

Business Situation

Advance Estimates for the Third Quarter of 2005

ECONOMIC growth accelerated in the third quarter of 2005, according to the "advance" estimates of the national income and product accounts (NIPAs) (chart 1).¹ Prices increased sharply.

The advance estimates for the third quarter of 2005 show the following:

- Real gross domestic product (GDP) increased 3.8 percent after increasing 3.3 percent in the second quarter (table 1).
- Prices of goods and services purchased by U.S. residents increased 4.0 percent after increasing 3.3 per-

1. Three sequential GDP estimates for each quarter are prepared—the advance, preliminary, and final estimates. Each incorporates increasingly comprehensive and improved source data. Detailed information on BEA estimates, revisions, and accuracy can be found on BEA's Web site at <www.bea.gov/bea/about/infoqual.htm> and at <www.bea.gov/bea/faq/national/gdp_accuracy.htm>.

Quarterly estimates in the NIPAs are expressed at seasonally adjusted annual rates, unless otherwise specified. Quarter-to-quarter dollar changes are differences between these published estimates. Percent changes are calculated from unrounded data and annualized.

cent in the second quarter. The acceleration mainly reflected an acceleration in energy prices.

Third-quarter GDP was not directly affected by the insurance transactions associated with Hurricane Katrina and Hurricane Rita that struck the Gulf states during August and September, reflecting the treatment of insurance services that the Bureau of Economic Analysis introduced as part of its 2003 comprehensive revision of the NIPAs.² Estimates of other, indirect effects of the hurricanes are not available, because the effects may occur with a lag and because they generally cannot be disentangled from the regular source data that BEA uses to prepare its GDP estimates. However, some

2. Brent R. Moulton and Eugene P. Seskin, "Preview of the 2003 Comprehensive Revision of the National Income and Product Accounts: Changes in Definitions and Classifications," SURVEY OF CURRENT BUSINESS 83 (June 2003): 17–34; and Baoline Chen and Dennis J. Fixler, "Measuring the Services of Property-Casualty Insurance in the NIPAs: Changes in Concepts and Methods," SURVEY 83 (October 2003): 10–26.

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Table 1. Real Gross Domestic Product and Components

[Seasonally adjusted at annual rates]

	Change from preceding period (percent)				Contribution to percent change in real GDP (percentage points)				Share of current- dollar GDP (percent)	
	2004		2005		2004		2005			
	IV	I	II	III	IV	I	II	III		
Gross domestic product.....	3.3	3.8	3.3	3.8	3.3	3.8	3.3	3.8	100.0	
Personal consumption expenditures	4.3	3.5	3.4	3.9	3.01	2.44	2.35	2.73	70.2	
Durable goods.....	5.5	2.6	7.9	10.8	0.45	0.22	0.64	0.87	8.4	
Non durable goods.....	5.5	5.3	3.6	2.6	1.09	1.07	0.74	0.54	20.6	
Services	3.6	2.8	2.3	3.2	1.47	1.15	0.97	1.32	41.2	
Gross private domestic investment.....	6.8	8.6	-3.7	2.3	1.11	1.42	-0.63	0.38	16.5	
Fixed investment	7.2	7.0	9.5	5.7	1.13	1.12	1.51	0.93	16.7	
Nonresidential	10.4	5.7	8.8	6.2	1.04	0.58	0.90	0.65	10.6	
Structures.....	4.7	-2.0	2.7	-1.4	0.12	-0.05	0.07	-0.04	2.7	
Equipment and software	12.4	8.3	10.9	8.9	0.92	0.64	0.83	0.69	8.0	
Residential	1.6	9.5	10.8	4.8	0.09	0.54	0.62	0.28	6.0	
Change in private inventories.....	.....	.....	.....	.....	-0.03	0.29	-2.14	-0.55	-0.2
Net exports of goods and services	7.1	7.5	10.7	0.8	-0.98	-0.40	1.11	0.08	-5.7	
Exports.....	3.7	5.3	16.0	2.8	0.70	0.74	1.07	0.08	10.4	
Goods	15.5	12.5	-0.4	-3.9	0.44	0.37	-0.01	-0.13	7.3	
Services	11.3	7.4	-0.3	0.0	-1.68	-1.14	0.04	0.00	3.1	
Imports	13.0	8.2	-1.1	1.1	-1.60	-1.05	0.15	-0.15	16.1	
Goods	3.1	3.7	4.4	-5.8	-0.08	-0.10	-0.11	0.16	13.6	
Services .....	.....	.....	.....	.....	.....	.....	.....	.....	2.6
Government consumption expenditures and gross investment	0.9	1.9	2.5	3.2	0.17	0.35	0.47	0.61	19.0	
Federal	-0.6	2.4	2.4	7.7	-0.04	0.17	0.17	0.53	7.1	
National defense	-3.3	3.0	3.7	10.2	-0.16	0.14	0.17	0.47	4.8	
Nondefense.....	5.2	1.1	-0.2	2.6	0.12	0.03	-0.01	0.06	2.3	
State and local	1.8	1.6	2.6	0.7	0.21	0.19	0.31	0.08	11.9	

