

GDP and the Economy

Preliminary Estimates for the Second Quarter of 2008

REAL GROSS domestic product (GDP) increased 3.3 percent in the second quarter after increasing 0.9 percent in the first quarter, according to the “preliminary” estimates of the national income and product accounts (NIPAs) (chart 1 and table 1).¹

The acceleration in real GDP growth primarily reflected a larger decrease in imports, accelerations in exports and in consumer spending, a smaller decrease in residential investment, and an upturn in state and local government spending. In contrast inventory investment decreased more than in the first quarter.²

- The second-quarter growth rate was revised up 1.4 percentage points from the “advance” estimate. The larger-than-average revision was mainly due to upward revisions to net exports and to inventory investment (see “Revisions” on page 9).³
- Prices of goods and services purchased by U.S. residents increased 4.2 percent in the second quarter after increasing 3.5 percent in the first quarter (page 8). Energy and food prices accelerated. Excluding food and energy, gross domestic purchases prices increased 2.2 percent, the same as in the first quarter.
- Real disposable personal income (DPI) increased 11.4 percent after decreasing 0.7 percent (revised). A sharp acceleration in current-dollar DPI reflected a sharp acceleration in personal income and a sharper downturn in personal current taxes; both primarily reflected the rebates to individuals provided by the Economic Stimulus Act of 2008.⁴
- The personal saving rate, personal saving as a percentage of current-dollar DPI, was 2.6 percent; in the first quarter, it was 0.2 percent (revised).

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

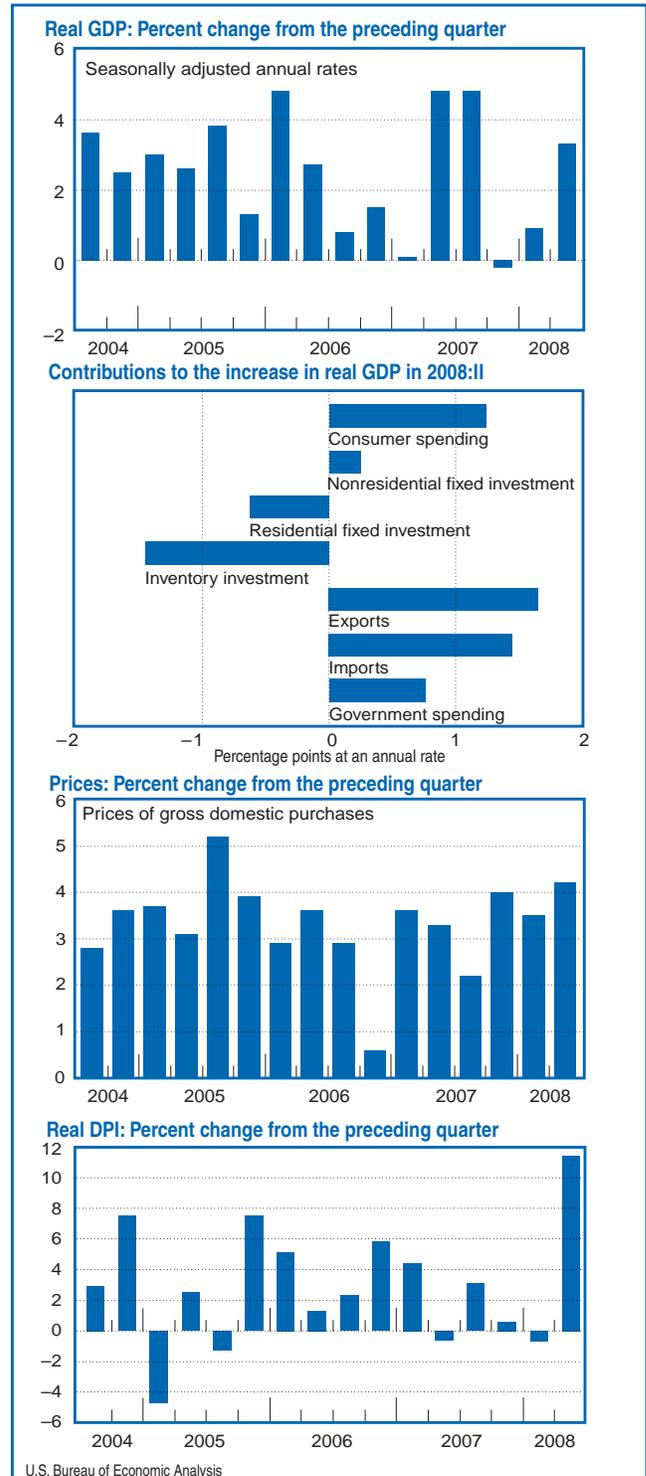
2. In this article, “consumer spending” refers to the NIPA series “personal consumption expenditures,” “inventory investment” refers to “change in private inventories,” and “government spending” refers to “government consumption expenditures and gross investment.”

3. 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/beat/about/infoqual.htm> and <www.bea.gov/beat/faq/national/gdp_accuracy.htm>. Quarterly estimates are expressed at seasonally adjusted annual rates, which assumes that a rate of activity for a quarter is maintained for a year.

4. See the FAQ “How Will the Rebates for Individuals in the 2008 Economic Stimulus Act Be Recorded in the NIPAs?” at <www.bea.gov> by clicking on “FAQ.”

