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FIRST QUARTER 1980
GROSS NATIONAL PRODUCT (PRELIMINARY)

Gross national product -- the market value of the Nation's output of goods and services -- increased \$63.4 billion or 10.7 percent at a seasonally adjusted annual rate in the first quarter of 1980 to \$2,520.3 billion, according to preliminary figures released by the Bureau of Economic Analysis, U.S.

Department of Commerce. In the fourth quarter of 1979, GNP increased \$60.4 billion or 10.5 percent.

Real output (GNP adjusted for price changes) increased 1.1 percent at an annual rate in the first quarter, compared with 2.0 percent in the fourth. The slowdown in the rate of growth was attributable to final sales, which increased 1.5 percent, compared with 3.6 percent in the fourth quarter. The slowdown in final sales was mainly accounted for by consumer purchases of nondurable goods, which decreased following a substantial increase in the fourth quarter, and by residential investment, which decreased more in the first quarter than in the fourth. Real inventory investment continued to decrease in the first quarter, but not by as much as in the fourth quarter.

Prices, as measured by the GNP fixed-weighted price index, rose 11.4 percent in the first quarter, compared with 9.4 percent in the fourth.

The Bureau emphasized that the first quarter estimates are based on preliminary and incomplete source data. Information on assumptions used for missing source data is available on request from the Bureau of Economic Analysis. Revised estimates based on more comprehensive data will be issued next month.

Final sales and inventory investment (current dollars)

Final sales increased \$64.4 billion in the first quarter, compared with \$69.5 billion in the fourth. Personal consumption expenditures, business fixed investment, and government purchases increased while residential investment and net exports decreased.

Inventory investment was \$4.5 billion in the first quarter, down \$1.1 billion from \$5.6 billion in the fourth. In the third quarter, inventory investment was \$14.5 billion.

Personal consumption expenditures

Personal consumption expenditures increased \$53.7 billion in the first quarter, compared with \$51.8 billion in the fourth. Purchases of durable goods increased \$5.6 billion, compared with \$2.8 billion. Purchases of nondurable goods increased \$22.3 billion, compared with \$26.0 billion. Expenditures on services increased \$25.9 billion, compared with \$22.9 billion.

Disposable (after-tax) personal income increased \$53.4 billion in the first quarter while personal outlays increased \$54.2 billion. As a result, personal saving decreased \$0.8 billion to \$58.9 billion, and the saving rate (saving as a percentage of disposable income) was 3.4 percent, about the same as in the fourth quarter.

Fixed investment

Business fixed investment increased \$6.4 billion in the first quarter, compared with \$3.4 billion in the fourth. The acceleration occurred in nonresidential producers' durable equipment purchases, which increased \$3.9 billion following a decrease of \$1.6 billion. Nonresidential construction outlays increased \$2.4 billion, compared with \$5.2 billion. Residential investment outlays decreased \$3.7 billion, compared with an increase of \$0.4 billion.

Net exports

Net exports of goods and services decreased \$9.1 billion in the first quarter, compared with a decrease of \$9.6 billion in the fourth. Exports increased by \$19.0 billion and imports by \$28.0 billion.

Government purchases

Federal Government purchases of goods and services increased \$8.9 billion in the first quarter, compared with \$15.5 billion in the fourth. Defense spending increased \$5.0 billion, compared with \$5.6 billion. Nondefense spending increased \$3.9 billion, compared with \$9.9 billion. The slowdown reflected a smaller increase in net purchases of agricultural products by the Commodity Credit Corporation in the first quarter than in the fourth. State and local government purchases increased \$8.2 billion, compared with \$7.9 billion.

Implicit price deflator

The GNP implicit price deflator rose 9.5 percent in the first quarter, compared with 8.4 percent in the fourth. Changes in the implicit price deflator reflect changes in prices and in the composition of output. Changes in the fixed-weighted price index reflect only changes in prices.

Definitions

Measures of price change

The fixed-weighted price index uses as weights the composition of output in 1972. Accordingly, comparisons over any time span reflect only changes in prices.

