

Technical Note
Gross Domestic Product, Third Quarter 2001 (Final)
December 21, 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 decreased 1.3 percent (annual rate) in the third quarter of 2001, 0.2 percentage point more negative than in the preliminary estimate; real GDP increased 0.3 percent in the second quarter. The 1.3-percent decrease is the weakest showing for real GDP since the first quarter of 1991, when it decreased 2.0 percent.

As in the preliminary estimate, the major contributors to the decrease in real GDP were exports, nonresidential fixed investment, and private inventory investment.

Prices (revised): The chain-type price index for gross domestic purchases decreased 0.1 percent in the third quarter, 0.1 percentage point less negative than in the preliminary estimate. The index increased 1.3 percent in the second quarter. The downturn in prices reflected insurance payments resulting from the September 11th terrorist attacks. (The implications of the attacks on the national income and product accounts are discussed on page 2 of the November and December issues of the *Survey*.) Excluding the insurance-related price effects, the gross domestic purchases price index increased 0.6 percent in the third quarter.

Corporate Profits (revised): Profits from current production decreased 8.3 percent (quarterly rate) in the third quarter, the same decrease as in the preliminary estimate. Profits from current production decreased 3.8 percent in the second quarter. Profits were 22.1 percent lower than in the third quarter of 2000. 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 values depreciation of fixed assets and inventory withdrawals at current cost, rather than at historical cost.

Profits of insurance carriers were reduced by the payment of insurance benefits associated with the terrorist attacks; current information suggests that these payments, net of foreign reinsurance, amounted to about \$40 billion (annual rate). Profits of airlines were increased about \$20 billion (annual rate) by the subsidies received as part of the special airline bill passed by Congress after the September 11th attacks.

Source of Revisions

The small downward revision to third-quarter real GDP primarily reflected:

- C revised Census Bureau data on construction by state and local governments for August and September,
- C newly available Department of Defense data on exports under U.S. military agency sales contracts for the third quarter and revised data for the second quarter, and
- C newly available Federal Deposit Insurance Corporation call report data on bank service charges for the third quarter and newly available Energy Information Administration data on natural gas sales for July.

The small upward revision to the price index for gross domestic purchases primarily reflected revisions to prices for services purchased by consumers -- specifically, for workers' compensation, reflecting revised BEA estimates of benefit payments resulting from the September 11th attacks. The increase in benefit payments is treated as a reduction in the average net premiums paid for insurance services.

Brent R. Moulton
Associate Director for National Economic Accounts
Bureau of Economic Analysis
202-606-9606
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