

GDP and the Economy

Advance Estimates for the First Quarter of 2012

REAL GROSS domestic product (GDP) increased 2.2 percent at an annual rate in the first quarter of 2012, according to the advance estimates of the national income and product accounts (NIPAs) (chart 1 and table 1).¹ In the fourth quarter of 2011, real GDP increased 3.0 percent.

The deceleration in real GDP in the first quarter primarily reflected a deceleration in inventory investment and a downturn in nonresidential fixed investment that were partly offset by accelerations in consumer spending and in exports.²

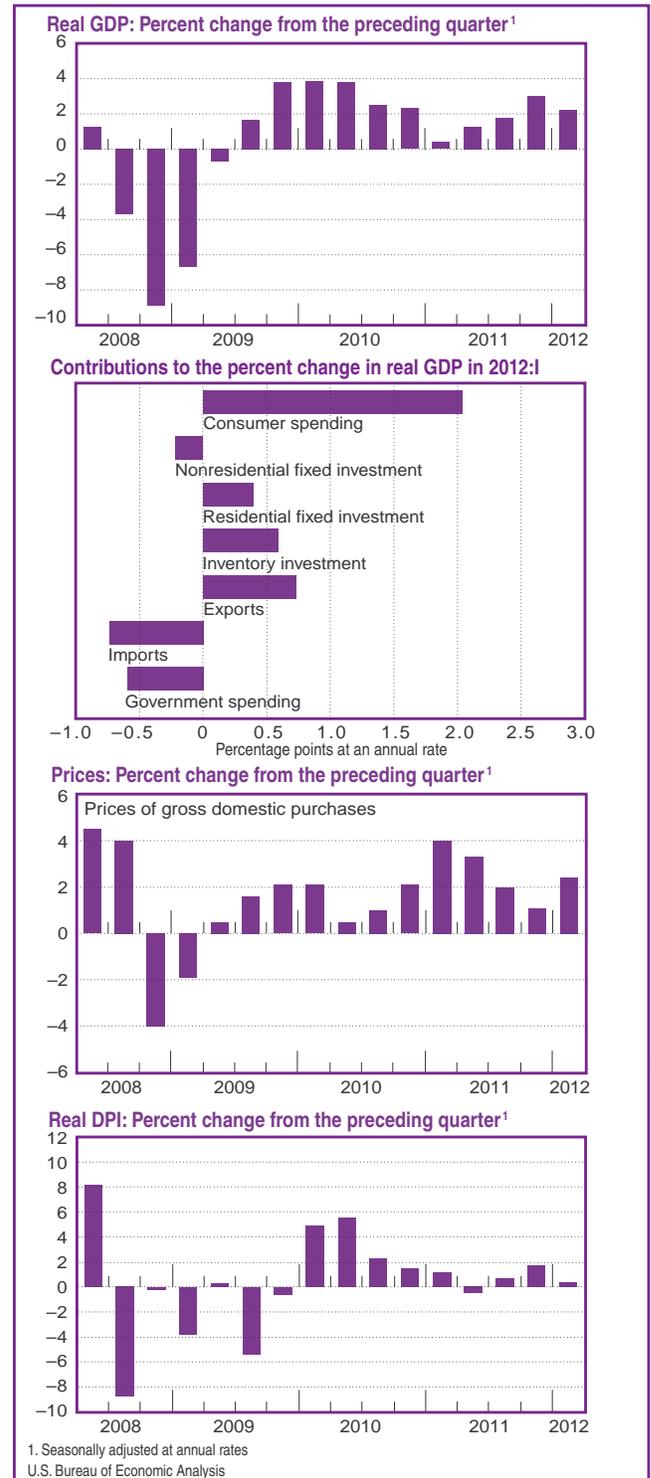
- Prices of goods and services purchased by U.S. residents increased 2.4 percent in the first quarter after increasing 1.1 percent in the fourth quarter. Energy prices turned up, while food prices decelerated. Excluding food and energy, gross domestic purchases prices increased 2.2 percent after increasing 1.2 percent. The pay raise for military personnel added less than 0.1 percentage point to the first-quarter percent change in the gross domestic purchases price index.
- Real disposable personal income (DPI) increased 0.4 percent in the first quarter after increasing 1.7 percent. Current-dollar DPI decelerated slightly in the first quarter, reflecting a somewhat larger acceleration in personal current taxes than in personal income. The relatively large deceleration in real DPI primarily reflected an acceleration in the PCE implicit price deflator that is used to deflate current-dollar DPI; the PCE implicit price deflator increased 2.4 percent in the first quarter after increasing 1.2 percent.
- The personal saving rate, personal saving as a percentage of current-dollar DPI, was 3.9 percent in the first quarter, the lowest rate since the fourth quarter of 2007. In the fourth quarter of 2011, the rate was 4.5 percent.

