

GDP and the Economy

Advance Estimates for the First Quarter of 2019

By Lisa S. Mataloni

Real gross domestic product (GDP) increased at an annual rate of 3.2 percent in the first quarter of 2019, according to the advance estimates of the National Income and Product Accounts (NIPAs) (chart 1 and table 1).¹ In the fourth quarter of 2018, real GDP increased 2.2 percent.

The increase in real GDP in the first quarter reflected positive contributions from consumer spending, inventory investment, exports, state and local government spending, and nonresidential fixed investment.² Imports, which are a subtraction in the calculation of GDP, decreased (chart 2 and table 1).

Note on the Effects of the Partial Federal Government Shutdown on the Estimation of the First Quarter of 2019

Due to a lapse in fiscal year 2019 appropriations, some federal government agencies were closed and some federal employees were furloughed December 22, 2018, through January 25, 2019. The full effects of the partial federal government shutdown on the first-quarter 2019 estimates cannot be quantified, because they are embedded in the regular source data that underlie the estimates and cannot be separately identified. However, the Bureau of Economic Analysis (BEA) did estimate the effects of a reduction in the labor services supplied by federal employees and a reduction in intermediate purchases of goods and services by nondefense agencies. BEA estimates the impact of these reductions in services subtracted 0.3 percentage point from real GDP growth in the first quarter after subtracting 0.1 percentage point in the fourth quarter of 2018. For more information, see the FAQ [“How will the federal government shutdown be reflected in GDP for the fourth quarter of 2018 and the first quarter of 2019?”](#) on BEA's website.

Chart 1. Real GDP: Percent Change From Preceding Quarter

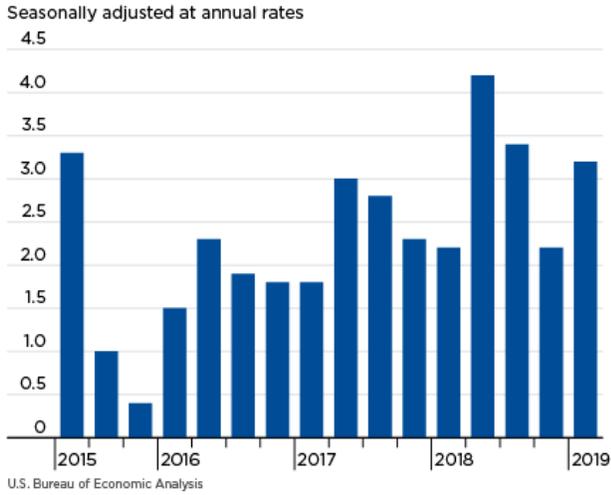
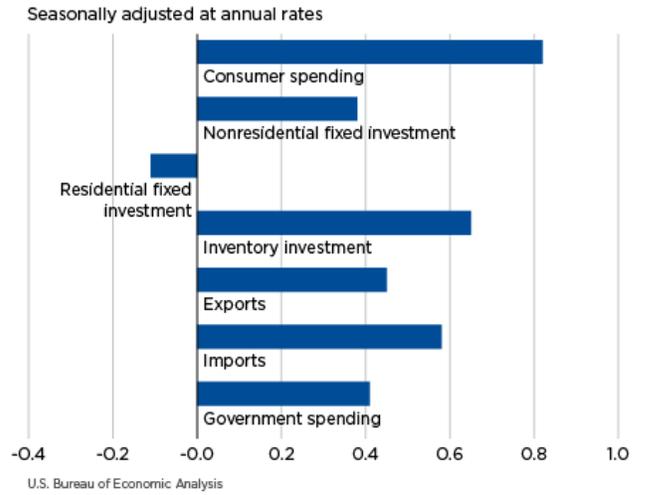


Chart 2. Real GDP: Contributions to the Percent Change in 2019:I



GDP Component Detail

The acceleration in real GDP in the first quarter reflected an upturn in state and local government spending (line 26), accelerations in inventory investment (line 14) and in exports (line 16), and a smaller decrease in residential investment (line 13). These movements were partly offset by decelerations in consumer spending (line 2) and nonresidential fixed investment (line 9) and a downturn in federal government spending (line 23). Imports, which are a subtraction in the calculation of GDP, turned down (line 19).