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	
	II	III	IV	I	II	III	IV	I	II	
Gross domestic product¹.....	100.0	4.8	-0.2	0.9	3.3	4.8	-0.2	0.9	3.3	
Personal consumption expenditures.....	70.9	2.0	1.0	0.9	1.7	1.44	0.67	0.61	1.24	
Durable goods.....	7.4	2.3	0.4	-4.3	-2.5	0.19	0.03	-0.33	-0.19	
Nondurable goods.....	21.2	1.2	0.3	-0.4	4.2	0.25	0.05	-0.08	0.87	
Services.....	42.3	2.4	1.4	2.4	1.3	1.00	0.59	1.02	0.56	
Gross private domestic investment.....	14.0	3.5	-11.9	-5.8	-12.0	0.54	-1.93	-0.89	-1.82	
Fixed investment.....	14.5	-0.9	-6.2	-5.6	-2.5	-0.15	-0.97	-0.86	-0.38	
Nonresidential.....	11.0	8.7	3.4	2.4	2.2	0.91	0.36	0.26	0.25	
Structures.....	3.8	20.5	8.5	8.6	13.7	0.65	0.29	0.30	0.48	
Equipment and software.....	7.2	3.6	1.0	-0.6	-3.2	0.26	0.07	-0.04	-0.24	
Residential.....	3.5	-20.6	-27.0	-25.1	-15.7	-1.06	-1.33	-1.12	-0.62	
Change in private inventories.....	-0.5	.....	.....	.....	.....	0.69	-0.96	-0.02	-1.44
Net exports of goods and services.....	-5.0	.....	.....	.....	.....	2.03	0.94	0.77	3.10
Exports.....	13.5	23.0	4.4	5.1	13.2	2.54	0.53	0.63	1.65	
Goods.....	9.4	21.8	5.1	4.5	16.6	1.66	0.43	0.39	1.42	
Services.....	4.1	25.9	2.7	6.4	5.9	0.88	0.10	0.24	0.23	
Imports.....	18.4	3.0	-2.3	-0.8	-7.6	-0.51	0.40	0.14	1.45	
Goods.....	15.5	2.4	-2.6	-2.0	-7.6	-0.34	0.38	0.29	1.21	
Services.....	2.9	6.3	-0.9	5.5	-7.6	-0.17	0.02	-0.15	0.23	
Government consumption expenditures and gross investment.....	20.1	3.8	0.8	1.9	3.9	0.75	0.16	0.38	0.76	
Federal.....	7.4	7.2	-0.5	5.8	6.8	0.51	-0.04	0.41	0.49	
National defense.....	5.1	10.2	-0.9	7.3	7.4	0.48	-0.04	0.34	0.36	
Nondefense.....	2.3	1.2	0.4	2.9	5.5	0.03	0.01	0.06	0.12	
State and local.....	12.7	1.9	1.6	-0.3	2.2	0.24	0.19	-0.03	0.27	

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)			
	2008		2007		2008		2007		2008	
	II	III	IV	I	II	III	IV	I	II	
Gross domestic product¹.....	100.0	4.8	-0.2	0.9	3.3	4.8	-0.2	0.9	3.3	
Final sales of domestic product.....	100.5	4.0	0.8	0.9	4.8	4.07	0.79	0.89	4.72	
Change in private inventories.....	-0.5	.....	.....	.....	.....	0.69	-0.96	-0.02	-1.44
Goods.....	30.4	9.0	0.0	0.9	6.2	2.71	0.01	0.29	1.89	
Services.....	60.1	4.0	1.3	2.7	2.3	2.35	0.79	1.62	1.40	
Structures.....	9.4	-2.9	-9.3	-10.1	-0.1	-0.30	-0.97	-1.03	-0.01	
Addenda:										
Motor vehicle output.....	2.3	17.3	-25.7	-14.2	-33.0	0.47	-0.86	-0.41	-0.99	
GDP excluding motor vehicle output.....	97.7	4.4	0.7	1.3	4.4	4.29	0.69	1.28	4.27	
Final sales of computers.....	0.7	52.6	23.7	8.2	24.6	0.28	0.14	0.05	0.15	
GDP excluding final sales of computers.....	99.3	4.5	-0.3	0.8	3.2	4.48	-0.31	0.82	3.13	

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 in the second quarter and contributed 1.24 percentage points to real GDP growth; the pickup was primarily due to an upturn in spending for nondurable goods. Spending for durable goods decreased somewhat less than in the first quarter, and spending for services slowed.

Nonresidential fixed investment grew at about the same rate as in the first quarter. A larger decrease in equipment and software was mostly offset by an acceleration in structures.

Residential fixed investment decreased less than in the first quarter and subtracted 0.62 percentage point from real GDP growth after subtracting 1.12 percentage points.

Inventory investment decreased more in the second quarter than in the first quarter; it subtracted 1.44 percentage points from real GDP growth after subtracting 0.02 percentage point.

Exports accelerated, reflecting a sharp acceleration in exports of goods. The acceleration in exports added 1.65 percentage points to real GDP growth after adding 0.63 percentage point. Exports of services slowed slightly.

Imports decreased much more in the second quarter than in the first quarter. The decrease in goods imports was the largest decrease since the third quarter of 2001. Imports of services turned down.

Government spending accelerated, primarily reflecting an upturn in state and local government spending.

Real final sales of domestic product, real GDP less inventory investment, accelerated sharply, increasing 4.8 percent after increasing 0.9 percent.

Motor vehicle output decreased more in the second quarter than in the first quarter. It subtracted 0.99 percentage point from real GDP growth in the second quarter after subtracting 0.41 percentage point.

GDP excluding motor vehicle output increased 4.4 percent after increasing 1.3 percent.

