

Trends in Consumer Spending, 1959–2000

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RISING consumer demand for goods and services has been a key element of U.S. economic growth over the past 40 years. Consumer spending, which is measured in the national income and product accounts as personal consumption expenditures (PCE), accounts for about two-thirds of total domestic demand, as measured by gross domestic purchases.¹

The major trends and developments in consumer spending over 1959–2000 include the following:

- Real consumer spending grew 3.6 percent, slightly faster than total domestic demand.² The consumer-spending share of domestic demand in current dollars increased from 62 percent to 65 percent.
- Services' share of consumer spending increased from 40 percent in 1959 to 58 percent in 2000, primarily reflecting increases in the shares of medical care services, financial services, recreation services, and education and research services.³
- The increased share of medical care services partly reflected an increase in third-party payments for these services—payments by health-insurance programs and public programs such as Medicare and Medicaid—and partly reflected the aging of the U.S. population.
- The increased share of financial services partly reflected an increase in the net worth of households and the growing portion of household assets accounted for by financial assets, such as pension fund reserves, stocks, mutual funds, and money market funds.

1. Gross domestic purchases—a measure of purchases by U.S. residents regardless of where the purchased goods and services were produced—is calculated as the sum of personal consumption expenditures, gross private domestic investment, and government consumption expenditures and gross investment; thus, gross domestic purchases includes imports of goods and services and does not include exports of goods and services.

2. Unless otherwise specified, all percent changes in this article are at average annual rates.

3. Financial services include brokerage charges, investment counseling, bank service charges, trust services, safe deposit, services furnished without payment by financial intermediaries except life insurance carriers, and expense of handling life insurance and pension plans.

- The increased share of recreation services partly reflected increased affluence that supported spending for newly available services, such as cable television and the Internet.
- The increased share of education and research services partly reflected an increase in the percent of the adult population that attended college.
- Nondurable goods' share of consumer spending decreased from 47 percent to 30 percent, reflecting declining shares of most categories.
- The decreased share of food reflected a large decrease in the share of food for meals prepared at home that more than offset a slight increase in the share of meals purchased away from home.⁴
- The decreased share of clothing and shoes reflected declining relative prices.
- In contrast, the share of prescription drugs increased, reflecting the development of new drugs, the increase in third-party payments from private health insurance and public programs such as Medicaid, and the aging of the population.
- Durable goods' share of consumer spending decreased from 13 percent to 12 percent, reflecting declining shares of new cars, household appliances, and furniture and bedding that more than offset increasing shares of new trucks and consumer electronics.
- The decreased share of household appliances and furniture and bedding partly reflected declining relative prices.
- The decreased share of new cars partly reflected declining relative prices and a shift in consumer preference to minivans and sport utility vehicles.
- The cyclical pattern of real consumer spending was less pronounced than that of business investment, mainly reflecting spending for ser-

4. In the NIPA's, food for meals prepared at home are "food purchased for off-premise consumption," and meals purchased away from home are "purchased meals."

vices, which increased in each of the six recessions.

- Despite services' moderate cyclical pattern and its growing share of PCE, PCE's cyclical pattern did not become less pronounced over time, largely because of the growing importance of services that are more sensitive to changes in income—such as financial services, recreation, and foreign travel by U.S. residents.

The remainder of this article discusses the growth in real PCE and its components from 1959 to 2000, the cyclical patterns in real PCE, and the changes in the composition of current-dollar PCE.

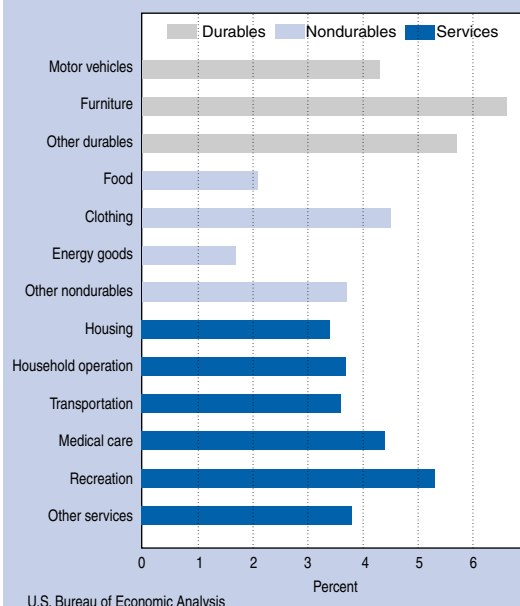
Long-term trends

From 1959 to 2000, real consumer spending grew 3.6 percent, slightly faster than the 3.5-percent growth rate of total domestic demand. Consumer spending increased 5.5 percent for durable goods, 3.8 percent for services, and 2.8 percent for non-durable goods (table 1 and chart 1).

