



Technical Note
Gross Domestic Product
Second Quarter of 2011 (Advance)
July 29, 2011

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 increased 1.3 percent (annual rate) in the second quarter of 2011, following an increase of 0.4 percent in the first quarter (revised). The acceleration in real GDP in the second quarter reflected a deceleration in imports, an upturn in federal government spending, and an acceleration in nonresidential fixed investment that were partly offset by a sharp deceleration in consumer spending.

Source data for the advance estimate

The advance GDP estimate for the second quarter of 2011 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; durable goods manufacturing 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:

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

Prices

The price index for gross domestic purchases increased 3.2 percent in the second quarter, following an increase of 4.0 percent in the first. Excluding food and energy, the price index for gross domestic purchases increased 2.6 percent in the second quarter, following an increase of 2.4 percent in the first.

Annual revision

Today's GDP news release presents results from the regular annual revision of the national income and product accounts. This year's revision includes revised estimates for most series for the most recent 3 years (from 2008 to 2010) and for the first quarter of 2011. For selected series—including GDP, personal consumption expenditures (PCE), and private fixed investment—the estimates have been revised for the most recent 8 years (from 2003 to 2010). The revision incorporates source data that are more complete and reliable than those previously available. A table on the BEA Web site shows selected component detail and the major source data for the revisions (<http://www.bea.gov/national/pdf/NIPA2011RevisionTable.pdf>). A detailed discussion of the results will be published in the August issue of the *Survey*.

For 2007–2010, real GDP decreased at an average annual rate of 0.3 percent; in the previously published estimates, real GDP had increased at an average annual rate of less than 0.1 percent. The largest contributors to the downward revision to GDP for 2007–2010 were downward revisions to PCE and to nonresidential fixed investment:

- Real PCE decreased at an average annual rate of 0.2 percent for 2007–2010, compared with the previously published increase of 0.1 percent. Spending for both goods and services were revised down. The revision to goods reflected newly available data from Census Bureau's annual retail trade survey for 2009, and the revision to services reflected data from several sources including new and revised data from the Census Bureau's service annual survey for 2008–2010.
- Real nonresidential fixed investment decreased at an average annual rate of 5.2 percent, compared with the previously published decrease of 4.2 percent. The revisions reflected new and revised data from the Census Bureau's annual survey of manufactures for 2008–2009 and data from several other sources.

The revised estimates show a sharper cyclical contraction in GDP during 2008 and the first half of 2009 than in the previously published estimates. From the fourth quarter of 2007 to the second quarter of 2009, real GDP decreased at an average annual rate of 3.5 percent; in the previously published estimates, it had decreased at an average annual rate of 2.8 percent. Over the six quarters of contraction, the cumulative decrease in real GDP (not at an annual rate) was 5.1 percent, compared to the previous estimate of 4.1 percent. Over the expansion from the second quarter of 2009 through the second quarter of 2011, the cumulative increase in real GDP was 5.0 percent.

Revision to GDP for 2011:Q1

For the first quarter of 2011, real GDP increased 0.4 percent (annual rate), which was 1.5 percentage points less than last month's estimate. The downward revision to first quarter real GDP primarily reflected a downward revision to inventory investment and an upward revision to imports.

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**Table A. KEY ASSUMPTIONS FOR THE ADVANCE ESTIMATE OF GDP
FOR THE SECOND QUARTER OF 2011**

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 2011 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.

	2011					
	Jan.	Feb.	Mar.	Apr.	May	Jun.*
Private fixed investment:						
Nonresidential structures:						
1 Value of new nonresidential construction put in place.....	244.5	245.3	249.9	245.4	248.3	246.9
Equipment and software:						
2 Manufacturers' shipments of complete aircraft.....	31.6	34.4	28.4	36.6	32.2	36.4
Residential structures:						
Value of new residential construction put in place:						
3 Single family.....	108.0	107.0	105.9	105.5	105.2	106.8
4 Multifamily.....	13.5	13.7	13.5	13.5	13.3	13.5
Change in private inventories:						
NOTE: Historical (January-April) data may reflect concurrent seasonal factors.						
5 Change in inventories for nondurable manufacturing.....	51.9	33.6	22.0	56.1	-0.9	17.8
5a Change in inventories for merchant wholesale and retail industries other than motor vehicles and equipment...	76.2	47.9	107.0	60.9	87.0	62.2
Net exports:						
Exports of goods:						
6 U.S. exports of goods, international-transactions-accounts basis.....	1433.6	1408.8	1493.6	1518.5	1501.8	1493.6
6a Excluding gold.....	1411.0	1381.3	1461.4	1491.5	1473.7	1466.1
Imports of goods:						
7 U.S. imports of goods, international-transactions-accounts basis.....	2173.5	2125.3	2226.6	2216.4	2280.4	2264.2
7a Excluding gold.....	2161.9	2110.9	2208.6	2200.9	2265.6	2249.0
8 Net exports of goods.....	-739.9	-716.5	-733.0	-697.9	-778.6	-770.6
8a Excluding gold.....	-750.9	-729.7	-747.3	-709.4	-791.9	-783.0
Government:						
State and local:						
Structures:						
9 Value of new construction put in place.....	259.6	255.3	255.4	249.6	246.7	248.1

*Assumption.