



Technical Note
Gross Domestic Product
Third Quarter of 2014 (Second Estimate)
November 25, 2014

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

Sources of Revision to Real GDP

Real GDP increased 3.9 percent (annual rate) in the third quarter, an upward revision of 0.4 percentage point from the advance estimate. The revision reflected upward revisions to inventory investment, to consumer spending, and to nonresidential fixed investment that were partly offset by a downward revision to exports and an upward revision to imports.

- The upward revision to inventory investment reflected upward revisions to wholesale trade, to retail trade, and to "other" industries, and was based on newly available Census Bureau inventory data for trade industries for September, revised data for August, and preliminary third-quarter Quarterly Financial Report data for the information industry.
- The upward revision to consumer spending was primarily to goods and reflected revised Census monthly retail sales data and revised Energy Information Administration data on motor vehicle fuels.
- The upward revision to nonresidential fixed investment primarily reflected an upward revision to equipment. Within equipment, all major subcomponents were revised up; the revisions reflected revised Census export and import data for August, newly available data for September, and revised Census shipments data for August and September.
- The downward revision to exports and the upward revision to imports primarily reflected the newly available Census goods data for September and revised data for August.

The price index for personal consumption expenditures increased 1.3 percent in the third quarter, an upward revision of 0.1 percentage point. This revision was primarily to the price for financial services and reflected the incorporation of newly available commercial bank call report data.

Gross Domestic Income and Corporate Profits

Real gross domestic income (GDI), which measures the value of the production of goods and services in the United States as the costs incurred and the incomes earned on that production, increased 4.5 percent in the third quarter. For a given quarter, the estimates of GDP and GDI may differ for a variety of reasons, including the incorporation of largely independent source data. However, over longer time spans, the estimates of GDP and GDI tend to follow similar patterns of change.

Profits from current production increased \$43.8 billion, or 2.1 percent (quarterly rate), in the third quarter. Domestic profits of financial corporations increased \$20.3 billion, domestic profits of nonfinancial corporations increased \$22.5 billion, and rest-of-the-world profits increased \$1.0 billion.

Revisions to Wages and Salaries, Disposable Personal Income, and GDI

In addition to presenting revised estimates for the third quarter, today's release also presents revised estimates of second-quarter wages and salaries, personal taxes, and contributions for government social insurance. Wages and salaries are now estimated to have increased \$51.9 billion in the second quarter, a downward revision of \$50.6 billion. These estimates reflect the most recently available wage and salary tabulations for the second quarter from the BLS quarterly census of employment and wages (QCEW). These data are more comprehensive than the monthly employment and earnings data that were used for the earlier estimates—the QCEW data include irregular pay, such as bonuses and gains from the exercise of stock options.

Real disposable personal income is estimated to have increased 3.1 percent (annual rate) in the second quarter and 2.3 percent in the third quarter. By comparison, the estimates that were available last month showed increases of 4.4 percent in the second quarter and 2.7 percent in the third.

The revision to second-quarter wages and salaries also resulted in a revision to GDI. Real GDI is estimated to have increased 4.0 percent in the second quarter, a downward revision of 1.2 percentage points.

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Table A.--SOURCE DATA FOR THE ADVANCE AND SECOND ESTIMATES OF GDP FOR THE THIRD QUARTER OF 2014

This table shows the actual data used for the second estimate of GDP for the third quarter of 2014. For these key series, actual data for September were not available in time for inclusion in the advance GDP estimate released on October 30, 2014, and BEA made assumptions for these source data. The numbers in brackets show the September values that had been assumed for the advance estimate. For most series, the data incorporated for August and, in some cases, for July were preliminary, and the numbers shown in brackets are the values used last month.

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

		2014					
		<u>Apr.</u>	<u>May</u>	<u>Jun.</u>	<u>Jul.</u>	<u>Aug.</u>	<u>Sep.</u>
Private fixed investment:							
Nonresidential structures:							
1	Value of new nonresidential construction put in place.....	328.2	339.4	333.7	334.0 {338.1}	333.0 {333.3}	331.0 {335.7}
Residential structures:							
Value of new residential construction put in place:							
2	Single family.....	189.0	187.3	185.9	188.2 {187.4}	190.4 {188.7}	192.5 {190.9}
3	Multifamily.....	41.3	42.2	43.9	43.6 {43.6}	43.8 {44.2}	43.3 {44.7}
Change in private inventories:							
NOTE: Historical (Apr.–Jul.) data may reflect concurrent seasonal factors.							
4	Change in inventories for nondurable manufacturing.....	17.8 {19.3}	15.1 {16.0}	-4.4 {-3.0}	-15.8 {-15.5}	-9.5 {-9.7}	-1.2 {-1.3}
4a	Change in inventories for merchant wholesale and retail industries other than motor vehicles and equipment...	64.0 {65.7}	19.7 {21.3}	34.7 {34.3}	18.5 {18.3}	35.6 {37.4}	17.9 {-22.9}
Net exports:							
Exports of goods:							
5	U.S. exports of goods, international-transactions-accounts basis.....	1620.3	1643.6	1641.9	1665.1	1663.8 {1665.7}	1632.9 {1674.5}
5a	Excluding gold.....	1603.6	1628.5	1626.9	1652.2	1646.9 {1648.9}	1606.7 {1658.6}
Imports of goods:							
6	U.S. imports of goods, international-transactions-accounts basis.....	2408.3	2400.6	2366.8	2382.7	2386.5 {2384.4}	2384.9 {2376.9}
6a	Excluding gold.....	2392.2	2386.0	2352.6	2364.3	2367.8 {2365.7}	2371.2 {2360.5}
7	Net exports of goods.....	-788.0	-757.0	-724.9	-717.6	-722.7 {-718.7}	-752.0 {-702.4}
7a	Excluding gold.....	-788.6	-757.5	-725.7	-712.1	-720.9 {-716.8}	-764.4 {-701.8}
Government:							
State and local:							
Structures:							
8	Value of new construction put in place.....	247.8	255.4	249.8	254.5 {255.6}	252.3 {253.4}	248.9 {254.5}