

Business Situation

Preliminary Estimates for the First Quarter of 2003

ACCORDING to the “preliminary” estimates of the national income and product accounts (NIPAs), U.S. economic growth was modest in the first quarter of 2003 but somewhat higher than had been reported in last month’s “advance” estimates.

- Real gross domestic product (GDP) increased 1.9 percent, according to the preliminary estimate, up from 1.6 percent in the advance estimate (table 1 and chart 1). In the fourth quarter of 2002, real GDP increased 1.4 percent.¹ Since the fourth quarter of 2001, growth has averaged 2.7 percent.

1. Quarterly estimates in the NIPAs are expressed at seasonally adjusted annual rates, unless otherwise specified. Quarter-to-quarter dollar changes are differences between these published estimates. Percent changes are calculated from unrounded data and annualized. “Real” estimates are in chained (1996) dollars, and price indexes are chain-type measures.

- Gross domestic purchases increased 0.9 percent in the first quarter, according to the preliminary estimate, up from 0.7 percent in the advance estimate. In the fourth quarter, gross domestic purchases increased 2.9 percent.

These revisions are mainly attributable to revised estimates of consumer spending. In the preliminary estimates, consumer spending increased 2.0 percent; in

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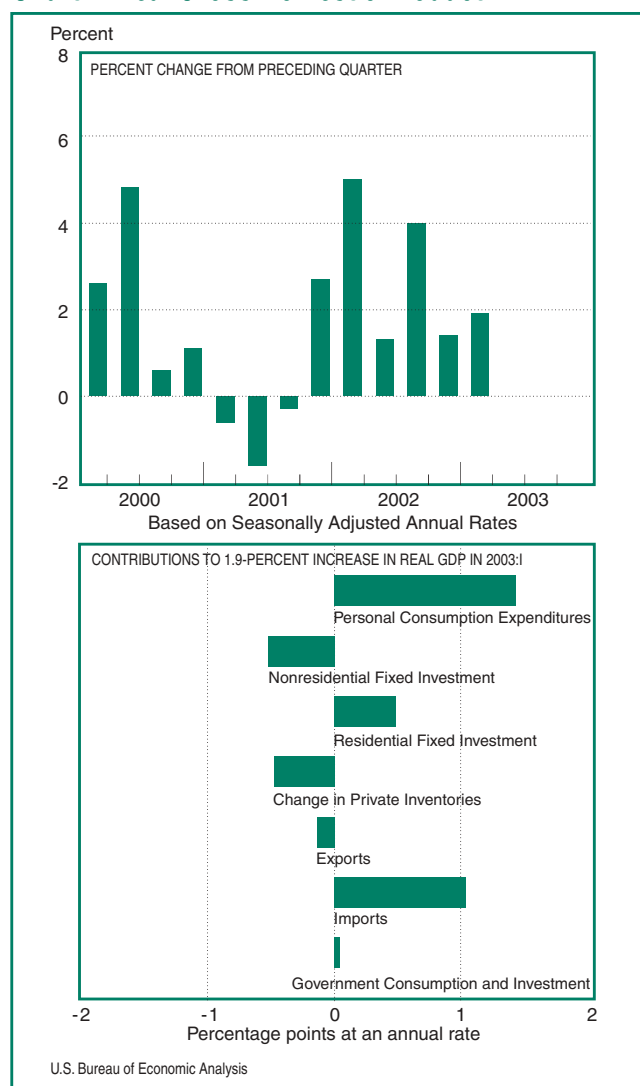
Table 1. Real Gross Domestic Product, Real Gross Domestic Purchases, and Real Final Sales to Domestic Purchasers

[Seasonally adjusted at annual rates]

	Billions of chained (1996) dollars					Percent change from preceding quarter			
	Level		Change from preceding quarter						
	2003	2002			2003	2002			
	I	II	III	IV	I	II	III	IV	I
Gross domestic product.....	9,562.9	29.2	93.2	32.6	44.7	1.3	4.0	1.4	1.9
Less: Exports of goods and services	1,057.9	34.9	12.2	-16.1	-3.7	14.3	4.6	-5.8	-1.4
Plus: Imports of goods and services	1,564.8	75.8	12.8	28.1	-29.0	22.2	3.3	7.4	-7.1
Equals: Gross domestic purchases.....	10,028.7	62.6	93.9	70.8	23.2	2.6	3.9	2.9	0.9
Less: Change in private inventories	13.2	33.8	13.9	7.0	-12.6	.....	.....	.....	.....
Equals: Final sales to domestic purchasers.....	10,004.6	31.6	80.1	64.0	34.5	1.3	3.3	2.6	1.4
Personal consumption expenditures	6,671.6	28.6	67.5	28.0	33.7	1.8	4.2	1.7	2.0
Durable goods	1,006.0	4.8	51.7	-21.8	-4.6	2.0	22.8	-8.2	-1.8
Nondurable goods	1,980.3	-0.5	4.9	24.2	30.3	-0.1	1.0	5.1	6.4
Services	3,713.8	24.0	20.8	20.0	6.8	2.7	2.3	2.2	0.7
Private fixed investment.....	1,587.7	-3.8	-1.0	16.9	-0.8	-1.0	-0.3	4.4	-0.2
Nonresidential	1,170.8	-7.3	-2.4	6.6	-14.5	-2.4	-0.8	2.3	-4.8
Structures	212.7	-11.5	-13.5	-5.6	0.1	-17.6	-21.4	-9.9	0.4
Equipment and software	976.0	7.7	15.8	14.9	-16.1	3.3	6.7	6.2	-6.3
Residential	406.4	2.5	1.0	8.8	10.5	2.7	1.1	9.4	11.0
Government consumption expenditures and gross investment	1,736.2	6.0	12.3	19.4	1.2	1.4	2.9	4.6	0.3
Federal	632.8	10.9	6.4	16.3	1.4	7.5	4.3	11.0	0.9
National defense	409.6	7.3	6.7	10.7	-3.6	7.8	6.9	11.0	-3.4
Nondefense	223.2	3.6	-0.2	5.6	4.9	6.9	-0.3	11.1	9.1
State and local	1,103.8	-4.6	5.9	3.4	-0.2	-1.7	2.2	1.2	-0.1
Addendum: Final sales of domestic product.....	9,539.1	-1.5	79.3	25.9	56.0	-0.1	3.4	1.1	2.4

NOTE. Chained (1996) dollar series are calculated as the product of the chain-type quantity index and the 1996 current-dollar value of the corresponding series, divided by 100. Because the formula for the chain-type quantity indexes uses weights of more than one period, the corresponding chained-dollar estimates usually are not additive. Chained (1996) dollar levels and residuals, which measure the extent of nonadditivity in each table, are shown in NIPA tables 1.2, 1.4, and 1.6. Percent changes are calculated from unrounded data. Percent changes in major aggregates are shown in NIPA table S.1. (See “Selected NIPA Tables,” which begins on page D-2 in this issue.)

Chart 1. Real Gross Domestic Product



the advance estimate, it had increased 1.4 percent.² (The source data underlying the revisions are discussed in the section "Revisions.")

In most other respects, the general picture presented in the preliminary estimates is quite similar to that in the advance estimates. In both, consumer spending and residential investment contributed substantially to first-quarter growth. In addition, both the advance and preliminary estimates show that nonresidential fixed investment decreased, inventory accumulation slowed, and government spending posted a small increase. Moreover, both estimates show that the price index for gross domestic purchases rose 3.6 percent after rising 1.8 percent; most of the step-up reflected a jump in energy prices.

According to the preliminary estimates,

- Consumer spending contributed 1.44 percentage points to first-quarter growth, and residential investment contributed 0.49 percentage point; each had contributed somewhat less in the fourth quarter (table 2).
- Nonresidential fixed investment and inventory investment each subtracted about half a percentage point from first-quarter growth after contributing about a fourth of a percentage point in the fourth quarter.
- The small increase in government spending was accounted for by the Federal Government; spending by state and local governments changed little.
- Imports, which are subtracted in the calculation of GDP, and exports both decreased. The decrease in imports was considerably larger than that in exports.

The preliminary estimates for the first quarter also show the following:

- An upturn in the production of goods and a step-up in the construction of structures were partly offset by a slowdown in the production of services (table 3).
- Real motor vehicle output decreased much less than in the fourth quarter. Excluding motor vehicle output, GDP increased 2.1 percent after increasing 1.9 percent.
- Final sales of domestic product—GDP less inventory investment—increased 2.4 percent after increasing 1.1 percent.
- Real disposable personal income (DPI) increased 2.3 percent, about the same as in the fourth quarter and almost twice as much as the advance estimate. The revision mainly reflected a downward revision to personal tax and nontax payments. Taxes, in turn, were revised down on the basis of data for Federal nonwithheld income taxes through April and projections for the remainder of the calendar year.
- Personal saving as a percentage of current-dollar DPI edged up to 3.9 percent. (The national saving rate, which is measured as gross saving as a percentage of gross national product and which is first available at the time of the preliminary estimate, decreased from 14.6 percent to 14.2 percent.)

2. In this article, "consumer spending" is shorthand for the NIPA series "personal consumption expenditures." Also, "government spending" is shorthand for "government consumption expenditures and gross investment," and "inventory investment" is shorthand for "change in private inventories."

Table 2. Contributions to Percent Change in Real Gross Domestic Product

[Seasonally adjusted at annual rates]

	2002			2003
	II	III	IV	I
Percent change at annual rate:				
Gross domestic product	1.3	4.0	1.4	1.9
Percentage points at annual rates:				
Personal consumption expenditures	1.22	2.93	1.19	1.44
Durable goods	0.16	1.74	-0.72	-0.15
Nondurable goods	-0.02	0.22	1.01	1.27
Services	1.08	0.97	0.90	0.31
Gross private domestic investment	1.16	0.55	0.93	-0.51
Fixed investment	-0.15	-0.03	0.65	-0.03
Nonresidential	-0.27	-0.08	0.24	-0.52
Structures	-0.53	-0.62	-0.25	0.01
Equipment and software	0.26	0.53	0.49	-0.53
Residential	0.12	0.05	0.41	0.49
Change in private inventories	1.31	0.58	0.28	-0.48
Net exports of goods and services	-1.40	-0.01	-1.59	0.91
Exports	1.29	0.45	-0.59	-0.13
Goods	0.99	0.28	-0.82	0.01
Services	0.30	0.17	0.23	-0.14
Imports	-2.69	-0.47	-1.00	1.04
Goods	-2.74	-0.40	-0.71	0.89
Services	0.05	-0.07	-0.30	0.15
Government consumption expenditures and gross investment	0.27	0.56	0.85	0.05
Federal	0.47	0.29	0.70	0.06
National defense	0.32	0.29	0.46	-0.15
Nondefense	0.16	-0.01	0.25	0.21
State and local	-0.21	0.27	0.15	-0.01

NOTE. More detailed contributions to percent change in real gross domestic product are shown in NIPA table 8.2. Contributions to percent change in major components of real gross domestic product are shown in tables 8.3 through 8.6.

Table 3. Real Gross Domestic Product by Type of Product

[Seasonally adjusted at annual rates]

	Billions of chained (1996) dollars					Percent change from preceding quarter			
	Level	Change from preceding quarter							
		2003	2002		2003					2002	2003
	I	II	III	IV	I	II	III	IV	I
Gross domestic product	9,562.9	29.2	93.2	32.6	44.7	1.3	4.0	1.4	1.9
Goods	3,766.8	3.6	80.4	-14.7	26.7	0.4	9.0	-1.6	2.9
Services	5,024.8	42.3	30.9	38.2	10.2	3.5	2.5	3.1	0.8
Structures	777.8	-17.2	-10.9	4.8	9.0	-8.4	-5.5	2.5	4.8
Addenda:									
Motor vehicle output	359.7	6.7	28.5	-13.3	-2.7	8.1	37.1	-13.4	-3.0
Gross domestic product less motor vehicle output	9,204.5	23.3	67.9	44.0	46.7	1.0	3.0	1.9	2.1
Final sales of computers						13.1	78.5	26.7	18.0
Gross domestic product less final sales of computers						1.2	3.6	1.2	1.8

NOTE. See note to table 1 for an explanation of chained (1996) dollar series. Chained (1996) dollar levels and residuals most items are shown in NIPA table 1.4. Detail on motor vehicle output is shown in NIPA table 8.9B.

Personal Consumption Expenditures

Real personal consumption expenditures increased a little more than in the fourth quarter (table 4 and chart 2).

Table 4. Real Personal Consumption Expenditures

[Seasonally adjusted at annual rates]

	Billions of chained (1996) dollars					Percent change from preceding quarter				
	Level	Change from preceding quarter								
		2003	2002			2003	2002				2003
	I	II	III	IV	I	II	III	IV	I	
Personal consumption expenditures	6,671.6	28.6	67.5	28.0	33.7	1.8	4.2	1.7	2.0	
Durable goods.....	1,006.0	4.8	51.7	-21.8	-4.6	2.0	22.8	-8.2	-1.8	
Motor vehicles and parts	375.4	-0.9	38.5	-24.8	-7.4	-1.0	48.8	-22.2	-7.5	
Of which:										
New autos.....	104.2	-1.0	7.8	-13.6	4.2	-3.7	32.9	-39.8	17.7	
New light trucks	136.7	-3.1	26.9	-13.5	-5.4	-9.2	114.1	-30.6	-14.4	
Furniture and household equipment	447.6	7.0	6.2	6.1	0.1	6.7	5.8	5.7	0.1	
Other ¹	191.5	-0.1	2.9	1.1	3.4	-0.1	6.4	2.3	7.5	
Nondurable goods.....	1,980.3	-0.5	4.9	24.2	30.3	-0.1	1.0	5.1	6.4	
Food.....	930.1	-2.2	-1.3	12.8	19.4	-0.9	-0.6	5.8	8.8	
Clothing and shoes.....	365.1	-0.7	0.2	6.5	3.3	-0.9	0.3	7.5	3.7	
Gasoline, fuel oil, and other energy goods	159.3	-0.7	1.0	1.4	0.4	-1.9	2.7	3.6	1.0	
Other ²	528.9	3.0	4.9	3.9	7.0	2.3	3.9	3.1	5.4	
Services.....	3,713.8	24.0	20.8	20.0	6.8	2.7	2.3	2.2	0.7	
Housing.....	890.0	4.5	3.6	3.7	4.2	2.1	1.7	1.7	1.9	
Household operation.....	388.4	1.6	1.8	5.2	-1.5	1.7	1.9	5.5	-1.5	
Electricity and gas	140.7	0.1	2.1	7.1	-2.1	0.5	6.3	22.8	-5.8	
Other household operation	247.7	1.5	-0.4	-2.1	0.7	2.3	-0.6	-3.4	1.3	
Transportation.....	250.1	-0.6	-0.5	0.3	0.0	-1.0	-0.8	0.5	0.1	
Medical care.....	1,001.3	11.3	9.7	7.6	9.3	4.8	4.1	3.1	3.8	
Recreation.....	238.6	1.5	0.0	3.2	-1.7	2.5	0.1	5.4	-2.8	
Other ³	943.7	5.7	6.0	0.5	-3.8	2.4	2.6	0.2	-1.6	

1. Includes jewelry and watches, ophthalmic products and orthopedic equipment, books and maps, bicycles and motorcycles, guns and sporting equipment, photographic equipment, boats, and pleasure aircraft.

2. Includes tobacco, toilet articles, drug preparations and sundries, stationery and writing supplies, toys, film, flowers, cleaning preparations and paper products, semidurable house furnishings, and magazines and newspapers.

3. Includes personal care, personal business, education and research, religious and welfare activities, and net foreign travel.

NOTE. See note to table 1 for an explanation of chained (1996) dollar series. Chained (1996) dollar levels and residuals are shown in NIPA tables 2.3 and 8.9B (motor vehicles). Percent changes in major aggregates are shown in NIPA table S.1.

Purchases of durable goods decreased less than in the fourth quarter, reflecting the pattern set by motor vehicles. (New autos turned up, and new trucks decreased less.) "Other" durable goods, which include items such as pleasure boats and motorcycles, increased more than in the fourth quarter. Furniture and household equipment changed little after increasing, as purchases of computer equipment slowed.

A step-up in purchases of nondurable goods was mainly accounted for by food, but "other" goods (such as toiletries and drugs) also contributed. In contrast, clothing and energy goods increased less than in the fourth quarter.

Purchases of services slowed, mainly reflecting downturns in electricity and gas, recreation, and "other services" (including foreign travel by U.S. residents).

Factors frequently considered in the analysis of consumer spending were not encouraging in the first quarter (chart 3). The Index of Consumer Sentiment (from by the University of Michigan's Survey Research Center) dropped, the unemployment rate remained high, and real DPI posted a third consecutive subpar increase of 2.3 percent.³

3. Real DPI increased at an average annual rate of 3.1 percent from the trough in real GDP in the first quarter of 1991 to the peak in real GDP in the fourth quarter of 2000.

Chart 2. Real Personal Consumption Expenditures

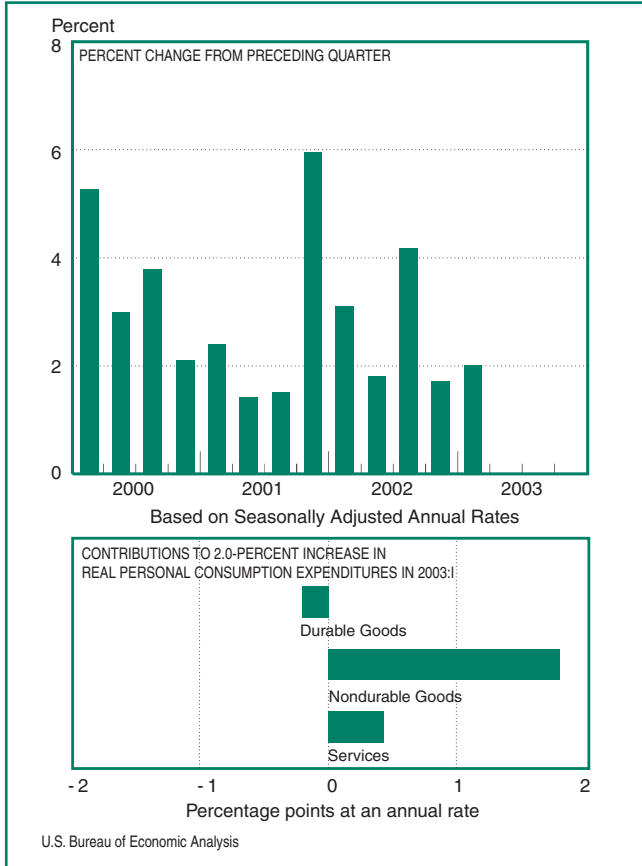
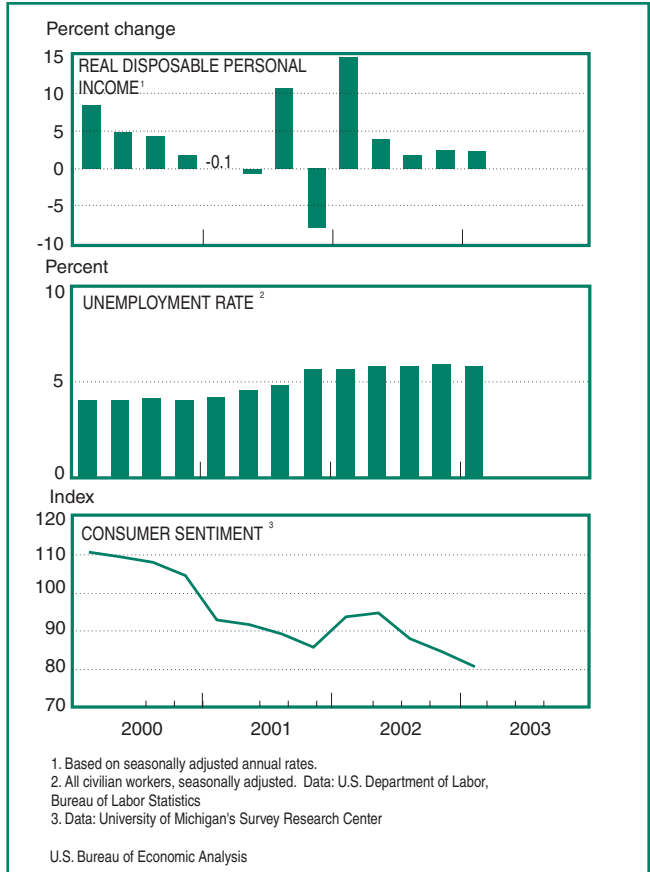


Chart 3. Selected Factors Affecting Consumer Spending



Private Fixed Investment

Real private fixed investment decreased in the first quarter after increasing in the fourth quarter for the first time in 2 years (table 5 and chart 4). The decrease was more than accounted for by nonresidential equipment and software; nonresidential structures changed little, and residential structures increased.

Nonresidential. Transportation equipment primarily accounted for the decrease in equipment and software; trucks and aircraft posted sizable drops. "Other" equipment (such as construction machinery and tractors) and industrial equipment decreased moderately. In contrast, information processing equipment in-

creased; computers and peripheral equipment accounted for about half of the increase.

In structures, an increase in oil-well drilling was offset by decreases in the construction of utilities, nonresidential buildings, and "other" structures. The decrease in utilities was the sixth in the past seven quarters. Among nonresidential buildings, decreases in school and hospital construction more than offset a small increase in commercial buildings (the first increase in more than 2 years).

Chart 4. Real Private Fixed Investment

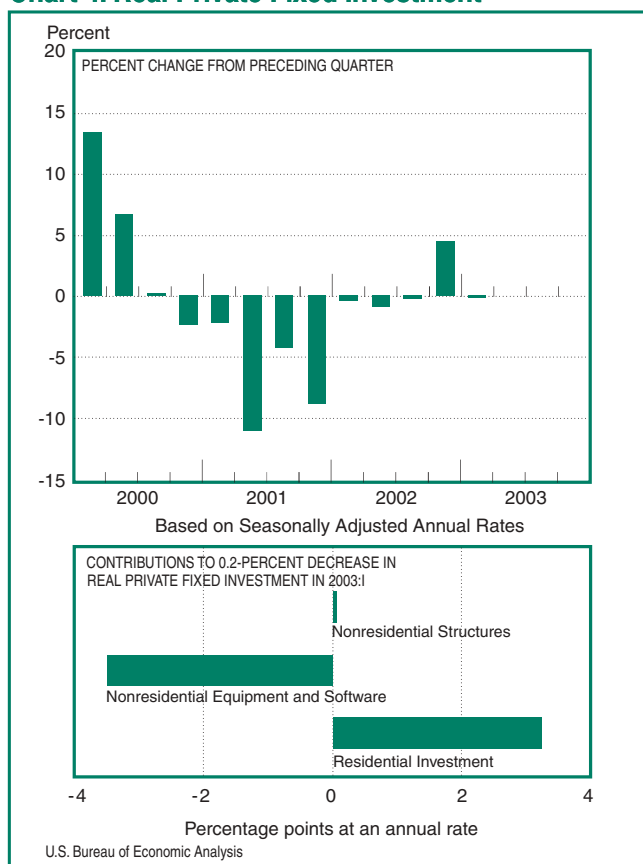


Table 5. Real Private Fixed Investment

[Seasonally adjusted at annual rates]

	Billions of chained (1996) dollars				Percent change from preceding quarter					
	Level	Change from preceding quarter				Percent change from preceding quarter				
		2003	2002			2003	2002			
	I	II	III	IV	I	II	III	IV	I	
Private fixed investment.....	1,587.7	-3.8	-1.0	16.9	-0.8	-1.0	-0.3	4.4	-0.2	
Nonresidential.....	1,170.8	-7.3	-2.4	6.6	-14.5	-2.4	-0.8	2.3	-4.8	
Structures.....	212.7	-11.5	-13.5	-5.6	0.1	-17.6	-21.4	-9.9	0.4	
Nonresidential buildings, including farm.....	137.4	-8.9	-9.1	-1.3	-0.4	-20.8	-22.2	-3.7	-1.4	
Utilities.....	43.9	-2.4	-2.8	-1.0	-0.7	-18.2	-20.9	-8.8	-5.9	
Mining exploration, shafts, and wells.....	28.4	0.1	-0.4	-3.4	1.9	1.0	-4.4	-38.3	30.8	
Other structures.....	4.4	0.0	-1.3	-0.4	-0.2	-3.1	-60.5	-25.4	-19.9	
Equipment and software.....	976.0	7.7	15.8	14.9	-16.1	3.3	6.7	6.2	-6.3	
Information processing equipment and software.....	590.1	16.6	18.2	4.5	10.4	12.9	13.7	3.2	7.4	
Computers and peripheral equipment ¹	318.5	.....	.....	.....	.....	15.4	44.1	7.7	21.6
Software ¹	189.5	.....	.....	.....	.....	12.4	11.7	1.8	-1.5
Other ¹	165.5	.....	.....	.....	.....	12.2	2.8	2.6	12.4
Industrial equipment.....	144.4	-2.7	2.3	-2.0	-1.5	-7.1	6.4	-5.4	-4.0	
Transportation equipment.....	135.0	-8.1	-1.7	9.7	-16.4	-19.7	-4.6	30.2	-36.8	
Of which: Motor vehicles.....	116.6	5.9	7.2	2.5	-14.8	21.9	26.1	7.8	-37.9	
Other.....	139.5	5.5	0.2	2.0	-2.8	17.5	0.5	5.9	-7.6	
Residential.....	406.4	2.5	1.0	8.8	10.5	2.7	1.1	9.4	11.0	
Structures.....	396.4	2.5	1.0	8.7	10.3	2.7	1.1	9.5	11.1	
Single-family.....	214.8	1.2	1.4	6.7	8.3	2.5	2.7	14.3	17.1	
Multifamily.....	27.6	-0.2	-0.6	-1.1	2.5	-2.6	-8.3	-16.3	46.6	
Other structures ²	153.7	1.4	0.3	3.1	-0.7	3.9	0.8	8.3	-1.8	
Equipment.....	9.9	0.0	0.0	0.1	0.1	3.1	-0.3	3.0	5.2	

1. "Computers and peripheral equipment" include new items only; "software" excludes software "embedded" or bundled, in computers and other equipment. Because of the large price changes that characterize the components of information processing equipment, the nonadditivity of the chained-dollar estimates is substantial, and the relative importance of the components cannot be inferred on the basis of these estimates. Contributions may be taken directly from NIPA table 8.4.

2. Includes home improvements, new manufactured home sales, brokers' commissions on home sales, net purchases of used structures, and other residential structures (which consists primarily of dormitories and of fraternity and sorority houses).

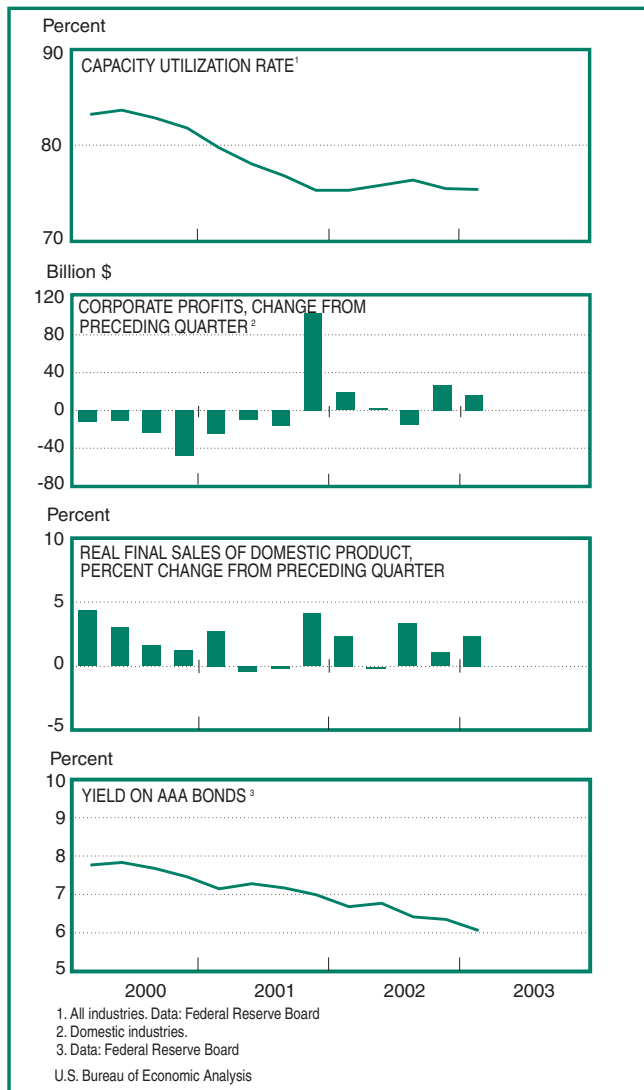
NOTE: See note to table 1 for an explanation of chained (1996) dollar series. Chained (1996) dollar levels and residuals are shown in NIPA tables 5.5 and 8.9B (motor vehicles). Percent changes in major aggregates are shown in NIPA table S.1.

In recent quarters, long-term interest rates have continued to drift downward, but other conditions that are frequently considered in the analysis of investment spending have been generally unfavorable (chart 5). The capacity utilization rate for manufacturing, mining, and utilities remains about 10 percent below the level reached in the expansion of the 1990s, and no clear trend characterizes the most recent quarters. Domestic corporations' profits from current production are also below the levels reached in the 1990s. The growth of real final sales of domestic product has aver-

aged 1.7 percent over the past four quarters, compared with a 3.4-percent average over the most recent expansion.

Residential. Real private residential investment increased 11.0 percent, somewhat more than in the fourth quarter (table 5 and chart 4). Single-family construction stepped up, and multifamily construction increased after decreasing. In contrast, "other" structures decreased after increasing for four consecutive quarters; the decrease reflected drops in manufactured homes and in brokers' commissions on home sales.

Chart 5. Selected Factors Affecting Nonresidential Investment



Inventory Investment

Real inventory investment decreased in the first quarter, as the pace of inventory accumulation slowed from \$25.8 billion to \$13.2 billion (table 6 and chart 6). The decrease followed four quarterly increases and reflected lower inventory investment in wholesale trade, in manufacturing, and in the construction, mining, and utilities group.

Wholesale trade inventories fell in the first quarter after rising in the fourth. Inventories of petroleum and petroleum products (including stocks at petroleum bulk stations and terminals) turned down, and inventories of motor vehicles increased less than in the fourth quarter. In contrast, inventories of computer equipment and software turned up.

In manufacturing, inventories also decreased after increasing. Inventories of computer manufacturers decreased after no change, and inventories of aircraft manufacturers were flat after increasing. These developments were partly offset by upswings in the inventories of chemicals, food, and plastics manufacturers.

Inventories in the construction, mining, and utilities group decreased more than in the fourth quarter.

Inventories held by utilities were mainly responsible.

Retail trade inventories increased more than in the fourth quarter. Inventory accumulation by motor vehicle dealers stepped up, and inventories of "other" retail stores increased after decreasing. These changes were partly offset by the slower accumulation of inventories of general merchandise stores.

Farm inventories increased in the first quarter after decreasing in the fourth. Crop inventories turned up, and livestock inventories increased in the first quarter after little change in the fourth.

The ratio of real private nonfarm inventories to final sales of goods and structures decreased to 3.61 from 3.64 (see NIPA table 5.13B). A ratio that includes all final sales of domestic businesses decreased to 2.01 from 2.02.⁴ Both ratios have been trending down since the mid-1970s.

4. Using the ratio that includes all final sales of domestic businesses in the denominator implies that the production of services results in a demand for inventories that is similar to that generated in the production of goods and structures. In contrast, using the "goods and structures" ratio implies that the production of services does not generate demand for inventories. Both implications are extreme. Production of some services may require substantial inventories, while production of other services may not.

Table 6. Real Change in Private Inventories, by Industry

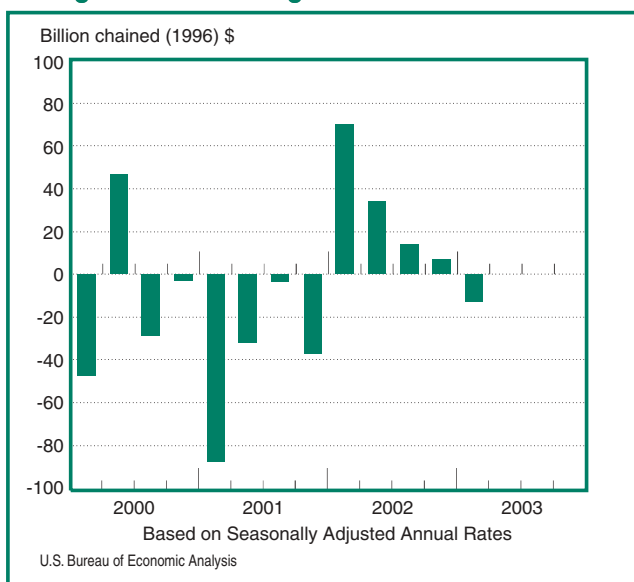
[Billions of chained (1996) dollars; seasonally adjusted at annual rates]

	Level				Change from preceding quarter					
	2002				2003	2002				2003
	I	II	III	IV	I	II	III	IV	I	
Change in private inventories	-28.9	4.9	18.8	25.8	13.2	33.8	13.9	7.0	-12.6	
Farm	6.4	0.8	-2.2	-0.8	1.4	-5.6	-3.0	1.4	2.2	
Construction, mining, and utilities.....	1.6	-1.0	-2.3	-1.1	-6.5	-2.6	-1.3	1.2	-5.4	
Manufacturing.....	-31.9	-14.1	-2.6	2.8	-4.1	17.8	11.5	5.4	-6.9	
Durable goods industries.....	-25.9	-15.0	-10.3	5.5	-7.4	10.9	4.7	15.8	-12.9	
Nondurable goods industries	-6.0	0.8	7.4	-2.5	3.0	6.8	6.6	-9.9	5.5	
Wholesale trade	-19.8	-8.7	7.9	7.0	-1.9	11.1	16.6	-0.9	-8.9	
Durable goods industries.....	-17.0	-7.7	6.5	3.8	2.9	9.3	14.2	-2.7	-0.9	
Nondurable goods industries	-3.2	-1.3	1.6	3.1	-4.2	1.9	2.9	1.5	-7.3	
Retail trade	13.8	22.0	15.5	15.2	23.3	8.2	-6.5	-0.3	8.1	
Of which: Motor vehicle dealers.....	14.0	15.6	4.7	7.8	16.2	1.6	-10.9	3.1	8.4	
Other industries ¹	0.0	5.0	2.3	2.5	1.5	5.0	-2.7	0.2	-1.0	
Addenda:										
Motor vehicles	10.2	20.1	6.3	11.7	22.9	9.9	-13.8	5.4	11.2	
Autos	7.8	10.8	6.0	6.0	-5.0	3.0	-4.8	0.0	-11.0	
Trucks	2.8	8.7	0.9	5.3	21.6	5.9	-7.8	4.4	16.3	

1. Includes inventories held by establishments in the following industries: Transportation; communication; finance, insurance, and real estate; and services.

NOTE: See note to table 1 for an explanation of chained (1996) dollar series. Chained (1996) dollar levels and residuals are shown in NIPA tables 5.11B and 8.9B (motor vehicles).

Chart 6. Real Private Inventory Investment: Change from Preceding Quarter



Exports and Imports

Real exports of goods and services decreased less than in the fourth quarter. Real imports of goods and services decreased after increasing (table 7 and charts 7 and 8).

Exports of goods changed little after dropping sharply. Exports of nonautomotive capital goods decreased less than in the fourth quarter. Auto exports increased after decreasing. Exports of “foods, feeds, and beverages” and of industrial supplies and materials stepped up.

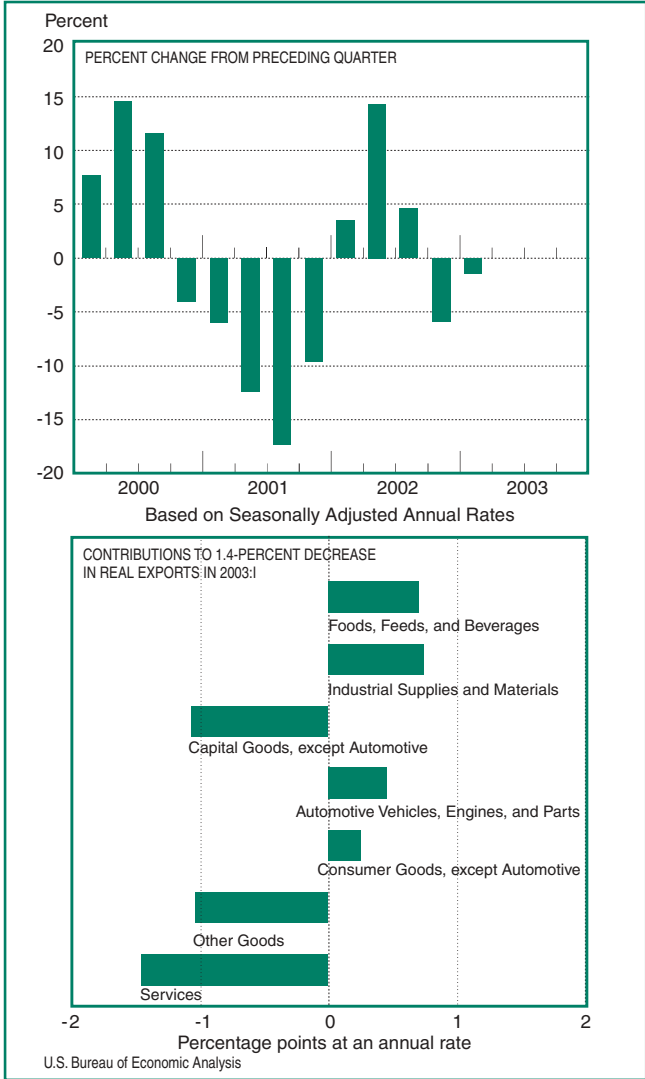
Imports of goods decreased 7.3 percent after increasing 6.2 percent. Most categories of imports contributed to the downturn. Imports of “other” goods, of industrial supplies and materials, of petroleum

Table 7. Real Exports and Imports of Goods and Services
[Seasonally adjusted at annual rates]

	Billions of chained (1996) dollars					Percent change from preceding quarter				
	Level	Change from preceding quarter				Percent change from preceding quarter				
	2003	2002				2003				
	I	II	III	IV	I	II	III	IV	I	
Exports of goods and services	1,057.9	34.9	12.2	-16.1	-3.7	14.3	4.6	-5.8	-1.4	
Exports of goods ¹	750.5	27.7	7.7	-23.2	0.2	15.9	4.1	-11.5	0.1	
Foods, feeds, and beverages.....	61.8	-2.1	-1.9	0.2	2.2	-12.1	-12.0	1.6	15.2	
Industrial supplies and materials.....	165.9	7.3	-2.7	0.8	2.0	19.5	-6.4	2.1	4.9	
Capital goods, except automotive.....	315.5	11.7	9.1	-18.2	-3.1	15.6	11.6	-19.9	-3.8	
Automotive vehicles, engines, and parts.....	75.8	6.4	1.8	-5.2	1.1	40.5	9.6	-23.4	6.2	
Consumer goods, except automotive.....	86.3	2.2	1.5	-0.4	0.7	11.2	7.2	-2.0	3.2	
Other.....	44.3	1.3	-0.2	-0.7	-2.7	11.5	-1.5	-5.8	-21.1	
Exports of services ¹	306.4	7.5	4.3	6.0	-3.6	10.7	5.9	8.0	-4.6	
Imports of goods and services	1,564.8	75.8	12.8	28.1	-29.0	22.2	3.3	7.4	-7.1	
Imports of goods ¹	1,335.1	79.2	11.1	20.5	-25.7	27.9	3.4	6.2	-7.3	
Foods, feeds, and beverages.....	57.5	1.4	0.4	0.7	1.8	10.5	3.5	4.7	13.8	
Industrial supplies and materials, except petroleum and products.....	166.6	4.3	4.0	2.8	-5.3	11.1	9.9	6.7	-11.6	
Petroleum and products.....	87.2	6.3	-3.1	4.7	-3.0	34.5	-13.3	24.1	-12.7	
Capital goods, except automotive.....	397.1	16.1	-3.3	2.7	-0.5	17.9	-3.2	2.7	-0.5	
Automotive vehicles, engines, and parts.....	199.5	16.5	2.1	-2.5	-3.9	40.4	4.0	-4.8	-7.3	
Consumer goods, except automotive.....	346.2	24.0	8.0	8.8	3.0	35.8	10.1	11.0	3.5	
Other.....	73.8	7.6	2.6	1.5	-14.3	46.3	12.6	7.3	-50.7	
Imports of services ¹	229.5	-1.2	1.7	7.0	-3.5	-2.1	3.1	13.0	-5.9	

1. Exports and imports of certain goods, primarily military equipment purchased and sold by the Federal Government, are included in services.
NOTE: See note to table 1 for an explanation of chained (1996) dollar series. Chained (1996) dollar levels and residuals are shown in NIPA table 4.4. Percent changes in major aggregates are shown in NIPA table S.1.

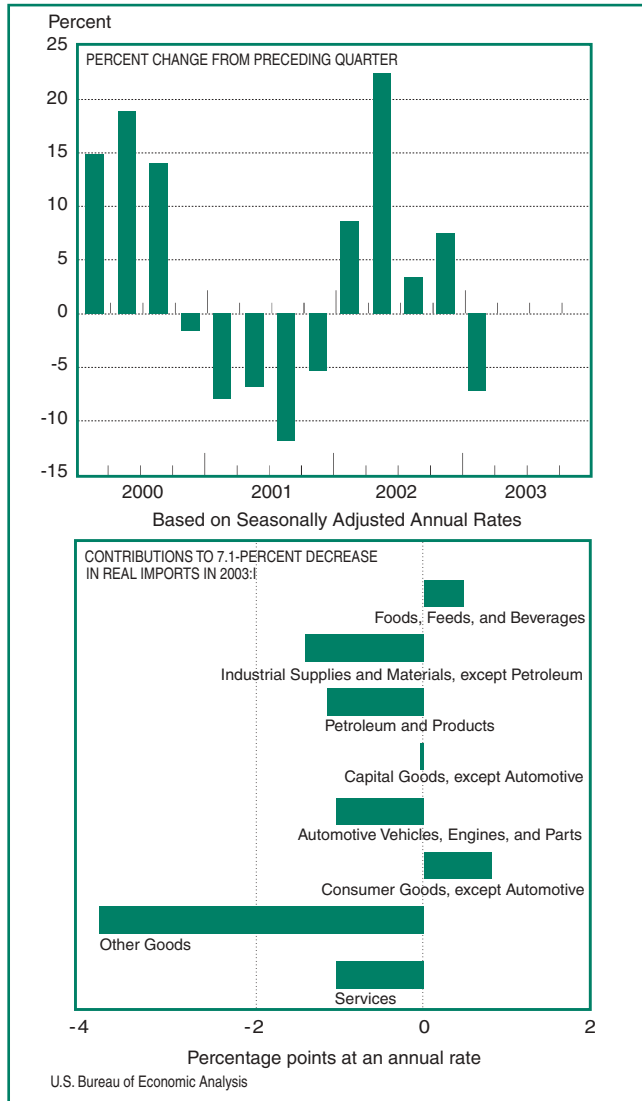
Chart 7. Real Exports



products, and of nonautomotive capital goods (especially aircraft) turned down, and imports of nonautomotive consumer goods increased less than in the fourth quarter.

Exports and imports of services both turned down. For each, travel and passenger fares were mainly responsible.

Chart 8. Real Imports



Government Spending

Government spending increased 0.3 percent in the first quarter after increasing 4.6 percent in the fourth (table 8 and chart 9). Spending by the Federal Government slowed, and spending by state and local governments decreased a little after increasing.

Spending on national defense decreased 3.4 percent after increasing 11.0 percent. The decrease was accounted for by services other than compensation. As was explained in last month's "Business Situation," expenditures related to Operation Iraqi Freedom (which began on March 19, 2003) are reflected in several components of defense spending, including employee compensation, transportation of material, and travel of persons. However, the use of munitions during the conflict had no direct effect on first-quarter GDP growth, because spending on munitions is included in GDP when these items are produced and delivered to the military, not when they are used.

Federal nondefense spending increased almost as

much as in the fourth quarter. In both quarters, services were the main contributor to the increase.

Both consumption expenditures and gross investment contributed to the downturn in state and local government spending. Gross investment decreased in the first quarter after changing little in the fourth, as investment in structures turned down. Consumption expenditures increased less than in the fourth quarter, reflecting a slowdown in compensation of employees.

Chart 9. Real Government Consumption and Investment

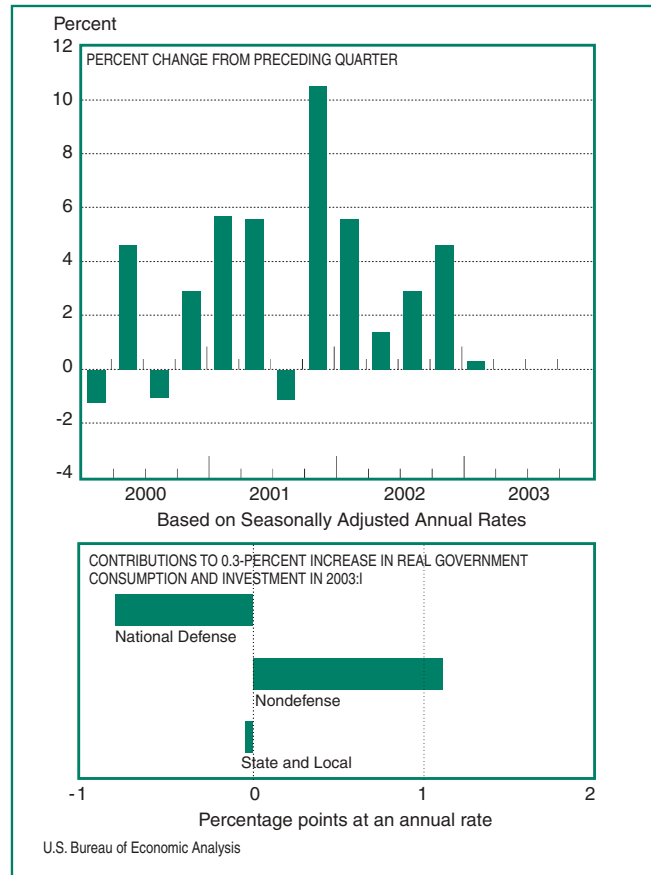


Table 8. Real Government Consumption Expenditures and Gross Investment

[Seasonally adjusted at annual rates]

	Billions of chained (1996) dollars					Percent change from preceding quarter				
	Level		Change from preceding quarter			2002		2003		
	2003		2002		2003	2002		2003		
	I	II	III	IV	I	II	III	IV	I	
Government consumption expenditures and gross investment¹	1,736.2	6.0	12.3	19.4	1.2	1.4	2.9	4.6	0.3	
Federal	632.8	10.9	6.4	16.3	1.4	7.5	4.3	11.0	0.9	
National defense	409.6	7.3	6.7	10.7	-3.6	7.8	6.9	11.0	-3.4	
Consumption expenditures	345.4	7.2	4.1	11.4	-4.0	9.1	5.1	14.1	-4.5	
Gross investment	64.6	0.0	2.8	-1.1	0.7	-0.4	19.6	-6.8	4.1	
Nondefense	223.2	3.6	-0.2	5.6	4.9	6.9	-0.3	11.1	9.1	
Consumption expenditures	177.3	2.2	1.4	4.6	4.8	5.3	3.4	11.6	11.6	
Gross investment	45.9	1.6	-1.9	0.9	-0.1	14.0	-15.1	8.7	-1.3	
State and local	1,103.8	-4.6	5.9	3.4	-0.2	-1.7	2.2	1.2	-0.1	
Consumption expenditures	888.2	3.5	3.6	3.3	1.9	1.6	1.7	1.5	0.9	
Gross investment	215.5	-8.4	2.3	0.1	-2.2	-14.3	4.4	0.2	-4.0	

1. Gross government investment consists of general government and government enterprise expenditures for fixed assets; inventory investment is included in government consumption expenditures.
 NOTE: See note to table 1 for an explanation of chained (1996) dollar series. Chained (1996) dollar levels and residuals are shown in NIPA table 3.8. Percent changes in major aggregates are shown in NIPA table S.1.

Prices

Inflation stepped up in the first quarter. The price index for gross domestic products, which measures prices of goods and services purchased by U.S. residents, increased 3.6 percent after increasing 1.8 percent (table 9). About three-fourths of the step-up was accounted for by energy prices; excluding food and energy, prices increased 2.0 percent after increasing 1.5 percent (chart 10). In addition, a Federal pay raise for military and civilian personnel added about 0.3 percentage point to the first-quarter increase.⁵

Prices of goods and services purchased by consum-

5. In the NIPAs, an increase in the rate of Federal employee compensation is treated as an increase in the price of employee services purchased by the Federal Government.

Table 9. Price Indexes

[Percent change at annual rates; based on seasonally adjusted index numbers (1996=100)]

	2002			2003
	II	III	IV	I
Gross domestic product	1.2	1.0	1.8	2.5
Less: Exports of goods and services	3.0	3.5	0.9	3.9
Plus: Imports of goods and services.....	11.1	4.4	0.9	11.8
Equals: Gross domestic purchases	2.3	1.2	1.8	3.6
Less: Change in private inventories .....	.....	.....	.....	.....
Equals: Final sales to domestic purchasers.....	2.3	1.3	1.8	3.7
Personal consumption expenditures	2.7	1.7	1.8	2.7
Durable goods	-2.9	-1.9	-2.2	-3.7
Nondurable goods.....	4.6	0.6	1.2	4.6
Services	3.0	3.0	3.0	3.1
Private fixed investment	-0.2	-0.9	1.8	2.5
Nonresidential	-1.4	-1.3	0.4	0.6
Structures.....	0.7	0.4	2.3	4.0
Equipment and software	-2.1	-1.9	-0.2	-0.3
Residential	2.6	0	5.0	6.9
Government consumption expenditures and gross investment	2.8	1.4	1.6	8.2
Federal	2.3	1.3	0.3	10.2
National defense	2.0	1.5	1.2	9.5
Nondefense	2.9	1.0	-1.2	11.4
State and local	3.1	1.5	2.2	7.1
Addenda:				
Gross domestic purchases:.....				
Food.....	0.4	0.7	1.8	1.7
Energy.....	29.9	3.8	8.8	52.9
Less food and energy.....	1.5	1.2	1.5	2.0
Personal consumption expenditures:				
Food.....	0.5	0.9	1.8	1.7
Energy goods and services ¹	29.6	3.3	7.6	46.4
Less food and energy.....	1.9	1.8	1.5	0.8

1. Consists of gasoline, fuel oil, and other energy goods and of electricity and gas.
 Note. Percent changes in major aggregates are shown in NIPA table 8.1. Index numbers are shown in tables 7.1, 7.2, and 7.4.

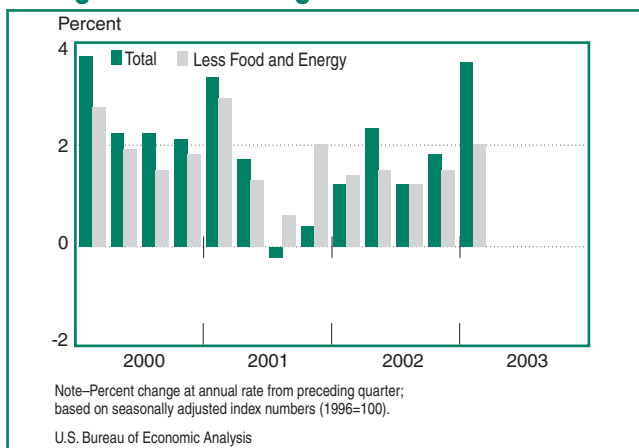
ers increased 2.7 percent, almost a percentage point more than in the fourth quarter. The step-up was more than accounted for by the acceleration in energy prices. Food prices increased about the same as in the fourth quarter.

Prices paid by government rose 8.2 percent—the biggest increase since 1984—after increasing 1.6 percent. The jump in energy prices boosted prices at both the Federal level and at the state and local level.

Prices of private nonresidential fixed investment posted a second modest quarterly increase after five consecutive decreases. As in the fourth quarter, an increase in the price of structures more than offset a small decrease in the price of equipment and software.

The GDP price index, which measures the prices paid for goods and services produced in the United States, increased 2.5 percent after increasing 1.8 percent. This index increased less than the price index for gross domestic purchases because export prices increased less than import prices. The rise in import prices was dominated by soaring petroleum prices.

Chart 10. Gross Domestic Purchases Prices: Change From Preceding Quarter



Revisions

The preliminary estimate of a 1.9-percent increase in real GDP in the first quarter is 0.3 percentage point higher than the advance estimate released last month (table 10). In the past 20 years, the average revision, without regard to sign, from the advance estimate to the preliminary estimate was 0.5 percentage point.

An upward revision to consumer spending on non-durable goods raised GDP growth by an additional 0.43 percentage point; the revision largely reflected the incorporation of revised Census Bureau data on retail sales for March and revised data for earlier months based on information from the Census Bureau's 2001 Annual Retail Trade Survey. The upward revision also reflected the incorporation of monthly survey data on gasoline and fuel oil consumption for February from the Energy Information Administration.

An upward revision to exports raised GDP growth by an additional 0.18 percentage point. The revision mainly reflected the incorporation of newly available Census Bureau data for March. A nearly offsetting revision to imports also reflected new data for March.

Nonresidential investment in equipment and software was revised down (lowering GDP growth by an additional 0.16 percentage point), reflecting the incorporation of the newly available data on exports and imports, revised Census Bureau data on manufacturers' shipments for March, and newly available data on truck registrations for March.

Table 10. Revisions to Change in Real Gross Domestic Product and Prices, First Quarter 2003

[Seasonally adjusted at annual rates]

	Percent change from preceding quarter		Preliminary estimate minus advance estimate	
	Advance estimate	Preliminary estimate	Percentage points	Billions of chained (1996) dollars
Gross domestic product	1.6	1.9	0.3	6.9
<i>Less:</i> Exports	-3.2	-1.4	1.8	4.9
Goods	-2.5	0.1	2.6	5.0
Services	-4.6	-4.6	0.0	0.1
<i>Plus:</i> Imports	-7.9	-7.1	0.8	3.5
Goods	-8.2	-7.3	0.9	3.0
Services	-6.7	-5.9	0.8	0.5
Equals: Gross domestic purchases	0.7	0.9	0.2	5.7
<i>Less:</i> Change in private inventories				0.4
Equals: Final sales to domestic purchasers	1.2	1.4	0.2	5.8
Personal consumption expenditures	1.4	2.0	0.6	11.1
Durable goods	-1.1	-1.8	-0.7	-1.7
Nondurable goods	4.2	6.4	2.2	10.4
Services	0.5	0.7	0.2	2.0
Private fixed investment	0.5	-0.2	-0.7	-2.9
Nonresidential	-4.2	-4.8	-0.6	-1.9
Structures	-3.4	0.4	3.8	2.0
Equipment and software	-4.4	-6.3	-1.9	-4.9
Residential	12.0	11.0	-1.0	-0.9
Government consumption expenditures and gross investment	0.9	0.3	-0.6	-2.6
Federal	2.6	0.9	-1.7	-2.7
National defense	-1.5	-3.4	-1.9	-2.0
Nondefense	10.5	9.1	-1.4	-0.7
State and local	-0.1	-0.1	0.0	0.0
Addenda:				
Final sales of domestic product	2.1	2.4	0.3	7.0
Gross domestic purchases price index	3.6	3.6	0.0	.....
GDP price index	2.5	2.5	0.0	.....

NOTE: The preliminary estimates for the first quarter of 2003 incorporate the following revised or additional major source data that were not available when the advance estimates were prepared.

Personal consumption expenditures: Revised retail sales for October 2002 through March 2003 that include the incorporation (on a "best-change" basis) of data that reflect the 2001 Annual Retail Trade Survey, monthly survey data on gasoline and fuel oil usage for February, average unit value for domestic new autos for March (revised), and consumers' share of new-car and new-truck purchases for March.

Nonresidential fixed investment: Construction put-in-place for January and February (revised) and March, manufacturers' shipments of machinery and equipment for February and March (revised), and manufacturers' shipments of complete civilian aircraft for February (revised) and March.

Residential fixed investment: Construction put-in-place for January and February (revised) and March.

Change in private inventories: Manufacturing and wholesale trade inventories for February (revised) and March, revised retail trade inventories for December through February that include the incorporation (on a "best-change" basis) of data that reflect the 2001 Annual Retail Trade Survey, and March.

Exports and imports of goods and services: Exports and imports of goods for February (revised) and March.

Government consumption expenditures and gross investment: Monthly Treasury Statement detailed data for March and state and local government construction put-in-place for January and February (revised) and March.

Wages and salaries: Employment, average hourly earnings, and average weekly hours for February and March (revised).

GDP prices: Detailed merchandise export and import price indexes for January through March (revised), unit-value index for petroleum imports for February (revised) and March, and housing prices for the first quarter.

Corporate Profits

Profits from current production increased \$7.9 billion (1.0 percent at a quarterly rate) in the first quarter (table 11).⁶ In contrast, the after-tax measure of current-production profits decreased \$4.8 billion (0.8 percent). Both measures of current-production profits had increased in the fourth quarter.

Profits of domestic financial corporations increased \$11.0 billion (5.3 percent). The increase was mainly accounted for by "other" financial corporations (which includes real estate investment trusts, federally sponsored credit agencies, and securities and commodities

6. Profits from current production is estimated as the sum of profits before tax, the inventory valuation adjustment, and the capital consumption adjustment; it is shown in NIPA tables 1.9, 1.14, 1.16, and 6.16C (see "Selected NIPA Tables," which begins on page D-2) as corporate profits with inventory valuation and capital consumption adjustments.

Percent changes in profits are shown at quarterly, not annual, rates.

Table 11. Corporate Profits

[Seasonally adjusted at annual rates]

	Billions of chained (1996) dollars					Percent change from preceding quarter				
	Level	Change from preceding quarter								
	2003	2002		2003	2002					
	I	II	III	IV	I	II	III	IV	I	
Profits from current production	804.0	-12.6	-14.0	25.1	7.9	-1.6	-1.8	3.2	1.0	
Domestic industries.....	698.4	4.3	-15.0	27.1	16.4	0.7	-2.2	4.1	2.4	
Financial.....	218.6	-2.5	-3.4	0.3	11.0	-1.2	-1.6	0.1	5.3	
Nonfinancial.....	479.9	6.9	-11.7	26.8	5.5	1.5	-2.5	6.0	1.1	
Rest of the world.....	105.6	-16.9	1.0	-2.0	-8.5	-12.8	0.9	-1.8	-7.4	
Receipts (inflows).....	190.7	12.0	12.5	1.4	3.4	7.4	7.2	0.8	1.8	
Payments (outflows).....	85.1	28.9	11.4	3.6	11.8	98.3	19.6	5.0	16.2	
IVA.....	-28.5	-7.6	-9.4	6.6	-20.0	.....	.....	.....	.....
CCAdj.....	113.0	-23.5	-15.2	-7.9	3.3	.....	.....	.....	.....
Profits before tax.....	719.5	18.5	10.6	26.4	24.6	2.9	1.6	3.9	3.5	
Profits tax liability.....	235.1	11.3	1.0	7.7	12.7	5.6	0.5	3.6	5.7	
Profits after tax.....	484.4	7.3	9.5	18.7	11.9	1.7	2.1	4.1	2.5	
Profits from current production less tax liability	568.9	-23.9	-15.0	17.4	-4.8	-4.0	-2.6	3.1	-0.8	
Cash flow from current production.....	957.3	-12.6	-12.0	14.0	-11.4	-1.3	-1.2	1.5	-1.2	
	Dollars									
Unit price, costs, and profits of nonfinancial corporations:										
Unit price.....	1.039	-0.001	-0.001	0.002	0.002	.....	.....	.....	.....
Unit labor cost.....	0.682	-0.002	-0.001	0	0.003	.....	.....	.....	.....
Unit nonlabor cost.....	0.269	0.001	0.002	-0.001	-0.001	.....	.....	.....	.....
Unit profits from current production.....	0.089	0.001	-0.003	0.004	0.001	.....	.....	.....	.....

NOTE: Levels of these and other profits series are shown in NIPA tables 1.14, 1.16, 6.16C, and 7.15.

IVA Inventory valuation adjustment

CCAdj Capital consumption adjustment

brokers) and by commercial banks.

Profits of domestic nonfinancial corporations increased \$5.5 billion (1.1 percent), as output and profits per unit rose.⁷

Profits from the rest of the world decreased \$8.5 billion, as payments by domestic affiliates to their foreign parents increased more than receipts by domestic parents from foreign affiliates.⁸

Cash flow from current production, a profits-related measure of internally generated funds available for investment, decreased \$11.4 billion.⁹ The ratio of cash flow to nonresidential fixed investment, an indicator of the extent to which the current level of investment could be financed by internally generated funds, was 86.6 percent, little changed from the fourth quarter. The ratio has hovered between 86.0 percent and 86.9 percent for five consecutive quarters. (During the expansion of the 1990s, the ratio averaged 82.2 percent.)

Profits before and after tax. Profits before tax (PBT) increased \$24.6 billion in the first quarter, more than three times the increase in current-production profits. The difference between the two measures mainly reflects a decrease in the inventory valuation adjustment.¹⁰

Profits after tax (PBT less profits tax liability) increased 2.5 percent in the first quarter after increasing 4.1 percent in the fourth.

7. "Output" here is the gross product of nonfinancial corporations. It measures the contribution, or value added, of these businesses to the Nation's output, and it is measured as the sum of incomes generated by these businesses.

8. Profits from the rest of the world is calculated as (1) receipts by U.S. residents of earnings from their foreign affiliates plus dividends received by U.S. residents from unaffiliated foreign corporations minus (2) payments by U.S. affiliates of earnings to their foreign parents plus dividends paid by U.S. corporations to unaffiliated foreign residents. These estimates include capital consumption adjustments (but not inventory valuation adjustments) and are derived from BEA's international transactions accounts.

9. Cash flow from current production is undistributed profits with inventory valuation and capital consumption adjustments plus the consumption of fixed capital.

10. Profits before tax is based on inventory and depreciation practices used in tax accounting, whereas the current-production measure—which excludes nonoperating items, such as special charges and capital gains and losses—is based on depreciation of fixed assets and inventory withdrawals valued at current cost.

Government Sector

The combined current deficit of the Federal Government and of state and local governments increased \$34.7 billion, to \$333.0 billion, in the first quarter after increasing \$33.1 billion in the fourth (table 12).¹¹ The Federal current deficit increased in both quarters. The state and local current deficit increased in the first quarter after decreasing in the fourth.

Federal

The Federal Government current deficit increased \$18.4 billion in the first quarter after increasing \$37.2 billion in the fourth. Current receipts accelerated, while current expenditures decelerated.

Current receipts. Federal current receipts increased \$8.8 billion in the first quarter after increasing \$5.6 billion in the fourth. The acceleration was more than accounted for by accelerations in contributions for social insurance and corporate profits tax accruals. In contrast, personal tax and nontax receipts decreased more in the first quarter than in the fourth.

Contributions for social insurance increased \$13.9 billion after increasing \$6.1 billion. The acceleration was accounted for by a step-up in contributions for social security (old-age, survivors, disability, and health insurance trust funds), which increased \$10.7 billion after increasing \$6.1 billion. The step-up was accounted for by an increase in the social security taxable wage base that boosted contributions by \$2.4 billion. Contributions to state unemployment insurance programs accelerated, as increases in the rate and in the wage base boosted these contributions by \$3.4 billion.

Corporate profits tax accruals accelerated, increasing \$10.8 billion after increasing \$6.4 billion. The acceleration reflected the pickup in domestic corporate profits before tax.

In contrast, personal tax and nontax receipts decreased \$15.8 billion after decreasing \$6.0 billion. The larger decrease was more than accounted for by personal income taxes. Within personal income taxes, nonwithheld income taxes decreased more in the first quarter, declining \$21.5 billion after a \$3.6 billion decrease. Withheld income taxes turned up, increasing \$5.6 billion after a \$2.3 billion decrease.

Current expenditures. Current expenditures increased \$27.2 billion in the first quarter after increasing \$42.8 billion in the fourth. The deceleration was mostly accounted for by a downturn in grants-in-aid to state and local governments. Net interest paid decreased more than in the fourth quarter, “subsidies less

current surplus of government enterprises” turned down, and consumption expenditures decelerated. In contrast, transfer payments accelerated.

Grants-in-aid to state and local governments decreased \$2.8 billion after increasing \$10.8 billion. Grants for welfare and social services, for state Medicaid programs, for housing and community services, and for health and hospitals (including payments to

Table 12. Government Sector Current Receipts and Expenditures
[Billions of dollars, seasonally adjusted at annual rates]

	Level	Change from preceding quarter			
	2003	2002			2003
	I	II	III	IV	I
Current receipts.....	2910.4	11.0	-7.3	17.9	23.1
Current expenditures.....	3243.4	50.1	17.2	51.0	57.8
Current surplus or deficit (-).....	-333.0	-39.1	-24.5	-33.1	-34.7
Social insurance funds.....	56.1	-14.3	-1.6	1.9	6.2
Other.....	-389.1	-24.8	-22.9	-35.0	-40.9
Federal					
Current receipts.....	1878.5	-1.0	-19.6	5.6	8.8
Personal tax and nontax receipts.....	809.5	-18.2	-25.3	-6.0	-15.8
Corporate profits tax accruals.....	198.3	9.7	0.9	6.4	10.8
Indirect business tax and nontax accruals.....	111.2	1.8	2.2	-0.9	-0.3
Contributions for social insurance.....	759.3	5.6	2.6	6.1	13.9
Current expenditures.....	2144.6	48.8	-4.7	42.8	27.2
Consumption expenditures.....	627.1	14.7	8.8	19.1	18.2
National defense.....	408.8	10.4	6.4	14.3	5.6
Nondefense.....	218.3	4.4	2.3	4.9	12.5
Transfer payments (net).....	971.4	10.7	6.5	14.4	22.9
To persons.....	950.7	22.9	7.4	9.6	16.7
To the rest of the world.....	20.8	-12.2	-0.9	4.8	6.3
Grants-in-aid to State and local governments.....	313.0	17.3	-4.6	10.8	-2.8
Net interest paid.....	193.5	6.4	-9.1	-3.7	-8.6
Subsidies less current surplus of government enterprises.....	40.9	-0.3	-6.4	2.2	-1.2
Subsidies.....	47.8	0.6	-0.5	1.3	1.5
Of which: Agricultural subsidies.....	23.5	0.1	-0.8	1.2	1.5
Less: Current surplus of government enterprises.....	6.9	1.0	5.7	-0.8	2.7
Less: Wage accruals less disbursements.....	1.4	0.0	0.0	0.0	1.4
Current surplus or deficit (-).....	-266.1	-49.8	-14.9	-37.2	-18.4
Social insurance funds.....	56.3	-14.4	-1.6	1.9	6.3
Other.....	-322.4	-35.4	-13.3	-39.1	-24.7
State and local					
Current receipts.....	1345.0	29.2	7.8	23.1	11.6
Personal tax and nontax receipts.....	275.9	3.3	2.4	3.7	4.5
Corporate profits tax accruals.....	36.8	1.5	0.2	1.2	1.9
Indirect business tax and nontax accruals.....	709.8	7.1	9.6	7.3	8.0
Contributions for social insurance.....	9.5	0.1	0.0	0.1	0.0
Federal grants-in-aid.....	313.0	17.3	-4.6	10.8	-2.8
Current expenditures.....	1411.9	18.5	17.4	19.0	27.9
Consumption expenditures.....	1072.8	12.9	9.0	10.5	22.7
Transfer payments to persons.....	354.2	7.3	8.0	10.8	4.7
Net interest paid.....	-1.9	-0.1	0.0	0.1	0.0
Less: Dividends received by government.....	0.5	0.1	0.0	0.0	0.0
Subsidies less current surplus of government enterprises.....	-12.7	-1.6	0.4	-2.4	0.5
Subsidies.....	0.3	-0.9	1.2	-2.1	0.7
Less: Current surplus of government enterprises.....	13.0	0.7	0.8	0.3	0.2
Less: Wage accruals less disbursements.....	0.0	0.0	0.0	0.0	0.0
Current surplus or deficit (-).....	-66.9	10.7	-9.6	4.1	-16.3
Social insurance funds.....	-0.1	0.1	0.0	0.0	0.0
Other.....	-66.8	10.7	-9.7	4.1	-16.3
Addendum:					
Net lending or net borrowing (-) ¹	-427.4	-35.7	-20.9	-36.5	-28.8
Federal.....	-281.1	-53.7	-10.5	-38.2	-9.3
State and local.....	-146.3	18.0	-10.4	1.7	-19.5

11. The combined current surplus or deficit of the Federal Government and state and local governments is the NIPA measure of net saving by government. Net saving equals gross saving less consumption of fixed capital. These estimates are shown in NIPA table 5.1.

1. "Net lending or borrowing" is conceptually similar to "net financial investment" in the flow-of-funds accounts prepared by the Board of Governors of the Federal Reserve System. The two measures differ primarily because government net lending or borrowing is estimated from data for transactions, whereas net financial investment is estimated from data for financial assets. There are also small conceptual differences, such as the classification of the Federal Government's railroad retirement and veterans life insurance programs.

States for children's health insurance programs) all turned down.

Net interest paid decreased \$8.6 billion after decreasing \$3.7 billion. Gross interest paid decreased \$8.3 billion after decreasing \$0.9 billion. Interest paid to the rest of the world decreased more than in the fourth quarter, decreasing \$5.3 billion after decreasing \$2.1 billion. Interest paid to persons and business turned down. Gross interest received decelerated, increasing \$0.1 billion after increasing \$2.9 billion.

"Subsidies less current surplus of government enterprises" turned down, decreasing \$1.2 billion after increasing \$2.2 billion. The downturn was mostly accounted for by an upturn in the "current surplus of government enterprises." The current surplus of the Postal Service turned up, increasing \$2.7 billion after decreasing \$0.8 billion; the upturn reflected the effects of the Postal Civil Service Retirement System Funding Reform Act of 2003, which decreased contributions to the civil service retirement fund.

Consumption expenditures increased \$18.2 billion after increasing \$19.1 billion. The slight deceleration was accounted for by a deceleration in defense consumption expenditures that was partly offset by an acceleration in nondefense consumption expenditures.

Defense consumption expenditures increased \$5.6 billion after increasing \$14.3 billion. The deceleration was more than accounted for by services. Within services, "other services" (which includes research and development, weapon support, installation support, and personnel support) turned down, decreasing \$6.3 billion after a \$17.2 billion increase. This downturn was partly offset by an upturn in compensation of employees, which increased \$11.3 billion after decreasing \$1.9 billion; the upturn was mostly accounted for by the January 2003 pay raise, which boosted compensation \$4.9 billion, and by the activation of an additional 163,000 military reservists. Transportation of materials and travel of persons both accelerated as a result of the costs associated with the war in Iraq. In contrast, nondurable goods turned up, increasing \$0.8 billion after a \$0.6 billion decrease. The upturn was more than accounted for by an upturn in petroleum products.

Nondefense consumption expenditures increased \$12.5 billion after increasing \$4.9 billion. The acceleration was more than accounted for by services. "Other services" (which includes research and development, utilities, transportation of materials, and travel of persons) accelerated, increasing \$6.2 billion after a \$0.6 billion increase. Compensation of employees increased \$6.0 billion after increasing \$3.4 billion; compensation was boosted \$2.8 billion by the January 2003 pay raise.

"Transfer payments (net)" increased \$22.9 billion

after a \$14.4 billion increase. Transfer payments to persons accelerated, increasing \$16.7 billion after increasing \$9.6 billion. The step-up mainly reflected a 1.4-percent cost-of-living adjustment that boosted benefits \$2.4 billion for social security (old-age, survivors, disability, and health insurance), veterans pensions, supplemental security income, and other programs. In addition, payments for the Earned Income and Child Tax Credits boosted transfer payments by \$3.9 billion. Transfer payments to the rest of the world accelerated, increasing \$6.3 billion after increasing \$4.8 billion. The acceleration reflected a payment of \$2.5 billion (\$10.0 billion at an annual rate) to Israel and Egypt for economic support; \$0.8 billion (\$3.2 billion at an annual rate) in economic support payments was disbursed in the fourth quarter.

State and local

The state and local government current deficit increased \$16.3 billion in the first quarter after decreasing \$4.1 billion in the fourth. Current expenditures accelerated, while current receipts decelerated.

Current receipts. State and local government current receipts increased \$11.6 billion in the first quarter after increasing \$23.1 billion in the fourth. The deceleration was more than accounted for by the downturn in Federal grants-in-aid. In contrast, personal tax and nontax receipts, corporate profits tax accruals, and indirect business tax and nontax accruals accelerated.

Personal tax and nontax receipts increased \$4.5 billion after increasing \$3.7 billion. Corporate profits tax accruals increased \$1.9 billion after increasing \$1.2 billion. Indirect business tax and nontax accruals increased \$8.0 billion after increasing \$7.3 billion; the acceleration was more than accounted for by sales taxes, which increased \$3.8 billion after increasing \$1.4 billion.

Current expenditures. Current expenditures increased \$27.9 billion in the first quarter after increasing \$19.0 billion in the fourth. Consumption expenditures accelerated, "subsidies less current surplus of government enterprises" turned up, and transfer payments to persons decelerated.

Consumption expenditures increased \$22.7 billion after increasing \$10.5 billion. The acceleration was mostly accounted for by nondurable goods, which increased \$13.4 billion after increasing \$3.7 billion. Within nondurable goods, petroleum products accelerated. Services also accelerated, increasing \$9.0 billion after increasing \$6.6 billion.

"Subsidies less current surplus of government enterprises" increased \$0.5 billion after decreasing \$2.4 billion. The upturn was accounted for by an upturn in

subsidies, which increased \$0.7 billion after decreasing \$2.1 billion, reflecting smaller reimbursements from electric power companies to California. (In the NIPA's, California's special purchases of electricity, net of receipts from commercial and residential users, are treated as subsidy payments.) In the fourth quarter, subsidies had turned down when California recovered subsidies paid in earlier periods.

