

Annual Revision of the National Income and Product Accounts

Annual Estimates for 2004–2006

Quarterly Estimates for 2004:I–2007: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 2004–2006 and for the first quarter of 2007 on July 27, 2007.¹ 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 changes in the methods used to deflate certain NIPA components, including business purchases of new light trucks, state and local government sales of health care services, and two categories of nonresidential buildings (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 typical. In the annual NIPA revisions since 1982, the revisions (without regard to sign) to the annual estimates have averaged 0.3 percentage point. In addition, for this annual revision, the quarterly pattern of real GDP growth shown by the revised estimates is similar to the pattern shown by the 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 2003 to 2006, 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 2003 to the first quarter of 2007, real GDP grew at an average annual rate of 2.7 percent, 0.3 percentage point less than in the previously published estimates.
- From the fourth quarter of 2003 to the first quarter of 2007, the average annual rate of increase in the

price index for gross domestic purchases was revised up 0.1 percentage point to 3.3 percent.

- From 2003 to 2006, real disposable personal income grew at an average annual rate of 2.8 percent, 0.3 percentage point more 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.

For additional analysis of the historical pattern of revisions, see the box “Recent Revisions to Real GDP Growth Rates.”

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 2007 is available in “National Income and Product Accounts Tables” in this issue. Historical estimates are presented in “GDP and Other Major NIPA Series, 1929–2007:II.”

Impact of the Revisions

According to the revised estimates, the average annual rate of growth of real GDP from the fourth quarter of 2003 to the first quarter of 2007 was revised down 0.3 percentage point to 2.7 percent (table 1). In the revised estimates, personal consumption expenditures (PCE), state and local government spending, residential fixed investment, equipment and software, and nonresidential structures were weaker than in the previously published estimates; exports of goods and services and change in private inventories were stronger; and Federal Government spending was little revised.² Imports of goods and services, which are a subtraction in the calculation of GDP, were stronger.

In the revised estimates, the cyclical recovery that followed the 2001 downturn was somewhat milder

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.”

than previously estimated. From the third quarter of 2001 to the first quarter of 2007, the revised estimates show that real GDP increased at an average annual rate of 2.7 percent; the previously published estimates showed an average increase of 2.9 percent.

The percent change in real GDP from the preceding year was revised down for all 3 years: From 3.9 percent to 3.6 percent for 2004, from 3.2 percent to 3.1 percent for 2005, and from 3.3 percent to 2.9 percent for 2006 (chart 1).

From fourth quarter to fourth quarter, the percent change in real GDP was revised down for all 3 years: From 3.4 percent to 3.1 percent for 2004, from 3.1 percent to 2.9 percent for 2005, and from 3.1 percent to 2.6 percent for 2006.

The revised estimates of prices show a somewhat faster rate of increase than the previously published estimates. From the fourth quarter of 2003 to the first quarter of 2007, the average annual rate of increase in the price index for gross domestic purchases was revised up 0.1 percentage point to 3.3 percent, and the average annual rate of increase in the GDP price index was revised up 0.2 percentage point to 3.2 percent (table 2). The percent change in the price index for gross domestic purchases from the preceding year was unrevised at 3.1 percent for 2004, was revised up 0.2 percentage point to 3.7 percent for 2005, and was re-

vised up 0.2 percentage point to 3.3 percent for 2006 (chart 1).

Chart 1. Revisions to Annual Percent Changes in Featured Measures

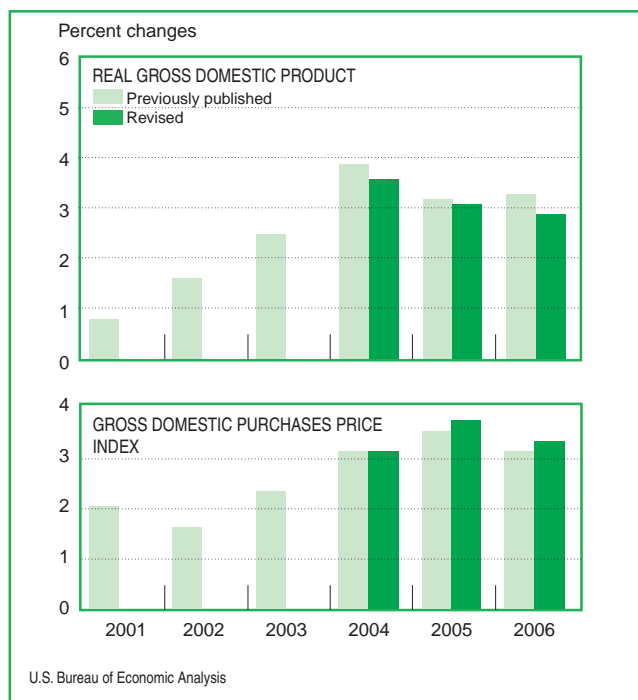


Table 1. Real GDP and Its Major Components: Change From 2003:IV to 2007:I

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

	2003:IV	Previously published		Revised			Revision in change		
		2007:I	Change for 2003:IV–2007:I		2007:I	Change for 2003:IV–2007:I		Dollars	Percentage points
			Dollars	Percent (annual rate)		Dollars	Percent (annual rate)		
Gross domestic product	10,467.0	11,532.8	1,065.8	3.0	11,412.6	945.6	2.7	-120.2	-0.3
Personal consumption expenditures	7,394.3	8,280.7	886.4	3.5	8,215.7	821.4	3.3	-65.0	-0.2
Durable goods	1,051.4	1,247.7	196.3	5.4	1,223.2	171.8	4.8	-24.5	-0.6
Nondurable goods	2,132.5	2,413.2	280.7	3.9	2,386.6	254.1	3.5	-26.6	-0.4
Services	4,220.2	4,648.6	428.4	3.0	4,630.7	410.5	2.9	-17.9	-0.1
Gross private domestic investment	1,676.5	1,838.8	162.3	2.9	1,816.9	140.4	2.5	-21.9	-0.4
Fixed investment	1,648.9	1,838.1	189.2	3.4	1,815.2	166.3	3.0	-22.9	-0.4
Nonresidential	1,106.5	1,332.3	225.8	5.9	1,321.7	215.2	5.6	-10.6	-0.3
Structures	243.1	285.9	42.8	5.1	282.6	39.5	4.8	-3.3	-0.3
Equipment and software	869.5	1,052.2	182.7	6.0	1,045.3	175.8	5.8	-6.9	-0.2
Residential	535.2	517.1	-18.1	-1.1	506.3	-28.9	-1.7	-10.8	-0.6
Change in private inventories	25.0	-4.2	-29.2	.....	0.1	-24.9	.....	4.3	.....
Net exports of goods and services	-527.8	-606.2	-78.4	.....	-612.1	-84.3	.....	-5.9	.....
Exports	1,075.8	1,345.7	269.9	7.1	1,354.7	278.9	7.3	9.0	0.2
Goods	751.6	960.0	208.4	7.8	957.6	206.0	7.7	-2.4	-0.1
Services	324.0	386.3	62.3	5.6	397.2	73.2	6.5	10.9	0.9
Imports	1,603.6	1,951.9	348.3	6.2	1,966.8	363.2	6.5	14.9	0.3
Goods	1,356.5	1,666.6	310.1	6.5	1,675.6	319.1	6.7	9.0	0.2
Services	247.8	287.5	39.7	4.7	293.1	45.3	5.3	5.6	0.6
Government consumption expenditures and gross investment	1,918.0	2,021.1	103.1	1.6	1,994.7	76.7	1.2	-26.4	-0.4
Federal	699.0	739.8	40.8	1.8	740.2	41.2	1.8	0.4	0.0
National defense	461.1	492.7	31.6	2.1	491.6	30.5	2.0	-1.1	-0.1
Nondefense	237.8	246.8	9.0	1.2	248.4	10.6	1.4	1.6	0.2
State and local	1,219.0	1,281.0	62.0	1.5	1,254.2	35.2	0.9	-26.8	-0.6
Addenda:									
Final sales of domestic product	10,440.0	11,532.2	1,092.2	3.1	11,411.6	971.6	2.8	-120.6	-0.3
Gross domestic purchases	10,989.5	12,133.6	1,144.1	3.1	12,018.7	1,029.2	2.8	-114.9	-0.3
Gross national product	10,540.5	11,579.2	1,038.7	2.9	11,466.7	926.2	2.6	-112.5	-0.3
Gross domestic income	10,415.8	11,541.4	1,125.6	3.2	11,442.5	1,026.7	2.9	-98.9	-0.3

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.

Recent Revisions to Real GDP Growth Rates

In this year's annual revision, the average annual growth rate of real GDP from the fourth quarter of 2003 to the first quarter of 2007 was revised to 2.7 percent from 3.0 percent. The table below shows data for comparable periods for annual and comprehensive revisions over the past 10 years. Since 2001, 5 out of 7 of these revisions have been downward, averaging -0.2 percentage point. Since 1998, 5 out of 10 of the revisions were downward, averaging -0.1 percentage point.

Since 2001, the mean absolute revision, the average revision *without* regard to sign, from the initial to latest annual estimate of real GDP growth was 0.6 percentage point.¹ The mean revision *with* regard to sign was -0.6 percentage point. Over a longer period, since 1983, the mean absolute revision was also 0.6 percentage point. Due to offsetting revisions, the mean revision with regard to sign was 0.2 percentage point.

BEA revises GDP to continually incorporate better, more comprehensive source data that become available after the original quarterly estimates are released. Annual revisions reflect newly available data from the Census

Bureau's Annual Survey of Manufactures (ASM), Service Annual Survey (SAS), and Annual Retail Trade Survey (ARTS), government finances surveys, and from other sources. BEA routinely examines its estimating methods:

- In 2002–2006, persistent downward revisions to the estimates of computer investment resulted when ASM data were incorporated. In response, BEA adjusted its methods, and in the 2007 annual revision, computer investment was revised up slightly for 2005 and 2006.
- In 2000–2001, large revisions to the estimates of software investment resulted when data from the SAS were incorporated. In 2001, BEA introduced a new quarterly estimating method. In 2004, the Census Bureau began covering software investment in its Quarterly Services Survey (QSS). In 2005, BEA began incorporating the QSS data into its estimates of investment in prepackaged and custom software. As a result of these efforts, revisions to software investment have been reduced since 2001.
- In recent years, estimates of consumer spending for goods have been revised down persistently, reflecting updated data from the ARTS. As a result, BEA is working with the Census Bureau to determine if there are patterns that can lead to improvements to BEA's estimating methods.

1. The initial annual estimate is the average of the final quarterly estimates. The latest GDP estimate reflects all annual and comprehensive revisions that subsequently take place.

Revisions to Percent Change in Real GDP

Revision date	Period	Previous	Revised	Revision (percentage point)	Main sources of revision
July 2007	2003:IV–2007:I	3.0	2.7	-0.3	Consumer spending for goods (Annual Retail Trade Survey, 2005) State and local government spending (government finances surveys)
July 2006	2002:IV–2006:I	3.8	3.6	-0.2	Equipment and software investment (Annual Survey of Manufactures, 2004) Consumer spending for nondurable goods (Annual Retail Trade Survey, 2004)
July 2005	2001:IV–2005:I	3.5	3.3	-0.2	Equipment and software investment (Annual Survey of Manufactures, 2004) Consumer spending for services (American Housing Survey, 2003)
July 2004	2000:IV–2004:I	2.5	2.5	0.0	Equipment and software investment, revised <i>down</i> (Service Annual Survey, 2002, 2003) State and local government finances, revised <i>up</i> (government finances surveys)
December 2003 ¹	1999:IV–2003:II	1.8	1.8	0.0	Consumer spending for services, revised <i>up</i> (definition change: Insurance services) Consumer spending for durable goods, revised <i>down</i> (Annual Retail Trade Survey, 2001) State and local government spending, revised <i>down</i> (government finances surveys)
July 2002	1998:IV–2002:I	2.8	2.4	-0.4	Equipment and software investment (Annual Survey of Manufactures, 2002) Consumer spending for services (Federal Reserve Board flow of funds data, Internal Revenue Service tax data, and banking data)
July 2001	1997:IV–2001:I	4.1	3.8	-0.3	Software investment (Service Annual Survey, 1999, 2000) Consumer spending for nondurable goods (Annual Retail Trade Survey, 1999)
July 2000	1996:IV–2000:I	4.5	4.6	0.1	Software investment (Economic Census, 1997, and Service Annual Survey, 1998)
October 1999 ¹	1995:IV–1999:II	3.8	4.1	0.3	Consumer spending for services (definition change: Financial services of mutual funds) State and local government spending (government finances surveys) Software investment (definition change: Software treated as investment)
July 1998	1994:IV–1998:I	3.1	3.4	0.3	Consumer spending for goods (Annual Retail Trade Survey, 1996, revised prices for deflation) State and local government spending (government finances surveys)
Addenda:					
Average revision since 2001				-0.2	
Average revision since 1998				-0.1	

1. During these comprehensive revisions, estimates for earlier years were also subject to revision.
NOTE: All the sources in "Main sources of revision" are from the Census Bureau unless otherwise noted.

