

# GDP and the Economy

## Second Estimates for the Third Quarter of 2009

REAL GROSS domestic product (GDP) increased 2.8 percent at an annual rate in the third quarter of 2009, according to the “second” estimates of the national income and product accounts (NIPAs) (chart 1 and table 1).<sup>1</sup> The increase was 0.7 percentage point less in the advance estimate (see page 9). In the second quarter, real GDP decreased 0.7 percent.

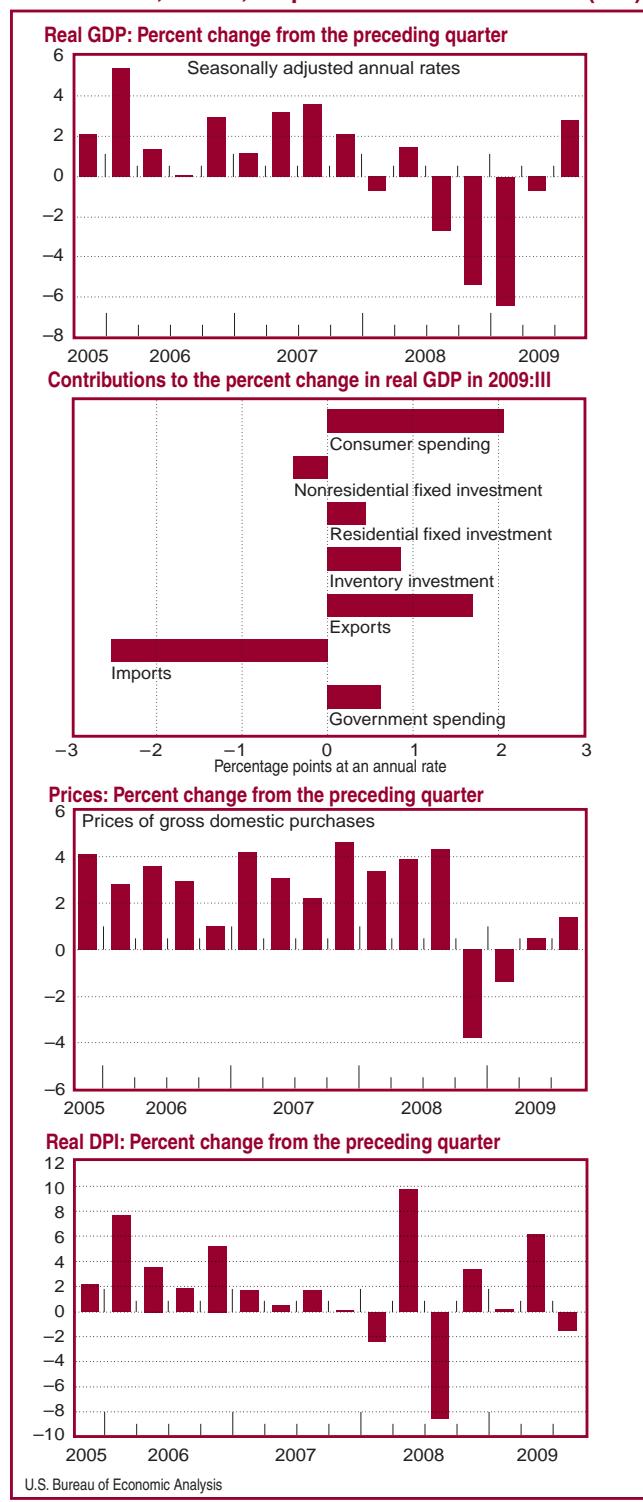
The upturn in real GDP in the third quarter primarily reflected upturns in consumer spending, inventory investment, exports, and residential fixed investment and a smaller decrease in nonresidential fixed investment. In contrast, imports turned up, state and local government spending turned down, and federal government spending decelerated.<sup>2</sup> For a look at how the American Recovery and Reinvestment Act of 2009 affected the government accounts, see pages 12 and 14.

- Prices of goods and services purchased by U.S. residents increased 1.4 percent in the third quarter; it was revised down 0.2 percentage point. In the second quarter, it rose 0.5 percentage point (see page 8). Energy prices turned up sharply, and food prices decreased less than in the second quarter. Excluding food and energy, gross domestic purchases prices slowed, rising 0.4 percent after increasing 0.8 percent.
- Real disposable personal income (DPI) decreased 1.5 percent in the third quarter; it was revised up 1.9 percentage points. In the second quarter, it increased 6.2 percent (revised) (see page 9). The downturn primarily reflected a slowdown in current-dollar DPI and an acceleration in the PCE implicit price deflator that is used to deflate DPI.
- The personal saving rate, personal saving as a percentage of current-dollar DPI, was 4.5 percent; in the second quarter, it was 5.4 percent (revised).
- Profits from current production increased \$130.0 billion after increasing \$43.8 billion (see page 10).

1. “Real” estimates are in chained (2005) dollars, and price indexes are chain-type measures. Each GDP estimate for a quarter (advance, second, and third) incorporates increasingly comprehensive and improved source data. More information can be found at [www.bea.gov/about/infoqual.htm](http://www.bea.gov/about/infoqual.htm) and [www.bea.gov/faq/national/gdp\\_accuracy.htm](http://www.bea.gov/faq/national/gdp_accuracy.htm). Quarterly estimates are expressed at seasonally adjusted annual rates, which assumes that a rate of activity for a quarter is maintained for a year.

2. In this article, “consumer spending” refers to “personal consumption expenditures (PCE),” “inventory investment” refers to “change in private inventories,” and “government spending” refers to “government consumption expenditures and gross investment.”

**Chart 1. GDP, Prices, Disposable Personal Income (DPI)**



## Real GDP Overview

**Table 1. Real Gross Domestic Product and Components**  
 [Seasonally adjusted at annual rates]

	Share of current-dollar GDP (percent)	Change from preceding period (percent)				Contribution to percent change in real GDP (percentage points)				
		2009		2008		2008		2009		
		III	IV	I	II	III	IV	I	II	III
Gross domestic product <sup>1</sup> .....	100.0	-5.4	-6.4	-0.7	2.8	-5.4	-6.4	-0.7	2.8	
Personal consumption expenditures.....	71.1	-3.1	0.6	-0.9	2.9	-2.15	0.44	-0.62	2.07	
Goods .....	23.1	-10.0	2.5	-3.1	7.2	-2.41	0.56	-0.71	1.60	
Durable goods.....	7.4	-20.3	3.9	-5.6	20.1	-1.64	0.28	-0.41	1.34	
Nondurable goods.....	15.7	-4.9	1.9	-1.9	1.7	-0.78	0.29	-0.29	0.26	
Services .....	48.0	0.5	-0.3	0.2	1.0	0.26	-0.13	0.09	0.47	
Gross private domestic investment.....	11.0	-24.2	-50.5	-23.7	8.4	-3.91	-8.98	-3.10	0.91	
Fixed investment .....	12.1	-20.2	-39.0	-12.5	0.3	-3.28	-6.62	-1.68	0.04	
Nonresidential.....	9.5	-19.5	-39.2	-9.6	-4.1	-2.47	-5.29	-1.01	-0.40	
Structures.....	3.2	-7.2	-43.6	-17.3	-15.1	-0.31	-2.28	-0.69	-0.55	
Equipment and software.....	6.3	-25.9	-36.4	-4.9	2.3	-2.15	-3.01	-0.32	0.15	
Residential .....	2.5	-23.2	-38.2	-23.3	19.5	-0.81	-1.33	-0.67	0.45	
Change in private inventories.....	-1.1	.....	.....	.....	-0.64	-2.36	-1.42	0.87		
Net exports of goods and services .....	-2.8	.....	.....	.....	0.45	2.64	1.65	-0.83		
Exports.....	11.0	-19.5	-29.9	-4.1	17.0	-2.67	-3.95	-0.45	1.71	
Goods.....	7.3	-25.5	-36.9	-6.3	24.5	-2.50	-3.41	-0.45	1.57	
Services .....	3.7	-4.3	-13.6	0.1	3.8	-0.17	-0.54	0.00	0.14	
Imports.....	13.8	-16.7	-36.4	-14.7	20.8	3.12	6.58	2.09	-2.53	
Goods.....	11.2	-19.6	-41.0	-16.5	25.6	3.09	6.25	1.89	-2.45	
Services .....	2.7	-0.9	-11.5	-7.5	3.0	0.03	0.34	0.21	-0.08	
Government consumption expenditures and gross investment .....	20.7	1.2	-2.6	6.7	3.1	0.24	-0.52	1.33	0.63	
Federal .....	8.2	6.5	-4.3	11.4	8.3	0.49	-0.33	0.85	0.65	
National defense .....	5.6	3.8	-5.1	14.0	8.9	0.20	-0.27	0.70	0.48	
Nondefense .....	2.6	12.7	-2.5	6.1	6.9	0.29	-0.06	0.15	0.17	
State and local .....	12.6	-2.0	-1.5	3.9	-0.1	-0.25	-0.19	0.48	-0.02	

1. The estimates under the contribution columns are also percent changes.

NOTE. Percent changes are from NIPA table 1.1.1, contributions are from NIPA table 1.1.2, and shares are from NIPA table 1.1.10.

