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**GROSS DOMESTIC PRODUCT: FIRST QUARTER 2002 (PRELIMINARY)**  
**CORPORATE PROFITS: FIRST QUARTER 2002 (PRELIMINARY)**

Real gross domestic product -- the output of goods and services produced by labor and property located in the United States -- increased at an annual rate of 5.6 percent in the first quarter of 2002, according to preliminary estimates released by the Bureau of Economic Analysis. In the fourth quarter, real GDP increased 1.7 percent.

The GDP estimates released today are based on more complete source data than were available for the advance estimates issued last month. In the advance estimates, the increase in real GDP was 5.8 percent (see "Revisions" on page 3).

The major contributors to the increase in real GDP in the first quarter were: Private inventory investment, personal consumption expenditures (PCE), government spending, residential fixed investment, and exports. The contributions of these components were partly offset by a decrease in nonresidential structures. Imports, which are a subtraction in the calculation of GDP, increased.

The acceleration in real GDP growth in the first quarter primarily reflected upturns in private inventory investment, in exports, and in residential fixed investment and smaller decreases in nonresidential structures and in equipment and software that were partly offset by decelerations in PCE and in state and local government spending. There was a sharp upturn in imports in the first quarter.

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NOTE.--Quarterly estimates are expressed at seasonally adjusted annual rates, unless otherwise specified. Quarter-to-quarter dollar changes are differences between these published estimates. Percent changes are calculated from unrounded data and annualized. "Real" estimates are in chained (1996) dollars. Price indexes are chain-type measures.

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The price index for gross domestic purchases, which measures prices paid by U.S. residents, increased 0.8 percent in the first quarter, 0.1 percentage point more than the advance estimate; this index increased 0.5 percent in the fourth quarter. Excluding food and energy prices, the price index for gross domestic purchases increased 1.1 percent in the first quarter, compared with an increase of 2.0 percent in the fourth. About 0.3 percentage point of the first-quarter increase in the index was accounted for by the pay raise for federal civilian and military personnel, which is treated as an increase in the price of employee services purchased by the federal government. The fourth-quarter increase in the index had reflected the insurance-related price effects associated with the September 11<sup>th</sup> terrorist attacks; excluding these effects, the index decreased 0.2 percent in the fourth quarter.

Real personal consumption expenditures increased 3.2 percent in the first quarter, compared with an increase of 6.1 percent in the fourth. Real nonresidential fixed investment decreased 8.2 percent, compared with a decrease of 13.8 percent. Nonresidential structures decreased 23.8 percent, compared with a decrease of 33.6 percent. Equipment and software decreased 2.3 percent, compared with a decrease of 5.3 percent. Real residential fixed investment increased 14.6 percent, in contrast to a decrease of 4.6 percent.

Real exports of goods and services increased 5.3 percent in the first quarter, in contrast to a decrease of 10.9 percent in the fourth. Real imports of goods and services increased 12.9 percent, in contrast to a decrease of 7.5 percent.

Real federal government consumption expenditures and gross investment increased 11.4 percent in the first quarter, the same increase as in the fourth quarter. National defense increased 18.3 percent, compared with an increase of 9.0 percent. Nondefense decreased 0.3 percent, in contrast to an increase of 16.0 percent. Real state and local government consumption expenditures and gross investment increased 4.3 percent, compared with an increase of 9.6 percent.

The real change in private inventories added 3.47 percentage points to the first-quarter change in real GDP, after subtracting 2.16 percentage points from the fourth-quarter change. Private businesses reduced inventories \$25.7 billion in the first quarter, following decreases of \$119.3 billion in the fourth quarter and \$61.9 billion in the third.

Real final sales of domestic product -- GDP less change in private inventories -- increased 2.0 percent in the first quarter, compared with an increase of 3.8 percent in the fourth.

### **Gross domestic purchases**

Real gross domestic purchases -- purchases by U.S. residents of goods and services wherever produced -- increased 6.5 percent in the first quarter, compared with an increase of 1.7 percent in the fourth.

### **Gross national product**

Real gross national product -- the goods and services produced by the labor and property supplied by U.S. residents -- increased 4.1 percent in the first quarter, compared with an increase of 2.6 percent in the fourth. GNP includes, and GDP excludes, net receipts of income from the rest of the world, which decreased \$33.7 billion in the first quarter after increasing \$21.0 billion in the fourth; in the first quarter, receipts decreased \$6.0 billion, and payments increased \$27.7 billion.

## **Current-dollar GDP**

Current-dollar GDP -- the market value of the nation's output of goods and services -- increased 6.6 percent, or \$165.5 billion, in the first quarter to a level of \$10,428.8 billion. In the fourth quarter, current-dollar GDP increased 1.5 percent, or \$38.4 billion.

## **Revisions**

The preliminary estimate of the first-quarter increase in real GDP is 0.2 percentage point, or \$5.8 billion, lower than the advance estimate issued last month. The downward revision to the percentage change in real GDP reflected downward revisions to state and local government spending, to equipment and software, to personal consumption expenditures for durable goods, and to nonresidential structures that were partly offset by an upward revision to change in private inventories and a downward revision to imports of goods.

	<u>Advance</u>	<u>Preliminary</u>
	(Percent change from preceding quarter)	
Real GDP.....	5.8	5.6
Current-dollar GDP.....	6.7	6.6
Gross domestic purchases price index...	.7	.8

## **Corporate Profits**

Profits from current production (corporate profits with inventory valuation and capital consumption adjustments) increased \$4.1 billion in the first quarter. In the fourth quarter, profits increased \$125.0 billion. Current-production cash flow (net cash flow with inventory valuation and capital consumption adjustments) -- the internal funds available to corporations for investment -- decreased \$10.8 billion in the first quarter, in contrast to an increase of \$78.5 billion in the fourth.

