



Technical Note
Gross Domestic Product
Third Quarter of 2010 (Advance)
October 29, 2010

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 third 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").

Real GDP

Real GDP increased 2.0 percent (annual rate) in the third quarter of 2010, following an increase of 1.7 percent in the second quarter. The small acceleration in real GDP in the third quarter reflected a deceleration in imports and accelerations in inventory investment and in consumer spending that were partly offset by a downturn in residential fixed investment and decelerations in nonresidential fixed investment and in exports.

Source data for the advance estimate

The advance GDP estimate for the third quarter of 2010 is based on source data that are incomplete and subject to revision. Three months of source data were available for consumer spending on goods; shipments of capital equipment other than aircraft; motor vehicle sales and inventories; manufacturing durables inventories; federal government outlays; and consumer, producer, and international prices. Only two months of data were available for most other key data sources; BEA's assumptions for the third month are shown in table A. Among those assumptions are the following:

- an increase in nondurable manufacturing inventories,
- an increase in non-motor-vehicle merchant wholesale and retail inventories,
- a decrease in exports of goods, excluding gold, and
- a decrease in imports of goods, excluding gold.

Prices

The price index for gross domestic purchases increased 0.8 percent in the third quarter, following an increase of 0.1 percent in the second. Excluding food and energy, the price index for gross domestic purchases increased 0.6 percent in the third quarter, following an increase of 0.8 percent in the second.

American Recovery and Reinvestment Act of 2009

BEA's national accounts reflect the effects of the federal outlays and tax cuts included in the American Recovery and Reinvestment Act of 2009. Most of the effects of ARRA on GDP show up indirectly through the effects on GDP components such as consumer spending, residential investment, and state and local government spending. Thus, BEA's accounts do not directly identify the portion of GDP expenditures that is funded by ARRA. It is possible, however, to identify the effects of ARRA on selected federal government transactions (see table B).

During the third quarter of 2010, ARRA provisions lowered personal taxes about \$120 billion (annual rate) and raised government social benefits to persons about \$60 billion, thus raising disposable personal income (income after taxes) about \$180 billion. In addition, ARRA funded about \$101 billion in current grants to state and local governments (such as Medicaid and education grants), about \$42 billion in capital transfers to state and local governments, to home buyers, and to businesses, about \$27 billion in federal consumption expenditures and gross investment, and about \$3 billion in subsidies for housing and energy. Further information, including quarterly estimates of the effects of ARRA beginning with 2009, is available at <http://www.bea.gov/recovery/index.htm>.

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**Table A. KEY ASSUMPTIONS FOR THE ADVANCE ESTIMATE OF GDP
FOR THE THIRD QUARTER OF 2010**

For many of the key series used to prepare the advance estimate of GDP, including retail sales, unit automobile and truck sales and inventories, manufacturers' shipments of nondefense capital goods (other than aircraft), manufacturers' inventories of durable goods, federal defense spending, and consumer, producer, and international price indexes, actual data are available for all months of the quarter.

For the key series shown in this table, actual data for the third month of the quarter usually are not available in time for inclusion in the advance GDP estimate. BEA makes assumptions for the source data that are not yet available; assumptions for September 2010 are shown in the last column of the table. For most series shown, the data for August are preliminary and subject to further revision. Occasionally, the data for earlier months are also subject to revision.

All series shown in the table are in billions of dollars, seasonally adjusted at annual rates, and are published by the Bureau of the Census.

	2010					
	Apr.	May	Jun.	Jul.	Aug.	Sep.*
Private fixed investment:						
Nonresidential structures:						
1 Value of new nonresidential construction put in place.....	274.1	267.3	263.0	263.5	259.7	261.6
Equipment and software:						
2 Manufacturers' shipments of complete aircraft.....	33.2	28.4	32.1	47.9	40.0	29.5
Residential structures:						
Value of new residential construction put in place:						
3 Single family.....	120.1	119.5	117.7	114.3	109.5	106.9
4 Multifamily.....	13.9	13.2	13.3	13.4	11.8	11.6
Change in private inventories:						
NOTE: Historical (April-June) data may reflect concurrent seasonal factors.						
5 Change in inventories for nondurable manufacturing.....	3.0	-55.8	-33.0	38.4	-8.9	24.0
5a Change in inventories for merchant wholesale and retail industries other than motor vehicles and equipment...	37.6	36.9	4.2	66.1	51.6	92.2
Net exports:						
Exports of goods:						
6 U.S. exports of goods, international-transactions-accounts basis.....	1249.4	1285.3	1258.7	1291.9	1292.4	1275.4
6a Excluding gold.....	1232.6	1271.6	1245.1	1274.7	1267.0	1257.4
Imports of goods:						
7 U.S. imports of goods, international-transactions-accounts basis.....	1882.4	1940.9	2005.4	1952.9	2000.3	1981.9
7a Excluding gold.....	1869.6	1929.5	1994.4	1942.8	1990.8	1972.0
8 Net exports of goods.....	-633.0	-655.7	-746.7	-661.0	-707.9	-706.6
8a Excluding gold.....	-637.0	-657.9	-749.3	-668.1	-723.8	-714.6
Government:						
State and local:						
Structures:						
9 Value of new construction put in place.....	273.9	270.8	276.7	276.0	283.5	279.7

