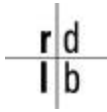


A Quick Look at the GDP Revisions

Robert F. Dieli, Ph.D.

July 30, 2010



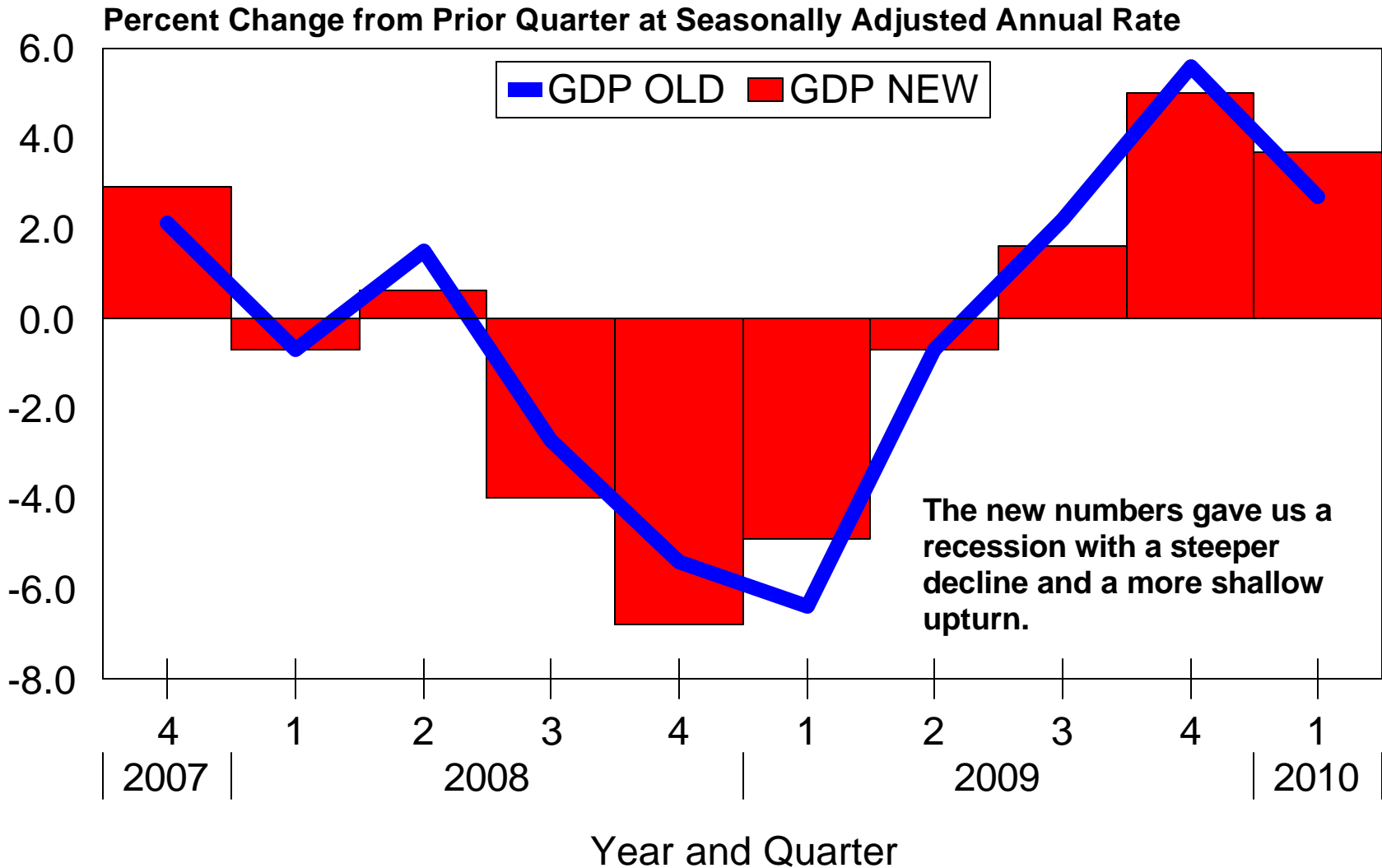
A quick look at the GDP revisions



- The Commerce Department released the latest GDP statistics this morning, along with the annual revisions to the prior three years' figures.
- Various stories on the newswires have characterized the second quarter GDP number as “disappointing” and “suggesting a slowdown.” I disagree.
- While the pace of growth in Headline GDP was slower in the second quarter than in the first, much of the difference can be traced to the rise in imports. And that rise was largely due to more imports of consumer goods. In the old days we would have been sourcing those sales from domestic production with positive effects on GDP, the fact that we no longer do so, leads to a rise in imports, which subtract from GDP.
- When we focus on Gross Domestic Activity (GDA) and Gross Private Domestic Activity (PVTGDA), a different picture emerges. A picture indicating that we continued to expand at a steady pace, well above that of Headline GDP.

