

Annual Revision of the National Income and Product Accounts

Annual Estimates for 2003–2005

Quarterly Estimates for 2003:I–2006:I

By Eugene P. Seskin and Shelly Smith

THE Bureau of Economic Analysis (BEA) released revised estimates of the national income and product accounts (NIPAs) for 2003–2005 and for the first quarter of 2006 on July 28, 2006.¹ As is usual in annual NIPA revisions, these estimates incorporated newly available source data that are more complete, more detailed, and otherwise more reliable than those that were previously incorporated.

These estimates also reflect several methodological changes, including changes in the methods used to estimate light trucks and utility vehicles, incorporation of newly available source data for estimating hospital and nursing home services, and changes in the methods used to estimate investment in computers. This year's annual revision also introduces two new tables presenting separate estimates of receipts and expenditures for state governments and for local governments (see "Changes in Methodology").

This annual revision has not changed the general picture of the economy for the past several years. The revised estimates of the growth in real gross domestic product (GDP) show a somewhat slower rate of increase than the previously published estimates. However, by historical standards, the revisions to year-to-year growth rates of real GDP are small. In addition, the quarterly pattern of real GDP growth shown by the revised estimates is similar to the pattern shown by previously published estimates. The revised estimates of prices show a somewhat faster rate of increase than the previously published estimates.

The following are the highlights of the revision:

- From 2002 to 2005, real GDP grew at an average annual rate of 3.2 percent, 0.3 percentage point less than in the previously published estimates. From the fourth quarter of 2002 to the first quarter of 2006, real GDP grew at an average annual rate of 3.6 percent, 0.2 percentage point less than in the previously published estimates.
- From the fourth quarter of 2002 to the first quarter of 2006, the average rate of increase in the price

index for gross domestic purchases was revised up 0.1 percentage point to 3.1 percent.

- From 2002 to 2005, real disposable personal income grew at an average annual rate of 2.3 percent, 0.1 percentage point less than in the previously published estimates.

This article discusses the impact of the revisions on key NIPA measures, summarizes the revisions, lists the major source data, and describes the changes in methodology.

Appendix A presents the revised annual estimates and the revisions for the seven summary accounts of the NIPAs in current dollars. In addition, an extensive set of tables presenting revised monthly, quarterly, and annual NIPA estimates and the "advance" estimates for the second quarter of 2006 is available in "National Income and Product Accounts Tables" in this issue. Historical estimates are presented in "GDP and Other Major NIPA Series, 1929–2006:II."

Impact of the Revisions

According to the revised estimates, the average annual rate of growth of real GDP from the fourth quarter of 2002 to the first quarter of 2006 was revised down 0.2 percentage point to 3.6 percent (table 1). In the revised estimates, equipment and software, Federal Government spending, nonresidential structures, personal consumption expenditures (PCE) for nondurable goods, imports of goods and services, and state and local government spending were weaker than in the previously published estimates; PCE for durable goods, change in private inventories, and exports of goods and services were stronger; and PCE for services and residential fixed investment were little revised.²

In the revised estimates, the cyclical recovery that followed the 2001 downturn was slightly milder than previously estimated. From the third quarter of 2001 to the first quarter of 2006, the revised estimates show that real GDP increased at an average annual rate of 3.1 percent; the previously published estimates showed an average increase of 3.3 percent.

1. Information about the structure, definitions, presentation, and methodologies that underlie the NIPAs is available on BEA's Web site; go to <www.bea.gov>, and click on "Methodology Papers."

2. In this article, "government spending" is shorthand for the NIPA series "government consumption expenditures and gross investment."

The percent change in real GDP from the preceding year was revised down for all 3 years: From 2.7 percent to 2.5 percent for 2003, from 4.2 percent to 3.9 percent for 2004, and from 3.5 percent to 3.2 percent for 2005 (chart 1).

From fourth quarter to fourth quarter, the percent change in real GDP was revised down for all 3 years: From 4.0 percent to 3.7 percent for 2003, from 3.8 percent to 3.4 percent for 2004, and from 3.2 percent to 3.1 percent for 2005.

The revised estimates of prices show a somewhat faster rate of increase than the previously published estimates. From the fourth quarter of 2002 to the first quarter of 2006, the average annual rate of increase in the price index for gross domestic purchases was revised up 0.1 percentage point to 3.1 percent, and the average annual rate of increase in the GDP price index was revised up 0.2 percentage point to 2.9 percent (table 2). The percent change in the price index for gross domestic purchases from the preceding year was revised up for all 3 years: 0.1 percentage point to 2.3 percent for 2003, 0.2 percentage point to 3.1 percent for 2004, and 0.3 percentage point to 3.5 percent for 2005 (chart 1).

Chart 1. Revisions to Annual Percent Changes in Featured Measures

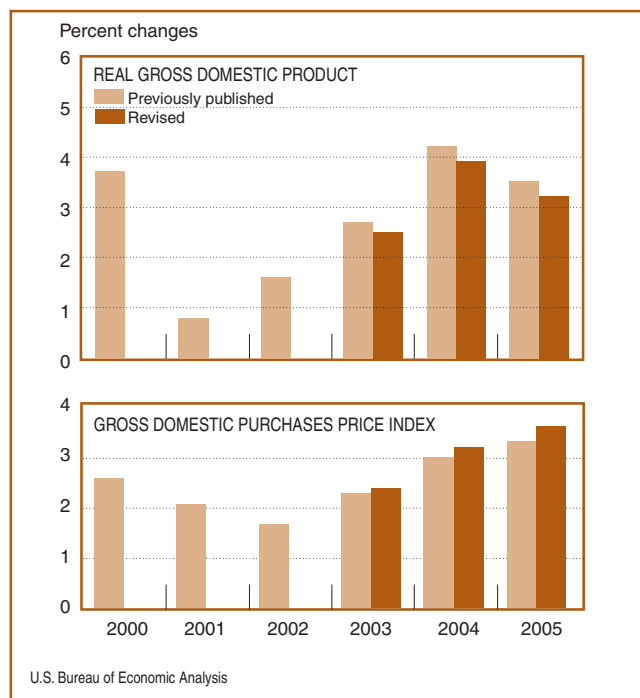


Table 1. Real GDP and Its Major Components: Change From 2002:IV to 2006:I

[Billions of chained (2000) dollars, seasonally adjusted annual rates]

	2002:IV	Previously published				Revised				Revision in change	
		2006:I	Change for 2002:IV–2006:I		2006:I	Change for 2002:IV–2006:I		2006:I	Percent (annual rate)	Dollars	Percentage points
			Dollars	Percent (annual rate)		Dollars	Percent (annual rate)				
Gross domestic product	10,095.8	11,403.6	1,307.8	3.8	11,316.4	1,220.6	3.6	11,316.4	3.6	-87.2	-0.2
Personal consumption expenditures	7,148.2	8,023.6	875.4	3.6	8,003.8	855.6	3.5	8,003.8	3.5	-19.8	-0.1
Durable goods.....	970.4	1,170.6	200.2	5.9	1,190.5	220.1	6.5	1,190.5	6.5	19.9	0.6
Nondurable goods.....	2,053.1	2,367.8	314.7	4.5	2,342.8	289.7	4.1	2,342.8	4.1	-25.0	-0.4
Services.....	4,127.4	4,504.2	376.8	2.7	4,494.5	367.1	2.7	4,494.5	2.7	-9.7	0.0
Gross private domestic investment	1,567.0	2,022.3	455.3	8.2	1,963.6	396.6	7.2	1,963.6	7.2	-58.7	-1.0
Fixed investment.....	1,537.8	1,987.2	449.4	8.2	1,914.6	376.8	7.0	1,914.6	7.0	-72.6	-1.2
Nonresidential.....	1,054.5	1,364.2	309.7	8.2	1,288.8	234.3	6.4	1,288.8	6.4	-75.4	-1.8
Structures.....	242.5	263.7	21.2	2.6	259.6	17.1	2.1	259.6	2.1	-4.1	-0.5
Equipment and software.....	815.4	1,118.5	303.1	10.2	1,044.8	229.4	7.9	1,044.8	7.9	-73.7	-2.3
Residential.....	479.3	619.2	139.9	8.2	618.5	139.2	8.2	618.5	8.2	-0.7	0.0
Change in private inventories.....	29.5	29.5	0.0	.....	41.2	11.7	.....	41.2	11.7	11.7	.....
Net exports of goods and services	-513.0	-660.9	-147.9	.....	-636.6	-123.6	.....	-636.6	.....	24.3	.....
Exports.....	1,017.2	1,260.2	243.0	6.8	1,269.3	252.1	7.1	1,269.3	7.1	9.1	0.3
Goods.....	702.1	901.8	199.7	8.0	906.2	204.1	8.2	906.2	8.2	4.4	0.2
Services.....	314.7	359.0	44.3	4.1	363.6	48.9	4.5	363.6	4.5	4.6	0.4
Imports.....	1,530.2	1,921.1	390.9	7.3	1,905.9	375.7	7.0	1,905.9	7.0	-15.2	-0.3
Goods.....	1,287.9	1,638.5	350.6	7.7	1,631.9	344.0	7.6	1,631.9	7.6	-6.6	-0.1
Services.....	242.4	284.4	42.0	5.0	276.6	34.2	4.1	276.6	4.1	-7.8	-0.9
Government consumption expenditures and gross investment	1,885.8	2,017.5	131.7	2.1	1,987.1	101.3	1.6	1,987.1	1.6	-30.4	-0.5
Federal.....	662.3	763.4	101.1	4.5	745.1	82.8	3.7	745.1	3.7	-18.3	-0.8
National defense.....	428.9	503.3	74.4	5.0	491.8	62.9	4.3	491.8	4.3	-11.5	-0.7
Nondefense.....	233.4	259.9	26.5	3.4	253.1	19.7	2.5	253.1	2.5	-6.8	-0.9
State and local.....	1,223.6	1,254.2	30.6	0.8	1,242.0	18.4	0.5	1,242.0	0.5	-12.2	-0.3
Addenda:											
Final sales of domestic product.....	10,067.3	11,369.7	1,302.4	3.8	11,269.0	1,201.7	3.5	11,269.0	3.5	-100.7	-0.3
Gross domestic purchases.....	10,604.1	12,056.6	1,452.5	4.0	11,946.3	1,342.2	3.7	11,946.3	3.7	-110.3	-0.3
Gross national product.....	10,143.8	11,433.6	1,289.8	3.8	11,342.7	1,198.9	3.5	11,342.7	3.5	-90.9	-0.3
Gross domestic income.....	10,084.5	11,383.5	1,299.0	3.8	11,296.3	1,211.8	3.6	11,296.3	3.6	-87.2	-0.2

NOTE. Chained (2000) dollar series are calculated as the product of the chain-type quantity index and the 2000 current-dollar value of the corresponding series, divided by 100. Because the formula for the chain-type

quantity indexes uses the weights of more than one period, the corresponding chained-dollar estimates are usually not additive.

Summary of the Revisions

In general, the annual revisions to real GDP reflect four factors: (1) Revisions to the current-dollar components of GDP for which chained-dollar estimates are prepared by deflation, (2) revisions to the prices used in deflation, (3) revisions to the quantities used to esti-

mate components of real GDP by extrapolation or direct valuation, and (4) revisions resulting from the use of revised and updated weights in the calculation of real GDP.³ In this year's annual revision, the first and third factors accounted for most of the revisions.

Table 2. Chain-Type Price Indexes: Change From 2002:IV to 2006:I

	Percent change for 2002:IV–2006:I (annual rate)		Revision in change (percentage points)
	Previously published	Revised	
Gross domestic product	2.7	2.9	0.2
Less: Exports of goods and services.....	3.2	3.2	0.0
Plus: Imports of goods and services.....	4.8	4.9	0.1
Equals: Gross domestic purchases	3.0	3.1	0.1
Personal consumption expenditures	2.6	2.6	0.0
Durable goods.....	-1.8	-1.8	0.0
Nondurable goods.....	3.1	3.1	0.0
Services.....	3.2	3.3	0.1
Gross private domestic investment	3.0	3.1	0.1
Fixed investment.....	3.0	3.2	0.2
Nonresidential.....	1.7	1.8	0.1
Structures.....	8.2	8.4	0.2
Equipment and software.....	-0.4	-0.5	-0.1
Residential.....	5.6	5.8	0.2
Change in private inventories.....			
Government consumption expenditures and gross investment	4.4	4.9	0.5
Federal.....	4.0	4.7	0.7
National defense.....	3.8	4.7	0.9
Nondefense.....	4.3	4.6	0.3
State and local.....	4.6	5.1	0.5
Addenda:			
Final sales of domestic product.....	2.7	2.9	0.2
Gross national product.....	2.7	2.9	0.2

Annual estimates of real GDP

The annual percent change in real GDP was revised down for all 3 years: From 2.7 percent to 2.5 percent for 2003, from 4.2 percent to 3.9 percent for 2004, and from 3.5 percent to 3.2 percent for 2005 (table 3).

For 2003, the largest contributors to the downward revision to real GDP growth were PCE for durable goods, state and local government spending, exports, and PCE for services; the contributions of these components were partly offset by a downward revision to imports. For 2004, the largest contributors to the downward revision to real GDP growth were private fixed investment in equipment and software and PCE for nondurable goods; the contributions of these components were partly offset by upward revisions to PCE for services and to exports. For 2005, the largest contributors to the downward revision were fixed investment in equipment and software, PCE for services, and state and local government spending;

3. For the GDP components for which chained-dollar estimates are prepared by extrapolation or direct valuation, the current-dollar and chained-dollar estimates are based on independent source data; consequently, the corresponding revisions are unrelated. For a list of these components, see table 2 in "Updated Summary NIPA Methodologies," SURVEY OF CURRENT BUSINESS 85 (November 2005): 24–28.

Table 3. Revisions to Contributions to Percent Change in Real GDP

	2002	2003			2004			2005		
		Previously published	Revised	Revision	Previously published	Revised	Revision	Previously published	Revised	Revision
Percent change at annual rate:										
Gross domestic product.....	1.6	2.7	2.5	-0.2	4.2	3.9	-0.3	3.5	3.2	-0.3
Percentage points at annual rates:										
Personal consumption expenditures	1.90	2.05	1.94	-0.11	2.71	2.71	0.00	2.48	2.44	-0.04
Durable goods.....	0.61	0.57	0.50	-0.07	0.51	0.54	0.03	0.37	0.45	0.08
Nondurable goods.....	0.50	0.63	0.64	0.01	0.94	0.73	-0.21	0.90	0.90	0.00
Services.....	0.79	0.85	0.80	-0.05	1.27	1.45	0.18	1.21	1.09	-0.12
Gross private domestic investment	-0.41	0.58	0.54	-0.04	1.82	1.49	-0.33	1.00	0.87	-0.13
Fixed investment.....	-0.84	0.54	0.51	-0.03	1.47	1.11	-0.36	1.29	1.17	-0.12
Nonresidential.....	-1.06	0.13	0.10	-0.03	0.92	0.58	-0.34	0.88	0.67	-0.21
Structures.....	-0.55	-0.11	-0.11	0.00	0.06	0.06	0.00	0.05	0.03	-0.02
Equipment and software.....	-0.51	0.24	0.21	-0.03	0.86	0.52	-0.34	0.82	0.64	-0.18
Residential.....	0.22	0.41	0.41	0.00	0.55	0.53	-0.02	0.41	0.50	0.09
Change in private inventories.....	0.43	0.05	0.04	-0.01	0.35	0.38	0.03	-0.29	-0.30	-0.01
Net exports of goods and services	-0.69	-0.46	-0.44	0.02	-0.73	-0.65	0.08	-0.29	-0.26	0.03
Exports.....	-0.23	0.17	0.12	-0.05	0.80	0.88	0.08	0.70	0.68	-0.02
Goods.....	-0.28	0.12	0.12	0.00	0.59	0.60	0.01	0.51	0.52	0.01
Services.....	0.06	0.05	0.00	-0.05	0.22	0.28	0.06	0.18	0.16	-0.02
Imports.....	-0.46	-0.63	-0.56	0.07	-1.53	-1.53	0.00	-0.98	-0.94	0.04
Goods.....	-0.41	-0.56	-0.56	0.00	-1.30	-1.29	0.01	-0.89	-0.87	0.02
Services.....	-0.05	-0.07	0.00	0.07	-0.23	-0.24	-0.01	-0.09	-0.07	0.02
Government consumption expenditures and gross investment	0.80	0.53	0.47	-0.06	0.41	0.36	-0.05	0.34	0.17	-0.17
Federal.....	0.43	0.45	0.44	-0.01	0.36	0.30	-0.06	0.16	0.11	-0.05
National defense.....	0.29	0.37	0.37	0.00	0.32	0.27	-0.05	0.12	0.08	-0.04
Nondefense.....	0.14	0.08	0.08	0.00	0.04	0.03	-0.01	0.04	0.03	-0.01
State and local.....	0.37	0.08	0.02	-0.06	0.05	0.06	0.01	0.17	0.06	-0.11

the contributions of these components were partly offset by upward revisions to residential fixed investment, and to PCE for durable goods.

