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BUREAU OF
ECONOMIC ANALYSIS

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Leo M. Bernstein: 523-0824 (GNP and GDP)
Kenneth Petrick: 523-0888 (Profits)

BEA 78-~~35~~37

FIRST QUARTER 1978
. GNP AND GROSS DOMESTIC PRODUCT (REVISED)
. CORPORATE PROFITS (PRELIMINARY)

Gross national product -- the market value of the Nation's output of goods and services -- increased $31.6 billion, or 6.6 percent, at a seasonally adjusted annual rate in the first quarter of 1978 to $1,993.4 billion, according to revised estimates released by the Bureau of Economic Analysis, U.S. Department of Commerce. In the fourth quarter of 1977, GNP increased $45.9 billion, or 9.9 percent.

Real output (GNP adjusted for price changes) declined at an annual rate of 0.4 percent in the first quarter, compared with an increase of 3.8 percent in the fourth. The coal strike and severe weather reduced the first-quarter change in real GNP by 2-1/2 to 3 percentage points from what it otherwise would have been. The decline in real GNP was in final sales, which decreased 1.9 percent, following a 6.1 percent increase. The declines in final sales were in consumer spending, construction, net exports, and government purchases.

Prices, as measured by the GNP chain price index, increased 6.7 percent in the first quarter; prices increased 6.1 percent in the fourth quarter.

Gross domestic product increased $28.3 billion in the first quarter, compared with $48.9 billion in the fourth. Real GDP declined 0.8 percent, compared with an increase of 4.3 percent.

The revised GNP estimate is $0.5 billion higher than the preliminary estimate issued a month ago. Inventory investment was revised up $3.2 billion, and fixed investment up $1.9 billion. Personal consumption expenditures were revised down $2.1 billion, and net exports down $2.0 billion.

Corporate profits

Corporate profits from current production decreased $18.0 billion in the first quarter to a seasonally adjusted annual rate of $126.8 billion, according to preliminary estimates. Before-tax book profits decreased $6.1 billion, to $172.2 billion. Inventory profits, which are excluded from profits from current production but included in before-tax book profits, increased in the first quarter, accounting for the smaller decline in before-tax book profits.

The severe weather, the coal mining strike, and coal and electricity shortages caused by the strike accounted for about one-half of the decline in profits in the first quarter. Industries whose profits were most affected by these factors were coal mining, railroad transportation, electric utilities, petroleum and coal products, and primary metals manufacturing. In addition, the decline in consumer spending, partly caused by the severe weather, held down profits of trade and motor vehicle manufacturing firms.

Domestic nonfinancial corporations, whose profits decreased $20.8 billion, to $95.3 billion, more than accounted for the decline in profits from current production. Profits of financial corporations increased $0.6 billion, to $22.5 billion. The foreign component of profits, as measured by the net inflow of branch profits and dividends from the rest of the world, increased $2.4 billion in the first quarter, to $9.1 billion.

The profits tax liability component of the before-tax book profits total decreased $4.1 billion, to $69.2 billion, in the first quarter. After-tax profits decreased $2.1 billion, to $102.9 billion. Dividends increased $0.2 billion, to $43.8 billion; and undistributed profits decreased $2.3 billion, to $59.1 billion.

Measures of price change

Three GNP price measures are presented in Table 1. The chain price index uses the composition of output in the prior quarter as weights in the calculation of price change each quarter. The fixed-weighted price index uses the composition of output in 1972 as weights. The implicit price deflator uses the current composition of output each quarter as weights. When the composition of output changes markedly, the underlying price change may be obscured in the implicit price deflator.

Definitions of GNP and GDP

GNP is the market value of the output of goods and services accruing to residents of the Nation. It includes factor income received by U.S. residents from abroad -- primarily the return on U.S. -owned capital in foreign countries -- and excludes factor income earned in the United States by foreigners -- primarily the return on foreign-owned capital in

the United States. GDP is the market value of the output produced within the boundaries of the United States. It excludes factor income received by U.S. residents from abroad and includes factor income earned in the United States by foreigners.

The accompanying tables show: (1) gross national product, gross domestic product, and disposition of personal income; (2) corporate profits and the other components of national income; and (3) total and per unit costs, profits, and prices for nonfinancial corporations. Additional data will appear in the May issue of the Survey of Current Business, a monthly journal of the Bureau of Economic Analysis.

The Survey of Current Business is available from the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402. First class mail: annual subscription $31.00 domestic; single issue $2.75 domestic. Second class mail: annual subscription $19.00 domestic, $23.75 foreign; single copy $1.60 domestic, $2.00 foreign.