Domestic profits of financial corporations increased \$16.8 billion in the first quarter, compared with an increase of \$46.9 billion in the fourth.

Domestic profits of nonfinancial corporations increased \$23.9 billion in the first quarter, compared with an increase of \$57.2 billion in the fourth. In the first quarter, both real gross corporate product and profits per unit of real product increased. The increase in unit profits reflected a larger decrease in the unit labor costs incurred by corporations than in the prices corporations received; unit nonlabor costs increased slightly.

The rest-of-the-world component of profits decreased \$36.6 billion in the first quarter, in contrast to an increase of \$20.9 billion in the fourth. This measure is calculated as (1) receipts by U.S. residents of earnings from their foreign affiliates plus dividends received by U.S. residents from unaffiliated foreign corporations minus (2) payments by U.S. affiliates of earnings to their foreign parents plus dividends paid by U.S. corporations to unaffiliated foreign residents. The first-quarter decrease was mostly accounted for by an increase in payments.

Profits before tax with inventory valuation adjustment is the best available measure of industry profits because estimates of the capital consumption adjustment by industry do not exist. This measure reflects the inventory-accounting and depreciation-accounting practices used for federal income tax returns. According to this measure, domestic profits of both financial and nonfinancial corporations increased. Profit increases of nonfinancial corporations were widespread among major industry groups. The largest increases occurred in durable manufacturing, in “other” nonmanufacturing, and in the transportation and public utilities group.

Profits before tax increased \$23.0 billion in the first quarter, in contrast to a decrease of \$61.2 billion in the fourth. The before-tax measure of profits does not reflect, as does profits from current production, the capital consumption and inventory valuation adjustments. These 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 \$21.5 billion in the first quarter (from \$186.1 billion to \$164.6 billion), in contrast to an increase of \$172.7 billion in the fourth. The inventory valuation adjustment increased \$2.4 billion (from \$16.6 billion to \$19.0 billion), compared with an increase of \$13.5 billion.

Profits tax liability increased \$19.4 billion in the first quarter, in contrast to a decrease of \$10.8 billion in the fourth. Profits after tax increased \$3.7 billion, in contrast to a decrease of \$50.4 billion. Dividends increased \$7.3 billion, compared with an increase of \$8.3 billion; undistributed profits decreased \$3.6 billion, compared with a decrease of \$58.7 billion.

### **Retroactive Provisions of the Job Creation and Worker Assistance Act of 2002**

The Job Creation and Worker Assistance Act of 2002 was signed into law on March 9, 2002. The act includes certain retroactive provisions related to depreciation and to the carryback period for net operating losses: It allows an immediate write-off of 30 percent on certain investments contracted for after September 10, 2001, and before September 11, 2004; it includes tax benefits retroactive to September 11<sup>th</sup> for the area of New York City that was damaged in the terrorist attacks; and, for tax year 2002 and retroactively for tax year 2001, it temporarily extends the period for carrying back net operating losses to 5 years from the current 2 years.

The first-quarter 2002 and the fourth-quarter 2001 estimates of corporate profits shown in this release have been adjusted to reflect the provisions of the act that affected corporate tax liability. These adjustments were incorporated on a “best-change” basis using preliminary estimates provided by the Treasury Department. The adjustments reduced first-quarter profits before tax, which reflects the inventory-accounting and depreciation-accounting practices used for federal income tax returns, by \$125.5 billion and increased the first-quarter corporate capital consumption adjustment by the same amount; adjustments reduced fourth-quarter profits before tax by \$146.5 billion and increased the fourth-quarter corporate capital consumption adjustment by the same amount. Profits from current production are not affected, because this series does not depend on the depreciation-accounting practices used for federal income tax returns; rather, it is based on depreciation of fixed assets valued at current cost and using consistent depreciation profiles based on used-asset prices. The adjustments reduced first-quarter profits tax liability by \$30.3 billion and fourth-quarter profits tax liability by \$35.3 billion; these adjustments also reduced the first-quarter profits after tax by \$95.3 billion and the fourth-quarter profits after tax by \$111.2 billion (see the Technical Note).

As with corporate profits from current production, the effects of the retroactive provisions of the act on nonfarm proprietors' income with inventory valuation adjustment (IVA) and capital consumption adjustment (CCAdj) (tables 8 and 9) were offsetting; nonfarm proprietors' income without IVA and CCAdj was reduced and the related CCAdj was increased by the same amounts. The other major national income and product account components or aggregates shown in this release were not affected.

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Next release -- June 27, 2002, at 8:30 A.M. EDT for:  
Gross Domestic Product: First Quarter 2002 (Final)  
Corporate Profits: First Quarter 2002 (Revised)









Table 5.—Quantity and Price Indexes for Gross Domestic Product

[Index numbers, 1996=100]

