

**Technical Note**  
**Gross Domestic Product, Fourth Quarter 2004 (Final)**  
**Corporate Profits, Fourth Quarter 2004**  
**March 30, 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 fourth quarter is available on BEA's Web site [www.bea.gov](http://www.bea.gov); a brief summary of [Highlights](#) and this note are 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").

### **Source of Revisions**

Real GDP growth in the fourth quarter was 3.8 percent, the same as in the preliminary estimate released last month. Small upward revisions to exports and to personal consumption expenditures for durable goods were offset by a downward revision to private inventory investment.

The price index for gross domestic purchases increased 2.9 percent in the fourth quarter, 0.1 percentage point more than in the preliminary estimate. The upward revision primarily reflected upward revisions to the price indexes for single-family homes and for imputed financial services.

### **Corporate Profits and GNP**

The news release that presents the final estimate of fourth-quarter GDP also presents the first estimates of corporate profits and gross national product (GNP) for the quarter.

Corporate Profits: Profits from current production (that is, "corporate profits with inventory valuation and capital consumption adjustments") increased 13.5 percent (quarterly rate) in the fourth quarter, following a decrease of 4.8 percent in the third. The third-quarter decrease in profits from current production reflected a reduction of about \$79.2 billion because of Hurricanes Charley, Frances, Ivan, and Jeanne. Excluding the third-quarter effects of the hurricanes, fourth-quarter profits increased 5.9 percent. Fourth-quarter profits were 12.4 percent higher than in the fourth quarter of 2003. The current-production measure of profits differs from profits as they are usually reported in corporate financial statements. It excludes non-operating items, such as special charges and capital gains and losses, and is based on depreciation of fixed assets and inventory withdrawals valued at current cost, rather than at historical cost.

Real GNP: Real GNP increased 3.5 percent in the fourth quarter, 0.3 percentage point less than the increase in real GDP; GNP increased 4.0 percent in the third quarter. GNP equals GDP plus incomes, mainly on investments, earned abroad by U.S. residents, less similar incomes earned in the United States by residents of other countries. Net income receipts by U.S. residents decreased \$9.7 billion in the fourth quarter; receipts increased \$41.4 billion, and payments to foreign residents increased \$51.1 billion.

## **The Microsoft Special Dividend**

During the fourth quarter, the Microsoft Corporation paid its shareholders a special dividend of \$3.00 per share. Personal income was boosted by \$99.4 billion (annual rate) in the fourth quarter; GDP and profits of domestic corporations were not affected. For further information, see the FAQs on the Microsoft special dividend on BEA's Web site: [www.bea.gov](http://www.bea.gov).

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March 30, 2005