

# GDP and the Economy

## Advance Estimates for the First Quarter of 2014

**R**EAL GROSS domestic product (GDP) increased 0.1 percent at an annual rate in the first quarter of 2014, according to the advance estimates of the national income and product accounts (NIPAs) (chart 1 and table 1).<sup>1</sup> In the fourth quarter of 2013, real GDP increased 2.6 percent.

The increase in real GDP in the first quarter primarily reflected a positive contribution from consumer spending that was partly offset by negative contributions from exports, inventory investment, nonresidential fixed investment, residential fixed investment, and state and local government spending.<sup>2</sup>

Prices of goods and services purchased by U.S. residents increased 1.4 percent in the first quarter after increasing 1.5 percent in the fourth quarter of 2013. Both energy prices and food prices turned up in the first quarter. Excluding food and energy, gross domestic purchases prices increased 1.4 percent after increasing 1.8 percent (see table 2).

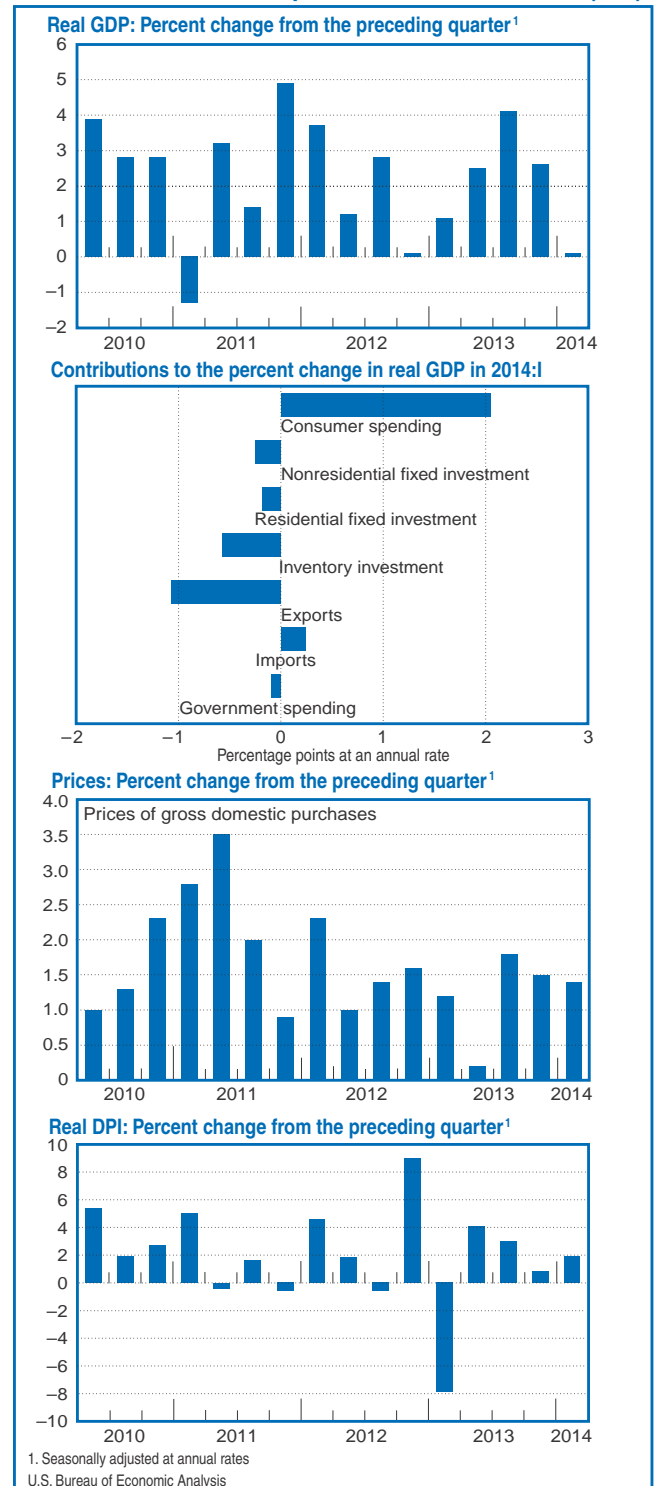
Real disposable personal income (DPI) increased 1.9 percent in the first quarter after increasing 0.8 percent in the fourth quarter. Current-dollar DPI increased 3.3 percent in the first quarter after increasing 1.8 percent. The sharper acceleration in current-dollar DPI than in real DPI reflected an acceleration in the implicit price deflator for consumer spending, which is used to deflate DPI.

