

Technical Note
Gross Domestic Product, Second Quarter 2001 (Preliminary)
August 29, 2001

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.doc.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 now estimated to have increased 0.2 percent in the second quarter of 2001 after increasing 1.3 percent in the first quarter. The revised growth rate for the second quarter was 0.5 percentage point less than the advance estimate of 0.7 percent. (Over the past 20 years, the revision between the advance and preliminary estimates -- without regard to sign -- has averaged 0.5 percentage point.) The 0.2-percent increase in real GDP in the second quarter is the smallest increase since the first quarter of 1993, when GDP decreased 0.1 percent.

Real final sales of domestic product -- GDP less the change in private inventories -- increased 0.6 percent in second quarter, 0.1 percentage point less than in the advance estimate; real final sales increased 4.0 percent in the first quarter. Inventories were drawn down for the second consecutive quarter.

Prices (revised): The price index for gross domestic purchases increased 1.4 percent in the second quarter, 0.1 percentage point less than in the advance estimate. This index increased 2.7 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 decreased 3.6 percent (quarterly rate) in the second quarter after decreasing 6.8 percent in the first. Compared with the same quarter a year ago, current-production profits in the second quarter of 2001 decreased 14.7 percent. 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.

Domestic corporate profits in the second quarter were reduced about \$14 billion by the effects of Tropical Storm Allison and other severe storms. Profits of financial corporations (insurance companies) were reduced by about \$13 billion, reflecting the payments of benefits. Profits of nonfinancial corporations were reduced by about \$1 billion due to uninsured losses. Excluding the storm-related losses, profits from current production decreased 1.8 percent (quarterly rate) in the second quarter. Compared with the same quarter a year ago, second-quarter 2001 profits from current production excluding the storm-related losses decreased 13.1 percent.

Real GNP: Real GNP decreased 0.1 percent in the second quarter after increasing 0.8 percent in the first quarter. 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 \$7.5 billion in the second quarter after decreasing \$13.4 billion in the first.

Sources of Revision to Real GDP

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

- Inventory investment was revised down, mainly reflecting revised and newly available Census Bureau inventory data for June and revised data for May.
- Exports and imports were revised down, mainly reflecting the incorporation of newly available Census Bureau goods data for June.

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 2001

This table shows the actual data used for the preliminary estimate of GDP for the second quarter of 2001. For these key series, actual data for June were not available in time for inclusion in the advance GDP estimate released on July 27, 2001, 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.	2001 Feb.	March	April	May	June
Private fixed investment:						
Nonresidential structures:						
Buildings:						
1 Value of new nonresidential construction put in place.....	223.8	220.2	225.9	221.0 {217.4}	206.7 {210.3}	206.8 {212.3}
Equipment and software:						
2 Manufacturers' shipments of complete aircraft.....	33.8	45.0	39.0	36.0 {33.6}	40.7 {37.9}	47.1 {42.2}
Residential structures:						
Value of new residential construction put in place:						
3 1-unit structures.....	239.7	245.6	244.4	244.8 {245.4}	246.7 {247.5}	247.5 {250.5}
4 2-unit-or-more.....	29.4	29.9	29.5	29.8 {29.7}	31.0 {30.4}	30.3 {30.7}
Change in private inventories:						
5 Change in inventories for manufacturing and trade (except nonmerchant wholesalers) for industries other than motor vehicles and equipment in trade.....	30.5	-17.1	-43.3	-17.0	-21.0 {-7.3}	-69.4 {-35.2}
Net exports:						
Exports of goods:						
6 U.S. exports of goods, international-transactions-accounts basis.....	783.7	789.0	766.6	746.0	754.2 {753.9}	729.9 {757.3}

6a	Excluding gold.....	777.9	782.2	759.0	738.2	746.2 {746.0}	722.8 {750.8}
Imports of goods:							
7	U.S. imports of goods, international-transactions- accounts basis.....	1253.2	1204.3	1232.0	1197.9	1167.5 {1166.7}	1158.2 {1183.2}
7a	Excluding gold.....	1247.0	1198.4	1225.8	1192.3	1159.7 {1158.9}	1152.2 {1176.7}
8	Net exports of goods.....	-469.5	-415.4	-465.4	-451.9	-413.4 {-412.8}	-428.4 {-425.9}
8a	Excluding gold.....	-469.1	-416.2	-466.8	-454.1	-413.5 {-412.9}	429.4 {-425.9}
Government:							
State and local:							
Structures:							
9	Value of new construction put in place.....	171.3 {178.6}	172.6 {179.4}	173.7 {180.7}	180.2 {191.6}	190.4 {200.3}	189.3 {195.3}