

Technical Note

Gross Domestic Product First Quarter of 2019 (Third Estimate)

June 27, 2019

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. 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 Real GDP

Real GDP increased 3.1 percent (annual rate) in the first quarter of 2019, the same increase as in the "second" estimate released last month. The updated estimates primarily reflected an upward revision to nonresidential fixed investment that was offset by a downward revision to consumer spending.

- The upward revision to nonresidential fixed investment reflected revisions to intellectual property products (IPP) and structures. Within IPP, both software investment, and research and development (R&D) were revised up. For software, the revisions reflected updated first-quarter Quarterly Services Report (QSR) data from the Census Bureau. For R&D, the revisions reflected updated R&D expense data from publicly available company reports and new QSR data for the scientific research and development services industry. For nonresidential structures, the upward revision primarily reflected updated Census construction spending data for February and March.
- Within consumer spending, a downward revision to services was partly offset by an upward revision to goods. Within services, the largest contributors to the downward revision were nonprofit hospital services, financial services, and "other" services (notably, "net foreign travel"). The revisions to both nonprofit and financial services primarily reflected updated QSR data. The revision to foreign travel was based on updated statistics from BEA's International Transactions Accounts (ITAs). Within goods, the largest contributors to the upward revision were recreational goods and vehicles, and "other" nondurable goods. The revisions primarily reflected revised Census retail sales data that were recently benchmarked to results from the most recent annual survey.

Prices

BEA's featured measure of inflation in the U.S. economy, the price index for gross domestic purchases, increased 0.8 percent in the first quarter, an upward revision of 0.1 percentage point. The price index for personal consumption expenditures (PCE) increased 0.5 percent, also revised up 0.1 percentage point. Excluding food and energy prices, the PCE price index increased 1.2 percent, revised up 0.2 percentage point.

Gross Domestic Income and Corporate Profits

Real gross domestic income (GDI), which measures the output of the economy as the incomes earned and costs incurred in the production of goods and services (as measured by GDP), increased 1.0 percent in the first quarter, a downward revision of 0.4 percentage point from earlier estimates. The revision to real GDI primarily reflected a downward revision to domestic industries' corporate profits.

Profits from current production decreased \$59.3 billion, or 2.6 percent (quarterly rate), in the first quarter. Domestic profits of financial corporations increased \$1.4 billion, domestic profits of nonfinancial corporations decreased \$68.1 billion, and rest-of-the-world profits increased \$7.4 billion.

- Within corporate profits, downward revisions to financial industry profits, based primarily on financial accounts data from the Federal Reserve, and to nonfinancial corporate profits, based primarily on updated Census QFR data, were more than offset by an upward revision to rest-of-the-world profits, based on updated data from the ITAs.

BEA's profits measure that is conceptually most similar to S&P 500 profits—national after-tax profits without inventory valuation and capital consumption adjustments—decreased \$4.0 billion in the first quarter. First-quarter national after-tax profits (shown in line 11 of table 9 of the GDP news release) increased 2.3 percent from the same quarter one year ago.

Looking Ahead: 2019 Annual Update Scheduled for July 26th

BEA will release results from the 2019 annual update of the national income and product accounts on July 26, 2019, in conjunction with the advance estimate of GDP for the second quarter of 2019. The update will cover the most recent 5 years (2014-2018) and the first quarter of 2019.

This update will incorporate annual source data that are more complete and more detailed than previously available and will reflect refinements to BEA's methods, including continued improvements to price indexes for information and communication technology products, more complete incorporation of Census quarterly services statistics, and the introduction of newly identified private source data.

More information on the 2019 Annual Update is available in the May *Survey of Current Business* article, ["GDP and the Economy."](#)

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