



Technical Note
Gross Domestic Product
Third Quarter of 2005 (Advance)
October 28, 2005

This technical note provides background information about the source data and estimating methods used to produce the estimates presented in the GDP news release. The complete set of estimates for the third 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 third 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:

- a decrease in shipments of aircraft, reflecting a strike during September,
- a decrease 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.

Prices

The price index for gross domestic purchases increased 4.0 percent in the third quarter after increasing 3.3 percent in the second. Excluding food and energy prices, the price index for gross domestic purchases increased 2.2 percent after increasing 2.1 percent.

Hurricanes Katrina and Rita

Most of the economic effects of Hurricanes Katrina and Rita were embedded in the source data and cannot be separately identified. For example, source data for all three months were available for retail sales, federal government outlays, hotels and motels, and casino gambling. Where BEA made assumptions for source data for the third month, the assumptions took account of available information on the effects of the hurricanes. In some cases where BEA's standard methods would not have included the effects of the hurricanes, adjustments were made to incorporate the effects; for example, small adjustments were made to the estimates of consumption of housing services, electricity, natural gas, telephone, and water services.

Hurricanes Katrina and Rita also affected third-quarter personal income. Rental income and proprietors' income were reduced by the property damage caused by the hurricanes, and current transfer receipts were increased by insurance settlements related to the hurricanes. The net effect was to reduce third-quarter personal income by about \$40 billion. For more information, see the FAQs on "Disasters" on BEA's Web site.

Brent R. Moulton
Associate Director for National Economic Accounts
Bureau of Economic Analysis
(202) 606-9606

**Table A. KEY ASSUMPTIONS FOR THE ADVANCE ESTIMATE OF GDP
FOR THE THIRD 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 September 2005 are shown in the last column of the table. For most series shown, the data for August 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					
	Apr.	May	Jun.	Jul.	Aug.	Sep.*
Private fixed investment:						
Nonresidential structures:						
1 Value of new nonresidential construction put in place.....	246.1	243.9	240.7	241.8	243.8	242.8
Equipment and software:						
2 Manufacturers' shipments of complete aircraft.....	39.8	25.5	27.7	29.6	40.2	8.9
Residential structures:						
Value of new residential construction put in place:						
3 Single family.....	404.8	410.1	416.5	418.0	419.1	424.6
4 Multifamily.....	44.4	45.5	45.8	46.2	45.6	46.2
Change in private inventories:						
5 Change in inventories for nondurable manufacturing.....	3.8	-11.6	16.3	5.0	0.4	-9.4
5a Change in inventories for merchant wholesale and retail industries other than motor vehicles and equipment...	28.8	34.3	21.4	3.0	48.8	16.6
Net exports:						
Exports of goods:						
6 U.S. exports of goods, international-transactions-accounts basis.....	894.7	893.7	894.2	900.8	920.1	885.2
6a Excluding gold.....	889.3	888.2	888.5	895.8	914.8	879.8
Imports of goods:						
7 U.S. imports of goods, international-transactions-accounts basis.....	1642.4	1623.1	1660.1	1651.3	1686.1	1709.5
7a Excluding gold.....	1638.5	1618.9	1656.0	1647.6	1682.1	1705.3
8 Net exports of goods.....	-747.8	-729.4	-766.0	-750.5	-766.1	-824.3
8a Excluding gold.....	-749.3	-730.7	-767.5	-751.7	-767.3	-825.5
Government:						
State and local:						
Structures:						
9 Value of new construction put in place.....	226.4	230.6	229.8	231.0	232.7	231.8

*Assumption.