

# THE BUSINESS SITUATION

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**E**CONOMIC GROWTH continued strong in the fourth quarter of 1994, according to the “advance” estimates of the national income and product accounts (NIPA’s). Real gross domestic product (GDP) increased 4.5 percent after increasing 4.0 percent in the third quarter and 4.1 percent in the second (chart 1 and table 1).<sup>1</sup>

The output of motor vehicles and of computers stepped up sharply in the fourth quarter. Excluding either of these items, GDP growth was essentially the same in the fourth quarter as in the third: GDP less motor vehicles increased 3.9 percent after increasing 3.8 percent, and GDP less computers increased about 3.8 percent in both the third and fourth quarters.<sup>2</sup>

Real gross domestic purchases increased 5.0 percent after increasing 4.4 percent (table 2). A step-up in personal consumption expenditures was in durable goods, mainly motor vehicles and parts. Inventory investment swung up, as the rate of accumulation increased to \$68.0 billion. Nonresidential fixed investment stepped up, as both structures and producers’ durable equipment increased more than in the third quarter. Residential investment decreased somewhat less

than in the third quarter. Government purchases turned down sharply.

The fixed-weighted price index for gross domestic purchases increased 2.5 percent after increasing 3.5 percent; the slowdown was largely in food and energy prices. The fixed-weighted price index for GDP increased 2.6 percent after increasing 3.0 percent.

**Motor vehicles.**—Both output and final sales of motor vehicles accelerated in the fourth quarter, and inventories increased for the third consecutive quarter. Output increased 20.3 percent after increasing 8.9 percent; both autos and trucks contributed to the step-up (table 3). Final sales

1. Quarterly estimates in the national income and product accounts are expressed at seasonally adjusted annual rates, and quarterly changes are differences between these rates. Quarter-to-quarter percent changes are annualized. Real, or constant-dollar, estimates are expressed in 1987 dollars.

2. The output of computers cannot be directly estimated in the NIPA’s, but it may be roughly approximated as the sum of computer purchases in personal consumption expenditures, in producers’ durable equipment, and in net exports.

**Table 1.—Real Gross Domestic Product, by Major Type of Product: Change From Preceding Period**

[Quarterly changes are at seasonally adjusted annual rates]

	Billions of 1987 dollars						Percent					
	1993	1994	1994				1993	1994	1994			
			I	II	III	IV			I	II	III	IV
<b>Gross domestic product</b> .....	<b>155.2</b>	<b>207.8</b>	<b>43.1</b>	<b>53.0</b>	<b>52.9</b>	<b>59.8</b>	<b>3.1</b>	<b>4.0</b>	<b>3.3</b>	<b>4.1</b>	<b>4.0</b>	<b>4.5</b>
Goods .....	90.8	142.0	33.3	32.5	34.2	54.1	4.6	6.8	6.4	6.1	6.4	10.0
Motor vehicles .....	16.5	26.0	18.0	-12.2	4.8	10.8	8.7	12.7	37.4	-19.2	8.9	20.3
Other .....	74.3	116.0	15.3	44.7	29.4	43.3	4.1	6.2	3.2	9.6	6.1	8.9
Services .....	48.3	45.6	14.6	10.0	18.1	3.1	1.9	1.8	2.3	1.5	2.8	.5
Structures .....	16.1	20.2	-4.8	10.4	.7	2.6	3.7	4.4	-4.0	9.2	.6	2.2

NOTE.—Most series are found in NIPA table 1.4. Output of motor vehicles is the sum of auto output and truck output from tables 8.4 and 8.6, respectively.

**CHART 1**

**Selected Measures:  
Change From Preceding Quarter**

Percent



Note.—Percent change at annual rate from preceding quarter; based on seasonally adjusted estimates. U.S. Department of Commerce, Bureau of Economic Analysis

to domestic purchasers increased 14.3 percent after increasing 3.2 percent; trucks more than accounted for the step-up. According to data on units, sales of light domestic trucks increased sharply; sales of domestic autos increased, while sales of imported autos decreased.

