

# BUSINESS SITUATION

**R**EAL gross domestic product (GDP) decreased 0.4 percent in the third quarter of 2001 (table 1 and chart 1).<sup>1</sup> The decrease follows four quarters of subpar growth. It is the first decrease since a 0.1-percent dip in the first quarter of 1993 and the largest since a 2.0-percent decrease 2 years earlier.

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The “advance” estimates of the national income and product accounts (NIPAs)—which reflect the economic effects of the terrorist attacks of September 11, 2001 (see the box on pages 2 and 3)—also show the following:

- The small drop in GDP reflected declines in exports, nonresidential fixed investment, and

inventory investment that were partly offset by increases in consumer spending and government spending (table 2).<sup>2</sup> Imports, which are subtracted in the calculation of GDP, decreased sharply.

- The swing from positive to negative growth in GDP mainly reflected decelerations in consumer spending and in State and local government spending, a larger decrease in exports than in the second quarter, and a deceleration in residential investment. These negatives were partly offset by a smaller decrease in equipment and software than in the second quarter and an acceleration in Fed-

1. Quarterly estimates in the NIPAs are expressed at seasonally adjusted annual rates. Quarter-to-quarter dollar changes are the differences between the published estimates. Quarter-to-quarter percent changes are annualized and are calculated from unrounded data unless otherwise specified.

Real estimates are calculated using a chain-type Fisher formula with annual weights for all years and quarterly weights for all quarters; real estimates are expressed both as index numbers (1996=100) and as chained (1996) dollars. Price indexes (1996=100) are also calculated using a chain-type Fisher formula.

2. In the NIPAs, consumer spending is shown as personal consumption expenditures, government spending is shown as government consumption expenditures and gross investment, and inventory investment is shown as change in private inventories.

Table 1.—Real Gross Domestic Product, Real Gross Domestic Purchases, and Real Final Sales to Domestic Purchasers

[Seasonally adjusted at annual rates]

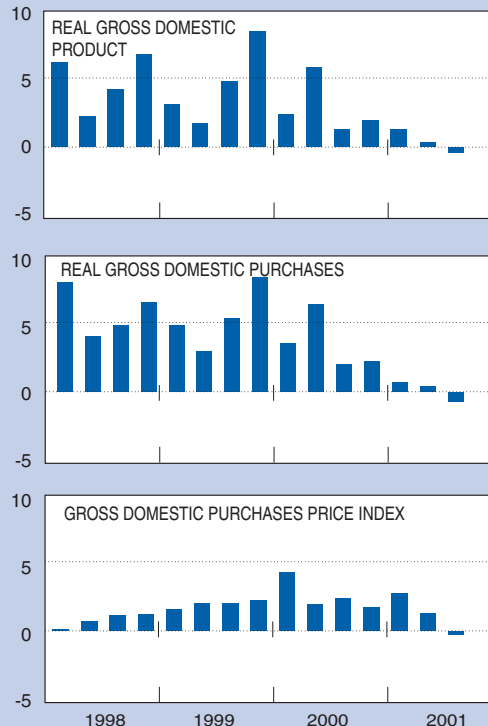
	Billions of chained (1996) dollars					Percent change from preceding quarter			
	Level	Change from preceding quarter							
	2001	2000	2001			2000	2001		
	III	IV	I	II	III	IV	I	II	III
<b>Gross domestic product</b> .....	<b>9,333.4</b>	<b>43.8</b>	<b>30.6</b>	<b>7.2</b>	<b>-8.3</b>	<b>1.9</b>	<b>1.3</b>	<b>0.3</b>	<b>-0.4</b>
Less: Exports of goods and services.....	1,059.0	-11.8	-3.4	-35.8	-49.3	-4.0	-1.2	-11.9	-16.6
Plus: Imports of goods and services.....	1,454.0	-2.1	-19.9	-33.6	-61.0	-0.5	-5.0	-8.4	-15.2
<b>Equals: Gross domestic purchases</b> .....	<b>9,704.5</b>	<b>52.9</b>	<b>16.0</b>	<b>10.0</b>	<b>-15.9</b>	<b>2.2</b>	<b>0.7</b>	<b>0.4</b>	<b>-0.7</b>
Less: Change in private inventories.....	-50.4	-8.9	-69.9	-11.2	-12.1	.....	.....	.....	.....
<b>Equals: Final sales to domestic purchasers</b> .....	<b>9,736.6</b>	<b>64.6</b>	<b>76.7</b>	<b>19.9</b>	<b>-7.1</b>	<b>2.7</b>	<b>3.2</b>	<b>0.8</b>	<b>-0.3</b>
Personal consumption expenditures....	6,447.8	49.0	47.4	39.9	19.4	3.1	3.0	2.5	1.2
Durable goods.....	942.0	-4.7	23.0	15.7	3.9	-2.1	10.6	7.0	1.7
Nondurable goods.....	1,882.1	2.7	11.2	1.4	2.7	0.6	2.4	0.3	0.6
Services.....	3,642.6	48.6	16.3	24.7	12.8	5.6	1.8	2.8	1.4
Private fixed investment.....	1,659.5	2.0	8.2	-43.9	-36.9	0.5	1.9	-9.7	-8.4
Nonresidential.....	1,279.8	3.4	-0.6	-53.0	-41.1	1.0	-0.2	-14.6	-11.9
Structures.....	273.3	5.1	8.4	-9.4	-9.0	7.6	12.3	-12.2	-12.1
Equipment and software.....	1,011.0	-3.0	-11.6	-44.5	-32.2	-1.1	-4.1	-15.4	-11.8
Residential.....	380.0	-1.0	7.6	5.4	1.7	-1.1	8.5	5.9	1.9
Government consumption expenditures and gross investment..	1,630.1	12.8	20.6	19.6	7.1	3.3	5.3	5.0	1.8
Federal.....	561.0	6.1	4.3	2.5	6.3	4.6	3.2	1.8	4.6
National defense.....	366.8	8.7	6.5	2.1	4.4	10.5	7.5	2.3	5.0
Nondefense.....	194.1	-2.5	-2.2	0.5	1.8	-5.1	-4.3	0.9	3.9
State and local.....	1,068.4	6.7	16.2	16.9	1.0	2.7	6.4	6.6	0.4
<b>Addendum: Final sales of domestic product</b> .....	<b>9,365.2</b>	<b>55.4</b>	<b>91.1</b>	<b>17.0</b>	<b>0.4</b>	<b>2.4</b>	<b>4.0</b>	<b>0.7</b>	<b>0</b>

