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6 GDP: One of the Great Inventions of the 20th Century

At a press conference on December 7, 1999, the Department of Commerce announced that it had selected "the development of the national income and product accounts as its achievement of the century." The speakers at the conference and other government policy officials and leading academic economists took the opportunity to affirm the importance of the national accounts to economic analysis and policy making. The accounts were born out of a pressing need for economic information during the Great Depression and World War II, and they have been continually updated and improved so that they provide an accurate, timely, and relevant picture of U.S. economic activity.

15 Zvi Griliches and His Contributions to Economic Measurement

37 Annual Input-Output Accounts of the U.S. Economy, 1996

The 1996 input-output (I-O) accounts present a detailed picture of how industries interact to provide input to, and take output from, each other. The estimates update the 1992 benchmark I-O accounts and are consistent definitionally and statistically with the recently revised NIPA estimates. The publication of the annual 1996 I-O accounts marks the return of the annual I-O program as part of BEA's industry accounts.

Regular features

1 Business Situation

Real GDP increased 5.7 percent in the third quarter of 1999, according to the NIPA "final" estimate; the "preliminary" estimate issued last month had shown a 5.5-percent increase. The price index for gross domestic purchases increased 1.7 percent, the same as the "preliminary" estimate. The "revised" estimate of corporate profits showed an increase of \$3.7 billion (or 0.4 percent at a quarterly rate) in the third quarter; the "preliminary" estimate had shown an increase of \$8.2 billion (or 0.9 percent).

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90 U.S. International Transactions, Third Quarter 1999

The U.S. current-account deficit increased \$9.0 billion, to \$89.9 billion, in the third quarter of 1999. Most of the increase was accounted for by an increase in the deficit on goods, as imports increased twice as much as exports increased. In the financial account, net recorded inflows decreased \$13.9 billion, to \$105.7 billion. Inflows for foreign-owned assets in the United States and outflows for U.S.-owned assets abroad both slowed sharply, but the slowdown in inflows, which reflected a sharp dropoff in foreign acquisitions of U.S. companies, exceeded that in outflows.

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- ❖ *Comparison of BEA Personal Income and IRS Adjusted Gross Income.* An article that presents the revised estimates for 1959-97 of the reconciliation of these two widely used measures of household income will be published in a forthcoming issue of the SURVEY. The reconciliation will reflect the recent comprehensive revision of the NIPA's, including the redefinition of government employee retirement plans.
 - ❖ *Rates of Return of Foreign-Owned U.S. Companies.* An article that presents new industry-level estimates of the rates of return of foreign-owned U.S. companies using current-cost measures of profits and assets will be published in a forthcoming issue of the SURVEY. The article will examine various factors that may underlie the relatively low rates of return for foreign-owned companies.
 - ❖ *Industrial Composition of State Earnings.* An article that analyzes the industrial composition of earnings by State for 1958 and 1998 will be published in a forthcoming issue of the SURVEY. The article will show that State industrial compositions have become more similar over time and will discuss some of the reasons for this trend.
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- 12 Comparison of BEA Estimates of Personal Income and IRS Estimates of Adjusted Gross Income

The BEA estimates of personal income and the IRS estimates of adjusted gross income (AGI)—two widely used measures of household income—are reconciled through a series of adjustments for definitional differences between the two measures. This reconciliation incorporates the results of the recent comprehensive revision of the NIPA's, updates to the AGI estimates, and several improvements to the reconciliation items.

- 24 Accounting for Subsoil Mineral Resources

[Reprint of chapter 3 of *Nature's Numbers: Expanding the National Economic Accounts to Include the Environment*]

Last summer, a blue-ribbon panel of the National Academy of Sciences' National Research Council completed a congressionally mandated review of BEA's prototype integrated economic and environmental accounts. As part of its promise to inform users of the results of this evaluation, BEA is reprinting chapters from the panel's final report.

- 70 Industrial Composition of State Earnings in 1958–98

The industrial composition of earnings across States has become more similar over time. This convergence primarily reflects the relatively stronger growth in services than in farming and manufacturing; services-producing industries tend to be more evenly distributed across the Nation than goods-producing industries. In 1998, the States with industrial compositions that were most similar to that of the United States were California, Washington, Arizona, Pennsylvania, and Missouri. The States that were least similar were Wyoming, Alaska, Nevada, Hawaii, and New Mexico.

Regular features

- 1 Business Situation

U.S. economic activity registered another strong increase in the fourth quarter of 1999, while inflation picked up somewhat. Real GDP increased 5.8 percent after increasing 5.7 percent in the third quarter. The price index for gross domestic purchases increased 2.3 percent after increasing 1.7 percent.

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7 Motor Vehicles, 1999

Sales of motor vehicles surged to a record 17.4 million units in 1999 from 16.0 million units in 1998. Sales of new trucks again increased strongly, reaching a record 8.7 million units; sales of new cars also increased to 8.7 million units, following 4 consecutive years of declines.

51 State Personal Income, Third Quarter 1999

Personal income in the Nation increased 1.3 percent in the third quarter of 1999, the same pace as in the second quarter. In the third quarter, the States with the fastest growth in personal income were Nevada, Arizona, and Florida. The States with the slowest growth were North Dakota, South Dakota, and North Carolina.

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23 Comprehensive NIPA Revision: Newly Available Tables

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- ❖ *Rates of Return of Foreign-Owned U.S. Companies.* An article that presents new industry-level estimates of the rates of return of foreign-owned U.S. companies using current-cost measures of profits and assets will be published in a forthcoming issue of the SURVEY. The article will examine various factors that may underlie the relatively low rates of return for foreign-owned companies.
 - ❖ *Revised NIPA and Related Estimates.* Revised NIPA estimates for 1929–58 and revised estimates of fixed assets and consumer durable goods for 1925–98 that reflect the recent comprehensive NIPA revision will be presented in the April SURVEY. Revised estimates of gross product by industry and revised regional estimates of personal income that incorporate the NIPA revision will be presented in subsequent issues. For more information, see the box on page 6.
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26 Accounting for Renewable and Environmental Resources

[Reprint of chapter 4 of Nature's Numbers: Expanding the National Economic Accounts to Include the Environment]

Last summer, a blue-ribbon panel of the National Academy of Sciences' National Research Council completed a congressionally mandated review of BEA's prototype integrated economic and environmental accounts. As part of its promise to inform users of the results of this evaluation, BEA is reprinting chapters from the panel's final report.

55 An Examination of the Low Rates of Return of Foreign-Owned U.S. Companies

In 1988–97, the average rate of return on assets (ROA) of foreign-owned nonfinancial companies, at 5.1 percent, was 2.2 percentage points below that of U.S.-owned companies; over the period, the ROA gap narrowed to about 1 percentage point in 1997. Among several factors that may help explain the lower ROA of foreign-owned companies, age and market share were found to be significant, and industry mix and shifting of profits outside the United States using transfer prices were found to be relatively insignificant. These findings are based on newly developed estimates of the rate of return for foreign-owned U.S. nonfinancial companies that are disaggregated by industry and valued in current-period prices.

Regular features

1 Business Situation

Real GDP increased 6.9 percent in the fourth quarter of 1999, according to the "preliminary" estimate; the "advance" estimate issued last month had shown a 5.8-percent increase. The upward revision reflected upward revisions to consumer spending, to State and local government spending, to exports of goods, and to private nonfarm inventory investment. The price index for gross domestic purchases increased 2.3 percent in the fourth quarter, the same as the previously published increase.

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11 Federal Personal Income Tax Liabilities and Payments, 1959–97

BEA's estimates of Federal personal income tax liabilities and payments have been revised, beginning with 1959, to incorporate the results of the recent comprehensive revision of the NIPA's and newly available tax return data from the Internal Revenue Service. Since 1992, the differences between liabilities and payments have generally been small; in 1997, payments exceeded liabilities by \$2.3 billion.

16 Federal Budget Estimates, Fiscal Year 2001

Each year, BEA prepares a "translation" of the administration's budget that puts the budget's receipts and outlays on a basis that is consistent with the framework of the NIPA's. For fiscal year 2001, the Federal current surplus on the NIPA basis would be \$171.1 billion, compared with the surplus of \$184.0 billion in the administration's budget. The budget estimate of receipts would exceed the NIPA estimate of current receipts by \$2.4 billion, and the NIPA estimate of current expenditures would exceed the budget estimate of outlays by \$10.5 billion.

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- ❖ *Revised NIPA and Related Estimates.* Revised NIPA estimates for 1929–58 and revised estimates of fixed assets and consumer durable goods for 1925–98 that reflect the recent comprehensive NIPA revision will be presented in the April SURVEY.
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11 Improved Estimates of the National Income and Product

Accounts for 1929–99: Results of the Comprehensive Revision

On March 30, 2000, as part of the comprehensive revision of the NIPA's, BEA released revised NIPA estimates for 1929–58 that incorporated the definitional and statistical changes that had been incorporated earlier into the estimates beginning with 1959. In addition, BEA released revised estimates beginning with 1959 that incorporated corrections and a previously announced methodological improvement. The revisions were not sizable enough to affect the average annual growth rate in real GDP for 1929–58 or for 1959–98, but the growth rates for individual years were revised by as much as 0.5 percentage point.

17 Fixed Assets and Consumer Durable Goods: Estimates for 1925–98 and New NIPA Table—Changes in Net Stock of Produced Assets

As part of the comprehensive revision of the NIPA's, BEA has released new estimates of fixed assets and consumer durable goods (formerly "fixed reproducible tangible wealth") for 1998 and revised estimates for 1925–97. These estimates incorporate a number of definitional and statistical improvements, including the recognition of business and government expenditures for software as fixed investment and a new pattern of depreciation for personal computers. For 1925–98, the net stock at current cost grew at an average annual rate of 6.3 percent, and the net stock at real cost grew at a rate of 2.9 percent. In addition, as part of a long-term effort to integrate the estimates of stocks and flows, BEA has introduced a new NIPA table that shows the changes in the net stock of produced assets.

Regular features

1 Business Situation

Real GDP increased 7.3 percent in the fourth quarter of 1999, according to the "final" estimate; the "preliminary" estimate released last month had shown a 6.9-percent increase. Corporate profits increased \$35.3 billion (4.0 percent at a quarterly rate) in the fourth quarter. The Federal Government current surplus decreased \$21.6 billion, to \$112.2 billion, and the State and local government current surplus increased \$19.9 billion, to \$68.8 billion.

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146 U.S. International Transactions, Fourth Quarter and Year 1999

In the fourth quarter of 1999, the U.S. current-account deficit increased \$10.7 billion, to \$99.8 billion; the deficit on goods and services, the deficit on income, and net unilateral current transfers all contributed to the increase. In the financial account, net recorded inflows decreased \$3.4 billion, to \$90.9 billion; financial inflows decreased more than financial outflows.

In the year 1999, the U.S. current-account deficit increased \$118.3 billion, to \$338.9 billion; the increase was mostly accounted for by a sharp rise in the deficit on goods and services. In the financial account, net recorded inflows increased \$168.4 billion, to \$378.2 billion; financial inflows accelerated much more than financial outflows.

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 - 36 National Income and Product Accounts Tables
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- ❖ **Gross Product by Industry.** Revised estimates of gross product by industry for 1947–97 and new estimates for 1998 will be published in a forthcoming issue of the SURVEY. The revised estimates will incorporate the results of the recent comprehensive NIPA revision and several additional methodological and statistical improvements.
 - ❖ **Updated Satellite Accounts.** Updates of two BEA satellite accounts are scheduled to be published in forthcoming issues of the SURVEY: U.S. Transportation Satellite Accounts for 1996 and U.S. Travel and Tourism Satellite Accounts for 1992–97.
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1 Business Situation

U.S. economic activity continued to increase strongly in the first quarter of 2000, while inflation picked up. Real GDP increased 5.4 percent after increasing 7.3 percent in the fourth quarter of 1999. The price index for gross domestic purchases increased 3.2 percent after increasing 2.3 percent.

6 State and Local Government Fiscal Position in 1999

In 1999, the current surplus of State and local governments—a measure of their net saving—increased \$9.3 billion, to \$51.0 billion, as current receipts increased more than current expenditures. “Net lending or net borrowing,” an alternative measure of the fiscal position, was introduced in the recent comprehensive revision of the NIPA’s. This measure showed that the longer term financing requirements of governments continued to decrease; it was -\$13.8 billion in 1999, compared with -\$16.8 billion in 1998.

14 U.S. Transportation Satellite Accounts for 1996

The U.S. transportation satellite accounts (TSA’s) have been updated to present estimates for 1996. Like the 1992 TSA’s, the 1996 TSA’s extend the input-output accounts to provide a more comprehensive picture of the role of transportation in the U.S. economy. The TSA’s show that the economy produced and used \$673 billion of transportation gross output in 1996, up 23 percent from 1992. The contribution of transportation activities to GDP decreased slightly from 5.0 percent in 1992 to 4.8 percent in 1996.

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Gross Product by Industry. Revised estimates of gross product by industry for 1947-97 and new estimates for 1998 will be published in the June issue of the SURVEY. The revised estimates will incorporate the results of the recent comprehensive NIPA revision and several additional methodological and statistical improvements.

Estimates of Government by Function. An article in the June SURVEY will introduce a new, simpler presentation of the estimates of government current expenditures and gross investment by function; these estimates will incorporate the results of the recent comprehensive NIPA revision. The article will also describe trends in the estimates.

Comprehensive Revision of State Personal Income. The results of a comprehensive revision of the annual estimates of State personal income for 1969-99 will be published in the June SURVEY. The revised estimates will incorporate the results of the recent comprehensive NIPA revision, improvements in the source data and methods for the State estimates, and newly available data from regular sources.

Travel and Tourism Satellite Accounts. An article in a forthcoming issue of the SURVEY will update the U.S. travel and tourism satellite accounts to 1997.

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- 15 Note on Rates of Return for Domestic Nonfinancial Corporations: Revised Estimates for 1960–98
- 18 Government Spending by Function: A New Presentation
- 24 Improved Estimates of Gross Product by Industry for 1947–98
 The estimates of gross product by industry have been revised to incorporate the results of the recent comprehensive revision of the NIPA's, newly available source data, and several methodological changes. The most significant element of the revision is the development of an integrated set of estimates of gross output, intermediate inputs, and gross product originating (GPO) for all industries. This result enabled the extension of the double-deflation method for computing real GPO to all industries, thereby improving the reliability of the estimates and their consistency with the NIPA estimates. The revisions did not greatly affect the growth rates for real GPO: Real GPO growth for private industries was revised up 0.3 percentage point, the same as the upward revision to real GDP.
- 64 Comprehensive Revision of State Personal Income: Revised Estimates for 1969–98 and Preliminary Estimates for 1999
 On May 17, 2000, BEA released revised estimates of State personal income for 1969–99 that incorporated the results of the most recent comprehensive revision of the NIPA's, newly available benchmark source data, and improved methods for preparing the State estimates. In general, the State estimates were revised up, reflecting several major improvements that were introduced into the national estimates. This release represents a speedup of nearly 6 months in the availability of State personal income estimates that are consistent with the recently revised NIPA estimates.

Regular features

- 1 Business Situation
 Real GDP increased 5.4 percent in the first quarter of 2000 after increasing 7.3 percent in the fourth quarter of 1999; the price index for gross domestic purchases increased 3.2 percent after increasing 2.3 percent. Corporate profits increased \$34.5 billion (3.8 percent at a quarterly rate) in the first quarter. The Federal Government current surplus increased \$74.1 billion, to \$186.3 billion, and the State and local government current surplus decreased \$12.1 billion, to \$56.7 billion.

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55 Foreign Direct Investment in the United States: New Investment in 1999

Outlays by foreign investors to acquire or establish businesses in the United States increased to a record \$282.9 billion in 1999 from \$215.3 billion in 1998. The exceptionally high outlays in both years reflect a worldwide boom in merger and acquisition activity, the continuing strength of the U.S. economy, and the increasing number and size of large investments.

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Annual Revision of the U.S. International Transactions Accounts. An article that summarizes the revisions to the estimates of U.S. international transactions and that discusses the major sources of the revisions will be published in the July *Survey*. Most of the revisions will affect the estimates for 1995–99. Selected revised estimates will be available on June 20 as part of the release of the estimates of U.S. international transactions for the first quarter of 2000.

Comprehensive Revision of Local Area Personal Income. The results of a comprehensive revision of the estimates of local area personal income for 1969–98 were released on June 15 and will be published in the July *Survey*. The revised estimates will incorporate the results of the recent comprehensive revisions of the NIPA's and of State personal income, the improvements in the source data and the methods for the local area estimates, and newly available data from regular sources.

Travel and Tourism Satellite Accounts. An article that updates the U.S. travel and tourism satellite accounts to 1997 will be published in the July *Survey*. The updated accounts, which will be based on the 1996 annual input-output accounts, will show the growth in tourism expenditures and the output of tourism industries.

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8 U.S. Travel and Tourism Satellite Accounts for 1996 and 1997

The U.S. travel and tourism satellite accounts (TTSA's) have been updated to present estimates for 1996 and 1997. Like the 1992 TTSA's, the 1996 and 1997 TTSA's extend the input-output accounts to present a more comprehensive picture of the impact of travel and tourism activities on the U.S. economy. According to the TTSA's, final domestic demand for travel and tourism grew at an average annual rate of 6.9 percent from 1992 to 1997, while GDP increased at an average annual rate of 5.6 percent.

70 U.S. International Transactions, Revised Estimates for 1982–98

This year's annual revision of the international transactions accounts incorporates improvements to the investment income and portfolio capital accounts. The estimates of investment income are revised to incorporate the final results of the U.S. Treasury Department's Benchmark Survey of U.S. Portfolio Investment Abroad as of December 31, 1997. Net U.S. purchases of foreign securities are revised to reflect improvements in the accounting for large-scale foreign acquisitions of U.S. companies and to reflect other improvements in the coverage of U.S. transactions in foreign securities. The revised estimate of the U.S. current-account deficit for 1999 is -\$331.5 billion, compared with the previously published estimate of -\$338.9 billion.

124 Comprehensive Revision of Local Area Personal Income: Revised Estimates for 1969–97 and New Estimates for 1998

On June 15, 2000, BEA released estimates of local area personal income for 1969–98 that incorporated the results of the most recent comprehensive revisions of State personal income and of the NIPA's as well as improved methods for preparing the estimates and newly available data from regular sources. In general, the local area estimates were revised up, primarily reflecting the NIPA definitional change that reclassified government employee retirement plans. This release represents a speedup of about a year in the availability of local area estimates of personal income that are consistent with the recently revised State personal income estimates and NIPA estimates.

Regular features

1 Business Situation

Real GDP increased 5.5 percent in the first quarter of 2000 after increasing 7.3 percent in the fourth quarter of 1999; the price index for gross domestic purchases increased 3.5 percent after increasing 2.3 percent. Corporate profits increased \$46.2 billion (5.0 percent at a quarterly rate) in the first quarter.

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26 U.S. Multinational Companies: Operations in 1998

Growth slowed in three key measures—gross product, employment, and capital expenditures—of the operations of U.S. multinational companies in 1998 after strong growth in 1997. The gross product of U.S. parent companies increased 2.2 percent in 1998 after increasing 6.3 percent in 1997, and the gross product of the majority-owned affiliates of U.S. companies declined 1.9 percent after increasing 4.5 percent.

