0.10	0.90	0.21	
Clothing and shoes	3.9	-3.8	5.5	6.7	8.2	-0.15	0.21	0.26	0.31	
Gasoline, fuel oil, and other energy goods	3.4	0.7	5.0	1.1	7.2	0.03	0.19	0.04	0.24	
Other ³	7.9	3.4	2.0	6.5	3.3	0.27	0.15	0.51	0.26	
Services	59.5	3.7	2.8	3.4	4.0	2.17	1.64	2.04	2.36	
Housing	15.0	2.4	2.6	3.2	2.3	0.36	0.38	0.48	0.35	
Household operation	5.6	8.4	9.7	3.5	8.5	0.44	0.51	0.20	0.46	
Electricity and gas	2.5	15.8	21.9	5.3	17.9	0.34	0.46	0.12	0.40	
Other household operation	3.2	3.4	1.6	2.3	1.9	0.11	0.05	0.07	0.06	
Transportation	3.6	1.7	1.3	3.8	3.0	0.06	0.05	0.14	0.11	
Medical care	17.3	2.6	2.1	3.5	4.7	0.44	0.36	0.61	0.81	
Recreation	4.0	0.8	3.0	3.2	-0.4	0.03	0.12	0.13	-0.02	
Other ⁴	14.0	6.1	1.6	3.4	4.6	0.83	0.22	0.48	0.64	

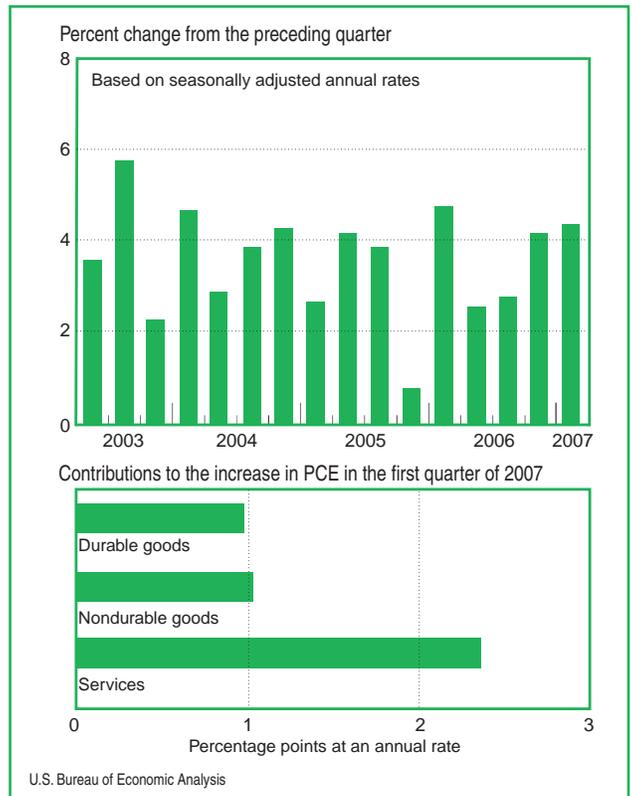
Spending for durable goods accelerated, reflecting a rebound in spending for motor vehicles and parts, and contributed 0.98 percentage point to real consumer spending growth. Spending for both furniture and household equipment and for “other” durable goods slowed in the first quarter.

Spending for nondurable goods decelerated, mainly reflecting a slowdown in spending for food. Consumer spending for “other” nondurable goods also decelerated. Spending for gasoline, fuel oil, and other energy goods picked up.

Spending for services picked up and contributed 2.36 percentage points to the growth in real consumer spending. An acceleration in household spending for electricity and gas was the largest contributor to the acceleration in services spending. Accelerations in medical care and in “other” services also contributed to the pickup in real consumer spending. Recreation turned down and housing services slowed.

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.