NOTE.—Chained (1996) dollar series are calculated as the product of the chain-type quantity index and the 1996 current-dollar value of the corresponding series, divided by 100. Because the formula for the chain-type quantity indexes uses weights of more than one period, the corresponding chained-dollar estimates usually are not additive. Chained (1996) dollar levels and residuals, which measure the extent of nonadditivity in each table, are shown in NIPA tables 1.2, 1.4, and 1.6. Percent changes are calculated from unrounded data. Percent changes in major aggregates are shown in NIPA table S.1. (See “Selected NIPA Tables,” which begins on page D-2 in this issue.)

CHART 1

## Selected Measures: Change From Preceding Quarter

Percent



Note—Percent change at annual rate from preceding quarter; based on seasonally adjusted estimates.

U.S. Bureau of Economic Analysis

eral Government spending. In addition, imports decreased much more than in the second quarter.

- The production of goods decreased for the fourth consecutive quarter. The production of structures decreased after three increases. The production of services increased a little less than in the second quarter (table 3).

- Real gross domestic purchases—a measure of domestic demand for goods and services regardless of where they are produced—decreased 0.7

percent, its first decrease since a 3.0-percent drop in the first quarter of 1991.<sup>3</sup>

- Inventories decreased for the third consecutive quarter, and they decreased at a somewhat faster rate than in the second quarter.

3. Gross domestic purchases is calculated as the sum of personal consumption expenditures, gross private domestic investment, and government consumption expenditures and gross investment; thus, gross domestic purchases includes imports of goods and services, which are subtracted in the calculation of GDP, and does not include exports of goods and services, which are added in the calculation of GDP.

## The Terrorist Attacks of September 11<sup>th</sup> as Reflected

The economic effects of the September 11<sup>th</sup> terrorist attacks on the World Trade Center and the Pentagon are captured in the national income and product account (NIPA) estimates for the third quarter. Most of these effects are reflected in the regularly incorporated source data; for certain components, BEA prepares adjustments for the effects that are not captured in the source data. Because most of the effects are embedded in the source data and cannot be separately identified, BEA did not attempt to quantify the total impact of the attacks on gross domestic product (GDP) or on other major aggregates.

The main economic effects of the events of September 11<sup>th</sup> captured in the NIPAs are the following:

- The reduction in real GDP growth for the third quarter reflected notable declines in consumer spending and in other components of GDP for September.<sup>1</sup>
- The property losses are captured by a sharp increase in the consumption of fixed capital and a corresponding decline in net domestic product—GDP less the consumption of fixed capital. These property losses had no immediate, direct effect on real GDP, which is a measure of the production of goods and services.<sup>2</sup>
- The payments by insurance companies to cover the property losses are expected to reduce corporate profits. (BEA's estimates of corporate profits for the third quarter will be released on November 30.)
- The decline in inflation, as measured by the gross domestic purchases price index, reflected a sharp reduction in the net premiums paid for insurance. In the NIPAs, insurance expenditures are defined as premiums net of benefits payable, and the large benefit payments resulting from the September 11<sup>th</sup> attacks were treated as a reduction in the net price of insurance.