46 The International Investment Position of the United States at Yearend 1999

The net international investment position of the United States changed little in 1999: At yearend, it was -\$1,082 billion on a current-cost basis and -\$1,474 billion on a market-value basis. Large net financial inflows were offset by greater price appreciation in U.S.-owned assets abroad than in foreign-owned assets in the United States.

58 Direct Investment Positions for 1999: Country and Industry Detail

The U.S. direct investment position abroad valued at historical cost increased 12 percent in 1999, and the foreign direct investment position in the United States valued at historical cost increased 24 percent. The strong growth in both positions reflected the global boom in merger and acquisition activity, favorable economic conditions in the United States, Europe, and Canada, and improved economic conditions in the Asia and Pacific area.

79 U.S. International Transactions, First Quarter 2000

The U.S. current-account deficit increased \$6.1 billion, to \$102.3 billion, in the first quarter of 2000; the increase was more than accounted for by a large increase in the deficit on goods. In the financial account, net recorded inflows increased \$2.0 billion, to \$71.7 billion; financial inflows increased more than financial outflows.

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6 Real Inventories, Sales, and Inventory-Sales Ratios for Manufacturing and Trade

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Annual Revision of the National Income and Product Accounts. An article presenting the revised estimates for 1997–2000:1 and discussing the major sources of the revisions will be published in the August SURVEY. Selected revised estimates will be available on July 28 as part of the release of the “advance” GDP estimates for the second quarter of 2000.

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6 Annual Revision of the National Income and Product Accounts: Annual Estimates, 1997–99, and Quarterly Estimates, 1997:I–2000:I

The revised NIPA estimates do not significantly alter the picture of the U.S. economy that was shown in the previously published estimates. Over the period covered by the revisions, the average annual growth rate of real GDP was revised up slightly, from 4.5 percent to 4.6 percent, and the average annual rate of increase in the price index for gross domestic purchases was unrevised at 1.5 percent. The revised estimates reflect the incorporation of regular source data and the introduction of changes in the methodology for preparing the estimates; for example, the estimates of employer contributions to group health insurance are now based on data collected in the new medical expenditure panel survey.

Regular features

1 Business Situation

Real GDP continued to increase strongly in the second quarter of 2000, up 5.2 percent after a 4.8-percent increase in the first quarter. In contrast, real final sales of domestic product slowed to a 4.2-percent increase from a 6.7-percent increase. The price index for gross domestic purchases slowed to a 2.2-percent increase from a 3.8-percent increase.

141 U.S. Affiliates of Foreign Companies: Operations in 1998

The current-dollar gross product of U.S. affiliates of foreign companies increased 7 percent in 1998, primarily reflecting record levels of new foreign investment. The U.S.-affiliate share of gross product originating in U.S. private industries edged up from 6.2 percent in 1997 to 6.3 percent in 1998. By country of ownership, the United Kingdom remained the largest investing country in 1998, and Germany overtook Japan as the second largest as a result of new acquisitions of U.S. companies.

159 State Personal Income, First Quarter 2000

Personal income in the Nation slowed to a 1.6-percent increase in the first quarter of 2000 from a 1.9-percent increase in the fourth quarter of 1999. In the first quarter, personal income grew the fastest in Vermont, North Carolina, Alaska, Georgia, and Florida. Personal income declined in North Dakota, Nebraska, Kansas, South Dakota, and Iowa.

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Gross State Product by Industry. On September 5, 2000, BEA will release new estimates of gross state product for 1998 and revised estimates for 1977–97. An article that presents these estimates, which incorporate the most recent revision of the national estimates of gross product by industry, will be published in a forthcoming issue of the SURVEY.

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1 Business Situation

Real GDP accelerated modestly to a 5.3-percent increase in the second quarter of 2000 from a 4.8-percent increase in the first quarter; in contrast, real final sales of domestic product decelerated sharply to a 3.5-percent increase from a 6.7-percent increase. The price index for gross domestic purchases increased 2.3 percent after increasing 3.8 percent. Corporate profits increased \$27.7 billion (3.0 percent at a quarterly rate) in the second quarter after increasing \$43.1 billion (4.8 percent) in the first. The Federal Government surplus increased \$2.0 billion, to \$237.8 billion, in the second quarter after increasing \$92.5 billion in the first. The State and local government surplus increased \$2.2 billion, to \$54.2 billion, after decreasing \$14.6 billion.

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Gross State Product by Industry. An article that presents new estimates of gross state product for 1998 and revised estimates for 1977-97 will be published in the October issue of the SURVEY. These estimates incorporate the results of the most recent comprehensive revisions of State personal income, of the national estimates of gross product by industry, and of the national income and product accounts.

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69 Gross State Product by Industry, 1977–98

BEA's estimates of gross state product (GSP) by industry have been revised to incorporate the most recent comprehensive revisions of the NIPAs, of the national estimates of gross product by industry, and of the estimates of State personal income. In 1997–98, the State with the fastest growth in real GSP was Arizona (7.5 percent annual rate), followed by Oregon (7.2 percent) and Nevada (6.9 percent); the States with negative growth were Hawaii (-0.5 percent) and Alaska (-0.4 percent). The State with the largest share of nominal GSP in 1998 was California (12.8 percent), followed by New York (8.1 percent) and Texas (7.4 percent).

Regular features

1 Business Situation

Real GDP increased 5.6 percent in the second quarter of 2000, according to the "final" NIPA estimates; the upward revision of 0.3 percentage point from the "preliminary" estimate primarily reflected a downward revision to imports of services and an upward revision to exports of services. The price index for gross domestic purchases increased 2.1 percent; the downward revision of 0.2 percentage point primarily reflected downward revisions to the prices of personal consumption expenditures for services. Corporate profits increased \$27.3 billion (2.9 percent at a quarterly rate) in the second quarter.

91 U.S. International Transactions, Second Quarter 2000

The U.S. current-account deficit increased \$4.6 billion, to \$106.1 billion, in the second quarter of 2000; nearly all of the increase was accounted for by an increase in the deficit on goods. In the financial account, net recorded inflows increased \$91.5 billion, to \$149.1 billion; financial outflows slowed substantially, while financial inflows remained strong.

119 U.S. International Services: Cross-Border Trade in 1999 and Sales Through Affiliates in 1998

In 1999, U.S. cross-border exports of private services increased 4 percent to \$254.7 billion, and U.S. cross-border imports of these services increased 4 percent to \$174.8 billion; as a result, the U.S. surplus on cross-border trade in services increased \$3.3 billion, to \$79.8 billion. In 1998, sales of private services abroad by foreign affiliates of U.S. companies increased 21 percent to \$309.0 billion, and sales of services in the United States by U.S. affiliates of foreign companies increased 14 percent to \$255.1 billion.

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RECRUITMENT

Chief Statistician. BEA is recruiting for the position of Chief Statistician. The Chief Statistician oversees the development and application of mathematical and statistical techniques used by BEA to produce the U.S. national economic accounts, including the national income and product accounts (NIPA's), and the international and regional accounts. The Chief Statistician also oversees the selection and use of the economic data on which the accounts depend and serves as an advisor to the BEA Director and as a representative of BEA to government and private organizations on those subjects.

This is a career position in the Senior Executive Service, salary range: \$115,811–\$130,200. The application deadline is January 5, 2001. For more information, go to BEA's Web site at www.bea.doc.gov/bea/jobs/bea0001p.htm or contact the Executive Resources Staff of the Bureau of the Census on 301–457–3727. The Department of Commerce does not condone or tolerate discrimination based on race, color, religion, sex, national origin, age, physical or mental disability, or sexual orientation.

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- 1 **Business Situation**

The growth in the U.S. economy slowed in the third quarter of 2000, while inflation remained moderate. Real GDP increased 2.7 percent, less than half as much as the average increase in the preceding four quarters; the price index for gross domestic purchases increased 2.4 percent, about the same as the average increase in the preceding four quarters.

- 7 **Comparison of BEA Estimates of Personal Income and IRS Estimates of Adjusted Gross Income: New Estimates for 1998 and Revised Estimates for 1997**

BEA's estimates of personal income and the IRS estimates of adjusted gross income (AGI)—two widely used measures of household income—are reconciled through a series of adjustments for definitional differences between the two measures. This year's reconciliation reflects the recent annual revision of the national income and product accounts and recent updates to the AGI estimates.

- 14 **Reconciliation of the U.S.-Canadian Current Account, 1998 and 1999**

Each year, the U.S. and Canadian current-account estimates are reconciled to show how they would appear if both countries used the same definitions, methodologies, and data sources. After the reconciliation, the U.S. current-account deficits with Canada are larger than those that are shown in the U.S.-published accounts: For 1998, the deficit on the reconciled basis is \$9.6 billion, compared with the U.S.-published deficit of \$4.4 billion; for 1999, the reconciled deficit is \$19.5 billion, compared with the published deficit of \$15.1 billion.

- 30 **State Personal Income, Second Quarter 2000**

Personal income in the Nation increased 1.7 percent in the second quarter of 2000 after increasing 1.6 percent in the first quarter. In the second quarter, personal income grew the fastest in Nevada, Delaware, and Iowa. Personal income grew the slowest in Connecticut, Arizona, North Dakota, and New Hampshire.

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Annual Revision of Gross Product by Industry. An article that presents new estimates of gross product by industry for 1999 and revised estimates for 1997-98 will be published in the December issue of the SURVEY. These estimates incorporate the results of the most recent annual revision of the national income and product accounts.

RECRUITMENT

Chief Statistician. BEA is recruiting for the position of Chief Statistician. The Chief Statistician oversees the development and application of mathematical and statistical techniques used by BEA to produce the U.S. national economic accounts, including the national income and product accounts (NIPAs), and the international and regional accounts. The Chief Statistician also oversees the selection and use of the economic data on which the accounts depend and serves as an advisor to the BEA Director and as a representative of BEA to government and private organizations on those subjects.

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17 A Note on the Impact of Hedonics and Computers on Real GDP

A review of the data on hedonic price indexes and their impact on real GDP growth shows no evidence of an overstatement in the measured decline in computer prices. The hedonic price indexes for computers produce results that are quite robust and that are virtually the same as those produced by a carefully constructed traditional price index for computers.

Regular features

1 Business Situation

The growth in the U.S. economy slowed in the third quarter of 2000, while inflation remained moderate. Real GDP increased 2.4 percent, less than half as much as the average increase in the preceding four quarters; the prices of gross domestic purchases increased 2.3 percent, about the same as the average increase in the preceding four quarters. Corporate profits increased \$7.6 billion (0.8 percent at a quarterly rate) in the third quarter after increasing \$27.3 billion (2.9 percent) in the second. The Federal Government current surplus increased \$13.4 billion, to \$254.3 billion, in the third quarter after increasing \$5.1 billion in the second. The State and local government current surplus increased \$4.1 billion, to \$64.2 billion, after increasing \$8.1 billion.

24 Gross Domestic Product by Industry for 1997–99

New estimates of gross domestic product by industry for 1999 and revised estimates for 1997 and 1998 incorporate the results of this year's annual revision of the NIPA's and newly available source data. According to these estimates, the long-term structural shift in the U.S. economy from goods-producing industries to services-producing industries continued. The revisions to the real growth rate of private industries were small, but the revisions to the growth rates for some of the individual industry groups were substantial.

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LOOKING AHEAD

Annual Input-Output Accounts of the U.S. Economy. The 1997 annual input-output (I-O) accounts will be presented in the January 2001 SURVEY and will be available on BEA's Web site on December 18, 2000. The publication of these accounts—which present a detailed picture of how 97 industries and commodities interact to provide input to, and take output from, each other—continues the annual updating of the I-O accounts that began last year.

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1 Business Situation

Real GDP increased 2.2 percent in the third quarter of 2000, according to the “final” NIPA estimates; the downward revision of 0.2 percentage point from the “preliminary” estimates primarily reflected a downward revision to exports of goods and services. The prices of gross domestic purchases increased 2.0 percent; the downward revision of 0.3 percentage point primarily reflected a downward revision to the prices of personal consumption expenditures for services. Corporate profits increased \$6.7 billion (0.7 percent at a quarterly rate), to \$970.3 billion, in the third quarter.

9 Annual Input-Output Accounts of the U.S. Economy, 1997

The 1997 input-output (I-O) accounts, the second annual update of the 1992 benchmark I-O accounts, present a detailed picture of how industries interact to provide input to, and take output from, each other. The accounts show that in terms of use, the fastest growing commodities in 1992–97 were computers, electronics, and data-processing services and that in general, this growth can be traced to growth in demand by both intermediate and final users.

47 U.S. International Transactions, Third Quarter 2000

The U.S. current-account deficit increased \$8.8 billion, to \$113.8 billion, in the third quarter of 2000; the increase was mostly accounted for by an increase in the deficit on goods and a decrease in the surplus on services. In the financial account, net recorded inflows decreased \$29.7 billion, to \$123.0 billion; financial inflows decreased more than financial outflows decreased.

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- 6 Real Inventories, Sales, and Inventory-Sales Ratios for Manufacturing and Trade, 2000:III
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Trends in Personal Consumption Expenditures. An article discussing trends and cyclical developments in personal consumption expenditures for 1959–2000 is scheduled to be published in a forthcoming issue of the SURVEY.

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Business Situation

Growth in U.S. economic activity continued to slow in the fourth quarter of 2000, while inflation remained moderate. Real GDP increased 1.4 percent after increasing 2.2 percent in the third quarter and 5.6 percent in the second. The prices of gross domestic purchases increased 1.9 percent after increasing 2.0 percent in the third quarter and 2.1 percent in the second.

Motor Vehicles, 2000

Sales of motor vehicles weakened as the year progressed, but for the year 2000, they increased 2.4 percent to a record 17.8 million units. Sales of both cars and trucks increased, but at much slower rates than in 1999. Sales of both cars and trucks peaked in the first quarter, but by the fourth quarter, they were at their lowest levels in 2 years.

14 State Personal Income, Third Quarter 2000

Personal income in the Nation increased 1.3 percent in the third quarter of 2000 after increasing 1.7 percent in the second quarter. In the third quarter, personal income grew the fastest in North Dakota, Nebraska, Iowa, South Dakota, and Kansas; growth in these States was boosted by substantial Federal Government farm subsidy payments. Personal income grew the slowest in Vermont, New Jersey, Pennsylvania, and West Virginia.

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Trends in Personal Consumption Expenditures. An article discussing trends and cyclical developments in personal consumption expenditures for 1959–2000 is scheduled to be published in a forthcoming issue of the SURVEY.

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15 Trends in Consumer Spending, 1959–2000

Real consumer spending grew 3.6 percent (average annual rate) from 1959 to 2000, and its share of total domestic spending in current dollars increased from 62 percent to 65 percent. The services' share of consumer spending rose from 40 percent to 58 percent, primarily reflecting increases in the shares of medical care, financial, recreation, and education and research services, while the nondurable goods' share fell from 47 percent to 30 percent, reflecting widespread declines; the durable goods' share changed little. The cyclical pattern of consumer spending was less pronounced than that of business investment, mainly reflecting the relatively moderate pattern of spending for services.

23 Measuring the New Economy

Preparing estimates that accurately reflect the rapid technological innovation in the Nation's economy and assessing its impact on economic performance are major challenges facing BEA. A key question is whether this so-called "new economy" manifests a basic structural change that raises potential economic growth and results in higher rates of productivity and investment. According to the latest BEA estimates, the direct contributions of high-tech products—such as computers, software, and telecommunications—accounted for 1.2 percentage points of the 4.1-percent average growth rate of real GDP in 1995–2000. This article describes the coverage of the new economy in BEA's economic accounts and discusses the plans that BEA has developed and the work that is underway to improve the measurement of e-business and high-tech in the accounts and to update these accounts to keep pace with the evolving economy.

Regular features

Business Situation

Real GDP increased 1.1 percent in the fourth quarter of 2000, according to the "preliminary" estimate; the "advance" estimate issued last month had shown a 1.4-percent increase. The downward revision was largely accounted for by downward revisions to private nonfarm inventories and to exports of goods and services. The prices of gross domestic purchases increased 1.8 percent in the fourth quarter, 0.1 percentage point less than was shown by the "advance" estimate.

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- 14 Ruggles and Ruggles—A National Income Accounting Partnership
A tribute to Richard and Nancy Ruggles.

- 16 Comparing NIPA Profits With S&P Profits

The long-term trends of these widely used measures of profits are similar, but the year-to-year changes sometimes differ substantially. For example, S&P operating earnings increased in 1998, while the NIPA measures of profits decreased. The differences between these measures reflect differences in purpose, definitions, and methodologies. S&P earnings cover the largest corporations, are based on financial-accounting methods, and provide a gauge of company performance at a particular point in time. NIPA profits cover all corporations, are primarily based on tax-accounting methods, and provide consistent time series.

Regular features

- Business Situation

Real GDP increased 1.0 percent in the fourth quarter of 2000, according to the “final” estimate; the “preliminary” estimate issued last month had shown a 1.1-percent increase. The change in private nonfarm inventories and exports of goods were revised down, and exports of services was revised up. Corporate profits fell \$55.6 billion (5.7 percent at a quarterly rate). The Federal Government current surplus increased \$23.5 billion, to \$277.0 billion, and the State and local government current surplus decreased \$0.1 billion, to \$63.1 billion.

- 21 U.S. International Transactions, Fourth Quarter and Year 2000

In the fourth quarter of 2000, the U.S. current-account deficit increased \$2.2 billion, to \$115.3 billion; increases in the deficit on goods and services and in net unilateral current transfers more than offset a decrease in the deficit on income. In the financial account, net recorded inflows decreased \$15.3 billion, to \$86.6 billion; financial outflows increased more than financial inflows.

In the year 2000, the U.S. current-account deficit increased \$103.9 billion, to \$435.4 billion; the increase was almost entirely accounted for by a substantial rise in the deficit on goods. In the financial account, net recorded inflows increased \$75.7 billion, to \$399.1 billion; financial inflows increased more than financial outflows.

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12 Real Inventories, Sales, and Inventory-Sales Ratios
for Manufacturing and Trade, 2000:IV

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Annual Revision of Local Area Personal Income. On May 3, 2001, BEA will release the results of the annual revision of local area personal income for 1997-99. An article that presents the new estimates for 1999 and the revised estimates for 1997 and 1998 of personal income for counties, metropolitan areas, and BEA economic areas will be published in the May SURVEY.

North American Industry Classification System. An article that describes the development and structure of the North American Industry Classification System and its implementation into BEA's economic accounts will be published in a forthcoming issue of the SURVEY.

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7 The North American Industry Classification System in BEA's Economic Accounts

Over the next several years, the North American Industry Classification System (NAICS) will replace the Standard Industrial Classification system as the basis for identifying, compiling, and presenting industry data. NAICS is organized on a more conceptually consistent basis, adds new classifications for high-tech and services industries, and provides industry statistics that are more comparable internationally. The agencies that provide source data for BEA's estimates will implement NAICS on a staggered schedule, so there will be a difficult transition period in which some of the data will be on a NAICS basis, and some will not. In addition, the implementation of NAICS will result in breaks in time series for many of the industry estimates.

Regular features

1 Business Situation

The pace of U.S. production picked up in the first quarter of 2001, but it still remained considerably below the average growth rate for the current expansion. In contrast, the pace of domestic purchases slowed for the third consecutive quarter. Inflation picked up.