Transfer payments to persons decelerated, increasing \$4.7 billion after a \$10.8 billion increase. The deceleration was mostly accounted for by Medicaid payments, which increased \$4.3 billion after increasing \$9.8 billion.

Net lending or net borrowing

“Net lending or net borrowing (-)” is an alternative measure of the government fiscal position. Net lending is the financing requirement of the government sector and is derived as the current surplus plus the con-

sumption of fixed capital and “capital transfers received (net)” less gross investment and net purchases of nonproduced assets.¹²

Net borrowing increased \$28.8 billion in the first quarter after increasing \$36.5 billion in the fourth. Federal Government net borrowing increased \$9.3 billion as a result of an increase in the current deficit that more than offset an increase in net capital transfers received. State and local government net borrowing increased \$19.5 billion as a result of an increase in the current deficit.

Government gross investment increased \$0.7 billion after increasing \$0.5 billion. Federal Government gross investment accelerated, while state and local gross investment turned down.

12. Net lending or net borrowing estimates are shown in NIPA tables 3.1-3.3.

Preview of the 2003 Comprehensive Revision of the National Income and Product Accounts

Changes in Definitions and Classifications

By Brent R. Moulton and Eugene P. Seskin

IN December, the Bureau of Economic Analysis (BEA) will release the initial results of a comprehensive, or benchmark, revision of the national income and product accounts (NIPAs). This revision is the 12th of its kind; the last such revision was released in October 1999.

Comprehensive revisions differ from annual NIPA revisions because of the scope of the changes and because of the number of years subject to revision. Comprehensive revisions incorporate three major types of improvements: (1) Changes in definitions and classifications that update the accounts to more accurately portray the evolving U.S. economy,¹ (2) statistical changes that update the accounts to reflect the introduction of new and improved methodologies and the incorporation of newly available and revised source data, and (3) presentational changes that update the NIPA tables to reflect the definitional and statistical changes and to make the tables more informative.

This article is the second in a series of *SURVEY OF CURRENT BUSINESS* articles about the comprehensive revision. An article in the January 2003 issue described the effects of incorporating the 1997 benchmark input-output (I-O) accounts and identified some of the proposals being considered for this comprehensive revision.² An article in the August issue will describe the new and redesigned tables.³ An article in the September issue will describe the statistical changes. An article in the January 2004 issue will describe other aspects of

the revision, including estimates of the effects of the definitional and statistical changes.

Comprehensive revisions, and to a lesser extent annual revisions, provide the opportunity to introduce major changes that are outlined in BEA's strategic plan for maintaining and improving its economic accounts.⁴ In discussing the national accounts, BEA's strategic plan outlines several major objectives, including addressing data gaps and other shortcomings, improving consistency and integration with other accounts, and improving consistency with international guidelines. The definitional, presentational, and statistical improvements planned for this year's comprehensive revision constitute important steps toward meeting each of these objectives.

For example, the measurement of financial and insurance services has long been considered a shortcoming in the NIPAs. The definitional changes that will be made to the measures of property and casualty insurance and of commercial banking that are described in this article are the result of considerable research by BEA staff and reflect a better understanding of the output of these industries. A number of other changes that address data gaps and other shortcomings will be presented in the September article on statistical changes.

Several changes to sector definitions will improve the consistency and integration of the NIPAs with other accounts, such as BEA's I-O accounts, the Federal Reserve Board's flow of funds accounts, and the Bureau of Labor Statistics (BLS) productivity statistics. These changes will enable data users to move more easily from one set of accounts to another, thereby expanding the set of information that can be brought to

1. The changes in definition and classification that are discussed in this article are the changes that affect the conceptual content of the components of the NIPA summary accounts.

2. Stephanie H. McCulla and Carol E. Moylan, "Preview of Revised NIPA Estimates for 1997: Effects of Incorporating the 1997 Benchmark I-O Accounts and Proposed Definitional and Statistical Changes," *SURVEY 83* (January 2003): 10-16.

3. One of the presentational changes that will be made in the upcoming comprehensive revision, a new NIPA presentation that shows incomes and outlays of households separately from those of nonprofit institutions, was described in Charles Ian Mead, Clinton P. McCully, and Marshall B. Reinsdorf, "Income and Outlays of Households and of Nonprofit Institutions Serving Households," *SURVEY 83* (April 2003): 13-17.

4. The BEA strategic plan is available on our Web site at <www.bea.gov>; click on "About BEA" and find the bullet for "Strategic Plan for 2003-2007" near the bottom of the page.

Shelly Smith assisted in preparing the tables and figures for this article.

bear in studying economic changes in a sector or an industry. For example, balance sheets that are integrated with the NIPAs would be useful in examining the association between the rise in wealth in the late 1990s and the decline in personal saving.

Increased integration of the world's monetary, fiscal, and trade policies has led to a growing need for international harmonization of economic statistics. Many of the definitional changes presented in this year's revision will improve consistency with the principal international guidelines for national accounts, *System of National Accounts 1993*.⁵ BEA actively participated in preparing *SNA 1993*, and after it was approved by the United Nations Statistical Commission, BEA announced that it would move its accounts toward *SNA 1993*.⁶ Since then, BEA has adopted most of the major *SNA 1993* changes that affect gross domestic product (GDP), investment, and saving. In the 1996 comprehensive revision, chain-type indexes were adopted for measuring changes in real GDP and prices, and government fixed investment was recognized. In the 1999 comprehensive revision, investment in software was recognized, the treatment of government employee retirement plans was changed, and capital transfers were identified separately from current transfers. For this year's comprehensive revision, the changes will help bring the NIPA classifications of various transactions into conformity with the classifications used by *SNA 1993*. While these changes, together with the presentational changes that will be described in the August article, will modify the appearance of the NIPAs, in most cases they do not affect the major aggregates, such as GDP, gross national product (GNP), personal income, profits, saving, and investment. (However, national income will be redefined as described in the section "Consistency With International Guidelines.")

BEA supports the goal of international harmonization of its national accounts, and the NIPAs will continue to adopt *SNA 1993* to the extent feasible. Nevertheless, because BEA has decided to retain several important NIPA aggregates, such as personal income and corporate profits, that do not appear in *SNA 1993*, some differences will persist. In most cases, the classification systems used by the NIPAs for sectors, industries, and type of product differ from those recom-

mended by *SNA 1993*. In efforts to harmonize these systems, BEA must consider the needs of the U.S. user community along with the goal of improved international harmonization. Improving consistency with *SNA 1993* remains an element of BEA's mission of producing accurate, relevant, and timely statistics, of responding to customers, and of meeting the challenges of a changing economy.

The major changes in definitions and classifications that will be introduced in this comprehensive revision are as follows.

- Recognize the implicit services provided by property and casualty insurance and provide a more appropriate treatment of insured losses, thereby reducing large swings in measured services
- Allocate a portion of the implicit services of commercial banks to borrowers, thereby recognizing that both borrowers and depositors receive these services from banks
- Recognize explicitly the services produced by general government and treat government purchases of goods and services as intermediate inputs
- Broaden the definition of national income to include all net incomes (net of consumption of fixed capital) earned in production

In addition to these major changes, a number of other changes in definitions and classifications will be introduced, including the following.

- Reclassify Indian tribal governments, farm housing services, owner-occupied housing services, and rental value of fixed assets used by nonprofit institutions serving households in order to improve conformity with other BEA accounts and with accounts of other agencies and to make the NIPAs more usable
- Reclassify certain NIPA components—including miscellaneous compensation, nonresident taxes, business and personal nontax payments, and government current receipts and expenditures—in order to improve consistency with international guidelines
- Split the NIPA foreign transactions account into two accounts—the foreign transactions current account and the foreign transactions capital account—in order to separately identify capital transfers
- Introduce several new aggregates that will provide alternative measures of income, saving, and investment
- Redefine change in private farm inventories to include farm materials and supplies, thereby improving the measures of GDP and gross farm product
- Reclassify military grants-in-kind to improve con-

5. See Commission of the European Communities, International Monetary Fund, Organisation for Economic Co-operation and Development, United Nations, and the World Bank, *System of National Accounts 1993* (Brussels/Luxembourg, New York, Paris, and Washington, DC, 1993); henceforth, *SNA 1993*.

6. See "New International Guidelines in Economic Accounting," *SURVEY* 73 (February 1993): 43.

sistency between the NIPA's and BEA's international transactions accounts (ITAs)

- Redefine compensation-in-kind of Federal Government employees to include mass transit benefits

In the following sections of the article, each change is described, the reason for the change is given, and the effect on the accounts is provided. In addition, whenever available, preliminary estimates of the impact of the change are provided.

For each change, table 1 shows the aggregates and components of the current NIPA five-account system (see table 2) that will be affected and the initial year of the revision.

Addressing Data Gaps and Other Shortcomings

This comprehensive revision will introduce definitional changes that will refine the concepts used to measure property and casualty insurance services, implicit services of banks, farm inventories, and compensation of Federal Government employees. These changes, together with the changes in source data and methods that will be described in the September article on statistical changes, will address many of the data gaps and other shortcomings in the NIPA's.

Insurance services

The definition of property and casualty insurance services (other than health insurance) will be changed to recognize the implicit services that are funded by investment income; to provide a more appropriate treatment of insured losses, thereby reducing the large swings in measured services that result from catastrophes such as the terrorist attacks of September 11, 2001; and to change the treatment of reinsurance.⁷ This change, which will be carried back to 1929, represents another step in BEA's effort to improve its measures of the production of services.⁸

7. Under the current treatment, the terrorist attacks of September 11, 2001, resulted in a decrease in domestic final expenditures for insurance services of about \$21 billion (current dollars, annual rate) in the third quarter of 2001. Within imports of services, claims by domestic insurers for reinsurance policies with foreign insurers resulted in a decrease in imports of "other private services" of about \$44 billion. These effects lowered gross domestic purchases by about \$21 billion and raised GDP by about \$23 billion. BEA treated these effects as changes in the corresponding implicit prices for insurance services, so real GDP was not affected. However, the gross domestic purchases price index and the PCE price index were each reduced by about 1 percentage point and the GDP price index was raised by about 1 percentage point.

8. For earlier discussions of the measurement of insurance services, see Obie G. Whichard and Maria Borgia, "Selected Issues in the Measurement of U.S. International Services," *SURVEY* 82 (June 2002): 36–56; and Dennis J. Fixler, "Rethinking the NIPA Treatment of Insurance Services for the Comprehensive Revision," paper presented at the meeting of the BEA Advisory Committee, November 15, 2002 (revised December 23, 2002), available at <www.bea.gov>.

Insurance companies provide financial protection to policyholders through the pooling of risk, and they provide financial intermediation services through the investment of reserves that are held to help cover extraordinary losses. The provision of these services of financial protection and financial intermediation represent the output of the insurance industry. Depending on whether the policyholder is a person, general government, the rest of the world, or a domestic enterprise, these services appear in personal consumption expenditures (PCE), government consumption expenditures, exports of services, or intermediate inputs of owner-occupied housing and of business. In most periods, the insurance premiums received and the investment income earned provide the funds needed for a "normal," or expected, level of insurance claims and insurance services and for additions to reserves. However, in some periods, funds must be withdrawn from reserves to cover extraordinary losses. Alternatively, the insurance company may purchase reinsurance as a protection against extraordinary losses. Therefore, after accounting for investment income, insurance companies set premiums in order to cover the expected costs of providing the services, of settling claims, of maintaining reserves against future claims, and of purchasing reinsurance.

Implicit services. In the NIPA's, the value of insurance services (except for life insurance) is currently measured as the premiums receivable by insurance carriers less the actual insured losses incurred and the dividends payable by mutual insurance companies to their policyholders. As part of the new treatment, the value of the expected investment income on the funds on which policyholders have claim will be added to the value of the premiums earned—that is, the portion of the premiums accrued during the period. This expected investment income is not output in and of itself, but it will be used to impute the value of the implicit component of the intermediation services provided to policyholders. This change recognizes that in setting their premiums, insurance companies take into account the expected income that may be earned from the investment of reserves. This implicit component of insurance services will be referred to as a *premium supplement*.⁹

Normal losses. Another major aspect of the redefinition involves the substitution of normal losses for actual losses incurred in a period in the calculation of the value of insurance services. This change recog-

9. *SNA 1993* recommends that this portion of investment income be included in the measure of insurance output and treated as a premium supplement (paragraphs 6.135–6.140).

nizes that in setting their premiums, insurance companies do not yet know the actual losses in the period. Normal losses represent an approximation of the

losses expected to be incurred by the insurance company—that is, the benefits they expect to pay to policyholders. This change will reduce the large swings in

Table 1. Changes in Definitions and Classifications

Change	Principal components affected	Initial year of revision
Addressing data gaps and other shortcomings		
Recognize the implicit services provided by property and casualty insurance and provide a more appropriate treatment of insured losses.	GDP, GNP, GDI, PCE, exports and imports of services, government consumption expenditures and gross investment, net interest, business transfer payments, ROW income, personal income, personal interest income, transfer payments to persons, DPI, personal outlays, government net interest, and government current receipts and expenditures.	1929
Allocate a portion of the implicit services of commercial banks to borrowers.	GDP, GNP, GDI, PCE, exports of services, government consumption expenditures and gross investment, net interest, ROW income payments and receipts, personal interest income, personal income, DPI, interest paid by persons, personal outlays, government net interest, and government current receipts and expenditures.	1929
Redefine change in private farm inventories to include farm materials and supplies.	GDP, GNP, GDI, gross private domestic investment, change in private inventories, proprietors' income, personal income, DPI, personal saving, statistical discrepancy, gross saving, and gross product of farm business sector.	1991
Redefine compensation-in-kind of Federal Government employees to include mass transit benefits.	GDI, wage and salary disbursements, personal income, DPI, personal saving, statistical discrepancy, and gross saving.	1998
Consistency and integration with other accounts		
Reclassify Indian tribal governments to state and local government sector.	GDP, GNP, GDI, PCE, government consumption expenditures and gross investment, current surplus of government enterprises, personal outlays, personal saving, government current receipts and expenditures, government current surplus or deficit, and gross saving.	1990
Reclassify farm housing to real estate industry.	Proprietors' income, rental income of persons, and gross product of farm business sector and of households and institutions sector.	1929
Reclassify owner-occupied housing to households and institutions sector.	Gross product of business sector and of households and institutions sector.	1929
Reclassify rental value of fixed assets used by nonprofit institutions serving households to households and institutions sector.	Gross product of business sector and of households and institutions sector.	1929
Reclassify military grants-in-kind as exports.	Exports of goods and services, Federal Government consumption expenditures and gross investment, and government transfer payments to ROW.	1959
Consistency with international guidelines		
Recognize explicitly the services produced by general government and treat government purchases of goods and services as intermediate inputs.	GDP goods and GDP services.	1929
Broaden the definition of national income to include all net incomes earned in production.	National income.	1929
Reclassify miscellaneous compensation as wages and salaries.	Wage and salary accruals and disbursements, and other labor income.	1948
Reclassify nonresident taxes paid by domestic corporations to tax payments to ROW.	Corporate profits with inventory valuation and capital consumption adjustments, profits tax liability, and business transfer payments to ROW.	1959
Reclassify business nontax liability as current transfer payments to government and rent and royalties to government.	Business transfer payments and indirect business tax and nontax liability.	1929
Reclassify personal nontax payments as current transfer payments to government.	Personal tax and nontax payments, DPI, personal transfer payments, and personal outlays.	1929
Reclassify certain government current receipts and expenditures.	Government current receipts and expenditures.	1946 ¹
Reclassify nonresident taxes received by government as tax receipts.	Government tax receipts, government transfer payments, and government current receipts and expenditures.	1959
Split the foreign transactions account into a current account and a capital account.	Net foreign investment.	1929 ²

1. For years prior to 1946, state and local government interest will be presented as net interest and for years prior to 1960, Federal and total government interest will continue to be presented as net interest. For years prior to 1959, subsidies will continue to be presented net of the current surplus of government enterprises.

2. Estimates of capital transfers to the rest of the world are available, beginning with 1982.

DPI Disposable personal income
 GDI Gross domestic income
 GDP Gross domestic product
 GNP Gross national product
 PCE Personal consumption expenditures
 ROW Rest of the world

Table 2. Summary National Income and Product Accounts

Account 1. National Income and Product Account	
Compensation of employees Wage and salary accruals Supplements to wages and salaries Employer contributions for social insurance Other labor income Proprietors' income with IVA and CCAAdj Rental income of persons with CCAAdj Corporate profits with IVA and CCAAdj Profits tax liability Dividends Undistributed profits with IVA and CCAAdj Net interest National income Business transfer payments Indirect business tax and nontax liability Less: Subsidies less current surplus of government enterprises Consumption of fixed capital Less: Income receipts from the rest of the world Plus: Income payments to the rest of the world Gross domestic income Statistical discrepancy GROSS DOMESTIC PRODUCT	Personal consumption expenditures Gross private domestic investment Fixed investment Nonresidential Residential Change in private inventories Net exports of goods and services Exports Imports Government consumption expenditures and gross investment Federal State and local
Account 2. Personal Income and Outlay Account	
Personal tax and nontax payments Personal outlays Personal consumption expenditures Interest paid by persons Personal transfer payments to the rest of the world (net) Personal saving PERSONAL TAXES, OUTLAYS, AND SAVING	Wage and salary disbursements Other labor income Proprietors' income with IVA and CCAAdj Rental income of persons with CCAAdj Personal dividend income Personal interest income Transfer payments to persons Less: Personal contributions for social insurance PERSONAL INCOME
Account 3. Government Receipts and Expenditures Account	
Consumption expenditures Transfer payments Net interest paid Less: Dividends received by government Subsidies less current surplus of government enterprises Less: Wage accruals less disbursements Current surplus or deficit (-), NIPA's GOVERNMENT CURRENT EXPENDITURES AND SURPLUS	Personal tax and nontax payments Corporate profits tax liability Indirect business tax and nontax liability Contributions for social insurance Employer Personal GOVERNMENT CURRENT RECEIPTS
Account 4. Foreign Transactions Account	
Exports of goods and services Income receipts RECEIPTS FROM THE REST OF THE WORLD	Imports of goods and services Income payments Transfer payments to the rest of the world (net) Net foreign investment PAYMENTS TO THE REST OF THE WORLD
Account 5. Gross Saving and Investment Account	
Gross private domestic investment Gross government investment Net foreign investment GROSS INVESTMENT	Personal saving Wage accruals less disbursements (private) Undistributed corporate profits with IVA and CCAAdj Consumption of fixed capital Government current surplus or deficit (-), NIPA's Statistical discrepancy GROSS SAVINGS AND STATISTICAL DISCREPANCY

CCAAdj Capital consumption adjustment
 IVA Inventory valuation adjustment
 NIPA's National income and product accounts

measured insurance services that result from catastrophes such as Hurricane Andrew in 1992 and the terrorist attacks on September 11, 2001.

Formulas. For each type of insurance, normal losses will be calculated as a geometric-weighted moving average of past loss ratios (that is, the ratio of actual losses to premiums earned) multiplied by the premiums earned during the current period. That is, the normal loss in period t , NL_t , is

$$NL_t = NLR_t \times P_t$$

where

$$NLR_t = \alpha LR_t + \alpha(1 - \alpha)LR_{t-1} + \alpha(1 - \alpha)^2 LR_{t-2} \dots,$$

P_t is the premiums earned, LR_t is the loss ratio—that is, L_t/P_t —in period t , and α is a parameter. Premiums earned and loss ratios are based on trade source data. The formula is based on the adaptive-expectations model developed by Cagan.¹⁰ The “free” parameter α is the weight applied to the prior period’s value in the weighted average; this parameter will be assigned a value of 0.3 based on evidence that it provides the best prediction of future values.¹¹ Thus, for every deviation in the loss ratio from its previously expected value, the normal, or expected, value for the subsequent period is adjusted by 30 percent.

For each type of insurance, premium supplements will be calculated as a geometric-weighted moving average of past investment gain/loss ratios (that is, “net investment gain/loss on funds attributable to insurance transactions” divided by premiums earned) multiplied by the premiums earned during the current period.¹² That is, the premium supplement in period t , PS_t , is

$$PS_t = NIR_t \times P_t$$

where

$$NIR_t = \beta IR_t + \beta(1 - \beta)IR_{t-1} + \beta(1 - \beta)^2 IR_{t-2} \dots,$$

IR_t is the investment gain/loss ratio—that is, I_t/P_t —in period t , and β is a parameter, which will be assigned a value of 0.3. Net investment gains/losses on funds attributable to insurance transactions are available from trade source data and represent the industry rate of return on investment multiplied by the reserves that are directly attributable to policyholders because of prepayment of premiums or accrual of benefits.

Reinsurance. Insurance services will be calculated from source data on direct premiums and direct

losses—that is, without any adjustment for reinsurance. Transactions related to reinsurance will be treated in the same way as those related to direct insurance, and the services of reinsurance will be treated as an intermediate input to the insurance carriers industry or as exports of services. Currently, insurance services are calculated from premiums and losses after netting the value of reinsurance that is assumed or ceded.

New flows. As a result of the above changes, several new insurance flows will be recognized in the NIPAs. An insurance company receives premiums and investment income that must fund the ongoing production of services as well as covering a normal level of losses; extraordinary losses are paid from reserves or from reinsurance. One can think of these transactions as being decomposed into four pieces. (1) The policyholders pay the insurance company total premiums (including the imputed portion) equal to the premiums earned plus premium supplements less dividends payable to policyholders. A portion of this total premium is considered a payment for insurance services consumed and is valued as total premiums less normal losses. (2) The remaining portion of the total premium, which is equal to normal losses, is a transfer-like flow from the policyholders to the insurance company that is used to pay for actual losses, additions to reserves, and reinsurance. (3) Because premium supplements are funded by investment income from the portion of reserves that are, in principle, the property of the policyholders, the accounts must show an equal flow of imputed income paid to the policyholders, which will be classified as imputed interest. (4) Actual insured losses (or claims payable) are a transfer-like flow from the insurance company to the policyholder.¹³ The net value of (4) minus (2), which equals actual losses less normal losses, will be referred to as “net insurance settlements.”

Effects on the accounts. As a result of the new treatment, PCE, government consumption expenditures, and exports will each change by the value of premium supplements on policies held by the corresponding sector plus the difference between actual losses and normal losses on insurance held by the sector. Imports will change by the value of premium supplements on policies of foreign insurance carriers held by domestic residents plus the difference between actual losses and normal losses on those policies. GDP will change by the sum of the value of the changes in PCE, in govern-

10. See Phillip D. Cagan, “The Monetary Dynamics of Hyper-Inflation,” in *Studies in the Quantity Theory of Money*, ed. Milton J. Friedman (Chicago: University of Chicago Press, 1956).

11. A paper providing additional details on the estimation methods will be available on BEA’s Web site later this summer.

12. Because the denominator of these ratios is premiums earned rather than reserves, these investment gain/loss ratios cannot be interpreted as rates of return.

13. These flows between the policyholder and the insurance company do not strictly meet the definition of a “transfer”—that is, a payment for which nothing is provided in return—because the payment is made as part of the contract between the policyholder and the insurance company. However, because these flows are similar to transfers in that they reflect the part of the payments that are not associated with the purchase of insurance services, they will be included in business transfer payments in the NIPAs.

ment consumption expenditures, and in exports less the value of the change in imports. Premium supplements on policies purchased by business and on policies purchased by homeowners for owner-occupied housing will be treated as intermediate inputs and will not affect the value of GDP.

Offsetting flows will appear on the income side of the NIPA's. Net interest will increase to reflect the implicit income, which is equal to the premium supplements that are allocated to persons and to government. Income receipts from the rest of the world will increase by an amount equal to the premium supplements that are allocated to domestic policies issued by foreign insurance carriers, and income payments to the rest of the world will increase by an amount equal to the premium supplements allocated to foreign policyholders. Business transfer payments will change by the value of net insurance settlements (actual losses less normal losses) paid to persons, to government, and to the rest of the world, less net insurance settlements received by domestic business from foreign insurance carriers. The change to gross domestic income (GDI) will equal the change to GDP, so the statistical discrepancy will not be affected. Because the flows of premium supplements to and from the rest of the world are offset by the flows of implicit income, the addition of premium supplements to exports and to imports will not affect GNP; consequently, the change to GNP will equal the value of net insurance settlements that will be included in business transfer payments plus the value of premium supplements added to PCE and to government consumption expenditures.

In the personal income and outlay account (account 2), personal interest income will increase by the value of imputed interest attributable to persons as policyholders, and business transfer payments to persons will change to reflect net insurance settlements received by persons. Within personal outlays, PCE will change as described above. The changes to the income components will equal the changes to personal outlays, so personal saving will not be affected.

In the government receipts and expenditures account (account 3), net insurance settlements received by government will be shown as "business transfer payments to government" (a new NIPA category within current receipts that will be further discussed in the section "Indirect business tax and nontax liabilities"). Net interest paid will be reduced by the imputed interest attributable to government as policyholders (also see the section "Government current receipts and expenditures," which explains that interest received will be reclassified as part of government receipts). Government consumption expenditures will change as described above. The changes to the current receipts

components will equal the changes to the current expenditures components, so the government current surplus or deficit will not be affected.

Within the foreign transactions account (account 4), exports, imports, and income receipts and payments will change as described above. Transfer payments to the rest of the world (net) will change by the value of net insurance settlements paid to the rest of the world less net insurance settlements received from the rest of the world. Net foreign investment will not be affected.

The gross saving and investment account (account 5) will not be affected by this definitional change.

Implicit services of banks

In the NIPA's, an imputation is made for the services that banks and other depository institutions provide without an explicit charge. These services include processing checks, disbursing or transferring funds when and where needed, bookkeeping, protecting deposited funds, and investment services. Charges for these services may be explicit, or they may be implicit—that is, banks may pay depositors lower interest rates rather than charging for each service provided.¹⁴

BEA has imputed the value of these implicit services as the monetary interest that banks receive from loans and securities less the interest that they pay on deposits and other liabilities, and it has treated depositors as the consumers of these services. The imputed expenditures for the implicit services appear on the product side of the NIPA's in PCE, in exports of services, and in government consumption expenditures; they are treated as intermediate inputs for business.

One of the most important services provided by banks is financial intermediation—collecting funds from depositors or lenders and repackaging them in ways that meet the needs of borrowers, thereby reducing transactions costs for both depositors and borrowers. *SNA 1993* recommends that the value of these implicit services be allocated partly to depositors and partly to borrowers, recognizing that both depositors and borrowers receive these implicit services from banks and other depository institutions.¹⁵ Therefore, as part of the upcoming comprehensive revision, BEA will allocate the implicit services of commercial banks to borrowers as well as to depositors.¹⁶ This change, which will be carried back to 1929, will reduce GDP and the total gross output of banks. A significant

14. The methodology for estimating the services for which banks have explicit charges will not change.

15. See *SNA 1993*, paragraph 6.127.

16. The imputation that is made for other depository institutions will not change, but BEA will review the treatment for possible change in the next comprehensive revision.

source of the reduction in GDP will be the reallocation of implicit services from final expenditures to intermediate consumption because a larger share of borrowed funds than deposited funds is attributable to business. GDI will be reduced by the same amount as GDP, so the statistical discrepancy will not be affected.

Use of a reference rate. *SNA 1993* proposes that the implicit financial services, which it terms “financial intermediation services indirectly measured” (FISIM), be allocated using a “reference rate” of interest that represents the opportunity cost of borrowing or lending funds.¹⁷ Under the reference-rate approach, the difference between the interest received by depositors and the interest they would have received had they been paid the reference rate is the value of the implicit services to depositors. Similarly, the difference between the interest paid by borrowers and the interest they would have paid had they borrowed at the reference rate is the value of the implicit services to borrowers.

The reference rate of interest in *SNA 1993* represents the “pure cost of borrowing funds”—a rate that does not include a risk premium or any intermediation services.¹⁸ BEA investigated two approaches to estimating the reference rate, one based on current market interest rates and one based on “book-value” interest rates. Empirical tests indicated that the use of current market interest rates would cause excessive volatility in the estimates of implicit services to depositors and to borrowers, while the use of book-value rates would not.¹⁹

Book-value interest rates are computed by dividing the annualized interest receipt or payment for a financial product by the stock of that financial product on the balance sheet. To estimate a reference rate, BEA divided the interest received from Treasury and Federal agency securities for each period by the average book values of these securities held by banks during that period. These types of securities are highly liquid and free of credit risk, so their interest rates are presumed to exclude the costs of risk-bearing or illiquidity in addition to excluding routine services to loan customers, such as bookkeeping. Use of this reference rate implies that the Federal Government receives no implicit services

from financial intermediaries holding securities.

Allocation among sectors. As discussed above, the allocation to sectors of the implicit services provided by banks and certain other financial intermediaries is currently based on deposits. Once the implicit services provided to borrowers is recognized, this allocation will change because households tend to hold a larger share of deposits, whereas businesses—including owner-occupied housing (which is treated like a business)—tend to receive a larger share of loans.²⁰ Thus, the share of implicit services allocated to final demand (by households, government, and the rest of the world) will decrease, and the share of implicit services allocated to intermediate consumption (by business) will increase.

Banking output. The recognition of borrower services will also result in changes to the measure of the unpriced, or imputed, portion of the gross output of commercial banks. Currently, the imputed gross output of banks and similar depository institutions is calculated as the interest received from borrowers net of the interest paid to depositors and to other providers of funds. A rationale for this calculation is that if banks were to charge explicit fees for all of their services, the interest paid to depositors would be equal to the interest earned on the investment of their deposits.²¹

An assumption implicit in this calculation is that deposits are the only source of funds available to banks for making loans and for purchasing securities. However, a bank’s “own funds” (that is, funds that come from stockholders’ equity rather than from deposits or other liabilities) are also a source of funds for lending, so the value of loans and other interest-bearing assets generally exceeds the value of deposits and other interest-bearing liabilities. When a bank loans its own funds, it avoids the cost of paying interest on deposits. Therefore, implicit services should not be attributed to depositors for the interest earned by the bank on the portion of its assets that is in excess of its liabilities, because depositors are not the source of these funds. Similarly, implicit services should not be attributed to stockholders, because no such services are provided on stockholders’ equity.

Because the new method separately values the opportunity cost to the bank of using own funds, this amount can be deducted from the imputation of expenditures for borrower and depositor services. To prevent an incorrect imputation of depositor services on stockholders’ equity, the measure of imputed out-

17. Several articles on the user-cost-of-money theory as it applies to banking provide a conceptual framework to justify the reference-rate approach: See Diana Hancock, “The Financial Firm: Production with Monetary and Nonmonetary Goods,” *Journal of Political Economy* 93 (October 1985): 859–880; Dennis J. Fixler, “Measuring Financial Service Output and Prices of Commercial Banking,” *Applied Economics* 25 (April 1993): 983–993; and Dennis J. Fixler and Kimberly D. Zieschang, “The Productivity of the Banking Sector: Integrating Financial and Production Approaches to Measuring Financial Service Output,” *Canadian Journal of Economics* 32 (April 1999): 547–569.

18. See *SNA 1993*, paragraph 6.128.

19. A paper providing additional details of the empirical analysis will be available on BEA’s Web site later this summer.

20. See the section “Owner-occupied housing services.”

21. See U.S. Department of Commerce, Office of Business Economics, *National Income: A Supplement to the Survey of Current Business*, 1954 ed. (Washington, DC: U.S. Government Printing Office, 1954): 46–47.

put must be reduced by an amount equal to the reference rate multiplied by the difference between the bank's assets and liabilities. Consequently, adoption of the reference-rate approach will reduce imputed gross output.

The effects of this change can be shown diagrammatically. Currently, imputed gross output of banks is calculated as the rate of return on assets (rA) multiplied by the value of assets (vA) less the rate paid on liabilities (rL) multiplied by the value of liabilities (vL) (figure 1). Thus, the imputed gross output of banks is represented by the sum of the areas $A + B + C$. With the allocation of a portion of banks' imputed output to borrowers, gross imputed output of banks will be calculated as the difference between the rate of return on assets and the reference rate (rr) multiplied by the value of assets plus the difference between the reference rate and the rate paid on liabilities multiplied by the value of liabilities, or $((rA - rr) \times vA) + ((rr - rL) \times vL)$. Thus, the imputed gross output of banks is represented by the sum of the areas $A + B$. The net effect of the definitional change is to reduce gross output by the reference rate multiplied by "own funds" (the difference between the value of assets and the value of liabilities), or $rr \times (vA - vL)$, which is represented by area C .

As is evident from figure 1, the new measure of imputed gross output will be sensitive to how the relevant types of assets and liabilities are defined. Assets included in the calculation of imputed output consist primarily of loans, securities, and balances due from other banks.²² Liabilities included consist primarily of deposits plus some nondeposit, interest-bearing liabilities, such as subordinated debt and repurchase agreements. In short, assets are limited to earning assets, and liabilities, to sources of funds.

Domestic and foreign output. To calculate U.S. domestic banking output, adjustments are made to remove the output of foreign offices of U.S.-owned banks and to add the output of foreign-owned bank offices in the United States. These adjustments are necessary because the primary source data used to estimate the output of the banking industry, the Federal Financial Institutions Examination Council *Call Reports* published by the Federal Deposit Insurance Corporation, include foreign offices of U.S. banks and

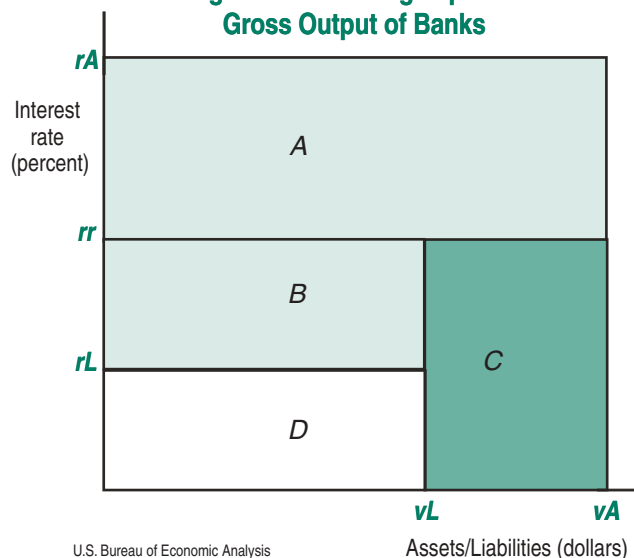
exclude the U.S. offices of foreign banks.

Foreign offices of U.S.-owned banks. The output of foreign offices of U.S. banks is currently measured as the difference between their interest receipts from borrowers and their interest payments to depositors. In recent years, the value of deposits in foreign offices has substantially exceeded the value of loans made, but interest rates on deposits are generally lower than interest rates on loans. As a result, depositors have received about the same amount of interest as borrowers have paid, so essentially no output has been attributed to the foreign offices.

Adoption of the reference-rate approach will result in more output being attributed to the foreign offices of U.S.-owned banks. Specifically, the output of foreign offices will increase by an amount equal to the reference rate multiplied by the difference between the deposits and the loans of the foreign offices. Currently, the imputed gross output of these foreign offices is calculated as the rate of return paid on assets multiplied by the value of assets minus the rate of return paid on liabilities multiplied by the value of liabilities, or $(rA \times vA) - (rL \times vL)$ (figure 2). This imputation is represented by the areas $A + B + C - (C + F)$, or $A + B - F$. With the allocation of a portion of banks' imputed output to borrowers, area F is no longer subtracted from the gross output of the foreign offices, and area E is added to their gross output.

Because the output of foreign offices of U.S.-owned banks is deducted from the worldwide gross output of U.S. banks to arrive at domestic output, increases in the output of foreign offices will result in decreases in the domestic output. These decreases reflect a more ac-

Figure 1. Measuring Imputed Gross Output of Banks



22. Imputed output for securities held by banks is generally small because spreads between their interest rate and the reference rate tend to be small. (Spreads for securities issued by state and local governments are based on tax-equivalent yields to make their interest comparable to interest earned by loans and other types of securities.) Federal Government securities are not a source of imputed gross output because, by construction, the spread between their interest rate and the reference rate is zero.

curate allocation of the implicit services provided by domestic banks to their foreign and domestic customers.

Foreign-owned bank offices in the United States. The revisions to the estimated output of foreign-owned banks in the United States will reflect improved source data and are not primarily a result of the adoption of the reference-rate approach. Output of foreign banks is currently measured by applying ratios of balance-sheet items for *all* banks in the United States to the corresponding items for U.S.-owned banks.²³ BEA will continue to use this general approach for measuring the output of these foreign-owned offices. However, the ratios will be revised using improved source data, and they will be applied at a more detailed level to account more accurately for differences in rates earned on different types of assets or paid on different types of liabilities. The revisions to the ratios will lower the estimates of the imputed output of the foreign-owned offices for recent years, because of both lower estimates of their interest income from assets and higher estimates of their interest expense for liabilities.

Effects on components of GDP and GDI. The allocation of a portion of implicit financial services to borrowers will not alter the “identity” between imputed gross output of financial intermediaries and the corresponding net interest flows; therefore, the statistical discrepancy will not be affected. GDP will record the

final demand for implicit financial services by household borrowers (other than for owner-occupied housing) and household depositors in PCE, by government borrowers and depositors in government consumption expenditures, and by rest-of-the-world borrowers and depositors in exports of services.

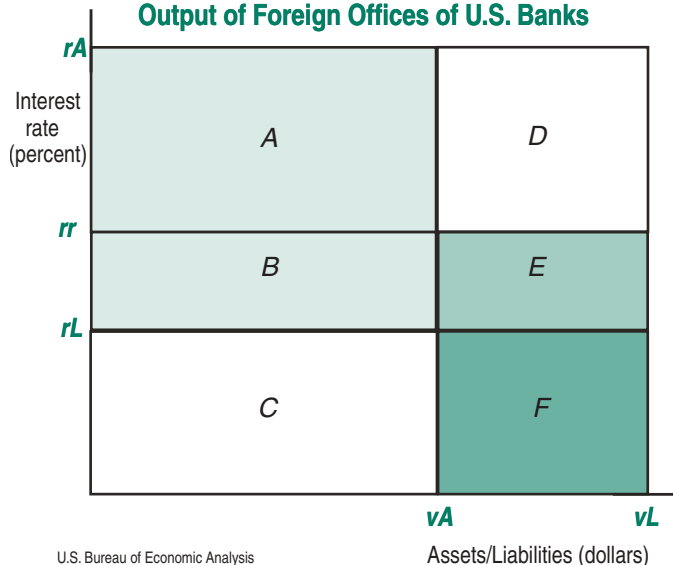
As discussed above, banks are considered to pay depositors imputed interest that is equal to the imputed expenditures for implicit services provided to depositors. The treatment of depositor services will be the same as the present treatment, though the values of these services will be smaller.

For borrowers, however, the treatment of imputed interest will change. A portion of the interest the borrower pays to the bank will be considered an expenditure for implicit services; therefore, the interest paid by the borrower, and received by the bank, will be reduced by the amount of the imputed expenditure for borrower services.²⁴ This reduction of borrower interest will be accomplished by recording *negative* imputed interest paid by the borrower and received by the bank. For example, if a borrower in the personal sector pays a bank \$100 interest, of which \$20 is an imputed expenditure for implicit services, then the accounts will show the borrower paying \$80 interest—consisting of \$100 in monetary interest and -\$20 in imputed interest—and \$20 in PCE. The effect on net interest is the same as if the bank had paid imputed interest, because net interest equals interest paid by business and by the rest of the world, less interest received by business and by the rest of the world.²⁵ The effect on net interest of negative imputed interest received by the bank is therefore the same as the effect of positive imputed interest paid by the bank. This treatment of borrower services recognizes that these services are not actually unpriced; rather, the price for borrower services is embedded in the interest paid by the borrower.

Net interest will be equal to the imputed gross output less the implicit financial services consumed by domestic business, by households on borrowing for owner-occupied housing, by nonprofit institutions serving households, and by the rest of the world. Net interest from services to depositors will equal the imputed interest paid by banks, less the imputed interest received by domestic business and by the rest of the world. Net interest from services to borrowers will equal the imputed interest paid by domestic business, by households on borrowing for owner-occupied

23. The underlying assumption is that foreign-owned offices in the United States face the same interest rates as U.S.-owned banks. More specific information is not available, because the foreign-owned offices do not file *Call Report* information.

Figure 2. Measuring Imputed Gross Output of Foreign Offices of U.S. Banks



24. See *SNA 1993*, paragraph 7.108.

25. For information about a change in the definition of net interest, see the section “Rental value of fixed assets used by nonprofit institutions serving households.”

housing, by nonprofit institutions serving households, and by the rest of the world, less the imputed interest received by banks. Imputed income payments to the rest of the world will equal the imputed interest received by the rest of the world for depositor services. Imputed income receipts from the rest of the world will equal the imputed interest paid by the rest of the world for borrower services.

Preliminary estimates. Based on preliminary estimates, the gross output of banks will be revised down about \$69 billion for 2001. The imputed output of foreign-owned bank offices in the United States will be revised down about \$26 billion, the upward revision to the imputed output of foreign offices of U.S. banks will reduce domestic output about \$24 billion, and the imputed output of the domestic offices of U.S. banks will be revised down about \$19 billion.²⁶ Because of the reallocation of part of the implicit services from depositors to borrowers—which reallocates consumption of these services from final expenditures to intermediate purchases—the downward revision to GDP will be larger than the downward revision to bank gross output. Again, based on preliminary estimates, GDP will be revised down about \$93 billion for 2001: PCE will be revised down about \$78 billion, net exports will be revised down about \$9 billion, and government consumption expenditures and gross investment will be revised down about \$6 billion.

Farm inventories

In the production account of the farm sector, inventories of farm materials and supplies will be added to the change in private farm inventories and subtracted from intermediate goods and services purchased. This change will improve the measures of GDP and gross farm product, maintain consistency with the 1997 I-O accounts, and move the NIPA's closer to *SNA 1993*. The change, which will be carried back to 1991, will affect GDP and GDI by small, but differing, amounts and will eliminate a small discrepancy between the product side and the income side of the NIPA's.

Currently, the change in private farm inventories reflects inventories of crops and of livestock. However, materials and supplies—such as feed, seed, and fertilizer—are not reflected in inventories. Consequently, the NIPA estimates of GDP, gross farm product, national income, and personal income are misstated if materials and supplies are purchased but not “con-

sumed” in the same period: For example, GDP will be understated because measured *nonfarm* inventories of the supplier are reduced with no corresponding addition to measured farm inventories; and in the farm production account, gross farm product and farm proprietors' income will be understated because intermediate purchases are not reduced by the materials and supplies added to farm inventories.

When the change in farm inventories of materials and supplies is added to GDP, only the proprietors' share of this inventory change will be added to GDI (to farm proprietors' income). The residual corporate share of the inventory change is already accounted for in the source data from the IRS Statistics of Income program, which are used to estimate the income of corporate farms.

Mass transit benefits

Mass transit benefits to Federal Government employees will be incorporated into the estimates of Federal Government compensation in-kind in order to improve the estimates of total compensation received by Federal employees. Currently, these benefits are not included in the compensation estimates, but they are included in PCE for transportation services. Therefore, the incorporation of these benefits in Federal compensation, which will be carried back to 1998, will eliminate a small discrepancy between the product side and the income side of the NIPA's. Federal consumption expenditures and gross investment will not be affected, because the mass transit benefits will be reclassified from intermediate inputs to compensation expense, leaving the total value of the services produced by government unchanged.²⁷

On October 1, 2000, all Federal Government employees in the Washington, DC region became eligible for mass transit benefits of up to \$65 per month; in January 2002, the maximum monthly benefit rose to \$100 per month. The benefits received by Federal employees now amount to about \$140 million annually.

The primary source data for the estimates of wages and salaries of Federal Government employees do not include the mass transit benefits. Annual estimates of the benefits will be based on data from the Department of Transportation. Current estimates will be extrapolations using data on monthly transit ridership from a trade association that tracks these data for numerous mass transit systems.

26. Only about \$43 billion of the change in estimated output should be attributed to the adoption of the reference-rate approach, because the revision for foreign-owned bank offices should be attributed mostly to improved source data.

27. General government output is measured by the cost of inputs: Compensation, consumption of fixed capital, and intermediate goods and services. Government consumption expenditures is equal to general government output less sales and own-account investment; see the section “Services of general government.”

Consistency and Integration With Other Accounts

The following changes in definitions or classifications will improve the consistency and integration of the NIPA's with other accounts, such as BEA's I-O accounts, the Federal Reserve Board's flow of funds accounts, and the BLS productivity statistics. These changes will also make the accounts more informative by providing improved estimates covering the economic activities of Indian tribal governments, by separately identifying owner-occupied housing as a unique activity in the NIPA's, and by classifying the rental value of nonprofit institutions' fixed assets and military grants-in-kind in a more intuitive manner.

Changes in sector classification

The following paragraphs describe reclassifications that will result in the movement of certain components across sectors of the national accounts.

Indian tribal governments. Indian tribal governments and enterprises will be reclassified from the private sector to the state and local government sector. Conceptually, a reclassification from one sector to another should not affect GDP, GDI, or the statistical discrepancy. However, as discussed below, this reclassification, which will be carried back to 1990, will increase GDP and GDI by differing amounts.

Beginning with 2001, the primary source data used to estimate wages and salaries—BLS tabulations of wages and salaries of workers covered by the state unemployment insurance program—reclassified the wages of Indian tribal governments and of Indian-owned enterprise employees from the private sector to the state and local government sector. The BLS reclassification followed a court decision mandating that Indian tribes be treated similarly to governments in accordance with the Federal Unemployment Tax Act. In the 2002 annual NIPA revision, the wages for tribal governments were reclassified from private wages and salaries to government wages and salaries. However, they were not added to the portion of wages that is included in government consumption expenditures, so the reclassification did not affect GDP.

In the upcoming comprehensive revision, the compensation of employees of tribal governments whose primary activities are public administration or provision of public services will now be classified as state and local general government noneducation compensation, which is a cost that contributes to the value of state and local government consumption expenditures. The compensation of employees of tribal governments whose primary activities are provision of goods or ser-

vices for sale—including employment in casinos, retail stores, and industrial activities—will be classified as state and local government enterprise compensation, which is not included in the value of state and local government consumption expenditures.²⁸ For years prior to 2001, compensation of tribal government employees will be subtracted from a number of private-sector industries, including amusements, restaurants, hotels, and membership organizations.

If the output of tribal governments had been fully captured in BEA's source data, the reclassification would not affect GDP. The governmental activities of tribal governments would have been classified as nonprofit institutions serving households, and the sales of the tribal enterprises would have been captured in PCE or in other GDP components. Although the coverage of sales of enterprises (primarily casinos in PCE) is reasonably good, the governmental activities of tribal governments have largely been omitted from the source data used to estimate the nonprofit components of PCE. Therefore, GDP will increase as a result of the reclassification, because the additional compensation of employees in state and local general government will be larger than the offsetting reductions in the nonprofit components of PCE.

The reclassification will also raise GDI because BEA will use a new method to measure income from casinos operated by Indian tribes. About half of the federally recognized Indian tribes operate casinos that are classified as government enterprises. The revenue from these casinos will continue to be recorded in the recreation component of PCE for services. The profits of these casinos are not included in the source data used for estimating corporate profits. The profits will now be added to the current surplus of government enterprises, which will increase GDI. Estimates of casino profits and expenses will be based on publicly available financial report data.²⁹

The increase in GDP associated with the additional wages in state and local government consumption expenditures will differ from the increase in GDI associated with the newly added casino profits in the current surplus of government enterprises, so the statistical discrepancy will be affected.

Farm housing services. The production of services

28. The output of government enterprises is valued at market prices rather than being based on cost of production. If the output is purchased by persons, by general government, or by the rest of the world, it is included in PCE, in government consumption expenditures and gross investment, or in exports, respectively.

29. Indian tribes own other enterprises—such as automobile dealerships, tobacco stores, gasoline stations, and sawmills—but data are currently insufficient for estimating the associated current surplus.

of farm housing owned by farm operators will be reclassified from the farm industry to the real estate industry.³⁰ This change will make the industry classification of these housing services in the NIPA's consistent with that in the I-O accounts. Moreover, the treatment of these services will be the same as that for farm housing owned by nonoperator landlords and for all nonfarm housing. The reclassification, which will be carried back to 1929, will not affect GDP or GDI, though it will affect the composition by sector within these aggregates.

Currently, the services of farm housing are recorded as gross farm output, and related maintenance and insurance expenses are recorded as farm nonrent intermediate purchases. Consumption of fixed capital, property taxes (in indirect business tax and nontax liability), and mortgage interest (in net interest) are included in GDI. After the reclassification, these items will be recorded in the households and institutions sector. The related net income will be added to rental income of persons with capital consumption adjustment (and offset by a subtraction from farm proprietors' income). In addition, farm housing units owned by farm operators will be reclassified from farm capital stock to nonfarm (real estate) capital stock.

The U.S. Department of Agriculture (USDA), the source of most of the farm-sector data for the NIPA's, will continue to classify the services of farm housing owned by farm operators as farm production. However, USDA will provide BEA with the detailed data necessary to prepare the estimates on the NIPA basis.

Owner-occupied housing services. The production of services of nonfarm and farm owner-occupied housing and their corresponding gross products will be reclassified from the business sector to the households and institutions sector. The reclassification will improve the institutional composition of GDP, because the gross product of owner-occupied housing is produced for the own final use of households rather than sold on the market. In addition, the reclassification will eliminate one difference between the sector classification used in the NIPA's and that used by BLS in its productivity estimates.³¹ The reclassification will also improve consistency with the Federal Reserve Board's flow of funds accounts, which classify owner-occupied housing as part of the households sector rather than as

part of the nonfarm noncorporate business sector. This change, which will be carried back to 1929, will not affect GDP or GDI.

Although owner-occupied housing services will be reclassified to the households and institutions sector, the treatment of the transactions associated with owner-occupied housing as business-type transactions will be retained. Owner occupancy of a home is similar to the activities of other business enterprises because it involves incurring expenses (for example, mortgage interest, depreciation, and property taxes) to produce a service.³² Yet it differs from other business activities because the housing service is produced solely for the homeowner and does not involve a sale of the service to another party. Because the services of owner-occupied housing are considered production, property taxes will continue to be included in indirect business taxes (not in personal taxes), mortgage interest will continue to be included in net interest (not in interest paid by persons), and expenditures for homeowners' insurance will be treated as intermediate purchases (not in PCE).

Rental value of fixed assets used by nonprofit institutions serving households. The rental value of fixed assets owned and used by nonprofit institutions serving households (NPISH's) will be reclassified from the business sector to the households and institutions sector.³³ The reclassification will make the gross product of NPISH's more comprehensive. In addition, the reclassification will eliminate a difference between the sector classification used in the NIPA's and that used by BLS in its productivity program. This change, which will be carried back to 1929, will not affect GDP or GDI.

Conceptually, the gross product of NPISH's should equal the sum of their expenses for labor and for property. Currently, the gross product of NPISH's consists only of their labor expenses (compensation of employees). The property expenses (net interest, consumption of fixed capital, and indirect business tax and nontax liability) are recorded implicitly in the business sector.

Currently, *net interest* is defined as the interest paid by private business less the interest received by private business, plus the interest received from the rest of the world less the interest paid to the rest of the world. Interest payments on mortgage and home-improvement loans and on home-equity loans are included in inter-

30. At the same time, the production of services from both farm and nonfarm owner-occupied housing will be reclassified from the business sector to the households and institutions sector; see the next section.

31. The other difference will be eliminated by the reclassification of the rental value of fixed assets used by nonprofit institutions serving households, which is described in the next section.

32. *SNA 1993* recommends that home ownership be treated as ownership of an unincorporated enterprise that produces housing services consumed by the household (paragraph 6.89).

33. The rental value of these assets consists of the expenses associated with their use, including mortgage interest, consumption of fixed capital, and property taxes.

est paid by business because home ownership is treated as a business in the NIPAs. Interest payments by NPISH's are included in interest paid by "other" private business. As a result of the reclassifications affecting farm housing services, owner-occupied housing services, and the rental value of fixed assets used by NPISH's, the definition of net interest will be expanded to include mortgage interest paid by households for owner-occupied housing and the interest paid by NPISH's.

Military grants-in-kind

The treatment of military grants-in-kind will be changed in order to eliminate an inconsistency between the NIPAs and the ITAs. In the national income and product account (account 1), these grants will be reclassified from Federal defense consumption expenditures to exports of goods and services. In the government receipts and expenditures account (account 3), these grants will be reclassified from consumption expenditures to transfer payments to the rest of the world (net). In the foreign transactions account (account 4), the increase in transfer payments to the rest of the world (net) will be offset by an increase in exports of goods and services. These changes, which will be carried back to 1959, will not affect GDP, because the change in Federal Government consumption expenditures will be offset by the change in exports of goods and services.

Currently, economic and military cash assistance to foreign governments, as well as nonmilitary assistance-in-kind, are classified as transfer payments to the rest of the world. In contrast, military assistance-in-kind, such as purchases of new military goods or services that are delivered to foreign governments, are classified as defense consumption expenditures. (Gifts to foreign governments of goods from existing U.S. military stocks would have been included in defense consumption expenditures in earlier time periods.)

The ITAs do not distinguish between cash and in-kind military assistance: Both are treated the same as nonmilitary assistance, that is, as exports of services, and the military portion is recorded as "transfers under U.S. military agency sales contracts." This treatment is consistent with international guidelines set forth in *SNA 1993* and the International Monetary Fund's 1993 *Balance of Payments Manual*.³⁴

34. International Monetary Fund (IMF), *Balance of Payments Manual*, 5th ed. (Washington, DC: IMF, 1993).

Consistency with International Guidelines

The following changes in definition and classification are largely motivated by BEA's efforts to improve conformity with the international guidelines contained in *SNA 1993*. In many cases, these changes will also make the presentation of economic data in the NIPAs more informative by separately identifying distinct types of transactions, such as tobacco settlements and capital transfers, or by presenting useful new aggregates, such as operating surplus and net saving.

Services of general government

Governments serve several functions in the economy—as producers of nonmarket services, as final consumers of these services (the value of the services provided to the general public is treated as government consumption expenditures), and as providers of transfer payments. These functions are financed through taxation and through contributions to social insurance funds. In the NIPAs, the consumption expenditures of general government are currently presented as expenditures for compensation of employees (except the labor services of employees engaged in construction or software production that are classified as investment), for consumption of fixed capital (CFC), and for goods and services (net of sales). The value of general government GDP (or value added) equals the sum of the expenditures for compensation of employees and CFC, which is a partial measure of the services of government fixed assets (general government purchases of goods and services are included in the GDP of the business sector).³⁵ This framework does not explicitly recognize that governments are engaged in producing services—using labor, capital, and intermediate inputs.

For the upcoming comprehensive revision, BEA has designed a new framework for government consumption expenditures—both Federal and state and local—that will explicitly recognize the services produced by general government. This change will be carried back to 1929.

The value of the government services, most of which are not sold in the market, will be measured by the cost of inputs: Compensation, CFC, and intermediate goods and services purchased. Purchases by general government of goods and services will be reclassified as intermediate purchases. The value of

35. In contrast, the value of business GDP equals the sum of business income from production in the form of compensation of employees, indirect business tax and nontax liability, and property-type income (that is, corporate profits, proprietors' income, inventory valuation adjustments, rental income of persons, net interest, private capital consumption allowances, business transfer payments, and the current surplus of government enterprises less subsidies).

consumption expenditures and gross investment will not change, because the value of the newly recognized services produced by government will be equal to the cost of inputs, including purchased goods and services. The new conceptual framework of the services produced by government and of the goods and services purchased by government will parallel the concepts of output and intermediate inputs of private business in the I-O accounts and the GDP-by-industry accounts; however, government output will be measured by costs of inputs instead of by market prices.

As a result of these changes, the distribution of GDP by type of product will be affected; services output will increase, and goods output will decrease. Because the gross output of general government will increase by the amount of the intermediate inputs, general government GDP (which equals gross output less intermediate inputs) will not change. Thus, general government GDP will continue to be measured as the sum of compensation and CFC.

National income

National income will be redefined to include all net incomes (net of CFC) earned in production. The current definition of national income consists of “factor incomes”—that is the incomes accruing to labor and property of U.S. residents. National income will now also include “nonfactor charges”—that is, business transfer payments, indirect business tax and nontax liabilities, and the current surplus of government enterprises less subsidies. This change will be carried back to 1929.

SNA 1993 does not distinguish between factor incomes and nonfactor charges. It recognizes that indirect business taxes “are not taxes...that can be eliminated from the input and output prices.”³⁶ The *SNA 1993* definition of national income therefore includes all incomes earned in production. In the NIPA’s, national income (which will also be known as *net national income*) will equal gross national income less CFC.³⁷ Based on currently published 2001 estimates, this redefinition would increase national income by about \$770 billion (or 9.5 percent). GDP, GDI, personal income, personal saving, and national (gross) saving will not be affected.

36. See *SNA 1993*, paragraph 6.230.

37. If analysts should need estimates of national income on the basis of its previous definition, they can be constructed by summing compensation of employees, proprietors’ income with inventory valuation adjustment (IVA) and capital consumption adjustment (CCAdj), rental income of persons with CCAdj, corporate profits with IVA and CCAdj, and net interest.

Reclassifications

Miscellaneous compensation of employees. Within compensation of employees, the subcomponent “other” in other labor income—which consists of judicial fees paid to jurors and to witnesses, compensation of prison inmates, and marriage fees paid to justices of the peace—will be reclassified as wages and salaries. The reclassification, which will be carried back to 1948, will increase wage and salary accruals (and disbursements) and will decrease other labor income by the same amount. Total compensation of employees and other NIPA aggregates will not be affected. After this reclassification, other labor income will consist of employer contributions to pension and welfare funds, such as private group health and life insurance plans. This reclassification will align the definition of the NIPA category, “supplements to wages and salaries,” with the definition of the *SNA 1993* category, “employers’ social contributions.”³⁸

Nonresident taxes paid by domestic corporations. Nonresident taxes—that is, taxes paid by domestic corporations to foreign governments—will be reclassified as part of profits tax liability and will be included in a new component that consists of tax payments to the rest of the world.³⁹ Currently, these taxes are classified in business transfer payments to the rest of the world, and an offsetting downward adjustment is made to NIPA profits before tax (see line 17 of NIPA table 8.25) so GDI is not affected. Under the new treatment, this downward adjustment to profits before tax will no longer be needed, so profits before tax will increase by the same amount as profits tax liability. This change will be carried back to 1959; estimates of nonresident taxes are not available before 1959.

Based on currently published 2001 estimates, the reclassification would increase profits before tax and profits tax liability each by about \$9.1 billion and would decrease business transfer payments to the rest of the world by the same amount. Profits after tax and other NIPA aggregates will not be affected. The presentation of nonresident taxes in the foreign transactions account, where they are shown as part of transfer payments to the rest of the world (net), will not change.

Indirect business tax and nontax liabilities. Most of the nontax components of indirect business tax and nontax liabilities will be reclassified, and the remainder of the category will be renamed. Specifically, Federal deposit insurance premiums and other nontaxes

38. See *SNA 1993*, paragraph 7.43.

39. These nonresident taxes are mostly income taxes, though they do include some taxes on production. However, the data are not sufficiently reliable to separate the taxes on income from the taxes on production.

(which consist largely of fines and of regulatory and inspection fees) and state and local fines and other nontaxes (which consist largely of donations and tobacco settlements) will be reclassified as *business transfer payments to government*. This new category will also appear as a current receipt in the government current receipts and expenditures account. Federal Outer Continental Shelf royalties and state and local rents and royalties will be reclassified as part of *income payments on assets* (see the section “Income payments (or receipts) on assets”). The remainder of the indirect business tax category—which includes Federal excise taxes and customs duties and state and local sales taxes, property taxes (including residential real estate taxes), motor vehicle licenses, severance taxes, other taxes, and special assessments—will be renamed *taxes on production and imports*. These reclassifications will be carried back to 1929.

The reclassifications of business payments to government will provide additional information to users by separating special payments, such as tobacco settlements, from the taxes on production and imports. In addition, these reclassifications will better align the NIPA classifications with the classifications used in *SNA 1993*.⁴⁰

Business transfer payments to government were about \$47.2 billion for 2001, and the rents and royalties that would be reclassified as part of income payments on assets were about \$12.6 billion. Therefore, after removing these nontax components, taxes on production and imports would be about \$715 billion for 2001. These reclassifications will not affect GDP, GDI, or government current receipts and current expenditures.

Personal tax and nontax payments. The nontax components of personal tax and nontax payments will be reclassified. Specifically, Federal and state and local nontaxes—which include donations, fees, and fines—will be reclassified as personal transfer payments to government within personal outlays. In the government current receipts and expenditures account, personal transfer payments to government will be shown as a current receipt, together with the newly recognized business transfer payments to government. These reclassifications will be carried back to 1929.

The reclassified estimates will be more informative because the taxes will be separated from other payments to government, such as donations to public universities and recreational fees. In addition, they will be more in alignment with the classifications used in *SNA 1993*.⁴¹ As a result of these reclassifications, disposable

personal income would increase by the amount of the reclassified nontax payments, about \$52.5 billion for 2001, and personal outlays would increase by the same amount. Personal income, personal saving, and government current receipts and current expenditures will not be affected.

Government current receipts and expenditures. Interest and dividends received by government, together with the current surplus of government enterprises, will be shown as current receipts in the government current receipts and expenditures account. Currently, they are netted against expenditures. Because of these changes, government interest receipts and payments will be presented separately rather than on a net basis, and subsidies paid will be shown as a separate expenditure category that will not be net of the current surplus of government enterprises. These reclassifications will be carried back to 1946.⁴²

As a result of the reclassifications, government current receipts would increase by about \$113.5 billion for 2001, and government current expenditures would increase by the same amount. In addition, the classification of government current receipts and the level of receipts and expenditures will be affected by other proposals (see the sections “Indirect business tax and nontax liabilities,” “Personal tax and nontax payments,” and “Government transfer payments to the rest of the world (net)”). The government current surplus or deficit will not be affected.

Government transfer payments to the rest of the world (net). Taxes received from the rest of the world, which are currently netted against gross Federal Government transfer payments to the rest of the world, will now be shown as a government receipt, along with other tax receipts.⁴³ The remaining government transfer payments to the rest of the world will consist of U.S. Government grants (in-cash or in-kind) to foreign governments and of U.S. Government benefits (mainly retirement benefits) paid to former residents of the United States. These two types of current transfers will be separately identified and will be described in the August article on presentational changes to the NIPAs. This change will be carried back to 1959; estimates of

41. See *SNA 1993*, paragraphs 8.52–8.54 and 8.84.

42. For years prior to 1946, state and local government interest will continue to be presented as net interest, and for years prior to 1960, Federal and total government interest will continue to be presented as net interest. For years prior to 1959, subsidies will continue to be presented net of the current surplus of government enterprises. Detailed data to separate the series for these periods are not readily available.

43. Taxes received from the rest of the world are mostly income taxes, though they do include some taxes on production and current transfers received by government. The data are not sufficiently reliable to separate the taxes on income from the taxes on production.

40. See *SNA 1993*, paragraphs 7.49, 7.128, 7.132, and 8.84.

taxes received from the rest of the world are not available before 1959.

This reclassification will better align the NIPA classifications of these tax and transfer receipts and payments with the classifications used in *SNA 1993*. As a result of this change, government transfer payments to the rest of the world would increase by the amount of the reclassified taxes received from the rest of the world, about \$6.9 billion for 2001. Government current expenditures and government current receipts would each increase by this amount. The government current surplus or deficit, net foreign investment, and national saving will not be affected.

The presentation of these transactions in the foreign transactions account, where they are shown as part of transfer payments to the rest of the world (net), will not change. As part of this year's comprehensive revision, BEA will show many more transactions on a gross basis (that is, separately identifying payments and receipts rather than netting them), but some categories, such as personal transfer payments to the rest of the world, will continue to be available only on a net basis.

Foreign transactions current and capital accounts

The foreign transactions account will be split into two accounts—the foreign transactions current account and the foreign transactions capital account. Net foreign investment will be renamed the *balance on current account, national income and product accounts*. In addition, a new aggregate, *net lending or net borrowing, national income and product accounts*, will provide an indirect measure of the Nation's net acquisition of foreign financial assets less the net increase in foreign financial assets in the United States.⁴⁴ Net lending or borrowing will be equal to the balance on current account less capital transfers to the rest of the world (net). Capital transfers were introduced in the 1999 comprehensive NIPA revision and are shown in NIPA table 8.29.⁴⁵ (Capital transfers are cash or in-kind transfers that are linked to the acquisition or disposition of an asset.) Capital transfers to the rest of the world (net) will be shown on the right (payments) side of the foreign transactions capital account and on the left (investment) side of the gross saving and invest-

ment account as a use of savings. This definitional change will be carried back to 1929.⁴⁶

Both *SNA 1993* and the *Balance of Payments Manual* recommend that current foreign transactions—such as exports, imports, income receipts and payments, and current transfer receipts and payments—should be shown in a separate account from capital transactions, such as capital transfers.⁴⁷ Since 1999, the ITA's have shown these two types of transactions in separate current and capital accounts.⁴⁸ The distinction between current and capital transfers can be important when major assets are transferred, such as the U.S. Government's transfer of the Panama Canal to the Republic of Panama in 1999.

New aggregates

Several aggregates will be introduced that will classify information in new and useful ways for NIPA users. These new measures will also more closely conform the NIPA's with *SNA 1993* and thereby increase the consistency of the NIPA's with the national accounts definitions used in other countries.

Operating surplus. Operating surplus is a profits-like measure that shows business income after deducting the costs of compensation of employees and taxes on production and imports, less subsidies, from gross product (or value added), but before deducting financing costs (such as net interest) or business transfer payments.⁴⁹ There will be two versions of this measure: The first, *gross operating surplus*, does not deduct the expense of CFC, while the second, *net operating surplus*, is net of CFC. Net operating surplus will equal GDI less the sum of compensation of employees, taxes on production and imports less subsidies, and CFC. For private enterprises, the net operating surplus can be calculated as the sum of the domestic components of proprietors' income with inventory valuation adjustment (IVA) and capital consumption adjustment (CCAdj), rental income of persons with CCAdj,

46. Estimates of capital transfers to the rest of the world are available, beginning with 1982.

47. See *SNA 1993*, paragraphs 2.106 and 2.137 and *Balance of Payments Manual*, paragraphs 152 and 175.

48. See Christopher L. Bach, "U.S. International Transactions, Revised Estimates for 1982-98," *SURVEY* 79 (July 1999): 60-119.

49. *SNA 1993* recommends that two concepts be used: "Operating surplus" for corporations or corporate-like entities and for owner-occupied housing, and "mixed income" for other unincorporated enterprises (paragraph 7.8). The term "mixed income" is used in the *SNA* for the residual income of most unincorporated enterprises because proprietors often contribute unpaid labor, as well as capital, to these enterprises. Because BEA is continuing to review the *SNA's* recommendations for the sectoring of unincorporated enterprises and of corporate-like entities, the term "operating surplus" will be used in the NIPA's for the residual income of all enterprises. Note that the net operating surplus of general government is, by definition, equal to zero because the NIPA's use CFC as a partial measure of the services of general government capital.

44. Direct measures of these financial flows are available in the ITA's. The new NIPA net lending measure will differ from the measures shown in the ITA's because of differences in source data and differences in concepts and coverage.

45. See Brent R. Moulton, Robert P. Parker, and Eugene P. Seskin, "A Preview of the 1999 Comprehensive Revision of the National Income and Product Accounts: Definitional and Classificational Changes," *SURVEY* 79 (August 1999): 7-20.

corporate profits with IVA and CCAdj, net interest, business transfer payments, and rent paid by private enterprises to government.

Operating surplus will serve as a supplement to the other NIPA business income measures, such as corporate profits, rather than as a replacement. Because this measure is not dependent on whether financing comes from debt or stockholder equity, it is useful for such purposes as measuring the return to fixed investment. In addition, for large, multiestablishment companies, it is often difficult to match the financing with the industry in which production occurs. Because operating surplus can be calculated from establishment data, it is also a useful tool for studying income at the industry level.

BEA currently produces measures that are similar to operating surplus under several different names. For example, “other value added” in the I-O accounts and “property-type income” in the GDP-by-industry accounts are similar to gross operating surplus.⁵⁰ Likewise, a measure similar to net operating surplus has been used to calculate the rate of return on investment by nonfinancial corporations.⁵¹

Although financial-accounting concepts differ in several ways from the concepts used in the NIPAs, measures similar to gross or net operating surplus are used in financial accounting.⁵² For example, the relationship between the new NIPA corporate gross operating surplus and corporate profits with IVA and CCAdj is analogous to the relationship in financial accounting between earnings before interest, taxes, depreciation, and amortization (EBITDA) and earnings before taxes.

Income payments (or receipts) on assets. It is sometimes useful to group together the interest, dividends, and other types of income payments or receipts that result from the ownership of assets. *Income payments on assets* will denote income payable as interest, dividends, reinvested earnings on foreign direct investment in the United States, and rent paid by enterprises to government. *Income receipts on assets* will denote income receivable in the form of interest, dividends, reinvested earnings on U.S. direct investment abroad,

50. However, these measures differ from gross operating surplus because they exclude subsidies received by enterprises, whereas gross operating surplus will include subsidies. In addition, the I-O accounts and the GDP-by-industry accounts use some data sources and methods that differ from those used in the NIPAs.

51. See Daniel Larkins, “Note on the Profitability of Domestic Nonfinancial Corporations, 1960–2001,” SURVEY 82 (September 2002): 17–20.

52. See Kenneth A. Petrick, “Comparing NIPA Profits with S&P 500 Profits,” SURVEY 81 (April 2001): 16–20 and *Corporate Profits: Profits Before Tax, Profits Tax Liability, and Dividends*, Methodology Paper (Washington, DC: U.S. Bureau of Economic Analysis, September 2002), available at <www.bea.gov/beam.htm>.

and rent received by government from enterprises.⁵³ Detailed information on these payments and receipts will continue to be shown in the NIPAs, and as will be described more fully in the August article on presentational changes, more of the income estimates will be presented on a gross basis (that is, showing payments and receipts separately).⁵⁴

Net saving. Net saving will be added to the presentation of saving in the NIPAs. The NIPA presentation has traditionally focused on gross saving—that is, saving from all sources, including CFC—as the featured measure of national saving. Because CFC represents the charge for using up or replacing existing fixed assets, it is sometimes useful to look at the Nation’s net saving, a measure of the saving that is available for adding to the Nation’s net stock of fixed assets. Net saving is calculated as the sum of personal saving, wage accruals less disbursements, undistributed corporate profits with IVA and CCAdj, and the government current surplus or deficit. This new aggregate will serve as a supplement to the NIPA gross saving measure, rather than as a replacement.

Gross domestic investment. Gross domestic investment, will be added to the presentation of investment in the NIPAs. The NIPA presentation has traditionally focused on gross investment—that is, investment from all sources, including net foreign investment.⁵⁵ Gross domestic investment measures the total investment in fixed assets (that is, the structures, equipment, and software that are used in production) and in inventories (the change in private inventories), but net foreign investment is excluded. Gross domestic investment is calculated as the sum of gross private domestic investment and gross government investment, or, alternatively, as the sum of gross fixed investment and the change in private inventories.⁵⁶ This new aggregate will provide a comprehensive measure of investment on a domestic basis.

53. *SNA 1993* (paragraph 7.89) classifies these types of income as “property income,” but for clarity and for consistency with the ITAs, the terms “income payments (or receipts) on assets” will be used in the NIPAs.

54. For years prior to 1948, estimates of business income received and paid on assets are not available separately and will continue to be presented on a net basis. For years prior to 1960, estimates of government income received and paid on assets are not available separately and will continue to be presented on a net basis.

55. Net foreign investment is U.S. exports of goods and services and income receipts from the rest of the world less U.S. imports of goods and services, income payments to the rest of the world, and transfer payments to the rest of the world (net). As mentioned earlier, net foreign investment will be renamed “balance on current account, NIPAs” (see the section “Foreign transactions current and capital accounts”).

56. At present, the NIPAs do not include an inventory account for government, because of a lack of source data. The change in inventories for a few government categories for which data are available, specifically the Commodity Credit Corporation and the Strategic Petroleum Reserves, are treated as government consumption expenditures.

Preview of the 2003 Comprehensive Revision of the National Income and Product Accounts

Changes in Definitions and Classifications

By Brent R. Moulton and Eugene P. Seskin

IN December, the Bureau of Economic Analysis (BEA) will release the initial results of a comprehensive, or benchmark, revision of the national income and product accounts (NIPAs). This revision is the 12th of its kind; the last such revision was released in October 1999.

Comprehensive revisions differ from annual NIPA revisions because of the scope of the changes and because of the number of years subject to revision. Comprehensive revisions incorporate three major types of improvements: (1) Changes in definitions and classifications that update the accounts to more accurately portray the evolving U.S. economy,¹ (2) statistical changes that update the accounts to reflect the introduction of new and improved methodologies and the incorporation of newly available and revised source data, and (3) presentational changes that update the NIPA tables to reflect the definitional and statistical changes and to make the tables more informative.

This article is the second in a series of *SURVEY OF CURRENT BUSINESS* articles about the comprehensive revision. An article in the January 2003 issue described the effects of incorporating the 1997 benchmark input-output (I-O) accounts and identified some of the proposals being considered for this comprehensive revision.² An article in the August issue will describe the new and redesigned tables.³ An article in the September issue will describe the statistical changes. An article in the January 2004 issue will describe other aspects of

the revision, including estimates of the effects of the definitional and statistical changes.

Comprehensive revisions, and to a lesser extent annual revisions, provide the opportunity to introduce major changes that are outlined in BEA's strategic plan for maintaining and improving its economic accounts.⁴ In discussing the national accounts, BEA's strategic plan outlines several major objectives, including addressing data gaps and other shortcomings, improving consistency and integration with other accounts, and improving consistency with international guidelines. The definitional, presentational, and statistical improvements planned for this year's comprehensive revision constitute important steps toward meeting each of these objectives.