The implicit price deflator is a weighted average of the detailed price indexes used in the deflation of GNP. In each period, it uses as weights the composition of constant-dollar output in that period. Changes in the implicit price deflator reflect both changes in prices and changes in the composition of output.

The chain price index uses as weights the composition of output in the prior period, and therefore, reflects only changes in prices between the two periods. However, comparisons of the percent changes in the chain index reflect changes in composition of output.

GNP and personal income statistics are shown in the accompanying table. Additional data will appear in the April issue of the Survey of Current Business, a monthly journal of the Bureau of Economic Analysis.

The Survey of Current Business is available from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402. First class mail: annual subscription \$35.00 domestic. Second class mail: annual subscription \$22.00 domestic, \$27.50 foreign; single issue \$1.90 domestic, \$2.40 foreign.

Reliability of the Estimates

The GNP figures issued in the month after the end of the quarter are based on preliminary and incomplete source data. They are revised as more comprehensive and final data become available. The first revision is made one month after the preliminary figures are issued, and a second revision is made one month later. The figures also are subject to further revisions in the following three years, usually in the month of July. The table below provides summary measures of the amount of revision in past years in quarterly percent changes in GNP, real GNP, and the GNP implicit price deflator. These measures provide some guidelines in assessing the likely size of the revisions in the estimates for the current quarter. For example, nine of 10 times the revision between the estimate of the quarterly change in the preliminary estimate of real GNP and that in the following July has been within a range of -1.8 to +2.0 percentage points as shown by the range from the 5th to 95th percentile. Thus, based on past experience, it is likely that the first quarter change in real GNP now estimated at 1.1 percent at an annual rate will not be revised above 3.1 or below -0.7 in the first July revision.

The second revision of GNP was introduced in December 1977. There are not yet enough observations to compute the likely size of the revisions between the first and second revised estimates and between the second revised and July estimates. It is expected, however, that these revisions will be smaller than those between the preliminary and first revised estimates and between the first revised and July estimates.

The summary measures for the GNP implicit price deflator also indicate the likely revisions in the two other GNP price indexes.

	Revision in Quarter-to-Quarter Percent Changes at Annual Rate		
	Average, without regard to sign	Range of revision between specified percentiles	
		25 to 75	5 to 95
Current-dollar GNP			
Preliminary/ 1st revision	.5	-.1 to + .6	-.4 to + 1.3
Preliminary/ 1st July	1.0	-.3 to +1.3	-1.4 to + 2.2
Preliminary/ 3rd July	1.4	-.2 to +1.8	-1.3 to + 3.0
First revision/ 1st July	.8	-.2 to + .6	-1.4 to + 1.5
First revision/3rd July	1.1	-.3 to +1.4	-1.4 to + 2.3
Real (constant-dollar) GNP			
Preliminary/ 1st revision	.5	-.3 to + .4	-.8 to + 1.1
Preliminary/ 1st July	1.0	-.5 to +1.1	-1.8 to + 2.0
Preliminary/ 3rd July	1.4	-.7 to +1.5	-2.1 to + 3.4
First revision/ 1st July	.9	-.6 to + .9	-1.5 to + 1.9
First revision/ 3rd July	1.4	-1.0 to +1.7	-2.0 to + 2.9
GNP implicit price deflator			
Preliminary/ 1st revision	.3	-.1 to + .3	-.3 to + .7
Preliminary/ 1st July	.5	-.2 to + .6	-.7 to + 1.5
Preliminary/ 3rd July	.7	-.2 to + .7	-.7 to + 1.9
First revision/ 1st July	.5	-.2 to + .4	-1.1 to + .9
First revision/3rd July	.7	-.3 to + .6	-1.3 to + 1.8

NOTE: Measures are based on the period from 1964 to 1978. For additional measures, see Reliability of the Quarterly National Income and Product Accounts of the United States, 1947-1971, Bureau of Economic Analysis Staff Paper No. 23, July 1974. It is sold by the National Technical Information Service, U.S. Department of Commerce, Springfield, Virginia 22161: price \$6.00 please mention accession number COM 74-11538/AS.