14 Federal Budget Estimates, Fiscal Year 2002

Each year, BEA prepares an adjusted version of the administration's budget that puts the budget's receipts and outlays on a basis that is consistent with the framework of the NIPAs. For fiscal year 2002, the Federal current surplus on the NIPA basis is estimated at \$221.0 billion, compared with the surplus of \$231.2 billion in the administration's budget. The NIPA estimate of current receipts exceeds the budget estimate of receipts by \$8.0 billion, and the NIPA estimate of current expenditures exceeds the budget estimate of outlays by \$18.1 billion.

24 Personal Income and Per Capita Personal Income by State, 2000

All States shared in the strong growth in the Nation's personal income in 2000. The fastest growing States were Colorado, California, Massachusetts, New Hampshire, and Idaho; much of the strength reflected rapid growth in high-tech manufacturing industries and in business services. The slowest growing States were Alabama, Mississippi, Louisiana, Hawaii, and West Virginia. Per capita income in the Nation was \$29,676; Connecticut had the highest per capita income, at \$40,640, and Mississippi had the lowest, at \$20,993.

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50 Local Area Personal Income, 1997–99

According to newly released estimates for metropolitan areas, the San Jose, CA, area had the fastest growth in personal income in 1999, and the Rocky Mount, NC, area had the slowest. The San Francisco, CA, area had the highest per capita personal income, at \$49,695, and the McAllen-Edinburg-Mission, TX, area had the lowest, at \$13,339. According to newly released estimates for counties, Williamson County, TX, had the fastest growth in personal income, and Edgecombe County, NC, had the slowest. New York County, NY, had the highest per capita personal income, at \$81,665, and Loup County, NE, had the lowest, at \$4,896. The local area estimates for 1997–99 incorporate the results of the most recent annual revision of State personal income and new and revised county-level source data for 1997–98.

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Trends in State Per Capita Personal Income, 1950–99. An article analyzing trends in State per capita personal income is scheduled to be published in a forthcoming issue of the SURVEY. The analysis indicates that State per capita incomes tended to converge until 1979 but have exhibited no apparent trend thereafter.

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22 An Upcoming Change in the NIPA Presentation of Private Inventories by Industry

A note describing the changes in the NIPA tables that will result from the conversion of the inventory estimates by industry from the Standard Industrial Classification system to the North American Industry Classification System.

36 Convergence in State Per Capita Personal Income, 1950–99

The differences in per capita personal incomes among the States narrowed from 1950 to 1979 but have not narrowed since. This pattern largely reflects the pattern of per capita earnings, the largest component of personal income. Dividends, interest, and rent showed the strongest pattern of convergence through 1979 and continued to show some convergence through 1999. Transfers converged until 1979 but showed little evidence of convergence thereafter.

Regular features

1 Business Situation

Real GDP increased 1.3 percent in the first quarter of 2001, according to the “preliminary” estimate; the “advance” estimate issued last month had shown a 2.0-percent increase. The downward revision was largely accounted for by downward revisions to private nonfarm inventories and personal consumption expenditures for nondurable goods and by an upward revision to imports of goods. Corporate profits declined \$21.3 billion (2.3 percent at a quarterly rate). The Federal Government current surplus increased \$2.4 billion, to \$279.4 billion, and the State and local government current surplus fell \$22.8 billion, to \$40.3 billion.

27 Foreign Direct Investment in the United States: New Investment in 2000

Outlays by foreign direct investors to acquire or establish businesses in the United States increased to a record \$320.9 billion in 2000. Outlays have been exceptionally large for the past 3 years, reflecting continued strong growth in the U.S. economy and substantial numbers of very large investments. Nearly half of the outlays in 1998–2000 were in manufacturing, especially in petroleum and coal products and in computers and electronic products. Outside manufacturing, outlays were largest in information and in finance.

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Annual Revision of the U.S. International Transactions Accounts. An article summarizing the revisions to the estimates of U.S. international transactions and discussing the major sources of these revisions will be published in the July SURVEY. Most of the revisions will affect the estimates for 1996–2000. Selected revised estimates will be available on June 21 as part of the release of the estimates of U.S. international transactions for the first quarter of 2001.

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30 U.S. International Transactions: Revised Estimates for 1989–2000

In this year's annual revision of the international transactions accounts, newly available data from a variety of sources were incorporated, and several major improvements were introduced. The improvements primarily affected the estimates of bank income receipts and payments, U.S. nonbank liabilities to foreigners, net foreign purchases of U.S. securities other than U.S. Treasury securities, financial account flows and related income payments for foreign direct investment in the United States, and exports and imports of goods. The revised estimates show a U.S. current-account deficit of \$444.7 billion in 2000, compared with the previous estimate of \$435.4 billion. In the financial account, the revised estimates show net recorded inflows of \$443.3 billion in 2000, compared with the previous estimate of \$399.1 billion.

Regular features

1 Business Situation

Real GDP increased 1.2 percent in the first quarter of 2001, according to the "final" estimate; the "preliminary" estimate issued last month had shown a 1.3-percent increase. An upward revision to imports of goods, which are subtracted in the calculation of GDP, was largely offset by upward revisions to personal consumption expenditures for nondurable goods and to exports of goods. The "revised" estimate of corporate profits showed a decrease of \$45.7 billion (5.0 percent at a quarterly rate) in the first quarter; the "preliminary" estimate had shown a decrease of \$21.3 billion (2.3 percent).

7 The International Investment Position of the United States at Yearend 2000

In 2000, foreign-owned assets in the United States, whether on a current-cost or a market-value basis, grew substantially. U.S.-owned assets abroad grew much less on a current-cost basis, and they declined on a market-value basis. As a result, the net international investment position of the United States was substantially more negative at yearend 2000 than it was at yearend 1999. At yearend 2000, the net position at current cost was -\$1,842.7 billion, and the net position at market value was -\$2,187.4 billion.

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16 Direct Investment Positions for 2000: Country and Industry Detail

For the second consecutive year, growth in the historical-cost position of foreign direct investment in the United States (FDIUS) substantially exceeded growth in the historical-cost position of U.S. direct investment abroad (USDIA). The FDIUS position increased 28 percent in 2000; the increase was concentrated in equity capital inflows. The USDIA position increased 10 percent; the increase was mainly in reinvested earnings. The continued global boom in mergers and acquisitions contributed to the growth in both positions.

37 U.S. International Transactions, First Quarter 2001

The U.S. current-account deficit decreased \$6.8 billion, to \$109.6 billion, in the first quarter of 2001. Decreases in the deficit on goods and services and in net unilateral current transfers more than offset a shift in the balance on income from a small surplus to a deficit. In the financial account, net recorded inflows decreased \$33.2 billion, to \$80.6 billion; financial inflows decreased more than financial outflows.

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Annual Revision of the National Income and Product Accounts. An article presenting the revised NIPA estimates for 1998–2001:I and discussing the major sources of the revisions will be published in the August SURVEY. Selected revised estimates will be available on July 27 as part of the release of the “advance” GDP estimates for the second quarter of 2001.

Gross State Product by Industry. An article discussing the new estimates of gross state product for 1999 and the revised estimates for 1992–98 (released on June 4, 2001) is scheduled to be published in the August SURVEY. These estimates incorporate the results of the July 2000 revision of the NIPAs, the October 2000 revision of State personal income, and the December 2000 release of GDP by industry.

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7 Annual Revision of the National Income and Product Accounts: Annual Estimates, 1998–2000, and Quarterly Estimates, 1998:I–2001:I

Overall, the picture of the U.S. economy that is presented by the revised estimates is similar to that shown by the previously published estimates. Both sets of estimates show strong growth, fueled by consumer spending and business investment, and low inflation. For the period covered by the revisions, the average annual growth rate of real GDP was revised down from 4.5 percent to 4.2 percent, but the revised rate is still considerably above the average growth rate of 3.5 percent over the current expansion (1991:I–2001:I). The revised estimates reflect the incorporation of newly available and revised regular source data and the introduction of changes in methodology, including the use of better source data to prepare the estimates of fixed investment in prepackaged and custom software and in communication equipment.

159 Gross State Product by Industry, 1992–99

In 1992–99, the average annual growth rates in real gross state product (GSP) ranged from 7.3 percent in Arizona to –0.3 percent in Hawaii. In 1999, California accounted for the largest share (13.2 percent) of the Nation's current-dollar GSP, followed by New York (8.1 percent) and Texas (7.4 percent). The new and revised GSP estimates incorporate the results of the July 2000 revision of the NIPA's, the October 2000 revision of State personal income, and the December 2000 release of GDP by industry.

Regular features

1 Business Situation

The pace of U.S. production slowed further to an increase of 0.7 percent in the second quarter of 2001. In particular, nonresidential fixed investment and exports of goods decreased much more than in the first quarter, and consumer spending increased less. Inflation moderated.

141 U.S. Affiliates of Foreign Companies: Operations in 1999

The current-dollar gross product of U.S. affiliates of foreign companies increased 8 percent in 1999, the same increase as in 1998. The U.S.-affiliate share of GDP in U.S. private industries edged up to a record 6.4 percent. By country of ownership, the United Kingdom remained the largest investing country, and by industry, manufacturing continued to account for more than half of the gross product of all affiliates.

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173 Personal Income by State: First Quarter 2001 and Revised Quarterly Estimates for 2000

From the first quarter of 2000 to the first quarter of 2001, Colorado, Minnesota, and Virginia were the States with the fastest growth in nonfarm income, reflecting strength in high-tech industries. Michigan, Indiana, and Ohio had the slowest growth in nonfarm income, reflecting declines in motor vehicle manufacturing.

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Real GDP edged up 0.2 percent in the second quarter of 2001, according to the “preliminary” estimate; the “advance” estimate issued last month had shown a 0.7-percent increase. The downward revision was largely accounted for by downward revisions to change in private inventories and to exports of goods. Corporate profits decreased \$28.5 billion (3.6 percent at a quarterly rate), about half the decrease in the first quarter. The Federal Government current surplus decreased \$16.0 billion, to \$189.3 billion, and the State and local government current surplus decreased \$0.8 billion, to \$21.5 billion.

- 19 Note on Profitability of Domestic Nonfinancial Corporations, 1960–2000
A note presenting revised estimates for 1998–99 and new estimates for 2000 that reflect the results of the recent annual revision of the NIPAs.

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- 22 Customer Service Report for Fiscal Year 2001

- 24 Annual NIPA Revision: Newly Available Tables

- 27 Fixed Assets and Consumer Durable Goods for 1925–2000

- 40 Foreign Direct Investment in the United States: Detail for Historical-Cost Position and Related Capital and Income Flows, 2000

- 80 U.S. Direct Investment Abroad: Detail for Historical-Cost Position and Related Capital and Income Flows, 2000

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U.S. International Services. The annual article on U.S. international services, which is usually published in the October *SURVEY*, will be published this year in the November *SURVEY*, to allow for the incorporation of early summary tabulations of sales of services by foreign affiliates of U.S. companies from the 1999 benchmark survey of U.S. direct investment abroad. These tabulations will be updated when the full set of tables from the 1999 benchmark survey are published early next year. Summary tables showing cross-border trade in services for 2000 by type and by country will be published in the October *SURVEY*. The detailed tables on cross-border trade that normally accompany the article will be available on BEA's Web site in early October, at <www.bea.doc.gov/us1.htm>.

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99 State Personal Income, Revised Estimates for 1998–2000

The annual estimates of State personal income for 1998–2000 have been revised to incorporate the results of the recent annual revision of the national income and product accounts, as well as newly available State-level source data. In 2000, personal income grew the fastest in Massachusetts and grew the slowest in Louisiana. Over the expansion period 1992–2000, personal income grew the fastest in Nevada and grew the slowest in Hawaii.

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Business Situation

Real GDP edged up 0.3 percent in the second quarter of 2001, according to the “final” estimate; the “preliminary” estimate issued last month had shown a 0.2-percent increase. The largest revision was a downward revision to imports of services, which are subtracted in the calculation of GDP. The “revised” estimate of corporate profits showed a decrease of \$30.0 billion (3.8 percent at a quarterly rate); the “preliminary” estimate had shown a decrease of \$28.5 billion (3.6 percent).

65 U.S. International Transactions, Second Quarter 2001

The U.S. current-account deficit decreased \$5.3 billion, to \$106.5 billion, in the second quarter of 2001. A decrease in the deficit on goods and an increase in the surplus on services more than offset increases in the deficit on income and in net outflows for unilateral current transfers. In the financial account, net recorded inflows increased \$21.2 billion, to \$124.7 billion, as financial inflows decreased less than financial outflows.

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U.S. International Services. The annual article on U.S. international services, which covers both cross-border trade and sales through affiliates, does not appear in this issue but will be published in the November *SURVEY*. However, summary tables showing cross-border trade in services by type and by country for 1986–2000 appear on page 94 of this issue.

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- 1 **Business Situation**
U.S. production decreased in the third quarter of 2001 after four quarters of sub-par growth. Exports and nonresidential fixed investment declined sharply for the second consecutive quarter, and consumer spending and State and local government spending increased much less in the third quarter than in the second. Prices paid by U.S. residents decreased in the third quarter. The third-quarter estimates of production and prices reflect the economic effects of the September 11th terrorist attacks (see the box on pages 2 and 3).
- 9 **Comparison of BEA Estimates of Personal Income and IRS Estimates of Adjusted Gross Income, 1998–99**
BEA's estimates of personal income and the IRS estimates of adjusted gross income (AGI)—two widely used measures of household income—are reconciled through a series of adjustments for definitional and statistical differences between the two measures. This year's reconciliation reflects the recent annual revision of the NIPA's and recent updates to the AGI estimates.
- 17 **Gross Domestic Product by Industry for 1998–2000**
In 2000, real GDP growth for private industries slowed, but that for government picked up. Among the private industries, growth slowed for manufacturing, for construction, for transportation and public utilities, and for mining. Growth for information technology-related industries remained strong. The new estimates for 2000 and the revised estimates for 1998 and 1999 incorporate the results of this year's annual revision of the NIPA's and newly available source data.
- 34 **Reconciliation of the U.S.-Canadian Current Account, 1999 and 2000**
Each year, the U.S. and Canadian current-account estimates are reconciled using a common set of definitions, methodologies, and data sources. On the reconciled basis, the U.S. current-account deficits with Canada are larger than those shown in the U.S.-published accounts. For 1999, the deficit on the reconciled basis is \$19.1 billion, compared with the U.S.-published deficit of \$14.7 billion. For 2000, the reconciled deficit is \$39.6 billion, compared with the published deficit of \$30.7 billion.
- 49 **U.S. International Services: Cross-Border Trade in 2000 and Sales Through Affiliates in 1999**
In 2000, U.S. cross-border exports of private services increased 9 percent, to \$278.6 billion, and U.S. cross-border imports of these services increased 16 percent, to \$200.6 billion. As a result, the U.S. surplus on cross-border trade in services decreased \$3.2 billion, to \$78.0 billion. In 1999, the most recent year for which the data are available, sales of private services abroad through foreign affiliates of U.S. companies were \$338.4 billion, and sales of these services in the United States through U.S. affiliates of foreign companies were \$289.3 billion.

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97 Personal Income by State, Second Quarter 2001

Reflecting the slowdown in the growth in personal income for the Nation, the growth in personal income slowed in 40 States in the second quarter of 2001. By State, personal income grew the fastest in Nevada, New Mexico, California, and Florida, and it grew the slowest in North Dakota, Iowa, and West Virginia.

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116 State Per Capita Personal Income, Revised Estimates for 1991–2000**D–1 BEA Current and Historical Data**

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BEA's Strategic Plan. BEA will publish its preliminary Strategic Plan for 2001–2005 in the December SURVEY. This plan, which has been developed over the past year, will present the overall goals that will guide BEA's future and the detailed activities and milestones that BEA will undertake to achieve those goals.

Evaluation of the GDP Estimates. An article that presents the results of a periodic evaluation of BEA's estimates of GDP, gross domestic income, and their components will be published in the December SURVEY. The article will examine the record of revisions to the annual and quarterly estimates in order to assess the reliability of these estimates.

Annual Input-Output Accounts. The 1998 annual input-output (I-O) accounts will be released on December 12, 2001, and an article presenting these accounts will be published in the December SURVEY. These accounts provide a detailed picture of how 97 industries and commodities interact to provide input to, and take output from, each other.

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23 BEA's Preliminary Strategic Plan for 2001–2005

BEA has developed a preliminary strategic plan that outlines the major focus of the Bureau's work in the next several years. The principal goals consist of making BEA's economic accounts and services more responsive to customers; improving the methodologies, source data, and technologies used to prepare the national, industry, international, and regional accounts; attracting, developing, and retaining a top-notch workforce; and upgrading resource management to support these initiatives. The preliminary plan is presented here as part of BEA's effort to solicit public review and comment.

71 Upcoming Changes in the NAICS-Based 1997 Benchmark Input-Output Accounts

This note describes the effects of presenting the 1997 benchmark input-output accounts, which are scheduled to be released at the end of 2002, on a NAICS basis.

Regular features

Business Situation

Real GDP declined 1.1 percent in the third quarter of 2001, according to the "preliminary" estimate, after four quarters of anemic growth. The "advance" estimate issued a month earlier had shown a 0.4-percent decline. The downward revision was primarily accounted for by a downward revision to the change in private nonfarm inventories and an upward revision to imports of goods. Corporate profits decreased \$63.1 billion (8.3 percent at a quarterly rate); about \$40 billion of the decrease reflected a reduction in the profits of insurance carriers as a result of the payment of insurance benefits associated with the terrorist attacks of September 11th. The fiscal position of the Federal Government swung sharply from a current surplus of \$186.7 billion in the second quarter to a current deficit of \$10.2 billion in the third; the downswing reflected the effects of advance refund checks sent to taxpayers in the third quarter. The State and local government current surplus decreased from \$21.3 billion to \$2.2 billion.

41 Annual Input-Output Accounts of the U.S. Economy, 1998

The 1998 input-output (I-O) accounts, the third annual update of the 1992 benchmark I-O accounts, present a detailed picture of how industries interact to provide input to, and take output from, each other. The 1998 estimates show the continued long-term structural shift in the economy toward the use of services and the rapid growth in the demand for fixed investment commodities, at more than twice the growth rate in the demand for all commodities. In addition, intermediate consumption of business services grew more than 12 percent in 1998, almost five times faster than the growth of intermediate consumption of all other commodities.

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LOOKING AHEAD

Evaluation of the GDP Estimates. An article presenting the results of a periodic evaluation of BEA's estimates of GDP, gross domestic income, and their components will be published in a forthcoming issue of the SURVEY. In this article, the reliability of the estimates will be assessed by examining the record of revisions to the annual and quarterly estimates.

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January 2002 Volume 82 Number 1

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Special in this issue

9 Reliability of GDP and Related NIPA Estimates

A recent study by BEA found that the quarterly estimates of real GDP are reliable indicators of whether the economy is expanding or contracting, whether the economy is accelerating or decelerating, and whether the economy is growing at rates above, near, or below the long-term trend. The estimates were also found to be good indicators of cyclical peaks and troughs. In addition, the study found that the revisions by quarter differ substantially (for example, the average revision to the third-quarter estimates differs noticeably from that to the fourth-quarter estimates) and that the revisions due to seasonal factors tend to at least partly offset the revisions due to other causes.