FORM BE-679
(2-23-76)

Table 1

GROSS NATIONAL PRODUCT AND DISPOSITION OF PERSONAL INCOME

U.S. DEPARTMENT OF COMMERCE
BUREAU OF ECONOMIC ANALYSIS

GROSS NATIONAL PRODUCT	1975	1976	1977	1977 I	1977 II	1977 III	1977 IV	1978 I r	1975	1976	1977	1977 I	1977 II	1977 III	1977 IV	1978 I r
	Billions of current dollars			Seasonally adjusted at annual rates					Billions of 1972 dollars			Seasonally adjusted at annual rates				
Gross national product (GNP)	1528.8	1706.5	1889.6	1810.8	1869.9	1915.9	1961.8	1993.4	1202.1	1274.7	1337.3	1311.0	1330.7	1347.4	1360.2	1358.8
Personal consumption expenditures	980.4	1094.0	1211.2	1172.4	1194.0	1218.9	1259.5	1281.9	775.1	821.3	861.2	850.4	854.1	860.4	879.8	877.5
Durable goods	132.9	158.9	179.8	177.0	178.6	177.6	186.0	183.2	112.7	127.5	138.2	136.9	137.9	136.5	141.6	137.1
Nondurable goods	409.3	442.7	480.7	466.6	474.4	481.8	499.9	503.9	307.6	321.6	333.7	329.7	330.0	332.4	342.7	337.7
Services	438.2	492.3	550.7	528.8	541.1	559.5	573.7	594.8	354.8	372.2	389.2	383.8	386.3	391.4	395.5	402.8
Gross private domestic investment	189.1	243.3	294.2	271.8	294.9	303.6	306.7	319.5	141.6	173.0	195.5	186.7	197.2	200.8	197.5	203.5
Fixed investment	200.6	230.0	276.1	258.0	273.2	280.0	293.2	299.8	151.5	164.5	183.7	177.0	184.0	185.1	188.7	189.7
Nonresidential	149.1	161.9	185.1	177.0	182.4	187.5	193.5	199.7	112.7	116.8	126.8	124.3	126.4	127.6	128.9	130.6
Structures	52.9	55.8	61.5	57.9	61.0	62.6	64.5	66.0	36.3	37.1	38.4	37.0	38.2	38.9	39.4	39.6
Producers' durable equipment	96.3	106.1	123.6	119.2	121.4	124.9	129.0	133.6	76.5	79.7	88.4	87.3	88.1	88.7	89.5	91.0
Residential	51.5	68.0	91.0	81.0	90.8	92.5	99.7	100.1	38.8	47.7	56.9	52.7	57.6	57.5	59.9	59.1
Nonfarm structures	49.5	65.7	88.4	78.5	88.2	89.9	97.1	97.3	37.1	46.0	55.1	50.9	55.7	55.7	58.0	57.1
Farm structures	.9	1.0	1.1	1.1	1.2	1.1	1.0	1.1	.7	.7	.7	.7	.8	.7	.6	.7
Producers' durable equipment	1.1	1.3	1.4	1.4	1.4	1.5	1.6	1.7	.9	1.0	1.1	1.1	1.1	1.1	1.2	1.3
Change in business inventories	-11.5	13.3	18.2	13.8	21.7	23.6	13.5	19.7	-9.9	8.5	11.8	9.7	13.2	15.7	8.7	13.8
Nonfarm	-15.1	14.9	17.1	14.1	22.4	23.1	9.0	18.9	-11.2	10.1	11.1	9.9	13.6	15.3	5.5	13.3
Farm	3.6	-1.6	1.0	-.3	-.7	.5	4.5	.8	1.2	-1.6	.7	-.2	-.5	.4	3.2	.5
Net exports of goods and services	20.4	7.8	-10.9	-8.2	-9.7	-7.5	-18.2	-24.6	22.5	16.0	9.5	10.6	9.4	12.2	5.9	3.4
Exports	147.3	162.9	174.7	170.4	178.1	179.9	170.6	180.3	89.9	95.8	97.5	96.9	98.5	99.8	94.8	98.0
Imports	126.9	155.1	185.6	178.6	187.7	187.4	188.8	204.8	67.4	79.8	88.0	86.3	89.1	87.6	88.9	94.6
Government purchases of goods and services	338.9	361.4	395.0	374.9	390.6	400.9	413.8	416.6	263.0	264.4	271.1	263.3	270.0	274.0	277.0	274.4
Federal	123.3	130.1	145.4	136.3	143.6	148.1	153.8	152.7	96.7	96.5	101.4	97.0	101.1	103.3	104.2	101.7
National defense	83.9	86.8	94.3	89.7	93.4	95.[illegible]	98.5	99.5	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX
