

# Technical Note

## Gross Domestic Product Second Quarter of 2019 (Advance Estimate)

July 26, 2019

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](http://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").

### Key Source Data and Assumptions for the Advance Estimate

The advance GDP estimate for the second quarter is based on source data that are incomplete and subject to updates. Three months of source data were available for consumer spending on goods; shipments of capital equipment; motor vehicle sales and inventories; durable goods manufacturing inventories; wholesale and retail trade inventories; exports and imports of goods; federal government outlays; and consumer, producer, and international prices. For major source data series for which only two months of data were available, BEA's assumptions for the third month are shown in the "[Key Source Data and Assumptions](#)" table on the BEA Web site.

### Real GDP and Related Aggregates

Real GDP increased 2.1 percent (annual rate) in the second quarter of 2019, following an increase of 3.1 percent in the first. The increase in second quarter real GDP primarily reflected increases in consumer spending, federal government spending, and state and local government spending that were partly offset by decreases in private inventory investment and exports.

The slowdown in real GDP in the second quarter primarily reflected downturns in private inventory investment, exports and nonresidential fixed investment that were partly offset by accelerations in consumer spending and federal government spending.

- The downturn in private inventory investment primarily reflected a downturn in nondurable goods manufacturing and larger declines in retail and wholesale trade.
- Within exports, both goods and services exports turned down. Within goods, a larger decrease in non-automotive capital goods and downturns in automotive vehicles, engines and parts and in consumer goods were partly offset by an upturn in exports of petroleum. Within services, the largest contributor to the downturn was travel.

- The downturn in nonresidential fixed investment reflected a downturn in structures and a deceleration in intellectual property products (IPP). Within IPP, research and development and software investment slowed.
- Within consumer spending, spending on both goods and services accelerated. The pickup in goods primarily reflected upturns in spending on motor vehicles, food and beverages, and clothing and footwear. Within services, a smaller decline in nonprofit hospital services and an upturn in food services and accommodations were partly offset by a deceleration in health care, notably in physician services.
- The acceleration in federal spending was more than accounted for by nondefense spending. Within nondefense, compensation of federal employees and purchases of intermediate goods and services both turned up. These components were impacted by the partial government shutdown that occurred in the fourth quarter of 2018 and the first quarter of 2019. For more information, [an FAQ is available](#) on BEA's Web site.

Real final sales to private domestic purchasers, which measures private demand in the domestic economy and is derived as the sum of consumer spending and private fixed investment, increased 3.2 percent in the second quarter after increasing 1.6 percent in the first quarter.

### **Prices**

The price index for gross domestic purchases increased 2.2 percent in the second quarter, compared with a 0.8 percent increase in the first. Excluding food and energy, gross domestic purchases prices increased 1.8 percent, after increasing 1.2 percent (revised).

The PCE price index increased 2.3 percent in the second quarter, following an increase of 0.4 percent (revised). Excluding food and energy prices, the PCE price index increased 1.8 percent after increasing 1.1 percent (revised).

### **Disposable Personal Income**

Real disposable personal income increased 2.5 percent in the second quarter, following a 4.4 percent increase in the first (revised). The personal saving rate was 8.1 percent in the second quarter, compared with 8.5 percent in the first (revised).

### **Summary Results from the Annual Update**

Today's release presents results from the annual update of the national income and product accounts. This year's update includes revised estimates for the first quarter of 2014 through the first quarter of 2019. The update incorporates more complete and reliable source data than previously available.

The updated estimates show that real GDP increased 2.5 percent at an average annual rate from 2013-2018; in the previously published estimates, real GDP had increased 2.4 percent. Over the same period, real GDI increased 2.3 percent, compared with the previously published 2.2 percent.

Shortly after the release, BEA will post materials on the BEA Website that discuss the results in more detail and will include a table showing the major source data incorporated as part of the update. The upcoming August *Survey* will feature an article describing the results of the annual update.

### **Updates to GDP and GDI for 2019Q1**

For the first quarter of 2019, real GDP is estimated to have increased 3.1 percent; the same increase as in the previously published estimates. The updated first quarter estimates reflect downward revisions to exports, state and local government spending, and private inventory investment that were offset by upward revisions to consumer spending and federal government spending.

For the first quarter of 2019, real GDI is now estimated to have increased 3.2 percent, an upward revision of 2.2 percentage points. The upward revision primarily reflected an upward revision to compensation, which primarily reflected new first-quarter wage and salary tabulations for all 50 states from the BLS Quarterly Census of Employment and Wages.

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