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)			
	2007	2006			2007	2006			2007
	I	II	III	IV	I	II	III	IV	I
Private fixed investment¹ ...	100.0	-1.6	-1.2	-9.1	-3.5	-1.6	-1.2	-9.1	-3.5
Nonresidential	67.5	4.4	10.0	-3.1	2.9	2.72	6.16	-1.99	1.94
Structures	20.6	20.3	15.7	0.8	5.1	3.34	2.79	0.17	1.02
Commercial and health care	8.0	11.7	25.6	1.7	14.7	0.74	1.61	0.13	1.06
Manufacturing.....	1.5	28.0	11.3	-13.2	28.0	0.32	0.15	-0.19	0.36
Power and communication ...	2.1	4.9	16.0	-2.9	-6.2	0.10	0.31	-0.06	-0.14
Mining exploration, shafts, and wells.....	5.0	28.0	10.0	3.8	-11.7	1.16	0.48	0.19	-0.64
Other structures ²	4.0	35.1	7.3	2.8	10.1	1.03	0.25	0.10	0.37
Equipment and software	46.9	-1.4	7.7	-4.8	2.0	-0.62	3.36	-2.15	0.92
Information processing equipment and software ...	23.7	-1.1	10.0	-1.8	18.7	-0.24	2.13	-0.39	3.96
Computers and peripheral equipment.....	4.3	4.7	22.0	0.3	49.6	0.18	0.79	0.01	1.67
Software ³	10.3	4.2	6.0	3.0	10.8	0.39	0.56	0.29	1.03
Other ⁴	9.2	-9.0	9.3	-7.7	15.2	-0.82	0.78	-0.69	1.27
Industrial equipment.....	8.0	13.6	0.2	-5.3	-3.1	0.98	0.02	-0.41	-0.25
Transportation equipment.....	7.3	-22.8	13.6	-17.2	-11.0	-1.91	0.92	-1.31	-0.84
Other equipment ⁵	7.8	7.4	3.8	-0.5	-21.6	0.56	0.30	-0.04	-1.95
Residential.....	32.5	-11.1	-18.7	-19.8	-15.4	-4.33	-7.31	-7.15	-5.47
Structures	32.0	-11.2	-18.9	-20.0	-15.7	-4.32	-7.30	-7.14	-5.49
Permanent site.....	18.6	-17.6	-25.0	-30.5	-25.6	-4.46	-6.28	-7.09	-5.61
Single family.....	15.9	-19.2	-28.6	-35.4	-27.9	-4.39	-6.47	-7.41	-5.33
Multifamily.....	2.7	-2.6	7.8	12.5	-9.9	-0.07	0.19	0.32	-0.28
Other structures ⁶	13.4	1.1	-7.5	-0.4	1.0	0.14	-1.02	-0.05	0.13
Equipment	0.5	-2.9	-2.2	-1.3	2.8	-0.01	-0.01	-0.01	0.01

Real private fixed nonresidential investment rebounded in the first quarter, reflecting an upturn in business investment in equipment and software and an acceleration in structures.

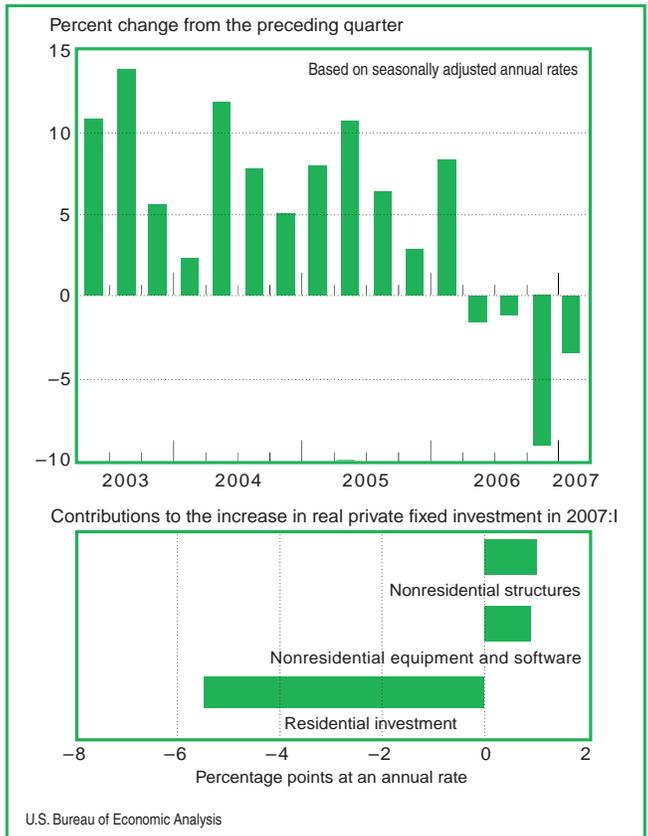
Investment in nonresidential structures accelerated, mainly reflecting a sharp acceleration in commercial and health care structures and an upturn in manufacturing structures. In contrast, investment in mining exploration, shafts, and wells turned down, and power and communication decreased more in the first quarter than in the fourth quarter.

Investment in equipment and software turned up. A rebound in "other" information processing equipment and software was the largest contributor. Spending for computers and peripheral equipment and for software accelerated. In contrast, investment in "other" equipment decreased more than in the fourth quarter. Investment in transportation equipment and in industrial equipment decreased less than in the fourth quarter.

Residential investment decreased for the sixth consecutive quarter though somewhat less than in the fourth quarter. Single-family structures decreased less than in the fourth quarter; multifamily structures turned down.

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.

