

B U S I N E S S S I T U A T I O N

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REAL GROSS domestic product (GDP) increased 3.7 percent in the fourth quarter of 1997, according to the "final" estimates of the national income and product accounts (NIPAs) (chart 1).¹ The acceleration from the 3.1-percent increase in the third quarter was more than accounted for by upturns in business inventory investment and in net exports. In contrast, consumer spending and government spending increased less than in the third quarter, and business fixed investment turned down (table 1).

The "final" estimate of the change in real GDP is 0.2 percentage point lower than the 3.9-percent increase indicated by the "preliminary" estimate reported in the March "Business Situation" (table 2). The revision is slightly less than the average revision—0.3 percentage point, without regard to the sign—from the preliminary to the final estimate for 1976–97. Downward revisions to consumer spending and net exports more than offset an upward revision to business fixed investment. In consumer spending, the largest revision was to services and primarily reflected the incorporation of newly available data on hospital expenses and on residential gas sales. In net exports, the incorporation of revised data on trade in goods and services, resulted in a slightly larger downward revision to exports than to imports. The revisions to both exports and imports were mostly to services. In business fixed investment, the upward revision was mostly to producers' durable equipment, reflecting the incorporation of revised data for shipments of commercial aircraft.

1. Quarterly estimates in the NIPAs are expressed at seasonally adjusted annual rates unless otherwise specified. Quarter-to-quarter dollar changes are differences between published estimates. Quarter-to-quarter percent changes are annualized and are calculated from unrounded data. Real estimates are expressed in chained (1992) dollars, and price indexes are chain-type indexes.

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

[Seasonally adjusted at annual rates]

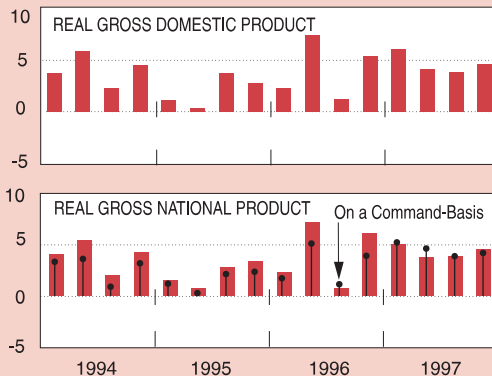
	Billions of chained (1992) dollars					Percent change from preceding quarter			
	Level	Change from preceding quarter				1997			
		1997				I	II	III	IV
	IV	I	II	III	IV				
Gross domestic product	7,280.0	84.2	58.0	54.4	66.0	4.9	3.3	3.1	3.7
Less: Exports of goods and services	992.7	21.6	39.8	10.5	19.7	9.9	18.4	4.4	8.3
Plus: Imports of goods and services	1,151.8	42.3	50.2	38.0	14.7	17.9	20.5	14.6	5.3
Equals: Gross domestic purchases	7,426.1	102.5	66.0	77.7	61.5	5.9	3.7	4.3	3.4
Personal consumption expenditures	4,926.1	61.7	11.3	66.8	29.9	5.3	.9	5.6	2.5
Durable goods	659.3	20.7	-8.8	27.1	3.2	14.1	-5.4	18.4	1.9
Nondurable goods	1,460.9	16.6	-7.8	15.5	-4.6	4.7	-2.1	4.3	-1.2
Services	2,806.4	25.7	25.9	26.3	30.3	3.9	3.9	3.9	4.4
Gross private domestic fixed investment	1,154.6	10.3	32.4	37.9	5.3	3.9	12.6	14.4	1.8
Nonresidential fixed investment	872.7	8.1	28.1	37.5	-1.8	4.1	14.6	19.2	-8
Structures	195.5	-1.0	-2.4	3.2	-1.2	-2.1	-4.7	6.7	-2.3
Producers' durable equipment	684.8	9.9	32.7	36.0	-5	6.7	23.0	24.1	-3
Residential investment	286.3	2.2	4.9	1.9	6.2	3.3	7.4	2.7	9.1
Change in business inventories	74.0	30.8	13.9	-30.1	26.5	.....	.....	.....	.....
Nonfarm	64.5	31.8	11.8	-31.8	26.2	.....	.....	.....	.....
Farm	9.8	-1.1	2.2	2.0	.3	.....	.....	.....	.....
Government consumption expenditures and gross investment	1,274.4	-1.3	9.6	3.3	1.0	-4	3.1	1.1	.3
Federal	456.1	-6.8	7.3	-1.3	-2.7	-5.8	6.6	-1.1	-2.3
National defense	311.1	-9.7	5.5	.9	.8	-11.8	7.5	1.2	1.0
Nondefense	144.8	2.8	1.7	-2.2	-3.2	8.0	4.9	-5.7	-8.6
State and local	818.3	5.4	2.4	4.6	3.6	2.7	1.2	2.3	1.8
Addenda:									
Final sales to domestic purchasers	7,346.9	70.4	51.6	106.2	36.0	4.0	2.9	6.0	2.0
Final sales of domestic product	7,201.1	52.4	43.6	82.6	44.2	3.0	2.5	4.7	2.3

