



Technical Note
Gross Domestic Product
Second Quarter of 2009 (Advance)
July 31, 2009

This technical note provides background information about the source data and estimating methods used to produce the estimates presented in the GDP news release. The complete set of estimates for the second quarter is available on BEA's Web site at www.bea.gov; a brief summary of "highlights" is also posted on the Web site. In a few weeks, the estimates will be published in BEA's monthly journal, the *Survey of Current Business*, along with a more detailed analysis of the estimates ("GDP and the Economy").

Real GDP

Real GDP decreased 1.0 percent (annual rate) in the second quarter, following a decrease of 6.4 percent (revised) in the first quarter. The smaller decrease in real GDP in the second quarter than in the first reflected smaller decreases in nonresidential fixed investment, exports, and inventory investment, upturns in federal government and state and local government spending, and a smaller decrease in residential fixed investment that were partly offset by a smaller decrease in imports and a downturn in personal consumption expenditures.

Source Data for the Advance Estimate

The advance GDP estimate for the second quarter of 2009 is based on source data that are incomplete and subject to revision. Three months of source data were available for consumer spending on goods; shipments of capital equipment other than aircraft; motor vehicle sales and inventories; manufacturing durables inventories; federal government outlays; and consumer, producer, and international prices. Only two months of data were available for most other key data sources; BEA's assumptions for the third month are shown in table A. Among those assumptions are the following:

- a decrease in nondurable manufacturing inventories,
- a decrease in non-motor-vehicle merchant wholesale and retail inventories,
- an increase in exports of goods, excluding gold, and
- an increase in imports of goods, excluding gold.

Prices

The price index for gross domestic purchases increased 0.7 percent in the second quarter after decreasing 1.4 percent in the first quarter. Excluding food

and energy prices, the price index for gross domestic purchases increased 1.1 percent in the second quarter, after increasing 0.2 percent in the first.

Disposable Personal Income

Real disposable personal income (DPI) increased 3.2 percent in the second quarter, following an increase of 1.1 percent in the first. The growth in DPI reflected an increase in government social benefits and a decrease in personal current taxes. The growth in government social benefits reflected the effects of one-time economic recovery payments of \$250 to recipients of social security, supplemental security income, veterans' pensions, and railroad retirement. The decrease in personal current taxes reflected the Making Work Pay Credit provision of the American Recovery and Reinvestment Act of 2009, which reduced withheld taxes by about \$50 billion in the second quarter, after reducing them by about \$4 billion in the first. Personal saving as a percent of disposable personal income rose to 5.2 percent from 4.0 percent.

Comprehensive Revision

Today's GDP news release presents results from the comprehensive revision of the national income and product accounts. The revision reflects previously announced changes in definitions, classifications, and presentation, and incorporates source data that are more complete, more detailed, and otherwise more reliable than those previously available. The reference year for chain-type price and quantity indexes and chained-dollar estimates has been updated to 2005. A table showing the selected component detail and major source data for the comprehensive revision is available on BEA's Web site at http://www.bea.gov/national/pdf/nipa_revisions_table_final.pdf. A detailed discussion of the results will be published in the September issue of the *Survey*.

In the revised estimates real GDP increased 0.4 percent for 2008; in the previously published estimates, real GDP had increased 1.1 percent. Revisions to GDP growth for years prior to 2008 were smaller and reflected the incorporation of benchmark source data, such as the 2002 Benchmark Input-Output Accounts and preliminary results of the 2007 Economic Census, as well as regular annual source data.

From the fourth quarter of 2007 to the first quarter of 2009, real GDP decreased 2.8 percent (annual rate); in the previously published estimates it had decreased 1.8 percent. GDP in the first quarter of 2009 decreased 6.4 percent; in the previously published estimates, it had decreased 5.5 percent. The revisions reflected the effects of new weights from the benchmarking of the estimates, updated seasonal adjustment, revised prices for deflation, and new methodologies and source data.