Table 2. Chain-Type Price Indexes: Change From 2003:IV to 2007:I

	Percent change for 2003:IV–2007:I (annual rate)		Revision in change (percentage points)
	Previously published	Revised	
Gross domestic product	3.0	3.2	0.2
Less: Exports of goods and services.....	3.6	3.5	-0.1
Plus: Imports of goods and services.....	4.7	4.5	-0.2
Equals: Gross domestic purchases	3.2	3.3	0.1
Personal consumption expenditures	2.7	2.8	0.1
Durable goods.....	-1.1	-1.1	0.0
Nondurable goods.....	3.1	3.1	0.0
Services.....	3.3	3.4	0.1
Gross private domestic investment	3.3	3.6	0.3
Fixed investment.....	3.3	3.6	0.3
Nonresidential.....	2.4	2.5	0.1
Structures.....	9.3	9.7	0.4
Equipment and software.....	0.0	0.0	0.0
Residential.....	4.9	5.4	0.5
Change in private inventories.....			
Government consumption expenditures and gross investment	4.9	5.3	0.4
Federal.....	4.5	4.6	0.1
National defense.....	4.5	4.7	0.2
Nondefense.....	4.4	4.4	0.0
State and local.....	5.2	5.7	0.5
Addenda:			
Final sales of domestic product.....	3.0	3.2	0.2
Gross national product.....	3.0	3.2	0.2

Summary of the Revisions

The annual revisions to real GDP reflect revised current-dollar estimates, revised prices used for deflation, and revised quantities used to estimate components of real GDP by extrapolation or direct valuation.³

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 86 (November 2006): 23–27.

Annual estimates of real GDP

The annual percent change in real GDP was revised down for all 3 years: From 3.9 percent to 3.6 percent for 2004, from 3.2 percent to 3.1 percent for 2005, and from 3.3 percent to 2.9 percent for 2006 (table 3).

For 2004, the largest contributors to the downward revision to real GDP growth were PCE for services and state and local government spending; the contributions of these components were partly offset by an upward revision to exports. For 2005, the largest contributors to the downward revision to real GDP growth were PCE for nondurable goods, residential fixed investment, and PCE for durable goods; the contributions of these components were partly offset by upward revisions to private inventory investment and to private fixed investment in equipment and software. For 2006, the largest contributors to the downward revision were private inventory investment, PCE for durable goods, state and local government spending, and exports; the contributions of these components were partly offset by an upward revision to PCE for services.

Revisions to the components of real GDP. The annual percent change in real PCE was revised down for all 3 years: 0.3 percentage point to 3.6 percent for 2004, 0.3 percentage point to 3.2 percent for 2005, and 0.1 percentage point to 3.1 percent for 2006 (table 4). For 2004, the revision was primarily accounted for by a downward revision to PCE for services (mainly to housing services and "other" services). For 2005, the revision primarily reflected downward revisions to PCE for nondurable goods (mainly to food) and to PCE for durable goods (mainly to "other" goods). For

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

	2003	2004			2005			2006		
		Previously published	Revised	Revision	Previously published	Revised	Revision	Previously published	Revised	Revision
Percent change at annual rate:										
Gross domestic product	2.5	3.9	3.6	-0.3	3.2	3.1	-0.1	3.3	2.9	-0.4
Percentage points at annual rates:										
Personal consumption expenditures	1.94	2.71	2.56	-0.15	2.44	2.24	-0.20	2.24	2.15	-0.09
Durable goods.....	0.50	0.54	0.53	-0.01	0.45	0.40	-0.05	0.41	0.31	-0.10
Nondurable goods.....	0.64	0.73	0.71	-0.02	0.90	0.72	-0.18	0.76	0.74	-0.02
Services.....	0.80	1.45	1.32	-0.13	1.09	1.12	0.03	1.07	1.11	0.04
Gross private domestic investment	0.54	1.49	1.48	-0.01	0.87	0.91	0.04	0.70	0.45	-0.25
Fixed investment.....	0.51	1.11	1.10	-0.01	1.17	1.09	-0.08	0.47	0.39	-0.08
Nonresidential.....	0.10	0.58	0.56	-0.02	0.67	0.70	0.03	0.73	0.68	-0.05
Structures.....	-0.11	0.06	0.03	-0.03	0.03	0.01	-0.02	0.26	0.24	-0.02
Equipment and software.....	0.21	0.62	0.53	0.01	0.64	0.69	0.05	0.47	0.44	-0.03
Residential.....	0.41	0.53	0.53	0.00	0.50	0.39	-0.11	-0.27	-0.29	-0.02
Change in private inventories.....	0.04	0.38	0.39	0.01	-0.30	-0.18	0.12	0.23	0.06	-0.17
Net exports of goods and services	-0.44	-0.65	-0.68	-0.03	-0.26	-0.23	0.03	-0.02	-0.08	-0.06
Exports.....	0.12	0.88	0.93	0.05	0.68	0.70	0.02	0.93	0.88	-0.05
Goods.....	0.12	0.60	0.60	0.00	0.52	0.53	0.01	0.76	0.73	-0.03
Services.....	0.00	0.28	0.33	0.05	0.16	0.17	0.01	0.17	0.16	-0.01
Imports.....	-0.56	-1.53	-1.61	-0.08	-0.94	-0.92	0.02	-0.95	-0.96	-0.01
Goods.....	-0.56	-1.29	-1.33	-0.04	-0.87	-0.86	0.01	-0.82	-0.83	-0.01
Services.....	0.00	-0.24	-0.27	-0.03	-0.07	-0.06	0.01	-0.14	-0.13	0.01
Government consumption expenditures and gross investment	0.47	0.36	0.27	-0.09	0.17	0.14	-0.03	0.40	0.35	-0.05
Federal.....	0.44	0.30	0.29	-0.01	0.11	0.11	0.00	0.14	0.15	0.01
National defense.....	0.37	0.27	0.27	0.00	0.08	0.07	-0.01	0.09	0.09	0.00
Nondefense.....	0.08	0.03	0.03	0.00	0.03	0.03	0.00	0.05	0.06	0.01
State and local.....	0.02	0.06	-0.02	-0.08	0.06	0.04	-0.02	0.26	0.19	-0.07

2006, the revision primarily reflected a downward revision to PCE for durable goods (mainly to motor vehicles and parts) that was partly offset by an upward revision to PCE for services (mainly to housing services and to recreation).

The annual percent change in nonresidential fixed investment was revised down 0.1 percentage point to 5.8 percent for 2004, was revised up 0.3 percentage point to 7.1 percent for 2005, and was revised down 0.6 percentage point to 6.6 percent for 2006. For 2004, the revisions were small. For 2005, the revision was more than accounted for by an upward revision to equipment and software. Within equipment and software, the revision primarily reflected upward revisions to information processing equipment and software and to "other" equipment. For 2006, the revision was mostly accounted for by equipment and software, but a downward revision to "other" structures also contributed. Within equipment and software, downward revisions to information processing equipment and software and to "other" equipment were partly offset by an upward revision to transportation equipment.

The percent change in residential fixed investment was revised up 0.1 percentage point to 10.0 percent for 2004, was revised down 2.0 percentage points to 6.6 percent for 2005, and was revised down 0.4 percentage point to -4.6 percent for 2006. For 2005, the revision primarily reflects a downward revision to single-family structures. For 2006, the revision was more than accounted for by a downward revision to multifamily structures.

The change in private inventories (in chained 2000 dollars) was revised up \$0.9 billion for 2004, was re-

vised up \$13.6 billion for 2005, and was revised down \$2.9 billion for 2006. For 2004 and 2005, the revisions were more than accounted for by nonfarm inventory investment. For 2006, a downward revision to farm inventory investment was partly offset by an upward revision to nonfarm inventory investment.

The annual percent change in exports of goods and services was revised up 0.5 percentage point to 9.7 percent for 2004, was revised up 0.1 percentage point to 6.9 percent for 2005, and was revised down 0.5 percentage point to 8.4 percent for 2006. For 2004, the revision reflects an upward revision to exports of services. For 2006, the revision primarily reflects a downward revision to exports of goods.

The percent change in imports of goods and services was revised up 0.5 percentage point to 11.3 percent for 2004, was revised down 0.2 percentage point to 5.9 percent for 2005, and was revised up 0.1 percentage point to 5.9 percent for 2006. For 2004, the revision reflects upward revisions to imports of goods and to imports of services.

The percent change in government spending was revised down for all 3 years: 0.5 percentage point to 1.4 percent for 2004, 0.2 percentage point to 0.7 percent for 2005, and 0.3 percentage point to 1.8 percent for 2006. For all 3 years, the revisions primarily reflected downward revisions to state and local government spending; both consumption expenditures and gross investment were revised down.

Quarterly estimates

The revisions to the quarterly (and monthly) NIPA estimates reflect the revisions to the annual estimates

Table 4. Revisions to Percent Change in Real GDP

[Percent change from preceding year]

	2003	2004			2005			2006		
		Previously published	Revised	Revision	Previously published	Revised	Revision	Previously published	Revised	Revision
Gross domestic product	2.5	3.9	3.6	-0.3	3.2	3.1	-0.1	3.3	2.9	-0.4
Personal consumption expenditures	2.8	3.9	3.6	-0.3	3.5	3.2	-0.3	3.2	3.1	-0.1
Durable goods.....	5.8	6.4	6.3	-0.1	5.5	4.9	-0.6	5.0	3.8	-1.2
Nondurable goods.....	3.2	3.6	3.5	-0.1	4.5	3.6	-0.9	3.7	3.6	-0.1
Services.....	1.9	3.5	3.2	-0.3	2.6	2.7	0.1	2.6	2.7	0.1
Gross private domestic fixed investment	3.4	7.3	7.3	0.0	7.5	6.9	-0.6	2.9	2.4	-0.5
Nonresidential.....	1.0	5.9	5.8	-0.1	6.8	7.1	0.3	7.2	6.6	-0.6
Structures.....	-4.1	2.2	1.3	-0.9	1.1	0.5	-0.6	9.0	8.4	-0.6
Equipment and software.....	2.8	7.3	7.4	0.1	8.9	9.6	0.7	6.5	5.9	-0.6
Residential.....	8.4	9.9	10.0	0.1	8.6	6.6	-2.0	-4.2	-4.6	-0.4
Change in private inventories										
Net exports of goods and services										
Exports.....	1.3	9.2	9.7	0.5	6.8	6.9	0.1	8.9	8.4	-0.5
Goods.....	1.8	9.0	9.0	0.0	7.5	7.5	0.0	10.5	9.9	-0.6
Services.....	0.0	9.7	11.5	1.8	5.1	5.4	0.3	5.4	4.8	-0.6
Imports.....	4.1	10.8	11.3	0.5	6.1	5.9	-0.2	5.8	5.9	0.1
Goods.....	4.9	10.9	11.3	0.4	6.7	6.6	-0.1	5.9	6.0	0.1
Services.....	0.0	10.0	11.5	1.5	2.8	2.3	-0.5	5.3	5.2	-0.1
Government consumption expenditures and gross investment	2.5	1.9	1.4	-0.5	0.9	0.7	-0.2	2.1	1.8	-0.3
Federal.....	6.8	4.3	4.2	-0.1	1.5	1.5	0.0	2.0	2.2	0.2
National defense.....	8.7	5.9	5.8	-0.1	1.7	1.5	-0.2	1.9	1.9	0.0
Nondefense.....	3.4	1.2	1.1	-0.1	1.1	1.3	0.2	2.1	2.8	0.7
State and local.....	0.2	0.5	-0.2	-0.7	0.5	0.3	-0.2	2.1	1.6	-0.5

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 percent changes (at annual rates) averaged 0.5 percentage point (without regard to sign). 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 (to 3.0 percent) for the first quarter of 2004 and (to 1.1 percent) for the third quarter of 2006 (chart 2 and table 5). For the first quarter of 2004, the largest contributors to the revision were a downward revision to equipment and software investment, an upward revision to imports of goods and services, and downward revisions to PCE for services and to state and local government spending; the negative contributions of these components were partly offset by an upward revision to exports of services. For the third quarter of 2006, the largest contributors to the downward revision were downward revisions to equipment and software investment and to PCE for services; the negative contributions of these components were partly offset by an upward revision to PCE for nondurable goods.

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 (0.1 percentage point for the fourth quarter of 2006), and was unrevised for

three quarters. The largest upward revision was 0.4 percentage point, to 3.6 percent, for the first quarter of 2005; the major contributors to the revision were prices of residential fixed investment (mainly single-family structures) and of PCE for services (wide-spread).

