

Evidence on the Sources of Improved Economic Growth from the First to Second Quarter

The changes in the contributions to GDP growth from the first to the second quarter of 2009 are given below. The changes are stated in percentage points at annual rates.

Real GDP	5.7
Consumption	-1.1
Investment	5.9
Non Res Structures	1.6
Equipment	2.7
Inventories	0.9
Residential	0.7
Net Exports	-1.0
Government	1.9
Defense	1.0
Non Defense	0.2
State and Local	0.7

For example, real GDP growth was -6.4 in the first quarter and -0.7 in the second quarter, an improvement of 5.7 percentage points. Investment contributed -9.0 percentage points in the first quarter and -3.1 percentage points in the second quarter, an improvement of 5.9 percentage points in the contribution to real GDP growth. So private investment was by far the main reason for the improved growth, and there was little in the stimulus package for private investment. Consumption actually got worse despite the rebate payment part of the stimulus. Government spending contributed 1.9 percent, but more than half of that was defense spending which was not in the stimulus package.

You can also look at the money paid out using data from the stimulus. The numbers in billions of dollars in the first and second quarters are:

	Q1	Q2	Change
Federal Purchases	0.4	4.5	4.1
Grants to States and Local	11.3	17.7	6.4
Total	11.7	22.2	10.5

At an annual rate, this \$10.5 billion becomes \$42 billion, which is .3 percent of GDP. Hence, by this measure the stimulus spending could have contributed to .3 percent of the 5.7 percent improvement of GDP. So the story is the same. The stimulus package was not the reason that growth improved so much from the first to the second quarter.

The data on the contributions to GDP growth are found in Table 2, News Release, Gross Domestic Product, Second Quarter 2009 (Third Estimate), September 30, 2009, Bureau of Economic Analysis, Department of the Census.