

GDP and the Economy

Second Estimates for the Third Quarter of 2011

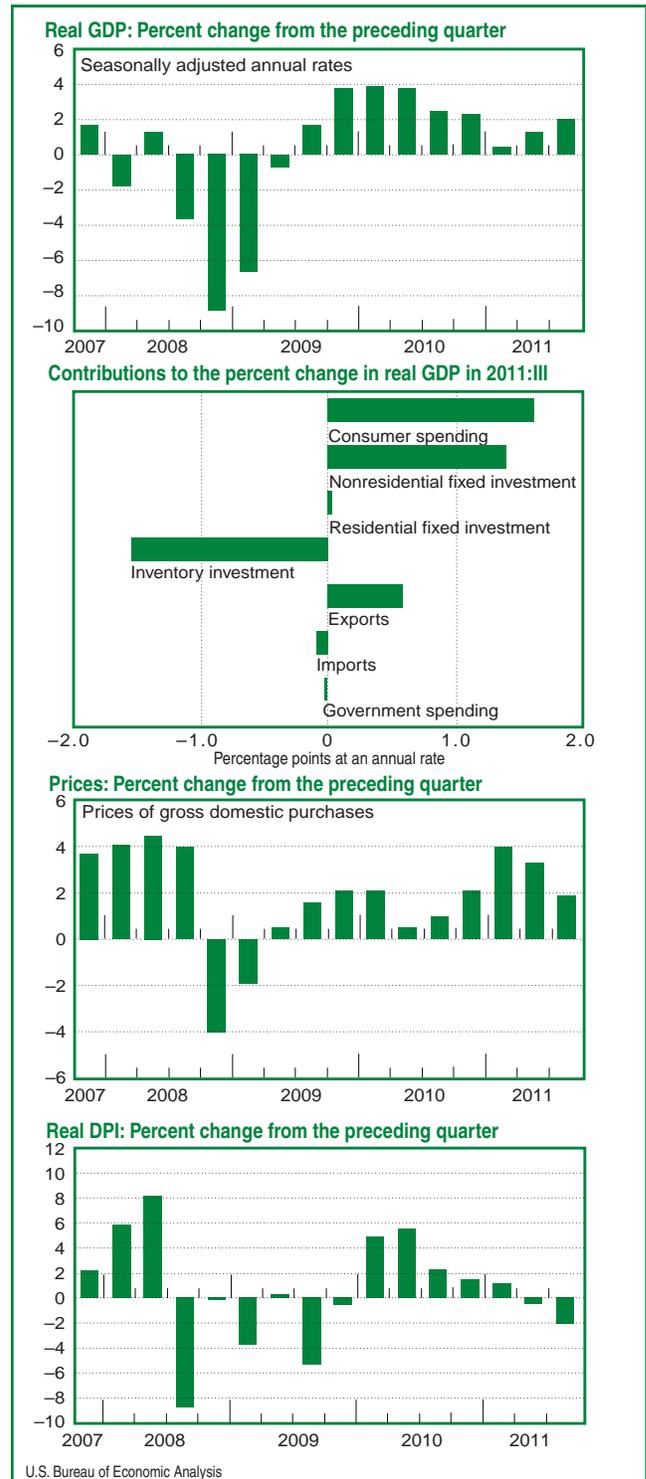
REAL GROSS domestic product (GDP) increased 2.0 percent in the third quarter, according to the second estimates of the national income and product accounts (NIPAs) (chart 1 and table 1).¹ The second estimate of real GDP growth was revised down 0.5 percentage point from the advance estimate, reflecting downward revisions to inventory investment, nonresidential fixed investment, and consumer spending that were partly offset by a downward revision to imports.² In the second quarter, real GDP increased 1.3 percent.

- Prices of goods and services purchased by U.S. residents increased 1.9 percent in the third quarter, 0.1 percentage point less than in the advance estimate. In the second quarter, prices increased 3.3 percent. Energy prices and food prices decelerated in the third quarter. Excluding food and energy, gross domestic purchases prices increased 1.8 percent after increasing 2.7 percent.
- Real disposable personal income (DPI) decreased 2.1 percent in the third quarter, 0.4 percentage point more of a decrease than in the advance estimate; in the second quarter, it decreased 0.5 percentage point (revised). The larger decrease reflected a sharp deceleration in current-dollar DPI, which was revised down 0.4 percentage point from the advance estimate. The downward revision to current-dollar DPI reflected a downward revision to personal income and a small upward revision to personal current taxes.
- The personal saving rate was 3.8 percent in the third quarter, 0.3 percentage point less than in the advance estimate; In the second quarter, it was 4.8 percent (revised).
- Real gross domestic income rose 0.4 percent in the third quarter after rising 0.2 percent in the second quarter.
- Corporate profits increased \$39.8 billion after increasing \$61.2 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; for more information, see "Revisions to GDP, GDI, and Their Major Components" in the July 2011 SURVEY OF CURRENT BUSINESS. 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," "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)



Christopher Swann prepared this article.