Final sales to consumers increased 18.0 percent after decreasing 8.2 percent. The increase was consistent with improvement in factors that underlie total consumer spending. Real disposable personal income increased 7.4 percent, its largest increase in 2 years; the Index of Consumer Sentiment (prepared by the University of Michigan's Survey Research Center) reached 93.1 percent, its

highest level in 5½ years; the unemployment rate fell to 5.6 percent, its lowest level in 4 years.

Final sales to businesses increased 18.0 percent after increasing 30.5 percent. Trucks more than accounted for the fourth-quarter increase.

Nearly all of the fourth-quarter increase in inventories was accounted for by autos. Nevertheless, the inventory-sales ratio for new domestic autos, which is calculated from units data, was unchanged at 2.4—the traditional industry target.

*The NIPA's in 1994.*—Production and income grew robustly from 1993 to 1994, and inflation was low. Real GDP increased 4.0 percent, up from a

**Table 2.—Real Gross Domestic Product, Real Gross Domestic Purchases, and Real Final Sales to Domestic Purchasers: Change From Preceding Period**

[Quarterly changes are at seasonally adjusted annual rates]

	Billions of 1987 dollars						Percent							
	1993	1994	1994				1993	1994	1994					
			I	II	III	IV			I	II	III	IV		
<b>Gross domestic product</b> .....	<b>155.2</b>	<b>207.8</b>	<b>43.1</b>	<b>53.0</b>	<b>52.9</b>	<b>59.8</b>	<b>3.1</b>	<b>4.0</b>	<b>3.3</b>	<b>4.1</b>	<b>4.0</b>	<b>4.5</b>		
Less: Exports of goods and services .....	23.7	52.3	-5.6	24.3	22.6	22.5	4.1	8.7	-3.5	16.6	14.8	14.2		
Plus: Imports of goods and services .....	65.1	92.7	16.2	32.0	27.9	29.6	10.7	13.7	9.5	18.9	15.6	16.0		
<b>Equals: Gross domestic purchases</b> .....	<b>196.8</b>	<b>248.1</b>	<b>64.9</b>	<b>60.7</b>	<b>58.2</b>	<b>66.9</b>	<b>3.9</b>	<b>4.8</b>	<b>5.0</b>	<b>4.6</b>	<b>4.4</b>	<b>5.0</b>		
Less: Change in business inventories .....	12.8	37.1	14.6	33.8	-2.1	10.9	.....	.....	.....	.....	.....	.....		
Farm .....	-7.7	10.3	3.2	4.2	2.2	-1.6	.....	.....	.....	.....	.....	.....		
Nonfarm .....	20.5	26.8	11.4	29.6	-4.3	12.5	.....	.....	.....	.....	.....	.....		
<b>Equals: Final sales to domestic purchasers</b> .....	<b>183.9</b>	<b>211.0</b>	<b>50.3</b>	<b>26.9</b>	<b>60.3</b>	<b>56.0</b>	<b>3.7</b>	<b>4.1</b>	<b>3.9</b>	<b>2.0</b>	<b>4.6</b>	<b>4.2</b>		
Personal consumption expenditures .....	109.2	119.8	40.1	11.5	26.9	40.4	3.3	3.5	4.7	1.3	3.1	4.6		
Nonresidential fixed investment .....	65.7	80.8	16.4	14.3	22.1	28.2	12.5	13.7	10.9	9.2	14.1	17.6		
Residential investment .....	16.1	17.6	5.4	3.9	-3.6	-1.5	8.2	8.3	10.0	7.0	-6.0	-2.6		
Government purchases .....	-7.1	-7.3	-11.6	-2.8	14.9	-11.1	-8	-8	-4.9	-1.2	6.7	-4.7		

NOTE.—Dollar levels are found in NIPA tables 1.2 and 1.6. Percent changes are found in table 8.1.