The long-term trends in the growth of consumer spending reflected the interaction of many factors that influence consumer decision-making.

CHART 1

Average Annual Growth Rates of Components of PCE, 1959–2000



Personal Consumption Expenditures: Definition and Coverage

In the national income and produce accounts, personal consumption expenditures (PCE) is a major component of gross domestic product, which is measured as the sum of goods and services produced in the United States and purchased by final users. It is also a major component of gross domestic purchases, a measure of purchases by U.S. residents regardless of where the purchased goods and services were produced.

PCE measures the goods and services purchased by individuals and by the nonprofit organizations that serve them. These individuals and organizations consist of those in the United States who have resided, or expect to reside, in this country for 1 year or more. PCE also includes purchases by U.S. civilian and military personnel stationed abroad, regardless of the duration of their assignments, and by U.S. residents traveling or working temporarily abroad.

PCE consists primarily of market transactions and includes purchases from private business, from government enterprises, and from government agencies. The purchases from government agencies consist mainly of tuition payments for higher education, charges for medical care, and charges for water and sanitary services. PCE includes expenditures financed through certain government programs—primarily those that provide medical care to the elderly, poor, military dependents and retirees, and active-duty military personnel at nonmilitary facilities, and that provide aid to students and assistance for purchases of food and fuel.

PCE also includes imputed purchases that keep PCE invariant to the way in which certain activities are carried out, such as (1) whether housing and institutional struc-

tures and equipment are rented or owned, (2) whether employees are paid in cash or in kind, (3) whether farm products are sold or consumed on the farm, (4) whether saving, lending, and borrowing are direct or are intermediated, and (5) whether intermediated financial transactions involve an explicit or an implicit service charge. These imputations include the rental value of owner-occupied housing, employment-related imputations (including the value of food, lodging, and clothing received in kind by employees and the value of employer contributions to employee health insurance), farm products consumed on farms, and services furnished without payment by financial intermediaries except life insurance carriers.

PCE of nonprofit organizations serving individuals equals their operating expenses, including an imputed rental charge for the buildings and equipment that they own and use. The rental charge covers net interest (mortgage interest), indirect business taxes (property taxes), and consumption of fixed capital.

PCE differs in both coverage and definition from measures of household consumption, such as the Bureau of Labor Statistics' Consumer Expenditure Survey (CEX). Unlike the CEX, PCE coverage includes U.S. military personnel in the United States and abroad, employees of U.S. businesses abroad for 1 year or less, U.S. government civilian personnel stationed abroad, and nonprofit institutions serving individuals. In addition, the CEX is a measure of out-of-pocket spending, so it does not include imputations for housing and financial services, employment-related imputations except for the value of rent and meals as pay, and expenditures financed through government programs.

Table 1.—Average Annual Growth of Real PCE and of PCE Prices for 1959–2000, Average Contribution to Percent Change in Real PCE, and Components' Shares of Current-Dollar PCE

