

GDP and the Economy

Advance Estimates for the Third Quarter of 2012

REAL GROSS domestic product (GDP) increased 2.0 percent at an annual rate in the third quarter of 2012 after increasing 1.3 percent in the second quarter, according to the advance estimates of the national income and product accounts (NIPAs) (chart 1 and table 1).¹

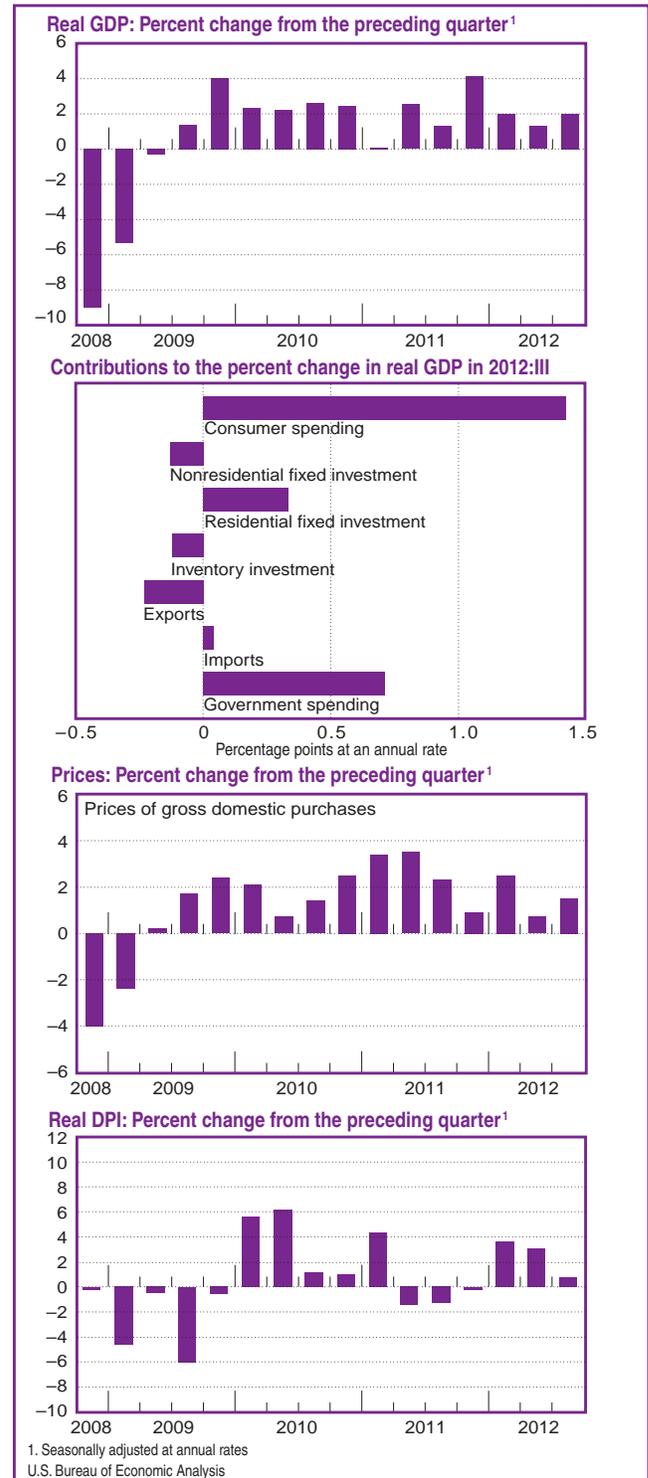
The acceleration in real GDP in the third quarter primarily reflected an upturn in federal government spending, a downturn in imports, an acceleration in consumer spending, a smaller decrease in inventory investment, an acceleration in residential fixed investment, and a smaller decrease in state and local government spending that were partly offset by downturns in exports and in nonresidential fixed investment.²

- Prices of goods and services purchased by U.S. residents increased 1.5 percent in the third quarter after increasing 0.7 percent in the second quarter. Energy prices turned up in the third quarter, and food prices turned down. Excluding food and energy, gross domestic purchases prices increased 1.3 percent after increasing 1.4 percent.
- Real disposable personal income (DPI) increased 0.8 percent in the third quarter after increasing 3.1 percent in the second quarter. Current-dollar DPI increased 2.6 percent after increasing 3.8 percent. The sharper deceleration in real DPI than in current-dollar DPI reflected an acceleration in the PCE implicit price deflator, which is used to deflate DPI. The deflator increased 1.8 percent in the third quarter after increasing 0.7 percent. In current dollars, the deceleration in third-quarter DPI reflected a deceleration in personal income that was partly offset by a deceleration in personal current taxes.
- The personal saving rate, personal saving as a percentage of current-dollar DPI, was 3.7 percent in the third quarter; in the second quarter, the rate was 4.0 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."

