

# GDP and the Economy

## Second Estimates for the Fourth Quarter of 2012

REAL GROSS domestic product (GDP) increased 0.1 percent at an annual rate in the fourth quarter of 2012, according to the second estimates of the national income and product accounts (NIPAs) (chart 1 and table 1).<sup>1</sup> The second estimate of real GDP growth was revised up 0.2 percentage point from the advance estimate of -0.1 percent, reflecting an upward revision to exports, a downward revision to imports, and an upward revision to nonresidential fixed investment that were partly offset by a downward revision to private inventory investment.<sup>2</sup> Although the second estimate revised the direction of change in real GDP, the general picture of the economy for the fourth quarter remains largely the same as that presented by the advance estimate.

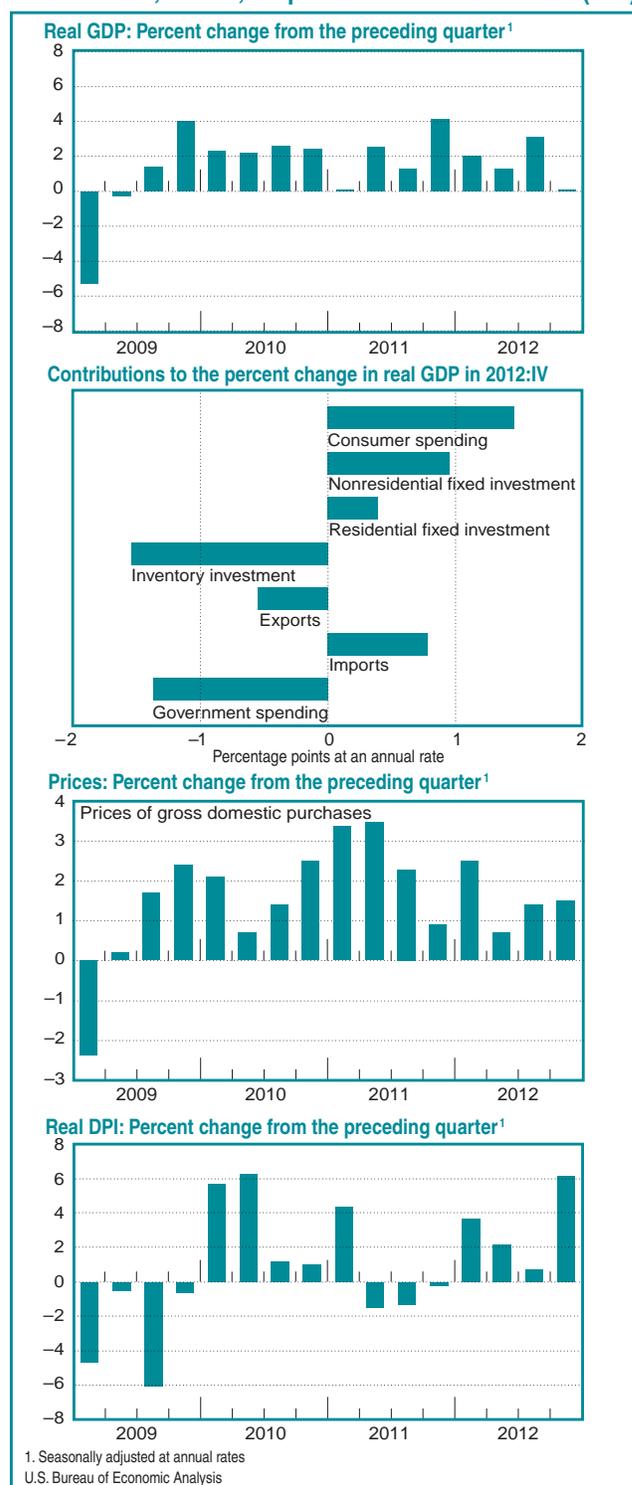
- Prices of goods and services purchased by U.S. residents increased 1.5 percent in the fourth quarter, 0.2 percentage point more than in the advance estimate. In the third quarter, prices increased 1.4 percent. In the fourth quarter, energy prices decelerated, and food prices turned up. Excluding food and energy, gross domestic purchases prices increased 1.1 percent after increasing 1.2 percent (see page 8).
- Real disposable personal income (DPI) increased 6.2 percent in the fourth quarter, 0.6 percentage point less than in the advance estimate; in the third quarter, it increased 0.7 percent (revised) (see page 9). The pickup in real DPI was partly driven by a sharp pickup in dividend payments in the fourth quarter, which were paid in anticipation of possible changes to individual income tax rates, and an acceleration in wages and salaries that was partly due to a stepped-up bonus payments (see page 10).
- For the year 2012 (from the 2011 annual level to the 2012 annual level), real GDP increased 2.2 percent after increasing 1.8 percent in 2011.

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.”

Lisa S. Mataloni 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                                  | 2012                                   |             |            |             |              | 2012   |             |              |  |
|   | IV                                    | I                                      | II          | III        | IV          | I            | II   | III         | IV           |  |
| <b>Gross domestic product</b> <sup>1</sup> .....                      | <b>100.0</b>                          | <b>2.0</b>                             | <b>1.3</b>  | <b>3.1</b> | <b>0.1</b>  | <b>2.0</b>   | <b>1.3</b>   | <b>3.1</b>  | <b>0.1</b>   |  |
| <b>Personal consumption expenditures</b> .....                        | <b>71.0</b>                           | <b>2.4</b>                             | <b>1.5</b>  | <b>1.6</b> | <b>2.1</b>  | <b>1.72</b>  | <b>1.06</b>  | <b>1.12</b> | <b>1.47</b>  |  |
| Goods.....  | 24.2                                  | 4.7                                    | 0.3         | 3.6        | 4.3         | 1.11         | 0.08   | 0.85        | 1.03         |  |
| Durable goods.....  | 7.9                                   | 11.5                                   | -0.2        | 8.9        | 13.8        | 0.85         | -0.02  | 0.66        | 1.01         |  |
| Nondurable goods.....   | 16.3                                  | 1.6                                    | 0.6         | 1.2        | 0.1         | 0.26         | 0.10   | 0.19        | 0.02         |  |
| Services.....   | 46.8                                  | 1.3                                    | 2.1         | 0.6        | 0.9         | 0.61         | 0.99   | 0.26        | 0.44         |  |
| <b>Gross private domestic investment</b> .....                        | <b>13.1</b>                           | <b>6.1</b>                             | <b>0.7</b>  | <b>6.6</b> | <b>-1.5</b> | <b>0.78</b>  | <b>0.09</b>  | <b>0.85</b> | <b>-0.20</b> |  |
| Fixed investment.....   | 13.0                                  | 9.8                                    | 4.5         | 0.9        | 11.2        | 1.18         | 0.56   | 0.12        | 1.36         |  |
| Nonresidential.....   | 10.4                                  | 7.5                                    | 3.6         | -1.8       | 9.7         | 0.74         | 0.36   | -0.19       | 0.96         |  |
| Structures.....   | 3.0                                   | 12.9                                   | 0.6         | 0.0        | 5.8         | 0.35         | 0.02   | 0.00        | 0.16         |  |
| Equipment and software.....   | 7.5                                   | 5.4                                    | 4.8         | -2.6       | 11.3        | 0.39         | 0.35   | -0.19       | 0.79         |  |
| Residential.....  | 2.6                                   | 20.5                                   | 8.5         | 13.5       | 17.5        | 0.43         | 0.19   | 0.31        | 0.40         |  |
| Change in private inventories.....                                    | 0.1                                   | .....                                  | .....       | .....      | .....       | -0.39        | -0.46  | 0.73        | -1.55        |  |
| <b>Net exports of goods and services</b> .....                        | <b>-3.4</b>                           | .....                                  | .....       | .....      | .....       | <b>0.06</b>  | <b>0.23</b>  | <b>0.38</b> | <b>0.24</b>  |  |
| Exports.....  | 13.8                                  | 4.4                                    | 5.3         | 1.9        | -3.9        | 0.60         | 0.72   | 0.27        | -0.55        |  |
| Goods.....  | 9.7                                   | 4.0                                    | 7.0         | 1.1        | -5.5        | 0.39         | 0.67   | 0.11        | -0.56        |  |
| Services.....   | 4.1                                   | 5.2                                    | 1.1         | 4.0        | 0.1         | 0.21         | 0.05   | 0.16        | 0.00         |  |
| Imports.....  | 17.2                                  | 3.1                                    | 2.8         | -0.6       | -4.5        | -0.54        | -0.49  | 0.11        | 0.79         |  |
| Goods.....  | 14.3                                  | 2.0                                    | 2.9         | -1.2       | -4.1        | -0.29        | -0.42  | 0.18        | 0.60         |  |
| Services.....   | 2.8                                   | 9.0                                    | 2.3         | 2.6        | -6.6        | -0.25        | -0.07  | -0.07       | 0.19         |  |
| <b>Government consumption expenditures and gross investment</b> ..... | <b>19.2</b>                           | <b>-3.0</b>                            | <b>-0.7</b> | <b>3.9</b> | <b>-6.9</b> | <b>-0.60</b> | <b>-0.14</b>   | <b>0.75</b> | <b>-1.38</b> |  |
| Federal.....  | 7.6                                   | -4.2                                   | -0.2        | 9.5        | -14.8       | -0.34        | -0.02  | 0.71        | -1.23        |  |
| National defense.....   | 5.0                                   | -7.1                                   | -0.2        | 12.9       | -22.0       | -0.39        | -0.01  | 0.64        | -1.28        |  |
| Nondefense.....   | 2.6                                   | 1.8                                    | -0.4        | 3.0        | 1.8         | 0.05         | -0.01  | 0.08        | 0.04         |  |
| State and local.....  | 11.7                                  | -2.2                                   | -1.0        | 0.3        | -1.3        | -0.26        | -0.12  | 0.04        | -0.15        |  |
| <b>Addenda:</b>   |                                       |  |             |            |             |              |  |             |              |  |
| Final sales of domestic product.....                                  | 99.9                                  | 2.4                                    | 1.7         | 2.4        | 1.7         | 2.35         | 1.71   | 2.37        | 1.68         |  |
| Goods.....  | 28.6                                  | 3.9                                    | 1.3         | 6.1        | 1.2         | 1.09         | 0.38   | 1.73        | 0.34         |  |
| Services.....   | 64.3                                  | 0.6                                    | 1.2         | 1.7        | -1.1        | 0.38         | 0.76   | 1.11        | -0.72        |  |
| Structures.....   | 7.2                                   | 7.4                                    | 1.7         | 3.9        | 7.4         | 0.50         | 0.12   | 0.27        | 0.51         |  |
| Motor vehicle output.....   | 2.8                                   | 30.9                                   | 7.3         | -8.6       | 7.2         | 0.72         | 0.20   | -0.25       | 0.19         |  |
| GDP excluding motor vehicle output.....                               | 97.2                                  | 1.3                                    | 1.1         | 3.5        | -0.1        | 1.23         | 1.06   | 3.36        | -0.07        |  |
| Final sales of computers.....   | 0.4                                   | 4.5                                    | -19.9       | 29.5       | 25.6        | 0.02         | -0.10  | 0.11        | 0.10         |  |
| GDP excluding final sales of computers.....                           | 99.6                                  | 1.9                                    | 1.4         | 3.0        | 0.0         | 1.94         | 1.35   | 2.99        | 0.03         |  |
| Gross domestic income (GDI) <sup>2</sup> .....                        | .....                                 | 3.8                                    | -0.7        | 1.6        | .....       | .....        | .....  | .....       | .....        |  |

