

## Technical Note

# Gross Domestic Product First Quarter of 2017 (Second Estimate)

May 26, 2017

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 *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 1.2 percent (annual rate) in the first quarter of 2017, an upward revision of 0.5 percentage point from the advance estimate. The revision primarily reflected upward revisions to nonresidential fixed investment, consumer spending on services, and state and local government consumption expenditures and investment. Partly offsetting these upward revisions was a downward revision to private inventory investment.

- The upward revision to nonresidential fixed investment primarily reflected an upward revision to intellectual property products, which in turn reflected the incorporation of newly available information from the Census Bureau's Advance Quarterly Services Report as well as newly available R&D expense data from company financial reports. Fixed investment in nonresidential structures also contributed to the upward revision, reflecting revised and newly available (March) construction spending statistics from the Census Bureau's Value of Construction Put in Place Survey.
- The upward revision to consumer spending on services reflected upward revisions to final consumption expenditures of nonprofit institutions serving households (NPISH) and to household utilities and food services that were partly offset by a downward revision to health care services. Revisions to final consumption expenditures for NPISHs and to health care services reflect the incorporation of newly available information from the Census Bureau's Advance Quarterly Services Report. The revision to household utilities is based on newly available electricity usage data for the month of February published by the Energy Information Administration. The revision to food services is based on revised data from the Census Bureau's Monthly Retail Trade Sales survey.
- The upward revision to state and local government consumption expenditures and gross investment was accounted for by an upward revision to investment in structures, reflecting revised and newly available (March) construction spending statistics from the Census Bureau's Value of Construction Put in Place.

- The downward revision to private inventory investment was more than accounted for by a downward revision to nondurable goods manufacturing, reflecting the incorporation of revised and newly available (March) information from the Census Bureau's Monthly Report on Manufacturers' Shipments, Inventories and Orders. Benchmarked Census inventories data for manufacturing and retail trade industries were incorporated on a best-change basis.

### **Gross Domestic Income and Corporate Profits**

Real gross domestic income (GDI), which measures output of the economy as the costs incurred and the incomes earned in the production of GDP, increased 0.9 percent in the first quarter. The average of real GDP and real GDI increased 1.0 percent.

Profits from current production decreased \$40.3 billion, or 1.9 percent (quarterly rate), in the first quarter. Domestic profits of financial corporations decreased \$28.4 billion; domestic profits of nonfinancial corporations decreased \$18.4 billion; and rest-of-the-world profits increased \$6.5 billion.

Estimates of corporate profits were affected by legal settlements in the first quarter. The national income and product accounts (NIPA) record these settlements on an accrual basis in the quarter when the settlement is finalized, regardless of when recorded on a company's own financial statements.

The estimate of financial corporate profits was reduced by \$5.6 billion (\$22.3 billion at an annual rate) reflecting two separate legal settlements related to the sale of residential mortgage-backed securities. The federal government imposed a \$3.1 billion penalty on a U.S. subsidiary of Deutsche Bank and a \$2.48 billion penalty on a U.S. subsidiary of Credit Suisse.

The estimate of nonfinancial corporate profits were reduced by \$4.3 billion (\$17.2 billion at an annual rate), reflecting legal settlements with a U.S. subsidiary of Volkswagen related to violations of U.S. environmental regulations.

None of these legal settlements affected the estimate of GDI. The settlements were recorded in the NIPAs as business current transfer payments to the federal government, which offset the reduction in corporate profits.

### **Revisions to Wages and Salaries, Disposable Personal Income, and GDI**

In addition to presenting revised estimates for the first quarter, today's release presents revised estimates of fourth-quarter wages and salaries, personal taxes, and contributions for government social insurance. Wages and salaries are now estimated to have decreased \$28.3 billion in the fourth quarter of 2016, a downward revision of \$106.2 billion. These estimates reflect the most recently available wage and salary tabulations for the fourth quarter from the BLS Quarterly Census of Employment and Wages.

Real disposable personal income decreased 0.3 percent (annual rate) in the fourth quarter and increased 1.7 percent in the first. The estimates presented in the advance release last month showed increases of 2.0 percent in the fourth quarter and 1.0 percent in the first.

The revision to fourth-quarter wages and salaries also resulted in a revision to gross domestic income. Real GDI decreased 1.4 percent in the fourth quarter, a downward revision of 2.4 percentage points.

## Annual Update Scheduled for July 28

The annual update of the national income and product accounts will be released along with the “advance” estimate of GDP for the second quarter of 2017 on July 28. GDP will be revised for the most recent 3 years (2014 through 2016) and for the first quarter of 2017. For more information, see “Preview of the 2017 NIPA Annual Update” included in the May *Survey of Current Business* article on [“GDP and the Economy”](#). The August *Survey* will contain an article that describes the results.

David B. Wasshausen  
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**Table A. SOURCE DATA FOR THE ADVANCE AND SECOND ESTIMATES OF GDP FOR THE FIRST QUARTER OF 2017**

This table shows the actual data used for the second estimate of GDP for the first quarter of 2017. For nonresidential and residential structures and nondurable manufacturing inventories, actual data for March were not available in time for inclusion in the advance GDP estimate and BEA made assumptions for these source data. For merchant wholesale and retail inventories and net exports, the revisions for March are calculated from the values from the Census Bureau's Advance Economic Indicators report.

All series shown in the table are in billions of dollars, seasonally adjusted at annual rates, and are published by the Census Bureau.

	Oct.	2016 Nov.	Dec.	Jan.	2017 Feb.	March
<b>Private fixed investment:</b>						
Nonresidential structures:						
1	Value of new nonresidential construction put in place.....					
	426.6	433.9	434.5	439.1	442.6	436.8
	<i>Revision</i> .....					
	0.0	0.0	0.0	5.3	10.0	3.5
Residential structures:						
Value of new residential construction put in place:						
2	Single family.....					
	243.8	249.2	251.5	254.3	257.6	258.5
	<i>Revision</i> .....					
	0.0	0.0	0.0	-0.1	0.1	0.3
3	Multifamily.....					
	62.5	61.6	60.8	63.0	64.8	66.1
	<i>Revision</i> .....					
	0.0	0.0	0.0	-0.3	0.3	1.4
<b>Change in private inventories:</b>						
NOTE: Historical (Oct.–Jan.) data reflect concurrent seasonal factors.						
4	Change in inventories for nondurable manufacturing.....					
	2.0	27.8	39.6	20.3	5.7	-6.3
	<i>Revision</i> .....					
	-9.5	7.7	17.9	2.6	1.6	-24.5
5	Change in inventories for merchant wholesale.....					
	-10.7	76.5	67.2	-110.9	21.8	12.7
	<i>Revision</i> .....					
	0.0	0.0	0.0	-1.4	-6.9	18.3
6	Change in inventories for retail industries..					
	-37.4	63.3	-0.5	56.2	23.2	35.8
	<i>Revision</i> .....					
	-4.7	-4.6	6.6	-7.5	-1.5	4.4
<b>Net exports of goods:</b>						
7	U.S. exports of goods, Census basis.....					
	122.6	121.6	126.6	127.2	127.6	125.8
	<i>Revision</i> .....					
	0.0	0.0	0.0	0.0	-0.1	0.3
8	U.S. imports of goods, Census basis.....					
	184.7	187.2	190.9	195.8	191.8	190.1
	<i>Revision</i> .....					
	0.0	0.0	0.0	0.0	0.1	-0.3