

GDP and the Economy

Second Estimates for the Third Quarter of 2017

REAL GROSS domestic product (GDP) increased 3.3 percent at an annual rate in the third quarter of 2017, according to the second estimates of the national income and product accounts (NIPAs) (chart 1 and table 1).¹ With the second estimate, real GDP growth for the third quarter was revised up 0.3 percentage point from the advance estimate of 3.0 percent. The general picture of economic growth remains the same; nonresidential fixed investment, state and local government spending, and private inventory investment were revised up based on more complete source data than previously available.

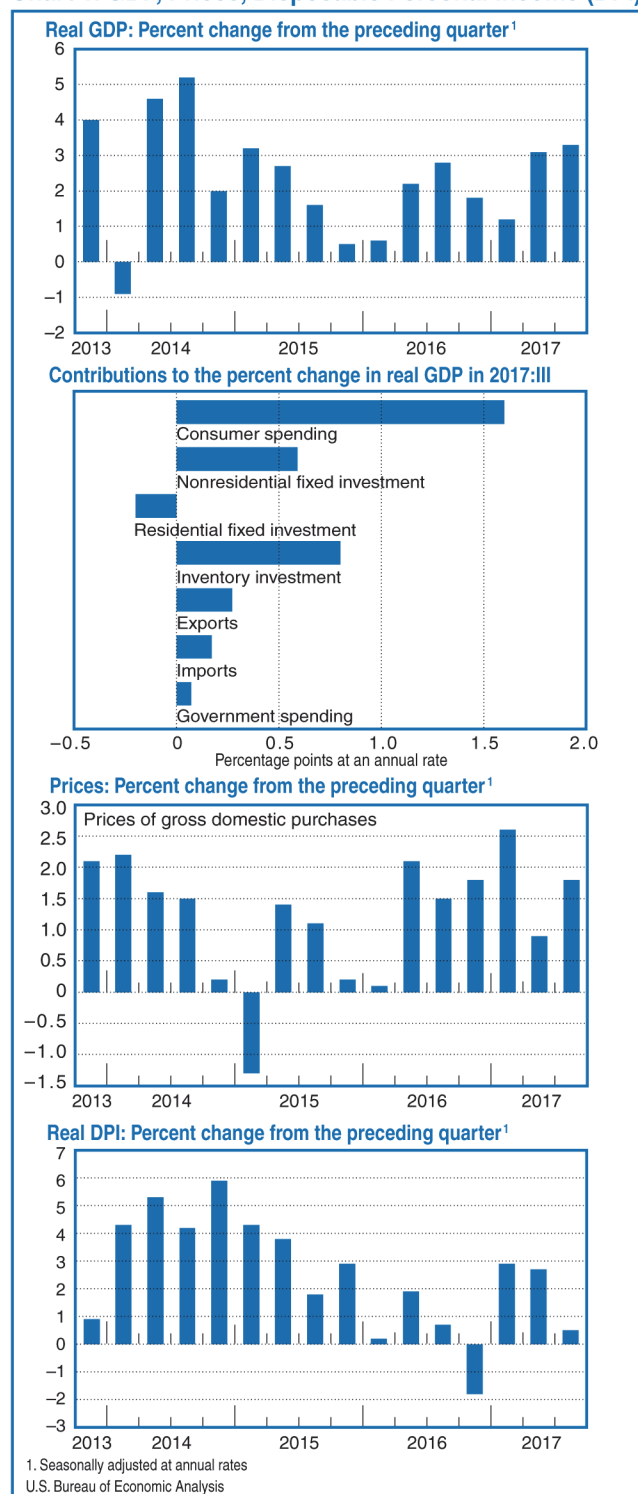
The third-quarter increase in real GDP reflected positive contributions from consumer spending, inventory investment, nonresidential fixed investment, exports, and state and local government spending that were partly offset by a negative contribution from residential fixed investment.² Imports, which are a subtraction in the calculation of GDP, decreased.

- Prices of goods and services purchased by U.S. residents increased 1.8 percent in the third quarter after increasing 0.9 percent in the second quarter. Energy prices turned up, while food prices decelerated. Excluding food and energy, prices increased 1.7 percent in the third quarter after increasing 1.3 percent in the second quarter (see table 7).
- Real disposable personal income (DPI) decelerated, increasing 0.5 percent in the third quarter after increasing 2.7 percent in the second quarter (revised). Current-dollar DPI also decelerated, increasing 2.0 percent after increasing 3.0 percent (revised). (See the box “[Revised Second-Quarter 2017 Income Estimates](#).”)
- Profits from current production (corporate profits with inventory valuation adjustment and capital consumption adjustment) increased \$91.6 billion in the third quarter after an increase of \$14.4 billion in the second quarter.