Revisions to the components of real GDP. The annual percent change in real PCE was revised down 0.1 percentage point to 2.8 percent for 2003, was unrevised at 3.9 percent for 2004, and was unrevised at 3.5 percent for 2005 (table 4). For 2003, the revision was accounted for by downward revisions to PCE for durable goods (mainly to motor vehicles and parts) and to PCE for services (mainly to medical care and “other” services). For 2004, a downward revision to PCE for non-durable goods (mainly to food) was offset by an upward revision to PCE for services (mainly to “other services,” most notably to “expense of handling life insurance and pension plans,” and to housing services). For 2005, a downward revision to PCE for services (which was more than accounted for by medical care services) was offset by an upward revision to PCE for durable goods (mainly to motor vehicles and parts).

The annual percent change in nonresidential fixed investment was revised down for all 3 years: 0.3 percentage point to 1.0 percent for 2003, 3.5 percentage points to 5.9 percent for 2004, and 1.8 percentage points to 6.8 percent for 2005. For all 3 years, the revisions were primarily accounted for by downward revisions to equipment and software. Within equipment and software, the revision for 2003 was more than accounted for by a downward revision to transportation equipment. For 2004, the revision was primarily accounted for by downward revisions to information processing equipment and software, to “other” equipment,” and to industrial equipment. For 2005, the revision

was more than accounted for by a downward revision to information processing equipment and software.

The percent change in residential fixed investment was unrevised at 8.4 percent for 2003, was revised down 0.4 percentage point to 9.9 percent for 2004, and was revised up 1.5 percentage points to 8.6 percent for 2005. For 2004, the revision primarily reflects a downward revision to single-family structures that was partly offset by an upward revision to multifamily structures. For 2005, the revision primarily reflects an upward revision to single-family structures that was partly offset by a downward revision to “other structures” (mainly to brokers’ commissions).

The change in private inventories (in chained 2000 dollars) was revised down \$1.2 billion for 2003, was revised up \$1.4 billion for 2004, and was revised down \$0.7 billion for 2005. For 2003, the revision was more than accounted for by nonfarm inventory investment. For 2004, an upward revision to farm inventory investment was partly offset by a downward revision to nonfarm inventory investment. For 2005, a downward revision to nonfarm inventory investment was partly offset by an upward revision to farm inventory investment.

The annual percent change in exports of goods and services was revised down 0.5 percentage point to 1.3 percent for 2003, was revised up 0.8 percentage point to 9.2 percent for 2004, and was revised down 0.1 percentage point to 6.8 percent for 2005. For 2003, the revision reflects a downward revision to exports of services. For 2004, the revision primarily reflects an upward revision to exports of services. For 2005, the

Table 4. Revisions to Percent Change in Real GDP

[Percent change from preceding year]

	2002	2003			2004			2005		
		Previously published	Revised	Revision	Previously published	Revised	Revision	Previously published	Revised	Revision
Gross domestic product	1.6	2.7	2.5	-0.2	4.2	3.9	-0.3	3.5	3.2	-0.3
Personal consumption expenditures	2.7	2.9	2.8	-0.1	3.9	3.9	0.0	3.5	3.5	0.0
Durable goods.....	7.1	6.6	5.8	-0.8	6.0	6.4	0.4	4.5	5.5	1.0
Nondurable goods.....	2.5	3.2	3.2	0.0	4.7	3.6	-1.1	4.4	4.5	0.1
Services.....	1.9	2.0	1.9	-0.1	3.0	3.5	0.5	2.9	2.6	-0.3
Gross private domestic fixed investment	-5.2	3.6	3.4	-0.2	9.7	7.3	-2.4	8.1	7.5	-0.6
Nonresidential.....	-9.2	1.3	1.0	-0.3	9.4	5.9	-3.5	8.6	6.8	-1.8
Structures.....	-17.1	-4.2	-4.1	0.1	2.2	2.2	0.0	2.0	1.1	-0.9
Equipment and software.....	-6.2	3.2	2.8	-0.4	11.9	7.3	-4.6	10.9	8.9	-2.0
Residential.....	4.8	8.4	8.4	0.0	10.3	9.9	-0.4	7.1	8.6	1.5
Change in private inventories										
Net exports of goods and services										
Exports.....	-2.3	1.8	1.3	-0.5	8.4	9.2	0.8	6.9	6.8	-0.1
Goods.....	-4.0	1.8	1.8	0.0	8.9	9.0	0.1	7.3	7.5	0.2
Services.....	1.9	1.7	0.0	-1.7	7.4	9.7	2.3	6.0	5.1	-0.9
Imports.....	3.4	4.6	4.1	-0.5	10.7	10.8	0.1	6.3	6.1	-0.2
Goods.....	3.7	4.9	4.9	0.0	11.0	10.9	-0.1	6.9	6.7	-0.2
Services.....	2.1	3.0	0.0	-3.0	9.6	10.0	0.4	3.6	2.8	-0.8
Government consumption expenditures and gross investment	4.4	2.8	2.5	-0.3	2.2	1.9	-0.3	1.8	0.9	-0.9
Federal.....	7.0	6.9	6.8	-0.1	5.2	4.3	-0.9	2.3	1.5	-0.8
National defense.....	7.4	8.8	8.7	-0.1	7.0	5.9	-1.1	2.6	1.7	-0.9
Nondefense.....	6.3	3.4	3.4	0.0	1.8	1.2	-0.6	1.8	1.1	-0.7
State and local.....	3.1	0.6	0.2	-0.4	0.4	0.5	0.1	1.5	0.5	-1.0

revision reflects a downward revision to exports of services that was partly offset by an upward revision to exports of goods.

The percent change in imports of goods and services was revised down 0.5 percentage point to 4.1 percent for 2003, was revised up 0.1 percentage point to 10.8 percent for 2004, and was revised down 0.2 percentage point to 6.1 percent for 2005. For 2003 and 2004, the revisions primarily reflect revisions to imports of services. For 2005, the revision reflects downward revisions to imports of goods and to imports of services.

The percent change in government spending was revised down for all 3 years: 0.3 percentage point to 2.5 percent for 2003, 0.3 percentage point to 1.9 percent for 2004, and 0.9 percentage point to 0.9 percent for 2005. For 2003, the revision primarily reflects a downward revision to state and local consumption expenditures. For 2004, the revision primarily reflects a downward revision to Federal defense consumption expenditures; within state and local government spending, an upward revision to consumption expenditures was mostly offset by a downward revision to gross investment. For 2005, the revision primarily reflects downward revisions to state and local government spending and to Federal defense consumption expenditures.

Quarterly estimates

The revisions to the quarterly (and monthly) NIPA estimates reflect the revisions to the annual estimates that result from the incorporation of newly available annual source data, the incorporation of new and revised monthly and quarterly source data (including the updating of the seasonal factors that are used to indicate quarterly patterns), and the introduction of changes in methodology (see "Changes in Methodology").

For real GDP, the revisions to the 13 quarterly per-

cent changes (at annual rates) averaged 0.4 percentage point (without regard to sign). (In the annual NIPA revisions since 1979, the revisions to the quarterly estimates have averaged 0.7 percentage point.)

Both the revised estimates and the previously published estimates show similar quarterly patterns of growth in real GDP. The largest downward revisions to the percent changes in real GDP were 0.9 percentage point for the fourth quarter of 2003 and for the third quarter of 2004 (chart 2 and table 5). For the fourth quarter of 2003, the GDP growth rate was revised down to 2.7 percent; the largest contributors to the revision were downward revisions to PCE for services, to PCE for nondurable goods, and to farm inventory

Chart 2. Revisions to Quarterly Percent Changes in Featured Measures

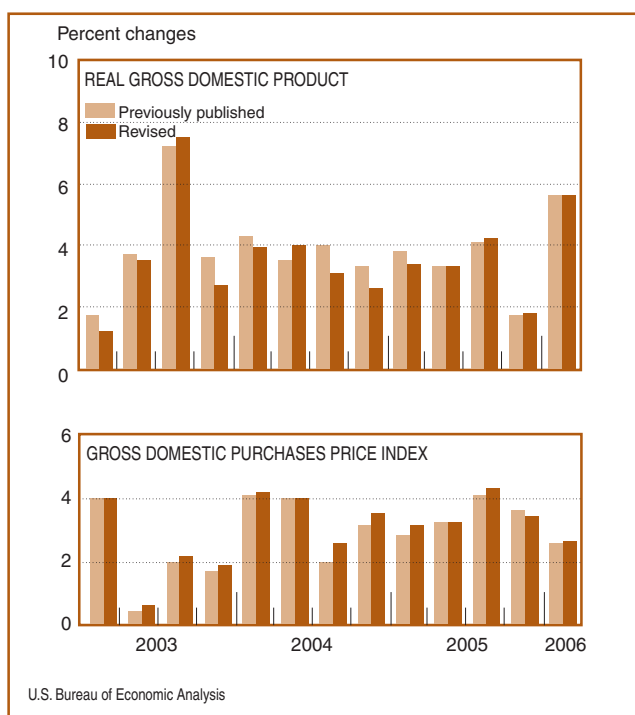


Table 5. GDP, Real GDP, the GDP Price Index, and the Gross Domestic Purchases Price Index: Revisions to Percent Change From Preceding Quarter

[Percent change at annual rates; based on seasonally adjusted annual rates]

	GDP			Real GDP			GDP price index			Gross domestic purchases price index		
	Previously published	Revised	Revision	Previously published	Revised	Revision	Previously published	Revised	Revision	Previously published	Revised	Revision
2002: IV.....	2.4			0.2			2.2			2.2		
2003: I.....	4.8	4.4	-0.4	1.7	1.2	-0.5	3.1	3.1	0.0	4.1	4.1	0.0
II.....	4.8	4.8	0.0	3.7	3.5	-0.2	1.1	1.3	0.2	0.4	0.6	0.2
III.....	9.3	9.7	0.4	7.2	7.5	0.3	1.8	2.1	0.3	2.0	2.2	0.2
IV.....	5.5	4.9	-0.6	3.6	2.7	-0.9	1.9	2.2	0.3	1.7	1.9	0.2
2004: I.....	8.1	7.8	-0.3	4.3	3.9	-0.4	3.6	3.7	0.1	4.2	4.3	0.1
II.....	7.5	7.9	0.4	3.5	4.0	0.5	3.9	3.7	-0.2	4.1	4.1	0.0
III.....	5.3	5.3	0.0	4.0	3.1	-0.9	1.5	2.1	0.6	2.0	2.6	0.6
IV.....	6.1	5.9	-0.2	3.3	2.6	-0.7	2.7	3.2	0.5	3.2	3.6	0.4
2005: I.....	7.0	7.0	0.0	3.8	3.4	-0.4	3.1	3.5	0.4	2.9	3.2	0.3
II.....	6.0	5.8	-0.2	3.3	3.3	0.0	2.6	2.4	-0.2	3.3	3.3	0.0
III.....	7.6	7.6	0.0	4.1	4.2	0.1	3.3	3.3	0.0	4.2	4.4	0.2
IV.....	5.2	5.1	-0.1	1.7	1.8	0.1	3.5	3.3	-0.2	3.7	3.5	-0.2
2006: I.....	8.9	9.0	0.1	5.6	5.6	0.0	3.1	3.3	0.2	2.6	2.7	0.1

investment. For the third quarter of 2004, the GDP growth rate was revised down to 3.1 percent; the largest contributors to the revision were downward revisions to farm inventory investment, to equipment and software investment, and to state and local government spending.

In general, the percent changes for the gross domestic purchases price index were revised up; the revisions to the 13 quarterly percent changes (at annual rates) averaged 0.2 percentage point (without regard to sign). The price index was revised up for nine quarters, was revised down for one quarter (0.2 percentage point for the fourth quarter of 2005), and was unrevised for three quarters. The largest upward revision was 0.6 percentage point, to 2.6 percent, for the third quarter of 2004; the major contributors to the revision were prices of state and local government gross investment (mainly structures) and PCE for nondurable goods (mainly gasoline and oil).

Annual current-dollar estimates

A summary of the revisions to the current-dollar estimates of the major NIPA components is presented in table 6. It shows the subcomponent series for which revisions were \$5.0 billion or more (absolute value) for any of the years covered by this annual revision, and it lists the major source data that underlie the revised estimates. Note that the incorporation of new and revised source data for a year usually results in a revision

to the level of an estimate both for that year and for subsequent years.

Source data. This annual revision incorporated data from the following Federal statistical sources: Census Bureau economic census for 2002; Census Bureau annual surveys of manufactures, of merchant wholesale trade, and of retail trade for 2004 and revised monthly indicators of manufactures, of merchant wholesale trade, and of retail trade for 2003–2005; Census Bureau annual surveys of services for 2003 and 2004 (revised) and 2005 (preliminary) and of state and local governments for 2003 (revised) and 2004 (preliminary); Census Bureau monthly survey of construction put in place for 2003–2005 (revised); Census Bureau quarterly survey of services for 2005; Census Bureau residential finance survey for 2001; Census Bureau American housing survey for 2003; Census Bureau current population survey/housing vacancy survey for 2005; Federal Government budget data for fiscal years 2005 and 2006; Internal Revenue Service tabulations of tax returns for corporations for 2003 (revised) and 2004 (preliminary) and for sole proprietorships and partnerships for 2004; Bureau of Labor Statistics (BLS) quarterly census of employment and wages for 2005 (revised); Department of Agriculture farm statistics for 2003–2005; and BEA's international transactions accounts for 2003–2005 (revised).

Details about the sources of the major revisions to the NIPA components continue on page 17.

Data Availability

An extensive set of estimates is presented in “National Income and Product Accounts” in this issue. These estimates and annual estimates for 1929 forward and quarterly estimates for 1947 forward are available on BEA's Web site at <www.bea.gov>.

Selected revised NIPA estimates and related estimates will be published in upcoming issues of the *SURVEY*.

The September *SURVEY* will present NIPA table 5.9 (which shows the changes in the net stock of produced assets), NIPA table 7.15 (which shows the relationship between net farm income in the NIPAs and net farm income from the USDA), and NIPA table 7.19 (which shows the relationship between personal income in the NIPAs and adjusted gross income from the IRS). It will also present new estimates of fixed assets and consumer durable goods for 2005 and revised estimates for 2003 and 2004.

The October *SURVEY* will present the following NIPA tables: Tables 3.15–3.17 (government spending by

function), tables 3.18–3.19 (government-sector reconciliation tables), tables 3.20–3.21 (state government and local government current receipts and expenditures), and tables 8.1–8.6 (seasonally unadjusted estimates). It will also present revised real inventories, sales, and inventory-sales ratios for manufacturing and trade for 2003:I–2006:I. In addition, revised estimates of state personal income that incorporate the results of this annual revision of the NIPAs will be presented.

