

Business Situation

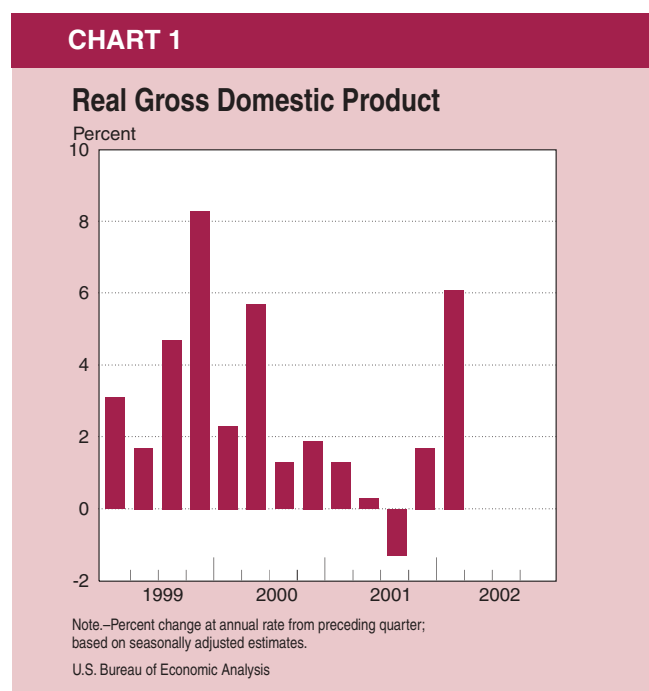
Final Estimates for the First Quarter of 2002

ACCORDING to the “final” estimates of the national income and product accounts (NIPAs), real GDP increased 6.1 percent in the first quarter of 2002, 0.5 percentage point more than in last month’s “preliminary” estimates (table 1 and chart 1).¹ (Over the past 20 years, the average revision, without regard to the sign, from the preliminary estimate to the final estimate was 0.3 percentage point.) Real final sales of domestic product was also revised up, from 2.0 percent in the preliminary estimate to 2.6 percent in the final.

1. Quarterly estimates in the NIPAs are expressed at seasonally adjusted annual rates. Quarter-to-quarter dollar changes are the differences between the published estimates. Quarter-to-quarter percent changes are annualized and are calculated from unrounded data unless otherwise specified.

Real estimates are calculated using a chain-type Fisher formula with annual weights for all years and quarterly weights for all quarters; real estimates are expressed both as index numbers (1996=100) and as chained (1996) dollars. Price indexes (1996=100) are also calculated using a chain-type Fisher formula.

Daniel Larkins and Frederick von Batchelder prepared this article.



The source data underlying these and other revisions to the NIPAs are discussed in the section “Revisions.”

The picture of the economy shown in the final estimates for the first quarter is similar in most respects to that shown in the preliminary estimates. According to both estimates,

- Inventories were liquidated for the fifth consecutive quarter, but because the pace of liquidation slowed sharply, real inventory investment contributed more than 3 percentage points to the growth in real GDP (table 2).²

2. In the NIPAs, inventory investment is shown as “change in private inventories.” According to the final estimates, the pace of inventory liquidation slowed from -\$119.3 billion in the fourth quarter to -\$27.7 billion in the first.

Table 1. Real Gross Domestic Product, Real Gross Domestic Purchases, and Real Final Sales to Domestic Purchasers

[Seasonally adjusted at annual rates]