NOTE.—Chained (1992) dollar series are calculated as the product of the chain-type quantity index and the 1992 current-dollar value of the corresponding series, divided by 100. Because the formula for the chain-type quantity indexes uses weights of more than one period, the corresponding chained-dollar estimates usually are not additive. Chained (1992) dollar levels and residuals, which measure the extent of nonadditivity in each table, are in NIPA tables 1.2, 1.4, and 1.6. Percent changes are calculated from unrounded data. Percent changes in major aggregates are shown in NIPA table 8.1.

CHART 1

Selected Product Measures: Change From Preceding Quarter

Percent



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

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

Real final sales of domestic product increased 2.3 percent in the fourth quarter, 0.2 percentage point less than the preliminary estimate.² The revision was the same as that to GDP because business inventory investment was unrevised. Real gross domestic purchases increased 3.4 percent, 0.1 percentage point less than the preliminary estimate.

The price index for gross domestic purchases increased 1.4 percent in the fourth quarter, the same as the preliminary estimate; the index increased 1.3 percent in the third quarter. The price index for GDP increased 1.4 percent in the fourth quarter, the same as the preliminary estimate; the index increased 1.4 percent in the third quarter.

2. Final sales of domestic product equals GDP less change in business inventories.

**Table 2.—Revisions to Real Gross Domestic Product and Prices,
Fourth Quarter 1997**

[Seasonally adjusted at annual rates]

	Percent change from preceding quarter		Final estimate minus preliminary estimate	
	Preliminary estimate	Final estimate	Percentage points	Billions of chained (1992) dollars
Gross domestic product	3.9	3.7	-0.2	-3.3
Less: Exports of goods and services	10.0	8.3	-1.7	-3.7
Goods	14.5	14.1	-4	-7
Services	-8	-5.1	-4.3	-2.7
Plus: Imports of goods and services	6.4	5.3	-1.1	-3.1
Goods	6.6	6.2	-4	-8
Services	5.4	.3	-5.1	-2.1
Equals: Gross domestic purchases	3.5	3.4	-1	-2.6
Personal consumption expenditures	3.1	2.5	-6	-7.4
Durable goods	1.7	1.9	.2	.4
Nondurable goods	-1.0	-1.2	-.2	-1.0
Services	5.4	4.4	-1.0	-6.5
Fixed investment	0	1.8	1.8	5.4
Nonresidential	-3.5	-8	2.7	6.1
Structures	-4.3	-2.3	2.0	1.0
Producers' durable equipment	-3.3	-3	3.0	5.1
Residential	9.7	9.1	-6	-4
Change in business inventories				0
Nonfarm .....				.1
Farm				0
Government consumption expenditures and gross investment .....	.4	.3	-.1	-.3
Federal	-2.1	-2.3	-.2	-.3
National defense	1.3	1.0	-.3	-.2
Nondefense	-8.6	-8.6	0	0
State and local	1.8	1.8	0	0
Addenda:				
Final sales of domestic product	2.5	2.3	-.2	-3.4
Gross domestic purchases price index ¹	1.4	1.4	0	.....
GDP price index ¹	1.4	1.4	0	.....

1. Based on chained-type annual (1992) weights.

NOTE.—The final estimates for the fourth quarter of 1997 incorporate the following revised or additional major source data that were not available when the preliminary estimates were prepared.

Personal consumption expenditures: Revised retail sales for December, revised consumer price indexes for October through December, hospital expenses for October and November, and residential volume gas sales for November.