BEA prepared adjustments to certain components of GDP and gross domestic income (GDI).<sup>3</sup> These adjustments primarily affected current-dollar estimates and price esti-

mates; their effects on the third-quarter estimates of real GDP and its components were small. The following paragraphs and table describe the quantitative effects of these adjustments on current-dollar GDP and prices and on GDI.

*Current-dollar GDP and prices.*—Under NIPA conventions, current-dollar expenditures for life insurance are based on the operating expenses of the insurer (including profits of stock life insurance companies), and current-dollar expenditures for other types of insurance are defined as premiums less benefits payable. Accordingly, within PCE for services, adjustments lowered the “expense of handling life insurance and pension plans” component of personal business services by \$10.6 billion, the workers’ compensation component of health insurance (under medical care services) by \$9.6 billion, and the (motor vehicle) insurance component of user-operated transportation (under transportation services) by \$0.3 billion (annual rates).<sup>4</sup> Within imports of services, an adjustment lowered “other private services” by \$44.0 billion to primarily reflect claims by domestic insurers for reinsurance policies with foreign insurers. Within State and local government consumption expenditures and gross investment, an adjustment lowered “other services” by \$0.8 billion to reflect insurance benefit payments to general government. The net effect of these adjustments was to lower current-dollar gross domestic purchases by \$21.3 billion and to raise current-dollar GDP by \$22.7 billion. BEA treated these adjustments to current-dollar GDP as changes in the corresponding implicit prices for insurance services, so real GDP was not affected. As a consequence, these adjustments for disaster-related insurance payments lowered both the PCE price index and the gross domestic purchases price index and raised the GDP price index. Excluding the insurance-related price effects for the third quarter, the PCE price index would have increased 0.8 percent, in contrast to the decrease of 0.4 percent; the gross domestic purchases price index would have increased 0.5 percent, in contrast to the decrease of 0.3 percent; and the GDP price index would have increased 1.2 percent, compared with the increase of 2.1 percent.

In addition, within PCE for services, several other adjustments were made that lowered spending on some compo-

1. It is not possible to isolate the portion of the decline in consumer spending for the month that occurred in the aftermath of the attacks. For the month of September, current-dollar personal consumption expenditures (PCE) decreased 1.8 percent at a monthly rate and real PCE decreased 1.3 percent, the largest decreases since January 1987, when current-dollar PCE decreased 1.8 percent and real PCE decreased 2.4 percent.

2. The destruction of property will also be reflected in a reduction in the net stocks recorded in BEA's accounts for fixed assets and consumer durable goods.

3. These adjustments are based primarily on preliminary information from a variety of sources and are subject to revision as more complete information becomes available.

4. All subsequent dollar amounts are also expressed at annual rates. For monthly personal income and outlays, the adjustments were to the month of September, and the values of the annualized monthly adjustments are three times as large as those for the annualized quarterly adjustments.

● Final sales of domestic product—GDP less inventory investment—was flat, its weakest showing since a 1.1-percent decrease in the first quarter of 1993.

● The price index for gross domestic purchases decreased 0.3 percent after increasing 1.3 percent. The downturn partly reflected the treatment of insurance benefits in the NIPA's.

● Real disposable personal income jumped 12.8 percent, and the personal saving rate surged from

1.1 percent to 3.8 percent.<sup>4</sup> These movements reflected the taxpayer refunds mandated by the Economic Growth and Tax Relief Reconciliation Act of 2001.

4. The personal saving rate is measured as personal saving as a percentage of current-dollar disposable personal income. The third-quarter estimate of the national saving rate (which is measured as gross saving as a percentage of gross national product) will be available at the end of November along with the "preliminary" estimate of third-quarter GDP.

**in the National Income and Product Accounts**

nents (motor vehicle rental, spectator sports, amusement parks) and raised spending on video cassette rentals; the net effect of these adjustments was to lower PCE for services by about \$0.7 billion. Within State and local government consumption expenditures and gross investment, an adjustment raised spending for wages paid to police and firefighters for overtime work by about \$0.8 billion. These adjustments did carry through to the estimates of real GDP, but their net effect was minimal.

