

GDP and the Economy

Second Estimates for the First Quarter of 2012

REAL GROSS domestic product (GDP) increased at an annual rate of 1.9 percent in the first quarter of 2012, according to the second estimates of the national income and product accounts (NIPAs) (chart 1 and table 1).¹ The second estimate of real GDP growth was revised down 0.3 percentage point from the advance estimate, reflecting a downward revision to inventory investment, an upward revision to imports, and downward revisions to state and local government spending and to consumer spending that were partly offset by upward revisions to nonresidential fixed investment and to exports.² In the fourth quarter of 2011, real GDP increased 3.0 percent.

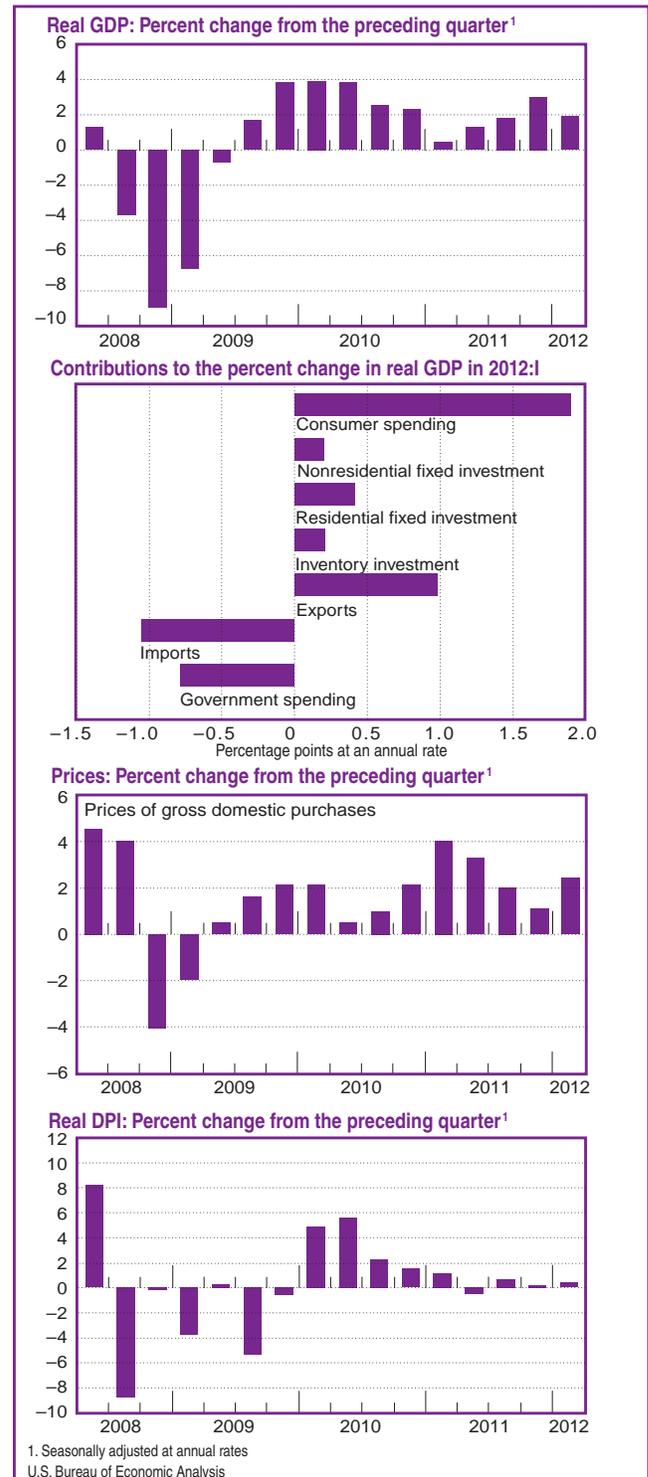
- Prices of goods and services purchased by U.S. residents increased 2.4 percent in the first quarter, the same increase as in the advance estimate, after increasing 1.1 percent. Energy prices turned up, while food prices slowed. Excluding food and energy, gross domestic purchases prices increased 2.3 percent after increasing 1.2 percent. The pay raise for military personnel added less than 0.1 percentage point to the first-quarter change in the gross domestic purchases price index.
- Real disposable personal income (DPI) increased 0.4 percent, the same increase as in the advance estimate, after increasing 0.2 percent (revised) in the fourth quarter. In the first quarter, current-dollar DPI increased 2.9 percent, 0.1 percentage point more than in the advance estimate, after increasing 1.3 percent (revised) in the fourth quarter. The slight upward revision to first-quarter current-dollar DPI reflected a downward revision to personal current taxes that was partly offset by a downward revision to personal income.
- The personal saving rate, personal saving as a percentage of current-dollar DPI, was 3.6 percent, 0.3 percentage point less than in the advance estimate; in the fourth quarter, the rate was 4.2 percent (revised).

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 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	II	III	IV	
Gross domestic product ¹	100.0	1.3	1.8	3.0	1.9	1.3	1.8	3.0	1.9	1.3	1.8	3.0	1.9
Personal consumption expenditures	71.2	0.7	1.7	2.1	2.7	0.49	1.24	1.47	1.90				
Goods.....	24.5	-1.6	1.4	5.4	6.1	-0.38	0.33	1.29	1.44				
Durable goods.....	8.0	-5.3	5.7	16.1	14.3	-0.42	0.42	1.16	1.05				
Nondurable goods.....	16.5	0.2	-0.5	0.8	2.3	0.04	-0.09	0.13	0.38				
Services.....	46.7	1.9	1.9	0.4	1.0	0.87	0.90	0.19	0.47				
Gross private domestic investment	13.2	6.4	1.3	22.1	6.3	0.79	0.17	2.59	0.81				
Fixed investment.....	12.7	9.2	13.0	6.3	4.9	1.07	1.52	0.78	0.61				
Nonresidential.....	10.4	10.3	15.7	5.2	1.9	0.98	1.49	0.53	0.20				
Structures.....	2.8	22.6	14.4	-0.9	-3.3	0.54	0.37	-0.02	-0.09				
Equipment and software.....	7.6	6.2	16.2	7.5	3.9	0.44	1.12	0.55	0.30				
Residential.....	2.3	4.2	1.3	11.6	19.4	0.09	0.03	0.25	0.41				
Change in private inventories.....	0.5	.....	.....	.....	.....	-0.28	-1.35	1.81	0.21				
Net exports of goods and services	-4.0					0.24	0.43	-0.26	-0.08				
Exports.....	14.0	3.6	4.7	2.7	7.2	0.48	0.64	0.37	0.98				
Goods.....	9.9	2.5	5.0	3.6	6.3	0.24	0.48	0.36	0.60				
Services.....	4.1	6.2	4.0	0.4	9.5	0.24	0.16	0.02	0.37				
Imports.....	18.0	1.4	1.2	3.7	6.1	-0.24	-0.21	-0.63	-1.05				
Goods.....	15.1	1.6	0.5	3.3	5.0	-0.23	-0.08	-0.48	-0.73				
Services.....	2.9	0.4	4.8	5.6	12.0	-0.01	-0.13	-0.15	-0.33				
Government consumption expenditures and gross investment	19.5	-0.9	-0.1	-4.2	-3.9	-0.18	-0.02	-0.84	-0.78				
Federal.....	7.9	1.9	2.1	-6.9	-5.9	0.16	0.17	-0.58	-0.48				
National defense.....	5.2	7.0	5.0	-12.1	-8.3	0.37	0.27	-0.70	-0.46				
Nondefense.....	2.7	-7.6	-3.8	4.5	-0.8	-0.22	-0.10	0.12	-0.02				
State and local.....	11.6	-2.8	-1.6	-2.2	-2.5	-0.34	-0.19	-0.26	-0.30				