For example, the measurement of financial and insurance services has long been considered a shortcoming in the NIPAs. The definitional changes that will be made to the measures of property and casualty insurance and of commercial banking that are described in this article are the result of considerable research by BEA staff and reflect a better understanding of the output of these industries. A number of other changes that address data gaps and other shortcomings will be presented in the September article on statistical changes.

Several changes to sector definitions will improve the consistency and integration of the NIPAs with other accounts, such as BEA's I-O accounts, the Federal Reserve Board's flow of funds accounts, and the Bureau of Labor Statistics (BLS) productivity statistics. These changes will enable data users to move more easily from one set of accounts to another, thereby expanding the set of information that can be brought to

1. The changes in definition and classification that are discussed in this article are the changes that affect the conceptual content of the components of the NIPA summary accounts.

2. Stephanie H. McCulla and Carol E. Moylan, "Preview of Revised NIPA Estimates for 1997: Effects of Incorporating the 1997 Benchmark I-O Accounts and Proposed Definitional and Statistical Changes," *SURVEY 83* (January 2003): 10-16.

3. One of the presentational changes that will be made in the upcoming comprehensive revision, a new NIPA presentation that shows incomes and outlays of households separately from those of nonprofit institutions, was described in Charles Ian Mead, Clinton P. McCully, and Marshall B. Reinsdorf, "Income and Outlays of Households and of Nonprofit Institutions Serving Households," *SURVEY 83* (April 2003): 13-17.

4. The BEA strategic plan is available on our Web site at <www.bea.gov>; click on "About BEA" and find the bullet for "Strategic Plan for 2003-2007" near the bottom of the page.

Shelly Smith assisted in preparing the tables and figures for this article.

bear in studying economic changes in a sector or an industry. For example, balance sheets that are integrated with the NIPAs would be useful in examining the association between the rise in wealth in the late 1990s and the decline in personal saving.

Increased integration of the world's monetary, fiscal, and trade policies has led to a growing need for international harmonization of economic statistics. Many of the definitional changes presented in this year's revision will improve consistency with the principal international guidelines for national accounts, *System of National Accounts 1993*.⁵ BEA actively participated in preparing *SNA 1993*, and after it was approved by the United Nations Statistical Commission, BEA announced that it would move its accounts toward *SNA 1993*.⁶ Since then, BEA has adopted most of the major *SNA 1993* changes that affect gross domestic product (GDP), investment, and saving. In the 1996 comprehensive revision, chain-type indexes were adopted for measuring changes in real GDP and prices, and government fixed investment was recognized. In the 1999 comprehensive revision, investment in software was recognized, the treatment of government employee retirement plans was changed, and capital transfers were identified separately from current transfers. For this year's comprehensive revision, the changes will help bring the NIPA classifications of various transactions into conformity with the classifications used by *SNA 1993*. While these changes, together with the presentational changes that will be described in the August article, will modify the appearance of the NIPAs, in most cases they do not affect the major aggregates, such as GDP, gross national product (GNP), personal income, profits, saving, and investment. (However, national income will be redefined as described in the section "Consistency With International Guidelines.")

BEA supports the goal of international harmonization of its national accounts, and the NIPAs will continue to adopt *SNA 1993* to the extent feasible. Nevertheless, because BEA has decided to retain several important NIPA aggregates, such as personal income and corporate profits, that do not appear in *SNA 1993*, some differences will persist. In most cases, the classification systems used by the NIPAs for sectors, industries, and type of product differ from those recom-

mended by *SNA 1993*. In efforts to harmonize these systems, BEA must consider the needs of the U.S. user community along with the goal of improved international harmonization. Improving consistency with *SNA 1993* remains an element of BEA's mission of producing accurate, relevant, and timely statistics, of responding to customers, and of meeting the challenges of a changing economy.

The major changes in definitions and classifications that will be introduced in this comprehensive revision are as follows.

- Recognize the implicit services provided by property and casualty insurance and provide a more appropriate treatment of insured losses, thereby reducing large swings in measured services
- Allocate a portion of the implicit services of commercial banks to borrowers, thereby recognizing that both borrowers and depositors receive these services from banks
- Recognize explicitly the services produced by general government and treat government purchases of goods and services as intermediate inputs
- Broaden the definition of national income to include all net incomes (net of consumption of fixed capital) earned in production

In addition to these major changes, a number of other changes in definitions and classifications will be introduced, including the following.

- Reclassify Indian tribal governments, farm housing services, owner-occupied housing services, and rental value of fixed assets used by nonprofit institutions serving households in order to improve conformity with other BEA accounts and with accounts of other agencies and to make the NIPAs more usable
- Reclassify certain NIPA components—including miscellaneous compensation, nonresident taxes, business and personal nontax payments, and government current receipts and expenditures—in order to improve consistency with international guidelines
- Split the NIPA foreign transactions account into two accounts—the foreign transactions current account and the foreign transactions capital account—in order to separately identify capital transfers
- Introduce several new aggregates that will provide alternative measures of income, saving, and investment
- Redefine change in private farm inventories to include farm materials and supplies, thereby improving the measures of GDP and gross farm product
- Reclassify military grants-in-kind to improve con-

5. See Commission of the European Communities, International Monetary Fund, Organisation for Economic Co-operation and Development, United Nations, and the World Bank, *System of National Accounts 1993* (Brussels/Luxembourg, New York, Paris, and Washington, DC, 1993); henceforth, *SNA 1993*.

6. See "New International Guidelines in Economic Accounting," *SURVEY* 73 (February 1993): 43.

sistency between the NIPA's and BEA's international transactions accounts (ITAs)

- Redefine compensation-in-kind of Federal Government employees to include mass transit benefits

In the following sections of the article, each change is described, the reason for the change is given, and the effect on the accounts is provided. In addition, whenever available, preliminary estimates of the impact of the change are provided.

For each change, table 1 shows the aggregates and components of the current NIPA five-account system (see table 2) that will be affected and the initial year of the revision.

Addressing Data Gaps and Other Shortcomings

This comprehensive revision will introduce definitional changes that will refine the concepts used to measure property and casualty insurance services, implicit services of banks, farm inventories, and compensation of Federal Government employees. These changes, together with the changes in source data and methods that will be described in the September article on statistical changes, will address many of the data gaps and other shortcomings in the NIPA's.

Insurance services

The definition of property and casualty insurance services (other than health insurance) will be changed to recognize the implicit services that are funded by investment income; to provide a more appropriate treatment of insured losses, thereby reducing the large swings in measured services that result from catastrophes such as the terrorist attacks of September 11, 2001; and to change the treatment of reinsurance.⁷ This change, which will be carried back to 1929, represents another step in BEA's effort to improve its measures of the production of services.⁸

7. Under the current treatment, the terrorist attacks of September 11, 2001, resulted in a decrease in domestic final expenditures for insurance services of about \$21 billion (current dollars, annual rate) in the third quarter of 2001. Within imports of services, claims by domestic insurers for reinsurance policies with foreign insurers resulted in a decrease in imports of "other private services" of about \$44 billion. These effects lowered gross domestic purchases by about \$21 billion and raised GDP by about \$23 billion. BEA treated these effects as changes in the corresponding implicit prices for insurance services, so real GDP was not affected. However, the gross domestic purchases price index and the PCE price index were each reduced by about 1 percentage point and the GDP price index was raised by about 1 percentage point.

8. For earlier discussions of the measurement of insurance services, see Obie G. Whichard and Maria Borgia, "Selected Issues in the Measurement of U.S. International Services," *SURVEY* 82 (June 2002): 36–56; and Dennis J. Fixler, "Rethinking the NIPA Treatment of Insurance Services for the Comprehensive Revision," paper presented at the meeting of the BEA Advisory Committee, November 15, 2002 (revised December 23, 2002), available at <www.bea.gov>.

Insurance companies provide financial protection to policyholders through the pooling of risk, and they provide financial intermediation services through the investment of reserves that are held to help cover extraordinary losses. The provision of these services of financial protection and financial intermediation represent the output of the insurance industry. Depending on whether the policyholder is a person, general government, the rest of the world, or a domestic enterprise, these services appear in personal consumption expenditures (PCE), government consumption expenditures, exports of services, or intermediate inputs of owner-occupied housing and of business. In most periods, the insurance premiums received and the investment income earned provide the funds needed for a "normal," or expected, level of insurance claims and insurance services and for additions to reserves. However, in some periods, funds must be withdrawn from reserves to cover extraordinary losses. Alternatively, the insurance company may purchase reinsurance as a protection against extraordinary losses. Therefore, after accounting for investment income, insurance companies set premiums in order to cover the expected costs of providing the services, of settling claims, of maintaining reserves against future claims, and of purchasing reinsurance.

Implicit services. In the NIPA's, the value of insurance services (except for life insurance) is currently measured as the premiums receivable by insurance carriers less the actual insured losses incurred and the dividends payable by mutual insurance companies to their policyholders. As part of the new treatment, the value of the expected investment income on the funds on which policyholders have claim will be added to the value of the premiums earned—that is, the portion of the premiums accrued during the period. This expected investment income is not output in and of itself, but it will be used to impute the value of the implicit component of the intermediation services provided to policyholders. This change recognizes that in setting their premiums, insurance companies take into account the expected income that may be earned from the investment of reserves. This implicit component of insurance services will be referred to as a *premium supplement*.⁹

Normal losses. Another major aspect of the redefinition involves the substitution of normal losses for actual losses incurred in a period in the calculation of the value of insurance services. This change recog-

9. *SNA 1993* recommends that this portion of investment income be included in the measure of insurance output and treated as a premium supplement (paragraphs 6.135–6.140).

nizes that in setting their premiums, insurance companies do not yet know the actual losses in the period. Normal losses represent an approximation of the losses expected to be incurred by the insurance company—that is, the benefits they expect to pay to policyholders. This change will reduce the large swings in

Table 1. Changes in Definitions and Classifications

Change	Principal components affected	Initial year of revision
Addressing data gaps and other shortcomings		
Recognize the implicit services provided by property and casualty insurance and provide a more appropriate treatment of insured losses.	GDP, GNP, GDI, PCE, exports and imports of services, government consumption expenditures and gross investment, net interest, business transfer payments, ROW income, personal income, personal interest income, transfer payments to persons, DPI, personal outlays, government net interest, and government current receipts and expenditures.	1929
Allocate a portion of the implicit services of commercial banks to borrowers.	GDP, GNP, GDI, PCE, exports of services, government consumption expenditures and gross investment, net interest, ROW income payments and receipts, personal interest income, personal income, DPI, interest paid by persons, personal outlays, government net interest, and government current receipts and expenditures.	1929
Redefine change in private farm inventories to include farm materials and supplies.	GDP, GNP, GDI, gross private domestic investment, change in private inventories, proprietors' income, personal income, DPI, personal saving, statistical discrepancy, gross saving, and gross product of farm business sector.	1991
Redefine compensation-in-kind of Federal Government employees to include mass transit benefits.	GDI, wage and salary disbursements, personal income, DPI, personal saving, statistical discrepancy, and gross saving.	1998
Consistency and integration with other accounts		
Reclassify Indian tribal governments to state and local government sector.	GDP, GNP, GDI, PCE, government consumption expenditures and gross investment, current surplus of government enterprises, personal outlays, personal saving, government current receipts and expenditures, government current surplus or deficit, and gross saving.	1990
Reclassify farm housing to real estate industry.	Proprietors' income, rental income of persons, and gross product of farm business sector and of households and institutions sector.	1929
Reclassify owner-occupied housing to households and institutions sector.	Gross product of business sector and of households and institutions sector.	1929
Reclassify rental value of fixed assets used by nonprofit institutions serving households to households and institutions sector.	Gross product of business sector and of households and institutions sector.	1929
Reclassify military grants-in-kind as exports.	Exports of goods and services, Federal Government consumption expenditures and gross investment, and government transfer payments to ROW.	1959
Consistency with international guidelines		
Recognize explicitly the services produced by general government and treat government purchases of goods and services as intermediate inputs.	GDP goods and GDP services.	1929
Broaden the definition of national income to include all net incomes earned in production.	National income.	1929
Reclassify miscellaneous compensation as wages and salaries.	Wage and salary accruals and disbursements, and other labor income.	1948
Reclassify nonresident taxes paid by domestic corporations to tax payments to ROW.	Corporate profits with inventory valuation and capital consumption adjustments, profits tax liability, and business transfer payments to ROW.	1959
Reclassify business nontax liability as current transfer payments to government and rent and royalties to government.	Business transfer payments and indirect business tax and nontax liability.	1929
Reclassify personal nontax payments as current transfer payments to government.	Personal tax and nontax payments, DPI, personal transfer payments, and personal outlays.	1929
Reclassify certain government current receipts and expenditures.	Government current receipts and expenditures.	1946 ¹
Reclassify nonresident taxes received by government as tax receipts.	Government tax receipts, government transfer payments, and government current receipts and expenditures.	1959
Split the foreign transactions account into a current account and a capital account.	Net foreign investment.	1929 ²

1. For years prior to 1946, state and local government interest will be presented as net interest and for years prior to 1960, Federal and total government interest will continue to be presented as net interest. For years prior to 1959, subsidies will continue to be presented net of the current surplus of government enterprises.

2. Estimates of capital transfers to the rest of the world are available, beginning with 1982.

DPI Disposable personal income
 GDI Gross domestic income
 GDP Gross domestic product
 GNP Gross national product
 PCE Personal consumption expenditures
 ROW Rest of the world

Table 2. Summary National Income and Product Accounts

Account 1. National Income and Product Account	
Compensation of employees Wage and salary accruals Supplements to wages and salaries Employer contributions for social insurance Other labor income Proprietors' income with IVA and CCAAdj Rental income of persons with CCAAdj Corporate profits with IVA and CCAAdj Profits tax liability Dividends Undistributed profits with IVA and CCAAdj Net interest National income Business transfer payments Indirect business tax and nontax liability Less: Subsidies less current surplus of government enterprises Consumption of fixed capital Less: Income receipts from the rest of the world Plus: Income payments to the rest of the world Gross domestic income Statistical discrepancy GROSS DOMESTIC PRODUCT	Personal consumption expenditures Gross private domestic investment Fixed investment Nonresidential Residential Change in private inventories Net exports of goods and services Exports Imports Government consumption expenditures and gross investment Federal State and local
Account 2. Personal Income and Outlay Account	
Personal tax and nontax payments Personal outlays Personal consumption expenditures Interest paid by persons Personal transfer payments to the rest of the world (net) Personal saving PERSONAL TAXES, OUTLAYS, AND SAVING	Wage and salary disbursements Other labor income Proprietors' income with IVA and CCAAdj Rental income of persons with CCAAdj Personal dividend income Personal interest income Transfer payments to persons Less: Personal contributions for social insurance PERSONAL INCOME
Account 3. Government Receipts and Expenditures Account	
Consumption expenditures Transfer payments Net interest paid Less: Dividends received by government Subsidies less current surplus of government enterprises Less: Wage accruals less disbursements Current surplus or deficit (-), NIPA's GOVERNMENT CURRENT EXPENDITURES AND SURPLUS	Personal tax and nontax payments Corporate profits tax liability Indirect business tax and nontax liability Contributions for social insurance Employer Personal GOVERNMENT CURRENT RECEIPTS
Account 4. Foreign Transactions Account	
Exports of goods and services Income receipts RECEIPTS FROM THE REST OF THE WORLD	Imports of goods and services Income payments Transfer payments to the rest of the world (net) Net foreign investment PAYMENTS TO THE REST OF THE WORLD
Account 5. Gross Saving and Investment Account	
Gross private domestic investment Gross government investment Net foreign investment GROSS INVESTMENT	Personal saving Wage accruals less disbursements (private) Undistributed corporate profits with IVA and CCAAdj Consumption of fixed capital Government current surplus or deficit (-), NIPA's Statistical discrepancy GROSS SAVINGS AND STATISTICAL DISCREPANCY

CCAAdj Capital consumption adjustment
 IVA Inventory valuation adjustment
 NIPA's National income and product accounts

measured insurance services that result from catastrophes such as Hurricane Andrew in 1992 and the terrorist attacks on September 11, 2001.

Formulas. For each type of insurance, normal losses will be calculated as a geometric-weighted moving average of past loss ratios (that is, the ratio of actual losses to premiums earned) multiplied by the premiums earned during the current period. That is, the normal loss in period t , NL_t , is

$$NL_t = NLR_t \times P_t$$

where

$$NLR_t = \alpha LR_t + \alpha(1 - \alpha)LR_{t-1} + \alpha(1 - \alpha)^2 LR_{t-2} \dots,$$

P_t is the premiums earned, LR_t is the loss ratio—that is, L_t/P_t —in period t , and α is a parameter. Premiums earned and loss ratios are based on trade source data. The formula is based on the adaptive-expectations model developed by Cagan.¹⁰ The “free” parameter α is the weight applied to the prior period’s value in the weighted average; this parameter will be assigned a value of 0.3 based on evidence that it provides the best prediction of future values.¹¹ Thus, for every deviation in the loss ratio from its previously expected value, the normal, or expected, value for the subsequent period is adjusted by 30 percent.

For each type of insurance, premium supplements will be calculated as a geometric-weighted moving average of past investment gain/loss ratios (that is, “net investment gain/loss on funds attributable to insurance transactions” divided by premiums earned) multiplied by the premiums earned during the current period.¹² That is, the premium supplement in period t , PS_t , is

$$PS_t = NIR_t \times P_t$$

where

$$NIR_t = \beta IR_t + \beta(1 - \beta)IR_{t-1} + \beta(1 - \beta)^2 IR_{t-2} \dots,$$

IR_t is the investment gain/loss ratio—that is, I_t/P_t —in period t , and β is a parameter, which will be assigned a value of 0.3. Net investment gains/losses on funds attributable to insurance transactions are available from trade source data and represent the industry rate of return on investment multiplied by the reserves that are directly attributable to policyholders because of prepayment of premiums or accrual of benefits.

Reinsurance. Insurance services will be calculated from source data on direct premiums and direct

losses—that is, without any adjustment for reinsurance. Transactions related to reinsurance will be treated in the same way as those related to direct insurance, and the services of reinsurance will be treated as an intermediate input to the insurance carriers industry or as exports of services. Currently, insurance services are calculated from premiums and losses after netting the value of reinsurance that is assumed or ceded.

New flows. As a result of the above changes, several new insurance flows will be recognized in the NIPAs. An insurance company receives premiums and investment income that must fund the ongoing production of services as well as covering a normal level of losses; extraordinary losses are paid from reserves or from reinsurance. One can think of these transactions as being decomposed into four pieces. (1) The policyholders pay the insurance company total premiums (including the imputed portion) equal to the premiums earned plus premium supplements less dividends payable to policyholders. A portion of this total premium is considered a payment for insurance services consumed and is valued as total premiums less normal losses. (2) The remaining portion of the total premium, which is equal to normal losses, is a transfer-like flow from the policyholders to the insurance company that is used to pay for actual losses, additions to reserves, and reinsurance. (3) Because premium supplements are funded by investment income from the portion of reserves that are, in principle, the property of the policyholders, the accounts must show an equal flow of imputed income paid to the policyholders, which will be classified as imputed interest. (4) Actual insured losses (or claims payable) are a transfer-like flow from the insurance company to the policyholder.¹³ The net value of (4) minus (2), which equals actual losses less normal losses, will be referred to as “net insurance settlements.”

Effects on the accounts. As a result of the new treatment, PCE, government consumption expenditures, and exports will each change by the value of premium supplements on policies held by the corresponding sector plus the difference between actual losses and normal losses on insurance held by the sector. Imports will change by the value of premium supplements on policies of foreign insurance carriers held by domestic residents plus the difference between actual losses and normal losses on those policies. GDP will change by the sum of the value of the changes in PCE, in govern-

10. See Phillip D. Cagan, “The Monetary Dynamics of Hyper-Inflation,” in *Studies in the Quantity Theory of Money*, ed. Milton J. Friedman (Chicago: University of Chicago Press, 1956).

11. A paper providing additional details on the estimation methods will be available on BEA’s Web site later this summer.

12. Because the denominator of these ratios is premiums earned rather than reserves, these investment gain/loss ratios cannot be interpreted as rates of return.

13. These flows between the policyholder and the insurance company do not strictly meet the definition of a “transfer”—that is, a payment for which nothing is provided in return—because the payment is made as part of the contract between the policyholder and the insurance company. However, because these flows are similar to transfers in that they reflect the part of the payments that are not associated with the purchase of insurance services, they will be included in business transfer payments in the NIPAs.

ment consumption expenditures, and in exports less the value of the change in imports. Premium supplements on policies purchased by business and on policies purchased by homeowners for owner-occupied housing will be treated as intermediate inputs and will not affect the value of GDP.

Offsetting flows will appear on the income side of the NIPA's. Net interest will increase to reflect the implicit income, which is equal to the premium supplements that are allocated to persons and to government. Income receipts from the rest of the world will increase by an amount equal to the premium supplements that are allocated to domestic policies issued by foreign insurance carriers, and income payments to the rest of the world will increase by an amount equal to the premium supplements allocated to foreign policyholders. Business transfer payments will change by the value of net insurance settlements (actual losses less normal losses) paid to persons, to government, and to the rest of the world, less net insurance settlements received by domestic business from foreign insurance carriers. The change to gross domestic income (GDI) will equal the change to GDP, so the statistical discrepancy will not be affected. Because the flows of premium supplements to and from the rest of the world are offset by the flows of implicit income, the addition of premium supplements to exports and to imports will not affect GNP; consequently, the change to GNP will equal the value of net insurance settlements that will be included in business transfer payments plus the value of premium supplements added to PCE and to government consumption expenditures.

In the personal income and outlay account (account 2), personal interest income will increase by the value of imputed interest attributable to persons as policyholders, and business transfer payments to persons will change to reflect net insurance settlements received by persons. Within personal outlays, PCE will change as described above. The changes to the income components will equal the changes to personal outlays, so personal saving will not be affected.

In the government receipts and expenditures account (account 3), net insurance settlements received by government will be shown as "business transfer payments to government" (a new NIPA category within current receipts that will be further discussed in the section "Indirect business tax and nontax liabilities"). Net interest paid will be reduced by the imputed interest attributable to government as policyholders (also see the section "Government current receipts and expenditures," which explains that interest received will be reclassified as part of government receipts). Government consumption expenditures will change as described above. The changes to the current receipts

components will equal the changes to the current expenditures components, so the government current surplus or deficit will not be affected.

Within the foreign transactions account (account 4), exports, imports, and income receipts and payments will change as described above. Transfer payments to the rest of the world (net) will change by the value of net insurance settlements paid to the rest of the world less net insurance settlements received from the rest of the world. Net foreign investment will not be affected.

The gross saving and investment account (account 5) will not be affected by this definitional change.

Implicit services of banks

In the NIPA's, an imputation is made for the services that banks and other depository institutions provide without an explicit charge. These services include processing checks, disbursing or transferring funds when and where needed, bookkeeping, protecting deposited funds, and investment services. Charges for these services may be explicit, or they may be implicit—that is, banks may pay depositors lower interest rates rather than charging for each service provided.¹⁴

BEA has imputed the value of these implicit services as the monetary interest that banks receive from loans and securities less the interest that they pay on deposits and other liabilities, and it has treated depositors as the consumers of these services. The imputed expenditures for the implicit services appear on the product side of the NIPA's in PCE, in exports of services, and in government consumption expenditures; they are treated as intermediate inputs for business.

One of the most important services provided by banks is financial intermediation—collecting funds from depositors or lenders and repackaging them in ways that meet the needs of borrowers, thereby reducing transactions costs for both depositors and borrowers. *SNA 1993* recommends that the value of these implicit services be allocated partly to depositors and partly to borrowers, recognizing that both depositors and borrowers receive these implicit services from banks and other depository institutions.¹⁵ Therefore, as part of the upcoming comprehensive revision, BEA will allocate the implicit services of commercial banks to borrowers as well as to depositors.¹⁶ This change, which will be carried back to 1929, will reduce GDP and the total gross output of banks. A significant

14. The methodology for estimating the services for which banks have *explicit* charges will not change.

15. See *SNA 1993*, paragraph 6.127.

16. The imputation that is made for other depository institutions will not change, but BEA will review the treatment for possible change in the next comprehensive revision.

source of the reduction in GDP will be the reallocation of implicit services from final expenditures to intermediate consumption because a larger share of borrowed funds than deposited funds is attributable to business. GDI will be reduced by the same amount as GDP, so the statistical discrepancy will not be affected.

Use of a reference rate. *SNA 1993* proposes that the implicit financial services, which it terms “financial intermediation services indirectly measured” (FISIM), be allocated using a “reference rate” of interest that represents the opportunity cost of borrowing or lending funds.¹⁷ Under the reference-rate approach, the difference between the interest received by depositors and the interest they would have received had they been paid the reference rate is the value of the implicit services to depositors. Similarly, the difference between the interest paid by borrowers and the interest they would have paid had they borrowed at the reference rate is the value of the implicit services to borrowers.

The reference rate of interest in *SNA 1993* represents the “pure cost of borrowing funds”—a rate that does not include a risk premium or any intermediation services.¹⁸ BEA investigated two approaches to estimating the reference rate, one based on current market interest rates and one based on “book-value” interest rates. Empirical tests indicated that the use of current market interest rates would cause excessive volatility in the estimates of implicit services to depositors and to borrowers, while the use of book-value rates would not.¹⁹

Book-value interest rates are computed by dividing the annualized interest receipt or payment for a financial product by the stock of that financial product on the balance sheet. To estimate a reference rate, BEA divided the interest received from Treasury and Federal agency securities for each period by the average book values of these securities held by banks during that period. These types of securities are highly liquid and free of credit risk, so their interest rates are presumed to exclude the costs of risk-bearing or illiquidity in addition to excluding routine services to loan customers, such as bookkeeping. Use of this reference rate implies that the Federal Government receives no implicit services

from financial intermediaries holding securities.

Allocation among sectors. As discussed above, the allocation to sectors of the implicit services provided by banks and certain other financial intermediaries is currently based on deposits. Once the implicit services provided to borrowers is recognized, this allocation will change because households tend to hold a larger share of deposits, whereas businesses—including owner-occupied housing (which is treated like a business)—tend to receive a larger share of loans.²⁰ Thus, the share of implicit services allocated to final demand (by households, government, and the rest of the world) will decrease, and the share of implicit services allocated to intermediate consumption (by business) will increase.

Banking output. The recognition of borrower services will also result in changes to the measure of the unpriced, or imputed, portion of the gross output of commercial banks. Currently, the imputed gross output of banks and similar depository institutions is calculated as the interest received from borrowers net of the interest paid to depositors and to other providers of funds. A rationale for this calculation is that if banks were to charge explicit fees for all of their services, the interest paid to depositors would be equal to the interest earned on the investment of their deposits.²¹

An assumption implicit in this calculation is that deposits are the only source of funds available to banks for making loans and for purchasing securities. However, a bank’s “own funds” (that is, funds that come from stockholders’ equity rather than from deposits or other liabilities) are also a source of funds for lending, so the value of loans and other interest-bearing assets generally exceeds the value of deposits and other interest-bearing liabilities. When a bank loans its own funds, it avoids the cost of paying interest on deposits. Therefore, implicit services should not be attributed to depositors for the interest earned by the bank on the portion of its assets that is in excess of its liabilities, because depositors are not the source of these funds. Similarly, implicit services should not be attributed to stockholders, because no such services are provided on stockholders’ equity.

Because the new method separately values the opportunity cost to the bank of using own funds, this amount can be deducted from the imputation of expenditures for borrower and depositor services. To prevent an incorrect imputation of depositor services on stockholders’ equity, the measure of imputed out-

17. Several articles on the user-cost-of-money theory as it applies to banking provide a conceptual framework to justify the reference-rate approach: See Diana Hancock, “The Financial Firm: Production with Monetary and Nonmonetary Goods,” *Journal of Political Economy* 93 (October 1985): 859–880; Dennis J. Fixler, “Measuring Financial Service Output and Prices of Commercial Banking,” *Applied Economics* 25 (April 1993): 983–993; and Dennis J. Fixler and Kimberly D. Zieschang, “The Productivity of the Banking Sector: Integrating Financial and Production Approaches to Measuring Financial Service Output,” *Canadian Journal of Economics* 32 (April 1999): 547–569.

18. See *SNA 1993*, paragraph 6.128.

19. A paper providing additional details of the empirical analysis will be available on BEA’s Web site later this summer.

20. See the section “Owner-occupied housing services.”

21. See U.S. Department of Commerce, Office of Business Economics, *National Income: A Supplement to the Survey of Current Business*, 1954 ed. (Washington, DC: U.S. Government Printing Office, 1954): 46–47.

put must be reduced by an amount equal to the reference rate multiplied by the difference between the bank's assets and liabilities. Consequently, adoption of the reference-rate approach will reduce imputed gross output.

The effects of this change can be shown diagrammatically. Currently, imputed gross output of banks is calculated as the rate of return on assets (rA) multiplied by the value of assets (vA) less the rate paid on liabilities (rL) multiplied by the value of liabilities (vL) (figure 1). Thus, the imputed gross output of banks is represented by the sum of the areas $A + B + C$. With the allocation of a portion of banks' imputed output to borrowers, gross imputed output of banks will be calculated as the difference between the rate of return on assets and the reference rate (rr) multiplied by the value of assets plus the difference between the reference rate and the rate paid on liabilities multiplied by the value of liabilities, or $((rA - rr) \times vA) + ((rr - rL) \times vL)$. Thus, the imputed gross output of banks is represented by the sum of the areas $A + B$. The net effect of the definitional change is to reduce gross output by the reference rate multiplied by "own funds" (the difference between the value of assets and the value of liabilities), or $rr \times (vA - vL)$, which is represented by area C .

As is evident from figure 1, the new measure of imputed gross output will be sensitive to how the relevant types of assets and liabilities are defined. Assets included in the calculation of imputed output consist primarily of loans, securities, and balances due from other banks.²² Liabilities included consist primarily of deposits plus some nondeposit, interest-bearing liabilities, such as subordinated debt and repurchase agreements. In short, assets are limited to earning assets, and liabilities, to sources of funds.

Domestic and foreign output. To calculate U.S. domestic banking output, adjustments are made to remove the output of foreign offices of U.S.-owned banks and to add the output of foreign-owned bank offices in the United States. These adjustments are necessary because the primary source data used to estimate the output of the banking industry, the Federal Financial Institutions Examination Council *Call Reports* published by the Federal Deposit Insurance Corporation, include foreign offices of U.S. banks and

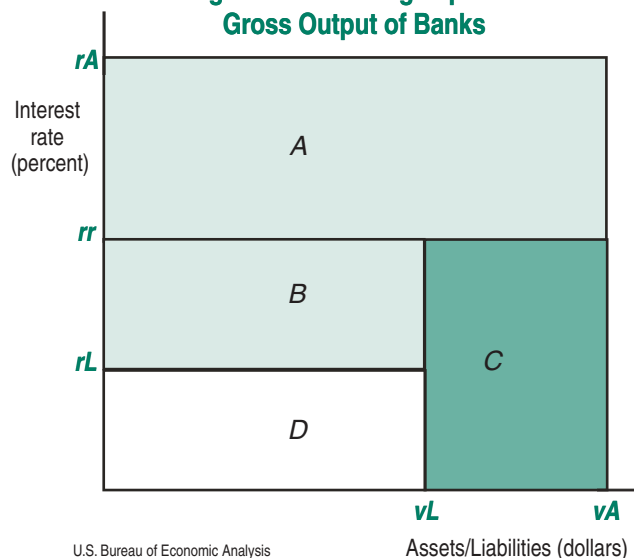
exclude the U.S. offices of foreign banks.

Foreign offices of U.S.-owned banks. The output of foreign offices of U.S. banks is currently measured as the difference between their interest receipts from borrowers and their interest payments to depositors. In recent years, the value of deposits in foreign offices has substantially exceeded the value of loans made, but interest rates on deposits are generally lower than interest rates on loans. As a result, depositors have received about the same amount of interest as borrowers have paid, so essentially no output has been attributed to the foreign offices.

Adoption of the reference-rate approach will result in more output being attributed to the foreign offices of U.S.-owned banks. Specifically, the output of foreign offices will increase by an amount equal to the reference rate multiplied by the difference between the deposits and the loans of the foreign offices. Currently, the imputed gross output of these foreign offices is calculated as the rate of return paid on assets multiplied by the value of assets minus the rate of return paid on liabilities multiplied by the value of liabilities, or $(rA \times vA) - (rL \times vL)$ (figure 2). This imputation is represented by the areas $A + B + C - (C + F)$, or $A + B - F$. With the allocation of a portion of banks' imputed output to borrowers, area F is no longer subtracted from the gross output of the foreign offices, and area E is added to their gross output.

Because the output of foreign offices of U.S.-owned banks is deducted from the worldwide gross output of U.S. banks to arrive at domestic output, increases in the output of foreign offices will result in decreases in the domestic output. These decreases reflect a more ac-

Figure 1. Measuring Imputed Gross Output of Banks



U.S. Bureau of Economic Analysis

Assets/Liabilities (dollars)

22. Imputed output for securities held by banks is generally small because spreads between their interest rate and the reference rate tend to be small. (Spreads for securities issued by state and local governments are based on tax-equivalent yields to make their interest comparable to interest earned by loans and other types of securities.) Federal Government securities are not a source of imputed gross output because, by construction, the spread between their interest rate and the reference rate is zero.

curate allocation of the implicit services provided by domestic banks to their foreign and domestic customers.

Foreign-owned bank offices in the United States. The revisions to the estimated output of foreign-owned banks in the United States will reflect improved source data and are not primarily a result of the adoption of the reference-rate approach. Output of foreign banks is currently measured by applying ratios of balance-sheet items for *all* banks in the United States to the corresponding items for U.S.-owned banks.²³ BEA will continue to use this general approach for measuring the output of these foreign-owned offices. However, the ratios will be revised using improved source data, and they will be applied at a more detailed level to account more accurately for differences in rates earned on different types of assets or paid on different types of liabilities. The revisions to the ratios will lower the estimates of the imputed output of the foreign-owned offices for recent years, because of both lower estimates of their interest income from assets and higher estimates of their interest expense for liabilities.

Effects on components of GDP and GDI. The allocation of a portion of implicit financial services to borrowers will not alter the “identity” between imputed gross output of financial intermediaries and the corresponding net interest flows; therefore, the statistical discrepancy will not be affected. GDP will record the

23. The underlying assumption is that foreign-owned offices in the United States face the same interest rates as U.S.-owned banks. More specific information is not available, because the foreign-owned offices do not file *Call Report* information.

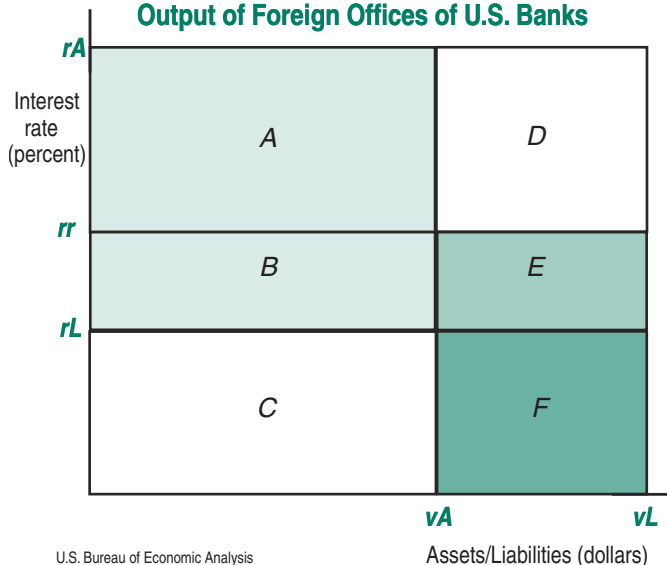
final demand for implicit financial services by household borrowers (other than for owner-occupied housing) and household depositors in PCE, by government borrowers and depositors in government consumption expenditures, and by rest-of-the-world borrowers and depositors in exports of services.

As discussed above, banks are considered to pay depositors imputed interest that is equal to the imputed expenditures for implicit services provided to depositors. The treatment of depositor services will be the same as the present treatment, though the values of these services will be smaller.

For borrowers, however, the treatment of imputed interest will change. A portion of the interest the borrower pays to the bank will be considered an expenditure for implicit services; therefore, the interest paid by the borrower, and received by the bank, will be reduced by the amount of the imputed expenditure for borrower services.²⁴ This reduction of borrower interest will be accomplished by recording *negative* imputed interest paid by the borrower and received by the bank. For example, if a borrower in the personal sector pays a bank \$100 interest, of which \$20 is an imputed expenditure for implicit services, then the accounts will show the borrower paying \$80 interest—consisting of \$100 in monetary interest and $-$20$ in imputed interest—and \$20 in PCE. The effect on net interest is the same as if the bank had paid imputed interest, because net interest equals interest paid by business and by the rest of the world, less interest received by business and by the rest of the world.²⁵ The effect on net interest of negative imputed interest received by the bank is therefore the same as the effect of positive imputed interest paid by the bank. This treatment of borrower services recognizes that these services are not actually unpriced; rather, the price for borrower services is embedded in the interest paid by the borrower.

Net interest will be equal to the imputed gross output less the implicit financial services consumed by domestic business, by households on borrowing for owner-occupied housing, by nonprofit institutions serving households, and by the rest of the world. Net interest from services to depositors will equal the imputed interest paid by banks, less the imputed interest received by domestic business and by the rest of the world. Net interest from services to borrowers will equal the imputed interest paid by domestic business, by households on borrowing for owner-occupied

Figure 2. Measuring Imputed Gross Output of Foreign Offices of U.S. Banks



24. See *SNA 1993*, paragraph 7.108.

25. For information about a change in the definition of net interest, see the section “Rental value of fixed assets used by nonprofit institutions serving households.”

housing, by nonprofit institutions serving households, and by the rest of the world, less the imputed interest received by banks. Imputed income payments to the rest of the world will equal the imputed interest received by the rest of the world for depositor services. Imputed income receipts from the rest of the world will equal the imputed interest paid by the rest of the world for borrower services.

Preliminary estimates. Based on preliminary estimates, the gross output of banks will be revised down about \$69 billion for 2001. The imputed output of foreign-owned bank offices in the United States will be revised down about \$26 billion, the upward revision to the imputed output of foreign offices of U.S. banks will reduce domestic output about \$24 billion, and the imputed output of the domestic offices of U.S. banks will be revised down about \$19 billion.²⁶ Because of the reallocation of part of the implicit services from depositors to borrowers—which reallocates consumption of these services from final expenditures to intermediate purchases—the downward revision to GDP will be larger than the downward revision to bank gross output. Again, based on preliminary estimates, GDP will be revised down about \$93 billion for 2001: PCE will be revised down about \$78 billion, net exports will be revised down about \$9 billion, and government consumption expenditures and gross investment will be revised down about \$6 billion.

Farm inventories

In the production account of the farm sector, inventories of farm materials and supplies will be added to the change in private farm inventories and subtracted from intermediate goods and services purchased. This change will improve the measures of GDP and gross farm product, maintain consistency with the 1997 I-O accounts, and move the NIPA's closer to *SNA 1993*. The change, which will be carried back to 1991, will affect GDP and GDI by small, but differing, amounts and will eliminate a small discrepancy between the product side and the income side of the NIPA's.

Currently, the change in private farm inventories reflects inventories of crops and of livestock. However, materials and supplies—such as feed, seed, and fertilizer—are not reflected in inventories. Consequently, the NIPA estimates of GDP, gross farm product, national income, and personal income are misstated if materials and supplies are purchased but not “con-

sumed” in the same period: For example, GDP will be understated because measured *nonfarm* inventories of the supplier are reduced with no corresponding addition to measured farm inventories; and in the farm production account, gross farm product and farm proprietors' income will be understated because intermediate purchases are not reduced by the materials and supplies added to farm inventories.

When the change in farm inventories of materials and supplies is added to GDP, only the proprietors' share of this inventory change will be added to GDI (to farm proprietors' income). The residual corporate share of the inventory change is already accounted for in the source data from the IRS Statistics of Income program, which are used to estimate the income of corporate farms.

Mass transit benefits

Mass transit benefits to Federal Government employees will be incorporated into the estimates of Federal Government compensation in-kind in order to improve the estimates of total compensation received by Federal employees. Currently, these benefits are not included in the compensation estimates, but they are included in PCE for transportation services. Therefore, the incorporation of these benefits in Federal compensation, which will be carried back to 1998, will eliminate a small discrepancy between the product side and the income side of the NIPA's. Federal consumption expenditures and gross investment will not be affected, because the mass transit benefits will be reclassified from intermediate inputs to compensation expense, leaving the total value of the services produced by government unchanged.²⁷

On October 1, 2000, all Federal Government employees in the Washington, DC region became eligible for mass transit benefits of up to \$65 per month; in January 2002, the maximum monthly benefit rose to \$100 per month. The benefits received by Federal employees now amount to about \$140 million annually.

The primary source data for the estimates of wages and salaries of Federal Government employees do not include the mass transit benefits. Annual estimates of the benefits will be based on data from the Department of Transportation. Current estimates will be extrapolations using data on monthly transit ridership from a trade association that tracks these data for numerous mass transit systems.

26. Only about \$43 billion of the change in estimated output should be attributed to the adoption of the reference-rate approach, because the revision for foreign-owned bank offices should be attributed mostly to improved source data.

27. General government output is measured by the cost of inputs: Compensation, consumption of fixed capital, and intermediate goods and services. Government consumption expenditures is equal to general government output less sales and own-account investment; see the section “Services of general government.”

Consistency and Integration With Other Accounts

The following changes in definitions or classifications will improve the consistency and integration of the NIPA's with other accounts, such as BEA's I-O accounts, the Federal Reserve Board's flow of funds accounts, and the BLS productivity statistics. These changes will also make the accounts more informative by providing improved estimates covering the economic activities of Indian tribal governments, by separately identifying owner-occupied housing as a unique activity in the NIPA's, and by classifying the rental value of nonprofit institutions' fixed assets and military grants-in-kind in a more intuitive manner.

Changes in sector classification

The following paragraphs describe reclassifications that will result in the movement of certain components across sectors of the national accounts.

Indian tribal governments. Indian tribal governments and enterprises will be reclassified from the private sector to the state and local government sector. Conceptually, a reclassification from one sector to another should not affect GDP, GDI, or the statistical discrepancy. However, as discussed below, this reclassification, which will be carried back to 1990, will increase GDP and GDI by differing amounts.

Beginning with 2001, the primary source data used to estimate wages and salaries—BLS tabulations of wages and salaries of workers covered by the state unemployment insurance program—reclassified the wages of Indian tribal governments and of Indian-owned enterprise employees from the private sector to the state and local government sector. The BLS reclassification followed a court decision mandating that Indian tribes be treated similarly to governments in accordance with the Federal Unemployment Tax Act. In the 2002 annual NIPA revision, the wages for tribal governments were reclassified from private wages and salaries to government wages and salaries. However, they were not added to the portion of wages that is included in government consumption expenditures, so the reclassification did not affect GDP.

In the upcoming comprehensive revision, the compensation of employees of tribal governments whose primary activities are public administration or provision of public services will now be classified as state and local general government noneducation compensation, which is a cost that contributes to the value of state and local government consumption expenditures. The compensation of employees of tribal governments whose primary activities are provision of goods or ser-

vices for sale—including employment in casinos, retail stores, and industrial activities—will be classified as state and local government enterprise compensation, which is not included in the value of state and local government consumption expenditures.²⁸ For years prior to 2001, compensation of tribal government employees will be subtracted from a number of private-sector industries, including amusements, restaurants, hotels, and membership organizations.

If the output of tribal governments had been fully captured in BEA's source data, the reclassification would not affect GDP. The governmental activities of tribal governments would have been classified as nonprofit institutions serving households, and the sales of the tribal enterprises would have been captured in PCE or in other GDP components. Although the coverage of sales of enterprises (primarily casinos in PCE) is reasonably good, the governmental activities of tribal governments have largely been omitted from the source data used to estimate the nonprofit components of PCE. Therefore, GDP will increase as a result of the reclassification, because the additional compensation of employees in state and local general government will be larger than the offsetting reductions in the nonprofit components of PCE.

The reclassification will also raise GDI because BEA will use a new method to measure income from casinos operated by Indian tribes. About half of the federally recognized Indian tribes operate casinos that are classified as government enterprises. The revenue from these casinos will continue to be recorded in the recreation component of PCE for services. The profits of these casinos are not included in the source data used for estimating corporate profits. The profits will now be added to the current surplus of government enterprises, which will increase GDI. Estimates of casino profits and expenses will be based on publicly available financial report data.²⁹

The increase in GDP associated with the additional wages in state and local government consumption expenditures will differ from the increase in GDI associated with the newly added casino profits in the current surplus of government enterprises, so the statistical discrepancy will be affected.

Farm housing services. The production of services

28. The output of government enterprises is valued at market prices rather than being based on cost of production. If the output is purchased by persons, by general government, or by the rest of the world, it is included in PCE, in government consumption expenditures and gross investment, or in exports, respectively.

29. Indian tribes own other enterprises—such as automobile dealerships, tobacco stores, gasoline stations, and sawmills—but data are currently insufficient for estimating the associated current surplus.

of farm housing owned by farm operators will be reclassified from the farm industry to the real estate industry.³⁰ This change will make the industry classification of these housing services in the NIPA's consistent with that in the I-O accounts. Moreover, the treatment of these services will be the same as that for farm housing owned by nonoperator landlords and for all nonfarm housing. The reclassification, which will be carried back to 1929, will not affect GDP or GDI, though it will affect the composition by sector within these aggregates.

Currently, the services of farm housing are recorded as gross farm output, and related maintenance and insurance expenses are recorded as farm nonrent intermediate purchases. Consumption of fixed capital, property taxes (in indirect business tax and nontax liability), and mortgage interest (in net interest) are included in GDI. After the reclassification, these items will be recorded in the households and institutions sector. The related net income will be added to rental income of persons with capital consumption adjustment (and offset by a subtraction from farm proprietors' income). In addition, farm housing units owned by farm operators will be reclassified from farm capital stock to nonfarm (real estate) capital stock.

The U.S. Department of Agriculture (USDA), the source of most of the farm-sector data for the NIPA's, will continue to classify the services of farm housing owned by farm operators as farm production. However, USDA will provide BEA with the detailed data necessary to prepare the estimates on the NIPA basis.

Owner-occupied housing services. The production of services of nonfarm and farm owner-occupied housing and their corresponding gross products will be reclassified from the business sector to the households and institutions sector. The reclassification will improve the institutional composition of GDP, because the gross product of owner-occupied housing is produced for the own final use of households rather than sold on the market. In addition, the reclassification will eliminate one difference between the sector classification used in the NIPA's and that used by BLS in its productivity estimates.³¹ The reclassification will also improve consistency with the Federal Reserve Board's flow of funds accounts, which classify owner-occupied housing as part of the households sector rather than as

part of the nonfarm noncorporate business sector. This change, which will be carried back to 1929, will not affect GDP or GDI.

Although owner-occupied housing services will be reclassified to the households and institutions sector, the treatment of the transactions associated with owner-occupied housing as business-type transactions will be retained. Owner occupancy of a home is similar to the activities of other business enterprises because it involves incurring expenses (for example, mortgage interest, depreciation, and property taxes) to produce a service.³² Yet it differs from other business activities because the housing service is produced solely for the homeowner and does not involve a sale of the service to another party. Because the services of owner-occupied housing are considered production, property taxes will continue to be included in indirect business taxes (not in personal taxes), mortgage interest will continue to be included in net interest (not in interest paid by persons), and expenditures for homeowners' insurance will be treated as intermediate purchases (not in PCE).

Rental value of fixed assets used by nonprofit institutions serving households. The rental value of fixed assets owned and used by nonprofit institutions serving households (NPISH's) will be reclassified from the business sector to the households and institutions sector.³³ The reclassification will make the gross product of NPISH's more comprehensive. In addition, the reclassification will eliminate a difference between the sector classification used in the NIPA's and that used by BLS in its productivity program. This change, which will be carried back to 1929, will not affect GDP or GDI.

Conceptually, the gross product of NPISH's should equal the sum of their expenses for labor and for property. Currently, the gross product of NPISH's consists only of their labor expenses (compensation of employees). The property expenses (net interest, consumption of fixed capital, and indirect business tax and nontax liability) are recorded implicitly in the business sector.

Currently, *net interest* is defined as the interest paid by private business less the interest received by private business, plus the interest received from the rest of the world less the interest paid to the rest of the world. Interest payments on mortgage and home-improvement loans and on home-equity loans are included in inter-

30. At the same time, the production of services from both farm and nonfarm owner-occupied housing will be reclassified from the business sector to the households and institutions sector; see the next section.

31. The other difference will be eliminated by the reclassification of the rental value of fixed assets used by nonprofit institutions serving households, which is described in the next section.

32. *SNA 1993* recommends that home ownership be treated as ownership of an unincorporated enterprise that produces housing services consumed by the household (paragraph 6.89).

33. The rental value of these assets consists of the expenses associated with their use, including mortgage interest, consumption of fixed capital, and property taxes.

est paid by business because home ownership is treated as a business in the NIPAs. Interest payments by NPISH's are included in interest paid by "other" private business. As a result of the reclassifications affecting farm housing services, owner-occupied housing services, and the rental value of fixed assets used by NPISH's, the definition of net interest will be expanded to include mortgage interest paid by households for owner-occupied housing and the interest paid by NPISH's.

Military grants-in-kind

The treatment of military grants-in-kind will be changed in order to eliminate an inconsistency between the NIPAs and the ITAs. In the national income and product account (account 1), these grants will be reclassified from Federal defense consumption expenditures to exports of goods and services. In the government receipts and expenditures account (account 3), these grants will be reclassified from consumption expenditures to transfer payments to the rest of the world (net). In the foreign transactions account (account 4), the increase in transfer payments to the rest of the world (net) will be offset by an increase in exports of goods and services. These changes, which will be carried back to 1959, will not affect GDP, because the change in Federal Government consumption expenditures will be offset by the change in exports of goods and services.

Currently, economic and military cash assistance to foreign governments, as well as nonmilitary assistance-in-kind, are classified as transfer payments to the rest of the world. In contrast, military assistance-in-kind, such as purchases of new military goods or services that are delivered to foreign governments, are classified as defense consumption expenditures. (Gifts to foreign governments of goods from existing U.S. military stocks would have been included in defense consumption expenditures in earlier time periods.)

The ITAs do not distinguish between cash and in-kind military assistance: Both are treated the same as nonmilitary assistance, that is, as exports of services, and the military portion is recorded as "transfers under U.S. military agency sales contracts." This treatment is consistent with international guidelines set forth in *SNA 1993* and the International Monetary Fund's 1993 *Balance of Payments Manual*.³⁴

34. International Monetary Fund (IMF), *Balance of Payments Manual*, 5th ed. (Washington, DC: IMF, 1993).

Consistency with International Guidelines

The following changes in definition and classification are largely motivated by BEA's efforts to improve conformity with the international guidelines contained in *SNA 1993*. In many cases, these changes will also make the presentation of economic data in the NIPAs more informative by separately identifying distinct types of transactions, such as tobacco settlements and capital transfers, or by presenting useful new aggregates, such as operating surplus and net saving.

Services of general government

Governments serve several functions in the economy—as producers of nonmarket services, as final consumers of these services (the value of the services provided to the general public is treated as government consumption expenditures), and as providers of transfer payments. These functions are financed through taxation and through contributions to social insurance funds. In the NIPAs, the consumption expenditures of general government are currently presented as expenditures for compensation of employees (except the labor services of employees engaged in construction or software production that are classified as investment), for consumption of fixed capital (CFC), and for goods and services (net of sales). The value of general government GDP (or value added) equals the sum of the expenditures for compensation of employees and CFC, which is a partial measure of the services of government fixed assets (general government purchases of goods and services are included in the GDP of the business sector).³⁵ This framework does not explicitly recognize that governments are engaged in producing services—using labor, capital, and intermediate inputs.

For the upcoming comprehensive revision, BEA has designed a new framework for government consumption expenditures—both Federal and state and local—that will explicitly recognize the services produced by general government. This change will be carried back to 1929.

The value of the government services, most of which are not sold in the market, will be measured by the cost of inputs: Compensation, CFC, and intermediate goods and services purchased. Purchases by general government of goods and services will be reclassified as intermediate purchases. The value of

35. In contrast, the value of business GDP equals the sum of business income from production in the form of compensation of employees, indirect business tax and nontax liability, and property-type income (that is, corporate profits, proprietors' income, inventory valuation adjustments, rental income of persons, net interest, private capital consumption allowances, business transfer payments, and the current surplus of government enterprises less subsidies).

consumption expenditures and gross investment will not change, because the value of the newly recognized services produced by government will be equal to the cost of inputs, including purchased goods and services. The new conceptual framework of the services produced by government and of the goods and services purchased by government will parallel the concepts of output and intermediate inputs of private business in the I-O accounts and the GDP-by-industry accounts; however, government output will be measured by costs of inputs instead of by market prices.

As a result of these changes, the distribution of GDP by type of product will be affected; services output will increase, and goods output will decrease. Because the gross output of general government will increase by the amount of the intermediate inputs, general government GDP (which equals gross output less intermediate inputs) will not change. Thus, general government GDP will continue to be measured as the sum of compensation and CFC.

National income

National income will be redefined to include all net incomes (net of CFC) earned in production. The current definition of national income consists of “factor incomes”—that is the incomes accruing to labor and property of U.S. residents. National income will now also include “nonfactor charges”—that is, business transfer payments, indirect business tax and nontax liabilities, and the current surplus of government enterprises less subsidies. This change will be carried back to 1929.

SNA 1993 does not distinguish between factor incomes and nonfactor charges. It recognizes that indirect business taxes “are not taxes...that can be eliminated from the input and output prices.”³⁶ The *SNA 1993* definition of national income therefore includes all incomes earned in production. In the NIPA’s, national income (which will also be known as *net national income*) will equal gross national income less CFC.³⁷ Based on currently published 2001 estimates, this redefinition would increase national income by about \$770 billion (or 9.5 percent). GDP, GDI, personal income, personal saving, and national (gross) saving will not be affected.

36. See *SNA 1993*, paragraph 6.230.

37. If analysts should need estimates of national income on the basis of its previous definition, they can be constructed by summing compensation of employees, proprietors’ income with inventory valuation adjustment (IVA) and capital consumption adjustment (CCAdj), rental income of persons with CCAdj, corporate profits with IVA and CCAdj, and net interest.

Reclassifications

Miscellaneous compensation of employees. Within compensation of employees, the subcomponent “other” in other labor income—which consists of judicial fees paid to jurors and to witnesses, compensation of prison inmates, and marriage fees paid to justices of the peace—will be reclassified as wages and salaries. The reclassification, which will be carried back to 1948, will increase wage and salary accruals (and disbursements) and will decrease other labor income by the same amount. Total compensation of employees and other NIPA aggregates will not be affected. After this reclassification, other labor income will consist of employer contributions to pension and welfare funds, such as private group health and life insurance plans. This reclassification will align the definition of the NIPA category, “supplements to wages and salaries,” with the definition of the *SNA 1993* category, “employers’ social contributions.”³⁸

Nonresident taxes paid by domestic corporations. Nonresident taxes—that is, taxes paid by domestic corporations to foreign governments—will be reclassified as part of profits tax liability and will be included in a new component that consists of tax payments to the rest of the world.³⁹ Currently, these taxes are classified in business transfer payments to the rest of the world, and an offsetting downward adjustment is made to NIPA profits before tax (see line 17 of NIPA table 8.25) so GDI is not affected. Under the new treatment, this downward adjustment to profits before tax will no longer be needed, so profits before tax will increase by the same amount as profits tax liability. This change will be carried back to 1959; estimates of nonresident taxes are not available before 1959.

Based on currently published 2001 estimates, the reclassification would increase profits before tax and profits tax liability each by about \$9.1 billion and would decrease business transfer payments to the rest of the world by the same amount. Profits after tax and other NIPA aggregates will not be affected. The presentation of nonresident taxes in the foreign transactions account, where they are shown as part of transfer payments to the rest of the world (net), will not change.

Indirect business tax and nontax liabilities. Most of the nontax components of indirect business tax and nontax liabilities will be reclassified, and the remainder of the category will be renamed. Specifically, Federal deposit insurance premiums and other nontaxes

38. See *SNA 1993*, paragraph 7.43.

39. These nonresident taxes are mostly income taxes, though they do include some taxes on production. However, the data are not sufficiently reliable to separate the taxes on income from the taxes on production.

(which consist largely of fines and of regulatory and inspection fees) and state and local fines and other nontaxes (which consist largely of donations and tobacco settlements) will be reclassified as *business transfer payments to government*. This new category will also appear as a current receipt in the government current receipts and expenditures account. Federal Outer Continental Shelf royalties and state and local rents and royalties will be reclassified as part of *income payments on assets* (see the section “Income payments (or receipts) on assets”). The remainder of the indirect business tax category—which includes Federal excise taxes and customs duties and state and local sales taxes, property taxes (including residential real estate taxes), motor vehicle licenses, severance taxes, other taxes, and special assessments—will be renamed *taxes on production and imports*. These reclassifications will be carried back to 1929.

The reclassifications of business payments to government will provide additional information to users by separating special payments, such as tobacco settlements, from the taxes on production and imports. In addition, these reclassifications will better align the NIPA classifications with the classifications used in *SNA 1993*.⁴⁰

Business transfer payments to government were about \$47.2 billion for 2001, and the rents and royalties that would be reclassified as part of income payments on assets were about \$12.6 billion. Therefore, after removing these nontax components, taxes on production and imports would be about \$715 billion for 2001. These reclassifications will not affect GDP, GDI, or government current receipts and current expenditures.

Personal tax and nontax payments. The nontax components of personal tax and nontax payments will be reclassified. Specifically, Federal and state and local nontaxes—which include donations, fees, and fines—will be reclassified as personal transfer payments to government within personal outlays. In the government current receipts and expenditures account, personal transfer payments to government will be shown as a current receipt, together with the newly recognized business transfer payments to government. These reclassifications will be carried back to 1929.

The reclassified estimates will be more informative because the taxes will be separated from other payments to government, such as donations to public universities and recreational fees. In addition, they will be more in alignment with the classifications used in *SNA 1993*.⁴¹ As a result of these reclassifications, disposable

personal income would increase by the amount of the reclassified nontax payments, about \$52.5 billion for 2001, and personal outlays would increase by the same amount. Personal income, personal saving, and government current receipts and current expenditures will not be affected.

Government current receipts and expenditures. Interest and dividends received by government, together with the current surplus of government enterprises, will be shown as current receipts in the government current receipts and expenditures account. Currently, they are netted against expenditures. Because of these changes, government interest receipts and payments will be presented separately rather than on a net basis, and subsidies paid will be shown as a separate expenditure category that will not be net of the current surplus of government enterprises. These reclassifications will be carried back to 1946.⁴²

As a result of the reclassifications, government current receipts would increase by about \$113.5 billion for 2001, and government current expenditures would increase by the same amount. In addition, the classification of government current receipts and the level of receipts and expenditures will be affected by other proposals (see the sections “Indirect business tax and nontax liabilities,” “Personal tax and nontax payments,” and “Government transfer payments to the rest of the world (net)”). The government current surplus or deficit will not be affected.

Government transfer payments to the rest of the world (net). Taxes received from the rest of the world, which are currently netted against gross Federal Government transfer payments to the rest of the world, will now be shown as a government receipt, along with other tax receipts.⁴³ The remaining government transfer payments to the rest of the world will consist of U.S. Government grants (in-cash or in-kind) to foreign governments and of U.S. Government benefits (mainly retirement benefits) paid to former residents of the United States. These two types of current transfers will be separately identified and will be described in the August article on presentational changes to the NIPAs. This change will be carried back to 1959; estimates of

41. See *SNA 1993*, paragraphs 8.52–8.54 and 8.84.

42. For years prior to 1946, state and local government interest will continue to be presented as net interest, and for years prior to 1960, Federal and total government interest will continue to be presented as net interest. For years prior to 1959, subsidies will continue to be presented net of the current surplus of government enterprises. Detailed data to separate the series for these periods are not readily available.

43. Taxes received from the rest of the world are mostly income taxes, though they do include some taxes on production and current transfers received by government. The data are not sufficiently reliable to separate the taxes on income from the taxes on production.

40. See *SNA 1993*, paragraphs 7.49, 7.128, 7.132, and 8.84.

taxes received from the rest of the world are not available before 1959.

This reclassification will better align the NIPA classifications of these tax and transfer receipts and payments with the classifications used in *SNA 1993*. As a result of this change, government transfer payments to the rest of the world would increase by the amount of the reclassified taxes received from the rest of the world, about \$6.9 billion for 2001. Government current expenditures and government current receipts would each increase by this amount. The government current surplus or deficit, net foreign investment, and national saving will not be affected.

The presentation of these transactions in the foreign transactions account, where they are shown as part of transfer payments to the rest of the world (net), will not change. As part of this year's comprehensive revision, BEA will show many more transactions on a gross basis (that is, separately identifying payments and receipts rather than netting them), but some categories, such as personal transfer payments to the rest of the world, will continue to be available only on a net basis.

Foreign transactions current and capital accounts

The foreign transactions account will be split into two accounts—the foreign transactions current account and the foreign transactions capital account. Net foreign investment will be renamed the *balance on current account, national income and product accounts*. In addition, a new aggregate, *net lending or net borrowing, national income and product accounts*, will provide an indirect measure of the Nation's net acquisition of foreign financial assets less the net increase in foreign financial assets in the United States.⁴⁴ Net lending or borrowing will be equal to the balance on current account less capital transfers to the rest of the world (net). Capital transfers were introduced in the 1999 comprehensive NIPA revision and are shown in NIPA table 8.29.⁴⁵ (Capital transfers are cash or in-kind transfers that are linked to the acquisition or disposition of an asset.) Capital transfers to the rest of the world (net) will be shown on the right (payments) side of the foreign transactions capital account and on the left (investment) side of the gross saving and invest-

ment account as a use of savings. This definitional change will be carried back to 1929.⁴⁶

Both *SNA 1993* and the *Balance of Payments Manual* recommend that current foreign transactions—such as exports, imports, income receipts and payments, and current transfer receipts and payments—should be shown in a separate account from capital transactions, such as capital transfers.⁴⁷ Since 1999, the ITA's have shown these two types of transactions in separate current and capital accounts.⁴⁸ The distinction between current and capital transfers can be important when major assets are transferred, such as the U.S. Government's transfer of the Panama Canal to the Republic of Panama in 1999.

New aggregates

Several aggregates will be introduced that will classify information in new and useful ways for NIPA users. These new measures will also more closely conform the NIPA's with *SNA 1993* and thereby increase the consistency of the NIPA's with the national accounts definitions used in other countries.

Operating surplus. Operating surplus is a profits-like measure that shows business income after deducting the costs of compensation of employees and taxes on production and imports, less subsidies, from gross product (or value added), but before deducting financing costs (such as net interest) or business transfer payments.⁴⁹ There will be two versions of this measure: The first, *gross operating surplus*, does not deduct the expense of CFC, while the second, *net operating surplus*, is net of CFC. Net operating surplus will equal GDI less the sum of compensation of employees, taxes on production and imports less subsidies, and CFC. For private enterprises, the net operating surplus can be calculated as the sum of the domestic components of proprietors' income with inventory valuation adjustment (IVA) and capital consumption adjustment (CCAdj), rental income of persons with CCAdj,

46. Estimates of capital transfers to the rest of the world are available, beginning with 1982.

47. See *SNA 1993*, paragraphs 2.106 and 2.137 and *Balance of Payments Manual*, paragraphs 152 and 175.

48. See Christopher L. Bach, "U.S. International Transactions, Revised Estimates for 1982-98," *SURVEY* 79 (July 1999): 60-119.

49. *SNA 1993* recommends that two concepts be used: "Operating surplus" for corporations or corporate-like entities and for owner-occupied housing, and "mixed income" for other unincorporated enterprises (paragraph 7.8). The term "mixed income" is used in the *SNA* for the residual income of most unincorporated enterprises because proprietors often contribute unpaid labor, as well as capital, to these enterprises. Because BEA is continuing to review the *SNA's* recommendations for the sectoring of unincorporated enterprises and of corporate-like entities, the term "operating surplus" will be used in the NIPA's for the residual income of all enterprises. Note that the net operating surplus of general government is, by definition, equal to zero because the NIPA's use CFC as a partial measure of the services of general government capital.

44. Direct measures of these financial flows are available in the ITA's. The new NIPA net lending measure will differ from the measures shown in the ITA's because of differences in source data and differences in concepts and coverage.

45. See Brent R. Moulton, Robert P. Parker, and Eugene P. Seskin, "A Preview of the 1999 Comprehensive Revision of the National Income and Product Accounts: Definitional and Classificational Changes," *SURVEY* 79 (August 1999): 7-20.

corporate profits with IVA and CCAdj, net interest, business transfer payments, and rent paid by private enterprises to government.

Operating surplus will serve as a supplement to the other NIPA business income measures, such as corporate profits, rather than as a replacement. Because this measure is not dependent on whether financing comes from debt or stockholder equity, it is useful for such purposes as measuring the return to fixed investment. In addition, for large, multiestablishment companies, it is often difficult to match the financing with the industry in which production occurs. Because operating surplus can be calculated from establishment data, it is also a useful tool for studying income at the industry level.

BEA currently produces measures that are similar to operating surplus under several different names. For example, “other value added” in the I-O accounts and “property-type income” in the GDP-by-industry accounts are similar to gross operating surplus.⁵⁰ Likewise, a measure similar to net operating surplus has been used to calculate the rate of return on investment by nonfinancial corporations.⁵¹

Although financial-accounting concepts differ in several ways from the concepts used in the NIPAs, measures similar to gross or net operating surplus are used in financial accounting.⁵² For example, the relationship between the new NIPA corporate gross operating surplus and corporate profits with IVA and CCAdj is analogous to the relationship in financial accounting between earnings before interest, taxes, depreciation, and amortization (EBITDA) and earnings before taxes.

Income payments (or receipts) on assets. It is sometimes useful to group together the interest, dividends, and other types of income payments or receipts that result from the ownership of assets. *Income payments on assets* will denote income payable as interest, dividends, reinvested earnings on foreign direct investment in the United States, and rent paid by enterprises to government. *Income receipts on assets* will denote income receivable in the form of interest, dividends, reinvested earnings on U.S. direct investment abroad,

50. However, these measures differ from gross operating surplus because they exclude subsidies received by enterprises, whereas gross operating surplus will include subsidies. In addition, the I-O accounts and the GDP-by-industry accounts use some data sources and methods that differ from those used in the NIPAs.

51. See Daniel Larkins, “Note on the Profitability of Domestic Nonfinancial Corporations, 1960–2001,” SURVEY 82 (September 2002): 17–20.

52. See Kenneth A. Petrick, “Comparing NIPA Profits with S&P 500 Profits,” SURVEY 81 (April 2001): 16–20 and *Corporate Profits: Profits Before Tax, Profits Tax Liability, and Dividends*, Methodology Paper (Washington, DC: U.S. Bureau of Economic Analysis, September 2002), available at <www.bea.gov/beam.htm>.

and rent received by government from enterprises.⁵³ Detailed information on these payments and receipts will continue to be shown in the NIPAs, and as will be described more fully in the August article on presentational changes, more of the income estimates will be presented on a gross basis (that is, showing payments and receipts separately).⁵⁴

Net saving. Net saving will be added to the presentation of saving in the NIPAs. The NIPA presentation has traditionally focused on gross saving—that is, saving from all sources, including CFC—as the featured measure of national saving. Because CFC represents the charge for using up or replacing existing fixed assets, it is sometimes useful to look at the Nation’s net saving, a measure of the saving that is available for adding to the Nation’s net stock of fixed assets. Net saving is calculated as the sum of personal saving, wage accruals less disbursements, undistributed corporate profits with IVA and CCAdj, and the government current surplus or deficit. This new aggregate will serve as a supplement to the NIPA gross saving measure, rather than as a replacement.

Gross domestic investment. Gross domestic investment, will be added to the presentation of investment in the NIPAs. The NIPA presentation has traditionally focused on gross investment—that is, investment from all sources, including net foreign investment.⁵⁵ Gross domestic investment measures the total investment in fixed assets (that is, the structures, equipment, and software that are used in production) and in inventories (the change in private inventories), but net foreign investment is excluded. Gross domestic investment is calculated as the sum of gross private domestic investment and gross government investment, or, alternatively, as the sum of gross fixed investment and the change in private inventories.⁵⁶ This new aggregate will provide a comprehensive measure of investment on a domestic basis.

53. *SNA 1993* (paragraph 7.89) classifies these types of income as “property income,” but for clarity and for consistency with the ITAs, the terms “income payments (or receipts) on assets” will be used in the NIPAs.

54. For years prior to 1948, estimates of business income received and paid on assets are not available separately and will continue to be presented on a net basis. For years prior to 1960, estimates of government income received and paid on assets are not available separately and will continue to be presented on a net basis.

55. Net foreign investment is U.S. exports of goods and services and income receipts from the rest of the world less U.S. imports of goods and services, income payments to the rest of the world, and transfer payments to the rest of the world (net). As mentioned earlier, net foreign investment will be renamed “balance on current account, NIPAs” (see the section “Foreign transactions current and capital accounts”).

56. At present, the NIPAs do not include an inventory account for government, because of a lack of source data. The change in inventories for a few government categories for which data are available, specifically the Commodity Credit Corporation and the Strategic Petroleum Reserves, are treated as government consumption expenditures.

Receipts and Expenditures of State Governments and of Local Governments, 1959–2001

By Bruce E. Baker

IN the standard presentation of the national income and product accounts (NIPA's), the estimates of receipts and expenditures of state governments and of local governments are combined. This article presents estimates of receipts and expenditures for each level of government.¹ Separate estimates facilitate long-term analysis of each level. It also allows us to see significant developments that would otherwise be hidden. For example, we can see that the combined NIPA deficit for state and local governments in 2001 reflected a record

deficit at the state level but sizable surpluses at the local level.

This article begins with a short discussion of some of the main features of the government finances. It then gives an overview of changes in receipts and in various measures of expenditures and fiscal balance. The next section describes major trends in receipts and expenditures over the past four decades. The article concludes by showing that the NIPA estimates of state expenditures are reconcilable with the best known non-NIPA data on the subject. The estimates for state governments and for local governments are presented in tables 2–7 at the end of the article.

1. Separate estimates of State and local government finances were last published in Donald L. Peters, "Receipts and Expenditures of State Governments and of Local Governments: Revised and Updated Estimates, 1984–87" *SURVEY OF CURRENT BUSINESS* 68 (September 1988): 23–25.

Donald L. Peters and Steven J. Andrews prepared the estimates presented in this article.

Features of Government Finances

The federal system of government in the United States comprises three levels: The Federal Government, 50

Preparing the State and Local Government Estimates

Preparing the estimates for the NIPA's is like putting together a puzzle. The pieces of the puzzle are derived from many data sources. Sometimes, the pieces do not fit neatly together, resulting in statistical inconsistencies, and sometimes, pieces are missing.

Eventually, all of the puzzle pieces become available. In the State and local government sector, the estimates are mainly derived from a single data source—the Census Bureau's *Government Finances*—so when these data are incorporated into the accounts, the internal discrepancies are few.¹ The series of surveys in *Government Finances* provides full coverage of the 50 states and sample-based coverage of local governmental units—municipalities, counties, townships, school districts, and "special districts." *Government Finances* contains detailed data on receipts by source and on spending by function. Unfortunately, the data are only available on a fiscal year

basis and with a lag of up to 2 years for state government data and of up to 3 years for local government data.

Before the *Government Finances* data become available, state and local government estimates must be derived from other source data. Fortunately, data are available for estimating many of the larger components. For example, the estimates of wages and salaries are derived from current monthly estimates of state and local government employment and a quarterly employment cost index from the Bureau of Labor Statistics, and the estimates of construction are derived from monthly estimates of construction put in place from the Census Bureau. Information on the other large spending components—especially for transfer payments, such as Medicaid—is available from other Federal sources. For receipts, quarterly tax data for the major types of taxes are available from the Census Bureau, and monthly Federal grants data are available from the Treasury Department. The estimates of other puzzle pieces are based on judgmental trends.

Separate estimates of the state government accounts and of the local government accounts are not prepared regularly, because of resource constraints and because of the lack of current source data on a disaggregated basis.

1. These data are supplemented with data from other sources, particularly data on wages from the Bureau of Labor Statistics and detail on transfers from other Federal sources. BEA also imputes the estimates of some nonmonetary items, such as consumption of fixed capital and "services furnished without payment by financial intermediaries."

state governments, and 87,453 local governments.² The local governments consist of municipalities, counties, townships, school districts, and “special districts.”³ The structure of local governments varies from state to state.

As shown in table 1, the Federal Government is entirely responsible for funding national defense, most economic affairs, most disability and retirement programs, and unemployment insurance (which is classified in the NIPA’s as a Federal program).⁴ In addition, it is predominantly responsible for funding agriculture programs, public housing, and public health. Local governments are mainly responsible for police, fire, and primary and secondary education services. States usually share responsibility with the other two levels of governments; they take the lead in spending for prisons. The responsibility for many functions—such as transportation, natural resources, and welfare and social services—is disbursed widely among levels of government.

The ability of local governments to deliver services partly depends on grants, which generally flow from the higher levels of government to the local level (chart 1).⁵ Partly because of these grants, local governments have had current surpluses in recent years, while state governments have generally had current deficits (chart 2).

2. U.S. Bureau of the Census, *Compendium of Government Finances: 1997 Census of Governments*. (Washington, DC, 2000).

3. Special districts are local governmental units with powers to raise revenue and make expenditures for special functions, such as water distribution, airports, ports, and cemeteries.

4. The estimates presented in table 1 exclude grants. Expenditures are attributed to the level of government that makes the expenditure, regardless of the source of funds. Negative numbers for local governments reflect revenue from government enterprises and interest earnings.

5. However, there are some grants from local governments to state governments, and occasionally, some from the states to the Federal Government.

