



Technical Note
Gross Domestic Product
Fourth Quarter of 2005 (Advance)
January 27, 2006

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

Source Data for the Advance Estimate

The advance GDP estimate for the fourth quarter of 2005 is based on source data that are incomplete and subject to revision. Three months of source data were available for consumer spending on goods; shipments of capital equipment other than aircraft; motor vehicle sales and inventories; manufacturing durables inventories; federal government outlays; and consumer, producer, and international prices. Only two months of data were available for most other key data sources; BEA's assumptions for the third month are shown in table A. Among those assumptions are the following:

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

National defense consumption expenditures and gross investment decreased 13.1 percent in the fourth quarter after increasing 10.0 percent in the third. The source data include Department of Defense outlays from the *Monthly Treasury Statement* for October through December. In October 2005 DOD made a lump sum contribution to the Uniformed Services Retiree Health Care Fund to fund post-retirement health benefits of current military personnel for the entire fiscal year; this lump sum contribution offset the decline in other DOD outlays in the fourth quarter. BEA adjusts the timing of DOD outlays to show the accrual over the year of these one-time payments.

Prices

The price index for gross domestic purchases increased 3.3 percent in the fourth quarter after increasing 4.2 percent in the third. Excluding food and energy prices, the price index for gross domestic purchases increased 2.9 percent after increasing 2.5 percent.

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

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

For the key series shown in this table, actual data for the third month of the quarter usually are not available in time for inclusion in the advance GDP estimate. BEA makes assumptions for the source data that are not yet available; assumptions for December 2005 are shown in the last column of the table. For most series shown, the data for November are preliminary and subject to further revision. Occasionally, the data for earlier months are also subject to revision.

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

	2005					
	Jul.	Aug.	Sep.	Oct.	Nov.	Dec.*
Private fixed investment:						
Nonresidential structures:						
1 Value of new nonresidential construction put in place.....	242.9	248.9	250.5	249.0	250.5	249.7
Equipment and software:						
2 Manufacturers' shipments of complete aircraft.....	29.6	40.2	14.3	27.8	26.6	27.2
Residential structures:						
Value of new residential construction put in place:						
3 Single family.....	421.7	425.6	435.0	440.1	446.5	448.8
4 Multifamily.....	46.3	47.2	48.1	48.8	48.5	48.4
Change in private inventories:						
5 Change in inventories for nondurable manufacturing.....	5.0	-3.6	2.2	17.0	-8.0	10.7
5a Change in inventories for merchant wholesale and retail industries other than motor vehicles and equipment...	3.0	47.1	25.5	-1.9	27.3	45.7
Net exports:						
Exports of goods:						
6 U.S. exports of goods, international-transactions-accounts basis.....	900.8	920.5	881.5	902.4	928.3	920.9
6a Excluding gold.....	895.8	915.2	875.6	896.4	922.5	915.0
Imports of goods:						
7 U.S. imports of goods, international-transactions-accounts basis.....	1651.3	1689.2	1737.3	1780.3	1754.9	1767.2
7a Excluding gold.....	1647.6	1685.1	1731.9	1775.2	1749.5	1761.9
8 Net exports of goods.....	-750.5	-768.7	-855.9	-877.9	-826.5	-846.2
8a Excluding gold.....	-751.7	-769.9	-856.3	-878.8	-827.0	-846.9
Government:						
State and local:						
Structures:						
9 Value of new construction put in place.....	229.7	231.0	231.8	234.5	236.2	235.3

*Assumption.