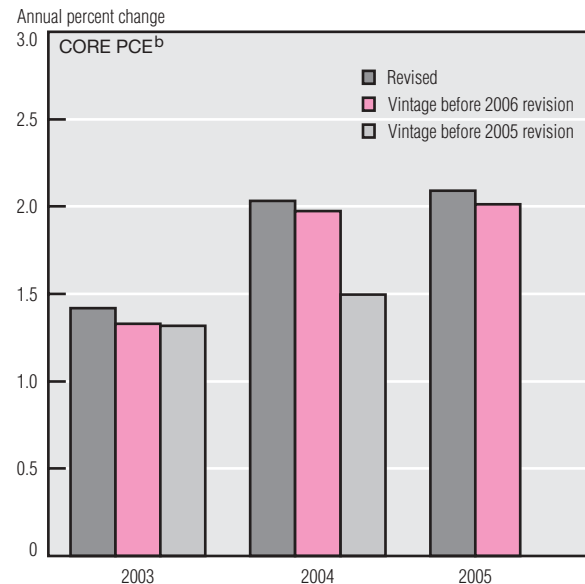
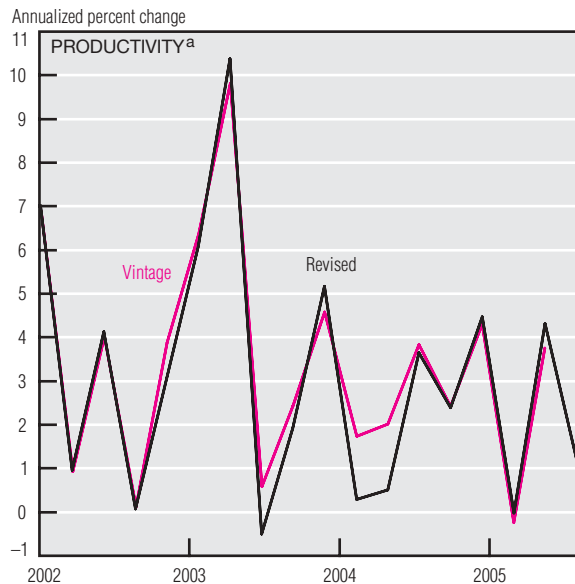
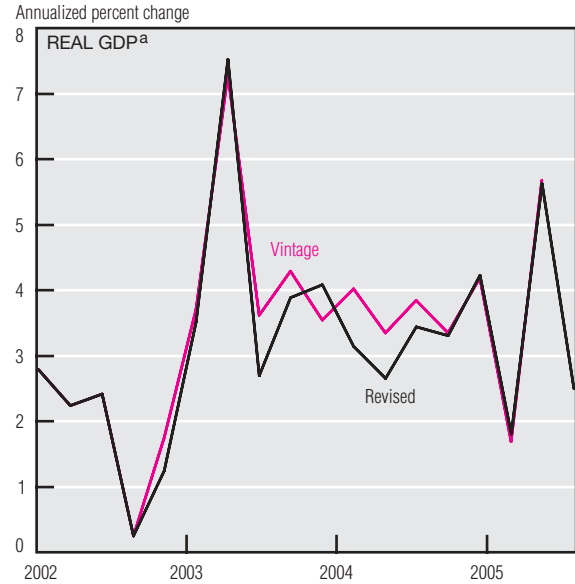
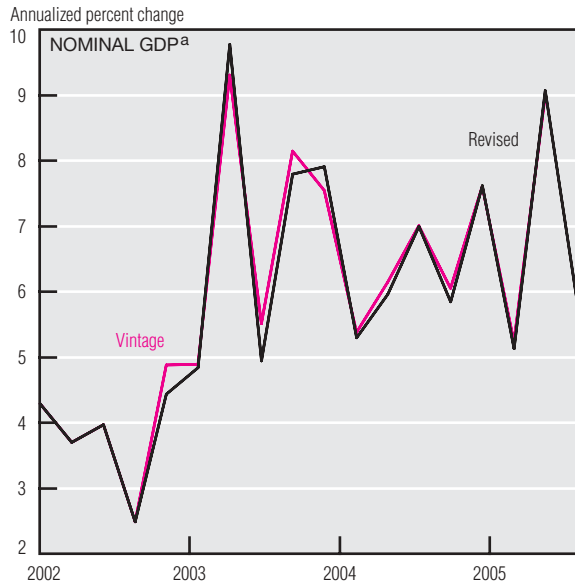


# Economic Activity



a. "Vintage" refers to the series before the July 2006 BEA revisions; "revised" designates the current series values.

b. The 2006 vintage series was revised July 2006 by the BEA and the 2005 vintage was revised July 2005.

SOURCES: U.S. Department of Commerce, Bureau of Economic Analysis; and Haver Analytics.

Sometimes it's what you thought you knew that hurts the most. On July 28, the Bureau of Economic Analysis released one of its regular revisions in the National Income and Product Accounts, a data series that includes the most comprehensive available estimates of U.S. economic activity. The revisions cover the years 2003 through 2005, and the first quarter of 2006.

The most recent revision did not much change the view of *nominal* GDP growth—the change in the *dollar* value of production growth. Before

the revision, the data were telling us that quarterly growth from 2002:IVQ through 2006:IQ averaged about 6.6%. The July revisions, which "incorporate source data that are more complete, more detailed, and otherwise more reliable than those previously available," barely changed that number.

The changes in estimates of real, or inflation-adjusted, GDP growth were a bit more substantial. The estimated average quarterly growth fell by about  $\frac{1}{4}$  of a percentage point, from 3.83% to 3.59%. Labor productivity growth fell

by a comparable amount, from a pre-revision estimate of 3.44% per quarter (annualized) to 3.15%, which represents the truth as we know it now.

The July revision marks the second time in two years that the Personal Consumption Expenditure price index has changed. Just as revisions have lowered our guesses about real growth in the past several years, so have they raised our estimates of the pace at which prices have been rising. If only it were the other way around.