Table 1. Federal, State, and Local Government Current Expenditures by Function as a Share of Total Government, 2001

	Federal share	State share	Local share
Total government expenditures	56	20	24
National defense	100	0	0
Unemployment	100	0	0
Income security (excluding disability and retirement, unemployment and welfare)	100	0	0
Economic affairs (excluding agriculture, natural resources and transportation)	100	15	-15
Disability and retirement	97	3	0
Agriculture	85	15	0
Housing and community services	71	14	15
General public service	69	10	21
Health	52	44	4
Natural resources	52	32	16
Welfare and social services	34	41	25
Transportation	20	40	40
Recreation and culture	16	13	71
Law courts	15	39	46
Police	15	12	73
Prisons	6	63	31
Education	5	18	77
Fire	1	0	99

An Overview of Receipts, Expenditures, and Fiscal Balances

Receipts

Over the past four decades, receipts at each level of government have grown relative to the size of the economy.

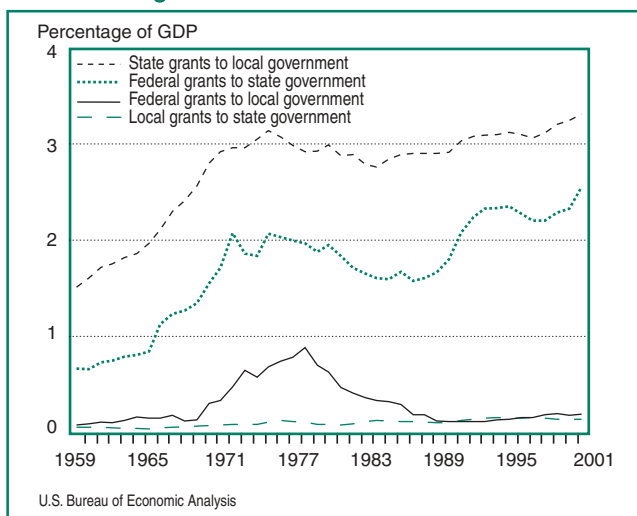
- As a share of gross domestic product (GDP), total government receipts grew from 24.1 percent in 1959 to 29.7 percent in 2001 (chart 3).
- Federal Government receipts grew from 17.1 percent to 19.9 percent.
- State government receipts (excluding grants from other levels of government) grew from 3.4 percent to 5.8 percent.
- Local government receipts (excluding grants from other levels of government) grew from 3.5 percent to 3.9 percent.

Expenditures

The NIPA’s provide two principal measures of government expenditures—“consumption” expenditures and “current” expenditures.

- Consumption expenditures are the inputs consumed by government in the process of producing government services. They include compensation of general government employees (except compensation that is classified as own-account investment), durable goods, nondurable goods, consumption of fixed capital, and other services.
- Current expenditures are much broader. They consist of consumption expenditures plus net transfer payments, grants to other levels of government, net interest payments, and subsidies to business less the surpluses earned by government enterprises, and they exclude wage accruals less disbursements.

Chart 1. Intergovernmental Grants-in-Aid



Current expenditures exclude capital account transactions, such as capital investment and capital transfers.

Consumption expenditures are important to the economy because they reflect the value of the services produced by the government and the value of the goods and services purchased by government from the private sector. Current expenditures are broader, and they also reflect influences on other sectors. For example, transfer payments to persons are a source of income to the household sector, and most of household income is used to purchase goods and services that are reflected in final demand as personal consumption expenditures.

A third NIPA measure augments consumption expenditures by the addition of government investment in structures and in equipment and soft-

ware. The result, “consumption expenditures and gross investment” (CE&GI), represents total “final demand” by the government—essentially, purchases of goods, services, and structures. Over the past four decades, the share of GDP accounted for by CE&GI of state and local governments has increased, while the share of CE&GI of the Federal Government has fallen.

- Local government CE&GI grew from about 6 percent in 1959 to more than 8 percent in 2001 (chart 5).
- State government CE&GI increased from about 3 percent to about 4 percent.
- Federal Government CE&GI fell from about 13 percent to about 6 percent (primarily reflecting a decline in the share of expenditures for national defense).

Chart 2. State Government and Local Government Current Surplus or Deficit, NIPA Basis

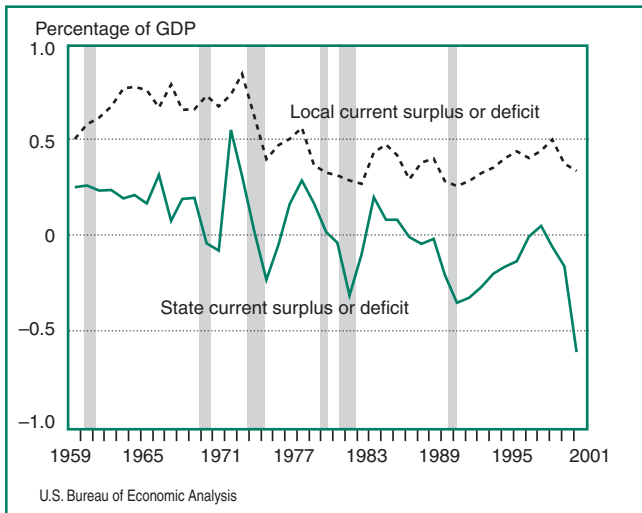


Chart 3. Federal, State, and Local Government Current Receipts Excluding Grants

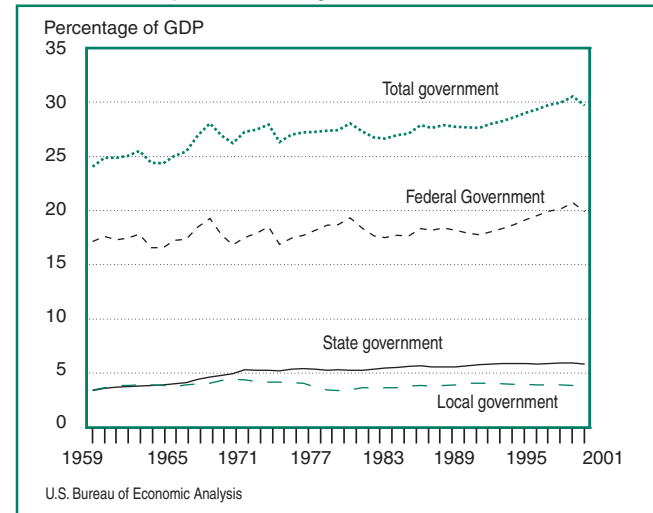


Chart 4. Federal, State, and Local Government Expenditures Excluding Intergovernmental Grants

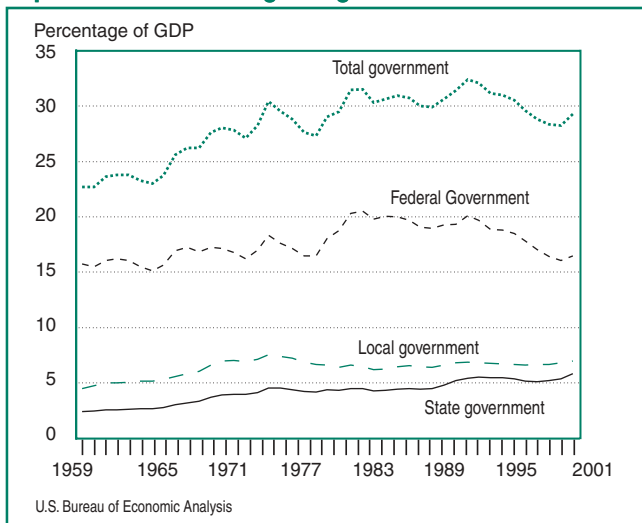
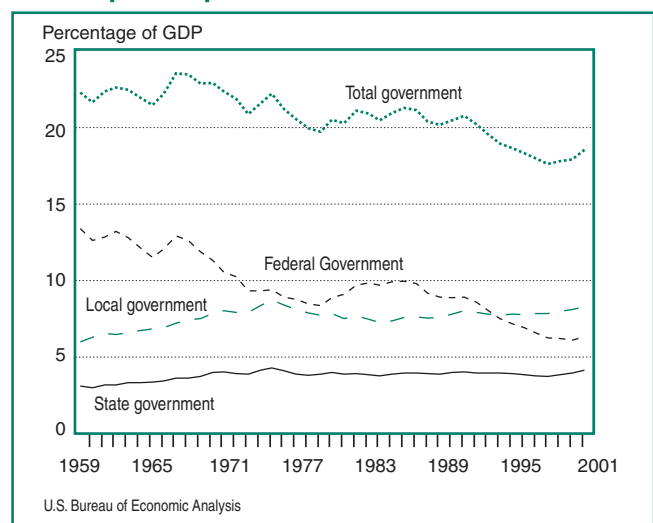


Chart 5. Federal, State, and Local Government Consumption Expenditures and Gross Investment



Changes in the composition of current expenditures. From 1959 to 2001, the Federal Government and state governments tended to allocate more of their expenditures to transfer payments and to grants and less to consumption. Local governments continued to allocate almost all of their expenditures to consumption.

- At the Federal level, consumption expenditures fell from 62.1 percent of current expenditures in 1959 to 27.3 percent in 2001.
- At the state level, consumption expenditures fell from 44.2 percent of current expenditures to 34.6 percent.
- In contrast, local government consumption expenditures were 96.1 percent of current expenditures in 1959 and 94.0 percent in 2001.

Fiscal balances

The difference between current receipts and current expenditures is the current surplus or deficit. It is the principal measure of fiscal balance in the NIPAs. In 2001,

- The Federal Government recorded a small surplus,
- Local governments collectively ran a sizable surplus, and
- State governments collectively posted record deficits.

The deficit at the state level may seem anomalous in light of the fact that all states except Vermont are legally required to balance their general funds.⁶ Three considerations explain the apparent anomaly. First, significant conceptual differences exist between the accounting conventions for state general funds and those for the NIPAs. In the state budgets, general funds can be “balanced” in the short run by transfers from the other funds. However, these interfund transactions are offsetting in the NIPAs because all funds (including general funds, capital funds, Federal funds, revolving funds, and “rainy day” funds) are consolidated.

Second, in the NIPAs, the consumption of fixed capital (depreciation) is treated as a current cost; this treatment is analogous to business accounting, in which depreciation is recorded as a current expense. As a result of this treatment, NIPA estimates of current expenditures include costs that are not included in state general-fund accounting.

Third, general funds have balances from prior years that may be used to fund current expenditures, while the NIPA surplus/deficit measure is defined as current receipts less current expenditures.

An alternative NIPA measure of the government fis-

6. Legal requirements vary among states. Some states require governors to submit balanced budgets, while others require legislatures to pass balanced budgets. Still others require that general fund revenues be sufficient to cover expenditures.

cal balance is “net lending” or “net borrowing” (if the sign is negative). Net lending is the cash-financing requirement for government. Except for consumption of fixed capital (a noncash expenditure included in consumption expenditures), net lending includes everything in the current surplus or deficit plus the following:

- Noncurrent expenditures for gross investment,
- Purchases of nonproduced assets, and
- Capital transfers.

In recent years, state governments and local governments have both recorded net borrowing (chart 6).

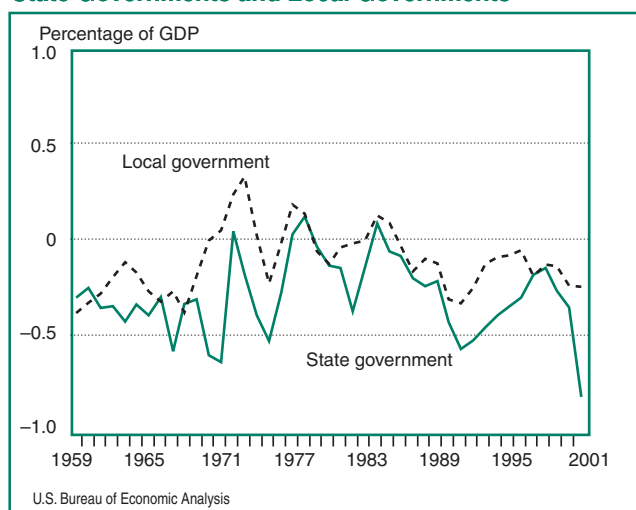
Trends in State and Local Government Finances

State and local governmental operations have changed significantly since 1959. The following discussion examines overall trends that are based on the NIPA estimates of state government and of local government receipts and expenditures, but it does not reflect the trends of individual governments. It should be noted that NIPA calendar years are estimated by averaging Census fiscal years.⁷ Small differences due to timing are reflected in the final results.

In the following section, receipts and current expenditures are discussed in terms of percentages of GDP. As previously mentioned, these measures are not included directly in GDP, but it is often useful to compare macroeconomic aggregates against GDP, particularly when considering trends that span long periods of time.

7. Calendar years for states are estimated as a simple average of adjacent fiscal years. Forty-six states have fiscal years ending in June; two have earlier ending dates, and two have later ending dates. For local governments, an average of 1/3 for year t-1 and 2/3 for year t is used because of the prevalence of fiscal years ending in December.

Chart 6. Net Lending or Net Borrowing for State Governments and Local Governments



State governments

The NIPA surplus/deficit has both cyclical and noncyclical components. Chart 2 shows separate measures for states and local governments. In the 1960s, the noncyclical component was sufficiently robust to allow states to run an unbroken string of current surpluses, despite the 1960–61 recession.

In 1970, the state surplus turned to deficit and remained negative in 1971. Total receipts decelerated, as decelerations in taxes more than offset a step-up in Federal grants. Transfer payments accelerated, particularly for family assistance.

Recovery and the return to surplus in 1972 was short-lived, as the 1973–75 recession led to diminishing surpluses and a return to deficits in 1975 and 1976, largely due to an acceleration in Medicaid and family assistance. Surpluses returned in 1977–79, but spending grew faster than revenue in 1979 and 1980. In 1981, with the onset of recession, deficits grew, and in 1982, the deficit reached \$10.9 billion. Surpluses returned in 1984–86; as revenue grew strongly with the economic recovery and as growth in transfers was restrained.

In 1987, small surpluses turned into a small deficit, beginning a nearly unbroken string of deficits. Factors behind the downswing included a deceleration in Federal grants-in-aid and a downturn in fines.

In 1990 and 1991, the deficit worsened, reflecting a combination of weak tax revenues caused by the economic downturn and of sharp increases in Medicaid. Medicaid spending increased 59 percent from 1990 to 1992; consequently, it took many years of growth to achieve a small surplus of \$2.9 billion in 1998. Deficits returned in 1999, reflecting an 8.6-percent increase in Medicaid spending and an acceleration in consumption expenditures. In 2001 the NIPA deficit reached a record \$64.0 billion; tax revenue showed almost no growth, while transfer payments and subsidies to business increased sharply. The California electricity crisis contributed significantly to the subsidies.

Local governments

From 1959 to 2001, the receipts and current expenditures of local governments grew more slowly than those of the state governments. In 1959, local government receipts amounted to 5.1 percent of GDP, and current expenditures amounted to 4.6 percent; in 2001, receipts amounted to 7.4 percent of GDP, and expenditures amounted to 7.1 percent.

Based on NIPA accounting concepts, the finances of local governments have a strong tendency towards surplus. Local government revenue sources are not closely tied to the business cycle; local governments depend on property taxes and on grants-in-aid from other levels of government. Local governments are also less

affected by increases in caseloads for transfer programs than state governments. From 1959 to 2001, transfer payments averaged 4.2 percent of total spending, while consumption expenditures averaged 93.8 percent. Partly because of the lack of cyclical volatility, and probably because of different local accounting conventions, NIPA surpluses were recorded in every year from 1959 through 2001.

Local governments engage in considerable investment activity, which is sometimes financed by borrowing. These surplus estimates imply that governments often partly fund investment activity from current surpluses instead of by borrowing. The alternative NIPA balance measure “net lending or net borrowing” represents governments’ cash borrowing requirement.

In the NIPA’s, capital transactions and purchases of nonproduced assets, such as land, are excluded from the current surplus calculation but are included in local government budgets. Thus the NIPA concept “net lending or net borrowing” is probably close to the budget constraints faced by local governments.

State Expenditures in the NIPA’s and in NASBO data

In addition to the NIPA’s, there are other widely recognized sources of data on state government finance, such as the National Association of State Budget Officers (NASBO).⁸ There are several important statistical and conceptual differences between the NIPA’s and the NASBO data.

The NIPA’s are largely based on the Census Bureau’s *Government Finances (GF)* series. Part of the difference between the NIPA’s and NASBO results from differences between the Census Bureau data and the NASBO data, including the following important statistical differences:

- NASBO data are self-reported by the states, which use a variety of different accounting concepts. In contrast, the census data are based on state data that are adjusted by Census Bureau staff to conform to uniform concepts and definitions.
- NASBO data are based on current budget data, while the census data are based on audited financial statements.
- Most of NASBO’s work focuses on state general funds, but their “State Expenditure Report” includes federal funds, bond funds, and “other” funds. The “other” funds data are sometimes less complete than the comparable census data, because the Census Bureau undertakes an exhaustive enumeration of governmental units and includes in the

8. Another widely recognized source of state data is the National Conference of State Legislatures (NCSL). NASBO and NCSL produce similar estimates.

GF statistics some funds that the states do not include, such as retirement funds.

Using *GF* as a primary data source, BEA makes several conceptual adjustments to these data to derive the NIPA estimates. These adjustments, which are intended to conform the census data to the NIPA concepts, include the following:

- Defining the boundaries of the state government sector,
- Separating current and capital transactions,
- Including certain noncash items, and
- Excluding purely financial transactions.⁹

Largely as a result of these conceptual differences, the levels of NIPA and NASBO total expenditures differ substantially.

- The NIPA measure excludes purchases of structures, equipment, and software, but it includes consumption of fixed capital, or depreciation, as a partial measure of the services provided by the stock of fixed assets.
- The NIPA's treat certain transactions, including grants for capital purchases and taxes on gifts and estates, as capital transactions.
- The NIPA's record government consumption expenditures net of sales revenue. Goods and services sold to households are recorded as personal consumption expenditures, not government consumption expenditures.

- Interest transactions are also recorded net.
- The NIPA's exclude transactions by government employee pension funds (except for employer contributions, which are treated as a component of compensation) on the basis that the funds are owned by employees, not by governments. The investment income and benefit payments of pension funds are included in the household sector.
- The NIPA's treat unemployment insurance fund transactions as a Federal program.
- Differences in timing arise from the conversion of source data from fiscal years to calendar years.

As expected, the Census Bureau's estimates are substantially higher than NASBO's estimates because of their wider coverage, and the NIPA estimates are substantially lower (chart 7). However an adjusted NIPA series closely tracks the NASBO estimates.¹⁰

Unfortunately, NASBO does not provide comparable total revenue estimates for all funds, and without those estimates, comparable surplus/deficit estimates cannot be made. Chart 8 shows an estimate of the NIPA surplus or deficit and a surplus or deficit measure derived from NASBO balances.¹¹ As one might expect, the correlation between the lines is not close.

There is no organization that covers all the local governments like NASBO does for the state governments.

9. A complete reconciliation of the NIPA receipts and expenditures to the *GF* data is shown in NIPA table 3.19 on BEA's Web site at <www.bea.gov>.

10. The adjusted NIPA surplus includes net investment and sales.

11. The NASBO surplus or deficit estimates are estimated as the yearly change in the combined balance of general and "rainy day" funds.

Chart 7. Census, NASBO, and NIPA Total State Expenditures, Fiscal Years 1987–2001

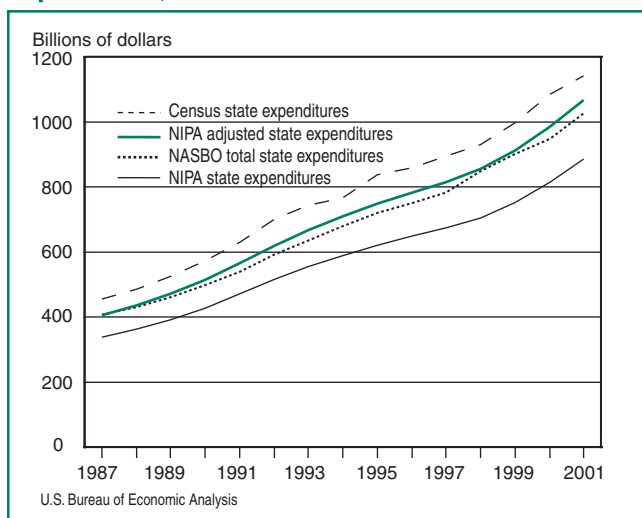


Chart 8. NASBO and NIPA Measures of State Surplus or Deficit, Fiscal Years 1980–2001

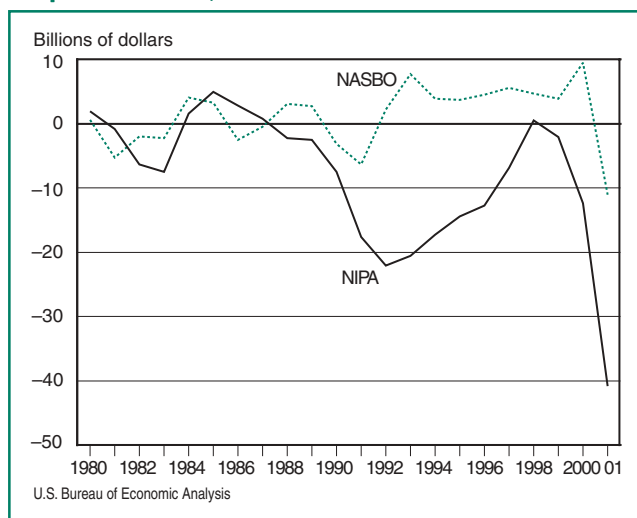


Table 2. State Government Current Receipts and Expenditures

[Billions of dollars]

	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
Current receipts	21.1	22.8	24.6	26.7	28.7	31.4	34.7	41.0	45.2	52.6	60.0	67.2	76.3	93.0	100.1	108.1	121.3	137.5	153.2	171.0	186.4
Personal tax and nontax receipts	3.2	3.6	3.9	4.3	4.6	5.2	5.7	6.7	7.4	9.2	11.2	12.4	14.0	18.5	20.5	22.0	24.2	28.2	32.3	37.1	40.6
Income taxes	2.0	2.3	2.5	2.8	3.1	3.6	3.9	4.8	5.3	6.9	8.6	9.6	11.0	15.2	16.8	18.0	19.9	23.4	27.2	31.6	34.6
Nontaxes	0.2	0.2	0.2	0.2	0.2	0.3	0.3	0.4	0.4	0.4	0.5	0.5	0.5	0.6	0.8	0.9	1.1	1.2	1.4	1.5	1.7
Other	1.1	1.1	1.2	1.2	1.3	1.3	1.4	1.6	1.7	1.9	2.2	2.4	2.5	2.7	3.0	3.1	3.2	3.5	3.7	4.0	4.3
Corporate profits tax accruals	1.1	1.2	1.3	1.5	1.6	1.8	1.9	2.2	2.5	3.1	3.4	3.5	4.0	5.0	5.7	6.3	6.9	9.1	10.8	11.5	12.9
Indirect business tax and nontax accruals	12.7	13.7	14.6	15.7	16.7	18.0	19.9	22.0	23.6	27.2	30.4	33.2	36.8	41.3	45.4	49.2	52.7	58.6	64.3	71.3	78.5
Sales taxes	10.0	10.8	11.6	12.6	13.4	14.5	16.1	18.0	19.4	22.8	25.7	28.2	31.4	35.2	38.8	42.0	44.7	49.9	55.0	60.8	65.7
Property taxes	0.5	0.5	0.5	0.6	0.6	0.6	0.7	0.7	0.7	0.8	0.9	0.9	1.0	1.1	1.2	1.1	1.4	1.5	1.5	1.9	2.3
Other	2.2	2.4	2.5	2.6	2.7	2.9	3.1	3.3	3.5	3.6	3.8	4.0	4.5	5.0	5.4	6.1	6.5	7.2	7.7	8.5	10.4
Contributions for social insurance	0.4	0.5	0.5	0.5	0.6	0.7	0.8	0.8	0.9	0.9	1.0	1.1	1.2	1.3	1.5	1.7	1.8	2.2	2.8	3.4	3.9
Federal grants-in-aid.....	3.4	3.5	4.0	4.4	4.9	5.4	6.1	8.9	10.3	11.6	13.3	16.2	19.4	25.8	25.8	27.6	33.9	37.1	40.6	45.2	48.3
Local grants-in-aid.....	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.4	0.5	0.6	0.7	0.8	0.9	1.1	1.2	1.3	1.8	2.3	2.4	2.5	2.2
Current expenditures	19.9	21.5	23.4	25.4	27.6	30.1	33.6	38.6	44.7	51.0	58.2	67.8	77.4	86.3	96.0	108.0	125.4	138.7	150.2	164.7	182.5
Consumption expenditures.....	8.8	9.5	10.2	10.9	11.8	12.8	14.2	15.9	18.2	20.5	23.3	26.9	30.1	32.8	36.9	44.0	51.1	55.9	60.8	67.3	75.3
Transfer payments to persons	3.6	3.8	4.1	4.4	4.7	5.1	5.5	6.4	7.7	9.5	10.8	12.9	15.3	17.5	19.4	19.9	24.2	26.9	29.1	32.0	35.4
Grants-in-aid to local governments.....	7.7	8.5	9.4	10.3	11.3	12.4	14.2	16.7	19.2	22.0	25.3	29.2	33.0	36.8	41.1	45.9	51.4	56.2	60.7	67.2	75.3
Net interest paid	0.1	0.1	0.1	0.2	0.2	0.2	0.1	0.1	-0.4	-0.6	-0.7	-0.5	-0.4	-1.0	-1.6	-1.2	-0.2	-0.3	-1.6	-3.5	
Interest paid.....	0.5	0.6	0.6	0.7	0.7	0.8	0.9	1.0	1.1	1.2	1.4	1.6	1.9	2.3	2.6	3.1	3.7	4.6	5.3	5.8	6.6
Less: Interest received by government.....	0.4	0.5	0.5	0.5	0.5	0.6	0.7	0.9	1.0	1.6	2.0	2.4	2.4	2.7	3.6	4.7	4.9	4.8	5.6	7.4	10.1
Less: Dividends received by government.....	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1
Subsidies less current surplus of enterprises.....	-0.3	-0.4	-0.4	-0.4	-0.4	-0.4	-0.5	-0.5	-0.5	-0.6	-0.5	-0.5	-0.4	-0.4	-0.4	-0.2	-0.1	-0.1	-0.1	-0.1	0.1
Subsidies	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.2	0.3	0.3	0.5	0.7	0.9	1.1	1.2	1.4	1.6	1.8
Less: Current surplus of enterprises.....	0.4	0.4	0.5	0.5	0.5	0.6	0.6	0.7	0.7	0.8	0.8	0.8	0.8	0.9	1.0	1.0	1.2	1.3	1.4	1.6	1.7
Less: Wage accruals less disbursements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current surplus or deficit, NIPA	1.2	1.3	1.2	1.3	1.1	1.3	1.1	2.4	0.5	1.6	1.8	-0.6	-1.1	6.7	4.1	0.1	-4.1	-1.2	3.0	6.3	3.9
Social insurance funds	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.3	0.3	0.4	0.5	0.6	1.0	1.5	1.8
Other	1.2	1.3	1.2	1.3	1.1	1.3	1.0	2.3	0.4	1.5	1.6	-0.8	-1.3	6.4	3.8	-0.3	-4.6	-1.8	2.0	4.8	2.1
Addenda:																					
Net lending or net borrowing	-1.5	-1.3	-1.9	-2.0	-2.6	-2.2	-2.8	-2.3	-4.8	-3.0	-3.0	-6.2	-7.1	0.6	-2.4	-5.8	-8.5	-4.9	0.7	2.9	-0.8
Current surplus or deficit NIPA	1.2	1.3	1.2	1.3	1.1	1.3	1.1	2.4	0.5	1.6	1.8	-0.6	-1.1	6.7	4.1	0.1	-4.1	-1.2	3.0	6.3	3.9
Plus: Consumption of fixed capital.....	1.8	1.9	2.0	2.1	2.3	2.5	2.7	3.0	3.3	3.6	4.1	4.7	5.2	5.6	6.3	8.1	9.0	9.2	9.5	10.1	11.2
Plus: Capital transfers received (net).....	2.3	1.7	2.0	2.1	2.6	3.1	3.1	3.4	3.1	4.0	3.7	3.3	3.6	3.6	3.1	3.5	4.5	4.7	4.8	4.9	6.1
Less: Gross investment	6.4	5.7	6.6	7.0	8.0	8.5	9.1	10.4	11.1	11.6	12.4	13.4	14.1	14.6	15.2	16.6	17.0	16.8	16.0	17.7	21.2
Less: Net purchases nonproduced assets...	0.4	0.5	0.5	0.5	0.6	0.6	0.6	0.7	0.6	0.6	0.2	0.2	0.7	0.7	0.7	0.9	0.9	0.8	0.6	0.7	0.8

Table 2. State Government Current Receipts and Expenditures—Continued

[Billions of dollars]

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Current receipts	205.9	224.7	230.5	252.9	284.7	305.5	329.9	349.6	373.4	404.8	434.2	473.2	515.9	553.6	590.7	622.7	649.7	685.0	726.0	775.8	828.9	859.5
Personal tax and nontax receipts	45.6	50.6	54.7	61.6	71.4	76.9	82.7	92.2	95.5	108.9	114.9	122.9	132.1	138.6	146.5	155.9	166.4	181.2	196.5	213.8	232.6	234.5
Income taxes	39.1	43.6	47.0	53.2	61.9	66.1	70.7	79.1	81.2	93.3	97.9	102.3	108.7	114.6	121.4	129.6	139.1	152.7	166.6	182.3	199.5	199.9
Nontaxes	1.8	2.1	2.4	2.8	3.2	3.8	4.3	4.7	5.4	6.1	7.1	10.2	12.3	12.2	12.5	13.2	13.8	14.5	15.3	16.3	17.7	19.1
Other	4.6	4.9	5.3	5.7	6.4	7.1	7.6	8.3	8.9	9.5	9.9	10.4	11.0	11.8	12.6	13.2	13.5	14.0	14.6	15.2	15.5	15.5
Corporate profits tax accruals	13.7	14.5	13.1	14.9	17.4	18.7	20.8	21.8	23.8	22.2	20.4	21.5	22.1	24.3	27.3	29.1	30.0	30.9	31.3	31.6	32.3	26.3
Indirect business tax and nontax accruals	85.9	95.4	99.6	109.6	122.9	132.5	140.6	148.0	158.0	167.5	178.0	185.0	197.8	211.5	226.2	238.8	250.8	265.2	280.9	295.3	311.7	317.6
Sales taxes	70.0	76.5	80.3	90.0	100.9	109.0	115.8	124.6	134.2	142.8	151.5	157.1	167.6	179.1	191.4	201.5	210.9	222.0	233.5	246.2	255.7	259.9
Property taxes	2.6	2.7	2.8	3.0	3.4	3.5	3.6	3.7	4.0	4.3	4.6	4.9	5.2	6.1	6.9	7.5	7.8	8.0	8.6	8.7	8.2	7.9
Other	13.2	16.3	16.5	16.6	18.7	20.0	21.2	19.6	19.8	20.4	21.9	23.0	25.0	26.3	28.0	29.9	32.1	35.1	38.9	40.4	47.8	49.9
Contributions for social insurance	3.6	3.9	4.0	4.1	4.7	4.9	6.0	7.2	8.4	9.0	10.0	11.6	13.1	14.1	14.5	13.6	12.5	10.8	10.1	9.7	9.2	9.2
Federal grants-in-aid.....	54.7	57.7	56.0	58.6	63.3	67.3	74.5	74.9	82.1	91.5	104.7	124.6	141.8	155.0	165.2	174.2	178.0	183.5	193.8	212.5	229.5	257.7
Local grants-in-aid.....	2.4	2.6	3.1	4.1	5.0	5.2	5.3	5.5	5.6	5.7	6.2	7.6	9.0	10.1	11.0	11.1	12.0	13.4	13.4	12.9	13.6	14.2
Current expenditures	205.9	226.4	241.4	257.0	277.5	302.7	327.0	350.9	376.5	406.7	447.2	495.5	537.8	572.8	606.1	636.2	661.6	686.8	723.1	782.8	846.6	923.5
Consumption expenditures.....	85.2	94.1	101.4	107.4	115.7	126.3	135.5	144.1	153.5	164.4	178.2	186.1	193.1	203.0	213.7	223.3	230.5	239.7	249.5	270.0	296.1	319.1
Transfer payments to persons	41.3	46.7	51.0	55.9	59.8	65.2	71.5	77.5	84.5	94.5	111.2	137.7	159.6	173.7	184.6	195.0	202.6	206.9	214.4	230.8	248.3	279.7
Grants-in-aid to local governments.....	83.7	90.4	94.4	98.9	108.7	120.0	128.9	137.8	148.4	159.5	169.4	181.9	194.8	205.9	218.8	231.5	242.3	255.4	274.1	297.6	319.3	334.5
Net interest paid	-4.6	-5.4	-5.6	-5.0	-6.0	-7.3	-7.2	-7.0	-8.0	-9.3	-9.3	-7.8	-6.7	-6.2	-7.1	-9.3	-9.6	-11.3	-11.3	-12.5	-14.3	-14.3
Interest paid	7.6	8.8	10.6	12.7	14.7	16.6	18.5	19.8	20.7	21.8	23.3	24.8	25.2	24.7	24.9	25.7	26.4	26.9	27.7	29.0	30.1	30.8
Less: Interest received by government.....	12.2	14.2	16.1	17.7	20.6	23.9	25.7	26.8	28.7	31.1	32.5	32.6	31.8	30.8	32.0	35.1	36.1	38.2	39.0	41.5	44.4	45.2
Less: Dividends received by government	0.1	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.3	0.3	0.4	0.4	0.4	0.4
Subsidies less current surplus of enterprises.....	0.4	0.7	0.4	0.0	-0.5	-1.3	-1.5	-1.3	-1.7	-2.2	-2.1	-2.2	-2.8	-3.4	-3.7	-4.0	-3.9	-3.6	-3.2	-2.7	-2.4	4.9
Subsidies	2.1	2.4	2.5	2.8	3.1	3.3	3.6	4.2	4.8	5.2	5.5	5.8	6.0	6.0	6.3	6.7	7.7	8.6	8.9	9.3	9.5	17.2
Less: Current surplus of enterprises.....	1.7	1.7	2.1	2.8	3.6	4.6	5.1	5.5	6.5	7.3	7.7	8.0	8.8	9.4	9.9	10.7	11.6	12.2	12.1	12.0	11.9	12.3
Less: Wage accruals less disbursements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current surplus or deficit, NIPA	0.0	-1.7	-10.9	-4.1	7.2	2.8	2.9	-1.3	-3.1	-1.9	-13.0	-22.3	-21.9	-19.2	-15.4	-13.5	-11.9	-1.8	2.9	-7.0	-17.7	-64.0
Social insurance funds	1.3	1.3	1.2	1.2	1.4	1.3	1.9	2.2	2.5	2.3	2.0	2.4	3.1	4.2	4.6	4.0	2.7	1.1	0.6	0.9	0.1	-0.1
Other	-1.3	-3.0	-12.1	-5.3	5.8	1.5	1.0	-3.5	-5.6	-4.2	-15.0	-24.7	-25.0	-23.4	-20.0	-17.5	-14.6	-2.9	2.3	-7.9	-17.8	-63.9
Addenda:																						
Net lending or net borrowing	-3.6	-4.4	-12.0	-4.9	3.5	-2.4	-3.5	-9.2	-12.1	-11.5	-24.6	-33.7	-32.7	-29.8	-27.4	-25.3	-23.1	-14.8	-12.5	-24.2	-34.0	-81.8
Current surplus or deficit NIPA.....	0.0	-1.7	-10.9	-4.1	7.2	2.8	2.9	-1.3	-3.1	-1.9	-13.0	-22.3	-21.9	-19.2	-15.4	-13.5	-11.9	-1.8	2.9	-7.0	-17.7	-64.0
Plus: Consumption of fixed capital.....	13.1	15.2	16.6	17.0	17.2	18.1	19.5	21.2	22.4	23.7	25.3	26.6	27.5	28.8	30.5	32.7	34.6	36.6	38.4	40.9	44.1	46.6
Plus: Capital transfers received (net).....	7.6	6.7	6.1	7.2	8.7	10.6	11.1	10.5	11.6	11.5	12.2	12.5	13.5	14.4	15.5	16.3	17.0	18.1	18.4	21.1	23.0	25.6
Less: Gross investment	23.5	23.8	23.0	24.0	28.6	32.8	35.7	38.0	41.4	43.2	47.3	48.6	49.9	52.0	56.3	59.1	60.8	65.6	69.8	76.4	80.5	86.9
Less: Net purchases nonproduced assets.....	0.8	0.8	0.8	1.0	1.0	1.1	1.3	1.6	1.6	1.6	1.8	1.9	1.9	1.8	1.7	1.7	2.0	2.1	2.4	2.8	2.9	3.1

NOTE: State receipts plus local receipts and state expenditures plus local expenditures do not sum to the consolidated state and local government account totals, because grants-in-aid from states to local governments and from local to state governments are netted in the consolidated account totals. In addition, two expenditure categories subsidies and current surplus of government enterprises do not sum to the consolidated account totals, because the level of government making

subsidy payments accounts for them as subsidies, while recipient governments account for them as surpluses of government enterprises. However, the aggregate category "Subsidies less current surplus of government enterprises" for state and local governments sum to the consolidated account total due to netting in the total.

Table 3. Local Government Current Receipts and Expenditures

[Billions of dollars]

	1959	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
Current receipts	25.7	28.3	31.0	33.5	36.3	39.6	43.1	47.6	53.6	59.6	66.7	77.4	87.0	97.3	108.7	117.6	131.4	145.4	159.4	173.0	182.0
Personal tax and nontax receipts	1.0	1.1	1.2	1.4	1.5	1.6	1.6	2.0	2.4	2.5	2.9	3.2	3.6	4.3	4.2	4.7	5.3	5.9	6.5	7.2	7.9
Income taxes	0.2	0.3	0.3	0.3	0.4	0.5	0.5	0.6	0.8	0.9	1.1	1.3	1.5	2.0	2.0	2.3	2.6	2.8	3.2	3.4	3.6
Nontaxes	0.2	0.3	0.4	0.4	0.4	0.4	0.4	0.6	0.8	0.8	0.8	1.0	1.1	1.3	1.2	1.3	1.5	1.8	2.0	2.4	2.8
Other	0.5	0.6	0.6	0.6	0.7	0.7	0.8	0.7	0.8	0.8	0.8	0.9	1.0	1.0	1.0	1.1	1.2	1.3	1.3	1.5	1.5
Corporate profits tax accruals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2	0.3	0.2	0.2	0.3	0.3	0.3	0.3	0.4	0.5	0.6	0.6	0.6
Indirect business tax and nontax accruals	16.6	18.2	19.8	21.2	22.7	24.5	26.2	27.7	30.3	33.7	37.0	41.6	46.3	50.0	54.1	58.0	63.1	69.2	75.6	77.6	80.1
Sales taxes	1.2	1.3	1.4	1.5	1.6	1.9	2.1	2.0	1.9	2.3	2.9	3.5	4.0	4.6	5.2	6.1	7.0	7.9	9.0	10.2	11.5
Property taxes	14.3	15.7	17.0	18.4	19.7	21.1	22.5	23.8	26.2	29.1	31.9	35.7	39.5	42.2	45.2	47.9	52.0	56.7	61.7	61.8	62.1
Other	1.1	1.2	1.3	1.4	1.4	1.5	1.6	1.8	2.1	2.3	2.5	2.9	3.2	3.7	4.0	4.2	4.6	4.9	5.7	6.5	6.5
Contributions for social insurance	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Federal grants-in-aid.....	0.4	0.5	0.6	0.6	0.8	1.1	1.1	1.2	1.5	1.1	1.3	3.2	3.8	5.9	9.0	8.7	11.2	13.6	16.0	20.4	18.1
State grants-in-aid.....	7.7	8.5	9.4	10.3	11.3	12.4	14.2	16.7	19.2	22.0	25.3	29.2	33.0	36.8	41.1	45.9	51.4	56.2	60.7	67.2	75.3
Current expenditures	23.2	25.3	27.9	29.6	31.6	34.5	37.7	42.4	47.1	53.7	60.6	69.8	79.5	88.3	97.1	108.4	125.0	137.0	149.4	160.6	172.9
Consumption expenditures.....	22.3	24.4	26.8	28.5	30.6	33.5	36.6	40.9	45.1	50.6	56.9	65.1	73.3	81.0	89.9	100.5	114.3	124.2	135.7	147.0	159.8
Transfer payments to persons	0.7	0.8	0.9	0.9	1.0	1.0	1.1	1.3	1.6	2.0	2.4	3.2	4.0	4.5	4.7	5.4	6.6	7.3	8.0	8.8	8.9
Grants-in-aid to state governments	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.4	0.5	0.6	0.7	0.8	0.9	1.1	1.2	1.3	1.8	2.3	2.4	2.5	2.2
Net interest paid.....	0.7	0.7	0.9	0.9	0.9	0.9	0.9	0.9	0.9	1.4	1.5	1.6	2.2	2.7	2.3	1.8	2.5	3.3	3.3	2.4	1.3
Interest paid.....	1.3	1.5	1.6	1.8	1.9	2.1	2.3	2.5	2.7	3.0	3.5	4.0	4.6	5.3	5.8	6.6	7.4	7.9	8.4	9.1	10.7
Less: Interest received by government.....	0.6	0.8	0.8	0.9	1.0	1.2	1.4	1.6	1.8	1.6	2.0	2.3	2.4	2.6	3.5	4.7	4.8	4.5	5.1	6.7	9.4
Less: Dividends received by government.....	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subsidies less current surplus of enterprises.....	-0.8	-0.9	-1.0	-1.0	-1.2	-1.2	-1.2	-1.1	-1.0	-0.9	-0.9	-0.9	-0.8	-1.1	-1.0	-0.6	-0.2	-0.1	0.0	0.1	0.6
Subsidies.....	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.3	0.3	0.3	0.3	0.3
Less: Current surplus of enterprises.....	0.8	0.9	1.0	1.0	1.2	1.2	1.2	1.1	1.0	0.9	0.9	0.9	0.8	1.1	1.0	0.7	0.5	0.4	0.3	0.2	-0.3
Less: Wage accruals less disbursements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.2	-0.1
Current surplus or deficit, NIPA	2.5	3.0	3.1	3.9	4.7	5.1	5.4	5.2	6.5	5.9	6.1	7.6	7.5	9.0	11.6	9.2	6.4	8.4	10.0	12.4	9.1
Social insurance funds																					
Other	2.5	3.0	3.1	3.9	4.7	5.1	5.4	5.2	6.5	5.9	6.1	7.6	7.5	9.0	11.6	9.2	6.4	8.4	10.0	12.4	9.1
Addenda:																					
Net lending or net borrowing	-1.8	-1.7	-1.8	-1.1	-0.8	-1.1	-1.9	-2.5	-2.2	-3.4	-2.1	0.1	0.6	2.9	4.8	0.4	-3.5	-0.2	3.8	2.8	-1.4
Current surplus or deficit NIPA.....	2.5	3.0	3.1	3.9	4.7	5.1	5.4	5.2	6.5	5.9	6.1	7.6	7.5	9.0	11.6	9.2	6.4	8.4	10.0	12.4	9.1
Plus: Consumption of fixed capital	2.4	2.6	2.7	2.9	3.1	3.3	3.6	3.9	4.3	4.7	5.3	5.9	6.6	7.2	8.0	9.6	11.2	12.1	13.1	14.3	16.3
Plus: Capital transfers received (net)	1.2	1.3	1.3	1.4	1.5	1.6	1.6	1.8	2.0	2.9	3.2	2.9	3.4	3.7	4.2	5.7	6.5	7.3	8.3	8.8	10.1
Less: Gross investment.....	7.5	8.2	8.4	8.8	9.5	10.5	11.8	12.7	14.2	16.1	15.9	15.4	16.0	16.0	18.0	23.1	26.6	27.1	26.7	31.7	35.7
Less: Net purchases nonproduced assets ..	0.4	0.4	0.5	0.5	0.6	0.6	0.7	0.7	0.8	0.8	0.8	0.9	0.9	1.0	1.0	1.0	0.9	0.9	0.9	1.0	1.2

Table 3. Local Government Current Receipts and Expenditures—Continued

[Billions of dollars]

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Current receipts	196.7	212.7	227.3	242.2	265.3	288.9	312.2	329.7	354.3	379.4	404.7	432.3	460.2	485.5	513.0	537.7	565.1	595.2	635.9	678.8	718.1	750.4
Personal tax and nontax receipts	8.3	10.0	11.3	12.1	13.3	14.3	15.9	16.4	18.5	20.0	21.1	22.4	24.3	26.1	28.2	30.6	33.3	35.8	39.0	42.0	44.8	46.7
Income taxes	3.5	4.3	4.9	5.1	5.6	6.0	6.8	6.9	8.6	9.3	9.8	10.4	10.9	11.4	12.0	12.9	13.8	14.9	16.0	17.4	18.6	18.7
Nontaxes	3.2	3.9	4.4	4.9	5.6	6.2	7.0	7.2	7.3	8.0	8.4	9.0	10.2	11.2	12.4	13.9	15.4	16.6	18.4	19.8	21.3	22.9
Other	1.7	1.8	2.0	2.1	2.2	2.2	2.1	2.3	2.5	2.8	2.9	3.1	3.2	3.5	3.8	3.9	4.0	4.3	4.6	4.8	5.0	5.1
Corporate profits tax accruals	0.7	0.9	0.9	1.0	1.4	1.5	1.8	2.1	2.2	2.1	2.1	2.2	2.3	2.6	2.7	2.6	3.0	3.3	3.3	3.2	3.3	2.7
Indirect business tax and nontax accruals	86.4	96.6	107.2	117.2	128.6	139.5	152.5	164.4	175.7	191.0	205.4	218.8	231.4	243.3	253.9	262.8	274.1	287.4	303.0	317.4	332.7	346.8
Sales taxes	12.8	14.2	15.9	17.7	20.1	22.1	24.1	25.7	27.3	29.9	31.7	33.0	34.6	36.9	39.6	42.1	44.6	47.3	50.7	54.4	58.6	61.4
Property taxes	66.2	74.4	82.5	88.9	96.3	104.0	112.6	122.7	132.8	144.4	156.5	167.9	177.6	185.0	190.7	196.1	203.6	212.3	221.7	230.6	239.8	249.5
Other	7.4	7.9	8.8	10.7	12.2	13.4	15.9	16.1	15.6	16.7	17.2	18.0	19.3	21.4	23.6	24.6	25.9	27.8	30.6	32.5	34.3	35.9
Contributions for social insurance	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Federal grants-in-aid.....	17.6	14.8	13.5	13.0	13.3	13.6	13.1	9.0	9.5	6.8	6.7	7.0	7.4	7.6	9.4	10.2	12.4	13.3	16.5	18.6	18.0	19.7
State grants-in-aid.....	83.7	90.4	94.4	98.9	108.7	120.0	128.9	137.8	148.4	159.5	169.4	181.9	194.8	205.9	218.8	231.5	242.3	255.4	274.1	297.6	319.3	334.5
Current expenditures	187.9	203.5	218.7	233.2	248.7	269.4	294.3	316.2	335.6	358.1	389.1	417.7	443.1	464.8	488.9	508.9	531.7	562.5	598.0	633.5	682.4	717.8
Consumption expenditures.....	175.2	190.5	205.4	217.6	233.7	254.2	275.4	295.0	314.4	338.6	367.5	390.0	408.5	426.5	448.9	471.4	496.1	526.8	558.8	594.6	641.8	674.6
Transfer payments to persons	9.9	10.4	10.2	11.0	11.4	12.1	12.9	13.3	14.1	15.0	16.6	18.9	20.5	21.7	22.3	22.8	21.7	20.7	20.9	21.9	23.0	24.8
Grants-in-aid to state governments	2.4	2.6	3.1	4.1	5.0	5.2	5.3	5.5	5.6	5.7	6.2	7.6	9.0	10.1	11.0	11.1	12.0	13.4	13.4	12.9	13.6	14.2
Net interest paid	-0.8	-2.1	-1.7	-0.2	-0.8	-0.5	1.7	3.9	4.2	2.7	3.0	5.7	9.5	11.7	11.5	9.8	10.5	10.4	11.6	11.8	11.4	12.2
Interest paid.....	11.8	14.1	16.6	19.6	22.3	25.5	29.5	32.1	33.7	35.8	37.1	38.8	39.9	40.1	40.9	42.1	44.0	45.7	47.7	49.7	51.3	52.4
Less: Interest received by government.....	12.5	16.1	18.3	19.7	23.1	26.0	27.7	28.2	29.5	33.1	34.1	33.2	30.4	28.3	29.3	32.3	33.4	35.3	36.0	38.0	39.8	40.2
Less: Dividends received by government.....	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subsidies less current surplus of enterprises.....	1.2	2.1	1.7	0.7	-0.6	-1.6	-1.0	-1.5	-2.7	-3.9	-4.2	-4.5	-4.4	-5.2	-4.8	-6.2	-8.6	-8.8	-6.7	-7.7	-7.4	-8.0
Subsidies	0.3	0.4	0.5	0.6	0.6	0.7	1.0	1.2	1.2	1.2	1.3	1.4	1.4	1.4	1.4	1.4	1.4	1.5	1.5	1.5	1.7	1.7
Less: Current surplus of enterprises.....	-0.9	-1.7	-1.1	-0.1	1.2	2.3	2.0	2.7	4.0	5.2	5.4	5.8	5.8	6.5	6.2	7.6	10.0	10.3	8.2	9.3	9.0	9.7
Less: Wage accruals less disbursements	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current surplus or deficit, NIPA	8.8	9.2	8.6	9.0	16.6	19.5	17.9	13.5	18.7	21.3	15.6	14.6	17.1	20.7	24.1	28.8	33.4	32.7	37.9	45.3	35.7	32.6
Social insurance funds	8.8	9.2	8.6	9.0	16.6	19.5	17.9	13.5	18.7	21.3	15.6	14.6	17.1	20.7	24.1	28.8	33.4	32.7	37.9	45.3	35.7	32.6
Other	8.8	9.2	8.6	9.0	16.6	19.5	17.9	13.5	18.7	21.3	15.6	14.6	17.1	20.7	24.1	28.8	33.4	32.7	37.9	45.3	35.7	32.6
Addenda:																						
Net lending or net borrowing	-3.4	-1.3	-0.8	-0.1	5.1	3.9	-1.4	-7.3	-4.9	-6.4	-17.7	-19.4	-15.5	-8.3	-6.0	-5.6	-3.8	-15.2	-10.9	-12.4	-23.0	-24.1
Current surplus or deficit NIPA.....	8.8	9.2	8.6	9.0	16.6	19.5	17.9	13.5	18.7	21.3	15.6	14.6	17.1	20.7	24.1	28.8	33.4	32.7	37.9	45.3	35.7	32.6
Plus: Consumption of fixed capital	18.7	21.1	22.9	23.9	25.1	26.6	28.4	30.3	32.5	35.1	37.8	40.4	42.4	45.1	48.4	51.4	54.3	57.6	61.0	65.5	70.9	77.1
Plus: Capital transfers received (net)	11.0	11.1	10.9	10.8	11.4	11.4	11.9	11.9	11.6	12.0	12.8	13.1	13.5	14.3	14.2	16.0	16.8	17.2	17.6	18.6	20.8	22.7
Less: Gross investment.....	40.5	41.2	41.8	42.4	46.3	51.6	57.2	60.4	64.9	71.5	79.9	83.5	84.5	84.2	88.0	96.7	103.0	117.6	121.2	134.9	143.4	149.3
Less: Net purchases nonproduced assets ..	1.4	1.5	1.4	1.4	1.7	2.0	2.4	2.6	2.8	3.3	4.0	4.0	4.0	4.2	4.7	5.1	5.3	5.1	6.2	6.9	7.0	7.2

NOTE: State receipts plus local receipts and state expenditures plus local expenditures do not sum to the consolidated state and local government account totals, because grants-in-aid from states to local governments and from local to state governments are netted in the consolidated account totals. In addition, two expenditure categories subsidies and current surplus of government enterprises do not sum to the consolidated account totals because the level of government making

subsidy payments accounts for them as subsidies, while recipient governments account for them as surpluses of government enterprises. However, the aggregate category "Subsidies less current surplus of government enterprises" for state and local governments sum to the consolidated account total due to netting in the total.

Foreign Direct Investment in the United States

New Investment in 2002

By Thomas W. Anderson

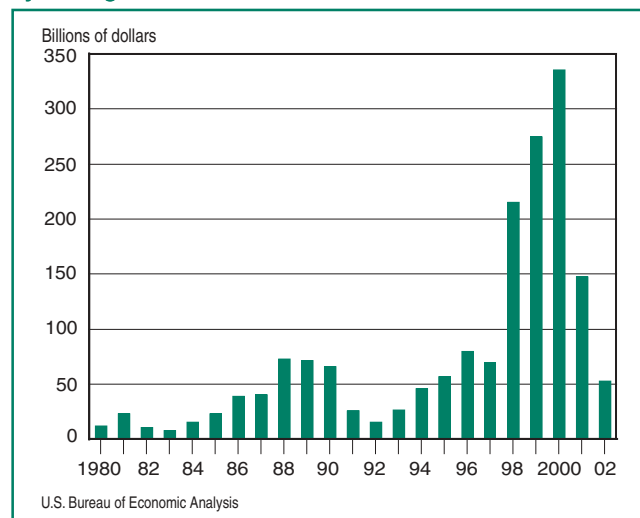
IN 2002, outlays by foreign direct investors to acquire or establish U.S. businesses fell by more than half for the second consecutive year. Total outlays were \$52.6 billion, down 64 percent from \$147.1 billion in 2001; outlays were 84 percent below the record \$335.6 billion in 2000, which was the final year of a 3-year period of exceptionally high outlays (chart 1 and table 1).¹ As a result of these declines, spending for new investments in 2002 was at the lowest level since 1994.

The decline in outlays in 2002 reflected continuing weakness in the U.S. economy and in many foreign economies and a falloff in merger and acquisition activity worldwide.² New investment may also have been dampened by uncertainty about the value of potential targets for acquisition and their future earnings prospects. Continued sharp declines and volatility in U.S.

stock market prices made it more difficult for acquiring firms and potential sellers to agree on acquisition prices, and a few highly publicized cases of questionable accounting practices may have increased uncertainty about earnings quality and company valuations. In addition, very large—\$5 billion or more—investments were less prevalent than in recent years and accounted for less than a fourth of total outlays (table 2).

In 2002, outlays fell in all major industry sectors, particularly in finance and insurance, manufacturing, and information. The decline was especially severe in finance and insurance, which had maintained high

Chart 1. Outlays for New Investment in the United States by Foreign Direct Investors, 1980–2002



1. The estimates for 2002 are preliminary. The estimate of total outlays for 2001 has been revised up 11 percent from the preliminary estimate published last year; see Thomas W. Anderson, "Foreign Direct Investment in the United States: New Investment in 2001," *SURVEY OF CURRENT BUSINESS* 82 (June 2002): 28–35. For information on the coverage of the estimates, see the "Technical Note" on page 58 of this issue.

2. According to information from Thomson Financial Securities Data, the worldwide dollar volume of announced merger and acquisition activity decreased 28 percent in 2002.

NOTE. The data presented in this article were drawn from BEA's survey of new foreign direct investment in the United States that was conducted under the supervision of Dorrett E. Williams, with contributions by Constance T. Deve, Edward J. Kozerka, Ronald L. McNeil, Erica Carson-Brown, and Joseph N. Poist. Karen E. Poffel and Neeta B. Kapoor programmed the tables.

Table 1. Investment Outlays by Type of Investment and Investor, 1992–2002

[Millions of dollars]

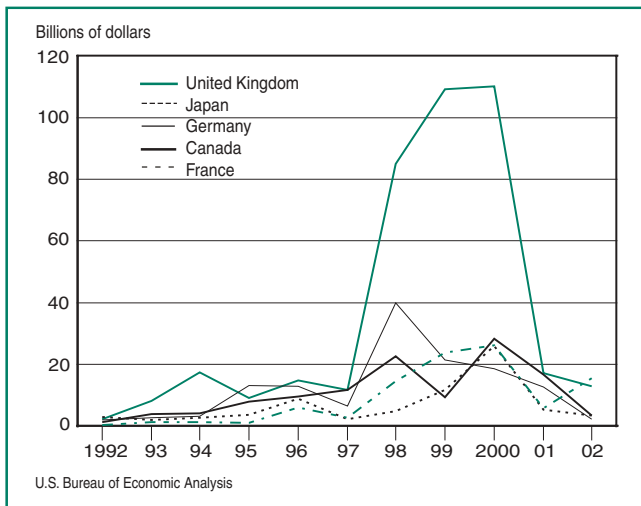
	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001 ^r	2002 ^p
Total outlays	15,333	26,229	45,626	57,195	79,929	69,708	215,256	274,956	335,629	147,109	52,558
By type of investment:											
U.S. businesses acquired	10,616	21,761	38,753	47,179	68,733	60,733	182,357	265,127	322,703	138,091	42,773
U.S. businesses established	4,718	4,468	6,873	10,016	11,196	8,974	32,899	9,829	12,926	9,017	9,785
By type of investor:											
Foreign direct investors	4,058	6,720	13,628	11,927	32,230	13,899	120,828	120,878	105,151	23,134	14,512
U.S. affiliates	11,275	19,509	31,999	45,268	47,699	55,809	94,428	154,078	230,478	123,975	38,045

^p Preliminary.
^r Revised.

levels of outlays in 2001 even as spending declined in other sectors. The decline was also widespread across investing countries. In Germany, the United Kingdom, the Netherlands, and Japan, which historically have been major sources of investment outlays, weak economic conditions slowed the flow of direct investment into the United States. Among major source countries,

only France had an increase in investment outlays (chart 2).

Chart 2. Outlays for New Investment in the United States by Foreign Direct Investors, from Selected Countries, 1992–2002



Spending in 2002

In 2002, as in previous years, outlays to acquire existing U.S. businesses—at \$42.8 billion—accounted for most of the total outlays. Outlays to establish new U.S. businesses totaled \$9.8 billion. Again, as in most previous years, the majority of outlays were made by or through existing U.S. affiliates (\$38.0 billion) rather than by the foreign direct investors themselves (\$14.5 billion). Of the \$38.0 billion in outlays made by or through existing U.S. affiliates, most of the funds (\$22.8 billion) were provided by the foreign direct investors, who also funded all of their own outlays. As a result, the share of total outlays funded by foreign direct investors was 71 percent, up from 54 percent in 2001. The funds supplied by foreign direct investors are part of overall capital inflows for foreign direct investment in the United States, as recorded in the financial account of the U.S. international transactions accounts.³

3. Capital inflows, unlike the data on investment outlays reported in this article, include funding of existing as well as new U.S. affiliates. The preliminary estimates for these flows were published in Christopher L. Bach, "U.S. International Transactions, Fourth Quarter and Year 2002," SURVEY 83: (April 2003) 18–60. Revised estimates will be published in the July SURVEY.

Table 2. Distribution of Investment Outlays by Size, 1992–2002

[Percent]

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001 ^r	2002 ^p
Total outlays	100	100	100	100	100	100	100	100	100	100	100
\$5 billion or more.....	0	0	0	(D)	0	0	55	55	48	30	(D)
\$2 billion–\$4.999 billion.....	0	(D)	27	18	29	12	11	16	20	22	19
\$100 million–\$1.999 billion.....	42	51	51	48	55	67	27	24	27	40	45
Less than \$100 million.....	58	(D)	22	(D)	16	21	7	5	5	9	(D)

D Suppressed to avoid disclosure of data of individual companies.

^p Preliminary.

^r Revised.

Key Terms

Foreign direct investment in the United States is ownership or control, directly or indirectly, by one foreign person of 10 percent or more of the voting securities of an incorporated U.S. business enterprise or an equivalent interest in an unincorporated U.S. business enterprise.

A *U.S. affiliate* is a U.S. business in which there is foreign direct investment.

A *person* is any individual, corporation, branch, partnership, associated group, association, estate, trust, or other organization, and any government (including any corporation, institution, or other entity or instrumentality of a government).

A *foreign person* is a person that resides outside the 50

States, the District of Columbia, the Commonwealth of Puerto Rico, and all U.S. territories and possessions.

The *ultimate beneficial owner* (UBO) is that person, proceeding up a U.S. affiliate's ownership chain, beginning with and including the foreign parent, that is not owned more than 50 percent by another person. The foreign parent is the first foreign person in the affiliate's ownership chain. Unlike the foreign parent, the UBO of an affiliate may be located in the United States. The UBO of each U.S. affiliate is identified to ascertain the person that ultimately owns or controls the U.S. affiliate and that therefore ultimately derives the benefits from ownership or control.

By industry, outlays were largest in manufacturing (\$17.3 billion) and information (\$14.2 billion) (table 3). Within manufacturing, outlays were largest in beverages and tobacco products (\$4.1 billion), followed by food (\$2.3 billion). Reflecting weak business conditions, outlays in computers and electronic products were only \$0.5 billion, down from \$10.1 billion in 2001 and \$42.6 billion in 2000. Within the information sector, outlays increased substantially in motion pictures and sound recording. In contrast, outlays in broadcasting and telecommunications declined sharply, from \$15.5 billion in 2001 to \$2.4 billion 2002, amid concerns over the industry's high debt and excess capacity. Outlays in the finance (except depository institutions) and insurance industry declined to only \$3.2 billion; the decline followed three consecutive years in which investments, driven by acquisitions of U.S. insurance companies, exceeded \$40 billion. Outlays in real estate and rental and leasing were \$4.6 billion, up from \$3.6 billion in 2001, reflecting the continued strength of the U.S. housing and property markets.

By country of ultimate beneficial owner, France and the United Kingdom had the largest outlays in 2002, together accounting for over half of the total (table 4). Outlays by investors from France increased to \$15.6 billion from \$5.8 billion in 2001, largely as a result of investments in information and in professional, scientific, and technical services. Outlays by investors from the United Kingdom, whose spending had been the

largest of any investing country for several years, fell to \$13.0 billion from \$17.1 billion in 2001; in 2002, outlays were largest in utilities and manufacturing. Outlays by investors from many other European countries, including the Netherlands (\$3.2 billion), Switzerland (\$2.8 billion), and Germany (\$2.2 billion), were far lower in 2002 than in 2001, partly because of weak economic conditions in those countries. Outlays by investors from Canada fell to \$3.5 billion from \$16.6 billion. In the Asia and Pacific region, Japan (\$3.4 billion) was the largest source of investment outlays, followed by Australia (\$1.7 billion).

Operating data of acquired or established U.S. businesses

The assets of U.S. businesses that were newly acquired or established by foreign investors totaled \$94.8 billion in 2002, down from \$382.3 billion in 2001 (table 5). Among industry groups, manufacturing, with assets of \$22.3 billion, accounted for the largest share of total assets.

Newly acquired or established businesses employed 182,000 people in 2002, down from 410,000 in 2001. Manufacturing, with 74,000 employees, accounted for the largest share of employment in 2002. The next largest shares of employment were in administration, support, and waste management (included in "other industries"), with 34,000 employees, and information, with 25,000.

Table 3. Investment Outlays by Industry of U.S. Business Enterprise, 1999–2002
[Millions of dollars]

	1999	2000	2001 ^a	2002 ^a
All industries	274,956	335,629	147,109	52,558
Manufacturing	73,122	143,285	37,592	17,259
Food.....	859	(D)	(D)	2,278
Beverages and tobacco products.....	1,417	3,722	582	4,050
Petroleum and coal products.....	158	(D)	(D)	2,043
Chemicals.....	5,703	15,016	4,636	1,211
Plastics and rubber products.....	3,638	3,154	622	992
Nonmetallic mineral products.....	3,175	6,324	425	1,257
Primary metals.....	2,542	379	692	564
Fabricated metal products.....	1,388	638	758	47
Machinery.....	13,941	1,213	(D)	526
Computers and electronic products.....	30,601	42,600	10,052	488
Electrical equipment, appliances, and components..	4,247	8,084	(D)	1,013
Transportation equipment.....	2,786	3,230	470	668
Other.....	2,667	6,529	5,214	2,122
Wholesale trade	(D)	8,561	3,982	381
Retail trade	3,458	1,672	1,913	433
Information	90,855	67,932	27,599	14,235
Publishing industries.....	(D)	10,135	9,545	(D)
Motion pictures and sound recording industries.....	(D)	(D)	1,179	(D)
Broadcasting and telecommunications.....	78,202	(D)	15,529	2,374
Information services and data processing services..	(D)	12,228	1,345	(D)
Depository institutions	(D)	2,636	5,709	705
Finance (except depository institutions) and insurance	46,380	44,420	40,780	3,241
Real estate and rental and leasing	5,206	4,526	3,572	4,573
Professional, scientific, and technical services	9,366	32,332	7,044	4,424
Other industries	32,680	30,264	18,917	7,306

D Suppressed to avoid disclosure of data of individual companies.

^a Preliminary.

^r Revised.

Table 4. Investment Outlays by Country of Ultimate Beneficial Owner, 1999–2002¹
[Millions of dollars]

	1999	2000	2001 ^a	2002 ^a
All countries	274,956	335,629	147,109	52,558
Canada	9,271	28,346	16,646	3,533
Europe	196,288	249,167	78,328	39,374
France.....	23,750	26,149	5,772	15,566
Germany.....	21,514	18,452	12,733	2,194
Netherlands.....	22,265	47,686	14,879	3,181
Switzerland.....	7,512	22,789	16,468	2,756
United Kingdom.....	109,226	110,208	17,095	12,956
Other Europe.....	12,021	23,883	11,381	2,721
Latin America and Other Western Hemisphere	33,046	15,400	15,274	3,021
South and Central America.....	1,622	5,334	431	407
Other Western Hemisphere.....	31,424	10,066	14,843	2,613
Africa	(D)	(D)	(D)	565
Middle East	848	947	(D)	283
Asia and Pacific	15,100	40,282	11,383	5,352
Australia.....	(D)	(D)	4,869	1,654
Japan.....	11,696	26,044	5,345	3,429
Other Asia and Pacific.....	(D)	(D)	1,169	269
United States ²	(D)	(D)	(D)	430

D Suppressed to avoid disclosure of data of individual companies.

^a Preliminary.

^r Revised.

1. For investments in which more than one investor participated, each investor and each investor's outlays are classified by country of each ultimate beneficial owner.

2. The United States is shown as the country of ultimate beneficial owner for businesses newly acquired or established by foreign investors that are, in turn, ultimately owned by persons located in the United States (see the box "Key Terms").

Net income for newly acquired or established businesses was negative \$2.5 billion in 2002, compared with positive net income of \$1.0 billion in 2001. Total sales by these businesses were \$49.1 billion, down from \$108.9 billion.

Technical Note

The estimates of new foreign direct investment, which cover U.S. business enterprises that were acquired or established by foreign direct investors during the year, are based on data from the survey reports used by the Bureau of Economic Analysis (BEA) to collect the information and—for the preliminary estimates for 2002—from BEA estimates for reports not yet received. For the survey, a U.S. business enterprise is categorized as “established” if the foreign parent or its existing U.S. affiliate creates a new legal entity that is organized and begins operating as a new U.S. business enterprise or that directly purchases U.S. real estate.⁴ A U.S. business enterprise is categorized as “acquired” if (1) a foreign parent or its U.S. affiliate obtains a voting interest of 10 percent or more in the equity of an existing U.S. business enterprise and continues to operate it as a separate legal entity; (2) a foreign parent or its affiliate purchases a business segment or an operating unit of an existing U.S. business and organizes it as a new separate legal entity; or (3) an existing U.S. affiliate purchases a U.S. business, a segment of a U.S. business, or an operating unit of a U.S. business and merges it into its own operations.

The estimates of new foreign direct investment do not cover the acquisition of additional equity in an existing U.S. affiliate, the acquisition of an existing U.S.

4. The number of new U.S. businesses established is not equivalent to the number of “greenfield” investments, which typically refers to the construction of new plants or other business facilities. First, direct purchases of U.S. real estate—which often involve purchases of existing office buildings, hotels, retail stores, shopping centers, or other property—are included in the “established” measure but are not considered “greenfield” investments. Second, new plants that are built by existing U.S. affiliates are considered “greenfield” investments, but they are included in these data—as “established” businesses—only if they are set up as separate legal entities.

affiliate by one foreign investor from another, or the expansion in the operations of an existing U.S. affiliate where no separate legal entity is created. Selloffs or other disinvestments are not netted against the new investments. (For information about related BEA data, see the box “Data on Foreign Direct Investment in the United States.”)

A U.S. business that is acquired or established by a foreign direct investor or by an existing U.S. affiliate of a foreign investor and that has total assets of more than \$3 million or owns 200 or more acres of U.S. land is required to file a full report with BEA. In addition, a U.S. business enterprise that is acquired by an existing U.S. affiliate of a foreign investor and merged into the operations of the affiliate must file a full report if the total cost of the acquisition exceeds \$3 million or if the acquired enterprise owned 200 or more acres of U.S. land. To reduce the reporting burden, smaller U.S. businesses—those having total assets of \$3 million or less and owning fewer than 200 acres of U.S. land—are permitted to file shorter, partial reports.⁵

BEA prepares estimates for the data items that are not collected on the partial reports and combines them with the data it collects on the partial reports and the

5. Survey forms for the full reports (BE-13) and the partial reports (BE-13, supplement C) are on BEA's Web site at <www.bea.gov/financial/surveys.htm>.

Availability of New Investment Data

Summary estimates of the outlays by foreign direct investors to acquire or establish businesses in the United States are presented in this article. More detailed estimates by industry and by country for 1980–2002 are available on BEA's Web site at www.bea.gov. Click on “Balance of payments and related data,” and look under “Direct Investment, Foreign Direct Investment in the United States, Financial and Operating Data” for “U.S. Business Enterprises Acquired or Established by Foreign Direct Investors.”

Table 5. Selected Operating Data of U.S. Business Enterprises Acquired or Established, by Industry of U.S. Business Enterprise, 2001–2002

	2001 ^a					2002 ^a				
	Millions of dollars			Thousands of employees	Number of hectares of land owned ¹	Millions of dollars			Thousands of employees	Number of hectares of land owned ¹
	Total assets	Sales	Net income			Total assets	Sales	Net income		
All industries	382,308	108,909	951	410.0	103,539	94,839	49,086	-2,548	182.2	105,075
Manufacturing	55,269	35,986	760	125.4	24,031	22,325	22,666	-3,655	73.6	11,149
Wholesale trade	6,507	13,129	100	31.9	243	420	1,476	23	1.4	33
Retail trade	2,407	4,491	16	31.1	507	435	657	4	9.0	32
Information	42,581	8,758	-863	44.7	142	15,687	6,677	325	25.3	(D)
Depository institutions	66,645	4,217	309	8.2	101	4,488	290	21	1.0	(D)
Finance (except depository institutions) and insurance	168,202	22,136	1,854	34.1	(D)	10,959	1,334	143	4.4	3
Real estate and rental and leasing	4,224	418	38	0.5	(D)	12,747	2,768	180	0.8	8,639
Professional, scientific, and technical services	15,678	10,485	-497	58.3	(D)	1,141	420	-54	3.0	0
Other industries	20,795	9,290	-765	75.7	33,017	26,637	12,797	464	63.7	84,071

D Suppressed to avoid disclosure of data of individual companies.

^a Preliminary.

^r Revised.

1. One hectare equals 2.471 acres. Thus, for all industries, acres of land owned in 2001 and 2002 were 255,845 and 259,640, respectively.

NOTE. For newly acquired businesses, data cover the most recently completed financial reporting year. For newly established businesses, data are projections for the first full year of operations.

full reports. Because the businesses that file partial reports are so small, their estimated and reported values generally have a negligible impact on the published aggregates. For example, in 2001, the total assets of U.S. businesses that filed partial reports were \$360 million, less than 1 percent of the total assets for all new investments.

Although the values for the partial reports are generally negligible, the number of partial reports is significant. For example, in 2001, BEA received 1,000 partial reports and 821 full reports. Furthermore, the number of businesses that are subject to partial reporting may be higher than the actual number of partial reports BEA actually receives, because not all of the smaller U.S. businesses acquired or established by foreigners file reports. BEA makes every effort to contact all U.S. businesses that may have been newly acquired or established by foreigners, but it must concentrate its limited resources on ensuring compliance with reporting requirements by larger businesses.

Of the 821 full reports filed in 2001, 571 were for investments to acquire an existing U.S. business, and 250 were for investments to establish a new U.S. business. For 2002, BEA estimates that 512 businesses will have filed full reports by the time the revised estimates are published next year.⁶

6. Each year, BEA continues to receive survey reports after the preliminary estimates are published. To make the preliminary estimates as accurate as possible, BEA augments the reported data with estimates for late reports. An estimate is made for each of the data items covered by the survey, and these estimates cover both full and partial reports. BEA also estimates the number of full reports, but it does not estimate the number of partial reports, because this number fluctuates considerably from year to year.

The number of full reports by size of outlay is shown in the table below. For 2002, among the four size classes shown, the numbers for the three largest classes represent the number of reports actually received. The number for investments of less than \$100 million includes an estimate of the number of late reports that will be received before the revised estimates are published.

	2000	2001 ^r	2002 ^p
Total	982	821	512
\$5 billion or more	12	4	1
\$2 billion–\$4.999 billion	22	10	3
\$100 million–\$1.999 billion	206	148	61
Less than \$100 million	742	659	447

^p Preliminary.
^r Revised.

The number of new investments for 1998–2002 is not comparable with the number of new investments for 1980–97, because in 1998, the dollar threshold for filing full reports was raised from \$1 million in total assets to \$3 million. The incomparability affects only the total number and the number in the smallest size class. In addition, prior to 1998, the values for new investments did not include estimated values for partial reports. Because these estimated values would have been negligible, the previously published values for 1980–97 are reasonably comparable with those for 1998 forward.