Note. Percent changes are from NIPA table 1.1.1, and contributions to percent change are from NIPA table 1.1.2. Shares are from NIPA table 1.1.10.

income flows were affected by the hurricanes, and the estimates of those effects have been prepared.³

The acceleration in real GDP growth in the third quarter primarily reflected a smaller decrease in private inventory investment, an acceleration in consumer spending, and an acceleration in Federal Government spending that were partly offset by decelerations in exports and in residential fixed investment.⁴

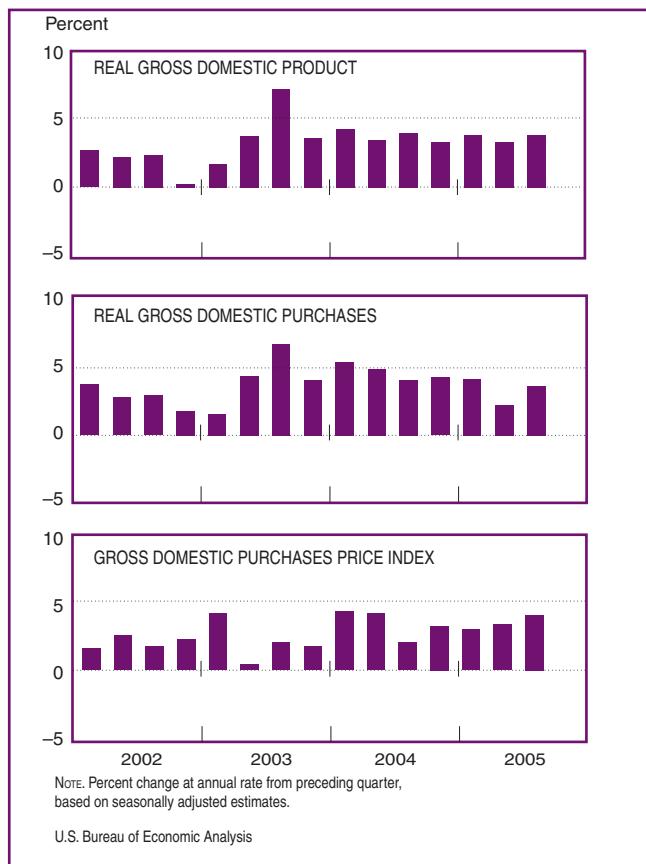
Inventory investment subtracted 0.55 percentage point from real GDP growth after subtracting 2.14 percentage points from growth in the second quarter. Businesses reduced inventory investment by \$14.9 billion in the third quarter after reducing inventory investment \$59.9 billion in the second quarter.

Consumer spending increased 3.9 percent and con-

3. For an explanation of how the NIPAs are affected by disasters, see <www.bea.gov/bea/faq/national/FAQ.htm> on BEA's Web site.

4. In this article, "inventory investment" is shorthand for the NIPA series "change in private inventories," "consumer spending" is shorthand for "personal consumption expenditures," and "government spending" is shorthand for "government consumption expenditures and gross investment."

