

# Overall economy

The economy's need for workers originates in the demand for the goods and services that they provide. So, in order to project employment, BLS starts by estimating the value of the final goods produced and services provided in the United States for each year of the projections decade. This measure is called gross domestic product (GDP).

Then, BLS estimates the size—in inflation-adjusted dollars—of the five major categories of production. The categories are:

- ◆ **Personal consumption expenditures.** This category includes purchases made by individuals, including goods (such as automobiles, clothes, and food) and services (such as education, healthcare, and rental payments).

- ◆ **Gross private domestic investment.** This category includes business investment in equipment and software, the construction of factories and residential structures, and changes in business inventories.

- ◆ **Government consumption expenditures and gross investment.** This category includes goods and services bought by Federal, State, and local governments.

- ◆ **Exports.** These are goods and services produced in the United States and purchased in foreign countries.

- ◆ **Imports.** Imports are goods and services produced abroad and purchased in the United States. Because GDP measures production in the United States, the value of imports is subtracted from the other four

categories of GDP.

Finally, BLS breaks down these major categories into more detailed ones, such as the production of automobiles, medical services, and industrial equipment.

Changes in the level and composition of production will affect industry employment levels. For example, an increased level of business investment in computers will increase employment in the computer industry and in all those industries that provide inputs to the computer industry, such as electronic components. In turn, employment in occupations in those industries will also grow.

One chart shows a measure of productivity—the amount an employee produces per hour of work—over time. This type of productivity is calculated by first measuring total nonfarm output. It includes all of the goods and services purchased—and all of the additional goods and services used to make them. Then, total output is divided by total labor hours.

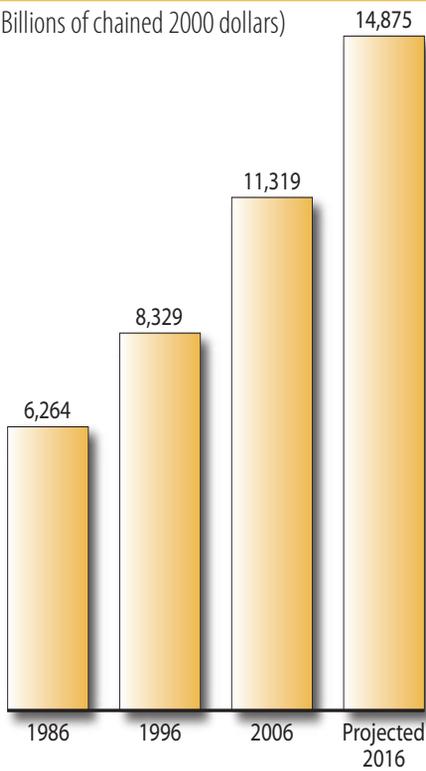
Unlike previous charts, the charts in this section show annual rates of growth instead of change over the entire projections decade. Annual rates are used here, in part, because they are the measure used for other economic indicators, including inflation.

To show changes in demand more accurately, dollar amounts in these charts are given not in current dollars but in 2000 chain-weighted dollars. This means that amounts have been adjusted for changing prices over time.



### GDP in 1986, 1996, 2006, and projected 2016

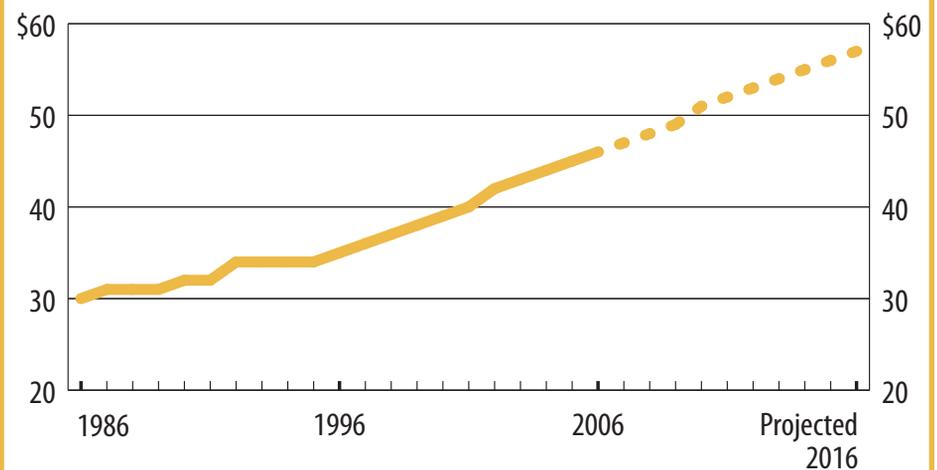
(Billions of chained 2000 dollars)



Steady growth in the amount of goods and services demanded (gross domestic product, or GDP) is projected.

