



Technical Note
Gross Domestic Product
Second Quarter of 2014 (Advance)
July 30, 2014

This technical note provides background information about the source data and estimating methods used to produce the estimates presented in the GDP news release. The complete set of estimates for the second quarter is available on BEA's Web site at www.bea.gov; a brief summary of "highlights" is also posted on the Web site. In a few weeks the *Survey of Current Business*, BEA's online monthly journal, will publish a more detailed analysis of the estimates ("GDP and the Economy").

Real GDP

Real GDP increased 4.0 percent (annual rate) in the second quarter of 2014, following a decrease of 2.1 percent (revised) in the first quarter. The upturn in real GDP in the second quarter reflected upturns in inventory investment and in exports, an acceleration in consumer spending, an upturn in state and local government spending, an acceleration in nonresidential fixed investment, and an upturn in residential fixed investment that were partly offset by an acceleration in imports.

Source Data for the Advance Estimate

The advance GDP estimate for the second quarter of 2014 is based on source data that are incomplete and subject to revision. Three months of source data were available for consumer spending on goods; shipments of capital equipment; motor vehicle sales and inventories; durable manufacturing inventories; federal government outlays; and consumer, producer, and international prices. Only two months of data were available for most other key data sources; BEA's assumptions for the third month are shown in table A. Among those assumptions are the following:

- an increase in nondurable manufacturing inventories,
- an increase in non-motor-vehicle merchant wholesale and retail inventories,
- a decrease in exports of goods, excluding gold, and
- a decrease in imports of goods, excluding gold.

Prices

The price index for personal consumption expenditures (PCE) increased 2.3 percent in the second quarter after increasing 1.4 percent in the first. Excluding food and energy prices, the PCE price index increased 2.0 percent after increasing 1.2 percent.

Disposable Personal Income

Real disposable personal income increased 3.8 percent in the second quarter, following an increase of 3.5 percent (revised) in the first. The acceleration in real DPI reflected an upturn in personal dividend income and a smaller decrease in farm proprietors' income that were partly offset by a deceleration in wages and salaries. The personal saving rate was 5.3 percent in the second quarter, compared with 4.9 percent (revised) in the first.

Annual Revision

Today's GDP news release presents results from the regular annual revision of the national income and product accounts. This year's revision includes revised estimates beginning with 1999, though the most notable revisions are generally limited to the period since 2011. The revision incorporates source data that are more complete and reliable than those previously available. Shortly after the GDP release, BEA will post a table on its Web site, www.bea.gov, showing selected component detail and the major source data for the revisions. A detailed discussion of the results will be published in the August issue of the *Survey*.

From the fourth quarter of 2010 to the first quarter of 2014, real GDP increased at an average annual rate of 1.8 percent, the same rate as in the previously published estimates. The percent change in real GDP was revised down 0.2 percentage point for 2011, was revised down 0.5 percentage point for 2012, and was revised up 0.3 percentage point for 2013.

From the fourth quarter of 2010 to the first quarter of 2014, real gross domestic income (GDI) increased at an average annual rate of 2.2 percent; in the previously published estimates, real GDI had increased at an average annual rate of 2.1 percent.

Revisions to GDP and GDI for 2014Q1

For the first quarter of 2014, real GDP decreased 2.1 percent, which was 0.8 percentage point less of a decrease than last month's estimate. The revision to the percent change in real GDP reflected upward revisions to inventory investment, to nonresidential fixed investment, and to consumer spending. These revisions reflect revised seasonal adjustments, the incorporation of newly available Census construction spending data, and a methodological improvement to the estimation of retail margins for used motor vehicles.

For the first quarter of 2014, real GDI decreased 0.7 percent, which was 1.9 percentage points less of a decrease than last month's estimate. The main source of revision was an upward revision to wages and salaries for the first quarter, based on the incorporation of preliminary quarterly census of employment and wages data from the Bureau of Labor Statistics.

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**Table A. KEY ASSUMPTIONS FOR THE ADVANCE ESTIMATE OF GDP
FOR THE SECOND QUARTER OF 2014**

For many of the key series used to prepare the advance estimate of GDP, including retail sales, unit automobile and truck sales and inventories, manufacturers' shipments of nondefense capital goods, manufacturers' inventories of durable goods, federal defense spending, and consumer, producer, and international price indexes, actual data are available for all months of the quarter.

For the key series shown in this table, actual data for the third month of the quarter usually are not available in time for inclusion in the advance GDP estimate. BEA makes assumptions for the source data that are not yet available; assumptions for June 2014 are shown in the last column of the table. For most series shown, the data for May are preliminary and subject to further revision. Occasionally, the data for earlier months are also subject to revision.

All series shown in the table are in billions of dollars, seasonally adjusted at annual rates, and are published by the Census Bureau.

		2014					
		Jan.	Feb.	Mar.	Apr.	May	Jun.*
Private fixed investment:							
Nonresidential structures:							
1	Value of new nonresidential construction put in place.....	330.0	328.9	324.2	324.5	328.0	326.3
Residential structures:							
Value of new residential construction put in place:							
2	Single family.....	186.9	185.8	186.2	190.2	187.6	185.6
3	Multifamily.....	37.6	38.7	39.9	40.7	40.5	40.0
Change in private inventories:							
NOTE: Historical (Jan.–Apr.) data may reflect concurrent seasonal factors.							
4	Change in inventories for nondurable manufacturing.....	5.3	19.3	-3.5	22.8	17.9	20.2
4a	Change in inventories for merchant wholesale and retail industries other than motor vehicles and equipment...	51.9	43.9	56.7	68.2	22.3	75.3
Net exports:							
Exports of goods:							
5	U.S. exports of goods, international-transactions-accounts basis.....	1602.9	1564.7	1628.6	1620.6	1640.2	1630.0
5a	Excluding gold.....	1561.5	1542.9	1609.8	1603.9	1625.2	1613.2
Imports of goods:							
6	U.S. imports of goods, international-transactions-accounts basis.....	2316.7	2288.5	2378.8	2408.6	2399.7	2393.6
6a	Excluding gold.....	2301.2	2274.7	2362.2	2392.5	2385.1	2377.8
7	Net exports of goods.....	-713.8	-723.8	-750.2	-788.0	-759.5	-763.6
7a	Excluding gold.....	-739.8	-731.8	-752.4	-788.5	-759.9	-764.7
Government:							
State and local:							
Structures:							
8	Value of new construction put in place.....	238.2	237.4	241.8	247.1	251.9	249.5

*Assumption.