**Table 3.—Motor Vehicle Output, Sales, and Inventories**

[Seasonally adjusted at annual rates]

	Billions of 1987 dollars						Percent change from preceding quarter			
	Level	Change from preceding quarter					1994			
		1994					I	II	III	IV
		1994:IV	I	II	III	IV				
<b>Output</b> .....	<b>239.0</b>	<b>18.0</b>	<b>-12.2</b>	<b>4.8</b>	<b>10.8</b>	<b>37.4</b>	<b>-19.2</b>	<b>8.9</b>	<b>20.3</b>	
Autos .....	133.1	7.9	-9.2	2.4	4.8	27.3	-24.6	7.8	15.8	
Trucks .....	105.9	10.1	-3.0	2.4	6.0	52.8	-11.4	10.2	26.3	
Less: Exports .....	17.9	1.2	-7	1.5	-2.9	28.1	-13.3	34.9	-45.2	
Autos .....	12.6	1.3	-6	1.8	-3.2	45.2	-15.5	62.2	-59.6	
Trucks .....	5.3	-1	-1	-3	.3	-7.1	-7.2	-20.8	26.2	
Plus: Imports .....	65.1	-1.6	7.7	3.2	-1	-11.0	70.0	22.3	-6	
Autos .....	56.1	-1.7	7.5	2.7	.3	-13.6	83.9	21.9	2.2	
Trucks .....	9.0	.1	.2	.5	-4	4.7	9.5	24.4	-16.0	
<b>Equals: Gross domestic purchases</b> .....	<b>286.2</b>	<b>15.2</b>	<b>-3.8</b>	<b>6.5</b>	<b>13.6</b>	<b>26.1</b>	<b>-5.5</b>	<b>10.1</b>	<b>21.5</b>	
Autos .....	176.6	4.9	-1.1	3.3	8.3	12.7	-2.6	8.2	21.2	
Trucks .....	109.6	10.3	-2.7	3.2	5.3	51.9	-10.0	13.3	21.9	
Less: Change in business inventories .....	12.5	-2.5	5.4	4.4	4.6	.....	.....	.....	.....	
Autos .....	11.6	-5.2	4.6	1.9	8.3	.....	.....	.....	.....	
Trucks .....	.9	2.7	.8	2.5	-3.7	.....	.....	.....	.....	
<b>Equals: Final sales to domestic purchasers</b> .....	<b>273.7</b>	<b>17.7</b>	<b>-9.2</b>	<b>2.1</b>	<b>9.0</b>	<b>30.9</b>	<b>-12.9</b>	<b>3.2</b>	<b>14.3</b>	
Autos .....	165.0	10.1	-5.7	1.4	0	27.9	-12.8	3.5	0	
Trucks .....	108.7	7.6	-3.5	.7	9.0	36.1	-13.0	2.9	41.3	

NOTE.—Dollar levels for autos and trucks are found in NIPA tables 8.4 and 8.6, respectively.

3.1-percent increase in 1993; the 1994 increase was substantially larger than any since the 3.9-percent increase in 1988. Real disposable personal income increased 3.5 percent, up from a 1.5-percent increase; the 1994 increase was the largest since 1988. The fixed-weighted price index for gross domestic purchases increased 2.6 percent, down slightly from a 2.8 percent-increase; the 1994 increase is a record low for this series (which begins in 1982).

The acceleration in GDP mainly reflected a step-up in the output of goods, especially non-durables; the 1994 increase in goods output was the largest in 10 years. Output of structures increased a little more than in 1993; the step-up reflected an upturn in nonresidential buildings

and an acceleration in residential construction. Output of services increased a little less than in 1993.

About half of the step-up in GDP was accounted for by a step-up in inventory investment that resulted in inventory accumulation of \$52.4 billion. Despite the runup in inventories, the ratio of inventories to final sales of domestic business was only slightly higher at the end of 1994 than at the end of 1993.

