



Technical Note
National Income and Product Accounts
Second Quarter 2006 GDP (Advance)
2003 through First Quarter 2006 (Revised)
July 28, 2006

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 second 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 ("GDP and the Economy").

Source Data for the Advance Estimate

The advance GDP estimate for the second quarter of 2006 is based on source data that are incomplete and subject to revision. Three months of source data were available for consumer spending on goods; shipments of capital equipment other than aircraft; motor vehicle sales and inventories; manufacturing durables inventories; federal government outlays; and consumer, producer, and international prices. Only two months of data were available for most other key data sources; BEA's assumptions for the third month are shown in table A. Among those assumptions are the following:

- an increase in nondurable manufacturing inventories,
- an increase in non-motor-vehicle merchant wholesale and retail inventories,
- an increase in exports of goods, excluding gold, and
- an increase in imports of goods, excluding gold.

Annual Revision

Today's GDP news release presents results from the regular annual revision of the national income and product accounts. This year's revision, as usual, covers the estimates for the most recent three years. The revision incorporates source data that are more complete, more detailed, and otherwise more reliable than those previously available. A detailed discussion of the results will be published in the August issue of the *Survey*.

GDP growth rates were revised down for all three years. In general, the revisions to year-to-year GDP growth rates were small: none exceeded 0.3 percentage point. For 2002-2005, real GDP grew at an average annual rate of 3.2 percent, compared with the previously published estimate of 3.5 percent. For 2002-2005:

- real personal consumption expenditures grew at an average annual rate of 3.4 percent, the same as the previously published estimate; spending for nondurable goods was revised down and spending for durable goods was revised up, reflecting data from the Census Bureau's Annual Retail Trade Survey for 2004;

- real nonresidential fixed investment increased at an average annual rate of 4.5 percent, compared with the previously published estimate of 6.4 percent; the downward revisions were mainly to information processing equipment and software (especially computers), to transportation equipment, and to other equipment, reflecting data from the Census Bureau's Annual Survey of Manufactures for 2004;
- real residential investment increased at an average annual rate of 9.0 percent, compared with the previously published estimate of 8.6 percent; the upward revision was primarily to single-family structures, reflecting revised Census Bureau value-of-construction-put-in-place data.
- real inventory investment increased \$7.1 billion, compared with the previously published estimate of \$7.8 billion;
- real exports increased at an average annual rate of 5.7 percent, the same as the previously published estimate; real imports increased at an average annual rate of 6.9 percent, compared with the previously published estimate of 7.2 percent; the revisions to imports were primarily to services, reflecting the annual revision of BEA's international transactions accounts that was released in June;
- real government consumption expenditures and gross investment increased at an average annual rate of 1.7 percent, compared with the previously published estimate of 2.2 percent; both federal spending and state and local spending were revised down; the revisions reflected Census Bureau *Government Finances* data for FY 2003 and FY 2004, Federal budget data for FY 2005, and BLS wage data for 2005.

From the cyclical trough of GDP in the third quarter of 2001 to the first quarter of 2006, the revised estimates show that real GDP increased at an average annual rate of 3.1 percent; the previously published estimates showed an average increase of 3.3 percent. The revisions to the quarterly growth rates of GDP also were small.

For 2002-2005, the average annual rate of increase in the price index for gross domestic purchases was revised up, from 2.8 percent to 2.9 percent.

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**Table A. KEY ASSUMPTIONS FOR THE ADVANCE ESTIMATE OF GDP
FOR THE SECOND QUARTER OF 2006**

For many of the key series used to prepare the advance estimate of GDP, including retail sales, unit automobile and truck sales and inventories, manufacturers' shipments of nondefense capital goods (other than aircraft), manufacturers' inventories of durable goods, federal defense spending, and consumer, producer, and international price indexes, actual data are available for all months of the quarter.

For the key series shown in this table, actual data for the third month of the quarter usually are not available in time for inclusion in the advance GDP estimate. BEA makes assumptions for the source data that are not yet available; assumptions for June 2006 are shown in the last column of the table. For most series shown, the data for May are preliminary and subject to further revision. Occasionally, the data for earlier months are also subject to revision.

All series shown in the table are in billions of dollars, seasonally adjusted at annual rates, and are published by the Bureau of the Census.

	2006					
	Jan.	Feb.	Mar.	Apr.	May	Jun.*
Private fixed investment:						
Nonresidential structures:						
1 Value of new total private construction put in place less residential (inc. improvements).....	277.9	277.8	284.5	289.0	288.2	288.6
Equipment and software:						
2 Manufacturers' shipments of complete aircraft.....	33.2	47.6	37.5	27.0	34.0	38.7
Residential structures:						
Value of new residential construction put in place:						
3 Single family.....	455.8	457.5	457.3	449.4	441.8	435.1
4 Multifamily.....	54.7	55.6	56.4	57.0	56.7	55.9
Change in private inventories:						
5 Change in inventories for nondurable manufacturing.....	35.1	-10.1	14.7	14.3	-12.1	8.5
5a Change in inventories for merchant wholesale and retail industries other than motor vehicles and equipment...	22.0	32.4	35.2	48.2	74.0	72.2
Net exports:						
Exports of goods:						
6 U.S. exports of goods, international-transactions-accounts basis.....	976.9	969.0	988.3	982.0	1010.5	1011.8
6a Excluding gold.....	969.3	962.3	979.8	975.1	1001.2	1003.2
Imports of goods:						
7 U.S. imports of goods, international-transactions-accounts basis.....	1843.5	1785.4	1800.8	1816.8	1851.6	1873.7
7a Excluding gold.....	1837.5	1780.1	1795.0	1811.4	1844.6	1867.6
8 Net exports of goods.....	-866.7	-816.3	-812.6	-834.8	-841.0	-861.9
8a Excluding gold.....	-868.3	-817.8	-815.1	-836.4	-843.4	-864.4
Government:						
State and local:						
Structures:						
9 Value of new construction put in place.....	235.8	240.0	243.8	245.1	247.1	246.1

*Assumption.