The personal saving rate, personal saving as a percentage of current-dollar DPI, was 4.1 percent in the first quarter; in the fourth quarter, the rate was 4.3 percent.

1. “Real” estimates are in chained (2009) dollars, and price indexes are chain-type measures. Each GDP estimate for a quarter (advance, second, and third) incorporates increasingly comprehensive and improved source data; for more information, see “Revisions to GDP, GDI, and Their Major Components” in the July 2011 SURVEY OF CURRENT BUSINESS. Quarterly estimates are expressed at seasonally adjusted annual rates, which assumes that a rate of activity for a quarter is maintained for a year.

2. 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.”

**Chart 1. GDP, Prices, Disposable Personal Income (DPI)**



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## Real GDP Overview

Table 1. Real Gross Domestic Product (GDP) and Related Measures

[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)				
		2013		2014		2013		2014		
		I	II	III	IV	I	II	III	IV	I
<b>Gross domestic product</b> <sup>1</sup> .....	<b>100.0</b>	<b>2.5</b>	<b>4.1</b>	<b>2.6</b>	<b>0.1</b>	<b>2.5</b>	<b>4.1</b>	<b>2.6</b>	<b>0.1</b>	
<b>Personal consumption expenditures</b> .....	<b>68.8</b>	<b>1.8</b>	<b>2.0</b>	<b>3.3</b>	<b>3.0</b>	<b>1.24</b>	<b>1.36</b>	<b>2.22</b>	<b>2.04</b>	
Goods.....	22.9	3.1	4.5	2.9	0.4	0.71	1.03	0.66	0.08	
Durable goods.....	7.4	6.2	7.9	2.8	0.8	0.46	0.58	0.21	0.06	
Nondurable goods.....	15.5	1.6	2.9	2.9	0.1	0.26	0.46	0.45	0.02	
Services.....	45.8	1.2	0.7	3.5	4.4	0.53	0.32	1.57	1.96	
<b>Gross private domestic investment</b> .....	<b>16.0</b>	<b>9.2</b>	<b>17.2</b>	<b>2.5</b>	<b>-6.1</b>	<b>1.38</b>	<b>2.56</b>	<b>0.41</b>	<b>-1.01</b>	
Fixed investment.....	15.3	6.5	5.9	2.8	-2.8	0.96	0.89	0.43	-0.44	
Nonresidential.....	12.2	4.7	4.8	5.7	-2.1	0.56	0.58	0.68	-0.25	
Structures.....	2.8	17.6	13.4	-1.8	0.2	0.43	0.35	-0.05	0.00	
Equipment.....	5.5	3.3	0.2	10.9	-5.5	0.18	0.02	0.58	-0.32	
Intellectual property products.....	3.9	-1.5	5.8	4.0	1.5	-0.06	0.22	0.15	0.06	
Residential.....	3.1	14.2	10.3	-7.9	-5.7	0.40	0.31	-0.26	-0.18	
Change in private inventories.....	0.7					0.41	1.67	-0.02	-0.57	
<b>Net exports of goods and services</b> .....	<b>-2.9</b>					<b>-0.07</b>	<b>0.14</b>	<b>0.99</b>	<b>-0.83</b>	
Exports.....	13.4	8.0	3.9	9.5	-7.6	1.04	0.52	1.23	-1.07	
Goods.....	9.2	9.4	5.6	11.8	-12.0	0.84	0.52	1.06	-1.19	
Services.....	4.2	4.8	0.1	4.2	3.0	0.20	0.01	0.17	0.12	
Imports.....	16.3	6.9	2.4	1.5	-1.4	-1.10	-0.39	-0.24	0.24	
Goods.....	13.5	7.5	2.4	1.3	-1.6	-1.00	-0.32	-0.18	0.21	
Services.....	2.7	4.0	2.5	2.2	-0.9	-0.11	-0.07	-0.06	0.02	
<b>Government consumption expenditures and gross investment</b> .....	<b>18.2</b>	<b>-0.4</b>	<b>0.4</b>	<b>-5.2</b>	<b>-0.5</b>	<b>-0.07</b>	<b>0.08</b>	<b>-0.99</b>	<b>-0.09</b>	
Federal.....	7.1	-1.6	-1.5	-12.8	0.7	-0.12	-0.11	-1.00	0.05	
National defense.....	4.4	-0.6	-0.5	-14.4	-2.4	-0.03	-0.02	-0.70	-0.11	
Nondefense.....	2.8	-3.1	-3.1	-10.0	5.9	-0.09	-0.09	-0.29	0.16	
State and local.....	11.1	0.4	1.7	0.0	-1.3	0.05	0.19	0.00	-0.14	
<b>Addenda:</b>										
Final sales of domestic product.....	99.3	2.1	2.5	2.7	0.7	2.07	2.47	2.64	0.68	
Goods.....	30.6	3.9	10.7	6.9	-6.2	1.20	3.19	2.11	-1.97	
Services.....	62.0	0.7	0.2	1.5	4.0	0.46	0.14	0.92	2.44	
Structures.....	7.4	11.9	11.1	-5.3	-4.8	0.82	0.80	-0.41	-0.37	
Motor vehicle output.....	2.7	12.1	-12.9	19.0	-9.3	0.32	-0.38	0.47	-0.26	
GDP excluding motor vehicle output.....	97.3	2.2	4.7	2.2	0.4	2.16	4.51	2.15	0.37	
Final sales of computers.....	0.4	15.4	-12.4	-3.7	-1.4	0.06	-0.05	-0.01	-0.01	
GDP excluding final sales of computers.....	99.6	2.4	4.2	2.6	0.1	2.42	4.19	2.64	0.11	
Research and development (R&D).....	2.6	1.9	3.0	2.1	-0.3	0.05	0.08	0.05	-0.01	
GDP excluding R&D.....	97.4	2.5	4.2	2.6	0.1	2.43	4.06	2.57	0.11	