Nonresidential fixed investment: Revised construction put in place for November and December and revised manufacturers' shipments of machinery and equipment for December.

Residential fixed investment: Revised construction put in place for November and December.

Change in business inventories: Revised manufacturing and trade inventories for December.

Exports and imports of goods and services: Revised data on exports and imports of goods for December and revised balance-of-payments data on exports and imports of services for the fourth quarter.

Government consumption expenditures and gross investment: Revised State and local construction put in place for November and December.

Wages and salaries: Revised employment, average hourly earnings, and average weekly hours for December.

GDP prices: Revised export and import prices for September through December and revised prices of single-family homes under construction for November and December.

Real disposable personal income increased 4.5 percent, the same as the preliminary estimate. The personal saving rate was 3.9 percent, 0.1 percentage point more than the preliminary estimate.

Gross national product (GNP).—Real GNP—goods and services produced by labor and property supplied by U.S. residents—increased 3.6 percent in the fourth quarter, 0.1 percentage point less than real GDP (table 3).³ Receipts of factor income from the rest of the world changed little, and payments of factor income increased; interest income more than accounted for the increase in payments.

Real GNP on a command basis—a measure of the goods and services produced by the U.S. economy in terms of their purchasing power—increased the same as real GNP—3.6 percent—reflecting no change in the terms of trade.⁴

3. For the fourth quarter, estimates of gross national product and corporate profits are released only with the final GDP estimates. GNP equals GDP plus receipts of factor income from the rest of the world less payments of factor income to the rest of the world.

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

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

Table 3.—Relation of Real Gross Domestic Product, Real Gross National Product, and Real Command-Basis Gross National Product

[Seasonally adjusted at annual rates]

	Billions of chained (1992) dollars			Percent change from preceding quarter	
	Level	Change from preceding quarter		1997	
		1997	1997		III	IV
		IV	III	IV	
Gross domestic product	7,280.0	54.4	66.0	3.1	3.7
Plus: Receipts of factor income from the rest of the world	242.0	6.2	-.5	10.9	-.7
Less: Payments of factor income to the rest of the world	258.7	6.1	1.8	10.1	2.9
Equals: Gross national product	7,262.6	54.4	63.8	3.1	3.6
Less: Exports of goods and services and receipts of factor income from the rest of the world	1,234.7	17.1	18.7	5.8	6.3
Plus: Command-basis exports of goods and services and receipts of factor income	1,281.3	20.2	19.4	6.7	6.3
Equals: Command-basis gross national product	7,309.3	57.6	64.5	3.2	3.6
Addendum:					
Terms of trade ¹	103.8	.2	0	.8	0

1. Ratio of the implicit price deflator for the sum of exports of goods and services and of receipts of factor income to the corresponding implicit price deflator for imports with the decimal point shifted two places to the right.

NOTE.—Levels of these series are found in NIPA tables 1.10 and 1.11.

In the third quarter, command-basis GNP increased slightly more than real GNP—3.2 percent, compared with 3.1 percent—reflecting a slight improvement in the terms of trade.

Corporate Profits

Profits from current production—profits excluding nonoperating income such as capital gains (loses) and special charges—decreased \$9.2 billion in the fourth quarter after increasing \$32.2 billion in the third (table 4).⁵

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

5. Profits from current production is estimated as the sum of profits before tax, the inventory valuation adjustment, and the capital consumption adjustment; it is shown in NIPA tables 1.9, 1.14, 1.16, and 6.16C in the "Selected NIPA Tables" that begin on page D-2 as corporate profits with inventory

Profits of domestic industries decreased \$5.7 billion after increasing \$33.1 billion. Profits of domestic nonfinancial corporations decreased \$10.7 billion after increasing \$31.5 billion, primarily reflecting a downturn in profits per unit; this downturn, in turn, reflected an upturn in unit labor costs and little change in prices. Profits of domestic financial corporations increased \$5.0 billion after increasing \$1.6 billion. Profits from the rest of the world decreased \$3.6 billion after decreasing \$0.9 billion; receipts turned down more sharply than payments.⁶

Cash flow from current production, a profits-related measure of internally generated funds available for investment, decreased \$4.5 billion after increasing \$17.7 billion. The ratio of cash flow to nonresidential fixed investment, an indicator of the share of the current level of investment that could be financed by internally generated funds, slipped slightly to 81.0 percent from 81.2 percent. The ratio remains in the lower part of the range in which it has fluctuated during most of this decade.