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

Chart 2. Revisions to Quarterly Percent Changes in Featured Measures

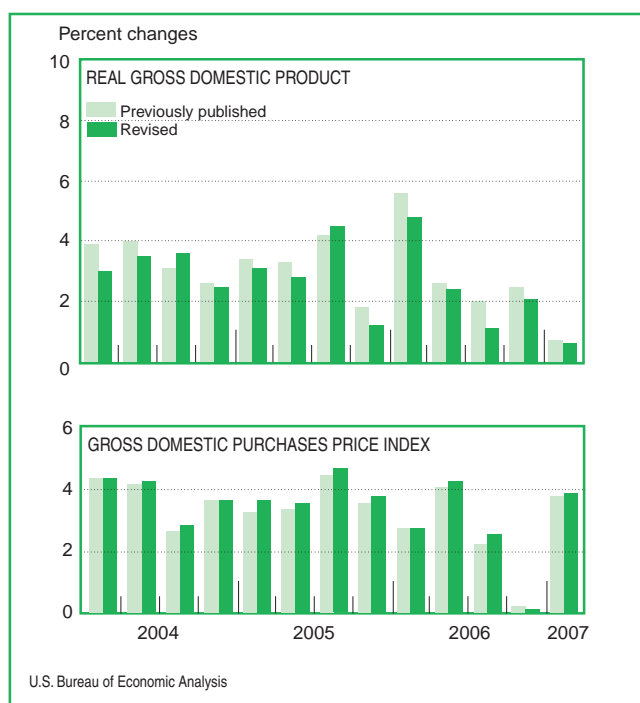


Table 5. GDP, Real GDP, the GDP Price Index, and the Gross Domestic Purchases Price Index: Revisions to Percent Change From the Preceding Quarter

[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
2003: IV	4.9			2.7			2.2			1.9		
2004: I	7.8	6.8	-1.0	3.9	3.0	-0.9	3.7	3.7	0.0	4.3	4.3	0.0
II	7.9	7.4	-0.5	4.0	3.5	-0.5	3.7	3.8	0.1	4.1	4.2	0.1
III	5.3	6.0	0.7	3.1	3.6	0.5	2.1	2.3	0.2	2.6	2.8	0.2
IV	5.9	5.9	0.0	2.6	2.5	-0.1	3.2	3.2	0.0	3.6	3.6	0.0
2005: I	7.0	7.1	0.1	3.4	3.1	-0.3	3.5	3.9	0.4	3.2	3.6	0.4
II	5.8	5.5	-0.3	3.3	2.8	-0.5	2.4	2.6	0.2	3.3	3.5	0.2
III	7.6	8.1	0.5	4.2	4.5	0.3	3.3	3.5	0.2	4.4	4.6	0.2
IV	5.1	4.8	-0.3	1.8	1.2	-0.6	3.3	3.5	0.2	3.5	3.7	0.2
2006: I	9.0	8.4	-0.6	5.6	4.8	-0.8	3.3	3.4	0.1	2.7	2.7	0.0
II	5.9	6.0	0.1	2.6	2.4	-0.2	3.3	3.5	0.2	4.0	4.2	0.2
III	3.8	3.4	-0.4	2.0	1.1	-0.9	1.9	2.4	0.5	2.2	2.5	0.3
IV	4.1	3.8	-0.3	2.5	2.1	-0.4	1.7	1.7	0.0	0.2	0.1	-0.1
2007: I	4.9	4.9	0.0	0.7	0.6	-0.1	4.2	4.2	0.0	3.7	3.8	0.1

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. The annual revision incorporated data from the following major Federal statistical sources: Census Bureau annual surveys of manufactures, of merchant wholesale trade, and of retail trade for 2005 and revised monthly indicators of manufactures, of merchant wholesale trade, and of retail trade for 2004–2006; Census Bureau annual survey of services for 2004 (revised), 2005 (revised), and 2006 (preliminary); Census Bureau annual surveys of state and local governments for 2003 (revised), 2004 (revised), and 2005 (preliminary); Census Bureau monthly survey of construction put in place for 2004–2006 (revised); Census Bureau quarterly survey of services for 2004–2006 (revised); Census Bureau American Housing Survey for 2005; Census Bureau current population survey/housing vacancy survey for 2006; Federal Government budget data for fiscal years 2006 and 2007; Internal Revenue Service tabulations of tax returns for corporations for 2004 (revised) and 2005 (preliminary) and for sole proprietorships and partnerships for 2005; Bureau of Labor Statistics Quarterly Census of Employment and Wages for 2004–2006 (revised); Department of Agriculture farm statistics for

2004–2006 (revised); and BEA's international transactions accounts for 2004–2006 (revised).

Domestic income and product

Gross domestic product (GDP). The level of current-dollar GDP was revised down for all 3 years: \$26.6 billion, or 0.2 percent, for 2004, \$21.9 billion, or 0.2 percent, for 2005, and \$51.9 billion, or 0.4 percent, for 2006 (see table 6).

By major component, the revision to current-dollar GDP for 2004 primarily reflects downward revisions to PCE for services and to state and local government spending and an upward revision to imports that were partly offset by an upward revision to exports. For 2005, the revision primarily reflects downward revisions to PCE for nondurable goods, to state and local government spending, and to PCE for durable goods that were partly offset by upward revisions to inventory investment, to equipment and software, and to exports. For 2006, the revision primarily reflects downward revisions to PCE for nondurable goods, to PCE for durables goods, to state and local government spending, and to nonresidential structures that were partly offset by upward revisions to equipment and software and to Federal Government spending; within exports, an upward revision to services was largely offset by a downward revision to goods.

Text continues on page 18.

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 the following NIPA tables: Tables 3.15–3.17 (government spending by function), table 5.9 (which shows the changes in the net stock of produced assets), 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 2006 and revised estimates for 2004 and 2005.

The October SURVEY will present the following NIPA

tables: Tables 3.18 and 3.19 (government-sector reconciliation tables), tables 3.20 and 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 2004:I–2007: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.

The December SURVEY will include updated estimates from the annual industry accounts.

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

Line	NIPA Component	Billions of dollars			Revised 2006 level	Major source data incorporated ¹
		Revision in level				
		2004	2005	2006		
1	Gross domestic product	-26.6	-21.9	-51.9	13,194.7	
2	Personal consumption expenditures	-15.6	-34.6	-44.4	9,224.5	
3	Goods	-3.8	-32.4	-48.3	3,737.0	
4	Motor vehicles and parts	-1.1	-3.3	-10.5	434.2	
	<i>Of which:</i>					
5	Net purchases of used autos and used light trucks	-1.1	-2.1	-6.4	117.9	Revised Census Bureau Annual Retail Trade Survey (ARTS) data on sales and gross margin rates for 2004; new ARTS data for 2005; new trade source data on auto and truck business registrations by type and on estimated retention periods for 2006.
6	Goods other than motor vehicles and parts	-2.7	-29.1	-37.8	3,302.8	
	<i>Of which:</i>					
7	Other durable goods	-0.5	-7.0	-10.4	210.6	
	<i>Of which:</i>					
8	Wheel goods, sports and photographic equipment, boats, and pleasure aircraft	-0.1	-5.3	-7.7	78.9	Revised Census Bureau ARTS sales data for 2004; new ARTS data for 2005; revised Census Bureau monthly sales data for 2006.
9	Food	-1.7	-17.6	-21.8	1,259.3	
	<i>Of which:</i>					
10	Food purchased for off-premise consumption	-0.7	-12.8	-15.0	762.6	Revised Census Bureau ARTS sales data for 2004; new ARTS data for 2005; revised Census Bureau monthly sales data for 2006.
11	Purchased meals and beverages	-1.0	-4.9	-8.7	482.4	Revised Census Bureau ARTS sales data for 2004; new ARTS data for 2005; revised Census Bureau monthly sales data for 2006.
12	Other nondurable goods	-0.6	-5.2	-5.4	731.4	Revised Census Bureau ARTS sales data for 2004; new ARTS data for 2005; revised Census Bureau monthly sales data for 2006.
13	Services	-11.8	-2.2	3.9	5,487.6	
	<i>Of which:</i>					
14	Housing	-9.3	-5.4	-0.9	1,381.3	
	<i>Of which:</i>					
15	Owner-occupied nonfarm dwellings—space rent	-12.1	-10.7	-11.1	1,014.5	New BEA constant-dollar stock data for 2004 and 2005; new Census Bureau American Housing Survey (AHS) unit-stock data for 2005; new Census Bureau Current Population Survey/Housing Vacancy Survey (CPS/HVS) unit-stock data for 2006.
16	Tenant-occupied nonfarm dwellings—rent	2.9	5.7	10.1	277.0	New Census Bureau AHS data on units and mean contract rent for 2005; revised BEA data on personal consumption expenditures (PCE) for utilities for 2004 and 2005; new BEA data on PCE for utilities for 2006; new CPS/HVS unit-stock data for 2006.
17	Other services	-1.8	4.0	5.1	1,295.3	
	<i>Of which:</i>					
18	Personal care	-0.2	0.2	3.9	123.6	
	<i>Of which:</i>					
19	Other	0.0	-0.4	3.4	54.8	Revised Census Bureau Service Annual Survey (SAS) data for 2004 and 2005; new SAS data for 2006.
20	Personal business	-1.5	3.6	-4.8	691.9	
	<i>Of which:</i>					
21	Brokerage charges and investment counseling	-0.2	2.2	2.1	104.2	Revised Census Bureau SAS data for 2004 and 2005; new SAS data for 2006.
22	Services furnished without payment by financial intermediaries except life insurance carriers	-1.0	-0.3	-7.0	208.5	For commercial banks, revised FRB <i>Call Report</i> data for 2004–2006; revised FRB flow of funds sector asset data for 2004 and 2005; new FRB data for 2006. For regulated investment companies, revised IRS tabulations of corporate tax return data for 2004; new IRS tabulations for 2005; revised FRB flow of funds sector data for 2004 and 2005; new FRB data for 2006; new trade source data for 2006. For savings institutions and credit unions, new Federal Deposit Insurance Corporation data, Credit Union National Association data, and Office of Thrift Supervision data for 2006.
23	Religious and welfare activities	0.0	0.6	3.4	241.3	For social welfare, revised Census Bureau SAS data for 2004 and 2005, new SAS data for 2006. For religious organizations, new BEA per capita disposable personal income and Census Bureau population data for 2006.
24	Net foreign travel	0.8	0.1	3.3	-1.2	Revised BEA international transactions accounts estimates for 2004–2006.
25	Gross private domestic investment	0.6	19.8	-3.3	2,209.2	
26	Fixed investment	-0.6	4.1	-0.4	2,162.5	
27	Nonresidential	-0.8	6.4	1.5	1,397.7	
28	Structures	-2.6	-4.0	-6.1	405.1	
	<i>Of which:</i>					
29	Other structures	-0.6	-0.2	-5.7	71.7	Revised Census Bureau value of construction put in place data for 2004–2006.
	<i>Of which:</i>					
30	Lodging	0.0	-0.2	-2.7	21.9	
31	Farm	-0.9	-1.3	-2.1	5.3	

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

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

Line	NIPA Component	Billions of Dollars			Revised 2006 level	Major source data incorporated ¹
		Revision in level				
		2004	2005	2006		
32	Equipment and software	1.8	10.4	7.6	992.6	
	<i>Of which:</i>					
33	Information processing equipment and software.....	-2.0	3.1	-3.4	480.9	
	<i>Of which:</i>					
34	Computers and peripheral equipment.....	-2.0	3.9	4.8	91.3	Revised Census Bureau Annual Survey of Manufactures (ASM) shipments data for 2004; new ASM shipments data for 2005.
35	Software.....	-1.3	-0.2	-5.0	203.3	Revised Census Bureau Service Annual Survey (SAS) detailed product receipts data for 2004 and 2005; new SAS data for 2006; new BLS employment data for 2006.
36	Communication equipment	0.5	-6.8	-9.9	93.9	Revised Census Bureau ASM shipments data for 2004; new ASM shipments data for 2005.
37	Transportation equipment.....	1.3	1.2	13.4	171.9	
	<i>Of which:</i>					
38	Light trucks (including utility vehicles).....	-0.1	0.2	6.8	69.6	Revised trade source data on unit sales and on transaction prices for 2006.
39	Autos.....	0.0	-0.4	5.1	39.2	Revised trade source data on unit sales and on transaction prices for 2006.
40	Other equipment.....	1.1	4.4	-0.7	180.0	Revised Census Bureau ASM shipments data for 2004; new ASM shipments data for 2005.
41	Residential.....	0.2	-2.2	-1.9	764.8	
	<i>Of which:</i>					
42	Structures.....	0.2	-2.1	-1.7	755.2	
	<i>Of which:</i>					
43	Multifamily structures	0.0	-0.9	-3.5	53.0	Revised Census Bureau value of construction put in place data for 2006.
44	Change in private inventories	1.3	15.6	-2.9	46.7	
45	Farm.....	-0.4	-0.8	-4.3	-1.2	
46	Nonfarm.....	1.5	16.4	1.3	47.8	
47	Change in book value	-0.2	19.9	4.0	80.8	
	<i>Of which:</i>					
48	Manufacturing.....	3.4	19.1	-0.4	29.8	Revised Census Bureau ASM inventory book value data for 2004; new ASM data for 2005; revised Census Bureau monthly inventory data for 2006.
49	IVA.....	1.7	-3.5	-2.7	-33.0	Revised Census Bureau Annual Wholesale Trade Survey (AWTS), Annual Retail Trade Survey (ARTS), and ASM information on accounting methods used for inventory reporting for 2004; new AWTS, ARTS, and ASM information for 2005; revised BEA unit labor cost indexes for 2004-2006; revised price weights for retail and wholesale trade based on Census Bureau product-line sales data.
50	Net exports of goods and services.....	-2.2	2.1	0.5	-762.0	Revised BEA international transactions accounts estimates for 2004-2006.
51	Exports.....	4.3	6.3	1.4	1,467.6	
52	Goods.....	-0.5	-0.5	-4.9	1,030.5	
53	Services.....	4.8	6.8	6.3	437.1	
54	Imports.....	6.4	4.0	0.9	2,229.6	
55	Goods.....	4.3	3.0	0.9	1,880.4	
56	Services.....	2.1	1.1	0.0	349.2	
57	Government consumption expenditures and gross investment	-9.4	-9.4	-4.7	2,523.0	
58	Federal.....	-0.3	0.1	5.9	932.5	
59	National defense.....	-0.5	-0.6	3.3	624.3	
	<i>Of which:</i>					
60	Consumption expenditures.....	-0.8	-1.1	2.8	544.8	Revised allocations of FY 2005 Federal budget data for 2004 and 2005; revised FY 2006 Federal budget data for 2005 and 2006; preliminary FY 2007 Federal budget data for 2006; new BLS Quarterly Census of Employment and Wages data for 2006.
	<i>Of which:</i>					
61	Compensation of general government employees.....	0.2	1.3	5.0	224.8	
62	Services.....	-1.2	-2.6	-5.0	199.2	
63	Nondefense.....	0.2	0.8	2.6	308.2	Revised allocations of FY 2005 Federal budget data for 2004 and 2005; revised FY 2006 Federal budget data for 2005 and 2006; preliminary FY 2007 Federal budget data for 2006.