Tables 6 and 7 follow.

Data on Foreign Direct Investment in the United States

In addition to the data on new foreign direct investments presented in this article, BEA collects and publishes two other broad sets of data on foreign direct investment in the United States (FDIUS): Financial and operating data of U.S. affiliates, and balance-of-payments and direct-investment-position data.

Financial and operating data of U.S. affiliates are published at both the enterprise and establishment level. Enterprise-level financial and operating data were most recently published in “U.S. Affiliates of Foreign Companies: Operations in 2000” in the August 2002 issue of the SURVEY OF CURRENT BUSINESS; the article includes a description of the three types of FDIUS data. Financial and operating data at the establishment level are available for selected years as a result of a special project that links BEA’s enterprise data for U.S. affiliates with the establishment data for all U.S. companies from the Bureau of the

Census. The most recent data are published in *Foreign Direct Investment in the United States: Establishment Data for 1997* (Washington DC: U.S. Government Printing Office, March 2003).

The balance-of-payments and direct-investment-position data were published in “The International Investment Position of the United States at Yearend 2001” and “Direct Investment Positions for 2001: Country and Industry Detail” in the July 2002 issue of the SURVEY; “Foreign Direct Investment in the United States: Detail for Historical Cost Position and Related Capital and Income Flows, 2001” in the September 2002 issue; and “U.S. International Transactions, Fourth Quarter and Year 2002,” in the April 2003 issue. Revised and updated balance-of-payments and direct-investment-position data will be published in the July and September 2003 issues.

Gross State Product by Industry, 1999–2001

By Sharon D. Panek and Ndidia O. Obidoa

NEW estimates of gross state product (GSP) confirm that the economic slowdown in 2001, while mild by historical standards, was geographically widespread. Real GSP grew 0.4 percent in 2001, down from a 4.7-percent increase in 2000. In contrast, real GSP had declined 0.2 percent during the 1990–91 recession and 1.6 percent in the more severe 1981–82 recession.¹

In 2001, real GSP declined in 20 states, and growth decelerated in an additional 26 states (table 1, page 66). In the 1990–91 recession, real total GSP declined in 18 states, and growth decelerated in an additional 19

1. In this article, percent changes are expressed at annual rates. The 1990–91 and 1981–82 recessions refer to growth rates in 1991 and 1982, respectively.

Gross State Product Estimates

The estimate of gross state product (GSP) for each state is derived as the sum of the gross state product originating in all industries in the state. In concept, an industry's GSP, or its value added, is equal to its gross output (sales or receipts and other operating income, commodity taxes, and inventory change) minus its intermediate inputs (consumption of goods and services purchased from other U.S. industries or imported). Thus, the GSP accounts provide data by industry and state that are consistent with the Nation's gross domestic product (GDP) by industry accounts.

However, total GSP for the Nation differs from GDP in the national income and product accounts for three reasons. First, like the national estimates of GDP by industry, GSP is measured as the sum of the distributions by industry of the components of gross domestic income, which differs from GDP by the statistical discrepancy.¹ Second, GSP excludes, and GDP and GDP by industry include, compensation of Federal civilian and military personnel stationed abroad and government consumption of fixed capital for military structures located abroad and for military equipment except domestically located office equipment. Third, GSP and GDP often have different revision schedules. Reflecting these differences, real GDP growth has been slower than real GSP growth—by 0.1 percentage point in 2001, by 0.9 percentage point in 2000, and by 0.4 percentage point in 1999. For an accounting of the differences between GSP for the Nation and GDP by industry in 2001, see appendix A.²

The GSP estimates are prepared for 63 industries. For each industry, GSP is presented in three components: Compensation of employees, indirect business tax and

nontax liability, and property-type income. Compensation of employees is the sum of wage and salary accruals, employer contributions for social insurance, and other labor income. Property-type income is the sum of corporate profits, proprietors' income, rental income of persons, net interest, capital consumption allowances, business transfer payments, and the current surplus of government enterprises less subsidies.

Current-dollar estimates of GSP and its components are "controlled" to national totals of current-dollar GDP by industry and its components for all industries.³

The estimates of real GSP are prepared in chained (1996) dollars. Real GSP is an inflation-adjusted measure of each state's gross product that is based on national prices for the goods and services produced within that state. The estimates of real GSP and of quantity indexes with a base year of 1996 are derived by applying national implicit price deflators to the current-dollar GSP estimates for the 63 industries. Then, the chain-type index formula that is used in the national accounts is used to calculate the estimates of total real GSP and of real GSP at a more aggregated industry level.⁴ Real GSP may reflect a substantial volume of output that is sold to other states and countries. To the extent that a state's output is produced and sold in national markets at relatively uniform prices (or sold locally at national prices), GSP captures the differences across states that reflect the relative differences in the mix of goods and services the states produce. However, real GSP does not capture geographic differences in the prices of goods and services produced and sold locally.

1. In the national estimates of GDP by industry, the statistical discrepancy is not allocated by industry. In the GSP estimates, insufficient information is available for allocating the statistical discrepancy to states. For more information, see the box "The Statistical Discrepancy" in Robert P. Parker and Eugene P. Seskin, "Annual Revision of the National Income and Product Accounts," *SURVEY OF CURRENT BUSINESS* 77 (August 1997): 19.

2. See also the box "Gross Domestic Product by Industry: Definition and Relationship to Gross Domestic Product and Other Measures of Output" in McCahill and Moyer, 23.

3. If the initial sum of the state estimates differs from the national total for an industry, the difference between the national total and the sum-of-state total is allocated to the states according to the state distribution of the initial estimates.

4. For additional information, see J. Steven Landefeld and Robert P. Parker, "BEA's Chain Indexes, Time Series, and Measures of Long-Term Economic Growth," *SURVEY* 77 (May 1997): 58–68; and Howard L. Friedenber and Richard M. Beemiller, "Comprehensive Revision of Gross State Product by Industry, 1977–94," *SURVEY* 77 (June 1997): 28–29.

states. In the 1981–82 recession, real total GSP declined in 37 states, and growth decelerated in an additional 12 states.

This article presents first-time estimates of GSP for 2001 and revised estimates for 1999 and 2000.² GSP is the market value of the goods and services produced by the labor and property located in a state (see the box “Gross State Product Estimates”).

Some of the highlights of the GSP estimates include the following:

- Mirroring the national trends in GDP, real U.S. GSP increased in private services-producing industries in 2001, and it declined in private goods-producing industries.³ The performance of high-tech industries was mixed.⁴
- Although growth was weak across a wide spectrum of industries, declines in real manufacturing GSP contributed the most to declines in real total GSP in all of the states in the bottom quintile of growth except Alaska, where mining was the largest contributor.
- In 2001, private services-producing industries’ share of current-dollar GSP increased in 40 states.
- In 1999 and 2000, revisions in current-dollar GSP were generally small. The largest revision was for Louisiana, where state source data on mining production were revised up substantially.

The first part of this article discusses the relative performance of states in terms of growth rates, shares of GSP components, and state shares of total GSP for the Nation. The second part discusses the revisions to the GSP estimates and the major sources of the revisions.

2. These estimates are consistent with the estimates of GDP by industry for the Nation that were published in Robert J. McCahill and Brian C. Moyer, “Gross Domestic Product by Industry, 1999–2001,” *SURVEY OF CURRENT BUSINESS* 82 (November 2002): 23–41.

For the previously published estimates of GSP, see Sharon D. Panek and George K. Downey, “Gross State Product by Industry, 1998–2000,” *SURVEY OF CURRENT BUSINESS* 82 (June 2002): 57–77.

3. Private goods-producing industries consist of agriculture, forestry, and fishing; mining; construction; and manufacturing. Private services-producing industries consist of transportation and public utilities; wholesale trade; retail trade; finance, insurance, and real estate; and “services.”

4. In this article, high-tech industries, at the Standard Industrial Classification (SIC) two-digit level, consist of the following: SIC 35, industrial machinery and equipment (which includes computer and related hardware manufacturing), SIC 36, electronic and other electric equipment (which includes semiconductor manufacturing and related products), SIC 48, communications (which includes telephone, satellite, and multimedia services), and SIC 73, business services (which includes software development, data processing services, and computer rental and leasing). Although some low-tech industries are included at the two-digit level (the level at which the GSP estimates are produced), this definition is useful for determining the concentration of high-tech industries in states. This definition also corresponds, at the two-digit level, with the definition of “information technology producing industries” in Economics and Statistics Administration, *Digital Economy 2000*, U.S. Department of Commerce, 2000.

Growth Rates and Shares

The relative performance of states or particular industries within states can be assessed by examining their real growth rates, their contributions to real GSP growth, their shares of current-dollar GSP, and the composition of current-dollar GSP by industry and state.

Real growth rates

Chart 1 shows trends in real GSP growth for 1990–2001 for the United States and for the top-quintile and bottom-quintile states, where the quintiles are defined by 2001 growth. States in the top quintile in 2001 experienced above-average growth in all but 1 year of the period, indicating that they are persistently strong growers. Further, real GSP growth in the top quintile remained positive and relatively strong both during the 2001 slowdown and in the 1990–91 recession. The bottom-quintile states declined 1.6 percent in 2001, compared with a decline of 0.8 percent in the 1990–91 recession. Many of the bottom-quintile states specialize in traditional manufacturing industries that are sensitive to economic slowdowns.

In 2001, three broad industry groups—finance, insurance, and real estate (FIRE), retail trade, and high-tech industries—fueled growth in the top-quintile states. In contrast, growth in the fastest growing states in 1995–2000 was predominantly driven by growth in high-tech industries. Three states—Delaware, New Mexico, and Wyoming—grew faster in 2001 than their 1995–2000 average (chart 2). In Delaware, FIRE contributed the most to growth. In New Mexico, high-tech manufacturing contributed the most, and in Wyoming, mining contributed the most.

Chart 1. Real Gross State Product: Percent Change from Preceding Year

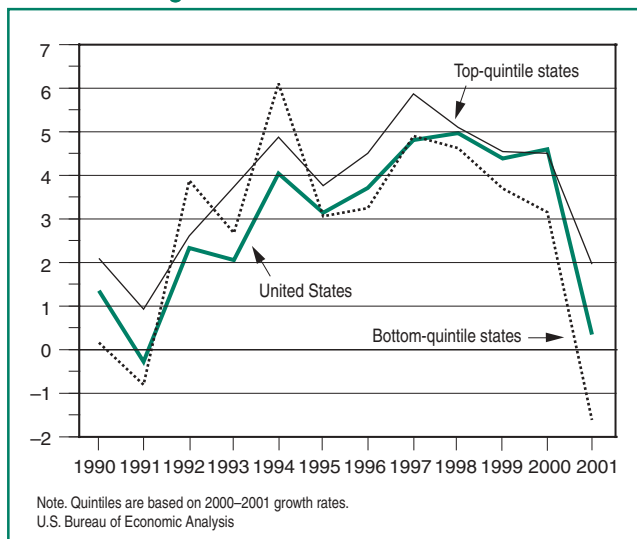
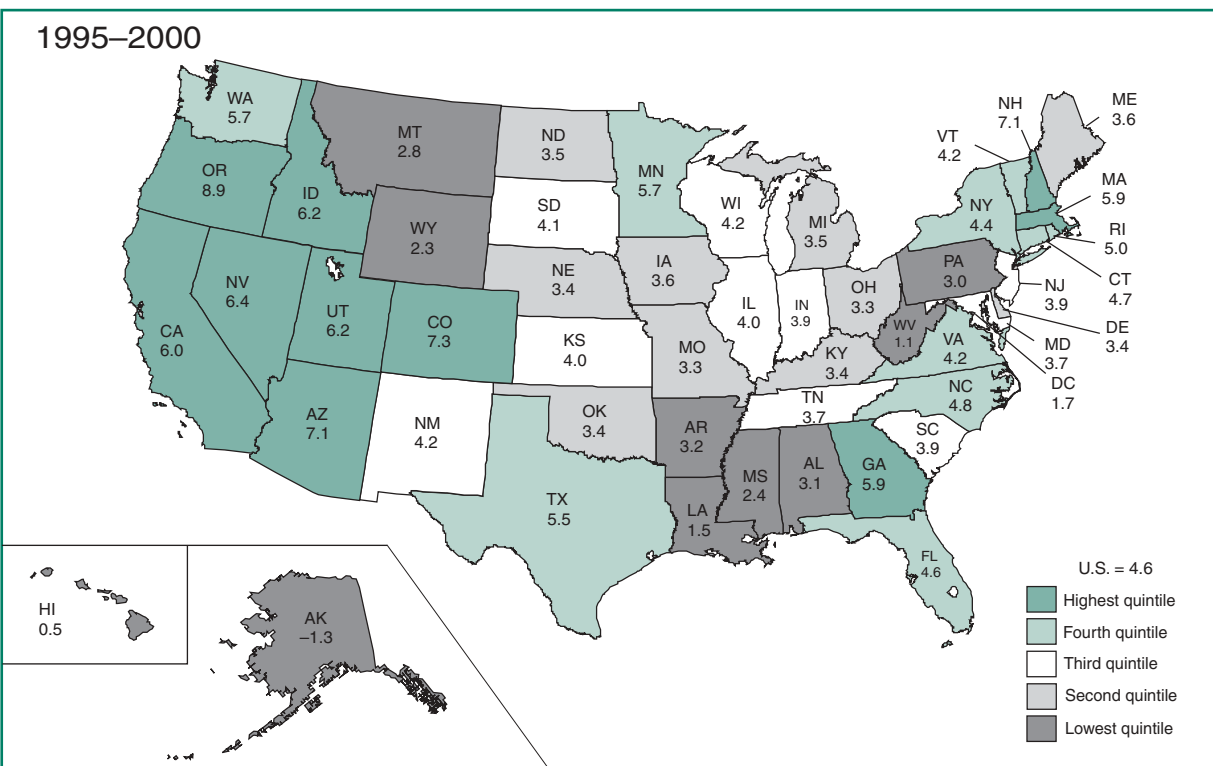
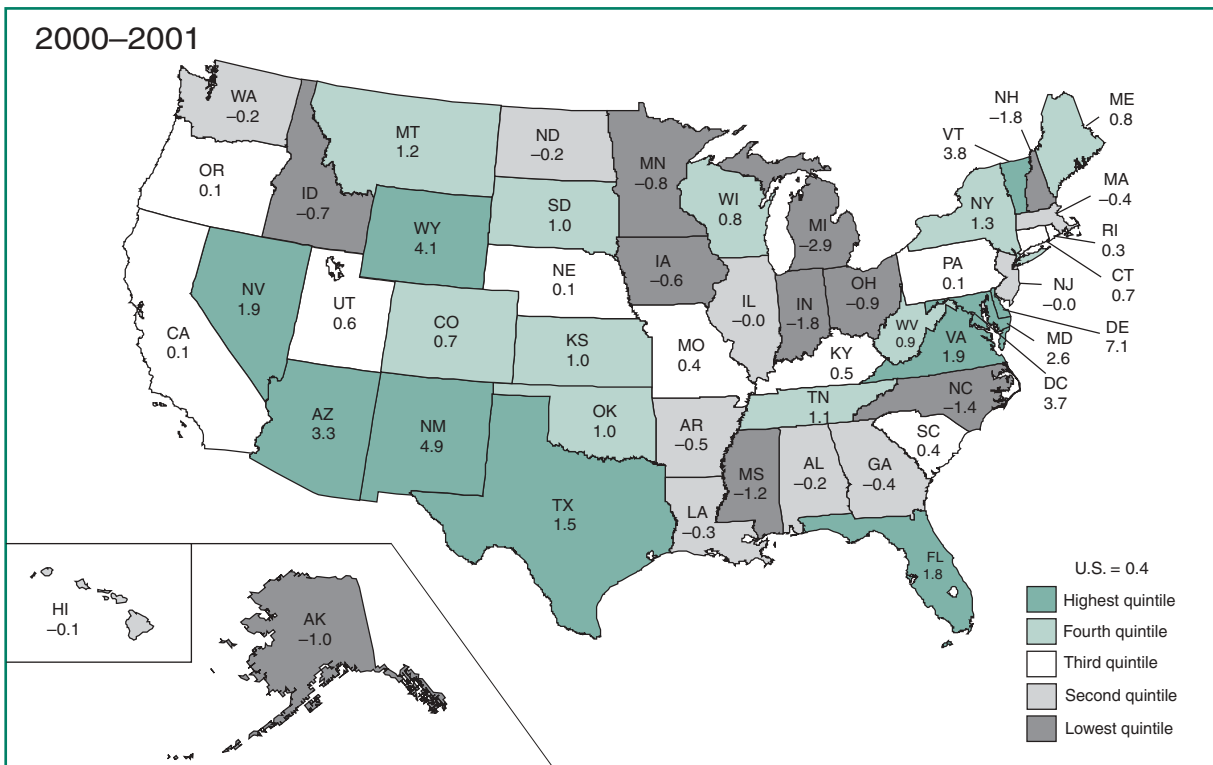


Chart 2. Annual Percent Change in Real Gross State Product



2001 slowdown in perspective. Several of the states in the bottom quintile in 2001 also grew slowly during the 1990s, reflecting the relative importance of slower growing industries—farming and many of the traditional durable-goods manufacturing industries (such as motor vehicles and equipment, primary metal industries, and fabricated metal products)—to their state economies. In 2001, declines in two high-tech industries—industrial machinery and equipment and electronic and other electric equipment—also contributed to the declines in growth in many of these states. In 2001, three of the bottom quintile states—Michigan,

Indiana, and Ohio—were in the Great Lakes region, and two—Minnesota and Iowa—were in the Plains region. Similarly, in 1982, five of the bottom-quintile states were in either the Great Lakes or the Plains regions, and for these states, traditional durable-goods manufacturing industries contributed significantly to their relatively poor economic performance. In particular, Michigan, Ohio, and Indiana—three states that specialize in traditional manufacturing industries—were in either the fourth quintile or the bottom quintile in the 1981–82 and 1990–91 recessions and the 2001 economic slowdown.

Table 1. Percent Change in Real Gross State Product, 2000–2001

	Total gross state product	Agriculture, forestry, and fishing	Mining	Construction	Manufacturing	Transportation and public utilities	Wholesale trade	Retail trade	Finance, insurance, and real estate	Services	Government
United States	0.4	-1.7	4.8	-1.6	-6.0	-0.2	-0.2	4.6	2.8	0.9	1.8
New England	0.0	1.2	4.2	1.5	-6.0	0.5	-3.0	4.0	1.4	0.2	2.6
Connecticut	0.7	-1.4	1.3	-1.1	-2.0	1.4	0.0	-0.5	2.1	-1.1	6.6
Maine	0.8	-3.5	-5.9	-1.9	-8.4	0.8	2.8	6.2	2.5	2.8	2.1
Massachusetts	-0.4	5.1	5.0	3.3	-7.8	-0.0	-6.6	5.5	1.7	0.0	0.9
New Hampshire	-1.8	3.7	5.3	5.0	-13.8	1.0	3.4	7.2	-3.0	1.5	0.7
Rhode Island	0.3	1.7	38.0	-2.8	-2.7	-0.9	-1.7	3.9	-0.3	3.1	0.1
Vermont	3.8	-0.1	3.6	-1.4	7.6	0.6	5.9	6.7	3.6	1.1	5.5
Mideast	1.1	2.5	11.1	0.4	-6.0	1.6	0.2	4.7	3.4	1.3	0.6
Delaware	7.1	18.0	15.1	-3.8	-6.1	2.0	4.6	4.8	18.0	2.5	-1.6
District of Columbia	3.7	15.3	-22.0	-3.8	-9.6	5.4	-6.9	4.9	11.1	3.4	1.6
Maryland	2.6	4.4	6.4	1.4	0.0	1.6	2.3	5.2	2.9	2.7	3.0
New Jersey	-0.0	1.8	20.6	3.3	-10.0	-1.1	-0.0	5.3	1.5	1.9	0.4
New York	1.3	6.3	5.7	-0.4	-4.0	3.9	-0.8	4.1	3.9	0.2	-1.5
Pennsylvania	0.1	-2.4	12.1	-1.0	-6.7	0.2	1.3	5.0	0.8	1.7	2.6
Great Lakes	-1.0	1.2	7.3	-4.2	-7.0	-2.8	-1.6	3.4	3.2	0.5	1.0
Illinois	-0.0	-1.5	4.9	-1.4	-4.5	-3.5	-1.4	4.2	3.5	-0.1	0.7
Indiana	-1.8	4.9	8.7	-4.6	-8.9	-1.7	0.4	3.0	3.9	1.5	0.1
Michigan	-2.9	-2.1	9.3	-6.8	-9.8	-3.2	-5.0	3.0	0.8	-0.4	1.4
Ohio	-0.9	-3.2	9.1	-5.8	-7.9	-2.9	-1.3	2.8	4.7	1.4	0.9
Wisconsin	0.8	10.1	-1.7	-3.3	-1.8	-0.5	1.6	3.8	2.1	1.0	2.3
Plains	-0.0	-4.1	7.4	-1.9	-4.7	-0.8	1.2	4.5	1.1	0.5	1.8
Iowa	-0.6	-7.9	-3.5	-1.6	-2.3	-1.7	-2.3	4.0	0.1	0.8	1.3
Kansas	1.0	3.0	4.6	-4.3	-1.3	1.5	0.2	3.4	1.4	1.8	1.3
Minnesota	-0.8	-8.0	20.4	-0.5	-8.1	-2.3	3.0	5.5	-0.5	-0.4	2.5
Missouri	0.4	-3.2	8.9	-0.8	-4.0	-1.2	0.9	4.5	3.6	0.9	0.5
Nebraska	0.1	8.1	4.0	-5.5	-6.1	0.4	-1.3	3.7	-0.4	1.7	1.9
North Dakota	-0.2	-11.6	1.1	-6.0	2.4	1.2	2.1	5.2	-5.5	-1.2	5.9
South Dakota	1.0	-11.6	19.1	-1.7	-9.0	2.2	9.8	4.5	6.8	-2.4	6.0
Southeast	0.5	-0.9	6.4	-2.3	-5.9	0.8	0.3	4.6	1.6	2.2	1.2
Alabama	-0.2	10.1	10.1	-2.9	-4.7	-1.8	0.2	3.5	-1.3	1.9	1.0
Arkansas	-0.5	-4.0	6.8	-2.1	-9.0	1.2	2.1	5.0	2.4	1.7	1.2
Florida	1.8	-5.8	-2.9	0.7	-5.1	0.6	2.1	6.0	3.6	2.0	0.1
Georgia	-0.4	3.6	-0.5	-2.2	-9.5	1.3	-0.9	5.6	-0.2	1.9	2.5
Kentucky	0.5	-13.3	15.0	-3.1	-2.7	2.9	1.6	3.5	1.2	1.8	2.5
Louisiana	-0.3	-4.0	5.6	-7.2	-16.6	1.2	3.7	6.4	0.3	1.8	1.2
Mississippi	-1.2	16.8	-2.6	-8.1	-5.9	-2.3	-0.6	2.3	-0.8	-0.8	1.0
North Carolina	-1.4	-0.1	0.6	-3.6	-6.9	1.6	-0.0	4.5	-3.4	1.9	1.6
South Carolina	0.4	5.2	-9.0	-4.4	1.1	-1.7	-1.1	2.7	0.6	1.9	-0.7
Tennessee	1.1	0.3	-3.5	-6.2	-1.5	4.8	-1.1	2.9	3.1	1.9	1.5
Virginia	1.9	-0.7	11.9	0.5	-5.0	-0.3	-2.8	4.0	6.0	4.5	1.4
West Virginia	0.9	0.8	15.7	3.4	-8.1	-3.0	2.5	2.9	2.4	1.7	0.8
Southwest	1.9	-3.6	5.3	-0.8	-0.2	-1.0	0.2	6.3	3.6	1.6	2.6
Arizona	3.3	4.8	7.6	-1.0	8.9	-0.7	3.2	6.2	4.6	-2.6	7.4
New Mexico	4.9	12.5	6.4	1.6	13.7	1.5	3.7	5.4	1.3	0.6	6.2
Oklahoma	1.0	-8.5	5.8	4.6	-8.5	3.3	4.6	5.2	1.1	1.3	3.3
Texas	1.5	-6.3	5.0	-1.4	-2.0	-1.6	-0.9	6.5	3.7	2.7	1.0
Rocky Mountain	0.8	7.5	8.0	-0.5	-10.7	-3.1	-0.0	5.8	4.1	1.9	2.8
Colorado	0.7	11.8	8.7	-0.1	-10.5	-3.4	-1.5	6.1	3.6	2.0	2.4
Idaho	-0.7	5.7	0.7	2.3	-13.5	0.8	1.8	7.0	0.1	2.7	2.9
Montana	1.2	-1.3	6.0	1.5	-4.8	-3.0	1.8	5.6	2.4	0.7	3.0
Utah	0.6	12.0	14.7	-4.2	-13.1	-3.8	0.6	4.1	7.6	1.1	3.0
Wyoming	4.1	1.3	6.3	1.9	12.4	-2.8	9.1	6.8	0.6	4.7	4.1
Far West	0.1	-5.2	-4.4	-1.7	-8.1	0.2	0.2	4.5	3.4	-0.5	3.7
Alaska	-1.0	-0.3	-8.7	2.5	-9.5	-0.3	0.1	4.4	3.5	1.8	1.8
California	0.1	-5.3	-6.5	-0.0	-11.2	1.3	0.6	5.0	3.9	-0.3	4.1
Hawaii	-0.1	-4.8	-25.0	-3.0	-7.1	-2.0	2.1	4.0	-0.7	0.3	0.7
Nevada	1.9	3.7	28.2	-3.1	0.1	-1.9	6.3	6.6	3.3	-0.2	3.1
Oregon	0.1	-3.1	8.2	-7.6	2.1	-6.3	3.7	3.7	-0.8	0.9	2.9
Washington	-0.2	-7.4	-7.9	-5.8	0.6	-1.2	-1.2	1.6	1.9	-2.5	3.7

GSP growth by industry

The slowdown in real U.S. GSP in 2001 was characterized by declines in the goods-producing industries except for mining and by decelerations in the growth in most services-producing industries (table 2). The decline in goods-producing industries was largely attributable to manufacturing, which declined 6.0 percent. Manufacturing declined in 40 states and was the largest contributor to declines in real GSP in all of the bottom-quintile states except Alaska.

Among the other goods-producing industries, real

GSP in construction declined in 37 states. Growth in mining was an important contributor to total GSP growth in a number of states, particularly Wyoming, West Virginia, New Mexico, and Nevada. In Louisiana, total real GSP declined, but growth in mining largely offset declines in other industries. In contrast, mining, primarily oil and gas extraction, contributed significantly to a decline in Alaska's real GSP.

Despite the deceleration in real U.S. GSP growth in several services-producing industries in 2001, growth in these industries remained relatively strong. Growth

Table 2. Contributions to Percent Change in Real Gross State Product, 2000–2001

	Percent change in real gross state product	Percentage points									
		Agriculture, forestry, and fishing	Mining	Construction	Manufacturing	Transportation and public utilities	Wholesale trade	Retail trade	Finance, insurance, and real estate	Services	Government
United States	0.4	-0.02	0.06	-0.07	-0.89	-0.01	-0.01	0.40	0.54	0.20	0.21
New England	0.0	0.01	0.00	0.06	-0.85	0.03	-0.20	0.33	0.36	0.04	0.24
Connecticut	0.7	-0.01	0.00	-0.04	-0.30	0.08	0.00	-0.04	0.65	-0.25	0.56
Maine	0.8	-0.07	-0.00	-0.09	-1.31	0.05	0.17	0.71	0.48	0.57	0.30
Massachusetts	-0.4	0.03	0.00	0.15	-1.03	-0.00	-0.48	0.41	0.42	0.00	0.08
New Hampshire	-1.8	0.03	0.00	0.22	-2.60	0.06	0.24	0.69	-0.77	0.31	0.06
Rhode Island	0.3	0.01	0.01	-0.15	-0.31	-0.05	-0.09	0.34	-0.10	0.64	0.01
Vermont	3.8	-0.00	0.01	-0.06	1.18	0.05	0.34	0.66	0.66	0.25	0.72
Mideast	1.1	0.02	0.02	0.02	-0.71	0.13	0.01	0.35	0.92	0.31	0.07
Delaware	7.1	0.15	0.00	-0.16	-0.89	0.10	0.19	0.32	7.12	0.40	-0.15
District of Columbia	3.7	0.01	-0.01	-0.04	-0.13	0.26	-0.09	0.13	1.70	1.27	0.58
Maryland	2.6	0.04	0.01	0.08	0.00	0.11	0.14	0.45	0.62	0.67	0.52
New Jersey	-0.0	0.01	0.02	0.17	-1.63	-0.13	-0.00	0.51	0.45	0.54	0.04
New York	1.3	0.03	0.00	-0.01	-0.40	0.27	-0.05	0.28	1.29	0.05	-0.15
Pennsylvania	0.1	-0.02	0.07	-0.04	-1.22	0.02	0.08	0.44	0.15	0.40	0.25
Great Lakes	-1.0	0.01	0.02	-0.21	-1.56	-0.21	-0.12	0.30	0.55	0.10	0.11
Illinois	-0.0	-0.01	0.01	-0.07	-0.70	-0.31	-0.12	0.34	0.78	-0.02	0.07
Indiana	-1.8	0.06	0.03	-0.25	-2.65	-0.13	0.02	0.27	0.52	0.26	0.01
Michigan	-2.9	-0.02	0.02	-0.35	-2.47	-0.21	-0.37	0.28	0.12	-0.08	0.15
Ohio	-0.9	-0.03	0.04	-0.27	-1.83	-0.20	-0.09	0.27	0.79	0.27	0.11
Wisconsin	0.8	0.18	-0.00	-0.17	-0.43	-0.04	0.11	0.34	0.34	0.18	0.26
Plains	-0.0	-0.11	0.04	-0.09	-0.82	-0.07	0.09	0.42	0.18	0.10	0.22
Iowa	-0.6	-0.32	-0.01	-0.07	-0.51	-0.19	-0.12	0.35	0.01	0.15	0.16
Kansas	1.0	0.08	0.06	-0.21	-0.21	0.19	0.02	0.33	0.19	0.32	0.18
Minnesota	-0.8	-0.14	0.07	-0.03	-1.40	-0.17	0.24	0.51	-0.09	-0.08	0.25
Missouri	0.4	-0.05	0.02	-0.04	-0.71	-0.12	0.06	0.43	0.57	0.18	0.06
Nebraska	0.1	0.35	0.01	-0.27	-0.80	0.05	-0.10	0.31	-0.06	0.34	0.26
North Dakota	-0.2	-0.67	0.04	0.04	0.20	0.12	0.18	0.49	-0.85	-0.23	0.86
South Dakota	1.0	-0.89	0.09	-0.07	-1.15	0.16	0.64	0.44	1.42	-0.42	0.77
Southeast	0.5	-0.01	0.11	-0.12	-0.92	0.07	0.02	0.45	0.27	0.44	0.16
Alabama	-0.2	0.18	0.11	-0.14	-0.88	-0.15	0.01	0.36	-0.20	0.33	0.15
Arkansas	-0.5	-0.13	0.05	-0.10	-1.92	0.12	0.14	0.58	0.29	0.29	0.15
Florida	1.8	-0.10	-0.00	0.04	-0.33	0.05	0.16	0.67	0.79	0.50	0.01
Georgia	-0.4	0.05	-0.00	-0.11	-1.53	0.14	-0.08	0.51	-0.03	0.38	0.30
Kentucky	0.5	-0.31	0.25	-0.15	-0.71	0.23	0.10	0.32	0.13	0.29	0.34
Louisiana	-0.3	-0.04	1.01	-0.33	-2.26	0.10	0.19	0.51	0.04	0.29	0.14
Mississippi	-1.2	0.39	-0.03	-0.40	-1.12	-0.22	-0.03	0.25	-0.09	-0.15	0.16
North Carolina	-1.4	-0.00	0.00	-0.19	-1.57	0.10	-0.00	0.39	-0.66	0.32	0.21
South Carolina	0.4	0.06	-0.01	-0.27	0.22	-0.16	-0.07	0.29	0.08	0.32	-0.11
Tennessee	1.1	0.00	-0.01	-0.30	-0.28	0.39	-0.08	0.32	0.46	0.40	0.17
Virginia	1.9	-0.01	0.05	0.03	-0.62	-0.03	-0.16	0.33	1.09	1.02	0.24
West Virginia	0.9	0.01	0.99	0.17	-1.11	-0.33	0.13	0.29	0.28	0.32	0.14
Southwest	1.9	-0.05	0.29	-0.04	-0.03	-0.10	0.01	0.60	0.55	0.33	0.32
Arizona	3.3	0.07	0.06	-0.06	1.18	-0.05	0.21	0.67	0.88	-0.58	0.89
New Mexico	4.9	0.26	0.60	0.07	1.86	0.12	0.15	0.48	0.17	0.12	1.08
Oklahoma	1.0	-0.19	0.32	0.18	-1.32	0.27	0.52	0.14	0.23	0.23	0.54
Texas	1.5	-0.08	0.31	-0.07	-0.26	-0.18	-0.07	0.61	0.56	0.54	0.11
Rocky Mountain	0.8	0.15	0.24	-0.03	-1.23	-0.33	-0.00	0.54	0.68	0.39	0.36
Colorado	0.7	0.16	0.14	-0.01	-1.03	-0.41	-0.10	0.57	0.64	0.46	0.28
Idaho	-0.7	0.30	0.00	0.15	-2.87	0.06	0.11	0.69	0.01	0.46	0.39
Montana	1.2	-0.05	0.22	0.08	-0.34	-0.35	0.11	0.55	0.33	0.15	0.50
Utah	0.6	0.13	0.25	-0.26	-1.73	-0.31	0.03	0.40	1.42	0.23	0.43
Wyoming	4.1	0.03	1.48	0.10	0.87	-0.37	0.36	0.49	0.07	0.54	0.57
Far West	0.1	-0.10	-0.04	-0.08	-1.10	0.01	0.01	0.41	0.71	-0.11	0.42
Alaska	-1.0	-0.01	-1.89	0.11	-0.37	-0.05	0.00	0.28	0.37	0.24	0.35
California	0.1	-0.10	-0.04	-0.00	-1.55	0.09	0.04	0.45	0.88	-0.07	0.43
Hawaii	-0.1	-0.06	-0.03	-0.13	-0.20	-0.19	0.08	0.44	-0.16	0.07	0.14
Nevada	1.9	0.03	0.53	-0.31	0.00	-0.14	0.29	0.69	0.61	-0.07	0.32
Oregon	0.1	-0.10	0.01	-0.48	0.68	-0.53	-0.36	0.37	-0.14	0.19	0.42
Washington	-0.2	-0.17	-0.02	-0.30	0.08	-0.10	-0.08	0.16	0.36	-0.60	0.50

2001. Communications grew in all states except Colorado, and electronic and other electric equipment manufacturing grew in 45 states. These industries contributed substantially to growth in the top-quintile states of New Mexico, Vermont, Maryland, Nevada, Florida, and Texas. In contrast, industrial machinery and equipment manufacturing and business services declined.

Within tourism-related services-producing industries, slow growth or declines in transportation by air, hotels and other lodging places, and amusement and recreation services affected many states, partly reflecting reductions in business air travel and in tourism after the terrorist attacks on September 11, 2001. Despite declines in two tourism-related industries—in transportation by air and in hotels and other lodging places—that are relatively important to its economy, Nevada was in the top quintile in 2001.

Composition of GSP

The changes over time in the capital and labor shares of industry value added reflect differences in the growth rates of the components of current-dollar GSP by industry. In every BEA region, the trends in the GSP compensation and property-type income component shares mirrored the national trends for 1999–2001: The share of compensation of employees increased and the share of property-type income decreased (table 4). The component shares of indirect business tax and nontax liability were either unchanged or declined in every region except the Southeast.

Change in the Publication of GSP Income Components for 2001

In BEA's GSP accounts, the estimates of compensation of employees and property-type income are based on estimates of wages and salaries and proprietors' income, respectively, from BEA's personal income accounts. For 2001, the estimates of wages and salaries and of proprietors' income in the personal income accounts were published on the 2002 North American Industry Classification System (NAICS) at the subsector level and on the 1987 Standard Industrial Classification (SIC) at the division level. Therefore, the GSP estimates of compensation of employees and of property-type income for 2001 are being published at the SIC-division level, while the estimates of GSP by industry and of indirect business tax and nontax liability are being published at the usual 63 SIC-based industry level.

State shares

Chart 3 shows the relative size of the state economies in terms of each state's share of current dollar GSP for the Nation. In 2001, current-dollar GSP for the Nation was \$10.1 trillion. California accounted for the largest share (13.4 percent); its GSP has exceeded \$1 trillion since 1997. The next four states in terms of GSP shares were New York (8.2 percent), Texas (7.5 percent), Florida (4.8 percent), and Illinois (4.7 percent). North Dakota, Vermont, Wyoming, Montana, and South Dakota had the smallest shares. The states with the five largest and five smallest shares have not changed since 1990.

Revisions to the Estimates

The revisions to current-dollar GSP for 1999–2000, as a percentage of the previously published estimates, are generally small and reflect revisions to state source data. The revisions to real growth rates are also generally small and mainly reflect revisions to the current-dollar estimates.

Table 4. Components of Gross State Product in Current Dollars as a Percentage of Total Gross State Product, 1999–2001

	1999	2000	2001	2000–2001 difference (percentage points)
United States	100.0	100.0	100.0	0.0
Compensation of employees	57.3	57.8	57.9	0.1
Indirect business tax and nontax liability	7.7	7.6	7.6	0.0
Property-type income	35.0	34.6	34.5	-0.1
New England	100.0	100.0	100.0	0.0
Compensation of employees	59.2	59.4	59.7	0.3
Indirect business tax and nontax liability	7.1	6.8	6.8	0.0
Property-type income	33.7	33.8	33.4	-0.4
Mideast	100.0	100.0	100.0	0.0
Compensation of employees	58.2	58.9	58.6	-0.3
Indirect business tax and nontax liability	7.8	7.5	7.5	0.0
Property-type income	34.0	33.6	33.9	0.3
Great Lakes	100.0	100.0	100.0	0.0
Compensation of employees	60.4	60.8	60.8	0.0
Indirect business tax and nontax liability	7.5	7.5	7.5	0.0
Property-type income	32.1	31.8	31.7	-0.1
Plains	100.0	100.0	100.0	0.0
Compensation of employees	58.4	58.5	59.2	0.7
Indirect business tax and nontax liability	7.3	7.2	7.1	-0.1
Property-type income	34.3	34.3	33.7	-0.6
Southeast	100.0	100.0	100.0	0.0
Compensation of employees	56.0	56.6	56.9	0.3
Indirect business tax and nontax liability	8.2	8.4	8.4	0.0
Property-type income	35.7	35.0	34.7	-0.3
Southwest	100.0	100.0	100.0	0.0
Compensation of employees	54.8	55.0	55.3	0.3
Indirect business tax and nontax liability	8.4	8.3	8.3	0.0
Property-type income	36.8	36.6	36.4	-0.2
Rocky Mountain	100.0	100.0	100.0	0.0
Compensation of employees	57.1	57.4	57.7	0.3
Indirect business tax and nontax liability	7.4	7.2	7.2	0.0
Property-type income	35.5	35.4	35.1	-0.3
Far West	100.0	100.0	100.0	0.0
Compensation of employees	55.5	56.4	56.2	-0.2
Indirect business tax and nontax liability	7.2	7.0	7.2	0.2
Property-type income	37.3	36.6	36.7	0.1

Impact of the revisions

Current-dollar estimates. For 1999, the revisions to the current-dollar GSP estimates, measured as a percentage of the previously published estimates, have a mean absolute revision of 0.6 percent. The revisions range from negative 2.5 percent for Wyoming to positive 4.6 percent for Louisiana (table 5). For both Wyoming and Louisiana, the revision was primarily due to revisions to mining (mainly oil and gas extraction).

For 2000, the revisions to the current-dollar GSP estimates have a mean absolute revision of 1.1 percent.

The revisions range from negative 3.3 percent for New Mexico to positive 5.3 percent for Louisiana. For New Mexico, durable-goods manufacturing (mainly electronic and other electric equipment) was the main contributor to the revision. For Louisiana, the revision was primarily due to revisions to mining (mainly oil and gas extraction).

Real growth rates. For 1999–2000, the five states with the largest upward revisions to the growth rates of real GSP were Oregon (3.9 percentage points), Delaware (3.5 percentage points), Wyoming (2.8

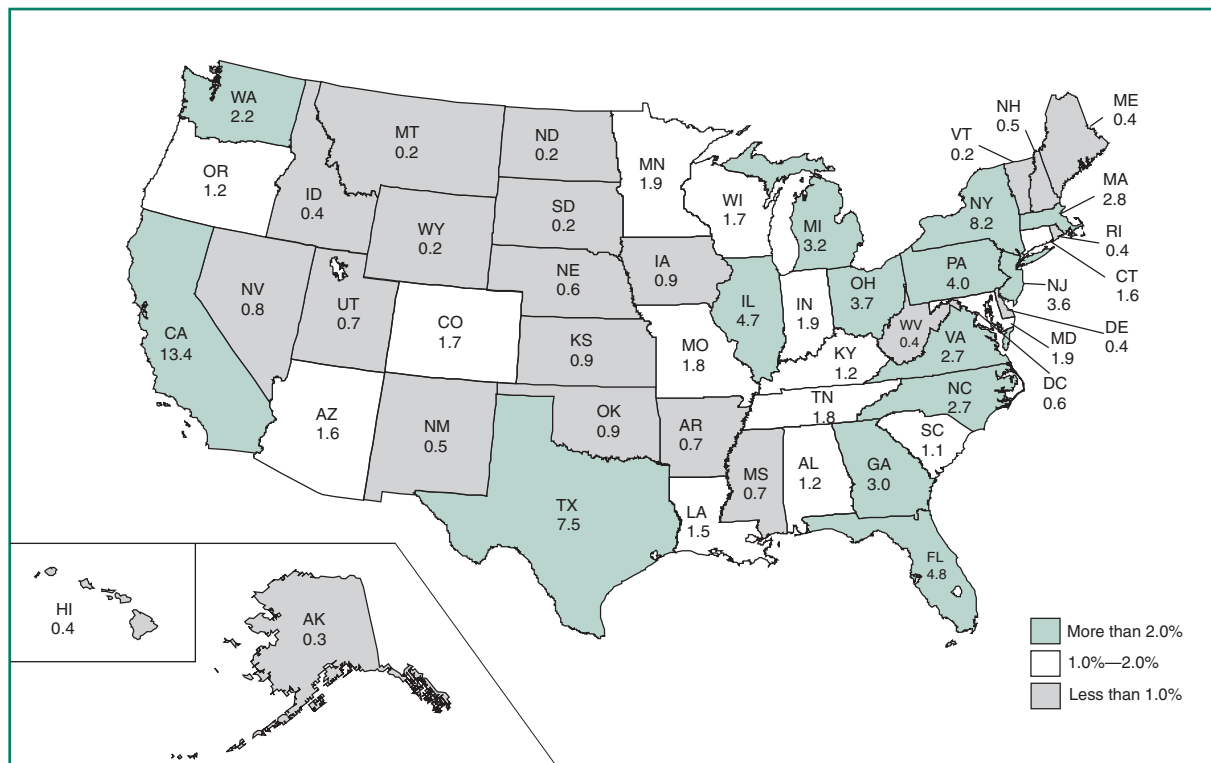
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Data Availability

This article presents summary estimates of gross state product (GSP) by major industry group. The GSP estimates for 63 industries for states, BEA regions, and the United States can be accessed interactively on BEA's Web site at <www.bea.gov>; look under "Regional economic data" and click on "Gross state product." Users of the GSP estimates can specify which GSP components, states, regions, industries, and years to display or download. For further information, e-mail <gspread@bea.gov> or call 202-606-5340.

Chart 3. Gross State Product in Current Dollars: Percentage of U.S. Total, 2001



For FIRE, the revisions to finance reflect the incorporation of the revised estimates of national GDP for holding and other investment offices and the incorporation of financial data for depository institutions from the Federal Deposit Insurance Corporation. The revisions to real estate mainly reflect the incorporation of new source data for property taxes by state from the Census Bureau and of state source data on proprietors' income.

For transportation and public utilities, the revisions to transportation mainly reflect the incorporation of income and expense data by company for air carriers

and of enplanement data by state and company. The revisions to public utilities mainly reflect the incorporation of revised estimates of capital charges for electric, gas, and sanitary services.

For retail trade, the revisions mainly reflect the incorporation of new source data for sales taxes by state and of state source data on proprietors' income.

For services, the revisions mainly reflect the incorporation of the revised estimates of national GDP by industry.

Tables 7 through 9 follow the appendixes.

Appendix A. Relation of GSP to GDP by Industry, 2001

[Billions of dollars]

	GSP	GDP by industry	GSP less GDP by industry
Total	10,137.2	¹ 10,199.4	-62.2
Compensation of employees	5,864.6	5,881.0	-16.4
Wage and salary accruals	² 4,946.1	4,956.8	-10.7
Supplements to wages and salaries:			
Employer contributions for social insurance	³ 353.0	353.9	-0.9
Other labor income	⁴ 565.5	570.4	-4.9
Indirect business tax and nontax liability	774.8	774.8	0.0
Property-type income	3,497.7	3,543.5	-45.8
Proprietors' income with inventory valuation adjustment:			
Farm	26.7	26.7	0.0
Nonfarm	622.5	622.5	0.0
Rental income of persons	204.4	204.4	0.0
Corporate profits with inventory valuation adjustment	524.4	524.4	0.0
Net interest	772.5	772.5	0.0
Business transfer payments	42.5	42.5	0.0
Less: Subsidies less current surplus of government enterprises	47.3	47.3	0.0
Private capital consumption allowances	1,175.4	1,175.4	0.0
Government consumption of fixed capital:			
Federal	⁵ 52.9	98.7	-45.8
State and local	123.7	123.7	0.0

1. Equals gross domestic income (GDI) from the national income and product accounts. GDI differs from GDP because it excludes the statistical discrepancy (-\$117.3 billion).
 2. GSP excludes the wages and salaries of Federal civilian and military personnel stationed abroad.
 3. GSP excludes employer contributions for social insurance of Federal civilian and military personnel stationed abroad.
 4. GSP excludes other labor income of Federal civilian personnel stationed abroad.

5. GSP excludes the consumption of fixed capital for military equipment, except domestically located office equipment, and for military structures located abroad.
 NOTE: For definitions of the line items shown in this table, see "A Guide to the NIPAs," SURVEY OF CURRENT BUSINESS 78 (March 1998): 27-34.
 GDP Gross domestic product
 GSP Gross state product

Appendix B. Industries for Which Gross State Product Estimates Are Available

	1987 SIC code		1987 SIC code
Private industries		Railroad transportation	40
Agriculture, forestry, and fishing	A	Local and interurban passenger transit	41
Farms	01-02	Trucking and warehousing	42
Agricultural services, forestry, and fishing	07-09	Water transportation	44
Mining	B	Transportation by air	45
Metal mining	10	Pipelines, except natural gas	46
Coal mining	12	Transportation services	47
Oil and gas extraction	13	Communications	48
Nonmetallic minerals, except fuels	14	Electric, gas, and sanitary services	49
Construction	C	Wholesale trade	F
Manufacturing	D	Retail trade	G
Durable goods		Finance, insurance, and real estate	H
Lumber and wood products	24	Depository institutions	60
Furniture and fixtures	25	Nondepository institutions	61
Stone, clay, and glass products	32	Security and commodity brokers	62
Primary metal industries	33	Insurance carriers	63
Fabricated metal products	34	Insurance agents, brokers, and service	64
Industrial machinery and equipment	35	Real estate	65
Electronic and other electric equipment	36	Holding and other investment offices	67
Motor vehicles and equipment	371	Services	I
Other transportation equipment	372-79	Hotels and other lodging places	70
Instruments and related products	38	Personal services	72
Miscellaneous manufacturing industries	39	Business services	73
Nondurable goods		Auto repair, services, and parking	75
Food and kindred products	20	Miscellaneous repair services	76
Tobacco products	21	Motion pictures	78
Textile mill products	22	Amusement and recreation services	79
Apparel and other textile products	23	Health services	80
Paper and allied products	26	Legal services	81
Printing and publishing	27	Educational services	82
Chemicals and allied products	28	Social services	83
Petroleum and coal products	29	Membership organizations	86
Rubber and miscellaneous plastics products	30	Other services	84,87,89
Leather and leather products	31	Private households	88
Transportation and public utilities	E	Government	J
Transportation		Federal civilian	91-96
		Federal military	97
		State and local	91-96

NOTE: The tables of gross domestic product (GDP) by industry for the Nation that were published in the November 2002 SURVEY OF CURRENT BUSINESS present estimates for all of the industries shown in this table except Federal civilian and Federal military. In addition, the GDP by industry tables present estimates for the following industries: Telephone and telegraph; radio and television; nonfarm housing services; other real estate; Federal general government; Federal government

enterprises; State and local general government; and State and local government enterprises.
 SIC Standard Industrial Classification. See Executive Office of the President, Office of Management and Budget, *Standard Industrial Classification Manual 1987* (Washington, DC: U.S. Government Printing Office, 1987).

Table 7. Gross State Product by Component in Current Dollars, 1995–2001

[Millions of dollars]

	1995	1996	1997	1998	1999	2000	2001
United States:							
Gross state product	7,309,516	7,715,901	8,224,960	8,750,174	9,251,541	9,891,187	10,137,190
Compensation of employees	4,192,638	4,385,299	4,641,180	4,979,492	5,299,392	5,713,724	5,864,588
Indirect business tax and nontax liability	594,552	620,009	646,222	681,306	712,948	753,586	774,763
Property-type income	2,522,326	2,710,593	2,937,558	3,089,377	3,239,201	3,423,877	3,497,840
New England:							
Gross state product	416,166	439,596	471,336	503,940	533,324	582,874	594,686
Compensation of employees	246,374	258,799	274,336	293,821	315,929	346,444	355,207
Indirect business tax and nontax liability	31,762	33,058	34,610	36,621	37,753	39,494	40,719
Property-type income	138,030	147,739	162,391	173,498	179,642	196,936	198,760
Connecticut:							
Gross state product	118,645	124,157	134,968	142,701	149,010	161,929	166,165
Compensation of employees	68,873	72,048	76,900	81,510	86,298	92,796	95,524
Indirect business tax and nontax liability	9,951	10,387	11,044	11,639	11,824	12,258	12,642
Property-type income	39,821	41,722	47,024	49,552	50,888	56,875	57,999
Maine:							
Gross state product	27,987	28,925	30,409	32,208	34,102	36,276	37,449
Compensation of employees	16,044	16,594	17,386	18,353	19,522	20,696	21,658
Indirect business tax and nontax liability	2,658	2,801	2,989	3,226	3,137	3,284	3,321
Property-type income	9,285	9,530	10,034	10,629	11,443	12,296	12,470
Massachusetts:							
Gross state product	197,469	210,127	223,571	241,369	257,802	283,072	287,802
Compensation of employees	120,735	127,717	135,041	145,847	159,130	177,525	180,584
Indirect business tax and nontax liability	12,965	13,518	13,903	14,821	15,529	16,368	16,808
Property-type income	63,769	68,893	74,627	80,702	83,143	89,179	90,409
New Hampshire:							
Gross state product	32,388	35,068	37,470	40,529	43,360	47,385	47,183
Compensation of employees	17,762	18,693	20,123	21,813	23,329	25,695	26,500
Indirect business tax and nontax liability	2,636	2,697	2,790	2,914	3,130	3,269	3,444
Property-type income	11,990	13,678	14,557	15,802	16,901	18,421	17,239
Rhode Island:							
Gross state product	25,703	26,656	29,409	30,838	31,895	36,086	36,939
Compensation of employees	14,902	15,361	16,112	17,032	17,809	19,112	19,771
Indirect business tax and nontax liability	2,202	2,255	2,425	2,512	2,588	2,726	2,856
Property-type income	8,598	9,040	10,871	11,293	11,498	14,249	14,312
Vermont:							
Gross state product	13,974	14,662	15,510	16,294	17,155	18,124	19,149
Compensation of employees	8,057	8,387	8,773	9,266	9,841	10,619	11,171
Indirect business tax and nontax liability	1,349	1,401	1,458	1,508	1,546	1,589	1,648
Property-type income	4,568	4,875	5,278	5,520	5,768	5,916	6,331
Mideast:							
Gross state product	1,403,270	1,471,796	1,547,124	1,649,536	1,720,155	1,837,583	1,900,223
Compensation of employees	815,908	848,527	886,453	947,054	1,001,627	1,081,514	1,112,958
Indirect business tax and nontax liability	117,562	121,567	124,155	129,754	133,725	138,006	143,318
Property-type income	469,800	501,701	536,516	572,729	584,803	618,063	643,947
Delaware:							
Gross state product	27,575	29,001	31,263	32,693	34,696	37,247	40,509
Compensation of employees	14,032	14,481	15,460	16,725	17,611	18,719	19,534
Indirect business tax and nontax liability	1,701	1,824	1,800	1,918	2,010	2,200	2,234
Property-type income	11,842	12,696	14,003	14,049	15,076	16,328	18,741
District of Columbia:							
Gross state product	48,408	48,505	50,546	52,145	55,382	59,963	64,459
Compensation of employees	37,058	36,820	37,836	39,336	42,671	45,604	47,879
Indirect business tax and nontax liability	2,005	1,981	2,106	2,184	2,195	2,235	2,258
Property-type income	9,345	9,704	10,605	10,626	10,516	12,124	14,322
Maryland:							
Gross state product	139,495	145,061	154,646	164,100	173,836	185,049	195,007
Compensation of employees	83,845	86,938	92,033	98,295	104,328	112,420	118,653
Indirect business tax and nontax liability	10,221	10,386	10,782	11,444	11,723	12,798	13,253
Property-type income	45,430	47,738	51,831	54,361	57,785	59,831	63,101
New Jersey:							
Gross state product	271,435	285,738	299,986	316,875	332,155	357,453	365,388
Compensation of employees	152,993	160,224	167,766	178,282	188,296	205,396	208,560
Indirect business tax and nontax liability	26,264	27,375	27,287	29,330	30,029	30,491	31,533
Property-type income	92,178	98,139	104,933	109,263	113,829	121,567	125,295
New York:							
Gross state product	597,593	633,830	663,377	718,686	743,873	798,382	826,488
Compensation of employees	344,362	359,676	374,174	403,612	428,247	466,204	478,178
Indirect business tax and nontax liability	53,296	55,301	56,578	57,919	59,723	61,515	64,545
Property-type income	199,935	218,853	232,625	257,155	255,902	270,664	283,765
Pennsylvania:							
Gross state product	318,765	329,660	347,306	365,038	380,213	399,488	408,373
Compensation of employees	183,619	190,388	199,183	210,804	220,474	233,171	240,155
Indirect business tax and nontax liability	24,076	24,701	25,603	26,960	28,044	28,766	29,496
Property-type income	111,070	114,571	122,520	127,274	131,695	137,551	138,723

Table 7. Gross State Product by Component in Current Dollars, 1995–2001—Continued

[Millions of dollars]

	1995	1996	1997	1998	1999	2000	2001
Great Lakes:							
Gross state product	1,191,441	1,243,554	1,317,428	1,396,841	1,456,553	1,523,441	1,536,991
Compensation of employees	726,661	748,873	785,134	836,107	879,942	925,553	935,207
Indirect business tax and nontax liability	89,885	96,065	100,101	103,984	108,760	113,517	114,702
Property-type income	374,895	398,616	432,193	456,750	467,851	484,371	487,082
Illinois:							
Gross state product	359,451	375,949	400,327	423,175	440,899	466,312	475,541
Compensation of employees	211,980	220,318	232,702	249,002	262,655	278,944	284,698
Indirect business tax and nontax liability	28,656	30,132	30,982	31,960	34,012	35,262	35,758
Property-type income	118,814	125,499	136,644	142,214	144,232	152,105	155,085
Indiana:							
Gross state product	148,447	155,096	162,953	176,110	181,287	189,778	189,919
Compensation of employees	89,239	92,089	96,213	103,265	107,836	113,073	113,840
Indirect business tax and nontax liability	10,065	9,949	11,275	11,804	12,273	12,775	13,000
Property-type income	49,143	53,058	55,465	61,041	61,178	63,931	63,080
Michigan:							
Gross state product	254,179	265,130	279,503	293,173	312,054	323,717	320,470
Compensation of employees	167,511	170,494	176,996	188,050	198,890	208,710	206,703
Indirect business tax and nontax liability	17,901	21,129	21,933	22,818	23,432	25,495	24,975
Property-type income	68,768	73,508	80,574	82,304	89,732	89,512	88,791
Ohio:							
Gross state product	295,668	306,333	326,451	346,648	357,378	370,617	373,708
Compensation of employees	177,296	182,233	191,203	202,107	211,690	220,617	223,334
Indirect business tax and nontax liability	21,762	22,303	23,418	24,534	25,296	26,154	26,829
Property-type income	96,610	101,796	111,829	120,007	120,392	123,846	123,546
Wisconsin:							
Gross state product	133,694	141,046	148,194	157,735	164,935	173,016	177,354
Compensation of employees	80,635	83,739	88,020	93,684	98,871	104,209	106,632
Indirect business tax and nontax liability	11,500	12,552	12,493	12,868	13,747	13,830	14,141
Property-type income	41,559	44,755	47,681	51,184	52,316	54,977	56,581
Plains:							
Gross state product	484,013	516,213	547,790	575,122	598,424	635,038	647,904
Compensation of employees	280,068	293,873	309,903	331,332	349,334	371,540	383,318
Indirect business tax and nontax liability	38,315	38,996	40,538	42,721	43,921	45,598	46,226
Property-type income	165,631	183,345	197,350	201,069	205,169	217,900	218,361
Iowa:							
Gross state product	71,687	76,976	81,695	83,069	85,540	89,654	90,942
Compensation of employees	38,913	40,534	42,594	45,648	47,901	50,080	51,396
Indirect business tax and nontax liability	5,607	5,736	5,843	6,067	6,389	6,487	6,465
Property-type income	27,167	30,707	33,258	31,354	31,249	33,087	33,082
Kansas:							
Gross state product	64,069	68,160	72,998	76,648	80,208	84,526	87,196
Compensation of employees	37,125	38,725	41,227	44,216	46,591	49,239	51,010
Indirect business tax and nontax liability	5,078	5,288	5,523	5,813	5,910	6,055	6,044
Property-type income	21,865	24,148	26,247	26,619	27,707	29,232	30,143
Minnesota:							
Gross state product	131,841	141,540	152,334	163,009	171,490	186,097	188,050
Compensation of employees	81,161	86,098	91,197	98,560	104,749	113,220	117,295
Indirect business tax and nontax liability	10,733	10,689	10,917	11,900	11,770	12,728	13,005
Property-type income	39,947	44,753	50,221	52,549	54,971	60,150	57,750
Missouri:							
Gross state product	139,547	146,537	155,811	163,425	168,877	177,104	181,493
Compensation of employees	82,161	85,584	89,806	95,117	99,612	105,654	108,282
Indirect business tax and nontax liability	10,526	10,628	11,340	12,002	12,624	12,869	13,143
Property-type income	46,859	50,325	54,665	56,307	56,641	58,581	60,068
Nebraska:							
Gross state product	44,084	47,772	49,275	51,349	53,494	55,649	56,967
Compensation of employees	23,971	25,384	26,678	28,395	29,944	31,667	32,609
Indirect business tax and nontax liability	3,456	3,618	3,741	3,690	3,799	3,894	3,914
Property-type income	16,657	18,771	18,855	19,264	19,751	20,089	20,444
North Dakota:							
Gross state product	14,529	15,855	15,910	17,053	17,093	18,556	19,005
Compensation of employees	7,984	8,422	8,823	9,247	9,631	10,097	10,647
Indirect business tax and nontax liability	1,390	1,474	1,569	1,573	1,649	1,736	1,768
Property-type income	5,154	5,960	5,518	6,233	5,813	6,723	6,590
South Dakota:							
Gross state product	18,257	19,372	19,767	20,570	21,723	23,452	24,251
Compensation of employees	8,752	9,128	9,577	10,149	10,906	11,583	12,080
Indirect business tax and nontax liability	1,524	1,564	1,604	1,677	1,779	1,830	1,888
Property-type income	7,981	8,681	8,585	8,744	9,038	10,039	10,283
Southeast:							
Gross state product	1,599,405	1,684,304	1,791,586	1,905,267	2,029,995	2,145,947	2,205,625
Compensation of employees	904,522	948,776	1,004,053	1,074,628	1,137,759	1,214,659	1,255,731
Indirect business tax and nontax liability	133,933	140,374	147,748	159,273	166,929	180,375	184,556
Property-type income	560,950	595,154	639,784	671,366	725,307	750,913	765,338

Table 7. Gross State Product by Component in Current Dollars, 1995–2001—Continued

[Millions of dollars]

	1995	1996	1997	1998	1999	2000	2001
Alabama:							
Gross state product	95,514	99,286	104,213	109,672	115,095	119,319	121,490
Compensation of employees	56,399	58,357	60,898	63,743	66,277	68,800	70,667
Indirect business tax and nontax liability	6,634	6,975	7,144	7,477	7,803	8,319	8,302
Property-type income	32,481	33,954	36,171	38,452	41,015	42,200	42,521
Arkansas:							
Gross state product	53,809	56,796	59,141	61,298	64,993	66,793	67,913
Compensation of employees	29,302	30,535	32,074	33,951	35,622	37,584	38,900
Indirect business tax and nontax liability	3,927	4,152	4,384	4,547	5,383	5,040	5,253
Property-type income	20,580	22,108	22,683	22,801	23,988	24,168	23,761
Florida:							
Gross state product	344,771	366,318	389,473	415,564	442,613	471,623	491,488
Compensation of employees	195,456	206,613	219,578	235,960	250,960	271,505	284,352
Indirect business tax and nontax liability	36,369	38,175	40,207	43,912	45,634	47,727	48,960
Property-type income	112,947	121,530	129,688	135,692	146,019	152,391	158,175
Georgia:							
Gross state product	203,505	219,520	235,733	254,891	276,510	295,539	299,874
Compensation of employees	115,752	124,047	131,916	143,834	155,224	167,354	172,185
Indirect business tax and nontax liability	15,129	15,919	16,723	18,080	19,506	20,926	21,797
Property-type income	72,624	79,554	87,095	92,977	101,781	107,259	105,892
Kentucky:							
Gross state product	91,472	95,536	101,535	107,648	112,396	117,233	120,266
Compensation of employees	50,252	52,368	55,140	58,430	61,975	65,409	67,417
Indirect business tax and nontax liability	7,823	8,112	8,453	9,037	9,219	9,864	9,863
Property-type income	33,396	35,055	37,941	40,182	41,203	41,961	42,986
Louisiana:							
Gross state product	112,157	116,867	123,549	122,580	133,940	144,984	148,697
Compensation of employees	54,813	56,678	59,804	63,374	64,538	66,780	69,848
Indirect business tax and nontax liability	9,988	11,176	11,939	11,691	12,205	14,167	14,987
Property-type income	47,357	49,013	51,805	47,515	57,197	64,037	63,862
Mississippi:							
Gross state product	54,562	56,575	58,743	61,709	64,219	66,162	67,125
Compensation of employees	29,666	30,806	32,362	34,503	35,912	37,121	37,534
Indirect business tax and nontax liability	4,526	4,838	4,791	5,451	5,566	5,721	5,755
Property-type income	20,369	20,931	21,589	21,755	22,740	23,320	23,835
North Carolina:							
Gross state product	194,634	204,329	221,629	241,220	260,628	272,934	275,615
Compensation of employees	110,396	116,476	124,113	132,947	141,911	151,474	154,437
Indirect business tax and nontax liability	15,107	15,232	16,268	18,351	19,005	22,502	22,419
Property-type income	69,132	72,621	81,248	89,922	99,712	98,958	98,759
South Carolina:							
Gross state product	86,880	89,854	95,447	101,384	106,800	112,197	115,204
Compensation of employees	49,857	51,761	54,691	58,336	61,880	65,364	66,771
Indirect business tax and nontax liability	6,595	6,595	7,017	7,590	8,005	8,437	8,645
Property-type income	30,428	31,498	33,739	35,458	36,915	38,396	39,788
Tennessee:							
Gross state product	136,821	142,051	151,738	162,228	170,771	177,401	182,515
Compensation of employees	79,402	81,719	85,814	91,073	95,901	100,939	102,807
Indirect business tax and nontax liability	10,810	11,318	12,056	12,630	13,286	13,990	14,169
Property-type income	46,609	49,014	53,869	58,525	61,584	62,471	65,539
Virginia:							
Gross state product	188,963	199,953	212,105	228,049	241,503	260,837	273,070
Compensation of employees	113,214	118,932	126,555	136,705	145,087	158,904	166,445
Indirect business tax and nontax liability	13,808	14,524	15,371	17,060	17,584	19,783	20,418
Property-type income	61,941	66,497	70,179	74,283	78,832	82,149	86,207
West Virginia:							
Gross state product	36,315	37,220	38,281	39,024	40,525	40,926	42,368
Compensation of employees	20,013	20,484	21,109	21,772	22,471	23,425	24,368
Indirect business tax and nontax liability	3,216	3,359	3,395	3,448	3,731	3,899	3,987
Property-type income	13,086	13,376	13,777	13,803	14,323	13,602	14,013
Southwest:							
Gross state product	730,598	785,031	858,147	904,979	958,013	1,035,273	1,073,842
Compensation of employees	394,836	418,390	452,063	492,071	524,976	569,876	593,786
Indirect business tax and nontax liability	63,738	67,695	71,575	74,939	80,697	86,295	89,276
Property-type income	272,024	298,946	334,508	337,969	352,340	379,102	390,780
Arizona:							
Gross state product	104,586	112,882	122,273	132,897	144,596	153,469	160,687
Compensation of employees	58,642	63,608	68,556	75,334	81,840	89,274	92,737
Indirect business tax and nontax liability	8,922	9,282	9,332	10,004	10,940	11,846	12,332
Property-type income	37,022	39,993	44,385	47,559	51,816	52,349	55,618
New Mexico:							
Gross state product	42,170	44,114	47,829	48,488	49,221	52,592	55,426
Compensation of employees	21,155	21,805	22,740	23,868	24,623	26,252	27,872
Indirect business tax and nontax liability	3,580	3,743	4,195	4,145	4,324	4,739	4,976
Property-type income	17,435	18,565	20,894	20,474	20,274	21,601	22,578

Table 7. Gross State Product by Component in Current Dollars, 1995–2001—Continued

[Millions of dollars]

	1995	1996	1997	1998	1999	2000	2001
Oklahoma:							
Gross state product	69,960	74,855	79,423	82,189	85,389	90,942	93,855
Compensation of employees	39,564	41,201	43,182	45,759	47,526	50,666	53,040
Indirect business tax and nontax liability	5,338	5,528	5,831	5,977	6,140	6,598	6,844
Property-type income	25,058	28,126	30,410	30,454	31,723	33,678	33,971
Texas:							
Gross state product	513,882	553,180	608,622	641,405	678,808	738,270	763,874
Compensation of employees	275,474	291,776	317,585	347,110	370,988	403,685	420,137
Indirect business tax and nontax liability	45,898	49,142	52,218	54,814	59,293	63,112	65,124
Property-type income	192,509	212,262	238,819	239,482	248,527	271,474	278,612
Rocky Mountain:							
Gross state product	214,923	230,695	249,183	266,375	287,132	315,341	324,139
Compensation of employees	122,370	130,396	140,491	151,659	164,026	180,970	187,148
Indirect business tax and nontax liability	16,888	17,498	18,404	20,116	21,308	22,585	23,221
Property-type income	75,665	82,801	90,288	94,600	101,798	111,787	113,770
Colorado:							
Gross state product	109,021	117,118	129,575	139,860	152,331	169,341	173,772
Compensation of employees	64,519	69,096	75,629	82,619	90,808	102,175	105,284
Indirect business tax and nontax liability	8,067	8,403	8,889	9,694	10,407	11,079	11,316
Property-type income	36,435	39,619	45,058	47,547	51,116	56,087	57,172
Idaho:							
Gross state product	27,155	28,101	29,388	31,041	34,584	36,755	36,905
Compensation of employees	14,369	15,001	15,763	16,750	17,962	19,702	20,082
Indirect business tax and nontax liability	1,909	1,990	2,155	2,285	2,402	2,515	2,580
Property-type income	10,878	11,110	11,470	12,006	14,220	14,538	14,243
Montana:							
Gross state product	17,537	18,074	18,907	19,971	20,566	21,702	22,635
Compensation of employees	9,490	9,958	10,356	10,899	11,341	12,047	12,669
Indirect business tax and nontax liability	1,552	1,612	1,657	1,696	1,701	1,811	1,873
Property-type income	6,495	6,504	6,893	7,375	7,524	7,845	8,093
Utah:							
Gross state product	46,290	51,523	55,070	59,084	62,635	68,430	70,409
Compensation of employees	27,542	29,756	31,910	34,201	36,333	38,938	40,419
Indirect business tax and nontax liability	3,625	3,665	3,822	4,489	4,711	4,693	4,812
Property-type income	15,123	18,102	19,338	20,394	21,591	24,800	25,178
Wyoming:							
Gross state product	14,920	15,879	16,244	16,420	17,015	19,113	20,418
Compensation of employees	6,450	6,586	6,833	7,190	7,582	8,108	8,694
Indirect business tax and nontax liability	1,735	1,828	1,881	1,952	2,087	2,488	2,640
Property-type income	6,734	7,465	7,530	7,278	7,347	8,518	9,084
Far West:							
Gross state product	1,269,700	1,344,712	1,442,365	1,548,113	1,667,945	1,815,689	1,853,781
Compensation of employees	701,898	737,665	788,747	852,819	925,799	1,023,168	1,041,235
Indirect business tax and nontax liability	102,469	104,756	109,090	113,899	119,855	127,716	132,744
Property-type income	465,332	502,291	544,528	581,396	622,292	664,805	679,802
Alaska:							
Gross state product	24,791	25,774	26,575	24,651	25,550	28,129	28,581
Compensation of employees	11,715	11,762	11,956	12,369	12,473	13,162	13,926
Indirect business tax and nontax liability	2,406	2,360	2,294	1,973	1,960	2,345	2,467
Property-type income	10,670	11,652	12,325	10,308	11,116	12,622	12,188
California:							
Gross state product	925,931	973,395	1,045,254	1,125,331	1,213,355	1,330,025	1,359,265
Compensation of employees	508,035	531,159	567,120	614,665	669,241	750,427	762,529
Indirect business tax and nontax liability	70,647	72,138	74,230	77,824	82,306	88,057	91,755
Property-type income	347,249	370,099	403,904	432,843	461,808	491,541	504,981
Hawaii:							
Gross state product	37,243	37,490	38,537	39,371	40,662	42,524	43,710
Compensation of employees	21,216	21,239	21,625	21,927	22,347	23,476	24,307
Indirect business tax and nontax liability	3,173	3,233	3,319	3,415	3,411	3,610	3,754
Property-type income	12,854	13,018	13,593	14,030	14,904	15,438	15,648
Nevada:							
Gross state product	49,377	54,564	59,248	63,786	69,534	75,533	79,220
Compensation of employees	27,332	30,092	32,377	35,285	38,526	41,765	44,036
Indirect business tax and nontax liability	4,509	4,836	5,272	5,671	6,091	6,475	6,786
Property-type income	17,536	19,637	21,598	22,830	24,916	27,294	28,399
Oregon:							
Gross state product	81,092	91,709	97,510	102,943	110,374	121,383	120,055
Compensation of employees	46,384	50,043	53,569	56,636	60,351	64,797	65,433
Indirect business tax and nontax liability	5,007	4,850	5,188	5,234	5,290	5,764	5,615
Property-type income	29,701	36,817	38,753	41,073	44,732	50,822	49,007
Washington:							
Gross state product	151,265	161,779	175,242	192,031	208,470	218,095	222,950
Compensation of employees	87,216	93,371	102,099	111,938	122,860	129,541	131,005
Indirect business tax and nontax liability	16,727	17,339	18,786	19,781	20,795	21,466	22,366
Property-type income	47,322	51,069	54,356	60,311	64,815	67,088	69,578

Table 9. Real Gross State Product, 1995–2001

[Millions of chained (1996) dollars]

	1995	1996	1997	1998	1999	2000	2001
United States	7,433,965	7,715,901	8,093,396	8,502,663	8,882,613	9,298,227	9,335,399
New England	422,524	439,596	463,498	488,673	511,623	549,341	549,472
Connecticut	120,792	124,157	132,620	138,159	142,699	151,987	152,985
Maine	28,256	28,925	29,958	31,121	32,418	33,746	34,020
Massachusetts	200,537	210,127	219,716	233,981	247,354	266,840	265,722
New Hampshire	32,630	35,068	37,131	39,965	42,529	46,082	45,270
Rhode Island	26,182	26,656	28,766	29,541	30,058	33,349	33,451
Vermont	14,133	14,662	15,304	15,921	16,611	17,387	18,048
Mideast	1,427,110	1,471,796	1,517,005	1,589,707	1,643,461	1,721,622	1,741,057
Delaware	28,236	29,001	30,142	30,594	31,961	33,381	35,745
District of Columbia	49,737	48,505	49,265	49,613	51,291	54,080	56,077
Maryland	142,140	145,061	151,478	157,610	164,000	170,747	175,256
New Jersey	275,002	285,738	294,088	304,851	316,040	332,927	332,897
New York	609,090	633,830	651,107	695,186	717,677	756,573	766,526
Pennsylvania	322,915	329,660	340,924	351,920	362,533	374,012	374,500
Great Lakes	1,206,844	1,243,554	1,300,504	1,360,725	1,404,960	1,448,553	1,434,052
Illinois	364,080	375,949	394,497	411,417	424,851	441,904	441,797
Indiana	150,037	155,096	161,059	171,703	175,395	181,542	178,184
Michigan	258,329	265,130	275,991	285,449	299,525	306,437	297,475
Ohio	299,232	306,333	322,050	337,650	344,957	352,654	349,331
Wisconsin	135,169	141,046	146,903	154,512	160,224	166,019	167,299
Plains	493,438	516,213	541,882	561,737	579,248	605,144	604,905
Iowa	73,111	76,976	81,541	82,332	84,376	87,454	86,968
Kansas	65,618	68,160	72,113	74,830	77,480	79,919	80,680
Minnesota	133,804	141,540	150,415	158,919	165,644	176,841	175,371
Missouri	141,926	146,537	153,392	158,123	161,395	166,677	167,370
Nebraska	45,247	47,772	48,924	50,296	52,017	53,517	53,563
North Dakota	14,988	15,855	15,819	16,884	16,825	17,787	17,757
South Dakota	18,744	19,372	19,673	20,323	21,456	22,937	23,165
Southeast	1,625,905	1,684,304	1,761,146	1,841,807	1,924,738	1,985,453	1,994,577
Alabama	96,624	99,286	102,646	106,367	110,426	112,295	112,026
Arkansas	54,689	56,796	58,585	59,967	63,207	64,046	63,701
Florida	350,565	366,318	382,250	400,891	420,176	438,639	446,482
Georgia	206,415	219,520	231,808	245,966	261,522	274,886	273,876
Kentucky	92,794	95,536	100,210	104,359	106,590	109,537	110,074
Louisiana	116,496	116,867	120,699	120,783	129,495	125,733	125,295
Mississippi	55,420	56,575	57,794	59,893	61,797	62,295	61,527
North Carolina	197,500	204,329	218,108	232,122	242,941	249,784	246,291
South Carolina	87,750	89,854	94,252	98,360	102,379	106,108	106,485
Tennessee	138,632	142,051	149,239	156,836	162,665	166,632	168,412
Virginia	192,486	199,953	207,892	218,406	224,464	236,945	241,539
West Virginia	36,569	37,220	37,668	37,791	39,111	38,665	39,012
Southwest	747,594	785,031	844,386	892,737	935,268	974,776	992,959
Arizona	105,397	112,882	120,763	130,720	141,368	148,806	153,684
New Mexico	42,708	44,114	47,621	49,554	50,305	52,361	54,930
Oklahoma	71,819	74,855	78,111	80,759	82,990	85,092	85,948
Texas	527,685	553,180	597,889	631,688	660,534	688,473	698,547
Rocky Mountain	219,072	230,695	245,237	259,522	276,625	296,816	299,089
Colorado	111,244	117,118	127,314	135,590	145,524	158,173	159,308
Idaho	27,395	28,101	29,322	31,015	34,688	37,089	36,832
Montana	17,858	18,074	18,614	19,422	19,898	20,461	20,708
Utah	46,965	51,523	53,999	57,011	59,683	63,565	63,933
Wyoming	15,617	15,879	15,983	16,470	16,852	17,528	18,254
Far West	1,291,429	1,344,712	1,419,778	1,507,858	1,606,940	1,717,175	1,719,594
Alaska	26,355	25,774	26,056	24,920	25,064	24,725	24,490
California	941,853	973,395	1,029,232	1,096,091	1,169,845	1,258,449	1,260,041
Hawaii	37,948	37,490	37,668	37,622	38,047	38,860	38,839
Nevada	50,062	54,564	57,518	60,522	64,375	68,216	69,538
Oregon	81,330	91,709	97,097	103,218	111,388	124,781	124,847
Washington	153,987	161,779	172,216	185,474	198,264	202,812	202,470
Not allocated by state ¹	-130	0	-35	-53	-330	-1,526	-1,146

1. Equals U.S. gross state product less the sum of gross state product of the states. Because the formula for the chain-type quantity indexes uses weights of more than one period, the corresponding chained-dollar estimates are not additive. Note. Chained (1996) dollar series are calculated as the product of the chain-type quantity index and the 1996 current-dollar value of the corresponding series, divided by 100.