Chart 1 -- Selected Measures of Aggregate Economic Activity

Real Gross Domestic Product = GDP

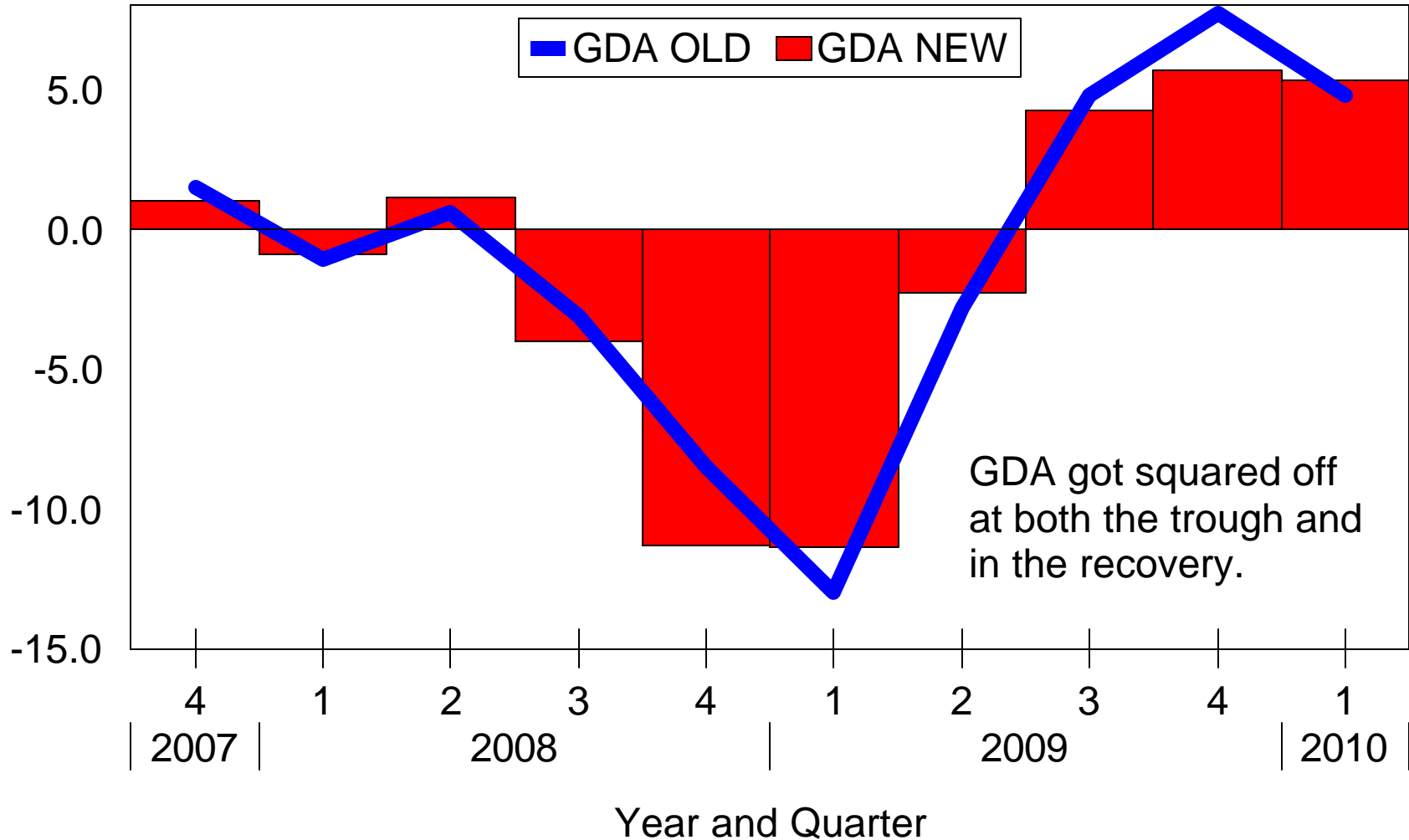


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Chart 2 -- Selected Measures of Aggregate Economic Activity