	1999	2000	2001	Seasonally adjusted				
				2001				2002
				I	II	III	IV	I <sup>r</sup>
<b>Gross domestic product:</b>								
Chain-type quantity index .....	113.35	118.06	119.46	119.47	119.56	119.16	119.65	121.29
Chain-type price index .....	104.66	107.04	109.37	108.65	109.22	109.83	109.80	110.06
Implicit price deflator .....	104.65	107.04	109.37	108.65	109.21	109.82	109.78	110.05
<b>Personal consumption expenditures:</b>								
Chain-type quantity index .....	113.96	119.48	123.16	121.98	122.74	123.03	124.87	125.86
Chain-type price index .....	104.72	107.52	109.53	109.23	109.59	109.53	109.76	109.96
<b>Durable goods:</b>								
Chain-type quantity index .....	132.66	145.27	155.01	149.63	152.17	152.51	165.73	161.59
Chain-type price index .....	93.04	91.53	89.84	90.86	90.05	89.41	89.05	88.07
<b>Nondurable goods:</b>								
Chain-type quantity index .....	112.22	117.52	119.64	119.31	119.40	119.56	120.30	122.73
Chain-type price index .....	103.67	107.55	109.13	109.01	109.74	109.33	108.45	108.51
<b>Services:</b>								
Chain-type quantity index .....	111.36	115.78	119.25	118.32	119.13	119.48	120.06	121.14
Chain-type price index .....	107.80	111.10	114.26	113.53	114.00	114.27	115.23	115.82
<b>Private fixed investment:</b>								
Chain-type quantity index .....	131.56	141.52	138.75	143.51	139.89	137.84	133.74	132.97
Chain-type price index .....	98.92	100.11	100.59	100.46	100.60	100.67	100.63	100.28
<b>Nonresidential:</b>								
Chain-type quantity index .....	136.60	150.17	145.42	152.75	146.86	143.65	138.43	135.49
Chain-type price index .....	95.61	95.74	95.26	95.44	95.41	95.29	94.91	94.41
<b>Residential:</b>								
Chain-type quantity index .....	117.56	118.55	120.32	119.03	120.76	121.47	120.04	124.19
Chain-type price index .....	109.57	114.46	118.39	117.19	117.95	118.67	119.77	119.88
<b>Exports of goods and services:</b>								
Chain-type quantity index .....	118.38	129.63	123.74	130.88	126.78	120.37	116.93	118.44
Chain-type price index .....	95.65	97.33	97.09	97.67	97.42	97.00	96.25	96.11
<b>Imports of goods and services:</b>								
Chain-type quantity index .....	140.35	159.09	154.75	160.79	157.30	151.92	148.99	153.57
Chain-type price index .....	91.78	95.73	92.53	95.65	94.19	89.87	90.41	90.11
<b>Government consumption expenditures and gross investment:</b>								
Chain-type quantity index .....	107.72	110.60	114.53	112.76	114.14	114.22	117.02	118.92
Chain-type price index .....	106.58	110.71	112.94	112.58	113.09	113.10	113.01	113.90
<b>Federal:</b>								
Chain-type quantity index .....	100.97	102.68	105.41	103.88	104.35	105.27	108.15	111.11
Chain-type price index .....	105.09	108.12	109.87	109.62	109.96	110.02	109.87	111.78
<b>State and local:</b>								
Chain-type quantity index .....	111.71	115.26	119.90	117.99	119.88	119.48	122.24	123.54
Chain-type price index .....	107.42	112.14	114.64	114.22	114.82	114.79	114.73	115.08
<b>Addenda:</b>								
<b>Final sales of domestic product:</b>								
Chain-type quantity index .....	112.96	117.78	120.47	120.10	120.32	120.16	121.30	121.90
Chain-type price index .....	104.76	107.16	109.50	108.77	109.34	109.95	109.92	110.19
Implicit price deflator .....	104.75	107.16	109.49	108.77	109.34	109.95	109.92	110.18
<b>Gross domestic purchases:</b>								
Chain-type quantity index .....	115.85	121.42	122.95	122.88	123.01	122.69	123.22	125.17
Chain-type price index .....	103.99	106.70	108.47	108.19	108.54	108.51	108.64	108.86
Implicit price deflator .....	103.98	106.69	108.46	108.19	108.53	108.50	108.62	108.85
<b>Final sales to domestic purchasers:</b>								
Chain-type quantity index .....	115.47	121.16	123.97	123.52	123.78	123.70	124.87	125.79
Chain-type price index .....	104.08	106.81	108.59	108.31	108.65	108.63	108.76	108.98
Implicit price deflator .....	104.08	106.81	108.58	108.30	108.65	108.62	108.75	108.98
<b>Gross national product:</b>								
Chain-type quantity index .....	113.05	117.69	119.18	119.13	119.21	118.82	119.58	120.78
Chain-type price index .....	104.62	107.00	109.32	108.60	109.16	109.77	109.74	110.00
Implicit price deflator .....	104.62	106.99	109.31	108.60	109.16	109.77	109.72	109.99

r revised  
See "Explanatory Note" at the end of the tables.



**Table 8.—Relation of Gross Domestic Product, Gross National Product, and National Income**

[Billions of dollars]

	1999	2000	2001	Seasonally adjusted at annual rates				
				2001				2002
				I	II	III	IV	I <sup>r</sup>
<b>Gross domestic product</b> .....	<b>9,268.6</b>	<b>9,872.9</b>	<b>10,208.1</b>	<b>10,141.7</b>	<b>10,202.6</b>	<b>10,224.9</b>	<b>10,263.3</b>	<b>10,428.8</b>
Plus: Income receipts from the rest of the world .....	313.8	384.2	335.2	378.9	346.9	321.3	293.6	287.6
Less: Income payments to the rest of the world .....	320.5	396.3	340.5	389.4	358.6	332.4	281.6	312.8
<b>Equals: Gross national product</b> .....	<b>9,261.8</b>	<b>9,860.8</b>	<b>10,202.8</b>	<b>10,131.3</b>	<b>10,190.9</b>	<b>10,213.8</b>	<b>10,275.3</b>	<b>10,403.7</b>
Less: Consumption of fixed capital .....	1,151.4	1,241.3	1,351.4	1,299.9	1,341.5	1,406.7	1,357.4	1,376.3
Less: Indirect business tax and nontax liability .....	713.1	762.7	794.0	785.7	792.3	793.9	804.0	809.3
Less: Business transfer payments .....	41.3	43.9	44.6	44.3	44.5	44.7	45.0	46.2
Less: Statistical discrepancy .....	-72.7	-130.4	-149.8	-120.5	-143.2	-149.7	-186.0	-186.2
Plus: Subsidies less current surplus of government enterprises .....	33.3	37.6	54.8	47.8	52.2	71.5	47.7	42.9
<b>Equals: National income</b> .....	<b>7,462.1</b>	<b>7,980.9</b>	<b>8,217.5</b>	<b>8,169.7</b>	<b>8,207.9</b>	<b>8,189.6</b>	<b>8,302.6</b>	<b>8,401.1</b>
Compensation of employees .....	5,310.7	5,715.2	6,010.0	5,955.7	6,010.8	6,037.7	6,035.7	6,081.9
Wage and salary accruals .....	4,477.4	4,837.2	5,098.2	5,049.4	5,099.8	5,123.4	5,120.0	5,151.0
Supplements to wages and salaries .....	833.4	878.0	911.8	906.3	911.0	914.2	915.6	930.9
Proprietors' income with inventory valuation and capital consumption adjustments .....	672.0	715.0	743.5	735.2	745.3	752.7	740.8	759.7
Rental income of persons with capital consumption adjustment .....	147.7	141.6	142.6	139.6	139.0	144.0	147.7	160.4
Corporate profits with inventory valuation and capital consumption adjustments .....	825.2	876.4	767.1	789.8	759.8	697.0	822.0	826.1
Net interest .....	506.5	532.7	554.3	549.4	553.0	558.3	556.4	573.0
<b>Addendum:</b>								
Gross domestic income .....	9,341.3	10,003.4	10,358.0	10,262.2	10,345.7	10,374.6	10,449.3	10,615.0