The November *SURVEY* will feature the “Updated Summary NIPA Methodologies,” which lists the principal source data and estimating methods that are used in preparing the current-dollar and real estimates of GDP. In addition, NIPA table 2.9 (personal income by households and by nonprofit institutions serving households) and table 7.20 (nonprofits reconciliation table) will be presented.

Revised and updated estimates of GDP by industry will be available in late 2006.

Table 6. NIPA Revisions: Detail and Major Source Data for Selected Components—Continues

Line	NIPA component	Billions of dollars				Major source data incorporated ¹
		Revision in level			Revised 2005 level	
		2003	2004	2005		
1	Gross domestic product	-10.4	-21.8	-31.3	12,455.8	
2	Personal consumption expenditures	-6.3	-2.8	-3.3	8,742.4	
3	Goods.....	-6.3	-24.7	-18.4	3,572.4	
4	Motor vehicles and parts	-7.4	-3.9	1.4	448.2	
5	Of which:					
6	Other motor vehicles.....	-6.9	-5.9	-3.7	227.3	
7	Of which:					
8	New trucks.....	-6.4	-6.8	-11.1	152.7	New trade source data on new truck transactions prices for 2003–2005; revised source data on new truck registrations for 2005.
9	Net purchases of used trucks.....	-0.4	1.5	8.2	58.4	New trade source data on truck business registrations by type and estimated retention periods for 2002–2004.
10	Goods other than motor vehicles and parts	1.1	-20.8	-19.8	3,124.2	
11	Of which:					
12	Food.....	-2.5	-19.9	-17.2	1,201.4	New product-line sales data from the 2002 Economic Census; revised Census Bureau Annual Retail Trade Survey (ARTS) sales data for 2003; new ARTS data for 2004; revised Census Bureau monthly sales data for 2005.
13	Gasoline, fuel oil, and other energy goods	-0.1	-1.1	-8.5	302.1	
14	Of which:					
15	Gasoline and oil	0.1	0.0	-7.1	280.2	Revised EIA petroleum supply data for 2005.
16	Services	0.0	21.9	15.1	5,170.0	
17	Of which:					
18	Housing	3.8	15.0	22.6	1,304.1	
19	Of which:					
20	Owner-occupied nonfarm dwellings—space rent.....	3.5	13.1	15.1	963.3	New Census Bureau Residential Finance Survey data on mean contract rent for 2001; new Census Bureau Current Population Survey/Housing Vacancy Survey data on housing units for 2005.
21	Tenant-occupied nonfarm dwellings—rent	0.0	0.7	6.0	257.0	New Census Bureau Current Population Survey/Housing Vacancy Survey data on units for 2005; new BEA data on personal consumption expenditures for utilities for 2005.
22	Medical care	1.1	-5.4	-16.6	1,493.4	
23	Of which:					
24	Hospitals and nursing homes.....	-1.8	-11.6	-18.8	691.3	
25	Of which:					
26	Nonprofit hospitals.....	3.1	0.1	0.2	383.7	
27	Government hospitals.....	-4.9	-10.3	-16.8	125.2	Revised Census Bureau <i>Government Finances (GF)</i> data on state and local government hospital sales for FY 2003; new <i>GF</i> tabulations for FY 2004.
28	Medical care and hospitalization insurance	5.4	10.6	9.9	142.2	New Economic Census data on benefits as a percentage of premiums for 2002.
29	Recreation	-0.3	2.8	5.4	360.6	
30	Of which:					
31	Other ²	-0.2	2.8	4.8	322.3	New Census Bureau Service Annual Survey data for 2005.
32	Other.....	-5.8	4.8	3.1	1,208.4	
33	Of which:					
34	Personal care	0.0	2.2	0.1	114.6	
35	Personal business	-8.8	0.2	-4.8	647.9	
36	Of which:					
37	Brokerage charges and investment counseling	0.0	0.9	-2.3	90.5	
38	Bank service charges, trust services, and safe deposit box rental.....	-1.1	-1.3	4.8	99.9	
39	Services furnished without payment by financial intermediaries except life insurance carriers	-1.1	0.2	-6.3	203.7	Revised FRB <i>Call Report</i> data on commercial banks for 2003–2005; revised FRB flow of funds sector asset data for 2003 and 2004; new FRB data for 2005; revised IRS tabulations of corporate tax return data for 2003; new IRS tabulations for 2004; new Federal Deposit Insurance Corporation data, Credit Union National Association data, Office of Thrift Supervision data, and trade source data on investment companies for 2005.
40	Expense of handling life insurance and pension plans.....	-6.7	0.3	3.3	106.9	Revised IRS tabulations of corporate tax return data for 2003; new IRS tabulations for 2004; revised Census Bureau <i>Government Finances (GF)</i> data on state and local government employee retirement systems for FY 2003; new <i>GF</i> data for FY 2004; new trade source data for 2005.
41	Legal services	0.0	1.0	-2.9	85.6	
42	Education and research	2.7	2.3	2.1	226.5	
43	Net foreign travel	0.0	0.0	6.2	-5.0	Revised BEA international transactions accounts estimates for 2003–2005.
44	Gross private domestic investment	-6.3	-40.1	-47.6	2,057.4	
45	Fixed investment	-5.1	-42.0	-49.9	2,036.2	
46	Nonresidential	-5.0	-43.5	-64.1	1,265.7	
47	Structures	0.3	2.4	3.5	338.6	
48	Of which:					
49	Commercial and health care	-0.2	0.4	2.3	132.5	
50	Power and communication	0.6	1.7	2.7	41.2	
51	Mining exploration, shafts, and wells.....	0.2	-1.3	-5.3	76.4	New trade source data on drilling footage.
52	Other structures	-0.3	1.6	2.4	64.3	

See the footnotes and abbreviations at the end of the table.

Table 6. NIPA Revisions: Detail and Major Source Data for Selected Components—Continues

Line	NIPA component	Billions of dollars				Major source data incorporated ¹
		Revision in level			Revised 2005 level	
		2003	2004	2005		
41	Equipment and software.....	-5.4	-45.9	-67.6	927.1	Revised Census Bureau Annual Survey of Manufactures (ASM) shipments data for 2003; new ASM data for 2004. Revised Census Bureau Service Annual Survey (SAS) detailed product receipts data for 2003 and 2004; new SAS data for 2005; new BLS employment data for 2005. Revised Census Bureau Annual Survey of Manufactures (ASM) shipments data for 2003; new ASM data for 2004. Revised Census Bureau Annual Survey of Manufactures (ASM) shipments data for 2003; new ASM data for 2004.
42	<i>Of which:</i> Information processing equipment and software	1.0	-15.4	-34.6	454.3	
43	<i>Of which:</i> Computers and peripheral equipment.....	0.2	-9.3	-20.6	85.1	
44	Software	1.4	5.8	-3.8	194.0	
45	Communication equipment.....	0.0	-7.1	-5.1	93.0	
46	Industrial equipment	3.6	-6.9	-6.2	155.1	
47	Transportation equipment	-9.6	-10.3	-13.2	158.3	
48	<i>Of which:</i> Light trucks (including utility vehicles)	-2.6	-3.7	-9.5	62.8	
49	Aircraft	-5.4	-4.3	-3.9	15.8	
50	Other equipment	-0.1	-12.7	-13.1	165.4	
51	<i>Of which:</i> Agricultural machinery.....	0.3	-3.1	-3.9	21.0	New trade source data on new truck transactions prices for 2003–2005; revised source data on new truck registrations for 2005; new trade source data on truck business registrations by type and estimated retention periods for 2002–2004. Revised Census Bureau Annual Survey of Manufactures (ASM) shipments data for 2003; new ASM data for 2004. Revised Census Bureau Annual Survey of Manufactures (ASM) shipments data for 2003; new ASM data for 2004.
52	Construction machinery	0.0	-3.6	-4.4	29.7	
53	Other	-0.5	-4.9	-4.6	43.1	
54	Residential	-0.1	1.5	14.1	770.4	
55	<i>Of which:</i> Structures	-0.2	1.4	14.0	761.3	
56	<i>Of which:</i> Single-family structures.....	0.0	0.0	13.0	433.5	
57	Change in private inventories	-1.1	1.9	2.4	21.3	
58	Farm.....	0.2	5.2	8.7	0.3	
59	Nonfarm	-1.3	-3.2	-6.2	21.0	
60	Change in book value.....	-0.9	1.9	-2.3	72.3	
61	<i>Of which:</i> Manufacturing	-1.9	-4.0	-4.5	16.6	Revised Census Bureau value of construction put in place data for 2005. Revised USDA data for 2003 and 2004; new USDA data for 2005.
62	Wholesale trade.....	-0.5	-4.3	2.2	27.2	
63	Retail trade	-0.4	7.0	3.5	11.8	
64	Other.....	1.8	4.1	-3.0	2.2	
65	Inventory valuation adjustment (IVA)	-0.5	-5.0	-3.9	-51.3	
66	Net exports of goods and services	1.5	10.8	9.8	-716.7	
67	Exports	-4.8	4.3	1.9	1,303.1	
68	Goods.....	0.1	0.7	1.9	907.5	
69	Services.....	-4.9	3.6	0.0	395.6	
70	Imports.....	-6.3	-6.4	-7.8	2,019.9	
71	Goods.....	0.0	-0.7	-1.7	1,699.0	
72	Services	-6.4	-5.7	-6.1	320.9	
73	Government consumption expenditures and gross investment.....	0.6	10.3	9.9	2,372.8	Revised Census Bureau Annual Retail Trade Survey (ARTS) inventory book value data for 2003; new ARTS data for 2004; revised BEA estimates based on motor vehicle inventory data from trade sources for 2005; revised Census Bureau monthly inventory data for 2005. Revised Census Bureau Annual Wholesale Trade Survey (AWTS), Annual Retail Trade Survey (ARTS), and Annual Survey of Manufactures (ASM) information on accounting methods used for inventory reporting for 2003; new AWTS, ARTS, and ASM information for 2004; revised BEA unit labor cost indexes for 2003–2005.
74	Federal	1.6	-1.7	0.6	878.3	
75	<i>Of which:</i> Defense	0.5	-1.5	2.2	589.3	
76	<i>Of which:</i> Consumption expenditures	0.2	-0.5	1.0	516.9	
77	<i>Of which:</i> Compensation of general government employees	0.3	2.0	9.3	215.4	
78	Services	-0.9	-4.3	-9.1	188.5	
79	State and local	-1.1	12.0	9.2	1,494.4	
80	<i>Of which:</i> Consumption expenditures.....	-1.0	12.6	14.2	1,207.2	
81	<i>Of which:</i> Services.....	-7.4	-7.6	-15.0	333.6	
82	Less: Sales of health and hospital charges	-6.7	-15.1	-22.3	146.1	

See the footnotes and abbreviations at the end of the table.

Table 6. NIPA Revisions: Detail and Major Source Data for Selected Components—Continues

Line	NIPA component	Billions of dollars				Major source data incorporated ¹
		Revision in level			Revised 2005 level	
		2003	2004	2005		
83	Gross domestic product	-10.4	-21.8	-31.3	12,455.8	
84	Less: Statistical discrepancy ³	1.7	-10.1	16.0	71.0	
85	Equals: Gross domestic income	-12.2	-11.7	-47.4	12,384.8	
	Of which:					
86	Compensation of employees, paid	4.4	-37.1	-82.3	7,036.6	See entries under "National income."
87	Wage and salary accruals	16.7	-12.0	-46.9	5,671.1	
88	Disbursements	1.7	3.0	-46.9	5,671.1	
89	To persons.....	1.7	2.8	-47.3	5,661.9	
90	To the rest of the world.....	0.0	0.1	0.4	9.2	
91	Wage accruals less disbursements	15.0	-15.0	0.0	0.0	Improved treatment of Friday paydays.
92	Supplements to wages and salaries	-12.3	-24.9	-35.3	1,365.5	See entries under "National income."
93	Taxes on production and imports	5.8	11.2	19.3	922.4	See entries under "National income."
94	Net operating surplus	-26.3	14.5	-13.1	2,878.2	See entries under "National income."
95	Consumption of fixed capital	5.2	0.9	30.7	1,604.8	
	Of which:					
96	Private.....	5.5	-0.8	25.6	1,352.6	Revised BEA fixed investment and price estimates for 2003–2005.
97	Domestic business	5.1	-3.8	17.3	1,059.1	
98	Capital consumption allowances	-4.0	-72.7	-102.3	953.1	
99	Less: Capital consumption adjustment (CCAdj).....	-9.2	-68.9	-119.7	-106.1	CCAdj is calculated as consumption of fixed capital less capital consumption allowances.
100	Households and institutions.....	0.4	3.1	8.3	293.5	Revised BEA fixed investment and price estimates for 2003–2005.
101	Plus: Income receipts from the rest of the world.....	-6.9	-5.2	5.7	513.3	Revised BEA international transactions accounts estimates for 2003–2005.
102	Less: Income payments to the rest of the world	4.4	2.2	7.5	481.5	Revised BEA international transactions accounts estimates for 2003–2005.
103	Equals: Gross national income	-23.5	-19.2	-49.2	12,416.6	
104	Less: Consumption of fixed capital	5.2	0.9	30.7	1,604.8	
105	Equals: National income	-28.6	-20.0	-79.9	10,811.8	
106	Compensation of employees	4.3	-37.3	-82.8	7,030.3	
107	Wage and salary accruals	16.6	-12.3	-47.5	5,664.8	
108	Government.....	1.1	2.3	6.1	977.7	
109	Other	15.5	-14.7	-53.6	4,687.1	Improved treatment of Friday paydays; revised BLS Quarterly Census of Employment and Wages for 2003–2005.
110	Supplements to wages and salaries	-12.3	-24.9	-35.3	1,365.5	
111	Employer contributions for employee pension and insurance funds.....	-14.4	-29.4	-41.8	933.2	New Pension Benefit Guaranty Corporation data for 2003 and 2004; new corporate financial data for 2005; new Department of Health and Human Services Medical Expenditure Panel Survey data for 2004.
112	Employer contributions for government social insurance	2.1	4.4	6.5	432.3	See entries under "Personal income."
113	Proprietors' income with IVA and CCAdj	1.1	21.5	32.0	970.7	
114	Farm	1.5	0.4	9.4	30.2	
	Of which:					
115	Proprietors' income with IVA.....	1.5	0.3	10.1	36.8	Revised USDA data for 2003 and 2004; new USDA data for 2005; revised BEA depreciation estimates for 2003–2005.
116	Nonfarm	-0.3	21.1	22.6	940.4	
	Of which:					
117	Proprietors' income.....	-0.5	26.4	41.0	866.2	New IRS tabulations of sole proprietorship and partnership tax return data for 2004; revised BEA depreciation estimates for 2003–2005.
118	CCAdj	0.2	-4.8	-17.5	79.3	Capital consumption allowances: New IRS tabulations of sole proprietorship and partnership tax return data for 2004. Consumption of fixed capital: Revised BEA fixed investment and price estimates for 2003–2005.
119	Rental income of persons with CCAdj	1.3	-7.2	-0.1	72.8	
	Of which:					
120	Rental income of persons.....	1.4	-6.8	0.9	96.2	New Census Residential Finance Survey data on rent-to-value ratios for 2001; revised FRB flow of funds accounts residential mortgage liabilities data for 2003–2005; new trade source data on property insurance for 2004; revised Census Bureau American Housing Survey data on units and average rents for 2003; new Census Bureau Current Population Survey/Housing Vacancy Survey data on owner- and tenant-occupied units for 2005; revised IRS tabulations of individual tax return data for 2003; new IRS data for 2004; revised Federal National Mortgage Corporation mortgage originations data for 2003; new mortgage originations data for 2004; revised Department of Housing and Urban Development (HUD) data on average closing costs for 2003 and 2004; new HUD data for 2005; new Census Bureau data on expenditures for residential improvements and repairs for 2005; revised Census Bureau <i>Government Finances</i> (GF) for FY 2003 data on state and local property taxes; new GF data for FY 2004.