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 reflects the incorporation of revised wage and salary estimates for the third quarter of 2012.

Note: For GDP and its components, percent changes are from NIPA tables 1.1.1 and 1.2.1, contributions are from NIPA tables 1.1.2 and 1.2.2, and shares are from NIPA table 1.1.10 and are calculated from table 1.2.5. For GDI, percent changes are from NIPA table 1.7.1.

Real GDP decelerated in the fourth quarter. The deceleration primarily reflected downturns in private inventory investment, in federal government spending, in exports, and in state and local government spending that were partly offset by an upturn in nonresidential fixed investment, a larger decrease in imports, and an acceleration in consumer spending.

The acceleration in consumer spending reflected accelerations in spending for both goods and services.

Real private fixed investment accelerated, adding 1.36 percentage points to the change in real GDP after adding 0.12 percentage point. The acceleration reflected an upturn in equipment and software and an acceleration in structures. (See page 4.)

Inventory investment subtracted 1.55 percentage points from the change in real GDP after adding 0.73 percentage point. (See page 5.)

The downturn in exports primarily reflected a downturn in exports of goods. (See page 6.)

Imports decreased 4.5 percent after decreasing 0.6 percent. (See page 6.)

The downturn in federal government spending primarily reflected a large downturn in defense spending. (See page 7.)

Real final sales of domestic product, real GDP less inventory investment, increased 1.7 percent in the fourth quarter after increasing 2.4 percent.

In the third quarter, real gross domestic income, which measures the output of the economy as the incomes earned and costs incurred in production, increased 1.6 percent (revised) after decreasing 0.7 percent. (See "Revised Income Estimates for the Third Quarter of 2012" on page 9.)

## Effects of Superstorm Sandy

In late October of 2012, Superstorm Sandy caused major damage and disrupted production throughout the Northeast region. These effects on production are included, but not identifiable, in the source data that the Bureau of Economic Analysis (BEA) uses to prepare the estimates of GDP. As a result, BEA is not able to provide an estimate of the overall impact of Sandy on GDP for the fourth quarter of

2012 GDP.

For wages and salaries, BEA made an adjustment for lost wages due to work interruptions, because the source data did not reflect the impacts of Sandy.

For more information, see "Key Issues Affecting the NIPAs for the Fourth Quarter of 2012" in the February 2013 SURVEY OF CURRENT BUSINESS.

## Consumer Spending

**Table 2. 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                                  | 2012                                   |             |            |             |             | 2012   |             |             |  |  |
|  | IV                                    | I                                      | II          | III        | IV          | I           | II   | III         | IV          |  |  |
| <b>PCE</b> <sup>1</sup> .....  | <b>100.0</b>                          | <b>2.4</b>                             | <b>1.5</b>  | <b>1.6</b> | <b>2.1</b>  | <b>2.4</b>  | <b>1.5</b>   | <b>1.6</b>  | <b>2.1</b>  |  |  |
| <b>Goods</b> .....   | <b>34.2</b>                           | <b>4.7</b>                             | <b>0.3</b>  | <b>3.6</b> | <b>4.3</b>  | <b>1.57</b> | <b>0.11</b>  | <b>1.20</b> | <b>1.46</b> |  |  |
| <b>Durable goods</b> .....   | <b>11.1</b>                           | <b>11.5</b>                            | <b>-0.2</b> | <b>8.9</b> | <b>13.8</b> | <b>1.20</b> | <b>-0.02</b>   | <b>0.93</b> | <b>1.43</b> |  |  |
| Motor vehicles and parts .....   | 3.8                                   | 13.0                                   | -9.8        | 10.1       | 22.5        | 0.45        | -0.37  | 0.35        | 0.76        |  |  |
| Furnishings and durable household equipment .....                            | 2.4                                   | 8.6                                    | -0.7        | 5.7        | 4.4         | 0.20        | -0.02  | 0.13        | 0.10        |  |  |
| Recreational goods and vehicles .....  | 3.2                                   | 13.1                                   | 7.2         | 11.5       | 12.0        | 0.39        | 0.22   | 0.35        | 0.36        |  |  |
| Other durable goods .....  | 1.8                                   | 9.8                                    | 8.6         | 6.2        | 12.7        | 0.16        | 0.14   | 0.10        | 0.21        |  |  |
| <b>Nondurable goods</b> .....  | <b>23.0</b>                           | <b>1.6</b>                             | <b>0.6</b>  | <b>1.2</b> | <b>0.1</b>  | <b>0.38</b> | <b>0.14</b>  | <b>0.27</b> | <b>0.03</b> |  |  |
| Food and beverages for off-premises consumption .....                        | 7.4                                   | 0.0                                    | -0.5        | 0.2        | -0.1        | 0.00        | -0.04  | 0.02        | -0.01       |  |  |
| Clothing and footwear .....  | 3.3                                   | 5.9                                    | -4.9        | 5.3        | -1.0        | 0.19        | -0.17  | 0.17        | -0.03       |  |  |
| Gasoline and other energy goods .....  | 4.0                                   | -2.5                                   | 8.5         | -2.9       | -7.5        | -0.10       | 0.32   | -0.12       | -0.31       |  |  |
| Other nondurable goods .....   | 8.4                                   | 3.5                                    | 0.3         | 2.4        | 4.6         | 0.29        | 0.02   | 0.20        | 0.37        |  |  |
| <b>Services</b> .....  | <b>65.9</b>                           | <b>1.3</b>                             | <b>2.1</b>  | <b>0.6</b> | <b>0.9</b>  | <b>0.87</b> | <b>1.39</b>  | <b>0.37</b> | <b>0.63</b> |  |  |
| Household consumption expenditures .....                                     | 63.1                                  | 1.4                                    | 1.5         | 0.8        | 0.8         | 0.90        | 0.98   | 0.49        | 0.52        |  |  |
| Housing and utilities .....  | 17.6                                  | -2.2                                   | 5.5         | 1.3        | -4.2        | -0.39       | 0.95   | 0.23        | -0.76       |  |  |
| Health care .....  | 16.4                                  | 3.7                                    | -1.3        | 2.7        | 2.1         | 0.59        | -0.21  | 0.43        | 0.35        |  |  |
| Transportation services .....  | 2.8                                   | 1.6                                    | 2.9         | 1.5        | 1.3         | 0.04        | 0.08   | 0.04        | 0.04        |  |  |
| Recreation services .....  | 3.7                                   | -0.6                                   | 2.9         | 0.7        | 0.9         | -0.02       | 0.10   | 0.03        | 0.03        |  |  |
| Food services and accommodations .....                                       | 6.5                                   | 4.8                                    | 1.1         | 1.3        | 8.1         | 0.30        | 0.07   | 0.08        | 0.50        |  |  |
| Financial services and insurance .....                                       | 7.4                                   | 3.8                                    | -0.1        | -4.8       | 3.2         | 0.28        | -0.01  | -0.36       | 0.23        |  |  |
| Other services .....   | 8.8                                   | 1.1                                    | -0.1        | 0.4        | 1.5         | 0.10        | -0.01  | 0.04        | 0.13        |  |  |
| Final consumption expenditures of NPISHs <sup>2</sup> .....                  | 2.7                                   | -1.2                                   | 16.3        | -4.1       | 4.0         | -0.03       | 0.41   | -0.11       | 0.11        |  |  |
| Gross output of NPISHs <sup>3</sup> .....                                    | 11.1                                  | 4.1                                    | 0.6         | 4.6        | 3.6         | 0.44        | 0.07   | 0.50        | 0.40        |  |  |
| Less: Receipts from sales of goods and services by NPISHs <sup>4</sup> ..... | 8.3                                   | 5.9                                    | -4.1        | 7.7        | 3.5         | 0.47        | -0.34  | 0.61        | 0.29        |  |  |