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

NOTE. Percent changes are from NIPA tables 1.1.1 and 1.2.1, contributions are from NIPA tables 1.1.2 and 1.2.2, and shares are from NIPA table 1.1.10, or they are calculated from NIPA table 1.2.5.

Real GDP decelerated in the first quarter. The deceleration primarily reflected downturns in exports and in nonresidential fixed investment, a larger decrease in inventory investment, a slowdown in consumer spending, and a downturn in state and local government spending that were partly offset by an upturn in federal government spending and a downturn in imports.

The slowdown in consumer spending was more than accounted for by a slowdown in goods, primarily non-durable goods. Spending for services picked up; the pickup reflected an upturn in spending on natural gas and a pickup in spending on health care that were partly offset by a downturn in spending on food services and accommodations.

The downturn in nonresidential fixed investment primarily reflected a downturn in equipment.

The larger decrease in inventory investment primarily reflected downturns in retail trade (mainly in motor vehicle dealers) and in wholesale trade that were partly offset by upturns in "other" nonfarm industries (mainly information) and in mining, utilities, and construction.

The downturn in exports primarily reflected a downturn in goods exports (which primarily reflected downturns in industrial supplies and materials and in foods, feeds, and beverages).

The downturn in imports reflected downturns in imports of both goods and services. In goods, the main contributors were nonautomotive consumer goods, nonautomotive capital goods, and automotive vehicles, engines, and parts. In services, the largest contributor was travel.

The upturn in federal government spending reflected a smaller decrease in national defense spending and an upturn in nondefense spending.

The upturn in nondefense spending primarily reflected a rebound from the effects of the partial federal government shutdown in the fourth quarter of 2013 (see "Note on the Effects of the Partial Government Shutdown" in the February 2014 SURVEY). Compensation of general government employees turned up in the first quarter as the number of hours worked by these employees returned to normal levels.

The downturn in state and local government spending was primarily accounted for by a larger decrease in investment in structures.