1. “Real” estimates are in chained (2009) 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 “[The Revisions to GDP, GDI, and Their Major Components](#)” in the August 2014 SURVEY OF CURRENT BUSINESS. Quarterly estimates are expressed at seasonally adjusted annual rates, which reflect a rate of activity for a quarter as if it were 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)



Real GDP Overview

Table 1. 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)				
		2016		2017			2016		2017		
		III	IV	I	II	III	IV	I	II	III	
Gross domestic product¹.....	100.0	1.8	1.2	3.1	3.3	1.8	1.2	3.1	3.3		
Personal consumption expenditures.....	68.9	2.9	1.9	3.3	2.3	1.99	1.32	2.24	1.60		
Goods.....	22.0	4.7	0.7	5.4	4.1	1.03	0.15	1.16	0.89		
Durable goods.....	7.6	9.2	-0.1	7.6	8.1	0.67	-0.01	0.56	0.59		
Nondurable goods.....	14.5	2.5	1.1	4.2	2.0	0.35	0.16	0.61	0.30		
Services.....	46.8	2.1	2.5	2.3	1.5	0.97	1.17	1.08	0.71		
Gross private domestic investment.....	16.7	8.5	-1.2	3.9	7.3	1.34	-0.20	0.64	1.20		
Fixed investment.....	16.4	1.7	8.1	3.2	2.4	0.28	1.27	0.53	0.39		
Nonresidential.....	12.7	0.2	7.2	6.7	4.7	0.02	0.86	0.82	0.59		
Structures.....	2.9	-2.2	14.8	7.0	-6.8	-0.06	0.39	0.20	-0.20		
Equipment.....	5.7	1.8	4.4	8.8	10.4	0.10	0.24	0.48	0.56		
Intellectual property products	4.1	-0.4	5.7	3.7	5.8	-0.02	0.23	0.15	0.23		
Residential.....	3.8	7.1	11.1	-7.3	-5.1	0.26	0.41	-0.30	-0.20		
Change in private inventories.....	0.2	.....	.....	.....	.....	1.06	-1.46	0.12	0.80
Net exports of goods and services.....	-2.7	.....	.....	.....	.....	-1.61	0.22	0.21	0.43
Exports.....	12.0	-3.8	7.3	3.5	2.2	-0.47	0.85	0.42	0.27		
Goods.....	7.9	-3.4	10.8	2.2	1.6	-0.27	0.81	0.18	0.13		
Services.....	4.1	-4.6	1.0	6.2	3.2	-0.19	0.04	0.25	0.13		
Imports.....	14.8	8.1	4.3	1.5	-1.1	-1.14	-0.63	-0.22	0.17		
Goods.....	12.0	9.2	4.7	1.3	-0.6	-1.05	-0.56	-0.16	0.08		
Services.....	2.7	3.2	2.5	2.2	-2.9	-0.09	-0.07	-0.06	0.08		
Government consumption expenditures and gross investment.....	17.2	0.2	-0.6	-0.2	0.4	0.03	-0.11	-0.03	0.07		
Federal.....	6.5	-0.5	-2.4	1.9	1.3	-0.03	-0.16	0.13	0.08		
National defense.....	3.8	-3.2	-3.3	4.7	2.4	-0.13	-0.13	0.18	0.09		
Nondefense.....	2.6	3.6	-1.2	-1.9	-0.3	0.10	-0.03	-0.05	-0.01		
State and local.....	10.7	0.6	0.5	-1.5	-0.1	0.06	0.05	-0.16	-0.01		
Addenda:											
Gross domestic income (GDI) ².....	.....	-1.7	2.7	2.3	2.5	.....	.....	.....	.....
Average of GDP and GDI.....	.....	0.0	2.0	2.7	2.9	.....	.....	.....	.....
Final sales of domestic product.....	99.8	0.7	2.7	2.9	2.5	0.70	2.70	2.94	2.49		
Goods.....	29.8	3.0	-1.6	7.3	9.5	0.88	-0.47	2.10	2.72		
Services.....	62.3	1.0	1.5	2.1	1.9	0.61	0.91	1.32	1.16		
Structures.....	8.0	3.4	10.3	-4.3	-7.0	0.27	0.80	-0.36	-0.58		
Motor vehicle output.....	2.7	-1.9	-7.3	0.8	-10.9	-0.06	-0.22	0.02	-0.32		
GDP excluding motor vehicle output	97.3	1.9	1.5	3.1	3.7	1.81	1.45	3.04	3.61		
Final sales of computers.....	0.4	-7.8	23.3	22.3	-25.1	-0.03	0.08	0.08	-0.11		
GDP excluding final sales of computers.....	99.6	1.8	1.2	3.0	3.4	1.79	1.16	2.98	3.40		
Research and development (R&D)	2.5	-1.1	7.1	1.3	0.5	-0.03	0.18	0.03	0.01		
GDP excluding R&D.....	97.5	1.8	1.1	3.1	3.4	1.79	1.06	3.03	3.28		