r revised

**Table 9.—Personal Income and Its Disposition**

[Billions of dollars]

	1999	2000	2001	Seasonally adjusted at annual rates				
				2001				2002
				I	II	III	IV	I <sup>r</sup>
<b>Personal income</b> <sup>1</sup> .....	<b>7,777.3</b>	<b>8,319.2</b>	<b>8,723.5</b>	<b>8,640.2</b>	<b>8,714.6</b>	<b>8,771.8</b>	<b>8,767.2</b>	<b>8,876.3</b>
Wage and salary disbursements .....	4,472.2	4,837.2	5,098.2	5,049.4	5,099.8	5,123.4	5,120.0	5,151.0
Other labor income .....	509.7	534.2	553.8	549.3	552.2	555.4	558.5	567.7
Proprietors' income with inventory valuation and capital consumption adjustments .....	672.0	715.0	743.5	735.2	745.3	752.7	740.8	759.7
Farm .....	26.6	30.6	27.6	29.8	28.7	32.3	19.6	25.3
Nonfarm .....	645.4	684.4	715.9	705.4	716.6	720.5	721.2	734.4
Rental income of persons with capital consumption adjustment .....	147.7	141.6	142.6	139.6	139.0	144.0	147.7	160.4
Personal dividend income .....	343.1	379.2	416.3	404.8	411.9	420.0	428.4	435.7
Personal interest income .....	950.0	1,000.6	993.6	1,010.9	1,001.0	991.5	970.9	965.6
Transfer payments to persons .....	1,019.6	1,069.1	1,148.8	1,123.1	1,139.4	1,159.0	1,173.8	1,215.5
Less: Personal contributions for social insurance .....	337.1	357.7	373.3	372.1	374.0	374.2	372.8	379.2
Less: Personal tax and nontax payments .....	1,159.2	1,288.2	1,306.2	1,345.2	1,351.4	1,195.5	1,332.7	1,184.2
<b>Equals: Disposable personal income</b> .....	<b>6,618.0</b>	<b>7,031.0</b>	<b>7,417.3</b>	<b>7,295.0</b>	<b>7,363.2</b>	<b>7,576.4</b>	<b>7,434.5</b>	<b>7,692.2</b>
Less: Personal outlays .....	6,457.2	6,963.3	7,298.9	7,216.2	7,281.7	7,291.0	7,406.6	7,468.9
<b>Equals: Personal saving</b> .....	<b>160.9</b>	<b>67.7</b>	<b>118.4</b>	<b>78.8</b>	<b>81.5</b>	<b>285.3</b>	<b>27.9</b>	<b>223.3</b>
<b>Addenda:</b>								
Disposable personal income, billions of chained (1996) dollars <sup>2</sup> .....	6,320.0	6,539.2	6,772.4	6,679.0	6,719.2	6,917.5	6,773.8	6,996.1
Personal saving as a percentage of disposable personal income .....	2.4	1.0	1.6	1.1	1.1	3.8	.4	2.9

r revised

1. Personal income is also equal to national income less corporate profits with inventory valuation and capital consumption adjustments, net interest, contributions for social insurance, and wage accruals less disbursements, plus personal interest income, personal dividend income, government transfer payments to persons, and business transfer payments to persons.