Real Gross Domestic Activity = GDA = GDP - Imports

Percent Change from Prior Quarter at Seasonally Adjusted Annual Rate

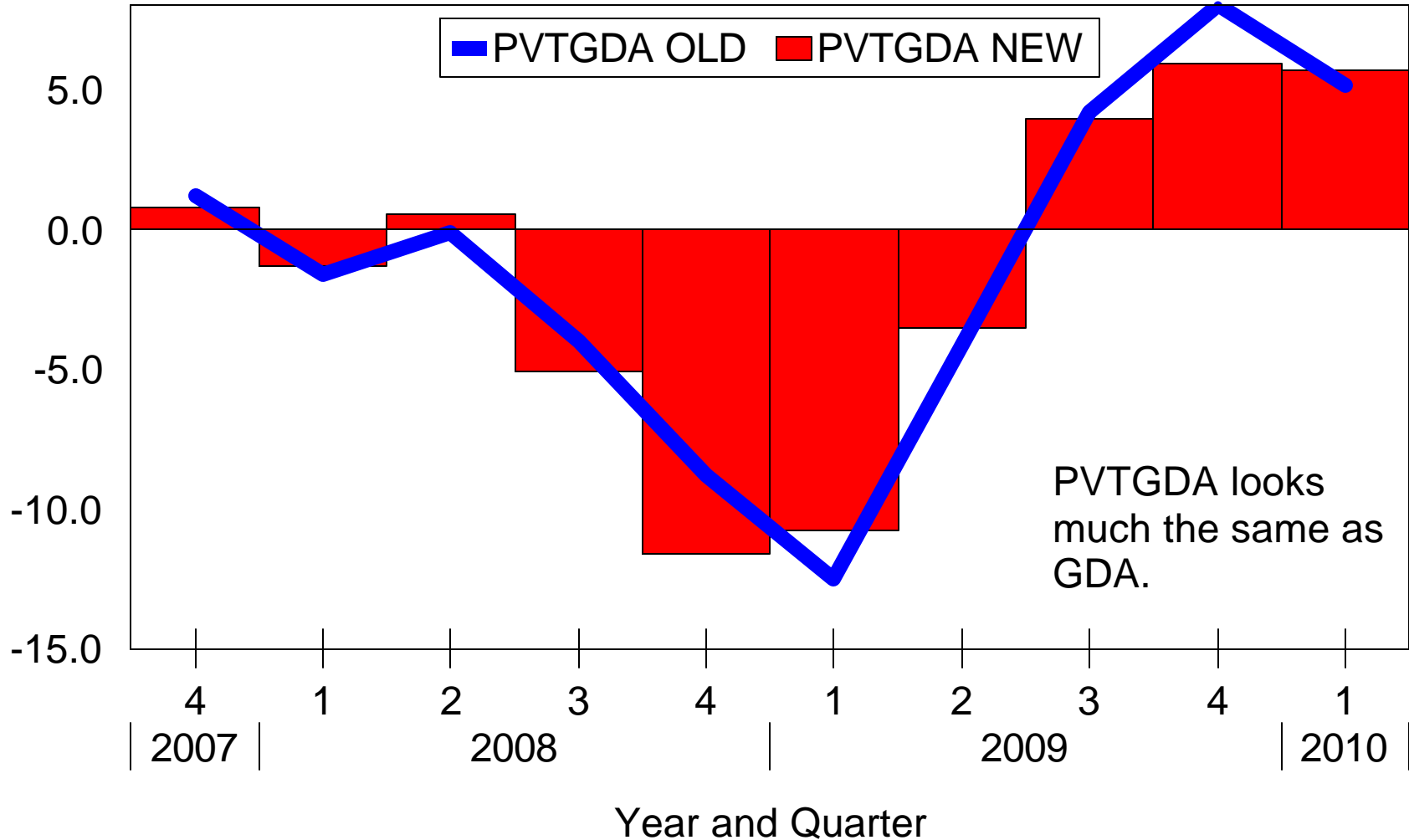


GDA got squared off at both the trough and in the recovery.

