

# Technical Note

## Gross Domestic Product First Quarter of 2019 (Advance Estimate)

April 26, 2019

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 first quarter is available on BEA's Web site at [www.bea.gov](http://www.bea.gov); a brief summary of "highlights" is also posted on the Web site. In a few weeks, the *Survey of Current Business*, BEA's online monthly journal, will publish a more detailed analysis of the estimates ("GDP and the Economy").

### Real GDP and Related Aggregates

Real GDP increased 3.2 percent (annual rate) in the first quarter of 2019, following an increase of 2.2 percent in the fourth. The increase in real GDP in the first quarter primarily reflected increases in consumer spending, private inventory investment, exports, state and local government spending, and nonresidential fixed investment that were partly offset by a decrease in residential fixed investment. Imports, which are a subtraction in the calculation of GDP, decreased.

The acceleration in real GDP growth in the first quarter primarily reflected a downturn in imports, an upturn in state and local government spending, and an acceleration in private inventory investment that were partly offset by decelerations in consumer spending and in nonresidential fixed investment.

- The downturn in imports reflected downturns in both goods and services. Within goods imports, the downturn was widespread; the leading contributors were motor vehicles and consumer goods. Within services, imports of travel and of transportation both turned down.
- The upturn in state and local government spending was driven by a turnaround in investment, most notably in construction of highways and streets.
- Within private inventory investment, the acceleration primarily reflected an upturn in manufacturing inventories, for both durable and nondurable goods industries.
- The slowdown in consumer spending primarily reflected a downturn in goods, most notably, in new light truck purchases. Spending on services slowed. Within services, a downturn in nonprofit services (most notably hospital services) was partly offset by accelerations in spending for health care and for finance and insurance services.
- The slowdown in nonresidential fixed investment primarily reflected a deceleration in equipment; the largest contributors were agricultural machinery and office furniture.

Real final sales to private domestic purchasers, which measures private demand in the domestic economy and is derived as the sum of consumer spending and private fixed investment, increased 1.3 percent in the first quarter after increasing 2.6 in the fourth.

## Key Source Data and Assumptions for the Advance Estimate

The advance GDP estimate for the first quarter is based on source data that are incomplete and subject to updates. Three months of source data were available for consumer spending on goods; shipments of capital equipment; 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 source data. The Census Bureau's Advance Economic Indicator Report, which will present estimates for March on trade in goods and wholesale and retail inventories, is not reflected in today's report and will be released on May 3. BEA's assumptions for the third month are shown in the "[Key Source Data and Assumptions](#)" table on the BEA Web site. Among those assumptions are the following:

- a decrease in nondurable manufacturing inventories;
- increases in merchant wholesale and non-motor-vehicle retail inventories;
- increases in both exports and imports of goods; and
- a decrease in state and local government structures.

## Partial Federal Government Shutdown

Due to a lapse in federal funding, some federal government agencies were closed, and some employees were furloughed from December 22nd through January 25th. The full effects of the partial federal government shutdown on the first quarter estimates cannot be quantified because they are embedded in the regular source data that underlie the estimates and cannot be separately identified. However, 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 provided by the federal government subtracted 0.3 percentage point from real GDP growth in the first quarter, after subtracting 0.1 percentage point from the fourth. For more information, [an FAQ is available](#) on BEA's Web site.

## Prices

BEA's featured measure of inflation in the U.S. economy, the price index for gross domestic purchases, measures the prices of goods and services purchased by U.S. residents, regardless of where the goods and services are produced. In the first quarter, gross domestic purchases prices increased 0.8 percent, compared with a 1.7 percent increase in the fourth. Excluding food and energy, gross domestic purchases prices increased 1.3 percent, after increasing 1.8 percent.

The PCE price index increased 0.6 percent in the first quarter, following an increase of 1.5 percent. Excluding food and energy prices, the PCE price index increased 1.3 percent after increasing 1.8 percent.

## Disposable Personal Income

Real disposable personal income increased 2.4 percent in the first quarter, following a 4.3 percent increase in the fourth. The personal saving rate was 7.0 in the first quarter, compared with 6.8 percent in the fourth.

## Looking Ahead: 2019 Annual Update Scheduled for July 26th

BEA will release results from the 2019 annual update of the national income and product accounts on July 26, 2019, in conjunction with the advance estimate of GDP for the second quarter of 2019. The span of the update will cover the most recent 5 years (2014-2018) and the first quarter of 2019.

This update will incorporate annual source data that are more complete and more detailed than previously available, including:

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

Additionally, the update will reflect refinements to BEA's methods, including continued improvements to price indexes for information and communication technology products, more complete incorporation of Census quarterly services statistics, and the adoption of newly identified private source data.

More information on the 2019 Annual Update will be included in the forthcoming May *Survey of Current Business* article, "GDP and the Economy."

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