Chart 1. GDP, Prices, Disposable Personal Income (DPI)



Christopher Swann prepared this article.

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			2011	2012			
	III	IV	I	II	III	IV	I	II	III	
Gross domestic product ¹	100.0	4.1	2.0	1.3	2.0	4.1	2.0	1.3	2.0	
Personal consumption expenditures	70.8	2.0	2.4	1.5	2.0	1.45	1.72	1.06	1.42	
Goods.....	24.1	5.4	4.7	0.3	4.4	1.29	1.11	0.08	1.03	
Durable goods.....	7.7	13.9	11.5	-0.2	8.5	1.00	0.85	-0.02	0.63	
Nondurable goods.....	16.4	1.8	1.6	0.6	2.4	0.29	0.26	0.10	0.40	
Services.....	46.7	0.3	1.3	2.1	0.8	0.16	0.61	0.99	0.39	
Gross private domestic investment	13.0	33.9	6.1	0.7	0.5	3.72	0.78	0.09	0.07	
Fixed investment.....	12.7	10.0	9.8	4.5	1.5	1.19	1.18	0.56	0.20	
Nonresidential.....	10.2	9.5	7.5	3.6	-1.3	0.93	0.74	0.36	-0.13	
Structures.....	2.9	11.5	12.9	0.6	-4.4	0.31	0.35	0.02	-0.13	
Equipment and software.....	7.3	8.8	5.4	4.8	0.0	0.62	0.39	0.35	0.00	
Residential.....	2.5	12.1	20.5	8.5	14.4	0.26	0.43	0.19	0.33	
Change in private inventories.....	0.3	.....	.....	.....	.....	2.53	-0.39	-0.46	-0.12
Net exports of goods and services	-3.4	.....	.....	.....	.....	-0.64	0.06	0.23	-0.18
Exports.....	13.8	1.4	4.4	5.3	-1.6	0.21	0.60	0.72	-0.23	
Goods.....	9.7	6.0	4.0	7.0	-3.5	0.58	0.39	0.67	-0.35	
Services.....	4.1	-8.8	5.2	1.1	3.1	-0.38	0.21	0.05	0.12	
Imports.....	17.2	4.9	3.1	2.8	-0.2	-0.85	-0.54	-0.49	0.04	
Goods.....	14.3	6.3	2.0	2.9	-1.3	-0.90	-0.29	-0.42	0.20	
Services.....	2.9	-1.7	9.0	2.3	5.5	0.05	-0.25	-0.07	-0.16	
Government consumption expenditures and gross investment	19.6	-2.2	-3.0	-0.7	3.7	-0.43	-0.60	-0.14	0.71	
Federal.....	7.9	-4.4	-4.2	-0.2	9.6	-0.35	-0.34	-0.02	0.72	
National defense.....	5.3	-10.6	-7.1	-0.2	13.0	-0.60	-0.39	-0.01	0.64	
Nondefense.....	2.6	10.2	1.8	-0.4	3.0	0.25	0.05	-0.01	0.08	
State and local.....	11.7	-0.7	-2.2	-1.0	-0.1	-0.08	-0.26	-0.12	-0.01	

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.

Effects of the Summer Drought

This summer's drought adversely affected agricultural production in several Midwestern states. The NIPAs reflect the effects of the drought in several ways on the expenditure side of GDP and on the income side.

The farm inventory investment estimates reflect the continuing effects of the drought on farm production (particularly losses for corn and soybeans). Based on USDA farm statistics, BEA estimated that for the third quarter, the drought reduced farm inventory investment by \$29 billion (current dollars) and subtracted 0.42 percentage point from real GDP growth after reducing farm inventory investment by about \$12 billion for the second quarter and subtracting 0.17 percentage point from the growth in real GDP.

For the third quarter, crop insurance benefits received by farmers offset about \$15 billion of the crop losses related to the drought; in the second quarter, insurance benefits offset about \$6 billion of the losses.

For more details, see "Effects of the 2012 Midwest Drought on the NIPA Estimates" in the October 2012 SURVEY OF CURRENT BUSINESS.

Consumer spending accelerated in the third quarter, reflecting an upturn in durable goods and a pickup in nondurable goods that were partly offset by a slowdown in services. The upturn in durable goods primarily reflected upturns in motor vehicles and parts and in furnishings and household equipment. The pickup in nondurable goods was led by an upturn in clothing and footwear and a pickup in "other" nondurable goods that were partly offset by a slowdown in gasoline and other energy goods. The slowdown in services mainly reflected a slowdown in housing and utilities.

