



Technical Note
Gross Domestic Product
Fourth Quarter of 2008 (Final)
March 26, 2009

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 fourth 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

Real GDP decreased 6.3 percent (annual rate) in the fourth quarter (that is, from the third quarter to the fourth), which was 0.1 percentage point more of a decrease than the preliminary estimate. Downward revisions to inventory investment, to exports of services, and to investment in nonresidential structures were partly offset by a downward revision to imports of services and an upward revision to exports of goods:

- The downward revision to inventory investment reflected a downward revision to manufacturing inventories, based on revised Census inventory data for December.
- The downward revisions to exports and imports of services reflected revised quarterly services data from BEA's international transactions accounts.
- The downward revision to investment in nonresidential structures was primarily to commercial and health care structures, based on revised Census construction spending (value put in place) data for November and December.
- The upward revision to exports of goods primarily reflected a revision to industrial supplies and materials, based primarily on a large downward revision to the BLS export price index for copper.

The price index for gross domestic purchases—the prices paid by U.S. residents for goods and services, wherever produced—decreased 3.9 percent in the fourth quarter, which was 0.2 percentage point less of a decrease than the preliminary estimate. The largest contributors to the revision were the prices associated with inventory investment and personal consumption expenditures (PCE). For inventory investment, the revision to prices primarily reflected a downward revision to petroleum inventories, which reduced the relative weight of petroleum prices, which were falling. For PCE, the revision to prices primarily reflected an upward revision to the price for banking services, based on the incorporation of

newly available Federal Reserve Board tabulations of *Call Report* data for the fourth quarter and revised data for the third quarter.

Corporate Profits

Profits from current production decreased \$250.3 billion, or 16.5 percent (quarterly rate), in the fourth quarter. Domestic profits of financial corporations decreased \$178.7 billion, domestic profits of nonfinancial corporations decreased \$89.1 billion, and rest-of-the-world profits increased \$17.5 billion in the fourth quarter. The decrease in nonfinancial corporate profits reflected decreases in all the major industries except wholesale trade.

During the last year, a number of corporations have announced bad-debt expenses or asset write-downs. In the national accounts, bad-debt expenses, asset write-downs, and other types of capital losses are treated as factors 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.

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