Table 4.—Corporate Profits

[Quarterly estimates seasonally adjusted at annual rates]

	Level			Change from preceding quarter		
	1997			1997		
	IV			1996		
	1997		1997		1997	
	III	IV	1996	1997		
Billions of dollars						
Profits from current production	818.1	32.2	-9.2	805.0	85.9	69.1
Domestic industries	721.8	33.1	-5.7	706.5	76.8	66.5
Financial	114.3	1.6	5.0	109.5	5.5	15.3
Nonfinancial	607.5	31.5	-10.7	596.9	71.2	51.1
Rest of the world	96.3	-9	-3.6	98.6	9.2	2.7
Receipts (inflows)	145.0	2.2	-5.5	145.9	12.5	13.2
Payments (outflows)	48.7	3.1	-1.9	47.3	3.2	10.6
IVA	9.2	-2.3	5.6	5.5	21.8	8.0
CCAdj	71.6	.9	1.3	69.7	10.2	7.9
Profits before tax	737.3	33.6	-16.1	729.8	54.0	53.2
Profits tax liability	253.6	13.7	-4.6	249.4	15.8	20.4
Profits after tax	483.7	19.9	-11.5	480.3	38.2	32.7
Cash flow from current production	703.4	17.7	-4.5	695.1	53.0	40.8
Profits by industry:						
Corporate profits with IVA	746.5	31.4	-10.6	735.3	75.7	61.2
Domestic industries	650.2	32.3	-7.0	636.7	66.5	58.5
Financial	124.5	1.9	5.1	119.5	5.9	16.0
Nonfinancial	525.7	30.4	-12.1	517.2	60.6	42.5
Manufacturing	229.0	19.4	-11.4	224.7	24.2	19.2
Transportation and public utilities	91.5	4	1.5	90.7	5.3	-1.0
Wholesale trade	51.7	4.6	-2.4	51.1	11.4	12.8
Retail trade	55.2	3.0	-2.7	55.8	7.0	6.9
Other	98.2	2.9	2.9	95.0	12.7	4.7
Rest of the world	96.3	-9	-3.6	98.6	9.2	2.7
Dollars						
Unit price, costs, and profits of nonfinancial corporations:						
Unit price	1.073	0	.001	1.072	.013	.008
Unit labor cost .....	.702	-.003	.007	.698	.003	.009
Unit nonlabor cost .....	.227	-.001	-.001	.229	-.002	-.003
Unit profits from current production .....	.145	.005	-.004	.145	.012	.005

Industry profits.—Industry profits decreased \$10.6 billion after increasing \$31.4 billion.⁷ The downturn was accounted for by domestic nonfinancial corporations. Most manufacturing industries contributed to the downturn; however, food and kindred products increased more in the fourth quarter than in the third. Wholesale trade and retail trade also turned down. In contrast, transportation and public utilities increased more in the fourth quarter than in the third. "Other" nonfinancial corporations increased the same amount as in the third quarter.

Related measures.—Profits before tax (PBT) decreased \$16.1 billion after increasing \$33.6 billion. The difference between the \$16.1 decrease in PBT and the \$9.2 billion decrease in profits from current production mainly reflected larger negative inventory profits in the fourth quarter than in the third.⁸

valuation and capital consumption adjustments. These adjustments convert inventory withdrawals and depreciation charges reported to businesses to a current-replacement-cost basis.

6. Profits from the rest of the world is calculated as (1) receipts by U.S. residents of earnings from their foreign affiliates plus dividends received by U.S. residents from unaffiliated foreign corporations minus (2) payments by U.S. affiliates of earnings to their foreign parents plus dividends paid by U.S. corporations to unaffiliated foreign residents. These estimates are derived from BEA's international transactions accounts.

7. Industry profits, which are estimated as the sum of corporate profits before tax and the inventory valuation adjustment, are shown in NIPA table 6.16C (on page D-16). Estimates of the capital consumption adjustment do not exist at a detailed industry level; they are available only for total financial and total nonfinancial industries.

