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Industry in Focus: Transportation and Warehousing

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Transportation and warehousing is an industry that is important to everyone, whether you’re an individual flying home to visit family or a business expecting a shipment of raw materials. In the first quarter of 2015, transportation and warehousing subtracted **0.56 percentage point** from real Gross Domestic Product, and was the largest contributor to the 0.2 percent decrease in GDP.

That sounds straightforward enough, but what exactly does that mean?

Contribution to growth—or in this case, a contribution to a decline—isn’t solely a matter of looking at the percent change in real value added by an industry. Instead, the contribution is based on both the quarter-to-quarter change and the size of the industry in the economy.

For instance, real (inflation-adjusted) value added for transportation and warehousing fell **37.3 percent**, a smaller percentage point decrease than that of the utilities industry, which fell 18.4 percent. However, transportation and warehousing is a larger industry than utilities. Because transportation and warehousing is larger, that 17.3 percent decrease translated to a $20.7 billion decrease, while the smaller utilities industry’s 18.4 percent decrease translated to a $14.4 billion decrease. This explains why the transportation and warehousing sector contributed 0.56 percentage point to the overall decrease in GDP, while the utilities sector contributed 0.34 percentage point.

This distinction is important because looking at the industries that subtract the most from GDP when GDP fails (or, conversely, contribute the most to GDP when GDP increases) typically points us toward those industries where notable things are happening.

In the case of transportation and warehousing, the notable thing that happened in the first quarter was a sharp drop in real gross output – a measure of an industry’s sales or receipts. If you’re one of the millions of travelers whose flight was canceled during the unusually harsh winter of 2015, this probably isn’t surprising to you. Heavier than normal snow in the Northeast directly impacted air transportation, a component of...
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