Consumer spending turned up sharply in the third quarter, primarily reflecting an upturn in spending for goods. The upturn in consumer spending added 2.07 percentage points to real GDP growth after subtracting 0.62 percentage point (see page 3).

Nonresidential fixed investment decreased less than in the second quarter, subtracting 0.40 percentage point from real GDP growth after subtracting 1.01 percentage points (see page 4).

Residential investment turned up, increasing 19.5 percent, the first increase in 15 quarters, after decreasing 23.3 percent; residential investment added 0.45 percentage point to real GDP growth after subtracting 0.67 percentage point.

Inventory investment turned up, adding 0.87 percentage point to real GDP growth after subtracting 1.42 percentage points in the second quarter (see page 5).

Exports turned up, reflecting an upturn in exports of goods and an acceleration in exports of services. Exports added 1.71 percentage points to real GDP growth after subtracting 0.45 percentage point (see page 6).

Imports also turned up, subtracting 2.53 percentage points from real GDP growth and reflecting upturns in both imports of goods and services (see page 6).

Federal government spending decelerated, increasing 8.3 percent after increasing 11.4 percent (see page 7).

State and local government spending turned down, decreasing 0.1 percent after increasing 3.9 percent.

**Table 2. Real Gross Domestic Product (GDP) by Type of Product**

[Seasonally adjusted at annual rates]

	Share of current-dollar GDP (percent)	Change from preceding period (percent)				Contribution to percent change in real GDP (percentage points)				
		2009		2008		2008		2009		
		III	IV	I	II	III	IV	I	II	III
Gross domestic product <sup>1</sup> .....	100.0	-5.4	-6.4	-0.7	2.8	-5.4	-6.4	-0.7	2.8	
Final sales of domestic product .....	101.1	-4.7	-4.1	0.7	1.9	-4.74	-4.07	0.68	1.92	
Change in private inventories....	-1.1	.....	.....	.....	.....	-0.64	-2.36	-1.42	0.87	
Goods .....	25.8	-16.4	-8.7	-3.2	7.1	-4.54	-2.19	-0.84	1.80	
Services.....	66.1	0.7	-0.9	1.5	1.3	0.46	-0.53	0.96	0.87	
Structures.....	8.1	-12.9	-34.0	-9.7	1.4	-1.30	-3.70	-0.86	0.12	
Addenda:										
Motor vehicle output .....	1.9	-50.5	-64.5	13.3	131.7	-1.41	-1.69	0.19	1.45	
GDP excluding motor vehicle output	98.1	-4.1	-4.9	-0.9	1.3	-3.96	-4.74	-0.93	1.33	
Final sales of computers .....	0.5	2.9	11.2	-7.3	-22.5	0.02	0.06	-0.04	-0.13	
GDP excluding final sales of computers .....	99.5	-5.4	-6.5	-0.7	2.9	-5.39	-6.49	-0.69	2.92	

1. The estimates under the contribution columns are also percent changes.

NOTE. Percent changes are from NIPA table 1.2.1, contributions are from NIPA table 1.2.2, and shares are calculated from NIPA table 1.2.5.

Real final sales of domestic product, real GDP less inventory investment, increased 1.9 percent in the third quarter after increasing 0.7 percent.

Motor vehicle output accelerated sharply, increasing 131.7 percent after increasing 13.3 percent, and added 1.45 percentage points to real GDP growth after adding 0.19 percentage point.

Excluding motor vehicle output, real GDP increased 1.3 percent after decreasing 0.9 percent.

Final sales of computers decreased 22.5 percent after decreasing 7.3 percent.

## Consumer Spending

**Table 3. Real Personal Consumption Expenditures (PCE)**

[Seasonally adjusted at annual rates]

	Share of current-dollar PCE (percent)	Change from preceding period (percent)					Contribution to percent change in real PCE (percentage points)				
		2009		2008			2008		2009		
		III	IV	I	II	III	IV	I	II	III	
PCE <sup>1</sup> .....	100.0	-3.1	0.6	-0.9	2.9	-3.1	0.6	-0.9	2.9	2.9	
Goods.....	32.5	-10.0	2.5	-3.1	7.2	-3.46	0.80	-1.00	2.27	2.27	
Durable goods.....	10.4	-20.3	3.9	-5.6	20.1	-2.34	0.40	-0.58	1.90	1.90	
Motor vehicles and parts....	3.3	-32.5	6.7	-6.3	43.5	-1.21	0.19	-0.19	1.14	1.14	
Furnishings and durable household equipment....	2.5	-14.1	-7.0	-7.8	6.4	-0.39	-0.19	-0.21	0.16	0.16	
Recreational goods and vehicles.....	3.2	-12.4	9.3	-4.6	17.1	-0.44	0.29	-0.15	0.51	0.51	
Other durable goods.....	1.4	-19.9	7.2	-1.9	6.3	-0.31	0.10	-0.03	0.09	0.09	
Nondurable goods.....	22.1	-4.9	1.9	-1.9	1.7	-1.12	0.41	-0.42	0.37	0.37	
Food and beverages for off-premises consumption....	7.8	-7.3	0.6	3.6	3.8	-0.59	0.05	0.28	0.30	0.30	
Clothing and footwear.....	3.2	-8.9	-1.7	-8.2	-0.7	-0.30	-0.06	-0.28	-0.02	-0.02	
Gasoline and other energy goods.....	3.2	10.6	8.6	1.1	0.8	0.39	0.24	0.03	0.03	0.03	
Other nondurable goods.....	7.9	-7.7	2.2	-5.5	0.8	-0.61	0.17	-0.45	0.07	0.07	
Services.....	67.5	0.5	-0.3	0.2	1.0	0.37	-0.19	0.13	0.68	0.68	
Household consumption expenditures.....	65.0	0.1	0.7	0.7	1.1	0.08	0.47	0.43	0.70	0.70	
Housing and utilities.....	18.5	3.6	0.1	-1.2	0.1	0.66	0.03	-0.23	0.02	0.02	
Health care.....	16.2	1.8	3.4	3.9	2.2	0.27	0.53	0.62	0.36	0.36	
Transportation services.....	3.0	-7.8	-7.0	1.0	4.0	-0.25	-0.22	0.03	0.12	0.12	
Recreation services.....	3.8	-3.9	1.8	-1.6	-2.7	-0.15	0.07	-0.06	-0.10	-0.10	
Food services and accommodations.....	6.0	-8.0	-1.6	-2.3	-1.6	-0.50	-0.10	-0.14	-0.10	-0.10	
Financial services and insurance.....	8.3	-4.1	0.4	2.5	3.7	-0.34	0.03	0.21	0.30	0.30	
Other services.....	9.3	4.3	1.5	0.1	1.1	0.38	0.14	0.01	0.10	0.10	
Final consumption expenditures of NPISHs <sup>2</sup> .....	2.6	10.8	-21.3	-10.9	-0.9	0.29	-0.67	-0.30	-0.02	-0.02	
Gross output of NPISHs <sup>3</sup> ....	10.6	3.3	-3.0	0.1	0.7	0.34	-0.32	0.02	0.07	0.07	
Less: Receipts from sales of goods and services by NPISHs <sup>3</sup> .....	8.0	0.7	4.5	4.1	1.2	0.05	0.35	0.32	0.09	0.09	

1. The estimates under the contribution columns are also percent changes.

2. Net of expenses, or gross operating expenses less primary sales to households.

3. Net of unrelated sales, secondary sales, and sales to business, to government, and to the rest of the world; excludes own-account investment (construction and software).