Nonresidential fixed investment turned down, reflecting a slowdown in equipment and software and a downturn in structures. Transportation equipment, especially aircraft, turned down, and industrial equipment slowed. Both manufacturing structures and commercial and health care structures turned down, but the downturns were partly offset by an upturn in mining exploration, shafts, and wells.

Residential fixed investment accelerated, reflecting a pickup in single-family structures and an upturn in "other" structures.

Inventory investment decreased less than in the second quarter. An upturn in nonfarm inventory investment was partly offset by a larger decrease in farm inventory investment that reflected the effects of the drought on crop production in the Midwest.

Exports turned down. The downturn primarily reflected a downturn in exports of goods that was mainly due to downturns in industrial supplies and materials, in nonautomotive consumer goods and in automotive vehicles, engines, and parts. In contrast, nonautomotive capital goods turned up, mainly reflecting an upturn in civilian aircraft, engines, and parts.

Imports turned down. The downturn primarily reflected a downturn in imports of goods that was mainly due to downturns in nonautomotive capital goods and in nonautomotive consumer goods. Imports of services picked up, mainly reflecting a pickup in royalties and license fees resulting from increased broadcasting fees for the Olympic events.

Federal government spending turned up, primarily reflecting an upturn in national defense spending, mainly consumption expenditures.

State and local government spending decreased less than in the second quarter.

Prices

Table 2. 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	
	IV	I	II	III	IV	I	II	III
Gross domestic purchases¹	0.9	2.5	0.7	1.5	0.9	2.5	0.7	1.5
Personal consumption expenditures	1.1	2.5	0.7	1.8	0.71	1.70	0.47	1.23
Goods	-0.2	2.5	-1.8	1.9	-0.06	0.59	-0.43	0.44
Durable goods	-2.5	-1.0	-1.2	-2.3	-0.19	-0.07	-0.09	-0.18
Nondurable goods	0.8	4.2	-2.2	4.0	0.13	0.66	-0.34	0.62
Services	1.7	2.5	2.0	1.7	0.77	1.11	0.90	0.78
Gross private domestic investment	1.2	1.0	1.3	0.3	0.16	0.13	0.17	0.04
Fixed investment	1.4	1.2	1.2	1.1	0.16	0.14	0.14	0.13
Nonresidential	1.5	1.8	1.2	0.7	0.15	0.17	0.12	0.07
Structures	4.5	2.7	3.2	1.0	0.12	0.08	0.09	0.03
Equipment and software	0.4	1.4	0.4	0.6	0.03	0.10	0.03	0.05
Residential	0.6	-1.4	1.2	2.6	0.01	-0.03	0.03	0.06
Change in private inventories .....	.....	.....	.....	.....	0.00	-0.01	0.02	-0.09
Government consumption expenditures and gross investment	0.0	3.6	0.6	1.4	0.00	0.68	0.11	0.26
Federal	-0.9	3.2	1.2	0.8	-0.07	0.24	0.09	0.06
National defense	-0.9	4.2	0.9	0.8	-0.05	0.21	0.04	0.04
Nondefense	-0.8	1.2	2.0	0.9	-0.02	0.03	0.05	0.02
State and local	0.6	3.8	0.1	1.7	0.07	0.44	0.02	0.19
Addenda:								
Gross domestic purchases:								
Food	3.4	1.2	0.7	-1.1	0.18	0.07	0.03	-0.05
Energy goods and services	-5.2	7.6	-13.1	10.7	-0.22	0.31	-0.55	0.41
Excluding food and energy	1.0	2.4	1.4	1.3	0.91	2.14	1.26	1.17
Personal consumption expenditures (PCE):								
Food and beverages for off-premises consumption	3.3	1.3	0.7	0.6	.....	.....	.....	.....
Energy goods and services	-5.0	8.1	-13.6	10.6	.....	.....	.....	.....
Excluding food and energy	1.3	2.2	1.7	1.3	.....	.....	.....	.....
Gross domestic product (GDP)	0.4	2.0	1.6	2.8	.....	.....	.....	.....
Exports	-3.8	2.8	0.5	0.2	.....	.....	.....	.....
Imports	0.0	5.6	-3.9	-6.6	.....	.....	.....	.....

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 third quarter. Excluding food and energy, prices slowed very slightly.

Consumer prices picked up. The pickup was more than accounted for by an upturn in prices paid for gasoline and other energy goods. Prices paid for consumer services slowed somewhat, mainly reflecting a deceleration in prices paid for food services and accommodations.