### Productivity, 1986-2006 and projected 2006-16

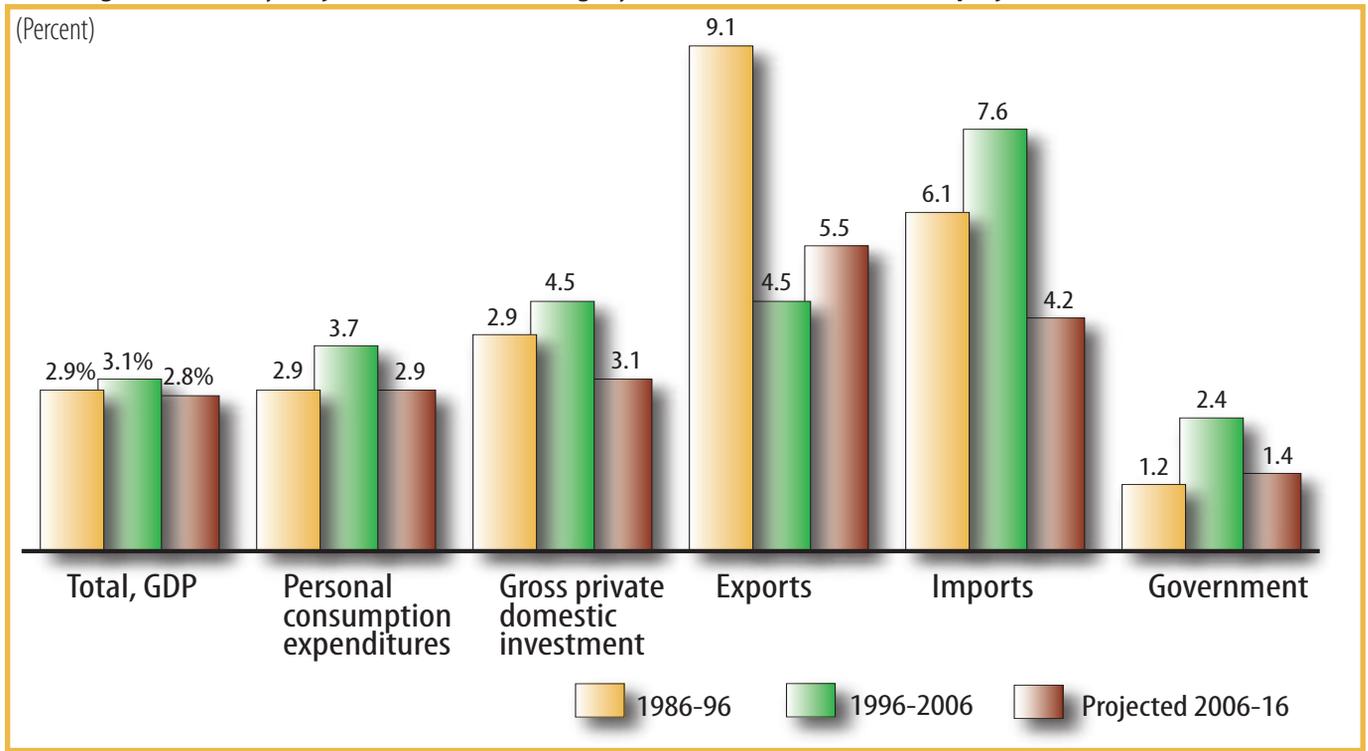
(Nonfarm business output per hour, in billions of chained 2000 dollars)



Growth in GDP is due, in part, to increasing productivity.

