



Technical Note
Gross Domestic Product
Third Quarter of 2008 (Advance)
October 30, 2008

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").

Real GDP

Real GDP decreased 0.3 percent (annual rate) in the third quarter, following an increase of 2.8 percent in the second quarter. The downturn in real GDP growth reflected a downturn in consumer spending, a smaller decrease in imports, and a deceleration in exports, which were partly offset by an upturn in inventory investment and an acceleration in federal government spending.

Source Data for the Advance Estimate

The advance GDP estimate for the third quarter of 2008 is based on source data that are incomplete and subject to revision. Three months of source data were available for consumer spending on goods; shipments of capital equipment other than aircraft; motor vehicle sales and inventories; manufacturing durables inventories; federal government outlays; and consumer, producer, and international prices. Only two months of data were available for most other key data sources; BEA's assumptions for the third month are shown in table A. Among those assumptions are the following:

- a decrease in manufacturers' shipments of complete aircraft, reflecting the effects of a strike by machinists that began on September 6,
- a decrease in nondurable manufacturing inventories,
- a decrease in non-motor-vehicle merchant wholesale and retail inventories,
- a decrease in exports of goods, excluding gold, and
- a decrease in imports of goods, excluding gold.

Prices

The price index for gross domestic purchases increased 4.8 percent in the third quarter after increasing 4.2 percent in the second quarter. Excluding food and

energy prices, the price index for gross domestic purchases increased 3.1 percent in the third quarter, after increasing 2.2 percent in the second.

Disposable Personal Income

Real disposable personal income (DPI) decreased 8.7 percent in the third quarter, following an increase of 11.9 percent in the second. Current-dollar DPI decreased 3.7 percent, following an increase of 16.7 percent. The downturn in third-quarter DPI reflected the pattern of the rebate payments to individuals from the Economic Stimulus Act of 2008. Excluding the rebate payments, real DPI increased 0.3 percent in the third quarter after decreasing 0.4 percent in the second. The rebate payments added \$61.5 billion (annual rate) to third quarter DPI, of which \$4.4 billion is shown as an increase in personal current transfer receipts and \$57.0 billion is shown as a reduction in personal current taxes. In comparison, the rebate payments added \$311.6 billion to second quarter DPI—an increase in personal current transfer receipts of \$112.3 billion and a reduction in personal current taxes of \$199.4 billion.

Hurricane Ike

During the third quarter, Hurricane Ike struck the Gulf Coast region, especially impacting coastal Texas and Louisiana. Because the effects of storms are not separately identified in BEA's source data, it is not possible to estimate their overall effect on GDP, but their impact is included in the GDP estimates. In particular, disruptions to oil and gas extraction and to petroleum and petrochemical production are reflected in BEA's estimates for inventory change in the nondurable manufacturing and wholesale trade industries.

The estimates of personal income also reflect some of the effects of the hurricane. Proprietors' income was reduced \$2.9 billion (annual rate) and rental income of persons was reduced \$8.9 billion, reflecting uninsured damages to fixed assets. Personal current transfer receipts were raised \$9.0 billion, reflecting benefits paid to individuals for the loss of personal property, such as motor vehicles and household furnishings and equipment. The net effect of these adjustments was to lower third quarter personal income \$2.8 billion.

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**Table A. KEY ASSUMPTIONS FOR THE ADVANCE ESTIMATE OF GDP
FOR THE THIRD QUARTER OF 2008**

For many of the key series used to prepare the advance estimate of GDP, including retail sales, unit automobile and truck sales and inventories, manufacturers' shipments of nondefense capital goods (other than aircraft), manufacturers' inventories of durable goods, federal defense spending, and consumer, producer, and international price indexes, actual data are available for all months of the quarter.

For the key series shown in this table, actual data for the third month of the quarter usually are not available in time for inclusion in the advance GDP estimate. BEA makes assumptions for the source data that are not yet available; assumptions for September 2008 are shown in the last column of the table. For most series shown, the data for August are preliminary and subject to further revision. Occasionally, the data for earlier months are also subject to revision.

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.

		2008					
		Apr.	May	Jun.	Jul.	Aug.	Sep.*
Private fixed investment:							
Nonresidential structures:							
1	Value of new nonresidential construction put in place.....	400.2	412.8	424.0	419.3	416.0	415.6
Equipment and software:							
2	Manufacturers' shipments of complete aircraft.....	41.6	45.9	41.9	41.9	47.9	14.0
Residential structures:							
Value of new residential construction put in place:							
3	Single family.....	203.6	198.2	191.4	184.7	176.9	168.4
4	Multifamily.....	44.3	45.8	45.7	46.6	44.6	42.4
Change in private inventories:							
5	Change in inventories for nondurable manufacturing.....	-24.0	20.1	49.2	4.6	10.3	-42.0
5a	Change in inventories for merchant wholesale and retail industries other than motor vehicles and equipment...	80.0	39.8	54.6	91.3	31.7	-8.2
Net exports:							
Exports of goods:							
6	U.S. exports of goods, international-transactions-accounts basis.....	1320.7	1332.0	1395.1	1450.0	1411.7	1331.7
6a	Excluding gold.....	1296.1	1312.7	1381.8	1427.8	1400.4	1309.5
Imports of goods:							
7	U.S. imports of goods, international-transactions-accounts basis.....	2196.1	2197.3	2250.3	2339.4	2262.5	2167.9
7a	Excluding gold.....	2177.3	2187.7	2240.8	2325.9	2255.6	2151.9
8	Net exports of goods.....	-875.4	-865.3	-855.2	-889.4	-850.8	-836.2
8a	Excluding gold.....	-881.2	-875.0	-859.0	-898.1	-855.1	-842.5
Government:							
State and local:							
Structures:							
9	Value of new construction put in place.....	278.9	281.5	283.3	286.2	288.5	287.3

*Assumption.