

# Technical Note

## Gross Domestic Product First Quarter of 2018 (Third Estimate)

June 28, 2018

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 first quarter and a summary of "highlights" are available on BEA's Web site at [www.bea.gov](http://www.bea.gov). The source data and assumptions for the "third" estimate are shown in a "[Key Source Data and Assumptions](#)" table. In a few weeks, the *Survey of Current Business*, BEA's online monthly journal, will publish a more detailed analysis of the estimates ("GDP and the Economy").

### Sources of Revision to GDP

Real GDP increased 2.0 percent (annual rate) in the first quarter of 2018, a downward revision of 0.2 percentage point from the second estimate. The revision primarily reflected less consumer spending on services and less private inventory investment. Revised data also showed more nonresidential fixed investment.

- The downward revision to consumer spending on services primarily reflected a revision to healthcare spending by nonprofits, based on new first-quarter data from the Census Bureau's Quarterly Services Report (QSR). In addition, spending on finance and insurance services was revised down, based primarily on new Census QSR data for financial services.
- The downward revision to private inventory investment was largely attributable to retail trade inventories, based on revised March book value data from the Census Monthly Retail Trade Report.
- The upward revision to nonresidential investment was mostly accounted for by intellectual property products, specifically research and development (R&D), based on updated R&D expense data from company financial reports.

Today's GDP release also reflects the incorporation of data from the annual update of BEA's International Transactions Accounts (ITAs), which were incorporated on a best-change basis. The revised estimates showed fewer exports and more imports in the first quarter than previously estimated.

The price index for GDP increased 2.2 percent in the first quarter, an upward revision of 0.3 percentage point. The upward revision primarily reflected a downward revision to import prices, notably imported petroleum prices, based on updated ITA data.

## Gross Domestic Income and Corporate Profits

Real gross domestic income (GDI) increased 3.6 percent in the first quarter, an upward revision of 0.8 percentage point. The upward revision primarily reflected an upward revision to corporate profits, based on revised Census Quarterly Financial Report data and updated publicly available company financial reports.

Profits from current production increased \$39.5 billion, or 1.8 percent (quarterly rate), in the first quarter. Domestic profits of financial corporations increased \$7.0 billion, domestic profits of nonfinancial corporations increased \$28.8 billion, and rest-of-the-world profits increased \$3.7 billion.

National after-tax profits without inventory valuation and capital consumption adjustments (shown in line 45 of NIPA table 1.12 “National Income by Type of Income”), conceptually closest to S&P 500 profits, increased \$178.7 billion in the first quarter, following a \$178.1 billion decrease in the fourth quarter.

## Comprehensive Update Scheduled for July 27

On July 27, BEA will present the results of its 15th comprehensive (or benchmark) update of the National Income and Product Accounts (NIPAs), in addition to presenting the advance estimate of GDP for the second quarter of 2018. The full historical time span of the NIPAs, 1929-2017 and the first quarter of 2018, will be open for revision. More details on the scope of the update are available in the April *Survey of Current Business* article "[Preview of the 2018 Comprehensive Update of the National Income and Product Accounts](#)."

The comprehensive update will reflect:

- The incorporation of the 2012 benchmark input-output accounts
- Improved seasonally adjusted estimates
- Improved price indexes for software, medical equipment, and communications equipment
- The introduction of new not seasonally adjusted estimates for GDP, GDI, and their major components
- An updated reference year for chain-type quantity and price indexes and chained-dollar estimates from 2009 to 2012.

Erich H. Strassner  
Associate Director, National Economic Accounts  
Bureau of Economic Analysis  
(301) 278-9612