

GDP and the Economy

Preliminary Estimates for the First Quarter of 2008

REAL gross domestic product (GDP) increased 0.9 percent in the first quarter of 2008 after increasing 0.6 percent in the fourth quarter of 2007, 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 up 0.3 percentage point from the “advance” estimate (page 9).²

The slight step-up in real GDP growth primarily reflected an upturn in inventory investment; in contrast, consumer spending decelerated.³

- Prices of goods and services purchased by U.S. residents increased 3.5 percent after increasing 3.7 percent in the fourth quarter (page 8). The first-quarter increase was unrevised from the “advance” estimate. Food prices picked up, and energy prices slowed. Excluding food and energy, gross domestic purchases prices increased 2.2 percent, following an increase of 2.3 percent in the fourth quarter.
- Real disposable personal income (DPI) increased 1.8 percent after increasing 0.9 percent (revised) in the fourth quarter. The first-quarter increase was revised up 0.4 percentage point. Personal current taxes and the personal consumption expenditures implicit price deflator used to deflate current-dollar DPI both decelerated.
- The personal saving rate, personal saving as a percentage of current-dollar DPI, was 0.6 percent in the first quarter, revised up 0.4 percentage point from the “advance” estimate; in the fourth quarter, it was 0.2 percent (revised).
- Corporate profits rose \$5.2 billion in the first quarter after falling \$52.9 billion in the fourth quarter. Profits in the first quarter reflected the Economic Stimulus Act of 2008 (page 10).

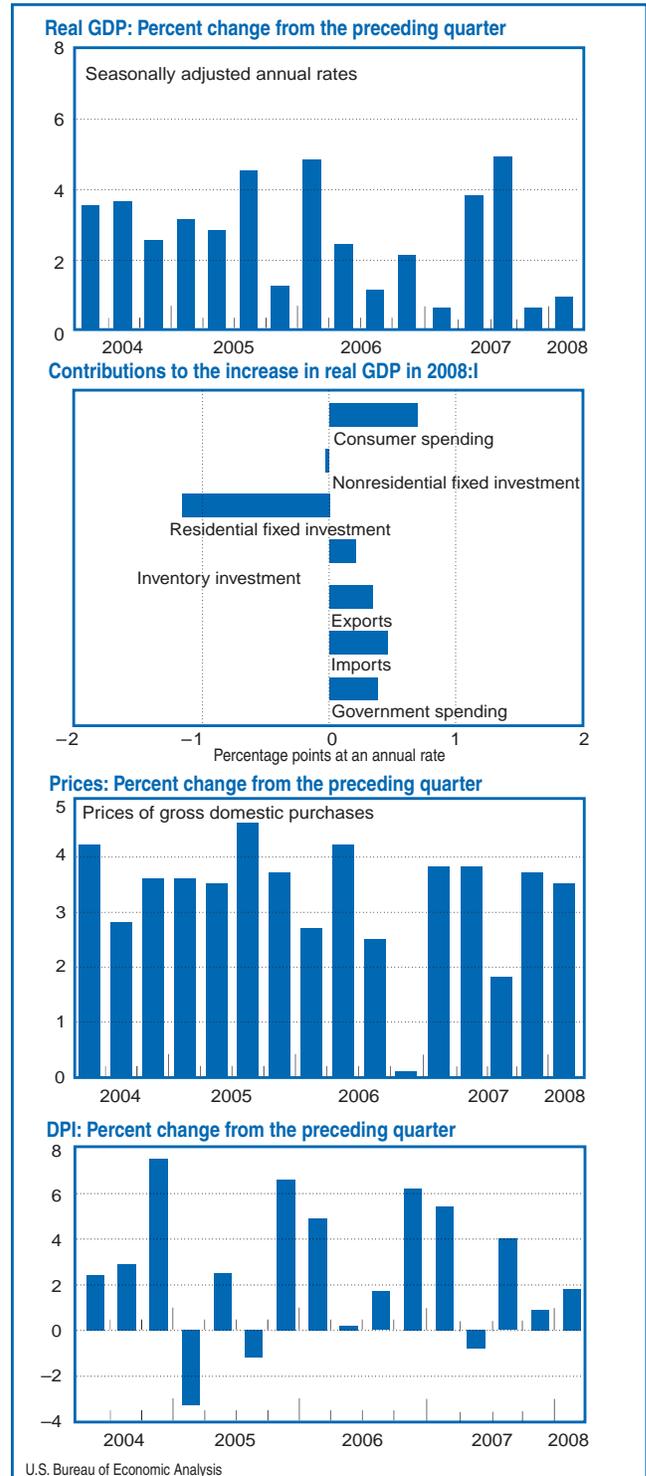
1. “Real” estimates are in chained (2000) dollars, and price indexes are chain-type measures.

2. 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.