Final sales of computers accelerated, increasing 24.6 percent after increasing 8.2 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)			
	2008	2007			2008		2007		2008	
		II	III	IV	I	II	III	IV	I	II
PCE ¹	100.0	2.0	1.0	0.9	1.7	2.0	1.0	0.9	1.7	
Durable goods	10.4	2.3	0.4	-4.3	-2.5	0.26	0.04	-0.47	-0.27	
Motor vehicles and parts.....	4.0	-6.7	-0.8	-10.7	-19.3	-0.32	-0.04	-0.49	-0.88	
Furniture and household equipment.....	4.2	8.8	3.9	1.8	14.2	0.36	0.16	0.07	0.56	
Other ²	2.3	9.4	-3.6	-2.3	2.4	0.21	-0.09	-0.05	0.05	
Nondurable goods	29.8	1.2	0.3	-0.4	4.2	0.35	0.08	-0.11	1.23	
Food.....	14.0	0.3	2.8	1.3	3.8	0.04	0.38	0.18	0.53	
Clothing and shoes.....	3.8	4.4	-3.2	3.0	10.7	0.17	-0.12	0.11	0.39	
Gasoline, fuel oil, and other energy goods.....	4.4	-0.4	-1.7	-6.0	-3.5	-0.01	-0.07	-0.26	-0.15	
Other ³	7.7	2.0	-1.5	-1.8	6.2	0.16	-0.12	-0.14	0.47	
Services	59.7	2.4	1.4	2.4	1.3	1.40	0.84	1.44	0.79	
Housing.....	14.9	0.7	1.2	0.5	1.7	0.11	0.17	0.07	0.25	
Household operation.....	5.6	1.6	2.5	1.8	3.1	0.09	0.13	0.10	0.17	
Electricity and gas.....	2.4	1.1	0.5	7.4	6.7	0.03	0.01	0.16	0.15	
Other household operation.....	3.1	1.9	3.9	-2.1	0.6	0.06	0.12	-0.07	0.02	
Transportation.....	3.7	2.3	-0.8	1.7	-1.5	0.09	-0.03	0.06	-0.06	
Medical care.....	17.5	3.7	4.0	4.9	3.4	0.63	0.69	0.84	0.59	
Recreation.....	4.1	2.4	-0.4	-4.7	1.3	0.10	-0.01	-0.20	0.05	
Other ⁴	14.1	2.8	-0.8	4.1	-1.5	0.39	-0.11	0.57	-0.21	

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.

Spending for durable goods decreased 2.5 percent in the second quarter after decreasing 4.3 percent in the first quarter. A larger decrease in motor vehicles and parts was partly offset by a sharp acceleration in furniture and household equipment and by an upturn in "other" durable goods.

Spending for nondurable goods turned up and contributed 1.23 percentage points to the growth in real consumer spending. "Other" nondurable goods turned up, and spending for food and for clothing and shoes accelerated. Spending for gasoline, fuel oil, and other energy goods decreased less in the second quarter than in the first quarter.

Spending for services slowed, mainly reflecting a downturn in "other" services, mainly net foreign travel, and a slowdown in spending for medical care. In contrast, spending for recreation turned up, and spending for housing accelerated.

Recent Trends in Consumer Spending

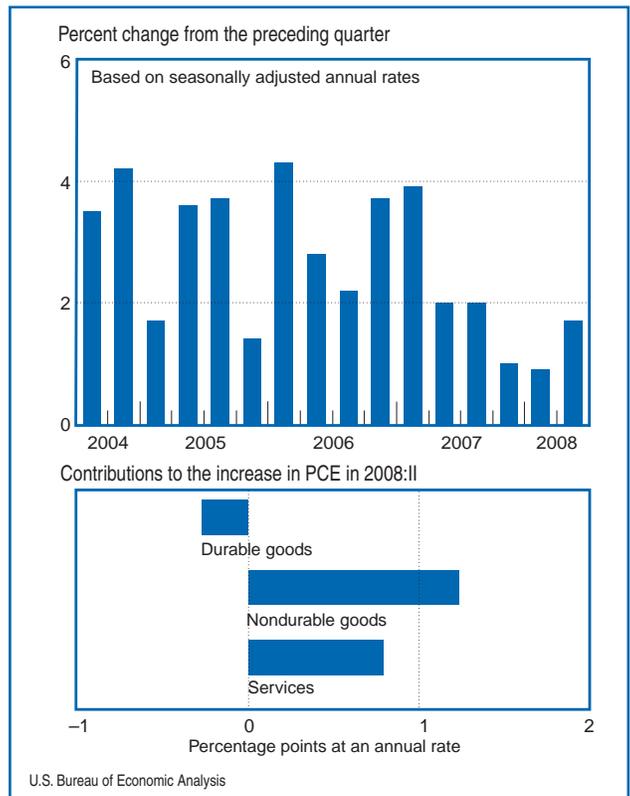
Consumer spending on energy goods and services as a share of total consumer spending has accelerated in recent years, hitting 6.8 percent of consumer spending in the second quarter of 2008. That compares with 6.0 percent in 2007 and 4.5 percent in 1998, when global oil prices dipped and translated into lower energy costs.

Gasoline and oil accounted for 50 percent of consumer spending on energy goods and services in the second quarter, compared with 58.5 percent in 2007. The previous peak was 54.8 percent in 1981.

Not surprisingly, the share of disposable personal income (DPI) accounted for by spending on energy has been increasing as well, hitting 6.4 percent in the second quarter. That compares with a 4.1 percent share in 1998. The all-time high of 7.9 percent was reached in 1981.

The shares of energy spending were calculated using consumer spending from NIPA table 2.3.5 and DPI from NIPA table 2.1.

