



Technical Note
Gross Domestic Product
Third Quarter of 2005 (Final)
December 21, 2005

This technical note provides background information about the source data and estimating methods used to produce the estimates presented in the GDP news release. The complete set of estimates for the third quarter is available on BEA's Web site at www.bea.gov; a brief summary of "highlights" is also posted on the Web site. In a few weeks, the estimates will be published in BEA's monthly journal, the *Survey of Current Business*, along with a more detailed analysis of the estimates ("The Business Situation").

Sources of Revision to Components of Real GDP

Real GDP growth in the third quarter was 4.1 percent, which was 0.2 percentage point less than that in the preliminary estimate. The downward revision to real GDP reflected offsetting revisions to several components:

- Personal consumption spending for durable goods was revised down, reflecting revised and newly available motor vehicle data from trade sources.
- There were small downward revisions to several other components of GDP.
- Exports of services were revised up, reflecting revised second- and third-quarter estimates from BEA's international transactions accounts.

The price index for gross domestic purchases increased 4.2 percent in the third quarter, 0.2 percentage point more than in the preliminary estimate. The price index for residential investment was revised up, reflecting a revision to the Census Bureau price index of new one-family houses under construction.

Corporate Profits

Profits from current production decreased \$54.4 billion, or 4.0 percent, in the third quarter, compared with an increase of \$59.3 billion, or 4.6 percent, in the second. Third-quarter profits were reduced by \$165.3 billion (at an annual rate) because of Hurricanes Katrina and Rita, reflecting the net benefits paid by domestic insurance companies and the uninsured losses of corporate property. For further information on the treatment of the hurricanes in the national accounts, see the FAQs available on BEA's Web site, www.bea.gov.

In the third quarter, real gross value added of nonfinancial corporate business increased, and profits per unit of real value added decreased. Effective with today's release, the estimates of real gross value added of nonfinancial corporate business were revised beginning with 2002, reflecting the use of a revised deflator for nonfinancial industries from the annual revision of the GDP-by-industry accounts.

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