See the footnotes and abbreviations at the end of the table.

Table 6. NIPA Revisions: Detail and Major Source Data for Selected Components—Continues

Line	NIPA component	Billions of dollars				Major source data incorporated ¹	
		Revision in level			Revised 2005 level		
		2003	2004	2005			
121	Corporate profits with IVA and CCAAdj	-38.7	21.1	-21.2	1,330.7	Revised IRS tabulations of corporate tax return data for 2003; new IRS tabulations for 2004; regulatory agency and public financial reports profits data for 2005.	
122	Profits before tax	-29.1	85.0	80.4	1,518.7		
123	Domestic industries	-18.5	93.6	89.0	1,321.7		
124	Financial	4.2	43.5	42.1	389.0		
125	Mining	-1.3	-7.4	-16.9	39.5		
126	Construction	-8.8	-1.2	-3.8	82.6		
127	Manufacturing	-4.9	31.5	47.4	270.7		
128	Wholesale trade	-1.0	6.2	4.4	104.0		
129	Transportation and warehousing	-0.9	3.4	-7.2	21.5		
130	Information	5.3	20.7	26.4	77.5		
131	Other nonfinancial	-11.3	-3.4	-3.6	336.8		
132	Rest of the world	-10.5	-8.6	-8.6	197.0		Revised BEA international transactions accounts estimates for 2003–2005.
133	IVA	-0.3	-0.2	-1.1	-32.6		
134	CCAAdj	-9.2	-63.7	-100.6	-155.5		Capital consumption allowances: Revised IRS tabulations of corporate tax return data for 2003; new IRS tabulations for 2004. Consumption of fixed capital: Revised BEA fixed investment and price estimates for 2003–2005.
135	Net interest and miscellaneous payments	-3.8	-20.4	-14.9	483.4	Revised IRS tabulations of corporate tax return data for 2003; new IRS tabulations for 2004; new IRS tabulations of sole proprietorship and partnership tax return data for 2004; revised FRB flow of funds accounts residential mortgage liabilities data for 2003–2005; revised FRB flow of funds accounts nonfinancial corporate liabilities data for 2005; revised USDA data on interest paid by farmers for 2003 and 2004; new USDA data for 2005; new Federal Deposit Insurance Corporation data, Credit Union National Association data, Office of Thrift Supervision data, and trade source data on investment companies for 2005.	
136	Of which: Net interest ⁴	-4.4	-21.4	-15.9	466.8		
137	Monetary interest paid	-16.2	29.0		2,806.8		
138	Domestic business	-15.3	26.7		1,590.1		
139	Of which: Financial corporations	-4.1	43.3		840.3		
140	Nonfinancial corporations	-11.3	-26.4		469.9		
141	Sole proprietorships and partnerships	0.2	9.6		210.8		
142	Less: Monetary interest received	-16.2	29.0		2,806.8		
143	Of which: Domestic business	-10.4	56.1		1,857.0		
144	Of which: Financial corporations	-10.6	48.4		1,530.0		
145	Financial sole proprietorships and partnerships	0.0	10.9		80.0		
146	Persons	-2.4	-20.4		555.7		
147	Plus: Imputed interest paid	-1.8	12.1		317.8		
148	Of which: Depositor and insurance services (paid by domestic financial corporate business)	-0.9	10.3		456.0		
149	Of which: Banks, credit agencies, and investment companies	-0.8	5.2		232.2	Revised FRB <i>Call Report</i> data on commercial banks for 2003–2005.	
150	Life insurance carriers	-0.3	4.0		193.5		
151	Less: Imputed interest received	-1.8	12.1		317.8	Revised FRB flow of funds assets data for 2003 and 2004; new FRB data for 2005.	
152	Depositor and insurance services	-1.5	10.2		461.7		
153	Of which: Persons	-1.1	5.1		388.1		
154	Taxes on production and imports	5.8	11.2	19.3	922.4		
155	Of which: State and local	5.8	10.6	15.3	821.2	Revised Census Bureau <i>Government Finances (GF)</i> tabulations for FY 2003; new <i>GF</i> tabulations for FY 2004.	
156	Less: Subsidies	1.2	1.2	2.1	57.3		
157	Business current transfer payments (net)	2.2	-5.6	-6.0	74.2		
158	Of which: To persons (net)	3.8	-4.9	4.1	45.7	Revised BEA international transactions accounts estimates for 2003–2005.	
159	To the rest of the world (net)	-0.6	0.9	-6.4	-1.6		
160	Current surplus of government enterprises	0.4	-2.0	-4.1	-15.4		

See the footnotes and abbreviations at the end of the table.

Table 6. NIPA Revisions: Detail and Major Source Data for Selected Components—Table Ends

Line	NIPA component	Billions of dollars				Major source data incorporated ¹
		Revision in level			Revised 2005 level	
		2003	2004	2005		
	Addenda:					
161	Gross national product	-21.7	-29.3	-33.1	12,487.7	
162	Gross saving	-15.1	-28.3	-56.0	1,612.0	
163	Personal income	-5.5	18.1	1.5	10,239.2	See entries under "National income" and additional sources below.
164	Compensation of employees, received.....	-10.7	-22.3	-82.8	7,030.3	
165	Proprietors' income with IVA and CCAAdj.....	1.1	21.5	32.0	970.7	
166	Rental income of persons with CCAAdj.....	1.3	-7.2	-0.1	72.8	
167	Personal income receipts on assets.....	-2.1	31.4	62.0	1,519.4	
168	Personal interest income.....	-3.5	-15.1	-0.7	945.0	See entries under "Net interest."
169	Personal dividend income.....	1.5	46.5	62.7	574.4	Revised IRS tabulations of corporate tax return data for 2003; new IRS tabulations for 2004; regulatory agency and public financial statements data on dividends for 2005.
170	Personal current transfer receipts.....	7.0	-1.0	1.3	1,526.6	
171	Government social benefits.....	3.2	3.9	-2.8	1,480.9	
172	Other current transfer receipts, from business (net).....	3.8	-4.9	4.1	45.7	
173	Less: Contributions for government social insurance.....	2.0	4.2	10.9	880.6	
174	Federal.....	-0.2	-0.3	5.6	855.3	Revised Social Security Administration (SSA) data on taxable wages for 2003 and 2004; new SSA data for 2005.
175	State and local.....	2.3	4.5	5.4	25.3	Revised Census Bureau <i>Government Finances (GF)</i> tabulations for FY 2003; new <i>GF</i> tabulations for FY 2004.
176	Less: Personal current taxes.....	1.2	0.7	-4.6	1,203.1	
177	Of which:					
	Federal.....	0.2	-0.4	-5.1	927.9	Revised Social Security Administration (SSA) data on taxable wages for 2003 and 2004; new SSA data for 2005; Treasury Department personal income tax collections data for 2003–2005.
178	<i>Equals</i> : Disposable personal income.....	-6.7	17.4	6.2	9,036.1	
179	Less: Personal outlays.....	-8.6	-5.3	-1.2	9,070.9	
	Of which:					
180	Personal consumption expenditures.....	-6.3	-2.8	-3.3	8,742.4	See entries under "Personal consumption expenditures."
181	<i>Equals</i> : Personal saving.....	2.1	22.5	7.3	-34.8	

1. In these descriptions, "new" indicates that this is the first time that data from the specific source are being incorporated into the component estimate for the given year, and "revised" indicates that data from the specific source were incorporated previously and that now revised data from that source are being incorporated.

2. Includes casino gambling.

3. The statistical discrepancy is gross domestic product (GDP) less gross domestic income (GDI); it is also the difference between gross national product (GNP) and gross national income (GNI), which is GDI plus net income receipts from the rest of the world. The statistical discrepancy arises because the product-side measures of GDP and GNP are estimated independently from the income-side measures of GDI and GNI.

4. Net interest is the sum of monetary interest paid by domestic business and by the rest of the world and imputed interest paid by domestic financial corporate business, less monetary interest received by

domestic business and by the rest of the world and imputed interest received by domestic business and by the rest of the world.

BEA Bureau of Economic Analysis
BLS Bureau of Labor Statistics
CCAAdj Capital consumption adjustment
EIA Energy Information Administration
FRB Federal Reserve Board
FY Fiscal year
IRS Internal Revenue Service
IVA Inventory valuation adjustment
USDA U.S. Department of Agriculture

Domestic income and product

Gross domestic product (GDP). The level of current-dollar GDP was revised down for all 3 years: \$10.4 billion, or 0.1 percent, for 2003, \$21.8 billion, or 0.2 percent, for 2004, and \$31.3 billion, or 0.3 percent, for 2005 (see table 6).

By major component, the revision to current-dollar GDP for 2003 primarily reflects downward revisions to PCE for durable goods, to investment in equipment and software, and to exports that were partly offset by a downward revision to imports. For 2004 and 2005, the revisions primarily reflect downward revisions to equipment and software and to PCE for nondurable goods that were partly offset by upward revisions to PCE for services and to state and local government spending and by a downward revision to imports; for 2005, the downward revisions were also offset by an upward revision to residential fixed investment.

Gross domestic income (GDI) and the statistical discrepancy. GDI, which measures the costs incurred and the incomes earned in the production of GDP, was revised down for all 3 years: \$12.2 billion for 2003, \$11.7 billion for 2004, and \$47.4 billion for 2005.

For 2003, the revision to GDI primarily reflects downward revisions to net operating surplus and to supplements to wages and salaries that were partly offset by upward revisions to wages and salaries, to taxes on production and imports, and to consumption of fixed capital (CFC). The revision to net operating surplus was more than accounted for by a downward revision to domestic corporate profits with inventory valuation adjustment (IVA) and capital consumption adjustment (CCAAdj).

For 2004, the revision to GDI primarily reflects downward revisions to supplements to wages and salaries and to wages and salaries that were partly offset

by upward revisions to net operating surplus and to taxes on production and imports. The revision to net operating surplus primarily reflects upward revisions to domestic corporate profits with IVA and CCAdj and to proprietors' income with IVA and CCAdj that were partly offset by downward revisions to domestic net interest and miscellaneous payments, to rental income of persons with CCAdj, and to "business current transfer payments (net)."

For 2005, the revision to GDI reflects downward revisions to wages and salaries, to supplements to wages and salaries, and to net operating surplus that were partly offset by upward revisions to CFC and to taxes on production and imports. The revision to net operating surplus primarily reflects downward revisions to domestic corporate profits with IVA and CCAdj, to domestic net interest and miscellaneous payments, and to "business current transfer payments (net)" that were partly offset by an upward revision to proprietors' income with IVA and CCAdj.

The statistical discrepancy is the difference between GDP and GDI.⁴ For 2003, the statistical discrepancy was revised up from \$47.1 billion to \$48.8 billion (but was unrevised at 0.4 percent of GDP). For 2004, the statistical discrepancy was revised down from \$76.8 billion to \$66.7 billion (from 0.7 percent to 0.6 percent of GDP). For 2005, the statistical discrepancy was revised up from \$55.0 billion to \$71.0 billion (from 0.4 percent to 0.6 percent of GDP). The revisions to the discrepancy for 2003 and 2005 reflect larger downward revisions to GDI than to GDP. For 2004, the revision to the discrepancy reflects a larger downward revision to GDP than to GDI.

Product-side components

Personal consumption expenditures (PCE) for goods was revised down for all 3 years: \$6.3 billion for 2003, \$24.7 billion for 2004, and \$18.4 billion for 2005. For 2003, the revision was more than accounted for by motor vehicles and parts. For 2004 and 2005, the revisions were primarily accounted for by "goods other than motor vehicles and parts"; motor vehicles and parts contributed to the downward revision for 2004 and somewhat offset the downward revision for 2005.

"Goods other than motor vehicles and parts" was revised up \$1.1 billion for 2003, was revised down \$20.8 billion for 2004, and was revised down \$19.8 billion for 2005. These revisions resulted from the incorporation of revised annual data on retail sales and food services sales for 2003 (benchmarked to data from the 2002 Economic Census), of newly available annual

data for 2004, and of revised monthly sales data for 2005.

For 2004 and 2005, the revisions were primarily accounted for by downward revisions to food (specifically, both to "food purchased for off-premise consumption" and to "purchased meals and beverages"). A downward revision to gasoline and oil also contributed to the 2005 revision, reflecting the incorporation of revised petroleum supply data from the Energy Information Administration.

Motor vehicles and parts was revised down \$7.4 billion for 2003, was revised down \$3.9 billion for 2004, and was revised up \$1.4 billion for 2005. For 2003 and 2004, the revisions were primarily accounted for by downward revisions to new trucks. For 2005, the revision reflects upward revisions to net purchases of used trucks and to net purchases of used autos that were mostly offset by a downward revision to new trucks. For all 3 years, the downward revisions to new trucks reflect the incorporation of newly available trade source data on retail transactions prices (see "Changes in Methodology"). For 2005, the upward revisions to used trucks and to used autos were accounted for by sales of used vehicles by business, reflecting the incorporation of newly available trade source data on business registrations by type (rental, lease, and other business vehicles) and estimates of retention periods for each type of vehicle.⁵

PCE for services was unrevised for 2003, was revised up \$21.9 billion for 2004, and was revised up \$15.1 billion for 2005. For 2003, upward revisions to housing services and to medical care services were offset by a downward revision to "other services." The revision to housing services was accounted for by "owner-occupied space rent," reflecting the incorporation of revised estimates of imputed mean rent that were based on information from the Census Bureau 2001 Residential Finance Survey on actual rental payments for tenant-occupied units by value class (of the units).⁶ Rent-to-value ratios were then applied to owner-occupied units by value class to impute owner-occupied space rent.

The revision to medical care services reflects an upward revision to net medical and hospital insurance that was partly offset by a downward revision to hospitals and nursing homes. The revision to medical and hospital insurance reflects lower estimates of benefits, which are netted against premiums, that were based on the incorporation of newly available data on the ratio

4. See the box "The Statistical Discrepancy" in Robert P. Parker and Eugene P. Seskin, "Annual Revision of the National Income and Product Accounts," *SURVEY* 77 (August 1997): 19.

5. Most used vehicles sold by businesses, often through auctions, are ultimately purchased by consumers through motor vehicle dealers.

6. "Space rent," or the imputed rental value of owner-occupied housing, reflects the amount of money owner-occupants would have spent for shelter if they were renting that shelter.

of benefits paid to premiums earned from the 2002 Economic Census. The revision to hospitals and nursing homes was accounted for by a downward revision to government hospitals that was partly offset by an upward revision to nonprofit hospitals. The revision to government hospitals reflects the incorporation of revised data for fiscal year 2003 and newly available data for fiscal year 2004 on state and local government sales of hospital services from the Census Bureau *Government Finances*. The revision to nonprofit hospitals reflects the incorporation of revised data on hospital expenses for fiscal year 2003 and newly available data for fiscal year 2004 from a trade source. The revision to "other services" was more than accounted for by "expense of handling life insurance and pension plans," reflecting the incorporation of revised Internal Revenue Service (IRS) data on profits of stock life insurance companies.

For 2004, the upward revision to PCE for services primarily reflects upward revisions to housing services and to "other services" that were partly offset by a

downward revision to medical care services. The revision to housing services was primarily accounted for by "owner-occupied space rent," reflecting revised mean rents that were based on the information from the 2001 Census Bureau Residential Finance Survey. The revision to "other services" was primarily accounted for by upward revisions to education and research, reflecting the incorporation of newly available expense data from the National Center for Education Statistics, and to personal care services, reflecting the incorporation of revised Census Bureau service annual survey (SAS) data.