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	
		II	III	IV	I	II	III	IV	I	II	
Private fixed investment ¹	100.0	-0.9	-6.2	-5.6	-2.5	-0.9	-6.2	-5.6	-2.5		
Nonresidential	75.7	8.7	3.4	2.4	2.2	5.87	2.40	1.77	1.67		
Structures	26.3	20.5	8.5	8.6	13.7	4.19	1.94	2.04	3.29		
Commercial and health care	8.8	13.5	8.8	-3.6	0.2	1.02	0.72	-0.32	0.01		
Manufacturing	2.1	19.8	49.5	13.0	42.2	0.27	0.67	0.22	0.69		
Power and communication	3.6	21.4	16.2	23.2	5.6	0.57	0.47	0.70	0.19		
Mining exploration, shafts, and wells	6.6	28.7	-8.4	15.5	31.3	1.40	-0.49	0.84	1.71		
Other structures ²	5.2	23.5	13.2	12.8	14.5	0.93	0.58	0.59	0.69		
Equipment and software	49.5	3.6	1.0	-0.6	-3.2	1.67	0.46	-0.27	-1.62		
Information processing equipment and software	26.7	8.7	10.5	7.2	10.9	1.99	2.44	1.77	2.72		
Computers and peripheral equipment	4.6	19.5	19.3	16.1	9.5	0.78	0.78	0.68	0.42		
Software ³	12.0	6.4	9.9	9.9	10.1	0.66	1.02	1.07	1.13		
Other ⁴	10.1	6.5	7.3	0.2	12.6	0.55	0.63	0.02	1.17		
Industrial equipment	8.8	-2.8	-14.3	0.8	-3.4	-0.25	-1.31	0.07	-0.30		
Transportation equipment	5.9	-5.6	-15.2	-14.0	-44.9	-0.42	-1.16	-1.04	-3.77		
Other equipment ⁵	8.0	4.6	6.3	-12.5	-3.3	0.36	0.49	-1.07	-0.27		
Residential	24.3	-20.6	-27.0	-25.1	-15.7	-6.81	-8.59	-7.40	-4.22		
Structures	23.8	-20.9	-27.3	-25.4	-16.1	-6.81	-8.58	-7.38	-4.25		
Permanent site	11.6	-25.9	-39.8	-40.8	-26.8	-4.99	-7.56	-6.94	-3.75		
Single family	9.5	-26.7	-42.8	-46.2	-32.9	-4.49	-7.16	-6.92	-3.97		
Multifamily	2.1	-20.1	-17.7	-1.1	10.9	-0.50	-0.41	-0.02	0.22		
Other structures ⁶	12.2	-13.6	-8.2	-3.6	-4.1	-1.82	-1.02	-0.44	-0.51		
Equipment	0.5	0.2	-2.5	-4.9	8.2	0.00	-0.01	-0.02	0.04		

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.

Fixed Assets Tables Released

The "Standard Fixed Assets Tables," the "Detailed Fixed Assets Tables," and the "Private Fixed Investment Reconciliation Tables" have been updated to incorporate the results of the 2008 annual revision of the national income and product accounts (NIPAs). The standard tables present statistics on net stocks, depreciation, fixed investment, and the average age of net stocks for fixed assets and consumer durable goods. The detailed tables present statistics by type of asset by industry. The reconciliation tables present the relationship between private fixed investment in the fixed assets accounts to corresponding items in the NIPAs.

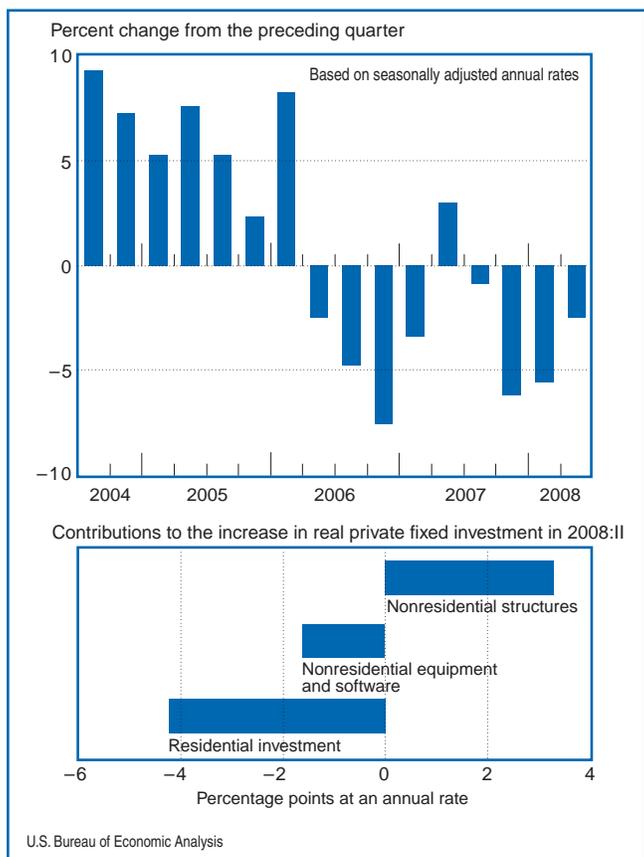
Nonresidential fixed investment grew about the same in the second quarter as in the first quarter, increasing 2.2 percent after increasing 2.4 percent. A larger decrease in equipment and software was mostly offset by an acceleration in structures.

The acceleration in nonresidential structures primarily reflected accelerations in mining exploration, shafts, and wells and in manufacturing structures and an upturn in commercial and health care structures. In contrast, investment in power and communication structures slowed.

Equipment and software decreased 3.2 percent after decreasing 0.6 percent. The larger decrease mainly reflected a larger decrease in transportation equipment. Information processing equipment and software picked up, reflecting a sharp acceleration in "other" equipment and software.