Nonresidential fixed investment increased 13.7 percent after increasing 12.5 percent. Investment in structures turned up after three consecutive annual decreases; investment in both commercial and industrial buildings increased. Producers' durable equipment increased at about the

**Fourth-Quarter 1994 Advance GDP Estimate: Source Data and Assumptions**

The advance GDP estimate for the fourth quarter is based on the following major source data, some of which are subject to revision. (The number of months for which data were available is shown in parentheses.)

*Personal consumption expenditures:* Sales of retail stores (3) and unit auto and truck sales (3);

*Nonresidential fixed investment:* Unit auto and truck sales (3), construction put in place (2), manufacturers' shipments of complete civilian aircraft (2) and of other machinery and equipment (3), and exports and imports of machinery and equipment (2);

*Residential investment:* Construction put in place (2) and single-family housing starts (3);

*Change in business inventories:* Manufacturing and trade inventories (2) and unit auto and truck inventories (3);

*Net exports of goods and services:* Exports and imports of goods and services (2);

*Government purchases:* Military outlays (3), other Federal outlays (2), State and local construction put in place (2), and State and local employment (3);

*GDP prices:* Consumer Price Index (3), Producer Price Index (3), price indexes for nonpetroleum merchandise exports and imports (3), and values and quantities of petroleum imports (2).

The Bureau of Economic Analysis (BEA) made assumptions for the source data that were not available. Table A shows the assumptions for key series; a more comprehensive listing of assumptions is available on the Department of Commerce's Economic Bulletin Board or from BEA.

**Table A.—Summary of Major Data Assumptions for Advance Estimates, 1994:IV**

[Billions of dollars, seasonally adjusted at annual rates]

	1994					
	July	August	September	October	November	December
Fixed investment:						
Nonresidential structures:						
Buildings, utilities, and farm:						
Value of new nonresidential construction put in place .....	135.5	136.4	140.7	141.7	146.5	143.3
Producers' durable equipment:						
Manufacturers' shipments of complete civilian aircraft .....	13.6	23.3	27.1	13.2	21.2	20.9
Residential structures:						
Value of new residential construction put in place:						
1-unit structures .....	155.5	154.2	153.5	152.7	152.8	154.1
2-or-more-unit structures .....	13.3	13.8	15.5	15.0	15.8	17.0
Change in business inventories, nonfarm:						
Change in inventories for manufacturing and trade (except nonmerchant wholesalers) for industries other than motor vehicles and equipment in trade .....	75.4	57.0	27.6	80.9	70.5	70.3
Net exports:						
Exports of merchandise:						
U.S. exports of merchandise, balance-of-payments basis .....	482.0	529.4	523.2	520.6	534.4	538.9
Imports of merchandise:						
U.S. imports of merchandise, balance-of-payments basis .....	673.0	698.7	696.3	701.2	721.2	721.9
Net merchandise trade (exports less imports) .....	-191.0	-169.3	-173.2	-180.6	-186.7	-183.0
Government purchases:						
State and local:						
Structures:						
Value of new construction put in place .....	115.7	115.6	117.6	120.9	117.7	118.1

1. Assumed.

same rate as in 1993; in both years, information processing equipment accounted for more than three-fifths of the increase. The continued strength in investment spending was consistent with a number of developments. The capacity utilization rate in manufacturing increased from 80.9 percent to 82.2 percent. Final sales of domestic product increased 3.3 percent. Corporate profits for the first three quarters of the year (in current dollars) averaged 14.3 percent more than in the first three quarters of 1993.<sup>3</sup> In contrast, interest rates rose; the yield on new high-grade corporate bonds increased from 7.34 percent to 8.09 percent.

Personal consumption expenditures increased 3.5 percent, about the same as in 1993, despite the step-up in real disposable personal income. In current dollars, personal saving remained at 4.1 percent of disposable personal income.

