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## GROSS DOMESTIC PRODUCT: FIRST QUARTER 2003 (FINAL) CORPORATE PROFITS: FIRST QUARTER 2003 (REVISED)

Real gross domestic product -- the output of goods and services produced by labor and property located in the United States -- increased at an annual rate of 1.4 percent in the first quarter of 2003, according to revised estimates released by the Bureau of Economic Analysis. In the fourth quarter, real GDP also increased 1.4 percent.

The GDP estimates released today are based on more complete source data than were available for the preliminary estimates issued last month. In the preliminary estimates, the increase in real GDP was 1.9 percent (see "Revisions" on page 3).

The major contributors to the increase in real GDP in the first quarter were personal consumption expenditures (PCE) and residential fixed investment. The contributions of these components were partly offset by negative contributions from private inventory investment and from nonresidential fixed investment. Imports, which are a subtraction in the calculation of GDP, decreased.

The Bureau of Economic Analysis plans to release the results of its 12<sup>th</sup> comprehensive (or benchmark) revision of the national income and product accounts (NIPA's) on December 10, 2003. The annual revision of the NIPA's that would normally take place this summer will instead be combined with the upcoming comprehensive revision. An article in the June 2003 issue of the Survey of Current Business discusses the changes in definitions and concepts that will be implemented in the revision. Future articles will discuss changes in presentation and in statistical methods.

NOTE.--Quarterly estimates are expressed at seasonally adjusted annual rates, unless otherwise specified. Quarter-to-quarter dollar changes are differences between these published estimates. Percent changes are calculated from unrounded data and annualized. "Real" estimates are in chained (1996) dollars. Price indexes are chain-type measures.

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The growth rate of real GDP in the first quarter was the same as that in the fourth. In the first quarter, imports turned down, exports decreased less, PCE accelerated, and nonresidential structures decreased less. These changes were offset by downturns in private inventory investment and in equipment and software and a deceleration in government spending.

The price index for gross domestic purchases, which measures prices paid by U.S. residents, increased 3.4 percent in the first quarter, 0.2 percentage point less than in the preliminary estimate; this index increased 1.8 percent in the fourth quarter. Excluding food and energy prices, the price index for gross domestic purchases increased 1.8 percent in the first quarter, compared with an increase of 1.5 percent in the fourth. About 0.2 percentage point of the first-quarter increase in the index was accounted for by the pay raise for federal civilian and military personnel, which is treated as an increase in the price of employee services purchased by the federal government.

Real personal consumption expenditures increased 2.0 percent in the first quarter, compared with an increase of 1.7 percent in the fourth. Real nonresidential fixed investment decreased 4.4 percent, in contrast to an increase of 2.3 percent. Nonresidential structures decreased 2.9 percent, compared with a decrease of 9.9 percent. Equipment and software decreased 4.8 percent, in contrast to an increase of 6.2 percent. Real residential fixed investment increased 10.1 percent, compared with an increase of 9.4 percent.

Real exports of goods and services decreased 1.3 percent in the first quarter, compared with a decrease of 5.8 percent in the fourth. Real imports of goods and services decreased 6.2 percent, in contrast to an increase of 7.4 percent.

Real federal government consumption expenditures and gross investment increased 0.7 percent in the first quarter, compared with an increase of 11.0 percent in the fourth. National defense decreased 3.3 percent, in contrast to an increase of 11.0 percent. Nondefense increased 8.4 percent, compared with an increase of 11.1 percent. Real state and local government consumption expenditures and gross investment increased 0.2 percent, compared with an increase of 1.2 percent.

The real change in private inventories subtracted 0.82 percentage point from the first-quarter change in real GDP, after adding 0.28 percentage point to the fourth-quarter change. Private businesses increased inventories \$4.8 billion in the first quarter, following an increase of \$25.8 billion in the fourth quarter and an increase of \$18.8 billion in the third.

Real final sales of domestic product -- GDP less change in private inventories -- increased 2.3 percent in the first quarter, compared with an increase of 1.1 percent in the fourth.

### **Gross domestic purchases**

Real gross domestic purchases -- purchases by U.S. residents of goods and services wherever produced -- increased 0.6 percent in the first quarter, compared with an increase of 2.9 percent in the fourth.

### **Gross national product**

Real gross national product -- the goods and services produced by the labor and property supplied by U.S. residents -- increased 1.4 percent in the first quarter, the same increase as in the fourth. GNP includes, and GDP excludes, net receipts of income from the rest of the world, which decreased \$1.2 billion in the first quarter after increasing \$1.5 billion in the fourth; in the first quarter, receipts decreased \$5.0 billion, and payments decreased \$3.8 billion.

## **Current-dollar GDP**

Current-dollar GDP – the market value of the nation's output of goods and services -- increased 3.8 percent, or \$99.6 billion, in the first quarter to a level of \$10,688.4 billion. In the fourth quarter, current-dollar GDP increased 3.2 percent, or \$82.6 billion.

## **Revisions**

The final estimate of the first-quarter increase in real GDP is 0.5 percentage point, or \$10.9 billion, lower than the preliminary estimate issued last month. The downward revision to the percentage change in real GDP primarily reflected a downward revision to nonfarm private inventory investment and an upward revision to imports that were partly offset by an upward revision to equipment and software.

|   | <u>Advance</u>                          | <u>Preliminary</u> | <u>Final</u> |
|---|---|--------------------|--------------|
|   | (Percent change from preceding quarter) |                    |              |
| Real GDP.....                             | 1.6                                     | 1.9                | 1.4          |
| Current-dollar GDP.....                   | 4.2                                     | 4.4                | 3.8          |
| Gross domestic purchases price index..... | 3.6                                     | 3.6                | 3.4          |

## **Corporate Profits**

Profits from current production (corporate profits with inventory valuation and capital consumption adjustments) increased \$20.4 billion in the first quarter, according to revised estimates. In the fourth quarter, profits increased \$25.1 billion. Current-production cash flow (net cash flow with inventory valuation and capital consumption adjustments) -- the internal funds available to corporations for investment -- decreased \$4.0 billion in the first quarter, in contrast to an increase of \$14.0 billion in the fourth.

Domestic profits of financial corporations increased \$15.9 billion in the first quarter, compared with an increase of \$0.3 billion in the fourth.

Domestic profits of nonfinancial corporations increased \$12.1 billion in the first quarter, compared with an increase of \$26.8 billion in the fourth. In the first quarter, both real gross corporate product and profits per unit of real product increased. The increase in unit profits reflected an increase in the prices corporations received and a decrease in their unit nonlabor costs that were partly offset by an increase in their unit labor costs.

The rest-of-the-world component of profits decreased \$7.6 billion in the first quarter, compared with a decrease of \$2.0 billion in the fourth. This measure is calculated as (1) receipts by U.S. residents of earnings from their foreign affiliates plus dividends received by U.S. residents from unaffiliated foreign corporations minus (2) payments by U.S. affiliates of earnings to their foreign parents plus dividends paid by U.S. corporations to unaffiliated foreign residents. The first-quarter decrease was accounted for by a larger increase in payments than in receipts.

The revised estimate of first-quarter corporate profits from current production is \$12.5 billion higher than the preliminary estimate issued last month. The foreign component of profits (rest-of-the-world profits) was revised up \$0.9 billion. Domestic profits of nonfinancial corporations and of financial corporations were revised up \$6.6 billion and up \$4.9 billion, respectively.