Residential investment decreased 15.7 percent after decreasing 25.1 percent, mainly because of single-family 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				
	2007			2008		2007		2008		
	II	III	IV	I	II	III	IV	I	II	
Change in private inventories¹	-2.8	16.0	-8.1	-10.2	-49.4	18.8	-24.1	-2.1	-39.2	
Farm.....	-0.1	-2.5	10.5	6.0	1.7	-2.4	13.0	-4.5	-4.3	
Mining, utilities, and construction.....	0.8	-2.3	-5.0	-9.4	-9.1	-3.1	-2.7	-4.4	0.3	
Manufacturing.....	-7.7	-2.2	2.9	13.7	-24.9	5.5	5.1	10.8	-38.6	
Durable-goods industries.....	-11.2	-2.2	13.8	3.0	-13.8	9.0	16.0	-10.8	-16.8	
Nondurable-goods industries.....	2.8	-0.2	-9.1	9.7	-10.9	-3.0	-8.9	18.8	-20.6	
Wholesale trade.....	1.4	14.3	-1.5	-5.1	3.7	12.9	-15.8	-3.6	8.8	
Durable-goods industries.....	-11.6	-1.7	3.5	5.6	2.6	9.9	5.2	2.1	-3.0	
Nondurable-goods industries.....	10.8	14.1	-4.2	-8.4	1.2	3.3	-18.3	-4.2	9.6	
Retail trade.....	0.3	9.6	-20.2	-18.5	-16.3	9.3	-29.8	1.7	2.2	
Motor vehicle and parts dealers.....	-3.8	10.7	-26.6	-10.3	-12.3	14.5	-37.3	16.3	-2.0	
Food and beverage stores.....	1.1	1.7	0.8	0.3	0.5	0.6	-0.9	-0.5	0.2	
General merchandise stores.....	-0.1	-2.4	-1.0	-2.8	0.5	-2.3	1.4	-1.8	3.3	
Other retail stores.....	2.5	0.4	3.9	-6.5	-6.1	-2.1	3.5	-10.4	0.4	
Other industries.....	3.2	1.5	2.1	0.3	-3.2	-1.7	0.6	-1.8	-3.5	
Residual ²	2.8	-1.1	3.2	2.3	-0.5	-3.9	4.3	-0.9	-2.8	
Addenda: Ratios of private inventories to final sales of domestic business:³										
Private inventories to final sales.....	2.41	2.39	2.38	2.37	2.32	.....	.....	.....	.....
Nonfarm inventories to final sales....	2.23	2.21	2.20	2.19	2.14	.....	.....	.....	.....
Nonfarm inventories to final sales of goods and structures.....	3.59	3.56	3.55	3.56	3.45	.....	.....	.....	.....

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 \$39.2 billion in the second quarter after decreasing \$2.1 billion in the first quarter; the larger decrease mainly reflected a downturn in manufacturing industries.

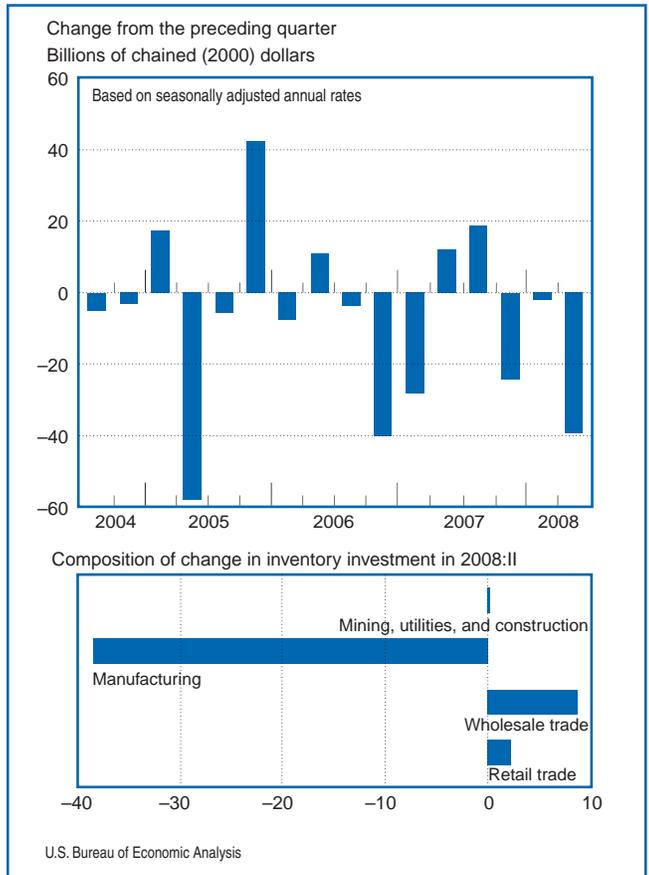
Inventory investment in mining, utilities, and construction increased \$0.3 billion after decreasing \$4.4 billion.

Inventory investment in manufacturing turned down sharply, reflecting a downturn in nondurable-goods industries and a larger decrease in durable-goods industries.

Inventory investment in wholesale trade turned up, reflecting an upturn in nondurable-goods industries that was partly offset by a downturn in durable-goods industries.

Inventory investment in retail trade industries picked up slightly, mainly reflecting upturns in "other" retail stores and in general merchandise stores. In contrast, inventory investment by motor vehicle and parts dealers turned down.