1. "Real" estimates are in chained (2005) 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 (PCE)," "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 (GDP) 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)				
	2012	2011				2012				
	I	II	III	IV	I	II	III	IV	I	
Gross domestic product ¹	100.0	1.3	1.8	3.0	2.2	1.3	1.8	3.0	2.2	
Personal consumption expenditures	71.2	0.7	1.7	2.1	2.9	0.49	1.24	1.47	2.04	
Goods.....	24.5	-1.6	1.4	5.4	6.2	-0.38	0.33	1.29	1.47	
Durable goods.....	8.0	-5.3	5.7	16.1	15.3	-0.42	0.42	1.16	1.13	
Nondurable goods.....	16.5	0.2	-0.5	0.8	2.1	0.04	-0.09	0.13	0.35	
Services.....	46.7	1.9	1.9	0.4	1.2	0.87	0.90	0.19	0.57	
Gross private domestic investment	13.2	6.4	1.3	22.1	6.0	0.79	0.17	2.59	0.77	
Fixed investment.....	12.6	9.2	13.0	6.3	1.4	1.07	1.52	0.78	0.18	
Nonresidential.....	10.3	10.3	15.7	5.2	-2.1	0.98	1.49	0.53	-0.22	
Structures.....	2.7	22.6	14.4	-0.9	-12.0	0.54	0.37	-0.02	-0.35	
Equipment and software.....	7.6	6.2	16.2	7.5	1.7	0.44	1.12	0.55	0.13	
Residential.....	2.3	4.2	1.3	11.6	19.1	0.09	0.03	0.25	0.40	
Change in private inventories.....	0.6	.....	.....	.....	.....	-0.28	-1.35	1.81	0.59	
Net exports of goods and services	-4.0	.....	.....	.....	.....	0.24	0.43	-0.26	-0.01	
Exports.....	13.9	3.6	4.7	2.7	5.4	0.48	0.64	0.37	0.73	
Goods.....	9.8	2.5	5.0	3.6	4.1	0.24	0.48	0.36	0.39	
Services.....	4.1	6.2	4.0	0.4	8.6	0.24	0.16	0.02	0.34	
Imports.....	17.9	1.4	1.2	3.7	4.3	-0.24	-0.21	-0.63	-0.74	
Goods.....	15.1	1.6	0.5	3.3	3.0	-0.23	-0.08	-0.48	-0.44	
Services.....	2.9	0.4	4.8	5.6	11.0	-0.01	-0.13	-0.15	-0.30	
Government consumption expenditures and gross investment	19.6	-0.9	-0.1	-4.2	-3.0	-0.18	-0.02	-0.84	-0.60	
Federal.....	7.9	1.9	2.1	-6.9	-5.6	0.16	0.17	-0.58	-0.46	
National defense.....	5.2	7.0	5.0	-12.1	-8.1	0.37	0.27	-0.70	-0.44	
Nondefense.....	2.7	-7.6	-3.8	4.5	-0.6	-0.22	-0.10	0.12	-0.01	
State and local.....	11.7	-2.8	-1.6	-2.2	-1.2	-0.34	-0.19	-0.26	-0.14	

