



Technical Note
Gross Domestic Product
First Quarter of 2010 (Third Estimate)
June 25, 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 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 growth in the first quarter was 2.7 percent (annual rate), which was 0.3 percentage point less than last month's estimate. The downward revision to GDP reflected an upward revision to imports and a downward revision to consumer spending that were partly offset by upward revisions to exports and to inventory investment.

- The upward revisions to exports and to imports reflected the incorporation of the annual revision of the international transactions accounts on a best-change basis.
- The downward revision to consumer spending reflected widespread downward revisions within services. The revisions primarily reflected the incorporation of newly available quarterly services survey data for the first quarter from the Census Bureau and newly available natural gas usage and unit value data for March from the Energy Information Administration.
- The upward revision to private inventory investment reflected revised Census inventory data for March.

The price index for gross domestic purchases—the prices paid by U.S. residents for goods and services, wherever produced—increased 1.7 percent in the first quarter, the same increase as in the “second” estimate.

Corporate Profits

Profits from current production increased \$116.9 billion, or 8.0 percent (quarterly rate), in the first quarter. Domestic profits of financial corporations increased \$11.2 billion, domestic profits of nonfinancial corporations increased \$79.6 billion, and rest-of-the-world profits increased \$26.1 billion in the first quarter.

Annual Revision Scheduled for July 30

The GDP news release on July 30 will present the regular annual revision of the national income and product accounts. In addition to presenting the advance estimate of GDP for the second quarter of 2010, most estimates, including GDP, national income, personal income, and their components, will be revised from the first quarter of 2007 through the first quarter of 2010. The revised estimates 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:

- Data from the Census Bureau's expanded quarterly services survey (QSS) will be incorporated in the quarterly estimates of personal consumption expenditures (PCE) categories for health care, transportation, recreation, and other services. The percentage of quarterly PCE services that will be based on the QSS will increase from 16 percent to 39 percent.
- Newly available quality-adjusted communications equipment price indexes from the Federal Reserve Board (specifically, indexes for enterprise and home voice equipment; for transmission, local loop, and legacy central office equipment; and for wireless system equipment) will be incorporated into the estimates of communication equipment within private fixed investment and into the estimates of "other" capital goods within exports and imports of goods. In addition, the Federal Reserve Board's price index for data networking equipment, which is currently used in the estimates of communication equipment within private fixed investment, will be incorporated into the estimates of "other" capital goods within exports and imports of goods.
- A new methodology and presentation for the purchasing power of GDP and gross national product (known as "command-basis" GDP and GNP) will be introduced in NIPA tables 1.8.3 and 1.8.6. These measures adjust for the effects of changes in export and import prices (that is, the "terms of trade") on the purchasing power of the nation's income from current production. The gross domestic purchases price index will be used as the deflator for these calculations, and the revised methodology and tables will be carried back to 1929. These changes will provide an improved

measure for assessing economic well-being and will enhance consistency with similar measures produced by other countries.

- The NIPA measures of saving and investment will be improved. Migrants' transfers will be excluded from the capital account beginning with 1982, which is the first year that these transactions were recognized. (This definitional change is consistent with the change made in the annual revision of BEA's international transactions accounts that was released on June 17.) NIPA table 5.1 will be expanded to provide additional detail on national saving and investment, such as estimates of net lending and borrowing by sector. In addition, new "underlying" tables will provide quarterly estimates of net investment.
- Other definitional changes in the international transactions accounts, such as the reclassification of certain goods and services, will be incorporated in the NIPAs on a best-level basis beginning with 2007. These reclassifications have little effect on overall GDP, though they affect the goods and services composition of exports and imports.

Draft versions of the revised NIPA table formats are available on BEA's Web site: www.bea.gov/National/nipaweb2010/index.asp.

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