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		2007		2008	
		II	III	IV	I	II	III	IV	I	II
Exports of goods and services¹	100.0	23.0	4.4	5.1	13.2	23.0	4.4	5.1	13.2
Exports of goods²	69.8	21.8	5.1	4.5	16.6	15.08	3.53	3.13	11.34
Foods, feeds, and beverages	6.2	43.7	-12.0	14.3	10.4	2.01	-0.69	0.77	0.63
Industrial supplies and materials	20.6	16.3	7.4	11.2	28.9	3.05	1.33	2.02	5.35
Capital goods, except automotive	24.9	25.3	10.0	-3.6	11.4	6.69	2.59	-0.95	2.91
Automotive vehicles, engines, and parts	6.4	27.8	-2.8	-11.5	4.2	2.00	-0.21	-0.84	0.29
Consumer goods, except automotive	8.5	16.8	0.3	14.9	15.2	1.52	0.02	1.21	1.29
Other	3.1	-7.1	18.9	37.1	30.7	-0.20	0.48	0.92	0.87
Exports of services²	30.2	25.9	2.7	6.4	5.9	7.96	0.86	1.97	1.88
Imports of goods and services¹	100.0	3.0	-2.3	-0.8	-7.6	3.0	-2.3	-0.8	-7.6
Imports of goods²	84.2	2.4	-2.6	-2.0	-7.6	2.01	-2.17	-1.65	-6.35
Foods, feeds, and beverages	3.4	4.7	-7.7	-5.2	4.7	0.16	-0.27	-0.18	0.16
Industrial supplies and materials, except petroleum and products	12.3	5.6	-20.3	-17.3	-0.7	0.72	-2.76	-2.25	-0.06
Petroleum and products	18.6	-13.5	16.5	17.6	-39.2	-1.98	2.28	2.74	-8.88
Capital goods, except automotive	17.8	6.1	1.6	1.1	8.8	1.12	0.29	0.21	1.52
Automotive vehicles, engines, and parts	9.5	17.0	-11.0	-7.9	-12.7	1.73	-1.26	-0.85	-1.30
Consumer goods, except automotive	18.8	-3.1	6.4	-6.5	7.9	-0.64	1.22	-1.30	1.44
Other	3.8	24.5	-34.3	-0.1	23.4	0.89	-1.66	0.00	0.79
Imports of services²	15.8	6.3	-0.9	5.5	-7.6	1.01	-0.14	0.86	-1.21
Addenda:									
Exports of agricultural goods ³	6.8	47.2	-18.6	11.8	12.1				
Exports of nonagricultural goods	63.0	19.8	7.7	3.8	17.1				
Imports of nonpetroleum goods	65.6	5.8	-6.3	-6.4	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 increased 13.2 percent in the second quarter after increasing 5.1 percent in the first quarter; the increase reflected an acceleration in exports of goods. Exports of services slowed.

Exports of goods accelerated sharply, increasing 16.6 percent after increasing 4.5 percent. The acceleration contributed 11.34 percentage points to real export growth. The strong acceleration was led by an upturn in nonautomotive capital goods and an acceleration in industrial supplies and materials. An upturn in automotive vehicles, engines, and parts also contributed.

Exports of services slowed somewhat, increasing 5.9 percent after increasing 6.4 percent. Transfers under U.S. military agency sales contracts and "other" transportation turned down. "Other" private services decelerated. In contrast, travel and passenger fares turned up.

Real imports decreased 7.6 percent after decreasing 0.8 percent. Imports of goods decreased much more than in the first quarter, and imports of services turned down.

The larger decrease in goods imports mainly reflected a sharp downturn in imports of petroleum and products. In contrast, nonautomotive consumer goods turned up, and nonpetroleum industrial supplies and materials decreased less than in the first quarter.

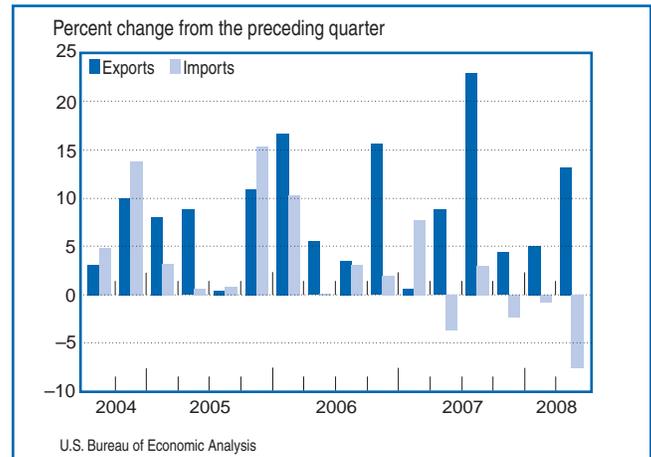
Imports of services turned down, mainly reflecting downturns in passenger fares, in "other" transportation, and in travel.

Recent Trends in Exports

U.S. export growth has been a strong contributor to economic growth in recent quarters. BEA has analyzed sources of export growth over the last four quarters. See the export growth FAQ Answer ID 501 at <www.bea.gov>.

In addition, new source data for exports led to a substantial upward revision to export growth that contributed about a third of the revision to real GDP growth. (See page 9 for more details.)

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)				
	2008		2007			2008		2007		2008		
	II	III	IV	I	II	III	IV	I	II			
Government consumption expenditures and gross investment ¹	100.0	3.8	0.8	1.9	3.9	3.8	0.8	1.9	3.9			
Consumption expenditures.....	82.9	3.9	0.5	3.2	2.2	3.25	0.40	2.60	1.86			
Gross investment.....	17.1	3.3	2.3	-3.8	12.2	0.58	0.41	-0.67	1.99			
Federal	36.8	7.2	-0.5	5.8	6.8	2.60	-0.18	2.09	2.47			
National defense	25.2	10.2	-0.9	7.3	7.4	2.45	-0.22	1.76	1.84			
Consumption expenditures.....	21.9	10.9	-1.4	7.4	3.4	2.29	-0.31	1.58	0.76			
Gross investment.....	3.3	5.4	3.0	6.0	39.6	0.17	0.09	0.18	1.08			
Nondefense	11.6	1.2	0.4	2.9	5.5	0.14	0.04	0.33	0.63			
Consumption expenditures.....	10.1	1.7	-0.8	2.9	4.0	0.18	-0.08	0.29	0.40			
Gross investment.....	1.5	-2.2	8.1	2.8	16.0	-0.03	0.12	0.04	0.23			
State and local	63.2	1.9	1.6	-0.3	2.2	1.24	0.99	-0.16	1.38			
Consumption expenditures.....	50.9	1.5	1.6	1.4	1.4	0.79	0.80	0.73	0.70			
Gross investment.....	12.3	3.5	1.5	-6.8	5.6	0.44	0.19	-0.89	0.68			

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 picked up, increasing 3.9 percent in the second quarter after increasing 1.9 percent in the first quarter.

Federal government spending increased 6.8 percent after increasing 5.8 percent. Nondefense spending picked up, and defense spending grew about the same as in the first quarter.