For 2005, the upward revision to PCE for services was accounted for by upward revisions to housing services, to recreation services, and to "other services" that were partly offset by a downward revision to medical care services. The revision to housing services was accounted for by upward revisions to both owner- and tenant-occupied space rent, reflecting the incorporation of newly available Census Bureau current population survey data on owner- and tenant-occupied

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Eugene P. Seskin and Shelly Smith wrote the article. Duane G. Hackmann, Clark F. Schier, Shaunda M. Villones, and Teresa L. Weadock prepared analyses and other review materials for both the article and the news release.

Other BEA staff who made significant contributions to the revision are listed below by area of expertise.

Personal consumption expenditures: **Clinton P. McCully**. *Goods:* **Tony Troy**, Harvey L. Davis, Jr., Everette P. Johnson, Matthew D. Tschetter. *Services:* **Michael Armah**, Robert N. Ganz III, Brendan J. Leary, Dennis R. Weikel.

Investment and foreign transactions: **Paul R. Lally**. *Inventories, foreign transactions, and prices:* **Jennifer A. Ribarsky**, Lisa A. Dawn, John W. Drewry, Soo Jeong Kim, Todd P. Siebeneck, Enrico Tan. *Structures, equipment, and software:* **Jeffrey W. Crawford**, Velma P. Henry, Bonnie A. Retus, Todd P. Siebeneck, Linden L. Webber.

Federal Government: **Pamela A. Kelly**, Peter G. Beall, Jennifer A. Bennett, Andrew P. Cairns, Andrea L. Cook, Gregory J. Kuczura, Raymen G. Labella, Gilda D. Lee, Benjamin A. Mandel, Farah Naz, Michelle D. Robinson, Mary L. Roy, Benyam Tsehay, Andrew E. Vargo, Bryan A. Williams.

Special studies: **Steven Payson**, Charlotte A. Bond, Wanda Y. Chambers, Debasis Chaudhuri, Gary W. Davis, Michael A. Grawe, Robert J. Kornfeld, Mark A. Ledbetter, Christopher B. Mbu, Allison S. Mirkin.

State and local government: **Bruce E. Baker**, Steven J. Andrews, Benjamin D. Cowan, Aya Hamano, Erin M. Ludlow, Rebecca A. Rider.

Government review: Florence H. Campi, D. Timothy Dobbs.

Computer systems and operations: **Robert A. Hill**, Michael J. Boehm, Chenika Harris, Scott G. He, Soo N. Kim, Douglas J. Klear, Pauline Lancaster, Ross F. Metzger, Lisa C. Ninomiya, Michael J. Ocasio, Anil Paneru, James J. Raley III, Michael D. Randall, Karl V. Rohrer, Andrew G. Schmidt, Christopher M. Siwy, and Eric M. Weiss.

Personal income: **Kurt Kunze**, Toui C. Pomsouvan. *Employee compensation:* **Janet H. Kmitch**, Jennifer R. Mykijewycz, James E. Rankin, Martin L. Simmons, Elijah Slack. *Business income:* **Howard I. Krakower**, M. Greg Key, Charles S. Robinson, Jerry L. Stone, Garth K. Trinkl. *Property income:* **Nicole M. Mayerhauser**. *Farm output and income:* Gregory J. Shotwell. *Interest income:* Alyssa E. Holdren, Shaunda M. Villones. *Rental income of persons and housing output:* Denise A. McBride. *Insurance:* Clark F. Schier.

Consumption of fixed capital: Private: **David B. Wasshausen**, Michael T. Cusick, Michael D. Glenn, Julia T.D. Nguyen, Nadia F.P. Sadee. *Government:* **Robert J. Kornfeld**, Debasis Chaudhuri, Christopher B. Mbu.

NIPA information: Marilyn E. Baker, Virginia H. Mannering, Teresa L. Weadock.

Secretarial and program assistance: Adrienne M. Burch, Esther M. Carter, Katherine Dent, Angela P. Pointer.

housing units and, for owner-occupied housing, revised mean rents based on the information from the 2001 Census Bureau Residential Finance Survey. The revision to recreation services was accounted for by casino gambling, reflecting the incorporation of preliminary SAS data. The revision to “other services” reflects an upward revision to net foreign travel that was partly offset by a downward revision to personal business services. The revision to net foreign travel reflects revised estimates of travel and passenger fare imports and exports from BEA’s international transactions accounts.

In personal business services, downward revisions to “services furnished without payment by financial intermediaries except life insurance carriers,” to legal services, and to brokerage charges and investment counseling were partly offset by upward revisions to bank service charges and to “expense of handling life insurance and pension plans.” The revision to “services furnished without payment by financial intermediaries except life insurance carriers” was accounted for by a downward revision to commercial bank services that was partly offset by an upward revision to services of other financial institutions, reflecting the incorporation of *Call Report* data and flow of funds data on the sector’s deposit holdings and loan balances from the Federal Reserve Board (FRB). The revision to legal services reflects the incorporation of newly available SAS data. The revision to brokerage charges and investment counseling reflects the incorporation of newly available FRB flow of funds data on equity and debt holdings of households. The revision to bank service charges primarily reflects the incorporation of revised data on service charges on deposit accounts from the Federal Deposit Insurance Corporation and of newly available data on fee income and other operating income from the National Credit Union Administration. The revision to “expense of handling life insurance and pension plans” reflects the incorporation of newly available life insurance expense data from a trade source.

The downward revision to medical care services was more than accounted for by hospitals and nursing homes, reflecting the incorporation of newly available data for fiscal year 2004 on state and local government sales of hospital services from the Census Bureau *Government Finances*.

Nonresidential structures investment was revised up for all 3 years: \$0.3 billion for 2003, \$2.4 billion for 2004, and \$3.5 billion for 2005. For 2005, small upward revisions to power and communication, to commercial and health care structures, and to “other” structures, reflecting the incorporation of revised Census Bureau data on the value of construction put in

place, were partly offset by a downward revision to mining exploration, shafts, and wells, reflecting the incorporation of newly available trade source data on drilling footage.⁷

Equipment and software investment was revised down for all 3 years: \$5.4 billion for 2003, \$45.9 billion for 2004, and \$67.6 billion for 2005.

For 2003, the revision was more than accounted for by transportation equipment; the largest contributors were aircraft and trucks, buses, and trailers. For 2004 and 2005, all the major aggregates were revised down: Information processing equipment and software, industrial equipment, transportation equipment, and “other” equipment. (For 2004, within information processing equipment and software, an upward revision to software somewhat offset the downward revision.)

The revisions to aircraft reflect the incorporation of revised shipments data from the Census Bureau Annual Survey of Manufactures (ASM) for 2003 and new ASM data for 2004. The revisions to trucks, buses, and trailers were mainly to light trucks, reflecting the incorporation of trade source data on transactions prices and wholesale prices (see “Changes in Methodology”). For 2004 and 2005, the revisions to computers and peripheral equipment and communication equipment (within information processing equipment and software), to industrial equipment, and to “other” equipment reflect the incorporation of newly available ASM data for 2004. For 2005, the revision to computers and peripheral equipment primarily reflects the adoption of a new methodology for estimating manufacturers’ shipments of computers (see “Changes in Methodology”). The revisions to software (within information processing equipment and software) reflect the incorporation of revised product receipts data from the 2004 SAS and newly available data from the 2005 SAS; for 2005, the revision was more than accounted for by own-account software, primarily reflecting the incorporation of newly available data from the BLS occupational employment statistics.

Residential fixed investment was revised down \$0.1 billion for 2003, was revised up \$1.5 billion for 2004, and was revised up \$14.1 billion for 2005. For 2005, an upward revision to single-family structures accounted for most of the revision and resulted from the incorporation of revised Census Bureau data on

7. The Census Bureau data on the value of construction put in place are the major source data for the estimates of both nonresidential and residential structures. The revised estimates are based on the “best period-to-period change” rather than on the “best level” of the appropriate Census Bureau series; see the box “Incorporating Source Data on the Basis of ‘Best Change’” in Eugene P. Seskin and David F. Sullivan, “Annual Revision of the National Income and Product Accounts,” SURVEY 80 (August 2000): 16.

the value of construction put in place.

Change in private inventories was revised down \$1.1 billion for 2003, was revised up \$1.9 billion for 2004, and was revised up \$2.4 billion for 2005.⁸

The change in farm inventories was revised up for all 3 years: \$0.2 billion for 2003, \$5.2 billion for 2004, and \$8.7 billion for 2005.⁹

The change in private nonfarm inventories was revised down for all 3 years: \$1.3 billion for 2003, \$3.2 billion for 2004, and \$6.2 billion for 2005. For 2004, the revision primarily reflects downward revisions to the inventory valuation adjustment (IVA), to wholesale trade inventories, and to manufacturing inventories that were partly offset by an upward revision to retail trade inventories and to inventories of "other" industries. For 2005, the revision primarily reflects downward revisions to manufacturing inventories, to the IVA, and to inventories of "other" industries that were partly offset by small upward revisions to retail trade inventories and to wholesale trade inventories.

For 2004, the revisions to inventories reflect the incorporation of newly available annual book value data from Census Bureau annual manufacturing and trade surveys and from IRS tabulations of tax return data for corporations and for sole proprietorships and partnerships. For 2005, the revisions to inventories reflect the incorporation of revised monthly book value data from Census Bureau monthly surveys. For both 2004 and 2005, the revisions to the IVA reflect the incorporation of newly available information from the Census Bureau on the accounting methods used in inventory reporting and revised BEA unit labor cost indexes.

Net exports of goods and services was revised up for all 3 years: \$1.5 billion for 2003, \$10.8 billion for 2004, and \$9.8 billion for 2005. For 2003, the revision reflects a downward revision to imports of services that is largely offset by a downward revision to exports of services. For 2004, the revision primarily reflects a downward revision to imports of services and an upward revision to exports of services. For 2005, the revision reflects a downward revision to imports of services, a small upward revision to exports of goods, and a small downward revision to imports of goods.

The revisions reflect the annual revision to BEA's international transactions accounts (ITAs), which incor-

porated new and updated source data.¹⁰

For most components, the revisions to the ITAs for 2003–2005 were incorporated into the NIPAs at their "best level." As a result, there are small discontinuities between the NIPA estimates for 2002 and those for 2003 (table 7). For current-dollar net exports of goods and services (and for current-dollar GDP), the change from 2002 to 2003 was overstated by \$0.1 billion. (The revisions to the ITAs for years before 2003 will be incorporated in the next comprehensive NIPA revision.)

Government consumption expenditures and gross investment was revised up for all 3 years: \$0.6 billion for 2003, \$10.3 billion for 2004, and \$9.9 billion for 2005.

Federal Government spending was revised up \$1.6 billion for 2003, was revised down \$1.7 billion for 2004, and was revised up \$0.6 billion for 2005. Defense spending was revised up \$0.5 billion for 2003, was revised down \$1.5 billion for 2004, and was revised up \$2.2 billion for 2005. Within defense consumption expenditures, for 2005, an upward revision to compensation was mostly offset by a downward revision to services. The revision to compensation reflects the incorporation of revised Federal budget data for fiscal year 2005, preliminary budget data for fiscal year 2006, and revised tabulations from the BLS quarterly census of employment and wages. The revision to services

10. See Christopher L. Bach, "Annual Revision of the U.S. International Accounts, 1995–2005," *SURVEY* 86 (July 2006): 36–48.

Table 7. Discontinuities in NIPA Foreign Transactions, 2002–2003
[Billions of dollars]

	2002			2003	Change from 2002 to 2003	
	Published	Discontinuity ¹	Adjusted	Revised	Published	Adjusted
Net exports of goods and services	-424.4	0.1	-424.3	-499.4	-75.0	-75.1
Exports	1,005.9	-2.6	1,003.4	1,040.8	34.8	37.4
Goods	697.6	0.0	697.6	724.4	26.8	26.8
Services	308.4	-2.6	305.8	316.4	8.0	10.6
Imports	1,430.3	-2.7	1,427.6	1,540.2	109.9	112.5
Goods	1,189.3	0.0	1,189.3	1,283.9	94.6	94.6
Services	241.0	-2.7	238.3	256.2	15.3	17.9
Net receipts of income	30.6	2.2	32.8	56.8	26.2	24.0
Income receipts	305.7	-0.1	305.5	336.8	31.1	31.3
Wage and salary receipts	2.9	-0.1	2.8	2.8	-0.1	0.0
Income receipts on assets	302.7	0.0	302.7	334.0	31.3	31.3
Interest	98.3	0.0	98.3	84.9	-13.4	-13.4
Dividends	92.8	0.0	92.8	100.9	8.0	8.0
Reinvested earnings of U.S. direct investment abroad	111.6	0.0	111.6	148.2	36.6	36.6
Income payments	275.0	-2.3	272.7	280.0	4.9	7.2
Wage and salary payments	8.4	0.0	8.4	8.5	0.1	0.1
Income payments on assets	266.7	-2.3	264.3	271.4	4.8	7.1
Interest	218.0	-0.2	217.8	187.8	-30.2	-30.0
Dividends	45.0	-0.2	44.8	68.9	23.9	24.2
Reinvested earnings of foreign direct investment in the United States	3.6	-1.9	1.8	14.7	11.1	12.9
Current taxes and transfer payments to the rest of the world (net)	64.5	-0.5	64.1	69.7	5.2	5.6
Addenda:						
Gross domestic product	10,469.6	0.1	10,469.7	10,960.8	491.2	491.1
Gross national product	10,500.2	2.3	10,502.5	11,017.6	517.4	515.1

1. Equals the revisions to the U.S. international transactions accounts that have not been carried back in the NIPAs at this time.

8. Change in private inventories is calculated by adjusting inventories reported by businesses on a non-LIFO (last-in-first-out) book-value basis to a current-period replacement-cost basis; this revaluation eliminates gains or losses that result from holding inventories when prices change. The inventory valuation adjustment, which is calculated as the change in private inventories less the change in book values, reflects inventory price changes for firms that value inventory withdrawals at acquisition (historical) cost.

9. The IVA is not needed for farm inventories, because they are measured on the basis of current market price.

reflects a revised allocation of spending, resulting from the revision to compensation within an annual control based on data from the *Monthly Treasury Statement*.¹¹

State and local government spending was revised down \$1.1 billion for 2003, was revised up \$12.0 billion for 2004, and was revised up \$9.2 billion for 2005. Consumption expenditures was revised down \$1.0 billion for 2003, was revised up \$12.6 billion for 2004, and was revised up \$14.2 billion for 2005. For all 3 years, the revisions were primarily accounted for by downward revisions to “sales to other sectors,” mainly health and hospital charges (a subtraction in the derivation of consumption expenditures) and by upward revisions to employee compensation that were partly offset by downward revisions to intermediate goods and services.¹² For all 3 years, the revisions to “sales to other sectors” reflect the incorporation of revised data for fiscal year 2003 and newly available data for fiscal year 2004 from the Census Bureau *Government Finances*. The revisions to compensation reflect the incorporation of revised data for fiscal year 2003 and newly available data for fiscal year 2004 on employer contributions to employee retirement plans from *Government Finances*, of newly available tabulations of employer contributions for employee health insurance from the Department of Health and Human Services Medical Expenditures Panel Survey for 2003, and of revised tabulations from the BLS quarterly census of employment and wages. The revisions to intermediate goods and services reflect the incorporation of revised and newly available data from *Government Finances*.

Income-side components

Compensation of employees, paid was revised up \$4.4 billion for 2003, was revised down \$37.1 billion for 2004, and was revised down \$82.3 billion for 2005. For 2003, the revision reflects an upward revision to the adjustment “wage accruals less disbursements” that was partly offset by a downward revision to supplements to wages and salaries. For 2004, the revision primarily reflects downward revisions to supplements to wages and salaries and to the adjustment. For 2005, the revision reflects downward revisions to supplements to

wages and salaries and to wage and salary disbursements.