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					
	2006				2007	2006				2007
	I	II	III	IV	I	II	III	IV	I	
Change in private inventories¹	41.2	53.7	55.4	22.4	-4.5	12.5	1.7	-33.0	-26.9	
Farm	4.3	1.9	2.5	2.4	2.6	-2.4	0.6	-0.1	0.2	
Mining, utilities, and construction	-2.0	5.4	1.6	2.0	2.8	7.4	-3.8	0.4	0.8	
Manufacturing	7.6	11.1	10.1	8.4	-3.3	3.5	-1.0	-1.7	-11.7	
Durable-goods industries	-0.1	5.7	9.4	13.8	1.9	5.8	3.7	4.4	-11.9	
Nondurable-goods industries	7.1	5.2	1.1	-4.5	-4.8	-1.9	-4.1	-5.6	-0.3	
Wholesale trade	15.0	19.3	33.7	8.5	7.5	4.3	14.4	-25.2	-1.0	
Durable-goods industries	6.4	15.3	27.7	5.0	10.8	8.9	12.4	-22.7	5.8	
Nondurable-goods industries	8.2	4.5	6.9	3.5	-2.4	-3.7	2.4	-3.4	-5.9	
Retail trade	12.8	7.8	2.2	-3.6	-20.0	-5.0	-5.6	-5.8	-16.4	
Motor vehicle and parts dealers	5.5	1.0	-7.2	-13.4	-19.7	-4.5	-8.2	-6.2	-6.3	
Food and beverage stores	1.0	1.0	0.2	-0.4	0.0	0.0	-0.8	-0.6	0.4	
General merchandise stores	-4.7	-0.5	4.8	5.2	-0.3	4.2	5.3	0.4	-5.5	
Other retail stores	10.8	6.1	3.6	3.7	-1.6	-4.7	-2.5	0.1	-5.3	
Other industries	5.2	7.4	5.1	3.5	3.3	2.2	-2.3	-1.6	-0.2	
Residual ²	-0.5	0.7	-0.3	1.6	2.9	1.2	-1.0	1.9	1.3	
Addenda: Ratios of private inventories to final sales of domestic business:³										
Private inventories to final sales	2.40	2.40	2.41	2.39	2.38					
Nonfarm inventories to final sales	2.20	2.20	2.21	2.20	2.19					
Nonfarm inventories to final sales of goods and structures	3.48	3.50	3.52	3.51	3.50					

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.

Real inventory investment decreased \$26.9 billion in the first quarter, less than the fourth-quarter decrease of \$33.0 billion.

Inventory investment in manufacturing decreased \$11.7 billion after decreasing \$1.7 billion. The larger first-quarter decrease mainly reflected a downturn in durable-goods industries.

Inventory investment in wholesale trade decreased \$1.0 billion after decreasing \$25.2 billion. The smaller decrease primarily reflected an upturn in durable-goods industries.

Inventory investment in retail trade decreased more than in the fourth quarter, primarily reflecting downturns in general merchandise stores and in "other" retail stores.

Inventory Investment

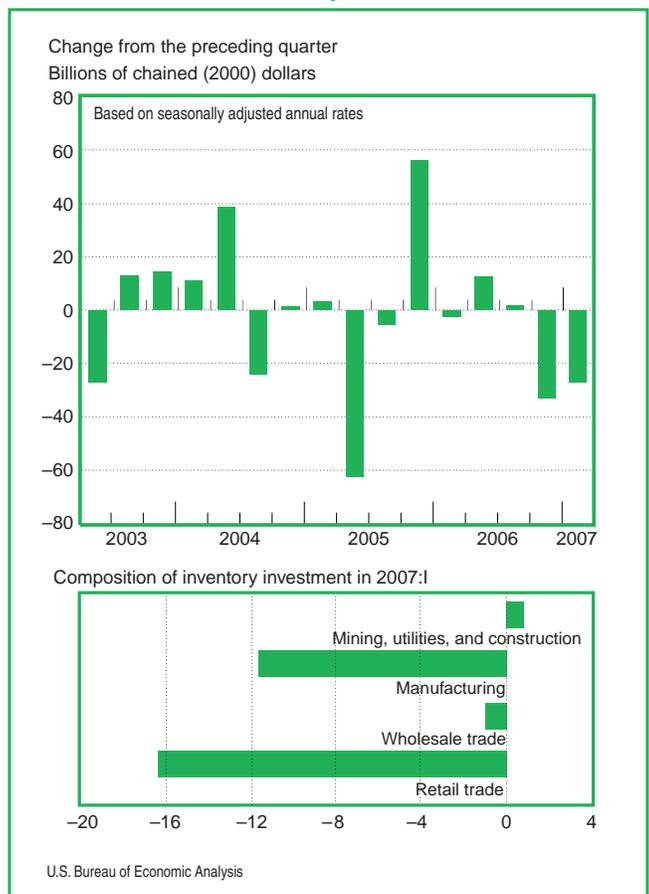
The real change in private inventories, often called real private inventory investment, represents the change in the physical stock of goods held by businesses. It includes finished goods, goods at various stages of production, and raw materials.

