

**Technical Note**  
**Gross Domestic Product, First Quarter 2003 (Preliminary)**  
**May 29, 2003**

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 note also provides some perspective on the estimates. Additional material will be posted to BEA's Web site <www.bea.gov> as it becomes available over the next few days. In a few weeks, the estimates will be published in BEA's monthly journal, the *Survey of Current Business*. The *Survey* also will provide a more detailed analysis of the estimates ("The Business Situation").

Real GDP (revised): Real GDP is now estimated to have increased 1.9 percent (annual rate) in the first quarter of 2003 after increasing 1.4 percent in the fourth quarter of 2002. The revised estimate for the first quarter is 0.3 percentage point higher than the advance estimate released a month ago. As in the advance estimate, consumer spending and residential investment were the major contributors to the first-quarter increase.

Real final sales of domestic product -- GDP less change in private inventories -- increased 2.4 percent in the first quarter after increasing 1.1 percent in the fourth.

Prices (revised): The price index for gross domestic purchases increased 3.6 percent in the first quarter, the same as in the advance estimate. This measure of prices increased 1.8 percent in the fourth quarter. Much of the step-up from the fourth quarter to the first was due to a jump in energy prices; excluding food and energy prices, the index increased 2.0 percent in the first quarter after increasing 1.5 percent in the fourth. Furthermore, about 0.3 percentage point of the first-quarter increase was accounted for by a 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.

Comprehensive revision: As announced in the November 2002 issue of the *Survey of Current Business*, BEA plans to release the results of its 12th 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 comprehensive revision. An article in the June 2003 issue of the *Survey* will describe definitional changes that will be implemented in the revision. Subsequent articles will discuss statistical changes and changes in presentation.

### **Corporate Profits and GNP**

The news release that presents the preliminary estimate of first-quarter GDP also presents BEA's first estimates of corporate profits and gross national product (GNP) for the quarter.

Corporate Profits: Profits from current production (that is, "corporate profits with inventory valuation and capital consumption adjustments") increased 1.0 percent (quarterly rate) in the first quarter after increasing 3.2 percent in the fourth quarter. Profits were 0.8 percent higher in the first quarter of 2003 than in the first quarter of 2002. The current-production measure differs from profits as they are usually reported in corporate financial statements. It excludes non-operating items, such as special charges and capital gains and losses, and is based on depreciation of fixed assets and inventory withdrawals valued at current cost, rather than at historical cost.

**Real GNP:** Real GNP increased 1.8 percent in the first quarter after increasing 1.4 percent in the fourth. GNP equals GDP plus incomes, mainly on investments, earned abroad by U.S. residents less similar incomes earned in the United States by foreign residents. Net income receipts from the rest of the world decreased \$1.7 billion (chained 1996 dollars) in the first quarter after increasing \$1.5 billion in the fourth.

### **Sources of Revision to Real GDP**

The upward revision to first-quarter real GDP reflected the incorporation of revised and newly available source data for several major GDP components:

- C Consumer spending was revised up, reflecting revised retail sales data from the Census Bureau that incorporate information from the 2001 Annual Retail Trade Survey. The revised retail trade data have been incorporated on a "best-change" basis; that is, the revised *change* in retail sales from the fourth quarter of 2002 to the first quarter of 2003 is reflected in the revised consumer spending estimates released today. (Revised *levels* will be incorporated into the NIPA's in December's benchmark revision.)
- C Exports were revised up, reflecting the incorporation of newly available Census Bureau data for March.

These revisions were partly offset by revisions to the following GDP components:

- C Investment in equipment and software was revised down, reflecting revised Census shipments data for March, newly available Census goods exports and imports data for March, and newly available truck registrations data for March.
- C Imports, which are subtracted in the calculation of GDP, were revised up.

Table A shows both the BEA assumptions used for the advance estimate of GDP and the newly available and revised source data incorporated for the preliminary estimate for selected key series.

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Table A.--SOURCE DATA FOR THE ADVANCE AND PRELIMINARY ESTIMATES OF GDP FOR THE FIRST QUARTER OF 2003

This table shows the actual data used for the preliminary estimate of GDP for the first quarter of 2003. For these key series, actual data for March were not available in time for inclusion in the advance GDP estimate released on April 25, 2003, and BEA made assumptions for these source data. The numbers in brackets show the March values that had been assumed for the advance estimate. For most series, the data incorporated for February and, in some cases, for January, were preliminary, and the numbers shown in brackets are the values used last month.

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.

	Oct.	2002 Nov.	Dec.	Jan.	2003 Feb.	Mar.
Private fixed investment:						
Nonresidential structures:						
Buildings:						
1 Value of new nonresidential construction put in place.....	160.2	161.8	155.6	160.8 {158.3}	161.8 {158.8}	161.5 {158.5}
Equipment and software:						
2 Manufacturers' shipments of complete aircraft.....	32.2	31.1	26.6	24.3	33.4 {33.4}	30.8 {28.8}
Residential structures:						
Value of new residential construction put in place:						
3 1-unit structures.....	267.9	273.4	282.0	291.2 {291.7}	291.2 {291.3}	292.4 {294.1}
4 2-unit-or-more.....	31.9	31.4	32.7	35.8 {35.6}	36.0 {36.8}	36.1 {37.2}
Change in private inventories:						
5 Change in inventories for nondurable manufacturing.....	2.0	-3.6	-0.3	9.4	24.7 {21.6}	5.2 {13.1}
5a Change in inventories for merchant wholesale and retail industries other than motor vehicles and equipment.....	-32.3 {-31.0}	17.4 {18.0}	53.0 {60.8}	3.7 {-0.9}	28.2 {22.7}	32.9 {23.6}
Net exports:						
Exports of goods:						
6 U.S. exports of goods, international-transactions-accounts basis.....	687.3	694.1	664.5	681.5	688.0 {688.9}	696.9 {680.8}

6a	Excluding gold.....	683.8	690.2	660.4	677.1	684.3	693.8
						{685.1}	{677.2}

Imports of goods:

7	U.S. imports of goods, international-transactions- accounts basis.....	1162.7	1225.4	1246.6	1221.0	1219.6	1262.2
						{1219.6}	{1244.5}

7a	Excluding gold.....	1159.0	1222.5	1244.4	1218.6	1217.0	1260.1
						{1217.0}	{1242.1}

8	Net exports of goods.....	-475.4	-531.3	-582.1	-539.6	-531.6	-565.3
						{-530.7}	{-563.6}

8a	Excluding gold.....	-475.2	-532.2	-584.0	-541.5	-532.7	-566.4
						{-531.8}	{-564.8}

Government:

State and local:

Structures:

9	Value of new construction put in place.....	186.3	189.9	189.1	193.5	189.2	183.1
					{192.4}	{186.1}	{189.3}