Real final sales of domestic product, real GDP less inventory investment, increased 0.7 percent after increasing 2.7 percent.

## Prices

**Table 2. Prices for Gross Domestic Purchases**

[Percent change at annual rates; based on seasonally adjusted index numbers (2009=100)]

	Change from preceding period (percent)				Contribution to percent change in gross domestic purchases prices (percentage points)			
	2013			2014	2013			2014
	II	III	IV	I	II	III	IV	I
<b>Gross domestic purchases</b> <sup>1</sup> .....	<b>0.2</b>	<b>1.8</b>	<b>1.5</b>	<b>1.4</b>	<b>0.2</b>	<b>1.8</b>	<b>1.5</b>	<b>1.4</b>
<b>Personal consumption expenditures</b> .....	<b>-0.1</b>	<b>1.9</b>	<b>1.1</b>	<b>1.4</b>	<b>-0.08</b>	<b>1.27</b>	<b>0.71</b>	<b>0.95</b>
Goods .....	-3.3	2.2	-1.0	-0.4	-0.76	0.50	-0.23	-0.10
Durable goods .....	-2.0	-2.3	-2.2	-2.5	-0.14	-0.17	-0.16	-0.18
Nondurable goods .....	-4.0	4.5	-0.5	0.5	-0.62	0.67	-0.07	0.08
Services .....	1.6	1.8	2.2	2.4	0.69	0.77	0.94	1.05
<b>Gross private domestic investment</b> .....	<b>1.9</b>	<b>1.7</b>	<b>1.5</b>	<b>2.3</b>	<b>0.28</b>	<b>0.26</b>	<b>0.24</b>	<b>0.35</b>
Fixed investment .....	2.0	2.0	2.5	2.6	0.29	0.29	0.37	0.39
Nonresidential .....	1.2	1.2	1.2	1.2	0.14	0.14	0.15	0.15
Structures .....	5.2	3.1	4.3	2.2	0.13	0.08	0.11	0.06
Equipment .....	-0.4	0.3	0.0	0.9	-0.02	0.02	0.00	0.05
Intellectual property products .....	1.0	1.0	0.9	1.0	0.04	0.04	0.03	0.04
Residential .....	5.1	5.2	7.6	8.3	0.15	0.15	0.22	0.24
Change in private inventories .....	.....	.....	.....	.....	-0.01	-0.03	-0.13	-0.03
<b>Government consumption expenditures and gross investment</b> .....	<b>0.1</b>	<b>1.6</b>	<b>3.0</b>	<b>0.6</b>	<b>0.02</b>	<b>0.29</b>	<b>0.53</b>	<b>0.11</b>
Federal .....	0.8	1.0	5.2	-1.7	0.06	0.08	0.36	-0.12
National defense .....	0.9	1.0	3.2	0.4	0.04	0.05	0.14	0.02
Nondefense .....	0.8	1.1	8.5	-5.0	0.02	0.03	0.22	-0.14
State and local .....	-0.4	2.0	1.5	2.1	-0.04	0.22	0.17	0.23
<b>Addenda:</b>								
Gross domestic purchases:								
Food .....	0.3	0.5	-2.5	1.1	0.02	0.03	-0.14	0.06
Energy goods and services .....	-12.2	11.8	-1.0	3.2	-0.48	0.41	-0.04	0.12
Excluding food and energy .....	0.8	1.5	1.8	1.4	0.68	1.39	1.65	1.23
Personal consumption expenditures (PCE):								
Food and beverages purchased for off-premises consumption .....	0.5	1.2	0.1	1.4	.....	.....	.....	.....
Energy goods and services .....	-11.9	11.8	-1.0	4.1	.....	.....	.....	.....
Excluding food and energy .....	0.6	1.4	1.3	1.3	.....	.....	.....	.....
Gross domestic product (GDP) .....	0.6	2.0	1.6	1.3	.....	.....	.....	.....
Exports of goods and services .....	-3.2	1.0	0.5	2.6	.....	.....	.....	.....
Imports of goods and services .....	-5.0	0.2	0.2	3.0	.....	.....	.....	.....