- The upturn in state and local government spending primarily reflected an upturn in gross investment on structures.
- The acceleration in inventory investment primarily reflected an upturn in manufacturing inventory investment, for both durable and nondurable-goods industries.
- The acceleration in exports primarily reflected upturns in foods, feeds, and beverages and in automotive vehicles, engines, and parts. These movements were partly offset by downturns in industrial supplies and materials and in nonautomotive capital goods.
- The smaller decrease in residential investment primarily reflected an upturn in brokers' commissions and other ownership transfer costs following four consecutive quarters of decline.
- The deceleration in consumer spending primarily reflected a downturn in goods, mainly for spending on new motor vehicles (most notably, new light-truck purchases). Spending on services also decelerated, primarily reflecting a downturn in spending by nonprofit institutions serving households (most notably, professional advocacy, and hospitals) that was partly offset by accelerations in spending for health care and for financial services and insurance.
- The downturn in federal government spending reflected a downturn in gross investment for defense equipment (mainly aircraft).
- The downturn in imports reflected downturns in both goods and services. Within goods imports, the downturn was widespread; the leading contributors were a downturn in motor vehicles and a smaller increase in consumer goods (nonfood, nonautomotive). Within services imports, travel services and transport services both turned down.

Table 1. Real Gross Domestic Product (GDP) and Related Measures

[Seasonally adjusted at annual rates]

Line		Share of current-dollar GDP (percent)	Change from preceding period (percent)				Contribution to percent change in real GDP (percentage points)			
		2019	2018			2019	2018			2019
		I	II	III	IV	I	II	III	IV	I
1	Gross domestic product¹	100.0	4.2	3.4	2.2	3.2	4.2	3.4	2.2	3.2
2	Personal consumption expenditures	67.7	3.8	3.5	2.5	1.2	2.57	2.37	1.66	0.82
3	Goods	20.7	5.5	4.3	2.6	-0.7	1.16	0.90	0.54	-0.14
4	Durable goods	6.9	8.6	3.7	3.6	-5.3	0.60	0.26	0.25	-0.38
5	Nondurable goods	13.8	4.0	4.6	2.1	1.7	0.56	0.64	0.29	0.24
6	Services	47.0	3.0	3.2	2.4	2.0	1.42	1.47	1.12	0.96
7	Gross private domestic investment	18.1	-0.5	15.2	3.7	5.1	-0.07	2.53	0.66	0.92
8	Fixed investment	17.5	6.4	1.1	3.1	1.5	1.10	0.21	0.54	0.27
9	Nonresidential	13.7	8.7	2.5	5.4	2.7	1.15	0.35	0.73	0.38
10	Structures	3.1	14.5	-3.4	-3.9	-0.8	0.43	-0.11	-0.12	-0.02
11	Equipment	6.0	4.6	3.4	6.6	0.2	0.27	0.21	0.39	0.01
12	Intellectual property products	4.7	10.5	5.6	10.7	8.6	0.45	0.25	0.46	0.39
13	Residential	3.8	-1.3	-3.6	-4.7	-2.8	-0.05	-0.14	-0.18	-0.11
14	Change in private inventories	0.6	.....	.....	.....	.....	-1.17	2.33	0.11	0.65
15	Net exports of goods and services	-2.9	.....	.....	.....	.....	1.22	-1.99	-0.08	1.03
16	Exports	12.1	9.3	-4.9	1.8	3.7	1.12	-0.62	0.22	0.45
17	Goods	7.9	13.5	-8.4	1.2	4.7	1.06	-0.72	0.10	0.37
18	Services	4.2	1.5	2.4	2.7	1.8	0.07	0.10	0.11	0.08
19	Imports	14.9	-0.6	9.3	2.0	-3.7	0.10	-1.37	-0.30	0.58
20	Goods	12.1	-0.4	10.5	0.5	-4.4	0.06	-1.24	-0.06	0.56
21	Services	2.9	-1.4	4.3	8.6	-0.8	0.04	-0.12	-0.24	0.02
22	Government consumption expenditures and gross investment	17.1	2.5	2.6	-0.4	2.4	0.43	0.44	-0.07	0.41
23	Federal	6.4	3.7	3.5	1.1	0.0	0.24	0.23	0.07	0.00
24	National defense	3.8	5.9	4.9	6.4	4.1	0.22	0.18	0.24	0.16
25	Nondefense	2.6	0.5	1.6	-6.1	-5.9	0.01	0.04	-0.16	-0.16
26	State and local	10.7	1.8	2.0	-1.3	3.9	0.20	0.22	-0.14	0.41
Addenda:										
27	Gross domestic income (GDI) ²	.....	0.9	4.6	1.7	.....	.....	.....	.....	.....
28	Average of GDP and GDI	.....	2.5	4.0	1.9	.....	.....	.....	.....	.....
29	Final sales of domestic product	99.4	5.4	1.0	2.1	2.5	5.33	1.03	2.05	2.53
30	Goods	29.6	6.5	6.1	5.7	6.5	1.91	1.77	1.66	1.90
31	Services	62.0	2.9	2.8	1.6	1.8	1.78	1.76	0.99	1.09
32	Structures	8.4	5.5	-2.0	-5.5	2.2	0.47	-0.17	-0.48	0.18
33	Motor vehicle output	2.7	-5.8	9.6	3.3	-5.0	-0.17	0.25	0.09	-0.14
34	GDP excluding motor vehicle output	97.3	4.5	3.2	2.1	3.4	4.33	3.10	2.08	3.31