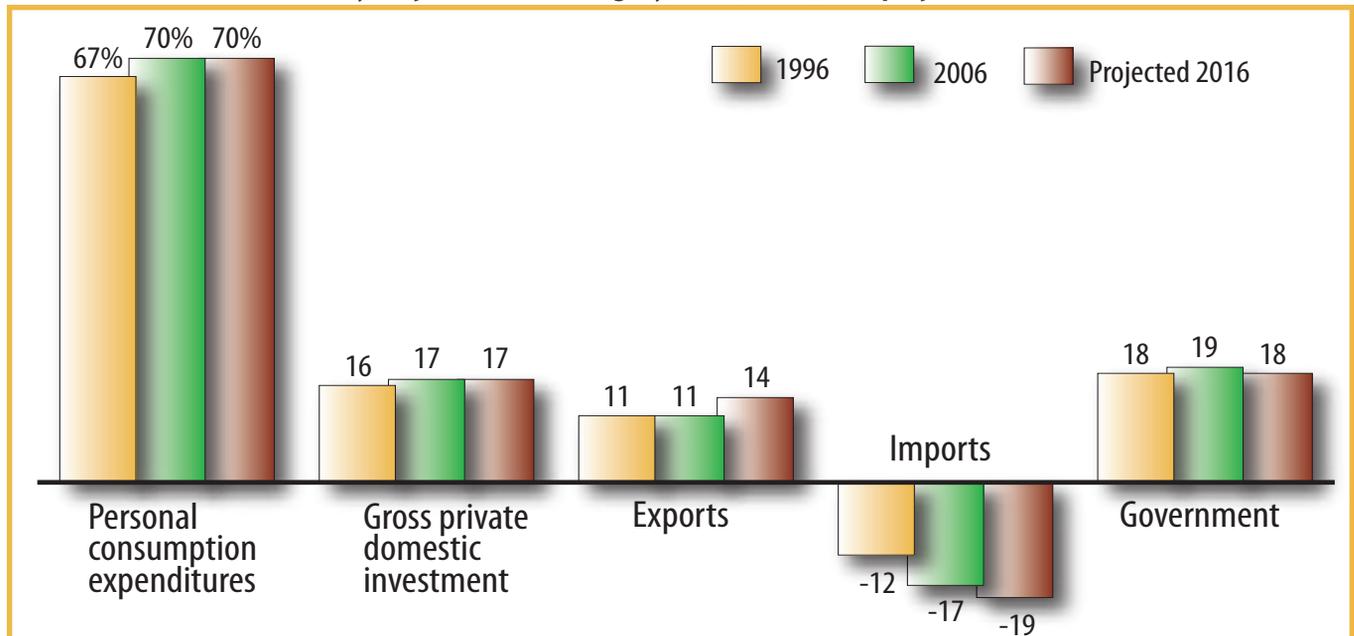
# Economic growth

Annual growth rate by major GDP demand category, 1986-96, 1996-2006, and projected 2006-16