Regular features

1 Business Situation: Final Estimates for the Third Quarter of 2001

Real GDP declined 1.3 percent in the third quarter of 2001, according to the “final” NIPA estimate, after four quarters of subpar growth. The “preliminary” estimate issued a month earlier had shown a 1.1-percent decline. The downward revision was primarily accounted for by downward revisions to State and local government gross investment in structures, exports of services, and personal consumption expenditures for services. Corporate profits decreased \$62.8 billion (8.3 percent at a quarterly rate); a substantial portion of the decrease reflected a reduction in the profits of insurance carriers as a result of the payment of insurance benefits associated with the terrorist attacks of September 11th.

29 U.S. International Transactions, Third Quarter 2001

The U.S. current-account deficit decreased \$12.6 billion, to \$95.0 billion, in the third quarter of 2001. The decrease was accounted for by a large increase in the surplus on services and a decrease in the deficit on goods. The deficit on income was virtually unchanged, and net outflows for unilateral current transfers increased. In the financial account, net recorded inflows decreased \$117.7 billion, to \$36.7 billion, as financial inflows for foreign-owned assets in the United States decreased much more than financial outflows for U.S.-owned assets abroad.

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7 Real Inventories, Sales, and Inventory-Sales Ratios for Manufacturing and Trade, 2001:III

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Expanded Travel and Tourism Satellite Accounts. An article describing an expansion of the existing U.S. travel and tourism satellite accounts (TTSA's) to include the imputed services of multipurpose motor vehicles and vacation homes will be published in a forthcoming issue of the SURVEY. The article discusses the conceptual and empirical bases for including these services, and it presents estimates of the TTSA's for 1992 that include them.

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February 2002 Volume 82 Number 2

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Special in this issue

8 A Tribute to Robert Nathan

9 BEA's Industry Accounts

BEA's industry accounts present a variety of economic statistics that provide detailed information on the flows of goods and services to industries for the production of gross output, on the contributions by private industries and government to the Nation's gross domestic product, and on the activities of specific sectors of the economy.

Regular features

1 Business Situation: Advance Estimates for the Fourth Quarter of 2001

Real GDP increased slightly in the fourth quarter of 2001 after decreasing in the third quarter. Spending by consumers and by government strengthened, while business investment in fixed assets and in inventories declined more than in the third quarter. Prices paid by U.S. residents registered a small increase after a slight decrease in the third quarter. For the year 2001, real GDP slowed to a 1.1-percent increase from a 4.1-percent increase in 2000, and gross domestic purchases prices slowed to a 1.7-percent increase from a 2.6-percent increase.

20 Personal Income by State: Third Quarter 2001

Reflecting the continued slowdown in personal income for the Nation, personal income increased less than 1.0 percent in 33 States in the third quarter of 2001. Personal income decreased 0.2 percent in Washington and 0.1 percent in Delaware, and it grew only 0.1 percent in Nevada and 0.2 percent in Connecticut, New Jersey, and Michigan. Iowa, Nebraska, Maine, Wyoming, and New Mexico had the fastest growth in personal income.

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Change in BEA's Web Site Address. Effective February 11, 2002, BEA's Web site can be accessed via its new, shortened address of <www.bea.gov>. Both the new address and the old address, <www.bea.doc.gov>, will function during an extended transition period. Updates on this conversion will be posted on the Web site.

U.S. Direct Investment Abroad. Preliminary results from the 1999 benchmark survey of U.S. direct investment abroad will be published in a forthcoming issue of the SURVEY. These results update the annual data series on the operations of U.S. multinational companies (MNC's) and provide additional data that are collected only in benchmark surveys. The article will focus on the location and the industry distribution of U.S. MNC's production and sales and will include the first data for these companies that are classified on the basis of the North American Industry Classification System.

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March 2002 Volume 82 Number 3

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Special in this issue

24 Operations of U.S. Multinational Companies: Preliminary Results From the 1999 Benchmark Survey

During the 1990s, the operations of U.S. multinational companies (MNC's) expanded at roughly the same pace as the U.S. economy and the worldwide economy. About three-fourths of the production by U.S. MNC's took place in the United States, and about one-fourth, abroad. Europe remained the major location for production abroad by U.S. MNC's, but the most rapid growth was in Asia and Pacific and in Latin America. Manufacturing remained the most important industry for U.S. MNC production, but the most rapid growth was in services, utilities, and retail trade. U.S. MNC's continued to play a large, though somewhat diminished, role in U.S. international trade in goods. Almost nine-tenths of the sales by foreign affiliates of U.S. MNC's were to foreign, mainly local, markets rather than to the United States.

Regular features

1 Business Situation: Preliminary Estimates for the Fourth Quarter of 2001

Real GDP increased 1.4 percent in the fourth quarter of 2001, according to the "preliminary" estimate, after decreasing 1.3 percent in the third quarter. The "advance" estimate issued last month had shown a 0.2-percent increase. The upward revision was largely attributable to a downward revision to imports (which are subtracted in calculating GDP) and an upward revision to consumer spending. In addition, government spending, fixed investment, inventory investment, and exports were revised up. The price index for gross domestic purchases increased 0.4 percent in the fourth quarter after decreasing 0.1 percent in the third. The "advance" estimate had also shown a 0.4-percent increase.

14 Federal Budget Estimates, Fiscal Year 2003

Each year, BEA prepares an adjusted presentation of the administration's budget estimates that is consistent with the framework of the NIPA's. For fiscal year 2003, the Federal current deficit on the NIPA basis is estimated at \$78.1 billion, compared with a deficit of \$80.2 billion in the administration's budget. The NIPA estimate of current receipts exceeds the budget estimate of receipts by \$32.0 billion, and the NIPA estimate of current expenditures exceeds the budget estimate of expenditures by \$30.0 billion.

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LOOKING AHEAD

Change in BEA's Web Site Address. BEA's Web site can now be accessed via a new, shortened address, <www.bea.gov>. The new address and the old address, <www.bea.doc.gov>, will both function during an extended transition period. Updates on this conversion will be posted on the Web site.

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April 2002 Volume 82 Number 4

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13 Alternative Measures of Personal Saving

The two-decade downtrend in the NIPA measure of the personal saving rate has raised questions about the adequacy of savings to fund capital accumulation or the retirement of the baby boom generation. To provide background for addressing these questions, alternative measures of personal saving are presented that exclude defined-benefit pension plans, treat consumer durable goods as investment, remove the effects of inflation from nominal interest income and outlays, or remove capital gains taxes from personal tax payments. In addition, concerns about the funding of capital accumulation should be viewed within the broader context of national saving, which includes saving by the business and government sectors as well as the household sector. Concerns about retirement preparedness should be viewed within the broader context of household wealth.

Regular features

1 Business Situation: Final Estimates for the Fourth Quarter of 2001

Real GDP increased 1.7 percent in the fourth quarter of 2001, according to the “final” estimate; the “preliminary” estimate issued last month had shown a 1.3-percent increase. The upward revision was largely attributable to an upward revision to exports and a downward revision to imports (which are subtracted in calculating GDP). Corporate profits increased \$125.0 billion (17.9 percent at a quarterly rate) in the fourth quarter after decreasing \$62.8 billion (–8.3 percent) in the third. The fiscal position of the Federal Government shifted to a current surplus of \$97.4 billion from a current deficit of \$13.6 billion, and the State and local government current surplus increased to \$24.8 billion from \$1.9 billion.

29 U.S. International Transactions, Fourth Quarter and Year 2001

In the fourth quarter of 2001, the U.S. current-account deficit edged up \$0.3 billion, to \$98.8 billion. Decreases in the deficit on goods and the deficit on income were offset by a decrease in the surplus on services and an increase in net outflows for unilateral current transfers. In the financial account, net recorded inflows increased \$117.0 billion, to \$157.3 billion, as

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financial inflows for foreign-owned assets in the United States increased more than financial outflows for U.S.-owned assets abroad.

In the year 2001, the U.S. current-account deficit decreased \$27.2 billion, to \$417.4 billion. Most of the decrease was accounted for by a decrease in the deficit on goods, but an increase in the surplus on services and a decrease in net outflows for unilateral transfers also contributed. In contrast, the deficit on income increased. In the financial account, net recorded financial inflows increased \$12.6 billion, to \$455.9 billion. Financial outflows for U.S.-owned assets abroad decreased more than financial inflows for foreign-owned assets in the United States.

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11 Real Inventories, Sales, and Inventory-Sales Ratios for Manufacturing and Trade, 2001:IV

25 An Ownership-Based Framework of the U.S. Current Account, 1989–99

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May 2002 Volume 82 Number 5

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Special in this issue

8 BEA's Strategic Plan for 2001–2005

BEA's strategic plan outlines the major focus of the Bureau's work over the next several years. The plan incorporates suggestions and comments from BEA's customers, staff, and partner statistical agencies. In November 2001, a panel of experts that included members of the Administration, other Federal Government agencies, and the private sector provided their opinions and insights on potential expansions and improvements to the accounts. Abstracts of their comments are reprinted along with a table that summarizes the new initiatives of the plan and shows the milestones for completion.

Regular features

1 Business Situation: Advance Estimates for the First Quarter of 2002

The pace of U.S. production picked up sharply in the first quarter of 2002: Real GDP increased 5.8 percent after increasing 1.7 percent in the fourth quarter of 2001. More than half of the first-quarter increase was accounted for by a substantial slowdown in the rate of liquidation of private inventories. Inflation remained low.

34 State Per Capita Personal Income and State Personal Income, 2001

Growth in per capita personal income slowed in 46 States and the District of Columbia in 2001. The States with the sharpest slowdowns were New Hampshire, California, Massachusetts, and Colorado. In contrast, growth picked up in New Mexico, Louisiana, and Alabama. Connecticut again topped the Nation in per capita personal income, at \$41,930, while Mississippi again trailed, at \$21,643.

60 Local Area Personal Income, 1998–2000

Newly released estimates of metropolitan area personal income show that San Jose, CA, again had the fastest growth in personal income in 2000, at 21.0 percent. Anniston, AL, had the slowest growth, at -0.2 percent. San Francisco, CA, again had the highest per capita personal income, at \$57,414, while McAllen-Edinburg-Mission, TX, again had the lowest, at \$13,344.

Newly released estimates of personal income by county show that Edgecombe County, NC, which rebounded from flooding caused by

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Hurricane Floyd in 1999, had the fastest growth in personal income, at 24.8 percent. Calhoun County, AL, had the slowest growth, at -0.2 percent. New York County (Manhattan), NY, again had the highest per capita personal income, at \$90,901, while Loup County, NE, again had the lowest, at \$6,606.

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LOOKING AHEAD

Gross State Product, 1998-2000. An article scheduled for the June SURVEY will present new estimates of gross state product for 2000 and revised estimates for 1998 and 1999. These estimates will incorporate the results of the summer 2001 annual revision of the NIPA's, the fall 2001 annual revisions of State personal income and of GDP by industry, and newly available State source data.

Accelerated Estimates of Gross Domestic Product by Industry. An article in a forthcoming issue of the SURVEY will report on the research BEA is conducting into the feasibility and tradeoffs involved in preparing an accelerated set of GDP-by-industry estimates. BEA will be soliciting comments on the proposed methodology, the appropriate scope of industry detail, and the tradeoff between accuracy and timeliness.

Measurement of U.S. International Services. An article in a forthcoming issue of the SURVEY will discuss some of the problems faced in collecting and estimating flows of international services and will present some possible approaches to overcoming these problems. The article will focus on a selected group of services—including insurance, wholesale and retail trade, and financial services.

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June 2002 Volume 82 Number 6

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19 Gross Domestic Product by Industry: A Progress Report on Accelerated Estimates

BEA has developed a prototype methodology for preparing estimates of GDP by industry on an accelerated schedule. The accelerated estimates would be released in April, 4 months after the end of the reference year and 7 months ahead of the release of the regular annual estimates in November. As part of this research, BEA has provided illustrative estimates for 2001 of current-dollar GDP by industry. These estimates are more limited in scope than the regularly published estimates, but research indicates that they are reasonably successful in indicating the direction of change in an industry's growth, whether the growth is accelerating or decelerating, and how the growth compares with that of other industries. BEA is seeking feedback from users on the proposed methodologies for preparing the estimates, on the appropriate level of industry detail, and on the tradeoff between accuracy and timeliness.

36 Selected Issues in the Measurement of U.S. International Services

The rapid growth of services transactions in world markets has made it increasingly important that trade in services be reflected in the statistics in a complete and economically meaningful way. Five categories of services—insurance, wholesale and retail trade, finance, construction, and utilities—are among the most difficult to define and measure. For each of these services, BEA has identified key measurement issues and has explored possible actions to address these issues. For example, in cross-border trade in insurance services, a catastrophe that results in a substantial jump in claims will lead to a drop in the current-dollar value of insurance services as presently measured, but this drop is unrelated to the actual level of the services provided. A possible action to address this issue would be to measure insurance services as premiums less average or expected claims rather than as premiums less actual claims.

Regular features

1 Business Situation: Preliminary Estimates for the First Quarter of 2002

Real GDP increased 5.6 percent in the first quarter of 2002, according to the "preliminary" estimate, after increasing 1.7 percent in the fourth quarter of 2001. The "advance" estimate issued last month had shown an increase of 5.8 percent. Corporate profits increased 0.5 percent in the first quarter after increasing 17.9 percent in the fourth (quarterly rates). The Federal Government current surplus or deficit shifted to a deficit of \$64.4

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billion in the first quarter from a surplus of \$97.4 billion in the fourth. The State and local government current surplus decreased to \$10.4 billion from \$24.8 billion.

28 Foreign Direct Investment in the United States: New Investment in 2001

Outlays by foreign direct investors to acquire or establish businesses in the United States dropped sharply to \$132.9 billion in 2001 from an exceptionally high level of \$335.6 billion in 2000. The dropoff reflected a substantial decrease in the share of outlays that was accounted for by very large transactions. Outlays fell in all the major industry groups and from almost all the major investing countries.

57 Gross State Product by Industry, 1998–2000

In 2000, the States with the fastest growth in real gross state product were located in the western and northeastern areas of the Nation. In Idaho, Oregon, California, and Arizona, growth was particularly robust in high-tech manufacturing, and in Colorado, growth was strong in business services and communication. In Rhode Island, New Hampshire, Massachusetts, New Jersey, and New York, growth was strong in finance, insurance, and real estate and in services.

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LOOKING AHEAD

Annual Revision of the U.S. International Transactions Accounts.

An article summarizing the revisions to the estimates of U.S. international transactions and discussing the major sources of these revisions will be published in the July SURVEY. Selected revised estimates will be available on June 20th as part of the release of the estimates of U.S. international transactions for the first quarter of 2002.

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July 2002 Volume 82 Number 7

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Special in this issue

33 Annual Revision of the U.S. International Accounts, 1993–2001

Each year, the estimates in the U.S. international transactions accounts and the U.S. international investment position accounts are revised to incorporate statistical and methodological changes and regularly available source data. The year's annual revision featured the incorporation of results from the March 2000 U.S. Treasury Department's Benchmark Survey of Foreign Portfolio Investment in the United States. The incorporation of these results led to substantial downward revisions to the estimates of foreign holdings of U.S. securities for 1995–2000 in the U.S. international investment position accounts. It also led to substantial downward revisions to the related income payments and net financial inflows for foreign-owned assets in the United States for 1995–2001 in the U.S. international transactions accounts. In addition, receipts and payments for "other" private services are revised to incorporate results from BEA's Benchmark Survey of Selected Services for 2001.

Regular features

1 Business Situation: Final Estimates for the First Quarter of 2002

Real GDP increased 6.1 percent in the first quarter of 2002, up from a 1.7-percent increase in the fourth quarter of 2001. The "preliminary" estimate for the first quarter issued last month had shown a 5.6-percent increase. A downward revision to imports (which are subtracted in the calculation of GDP) and an upward revision to nonresidential investment in equipment and software more than offset a downward revision to exports. Corporate profits increased \$5.8 billion (0.7 percent at a quarterly rate) in the first quarter after increasing \$125.0 billion (17.9 percent) in the fourth.

10 The International Investment Position of the United States at Yearend 2001

In 2001, the net international investment position of the United States became more negative, whether measured on a current-cost basis or on a market-value basis. The net position at current cost was $-\$1,948.1$ billion at yearend 2001, compared with $-\$1,350.8$ billion (revised) at yearend 2000. The net position for yearend 2000 was revised from the previously published estimate of $-\$1,842.7$ billion, primarily reflecting the incorporation of results from the March 2000 U.S. Treasury Department's Benchmark Survey of Foreign Portfolio Investment in the United States as part of the annual revision of the U.S. international accounts.

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21 Direct Investment Positions for 2001: Country and Industry Detail

In 2001, growth slowed in the historical-cost positions of U.S. direct investment abroad (USDIA) and of foreign direct investment in the United States (FDIUS), reflecting slowdowns in both U.S. and foreign economic growth. The USDIA position grew 7 percent, down from 10 percent in 2000; the FDIUS position grew 9 percent, down sharply from 27 percent in 2000. The economic slowdowns contributed to a worldwide drop in merger and acquisition activity, which included a slowdown in cross-border activity, and to depressed earnings, which reduced reinvested earnings, of both U.S. and foreign affiliates.

41 U.S. International Transactions, First Quarter 2002

The U.S. current-account deficit increased \$17.4 billion, to \$112.5 billion, in the first quarter of 2002. The increase was primarily accounted for by an increase in the deficit on goods and by a shift in the balance on income from a surplus to a deficit. In the financial account, net recorded inflows decreased \$51.3 billion, to \$99.4 billion. Financial inflows for foreign-owned assets in the United States and financial outflows for U.S.-owned assets abroad both decreased substantially, but the decrease in financial inflows was larger.

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8 Real Inventories, Sales, and Inventory-Sales Ratios for Manufacturing and Trade, 2002:I

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Annual Revision of the NIPAs. The August SURVEY will present the annual revision of the national income and product accounts (NIPAs). The issue will include an article that describes the impact of the revision on GDP and other major NIPA estimates and that discusses the principal sources of the revisions. The issue will also include tables that show the revised NIPA estimates for the first quarter of 1999 through the first quarter of 2002. Selected revised estimates will be available on July 31st as part of the release of the "advance" GDP estimates for the second quarter of 2002.

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August 2002 Volume 82 Number 8

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Special in this issue

7 Annual Revision of the National Income and Product Accounts: Annual Estimates, 1999–2001, and Quarterly Estimates, 1999:1–2002:1

The revised estimates show weaker economic growth than that shown by the previously published estimates, particularly in 2001. Real GDP now shows declines in the first three quarters of 2001; in the previous estimates, it had shown a decline only in the third quarter. Over the period covered by the revisions, the average annual growth rate of real GDP was revised down from 2.8 percent to 2.4 percent; the largest downward revisions were in investment in equipment and software and in personal consumption expenditures for services. The revised estimates reflect the incorporation of newly available and revised regular source data and of changes in methodology, including the introduction of several new price indexes. In addition, a change in the methodology and the revision schedule for the quarterly estimates of wages and salaries will allow the earlier incorporation of more comprehensive source data.

143 A Preview of the 1997 Benchmark Input-Output Accounts: New Detailed and Summary Industries

In the upcoming 1997 benchmark input-output accounts, BEA will present the detailed and summary industries on the basis of the 1997 North American Industry Classification System.

