

Technical Note

Gross Domestic Product Third Quarter of 2019 (Second Estimate)

November 27, 2019

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. BEA's source data and assumptions for the "second" estimate are shown in a "[Key Source Data and Assumptions](#)" table that will be available on the BEA Web site at 10:00 A.M. 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 2.1 percent (annual rate) in the third quarter of 2019, an upward revision of 0.2 percentage point from the "advance" estimate. The revision reflected upward revisions to private inventory investment, nonresidential fixed investment, and consumer spending that were partly offset by a downward revision to state and local government spending.

- The upward revision to private inventory investment primarily reflected an upward revision to nondurable goods manufacturing industries, based on new and revised Census Bureau Manufacturers' Inventories, Shipments, and Orders Survey data.
- Within nonresidential fixed investment, the upward revision primarily reflected an upward revision to structures, notably commercial and healthcare structures, based on new and revised Census Value of Construction Put in Place data.
- The upward revision to consumer spending was primarily accounted for by a revision to goods. Within goods, the leading source of the revision was motor vehicles and parts, specifically new light trucks, based on revised Polk registrations and J.D. Power average expenditure data.
- Within state and local government spending, the downward revision primarily reflected a downward revision to gross investment in structures, notably highways and streets, based on new and revised Census construction data.

Real final sales to private domestic purchasers, which measures private demand in the domestic economy and is derived as the sum of consumer spending and private fixed investment, increased 2.1 percent in the third quarter, an upward revision of 0.1 percentage point.

Prices

BEA's featured measure of inflation in the U.S. economy, the price index for gross domestic purchases, increased 1.4 percent in the third quarter, unrevised from the advance estimate.

The price index for personal consumption expenditures (PCE) increased 1.5 percent, unrevised from the advance estimate. Excluding food and energy prices, the PCE price index increased 2.1 percent, a downward revision of 0.1 percentage point.

Gross Domestic Income and Corporate Profits

Real gross domestic income (GDI), which measures output of the economy as the incomes earned and costs incurred in the production of goods and services (as measured by GDP), increased 2.4 percent in the third quarter. The average of real GDP and real GDI increased 2.3 percent.

Profits from current production increased \$4.6 billion, or 0.2 percent (quarterly rate), in the third quarter, and decreased 0.8 percent from the same quarter one year ago. Domestic profits of financial corporations decreased \$9.8 billion, domestic profits of nonfinancial corporations increased \$7.9 billion, and rest-of-the-world profits increased \$6.5 billion.

Estimates of corporate profits were affected by legal settlements in the third quarter. The national income and product accounts record these settlements on an accrual basis in the quarter when the settlement is finalized, regardless of when they are recorded on a company's financial statement.

The estimates of nonfinancial corporate profits were reduced by \$6.0 billion (\$24.0 billion at an annual rate), reflecting legal settlements with Facebook and Google. The settlements were recorded as business current transfer payments to the federal government and to the rest of the world, respectively. These current transfer payments offset the reduction in corporate profits, and as a result, did not affect the estimate of GDI.

BEA's profits measure that is conceptually most similar to S&P 500 profits—national after-tax profits without inventory valuation and capital consumption adjustments—decreased \$11.3 billion in the third quarter. Third-quarter national after-tax profits (shown in line 11 of table 9 of the GDP news release) were down 0.4 percent from the same quarter one year ago.

Revisions to Wages and Salaries in the Second Quarter

Today's release presents revised estimates of second-quarter wages and salaries, personal taxes, and contributions for government social insurance, based on new data from the Bureau of Labor Statistics Quarterly Census of Employment and Wages. Wages and salaries are now estimated to have increased \$62.1 billion in the second quarter, a downward revision of \$46.7 billion. Real GDI increased 0.9 percent in the second quarter, a downward revision of 0.9 percentage point.

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