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) 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)				
	2012	2011				2012				
	I	II	III	IV	I	II	III	IV	I	
Gross domestic product ¹	100.0	1.3	1.8	3.0	2.2	1.3	1.8	3.0	2.2	
Final sales of domestic product.....	99.4	1.6	3.2	1.1	1.6	1.62	3.16	1.14	1.62	
Change in private inventories..	0.6	.....	.....	.....	.....	-0.28	-1.35	1.81	0.59	
Goods.....	28.7	-0.6	2.2	13.0	7.1	-0.17	0.62	3.49	1.98	
Services.....	64.5	1.8	1.2	-1.0	0.4	1.18	0.81	-0.67	0.27	
Structures.....	6.8	5.0	5.8	2.0	-0.6	0.33	0.38	0.14	-0.04	
Addenda:										
Motor vehicle output.....	2.8	-4.1	5.1	20.4	50.9	-0.10	0.12	0.47	1.12	
GDP excluding motor vehicle output.....	97.2	1.5	1.7	2.5	1.1	1.44	1.69	2.48	1.09	
Final sales of computers.....	0.6	13.0	42.1	21.2	8.8	0.07	0.22	0.12	0.05	
GDP excluding final sales of computers.....	99.4	1.3	1.6	2.8	2.2	1.26	1.60	2.83	2.15	

1. The estimates 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 first quarter of 2012, reflecting pickups in spending for both services and goods. The largest contributor to the pickup in services was an upturn in financial services and insurance. The largest contributors to the pickup in goods were upturns in "other" durable goods and in food and beverages for off-premises consumption.

Nonresidential fixed investment turned down, reflecting a slowdown in equipment and software and a larger decrease in structures. The slowdown in equipment and software primarily reflected a downturn in industrial equipment and a slowdown in information processing equipment and software. The largest contributor to the decrease in structures was a downturn in power and communication.

Residential investment picked up, reflecting pickups in single-family structures, in "other" structures, and in multifamily structures.

Inventory investment slowed, primarily reflecting downturns in manufacturing and in wholesale trade industries. In contrast, inventory investment in retail trade industries turned up, primarily in motor vehicles and parts dealers.

Exports picked up, mainly reflecting a pickup in exports of services that mainly reflected upturns in travel and in passenger fares.

Imports accelerated, reflecting a pickup in imports of services. The largest contributors to the pickup were a pickup in travel and an upturn in passenger fares.

Government spending decreased less than in the fourth quarter, reflecting smaller decreases in both federal government spending and state and local government spending.

Real final sales of domestic product, real GDP less inventory investment, increased 1.6 percent in the first quarter after increasing 1.1 percent in the fourth quarter.

Motor vehicle output accelerated sharply, increasing 50.9 percent after increasing 20.4 percent. Motor vehicle output accounted for about half of the first-quarter growth in real GDP.

Final sales of computers slowed, increasing 8.8 percent after increasing 21.2 percent.

Prices

Table 3. Prices for Gross Domestic Purchases

[Percent change at annual rates; based on seasonally adjusted index numbers (2005=100)]