*Gross domestic income.*—Under NIPA conventions, the consumption of fixed capital (CFC) is increased to reflect the catastrophic destruction of fixed assets owned by private business or by government enterprises.<sup>5</sup> For fixed assets owned by general government (such as the Pentagon), no adjustments are made to CFC for catastrophic destruction, because CFC is included in government spending as a partial measure of the services of government capital. Instead, the destruction is recorded as a direct reduction in the stock of general government fixed assets. The approximate value of the assets that were destroyed is estimated at \$14.0 billion for private businesses and \$1.5 billion for State and local government enterprises. Therefore, CFC was increased by \$62.1 billion (annual rate) in the third quarter. The approximate value of the destroyed assets owned by general government was \$0.7 billion.

The third-quarter estimates of wages and salaries were also adjusted because the regular source data on employment, hours, and earnings from the Bureau of Labor Statistics monthly employment survey cover the mid-month pay period; thus for September, these data did not fully reflect the changes in the labor markets following the September 11<sup>th</sup> attacks. BEA's adjustments to wages reflected decreased hours due to work interruptions, decreased employment due to layoffs, and increased hours due to overtime work. The net effect of these adjustments was to lower private wages and salaries by \$3.3 billion and, as already discussed, to raise State and local government wages and salaries by \$0.8 billion.

The profits of insurance carriers will reflect the payment of insurance benefits associated with the attacks; very limited information suggests that these payments may amount to between \$30 billion and \$40 billion.<sup>6</sup> In addition, the profits of other corporations, nonfarm proprietors' income, and the surplus of government enterprises would be reduced to reflect any uninsured losses, which, on the basis of currently available information, appear to be small. Finally, the profits of airlines will reflect the subsidies (\$20 billion) received as part of the special airline bill passed by the Congress after the September 11<sup>th</sup> attacks. (Within GDI, these subsidies are offset by "subsidies less current surplus of government enterprises.")

6. The benefit payments are recorded in the period in which the event occurs to reflect the full (expected) loss, regardless of when the payments are actually made.

**Adjustments to the NIPA's for the Impact of the September 11<sup>th</sup> Terrorist Attacks, 2001:III**  
[Billions of dollars at annual rates]

	Adjustment
<b>Product side:</b>	
Personal consumption expenditures .....	-21.2
Insurance .....	-20.5
Motor vehicle insurance .....	-0.3
Workers' compensation .....	-9.6
Expense of handling life insurance and pension plans .....	-10.6
Other services .....	-0.7
Net exports .....	44.0
Imports of services .....	-44.0
Government consumption expenditures and gross investment .....	0
State and local compensation .....	0.8
State and local general government insurance .....	-0.8
<b>Income side:</b>	
Wages and salaries .....	-2.5
Private .....	-3.3
State and local government .....	0.8
Proprietors' income with IVA and CCAAdj .....	0
Consumption of fixed capital .....	-2.2
Insurance benefits received .....	2.2
Corporate profits with IVA and CCAAdj .....	-39.4
Consumption of fixed capital .....	-53.8
Insurance benefits received .....	53.8
Benefits paid by insurance companies .....	-83.4
Payments received from foreign reinsurers .....	44.0
Consumption of fixed capital, total .....	62.1
Private .....	56.0
Government enterprises .....	6.1
Surplus of government enterprises .....	0
Consumption of fixed capital .....	-6.1
Insurance benefits received .....	6.1

5. In July 2001, the Port Authority of New York leased the twin towers and other properties at the World Trade Center to two private corporations on a 99-year lease. This lease was treated in the NIPA's as a sale of an existing asset, which raised the "net purchases of used structures" component of private fixed investment by \$12.8 billion (current dollars) and lowered the structures component of State and local government gross investment by the same amount; thus, the lease transaction offset and did not affect GDP.

IVA Inventory valuation adjustment  
CCAAdj Capital consumption adjustment

**Computers.**—Real final sales of computers decreased 11.6 percent after decreasing 26.5 percent. Business purchases and exports decreased less than in the second quarter, and purchases by government turned up. Consumer purchases increased less than in the second quarter.

**Table 2.—Contributions to Percent Change in Real Gross Domestic Product**

[Seasonally adjusted at annual rates]