1. The estimates of gross domestic purchases 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 and services and for PCE excluding food and energy are from NIPA table 2.3.7. Contributions are from NIPA table 1.6.8. GDP, export, and import prices are from NIPA table 1.1.7.

Prices paid by U.S. residents in the first quarter, as measured by the gross domestic purchases price index, slowed slightly. The slowdown primarily reflected a deceleration in prices paid by government that was partly offset by an acceleration in consumer prices.

The acceleration in consumer prices reflected a smaller decrease in goods prices and a slight pickup in services prices.

The smaller decrease in goods prices was more than accounted for by an upturn in nondurable goods, mainly food and beverages purchased for off-premises consumption and clothing and footwear.

The slowdown in prices paid by government primarily reflected a downturn in nondefense prices. The downturn reflected a rebound from the temporary, fourth-quarter increase in prices paid for the compensation of federal government employees that was related to the partial federal government shutdown in October 2013. (See "Note on the Effects of the Partial Government Shutdown" in the February 2014 SURVEY.)

The GDP price index increased 1.3 percent in the first quarter after increasing 1.6 percent in the fourth quarter of 2013. This increase was 0.1 percentage point less than the percent change in the price index for gross domestic purchases. The larger slowdown in the GDP price index than in the price index for gross domestic purchases reflects the movements in import prices and in export prices. Export prices accelerated, increasing 2.6 percent in the first quarter after increasing 0.5 percent in the fourth quarter. Import prices also accelerated, increasing 3.0 percent after increasing 0.2 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. It is derived from the prices of personal consumption expenditures (PCE), private investment, and government consumption expenditures and gross investment.

BEA also produces price indexes for all the components of GDP. The PCE price index is a measure of the total cost of consumer goods and services, including durable goods, nondurable goods, and services. PCE prices for food, energy goods and services, and for all items except food and energy are also estimated and reported.

Because prices for food and energy can be volatile, the

price measure that excludes food and energy is often used as a measure of underlying, or "core," inflation. The core PCE price index includes purchased meals and beverages, such as restaurant meals and pet food. (See the FAQ "What is the core PCE price index?" on BEA's Web site.)

BEA also prepares a supplemental PCE price index, the "market-based" PCE price index, that is based on market transactions for which there are corresponding price measures. This index excludes many imputed expenditures, such as financial services furnished without payment, that are included in PCE and the PCE price index. BEA also prepares a market-based measure that excludes food and energy.

## Personal Income

**Table 3. Personal Income and Its Disposition**

[Billions of dollars; quarterly estimates are seasonally adjusted at annual rates]