1. The estimates 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	II	III	IV	
Gross domestic product ¹	100.0	1.3	1.8	3.0	1.9	1.3	1.8	3.0	1.9				
Final sales of domestic product.....	99.5	1.6	3.2	1.1	1.7	1.62	3.16	1.14	1.66				
Change in private inventories.....	0.5	.....	.....	.....	.....	-0.28	-1.35	1.81	0.21				
Goods.....	28.7	-0.6	2.2	13.0	5.9	-0.17	0.62	3.49	1.65				
Services.....	64.5	1.8	1.2	-1.0	0.2	1.18	0.81	-0.67	0.13				
Structures.....	6.8	5.0	5.8	2.0	1.2	0.33	0.38	0.14	0.08				
Addenda:													
Motor vehicle output.....	2.8	-4.1	5.1	20.4	51.1	-0.10	0.12	0.47	1.12				
GDP excluding motor vehicle output.....	97.2	1.5	1.7	2.5	0.8	1.44	1.69	2.48	0.74				
Final sales of computers.....	0.6	13.0	42.1	21.2	-4.9	0.07	0.22	0.12	-0.03				
GDP excluding final sales of computers.....	99.4	1.3	1.6	2.8	1.9	1.26	1.60	2.83	1.89				
Gross domestic income (GDI) ².....	.....	0.2	2.6	2.6	2.7	.....	.....	.....	.....

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

2. GDI is deflated by the implicit price deflator for GDP. The third-quarter change reflect the incorporation of revised wage and salary estimates for the third quarter of 2011.

NOTE. For GDP and its components, 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. For GDI, percent changes are from NIPA table 1.7.1.

Consumer spending accelerated, adding 1.90 percentage points to real GDP growth after adding 1.47 percentage points. The acceleration reflected pickups in both services and goods.

Nonresidential fixed investment decelerated, adding 0.20 percentage point to real GDP growth after adding 0.53 percentage point. The deceleration reflected a deceleration in equipment and software and a larger decrease in structures (see page 4).

Residential investment picked up and added 0.41 percentage point to real GDP growth after adding 0.25 percentage point (see page 4).

Inventory investment slowed, adding 0.21 percentage point to real GDP growth after adding 1.81 percentage points. The slowdown primarily reflected downturns in manufacturing and in wholesale trade industries that were partly offset by an upturn in retail industries (see page 5).

Exports picked up, adding 0.98 percentage point to real GDP growth after adding 0.37 percentage point. The pickup reflected pickups in both exports of services and exports of goods (see page 6).

Imports also picked up, subtracting 1.05 percentage points from real GDP growth after subtracting 0.63 percentage point. The pickup reflected pickups in both imports of goods and of services (see page 6).

Government spending decreased less than in the fourth quarter, subtracting 0.78 percentage point from real GDP growth after subtracting 0.84 percentage point. The smaller decrease reflected a smaller decrease in federal government spending that more than offset a larger decrease in state and local government spending (see page 7).

Real final sales of domestic product, real GDP less inventory investment, increased 1.7 percent after increasing 1.1 percent.

Motor vehicle output accelerated sharply, increasing 51.1 percent after increasing 20.4 percent. The increase in motor vehicle output accounted for more than half of the first-quarter growth in real GDP.

Real gross domestic income, which measures the output of the economy as the costs incurred and the incomes earned in the production of GDP, increased 2.7 percent after increasing 2.6 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)			
	2012		2011		2012		2011		2012			
	I	II	III	IV	I	II	III	IV	I			
PCE ¹	100.0	0.7	1.7	2.1	2.7	0.7	1.7	2.1	2.7			
Goods	34.4	-1.6	1.4	5.4	6.1	-0.54	0.47	1.81	2.03			
Durable goods	11.2	-5.3	5.7	16.1	14.3	-0.59	0.60	1.63	1.49			
Motor vehicles and parts....	3.8	-25.5	1.6	38.8	22.2	-1.03	0.06	1.17	0.76			
Furnishings and durable household equipment....	2.4	3.1	5.6	9.2	9.5	0.07	0.13	0.21	0.22			
Recreational goods and vehicles.....	3.2	8.9	12.1	12.5	10.8	0.27	0.37	0.38	0.33			
Other durable goods.....	1.8	6.1	2.6	-6.9	10.9	0.10	0.05	-0.12	0.18			
Nondurable goods	23.2	0.2	-0.5	0.8	2.3	0.05	-0.13	0.18	0.54			
Food and beverages for off-premises consumption....	7.5	1.2	-0.1	-1.3	2.0	0.09	-0.01	-0.10	0.15			
Clothing and footwear.....	3.3	2.2	-7.8	3.3	5.6	0.07	-0.27	0.11	0.18			
Gasoline and other energy goods.....	4.0	-8.0	-1.5	-2.7	-2.1	-0.33	-0.06	-0.11	-0.08			
Other nondurable goods.....	8.4	2.7	2.6	3.3	3.5	0.22	0.21	0.27	0.30			
Services	65.6	1.9	1.9	0.4	1.0	1.22	1.27	0.27	0.67			
Household consumption expenditures.....	62.9	1.9	1.6	0.4	0.8	1.20	1.03	0.29	0.51			
Housing and utilities.....	17.5	0.7	2.8	-3.2	-2.3	0.13	0.49	-0.57	-0.42			
Health care.....	15.9	2.8	-0.6	2.2	0.5	0.45	-0.10	0.34	0.09			
Transportation services.....	2.8	-0.2	0.3	0.0	1.8	-0.01	0.01	0.00	0.05			
Recreation services.....	3.8	9.2	7.5	-1.3	1.0	0.33	0.27	-0.05	0.04			
Food services and accommodations.....	6.5	1.1	2.6	5.5	5.2	0.07	0.17	0.35	0.33			
Financial services and insurance.....	7.5	1.3	3.5	-2.9	4.8	0.10	0.26	-0.22	0.36			
Other services.....	8.9	1.5	-0.8	5.1	0.7	0.13	-0.07	0.44	0.07			
Final consumption expenditures of NPISHs ²	2.7	0.8	9.7	-0.8	6.0	0.02	0.25	-0.02	0.16			
Gross output of NPISHs ³	10.8	1.4	-0.3	3.1	2.4	0.15	-0.03	0.33	0.26			
Less: Receipts from sales of goods and services by NPISHs ⁴	8.1	1.5	-3.4	4.4	1.2	0.13	-0.28	0.35	0.10			

