



Technical Note
Gross Domestic Product
Fourth Quarter of 2008 (Advance)
January 30, 2009

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 at 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").

Real GDP

Real GDP decreased 3.8 percent (annual rate) in the fourth quarter, following a decrease of 0.5 percent in the third quarter. The larger decrease in real GDP reflected a downturn in exports and a much larger decrease in business investment in structures, equipment, and software.

Source Data for the Advance Estimate

The advance GDP estimate for the fourth quarter of 2008 is based on source data that are incomplete and subject to revision. Three months of source data were available for consumer spending on goods; shipments of capital equipment other than aircraft; motor vehicle sales and inventories; manufacturing durables inventories; federal government outlays; and consumer, producer, and international prices. Only two months of data were available for most other key data sources; BEA's assumptions for the third month are shown in table A. Among those assumptions are the following:

- an increase in manufacturers' shipments of complete aircraft, reflecting a rebound from the effects of the machinists strike,
- a decrease in nondurable manufacturing inventories,
- a decrease in non-motor-vehicle merchant wholesale and retail inventories,
- a decrease in exports of goods, excluding gold, and
- a decrease in imports of goods, excluding gold.

Prices

The price index for gross domestic purchases decreased 4.6 percent in the fourth quarter after increasing 4.5 percent in the third quarter. Excluding food and energy prices, the price index for gross domestic purchases increased 1.2 percent in the fourth quarter, after increasing 2.8 percent in the third.

Troubled Asset Relief Program

In October 2008, the Emergency Economic Stabilization Act of 2008 established the Troubled Asset Relief Program (TARP). Among its provisions, the act authorized the Department of the Treasury to purchase or insure up to \$700 billion in assets to alleviate the financial crisis. By the end of the fourth quarter, the program had disbursed \$243 billion to banks and other institutions in exchange for shares of preferred stock and warrants. The program also disbursed a \$4 billion loan to General Motors in the fourth quarter.

Purchases of financial assets are generally not recorded in the GDP accounts (though they appear in the Federal Reserve's flow of funds accounts). However, when the Treasury purchases a financial asset (other than a loan) at more favorable terms than are available in private markets, BEA records a portion of the purchase as a capital transfer, calculated as the difference between the actual price paid for the financial asset and an estimate of its market value. This treatment is consistent with the recommendations of the newly updated international guidelines, *System of National Accounts 2008*. For the fourth quarter, in most cases BEA's estimates of these capital transfers are based on Congressional Budget Office estimates, which are prepared on a net present value basis. The recording of a capital transfer in the GDP accounts does not affect GDP or net government saving, but does reduce net government lending or borrowing.

The data on capital transfer payments do not appear in the GDP news release tables, but will be presented on BEA's Web site in NIPA tables 3.1 and 3.2 and in underlying detail table 5.10U.

For further information on the treatment of federal government activities related to financial crisis, see the FAQ section of BEA's Web site, www.bea.gov.

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**Table A. KEY ASSUMPTIONS FOR THE ADVANCE ESTIMATE OF GDP
FOR THE FOURTH QUARTER OF 2008**

For many of the key series used to prepare the advance estimate of GDP, including retail sales, unit automobile and truck sales and inventories, manufacturers' shipments of nondefense capital goods (other than aircraft), manufacturers' inventories of durable goods, federal defense spending, and consumer, producer, and international price indexes, actual data are available for all months of the quarter.

For the key series shown in this table, actual data for the third month of the quarter usually are not available in time for inclusion in the advance GDP estimate. BEA makes assumptions for the source data that are not yet available; assumptions for December 2008 are shown in the last column of the table. For most series shown, the data for November are preliminary and subject to further revision. Occasionally, the data for earlier months are also subject to revision.

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

	2008					
	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.*
Private fixed investment:						
Nonresidential structures:						
1 Value of new nonresidential construction put in place.....	417.0	416.1	426.9	425.1	428.2	426.6
Equipment and software:						
2 Manufacturers' shipments of complete aircraft.....	41.9	47.9	24.6	16.7	14.3	39.6
Residential structures:						
Value of new residential construction put in place:						
3 Single family.....	185.1	177.6	169.6	161.9	151.2	138.5
4 Multifamily.....	47.1	44.0	44.5	44.4	43.5	39.9
Change in private inventories:						
5 Change in inventories for nondurable manufacturing.....	4.6	10.4	-62.2	-57.0	-40.7	-69.6
5a Change in inventories for merchant wholesale and retail industries other than motor vehicles and equipment...	91.3	20.5	-4.8	-66.7	-82.3	-119.9
Net exports:						
Exports of goods:						
6 U.S. exports of goods, international-transactions-accounts basis.....	1450.0	1414.6	1293.8	1257.6	1166.6	1141.8
6a Excluding gold.....	1427.8	1403.3	1274.1	1243.2	1153.3	1131.0
Imports of goods:						
7 U.S. imports of goods, international-transactions-accounts basis.....	2339.4	2267.3	2128.2	2086.1	1795.9	1698.6
7a Excluding gold.....	2325.9	2260.3	2110.6	2077.7	1789.2	1694.1
8 Net exports of goods.....	-889.4	-852.7	-834.4	-828.6	-629.3	-556.8
8a Excluding gold.....	-898.1	-856.9	-836.5	-834.5	-635.9	-563.1
Government:						
State and local:						
Structures:						
9 Value of new construction put in place.....	284.6	291.4	288.7	292.3	295.2	293.7

*Assumption.