Nondefense	39.4	43.3	51.1	46.7	50.2	52.5	55.2	53.2	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX
State and local	215.6	231.2	249.6	238.5	247.0	252.9	260.0	263.9	166.3	167.9	169.7	166.4	168.9	170.7	172.8	172.6
Addenda:																
Final sales (GNP less change in business inventories)	1540.3	1693.1	1871.4	1797.0	1848.2	1892.2	1948.2	1973.7	1212.0	1266.2	1325.5	1301.2	1317.5	1331.8	1351.5	1345.0
Gross domestic product (GNP less rest-of-world sector)	1518.3	1692.1	1872.5	1793.2	1851.4	1898.2	1947.1	1975.4	1197.3	1268.0	1330.1	1303.3	1322.8	1340.1	1354.2	1351.5
Implicit price deflator, index numbers, 1972 = 100:																
GNP	127.18	133.88	141.29	138.13	140.52	142.19	144.23	146.71	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX
Gross domestic product	126.8	133.4	140.8	137.6	140.0	141.7	143.8	146.2	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX
Gross domestic business product	127.2	133.5	140.5	137.3	139.8	141.5	143.4	145.7	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX
Change from preceding period, percent at annual rate:																
GNP	8.2	11.6	10.7	13.2	13.7	10.2	9.9	6.6	-1.3	6.0	4.9	7.5	6.2	5.1	3.8	-.4
Gross domestic product	8.5	11.4	10.7	12.6	13.6	10.5	10.7	5.9	-1.1	5.9	4.9	7.2	6.1	5.3	4.3	-.8
GNP implicit price deflator	9.6	5.3	5.5	5.3	7.1	4.8	5.9	7.1	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX
Gross domestic product implicit price deflator	9.7	5.2	5.5	5.0	7.1	4.9	6.1	6.8	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX
Gross domestic business product implicit price deflator	9.9	4.9	5.3	4.5	7.5	5.1	5.3	6.6	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX
GNP chain price index	9.5	5.6	6.0	6.9	7.0	4.3	6.1	6.7	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX
GNP fixed-weighted price index	9.4	5.6	6.1	7.1	7.0	4.8	6.2	6.6	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX
DISPOSITION OF PERSONAL INCOME																
Personal income	1253.4	1382.7	1536.7	1476.8	1517.2	1549.8	1603.0	1638.8	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX
Less: Personal tax and nontax payments	169.0	196.9	227.5	224.4	224.8	226.1	234.7	236.7	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX
Equals: Disposable personal income	1084.4	1185.8	1309.2	1252.4	1292.5	1323.8	1368.3	1402.1	857.3	890.3	930.9	908.4	924.5	934.4	955.8	959.9
Less: Personal outlays	1004.2	1119.9	1241.9	1201.0	1223.9	1250.5	1292.2	1315.9	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX
Equals: Personal saving	80.2	65.9	67.3	51.4	68.5	73.3	76.1	86.2	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX
Per capita disposable personal income, dollars	5,077	5,511	6,037	5,793	[illegible],967	6,[illegible]	6,290	6,435	4,014	4,137	4,293	4,202	4,268	4,305	4,394	4,405
Personal saving as a percentage of disposable personal income	7.4	5.6	5.1	4.1	5.3	5.5	5.6	6.1	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX	XXXXXX