4. Excludes unrelated sales, secondary sales, and sales to business, to government, and to the rest of the world; includes membership dues and fees.

Note. Percent changes are from NIPA table 2.3.1, and contributions, from NIPA table 2.3.2; shares are calculated from NIPA table 2.3.5.

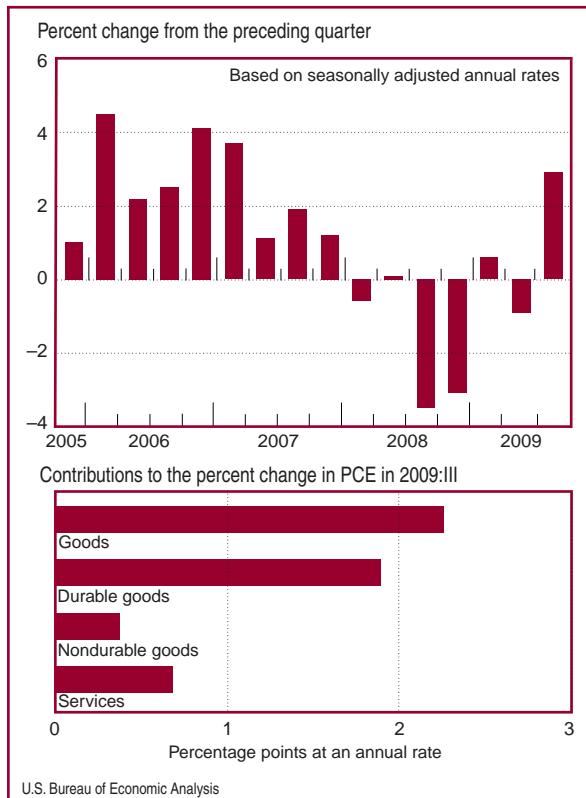
NPISHs Nonprofit institutions serving households

Spending for goods turned up in the third quarter, reflecting upturns in spending for both durable goods and nondurable goods.

The upturn in spending for durable goods was mainly due to upturns in motor vehicles and parts and in recreational goods and vehicles, partly reflecting the federal "cash for clunkers" program, which was in effect in July and August.

The upturn in spending for nondurable goods primarily reflected an upturn in "other" nondurable goods and a smaller decrease in clothing and footwear.

Spending for services accelerated, reflecting a smaller decrease in final consumption expenditures of NPISHs and a pickup in household consumption expenditures. The smaller decrease in spending of NPISHs primarily reflected a deceleration in receipts from sales of health services to households. The pickup in household spending mainly reflected an upturn in housing and utilities; in contrast, spending for health care slowed.

**Chart 2. Real Personal Consumption Expenditures**

### Changes in Consumer Spending Categories

The comprehensive NIPA revision released in July incorporated a new classification system for consumer spending, which defined new categories of expenditures by type of product and by function. Prominent among these changes are the separate identification within services of household consumption from nonprofit consumption, the addition of new major product categories (such as insurance), and the reclassification of purchased meals and beverages from nondurable goods to services under food services and accommodations.

See "Preview of the 2009 Comprehensive NIPA Revision: New Classification for Personal Consumption Expenditures" in the May 2008 SURVEY OF CURRENT BUSINESS.

## Private Fixed Investment

**Table 4. Real Private Fixed Investment (PFI)**

[Seasonally adjusted at annual rates]

	Share of current-dollar PFI (percent)	Change from preceding period (percent)				Contribution to percent change in real PFI (percentage points)				
		2009		2008		2008		2009		
		III	IV	I	II	III	IV	I	II	III
<b>Private fixed investment<sup>1</sup></b>	<b>100.0</b>	<b>-20.2</b>	<b>-39.0</b>	<b>-12.5</b>	<b>0.3</b>	<b>-20.2</b>	<b>-39.0</b>	<b>-12.5</b>	<b>0.3</b>	
<b>Nonresidential</b>	<b>79.1</b>	<b>-19.5</b>	<b>-39.2</b>	<b>-9.6</b>	<b>-4.1</b>	<b>-15.16</b>	<b>-30.88</b>	<b>-7.36</b>	<b>-3.34</b>	
<b>Structures</b>	<b>26.9</b>	<b>-7.2</b>	<b>-43.6</b>	<b>-17.3</b>	<b>-15.1</b>	<b>-1.72</b>	<b>-13.33</b>	<b>-5.17</b>	<b>-4.55</b>	
Commercial and health care	7.8	-28.4	-35.3	-21.6	-25.3	-2.60	-3.07	-2.01	-2.37	
Manufacturing	4.5	46.0	59.7	30.0	-20.1	1.20	1.98	1.22	-1.05	
Power and communication ..	5.6	-18.8	-8.8	42.5	0.9	-0.86	-0.33	1.88	0.05	
Mining exploration, shafts, and wells.....	4.4	16.1	-82.4	-69.1	8.7	1.26	-10.36	-5.90	0.37	
Other structures <sup>2</sup> .....	4.6	-15.3	-31.6	-7.3	-27.2	-0.73	-1.54	-0.37	-1.55	
<b>Equipment and software</b>	<b>52.2</b>	<b>-25.9</b>	<b>-36.4</b>	<b>-4.9</b>	<b>2.3</b>	<b>-13.44</b>	<b>-17.55</b>	<b>-2.18</b>	<b>1.20</b>	
Information processing equipment and software	30.3	-16.9	-19.6	5.5	9.0	-4.43	-4.55	1.60	2.56	
Computers and peripheral equipment..	4.1	-29.2	-14.7	16.8	0.8	-1.19	-0.46	0.63	0.03	
Software <sup>3</sup> .....	14.3	-9.1	-24.0	1.3	12.5	-1.08	-2.88	0.21	1.65	
Other <sup>4</sup> .....	11.9	-21.0	-15.6	6.9	7.8	-2.17	-1.20	0.76	0.88	
Industrial equipment.....	8.5	-14.1	-49.7	-15.1	-13.9	-1.19	-4.98	-1.34	-1.29	
Transportation equipment....	4.3	-68.9	-81.3	20.7	26.6	-5.42	-5.26	0.83	0.98	
Other equipment <sup>5</sup> .....	9.1	-24.8	-31.1	-29.8	-10.8	-2.41	-2.77	-3.26	-1.06	
<b>Residential</b>	<b>20.9</b>	<b>-23.2</b>	<b>-38.2</b>	<b>-23.3</b>	<b>19.5</b>	<b>-5.08</b>	<b>-8.10</b>	<b>-5.18</b>	<b>3.64</b>	
<b>Structures</b>	<b>20.4</b>	<b>-23.4</b>	<b>-38.8</b>	<b>-23.6</b>	<b>19.7</b>	<b>-5.01</b>	<b>-8.07</b>	<b>-5.13</b>	<b>3.57</b>	
Permanent site .....	7.7	-39.0	-60.9	-44.5	31.4	-4.42	-6.67	-4.40	2.04	
Single family .....	6.1	-42.7	-67.5	-47.0	73.4	-3.93	-6.11	-3.53	3.16	
Multifamily.....	1.6	-22.9	-28.8	-36.6	-47.5	-0.49	-0.56	-0.87	-1.12	
Other structures <sup>6</sup> .....	12.7	-6.3	-13.9	-6.2	13.2	-0.59	-1.40	-0.73	1.53	
<b>Equipment</b>	<b>0.5</b>	<b>-16.2</b>	<b>-7.1</b>	<b>-10.0</b>	<b>13.4</b>	<b>-0.07</b>	<b>-0.03</b>	<b>-0.05</b>	<b>0.07</b>	

1. The estimates under the contribution columns are also percent changes.

2. Consists primarily of religious, educational, vocational, lodging, railroads, farm, and amusement and recreational structures, net purchases of used structures, and brokers' commissions on the sale of structures.