SUBJECT GUIDE

VOLUME 83 (2003) JANUARY–JUNE

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BEA Current and Historical Data

National, International, and Regional Data

This section presents an extensive selection of economic statistics prepared by the Bureau of Economic Analysis (BEA) and a brief selection of collateral statistics prepared by other Government agencies and private organizations. Series that originate in Government agencies are not copyrighted and may be reprinted freely. Series from private sources are provided through the courtesy of the compilers and are subject to their copyrights.

BEA's economic statistics are available on BEA's Web site at <www.bea.gov>. The site contains data, articles, news releases, and other information from BEA's national, industry, international, and regional programs.

The tables present annual [A], quarterly [Q], and monthly [M] data

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National Data

A. Selected NIPA Tables

The tables in this section include the most recent estimates of gross domestic product and its components; these estimates were released on May 29, 2003, and include the "preliminary" estimates for the first quarter of 2003.

The selected set of NIPA tables shown in this section presents quarterly estimates, which are updated monthly. In most of these tables, annual estimates are also shown.

The news release on gross domestic product is available within minutes of the time of release, and the "Selected NIPA Tables" are available later that day, on BEA's Web site <www.bea.gov>.

The "Selected NIPA Tables" are also available on printouts or diskettes from BEA. To order, call the BEA Order Desk at 1-800-704-0415 (outside the United States, 202-606-9666).

S. Summary Tables

Table S.1. Summary of Percent Change From Preceding Period in Real Gross Domestic Product and Related Measures

[Percent]

	2001	2002	Seasonally adjusted at annual rates				
			2002				2003
			I	II	III	IV	I
Gross domestic product..	.3	2.4	5.0	1.3	4.0	1.4	1.9
Personal consumption expenditures.....	2.5	3.1	3.1	1.8	4.2	1.7	2.0
Durable goods.....	6.0	7.3	-6.3	2.0	22.8	-8.2	-1.8
Nondurable goods.....	2.0	3.2	7.9	-1	1.0	5.1	6.4
Services.....	2.0	2.2	2.9	2.7	2.3	2.2	.7
Gross private domestic investment.....	-10.7	1.0	18.2	7.9	3.6	6.3	-3.3
Fixed investment.....	-3.8	-3.1	-5	-1.0	-3	4.4	-.2
Nonresidential.....	-5.2	-5.7	-5.8	-2.4	-8	2.3	-4.8
Structures.....	-1.7	-16.4	-14.2	-17.6	-21.4	-9.9	.4
Equipment and software	-6.4	-1.7	-2.7	3.3	6.7	6.2	-6.3
Residential.....	.3	3.9	14.2	2.7	1.1	9.4	11.0
Change in private inventories							
Net exports of goods and services.....							
Exports.....	-5.4	-1.6	3.5	14.3	4.6	-5.8	-1.4
Goods.....	-5.9	-3.6	-3.4	15.9	4.1	-11.5	.1
Services.....	-4.0	3.2	21.7	10.7	5.9	8.0	-4.6
Imports.....	-2.9	3.7	8.5	22.2	3.3	7.4	-7.1
Goods.....	-3.3	3.9	3.7	27.9	3.4	6.2	-7.3
Services.....	-5	2.1	35.7	-2.1	3.1	13.0	-5.9
Government consumption expenditures and gross investment.....	3.7	4.4	5.6	1.4	2.9	4.6	.3
Federal.....	4.8	7.5	7.4	7.5	4.3	11.0	.9
National defense.....	5.0	9.3	11.6	7.8	6.9	11.0	-3.4
Nondefense.....	4.5	4.3	.4	6.9	-3	11.1	9.1
State and local.....	3.1	2.8	4.6	-1.7	2.2	1.2	-1
Addenda:							
Final sales of domestic product.....	1.5	1.8	2.4	-.1	3.4	1.1	2.4
Gross domestic purchases..	.4	3.0	5.6	2.6	3.9	2.9	.9
Final sales to domestic purchasers.....	1.6	2.4	3.0	1.3	3.3	2.6	1.4
Gross national product.....	.2	2.1	3.7	.4	4.4	1.4	1.8
Disposable personal income	1.8	4.3	14.5	3.9	1.8	2.4	2.3

NOTE. Percent changes from preceding period in the current-dollar and price measures for these series are shown in table 8.1.

Table S.2. Summary of Contributions to Percent Change in Real Gross Domestic Product

	2001	2002	Seasonally adjusted at annual rates				
			2002				2003
			I	II	III	IV	I
Percent change at annual rate:							
Gross domestic product.....	.3	2.4	5.0	1.3	4.0	1.4	1.9
Percentage points at annual rates:							
Personal consumption expenditures.....	1.67	2.15	2.22	1.22	2.93	1.19	1.44
Durable goods.....	.48	.59	-.55	.16	1.74	-.72	-.15
Nondurable goods.....	.39	.64	1.57	-.02	.22	1.01	1.27
Services.....	.80	.92	1.20	1.08	.97	.90	.31
Gross private domestic investment.....	-1.90	.15	2.53	1.16	.55	.93	-.51
Fixed investment.....	-.65	-.50	-.07	-.15	-.03	.65	-.03
Nonresidential.....	-.66	-.68	-.66	-.27	-.08	.24	-.52
Structures.....	-.05	-.52	-.44	-.53	-.62	-.25	.01
Equipment and software	-.61	-.15	-.22	.26	.53	.49	-.53
Residential.....	.01	.18	.60	.12	.05	.41	.49
Change in private inventories.....	-1.24	.65	2.60	1.31	.58	.28	-.48
Net exports of goods and services.....	-.18	-.67	-.75	-1.40	-.01	-1.59	.91
Exports.....	-.59	-.17	.33	1.29	.45	-.59	-.13
Goods.....	-.47	-.26	-.23	.99	.28	-.82	.01
Services.....	-.13	.09	.56	.30	.17	.23	-.14
Imports.....	.42	-.50	-1.08	-2.69	-.47	-1.00	1.04
Goods.....	.40	-.43	-.40	-2.74	-.40	-.71	.89
Services.....	.01	-.07	-.68	.05	-.07	-.30	.15
Government consumption expenditures and gross investment.....	.65	.81	1.04	.27	.56	.85	.05
Federal.....	.29	.47	.47	.47	.29	.70	.06
National defense.....	.19	.37	.46	.32	.29	.46	-.15
Nondefense.....	.10	.10	.01	.16	-.01	.25	.21
State and local.....	.36	.34	.56	-.21	.27	.15	-.01

NOTE. More detailed contributions to percent change in real gross domestic product are shown in table 8.2. Contributions to percent change in major components of real gross domestic product are shown in tables 8.3 through 8.6.

1. National Product and Income

Table 1.1. Gross Domestic Product
[Billions of dollars]

	2001	2002	Seasonally adjusted at annual rates				
			2002				2003
			I	II	III	IV	I
Gross domestic product	10,082.2	10,446.2	10,313.1	10,376.9	10,506.2	10,588.8	10,704.2
Personal consumption expenditures	6,987.0	7,303.7	7,174.2	7,254.7	7,360.7	7,425.4	7,513.1
Durable goods	835.9	871.9	859.0	856.9	897.8	873.9	861.7
Nondurable goods	2,041.3	2,115.0	2,085.1	2,108.2	2,116.9	2,150.0	2,208.3
Services	4,109.9	4,316.8	4,230.1	4,289.5	4,346.0	4,401.5	4,443.1
Gross private domestic investment	1,586.0	1,593.2	1,559.4	1,588.0	1,597.3	1,628.1	1,622.3
Fixed investment	1,646.3	1,589.3	1,589.4	1,584.6	1,579.7	1,603.6	1,613.0
Nonresidential	1,201.6	1,117.4	1,126.8	1,115.8	1,109.8	1,117.1	1,105.1
Structures	324.5	269.3	288.3	275.2	259.4	254.2	256.9
Equipment and software	877.1	848.1	838.5	840.7	850.4	863.0	848.3
Residential	444.8	471.9	462.6	468.7	469.9	486.5	507.8
Change in private inventories	-60.3	3.9	-29.9	3.4	17.6	24.5	9.3
Net exports of goods and services	-348.9	-423.6	-360.1	-425.6	-432.9	-476.0	-484.0
Exports	1,034.1	1,014.9	977.5	1,018.1	1,038.6	1,025.4	1,031.7
Goods	733.5	703.6	679.8	709.4	722.6	702.6	708.6
Services	300.6	311.3	297.7	308.8	316.0	322.8	323.0
Imports	1,383.0	1,438.5	1,337.5	1,443.7	1,471.5	1,501.4	1,515.7
Goods	1,167.2	1,192.1	1,102.3	1,202.9	1,220.9	1,242.5	1,254.0
Services	215.8	246.4	235.2	240.8	250.6	258.9	261.7
Government consumption expenditures and gross investment	1,858.0	1,972.9	1,939.5	1,959.8	1,981.1	2,011.3	2,052.8
Federal	628.1	693.7	672.0	688.2	697.7	716.9	736.1
National defense	399.9	447.4	431.7	442.1	451.2	464.7	471.2
Nondefense	228.2	246.3	240.3	246.1	246.5	252.2	264.9
State and local	1,229.9	1,279.2	1,267.5	1,271.6	1,283.3	1,294.4	1,316.7

NOTE: Percent changes from preceding period for selected items in this table are shown in table 8.1.

Table 1.2. Real Gross Domestic Product
[Billions of chained (1996) dollars]

	2001	2002	Seasonally adjusted at annual rates				
			2002				2003
			I	II	III	IV	I
Gross domestic product ..	9,214.5	9,439.9	9,363.2	9,392.4	9,485.6	9,518.2	9,562.9
Personal consumption expenditures	6,377.2	6,576.0	6,513.8	6,542.4	6,609.9	6,637.9	6,671.6
Durable goods	931.9	999.9	975.9	980.7	1,032.4	1,010.6	1,006.0
Nondurable goods	1,869.8	1,929.5	1,921.4	1,920.9	1,925.8	1,950.0	1,980.3
Services	3,594.9	3,675.6	3,642.2	3,666.2	3,687.0	3,707.0	3,713.8
Gross private domestic investment	1,574.6	1,589.6	1,554.0	1,583.9	1,598.0	1,622.4	1,609.0
Fixed investment	1,627.4	1,577.3	1,576.4	1,572.6	1,571.6	1,588.5	1,587.7
Nonresidential	1,255.1	1,183.4	1,188.4	1,181.1	1,178.7	1,185.3	1,170.8
Structures	270.9	226.4	243.2	231.7	218.2	212.6	212.7
Equipment and software	988.2	971.1	953.7	961.4	977.2	992.1	976.0
Residential	373.5	388.2	383.6	386.1	387.1	395.9	406.4
Change in private inventories	-61.4	5.2	-28.9	4.9	18.8	25.8	13.2
Net exports of goods and services	-415.9	-488.5	-446.6	-487.4	-488.0	-532.2	-506.9
Exports	1,076.1	1,058.8	1,030.6	1,065.5	1,077.7	1,061.6	1,057.9
Goods	785.2	756.9	738.1	765.8	773.5	750.3	750.5
Services	292.0	301.5	292.2	299.7	304.0	310.0	306.4
Imports	1,492.0	1,547.4	1,477.1	1,552.9	1,565.7	1,593.8	1,564.8
Goods	1,270.5	1,320.1	1,250.0	1,329.2	1,340.3	1,360.8	1,335.1
Services	222.4	227.2	225.5	224.3	226.0	233.0	229.5
Government consumption expenditures and gross investment	1,640.4	1,712.8	1,697.3	1,703.3	1,715.6	1,735.0	1,736.2
Federal	570.6	613.3	597.8	608.7	615.1	631.4	632.8
National defense	366.0	400.0	388.5	395.8	402.5	413.2	409.6
Nondefense	204.4	213.3	209.3	212.9	212.7	218.3	223.2
State and local	1,069.4	1,099.7	1,099.3	1,094.7	1,100.6	1,104.0	1,103.8
Residual	22.6	19.9	20.2	25.1	12.1	22.2	25.6

NOTE: Chained (1996) dollar series are calculated as the product of the chain-type quantity index and the 1996 current-dollar value of the corresponding series, divided by 100. Because the formula for the chain-type quantity indexes uses weights of more than one period, the corresponding chained-dollar estimates are usually not additive. The residual line is the difference between the first line and the sum of the most detailed lines.

Percent changes from preceding period for selected items in this table are shown in table 8.1; contributions to the percent change in real gross domestic product are shown in table 8.2.

Chain-type quantity indexes for the series in this table are shown in table 7.1.

Table 1.9. Relation of Gross Domestic Product, Gross National Product, Net National Product, National Income, and Personal Income

[Billions of dollars]

	2001	2002	Seasonally adjusted at annual rates				
			2002				2003
			I	II	III	IV	I
Gross domestic product	10,082.2	10,446.2	10,313.1	10,376.9	10,506.2	10,588.8	10,704.2
<i>Plus:</i> Income receipts from the rest of the world	316.9	278.0	264.7	276.0	287.3	284.2	279.5
<i>Less:</i> Income payments to the rest of the world	295.0	287.6	262.8	296.1	298.2	293.4	290.4
Equals: Gross national product	10,104.1	10,436.7	10,314.9	10,356.8	10,495.3	10,579.7	10,693.3
<i>Less:</i> Consumption of fixed capital	1,329.3	1,393.5	1,363.5	1,389.8	1,405.3	1,415.4	1,424.3
Private	1,106.8	1,163.9	1,136.9	1,161.2	1,174.8	1,182.7	1,188.3
Capital consumption allowances	1,168.4	1,320.0	1,324.0	1,322.0	1,317.9	1,315.9	1,323.5
<i>Less:</i> Consumption adjustment	61.6	156.1	187.0	160.8	143.1	133.3	135.3
Government	222.4	229.6	226.5	228.6	230.5	232.7	236.0
General government	187.7	195.0	192.5	194.1	195.7	197.6	200.5
Government enterprises	34.8	34.6	34.0	34.4	34.8	35.1	35.5
Equals: Net national product	8,774.8	9,043.2	8,951.5	8,967.0	9,090.0	9,164.3	9,269.0
<i>Less:</i> Indirect business tax and nontax liability Business transfer payments	774.8	800.4	786.2	795.1	806.9	813.3	821.0
Statistical discrepancy	42.5	44.1	43.8	43.9	44.4	44.3	44.6
<i>Plus:</i> Subsidies less current surplus of government enterprises	-117.3	-116.7	-110.0	-165.0	-82.1	-109.6	-100.8
Equals: National income	8,122.0	8,347.9	8,268.5	8,328.0	8,349.9	8,445.3	8,532.4
<i>Less:</i> Corporate profits with inventory valuation and capital consumption adjustments	731.6	787.4	797.6	785.0	771.0	796.1	804.0
Net interest	649.8	684.2	672.8	678.1	687.6	698.3	696.9
Contributions for social insurance	726.1	747.5	740.4	746.1	748.8	754.9	768.8
Wage accruals less disbursements .....	.0	.0	.0	.0	.0	.0	1.4
<i>Plus:</i> Personal interest income	1,091.3	1,078.5	1,069.9	1,082.3	1,080.7	1,080.9	1,074.5
Personal dividend income	409.2	433.8	423.7	430.3	437.3	443.8	451.2
Government transfer payments to persons	1,137.0	1,252.9	1,217.4	1,247.7	1,263.1	1,283.5	1,304.9
Business transfer payments to persons	33.4	35.1	34.6	34.9	35.3	35.6	35.9
Equals: Personal income	8,685.3	8,929.1	8,803.4	8,914.0	8,958.9	9,039.9	9,127.7
Addenda:							
Gross domestic income	10,199.4	10,562.9	10,423.1	10,541.8	10,588.3	10,698.4	10,805.0
Gross national income	10,221.4	10,553.3	10,424.9	10,521.8	10,577.4	10,689.2	10,794.1
Net domestic product	8,752.9	9,052.8	8,949.6	8,987.0	9,101.0	9,173.4	9,279.9

Table 1.10. Relation of Real Gross Domestic Product, Real Gross National Product, and Real Net National Product

[Billions of chained (1996) dollars]

	2001	2002	Seasonally adjusted at annual rates				
			2002				2003
			I	II	III	IV	I
Gross domestic product	9,214.5	9,439.9	9,363.2	9,392.4	9,485.6	9,518.2	9,562.9
<i>Plus:</i> Income receipts from the rest of the world	292.0	253.3	242.8	251.8	261.3	257.5	250.9
<i>Less:</i> Income payments to the rest of the world	269.2	260.3	239.2	268.2	269.5	264.2	259.3
Equals: Gross national product	9,237.3	9,433.5	9,367.5	9,376.7	9,477.9	9,512.1	9,555.1
<i>Less:</i> Consumption of fixed capital	1,320.8	1,399.9	1,357.9	1,390.9	1,417.0	1,433.7	1,448.2
Private	1,110.7	1,184.5	1,144.8	1,176.2	1,200.9	1,216.0	1,228.9
Government	210.9	216.6	214.0	215.8	217.5	219.1	220.9
General government	179.2	185.4	183.2	184.7	186.1	187.5	189.1
Government enterprises	31.7	31.2	30.9	31.1	31.3	31.6	31.7
Equals: Net national product	7,928.1	8,049.7	8,022.0	8,001.6	8,078.2	8,097.2	8,126.7
Addenda:							
Gross domestic income ¹	9,321.7	9,545.3	9,463.1	9,541.7	9,559.7	9,616.7	9,652.9
Gross national income ²	9,344.5	9,539.0	9,467.4	9,526.0	9,552.1	9,610.5	9,645.1
Net domestic product	7,905.4	8,055.8	8,017.7	8,017.0	8,085.5	8,103.0	8,134.2

1. Gross domestic income deflated by the implicit price deflator for gross domestic product.

2. Gross national income deflated by the implicit price deflator for gross national product.

NOTE: Except as noted in footnotes 1 and 2, chained (1996) dollar series are calculated as the product of the chain-type quantity index and the 1996 current-dollar value of the corresponding series, divided by 100. Because the formula for the chain-type quantity indexes uses weights of more than one period, the corresponding chained-dollar estimates are usually not additive.

The chain-type quantity index for gross national product is shown in table 7.3.

Table 1.11. Command-Basis Real Gross National Product

[Billions of chained (1996) dollars]

Gross national product	9,237.3	9,433.5	9,367.5	9,376.7	9,477.9	9,512.1	9,555.1
<i>Less:</i> Exports of goods and services and income receipts from the rest of the world ...	1,366.5	1,307.1	1,268.0	1,311.9	1,334.2	1,314.4	1,303.5
<i>Plus:</i> Command-basis exports of goods and services and income receipts from the rest of the world ¹	1,410.0	1,344.4	1,321.2	1,345.6	1,365.6	1,345.4	1,314.2
Equals: Command-basis gross national product	9,280.9	9,470.8	9,420.6	9,410.3	9,509.3	9,543.1	9,565.7
Addendum:							
Terms of trade ²	103.2	102.8	104.2	102.6	102.4	102.4	100.8

1. Exports of goods and services and income receipts deflated by the implicit price deflator for imports of goods and services and income payments.

2. Ratio of the implicit price deflator for exports of goods and services and income receipts to the corresponding implicit price deflator for imports divided by 100.

NOTE: Chained (1996) dollar series are calculated as the product of the chain-type quantity index and the 1996 current-dollar value of the corresponding series, divided by 100. Because the formula for the chain-type quantity indexes uses weights of more than one period, the corresponding chained-dollar estimates are usually not additive.

Percent changes from preceding period for gross national product are shown in table 8.1.

Chain-type quantity indexes for the series in this table are shown in table 7.3.

3. Government Current Receipts and Expenditures

Table 3.1. Government Current Receipts and Expenditures
[Billions of dollars]

	2001	2002	Seasonally adjusted at annual rates				
			2002				2003
			I	II	III	IV	
Current receipts	2,992.3	2,874.8	2,865.7	2,876.7	2,869.4	2,887.3	2,910.4
Personal tax and nontax receipts	1,292.1	1,113.6	1,136.8	1,121.8	1,099.0	1,096.8	1,085.5
Corporate profits tax accruals	199.3	213.3	202.4	213.7	214.7	222.4	235.1
Indirect business tax and nontax accruals	774.8	800.4	786.2	795.1	806.9	813.3	821.0
Contributions for social insurance	726.1	747.5	740.4	746.1	748.8	754.9	768.8
Current expenditures	2,951.6	3,126.2	3,067.3	3,117.4	3,134.6	3,185.6	3,243.4
Consumption expenditures	1,522.2	1,621.0	1,584.0	1,611.6	1,629.4	1,659.0	1,699.9
Transfer payments (net)	1,146.6	1,267.3	1,240.2	1,258.3	1,272.8	1,298.0	1,325.6
To persons	1,137.0	1,252.9	1,217.4	1,247.7	1,263.1	1,283.5	1,304.9
To the rest of the world (net)	9.6	14.4	22.8	10.6	9.7	14.5	20.8
Net interest paid	236.0	205.8	206.6	212.8	203.8	200.1	191.6
Interest paid	341.1	314.1	312.7	319.5	312.2	311.8	303.9
To persons and business	260.4	241.0	238.7	244.9	239.4	241.2	238.5
To the rest of the world	80.7	73.0	74.0	74.7	72.8	70.7	65.4
Less: Interest received by government	105.1	108.2	106.2	106.7	108.4	111.7	112.3
Less: Dividends received by government .....	.4	.5	.4	.5	.5	.5	.5
Subsidies less current surplus of government enterprises	47.3	32.5	37.0	35.1	29.1	29.0	28.2
Subsidies	55.3	46.2	46.4	46.0	46.6	45.9	48.1
Less: Current surplus of government enterprises	8.0	13.7	9.4	11.0	17.5	17.0	19.9
Less: Wage accruals less disbursements .....	.0	.0	.0	.0	.0	.0	1.4
Current surplus or deficit (-), national income and product accounts	40.7	-251.4	-201.6	-240.7	-265.2	-298.3	-333.0
Social insurance funds	93.2	52.9	63.9	49.6	48.0	49.9	56.1
Other	-52.5	-304.3	-265.5	-290.3	-313.2	-348.2	-389.1
Addenda:							
Net lending or net borrowing (-)	-46.9	-351.9	-305.6	-341.3	-362.1	-398.5	-427.4
Current surplus or deficit (-), national income and product accounts	40.7	-251.4	-201.6	-240.7	-265.2	-298.3	-333.0
Plus: Consumption of fixed capital	222.4	229.6	226.5	228.6	230.5	232.7	236.0
Plus: Capital transfers received (net)	35.4	32.9	35.8	29.7	35.7	30.3	30.8
Less: Gross investment	335.8	351.9	355.5	348.2	351.7	352.2	352.9
Less: Net purchases of nonproduced assets	9.6	11.0	10.8	10.6	11.4	11.0	8.3

Table 3.2. Federal Government Current Receipts and Expenditures

[Billions of dollars]

	2001	2002	Seasonally adjusted at annual rates				
			2002				2003
			I	II	III	IV	I
Current receipts	2,008.4	1,875.6	1,884.7	1,883.7	1,864.1	1,869.7	1,878.5
Personal tax and nontax receipts	1,010.9	847.0	874.8	856.6	831.3	825.3	809.5
Income taxes	1,000.3	837.6	864.8	847.0	822.3	816.3	800.4
Nontaxes	10.6	9.4	10.0	9.6	9.1	9.0	9.2
Corporate profits tax accruals	170.2	179.8	170.5	180.2	181.1	187.5	198.3
Federal Reserve banks	27.1	22.2	22.7	23.2	22.2	20.6	20.4
Other	143.2	157.6	147.8	157.0	158.8	166.9	178.0
Indirect business tax and nontax accruals	110.3	110.6	108.4	110.2	112.4	111.5	111.2
Excise taxes	66.3	69.6	68.4	69.9	69.8	70.3	69.5
Customs duties	20.6	20.3	18.8	19.4	22.4	20.6	20.9
Nontaxes	23.4	20.7	21.2	20.9	20.2	20.5	20.8
Contributions for social insurance	716.9	738.1	731.1	736.7	739.3	745.4	759.3
Current expenditures	1,936.4	2,075.5	2,030.5	2,079.3	2,074.6	2,117.4	2,144.6
Consumption expenditures	528.4	586.5	566.3	581.0	589.8	608.9	627.1
Transfer payments (net)	842.2	931.7	916.9	927.6	934.1	948.5	971.4
To persons	832.6	917.4	894.1	917.0	924.4	934.0	950.7
To the rest of the world (net)	9.6	14.4	22.8	10.6	9.7	14.5	20.8
Grants-in-aid to State and local governments	277.4	305.7	292.3	309.6	305.0	315.8	313.0
Net interest paid	238.1	207.8	208.5	214.9	205.8	202.1	193.5
Interest paid	257.8	228.9	228.3	234.6	226.8	225.9	217.6
To persons and business	177.2	155.9	154.2	159.9	154.0	155.3	152.1
To the rest of the world	80.7	73.0	74.0	74.7	72.8	70.7	65.4
Less: Interest received by government	19.7	21.1	19.8	19.7	21.0	23.9	24.0
Subsidies less current surplus of government enterprises ..	50.3	43.7	46.6	46.3	39.9	42.1	40.9
Subsidies	47.5	45.4	44.9	45.5	45.0	46.3	47.8
Less: Current surplus of government enterprises ..	-2.8	1.7	-1.7	-7	5.0	4.2	6.9
Less: Wage accruals less disbursements	0	0	0	0	0	0	1.4
Current surplus or deficit (-), national income and product accounts ..	72.0	-199.9	-145.8	-195.6	-210.5	-247.7	-266.1
Social insurance funds	93.3	53.0	64.1	49.7	48.1	50.0	56.3
Other	-21.3	-252.9	-209.9	-245.3	-258.6	-297.7	-322.4
Addenda:							
Net lending or net borrowing (-)	58.9	-224.5	-169.5	-223.2	-233.5	-271.7	-281.1
Current surplus or deficit (-), national income and product accounts	72.0	-199.9	-145.8	-195.6	-210.5	-247.7	-266.1
Plus: Consumption of fixed capital	98.7	101.9	100.6	101.3	102.2	103.6	105.0
Plus: Capital transfers received (net)	-12.9	-19.1	-18.3	-21.8	-16.8	-19.5	-13.7
Less: Gross investment ...	99.7	107.2	105.7	107.1	107.9	108.0	109.0
Less: Net purchases of nonproduced assets	-7	2	2	-1	6	1	-2.7

Table 3.3. State and Local Government Current Receipts and Expenditures

[Billions of dollars]

	2001	2002	Seasonally adjusted at annual rates				
			2002				2003
			I	II	III	IV	I
Current receipts	1,261.3	1,304.9	1,273.3	1,302.5	1,310.3	1,333.4	1,345.0
Personal tax and nontax receipts	281.2	266.6	262.0	265.3	267.7	271.4	275.9
Income taxes	218.7	200.7	197.4	199.9	201.4	204.2	207.3
Nontaxes	41.9	45.1	43.9	44.7	45.5	46.4	47.7
Other	20.6	20.7	20.7	20.7	20.7	20.8	20.9
Corporate profits tax accruals ..	29.1	33.5	32.0	33.5	33.7	34.9	36.8
Indirect business tax and nontax accruals	664.4	689.8	677.8	684.9	694.5	701.8	709.8
Sales taxes	321.2	333.5	327.4	330.6	337.2	338.6	342.4
Property taxes	257.4	267.8	263.5	265.9	268.6	273.2	278.1
Other	85.8	88.5	86.9	88.3	88.7	90.0	89.3
Contributions for social insurance	9.2	9.4	9.3	9.4	9.4	9.5	9.5
Federal grants-in-aid	277.4	305.7	292.3	309.6	305.0	315.8	313.0
Current expenditures	1,292.6	1,356.4	1,329.1	1,347.6	1,365.0	1,384.0	1,411.9
Consumption expenditures	993.7	1,034.5	1,017.7	1,030.6	1,039.6	1,050.1	1,072.8
Transfer payments to persons ..	304.4	335.6	323.4	330.7	338.7	349.5	354.2
Net interest paid	-2.1	-2.0	-1.9	-2.0	-2.0	-1.9	-1.9
Interest paid	83.3	85.2	84.5	84.9	85.4	85.9	86.4
Less: Interest received by government	85.4	87.1	86.4	87.0	87.4	87.8	88.3
Less: Dividends received by government	4	5	4	5	5	5	5
Subsidies less current surplus of government enterprises ..	-3.1	-11.2	-9.6	-11.2	-10.8	-13.2	-12.7
Subsidies	7.8	8	1.4	5	1.7	-4	3
Less: Current surplus of government enterprises ..	10.9	12.0	11.0	11.7	12.5	12.8	13.0
Less: Wage accruals less disbursements	0	0	0	0	0	0	0
Current surplus or deficit (-), national income and product accounts ..	-31.3	-51.5	-55.8	-45.1	-54.7	-50.6	-66.9
Social insurance funds	-1	-1	-2	-1	-1	-1	-1
Other	-31.2	-51.4	-55.6	-44.9	-54.6	-50.5	-66.8
Addenda:							
Net lending or net borrowing (-)	-105.8	-127.4	-136.1	-118.1	-128.5	-126.8	-146.3
Current surplus or deficit (-), national income and product accounts	-31.3	-51.5	-55.8	-45.1	-54.7	-50.6	-66.9
Plus: Consumption of fixed capital	123.7	127.7	125.9	127.3	128.3	129.1	131.0
Plus: Capital transfers received (net)	48.3	52.0	54.1	51.5	52.5	49.8	44.6
Less: Gross investment ...	236.2	244.7	249.7	241.1	243.8	244.2	243.9
Less: Net purchases of nonproduced assets	10.3	10.8	10.6	10.7	10.9	10.9	11.0

Table 3.10. National Defense Consumption Expenditures and Gross Investment

[Billions of dollars]

	2001	2002	Seasonally adjusted at annual rates				
			2002				2003
			I	II	III	IV		I
National defense consumption expenditures and gross investment¹	399.9	447.4	431.7	442.1	451.2	464.7	471.2
Consumption expenditures	344.5	386.6	372.1	382.5	388.9	403.2	408.8
Durable goods²	24.2	25.3	24.7	24.9	26.3	25.2	24.7
Aircraft	11.2	11.3	11.1	11.3	11.6	11.4	10.8
Missiles	2.5	2.8	2.6	2.5	3.0	3.1	2.7
Ships	1.2	1.3	1.3	1.3	1.5	1.2	1.2
Vehicles	1.0	1.1	1.0	1.1	1.0	1.2	1.1
Electronics	3.0	3.1	3.1	3.2	3.3	2.8	3.4
Other durable goods	5.3	5.6	5.6	5.5	5.8	5.5	5.5
Nondurable goods	10.5	11.5	10.9	11.7	12.0	11.4	12.2
Petroleum products	4.0	4.2	3.8	4.3	4.7	4.0	5.0
Ammunition	2.1	2.5	2.4	2.6	2.7	2.4	2.1
Other nondurable goods ..	4.4	4.8	4.7	4.8	4.6	5.0	5.1
Services	309.8	349.9	336.5	345.9	350.6	366.6	371.9
Compensation of general government employees, except own-account investment ³	143.7	154.4	152.7	155.0	155.8	153.9	165.2
Military	94.1	102.1	101.2	102.4	103.0	101.5	110.4
Civilian	49.6	52.3	51.4	52.5	52.8	52.4	54.8
Consumption of general government fixed capital ⁴	63.5	64.2	63.8	64.0	64.3	64.9	65.3
Other services	102.5	131.3	120.0	127.0	130.5	147.7	141.4
Research and development	29.6	42.0	37.5	40.9	40.0	49.5	44.7
Installation support	25.5	28.5	27.2	27.1	29.6	30.2	26.7
Weapons support	12.2	18.3	16.0	17.2	19.2	20.7	17.2
Personnel support	28.0	35.5	32.2	34.2	36.6	39.0	39.1
Transportation of material	4.9	5.0	4.8	4.9	5.0	5.2	10.0
Travel of persons	4.2	4.0	4.0	4.0	4.0	4.1	4.7
Other	-2.0	-1.9	-1.7	-1.3	-3.9	-9	-1.1
Gross investment	55.5	60.8	59.7	59.6	62.4	61.5	62.4
Structures	5.4	5.3	5.1	5.4	5.4	5.3	5.5
Equipment and software	50.0	55.5	54.6	54.2	57.0	56.3	56.9
Aircraft	8.3	9.3	8.6	9.0	9.9	9.9	9.5
Missiles	3.3	3.1	3.6	3.1	2.6	3.1	2.8
Ships	7.2	8.7	8.1	8.5	8.9	9.0	8.8
Vehicles	1.8	2.6	2.1	2.8	3.0	2.7	3.6
Electronics and software ..	13.7	15.0	14.9	14.7	15.3	14.9	15.7
Other equipment	15.7	16.8	17.2	16.2	17.1	16.7	16.5
Addendum:							
Compensation of general government employees ³ ..	144.3	155.3	153.6	155.9	156.8	154.9	166.2

Table 3.11. Real National Defense Consumption Expenditures and Gross Investment

[Billions of chained (1996) dollars]

	2001	2002	Seasonally adjusted at annual rates				
			2002				2003
			I	II	III	IV		I
National defense consumption expenditures and gross investment¹	366.0	400.0	388.5	395.8	402.5	413.2	409.6
Consumption expenditures	308.9	337.0	326.7	333.9	338.0	349.4	345.4
Durable goods²	24.3	25.3	24.8	24.9	26.4	25.2	24.6
Aircraft	11.2	11.3	11.1	11.2	11.6	11.3	10.7
Missiles	2.5	2.8	2.6	2.6	3.0	3.1	2.7
Ships	1.2	1.3	1.3	1.3	1.5	1.2	1.2
Vehicles .....	.8	.8	.8	.8	.8	.9	.8
Electronics	3.4	3.6	3.6	3.7	3.9	3.3	4.0
Other durable goods	5.2	5.6	5.6	5.5	5.8	5.5	5.4
Nondurable goods	9.9	11.4	11.5	11.7	11.6	10.8	10.7
Petroleum products	3.4	4.3	4.6	4.4	4.5	3.6	3.7
Ammunition	2.1	2.6	2.5	2.7	2.8	2.5	2.2
Other nondurable goods ..	4.2	4.5	4.4	4.5	4.3	4.6	4.7
Services	275.1	300.6	290.7	297.6	300.5	313.4	310.0
Compensation of general government employees, except own-account investment ³	121.2	123.4	122.4	123.8	124.3	123.0	125.6
Military	80.7	83.7	83.0	84.0	84.5	83.3	86.3
Civilian	40.7	39.9	39.6	40.0	40.1	39.9	39.6
Consumption of general government fixed capital ⁴	62.4	62.6	62.4	62.5	62.6	62.8	63.1
Other services	91.7	114.9	106.2	111.6	113.8	128.2	121.6
Research and development	26.9	37.5	33.7	36.7	35.6	43.9	39.4
Installation support	23.4	25.6	24.8	24.5	26.4	26.7	23.3
Weapons support	10.7	15.8	13.9	14.9	16.6	17.9	14.8
Personnel support	23.4	28.6	26.3	27.6	29.4	31.2	30.9
Transportation of material	4.6	4.6	4.5	4.5	4.5	4.7	9.0
Travel of persons	4.1	3.9	3.8	3.8	3.9	4.0	4.6
Other	-1.7	-1.6	-1.4	-1.1	-3.2	-7	-9
Gross investment	57.3	63.3	62.2	62.2	65.0	63.9	64.6
Structures	4.6	4.4	4.2	4.5	4.4	4.3	4.5
Equipment and software	53.0	59.5	58.5	58.2	61.1	60.1	60.6
Aircraft	9.6	11.2	10.4	10.8	11.9	11.7	11.4
Missiles	3.5	3.4	3.9	3.4	2.9	3.4	3.0
Ships	7.1	8.5	8.1	8.4	8.7	8.8	8.6
Vehicles	1.9	2.8	2.2	2.9	3.2	2.7	3.6
Electronics and software ..	15.3	17.1	16.9	16.7	17.5	17.2	18.0
Other equipment	15.5	16.5	17.0	15.9	16.8	16.4	16.1
Residual	-7	-1.3	-1.3	-9	-1.5	-1.0	-1.1
Addendum:							
Compensation of general government employees ³ ..	121.7	124.1	123.1	124.5	125.1	123.8	126.3

NOTE. Chained (1996) dollar series are calculated as the product of the chain-type quantity index and the 1996 current-dollar value of the corresponding series, divided by 100. Because the formula for the chain-type quantity indexes uses weights of more than one period, the corresponding chained-dollar estimates are usually not additive. The residual line is the difference between the first line and the sum of the most detailed lines, excluding the line in the addendum.

Chain-type indexes for the series in this table are shown in table 7.12.

See footnotes to table 3.10.

1. Gross government investment consists of general government and government enterprise expenditures for fixed assets; inventory investment is included in government consumption expenditures.

2. Consumption expenditures for durable goods excludes expenditures classified as investment, except for goods transferred to foreign countries.

3. Compensation of government employees engaged in new own-account investment and related expenditures for goods and services are classified as investment in structures and in software. The compensation of all general government employees is shown in the addendum.

4. Consumption of fixed capital, or depreciation, is included in government consumption expenditures as a partial measure of the value of the services of general government fixed assets; use of depreciation assumes a zero net return on these assets.

4. Foreign Transactions

Table 4.1. Foreign Transactions in the National Income and Product Accounts
[Billions of dollars]

	2001	2002	Seasonally adjusted at annual rates				
			2002				2003
			I	II	III	IV	I
Receipts from the rest of the world	1,351.1	1,292.9	1,242.2	1,294.1	1,325.9	1,309.6	1,311.2
Exports of goods and services	1,034.1	1,014.9	977.5	1,018.1	1,038.6	1,025.4	1,031.7
Goods ¹	733.5	703.6	679.8	709.4	722.6	702.6	708.6
Durable	522.4	493.0	477.2	499.3	509.5	486.0	483.5
Nondurable	211.2	210.6	202.6	210.0	213.1	216.5	225.1
Services ¹	300.6	311.3	297.7	308.8	316.0	322.8	323.0
Income receipts	316.9	278.0	264.7	276.0	287.3	284.2	279.5
Payments to the rest of the world	1,351.1	1,292.9	1,242.2	1,294.1	1,325.9	1,309.6	1,311.2
Imports of goods and services	1,383.0	1,438.5	1,337.5	1,443.7	1,471.5	1,501.4	1,515.7
Goods ¹	1,167.2	1,192.1	1,102.3	1,202.9	1,220.9	1,242.5	1,254.0
Durable	754.4	771.1	732.4	781.6	783.8	786.6	770.2
Nondurable	412.8	421.0	369.9	421.3	437.2	455.9	483.8
Services ¹	215.8	246.4	235.2	240.8	250.6	258.9	261.7
Income payments	295.0	287.6	262.8	296.1	298.2	293.4	290.4
Transfer payments (net)	49.8	55.7	63.5	51.5	51.8	55.9	62.5
From persons (net)	31.1	32.3	31.5	31.9	32.9	32.8	33.1
From government (net)	9.6	14.4	22.8	10.6	9.7	14.5	20.8
From business	9.1	9.0	9.2	9.0	9.2	8.7	8.7
Net foreign investment	-376.7	-488.9	-421.7	-497.2	-495.6	-541.0	-557.4

1. Exports and imports of certain goods, primarily military equipment purchased and sold by the Federal Government, are included in services. Beginning with 1986, repairs and alterations of equipment are reclassified from goods to services.

Table 4.2. Real Exports and Imports of Goods and Services and Receipts and Payments of Income
[Billions of chained (1996) dollars]

	2001	2002	Seasonally adjusted at annual rates				
			2002				2003
			I	II	III	IV	I
Exports of goods and services	1,076.1	1,058.8	1,030.6	1,065.5	1,077.7	1,061.6	1,057.9
Goods ¹	785.2	756.9	738.1	765.8	773.5	750.3	750.5
Durable	558.3	529.2	512.3	536.3	546.6	521.5	517.9
Nondurable	226.7	227.5	225.7	229.3	226.7	228.5	232.1
Services ¹	292.0	301.5	292.2	299.7	304.0	310.0	306.4
Income receipts	292.0	253.3	242.8	251.8	261.3	257.5	250.9
Imports of goods and services	1,492.0	1,547.4	1,477.1	1,552.9	1,565.7	1,593.8	1,564.8
Goods ¹	1,270.5	1,320.1	1,250.0	1,329.2	1,340.3	1,360.8	1,335.1
Durable	865.6	901.4	856.0	912.5	915.5	921.6	902.6
Nondurable	402.3	415.5	391.5	414.3	421.7	434.5	427.6
Services ¹	222.4	227.2	225.5	224.3	226.0	233.0	229.5
Income payments	269.2	260.3	239.2	268.2	269.5	264.2	259.3

1. Exports and imports of certain goods, primarily military equipment purchased and sold by the Federal Government, are included in services. Beginning with 1986, repairs and alterations of equipment are reclassified from goods to services.

NOTE. Chained (1996) dollar series are calculated as the product of the chain-type quantity index and the 1996 current-dollar value of the corresponding series, divided by 100. Because the formula for the chain-type quantity indexes uses weights of more than one period, the corresponding chained-dollar estimates are usually not additive.

Chain-type quantity indexes for the series in this table are shown in table 7.9.

Table 5.10B. Change in Private Inventories by Industry

[Billions of dollars]

	2001	2002	Seasonally adjusted at annual rates				
			2002				2003
			I	II	III	IV	I
Change in private inventories	-60.3	3.9	-29.9	3.4	17.6	24.5	9.3
Farm	1.6	.5	5.3	.4	-2.3	-1.5	.6
Construction, mining, and utilities	7.6	-9	1.6	-1.1	-2.5	-1.7	-9.4
Manufacturing	-35.9	-11.3	-31.1	-14.2	-2.7	2.8	-4.2
Durable goods industries ...	-29.3	-11.3	-25.4	-14.9	-10.2	5.4	-7.1
Nondurable goods industries	-6.5	.0	-5.8	.6	7.6	-2.6	2.9
Wholesale trade	-15.6	-3.7	-19.5	-9.0	7.1	6.6	-2.8
Durable goods industries ...	-19.7	-3.4	-16.2	-7.4	6.1	3.7	2.4
Nondurable goods industries	4.0	-3	-3.3	-1.6	.9	2.9	-5.1
Retail trade	-20.7	16.8	13.8	22.2	15.6	15.7	23.5
Motor vehicle dealers	-15.5	10.4	13.9	15.4	4.6	7.8	15.8
Food and beverage stores ...	.6	-1	-2.2	.1	1.7	-1	.3
General merchandise stores	-.5	1.3	-4.5	.0	2.6	7.1	1.0
Other retail stores	-5.3	5.3	6.7	6.8	6.6	1.0	6.3
Other industries	2.7	2.5	.0	5.1	2.3	2.5	1.5
Addenda:							
Change in private inventories	-60.3	3.9	-29.9	3.4	17.6	24.5	9.3
Durable goods industries.	-65.0	1.1	-20.3	-4.8	4.8	24.5	15.5
Nondurable goods industries	4.7	2.8	-9.7	8.2	12.7	-1	-6.2
Nonfarm industries	-61.9	3.4	-35.3	3.0	19.8	26.0	8.7
Nonfarm change in book value ¹	-75.5	14.1	-37.1	13.4	38.1	41.9	55.3
Nonfarm inventory valuation adjustment ² ..	13.6	-10.7	1.8	-10.4	-18.2	-15.9	-46.6
Wholesale trade	-15.6	-3.7	-19.5	-9.0	7.1	6.6	-2.8
Merchant wholesale trade	-12.6	-4.2	-16.2	-8.4	3.9	4.0	.1
Durable goods industries	-16.8	-3.9	-14.2	-7.1	3.8	1.9	4.4
Nondurable goods industries	4.2	-3	-2.1	-1.3	.1	2.0	-4.3
Nonmerchant wholesale trade	-3.1	.5	-3.3	-6	3.2	2.7	-2.9

1. This series is derived from the Census Bureau series "current cost inventories."

2. The inventory valuation adjustment (IVA) shown in this table differs from the IVA that adjusts business incomes. The IVA in this table reflects the mix of methods (such as first-in, first-out and last-in, first-out) underlying inventories derived primarily from Census Bureau statistics (see footnote 1). This mix differs from that underlying business income derived primarily from Internal Revenue Service statistics.

NOTE: Estimates in this table are based on the North American Industry Classification System (NAICS).

Table 5.11B. Real Change in Private Inventories by Industry

[Billions of chained (1996) dollars]

	2001	2002	Seasonally adjusted at annual rates				
			2002				2003
			I	II	III	IV	I
Change in private inventories	-61.4	5.2	-28.9	4.9	18.8	25.8	13.2
Farm	2.0	1.1	6.4	.8	-2.2	-8	1.4
Construction, mining, and utilities	6.4	-7	1.6	-1.0	-2.3	-1.1	-6.5
Manufacturing	-36.2	-11.5	-31.9	-14.1	-2.6	2.8	-4.1
Durable goods industries ...	-30.1	-11.4	-25.9	-15.0	-10.3	5.5	-7.4
Nondurable goods industries	-6.3	-1	-6.0	.8	7.4	-2.5	3.0
Wholesale trade	-16.5	-3.4	-19.8	-8.7	7.9	7.0	-1.9
Durable goods industries ...	-21.8	-3.6	-17.0	-7.7	6.5	3.8	2.9
Nondurable goods industries	4.3	.0	-3.2	-1.3	1.6	3.1	-4.2
Retail trade	-20.3	16.6	13.8	22.0	15.5	15.2	23.3
Motor vehicle dealers	-15.5	10.5	14.0	15.6	4.7	7.8	16.2
Food and beverage stores ...	.5	-1	-2.0	.1	1.6	-1	.3
General merchandise stores	-.4	1.3	-4.4	.0	2.6	6.8	1.0
Other retail stores	-5.2	5.2	6.7	6.7	6.6	1.0	6.5
Other industries	2.6	2.5	.0	5.0	2.3	2.5	1.5
Residual	2.1	.5	.9	.9	.3	-2	-1.5
Addenda:							
Change in private inventories	-61.4	5.2	-28.9	4.9	18.8	25.8	13.2
Durable goods industries	-67.9	1.4	-20.3	-4.4	5.0	25.1	16.1
Nondurable goods industries	4.8	3.8	-8.8	9.0	13.6	1.4	-2.1
Nonfarm industries	-63.2	4.1	-35.1	4.2	20.8	26.5	11.8
Wholesale trade	-16.5	-3.4	-19.8	-8.7	7.9	7.0	-1.9
Merchant wholesale trade	-13.3	-3.9	-16.4	-8.2	4.6	4.2	1.1
Durable goods industries	-18.7	-4.1	-14.8	-7.5	4.0	1.9	5.1
Nondurable goods industries	4.5	.0	-2.0	-.9	.8	2.3	-3.4
Nonmerchant wholesale trade	-3.2	.5	-3.4	-6	3.2	2.7	-2.8

NOTE: Estimates in this table are based on the North American Industry Classification System (NAICS). Chained (1996) dollar series for real change in private inventories are calculated as the period-to-period change in chained-dollar end-of-period inventories. Quarterly changes in end-of-period inventories are stated at annual rates. Because the formula for the chain-type quantity indexes uses weights of more than one period, the corresponding chained-dollar estimates are usually not additive. The residual line is the difference between the first line and the sum of the most detailed lines.

Table 5.12B. Private Inventories and Domestic Final Sales by Industry
[Billions of dollars]

	Seasonally adjusted quarterly totals				
	2002				2003
	I	II	III	IV	I
Private inventories ¹	1,429.4	1,438.1	1,446.9	1,462.9	1,492.1
Farm.....	104.7	104.0	100.1	106.6	108.8
Construction, mining, and utilities.....	39.5	41.9	41.3	43.6	46.6
Manufacturing.....	447.0	445.7	447.9	449.1	456.3
Durable goods industries.....	275.8	273.2	270.2	271.1	270.8
Nondurable goods industries.....	171.2	172.5	177.7	178.0	185.6
Wholesale trade.....	334.5	335.1	341.2	342.4	347.5
Durable goods industries.....	194.5	193.6	195.1	196.0	197.6
Nondurable goods industries.....	140.0	141.6	146.1	146.4	149.9
Retail trade.....	392.4	398.0	402.3	406.3	415.3
Motor vehicle dealers.....	121.1	124.5	125.1	126.0	131.0
Food and beverage stores.....	33.1	32.9	33.4	33.5	33.9
General merchandise stores.....	62.6	62.7	63.3	65.4	65.8
Other retail stores.....	175.6	177.9	180.4	181.4	184.6
Other industries.....	111.4	113.4	114.1	115.1	117.5
Addenda:					
Private inventories.....	1,429.4	1,438.1	1,446.9	1,462.9	1,492.1
Durable goods industries.....	671.5	672.3	672.9	677.2	684.8
Nondurable goods industries.....	757.9	765.8	774.0	785.7	807.3
Nonfarm industries.....	1,324.7	1,334.1	1,346.8	1,356.4	1,383.2
Wholesale trade.....	334.5	335.1	341.2	342.4	347.5
Merchant wholesale trade.....	287.4	287.5	292.1	292.6	296.2
Durable goods industries.....	167.6	166.6	167.6	168.0	169.9
Nondurable goods industries.....	119.9	120.9	124.5	124.6	126.3
Nonmerchant wholesale trade.....	47.0	47.6	49.1	49.8	51.2
Final sales of domestic business ²	723.8	724.7	732.6	737.2	745.3
Final sales of goods and structures of domestic business ²	387.2	382.7	386.6	386.1	391.5
Ratios of private inventories to final sales of domestic business:					
Private inventories to final sales.....	1.97	1.98	1.98	1.98	2.00
Nonfarm inventories to final sales.....	1.83	1.84	1.84	1.84	1.86
Nonfarm inventories to final sales of goods and structures.....	3.42	3.49	3.48	3.51	3.53

1. Inventories are as of the end of the quarter. The quarter-to-quarter change in inventories calculated from current-dollar inventories in this table is not the current-dollar change in the private inventories component of GDP. The former is the difference between two inventory stocks, each valued at its respective end-of-quarter prices. The latter is the change in the physical volume of inventories valued at average prices of the quarter. In addition, changes calculated from this table are at quarterly rates, whereas, the change in private inventories is stated at annual rates.

2. Quarterly totals at monthly rates. Final sales of domestic business equals final sales of domestic product less gross product of households and institutions and of general government, and it includes a small amount of final sales by farm and by government enterprises.

NOTE: Estimates in this table are based on the North American Industry Classification System (NAICS).

Table 5.13B. Real Private Inventories and Real Domestic Final Sales by Industry
[Billions of chained (1996) dollars]

	Seasonally adjusted quarterly totals				
	2002				2003
	I	II	III	IV	I
Private inventories ¹	1,451.5	1,452.7	1,457.4	1,463.9	1,467.2
Farm.....	107.6	107.8	107.2	107.1	107.4
Construction, mining, and utilities.....	40.4	40.2	39.6	39.3	37.7
Manufacturing.....	451.7	448.1	447.5	448.2	447.1
Durable goods industries.....	280.3	276.5	273.9	275.3	273.5
Nondurable goods industries.....	171.3	171.5	173.3	172.7	173.4
Wholesale trade.....	352.6	350.4	352.4	354.2	353.7
Durable goods industries.....	213.1	211.2	212.8	213.8	214.5
Nondurable goods industries.....	138.4	138.1	138.5	139.3	138.2
Retail trade.....	384.7	390.2	394.1	397.9	403.8
Motor vehicle dealers.....	122.4	126.3	127.5	129.4	133.5
Food and beverage stores.....	30.0	30.1	30.5	30.4	30.5
General merchandise stores.....	61.1	61.1	61.7	63.4	63.7
Other retail stores.....	171.1	172.8	174.4	174.7	176.3
Other industries.....	112.4	113.7	114.3	114.9	115.3
Residual.....	3.4	3.4	3.7	3.6	3.2
Addenda:					
Private inventories.....	1,451.5	1,452.7	1,457.4	1,463.9	1,467.2
Durable goods industries.....	696.5	695.4	696.6	702.9	707.0
Nondurable goods industries.....	752.3	754.6	758.0	758.3	757.8
Nonfarm industries.....	1,343.1	1,344.1	1,349.3	1,355.9	1,358.9
Wholesale trade.....	352.6	350.4	352.4	354.2	353.7
Merchant wholesale trade.....	304.4	302.3	303.5	304.5	304.8
Durable goods industries.....	184.0	182.1	183.1	183.6	184.8
Nondurable goods industries.....	119.4	119.2	119.4	120.0	119.1
Nonmerchant wholesale trade.....	48.3	48.2	49.0	49.6	48.9
Final sales of domestic business ²	665.3	664.6	670.6	672.0	676.2
Final sales of goods and structures of domestic business ²	373.3	369.2	373.3	372.0	376.1
Ratios of private inventories to final sales of domestic business:					
Private inventories to final sales.....	2.18	2.19	2.17	2.18	2.17
Nonfarm inventories to final sales.....	2.02	2.02	2.01	2.02	2.01
Nonfarm inventories to final sales of goods and structures.....	3.60	3.64	3.61	3.64	3.61

1. Inventories are as of the end of the quarter. The quarter-to-quarter changes calculated from this table are at quarterly rates, whereas the change in private inventories component of GDP is stated at annual rates.

2. Quarterly totals at monthly rates. Final sales of domestic business equals final sales of domestic product less gross product of households and institutions and of general government, and it includes a small amount of final sales by farm and by government enterprises.

NOTE: Estimates in this table are based on the North American Industry Classification System (NAICS). Chained (1996) dollar inventory series are calculated to ensure that the chained (1996) dollar change in inventories for 1996 equals the current-dollar change in inventories for 1996 and that the average of the 1995 and 1996 end-of-year chain-weighted and fixed-weighted inventories are equal. Chained (1996) dollar final sales are calculated as the product of the chain-type quantity index and the 1996 current-dollar value of the corresponding series, divided by 100. Because the formula for the chain-type quantity indexes uses weights of more than one period, the corresponding chained-dollar estimates are usually not additive. The residual line is the difference between the first line and the sum of the most detailed lines for inventories.

6. Income and Employment by Industry

Table 6.1C. National Income Without Capital Consumption Adjustment by Industry Group
[Billions of dollars]

	2001	2002	Seasonally adjusted at annual rates				
			2002				2003
			I	II	III	IV	I
National income without capital consumption adjustment	8,053.5	8,182.7	8,073.8	8,158.0	8,196.8	8,302.0	8,387.3
Domestic industries	8,031.5	8,192.2	8,071.9	8,178.1	8,207.7	8,311.1	8,398.1
Private industries	6,969.4	7,076.2	6,970.6	7,067.0	7,086.4	7,180.9	7,248.4
Agriculture, forestry, and fishing	111.1	109.5	116.8	102.8	108.0	110.3	.....
Mining	69.5	58.9	58.2	57.5	57.5	62.4	.....
Construction	438.9	443.0	439.3	440.6	442.5	449.7	.....
Manufacturing	1,132.2	1,123.5	1,092.9	1,126.8	1,131.3	1,143.1	.....
Durable goods	640.5	629.1	610.3	634.2	634.5	637.5	.....
Nondurable goods	491.8	494.4	482.6	492.6	496.8	505.6	.....
Transportation and public utilities	529.9	515.0	508.5	514.3	512.2	525.1	.....
Transportation	236.6	236.6	231.0	233.8	237.7	243.7	.....
Communications	148.4	137.0	139.8	135.9	134.7	137.5	.....
Electric, gas, and sanitary services	144.9	141.5	137.6	144.6	139.8	143.9	.....
Wholesale trade	458.4	467.1	457.4	463.9	464.9	482.3	.....
Retail trade	686.1	704.3	695.2	705.5	707.7	708.6	.....
Finance, insurance, and real estate	1,571.1	1,636.5	1,613.2	1,649.0	1,639.7	1,644.2	.....
Services	1,972.0	2,018.4	1,989.1	2,006.6	2,022.6	2,055.3	.....
Government	1,062.1	1,116.0	1,101.4	1,111.1	1,121.3	1,130.2	1,149.7
Rest of the world	21.9	-9.6	1.9	-20.0	-10.9	-9.2	-10.9

NOTE: Estimates in this table are based on the 1987 Standard Industrial Classification (SIC).

Table 6.16C. Corporate Profits by Industry Group
[Billions of dollars]

	2001	2002	Seasonally adjusted at annual rates				
			2002				2003
			I	II	III	IV	I
Corporate profits with inventory valuation and capital consumption adjustments	731.6	787.4	797.6	785.0	771.0	796.1	804.0
Domestic industries	580.9	668.1	665.6	669.9	654.9	682.0	698.4
Financial	173.5	209.7	213.2	210.7	207.3	207.6	218.6
Nonfinancial	407.4	458.4	452.4	459.3	447.6	474.4	479.9
Rest of the world	150.8	119.3	132.0	115.1	116.1	114.1	105.6
Receipts from the rest of the world	172.4	177.0	161.4	173.4	185.9	187.3	190.7
Less: Payments to the rest of the world	21.6	57.7	29.4	58.3	69.7	73.3	85.1
Corporate profits with inventory valuation adjustment	675.1	658.3	641.3	652.2	653.4	686.4	691.1
Domestic industries	524.4	539.0	509.3	537.1	537.3	572.3	585.5
Financial	190.6	217.3	218.2	218.5	216.1	216.5	226.0
Federal Reserve banks	27.9	22.8	23.4	23.9	22.9	21.2	20.9
Other	162.8	194.5	194.8	194.6	193.2	195.2	205.1
Nonfinancial	333.7	321.7	291.1	318.6	321.2	355.8	359.5
Manufacturing	83.4	92.6	68.9	91.9	100.5	108.9	.....
Durable goods	9.9	17.0	2.5	17.8	22.8	24.6	.....
Primary metal industries	-1.6	1.2	.5	.3	1.3	2.6	.....
Fabricated metal products	9.0	5.8	5.2	5.8	4.7	7.3	.....
Industrial machinery and equipment	-6	-2.5	-4.9	-2.9	-1	-2.2	.....
Electronic and other electric equipment	-3.2	.7	-6.2	-9	4.0	6.1	.....
Motor vehicles and equipment	-9.4	-7.6	-11.8	-4.4	-6.6	-7.7	.....
Other	15.7	19.4	19.7	20.0	19.5	18.5	.....
Nondurable goods	73.5	75.6	66.4	74.1	77.6	84.3	.....
Food and kindred products	16.6	20.1	18.9	19.2	21.0	21.1	.....
Chemicals and allied products	15.2	16.9	15.1	16.7	17.0	18.9	.....
Petroleum and coal products	25.7	16.9	14.1	15.4	17.4	20.7	.....
Other	16.0	21.8	18.3	22.8	22.3	23.7	.....
Transportation and public utilities	27.7	16.7	15.0	17.1	13.2	21.5	.....
Transportation	1.2	.3	-5	-1.7	-3	3.6	.....
Communications	-5.8	-11.7	-9.3	-12.7	-13.1	-11.8	.....
Electric, gas, and sanitary services	32.2	28.1	24.8	31.4	26.5	29.6	.....
Wholesale trade	44.8	47.3	41.2	44.8	44.5	58.9	.....
Retail trade	79.1	81.2	81.4	86.0	82.5	75.1	.....
Other	98.8	83.9	84.6	78.9	80.6	91.5	.....
Rest of the world	150.8	119.3	132.0	115.1	116.1	114.1	105.6

NOTE: Estimates in this table are based on the 1987 Standard Industrial Classification (SIC).

Table 7.14. Chain-Type Quantity and Price Indexes for Gross Domestic Product by Sector

[Index numbers, 1996=100]

	2001	2002	Seasonally adjusted				
			2002				2003
			I	II	III	IV		I
Chain-type quantity indexes							
Gross domestic product	117.94	120.82	119.84	120.21	121.41	121.82	122.39
Business ¹	119.56	122.53	121.52	121.86	123.17	123.55	124.13
Nonfarm ²	119.51	122.49	121.43	121.86	123.16	123.52	124.05
Nonfarm less housing	120.48	123.84	122.67	122.95	124.60	125.16	125.74
Housing	110.86	110.72	110.59	112.17	110.72	109.39	109.50
Farm	124.00	124.46	129.90	120.17	122.49	125.29	131.05
Households and institutions	114.39	116.95	115.74	116.59	117.35	118.14	118.78
Private households	84.25	73.59	72.41	73.19	73.92	74.82	75.70
Nonprofit institutions	115.49	118.53	117.31	118.17	118.93	119.71	120.34
General government ³	107.69	110.15	109.42	109.84	110.41	110.95	111.45
Federal	99.77	101.90	100.78	101.39	102.24	103.18	104.49
State and local	111.40	114.01	113.46	113.79	114.22	114.57	114.70
Chain-type price indexes							
Gross domestic product	109.42	110.66	110.14	110.48	110.76	111.25	111.94
Business ¹	108.23	109.04	108.65	108.89	109.08	109.53	110.02
Nonfarm ²	108.78	109.63	109.16	109.59	109.68	110.10	110.55
Nonfarm less housing	107.97	108.40	108.02	108.39	108.41	108.79	109.20
Housing	116.62	121.65	120.25	121.22	122.13	123.02	123.82
Farm	70.50	68.00	73.18	61.18	67.77	69.86	73.36
Households and institutions	115.28	119.24	117.13	118.47	119.93	121.42	122.89
Private households	117.43	121.68	120.48	121.29	122.18	122.75	123.45
Nonprofit institutions	115.20	119.16	117.03	118.38	119.85	121.36	122.85
General government ³	116.48	120.00	119.13	119.77	120.33	120.77	122.72
Federal	114.23	119.51	118.97	119.60	119.83	119.63	124.30
State and local	117.47	120.26	119.25	119.90	120.59	121.31	122.10

1. Equals gross domestic product less gross product of households and institutions and of general government.

2. Equals gross domestic business product less gross farm product.

3. Equals compensation of general government employees plus general government consumption of fixed capital.

Table 7.15. Price, Costs, and Profit Per Unit of Real Gross Product of Nonfinancial Corporate Business

[Dollars]

Price per unit of real gross product of nonfinancial corporate business ¹	1.041	1.036	1.037	1.036	1.035	1.037	1.039
Compensation of employees (unit labor cost)	.695	.680	.682	.680	.679	.679	.682
Unit nonlabor cost	.267	.269	.268	.269	.271	.270	.269
Consumption of fixed capital	.127	.129	.128	.129	.130	.130	.129
Indirect business tax and nontax liability plus business transfer payments less subsidies..	.102	.103	.103	.103	.104	.104	.104
Net interest	.038	.037	.037	.037	.037	.036	.036
Corporate profits with inventory valuation and capital consumption adjustments (unit profits from current production)	.079	.086	.086	.087	.084	.088	.089
Profits tax liability	.024	.025	.023	.025	.025	.026	.028
Profits after tax with inventory valuation and capital consumption adjustments	.055	.062	.064	.062	.059	.062	.061

1. The implicit price deflator for gross product of nonfinancial corporate business divided by 100.
NOTE: Effective November 26, 2002, the estimates beginning with 1999 have been revised to reflect the 2002 annual revision to the industry-based price index for the gross product of nonfinancial corporate business.

Table 7.16B. Implicit Price Deflators for Private Inventories by Industry [Index numbers, 1996=100]

	Seasonally adjusted				
	2002				2003
	I	II	III	IV	
Private inventories ¹	98.48	98.99	99.28	99.94	101.70
Farm	97.32	96.53	93.35	99.54	101.32
Construction, mining, and utilities	97.69	104.47	104.34	110.78	123.66
Manufacturing	98.96	99.45	100.10	100.20	102.06
Durable goods industries	98.41	98.81	98.65	98.46	99.02
Nondurable goods industries	99.93	100.57	102.52	103.07	106.99
Wholesale trade	94.85	95.62	96.80	96.67	98.23
Durable goods industries	91.26	91.66	91.68	91.69	92.12
Nondurable goods industries	101.16	102.50	105.46	105.11	108.44
Retail trade	102.00	101.98	102.08	102.10	102.86
Motor vehicle dealers	98.93	98.59	98.17	97.33	98.19
Food and beverage stores	110.32	109.41	109.59	110.19	111.07
General merchandise stores	102.59	102.62	102.67	103.13	103.31
Other retail stores	102.61	102.96	103.44	103.84	104.72
Other industries	99.07	99.71	99.86	100.19	101.95
Addenda:					
Private inventories	98.48	98.99	99.28	99.94	101.70
Durable goods industries	96.41	96.68	96.58	96.34	96.87
Nondurable goods industries	100.74	101.49	102.12	103.61	106.53
Nonfarm industries	98.63	99.25	99.81	100.03	101.79
Wholesale trade	94.85	95.62	96.80	96.67	98.23
Merchant wholesale trade	94.44	95.10	96.23	96.08	97.18
Durable goods industries	91.07	91.49	91.51	91.53	91.94
Nondurable goods industries	100.39	101.44	104.27	103.88	106.03
Nonmerchant wholesale trade	97.39	98.80	100.30	100.26	104.70

1. Implicit price deflators are as of the end of the quarter and are consistent with the inventory stocks shown in tables 5.12B and 5.13B.

NOTE: Estimates in this table are based on the North American Industry Classification System (NAICS).

Table 7.17. Chain-Type Quantity Indexes for Gross Domestic Product by Major Type of Product
[Index numbers, 1996=100]

	2001	2002	Seasonally adjusted				
			2002				2003
			I	II	III	IV		I
Gross domestic product..	117.94	120.82	119.84	120.21	121.41	121.82	122.39
Final sales of domestic product	118.95	121.09	120.51	120.49	121.51	121.84	122.56
Change in private inventories							
Goods	121.64	125.71	124.38	124.50	127.23	126.73	127.63
Final sales	124.71	126.57	126.43	125.39	127.62	126.86	128.21
Change in private inventories							
Durable goods	129.90	134.92	131.84	132.10	138.60	137.15	135.98
Final sales	136.94	136.59	135.27	134.22	140.00	136.89	136.45
Change in private inventories							
Nondurable goods	114.62	117.99	117.90	117.93	117.98	118.15	120.48
Final sales	114.86	118.28	118.96	117.94	117.67	118.55	121.11
Change in private inventories							
Services	115.16	118.35	117.00	118.01	118.74	119.65	119.90
Structures	118.80	115.51	118.06	115.51	113.88	114.60	115.94
Addenda:							
Motor vehicle output	114.63	129.33	123.54	125.97	136.32	131.50	130.50
Gross domestic product less motor vehicle output	118.03	120.53	119.70	120.01	120.91	121.50	122.12

Table 7.18B. Chain-Type Quantity Indexes for Motor Vehicle Output
[Index numbers, 1996=100]

	2001	2002	Seasonally adjusted				
			2002				2003
			I	II	III	IV		I
Motor vehicle output...	114.63	129.33	123.54	125.97	136.32	131.50	130.50
Auto output	89.86	93.97	95.00	93.02	97.86	90.01	82.40
Truck output ¹	135.17	158.50	147.17	153.18	168.04	165.62	169.84
Final sales of domestic product	119.40	122.56	117.53	115.98	131.99	124.74	119.56
Personal consumption expenditures	143.85	152.48	146.80	146.73	164.00	152.39	148.73
New motor vehicles	152.65	164.29	159.22	156.46	179.76	161.70	160.78
Autos	131.93	130.12	130.40	129.18	138.70	122.19	127.26
Light trucks	177.01	204.40	193.06	188.48	227.97	208.09	200.16
Net purchases of used autos	117.43	117.37	109.88	117.67	117.26	124.68	112.90
Private fixed investment	106.83	103.02	95.86	100.72	106.73	108.75	96.53
New motor vehicles	106.87	104.24	96.41	102.26	107.74	110.57	97.76
Autos	95.08	92.02	84.78	90.77	95.56	96.97	86.96
Trucks	118.27	116.04	107.62	113.36	119.50	123.67	108.21
Light trucks	137.74	135.69	126.81	132.07	136.71	147.17	130.81
Other	82.30	79.69	72.21	78.64	87.11	80.78	67.31
Net purchases of used autos	106.65	108.39	98.10	107.53	111.10	116.85	101.89
Gross government investment	126.36	122.90	125.94	117.17	115.74	132.75	128.28
Autos	97.37	97.51	101.19	92.55	87.91	108.40	100.70
New trucks	142.63	137.12	139.76	130.97	131.45	146.29	143.70
Net exports	92.55	104.06	94.07	102.26	109.72	110.21	108.82
Exports	101.19	115.49	104.95	116.09	121.85	119.06	116.99
Autos	77.15	83.66	74.65	77.57	88.05	94.36	94.20
Trucks	153.19	161.37	150.99	164.52	164.33	165.64	155.14
Imports	157.44	167.33	155.00	171.40	171.52	171.41	162.05
Autos	132.92	132.99	131.76	131.82	130.20	138.17	122.33
Trucks							
Change in private inventories							
Autos							
New							
Domestic							
Foreign							
Used							
New trucks							
Domestic							
Foreign							
Addenda:							
Final sales of motor vehicles to domestic purchasers	129.80	133.53	127.60	129.04	141.60	135.90	129.05
Private fixed investment in new autos and new light trucks	112.41	109.78	101.87	107.57	112.31	117.36	104.77
Domestic output of new autos ²	92.85	98.82	96.57	101.17	104.43	93.11	89.91
Sales of imported new autos ³	152.80	157.39	151.28	153.87	166.84	157.56	153.19

1. Except for exports and imports, consists of new trucks only.

2. Consists of final sales and change in private inventories of new autos assembled in the United States.

3. Consists of personal consumption expenditures, private fixed investment, and gross government investment.

Table 8.30. Contributions to Percent Change in the Gross Domestic Purchases Price Index

	2001	2002	Seasonally adjusted at annual rates				
			2002				2003
			I	II	III	IV	I
Percent change at annual rate:							
Gross domestic purchases	1.9	1.2	1.2	2.3	1.2	1.8	3.6
Percentage points at annual rates:							
Personal consumption expenditures	1.34	.92	.74	1.83	1.15	1.22	1.84
Durable goods	-.16	-.23	-.35	-.23	-.16	-.18	-.29
Motor vehicles and parts .....	.01	-.05	-.13	-.10	.03	-.01	-.06
Furniture and household equipment	-.17	-.17	-.20	-.12	-.16	-.16	-.16
Other .....	.01	-.01	-.02	-.01	-.02	-.01	-.07
Nondurable goods .....	.29	.08	.05	.89	.12	.24	.90
Food .....	.28	.19	.23	.05	.09	.17	.16
Clothing and shoes	-.06	-.08	-.06	-.04	-.11	-.01	-.15
Gasoline, fuel oil, and other energy goods	-.06	-.12	-.17	.72	.09	.18	.94
Other .....	.12	.09	.05	.16	.06	-.09	-.05
Services	1.21	1.07	1.05	1.18	1.19	1.17	1.23
Housing .....	.37	.38	.42	.33	.28	.28	.25
Household operation .....	.15	-.03	-.05	.00	.13	.09	.35
Electricity and gas .....	.15	-.08	-.10	.03	.01	.05	.29
Other household operation .....	.00	.05	.05	-.03	.12	.04	.06
Transportation .....	.05	.05	.07	.11	.04	.07	-.01
Medical care .....	.37	.28	.23	.27	.30	.33	.06
Recreation .....	.08	.08	.06	.11	.08	.08	.10
Other .....	.19	.32	.33	.35	.36	.32	.48
Gross private domestic investment .....	.19	-.08	-.22	-.06	-.16	.24	.30
Fixed investment .....	.19	-.06	-.22	-.03	-.14	.25	.37
Nonresidential .....	.02	-.15	-.22	-.15	-.14	.04	.07
Structures .....	.15	-.02	-.10	.02	.01	.05	.09
Equipment and software	-.14	-.13	-.12	-.17	-.15	-.01	-.02
Information processing equipment and software	-.16	-.14	-.11	-.13	-.11	-.14	-.07
Computers and peripheral equipment	-.17	-.11	-.10	-.06	-.10	-.10	-.11
Software ¹	-.03	-.01	.00	-.05	.01	-.01	.03
Other .....	.03	-.02	-.01	-.02	-.02	-.02	.00
Industrial equipment .....	.01	.00	-.01	-.01	.02	.01	.02
Transportation equipment	-.01	.00	.00	-.03	-.06	.11	.02
Other equipment .....	.02	.01	.01	-.01	.01	.00	.02
Residential .....	.17	.09	.00	.11	.00	.21	.30
Change in private inventories .....	.00	-.02	.00	-.03	-.03	-.01	-.08
Farm .....	.00	.00	.00	.00	.00	.00	.00
Nonfarm .....	.00	-.02	.00	-.03	-.02	-.01	-.08
Government consumption expenditures and gross investment .....	.41	.31	.64	.51	.26	.28	1.46
Federal .....	.10	.17	.50	.15	.08	.02	.64
National defense .....	.06	.09	.28	.08	.06	.05	.39
Consumption expenditures .....	.07	.10	.29	.08	.06	.04	.38
Gross investment .....	.00	.00	-.01	.00	.00	.01	.01
Nondefense .....	.04	.08	.22	.06	.02	-.03	.25
Consumption expenditures .....	.04	.08	.23	.07	.02	-.03	.25
Gross investment .....	.00	.00	.00	.00	.00	.00	.01
State and local .....	.31	.14	.13	.36	.18	.26	.82
Consumption expenditures .....	.26	.12	.13	.33	.17	.25	.74
Gross investment .....	.05	.02	.00	.03	.00	.01	.08
Addenda:							
Final sales of computers ²	-.27	-.19	-.19	-.11	-.16	-.19	-.17
Gross domestic purchases less final sales of computers	2.21	1.34	1.35	2.39	1.41	1.94	3.76
Food .....	.28	.18	.23	.04	.06	.17	.17
Energy goods and services .....	.09	-.26	-.32	.93	.14	.31	1.65
Gross domestic purchases less food and energy	1.57	1.23	1.25	1.31	1.05	1.27	1.76

1. Excludes software "embedded," or bundled, in computers and other equipment.

2. For some components of final sales of computers, includes computer parts.

NOTE: The price indexes on which the estimates in this table are based are shown in tables 7.1, 7.2, 7.4, 7.6, and 7.11.