Chart 1. Selected Measures: Change From Preceding Quarter



tributed 2.73 percentage points to real GDP growth after increasing 3.4 percent and contributing 2.35 percentage points in the second quarter. The largest contributors to the acceleration were accelerations in spending on motor vehicles and parts, on medical care, and on food and an upturn in spending on electricity and gas; these contributions were partly offset by a decline in spending on gasoline, fuel oil, and other energy goods and by downturns in spending on "other" durable goods and on clothing and shoes.

Federal Government spending increased 7.7 percent and contributed 0.53 percentage point to real growth after increasing 2.4 percent and contributing 0.17 percentage point in the second quarter. The acceleration was driven largely by spending on national defense, which increased 10.2 percent and contributed 0.47 percentage point to real growth after increasing 3.7 percent and contributing 0.17 percent. Nondefense spending turned up, increasing 2.6 percent and contributing 0.06 percentage point to real growth after decreasing 0.2 percent and subtracting 0.01 percentage point from growth.

Exports increased 0.8 percent in the third quarter, contributing 0.08 percentage point to real GDP growth, after increasing 10.7 percent and contributing 1.07 percentage points. The deceleration in real exports follows three successive quarters of accelerating growth. Services exports decreased more in the third quarter than in the second quarter; the largest contributors to the third-quarter decrease were decreases in travel and other transportation, which were partly offset by an upturn in transfers under U.S. military agency sales contracts. Goods exports decelerated, primarily because of downturns in civilian aircraft, engines, and parts and in foods, feeds, and beverages; the downturns were partly offset by an upturn in exports of automotive vehicles, engines, and parts and by an acceleration in consumer durable goods exports.

Residential fixed investment decelerated, increasing 4.8 percent and contributing 0.28 percentage point to real GDP growth after increasing 10.8 percent and contributing 0.62 percentage point.

The advance estimates for the third quarter also show the following:

- Business investment in equipment and software increased 8.9 percent after increasing 10.9 percent and contributed 0.69 percentage point to real GDP growth after contributing 0.83 percentage point.
- Imports were virtually unchanged in the third quarter after decreasing 0.3 percent in the second quarter. An upturn in goods imports was offset by a downturn in services imports.

- State and local government spending increased 0.7 percent and contributed 0.08 percentage point to real GDP growth after increasing 2.6 percent and contributing 0.31 percentage point. Gross investment turned down and was partly offset by an acceleration in consumption expenditures.
- Real final sales of domestic product (real GDP less the change in private inventories) increased 4.4 percent after increasing 5.6 percent in the second quarter.
- Real gross domestic purchases (GDP less net exports) increased 3.5 percent after increasing 2.1 percent in the second quarter.
- The production of both goods and services accelerated, but the production of structures decelerated (table 2).
- Motor vehicle output turned up, increasing 15.0 percent and adding 0.48 percentage point to real GDP growth after decreasing 0.3 percent and subtracting 0.01 percentage point.
- Final sales of computers increased 13.7 percent and added 0.11 percentage point to real GDP growth after increasing 45.4 percent and adding 0.32 percentage point.
- Real disposable personal income (DPI) decreased 0.9 percent in contrast to a 1.5-percent increase in the second quarter. Current-dollar DPI increased 2.8 percent after increasing 4.9 percent; the deceleration reflected a deceleration in personal income

that was partly offset by a deceleration in personal current taxes.

- The personal saving rate was a negative 1.1 percent in the third quarter; the saving rate was 0.1 percent in the second quarter.⁵

5. The personal saving rate is measured as personal saving as a percentage of current-dollar disposable personal income. An estimate of the national saving rate (measured as gross saving as a percentage of gross national income), along with the "preliminary" NIPA estimates for the third quarter, will be available at the end of November.

