



Technical Note
Gross Domestic Product
First Quarter of 2008 (Final)
June 26, 2008

This technical note provides background information about the source data and estimating methods used to produce the estimates presented in the GDP news release. The complete set of estimates for the first quarter is available on BEA's Web site at www.bea.gov; a brief summary of "highlights" is also posted on the Web site. In a few weeks, the estimates will be published in BEA's monthly journal, the *Survey of Current Business*, along with a more detailed analysis of the estimates ("GDP and the Economy").

Sources of Revision to Components of Real GDP

Real GDP growth in the first quarter (that is, from the fourth quarter to the first) was 1.0 percent (annual rate), which was 0.1 percentage point more than the preliminary estimate. Upward revisions to exports, to consumer spending, and to business fixed investment were partly offset by an upward revision to imports and a downward revision to inventory investment:

- The upward revisions to exports and to imports primarily reflected the incorporation of the annual revision of the international transactions accounts on a best-change basis.
- The largest contributor to the upward revision to consumer spending was medical care services, which reflected the incorporation of newly available first-quarter and revised fourth-quarter data from the Census Bureau quarterly services survey.
- The largest contributor to the upward revision to business fixed investment was prepackaged software, also reflecting the incorporation of the Census Bureau quarterly services survey.
- The largest contributor to the downward revision to inventory investment was "mining, utilities, and construction inventories," reflecting the incorporation of Census Bureau quarterly financial report data for mining and Energy Information Administration data for utilities.

The price index for gross domestic purchases increased 3.6 percent in the first quarter, which was 0.1 percentage point more than the preliminary estimate. The revision primarily reflected an upward revision to the price of medical care services in consumer spending, which was based on a revised Bureau of Labor Statistics producer price index for physician services.

Corporate Profits

Profits from current production decreased \$5.2 billion, or 0.3 percent (quarterly rate), in the first quarter, in contrast to an increase of \$5.2 billion in the preliminary estimate. Profits of domestic corporations increased \$17.6 billion, and rest-of-the-world profits

decreased \$22.8 billion in the first quarter. Profits tax liability decreased \$32.6 billion, reflecting the bonus depreciation provisions of the Economic Stimulus Act of 2008 (see the GDP news release), and profits after tax from current production increased \$27.3 billion, or 2.5 percent.

Annual Revision Scheduled for July 31

The GDP news release on July 31 will present the regular annual revision of the national income and product accounts, covering the estimates from the first quarter of 2005 through the first quarter of 2008, as well as the advance estimates for the second quarter of 2008. The revision will incorporate source data that are more complete and more detailed than those previously available, including:

- Census Bureau annual surveys of manufactures, of merchant wholesale trade, of retail trade, of services, and of state and local governments;
- BEA international transactions accounts data;
- Federal government budget data;
- Internal Revenue Service tabulations of tax returns for corporations and for sole proprietorships and partnerships; and
- Department of Agriculture farm income statistics.

The annual revision will also incorporate refinements to estimating methodologies, including the following:

- Within personal consumption expenditures for goods, the estimates of the composition of goods sold in grocery stores will be based on scanner data from a trade source. (The value of total sales of grocery stores, however, will continue to be based on Census Bureau monthly and annual surveys of retail trade.) The use of scanner data will improve the accuracy of these detailed estimates.
- Within personal consumption expenditures for services, the deflator for domestic airline services will be based on the BLS producer price index (PPI) for domestic scheduled passenger air transportation. The deflator for passenger travel abroad by U.S. residents on U.S. carriers will be based on the BLS PPI for international scheduled passenger air transportation (on U.S. carriers). The BLS PPIs reflect a new and improved methodology that provides more accurate estimates of airline prices. Currently, the deflator for domestic airline services is based on cents-per-revenue-passenger-mile data for domestic carriers from a trade source. The current deflator for passenger travel abroad by U.S. residents on U.S. carriers is based on the BLS import price index for air passenger fares.

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