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

2. GDI is deflated by the implicit price deflator for GDP.

Note. 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 or are calculated from NIPA table 1.2.5.

Prices

Prices for gross domestic purchases, goods and services purchased by U.S. residents, increased 0.8 percent in the first quarter after increasing 1.7 percent in the fourth quarter (table 2, line 1, and chart 3). The deceleration primarily reflected a deceleration in prices paid for consumer services (led by a downturn in financial services and insurance). Food prices accelerated (line 20), increasing 3.0 percent after increasing 0.2 percent. Energy goods and services decreased 16.7 percent in the first quarter after decreasing 1.6 percent in the fourth quarter (line 21). Gross domestic purchases prices excluding food and energy (line 22) decelerated, increasing 1.3 percent in the first quarter after increasing 1.8 percent in the fourth quarter.

Consumer prices excluding food and energy (line 25), a measure of the “core” rate of inflation, decelerated, increasing 1.3 percent in the first quarter after increasing 1.8 percent in the fourth quarter.

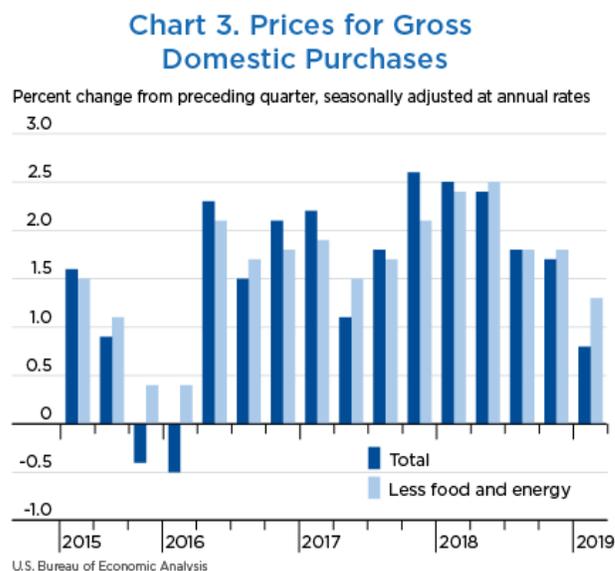


Table 2. Prices for Gross Domestic Purchases

[Percent change at annual rates; based on seasonally adjusted index numbers (2012=100)]