	Billions of chained (1996) dollars					Percent change from preceding quarter			
	Level	Change from preceding quarter				Percent change from preceding quarter			
		2002	2001			2002	2001			2002
	I	II	III	IV	I	II	III	IV	I
Gross domestic product	9,488.6	7.2	-31.3	38.2	140.0	0.3	-1.3	1.7	6.1
Less: Exports of goods and services	1,029.3	-35.8	-56.1	-30.0	7.1	-11.9	-18.8	-10.9	2.8
Plus: Imports of goods and services	1,463.8	-33.6	-51.8	-28.3	28.9	-8.4	-13.0	-7.5	8.3
Equals: Gross domestic purchases	9,896.2	10.0	-25.3	41.9	159.2	0.4	-1.0	1.7	6.7
Less: Change in private inventories	-27.7	-11.2	-23.6	-57.4	91.6	.....	.....	.....	.....
Equals: Final sales to domestic purchasers	9,909.2	19.9	-6.2	92.8	78.9	0.8	-0.3	3.9	3.3
Personal consumption expenditures.....	6,593.5	39.9	15.5	96.4	53.2	2.5	1.0	6.1	3.3
Durable goods	996.8	15.7	2.1	81.5	-24.9	7.0	0.9	39.4	-9.4
Nondurable goods	1,931.1	1.4	2.6	11.6	37.5	0.3	0.6	2.5	8.2
Services.....	3,692.6	24.7	10.6	17.8	34.4	2.8	1.2	2.0	3.8
Private fixed investment	1,618.8	-43.9	-24.8	-49.7	-3.1	-9.7	-5.7	-11.4	-0.8
Nonresidential	1,225.3	-53.0	-28.9	-47.0	-19.7	-14.6	-8.5	-13.8	-6.2
Structures.....	234.2	-9.4	-5.5	-26.9	-15.7	-12.2	-7.5	-33.6	-22.8
Equipment and software	1,005.9	-44.5	-23.8	-13.8	0.3	-15.4	-8.8	-5.3	0.1
Residential.....	389.0	5.4	2.2	-4.5	13.0	5.9	2.4	-4.6	14.6
Government consumption expenditures and gross investment.....	1,690.9	19.6	1.1	39.8	27.0	5.0	0.3	10.2	6.6
Federal.....	590.7	2.5	4.9	15.3	15.8	1.8	3.6	11.4	11.4
National defense	389.2	2.1	2.9	7.9	16.0	2.3	3.2	9.0	18.3
Nondefense	201.6	0.5	2.0	7.3	0	0.9	4.2	16.0	-0.2
State and local	1,099.8	16.9	-3.6	24.6	11.4	6.6	-1.3	9.6	4.2
Addendum: Final sales of domestic product	9,501.6	17.0	-12.3	88.4	60.7	0.7	-0.5	3.8	2.6

NOTE. Chained (1996) dollar series are calculated as the product of the chain-type quantity index and the 1996 current-dollar value of the corresponding series, divided by 100. Because the formula for the chain-type quantity indexes uses weights of more than one period, the corresponding chained-dollar estimates usually are not additive. Chained (1996) dollar levels and residuals, which measure the extent of nonadditivity in each table, are shown in NIPA tables 1.2, 1.4, and 1.6. Percent changes are calculated from unrounded data. Percent changes in major aggregates are shown in NIPA table S.1. (See “Selected NIPA Tables,” which begin on page D-2 in this issue.)

- An increase in consumer spending contributed more than 2 percentage points to GDP growth.³ Increased purchases of nondurable goods and of services more than offset decreased purchases of durable goods. (In the fourth quarter, purchases of

3. In the NIPA's, consumer spending is shown as personal consumption expenditures, and government spending is shown as government consumption expenditures and gross investment.

Table 2. Contributions to Percent Change in Real Gross Domestic Product

[Seasonally adjusted at annual rates]

	2001			2002
	II	III	IV	I
Percent change at annual rate:				
Gross domestic product	0.3	-1.3	1.7	6.1
Percentage points at annual rates:				
Personal consumption expenditures	1.72	0.67	4.14	2.37
Durable goods.....	0.56	0.07	2.84	-0.84
Nondurable goods.....	0.06	0.12	0.50	1.61
Services	1.10	0.48	0.80	1.61
Gross private domestic investment.....	-2.16	-1.79	-4.12	3.29
Fixed investment	-1.74	-0.97	-1.96	-0.10
Nonresidential.....	-1.99	-1.08	-1.75	-0.71
Structures.....	-0.44	-0.26	-1.27	-0.73
Equipment and software.....	-1.55	-0.82	-0.47	0.02
Residential.....	0.25	0.10	-0.21	0.61
Change in private inventories.....	-0.42	-0.81	-2.16	3.39
Net exports of goods and services.....	-0.12	-0.27	-0.14	-0.75
Exports.....	-1.37	-2.13	-1.14	0.28
Goods.....	-1.45	-1.55	-0.72	-0.23
Services	0.08	-0.58	-0.42	0.51
Imports	1.25	1.86	1.00	-1.03
Goods.....	1.21	1.20	0.40	-0.41
Services	0.05	0.66	0.59	-0.63
Government consumption expenditures and gross investment	0.87	0.05	1.76	1.22
Federal	0.11	0.21	0.66	0.69
National defense.....	0.09	0.12	0.34	0.69
Nondefense.....	0.02	0.09	0.32	0
State and local	0.76	-0.16	1.10	0.53