	Level		Change from preceding period			
	2013	2014	2013			2014
	IV	I	II	III	IV	I
<b>Personal income</b> .....	<b>14,303.8</b>	<b>14,425.8</b>	<b>160.3</b>	<b>139.1</b>	<b>78.5</b>	<b>122.0</b>
Compensation of employees.....	8,968.3	9,041.0	87.2	52.8	80.0	72.7
Wages and salaries.....	7,231.9	7,292.8	77.2	45.2	69.1	60.9
Private industries.....	6,032.5	6,088.9	79.1	48.6	60.3	56.4
Goods-producing industries.....	1,205.0	1,221.6	13.3	3.5	14.4	16.6
Manufacturing .....	755.7	759.9	3.8	1.4	8.4	4.2
Services-producing industries .....	4,827.5	4,867.3	65.7	45.2	45.9	39.8
Trade, transportation, and utilities .....	1,140.3	1,146.5	8.0	6.6	10.5	6.2
Other services-producing industries .....	3,687.2	3,720.8	57.7	38.7	35.3	33.6
Government.....	1,199.4	1,203.9	-1.7	-3.5	8.8	4.5
Supplements to wages and salaries .....	1,736.4	1,748.2	9.9	7.7	10.9	11.8
Proprietors' income with IVA and CCAAdj.....	1,358.5	1,371.2	6.9	19.2	-2.2	12.7
Farm .....	112.9	105.2	-8.0	2.7	-18.8	-7.7
Nonfarm .....	1,245.6	1,265.9	14.9	16.5	16.6	20.3
Rental income of persons with CCAAdj .....	603.2	610.3	12.8	8.9	6.6	7.1
Personal income receipts on assets .....	2,030.1	2,028.9	58.2	36.7	-0.6	-1.2
Personal interest income .....	1,241.1	1,243.8	9.8	8.6	6.9	2.7
Personal dividend income .....	789.0	785.1	48.4	28.1	-7.5	-3.9
Personal current transfer receipts .....	2,462.3	2,508.6	4.9	27.1	4.3	46.3
Government social benefits to persons .....	2,417.0	2,462.8	4.5	26.6	3.9	45.8
Social security .....	808.9	824.3	5.1	7.5	6.5	15.4
Medicare.....	597.1	600.5	-3.0	10.2	0.6	3.4
Medicaid.....	436.8	464.2	2.4	12.3	-1.6	27.4
Unemployment insurance.....	60.2	43.1	-5.4	-6.3	-2.0	-17.1
Veterans benefits.....	83.0	84.6	3.2	1.6	1.4	1.6
Other .....	431.0	446.0	2.2	1.2	-1.0	15.0
Other current transfer receipts from business, net .....	45.3	45.8	0.4	0.5	0.4	0.5
Less: Contributions for government social insurance.....	1,118.5	1,134.1	9.6	5.7	9.5	15.6
Less: Personal current taxes.....	1,679.0	1,697.9	39.8	-11.2	21.4	18.9
Equals: Disposable personal income (DPI) .....	12,624.8	12,727.9	120.5	150.3	57.1	103.1
Less: Personal outlays .....	12,077.4	12,209.2	42.1	113.4	127.0	131.8
Equals: Personal saving .....	547.4	518.7	78.4	36.9	-69.9	-28.7
Personal saving as a percentage of DPI.....	4.3	4.1				
<b>Addenda: The effects of special factors on changes in DPI</b>						
In government compensation:						
Federal pay raise.....			0.0	0.0	0.0	2.6
Federal civilian furloughs .....			-0.6	-4.9	5.5	0.0
In supplements to wages and salaries:						
FICA increase in maximum taxable wages .....			0.0	0.0	0.0	1.7
In personal dividend income:						
Accelerated dividends.....			27.0	0.0	0.0	0.0
In government social benefits to persons:						
Cost-of-living adjustments (COLAs) <sup>1</sup> .....			0.0	0.0	0.0	14.2
Automatic Earnings Reappraisal Operation .....			0.3	-0.3	2.7	-2.7
Emergency unemployment compensation.....			-3.6	-5.2	-0.7	-17.5
Affordable Care Act (ACA) expanded Medicaid .....			0.0	0.0	0.0	27.7
ACA premium assistance refundable tax credit .....			0.0	0.0	0.0	9.5
Other refundable tax credits.....			0.0	0.0	0.0	4.8
In employee contributions for government social insurance:						
FICA and SECA increase in maximum taxable wages .....			0.0	0.0	0.0	2.1
SMI premium increase .....			0.0	0.0	0.0	0.2
Additional hospital insurance tax .....			0.0	0.0	0.0	0.4
Expiration of the "payroll tax holiday".....			0.0	0.0	0.0	2.5

Personal income, which is measured in current dollars, picked up in the first quarter, increasing \$122.0 billion after increasing \$78.5 billion in the fourth quarter of 2013. The pickup primarily reflected a pickup in government social benefits to persons.

The pickup in government social benefits to persons primarily reflected upturns in Medicaid and in payments of "other" government social benefits to persons that were partly offset by a larger decrease in unemployment programs. The 1.5 percent cost-of-living adjustment in January added \$14.2 billion to government social benefits in the first quarter.

The upturn in Medicaid primarily reflected expanded coverage under the Affordable Care Act (ACA) which added \$27.7 billion to government social benefits in the first quarter. (For details, see the FAQ "How will the Affordable Care Act (ACA) affect BEA's measure of personal income and outlays?" on BEA's Web site.)

Unemployment insurance decreased more in the first quarter than in the fourth quarter, reflecting the expiration of the Emergency Unemployment Compensation program that reduced unemployment benefits by \$17.5 billion in the first quarter.