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

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

NOTE: Percent changes are from NIPA tables 1.1.1 and 1.2.1, contributions are from NIPA tables 1.1.2 and 1.2.2, and shares are from NIPA table 1.1.10, or they are calculated from NIPA table 1.2.5. For GDI, percent changes are from NIPA table 1.17.1.

Real GDP accelerated in the third quarter, primarily reflecting an acceleration in inventory investment, a downturn in imports, and smaller decreases in state and local government spending and in residential fixed investment that were partly offset by decelerations in consumer spending, in nonresidential fixed investment, and in exports.

The deceleration in consumer spending reflected decelerations in spending for services and for nondurable goods that were partly offset by a small acceleration in spending for durable goods.

The deceleration in nonresidential fixed investment reflected a downturn in structures that was partly offset by accelerations in equipment and in intellectual property products.

The smaller decrease in residential fixed investment primarily reflected a smaller decrease in investment in structures.

The acceleration in inventory investment primarily reflected an acceleration in nonfarm industries; farm turned up.

The deceleration in exports reflected decelerations in exports of both services and goods.

The downturn in imports reflected downturns in imports of both goods and services.

The smaller decrease in state and local government spending reflected a smaller decrease in investment spending.

Real gross domestic income (GDI), which measures the value of the costs incurred and the incomes earned in the production of goods and services in the nation's economy, increased 2.5 percent in the third quarter after increasing 2.3 percent (revised) in the second quarter. (See the box "Revised Second-Quarter 2017 Income Estimates.")

Real final sales of domestic product, real GDP less inventory investment, increased 2.5 percent after increasing 2.9 percent.

Consumer Spending

Table 2. 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)		
	2017	2016	2017			2016	2017			
			III	IV	I		II	III		I	II	III
PCE ¹	100.0	2.9	1.9	3.3	2.3	2.9	1.9	3.3	2.3	
Goods	32.0	4.7	0.7	5.4	4.1	1.50	0.22	1.69	1.29	
Durable goods	11.0	9.2	-0.1	7.6	8.1	0.98	-0.01	0.81	0.86	
Motor vehicles and parts....	3.7	13.1	-9.6	0.8	12.6	0.47	-0.38	0.03	0.44	
Furnishings and durable household equipment....	3.0	5.4	4.6	9.1	7.9	0.13	0.11	0.22	0.19	
Recreational goods and vehicles.....	3.0	11.1	10.6	13.1	-0.2	0.32	0.30	0.38	-0.01	
Other durable goods.....	1.7	3.5	-2.8	11.0	14.2	0.06	-0.05	0.18	0.23	
Nondurable goods	21.0	2.5	1.1	4.2	2.0	0.52	0.24	0.88	0.43	
Food and beverages purchased for off-premises consumption....	7.0	4.4	1.2	0.2	3.0	0.30	0.08	0.01	0.21	
Clothing and footwear.....	3.0	1.4	-3.7	9.9	-0.7	0.04	-0.12	0.29	-0.02	
Gasoline and other energy goods.....	2.2	-2.0	-5.9	8.2	-3.3	-0.04	-0.14	0.18	-0.07	
Other nondurable goods.....	8.8	2.5	4.7	4.6	3.6	0.22	0.41	0.40	0.32	
Services	68.0	2.1	2.5	2.3	1.5	1.42	1.70	1.57	1.03	
Household consumption expenditures.....	65.3	2.2	2.5	2.5	1.9	1.44	1.61	1.63	1.25	
Housing and utilities.....	18.2	-0.9	-0.4	3.4	0.0	-0.16	-0.06	0.61	-0.01	
Health care.....	16.9	5.5	2.1	1.3	4.1	0.90	0.35	0.23	0.69	
Transportation services.....	3.0	2.8	2.0	0.4	2.5	0.09	0.06	0.01	0.08	
Recreation services.....	3.9	2.7	4.4	1.4	4.1	0.11	0.17	0.05	0.16	
Food services and accommodations.....	6.5	0.0	2.6	-0.6	2.1	0.00	0.17	-0.04	0.14	
Financial services and insurance.....	7.9	1.3	7.7	2.6	2.4	0.11	0.58	0.21	0.19	
Other services.....	8.8	4.5	3.9	6.4	0.0	0.40	0.34	0.56	0.00	
Final consumption expenditures of NPISHs ²	2.8	-0.7	3.3	-1.9	-7.5	-0.01	0.09	-0.05	-0.22	
Gross output of NPISHs ³	10.9	4.9	1.6	-3.0	1.8	0.53	0.18	-0.33	0.20	
Less: Receipts from sales of goods and services by NPISHs ⁴	8.2	6.8	1.0	-3.3	5.3	0.55	0.08	-0.28	0.42	