	2000		2001	
	IV	I	II	III
<b>Percent change at annual rate:</b>				
Gross domestic product.....	1.9	1.3	0.3	-0.4
<b>Percentage points at annual rates:</b>				
Personal consumption expenditures.....	2.14	2.05	1.72	0.83
Durable goods.....	-0.17	0.83	0.56	0.14
Nondurable goods.....	0.12	0.49	0.06	0.12
Services.....	2.19	0.73	1.1	0.58
Gross private domestic investment.....	-0.42	-2.28	-2.16	-1.82
Fixed investment.....	0.09	0.33	-1.74	-1.45
Nonresidential.....	0.13	-0.02	-1.99	-1.53
Structures.....	0.24	0.39	-0.44	-0.42
Equipment and software.....	-0.11	-0.41	-1.55	-1.11
Residential.....	-0.05	0.35	0.25	0.08
Change in private inventories.....	-0.50	-2.61	-0.42	-0.37
Net exports of goods and services.....	-0.39	0.63	-0.12	0.32
Exports.....	-0.46	-0.13	-1.37	-1.87
Goods.....	-0.58	-0.19	-1.45	-1.44
Services.....	0.12	0.06	0.08	-0.43
Imports.....	0.07	0.76	1.25	2.19
Goods.....	0.07	0.87	1.21	1.53
Services.....	0	-0.11	0.05	0.66
Government consumption expenditures and gross investment.....	0.58	0.92	0.87	0.32
Federal.....	0.27	0.19	0.11	0.27
National defense.....	0.38	0.28	0.09	0.19
Nondefense.....	-0.11	-0.09	0.02	0.08
State and local.....	0.31	0.73	0.76	0.05

NOTE.—More detailed contributions to percent change in real gross domestic product are shown in NIPA table 8.2. Contributions to percent change in major components of real gross domestic product are shown in tables 8.3 through 8.6.

Computer prices decreased more than in the second quarter. Software prices decreased after increasing slightly.

**Motor vehicles.**—Real motor vehicle output increased 5.1 percent after increasing 24.7 percent. Final sales of motor vehicles to domestic purchasers turned down, and inventories turned up.

Consumer purchases of new cars and new light trucks changed little after increasing slightly. Financial factors specific to motor vehicle purchases were generally favorable. Manufacturers continued to offer sales-incentive programs on some models, interest rates on new-car loans at commercial banks decreased for the third consecutive quarter, and prices of new motor vehicles decreased for the second consecutive quarter.

Business purchases of motor vehicles decreased sharply after a small decrease. Purchases of “other” trucks declined for the seventh consecutive quarter.<sup>5</sup>

Motor vehicle inventories increased after two substantial decreases. The inventory-sales ratio for new domestic autos, which is calculated from units data, increased to 2.3 in the third quarter from 2.1 in the second.

5. “Other” trucks have a gross vehicle weight of over 10,000 pounds; these trucks range from medium-duty general delivery trucks to heavy-duty diesel tractor-trailers.

**Table 3.—Real Gross Domestic Product by Type of Product**

[Seasonally adjusted at annual rates]

	Billions of chained (1996) dollars					Percent change from preceding quarter			
	Level	Change from preceding quarter							
	2001	2000	2001			2000	2001		
	III	IV	I	II	III	IV	I	II	III
<b>Gross domestic product</b> .....	<b>9,333.4</b>	<b>43.8</b>	<b>30.6</b>	<b>7.2</b>	<b>-8.3</b>	<b>1.9</b>	<b>1.3</b>	<b>0.3</b>	<b>-0.4</b>
Goods.....	3,647.5	-22.6	-24.1	-34.0	-24.7	-2.4	-2.6	-3.6	-2.7
Services.....	4,877.4	57.4	26.2	32.3	29.0	4.9	2.2	2.7	2.4
Structures.....	806.9	4.4	23.3	4.2	-14.9	2.2	12.3	2.0	-7.0
<b>Addenda:</b>									
Motor vehicle output.....	340.2	-19.1	-15.0	18.0	4.1	-20.0	-16.9	24.7	5.1
Gross domestic product less motor vehicle output.....	8,992.8	61.3	44.2	-9.1	-12.1	2.8	2.0	-0.4	-0.5
Final sales of computers.....						30.0	9.0	-26.5	-11.6
Gross domestic product less final sales of computers.....						1.6	1.2	0.6	-0.3

NOTE.—See note to table 1 for an explanation of chained (1996) dollar series. Chained (1996) dollar levels and residuals for most items are shown in NIPA table 1.4. Detail on motor vehicle output is shown in NIPA table 8.9B.

## Prices

The price index for gross domestic purchases, which measures the prices of goods and services purchased by U.S. residents, decreased 0.3 percent in the third quarter after increasing 1.3 percent in the second. Two factors were mainly responsible for the downturn.

- Consumer prices declined, reflecting the way insurance benefit payments associated with the September 11 terrorist attacks are treated in the NIPA's (see the box on pages 2 and 3). (Import prices declined for the same reason.) Excluding the

insurance-related price effects, the gross domestic purchases price index increased 0.5 percent.

- Energy prices dropped after increasing. Excluding food prices (which stepped up) and energy prices, the price index for gross domestic purchases increased 0.4 percent after increasing 0.9 percent (table 4 and chart 2).