Profits before tax with inventory valuation adjustment is the best available measure of industry profits because estimates of the capital consumption adjustment by industry do not exist. This measure reflects the depreciation-accounting practices used for federal income tax returns. According to this measure, both domestic profits of financial corporations and domestic profits of nonfinancial corporations increased. The increase in profits of nonfinancial corporations reflected increases in manufacturing and in "other" nonfinancial that were partly offset by decreases in wholesale trade and in transportation.

Profits before tax increased \$33.2 billion in the first quarter, compared with an increase of \$26.4 billion in the fourth. The before-tax measure of profits does not reflect, as does profits from current production, the capital consumption and inventory valuation adjustments. These adjustments convert depreciation of fixed assets and inventory withdrawals reported on a tax-return, historical-cost basis to the current-cost measures used in the national income and product accounts. The capital consumption adjustment increased \$5.6 billion in the first quarter (from \$109.7 billion to \$115.3 billion), in contrast to a decrease of \$7.9 billion in the fourth. The inventory valuation adjustment decreased \$18.4 billion (from -\$8.5 billion to -\$26.9 billion), in contrast to an increase of \$6.6 billion.

Profits tax liability increased \$15.4 billion in the first quarter, compared with an increase of \$7.7 billion in the fourth. Profits after tax increased \$17.7 billion, compared with an increase of \$18.7 billion. Dividends increased \$7.3 billion, compared with an increase of \$6.6 billion; undistributed profits increased \$10.4 billion, compared with an increase of \$12.1 billion.

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Next release -- July 31, 2003, at 8:30 A.M. EDT for:  
Gross Domestic Product: Second Quarter 2003 (Advance)







Table 5.—Quantity and Price Indexes for Gross Domestic Product

[Index numbers, 1996=100]

|  | 2000   | 2001   | 2002   | Seasonally adjusted |        |        |        |                |
|--|--------|--------|--------|---------------------|--------|--------|--------|----------------|
|  |        |        |        | 2002                |        |        |        | 2003           |
|  |        |        |        | I                   | II     | III    | IV     | I <sup>r</sup> |
| <b>Gross domestic product:</b>                                   |        |        |        |                     |        |        |        |                |
| Chain-type quantity index .....                                  | 117.64 | 117.94 | 120.82 | 119.84              | 120.21 | 121.41 | 121.82 | 122.26         |
| Chain-type price index .....                                     | 106.89 | 109.42 | 110.66 | 110.14              | 110.48 | 110.76 | 111.25 | 111.90         |
| Implicit price deflator .....                                    | 106.89 | 109.42 | 110.66 | 110.14              | 110.48 | 110.76 | 111.25 | 111.90         |
| <b>Personal consumption expenditures:</b>                        |        |        |        |                     |        |        |        |                |
| Chain-type quantity index .....                                  | 118.83 | 121.76 | 125.56 | 124.37              | 124.92 | 126.20 | 126.74 | 127.37         |
| Chain-type price index .....                                     | 107.39 | 109.56 | 111.06 | 110.14              | 110.89 | 111.36 | 111.87 | 112.62         |
| <b>Durable goods:</b>  |        |        |        |                     |        |        |        |                |
| Chain-type quantity index .....                                  | 142.58 | 151.16 | 162.19 | 158.30              | 159.08 | 167.47 | 163.92 | 163.08         |
| Chain-type price index .....                                     | 91.46  | 89.70  | 87.19  | 88.00               | 87.36  | 86.94  | 86.46  | 85.64          |
| <b>Nondurable goods:</b>   |        |        |        |                     |        |        |        |                |
| Chain-type quantity index .....                                  | 116.50 | 118.79 | 122.58 | 122.07              | 122.03 | 122.35 | 123.88 | 125.72         |
| Chain-type price index .....                                     | 107.59 | 109.17 | 109.61 | 108.52              | 109.75 | 109.92 | 110.25 | 111.51         |
| <b>Services:</b>   |        |        |        |                     |        |        |        |                |
| Chain-type quantity index .....                                  | 115.67 | 117.98 | 120.63 | 119.54              | 120.32 | 121.01 | 121.66 | 121.92         |
| Chain-type price index .....                                     | 110.85 | 114.32 | 117.44 | 116.15              | 117.00 | 117.88 | 118.74 | 119.64         |
| <b>Private fixed investment:</b>                                 |        |        |        |                     |        |        |        |                |
| Chain-type quantity index .....                                  | 139.52 | 134.20 | 130.06 | 129.99              | 129.68 | 129.60 | 130.99 | 130.94         |
| Chain-type price index .....                                     | 100.00 | 101.16 | 100.76 | 100.82              | 100.76 | 100.52 | 100.95 | 101.44         |
| <b>Nonresidential:</b>   |        |        |        |                     |        |        |        |                |
| Chain-type quantity index .....                                  | 147.23 | 139.55 | 131.57 | 132.13              | 131.32 | 131.05 | 131.79 | 130.32         |
| Chain-type price index .....                                     | 95.59  | 95.73  | 94.43  | 94.82               | 94.48  | 94.17  | 94.25  | 94.15          |
| <b>Residential:</b>  |        |        |        |                     |        |        |        |                |
| Chain-type quantity index .....                                  | 118.88 | 119.22 | 123.92 | 122.44              | 123.25 | 123.59 | 126.39 | 129.45         |
| Chain-type price index .....                                     | 114.40 | 119.09 | 121.57 | 120.61              | 121.40 | 121.38 | 122.88 | 125.10         |
| <b>Exports of goods and services:</b>                            |        |        |        |                     |        |        |        |                |
| Chain-type quantity index .....                                  | 130.09 | 123.10 | 121.13 | 117.89              | 121.89 | 123.28 | 121.44 | 121.04         |
| Chain-type price index .....                                     | 96.83  | 96.10  | 95.87  | 94.88               | 95.58  | 96.41  | 96.62  | 97.55          |
| <b>Imports of goods and services:</b>                            |        |        |        |                     |        |        |        |                |
| Chain-type quantity index .....                                  | 159.48 | 154.91 | 160.66 | 153.37              | 161.24 | 162.56 | 165.48 | 162.84         |
| Chain-type price index .....                                     | 95.49  | 92.70  | 92.99  | 90.61               | 93.03  | 94.05  | 94.27  | 96.92          |
| <b>Government consumption expenditures and gross investment:</b> |        |        |        |                     |        |        |        |                |
| Chain-type quantity index .....                                  | 111.29 | 115.36 | 120.46 | 119.37              | 119.79 | 120.65 | 122.02 | 122.14         |
| Chain-type price index .....                                     | 110.65 | 113.27 | 115.18 | 114.27              | 115.06 | 115.47 | 115.92 | 118.15         |
| <b>Federal:</b>  |        |        |        |                     |        |        |        |                |
| Chain-type quantity index .....                                  | 102.42 | 107.33 | 115.37 | 112.46              | 114.50 | 115.71 | 118.79 | 118.99         |
| Chain-type price index .....                                     | 108.23 | 110.09 | 113.11 | 112.42              | 113.07 | 113.44 | 113.53 | 116.23         |
| <b>State and local:</b>  |        |        |        |                     |        |        |        |                |
| Chain-type quantity index .....                                  | 116.52 | 120.11 | 123.51 | 123.47              | 122.95 | 123.62 | 123.99 | 124.06         |
| Chain-type price index .....                                     | 111.98 | 115.01 | 116.33 | 115.29              | 116.17 | 116.60 | 117.24 | 119.21         |
| <b>Addenda:</b>  |        |        |        |                     |        |        |        |                |
| <b>Final sales of domestic product:</b>                          |        |        |        |                     |        |        |        |                |
| Chain-type quantity index .....                                  | 117.19 | 118.95 | 121.09 | 120.51              | 120.49 | 121.51 | 121.84 | 122.52         |
| Chain-type price index .....                                     | 107.02 | 109.55 | 110.80 | 110.28              | 110.62 | 110.91 | 111.40 | 112.08         |
| Implicit price deflator .....                                    | 107.02 | 109.55 | 110.80 | 110.27              | 110.62 | 110.91 | 111.40 | 112.08         |
| <b>Gross domestic purchases:</b>                                 |        |        |        |                     |        |        |        |                |
| Chain-type quantity index .....                                  | 121.00 | 121.50 | 125.15 | 123.74              | 124.53 | 125.72 | 126.62 | 126.81         |
| Chain-type price index .....                                     | 106.58 | 108.65 | 109.90 | 109.15              | 109.77 | 110.11 | 110.59 | 111.53         |
| Implicit price deflator .....                                    | 106.58 | 108.65 | 109.91 | 109.15              | 109.77 | 110.11 | 110.59 | 111.53         |
| <b>Final sales to domestic purchasers:</b>                       |        |        |        |                     |        |        |        |                |
| Chain-type quantity index .....                                  | 120.56 | 122.52 | 125.43 | 124.42              | 124.82 | 125.84 | 126.65 | 127.09         |
| Chain-type price index .....                                     | 106.70 | 108.78 | 110.04 | 109.28              | 109.90 | 110.25 | 110.73 | 111.70         |
| Implicit price deflator .....                                    | 106.70 | 108.78 | 110.04 | 109.28              | 109.90 | 110.25 | 110.73 | 111.70         |
| <b>Gross national product:</b>                                   |        |        |        |                     |        |        |        |                |
| Chain-type quantity index .....                                  | 117.69 | 117.96 | 120.46 | 119.62              | 119.73 | 121.03 | 121.46 | 121.88         |
| Chain-type price index .....                                     | 106.86 | 109.39 | 110.63 | 110.11              | 110.45 | 110.73 | 111.22 | 111.88         |
| Implicit price deflator .....                                    | 106.86 | 109.38 | 110.63 | 110.11              | 110.45 | 110.73 | 111.22 | 111.88         |