NPISHs Nonprofit institutions serving households
 1. The estimates under the contribution columns are also percent changes.
 2. 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, software, and research and development).
 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, contributions are from NIPA table 2.3.2, and shares are calculated from NIPA table 2.3.5.

Consumer spending increased 2.3 percent in the third quarter after increasing 3.3 percent in the second quarter. The deceleration reflected decelerations in spending for goods and services.

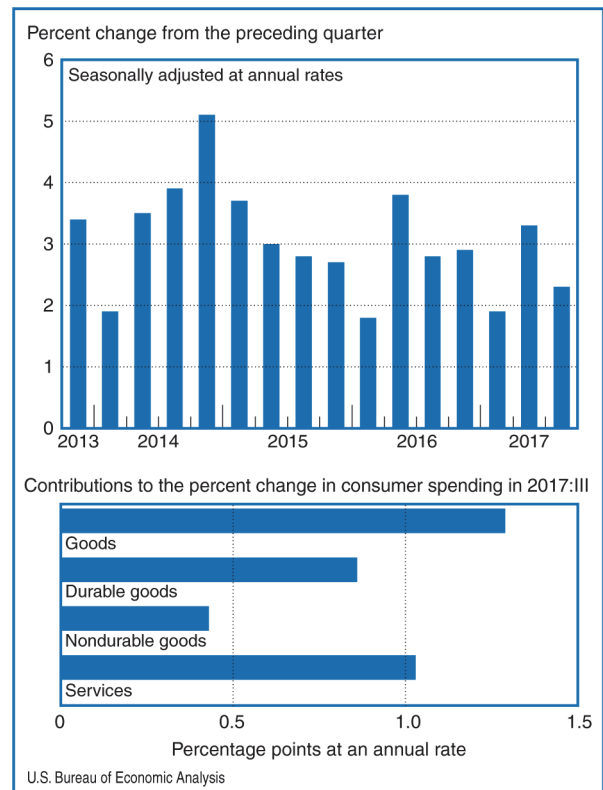
The deceleration in spending for goods reflected a deceleration in spending for nondurable goods that was partly offset by a slight acceleration in spending for durable goods.

The acceleration in spending for durable goods primarily reflected an acceleration in spending for motor vehicles and parts (mainly new light trucks) that was partly offset by a downturn in spending for recreational goods and vehicles.

The deceleration in spending for nondurable goods primarily reflected downturns in spending for clothing and footwear and for gasoline and other energy goods. These movements were partly offset by an acceleration in spending for food and beverages purchased for off-premises consumption.

The deceleration in spending for services primarily reflected a downturn in spending for housing and utilities (specifically electricity and gas) and a deceleration in spending for "other" services (mainly telecommunications services). A notable offset to these movements was an acceleration in spending for health care services.