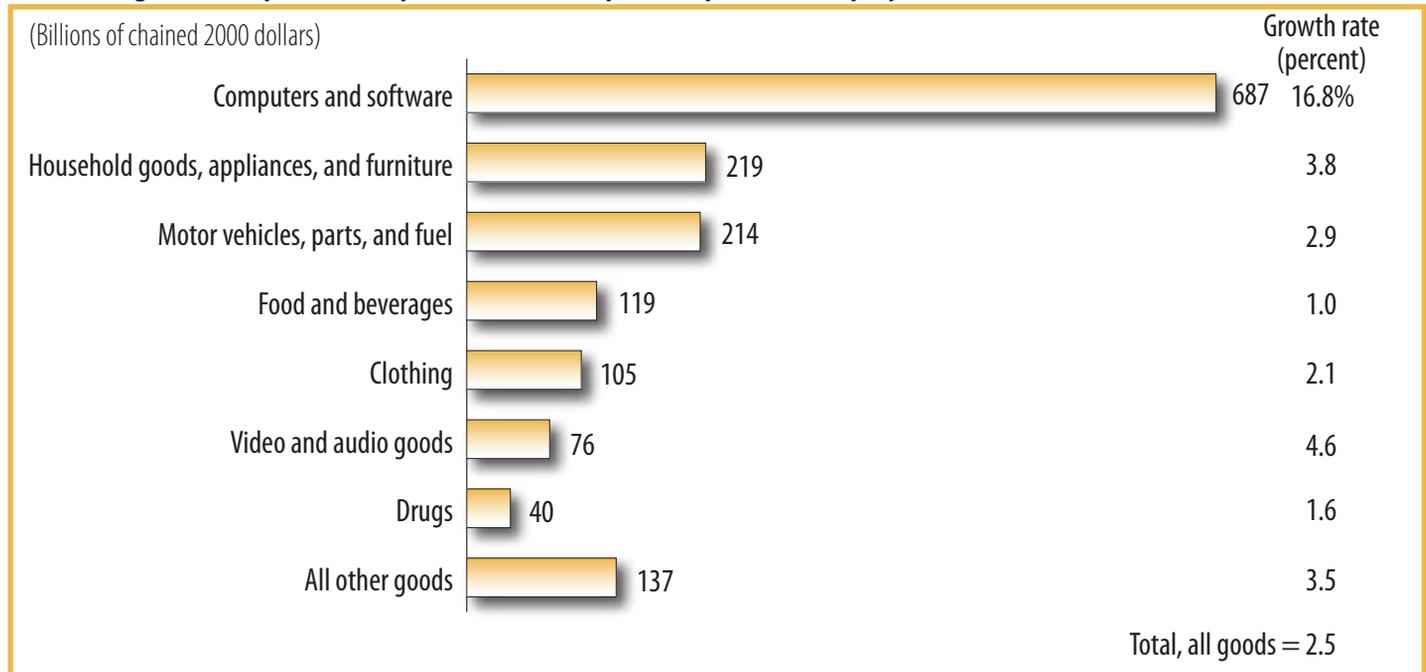
Imports are projected to increase an average of 4.2 percent annually between 2006 and 2016, significantly slower than their rate of increase during the previous decade.

Percent distribution of GDP by major demand category, 1996, 2006, and projected 2016



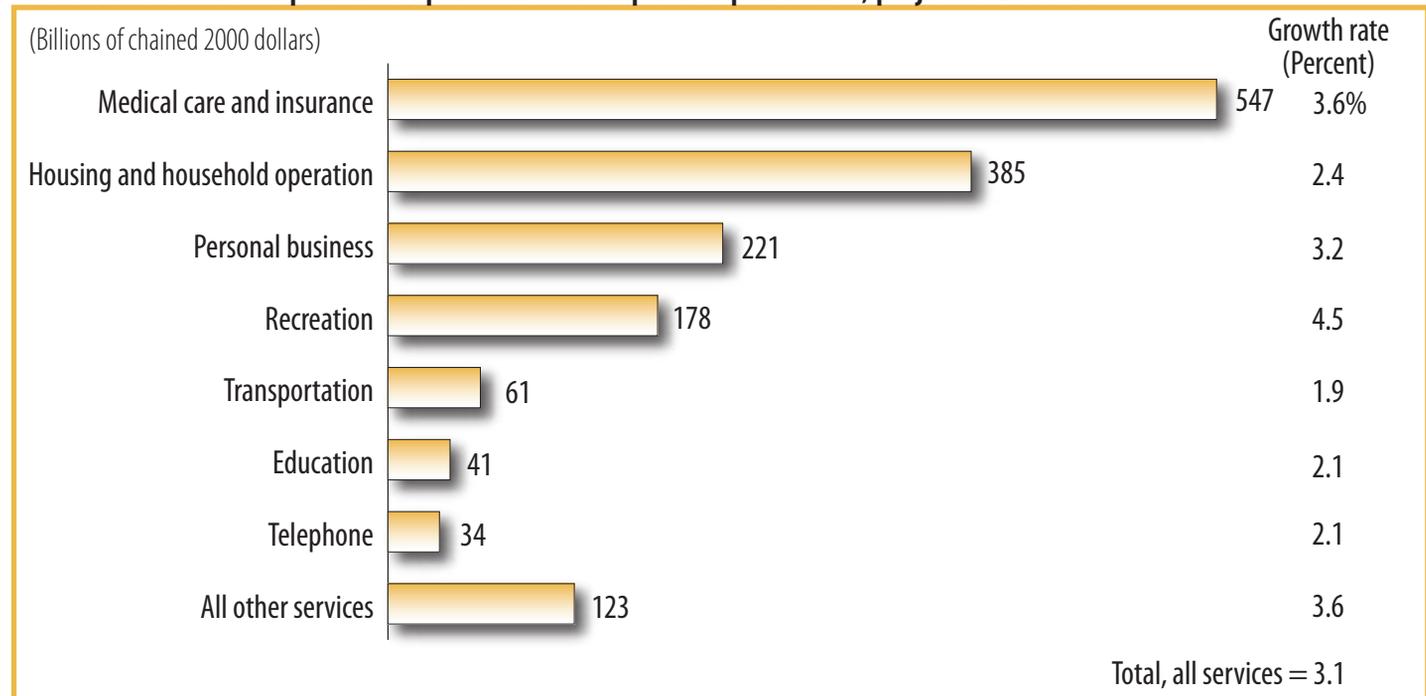
Exports are expected to increase their share of the GDP as demand for U.S. products abroad grows. Imports are shown as negative—and subtracted from the other components—because they are not produced in the United States.