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)			
		2006				2007			
		I	II	III	IV	I	II	III	IV	I
Exports of goods and services¹	100.0	6.2	6.8	10.6	-0.6	6.2	6.8	10.6	-0.6
Exports of goods²	70.8	6.0	9.4	8.4	-0.6	4.22	6.58	6.00	-0.44
Foods, feeds, and beverages	4.8	20.7	13.2	-17.9	0.1	0.86	0.59	-0.90	0.00
Industrial supplies and materials	18.1	14.4	3.1	9.3	-6.7	2.48	0.58	1.71	-1.25
Capital goods, except automotive	28.0	6.6	5.6	14.9	-2.6	1.85	1.58	4.06	-0.75
Automotive vehicles, engines, and parts	7.3	-4.6	26.9	-7.8	8.5	-0.35	1.81	-0.59	0.59
Consumer goods, except automotive	9.3	1.1	15.2	14.8	16.1	0.10	1.29	1.27	1.36
Other	3.3	-19.7	24.0	13.8	-11.2	-0.72	0.73	0.45	-0.39
Exports of services²	29.2	6.7	0.8	16.3	-0.6	1.97	0.25	4.62	-0.18
Imports of goods and services¹	100.0	1.4	5.6	-2.6	5.7	1.4	5.6	-2.6	5.7
Imports of goods²	84.0	-0.1	7.1	-4.1	6.2	-0.05	5.98	-3.54	5.21
Foods, feeds, and beverages	3.6	-4.8	10.4	-1.3	7.5	-0.16	0.33	-0.04	0.26
Industrial supplies and materials, except petroleum and products	12.2	-1.2	14.2	-20.8	-19.7	-0.15	1.77	-3.03	-2.76
Petroleum and products	12.3	-18.3	7.1	-20.2	32.6	-2.78	1.01	-2.98	3.45
Capital goods, except automotive	19.3	11.6	13.5	-2.8	9.6	2.05	2.41	-0.53	1.82
Automotive vehicles, engines, and parts	11.3	-1.3	-8.3	7.7	-5.2	-0.15	-0.97	0.84	-0.60
Consumer goods, except automotive	20.9	5.7	15.2	17.4	1.4	1.07	2.80	3.25	0.29
Other	4.4	1.9	-28.6	-23.9	93.8	0.08	-1.38	-1.04	2.76
Imports of services²	16.0	9.9	-2.6	6.2	3.3	1.49	-0.40	0.94	0.53
Addenda:									
Exports of agricultural goods ³	5.2	19.1	2.1	-17.5	-4.6	.....	.....	.....	.....
Exports of nonagricultural goods	65.6	5.1	10.0	10.7	-0.3	.....	.....	.....	.....
Imports of nonpetroleum goods	71.7	3.9	7.2	-0.8	2.3	.....	.....	.....	.....

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 turned down in the first quarter, decreasing 0.6 percent after increasing 8.4 percent.

Downturns in nonautomotive capital goods and in industrial supplies and materials were the principal contributors to the downturn in exports of goods, but "other" exports of goods also turned down. Exports of automotive vehicles, engines and parts turned up, increasing 8.5 percent, following a 7.8-percent decrease.

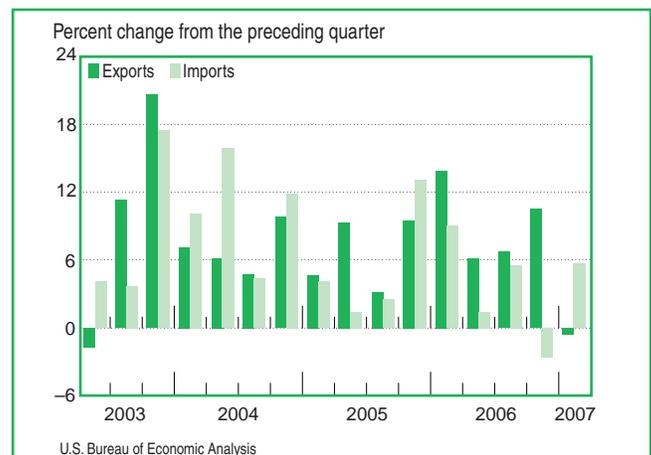
Exports of services turned down. "Other" private services decelerated, and travel services, royalties and license fees, and "other" transportation all turned down.

Real imports rebounded, increasing 5.7 percent after decreasing 2.6 percent, reflecting an upturn in imports of goods.

An upturn in imports of petroleum and products was the largest contributor to the rebound in goods imports. "Other" imports and nonautomotive capital goods also turned up. In contrast, nonautomotive consumer goods slowed, and automotive vehicles, engines, and parts turned down.