8. As prices change, companies that value inventory withdrawals at original acquisition (historical) costs may realize inventory profits or losses. Inventory profits—a capital-gains-like element in profits—result from an

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

IVA Inventory valuation adjustment
CCAdj Capital consumption adjustment

The year 1997.—For the year 1997, profits from current production increased \$69.1 billion (or 9.4 percent) to a level of \$805.0 billion; in 1996, the increase was \$85.9 billion (13.2 percent). Profits of domestic nonfinancial corporations increased \$51.1 billion after increasing \$71.2 billion, reflecting a slowdown in profits per unit; the slowdown in unit profits, in turn, reflected a slowdown in unit prices and a step-up in unit labor costs. The foreign component of profits also increased less than in 1997, \$2.7 billion, than in 1996, \$9.2 billion. In contrast to these slowdowns, profits of domestic financial corporations increased \$15.3 billion after increasing \$5.5 billion.

Industry profits increased \$61.2 billion after increasing \$75.7 billion. The slowdown was more than accounted for by domestic nonfinancial corporations. Profits in the transportation and utilities group turned down, and profits in manufacturing and in “other” nonfinancial corporations increased less than in 1996.

PBT increased \$53.2 billion, about the same amount as in 1996. Inventory profits—the main difference between PBT and profits from current production—turned negative for the first time since 1991.

Government Sector

The combined current surplus, which measures the net saving of the Federal Government and State and local governments, decreased \$2.6 billion in the fourth quarter, to \$98.0 billion (table 5).⁹ The fourth-quarter decrease in the fiscal position of the government sector was the first since the third quarter of 1995. The decrease was equally attributable to an increase in the Federal Government deficit and a decrease in the State and local government surplus.¹⁰

Federal

The Federal Government current deficit increased \$1.3 billion, to \$12.1 billion, in the fourth quarter, the first increase in seven quarters. The deficit decreased \$26.0 billion in the third quarter.

increase in inventory prices, and inventory losses—a capital-loss-like element in profits—result from a decrease in inventory prices. In the NIPA's, inventory profits or losses are shown as adjustments to business income (corporate profits and proprietors' income); they are shown as the inventory valuation adjustment with the sign reversed.

9. Net government saving equals gross saving less consumption of fixed capital.

10. The NIPA estimates for the government sector are derived from financial statements for the Federal Government and for State and local governments but differ from them in several respects. The major differences are shown in NIPA tables 3.18B and 3.19, which reconcile the NIPA estimates with government financial statements; these tables were published in the October 1997 SURVEY OF CURRENT BUSINESS on pages 11–13.

Receipts.—Federal receipts increased \$25.6 billion in the fourth quarter after increasing \$32.5 billion in the third. The deceleration resulted from a downturn in corporate profits tax accruals that more than offset accelerations in personal tax and nontax receipts and contributions for social insurance.

Corporate profits tax accruals decreased \$3.8 billion after increasing \$11.6 billion; the downturn reflected the downturn in domestic corporate profits.

Indirect business tax and nontax accruals decreased \$0.1 billion after increasing \$0.2 billion. Customs duties turned down, but excise taxes accelerated. Within excise taxes, air transport taxes increased \$1.5 billion after increasing \$0.3 billion, as a result of several provisions of the Taxpayer Relief Act of 1997 that became effective October 1.

Personal tax and nontax receipts increased \$19.1 billion after increasing \$14.0 billion. Receipts from income taxes increased \$18.4 billion after increasing \$14.4 billion; the acceleration was more than accounted for by an acceleration in withheld income taxes, reflecting higher growth in wage and salary disbursements. “Estimated income tax payments and final settlements, less refunds” increased \$1.5 billion after increasing \$4.3 billion. Estate and gift taxes increased \$0.7 billion after decreasing \$0.4 billion.

Contributions for social insurance increased \$10.4 billion after increasing \$6.7 billion. Reflecting stronger fourth-quarter wage and salary disbursements, contributions to the old-age, survivors, disability and hospital insurance and to the State unemployment insurance trust funds increased \$10.2 billion after increasing \$6.1 billion.

Current expenditures.—Current expenditures increased \$26.9 billion in the fourth quarter after increasing \$6.6 billion in the third. The acceleration was mostly accounted for by step-ups in transfer payments (net), in grants-in-aid to State and local governments, and in consumption expenditures.

Transfer payments (net) increased \$15.7 billion after increasing \$3.1 billion. Transfer payments to the rest of the world increased \$11.6 billion after decreasing \$0.8 billion; the upturn was accounted for by the yearly payment to Israel of \$3.0 billion—\$12.0 billion at an annual rate—in economic support and other payments. Transfer payments to persons increased \$4.1 billion after increasing \$4.0 billion.