Prices of personal consumption expenditures (PCE) decreased 0.4 percent after increasing 1.3 percent. (Excluding the insurance-related price effects, the PCE price index increased 0.8 percent.)

### Third-Quarter 2001 Advance GDP Estimate: Source Data and Assumptions

The "advance" GDP estimate for the third quarter is based on source data that are incomplete and subject to revision; as more and better data become available, the GDP estimate will be revised. The advance estimate is based on the following major source data. (The number of months for which data were available is shown in parentheses.)

*Personal consumption expenditures:* Sales of retail stores (3), unit auto and truck sales (3), and consumers' shares of new-car and new-truck purchases (2);

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

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

*Change in private inventories:* Trade and nondurable man-

ufacturing inventories (2), durable manufacturing inventories (3), and unit auto and truck inventories (3);

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

*Government consumption expenditures and gross investment:* Some Federal outlays were available for 2 months, others for 3, State and local construction put in place (2), State and local employment (3), and the employment cost index for the quarter;

*GDP prices:* Consumer price indexes (3), producer price indexes (3), U.S. import and export price indexes (3), and values and quantities of petroleum imports (2).

BEA made assumptions for source data that were not available. Table A shows the assumptions for key series; a more comprehensive list is available on BEA's Web site at <www.bea.doc.gov> and on STAT-USA's Web site at <www.stat-usa.gov>.

Table A.—Summary of Major Data Assumptions for Advance Estimates, 2001:III

[Billions of dollars, seasonally adjusted at annual rates]

	2001					
	April	May	June	July	August	September <sup>1</sup>
Private fixed investment:						
Nonresidential structures:						
Buildings:						
Value of new nonresidential construction put in place.....	220.6	211.7	210.8	204.0	196.7	191.8
Equipment and software:						
Manufacturers' shipments of complete aircraft.....	36.0	40.7	45.0	48.8	45.1	34.4
Residential structures:						
Value of new residential construction put in place:						
1-unit structures.....	244.8	246.8	247.5	247.7	247.8	246.3
2-unit-or-more.....	29.9	32.0	31.0	31.6	30.8	30.6
Change in private inventories:						
Change in inventories for nondurable manufacturing.....	-3.3	-7.6	-16.7	-8.5	-10.4	-11.6
Change in inventories for merchant wholesale and retail industries other than motor vehicles and equipment.....	-6.0	14.3	-26.3	-44.9	20.1	4.4
Net exports: <sup>2</sup>						
Exports of goods:						
U.S. exports of goods, international-transactions-accounts basis.....	746.0	754.2	730.2	704.3	713.5	675.8
Excluding gold.....	738.2	746.2	723.1	701.2	711.0	673.5
Imports of goods:						
U.S. imports of goods, international-transactions-accounts basis.....	1,197.9	1,167.5	1,156.8	1,134.3	1,119.3	1,064.2
Excluding gold.....	1,192.3	1,159.7	1,150.8	1,132.4	1,116.9	1,062.2
Net exports of goods.....	-451.9	-413.4	-426.6	-430.0	-405.7	-388.4
Excluding gold.....	-454.1	-413.5	-427.7	-431.2	-406.0	-388.7
Government:						
State and local:						
Structures:						
Value of new construction put in place.....	179.8	184.9	182.6	188.1	187.3	187.3

1. Assumption.

2. Nonmonetary gold is included in balance-of-payments-basis exports and imports but is not used directly in the estimation of NIPA exports and imports.

PCE energy prices decreased sharply after increasing; prices of gasoline and oil dropped sharply after a sharp increase, and prices of electricity and gas decreased more than in the second quarter. Food prices increased more than in the second quarter; step-ups and upturns were widespread and more than offset downturns in the prices of beef and veal and of fresh fruits.

Prices paid by government were unchanged, as a slight increase in prices paid by the Federal Government was offset by a slight decrease in prices paid by State and local governments. In the second quarter, prices paid by government increased.