Table B.5. Private Fixed Investment in Structures by Type

	Billions of dollars			Billions of chained (1996) dollars		
	1999	2000	2001	1999	2000	2001
Private fixed investment in structures	678.5	731.0	759.9	617.9	638.5	634.9
Nonresidential	283.7	314.2	324.5	258.6	275.5	270.9
New	283.1	313.5	320.8	258.0	274.7	267.7
Nonresidential buildings, excluding farm	201.8	217.9	210.1	181.0	187.1	173.6
Industrial	28.7	28.0	25.6	25.8	24.0	21.1
Commercial	110.1	122.8	118.5	98.7	105.5	97.9
Office buildings ¹	55.4	64.7	60.5	49.6	55.6	50.0
Other ²	54.7	58.1	58.0	49.1	49.9	48.0
Religious	7.2	7.8	8.1	6.4	6.7	6.7
Educational	10.3	12.4	13.7	9.3	10.6	11.3
Hospital and institutional	15.1	16.1	16.8	13.5	13.8	13.9
Other ³	30.4	30.8	27.4	27.2	26.5	22.6
Utilities	47.3	53.7	55.0	45.7	50.4	50.3
Railroads	4.7	4.3	4.1	4.7	4.2	4.2
Telecommunications	18.3	18.7	18.4	18.2	18.2	17.3
Electric light and power	14.7	21.3	22.7	14.0	19.5	20.1
Gas	8.1	8.5	8.9	7.6	7.6	7.8
Petroleum pipelines	1.5	1.0	.9	1.4	.9	.8
Farm	5.1	6.0	6.1	4.5	5.1	5.1
Mining exploration, shafts, and wells	22.8	29.2	42.7	21.6	27.0	34.0
Petroleum and natural gas	21.6	28.0	41.3	20.4	26.0	32.8
Other	1.2	1.1	1.4	1.1	1.0	1.2
Other ⁴	6.2	6.7	6.8	5.7	6.0	5.9
Brokers' commissions on sale of structures	2.4	2.5	2.5	2.3	2.4	2.2
Net purchases of used structures	-1.8	-1.9	1.2	-1.6	-1.6	1.0
Residential	394.8	416.8	435.4	359.4	363.0	364.0
New	344.4	363.6	377.8	311.7	315.1	315.2
New housing units	250.1	259.7	271.6	225.6	224.2	225.5
Permanent site	236.1	248.9	262.8	212.2	213.9	217.0
Single-family structures	208.6	220.7	232.1	189.0	191.0	192.6
Multifamily structures	27.4	28.3	30.7	23.4	23.0	24.4
Manufactured homes	14.0	10.8	8.8	13.2	10.0	8.1
Improvements	93.0	102.4	104.6	84.9	89.7	88.4
Other ⁵	1.3	1.4	1.6	1.2	1.2	1.4
Brokers' commissions on sale of structures	53.9	56.2	60.0	51.0	50.6	50.9
Net purchases of used structures	-3.5	-2.9	-2.3	-3.1	-2.5	-1.9
Residual				-9	-9	-1.0

1. Consists of office buildings, except those constructed at industrial sites and those constructed by utilities for their own use.

2. Consists of stores, restaurants, garages, service stations, warehouses, mobile structures, and other buildings used for commercial purposes.

3. Consists of hotels and motels, buildings used primarily for social and recreational activities, and buildings not elsewhere classified, such as passenger terminals, greenhouses, and animal hospitals.

4. Consists primarily of streets, dams and reservoirs, sewer and water facilities, parks, and airfields.

5. Consists primarily of dormitories and of fraternity and sorority houses.

NOTE. Chained (1996) dollar series are calculated as the product of the chain-type quantity index and the 1996 current-dollar value of the corresponding series, divided by 100. Because the formula for the chain-type quantity indexes uses weights of more than one period, the corresponding chained-dollar estimates are usually not additive. The residual line is the difference between the first line and the sum of the most detailed lines.

Table B.6. Private Fixed Investment in Equipment and Software by Type

	Billions of dollars			Billions of chained (1996) dollars		
	1999	2000	2001	1999	2000	2001
Private fixed investment in equipment and software	898.7	960.8	886.4	984.8	1,065.4	997.6
Nonresidential equipment and software	889.8	951.6	877.1	975.9	1,056.0	988.2
Information processing equipment and software	402.3	446.9	404.3	508.1	583.3	548.5
Computers and peripheral equipment ¹	90.4	93.3	74.2	207.4	246.4	239.9
Software ²	162.5	179.4	180.4	169.3	184.4	182.0
Communication equipment	93.7	116.6	90.6	102.5	132.1	105.8
Instruments	38.2	40.6	43.6	37.9	40.1	42.6
Photocopy and related equipment	10.5	9.5	8.0	10.7	9.5	8.0
Office and accounting equipment	7.0	7.5	7.6	7.1	7.5	7.8
Industrial equipment	150.4	164.9	159.0	147.5	160.8	153.8
Fabricated metal products	13.4	13.8	13.7	13.5	13.9	13.4
Engines and turbines	5.7	7.0	9.3	5.4	6.6	8.8
Metalworking machinery	34.2	35.3	31.3	33.6	34.6	30.5
Special industry machinery, n.e.c.	38.3	44.4	41.0	37.2	43.0	39.4
General industrial, including materials handling, equipment	34.0	36.6	34.4	33.0	35.3	32.9
Electrical transmission, distribution, and industrial apparatus	24.8	27.8	29.3	24.8	27.3	28.7
Transportation equipment	194.7	189.7	165.8	193.2	186.6	163.6
Trucks, buses, and truck trailers	112.3	107.4	90.1	112.4	106.5	90.5
Autos	43.1	40.5	34.1	42.5	40.8	35.4
Aircraft	29.1	31.5	33.7	28.3	29.3	29.8
Ships and boats	2.7	3.2	3.2	2.6	2.9	2.9
Railroad equipment	7.6	7.1	4.7	7.7	7.2	4.8
Other equipment	145.6	153.4	150.8	141.8	148.5	144.5
Furniture and fixtures	38.1	40.6	35.7	37.1	39.2	34.0
Tractors	12.8	13.7	14.5	12.5	13.4	14.1
Agricultural machinery, except tractors	9.9	10.8	12.0	9.5	10.3	11.3
Construction machinery, except tractors	21.6	21.7	19.9	20.4	20.4	18.5
Mining and oilfield machinery	5.6	5.2	6.5	5.3	5.0	5.9
Service industry machinery	16.5	16.4	16.1	15.9	15.7	15.3
Electrical equipment, n.e.c.	14.4	16.4	17.9	14.9	17.3	19.0
Other	26.8	28.4	28.2	26.2	27.4	26.8
Less: Sale of equipment scrap, excluding autos	3.2	3.3	2.8	4.1	3.8	3.5
Residential equipment	8.8	9.3	9.3	9.0	9.4	9.5
Residual				-37.8	-56.3	-56.5
Addenda:						
Private fixed investment in equipment and software	898.7	960.8	886.4			
Less: Dealers' margin on used equipment	8.1	8.8	8.6			
Net purchases of used equipment from government	1.0	1.0	.9			
Plus: Net sales of used equipment	39.3	38.5	32.5			
Net sales of used equipment .....	.4	-2	.0			
Sale of equipment scrap	3.3	3.4	2.9			
Equals: Private fixed investment in new equipment and software	932.6	992.7	912.4			

1. Includes new computers and peripheral equipment only. Because of rapid changes in relative prices, the chained-dollar estimates for computers are especially misleading as a measure of the contribution or relative importance of this component.

2. Excludes software "embedded," or bundled, in computers and other equipment.

NOTE. Chained (1996) dollar series are calculated as the product of the chain-type quantity index and the 1996 current-dollar value of the corresponding series, divided by 100. Because the formula for the chain-type quantity indexes uses weights of more than one period, the corresponding chained-dollar estimates are usually not additive. The residual line is the difference between the first line and the sum of the most detailed lines.

n.e.c. Not elsewhere classified.

Table B.10. Farm Sector Output, Gross Product, and National Income

	Billions of dollars			Billions of chained (1996) dollars		
	1999	2000	2001	1999	2000	2001
Farm output	207.5	214.3	221.3	244.1	249.2	246.1
Cash receipts from farm marketings	191.4	199.4	200.9	226.2	233.4	224.4
Crops	95.7	99.8	94.3	125.2	130.9	122.9
Livestock	95.7	99.7	106.6	101.1	102.9	101.3
Farm housing	7.2	7.6	8.0	6.1	6.0	5.9
Farm products consumed on farms .....	.5	.6	.6	.5	.5	.5
Other farm income	9.9	8.9	10.3	11.8	10.6	12.2
Change in farm inventories	-1.5	-2.2	1.6	-2.0	-2.5	2.0
Crops	-9	-1.6	2.1	-1.4	-2.2	3.6
Livestock	-6	-6	-5	-6	-6	-4
<i>Less: Intermediate goods and services purchased</i>	132.3	136.5	140.7	137.2	133.3	134.6
Intermediate goods and services, other than rent	118.6	122.2	126.1	123.1	119.5	120.8
Rent paid to nonoperator landlords	13.8	14.2	14.7	14.1	13.8	13.8
Equals: Gross farm product	75.2	77.8	80.6	108.1	120.5	114.3
<i>Less: Consumption of fixed capital</i>	28.9	28.7	29.4	27.7	27.0	27.3
Equals: Net farm product	46.3	49.2	51.2	80.9	97.9	89.5
<i>Less: Indirect business tax and nontax liability</i>	5.3	5.4	5.6	.....	.....	.....
<i>Plus: Subsidies to operators</i>	18.4	19.5	17.7	.....	.....	.....
Equals: Farm national income	59.3	63.3	63.2	.....	.....	.....
Compensation of employees	19.3	19.3	21.5	.....	.....	.....
Wage and salary accruals	16.5	16.6	18.4	.....	.....	.....
Supplements to wages and salaries	2.9	2.7	3.1	.....	.....	.....
Proprietors' income and corporate profits with inventory valuation and capital consumption adjustments	29.6	33.2	30.9	.....	.....	.....
Proprietors' income	27.7	22.6	19.0	.....	.....	.....
Corporate profits	1.9	10.6	11.8	.....	.....	.....
Net interest	10.3	10.9	10.8	.....	.....	.....

NOTE. Chained (1996) dollar series are calculated as the product of the chain-type quantity index and the 1996 current-dollar value of the corresponding series, divided by 100. Because the formula for the chain-type quantity indexes uses weights of more than one period, the corresponding chained-dollar estimates are usually not additive.

Table B.11. Housing Sector Output, Gross Product, and National Income

	Billions of dollars			Billions of chained (1996) dollars		
	1999	2000	2001	1999	2000	2001
Housing output ¹	876.4	920.3	976.0	802.5	817.2	833.6
Nonfarm housing	869.2	912.7	968.1	796.4	811.2	827.8
Owner-occupied	666.4	704.9	751.0	610.7	627.3	643.5
Tenant-occupied	202.8	207.8	217.1	185.8	184.0	184.3
Farm housing	7.2	7.6	8.0	6.1	6.0	5.9
<i>Less: Intermediate goods and services consumed</i>	116.9	116.3	138.4	105.5	101.3	115.9
Equals: Gross housing product	759.5	804.0	837.6	697.0	716.1	717.5
Nonfarm housing	753.6	797.8	831.1	691.9	711.0	712.6
Owner-occupied	576.3	615.5	642.3	529.1	549.9	552.1
Tenant-occupied	177.4	182.2	188.8	162.8	161.1	160.5
Farm housing	5.9	6.3	6.5	5.1	5.1	4.9
<i>Less: Consumption of fixed capital</i>	145.4	152.5	166.1	132.2	132.7	140.0
Capital consumption allowances	77.8	81.8	88.4	.....	.....	.....
<i>Less: Capital consumption adjustment</i>	-67.6	-70.7	-77.7	.....	.....	.....
Equals: Net housing product	614.1	651.5	671.4	478.7	494.5	489.4
<i>Less: Indirect business tax and nontax liability plus business transfer payments</i>	135.7	140.7	146.0	.....	.....	.....
<i>Plus: Subsidies less current surplus of government enterprises</i>	23.7	23.8	24.3	.....	.....	.....
Equals: Housing national income	502.2	534.6	549.8	.....	.....	.....
Compensation of employees	10.0	10.9	11.3	.....	.....	.....
Proprietors' income with inventory valuation and capital consumption adjustments	19.7	18.5	18.1	.....	.....	.....
Rental income of persons with capital consumption adjustment	130.7	128.1	118.9	.....	.....	.....
Corporate profits with inventory valuation and capital consumption adjustments	4.1	4.1	4.0	.....	.....	.....
Net interest	337.6	373.1	397.5	.....	.....	.....

1. Equals personal consumption expenditures for housing less expenditures for other housing as shown in table B.4.

NOTE. Chained (1996) dollar series are calculated as the product of the chain-type quantity index and the 1996 current-dollar value of the corresponding series, divided by 100. Because the formula for the chain-type quantity indexes uses weights of more than one period, the corresponding chained-dollar estimates are usually not additive.

Table C.1. GDP and Other Major NIPA Aggregates

[Quarterly estimates are seasonally adjusted at annual rates]

Year and quarter	Billions of chained (1996) dollars			Percent change from preceding period		Chain-type price indexes		Implicit price deflators		Percent change from preceding period			
	Gross domestic product	Final sales of domestic product	Gross national product	Gross domestic product	Final sales of domestic product	Gross domestic product	Gross domestic purchases	Gross domestic product	Gross national product	Chain-type price indexes		Implicit price deflators	
										Gross domestic product	Gross domestic purchases	Gross domestic product	Gross national product
1965: I.....	2,950.1	2,920.2	2,974.0	10.2	6.4	23.60	23.08	23.61	23.60	1.9	1.6	2.1	2.1
1965: II.....	2,989.9	2,973.2	3,014.6	5.5	7.4	23.71	23.19	23.71	23.71	1.8	1.8	1.8	1.8
1965: III.....	3,050.7	3,029.4	3,073.6	8.4	7.8	23.81	23.30	23.81	23.80	1.8	1.9	1.5	1.5
1965: IV.....	3,123.6	3,111.4	3,144.5	9.9	11.3	23.97	23.46	23.97	23.97	2.6	2.9	2.8	2.8
1966: I.....	3,201.1	3,165.1	3,222.6	10.3	7.1	24.11	23.59	24.13	24.12	2.4	2.1	2.6	2.6
1966: II.....	3,213.2	3,180.0	3,234.8	1.5	1.9	24.33	23.81	24.32	24.32	3.8	3.8	3.3	3.3
1966: III.....	3,233.6	3,205.0	3,254.7	2.6	3.2	24.57	24.03	24.58	24.58	4.0	3.7	4.3	4.3
1966: IV.....	3,261.8	3,214.5	3,283.7	3.5	1.2	24.79	24.22	24.79	24.79	3.5	3.3	3.5	3.5
1967: I.....	3,291.8	3,246.9	3,313.4	3.7	4.1	24.90	24.32	24.89	24.89	1.9	1.6	1.6	1.6
1967: II.....	3,289.7	3,281.5	3,310.7	-3	4.3	25.06	24.47	25.05	25.04	2.5	2.5	2.5	2.5
1967: III.....	3,313.5	3,297.4	3,336.6	2.9	2.0	25.29	24.70	25.31	25.31	3.8	3.8	4.3	4.3
1967: IV.....	3,338.3	3,326.9	3,360.8	3.0	3.6	25.57	24.96	25.59	25.59	4.4	4.3	4.5	4.5
1968: I.....	3,406.2	3,394.2	3,429.2	8.4	8.3	25.86	25.24	25.88	25.87	4.6	4.6	4.5	4.5
1968: II.....	3,464.8	3,428.5	3,488.3	7.1	4.1	26.15	25.51	26.14	26.14	4.5	4.2	4.1	4.1
1968: III.....	3,489.2	3,478.1	3,513.4	2.8	5.9	26.39	25.77	26.39	26.39	3.8	4.1	3.9	3.9
1968: IV.....	3,504.1	3,499.5	3,528.1	1.7	2.5	26.76	26.13	26.76	26.76	5.7	5.7	5.7	5.7
1969: I.....	3,558.3	3,535.0	3,582.2	6.3	4.1	27.02	26.37	27.03	27.03	3.9	3.8	4.1	4.1
1969: II.....	3,567.6	3,551.3	3,590.6	1.0	1.9	27.39	26.73	27.39	27.38	5.5	5.5	5.3	5.3
1969: III.....	3,588.3	3,569.0	3,610.3	2.3	2.0	27.79	27.11	27.79	27.79	6.0	5.8	6.0	6.0
1969: IV.....	3,571.4	3,568.3	3,593.3	-1.9	-1	28.15	27.46	28.15	28.15	5.3	5.3	5.3	5.3
1970: I.....	3,566.5	3,578.9	3,589.1	-6	1.2	28.54	27.85	28.55	28.54	5.6	5.8	5.8	5.8
1970: II.....	3,573.9	3,573.2	3,597.4	.8	-6	28.94	28.24	28.94	28.94	5.8	5.6	5.7	5.7
1970: III.....	3,605.2	3,605.0	3,628.3	3.6	3.6	29.17	28.51	29.18	29.17	3.2	3.9	3.3	3.3
1970: IV.....	3,566.5	3,597.4	3,587.6	-4.2	-8	29.55	28.89	29.56	29.56	5.3	5.5	5.3	5.3
1971: I.....	3,666.1	3,643.1	3,691.3	11.6	5.2	30.00	29.31	30.00	30.00	6.1	6.0	6.1	6.1
1971: II.....	3,686.2	3,667.8	3,712.8	2.2	2.7	30.40	29.71	30.40	30.40	5.5	5.5	5.4	5.4
1971: III.....	3,714.5	3,698.9	3,738.4	3.1	3.4	30.71	30.04	30.71	30.71	4.1	4.6	4.2	4.2
1971: IV.....	3,723.8	3,742.5	3,749.2	1.0	4.8	30.96	30.30	30.96	30.96	3.3	3.5	3.3	3.3
1972: I.....	3,796.9	3,802.2	3,823.4	8.1	6.5	31.42	30.76	31.41	31.41	6.1	6.1	5.8	5.8
1972: II.....	3,883.8	3,862.7	3,910.0	9.5	6.5	31.61	30.98	31.61	31.61	2.5	2.9	2.6	2.6
1972: III.....	3,922.3	3,897.2	3,950.7	4.0	3.6	31.92	31.30	31.92	31.92	4.0	4.2	4.0	4.0
1972: IV.....	3,990.5	3,988.5	4,018.7	7.1	9.7	32.30	31.67	32.32	32.32	4.8	4.8	5.1	5.1
1973: I.....	4,092.3	4,075.5	4,125.0	10.6	9.0	32.73	32.09	32.71	32.71	5.4	5.4	4.9	4.9
1973: II.....	4,133.3	4,094.4	4,168.3	4.1	1.9	33.27	32.69	33.25	33.25	6.8	7.7	6.9	6.9
1973: III.....	4,117.0	4,100.7	4,158.0	-1.6	.6	33.90	33.29	33.86	33.86	7.9	7.6	7.5	7.5
1973: IV.....	4,151.1	4,106.3	4,192.5	3.4	.5	34.48	33.91	34.58	34.58	7.0	7.6	8.7	8.7
1974: I.....	4,119.3	4,101.8	4,168.1	-3.0	-4	35.18	34.80	35.20	35.20	8.4	10.9	7.4	7.4
1974: II.....	4,130.4	4,105.6	4,176.5	1.1	.4	35.97	35.79	36.02	36.02	9.2	11.9	9.6	9.6
1974: III.....	4,084.5	4,089.8	4,126.5	-4.4	-1.5	37.07	36.87	37.09	37.08	12.8	12.7	12.4	12.4
1974: IV.....	4,062.0	4,025.8	4,098.0	-2.2	-6.1	38.20	37.93	38.20	38.19	12.7	12.0	12.5	12.5
1975: I.....	4,010.0	4,054.7	4,040.1	-5.0	2.9	39.08	38.76	39.08	39.08	9.6	9.0	9.6	9.6
1975: II.....	4,045.2	4,099.2	4,075.6	3.6	4.5	39.63	39.33	39.63	39.63	5.8	6.0	5.7	5.7
1975: III.....	4,115.4	4,135.9	4,148.4	7.1	3.6	40.35	39.99	40.33	40.33	7.5	7.0	7.3	7.3
1975: IV.....	4,167.2	4,184.3	4,206.7	5.1	4.8	41.05	40.67	41.05	41.05	7.1	6.9	7.3	7.3
1976: I.....	4,266.1	4,248.8	4,304.2	9.8	6.3	41.49	41.11	41.50	41.50	4.3	4.4	4.5	4.5
1976: II.....	4,301.5	4,264.1	4,341.2	3.4	1.4	41.93	41.56	41.92	41.92	4.3	4.5	4.1	4.1
1976: III.....	4,321.9	4,289.7	4,362.0	1.9	2.4	42.51	42.18	42.50	42.51	5.6	6.1	5.7	5.7
1976: IV.....	4,357.4	4,352.4	4,398.4	3.3	6.0	43.25	42.88	43.27	43.28	7.1	6.8	7.4	7.4
1977: I.....	4,410.5	4,393.8	4,457.6	5.0	3.9	43.97	43.68	43.97	43.97	6.9	7.7	6.6	6.6
1977: II.....	4,489.8	4,464.0	4,535.9	7.4	6.5	44.69	44.45	44.69	44.71	6.7	7.2	6.8	6.8
1977: III.....	4,570.6	4,509.7	4,616.4	7.4	4.2	45.32	45.14	45.23	45.25	5.8	6.4	4.9	4.9
1977: IV.....	4,576.1	4,547.5	4,616.6	.5	3.4	46.08	45.92	46.16	46.17	6.9	7.0	8.5	8.4
1978: I.....	4,588.9	4,552.0	4,636.0	1.1	.4	46.86	46.67	46.86	46.87	6.9	6.8	6.2	6.2
1978: II.....	4,765.7	4,730.8	4,804.8	16.3	16.7	47.79	47.60	47.77	47.78	8.2	8.2	8.0	8.0
1978: III.....	4,811.7	4,774.7	4,854.6	3.9	3.8	48.64	48.45	48.60	48.61	7.3	7.3	7.1	7.1
1978: IV.....	4,876.0	4,834.2	4,925.8	5.5	5.1	49.62	49.37	49.59	49.60	8.3	7.8	8.4	8.4
1979: I.....	4,888.3	4,855.1	4,939.6	1.0	1.7	50.58	50.38	50.55	50.56	8.0	8.4	7.9	7.9
1979: II.....	4,891.4	4,852.9	4,949.3	.3	-2	51.73	51.58	51.71	51.72	9.4	9.9	9.5	9.5
1979: III.....	4,926.2	4,921.9	4,995.6	2.9	5.8	52.79	52.89	52.81	52.82	8.5	10.5	8.8	8.8
1979: IV.....	4,942.6	4,947.7	5,011.4	1.3	2.1	53.86	54.20	53.90	53.90	8.3	10.3	8.5	8.5
1980: I.....	4,958.9	4,961.4	5,028.8	1.3	1.1	55.08	55.73	55.11	55.12	9.4	11.8	9.3	9.3
1980: II.....	4,857.8	4,861.6	4,922.5	-7.9	-7.8	56.35	57.14	56.34	56.35	9.5	10.5	9.2	9.2
1980: III.....	4,850.3	4,923.9	4,911.3	-6	5.2	57.62	58.43	57.60	57.61	9.4	9.3	9.2	9.2
1980: IV.....	4,936.6	4,965.2	4,986.3	7.3	3.4	59.16	59.89	59.13	59.14	11.1	10.4	11.0	11.1
1981: I.....	5,032.5	4,985.6	5,086.4	8.0	1.7	60.67	61.42	60.66	60.67	10.6	10.7	10.8	10.8
1981: II.....	4,997.3	4,995.9	5,048.1	-2.8	.8	61.75	62.53	61.76	61.77	7.3	7.4	7.5	7.5
1981: III.....	5,056.8	5,003.5	5,110.5	4.9	.6	62.95	63.56	62.95	62.97	8.0	6.7	8.0	8.0
1981: IV.....	4,997.1	4,972.9	5,056.8	-4.6	-2.4	64.10	64.70	64.10	64.11	7.5	7.0	7.5	7.5
1982: I.....	4,914.3	4,959.7	4,969.4	-6.5	-1.1	65.00	65.56	64.99	65.00	5.8	5.4	5.7	5.7
1982: II.....	4,935.5	4,954.2	4,996.9	1.7	-4	65.84	66.29	65.83	65.84	5.3	4.6	5.3	5.2
1982: III.....	4,912.1	4,916.8	4,963.4	-1.9	-3.0	66.75	67.16	66.75	66.76	5.6	5.4	5.7	5.7
1982: IV.....	4,915.6	4,989.1	4,964.8	.3	6.0	67.44	67.83	67.45	67.46	4.2	4.0	4.3	4.3
1983: I.....	4,972.4	5,036.1	5,021.5	4.7	3.8	67.98	68.22	67.95	67.96	3.3	3.3	3.0	3.0
1983: II.....	5,089.8	5,113.1	5,142.2	9.8	6.3	68.59	68.80	68.56	68.57	3.6	3.5	3.7	3.7
1983: III.....	5,180.4	5,200.3	5,233.9	7.3	7.0	69.17	69.35	69.16	69.18	3.4	3.2	3.6	3.6
1983: IV.....	5,286.8	5,268.5	5,342.0	8.5	5.4	69.75	69.83	69.77	69.79	3.4	2.8	3.6	3.6

Table C.1. GDP and Other Major NIPA Aggregates

[Quarterly estimates are seasonally adjusted at annual rates]

Year and quarter	Billions of chained (1996) dollars			Percent change from preceding period		Chain-type price indexes		Implicit price deflators		Percent change from preceding period			
	Gross domestic product	Final sales of domestic product	Gross national product	Gross domestic product	Final sales of domestic product	Gross domestic product	Gross domestic purchases	Gross domestic product	Gross national product	Chain-type price indexes		Implicit price deflators	
										Gross domestic product	Gross domestic purchases	Gross domestic product	Gross national product
1984: I.....	5,402.3	5,313.9	5,452.6	9.0	3.5	70.59	70.67	70.59	70.60	4.9	4.9	4.8	4.7
II.....	5,493.8	5,410.8	5,544.3	7.0	7.5	71.18	71.25	71.16	71.17	3.4	3.3	3.3	3.3
III.....	5,541.3	5,456.0	5,591.1	3.5	3.4	71.74	71.72	71.73	71.74	3.2	2.7	3.2	3.2
IV.....	5,583.1	5,531.0	5,627.1	3.1	5.6	72.24	72.18	72.24	72.25	2.8	2.5	2.9	2.9
1985: I.....	5,629.7	5,619.8	5,664.3	3.4	6.6	73.01	72.80	73.00	73.01	4.3	3.5	4.3	4.2
II.....	5,673.8	5,657.0	5,710.9	3.2	2.7	73.49	73.32	73.50	73.50	2.7	2.8	2.7	2.8
III.....	5,758.6	5,746.0	5,788.6	6.1	6.4	73.88	73.73	73.85	73.86	2.1	2.3	2.0	1.9
IV.....	5,806.0	5,772.5	5,839.6	3.3	1.9	74.40	74.38	74.39	74.40	2.9	3.6	3.0	3.0
1986: I.....	5,858.9	5,828.7	5,887.3	3.7	3.9	74.69	74.71	74.68	74.69	1.5	1.8	1.5	1.5
II.....	5,883.3	5,872.6	5,901.9	1.7	3.1	75.04	74.85	75.05	75.05	1.9	.7	2.0	2.0
III.....	5,937.9	5,956.0	5,959.0	3.8	5.8	75.51	75.37	75.51	75.51	2.5	2.9	2.5	2.5
IV.....	5,969.5	5,993.1	5,981.7	2.1	2.5	76.05	75.94	76.01	76.02	2.9	3.0	2.7	2.7
1987: I.....	6,013.3	5,985.4	6,027.6	3.0	-5	76.73	76.76	76.70	76.71	3.6	4.4	3.7	3.7
II.....	6,077.2	6,066.8	6,095.8	4.3	5.6	77.27	77.40	77.27	77.27	2.9	3.4	3.0	3.0
III.....	6,128.1	6,138.7	6,145.8	3.4	4.8	77.83	78.01	77.84	77.84	2.9	3.2	3.0	3.0
IV.....	6,234.4	6,164.1	6,254.1	7.1	1.7	78.46	78.64	78.46	78.46	3.3	3.3	3.2	3.2
1988: I.....	6,275.9	6,263.0	6,302.0	2.7	6.6	78.99	79.21	78.98	78.99	2.7	2.9	2.7	2.7
II.....	6,349.8	6,334.0	6,372.8	4.8	4.6	79.79	80.01	79.79	79.79	4.1	4.1	4.1	4.1
III.....	6,382.3	6,365.9	6,402.0	2.1	2.0	80.73	80.75	80.71	80.72	4.8	3.8	4.7	4.7
IV.....	6,465.2	6,447.5	6,487.4	5.3	5.2	81.36	81.46	81.33	81.34	3.2	3.6	3.1	3.1
1989: I.....	6,543.8	6,492.7	6,565.6	5.0	2.8	82.20	82.36	82.20	82.20	4.2	4.5	4.3	4.3
II.....	6,579.4	6,542.8	6,599.7	2.2	3.1	83.02	83.26	83.01	83.02	4.0	4.4	4.0	4.0
III.....	6,610.6	6,605.8	6,633.4	1.9	3.9	83.62	83.74	83.62	83.63	2.9	2.4	2.9	3.0
IV.....	6,633.5	6,620.4	6,663.4	1.4	.9	84.24	84.43	84.24	84.25	3.0	3.3	3.0	3.0
1990: I.....	6,716.3	6,705.8	6,743.6	5.1	5.3	85.19	85.48	85.18	85.20	4.6	5.1	4.5	4.6
II.....	6,731.7	6,697.6	6,760.8	.9	-5	86.17	86.27	86.16	86.17	4.7	3.7	4.7	4.6
III.....	6,719.4	6,699.2	6,742.6	-7	-1	87.00	87.26	86.99	87.00	3.9	4.7	3.9	3.9
IV.....	6,664.2	6,680.0	6,713.3	-3.2	-1.1	87.76	88.41	87.74	87.76	3.5	5.3	3.5	3.5
1991: I.....	6,631.4	6,652.5	6,667.4	-2.0	-1.6	88.78	89.09	88.76	88.78	4.7	3.1	4.8	4.7
II.....	6,668.5	6,692.5	6,692.1	2.3	2.4	89.41	89.51	89.40	89.41	2.9	1.9	2.9	2.9
III.....	6,684.9	6,689.2	6,704.7	1.0	-2	89.99	90.04	89.99	90.00	2.6	2.4	2.7	2.6
IV.....	6,720.9	6,692.0	6,749.4	2.2	.2	90.47	90.60	90.47	90.48	2.2	2.5	2.2	2.2
1992: I.....	6,783.3	6,788.9	6,811.1	3.8	5.9	91.16	91.25	91.16	91.15	3.1	2.9	3.1	3.0
II.....	6,846.8	6,827.1	6,873.8	3.8	2.3	91.68	91.81	91.67	91.67	2.3	2.5	2.3	2.3
III.....	6,899.7	6,882.7	6,923.3	3.1	3.3	91.98	92.26	91.97	91.97	1.3	2.0	1.3	1.3
IV.....	6,990.6	6,972.4	7,015.1	5.4	5.3	92.56	92.81	92.55	92.55	2.5	2.4	2.5	2.5
1993: I.....	6,988.7	6,953.6	7,020.9	-1	-1.1	93.33	93.42	93.32	93.32	3.4	2.7	3.4	3.4
II.....	7,031.2	7,008.8	7,056.0	2.5	3.2	93.83	93.98	93.82	93.83	2.2	2.4	2.2	2.2
III.....	7,062.0	7,057.9	7,092.4	1.8	2.8	94.26	94.32	94.24	94.26	1.8	1.5	1.8	1.8
IV.....	7,168.7	7,154.8	7,182.1	6.2	5.6	94.79	94.83	94.79	94.81	2.3	2.2	2.4	2.4
1994: I.....	7,229.4	7,187.1	7,249.8	3.4	1.8	95.28	95.22	95.28	95.29	1.1	1.7	2.0	2.1
II.....	7,330.2	7,250.2	7,346.3	5.7	3.6	95.72	95.74	95.71	95.73	2.8	2.1	1.8	1.8
III.....	7,370.2	7,318.5	7,385.1	2.2	3.8	96.29	96.43	96.28	96.29	2.4	2.9	2.4	2.4
IV.....	7,461.1	7,387.2	7,476.0	5.0	3.8	96.74	96.86	96.74	96.74	1.9	1.8	1.9	1.9
1995: I.....	7,488.7	7,427.3	7,510.2	1.5	2.2	97.45	97.51	97.45	97.45	3.0	2.7	3.0	3.0
II.....	7,503.3	7,469.6	7,528.6	.8	2.3	97.86	98.04	97.86	97.87	1.7	2.2	1.7	1.7
III.....	7,561.4	7,549.7	7,572.3	3.1	4.4	98.31	98.42	98.30	98.31	1.8	1.6	1.8	1.8
IV.....	7,621.9	7,602.5	7,645.2	3.2	2.8	98.79	98.85	98.78	98.79	2.0	1.8	2.0	2.0
1996: I.....	7,676.4	7,669.6	7,703.1	2.9	3.6	99.40	99.42	99.39	99.39	2.5	2.3	2.5	2.5
II.....	7,802.9	7,773.4	7,820.4	6.8	5.5	99.74	99.74	99.74	99.74	1.4	1.3	1.4	1.4
III.....	7,841.9	7,792.1	7,853.5	2.0	1.0	100.23	100.16	100.22	100.22	2.0	1.7	1.9	1.9
IV.....	7,931.3	7,897.6	7,947.9	4.6	5.5	100.63	100.68	100.63	100.63	1.6	2.1	1.7	1.6
1997: I.....	8,016.4	7,966.4	8,025.1	4.4	3.5	101.36	101.28	101.34	101.33	2.9	2.4	2.9	2.8
II.....	8,131.9	8,043.2	8,145.6	5.9	3.9	101.82	101.49	101.82	101.80	1.9	.8	1.9	1.8
III.....	8,216.6	8,164.9	8,225.1	4.2	6.2	102.12	101.74	102.12	102.10	1.2	1.2	1.2	1.2
IV.....	8,272.9	8,206.3	8,276.9	2.8	2.0	102.49	102.07	102.49	102.46	1.4	1.3	1.4	1.4
1998: I.....	8,396.3	8,286.6	8,405.4	6.1	4.0	102.76	102.09	102.76	102.73	1.1	.1	1.1	1.1
II.....	8,442.9	8,397.2	8,448.7	2.2	5.4	103.02	102.26	103.01	102.98	1.0	.7	1.0	1.0
III.....	8,528.5	8,454.9	8,517.6	4.1	2.8	103.38	102.54	103.38	103.34	1.4	1.1	1.4	1.4
IV.....	8,667.9	8,588.5	8,662.0	6.7	6.5	103.66	102.84	103.65	103.62	1.1	1.2	1.1	1.1
1999: I.....	8,733.2	8,654.3	8,755.5	3.0	3.1	104.12	103.19	104.12	104.08	1.8	1.4	1.8	1.8
II.....	8,775.5	8,741.0	8,801.8	2.0	4.1	104.52	103.72	104.51	104.48	1.5	2.1	1.5	1.5
III.....	8,886.9	8,833.6	8,906.4	5.2	4.3	104.84	104.21	104.83	104.80	1.2	1.9	1.2	1.2
IV.....	9,040.1	8,946.6	9,071.1	7.1	5.2	105.28	104.77	105.27	105.24	1.7	2.2	1.7	1.7
2000: I.....	9,097.4	9,042.9	9,119.7	2.6	4.4	106.08	105.72	106.07	106.04	3.1	3.7	3.1	3.1
II.....	9,205.7	9,111.1	9,233.0	4.8	3.1	106.69	106.30	106.68	106.64	2.3	2.2	2.3	2.3
III.....	9,218.7	9,150.4	9,238.2	.6	1.7	107.13	106.87	107.12	107.08	1.6	2.2	1.6	1.7
IV.....	9,243.8	9,179.8	9,274.0	1.1	1.3	107.68	107.43	107.68	107.64	2.1	2.1	2.1	2.1
2001: I.....	9,229.9	9,243.8	9,241.7	-6	2.8	108.66	108.30	108.65	108.62	3.7	3.3	3.7	3.7
II.....	9,193.1	9,234.3	9,224.3	-1.6	-4	109.32	108.76	109.32	109.29	2.5	1.7	2.5	2.5
III.....	9,186.4	9,230.5	9,199.8	-3	-2	109.92	108.72	109.92	109.89	2.2	-2	2.2	2.2
IV.....	9,248.8	9,324.9	9,283.5	2.7	4.2	109.78	108.84	109.78	109.74	-5	.4	-5	-5
2002: I.....	9,363.2	9,379.4	9,367.5	5.0	2.4	110.14	109.15	110.14	110.11	1.3	1.2	1.3	1.4
II.....	9,392.4	9,377.9	9,376.7	1.3	-1	110.48	109.77	110.48	110.45	1.2	2.3	1.2	1.2
III.....	9,485.6	9,457.2	9,477.9	4.0	3.4	110.76	110.11	110.76	110.73	1.0	1.2	1.0	1.0
IV.....	9,518.2	9,483.1	9,512.1	1.4	1.1	111.25	110.59	111.25	111.22	1.8	1.8	1.8	1.8
2003: I.....	9,562.9	9,539.1	9,555.1	1.9	2.4	111.94	111.57	111.93	111.91				

D. Domestic Perspectives

This table presents data collected from other government agencies and private organizations, as noted.
Quarterly data are shown in the middle month of the quarter.

Table D.1. Domestic Perspectives

	2001	2002	2002									2003			
			Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
Consumer and producer prices, (monthly data seasonally adjusted) ¹															
Consumer price index for all urban consumers, 1982=100:															
All items.....	177.1	179.9	179.3	179.5	179.8	180.1	180.5	180.9	181.2	181.4	181.6	182.2	183.3	183.9	183.3
Commodities.....	150.7	149.7	150.1	149.8	149.9	150.0	150.2	150.3	150.4	150.3	150.0	150.5	152.2	152.8	151.3
Services.....	203.4	209.8	208.4	209.1	209.5	210.0	210.7	211.2	211.8	212.3	212.9	213.6	214.1	214.9	215.1
All items less food and energy.....	186.1	190.5	189.7	190.0	190.2	190.5	191.1	191.4	191.6	191.8	192.1	192.3	192.5	192.5	192.5
Food.....	173.1	176.2	176.1	175.9	175.9	176.1	176.0	176.4	176.6	177.0	177.3	177.0	178.2	178.5	178.3
Energy.....	129.3	121.7	121.9	122.1	122.9	123.7	123.9	124.4	126.2	125.6	125.1	130.1	137.8	144.2	137.5
Producer price index, 1982=100:															
Finished goods.....	140.7	138.9	139.0	138.4	138.6	138.6	138.6	139.0	140.1	139.7	139.3	141.6	143.0	145.1	142.3
Consumer goods.....	141.5	139.4	139.6	138.7	139.0	139.1	139.2	139.6	141.0	140.5	140.1	143.0	145.2	147.5	144.0
Capital equipment.....	139.7	139.1	139.2	139.1	139.2	138.8	138.6	139.0	139.3	139.1	138.8	139.4	138.9	140.0	139.3
Less food and energy.....	150.0	150.2	150.3	150.3	150.4	150.0	149.8	150.2	150.7	150.5	149.6	151.0	150.3	151.4	150.0
Intermediate materials.....	129.7	127.8	127.5	127.1	127.4	127.7	128.2	128.9	129.8	129.7	129.6	131.2	133.9	136.6	133.6
Less food and energy.....	136.4	135.8	135.3	135.3	135.6	135.9	136.2	136.4	136.7	136.8	136.7	137.2	138.2	138.5	138.5
Crude materials.....	121.0	108.1	108.5	109.3	105.1	105.9	107.8	110.2	112.6	116.8	119.1	128.8	135.0	153.0	128.0
Less energy.....	130.7	135.7	131.4	133.9	137.7	140.0	139.5	139.2	139.6	141.5	141.8	143.0	146.9	148.3	146.4
Money, interest rates, and stock prices															
Money stock (monthly and quarterly data seasonally adjusted): ²															
Percent change:															
M1.....			-1.21	0.91	0.49	0.60	-0.93	0.52	0.93	-0.07	0.65	0.17	1.64	0.27	0.01
M2.....			-0.22	1.20	0.57	0.87	0.69	0.46	0.69	0.68	0.26	0.53	0.96	0.26	0.38
Ratio:															
Gross domestic product to M1.....	8.9	8.769	8.773	8.773	8.773	8.813	8.813	8.813	8.813	8.783	8.783	8.718	8.718	8.718	8.718
Personal income to M2.....	1.7	1.589	1.614	1.602	1.605	1.585	1.578	1.575	1.569	1.563	1.565	1.562	1.550	1.553	1.547
Interest rates (percent, not seasonally adjusted): ²															
Prime rate charged by banks.....	6.92	4.68	4.75	4.75	4.75	4.75	4.75	4.75	4.75	4.35	4.25	4.25	4.25	4.25	4.25
3-month Treasury bills, secondary market.....	3.39	1.60	1.72	1.73	1.70	1.68	1.62	1.63	1.58	1.23	1.19	1.17	1.17	1.13	1.13
3-Year U.S. Treasury bonds.....	4.08	3.10	4.01	3.80	3.49	3.01	2.52	2.32	2.25	2.32	2.23	2.18	2.05	1.98	2.06
10-Year U.S. Treasury bonds.....	5.02	4.61	5.21	5.16	4.93	4.65	4.26	3.87	3.94	4.05	4.03	4.05	3.90	3.81	3.96
Federal funds rate.....	3.89	1.67	1.75	1.75	1.75	1.73	1.74	1.75	1.75	1.34	1.24	1.24	1.26	1.25	1.26
New home mortgages.....	6.97	6.54	6.99	6.81	6.65	6.49	6.29	6.09	6.11	6.07	6.05	5.92	5.84	5.75	5.81
Index of stock prices (not seasonally adjusted): ³															
500 common stocks, 1941-43=10.....	1,194.18	993.94	1,112.03	1,079.27	1,014.05	903.59	912.55	867.81	854.63	909.93	899.18	895.84	837.62	846.62	890.03
Labor markets (thousands, monthly and quarterly data seasonally adjusted, unless otherwise noted) ¹															
Civilian labor force.....	143,734	144,863	144,763	144,911	144,852	144,786	145,123	145,634	145,393	145,180	145,150	145,838	145,857	145,793	146,473
Labor force participation rates (percent):															
Total.....	66.8	66.6	66.7	66.7	66.6	66.5	66.6	66.8	66.6	66.4	66.4	66.3	66.3	66.2	66.4
Males, age 20 and over.....	76.5	76.3	76.5	76.7	76.5	76.4	76.4	76.6	76.3	76.0	75.9	75.8	76.0	75.9	76.1
Females, age 20 and over.....	60.6	60.5	60.7	60.5	60.5	60.4	60.5	60.6	60.6	60.5	60.6	60.7	60.5	60.6	60.7
Both sexes, age 16-19.....	49.6	47.4	47.6	47.4	47.7	47.5	47.3	48.1	47.2	47.0	46.3	46.0	45.5	44.1	45.0
Civilian employment.....	136,933	136,485	136,196	136,487	136,383	136,343	136,757	137,312	136,988	136,542	136,439	137,536	137,408	137,348	137,687
Ratio, civilian employment to working-age population (percent).....	63.7	62.7	62.8	62.8	62.7	62.6	62.8	63.0	62.7	62.5	62.4	62.5	62.4	62.3	62.4
Employees on nonagricultural payrolls.....	131,922	130,791	130,680	130,702	130,736	130,790	130,913	130,829	130,898	130,817	130,670	130,873	130,520	130,396	130,348
Goods-producing industries.....	24,944	23,836	23,905	23,870	23,861	23,812	23,801	23,748	23,688	23,631	23,551	23,563	23,463	23,439	23,366
Services-producing industries.....	106,978	106,955	106,775	106,832	106,875	106,978	107,112	107,081	107,210	107,186	107,119	107,310	107,057	106,957	106,982
Hours of production workers:															
Average weekly hours, total private sector.....	34.2	34.2	34.2	34.2	34.3	34.0	34.1	34.2	34.2	34.2	34.1	34.3	34.1	34.3	34.0
Average weekly hours, manufacturing.....	40.7	40.9	40.9	40.9	41.1	40.7	40.9	40.8	40.7	40.6	40.9	40.9	40.8	40.8	40.5
Average weekly overtime hours, manufacturing.....	3.9	4.1	4.2	4.2	4.3	4.0	4.2	4.1	4.1	4.0	4.2	4.1	4.1	4.0	3.9
Number of persons unemployed.....	6,801	8,378	8,567	8,424	8,469	8,443	8,366	8,321	8,405	8,637	8,711	8,302	8,450	8,445	8,786
Unemployment rates (percent):															
Total.....	4.7	5.8	5.9	5.8	5.8	5.8	5.8	5.7	5.8	5.9	6.0	5.7	5.8	5.8	6.0
Males, age 20 and over.....	4.2	5.3	5.3	5.2	5.4	5.3	5.3	5.3	5.4	5.6	5.6	5.4	5.3	5.3	5.6
Females, age 20 and over.....	4.1	5.1	5.3	5.2	5.1	5.1	5.0	5.0	5.2	5.0	5.2	4.7	5.0	5.0	5.1
Both sexes, age 16-19.....	14.7	16.5	16.9	17.0	16.9	17.0	16.9	16.2	15.1	16.8	16.4	16.8	17.1	17.7	18.0
15 weeks and over.....	1.2	2.0	1.9	2.0	2.1	2.0	2.0	2.1	2.1	2.2	2.3	2.2	2.2	2.1	2.2
Average weeks unemployed.....	13.1	16.6	16.3	16.8	17.1	16.6	16.3	17.8	17.6	17.9	18.4	18.4	18.6	18.0	19.6
Median weeks unemployed.....	6.8	9.1	8.8	9.6	11.6	8.9	8.7	9.5	9.6	9.4	9.6	9.8	9.4	9.6	10.2
Productivity and costs, nonfarm business sector, 1992=100:															
Indexes:															
Output per hour of all persons.....	117.5	123.1	122.3	122.3	122.3	122.3	123.9	123.9	123.9	123.9	124.2	124.2	124.7	124.7	124.7
Unit labor costs.....	116.3	113.6	114.1	114.1	114.1	114.1	113.1	113.1	113.1	113.1	113.9	113.9	114.5	114.5	114.5
Hourly compensation.....	136.6	139.8	139.5	139.5	139.5	139.5	140.1	140.1	140.1	140.1	141.5	141.5	142.7	142.7	142.7
Percent change from preceding quarter, annual rate:															
Output per hour.....	1.1	4.8	1.7	1.7	1.7	1.7	5.5	5.5	5.5	0.7	0.7	0.7	1.6	1.6	1.6
Unit labor costs.....	1.6	-2.3	2.3	2.3	2.3	2.3	-3.4	-3.4	-3.4	3.2	3.2	3.2	1.9	1.9	1.9
Real hourly compensation.....	-0.1	0.8	0.4	0.4	0.4	0.4	-0.3	-0.3	-0.3	1.9	1.9	1.9	-0.3	-0.3	-0.3

Table D.1. Domestic Perspectives—Continued

	2001	2002	2002									2003			
			Apr.	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
Construction (monthly data seasonally adjusted at annual rates) ⁴															
New construction put in place (billions of dollars)	842.5	846.1	856.9	847.1	833.7	837.8	829.8	832.2	840.0	850.5	856.7	875.3	873.5	864.8	862.6
Private construction	650.0	642.2	656.7	642.2	634.6	635.7	627.1	626.5	636.8	643.8	650.0	664.3	666.5	664.1	661.4
Residential buildings	388.7	415.5	411.8	413.5	410.8	414.0	409.3	412.2	418.0	427.2	440.2	450.0	452.2	451.4	449.9
Nonresidential buildings	201.1	167.9	179.6	170.5	166.7	163.7	159.8	156.5	160.2	161.8	155.6	160.8	159.8	160.3	156.1
Public construction	192.5	203.9	200.2	204.9	199.1	202.1	202.8	205.7	203.2	206.7	206.7	211.0	207.0	200.7	201.2
Housing starts (thousands of units):															
Total	1,603	1,705	1,587	1,752	1,709	1,666	1,630	1,810	1,653	1,760	1,815	1,828	1,640	1,748	1,630
1-unit structures	1,273	1,359	1,275	1,389	1,359	1,329	1,249	1,449	1,366	1,403	1,462	1,509	1,312	1,398	1,356
New 1-family houses sold (thousands of units) ...	908	973	916	981	959	961	1025	1057	1005	1022	1052	1009	934	1011	1028
Manufacturing and trade, inventories and sales (millions of dollars, monthly data seasonally adjusted) ⁴															
Inventories:															
Total manufacturing and trade			1,124,799	1,127,436	1,130,357	1,136,896	1,137,189	1,144,210	1,145,753	1,149,332	1,156,115	1,159,136	1,166,786	1,171,724	
Manufacturing			430,153	428,592	428,230	427,996	428,574	429,385	429,074	428,220	430,951	431,311	433,227	433,103	
Retail trade			411,904	416,352	418,394	423,139	422,377	427,879	430,960	434,693	436,317	439,120	443,879	447,586	
Merchant wholesalers			282,742	282,492	283,733	285,761	286,238	286,946	285,719	286,419	288,847	288,705	289,680	291,035	
Sales:															
Total manufacturing and trade	9,759,711	9,852,280	820,080	817,035	819,513	830,802	832,553	826,227	830,507	831,696	831,848	842,599	834,860	849,875	
Manufacturing	3,897,730	3,855,872	322,962	323,736	320,810	326,101	323,729	322,608	326,339	322,863	321,016	327,265	322,601	328,721	
Retail trade	3,153,315	3,245,407	269,655	266,194	269,762	274,476	276,318	271,307	271,703	273,570	277,100	278,356	274,066	280,585	
Merchant wholesalers	2,708,666	2,751,001	227,463	227,105	228,941	230,225	232,506	232,312	232,465	235,263	233,732	236,978	238,193	240,569	
Inventory-sales ratio:															
Total manufacturing and trade			1.37	1.38	1.38	1.37	1.37	1.38	1.38	1.38	1.39	1.38	1.40	1.38	
Manufacturing			1.33	1.32	1.33	1.31	1.32	1.33	1.31	1.33	1.34	1.32	1.34	1.32	
Retail trade			1.53	1.56	1.55	1.54	1.53	1.58	1.59	1.59	1.57	1.58	1.62	1.60	
Merchant wholesalers			1.24	1.24	1.24	1.24	1.23	1.24	1.23	1.22	1.24	1.22	1.22	1.21	
Industrial production indexes and capacity utilization rates (monthly data seasonally adjusted) ²															
Industrial production indexes, 1997=100:															
Total	111.2	110.8	110.1	110.4	110.8	111.6	111.3	111.2	110.6	110.8	109.9	110.7	110.7	110.2	109.7
Final products	109.0	108.1	107.2	107.1	107.5	107.9	107.6	107.4	106.6	107.1	106.0	107.1	106.9	106.5	106.1
Consumer goods	106.5	107.0	107.5	107.3	107.8	108.5	107.8	107.9	107.0	107.8	106.6	107.7	107.5	107.0	106.5
Business equipment	117.3	112.3	107.7	108.0	108.0	107.3	108.1	106.9	106.0	106.1	104.6	105.6	105.5	105.5	105.0
Nonindustrial supplies	115.3	114.9	113.9	114.6	114.8	115.5	115.4	115.8	115.4	114.9	113.9	114.4	114.5	113.9	113.3
Materials	111.8	112.0	111.6	112.2	112.6	113.8	113.6	113.4	112.8	113.1	112.4	113.0	113.2	112.5	111.9
Capacity utilization rates (percent):															
Total industry	77.3	75.6	75.6	75.7	75.9	76.4	76.1	76.0	75.5	75.6	74.9	75.4	75.3	74.8	74.4
Manufacturing	75.6	73.7	73.6	73.9	74.1	74.3	74.3	74.1	73.7	73.7	73.0	73.3	73.2	73.0	72.5
Credit market borrowing (billions of dollars, quarterly data seasonally adjusted at annual rates) ²															
All sectors, by instrument:															
Total	2,055.5	2,327.4		2,532.0			2,137.3			2,719.1			2,362.7		
Open market paper	-164.4	-98.2		-154.3			70.8			-53.3			-16.1		
U.S. government securities	623.8	811.5		1,013.8			686.5			814.8			532.3		
Municipal securities	122.8	167.0		196.2			156.8			238.2			162.2		
Corporate and foreign bonds	669.9	527.9		592.4			140.5			773.0			742.2		
Bank loans, n.e.c.	-76.2	-76.0		-139.0			-54.4			-107.5			-101.6		
Other loans and advances	60.4	49.9		89.7			148.5			-16.0			52.4		
Mortgages	710.5	885.2		841.9			919.5			1,072.8			915.6		
Consumer credit	108.7	60.1		91.3			69.1			-2.9			75.7		

Sources:

1. Bureau of Labor Statistics
2. Federal Reserve Board

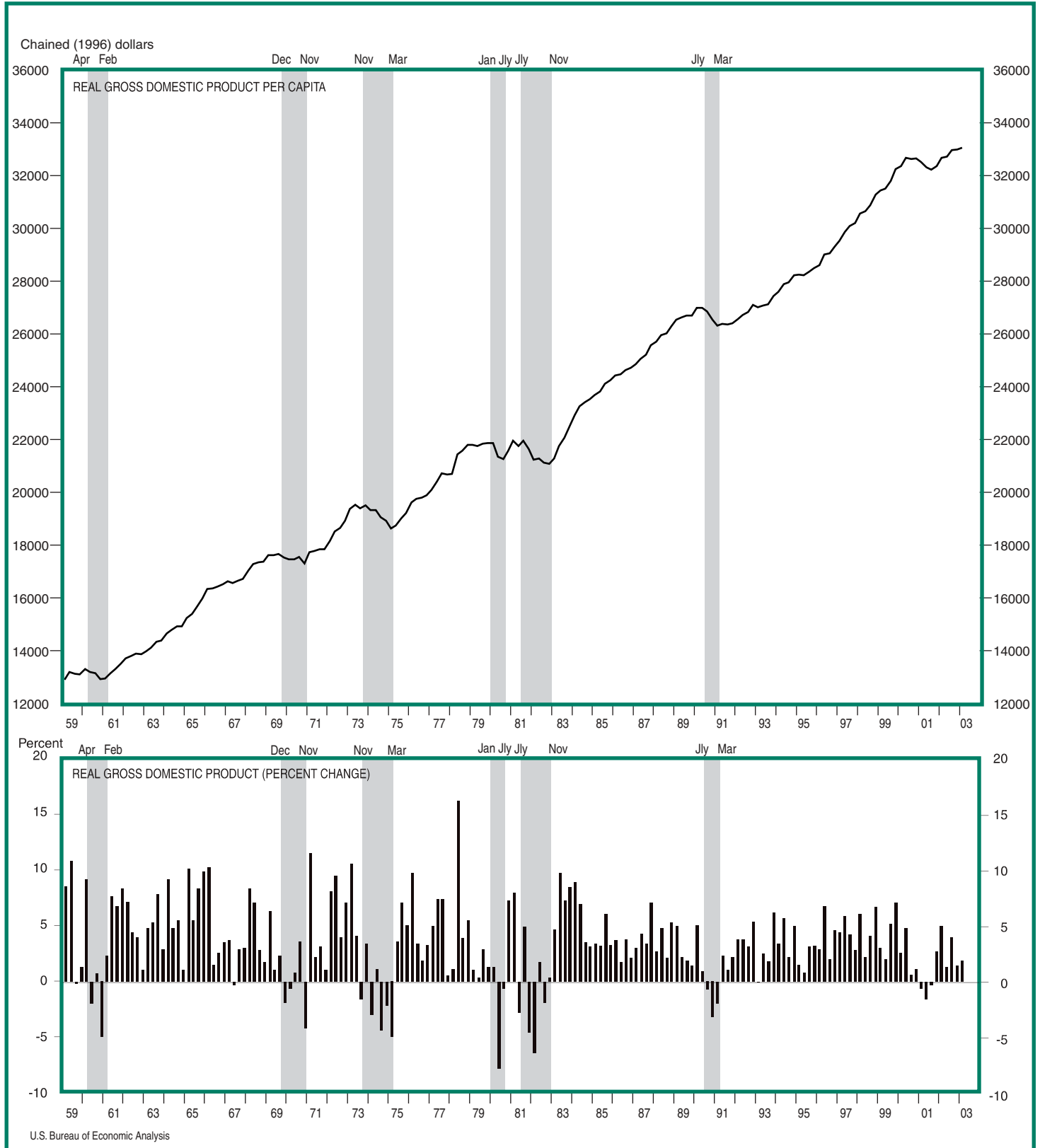
3. Standard and Poor's, Inc.

4. Bureau of the Census
n.e.c. Not elsewhere classified

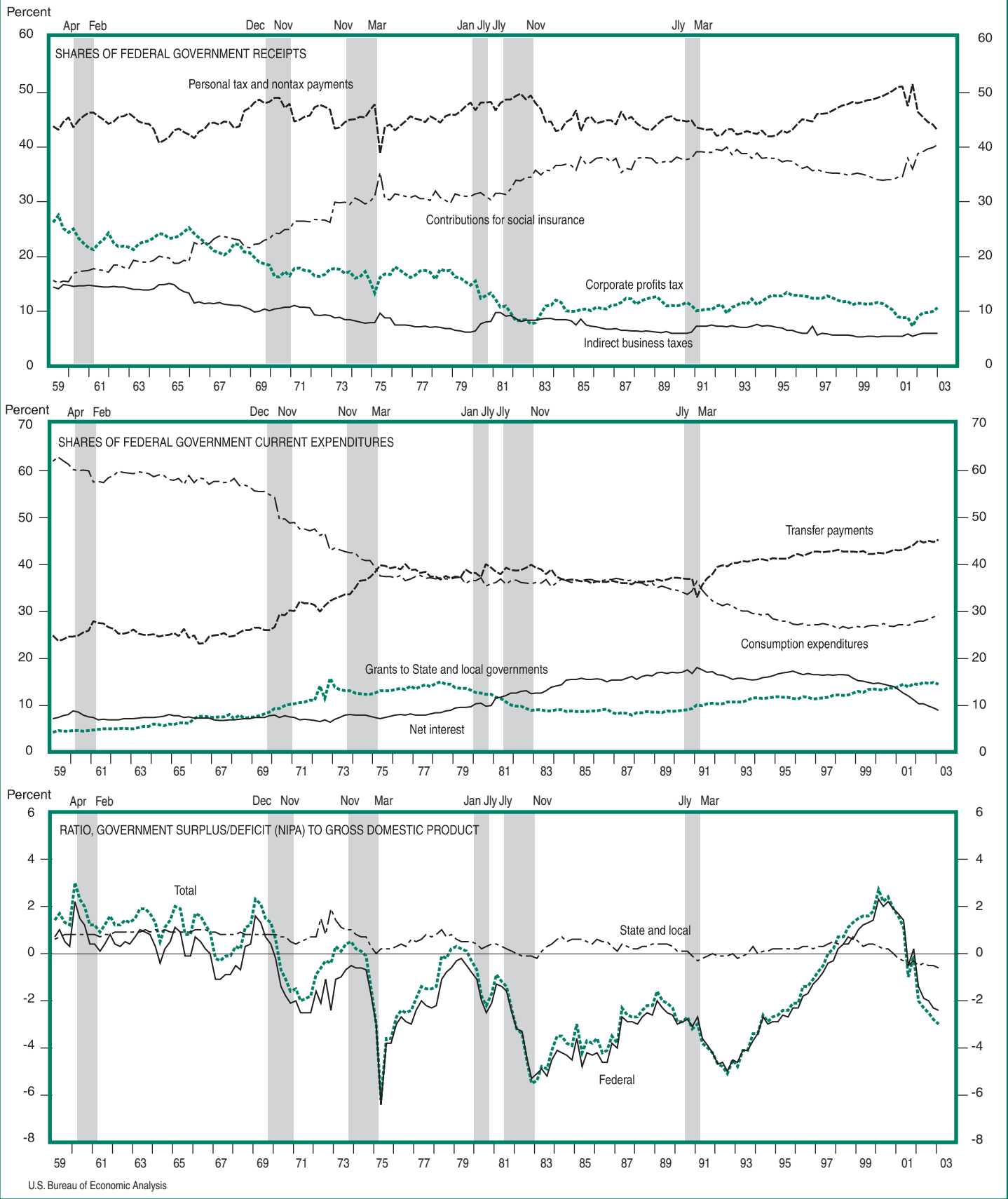
E. Charts

Percent changes shown in this section are based on quarter-to-quarter changes and are expressed at seasonally adjusted annual rates; likewise, levels of series are expressed at seasonally adjusted annual rates as appropriate.