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)			
	2011		2011					2011			
	III	IV	I	II	III	IV	I	II	III		
Gross domestic product ¹	100.0	2.3	0.4	1.3	2.0	2.3	0.4	1.3	2.0		
Personal consumption expenditures	71.1	3.6	2.1	0.7	2.3	2.48	1.47	0.49	1.63		
Goods.....	24.1	8.3	4.7	-1.6	1.3	1.87	1.10	-0.38	0.30		
Durable goods.....	7.6	17.2	11.7	-5.3	5.5	1.20	0.85	-0.42	0.41		
Nondurable goods.....	16.5	4.3	1.6	0.2	-0.6	0.67	0.25	0.04	-0.11		
Services.....	47.0	1.3	0.8	1.9	2.9	0.61	0.36	0.87	1.33		
Gross private domestic investment	12.5	-7.1	3.8	6.4	-0.9	-0.91	0.47	0.79	-0.10		
Fixed investment.....	12.5	7.5	1.2	9.2	12.3	0.88	0.15	1.07	1.45		
Nonresidential.....	10.3	8.7	2.1	10.3	14.8	0.82	0.20	0.98	1.41		
Structures.....	2.8	10.5	-14.3	22.6	12.6	0.26	-0.40	0.54	0.33		
Equipment and software.....	7.5	8.1	8.7	6.2	15.6	0.56	0.60	0.44	1.08		
Residential.....	2.2	2.5	-2.4	4.2	1.6	0.06	-0.06	0.09	0.04		
Change in private inventories.....	0.0	.....	.....	.....	.....	-1.79	0.32	-0.28	-1.55
Net exports of goods and services	-3.7	.....	.....	.....	.....	1.37	-0.34	0.24	0.49
Exports.....	13.9	7.8	7.9	3.6	4.3	0.98	1.01	0.48	0.59		
Goods.....	9.9	9.2	10.6	2.5	4.9	0.79	0.94	0.24	0.48		
Services.....	4.1	4.7	1.7	6.2	2.7	0.18	0.07	0.24	0.11		
Imports.....	17.6	-2.3	8.3	1.4	0.5	0.39	-1.35	-0.24	-0.09		
Goods.....	14.8	-0.5	9.5	1.6	0.3	0.08	-1.29	-0.23	-0.04		
Services.....	2.8	-10.4	2.2	0.4	2.0	0.31	-0.06	-0.01	-0.06		
Government consumption expenditures and gross investment	20.1	-2.8	-5.9	-0.9	-0.1	-0.58	-1.23	-0.18	-0.02		
Federal.....	8.2	-3.0	-9.4	1.9	1.9	-0.26	-0.82	0.16	0.15		
National defense.....	5.6	-5.9	-12.6	7.0	4.7	-0.34	-0.74	0.37	0.26		
Nondefense.....	2.7	3.1	-2.7	-7.6	-3.8	0.09	-0.08	-0.22	-0.10		
State and local.....	11.8	-2.7	-3.4	-2.8	-1.4	-0.33	-0.41	-0.34	-0.17		

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.

Table 2. Real Gross Domestic Product (GDP) and Related Measures

[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)			
	2011		2011					2011			
	III	IV	I	II	III	IV	I	II	III		
Gross domestic product ¹	100.0	2.3	0.4	1.3	2.0	2.3	0.4	1.3	2.0		
Final sales of domestic product.....	100.1	4.2	0.0	1.6	3.6	4.14	0.04	1.62	3.55		
Change in private inventories.....	-0.1	.....	.....	.....	.....	-1.79	0.32	-0.28	-1.55
Goods.....	28.0	5.9	4.9	-0.6	1.3	1.63	1.36	-0.17	0.38		
Services.....	65.2	1.0	-0.1	1.8	1.9	0.65	-0.05	1.18	1.24		
Structures.....	6.8	1.0	-13.1	5.0	5.8	0.07	-0.95	0.33	0.38		
Addenda:											
Motor vehicle output.....	2.5	-17.4	59.2	-4.1	7.5	-0.43	1.08	-0.10	0.18		
GDP excluding motor vehicle output.....	97.5	2.9	-0.7	1.5	1.9	2.78	-0.73	1.44	1.83		
Final sales of computers.....	0.6	64.2	14.7	13.0	44.0	0.29	0.08	0.07	0.22		
GDP excluding final sales of computers.....	99.4	2.1	0.3	1.3	1.8	2.06	0.27	1.26	1.78		
Gross domestic income (GDI) ².....	.....	1.5	2.4	0.2	0.4	.....	.....	.....	.....

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

2. GDI is deflated by the implicit price deflator for GDP. The second-quarter change reflect the incorporation of revised wage and salary estimates for the second quarter of 2011.

NOTE: For GDP and its components, 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. For GDI, percent changes are from NIPA table 1.7.1.

The acceleration in real GDP in the third quarter primarily reflected accelerations in consumer spending and in nonresidential fixed investment, a smaller decrease in state and local government spending, a deceleration in imports, and an acceleration in exports that were partly offset by a larger decrease in inventory investment.

Consumer spending picked up. Spending for durable goods turned up, and spending for services accelerated. Spending for nondurable goods turned down.

Nonresidential fixed investment picked up, reflecting a pickup in equipment and software that was partly offset by a slowdown in structures. (See page 4.)

Inventory investment decreased more than in the second quarter and subtracted 1.55 percentage points from real GDP growth after subtracting 0.28 percentage point. (See page 5.)

Exports picked up slightly, mainly reflecting a pickup in exports of goods; exports of services slowed. (See page 6.)

Imports slowed, reflecting a slowdown in imports of goods. Imports of services accelerated. (See page 6.)

Federal government spending increased at about the same rate as in the second quarter. A slowdown in national defense spending was largely offset by a smaller decrease in nondefense spending. (See page 7.)

State and local government spending decreased less than in the second quarter. An upturn in gross investment was partly offset by a larger decrease in consumption expenditures. (See page 7.)

Real final sales of domestic product, real GDP less inventory investment, increased 3.6 percent after increasing 1.6 percent.

Motor vehicle output turned up, contributing 0.18 percentage point to real GDP growth after subtracting 0.10 percentage point.

Final sales of computers accelerated, contributing 0.22 percentage point to real GDP growth after contributing 0.07 percentage point.