r Revised.  
See "Explanatory Note" at the end of the tables.





**Table 8.—Relation of Gross Domestic Product, Gross National Product, and National Income**

[Billions of dollars]

|  | 2000           | 2001            | 2002 <sup>r</sup> | Seasonally adjusted at annual rates |                 |                 |                 |                 |
|--|----------------|-----------------|-------------------|-------------------------------------|-----------------|-----------------|-----------------|-----------------|
|  |                |                 |                   | 2002                                |                 |                 |                 | 2003            |
|  |                |                 |                   | I                                   | II              | III             | IV <sup>r</sup> | I <sup>r</sup>  |
| <b>Gross domestic product</b> .....  | <b>9,824.6</b> | <b>10,082.2</b> | <b>10,446.2</b>   | <b>10,313.1</b>                     | <b>10,376.9</b> | <b>10,506.2</b> | <b>10,588.8</b> | <b>10,688.4</b> |
| Plus: Income receipts from the rest of the world .....                                 | 383.4          | 316.9           | 278.0             | 264.7                               | 276.0           | 287.3           | 284.2           | 281.3           |
| Less: Income payments to the rest of the world .....                                   | 360.0          | 295.0           | 287.6             | 262.8                               | 296.1           | 298.2           | 293.4           | 291.5           |
| <b>Equals: Gross national product</b> .....  | <b>9,848.0</b> | <b>10,104.1</b> | <b>10,436.7</b>   | <b>10,314.9</b>                     | <b>10,356.8</b> | <b>10,495.3</b> | <b>10,579.7</b> | <b>10,678.2</b> |
| Less: Consumption of fixed capital .....   | 1,228.9        | 1,329.3         | 1,393.5           | 1,363.5                             | 1,389.8         | 1,405.3         | 1,415.4         | 1,421.4         |
| Less: Indirect business tax and nontax liability .....                                 | 753.6          | 774.8           | 800.4             | 786.2                               | 795.1           | 806.9           | 813.3           | 821.7           |
| Less: Business transfer payments .....   | 43.7           | 42.5            | 44.1              | 43.8                                | 43.9            | 44.4            | 44.3            | 44.9            |
| Less: Statistical discrepancy .....  | -128.5         | -117.3          | -108.8            | -110.0                              | -165.0          | -82.1           | -78.2           | -91.4           |
| Plus: Subsidies less current surplus of government enterprises .....                   | 34.1           | 47.3            | 32.5              | 37.0                                | 35.1            | 29.1            | 29.0            | 30.7            |
| <b>Equals: National income</b> .....   | <b>7,984.4</b> | <b>8,122.0</b>  | <b>8,340.1</b>    | <b>8,268.5</b>                      | <b>8,328.0</b>  | <b>8,349.9</b>  | <b>8,413.9</b>  | <b>8,512.3</b>  |
| Compensation of employees .....  | 5,723.4        | 5,874.9         | 5,969.5           | 5,908.4                             | 5,963.9         | 5,988.4         | 6,017.4         | 6,081.2         |
| Wage and salary accruals .....   | 4,836.3        | 4,950.6         | 4,996.4           | 4,957.8                             | 4,997.3         | 5,007.4         | 5,023.1         | 5,070.8         |
| Supplements to wages and salaries .....  | 887.1          | 924.3           | 973.1             | 950.7                               | 966.6           | 981.0           | 994.3           | 1,010.4         |
| Proprietors' income with inventory valuation and capital consumption adjustments ..... | 714.8          | 727.9           | 756.5             | 748.4                               | 747.5           | 758.7           | 771.6           | 784.4           |
| Rental income of persons with capital consumption adjustment .....                     | 146.6          | 137.9           | 142.4             | 141.3                               | 153.5           | 144.1           | 130.6           | 126.9           |
| Corporate profits with inventory valuation and capital consumption adjustments .....   | 788.1          | 731.6           | 787.4             | 797.6                               | 785.0           | 771.0           | 796.1           | 816.5           |
| Net interest .....   | 611.5          | 649.8           | 684.2             | 672.8                               | 678.1           | 687.6           | 698.3           | 703.3           |
| <b>Addendum:</b>   |                |                 |                   |                                     |                 |                 |                 |                 |
| Gross domestic income .....  | 9,953.1        | 10,199.4        | 10,555.1          | 10,423.1                            | 10,541.8        | 10,588.3        | 10,667.0        | 10,779.8        |

<sup>r</sup> Revised. Revisions include changes to series affected by the introduction of revised wage and salary estimates for the fourth quarter of 2002.