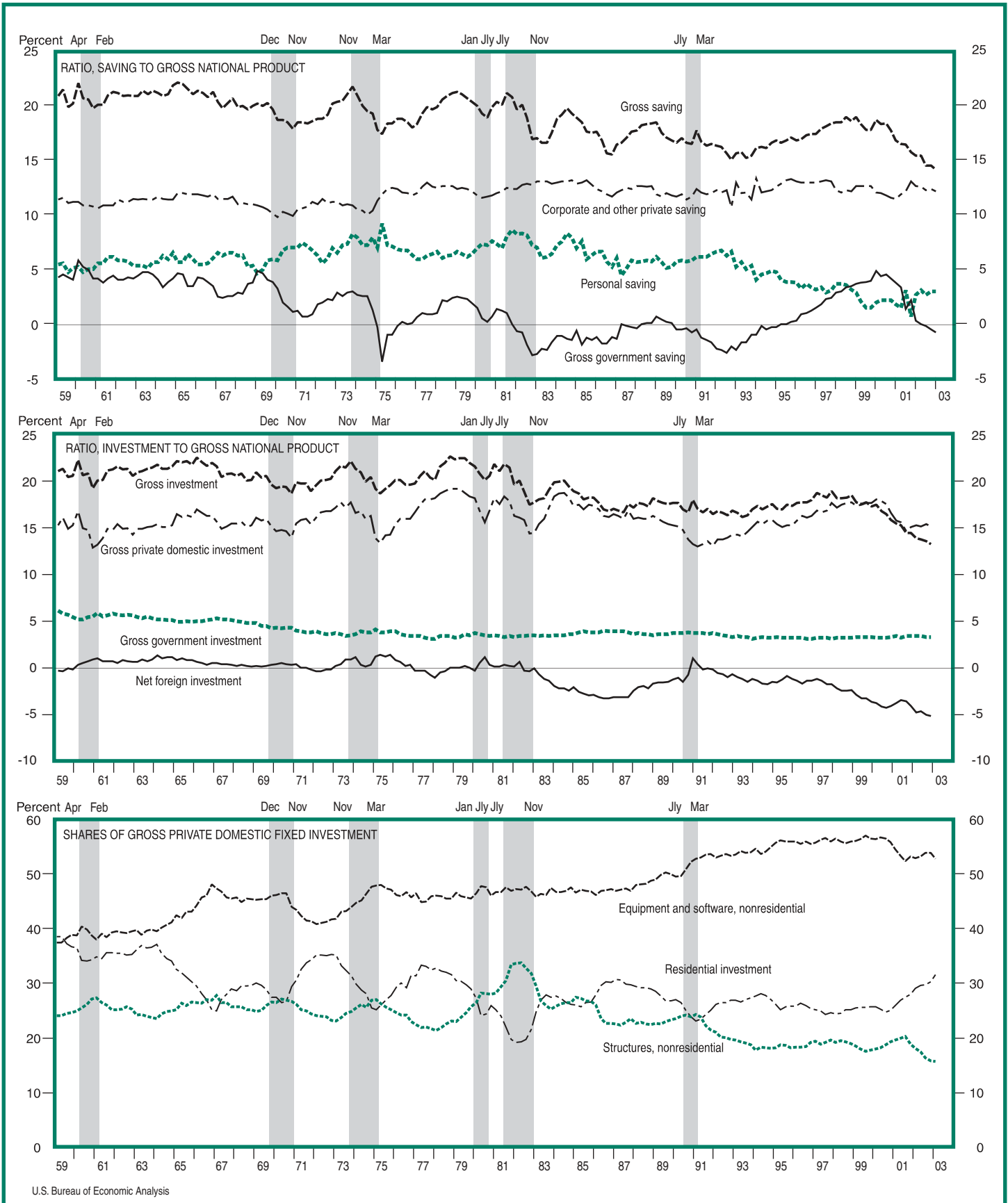
SELECTED NIPA SERIES



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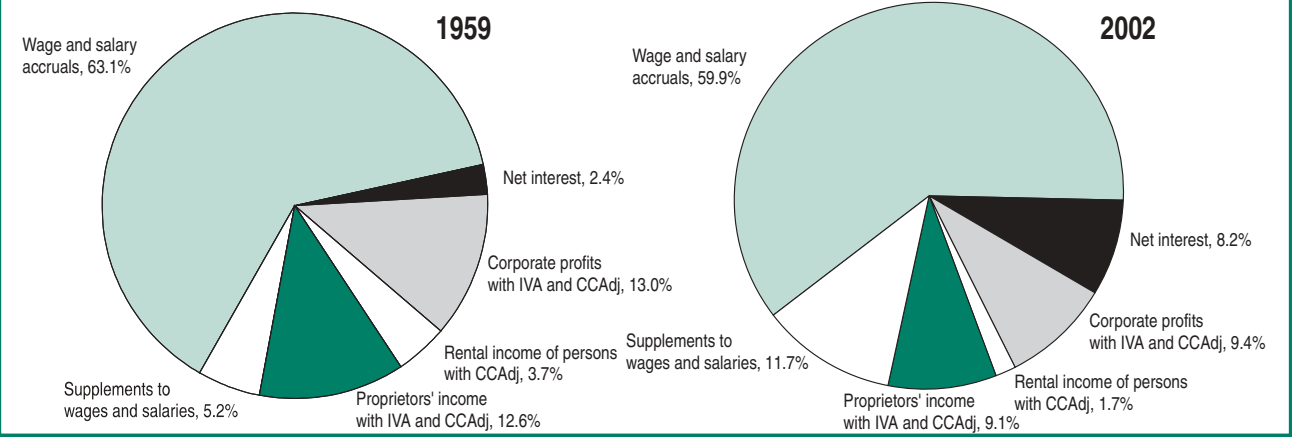


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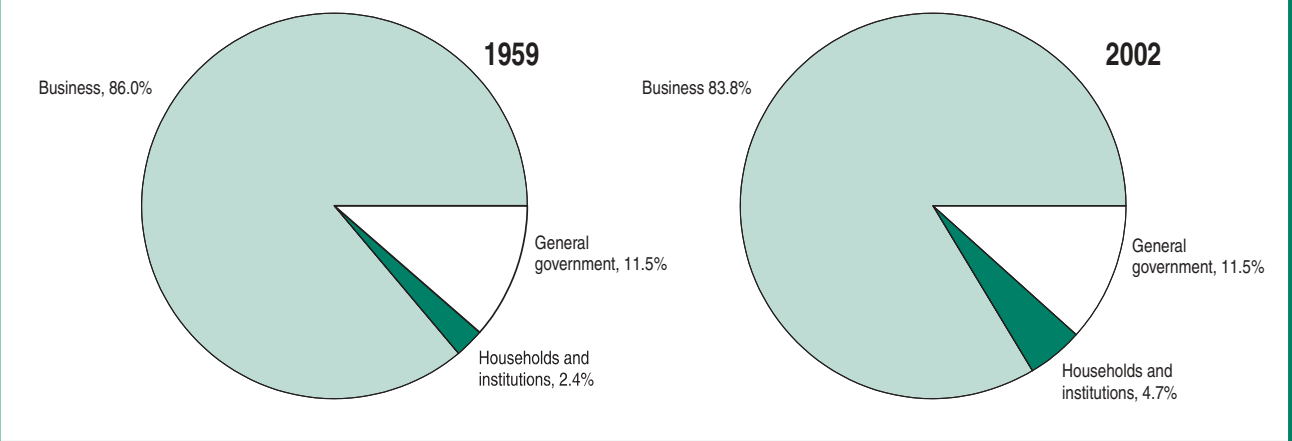


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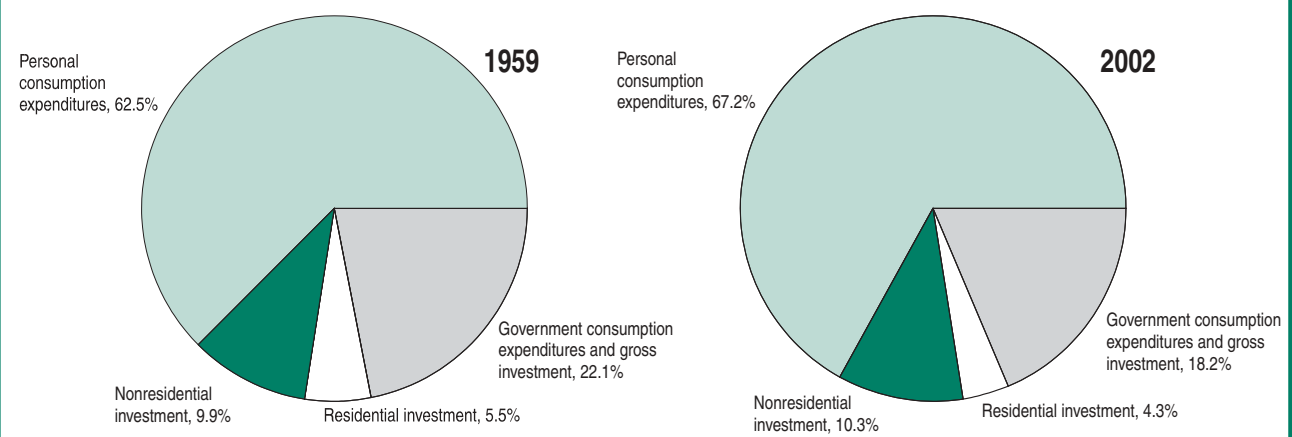
SHARES OF NATIONAL INCOME



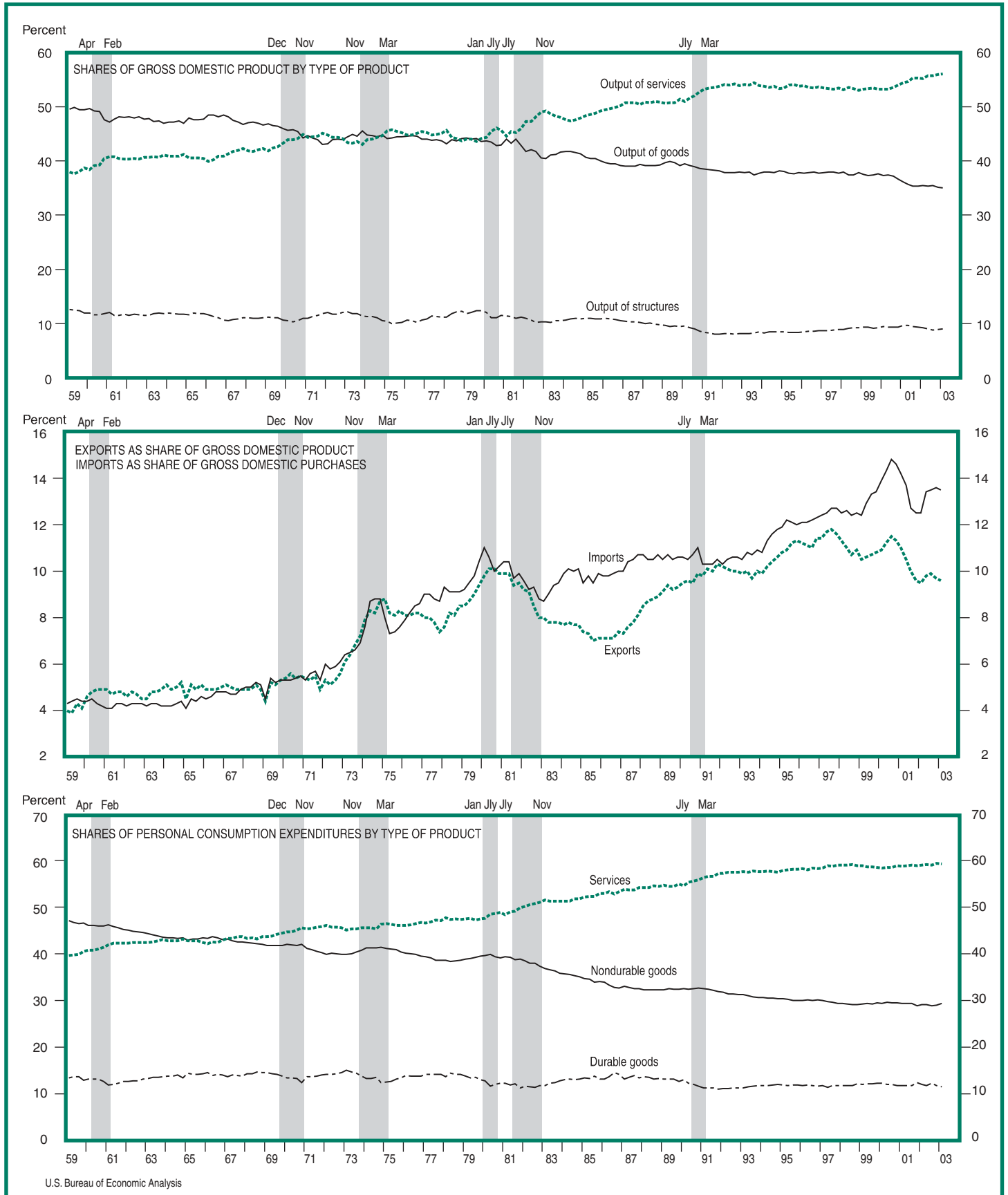
SHARES OF GROSS DOMESTIC PRODUCT BY SECTOR



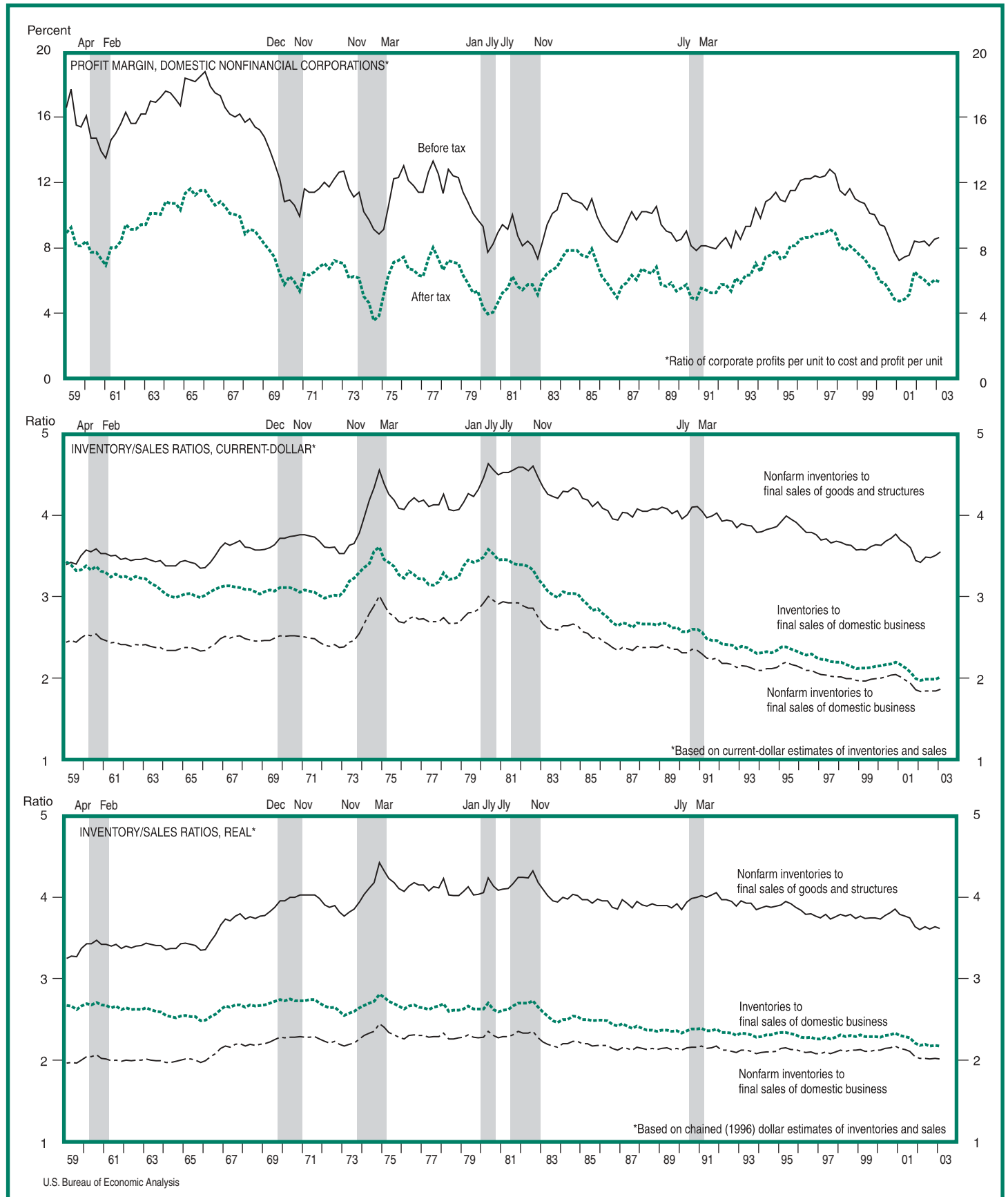
SHARES OF GROSS DOMESTIC PURCHASES



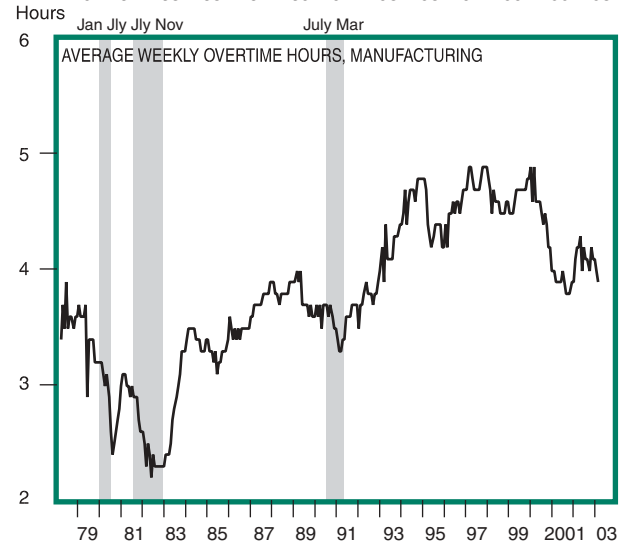
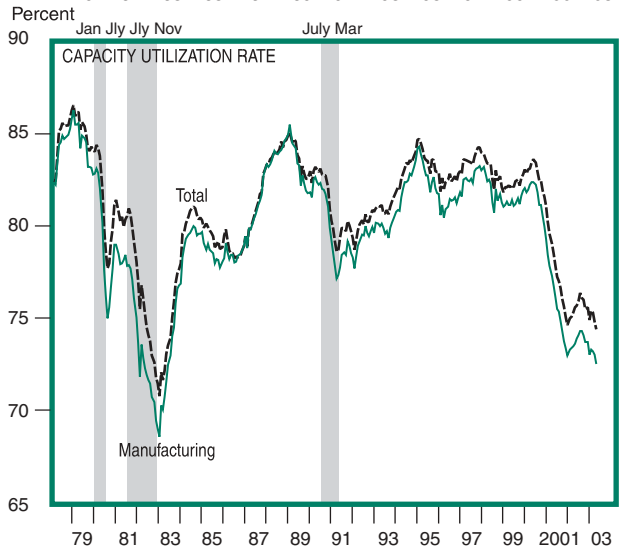
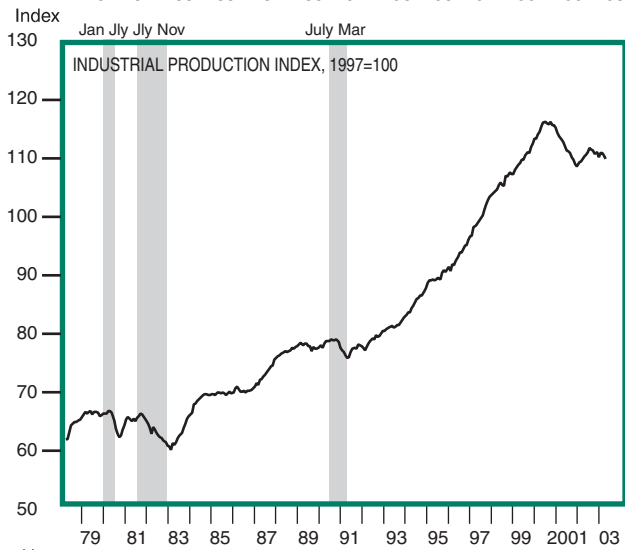
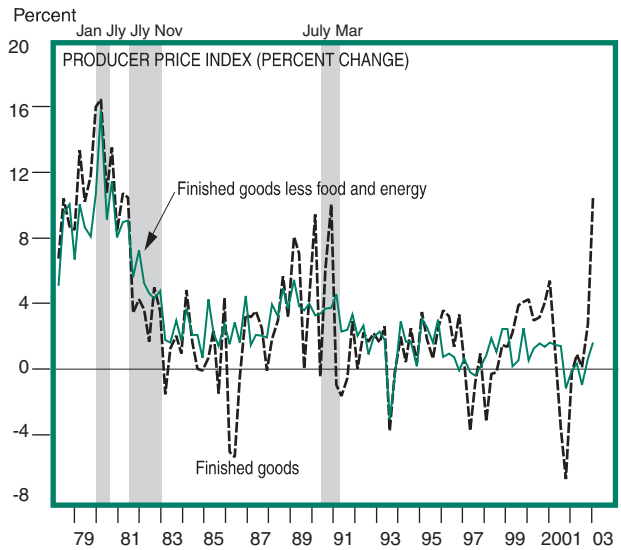
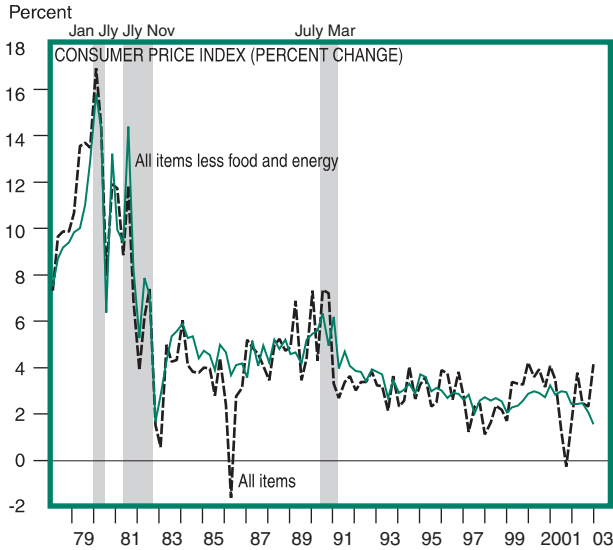
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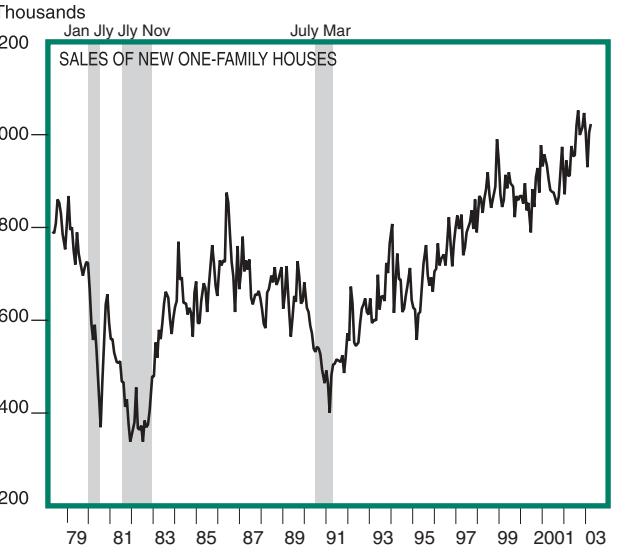
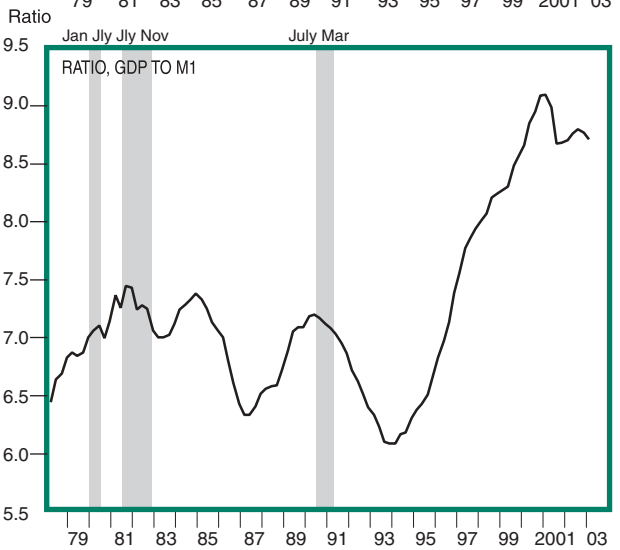
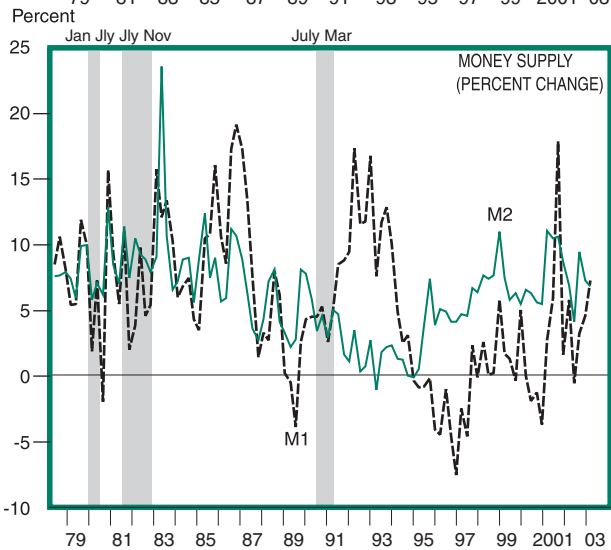
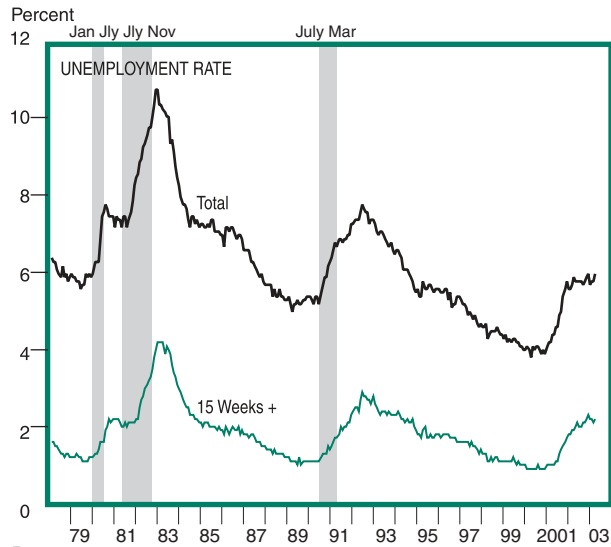
SELECTED NIPA SERIES



OTHER INDICATORS OF THE DOMESTIC ECONOMY



OTHER INDICATORS OF THE DOMESTIC ECONOMY



G. Investment Tables

Table G.1. International Investment Position of the United States at Yearend, 2000 and 2001

(Millions of dollars)

Line	Type of investment	Position, 2000 ^a	Changes in position in 2001 (decrease (-))				Total (a+b+c+d)	Position, 2001 ^a
			Attributable to:					
			Financial flows	Valuation adjustments				
				Price changes	Exchange rate changes ¹	Other changes ²		
(a)	(b)	(c)	(d)	(a+b+c+d)				
Net international investment position of the United States:								
1	With direct investment positions at current cost (line 3 less line 24)	-1,350,791	-381,845	-116,510	-103,402	4,414	-597,343	-1,948,134
2	With direct investment positions at market value (line 4 less line 25)	-1,583,153	-381,845	-215,482	-145,572	16,935	-725,964	-2,309,117
U.S.-owned assets abroad:								
3	With direct investment positions at current cost (lines 5+10+15)	6,191,934	370,962	-258,272	-124,662	16,177	4,205	6,196,139
4	With direct investment positions at market value (lines 5+10+16)	7,350,862	370,962	-715,843	-163,854	20,816	-487,919	6,862,943
5	U.S. official reserve assets	128,400	4,911	536	-3,879	-7	1,561	129,961
6	Gold	71,799	.....	³ 536	.....	⁴ -7	529	72,328
7	Special drawing rights	10,539	630	.....	-386	.....	244	10,783
8	Reserve position in the International Monetary Fund	14,824	3,600	.....	-555	.....	3,045	17,869
9	Foreign currencies	31,238	681	.....	-2,938	.....	-2,257	28,981
10	U.S. Government assets, other than official reserve assets	85,164	486	.....	.....	.....	486	85,650
11	U.S. credits and other long-term assets ⁵	82,570	558	.....	.....	.....	558	83,128
12	Repayable in dollars	82,289	561	.....	.....	.....	561	82,850
13	Other ⁶	281	-3	.....	.....	.....	-3	278
14	U.S. foreign currency holdings and U.S. short-term assets	2,594	-72	.....	.....	.....	-72	2,522
U.S. private assets:								
15	With direct investment at current cost (lines 17+19+22+23)	5,978,370	365,565	-258,808	-120,783	16,184	2,158	5,980,528
16	With direct investment at market value (lines 18+19+22+23)	7,137,298	365,565	-716,379	-159,975	20,823	-489,966	6,647,332
Direct investment abroad:								
17	At current cost	1,515,279	127,840	19,533	-17,713	-21,817	107,843	1,623,122
18	At market value	2,674,207	127,840	-438,038	-56,905	-17,178	-384,281	2,289,926
19	Foreign securities	2,389,427	94,662	-278,341	-95,228	.....	-278,907	2,110,520
20	Bonds	557,019	-12,147	18,214	-17,304	.....	-11,237	545,782
21	Corporate stocks	1,832,408	106,809	-296,555	-77,924	.....	-267,670	1,564,738
22	U.S. claims on unaffiliated foreigners reported by U.S. nonbanking concerns	821,564	14,358	.....	-5,811	.....	8,547	830,111
23	U.S. claims reported by U.S. banks, not included elsewhere	1,252,100	128,705	.....	-2,031	38,001	164,675	1,416,775
Foreign-owned assets in the United States:								
24	With direct investment at current cost (lines 26+33)	7,542,725	752,807	-141,762	-21,260	11,763	601,548	8,144,273
25	With direct investment at market value (lines 26+34)	8,934,015	752,807	-500,361	-18,282	3,881	238,045	9,172,060
26	Foreign official assets in the United States	1,008,890	5,225	1,623	.....	6,000	12,848	1,021,738
27	U.S. Government securities	749,904	31,666	11,274	.....	6,000	48,940	798,844
28	U.S. Treasury securities	625,161	10,745	8,796	.....	6,001	25,542	650,703
29	Other	124,743	20,921	2,478	.....	-1	23,398	148,141
30	Other U.S. Government liabilities ⁷	13,739	-1,882	.....	.....	.....	-1,882	11,857
31	U.S. liabilities reported by U.S. banks, not included elsewhere	153,403	-30,278	.....	.....	.....	-30,278	123,125
32	Other foreign official assets	91,844	5,719	-9,651	.....	.....	-3,932	87,912
Other foreign assets:								
33	With direct investment at current cost (lines 35+37+38+41+42+43)	6,533,835	747,582	-143,385	-21,260	5,763	588,700	7,122,535
34	With direct investment at market value (lines 36+37+38+41+42+43)	7,925,125	747,582	-501,984	-18,282	-2,119	225,197	8,150,322
Direct investment in the United States:								
35	At current cost	1,374,752	130,796	14,214	-2,978	-17,860	124,172	1,498,924
36	At market value	2,766,042	130,796	-344,385	.....	-25,742	-239,331	2,526,711
37	U.S. Treasury securities	400,966	-7,670	4,719	.....	-9,241	-12,192	388,774
38	U.S. securities other than U.S. Treasury securities	2,623,628	407,653	-162,318	-12,309	.....	233,026	2,856,654
39	Corporate and other bonds	1,075,988	288,200	40,741	-12,309	.....	316,632	1,392,620
40	Corporate stocks	1,547,640	119,453	-203,059	.....	.....	-83,606	1,464,034
41	U.S. currency	251,786	23,783	.....	.....	.....	23,783	275,569
42	U.S. liabilities to unaffiliated foreigners reported by U.S. nonbanking concerns	729,340	82,353	.....	-2,140	-5,136	75,077	804,417
43	U.S. liabilities reported by U.S. banks, not included elsewhere	1,153,363	110,667	.....	-3,833	38,000	144,834	1,298,197

^a Preliminary.^r Revised.

1. Represents gains or losses on foreign-currency-denominated assets due to their revaluation at current exchange rates.

2. Includes changes in coverage, statistical discrepancies, and other adjustments to the value of assets.

3. Reflects changes in the value of the official gold stock due to fluctuations in the market price of gold.

4. Reflects changes in gold stock from U.S. Treasury sales of gold medallions and commemorative and bullion coins; also reflects replenishment through open market purchases. These demonetizations/monetizations are not included in international transactions financial flows.

5. Also includes paid-in capital subscriptions to international financial institutions and resources provided to foreigners under foreign assistance programs requiring repayment over several years. Excludes World War I debts that are not being serviced.

6. Includes indebtedness that the borrower may contractually, or at its option, repay with its currency, with a third country's currency, or by delivery of materials or transfer of services.

7. Primarily U.S. Government liabilities associated with military sales contracts and other transactions arranged with or through foreign official agencies.

Source: Table 1 in "The International Investment Position of the United States at Yearend 2001" in the July 2002 issue of the SURVEY OF CURRENT BUSINESS.

Table G.2. U.S. Direct Investment Abroad: Selected Items, by Country and by Industry of Foreign Affiliate, 1999-2001

[Millions of dollars]

	Direct investment position on a historical-cost basis			Capital outflows (inflows (-))			Income		
	1999	2000	2001	1999	2000	2001	1999	2000	2001
All countries, all industries	1,173,122	1,293,431	1,381,674	174,576	164,969	113,977	112,359	135,109	111,089
By country									
Canada.....	111,747	128,814	139,031	18,122	18,950	14,440	12,103	14,688	11,773
Europe.....	611,958	679,457	725,793	99,224	92,427	56,133	57,704	66,523	55,667
<i>Of which:</i>									
France.....	39,960	38,752	38,457	512	2,011	655	1,386	2,404	1,920
Germany.....	48,445	50,963	61,437	4,268	3,099	11,360	4,621	4,588	2,690
Netherlands.....	110,321	117,557	131,884	8,253	2,953	16,058	12,598	11,858	13,417
Switzerland.....	44,499	55,854	62,897	8,407	9,959	6,629	7,098	7,025	7,576
United Kingdom.....	228,574	241,663	249,201	47,839	35,763	13,231	14,915	20,655	12,051
Latin America and Other Western Hemisphere.....	237,748	251,863	269,556	34,277	23,442	26,510	19,636	18,703	18,718
<i>Of which:</i>									
Bermuda.....	51,613	56,594	61,929	7,786	6,532	5,865	4,373	6,036	5,045
Brazil.....	37,383	39,033	36,317	3,484	3,091	-17	1,511	1,579	756
Mexico.....	32,888	37,332	52,168	5,978	5,302	15,078	4,448	4,371	4,409
Panama.....	33,143	29,316	25,296	2,259	1,231	753	2,365	501	452
Africa.....	13,621	14,417	15,872	498	1,151	798	1,876	2,675	2,063
Middle East.....	10,712	11,087	12,643	5	1,635	1,269	1,180	2,254	1,314
Asia and Pacific.....	184,313	205,317	216,501	21,890	27,333	15,012	19,927	29,983	21,153
<i>Of which:</i>									
Australia.....	34,743	35,364	34,041	3,244	2,421	-423	2,472	3,586	1,690
Japan.....	56,393	59,441	64,103	9,449	6,279	5,474	4,749	7,805	5,683
International.....	3,024	2,476	2,278	560	31	-184	-68	282	402
By industry									
Petroleum.....	90,493	95,834	102,074	9,481	10,594	12,668	10,174	18,667	13,866
Manufacturing.....	306,156	353,550	376,259	34,939	58,049	36,381	33,213	38,965	28,806
Food and kindred products.....	34,225	35,933	35,496	1,359	2,913	1,692	3,821	3,868	4,029
Chemicals and allied products.....	81,656	100,872	108,663	7,346	16,462	10,800	9,250	9,882	10,355
Primary and fabricated metals.....	18,328	18,773	21,488	1,088	633	2,895	1,381	1,631	1,211
Industrial machinery and equipment.....	35,337	41,199	52,392	6,393	7,305	12,039	4,445	6,652	4,940
Electronic and other electric equipment.....	36,996	49,065	48,391	3,940	16,156	905	3,679	5,683	2,768
Transportation equipment.....	36,045	40,052	39,142	6,687	7,159	578	4,416	3,613	612
Other manufacturing.....	63,569	67,656	70,687	8,126	7,420	7,473	6,220	7,637	4,890
Wholesale trade.....	74,215	83,724	92,836	6,413	12,434	9,289	10,837	12,524	12,093
Depository institutions.....	38,365	38,071	49,319	533	-2,221	9,925	856	1,826	2,520
Finance, (except depository institutions), insurance, and real estate.....	498,468	542,641	572,545	86,419	54,147	34,983	45,906	52,938	46,135
Services.....	72,054	80,144	86,491	14,473	10,785	7,513	8,050	8,912	6,817
Other industries.....	93,371	99,469	102,150	22,318	21,182	3,217	3,323	1,277	854

NOTE: In this table, unlike in the international transactions accounts, income and capital outflows are shown without a current-cost adjustment, and income is shown net of withholding taxes. In addition, unlike in the international investment position, the direct investment position is valued at historical cost.

The data in this table are from tables 16 and 17 in "U.S. Direct Investment Abroad: Detail for Historical-Cost Position and Related Capital and Income Flows, 2001" in the September 2002 issue of the SURVEY OF CURRENT BUSINESS.

Table G.3. Selected Financial and Operating Data for Nonbank Foreign Affiliates of U.S. Companies by Country and by Industry of Affiliate, 2000

	All nonbank affiliates					Thou- sands of employees	Majority-owned nonbank foreign affiliates (MOFA's)						Thou- sands of employees
	Millions of dollars						Millions of dollars						
	Total assets	Sales	Net income	U.S. exports of goods shipped to affiliates	U.S. imports of goods shipped by affiliates		Total assets	Sales	Net income	Gross product	U.S. exports of goods shipped to MOFA's	U.S. imports of goods shipped by MOFA's	
All countries, all industries.....	5,260,182	2,891,497	209,605	203,007	215,300	9,606.9	4,647,439	2,486,855	191,115	605,888	195,951	201,374	8,064.7
By country													
Canada.....	428,185	366,701	18,897	61,511	82,226	1,145.4	376,574	328,026	16,712	72,398	59,508	77,827	1,038.7
Europe.....	3,046,124	1,438,611	113,288	51,783	38,244	4,095.8	2,840,082	1,302,959	105,202	333,375	50,816	36,594	3,687.9
<i>Of which:</i>													
France.....	186,053	137,511	3,307	(D)	3,391	586.3	163,929	124,751	3,445	35,754	5,005	3,124	544.0
Germany.....	300,512	236,095	9,806	8,590	4,488	657.8	258,561	200,192	8,347	54,819	8,535	4,467	605.2
Netherlands.....	361,574	145,337	17,345	7,611	(D)	197.0	343,897	126,261	15,735	23,371	7,572	1,770	169.0
United Kingdom.....	1,315,404	413,467	29,948	(D)	10,848	1,266.6	1,272,450	397,179	29,590	110,643	13,340	10,842	1,185.7
Latin America and Other Western Hemisphere	797,682	360,845	37,864	41,708	47,582	2,006.8	656,101	295,893	33,412	70,401	40,277	45,111	1,583.8
<i>Of which:</i>													
Brazil.....	137,776	80,024	3,341	3,722	(D)	403.6	100,130	61,895	2,998	19,413	3,650	2,182	343.5
Mexico.....	114,653	123,970	6,162	32,000	38,957	1,048.1	86,056	99,466	5,321	20,180	31,017	37,408	804.4
Africa.....	59,118	43,595	4,436	831	(D)	237.7	44,127	34,726	3,709	13,877	771	1,972	127.0
Middle East.....	54,491	33,111	4,185	1,068	1,831	94.1	21,578	16,131	2,166	6,910	857	1,831	64.7
Asia and Pacific.....	874,581	648,635	30,937	46,106	(D)	2,027.0	708,976	509,119	29,913	108,927	43,722	38,039	1,562.5
<i>Of which:</i>													
Australia.....	116,562	69,807	3,619	4,228	(D)	324.0	103,055	56,605	3,497	18,646	4,100	1,216	257.4
Japan.....	342,967	240,240	4,813	15,281	7,188	432.2	257,953	159,593	5,979	36,277	13,815	2,627	233.7
By industry													
Mining.....	226,750	103,583	21,088	1,335	8,316	157.6	198,715	92,211	18,487	60,060	1,034	7,585	136.7
Utilities.....	163,071	66,065	4,558	9	13	105.8	102,414	39,624	2,767	10,839	3	11	57.7
Manufacturing.....	1,176,742	1,380,870	65,861	143,189	186,356	5,067.4	996,919	1,197,293	61,830	317,339	137,960	173,295	4,352.5
<i>Of which:</i>													
Food.....	68,547	94,095	3,618	2,338	3,479	406.2	61,536	84,377	3,372	19,139	2,258	3,402	355.6
Chemicals.....	261,128	225,477	19,791	19,091	14,502	620.4	228,750	200,982	17,955	58,200	17,962	13,889	559.2
Primary and fabricated metals.....	64,704	49,753	2,321	4,110	4,857	269.4	58,134	43,213	2,155	13,249	3,907	4,660	245.9
Machinery.....	74,811	79,741	3,017	7,506	8,200	389.6	60,548	64,429	2,949	18,035	7,101	7,126	343.6
Computer and electronic products.....	175,761	227,081	12,056	35,555	46,899	816.9	168,785	222,380	12,134	41,886	35,268	46,065	777.1
Electrical equipment, appliances, and components.....	28,900	31,024	1,333	3,434	4,123	272.1	25,370	27,341	1,223	7,350	3,317	3,529	232.0
Transportation equipment.....	194,785	308,096	5,424	57,144	86,907	982.0	156,162	256,286	6,624	48,851	54,817	77,984	872.4
Wholesale trade.....	382,980	668,048	26,924	50,106	17,909	717.8	365,091	629,051	26,130	87,025	48,977	17,847	669.1
Information.....	283,101	153,265	4,445	863	220	698.8	119,966	76,042	307	22,364	846	220	333.0
Finance (except depository institutions) and insurance.....	1,841,581	207,633	24,502	4	0	343.7	1,770,932	194,933	24,007	23,307	4	0	309.8
Professional, scientific, and technical services.....	121,023	85,531	6,698	2,032	(D)	450.8	118,038	81,458	6,576	33,050	2,029	844	422.9
Other industries.....	1,064,934	226,501	55,529	5,469	(D)	2,065.1	975,364	176,243	51,012	51,904	5,097	1,572	1,782.9

D Suppressed to avoid disclosure of data of individual companies.

NOTE: The data in this table are from "U.S. Multinational Companies: Operations in 2000" in the December 2002 issue of the SURVEY OF CURRENT BUSINESS.

Table G.4. Foreign Direct Investment in the United States: Selected Items, by Country of Foreign Parent and by Industry of U.S. Affiliate, 1999-2001

[Millions of dollars]

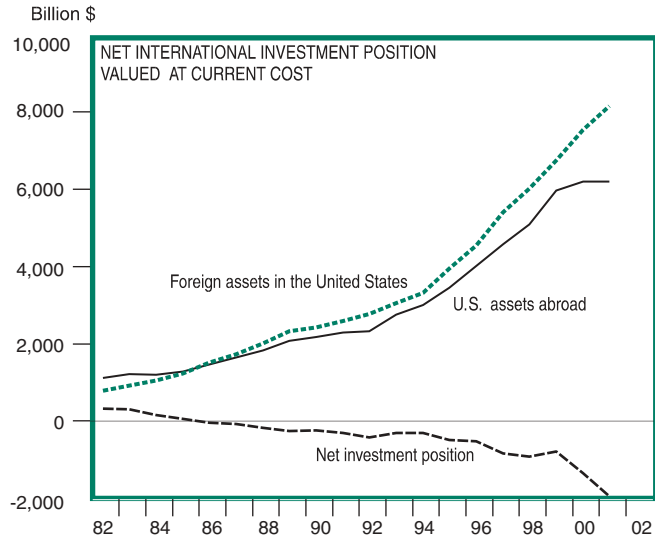
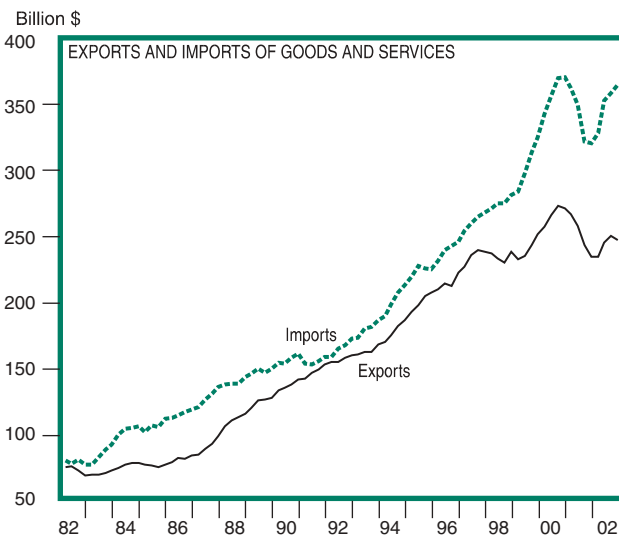
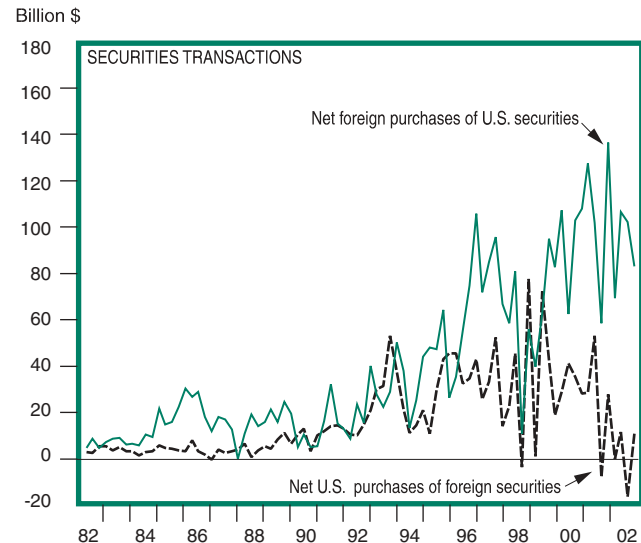
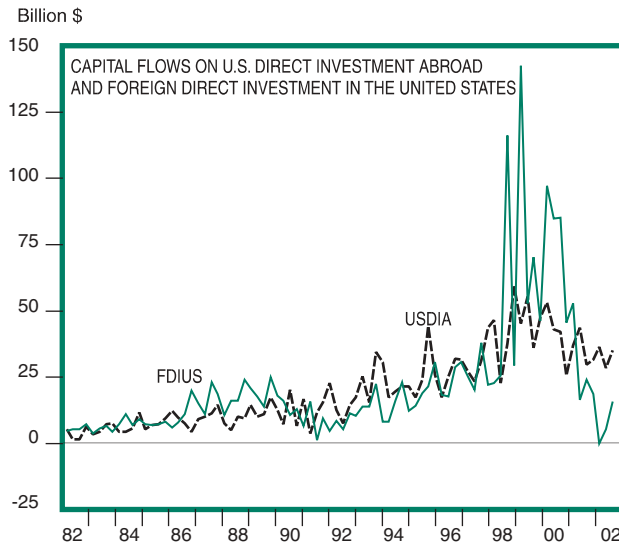
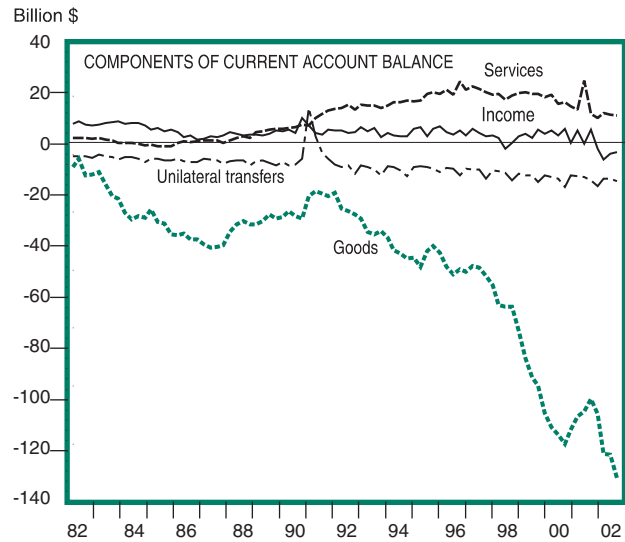
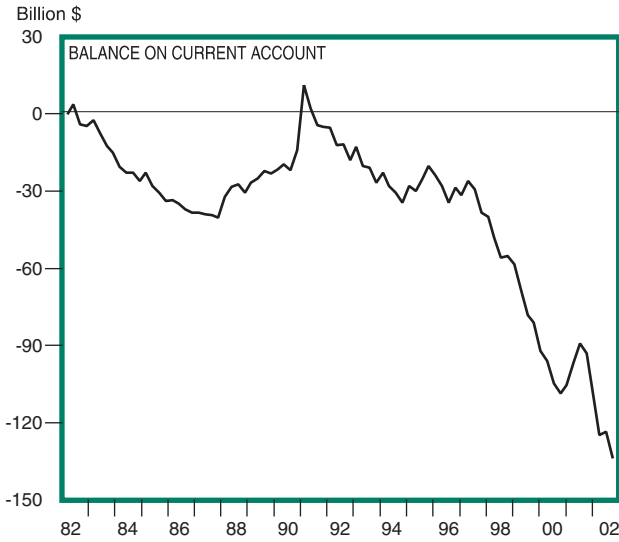
	Direct investment position on a historical-cost basis			Capital inflows (outflows (-))			Income		
	1999	2000	2001	1999	2000	2001	1999	2000	2001
All countries, all industries	955,726	1,214,254	1,321,063	283,376	300,912	124,435	46,385	52,465	15,965
By country									
Canada.....	90,559	114,599	108,600	26,367	26,036	4,627	2,215	1,057	-7,736
Europe.....	639,923	835,137	946,758	223,406	238,740	118,059	36,753	41,511	26,043
<i>Of which:</i>									
France.....	89,945	131,484	147,207	29,834	49,436	14,676	2,954	3,930	7,663
Germany.....	112,126	124,839	152,760	23,478	14,290	28,015	6,123	2,390	-6,273
Luxembourg.....	35,644	53,794	40,232	6,887	25,230	-13,801	2,241	4,672	3,172
Netherlands.....	125,010	146,493	158,020	41,689	32,599	15,171	7,299	8,990	4,368
Switzerland.....	52,973	69,240	125,521	2,503	16,697	51,959	2,844	4,113	1,816
United Kingdom.....	153,797	213,820	217,746	108,566	75,654	14,226	11,899	14,046	11,823
Latin America and Other Western Hemisphere.....	40,771	54,463	58,881	16,929	12,253	954	2,397	2,407	-1,399
<i>Of which:</i>									
Bermuda.....	14,798	18,502	15,748	10,338	2,523	-3,223	41	-457	-1,602
Mexico.....	1,999	7,832	7,418	1,273	5,266	-84	175	-68	-1,070
Panama.....	5,275	3,726	4,199	-226	-1,477	449	752	647	480
United Kingdom Islands, Caribbean.....	11,573	15,353	18,244	4,137	3,865	3,966	1,527	1,829	118
Africa.....	1,361	2,756	3,264	423	652	407	-66	6	-193
Middle East.....	4,362	6,189	6,039	376	2,142	-159	156	259	311
Asia and Pacific.....	178,749	201,110	197,522	15,876	21,088	547	4,931	7,225	-1,060
<i>Of which:</i>									
Australia.....	15,616	20,701	23,488	4,193	5,963	3,649	643	1,074	-918
Japan.....	153,815	163,577	158,988	11,555	7,773	-1,550	4,006	5,825	169
By industry									
Petroleum.....	51,231	87,055	95,922	4,778	44,869	10,308	4,510	11,435	8,971
Manufacturing.....	385,253	479,851	508,535	69,851	100,693	29,246	24,674	23,860	3,177
Food and kindred products.....	18,864	23,975	23,847	-1,460	5,293	-233	1,570	1,792	1,051
Chemicals and allied products.....	97,009	122,446	127,139	7,562	26,196	3,062	6,317	5,906	4,472
Primary and fabricated metals.....	19,778	24,741	25,683	1,839	9,057	-965	1,083	1,320	802
Machinery.....	92,038	151,237	166,198	39,483	40,040	14,695	2,181	6,847	-6,444
Other manufacturing.....	157,564	157,453	165,668	22,428	20,107	12,687	13,524	7,996	3,297
Wholesale trade.....	100,251	110,286	112,997	16,195	11,320	1,855	5,813	7,016	5,549
Retail trade.....	24,199	29,666	35,811	4,156	5,243	7,245	1,641	1,677	816
Depository institutions.....	61,756	68,128	78,094	19,326	9,672	8,427	2,994	3,948	3,370
Finance, except depository institutions.....	65,453	84,383	85,990	17,964	19,957	6,414	816	399	-5,921
Insurance.....	83,760	112,482	120,400	23,026	34,562	8,496	2,963	4,767	3,183
Real estate.....	40,209	42,682	44,163	2,492	998	1,873	1,075	2,291	1,095
Services.....	64,335	109,504	125,660	21,675	60,539	14,718	1,873	-920	-1,853
Other industries.....	79,281	90,219	113,491	103,913	13,058	35,853	25	-2,008	-2,422

NOTE: In this table, unlike in the international transactions accounts, income and capital inflows are shown without a current-cost adjustment, and income is shown net of withholding taxes. In addition, unlike in the international investment position, the direct investment position is valued at historical cost.

The data in this table are from tables 16 and 17 in "Foreign Direct Investment in the United States: Detail for Historical-Cost Position and Related Capital and Income Flows, 2001" in the September 2002 issue of the SURVEY OF CURRENT BUSINESS.

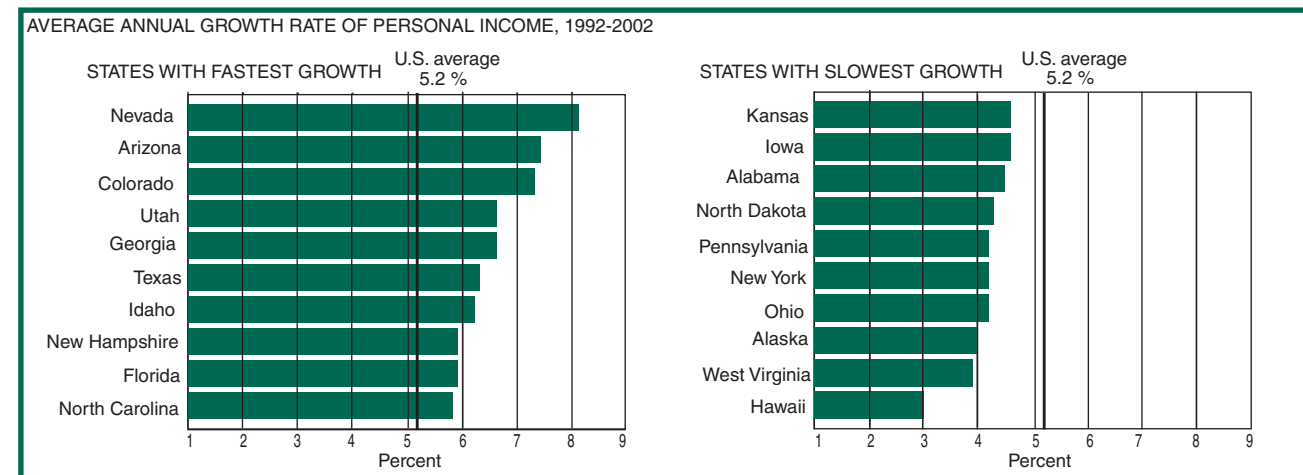
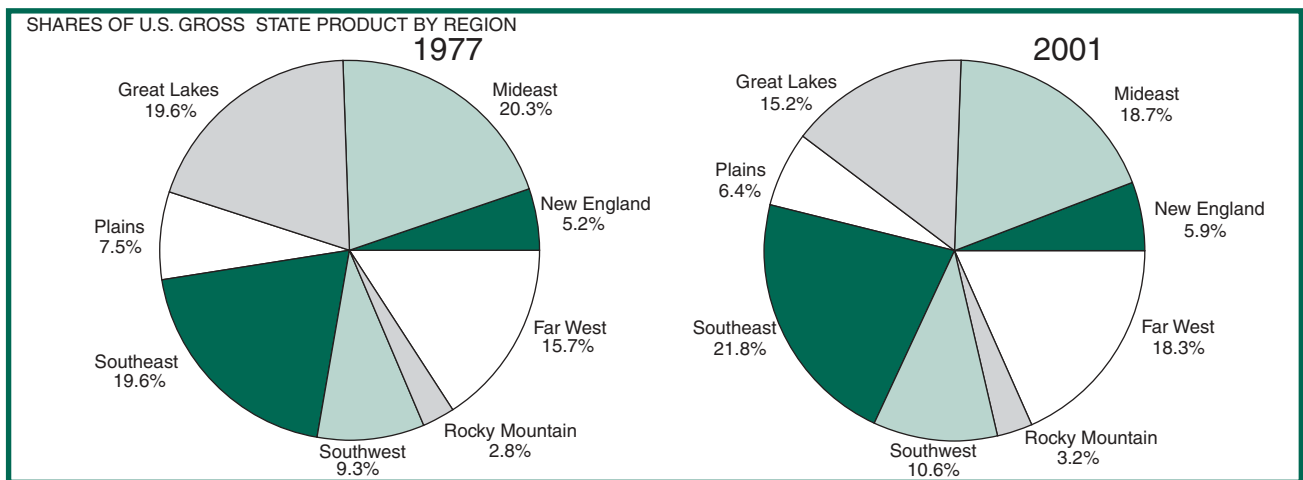
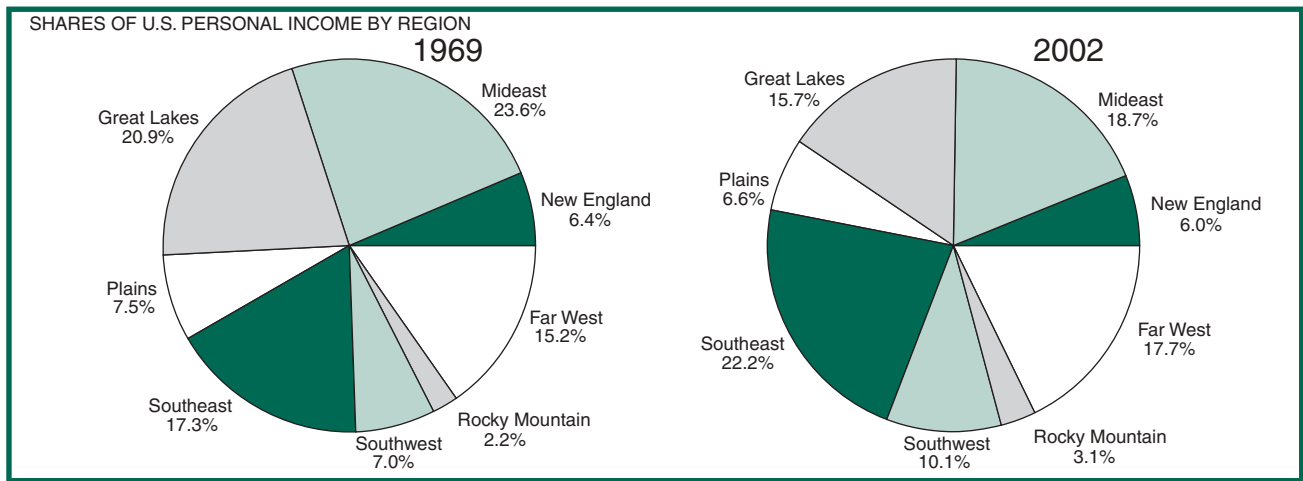
I. Charts

THE U.S. IN THE INTERNATIONAL ECONOMY



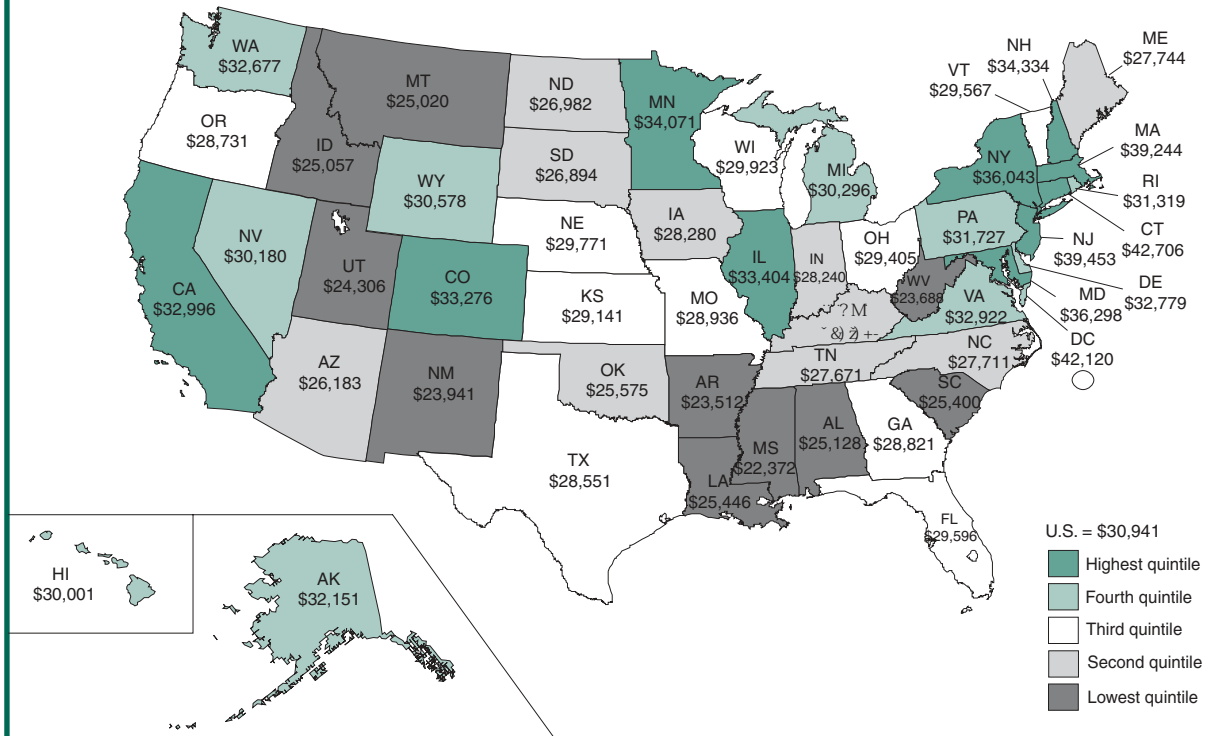
L. Charts

SELECTED REGIONAL ESTIMATES

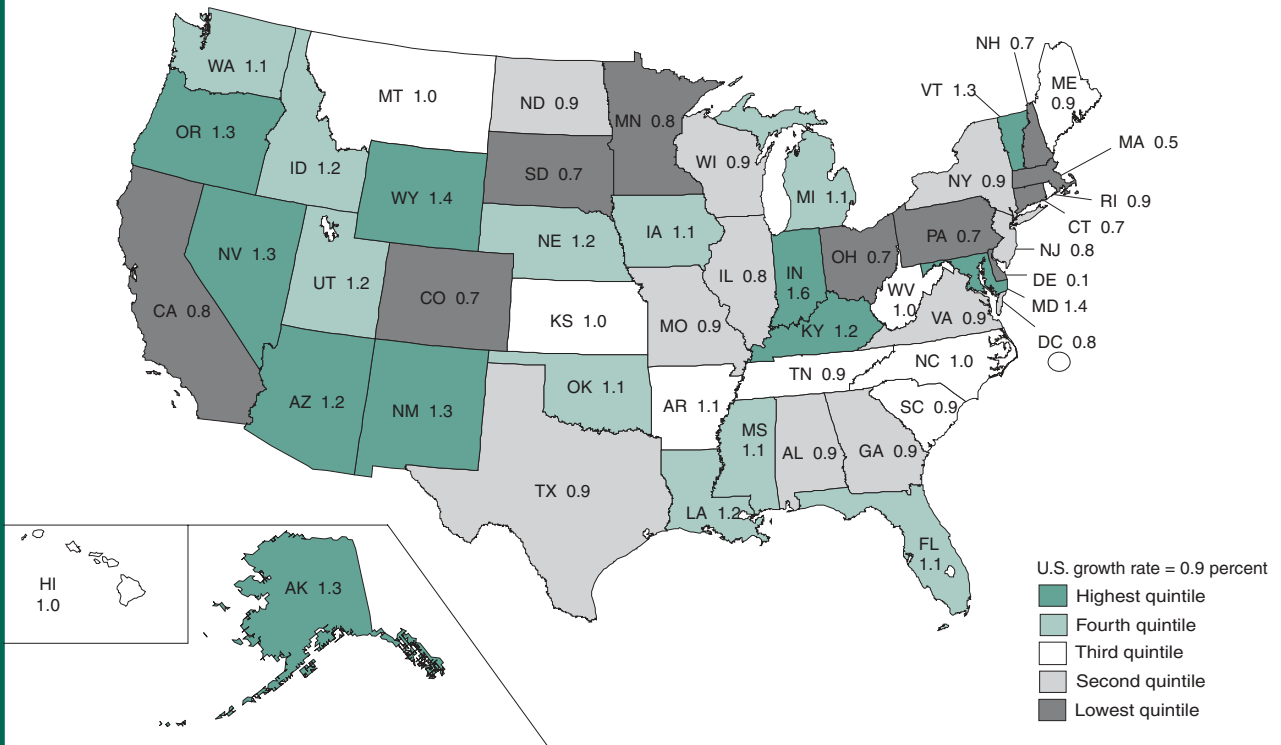


SELECTED REGIONAL ESTIMATES

PER CAPITA PERSONAL INCOME, 2002



PERSONAL INCOME: PERCENT CHANGE, 2002:III-2002:IV



Appendix A

Additional Information About the NIPA Estimates

Statistical Conventions

Changes in current-dollar GDP measure changes in the market value of goods and services produced in the economy in a particular period. For many purposes, it is necessary to decompose these changes into quantity and price components. To compute the quantity indexes, changes in the quantities of individual goods and services are weighted by their prices. (Quantity changes for GDP are often referred to as changes in “real GDP.”) For the price indexes, changes in the prices for individual goods and services are weighted by quantities produced. (In practice, the current-dollar value and price indexes for most GDP components are determined largely using data from Federal Government surveys, and the real values of these components are calculated by deflation at the most detailed level for which all the required data are available.)

The annual changes in quantities and prices are calculated using a Fisher formula that incorporates weights from 2 adjacent years. For example, the annual percent change in real GDP in 1997–98 uses prices for 1997 and 1998 as weights, and the 1997–98 annual percent change in the GDP price index uses quantities for 1997 and 1998 as weights. Because the Fisher formula allows for the effects of changes in relative prices and in the composition of output over time, the resulting quantity or price changes are not affected by the substitution bias that is associated with changes in quantities and prices calculated using a fixed-weighted formula.¹ These annual changes are “chained” (multiplied) together to form time series of quantity and price; the percent changes that are calculated from these time series are not affected by the choice of reference period.

The quarterly changes in quantities and prices are calculated with weights from two adjacent quarters. As part of an annual or comprehensive revision, the quarterly indexes through the most recent complete year are adjusted to ensure that the average of the quarterly indexes conforms to the corresponding annual index.

In addition, BEA prepares measures of real GDP and its components in a dollar-denominated form, designated “chained (1996) dollar estimates.” These estimates are computed by multiplying the 1996 current-dollar value of GDP, or of a GDP component, by the corresponding quantity index number. For example, if a current-dollar GDP component equaled \$100 in 1996 and if real output for this component increased by 10 percent in 1997, then the “chained (1996) dollar” value of this com-

ponent in 1997 would be \$110 ($\100×1.10). Note that percentage changes in the chained (1996) dollar estimates and the percentage changes calculated from the quantity indexes are identical, except for small differences due to rounding.

Because of the formula used for calculating real GDP, the chained (1996) dollar estimates for detailed GDP components do not add to the chained-dollar value of GDP or to any intermediate aggregates. A “residual” line is shown as the difference between GDP and the sum of the most detailed components shown in each table. The residual generally is small close to the base period but tends to become larger as one moves further from it. Accurate measures of component contributions to the percentage changes in real GDP and its major components are shown in NIPA tables 8.2–8.6.

BEA also publishes the “implicit price deflator” (IPD), which is calculated as the ratio of current-dollar value to the corresponding chained-dollar value, multiplied by 100; the values of the IPD and of the corresponding “chain-type” price index are very close.

For quarters and months, the estimates are presented at annual rates, which show the value that would be registered if the rate of activity measured for a quarter or a month were maintained for a full year. Annual rates are used so that time periods of different lengths—for example, quarters and years—may be compared easily. These annual rates are determined simply by multiplying the estimated rate of activity by 4 (for quarterly data) or by 12 (for monthly data).

Percent changes in the estimates are also expressed at annual rates. Calculating these *changes* requires a variant of the compound interest formula:

$$r = \left[\left(\frac{x_t}{x_o} \right)^{m/n} - 1 \right] \times 100,$$

where r is the percent change at an annual rate; x_t is the level of activity in the later period; x_o is the level of activity in the earlier period; m is the periodicity of the data (for example, 1 for annual data, 4 for quarterly, or 12 for monthly); and n is the number of periods between the earlier and later periods (that is, $t - o$).

Quarterly and monthly NIPA estimates are seasonally adjusted, if necessary. Seasonal adjustment removes from the time series the average impact of variations that normally occur at about the same time and in about the same magnitude each year—for example, weather, holidays, and tax payment dates. After seasonal adjustment, cyclical and other short-term changes in the economy stand out more clearly.

1. In addition, because the changes in quantities and prices calculated using these weights are symmetric, the product of a quantity index and the corresponding price index is generally equal to the current-dollar index.

Reconciliation Tables

Table 1. Reconciliation of Changes in BEA-Derived Compensation Per Hour with BLS Average Hourly Earnings

[Percent change from preceding period]

	2001	2002	Seasonally adjusted at annual rates					
			2001	2002				2003
			IV	I	II	III	IV	I ^P
BEA-derived compensation per hour of all persons in the nonfarm business sector (less housing) ¹	2.7	2.4	1.5	2.9	4.0	2.1	3.6	3.4
<i>Less:</i> Contribution of supplements to wages and salaries per hour.....	0.3	0.6	0.1	1.3	0.8	0.8	0.5	0.5
<i>Plus:</i> Contribution of wages and salaries per hour of persons in housing and in nonprofit institutions.....	0.0	-0.1	-0.5	0.0	0.1	0.4	0.1	0.2
<i>Less:</i> Contribution of wages and salaries per hour of persons in government enterprises, unpaid family workers, and self-employed.....	0.0	0.0	0.2	-0.2	0.1	0.5	0.0	0.0
Equals: BEA-derived wages and salaries per hour of all employees in the private nonfarm sector	2.5	1.7	0.7	1.8	3.1	1.3	3.2	3.2
<i>Less:</i> Contribution of wages and salaries per hour of nonproduction workers in manufacturing.....	-0.1	0.0	0.2	-0.2	0.0	-0.2	0.4	0.0
<i>Less:</i> Other differences ²	-1.4	-1.5	-3.1	-0.9	0.7	-1.8	-0.6	0.2
Equals: BLS average hourly earnings of production or nonsupervisory workers on private nonfarm payrolls	4.0	3.2	3.7	2.9	2.4	3.2	3.5	3.1
Addendum: BLS estimates of compensation per hour in the nonfarm business sector ³	2.7	2.4	1.5	2.9	4.0	1.8	3.9	3.5

^P Preliminary.

1. Includes BLS data on compensation and hours of nonfarm proprietors and hours worked of unpaid family workers.

2. Includes BEA use of non-BLS data and differences in detailed weighting. Annual estimates also include

differences in BEA and BLS benchmark procedures; quarterly estimates also include differences in seasonal adjustment procedures.

3. These estimates differ from the BEA-derived estimates (first line) because the BLS estimates include compensation and hours of tenant-occupied housing.
BLS Bureau of Labor Statistics.

Table 2. Relation of Net Exports of Goods and Services and Net Receipts of Income in the NIPA's to Balance on Goods and Services and Income in the ITA's

[Billions of dollars]

	Line	2001	2002	Seasonally adjusted at annual rates					
				2001		2002			
				III	IV	I	II	III	IV
Exports of goods and services and income receipts, ITA's	1	1,281.8	1,216.5	1,237.9	1,166.7	1,164.0	1,219.7	1,249.6	1,232.7
<i>Less:</i> Gold, ITA's.....	2	4.9	3.4	2.4	2.9	2.5	3.5	3.6	4.0
Statistical differences ¹	3	0.0	1.5	0.0	0.0	-1.8	2.9	2.1	2.8
Other items.....	4	1.0	0.9	1.0	0.8	0.9	1.1	0.9	0.9
<i>Plus:</i> Adjustment for grossing of parent/affiliate interest payments.....	5	6.2	4.9	6.0	5.9	4.6	5.5	4.7	5.1
Adjustment for U.S. territories and Puerto Rico.....	6	50.7	57.3	49.3	53.3	56.6	56.6	57.7	58.2
Services furnished without payment by financial intermediaries except life insurance carriers.....	7	18.3	20.1	18.0	17.8	18.6	19.8	20.6	21.3
Equals: Exports of goods and services and income receipts, NIPA's	8	1,351.1	1,292.9	1,307.8	1,240.0	1,242.2	1,294.1	1,325.9	1,309.6
Imports of goods and services and income payments, ITA's	9	1,625.7	1,663.9	1,553.8	1,492.7	1,550.5	1,678.8	1,702.6	1,723.8
<i>Less:</i> Gold, ITA's.....	10	4.3	2.9	2.2	2.4	2.0	3.5	3.0	2.9
Statistical differences ¹	11	0.0	-5.4	0.0	0.0	-1.9	-5.6	-7.2	-7.0
Other items.....	12	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<i>Plus:</i> Gold, NIPA's.....	13	-3.4	-3.3	-3.6	-3.3	-3.3	-3.6	-3.5	-2.9
Adjustment for grossing of parent/affiliate interest payments.....	14	6.2	4.9	6.0	5.9	4.6	5.5	4.7	5.1
Adjustment for U.S. territories and Puerto Rico.....	15	35.6	38.0	36.9	38.6	30.1	37.2	41.1	43.4
Imputed interest paid to rest of world.....	16	18.3	20.1	18.0	17.8	18.6	19.8	20.6	21.3
Equals: Imports of goods and services and income payments, NIPA's	17	1,678.0	1,726.1	1,608.9	1,549.3	1,600.4	1,739.8	1,769.7	1,794.7
Balance on goods and services and income ITA's (1-9)	18	-343.9	-447.4	-315.9	-326.0	-386.5	-459.1	-453.0	-491.1
<i>Less:</i> Gold (2-10+13).....	19	-2.8	-2.8	-3.4	-2.8	-2.8	-3.6	-2.9	-1.8
Statistical differences (3-11) ¹	20	0.0	6.9	0.0	0.0	0.1	8.5	9.3	9.8
Other items (4-12).....	21	1.0	0.9	1.0	0.8	0.9	1.1	0.9	0.9
<i>Plus:</i> Adjustment for U.S. territories and Puerto Rico (6-15).....	22	15.1	19.3	12.4	14.7	26.5	19.4	16.6	14.8
Equals: Net exports of goods and services and net receipts of income, NIPA's (8-17)	23	-326.9	-433.2	-301.1	-309.3	-358.2	-445.7	-443.8	-485.1

1. Consists of statistical revisions in the NIPA's that have not yet been incorporated into the ITA's (2002:IV) and statistical revisions in the ITA's that have not yet been incorporated into the NIPA's (2002:I-2002:IV).

ITA's International transactions accounts
NIPA's National income and product accounts

Appendix B

Suggested Reading

The Bureau of Economic Analysis (BEA) has published a wealth of information about the methodologies that are used to prepare its national, industry, international, and regional accounts. In addition, most of this information is available on BEA's Web site at <www.bea.gov>. Look under "Methodologies"; for articles from the SURVEY OF CURRENT BUSINESS, look under "Publications."

National accounts

The national accounts encompass the detailed estimates in the national income and product accounts (including gross domestic product) and the estimates of wealth and related estimates.

National income and product accounts (NIPAs).

This series of papers documents the conceptual framework of the NIPAs and the methodologies that have been used to prepare the estimates.

An Introduction to National Economic Accounting (1985) [also in the March 1985 SURVEY]

Corporate Profits: Profits Before Tax, Profits Tax Liability, and Dividends (2002)

Foreign Transactions (1987)

GNP: An Overview of Source Data and Estimating Methods (1987)

Government Transactions (1988)

Personal Consumption Expenditures (1990)

The methodologies described in these papers have been updated and improved, typically as part of the comprehensive and annual revisions of the NIPAs. For more information, see the following.

National Income and Product Accounts of the United States, 1929-97 (2001) provides the definitions of the major NIPA aggregates and components, discusses the measures of real output and prices, explains how production is classified and how the NIPAs are presented, describes the statistical conventions that are used, and lists the principal source data and methods that are used to prepare the estimates of gross domestic product (GDP). [Go to <www.bea.gov/bea/an/nipaguid.htm>.]

The following SURVEY articles describe the upcoming comprehensive revision of the NIPAs.

"Preview of the Revised NIPA Estimates for 1997: Effects of Incorporating the 1997 Benchmark I-O Accounts and Proposed Definitional and Statistical Changes" (January 2003)

"Preview of the 2003 Comprehensive Revision of the National Income and Product Accounts: Changes in Definitions and Classifications" (June 2003)

In addition, see the following articles.

"Updated Summary NIPA Methodologies" (October 2002) briefly describes the principal source data and methods used to prepare the current-dollar and real estimates of GDP.

"Annual Revision of the National Income and Product Accounts" (August 2002).

"BEA's Chain Indexes, Time Series, and Measures of Long-Term Economic Growth" (May 1997) describes the conceptual basis for the chain-type measures of real output and prices that are used in the NIPAs.

"Reliability of GDP and Related NIPA Estimates" (January 2002) evaluates the principal NIPA estimates by examining the record of revisions to them.

Wealth and related estimates. *Fixed Reproducible Tangible Wealth in the United States, 1925-94* (1999) discusses the concepts and statistical considerations that underlie the estimates and their derivation.

"Fixed Assets and Consumer Durable Goods for 1925-98" (April 2000) describes the definitional and statistical improvements that were incorporated in the comprehensive revision of the estimates.

Industry accounts

The industry accounts consist of the estimates of gross domestic product by industry, the input-output accounts, and two satellite accounts.

Gross product by industry. "Improved Estimates of Gross Product by Industry for 1947-98" (June 2000) describes the most recent comprehensive revision of these estimates.

"Gross Domestic Product by Industry for 1999-2001" (November 2002) describes the most recent annual revision of these estimates.

Input-output accounts. "Benchmark Input-Output Accounts for the U.S. Economy, 1997" (December 2002) presents the 1997 accounts and describes the improvements that were incorporated.

Mission Statement and Strategic Plan

The mission statement of the Bureau of Economic Analysis and the latest update to its strategic plan for improving the accuracy, reliability, and relevance of the national, industry, regional, and international accounts are available on BEA's Web site at <www.bea.gov>; look under "About BEA."

Satellite accounts. These accounts extend the analytical capacity of the input-output accounts by focusing on a particular aspect of economic activity.

“U.S. Transportation Satellite Accounts”

For 1992 (April 1998)

For 1996 (May 2000)

“U.S. Travel and Tourism Satellite Accounts”

For 1992 (July 1998)

For 1996 and 1997 (July 2000)

International accounts

The international accounts encompass the international transactions accounts, direct investment, and international transactions in services.

International transactions accounts (ITA's). *The Balance of Payments of the United States: Concepts, Data Sources, and Estimating Procedures* (1990) describes the methodologies used to prepare the estimates in the ITA's and the international investment position of the United States. These methodologies are usually updated and improved as part of the annual revisions of the ITA's.

The annual revisions of the ITA's are described in a series of articles, the latest of which is published in the July 2002 SURVEY.

Direct investment. *International Direct Investment: Studies by the Bureau of Economic Analysis* (1999) is a collection of previously published articles on U.S. direct investment abroad and foreign direct investment in the United States. It also includes the following information.

The “Methodology for U.S. Direct Investment Abroad,” which is also available in *U.S. Direct Investment Abroad: 1994 Benchmark Survey, Final Results* (1998)

“A Guide to BEA Statistics on U.S. Multinational Companies,” which is also available in the March 1995 SURVEY

“A Guide to BEA Statistics on Foreign Direct Investment in the United States,” which is also available in the February 1990 SURVEY

In addition, the updated methodology for foreign direct investment in the United States is available in *Foreign Direct Investment in the United States: Final Results From the 1997 Benchmark Survey* (2001)

International services. *U.S. International Transactions in Private Services: A Guide to the Surveys Conducted by the Bureau of Economic Analysis* (1998) describes 11 surveys. It includes classifications, definitions, release schedules, the methods used to prepare the estimates, and samples of the survey forms.

“Selected Issues in the Measurement of U.S. International Services” (June 2002) describes key issues in defining and measuring insurance, wholesale and retail trade, finance, construction, and utilities services and explores possible actions to address these issues.

Regional accounts

The regional accounts include estimates of personal income and gross state product.

Personal income. Estimates of personal income are prepared for States and for local areas.

“Comprehensive Revision of State Personal Income for 1969–99” (June 2000) summarizes the changes in the methodology that is used to prepare the estimates. The detailed methodology is available on the CD-ROM *State Personal Income, 1929–2000*.

“State Personal Income: Revised Estimates for 1999–2001” (October 2002) presents the most recent annual revision of these estimates.

“Comprehensive Revision of Local Area Personal Income for 1969–98” (July 2000) summarizes the changes in the methodology that is used to prepare the estimates for counties and metropolitan areas. The detailed methodology is available on the CD-ROM *Regional Economic Information System, 1969–2001*.

“Local Area Personal Income, 1999–2001” (May 2003) presents the most recent annual revision of these estimates.

Gross state product. “Comprehensive Revision of Gross State Product by Industry, 1977–94” (June 1997) summarizes the sources and the methods that are used to prepare the estimates. “Gross State Product by Industry, 1977–98” (October 2000) describes the most recent comprehensive revision of these estimates.

“Gross State Product by Industry, 1999–2001” (June 2003) presents the most recent annual revision of these estimates.