



**Technical Note**  
Gross Domestic Product  
First Quarter of 2007 (Final)  
June 28, 2007

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 ("GDP and the Economy").

### **Sources of Revision to Components of Real GDP**

Real GDP growth in the first quarter was 0.7 percent (annual rate), which was 0.1 percentage point more than that in the preliminary estimate. The upward revision to real GDP primarily reflected an upward revision to exports:

- Exports of both goods and services were revised up, reflecting the incorporation of the annual revision of the international transactions accounts on a best-change basis.

The price index for gross domestic purchases increased 3.7 percent in the first quarter, 0.1 percentage point more than in the preliminary estimate. The revision was primarily accounted for by an upward revision to the price index for personal consumption expenditures for services, based on a revision to the producer price index for physicians' services.

### **Corporate Profits**

Profits from current production increased \$23.0 billion, or 1.4 percent (quarterly rate), in the first quarter, in contrast to a decrease of \$4.9 billion, or 0.3 percent, in the fourth. In the first quarter, real gross value added of nonfinancial corporate business increased, unit labor and nonlabor costs increased, and profits per unit of real value added increased.

### **Annual Revision Scheduled for July 27**

The GDP news release on July 27 will present the regular annual revision of the national income and product accounts, covering the estimates from the first quarter of 2004 through the first quarter of 2007, as well as the advance estimates for the second quarter of 2007. The revision will incorporate source data that are more complete and more detailed than those previously available, including:

- Census Bureau monthly survey of construction and annual surveys of manufactures, of merchant wholesale trade, of retail trade, of services, and of state and local governments;
- BEA international transactions accounts data;

- Federal Government budget data;
- Internal Revenue Service tabulations of tax returns for corporations and for sole proprietorships and partnerships; and
- Department of Agriculture farm income statistics.

The annual revision will also incorporate refinements to estimating methodologies, including the following:

- The prices used for deflating business purchases of new motor vehicles will reflect a new treatment of special financing incentives. These financing incentives will be treated consistently as a financial transaction in the prices used for deflating vehicle purchases. Currently, special financing incentives are treated as a financial transaction in the prices used for deflating household vehicle purchases and as a price reduction in the prices used for deflating business vehicle purchases.

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