

**Technical Note**  
**Gross Domestic Product**  
**First Quarter of 2005 (Preliminary)**  
**May 26, 2005**

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 at [www.bea.gov](http://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 Revision to Real GDP**

Real GDP growth in the first quarter was revised from 3.1 percent to 3.5 percent. A downward revision to imports, which are a subtraction in the calculation of GDP, was partly offset by a downward revision to inventory investment.

- Imports were revised down, reflecting newly available Census Bureau data on goods for March.
- Inventory investment was revised down, mainly reflecting newly available Census Bureau data on wholesale trade, nondurable goods manufacturing, and retail trade inventories for March and revised data for February.

**Revisions to Wages and Salaries and Related Series**

In addition to presenting preliminary estimates for the first quarter, today's news release also presents revised fourth-quarter estimates of wages and salaries, personal taxes, and contributions for government social insurance that incorporate Bureau of Labor Statistics tabulations of preliminary data from the quarterly census of employment and wages.

Wage and salary disbursements are now estimated to have increased \$135.8 billion in the fourth quarter, an upward revision of \$71.0 billion. Real disposable personal income is now estimated to have increased 10.8 percent in the fourth quarter, revised up from 8.3 percent, and to have decreased 1.2 percent in the first quarter, revised from a decrease of 0.3 percent.

## **Corporate Profits**

Profits from current production increased \$57.5 billion, or 4.5 percent, in the first quarter, compared with \$150.8 billion, or 13.5 percent, in the fourth. Profits from current production (corporate profits with inventory valuation and capital consumption adjustments) is BEA's featured measure of corporate profits.

Profits before tax (without inventory valuation and capital consumption adjustments) increased \$250.0 billion in the first quarter, compared with an increase of \$125.1 billion in the fourth. The capital consumption and inventory valuation adjustments convert depreciation of fixed assets and inventory withdrawals reported on a tax-return, historical-cost basis to the current-cost measures used in the national income and product accounts. The capital consumption adjustment decreased \$200.8 billion in the first quarter (from \$260.0 billion to \$59.2 billion), in contrast to an increase of \$37.0 billion in the fourth. The large decrease in the first-quarter capital consumption adjustment reflects the expiration of the "bonus" depreciation provisions of both the Job Creation and Worker Assistance Act of 2002 and the Jobs and Growth Tax Relief Reconciliation Act of 2003. These bonus depreciation provisions do not affect the estimate of profits from current production.

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**Table A.--SOURCE DATA FOR THE ADVANCE AND PRELIMINARY  
ESTIMATES OF GDP FOR THE FIRST QUARTER OF 2005**

This table shows the actual data used for the preliminary estimate of GDP for the first quarter of 2005. For these key series, actual data for March were not available in time for inclusion in the advance GDP estimate released on April 28, 2005, and BEA made assumptions for these source data. The numbers in brackets show the March values that had been assumed for the advance estimate. For most series, the data incorporated for February and, in some cases, for January, 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.

	Oct.	2004 Nov.	Dec.	Jan.	2005 Feb.	Mar.
<b>Private fixed investment:</b>						
Nonresidential structures:						
1 Value of new total private construction put in place less residential (inc. improvements).....	228.0	227.9	228.5	230.9 {231.5}	227.7 {228.7}	230.3 {230.1}
Equipment and software:						
2 Manufacturers' shipments of complete aircraft.....	29.9	20.6	30.7	27.2	19.3 {19.3}	24.7 {26.2}
Residential structures:						
Value of new residential construction put in place:						
3 Single family.....	380.3	381.4	386.1	391.0 {390.2}	397.9 {395.9}	400.1 {394.6}
4 Multifamily.....	39.0	40.6	41.3	42.2 {41.9}	42.2 {41.8}	42.8 {41.6}
<b>Change in private inventories:</b>						
5 Change in inventories for nondurable manufacturing.....	23.1	23.9	-3.0	29.8	9.7 {12.1}	17.5 {23.2}
5a Change in inventories for merchant wholesale and retail industries other than motor vehicles and equipment...	63.6	80.1	54.1	58.8	48.4 {40.9}	35.6 {66.3}
<b>Net exports:</b>						
Exports of goods:						
6 U.S. exports of goods, international-transactions-accounts basis.....	831.8	817.3	853.6	853.3	853.1 {854.1}	865.0 {867.0}
6a Excluding gold.....	826.6	812.7	848.6	847.5	848.9 {849.8}	858.5 {862.8}
Imports of goods:						
7 U.S. imports of goods, international-transactions-accounts basis.....	1554.3	1579.0	1571.9	1602.9	1628.4 {1630.9}	1578.1 {1648.7}
7a Excluding gold.....	1549.4	1575.0	1566.4	1599.3	1624.5 {1627.1}	1573.9 {1645.0}
8 Net exports of goods.....	-722.5	-761.7	-718.3	-749.6	-775.3 {-776.8}	-713.1 {-781.7}
8a Excluding gold.....	-722.7	-762.2	-717.8	-751.9	-775.6 {-777.2}	-715.5 {-782.2}
<b>Government:</b>						
State and local:						
Structures:						
9 Value of new construction put in place.....	215.9	218.3	217.9	216.7 {220.4}	218.3 {222.5}	219.4 {221.4}