	Change from preceding period (percent)				Contribution to percent change in gross domestic purchases prices (percentage points)			
	2011			2012	2011			2012
	II	III	IV	I	II	III	IV	I
Gross domestic purchases¹	3.3	2.0	1.1	2.4	3.3	2.0	1.1	2.4
Personal consumption expenditures	3.3	2.3	1.2	2.4	2.26	1.60	0.80	1.64
Goods	5.1	2.9	0.0	2.5	1.17	0.67	0.00	0.58
Durable goods	1.7	-0.5	-2.5	-1.0	0.13	-0.04	-0.19	-0.08
Nondurable goods	6.7	4.5	1.2	4.2	1.04	0.71	0.19	0.66
Services	2.4	2.1	1.8	2.3	1.09	0.93	0.79	1.05
Gross private domestic investment	2.2	1.1	1.4	1.0	0.27	0.14	0.17	0.13
Fixed investment	2.4	1.5	1.3	0.9	0.28	0.18	0.16	0.12
Nonresidential	2.5	1.8	1.6	1.5	0.24	0.17	0.16	0.15
Structures	6.1	5.6	4.3	2.6	0.15	0.15	0.11	0.07
Equipment and software	1.2	0.4	0.6	1.1	0.09	0.03	0.04	0.08
Residential	2.0	0.3	0.2	-1.5	0.04	0.01	0.00	-0.03
Change in private inventories					-0.01	-0.04	0.01	0.02
Government consumption expenditures and gross investment	4.2	1.3	0.9	3.4	0.81	0.24	0.17	0.64
Federal	3.8	1.8	-0.4	3.7	0.30	0.14	-0.03	0.28
National defense	3.8	1.5	-0.6	4.7	0.20	0.08	-0.03	0.24
Nondefense	3.7	2.3	0.1	1.7	0.10	0.06	0.00	0.04
State and local	4.5	0.9	1.8	3.2	0.52	0.10	0.20	0.36
Addenda:								
Gross domestic purchases:								
Food	5.7	4.2	3.5	1.1	0.28	0.21	0.18	0.06
Energy goods and services	15.0	3.2	-3.0	7.9	0.60	0.13	-0.13	0.33
Excluding food and energy	2.7	1.8	1.2	2.2	2.46	1.64	1.10	2.02
Personal consumption expenditures (PCE):								
Food and beverages for off-premises consumption	6.4	4.7	3.3	1.3				
Energy goods and services	15.0	3.3	-3.2	7.8				
Excluding food and energy	2.3	2.1	1.3	2.1				
Gross domestic product (GDP)	2.5	2.6	0.9	1.5				
Exports	8.8	1.9	-3.7	2.3				
Imports	12.5	-1.3	-1.2	7.4				

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. GDP, export, and import prices are from NIPA table 1.1.7.

Prices paid by U.S. residents, as measured by the gross domestic purchases price index, accelerated in the first quarter of 2012. The federal pay raise for military personnel added less than 0.1 percentage point to the first-quarter percent change in the gross domestic purchases price index. (The pay raise is treated as an increase in the price of employee services purchased by the federal government.)

Consumer prices picked up, reflecting pickups in prices of goods and of services. An upturn in gasoline and other energy goods was the largest contributor to the pickup in goods prices.

Prices paid for nonresidential fixed investment slowed very slightly, reflecting a slowdown in prices paid for structures that was largely offset by a pickup in prices paid for equipment and software.

Prices paid for residential fixed investment turned down slightly.

Prices paid by government accelerated, reflecting an upturn in prices paid by the federal government (mainly national defense) and an acceleration in prices paid by state and local governments.

Consumer prices excluding food and energy, a measure of the “core” rate of inflation, accelerated, increasing 2.1 percent after increasing 1.3 percent.

The GDP price index increased 1.5 percent, 0.9 percentage point less than the increase in the price index for gross domestic purchases, reflecting a larger increase in import prices (7.4 percent) than in export prices (2.3 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 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 mea-

sure 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 [FAQ 518](#) 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 4. Personal Income and Its Disposition