Residential investment increased 8.3 percent, about the same as in 1993. Single-family construction increased somewhat more than in 1993, and multifamily construction increased for the first time since 1986. In contrast, "other" residential investment increased substantially less than in 1993, partly reflecting a slowdown in house sales that was associated with the increase in mortgage rates from 7.33 percent to 8.36 percent.

Government purchases decreased 0.8 percent, the same as in 1993. Federal defense purchases decreased for the fourth consecutive year, while Federal nondefense purchases turned down after a small increase. State and local government purchases increased somewhat more than in 1993.

Exports accelerated to an 8.7-percent increase from a 4.1-percent increase; imports accelerated to a 13.7-percent increase from a 10.7-percent increase. Most of the acceleration in both exports and imports was accounted for by nonautomotive capital goods and by industrial supplies and materials. Exports of agricultural products turned up, and imports of petroleum products slowed.

### Prices

The fixed-weighted price index for gross domestic purchases, which measures prices paid for goods and services purchased by U.S. residents, increased 2.5 percent in the fourth quarter after increasing 3.5 percent in the third (table 4). Prices of gross domestic purchases less food and energy, which may be viewed as a measure of the underlying inflation rate in the U.S. economy,

increased 2.6 percent after increasing 2.9 percent (chart 2).

Prices of personal consumption expenditures (PCE) increased 2.3 percent after increasing 3.6 percent. Food prices increased 2.9 percent after increasing 5.5 percent, reflecting slowdowns in prices of nonalcoholic beverages (coffee) and in a number of other components. Energy prices decreased 1.0 percent after increasing 10.4 percent. The prices of gasoline and oil decreased a little after a sharp increase, and the price of fuel oil and coal decreased after little change. PCE

**Table 4.—Fixed-Weighted Price Indexes: Change from Preceding Quarter**

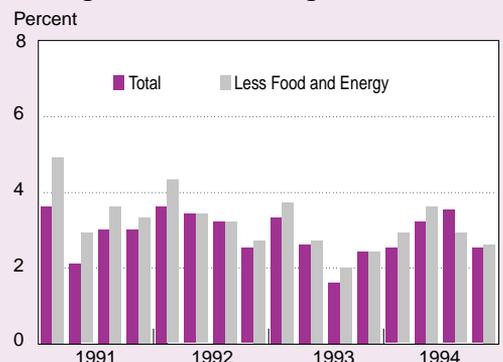
(Percent change at annual rates; based on seasonally adjusted index numbers)

	1994			
	I	II	III	IV
<b>Gross domestic product</b> .....	<b>3.1</b>	<b>2.9</b>	<b>3.0</b>	<b>2.6</b>
Less: Exports of goods and services .....	3.8	2.7	3.1	5.0
Plus: Imports of goods and services .....	-2.7	5.8	8.2	3.1
<b>Equals: Gross domestic purchases</b> .....	<b>2.5</b>	<b>3.2</b>	<b>3.5</b>	<b>2.5</b>
Less: Change in business inventories .....	.....	.....	.....	.....
<b>Equals: Final sales to domestic purchasers</b> ....	<b>2.5</b>	<b>3.2</b>	<b>3.5</b>	<b>2.5</b>
Personal consumption expenditures .....	1.9	2.8	3.6	2.3
Food .....	1.1	1.3	5.5	2.9
Energy .....	-1.5	-8	10.4	-1.0
Other personal consumption expenditures ....	2.3	3.4	2.8	2.4
Nonresidential fixed investment .....	2.5	2.7	2.7	1.5
Nonresidential structures .....	3.2	2.0	4.6	5.5
Producers' durable equipment .....	2.1	3.1	1.7	-7
Residential investment .....	4.5	2.7	6.3	5.5
Government purchases .....	4.3	4.9	3.0	2.9
<b>Addenda:</b>				
Merchandise imports .....	-2.6	7.7	8.9	3.3
Petroleum and products .....	-34.7	79.6	50.0	-20.1
Other merchandise .....	.5	3.4	5.9	5.7

NOTE.—Percent changes in major aggregates are found in NIPA table 8.1. Most index number levels are found in tables 7.1 and 7.2.