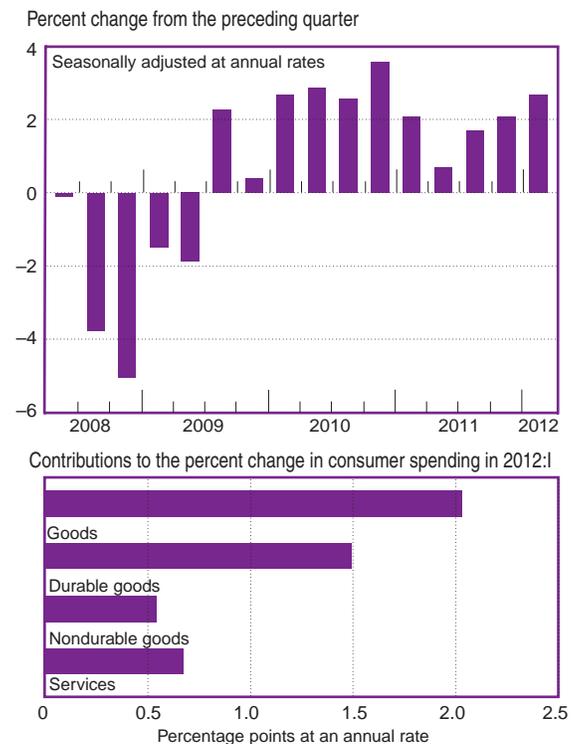
1. The estimates under the contribution columns are also percent changes.
 2. Net of expenses, or gross operating expenses less primary sales to households.
 3. Net of unrelated sales, secondary sales, and sales to business, to government, and to the rest of the world; excludes own-account investment (construction and software).
 4. Excludes unrelated sales, secondary sales, and sales to business, to government, and to the rest of the world; includes membership dues and fees.
 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.
 NPISHs Nonprofit institutions serving households

Spending for durable goods slowed slightly. The slowdown mainly reflected a slowdown in spending for motor vehicles and parts that was partly offset by an upturn in spending for “other” durable goods.

Spending for nondurable goods picked up. The pickup primarily reflected an upturn in spending for food and beverages for off-premises consumption.

Spending for services accelerated. The acceleration primarily reflected an upturn in spending for financial services and insurance, but a smaller decrease in housing and utilities and an upturn in recreation services also contributed. In contrast, spending for “other” services decelerated.

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)			
	2012		2011		2012		2011		2012			
	I	II	III	IV	I	II	III	IV	I			
Private fixed investment ¹	100.0	9.2	13.0	6.3	4.9	9.2	13.0	6.3	4.9			
Nonresidential	81.7	10.3	15.7	5.2	1.9	8.39	12.69	4.30	1.65			
Structures	21.7	22.6	14.4	-0.9	-3.3	4.52	3.10	-0.17	-0.74			
Commercial and health care	4.8	22.7	10.8	-13.5	8.7	1.02	0.53	-0.70	0.40			
Manufacturing.....	2.3	55.4	35.6	29.2	13.6	0.87	0.65	0.56	0.29			
Power and communication	5.0	13.0	19.6	24.2	-7.6	0.59	0.89	1.09	-0.40			
Mining exploration, shafts, and wells.....	6.7	33.6	7.5	-18.7	-13.0	2.11	0.55	-1.49	-0.95			
Other structures ²	3.0	-2.4	16.2	12.2	-2.5	-0.06	0.47	0.36	-0.08			
Equipment and software	60.0	6.2	16.2	7.5	3.9	3.87	9.59	4.47	2.39			
Information processing equipment and software	29.7	8.9	1.2	9.6	3.8	2.73	0.45	2.77	1.13			
Computers and peripheral equipment.....	5.4	50.5	12.1	15.4	-2.1	2.30	0.67	0.80	-0.12			
Software ³	14.5	8.0	8.0	9.9	6.1	1.17	1.17	1.39	0.87			
Other ⁴	9.7	-6.7	-13.0	6.0	3.9	-0.74	-1.39	0.58	0.38			
Industrial equipment.....	10.3	-0.8	31.8	17.8	-15.0	-0.05	2.98	1.78	-1.72			
Transportation equipment.....	9.2	14.9	33.0	18.9	21.6	1.22	2.59	1.54	1.81			
Other equipment ⁵	10.8	-0.5	36.7	-13.9	11.4	-0.03	3.57	-1.62	1.17			
Residential	18.3	4.2	1.3	11.6	19.4	0.78	0.28	1.98	3.23			
Structures	17.8	4.2	1.2	11.8	20.0	0.77	0.25	1.95	3.24			
Permanent site.....	6.6	-4.6	7.6	9.0	26.3	-0.31	0.49	0.56	1.54			
Single family.....	5.8	-6.4	3.6	8.5	26.5	-0.38	0.21	0.46	1.36			
Multifamily.....	0.8	10.0	41.6	12.7	25.3	0.07	0.28	0.10	0.19			
Other structures ⁶	11.2	9.8	-2.3	13.4	16.4	1.08	-0.24	1.39	1.70			
Equipment	0.5	3.3	5.5	5.1	-1.3	0.02	0.03	0.02	-0.01			

Private fixed investment slowed, reflecting a slowdown in nonresidential fixed investment that was partly offset by a pickup in residential investment.

The slowdown in nonresidential fixed investment reflected a slowdown in equipment and software and a larger decrease in structures.