## Growth in goods components of personal consumption expenditures, projected 2006-16



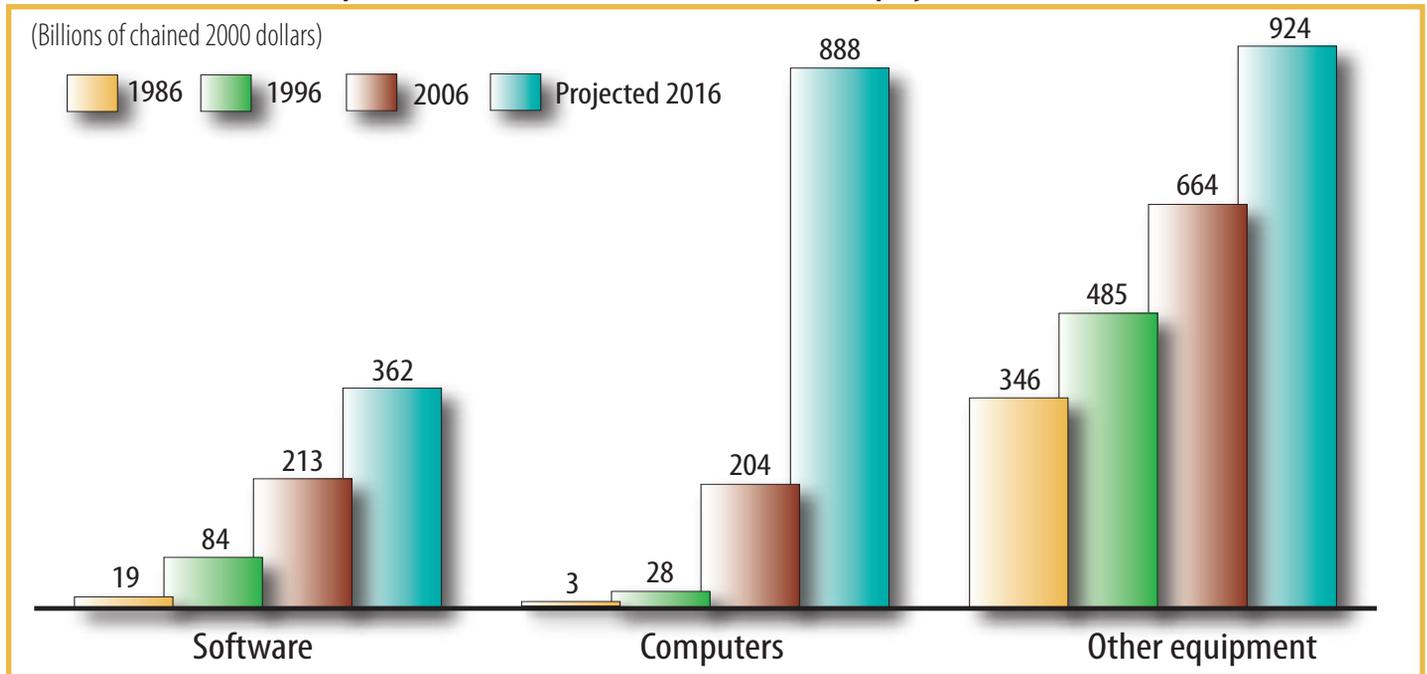
Of all goods components, computers and software expenditures are expected to have the largest and the fastest growth, much faster than the annual 2.5 percent overall growth rate for spending on all goods.