	Percent change in quantity index	Contribution to percent change in real PCE (percentage points)	Percent change in price index	Shares of current-dollar PCE (percent)			Percent change in quantity index	Contribution to percent change in real PCE (percentage points)	Percent change in price index	Shares of current-dollar PCE (percent)	
				1959	2000					1959	2000
Personal consumption expenditures	3.6	3.6	4.0	100.0	100.0	Domestic service	-.9	-.01	4.9	1.1	.3
Durable goods	5.5	.71	1.9	13.4	12.1	Other household operation services ⁹	2.7	.02	5.0	.7	.7
Motor vehicles and parts	4.3	.26	2.8	5.9	5.0	Transportation	3.6	.13	4.5	3.3	4.0
New vehicles	4.3	.18	2.5	4.2	3.1	User-operated transportation	3.9	.11	4.6	2.3	3.2
Autos	2.7	.11	2.4	4.1	1.5	Motor vehicle repair	3.3	.06	4.7	1.4	1.7
Trucks	11.4	.07	2.7	.1	1.6	Motor vehicle rental	3.7	.00	3.8	.0	.1
Net purchases of used vehicles	2.4	.03	5.6	.9	1.1	Motor vehicle leasing ¹⁰	21.4	.02	1.0		.6
Recreational vehicles ¹	9.6	.01	3.4	.0	.2	Other user-operated transportation ¹¹	2.8	.03	4.9	.9	.8
Tires, tubes, accessories, and other parts ..	5.7	.05	1.8	.7	.7	Purchased local transportation	-.4	.00	5.1	.6	.2
Furniture and household equipment	6.6	.33	.5	5.7	4.6	Mass transit systems	-.3	.00	5.0	.4	.1
Furniture and bedding	3.8	.05	2.6	1.5	1.0	Taxicab	-.2	.00	4.9	.2	.1
Household appliances	4.3	.04	1.0	1.3	.6	Purchased intercity transportation	4.9	.03	3.9	.4	.6
China, glassware, tableware, and utensils ..	4.1	.02	3.3	.5	.5	Railway	-2.4	.00	5.0	.1	.0
Consumer electronics	13.0	.17	-3.4	1.0	1.6	Bus	.1	.00	5.1	.1	.0
Televisions	9.5	.04	-2.4	.5	.4	Airline	6.5	.03	3.7	.2	.5
Video equipment and media ²	25.9	.02	-5.6		.2	Other ¹²	7.5	.00	5.2	.0	.1
Audio equipment and musical instruments ³	8.3	.05	-.3	.5	.3	Medical care	4.4	.42	5.9	5.2	14.8
Computers and peripherals ²	69.4	.05	-19.4		.4	Physicians	3.5	.09	5.9	1.7	3.6
Software ²	65.8	.01	-16.8		.1	Dentists	2.9	.02	5.7	.6	.9
Other durable house furnishings ⁴	4.9	.06	2.1	1.3	1.0	Home health care	12.0	.02	5.4	.0	.7
Other durable goods	5.7	.12	2.7	1.8	2.5	All other professional medical services ¹³ ..	5.8	.05	5.3	.4	1.5
Ophthalmic and orthopedic equipment	5.1	.01	3.9	.2	.3	Hospitals	4.6	.17	6.0	1.8	5.9
Wheel goods and sporting equipment	6.3	.05	2.1	.6	.9	Nursing homes	8.5	.04	5.5	.1	1.2
Jewelry and watches	6.2	.05	2.1	.6	.8	Health insurance	2.7	.02	6.6	.5	1.0
Books and maps	4.0	.01	4.4	.3	.5	Recreation	5.3	.14	4.0	2.0	3.9
Nondurable goods	2.8	1.05	3.7	46.7	29.7	Motion picture admissions	-.3	.00	5.4	.3	.1
Food	2.1	.41	4.0	25.4	14.1	Live entertainment, excluding sports	3.7	.00	5.2	.1	.2
Food and alcohol purchased for consumption at home	1.8	.25	3.7	19.1	8.3	Spectator sports	4.3	.01	4.0	.1	.1
Food and alcohol purchased for consumption away from home	3.0	.17	4.7	5.5	5.7	Radio and television repair	1.7	.00	2.2	.3	.1
Food furnished to employees (including military) and food produced and consumed on farms	-.8	.00	4.3	.8	.1	Casino gambling	10.5	.02	4.2	.0	.7
Clothing and shoes	4.5	.28	1.7	8.3	4.9	Cable television	16.8	.02	4.9	.0	.6
Shoes	3.4	.03	2.4	1.4	.7	Lotteries	21.4	.01	4.3	.0	.2
Women's and children's clothing and accessories	5.0	.17	1.3	4.5	2.7	Video rental ¹⁴	20.0	.01	-.4		.1
Men's and boys' clothing and accessories ..	4.3	.08	2.1	2.4	1.5	Internet service providers ¹⁵	76.9	.01	-3.8		.2
Energy goods	1.7	.06	4.4	4.8	2.7	Other recreation services ¹⁶	3.8	.06	3.2	1.2	1.6
Gasoline and oil	2.4	.08	4.2	3.5	2.4	Other services	3.8	.46	5.0	9.3	15.6
Fuel oil and coal	-1.5	-.01	5.6	1.3	.3	Personal care ¹⁷	1.6	.02	4.6	1.9	1.1
Other nondurable goods	3.7	.29	3.9	8.2	8.1	Personal business	4.2	.27	5.4	4.3	9.5
Tobacco products	-.4	.00	6.6	2.1	1.1	Financial services	4.5	.23	3.6	2.9	7.7
Prescription drugs	6.6	.05	3.6	.6	1.6	Brokerage charges and investment counseling	6.8	.05	3.7	.4	1.2
Nonprescription drugs	4.6	.02	3.6	.4	.5	Bank service charges, trust services, and safe deposit box rental	5.8	.03	5.2	.3	1.0
Nondurable toys and sport supplies ⁵	7.0	.06	1.5	.7	1.0	Services furnished without payment by financial intermediaries except life insurance carriers	5.0	.11	5.6	1.2	4.0
Other ⁶	3.6	.16	3.6	4.4	3.9	Expense of handling life insurance and pension plans	3.1	.04	5.6	1.0	1.5
Services	3.8	1.87	4.7	39.9	58.1	Legal services	2.5	.02	6.5	.6	1.0
Housing	3.4	.50	4.2	14.2	14.2	Funeral and burial expenses	.8	.00	5.4	.4	.3
Owner-occupied nonfarm dwellings—space rent	3.8	.37	4.1	9.1	10.4	Other personal business ¹⁸	4.0	.02	4.9	.3	.5
Tenant-occupied nonfarm dwellings—rent ..	2.8	.11	4.1	3.9	3.1	Education and research	3.8	.07	5.4	1.3	2.4
Rental value of farm dwellings	-1.9	-.01	5.1	.6	.1	Higher education	3.4	.03	5.9	.6	1.2
Hotels and motels	3.4	.01	5.5	.3	.4	Private elementary and secondary schools	2.8	.01	5.2	.3	.4
Other housing services ⁷	2.5	.01	4.7	.1	.2	Private nursery schools	7.7	.00	4.6	.0	.1
Household operation	3.7	.23	3.8	5.9	5.7	Commercial and vocational schools	5.3	.02	4.6	.2	.5
Electricity	4.0	.07	3.6	1.5	1.5	Foundations and nonprofit research	5.4	.01	4.4	.1	.2
Gas	1.2	.01	5.2	.9	.6	Religious and welfare activities	4.6	.10	4.4	1.6	2.7
Water and other sanitary services	3.4	.02	5.8	.4	.7	Net foreign travel		.00		.3	-.2
Telephone and telegraph	7.1	.12	1.5	1.3	1.9	Foreign travel by U.S. residents	5.7	.05	3.4	.7	1.2
Cellular telephone ⁸	51.8	.02	-3.9		.4	Less: Expenditures in the United States by nonresidents	6.9	-.05	4.5	.3	1.4
Local telephone	4.8	.04	2.5	.7	.7						
Long distance telephone	7.7	.06	.4	.6	.7						

