

Technical Note

Gross Domestic Product Third Quarter of 2018 (Third Estimate)

December 21, 2018

This technical note provides background information about the source data and estimating methods used to produce the estimates presented in the GDP news release. The complete set of estimates for the third quarter and a brief summary of "highlights" are available on BEA's Web site at www.bea.gov. The source data and assumptions for the "third" estimate are shown in a "[Key Source Data and Assumptions](#)" table. In a few weeks, the *Survey of Current Business*, BEA's online monthly journal, will publish a more detailed analysis of the estimates ("GDP and the Economy").

Sources of Revision to Real GDP

With the third estimate, real GDP increased 3.4 percent (annual rate) in the third quarter of 2018, a downward revision of 0.1 percentage point from the second estimate. The small downward revision to the percent change in real GDP primarily reflected downward revisions to consumer spending and exports that were partly offset by an upward revision to private inventory investment.

- The downward revision to consumer spending reflected a downward revision to goods that was partly offset by an upward revision to services. Within goods, the largest contributor to the revision was gasoline and other energy goods, reflecting newly available data for September from the Energy Information Administration. Within services, the largest contributor to the upward revision was health care services, based on updated third-quarter Quarterly Services Report (QSR) data from the Census Bureau.
- Within exports, both goods and services were revised down. The largest contributor to the revision in exports of goods was "other" capital goods, and the largest contributor to the revision in exports of services was maintenance and repair services. The revised estimates primarily reflected updated price indexes from the Bureau of Labor Statistics and updated statistics from BEA's International Transactions Accounts (ITAs).
- Within private inventory investment, an upward revision to nonfarm inventories was partly offset by a downward revision to farm inventories. Within nonfarm inventories, the upward revision primarily reflected an upward revision to wholesale trade industries, that was partly offset by a downward revision to "other" industries. The revision to wholesale trade was concentrated in durable goods industries and primarily reflected revised September Census

inventory data. The downward revision to “other” industries, which includes the information services industry, reflected updated Census Quarterly Financial Report (QFR) data.

In addition, nonresidential fixed investment increased 2.5 percent in the third quarter, the same increase as in the second estimate. Within nonresidential investment, an upward revision to intellectual property products, specifically research and development (R&D), was offset by a downward revision to structures. The upward revision to R&D reflected new Census QSR data and updated company data on R&D expenses. The downward revision to structures reflected revised August and September Census construction spending data.

Prices

BEA's featured measure of inflation in the U.S. economy, the price index for gross domestic purchases, measures the prices of goods and services purchased by U.S. residents, regardless of where the goods and services are produced. This measure increased 1.8 percent in the third quarter, an upward revision of 0.1 percentage point. The price index for personal consumption expenditures (PCE) increased 1.6 percent, revised up 0.1 percentage point. Excluding food and energy prices, the PCE price index increased 1.6 percent, also revised up 0.1 percentage point.

Gross Domestic Income and Corporate Profits

Real gross domestic income (GDI), which measures the output of the economy as the incomes earned and costs incurred in the production of goods and services (as measured by GDP), increased 4.3 percent in the third quarter, an upward revision of 0.3 percentage point from earlier estimates. The upward revision to real GDI primarily reflected an upward revision to domestic industries' corporate profits.

Profits from current production increased \$78.2 billion, or 3.5 percent (quarterly rate), in the third quarter, an upward revision of \$2.2 billion. Domestic profits of financial corporations decreased \$6.1 billion, domestic profits of nonfinancial corporations increased \$83.0 billion, and rest-of-the-world profits increased \$1.3 billion.

- Within corporate profits, an upward revision to nonfinancial corporate profits, based primarily on updated Census QFR data, was mostly offset by a downward revision to rest-of-the-world profits, based on updated data from the ITAs.

BEA's profits measure that is conceptually most similar to S&P 500 profits—national after-tax profits without inventory valuation and capital consumption adjustments—increased \$17.9 billion in the third quarter, an upward revision of \$4.6 billion. Third-quarter national after-tax profits (shown in line 11 of table 9 of the GDP news release) increased 6.1 percent from the same quarter one year ago.

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