1. The estimates under the contribution columns are also percent changes.  
 2. 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, contributions are from NIPA table 2.3.2, and shares are calculated from NIPA table 2.3.5.  
 NPISHs Nonprofit institutions serving households

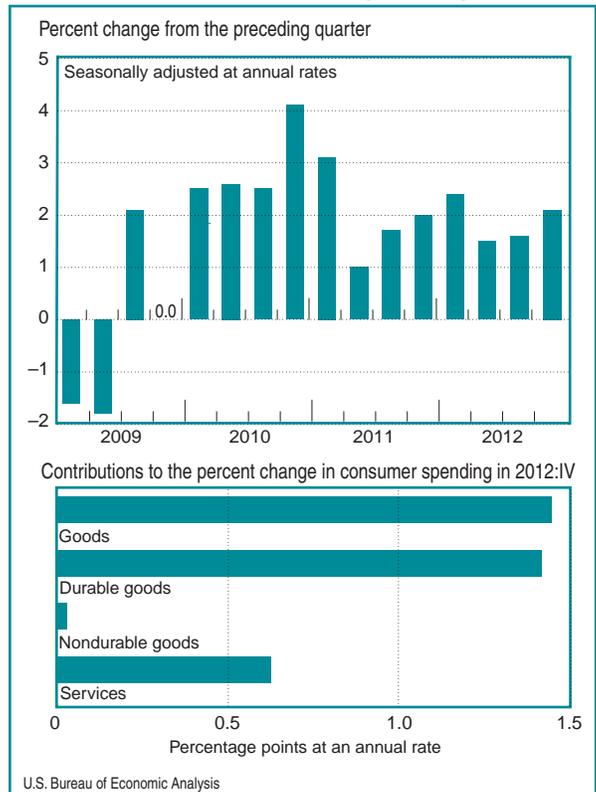
Spending for goods accelerated, reflecting an acceleration in spending for durable goods that was partly offset by a deceleration in spending for nondurable goods.

The acceleration in spending for durable goods was primarily in motor vehicles and parts.

The deceleration in spending for nondurable goods reflected a downturn in spending for clothing and footwear and a larger decrease in spending for gasoline and other goods that were partly offset by an acceleration in spending for "other" nondurable goods, primarily for prescription drugs and for recreational items.

Spending for services accelerated. An upswing in spending for financial services and insurance and an acceleration in spending for food services and accommodations were partly offset by a downturn in spending for housing and utilities (mostly natural gas).

**Chart 2. Real Personal Consumption Expenditures**



## Private Fixed Investment

**Table 3. 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                                   |             |             |             | 2012   |              |              |             |
|   |                                       | IV                                     | I           | II          | III         | IV   | I            | II           | III         |
| <b>Private fixed investment<sup>1</sup></b>   | <b>100.0</b>                          | <b>9.8</b>                             | <b>4.5</b>  | <b>0.9</b>  | <b>11.2</b> | <b>9.8</b>   | <b>4.5</b>   | <b>0.9</b>   | <b>11.2</b> |
| <b>Nonresidential.....</b>                    | <b>80.3</b>                           | <b>7.5</b>                             | <b>3.6</b>  | <b>-1.8</b> | <b>9.7</b>  | <b>6.25</b>  | <b>2.92</b>  | <b>-1.50</b> | <b>7.94</b> |
| <b>Structures.....</b>                        | <b>22.7</b>                           | <b>12.9</b>                            | <b>0.6</b>  | <b>0.0</b>  | <b>5.8</b>  | <b>2.93</b>  | <b>0.14</b>  | <b>0.00</b>  | <b>1.35</b> |
| Commercial and health care                    | 5.1                                   | 11.1                                   | 10.3        | 8.5         | 5.8         | 0.54   | 0.49         | 0.42         | 0.31        |
| Manufacturing.....                            | 2.6                                   | -7.8                                   | 26.2        | -8.9        | 14.4        | -0.21  | 0.62         | -0.25        | 0.37        |
| Power and communication                       | 4.5                                   | 94.3                                   | -19.5       | -9.1        | 4.7         | 3.16   | -1.05        | -0.44        | 0.22        |
| Mining exploration, shafts, and wells.....    | 7.4                                   | -8.4                                   | -4.1        | 3.6         | 2.0         | -0.67  | -0.32        | 0.27         | 0.15        |
| Other structures <sup>2</sup> .....           | 3.2                                   | 3.0                                    | 13.5        | 0.1         | 9.5         | 0.11   | 0.40         | 0.00         | 0.30        |
| <b>Equipment and software.....</b>            | <b>57.5</b>                           | <b>5.4</b>                             | <b>4.8</b>  | <b>-2.6</b> | <b>11.3</b> | <b>3.32</b>  | <b>2.77</b>  | <b>-1.50</b> | <b>6.59</b> |
| Information processing equipment and software | 27.5                                  | 5.9                                    | -2.4        | -2.5        | 15.0        | 1.69   | -0.68        | -0.71        | 3.99        |
| Computers and peripheral equipment...         | 4.0                                   | 14.7                                   | -19.6       | -33.2       | 72.6        | 0.60   | -0.91        | -1.53        | 2.14        |
| Software <sup>3</sup> .....                   | 14.5                                  | 1.9                                    | 6.1         | 3.8         | 8.1         | 0.29   | 0.88         | 0.55         | 1.17        |
| Other <sup>4</sup> .....                      | 9.0                                   | 8.5                                    | -6.9        | 3.0         | 7.3         | 0.79   | -0.66        | 0.27         | 0.69        |
| Industrial equipment.....                     | 9.9                                   | -13.6                                  | 13.6        | 0.1         | 9.5         | -1.45  | 1.27         | 0.01         | 0.95        |
| Transportation equipment.....                 | 9.7                                   | 20.0                                   | 15.8        | -16.1       | 7.6         | 1.91   | 1.48         | -1.74        | 0.87        |
| Other equipment <sup>5</sup> .....            | 10.5                                  | 11.8                                   | 6.9         | 9.4         | 7.1         | 1.17   | 0.70         | 0.94         | 0.78        |
| <b>Residential.....</b>                       | <b>19.7</b>                           | <b>20.5</b>                            | <b>8.5</b>  | <b>13.5</b> | <b>17.5</b> | <b>3.53</b>  | <b>1.54</b>  | <b>2.42</b>  | <b>3.25</b> |
| <b>Structures.....</b>                        | <b>19.3</b>                           | <b>21.2</b>                            | <b>8.8</b>  | <b>13.7</b> | <b>17.8</b> | <b>3.54</b>  | <b>1.55</b>  | <b>2.39</b>  | <b>3.23</b> |
| Permanent site.....                           | 8.2                                   | 30.9                                   | 25.4        | 29.7        | 38.0        | 1.87   | 1.61         | 1.94         | 2.64        |
| Single family.....                            | 7.0                                   | 26.9                                   | 17.6        | 28.8        | 36.3        | 1.44   | 0.99         | 1.62         | 2.17        |
| Multifamily.....                              | 1.2                                   | 61.7                                   | 87.9        | 35.4        | 48.5        | 0.43   | 0.62         | 0.32         | 0.47        |
| Other structures <sup>6</sup> .....           | 11.1                                  | 15.6                                   | -0.6        | 4.1         | 5.3         | 1.67   | -0.06        | 0.45         | 0.60        |
| <b>Equipment.....</b>                         | <b>0.5</b>                            | <b>-1.6</b>                            | <b>-2.5</b> | <b>7.3</b>  | <b>4.1</b>  | <b>-0.01</b>   | <b>-0.01</b> | <b>0.03</b>  | <b>0.02</b> |

Private fixed investment accelerated, reflecting an upturn in nonresidential investment and an acceleration in residential investment.

The upturn in nonresidential investment reflected an upturn in equipment and software and an acceleration in structures.

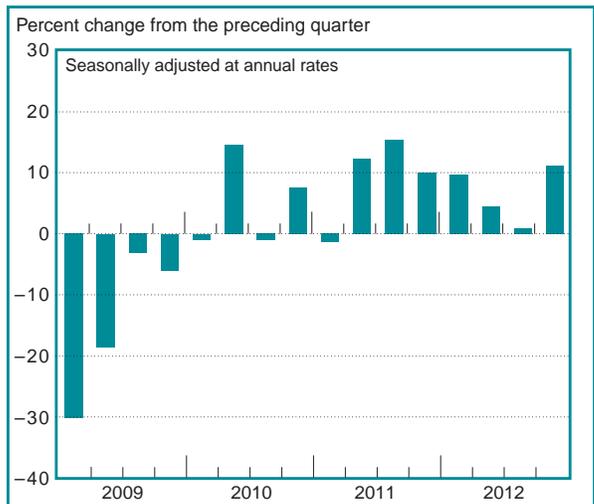
The acceleration in investment in nonresidential structures primarily reflected turnarounds in power and communication structures and in manufacturing structures.