Chart 2. Real Personal Consumption Expenditures



Private Fixed Investment

Table 3. 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)		
	2017	2016	2017			2016		2017		
	III	IV	I	II	III	IV	I	II	III	
Private fixed investment¹	100.0	1.7	8.1	3.2	2.4	1.7	8.1	3.2	2.4	
Nonresidential	77.0	0.2	7.2	6.7	4.7	0.14	5.52	5.00	3.59	
Structures	17.4	-2.2	14.8	7.0	-6.8	-0.38	2.51	1.20	-1.23	
Commercial and health care	5.5	8.9	2.0	-0.4	-12.7	0.49	0.13	-0.02	-0.76	
Manufacturing	1.9	-27.1	1.7	-17.9	-37.6	-0.75	0.04	-0.43	-0.95	
Power and communication	3.6	-4.7	-16.1	-12.8	-8.2	-0.19	-0.68	-0.51	-0.31	
Mining exploration, shafts, and wells	3.4	0.5	272.1	116.3	22.6	0.01	3.07	2.28	0.68	
Other structures ²	3.1	1.8	-1.8	-3.8	3.4	0.06	-0.05	-0.12	0.11	
Equipment	34.6	1.8	4.4	8.8	10.4	0.60	1.58	2.89	3.41	
Information processing equipment	10.2	2.9	8.0	10.6	10.5	0.29	0.80	1.02	1.02	
Computers and peripheral equipment	2.6	-3.1	3.5	43.9	26.0	-0.08	0.09	0.89	0.60	
Other ³	7.6	4.8	9.5	1.7	5.6	0.36	0.71	0.13	0.42	
Industrial equipment	7.7	5.5	7.7	11.7	7.4	0.41	0.58	0.84	0.55	
Transportation equipment	9.1	-3.5	-2.7	1.0	14.3	-0.33	-0.21	0.09	1.21	
Other equipment ⁴	7.6	3.2	5.5	13.4	8.7	0.24	0.41	0.94	0.63	
Intellectual property products	24.9	-0.4	5.7	3.7	5.8	-0.09	1.43	0.91	1.41	
Software ⁵	11.8	2.1	4.8	6.8	10.0	0.24	0.56	0.77	1.12	
Research and development ⁶	10.5	-4.2	7.8	1.2	2.5	-0.45	0.81	0.13	0.26	
Entertainment, literary, and artistic originals ..	2.7	4.2	1.9	0.5	1.4	0.11	0.05	0.01	0.04	
Residential	23.0	7.1	11.1	-7.3	-5.1	1.61	2.57	-1.79	-1.21	
Structures	22.7	7.1	11.2	-7.5	-5.2	1.58	2.54	-1.80	-1.22	
Permanent site	10.1	12.2	10.8	1.4	-0.7	1.16	1.07	0.14	-0.07	
Single family	8.2	14.0	10.6	2.4	2.3	1.05	0.84	0.20	0.19	
Multifamily	1.9	5.3	11.8	-2.9	-12.7	0.11	0.23	-0.06	-0.26	
Other structures ⁷	12.5	3.3	11.5	-13.8	-8.6	0.43	1.47	-1.94	-1.14	
Equipment	0.3	8.6	7.2	2.4	3.3	0.03	0.02	0.01	0.01	

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

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

3. Includes communication equipment, nonmedical instruments, medical equipment and instruments, photography and related equipment, and office and accounting equipment.

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

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

6. Excludes expenditures for software development, which are included in expenditures for software investment.

7. Consists primarily of manufactured homes, improvements, dormitories, net purchases of used structures, and brokers' commissions and other ownership transfer costs.

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 increased 2.4 percent in the third quarter after increasing 3.2 percent in the second quarter. The smaller increase reflected a deceleration in nonresidential fixed investment that was partly offset by a smaller decrease in residential fixed investment.

The deceleration in nonresidential fixed investment reflected a downturn in structures that was partly offset by accelerations in equipment and in intellectual property products

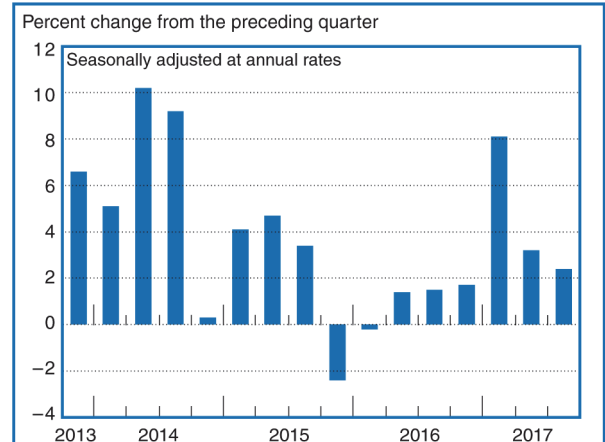
The downturn in investment in structures reflected a smaller increase in mining exploration, shafts, and well and larger decreases in commercial and health care and in manufacturing. These movements were partly offset by an upturn in "other" structures (mainly lodging) and a smaller decrease in power and communications.