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 0.4 percent after increasing 0.2 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)		
			2011					2011		
	2011	2010	I	II	III	IV	I	II	III	
PCE¹	100.0	3.6	2.1	0.7	2.3	3.6	2.1	0.7	2.3	
Goods	33.9	8.3	4.7	-1.6	1.3	2.68	1.57	-0.54	0.43	
Durable goods	10.7	17.2	11.7	-5.3	5.5	1.72	1.21	-0.59	0.58	
Motor vehicles and parts	3.4	37.1	15.8	-25.5	1.9	1.09	0.53	-1.03	0.06	
Furnishings and durable household equipment	2.4	8.9	3.5	3.1	5.3	0.20	0.08	0.07	0.12	
Recreational goods and vehicles	3.2	11.4	15.3	8.9	10.8	0.35	0.46	0.27	0.33	
Other durable goods	1.8	4.5	8.5	6.1	3.5	0.08	0.14	0.10	0.06	
Nondurable goods	23.2	4.3	1.6	0.2	-0.6	0.96	0.36	0.05	-0.15	
Food and beverages for off-premises consumption	7.6	4.8	0.8	1.2	-0.4	0.36	0.06	0.09	-0.03	
Clothing and footwear	3.3	12.4	3.1	2.2	-8.0	0.39	0.10	0.07	-0.27	
Gasoline and other energy goods	4.0	-5.9	-6.0	-8.0	-1.3	-0.21	-0.23	-0.33	-0.05	
Other nondurable goods	8.3	5.2	5.3	2.7	2.6	0.43	0.43	0.22	0.21	
Services	66.1	1.3	0.8	1.9	2.9	0.88	0.52	1.22	1.88	
Household consumption expenditures	63.5	1.7	0.8	1.9	3.0	1.10	0.50	1.20	1.86	
Housing and utilities	18.0	-0.7	-1.5	0.7	3.0	-0.13	-0.27	0.13	0.53	
Health care	16.3	4.3	0.6	2.8	5.4	0.70	0.09	0.45	0.86	
Transportation services	2.8	0.1	-0.5	-0.2	-0.4	0.00	-0.01	-0.01	-0.01	
Recreation services	3.7	-1.2	-2.0	9.2	2.8	-0.04	-0.07	0.33	0.10	
Food services and accommodations	6.4	3.6	6.9	1.1	2.6	0.22	0.42	0.07	0.17	
Financial services and insurance	7.5	1.0	4.3	1.3	2.4	0.08	0.32	0.10	0.18	
Other services	8.8	3.0	0.2	1.5	0.3	0.27	0.02	0.13	0.03	
Final consumption expenditures of NPISHs ²	2.6	-7.8	0.6	0.8	0.4	-0.22	0.02	0.02	0.01	
Gross output of NPISHs ³	10.9	3.6	-1.7	1.4	5.7	0.39	-0.19	0.15	0.61	
Less: Receipts from sales of goods and services by NPISHs ⁴	8.3	7.6	-2.5	1.5	7.5	0.61	-0.21	0.13	0.59	

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

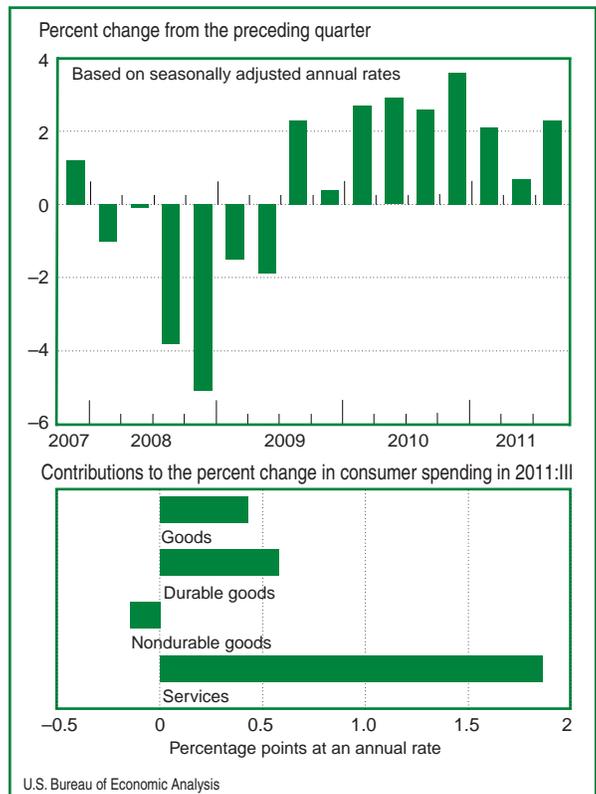
Spending for goods turned up, reflecting an upturn in spending for durable goods that was partly offset by a downturn in spending for nondurable goods.

The upturn in spending for durable goods mainly reflected an upturn in spending for motor vehicles and parts. Spending for recreational goods and vehicles and for furnishings and durable household equipment also contributed.

The downturn in spending for nondurable goods mainly reflected downturns in spending for clothing and footwear and for food and beverages for off-premises consumption that were partly offset by a smaller decrease in spending for gasoline and other energy goods.

Spending for services picked up, mainly reflecting pickups in spending for housing and utilities and for health care that were partly offset by a slowdown in spending for recreation services.

Chart 2. Real Personal Consumption Expenditures



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)				
		2010		2011			2010		2011		
		III	IV	I	II	III	IV	I	II	III	
Private fixed investment¹	100.0	7.5	1.2	9.2	12.3	7.5	1.2	9.2	12.3		
Nonresidential	82.3	8.7	2.1	10.3	14.8	7.02	1.67	8.39	11.99		
Structures	22.3	10.5	-14.3	22.6	12.6	2.22	-3.33	4.52	2.74		
Commercial and health care	4.9	-8.2	-19.5	22.7	10.9	-0.44	-1.07	1.02	0.54		
Manufacturing	2.0	-34.1	-20.5	55.4	16.6	-0.87	-0.43	0.87	0.32		
Power and communication	4.9	81.1	-33.3	13.0	19.3	2.88	-1.98	0.59	0.88		
Mining exploration, shafts, and wells	7.4	21.9	8.0	33.6	9.0	1.29	0.52	2.11	0.66		
Other structures ²	3.0	-17.9	-11.1	-2.4	11.5	-0.65	-0.37	-0.06	0.34		
Equipment and software	60.0	8.1	8.7	6.2	15.6	4.80	5.00	3.87	9.24		
Information processing equipment and software	29.8	10.9	0.3	8.9	0.7	3.32	0.10	2.73	0.30		
Computers and peripheral equipment	5.5	23.0	-6.7	50.5	13.9	1.16	-0.38	2.30	0.77		
Software ³	14.4	8.2	2.0	8.0	5.7	1.19	0.30	1.17	0.84		
Other ⁴	9.8	8.9	1.6	-6.7	-12.2	0.96	0.18	-0.74	-1.31		
Industrial equipment	10.6	9.9	11.7	-0.8	31.3	0.96	1.13	-0.05	2.94		
Transportation equipment	8.6	-0.6	37.8	14.9	31.7	0.05	2.50	1.22	2.49		
Other equipment ⁵	11.2	4.3	12.6	-0.5	36.1	0.47	1.26	-0.03	3.51		
Residential	17.7	2.5	-2.4	4.2	1.6	0.49	-0.46	0.78	0.33		
Structures	17.3	2.3	-2.6	4.2	1.5	0.45	-0.47	0.77	0.30		
Permanent site	6.4	-15.2	-0.8	-4.6	7.2	-1.15	-0.05	-0.31	0.46		
Single family	5.6	-16.7	1.3	-6.4	3.9	-1.13	0.07	-0.38	0.22		
Multifamily	0.8	-2.0	-15.0	10.0	34.9	-0.02	-0.13	0.07	0.24		
Other structures ⁶	10.9	15.0	-3.7	9.8	-1.7	1.60	-0.42	1.08	-0.16		
Equipment	0.5	8.5	3.3	3.3	5.5	0.04	0.02	0.02	0.03		

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 accelerated, reflecting an acceleration in nonresidential fixed investment that was partly offset by a small deceleration in residential investment.