*Assumption.

Table B. EFFECT OF THE ARRA ON SELECTED FEDERAL GOVERNMENT SECTOR TRANSACTIONS

(billions of dollars, seasonally adjusted at annual rates)

	2010q2		2010q3	
	Level	ARRA	Level	ARRA
Current Receipts	2,346.5	-118.4	...	-118.4
Current tax receipts	1,269.3	-118.4	...	-118.4
Personal current taxes	856.7	-120.1	867.5	-120.1
"Making Work Pay" tax credit	-38.6	-38.6	-38.6	-38.6
Other ¹	895.2	-81.5	906.1	-81.5
Taxes on corporate income²	293.2	1.7	...	1.7
Current Expenditures	3,701.2	188.4	3,751.0	183.9
Consumption expenditures	1,038.5	17.9	1,061.5	20.9
Current transfer payments	2,311.4	168.5	2,342.8	160.4
Government social benefits	1,732.6	63.8	1,749.5	59.8
To persons	1,716.5	63.8	1,732.9	59.8
Supplemental Nutrition Assistance Program	66.2	11.3	67.5	11.2
One-time \$250 payments ³	0.1	0.1	0.1	0.1
Unemployment programs	137.9	4.6	131.1	0.8
Refundable tax credits ⁴	94.9	32.6	94.9	32.6
Other programs	1,417.4	15.2	1,439.3	15.1
Student financial assistance		9.6		9.6
Other programs ⁵		5.6		5.5
Other current transfer payments	578.8	104.7	593.4	100.6
Grants-in-aid to state and local governments	525.0	104.7	539.3	100.6
Medicaid	271.9	40.9	284.4	42.7
Education	72.1	40.2	73.5	28.5
Other ⁶	181.0	23.6	181.4	29.4
To the rest of the world (net) ⁷	53.8	0.0	54.1	0.0
Subsidies⁸	56.4	2.0	56.9	2.6
Net Federal Government Saving	-1,354.7	-306.7	...	-302.3
Capital transfer payments	196.4	47.4	130.9	41.6
Capital grants ⁹	59.1	23.8	69.2	30.9
Capital transfers to business ¹⁰	101.0	23.6	25.3	10.7
Gross investment	168.2	3.9	172.1	6.6
Addenda:				
Total receipts	2,366.1	-118.4	...	-118.4
Total expenditures	3,936.3	239.7	3,925.7	232.0
Net lending or net borrowing (-)	-1,570.3	-358.0	...	-350.4

¹ Includes an increase to the individual AMT exemption amount, and business tax incentives claimed by individuals.

² Includes special allowances for certain property acquired during 2009 and other business tax incentives.

³ Payments to recipients of Social Security, Supplemental Security Income, veterans' benefits, and railroad retirement benefits.

⁴ Includes outlays associated with the Making Work Pay, American Opportunity, and other refundable tax credits as well as an expansion of the earned income and child tax

⁵ Includes funding for COBRA premium assistance payments and veterans' benefits, and payments to cover digital converter box redemptions.

⁶ Includes grants to fund programs related to national defense, public safety, economic affairs, housing and community services, income security, and unemployment.

⁷ Includes grants to fund "Making Work Pay" tax credits in the territories.

⁸ Includes funding to supplement Section 8 housing subsidies and to promote the use of efficient and renewable energy.

⁹ Includes grants for highway and public transit infrastructure construction and restoration.

¹⁰ Includes home buyer tax credits and grants for specified energy properties.

Further information, including estimates of the effects of ARRA for 2009, is available at <http://www.bea.gov/recovery/index.htm>