3. Excludes software "embedded" or bundled, in computers and other equipment.

4. Includes communication equipment, nonmedical instruments, medical equipment and instruments, photocopy and related equipment, and office and accounting equipment.

5. Consists primarily of furniture and fixtures, agricultural machinery, construction machinery, mining and oilfield machinery, service industry machinery, and electrical equipment not elsewhere classified.

6. Consists primarily of manufactured homes, improvements, dormitories, net purchases of used structures, and brokers' commissions on the sale of residential structures.

NOTE. Percent changes are from NIPA table 5.3.1, contributions are from NIPA table 5.3.2, and shares are calculated from NIPA table 5.3.5.

Private fixed investment turned up in the third quarter, reflecting an upturn in residential fixed investment and a smaller decrease in nonresidential fixed investment.

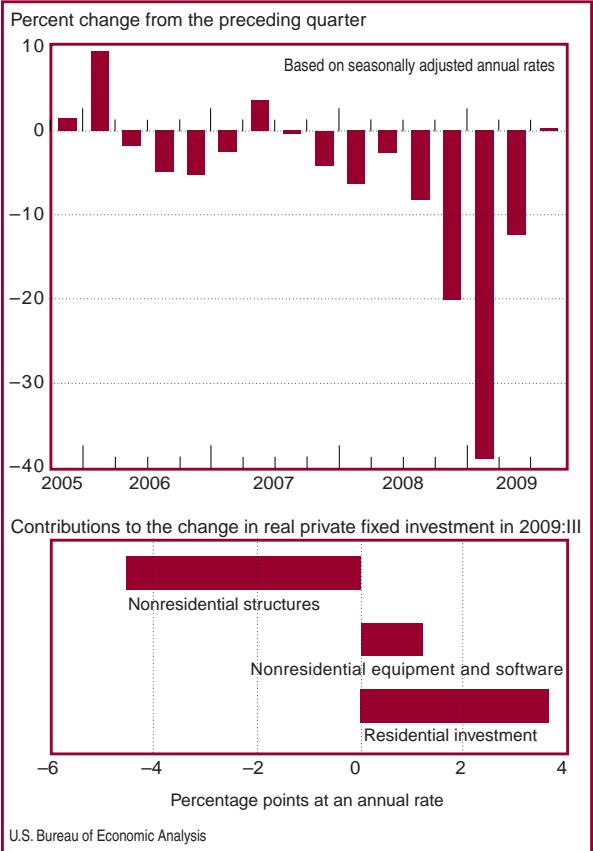
The smaller decrease in nonresidential investment reflected an upturn in equipment and software and a smaller decrease in structures.

The smaller decrease in structures primarily reflected an upturn in mining exploration, shafts, and wells, that was partly offset by a downturn in manufacturing, a slowdown in power and communication, and a larger decrease in "other" structures.

The upturn in equipment and software primarily reflected a smaller decrease in "other" equipment and an acceleration in software.

Residential investment turned up, mainly reflecting upturns in single-family structures and in "other" structures, which includes improvements and brokers' commissions. The increase was the first in 15 quarters.

### Chart 3. Real Private Fixed Investment



## Inventory Investment

**Table 5. Change in Real Private Inventories by Industry**

[Billions of chained (2005) dollars; seasonally adjusted at annual rates]

	Level					Change from preceding quarter			
	2008		2009			2008	2009		
	III	IV	I	II	III	IV	I	II	III
<b>Change in private inventories<sup>1</sup></b>	<b>-29.7</b>	<b>-37.4</b>	<b>-113.9</b>	<b>-160.2</b>	<b>-133.4</b>	<b>-7.7</b>	<b>-76.5</b>	<b>-46.3</b>	<b>26.8</b>
Farm.....	-5.0	-1.9	0.3	2.2	3.1	3.1	2.2	1.9	0.9
Mining, utilities, and construction ....	-3.0	-11.3	6.6	7.6	1.0	-8.3	17.9	1.0	-6.6
Manufacturing .....	-30.8	8.2	-28.9	-39.8	-49.3	39.0	-37.1	-10.9	-9.5
Durable-goods industries .....	6.8	31.9	-23.5	-30.7	-45.4	25.1	-55.4	-7.2	-14.7
Nondurable-goods industries .....	-34.6	-22.0	-5.6	-9.4	-4.6	12.6	16.4	-3.8	4.8
Wholesale trade .....	3.8	-16.8	-42.3	-72.9	-66.3	-20.6	-25.5	-30.6	6.6
Durable-goods industries .....	20.4	-1.6	-53.1	-54.7	-42.8	-22.0	-51.5	-1.6	11.9
Nondurable-goods industries .....	-13.8	-14.6	8.7	-19.2	-23.8	-0.8	23.3	-27.9	-4.6
Retail trade.....	5.6	-21.5	-47.2	-51.4	-16.0	-27.1	-25.7	-4.2	35.4
Motor vehicle and parts dealers	5.7	-3.7	-35.6	-32.8	4.7	-9.4	-31.9	2.8	37.5
Food and beverage stores.....	0.3	-0.7	2.3	-0.3	0.3	-1.0	3.0	-2.6	0.6
General merchandise stores .....	-1.5	-4.0	-3.6	-2.6	-4.0	-2.5	0.4	1.0	-1.4
Other retail stores.....	1.3	-13.0	-12.3	-17.2	-16.3	-14.3	0.7	-4.9	0.9
Other industries.....	1.7	5.4	-3.4	-5.8	-4.3	3.7	-8.8	-2.4	1.5
Residual <sup>2</sup> .....	-8.0	-1.9	5.3	2.7	-1.3	6.1	7.2	-2.6	-4.0
<b>Addenda: Ratios of private inventories to final sales of domestic business:<sup>3</sup></b>									
Private inventories to final sales	2.40	2.44	2.44	2.38	2.33	.....	.....	.....	.....
Nonfarm inventories to final sales	2.21	2.24	2.23	2.18	2.12	.....	.....	.....	.....
Nonfarm inventories to final sales of goods and structures.....	4.02	4.15	4.18	4.09	3.97	.....	.....	.....	.....

1. The levels are from NIPA table 5.6.6B.

2. The residual is the difference between the first line and the sum of the most detailed lines. It reflects that chained-dollar estimates are usually not additive, because they are based on quantity indexes that use weights of more than one period.

3. The ratios are from NIPA table 5.7.6B.

Real inventory investment increased \$26.8 billion in the third quarter after decreasing \$46.3 billion in the second quarter.

Inventory investment in manufacturing industries decreased \$9.5 billion after decreasing \$10.9 billion, reflecting a larger drawdown in durable-goods industries.

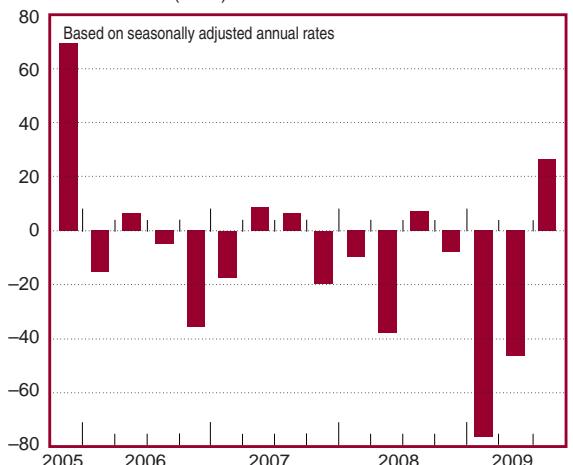
Inventory investment in wholesale trade industries increased \$6.6 billion after decreasing \$30.6 billion. An increase in durable-goods industries was partly offset by a decrease in nondurable-goods industries.

Inventory investment in retail trade industries increased \$35.4 billion after decreasing \$4.2 billion; the increase primarily reflected an increase in motor vehicle and parts dealers.