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		2007		2008	
	I	II	III	IV	I	II	III	IV	I	
Gross domestic product¹.....	100.0	3.8	4.9	0.6	0.9	3.8	4.9	0.6	0.9	
Personal consumption expenditures.....	70.8	1.4	2.8	2.3	1.0	1.00	2.01	1.58	0.70	
Durable goods.....	7.5	1.7	4.5	2.0	-6.2	0.14	0.35	0.15	-0.49	
Nondurable goods.....	20.8	-0.5	2.2	1.2	-0.3	-0.10	0.46	0.25	-0.07	
Services.....	42.5	2.3	2.8	2.8	3.0	0.96	1.20	1.18	1.25	
Gross private domestic investment.....	14.4	4.6	5.0	-14.6	-6.5	0.71	0.77	-2.40	-0.98	
Fixed investment.....	14.5	3.2	-0.7	-4.0	-7.8	0.49	-0.11	-0.62	-1.20	
Nonresidential.....	10.8	11.0	9.3	6.0	-0.2	1.12	0.96	0.63	-0.03	
Structures.....	3.6	26.2	16.4	12.4	1.1	0.78	0.52	0.41	0.04	
Equipment and software.....	7.2	4.7	6.2	3.1	-0.9	0.34	0.44	0.22	-0.07	
Residential.....	3.8	-11.8	-20.5	-25.2	-25.5	-0.62	-1.08	-1.25	-1.17	
Change in private inventories.....	-0.2	.....	.....	.....	.....	0.22	0.89	-1.79	0.21
Net exports of goods and services.....	-5.0	.....	.....	.....	.....	1.32	1.38	1.02	0.80
Exports.....	12.6	7.5	19.1	6.5	2.8	0.85	2.10	0.77	0.34	
Goods.....	8.8	6.6	26.2	3.9	1.5	0.53	1.96	0.33	0.13	
Services.....	3.7	9.6	4.0	13.2	5.8	0.33	0.14	0.45	0.21	
Imports.....	17.6	-2.7	4.4	-1.4	-2.6	0.47	-0.72	0.24	0.46	
Goods.....	14.9	-2.9	4.8	-2.6	-3.6	0.42	-0.67	0.39	0.54	
Services.....	2.8	-1.7	1.7	5.5	2.8	0.05	-0.05	-0.15	-0.08	
Government consumption expenditures and gross investment.....	19.9	4.1	3.8	2.0	2.0	0.79	0.74	0.38	0.38	
Federal.....	7.2	6.0	7.1	0.5	4.4	0.41	0.50	0.04	0.31	
National defense.....	4.9	8.5	10.1	-0.5	5.6	0.39	0.47	-0.03	0.27	
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	0.6	0.37	0.24	0.34	0.08	

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, as spending for durable goods and nondurable goods turned down. The 1.0 percent increase in the first quarter added 0.70 percentage point to real GDP growth. In the fourth quarter, consumer spending increased 2.3 percent and added 1.58 percentage points to real GDP growth.

Nonresidential fixed investment turned down, reflecting a slowdown in investment in structures and a downturn in investment in equipment and software.

Residential fixed investment decreased more in the first quarter than in the fourth quarter. It was the largest percentage decrease since the fourth quarter of 1981 and subtracted 1.17 percentage points from first-quarter real GDP growth.

Inventory investment turned up, mainly reflecting an upturn in retail trade and a smaller decrease in wholesale trade.

Exports slowed, increasing 2.8 percent after increasing 6.5 percent. The slowdown reflected decelerations in exports of both goods and services.

Imports decreased more in the first quarter than in the fourth quarter. Imports of goods decreased more than in the fourth quarter. Imports of services slowed.

Federal government spending accelerated, increasing 4.4 percent after increasing 0.5 percent; national defense spending turned up.

State and local government spending slowed.

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		2007		2008	
	I	II	III	IV	I	II	III	IV	I	
Gross domestic product¹.....	100.0	3.8	4.9	0.6	0.9	3.8	4.9	0.6	0.9	
Final sales of domestic product.....	100.2	3.6	4.0	2.4	0.7	3.60	4.02	2.36	0.69	
Change in private inventories.....	-0.2	.....	.....	.....	.....	0.22	0.89	-1.79	0.21
Goods.....	30.5	5.4	11.7	-1.6	1.0	1.65	3.48	-0.49	0.32	
Services.....	60.0	3.1	3.1	3.1	3.2	1.85	1.86	1.80	1.89	
Structures.....	9.5	3.0	-4.2	-7.0	-12.6	0.32	-0.43	-0.73	-1.31	
Addenda:										
Motor vehicle output.....	2.6	1.0	13.1	-26.0	-12.3	0.03	0.36	-0.86	-0.35	
GDP excluding motor vehicle output.....	97.4	3.9	4.7	1.5	1.3	3.79	4.54	1.43	1.25	
Final sales of computers.....	0.7	35.7	49.8	26.6	8.6	0.21	0.28	0.16	0.06	
GDP excluding final sales of computers.....	99.3	3.6	4.6	0.4	0.9	3.61	4.63	0.41	0.84	

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, decelerated, increasing 0.7 percent in the first quarter after increasing 2.4 percent in the fourth quarter.

Motor vehicle output decreased 12.3 percent after decreasing 26.0 percent. The first-quarter increase was revised up 1.5 percentage points.

Excluding motor vehicle output, real GDP increased 1.3 percent after increasing 1.5 percent.

Final sales of computers decelerated, increasing 8.6 percent in the first quarter after increasing 26.6 percent. The first-quarter increase was revised down 9.8 percentage points.

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)				
		2007				2008				
		I	II	III	IV	I	II	III	IV	I
PCE ¹	100.0	1.4	2.8	2.3	1.0	1.4	2.8	2.3	1.0	
Durable goods	10.6	1.7	4.5	2.0	-6.2	0.19	0.49	0.22	-0.69	
Motor vehicles and parts	4.2	-2.9	-5.2	2.8	-13.5	-0.14	0.13	-0.63		
Furniture and household equipment	4.1	4.2	10.8	4.5	0.6	0.18	0.44	0.19	0.02	
Other ²	2.2	6.8	13.4	-4.0	-3.9	0.15	0.29	-0.09	-0.09	
Nondurable goods	29.4	-0.5	2.2	1.2	-0.3	-0.14	0.65	0.36	-0.09	
Food	13.8	-1.4	1.3	4.2	1.1	-0.19	0.18	0.56	0.15	
Clothing and shoes	3.7	2.4	6.3	-3.6	1.7	0.09	0.24	-0.14	0.06	
Gasoline, fuel oil, and other energy goods	4.1	-4.5	-0.6	-1.4	-4.8	-0.17	-0.02	-0.06	-0.20	
Other ³	7.7	1.7	3.3	-0.1	-1.4	0.13	0.25	-0.01	-0.11	
Services	60.1	2.3	2.8	2.8	3.0	1.35	1.70	1.69	1.78	
Housing	15.1	2.7	2.5	3.2	2.2	0.41	0.38	0.49	0.33	
Household operation	5.6	1.4	6.2	6.0	6.5	0.08	0.33	0.32	0.35	
Electricity and gas	2.5	1.2	13.5	12.1	13.7	0.03	0.30	0.27	0.31	
Other household operation	3.1	1.5	1.1	1.6	1.2	0.05	0.03	0.05	0.04	
Transportation	3.7	4.4	3.5	2.8	1.5	0.16	0.13	0.10	0.06	
Medical care	17.4	2.3	2.2	4.3	3.6	0.40	0.38	0.74	0.61	
Recreation	4.1	0.9	3.5	0.0	-1.5	0.04	0.14	0.00	-0.06	
Other ⁴	14.2	1.9	2.4	0.3	3.6	0.27	0.34	0.05	0.49	