NOTE. More detailed contributions to percent change in real gross domestic product are shown in NIPA table 8.2. Contributions to percent change in major components of real gross domestic product are shown in tables 8.3 through 8.6.

durable goods had increased sharply, mainly on the strength of an exceptional rise in motor vehicle purchases.)

- An increase in government spending contributed more than 1 percentage point to GDP growth. An increase in Federal Government spending was concentrated in national defense; an increase in State and local government spending was attributable both to gross investment and to consumption expenditures.
- Nonresidential fixed investment continued to decline, as structures decreased for the fourth quarter in a row. Equipment and software changed little, according to the final estimate; the preliminary estimate had shown a small decrease.
- Inflation remained calm. In the final estimates, the price index for gross domestic purchases increased 1.1 percent.
- Real disposable personal income increased at a double-digit rate after dropping sharply. Current-dollar personal income rose while personal tax payments fell. The drop in tax payments partly reflected the introduction of a new 10-percent tax bracket (mandated by the Economic Growth and Tax Relief and Reconciliation Act of 2001) and the indexation provisions of current tax law.
- The personal saving rate, which is measured as personal saving as a percentage of current-dollar disposable personal income, rebounded to 2.9 percent after falling to 0.4 percent.
- Real final sales of computers decreased, the third decrease in the past four quarters; real motor vehicle output continued to increase moderately.

Revisions

The largest contributors to the 0.5-percentage-point upward revision to real G.P. were imports, which contributed 0.54 percentage point, and nonresidential investment in equipment and software, which contributed 0.21 percentage point (table 3). The effect of these revisions was partly offset by a downward revision to exports (–0.23 percentage point).

The revisions to imports and exports reflected the incorporation of data on trade in goods and services from the annual revision of BEA's international transactions accounts (ITA's). The revision to equipment and software reflected the incorporation of revised Census Bureau data on shipments based on the 1999 and 2000 Annual Survey of Manufactures (ASM). The ITA- and ASM-related revisions were incorporated into the NIPA's on a "best-change" basis, which preserves accurate estimates of growth and consistent time series.⁴

The price index for gross domestic purchases increased 1.1 percent, 0.3 percentage point more than the preliminary estimate. The revision was largely accounted for by revisions to the implicit prices for imputed financial charges that resulted from the incorporation of newly available data from the Federal Deposit Insurance Corporation and to the implicit prices for brokerage and investment counseling based on newly available data from the Security and Exchange Commission.

Real disposable personal income (DPI) increased 13.9 percent in the first quarter, 0.1 percentage point more than the preliminary estimate. A larger upward revision to current-dollar DPI (0.5 percentage point) was mostly offset by an upward revision to the implicit price deflator for personal consumption expenditures, which is used to deflate DPI.

4. However, the best-change procedure can result in levels of the estimates that are not fully consistent with the levels of the source data. The quarterly levels of the revised ITA estimates will be incorporated into the annual revision of the NIPA's that is scheduled for release at the end of July. For further information, see "Annual Revision of the U.S. International Accounts, 1993–2001" in this issue.