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

	Level		Change from preceding period			
	2012	2011	2011			2012
	I	IV	II	III	IV	I
Personal income	13,162.1	13,281.7	108.4	101.5	105.3	119.6
Compensation of employees, received	8,440.3	8,525.7	47.2	118.6	102.0	85.4
Wage and salary disbursements	6,813.4	6,884.7	38.9	107.2	89.1	71.3
Private industries	5,624.4	5,691.9	38.1	109.8	89.4	67.5
Goods-producing industries	1,134.6	1,151.0	4.6	19.7	18.0	16.4
Manufacturing	717.6	730.0	0.0	8.6	8.6	12.4
Services-producing industries	4,489.8	4,541.0	33.6	90.1	71.4	51.2
Trade, transportation, and utilities	1,080.5	1,088.8	8.7	19.0	18.4	8.3
Other services-producing industries	3,409.3	3,452.2	24.8	71.2	53.0	42.9
Government	1,189.0	1,192.7	0.8	-2.6	-0.3	3.7
Supplements to wages and salaries	1,626.9	1,641.0	8.3	11.3	12.9	14.1
Proprietors' income with IVA and CCAAdj	1,119.7	1,132.6	10.9	7.2	6.0	12.9
Farm	62.7	62.0	1.2	0.2	-4.8	-0.7
Nonfarm	1,057.0	1,070.6	9.7	7.0	10.8	13.6
Rental income of persons with CCAAdj	427.2	443.3	11.9	9.4	20.9	16.1
Personal income receipts on assets	1,786.3	1,796.4	25.1	-8.1	-7.9	10.1
Personal interest income	976.8	980.5	11.2	-21.1	-18.0	3.7
Personal dividend income	809.5	816.0	13.9	13.0	10.1	6.5
Personal current transfer receipts	2,333.1	2,343.6	19.2	-10.7	-3.5	10.5
Government social benefits to persons	2,293.5	2,304.3	19.3	-10.7	-3.7	10.8
Social security	722.3	753.4	9.1	4.1	6.0	31.1
Medicare	555.3	553.8	6.1	3.9	-2.5	-1.5
Medicaid	411.5	409.7	5.3	-21.0	-4.9	-1.8
Unemployment insurance	100.1	94.6	-8.7	-5.8	-2.9	-5.5
Veterans benefits	64.3	67.6	1.5	2.2	-0.7	3.3
Other	440.0	425.3	5.8	5.9	1.4	-14.7
Other current transfer receipts from business, net	39.6	39.3	-0.1	0.0	0.2	-0.3
Less: Contributions for government social insurance	944.5	959.9	5.9	15.0	12.1	15.4
Less: Personal current taxes	1,430.2	1,468.8	30.3	12.9	21.1	38.6
Equals: Disposable personal income (DPI)	11,731.9	11,812.9	78.2	88.5	84.2	81.0
Less: Personal outlays	11,201.0	11,346.9	100.5	112.0	86.4	145.9
Equals: Personal saving	530.8	466.0	-22.4	-23.4	-2.3	-64.8
Personal saving as a percentage of DPI	4.5	3.9				
Addenda: The effects of special factors on changes in personal income						
In government wages and salaries:						
Federal pay raise			0.0	0.0	0.0	1.8
In supplements to wages and salaries:						
FICA increase in maximum taxable wages			0.0	0.0	0.0	1.8
State unemployment insurance changes in tax rates and taxable wage base			0.0	0.0	0.0	1.7
In government social benefits to persons:						
Cost-of-living adjustments (COLAs) ¹			0.0	0.0	0.0	30.2
Automatic Earnings Reappraisal Operation			0.4	-0.4	2.4	-2.4
"Making Work Pay" tax credit			0.0	0.0	0.0	-13.6
Earned Income Tax Credit			0.0	0.0	0.0	-2.7
In employee contributions for government social insurance:						
FICA increase in maximum taxable wages			0.0	0.0	0.0	1.2
In personal current taxes:						
Change in indexation			0.0	0.0	0.0	-1.9
Refunds, settlements, and back taxes			0.0	0.0	0.0	11.8

1. Includes COLAs for social security, veterans benefits, railroad retirement, and supplemental security income. In the first quarter, the social security COLA boosted benefits \$26.2 billion.
NOTE: Dollar levels are from NIPA tables 2.1 and 2.2B. CCAAdj Capital consumption adjustment
IVA Inventory valuation adjustment FICA Federal Insurance Contributions Act

Personal income, which is measured in current dollars, accelerated in the first quarter, increasing \$119.6 billion after increasing \$105.3 billion. The acceleration primarily reflected upturns in personal interest income and in government social benefits to persons that were partly offset by a deceleration in wage and salary disbursements.

The deceleration in wage and salary disbursements reflected monthly Bureau of Labor Statistics employment, hours, and earnings data for the first quarter.

The upturn in personal interest income reflected a smaller decrease in first-quarter interest rates and a pickup in the acquisition of interest-bearing assets held by persons.