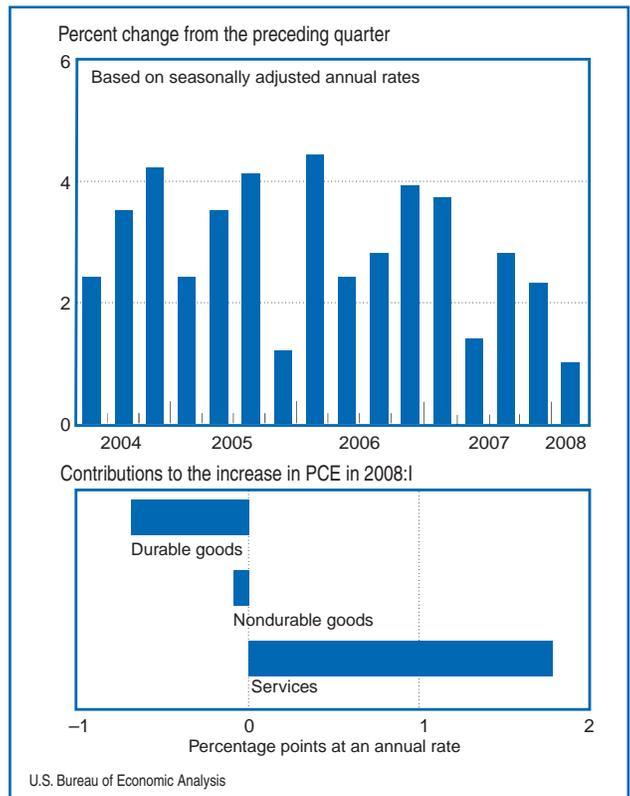
Spending for durable goods turned down in the first quarter and reduced growth in consumer spending 0.69 percentage point. In the fourth quarter, it added 0.22 percentage point to growth. The downturn mainly reflected a downturn in spending for motor vehicles and parts.

Spending for nondurable goods also turned down, reducing growth in real consumer spending by 0.09 percentage point after adding 0.36 percentage. The downturn reflected a sharp deceleration in spending for food and a larger decrease in spending for gasoline, fuel oil, and other energy goods. In contrast, spending for clothing and shoes turned up.

Spending for services picked up slightly and added 1.78 percentage points to the growth in consumer spending. The pickup mainly reflected an acceleration in "other" services. In contrast, spending for housing services and for medical care 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)			
	2008	2007			2008	2007			2008
	I	II	III	IV	I	II	III	IV	I
Private fixed investment ¹	100.0	3.2	-0.7	-4.0	-7.8	3.2	-0.7	-4.0	-7.8
Nonresidential	73.9	11.0	9.3	6.0	-0.2	7.16	6.22	4.19	-0.17
Structures	24.5	26.2	16.4	12.4	1.1	4.97	3.37	2.71	0.27
Commercial and health care	8.8	2.5	5.2	1.7	-0.4	0.21	0.42	0.14	-0.03
Manufacturing	1.7	19.0	-7.2	64.9	35.8	0.23	-0.10	0.72	0.49
Power and communication	3.1	52.1	21.3	29.2	-6.2	1.07	0.53	0.76	-0.20
Mining exploration, shafts, and wells	5.9	48.6	25.5	6.7	-6.5	2.13	1.27	0.37	-0.39
Other structures ²	4.9	40.7	34.0	17.2	8.7	1.34	1.24	0.72	0.40
Equipment and software	49.5	4.7	6.2	3.1	-0.9	2.19	2.86	1.48	-0.44
Information processing equipment and software	25.9	10.1	6.6	14.7	5.9	2.30	1.52	3.35	1.46
Computers and peripheral equipment	4.9	12.3	11.7	32.8	17.2	0.53	0.50	1.31	0.76
Software ³	11.1	10.8	4.4	11.9	6.5	1.03	0.44	1.17	0.68
Other ⁴	9.9	8.4	6.5	9.7	0.3	0.73	0.58	0.87	0.02
Industrial equipment	8.7	16.3	8.2	-12.9	3.0	1.22	0.66	-1.16	0.25
Transportation equipment	6.8	-23.8	3.0	-16.3	-14.2	-2.03	0.21	-1.25	-1.04
Other equipment ⁵	8.1	9.3	6.1	6.9	-12.7	0.69	0.47	0.54	-1.10
Residential	26.1	-11.8	-20.5	-25.2	-25.5	-4.01	-6.95	-8.19	-7.61
Structures	25.6	-11.9	-20.8	-25.5	-25.8	-3.98	-6.97	-8.18	-7.58
Permanent site	12.9	-14.4	-23.3	-38.3	-39.2	-2.77	-4.44	-7.34	-6.54
Single family	10.8	-14.2	-24.5	-41.2	-43.4	-2.35	-4.05	-6.89	-6.30
Multifamily	2.1	-15.8	-15.6	-18.5	-10.8	-0.42	-0.39	-0.45	-0.24
Other structures ⁶	12.7	-8.5	-17.6	-6.4	-8.2	-1.21	-2.53	-0.84	-1.05
Equipment	0.5	-6.0	3.3	-2.0	-5.5	-0.03	0.01	-0.01	-0.02

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.