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Chart 3 -- Selected Measures of Aggregate Economic Activity
 Real Private Domestic Activity = PVTGDA = GDA - Government

Percent Change from Prior Quarter at Seasonally Adjusted Annual Rate

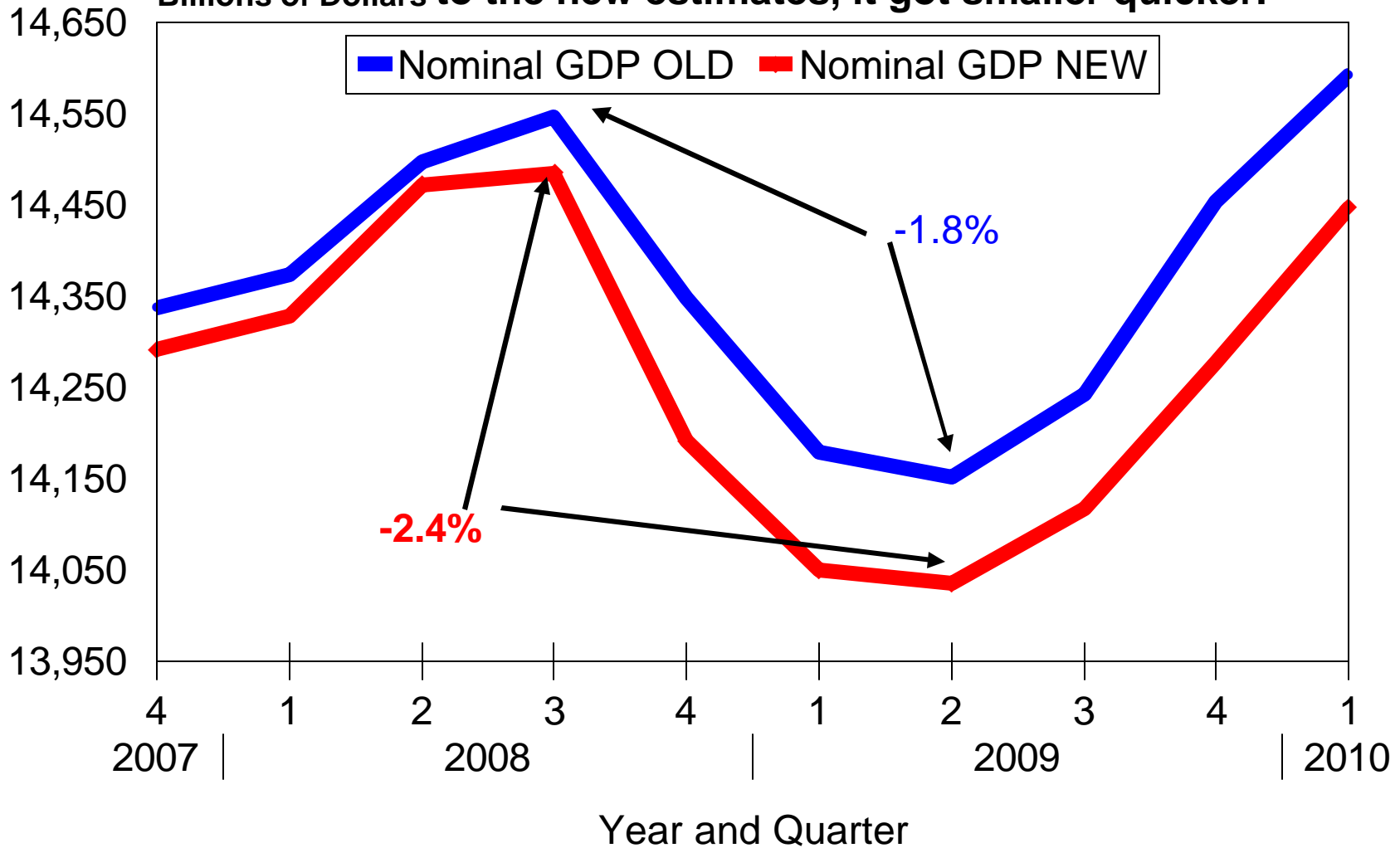


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Chart 4 -- Selected Measures of Aggregate Economic Activity



The economy not only got smaller, according to the new estimates, it got smaller quicker.
Billions of Dollars to the new estimates, it got smaller quicker.

