

## **Fiscal Facts: Real Gross Domestic Product Growth Second Quarter 2010**

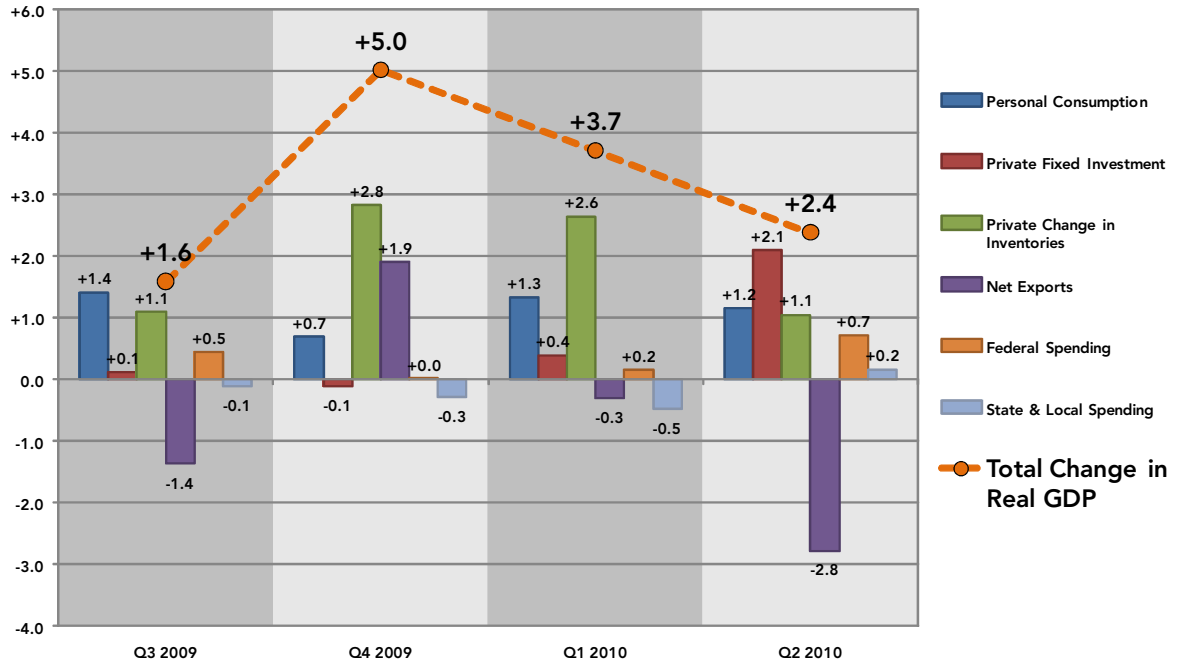
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On July 30, the Bureau of Economic Analysis released an “advance” estimate (subject to future revisions) of economic growth in the second quarter of 2010 and revised the previous estimate for growth in the first quarter of 2010. Key highlights from the release are detailed below.

- Real GDP grew at a 2.4 percent annual rate in the second quarter of 2010. This was lower than in the previous two quarters.
- Real GDP growth for the first quarter of 2010 was revised to a 3.7 percent annual rate, up from a previously-reported 2.7 percent.
- The breakdown of growth in real GDP shows that although private fixed investment grew robustly in the second quarter, imports overwhelmed exports and significantly slowed down GDP growth overall:
  - Personal consumption contributed 1.2 percentage points of the 2.4 percentage points in real GDP growth for Q2 of 2010, a growth rate roughly in line with the previous three quarters.
  - Private fixed investment contributed 2.1 percentage points, a dramatic increase from previous quarters.
  - Firms added less to their inventories this quarter than in previous quarters.
  - Net exports subtracted a substantial 2.8 percentage points from real GDP growth, with exports adding 1.2 percentage points to growth but imports subtracting 4.0 percentage points. This is a dramatic reversal from just two quarters ago when growth in net exports was a significant driver of the recovery.
  - Federal spending had its biggest contribution to real GDP growth in a year, adding 0.7 percentage points to second quarter 2010 growth.
  - Finally, state and local government spending, which had been a net negative contributor to GDP growth the previous three quarters, is now a small net positive, adding 0.2 percentage points to real GDP.

Figure 1  
**Components of Real (Inflation-Adjusted) GDP Growth**

Percentage Point Annualized Growth Rate in Real GDP



Source: Pew Analysis of Bureau of Economic Analysis Data