

Technical Note

Gross Domestic Product Second Quarter of 2016 (Advance Estimate)

July 29, 2016

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 *Survey of Current Business*, BEA's online monthly journal, will publish a more detailed analysis of the estimates ("GDP and the Economy").

Real GDP

Real GDP increased 1.2 percent (annual rate) in the second quarter of 2016, following an increase of 0.8 percent (revised) in the first quarter of 2016. The acceleration in real GDP in the second quarter reflected an acceleration in consumer spending, an upturn in exports, and smaller decreases in nonresidential fixed investment and in federal government spending that were partly offset by a larger decrease in inventory investment and downturns in residential fixed investment and in state and local government spending.

Source Data for the Advance Estimate

The advance GDP estimate for the second quarter of 2016 is based on source data that are incomplete and subject to updating. 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; wholesale and retail trade inventories; exports and imports of goods; federal government outlays; and consumer, producer, and international prices. For major source data series for which only two months of data are available, BEA's key assumptions for the third month are shown in table A1.

Advance Economic Indicators Report

On July 28, the Census Bureau released for the first time economic indicator data for wholesale and retail trade inventories as part of its "Advance Economic Indicators Report." Today's advance GDP estimates reflect these advance inventories statistics for June 2016 (table A2). Thus, for the first time, BEA's advance GDP estimates incorporate Census data on wholesale and retail trade inventories for all three months of the quarter. (Previously, the advance GDP estimates were based on Census data for two months and BEA assumptions for the third month.) We anticipate that the availability of these earlier inventory data will improve the accuracy of BEA's initial estimates of inventory investment.

Prices

The price index for personal consumption expenditures (PCE) increased 1.9 percent in the second quarter, following an increase of 0.3 percent (revised) in the first quarter. Excluding food and energy prices, the PCE price index increased 1.7 percent after increasing 2.1 percent (revised).

Disposable Personal Income

Real disposable personal income increased 1.2 percent in the second quarter, following an increase of 2.2 percent (revised) in the first. The personal saving rate was 5.5 percent in the second quarter, compared with 6.1 percent (revised) in the first.

Annual Update

Today's GDP news release presents results from the regular annual update of the national income and product accounts. This year's revision includes revised estimates for the period from the first quarter of 2013 through the first quarter of 2016. The update incorporates source data that are more complete and reliable than those previously available. Shortly after the GDP release, BEA will post a table on its Web site, www.bea.gov, showing the major source data for the revisions. A detailed discussion of the results will be published in the August issue of the *Survey of Current Business*.

From the fourth quarter of 2012 to the first quarter of 2016, real GDP increased at an average annual rate of 2.2 percent, the same as previously published. Over the same span, real GDI increased at an average annual rate of 2.1 percent; in the previously published estimates, real GDI had increased at an average annual rate of 2.2 percent.

Revisions to GDP and GDI for 2016Q1

For the first quarter of 2016, real GDP is now estimated to have increased 0.8 percent; in the previously published estimates, first-quarter GDP was estimated to have increased 1.1 percent. The 0.3 percentage-point downward revision to real GDP growth primarily reflected downward revisions to residential fixed investment, to inventory investment, and to exports that were partly offset by upward revisions to nonresidential fixed investment and to consumer spending. The revisions largely reflect revised seasonal adjustments and the incorporation of revised Census construction spending data.

For the first quarter of 2016, real GDI is now estimated to have increased 0.9 percent, a downward revision of 2.0 percentage points. The main source of revision was a downward revision to wages and salaries for the first quarter, based on the incorporation of preliminary quarterly census of employment and wages data from the Bureau of Labor Statistics.

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**Table A1. KEY ASSUMPTIONS FOR THE ADVANCE
ESTIMATE OF GDP FOR THE SECOND QUARTER OF 2016**

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, 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 assumptions 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 2016 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. (State and local government structures are no longer available in this table because of changes in BEA seasonal adjustment methodology.)

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

	2016					
	Jan.	Feb.	Mar.	Apr.	May	Jun.
Private fixed investment:						
Nonresidential structures:						
1 Value of new nonresidential construction put in place.....	399.7	402.4	410.6	410.1	407.4	408.8
Residential structures:						
Value of new residential construction put in place:						
2 Single family.....	248.1	248.9	246.8	242.3	239.2	242.3
3 Multifamily.....	58.3	58.3	61.5	60.3	61.4	62.2
Change in private inventories:						
NOTE: Historical (Jan.–Apr.) data reflect concurrent seasonal factors.						
4 Change in inventories for nondurable manufacturing.....	-11.4	-10.7	2.9	4.1	5.2	19.3

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**Table A2. ADVANCE ECONOMIC INDICATORS REPORT DATA FOR THE ADVANCE
ESTIMATE OF GDP FOR THE SECOND QUARTER OF 2016**

For the key data shown in this table, advance data for the third month of the quarter are available from the Census Bureau's Advance Economic Indicators Report for inclusion in the advance GDP estimate. For series shown, the data for June are preliminary and subject to further revision.

All series shown in the table are in billions of dollars and seasonally adjusted at annual rates.

	2016		
	Apr.	May	Jun.
Change in private inventories:			
1 Merchant wholesalers.....	-----	589.1	589.3
2 Retail.....	-----	601.2	604.2
Net exports of goods:			
3 U.S. exports of goods, Census basis...	119.5	119.1	120.2
4 U.S. imports of goods, Census basis...	176.9	180.2	183.5

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