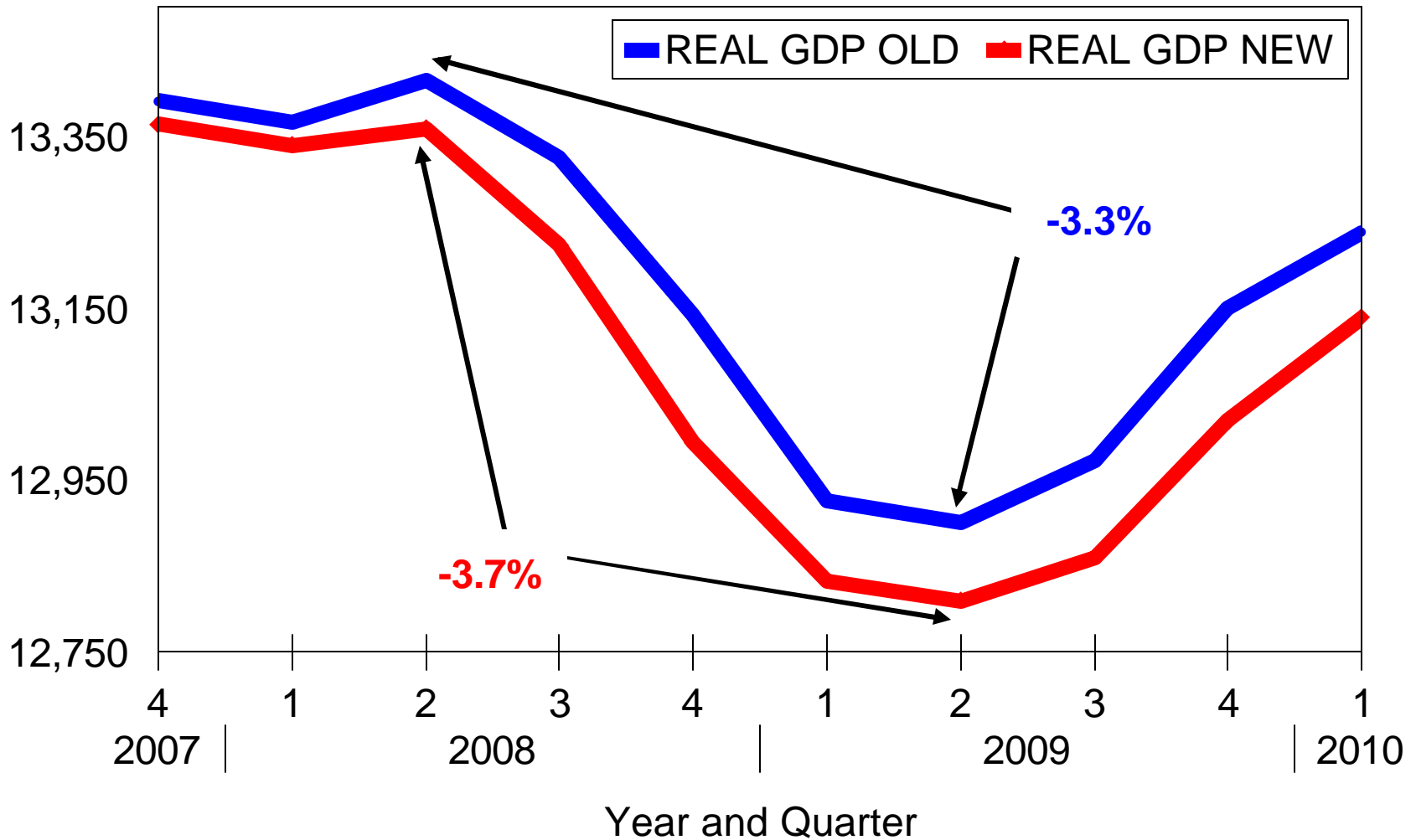


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Chart 5 -- Selected Measures of Aggregate Economic Activity