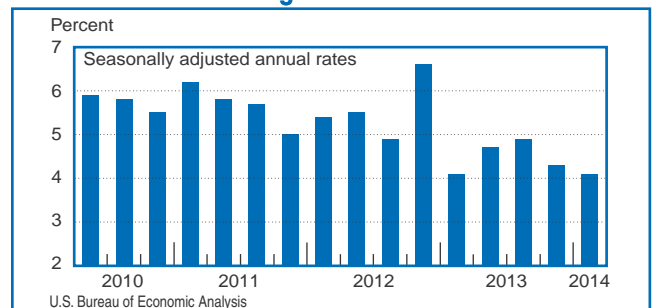
The upturn in "other" government social benefits primarily reflected the recognition of newly available health insurance premium subsidies paid in the form of refundable tax credits of \$9.5 billion to qualified enrollees of the ACA exchanges in the first quarter.

Personal current taxes decelerated in the first quarter, reflecting a slowdown in federal taxes. In contrast, state and local taxes picked up.

Personal saving—disposable personal income less personal outlays—was \$518.7 billion in the first quarter; it decreased \$28.7 billion after decreased \$69.9 billion.

The personal saving rate was 4.1 percent in the first quarter; in the fourth quarter, it was 4.3 percent.

**Chart 2. Personal Saving Rate**



1. Includes COLAs for social security, veterans benefits, railroad retirement, and supplemental security income. In the first quarter, the social security COLA boosted benefits \$12.2 billion.  
 Note: Dollar levels are from NIPA tables 2.1 and 2.2B. CCAAdj Capital consumption adjustment  
 FICA Federal Insurance Contributions Act IVA Inventory valuation adjustment  
 SECA Self-Employed Contributions Act SMI Supplementary Medical Insurance

## Source Data for the Advance Estimates

**Table 4. Source Data and Key Assumptions for the Advance Estimates of GDP and Its Components for the First Quarter of 2014**

[Billions of dollars, seasonally adjusted at annual rates]

	2013			2014		
	Oct.	Nov.	Dec.	Jan.	Feb.	March <sup>1</sup>
<b>Private fixed investment:</b>						
Nonresidential structures:						
Value of new nonresidential construction put in place .....	306.1	307.9	319.1	315.8	319.6	320.6
Residential structures:						
Value of new residential construction put in place:						
Single family .....	172.2	175.9	180.6	185.3	183.3	183.8
Multifamily .....	34.9	36.0	36.8	36.5	37.4	37.5
<b>Change in private inventories:</b>						
Change in inventories for nondurable manufacturing .....	-8.0	-6.5	-5.6	3.2	13.0	21.3
Change in inventories for merchant wholesale and retail industries other than motor vehicles and equipment .....	68.4	74.9	32.7	56.1	35.1	112.5
<b>Net exports: <sup>2</sup></b>						
Exports of goods:						
U.S. exports of goods, international-transactions-accounts basis .....	1,627.7	1,643.7	1,592.8	1,605.0	1,580.6	1,595.1
Excluding gold .....	1,600.2	1,626.0	1,574.6	1,564.5	1,554.5	1,569.8
Imports of goods:						
U.S. imports of goods, international-transactions-accounts basis .....	2,333.1	2,296.1	2,297.1	2,319.0	2,321.4	2,304.8
Excluding gold .....	2,315.7	2,281.8	2,282.9	2,304.9	2,303.1	2,285.3
Net exports of goods .....	-705.4	-652.3	-704.3	-714.0	-740.8	-709.8
Excluding gold .....	-715.5	-655.8	-708.3	-740.5	-748.6	-715.5
<b>State and local government structures:</b>						
Value of new construction put in place .....	252.6	250.4	245.6	243.1	241.9	245.5

### Source Data and Key Assumptions for the Advance Estimates of GDP

The advance estimates of many components of GDP are based on 3 months of source data, but the estimates of some components are based on only 2 months of data. For the following items, the number of months for which data are available is shown in parentheses.

