

Technical Note

Gross Domestic Product Second Quarter of 2016 (Second Estimate)

August 26, 2016

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 second 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 *Survey of Current Business*, BEA's online monthly journal, will publish a more detailed analysis of the estimates ("GDP and the Economy").

Sources of Revision to Real GDP

Real GDP increased 1.1 percent (annual rate) in the second quarter of 2016, a downward revision of 0.1 percentage point from the advance estimate. The revision reflected downward revisions to state and local government spending and to inventory investment and an upward revision to imports, which were partly offset by upward revisions to nonresidential fixed investment and to consumer spending.

- The downward revision to state and local government spending was primarily to investment in structures, based on newly available Census construction spending data for June and revised data for April and May.
- The downward revision to inventory investment primarily reflected downward revisions to "construction, mining, and utilities" and to "other industries," which were partly offset by an upward revision to wholesale trade. The revision to construction, mining, and utilities inventories was primarily to utilities and reflected newly available Energy Information Administration data. The revision to "other industries" was primarily to information and was based on newly available Quarterly Financial Report data from Census Bureau. The revision to wholesale trade was based on revised Census wholesale inventory data for April, May, and June.
- The upward revision to imports was primarily to goods imports. Within goods, the largest contributor was "other" goods, which mostly reflected a revision to the territorial adjustment based on newly available Census Bureau data on territorial trade for June.
- The upward revision to nonresidential fixed investment was primarily to intellectual property products—specifically, to research and development investment and was based on newly available R&D expense data from company financial reports.
- The largest contributor to the upward revision in consumer spending was a revision to durable goods—specifically, "motor vehicles and parts." The revision to motor vehicle spending was mostly to used motor vehicles and was based on revised Census retail sales for used vehicle dealers.

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 0.2 percent in the second 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. The average of real GDP and real GDI increased 0.6 percent.

Profits from current production decreased \$24.1 billion, or 1.2 percent (quarterly rate), in the second quarter. Domestic profits of financial corporations increased \$7.2 billion, domestic profits of nonfinancial corporations decreased \$58.2 billion, and rest-of-the-world profits increased \$26.9 billion.

Revisions to Wages and Salaries in the First and Second Quarters

In addition to presenting revised estimates for the second quarter, today's release presents revised estimates of first-quarter wages and salaries, personal taxes, and contributions for government social insurance. Wages and salaries are now estimated to have decreased \$13.4 billion in the first quarter of 2016, a downward revision of \$3.1 billion. These estimates reflect the most recently available wage and salary tabulations for the first quarter from the BLS quarterly census of employment and wages (QCEW) for all states; the estimates that were available last month were based on preliminary QCEW data for 42 states and the District of Columbia. Real GDI is now estimated to have increased 0.8 percent in the first quarter, a downward revision of 0.1 percentage point.

In addition to the revisions to first quarter wages and salaries, wages and salaries for the second quarter are now estimated to have increased \$92.6 billion, an upward revision of \$44.2 billion. This revision is based on BEA analysis of historical wage revisions when the QCEW data have been incorporated. The analysis found that when QCEW-based wages for a quarter have been substantially higher or lower than the recent trend, wages for the following quarter have subsequently tended to be revised in the opposite direction. Because the revised wages for the first quarter of 2016 were appreciably lower than the recent trend, BEA expects the second quarter QCEW data to show a larger increase than had previously been estimated and has adjusted the wage estimates upward in anticipation of this pattern.

BEA will continue to study the pattern of revisions resulting from the incorporation of QCEW data. If BEA can identify a methodological refinement that would reduce future revisions associated with the incorporation of QCEW-based wage and salary data, it plans to update the methodology and inform users of the change.

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Table A. SOURCE DATA FOR THE ADVANCE AND SECOND ESTIMATES OF GDP FOR THE SECOND QUARTER OF 2016

This table shows the actual data used for the second estimate of GDP for the second quarter of 2016. For nonresidential and residential structures and nondurable manufacturing inventories, actual data for June were not available in time for inclusion in the advance GDP estimate released on July 29, 2016, and BEA made assumptions for these source data. For merchant wholesale and retail inventories and net exports, the revisions for June are calculated from the values from the Census Bureau's Advance Economic Indicators report.

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

	2016					
	Jan.	Feb.	Mar.	Apr.	May	Jun.
Private fixed investment:						
Nonresidential structures:						
1 Value of new nonresidential construction put in place.....	399.7	402.4	410.6	409.1	410.7	405.2
<i>Revision</i>	0.0	0.0	0.0	-1.0	3.2	-3.6
Residential structures:						
Value of new residential construction put in place:						
2 Single family.....	248.1	248.9	246.8	243.3	240.5	239.6
<i>Revision</i>	0.0	0.0	0.0	1.0	1.3	-2.6
3 Multifamily.....	58.3	58.3	61.5	58.9	60.6	59.7
<i>Revision</i>	0.0	0.0	0.0	-1.4	-0.8	-2.5
Change in private inventories:						
NOTE: Historical (Jan.–Apr.) data reflect concurrent seasonal factors.						
4 Change in inventories for nondurable manufacturing.....	-11.2	-10.5	3.0	3.9	6.2	4.8
<i>Revision</i>	0.1	0.2	0.1	-0.2	1.0	-14.5
5 Change in inventories for merchant wholesale.....	...	-42.3	14.0	41.7	20.7	18.6
<i>Revision</i>	---	---	---	---	---	15.8
6 Change in inventories for retail industries..	...	41.7	73.0	-9.7	30.2	32.7
<i>Revision</i>	---	---	---	---	---	-3.2
Net exports of goods:						
7 U.S. exports of goods, Census basis.....	116.7	119.2	116.9	119.5	119.2	119.9
<i>Revision</i>	0.0	0.0	0.0	0.0	0.0	-0.3
8 U.S. imports of goods, Census basis.....	179.3	183.1	172.8	176.9	180.2	184.4
<i>Revision</i>	0.0	0.0	0.0	0.0	0.0	-0.3

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