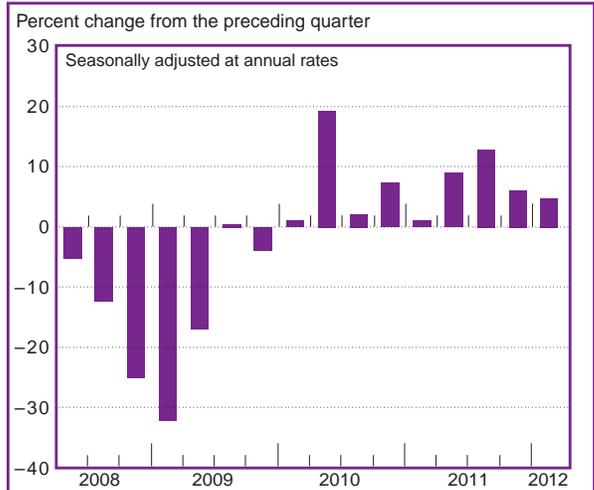
The larger decrease in structures reflected downturns in power and communication and in "other" structures and a deceleration in manufacturing that were partly offset by an upturn in commercial and health care and a smaller decrease in mining exploration, shafts, and wells.

The slowdown in equipment and software primarily reflected a downturn in industrial equipment and a slowdown in information processing equipment that were partly offset by an upturn in "other" equipment.

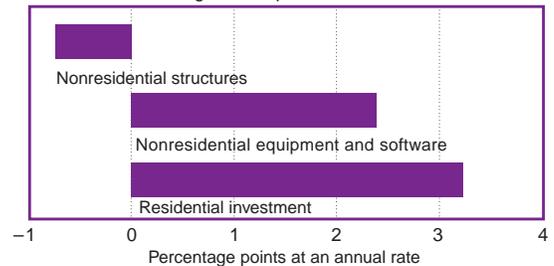
Residential investment picked up, reflecting pickups in single-family structures, in "other" structures, and in multifamily structures.

1. The estimates 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.

Chart 3. Real Private Fixed Investment



Contributions to the change in real private fixed investment in 2012:1



Inventory Investment

Table 5. Change in Real Private Inventories by Industry
 [Billions of chained (2005) dollars; seasonally adjusted at annual rates]

	Level				Change from preceding quarter				
	2012		2011		2012		2011		
	I	II	III	IV	I	II	III	IV	I
Change in private inventories¹	49.1	39.1	-2.0	52.2	57.7	-10.0	-41.1	54.2	5.5
Farm	-7.8	-8.7	-6.0	-5.7	-6.5	-0.9	2.7	0.3	-0.8
Mining, utilities, and construction	-1.2	2.5	-0.8	7.5	16.5	3.7	-3.3	8.3	9.0
Manufacturing	33.3	24.2	11.3	33.0	15.0	-9.1	-12.9	21.7	-18.0
Durable-goods industries	27.3	21.2	19.1	20.3	13.2	-6.1	-2.1	1.2	-7.1
Nondurable-goods industries	7.0	4.0	-5.9	12.7	2.6	-3.0	-9.9	18.6	-10.1
Wholesale trade	22.3	39.0	6.4	31.1	21.1	16.7	-32.6	24.7	-10.0
Durable-goods industries	15.2	30.6	23.2	14.2	23.1	15.4	-7.4	-9.0	8.9
Nondurable-goods industries	7.5	10.1	-12.4	16.1	0.5	2.6	-22.5	28.5	-15.6
Retail trade	-0.7	-20.5	-12.7	-17.5	15.8	-19.8	7.8	-4.8	33.3
Motor vehicle and parts dealers	-9.1	-23.0	-11.1	-16.3	14.3	-13.9	11.9	-5.2	30.6
Food and beverage stores	-0.3	2.1	1.3	-0.2	2.4	2.4	-0.8	-1.5	2.6
General merchandise stores	3.7	-0.9	-0.2	3.9	0.3	-4.6	0.7	4.1	-3.6
Other retail stores	4.3	-0.4	-3.5	-5.9	-0.3	-4.7	-3.1	-2.4	5.6
Other industries	3.9	1.5	-0.4	2.9	-1.0	-2.4	-1.9	3.3	-3.9
Residual ²	-1.4	0.1	-5.3	2.7	-7.4				
Addenda: Ratios of private inventories to final sales of domestic business:³									
Private inventories to final sales	2.34	2.34	2.32	2.32	2.32				
Nonfarm inventories to final sales	2.14	2.15	2.13	2.13	2.14				
Nonfarm inventories to final sales of goods and structures	3.94	3.96	3.90	3.88	3.88				

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.
 3. The ratios are from NIPA table 5.7.6B.
 NOTE: The chained-dollar series are calculated as the period-to-period change in end-of-period inventories. Quarterly changes are stated at annual rates. Because the formula for the chain-type quantity indexes uses weights of more than one period, chained-dollar estimates are usually not additive.

Real inventory investment decelerated in the first quarter, increasing \$5.5 billion after increasing \$54.2 billion in the fourth quarter. The slowdown mainly reflected downturns in both manufacturing industries and wholesale trade industries that were partly offset by an upturn in retail trade industries.

The downturn in manufacturing industries reflected downturns in both nondurable-goods and durable-goods industries. First-quarter inventory accumulations in both nondurable-goods and durable-goods industries were smaller than in the fourth quarter.

The downturn in wholesale trade industries reflected a downturn in nondurable-goods industries that primarily reflected a smaller inventory accumulation in merchant wholesale trade in the first quarter than in the fourth quarter after a drawdown in the third quarter. In contrast, durable-goods industries turned up.

The upturn in retail trade industries primarily reflected upturns in motor vehicle and parts dealers, in "other" retail stores, and in food and beverage stores.

Inventory Investment

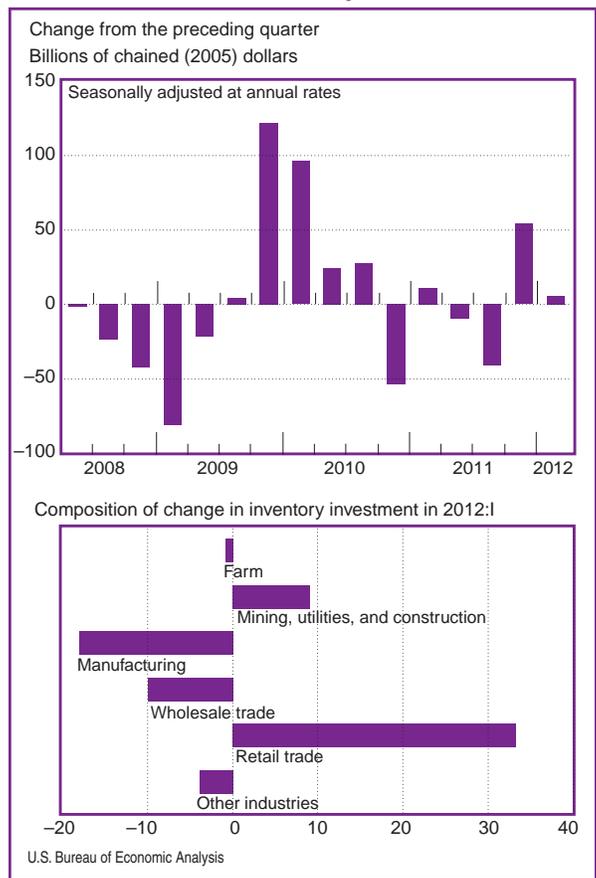
The change in real private inventories, often called real private inventory investment, represents the change in the physical stock of goods held by businesses. It includes finished goods, goods at various stages of production, and raw materials.