Table 2. Real Gross Domestic Product by Type of Product

[Seasonally adjusted at annual rates]

	Change from preceding period (percent)				Contribution to percent change in real GDP (percentage points)				Share of current-dollar GDP (percent)	
	2004		2005		2004		2005			
	IV	I	II	III	IV	I	II	III		
Gross domestic product (GDP)	3.3	3.8	3.3	3.8	3.3	3.8	3.3	3.8	100.0	
Final sales of domestic product	3.3	3.5	5.6	4.4	3.33	3.51	5.45	4.36	100.2	
Change in private inventories .....	.....	.....	.....	.....	-0.03	0.29	-2.14	0.55	-0.2
Goods	3.9	4.4	5.0	5.3	1.26	1.41	1.58	1.69	31.8	
Services	3.2	3.2	1.5	3.4	1.82	1.86	0.88	1.98	57.5	
Structures	2.2	5.2	8.4	1.3	0.23	0.53	0.85	0.14	10.7	
Addenda:										
Motor vehicle output	8.8	4.3	-0.3	15.0	0.29	0.15	-0.01	0.48	3.4	
GDP excluding motor vehicle output	3.1	3.8	3.4	3.4	3.01	3.66	3.32	3.32	96.6	
Final sales of computers	56.5	54.9	45.4	13.7	0.36	0.37	0.32	0.11	0.8	
GDP excluding final sales of computers	3.0	3.5	3.0	3.7	2.95	3.44	2.98	3.69	99.2	

Note. Percent changes are from NIPA table 1.2.1, and contributions to percent change are from NIPA table 1.2.2. Shares are calculated from NIPA table 1.2.5.

Third-Quarter 2005 Advance NIPA Estimates: Source Data and Assumptions

The "advance" estimates for the third-quarter are based on the following major source data; as more and better data become available, the estimates will be revised. (The number of months for which data were available is shown in parentheses.)

Personal consumption expenditures: Sales of retail stores (3), unit auto and truck sales (3), and consumers' shares of auto and truck sales (2);

Nonresidential fixed investment: Unit auto and truck sales (3), construction put in place (2), manufacturers' shipments of machinery and equipment other than aircraft (3), shipments of civilian aircraft (2), and exports and imports of machinery and equipment (2);

Residential investment: Construction put in place (2), single-family housing starts (3), sales of new homes (2), and sales of existing houses (3);

Change in private inventories: Trade and nondura-

ble manufacturing inventories (2), durable manufacturing inventories (3), and unit auto and truck inventories (3);

Net exports of goods and services: Exports and imports of goods and services (2);

Government consumption expenditures and gross investment: Federal outlays (3), state and local construction put in place (2), and state and local employment (3);

GDP prices: Consumer price indexes (3), producer price indexes (3), U.S. import and export price indexes (3), and values and quantities of petroleum imports (2).

BEA made assumptions for source data that were not available. Table A shows the assumptions for key series; a more comprehensive list is available on BEA's Web site at <www.bea.gov/bea/dn/home/gdp.htm>.

Table A. Summary of Major Source Data and Assumptions for the Advance NIPA Estimates, 2005:III

	2005					
	April	May	June	July	August	September ¹
Private fixed investment:						
Nonresidential structures:						
Value of new nonresidential construction put in place	246.1	243.9	240.7	241.8	243.8	242.8
Equipment and software:						
Manufacturers' shipments of complete aircraft.....	39.8	25.5	27.7	29.6	40.2	8.9
Residential structures:						
Value of new residential construction put in place:						
Single family.....	404.8	410.1	416.5	418.0	419.1	424.6
Multifamily	44.4	45.5	45.8	46.2	45.6	46.2
Change in private inventories:						
Change in inventories for nondurable manufacturing.....	3.8	-11.6	16.3	5.0	0.4	-9.4
Change in inventories for merchant wholesale and retail industries other than motor vehicles and equipment	28.8	34.3	21.4	3.0	48.8	16.6
Net exports: ²						
Exports of goods:						
U.S. exports of goods, international-transactions-accounts basis.....	894.7	893.7	894.2	900.8	920.1	885.2
Excluding gold.....	889.3	888.2	888.5	895.8	914.8	879.8
Imports of goods:						
U.S. imports of goods international-transactions- accounts basis	1642.4	1623.1	1660.1	1651.3	1686.1	1709.5
Excluding gold.....	1638.5	1618.9	1656.0	1647.6	1682.1	1705.3
Net exports of goods.....	-747.8	-729.4	-766.0	-750.5	-766.1	-824.3
Excluding gold.....	-749.3	-730.7	-767.5	-751.7	-767.3	-825.5
Government:						
State and local:						
Structures:						
Value of new construction put in place.....	226.4	230.6	229.8	231.0	232.7	231.8

1. Assumption.

2. Nonmonetary gold is included in exports and imports in the international accounts, but not in NIPA exports and imports.

