Economic growth

The economy’s need for workers originates in the demand for goods and services, which is measured by the gross domestic product, or GDP. The GDP is a measure of goods and services produced in the United States. Domestic and international consumers—including individuals, businesses, and governments—purchase items included in the GDP. These purchases fall into five categories:

- **Personal consumption expenditures.** This category includes purchases by individuals of goods (such as automobiles, homes, clothes, and food) and services (such as transportation, education, and healthcare).
- **Gross private domestic investment.** Major business purchases, such as buildings and factories, machinery, software, and computers, make up these investments.
- **Government purchases.** This category includes goods and services purchased by Federal, State, and local governments.
- **Exports.** Exports are goods and services produced in the United States and purchased by individuals, businesses, and governments in foreign countries.
- **Imports.** Imports are goods and services produced abroad and purchased by U.S. citizens, businesses, and governments. Because GDP measures production in the United States, the value of imports is subtracted from the other four categories of GDP.

Changes in the level and composition of the GDP will affect industry production and employment levels. Similarly, an increased level of business investment in microcomputers will increase employment in the computer industry and in all those industries, such as electronic components, that provide inputs to the computer industry.
Personal consumption expenditures are expected to increase slightly, to nearly 70 percent of GDP. Exports and investment are each expected to significantly increase their share of GDP, while government expenditures continue to decline.
Growth in personal consumption expenditures is expected to continue at 3.5 percent annually, about the same pace maintained for several decades. Other GDP components, however, are not as stable. Investments will grow more slowly than over the last 10 years but faster than during the 1980-90 decade. Imports and exports each will increase by just under 8 percent annually.

The services component of personal consumption expenditures is projected to have healthy annual average growth of 3.1 percent between 1990 and 2010. This growth will be driven, in part, by a large increase in spending for telephone services, which is expected to grow 7.6 percent annually as people buy information technology and telecommunications services.
Growth in goods consumption will be strong, at an expected annual average of 5.1 percent. The dominant component will be purchases of personal computers, which are expected to increase by an average of 22.1 percent annually through 2010. This growth is a result of increased demand for personal computers, emergence of portable devices, increased purchases of laptop computers, and inclusion of computer technology in other devices.
Business investment has climbed steadily since 1980, including, after 1990, enormous investment in computers and software. This increase is expected to continue over the projections decade, with expected 2010 investments in computers approaching $1.2 trillion (in 1996 dollars) and software approaching $613 billion (in 1996 dollars). Comparatively, all other investments combined are expected to be about $1.15 trillion (in 1996 dollars) in 2010.
Although investment in computers is expected to increase substantially by 2010, the rate of increase is expected to slow—dropping from 35.2 to 15.2 percent annually—from the previous 10 years. Similarly, the growth of investment in software will decrease from 15.1 to 12.6 percent annually.

### Annual average growth rate of selected components of gross private domestic investment, 1980-90, 1990-2000, and projected 2000-10

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<thead>
<tr>
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<tbody>
<tr>
<td>Computers</td>
<td>28.1</td>
<td>35.2</td>
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<tr>
<td>Software</td>
<td>15.2</td>
<td>15.8</td>
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<tr>
<td>Total, all investments</td>
<td>2.8</td>
<td>4.3</td>
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<tr>
<td>All other investments</td>
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<td>1.2</td>
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(Percent)