Imports of services slowed, primarily reflecting a downturn in "other" transportation and a deceleration in "other" private services.

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)				
	2007				2006				2007				
	I	II	III	IV	I	II	III	IV	I	II	III	IV	
Government consumption expenditures and gross investment¹.....	100.0	0.8	1.7	3.4	1.0	0.8	1.7	3.4	1.0	0.8	1.7	3.4	1.0
Consumption expenditures.....	82.8	-0.5	2.5	3.7	0.4	-0.41	2.06	3.05	0.37				
Gross investment.....	17.2	7.4	-2.3	1.9	3.7	1.22	-0.39	0.33	0.62				
Federal.....	36.0	-4.5	1.3	4.6	-3.9	-1.69	0.47	1.66	-1.45				
National defense.....	24.2	-2.0	-1.2	12.3	-7.3	-0.50	-0.30	2.87	-1.86				
Consumption expenditures.....	21.1	-4.1	-0.9	11.2	-6.9	-0.91	-0.20	2.29	-1.53				
Gross investment.....	3.1	14.1	-3.1	20.1	-9.9	0.41	-0.10	0.58	-0.33				
Nondefense.....	11.8	-9.3	6.5	-9.6	3.6	-1.19	0.77	-1.21	0.41				
Consumption expenditures.....	10.4	-5.0	6.5	-9.0	5.7	-0.55	0.67	-0.98	0.57				
Gross investment.....	1.4	-32.9	6.7	-14.3	-10.6	-0.65	0.10	-0.23	-0.16				
State and local.....	64.0	4.0	1.9	2.7	3.9	2.50	1.20	1.73	2.44				
Consumption expenditures.....	51.3	2.1	3.1	3.4	2.6	1.05	1.59	1.74	1.33				
Gross investment.....	12.7	12.5	-3.1	-0.1	9.2	1.46	-0.39	-0.02	1.11				

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.

Real government spending slowed. State and local spending picked up, but Federal Government spending turned down.

The downturn in Federal Government spending reflected a downturn in national defense spending, which decreased 7.3 percent after a 12.3-percent increase in the fourth quarter. Nondefense spending turned up, increasing 3.6 percent, following a 9.6-percent decrease in the fourth quarter.

State and local government spending picked up, reflecting an upturn in investment in structures.

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.

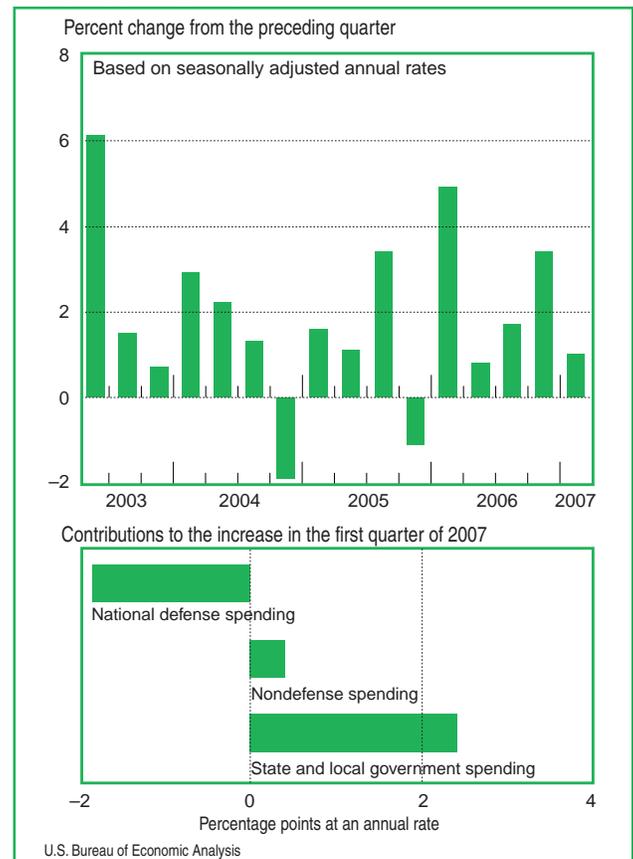