The ratio of private inventories to final sales decreased to 2.33, down from its previous peak of 2.44 reached in the fourth quarter of 2008 and the first quarter of 2009.

### Chart 4. Real Private Inventory Investment

Change from the preceding quarter  
Billions of chained (2005) dollars



Composition of change in inventory investment in 2009:III



U.S. Bureau of Economic Analysis

### Inventory Investment

The change in real private inventories, often called real private inventory investment, represents the change in the physical stock of goods held by businesses. It includes finished goods, goods at various stages of production, and raw materials.

The change in private inventories is a key component of gross domestic product (GDP), which aims to measure output derived from current production. To include the value of currently produced goods that are not yet sold and to exclude the value of goods produced in previous periods, change in private inventories must be included in the GDP calculation.

Thus, GDP can also be seen as the sum of final sales of domestic product and the change in private inventories (table 2).

For most industries, the estimates of change in private inventories are prepared by revaluing book-value estimates of inventories from the Census Bureau to a replacement-cost basis and calculating the change over a quarter or year. BEA does not always have complete data for every industry.

## Exports and Imports

**Table 6. Real Exports and Imports of Goods and Services**  
 [Seasonally adjusted at annual rates]

	Share of current-dollar exports and imports (percent)	Change from preceding period (percent)				Contribution to percent change in real exports and imports (percentage points)			
		2008		2009		2008	2009		
		III	IV	I	II	III	IV	I	II
<b>Exports of goods and services<sup>1</sup></b>	<b>100.0</b>	<b>-19.5</b>	<b>-29.9</b>	<b>-4.1</b>	<b>17.0</b>	<b>-19.5</b>	<b>-29.9</b>	<b>-4.1</b>	<b>17.0</b>
<b>Exports of goods<sup>2</sup></b>	<b>66.5</b>	<b>-25.5</b>	<b>-36.9</b>	<b>-6.3</b>	<b>24.5</b>	<b>-18.31</b>	<b>-25.76</b>	<b>-4.19</b>	<b>15.67</b>
Foods, feeds, and beverages	5.9	-16.8	-20.1	23.5	-0.1	-0.95	-1.01	1.27	0.10
Industrial supplies and materials	18.9	-24.0	-34.6	10.5	38.8	-4.77	-6.34	1.72	6.39
Capital goods, except automotive	24.3	-28.0	-28.3	-18.9	8.4	-7.58	-6.81	-5.29	2.24
Automotive vehicles, engines, and parts	5.5	-47.2	-83.0	-17.8	182.8	-3.88	-8.50	-0.89	5.45
Consumer goods, except automotive	9.5	-23.2	-23.8	-2.7	12.6	-2.16	-2.09	-0.26	1.27
Other	2.4	50.1	-35.1	-25.4	9.1	1.03	-1.00	-0.74	0.22
<b>Exports of services<sup>2</sup></b>	<b>33.5</b>	<b>-4.3</b>	<b>-13.6</b>	<b>0.1</b>	<b>3.8</b>	<b>-1.15</b>	<b>-4.18</b>	<b>0.04</b>	<b>1.37</b>
<b>Imports of goods and services<sup>1</sup></b>	<b>100.0</b>	<b>-16.7</b>	<b>-36.4</b>	<b>-14.7</b>	<b>20.8</b>	<b>-16.7</b>	<b>-36.4</b>	<b>-14.7</b>	<b>20.8</b>
<b>Imports of goods<sup>2</sup></b>	<b>80.8</b>	<b>-19.6</b>	<b>-41.0</b>	<b>-16.5</b>	<b>25.6</b>	<b>-16.74</b>	<b>-34.65</b>	<b>-13.30</b>	<b>20.09</b>
Foods, feeds, and beverages	4.1	7.6	-20.9	-1.6	-0.2	0.30	-0.74	-0.03	0.05
Industrial supplies and materials, except petroleum and products	9.4	-25.6	-51.6	-39.5	26.0	-3.45	-6.85	-4.86	2.40
Petroleum and products	14.0	10.3	-15.9	-21.9	5.5	1.72	-1.84	-2.76	0.75
Capital goods, except automotive	18.5	-24.9	-44.0	-19.9	22.4	-4.79	-8.99	-3.93	4.13
Automotive vehicles, engines, and parts	9.0	-46.2	-82.3	-7.3	281.2	-5.08	-11.00	-0.45	11.38
Consumer goods, except automotive	21.6	-24.6	-25.3	-3.8	5.2	-5.13	-4.87	-0.71	1.40
Other	4.2	-10.7	-11.7	-12.4	-2.5	-0.31	-0.35	-0.56	-0.02
<b>Imports of services<sup>2</sup></b>	<b>19.2</b>	<b>-0.9</b>	<b>-11.5</b>	<b>-7.5</b>	<b>3.0</b>	<b>0.01</b>	<b>-1.72</b>	<b>-1.45</b>	<b>0.69</b>
<b>Addenda:</b>									
Exports of agricultural goods <sup>3</sup>	6.3	-0.6	-17.8	12.3	-2.2	.....	.....	.....	.....
Exports of nonagricultural goods	60.2	-27.6	-38.6	-8.2	27.8	.....	.....	.....	.....
Imports of nonpetroleum goods	66.8	-26.0	-44.9	-15.5	30.0	.....	.....	.....	.....

1. The estimates under the contribution columns are also percent changes.

2. Exports and imports of certain goods, primarily military equipment purchased and sold by the federal government, are included in services.

3. Includes parts of foods, feeds, and beverages, of nondurable industrial supplies and materials, and of nondurable nonautomotive consumer goods.

NOTE. Percent changes are from NIPA table 4.2.1, contributions are from NIPA table 4.2.2, and shares are calculated from NIPA table 4.2.5.

Exports of goods and services turned up, increasing 17.0 percent in the third quarter after decreasing 4.1 percent in the second quarter. Exports of goods turned up and exports of services accelerated.

Exports of goods increased 24.5 percent after decreasing 6.3 percent. The upturn reflected upturns in non-automotive capital goods and in automotive vehicles, engines, and parts, an acceleration in industrial supplies and materials, and upturns in nonautomotive consumer goods and in "other" exports.

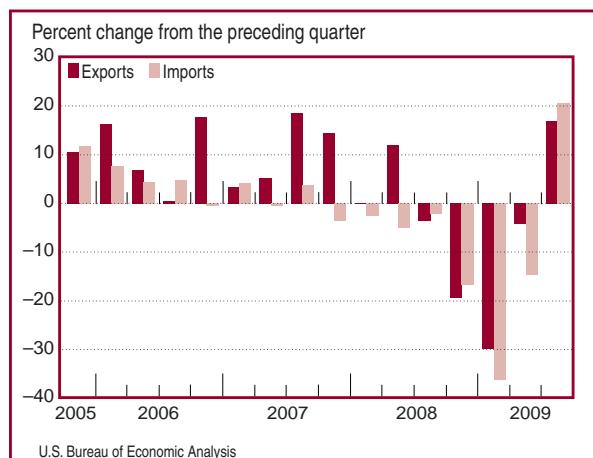
Exports of services picked up somewhat, increasing 3.8 percent after increasing 0.1 percent. The pickup mainly reflected a upturn in travel services.

Imports of goods and services turned up, increasing 20.8 percent after decreasing 14.7 percent. The upturn reflected upturns in both goods and services.

Imports of goods increased 25.6 percent after decreasing 16.5 percent. The upturn mainly reflected upturns in automotive vehicles, engines, and parts, in nonautomotive capital goods, in nonpetroleum industrial supplies and materials, in petroleum and products, and in nonautomotive consumer goods.

Imports of services increased 3.0 percent after decreasing 7.5 percent. The upturn mainly reflected an upturn in travel services and a smaller decrease in "other" transportation services.