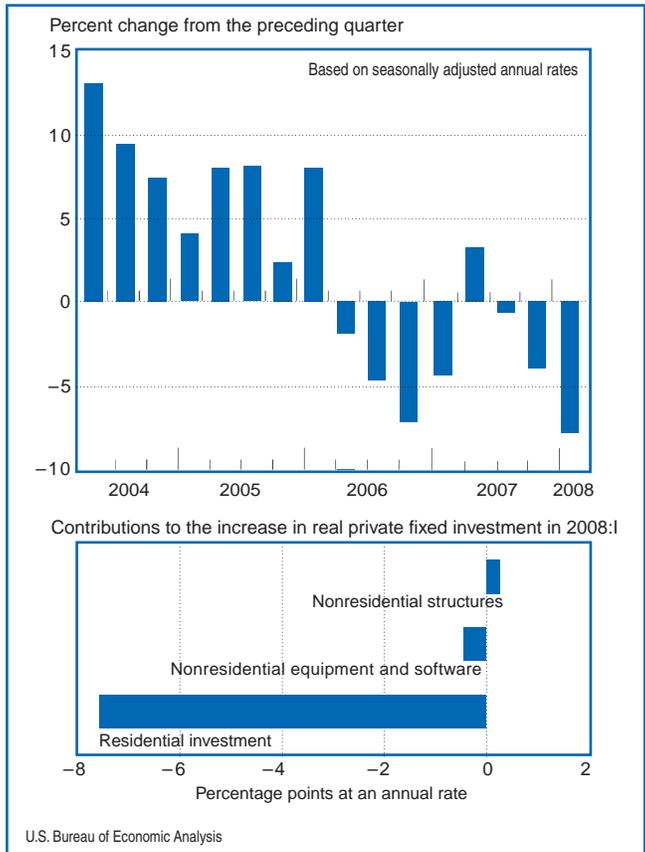
Nonresidential fixed investment turned down in the first quarter, decreasing 0.2 percent after increasing 6.0 percent in the fourth quarter. The downturn reflected a slowdown in business spending for structures and a downturn in investment in equipment and software.

The slowdown in structures investment was widespread. Investment in power and communication structures, in mining exploration, shafts, and wells, and in commercial and health care structures turned down. Investment in "other" structures and in manufacturing structures slowed.

The downturn in equipment and software investment reflected a deceleration in information processing equipment and software and a downturn in "other" equipment, especially agricultural machinery. In contrast, investment in industrial equipment turned up.

Residential investment decreased for the ninth consecutive quarter and reflected continuing deterioration that was widespread across housing categories.

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					
	2007				2008	2007				2008
	I	II	III	IV	I	II	III	IV	I	
Change in private inventories¹	0.1	5.8	30.6	-18.3	-14.4	5.7	24.8	-48.9	3.9	
Farm	5.0	3.6	4.1	2.2	-0.9	-1.4	0.5	-1.9	-3.1	
Mining, utilities, and construction	4.3	1.9	-2.6	-5.5	-5.2	-2.4	-4.5	-2.9	0.3	
Manufacturing	-5.0	-4.2	3.1	8.5	16.4	0.8	7.3	5.4	7.9	
Durable-goods industries	0.8	-7.5	1.4	20.5	5.0	-8.3	8.9	19.1	-15.5	
Nondurable-goods industries	-5.3	2.7	1.7	-9.4	10.4	8.0	-1.0	-11.1	19.8	
Wholesale trade	4.4	-0.2	13.9	-3.3	-5.9	-4.6	14.1	-17.2	-2.6	
Durable-goods industries	8.7	-13.3	-0.4	6.1	4.1	-22.0	12.9	6.5	-2.0	
Nondurable-goods industries	-3.4	10.9	12.7	-7.7	-8.0	14.3	1.8	-20.4	-0.3	
Retail trade	-13.5	3.3	12.7	-22.9	-20.2	16.8	9.4	-35.6	2.7	
Motor vehicle and parts dealers	-15.4	-5.2	11.6	-30.8	-13.9	10.2	16.8	-42.4	16.9	
Food and beverage stores	-0.1	0.7	1.8	0.9	0.4	0.8	1.1	-0.9	-0.5	
General merchandise stores	2.3	2.5	-1.8	-0.7	-1.7	0.2	-4.3	1.1	-1.0	
Other retail stores	-1.5	4.6	1.9	4.5	-6.2	6.1	-2.7	2.6	-10.7	
Other industries	2.3	0.6	0.3	-0.2	-1.1	-1.7	-0.3	-0.5	-0.9	
Residual ²	2.4	4.3	-0.1	1.8	2.7	1.9	-4.4	1.9	0.9	
Addenda: Ratios of private inventories to final sales of domestic business:³										
Private inventories to final sales	2.43	2.41	2.39	2.37	2.37					
Nonfarm inventories to final sales	2.24	2.21	2.20	2.18	2.18					
Nonfarm inventories to final sales of goods and structures	3.61	3.57	3.54	3.52	3.54					

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.