State and local government spending turned up, increasing 2.2 percent after decreasing 0.3 percent; the upturn reflected an upturn in investment in structures.

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.

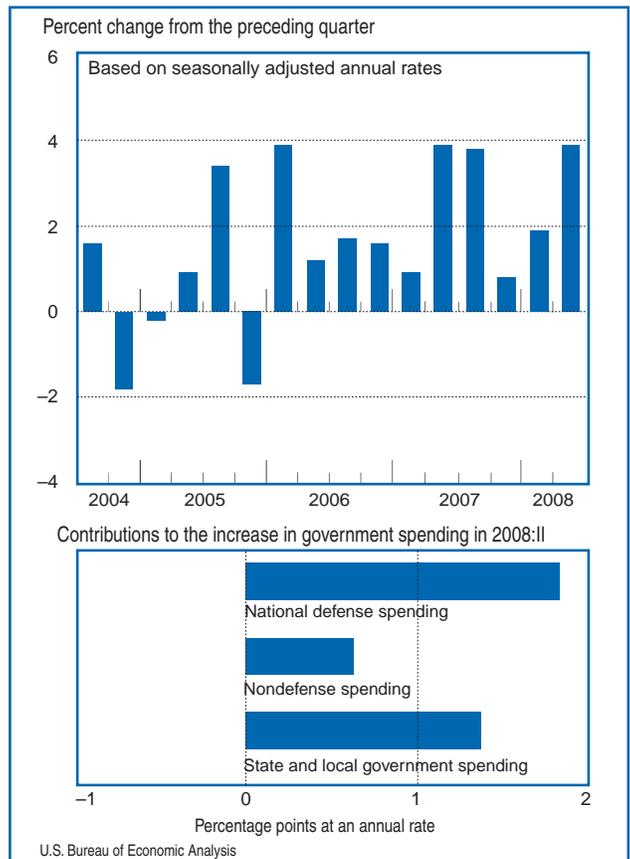
Government consumption expenditures consists of the goods and services that are produced by general government (less any sales to other sectors and investment goods produced by government itself). Governments generally provide services to the general public without charge. The value of government production—that 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. Consumption of fixed capital 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	
	III	IV	I	II	III	IV	I	II
Gross domestic purchases¹	2.2	4.0	3.5	4.2	2.2	4.0	3.5	4.2
Personal consumption expenditures	2.5	4.3	3.6	4.2	1.66	2.88	2.43	2.84
Durable goods.....	-1.9	-1.6	-0.1	-1.6	-0.15	-0.11	-0.01	-0.11
Nondurable goods.....	2.9	8.4	6.7	6.6	0.56	1.60	1.30	1.30
Services.....	3.1	3.5	2.8	4.1	1.24	1.39	1.13	1.66
Gross private domestic investment	-0.3	1.3	-0.5	0.8	-0.04	0.20	-0.07	0.11
Fixed investment.....	-0.4	1.2	-0.2	1.2	-0.05	0.18	-0.03	0.17
Nonresidential.....	-0.6	1.7	0.6	2.3	-0.06	0.18	0.06	0.24
Structures.....	0.5	4.5	2.7	3.6	0.02	0.15	0.09	0.13
Equipment and software.....	-1.2	0.4	-0.4	1.6	-0.08	0.03	-0.03	0.11
Residential.....	0.3	0.0	-2.6	-2.1	0.01	0.00	-0.10	-0.07
Change in private inventories.....	.....	.....	.....	.....	0.01	0.02	-0.03	-0.06
Government consumption expenditures and gross investment	3.4	5.1	6.2	6.9	0.62	0.94	1.15	1.30
Federal.....	0.9	2.3	5.6	5.0	0.06	0.15	0.38	0.35
National defense.....	1.6	3.1	5.1	6.4	0.07	0.14	0.24	0.30
Nondefense.....	-0.5	0.5	6.8	2.2	-0.01	0.01	0.15	0.05
State and local.....	4.9	6.8	6.6	8.1	0.56	0.79	0.77	0.95
Addenda:								
Gross domestic purchases:								
Food.....	4.8	4.3	4.7	6.1	0.44	0.41	0.44	0.58
Energy goods and services.....	2.6	35.1	24.2	35.5	0.13	1.58	1.21	1.80
Excluding food and energy.....	1.9	2.4	2.2	2.2	1.66	2.03	1.85	1.87
Personal consumption expenditures (PCE):								
Food.....	4.8	3.7	4.9	6.4	.....	.....	.....	.....
Energy goods and services.....	2.4	32.2	19.0	27.6	.....	.....	.....	.....
Excluding food and energy.....	2.1	2.5	2.3	2.1	.....	.....	.....	.....
Market-based PCE.....	2.0	4.4	3.7	4.4	.....	.....	.....	.....
Excluding food and energy.....	1.4	2.2	2.1	1.8	.....	.....	.....	.....
Gross domestic product.....	1.5	2.8	2.6	1.2	.....	.....	.....	.....

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.

The price index for gross domestic purchases increased 4.2 percent in the second quarter after increasing 3.5 percent in the first quarter. About 0.2 percentage point of the first-quarter increase 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.

Consumer prices picked up, mainly reflecting an acceleration in services prices. The largest contributors to the pickup in services were prices paid for household operations, notably electricity and gas, and for medical care services.

Prices paid for nonresidential fixed investment accelerated mainly because of an upturn in equipment and software prices.

Prices paid for residential investment decreased 2.1 percent in the second quarter, following a decrease of 2.6 percent.

Prices paid by government picked up somewhat, mainly reflecting an acceleration in prices paid by state and local governments.

Consumer prices excluding food and energy, a measure of the core rate of inflation, slowed slightly.

The GDP price index increased 1.2 percent, 3.0 percentage points less than the increase in the price index for gross domestic purchases. The divergence between the two measures primarily reflected a much larger increase in import prices than in export prices. (See the price index FAQ Answer ID 499 on BEA's Web site.)