Prices

Inflation as measured by the price index for gross domestic purchases accelerated to 4.0 percent in the third quarter after increasing 3.3 percent in the second quarter (table 3). Energy prices accelerated sharply in the third quarter, and food prices decelerated. Excluding prices for food and energy, gross domestic purchases prices increased 2.2 percent after increasing 2.1 percent (chart 2).

Prices of goods and services purchased by consumers increased 3.7 percent after increasing 3.3 percent. The prices paid for nondurable goods and for services accelerated, but the prices paid for durable goods decreased 3.0 percent after decreasing 0.5 percent.

The prices paid by consumers for gasoline and oil accelerated in the third quarter. The price index for consumer purchases excluding food and energy, which is sometimes viewed as an indicator of the underlying core rate of inflation, increased 1.3 percent after increasing 1.7 percent. The largest contributors to this deceleration were the prices paid for furniture and household equipment, for motor vehicles and parts, and for clothing and shoes.

Prices of private nonresidential fixed investment increased 2.2 percent after increasing 1.9 percent. Prices of equipment and software decreased 1.5 percent after decreasing 0.7 percent. Prices of structures accelerated, increasing 14.3 percent after increasing 9.9 percent. Growth in prices in residential fixed investment was virtually unchanged from second-quarter growth.

Prices paid by government increased 6.3 percent after increasing 3.7 percent. The acceleration was accounted for by a sharp acceleration in prices paid by

state and local governments and by an acceleration in the prices paid for defense structures by the Federal Government.

The GDP price index increased 3.1 percent in the third quarter, 0.9 percentage point less than the price index for gross domestic purchases.⁶ The smaller increase in the GDP price index reflected a smaller increase in export prices (which are included in the GDP price index) than in import prices (which are included in the price index for gross domestic purchases).

6. The GDP price index measures the prices paid for goods and services produced in the United States. The price index for gross domestic purchases measures the prices paid for goods and services purchased by U.S. residents, regardless of where those goods and services were produced.

**Chart 2. Gross Domestic Purchases Prices:
Change From Preceding Quarter**

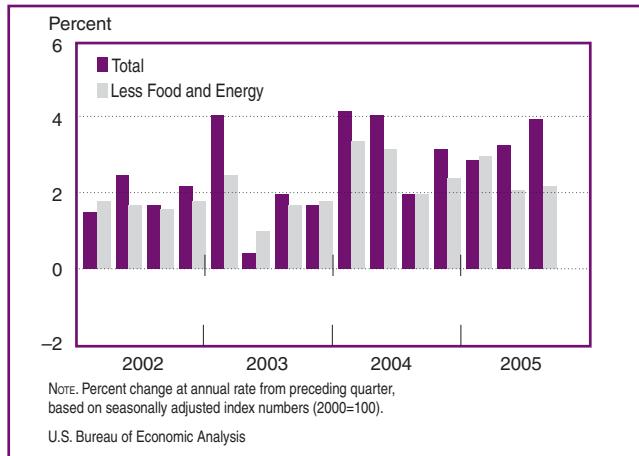


Table 3. Prices for Gross Domestic Purchases

[Percent change at annual rates; based on seasonally adjusted index numbers (2000=100)]