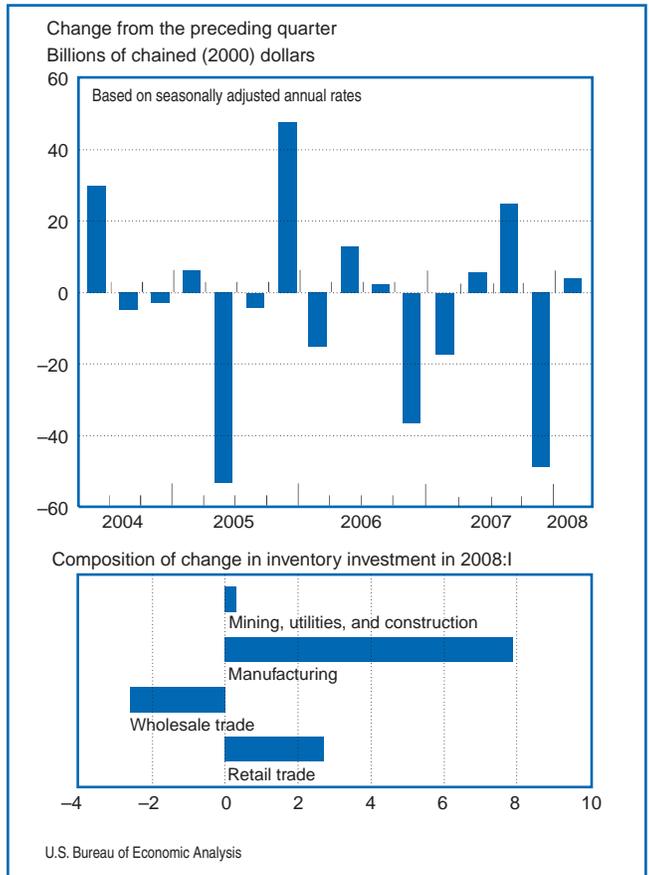
Real inventory investment increased \$3.9 billion in the first quarter after decreasing \$48.9 billion in the fourth quarter, mainly reflecting an upturn in retail trade and a smaller decrease in wholesale trade.

Inventory investment in mining, utilities, and construction industries increased \$0.3 billion after decreasing \$2.9 billion.

The \$2.6 billion decrease in inventory investment in wholesale trade industries in the first quarter was smaller than the \$17.2 billion decrease in the fourth quarter. The smaller first-quarter decrease mainly reflected a smaller decrease in nondurable-goods industries.

The \$2.7 billion increase in inventory investment in retail trade industries followed a \$35.6 billion decrease. It mainly reflected an upturn in motor vehicle and parts dealers that exceeded a downturn in "other" retail stores.

Chart 4. Real Private Inventory Investment



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.

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)			
		2007				2008			
		I	II	III	IV	I	II	III	IV	I
Exports of goods and services¹	100.0	7.5	19.1	6.5	2.8	7.5	19.1	6.5	2.8
Exports of goods²	70.3	6.6	26.2	3.9	1.5	4.66	17.84	2.76	1.06
Foods, feeds, and beverages	6.2	24.4	44.0	-13.4	14.0	1.09	2.06	-0.79	0.77
Industrial supplies and materials	19.5	6.4	19.9	8.2	7.0	1.16	3.67	1.50	1.31
Capital goods, except automotive	26.1	5.1	28.3	10.4	-4.5	1.41	7.37	2.75	-1.24
Automotive vehicles, engines, and parts	6.7	24.5	40.7	-9.9	-17.4	1.64	2.80	-0.78	-1.33
Consumer goods, except automotive	8.8	4.5	21.3	-2.7	14.1	0.41	1.89	-0.24	1.16
Other	3.0	-28.2	1.0	11.1	14.1	-1.04	0.03	0.31	0.40
Exports of services²	29.7	9.6	4.0	13.2	5.8	2.87	1.28	3.78	1.70
Imports of goods and services¹	100.0	-2.7	4.4	-1.4	-2.6	-2.7	4.4	-1.4	-2.6
Imports of goods²	84.2	-2.9	4.8	-2.6	-3.6	-2.44	4.07	-2.25	-3.05
Foods, feeds, and beverages	3.4	-5.9	7.2	-13.5	2.1	-0.21	0.24	-0.50	0.07
Industrial supplies and materials, except petroleum and products	11.8	22.2	4.9	-27.5	-11.6	2.53	0.62	-3.91	-1.44
Petroleum and products	18.0	-22.3	-18.3	28.1	14.4	-3.27	-2.75	3.71	2.29
Capital goods, except automotive	18.2	1.3	9.4	0.3	1.8	0.24	1.72	0.06	0.34
Automotive vehicles, engines, and parts	10.1	-2.3	26.2	-13.2	-15.6	-0.26	2.61	-1.55	-1.76
Consumer goods, except automotive	19.1	-3.5	1.8	7.3	-10.9	-0.73	0.37	1.40	-2.24
Other	3.6	-16.7	36.0	-31.2	-8.1	-0.73	1.25	-1.46	-0.31
Imports of services²	15.8	-1.7	1.7	5.5	2.8	-0.26	0.28	0.84	0.43
Addenda:									
Exports of agricultural goods ³	6.6	35.5	56.3	-25.2	11.0	.....	.....	.....	.....
Exports of nonagricultural goods	63.7	4.6	23.8	7.1	0.6	.....	.....	.....	.....
Imports of nonpetroleum goods	66.3	1.2	10.0	-8.3	-7.7	.....	.....	.....	.....

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 export growth slowed, increasing 2.8 percent in the first quarter after increasing 6.5 percent in the fourth quarter.

Exports of goods increased 1.5 percent after increasing 3.9 percent. The slowdown reflected a downturn in nonautomotive capital goods and a larger decrease in automotive vehicles, engines, and parts. In contrast, both exports of nonautomotive consumer goods and exports of foods, feeds, and beverages turned up.

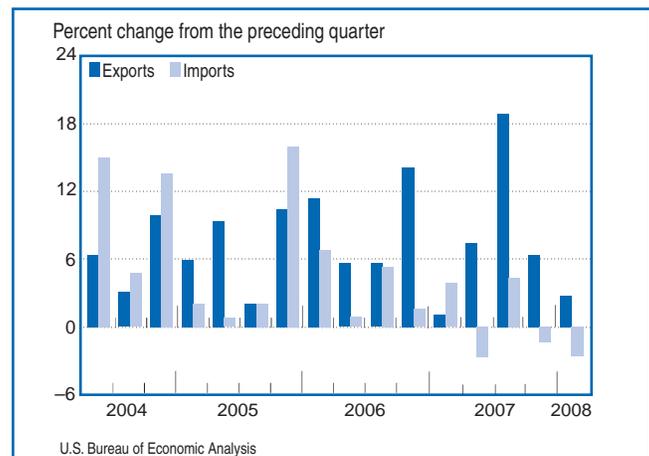
Exports of services decelerated, increasing 5.8 percent after increasing 13.2 percent. The deceleration reflected a slowdown in travel by foreigners in the United States and a deceleration in "other" private services.