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

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

Line	NIPA Component	Billions of Dollars			Revised 2006 level	Major source data incorporated ¹
		Revision in level				
		2004	2005	2006		
64	State and local	-9.1	-9.4	-10.6	1,590.5	
	<i>Of which:</i>					
65	Consumption expenditures	-10.0	-10.0	-11.8	1,276.5	
	<i>Of which:</i>					
66	Nondurable goods	-3.7	-6.0	-8.3	201.7	Revised Census Bureau government finances FY 2004 tabulations for 2004; new government finances FY 2005 tabulations for 2004 and 2005.
67	Services	-6.7	-8.5	-13.7	347.1	Revised Census Bureau government finances FY 2004 tabulations for FY 2004; new government finances FY 2005 tabulations for 2004 and 2005.
68	<i>Less:</i> Sales to other sectors	-2.1	-4.9	-7.6	317.9	
	<i>Of which:</i>					
69	Sales of health and hospital charges	-1.6	-5.6	-8.4	145.2	Revised Census Bureau government finances FY 2004 tabulations for FY 2004; new government finances FY 2005 tabulations for 2004 and 2005.
70	Gross domestic product	-26.6	-21.9	-51.9	13,194.7	
71	<i>Less:</i> Statistical discrepancy ²	-47.6	-65.6	-6.7	-18.1	
72	Equals: Gross domestic income	21.0	43.8	-45.2	13,212.8	
	<i>Of which:</i>					
73	Compensation of employees, paid	6.2	-0.6	-50.0	7,454.8	
74	Wage and salary accruals	2.5	8.2	-17.7	6,032.2	See entries under "National income."
75	Disbursements	2.5	3.2	-12.7	6,024.7	
76	To persons	2.5	3.1	-12.8	6,015.3	
77	To the rest of the world	0.1	0.1	0.1	9.4	
78	Wage accruals less disbursements	0.0	5.0	-5.0	7.5	State governments data and trade source data on bonus payments for 2005 and 2006.
79	Supplements to wages and salaries	3.7	-8.7	-32.3	1,422.6	See entries under "National income."
80	Net operating surplus	15.0	41.8	-38.6	3,225.3	See entries under "National income."
81	Consumption of fixed capital	-0.1	4.7	38.3	1,615.2	
	<i>Of which:</i>					
82	Private	0.6	4.4	36.3	1,347.5	
83	Domestic business	0.7	1.3	30.5	1,081.4	Revised BEA fixed investment and price estimates for 2004–2006.
84	Capital consumption allowances	-7.7	-3.1	-21.2	945.2	Revised IRS tabulations of corporate tax return data for 2004; new IRS tabulations for 2005; new IRS tabulations of sole proprietorship and partnership tax return data for 2005; revised BEA fixed investment estimates for 2004–2006.
85	<i>Less:</i> CCA _{adj}	-8.4	-4.3	-51.6	-136.1	CCA _{adj} is calculated as capital consumption allowances less consumption of fixed capital.
86	Households and institutions	-0.1	3.1	5.8	266.1	Revised BEA fixed investment and price estimates for 2004–2006.
87	<i>Plus:</i> Income receipts from the rest of the world	27.3	30.8	25.8	691.4	Revised BEA international transactions accounts estimates for 2004–2006.
88	<i>Less:</i> Income payments to the rest of the world	-2.6	-5.9	-2.3	633.4	Revised BEA international transactions accounts estimates for 2004–2006.
89	Equals: Gross national income	50.9	80.5	-17.1	13,270.8	
90	<i>Less:</i> Consumption of fixed capital	-0.1	4.7	38.3	1,615.2	
91	Equals: National income	50.9	75.8	-55.4	11,655.6	
92	Compensation of employees	6.1	-0.7	-50.1	7,448.3	
93	Wage and salary accruals	2.4	8.1	-17.9	6,025.7	
94	Government	1.3	3.2	6.7	1,020.6	New BLS Quarterly Census of Employment and Wages (QCEW) data for 2006.
95	Other	1.1	4.8	-24.6	5,005.1	Revised BLS QCEW data for 2004–2006; state governments data and trade source data on bonus payments for 2005 and 2006.
96	Supplements to wages and salaries	3.7	-8.7	-32.3	1,422.6	
97	Employer contributions for employee pension and insurance funds	2.4	-5.5	-22.0	970.7	New Department of Labor pension data for 2004; revised Pension Benefit Guaranty Corporation (PBGC) data for 2004; new PBGC data for 2005; new corporate financial data for 2006; new Department of Health and Human Services Medical Expenditure Panel Survey data for 2004 and 2005.
98	Employer contributions for government social insurance	1.2	-3.2	-10.3	451.8	See entries under "Personal income."

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

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

Line	NIPA Component	Billions of Dollars			Revised 2006 level	Major source data incorporated ¹
		Revision in level				
		2004	2005	2006		
99	Proprietors' income with IVA and CCAAdj	0.5	-0.8	-8.4	1,006.7	
100	Farm	1.1	0.6	-3.2	19.4	
101	Nonfarm	-0.6	-1.3	-5.1	987.4	
	<i>Of which:</i>					
102	Proprietors' income	-0.3	-12.6	-9.2	888.8	New IRS tabulations of sole proprietorship and partnership tax return data for 2005.
103	CCAAdj	0.1	11.3	4.6	102.6	Capital consumption allowances: New IRS tabulations of sole proprietorship and partnership tax return data for 2005. Consumption of fixed capital: Revised BEA fixed investment and price estimates for 2004–2006.
104	Rental income of persons with CCAAdj	-8.6	-29.9	-22.9	54.5	
	<i>Of which:</i>					
105	Rental income of persons	-8.6	-29.5	-21.9	70.4	Revised Census Bureau Residential Finance Survey data on rent-to-value ratios for 2001; revised FRB flow of funds residential mortgage liabilities data for 2004–2006; new trade source data on property insurance for 2005; new Census Bureau American Housing Survey unit-stock data for 2005; new Census Bureau Current Population Survey/Housing Vacancy Survey data for owner- and tenant-occupied dwellings for 2006; revised IRS tabulations of individual tax return data for 2004; new IRS data for 2005; new Federal National Mortgage Corporation mortgage-originations data for 2005; revised Department of Housing and Urban Development (HUD) data on average closing costs for 2004 and 2005; new HUD data for 2006; new Census Bureau data on expenditures for residential improvements and repairs for 2006; new Census Bureau government finances FY 2005 data on local property taxes for 2004 and 2005; revised government finances FY 2004 and FY 2005 data on state property taxes for 2004 and 2005; new government finances FY 2006 data on state property taxes for 2005 and 2006.
106	Corporate profits with IVA and CCAAdj	48.6	42.1	-62.0	1,553.7	Revised IRS tabulations of corporate tax return data for 2004; new IRS tabulations for 2005; regulatory agency and public financial reports profits data for 2006.
107	Profits before tax	60.4	60.9	-5.1	1,805.8	
108	Domestic industries	43.3	39.7	-19.3	1,548.5	
109	Financial	4.8	34.5	6.5	505.3	
110	Mining	1.5	5.1	2.6	56.7	
111	Utilities	2.4	-1.9	-12.8	34.9	
112	Construction	1.2	-1.0	-5.1	64.2	
113	Manufacturing	3.5	-1.8	-16.0	313.1	
114	Wholesale trade	10.0	-1.6	-9.2	108.1	
115	Retail trade	3.0	0.9	-6.1	128.8	
116	Transportation and warehousing	2.3	7.2	7.2	41.9	
117	Information	6.4	-2.7	-2.2	85.7	
118	Other nonfinancial	8.1	1.2	16.0	209.8	
119	Rest of the world	17.1	21.2	14.2	257.3	Revised BEA international transactions accounts estimates for 2004–2006.
120	IVA	-3.3	-3.6	-1.9	-36.3	
121	CCAAdj	-8.4	-15.1	-54.9	-215.8	Capital consumption allowances: Revised IRS tabulations of corporate tax return data for 2004; new IRS tabulations for 2005. Consumption of fixed capital: Revised BEA fixed investment and price estimates for 2004–2006.
122	Net interest and miscellaneous payments	6.1	74.6	89.2	598.5	
	<i>Of which:</i>					
123	Net interest ³	6.1	74.5	90.3	580.2	
124	Monetary interest paid	15.7	89.3	.....	3,520.9	
	<i>Of which:</i>					
125	Domestic business	0.3	71.0	.....	2,080.0	Revised IRS tabulations of corporate tax return data for 2004; new IRS tabulations for 2005; new IRS tabulations of sole proprietorship and partnership tax return data for 2005; revised FRB flow of funds residential mortgage liabilities data and nonfinancial corporate liabilities data for 2004 and 2005; new FRB data for 2006; revised USDA data on interest paid by farmers for 2004 and 2005; new USDA data for 2006; new Federal Deposit Insurance Corporation data, Credit Union National Association data, Office of Thrift Supervision data, and trade source data on investment companies for 2006.
	<i>Of which:</i>					
126	Financial corporations	0.1	51.3	.....	1,183.2	
127	Nonfinancial corporations	0.2	-32.7	.....	516.1	
128	Sole proprietorships and partnerships	0.1	52.4	.....	303.1	
129	Persons	5.1	7.7	.....	262.6	Revised FRB consumer credit data for 2006; revised FRB interest rate data for 2004–2006; new regulatory data for 2006.
130	Rest of the world	12.9	11.3	.....	266.1	
131	<i>Less:</i> Monetary interest received	15.7	89.3	.....	3,520.9	Revised IRS tabulations of corporate tax return data for 2004; new IRS tabulations for 2005; new IRS tabulations for sole proprietorship and partnership tax return data for 2005; revised FRB flow of funds nonfinancial corporate assets data for 2004 and 2005; new FRB data for 2006; new Federal Deposit Insurance Corporation data, Credit Union National Association data, Office Thrift Supervision data, and trade source data on investment companies for 2006.
132	Domestic business	8.1	28.9	.....	2,294.4	
	<i>Of which:</i>					
133	Financial corporations	9.2	10.5	.....	1,866.6	
134	Nonfinancial corporations	-1.2	-6.6	.....	309.5	
135	Financial sole proprietorships and partnerships	0.0	24.9	.....	118.2	

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

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

Line	NIPA Component	Billions of Dollars			Revised 2006 level	Major source data incorporated ¹
		Revision in level				
		2004	2005	2006		
136	Persons	3.6	58.1	.....	689.8	
137	Government	3.8	7.3	.....	85.2	
	Of which:					
138	State and local.....	2.1	5.5	.....	68.6	Revised Census Bureau government finances FY 2004 tabulations for 2004; new government finances FY 2005 tabulations for 2004 and 2005.
139	Rest of the world.....	0.4	-5.0	.....	451.4	
140	Plus: Imputed interest paid.....	0.3	10.5	.....	287.3	
	Of which:					
141	Depositor and insurance services (paid by domestic financial corporate business).....	0.3	12.0	.....	459.7	Revised FRB <i>Call Report</i> data on commercial banks for 2004–2006; new trade source data on property insurance companies for 2005; new trade source data on other financial intermediaries for 2006.
	Of which:					
142	Life insurance carriers	1.6	14.9	.....	213.8	New trade source data on investment income of life insurance carriers for 2005; revised FRB flow of funds asset data on life insurance companies for 2004 and 2005; new FRB data for 2006.
143	Less: Imputed interest received.....	0.3	10.5	.....	287.3	
	Of which:					
144	Depositor and insurance services	0.4	10.7	.....	464.9	Revised FRB flow of funds asset data for 2004 and 2005; new FRB data for 2006.
	Of which:					
145	Persons (from life insurance carriers).....	1.6	14.9	.....	213.8	
146	Taxes on production and imports	-0.2	-0.8	2.2	967.3	
147	Less: Subsidies	-0.1	1.2	-2.8	49.7	
148	Business current transfer payments (net).....	-2.5	-7.7	-2.4	90.2	
	Of which:					
149	To persons (net).....	-1.7	-8.1	-8.1	27.2	New trade source data on insured losses for 2005.
150	Current surplus of government enterprises.....	0.8	0.3	-4.0	-13.9	
151	Addenda:					
152	Gross national product.....	3.4	14.7	-23.8	13,252.7	
153	Gross saving	74.4	122.6	23.8	1,866.9	
154	Personal income	-4.2	61.9	92.2	10,983.4	See entries under "National income" and additional sources below.
155	Compensation of employees, received	6.1	-5.7	-45.1	7,440.8	
156	Proprietors' income with IVA and CCAAdj.....	0.5	-0.8	-8.4	1,006.7	
157	Rental income of persons with CCAAdj.....	-8.6	-29.9	-22.9	54.5	
158	Personal income receipts on assets.....	4.2	98.4	140.2	1,796.5	
159	Personal interest income	4.3	73.9	83.5	1,100.2	See entries under "Net interest."
160	Personal dividend income.....	-0.1	24.5	56.7	696.3	Revised IRS tabulations of corporate tax return data for 2004; new IRS tabulations for 2005; regulatory agency and public financial statements data on dividends for 2006; revised BEA international transactions accounts estimates for 2004–2006.
161	Personal current transfer receipts	-4.0	-5.9	10.3	1,612.5	
162	Government social benefits.....	-2.3	2.2	18.4	1,585.3	
	Of which:					
163	Federal.....	-3.1	0.7	17.3	1,184.6	Revised allocations of FY 2005 Federal budget data for 2004 and 2005; revised FY 2006 Federal budget data for 2005 and 2006; preliminary FY 2007 Federal budget data for 2006; new Centers for Medicare and Medicaid Services tabulations of Medicare and Medicaid payments for 2004; new Treasury Department data for 2006; new Department of Labor data on unemployment benefits for 2006.
164	Other current transfer receipts, from business (net).....	-1.7	-8.1	-8.1	27.2	
165	Less: Contributions for government social insurance.....	2.4	-5.8	-18.1	927.6	
	Of which:					
166	Federal.....	3.0	-6.0	-19.3	901.6	Revised Social Security Administration (SSA) data on taxable wages for 2004 and 2005; new SSA data for 2006.
167	Less: Personal current taxes.....	-3.5	6.0	-7.8	1,354.3	
	Of which:					
168	Federal	-4.0	4.5	-8.3	1,053.2	Revised SSA data on taxable wages for 2004 and 2005; new SSA data for 2006; Treasury Department personal income tax collections data for 2004–2006.
169	Equals: Disposable personal income.....	-0.7	55.9	100.0	9,629.1	
170	Less: Personal outlays	-8.0	-23.5	-35.2	9,590.3	
	Of which:					
171	Personal consumption expenditures.....	-15.6	-34.6	-44.4	9,224.5	See entries under "Personal consumption expenditures."
172	Personal interest payments	5.3	8.3	7.7	238.0	See entries under "Net interest."
173	Equals: Personal saving.....	7.4	79.4	135.2	38.8	

1. In these descriptions, "new" indicates 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 now revised data from that source are being incorporated.