Line		Change from preceding period (percent)				Contribution to percent change in gross domestic purchases prices (percentage points)			
		2018			2019	2018			2019
		II	III	IV	I	II	III	IV	I
1	Gross domestic purchases¹	2.4	1.8	1.7	0.8	2.4	1.8	1.7	0.8
2	Personal consumption expenditures	2.0	1.6	1.5	0.6	1.32	1.04	0.98	0.39
3	Goods	0.4	-0.4	-1.1	-1.7	0.08	-0.07	-0.23	-0.35
4	Durable goods	-1.6	-0.9	-1.5	-0.4	-0.11	-0.06	-0.10	-0.03
5	Nondurable goods	1.4	0.0	-1.0	-2.4	0.19	-0.01	-0.13	-0.32
6	Services	2.7	2.5	2.7	1.6	1.24	1.11	1.22	0.74
7	Gross private domestic investment	3.1	2.0	1.4	1.4	0.53	0.35	0.25	0.24
8	Fixed investment	3.2	2.0	1.4	1.4	0.53	0.34	0.24	0.24
9	Nonresidential	2.0	1.6	1.1	1.3	0.26	0.21	0.14	0.17
10	Structures	5.1	3.1	5.8	2.5	0.15	0.09	0.17	0.07
11	Equipment	0.8	1.2	-0.7	0.6	0.05	0.07	-0.04	0.03
12	Intellectual property products	1.4	1.0	0.3	1.5	0.06	0.04	0.01	0.07
13	Residential	7.3	3.6	2.6	1.8	0.27	0.13	0.10	0.07
14	Change in private inventories	.....	.....	.....	.....	-0.01	0.01	0.01	0.00
15	Government consumption expenditures and gross investment	3.3	2.5	2.6	1.1	0.55	0.41	0.42	0.18
16	Federal	2.0	1.5	2.7	4.2	0.13	0.10	0.16	0.26
17	National defense	1.3	1.2	1.6	0.8	0.05	0.04	0.06	0.03
18	Nondefense	3.0	2.0	4.2	9.3	0.08	0.05	0.10	0.22
19	State and local	4.1	3.0	2.5	-0.7	0.42	0.32	0.26	-0.07
Addenda:									
Gross domestic purchases:									
20	Food	1.1	0.5	0.2	3.0	0.05	0.03	0.01	0.14
21	Energy goods and services	0.4	3.3	-1.6	-16.7	0.01	0.09	-0.04	-0.49
22	Excluding food and energy	2.5	1.8	1.8	1.3	2.33	1.68	1.68	1.16
Personal consumption expenditures:									
23	Food and beverages purchased for off-premises consumption	1.2	0.4	0.3	3.0	.....	.....	.....	.....
24	Energy goods and services	0.7	3.3	-2.0	-16.8	.....	.....	.....	.....
25	Excluding food and energy	2.1	1.6	1.8	1.3	.....	.....	.....	.....
26	Gross domestic product	3.0	1.8	1.7	0.9	.....	.....	.....	.....
27	Exports of goods and services	5.8	0.3	-1.4	-3.3	.....	.....	.....	.....
28	Imports of goods and services	0.8	0.4	-1.0	-3.0	.....	.....	.....	.....

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 from NIPA table 2.3.7. 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 the prices of personal consumption expenditures (PCE), private investment, and government consumption expenditures and gross investment.

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 website.

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, for energy goods and services, and for all items except food and energy are also estimated and reported.

Because prices for food and for 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 "[What is the core PCE price index?](#)" on BEA's website.)

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 in the PCE price index. BEA also prepares a market-based measure that excludes food and energy.

Personal Income

Personal income (table 3, line 1), which is measured in current dollars, increased \$147.2 billion in the first quarter after increasing \$229.0 billion in the fourth quarter. The deceleration reflected downturns in personal interest income (line 17), personal dividend income (line 18), and proprietors' income (line 12) that were partly offset by an acceleration in personal current transfer receipts (line 19).

Personal current taxes (line 29) increased \$31.1 billion in the first quarter after increasing \$6.1 billion in the fourth quarter.

Disposable personal income (DPI) (line 30 and chart 4) increased \$116.0 billion in the first quarter after increasing \$222.9 billion in the fourth quarter.

The personal saving rate (line 33 and chart 5)—personal saving as a percentage of DPI—was 7.0 percent in the first quarter; in the fourth quarter, the personal saving rate was 6.8 percent.

Real DPI (line 35) increased 2.4 percent in the first quarter after increasing 4.3 percent in the fourth quarter. Current-dollar DPI (line 34) increased 3.0 percent after increasing 5.8 percent. The differences in the movements in real DPI and current-dollar DPI reflected a deceleration in the implicit price deflator for consumer spending, which is used to deflate DPI.