2. Equals disposable personal income deflated by the implicit price deflator for personal consumption expenditures.

**Table 10.—Corporate Profits: Level and Percent Change**

	Billions of dollars								Percent change from preceding period						
	1999	2000	2001	Seasonally adjusted at annual rates					2000	2001	Quarterly rates				Quarter one year ago
				2001				2002			2001			2002	
				I	II	III	IV				I	II	III		
	<b>Corporate profits with inventory valuation and capital consumption adjustments</b> .....	<b>825.2</b>	<b>876.4</b>	<b>767.1</b>	<b>789.8</b>	<b>759.8</b>	<b>697.0</b>	<b>822.0</b>	<b>826.1</b>	<b>6.2</b>	<b>-12.5</b>	<b>-3.8</b>	<b>-8.3</b>	<b>17.9</b>	<b>0.5</b>
Profits before tax .....	776.3	845.4	698.5	755.7	738.3	680.6	619.4	642.4	8.9	-17.4	-2.3	-7.8	-9.0	3.7	-15.0
Profits tax liability .....	253.0	271.5	216.0	236.8	228.0	204.9	194.1	213.5	7.3	-20.4	-3.7	-10.1	-5.3	10.0	-9.8
Profits after tax .....	523.3	573.9	482.5	518.9	510.3	475.6	425.2	428.9	9.7	-15.9	-1.7	-6.8	-10.6	9	-17.3
Dividends .....	343.5	379.6	416.6	405.2	412.3	420.4	428.7	436.0	10.5	9.8	1.8	2.0	2.0	1.7	7.6
Undistributed profits .....	179.8	194.3	65.9	113.7	98.0	55.2	-3.5	-7.1	8.1	-66.1	-13.8	-43.6	-106.4	102.5	-106.3
Inventory valuation adjustment .....	-2.9	-12.4	2.2	-1.9	-8.8	3.1	16.6	19.0	.....	.....	.....	.....	.....	.....	.....
Capital consumption adjustment .....	51.7	43.4	66.4	36.0	30.3	13.4	186.1	164.6	-16.1	53.2	-15.7	-55.9	1,292.6	-11.5	357.5
<b>Addenda:</b>															
Corporate profits after tax with inventory valuation and capital consumption adjustments .....	572.1	604.9	551.2	553.0	531.8	492.0	627.9	612.5	5.7	-8.9	-3.8	-7.5	27.6	-2.4	10.8
<b>Net cash flow with inventory valuation and capital consumption adjustments</b> .....	<b>897.9</b>	<b>952.4</b>	<b>933.1</b>	<b>911.6</b>	<b>905.1</b>	<b>918.6</b>	<b>997.1</b>	<b>986.3</b>	<b>6.1</b>	<b>-2.0</b>	<b>-7</b>	<b>1.5</b>	<b>8.5</b>	<b>-1.1</b>	<b>8.2</b>
Undistributed profits with inventory valuation and capital consumption adjustments .....	228.7	225.3	134.5	147.8	119.5	71.7	199.1	176.5	-1.5	-40.3	-19.1	-40.0	177.9	-11.4	19.4
Consumption of fixed capital .....	669.2	727.1	798.6	763.8	785.6	847.0	798.0	809.8	8.6	9.8	2.9	7.8	-5.8	1.5	6.0
Less: Inventory valuation adjustment .....	-2.9	-12.4	2.2	-1.9	-8.8	3.1	16.6	19.0	.....	.....	.....	.....	.....	.....	.....
<b>Equals: Net cash flow</b> .....	<b>900.7</b>	<b>964.8</b>	<b>930.9</b>	<b>913.5</b>	<b>913.9</b>	<b>915.6</b>	<b>980.6</b>	<b>967.2</b>	<b>7.1</b>	<b>-3.5</b>	<b>0</b>	<b>2</b>	<b>7.1</b>	<b>-1.4</b>	<b>5.9</b>

**Table 11.—Corporate Profits by Industry: Level and Change From Preceding Period**

(Billions of dollars)