Grants-in-aid to State and local governments increased \$6.4 billion after increasing \$1.7 billion. The acceleration was accounted for by upturns in

grants for medicaid, health care, and family assistance that were only partly offset by downturns in grants for education, mass transit, highways, and other programs.

Consumption expenditures increased \$3.7 billion after increasing \$0.5 billion. Expenditures for national defense increased \$2.8 billion after increasing \$0.3 billion; the acceleration was primarily accounted for by an upturn in expenditures for durable goods, mainly for aircraft parts and for parts of other military durable goods. Nondefense expenditures increased \$0.9 billion after increasing \$0.2 billion.

Subsidies less current surplus of government enterprises increased \$1.1 billion after decreasing \$0.2 billion. The upturn was mostly accounted for by a downturn in the surplus of government enterprises.

Net interest paid increased \$0.1 billion after increasing \$1.4 billion. The deceleration was mainly accounted for by an upturn in gross interest received from persons, business, and the rest of the world, which increased \$0.2 billion after decreasing \$0.7 billion.

State and local

The State and local government current surplus decreased \$1.3 billion, to \$110.1 billion, in the fourth quarter after increasing \$6.5 billion in the third. The downturn was mostly attributable to a deceleration in receipts.

Receipts increased \$12.6 billion after increasing \$19.1 billion. The deceleration was more than accounted for by a deceleration in indirect business tax and nontax accruals and a downturn in corporate profits tax accruals.

Indirect business tax and nontax accruals increased \$0.5 billion after increasing \$9.0 billion; the deceleration was more than accounted for by a downturn in "other tax and nontax accruals" and a deceleration in sales taxes. "Other tax and nontax accruals" decreased \$2.8 billion after increasing \$4.6 billion; these accruals had been boosted in the third quarter by a payment of \$0.92 billion— or \$3.7 billion at an annual rate—to two States by tobacco companies as out-of-court settlements of lawsuits. Sales taxes increased \$0.9 billion after increasing \$2.8 billion; the deceleration primarily reflected a deceleration in retail sales.

Corporate profits tax accruals decreased \$0.8 billion after increasing \$2.1 billion; the downturn reflected the downturn in domestic corporate profits. As previously noted, Federal

grants-in-aid increased \$6.4 billion after increasing \$1.7 billion. Personal tax and nontax receipts increased \$5.0 billion after increasing \$4.8 billion.

Current expenditures increased \$13.8 billion after increasing \$12.6 billion. The acceleration was more than accounted for by consumption expenditures, which increased \$10.3 billion after increasing \$8.7 billion, largely because of accelerations in "other" services and in nondurable goods. Transfer payments to persons increased \$4.7 billion after increasing \$4.5 billion.

Table 5.—Government Sector Receipts and Current Expenditures

[Billions of dollars, seasonally adjusted at annual rates]