2. 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.

3. 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

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 up \$21.0 billion for 2004, was revised up \$43.8 billion for 2005, and was revised down \$45.2 billion for 2006.

For 2004, the revision to GDI primarily reflects an upward revision to net operating surplus. The revision to net operating surplus reflects an upward revision to domestic corporate profits with inventory valuation adjustment (IVA) and capital consumption adjustment (CCAdj) that was partly offset by downward revisions to rental income of persons with CCAdj and to domestic net interest and miscellaneous payments (that is, net interest paid by domestic private enterprises and rents and royalties paid by private enterprises to government).

For 2005, the revision to GDI primarily reflects upward revisions to net operating surplus and to wage and salary accruals that were partly offset by a downward revision to supplements to wages and salaries. The revision to net operating surplus primarily reflects upward revisions to domestic net interest and miscellaneous payments and to domestic corporate profits with IVA and CCAdj that were partly offset by downward revisions to rental income of persons with CCAdj and to “business current transfer payments (net).”

For 2006, the revision to GDI reflects downward revisions to net operating surplus, to supplements to wages and salaries, and to wage and salary accruals that were partly offset by an upward revision to consumption of fixed capital. The revision to net operating surplus primarily reflects downward revisions to domestic corporate profits with IVA and CCAdj, to rental income of persons with CCAdj, and to proprietors’ income with IVA and CCAdj that were partly offset by an upward revision to domestic net interest and miscellaneous payments.

The statistical discrepancy is the difference between GDP and GDI.⁴ For 2004, the statistical discrepancy was revised down from \$66.7 billion to \$19.1 billion (from 0.6 percent to 0.2 percent of GDP). For 2005, the statistical discrepancy was revised down from \$71.0 billion to \$5.4 billion (from 0.6 percent to less than 0.1 percent of GDP). For 2006, the statistical discrepancy was revised down from $-\$11.4$ billion to $-\$18.1$ billion (unchanged from -0.1 percent of GDP). The revisions to the discrepancy for 2004 and 2005 reflect downward revisions to GDP and upward revisions to GDI. For 2006, the revision to the discrepancy reflects a larger downward revision to GDP than to GDI.

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.

Product-side components

Personal consumption expenditures (PCE) for goods was revised down for all 3 years: \$3.8 billion for 2004, \$32.4 billion for 2005, and \$48.3 billion for 2006. For each year, most of the revision was accounted for by “goods other than motor vehicles and parts,” but motor vehicles and parts also contributed.

“Goods other than motor vehicles and parts” was revised down \$2.7 billion for 2004, was revised down \$29.1 billion for 2005, and was revised down \$37.8 billion for 2006. These revisions resulted from the incorporation of revised annual data on retail sales and food services sales for 2004, of newly available annual data for 2005, and of revised monthly sales data for 2006.

For all 3 years, the revisions were mostly accounted for by downward revisions to food (specifically, both “food purchased for off-premise consumption” and “purchased meals and beverages”). “Other durable goods” (specifically, “wheel goods, sports and photographic equipment, boats, and pleasure aircraft”) and “other nondurable goods” also contributed to the downward revisions for all 3 years.

Motor vehicles and parts was revised down for all 3 years: \$1.1 billion for 2004, \$3.3 billion for 2005, and \$10.5 billion for 2006. The revisions were primarily accounted for by downward revisions to “net purchases of used autos and used light trucks.” For 2004 and 2005, the revisions to used motor vehicles reflect the incorporation of revised 2004 and new 2005 data on sales and gross margins of used vehicle dealers. For 2006, the downward revision to used motor vehicles was 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 revised down \$11.8 billion for 2004, was revised down \$2.2 billion for 2005, and was revised up \$3.9 billion for 2006. For 2004, the revision was primarily accounted for by a downward revision to housing services. For 2005, a downward revision to housing services was partly offset by an upward revision to “other services.” For 2006, the revision was more than accounted for by an upward revision to “other services,” but within housing services, there were large offsetting revisions.

For 2004 and 2005, the revisions to housing services reflected downward revisions to owner-occupied space rent that were partly offset by upward revisions to tenant-occupied rent; for 2006, a downward revision to owner-occupied space rent was mostly offset by an upward revision to tenant-occupied rent. For 2004 and

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

2005, the revisions to owner-occupied space rent reflect revised estimates of imputed mean rent using new BEA constant-dollar owner-occupied housing stocks and newly available data on unit stocks from the 2005 American Housing Survey (AHS).⁶ For 2006, the revision reflects newly available data on unit stocks from the current population survey/housing vacancy survey (CPS/HVS). For all 3 years, the revisions to tenant-occupied rent reflect newly available data on unit stocks and mean contract rent from the 2005 AHS and newly available data on unit stocks from the 2006 CPS/HVS.

For 2005, the upward revision to “other services” primarily reflects an upward revision to brokerage charges and investment counseling, specifically to investment counseling services, based on revised Census Bureau Service Annual Survey (SAS) data.

For 2006, the revision to “other services” reflects

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

upward revisions to personal care services, to religious and welfare activities, and to net foreign travel that were partly offset by a downward revision to personal business services. The revision to personal care services was primarily accounted for by an upward revision to “other” personal care services that was based on newly available Census Bureau SAS data. The revision to religious and welfare activities was primarily accounted for by upward revisions to social welfare organizations and to religious organizations. The revision to social welfare organizations was based on newly available SAS data. The revision to religious organizations reflected estimates of religious giving that were based on new BEA estimates of per capita disposable personal income and Census Bureau population data. The revision to net foreign travel was accounted for by revised estimates of travel and passenger fare imports and exports from BEA’s international transactions accounts. The revision to personal business services reflects a downward revision to “services furnished without pay-

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Eugene P. Seskin and Shelly Smith wrote the article. Robert D. Carlson, Duane G. Hackmann, Aya Hamano, Alyssa E. Holdren, and Erin M. Ludlow 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., Yukun Fung, Everette P. Johnson, Matthew D. Tschetter. *Services:* **Michael Armah**, Kyle J. Brown, Robert D. Carlson, Robert N. Ganz III, Brendan J. Leary.

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

Federal Government: **Pamela A. Kelly**, Peter G. Beall, Jennifer A. Bennett, Andrea L. Cook, April L. Downs, Raymen G. Labella, Mark S. Ludwick, Benjamin A. Mandel, Farah Naz, Michelle D. Robinson, Mary L. Roy, Ben-

yam Tsehaye, Andrew E. Vargo, Bryan A. Williams.

Special studies: **Steven Payson**, Charlotte A. Bond, Wanda Y. Chambers, Debasis Chaudhuri, Gary W. Davis, Mark A. Ledbetter, Christopher B. Mbu.

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

Computer systems and operations: **Robert A. Hill**, Michael J. Boehm, Scott G. He, Douglas J. Klear, Ross F. Metzger, Lisa C. Ninomiya, Michael J. Ocasio, Sung H. Lee, Andrew J. Pinard, James J. Raley III, Michael D. Randall, Karl V. Rohrer, Andrew G. Schmidt, and Christopher M. Siwy.

Personal income: **Kurt Kunze**, Dennis R. Weikel. *Employee compensation:* **Janet H. Kmitch**, Jennifer R. Mykijewycz, James E. Rankin, Martin L. Simmons, Elijah Slack. *Business income:* **Howard I. Krakower**, Andrew W. Hodge, Richard E. Kane, M. Greg Key, Charles S. Robinson, Jerry L. Stone, Garth K. Trinkl. *Property income:* **Nicole M. Mayerhauser**. *Farm output and income:* Andrew G. Schmidt, Gregory J. Shotwell. *Interest income:* Alyssa E. Holdren, Gregory J. Shotwell. *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, Bonnie A. Retus, Nadia F.P. Sadee. *Government:* **Robert J. Kornfeld**, Debasis Chaudhuri, Christopher B. Mbu.

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ment by financial intermediaries except life insurance carriers” that was partly offset by an upward revision to brokerage charges and investment counseling. The revision to “services furnished without payment by financial intermediaries except life insurance carriers” was based on revised Federal Reserve Board (FRB) *Call Report* data for commercial banks, newly available FRB data on sectoral holdings of commercial bank deposits, newly available data on interest paid and received for savings institutions and credit unions from the Federal Deposit Insurance Corporation, the Office of Thrift Supervision, and the Credit Union National Association, and new trade source data on mutual fund assets. The revision to brokerage charges and investment counseling, specifically to investment counseling services, was based on the incorporation of newly available Census Bureau SAS data for 2006.

Nonresidential structures investment was revised down for all 3 years: \$2.6 billion for 2004, \$4.0 billion for 2005, and \$6.1 billion for 2006. For 2006, the revision primarily reflects a downward revision to “other” structures (specifically, lodging structures and farm structures) that resulted from the incorporation of revised Census Bureau data on the value of construction put in place.

Equipment and software investment was revised up for all 3 years: \$1.8 billion for 2004, \$10.4 billion for 2005, and \$7.6 billion for 2006. For 2005, the revision reflects upward revisions to “other” equipment and to information processing equipment and software (specifically, computers and peripheral equipment). For 2006, the revision primarily reflects an upward revision to transportation equipment (specifically, light trucks and autos) that was partly offset by downward revisions to information processing equipment and software and to industrial equipment. (Within information processing equipment and software, downward revisions to software and to communication equipment were partly offset by an upward revision to computers and peripheral equipment.)

For 2005, the revisions mainly reflect the incorporation of newly available shipments data from the Annual Survey of Manufactures and revised exports and imports data from BEA’s international transactions accounts. For 2006, the revisions mainly reflect revised trade source data on truck and auto unit sales and transaction prices and newly available product receipts data from the Census Bureau’s 2006 Service Annual Survey.

Residential fixed investment was revised up \$0.2 billion for 2004, was revised down \$2.2 billion for 2005, and was revised down \$1.9 billion for 2006. These revisions reflect the incorporation of revised Census Bureau data on the value of construction put in place.

Change in private inventories was revised up \$1.3 billion for 2004, was revised up \$15.6 billion for 2005, and was revised down \$2.9 billion for 2006.⁷

The change in farm inventories was revised down for all 3 years: \$0.4 billion for 2004, \$0.8 billion for 2005, and \$4.3 billion for 2006.⁸

The change in private nonfarm inventories was revised up for all 3 years: \$1.5 billion for 2004, \$16.4 billion for 2005, and \$1.3 billion for 2006. For 2005, the revision primarily reflects an upward revision to manufacturing inventories that was partly offset by a downward revision to the inventory valuation adjustment.

For 2005, 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. The revision to the inventory valuation adjustment primarily reflects newly available information from the Census Bureau on the accounting methods used in inventory reporting, revised BEA unit labor cost indexes, and revised price weights for retail and wholesale trade from product-line sales data from the Census Bureau.

Net exports of goods and services was revised down \$2.2 billion for 2004, was revised up \$2.1 billion for 2005, and was revised up \$0.5 billion for 2006. For 2004, the revision reflects an upward revision to imports of goods and services that is largely offset by an upward revision to exports of services. For 2005, the revision primarily reflects an upward revision to exports of services that was partly offset by an upward revision to imports of goods and services. For 2006, within exports, an upward revision to services was largely offset by a downward revision to goods.

The revisions reflect the annual revision to BEA’s international transactions accounts (ITAs), which incorporated new and updated source data.⁹

For most components, the revisions to the ITAs for 2004–2006 were incorporated into the NIPAs at their “best level.” As a result, there are small discontinuities between the NIPA estimates for 2003 and those for 2004 (table 7). For current-dollar net exports of goods and services (and for current-dollar GDP), the change from 2003 to 2004 was understated by \$2.0 billion.

7. 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.

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

9. See Christopher L. Bach, “Annual Revision of the U.S. International Accounts, 1997–2006,” *SURVEY* 87 (July 2007): 37–53.

(The revisions to the ITAs for years before 2004 will be incorporated in the next comprehensive NIPA revision.)

Government consumption expenditures and gross investment was revised down for all 3 years: \$9.4 billion for 2004, \$9.4 billion for 2005, and \$4.7 billion for 2006.

Federal Government spending was revised down \$0.3 billion for 2004, was revised up \$0.1 billion for 2005, and was revised up \$5.9 billion for 2006. Defense spending was revised down \$0.5 billion for 2004, was revised down \$0.6 billion for 2005, and was revised up \$3.3 billion for 2006. Within defense consumption expenditures, for 2006, an upward revision to compensation was offset by a downward revision to services. The revision to compensation reflects the incorporation of revised Federal budget data for fiscal year 2006, preliminary budget data for fiscal year 2007, and revised tabulations from the BLS Quarterly Census of Employment and Wages. The revision to services reflects a revised allocation of spending that resulted from the revision to compensation within an annual control that was based on data from the *Monthly Treasury*

Statement.¹⁰

State and local government spending was revised down for all 3 years: \$9.1 billion for 2004, \$9.4 billion for 2005, and \$10.6 billion for 2006. For all 3 years, the revisions were more than accounted for by downward revisions to consumption expenditures: \$10.0 billion for 2004, \$10.0 billion for 2005, and \$11.8 billion for 2006. Within consumption expenditures, the revisions reflect downward revisions to intermediate goods and services (especially, nondurable goods and services) that were partly offset by downward revisions to “sales to other sectors,” mainly health and hospital charges (a subtraction in the derivation of consumption expenditures).¹¹

For all 3 years, the revisions to “intermediate goods and services” and to “sales to other sectors” reflect the incorporation of revised data for fiscal year 2004 and newly available data for fiscal year 2005 from the Census Bureau’s surveys of government finances.