The acceleration in equipment primarily reflected an acceleration in transportation equipment that was partly offset by decelerations in "other" equipment and in industrial equipment.

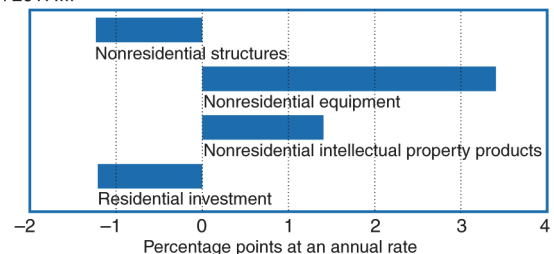
The leading contributor to the acceleration in intellectual property products was software.

The smaller decrease in residential fixed investment primarily reflected a smaller decrease in "other" structures (which was more than accounted for by a smaller decrease in spending for improvements).

Chart 3. Real Private Fixed Investment



Contributions to the percent change in real private fixed investment in 2017:III



Inventory Investment

Table 4. Change in Real Private Inventories by Industry

[Billions of chained (2009) dollars; seasonally adjusted at annual rates]

	Level					Change from preceding quarter				
	2016		2017			2016		2017		
	III	IV	I	II	III	IV	I	II	III	
Change in private inventories¹	17.6	63.1	1.2	5.5	39.0	45.5	-61.9	4.3	33.5	
Farm.....	0.8	-2.9	2.7	1.2	4.0	-3.7	5.7	-1.5	2.8	
Mining, utilities, and construction...	-16.7	9.0	5.7	-7.7	-9.6	25.7	-3.3	-13.4	-1.9	
Manufacturing	15.3	21.4	-12.0	-15.0	25.2	6.1	-33.5	-2.9	40.2	
Durable-goods industries	5.8	4.4	-2.8	1.4	12.5	-1.4	-7.2	4.3	11.1	
Nondurable-goods industries	9.4	16.9	-9.1	-16.1	12.7	7.4	-26.0	-7.0	28.8	
Wholesale trade	8.0	29.9	-22.1	0.5	32.7	21.9	-52.0	22.5	32.2	
Durable-goods industries	-3.2	21.3	-1.7	9.1	27.6	24.5	-22.9	10.8	18.5	
Nondurable-goods industries	10.7	9.0	-19.6	-7.9	6.0	-1.7	-28.6	11.7	13.9	
Retail trade.....	11.5	5.3	23.4	16.4	-14.4	-6.2	18.1	-7.0	-30.8	
Motor vehicle and parts dealers	11.8	0.3	29.1	10.0	-11.9	-11.5	28.8	-19.1	-22.0	
Food and beverage stores.....	1.5	2.4	-1.4	0.3	1.6	0.9	-3.8	1.7	1.3	
General merchandise stores	-1.5	-1.8	-2.7	-0.6	-2.0	-0.3	-0.9	2.1	-1.5	
Other retail stores.....	-0.2	4.3	-0.8	6.9	-2.5	4.4	-5.0	7.7	-9.4	
Other industries.....	-2.5	1.9	3.6	9.7	0.1	4.4	1.7	6.2	-9.6	
Residual ²	1.6	-1.7	-1.9	-0.9	0.5	-3.3	-0.2	1.0	1.5	
Addenda: Ratios of private inventories to final sales of domestic business:³										
Private inventories to final sales	2.35	2.36	2.34	2.32	2.31	.....	.....	.....	.....
Nonfarm inventories to final sales.....	2.20	2.21	2.19	2.17	2.16	.....	.....	.....	.....
Nonfarm inventories to final sales of goods and structures	3.90	3.93	3.88	3.84	3.82	.....	.....	.....	.....

1. The levels are from NIPA table 5.7.6B.
 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 5.8.6B.
 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.