Revised wages and salaries for 2009Q1

In the first quarter of 2009, wage and salary disbursements decreased \$204.6 billion, or 11.9 percent; in the previously published estimates, they had decreased \$65.8 billion, or 4.0 percent. The revision reflected the incorporation of preliminary first-quarter tabulations from the BLS quarterly census of employment and wages for 13 states. The complete tabulations for all states are scheduled to be incorporated in next month's GDP release. BEA appreciates the efforts of BLS and of the state employment offices that provided the early tabulations in time for this month's release.

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**Table A. KEY ASSUMPTIONS FOR THE ADVANCE ESTIMATE OF GDP
FOR THE SECOND QUARTER OF 2009**

For many of the key series used to prepare the advance estimate of GDP, including retail sales, unit automobile and truck sales and inventories, manufacturers' shipments of nondefense capital goods (other than aircraft), manufacturers' inventories of durable goods, federal defense spending, and consumer, producer, and international price indexes, actual data are available for all months of the quarter.

For the key series shown in this table, actual data for the third month of the quarter usually are not available in time for inclusion in the advance GDP estimate. BEA makes assumptions for the source data that are not yet available; assumptions for June 2009 are shown in the last column of the table. For most series shown, the data for May are preliminary and subject to further revision. Occasionally, the data for earlier months are also subject to revision.

All series shown in the table are in billions of dollars, seasonally adjusted at annual rates, and are published by the Bureau of the Census.

| | 2009 | | | | | |
|--|--------|--------|--------|--------|--------|--------|
| | Jan. | Feb. | Mar. | Apr. | May | Jun.* |
| Private fixed investment: | | | | | | |
| Nonresidential structures: | | | | | | |
| 1 Value of new nonresidential construction put in place..... | 395.1 | 400.1 | 401.5 | 406.9 | 409.0 | 407.9 |
| Equipment and software: | | | | | | |
| 2 Manufacturers' shipments of complete aircraft..... | 47.7 | 34.9 | 38.2 | 38.5 | 36.2 | 33.9 |
| Residential structures: | | | | | | |
| Value of new residential construction put in place: | | | | | | |
| 3 Single family..... | 124.9 | 111.0 | 101.5 | 95.4 | 91.1 | 93.3 |
| 4 Multifamily..... | 37.8 | 36.9 | 37.7 | 36.3 | 32.8 | 33.6 |
| Change in private inventories: | | | | | | |
| 5 Change in inventories for nondurable manufacturing..... | -28.8 | -28.3 | -6.6 | -24.7 | -0.9 | -9.0 |
| 5a Change in inventories for merchant wholesale and retail industries other than motor vehicles and equipment... | -50.4 | -67.0 | -80.2 | -74.3 | -60.2 | -59.3 |
| Net exports: | | | | | | |
| Exports of goods: | | | | | | |
| 6 U.S. exports of goods, international-transactions-accounts basis..... | 989.3 | 1012.3 | 990.9 | 960.0 | 984.6 | 988.5 |
| 6a Excluding gold..... | 973.8 | 1000.3 | 976.9 | 949.3 | 970.3 | 976.3 |
| Imports of goods: | | | | | | |
| 7 U.S. imports of goods, international-transactions-accounts basis..... | 1560.6 | 1458.8 | 1461.6 | 1439.1 | 1432.6 | 1467.3 |
| 7a Excluding gold..... | 1554.9 | 1451.4 | 1452.7 | 1432.1 | 1425.9 | 1460.3 |
| 8 Net exports of goods..... | -571.2 | -446.6 | -470.7 | -479.1 | -448.0 | -478.8 |
| 8a Excluding gold..... | -581.2 | -451.1 | -475.8 | -482.7 | -455.6 | -484.0 |
| Government: | | | | | | |
| State and local: | | | | | | |
| Structures: | | | | | | |
| 9 Value of new construction put in place..... | 273.4 | 282.1 | 289.1 | 291.4 | 289.4 | 290.4 |

*Assumption.