Prices paid for nonresidential fixed investment slowed, mainly reflecting a slowdown in prices paid for structures.

Prices paid for residential fixed investment accelerated, increasing 2.6 percent after increasing 1.2 percent. The third-quarter increase was the largest since the fourth quarter of 2009.

Prices paid by government picked up. A pickup in prices paid by state and local governments, mainly for petroleum related goods, was partly offset by a slowdown in prices paid by the federal government.

Consumer prices excluding food and energy, a measure of the "core" rate of inflation, slowed somewhat, increasing 1.3 percent after increasing 1.7 percent.

The GDP price index increased 2.8 percent, 1.3 percentage points more than the increase in the price index for gross domestic purchases, reflecting a small increase in export prices (0.2 percent) relative to a larger decrease in import prices (6.6 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 the 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 measure 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 the FAQ "What is the core PCE price index and why has it been redefined?" 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 3. Personal Income and Its Disposition

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

	Level		Change from preceding period			
	2012		2011	2012		
	II	III	IV	I	II	III
Personal income	13,357.4	13,446.7	41.1	209.7	130.3	89.3
Compensation of employees, received	8,561.9	8,616.2	22.0	155.6	66.2	54.3
Wage and salary disbursements	6,881.1	6,924.4	14.3	133.5	55.2	43.3
Private industries	5,681.3	5,721.4	19.5	126.9	54.5	40.1
Goods-producing industries	1,147.0	1,150.5	-9.0	36.6	3.0	3.5
Manufacturing	726.2	728.0	-9.1	22.1	3.1	1.8
Services-producing industries	4,534.3	4,570.9	28.5	90.2	51.6	36.6
Trade, transportation, and utilities	1,095.8	1,103.5	2.4	26.7	12.5	7.7
Other services-producing industries	3,438.4	3,467.4	26.0	63.5	39.0	29.0
Government	1,199.8	1,203.0	-5.2	6.6	0.7	3.2
Supplements to wages and salaries	1,680.8	1,691.9	7.7	22.1	11.0	11.1
Proprietors' income with IVA and CCAAdj	1,194.9	1,212.9	3.9	19.0	10.6	18.0
Farm	52.5	60.8	-0.9	-2.1	0.2	8.3
Nonfarm	1,142.4	1,152.1	4.8	21.2	10.3	9.7
Rental income of persons with CCAAdj	452.8	463.7	16.5	15.0	7.5	10.9
Personal income receipts on assets	1,730.8	1,724.1	-4.5	11.8	34.4	-6.7
Personal interest income	1,006.1	987.6	-16.4	3.8	14.3	-18.5
Personal dividend income	724.6	736.5	11.9	8.0	20.0	11.9
Personal current transfer receipts	2,365.2	2,382.7	5.2	28.1	17.2	17.5
Government social benefits to persons	2,319.5	2,336.6	5.6	26.7	16.8	17.1
Social security	759.4	765.2	5.9	31.3	6.2	5.8
Medicare	556.9	566.2	4.0	2.8	1.0	9.3
Medicaid	413.9	418.8	-4.1	5.6	16.3	4.9
Unemployment insurance	83.8	75.0	-2.1	-6.7	-10.4	-8.8
Veterans benefits	71.5	74.0	-0.2	4.1	2.7	2.5
Other	433.9	437.4	2.2	-10.5	0.9	3.5
Other current transfer receipts from business, net	45.8	46.1	-0.4	1.4	0.5	0.3
Less: Contributions for government social insurance	948.3	953.1	2.0	19.8	5.7	4.8
Less: Personal current taxes	1,471.0	1,484.2	15.3	31.7	20.2	13.2
Equals: Disposable personal income (DPI)	11,886.4	11,962.5	25.7	178.1	110.0	76.1
Less: Personal outlays	11,406.1	11,517.5	84.7	143.1	57.4	111.4
Equals: Personal saving	480.3	445.0	-58.9	35.0	52.6	-35.3
Personal saving as a percentage of DPI	4.0	3.7				
Addenda: The effects of special factors on changes in personal income						
In government wages and salaries:						
Federal pay raise			0.0	1.8	0.0	0.0
In supplements to wages and salaries:						
FICA increase in maximum taxable wages			0.0	1.8	0.0	0.0
State unemployment insurance changes in tax rates and taxable wage base			0.0	1.7	0.0	0.0
Federal Unemployment Tax Act credit reduction			0.0	1.8	0.0	0.0
In government social benefits to persons:						
Cost-of-living adjustments (COLAs) ¹			0.0	30.2	0.0	0.0
Automatic Earnings Reappraisal Operation			2.4	-2.4	0.3	-0.3
Refundable tax credits			0.0	-13.1	0.0	0.0
In employee contributions for government social insurance:						
FICA increase in maximum taxable wages			0.0	1.2	0.0	0.0
In personal current taxes:						
Change in indexation			0.0	-2.0	0.0	0.0
Refunds, settlements, and back taxes			0.0	-2.4	0.0	0.0

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, decelerated in the third quarter, increasing \$89.3 billion after increasing \$130.3 billion. The deceleration primarily reflected a sharp downturn in personal interest income and decelerations in wage and salary disbursements and in personal dividend income that were partly offset by an acceleration in farm proprietors' income.