The upturn in equipment and software primarily reflected upturns in computers and peripheral equipment and in transportation equipment and accelerations in industrial equipment and in software.

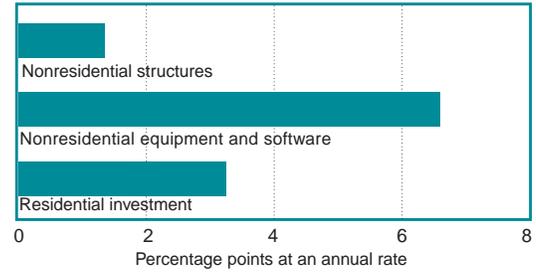
The acceleration in residential fixed investment primarily reflected pickup in investment in single-family structures.

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:IV



## Inventory Investment

**Table 4. Change in Real Private Inventories by Industry**  
 [Billions of chained (2005) dollars; seasonally adjusted at annual rates]

|   | Level       |             |             |             |             | Change from preceding quarter |              |             |              |  |
|---|-------------|-------------|-------------|-------------|-------------|-------------------------------|--------------|-------------|--------------|--|
|   | 2011        | 2012        |             |             |             | 2012                          |              |             |              |  |
|   | IV          | I           | II          | III         | IV          | I                             | II           | III         | IV           |  |
| <b>Change in private inventories <sup>1</sup></b>   | <b>70.5</b> | <b>56.9</b> | <b>41.4</b> | <b>60.3</b> | <b>12.0</b> | <b>-13.6</b>                  | <b>-15.5</b> | <b>18.9</b> | <b>-48.3</b> |  |
| Farm .....  | -1.6        | -2.6        | -7.9        | -19.2       | -15.0       | -1.0                          | -5.3         | -11.3       | 4.2          |  |
| Mining, utilities, and construction ....  | 7.6         | 15.7        | 3.1         | -4.9        | 2.1         | 8.1                           | -12.6        | -8.0        | 7.0          |  |
| Manufacturing .....   | 35.5        | 11.9        | -1.8        | 36.4        | -0.5        | -23.6                         | -13.7        | 38.2        | -36.9        |  |
| Durable-goods industries .....  | 22.4        | 12.4        | 14.3        | 28.8        | 6.7         | -10.0                         | 1.9          | 14.5        | -22.1        |  |
| Nondurable-goods industries .....   | 13.3        | 0.4         | -13.6       | 8.8         | -6.0        | -12.9                         | -14.0        | 22.4        | -14.8        |  |
| Wholesale trade .....   | 30.2        | 19.1        | 13.8        | 32.1        | 9.7         | -11.1                         | -5.3         | 18.3        | -22.4        |  |
| Durable-goods industries .....  | 15.5        | 21.5        | 24.4        | 22.2        | 13.9        | 6.0                           | 2.9          | -2.2        | -8.3         |  |
| Nondurable-goods industries .....   | 14.1        | 0.0         | -7.0        | 10.7        | -2.1        | -14.1                         | -7.0         | 17.7        | -12.8        |  |
| Retail trade .....  | -3.4        | 21.1        | 29.4        | 19.2        | 19.6        | 24.5                          | 8.3          | -10.2       | 0.4          |  |
| Motor vehicle and parts dealers .....   | -5.0        | 20.1        | 21.9        | 20.6        | 11.9        | 25.1                          | 1.8          | -1.3        | -8.7         |  |
| Food and beverage stores .....  | 0.9         | 2.4         | 0.0         | -0.1        | -0.6        | 1.5                           | -2.4         | -0.1        | -0.5         |  |
| General merchandise stores .....  | 2.5         | -1.0        | 1.8         | -1.6        | 3.1         | -3.5                          | 2.8          | -3.4        | 4.7          |  |
| Other retail stores .....   | -2.2        | 0.8         | 7.0         | 1.8         | 5.9         | 3.0                           | 6.2          | -5.2        | 4.1          |  |
| Other industries .....  | 1.7         | -5.7        | 10.3        | 3.8         | 2.9         | -7.4                          | 16.0         | -6.5        | -0.9         |  |
| Residual <sup>2</sup> .....   | 1.3         | -7.1        | -12.9       | -10.6       | -10.8       | .....                         | .....        | .....       | .....        |  |
| <b>Addenda: Ratios of private inventories to final sales of domestic business: <sup>3</sup></b> |             |             |             |             |             |                               |              |             |              |  |
| Private inventories to final sales .....  | 2.32        | 2.32        | 2.32        | 2.32        | 2.30        | .....                         | .....        | .....       | .....        |  |
| Nonfarm inventories to final sales .....  | 2.13        | 2.13        | 2.14        | 2.15        | 2.14        | .....                         | .....        | .....       | .....        |  |
| Nonfarm inventories to final sales of goods and structures .....                                | 3.92        | 3.90        | 3.91        | 3.92        | 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 turned down in the fourth quarter, decreasing \$48.3 billion after increasing \$18.9 billion in the third quarter. The downturn reflected downturns in manufacturing industries and in wholesale trade industries that were partly offset by upturns in farm industries, in mining, utilities, and construction industries, and in retail trade industries.

Farm inventory investment increased \$4.2 billion in the fourth quarter after decreasing \$11.3 billion. The impacts of the summer drought on crop production in the Midwest were smaller than those in the third quarter. (See “Effects of the Summer Drought” below.)

The downturn in inventory investment in manufacturing industries reflected downturns in both nondurable-goods and durable-goods industries.

The downturn in inventory investment in wholesale trade industries primarily reflected a downturn in nondurable-goods industries.

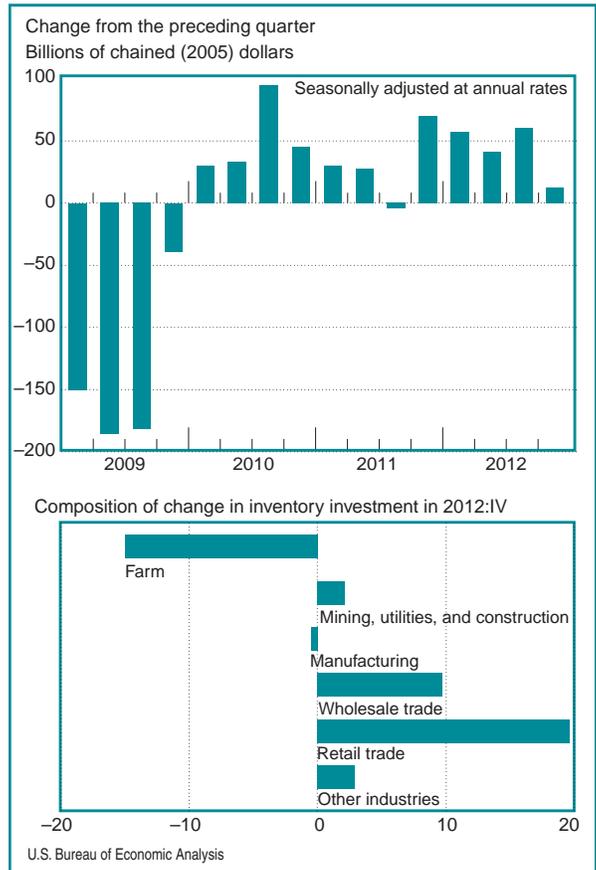
### Effects of the Summer Drought

This summer’s drought adversely affected agricultural production in several Midwestern states. The NIPAs reflect the effects of the drought in several ways, but the largest effect was on BEA’s estimates of farm inventory investment.

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 the drought reduced current-dollar farm inventory investment by about \$24 billion in the fourth quarter after reducing farm inventory investment by about \$28 billion in the third quarter. In the fourth quarter, total farm inventory investment added 0.15 percentage point to real GDP growth after subtracting 0.38 percentage point in the third quarter.