Real inventory investment increased \$33.5 billion in the third quarter after increasing \$4.3 billion in the second quarter. The acceleration reflected an acceleration in nonfarm inventory investment and an upturn in farm inventory investment. In nonfarm inventory investment, an upturn in manufacturing, a smaller decrease in mining, utilities, and construction, and an acceleration in wholesale trade were partly offset by a larger decrease in retail trade and a downturn in “other” industries.

Inventory investment in mining, utilities, and construction industries decreased \$1.9 billion after decreasing \$13.4 billion.

Inventory investment in manufacturing industries increased \$40.2 billion after decreasing \$2.9 billion, primarily reflecting an upturn in nondurable-goods industries.

Inventory investment in wholesale trade industries increased \$32.2 billion after increasing \$22.5 billion, reflecting accelerations in both durable-goods industries and nondurable-goods industries.

Inventory investment in retail trade industries decreased \$30.8 billion after decreasing \$7.0 billion, primarily reflecting a downturn in “other” retail industries.

Inventory Investment

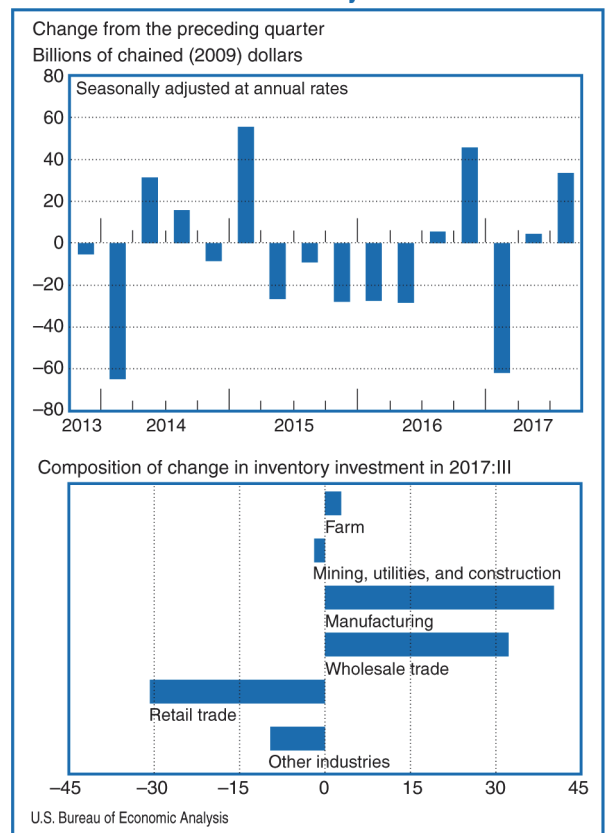
The change in real private inventories, often called real private inventory investment, represents the change in the physical stock of goods held by businesses. It includes finished goods, goods at various stages of production, and raw materials.

The change in private inventories is a key component of gross domestic product (GDP), which measures 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, the 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 provides estimates for incomplete industry data.