	Level								Change from preceding period						
	1999	2000	2001	Seasonally adjusted at annual rates					2000	2001	2001				2002
				2001				2002			II	III	IV	I	
				I	II	III	IV								
	<b>Corporate profits with inventory valuation and capital consumption adjustments</b> .....	<b>825.2</b>	<b>876.4</b>	<b>767.1</b>	<b>789.8</b>	<b>759.8</b>	<b>697.0</b>	<b>822.0</b>	<b>826.1</b>	<b>51.2</b>	<b>-109.3</b>	<b>-30.0</b>	<b>-62.8</b>	<b>125.0</b>	<b>4.1</b>
<b>Domestic industries</b> .....	<b>710.5</b>	<b>739.6</b>	<b>617.8</b>	<b>649.7</b>	<b>615.8</b>	<b>550.9</b>	<b>655.0</b>	<b>695.6</b>	<b>29.1</b>	<b>-121.8</b>	<b>-33.9</b>	<b>-64.9</b>	<b>104.1</b>	<b>40.6</b>	
Financial .....	180.3	189.5	167.3	184.9	165.4	136.1	183.0	199.8	9.2	-22.2	-19.5	-29.3	46.9	16.8	
Nonfinancial .....	530.3	550.1	450.5	464.8	450.4	414.8	472.0	495.9	19.8	-99.6	-14.4	-35.6	57.2	23.9	
<b>Rest of the world</b> .....	<b>114.6</b>	<b>136.8</b>	<b>149.3</b>	<b>140.0</b>	<b>144.0</b>	<b>146.1</b>	<b>167.0</b>	<b>130.4</b>	<b>22.2</b>	<b>12.5</b>	<b>4.0</b>	<b>2.1</b>	<b>20.9</b>	<b>-36.6</b>	
Receipts from the rest of the world .....	173.3	204.9	190.8	201.0	194.0	185.9	182.2	181.7	31.6	-14.1	-7.0	-8.1	-3.7	-5	
Less: Payments to the rest of the world .....	58.7	68.1	41.5	61.0	50.0	39.8	15.2	51.2	9.4	-26.6	-11.0	-10.2	-24.6	36.0	
<b>Corporate profits with inventory valuation adjustment</b> .....	<b>773.4</b>	<b>833.0</b>	<b>700.7</b>	<b>753.8</b>	<b>729.5</b>	<b>683.6</b>	<b>635.9</b>	<b>661.4</b>	<b>59.6</b>	<b>-132.3</b>	<b>-24.3</b>	<b>-45.9</b>	<b>-47.7</b>	<b>25.5</b>	
<b>Domestic industries</b> .....	<b>658.8</b>	<b>696.3</b>	<b>551.4</b>	<b>613.8</b>	<b>585.4</b>	<b>537.5</b>	<b>468.9</b>	<b>531.0</b>	<b>37.5</b>	<b>-144.9</b>	<b>-28.4</b>	<b>-47.9</b>	<b>-68.6</b>	<b>62.1</b>	
Financial .....	191.0	204.4	180.0	202.2	183.3	153.4	181.2	201.7	13.4	-24.4	-18.9	-29.9	27.8	20.5	
Federal Reserve banks .....	25.7	30.0	27.9	30.4	28.7	27.4	25.0	23.4	4.3	-2.1	-1.7	-1.3	-2.4	-1.6	
Other .....	165.3	174.4	152.1	171.7	154.6	126.0	156.2	178.3	9.1	-22.3	-17.1	-28.6	30.2	22.1	
Nonfinancial .....	467.8	491.8	371.4	411.6	402.1	384.1	287.7	329.3	24.0	-120.4	-9.5	-18.0	-96.4	41.6	
Manufacturing .....	163.7	155.2	79.5	90.4	93.4	84.0	50.3	.....	-8.5	-75.7	3.0	-9.4	-33.7	.....	
Durable goods .....	75.8	63.2	9.1	24.8	15.6	8.6	-12.4	.....	-12.6	-54.1	-9.2	-7.0	-21.0	.....	
Primary metal industries .....	2.6	3.1	-1.2	-2.0	-1.5	-8	-5	.....	5	-4.3	5	7	3	.....	
Fabricated metal products .....	16.7	14.3	8.6	9.3	9.7	7.7	7.9	.....	-2.4	-5.7	4	-2.0	2	.....	
Industrial machinery and equipment .....	9.4	7.9	-5.6	4.5	-3.6	-10.7	-12.4	.....	-1.5	-13.5	-8.1	-7.1	-1.7	.....	
Electronic and other electric equipment .....	6.2	3.7	-7.2	-1.5	-4.8	-9.2	-13.3	.....	-2.5	-10.9	-3.3	-4.4	-4.1	.....	
Motor vehicles and equipment .....	6.7	5.1	-2.3	-2.9	-3.2	3.1	-6.4	.....	-1.6	-7.4	-3	6.3	-9.5	.....	
Other .....	34.2	29.1	16.8	17.4	18.9	18.5	12.4	.....	-5.1	-12.3	1.5	-4	-6.1	.....	
Nondurable goods .....	87.9	92.0	70.4	65.6	77.8	75.5	62.8	.....	4.1	-21.6	12.2	-2.3	-12.7	.....	
Food and kindred products .....	25.2	21.6	15.6	10.9	16.6	16.9	17.9	.....	-3.6	-6.0	5.7	3	1.0	.....	
Chemicals and allied products .....	26.6	30.6	28.2	25.1	29.0	30.5	28.0	.....	4.0	-2.4	3.9	1.5	-2.5	.....	
Petroleum and coal products .....	5	7.5	7.0	9.0	10.4	7.2	1.3	.....	7.0	-5	1.4	-3.2	-5.9	.....	
Other .....	35.6	32.3	19.7	20.5	22.0	20.9	15.5	.....	-3.3	-12.6	1.5	-1.1	-5.4	.....	
Transportation and public utilities .....	59.0	67.4	52.4	66.4	62.6	54.8	25.7	.....	8.4	-15.0	-3.8	-7.8	-29.1	.....	
Transportation .....	15.3	13.7	.6	5.1	3.3	.9	-6.9	.....	-1.6	-13.1	-1.8	-2.4	-7.8	.....	
Communications .....	5.9	12.7	8.5	15.5	9.9	9.3	-7	.....	6.8	-4.2	-5.6	-6	-10.0	.....	
Electric, gas, and sanitary services .....	37.8	41.0	43.3	45.8	49.4	44.6	33.3	.....	3.2	2.3	3.6	-4.8	-11.3	.....	
Wholesale trade .....	53.8	60.5	40.4	40.3	34.0	45.4	41.9	.....	6.7	-20.1	-6.3	11.4	-3.5	.....	
Retail trade .....	77.1	81.8	85.5	84.9	85.6	87.3	84.3	.....	4.7	3.7	.7	1.7	-3.0	.....	
Other .....	114.2	126.9	113.6	129.7	126.5	112.6	85.5	.....	12.7	-13.3	-3.2	-13.9	-27.1	.....	
<b>Rest of the world</b> .....	<b>114.6</b>	<b>136.8</b>	<b>149.3</b>	<b>140.0</b>	<b>144.0</b>	<b>146.1</b>	<b>167.0</b>	<b>130.4</b>	<b>22.2</b>	<b>12.5</b>	<b>4.0</b>	<b>2.1</b>	<b>20.9</b>	<b>-36.6</b>	

