



Technical Note
Gross Domestic Product
Third Quarter of 2011 (Third Estimate)
December 22, 2011

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 is available on BEA's Web site at www.bea.gov; a brief summary of "highlights" is also posted on the Web site. In a few weeks, the estimates will be published in BEA's monthly journal, the *Survey of Current Business*, along with a more detailed analysis of the estimates ("GDP and the Economy").

Sources of Revision to Real GDP

Real GDP increased 1.8 percent (annual rate) in the third quarter, which was 0.2 percentage point less than in last month's estimate. The downward revision to GDP primarily reflected a downward revision to personal consumption expenditures (PCE) that was partly offset by an upward revision to inventory investment.

- The downward revision to PCE was more than accounted for by a downward revision to PCE for services. Within PCE for services, the largest contributor to the revision was health care—mainly, nonprofit hospital services. The revision reflected newly available quarterly services survey data for the third quarter from the Census Bureau.
- The upward revision to inventory investment was primarily accounted for by farm inventories and reflected a newly available 2011 Farm Income Forecast from the U.S. Department of Agriculture.

The price index for gross domestic purchases—the prices paid by U.S. residents for goods and services wherever produced—increased 2.0 percent in the third quarter, 0.1 percentage point more than in last month's estimate.

Corporate Profits and Gross Domestic Income

Profits from current production increased \$32.5 billion, or 1.7 percent (quarterly rate), in the third quarter. Domestic profits of financial corporations increased \$9.2 billion, domestic profits of nonfinancial corporations increased \$17.9 billion, and rest-of-the-world profits increased \$5.4 billion.

Effective with today's release, the estimates of real gross value added of nonfinancial corporate business were revised beginning with 1929, to reflect the use of a revised deflator for nonfinancial industries from the annual revision of BEA's industry accounts that was released earlier this month. Revisions to percent changes before the first quarter of 2003 are small.

Real gross domestic income (GDI) increased 0.2 percent in the third quarter, 0.2 percentage point less than in last month's estimate. GDI measures output as the costs incurred and the incomes earned in the production of GDP. In theory, GDP should equal GDI, but in practice, they can differ because they are estimated using largely independent and less-than-perfect source data.

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