¹ Includes motor homes and nonmotor trailers.² Changes from 1977 to 2000; no expenditures are recorded before 1977.³ Includes audio equipment; records, tapes and disks; and musical instruments.⁴ Includes such house furnishings as floor coverings, comforters, quilts, blankets, pillows, picture frames, mirrors, art products, portable lamps, and clocks. Also includes writing equipment and hand, power, and garden tools.⁵ Includes toys, dolls, games, sport supplies, ammunition, and film and photo supplies.⁶ Toilet articles, medical supplies, gynecological goods, stationery and writing supplies, net foreign remittances, magazines, newspapers, sheet music, flowers, seeds, potted plants, cleaning and polishing preparations, textile house furnishings, lamp shades, brooms, and brushes.⁷ Includes clubs, schools, and other group housing.⁸ Changes from 1985 to 2000; no expenditures are recorded before 1985.⁹ Includes maintenance services for appliances and house furnishings, moving and warehouse expenses, postage and express charges, premiums for fire and theft insurance on personal property less benefits and dividends, and miscellaneous household operation services.¹⁰ Changes from 1984 to 2000; no expenditures are recorded before 1984.¹¹ Includes other motor vehicle services; bridge, tunnel, ferry, and road tolls; and premiums less benefits and dividends for motor vehicle insurance.¹² Includes baggage charges, coastal and inland waterway fares, travel agents' fees, and airport bus fares.¹³ Includes medical laboratories, eye examinations, and all other professional medical services.¹⁴ Changes from 1982 to 2000; no expenditures are recorded before 1982.¹⁵ Changes from 1988 to 2000; no expenditures are recorded before 1988.¹⁶ Includes other commercial participant amusements, clubs and fraternal organizations; sightseeing; private flying; bowling and billiards; pari-mutuel net receipts; pets and pets services excluding veterinarians; veterinarians; film developing; photo studios; sports and recreational camps; and high school recreation.¹⁷ Includes cleaning, storage, and repair of clothing and shoes; barbershops, beauty parlors, and health clubs; and watch, clock, and jewelry repair, costume and dress suit rental, and miscellaneous personal services.¹⁸ Includes current expenditures (including consumption of fixed capital) of trade unions and professional associations, employment agency fees, money order fees, spending for classified advertisements, and tax return preparation services.