**Table 9.—Personal Income and Its Disposition**

[Billions of dollars]

|  | 2000           | 2001           | 2002 <sup>r</sup> | Seasonally adjusted at annual rates |                |                |                 |                |
|--|----------------|----------------|-------------------|-------------------------------------|----------------|----------------|-----------------|----------------|
|  |                |                |                   | 2002                                |                |                |                 | 2003           |
|  |                |                |                   | I                                   | II             | III            | IV <sup>r</sup> | I <sup>r</sup> |
| <b>Personal income</b> <sup>1</sup> .....  | <b>8,406.6</b> | <b>8,685.3</b> | <b>8,922.2</b>    | <b>8,803.4</b>                      | <b>8,914.0</b> | <b>8,958.9</b> | <b>9,012.5</b>  | <b>9,094.8</b> |
| Wage and salary disbursements .....  | 4,836.3        | 4,950.6        | 4,996.4           | 4,957.8                             | 4,997.3        | 5,007.4        | 5,023.1         | 5,069.5        |
| Other labor income .....   | 544.2          | 570.4          | 610.6             | 590.8                               | 604.1          | 617.5          | 630.2           | 639.2          |
| Proprietors' income with inventory valuation and capital consumption adjustments ..... | 714.8          | 727.9          | 756.5             | 748.4                               | 747.5          | 758.7          | 771.6           | 784.4          |
| Farm .....   | 22.6           | 19.0           | 12.9              | 21.7                                | 7.5            | 10.7           | 11.7            | 14.2           |
| Nonfarm .....  | 692.2          | 708.8          | 743.7             | 726.7                               | 740.0          | 748.0          | 759.9           | 770.2          |
| Rental income of persons with capital consumption adjustment .....                     | 146.6          | 137.9          | 142.4             | 141.3                               | 153.5          | 144.1          | 130.6           | 126.9          |
| Personal dividend income .....   | 375.7          | 409.2          | 433.8             | 423.7                               | 430.3          | 437.3          | 443.8           | 451.2          |
| Personal interest income .....   | 1,077.0        | 1,091.3        | 1,078.5           | 1,069.9                             | 1,082.3        | 1,080.7        | 1,080.9         | 1,075.8        |
| Transfer payments to persons .....   | 1,070.3        | 1,170.4        | 1,288.0           | 1,252.0                             | 1,282.6        | 1,298.4        | 1,319.1         | 1,340.8        |
| Less: Personal contributions for social insurance .....                                | 358.4          | 372.3          | 384.0             | 380.5                               | 383.6          | 385.3          | 386.8           | 392.9          |
| Less: Personal tax and nontax payments .....   | 1,286.4        | 1,292.1        | 1,111.9           | 1,136.8                             | 1,121.8        | 1,099.0        | 1,090.1         | 1,077.2        |
| <b>Equals: Disposable personal income</b> .....  | <b>7,120.2</b> | <b>7,393.2</b> | <b>7,810.3</b>    | <b>7,666.7</b>                      | <b>7,792.2</b> | <b>7,859.9</b> | <b>7,922.5</b>  | <b>8,017.6</b> |
| Less: Personal outlays .....   | 6,918.6        | 7,223.5        | 7,524.5           | 7,396.3                             | 7,477.9        | 7,583.0        | 7,640.7         | 7,727.6        |
| <b>Equals: Personal saving</b> .....   | <b>201.5</b>   | <b>169.7</b>   | <b>285.8</b>      | <b>270.4</b>                        | <b>314.3</b>   | <b>276.9</b>   | <b>281.8</b>    | <b>290.0</b>   |
| <b>Addenda:</b>  |                |                |                   |                                     |                |                |                 |                |
| Disposable personal income, billions of chained (1996) dollars <sup>2</sup> .....      | 6,630.3        | 6,748.0        | 7,032.2           | 6,961.0                             | 7,027.2        | 7,058.1        | 7,082.3         | 7,119.4        |
| Personal saving as a percentage of disposable personal income .....                    | 2.8            | 2.3            | 3.7               | 3.5                                 | 4.0            | 3.5            | 3.6             | 3.6            |

<sup>r</sup> Revised. Revisions include changes to series affected by the introduction of revised wage and salary estimates for the fourth quarter of 2002.

<sup>1</sup> Personal income is also equal to national income less corporate profits with inventory valuation and capital consumption adjustments, net interest, contributions for social insurance, and wage accruals less disbursements, plus personal interest income, personal dividend income, government transfer payments to persons, and business transfer payments to persons.

<sup>2</sup> Equals disposable personal income deflated by the implicit price deflator for personal consumption expenditures.

Table 10.—Corporate Profits: Level and Percent Change

|  | Billions of dollars |              |              |                                     |              |              |              |              | Percent change from preceding period |            |                 |             |            |            |                      |
|--|---------------------|--------------|--------------|-------------------------------------|--------------|--------------|--------------|--------------|--------------------------------------|------------|-----------------|-------------|------------|------------|----------------------|
|  | 2000                | 2001         | 2002         | Seasonally adjusted at annual rates |              |              |              |              | 2001                                 | 2002       | Quarterly rates |             |            |            | Quarter one year ago |
|  |                     |              |              | 2002                                |              |              |              | 2003         |                                      |            | 2002            |             |            | 2003       |                      |
|  |                     |              |              | I                                   | II           | III          | IV           |              |                                      |            | I <sup>r</sup>  | II          | III        |            |                      |
| <b>Corporate profits with inventory valuation and capital consumption adjustments</b> .....    | <b>788.1</b>        | <b>731.6</b> | <b>787.4</b> | <b>797.6</b>                        | <b>785.0</b> | <b>771.0</b> | <b>796.1</b> | <b>816.5</b> | <b>-7.2</b>                          | <b>7.6</b> | <b>-1.6</b>     | <b>-1.8</b> | <b>3.2</b> | <b>2.6</b> | <b>2.4</b>           |
| Profits before tax .....   | 782.3               | 670.2        | 665.2        | 639.4                               | 657.9        | 668.5        | 694.9        | 728.1        | -14.3                                | -7         | 2.9             | 1.6         | 3.9        | 4.8        | 13.9                 |
| Profits tax liability .....  | 259.4               | 199.3        | 213.3        | 202.4                               | 213.7        | 214.7        | 222.4        | 237.8        | -23.2                                | 7.0        | 5.6             | .5          | 3.6        | 6.9        | 17.5                 |
| Profits after tax .....  | 522.9               | 470.9        | 451.9        | 437.0                               | 444.3        | 453.8        | 472.5        | 490.2        | -10.0                                | -4.0       | 1.7             | 2.1         | 4.1        | 3.8        | 12.2                 |
| Dividends .....  | 376.1               | 409.6        | 434.3        | 424.2                               | 430.8        | 437.7        | 444.3        | 451.6        | 8.9                                  | 6.0        | 1.6             | 1.6         | 1.5        | 1.6        | 6.5                  |
| Undistributed profits .....  | 146.8               | 61.2         | 17.6         | 12.8                                | 13.5         | 16.1         | 28.2         | 38.6         | -58.3                                | -71.2      | 4.9             | 19.4        | 75.4       | 37.0       | 201.0                |
| Inventory valuation adjustment .....   | -15.0               | 5.0          | -6.9         | 1.9                                 | -5.7         | -15.1        | -8.5         | -26.9        |                                      |            |                 |             |            |            |                      |
| Capital consumption adjustment .....   | 20.8                | 56.5         | 129.1        | 156.3                               | 132.8        | 117.6        | 109.7        | 115.3        | 172.1                                | 128.5      | -15.0           | -11.4       | -6.7       | 5.1        | -26.2                |
| <b>Addenda:</b>  |                     |              |              |                                     |              |              |              |              |                                      |            |                 |             |            |            |                      |
| Corporate profits after tax with inventory valuation and capital consumption adjustments ..... | 528.7               | 532.3        | 574.1        | 595.2                               | 571.3        | 556.3        | 573.7        | 578.6        | .7                                   | 7.9        | -4.0            | -2.6        | 3.1        | .9         | -2.8                 |
| <b>Net cash flow with inventory valuation and capital consumption adjustments</b> .....        | <b>873.7</b>        | <b>911.8</b> | <b>967.3</b> | <b>979.3</b>                        | <b>966.7</b> | <b>954.7</b> | <b>968.7</b> | <b>964.7</b> | <b>4.4</b>                           | <b>6.1</b> | <b>-1.3</b>     | <b>-1.2</b> | <b>1.5</b> | <b>-4</b>  | <b>-1.5</b>          |
| Undistributed profits with inventory valuation and capital consumption adjustments .....       | 152.6               | 122.7        | 139.9        | 171.0                               | 140.5        | 118.6        | 129.4        | 127.0        | -19.6                                | 14.0       | -17.8           | -15.6       | 9.1        | -1.8       | -25.7                |
| Consumption of fixed capital .....   | 721.1               | 789.1        | 827.5        | 808.3                               | 826.1        | 836.1        | 839.3        | 837.6        | 9.4                                  | 4.9        | 2.2             | 1.2         | .4         | -2         | 3.6                  |
| Less: Inventory valuation adjustment .....   | -15.0               | 5.0          | -6.9         | 1.9                                 | -5.7         | -15.1        | -8.5         | -26.9        |                                      |            |                 |             |            |            |                      |
| <b>Equals: Net cash flow</b> .....   | <b>888.7</b>        | <b>906.8</b> | <b>974.2</b> | <b>977.4</b>                        | <b>972.4</b> | <b>969.8</b> | <b>977.2</b> | <b>991.5</b> | <b>2.0</b>                           | <b>7.4</b> | <b>-5</b>       | <b>-3</b>   | <b>.8</b>  | <b>1.5</b> | <b>1.4</b>           |