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

**Chart 4. Real Private Inventory Investment**



## Exports and Imports

**Table 5. 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) |              |              |    |
|--|---|--|------------|-------------|-------------|-------------|--|--------------|--------------|----|
|  |   | 2012                                   |            |             |             |             | 2012   |              |              |    |
|  |   | IV                                     | I          | II          | III         | IV          | I  | II           | III          | IV |
| <b>Exports of goods and services<sup>1</sup></b>                 | <b>100.0</b>  | <b>4.4</b>                             | <b>5.3</b> | <b>1.9</b>  | <b>-3.9</b> | <b>4.4</b>  | <b>5.3</b>   | <b>1.9</b>   | <b>-3.9</b>  |    |
| <b>Exports of goods<sup>2</sup></b>                              | <b>70.4</b>   | <b>4.0</b>                             | <b>7.0</b> | <b>1.1</b>  | <b>-5.5</b> | <b>2.89</b> | <b>4.92</b>  | <b>0.77</b>  | <b>-3.95</b> |    |
| Foods, feeds, and beverages                                      | 6.2   | -10.2                                  | 32.1       | 13.5        | -35.2       | -0.62       | 1.67   | 0.83         | -2.79        |    |
| Industrial supplies and materials                                | 21.8  | -6.3                                   | 9.1        | -6.3        | 0.6         | -1.47       | 2.02   | -1.43        | 0.14         |    |
| Capital goods, except automotive                                 | 23.9  | 12.5                                   | -0.8       | 7.6         | -9.0        | 2.87        | -0.16  | 1.78         | -2.26        |    |
| Automotive vehicles, engines, and parts                          | 6.6   | 24.3                                   | 9.3        | -10.0       | -5.6        | 1.45        | 0.62   | -0.71        | -0.37        |    |
| Consumer goods, except automotive                                | 8.4   | -7.0                                   | 13.7       | -1.3        | 0.6         | -0.60       | 1.08   | -0.11        | 0.05         |    |
| Other  | 3.5   | 51.4                                   | -9.1       | 14.1        | 47.9        | 1.26        | -0.30  | 0.41         | 1.28         |    |
| <b>Exports of services<sup>2</sup></b>                           | <b>29.6</b>   | <b>5.2</b>                             | <b>1.1</b> | <b>4.0</b>  | <b>0.1</b>  | <b>1.49</b> | <b>0.33</b>  | <b>1.15</b>  | <b>0.04</b>  |    |
| <b>Imports of goods and services<sup>1</sup></b>                 | <b>100.0</b>  | <b>3.1</b>                             | <b>2.8</b> | <b>-0.6</b> | <b>-4.5</b> | <b>3.1</b>  | <b>2.8</b>   | <b>-0.6</b>  | <b>-4.5</b>  |    |
| <b>Imports of goods<sup>2</sup></b>                              | <b>83.5</b>   | <b>2.0</b>                             | <b>2.9</b> | <b>-1.2</b> | <b>-4.1</b> | <b>1.68</b> | <b>2.40</b>  | <b>-1.03</b> | <b>-3.38</b> |    |
| Foods, feeds, and beverages                                      | 4.1   | -2.9                                   | -5.0       | 8.3         | 3.3         | -0.12       | -0.21  | 0.32         | 0.14         |    |
| Industrial supplies and materials, except petroleum and products | 10.5  | 12.3                                   | 0.3        | 4.5         | -12.5       | 1.24        | 0.04   | 0.47         | -1.40        |    |
| Petroleum and products   | 15.4  | -21.7                                  | -3.0       | -5.1        | -7.6        | -4.24       | -0.51  | -0.80        | -1.19        |    |
| Capital goods, except automotive                                 | 20.1  | 11.5                                   | 7.5        | -8.8        | 0.8         | 2.15        | 1.46   | -1.85        | 0.18         |    |
| Automotive vehicles, engines, and parts                          | 10.9  | 36.0                                   | 4.3        | 7.8         | -12.0       | 3.18        | 0.45   | 0.83         | -1.40        |    |
| Consumer goods, except automotive                                | 19.4  | -7.3                                   | 6.2        | -0.1        | 6.2         | -1.43       | 1.12   | -0.02        | 1.17         |    |
| Other  | 3.0   | 33.8                                   | 1.6        | 1.0         | -24.7       | 0.89        | 0.05   | 0.03         | -0.88        |    |
| <b>Imports of services<sup>2</sup></b>                           | <b>16.6</b>   | <b>9.0</b>                             | <b>2.3</b> | <b>2.6</b>  | <b>-6.6</b> | <b>1.41</b> | <b>0.38</b>  | <b>0.42</b>  | <b>-1.12</b> |    |
| <b>Addenda:</b>  |   |  |            |             |             |             |  |              |              |    |
| Exports of agricultural goods <sup>3</sup>                       | 6.7   | -2.5                                   | 26.8       | 14.2        | -36.0       |             |  |              |              |    |
| Exports of nonagricultural goods                                 | 63.7  | 4.7                                    | 5.2        | -0.3        | -1.4        |             |  |              |              |    |
| Imports of nonpetroleum goods                                    | 68.1  | 9.2                                    | 4.4        | -0.3        | -3.3        |             |  |              |              |    |

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 turned down in the fourth quarter, reflecting a downturn in exports of goods and a slowdown in exports of services.

The downturn in exports of goods primarily reflected large downturns in nonautomotive capital goods and in foods, feeds, and beverages that were partly offset by an upturn in industrial supplies and materials and an acceleration in "other" exports of goods.

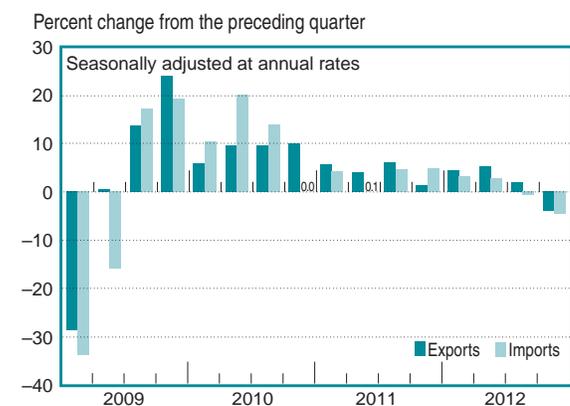
The deceleration in exports of services primarily reflected downturns in travel and in transfers under U.S. military agency contracts and a deceleration in royalties and license fees.

Imports of goods and services decreased more than in the third quarter, reflecting a larger decrease in imports of goods and a downturn in imports of services.

The larger decrease in imports of goods mainly reflected downturns in automotive vehicles, engines, and parts, in nonpetroleum industrial supplies and materials, and in "other" goods that were partly offset by upturns in nonautomotive capital goods and in nonautomotive consumer goods.

The downturn in imports of services mainly reflected a downturn in royalties and license fees; in the third quarter, these fees reflected broadcast rights for the Summer Olympics.

**Chart 5. Real Exports and Imports of Goods and Services**



U.S. Bureau of Economic Analysis

## Government Spending

**Table 6. 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) |              |             |              |
|---|--|--|-------------|-------------|--------------|---|--------------|-------------|--------------|
|   |  | 2012                                   |             |             |              |   |              |             |              |
|   | 2012                                   | I                                      | II          | III         | IV           | I   | II           | III         | IV           |
| <b>Government consumption expenditures and gross investment<sup>1</sup></b> | <b>100.0</b>                           | <b>-3.0</b>                            | <b>-0.7</b> | <b>3.9</b>  | <b>-6.9</b>  | <b>-3.0</b>   | <b>-0.7</b>  | <b>3.9</b>  | <b>-6.9</b>  |
| Consumption expenditures.....   | 84.5                                   | -1.1                                   | -1.2        | 4.6         | -8.0         | -0.95   | -1.04        | 3.89        | -6.83        |
| Gross investment.....   | 15.6                                   | -12.5                                  | 2.3         | -0.2        | -0.7         | -2.05   | 0.35         | -0.02       | -0.05        |
| <b>Federal.....</b>   | <b>39.3</b>                            | <b>-4.2</b>                            | <b>-0.2</b> | <b>9.5</b>  | <b>-14.8</b> | <b>-1.69</b>  | <b>-0.09</b> | <b>3.68</b> | <b>-6.13</b> |
| <b>National defense.....</b>  | <b>25.8</b>                            | <b>-7.1</b>                            | <b>-0.2</b> | <b>12.9</b> | <b>-22.0</b> | <b>-1.92</b>  | <b>-0.04</b> | <b>3.28</b> | <b>-6.37</b> |
| Consumption expenditures.....   | 22.3                                   | -4.7                                   | -2.1        | 15.0        | -25.1        | -1.10   | -0.48        | 3.30        | -6.45        |
| Gross investment.....   | 3.5                                    | -21.3                                  | 13.8        | -0.6        | 1.4          | -0.82   | 0.44         | -0.01       | 0.08         |
| <b>Nondefense.....</b>  | <b>13.4</b>                            | <b>1.8</b>                             | <b>-0.4</b> | <b>3.0</b>  | <b>1.8</b>   | <b>0.23</b>   | <b>-0.05</b> | <b>0.39</b> | <b>0.24</b>  |
| Consumption expenditures.....   | 11.8                                   | 3.6                                    | -0.2        | 4.1         | 0.8          | 0.40  | -0.03        | 0.47        | 0.10         |
| Gross investment.....   | 1.6                                    | -10.0                                  | -1.3        | -4.9        | 9.4          | -0.17   | -0.02        | -0.08       | 0.15         |
| <b>State and local.....</b>   | <b>60.7</b>                            | <b>-2.2</b>                            | <b>-1.0</b> | <b>0.3</b>  | <b>-1.3</b>  | <b>-1.31</b>  | <b>-0.60</b> | <b>0.20</b> | <b>-0.75</b> |
| Consumption expenditures.....   | 50.3                                   | -0.5                                   | -1.1        | 0.2         | -1.0         | -0.25   | -0.53        | 0.13        | -0.47        |
| Gross investment.....   | 10.4                                   | -9.8                                   | -0.7        | 0.6         | -2.8         | -1.06   | -0.08        | 0.07        | -0.27        |

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 turned down in the fourth quarter, reflecting downturns in both federal government spending and state and local government spending.

The downturn in federal government spending reflected a sharp downturn in national defense spending and a deceleration in nondefense spending.