Table 3. Revisions to Change in Real Gross Domestic Product and Prices, First Quarter 2002

[Seasonally adjusted at annual rates]

	Percent change from preceding quarter		Final estimate minus preliminary estimate	
	Preliminary estimate	Final estimate	Percentage points	Billions of chained (1996) dollars
Gross domestic product	5.6	6.1	0.5	12.3
Less: Exports.....	5.3	2.8	–2.5	–6.1
Goods.....	–2.9	–3.6	–0.7	–1.2
Services.....	26.1	18.7	–7.4	–4.4
Plus: Imports.....	12.9	8.3	–4.6	–15.2
Goods.....	6.8	3.7	–3.1	–9.2
Services.....	52.1	36.8	–15.3	–5.6
Equals: Gross domestic purchases	6.5	6.7	0.2	5.2
Less: Change in private inventories.....				–2.0
Equals: Final sales to domestic purchasers	3.0	3.3	0.3	7.1
Personal consumption expenditures.....	3.2	3.3	0.1	1.4
Durable goods.....	–9.6	–9.4	0.2	0.7
Nondurable goods.....	8.3	8.2	–0.1	–0.8
Services.....	3.7	3.8	0.1	1.5
Private fixed investment.....	–2.3	–0.8	1.5	6.2
Nonresidential.....	–8.2	–6.2	2.0	6.6
Structures.....	–23.8	–22.8	1.0	0.7
Equipment and software.....	–2.3	0.1	2.4	6.2
Residential.....	14.6	14.6	0	0
Government consumption expenditures and gross investment.....	6.7	6.6	–0.1	–0.1
Federal.....	11.4	11.4	0	0.1
National defense.....	18.3	18.3	0	0
Nondefense.....	–0.3	–0.2	0.1	0.1
State and local.....	4.3	4.2	–0.1	–0.1
Addendum:				
Final sales of domestic product.....	2.0	2.6	0.6	14.2
Gross domestic purchases price index.....	0.8	1.1	0.3	.....
GDP price index.....	1.0	1.2	0.2	.....

NOTE: The final estimates for the first quarter of 2002 incorporate the following revised or additional major source data that were not available when the preliminary estimates were prepared.

Personal consumption expenditures: Revised retail sales for March, bank services data for the first quarter, and brokerage services data for the first quarter.

Nonresidential fixed investment: Revised construction put-in-place for February and March, and revised manufacturers' shipments (on a "best-change" basis) for October 2001 through March 2002 that reflect the 1999 and 2000 Annual Survey of Manufactures.

Residential fixed investment: Revised construction put-in-place for February and March, revised sales of new houses for January through March, and revised sales of existing houses for March.

Change in private inventories: Revised manufacturers' inventories (on a "best-change" basis) for October 2001 through March 2002 that reflect the 1999 and 2000 Annual Survey of Manufactures, and revised wholesale and retail trade inventories for March.

Exports and imports of goods and services: Revised data on exports and imports of goods and services for October 2001 through March 2002 that include the incorporation (on a "best-change" basis) of the results of the annual revision of BEA's international transactions accounts.

Government consumption expenditures and gross investment: Revised State and local construction put-in-place for February and March, and revised State and local employment for October 2001 through March 2002 that reflect the incorporation (on a "best-change" basis) of the results of the Bureau of Labor Statistics annual benchmark revisions to the establishment payroll survey.

Wages and salaries: Revised employment, average hourly earnings, and average weekly hours for October 2001 through March 2002 that reflect the incorporation (on a "best-change" basis) of the results of the Bureau of Labor Statistics annual benchmark revisions to the establishment payroll survey.

GDP prices: Revised export and import prices for January through March, revised unit-value index for petroleum imports for March, and revised prices of single-family houses under construction for the quarter.

Gross National Product

Real gross national product (GNP) increased 4.8 percent in the first quarter, 1.3 percentage points less than real G.P. (table 4).⁵ The smaller increase in GNP than in G.P. reflected an increase in income payments to the rest of the world and a decrease in income receipts from the rest of the world. The increase in payments was more than accounted for by profits; the decrease in receipts was more than accounted for by interest.

“Command-basis” GNP—which measures the purchasing power of goods and services produced by the U.S. economy—increased 4.9 percent (chart 2). The similarity between the increase in this measure and the increase in GNP reflects the relative stability—a 0.8-percent increase—in the terms of trade.⁶

5. GNP is a measure of goods and services produced by labor and property supplied by U.S. residents. It is equal to GDP plus income receipts from the rest of the world less income payments to the rest of the world.

The national saving rate—gross saving as a percentage of GNP—decreased to 16.5 percent, its lowest level since the third quarter of 1994. The series had peaked at 19.1 percent in the third quarter of 1998.