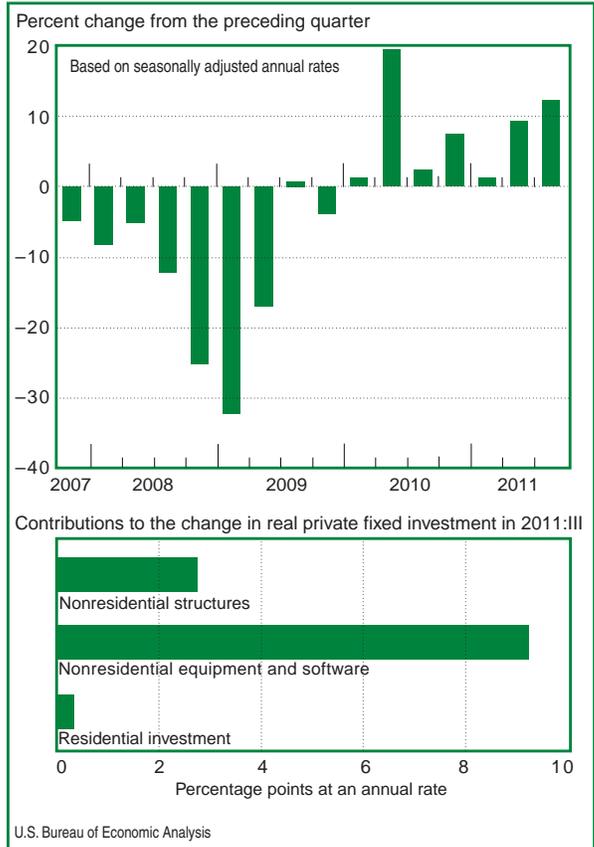
The acceleration in nonresidential fixed investment reflected an acceleration in equipment and software that was partly offset by a deceleration in structures.

The deceleration in structures reflected decelerations in mining exploration, shafts, and wells, in manufacturing, and in commercial and health care that were partly offset by an upturn in "other" structures and a pickup in power and communications.

The acceleration in equipment and software reflected upturns in "other" equipment (which includes agricultural and construction machinery) and in industrial equipment and an acceleration in transportation equipment. In contrast, information processing equipment and software slowed.

The deceleration in residential investment reflected a downturn in "other" structures (mainly in improvements) that was partly offset by an upturn in single-family structures.

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				
	2010		2011			2010		2011		
	III	IV	I	II	III	IV	I	II	III	
Change in private inventories¹	92.3	38.3	49.1	39.1	-8.5	-54.0	10.8	-10.0	-47.6	
Farm	-5.7	-5.2	-7.8	-8.7	-10.8	0.5	-2.6	-0.9	-2.1	
Mining, utilities, and construction	-6.0	-1.6	-1.2	2.5	-0.2	4.4	0.4	3.7	-2.7	
Manufacturing	24.2	39.7	33.3	24.2	9.4	15.5	-6.4	-9.1	-14.8	
Durable-goods industries	21.6	19.4	27.3	21.2	20.1	-2.2	7.9	-6.1	-1.1	
Nondurable-goods industries	3.3	20.1	7.0	4.0	-8.4	16.8	-13.1	-3.0	-12.4	
Wholesale trade	50.3	16.5	22.3	39.0	6.4	-33.8	5.8	16.7	-32.6	
Durable-goods industries	26.0	13.9	15.2	30.6	23.4	-12.1	1.3	15.4	-7.2	
Nondurable-goods industries	23.8	3.3	7.5	10.1	-12.6	-20.5	4.2	2.6	-22.7	
Retail trade	28.4	-13.7	-0.7	-20.5	-11.7	-42.1	13.0	-19.8	8.8	
Motor vehicle and parts dealers	19.8	-17.7	-9.1	-23.0	-10.1	-37.5	8.6	-13.9	12.9	
Food and beverage stores	0.0	-0.5	-0.3	2.1	1.5	-0.5	0.2	2.4	-0.6	
General merchandise stores	4.5	1.4	3.7	-0.9	-0.4	-3.1	2.3	-4.6	0.5	
Other retail stores	4.9	2.2	4.3	-0.4	-3.3	-2.7	2.1	-4.7	-2.9	
Other industries	1.0	1.2	3.9	1.5	-0.5	0.2	2.7	-2.4	-2.0	
Residual ²	-0.9	1.8	-1.4	0.1	-7.2	.....	.....	.....	.....
Addenda: Ratios of private inventories to final sales of domestic business:³										
Private inventories to final sales	2.36	2.33	2.34	2.34	2.31	.....	.....	.....	.....
Nonfarm inventories to final sales	2.14	2.12	2.14	2.15	2.12	.....	.....	.....	.....
Nonfarm inventories to final sales of goods and structures	3.98	3.91	3.94	3.96	3.90	.....	.....	.....	.....

Real inventory investment decreased \$47.6 billion in the third quarter after decreasing \$10.0 billion in the second quarter.

Inventory investment in manufacturing industries decreased \$14.8 billion after decreasing \$9.1 billion; the larger decrease mainly reflected a third-quarter drawdown in nondurable-goods industries.

Inventory investment in wholesale trade turned down, reflecting a drawdown in nondurable-goods industries and a smaller third-quarter accumulation in durable-goods industries.

Inventory investment in retail trade industries increased \$8.8 billion after decreasing \$19.8 billion. The upturn mainly reflected a much smaller third-quarter drawdown by motor vehicle and parts dealers.

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.

3. The ratios are from NIPA table 5.7.6B.

NOTE: The chained-dollar series are calculated as the period-to-period change in end-of-period inventories. Quarterly changes are stated at annual rates. Because the formula for the chain-type quantity indexes uses weights of more than one period, chained-dollar estimates are usually not additive.