## Growth in services components of personal consumption expenditures, projected 2006-16



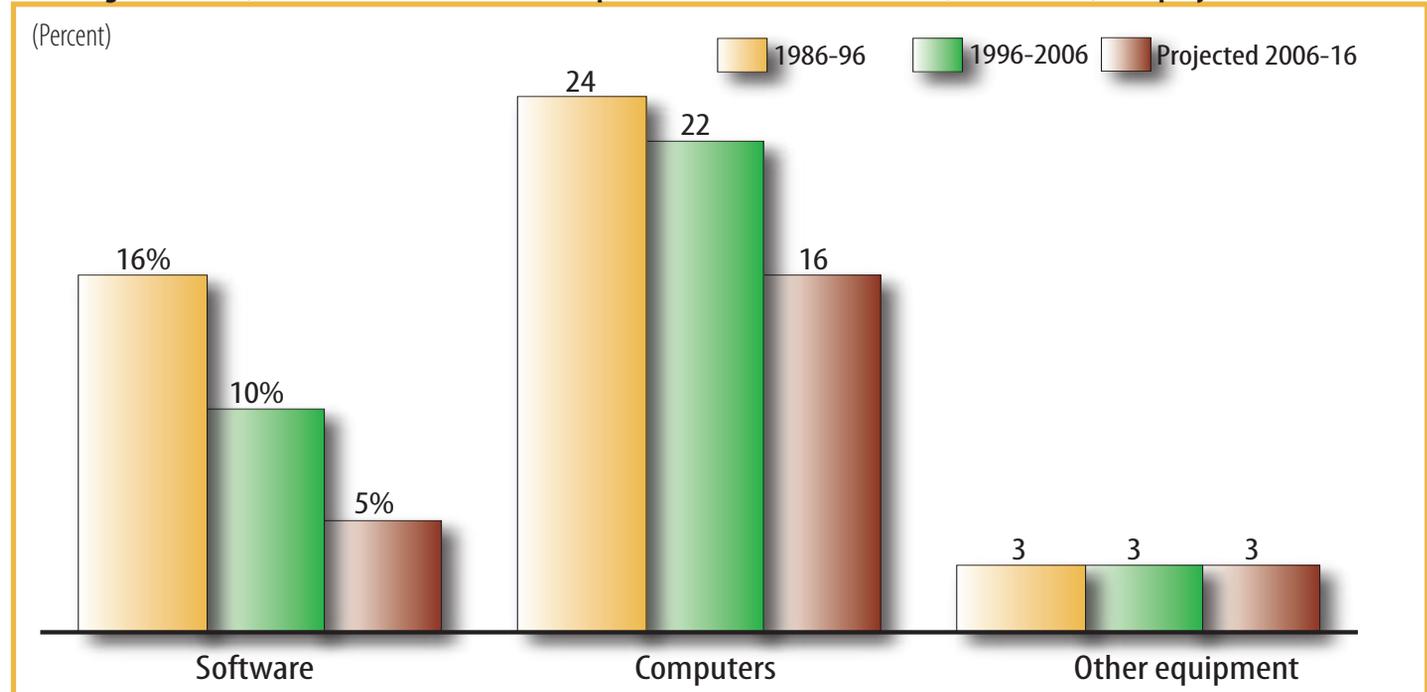
Of the services components, spending on medical care and insurance is expected to have the largest growth as the population ages. Recreation expenditures are expected to grow fastest due, in part, to retirees spending more time and money on leisure activities.

## Business investment in computers and software, 1986, 1996, 2006, and projected 2016



Business investment in computers has risen dramatically since 1986. Investment in software has also increased significantly. Growth in these investments is expected to continue.

## Annual growth rate, business investment in computers and software 1986-96, 1996-2006, and projected 2006-16



Even though investment in computers and software is projected to continue increasing substantially, the rates of increase are expected to slow. The annual rate of growth for computer investment is projected to drop from 22 percent between 1996 and 2006 to 16 percent during the 2006-16 decade. The rate of growth for investment in software is expected to fall from 10 to 5 percent annually.