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, the 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 a year. BEA provides estimates for incomplete industry data.

Chart 4. Real Private Inventory Investment



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)				
		2011				2012				
		I	II	III	IV	I	II	III	IV	I
Exports of goods and services¹	100.0	3.6	4.7	2.7	7.2	3.6	4.7	2.7	7.2	
Exports of goods²	70.4	2.5	5.0	3.6	6.3	1.79	3.51	2.56	4.51	
Foods, feeds, and beverages	5.7	-7.4	-19.5	6.3	-0.1	-0.47	-1.29	0.36	0.01	
Industrial supplies and materials	22.8	-6.2	4.4	8.6	-0.9	-1.48	1.04	1.94	-0.14	
Capital goods, except automotive	24.1	15.7	10.1	1.5	11.8	3.43	2.31	0.36	2.73	
Automotive vehicles, engines, and parts	6.8	-1.0	28.0	-9.1	39.0	-0.06	1.58	-0.61	2.22	
Consumer goods, except automotive	8.2	15.2	1.5	8.2	-11.7	1.20	0.13	0.67	-1.03	
Other	2.9	-23.5	-8.6	-5.2	28.2	-0.83	-0.26	-0.15	0.73	
Exports of services²	29.6	6.2	4.0	0.4	9.5	1.77	1.15	0.11	2.73	
Imports of goods and services¹	100.0	1.4	1.2	3.7	6.1	1.40	1.20	3.70	6.10	
Imports of goods²	84.0	1.6	0.5	3.3	5.0	1.31	0.46	2.79	4.24	
Foods, feeds, and beverages	4.0	3.8	4.8	18.2	-3.0	0.15	0.19	0.70	-0.12	
Industrial supplies and materials, except petroleum and products	10.5	23.5	-2.5	-13.3	16.3	2.37	-0.28	-1.58	1.62	
Petroleum and products	17.3	-11.3	-5.8	3.5	-21.1	-2.11	-1.05	0.59	-4.09	
Capital goods, except automotive	19.8	16.8	1.9	13.1	13.5	2.97	0.36	2.42	2.54	
Automotive vehicles, engines, and parts	10.7	-37.7	70.6	-0.4	55.3	-4.39	4.98	-0.04	4.60	
Consumer goods, except automotive	18.4	4.8	-11.1	-0.5	-5.1	0.93	-2.28	-0.08	-0.97	
Other	3.2	54.2	-37.1	29.1	22.4	1.38	-1.46	0.79	0.65	
Imports of services²	16.0	0.4	4.8	5.6	12.0	0.07	0.75	0.88	1.84	
Addenda:										
Exports of agricultural goods ³	6.3	-17.9	-24.9	12.4	15.6					
Exports of nonagricultural goods	64.1	5.1	8.6	2.8	5.4					
Imports of nonpetroleum goods	66.7	5.2	2.3	3.3	13.0					

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.

Exports of goods and services accelerated in the first quarter of 2012, reflecting accelerations in both exports of services and exports of goods.

The acceleration in goods exports mainly reflected an upturn in automotive vehicles, engines, and parts and an acceleration in nonautomotive capital goods that were partly offset by downturns in industrial supplies and materials and in nonautomotive consumer goods.

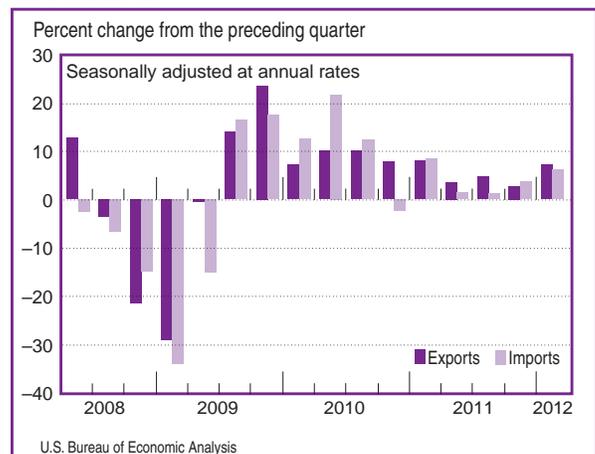
The acceleration in exports of services mainly reflected upturns in travel services and in passenger fares.

Imports of goods and services accelerated, reflecting accelerations in both imports of goods and of services.

The acceleration in imports of goods mainly reflected upturns in automotive vehicles, engines, and parts and in nonpetroleum industrial supplies and materials that were partly offset by a downturn in petroleum and products.

The acceleration in imports of services mainly reflected an acceleration in travel services and an upturn in passenger fares. "Other" transportation and "other" private services also contributed.

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)				
		2011				2012				
	2012	I	II	III	IV	I	II	III	IV	I
Government consumption expenditures and gross investment¹	100.0	-0.9	-0.1	-4.2	-3.9	-0.9	-0.1	-4.2	-3.9	
Consumption expenditures.....	84.3	0.5	-0.7	-4.2	-2.3	0.40	-0.61	-3.57	-1.91	
Gross investment.....	15.7	-7.8	3.3	-3.7	-12.0	-1.29	0.52	-0.59	-1.99	
Federal.....	40.4	1.9	2.1	-6.9	-5.9	0.78	0.83	-2.87	-2.40	
National defense.....	26.8	7.0	5.0	-12.1	-8.3	1.84	1.34	-3.47	-2.29	
Consumption expenditures.....	23.5	9.1	4.0	-11.6	-6.1	2.05	0.94	-2.88	-1.45	
Gross investment.....	3.3	-5.8	11.9	-15.4	-22.5	-0.21	0.40	-0.58	-0.85	
Nondefense.....	13.6	-7.6	-3.8	4.5	-0.8	-1.07	-0.51	0.60	-0.10	
Consumption expenditures.....	11.9	-8.0	-4.9	6.1	-0.9	-0.98	-0.58	0.70	-0.09	
Gross investment.....	1.7	-5.0	4.2	-5.5	-0.6	-0.09	0.07	-0.10	-0.01	
State and local.....	59.6	-2.8	-1.6	-2.2	-2.5	-1.67	-0.93	-1.29	-1.50	
Consumption expenditures.....	49.0	-1.4	-2.0	-2.8	-0.8	-0.68	-0.97	-1.38	-0.37	
Gross investment.....	10.6	-8.9	0.4	0.8	-10.2	-0.99	0.05	0.09	-1.13	