Inventory Investment

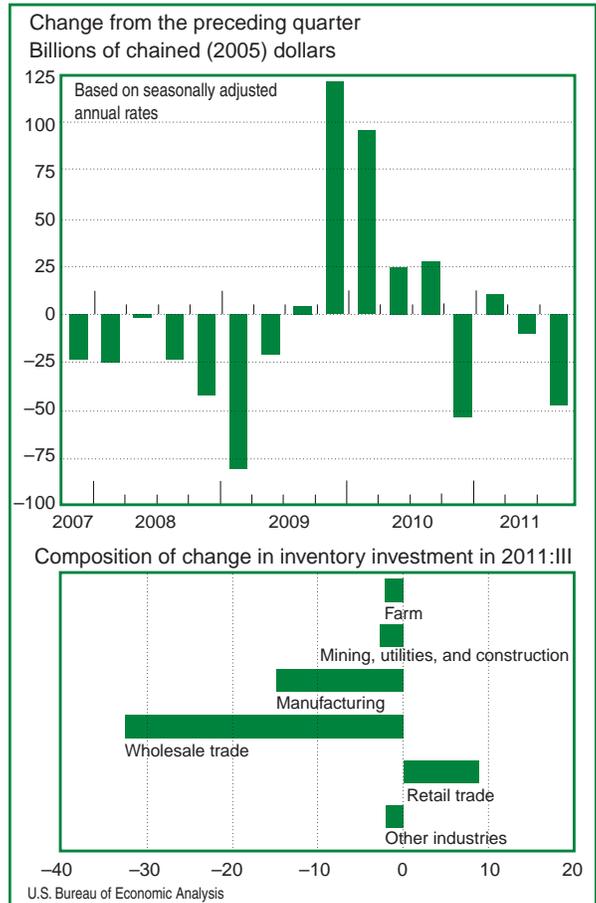
The change in real private inventories, often called real private inventory investment, represents the change in the physical stock of goods held by businesses. It includes finished goods, goods at various stages of production, and raw materials.

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 a year. BEA does not always have complete data for every industry.

Chart 4. Real Private Inventory Investment



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)				
		2010		2011			2010		2011		
		III	IV	I	II	III	IV	I	II	III	
Exports of goods and services¹	100.0	7.8	7.9	3.6	4.3	7.8	7.9	3.6	4.3		
Exports of goods²	70.7	9.2	10.6	2.5	4.9	6.36	7.33	1.79	3.49		
Foods, feeds, and beverages	5.8	22.3	-9.6	-7.4	-19.4	1.25	-0.61	-0.47	-1.28		
Industrial supplies and materials	23.4	11.1	15.3	-6.2	4.9	2.31	3.30	-1.48	1.14		
Capital goods, except automotive	23.7	10.4	4.9	15.7	10.3	2.49	1.18	3.43	2.33		
Automotive vehicles, engines, and parts	6.5	6.1	48.2	-1.0	28.0	0.37	2.47	-0.06	1.58		
Consumer goods, except automotive	8.4	18.7	-10.5	15.2	1.6	1.57	-0.95	1.20	0.14		
Other	2.9	-42.3	90.0	-23.5	-13.1	-1.64	1.95	-0.83	-0.41		
Exports of services²	29.3	4.7	1.7	6.2	2.7	1.45	0.52	1.77	0.80		
Imports of goods and services¹	100.0	-2.3	8.3	1.4	0.5	-2.30	8.30	1.40	0.50		
Imports of goods²	84.0	-0.5	9.5	1.6	0.3	-0.42	7.92	1.31	0.22		
Foods, feeds, and beverages	4.1	-14.1	8.6	3.8	4.6	-0.59	0.34	0.15	0.18		
Industrial supplies and materials, except petroleum and products	11.5	-13.2	20.3	23.5	-2.6	-1.48	2.04	2.37	-0.30		
Petroleum and products	17.1	-19.3	13.2	-11.3	-6.7	-3.10	2.02	-2.11	-1.20		
Capital goods, except automotive	19.3	12.9	11.4	16.8	2.0	2.38	2.14	2.97	0.38		
Automotive vehicles, engines, and parts	10.0	-4.9	40.2	-37.7	69.2	-0.49	3.36	-4.39	4.90		
Consumer goods, except automotive	19.2	0.3	8.6	4.8	-11.5	0.06	1.72	0.93	-2.38		
Other	3.0	109.6	-64.9	54.2	-34.7	2.81	-3.71	1.38	-1.35		
Imports of services²	16.0	-10.4	2.2	0.4	2.0	-1.89	0.38	0.07	0.32		
Addenda:											
Exports of agricultural goods ³	6.3	21.0	-0.3	-17.9	-24.8						
Exports of nonagricultural goods	64.4	8.0	11.9	5.1	8.6						
Imports of nonpetroleum goods	67.0	4.0	8.7	5.2	2.2						

Exports of goods and services picked up in the third quarter, reflecting a pickup in exports of goods that was partly offset by a slowdown in exports of services.

The pickup in exports of goods reflected upturns in industrial supplies and materials and in automotive vehicles, engines, and parts and a smaller decrease in "other" exports. In contrast, both nonautomotive capital goods and nonautomotive consumer goods slowed, and foods, feeds, and beverages decreased more than in the second quarter.

The slowdown in exports of services mainly reflected a slowdown in travel and a downturn in transfers under U.S. military agency sales contracts. In contrast, "other" transportation services turned up.

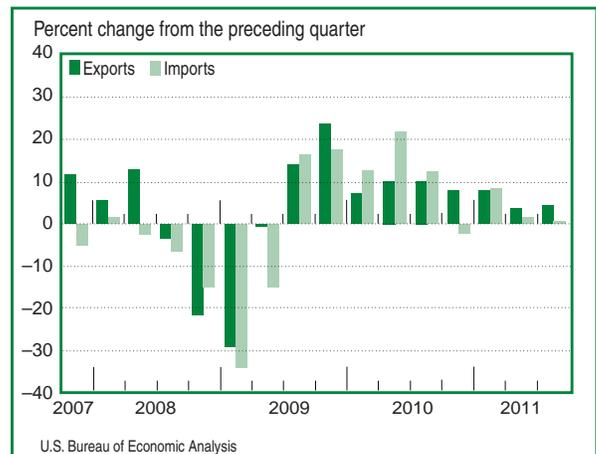
The slowdown in imports of goods and services reflected a slowdown in imports of goods that was partly offset by a pickup in imports of services.