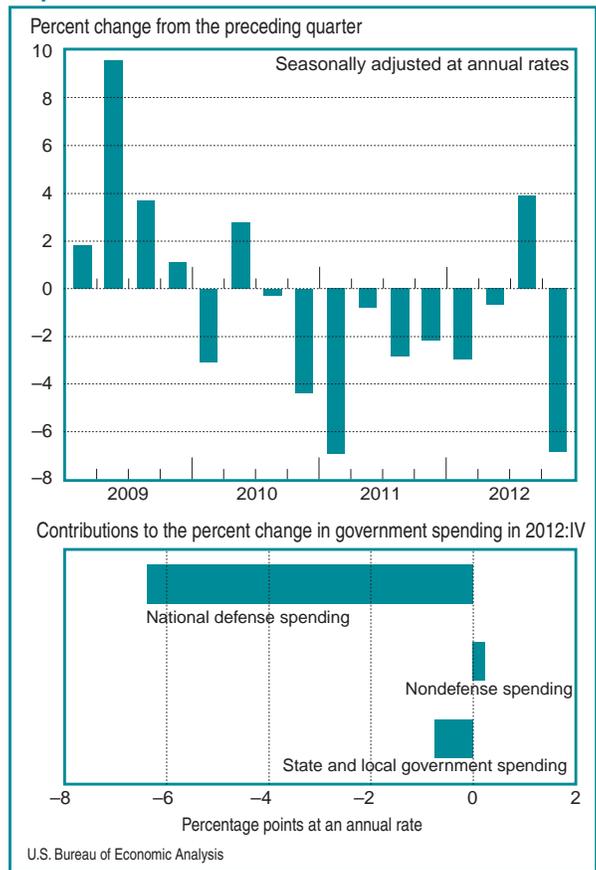
The downturn in national defense spending primarily reflected a downturn in consumption expenditures. In contrast, gross investment turned up slightly. (See “Federal Government Defense Spending” below.)

The deceleration in nondefense spending reflected a deceleration in consumption expenditures that was partly offset by an upturn in gross investment.

The downturn in state and local spending reflected downturns in both consumption expenditures and gross investment, specifically, a downturn in investment in structures.

**Federal Government Defense Spending**  
Federal government spending for the fourth quarter decreased at a 14.8 percent annual rate, reflecting a large decrease in national defense spending that is primarily based on the *Monthly Treasury Statement (MTS)* for October, November, and December from the Department of the Treasury. The *MTS* showed a large decrease in fourth-quarter outlays for Department of Defense military programs other than for military personnel. The decrease was primarily in national defense consumption expenditures for intermediate services, mainly in weapons support services and personnel support services. (The *MTS* showed a fourth-quarter increase in outlays for military personnel, but that increase reflects special factors such as annual lump-sum payments that BEA distributes across the quarters of the year and an extra pay day for which BEA adjusts when preparing accrual-based estimates.)

**Chart 6. Real Government Consumption Expenditures and Gross Investment**



## Prices

**Table 7. 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) |             |             |             |
|---|--|------------|------------|------------|---|-------------|-------------|-------------|
|   | 2012                                   |            |            |            | 2012  |             |             |             |
|   | I                                      | II         | III        | IV         | I   | II          | III         | IV          |
| <b>Gross domestic purchases<sup>1</sup></b> .....                     | <b>2.5</b>                             | <b>0.7</b> | <b>1.4</b> | <b>1.5</b> | <b>2.5</b>  | <b>0.7</b>  | <b>1.4</b>  | <b>1.5</b>  |
| <b>Personal consumption expenditures</b> .....                        | <b>2.5</b>                             | <b>0.7</b> | <b>1.6</b> | <b>1.5</b> | <b>1.70</b>   | <b>0.47</b> | <b>1.09</b> | <b>1.04</b> |
| Goods .....   | 2.5                                    | -1.8       | 1.9        | 1.0        | 0.59  | -0.43       | 0.44        | 0.24        |
| Durable goods .....   | -1.0                                   | -1.2       | -2.3       | -2.0       | -0.07   | -0.09       | -0.18       | -0.16       |
| Nondurable goods .....  | 4.2                                    | -2.2       | 4.0        | 2.5        | 0.66  | -0.34       | 0.62        | 0.40        |
| Services .....  | 2.5                                    | 2.0        | 1.4        | 1.8        | 1.11  | 0.90        | 0.65        | 0.80        |
| <b>Gross private domestic investment</b> .....                        | <b>1.0</b>                             | <b>1.3</b> | <b>0.6</b> | <b>1.5</b> | <b>0.13</b>   | <b>0.17</b> | <b>0.08</b> | <b>0.19</b> |
| Fixed investment .....  | 1.2                                    | 1.2        | 1.3        | 1.5        | 0.14  | 0.14        | 0.16        | 0.18        |
| Nonresidential .....  | 1.8                                    | 1.2        | 0.8        | 1.2        | 0.17  | 0.12        | 0.08        | 0.12        |
| Structures .....  | 2.7                                    | 3.2        | 1.0        | 1.3        | 0.08  | 0.09        | 0.03        | 0.04        |
| Equipment and software .....  | 1.4                                    | 0.4        | 0.7        | 1.1        | 0.10  | 0.03        | 0.05        | 0.08        |
| Residential .....   | -1.4                                   | 1.2        | 3.3        | 2.7        | -0.03   | 0.03        | 0.08        | 0.07        |
| Change in private inventories .....                                   | .....                                  | .....      | .....      | .....      | -0.01   | 0.02        | -0.08       | 0.01        |
| <b>Government consumption expenditures and gross investment</b> ..... | <b>3.6</b>                             | <b>0.6</b> | <b>1.4</b> | <b>1.5</b> | <b>0.68</b>   | <b>0.11</b> | <b>0.26</b> | <b>0.28</b> |
| Federal .....   | 3.2                                    | 1.2        | 0.9        | 1.5        | 0.24  | 0.09        | 0.07        | 0.12        |
| National defense .....  | 4.2                                    | 0.9        | 0.9        | 1.9        | 0.21  | 0.04        | 0.05        | 0.10        |
| Nondefense .....  | 1.2                                    | 2.0        | 1.0        | 0.8        | 0.03  | 0.05        | 0.02        | 0.02        |
| State and local .....   | 3.8                                    | 0.1        | 1.6        | 1.4        | 0.44  | 0.02        | 0.19        | 0.16        |
| <b>Addenda:</b>   |  |            |            |            |   |             |             |             |
| Gross domestic purchases:   |  |            |            |            |   |             |             |             |
| Food .....  | 1.2                                    | 0.7        | -0.6       | 1.8        | 0.07  | 0.03        | -0.03       | 0.09        |
| Energy goods and services .....                                       | 7.6                                    | -13.1      | 10.3       | 10.0       | 0.31  | -0.55       | 0.40        | 0.39        |
| Excluding food and energy .....                                       | 2.4                                    | 1.4        | 1.2        | 1.1        | 2.14  | 1.26        | 1.06        | 1.03        |
| Personal consumption expenditures (PCE):                              |  |            |            |            |   |             |             |             |
| Food and beverages for off-premises consumption .....                 | 1.3                                    | 0.7        | 0.6        | 1.8        | .....   | .....       | .....       | .....       |
| Energy goods and services .....                                       | 8.1                                    | -13.6      | 10.5       | 9.9        | .....   | .....       | .....       | .....       |
| Excluding food and energy .....                                       | 2.2                                    | 1.7        | 1.1        | 0.9        | .....   | .....       | .....       | .....       |
| Gross domestic product (GDP) .....                                    | 2.0                                    | 1.6        | 2.7        | 0.9        | .....   | .....       | .....       | .....       |
| Exports .....   | 2.8                                    | 0.5        | 0.0        | 1.5        | .....   | .....       | .....       | .....       |
| Imports .....   | 5.6                                    | -3.9       | -6.5       | 5.2        | .....   | .....       | .....       | .....       |

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.

**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 FAQ "[How do the effects of dollar depreciation show up in the GDP accounts?](#)" on BEA's Web site.

Prices of goods and services purchased by U.S. residents, as measured by the price index for gross domestic purchases, increased 1.5 percent in the fourth quarter after increasing 1.4 percent.

Consumer prices slowed slightly, increasing 1.5 percent after increasing 1.6 percent. The slowdown was more than accounted for by a slowdown in prices paid for goods.

The slowdown in goods prices was primarily in non-durable goods, reflecting a deceleration in the prices paid for motor vehicle fuels, lubricants and fluids.

Prices paid for nonresidential fixed investment picked up somewhat, reflecting accelerations in prices paid for equipment and software and for structures.

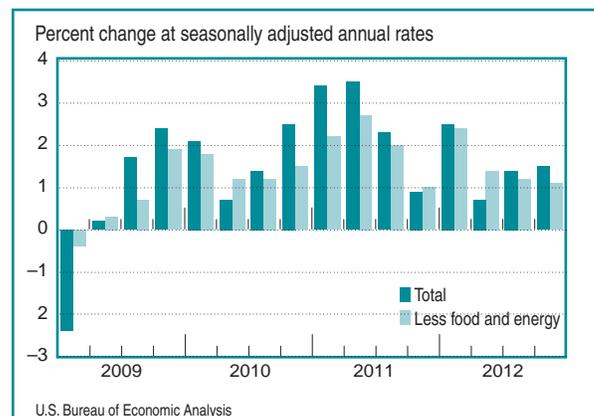
Prices paid for residential investment decelerated, increasing 2.7 percent after increasing 3.3 percent.