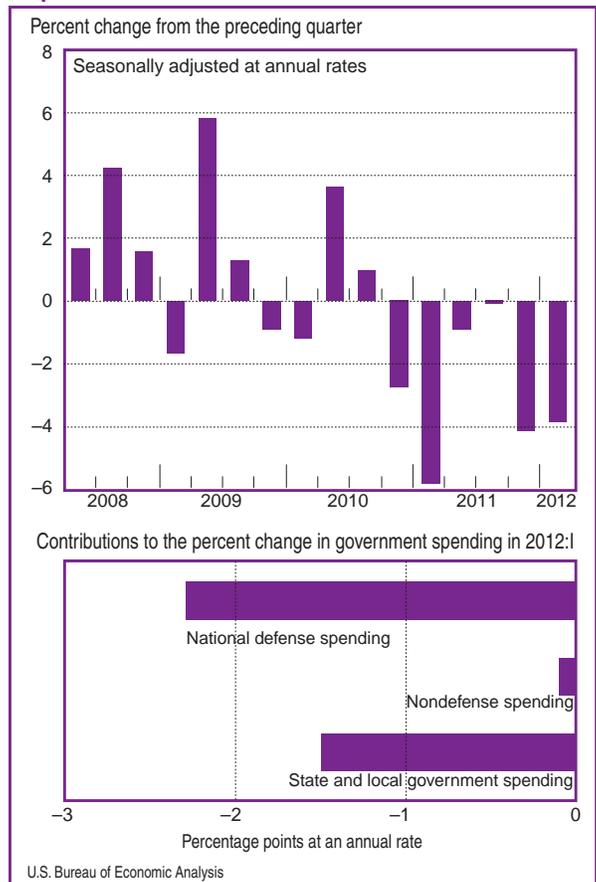
1. The estimates under the contribution columns are also percent changes.
NOTE: Percent changes are from NIPA table 3.9.1, contributions from NIPA table 3.9.2, and shares are calculated from NIPA table 3.9.5.

Government spending decreased less in the first quarter of 2012 than in the fourth quarter. A smaller decrease in federal government spending was partly offset by a larger decrease in state and local government spending.

The smaller decrease in federal government spending reflected a smaller decrease in national defense spending that was partly offset by a downturn in nondefense spending. The smaller decrease in national defense spending was more than accounted for by a smaller decrease in consumption expenditures. The downturn in nondefense spending reflected a downturn in consumption expenditures that was partly offset by a smaller decrease in gross investment.

The larger decrease in state and local government spending reflected a downturn in gross investment, especially in structures, that was partly offset by a smaller decrease in consumption expenditures.

Chart 6. Real Government Consumption Expenditures and Gross Investment



BEA's First-Quarter Estimates of Defense Spending

The first-quarter decrease in national defense spending reflected decreases in compensation of employees (accompanying a drop in the number of active-duty military personnel), in purchases of goods and services, and in investment in defense equipment.

BEA's estimates are based on data for defense outlays from the Department of Treasury's *Monthly Treasury Statement (MTS)*, which records *cash* outlays of the U.S. Government. However, BEA's national accounts record defense expenditures on an *accrual* basis in order to more closely match the flow of expenditures to the flow of economic activity. BEA routinely incorporates timing adjustments to convert *MTS* outlays to NIPA expenditures. As a result, there are occasions, such as the first quarter of 2012, when BEA's estimates of defense spending do not track defense outlays as recorded in the *MTS*.

For additional details on BEA's methodology and on the timing adjustments as they relate to the first-quarter estimates, see the April 27 blog post at blog.bea.gov/2012/04/27/defense-spending on BEA's Web site.

Prices

Table 8. 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	0.59
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	2.4	1.09	0.93	0.79	1.06
Gross private domestic investment	2.2	1.1	1.4	1.1	0.27	0.14	0.17	0.14
Fixed investment	2.4	1.5	1.3	1.2	0.28	0.18	0.16	0.14
Nonresidential	2.5	1.8	1.6	1.7	0.24	0.17	0.16	0.17
Structures	6.1	5.6	4.3	2.7	0.15	0.15	0.11	0.07
Equipment and software	1.2	0.4	0.6	1.4	0.09	0.03	0.04	0.10
Residential	2.0	0.3	0.2	-1.3	0.04	0.01	0.00	-0.03
Change in private inventories .....	.....	.....	.....	.....	-0.01	-0.04	0.01	0.00
Government consumption expenditures and gross investment	4.2	1.3	0.9	3.5	0.81	0.24	0.17	0.66
Federal	3.8	1.8	-0.4	4.0	0.30	0.14	-0.03	0.30
National defense	3.8	1.5	-0.6	5.0	0.20	0.08	-0.03	0.25
Nondefense	3.7	2.3	0.1	1.9	0.10	0.06	0.00	0.05
State and local	4.5	0.9	1.8	3.3	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	7.7	0.60	0.13	-0.13	0.32
Excluding food and energy	2.7	1.8	1.2	2.3	2.46	1.64	1.10	2.08
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	7.9	.....	.....	.....	.....
Excluding food and energy	2.3	2.1	1.3	2.1	.....	.....	.....	.....
Gross domestic product (GDP)	2.5	2.6	0.9	1.7	.....	.....	.....	.....
Exports	8.8	1.9	-3.7	3.4	.....	.....	.....	.....
Imports	12.5	-1.3	-1.2	7.7	.....	.....	.....	.....

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 of goods and services purchased by U.S. residents, as measured by the price index for gross domestic purchases, accelerated in the first quarter, increasing 2.4 percent after increasing 1.1 percent. The pay raise for military personnel added less than 0.1 percentage point to the first-quarter change in the gross domestic purchases price index.

Consumer prices accelerated, reflecting accelerations in both goods and services prices. Gasoline and other energy goods turned up and was the largest contributor to the acceleration in consumer prices. Pickups in food services and accommodations and in financial services and insurance also contributed.