Income-side components

Compensation of employees, paid was revised up \$6.2 billion for 2004, was revised down \$0.6 billion for 2005, and was revised down \$50.0 billion for 2006. For 2004, the revision reflects upward revisions to supplements to wages and salaries and to wage and salary accruals. For 2005, the revision reflects a downward revision to supplements to wages and salaries that was mostly offset by an upward revision to wage and salary accruals. For 2006, the revision reflects downward revisions to supplements to wages and salaries and to wage and salary accruals.

For 2004, the revision to wage and salary accruals reflects an upward revision to wage and salary disbursements. For 2005, the revision reflects upward revisions to the adjustment “wage accruals less disbursements (WALD)” and to wage and salary disbursements. For 2006, the revision reflects downward revisions to wage and salary disbursements and to the WALD adjustment. For all 3 years, the revisions to wage and salary disbursements reflect the incorporation of revised and newly available data from the BLS

Table 7. Discontinuities in NIPA Foreign Transactions, 2003–2004

(Billions of dollars)

	2003			2004	Change from 2003 to 2004	
	Published	Discontinuity ¹	Adjusted	Revised	Published	Adjusted
Net exports of goods and services	-499.4	-2.0	-501.4	-615.4	-116.0	-114.0
Exports	1,040.8	1.7	1,042.4	1,182.4	141.6	140.0
Goods	724.4	0.0	724.4	818.3	93.9	93.9
Services	316.4	1.7	318.0	364.1	47.7	46.1
Imports	1,540.2	3.7	1,543.8	1,797.8	257.6	254.0
Goods	1,283.9	3.6	1,287.5	1,499.5	215.6	212.0
Services	256.2	0.1	256.3	298.3	42.1	42.0
Net receipts of income	56.8	8.8	65.7	76.2	19.4	10.5
Income receipts	336.8	17.5	354.3	437.5	100.7	83.2
Wage and salary receipts	2.8	0.0	2.8	2.8	0.0	0.0
Income receipts on assets	334.0	17.5	351.5	434.7	100.7	83.2
Interest	84.9	17.8	102.7	118.3	33.4	15.6
Dividends	100.9	0.0	100.9	121.1	20.2	20.2
Reinvested earnings of U.S. direct investment abroad	148.2	-0.3	147.9	195.3	47.1	47.4
Income payments	280.0	8.7	288.6	361.3	81.4	72.7
Wage and salary payments	8.5	0.0	8.5	9.0	0.5	0.5
Income payments on assets	271.4	8.7	280.1	352.3	80.9	72.2
Interest	187.8	8.9	196.7	229.4	41.6	32.7
Dividends	68.9	0.0	68.9	73.3	4.4	4.4
Reinvested earnings of foreign direct investment in the United States	14.7	-0.2	14.5	49.7	35.0	35.2
Current taxes and transfer payments to the rest of the world (net)	69.7	1.4	71.1	84.9	15.2	13.8
Addenda:						
Gross domestic product	10,960.8	-2.0	10,958.8	11,685.9	725.1	727.1
Gross national product	11,017.6	6.8	11,024.4	11,762.1	744.5	737.7

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

10. 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 Mary L. Roy and Andrew P. Cairns, “Federal Budget Estimates for Fiscal Year 2008,” *SURVEY* 87 (March 2007): 10–21.

11. Government consumption expenditures, which is a measure of the value of services produced by general governments on behalf of the public at large, is calculated as 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 Census of Employment and Wages (QCEW). For 2005 and 2006, the revisions to the WALD adjustment reflect unusually large bonus payments accrued in the fourth quarter of 2005 and disbursed in the first quarter of 2006 and are based on revised QCEW data from the BLS, on data from state governments, and on data from other sources. (The previously published estimates for 2006 already reflected a WALD adjustment for unusually large bonus payments accrued in the fourth quarter of 2006 and disbursed in the first quarter of 2007, which was not revised during the annual revision.)

For 2004, the revision to supplements to wages and salaries reflects small upward revisions to employer contributions for employee pension and insurance funds and to employer contributions for government social insurance. For 2005 and 2006, the revisions to supplements reflect downward revisions to employer contributions for employee pension and insurance funds and to employer contributions for government social insurance.

For 2004, the revision to employer contributions for employee pension and insurance funds reflects an upward revision to employer contributions for private pension and profit-sharing plans that was partly offset by a downward revision to employer contributions to group health insurance. For 2005, a downward revision to employer contributions for group health insurance was partly offset by an upward revision to employer contributions for private pension and profit-sharing plans. For 2006, the downward revision to employer contributions for employee pension and insurance funds reflects the incorporation of newly available regular source data.¹²

The revisions to employer contributions for private pension and profit-sharing plans primarily reflect the incorporation of revised and newly available data from the Pension Benefit Guaranty Corporation for 2004 and 2005, newly available data from the Department of Labor for 2004, and tabulations of newly available data from corporate annual reports for 2006. For 2004 and 2005, the revisions to employer contributions for group health insurance reflect the incorporation of more complete and newly available tabulations of these contributions from the Department of Health and Human Services Medical Expenditure Panel Survey; for 2006, the revision to these contributions reflects extrapolation from the revised 2005 level.

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 up \$15.0 billion for 2004, was revised up \$41.8 billion for 2005, and was revised down \$38.6 billion for 2006.

Consumption of fixed capital (CFC), which is the charge for the using up of private and government fixed capital, was revised down \$0.1 billion for 2004, was revised up \$4.7 billion for 2005, and was revised up \$38.3 billion for 2006. For 2006, the revision was mostly accounted for by an upward revision to the private component of CFC that reflected the replacement of estimates derived from quarterly extrapolations with estimates derived from detailed annual source data, including revised BEA estimates of fixed investment and revised prices for 2004–2006. (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 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: \$7.7 billion for 2004, \$3.1 billion for 2005, and \$21.2 billion for 2006. For 2004, the revision primarily reflects the incorporation of revised IRS tax return data for corporations. For 2006, the revision resulted from the incorporation of revised BEA projections of IRS depreciation and amortization based on statistical modeling and 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: \$8.4 billion for 2004, \$4.3 billion for 2005, and \$51.6 billion for 2006.

Proprietors' income with IVA and CCAdj was revised up \$0.5 billion for 2004, was revised down \$0.8 billion for 2005, and was revised down \$8.4 billion for 2006. For 2004, the revision was more than accounted for by an upward revision to farm proprietors' income. For 2005, the revision was more than accounted for by a downward revision to nonfarm proprietors' income. For 2006, the revision reflects downward revisions to both nonfarm proprietors' income and farm proprietors' income.

Farm proprietors' income was revised up \$1.1 billion for 2004, was revised up \$0.6 billion for 2005, and was revised down \$3.2 billion for 2006. For 2004 and 2005, the revisions resulted from the incorporation of revised information from the U.S. Department of Ag-

12. For 2006, the revision cannot be attributed to the same level of component detail as that for 2005 because for 2006, the previously published estimates were prepared at a less detailed level.

riculture (USDA) and revised BEA estimates of depreciation. For 2006, the downward 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 for all 3 years: \$0.6 billion for 2004, \$1.3 billion for 2005, and \$5.1 billion for 2006. For 2005, the small revision reflects a downward revision to nonfarm proprietors' income without CCAdj that was largely offset by an upward revision to the CCAdj and was based on newly available IRS tabulations of sole proprietorship and partnership tax returns for 2005. For 2006, the revision reflects a downward revision to nonfarm proprietors' income that was partly offset by an upward revision to the CCAdj. The revision to proprietors' income reflected the revisions to the 2005 industry levels and the revisions to the industry-specific indicators used for extrapolation; the revision to the CCAdj primarily reflected the revised 2005 levels. (For more information about the CCAdj, see "Consumption of fixed capital.")

Rental income of persons with CCAdj was revised down for all 3 years: \$8.6 billion for 2004, \$29.9 billion for 2005, and \$22.9 billion for 2006. For 2004, the revision was primarily accounted for by a downward revision to rental income of persons without CCAdj for nonfarm residential dwellings that reflected a downward revision to nonfarm permanent-site space rent.¹³ For 2005 and 2006, the revisions were accounted for by upward revisions to nonfarm permanent-site expenses (which are subtracted in the calculation of rental income) and downward revisions to nonfarm permanent-site space rent. The revisions to nonfarm permanent-site expenses were primarily accounted for by revisions to property insurance, closing costs, and other housing expenses that resulted from the incorporation of data from regular sources (see table 6).

Corporate profits with IVA and CCAdj was revised up \$48.6 billion for 2004, was revised up \$42.1 billion for 2005, and was revised down \$62.0 billion for 2006. For 2004 and 2005, the revisions reflect upward revisions to profits before tax that were partly offset by downward revisions to the CCAdj. For 2006, the revision reflects downward revisions to both profits before tax and the CCAdj. (For more information about the CCAdj, see "Consumption of fixed capital.") The revisions to profits before tax resulted from the incorporation of revised 2004 and newly available 2005 IRS tabulations of corporate tax return data and of profits data for 2006 from regulatory agencies and public financial reports.

Domestic profits was revised up for 2004, was re-

vised up for 2005, and was revised down for 2006; rest-of-the-world profits was revised up for all 3 years. The revisions to domestic profits primarily resulted from the incorporation of revised 2004 and newly available 2005 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 up for all 3 years: \$6.1 billion for 2004, \$74.6 billion for 2005, and \$89.2 billion for 2006. The revisions were accounted for by revisions to net interest.¹⁴

For 2004, an upward revision to monetary interest paid by the rest of the world was partly offset by an upward revision to monetary interest received by domestic corporate business. For 2005, upward revisions to both monetary and imputed interest paid by domestic business were partly offset by upward revisions to monetary interest received by domestic business.

For 2004 and 2005, 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.

For 2006, the upward revision to net interest was attributable to the revisions to the 2005 levels and to newly incorporated regular source data from regulatory agencies, particularly data from the FRB flow of funds accounts.¹⁵

Taxes on production and imports was revised down \$0.2 billion for 2004, was revised down \$0.8 billion for 2005, and was revised up \$2.2 billion for 2006.

Subsidies was revised down \$0.1 billion for 2004, was revised up \$1.2 billion for 2005, and was revised down \$2.8 billion for 2006.

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 re-

13. The revisions to space rent were discussed in the section "PCE for services."

14. Net interest is calculated as the sum of monetary interest and imputed interest paid by domestic business, by owner-occupied housing, by non-profit 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.

15. For 2006, the revision cannot be attributed to the same level of component detail as that for 2005, because for 2006, the previously published estimates were prepared at a less detailed level.

vised down for all 3 years: \$2.5 billion for 2004, \$7.7 billion for 2005, and \$2.4 billion for 2006. For 2005, the revision was more than accounted for by a downward revision to payments to persons that primarily reflected a downward revision to net insurance settlements to persons that was based on the incorporation of newly available trade source data on insured losses.

Current surplus of government enterprises was revised up \$0.8 billion for 2004, was revised up \$0.3 billion for 2005, and was revised down \$4.0 billion for 2006.

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 up for all 3 years: \$29.9 billion for 2004, \$36.7 billion for 2005, and \$28.1 billion for 2006. The revisions for all 3 years were primarily accounted for by upward revisions to income receipts from the rest of the world, but downward revisions to income payments to the rest of the world also contributed.

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 of income receipts and of income payments reflect a new methodology for estimating interest received on U.S. holdings of foreign bonds and interest paid on foreign holdings of U.S. corporate bonds, U.S. agency bonds, and U.S. Treasury bonds. The revisions also reflect the incorporation of U.S. Treasury Department annual surveys of securities claims and securities liabilities.

As a result of the incorporation of the ITA revisions into the NIPAs at their “best level,” the NIPA estimates for 2003 and for 2004 are discontinuous (table 7). For net receipts of income, the change from 2003 to 2004 was overstated by \$8.8 billion. The discontinuity was primarily accounted for by interest income receipts and interest income payments and resulted from the adoption of the new methodology for estimating interest received and interest paid. For GNP, which includes both net exports of goods and services and net receipts of income, the change was overstated by \$6.8 billion.

Gross national product was revised up \$3.4 billion, or less than 0.1 percent, for 2004, was revised up \$14.7 billion, or 0.1 percent, for 2005, and was revised down \$23.8 billion, or 0.2 percent, for 2006. 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 \$4.2 billion for 2004, was revised up \$61.9 billion for 2005, and was revised up \$92.2 billion for 2006. 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 up \$6.1 billion for 2004, was revised down \$5.7 billion for 2005, and was revised down \$45.1 billion for 2006. The differences between these revisions and those to “compensation of employees, paid” primarily reflect the exclusion 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 up for all 3 years: \$4.3 billion for 2004, \$73.9 billion for 2005, and \$83.5 billion for 2006. 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 down \$0.1 billion for 2004, was revised up \$24.5 billion for 2005, and was revised up \$56.7 billion for 2006. 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 down \$4.0 billion for 2004, was revised down \$5.9 billion for 2005, and was revised up \$10.3 billion for 2006.

Government social benefits to persons was revised down \$2.3 billion for 2004, was revised up \$2.2 billion for 2005, and was revised up \$18.4 billion for 2006. For 2006, Federal Government social benefits to persons was revised up \$17.3 billion, primarily as a result of revisions to medical care payments that reflected the replacement of data from the fiscal year 2007 Budget of the United States with outlays data from the Treasury Department. Specifically, medical care payments for 2004 were based on newly available tabulations of Medicare payments for 2004 from the Center for

Medicare and Medicaid Services, and payments for 2005 and 2006 were extrapolated from that level.