Government consumption expenditures consists of the goods and services that are produced by general government (less any sales to other sectors and investment goods produced by government itself). Governments generally provide services to the general public without charge. The value of government production—that 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)				
	2006			2007	2006			
	II	III	IV	I	II	III	IV	I
Gross domestic purchases¹	4.0	2.2	0.2	3.6	4.0	2.2	0.2	3.6
Personal consumption expenditures	4.0	2.4	-1.0	3.3	2.66	1.55	-0.63	2.22
Durable goods	-0.8	-1.1	-2.7	-1.9	-0.06	-0.08	-0.21	-0.14
Nondurable goods	8.3	2.3	-7.7	5.1	1.58	0.46	-1.55	0.97
Services	2.9	3.0	2.9	3.5	1.15	1.18	1.12	1.39
Gross private domestic investment	3.1	0.6	3.4	1.8	0.50	0.10	0.53	0.28
Fixed investment	3.0	0.5	3.4	1.7	0.47	0.08	0.51	0.26
Nonresidential	3.0	0.9	3.1	1.8	0.30	0.09	0.31	0.18
Structures	10.7	5.3	5.5	0.0	0.29	0.15	0.16	0.00
Equipment and software	0.1	-0.9	2.1	2.6	0.01	-0.06	0.15	0.18
Residential	2.9	-0.1	3.9	1.6	0.17	-0.01	0.20	0.08
Change in private inventories					0.03	0.02	0.02	0.02
Government consumption expenditures and gross investment	4.8	2.8	1.8	5.9	0.86	0.51	0.33	1.06
Federal	3.8	2.0	0.0	6.5	0.25	0.13	0.00	0.42
National defense	4.1	2.3	-0.3	6.4	0.18	0.10	-0.01	0.28
Nondefense	3.2	1.4	0.8	6.7	0.07	0.03	0.02	0.14
State and local	5.4	3.4	2.9	5.5	0.61	0.38	0.33	0.64
Addenda:								
Gross domestic purchases:								
Food	1.7	3.0	2.3	5.1	0.16	0.28	0.21	0.48
Energy goods and services	30.6	0.6	-33.8	15.0	1.37	0.03	-2.03	0.68
Excluding food and energy	2.9	2.2	2.4	2.8	2.49	1.85	2.04	2.41
Personal consumption expenditures (PCE):								
Food	1.7	2.9	1.9	4.8				
Energy goods and services	29.7	3.7	-36.0	16.1				
Excluding food and energy	2.7	2.2	1.8	2.2				
"Market-based" PCE	4.2	2.2	-1.6	3.5				
Excluding food and energy	2.7	1.9	1.6	2.2				
Gross domestic product	3.3	1.9	1.7	4.0				

