

Summary of revisions

* For 2004–2007, real GDP grew at an average annual rate of 2.6 percent, 0.1 percentage point less than in the previously published estimates. The average annual rate of growth of real GDP from the fourth quarter of 2004 to the first quarter of 2008 is 2.4 percent, 0.1 percentage point less than in the previously published estimates.

* The relatively small revisions to the annual estimates reflect partly offsetting revisions to the quarters within a year. For example, for 2007, the annual rate of growth of real GDP for the second quarter was revised up 1.0 percentage point, from 3.8 percent to 4.8 percent, while the growth rate for the fourth quarter was revised down 0.8 percentage point, from a small increase (0.6 percent) to a small decrease (0.2 percent).

* For the 13 quarters from the first quarter of 2005 to the first quarter of 2008, the average revision (without regard to sign) was 0.4 percentage point.

* The average annual rate of growth of real disposable personal income for 2004–2007 was 2.6 percent, the same as in the previously published estimates.

* The revised estimates of prices show similar rates of increase to the previously published estimates. From the fourth quarter of 2004 to the first quarter of 2008, the average annual rate of increase in the price index for gross domestic purchases was revised up 0.1 percentage point to 3.3 percent. The average annual rate of increase in the price index for personal consumption expenditures (PCE) remained unchanged at 2.9 percent, and the "core" PCE price index (which excludes food and energy) remained unchanged at 2.2 percent.

* For the revision period, national income was revised up for all 3 years: 0.8 percent for 2005, 1.2 percent for 2006, and 0.4 percent for 2007.

* For the revision period, corporate profits was revised up for all 3 years: 5.5 percent for 2005, 7.4 percent for 2006, and 3.0 percent for 2007.

Revisions to 2005–2007 estimates

The percent change from the preceding year in real GDP was revised down for all 3 years: From 3.1 percent to 2.9 percent for 2005, from 2.9 percent to 2.8 percent for 2006, and from 2.2 percent to 2.0 percent for 2007.

For 2005, the largest contributors to the downward revision to real GDP growth were downward revisions to PCE and to state and local government spending; these revisions were partly offset by an upward revision to inventory investment. For 2006, the largest contributors to the downward revision were downward revisions to residential fixed investment and to PCE for services; these revisions were partly offset by upward revisions to fixed investment in equipment and software, to exports, and to PCE for durables. For 2007, the largest contributors to the downward revision were downward revisions to PCE for services and to inventory investment, and an upward revision to imports; these revisions were partly offset by upward revisions to exports and to fixed investment in equipment and software.

The percent change from fourth quarter to fourth quarter in real GDP was revised down for all 3 years: From 2.9 percent to 2.7 percent for 2005, from 2.6

percent to 2.4 percent for 2006, and from 2.5 percent to 2.3 percent for 2007.

The percent change from the preceding year in the price index for gross domestic purchases was unrevised at 3.7 percent for 2005, was revised up from 3.3 percent to 3.4 percent for 2006, and was revised up from 2.7 percent to 2.8 percent for 2007. For the quarters of 2005 to 2007, the percent change in the price index was revised down for four quarters and was revised up for eight quarters; the largest upward revision was 0.6 percentage point (the third quarter of 2005).

Current-dollar GDP was revised down for all 3 years: \$12.0 billion, or 0.1 percent, for 2005; \$16.3 billion, or 0.1 percent, for 2006; and \$33.8 billion, or 0.2 percent, for 2007. The percent change from the preceding year was revised down from 6.4 percent to 6.3 percent for 2005; remained unchanged at 6.1 percent for 2006; and was revised down from 4.9 percent to 4.8 percent for 2007.

Current-dollar gross national product (GNP) (GDP plus net receipts of income from the rest of the world) was revised up \$12.5 billion, or 0.1 percent, for 2005; was revised up \$3.9 billion, or less than 0.1 percent, for 2006; and was revised down \$27.1 billion, or 0.2 percent, for 2007. Net receipts of income was revised up for all 3 years: \$24.5 billion for 2005, \$20.3 billion for 2006, and \$6.7 billion for 2007. The revisions to net receipts of income -- which affect GNP, national income, corporate profits, net interest and miscellaneous payments, and personal interest income -- result from the revisions to BEA's international transactions accounts (ITAs) that were released in June. Although the revisions to the ITAs extended back to 2002, the revisions prior to 2005 are not incorporated into the NIPAs at this time. (An article describing the revisions to the ITAs was published in the July 2008 issue of the Survey of Current Business.)