Source: U.S. Department of Commerce, Bureau of Economic Analysis

Reliability of the estimates

The GNP figures issued in the month after the end of the quarter are based on preliminary and incomplete source data. They are revised as more comprehensive and final data become available. The first revision is made one month after the preliminary figures are issued, and a second revision is made one month later. The figures also are subject to further revisions in the following three years, usually in the month of July. The tabulation below provides summary measures of the amount of revision in past years in quarterly percentage changes in GNP, real GNP, and the GNP implicit price deflator. These measures provide some guidelines in assessing the likely size of the revisions in the estimates for the current quarter. For example, nine of 10 times the revision between the estimate of the quarterly change in the first revised estimate of real GNP and that in the following July has been within a range of -1.6 to +1.9 percentage points as shown by the range from the 5th to 95th percentile. Thus, based on past experience, it is likely that the first quarter change in real GNP now estimated at-0.4 percent at an annual rate will not be revised above 1.5 or below -2.0 in the first July revision.

The second revision of GNP was introduced in December 1977. There are not yet enough observations to compute the likely size of revisions between the first and second revised estimates and between the second revised and July estimates. It is expected, however, that these revisions will be smaller than those between the preliminary and first revised estimates and between the first revised and July estimates.

The summary measures for the GNP implicit price deflator also indicate the likely revisions in the two other GNP price indexes.

Revision in Quarter-to-Quarter Percent Changes at Annual Rate

	Average, without regard to sign	Range of revision between specified percentiles	
		25 to 75	5 to 95
		Current-dollar GNP	
Preliminary/First revision	.5	-.2 to +.6	-.6 to +1.1
Preliminary/First July	1.0	-.2 to +1.3	-1.4 to +2.4
Preliminary/Third July	1.2	-.2 to +1.8	-1.0 to +3.0
First revision/First July	.7	-.2 to + .6	-1.3 to +1.7
First revision/Third July	1.0	-.3 to +1.4	-1.2 to +2.3
		Real (constant-dollar) GNP	
Preliminary/First revision	.5	-.3 to + .4	-.9 to +1.1
Preliminary/First July	1.0	-.4 to +1.0	-1.9 to +2.0
Preliminary/Third July	1.3	-.7 to +1.3	-1.8 to +3.4
First revision/First July	.9	-.6 to + .9	-1.6 to +1.9
First revision/Third July	1.2	-.7 to +1.6	-1.7 to +2.9
		GNP implicit price deflator	
Preliminary/First revision	.3	-.1 to + .3	-.3 to + .7
Preliminary/First July	.5	-.0 to + .6	-.8 to + 1.5
Preliminary/Third July	.7	-.2 to + .6	-.7 to + 1.9
First revision/First July	.5	-.2 to + .4	-1.1 to + 1.2
First revision/Third July	.6	-.4 to + .6	-1.3 to + 1.8

NOTE: Measures are based on the period from 1964 to 1977. For additional measures, see Reliability of the Quarterly National Income and Product Accounts of the United States, 1947-71, Bureau of Economic Analysis Staff Paper No. 23, July 1974. It is sold by the National Technical Information Service, U.S. Department of Commerce, Springfield, Virginia 22161; price $6.00 please mention accession number COM 74-11538/AS.

FORM BE-681
(REV. 4-77)

U.S. DEPARTMENT OF COMMERCE
BUREAU OF ECONOMIC ANALYSIS

Table 2

NATIONAL INCOME BY TYPE OF INCOME
(Billions of dollars)

	1975	1976	1977	1977 I	1977 II	1977 III	1977 IV	1978 I 1/
				Seasonally adjusted at annual rates				
National Income	1,217.0	1,364.1	1,520.5	1,450.2	1,505.7	1,540.5	1,585.7	1,609.9
Compensation of employees	930.3	1,036.3	1,156.3	1,109.9	1,144.7	1,167.4	1,203.3	1,243.5
Wages and salaries	805.7	891.8	990.0	951.3	980.9	998.9	1,029.1	1,058.4
Government and government enterprises	175.4	187.2	199.9	194.8	197.2	200.6	206.9	209.9
Other	630.3	704.6	790.1	756.4	783.6	798.3	822.2	848.5
Supplements to wages and salaries	124.6	144.5	166.3	158.6	163.8	168.5	174.3	185.1
Employer contributions for social insurance	59.8	68.6	77.7	75.4	77.1	78.2	80.2	87.4
Other labor income	64.9	75.9	88.6	83.2	86.7	90.3	94.0	97.8
Proprietors' income with inventory valuation and capital consumption adjustments	86.0	88.0	98.2	95.1	97.0	95.5	105.0	103.1
Farm	23.2	18.6	19.7	20.7	19.7	15.5	22.7	20.2
Nonfarm	62.8	69.4	78.5	74.3	77.3	80.0	82.4	82.9
Rental income of persons with capital consumption adjustment	22.3	23.3	25.3	24.5	24.9	25.5	26.4	26.9
Corporate profits with inventory valuation and capital consumption adjustments	99.3	128.1	139.9	125.4	140.2	149.0	144.8	126.8
Profits before tax	123.5	156.9	171.7	161.7	174.0	172.8	178.3	172.2
Profits tax liability	50.2	64.7	69.2	64.4	69.7	69.3	73.3	69.2
Profits after tax	73.4	92.1	102.5	97.2	104.3	103.6	105.0	102.9
Dividends	32.4	35.8	41.2	38.5	40.3	42.3	43.6	43.8
Undistributed profits	41.0	56.4	61.4	58.8	64.1	61.2	61.4	59.1
Inventory valuation adjustment	-12.0	-14.1	-14.6	-20.6	-17.8	-5.9	-14.1	-24.8
Capital consumption adjustment	-12.2	-14.7	-17.2	-15.6	-15.9	-17.9	-19.4	-20.6
Net interest	79.1	88.4	100.9	95.3	98.9	103.1	106.1	109.6
Addenda:								
Corporate profits with inventory valuation and capital consumption adjustments	99.3	128.1	139.9	125.4	140.2	149.0	144.8	126.8
Profits tax liability	50.2	64.7	69.2	64.4	69.7	69.3	73.3	69.2
Profits after tax with inventory valuation and capital consumption adjustments	49.1	63.3	70.7	61.0	70.6	79.7	71.5	57.6
Dividends	32.4	35.8	41.2	38.5	40.3	42.3	43.6	43.8
Undistributed profits with inventory valuation and capital consumption adjustments	16.7	27.6	29.5	22.5	30.3	37.4	27.9	13.8