### CHART 2

#### Gross Domestic Purchases Prices (Fixed Weights): Change From Preceding Quarter



Note.—Percent change at annual rate from preceding quarter; based on seasonally adjusted index numbers (1987=100). U.S. Department of Commerce, Bureau of Economic Analysis

3. Corporate profits are not yet available for the fourth quarter.

prices other than for food and energy increased 2.4 percent after increasing 2.8 percent.

Prices of nonresidential fixed investment increased 1.5 percent after increasing 2.7 percent. Prices of producers' durable equipment decreased after an increase, as prices of transportation equipment turned down, and prices of industrial and "other" equipment slowed; computer prices fell about as much as in the third quarter. Prices of nonresidential structures increased 5.5 percent after increasing 4.6 percent. Prices of residential investment increased 5.5 percent after increasing 6.3 percent.

Prices of government purchases increased 2.9 percent, about the same rate as in the third quarter. Prices paid by the Federal Government increased 3.2 percent after increasing 3.0 percent; excluding the incentive payments to civilian employees who leave Federal service voluntarily ("buyouts"), prices increased 2.5 percent after increasing 4.4 percent. Prices paid by State and local governments increased 2.7 percent after increasing 2.9 percent.

The price index for GDP, which measures prices paid for goods and services produced in the United States, increased 2.6 percent after increasing 3.0 percent. This index, unlike the index for gross domestic purchases, includes the prices of exports and excludes the prices of imports. Export prices increased 5.0 percent after increasing 3.1 percent. Import prices increased 3.1 percent after increasing 8.2 percent; the price of petroleum products turned down sharply, and the price of foods, feeds, and beverages slowed.

### Alternative measures

For the fourth quarter of 1994, BEA's chain-type annual-weighted measure of real GDP increased 3.6 percent, 0.9 percentage point less than the featured fixed-1987-weighted measure; the benchmark-years-weighted alternative measure increased 3.7 percent (table 5). Most of this difference was accounted for by a strong increase in purchases of computers, a product whose prices have decreased steadily since 1987. In the third quarter, both of the alternative measures increased 3.6 percent—0.4 percentage point less than the fixed-weighted measure. Almost of all this difference was also due to an increase in purchases of computers.

Both of the alternative measures of gross domestic purchases prices increased less than the featured fixed-1987-weighted measure in the fourth quarter. The chain-type measure increased 2.3 percent—0.2 percentage less than the

**Table 5.—Fixed-Weighted and Alternative Quantity and Price Indexes**

[Percent change at annual rates; based on seasonally adjusted index numbers (1987=100)]

	1993	1994	1994			
			I	II	III	IV
<b>Gross domestic product:</b>						
Quantity indexes:						
Fixed 1987 weights .....	3.1	4.0	3.3	4.1	4.0	4.5
Chain-type annual weights ..	2.5	3.5	3.2	4.2	3.6	3.6
Benchmark-years weights ...	2.5	3.5	3.2	4.1	3.6	3.7
Price indexes:						
Fixed 1987 weights .....	3.0	2.7	3.1	2.9	3.0	2.6
Chain-type annual weights ..	2.8	2.7	3.2	2.7	2.8	2.5
Benchmark-years weights ...	2.8	2.7	3.2	2.7	2.7	2.5
<b>Gross domestic purchases:</b>						
Price indexes:						
Fixed 1987 weights .....	2.8	2.6	2.5	3.2	3.5	2.5
Chain-type annual weights ..	2.6	2.6	2.5	3.1	3.2	2.3
Benchmark-years weights ...	2.6	2.6	2.6	3.1	3.2	2.4

NOTE.—Percent changes are found in NIPA table 8.1. Index number levels are found in tables 7.1 and 7.2.

fixed-weighted measure; the benchmark-years-weighted measure increased 2.4 percent. In the third quarter, both of the alternative measures increased 3.2 percent—0.3 percentage point less than the fixed-weighted measure.