Real imports decreased 2.6 percent after decreasing 1.4 percent.

Imports of goods decreased 3.6 percent after decreasing 2.6 percent. Imports of nonautomotive consumer goods turned down, and imports of petroleum and products slowed. In contrast, imports of nonpetroleum industrial supplies and materials and "other" imports decreased less in the first quarter than in the fourth quarter.

Imports of services slowed. Imports of "other" private services decelerated. In contrast, travel by U.S. citizens abroad decreased by less than in the fourth quarter.

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				2008				
		I	II	III	IV	I	II	III	IV	I
Government consumption expenditures and gross investment¹	100.0	4.1	3.8	2.0	2.0	4.1	3.8	2.0	2.0	2.0
Consumption expenditures.....	83.0	3.3	3.5	2.0	3.1	2.73	2.89	1.63	2.57	
Gross investment.....	17.0	7.9	5.2	1.9	-3.5	1.35	0.90	0.33	-0.62	
Federal	36.2	6.0	7.1	0.5	4.4	2.15	2.54	0.19	1.56	
National defense	24.7	8.5	10.1	-0.5	5.6	2.04	2.41	-0.13	1.36	
Consumption expenditures.....	21.7	8.7	9.6	1.3	5.8	1.81	2.01	0.28	1.22	
Gross investment.....	2.9	7.6	13.7	-12.7	4.6	0.23	0.40	-0.41	0.13	
Nondefense	11.6	0.9	1.1	2.8	1.8	0.11	0.13	0.32	0.21	
Consumption expenditures.....	10.2	-0.9	2.0	2.2	1.6	-0.09	0.20	0.22	0.17	
Gross investment.....	1.4	14.9	-4.7	7.3	2.7	0.20	-0.07	0.10	0.04	
State and local	63.8	3.0	1.9	2.8	0.6	1.93	1.25	1.76	0.39	
Consumption expenditures.....	51.1	2.0	1.3	2.2	2.3	1.01	0.67	1.12	1.17	
Gross investment.....	12.7	7.2	4.4	5.0	-5.9	0.92	0.57	0.63	-0.79	

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.

Growth in real government spending was 2.0 percent in the first quarter, unchanged from the fourth quarter. Federal government spending picked up, but state and local government spending slowed.

Federal government spending increased 4.4 percent, following an increase of 0.5 percent. The pickup reflected an upturn in spending for national defense. Nondefense spending slowed.

State and local government spending decelerated, reflecting a downturn in gross investment.

Government Spending

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

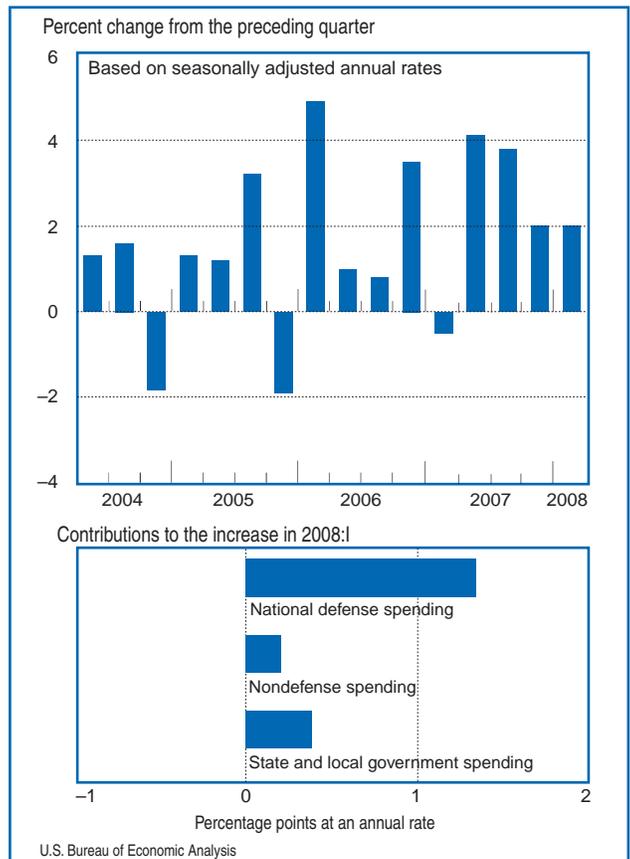
Government consumption expenditures consists of the goods and services that are produced by general government (less any sales to other sectors and investment goods produced by government itself). Governments generally provide services to the general public without charge. The value of government production—that is, government’s gross output—is measured as spending for labor and for intermediate goods and services and a charge for consumption of fixed capital.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 expenditures 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 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)			
	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	2.32
Durable goods	-1.4	-1.8	-1.7	-0.2	-0.11	-0.13	-0.12	-0.01
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	2.6	1.06	1.12	1.40	1.06
Gross private domestic investment	-0.4	-0.3	0.8	-1.0	-0.05	-0.05	0.12	-0.14
Fixed investment	-0.3	-0.5	0.7	-0.5	-0.04	-0.07	0.10	-0.07
Nonresidential	0.0	-0.6	1.1	0.2	0.00	-0.06	0.12	0.02
Structures	-1.1	0.5	3.2	2.0	-0.04	0.02	0.11	0.07
Equipment and software	0.5	-1.1	0.1	-0.7	0.03	-0.07	0.01	-0.05
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	-0.07
Government consumption expenditures and gross investment	5.5	3.2	5.2	6.9	1.00	0.59	0.96	1.28
Federal	3.8	1.6	2.5	6.1	0.26	0.11	0.17	0.41
National defense	4.1	1.9	3.0	5.8	0.18	0.09	0.14	0.27
Nondefense	3.3	1.1	1.3	6.6	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	4.2	0.44	0.44	0.38	0.39
Energy goods and services	49.6	-5.2	29.3	23.9	2.02	-0.27	1.37	1.21
Excluding food and energy	1.5	1.9	2.3	2.2	1.32	1.58	1.97	1.86
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	2.1				
Market-based PCE	4.7	1.4	4.0	3.7				
Excluding food and energy	1.2	1.5	2.3	2.0				
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 price index for gross domestic purchases, slowed slightly in the first quarter, increasing 3.5 percent after increasing 3.7 percent in the fourth quarter. About 0.3 percentage point of the first-quarter increase was due to the federal government pay increases.