**Chart 5. Real Exports and Imports of Goods and Services**



## Government Spending

**Table 7. Real Government Consumption Expenditures and Gross Investment (CEGI)**  
 [Seasonally adjusted at annual rates]

	Share of current-dollar CEGI (percent)	Change from preceding period (percent)				Contribution to percent change in real CEGI (percentage points)				
		2009		2008		2008		2009		
		III	IV	I	II	III	IV	I	II	III
<b>Government consumption expenditures and gross investment<sup>1</sup></b>	<b>100.0</b>	<b>1.2</b>	<b>-2.6</b>	<b>6.7</b>	<b>3.1</b>	<b>1.2</b>	<b>-2.6</b>	<b>6.7</b>	<b>3.1</b>	
Consumption expenditures.....	82.2	2.0	-1.3	4.0	2.0	1.67	-1.04	3.37	1.62	
Gross investment.....	17.8	-2.9	-8.7	20.3	8.4	-0.51	-1.57	3.35	1.46	
<b>Federal</b>	<b>39.4</b>	<b>6.5</b>	<b>-4.3</b>	<b>11.4</b>	<b>8.3</b>	<b>2.40</b>	<b>-1.66</b>	<b>4.31</b>	<b>3.15</b>	
<b>National defense</b>	<b>26.9</b>	<b>3.8</b>	<b>-5.1</b>	<b>14.0</b>	<b>8.9</b>	<b>0.97</b>	<b>-1.36</b>	<b>3.53</b>	<b>2.31</b>	
Consumption expenditures.....	23.0	3.3	-4.9	12.2	8.5	0.73	-1.10	2.66	1.88	
Gross investment.....	3.9	6.7	-6.6	24.7	11.4	0.25	-0.25	0.87	0.43	
<b>Nondefense</b>	<b>12.5</b>	<b>12.7</b>	<b>-2.5</b>	<b>6.1</b>	<b>6.9</b>	<b>1.42</b>	<b>-0.30</b>	<b>0.78</b>	<b>0.84</b>	
Consumption expenditures.....	10.9	7.8	2.4	5.6	5.8	0.77	0.26	0.63	0.62	
Gross investment.....	1.6	50.9	-29.6	9.7	14.9	0.65	-0.56	0.15	0.22	
<b>State and local</b>	<b>60.6</b>	<b>-2.0</b>	<b>-1.5</b>	<b>3.9</b>	<b>-0.1</b>	<b>-1.23</b>	<b>-0.95</b>	<b>2.41</b>	<b>-0.07</b>	
Consumption expenditures.....	48.4	0.3	-0.4	0.1	-1.8	0.17	-0.20	0.08	-0.88	
Gross investment .....	12.3	-11.1	-6.1	20.4	6.7	-1.41	-0.75	2.33	0.81	

1. The estimates under the contribution columns are also percent changes.

NOTE. Percent changes are from NIPA table 3.9.1, contributions from NIPA table 3.9.2, and shares are calculated from NIPA table 3.9.5.

Government spending slowed, increasing 3.1 percent in the third quarter after increasing 6.7 percent in the second quarter. State and local government spending turned down, and federal government spending slowed.

The slowdown in federal government spending primarily reflected a deceleration in national defense spending that was accounted for by decelerations in both consumption expenditures and investment in equipment and software. Federal nondefense spending picked up slightly. The impact of the American Recovery and Reinvestment Act of 2009 on federal government spending was small. For a look at the impact of the act's tax credits, benefit payments, and other items on the broader government accounts, see pages 12 and 14.

The downturn in state and local government spending mainly reflected a deceleration in investment in structures and a downturn in consumption expenditures.

### Government Spending

“Government consumption expenditures and gross investment,” or “government spending,” consists of two components: (1) consumption expenditures by federal government and by state and local governments and (2) gross investment by government and government-owned enterprises.

Government consumption expenditures consists of the goods and services that are produced by general government (less any sales to other sectors and investment goods produced by government itself). Governments generally provide services to the general public without charge. The value of government production—that is, government's gross output—is measured as spending for labor and for intermediate goods and services and a charge for consumption of fixed capital.<sup>1</sup>

Gross investment consists of new and used structures (such as highways and dams) and of equipment and software purchased or produced by government and government-owned enterprises.

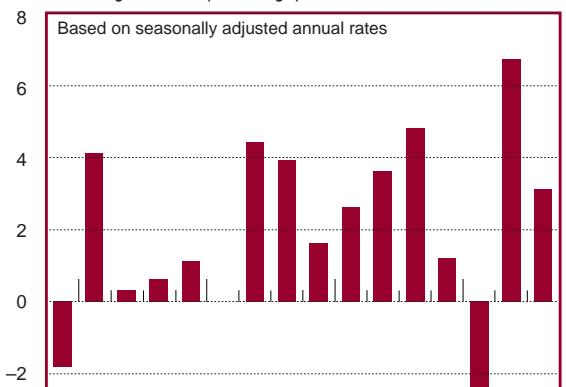
Government consumption expenditures and gross investment excludes current transactions of government-owned enterprises, current transfer payments, interest payments, subsidies, and transactions in financial assets and nonproduced assets, such as land.

See also “Government Receipts and Expenditures” on page 11.

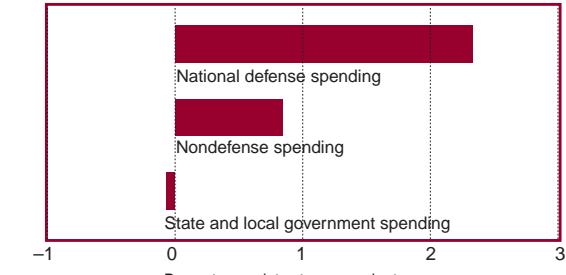
1. Consumption of fixed capital represents a partial measure of the services provided by government-owned fixed capital.

### Chart 6. Real Government Consumption Expenditures and Gross Investment

Percent change from the preceding quarter



Contributions to the percent change in government spending in 2009:III



U.S. Bureau of Economic Analysis

## Prices

**Table 8. Prices for Gross Domestic Purchases**

[Percent change at annual rates; based on seasonally adjusted index numbers (2005=100)]

	Change from preceding period (percent)			Contribution to percent change in gross domestic purchases prices (percentage points)				
	2008		2009		2008		2009	
	IV	I	II	III	IV	I	II	III
<b>Gross domestic purchases<sup>1</sup></b> .....	<b>-3.8</b>	<b>-1.4</b>	<b>0.5</b>	<b>1.4</b>	<b>-3.8</b>	<b>-1.4</b>	<b>0.5</b>	<b>1.4</b>
<b>Personal consumption expenditures</b> .....	<b>-5.0</b>	<b>-1.5</b>	<b>1.4</b>	<b>2.7</b>	<b>-3.43</b>	<b>-1.01</b>	<b>0.93</b>	<b>1.86</b>
Goods .....	-16.1	-6.0	2.7	5.4	-3.86	-1.35	0.58	1.17
Durable goods .....	-3.3	-1.7	0.3	-3.1	-0.23	-0.12	0.02	-0.22
Nondurable goods .....	-21.5	-7.9	3.8	9.6	-3.63	-1.23	0.56	1.40
Services .....	1.0	0.7	0.7	1.5	0.43	0.34	0.34	0.69
<b>Gross private domestic investment</b> .....	<b>5.3</b>	<b>-1.8</b>	<b>-4.5</b>	<b>-5.6</b>	<b>0.74</b>	<b>-0.22</b>	<b>-0.51</b>	<b>-0.62</b>
Fixed investment .....	1.3	-2.0	-4.4	-4.4	0.19	-0.27	-0.55	-0.53
Nonresidential .....	4.4	-1.3	-4.2	-4.8	0.48	-0.13	-0.42	-0.47
Structures .....	7.9	-3.5	-10.2	-10.1	0.31	-0.14	-0.38	-0.35
Equipment and software .....	2.5	0.1	-0.6	-1.9	0.17	0.01	-0.04	-0.12
Residential .....	-9.5	-4.9	-5.2	-2.6	-0.29	-0.14	-0.13	-0.06
Change in private inventories .....	.....	.....	.....	.....	0.55	0.05	0.04	-0.09
<b>Government consumption expenditures and gross investment</b> .....	<b>-5.8</b>	<b>-1.1</b>	<b>0.4</b>	<b>1.0</b>	<b>-1.15</b>	<b>-0.21</b>	<b>0.09</b>	<b>0.19</b>
Federal .....	-4.1	1.7	0.5	1.4	-0.30	0.12	0.04	0.11
National defense .....	-6.0	0.9	0.3	1.9	-0.31	0.05	0.02	0.10
Nondefense .....	0.2	3.3	0.9	0.3	0.01	0.08	0.02	0.01
State and local .....	-6.9	-2.8	0.4	0.7	-0.85	-0.34	0.05	0.08
<b>Addenda:</b>								
Gross domestic purchases:								
Food .....	6.5	-1.1	-3.5	-2.0	0.33	-0.06	-0.20	-0.11
Energy goods and services .....	-61.8	-36.1	-1.3	40.2	-3.64	-1.59	-0.05	1.17
Excluding food and energy .....	-0.6	0.2	0.8	0.4	-0.53	0.22	0.75	0.38
Personal consumption expenditures (PCE):								
Food and beverages for off-premises consumption .....	4.7	-1.1	-3.6	-2.1	.....	.....	.....	.....
Energy goods and services .....	-64.0	-36.7	-2.0	40.8	.....	.....	.....	.....
Excluding food and energy .....	0.8	1.1	2.0	1.3	.....	.....	.....	.....
"Market-based" PCE .....	-5.3	-1.2	1.5	2.8	.....	.....	.....	.....
Excluding food and energy .....	1.5	1.9	2.3	1.2	.....	.....	.....	.....
Gross domestic product .....	0.1	1.9	0.0	0.5	.....	.....	.....	.....