Chart 4. Real Disposable Personal Income

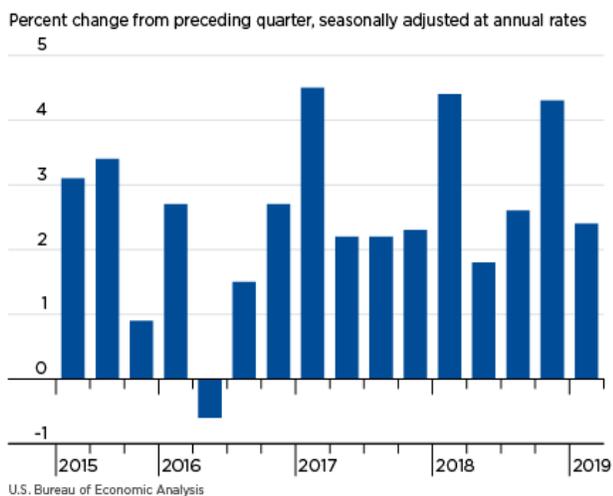


Chart 5. Personal Saving Rate

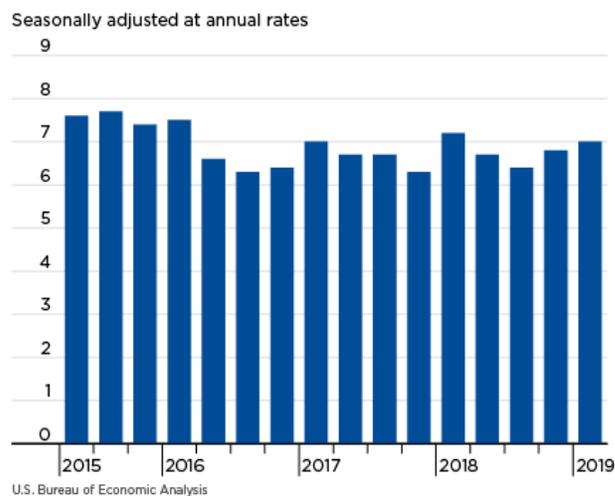


Table 3. Personal Income and Its Disposition

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

Line		Level		Change from preceding period			
		2018	2019	2018		2019	
		IV	I	II	III	IV	I
1	Personal income	17,886.3	18,033.5	147.6	190.6	229.0	147.2
2	Compensation of employees	11,023.0	11,139.3	72.8	125.0	115.1	116.4
3	Wages and salaries	8,979.2	9,078.9	60.2	108.4	100.0	99.7
4	Private industries	7,584.8	7,675.4	52.0	94.0	91.2	90.6
5	Goods-producing industries	1,486.6	1,497.7	-3.1	19.0	18.5	11.1
6	Manufacturing	889.1	891.7	-7.1	9.8	8.4	2.6
7	Services-producing industries	6,098.2	6,177.7	55.1	75.0	72.8	79.5
8	Trade, transportation, and utilities	1,378.6	1,395.0	6.8	14.1	12.9	16.4
9	Other services-producing industries	4,719.6	4,782.7	48.3	60.9	59.9	63.1
10	Government	1,394.4	1,403.5	8.1	14.4	8.8	9.1
11	Supplements to wages and salaries	2,043.8	2,060.5	12.6	16.6	15.1	16.7
12	Proprietors' income with IVA and CCAAdj	1,616.7	1,602.1	18.6	11.5	36.7	-14.6
13	Farm	47.9	36.1	1.8	-9.1	19.9	-11.8
14	Nonfarm	1,568.9	1,566.1	16.8	20.6	16.8	-2.8
15	Rental income of persons with CCAAdj	768.6	781.1	5.0	13.2	1.2	12.5
16	Personal income receipts on assets	2,833.4	2,784.7	28.3	24.4	61.3	-48.7
17	Personal interest income	1,645.6	1,616.4	8.9	9.7	29.4	-29.1
18	Personal dividend income	1,187.9	1,168.3	19.3	14.7	31.9	-19.6
19	Personal current transfer receipts	3,025.8	3,129.3	31.9	31.4	28.6	103.6
20	Government social benefits to persons	2,963.2	3,066.3	29.7	30.2	27.6	103.1
21	Social security	989.0	1,022.7	8.2	8.7	11.3	33.6
22	Medicare	759.5	782.5	10.8	15.4	19.6	23.0
23	Medicaid	604.6	608.0	12.3	5.2	-3.2	3.5
24	Unemployment insurance	24.1	25.2	-2.0	-0.8	-0.6	1.0
25	Veterans' benefits	113.1	116.4	2.4	3.0	2.1	3.3
26	Other	472.9	511.6	-2.0	-1.3	-1.6	38.7
27	Other current transfer receipts, from business (net)	62.6	63.0	2.2	1.2	1.0	0.4
28	<i>Less:</i> Contributions for government social insurance	1,381.2	1,403.1	8.9	14.9	13.8	21.9
29	<i>Less:</i> Personal current taxes	2,071.0	2,102.1	5.3	29.6	6.1	31.1
30	<i>Equals:</i> Disposable personal income (DPI)	15,815.3	15,931.4	142.3	160.9	222.9	116.0
31	<i>Less:</i> Personal outlays	14,744.1	14,820.1	208.9	192.6	147.7	76.0
32	<i>Equals:</i> Personal saving	1,071.3	1,111.3	-66.7	-31.6	75.2	40.0
33	Personal saving as a percentage of DPI	6.8	7.0	.....	.....	.....	.....
Addenda:							
Percent change at annual rate							
34	Current-dollar DPI	.....	.....	3.8	4.2	5.8	3.0
35	Real DPI, chained (2012) dollars	.....	.....	1.8	2.6	4.3	2.4