Billions of Chained 2005 Dollars **The same thing happened to Real GDP.**



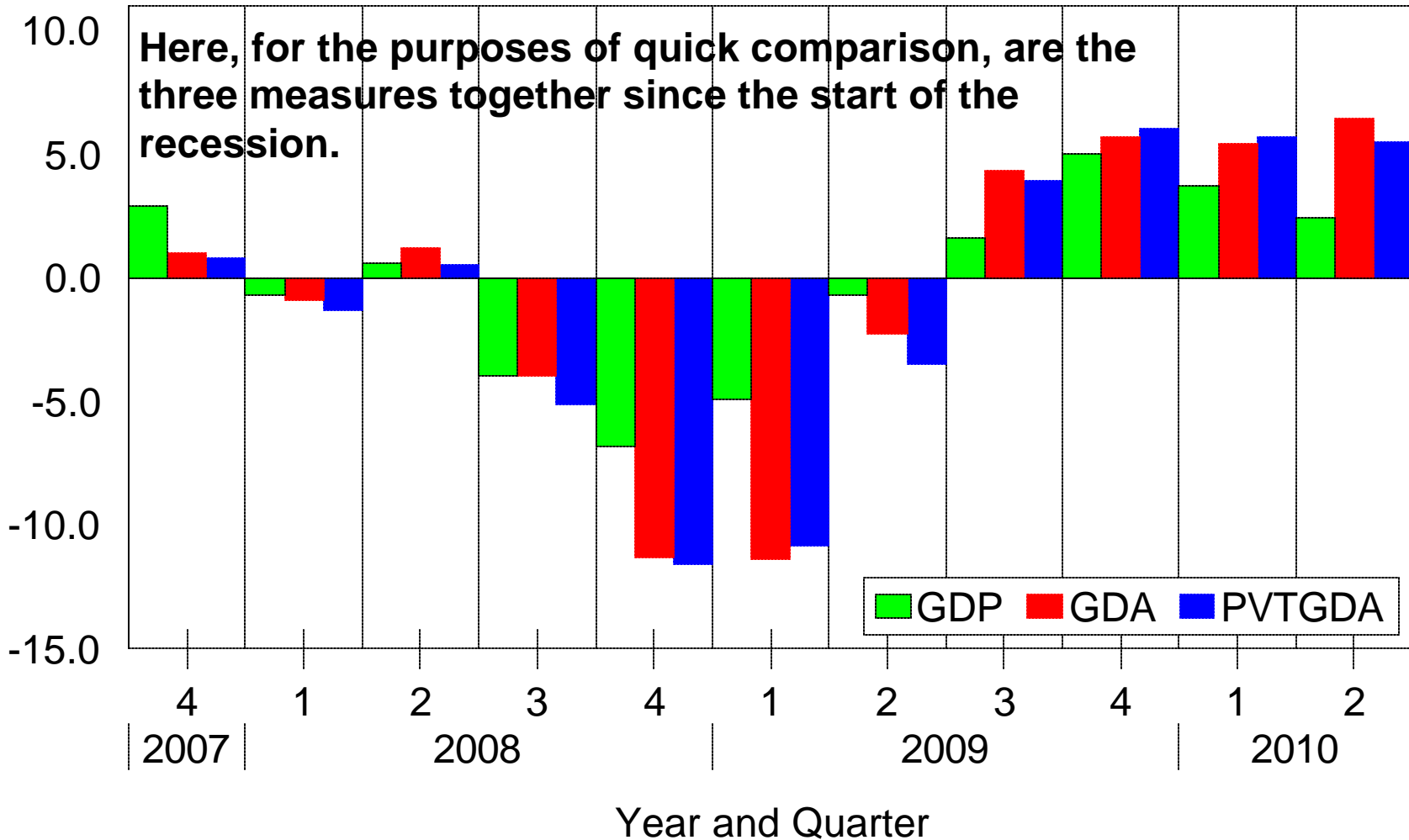
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Chart 6 -- Selected Measures of Aggregate Economic Activity