Prices paid by the federal government accelerated, increasing 1.5 percent after increasing 0.9 percent; the acceleration reflected an acceleration in national defense prices.

Prices paid by state and local governments slowed slightly, increasing 1.4 percent after increasing 1.6 percent; the slowdown reflected petroleum prices.

Consumer prices excluding food and energy, a measure of the "core" rate of inflation, slowed, increasing 0.9 percent after increasing 1.1 percent.

The GDP price index increased 0.9 percent, 0.6 percentage point less than the increase in the gross domestic purchases price index, reflecting differences between the movements in import prices and in export prices. Import prices turned up, increasing 5.2 percent after decreasing 6.5 percent. Export prices increased 1.5 percent in the fourth quarter after no change in the third quarter.

**Chart 7. Gross Domestic Purchases Prices**

Personal Income

**Table 8. Personal Income and Its Disposition**

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

|   | Level           |                 | Change from preceding period |             |              |              |
|---|-----------------|-----------------|------------------------------|-------------|--------------|--------------|
|   | 2012            |                 | 2012                         |             |              |              |
|   | III             | IV              | I                            | II          | III          | IV           |
| <b>Personal income</b> .....                              | <b>13,406.2</b> | <b>13,663.2</b> | <b>209.7</b>                 | <b>99.9</b> | <b>79.2</b>  | <b>257.0</b> |
| Compensation of employees, received .....                 | 8,577.6         | 8,661.8         | 155.6                        | 32.0        | 49.9         | 84.2         |
| Wage and salary disbursements .....                       | 6,888.5         | 6,959.0         | 133.5                        | 23.3        | 39.3         | 70.5         |
| Private industries .....                                  | 5,685.3         | 5,755.3         | 126.9                        | 22.6        | 35.9         | 70.0         |
| Goods-producing industries .....                          | 1,162.1         | 1,164.9         | 36.6                         | 17.8        | 0.3          | 2.8          |
| Manufacturing .....                                       | 746.2           | 746.2           | 22.1                         | 21.2        | 1.9          | 0.0          |
| Services-producing industries .....                       | 4,523.1         | 4,590.4         | 90.2                         | 4.9         | 35.5         | 67.3         |
| Trade, transportation, and utilities .....                | 1,105.2         | 1,120.5         | 26.7                         | 15.1        | 6.8          | 15.3         |
| Other services-producing industries .....                 | 3,417.9         | 3,469.9         | 63.5                         | -10.2       | 28.7         | 52.0         |
| Government .....  | 1,203.3         | 1,203.7         | 6.6                          | 0.7         | 3.5          | 0.4          |
| Supplements to wages and salaries .....                   | 1,689.1         | 1,702.8         | 22.1                         | 8.7         | 10.6         | 13.7         |
| Proprietors' income with IVA and CCAj .....               | 1,205.4         | 1,225.1         | 19.0                         | 10.6        | 10.5         | 19.7         |
| Farm .....  | 59.4            | 61.0            | -2.1                         | 0.2         | 6.9          | 1.6          |
| Nonfarm .....   | 1,146.0         | 1,164.1         | 21.2                         | 10.3        | 3.6          | 18.1         |
| Rental income of persons with CCAj .....                  | 471.0           | 483.5           | 15.0                         | 7.5         | 18.2         | 12.5         |
| Personal income receipts on assets .....                  | 1,712.8         | 1,849.1         | 11.8                         | 34.4        | -18.0        | 136.3        |
| Personal interest income .....                            | 975.3           | 990.5           | 3.8                          | 14.3        | -30.8        | 15.2         |
| Personal dividend income .....                            | 737.5           | 858.7           | 8.0                          | 20.0        | 12.9         | 121.2        |
| Personal current transfer receipts .....                  | 2,388.0         | 2,401.3         | 28.1                         | 17.2        | 22.8         | 13.3         |
| Government social benefits to persons .....               | 2,341.8         | 2,354.8         | 26.7                         | 16.8        | 22.3         | 13.0         |
| Social security .....                                     | 765.1           | 771.0           | 31.3                         | 6.2         | 5.7          | 5.9          |
| Medicare .....  | 566.2           | 569.1           | 2.8                          | 1.0         | 9.3          | 2.9          |
| Medicaid .....  | 424.2           | 427.0           | 5.6                          | 16.3        | 10.3         | 2.8          |
| Unemployment insurance .....                              | 74.9            | 70.8            | -6.7                         | -10.4       | -8.9         | -4.1         |
| Veterans benefits .....                                   | 74.0            | 74.7            | 4.1                          | 2.7         | 2.5          | 0.7          |
| Other .....   | 437.4           | 442.3           | -10.5                        | 0.9         | 3.5          | 4.9          |
| Other current transfer receipts from business, net .....  | 46.1            | 46.6            | 1.4                          | 0.5         | 0.3          | 0.5          |
| Less: Contributions for government social insurance ..... | 948.7           | 957.6           | 19.8                         | 1.8         | 4.3          | 8.9          |
| Less: Personal current taxes .....                        | 1,476.5         | 1,506.2         | 31.7                         | 14.4        | 11.3         | 29.7         |
| <b>Equals: Disposable personal income (DPI)</b> .....     | <b>11,929.7</b> | <b>12,157.0</b> | <b>178.1</b>                 | <b>85.4</b> | <b>67.9</b>  | <b>227.3</b> |
| Less: Personal outlays .....                              | 11,494.7        | 11,595.1        | 143.1                        | 57.4        | 88.6         | 100.4        |
| <b>Equals: Personal saving</b> .....                      | <b>435.1</b>    | <b>561.9</b>    | <b>35.0</b>                  | <b>28.0</b> | <b>-20.6</b> | <b>126.8</b> |
| Personal saving as a percentage of DPI .....              | 3.6             | 4.6             |                              |             |              |              |

NOTE. Dollar levels are from NIPA tables 2.1 and 2.2B. IVA Inventory valuation adjustment

CCAj Capital consumption adjustment  
FICA Federal Insurance Contributions Act

Personal income, which is measured in current dollars, accelerated in the fourth quarter, increasing \$257.0 billion after increasing \$79.2 billion in the third quarter; the acceleration primarily reflected a sharp acceleration in personal dividend income, an upturn in personal interest income, and an acceleration in wage and salary disbursements.

The acceleration in wages and salaries reflected the pattern of monthly Bureau of Labor Statistics data for employment, hours, and earnings in the fourth quarter and an estimate of accelerated compensation, such as bonus payments and other irregular pay. The acceleration more than offset a reduction in wages and salaries due to work interruptions caused by "Superstorm Sandy" earlier in the quarter (see page 10).

Farm proprietors' income decelerated, reflecting a slowdown in the expected indemnity payments to farmers for crop losses associated with the drought in the Midwest. For details, see "Effects of the 2012 Midwest Drought on the NIPA Estimates" in the October 2012 SURVEY OF CURRENT BUSINESS.

The upturn in personal interest income primarily reflected an upturn in interest payments associated with Treasury Inflation-Protected Securities.

The sharp pickup in personal dividend income reflected accelerated and special dividends that were paid by many companies in the fourth quarter. (For details, see page 10.)

Disposable personal income accelerated.

Personal saving—disposable personal income less personal outlays—was \$561.9 billion in the fourth quarter, increasing \$126.8 billion after decreasing \$20.6 billion.

The personal saving rate increased to 4.6 percent in the fourth quarter; in the third quarter, it was 3.6 percent.

**Revised Income Estimates for the Third Quarter of 2012**

With the release of the second estimates of GDP, BEA also releases revised estimates of various income-related measures for the previous quarter. The revisions reflected the incorporation of third-quarter tabulations from the quarterly census of employment and wages from the Bureau of Labor Statistics.

Wage and salary disbursements increased \$39.3 billion, an upward revision of \$6.8 billion. Personal current taxes increased \$11.3 billion, an upward revision of \$1.3 billion. Contributions for government social insurance, which is subtracted in calculating personal income, increased \$4.3

billion, an upward revision of \$0.9 billion.

As a result of these revisions, personal income increased \$79.2 billion, an upward revision of \$6.5 billion.

- Disposable personal income increased \$67.9 billion, an upward revision of \$5.2 billion.
- Personal saving decreased \$20.6 billion, an upward revision of \$5.3 billion.
- The personal saving rate was 3.6 percent, the same as in the previous estimate.
- Real gross domestic income increased 1.6 percent, an upward revision of 0.2 percentage point.