For 2003 and 2004, the revisions to the adjustment “wage accruals less disbursements” reflect the incorporation of a new adjustment to account for the number of Friday paydays in a year (see “Changes in Methodology”).

For all 3 years, the revisions to supplements were more than accounted for by downward revisions to employer contributions to private pension and insurance funds. Within employer contributions, the revisions were accounted for by downward revisions to employer contributions to private pension and profit-sharing plans, and for 2004 and 2005, employer contributions to group health insurance also contributed to the revisions.

The revisions to employer contributions to private pension and profit-sharing plans primarily reflect the incorporation of newly available Pension Benefit Guaranty Corporation data for 2003 and 2004 and newly available corporate financial data for 2005. For 2004, the revision to employer contributions to group health insurance reflects the incorporation of newly available tabulations of these contributions from the Department of Health and Human Services Medical Expenditures Panel Survey, and for 2005, the revision to these contributions reflects extrapolation from the new 2004 level.

For 2005, the revision to wage and salary disbursements reflects the incorporation of newly available data from the BLS quarterly census of employment and wages. The incorporation of these data resulted in new, seasonally adjusted quarterly estimates that were also adjusted for Friday paydays (see “Changes in Methodology”).

Net operating surplus consists of net operating surplus of private enterprises (proprietors’ income, rental income of persons, corporate profits, net interest, and business current transfer payments) and the current surplus of government enterprises. This component was revised down \$26.3 billion for 2003, was revised up \$14.5 billion for 2004, and was revised down \$13.1 billion for 2005.

Consumption of fixed capital (CFC), which is the charge for the using up of private and government fixed capital, was revised up for all 3 years: \$5.2 billion for 2003, \$0.9 billion for 2004, and \$30.7 billion for 2005. For 2003, the revision was more than accounted for by an upward revision to the private component of CFC, reflecting the incorporation of revised prices and revised BEA estimates of fixed investment for 2003. For 2005, the revision was mostly accounted for by an upward revision to the private component of CFC, reflecting the replacement of estimates derived from

11. Annual controls for total current-dollar defense spending are based on data from the *Monthly Treasury Statement* (MTS) and other sources. For more information about the use of the MTS in the derivation of the Federal estimates, see Pamela A. Kelly, “The *Monthly Treasury Statement* and BEA’s Estimates of Federal Government Spending,” SURVEY 86 (February 2006): 6, and Benjamin A. Mandel and Mary L. Roy, “Federal Budget Estimates for Fiscal Year 2007” SURVEY 86 (March 2006): 12–22.

12. Government consumption expenditures, which is a measure of the value of services produced by general governments, is gross output less own-account investment and sales to other sectors. Gross output is measured by the cost of inputs, including compensation of employees, consumption of fixed capital, and intermediate goods and services purchased.

quarterly extrapolations with estimates derived from detailed annual source data, including revised BEA estimates of fixed investment and revised prices for 2003–2005. (The estimates of investment and prices are direct inputs into the calculation of both private and government net capital stocks, which are used to calculate the CFC.)

Private capital consumption allowances (CCA) is tax-return-based depreciation for corporations and nonfarm proprietorships and historical-cost depreciation (using consistent service lives) for farm proprietorships, rental income of persons, and nonprofit institutions. CCA for domestic business was revised down for all 3 years: \$4.0 billion for 2003, \$72.7 billion for 2004, and \$102.3 billion for 2005. For 2004, the revision primarily reflects the incorporation of newly available IRS tax return data for both corporations and sole proprietorships and partnerships. For 2005, the revision resulted from the incorporation of revised BEA projections of IRS depreciation and amortization based on recent historical trends in the IRS depreciation and amortization estimates.

Private capital consumption adjustment (CCAdj) converts depreciation that is on a historical-cost (book value) basis—CCA—to depreciation that is on a current-cost (replacement) basis—CFC—and it is derived as the difference between private CCA and private CFC. Private CCAdj for domestic business was revised down for all 3 years: \$9.2 billion for 2003, \$68.9 billion for 2004, and \$119.7 billion for 2005.

Proprietors' income with IVA and CCAdj was revised up for all 3 years: \$1.1 billion for 2003, \$21.5 billion for 2004, and \$32.0 billion for 2005. For 2003, the revision was more than accounted for by farm proprietors' income. For 2004, the revision was mostly accounted for by nonfarm proprietors' income. For 2005, the revision reflects upward revisions to both nonfarm proprietors' income and farm proprietors' income.

Farm proprietors' income was revised up for all 3 years: \$1.5 billion for 2003, \$0.4 billion for 2004, and \$9.4 billion for 2005. For 2003 and 2004, the upward revisions resulted from the incorporation of revised information from the U.S. Department of Agriculture (USDA) and revised BEA estimates of depreciation. For 2005, the revision resulted from the incorporation of newly available data from the USDA and revised BEA estimates of depreciation.

Nonfarm proprietors' income with IVA and CCAdj was revised down \$0.3 billion for 2003, was revised up \$21.1 billion for 2004, and was revised up \$22.6 billion for 2005. For 2004 and 2005, the revisions reflect upward revisions to nonfarm proprietors' income without CCAdj that were partly offset by downward revisions to the CCAdj. For 2004, the revision to non-

farm proprietors' income was based on newly available IRS tabulations of sole proprietorship and partnership tax returns for 2004. For 2005, the revision to nonfarm proprietors' income was based primarily on revisions to the 2004 industry levels and to revisions to the industry-specific indicators used for extrapolation. (For more information about the CCAdj, see "Consumption of fixed capital.")

Rental income of persons with CCAdj was revised up \$1.3 billion for 2003, was revised down \$7.2 billion for 2004, and was revised down \$0.1 billion for 2005. For 2004, the revision was primarily accounted for by a downward revision to rental income of persons without CCAdj for nonfarm residential dwellings, reflecting an upward revision to nonfarm permanent-site expenses—specifically property insurance, closing costs, and property taxes—that resulted from the incorporation of data from regular sources (see table 6).

Corporate profits with IVA and CCAdj was revised down \$38.7 billion for 2003, was revised up \$21.1 billion for 2004, and was revised down \$21.2 billion for 2005. For 2003, the revision reflects downward revisions to profits before tax and to the CCAdj. For 2004, the revision reflects an upward revision to profits before tax that was partly offset by a downward revision to the CCAdj. For 2005, the revision reflects a downward revision to the CCAdj that was partly offset by an upward revision to profits before tax. (For more information about the CCAdj, see "Consumption of fixed capital.") The revisions to profits before tax resulted from the incorporation of revised 2003 and newly available 2004 IRS tabulations of corporate tax return data and of profits data for 2005 from regulatory agencies and public financial reports.

Domestic profits was revised down for 2003, was revised up for 2004, and was revised up for 2005; rest-of-the-world profits was revised down for all 3 years. The revisions to domestic profits primarily resulted from the incorporation of revised 2003 and newly available 2004 IRS tabulations of corporate tax return data and of other data from regular sources. The revisions to rest-of-the-world profits resulted from the incorporation of the annual revision of the international transactions accounts.

Net interest and miscellaneous payments was revised down for all 3 years: \$3.8 billion for 2003, \$20.4 billion for 2004, and \$14.9 billion for 2005. The revisions were accounted for by revisions to net interest.¹³

For 2003, downward revisions to both monetary and imputed interest paid by domestic corporate

13. Net interest is calculated as the sum of monetary and imputed interest paid by domestic business, by owner-occupied housing, by nonprofit institutions serving households, and by the rest of the world, less monetary and imputed interest received by domestic business, by owner occupied-housing, and by the rest of the world.

business, a downward revision to imputed interest paid by the rest of the world, and an upward revision to imputed interest received by the rest of the world were partly offset by downward revisions to both monetary and imputed interest received by domestic corporate business, an upward revision to monetary interest paid by the rest of the world, and a downward revision to monetary interest received by the rest of the world.

For 2004, upward revisions to both monetary and imputed interest received by domestic business, an upward revision to imputed interest received by the rest of the world, and a downward revision to imputed interest paid by the rest of the world were partly offset by upward revisions to both monetary and imputed interest paid by domestic business, an upward revision to monetary interest paid by the rest of the world, and a downward revision to monetary interest received by the rest of the world.

For 2003 and 2004, the revisions to domestic monetary interest resulted from the incorporation of revised and newly available IRS tabulations of tax return data for corporations and for sole proprietorships and partnerships. The revisions to rest-of-the-world monetary interest resulted from the incorporation of the results of the annual revision of the international transactions accounts (ITAs). The revisions to imputed interest paid resulted from the incorporation of revised Federal Reserve Board (FRB) tabulations of commercial bank *Call Report* data, of newly available trade source data, and of the results of the annual revision of the ITAs. The revisions to imputed interest received resulted from the revisions to imputed interest paid, from the incorporation of revised data from the FRB flow of funds accounts on business deposits at commercial banks, and from the annual revision of the ITAs.

For 2005, the downward revision to net interest was attributable to the revisions to the 2004 levels and to newly incorporated regular source data from regulatory agencies, particularly data from the FRB flow of funds accounts.¹⁴

Taxes on production and imports was revised up for all 3 years: \$5.8 billion for 2003, \$11.2 billion for 2004, and \$19.3 billion for 2005. The revisions for all 3 years were primarily accounted for by revisions to state and local government property taxes and “other” taxes (largely business licenses and documentary and stamp taxes). Property taxes was revised up for all 3 years: \$4.4 billion for 2003, \$6.9 billion for 2004, and \$9.1 billion for 2005; “other” taxes was revised up for all 3 years by somewhat smaller amounts. The revisions re-

flect the incorporation of revised state government and local government data for 2003, of revised state government and newly available local government data for 2004, and of newly available state government data for 2005 from *Government Finances*.

Subsidies was revised up for all 3 years: \$1.2 billion for 2003, \$1.2 billion for 2004, and \$2.1 billion for 2005.

Business current transfer payments (net) consists of “transfer payments to persons (net),” “business transfer payments to government (net),” and “business transfer payments to the rest of the world (net).”

“Business current transfer payments (net)” was revised up \$2.2 billion for 2003, was revised down \$5.6 billion for 2004, and was revised down \$6.0 billion for 2005. For 2004, the revision was mostly accounted for by a downward revision to payments to persons—specifically, to net insurance settlements to persons—reflecting the incorporation of newly available trade source data on actual losses incurred and premiums earned. For 2005, the revision reflects downward revisions to payments to the rest of the world and to payments to government that were partly offset by an upward revision to payments to persons. The revisions to payments to the rest of the world reflect the incorporation of the annual revision of the ITAs. The revision to payments to government is attributable to several items, including tobacco-related payments, and reflects the incorporation of newly available data from several sources. The revision to payments to persons is attributable to net insurance settlements and several other items and reflects the incorporation of newly available source data and judgmental extrapolation from the revised estimates for 2004.

Current surplus of government enterprises was revised up \$0.4 billion for 2003, was revised down \$2.0 billion for 2004, and was revised down \$4.1 billion for 2005.

Net receipts of income from the rest of the world, which is excluded from GDI (and GDP) and is included in gross national income and gross national product (GNP), was revised down for all 3 years: \$11.3 billion for 2003, \$7.4 billion for 2004, and \$1.8 billion for 2005. For 2003 and 2004, the revisions reflect downward revisions to income receipts from the rest of the world and smaller upward revisions to income payments to the rest of the world. For 2005, the revision reflects an upward revision to income payments from the rest of the world that was partly offset by an upward revision to income receipts from the rest of the world.

The revisions for all 3 years are primarily attributable to the incorporation of the results of the annual revision of the ITAs. Specifically, the revised estimates

14. For 2005, the revision cannot be attributed to the same level of component detail as that for 2004, because for 2005, the previously published estimates were prepared at a less detailed level.

of income receipts primarily resulted from the incorporation of revised estimates of direct investment income receipts, reflecting the incorporation of updated source data. The revised estimates of income payments primarily resulted from the incorporation of updated source data.

As a result of the incorporation of the ITA revisions into the NIPAs at “best level,” the NIPA estimates for 2002 and for 2003 are discontinuous (table 7). For net receipts of income, the change from 2002 to 2003 was overstated by \$2.2 billion. The discontinuity was primarily accounted for by reinvested earnings of foreign direct investment in the United States and resulted from the incorporation of BEA’s benchmark survey data on foreign direct investment in the United States for 2002 as part of the annual revision of the ITAs. For GNP, which includes both net exports of goods and services and net receipts of income, the change was overstated by \$2.3 billion.

Gross national product was revised down for all 3 years: \$21.7 billion, or 0.2 percent, for 2003, \$29.3 billion, or 0.2 percent, for 2004, and \$33.1 billion, or 0.3 percent, for 2005. The revisions to GNP differ from those to GDP because of the revisions to net receipts of income.

Personal income and its disposition

Personal income was revised down \$5.5 billion for 2003, was revised up \$18.1 billion for 2004, and revised up \$1.5 billion for 2005. These revisions partly reflect the previously described revisions to the components of national income that are included in personal income—wage and salary disbursements, supplements to wages and salaries, proprietors’ income, and rental income of persons—and they reflect the revision to the component of personal income—personal income receipts on assets—that is derived from related components of national income. The revisions to personal income also reflect revisions to personal current transfer receipts and to contributions for government social insurance.

Compensation of employees, received was revised down for all 3 years: \$10.7 billion for 2003, \$22.3 billion for 2004, and \$82.8 billion for 2005. The difference between these revisions and those to “compensation of employees, paid” primarily reflect the exclusion of the adjustment “wage accruals less disbursements.”

Personal income receipts on assets consists of personal interest income and personal dividend income. Personal interest income consists of monetary and imputed interest received by persons from all sources; it is calculated as net interest plus interest paid by persons and interest paid by government less interest received

by government. Personal interest income was revised down for all 3 years: \$3.5 billion for 2003, \$15.1 billion for 2004, and \$0.7 billion for 2005. These revisions primarily reflect the revisions to net interest.

Personal dividend income consists of dividend income received by persons from all sources and is equal to net corporate dividends less dividends received by government. Personal dividend income was revised up for all 3 years: \$1.5 billion for 2003, \$46.5 billion for 2004, and \$62.7 billion for 2005. These revisions resulted from the incorporation of revised and newly available IRS tabulations of corporate tax return data, of the results from the annual revision of the ITAs, and of data from public financial statements.

Personal current transfer receipts consists of government social benefits and business current transfer payments to persons. Personal current transfer receipts was revised up \$7.0 billion for 2003, was revised down \$1.0 billion for 2004, and was revised up \$1.3 billion for 2005.

Government social benefits to persons was revised up \$3.2 billion for 2003, was revised up \$3.9 billion for 2004, and was revised down \$2.8 billion for 2005.

“Other current transfer receipts from business (net)” was revised up \$3.8 billion for 2003, was revised down \$4.9 billion for 2004, and was revised up \$4.1 billion for 2005.

Contributions for government social insurance are deducted in the calculation of personal income, and they consist of both personal and employer contributions. Contributions for government social insurance was revised up for all 3 years: \$2.0 billion for 2003, \$4.2 billion for 2004, and \$10.9 billion for 2005.

For 2005, Federal Government contributions for social insurance was revised up \$5.6 billion, reflecting the incorporation of newly available data on taxable wages from the Social Security Administration. State and local contributions for social insurance was revised up \$5.4 billion, primarily reflecting the incorporation of newly available data on state workers’ compensation from *Government Finances*.

Personal current taxes was revised up \$1.2 billion for 2003, was revised up \$0.7 billion for 2004, and was revised down \$4.6 billion for 2005. For 2005, the downward revision was more than accounted for by a downward revision to Federal income taxes that resulted from the incorporation of newly available data on personal income tax receipts from the Treasury Department.