Regular features

1 Business Situation: Advance Estimates for the Second Quarter of 2002

The pace of U.S. production slowed in the second quarter of 2002: Real GDP increased 1.1 percent after increasing 5.0 percent in the first quarter. The deceleration was mainly accounted for by slowdowns in inventory investment, consumer spending, and government spending. Inflation picked up in the second quarter: Prices of gross domestic purchases increased 2.1 percent after increasing 1.2 percent. The pickup was more than accounted for by a sharp upturn in energy prices.

149 U.S. Affiliates of Foreign Companies: Operations in 2000

Largely as a result of record levels of new foreign investment, the current-dollar gross product of U.S. nonbank affiliates of foreign companies increased 14 percent in 2000, up from increases of 8 percent in 1998 and 9 percent in 1999. The U.S.-affiliate share of GDP in U.S. private industries rose to a record 7.0 percent from 6.5 percent in 1999. By country of ownership, several large acquisitions helped push the British-owned affiliates' share of the gross product of all affiliates to more than 20 percent.

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168 Personal Income by State, First Quarter 2002

In about three-fifths of the States, personal income increased in the first quarter of 2002 after decreasing in the fourth quarter of 2001, and in nearly all of the remaining States, personal income increased more in the first quarter than in the fourth. Part of the strength in the first quarter was accounted for by the annual cost-of-living adjustments to social security program benefits and by other special factors. Nevada and North Dakota had the sharpest turnarounds in personal income, and Wyoming was the only State in which personal income decelerated.

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36 National Income and Product Accounts Tables

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September 2002 Volume 82 Number 9

www.bea.gov

Regular features

1 Business Situation: Preliminary Estimates for the Second Quarter of 2002

Real GDP increased 1.1 percent in the second quarter of 2002, according to the “preliminary” estimate, after increasing 5.0 percent in the first quarter. The advance estimate issued last month had also indicated a 1.1-percent increase. Corporate profits decreased 1.7 percent in the second quarter, the same as in the first (quarterly rates). The current deficit of the Federal Government increased \$41.6 billion, to \$185.1 billion, in the second quarter. In contrast, the current deficit of State and local governments decreased \$8.5 billion, to \$43.2 billion.

17 Note on the Profitability of Domestic Nonfinancial Corporations, 1960–2001

The profitability of domestic nonfinancial corporations, as measured by property income’s before-tax rate of return on capital, dropped from 7.7 percent in 2000 to 6.9 percent in 2001. The revised estimates of the rates of return for 1999 and 2000 and the new estimates for 2001 incorporate the results of the recent annual revision of the NIPA’s.

Reports and statistics

21 Annual NIPA Revision: Newly Available Tables

23 Fixed Assets and Consumer Durable Goods for 1925–2001

38 Foreign Direct Investment in the United States: Detail for Historical-Cost Position and Related Capital and Income Flows, 2001

68 U.S. Direct Investment Abroad: Detail for Historical-Cost Position and Related Capital and Income Flows, 2001

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LOOKING AHEAD

U.S. International Services. An article presenting estimates of cross-border trade in services for 2001 and of sales of services through affiliates for 2000 is scheduled to be published in the October SURVEY. The estimates of cross-border trade will incorporate the preliminary results of BEA's 2001 Benchmark Survey of Selected Services Transactions With Unaffiliated Foreign Persons.

State Personal Income. An article presenting revised estimates of State personal income and of State per capita personal income for 1999-2001 is scheduled to be published in the October SURVEY. The revised estimates will incorporate the recent annual revision of the NIPA's and newly available State source data.

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October 2002 Volume 82 Number 10

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Special in this issue

125 State Personal Income: Revised Estimates for 1999–2001

The annual estimates of State personal income for 1999–2001 have been revised to incorporate the results of the recent annual revision of the NIPA's and newly available State-level source data. In general, the revisions were small and upward for all 3 years; in contrast, the NIPA estimate of personal income for 2001 had been revised down substantially. The difference primarily reflected the timing of the incorporation of Bureau of Labor Statistics tabulations of wages and salaries for 2001. In 2001, personal income grew the fastest in New Mexico, and it grew the slowest in Michigan.

Regular features

1 Business Situation: Final Estimates for the Second Quarter of 2002

Real GDP slowed to a 1.3-percent increase in the second quarter of 2002, according to the “final” estimate, from a 5.0-percent increase in the first quarter; the “preliminary” estimate issued a month ago had shown a 1.1-percent increase. The primary contributor to the upward revision to GDP was an upward revision to exports of services. Corporate profits decreased \$12.6 billion (1.6 percent at a quarterly rate) in the second quarter after decreasing \$13.8 billion (1.7 percent) in the first.

39 U.S. International Transactions, Second Quarter 2002

The U.S. current-account deficit increased \$17.5 billion, to \$130.0 billion, in the second quarter of 2002. The increase was primarily accounted for by an increase in the deficit on goods, as imports increased more than exports. In the financial account, net recorded inflows decreased \$7.2 billion, to \$80.4 billion. Financial outflows for U.S.-owned assets abroad and financial inflows for foreign-owned assets in the United States both increased substantially, but the increase in financial outflows was larger.

67 U.S. International Services: Cross-Border Trade in 2001 and Sales Through Affiliates in 2000

In 2001, U.S. exports of private services decreased 4 percent, to \$266.2 billion, and U.S. imports of private services decreased 5 percent, to \$192.3 billion. The decreases in both exports and imports reflected the worldwide slowdown in economic growth and the effects of the terrorist attacks of September 11th. In 2000, the most recent year for which data are available, sales of private services abroad through foreign affiliates of U.S. companies increased 11 percent, to \$392.8 billion,

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and sales of private services in the United States through U.S. affiliates of foreign companies increased 18 percent, to \$346.7 billion. These increases reflected the strong worldwide economy in 2000 and the continued worldwide boom in merger and acquisition activity.

Reports and statistics

- 7 Real Inventories, Sales, and Inventory-Sales Ratios for Manufacturing and Trade, 1998:IV–2002:II
- 10 Customer Service Report for Fiscal Year 2002
- 12 Annual NIPA Revision: Newly Available Tables
- 20 Updated Summary NIPA Methodologies
- 148 Schedule of BEA News Releases in 2003

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LOOKING AHEAD

Gross Domestic Product by Industry. An article that presents new estimates of GDP by industry for 2001 and revised estimates for 1999 and 2000 is scheduled to be published in the November issue of the *SURVEY*. These estimates will incorporate the results of this year's annual revision of the NIPAs and newly available source data.

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November 2002 Volume 82 Number 11

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Special in this issue

6 Note on the Upcoming Comprehensive Revision of the National Income and Product Accounts

Next year, BEA will be preparing a comprehensive revision of the NIPAs. The major areas of work include instituting a new processing system; evaluating and implementing changes in definitions, methodology, and presentation; and improving consistency with other accounts and with international standards.

23 Gross Domestic Product by Industry for 1999–2001

In 2001, the U.S. economy grew only slightly after growing at an average annual rate of 4.0 percent in 1995–2000. The slowdown reflected a downturn in private goods-producing industries and a deceleration in private services-producing industries. However, robust growth continued in a number of services and manufacturing industries, partly reflecting decreases in unit labor costs and unit capital costs as a result of increasing productivity. The new estimates of GDP by industry for 2001 and the revised estimates for 1999 and 2000 incorporate the results of this year's annual revision of the NIPAs and newly available source data.

Regular features

1 Business Situation: Advance Estimates for the Third Quarter of 2002

The pace of U.S. production picked up in the third quarter of 2002: Real GDP increased 3.1 percent after increasing 1.3 percent in the second quarter. Most of the pickup was attributable to consumer spending, which was boosted in the third quarter by a surge in auto and truck purchases. U.S. inflation moderated: The price index for gross domestic purchases increased 1.4 percent after increasing 2.3 percent.

13 Comparison of BEA Estimates of Personal Income and IRS Estimates of Adjusted Gross Income: New Estimates for 2000 and Revised Estimates for 1999

BEA's estimates of personal income and the IRS estimates of adjusted gross income (AGI)—two widely used measures of household income—are reconciled through a series of adjustments for definitional and statistical differences between the two measures. This year's reconciliation reflects the recent annual revision of the NIPAs and recent updates to the AGI estimates.

42 Reconciliation of the U.S.-Canadian Current Account, 2000 and 2001

Each year, the U.S. and Canadian current-account estimates are reconciled using a common set of definitions, methodologies, and data sources. On the reconciled

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basis, the U.S. current-account deficits with Canada are larger than those shown in the U.S.-published accounts. For 2000, the deficit on the reconciled basis is \$40.4 billion, compared with the U.S.-published deficit of \$30.5 billion. For 2001, the reconciled deficit is \$40.0 billion, compared with the published deficit of \$26.5 billion.

55 Personal Income by State, Second Quarter 2002

Personal income for the Nation increased 1.3 percent in the second quarter of 2002, about the same as in the first quarter. The growth in personal income slowed in 35 States and picked up in only 14 States, but the 14 States included the large States of California, New York, and Texas. Nevada led the Nation in personal income growth in the second quarter, and North Dakota was the only State in which personal income declined.

Reports and statistics

8 Updated NIPA Tables

21 Federal Personal Income Tax Liabilities and Payments, 1959–2000

D–1 BEA Current and Historical Data

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LOOKING AHEAD

Benchmark Input-Output Accounts. An article that presents the 1997 benchmark input-output accounts for the U.S. economy is scheduled to be published in the December *SURVEY*. The article will discuss the presentation of the accounts on the basis of the North American Industry Classification System (NAICS), and it will present the make (production) table and the use (consumption) table for 130 NAICS-based industries.

Annual Input-Output Accounts. The annual input-output accounts for 1999 will be made available on BEA's Web site <www.bea.gov> in December. The data will be available as downloadable files and through interactive access.

SURVEY OF CURRENT BUSINESS

December 2002 Volume 82 Number 12

www.bea.gov

Special in this issue

19 Benchmark Input-Output Accounts of the United States, 1997

The 1997 benchmark input-output (I-O) accounts present a detailed picture of the interactions among industries that combine to produce the Nation's GDP. A major change introduced in the 1997 I-O accounts is the incorporation of the North American Industry Classification System (NAICS), which provides a new treatment of the service activities of central administrative offices and other types of auxiliaries and a more detailed presentation of the increasingly important service industries. The 1997 accounts feature I-O tables that are more consistent with the GDP-by-industry accounts and the gross state product accounts and with other industry data that are based on NAICS.

Regular features

1 Business Situation: Preliminary Estimates for the Third Quarter of 2002

Real GDP increased 4.0 percent in the third quarter, according to the "preliminary" estimate, a sizable upward revision from the 3.1-percent increase shown in the "advance" estimate issued last month. However, both estimates indicated that economic growth stepped up from the 1.3-percent increase in the second quarter. Corporate profits decreased 1.8 percent (quarterly rate), about the same decrease as in the two preceding quarters. The current deficit of the Federal Government was unchanged, at \$190.3 billion, and the current deficit of State and local governments grew to \$51.8 billion.

111 U.S. Multinational Companies: Operations in 2000

The worldwide gross product of U.S. multinational companies increased 8.7 percent in 2000. The strong growth was evident in the operations of both U.S. parents and their majority-owned foreign affiliates. The growth in the operations of the affiliates was fueled both by expansions of existing affiliates and by acquisitions and establishments of new affiliates. By industry, the strongest growth was in petroleum-related activities. By area, the sharpest increases were in Africa and the Middle East.

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LOOKING AHEAD

Preview of Revised NIPA Estimates. An article that previews the impact of incorporating the 1997 benchmark input-output accounts in the upcoming comprehensive revision of the NIPA's will be published in a forthcoming issue of the *SURVEY*. These "preliminary" revised NIPA estimates will not reflect the definitional changes and the other statistical changes that will also be incorporated in the comprehensive revision.

SURVEY OF CURRENT BUSINESS

January 2003

Volume 83 • Number 1

1 Business Situation: Final Estimates for the Third Quarter of 2002

Real GDP increased 4.0 percent in the third quarter, according to the “final” estimate, up from a 1.3-percent increase in the second quarter. The “preliminary” estimate issued a month ago had also shown a 4.0-percent increase. Corporate profits decreased \$14.0 billion (1.8 percent at a quarterly rate) in the third quarter, about the same decrease as in the two preceding quarters.

7 Real Inventories, Sales, and Inventory-Sales Ratios for Manufacturing and Trade, 2002:III

Four tables present the latest quarterly and monthly estimates of real inventories and sales for manufacturing and trade and of real inventories by stage of fabrication for manufacturing.

10 Preview of the Revised NIPA Estimates for 1997: Effects of Incorporating the 1997 Benchmark I-O Accounts and Proposed Definitional and Statistical Changes

BEA has prepared preliminary revised estimates of GDP for 1997 that reflect the newly available 1997 benchmark input-output accounts. These estimates, along with a number of definitional and other statistical changes that BEA is considering, will be incorporated in the upcoming comprehensive revision of the NIPAs.

17 An Ownership-Based Framework of the U.S. Current Account, 1989–2001

BEA has updated its ownership-based current account with revised estimates for 1995–99, new detailed estimates for 2000, and new summary estimates for 2001. The ownership-based framework supplements BEA’s international transactions accounts by highlighting the participation of multinational companies in international markets for goods and services both through cross-border trade and through sales by locally established affiliates.

21 U.S. International Transactions, Third Quarter 2002

The U.S. current-account deficit was little changed, at \$127.0 billion, in the third quarter, as a decrease in the deficit on income more than offset an increase in the deficit on goods, a decrease in the surplus on services, and an increase in net outflows for unilateral current transfers. Net financial inflows stepped up sharply to \$172.4 billion, reflecting a shift in financial flows for U.S.-owned assets abroad to net inflows from net outflows.

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SURVEY OF CURRENT BUSINESS

February 2003

Volume 83 • Number 2

1 Business Situation: Advance Estimates for the Fourth Quarter of 2002

The irregular pattern of U.S. economic growth continued in the fourth quarter of 2002: Real GDP increased 0.7 percent after increases of 4.0 percent in the third quarter, 1.3 percent in the second quarter, and 5.0 percent in the first quarter. The fourth-quarter deceleration reflected a slowdown in consumer spending and downturns in inventory investment and exports. U.S. inflation stepped up but remained in the moderate range: The price index for gross domestic purchases increased 1.8 percent after increasing 1.2 percent in the third quarter.

7 BEA's International Accounts

BEA's international accounts present estimates of the transactions between U.S. and foreign residents and estimates of the value of accumulated stocks of U.S.-owned assets abroad and of foreign-owned assets in the United States. BEA also collects, processes, and provides comprehensive data on international services and on U.S. direct investment abroad and foreign direct investment in the United States. In addition, BEA conducts a variety of research and analytical activities in support of the international accounts.

29 Personal Income by State, Third Quarter 2002

The growth in personal income for the Nation slowed to 0.9 percent in the third quarter of 2002 from 1.2 percent in the second quarter. In half of the States, personal income grew at least as fast in the third quarter as in the second, but several large States—including California, New York, Texas, and Illinois—were among the States whose growth slowed in the third quarter. Growth ranged from 1.5 percent in Montana to 0.5 percent in Michigan.

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SURVEY OF CURRENT BUSINESS

March 2003

Volume 83 • Number 3

1 Business Situation: Preliminary Estimates for the Fourth Quarter of 2002

Real GDP increased 1.4 percent in the fourth quarter of 2002, according to the “preliminary” estimate, after increasing 4.0 percent in the third quarter. The “advance” estimate issued last month had shown a 0.7-percent increase in the fourth quarter. The upward revision was mainly attributable to an upward revision to inventory investment. The price index for gross domestic purchases increased 1.6 percent after increasing 1.2 percent. The advance estimate had shown a 1.8-percent increase.

14 Federal Budget Estimates, Fiscal Year 2004

Each year, BEA prepares an adjusted presentation of the administration’s budget estimates (as presented in *Budget of the United States Government, Fiscal Year 2004*) that is consistent with the framework of the NIPA’s. The fiscal year relationships derived from the budget estimates are then used in preparing BEA’s current quarterly estimates of Federal Government receipts and expenditures. For fiscal year 2004, the Federal current deficit on the NIPA basis is estimated at \$301.2 billion, compared with the deficit of \$307.4 billion in the administration’s budget.

25 BEA’s Regional Accounts

BEA’s regional accounts present estimates of State personal income, of personal income for counties, metropolitan areas, and BEA economic areas, and of gross state product. These estimates are consistent with the estimates of personal income and gross domestic product that are presented in BEA’s national income and product accounts. BEA also prepares regional economic multipliers that can be used to estimate the effects of the changes in the output of one or more industries in an area on the output, employment, and labor earnings in the other industries in the area.

D-1 BEA Current and Historical Data

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LOOKING AHEAD

Households and Nonprofit Institutions. An article that introduces a new NIPA presentation that shows incomes and outlays for households separately from those for nonprofit institutions is scheduled for publication in the April issue of the *SURVEY*. The separate estimates will facilitate analyses of the differences in saving, expenditures, and other economic behavior between these two types of institutional units.

State Government and Local Government Receipts and Expenditures. An article that provides separate estimates of the finances of State governments and of local governments is scheduled for publication in the April issue of the *SURVEY*. The article will analyze trends in State government receipts and expenditures and in local government receipts and expenditures for 1959–2001.

SURVEY OF CURRENT BUSINESS

May 2003

Volume 83 • Number 5

1 **Business Situation: Advance Estimates for the First Quarter of 2003**

U.S. production continued to grow slowly in the first quarter of 2003: Real GDP increased 1.6 percent after increasing 1.4 percent in the fourth quarter of 2002. Growth in consumer spending and government spending was weak, and private investment, exports, and imports all declined. Inflation stepped up: The price index for gross domestic purchases increased 3.6 percent after increasing 1.8 percent. Most of the step-up was attributable to a jump in energy prices.

7 **Gross Domestic Product by Industry for 2002**

In mid-April, BEA released estimates of real GDP by industry for 2002, the first time the real estimates have been released on an accelerated basis. According to these estimates, real GDP in private services-producing industries led the broad-based economic growth in 2002. Growth in wholesale and retail trade and in electric, gas, and sanitary services was particularly strong. Real GDP in private goods-producing industries also grew in 2002, following a slight decline in 2001. The upswing primarily reflected an upturn in nondurable-goods manufacturing.

16 **State Personal Income and Per Capita Personal Income, 2002**

Growth in per capita personal income slowed in 34 states in 2002, reflecting the slowdown in growth in per capita personal income for the Nation to 1.7 percent from 2.2 percent in 2001. Growth rates ranged from more than 4.0 percent in North Dakota, Montana, and Louisiana to less than 0.5 percent in Nevada and Texas. The slowdown in the growth in per capita personal income for the Nation reflected a slowdown in the growth in personal income, primarily in net earnings but also in dividend, interest, and rental income. By industry, earnings in both farms and manufacturing declined.

42 **Local Area Personal Income, 1999–2001**

BEA recently released the results of this year's annual revision of personal income for counties, metropolitan areas, and BEA economic areas. These estimates incorporate the results of the most recent annual revision of state personal income and newly available county-level source data.

In 2001, the gap in personal income growth rates for urban and rural areas narrowed to its smallest amount since 1996. Personal income in metropolitan areas increased 3.4 percent, and personal income in nonmetropolitan areas increased 2.9 percent. Despite a decline in 2001, the San Francisco, CA, metropolitan

area again had the highest per capita personal income, at \$57,714. Of the counties with population exceeding 50,000, Loudoun County, VA, had the fastest growth in personal income, at 12.5 percent. New York County (Manhattan), NY, again had the highest per capita personal income, at \$92,984.

