

Technical Note
Gross Domestic Product, Second Quarter 2002 (Preliminary)
August 29, 2002

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 become available in the next several days; much of it will be posted to BEA's Web site <www.bea.gov>. 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 estimated to have increased 1.1 percent (annual rate) in the second quarter of 2002 after increasing 5.0 percent in the first quarter. The second-quarter growth rate was unrevised from the advance estimate released a month ago. (Over the past 20 years, the revision between the advance and preliminary estimates -- without regard to sign -- has averaged 0.5 percentage point.) As in the advance estimate, the largest contributors to the slowdown were imports, inventory investment, and personal consumption expenditures.

Real final sales of domestic product -- GDP less the change in private inventories -- decreased 0.3 percent in the second quarter; the advance estimate had shown a 0.1-percent decrease. Real final sales increased 2.4 percent in the first quarter. Inventories increased after five consecutive quarterly decreases.

Prices (revised): The price index for gross domestic purchases increased 2.2 percent in the second quarter, 0.1 percentage point more than in the advance estimate. This index increased 1.2 percent in the first quarter.

Corporate Profits and GNP

The news release that presents the preliminary estimate of second-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") decreased 1.7 percent (quarterly rate) in the second quarter, the same decrease as in the first quarter. Profits were 8.7 percent higher in the second quarter of 2002 than in the second quarter of 2001. 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 0.5 percent in the second quarter after increasing 3.7 percent in the first. 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 receipts of income from the rest of the world decreased \$14.8 billion (chained 1996 dollars) in the second quarter after decreasing \$30.7 billion in the first.

Sources of Revision to Real GDP

The preliminary estimate of the second-quarter increase in real GDP was revised less than 0.1 percentage point from the advance estimate released last month. However, there were a number of offsetting revisions to major components of GDP, and these revisions reflected the incorporation of revised and newly available source data:

- Inventory investment was revised up, reflecting the incorporation of newly available Census Bureau data on book value of inventories for June and revised data for May.
- Consumer spending for nondurable goods was revised up, reflecting revised Census Bureau data on retail sales for May and June.
- Residential and nonresidential investment in structures were revised down, mainly reflecting the incorporation of newly available Census Bureau data on the value of construction put-in-place for June and revised data for April and May.

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 SECOND QUARTER OF 2002

This table shows the actual data used for the preliminary estimate of GDP for the second quarter of 2002. For these key series, actual data for June were not available in time for inclusion in the advance GDP estimate released on July 31, 2002, and BEA made assumptions for these source data. The numbers in brackets show the June values that had been assumed for the advance estimate. For most series, the data incorporated for May and, in some cases, for April, 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.

	Jan.	Feb.	Mar.	2002 Apr.	May	Jun.
Private fixed investment:						
Nonresidential structures:						
Buildings:						
1 Value of new nonresidential construction put in place.....	185.6	183.2	178.5	180.0 {178.6}	171.2 {173.0}	165.4 {173.8}
Equipment and software:						
2 Manufacturers' shipments of complete aircraft.....	40.1	40.8	43.9	39.1	29.0 {28.8}	35.0 {29.6}
Residential structures:						
Value of new residential construction put in place:						
3 1-unit structures.....	251.6	260.0	261.7	260.2 {260.7}	260.5 {260.7}	260.1 {259.7}
4 2-unit-or-more.....	35.4	33.9	33.7	35.0 {36.2}	34.6 {36.2}	33.5 {36.9}
Change in private inventories:						
5 Change in inventories for nondurable manufacturing.....	11.7	-7.9	1.5	0.0	-2.0 {-7.7}	8.3 {2.1}
5a Change in inventories for merchant wholesale and retail industries other than motor vehicles and equipment..	-0.2	-29.4	-12.9	-22.9	6.8 {9.1}	17.6 {-4.5}
Net exports:						
Exports of goods:						
6 U.S. exports of goods, international-transactions-accounts basis.....	660.2	655.9	659.7	682.2	687.9 {687.1}	702.0 {694.3}
6a Excluding gold.....	657.7	653.4	657.1	678.8	683.9	698.4

					{683.7}	{690.9}	
Imports of goods:							
7	U.S. imports of goods, international-transactions- accounts basis.....	1061.8	1092.1	1099.0	1164.0	1188.3 {1185.5}	1191.5 {1190.3}
7a	Excluding gold.....	1060.1	1090.1	1096.6	1160.8	1184.5 {1181.8}	1188.0 {1186.8}
8	Net exports of goods.....	-401.6	-436.2	-439.2	481.8	-500.4 {-498.4}	-489.5 {-495.9}
8a	Excluding gold.....	-402.4	-436.6	-439.6	-482.1	-500.6 {-498.1}	-489.5 {-495.9}
Government:							
State and local:							
Structures:							
9	Value of new construction put in place.....	193.0	197.2	183.1	183.0 {183.5}	187.0 {187.3}	179.4 {185.4}