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 paid by domestic purchasers increased 3.6 percent, compared with a 0.2-percent increase in the fourth quarter. About 0.2 percentage point of the first-quarter increase in the index was accounted for by 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. Energy prices turned up, following a sharp decrease in the fourth quarter, and food prices picked up after a fourth-quarter slowdown. Excluding food and energy, prices increased 2.8 percent after increasing 2.4 percent.

Consumer prices, as measured by the PCE price index, turned up, mainly reflecting a sharp upturn in energy prices.

Prices of nonresidential private fixed investment slowed, reflecting a deceleration in the prices paid for nonresidential structures.

Prices paid for residential investment slowed, increasing 1.6 percent after increasing 3.9 percent.

Prices paid by government accelerated. Prices paid by the Federal Government picked up, increasing 6.5 percent after being unchanged in the fourth quarter. Prices paid by state and local governments accelerated, increasing 5.5 percent after increasing 2.9 percent.

Consumer prices excluding food and energy, a measure of the "core" rate of inflation, picked up, increasing 2.2 percent after increasing 1.8 percent.

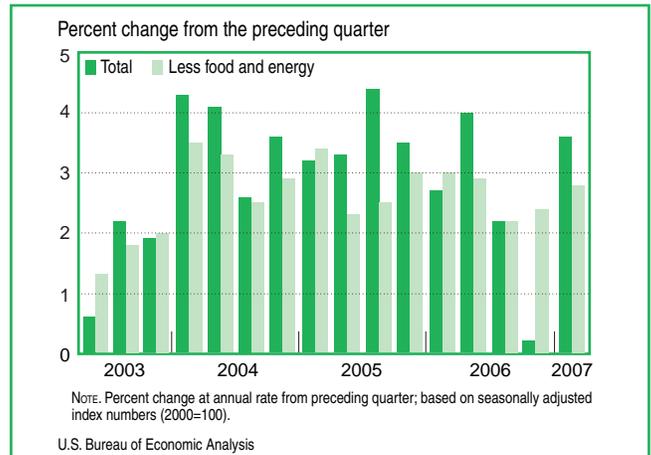
Note on Prices

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 First Quarter of 2007

[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	1.3	0.6	-0.7	1.3	0.6	-0.7
Personal consumption expenditures	3.8	4.4	0.6	2.66	3.01	0.35
Durable goods	7.3	8.8	1.5	0.56	0.68	0.12
Nondurable goods	2.9	3.5	0.6	0.58	0.71	0.13
Services	3.7	4.0	0.3	1.51	1.63	0.12
Gross private domestic investment	-6.5	-9.3	-2.8	-1.06	-1.55	-0.49
Fixed investment	-4.7	-3.5	1.2	-0.76	-0.57	0.19
Nonresidential	2.0	2.9	0.9	0.21	0.31	0.10
Structures	2.2	5.1	2.9	0.07	0.16	0.09
Equipment and software	1.9	2.0	0.1	0.14	0.14	0.00
Residential	-17.0	-15.4	1.6	-0.97	-0.87	0.10
Change in private inventories				-0.30	-0.98	-0.68
Net exports of goods and services				-0.52	-1.00	-0.48
Exports	-1.2	-0.6	0.6	-0.14	-0.07	0.07
Goods	-0.8	-0.6	0.2	-0.06	-0.05	0.01
Services	-2.3	-0.6	1.7	-0.08	-0.02	0.06
Imports	2.3	5.7	3.4	-0.37	-0.93	-0.56
Goods	1.9	6.2	4.3	-0.26	-0.84	-0.58
Services	4.4	3.3	-1.1	-0.12	-0.09	0.03
Government consumption expenditures and gross investment	0.9	1.0	0.1	0.18	0.19	0.01
Federal	-3.0	-3.9	-0.9	-0.21	-0.28	-0.07
National defense	-6.6	-7.3	-0.7	-0.32	-0.36	-0.04
Nondefense	4.7	3.6	-1.1	0.10	0.08	-0.02
State and local	3.3	3.9	0.6	0.39	0.47	0.08
Addenda:						
Final sales of domestic product	1.6	1.6	0.0	1.56	1.63	0.07
Gross domestic purchases price index	3.6	3.6	0.0			
GDP price index	4.0	4.0	0.0			

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

The 0.6-percent preliminary estimate of real GDP growth is 0.7 percentage point less than the advance estimate. The average revision (without regard to sign) between the “advance” and “preliminary” estimates is 0.5 percentage point. The downward revision to the percent change in real GDP primarily reflected a downward revision to inventory investment and an upward revision to imports. Consumer spending was revised up.

The upward revision to consumer spending was to both goods and services. The revisions to durable and nondurable goods were widespread, and the revision to services was primarily to electricity and gas.

The downward revision to inventory investment was widespread, but the largest contributors were retail trade inventories, wholesale trade inventories, and manufacturing inventories.

The upward revision to imports was more than accounted for by widespread revisions to imports of goods. The largest contributor to the revision was petroleum and products.

Source Data for the Preliminary Estimates

Personal consumption expenditures: Retail sales for February and March (revised). Motor vehicle registrations for January and February (revised) and March (new). Retail electricity sales for February (new) and natural gas sales for January (revised) and February (new).

Nonresidential fixed investment: Construction put in place for January and February (revised) and March (new). Manufacturers' shipments of machinery and equipment for January–March (revised). Exports and imports for February (revised) and for March (new).

Residential investment: Construction put in place for January and February (revised) and March (new).

Change in private inventories: Manufacturers' inventories for February and March (revised) and trade inventories for February (revised) and March (new).

Exports and imports of goods and services: International transactions for January and February (revised) and March (new).

Government consumption expenditures and gross investment: State and local construction put in place for January and February (revised) and March (new).

Personal Income for the Fourth 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, third-quarter tabulations from the quarterly census of employment and wages from the Bureau of Labor Statistics.

Wage and salary disbursements increased \$118.0 billion in the fourth quarter, an upward revision of \$33.3 billion. Personal current taxes increased \$29.8 billion, an upward revision of \$5.8 billion. Contributions for government social insurance—a subtraction in calculating personal income—increased \$16.7 billion, an upward revision of \$4.7 billion. As a result of these revisions

- Personal income increased \$157.2 billion, an upward revision of \$31.1 billion.
- Disposable personal income increased \$127.3 billion, an upward revision of \$25.3 billion.
- Personal saving increased \$40.8 billion, an upward revision of \$25.3 billion.
- The personal saving rate was -0.9 percent, an upward revision of 0.3 percentage point.

Corporate Profits

Table 10. Corporate Profits

[Seasonally adjusted]