	Change from preceding period (percent)				Contribution to percent change in gross domestic purchases prices (percentage points)			
	2004		2005		2004		2005	
	IV	I	II	III	IV	I	II	III
Gross domestic purchases	3.2	2.9	3.3	4.0	3.2	2.9	3.3	4.0
Personal consumption expenditures (PCE).....	3.1	2.3	3.3	3.7	2.08	1.50	2.19	2.45
Durable goods	0.6	0.9	-0.5	-3.0	0.05	0.07	-0.04	-0.24
Nondurable goods	4.5	1.3	5.7	7.9	0.86	0.25	1.09	1.51
Services	3.0	3.0	2.9	3.0	1.17	1.18	1.14	1.19
Gross private domestic investment.....	2.3	2.6	2.7	2.7	0.37	0.41	0.44	0.42
Fixed investment	2.2	2.6	2.7	2.9	0.34	0.40	0.43	0.46
Nonresidential	1.1	3.1	1.9	2.2	0.11	0.31	0.19	0.22
Structures.....	5.6	10.3	9.9	14.3	0.13	0.24	0.24	0.34
Equipment and software	-0.4	0.9	-0.7	-1.5	-0.03	0.07	-0.05	-0.12
Residential	4.2	1.6	4.3	4.2	0.23	0.09	0.24	0.24
Change in private inventories.....	.....	.....	.....	.....	0.03	0.01	0.01	-0.04
Government consumption expenditures and gross investment.....	4.1	5.7	3.7	6.3	0.73	1.00	0.66	1.13
Federal	2.6	7.0	2.1	3.1	0.18	0.46	0.14	0.21
National defense	2.7	6.6	1.4	3.6	0.12	0.29	0.06	0.16
Nondefense.....	2.5	7.9	3.6	1.9	0.06	0.17	0.08	0.04
State and local	4.9	4.9	4.7	8.3	0.55	0.54	0.52	0.92
Addenda:								
Gross domestic purchases:								
Food	2.6	1.0	3.5	1.2	0.24	0.10	0.32	0.11
Energy goods and services	22.1	5.1	28.1	51.4	0.87	0.23	1.15	2.02
Excluding food and energy	2.4	3.0	2.1	2.2	2.06	2.58	1.81	1.86
Personal consumption expenditures:								
Food	2.5	1.0	3.5	1.3	.....	.....	.....	.....
Energy goods and services	18.3	3.6	28.6	49.8	.....	.....	.....	.....
Excluding food and energy	2.3	2.4	1.7	1.3	.....	.....	.....	.....
"Market-based" PCE	2.8	2.1	3.4	3.9	.....	.....	.....	.....
Excluding food and energy	1.8	2.2	1.5	1.2	.....	.....	.....	.....
Gross domestic product	2.7	3.1	2.6	3.1	.....	.....	.....	.....

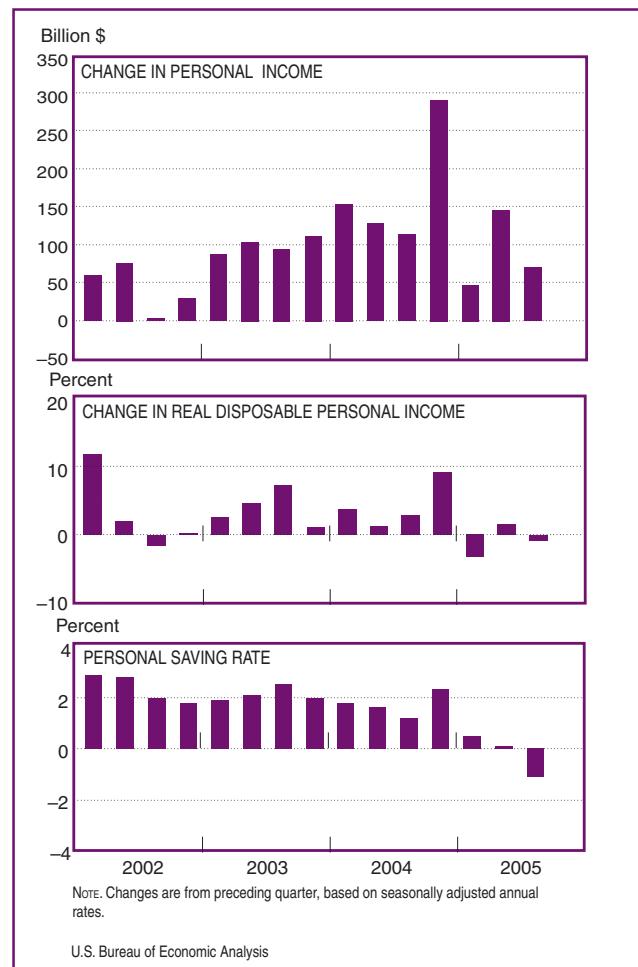
NOTE. Most percent changes are from NIPA table 1.6.7; percent changes for personal consumption expenditures on food and on energy goods and services and for personal consumption expenditures excluding food and energy are calculated from index numbers in NIPA table 2.3.4. Contributions to percent change are from NIPA table 1.6.8.