The slowdown in imports of goods reflected downturns in nonautomotive consumer goods, in "other" imports of goods, in nonpetroleum industrial supplies and materials, and a slowdown in nonautomotive capital goods. In contrast, automotive vehicles, engines, and parts turned up sharply as supply-chain flows normalized after disruptions that resulted from the tsunami and earthquake in Japan; petroleum and products decreased less than in the second quarter.

The pickup in imports of services mainly reflected an upturn in direct defense expenditures. In contrast, "other" transportation services turned down.

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.

Chart 5. Real Exports and Imports of Goods and Services



International Transactions Accounts (ITAs) and NIPA Exports Excluding Gold

For the third quarter, the difference between exports in the ITAs (based on Census Bureau goods data) and the estimate of exports in GDP was sizeable because of differences in the treatment of gold exports. (See also table 9.)

In calculating GDP, the NIPAs exclude (while the ITAs include) exports and imports of gold that are not directly related to domestic production or consumption; that is, the NIPAs exclude gold that is held solely as a store of value.

For a detailed explanation of the gold adjustment in the NIPAs, see pages 8–12 and 8–13 in “Chapter 8: Net Exports of Goods and Services” of the NIPA handbook on BEA’s Web at www.bea.gov.

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)		
	2011	2010	2011			2010		2011		
	III	IV	I	II	III	IV	I	II	III	
Government consumption expenditures and gross investment¹	100.0	-2.8	-5.9	-0.9	-0.1	-2.8	-5.9	-0.9	-0.1	
Consumption expenditures.....	84.0	-2.6	-2.4	0.5	-0.8	-2.16	-1.95	0.40	-0.71	
Gross investment.....	16.0	-3.7	-21.6	-7.8	4.0	-0.63	-3.91	-1.29	0.62	
Federal.....	41.0	-3.0	-9.4	1.9	1.9	-1.22	-3.90	0.78	0.75	
National defense.....	27.7	-5.9	-12.6	7.0	4.7	-1.64	-3.54	1.84	1.27	
Consumption expenditures.....	24.1	-8.0	-7.3	9.1	3.8	-1.94	-1.70	2.05	0.88	
Gross investment.....	3.6	7.9	-39.1	-5.8	11.3	0.31	-1.84	-0.21	0.38	
Nondefense.....	13.3	3.1	-2.7	-7.6	-3.8	0.42	-0.36	-1.07	-0.51	
Consumption expenditures.....	11.6	2.6	-2.4	-8.0	-4.6	0.30	-0.27	-0.98	-0.55	
Gross investment.....	1.7	6.5	-5.3	-5.0	2.0	0.11	-0.09	-0.09	0.03	
State and local.....	59.0	-2.7	-3.4	-2.8	-1.4	-1.58	-1.97	-1.67	-0.85	
Consumption expenditures.....	48.4	-1.1	0.0	-1.4	-2.1	-0.53	0.01	-0.68	-1.04	
Gross investment.....	10.6	-9.0	-16.9	-8.9	1.9	-1.05	-1.98	-0.99	0.20	

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 decreased less in the third quarter than in the second quarter, reflecting a smaller decrease in state and local government spending.

Federal government spending increased about the same as in the second quarter. In the third quarter, a slowdown in spending for national defense was mostly offset by a smaller decrease in nondefense spending. The slowdown in national defense spending reflected a slowdown in consumption expenditures that was partly offset by upturns in gross investment in both structures and equipment and software. The smaller decrease in nondefense spending primarily reflected a smaller decrease in consumption expenditures and an upturn in gross investment in equipment and software.

The smaller decrease in state and local government spending mainly reflected an upturn in investment in structures that was partly offset by a larger decrease in consumption expenditures.

Government Spending

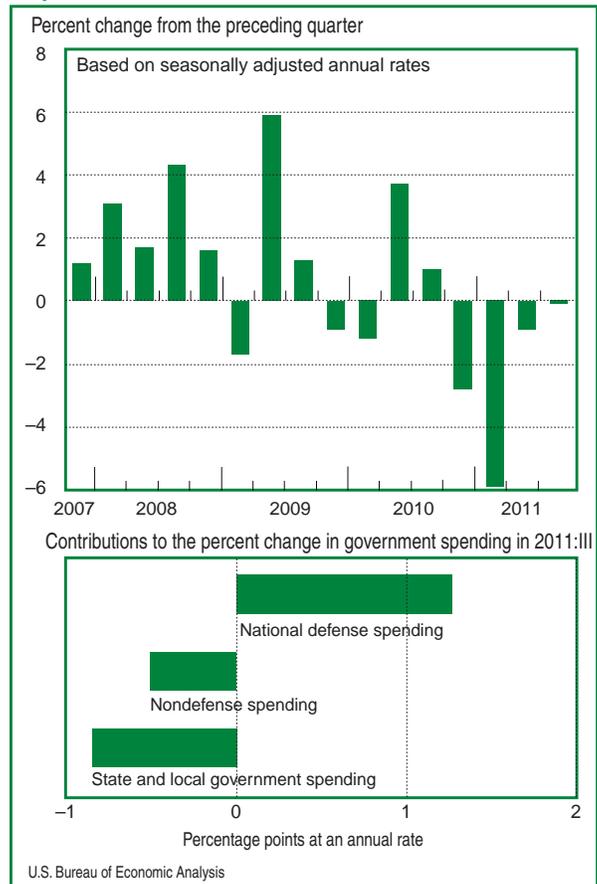
“Government consumption expenditures and gross investment,” or “government spending,” consists of two components: (1) consumption expenditures by federal government and by state and local governments and (2) gross investment by government and government-owned enterprises.

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 (which represents a partial measure of the services provided by government-owned fixed capital).

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.