GDA = GDP - Imports; PVTGDA=GDA - Government



Percent Change from Prior Quarter at Seasonally Adjusted Annual Rate



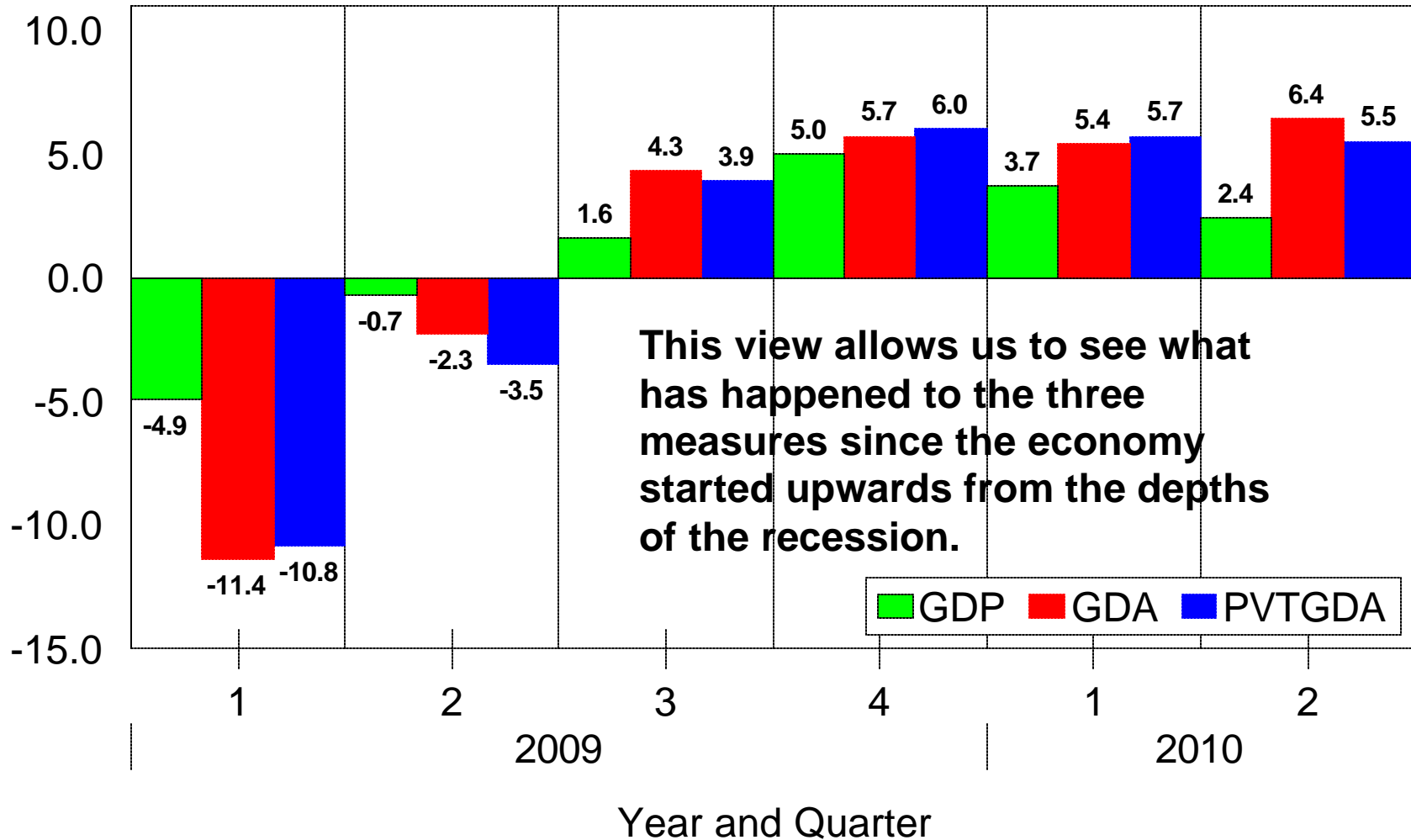
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Chart 7 -- Selected Measures of Aggregate Economic Activity