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LOOKING AHEAD

Comprehensive Revision of the NIPAs. The upcoming comprehensive revision of the NIPAs is scheduled for release in late 2003. BEA is planning to publish three articles that preview the main features of the comprehensive revision. The first of these articles, covering major changes in definitions and classifications, is scheduled for the June SURVEY.

State Government and Local Government Receipts and Expenditures. An article that provides separate estimates of the finances of state governments and of local governments for 1959–2001 on a NIPA basis will be published in a forthcoming issue of the SURVEY. The article will describe the state and local government estimates and how they are measured, and it will summarize broad trends in the estimates.

Updated BEA Strategic Plan

The Bureau of Economic Analysis has completed its updated 5-year Strategic Plan for Fiscal Year 2003–Fiscal Year 2007. We invite you to view the plan on BEA's Web site at <www.bea.gov> under "About BEA." The plan is a detailed guide to help the agency achieve its goals and meet its performance measures. It is reviewed, updated, and extended annually. A preliminary plan is prepared at the beginning of each fiscal year, public comment is invited, and then the final plan is published in May.

SURVEY OF CURRENT BUSINESS

June 2003

Volume 83 • Number 6

1 Business Situation: Preliminary Estimates for the First Quarter of 2003

Real GDP increased 1.9 percent in the first quarter of 2003, according to the “preliminary” estimates, after increasing 1.4 percent in the fourth quarter of 2002. The “advance” estimates issued last month had shown a 1.6-percent increase. Corporate profits increased \$7.9 billion (1.0 percent at a quarterly rate) in the first quarter. The Federal Government current deficit increased \$18.4 billion, to \$266.1 billion, and the state and local government current deficit increased \$16.3 billion, to \$66.9 billion.

17 Preview of the 2003 Comprehensive Revision of the National Income and Product Accounts: Changes in Definitions and Classifications

The upcoming comprehensive revision will feature a number of changes in definitions and classifications that update the NIPA’s in order to better portray U.S. economic activity. These changes will address data gaps and other shortcomings, will improve consistency and integration with other accounts, and will improve consistency with international guidelines. The major definitional changes are as follows: Recognize the implicit services provided by property and casualty insurance and provide a more appropriate treatment of insured losses, allocate a portion of the implicit services of commercial banks to borrowers, recognize explicitly the services produced by general government and treat government purchases of goods and services as intermediate inputs, and broaden the definition of national income to include all net incomes earned in production.

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

Newly available estimates that separate receipts and expenditures of state governments from those of local governments facilitate long-term analyses of each level of government. Over the past four decades, receipts and expenditures at all levels of government—Federal, state, and local—grew relative to the growth of the overall economy. For state governments, expenditures—particularly those for Medicaid—grew faster than receipts, so that by 2001, states ran a record deficit of \$64.0 billion. For local governments, receipts and expenditures grew at about the same pace. Local governments ran a surplus throughout the period; in 2001, the surplus was \$32.6 billion.

55 **Foreign Direct Investment in the United States: New Investment in 2002**

Outlays by foreign direct investors to acquire or establish businesses in the United States were \$52.6 billion in 2002, down 64 percent from 2001 and 84 percent below the record \$335.6 billion in 2000. The drop in 2002 reflected continuing weakness in the U.S. economy and in many foreign economies and a falloff in merger and acquisition activity worldwide.

63 **Gross State Product by Industry, 1999–2001**

New estimates of gross state product (GSP) confirm that the slowdown in U.S. economic growth in 2001 was widespread. Real GSP declined in 20 states, and it decelerated in an additional 26 states. Manufacturing declined in 40 states. Of the 10 states with the largest declines in real GSP, manufacturing contributed the most to the declines in all of them except Alaska. Revisions to the GSP estimates for 1999 and 2000 were generally small. The revised estimates incorporate the results of the most recent annual revisions of state personal income and of the national income and product accounts and newly available state-level source data.

78 **Subject Guide for the January–June 2003 Issues**

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LOOKING AHEAD

Annual Revision of the U.S. International Transactions Accounts. An article summarizing the revisions to the estimates of U.S. international transactions and discussing the major sources of these revisions will be published in the July SURVEY. The revisions will extend back to 1992. Selected estimates will be made available on June 19th as part of the release of the estimates of U.S. international transactions for the first quarter of 2003.

SURVEY OF CURRENT BUSINESS

July 2003

Volume 83 • Number 7

1 Business Situation: Final Estimates for the First Quarter of 2003

Real GDP increased 1.4 percent in the first quarter of 2003, according to the “final” estimates, the same increase as in the fourth quarter of 2002. The “preliminary” first-quarter estimates issued a month ago had shown a 1.9-percent increase. The downward revision to GDP was largely accounted for by a downward revision to inventory investment. Corporate profits increased \$20.4 billion (2.6 percent at a quarterly rate) in the first quarter, an upward revision of \$12.5 billion from the estimates issued a month ago.

8 Real Inventories, Sales, and Inventory-Sales Ratios for Manufacturing and Trade, 2003:I

Four tables present the latest quarterly and monthly estimates of real inventories and sales for manufacturing and trade and of real inventories by stage of fabrication for manufacturing.

12 The International Investment Position of the United States at Yearend 2002

In 2002, the net international investment position of the United States became more negative, whether measured on a current-cost basis or on a market-value basis. The net position at current cost was $-\$2,387.2$ billion at yearend 2002, compared with $-\$1,979.9$ billion (revised from the previous estimate of $-\$1,948.1$ billion) at yearend 2001. The increase in the negative position was mainly due to large net foreign purchases of U.S. securities, a shift by U.S. investors to net sellers of foreign securities, and large declines in stock market prices that lowered the value of U.S.-owned assets abroad more than the value of foreign-owned assets in the United States.

22 Direct Investment Positions for 2002: Country and Industry Detail

In 2002, growth in the historical-cost position of U.S. direct investment abroad (USDIA) picked up, while the historical-cost position of foreign direct investment in the United States (FDIUS) declined for the first time since at least 1946. The 10-percent increase in the USDIA position reflected strong reinvested earnings and a shift from inflows to outflows on intercompany debt transactions. The 1-percent decrease in the FDIUS position reflected financial restructuring and writedowns of investments, reduced requirements by existing U.S. affiliates for financing by their foreign parents, and a sharp slowdown in new investment by foreign parents.

32 Annual Revision of the U.S. International Transactions, 1992–2002

Each year, estimates in the U.S. international transactions accounts and in the U.S. international investment position accounts are revised to incorporate statistical and methodological changes and regularly available source data. This year, major

statistical changes include the incorporation of the results of the U.S. Treasury Department's Benchmark Survey of U.S. Portfolio Investment Abroad as of December 31, 2001; of the results of BEA's Benchmark Survey of U.S. Direct Investment Abroad for 1999; and of newly available detail from the U.S. Treasury Department's statistical collection system. In addition, a major definitional change has been made to the estimates of insurance services. Finally, BEA has greatly improved the presentation in the international transactions accounts of the estimates of direct investment and of banking, nonbanking, and securities transactions.

46 How BEA Aligns and Augments Source Data From the U.S. Treasury Department for Inclusion in the International Transactions Accounts

The estimates of financial-account flows in BEA's international transactions accounts (ITA's) are built up from data collected by the U.S. Treasury Department. BEA makes numerous adjustments to the Treasury data in order to align the data with balance of payments concepts and to close gaps in coverage. To provide users with a clearer picture of these adjustments, BEA has prepared three tables that show the relationship between the ITA estimates and the Treasury data.

49 U.S. International Transactions, First Quarter 2003

The U.S. current-account deficit increased \$7.5 billion, to \$136.1 billion, in the first quarter. About half of the increase was accounted for by an increase in the deficit on goods, but decreases in the surpluses on services and on income and an increase in net outflows for unilateral current transfers also contributed. Net recorded financial inflows decreased \$39.8 billion, as financial outflows for U.S.-owned assets abroad increased and financial inflows for foreign-owned assets in the United States decreased.

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LOOKING AHEAD

Comprehensive Revision of the National Income and Product Accounts.

The initial results of the upcoming comprehensive, or benchmark, revision of the NIPA's are scheduled for release in December 2003. The annual revision of the NIPA estimates for 2000-2002, which would usually be published in the August SURVEY, will be included as part of the comprehensive revision. The August SURVEY will include an article about the new and redesigned NIPA tables, and the September SURVEY will include an article about the statistical changes that will be introduced. (An article in the June SURVEY described the upcoming changes in definitions and classifications.)

SURVEY OF CURRENT BUSINESS

August 2003

Volume 83 • Number 8

1 Business Situation: Advance Estimates for the Second Quarter of 2003

U.S. production stepped up in the second quarter of 2003: Real GDP increased 2.4 percent after increasing 1.4 percent in the first quarter. Federal spending on national defense and consumer spending on durable goods both turned up. Inflation slowed sharply: The price index for gross domestic purchases increased 0.3 percent after increasing 3.4 percent. The slowdown was largely attributable to a downturn in energy prices.

7 Preview of the 2003 Comprehensive Revision of the National Income and Product Accounts: New and Redesigned Tables

The upcoming comprehensive revision will feature significant changes in the presentation of the NIPAs. These changes are designed to make it easier for data users to locate information and to improve the comparability of the NIPAs with other U.S. accounts, such as BEA's input-output accounts and the Federal Reserve Board's flow of funds accounts, and with the accounts of other nations. Among the major changes are the following: An updated presentation of the NIPA summary accounts that shows the composition of production and the distribution of incomes earned in production, new and redesigned tables that reflect changes in definitions and classifications, new tables that highlight percent changes and contributions to percent change, and a new organization and numbering system for the NIPA tables.

32 Information Technology and Productivity: The Case of the Financial Sector

It is widely held that infusions of information technology beginning in the 1980s and intensifying in the 1990s have raised the overall productivity of the U.S. economy and spurred economic growth. In this article, Nobel laureate Lawrence Klein and Cynthia Saltzman and Vijaya Duggal, both professors at Widener University in Pennsylvania, present the results of their study of the impact of information technology on the financial sector, one of the first sectors to use computer services on a large scale and for a prolonged period. Using data from BEA's benchmark and annual input-output accounts, the authors confirm the large and prolonged contributions of information technology to the productivity gains in the finance sector.

38 U.S. Affiliates of Foreign Companies: Operations in 2001

The current-dollar gross product of U.S. nonbank affiliates of foreign companies fell 6 percent in 2001, the first decrease since annual data on affiliate operations became available in 1977. The U.S. affiliate share of U.S. gross domestic product in

private industries dropped from a record 6.9 percent in 2000 to 6.4 percent in 2001, reversing a 5-year uptrend. The downturn in the gross product of U.S. affiliates reflected a sharp drop in new foreign investment and a combination of foreign selloffs of U.S. affiliates and of reductions in ongoing affiliate production.

58 State Personal Income: First Quarter 2003 and Revised 2002

Growth in personal income picked up in 39 states in the first quarter of 2003, reflecting the acceleration in growth in personal income for the Nation to 0.9 percent from 0.6 percent in the fourth quarter of 2002. The majority of the fastest growing states were in either the Plains region or the Rocky Mountain region, where growth was particularly rapid in natural resources and mining. As a result of the incorporation of newly available and revised source data on wages and salaries, the estimate of the U.S. total of state personal income for 2002 was revised down \$31.2 billion, to \$8,891.1 billion. New York had the largest downward revision to personal income.

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LOOKING AHEAD

Comprehensive Revision of the National Income and Product Accounts.

The initial results of the upcoming comprehensive or benchmark revision of the NIPA's are scheduled for release in December 2003. The annual revision of the NIPA estimates for 2000–2002, which would usually be published in this issue of the SURVEY, will be included as part of the comprehensive revision. The September SURVEY will include an article about the major statistical changes that will be introduced. (An article in the June SURVEY described the upcoming changes in definitions and classifications, and an article in this issue describes the upcoming changes in presentation.)

SURVEY OF CURRENT BUSINESS

September 2003

Volume 83 • Number 9

1 Business Situation: Preliminary Estimates for the Second Quarter of 2003

Real GDP increased 3.1 percent in the second quarter of 2003, according to the “preliminary” estimates, after increasing 1.4 percent in the first quarter. The “advance” estimates issued last month had shown a 2.4-percent increase in the second quarter. Corporate profits increased \$88.3 billion (10.8 percent at a quarterly rate) in the second quarter. The Federal Government current deficit increased \$108.1 billion, to \$383.4 billion, and the state and local government current deficit decreased \$51.4 billion, to \$15.5 billion.

17 Preview of the 2003 Comprehensive Revision of the National Income and Product Accounts: Statistical Changes

The upcoming comprehensive revision will feature a number of statistical changes that improve the quality of the NIPA estimates by incorporating data from new sources and by introducing new methods and techniques. The major source data include the 1997 benchmark input-output accounts, the 1997 economic censuses, and regular source data that would normally be incorporated in an annual revision of the NIPAs. The major methodological changes include the following: Convert the industry estimates of income and employment to a NAICS basis; employ new methods for estimating dealers’ margins and net purchases of used vehicles in motor vehicle output; incorporate a new adjustment for stock options into the estimates of corporate profits; and incorporate several new price indexes, including new price indexes for nonresidential structures and for photocopying equipment.

33 Measuring the Services of Commercial Banks in the NIPAs: Changes in Concepts and Methods

As part of the upcoming NIPA comprehensive revision, the measure of banks’ implicit financial services will be changed to allocate a portion of these services to borrowers; currently, all of these services are allocated to depositors. The implicit services to borrowers will be measured as the difference between the average interest rate paid by borrowers and a risk-free “reference rate,” and the implicit services to depositors will be measured as the difference between the “reference rate” and the average interest rate paid to depositors. As a result of this change, the imputed output of banks will be reduced, and GDP and gross domestic income will be reduced even more.

46 Foreign Direct Investment in the United States: Detail for Historical-Cost Position and Related Capital and Income Flows, 2002

These estimates, which incorporate two major changes in industry classification, show the geographic and industrial composition of foreign companies' investment in the United States and the related capital, income, and services flows.

96 U.S. Direct Investment Abroad: Detail for Historical-Cost Position and Related Capital and Income Flows, 2002

These estimates, which incorporate the results of BEA's 1999 benchmark survey of U.S. direct investment abroad, show the geographic and industrial composition of U.S. companies' investment abroad and the related capital, income, and services flows.

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LOOKING AHEAD

Comprehensive Revision of the National Income and Product Accounts.

The release of the upcoming comprehensive revision of the NIPAs is scheduled for December 10, 2003. An article in the June 2003 SURVEY described the upcoming changes in definitions and classifications, an article in the August SURVEY described the new and redesigned NIPA tables, and an article in this issue describes the statistical changes.

U.S. International Services. An article presenting the estimates of cross-border trade in services for 2002 and of sales of services through affiliates for 2001 is scheduled to be published in the October SURVEY. The estimates of cross-border trade will incorporate an improved method for estimating insurance services.

SURVEY OF CURRENT BUSINESS

October 2003

Volume 83 • Number 10

1 Business Situation: Final Estimates for the Second Quarter of 2003

Real GDP increased 3.3 percent in the second quarter, according to the final estimates. Last month, the “preliminary” estimates had shown a 3.1-percent increase. The upward revision was mainly accounted for by inventory investment and residential investment. Corporate profits increased \$80.6 billion (9.9 percent at a quarterly rate) in the second quarter, a downward revision of \$7.7 billion from the estimate released a month ago.

7 Real Inventories, Sales, and Inventory-Sales Ratios for Manufacturing and Trade, 2003:II

Four tables present the latest quarterly and monthly estimates of real inventories and sales for manufacturing and trade and of real inventories by stage of fabrication for manufacturing.

10 Measuring the Services of Property-Casualty Insurance in the NIPAs: Changes in Concepts and Methods

As part of the upcoming comprehensive revision of the NIPAs, the measure of the services of property and casualty insurance will be changed in order to recognize the implicit services that are funded by investment income, to adopt a treatment of insured losses that is more consistent with the economic behavior of the insurer, and to change the treatment of reinsurance. As a result of this change, the average annual output of property-casualty insurance has significantly increased, and the large swings in the measured services that are caused by catastrophes are eliminated.

28 U.S. International Transactions, Second Quarter 2003

The U.S. current-account deficit increased \$7.5 billion, to \$136.1 billion, in the second quarter. About half of the increase was accounted for by an increase in the deficit on goods, but decreases in the surpluses on services and on income and an increase in net outflows for unilateral current transfers also contributed. Net recorded financial inflows decreased \$39.8 billion, as financial outflows for U.S.-owned assets abroad increased and financial inflows for foreign-owned assets in the United States decreased.

58 U.S. International Services: Cross-Border Trade in 2002 and Sales Through Affiliates in 2001

In 2002, U.S. exports of private services increased 1 percent to \$279.5 billion, and U.S. imports of services increased 2 percent to \$205.2 billion. The modest recovery

reflected pickups in economic activity in the United States and in many foreign countries. In 2001, the most recent year for which data are available, sales of private services abroad by foreign affiliates of U.S. companies increased 5 percent to \$432.1 billion, and sales of private services in the United States by U.S. affiliates of foreign companies increased 7 percent to \$366.9 billion. Growth slowed from 2000 because of the slow worldwide economic growth in 2001 and the end of the exceptionally high levels of cross-border mergers and acquisitions.

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LOOKING AHEAD

Comprehensive Revision of the National Income and Product Accounts.

The release of the upcoming comprehensive revision of the NIPAs is scheduled for December 10, 2003. An article in the June 2003 SURVEY described the upcoming changes in definitions and classifications, an article in the August SURVEY described the new and redesigned NIPA tables, and an article in the September SURVEY described the statistical changes.

SURVEY OF CURRENT BUSINESS

November 2003

Volume 83 • Number 11

1 Business Situation: Advance Estimates for the Third Quarter of 2003

The pace of U.S. production accelerated in the third quarter of 2003. Real GDP increased 7.2 percent after increasing 3.3 percent in the second quarter. The acceleration reflected an improved trade balance and strong consumer spending. Inflation was moderate: The price index for gross domestic purchases increased 1.9 percent after increasing 0.4 percent, partly reflecting an upturn in energy prices.

8 Chained-Dollar Indexes: Issues, Tips on Their Use, and Upcoming Changes

This article discusses the advantages of using chain-weighted indexes and the challenges of using chained dollars. It outlines BEA's plans to address these issues as part of the 2003 comprehensive revision of the NIPAs, and it provides suggestions for using chained dollars so that biases and errors are minimized in forecasting and in other applications in which the components of GDP are aggregated.

18 Business Investment by Industry in the U.S. Economy for 1997

The capital flow table shows the destination of the new capital investment in equipment, software, and structures by the industries that purchased or leased these capital goods and services. It provides a detailed view of the investment of 180 commodities for 123 industries on the basis of the North American Industry Classification System. This table supplements the use table from the 1997 benchmark input-output accounts that shows private fixed investment by detailed commodity for each industry.

72 Reconciliation of the U.S.-Canadian Current Account, 2001 and 2002

Each year, the U.S. and Canadian current-account estimates are reconciled using a common set of definitions, methodologies, and data sources. On the reconciled basis, the U.S. current-account deficits with Canada are larger than those shown in the U.S.-published accounts. For 2001, the deficit on the reconciled basis is \$39.1 billion, and the U.S.-published deficit is \$28.1 billion. For 2002, the reconciled deficit is \$38.0 billion, and the published deficit is \$30.4 billion.