Disposable personal income (DPI) was revised down \$6.7 billion for 2003, was revised up \$17.4 billion for 2004, and was revised up \$6.2 billion for 2005. The revisions reflect the revisions to personal income and to personal current taxes.

Personal outlays consists of PCE, personal interest payments, and personal current transfer payments. This aggregate was revised down for all 3 years: \$8.6 billion for 2003, \$5.3 billion for 2004, and \$1.2 billion for 2005. The revisions were primarily accounted for by revisions to PCE.

Personal saving—the difference between DPI and personal outlays—was revised up for all 3 years: \$2.1 billion for 2003, \$22.5 billion for 2004, and \$7.3 billion for 2005. For 2003, the revision mostly reflects the downward revision to personal outlays. For 2004 and 2005, the upward revisions reflect both the upward revisions to DPI and the downward revisions to personal outlays. Mainly reflecting the revisions to personal saving, the personal saving rate—personal saving as a percentage of DPI—was unrevised at 2.1 percent for 2003, was revised up from 1.8 percent to 2.0 percent for 2004, and was revised up from -0.5 percent to -0.4 percent for 2005.

Saving and investment

Gross saving consists of net saving and consumption of fixed capital (CFC). Net saving consists of net private saving and net government saving. Gross saving was revised down for all 3 years: \$15.1 billion for 2003, \$28.3 billion for 2004, and \$56.0 billion for 2005. Gross saving as a percentage of gross national income was revised down for all 3 years: 0.1 percentage point to 13.3 percent for 2003, 0.2 percentage point to 13.2 percent for 2004, and 0.4 percentage point to 13.0 percent for 2005.

For 2003, a downward revision to net saving was partly offset by an upward revision to CFC. The revision to net saving reflects a downward revision to net private saving that was partly offset by an upward revision to net government saving. The downward revision to net private saving primarily reflects a downward revision to undistributed corporate profits with IVA and CCAdj that was partly offset by an upward revision to the “wage accruals less disbursements” adjustment. The revision to net government saving reflects upward revisions to Federal Government net saving and to state and local government net saving.

For 2004, the downward revision reflects a downward revision to net saving; CFC was revised up slightly. The revision to net saving reflects a downward revision to net private saving that was partly offset by an upward revision to net government saving. In net private saving, downward revisions to undistributed corporate profits with IVA and CCAdj and to the “wage accruals less disbursements” adjustment were partly offset by an upward revision to personal saving. The revision to net government saving reflects an upward revision to Federal Government net saving that

was partly offset by a downward revision to state and local government net saving.

For 2005, a downward revision to net saving was partly offset by an upward revision to CFC. The revision to net saving reflects a downward revision to net private saving that was partly offset by an upward revision to net government saving. The revision to net private saving reflects a downward revision to undistributed corporate profits with IVA and CCAdj that was partly offset by an upward revision to personal saving. The revision to net government saving reflects an upward revision to Federal Government net saving that was partly offset by a downward revision to state and local government net saving.

“Net lending or net borrowing, NIPAs”—the difference between the sum of gross saving and the statistical discrepancy and the sum of gross domestic investment and capital account transactions (net)—was revised down \$7.8 billion for 2003, was revised up \$2.1 billion for 2004, and was revised up \$11.2 billion for 2005. For 2003, the revision reflects a downward revision to gross saving that was partly offset by a downward revision to gross domestic investment. For 2004, the revision primarily reflects a downward revision to gross domestic investment that was largely offset by downward revisions to gross saving and to the statistical discrepancy. For 2005, the revision reflects a downward revision to gross domestic investment and an upward revision to the statistical discrepancy that was partly offset by a downward revision to gross saving.

Annual price estimates

Revisions to the chain-type price indexes result from the incorporation of newly available and revised source data and from the regularly scheduled incorporation of annual weights for the most recent year (2005). In this annual revision, the source data for price indexes that are used for deflation and the source data that affect implicit prices were revised.¹⁵ The prices used for deflation also reflect updated seasonal factors. In addition, the chain-type price indexes for nonresidential structures were affected by the incorporation of a new price index for warehouse construction into the estimates (see “Changes in Methodology”).

The percent change from the preceding year in the price index for gross domestic purchases was revised up for all 3 years: 0.1 percentage point to 2.3 percent for 2003, 0.2 percentage point to 3.1 percent for 2004, and 0.3 percentage point to 3.5 percent for 2005 (see

15. The implicit prices are computed by dividing the current-dollar estimates by the chained-dollar estimates that are derived from the quantity data used in quantity extrapolation and direct valuation. Thus, differences between the current-dollar revisions and the chained-dollar revisions to these components are reflected as revisions to their implicit prices.

chart 1 and the addendum to table 8). The annual percent change in the price index for GDP was also revised up for all 3 years: 0.1 percentage point to 2.1 percent for 2003, 0.2 percentage point to 2.8 percent for 2004, and 0.2 percentage point to 3.0 percent for 2005.

For 2003, the upward revision to the price index for gross domestic purchases primarily reflects upward revisions to the price indexes for PCE for services and for state and local government spending. The revision to the price index for PCE for services was attributable to an upward revision to medical care services, reflecting an upward revision to the implicit price for medical and hospital insurance. The revision to the price index for state and local government spending was attributable to an upward revision to the implicit price for compensation—specifically, an upward revision to current-dollar compensation and a downward revision to total hours worked by state and local government employees.

For 2004, the revision to the price index for gross domestic purchases primarily reflects upward revisions to the price indexes for state and local government spending, for Federal defense spending, for residential fixed investment, and to PCE for services. The revision to the price index for state and local government spending reflects upward revisions to the implicit price

for compensation and to the price index for state and local government structures. The revision to the price index for Federal defense spending reflects an upward revision to compensation. The revision to the price index for residential fixed investment reflects an upward revision to the Census Bureau's price index for single-family structures. Within the price index for PCE for services, an upward revision to the price index for medical care (primarily medical and hospital insurance) was partly offset by a downward revision to the price index for personal business services (primarily "services furnished without payment by financial intermediaries except life insurance carriers").

For 2005, the revision to the price index for gross domestic purchases primarily reflects upward revisions to the price indexes for state and local government spending, for Federal defense spending, and for PCE for services. The revision to the price index for state and local government spending was attributable to upward revisions to the price index for state and local government structures and to the implicit price for compensation. The revision to the price index for Federal defense spending was attributable to an upward revision to compensation. The revision to the price index for PCE for services was mainly attributable to the price index for medical care services, primarily reflecting revised BLS producer price indexes.

Table 8. Revisions to Percent Change in GDP Price Indexes

[Percent change from preceding year]

	2002	2003			2004			2005		
		Previously published	Revised	Revision	Previously published	Revised	Revision	Previously published	Revised	Revision
Gross domestic product.....	1.7	2.0	2.1	0.1	2.6	2.8	0.2	2.8	3.0	0.2
Personal consumption expenditures.....	1.4	1.9	2.0	0.1	2.6	2.6	0.0	2.8	2.9	0.1
Durable goods	-2.4	-3.5	-3.6	-0.1	-1.9	-1.6	0.3	-0.5	-0.7	-0.2
Nondurable goods	0.5	2.0	2.0	0.0	3.3	3.3	0.0	3.7	3.6	-0.1
Services	2.7	3.0	3.2	0.2	3.2	3.2	0.0	3.1	3.2	0.1
Gross private domestic fixed investment	0.6	1.7	1.6	-0.1	3.2	3.4	0.2	3.1	3.5	0.4
Nonresidential.....	-0.2	0.3	0.1	-0.2	1.3	1.2	-0.1	2.1	2.6	0.5
Structures	4.4	3.5	3.5	0.0	5.5	6.2	0.7	10.1	11.3	1.2
Equipment and software	-1.8	-0.9	-1.1	-0.2	-0.1	-0.4	-0.3	-0.4	-0.4	0.0
Residential	2.5	4.8	4.8	0.0	6.7	7.3	0.6	4.8	5.1	0.3
Change in private inventories										
Net exports of goods and services.....										
Exports	-0.4	2.1	2.2	0.1	3.6	3.7	0.1	3.7	3.6	-0.1
Goods	-0.7	2.0	2.0	0.0	3.7	3.7	0.0	3.1	3.1	0.0
Services	0.4	2.5	2.6	0.1	3.1	3.5	0.4	5.0	4.8	-0.2
Imports.....	-1.2	3.4	3.5	0.1	5.0	5.0	0.0	6.1	6.3	0.2
Goods	-1.8	2.9	2.9	0.0	5.0	5.0	0.0	6.4	6.5	0.1
Services	1.7	5.8	6.3	0.5	4.9	5.1	0.2	4.6	5.4	0.8
Government consumption expenditures and gross investment.....	2.9	3.7	4.1	0.4	3.7	4.4	0.7	4.8	5.6	0.8
Federal.....	3.7	3.9	4.2	0.3	4.2	4.7	0.5	3.6	4.8	1.2
National defense	3.7	4.4	4.7	0.3	4.0	4.7	0.7	3.6	5.1	1.5
Nondefense.....	3.5	3.0	3.4	0.4	4.6	4.7	0.1	3.8	4.1	0.3
State and local.....	2.5	3.7	4.1	0.4	3.4	4.3	0.9	5.4	6.2	0.8
Addendum:										
Gross domestic purchases	1.6	2.2	2.3	0.1	2.9	3.1	0.2	3.2	3.5	0.3

Changes in Methodology

As part of the annual revision to the NIPAs, several changes in methodology were incorporated.¹⁶

Motor vehicles. The estimates of final sales and change in private inventories for new light trucks and utility vehicles reflect new trade source data on retail prices and on wholesale prices, beginning with the estimates for the first quarter of 2003. The data on retail prices are monthly dealer transactions prices that reflect all discounts and customer rebates. The data on wholesale prices used for the valuation of inventories reflect factory-to-dealer rebates. The use of these data is part of BEA's initiative to acquire and incorporate real-time data into the economic accounts in order to improve the accuracy and reliability of the estimates. Previously, the source data for retail prices were manufacturers' suggested retail prices, not transactions prices. For wholesale prices, the valuation data that were used previously were producer price indexes.

As part of the 2005 annual revision, BEA introduced similar changes in the valuation of unit sales and inventory change for new autos, beginning with the estimates for the first quarter of 2005. In this annual revision, those changes have been extended back and are incorporated in the estimates for the first quarter of 2003 forward.

The methodology used to prepare quarterly estimates of PCE for used motor vehicles has been changed. Net transactions—the wholesale value of net used vehicle purchases from other sectors—is now calculated from data on retail sales of used motor vehicle dealers from the Census Bureau. Because net transactions in used vehicles does not represent new production, purchases by persons are offset in the accounts by sales by business and by government and by the value of net exports and change in private inventories. (After accounting for scrappage, the sum of these transactions equals zero.) Previously, PCE for used motor vehicles was a residual estimate after accounting for the other related transactions.

Newly available quarterly data for services. As part of the 2005 annual revision, BEA began incorporating data from the Census Bureau's quarterly services survey into its estimates. Since then, the Census Bureau has expanded the coverage of the survey. Beginning with the estimates for the first quarter of 2005, BEA is now incorporating newly available data from the expanded survey into the quarterly estimates of PCE for services of proprietary hospitals, nonprofit hospitals, proprietary and government nursing homes, and non-

profit nursing homes.¹⁷ Previously, the monthly and quarterly estimates for hospitals and nursing homes were extrapolated using proxy data, such as BLS employment, hours, and earnings data, the BLS employment cost index for hospitals, and the Center for Medicare and Medicaid Services index of hospital input prices.¹⁸ As the Census Bureau's quarterly services survey expands to cover more industries, BEA will continue to incorporate the newly available quarterly data in order to improve the estimates of PCE for services.

Private investment in computers. The estimates of investment in computers in private investment in equipment and software are based on a commodity-flow method that takes account of domestic shipments, imports, and exports. This method now uses a new indicator for the interpolation and extrapolation of the quarterly estimates of domestic shipments. The new indicator is based on a weighted average of the percent change in the Federal Reserve Board's industrial production index (IPI) for computers and peripherals (75 percent) and of the percent change in the Census Bureau's Manufacturing Shipments (M3) of computers (25 percent).¹⁹ Previously, only the M3 data were used for the interpolation and extrapolation.

Friday paydays. As part of this annual revision, the estimates of wage and salary accruals reflect an adjustment for the number of Fridays in a given year. In 2003, there were 52 Fridays, and in 2004, there were 53 Fridays. As a result, some of the wages disbursed in 2004 were actually accrued in 2003. This adjustment appears in gross domestic income as "wage accruals less disbursements." The seasonally adjusted quarterly estimates also reflect the adjustment for Friday paydays. BEA will continue to monitor the effects of the number of Fridays in each year to determine future adjustments.

Warehouse construction prices. The estimates of nonresidential investment in warehouses for the first quarter of 2005 forward are now deflated using the newly available BLS output price index for "new warehouse building construction." This index is the first of several price indexes for the nonresidential building construction industry that are being developed by BLS. BEA will incorporate these indexes into the nonresidential construction estimates as they become available.²⁰

16. These changes update the methodological information in the two tables that were published in "Updated Summary NIPA Methodologies" in the November 2005 SURVEY; these tables will be updated in the November 2006 SURVEY.

17. The components of PCE for services that now incorporate data from the quarterly services survey account for about 10 percent of total PCE.

18. Monthly indicators will continue to be used to derive the monthly estimates before the survey data are available and to interpolate the monthly estimates when the survey data are available.

19. The IPI is converted to current dollars using a BEA price index.

20. More information on these new indexes is available on the BLS Web site at <www.bls.gov/ppi/ppinrb.htm>.

Federal government investment. As part of this annual revision, estimates of two components of Federal gross investment reflect adjustments to the quarterly pattern. The quarterly estimates of Air Force “other military equipment” are now interpolated from annual estimates based on Department of Defense financial data; previously, the quarterly estimates were based on quarterly financial data. In addition, nondefense vehicle investment is now seasonally adjusted.

NAPCS and improved estimates of PCE for services. The annual estimates of several components of PCE for services for 2005 forward now incorporate newly available revenue data based on the North American Product Classification System (NAPCS) from the Census Bureau’s service annual survey. The components consist of the following: Tax return preparation services, employment agency fees, “other purchased intercity transportation services,” spectator sports, live entertainment (excluding sports), and refuse collection services. The NAPCS-based revenue data better align with the component categories because the data reflect product detail. Previously, the data reflected industry detail. BEA will continue to incorporate the NAPCS-based data as they become avail-

able from the Census Bureau.²¹

Two new tables and two presentational changes. Two new tables and two presentational changes are introduced as part of this annual revision. Annual estimates of current receipts and expenditures for state governments will be presented in new NIPA table 3.20, and estimates for local governments in new NIPA table 3.21. Estimates for 1959 forward will be available on BEA’s Web site (see the box “Data Availability”).

Table 2.6, which presents monthly personal income and its disposition, will now show three additional items under “government social benefits to persons”: “Old-age, survivors, disability, and health insurance benefits,” “government unemployment benefits,” and “other.” Table 7.15, which shows the relation of net farm income in the NIPAs to net farm income published by the USDA, will include a “statistical differences” line that reflects updates to the USDA farm income estimates that have not yet been incorporated into the NIPAs.

21. More information on the service annual survey is available on the Census Bureau’s Web site at <help.econ.census.gov/BHS/SAS/About.html>. More information on NAPCS is available at <www.census.gov/eos/www/napcs/napcs.htm>.

Appendix A follows.