NOTE.—For each component, the contribution to change in real PCE for 1959–2000 was calculated as the mean of the component's annual contributions to change in real PCE.

Among these, increasing affluence, changing demographics, technological innovations, and changing tastes and lifestyles were particularly important.

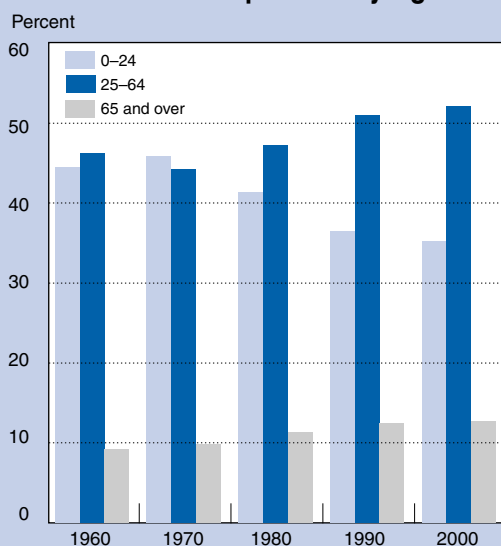
Increasing real incomes, accumulation of household assets, and consumers' willingness to take on more debt resulted in higher spending on discretionary items relative to spending on basic necessities. In 1959–2000, real per capita disposable personal income (DPI) grew at an annual rate of 2.3 percent; this growth partly reflected demographic changes, as workers matured into their more productive earning years and as labor force participation rates rose because more women worked outside the home (charts 2 and 3). Over the period, the net worth of households increased at an annual rate of 7.9 percent, about double the increase in PCE prices. The share of household assets accounted for by pension fund reserves, corporate equities, mutual funds, and money market funds nearly doubled from 23 percent to 42 percent; the share of families that owned stocks directly or indirectly increased from 11 percent to 52 percent. The ratio of consumer credit to DPI rose from 16.3 percent to 22.5 percent.

Much of the increase in discretionary spending was for home furnishings, motor vehicles, recreation (including home entertainment activities and recreation away from the home), brokerage charges and investment counseling (largely reflecting the increases in household financial assets), intercity travel (particularly by air), and electricity

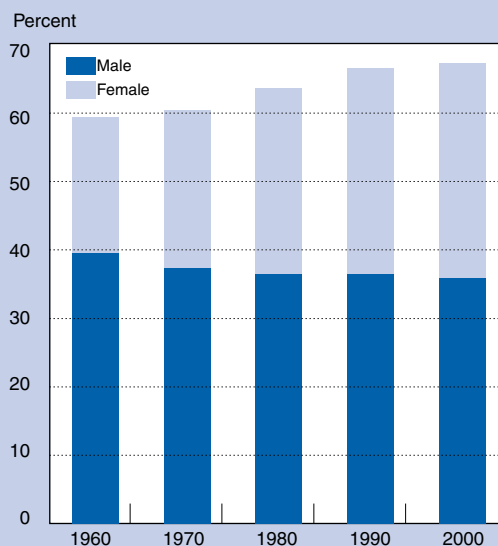
(for air conditioning, household appliances, audio and video equipment, and computers). The trends toward a more mature American population and increased affluence led to higher home-ownership rates and to higher spending for home furnishings (chart 4). In addition, increased third-party payments from private health insurance and public programs including Medicare and Medicaid, and the increased number of elderly contributed to higher spending for medical care—including home health care, nursing homes, and prescription drugs.