Personal Income

Real disposable personal income (DPI) decreased 0.9 percent in the third quarter after increasing 1.5 percent in the second quarter (chart 3). The downturn primarily resulted from a sharp slowdown in current-dollar personal income, though the implicit price deflator for personal consumption expenditures, which is used to deflate DPI, accelerated in the third quarter. The abrupt change in personal income mainly reflected the impact of the hurricanes on key components of personal income; the damage to property and the disruption of normal business activity acutely affected rental income, proprietors' income, and wages and salaries. The decrease in personal income was partly offset by a deceleration in personal current taxes, which increased \$10.2 billion in the third quarter after increasing \$41.2 billion in the second quarter (table 4).⁷

7. Current-dollar DPI is defined as personal income less personal current taxes.

Chart 3. Selected Personal Income and Saving Measures



Personal income, which is only measured in current dollars, increased \$71.8 billion (or 2.8 percent) after increasing \$147.8 billion (or 6.0 percent) in the second quarter.⁸ The deceleration primarily reflected a much larger decrease in rental income of persons, a sharp deceleration in nonfarm proprietors' income, and decelerations in government social benefits, in wages and salaries, and in personal interest income that were partly offset by a sharp acceleration in "other" current transfer receipts from business.

8. Quarterly NIPA estimates are presented at annual rates, which show the value that would be registered if the rate of activity that is measured for a quarter were maintained for a full year. The annual rates are determined simply by multiplying the estimated rate of activity by 4.

Table 4. Personal Income and Its Disposition

[Billions of dollars; quarterly estimates are seasonally adjusted at annual rates]

	Level		Change from preceding period		
	2005		2005		
	III	IV	I	II	III
Compensation of employees, received.....	7187.0	171.6	105.9	99.2	86.1
Wage and salary disbursements	5776.5	140.9	67.0	80.3	66.3
Private industries.....	4801.3	133.7	55.2	74.9	58.3
Goods-producing industries	1126.8	20.7	16.2	17.5	10.1
Manufacturing.....	727.8	11.7	7.5	9.1	3.4
Services-producing industries	3674.5	113.1	38.9	57.5	48.2
Trade, transportation, and utilities.....	956.7	24.8	6.7	11.3	7.6
Other services-producing industries.....	2717.8	88.3	32.2	46.2	40.6
Government.....	975.2	7.2	11.8	5.5	7.9
Supplements to wages and salaries.....	1410.5	30.6	38.9	18.8	19.9
Proprietors' income with IVA and CCAdj	937.5	11.8	17.0	18.7	0.9
Farm	18.1	-5.1	0.1	-5.1	-1.5
Nonfarm	919.4	16.9	16.9	23.9	2.3
Rental income of persons with CCAdj	27.5	6.6	-10.7	-13.6	-76.9
Personal income receipts on assets	1465.4	115.4	-85.7	31.9	25.6
Personal interest income	947.7	2.7	8.0	20.6	11.7
Personal dividend income.....	517.6	112.7	-93.7	11.3	13.8
Personal current transfer receipts	1552.8	7.7	39.6	20.8	43.2
Less: Contributions for government social insurance	877.3	17.6	17.5	9.1	7.2
Equals: Personal income	10293.0	295.6	48.6	147.8	71.8
<i>Less: Personal current taxes.....</i>	<i>1222.8</i>	<i>35.9</i>	<i>77.1</i>	<i>41.2</i>	<i>10.2</i>
<i>Equals: Disposable personal income.....</i>	<i>9070.2</i>	<i>259.5</i>	<i>-28.4</i>	<i>106.6</i>	<i>61.6</i>
<i>Less: Personal outlays.....</i>	<i>9170.2</i>	<i>158.7</i>	<i>129.6</i>	<i>146.6</i>	<i>169.0</i>
<i>Equals: Personal saving</i>	<i>-100.1</i>	<i>100.8</i>	<i>-158.0</i>	<i>-40.0</i>	<i>-107.5</i>
Addenda: Special factors in personal income					
In government wages and salaries:					
Federal pay raise	7.0	0.0	6.6	0.4	0.0
Reservists' pay	8.0	1.0	0.3	-0.9	-0.7
In supplements to wages and salaries:					
Employer contributions for social insurance	4.1	0.0	4.1	0.0	0.0
In nonfarm proprietors' income:					
Hurricane-related destruction of uninsured business property	-14.0	5.5	0.0	0.0	-14.0
In rental income of persons:					
Hurricane-related destruction of uninsured residential property	-68.1	14.5	0.0	0.0	-68.1
In personal dividend income:					
Microsoft "special" dividend payments	0.0	99.4	-99.4	0.0	0.0
In personal current transfer receipts:					
Social security retroactive payments	0.0	2.5	-2.5	0.0	0.0
Cost-of-living adjustments under Federal transfer programs	15.3	0.0	15.3	0.0	0.0
Hurricane-related net insurance settlements (personal property excluding housing)	42.5	-15.2	0.0	0.0	42.5
In contributions for government social insurance:					
Changes in premium for supplementary medical insurance	5.4	0.0	5.4	0.0	0.0
In personal current taxes:					
Federal tax law changes	-2.7	0.0	-2.7	0.0	0.0
Refunds, settlements, and other	49.6	0.0	49.6	0.0	0.0