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Table 11.—Corporate Profits by Industry: Level and Change From Preceding Period

(Billions of dollars)

|   | Level        |              |              |                                     |              |              |              |              | Change from preceding period |              |                |              |             |                |      |
|---|--------------|--------------|--------------|-------------------------------------|--------------|--------------|--------------|--------------|------------------------------|--------------|----------------|--------------|-------------|----------------|------|
|   | 2000         | 2001         | 2002         | Seasonally adjusted at annual rates |              |              |              |              | 2001                         | 2002         | 2002           |              |             |                | 2003 |
|   |              |              |              | 2002                                |              |              |              | 2003         |                              |              | 2002           |              |             | I <sup>r</sup> |      |
|   |              |              |              | I                                   | II           | III          | IV           |              |                              |              | I <sup>r</sup> | II           | III         |                |      |
| <b>Corporate profits with inventory valuation and capital consumption adjustments</b> ..... | <b>788.1</b> | <b>731.6</b> | <b>787.4</b> | <b>797.6</b>                        | <b>785.0</b> | <b>771.0</b> | <b>796.1</b> | <b>816.5</b> | <b>-56.5</b>                 | <b>55.8</b>  | <b>-12.6</b>   | <b>-14.0</b> | <b>25.1</b> | <b>20.4</b>    |      |
| <b>Domestic industries</b> .....  | <b>644.8</b> | <b>580.9</b> | <b>668.1</b> | <b>665.6</b>                        | <b>669.9</b> | <b>654.9</b> | <b>682.0</b> | <b>710.0</b> | <b>-63.9</b>                 | <b>87.2</b>  | <b>4.3</b>     | <b>-15.0</b> | <b>27.1</b> | <b>28.0</b>    |      |
| Financial .....   | 183.0        | 173.5        | 209.7        | 213.2                               | 210.7        | 207.3        | 207.6        | 223.5        | -9.5                         | 36.2         | -2.5           | -3.4         | .3          | 15.9           |      |
| Nonfinancial .....  | 461.8        | 407.4        | 458.4        | 452.4                               | 459.3        | 447.6        | 474.4        | 486.5        | -54.4                        | 51.0         | 6.9            | -11.7        | 26.8        | 12.1           |      |
| <b>Rest of the world</b> .....  | <b>143.3</b> | <b>150.8</b> | <b>119.3</b> | <b>132.0</b>                        | <b>115.1</b> | <b>116.1</b> | <b>114.1</b> | <b>106.5</b> | <b>7.5</b>                   | <b>-31.5</b> | <b>-16.9</b>   | <b>1.0</b>   | <b>-2.0</b> | <b>-7.6</b>    |      |
| Receipts from the rest of the world .....   | 203.8        | 172.4        | 177.0        | 161.4                               | 173.4        | 185.9        | 187.3        | 193.0        | -31.4                        | 4.6          | 12.0           | 12.5         | 1.4         | 5.7            |      |
| Less: Payments to the rest of the world .....   | 60.5         | 21.6         | 57.7         | 29.4                                | 58.3         | 69.7         | 73.3         | 86.6         | -38.9                        | 36.1         | 28.9           | 11.4         | 3.6         | 13.3           |      |
| <b>Corporate profits with inventory valuation adjustment</b> .....                          | <b>767.3</b> | <b>675.1</b> | <b>658.3</b> | <b>641.3</b>                        | <b>652.2</b> | <b>653.4</b> | <b>686.4</b> | <b>701.2</b> | <b>-92.2</b>                 | <b>-16.8</b> | <b>10.9</b>    | <b>1.2</b>   | <b>33.0</b> | <b>14.8</b>    |      |
| <b>Domestic industries</b> .....  | <b>624.0</b> | <b>524.4</b> | <b>539.0</b> | <b>509.3</b>                        | <b>537.1</b> | <b>537.3</b> | <b>572.3</b> | <b>594.7</b> | <b>-99.6</b>                 | <b>14.6</b>  | <b>27.8</b>    | <b>.2</b>    | <b>35.0</b> | <b>22.4</b>    |      |
| Financial .....   | 201.0        | 190.6        | 217.3        | 218.2                               | 218.5        | 216.1        | 216.5        | 230.3        | -10.4                        | 26.7         | .3             | -2.4         | .4          | 13.8           |      |
| Federal Reserve banks .....   | 30.0         | 27.9         | 22.8         | 23.4                                | 23.9         | 22.9         | 21.2         | 20.9         | -2.1                         | -5.1         | .5             | -1.0         | -1.7        | -3             |      |
| Other .....   | 171.0        | 162.8        | 194.5        | 194.8                               | 194.6        | 193.2        | 195.2        | 209.4        | -8.2                         | 31.7         | -2             | -1.4         | 2.0         | 14.2           |      |
| Nonfinancial .....  | 423.0        | 333.7        | 321.7        | 291.1                               | 318.6        | 321.2        | 355.8        | 364.4        | -89.3                        | -12.0        | 27.5           | 2.6          | 34.6        | 8.6            |      |
| Manufacturing .....   | 159.8        | 83.4         | 92.6         | 68.9                                | 91.9         | 100.5        | 108.9        | 122.0        | -76.4                        | 9.2          | 23.0           | 8.6          | 8.4         | 13.1           |      |
| Durable goods .....   | 61.5         | 9.9          | 17.0         | 2.5                                 | 17.8         | 22.8         | 24.6         | 28.0         | -51.6                        | 7.1          | 15.3           | 5.0          | 1.8         | 3.4            |      |
| Primary metal industries .....  | 1.0          | -1.6         | 1.2          | .5                                  | .3           | 1.3          | 2.6          | 2.6          | -2.6                         | 2.8          | -2             | 1.0          | 1.3         | 0              |      |
| Fabricated metal products .....   | 15.4         | 9.0          | 5.8          | 5.2                                 | 5.8          | 4.7          | 7.3          | 6.0          | -6.4                         | -3.2         | .6             | -1.1         | 2.6         | -1.3           |      |
| Industrial machinery and equipment .....  | 14.2         | -.6          | -2.5         | -4.9                                | -2.9         | -.1          | -2.2         | -.6          | -14.8                        | -1.9         | 2.0            | 2.8          | -2.1        | 1.6            |      |
| Electronic and other electric equipment .....   | 5.5          | -3.2         | .7           | -6.2                                | -.9          | 4.0          | 6.1          | 8.8          | -8.7                         | 3.9          | 5.3            | 4.9          | 2.1         | 2.7            |      |
| Motor vehicles and equipment .....  | -2.2         | -9.4         | -7.6         | -11.8                               | -4.4         | -6.6         | -7.7         | 3.3          | -7.2                         | 1.8          | 7.4            | -2.2         | -1.1        | 11.0           |      |
| Other .....   | 27.6         | 15.7         | 19.4         | 19.7                                | 20.0         | 19.5         | 18.5         | 7.8          | -11.9                        | 3.7          | .3             | -5           | -1.0        | -10.7          |      |
| Nondurable goods .....  | 98.3         | 73.5         | 75.6         | 66.4                                | 74.1         | 77.6         | 84.3         | 94.0         | -24.8                        | 2.1          | 7.7            | 3.5          | 6.7         | 9.7            |      |
| Food and kindred products .....   | 25.8         | 16.6         | 20.1         | 18.9                                | 19.2         | 21.0         | 21.1         | 22.8         | -9.2                         | 3.5          | .3             | 1.8          | .1          | 1.7            |      |
| Chemicals and allied products .....   | 17.2         | 15.2         | 16.9         | 15.1                                | 16.7         | 17.0         | 18.9         | 20.9         | -2.0                         | 1.7          | 1.6            | .3           | 1.9         | 2.0            |      |
| Petroleum and coal products .....   | 26.1         | 25.7         | 16.9         | 14.1                                | 15.4         | 17.4         | 20.7         | 36.5         | -4                           | -8.8         | 1.3            | 2.0          | 3.3         | 15.8           |      |
| Other .....   | 29.1         | 16.0         | 21.8         | 18.3                                | 22.8         | 22.3         | 23.7         | 13.9         | -13.1                        | 5.8          | 4.5            | -5           | 1.4         | -9.8           |      |
| Transportation and public utilities .....   | 36.6         | 27.7         | 16.7         | 15.0                                | 17.1         | 13.2         | 21.5         | 20.1         | -8.9                         | -11.0        | 2.1            | -3.9         | 8.3         | -1.4           |      |
| Transportation .....  | 12.8         | 1.2          | .3           | -.5                                 | -1.7         | -.3          | 3.6          | -1.5         | -11.6                        | -.9          | -1.2           | 1.4          | 3.9         | -5.1           |      |
| Communications .....  | -5.5         | -5.8         | -11.7        | -9.3                                | -12.7        | -13.1        | -11.8        | -11.3        | -.3                          | -5.9         | -3.4           | -.4          | 1.3         | .5             |      |
| Electric, gas, and sanitary services .....  | 29.4         | 32.2         | 28.1         | 24.8                                | 31.4         | 26.5         | 29.6         | 33.0         | 2.8                          | -4.1         | 6.6            | -4.9         | 3.1         | 3.4            |      |
| Wholesale trade .....   | 62.1         | 44.8         | 47.3         | 41.2                                | 44.8         | 44.5         | 58.9         | 51.4         | -17.3                        | 2.5          | 3.6            | -.3          | 14.4        | -7.5           |      |
| Retail trade .....  | 73.4         | 79.1         | 81.2         | 81.4                                | 86.0         | 82.5         | 75.1         | 74.8         | 5.7                          | 2.1          | 4.6            | -3.5         | -7.4        | -.3            |      |
| Other .....   | 91.0         | 98.8         | 83.9         | 84.6                                | 78.9         | 80.6         | 91.5         | 96.1         | 7.8                          | -14.9        | -5.7           | 1.7          | 10.9        | 4.6            |      |
| <b>Rest of the world</b> .....  | <b>143.3</b> | <b>150.8</b> | <b>119.3</b> | <b>132.0</b>                        | <b>115.1</b> | <b>116.1</b> | <b>114.1</b> | <b>106.5</b> | <b>7.5</b>                   | <b>-31.5</b> | <b>-16.9</b>   | <b>1.0</b>   | <b>-2.0</b> | <b>-7.6</b>    |      |

