



## Technical Note

Second Quarter 2007 GDP (Advance)  
2004 through First Quarter 2007 (Revised)  
July 27, 2007

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

### Source Data for the Advance Estimate

The advance GDP estimate for the second quarter of 2007 is based on source data that are incomplete and subject to revision. Three months of source data were available for consumer spending on goods; shipments of capital equipment other than aircraft; motor vehicle sales and inventories; manufacturing durables inventories; federal government outlays; and consumer, producer, and international prices. Only two months of data were available for most other key data sources; BEA's assumptions for the third month are shown in table A. Among those assumptions are the following:

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

### Annual Revision

Today's GDP news release presents results from the regular annual revision of the national income and product accounts. This year's revision covers the estimates for the most recent three years—from 2004 to 2006—and the first quarter of 2007. The revision incorporates source data that are more complete, more detailed, and otherwise more reliable than those previously available. A detailed discussion of the results will be published in the August issue of the *Survey*.

GDP growth rates were revised down for all three years. For 2003-2006, real GDP grew at an average annual rate of 3.2 percent, compared with the previously published estimate of 3.5 percent. The revision to GDP growth for 2003-2006 was based on the following revisions to components:

- Real personal consumption expenditures grew at an average annual rate of 3.3 percent, compared with the previously published estimate of 3.5 percent. Spending for goods was revised down, reflecting data from the Census Bureau's Annual Retail Trade Survey for 2005.

- Real nonresidential fixed investment increased at an average annual rate of 6.5 percent, compared with the previously published estimate of 6.7 percent. The downward revisions were mainly to structures, reflecting revised Census Bureau value-of-construction-put-in-place data.
- Real residential fixed investment increased at an average annual rate of 3.8 percent, compared with the previously published estimate of 4.6 percent. The downward revision was primarily to single-family structures, reflecting revised Census Bureau value-of-construction-put-in-place data and a revised Census Bureau deflator for single-family houses under construction.
- Real inventory investment increased \$26.0 billion, compared with the previously published estimate of \$28.9 billion.
- Real exports increased at an average annual rate of 8.3 percent, the same as the previously published estimate. Real imports increased at an average annual rate of 7.7 percent, compared with the previously published estimate of 7.5 percent. The revisions to exports and imports reflected the annual revision of BEA's international transactions accounts that was released in June.
- Real government consumption expenditures and gross investment increased at an average annual rate of 1.3 percent, compared with the previously published estimate of 1.6 percent. The revisions were primarily to state and local spending and reflected Census Bureau *Government Finances* data for FY 2004 and FY 2005.

From the cyclical trough of GDP in the third quarter of 2001 to the first quarter of 2007, the revised estimates show that real GDP increased at an average annual rate of 2.7 percent; the previously published estimates showed an average increase of 2.9 percent. The revisions to the quarterly growth rates of GDP were generally small.

For 2003-2006, the average annual rate of increase in the price index for gross domestic purchases was revised up, from 3.2 percent to 3.3 percent.

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**Table A. KEY ASSUMPTIONS FOR THE ADVANCE ESTIMATE OF GDP  
FOR THE SECOND QUARTER OF 2007**

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

For the key series shown in this table, actual data for the third month of the quarter usually are not available in time for inclusion in the advance GDP estimate. BEA makes assumptions for the source data that are not yet available; assumptions for June 2007 are shown in the last column of the table. For most series shown, the data for May are preliminary and subject to further revision. Occasionally, the data for earlier months are also subject to revision.

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

	2007					
	Jan.	Feb.	Mar.	Apr.	May	Jun.*
<b>Private fixed investment:</b>						
Nonresidential structures:						
1 Value of new nonresidential construction put in place.....	316.9	326.7	331.2	333.6	343.1	338.4
Equipment and software:						
2 Manufacturers' shipments of complete aircraft.....	54.7	34.8	37.0	39.8	39.1	38.4
Residential structures:						
Value of new residential construction put in place:						
3 Single family.....	344.3	333.1	330.9	327.5	323.6	319.1
4 Multifamily.....	53.9	53.1	52.7	52.1	51.9	51.2
<b>Change in private inventories:</b>						
5 Change in inventories for nondurable manufacturing.....	-15.9	-0.3	8.5	13.1	19.8	6.5
5a Change in inventories for merchant wholesale and retail industries other than motor vehicles and equipment...	23.5	57.9	6.1	50.8	46.0	12.3
<b>Net exports:</b>						
Exports of goods:						
6 U.S. exports of goods, international-transactions-accounts basis.....	1085.9	1062.8	1092.7	1091.2	1119.6	1124.9
6a Excluding gold.....	1078.6	1055.5	1075.6	1073.4	1105.7	1115.0
Imports of goods:						
7 U.S. imports of goods, international-transactions-accounts basis.....	1861.4	1848.8	1941.6	1899.4	1947.6	1970.1
7a Excluding gold.....	1856.8	1845.1	1926.4	1886.7	1936.6	1963.8
8 Net exports of goods.....	-775.5	-786.0	-848.9	-808.1	-828.0	-845.2
8a Excluding gold.....	-778.2	-789.6	-850.7	-813.3	-830.8	-848.9
<b>Government:</b>						
State and local:						
Structures:						
9 Value of new construction put in place.....	255.9	253.8	258.4	260.5	265.8	263.1

\*Assumption.