

Technical Note

Gross Domestic Product Fourth Quarter of 2017 (Third Estimate) March 28, 2018

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 fourth quarter and a summary of "highlights" are available on BEA's Web site at www.bea.gov. The source data and assumptions for the "third" estimate are shown in a "[Key Source Data and Assumptions](#)" table. 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").

Updates to Real GDP

With the third estimate, real GDP increased 2.9 percent (annual rate) in the fourth quarter of 2017, an upward revision of 0.4 percentage point from the second estimate. The upward revision to the percent change in real GDP reflected upward revisions to consumer spending on services and to nonfarm inventory investment.

- The revision to consumer spending for services was primarily to transportation services reflecting the incorporation of newly available and revised data from the Census Bureau's Quarterly Services Report.
- Within nonfarm private inventory investment, the revision was accounted for by revised seasonal factors to all months of the quarter and an upward revision to wholesale trade nondurable goods inventories for December from the Census Bureau's Monthly Wholesale Trade Report.

Gross Domestic Income and Corporate Profits

Real gross domestic income (GDI), which measures the output of the economy as the costs incurred and the incomes earned in the production of GDP, increased 0.9 percent in the fourth quarter, following a 2.4 percent increase 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, measured in current dollars, decreased \$1.1 billion, or 0.1 percent (quarterly rate), in the fourth quarter, compared with an increase of \$90.2 billion, or 4.3 percent, in the

third. In the fourth quarter, profits of domestic financial corporations decreased \$14.6 billion, profits of domestic nonfinancial corporations increased \$19.4 billion, and rest-of-the-world profits decreased \$5.9 billion.

Impacts of the 2017 Tax Cuts and Jobs Act

For the fourth quarter of 2017, changes to the expensing of bonus depreciation and a one-time deemed repatriation tax went into effect.

Bonus Depreciation

The new tax law provides for full expensing of qualified investments placed in service after September 27, 2017 and before January 1, 2023 and increases the expensing limitation from \$500,000 to \$1 million. BEA's estimate of profits from current production is not affected by the change; it reflects economic depreciation based on an estimate of the reduction in the value of fixed capital used in the production process.

For a more detailed discussion of the effect of bonus depreciation tax provisions, see the FAQ "[How do changes in the tax treatment of depreciation impact NIPA Corporate Profits?](#)" For detailed data, see the table "[Net Effects of Changes in the Tax Treatment of Depreciation on Selected Measures of Corporate Profits](#)"

One-Time Deemed Repatriation Tax

The new tax law imposes a one-time deemed repatriation tax on accumulated foreign earnings. This tax is recorded as a capital transfer from business to federal government of \$250 billion at a quarterly rate (\$1 trillion at an annual rate) in the fourth quarter. This transaction does not impact GDI, national income, national savings, or corporate profits, but does decrease corporate cash flow, which can be seen on line 26 of [NIPA table 1.12 National Income by Type of Income](#).

For more information about the 2017 Tax Cuts and Jobs Act, including tax changes that will affect the first quarter of 2018, see the FAQ "[How does the 2017 Tax Cuts and Jobs Act affect BEA's business income statistics?](#)"

Erich H. Strassner
Associate Director, National Economic Accounts
Bureau of Economic Analysis
(301) 278-9612