6. In the estimates of command-basis GNP, the current-dollar value of the sum of exports of goods and services and income receipts is deflated by the implicit price deflator (IPD) for the sum of imports of goods and services and income payments.

The terms of trade is a measure of the relationship between the prices that are received by U.S. producers for exports of goods and services and the prices that are paid by U.S. purchasers for imports of goods and services. It is measured by the following ratio, with the decimal point shifted two places to the right: In the numerator, the IPD for the sum of exports of goods and services and of income receipts; in the denominator, the IPD for the sum of imports of goods and services and of income payments.

Changes in the terms of trade reflect the interaction of several factors, including movements in exchange rates, changes in the composition of the traded goods and services, and changes in producers' profit margins. For example, if the U.S. dollar depreciates against a foreign currency, a foreign manufacturer may choose to absorb this cost by reducing the profit margin on the product it sells to the United States, or it may choose to raise the price of the product and risk a loss in market share.

Table 4. Relation of Real Gross Domestic Product, Real Gross National Product, and Real Command-Basis Gross National Product

[Seasonally adjusted at annual rates]

	Billions of chained (1996) dollars					Percent change from preceding quarter				
	Level		Change from preceding quarter							
	2002		2001			2002				
	I	II	III	IV	I	II	III	IV	I	
Gross domestic product	9,488.6	7.2	-31.3	38.2	140.0	0.3	-1.3	1.7	6.1	
<i>Plus:</i> Income receipts from the rest of the world.....	265.8	-30.7	-23.4	-25.8	-4.6	-30.7	-26.3	-30.6	-6.5	
<i>Less:</i> Income payments to the rest of the world.....	279.9	-29.5	-23.9	-46.8	24.9	-29.3	-26.2	-49.0	45.1	
Equals: Gross national product	9,475.3	6.4	-30.6	59.8	110.6	0.3	-1.3	2.6	4.8	
<i>Less:</i> Exports of goods and services and income receipts from the rest of the world.....	1,292.3	-68.2	-80.2	-57.5	2.0	-17.0	-20.6	-16.0	0.6	
<i>Plus:</i> Command-basis exports of goods and services and income receipts from the rest of the world ¹	1,361.1	-54.4	-34.4	-76.1	4.3	-13.6	-9.0	-19.6	1.3	
Equals: Command-basis gross national product	9,544.0	20.2	15.2	41.0	112.9	0.9	0.6	1.8	4.9	
Addendum:										
Terms of trade ²	105.3	1.1	3.5	-1.2	0.2	4.4	14.3	-4.4	0.8	

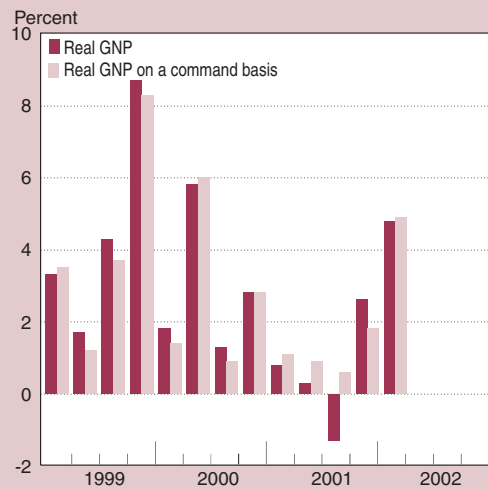
1. Exports of goods and services and income receipts deflated by the implicit price deflator for imports of goods and services and income payments.

2. Ratio of the implicit price deflator for exports of goods and services and income receipts to the corresponding implicit price deflator for imports divided by 100.

NOTE: See note to table 1 for an explanation of chained (1996) dollar series. Levels of these series are shown in NIPA tables 1.10 and 1.11.

CHART 2

Real Gross National Product



Note.—Percent change at annual rate from preceding quarter; based on seasonally adjusted estimates.

U.S. Bureau of Economic Analysis

Corporate Profits

Profits from current production increased \$5.8 billion (or 0.7 percent at a quarterly rate) in the first quarter after increasing \$125.0 billion (17.9 percent) in the fourth (table 5).⁷

The revised first-quarter estimate is \$1.7 billion more than the preliminary estimate released last month. A \$3.9 billion upward revision to profits from the rest of the world was partly offset by a \$2.4 billion downward revision to profits of domestic financial corporations. Profits of domestic nonfinancial corporations were revised little.