Table 12.—Gross Domestic Product of Nonfinancial Corporate Business

	1999	2000	2001	Seasonally adjusted at annual rates				
				2001				2002
				I	II	III	IV	
Billions of dollars								
<b>Gross product of nonfinancial corporate business</b> .....	<b>5,006.1</b>	<b>5,380.7</b>	<b>5,538.9</b>	<b>5,496.3</b>	<b>5,539.7</b>	<b>5,541.1</b>	<b>5,578.6</b>	<b>5,640.4</b>
Consumption of fixed capital .....	560.7	606.9	665.6	637.3	656.7	702.2	666.1	674.6
<b>Net product</b> .....	<b>4,445.4</b>	<b>4,773.9</b>	<b>4,873.3</b>	<b>4,859.0</b>	<b>4,883.0</b>	<b>4,838.9</b>	<b>4,912.5</b>	<b>4,965.8</b>
Indirect business tax and nontax liability plus business transfer payments less subsidies .....	479.2	516.5	532.8	532.9	537.0	517.1	544.1	548.4
Domestic income .....	3,966.1	4,257.4	4,340.6	4,326.1	4,345.9	4,321.8	4,368.4	4,417.4
Compensation of employees .....	3,272.2	3,535.2	3,721.1	3,694.5	3,726.7	3,736.5	3,726.9	3,747.8
Wage and salary accruals .....	2,805.4	3,041.7	3,208.6	3,185.1	3,214.6	3,222.6	3,212.2	3,224.6
Supplements to wages and salaries .....	466.9	493.5	512.5	509.4	512.0	513.8	514.6	523.2
Corporate profits with inventory valuation and capital consumption adjustments .....	530.3	550.1	450.5	464.8	450.4	414.8	472.0	495.9
Profits before tax .....	470.7	504.2	369.2	413.5	411.0	381.0	271.2	310.3
Profits tax liability .....	170.9	186.6	139.7	152.5	151.2	139.3	115.8	129.1
Profits after tax .....	299.8	317.6	229.5	261.0	259.8	241.7	155.4	181.2
Dividends .....	240.0	269.0	309.5	300.9	294.3	320.1	322.5	331.4
Undistributed profits .....	59.8	48.6	-80.0	-39.9	-34.5	-78.4	-167.1	-150.2
Inventory valuation adjustment .....	-2.9	-12.4	2.2	-1.9	-8.8	3.1	16.6	19.0
Capital consumption adjustment .....	62.5	58.3	79.1	53.2	48.2	30.7	184.3	166.5
Net interest .....	163.6	172.1	168.9	166.8	168.9	170.6	169.5	173.8
Billions of chained (1996) dollars								
<b>Gross product of nonfinancial corporate business</b> .....	<b>4,920.9</b>	<b>5,157.9</b>	<b>5,215.7</b>	<b>5,205.3</b>	<b>5,216.3</b>	<b>5,181.5</b>	<b>5,259.9</b>	<b>5,329.2</b>
Consumption of fixed capital <sup>1</sup> .....	579.1	624.8	698.5	666.7	688.4	730.7	708.4	731.2
Net product <sup>2</sup> .....	4,341.8	4,533.1	4,517.2	4,538.6	4,527.9	4,450.8	4,551.5	4,598.0
Dollars								
<b>Price, costs, and profits per unit of real gross product of nonfinancial corporate business:</b>								
<b>Price per unit of real gross product of nonfinancial corporate business</b> <sup>3</sup> .....	<b>1.017</b>	<b>1.043</b>	<b>1.062</b>	<b>1.056</b>	<b>1.062</b>	<b>1.069</b>	<b>1.061</b>	<b>1.058</b>
Compensation of employees (unit labor cost) .....	.665	.685	.713	.710	.714	.721	.709	.703
Unit nonlabor cost .....	.244	.251	.262	.256	.261	.269	.262	.263
Consumption of fixed capital .....	.114	.118	.128	.122	.126	.136	.127	.127
Indirect business tax and nontax liability plus business transfer payments less subsidies .....	.097	.100	.102	.102	.103	.100	.103	.103
Net interest .....	.033	.033	.032	.032	.032	.033	.032	.033
Corporate profits with inventory valuation and capital consumption adjustments (unit profits from current production) .....	.108	.107	.086	.089	.086	.080	.090	.093
Profits tax liability .....	.035	.036	.027	.029	.029	.027	.022	.024
Profits after tax with inventory valuation and capital consumption adjustments .....	.073	.070	.060	.060	.057	.053	.068	.069

1. Chained-dollar consumption of fixed capital of nonfinancial corporate business is calculated as the product of the chain-type quantity index and the 1996 current-dollar value of the corresponding series, divided by 100.  
2. Chained-dollar net product of nonfinancial corporate business is the difference between the gross product and

the consumption of fixed capital.  
3. The deflator for gross product of nonfinancial corporate business divided by 100.

**Appendix Table A.—Real Gross Domestic Product and Related Aggregates and Price Indexes: Percent Change From Preceding Period**  
[Percent]

	1999	2000	2001	Seasonally adjusted at annual rates																2002
				1998			1999				2000				2001					
				II	III	IV	I	II	III	IV	I	II	III	IV	I	II	III	IV		
<b>GDP and related aggregates:</b>																				
GDP .....	4.1	4.1	1.2	2.2	4.1	6.7	3.1	1.7	4.7	8.3	2.3	5.7	1.3	1.9	1.3	0.3	-1.3	1.7	5.6	
Goods .....	5.5	5.8	-1.5	-3.1	6.1	13.2	2.1	.9	7.6	15.2	1.8	8.2	2.1	-2.4	-2.6	-3.6	-4.4	1.8	9.4	
Services .....	3.2	3.3	2.9	4.8	2.2	2.5	3.2	3.1	4.1	4.2	1.7	5.3	1.1	4.9	2.2	2.7	1.8	3.0	3.7	
Structures .....	3.4	2.3	2.2	10.5	7.0	5.7	5.9	-2.5	-3.4	5.3	9.1	-2.1	-2	2.2	12.3	2.0	-7.1	-6.4	2.5	
Motor vehicle output .....	12.0	-.7	-4.7	-9.9	-5.9	77.2	-4.2	1.5	23.0	5.5	-4.0	-1.4	-12.8	-20.0	-16.9	24.7	8.5	10.2	9.1	
GDP less motor vehicle output .....	3.8	4.3	1.4	2.7	4.5	4.7	3.4	1.7	4.0	8.4	2.6	6.0	1.9	2.8	2.0	-.4	-1.7	1.4	5.5	
Final sales of computers <sup>1</sup> .....	42.4	52.3	8.8	36.5	42.9	54.9	20.5	54.8	61.1	33.4	66.8	66.3	39.1	30.0	9.0	-26.5	-10.7	31.2	-23.6	
GDP less final sales of computers .....	3.8	3.7	1.1	1.9	3.8	6.3	2.9	1.3	4.2	8.1	1.8	5.2	1.0	1.6	1.2	.6	-1.2	1.4	5.8	
Farm product <sup>2</sup> .....	5.7	13.7	-2.0	-7.4	11.2	5.5	5.2	18.8	-14.1	19.2	28.3	8.7	17.8	8.5	-10.9	-21.9	6.8	10.6	13.0	
Nonfarm business less housing product <sup>3</sup> .....	4.7	4.6	1.0	2.0	4.3	8.4	3.6	1.4	5.3	10.0	2.0	6.6	1.2	1.8	1.4	-.5	-2.2	1.6	6.2	
<b>Price indexes:</b>																				
GDP .....	1.4	2.3	2.2	1.0	1.4	1.1	1.7	1.4	1.4	1.8	3.8	2.1	1.9	1.8	3.3	2.1	2.3	-.1	1.0	
GDP less food and energy .....	1.4	2.2	1.8	1.2	1.5	1.1	1.6	1.4	1.5	1.9	3.4	2.0	1.9	1.6	2.2	1.2	2.8	.4	1.2	
GDP less final sales of computers .....	1.8	2.5	2.5	1.4	1.9	1.4	2.1	1.6	1.6	2.1	4.0	2.4	2.1	1.9	3.8	2.3	2.5	.1	1.2	
Gross domestic purchases .....	1.5	2.6	1.7	.7	1.1	1.2	1.5	2.0	2.0	2.2	4.2	1.9	2.3	1.7	2.7	1.3	-.1	.5	.8	
Gross domestic purchases less food and energy .....	1.4	2.0	1.5	1.1	1.3	1.2	1.6	1.3	1.4	1.7	3.3	1.7	1.7	1.3	2.3	.9	.6	2.0	1.1	
Gross domestic purchases less final sales of computers .....	1.9	2.9	2.0	1.1	1.6	1.6	1.9	2.3	2.4	2.5	4.5	2.2	2.6	2.0	3.3	1.6	.2	.8	1.0	
Personal consumption expenditures .....	1.6	2.7	1.9	1.0	1.4	1.4	1.3	2.0	2.2	2.4	4.0	2.1	2.4	2.0	3.2	1.3	-.2	.8	.7	
Personal consumption expenditures less food and energy .....	1.5	1.9	1.6	1.7	1.6	1.5	1.4	1.2	1.5	1.8	2.9	1.7	1.6	1.5	2.6	.7	.5	2.7	1.0	