Technological innovations resulted in a proliferation of newly available goods and services, including cable television, computers, new electronic toys and games, cellular telephone services, video equipment, Internet services, video rentals, and newly developed medical services and prescription drugs. For example, three-fourths of households had cable and satellite television by 2000, and one-half had Internet service. Innovations also lowered the relative prices of many of these new goods and services and of some of the more established goods and services (such as audio equipment and long-distance telephone services) and thus affected consumer spending patterns; of special note, computer prices decreased at an annual rate of 19.4 percent from 1977 to 2000.

Changes in spending patterns also reflected changes in consumer tastes and lifestyles. For example, a more affluent and active population ate

CHART 2
Shares of Total Population by Age Groups


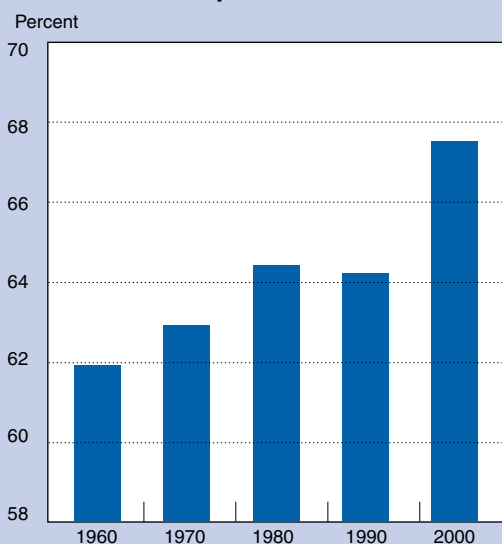
Data: U.S. Bureau of the Census
U.S. Bureau of Economic Analysis

CHART 3
Labor Force Participation Rate


Note.—Civilian labor force age 16 years and older as percent of total civilian population age 16 years and older.
Data: U.S. Bureau of Labor Statistics
U.S. Bureau of Economic Analysis

CHART 4

Home Ownership Rates



Note.—Percent of U.S. households owning their homes.
Data: U.S. Bureau of the Census
U.S. Bureau of Economic Analysis

more meals away from home and bought vehicles, such as minivans and sport utility vehicles, that were more versatile than the traditional family car. Families spent more on child-care services. Faster growth in population and employment in suburban areas led to higher spending for user-operated transportation and to lower spending for mass transportation.⁵ Faster growth in the population in the southern and western regions of the country led to higher spending for air-conditioning and for activities associated with warmer climates. Consumers spent more on recreational activities—particularly on casino gambling, lotteries, sightseeing, and amusement parks.

Cyclical patterns

The cyclical pattern of consumer spending was less pronounced than that of total domestic demand, largely reflecting the more moderate cyclical movements of services, which increased in each of the six recessions (table 2). Housing increased in all of the recessions, and medical care, household operations, and recreation increased in all but one.

In light of services' moderate cyclical pattern and its growing share of PCE, one might expect the cyclical pattern of PCE to have become less pronounced over time. However, that was not the case, partly because of the growing importance of services that are more sensitive to changes in in-

come—services such as brokerage charges and investment counseling, recreation, airline services, and foreign travel by U.S. residents.

Of the major PCE components, durable goods had the most pronounced cyclical pattern. In particular, motor vehicles fell sharply in recessions and increased strongly in expansions. For most recessions, durable goods tended to turn down before the recession began, while nondurable goods and services did not.

Current expansion.—In the current expansion (which began in the second quarter of 1991), real consumer spending has increased at an annual rate of 3.8 percent. This rate of growth has been slower than those in all but the short 1980–81 expansion; the slower growth has been mainly attributable to slower growth in services. In the current expansion, as in most of the previous expansions, the growth rate of consumer spending has been slightly less than that of total domestic demand.

Durable goods has increased 7.3 percent, a little less than its average for expansions. The largest increases have been in computers (51.0 percent), software (40.4 percent), video goods (13.4 percent), new trucks (8.9 percent), wheel goods and sporting equipment (8.0 percent), and jewelry and watches (7.7 percent).

Nondurable goods increased 3.4 percent, about half a percentage point above its average for expansions. The largest increases have been in toys and sport supplies (9.7 percent), clothing and shoes (6.1 percent), and prescription drugs (6.0 percent).