The 0.7-percent increase in current-production profits is markedly smaller than the 3.9-percent increase in profits before tax (PBT).⁸ The difference between the two measures mainly reflects provisions of the Job Creation and Worker Assistance Act of 2002,

which allowed increased depreciation—and thus reduced profits—on a tax-accounting basis.⁹

In both the current-production measure and PBT, the first-quarter estimate reflected settlement payments of \$9.8 billion (annual rate) to the States by tobacco companies. Settlement payments had reduced the fourth-quarter estimates by \$9.0 billion.

Current-production profits consists of profits of domestic corporations and profits from the rest of the world.¹⁰ Profits of domestic corporations increased substantially in the first quarter, though not as much as in the fourth; profits from the rest of the world decreased after increasing. In the first quarter, the increase in domestic profits and the decrease in rest-of-world profits reflected a surge in profits of domestic affiliates of foreign parents, mainly parents in Western Europe and Japan. (Because these affiliates are located in the United States, their profits are included in

7. Profits from current production is estimated as the sum of profits before tax, the inventory valuation adjustment, and the capital consumption adjustment; it is shown in NIPA tables 1.9, 1.14, 1.16, and 6.16C (see "Selected NIPA Tables," which begins on page D-2 of this issue) as corporate profits with inventory valuation and capital consumption adjustments.

Percent changes in profits are shown at quarterly, not annual, rates.

8. PBT is based on inventory and depreciation practices used in tax accounting, whereas the current-production measure—which excludes nonoperating items, such as special charges and capital gains and losses—is based on depreciation of fixed assets and inventory withdrawals valued at current cost.

9. For details, see the box "Effects of the Job Creation and Worker Assistance Act of 2002," SURVEY OF CURRENT BUSINESS 82 (June 2002): 14.

10. Profits from the rest of the world 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. These estimates include capital consumption adjustments (but not inventory valuation adjustments) and are derived from BEA's international transactions accounts.

Table 5. Corporate Profits

[Seasonally adjusted]

	Billions of dollars (annual rate)					Percent change (quarterly rate)			
	Level	Change from preceding quarter							
	2002	2001		2002	2001			2002	
	I	II	III	IV	I	II	III	IV	I
Profits from current production	827.8	-30.0	-62.8	125.0	5.8	-3.8	-8.3	17.9	0.7
Domestic industries	693.4	-33.9	-64.9	104.1	38.4	-5.2	-10.5	18.9	5.9
Financial	197.4	-19.5	-29.3	46.9	14.4	-10.6	-17.7	34.5	7.9
Nonfinancial	496.0	-14.4	-35.6	57.2	24.0	-3.1	-7.9	13.8	5.1
Rest of the world	134.3	4.0	2.1	20.9	-32.7	2.9	1.5	14.3	-19.6
Receipts (inflows)	187.5	-7.0	-8.1	-3.7	5.3	-3.5	-4.2	-2.0	2.9
Payments (outflows)	53.2	-11.0	-10.2	-24.6	38.0	-18.0	-20.5	-61.7	249.0
IVA	19.3	-6.9	11.9	13.5	2.7	.....	.....	.....	.....
CCAdj	164.9	-5.7	-16.9	172.7	-21.2	.....	.....	.....	.....
Profits before tax	643.5	-17.4	-57.7	-61.2	24.1	-2.3	-7.8	-9.0	3.9
Profits tax liability	212.4	-8.8	-23.1	-10.8	18.3	-3.7	-10.1	-5.3	9.4
Profits after tax	431.1	-8.6	-34.7	-50.4	5.9	-1.7	-6.8	-10.6	1.4
Profits from current production less tax liability	615.4	-21.2	-39.8	135.9	-12.5	-3.8	-7.5	27.6	-2.0
Cash flow from current production	988.8	-6.5	13.5	78.5	-8.3	-0.7	1.5	8.5	-0.8
Domestic industry profits:									
Corporate profits of domestic industries with IVA	528.5	-28.4	-47.9	-68.6	59.6	-4.6	-8.2	-12.8	12.7
Financial	199.2	-18.9	-29.9	27.8	18.0	-9.3	-16.3	18.1	10.0
Nonfinancial	329.3	-9.5	-18.0	-96.4	41.6	-2.3	-4.5	-25.1	14.4
Manufacturing	66.7	3.0	-9.4	-33.7	16.4	3.4	-10.0	-40.1	32.5
Transportation and public utilities	36.0	-3.8	-7.8	-29.1	10.3	-5.7	-12.5	-53.1	40.3
Wholesale trade	42.0	-6.3	11.4	-3.5	0.1	-15.6	33.4	-7.6	0.2
Retail trade	86.0	0.7	1.7	-3.0	1.7	0.8	2.0	-3.5	2.1
Other	98.5	-3.2	-13.9	-27.1	13.0	-2.4	-11.0	-24.0	15.1
	Dollars								
Unit price, costs, and profits of nonfinancial corporations:									
Unit price	1.059	0.006	0.007	-0.008	-0.002	.....	.....	.....	.....
Unit labor cost	0.704	0.004	0.007	-0.012	-0.005	.....	.....	.....	.....
Unit nonlabor cost	0.262	0.005	0.008	-0.007	0	.....	.....	.....	.....
Unit profits from current production	0.093	-0.003	-0.006	0.010	0.003	.....	.....	.....	.....