1/ First quarter 1978 corporate profits and related totals are preliminary and subject to revision next month.

FORM BE-729
(5-21-76)

Table 3

U.S. DEPARTMENT OF COMMERCE
BUREAU OF ECONOMIC ANALYSIS

GROSS DOMESTIC PRODUCT OF NONFINANCIAL CORPORATE BUSINESS

	1975	1976	1977	1977 I	1977 II	1977 III	1977 IV	1978 I 1/
				Seasonally adjusted at annual rates				
				Billions of dollars				
Gross domestic product of nonfinancial corporate business	875.2	991.0	1,105.2	1,049.3	1,094.9	1,124.8	1,151.7	1,165.0
Capital consumption allowances with capital consumption adjustment	97.3	107.0	116.6	112.5	114.2	118.2	121.4	124.2
Net domestic product	778.0	884.0	988.6	936.8	980.7	1,006.6	1,030.3	1,040.8
Indirect business taxes plus transfer payments less subsidies	92.1	99.4	108.6	105.3	107.5	109.4	112.1	114.4
Domestic income	685.8	784.6	880.1	831.6	873.3	897.2	918.2	926.4
Compensation of employees	576.6	650.3	733.1	700.6	727.4	741.2	763.4	791.4
Wages and salaries	492.7	552.6	619.9	593.1	615.7	626.3	644.6	664.9
Supplements to wages and salaries	83.9	97.7	113.2	107.5	111.7	114.9	118.7	126.6
Corporate profits with inventory valuation and capital consumption adjustments	78.3	101.9	110.2	96.3	109.8	118.5	116.1	95.3
Profits before tax	102.3	130.6	141.8	132.4	143.4	142.0	149.3	140.1
Profits tax liability	40.8	53.7	57.0	52.8	57.7	56.9	60.4	55.8
Profits after tax	61.6	76.9	84.8	79.5	85.7	85.1	88.9	84.3
Dividends	29.0	32.4	38.2	35.2	37.2	39.4	41.0	41.1
Undistributed profits	32.5	44.5	46.6	44.3	48.5	45.7	47.9	43.2
Inventory valuation adjustment	-12.0	-14.1	-14.6	-20.6	-17.8	-5.9	-14.1	-24.8
Capital consumption adjustment	-12.0	-14.5	-17.0	-15.5	-15.8	-17.6	-19.1	-20.1
Net interest	30.9	32.4	36.7	34.6	36.1	37.5	38.7	39.7
				Billions of 1972 dollars				
Gross domestic product of nonfinancial corporate business	678.9	731.0	774.4	753.3	771.7	781.2	791.5	789.5
				Dollars				
Current dollar cost and profit per unit of constant dollar gross domestic product	1.289	1.356	1.427	1.393	1.419	1.440	1.455	1.476
Capital consumption allowances with capital consumption adjustment	.143	.146	.151	.149	.148	.151	.153	.157
Net domestic product	1.146	1.209	1.277	1.244	1.271	1.288	1.302	1.318
Indirect business taxes plus transfer payments less subsidies	.136	.136	.140	.140	.139	.140	.142	.145
Domestic income	1.010	1.073	1.136	1.104	1.132	1.148	1.160	1.173
Compensation of employees	.849	.890	.947	.930	.943	.949	.964	1.002
Corporate profits with inventory valuation and capital consumption adjustments	.115	.139	.142	.128	.142	.152	.147	.121
Profits tax liability	.060	.073	.074	.070	.075	.073	.076	.071
Profits after tax with inventory valuation and capital consumption adjustments	.055	.066	.069	.058	.068	.079	.070	.050
Net interest	.045	.044	.047	.046	.047	.048	.049	.050

1/ First quarter 1978 corporate profits and related totals are preliminary and subject to revision next month.

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