CCAAdj Capital consumption adjustment

IVA Inventory valuation adjustment

1. Dollar levels and percent changes are from NIPA tables 2.1 and 2.2B.

Information on Key Source Data, Assumptions, and Methodologies

A comprehensive table that presents the “[Key Source Data and Assumptions](#)” (under “Current Release”) that are used to prepare each vintage of the estimate of GDP for the current quarter is available on BEA's website. For the advance estimates that are released near the end of the month after the close of the quarter, the table shows the months of source data for the quarter that are available; for most components of GDP, 3 months of data are available. For the components for which only 2 months of source data are available, BEA's assumptions for the third month are shown. Second estimates are released near the end of the second month after the close of the quarter, and third estimates are released near the end of the third month after the close of the quarter. With each vintage, the table is updated to add newly available and revised source data that have been incorporated into the estimates.

For additional details about the source data and the methodologies that are used to prepare the estimates, see [NIPA Handbook: Concepts and Methods of the U.S. National Income and Product Accounts](#) on BEA's website.

Preview of the 2019 NIPA Annual Update

On July 26, 2019, the Bureau of Economic Analysis (BEA) will release the results of the annual update of the National Income and Product Accounts (NIPAs) together with the advance estimates of gross domestic product (GDP) for the second quarter of 2019. The update will cover the most recent 5 years (2014 through 2018) and the first quarter of 2019. The reference year for index numbers and chained-dollar estimates will remain 2012.

Source data updates. The annual update will incorporate annual source data that are more complete and more detailed than those previously available, including the following:

- Census Bureau data from the annual surveys of merchant wholesale trade, retail trade, services, and state and local governments;
- Federal government budget data;
- Internal Revenue Service tabulations of tax returns for corporations and for sole proprietorships and partnerships; and
- Department of Agriculture farm income statistics.

Methodology improvements and other changes. Additionally, the update will incorporate the following improvements in methodology:

- BEA will update the price index for exports and imports of telecommunication, computer, and information (TCI) services with a composite price that will reflect the underlying component shares of the TCI services subcategories.
- BEA will adopt a new, Bureau of Labor Statistics quality-adjusted price index for cellular phones that will be used to deflate imports and purchases of cellular phones. In addition, research conducted by BEA, the Federal Reserve Board, and academia has identified estimates for consumer spending on cellular phones currently embedded in consumer spending on wireless services. As a result, BEA will begin deflating that estimated portion with the price index for cellular phones.
- BEA will expand the use of Census Quarterly Services Report data, notably for the estimates of consumer spending on air transportation services.
- Estimates of personal consumption expenditures will incorporate newly identified private source data for video streaming and rental.

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1. “Real” estimates are in chained (2012) 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 [“The Revisions to GDP, GDI, and Their Major Components”](#) in the January 2018 *Survey of Current Business*. Quarterly estimates are expressed at seasonally adjusted annual rates, which reflect a rate of activity for a quarter as if it were maintained for a year.
 2. In this article, “consumer spending” refers to “personal consumption expenditures,” “inventory investment” refers to “change in private inventories,” and “government spending” refers to “government consumption expenditures and gross investment.”