Consumer Metrics Institute News

August 29, 2013: BEA Revises 2nd Quarter 2013 GDP Growth Upward To 2.52% Annual Rate

(Web page version is here)

In their second estimate of the US GDP for the second quarter of 2013, the Bureau of Economic Analysis (BEA) repo economy was growing at a 2.52% annualized rate, up from the 1.68% growth rate previously reported for the quarter revision resulted almost exclusively from the BEA's restatement of the foreign trade numbers, with improved new nu exports and imports contributing equally to the upswing.

Consumer spending on goods and services were not changed materially in this revision. Inventory growth was somev previously reported, and the contraction rate for governmental expenditures was also revised upward -- although that remained significantly below the levels recorded for much of the past four years.

For this set of revisions the BEA assumed annualized net aggregate inflation of 0.71%. In contrast, during the first qu December to March) the seasonally adjusted CPI-U index published by the Bureau of Labor Statistics (BLS) rose by (annualized), and the price index published by the Billion Prices Project (BPP) rose at an annualized rate of 1.76%. A understatement of assumed inflation increases the reported headline number -- and in this case the BEA's relatively lo boosted the published headline rate. If the CPI-U had been used to convert the "nominal" GDP numbers into "real" nu reported headline growth rate would have been a somewhat lower +2.20%. And if the BPP index (which arguably be experiences of the American consumer) had be used as the "deflater," the economy would have been a more modest annualized rate.

Finally, real per capita disposable income was revised upward by $8 per year and the personal savings rate was uncha remaining below the savings rates we have typically seen since households began deleveraging in 2008.

Among the notable items in the report**:**

-- The contribution of consumer expenditures for goods to the headline number weakened slightly to 0.73% (down fr previously reported).

-- The contribution made by consumer services improved slightly to 0.48% (from 0.43%).

-- The growth rate contribution from private fixed investments was downgraded a tad to 0.90% (from 0.93%).

-- Inventories were shown as growing more than previously estimated, contributing 0.59% to the headline growth rate number is still down from the revised 0.93% rate in the prior quarter).

-- The negative impact from governmental contraction worsened somewhat to -0.18% -- although this number remain revised -0.82% in the previous quarter.

-- Exports contributed 1.11% to the overall growth rate, up sharply from the 0.71% previously reported (and up even from the -0.18% contraction recorded in the first quarter).

-- And that good news was bolstered by an improved (although still negative) impact from imports, which now subtra from the headline number -- exactly offsetting the growth provided by exports.

-- The annualized growth rate for "real final sales of domestic product" improved to 1.93% (up sharply from a meage
previous quarter). This is the BEA's "bottom line" measurement of the economy -- and it remains weaker than the hea
because of the ongoing buildup of inventories.

-- And as mentioned above, real per-capita disposable income improved and it is now reported to have increased by a
from quarter to quarter.

The Numbers, as Revised

As a quick reminder, the classic definition of the GDP can be summarized with the following equation**:**

GDP = private consumption + gross private investment + government spending + (exports - impo

or, as it is commonly expressed in algebraic shorthand**:**

GDP = C + I + G + (X-M)

In the new report the values for that equation (total dollars, percentage of the total GDP, and contribution to the final
number) are as follows**:**

GDP Components Table

	Total GDP	=	C	+	I	+	G	+	(X-M)
Annual $ (trillions)	$16.7	=	$11.4	+	$2.6	+	$3.1	+	$-0.5
% of GDP	100.0%	=	68.6%	+	15.8%	+	18.7%	+	-3.0%
Contribution to GDP Growth %	2.52%	=	1.21%	+	1.49%	+	-0.18%	+	0.00%

The quarter-to-quarter changes in the contributions that various components make to the overall GDP can be best und
table below, which breaks out the component contributions in more detail and over time. In the table we have split th
into goods and services, split the "I" component into fixed investment and inventories, separated exports from import
the BEA's "Real Finals Sales of Domestic Product" and listed the quarters in columns with the most current to the lef

Quarterly Changes in % Contributions to GDP

	2Q-2013	1Q-2013	4Q-2012	3Q-2012	2Q-2012	1Q-2012	4Q-2011	3Q-2011	2Q-2011	1Q-2011	4Q-2010	3Q-2
Total GDP Growth	2.52%	1.14%	0.14%	2.78%	1.20%	3.71%	4.86%	1.37%	3.19%	-1.29%	2.80%	2.7
Consumer Goods	0.73%	0.85%	0.85%	0.84%	0.50%	1.04%	1.14%	0.29%	0.05%	0.60%	1.66%	0.8
Consumer Services	0.48%	0.69%	0.29%	0.31%	0.78%	0.94%	0.51%	1.14%	0.98%	0.81%	1.21%	1.0
Fixed Investment	0.90%	-0.23%	1.63%	0.39%	0.68%	1.21%	1.39%	1.96%	1.16%	-0.05%	1.13%	-0.0
Inventories	0.59%	0.93%	-2.00%	0.60%	-0.91%	0.36%	2.73%	-1.60%	0.72%	-1.06%	-1.64%	1.9
Government	-0.18%	-0.82%	-1.31%	0.67%	0.05%	-0.28%	-0.31%	-0.52%	-0.25%	-1.61%	-0.87%	-0.0
Exports	1.11%	-0.18%	0.15%	0.05%	0.51%	0.56%	0.38%	0.92%	0.64%	0.48%	1.47%	1.2
Imports	-1.11%	-0.10%	0.53%	-0.08%	-0.41%	-0.12%	-0.98%	-0.82%	-0.11%	-0.46%	-0.15%	-2.1
Real Final Sales	1.93%	0.21%	2.14%	2.18%	2.11%	3.35%	2.13%	2.97%	2.47%	-0.23%	4.44%	0.8

Summary

Once again it is hard to take the headline numbers at face value. Indeed, the details show a real mixed bag of econom someone might conclude that some growth (albeit minor) remains even if realistic deflaters are applied to the nomina growth is neither robust nor driven by sustainable growth in consumer disposable income. On the flip side, inventory a formula for long term economic success, and a strengthening dollar is not likely to continue to benefit both imports manner seen in this report.

And unfortunately there remains the broader issue of how much we should rely on the BEA as a source of useful real information. The fact that the headline rate of annualized economic growth was revised upward by 50% after only 29 major "red-flag" pointing to something seriously loose inside their numbers. If you are searching for something you c Washington, this is probably not a good place to start looking.