## Special Factors Affecting Disposable Personal Income

**Table 9. The Effects of Special Factors on Disposable Personal Income**

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

|   | Change from preceding period |             |             |              |
|---|------------------------------|-------------|-------------|--------------|
|   | 2012                         |             |             |              |
|   | I                            | II          | III         | IV           |
| <b>Personal income</b> .....  | <b>209.7</b>                 | <b>99.9</b> | <b>79.2</b> | <b>257.0</b> |
| Less: Personal current taxes.....   | 31.7                         | 14.4        | 11.3        | 29.7         |
| <b>Equals: Disposable personal income (DPI)</b> .....                         | <b>178.1</b>                 | <b>85.4</b> | <b>67.9</b> | <b>227.3</b> |
| <b>Changes in disposable personal income:</b>                                 |                              |             |             |              |
| In wages and salaries:  |                              |             |             |              |
| Superstorm Sandy adjustment .....   |                              |             |             | -6.1         |
| Accelerated wages.....  |                              |             |             | 15.0         |
| Federal pay raise.....  | 1.8                          | 0.0         | 0.0         | 0.0          |
| In supplements to wages and salaries:   |                              |             |             |              |
| FICA increase in maximum taxable wages .....                                  | 1.8                          | 0.0         | 0.0         | 0.0          |
| State unemployment insurance changes in tax rates and taxable wage base ..... | 1.7                          | 0.0         | 0.0         | 0.0          |
| Federal Unemployment Tax Act credit reduction .....                           | 1.8                          | 0.0         | 0.0         | 0.0          |
| In personal dividend income:  |                              |             |             |              |
| Accelerated dividends.....  |                              |             |             | 105.6        |
| In government social benefits to persons:                                     |                              |             |             |              |
| Cost-of-living adjustments (COLAs) <sup>1</sup> .....                         | 30.2                         | 0.0         | 0.0         | 0.0          |
| Automatic Earnings Reappraisal Operation .....                                | -2.4                         | 0.3         | -0.3        | 2.3          |
| Refundable tax credits .....  | -13.1                        | 0.0         | 0.0         | 0.0          |
| In employee contributions for government social insurance:                    |                              |             |             |              |
| FICA increase in maximum taxable wages .....                                  | 1.2                          | 0.0         | 0.0         | 0.0          |
| In personal current taxes:  |                              |             |             |              |
| Change in indexation .....  | -2.0                         | 0.0         | 0.0         | 0.0          |
| Refunds, settlements, and back taxes .....                                    | -2.4                         | 0.0         | 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.  
FICA Federal Insurance Contributions Act

In wages and salaries, BEA made an adjustment of \$6.1 billion for lost wages due to work interruptions from “Superstorm Sandy” because the source data did not reflect these impacts.

In wages and salaries, BEA added an adjustment of \$15.0 billion to account for accelerated bonus payments and other irregular payments, which were not included in the source data, in anticipation of changes in individual income tax rates, based on company information.

Accelerated and special dividends were paid by many companies in the fourth quarter in anticipation of changes in individual income tax rates. Based on reports from more than 2,000 companies from Compustat, in personal dividend income, BEA estimates that companies paid special and accelerated dividends of \$105.6 billion to persons.

In government social benefits to persons, a \$2.3 billion increase reflected Automatic Earnings Reappraisal Operation payments. These payments are retroactive payments of social security benefits that recipients are entitled to receive and are based on recalculations that reflect post-retirement earnings.

### The Effects of Special and Accelerated Dividends on the NIPAs for the Fourth Quarter of 2012

In the fourth quarter of 2012, an atypical number of companies paid special and/or accelerated dividends. The effect of these dividend payments on undistributed corporate profits will be seen when BEA releases its estimates of corporate profits for the fourth quarter of 2012 on March 28, 2013.

It is important to note that the estimate of gross domestic product (GDP) is not directly affected by these pay-

ments, because these dividend payments do not represent income associated with current-period production of goods and services. Similarly, the estimate of gross domestic income, which is conceptually equivalent to GDP, is not affected.

For more information, see the FAQ “How did special and accelerated dividends affect the NIPAs in the fourth quarter 2012” on BEA’s Web site.

## Revisions

Table 10. Advance and Second Estimates for the Fourth 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 |
| <b>Gross domestic product (GDP) <sup>1</sup></b> .....                | <b>-0.1</b>                             | <b>0.1</b>  | <b>0.2</b>           | <b>-0.1</b>  | <b>0.1</b>   | <b>0.2</b>           |
| <b>Personal consumption expenditures</b> .....                        | <b>2.2</b>                              | <b>2.1</b>  | <b>-0.1</b>          | <b>1.52</b>  | <b>1.47</b>  | <b>-0.05</b>         |
| Goods .....   | 4.6                                     | 4.3         | -0.3                 | 1.08   | 1.03         | -0.05                |
| Durable goods .....   | 13.9                                    | 13.8        | -0.1                 | 1.02   | 1.01         | -0.01                |
| Nondurable goods .....  | 0.4                                     | 0.1         | -0.3                 | 0.06   | 0.02         | -0.04                |
| Services .....  | 0.9                                     | 0.9         | 0.0                  | 0.44   | 0.44         | 0.00                 |
| <b>Gross private domestic investment</b> .....                        | <b>-0.6</b>                             | <b>-1.5</b> | <b>-0.9</b>          | <b>-0.08</b>   | <b>-0.20</b> | <b>-0.12</b>         |
| Fixed investment .....  | 9.7                                     | 11.2        | 1.5                  | 1.19   | 1.36         | 0.17                 |
| Nonresidential .....  | 8.4                                     | 9.7         | 1.3                  | 0.83   | 0.96         | 0.13                 |
| Structures .....  | -1.1                                    | 5.8         | 6.9                  | -0.03  | 0.16         | 0.19                 |
| Equipment and software .....  | 12.4                                    | 11.3        | -1.1                 | 0.86   | 0.79         | -0.07                |
| Residential .....   | 15.3                                    | 17.5        | 2.2                  | 0.36   | 0.40         | 0.04                 |
| Change in private inventories .....                                   |   |             |                      | -1.27  | -1.55        | -0.28                |
| <b>Net exports of goods and services</b> .....                        |   |             |                      | <b>-0.25</b>   | <b>0.24</b>  | <b>0.49</b>          |
| Exports .....   | -5.7                                    | -3.9        | 1.8                  | -0.81  | -0.55        | 0.26                 |
| Goods .....   | -7.9                                    | -5.5        | 2.4                  | -0.80  | -0.56        | 0.24                 |
| Services .....  | -0.1                                    | 0.1         | 0.2                  | -0.01  | 0.00         | 0.01                 |
| Imports .....   | -3.2                                    | -4.5        | -1.3                 | 0.56   | 0.79         | 0.23                 |
| Goods .....   | -2.7                                    | -4.1        | -1.4                 | 0.40   | 0.60         | 0.20                 |
| Services .....  | -5.4                                    | -6.6        | -1.2                 | 0.16   | 0.19         | 0.03                 |
| <b>Government consumption expenditures and gross investment</b> ..... | <b>-6.6</b>                             | <b>-6.9</b> | <b>-0.3</b>          | <b>-1.33</b>   | <b>-1.38</b> | <b>-0.05</b>         |
| Federal .....   | -15.0                                   | -14.8       | 0.2                  | -1.25  | -1.23        | 0.02                 |
| National defense .....  | -22.2                                   | -22.0       | 0.2                  | -1.28  | -1.28        | 0.00                 |
| Nondefense .....  | 1.4                                     | 1.8         | 0.4                  | 0.04   | 0.04         | 0.00                 |
| State and local .....   | -0.7                                    | -1.3        | -0.6                 | -0.08  | -0.15        | -0.07                |
| <b>Addenda:</b>   |   |             |                      |  |              |                      |
| Final sales of domestic product .....                                 | 1.1                                     | 1.7         | 0.6                  | 1.12   | 1.68         | 0.56                 |
| Gross domestic purchases price index .....                            | 1.3                                     | 1.5         | 0.2                  |  |              |                      |
| GDP price index .....   | 0.6                                     | 0.9         | 0.3                  |  |              |                      |

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

The second estimate of the fourth-quarter change in real GDP is 0.2 percentage point more than in the advance estimate, primarily reflecting an upward revision to exports, a downward revision to imports, and an upward revision to nonresidential fixed investment that were partly offset by a downward revision to private inventory investment. The average revision (without regard to sign) between the advance estimate and the second estimate is 0.5 percentage point.

A slight downward revision to consumer spending primarily reflected a downward revision to nondurable goods, which was more than accounted for by motor vehicle fuels, lubricants, and fluids.

The upward revision to nonresidential fixed investment was more than accounted for by an upward revision to structures.

The downward revision to private inventory investment reflected newly available Census Bureau manufacturing and trade inventory data for December, revised data for November, and preliminary fourth-quarter Census Bureau quarterly financial report data for mining industries.

The revisions to exports and imports were mainly based on newly available Census Bureau goods data for December and revised data for November.

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

## Source Data for the Second Estimates

*Personal consumption expenditures:* retail sales for October, November, and December (revised). Motor vehicle registrations data for December (new). Energy Information Administration data for motor vehicle fuels, lubricants, and fluids for November (new), for retail electricity sales for November (new), and for natural gas usage for November (new).

*Nonresidential fixed investment:* construction spending (value put in place) for October and November (revised) and December (new). Manufacturers' shipments (M3) of machinery and equipment for November and December (revised). Exports and imports for October and November (revised) and December (new). Motor vehicle registrations data for December (new).

*Residential fixed investment:* construction spending

(value put in place) for October and November (revised) and for December (new).

*Change in private inventories:* manufacturers' inventories for October, November, and December (revised) and trade inventories for October and November (revised) and December (new). Census Bureau Quarterly Financial Reports for the mining industry for the third quarter (new).

*Exports and imports:* international transactions accounts for October and November (revised) and December (new).

*Government consumption expenditures and gross investment:* state and local construction spending for October and November (revised) and December (new).

*Prices:* Bureau of Labor Statistics consumer price indexes for January 2008 to December 2012 (revised), reflecting updated seasonal adjustment factors.