

# Technical Note

## Gross Domestic Product Third Quarter of 2018 (Second Estimate)

November 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 third quarter is available on BEA's Web site at [www.bea.gov](http://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 on the BEA 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 3.5 percent (annual rate) in the third quarter of 2018, the same increase as in the "advance" estimate released last month. In the updated estimates, nonresidential fixed investment and private inventory investment increased more than previously estimated, while consumer spending and state and local government spending increased less.

- The upward revision to nonresidential fixed investment reflected upward revisions to structures and equipment that were partly offset by a downward revision to intellectual property products.
  - The revision to structures was widespread, primarily reflecting revised and new data from the Census Bureau's construction put in place survey.
  - The revision to equipment was primarily in transportation and in information processing equipment. The revision to transportation equipment primarily reflected new light truck registration data for September from a trade source, and the revision to information processing equipment primarily reflected newly available detailed foreign trade statistics for September from BEA's International Transactions Accounts.
  - The revision to intellectual property products reflected downward revisions to research and development (R&D) and software. The revision to R&D was based on new third-quarter tabulations of R&D expenses from publicly traded companies' financial reports, and the revision to software was based on new third-quarter data from the Census "advance" quarterly services report.
- Within private inventory investment, the upward revision was widespread. The leading contributor to the revision was "mining, utilities, and construction" industries, based on revised data for July and August and new data for September from the Census's construction survey and preliminary Census quarterly financial report inventory data for the mining industry.
- The downward revision to consumer spending primarily reflected downward revisions to motor vehicles and parts and recreational goods and vehicles.

- The revision to motor vehicles was largely in light trucks, reflecting new registration data for September.
- The revision to recreational goods and vehicles was widespread, based on revised Census monthly retail sales data.
- The downward revision to state and local government spending primarily reflected a downward revision to investment in structures based on revised data for July and August and new data for September from the Census construction survey.

## Prices

BEA's featured measure of inflation in the U.S. economy, the price index for gross domestic purchases, measures the prices of goods and services purchased by U.S. residents, regardless of where the goods and services are produced. This measure of inflation increased 1.7 percent in the third quarter, unrevised from the advance estimate. The price index for personal consumption expenditures (PCE) increased 1.5 percent, revised down 0.1 percentage point. Excluding food and energy prices, the PCE price index increased 1.5 percent, also revised down 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 4.0 percent in the third quarter. The average of real GDP and real GDI increased 3.8 percent.

Profits from current production increased \$76.0 billion, or 3.4 percent (quarterly rate), in the third quarter, and increased 10.3 percent from the same quarter one year ago. Domestic profits of financial corporations decreased \$7.8 billion, domestic profits of nonfinancial corporations increased \$66.2 billion, and rest-of-the-world profits increased \$17.6 billion.

National after-tax profits without inventory valuation and capital consumption adjustments (shown on line 11 of table 9 of the GDP news release), conceptually closest to S&P 500 profits, increased \$13.4 billion in the third quarter, following a \$63.3 billion increase in the second. Third-quarter national after-tax profits increased 5.9 percent from the same quarter one year ago.

## Revisions to Wages and Salaries in the Second Quarter

In addition to presenting revised estimates for the third quarter, today's release 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 \$60.2 billion in the second quarter of 2018, a downward revision of \$35.4 billion. These estimates reflect revised wage and salary tabulations for the second quarter from the BLS Quarterly Census of Employment and Wages. Real GDI is now estimated to have increased 0.9 percent in the second quarter, a downward revision of 0.7 percentage point.

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