*Consumer spending:* sales of retail stores (3), unit auto and truck sales (3), consumers' shares of auto and truck sales (2), motor vehicle fuels data (3), and electricity and gas usage and unit-value data (3);

*Nonresidential fixed investment:* unit auto and truck sales (3), construction spending (value put in place) (2), manufacturers' shipments of machinery and equipment (3), and exports and imports of machinery and equipment (2);

*Residential fixed investment:* construction spending (value put in place) (2), single-family housing starts (3), sales of new homes (3), and sales of existing houses (3);

*Inventory investment:* trade and nondurable- goods manufacturing inventories (2), durable-goods manufacturing inventories (3), and unit auto and truck inventories (3);

*Net exports of goods and services:* exports and imports of goods and services (2) and values and quantities of petroleum imports (2);

*Government spending:* federal government outlays (3), state and local government construction spending (value put in place) (2), and state and local government employment (3);

*Compensation:* employment, average hourly earnings, and average weekly hours (3); and

*Prices:* consumer price indexes (3), producer price indexes (3), and values and quantities of petroleum imports (2).

#### Key assumptions

When source data were unavailable, BEA made various assumptions for March, including the following (table 4):

- An increase in nonresidential structures,
  - An increase in residential structures,
  - An increase in nondurable-goods manufacturing inventories,
  - An increase in nonmotor vehicle merchant wholesale and retail inventories,
  - An increase in exports of goods excluding gold,
  - A decrease in imports of goods excluding gold, and
  - An increase in state and local government structures.
- A more comprehensive list is available on BEA's [Web site](#).



## Preview of the Upcoming Annual NIPA Revision

On July 30, 2014, the Bureau of Economic Analysis (BEA) will release the results of the annual revision of the national income and product accounts (NIPAs) together with the advance estimate of gross domestic product (GDP) for the second quarter of 2014. In addition to the regular revision of estimates for the most recent 3 years and for the first quarter of 2014, this “flexible annual revision” will result in revisions to GDP and select components back to the first quarter of 1999.<sup>1</sup>

The reference year for index numbers and chained-dollar estimates will remain 2009. In cases for which the estimates for the reference year (2009) will be revised, this will result in revisions to the levels of the related index numbers and chained-dollar estimates for the entire historical period; revisions to percent changes before the first quarter of 1999 are likely to be small.

The revisions for the historical period will primarily reflect incorporating the results of the comprehensive restructuring of BEA’s international transactions accounts (ITAs), which was described in a March 2014 *SURVEY* article; the updated and restructured ITAs will be released in June.<sup>2</sup> Over the last several years, BEA has taken steps to enhance the quality and the usefulness of its international accounts statistics and to bring them into closer alignment with new international statistical guidelines, specifically the International Monetary Fund’s *Balance of Payments and International Investment Position Manual*, 6th edition. The updated ITAs will result in changes to

1. For the details about plans for revisions for periods longer than the traditional 3-year period, see “Improving BEA’s Accounts Through Flexible Annual Revisions” *SURVEY OF CURRENT BUSINESS* 88 (JUNE 2008): 29–32.

2. Maria Borgia and Kristy L. Howell, “The Comprehensive Restructuring of the International Economic Accounts,” *SURVEY* 94 (March 2014).

several foreign transactions in the NIPAs, most notably the following:<sup>3</sup>

- The definition of exports and imports of travel will be broadened to include travel for health and for education and expenditures by short-term workers; these services are currently included in the exports and imports of “other” private services.
- The presentation of goods and services in the foreign transactions tables will change in order to remain consistent with the corresponding items in the ITAs.

The annual revision will also incorporate improvements to the presentation of the estimates and refinements to estimating methodologies, including a new table presenting the transactions associated with defined contribution pension plans. (Tables presenting the transactions associated with defined benefit pension plans were introduced in last year’s comprehensive revision.)

The annual revision will also incorporate the usual annual source data for 2011 through 2013 that are more complete and more detailed than those previously available, including the following:

- Census Bureau annual surveys of merchant wholesale trade, of retail trade, of services, and of state and local governments;
- Federal government budget data;
- Internal Revenue Service tabulations of tax returns for corporations and for sole proprietorships and partnerships; and
- Department of Agriculture farm income statistics.

3. BEA will release prototypes of the updated NIPA table stubs on its Web site in early June.