GDA = GDP - Imports; PVTGDA = GDA - Government



Percent Change from Prior Quarter at Seasonally Adjusted Annual Rate



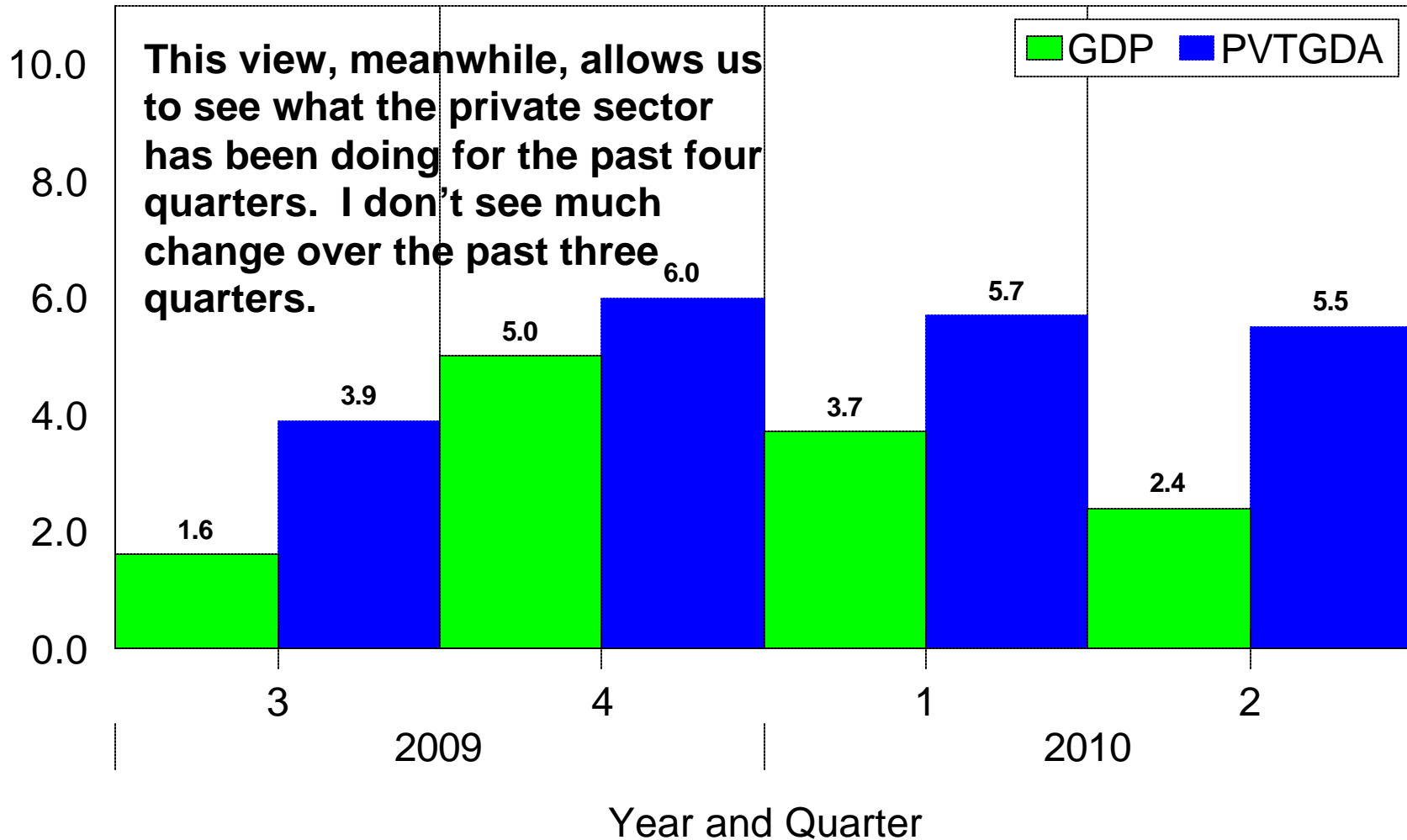
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Chart 7 -- Selected Measures of Aggregate Economic Activity

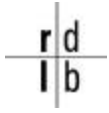
GDA = GDP - Imports; PVTGDA = GDA - Government



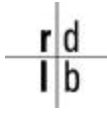
Percent Change from Prior Quarter at Seasonally Adjusted Annual Rate



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- I promised a quick look, so we will stop here.
- I am planning on doing more detailed work on the composition of PVTGDA, as well as some comparisons to other cycle troughs.
- With any luck the National Bureau of Economic Research will get around to announcing the official cycle trough date soon. It is hard to see, based on the latest GDP numbers, how they cannot think that the cycle trough occurred some time in the middle of 2009.
- Please let me know if you have any questions.



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