	Billions of dollars (annual rate)				Percent change from preceding quarter (quarterly rate)				
	Level	Change from preceding quarter							
	2007	2006			2007				
	I	II	III	IV	I	II	III	IV	
Current production measures:									
Corporate profits	1,668.7	22.7	61.5	-4.9	20.3	1.4	3.9	-0.3	1.2
Domestic industries.....	1,397.6	8.9	66.8	-42.1	21.0	0.7	4.9	-3.0	1.5
Financial.....	500.1	41.7	-9.1	20.5	4.8	9.4	-1.9	4.3	1.0
Nonfinancial.....	897.5	-32.8	75.8	-62.6	16.2	-3.6	8.7	-6.6	1.8
Rest of the world.....	271.1	13.8	-5.3	37.3	-0.8	6.1	-2.2	15.9	-0.3
Receipts from the rest of the world.....	435.0	25.7	6.9	19.2	6.9	6.8	1.7	4.7	1.6
Less: Payments to the rest of the world.....	163.9	11.9	12.1	-18.0	7.7	7.9	7.5	-10.3	4.9
Less: Taxes on corporate income	485.0	19.2	14.5	-14.4	8.8	4.2	3.0	-2.9	1.9
Equals: Profits after tax.....	1,183.7	3.6	47.0	9.6	11.4	0.3	4.2	0.8	1.0
Net dividends	692.0	15.4	19.3	21.0	20.6	2.5	3.1	3.2	3.1
Undistributed profits from current production.....	491.7	-11.8	27.8	-11.5	-9.2	-2.4	5.7	-2.2	-1.8
Net cash flow	1,374.8	1.1	30.2	-1.1	-4.6	0.1	2.2	-0.1	-0.3
Industry profits:									
Profits with IVA.....	1,826.0	34.9	63.2	4.4	5.8	2.0	3.6	0.2	0.3
Domestic industries.....	1,554.9	21.1	68.4	-32.8	6.6	1.4	4.5	-2.1	0.4
Financial.....	526.8	44.3	-8.1	22.6	4.1	9.5	-1.6	4.5	0.8
Nonfinancial.....	1,028.1	-23.2	76.5	-55.4	2.5	-2.3	7.6	-5.1	0.2
Rest of the world.....	271.1	13.8	-5.3	37.3	-0.8	6.1	-2.2	15.9	-0.3
Addenda:									
Profits before tax (without IVA and CCAAdj).....	1,858.5	70.9	42.5	-16.4	20.9	4.1	2.3	-0.9	1.1
Profits after tax (without IVA and CCAAdj).....	1,373.5	51.7	28.0	-1.9	12.0	4.0	2.1	-0.1	0.9
IVA.....	-32.5	-36.0	20.7	20.7	-15.0	.....	.....	.....	.....
CAAdj.....	-157.3	-12.2	-1.6	-9.3	14.4	.....	.....	.....	.....

NOTE. Levels of these and other profits series are shown in NIPA tables 1.12, 1.14, 1.15, and 6.16D.

IVA Inventory valuation adjustment
CCAAdj Capital consumption adjustment

Profits from current production increased \$20.3 billion, or 1.2 percent at a quarterly rate, in the first quarter, following a decrease of \$4.9 billion.

Domestic profits of financial corporations increased \$4.8 billion, or 1.0 percent, following an increase of \$20.5 billion.

Domestic profits of nonfinancial corporations increased \$16.2 billion, or 1.8 percent, following a decrease of \$62.6 billion.

Profits from the rest of the world turned down \$0.8 billion, or 0.3 percent, after increasing \$37.3 billion. Receipts from the rest of the world decelerated, and payments to the rest of the world turned up.

Taxes on corporate income increased \$8.8 billion, or 1.9 percent, compared with a decrease of \$14.4 billion.

After-tax profits increased \$11.4 billion, or 1.0 percent, following an increase of \$9.6 billion.

Undistributed corporate profits (a measure of net saving that equals after-tax profits less dividends) decreased \$9.2 billion, or 1.8 percent, following a decrease of \$11.5 billion.

Net cash flow from current production, a profits-related measure of internally generated funds available for investment, decreased \$4.6 billion, or 0.3 percent, following a decrease of \$1.1 billion.

Measuring Corporate Profits

Corporate profits is a widely followed economic indicator used to gauge corporate health, assess investment conditions, and analyze the effect on corporations of economic policies and conditions. In addition, corporate profits is an important component in key measures of income.

BEA's measure of corporate profits aims to capture the income earned by corporations from current production in a manner that is fully consistent with the national income and product accounts (NIPAs). The measure is defined as receipts arising from current production less associated expenses. Receipts exclude income in the form of dividends and capital gains, and expenses exclude bad debts, natural resource depletion, and capital losses.

Because direct estimates of NIPA-consistent corporate profits are unavailable, BEA derives these estimates in three steps.

First, BEA measures profits before taxes to reflect corporate income regardless of any redistributions of income through taxes. This measure is partly based on tax return

information from the Internal Revenue Service; BEA uses tax accounting measures as a source of information on profits for two reasons: They are based on well-specified accounting definitions, and they are comprehensive, covering all incorporated businesses—publicly traded and privately held—in all industries. BEA also uses other sources of information to estimate pretax profits, including information from the Census Bureau.

Second, to remove the effects of price changes on inventories valued at historical cost and of tax accounting for inventory withdrawals, BEA adds an inventory valuation adjustment that values inventories at current cost.

Third, to remove the effects of tax accounting on depreciation, BEA adds a capital consumption adjustment (CCAAdj). CCAAdj is defined as the difference between consumption of fixed capital (the decline in the value of the stock of assets due to wear and tear, obsolescence, accidental damage, and aging) and capital consumption allowances (tax return depreciation).