85 U.S. Multinational Companies: Operations in 2001

The worldwide value added in production by U.S. multinational companies decreased 7.7 percent in 2001, reflecting decreases in production by both U.S. parent companies and their majority-owned foreign affiliates. Despite the decreases in

production, these companies continued to increase their capital spending.

By industry, the decrease in production was most pronounced in the manufacture of durable goods, such as motor vehicles and computers, due to weak demand. By area, the decreases were most pronounced in Africa and in Latin America and Other Western Hemisphere.

106 **State Personal Income: Second Quarter 2003**

Personal income for the Nation grew 0.8 percent in the second quarter of 2003, about the same as in the first quarter. Reflecting the above-average growth in natural resources and mining, 4 of the 10 fastest growing states were in the Plains region, and 2 of the 10 were in the Rocky Mountain region. In 21 states and the District of Columbia, net earnings, the largest of the three major components of personal income, grew faster in the second quarter than in the first quarter.

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LOOKING AHEAD

Comprehensive Revision of the National Income and Product Accounts.

The release of the upcoming comprehensive revision of the NIPAs is scheduled for December 10, 2003. The December SURVEY will provide a summary of the revised estimates. The January 2004 SURVEY will include an article that describes the comprehensive revision in detail and an extensive set of tables that will present the revised estimates.

SURVEY OF CURRENT BUSINESS

December 2003

Volume 83 • Number 12

1 Initial Results of the 2003 Comprehensive Revision of the National Income and Product Accounts

On December 10, 2003, BEA released revised estimates for 1929–2002 from the 12th comprehensive revision of the accounts. According to the revised estimates, between 1992 and 2002, real GDP grew at an average annual rate of 3.2 percent, the same rate as previously estimated. Consumer spending and residential investment increased slightly more than previously estimated, but exports and government spending increased slightly less. The pace of the current expansion was revised down slightly: From the third quarter of 2001 to the second quarter of 2003, the growth rate of real GDP was revised from 2.7 percent to 2.6 percent.

43 The Effects of Revisions to Seasonal Factors on Revisions to Seasonally Adjusted Estimates: The Case of Exports and Imports

Seasonal adjustments are used to remove the effects of recurring patterns of economic activity, such as increased consumer spending during the holidays. This study examines the importance of revisions to the underlying seasonally unadjusted data for the exports and imports of goods and services in BEA's international transactions accounts, relative to the effects of revisions to seasonal factors.

52 The Reliability of the State Personal Income Estimates

A recent study by BEA found that the quarterly estimates of state personal income are reliable indicators of whether a state's economy is expanding or contracting, whether a state's economy is accelerating or decelerating, and whether a state's economy is growing at rates that are above, below, or near long-term trend. As a result, the estimates present a consistent picture of a state's economic growth.

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LOOKING AHEAD

Improved NIPA Estimates for 1929–2003. The January 2004 SURVEY will include an article that describes the comprehensive revision in detail and an extensive set of tables that will present the revised estimates.

SURVEY OF CURRENT BUSINESS

January 2004

Volume 84 • Number 1

1 Business Situation: Final Estimates for the Third Quarter of 2003

The acceleration in the pace of U.S. production in the third quarter of 2003 was confirmed by the final estimates. Real GDP increased 8.2 percent, the same rate shown by the preliminary estimates released in November. The acceleration reflected strong consumer spending and an improved trade balance. Inflation was moderate: The price index for gross domestic purchases increased 1.8 percent after increasing 0.4 percent, partly reflecting an upturn in energy prices.

6 Preview of Selected Tables From the 2003 Comprehensive Revision of the National Income and Product Accounts

This preview presents revised annual estimates for 1999–2002 and quarterly estimates for the first quarter of 2000 through the third quarter of 2003 for selected tables from the national income and product accounts.

66 An Ownership-Based Framework of the U.S. Current Account, 1992–2002

BEA's ownership-based current account has been updated. This report presents revised estimates for 1992–2000, new detailed estimates for 2001, and new summary estimates for 2002. This framework supplements BEA's international transactions accounts by highlighting the participation of multinational companies in the international markets for goods and services through both cross-border trade and sales by local affiliates.

69 U.S. International Transactions, Third Quarter 2003

The U.S. current-account deficit decreased \$4.4 billion, to \$135.0 billion, in the third quarter. The decrease was attributable to a decrease in the deficit on goods, to increases in the surpluses on services and on income, and to a decrease in net outflows for unilateral current transfers. In the financial account, net recorded inflows decreased \$26.7 billion, to \$123.3 billion. Both financial inflows for foreign-owned assets in the United States and financial outflows for U.S.-owned assets abroad decreased substantially, but the decrease in inflows was larger than that in outflows.

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100 Errata: Selected Data for Majority-Owned Nonbank Foreign Affiliates by Country of Affiliate

The data now include the final estimates of research and development expenditures of majority-owned nonbank foreign affiliates, U.S. exports of goods shipped to these affiliates, and U.S. imports of goods shipped by these affiliates for 2000. These estimates replace the estimates published in the article on the operations of U.S. multinational companies in the November 2003 SURVEY.

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LOOKING AHEAD

Improved NIPA Estimates for 1929–2003. The February 2004 SURVEY will include an article that describes the comprehensive revision in detail and an extensive set of tables that will present the revised estimates.

SURVEY OF CURRENT BUSINESS

February 2004

Volume 84 • Number 2

1 Business Situation: Advance Estimates for the Fourth Quarter of 2003 and for the Year 2003

The pace of U.S. production moderated in the fourth quarter, as real GDP increased 4.0 percent after increasing 8.2 percent in the third quarter. The deceleration mainly reflected slower growth of consumer spending. Inflation slowed: The price index for gross domestic purchases increased 1.0 percent after increasing 1.8 percent, mainly reflecting a downturn in energy prices.

In 2003, real GDP increased 3.1 percent after increasing 2.2 percent in 2002. The step-up mainly reflected upturns in nonresidential investment and exports; consumer spending slowed, and inventory investment turned down.

7 Improved Estimates of the National Income and Product Accounts for 1929–2002: Results of the Comprehensive Revision

The Bureau of Economic Analysis has released the results of the 12th comprehensive revision of the NIPAs. The revised estimates incorporate a number of major improvements that are designed to better measure the ever-changing U.S. economy. The revisions to GDP and the other major NIPA aggregates and their components are described, and the revisions that are attributable to the various improvements are identified. The picture of the economy shown by the revised estimates is similar to that shown by the previously published estimates: Real GDP grew at about the same rate as in the previously published estimates, and the most recent recession and the current expansion are slightly milder than previously estimated.

31 National Income and Product Accounts Tables

An extensive set of tables presents estimates from the 2003 comprehensive NIPA revision. It includes annual estimates for 2000–2003 and quarterly estimates for the second quarter of 2000 through the fourth quarter of 2003 in the selected set of tables that are published monthly. It also includes annual estimates for 1999–2002 and monthly estimates for 1999–2003 that are a part of the extended set of NIPA tables.

152 GDP and Other Major NIPA Series, 1929–2003

A set of tables presents the historical series from the 2003 comprehensive NIPA revision. Specifically, it presents estimates of GDP and its components in current dollars, in chained dollars, and in chain-type quantity and price indexes, and estimates of national income and personal income.

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177 Annual Customer Satisfaction Survey Report for Fiscal Year 2003

BEA's survey received feedback in three critical areas: Customer satisfaction, product use, and Web site features.

178 Real Inventories, Sales, and Inventory-Sales Ratios for Manufacturing and Trade, 1997:I–2003:III

The quarterly and monthly estimates of inventories, sales, and inventory-sales ratios have been revised to reflect the results of the 2003 comprehensive NIPA revision .

192 State Personal Income: Third Quarter 2003

Personal income for the Nation grew 1.1 percent, up from 1.0 percent in the second quarter. Reflecting continued strong growth in farm earnings, 3 of the 10 fastest growing states are in the Plains region, and 2 are in the Rocky Mountain region. Earnings grew in every industry for the first time in more than 2 years and in all the states and the District of Columbia.

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LOOKING AHEAD

Preview of the Comprehensive Revision of the Industry Accounts. An article that describes the integration of BEA's annual input-output accounts with the GDP-by-industry accounts is scheduled for an upcoming issue of the SURVEY.

SURVEY OF CURRENT BUSINESS

March 2004

Volume 84 • Number 3

1 Business Situation: Preliminary Estimates for the Fourth Quarter of 2003

The pace of U.S. production slowed in the fourth quarter, as real GDP increased 4.1 percent after increasing 8.2 percent in the third quarter. The deceleration mainly reflected slower growth in consumer spending and a deterioration in the trade balance. Inflation slowed: The price index for gross domestic purchases increased 1.1 percent after increasing 1.8 percent, mainly reflecting a downturn in energy prices.

14 Federal Budget Estimates for Fiscal Year 2005

Each year, BEA prepares an adjusted presentation of the administration's budget estimates from the *Budget of the United States Government* that is consistent with the framework of the NIPAs. The fiscal year relationships derived from the budget estimates are then used in preparing BEA's quarterly estimates of Federal Government current receipts and expenditures. This year, the NIPA framework reflects the results of the 2003 comprehensive NIPA revision. For fiscal year 2005, the net Federal Government saving on the NIPA basis is estimated at -\$338.0 billion, compared with the deficit of \$363.6 billion in the administration's budget.

26 Comprehensive NIPA Revision: Newly Available Tables

The Bureau of Economic Analysis continues to release the results of the 12th comprehensive revision of the NIPAs.

36 Errata: Sources of the Revisions to Selected Income Components

In the article on the comprehensive NIPA revision in the 2004 February SURVEY, the definitional and statistical sources of the revisions to taxes on production and imports and to business current transfer payments for several years were misreported.

38 Preview of the Comprehensive Revision of the Annual Industry Accounts: Integrating the Annual Input-Output Accounts and the Gross-Domestic-Product-by-Industry Accounts

The upcoming comprehensive revision of the annual industry accounts features the integration of these two sets of accounts. For the first time, these two sets of accounts will be released concurrently and will present fully consistent measures of gross output, intermediate inputs, and value added by industry. In addition, the annual input-output accounts for 1998–2002 will be a consistent time series.

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52 **A Note on Patterns of Production and Employment by U.S. Multinational Companies**

This note examines recent patterns and trends in the worldwide operations of U.S. multinationals with a focus on production and employment. For example, U.S. parents have consistently accounted for about three-fourths, and their majority-owned foreign affiliates for about one-fourth, of the total gross product, capital expenditures, and employment of U.S. multinationals. The note concludes with a discussion of several data and analytical considerations.

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LOOKING AHEAD

Comprehensive Revision of State Personal Income. An upcoming SURVEY article will present the results of the comprehensive revision of state personal income. The revised estimates will incorporate the results of the recent comprehensive NIPA revision, improvements in the source data and methods that are used for the state estimates, and newly available data from regular sources.

SURVEY OF CURRENT BUSINESS

April 2004

Volume 84 • Number 4

1 Business Situation: Final Estimates for the Fourth Quarter of 2003

The slower pace of U.S. production in the fourth quarter was confirmed by the final estimates of the national income and product accounts. Real GDP increased 4.1 percent after increasing 8.2 percent in the third quarter. The deceleration mainly reflected slower growth in consumer spending and a deterioration in the trade balance. Inflation slowed: The price index for gross domestic purchases increased 1.3 percent after increasing 1.8 percent, mainly reflecting a downturn in energy prices.

Corporate profits increased \$81.4 billion (7.2 percent at a quarterly rate) after increasing \$101.4 billion. Net Federal Government saving, the difference between current receipts and current expenditures, increased \$77.0 billion, to -\$417.9 billion, and net state and local government saving increased \$26.8 billion, to \$39.9 billion.

8 Comparison of BEA Estimates of Personal Income and IRS Estimates of Adjusted Gross Income: New Estimates for 2001 and Revised Estimates for 1959–2000

Personal income and adjusted gross income—two widely used measures of household income—are reconciled through a series of adjustments for definitional and statistical differences between the two measures. The estimates reflect the incorporation of the results of the recent comprehensive NIPA revision and of new and updated estimates of adjusted gross income.

23 Real Inventories, Sales, and Inventory-Sales Ratios for Manufacturing and Trade, 1997:I–2003:IV

The quarterly and monthly estimates of inventories, sales, and inventory-sales ratios have been updated. In addition, the estimates of sales and ratios for the retail trade industries that were published in the February SURVEY have been corrected; as a result, the estimates of the sales and ratios for total manufacturing and trade industries have also been corrected.

38 Comprehensive NIPA Revision: Newly Available Tables

The Bureau of Economic Analysis continues to release the results of the 12th comprehensive revision of the NIPAs.

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50 U.S. International Transactions, Fourth Quarter 2003

The U.S. current-account deficit decreased \$7.8 billion, to \$127.5 billion. The decrease was accounted for by a large increase in the surplus on income and by an increase on the surplus on services. These increases were partly offset by increases in the deficit on goods and in net outflows for unilateral current transfers. In the financial account, net recorded financial inflows increased \$75.0 billion, to \$180.9 billion, as financial inflows for foreign-owned assets in the United States increased more than financial outflows for U.S.-owned assets abroad.

59 U.S. International Transactions, 2003

The U.S. current-account deficit increased \$61.0 billion, to \$541.8 billion. The increase was mainly accounted for by an increase in the deficit on goods, but an increase in net outflows for unilateral current transfers and a decrease in the surplus on services also contributed. In the financial account, net recorded financial inflows increased \$51.0 billion, to \$579.0 billion, as financial inflows for foreign-owned assets in the United States increased more than financial outflows for U.S.-owned assets abroad.

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LOOKING AHEAD

Comprehensive Revision of State Personal Income. An article in the May SURVEY will present the results of the comprehensive revision of state personal income. The revised estimates will incorporate the results of the recent comprehensive NIPA revision, improvements in the source data and methods that are used for the state estimates, and newly available data from regular sources.

SURVEY OF CURRENT BUSINESS

May 2004

Volume 84 • Number 5

1 Business Situation: Advance Estimates for the First Quarter of 2004

Real GDP increased 4.2 percent in the first quarter of 2004 after increasing 4.1 percent in the fourth quarter of 2003. The price index for gross domestic purchases increased 3.2 percent after increasing 1.3 percent; the acceleration was partly accounted for by energy prices. Real disposable personal income increased 4.3 percent after increasing 0.5 percent.

7 Fixed Assets and Consumer Durable Goods: Preliminary Estimates for 2002 and Revised Estimates for 1925–2001

As part of the comprehensive NIPA revision, the Bureau of Economic Analysis (BEA) has released updated estimates of fixed assets and consumer durable goods. These estimates incorporate several key statistical improvements, including longer service lives for aircraft, estimates of depreciation for light trucks, and an updated depreciation schedule for autos. They also incorporate changes in classification, including government structures by function and four new components of the types of nonresidential structures.

For 1925–2002, the net stock at current cost grew at an average annual rate of 6.3 percent, and the net stock at real cost grew 2.9 percent.

23 Comprehensive NIPA Revision: Newly Available Tables

BEA continues to release the results of the 12th comprehensive revision of the NIPAs.

27 Comprehensive Revision of State Personal Income: Preliminary Estimates for 2003 and Revised Estimates for 1969–2002

On April 27, 2004, BEA released the results of the latest comprehensive revision of quarterly and annual estimates of state personal income that incorporates the results of the recent comprehensive NIPA revision, new data and newly available data, and improved methods for preparing the state estimates. The timing of this release represents an acceleration in the availability of state estimates that are consistent with the comprehensive NIPA revision. The revisions to state personal income are generally small and mixed in direction.

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LOOKING AHEAD

Comprehensive Revision of the Annual Industry Accounts. An article in the June SURVEY will present the results of integrating BEA's annual input-output accounts with the GDP-by-industry accounts.

Comprehensive Revision of Local Area Personal Income. The results of the comprehensive revision of personal income for counties and metropolitan areas will be presented in the June SURVEY. The revised estimates will incorporate the results of the recent comprehensive NIPA and state revisions, improvements in the source data and in the methods that are used to prepare the estimates, and newly available data.

SURVEY OF CURRENT BUSINESS

June 2004

Volume 84 • Number 6

1 Business Situation: Preliminary Estimates for the First Quarter of 2004

U.S. economic activity picked up somewhat in the first quarter. Real GDP increased 4.4 percent after increasing 4.1 percent in the fourth quarter of 2003; the pickup was mainly accounted for by increases in government and consumer spending. Inflation also picked up: The price index for gross domestic purchases increased 3.3 percent after increasing 1.3 percent; the pickup partly reflected an upturn in energy prices.

Corporate profits increased \$14.2 billion (1.2 percent at a quarterly rate) after increasing \$81.4 billion. Net Federal Government saving, the difference between current receipts and current expenditures, was -\$441.1 billion, decreasing \$28.9 billion from -\$412.2 billion, and net state and local government saving was \$23.5 billion, decreasing \$16.4 billion from \$39.9 billion.

17 Federal Personal Income Tax Liabilities and Payments: Preliminary Estimates for 2001 and Revised Estimates for 1959–2000

BEA's estimates of liabilities and payments have been updated to incorporate the results of the comprehensive NIPA revision and the revised and newly available tax return data from the Internal Revenue Service. The differences between liabilities and payments are usually small, but in 2001, personal taxes on a liabilities basis were \$142.2 billion less than taxes on a payments basis. This unusually large difference reflected the slowdown in the economy, a reduction in the volatile capital gains realizations, and the first year of the tax reductions enacted in the Economic Growth and Tax Relief Act of 2001.

21 Improved Annual Industry Accounts for 1998–2003: Integrated Annual Input-Output Accounts and Gross-Domestic-Product-by-Industry Accounts

On June 17, 2004, BEA released the results of the comprehensive revision of the annual industry accounts. The integrated annual input-output (I-O) accounts and the GDP-by-industry accounts now present consistent measures of gross output, intermediate inputs, and value added by industry that are more accurate. The timing of this release marks a significant acceleration in the availability of the annual I-O accounts.

In 1998–2003, the services-producing industries were the largest contributors to real GDP growth. In 2001, the slow growth in GDP reflected the positive contribution of these industries that offset the negative contribution of the goods-producing industries, and in 2002–2003, the continuing positive contributions of these industries led the economic recovery.

www.bea.gov

58 Comprehensive NIPA Revision: Newly Available Tables

BEA continues to release the results of the 12th comprehensive revision of the NIPAs.

59 Foreign Direct Investment in the United States: New Investment in 2003

Outlays by foreign direct investors to acquire or to establish U.S. businesses rose 11 percent, the first increase since 2000, to \$60.3 billion in 2003. Outlays were boosted by substantial spending in financial industries. Despite the increase, the level of outlays was still far less than the levels in 1998–2001, when outlays for new investment ranged from \$147.1 billion to \$335.6 billion.

67 Comprehensive Revision of Local Area Personal Income: Preliminary Estimates for 2002 and Revised Estimates for 1969–2001

On May 25, 2004, BEA released the results of the latest comprehensive revision of the annual estimates of personal income for counties, metropolitan areas, and BEA economic areas. These estimates incorporate the results of the comprehensive NIPA revision and the comprehensive revision of state personal income. The timing of this release represents an acceleration in the availability of estimates that are consistent with the comprehensive NIPA revision. The comprehensive revision to the estimates of personal income for metropolitan areas are generally small and mixed in direction.

