

**Technical Note**  
**Gross Domestic Product**  
**Second Quarter of 2005 (Advance)**  
**July 29, 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 second quarter is available on BEA's Web site at [www.bea.gov](http://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").

**Source Data for the Advance Estimate**

The advance GDP estimate for the second quarter of 2005 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. The following assumptions were made for the third month of the quarter:

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

**Annual Revision, 2002-2005**

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 from 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*.

In general, revisions to year-to-year GDP growth rates were small: none exceeded 0.3 percentage point. For 2001-2004, real GDP grew at an average annual rate of 2.8 percent, compared with the previously published estimate of 3.1 percent. For 2001-2004:

- C real personal consumption expenditures grew at an average annual rate of 3.2 percent, compared with the previously published estimate of 3.4 percent; the downward revisions were to both goods and services, reflecting data from the Census Bureau's Annual Retail Trade Survey for 2003 and the American Housing Survey for 2003;

- C real nonresidential fixed investment increased at an average annual rate of 0.2 percent, compared with the previously published estimate of 1.3 percent; the downward revisions were primarily to computers and to communications equipment, reflecting data from the Census Bureau's Annual Survey of Manufactures for 2003, and to software, reflecting preliminary data from the Census Bureau's Services Annual Survey for 2004;
- C real residential investment increased at an average annual rate of 7.8 percent, compared with the previously published estimate of 7.7 percent;
- C real inventories of private businesses increased \$83.7 billion, compared with the previously published estimate of \$77.4 billion;
- C real exports increased at an average annual rate of 2.5 percent, compared with the previously published estimate of 2.6 percent; real imports increased at an average annual rate of 6.2 percent, compared with the previously published estimate of 5.9 percent; the revisions to imports were primarily to services, reflecting the annual revision of BEA's international transactions accounts that was released in June;
- C real government consumption expenditures and gross investment increased at an average annual rate of 3.1 percent, compared with the previously published estimate of 3.0 percent.

The revisions to the quarterly growth rates of GDP also were small.

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Table A. KEY ASSUMPTIONS FOR THE ADVANCE ESTIMATE OF GDP  
FOR THE SECOND QUARTER OF 2005

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 2005 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.

		2005					
		Jan.	Feb.	Mar.	Apr.	May	Jun.*
<b>Private fixed investment:</b>							
Nonresidential structures:							
1	Value of new total private construction put in place less residential (inc. improvements).....	243.3	242.1	244.3	245.8	241.9	243.9
Equipment and software:							
2	Manufacturers' shipments of complete aircraft.....	27.2	19.2	24.6	39.8	25.5	26.7
Residential structures:							
Value of new residential construction put in place:							
3	Single family.....	396.2	402.1	404.5	404.7	406.9	409.6
4	Multifamily.....	44.5	44.5	43.5	44.1	43.7	44.0
<b>Change in private inventories:</b>							
5	Change in inventories for nondurable manufacturing.....	29.8	9.7	17.7	-1.2	-8.6	3.5
5a	Change in inventories for merchant wholesale and retail industries other than motor vehicles and equipment...	58.8	48.4	40.9	28.8	24.6	36.3
<b>Net exports:</b>							
Exports of goods:							
6	U.S. exports of goods, international-transactions-accounts basis.....	859.1	848.6	858.4	894.7	894.0	884.9
6a	Excluding gold.....	853.3	844.4	851.9	889.3	888.6	879.4
Imports of goods:							
7	U.S. imports of goods, international-transactions-accounts basis.....	1611.5	1625.5	1565.1	1642.4	1623.1	1635.8
7a	Excluding gold.....	1607.9	1621.6	1561.0	1638.5	1618.9	1631.6
8	Net exports of goods.....	-752.4	-776.9	-706.7	-747.8	-729.1	-750.9
8a	Excluding gold.....	-754.6	-777.2	-709.1	-749.3	-730.4	-752.2
<b>Government:</b>							
State and local:							
Structures:							
9	Value of new construction put in place.....	212.9	222.6	224.9	226.6	230.4	228.5

\*Assumption.