1. The estimates under the contribution columns are also percent changes.

Note. Most percent changes are from NIPA table 1.6.7; percent changes for detailed PCE components are from NIPA table 2.3.7. Contributions are from NIPA table 1.6.8.

Prices paid by U.S. residents, as measured by the gross domestic purchases price index, accelerated, increasing 1.4 percent in the third quarter after increasing 0.5 percent in the second quarter.

Consumer prices picked up, increasing 2.7 percent after increasing 1.4 percent. The pickup was the largest contributor to the acceleration in gross domestic purchases prices and mainly reflected a sharp acceleration in prices paid for gasoline and other energy goods. Services prices accelerated somewhat. The largest contributors were upturns in recreation and transportation services prices.

Prices paid for nonresidential fixed investment decreased slightly more than in the second quarter, mainly reflecting a downturn in prices paid for transportation equipment.

Prices paid for residential investment decreased less than in the second quarter.

Prices paid by government picked up, primarily reflecting accelerations in prices paid by the federal government for national defense purchases and by state and local government. Prices paid by the federal government for nondefense purchases slowed.

Consumer prices excluding food and energy, a measure of the "core" rate of inflation, slowed, increasing 1.3 percent after increasing 2.0 percent.

The GDP price index increased 0.5 percent, 0.9 percentage point less than the percent change in the price index for gross domestic purchases, reflecting a larger increase in import prices than in export prices.

### Note on Prices

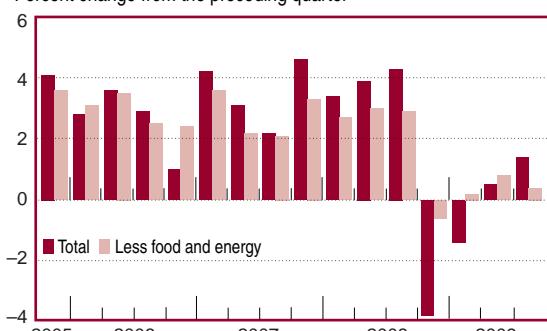
BEA's gross domestic purchases price index is the most comprehensive index of prices paid by U.S. residents for all goods and services, regardless of whether those goods and services were produced domestically or imported. It is derived from prices of consumer spending, private investment, and government spending.

The GDP price index measures the prices of goods and services produced in the United States, including the prices of goods and services produced for export.

The difference between the gross domestic purchases price index and the GDP price index reflects the differences between the imports prices (included in the gross domestic purchases index) and the exports prices (included in the GDP price index). For other measures that are affected by import and export prices, see the dollar depreciation [FAQ Answer ID 498](#) on BEA's Web site.

### Chart 7. Gross Domestic Purchases Prices

Percent change from the preceding quarter



U.S. Bureau of Economic Analysis

## Revisions

**Table 9. Advance and Second Estimates for the Third Quarter of 2009**  
 [Seasonally adjusted at annual rates]

	Change from preceding quarter (percent)			Contribution to percent change in real GDP (percentage points)		
	Advance	Second	Second minus advance	Advance	Second	Second minus advance
<b>Gross domestic product (GDP)<sup>1</sup></b> .....	<b>3.5</b>	<b>2.8</b>	<b>-0.7</b>	<b>3.5</b>	<b>2.8</b>	<b>-0.7</b>
<b>Personal consumption expenditures</b> .....	<b>3.4</b>	<b>2.9</b>	<b>-0.5</b>	<b>2.36</b>	<b>2.07</b>	<b>-0.29</b>
Goods.....	8.1	7.2	-0.9	1.79	1.60	-0.19
Durable goods.....	22.3	20.1	-2.2	1.47	1.34	-0.13
Non durable goods.....	2.0	1.7	-0.3	0.31	0.26	-0.05
Services.....	1.2	1.0	-0.2	0.57	0.47	-0.10
<b>Gross private domestic investment</b> .....	<b>11.5</b>	<b>8.4</b>	<b>-3.1</b>	<b>1.22</b>	<b>0.91</b>	<b>-0.31</b>
Fixed investment.....	2.3	0.3	-2.0	0.28	0.04	-0.24
Nonresidential.....	-2.5	-4.1	-1.6	-0.24	-0.40	-0.16
Structures.....	-9.0	-15.1	-6.1	-0.32	-0.55	-0.23
Equipment and software.....	1.1	2.3	1.2	0.08	0.15	0.07
Residential.....	23.4	19.5	-3.9	0.53	0.45	-0.08
Change in private inventories.....	.....	.....	.....	0.94	0.87	-0.07
<b>Net exports of goods and services</b> .....	.....	.....	.....	<b>-0.53</b>	<b>-0.83</b>	<b>-0.30</b>
Exports.....	<b>14.7</b>	<b>17.0</b>	<b>2.3</b>	<b>1.49</b>	<b>1.71</b>	<b>0.22</b>
Goods.....	21.4	24.5	3.1	1.38	1.57	0.19
Services.....	2.9	3.8	0.9	0.10	0.14	0.04
Imports.....	<b>16.4</b>	<b>20.8</b>	<b>4.4</b>	<b>-2.01</b>	<b>-2.53</b>	<b>-0.52</b>
Goods.....	20.0	25.6	5.6	-1.94	-2.45	-0.51
Services.....	2.7	3.0	0.3	-0.07	-0.08	-0.01
<b>Government consumption expenditures and gross investment</b> .....	<b>2.3</b>	<b>3.1</b>	<b>0.8</b>	<b>0.48</b>	<b>0.63</b>	<b>0.15</b>
Federal.....	7.9	8.3	0.4	0.62	0.65	0.03
National defense.....	8.4	8.9	0.5	0.45	0.48	0.03
Nondefense.....	6.8	6.9	0.1	0.17	0.17	0.00
State and local.....	-1.1	-0.1	1.0	-0.14	-0.02	0.12
<b>Addenda:</b>						
Final sales of domestic product.....	2.5	1.9	-0.6	2.59	1.92	-0.67
Gross domestic purchases price index .....	1.6	1.4	-0.2	.....	.....	.....
GDP price index .....	0.8	0.5	-0.3	.....	.....	.....

1. The estimates under the contribution columns are also percent changes.

### Source Data for the Second Estimates

**Personal consumption expenditures:** Retail sales for August and September (revised). Motor vehicle registrations for July and August (revised) and September (new). Retail natural gas sales for August (new).

**Nonresidential fixed investment:** Construction spending (value put in place) for July and August (revised) and September (new). Manufacturers' shipments (M3) of machinery and equipment for August (revised) and September (new). Exports and imports for July and August (revised) and September (new).

**Residential investment:** Construction spending (value put in place) and one-unit deflator for July and August (revised) and September (new).