Prices paid for residential investment turned down, the first downturn since the second quarter of 2010.

Prices paid by the federal government turned up, primarily reflecting an upturn in prices paid for national defense consumption expenditures; an acceleration in prices paid for nondefense consumption expenditures also contributed.

Prices paid by state and local governments accelerated, primarily reflecting an acceleration in prices paid for consumption expenditures.

Consumer prices excluding food and energy, a measure of the “core” rate of inflation, picked up.

The GDP price index increased 1.7 percent, 0.7 percentage point less than the increase in the price index for gross domestic purchases, reflecting a larger increase in import prices (7.7 percent) than in export prices (3.4 percent).

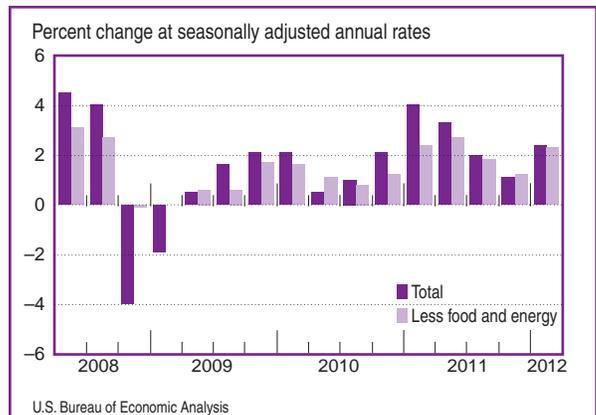
Note on Prices

BEA’s gross domestic purchases price index is the most comprehensive index of prices paid by U.S. residents for all goods and services, 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 imports prices (included in the gross domestic purchases index) and 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.

Chart 7. Gross Domestic Purchases Prices



Revisions

Table 9. Advance and Second Estimates for the First Quarter of 2012
[Seasonally adjusted at annual rates]

	Change from preceding quarter (percent)			Contribution to percent change in real GDP (percentage points)		
	Advance	Second	Second minus advance	Advance	Second	Second minus advance
Gross domestic product (GDP) ¹	2.2	1.9	-0.3	2.2	1.9	-0.3
Personal consumption expenditures	2.9	2.7	-0.2	2.04	1.90	-0.14
Goods	6.2	6.1	-0.1	1.47	1.44	-0.03
Durable goods	15.3	14.3	-1.0	1.13	1.05	-0.08
Nondurable goods	2.1	2.3	0.2	0.35	0.38	0.03
Services	1.2	1.0	-0.2	0.57	0.47	-0.10
Gross private domestic investment	6.0	6.3	0.3	0.77	0.81	0.04
Fixed investment	1.4	4.9	3.5	0.18	0.61	0.43
Nonresidential	-2.1	1.9	4.0	-0.22	0.20	0.42
Structures	-12.0	-3.3	8.7	-0.35	-0.09	0.26
Equipment and software	1.7	3.9	2.2	0.13	0.30	0.17
Residential	19.1	19.4	0.3	0.40	0.41	0.01
Change in private inventories				0.59	0.21	-0.38
Net exports of goods and services				-0.01	-0.08	-0.07
Exports	5.4	7.2	1.8	0.73	0.98	0.25
Goods	4.1	6.3	2.2	0.39	0.60	0.21
Services	8.6	9.5	0.9	0.34	0.37	0.03
Imports	4.3	6.1	1.8	-0.74	-1.05	-0.31
Goods	3.0	5.0	2.0	-0.44	-0.73	-0.29
Services	11.0	12.0	1.0	-0.30	-0.33	-0.03
Government consumption expenditures and gross investment	-3.0	-3.9	-0.9	-0.60	-0.78	-0.18
Federal	-5.6	-5.9	-0.3	-0.46	-0.48	-0.02
National defense	-8.1	-8.3	-0.2	-0.44	-0.46	-0.02
Nondefense	-0.6	-0.8	-0.2	-0.01	-0.02	-0.01
State and local	-1.2	-2.5	-1.3	-0.14	-0.30	-0.16
Addenda:						
Final sales of domestic product	1.6	1.7	0.1	1.62	1.66	0.04
Gross domestic purchases price index	2.4	2.4	0.0			
GDP price index	1.5	1.7	0.2			

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

The second estimate of the first-quarter increase in real GDP is 0.3 percentage point less than the advance estimate, primarily reflecting a downward revision to inventory investment, an upward revision to imports, and downward revisions to state and local government spending and to consumer spending that were partly offset by upward revisions to nonresidential fixed investment and to exports. The average revision (without regard to sign) between the advance estimate and the second estimate is 0.5 percentage point.

The downward revision to consumer spending reflected small revisions to both services and goods.

The upward revision to nonresidential fixed investment reflected upward revisions to both structures and equipment and software.

The downward revision to inventory investment was mainly to manufacturing, to wholesale trade, and to retail trade; mining, utilities, and construction inventories were revised up.

The upward revision to exports was mainly to industrial supplies and materials, to civilian aircraft, engines, and parts, and to "other" goods; computers, peripherals, and parts was revised down.

The upward revision to imports was mainly nonautomotive consumer goods, computers, peripherals, and parts, and "other" nonautomotive capital goods; petroleum and products was revised down.

The downward revision to state and local government spending was primarily to gross investment in structures.

Source Data for the Second Estimates

Personal consumption expenditures: retail sales for January, February, and March (revised). Motor vehicle registrations for March (new). Energy Information Administration data for retail electricity sales and unit value data for January (revised) and February (new), gasoline data for January (revised) and February (new), and natural gas sales and unit value data for January (revised) and February (new).

Nonresidential fixed investment: construction spending (value put in place) for January and February (revised) and March (new). Manufacturers' shipments (M3) of machinery and equipment for January and February (revised) and March (new). Exports and imports for January and February (revised) and March (new).

Residential fixed investment: construction spending for January and February (revised) and March (new).

Change in private inventories: manufacturers' inventories for January, February, and March (revised) and trade inventories for January and February (revised) and March (new).

Exports and imports: international transactions accounts for January and February (revised) and March (new).

Government consumption expenditures and gross investment: state and local construction spending for January and February (revised) and March (new).

Personal Income for the Fourth Quarter of 2011

With the release of the second 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 fourth-quarter tabulations from the Quarterly Census of Employment and Wages from the Bureau of Labor Statistics.

Wage and salary disbursements increased \$28.9 billion, a downward revision of \$60.2 billion. Personal current taxes increased \$10.3 billion, a downward revision of \$10.8 billion. Contributions for government social insurance, which is subtracted in calculating personal income, increased \$3.9 billion, a downward revision of \$8.2 billion.

