

# Technical Note

## Gross Domestic Product Fourth Quarter of 2018 (Third Estimate) March 28, 2019

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 fourth quarter and a brief summary of "highlights" are available on BEA's Web site at [www.bea.gov](http://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

Real GDP increased 2.2 percent (annual rate) in the fourth quarter compared to the third quarter of 2018, a downward revision of 0.4 percentage point from the initial estimate. The revision primarily reflected downward revisions to consumer spending, state and local government spending, and business fixed investment that were partly offset by a downward revision to imports.

- The downward revision to consumer spending reflected widespread revisions to goods; the largest contributor was recreation goods and vehicles. Revisions to goods primarily reflected revised November and December retail sales data from the Census Bureau. Within services, a downward revision to household consumption of healthcare was mostly offset by an upward revision to nonprofit hospital services, based on new fourth-quarter Census Quarterly Services Report (QSR) data.
- Within state and local government spending, the downward revision primarily reflected investment in structures, based on new December and revised October and November construction spending data from the Census.
- The downward revision to business fixed investment was to intellectual property products, specifically software investment, based on new Census QSR data.
- Within imports, the downward revision was primarily accounted for by goods, specifically, imports of petroleum, based on updated trade in goods data from BEA's International Transactions Accounts.

This estimate of GDP reflects source data that are normally available for “third” estimates, see [“GDP Back on Schedule With ‘Third’ Estimate.”](#) The “initial” estimate released February 28 did not reflect all source data generally available for a “second” estimate. The 0.4 percentage point downward revision to GDP is larger than the average revision from second to third estimates (+/- 0.2 percentage point), but smaller than the average revision from advance to third estimates (+/- 0.6 percentage point).

## **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 1.7 percent in the fourth quarter, an upward revision of 0.1 percentage point. The price index for personal consumption expenditures (PCE) increased 1.5 percent, unrevised from the initial estimate. Excluding food and energy prices, the PCE price index increased 1.8 percent, 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 1.7 percent in the fourth quarter. The average of real GDP and real GDI increased 1.9 percent.

Profits from current production decreased \$9.7 billion, or 0.4 percent (quarterly rate), in the fourth quarter. Domestic profits of financial corporations decreased \$25.2 billion, domestic profits of nonfinancial corporations increased \$13.6 billion, and rest-of-the-world profits increased \$1.9 billion.

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—decreased \$34.2 billion in the fourth quarter. Fourth-quarter national after-tax profits (shown in line 11 of table 9 of the GDP news release) increased 11.1 percent from the same quarter one year ago.

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