**Table 4.—Price Indexes**

[Percent change at annual rates; based on seasonally adjusted index numbers (1996=100)]

	2000		2001	
	IV	I	II	III
Gross domestic product .....	1.8	3.3	2.1	2.1
Less: Exports of goods and services.....	0.5	-0.1	-1.0	-1.4
Plus: Imports of goods and services.....	0.4	-3.0	-6.0	-17.4
<b>Equals: Gross domestic purchases.....</b>	<b>1.7</b>	<b>2.7</b>	<b>1.3</b>	<b>-0.3</b>
Less: Change in private inventories .....	.....	.....	.....	.....
<b>Equals: Final sales to domestic purchasers.....</b>	<b>1.8</b>	<b>2.6</b>	<b>1.3</b>	<b>-0.3</b>
Personal consumption expenditures .....	2.0	3.2	1.3	-0.4
Durable goods.....	-1.2	-0.7	-3.5	-2.8
Nondurable goods.....	2.0	1.9	2.7	-1.4
Services.....	2.6	4.7	1.7	0.6
Private fixed investment.....	0.8	-0.4	0.6	-0.1
Nonresidential.....	0	-1.9	-0.1	-0.4
Structures.....	4.7	6.2	4.7	2.3
Equipment and software.....	-1.5	-4.6	-1.9	-1.4
Residential.....	3.5	4.6	2.6	1.0
Government consumption expenditures and gross investment .....	1.9	3.5	1.8	0
Federal.....	0.4	4.4	1.2	0.2
National defense.....	1.0	3.6	1.0	0.1
Nondefense.....	-0.7	5.8	1.7	0.2
State and local.....	2.7	3.0	2.1	-0.1
<b>Addenda:</b>				
Gross domestic purchases:				
Food.....	1.6	4.1	2.6	3.7
Energy.....	11.3	9.3	6.1	-21.0
Less food and energy.....	1.3	2.3	0.9	0.4
Personal consumption expenditures:				
Food.....	1.6	4.0	2.6	3.8
Energy goods and services <sup>1</sup> .....	10.5	11.7	9.2	-20.7
Less food and energy.....	1.5	2.6	0.7	0.3

1. Consists of gasoline, fuel oil, and other energy goods and of electricity and gas.  
NOTE.—Percent changes in major aggregates are shown in NIPA table 8.1. Index numbers are shown in tables 7.1, 7.2, and 7.4.

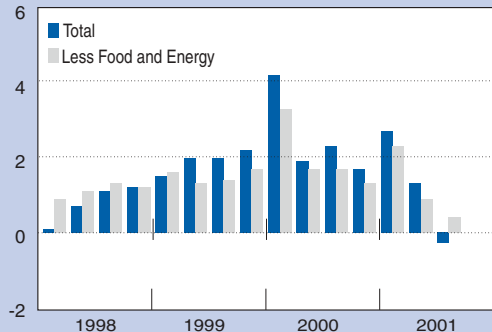
Prices of private nonresidential fixed investment decreased 0.4 percent after decreasing 0.1 percent. Prices of computers and peripheral equipment decreased more than in the second quarter, and prices of industrial equipment were unchanged after increasing. In contrast, prices of transportation equipment increased after a small decrease.

The GDP price index, which measures the prices paid for goods and services produced in the United States, increased 2.1 percent, the same as in the second quarter. This index, unlike the price index for gross domestic purchases, excludes the prices of imports and includes the prices of exports. Import prices decreased much more than in the second quarter, mainly because of the insurance-related price effects; prices of imported goods decreased about as much as in the second quarter. Export prices decreased a little more than in the second quarter.

**CHART 2**

**Gross Domestic Purchases Prices:  
Change From Preceding Quarter**

Percent



Note—Percent change at annual rate from preceding quarter; based on seasonally adjusted index numbers (1996=100).

U.S. Bureau of Economic Analysis

**Personal Income**

Real disposable personal income (DPI) increased 12.8 percent in the third quarter—the largest increase in more than 26 years—and current-dollar DPI increased 12.3 percent.<sup>6</sup> These increases primarily reflected a sharp downturn in Federal personal tax payments as a result of the advance refund checks sent, beginning in July, to taxpayers under the Economic Growth and Tax Relief Reconciliation Act of 2001; the act also lowered income tax withholding rates. As a result of the sharp increase in DPI and the weak increase in personal outlays (largely PCE), the personal saving rate—saving as a percentage of current-dollar DPI—jumped to 3.8 percent from 1.1 percent.

6. DPI is personal income less personal tax and nontax payments. It is the income available to persons for spending or saving.