Chart 6. Real Government Consumption Expenditures and Gross Investment



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)			
	2010		2011		2010		2011	
	IV	I	II	III	IV	I	II	III
Gross domestic purchases¹	2.1	4.0	3.3	1.9	2.1	4.0	3.3	1.9
Personal consumption expenditures	1.9	3.9	3.3	2.3	1.34	2.67	2.26	1.58
Goods	3.4	8.0	5.1	2.9	0.76	1.80	1.17	0.67
Durable goods	-2.4	-0.6	1.7	-0.5	-0.18	-0.04	0.13	-0.04
Nondurable goods	6.2	12.4	6.7	4.5	0.94	1.84	1.04	0.71
Services	1.2	1.9	2.4	2.0	0.57	0.87	1.09	0.91
Gross private domestic investment	1.7	2.1	2.2	1.0	0.20	0.26	0.27	0.12
Fixed investment	0.8	1.4	2.4	1.4	0.09	0.17	0.28	0.17
Nonresidential	0.4	1.4	2.5	1.6	0.04	0.14	0.24	0.16
Structures	3.6	5.0	6.1	5.6	0.09	0.12	0.15	0.14
Equipment and software	-0.8	0.2	1.2	0.2	-0.06	0.01	0.09	0.01
Residential	2.5	1.5	2.0	0.3	0.05	0.03	0.04	0.01
Change in private inventories					0.10	0.09	-0.01	-0.04
Government consumption expenditures and gross investment	3.1	5.4	4.2	1.2	0.61	1.05	0.81	0.24
Federal	2.0	5.3	3.8	1.8	0.16	0.42	0.30	0.14
National defense	2.5	6.3	3.8	1.6	0.14	0.33	0.20	0.08
Nondefense	1.1	3.4	3.7	2.3	0.03	0.09	0.10	0.06
State and local	3.8	5.5	4.5	0.8	0.45	0.63	0.52	0.10
Addenda:								
Gross domestic purchases:								
Food	2.4	5.9	5.7	4.1	0.12	0.29	0.28	0.20
Energy goods and services	25.5	42.4	15.0	3.2	0.90	1.49	0.60	0.14
Excluding food and energy	1.2	2.4	2.7	1.8	1.12	2.20	2.46	1.60
Personal consumption expenditures (PCE):								
Food and beverages for off-premises consumption	1.4	6.5	6.4	4.7				
Energy goods and services	24.7	40.7	15.0	3.3				
Excluding food and energy	0.7	1.6	2.3	2.0				
Gross domestic product (GDP)	1.9	2.5	2.5	2.5				
Exports	8.6	11.0	8.8	1.9				
Imports	8.4	19.1	12.5	-1.3				

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 PCE for food and energy goods and services and for PCE excluding food and energy are calculated from index numbers in NIPA table 2.3.4. Contributions are from NIPA table 1.6.8. GDP, export, and import prices are from NIPA table 1.1.7.

Prices paid by U.S. residents, as measured by the gross domestic purchases price index, decelerated in the third quarter, increasing 1.9 percent after increasing 3.3 percent.

Consumer prices slowed, reflecting slowdowns in prices paid for both goods and services. The slowdown in goods prices mainly reflected a slowdown in gasoline and other energy goods and in motor vehicles and parts. In contrast, prices paid for clothing and footwear picked up. The largest contributor to the slowdown in services prices was financial services and insurance.

Prices paid for nonresidential fixed investment slowed. The largest contributor to the slowdown was a downturn in prices paid for transportation equipment.

Prices paid by government decelerated, reflecting decelerations in prices paid by both state and local governments (mainly in prices paid for consumption expenditures) and by the federal government (mainly in prices paid for national defense consumption expenditures).

Consumer prices excluding food and energy, a measure of the "core" rate of inflation, slowed slightly, increasing 2.0 percent after increasing 2.3 percent.

The GDP price index increased 2.5 percent, 0.6 percentage point more than the increase in the price index for gross domestic purchases, reflecting a decrease in import prices (1.3 percent) relative to an increase in export prices (1.9 percent).

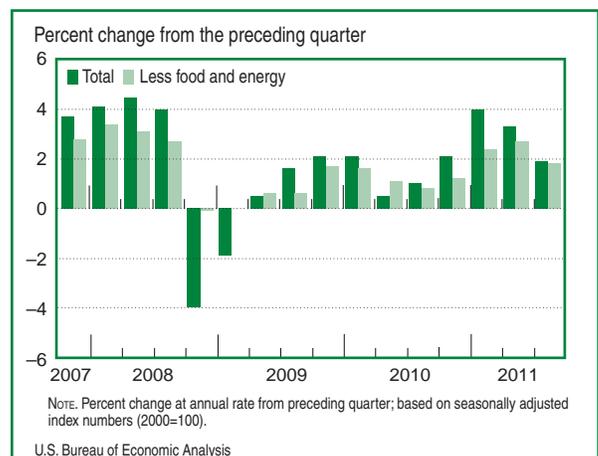
Note on Prices

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 imports prices (included in the gross domestic purchases index) and 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



Revisions

Table 9. Advance and Second Estimates for the Third Quarter of 2011

[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
Gross domestic product (GDP) ¹	2.5	2.0	-0.5	2.5	2.0	-0.5
Personal consumption expenditures	2.4	2.3	-0.1	1.72	1.63	-0.09
Goods	1.4	1.3	-0.1	0.35	0.30	-0.05
Durable goods	4.1	5.5	1.4	0.31	0.41	0.10
Nondurable goods	0.2	-0.6	-0.8	0.04	-0.11	-0.15
Services	3.0	2.9	-0.1	1.38	1.33	-0.05
Gross private domestic investment	4.1	-0.9	-5.0	0.52	-0.10	-0.62
Fixed investment	13.7	12.3	-1.4	1.60	1.45	-0.15
Nonresidential	16.3	14.8	-1.5	1.54	1.41	-0.13
Structures	13.3	12.6	-0.7	0.34	0.33	-0.01
Equipment and software	17.4	15.6	-1.8	1.20	1.08	-0.12
Residential	2.4	1.6	-0.8	0.05	0.04	-0.01
Change in private inventories				-1.08	-1.55	-0.47
Net exports of goods and services				0.22	0.49	0.27
Exports	4.0	4.3	4.3	0.55	0.59	0.04
Goods	4.7	4.9	0.9	0.45	0.48	0.03
Services	2.4	2.7	-2.0	0.10	0.11	0.01
Imports	1.9	0.5	-1.9	-0.34	-0.09	0.25
Goods	1.8	0.3	-1.6	-0.27	-0.04	0.23
Services	2.4	2.0	0.2	-0.07	-0.06	0.01
Government consumption expenditures and gross investment	0.0	-0.1	-2.5	0.00	-0.02	-0.02
Federal	2.0	1.9	1.9	0.16	0.15	-0.01
National defense	4.8	4.7	2.7	0.26	0.26	0.00
Nondefense	-3.7	-3.8	-8.6	-0.10	-0.10	0.00
State and local	-1.3	-1.4	2.3	-0.16	-0.17	-0.01
Addenda:						
Final sales of domestic product	3.6	3.6	0.0	3.54	3.55	0.01
Gross domestic purchases price index	2.0	1.9	-0.1			
GDP price index	2.5	2.5	0.0			

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

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

The downward revision to consumer spending was to both services and goods. Within services, the largest contributors were "other" services and financial services and insurance. Within goods, a downward revision to nondurable goods was partly offset by an upward revision to durable goods. Within nondurable goods, the largest contributor was a downward revision to motor vehicle fuels, lubricants, and fluids. Within durable goods, the revision was more than accounted for by an upward revision to motor vehicles and parts.

