



Technical Note
Gross Domestic Product
First Quarter of 2014 (Advance)
April 30, 2014

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 online 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 0.1 percent (annual rate) in the first quarter of 2014, following an increase of 2.6 percent in the fourth quarter of 2013. The deceleration in real GDP growth in the first quarter reflected downturns in exports and in nonresidential fixed investment, a larger decrease in inventory investment, a deceleration in consumer spending, and a downturn in state and local government spending that were partly offset by an upturn in federal government spending and a downturn in imports.

Source Data for the Advance Estimate

The advance GDP estimate for the first quarter of 2014 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; motor vehicle sales and inventories; durable manufacturing 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,
- an increase in exports of goods, excluding gold, and
- a decrease in imports of goods, excluding gold.

Real PCE increased 3.0 percent in the first quarter, following an increase of 3.3 percent in the fourth. Consumer spending on goods decelerated, while spending on services, especially for household utilities and health care, accelerated. The acceleration in health care spending reflects additional spending associated with the implementation of the Affordable Care Act (ACA). Because the preliminary monthly source data used to estimate health care services do not reflect the effects of the ACA, additional information on Medicaid benefits and on ACA insurance exchange enrollments, as well as other related information was used to prepare the estimates of consumer spending on these services.

Prices

The price index for gross domestic purchases—the prices paid by U.S. residents for goods and services wherever produced—increased 1.4 percent in the first quarter after increasing 1.5 percent in the fourth. Excluding food and energy prices, the price index for gross domestic purchases increased 1.4 percent after increasing 1.8 percent.

Disposable Personal Income

Real disposable personal income increased 1.9 percent in the first quarter, following an increase of 0.8 percent in the fourth. The acceleration in real DPI reflected acceleration in government social benefits. A large increase in Medicaid benefits primarily reflected expanded coverage under the ACA; the expanded coverage added \$27.7 billion to government social benefits in the first quarter. In addition, government social benefits were boosted \$9.5 billion by newly available health insurance premium subsidies paid in the form of refundable tax credits to qualified enrollees of the ACA exchanges. These changes were partly offset by the expiration of the Emergency Unemployment Compensation program that reduced unemployment benefits by \$17.5 billion in the first quarter.

The personal saving rate was 4.1 percent in the first quarter, compared with 4.3 percent in the fourth.

Annual Revision Scheduled for July 30

The GDP news release on July 30, in addition to presenting the advance estimate of GDP for the second quarter of 2014, will present the annual revision of the national income and product accounts. In addition to the regular revision of estimates for the most recent 3 years and the first quarter of 2014, GDP and select components will be revised back to the first quarter of 1999. BEA's plans to undertake "flexible annual revisions" that include revisions for longer periods than the traditional 3-year period were described in the [June 2008 Survey of Current Business](#).

In cases for which the estimates for the reference year (2009) will be revised, the levels of the related index numbers and chained-dollar estimates will be revised for the entire historical period, though the percent changes will not be revised for periods before 1999.

The revisions for the historical period will primarily incorporate the results of the comprehensive restructuring of BEA's international transactions accounts, which was described in the [March 2014 Survey](#).

In addition, the 2014 annual revision will incorporate the usual annual source data for 2011 through 2013 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;
- 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 improvements to the presentation of the estimates and refinements to estimating methodologies, including a new table presenting the transactions associated with defined-contribution pension plans. (Tables presenting the transactions associated with defined-benefit pension plans were introduced in last year's comprehensive revision.)

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**Table A. KEY ASSUMPTIONS FOR THE ADVANCE ESTIMATE OF GDP
FOR THE FIRST QUARTER OF 2014**

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, 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 March 2014 are shown in the last column of the table. For most series shown, the data for February 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 Census Bureau.

	Oct.	2013 Nov.	Dec.	Jan.	2014 Feb.	Mar.*
Private fixed investment:						
Nonresidential structures:						
1 Value of new nonresidential construction put in place.....	306.1	307.9	319.1	315.8	319.6	320.6
Residential structures:						
Value of new residential construction put in place:						
2 Single family.....	172.2	175.9	180.6	185.3	183.3	183.8
3 Multifamily.....	34.9	36.0	36.8	36.5	37.4	37.5
Change in private inventories:						
NOTE: Historical (Oct.–Jan.) data may reflect concurrent seasonal factors.						
4 Change in inventories for nondurable manufacturing.....	-8.0	-6.5	-5.6	3.2	13.0	21.3
4a Change in inventories for merchant wholesale and retail industries other than motor vehicles and equipment...	68.4	74.9	32.7	56.1	35.1	112.5
Net exports:						
Exports of goods:						
5 U.S. exports of goods, international-transactions-accounts basis.....	1627.7	1643.7	1592.8	1605.0	1580.6	1595.1
5a Excluding gold.....	1600.2	1626.0	1574.6	1564.5	1554.5	1569.8
Imports of goods:						
6 U.S. imports of goods, international-transactions-accounts basis.....	2333.1	2296.1	2297.1	2319.0	2321.4	2304.8
6a Excluding gold.....	2315.7	2281.8	2282.9	2304.9	2303.1	2285.3
7 Net exports of goods.....	-705.4	-652.3	-704.3	-714.0	-740.8	-709.8
7a Excluding gold.....	-715.5	-655.8	-708.3	-740.5	-748.6	-715.5
Government:						
State and local:						
Structures:						
8 Value of new construction put in place.....	252.6	250.4	245.6	243.1	241.9	245.5

*Assumption.