Services increased 3.3 percent, about half a percentage point below its average for expansions. The slow growth has been largely accounted for by housing services (2.0 percent) and medical care

Table 2.—Average Annual Growth Rates for Real Gross Domestic Purchases and Real Personal Consumption Expenditures During Recessions and Expansions

[Percent]

	Gross domestic purchases	Personal consumption expenditures			
		Total	Durable goods	Non-durable goods	Services
Recessions:					
1960:II-1961:I	-1.4	-0.5	-12.0	0.0	2.7
1969:IV-1970:IV	-0.3	1.7	-7.6	2.7	3.6
1973:IV-1975:I	-3.8	-0.8	-7.7	-2.0	2.3
1980:I-1980:III	-7.5	-2.6	-13.4	-3.0	0.8
1981:III-1982:IV	-1.5	1.9	1.2	1.6	2.4
1990:II-1991:I	-2.9	-1.2	-9.9	-1.3	0.7
Expansions:					
1961:I-1969:IV	5.0	4.8	8.1	3.6	5.1
1970:IV-1973:IV	4.8	4.8	11.9	2.8	4.6
1975:I-1980:I	4.4	4.0	5.9	3.3	4.0
1980:III-1981:III	5.2	2.2	5.4	1.8	1.7
1982:IV-1990:II	4.4	4.0	7.0	3.0	4.0
1991:I-2000:IV	4.1	3.8	7.3	3.4	3.3

5. User-operated transportation includes motor vehicle repair, rental, leasing, parking, washing, tolls, and insurance.

services (2.4 percent). In contrast, the largest increases have been in recreation services (5.4 percent) and financial services (4.9 percent).

Changes in shares of PCE

The share of current-dollar PCE accounted for by services increased from 39.9 percent in 1959 to 58.1 percent in 2000 (chart 5). The increase was primarily accounted for by medical care, whose share increased from 5.2 percent to 14.8 percent, and by financial services, whose share increased from 2.9 percent to 7.7 percent (chart 6 and table 1). The increase in the share of medical care was primarily accounted for by hospitals, physicians, and nursing homes and was partly a result of increased third-party payments from health insurance and public programs, including Medicare and Medicaid, and of the aging population. The increases in hospitals' share largely occurred before 1979; thereafter, the increases were moderated by declines in admissions and in average length of stay in community hospitals.

The increase in the share accounted for by financial services largely reflected the increased affluence of consumers. The increase was primarily accounted for by services furnished by commercial banks, loans expenses of mutual funds, and bro-

kerage charges and investment counseling.

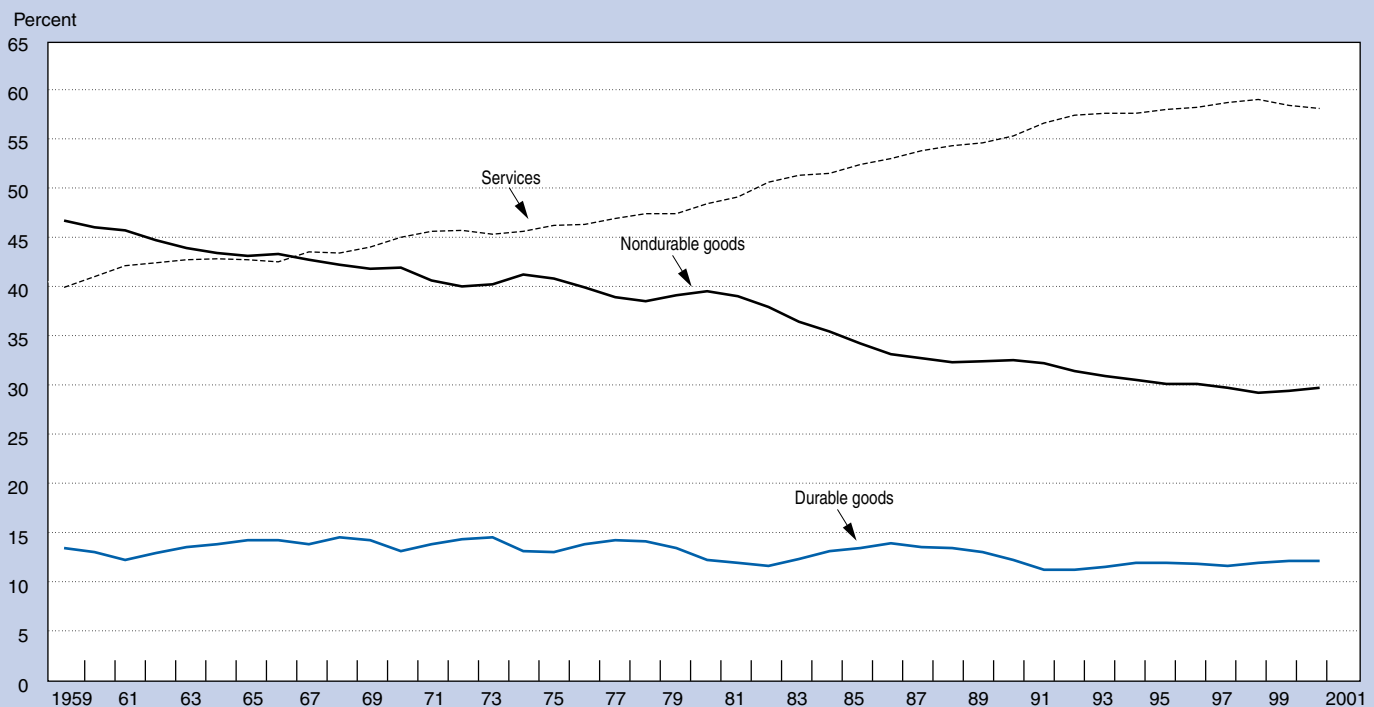
The share accounted for by recreation services increased from 2.0 percent to 3.9 percent. The increase was primarily accounted for by casino gambling, partly due to an increase in the number of jurisdictions where such activities were legal, and by cable television, partly due to increased availability.

