



Technical Note
Gross Domestic Product
First Quarter of 2012 (Third Estimate)
June 28, 2012

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 Real GDP

Real GDP increased 1.9 percent (annual rate) in the first quarter, the same increase as last month's estimate. A downward revision to imports and an upward revision to nonresidential fixed investment offset downward revisions to exports and to personal consumption expenditures (PCE).

- The downward revisions to imports and to exports were in both goods and services and reflected revised data from BEA's international transactions accounts (ITAs).
- The upward revision to nonresidential fixed investment was primarily accounted for by an upward revision to structures reflecting the incorporation of revised construction data from the Census Bureau and revised data on petroleum and natural gas drilling from the Department of Energy.
- The downward revision to PCE reflected revisions to both goods and services. The revision to goods reflected the incorporation of newly available Energy Information Administration gasoline supply data for March and revised March retail sales from the Census Bureau. The revision to services reflected the incorporation of newly available first-quarter data from the Census Bureau's quarterly services survey (QSS) and newly available first-quarter FDIC *Call Report* data for service charges on deposit accounts.

The price index for gross domestic purchases—the prices paid by U.S. residents for goods and services wherever produced—increased 2.6 percent in the first quarter, 0.2 percentage point more than in last month's estimate. The revision was mostly accounted for by upward revisions to PCE prices for financial services and for health care services. Revisions to financial services prices reflected the incorporation of newly available FDIC data and revised earnings of portfolio management and investment advice service industries from the Bureau of Labor Statistics' (BLS) Current Employment Statistics. The revision to health care services prices reflected revised January PPIs from the BLS.

Gross Domestic Income and Corporate Profits

Real gross domestic income (GDI), which measures the output of the economy as the costs incurred and the incomes earned in the production of GDP, increased 3.1 percent in the first quarter. Real GDI increased 2.6 percent and real GDP increased 3.0 percent in the previous quarter. For a given quarter, the estimates of GDP and GDI may differ for a variety of reasons, including the incorporation of largely independent source data. However, over longer time spans, the estimates of GDP and GDI tend to follow similar patterns of change.

Profits from current production decreased \$6.4 billion, or 0.3 percent (quarterly rate), in the first quarter. Domestic profits of financial corporations increased \$26.3 billion, domestic profits of nonfinancial corporations increased \$15.4 billion, and rest-of-the-world profits decreased \$48.1 billion.

Annual Revision of BEA's International Transactions Accounts

The estimates released today incorporate the results of the annual revision of BEA's international transactions accounts (ITAs) released on June 14. The ITAs were revised back to 2009 and were incorporated into the national income and product accounts (NIPAs) for the first quarter on a best-change basis.

The ITAs were incorporated on a best-change basis to ensure that the fourth-to-first-quarter changes in the NIPA estimates were consistent with the changes in the corresponding estimates published in the ITAs. BEA will incorporate the revised ITA estimates on a best-level basis into the GDP accounts back to 2009 as part of its annual revision of the NIPAs, scheduled for release on July 27. At that time, the dollar levels of the estimates will be consistent between the ITAs and the NIPAs.

Annual Revision Scheduled for July 27

The GDP news release on July 27 will present the annual revision of the NIPAs. In addition to presenting the advance estimate of GDP for the second quarter of 2012, most estimates, including GDP, national income, personal income, and their components, will be revised from the first quarter of 2009 through the first quarter of 2012. The revised estimates will incorporate source data that are more complete and more detailed than those previously available. The August *Survey of Current Business* will contain an article that describes the annual revision in detail.

Additional information about the annual revision, including draft versions of the revised NIPA table formats, has been posted on BEA's Web site here:

www.bea.gov/national/table_layouts_20120614.htm.

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