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

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

Residential investment prices decreased more in the first quarter than in the fourth quarter. It was the largest percentage drop in residential prices since the third quarter of 1970.

Prices paid by government accelerated. Prices paid by the federal government accelerated, mainly reflecting 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 2.1 percent after increasing 2.5 percent.

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.

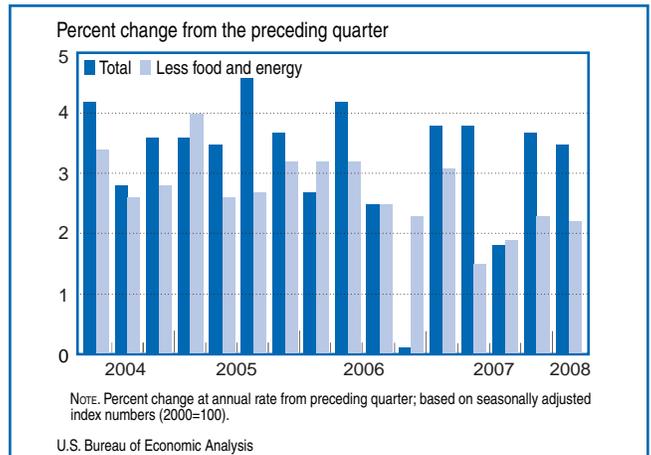
Note on Prices

BEA’s gross domestic purchases price index is the most comprehensive index of prices paid by U.S. residents for all goods and services 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. Advance and Preliminary Estimates for the First Quarter of 2008
[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	0.6	0.9	0.3	0.6	0.9	0.3
Personal consumption expenditures	1.0	1.0	0.0	0.68	0.70	0.02
Durable goods.....	-6.1	-6.2	-0.1	-0.48	-0.49	-0.01
Nondurable goods.....	-1.3	-0.3	1.0	-0.27	-0.07	0.20
Services.....	3.4	3.0	-0.4	1.43	1.25	-0.18
Gross private domestic investment	-4.7	-6.5	-1.8	-0.70	-0.98	-0.28
Fixed investment.....	-9.7	-7.8	1.9	-1.50	-1.20	0.30
Nonresidential.....	-2.5	-0.2	2.3	-0.28	-0.03	0.25
Structures.....	-6.2	1.1	7.3	-0.23	0.04	0.27
Equipment and software.....	-0.7	-0.9	-0.2	-0.05	-0.07	-0.02
Residential.....	-26.7	-25.5	1.2	-1.23	-1.17	0.06
Change in private inventories.....				0.81	0.21	-0.60
Net exports of goods and services				0.22	0.80	0.58
Exports.....	5.5	2.8	-2.7	0.67	0.34	-0.33
Goods.....	5.2	1.5	-3.7	0.45	0.13	-0.32
Services.....	6.1	5.8	-0.3	0.22	0.21	-0.01
Imports.....	2.5	-2.6	-5.1	-0.44	0.46	0.90
Goods.....	2.4	-3.6	-6.0	-0.35	0.54	0.89
Services.....	3.5	2.8	-0.7	-0.09	-0.08	0.01
Government consumption expenditures and gross investment	2.0	2.0	0.0	0.39	0.38	-0.01
Federal.....	4.6	4.4	-0.2	0.32	0.31	-0.01
National defense.....	6.0	5.6	-0.4	0.28	0.27	-0.01
Nondefense.....	1.8	1.8	0.0	0.04	0.04	0.00
State and local.....	0.5	0.6	0.1	0.07	0.08	0.01
Addenda:						
Final sales of domestic product.....	-0.2	0.7	0.9	-0.21	0.69	0.90
Gross domestic purchases price index.....	3.5	3.5	0.0			
GDP price index.....	2.6	2.6	0.0			

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

The 0.9 percent preliminary estimate of real GDP growth is 0.3 percentage point more than the “advance” estimate. The average revision (without regard to sign) between the “advance” and “preliminary” estimates is 0.5 percentage point. The upward revision reflected a downward revision to imports and upward revisions to nonresidential structures and to consumer spending for nondurable goods that exceeded downward revisions to inventory investment, exports, and consumer spending for services.

The upward revision to consumer spending for nondurable goods mainly reflected food and “other” nondurable goods.

The downward revision to consumer spending for services mainly reflected brokerage and investment counseling.

The upward revision to nonresidential structures mainly reflected commercial and health care structures, “other” structures, and power and communication structures.

The downward revision to inventory investment primarily reflected wholesale and retail trade inventories.

The upward revision to exports was mostly to goods and was widespread.

The downward revision to imports was mostly to goods and was widespread.

Source Data for the Preliminary Estimates

Personal consumption expenditures: Retail sales for January, February, and March (revised). Motor vehicle registrations for January and February (revised) and March (new). Retail 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 (M3) of machinery and equipment for January, February, and March (revised). Exports and imports for February (revised) and March (new).

