

**Technical Note**  
**Gross Domestic Product, First Quarter 2003 (Final)**  
**June 26, 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](http://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 at an annual rate of 1.4 percent in the first quarter of 2003, 0.5 percentage point less than in the preliminary estimate released last month. As in the preliminary estimate, consumer spending and residential investment were the major contributors to the increase. Real GDP increased 1.4 percent in the fourth quarter of 2002.

Prices (revised): The chain-type price index for gross domestic purchases is now estimated to have increased 3.4 percent in the first quarter; the preliminary estimate had shown an increase of 3.6 percent. The index had 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.

Corporate Profits (revised): Profits from current production increased 2.6 percent (quarterly rate) in the first quarter, 1.6-percentage points more than in the preliminary estimate, after increasing 3.2 percent in the fourth quarter of 2002. First-quarter profits were 2.4 percent higher than one year earlier. The current-production measure of profits differs from profits as they are reported in corporate financial statements. It excludes certain non-operating items, such as special charges and capital gains and losses, and it values depreciation of fixed assets and inventory withdrawals at current cost, rather than at historical cost.

Comprehensive revision: On December 10, 2003 BEA plans to release the results of its 12th comprehensive (or benchmark) revision of the national income and product accounts (NIPA's). 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 of Current Business* describes changes in definitions that will be implemented in the revision <[www.bea.gov/bea/dn/2003benchmark/CR2003.htm](http://www.bea.gov/bea/dn/2003benchmark/CR2003.htm)>.

**Source of Revisions**

The downward revision in GDP reflected a downward revision to inventory investment and an upward revision to imports that were partly offset by an upward revision to equipment and software:

- C The downward revision to inventory investment reflected revised Census Bureau data on manufacturing and trade inventories for March and newly available Energy Information Administration data on utilities inventories.

- C The upward revision to imports (which are subtracted in the calculation of GDP) reflected the incorporation of revised source data on trade in goods and services from BEA's annual revision of the international transactions accounts (ITA's) released last week. The revised ITA data were incorporated on a "best-change" basis--that is, the changes in the revised source data from the fourth quarter of 2002 to the first quarter of 2003 are reflected in the estimates released today. Revisions to the *level* of imports (and of exports) will be incorporated as part of the comprehensive revision in December.
- C The upward revision to equipment and software was mostly accounted for by software, reflecting a downward revision to the Bureau of Labor Statistics (BLS) producer price index for prepackaged software.

The downward revision to the price index for gross domestic purchases primarily reflected:

- C a downward revision to the implicit price for imputed financial services, based on newly available call report data from the Federal Deposit Insurance Corporation, and
- C a downward revision to software prices, based on the revised producer price index for prepackaged software from BLS.

The news release that presents final estimates for a quarter also presents revised estimates of wages and salaries, personal taxes, and contributions for social insurance for the preceding quarter. Fourth-quarter wages and salaries were revised down, reflecting the incorporation of the most recently available BLS tabulations of private wages and salaries from the state unemployment insurance program. Revisions to personal taxes and to contributions for social insurance for the fourth quarter reflected the revisions to wages and salaries. Real disposable personal income is now estimated to have increased 1.4 percent in the fourth quarter (revised down from 2.4 percent) and 2.1 percent in the first quarter (revised down from 2.3 percent).

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