

Technical Note
Gross Domestic Product
First Quarter of 2004 (Final)
June 25, 2004

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 is available on BEA's Web site <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 ("The Business Situation").

Sources of Revisions

Real GDP growth in the first quarter was revised down from 4.4 percent to 3.9 percent (annual rate). The revision reflected an upward revision to imports and a downward revision to consumer spending that were partly offset by an upward revision to exports:

- C Upward revisions to imports (which are subtracted in the calculation of GDP) and to exports reflected the incorporation of source data from the annual revision of international trade in goods and services from the Census Bureau and BEA. The revised trade data reflect late arriving data, corrections, and new factors for seasonal adjustments. The trade data were incorporated on a "best change" basis—that is, the changes in the revised source data from the fourth quarter of 2003 to the first quarter of 2004 are reflected in the estimates released today.
- C A downward revision to consumer spending reflected a revision to spending for bank service charges based on newly available Federal Deposit Insurance Corporation *Call Report* data.

The price index for gross domestic purchases increased 3.5 percent in the first quarter, 0.2 percentage point more than in the preliminary estimate.

- C The upward revision to the price index for gross domestic purchases primarily reflected an upward revision to the implicit price of bank services, based on newly available Federal Reserve Board tabulations of *Call Report* data.

Profits from current production increased 1.7 percent at a quarterly rate, 0.5 percentage point more than in the preliminary estimate. The revision reflected upward revisions to profits from the rest of the world and to profits of domestic nonfinancial corporations that more than offset a downward revision to profits of domestic financial corporations.

Price Index for Market-Based Personal Consumption Expenditures

Recently there has been considerable interest in a supplementary price index that BEA introduced on its Web site last December. The price index for "market-based" personal consumption expenditures covers household purchases of goods and services for which explicit prices are charged. Thus, the index excludes most implicit prices (for example, the implicit price of bank services that are furnished without payment) and the expenses of nonprofit institutions. This index is presented in table 1 of this technical note.

Annual Revision Scheduled for July 30

The GDP news release on July 30 will present the regular annual revision of the national income and product accounts, covering the estimates from the first quarter of 2001 through the first quarter of 2004, as well as the advance estimates for the second quarter of 2004. The revision will incorporate source data that are more complete, more detailed, and otherwise more appropriate than those previously available, including:

- C Census Bureau monthly survey of construction and annual surveys of merchant wholesale and retail trade, of services, and of state and local governments;
- C BEA international transactions accounts data;
- C Federal Government budget data;
- C Internal Revenue Service tabulations of tax returns for corporations and for sole proprietorships and partnerships; and
- C Department of Agriculture farm income statistics.

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Table 1. Price Index for Market-Based Personal Consumption Expenditures

| | Market-based PCE | | Market-based PCE less food and energy | |
|---------------------------------------|---------------------|-------------------|--|-------------------|
| | Index [2000=100] | Percent change | Index [2000=100] | Percent change |
| 2001 | 101.923 | 1.9 | 101.661 | 1.7 |
| 2002 | 103.110 | 1.2 | 103.206 | 1.5 |
| 2003 | 105.091 | 1.9 | 104.447 | 1.2 |
| [Seasonally adjusted at annual rates] | | | | |
| 2001:I | 101.442 | 2.7 | 101.052 | 2.1 |
| 2001:II | 101.995 | 2.2 | 101.389 | 1.3 |
| 2001:III | 102.196 | 0.8 | 101.877 | 1.9 |
| 2001:IV | 102.059 | -0.5 | 102.324 | 1.8 |
| 2002:I | 102.191 | 0.5 | 102.543 | 0.9 |
| 2002:II | 102.954 | 3.0 | 102.999 | 1.8 |
| 2002:III | 103.430 | 1.9 | 103.460 | 1.8 |
| 2002:IV | 103.863 | 1.7 | 103.820 | 1.4 |
| 2003:I | 104.612 | 2.9 | 103.982 | 0.6 |
| 2003:II | 104.805 | 0.7 | 104.274 | 1.1 |
| 2003:III | 105.385 | 2.2 | 104.663 | 1.5 |
| 2003:IV | 105.564 | 0.7 | 104.870 | 0.8 |
| 2004:I | 106.367 | 3.1 | 105.298 | 1.6 |

NOTE. -- The price index for "market-based" personal consumption expenditures is a supplemental measure that is meant to cover household purchases of goods and services for which explicit prices are charged. Thus, the index excludes most implicit prices (for example, the implicit price of services furnished without payment by financial intermediaries) and the expenses of nonprofit institutions. More information is available on BEA's Web site at <www.bea.gov/bea/faq/national/FAQ.htm>.