

Technical Note

Gross Domestic Product (Second Estimate) Corporate Profits (Preliminary Estimate) Third Quarter 2023 November 29, 2023

This technical note provides background information about the source data and estimating methods used to produce the estimates presented in the GDP news release; a summary of "highlights" is available on BEA's website at www.bea.gov.

Real GDP and Related Aggregates

Real GDP increased at an annual rate of 5.2 percent (1.3 percent at a quarterly rate¹) in the third quarter of 2023, compared with an increase of 2.1 percent (0.5 percent at a quarterly rate) in the second quarter. The increase in real GDP reflected increases in all components of GDP, led by consumer spending, private inventory investment, and exports. Imports, which are a subtraction in the calculation of GDP, increased.

Sources of Revision to Real GDP

The increase in third-quarter real GDP was revised up 0.3 percentage point from the "advance" estimate, primarily reflecting upward revisions to nonresidential fixed investment, state and local government spending, residential fixed investment, and private inventory investment, that were partly offset by a downward revision to consumer spending. Imports were revised down.

- The revision to nonresidential fixed investment mainly reflected an upward revision to structures, led by commercial and health care (mainly warehouses), based primarily on new September and revised July and August Census Value Put in Place (VPIP) construction spending data.
- The revision to state and local government spending primarily reflected an upward revision to structures investment, based on new September and revised July and August Census VPIP data.

¹ Percent changes in quarterly seasonally adjusted series are displayed at annual rates, unless otherwise specified. For more information, refer to the FAQ [Why does BEA publish percent changes in quarterly series at annual rates?](#).

- The revision to residential fixed investment primarily reflected upward revisions to single-family structures, based on new September and revised July and August Census VPI data, and improvements, based on new September Bureau of Labor Statistics (BLS) remodelers' payroll data.
- Within private inventory investment, the upward revision was led by wholesale trade industries (led by machinery equipment), based primarily on new September and revised July and August Census Bureau inventory data.
- The revision to consumer spending reflected downward revisions to spending for both services and goods. For services, the largest contributors were financial services and insurance (led by financial services indirectly measured), based on new third quarter Federal Reserve Board Call Report data, and other services (led by professional and other services), based on new third quarter Census Bureau Quarterly Services Survey data. For goods, the largest contributor was motor vehicles and parts (led by used light trucks), based on revised August and September Census Bureau Monthly Retail Sales Report data.
- Within imports, the downward revision was to services imports, specifically transport and travel, primarily reflecting updated data from BEA's International Transactions Accounts.

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 3.3 percent in the third quarter, the same as previously estimated; upward revisions to nonresidential and residential private fixed investment were offset by a downward revision to consumer spending.

Compared to the second quarter, the acceleration in GDP in the third quarter primarily reflected accelerations in consumer spending and private inventory investment and an upturn in exports. These movements were partly offset by a deceleration in nonresidential fixed investment. Imports turned up.

Prices

BEA's featured measure of inflation in the U.S. economy, the price index for gross domestic purchases, increased 3.0 percent in the third quarter, the same as in the previous estimate. Excluding food and energy, the gross domestic purchases price index increased 2.7 percent, also unrevised.

The price index for personal consumption expenditures (PCE) increased 2.8 percent in the third quarter, a downward revision of 0.1 percentage point from the previous estimate. Excluding food and energy, the "core" PCE price index increased 2.3 percent, also revised down 0.1 percentage point. For a comparison of PCE prices to BLS consumer price indexes, refer to NIPA [Table 9.1U. Reconciliation of Percent Change in the CPI with Percent Change in the PCE Price Index](#).

Gross Domestic Income and Corporate Profits

Real gross domestic income (GDI), which measures output of the economy as the costs incurred and the incomes earned in the production of goods and services, increased 1.5 percent at an annual rate (0.4 percent at a quarterly rate) in the third quarter compared with an increase of 0.5 percent at an annual rate (0.1 percent at a quarterly rate) in the second quarter. The average of real GDP and real GDI increased 3.3 percent at an annual rate (0.8 percent at a quarterly rate) in the third quarter, following an increase of 1.3 percent at an annual rate (0.3 percent at a quarterly rate) in the second quarter.

Current-dollar GDI increased \$330.7 billion in the third quarter led by an increase in compensation, based on employment, hours, and earnings data from the BLS Current Employment Statistics.

Profits from current production increased \$105.7 billion, or 3.3 percent (quarterly rate), in the third quarter. Domestic profits of financial corporations increased \$18.8 billion, domestic profits of nonfinancial corporations increased \$76.2 billion, and rest-of-the-world profits increased \$10.7 billion.

Estimates of corporate profits were affected by several settlements that were finalized in the third quarter. Settlements are recorded in the National Income and Product Accounts (NIPAs) on an accrual basis in the quarter when the settlement is finalized, regardless of when they are recorded on a company's financial statement. In the third quarter, the following settlement reduced corporate profits:

- UBS AG and several of its U.S.-based affiliates (together, UBS) agreed to pay \$1.4 billion (\$5.7 billion at an annual rate) in penalties to settle a civil action alleging misconduct related to underwriting and issuance of residential mortgage-backed securities issued in 2006 and 2007.

The estimate of GDI was not impacted because the settlement was recorded in the NIPAs as a business current transfer payment to government, which offset the reduction to corporate profits.

The BEA profits measure that is conceptually most like S&P 500 profits—national after-tax profits without inventory valuation and capital consumption adjustments (shown in line 11 of table 9 of the GDP news release)—increased \$126.2 billion in the third quarter. Third-quarter national after-tax profits increased 0.5 percent from the same quarter one year ago.

Updates to Second-Quarter Wages and Salaries

In addition to presenting updated 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, based on updated data from the BLS Quarterly Census of Employment and Wages program. Wages and salaries are now estimated to have increased \$167.8 billion in the second quarter, a downward revision of \$16.5 billion. Personal current taxes are now estimated to have decreased \$59.8 billion, a downward revision of \$2.9 billion. Contributions for government social insurance are now estimated to have increased \$20.1 billion, a downward revision of \$2.2 billion. With the incorporation of these new data, real GDI is now estimated to have increased 0.5 percent in the second quarter, a downward revision of 0.2 percentage point from the previously published estimate.

More Information

The complete set of statistics for the third quarter is available on [BEA's website](#), along with a table presenting the "[Key Source Data and Assumptions](#)" that underlie the statistics. The *Survey of Current Business*, BEA's online journal, will present a more detailed analysis of the estimates ("GDP and the Economy").

David B. Wasshausen
Associate Director, National Economic Accounts
Bureau of Economic Analysis
(301) 278-9752