**Table 5.—Personal Income and Its Disposition**  
[Billions of dollars; seasonally adjusted at annual rates]

	Level		Change from preceding quarter		
	2001	2000	2001		
	III	IV	I	II	III
Wage and salary disbursements.....	5,129.40	97.4	76.2	50.4	29.6
Private industries.....	4,317.50	93.4	64.0	39.6	17.3
Goods-producing industries.....	1,200.80	22.3	10.8	-1.9	-3.6
Manufacturing.....	843.5	14.2	1.1	-3.1	-6.7
Distributive industries.....	1,148.90	23.5	14.4	7.9	0.7
Service industries.....	1,967.70	47.6	38.8	33.6	20.1
Government.....	812.0	4.0	12.2	10.8	12.4
Other labor income.....	555.3	7.0	4.4	2.9	3.1
Proprietors' income with IVA and CCAdj.....	752.3	5.9	10.0	10.1	7.0
Farm.....	31.8	0.1	-1.9	-1.1	3.1
Nonfarm.....	720.5	5.9	11.9	11.2	3.9
Rental income of persons with CCAdj.....	143.6	3.4	-2.1	-0.6	4.6
Personal dividend income.....	420.0	10.8	8.2	7.1	8.1
Personal interest income.....	991.3	3.9	-2.2	-9.9	-9.7
Transfer payments to persons.....	1,160.00	14.4	34.1	16.3	20.6
Less: Personal contributions for social insurance.....	374.6	4.7	8.0	1.9	0.6
<b>Personal income.....</b>	<b>8,777.30</b>	<b>138.1</b>	<b>120.6</b>	<b>74.4</b>	<b>62.7</b>
Less: Personal tax and nontax payments.....	1,197.00	29.6	15.4	6.2	-154.4
<b>Equals: Disposable personal income.....</b>	<b>7,580.30</b>	<b>108.5</b>	<b>105.2</b>	<b>68.2</b>	<b>217.1</b>
Less: Personal outlays.....	7,293.60	88.2	101.1	65.5	11.9
<b>Equals: Personal saving.....</b>	<b>286.7</b>	<b>20.2</b>	<b>4.1</b>	<b>2.7</b>	<b>205.2</b>
<b>Addenda: Special factors in personal income:</b>					
In private wages and salaries:					
Effects of the September 11 terrorist attacks.....	-3.3	0	0	0	-3.3
In government wages and salaries:					
Federal pay raise.....	6.0	0	5.2	0.5	0.3
Effects of the September 11 terrorist attacks.....	0.8	0	0	0	0.8
In transfer payments to persons:					
Social security retroactive payments.....	0	0.5	-1.1	0	0
Cost-of-living adjustments in Federal transfer programs.....	16.6	0.3	16.3	0	0
Correction for error in indexing for social security and supplemental income benefits.....	4.2	0	0	0	4.2
In personal tax and nontax payments:					
Federal tax law changes.....	-158.9	0.0	-4.5	0	-154.4
Refunds and State tax law changes.....	-3.3	2.8	-0.8	-6.1	4.6

NOTE.—Most dollar levels are in NIPA table 2.1. IVA Inventory valuation adjustment. CCAdj Capital consumption adjustment.

Personal income, which is measured only in current dollars, increased \$62.7 billion after increasing \$74.4 billion (chart 3 and table 5).

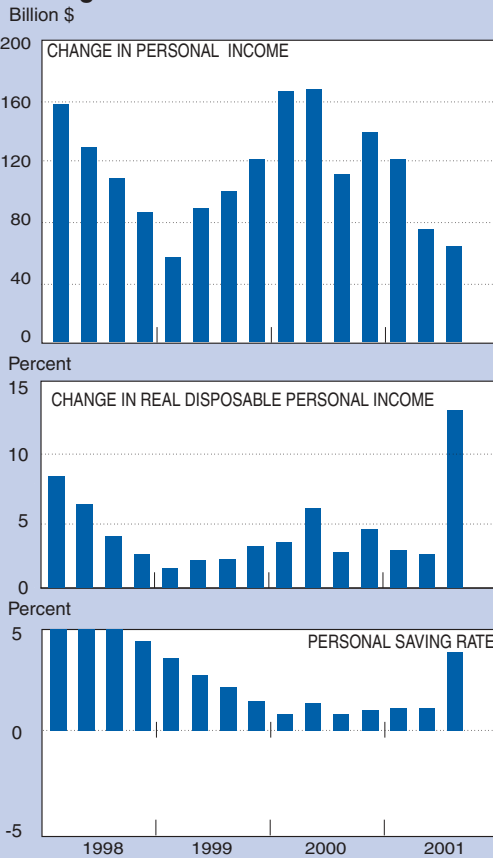
Wage and salary disbursements slowed, mainly reflecting slowdowns in the distributive and service industries. To account for the effects of the terrorist attacks that were not captured in the source data, BEA lowered wages and salaries \$3.3 billion in private industries and raised them \$0.8 billion in State and local government.

Transfer payments increased more than in the second quarter. The third-quarter increase reflected one-time payments to correct for the underpayments of benefits due to an error in the indexing for social security and supplementary security income benefits.

Personal interest income decreased for the third consecutive quarter; the decreases primarily reflected declining interest rates.

**CHART 3**

**Selected Personal Income and Saving Measures**



Note—Changes are from preceding quarter; based on seasonally adjusted annual rates.