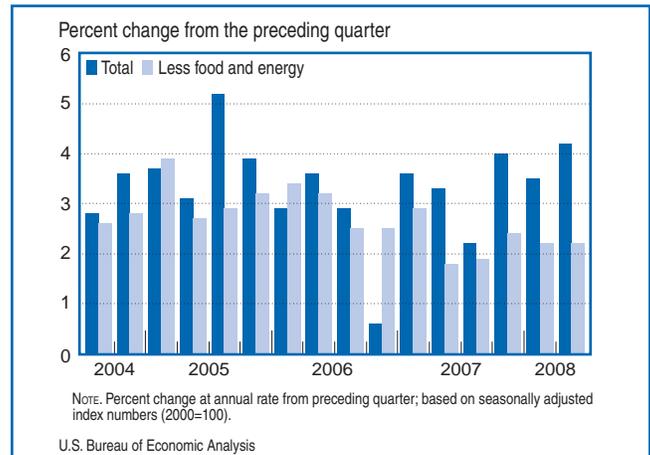
Note on Prices

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, regardless of whether those goods and services were produced domestically or imported. It is derived from prices of consumer spending, private investment, and government spending.

The GDP price index measures the prices of goods and services produced in the United States, including the prices of goods and services produced for export.

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). For other measures that are affected by import and export prices, see the dollar depreciation FAQ Answer ID 498 on BEA's Web site at <www.bea.gov>.

Chart 7. Gross Domestic Purchases Prices



Revisions

Table 9. Advance and Preliminary Estimates for the Second 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	1.9	3.3	1.4	1.9	3.3	1.4
Personal consumption expenditures	1.5	1.7	0.2	1.08	1.24	0.16
Durable goods.....	-3.0	-2.5	0.5	-0.23	-0.19	0.04
Nondurable goods.....	4.0	4.2	0.2	0.83	0.87	0.04
Services.....	1.1	1.3	0.2	0.47	0.56	0.09
Gross private domestic investment	-14.8	-12.0	2.8	-2.28	-1.82	0.46
Fixed investment.....	-2.4	-2.5	-0.1	-0.36	-0.38	-0.02
Nonresidential.....	2.3	2.2	-0.1	0.25	0.25	0.00
Structures.....	14.4	13.7	-0.7	0.51	0.48	-0.03
Equipment and software.....	-3.4	-3.2	0.2	-0.25	-0.24	0.01
Residential.....	-15.6	-15.7	-0.1	-0.62	-0.62	0.00
Change in private inventories.....				-1.92	-1.44	0.48
Net exports of goods and services				2.42	3.10	0.68
Exports.....	9.2	13.2	4.0	1.16	1.65	0.49
Goods.....	11.9	16.6	4.7	1.02	1.42	0.40
Services.....	3.5	5.9	2.4	0.14	0.23	0.09
Imports.....	-6.6	-7.6	-1.0	1.26	1.45	0.19
Goods.....	-6.3	-7.6	-1.3	1.00	1.21	0.21
Services.....	-8.4	-7.6	0.8	0.26	0.23	-0.03
Government consumption expenditures and gross investment	3.4	3.9	0.5	0.67	0.76	0.09
Federal.....	6.7	6.8	0.1	0.48	0.49	0.01
National defense.....	7.3	7.4	0.1	0.36	0.36	0.00
Nondefense.....	5.3	5.5	0.2	0.12	0.12	0.00
State and local.....	1.6	2.2	0.6	0.20	0.27	0.07
Addenda:						
Final sales of domestic product.....	3.9	4.8	0.9	3.81	4.72	0.91
Gross domestic purchases price index.....	4.2	4.2	0.0			
GDP price index.....	1.1	1.2	0.1			

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

The 3.3 percent preliminary estimate of real GDP growth is 1.4 percentage points more than the advance estimate. The average revision (without regard to sign) between the “advance” and “preliminary” estimates is 0.5 percentage point. The larger-than-average revision to second-quarter growth reflected upward revisions to exports and to inventory investment and a downward revision to imports.

The upward revision to inventory investment primarily reflected upward revisions to wholesale trade inventories and to manufacturing inventories that were partly offset by a downward revision to retail trade inventories.

The upward revision to exports was mostly to goods exports and was widespread. The largest contributor to the revision to exports was industrial supplies and materials (especially petroleum and products).

The downward revision to imports was more than accounted for by goods imports. The largest contributors to the revision to imports were “other” goods (especially the territorial adjustment, which reclassifies transactions with the U.S. territories and Puerto Rico because these areas are excluded from the definition of United States in the NIPAs, but they are included in the definition of United States in the international transactions accounts) and “other” non-automotive capital goods (especially generators, transformers, and accessories).

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 June (new). Retail natural gas sales for May (new).

Nonresidential fixed investment: Construction put in place for April and May (revised) and June (new). Manufacturers' shipments (M3) of machinery and equipment for May and June (revised). Exports and imports for May (revised) and June (new).

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

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

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

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

Personal Income for the First Quarter of 2008

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 first-quarter tabulations from the Quarterly Census of Employment and Wages from the Bureau of Labor Statistics.

Wage and salary disbursements increased \$52.5 billion in the first quarter, a downward revision of \$20.2 billion. Personal current taxes increased \$14.5 billion, a downward revision of \$6.2 billion. Contributions for government social insurance, which are subtracted in calculating personal income, increased \$16.9 billion, an upward revision of \$0.9 billion. As a result of these revisions,

- Personal income increased \$88.4 billion, a downward revision of \$20.7 billion.
- Disposable personal income increased \$74.0 billion, a downward revision of \$14.5 billion.
- Personal saving decreased \$21.8 billion, a downward revision of \$14.5 billion.
- The personal saving rate was 0.2 percent, a downward revision of 0.1 percentage point.