The deceleration in wages and salaries reflected the pattern of monthly employment, hours, and earnings data from the Bureau of Labor Statistics for the third quarter.

The acceleration in farm proprietors' income primarily reflected an acceleration in the expected indemnity payments to farmers for crop losses associated with the drought in the Midwest, based on U.S. Department of Agriculture data. (many farmers participate in crop insurance programs; federal government funding of this insurance is recorded as a current transfer payment to the farm sector from the federal government. Crop insurance benefits affect farm proprietors' income, but they do not directly affect either GDP or gross domestic income.

The downturn in personal interest income primarily reflected a downturn in interest rates.

The deceleration in personal dividend income reflected estimates based on data from corporate financial reports.

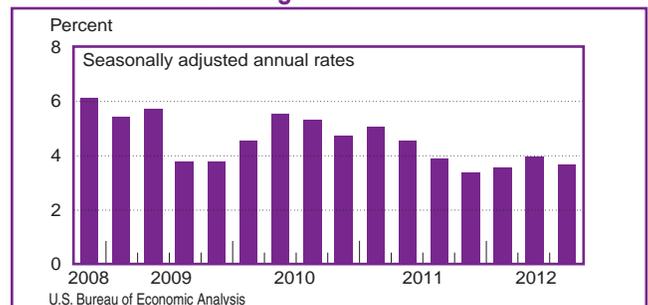
Government social benefits accelerated slightly. A deceleration in Medicaid payments was largely offset by an acceleration in Medicare payments (mainly for prescription drug benefits); the estimates were based on the incorporation of data from the *Monthly Treasury Statement* and data from the Centers for Medicare and Medicaid Services.

Personal current taxes decelerated, primarily reflecting a deceleration in state and local government income taxes.

Saving

Personal saving—disposable personal income less personal outlays—was \$445.0 billion in the third quarter, a decrease of \$35.3 billion that followed a second-quarter increase of \$52.6 billion. The downturn in third-quarter personal saving reflected a deceleration in personal income and an acceleration in personal outlays.

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 Third Quarter of 2012

[Billions of dollars, seasonally adjusted at annual rates]

	2012					
	April	May	June	July	August	Sept. ¹
Private fixed investment:						
Nonresidential structures:						
Value of new nonresidential construction put in place	298.2	299.5	295.1	293.7	288.7	291.2
Residential structures:						
Value of new residential construction put in place:						
Single family	119.6	121.8	125.6	127.6	131.2	135.5
Multifamily	19.6	20.6	21.7	22.2	23.1	23.8
Change in private inventories:						
Change in inventories for nondurable manufacturing	-20.4	-29.1	-21.2	5.6	15.5	-1.7
Change in inventories for merchant wholesale and retail industries other than motor vehicles and equipment	24.3	25.5	-4.7	53.6	38.1	60.1
Net exports:²						
Exports of goods:						
U.S. exports of goods, international-transactions-accounts basis	1,566.9	1,569.3	1,593.1	1,568.0	1,542.2	1,554.7
Excluding gold	1,525.8	1,538.5	1,555.3	1,542.0	1,513.2	1,523.7
Imports of goods:						
U.S. imports of goods, international-transactions-accounts basis	2,349.7	2,326.8	2,282.3	2,262.0	2,254.2	2,286.9
Excluding gold	2,332.4	2,308.8	2,265.2	2,245.5	2,234.2	2,269.9
Net exports of goods	-782.8	-757.5	-689.1	-694.0	-712.0	-732.2
Excluding gold	-806.7	-770.3	-709.9	-703.4	-721.0	-746.2
State and local government structures:						
Value of new construction put in place	247.3	249.8	252.8	252.1	249.7	250.9

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) retail gasoline sales (2), and electricity and gas usage and unit-value data (2) from the Energy Information Administration;

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) (2), 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); farm inventories from the U.S. Department of Agriculture (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 construction 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 import (2).

Unavailable source data

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

- An increase in nonresidential structures,
 - Increases in both single-family and multifamily residential structures,
 - A decrease 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 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](#).