As a result of these revisions,

- Personal income increased \$48.9 billion, a downward revision of \$56.4 billion.
- Disposable personal income increased \$38.6 billion, a downward revision of \$45.6 billion.
- Personal saving decreased \$47.8 billion, a downward revision of \$45.5 billion.
- The personal saving rate was 4.2 percent, a downward revision of 0.3 percentage point.

Corporate Profits

Table 10. Corporate Profits
[Seasonally adjusted]

	Billions of dollars (annual rate)				Percent change from preceding quarter (quarterly rate)				
	Level		Change from preceding quarter						
	2012	2011			2012				
	I	II	III	IV	I	II	III	IV	I
Current production measures:									
Corporate profits	1,998.3	61.2	32.5	16.8	11.4	3.3	1.7	0.9	0.6
Domestic industries.....	1,604.5	26.5	27.1	58.3	26.9	1.8	1.8	3.8	1.7
Financial	478.8	-54.2	9.2	29.9	20.6	-11.5	2.2	7.0	4.5
Nonfinancial.....	1,125.7	80.8	17.9	28.4	6.3	8.1	1.7	2.6	0.6
Rest of the world	393.8	34.6	5.4	-41.5	-15.5	8.4	1.2	-9.2	-3.8
Receipts from the rest of the world.....	628.7	49.0	-10.5	-25.2	3.5	8.0	-1.6	-3.9	0.6
Less: Payments to the rest of the world.....	234.9	14.4	-16.0	16.4	19.0	7.2	-7.4	8.2	8.8
Less: Taxes on corporate income.....	486.5	-1.8	-9.1	-0.7	75.8	-0.4	-2.2	-0.2	18.5
Equals: Profits after tax.....	1,511.8	63.0	41.6	17.5	-64.4	4.3	2.7	1.1	-4.1
Net dividends	841.7	13.6	14.0	10.3	10.0	1.7	1.7	1.3	1.2
Undistributed profits from current production	670.2	49.3	27.7	7.2	-74.3	7.5	3.9	1.0	-10.0
Net cash flow	1,794.4	86.2	35.8	44.8	-98.4	5.0	2.0	2.4	-5.2
Industry profits:									
Profits with IVA.....	2,127.8	69.1	37.2	18.6	241.8	3.9	2.0	1.0	12.8
Domestic industries.....	1,734.0	34.6	31.7	60.1	257.3	2.6	2.3	4.2	17.4
Financial	523.5	-52.6	9.8	30.1	44.7	-10.7	2.2	6.7	9.3
Nonfinancial.....	1,210.5	87.1	22.0	30.1	212.5	10.1	2.3	3.1	21.3
Rest of the world	393.8	34.6	5.4	-41.5	-15.5	8.4	1.2	-9.2	-3.8
Addenda:									
Profits before tax (without IVA and CCAdj).....	2,155.8	13.5	22.3	-8.3	251.2	0.7	1.2	-0.4	13.2
Profits after tax (without IVA and CCAdj).....	1,669.3	15.3	31.4	-7.6	175.4	1.1	2.1	-0.5	11.7
IVA.....	-28.0	55.6	14.9	26.9	-9.4	.....	.....	.....	.....
CCAdj.....	-129.5	-8.1	-4.6	-1.8	-230.4	.....	.....	.....	.....

NOTE: Levels of these and other profits series are shown in NIPA tables 1.12, 1.14, 1.15, and 6.16D. IVA Inventory valuation adjustment CCAdj Capital consumption adjustment

Profits from current production increased \$11.4 billion, or 0.6 percent at a quarterly rate, in the first quarter after increasing \$16.8 billion, or 0.9 percent, in the fourth quarter.

Domestic profits of financial corporations increased \$20.6 billion, or 4.5 percent, after increasing \$29.9 billion, or 7.0 percent.

Domestic profits of nonfinancial corporations increased \$6.3 billion, or 0.6 percent, after increasing \$28.4 billion, or 2.6 percent.

Profits from the rest of the world decreased \$15.5 billion, or 3.8 percent, after decreasing \$41.5 billion, or 9.2 percent. In the first quarter, receipts increased \$3.5 billion and payments increased \$19.0 billion.

Taxes on corporate income increased \$75.8 billion, or 18.5 percent, after decreasing \$0.7 billion, or 0.2 percent. About \$50 billion of the increase reflected the effect of the expiration of "bonus depreciation" in 2011.

After-tax profits decreased \$64.4 billion, or 4.1 percent, after increasing \$17.5 billion, or 1.1 percent.

Undistributed corporate profits, a measure of net saving that equals after-tax profits less dividends, decreased \$74.3 billion, or 10.0 percent, after increasing \$7.2 billion, or 1.0 percent.

Net cash flow from current production, a profits-related measure of internal funds available for investment, decreased \$98.4 billion, or 5.2 percent, after increasing \$44.8 billion, or 2.4 percent.

Measuring Corporate Profits

Corporate profits is a widely followed economic indicator used to gauge corporate health, assess investment conditions, and analyze the effect on corporations of economic policies and conditions. In addition, corporate profits is an important component in key measures of income.

BEA's measure of corporate profits aims to capture the income earned by corporations from current production in a manner that is fully consistent with the national income and product accounts (NIPAs). The measure is defined as receipts arising from current production less associated expenses. Receipts exclude income in the form of dividends and capital gains, and expenses exclude bad debts, natural resource depletion, and capital losses.

Because direct estimates of NIPA-consistent corporate profits are unavailable, BEA derives these estimates in three steps.

First, BEA measures profits before taxes to reflect corporate income regardless of any redistributions of income through taxes. Estimates for the current quarter are based on corporate earnings reports from sources including Cen-

sus Bureau Quarterly Financial Reports, Federal Deposit Insurance Corporation call reports, other regulatory reports, and tabulations from corporate financial reports. The estimates are benchmarked to Internal Revenue Service data when the data are available for two reasons: the data are based on well-specified accounting definitions, and they are comprehensive, covering all incorporated businesses—publicly traded and privately held—in all industries.

Second, to remove the effects of price changes on inventories valued at historical cost and of tax accounting for inventory withdrawals, BEA adds an inventory valuation adjustment that values inventories at current cost.

Third, to remove the effects of tax accounting on depreciation, BEA adds a capital consumption adjustment (CCAdj). CCAdj is defined as the difference between capital consumption allowances (tax return depreciation) and consumption of fixed capital (the decline in the value of the stock of assets due to wear and tear, obsolescence, accidental damage, and aging).