“Other current transfer receipts from business (net)” was revised down for all 3 years: \$1.7 billion for 2004, \$8.1 billion for 2005, and \$8.1 billion for 2006 (see “Business current transfer payments (net)” for the sources of revision for 2005 and 2006).

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 \$2.4 billion for 2004, was revised down \$5.8 billion for 2005, and was revised down \$18.1 billion for 2006.

Federal Government contributions for social insurance was revised down \$6.0 billion for 2005 and \$19.3 billion for 2006, reflecting the incorporation of revised and newly available data on taxable wages from the Social Security Administration.

Personal current taxes was revised down \$3.5 billion for 2004, was revised up \$6.0 billion for 2005, and was revised down \$7.8 billion for 2006. For 2005, the revision was mostly accounted for by an upward revision to Federal income taxes that resulted from the incorporation of revised data from the Social Security Administration on the distribution of withheld taxes between social insurance contributions and income taxes. For 2006, the 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 \$0.7 billion for 2004, was revised up \$55.9 billion for 2005, and was revised up \$100.0 billion for 2006. The revisions reflect the revisions to personal income and to personal current taxes.

Personal outlays consists of personal consumption expenditures (PCE), personal interest payments, and personal current transfer payments. This aggregate was revised down for all 3 years: \$8.0 billion for 2004, \$23.5 billion for 2005, and \$35.2 billion for 2006. The revisions were more than accounted for by revisions to PCE.

Personal saving—the difference between DPI and personal outlays—was revised up for all 3 years: \$7.4 billion for 2004, \$79.4 billion for 2005, and \$135.2 billion for 2006. For 2004, the revision mostly reflects the downward revision to personal outlays. For 2005 and 2006, the 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 revised from 2.0 percent to 2.1 percent

for 2004, was revised from -0.4 percent to 0.5 percent for 2005, and was revised from -1.0 percent to 0.4 percent for 2006.

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 up for all 3 years: \$74.4 billion for 2004, \$122.6 billion for 2005, and \$23.8 billion for 2006. Gross saving as a percentage of gross national income was revised up for all 3 years: 0.6 percentage point to 13.8 percent for 2004, 0.9 percentage point to 13.9 percent for 2005, and 0.2 percentage point to 14.1 percent for 2006.

For 2004, the revision to gross saving reflects an upward revision to net saving. The revision to net saving reflects upward revisions to net private saving and to net government saving. The upward revision to net private saving primarily reflects an upward revision to undistributed corporate profits with IVA and CCAdj, but an upward revision to personal saving also contributed. The revision to net government saving reflects upward revisions to state and local government net saving and to Federal Government net saving.

For 2005, the revision primarily reflects an upward revision to net saving, but an upward revision to CFC also contributed. The revision to net saving primarily reflects an upward revision to net private saving, but an upward revision to net government saving also contributed. The revision to net private saving reflects upward revisions to personal saving, to undistributed corporate profits with IVA and CCAdj, and to the “wage accruals less disbursements” adjustment. The revision to net government saving reflects an upward revision to state and local government net saving that was partly offset by a downward revision to Federal Government net saving.

For 2006, the revision reflects an upward revision to CFC that was partly offset by a downward revision to net saving. The revision to net saving reflects a downward revision to net government saving that was partly offset by an upward revision to net private saving. The revision to net government saving reflects a downward revision to Federal Government net saving that was partly offset by an upward revision to state and local government net saving. The revision to net private saving reflects an upward revision to personal saving that was partly offset by downward revisions to undistributed corporate profits with IVA and CCAdj and to the “wage accruals less disbursements” adjustment.

“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 up for all 3 years: \$24.8 billion for 2004, \$36.7 billion for 2005, and \$17.7 billion for 2006. For 2004, the revision primarily reflects an upward revision to gross saving that was partly offset by a downward revision to the statistical discrepancy. For 2005, an upward revision to gross saving was partly offset by a downward revision to the statistical discrepancy and an upward revision to gross domestic investment. For 2006, the revision reflects an upward revision to gross saving that was partly offset by a downward revision to the statistical discrepancy.

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 (2006). 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.¹⁶ The prices used for deflation also reflect updated seasonal factors. In addition, the price index used to deflate business purchases of new light trucks was revised to reflect a new treatment of special financing incentives,

16. 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.

and the price index used to deflate state and local government sales of other health services was revised to incorporate the BLS producer price index for home health care services (see “Changes in Methodology”).

The percent change from the preceding year in the price index for gross domestic purchases was unrevised at 3.1 percent for 2004, was revised up 0.2 percentage point to 3.7 percent for 2005, and was revised up 0.2 percentage point to 3.3 percent for 2006 (see chart 1 and the addendum to table 8). The annual percent change in the price index for GDP was revised up for all 3 years: 0.1 percentage point to 2.9 percent for 2004, 0.2 percentage point to 3.2 percent for 2005, and 0.3 percentage point to 3.2 percent for 2006.

For 2004, the price index for gross domestic purchases was unrevised. Small revisions among the components of the price index were offsetting.

For 2005, the revision to the price index for gross domestic purchases primarily reflects upward revisions to the price indexes for residential fixed investment, for PCE for services, for equipment and software, and for state and local government spending. 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. The revision to the price index for PCE for services reflects upward revisions to the price index for “other” services (primarily “services furnished without payment by financial intermediaries except life insurance carriers”) and to the price index for medical care. The revision to the price index for

Table 8. Revisions to Percent Change in GDP Price Indexes

[Percent change from preceding year]

	2003	2004			2005			2006		
		Previously published	Revised	Revision	Previously published	Revised	Revision	Previously published	Revised	Revision
Gross domestic product	2.1	2.8	2.9	0.1	3.0	3.2	0.2	2.9	3.2	0.3
Personal consumption expenditures	2.0	2.6	2.6	0.0	2.9	2.9	0.0	2.7	2.8	0.1
Durable goods	-3.6	-1.6	-1.8	-0.2	-0.7	-0.7	0.0	-1.3	-1.3	0.0
Nondurable goods	2.0	3.3	3.3	0.0	3.6	3.7	0.1	3.1	3.1	0.0
Services.....	3.2	3.2	3.2	0.0	3.2	3.4	0.2	3.4	3.4	0.0
Gross private domestic fixed investment	1.6	3.4	3.4	0.0	3.5	4.3	0.8	3.3	3.5	0.2
Nonresidential.....	0.1	1.2	1.3	0.1	2.6	2.9	0.3	2.9	3.1	0.2
Structures	3.5	6.2	6.2	0.0	11.3	11.7	0.4	11.4	11.7	0.3
Equipment and software	-1.1	-0.4	-0.3	0.1	-0.4	-0.1	0.3	-0.2	0.0	0.2
Residential.....	4.8	7.3	7.3	0.0	5.1	6.7	1.6	4.0	4.4	0.4
Change in private inventories.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Net exports of goods and services.....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Exports	2.2	3.7	3.5	-0.2	3.6	3.6	0.0	3.3	3.4	0.1
Goods	2.0	3.7	3.7	0.0	3.1	3.1	0.0	3.3	3.3	0.0
Services.....	2.6	3.5	3.2	-0.3	4.8	4.9	0.1	3.3	3.7	0.4
Imports.....	3.5	5.0	4.9	-0.1	6.3	6.3	0.0	4.3	4.0	-0.3
Goods	2.9	5.0	4.9	-0.1	6.5	6.5	0.0	4.5	4.2	-0.3
Services.....	6.3	5.1	4.4	-0.7	5.4	5.6	0.2	3.4	3.1	-0.3
Government consumption expenditures and gross investment	4.1	4.4	4.5	0.1	5.6	5.8	0.2	4.4	4.9	0.5
Federal.....	4.2	4.7	4.7	0.0	4.8	4.8	0.0	3.5	3.9	0.4
National defense	4.7	4.7	4.7	0.0	5.1	5.3	0.2	3.4	4.1	0.7
Nondefense.....	3.4	4.7	4.9	0.2	4.1	4.0	-0.1	3.5	3.5	0.0
State and local.....	4.1	4.3	4.3	0.0	6.2	6.4	0.2	4.9	5.4	0.5
Addendum:										
Gross domestic purchases	2.3	3.1	3.1	0.0	3.5	3.7	0.2	3.1	3.3	0.2

equipment and software primarily reflects an upward revision to the price index for transportation equipment, which in turn, partly reflects the revised price index for business purchases of new light trucks. The revision to the price index for state and local government spending reflects 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 2006, 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 residential fixed investment. The revision to the price index for state and local government spending was attributable to an upward revision to the implicit price index for compensation and to an upward revision to the price index for state and local government structures. 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 residential fixed investment was attributable to an upward revision to the Census Bureau's price index for single-family structures.

Changes in Methodology

As part of the annual revision to the NIPAs, several changes in the methods used to deflate certain NIPA components were incorporated.¹⁷

Motor vehicle prices. The price index used for deflating business purchases of new light trucks has been changed to a consumer price index (CPI) from a producer price index (PPI). Most businesses purchase vehicles through motor vehicle dealers, and the CPI, unlike the PPI, includes retail and wholesale margins. In addition the CPI treats special financing incentives (such as “zero-percent” financing) as financial transactions that do not affect prices, whereas the PPI treats such incentives as a price change. Thus, using the CPI is more consistent with the current-dollar expenditures that are being deflated, which measure the transactions price of the vehicle and therefore do not treat financing incentives as price reductions. The use of a CPI for deflation of business purchases of new light trucks is now consistent with the use of a CPI for the deflation of business purchases of new autos as well as with the use of CPIs for deflating personal consump-

tion expenditures (PCE) for new autos and new light trucks; all final sales of new light motor vehicles now use CPIs for deflation.

For inventory investment, a PPI is conceptually more appropriate for deflation because it represents price transactions between manufacturers and business. However, in practice, the volatility of the PPI during recent periods, much of it attributable to changes in financing incentives, has also prompted a change in methodology. Specifically, the estimates for inventory investment for 2004–2006 now also reflect the use of a CPI for deflation instead of a PPI. Beginning with estimates for the first quarter of 2007, a special PPI prepared for BEA by BLS that excludes special financing incentives was used for deflating autos and light trucks for inventory investment.

State and local government sales of health services. The procedure used for deflating state and local sales of “other health services” (within health and hospital charges in sales to other sectors) has been changed. Beginning with this annual revision, the BLS PPI for home health care services is used to deflate “home health care services,” and the BLS CPI for “services by other medical professionals” continues to be used to deflate “other ambulatory health care services.” Previously, the CPI was used for deflating both components of “other health services.” The services represented by the PPI for home health care services are a better match with the sales of services of state and local government than those represented by the CPI; the PPI covers prices paid by both public and private payers for health services, but the CPI only covers the prices paid by consumers. The use of a PPI for deflating this component is now consistent with the use of the PPI for deflating PCE “other health services.”¹⁸

Newly available nonresidential building prices. As part of the 2006 annual revision, BEA began incorporating price data from BLS's nonresidential building construction initiative into its estimates of nonresidential structures. With the estimates for the first quarter of 2006, BEA is now incorporating the newly available price index for schools into its estimates of educational and vocational structures, and with the estimates for the third quarter of 2006, BEA is now incorporating the newly available price index for office-building construction into its estimates of office-building structures (excluding medical buildings).

17. These changes update the information in the two tables that were published in “Updated Summary NIPA Methodologies” in the November 2006 SURVEY; these tables will be updated in the November 2007 SURVEY.

18. Government sales of medical care services are part of PCE, which includes all personal health care services purchased from private and public providers, including those financed through government programs, such as Medicare and Medicaid, and through employer-sponsored health insurance.

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

[Billions of dollars]