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1. For some components of final sales of computers, includes computer parts.

2. Farm output less intermediate goods and services purchased.

3. Consists of GDP less gross product of farm, of housing, of households and institutions, and of general government.

See "Explanatory Note" at the end of the tables.

## Explanatory Note: Measures of Output and Prices

This note describes the calculation of chain-type quantity and price indexes used in the NIPA's.

Changes in current-dollar GDP measure changes in the market value of goods, services, and structures produced in the economy in a particular period. These changes can be decomposed into quantity and price components. Quantities, or "real" measures, and prices are expressed as index numbers with the reference year--at present, the year 1996--equal to 100.

The annual changes in quantities and prices are calculated using a Fisher formula that incorporates weights from two adjacent years. (Quarterly changes in quantities and prices are calculated using a Fisher formula that incorporates weights from two adjacent quarters; quarterly indexes are adjusted for consistency to the annual indexes before percent changes are calculated.) For example, the 1999-2000 annual percent change in real GDP uses prices for 1999 and 2000 as weights, and the 1999-2000 annual percent change in GDP prices uses quantities for 1999 and 2000 as weights. These annual changes are "chained" (multiplied) together to form time series of quantity and price indexes. The Fisher formula also produces percent changes in quantities and prices that are not affected by the choice of reference years. In addition, because the changes in quantities and prices calculated in this way are symmetric, in general, the product of a quantity index and the corresponding price index equals the current-dollar index. (BEA also publishes a measure of the price level known as the "implicit price deflator (IPD)," which is calculated as the ratio of current-dollar value to the corresponding chained-dollar value, multiplied by 100. The values of the IPD are very close to the values of the corresponding "chain-type" price index for all periods.)

Chain-type quantity and price indexes for GDP and its major components are presented in this release as index numbers in table 5 and in the form of percentage changes from the preceding period in tables 1, 4, 6A, and 6B. Contributions by major components to changes in real GDP are presented in table 2. BEA also prepares measures of real GDP and its components in a dollar-denominated form, designated "chained (1996) dollar estimates." For GDP and most other series, these estimates, which are presented in table 3, are computed by multiplying the 1996 current-dollar value by a corresponding quantity index number and then dividing by 100. For example, if a current-dollar GDP component equaled \$100 in 1996 and if real output for this component increased 10 percent in 1997, then the chained (1996) dollar value of this component in 1997 would be \$110 ( $\$100 \times 1.10$ ).

For analyses of changes over time in an aggregate or in a component, the percentage changes calculated from the chained-dollar estimates and from the chain-type quantity indexes are the same; any differences will be small and due to rounding. However, because the relative prices used as weights for any period other than the reference year differ from those used for the reference year, the chained-dollar values for the detailed GDP components will not necessarily sum to the chained-dollar estimate of GDP or to any intermediate aggregate. A measure of the extent of such differences is provided by a "residual" line, which indicates the difference between GDP (or another major aggregate) and the sum of the most detailed components in the table. For periods close to the reference year, when there usually has not been much change in the relative prices that are used as weights for the chain-type index, the residuals tend to be small, and the chained (1996) dollar estimates can be used to approximate the contributions to growth and to aggregate the detailed estimates. As one moves further from the reference year, the residual tends to become larger, and the chained-dollar estimates become less useful for analyses of contributions to growth. Thus, the contributions to percent change shown in table 2 provide a better measure of the composition of GDP growth. In particular, for components for which relative prices are changing rapidly, calculation of contributions using chained-dollar estimates may be misleading even just a few years from the reference year.

References: "A Preview of the 1999 Comprehensive Revision of the NIPA's: Statistical Changes," October 1999 Survey, pp. 6-17; "A Guide to the NIPA's," March 1998 Survey, pp. 36-40; "BEA's Chain Indexes, Time Series, and Measures of Long-Term Economic Growth," May 1997 Survey, pp. 58-68.