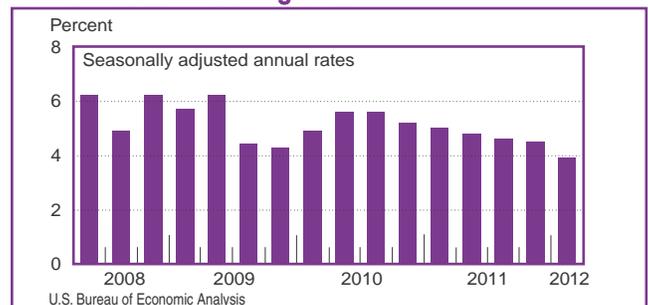
The upturn in government social benefits to persons primarily reflected a sharp acceleration in social security that was partly offset by a downturn in "other" benefits. The acceleration in social security reflected a 3.6 percent cost-of-living adjustment in January. The estimate was based on the incorporation of data from the *Monthly Treasury Statement* and from the Social Security Administration. The downturn in "other" benefits primarily reflected the expiration of the refundable portion of the "Making Work Pay" tax credit.

Personal current taxes accelerated, reflecting accelerations in both federal income taxes and state and local income taxes. The acceleration in federal taxes was due to an acceleration in nonwithheld taxes, reflecting new annual targets of tax collections and refunds based on data that underlie the federal budget from the Department of Treasury's Office of Tax Analysis. The acceleration in state and local taxes was based on the incorporation of a sample of state monthly tax collections data.

Saving

Personal saving—disposable personal income less personal outlays—was \$466.0 billion in the first quarter, a decrease of \$64.8 billion that followed a fourth-quarter decrease of \$2.3 billion. The larger first-quarter decrease reflected an acceleration in personal outlays and a deceleration in disposable personal income.

Chart 2. Personal Saving Rate



Source Data for the Advance Estimates

Table 5. Source Data and Key Assumptions for the Advance Estimates of GDP for the First Quarter of 2012

[Billions of dollars, seasonally adjusted at annual rates]

	2011			2012		
	Oct.	Nov.	Dec.	Jan.	Feb.	March ¹
Private fixed investment:						
Nonresidential structures:						
Value of new nonresidential construction put in place	280.8	283.6	292.0	285.3	280.8	283.1
Residential structures:						
Value of new residential construction put in place:						
Single family	107.4	108.8	110.8	113.2	111.5	116.3
Multifamily	15.2	16.3	16.4	16.9	17.2	17.9
Change in private inventories:						
Change in inventories for nondurable manufacturing	50.4	11.5	-4.8	19.7	10.5	20.9
Change in inventories for merchant wholesale and retail industries other than motor vehicles and equipment	75.1	27.3	60.9	41.7	63.5	66.6
Net exports: ²						
Exports of goods:						
U.S. exports of goods, international-transactions-accounts basis	1533.8	1510.0	1520.7	1542.5	1535.8	1557.6
Excluding gold	1489.4	1478.4	1487.4	1499.6	1495.5	1515.4
Imports of goods:						
U.S. imports of goods, international-transactions-accounts basis	2235.5	2264.1	2301.1	2350.5	2272.5	2363.3
Excluding gold	2219.1	2247.4	2284.2	2334.3	2256.3	2346.3
Net exports of goods	-701.6	-754.0	-780.5	-808.1	-736.7	-805.6
Excluding gold	-729.6	-769.0	-796.8	-834.7	-760.9	-830.9
State and local government structures:						
Value of new construction put in place	254.5	257.9	257.8	259.2	253.9	256.5

1. Assumption.

2. Nonmonetary gold is included in balance-of-payments exports and imports, but it is

not used directly in estimating exports and imports in the national income and product accounts.

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.

Personal consumption expenditures: sales of retail stores (3), unit auto and truck sales (3), and consumers' shares of auto and truck sales (2);

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) (3), single-family housing starts (3), sales of new homes (3), and sales of existing houses (3);

Change in private inventories: 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);

Government consumption expenditures and gross investment: federal outlays (3), state and local government con-

struction 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).

Unavailable source data

When source data were unavailable, BEA made various assumptions for March, including the following (table 5):

- An increase in nonresidential structures,
- An increase in single-family residential structures and a small increase in multifamily residential structures,
- An increase in the change in inventories of nondurable-goods manufacturing industries and an increase in the change in nonmotor vehicle merchant wholesale and retail trade inventories,
- An increase in exports of goods excluding gold and a much larger increase 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 at www.bea.gov.