r Revised.

Table 12.—Gross Domestic Product of Nonfinancial Corporate Business

|   | 2000           | 2001           | 2002 <sup>r</sup> | Seasonally adjusted at annual rates |                |                |                 |                |
|---|----------------|----------------|-------------------|-------------------------------------|----------------|----------------|-----------------|----------------|
|   |                |                |                   | 2002                                |                |                |                 | 2003           |
|   |                |                |                   | I                                   | II             | III            | IV <sup>r</sup> | I <sup>r</sup> |
| Billions of dollars   |                |                |                   |                                     |                |                |                 |                |
| <b>Gross product of nonfinancial corporate business</b> .....   | <b>5,295.0</b> | <b>5,354.2</b> | <b>5,493.1</b>    | <b>5,423.8</b>                      | <b>5,489.0</b> | <b>5,504.8</b> | <b>5,554.7</b>  | <b>5,602.8</b> |
| Consumption of fixed capital .....  | 599.4          | 652.8          | 686.6             | 670.7                               | 685.1          | 693.7          | 696.7           | 696.2          |
| <b>Net product</b> .....  | <b>4,695.6</b> | <b>4,701.4</b> | <b>4,806.5</b>    | <b>4,753.1</b>                      | <b>4,803.8</b> | <b>4,811.1</b> | <b>4,858.0</b>  | <b>4,906.6</b> |
| Indirect business tax and nontax liability plus business transfer payments less subsidies .....                             | 508.9          | 523.7          | 549.1             | 539.3                               | 545.6          | 554.2          | 557.2           | 561.3          |
| Domestic income .....   | 4,186.6        | 4,177.7        | 4,257.5           | 4,213.9                             | 4,258.2        | 4,256.9        | 4,300.8         | 4,345.3        |
| Compensation of employees .....   | 3,542.1        | 3,573.5        | 3,605.0           | 3,570.1                             | 3,604.4        | 3,615.0        | 3,630.5         | 3,663.3        |
| Wage and salary accruals .....  | 3,040.1        | 3,056.4        | 3,059.5           | 3,040.2                             | 3,063.5        | 3,064.3        | 3,070.1         | 3,092.8        |
| Supplements to wages and salaries .....   | 502.0          | 517.1          | 545.5             | 529.9                               | 540.8          | 550.7          | 560.4           | 570.5          |
| Corporate profits with inventory valuation and capital consumption adjustments .....  | 461.8          | 407.4          | 458.4             | 452.4                               | 459.3          | 447.6          | 474.4           | 486.5          |
| Profits before tax .....  | 437.9          | 328.8          | 328.6             | 289.2                               | 324.4          | 336.3          | 364.4           | 391.3          |
| Profits tax liability .....   | 172.4          | 123.5          | 131.5             | 119.8                               | 130.8          | 133.4          | 142.2           | 153.4          |
| Profits after tax .....   | 265.5          | 205.3          | 197.0             | 169.5                               | 193.6          | 202.9          | 222.1           | 237.9          |
| Dividends .....   | 259.6          | 278.5          | 285.8             | 293.1                               | 280.2          | 275.9          | 294.2           | 300.1          |
| Undistributed profits .....   | 5.9            | -73.2          | -88.8             | -123.6                              | -86.6          | -73.0          | -72.1           | -62.2          |
| Inventory valuation adjustment .....  | -15.0          | 5.0            | -6.9              | 1.9                                 | -5.7           | -15.1          | -8.5            | -26.9          |
| Capital consumption adjustment .....  | 38.8           | 73.6           | 136.7             | 161.3                               | 140.6          | 126.4          | 118.6           | 122.1          |
| Net interest .....  | 182.7          | 196.8          | 194.1             | 191.4                               | 194.6          | 194.3          | 195.9           | 195.5          |
| Billions of chained (1996) dollars  |                |                |                   |                                     |                |                |                 |                |
| <b>Gross product of nonfinancial corporate business</b> <sup>1</sup> .....  | <b>5,148.3</b> | <b>5,141.8</b> | <b>5,301.9</b>    | <b>5,231.3</b>                      | <b>5,298.7</b> | <b>5,320.7</b> | <b>5,357.1</b>  | <b>5,394.0</b> |
| Consumption of fixed capital <sup>2</sup> .....   | 616.7          | 671.9          | 720.8             | 695.2                               | 715.4          | 731.4          | 741.1           | 749.9          |
| Net product <sup>3</sup> .....  | 4,531.5        | 4,469.9        | 4,581.2           | 4,536.0                             | 4,583.3        | 4,589.4        | 4,615.9         | 4,644.1        |
| Dollars   |                |                |                   |                                     |                |                |                 |                |
| <b>Price, costs, and profits per unit of real gross product of nonfinancial corporate business:</b>                         |                |                |                   |                                     |                |                |                 |                |
| <b>Price per unit of real gross product of nonfinancial corporate business</b> <sup>4</sup> .....                           | <b>1.029</b>   | <b>1.041</b>   | <b>1.036</b>      | <b>1.037</b>                        | <b>1.036</b>   | <b>1.035</b>   | <b>1.037</b>    | <b>1.039</b>   |
| Compensation of employees (unit labor cost) .....   | .688           | .695           | .680              | .682                                | .680           | .679           | .678            | .679           |
| Unit nonlabor cost .....  | .250           | .267           | .270              | .268                                | .269           | .271           | .271            | .269           |
| Consumption of fixed capital .....  | .116           | .127           | .129              | .128                                | .129           | .130           | .130            | .129           |
| Indirect business tax and nontax liability plus business transfer payments less subsidies .....                             | .099           | .102           | .104              | .103                                | .103           | .104           | .104            | .104           |
| Net interest .....  | .035           | .038           | .037              | .037                                | .037           | .037           | .037            | .036           |
| Corporate profits with inventory valuation and capital consumption adjustments (unit profits from current production) ..... | .090           | .079           | .086              | .086                                | .087           | .084           | .089            | .090           |
| Profits tax liability .....   | .033           | .024           | .025              | .023                                | .025           | .025           | .027            | .028           |
| Profits after tax with inventory valuation and capital consumption adjustments .....  | .056           | .055           | .062              | .064                                | .062           | .059           | .062            | .062           |

<sup>r</sup> Revised. Revisions include changes to series affected by the introduction of revised wage and salary estimates for the fourth quarter of 2002.

<sup>1</sup> Effective November 26, 2002, the estimates of chained-dollar gross product of nonfinancial corporate business beginning with 1999 have been revised to reflect the 2002 revision to the gross product price indexes for non-financial industries.

<sup>2</sup> Chained-dollar consumption of fixed capital of nonfinancial corporate business is calculated as the product of the chain-type quantity index and the 1996 current-dollar value of the corresponding series, divided by 100.

<sup>3</sup> Chained-dollar net product of nonfinancial corporate business is the difference between the gross product and the consumption of fixed capital.

<sup>4</sup> The deflator for gross product of nonfinancial corporate business divided by 100.

**Appendix Table A.—Real Gross Domestic Product and Related Aggregates and Price Indexes: Percent Change From Preceding Period**  
[Percent]

