



Technical Note
Gross Domestic Product
Third Quarter of 2007 (Preliminary)
November 29, 2007

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 complete set of estimates for the third quarter is available on BEA's Web site at www.bea.gov; a brief summary of "highlights" is also posted on the Web site. In a few weeks, the estimates will be published in BEA's monthly journal, the *Survey of Current Business*, along with a more detailed analysis of the estimates ("GDP and the Economy").

Sources of Revision to Real GDP

The real GDP growth rate in the third quarter was revised from 3.9 percent to 4.9 percent (annual rate).

- Inventory investment was revised up, reflecting newly available Census Bureau inventory data for September.
- Exports were revised up and imports were revised down, reflecting newly available Census goods data for September.

Corporate Profits

Profits from current production decreased \$19.3 billion, or 1.2 percent (quarterly rate), in the third quarter, after increasing \$94.7 billion, or 6.1 percent, in the second.

During the third quarter, several large financial corporations announced bad-debt expenses or asset write-downs related to sub-prime mortgages. Therefore, it may be useful to note these expenses are treated differently in corporate financial accounting than in estimating profits from current production in the national income and product accounts (NIPAs). In the national accounts, bad-debt expenses and asset write-downs are treated as capital losses that reduce the value of corporate assets on the balance sheet rather than as current-period expenses that lower profits. As a result of this treatment, profit estimates based on corporate financial accounting can differ markedly from estimates of NIPA corporate profits, and tend to be lower than NIPA corporate profits during periods when corporations report unusually large bad-debt expenses or asset write-downs. Additional information is available in an FAQ ("How are bad-debt expenses, asset write-downs, and loan-loss provisions treated in estimating NIPA corporate profits?") available on BEA's Web site at www.bea.gov.

Revisions to Wages and Salaries and Disposable Personal Income

In addition to presenting preliminary estimates for the third quarter, today's news release also presents revised estimates of second-quarter wages and salaries, personal taxes, and contributions for government social insurance. Wage and salary disbursements are now estimated to have increased \$24.5 billion in the second quarter, a downward revision of \$44.8 billion. These estimates reflect newly available wage and salary tabulations for the second quarter from the Bureau of Labor Statistics quarterly census of employment and wages. These data are more comprehensive than the monthly employment and earnings data that were used for the earlier estimates--they include the pay of supervisors and irregular pay, such as bonuses and gains from the exercise of stock options.

Real disposable personal income is now estimated to have decreased 0.8 percent in the second quarter and to have increased 4.4 percent in the third. (By comparison, the estimates that were available last month showed an increase of 0.6 percent in the second quarter and an increase of 4.4 percent in the third.)

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Table A.--SOURCE DATA FOR THE ADVANCE AND PRELIMINARY ESTIMATES OF GDP FOR THE THIRD QUARTER OF 2007

This table shows the actual data used for the preliminary estimate of GDP for the third quarter of 2007. For these key series, actual data for September were not available in time for inclusion in the advance GDP estimate released on October 31, 2007, and BEA made assumptions for these source data. The numbers in brackets show the September values that had been assumed for the advance estimate. For most series, the data incorporated for August and, in some cases, for July, 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.

	2007					
	Apr.	May	Jun.	Jul.	Aug.	Sep.
Private fixed investment:						
Nonresidential structures:						
1 Value of new nonresidential construction put in place.....	336.3	343.3	346.3	346.4 {345.5}	352.4 {353.4}	357.7 {349.5}
Equipment and software:						
2 Manufacturers' shipments of complete aircraft.....	39.8	39.1	41.3	42.4	50.2 {51.7}	42.0 {34.7}
Residential structures:						
Value of new residential construction put in place:						
3 Single family.....	326.9	320.3	315.0	308.6 {308.5}	299.1 {298.1}	288.5 {285.6}
4 Multifamily.....	51.1	50.3	49.7	48.8 {49.2}	48.6 {49.1}	48.2 {48.5}
Change in private inventories:						
5 Change in inventories for nondurable manufacturing.....	13.1	22.0	14.1	3.9	-1.9 {-4.7}	24.9 {0.3}
5a Change in inventories for merchant wholesale and retail industries other than motor vehicles and equipment...	50.8	44.9	21.5	18.8	21.3 {-6.8}	40.6 {16.2}
Net exports:						
Exports of goods:						
6 U.S. exports of goods, international-transactions-accounts basis.....	1091.2	1121.3	1139.5	1183.3	1187.7 {1185.7}	1202.6 {1183.1}
6a Excluding gold.....	1073.4	1107.4	1121.8	1171.4	1170.4 {1170.2}	1189.1 {1168.7}
Imports of goods:						
7 U.S. imports of goods, international-transactions-accounts basis.....	1899.3	1943.1	1960.1	1996.5	1980.7 {1986.4}	1991.6 {2006.2}
7a Excluding gold.....	1886.7	1932.0	1954.6	1984.5	1971.5 {1977.1}	1981.2 {1996.0}
8 Net exports of goods.....	-808.1	-821.8	-820.6	-813.2	-793.0 {-799.0}	-789.0 {-823.1}
8a Excluding gold.....	-813.3	-824.6	-832.8	-813.1	-801.1 {-806.9}	-792.1 {-827.3}
Government:						
State and local:						
Structures:						
9 Value of new construction put in place.....	260.3	265.0	265.9	267.4 {269.4}	268.1 {270.6}	275.3 {270.0}