	Level		Change from preceding quarter			
	1997	1996	1997			
	IV	IV	I	II	III	IV
Government sector						
Receipts	2,648.5	52.3	47.6	40.2	49.9	31.8
Current expenditures	2,550.5	32.2	21.6	21.3	17.4	34.4
Current surplus or deficit(-)	98.0	20.1	26.0	18.9	32.5	-2.6
Social insurance funds	142.8	2.3	-2.1	2.1	3.8	7.0
Other	-44.8	17.8	28.1	16.8	28.8	-9.7
Federal Government						
Receipts	1,767.4	43.0	33.7	34.0	32.5	25.6
Personal tax and nontax receipts	801.0	21.8	29.4	21.0	14.0	19.1
Corporate profits tax accruals	215.5	-4.7	12.9	2.8	11.6	-3.8
Indirect business tax and nontax accruals	92.3	18.7	-22.0	4.0	.2	-1
Contributions for social insurance	658.6	7.2	13.3	6.2	6.7	10.4
Current expenditures	1,779.5	20.6	12.0	15.2	6.6	26.9
Consumption expenditures	468.4	-4	4.4	6.2	.5	3.7
National defense	314.4	-1.7	-1.2	4.9	.3	2.8
Nondefense	154.0	1.4	5.7	1.2	.2	.9
Transfer payments (net)	810.2	15.8	8.6	5.5	3.1	15.7
To persons	788.6	4.7	21.1	5.0	4.0	4.1
To the rest of the world	21.6	11.0	-12.4	.3	-8	11.6
Grants-in-aid to State and local governments	230.6	-1.2	2.1	2.9	1.7	6.4
Net interest paid	231.3	5.2	-2.9	0.9	1.4	.1
Subsidies less current surplus of government enterprises	39.0	1.1	-1	-3	-2	1.1
Subsidies	34.5	.3	.4	.5	0	.2
Of which: Agricultural subsidies	8.0	1	.0	.1	0	.5
Less: Current surplus of government enterprises	-4.5	-9	4	.8	.3	-9
Less: Wage accruals less disbursements	0	0	0	0	0	0
Current surplus or deficit (-)	-12.1	22.4	21.6	18.7	26.0	-1.3
Social insurance funds	71.3	2.4	-1.9	1.7	4.0	6.9
Other	-83.4	20.1	23.5	17.0	22.0	-8.2
State and local governments						
Receipts	1,111.7	8.2	16.0	9.1	19.1	12.6
Personal tax and nontax receipts	221.1	3.4	3.6	2.6	4.8	5.0
Corporate profits tax accruals	38.1	-9	2.4	.4	2.1	-8
Indirect business tax and nontax accruals	533.5	5.7	6.9	2.0	9.0	.5
Contributions for social insurance	88.4	1.1	1.1	1.2	1.4	1.6
Federal grants-in-aid	230.6	-1.2	2.1	2.9	1.7	6.4
Current expenditures	1,001.5	10.3	11.6	9.0	12.6	13.8
Consumption expenditures	776.4	7.4	8.4	5.7	8.7	10.3
Transfer payments to persons	318.7	4.0	4.5	4.4	4.5	4.7
Net interest paid	-66.3	-8	-1.0	-9	-7	-7
Less: Dividends received by government	14.9	.3	.3	.4	0	.2
Subsidies less current surplus of government enterprises	-12.4	-1	.2	.1	.1	-.3
Subsidies	0.3	0	0	0	0	0
Less: Current surplus of government enterprises	12.7	0	-1	-2	-1	.3
Less: Wage accruals less disbursements	0	0	0	0	0	0
Current surplus or deficit (-)	110.1	-2.2	4.3	.2	6.5	-1.3
Social insurance funds	71.5	-1	-1	.3	-2	.1
Other	38.6	-2.2	4.6	-2	6.7	-1.4


NOTE.—Dollar levels are found in NIPA tables 3.1, 3.2, and 3.3.

The Government Sector in 1997

The combined fiscal position of the Federal Government and State and local governments shifted from a current deficit of \$5.1 billion in 1996 to a current surplus of \$79.0 billion in 1997, the first surplus since 1979.¹¹ The shift in the fiscal position was primarily accounted for by a substantial decrease in the Federal current deficit.

The Federal current deficit decreased \$81.7 billion, to \$28.8 billion, the smallest Federal deficit since 1979; the decrease was attributable to a much larger increase in receipts than in current expenditures.¹² Federal receipts increased \$135.8 billion; the increase was more than accounted for by increases in personal tax and

nontax receipts, contributions for social insurance, and corporate profits tax accruals. Federal current expenditures increased \$54.1 billion; the increase was mostly accounted for by increases in transfer payments (net) and consumption expenditures.

The State and local government current surplus increased \$2.5 billion, to \$107.8 billion; the increase was attributable to a slightly larger increase in receipts than in current expenditures.¹³ Receipts increased \$47.0 billion; all categories of receipts increased, but the largest increases were in indirect business tax and nontax accruals and in personal tax and nontax receipts. Current expenditures increased \$44.6 billion; the increase was more than accounted for by consumption expenditures and transfer payments to persons. 

11. For NIPA estimates of government receipts and current expenditures for calendar years 1996 and 1997, see NIPA tables 3.1, 3.2, and 3.3 in this issue.

12. The NIPA budget estimates differ from the official Federal budget estimates in several respects, including the timing of transactions, the treatment of investment, and other coverage differences. For more information, see "Federal Budget Estimates, Fiscal Year 1999," SURVEY 78 (March 1998): 8-16.

13. For more information, see "State and Local Government Fiscal Position in 1997" in this issue.