|  | 2000 | 2001 | 2002 | Seasonally adjusted at annual rates |      |      |      |      |       |       |       |       |      |      |       |       |      |       |      | 2003 |
|--|------|------|------|-------------------------------------|------|------|------|------|-------|-------|-------|-------|------|------|-------|-------|------|-------|------|------|
|  |      |      |      | 1999                                |      |      | 2000 |      |       |       | 2001  |       |      |      | 2002  |       |      |       |      |      |
|  |      |      |      | II                                  | III  | IV   | I    | II   | III   | IV    | I     | II    | III  | IV   | I     | II    | III  | IV    |      |      |
|  |      |      |      |                                     |      |      |      |      |       |       |       |       |      |      |       |       |      |       |      |      |
| <b>GDP and related aggregates:</b>                           |      |      |      |                                     |      |      |      |      |       |       |       |       |      |      |       |       |      |       |      |      |
| GDP .....  | 3.8  | 0.3  | 2.4  | 2.0                                 | 5.2  | 7.1  | 2.6  | 4.8  | 0.6   | 1.1   | -0.6  | -1.6  | -0.3 | 2.7  | 5.0   | 1.3   | 4.0  | 1.4   | 1.4  |      |
| Goods .....  | 4.7  | -2.3 | 3.3  | 1.5                                 | 8.2  | 12.0 | 1.4  | 6.9  | -5    | -2.7  | -4.4  | -5.7  | -1.5 | 4.3  | 8.3   | .4    | 9.0  | -1.6  | 2.2  |      |
| Services .....   | 3.3  | 2.1  | 2.8  | 2.9                                 | 4.3  | 3.9  | 2.0  | 5.0  | 1.6   | 3.7   | .9    | 1.2   | 1.8  | 3.2  | 2.8   | 3.5   | 2.5  | 3.1   | .6   |      |
| Structures .....   | 2.7  | -1   | -2.8 | -1.5                                | -1.9 | 6.2  | 10.7 | -3.6 | -1.2  | 1.7   | 6.1   | -1.3  | -7.1 | -5.6 | 6.1   | -8.4  | -5.5 | 2.5   | 3.6  |      |
| Motor vehicle output .....                                   | -2.7 | -6.1 | 12.8 | -2.0                                | 21.0 | 2.0  | -1.6 | -7.9 | -16.4 | -18.1 | -19.1 | 19.4  | 10.7 | 16.3 | 9.9   | 8.1   | 37.1 | -13.4 | -1.8 |      |
| GDP less motor vehicle output .....                          | 4.0  | .5   | 2.1  | 2.1                                 | 4.6  | 7.3  | 2.7  | 5.4  | 1.2   | 1.8   | 0     | -2.2  | -6   | 2.3  | 4.9   | 1.0   | 3.0  | 1.9   | 1.5  |      |
| Final sales of computers <sup>1</sup> .....                  | 29.5 | 9.1  | 13.0 | 61.8                                | 35.1 | -3.9 | 56.9 | 45.2 | 9.6   | 10.2  | 30.0  | -19.1 | -5.3 | 28.9 | -7.8  | 13.1  | 78.5 | 26.7  | 28.2 |      |
| GDP less final sales of computers .....                      | 3.5  | .2   | 2.4  | 1.5                                 | 4.9  | 7.2  | 2.2  | 4.5  | .5    | 1.0   | -8    | -1.4  | -2   | 2.6  | 5.1   | 1.2   | 3.6  | 1.2   | 1.3  |      |
| Farm product <sup>2</sup> .....                              | 11.5 | -5.1 | .4   | 25.7                                | -7.3 | 8.7  | 35.1 | 4.7  | 15.3  | -19.1 | -10.6 | -17.5 | -4.3 | 74.0 | -14.2 | -26.7 | 7.9  | 9.5   | 2.4  |      |
| Nonfarm business less housing product <sup>3</sup> .....     | 4.1  | -1   | 2.8  | 1.8                                 | 6.0  | 8.5  | 2.1  | 5.6  | .3    | 1.2   | -9    | -2.8  | -8   | 3.0  | 6.3   | .9    | 5.4  | 1.8   | 1.5  |      |
| <b>Price indexes:</b>  |      |      |      |                                     |      |      |      |      |       |       |       |       |      |      |       |       |      |       |      |      |
| GDP .....  | 2.1  | 2.4  | 1.1  | 1.5                                 | 1.2  | 1.7  | 3.1  | 2.3  | 1.6   | 2.1   | 3.7   | 2.5   | 2.2  | -5   | 1.3   | 1.2   | 1.0  | 1.8   | 2.4  |      |
| GDP less food and energy .....                               | 2.0  | 2.0  | 1.4  | 1.6                                 | 1.3  | 1.8  | 2.7  | 2.1  | 1.6   | 1.9   | 2.8   | 1.6   | 2.8  | 0    | 1.6   | 1.5   | 1.1  | 1.6   | 1.8  |      |
| GDP less final sales of computers .....                      | 2.3  | 2.6  | 1.3  | 1.8                                 | 1.5  | 1.9  | 3.3  | 2.5  | 1.8   | 2.2   | 4.1   | 2.7   | 2.4  | -4   | 1.5   | 1.4   | 1.2  | 1.9   | 2.5  |      |
| Gross domestic purchases .....                               | 2.5  | 1.9  | 1.2  | 2.1                                 | 1.9  | 2.2  | 3.7  | 2.2  | 2.2   | 2.1   | 3.3   | 1.7   | -2   | .4   | 1.2   | 2.3   | 1.2  | 1.8   | 3.4  |      |
| Gross domestic purchases less food and energy .....          | 1.9  | 1.8  | 1.4  | 1.4                                 | 1.2  | 1.7  | 2.7  | 1.9  | 1.5   | 1.7   | 2.9   | 1.3   | .6   | 2.0  | 1.4   | 1.5   | 1.2  | 1.5   | 1.8  |      |
| Gross domestic purchases less final sales of computers ..... | 2.8  | 2.2  | 1.4  | 2.4                                 | 2.2  | 2.4  | 3.9  | 2.4  | 2.4   | 2.3   | 3.8   | 2.0   | .1   | .7   | 1.4   | 2.4   | 1.4  | 2.0   | 3.6  |      |
| Personal consumption expenditures .....                      | 2.5  | 2.0  | 1.4  | 2.3                                 | 2.2  | 2.4  | 3.4  | 2.3  | 2.1   | 2.2   | 3.3   | 1.8   | -1   | .8   | 1.1   | 2.7   | 1.7  | 1.8   | 2.7  |      |