	2004		2005		2006	
	Revised	Revision	Revised	Revision	Revised	Revision
Account 1. Domestic Income and Product Account						
Compensation of employees, paid	6,662.5	6.2	7,036.0	-0.6	7,454.8	-50.0
Wage and salary accruals	5,385.7	2.5	5,679.3	8.2	6,032.2	-17.7
Disbursements	5,400.7	2.5	5,674.3	3.2	6,024.7	-12.7
Wage accruals less disbursements	-15.0	0.0	5.0	5.0	7.5	-5.0
Supplements to wages and salaries	1,276.9	3.7	1,356.8	-8.7	1,422.6	-32.3
Taxes on production and imports	863.8	-0.2	921.6	-0.8	967.3	2.2
Less: Subsidies	44.6	-0.1	58.5	1.2	49.7	-2.8
Net operating surplus	2,748.9	15.0	2,920.0	41.8	3,225.3	-38.6
Private enterprises	2,753.1	14.2	2,935.1	41.5	3,239.2	-34.6
Current surplus of government enterprises	-4.2	0.8	-15.1	0.3	-13.9	-4.0
Consumption of fixed capital	1,436.1	-0.1	1,609.5	4.7	1,615.2	38.3
Gross domestic income	11,666.8	21.0	12,428.6	43.8	13,212.8	-45.2
Statistical discrepancy	19.1	-47.6	5.4	-65.6	-18.1	-6.7
GROSS DOMESTIC PRODUCT	11,685.9	-26.6	12,433.9	-21.9	13,194.7	-51.9
Personal consumption expenditures	8,195.9	-15.6	8,707.8	-34.6	9,224.5	-44.4
Durable goods	983.9	-2.4	1,023.9	-9.2	1,048.9	-21.4
Nondurable goods	2,343.7	-1.5	2,516.2	-23.1	2,688.0	-26.9
Services	4,868.3	-11.8	5,167.8	-2.2	5,487.6	3.9
Gross private domestic investment	1,888.6	0.6	2,077.2	19.8	2,209.2	-3.3
Fixed investment	1,830.0	-0.6	2,040.3	4.1	2,162.5	-0.4
Nonresidential	1,154.5	-0.8	1,272.1	6.4	1,397.7	1.5
Structures	298.2	-2.6	334.6	-4.0	405.1	-6.1
Equipment and software	856.3	1.8	937.5	10.4	992.6	7.6
Residential	675.5	0.2	768.2	-2.2	764.8	-1.9
Change in private inventories	58.6	1.3	36.9	15.6	46.7	-2.9
Net exports of goods and services	-615.4	-2.2	-714.6	2.1	-762.0	0.5
Exports	1,182.4	4.3	1,309.4	6.3	1,467.6	1.4
Imports	1,797.8	6.4	2,023.9	4.0	2,229.6	0.9
Government consumption expenditures and gross investment	2,216.8	-9.4	2,363.4	-9.4	2,523.0	-4.7
Federal	825.6	-0.3	878.4	0.1	932.5	5.9
National defense	550.7	-0.5	588.7	-0.6	624.3	3.3
Nondefense	274.9	0.2	289.8	0.8	308.2	2.6
State and local	1,391.2	-9.1	1,485.0	-9.4	1,590.5	-10.6
GROSS DOMESTIC PRODUCT	11,685.9	-26.6	12,433.9	-21.9	13,194.7	-51.9
Account 2. Private Enterprise Income Account						
Income payments on assets	2,219.8	-1.7	2,635.3	82.9	3,109.3	.....
Interest and miscellaneous payments	2,096.8	1.1	2,494.7	83.3	2,946.8	.....
Dividend payments to the rest of the world	73.3	3.5	92.5	10.7	91.4	3.8
Reinvested earnings on foreign direct investment in the United States	49.7	-6.3	48.1	-11.1	71.1	-2.0
Business current transfer payments (net)	83.0	-2.5	66.5	-7.7	90.2	-2.4
To persons (net)	26.4	-1.7	37.6	-8.1	27.2	-8.1
To government (net)	48.1	-1.7	30.7	0.6	60.6	3.5
To the rest of the world (net)	8.5	1.0	-1.8	-0.2	2.5	2.2
Proprietors' income with inventory valuation and capital consumption adjustments	911.6	0.5	969.9	-0.8	1,006.7	-8.4
Rental income of persons with capital consumption adjustment	118.4	-8.6	42.9	-29.9	54.5	-22.9
Corporate profits with inventory valuation and capital consumption adjustments	1,231.2	48.6	1,372.8	42.1	1,553.7	-62.0
Taxes on corporate income	307.4	7.3	392.9	-6.4	453.9	-21.0
To government	293.3	5.7	376.5	-7.9	435.5	-21.7
To the rest of the world	14.1	1.6	16.4	1.5	18.4	0.6
Profits after tax with inventory valuation and capital consumption adjustments	923.9	41.4	979.9	48.5	1,099.8	-40.9
Net dividends	539.5	0.0	601.4	24.5	698.9	56.7
Undistributed corporate profits with inventory valuation and capital consumption adjustments	384.4	41.4	378.6	24.1	400.9	-97.7
USES OF PRIVATE ENTERPRISE INCOME	4,564.1	36.4	5,087.3	86.6	5,814.5	.....
Net operating surplus	2,753.1	14.2	2,935.1	41.5	3,239.2	-34.6
Income receipts on assets	1,810.9	22.1	2,152.2	45.1	2,575.3	.....
Interest	1,494.6	7.9	1,793.5	24.4	2,155.5	.....
Dividend receipts from the rest of the world	121.1	4.4	348.3	28.3	167.2	12.6
Reinvested earnings on U.S. direct investment abroad	195.3	9.9	10.4	-7.6	252.6	3.4
SOURCES OF PRIVATE ENTERPRISE INCOME	4,564.1	36.4	5,087.3	86.6	5,814.5	.....
Account 3. Personal Income and Outlay Account						
Personal current taxes	1,046.3	-3.5	1,209.1	6.0	1,354.3	-7.8
Personal outlays	8,499.2	-8.0	9,047.4	-23.5	9,590.3	-35.2
Personal consumption expenditures	8,195.9	-15.6	8,707.8	-34.6	9,224.5	-44.4
Personal interest payments	191.3	5.3	217.7	8.3	238.0	7.7
Personal current transfer payments	112.1	2.4	121.8	2.6	127.8	1.5
To government	68.9	2.1	74.5	2.5	78.9	0.9
To the rest of the world (net)	43.1	0.2	47.3	0.2	48.9	0.6
Personal saving	181.7	7.4	44.6	79.4	38.8	135.2
PERSONAL TAXES, OUTLAYS, AND SAVING	9,727.2	-4.2	10,301.1	61.9	10,983.4	92.2
Compensation of employees, received	6,671.4	6.1	7,024.6	-5.7	7,440.8	-45.1
Wage and salary disbursements	5,394.5	2.4	5,667.9	3.1	6,018.2	-12.9
Domestic	5,391.7	2.5	5,665.0	3.1	6,015.3	-12.8
Rest of the world	2.8	-0.1	2.9	0.0	2.9	0.0
Supplements to wages and salaries	1,276.9	3.7	1,356.8	-8.7	1,422.6	-32.3
Employer contributions for employee pension and insurance funds	868.5	2.4	927.7	-5.5	970.7	-22.0
Employer contributions for government social insurance	408.3	1.2	429.1	-3.2	451.8	-10.3
Proprietors' income with inventory valuation and capital consumption adjustments	911.6	0.5	969.9	-0.8	1,006.7	-8.4
Rental income of persons with capital consumption adjustment	118.4	-8.6	42.9	-29.9	54.5	-22.9
Personal income receipts on assets	1,432.1	4.2	1,617.8	98.4	1,796.5	140.2
Personal interest income	895.1	4.3	1,018.9	73.9	1,100.2	83.5
Personal dividend income	537.0	-0.1	598.9	24.5	696.3	56.7
Personal current transfer receipts	1,422.5	-4.0	1,520.7	-5.9	1,612.5	10.3
Government social benefits	1,396.1	-2.3	1,483.1	2.2	1,585.3	18.4
From business (net)	26.4	-1.7	37.6	-8.1	27.2	-8.1
Less: Contributions for government social insurance	828.8	2.4	874.8	-5.8	927.6	-18.1
PERSONAL INCOME	9,727.2	-4.2	10,301.1	61.9	10,983.4	92.2

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

(Billions of dollars)

	2004		2005		2006	
	Revised	Revision	Revised	Revision	Revised	Revision
Account 4. Government Receipts and Expenditures Account						
Consumption expenditures.....	1,844.0	-10.8	1,965.7	-10.0	2,089.3	-7.0
Current transfer payments.....	1,425.3	-1.9	1,521.7	3.9	1,618.3	25.5
Government social benefits.....	1,399.1	-2.3	1,486.2	2.2	1,588.7	18.6
To persons.....	1,396.1	-2.3	1,483.1	2.2	1,585.3	18.4
To the rest of the world.....	3.0	0.0	3.1	0.0	3.3	0.1
Other current transfer payments to the rest of the world (net).....	26.2	0.3	35.5	1.6	29.6	6.9
Interest payments.....	309.3	-3.4	346.2	-1.8	372.9	-4.2
Subsidies.....	44.6	-0.1	58.5	1.2	49.7	-2.8
Less: Wage accruals less disbursements.....	0.0	0.0	0.0	0.0	0.0	0.0
Net government saving.....	-369.1	25.8	-303.1	9.4	-195.4	-47.0
Federal.....	-370.6	11.4	-318.3	-9.1	-220.0	-69.0
State and local.....	1.5	14.4	15.2	18.5	24.6	22.1
GOVERNMENT CURRENT EXPENDITURES AND NET SAVING.....	3,254.1	9.6	3,589.1	2.8	3,934.8	-35.6
Current tax receipts.....	2,213.4	2.3	2,518.7	-2.0	2,769.8	-27.2
Personal current taxes.....	1,046.3	-3.5	1,209.1	6.0	1,354.3	-7.8
Taxes on production and imports.....	863.8	-0.2	921.6	-0.8	967.3	2.2
Taxes on corporate income.....	293.3	5.7	376.5	-7.9	435.5	-21.7
Taxes from the rest of the world.....	10.0	0.3	11.5	0.7	12.6	0.0
Contributions for government social insurance.....	828.8	2.4	874.8	-5.8	927.6	-18.1
Income receipts on assets.....	99.1	3.7	105.6	7.3	111.9	9.4
Interest and miscellaneous receipts.....	96.7	3.7	103.1	7.3	109.3	9.4
Dividends.....	2.4	0.0	2.4	0.0	2.6	0.0
Current transfer receipts.....	117.0	0.4	105.2	3.1	139.5	4.4
From business (net).....	48.1	-1.7	30.7	0.6	60.6	3.5
From persons.....	68.9	2.1	74.5	2.5	78.9	0.9
Current surplus of government enterprises.....	-4.2	0.8	-15.1	0.3	-13.9	-4.0
GOVERNMENT CURRENT RECEIPTS.....	3,254.1	9.6	3,589.1	2.8	3,934.8	-35.6
Account 5. Foreign Transactions Current Account						
Exports of goods and services.....	1,182.4	4.3	1,309.4	6.3	1,467.6	1.4
Income receipts from the rest of the world.....	437.5	27.3	544.1	30.8	691.4	25.8
Wage and salary receipts.....	2.8	-0.1	2.9	0.0	2.9	0.0
Income receipts on assets.....	434.7	27.4	541.2	30.8	688.6	25.9
Interest.....	118.3	13.0	182.5	10.1	268.8	9.9
Dividends.....	121.1	4.4	348.3	28.3	167.2	12.6
Reinvested earnings on U.S. direct investment abroad.....	195.3	9.9	10.4	-7.6	252.6	3.4
CURRENT RECEIPTS FROM THE REST OF THE WORLD.....	1,619.9	31.6	1,853.5	37.0	2,159.0	27.2
Imports of goods and services.....	1,797.8	6.4	2,023.9	4.0	2,229.6	0.9
Income payments to the rest of the world.....	361.3	-2.6	475.6	-5.9	633.4	-2.3
Wage and salary payments.....	9.0	0.1	9.3	0.1	9.4	0.1
Income payments on assets.....	352.3	-2.7	466.3	-5.9	624.0	-2.5
Interest.....	229.4	0.2	325.7	-5.5	461.5	-4.3
Dividends.....	73.3	3.5	92.5	10.7	91.4	3.8
Reinvested earnings on foreign direct investment in the United States.....	49.7	-6.3	48.1	-11.1	71.1	-2.0
Current taxes and transfer payments to the rest of the world (net).....	84.9	2.8	89.0	2.4	90.1	10.5
From persons (net).....	43.1	0.2	47.3	0.2	48.9	0.6
From government (net).....	19.2	0.0	27.1	1.0	20.3	7.1
From business (net).....	22.6	2.6	14.6	1.3	20.9	2.8
Balance on current account, national income and product accounts.....	-624.1	25.0	-735.1	36.3	-794.1	18.0
CURRENT PAYMENTS TO THE REST OF THE WORLD AND BALANCE ON CURRENT ACCOUNT.....	1,619.9	31.6	1,853.5	37.0	2,159.0	27.2
Account 6. Domestic Capital Account						
Gross domestic investment.....	2,261.4	2.0	2,475.0	20.5	2,642.9	-0.9
Private fixed investment.....	1,830.0	-0.6	2,040.3	4.1	2,162.5	-0.4
Government fixed investment.....	372.8	1.4	397.8	0.7	433.8	2.5
Change in private inventories.....	58.6	1.3	36.9	15.6	46.7	-2.9
Capital account transactions (net).....	2.4	0.1	4.1	-0.3	3.9	0.3
Net lending or net borrowing (-), national income and product accounts.....	-626.5	24.8	-739.1	36.7	-798.0	17.7
GROSS DOMESTIC INVESTMENT, CAPITAL ACCOUNT TRANSACTIONS, AND NET LENDING.....	1,637.3	27.0	1,739.9	56.8	1,848.8	17.1
Net saving.....	182.0	74.5	125.1	117.9	251.7	-14.5
Personal saving.....	181.7	7.4	44.6	79.4	38.8	135.2
Undistributed corporate profits with inventory valuation and capital consumption adjustments.....	384.4	41.4	378.6	24.1	400.9	-97.7
Wage accruals less disbursements (private).....	-15.0	0.0	5.0	5.0	7.5	-5.0
Net government saving.....	-369.1	25.8	-303.1	9.4	-195.4	-47.0
Plus: Consumption of fixed capital.....	1,436.1	-0.1	1,609.5	4.7	1,615.2	38.3
Private.....	1,206.0	0.6	1,357.0	4.4	1,347.5	36.3
Government.....	230.2	-0.6	252.4	0.2	267.7	2.0
General government.....	192.4	-0.3	207.5	0.3	223.6	2.1
Government enterprises.....	37.7	-0.3	44.9	-0.2	44.1	-0.1
Equals: Gross saving.....	1,618.1	74.4	1,734.6	122.6	1,866.9	23.8
Statistical discrepancy.....	19.1	-47.6	5.4	-65.6	-18.1	-6.7
GROSS SAVING AND STATISTICAL DISCREPANCY.....	1,637.3	27.0	1,739.9	56.8	1,848.8	17.1
Account 7. Foreign Transactions Capital Account						
BALANCE ON CURRENT ACCOUNT, NATIONAL INCOME AND PRODUCT ACCOUNTS.....	-624.1	25.0	-735.1	36.3	-794.1	18.0
Capital account transactions (net).....	2.4	0.1	4.1	-0.3	3.9	0.3
Net lending or net borrowing (-), national income and product accounts.....	-626.5	24.8	-739.1	36.7	-798.0	17.7
CAPITAL ACCOUNT TRANSACTIONS (NET) AND NET LENDING, NATIONAL INCOME AND PRODUCT ACCOUNTS.....	-624.1	25.0	-735.1	36.3	-794.1	18.0