Appendix A. Revisions to the National Income and Product Accounts—Continues

[Billions of dollars]

	2003		2004		2005	
	Revised	Revision	Revised	Revision	Revised	Revision
Account 1. Domestic Income and Product Account						
Compensation of employees, paid	6,331.1	4.4	6,656.3	-37.1	7,036.6	-82.3
Wage and salary accruals	5,133.4	16.7	5,383.2	-12.0	5,671.1	-46.9
Disbursements	5,118.4	1.7	5,398.2	3.0	5,671.1	-46.9
Wage accruals less disbursements	15.0	15.0	-15.0	-15.0	0.0	0.0
Supplements to wages and salaries	1,197.7	-12.3	1,273.2	-24.9	1,365.5	-35.3
Taxes on production and imports	807.2	5.8	864.0	11.2	922.4	19.3
Less: Subsidies	47.9	1.2	44.7	1.2	57.3	2.1
Net operating surplus	2,485.1	-26.3	2,733.9	14.5	2,878.2	-13.1
Private enterprises	2,483.4	-26.7	2,738.9	16.5	2,893.6	-8.9
Current surplus of government enterprises	1.7	0.4	-5.0	-2.0	-15.4	-4.1
Consumption of fixed capital	1,336.5	5.2	1,436.2	0.9	1,604.8	30.7
Gross domestic income	10,912.0	-12.2	11,645.8	-11.7	12,384.8	-47.4
Statistical discrepancy	48.8	1.7	66.7	-10.1	71.0	16.0
GROSS DOMESTIC PRODUCT	10,960.8	-10.4	11,712.5	-21.8	12,455.8	-31.3
Personal consumption expenditures	7,703.6	-6.3	8,211.5	-2.8	8,742.4	-3.3
Durable goods	942.7	-7.4	986.3	-1.5	1,033.1	6.6
Nondurable goods	2,190.2	1.2	2,345.2	-23.1	2,539.3	-25.1
Services	4,570.8	0.0	4,880.1	21.9	5,170.0	15.1
Gross private domestic investment	1,664.1	-6.3	1,888.0	-40.1	2,057.4	-47.6
Fixed investment	1,649.8	-5.1	1,830.6	-42.0	2,036.2	-49.9
Nonresidential	1,077.4	-5.0	1,155.3	-43.5	1,265.7	-64.1
Structures	277.2	0.3	300.8	2.4	338.6	3.5
Equipment and software	800.2	-5.4	854.5	-45.9	927.1	-67.6
Residential	572.4	-0.1	675.3	1.5	770.4	14.1
Change in private inventories	14.3	-1.1	57.3	1.9	21.3	2.4
Net exports of goods and services	-499.4	1.5	-613.2	10.8	-716.7	9.8
Exports	1,040.8	-4.8	1,178.1	4.3	1,303.1	1.9
Imports	1,540.2	-6.3	1,791.4	-6.4	2,019.9	-7.8
Government consumption expenditures and gross investment	2,092.5	0.6	2,226.2	10.3	2,372.8	9.9
Federal	756.4	1.6	825.9	-1.7	878.3	0.6
National defense	497.2	0.5	551.2	-1.5	589.3	2.2
Nondefense	259.2	1.0	274.7	-0.2	289.0	-1.6
State and local	1,336.0	-1.1	1,400.3	12.0	1,494.4	9.2
GROSS DOMESTIC PRODUCT	10,960.8	-10.4	11,712.5	-21.8	12,455.8	-31.3
Account 2. Private Enterprise Income Account						
Income payments on assets	1,992.6	-12.0	2,221.5	39.1	2,552.4	.....
Interest and miscellaneous payments	1,909.0	-15.9	2,095.7	37.9	2,411.4	.....
Dividend payments to the rest of the world	68.9	1.2	69.8	1.4	81.8	5.5
Reinvested earnings on foreign direct investment in the United States	14.7	2.7	56.0	-0.2	59.2	6.9
Business current transfer payments (net)	83.8	2.2	85.5	-5.6	74.2	-6.0
To persons (net)	34.3	3.8	28.1	-4.9	45.7	4.1
To government (net)	47.9	-1.0	49.8	-1.7	30.1	-3.7
To the rest of the world (net)	1.7	-0.6	7.5	0.9	-1.6	-6.4
Proprietors' income with inventory valuation and capital consumption adjustments	811.3	1.1	911.1	21.5	970.7	32.0
Rental income of persons with capital consumption adjustment	133.0	1.3	127.0	-7.2	72.8	-0.1
Corporate profits with inventory valuation and capital consumption adjustments	993.1	-38.7	1,182.6	21.1	1,330.7	-21.2
Taxes on corporate income	243.3	11.2	300.1	29.0	399.3	21.2
To government	233.1	11.2	287.6	28.7	384.4	20.5
To the rest of the world	10.2	0.0	12.5	0.2	14.9	0.6
Profits after tax with inventory valuation and capital consumption adjustments	749.9	-49.8	882.5	-7.8	931.4	-42.4
Net dividends	424.7	1.5	539.5	46.5	576.9	62.7
Undistributed corporate profits with inventory valuation and capital consumption adjustments	325.1	-51.4	343.0	-54.3	354.5	-105.1
USES OF PRIVATE ENTERPRISE INCOME	4,013.8	-46.0	4,527.7	68.8	5,000.7	.....
Net operating surplus	2,483.4	-26.7	2,738.9	16.5	2,893.6	-8.9
Income receipts on assets	1,530.4	-19.3	1,788.8	52.4	2,107.1	.....
Interest	1,261.3	-12.6	1,486.7	59.8	1,769.1	.....
Dividend receipts from the rest of the world	100.9	3.4	116.7	12.4	320.0	38.6
Reinvested earnings on U.S. direct investment abroad	148.2	-10.0	185.4	-19.8	18.0	-34.8
SOURCES OF PRIVATE ENTERPRISE INCOME	4,013.8	-46.0	4,527.7	68.8	5,000.7	.....
Account 3. Personal Income and Outlay Account						
Personal current taxes	1,001.1	1.2	1,049.8	0.7	1,203.1	-4.6
Personal outlays	7,987.7	-8.6	8,507.2	-5.3	9,070.9	-1.2
Personal consumption expenditures	7,703.6	-6.3	8,211.5	-2.8	8,742.4	-3.3
Personal interest payments	182.5	-0.7	186.0	-0.7	209.4	3.5
Personal current transfer payments	101.5	-1.8	109.7	-1.8	119.2	-1.2
To government	61.3	-0.8	66.8	-1.8	72.0	-2.8
To the rest of the world (net)	40.2	-1.0	42.9	0.0	47.1	1.5
Personal saving	174.9	2.1	174.3	22.5	-34.8	7.3
PERSONAL TAXES, OUTLAYS, AND SAVING	9,163.6	-5.5	9,731.4	18.1	10,239.2	1.5
Compensation of employees, received	6,310.4	-10.7	6,665.3	-22.3	7,030.3	-82.8
Wage and salary disbursements	5,112.7	1.6	5,392.1	2.7	5,664.8	-47.5
Domestic	5,109.9	1.7	5,389.2	2.8	5,661.9	-47.3
Rest of the world	2.8	-0.2	2.9	-0.1	2.9	-0.1
Supplements to wages and salaries	1,197.7	-12.3	1,273.2	-24.9	1,365.5	-35.3
Employer contributions for employee pension and insurance funds	815.6	-14.4	866.1	-29.4	933.2	-41.8
Employer contributions for government social insurance	382.1	2.1	407.1	4.4	432.3	6.5
Proprietors' income with inventory valuation and capital consumption adjustments	811.3	1.1	911.1	21.5	970.7	32.0
Rental income of persons with capital consumption adjustment	133.0	1.3	127.0	-7.2	72.8	-0.1
Personal income receipts on assets	1,336.6	-2.1	1,427.9	31.4	1,519.4	62.0
Personal interest income	914.1	-3.5	890.8	-15.1	945.0	-0.7
Personal dividend income	422.6	1.5	537.1	46.5	574.4	62.7
Personal current transfer receipts	1,351.0	7.0	1,426.5	-1.0	1,526.6	1.3
Government social benefits	1,316.7	3.2	1,398.4	3.9	1,480.9	-2.8
From business (net)	34.3	3.8	28.1	-4.9	45.7	4.1
Less: Contributions for government social insurance	778.6	2.0	826.4	4.2	880.6	10.9
PERSONAL INCOME	9,163.6	-5.5	9,731.4	18.1	10,239.2	1.5

Appendix A. Revisions to the National Income and Product Accounts—Table Ends

[Billions of dollars]

	2003		2004		2005	
	Revised	Revision	Revised	Revision	Revised	Revision
Account 4. Government Receipts and Expenditures Account						
Consumption expenditures.....	1,736.5	-0.2	1,854.8	11.4	1,975.7	13.1
Current transfer payments.....	1,343.2	3.2	1,427.2	3.8	1,517.8	-0.3
Government social benefits.....	1,319.5	3.1	1,401.4	3.9	1,484.0	-3.0
To persons.....	1,316.7	3.2	1,398.4	3.9	1,480.9	-2.8
To the rest of the world.....	2.8	0.0	3.0	0.0	3.1	-0.2
Other current transfer payments to the rest of the world (net).....	23.6	0.0	25.9	0.0	33.9	2.8
Interest payments.....	300.6	-0.8	312.7	2.4	348.0	6.7
Subsidies.....	47.9	1.2	44.7	1.2	57.3	2.1
Less: Wage accruals less disbursements.....	0.0	0.0	0.0	0.0	0.0	0.0
Net government saving.....	-392.5	14.0	-394.9	17.4	-312.5	11.0
Federal.....	-372.1	10.6	-382.0	24.5	-309.2	17.3
State and local.....	-20.4	3.4	-12.9	-7.0	-3.3	-6.3
GOVERNMENT CURRENT EXPENDITURES AND NET SAVING.....	3,035.6	17.5	3,244.5	36.3	3,586.3	32.6
Current tax receipts.....	2,050.3	18.5	2,211.1	41.2	2,520.7	36.4
Personal current taxes.....	1,001.1	1.2	1,049.8	0.7	1,203.1	-4.6
Taxes on production and imports.....	807.2	5.8	864.0	11.2	922.4	19.3
Taxes on corporate income.....	233.1	11.2	287.6	28.7	384.4	20.5
Taxes from the rest of the world.....	8.9	0.4	9.7	0.5	10.8	1.2
Contributions for government social insurance.....	778.6	2.0	826.4	4.2	880.6	10.9
Income receipts on assets.....	95.8	-1.8	95.4	-3.6	98.3	-4.0
Interest and miscellaneous receipts.....	93.7	-1.7	93.0	-3.6	95.8	-4.0
Dividends.....	2.2	0.1	2.4	0.0	2.4	-0.1
Current transfer receipts.....	109.2	-1.7	116.6	-3.5	102.1	-6.5
From business (net).....	47.9	-1.0	49.8	-1.7	30.1	-3.7
From persons.....	61.3	-0.8	66.8	-1.8	72.0	-2.8
Current surplus of government enterprises.....	1.7	0.4	-5.0	-2.0	-15.4	-4.1
GOVERNMENT CURRENT RECEIPTS.....	3,035.6	17.5	3,244.5	36.3	3,586.3	32.6
Account 5. Foreign Transactions Current Account						
Exports of goods and services.....	1,040.8	-4.8	1,178.1	4.3	1,303.1	1.9
Income receipts from the rest of the world.....	336.8	-6.9	410.2	-5.2	513.3	5.7
Wage and salary receipts.....	2.8	-0.2	2.9	-0.1	2.9	-0.1
Income receipts on assets.....	334.0	-6.7	407.3	-5.1	510.4	5.8
Interest.....	84.9	-0.1	105.3	2.4	172.4	2.0
Dividends.....	100.9	3.4	116.7	12.4	320.0	38.6
Reinvested earnings on U.S. direct investment abroad.....	148.2	-10.0	185.4	-19.8	18.0	-34.8
CURRENT RECEIPTS FROM THE REST OF THE WORLD.....	1,377.6	-11.7	1,588.3	-0.9	1,816.5	7.7
Imports of goods and services.....	1,540.2	-6.3	1,791.4	-6.4	2,019.9	-7.8
Income payments to the rest of the world.....	280.0	4.4	363.9	2.2	481.5	7.5
Wage and salary payments.....	8.5	0.0	8.9	0.1	9.2	0.4
Income payments on assets.....	271.4	4.3	355.0	2.2	472.2	7.0
Interest.....	187.8	0.4	229.2	1.0	331.2	-5.4
Dividends.....	68.9	1.2	69.8	1.4	81.8	5.5
Reinvested earnings on foreign direct investment in the United States.....	14.7	2.7	56.0	-0.2	59.2	6.9
Current taxes and transfer payments to the rest of the world (net).....	69.7	-2.0	82.1	0.6	86.6	-2.8
From persons (net).....	40.2	-1.0	42.9	0.0	47.1	1.5
From government (net).....	17.6	-0.4	19.2	-0.5	26.1	1.3
From business (net).....	11.9	-0.5	20.0	1.1	13.3	-5.8
Balance on current account, national income and product accounts.....	-512.3	-7.8	-649.1	2.6	-771.4	10.9
CURRENT PAYMENTS TO THE REST OF THE WORLD AND BALANCE ON CURRENT ACCOUNT.....	1,377.6	-11.7	1,588.3	-0.9	1,816.5	7.7
Account 6. Domestic Capital Account						
Gross domestic investment.....	2,020.0	-5.6	2,259.4	-41.2	2,454.5	-50.8
Private fixed investment.....	1,649.8	-5.1	1,830.6	-42.0	2,036.2	-49.9
Government fixed investment.....	356.0	0.7	371.4	-1.1	397.1	-3.2
Change in private inventories.....	14.3	-1.1	57.3	1.9	21.3	2.4
Capital account transactions (net).....	3.2	0.0	2.3	0.7	4.4	-0.3
Net lending or net borrowing (-), national income and product accounts.....	-515.5	-7.8	-651.3	2.1	-775.8	11.2
GROSS DOMESTIC INVESTMENT, CAPITAL ACCOUNT TRANSACTIONS, AND NET LENDING.....	1,507.8	-13.3	1,610.3	-38.6	1,683.1	-39.9
Net saving.....	122.5	-20.2	107.5	-29.3	7.2	-86.7
Personal saving.....	174.9	2.1	174.3	22.5	-34.8	7.3
Undistributed corporate profits with inventory valuation and capital consumption adjustments.....	325.1	-51.4	343.0	-54.3	354.5	-105.1
Wage accruals less disbursements (private).....	15.0	15.0	-15.0	-15.0	0.0	0.0
Net government saving.....	-392.5	14.0	-394.9	17.4	-312.5	11.0
Plus: Consumption of fixed capital.....	1,336.5	5.2	1,436.2	0.9	1,604.8	30.7
Private.....	1,118.3	5.5	1,205.4	-0.8	1,352.6	25.6
Government.....	218.2	-0.3	230.8	1.7	252.2	5.2
General government.....	183.2	-0.3	192.7	0.7	207.2	3.7
Government enterprises.....	35.0	-0.1	38.0	0.8	45.1	1.6
Equals: Gross saving.....	1,459.0	-15.1	1,543.7	-28.3	1,612.0	-56.0
Statistical discrepancy.....	48.8	1.7	66.7	-10.1	71.0	16.0
GROSS SAVING AND STATISTICAL DISCREPANCY.....	1,507.8	-13.3	1,610.3	-38.6	1,683.1	-39.9
Account 7. Foreign Transactions Capital Account						
BALANCE ON CURRENT ACCOUNT, NATIONAL INCOME AND PRODUCT ACCOUNTS.....	-512.3	-7.8	-649.1	2.6	-771.4	10.9
Capital account transactions (net).....	3.2	0.0	2.3	0.7	4.4	-0.3
Net lending or net borrowing (-), national income and product accounts.....	-515.5	-7.8	-651.3	2.1	-775.8	11.2
CAPITAL ACCOUNT TRANSACTIONS (NET) AND NET LENDING, NATIONAL INCOME AND PRODUCT ACCOUNTS.....	-512.3	-7.8	-649.1	2.6	-771.4	10.9