For the year 1994, both of the alternative measures of real GDP increased 3.5 percent—0.5 percentage point less than the fixed-weighted measure. Both of the alternative measures of gross domestic purchases prices increased 2.6 percent, the same as the fixed-weighted measure.

### Personal income

Real disposable personal income (DPI) increased 7.4 percent in the fourth quarter after increasing 3.1 percent in the third; the fourth-quarter increase was the largest in eight quarters (chart 3). Current-dollar DPI increased 9.1 percent after increasing 6.4 percent; the acceleration was mainly accounted for by wages and salaries and by farm proprietors' income. Saving as a percentage of current-dollar DPI jumped to 4.6 percent from 4.1 percent.

Personal income increased \$122.6 billion after increasing \$74.6 billion (table 6). Wage and salary disbursements increased \$63.5 billion after increasing \$36.7 billion. About half of the acceleration was accounted for by service industries. Most of the rest was accounted for by manufacturing industries and by distributive industries, where fourth-quarter increases primarily reflected increases in employment and average hourly earnings. In the motor vehicle industry, fourth-quarter earnings were boosted by bonus payments.

Farm proprietors' income increased \$10.9 billion after decreasing \$9.5 billion. The large

upswing was primarily due to Federal farm subsidy payments, which increased \$7.2 billion after decreasing \$7.3 billion. Excluding subsidies, farm proprietors' income increased \$3.7 billion after decreasing \$2.2 billion; higher crop prices accounted for most of this turnaround.

Personal interest income increased \$28.1 billion after increasing \$24.8 billion; the increases largely reflected rising interest rates. Other labor income and nonfarm proprietors' income each increased about as much as in the third quarter.

**Table 6.—Personal Income and Its Disposition**

[Billions of dollars; seasonally adjusted at annual rates]

	Level	Change from preceding quarter				
		1994: IV	1994			
			I	II	III	IV
Wage and salary disbursements .....	3,357.4	59.9	48.9	36.7	63.5	
Commodity-producing industries .....	837.7	10.9	9.7	10.2	15.9	
Manufacturing .....	630.0	7.7	3.4	5.5	11.7	
Other .....	207.7	3.2	6.3	4.7	4.2	
Distributive industries .....	769.9	16.0	13.9	11.0	16.4	
Service industries .....	1,140.9	25.0	19.2	13.1	26.6	
Government and government enterprises .....	608.9	7.9	6.2	2.5	4.5	
Other labor income .....	389.1	6.4	5.2	5.3	5.4	
Proprietors' income .....	483.3	8.1	.3	-4.3	16.3	
Farm .....	40.7	2.8	-7.9	-9.5	10.9	
Nonfarm .....	442.7	5.3	8.1	5.2	5.6	
Rental income of persons .....	28.7	-15.0	18.8	-1.5	-3.9	
Personal dividend income .....	202.7	1.6	6.0	5.2	5.8	
Personal interest income .....	702.3	3.4	18.3	24.8	28.1	
Transfer payments to persons .....	980.7	16.4	10.2	11.4	11.7	
Less: Personal contributions for social insurance .....	287.0	9.7	3.6	3.0	4.1	
<b>Personal income</b> .....	<b>5,857.1</b>	<b>71.2</b>	<b>104.1</b>	<b>74.6</b>	<b>122.6</b>	
Less: Personal tax and nontax payments .....	756.5	16.0	23.4	-2.3	12.4	
<b>Equals: Disposable personal income</b> .....	<b>5,100.7</b>	<b>55.2</b>	<b>80.7</b>	<b>76.8</b>	<b>110.4</b>	
Less: Personal outlays .....	4,863.8	69.1	55.1	74.6	76.8	
<b>Equals: Personal saving</b> .....	<b>236.9</b>	<b>-13.9</b>	<b>25.6</b>	<b>2.2</b>	<b>33.6</b>	
<b>Addenda: Special factors in personal income:</b>						
In wages and salaries:						
Federal Government and Postal Service pay adjustments, including "buyouts" .....		2.7	1.7	-1.5	.8	
Profit sharing and bonus pay .....		1.7	-2.1	0	3.0	
In farm proprietors' income:						
Agricultural subsidy payments .....		-3.3	-2.9	-7.3	7.2	
In nonfarm proprietors' income:						
Uninsured losses to business property:						
Due to Northridge, California, earthquake <sup>1</sup> .....		-1.4	1.4	0	0	
In rental income of persons with CCAadj:						
Uninsured losses to business property:						
Due to Northridge, California, earthquake <sup>1</sup> .....		-18.5	19.2	-3	-2	
In transfer payments to persons:						
Social security retroactive payments .....		-1.2	.1	-1	1.2	
Cost-of-living increases in Federal transfer payments .....		8.9	1.6	0	.6	
Northridge, California, earthquake disaster relief payments .....		1.4	-9	-1	-3	
Emergency Unemployment Compensation payments .....		-4.7	-3.7	-1.5	0	
In personal contributions for social insurance:						
Social security rate and base changes and increase in premium for supplementary medical insurance and in medicare taxable wage base .....		6.2	0	0	0	