**Change in private inventories:** Manufacturers' inventories and trade inventories for August (revised) and September (new).

**Exports and imports of goods and services:** International transactions for July and August (revised) and September (new).

**Government consumption expenditures and gross investment:** State and local construction spending (value put in place) for July and August (revised) and September (new).

The "second" estimate of the third-quarter increase in real GDP is 0.7 percentage point lower than the advance estimate, primarily reflecting an upward revision to imports and downward revisions to consumer spending and to nonresidential fixed investment that were partly offset by an upward revision to exports. The average revision (without regard to sign) between the advance estimate and the "second" estimate is 0.5 percentage point.

The downward revision to consumer spending primarily reflected a downward revision to durable goods (mainly motor vehicles and parts).

The downward revision to nonresidential fixed investment was more than accounted for by nonresidential structures (mainly commercial and health care structures and manufacturing structures).

The upward revision to exports was primarily to goods; the largest contributor to the revision was industrial supplies and materials (mainly petroleum and products).

The upward revision to imports was primarily to goods; the largest contributor to the revision was automotive vehicles, engines, and parts (mainly new and used motor vehicles).

### Personal Income for the Second Quarter of 2009

With the release of the second estimates of GDP, BEA also releases revised estimates of various income-related measures for the previous quarter. This revision reflects the incorporation of newly available second-quarter tabulations from the Quarterly Census of Employment and Wages from the Bureau of Labor Statistics.

Wage and salary disbursements increased \$5.3 billion, an upward revision of \$82.2 billion. Personal current taxes decreased \$104.7 billion, \$14.4 billion less of a decrease than the previous estimate. Contributions for government social insurance, which are subtracted in calculating personal income, increased \$1.2 billion, an upward revision of \$11.2 billion.

As a result of these revisions

- Personal income increased \$96.1 billion, an upward revision of \$77.0 billion.
- Disposable personal income increased \$200.8 billion, an upward revision of \$62.6 billion.
- Personal saving increased \$192.6 billion, an upward revision of \$62.6 billion.
- The personal saving rate was 5.4 percent, an upward revision of 0.5 percentage point.

## Corporate Profits

**Table 10. Corporate Profits**  
[Seasonally adjusted]

	Billions of dollars (annual rate)					Percent change from preceding quarter (quarterly rate)			
	Level	Change from preceding quarter							
		2009	2008	2009		2008	2009		
	III	IV	I	II	III	IV	I	II	III
<b>Current production measures:</b>									
Corporate profits .....	1,356.5	-331.0	59.1	43.8	130.0	-22.8	5.3	3.7	10.6
Domestic industries.....	1,035.2	-266.1	75.7	58.3	109.9	-25.2	9.6	6.7	11.9
Financial.....	363.3	-167.9	115.9	28.5	97.0	-57.9	95.0	12.0	36.4
Nonfinancial.....	671.9	-98.2	-40.2	29.8	12.9	-12.8	-6.0	4.7	2.0
Rest of the world.....	321.3	-64.8	-16.6	-14.6	20.1	-16.3	-5.0	-4.6	6.7
Receipts from the rest of the world .....	429.8	-79.4	-76.9	7.7	19.9	-14.2	-16.1	1.9	4.8
Less: Payments to the rest of the world.....	108.5	-14.5	-60.4	22.3	-0.2	-9.0	-41.1	25.8	-0.2
Less: Taxes on corporate income	312.6	-81.5	47.0	35.6	6.7	-26.7	21.1	13.2	2.2
<i>Equals:</i> Profits after tax.....	1,043.9	-249.4	12.0	8.2	123.3	-21.7	1.3	0.9	13.4
Net dividends .....	543.3	-6.7	-51.8	-62.1	-12.7	-1.0	-7.7	-10.0	-2.3
Undistributed profits from current production .....	500.6	-242.7	63.7	70.3	136.1	-51.3	27.7	23.9	37.3
Net cash flow .....	1,586.5	59.8	16.2	-30.5	41.6	4.0	1.0	-1.9	2.7
<b>Industry profits:</b>									
Profits with IVA.....	1,475.9	-322.9	128.3	27.5	120.8	-21.2	10.7	2.1	8.9
Domestic industries.....	1,154.6	-258.1	145.0	42.0	100.7	-22.9	16.7	4.2	9.5
Financial.....	376.8	-167.2	123.6	26.8	96.1	-56.2	94.8	10.6	34.3
Nonfinancial.....	777.7	-90.9	21.4	15.3	4.4	-11.0	2.9	2.0	0.6
Rest of the world.....	321.3	-64.8	-16.6	-14.6	20.1	-16.3	-5.0	-4.6	6.7
<b>Addenda:</b>									
Profits before tax (without IVA and CCAdj) .....	1,493.3	-516.5	186.4	90.6	156.2	-32.8	17.6	7.3	11.7
Profits after tax (without IVA and CCAdj) .....	1,180.7	-435.1	139.3	55.0	149.6	-34.2	16.6	5.6	14.5
IVA .....	-17.4	193.7	-58.1	-63.0	-35.5	.....	.....	.....	.....
CCAdj .....	-119.4	-8.0	-69.3	16.3	9.2	.....	.....	.....	.....

NOTE. Levels of these and other profits series are shown in NIPA tables 1.12, 1.14, 1.15, and 6.16D.

IVA Inventory valuation adjustment  
CCAdj Capital consumption adjustment

Profits from current production increased \$130.0 billion, or 10.6 percent at a quarterly rate, in the third quarter, the largest increase since the first quarter of 2004. In the second quarter, profits increased 43.8 billion.

Domestic profits of financial corporations increased \$97.0 billion, or 36.4 percent, after increasing \$28.5 billion.

Domestic profits of nonfinancial corporations increased \$12.9 billion, or 2.0 percent, after increasing \$29.8 billion.

Profits from the rest of the world increased \$20.1 billion, or 6.7 percent, after decreasing \$14.6 billion. In the third quarter, receipts increased \$19.9 billion, and payments decreased \$0.2 billion.

Taxes on corporate income increased \$6.7 billion, or 2.2 percent, after increasing \$35.6 billion.

Profits after tax increased \$123.3 billion, or 13.4 percent, after increasing \$8.2 billion.

Undistributed corporate profits (a measure of net saving that equals after-tax profits less dividends) increased \$136.1 billion, or 37.3 percent, after increasing \$70.3 billion.

Net cash flow from current production, a profits-related measure of internal funds available for investment, increased \$41.6 billion, or 2.7 percent, after decreasing \$30.5 billion.

### Measuring Corporate Profits

Corporate profits is a widely followed economic indicator used to gauge corporate health, assess investment conditions, and analyze the effect on corporations of economic policies and conditions. In addition, corporate profits is an important component in key measures of income.

BEA's measure of corporate profits aims to capture the income earned by corporations from current production in a manner that is fully consistent with the national income and product accounts (NIPAs). The measure is defined as receipts arising from current production less associated expenses. Receipts exclude income in the form of dividends and capital gains, and expenses exclude bad debts, natural resource depletion, and capital losses.

Because direct estimates of NIPA-consistent corporate profits are unavailable, BEA derives these estimates in three steps.

First, BEA measures profits before taxes to reflect corporate income regardless of any redistributions of income through taxes. Estimates for the current quarter are based on corporate earnings reports from sources including Cen-

sus Bureau quarterly financial reports, Federal Deposit Insurance Corporation call reports, other regulatory reports, and tabulations from corporate financial reports. The estimates are benchmarked to Internal Revenue Service data when the data are available for two reasons: the data are based on well-specified accounting definitions, and they are comprehensive, covering all incorporated businesses—publicly traded and privately held—in all industries.

Second, to remove the effects of price changes on inventories valued at historical cost and of tax accounting for inventory withdrawals, BEA adds an inventory valuation adjustment that values inventories at current cost.

Third, to remove the effects of tax accounting on depreciation, BEA adds a capital consumption adjustment (CCAdj). CCAdj is defined as the difference between capital consumption allowances (tax return depreciation) and consumption of fixed capital (the decline in the value of the stock of assets due to wear and tear, obsolescence, accidental damage, and aging).