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### **2007 SATELITE ACCOUNT UNDERSCORES IMPORTANCE OF R&D**

Gross Domestic Product (GDP) would have been an average of 2.9 percent higher between 1959 and 2004 if research and development spending was treated as investment in the U.S. national income and product accounts, the Bureau of Economic Analysis (BEA) announced today. In 2004, GDP would have been \$284 billion higher.

These experimental estimates, produced in conjunction with the National Science Foundation, demonstrate how business spending on research and development would affect the national accounts and gross domestic product. The 2007 Research and Development (R&D) Satellite Account updates and extends the 2006 BEA estimates of the effect of R&D on economic growth.

“Today’s data highlight the role of R&D spending in improving the competitiveness of industries such as information technology, pharmaceuticals, and other manufacturing industries,” said Commerce Secretary Carlos M. Gutierrez. “These new estimates from BEA demonstrate the importance of one key source of innovation – research and development – in the U.S. economy. Our data must keep pace with the changing and growing economy, and more improvements are planned. For example, an initiative of the Department’s Census Bureau to collect additional data on the services industries will help us better understand the importance of R&D in that dynamic sector as well.”

National Science Foundation Director, Dr. Arden L. Bement, said of the estimates produced by the Department of Commerce and NSF: “NSF is proud of this partnership. It will lead to a better understanding of the importance of R&D to economic growth, scientific progress and international competitiveness.”

If R&D were treated as investment:

- R&D would have accounted for 5 percent of real GDP growth between 1959 and 2004, and 7 percent between 1995 and 2004. This ramp-up in R&D’s contribution helps explain the pick-up in economic growth and productivity since 1995. To put the contribution of R&D in perspective, the business sector’s investment in commercial and

other types of structures accounted for just over 2 percent of real GDP growth between 1995 and 2004.

- Information, communication, and technology (ICT) and biotechnology-related industries would have accounted for two-thirds of the business sector's R&D contribution to GDP growth between 1995-2004.
- GDP by state would have increased the most in New Mexico (8.2 percent) and in Maryland (6.2 percent) between 1998 and 2002.
- The value added of majority-owned foreign affiliates of U.S. corporations in 2004 would have risen \$26 billion, or 3.1 percent. The value added of majority-owned U.S. affiliates of foreign corporations would have risen \$28 billion, or 5.5 percent. For U.S. parent companies, value added would have risen \$148 billion, or 6.7 percent.

More detailed information about the 2007 R&D Satellite Account is available on the BEA Web site, [www.bea.gov](http://www.bea.gov).