The share accounted for by education and research services increased from 1.3 percent to 2.4 percent. Shares for all categories of education increased, but the share for higher education increased the most—from 0.6 percent to 1.2 percent. This increase reflected the increased value placed on college education; college enrollment increased at an annual rate of 3.7 percent from 1959 to 1997, more than triple the 1.1-percent increase in the U.S. population.

The share accounted for by telephone services increased from 1.3 percent to 1.9 percent, largely reflecting increases in the share of U.S. households with telephones, in the average number of lines per household, in the use of cellular phones, in the use of long-distance services, and in the use of new services—such as caller ID, call forwarding, and call waiting. The increased use of cellular phones reflected both increases in the availability of cellu-

CHART 5

Shares of PCE by Type of Product



lar services and sharply decreasing rates. The increased use of long-distance services was partly due to much lower rates that resulted from advances in technologies, changes in Federal regulations for the industry in the mid-1980's, and the deregulation of long-distance service providers in the mid-1990's.

The share accounted for by intercity transportation services increased from 0.4 percent to 0.6 percent, largely reflecting increases in purchases of airline services, as consumers took advantage of discount fares after the deregulation of airlines in 1978, and in purchases of travel agency services. In contrast, the share accounted for by local transportation services decreased from 0.6 percent to 0.2 percent, largely reflecting relatively small growth in population in the areas of the country that have extensive mass transportation systems, the growth of employment centers in suburban areas, and the relatively larger increases in the cost of commuting by mass transportation than by car.

The share accounted for by nondurable goods decreased from 46.7 percent to 29.7 percent, reflecting decreases in the shares of most categories

of nondurable goods. The share accounted for by food decreased from 25.4 percent in 1959 to 14.1 percent in 2000; a large decrease in the share of food for meals prepared at home more than offset a slight increase in the share of meals purchased away from home. The share of clothing and shoes decreased from 8.3 percent to 4.9 percent, and the share of energy goods decreased from 4.8 percent to 2.7 percent.

The share accounted for by durable goods was 13.4 percent in 1959; it fluctuated between 11.2 percent and 14.5 percent thereafter and was 12.1 percent in 2000. The decrease in durable goods' share was accounted for by furniture and household equipment and by motor vehicles and parts. The share of furniture and household equipment decreased from 5.7 percent to 4.6 percent, largely reflecting decreases in the shares of household appliances and of furniture and bedding. The share of motor vehicles and parts decreased from 5.9 percent to 5.0 percent, reflecting a decrease in the share of new autos that more than offset an increase in the share of new trucks. 

CHART 6

Shares of PCE