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

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

Exports and imports of goods and services: International transactions for 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 of 2007

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

Wage and salary disbursements increased \$85.7 billion in the fourth quarter, an upward revision of \$26.0 billion. Personal current taxes increased \$22.9 billion, an upward revision of \$4.7 billion. Contributions for government social insurance, which are subtracted in calculating personal income, increased \$10.9 billion, an upward revision of \$3.5 billion. As a result of these revisions,

- Personal income increased \$145.9 billion, an upward revision of \$24.3 billion.
- Disposable personal income increased \$123.0 billion, an upward revision of \$19.6 billion.
- Personal saving decreased \$25.1 billion, \$19.6 billion less of a decrease than previously published.
- The personal saving rate was 0.2 percent, an upward revision of 0.2 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							
	2008	2007			2008				
	I	II	III	IV	I	II	III	IV	I
Current production measures:									
Corporate profits.....	1,574.2	94.7	-20.5	-52.9	5.2	6.1	-1.2	-3.3	0.3
Domestic industries.....	1,172.4	78.0	-46.9	-108.7	0.2	6.2	-3.5	-8.5	0.0
Financial.....	411.5	52.7	-32.5	-74.4	-3.0	11.2	-6.2	-15.2	-0.7
Nonfinancial.....	760.9	25.3	-14.4	-34.3	3.2	3.2	-1.8	-4.3	0.4
Rest of the world.....	401.8	16.7	26.4	55.8	5.0	5.6	8.4	16.4	1.2
Receipts from the rest of the world.....	533.1	33.9	27.6	12.3	10.6	7.6	5.7	2.4	2.0
Less: Payments to the rest of the world.....	131.3	17.2	1.1	-43.4	5.6	11.4	0.7	-25.7	4.5
Less: Taxes on corporate income.....	417.5	37.6	-20.7	-15.0	-36.9	8.3	-4.2	-3.2	-8.1
Equals: Profits after tax.....	1,156.6	57.0	0.3	-37.9	42.0	5.2	0.0	-3.3	3.8
Net dividends.....	846.4	24.8	23.5	21.7	17.0	3.3	3.0	2.7	2.0
Undistributed profits from current production.....	310.2	32.2	-23.3	-59.5	25.0	9.6	-6.3	-17.3	8.8
Net cash flow.....	1,241.7	37.4	-21.1	-55.7	29.6	3.0	-1.6	-4.4	2.4
Industry profits:									
Profits with IVA.....	1,647.9	101.2	-17.4	-48.9	-162.6	5.7	-0.9	-2.6	-9.0
Domestic industries.....	1,246.2	84.4	-43.8	-104.6	-167.5	5.7	-2.8	-6.9	-11.8
Financial.....	418.7	53.4	-32.2	-73.9	-21.6	10.8	-5.9	-14.4	-4.9
Nonfinancial.....	827.5	31.0	-11.6	-30.7	-145.9	3.2	-1.1	-3.1	-15.0
Rest of the world.....	401.8	16.7	26.4	55.8	5.0	5.6	8.4	16.4	1.2
Addenda:									
Profits before tax (without IVA and CCAadj).....	1,746.6	115.7	-51.8	0.2	-133.3	6.4	-2.7	0.0	-7.1
Profits after tax (without IVA and CCAadj).....	1,329.1	78.1	-31.2	15.3	-96.4	5.7	-2.2	1.1	-6.8
IVA.....	-98.7	-14.5	34.4	-49.1	-29.3	.....	.....	.....	.....
CCAadj.....	-73.8	-6.5	-3.0	-4.1	167.7	.....	.....	.....	.....

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 \$5.2 billion, or 0.3 percent at a quarterly rate, in the first quarter, following a decrease of \$52.9 billion in the fourth quarter.

Domestic profits of financial corporations decreased \$3.0 billion, or 0.7 percent, after decreasing \$74.4 billion.

Domestic profits of nonfinancial corporations increased \$3.2 billion, or 0.4 percent, following a decrease of \$34.3 billion.

Profits from the rest of the world increased \$5.0 billion, or 1.2 percent, after increasing \$55.8 billion. In the first quarter, receipts increased \$10.6 billion, and payments increased \$5.6 billion.

Taxes on corporate income decreased \$36.9 billion, or 8.1 percent, following a decrease of \$15.0 billion.

After-tax profits increased \$42.0 billion, or 3.8 percent, after decreasing \$37.9 billion.

Undistributed corporate profits (after-tax profits less dividends) increased \$25.0 billion, or 8.8 percent, following a decrease of \$59.5 billion.

Net cash flow from current production, a profits-related measure of internally generated funds available for investment, increased \$29.6 billion, or 2.4 percent, after decreasing \$55.7 billion.

The Effect of the Economic Stimulus Act of 2008 on Corporate Profits

As of the first quarter of 2008, NIPA corporate profits reflect bonus depreciation provisions and higher ceilings for small business expenses provided by the Economic Stimulus Act of 2008. The law offers a first-year bonus depreciation of 50 percent for qualifying property purchased and put in place in 2008. It also raises the ceiling for small business expenses under Internal Revenue Code Section 179 from \$128,000 to \$250,000. Because the deductible amount summed across 2008 and future tax years equals the cost of the property, the accelerated deductions in 2008 will lead to lower deductions in the future.

Profits from current production were not affected by the act, because they do not depend on the depreciation-accounting practices used for federal taxes. This profits measure includes inventory valuation and capital consumption adjustments to put it on an economic-accounting basis, not a tax basis. But industry profits adjusted for inventory valuations and profits before taxes are affected by the inventory and depreciation-accounting practices used for federal corporate taxes.

The act's provisions increased the depreciation that corporations could claim in the first quarter by \$139.7 billion, thus reducing profits before taxes by the same amount. As a result, taxes on profits was reduced \$37.8 billion, and profits after tax was reduced \$102.0 billion.

The capital consumption adjustment (CCAadj) is the difference between the tax-based depreciation and economic-accounting depreciation. Because the tax-based depreciation estimate was raised \$139.7 billion, the CCAadj increased by the same amount.

Historically, similar adjustments were made for the Job Creation and Worker Assistance Act of 2002 (see the April 2002 SURVEY OF CURRENT BUSINESS) and the Jobs and Growth Tax Relief Reconciliation Act of 2003 (see the July 2003 SURVEY).

The effects are net of offsetting bonus depreciation that was claimed in earlier years. See the table "Net Effects of the Tax Acts of 2002, 2003, and 2008 on Selected Measures of Corporate Profits" at www.bea.gov/national/xls/technote_tax_acts.xls.