National income was revised up for all 3 years: \$86.4 billion, or 0.8 percent, for 2005; \$140.1 billion, or 1.2 percent, for 2006; and \$42.9 billion, or 0.4 percent, for 2007. For 2005, a large upward revision to corporate profits and a smaller upward revision to net interest and miscellaneous payments were partly offset by a downward revision to nonfarm proprietors' income. For 2006, large upward revisions to corporate profits and to net interest and miscellaneous payments were partly offset by downward revisions to supplements to wages and salaries and to rental income of persons. For 2007, large upward revisions to net interest and miscellaneous payments and to corporate profits were partly offset by large downward revisions to compensation of employees and to rental income of persons.

Corporate profits from current production -- profits before tax with inventory valuation and capital consumption adjustments -- was revised up for all 3 years: \$75.1 billion, or 5.5 percent, for 2005; \$114.8 billion, or 7.4 percent, for 2006; and \$47.2 billion, or 3.0 percent, for 2007. For 2005 and 2006, large upward revisions to corporate profits before tax and to the capital consumption adjustment accounted for most of the revision. For 2007, a large upward revision to the capital consumption adjustment accounted for most of the revision, although profits before tax was also revised up.

For 2005, profits of domestic nonfinancial corporations, profits from the rest of the world, and profits of domestic financial corporations were revised up. For 2006, upward revisions to profits of domestic nonfinancial corporations and to profits from the rest of the world were partly offset by a downward revision to profits of domestic financial corporations. For 2007, upward revisions to profits of domestic nonfinancial corporations and to profits from the rest of the world

were partly offset by a downward revision to profits of domestic financial corporations.

Personal income was revised down \$31.3 billion, or 0.3 percent, for 2005; was revised up \$10.5 billion, or 0.1 percent, for 2006; and was revised down \$2.4 billion, or less than 0.1 percent, for 2007.

For 2005, the downward revision was primarily accounted for by downward revisions to personal dividend income and to nonfarm proprietors' income. For 2006, upward revisions to personal interest income and to nonfarm proprietors' income were partly offset by a downward revision to supplements to wages and salaries. For 2007, large downward revisions to compensation of employees, to rental income of persons, and to government social benefits to persons were mostly offset by an upward revision to personal interest income. Within compensation of employees, supplements to wages and salaries accounted for most of the downward revision, although wages and salaries was also revised down. In addition, contributions for government social insurance, which are subtracted in the calculation of personal income, was revised down.

Disposable personal income (DPI) (personal income less personal current taxes) was revised down \$30.0 billion, or 0.3 percent, for 2005; was revised up \$11.6 billion, or 0.1 percent, for 2006; and was revised down \$11.4 billion, or 0.1 percent, for 2007. Personal current taxes was revised down \$1.3 billion for 2005, was revised down \$1.1 billion for 2006, and was revised up \$9.1 billion for 2007. The percent change from the preceding year in real DPI was revised down from 1.7 percent to 1.4 percent for 2005, was revised up from 3.1 percent to 3.5 percent for 2006, and was revised down from 3.1 percent to 2.8 percent for 2007.

Personal outlays -- PCE, personal interest payments, and personal current transfer payments -- was revised down for all 3 years: \$17.9 billion for 2005, \$20.3 billion for 2006, and \$21.0 billion for 2007. For 2005 and 2006, downward revisions to PCE mostly accounted for the revisions; for 2007, a downward revision to PCE more than accounted for the downward revision. The personal saving rate (personal saving as a percentage of DPI) was revised down from 0.5 percent to 0.4 percent for 2005, was revised up from 0.4 percent to 0.7 percent for 2006, and was revised up from 0.5 percent to 0.6 percent for 2007.

The statistical discrepancy is current-dollar GDP less current-dollar gross domestic income (GDI). It arises because most components of GDP and of GDI are estimated independently. GDP measures final expenditures -- the sum of consumer spending, private investment, net exports, and government spending. GDI measures the incomes earned in the production of GDP. In concept, GDP is equal to GDI. In practice, they differ because they are estimated using different source data and different methods.

As a result of the annual revision, the statistical discrepancy as a percentage of GDP (without regard to sign) was revised from less than 0.1 percent to 0.6 percent for 2005, was revised from 0.1 percent to 1.2 percent for 2006, and was revised from 0.2 percent to 0.6 percent for 2007. For all 3 years, the revisions to the discrepancy reflected downward revisions to GDP and upward revisions to GDI.