NOTE: Dollar levels are from NIPA tables 2.1 and 2.2B.

IVA Inventory valuation adjustment

CCAdj Capital consumption adjustment

Compensation of employees increased \$86.1 billion after increasing \$99.2 billion, reflecting a deceleration in wage and salary disbursements that was slightly offset by an acceleration in supplements to wages and salaries. The deceleration in wage and salary disbursements was due to a slowdown in private wages and salaries; the largest contributors to the slowdown were manufacturing, which increased \$3.4 billion after increasing \$9.1 billion, and "other" services-producing industries, which increased \$40.6 billion after increasing \$46.2 billion. Government wages and salaries increased \$7.9 billion after increasing \$5.5 billion.

Rental income of persons decreased \$76.9 billion after decreasing \$13.6 billion, and nonfarm proprietors' income decelerated, increasing \$2.3 billion after increasing \$23.9 billion. The larger decrease in rental income and the deceleration in nonfarm proprietors' income primarily reflected uninsured losses from the hurricanes that struck the Gulf states in the third quarter.⁹

Government spending on social benefits increased \$0.6 billion after increasing \$20.7 billion. The deceleration primarily reflected a downturn in state and local government spending that primarily reflected decreases in Medicaid payments, which are part of per-

9. The effects of the hurricanes on corporate profits and other income-side components of the NIPAs are available on BEA's Web site at <www.bea.gov/bea/faq/national/disastersincmeas.htm>.

sonal current transfer receipts.

Wages and salaries increased \$66.3 billion after increasing \$80.3 billion. The deceleration primarily reflected Bureau of Labor Statistics employment, hours, and earnings data.

Personal interest income increased \$11.7 billion after increasing \$20.6 billion in the second quarter. The deceleration was primarily due to a deceleration in personal monetary interest, that reflected a deceleration in interest rates.

"Other" current transfer receipts from business increased \$42.6 billion after a second-quarter increase of \$0.1 billion. The sharp acceleration reflected the net settlements paid to persons from the hurricanes.

Among the other components of personal income, personal dividend income accelerated, increasing \$13.8 billion after increasing \$11.3 billion in the second quarter.

Supplements to wages and salaries increased \$19.9 billion after increasing \$18.8 billion. The acceleration resulted from an acceleration in employer contributions for employee pensions and insurance funds that was slightly offset by a deceleration in employer contributions for government social insurance.¹⁰

10. Employer contributions for government social insurance do not affect personal income. In the calculation of personal income, they are added in "supplements to wages and salaries" and subtracted in "contributions for government social insurance."