1. These estimates mainly reflect adjustments to account for uninsured losses to residential and business property; however, some of the estimates include relatively small amounts reflecting other items.

NOTE.—Most dollar levels are found in NIPA table 2.1.

IVA Inventory valuation adjustment

CCAadj Capital consumption adjustment

Rental income of persons decreased \$3.9 billion after decreasing \$1.5 billion. The larger decrease in the fourth quarter reflected higher mortgage interest rates; mortgage interest paid is one of the expenses that are subtracted in the calculation of rental income.

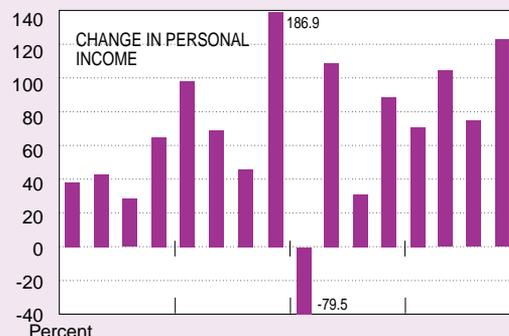
Transfer payments to persons increased \$11.7 billion after increasing \$11.4 billion. The fourth-quarter increase reflected retroactive social security benefit payments, which result when the Social Security Administration recalculates benefits on the basis of updated information on the earnings base of recent retirees. The third-quarter increase had been held down because the Emergency Unemployment Compensation program ended in May.

Personal tax and nontax payments increased \$12.4 billion after decreasing \$2.3 billion. The fourth-quarter increase primarily reflected the increase in wages and salaries. 

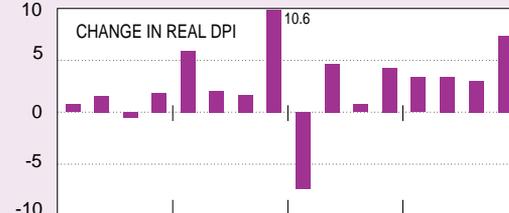
### CHART 3

#### Selected Personal Income and Saving Measures

Billions \$



Percent



Percent



Based on Seasonally Adjusted Annual Rates

Note.—Changes are from preceding quarter.  
U.S. Department of Commerce, Bureau of Economic Analysis