| Personal consumption expenditures less food and energy ..... | 1.8  | 1.8  | 1.7  | 1.4                                 | 1.5  | 1.7  | 2.2  | 1.8  | 1.3   | 1.8   | 2.8   | 1.2   | .7   | 2.7  | 1.4   | 1.9   | 1.8  | 1.5   | .8   |      |

r Revised.

1. For some components of final sales of computers, includes computer parts.

2. Farm output less intermediate goods and services purchased.

3. Consists of GDP less gross product of farm, of housing, of households and institutions, and of general government.

See "Explanatory Note" at the end of the tables.

## Explanatory Note: Measures of Output and Prices

This note describes the calculation of chain-type quantity and price indexes used in the NIPA's.

Changes in current-dollar GDP measure changes in the market value of goods, services, and structures produced in the economy in a particular period. These changes can be decomposed into quantity and price components. Quantities, or "real" measures, and prices are expressed as index numbers with the reference year--at present, the year 1996--equal to 100.

The annual changes in quantities and prices are calculated using a Fisher formula that incorporates weights from two adjacent years. (Quarterly changes in quantities and prices are calculated using a Fisher formula that incorporates weights from two adjacent quarters; quarterly indexes are adjusted for consistency to the annual indexes before percent changes are calculated.) For example, the 2000-01 annual percent change in real GDP uses prices for 2000 and 2001 as weights, and the 2000-01 annual percent change in GDP prices uses quantities for 2000 and 2001 as weights. These annual changes are "chained" (multiplied) together to form time series of quantity and price indexes. The Fisher formula produces percent changes in quantities and prices that are not affected by the choice of reference years. In addition, because the changes in quantities and prices calculated in this way are symmetric, in general, the product of a quantity index and the corresponding price index equals the current-dollar index. (BEA also publishes a measure of the price level known as the "implicit price deflator (IPD)," which is calculated as the ratio of current-dollar value to the corresponding chained-dollar value, multiplied by 100. The values of the IPD are very close to the values of the corresponding "chain-type" price index for all periods.)

Chain-type quantity and price indexes for GDP and its major components are presented in this release as index numbers in table 5 and in the form of percentage changes from the preceding period in tables 1, 4, 6 and from the quarter one year ago in table 7. Contributions by major components to changes in real GDP are presented in table 2. BEA also prepares measures of real GDP and its components in a dollar-denominated form, designated "chained (1996) dollar estimates." For GDP and most other series, these estimates, which are presented in table 3, are computed by multiplying the 1996 current-dollar value by a corresponding quantity index number and then dividing by 100. For example, if a current-dollar GDP component equaled \$100 in 1996 and if real output for this component increased 10 percent in 1997, then the chained (1996) dollar value of this component in 1997 would be \$110 ( $\$100 \times 1.10$ ).

For analyses of changes over time in an aggregate or in a component, the percentage changes calculated from the chained-dollar estimates and from the chain-type quantity indexes are the same; any differences will be small and due to rounding. However, because the relative prices used as weights for any period other than the reference year differ from those used for the reference year, the chained-dollar values for the detailed GDP components will not necessarily sum to the chained-dollar estimate of GDP or to any intermediate aggregate. A measure of the extent of such differences is provided by a "residual" line, which indicates the difference between GDP (or another major aggregate) and the sum of the most detailed components in the table. For periods close to the reference year, when there usually has not been much change in the relative prices that are used as weights for the chain-type index, the residuals tend to be small, and the chained (1996) dollar estimates can be used to approximate the contributions to growth and to aggregate the detailed estimates. As one moves further from the reference year, the residual tends to become larger, and the chained-dollar estimates become less useful for analyses of contributions to growth. Thus, the contributions to percent change shown in table 2 provide a better measure of the composition of GDP growth. In particular, for components for which relative prices are changing rapidly, calculation of contributions using chained-dollar estimates may be misleading even just a few years from the reference year.

References: "A Preview of the 1999 Comprehensive Revision of the NIPA's: Statistical Changes," October 1999 Survey, pp. 6-17; "A Guide to the NIPA's," March 1998 Survey, pp. 36-40; "BEA's Chain Indexes, Time Series, and Measures of Long-Term Economic Growth," May 1997 Survey, pp. 58-68.