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Annual Revision of the U.S. International Transactions Accounts. A summary of the revisions to the estimates of these transactions for 1989–2003 that includes the major sources of the revisions will be published in the July SURVEY. Selected estimates will be available on June 18th as part of the release of the estimates for the first quarter of 2004.

Travel and Tourism Satellite Accounts for 1998–2002. Updated estimates are scheduled to be published in the July SURVEY. These estimates will be based on the estimates from the recent comprehensive revision of the annual industry accounts that resulted in the integration of the annual input-output accounts and the GDP-by-industry accounts.

SURVEY OF CURRENT BUSINESS

July 2004

Volume 84 • Number 7

1 **Business Situation: Final Estimates for the First Quarter of 2004**

Real GDP increased 3.9 percent (at an annual rate) in the first quarter of 2004 after increasing 4.1 percent in the fourth quarter of 2003; most of the major components of GDP contributed to the first-quarter increase. The price index for gross domestic purchases increased 3.5 percent after increasing 1.3 percent; the pickup partly reflected an upturn in energy prices. Corporate profits increased \$20.9 billion (1.7 percent at a quarterly rate) after increasing \$81.4 billion.

5 **Real Inventories, Sales, and Inventory-Sales Ratios for Manufacturing and Trade, First Quarter 2004**

The quarterly and monthly estimates have been updated. The estimates of inventories for manufacturing by stage of fabrication have also been updated.

8 **Comprehensive NIPA Revision: Newly Available Tables**

BEA continues to release the results of the 12th comprehensive revision of the NIPAs.

10 **U.S. Multinational Companies: Operations in 2002**

The worldwide value added in production by U.S. multinational companies decreased 0.4 percent in 2002, reflecting a decrease in production by U.S. parents that was offset by an increase in production by their majority-owned foreign affiliates. By industry, the decrease was accounted for by substantial decreases in production by U.S. parents in telecommunications services and in communication equipment manufacturing. By area, production decreased in the United States, Canada, Latin America and Other Western Hemisphere, and the Middle East, and it increased in Europe, Asia and Pacific, and Africa.

30 **The International Investment Position of the United States at Yearend 2003**

The net international investment position at current cost was -\$2,430.7 billion; in 2002, it was -\$2,233.0 billion. The -\$197.7 billion increase mainly resulted from large net foreign purchases of U.S. securities that increased the value of foreign-owned assets; the increase in the value of these assets was partly offset by a substantial increase in the value of U.S.-owned assets abroad, especially U.S.-held stocks, as a result of the appreciation of most foreign currencies against the U.S. dollar.

40 **Direct Investment Position for 2003: Country and Industry Detail**

The historical-cost position of U.S. direct investment abroad (USDIA) increased significantly more than the position of foreign direct investment in the United States (FDIUS). The USDIA position increased 12 percent, slightly less than the 13-percent average annual growth in 1994–2002; the 12-percent growth mainly resulted from an increase in reinvested earnings and currency-translation adjustments. The FDIUS position increased 3 percent, substantially less than the 14-percent average annual growth in 1994–2002, reflecting the continued weakness in merger and acquisition activity. The 3-percent increase mainly resulted from equity capital inflows.

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52 Annual Revision of the U.S. International Accounts, 1989–2003

Each year, estimates in the U.S. international transactions accounts and in the U.S. international investment position accounts are revised to incorporate statistical and methodological changes and updated, regularly available source data. This year, major changes include a new methodology to prepare the estimates of U.S. Government income payments, the incorporation of the U.S. Treasury Department's new annual surveys of securities liabilities for June 2003 and June 2004, and another definitional change in the measurement of insurance services.

65 How BEA Aligns and Augments Source Data From the U.S. Treasury Department for Inclusion in the International Transactions Accounts

The estimates of financial-account flows in the international transactions accounts are based on data from the Treasury Department that are adjusted. The adjustments to align and augment the data are presented in this report.

68 U.S. International Transactions, First Quarter 2004

The U.S. current-account deficit increased \$17.9 billion, to \$144.9 billion. The increase was mostly accounted for by an increase in the deficit on trade in goods, but a decrease in the surplus on income and an increase in net outflows for unilateral current transfers also contributed. In the financial account, net recorded financial inflows decreased \$10.4 billion, to \$158.3 billion; both outflows for U.S.-owned assets abroad and inflows for foreign-owned assets in the United States increased substantially, but outflows increased more than inflows.

116 State Personal Income: First Quarter of 2004

Personal income for the Nation grew 1.4 percent, the same as in the fourth quarter of 2003, and up from 1.2 percent in the third quarter. Personal income growth accelerated in 21 states and in the District of Columbia. Earnings in all industries except natural resources and mining grew. Decreases in farm earnings contributed to decreases in personal income in three states in the Plains region and in one state in the Rocky Mountain region.

D–1 BEA Current and Historical Data

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LOOKING AHEAD

Annual Revision of the NIPAs. The annual NIPA revision will be published in the August SURVEY. This issue will include an article that describes the effects of the revision on GDP and on other major NIPA estimates and the principal sources of the revision, and it will include an extensive set of NIPA tables.

Travel and Tourism Satellite Accounts for 1998–2002. Updated estimates that are based on the estimates from the recent comprehensive revision of the annual industry accounts are also scheduled to be published in the August SURVEY.

SURVEY OF CURRENT BUSINESS

August 2004

Volume 84 • Number 8

1 Business Situation: Advance Estimates for the Second Quarter of 2004

Economic growth slowed in the second quarter. Real GDP increased 3.0 percent after increasing 4.5 percent in the first quarter of 2004; the slowdown primarily reflected a deceleration in consumer spending. Prices increased about as much as in first quarter, as the price index for gross domestic purchases increased 3.5 percent after increasing 3.4 percent. Real disposable personal income increased 2.9 percent after increasing 3.2 percent.

7 Annual Revision of the National Income and Product Accounts: Annual Estimates, 2001–2003, and Quarterly Estimates, 2001:I–2004:I

The picture of the economy shown by the revised estimates is similar to that shown by the previously published estimates. From 2000 to 2003, real GDP grew at an average annual rate of 1.9 percent, the same as in the previously published estimates, and from the fourth quarter of 2000 to the first quarter of 2004, the average annual rate of real GDP growth is unchanged at 2.5 percent. The 2001 downturn and the subsequent recovery are slightly milder than previously estimated.

30 National Income and Product Accounts Tables

A set of tables presents the estimates from the annual NIPA revision. It presents revised estimates for 2001–2003, for the first quarter of 2001 through the first quarter of 2004, and for January 2001 to May 2004 and advance estimates for the second quarter of 2004 and for June 2004.

167 GDP and Other Major NIPA Series, 1929–2004:II

A set of tables presents the historical series from the annual NIPA revision. Specifically, it presents estimates of GDP and its components in current dollars, in chained dollars, and in chain-type quantity and price indexes and estimates of national income and personal income.

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192 Operations of U.S. Affiliates of Foreign Companies: Preliminary Results From the 2002 Benchmark Survey

Reflecting developments in the U.S. economy, production and employment by majority-owned nonbank U.S. affiliates moved in divergent directions in 2002. Their current-dollar value added increased 9 percent, but their employment decreased 3 percent.

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LOOKING AHEAD

Fixed Assets and Consumer Durable Goods. The updated estimates that incorporate the results of the annual NIPA revision are scheduled to be published in the September SURVEY.

Travel and Tourism Satellite Accounts for 1998–2003. Updated estimates that are based on the estimates from the recent comprehensive revision of the annual industry accounts are scheduled to be published in an upcoming issue of the SURVEY.

SURVEY OF CURRENT BUSINESS

September 2004

Volume 84 • Number 9

1 Business Situation: Preliminary Estimates for the Second Quarter of 2004

Economic growth slowed in the second quarter. Real GDP increased 2.8 percent after increasing 4.5 percent in the first quarter; the slowdown primarily reflected a deceleration in consumer spending. Prices increased about as much as in first quarter, as the price index for gross domestic purchases increased 3.5 percent after increasing 3.4 percent. Real disposable personal income increased 2.5 percent after increasing 2.4 percent.

Corporate profits increased \$1.6 billion (0.1 percent at a quarterly rate) after increasing \$36.5 billion. Net Federal Government saving was -\$383.0 billion, increasing \$8.0 billion from -\$391.0 billion, and net state and local government saving was \$16.5 billion, increasing \$4.7 billion from \$11.8 billion.

17 Alternative Measures of Personal Saving

In the early 1980s, the NIPA measure of personal saving averaged 10.4 percent, but in 2003, it was 1.4 percent. As a result of this continuing decline, economists and policymakers are asking questions, for example, about the adequacy of saving for retirement and for funding U.S. investment requirements and about the sustainability of the current levels of consumer spending. In order to answer these questions on the saving behavior of persons and households, four alternative measures of personal saving are examined. In addition, the role of the accumulation of wealth in the financial resources of households and expanded measures of saving, such as net private saving, that could be used to fund capital investment are examined.

28 Annual NIPA Revision: Newly Available Table

BEA continues to release the results from the annual NIPA revision that presented revised estimates for 2001–2003.

29 Fixed Assets and Consumer Durable Goods for 1993–2003

The revised estimates for 1993–2002 and the preliminary estimates for 2003 incorporate the results of the annual NIPA revision. These estimates incorporated several improvements, including the conversion to the North American Industry Classification System, the use of the 1997 capital flow table, and the use of an updated depreciation schedule for consumer autos.

In 1987–2003, the net stock at current cost grew at an average annual rate of 4.9 percent, and the net stock at real cost grew 2.6 percent.

43 U.S. Travel and Tourism Satellite Accounts for 1998–2003

These improved, updated accounts reflect the recent comprehensive revision of the annual industry accounts and of the national income and product accounts. According to the updated estimates, the trends in tourism activity reflect the economic expansion in 1998–2000, the slowdown in 2001 and the events of September 11th, and the economic recovery in 2002–2003.

61 Foreign Direct Investment in the United States: Detail for Historical-Cost Position and Related Capital and Income Flows, 2003

Detailed estimates of the direct investment position and international transactions by industry and by country are presented in this report. These estimates show the composition of investment by foreign companies in the United States.

101 U.S. Direct Investment Abroad: Detail for Historical-Cost Position and Related Capital and Income Flows, 2003

Detailed estimates of the direct investment position and international transactions of U.S. multinational companies by industry and by country are presented in this report. These estimates show the composition of investment abroad by U.S. companies.

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LOOKING AHEAD

Government Spending for 1959-2003. The inaugural estimates of real government consumption expenditures and gross investment by function are scheduled to be published in the October SURVEY. These estimates will include estimates for total government, for the Federal Government, and for state and local governments and real quantity and price indexes.

U.S. International Services. The estimates of cross-border trade in services for 2003 and of sales of services through affiliates for 2002 are also scheduled to be published in October.

SURVEY OF CURRENT BUSINESS

October 2004

Volume 84 • Number 10

1 **Business Situation: Final Estimates for the Second Quarter of 2004**

Economic growth slowed in the second quarter. Real GDP increased 3.3 percent after increasing 4.5 percent in the first quarter; the slowdown primarily reflected a deceleration in consumer spending. Prices increased about as much as in first quarter; the price index for gross domestic purchases increased 3.5 percent after increasing 3.4 percent. Corporate profits increased \$8.3 billion (0.7 percent at a quarterly rate) after increasing \$36.5 billion (3.2 percent). The slowdown mainly reflected a downturn in the profits of financial corporations.

5 **Estimates of Real Government Consumption Expenditures and Gross Investment by Function for 1959–2003**

The inaugural estimates of real government spending by function include estimates for total government, for the Federal Government, and for state and local governments, and they are consistent with the NIPA estimates of government spending. The new estimates show that total government spending grew at an average annual rate of 2.3 percent in 1959–2003. Spending for income security grew the fastest, and spending for national defense grew the slowest.

11 **Newly Available NIPA Tables**

BEA continues to release the results from the 2003 comprehensive revision and the 2004 annual NIPA revision.

21 **Real Inventories, Sales, and Inventory-Sales Ratios for Manufacturing and Trade, 2000:IV–2004:II**

The estimates have been revised to incorporate the results of the 2004 annual NIPA revision.

25 **U.S. International Services: Cross-Border Trade in 2003 and Sales Through Affiliates in 2002**

In 2003, U.S. exports of private services increased 5 percent to \$294.1 billion, and U.S. imports increased 8 percent to \$228.2 billion, resulting in a surplus in trade in services for the United States. In 2002, sales of services abroad by foreign affiliates of U.S. companies decreased 5 percent to \$401.1 billion mainly because of a decline in sales by affiliates in utilities. Sales by U.S. affiliates of foreign companies in the United States increased 5 percent to \$386.7 billion, reflecting U.S. economic growth.

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77 U.S. International Transactions: Second Quarter of 2004

The U.S. current-account deficit increased \$19.0 billion to \$166.2 billion. The increase was accounted for by a \$12.8 billion increase in the deficit on goods, reflecting a surge in imports, and by a \$9.5 billion decrease in the surplus on income. In contrast, the surplus on services increased \$1.1 billion, and net outflows for unilateral current transfers decreased \$2.2 billion.

In the financial account, net recorded financial inflows increased \$8.2 billion. Both outflows for U.S.-owned assets abroad and inflows for foreign-owned assets in the United States decreased substantially, but outflows decreased more than inflows.

109 State Personal Income: Second Quarter of 2004 and Revised Estimates for 2001–2004:1

BEA accelerated the release of the quarterly estimates of personal income so that these estimates were released at the same time as the annual estimates.

Personal income for the Nation grew 1.5 percent, up from 1.2 percent in the first quarter of 2004. Personal income growth accelerated in 33 states. Earnings grew in all industries except two. Increases in farm earnings contributed to increases in personal income in Arkansas and North Dakota.

In 2003, personal income for the Nation grew 3.2 percent, according to the revised estimates. Per capita personal income for the Nation was \$31,459.

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LOOKING AHEAD

Gross Domestic Product by Industry. Revised estimates for 1987–97 that are based on the 1997 North American Industry Classification System (NAICS) are scheduled to be published in the November SURVEY.

Fixed Assets and Consumer Durable Goods. The updated estimates of the net stock of fixed assets and consumer durable goods for 1987–2003 that incorporate the results of the annual NIPA revision and that have been converted to the 1997 NAICS will be available on BEA's Web site (<www.bea.gov>) in early November.

SURVEY OF CURRENT BUSINESS

November 2004

Volume 84 • Number 11

1 Business Situation: Advance Estimates for the Third Quarter of 2004

Economic growth stepped up in the third quarter. Real GDP increased 3.7 percent after increasing 3.3 percent in the second quarter; the step-up mainly reflected an acceleration in consumer spending and a slowdown in imports. Inflation moderated; the price index for gross domestic purchases increased 1.8 percent after increasing 3.5 percent.

7 Annual NIPA Revision: Newly Available NIPA Tables

BEA continues to release the results from the 2004 annual NIPA revision.

9 Comparison of BEA Estimates of Personal Income and IRS Estimates of Adjusted Gross Income: New Estimates for 2002 and Revised Estimates for 2001

The estimates of personal income and of adjusted gross income—two widely used measures of household income—are reconciled in order to account for the statistical and definitional differences between the two measures. The revised estimates incorporate the results of the 2004 annual NIPA revision.

15 Updated Summary NIPA Methodologies

The updated summary of the principal source data and methods that are used to prepare the real and current-dollar estimates of GDP now reflects the improvements in methodology that were introduced as part of the 2003 comprehensive NIPA revision and the 2004 annual NIPA revision.

33 Gross Domestic Product by Industry for 1987–2000: New Estimates on the North American Industry Classification System

These new estimates for 1987–97 and the previously published estimates for 1998–2000 provide the first economywide, NAICS-based view of historical industry performance and contributions to GDP growth. These estimates offer new insights into the recent changes in the structure of the economy because NAICS more clearly identifies high-tech industries, such as information and communications technology, and provides more details for the services sector.

54 Reconciliation of the United States-Canadian Current Account, 2002 and 2003

Each year, the bilateral current-account estimates of the United States are reconciled with those of Canada because of the extensive economic links between these two countries. The reconciled estimates are intended to assist analysts who use the estimates of both countries and to show how the current-account estimates would appear if both countries used common definitions, methodologies, and data sources.

68 2004 Redefinition of the BEA Economic Areas

BEA has updated the definitions of the BEA economic areas to reflect changes in economic growth and population in the regions and to incorporate the revised standards for metropolitan statistical areas and the newly recognized micropolitan areas. The number of economic areas has increased from 172 to 179.

D-1 BEA Current and Historical Data

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LOOKING AHEAD

The NIPAs and the System of National Accounts. In recent years, BEA has been moving toward improved consistency with the internationally accepted set of guidelines for the compilation of national accounts in the *System of National Accounts 1993* (SNA). In an upcoming article, the SNA and its relationship to the U.S. NIPAs are described.

SURVEY OF CURRENT BUSINESS

December 2004

Volume 84 • Number 12

1 **Business Situation: Preliminary Estimates for the Third Quarter of 2004**

Economic growth picked up in the third quarter. Real GDP increased 3.9 percent after increasing 3.3 percent in the second quarter; the pickup mainly reflected a step-up in consumer spending. Inflation slowed; the price index for gross domestic purchases increased 1.8 percent after increasing 3.5 percent. Real disposable personal income slowed, increasing 2.0 percent after increasing 2.8 percent.

Corporate profits decreased \$27.6 billion (2.4 percent at a quarterly rate) after increasing \$8.3 billion. Net Federal Government saving was -\$376.2 billion, increasing \$3.8 billion from -\$380.0 billion. Net state and local government saving was \$8.5 billion, decreasing \$9.8 billion from \$18.3 billion.

17 **The NIPAs and the System of National Accounts**

In recent years, BEA has been improving the consistency of the NIPAs with the internationally accepted set of guidelines for the compilation of national accounts in the *System of National Accounts 1993* (SNA) as part of BEA's mission to produce accurate, relevant, and timely statistics, to respond to customers' needs, and to meet the challenges of measuring a changing economy. The organization and major features of the NIPAs are compared with those of the SNA.

33 **Federal Personal Income Tax Liabilities and Payments for 1959–2002**

BEA's estimates of liabilities and payments have been updated to incorporate the results of the 2004 annual NIPA revision and the revised and newly available tax return data for 2002 from the Internal Revenue Service. For 2002, personal taxes on a liabilities basis were \$31.0 billion less than taxes on a payments basis. This large difference partly reflected the retroactive provisions of the Job Creation and Worker Assistance Act of 2002 that resulted in a reduction in liabilities and in an overpayment of taxes.

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35 Subject Guide for 2004

This guide lists the major articles that were published in 2004 in the SURVEY. It includes the articles on the comprehensive revisions of the NIPAs, of the industry accounts, and of the regional accounts.

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LOOKING AHEAD

Annual Industry Accounts. The revised estimates from the annual industry accounts for 2001–2003 are scheduled to be published in the January SURVEY. These estimates incorporate the results of the 2004 annual NIPA revision.

Gross State Product (GSP) by Industry. Accelerated estimates of total GSP for 2003, new NAICS-based estimates for 1998–2002, and revised SIC-based estimates for 1977–97 are scheduled to be published in the January SURVEY.