NOTE. Levels of these and other profits series are shown in NIPA tables 1.14, 1.16, 6.16C, and 7.15.

CCAdj Capital consumption adjustment

IVA Inventory valuation adjustment

profits of domestic corporations; because they are owned by foreign parents, their profits are subtracted in the calculation of profits from the rest of the world.) By industry, about one-third of the surge in profits of domestic affiliates was accounted for by petroleum and manufacturing affiliates; the remaining two-thirds was accounted for by affiliates in “other” industries, including finance, insurance, and telecommunications.

For domestic nonfinancial corporations, the first-quarter increase in profits mainly reflected a rise in unit profits that resulted from a bigger decrease in unit labor costs than in unit prices. Profits were also boosted by an increase in the real output of these corporations.¹¹

For domestic financial corporations, the increase largely reflected profits of “other” financial corporations (such as real estate investment trusts and federally sponsored credit agencies) and of property and casualty insurance companies.

Cash flow from current production, a profits-related measure of internally generated funds available for investment, decreased \$8.3 billion after increasing \$78.5 billion.¹² The ratio of cash flow to nonresidential

fixed investment, an indicator of the share of the current level of investment that could be financed by internally generated funds, increased from 84.4 percent to 85.5 percent, its highest value since the second quarter of 1996.

Profits with inventory valuation adjustment (IVA). The current-production measure of profits is not available at the detailed industry level, because estimates of the capital consumption adjustment (CCAdj) do not exist at this level. (CCAdj is available only for total financial and total nonfinancial industries.) Consequently, industry profits are best measured by profits with IVA.

For all major categories of nonfinancial industries, profits with IVA increased, though the increases for wholesale and retail trade were very small (chart 3). Within manufacturing, increases were widespread; the largest increases were posted by “other durable goods” and “other nondurable goods.”¹³ Only two manufacturing industries posted substantial decreases—chemicals and petroleum.

12. Cash flow from current production is undistributed profits with inventory valuation and capital consumption adjustments plus the consumption of fixed capital.

13. “Other” durable-goods manufacturing includes the lumber, furniture, stone, transportation equipment excluding motor vehicles, instruments, and miscellaneous manufacturing industries. “Other” nondurable-goods manufacturing includes the tobacco, textile, apparel, paper, printing, rubber, and leather industries.

11. “Output” here is nonfinancial corporate gross product. It is a measure of the contribution, or value added, of nonfinancial corporations to the Nation’s output, and it is measured as the sum of incomes generated by these businesses.

CHART 3

**Corporate Profits with Inventory Valuation Adjustment:
Change from 2001:IV to 2002:I**



1. Also includes communications and public utilities.

2. “Other” nonfinancial corporations includes the agriculture, mining, construction, and services industries, along with some activities included in the “finance, insurance, and real estate” group.

Note.—Based on seasonally adjusted estimates.

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