The downward revision to nonresidential fixed investment primarily reflected a downward revision to equipment and software. The largest contributors to the revision were transportation equipment and information processing equipment and software.

The downward revision to inventory investment was more than accounted for by a downward revision to wholesale trade inventories.

The largest contributors to the downward revision to imports were automotive vehicles, engines, and parts, nonautomotive capital goods, and nonautomotive consumer goods.

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). EIA data for motor vehicle fuels, lubricants, and fluids for August (revised).

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 and September (revised). Exports and imports for July and August (revised) and September (new).

Residential fixed investment: construction spending for July and August (revised) and September (new).

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

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

Government consumption expenditures and gross investment: state and local construction spending for July and August (revised) and September (new).

Personal Income for the Second Quarter of 2011

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 \$38.9 billion, a downward revision of \$39.8 billion. Personal current taxes increased \$30.3 billion, a downward revision of \$4.9 billion. Contributions for government social insurance, which is subtracted in calculating personal income, increased \$5.9 billion, a downward revision of \$5.4 billion.

As a result of these revisions,

- Personal income increased \$108.4 billion, a downward revision of \$37.3 billion.
- Disposable personal income increased \$78.2 billion, a downward revision of \$32.3 billion.
- Personal saving decreased \$22.4 billion, a downward revision of \$32.4 billion.
- The personal saving rate was 4.8 percent, a downward revision of 0.3 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							
	2011	2010	2011			2010	2011			
	III	IV	I	II	III	IV	I	II	III	
Current production measures:										
Corporate profits	1,977.4	24.3	19.0	61.2	39.8	1.3	1.0	3.3	2.1	
Domestic industries.....	1,525.7	46.7	-18.8	26.5	33.5	3.3	-1.3	1.8	2.2	
Financial	435.1	52.0	-38.7	-54.2	16.0	11.3	-7.5	-11.5	3.8	
Nonfinancial	1,090.5	-5.2	19.7	80.8	17.4	-0.5	2.0	8.1	1.6	
Rest of the world	451.8	-22.4	37.9	34.6	6.4	-5.7	10.2	8.4	1.4	
Receipts from the rest of the world	653.6	16.1	20.3	49.0	-7.3	2.8	3.4	8.0	-1.1	
Less: Payments to the rest of the world	201.8	38.5	-17.7	14.4	-13.7	21.3	-8.1	7.2	-6.4	
Less: Taxes on corporate income	414.9	-25.6	17.6	-1.8	-5.6	-5.9	4.3	-0.4	-1.3	
Equals: Profits after tax	1,562.6	49.9	1.4	63.0	45.5	3.6	0.1	4.3	3.0	
Net dividends	820.7	14.3	19.0	13.6	13.3	1.9	2.5	1.7	1.6	
Undistributed profits from current production	741.8	35.6	-17.6	49.3	32.2	5.5	-2.6	7.5	4.5	
Net cash flow	1,851.8	16.0	21.1	86.2	39.6	1.0	1.2	5.0	2.2	
Industry profits:										
Profits with IVA	1,874.2	-160.4	108.9	69.1	44.0	-8.8	6.6	3.9	2.4	
Domestic industries.....	1,422.4	-138.0	71.0	34.6	37.5	-9.7	5.6	2.6	2.7	
Financial	455.4	33.0	-29.3	-52.6	16.5	6.8	-5.6	-10.7	3.8	
Nonfinancial.....	967.0	-171.0	100.3	87.1	21.1	-18.4	13.2	10.1	2.2	
Rest of the world	451.8	-22.4	37.9	34.6	6.4	-5.7	10.2	8.4	1.4	
Addenda:										
Profits before tax (without IVA and CCAdj)	1,921.5	-102.0	134.6	13.5	30.9	-5.5	7.7	0.7	1.6	
Profits after tax (without IVA and CCAdj)	1,506.6	-76.4	117.0	15.3	36.5	-5.4	8.7	1.1	2.5	
IVA	-47.3	-58.3	-25.7	55.6	13.1	.....	.....	.....	.....
CCAdj	103.3	184.7	-89.8	-8.1	-4.0	.....	.....	.....	.....

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 \$39.8 billion, or 2.1 percent at a quarterly rate, in the third quarter. In the second quarter, profits increased \$61.2 billion, or 3.3 percent.

Domestic profits of financial corporations increased \$16.0 billion, or 3.8 percent, after decreasing \$54.2 billion, or 11.5 percent.

Domestic profits of nonfinancial corporations increased \$17.4 billion, or 1.6 percent, after increasing \$80.8 billion, or 8.1 percent.

Profits from the rest of the world increased \$6.4 billion, or 1.4 percent, after increasing \$34.6 billion, or 8.4 percent. In the third quarter, receipts decreased \$7.3 billion, and payments decreased \$13.7 billion.

Taxes on corporate income decreased \$5.6 billion, or 1.3 percent, after decreasing \$1.8 billion, or 0.4 percent.

Profits after tax increased \$45.5 billion, or 3.0 percent, after increasing \$63.0 billion, or 4.3 percent.

Undistributed corporate profits (a measure of net saving that equals after-tax profits less dividends) increased \$32.2 billion, or 4.5 percent, after increasing \$49.3 billion, or 7.5 percent.

Net cash flow from current production, a profits-related measure of internal funds available for investment, increased \$39.6 billion, or 2.2 percent, after increasing \$86.2 billion, or 5.0 percent.

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).