Chart 4. Real Private Inventory Investment



Exports and Imports

Table 5. 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)						
		2016		2017			2016		2017				
		III	IV	I	II	III	IV	I	II	III			
Exports of goods and services¹	100.0	-3.8	7.3	3.5	2.2	-3.8	7.3	3.5	2.2				
Exports of goods²	65.8	-3.4	10.8	2.2	1.6	-2.24	6.98	1.48	1.09				
Foods, feeds, and beverages	6.1	-44.0	3.3	23.7	6.9	-3.60	0.21	1.27	0.41				
Industrial supplies and materials	18.9	-2.7	32.0	1.6	-7.9	-0.50	5.27	0.31	-1.56				
Capital goods, except automotive	23.1	7.2	-3.0	0.8	15.1	1.61	-0.66	0.19	3.22				
Automotive vehicles, engines, and parts	6.6	-10.3	40.8	-10.2	-4.8	-0.72	2.37	-0.74	-0.33				
Consumer goods, except food and automotive	8.3	1.7	19.3	-10.6	-2.8	0.15	1.57	-0.96	-0.23				
Other	2.8	32.5	-47.2	67.4	-13.7	0.82	-1.78	1.41	-0.42				
Exports of services²	34.2	-4.6	1.0	6.2	3.2	-1.60	0.35	2.05	1.09				
Imports of goods and services¹	100.0	8.1	4.3	1.5	-1.1	8.1	4.3	1.5	-1.1				
Imports of goods²	81.4	9.2	4.7	1.3	-0.6	7.44	3.82	1.08	-0.52				
Foods, feeds, and beverages	4.9	8.7	11.3	1.1	0.9	0.42	0.52	0.05	0.04				
Industrial supplies and materials	16.8	5.5	0.0	-0.4	-6.8	0.94	0.02	-0.06	-1.20				
Capital goods, except automotive	22.8	7.6	11.1	10.9	13.1	1.65	2.29	2.25	2.75				
Automotive vehicles, engines, and parts	12.4	5.6	12.8	-7.9	-0.7	0.73	1.54	-1.04	-0.08				
Consumer goods, except food and automotive	20.5	11.3	3.9	-1.1	-6.5	2.34	0.82	-0.22	-1.39				
Other	4.2	33.4	-26.3	2.3	-14.3	1.36	-1.36	0.10	-0.65				
Imports of services²	18.6	3.2	2.5	2.2	-2.9	0.63	0.47	0.40	-0.54				
Addenda:													
Exports of agricultural goods ³	6.5	-40.8	6.9	18.1	2.8	.....	.....	.....	.....
Exports of nonagricultural goods	59.2	2.2	11.2	0.6	1.5	.....	.....	.....	.....
Imports of nonpetroleum goods	75.2	10.3	3.8	3.1	0.6	.....	.....	.....	.....

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 increased 2.2 percent in the third quarter after increasing 3.5 percent in the second quarter, reflecting decelerations in both goods exports and services exports.

The deceleration in exports of goods primarily reflected downturns in industrial supplies and materials and in “other” goods and a deceleration in foods, feeds, and beverages. These movements were partly offset by an acceleration in capital goods except automotive and by smaller decreases in consumer goods except food and automotive and in automotive vehicles, engines, and parts.

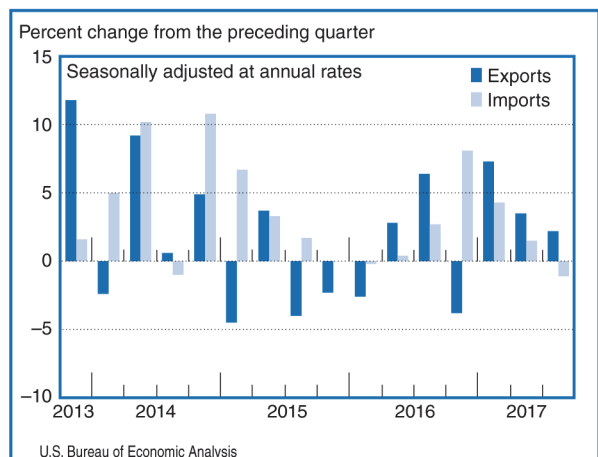
The deceleration in exports of services primarily reflected a deceleration in travel and a larger decrease in charges for the use of intellectual property not elsewhere classified. These movements were offset by accelerations in transport services and in “other” business services.

Imports of goods and services, which are a subtraction in the calculation of GDP, decreased 1.1 percent in the third quarter after increasing 1.5 percent in the second quarter. The downturn reflected downturns in imports of both goods and services.

The downturn in imports of goods primarily reflected larger decreases in consumer goods except food and automotive and in industrial supplies and materials and a downturn in imports of “other” goods. These movements were partly offset by a smaller decrease in automotive vehicles, engines, and parts and by an acceleration in capital goods except automotive.

The downturn in imports of services primarily reflected a downturn in travel (for all purposes including education), a deceleration in “other” business services, and a downturn in transport services.

Chart 5. Real Exports and Imports of Goods and Services



Government Spending

Table 6. 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)		
	2017	2016	2017			2016	2017			
	III	IV	I	II	III	IV	I	II	III	
Government consumption expenditures and gross investment¹	100.0	0.2	-0.6	-0.2	0.4	0.2	-0.6	-0.2	0.4	
Consumption expenditures.....	81.7	-0.6	-1.6	0.4	1.7	-0.45	-1.35	0.32	1.34	
Gross investment.....	18.3	3.4	4.0	-2.7	-5.1	0.62	0.72	-0.51	-0.96	
Federal	37.7	-0.5	-2.4	1.9	1.3	-0.18	-0.92	0.72	0.47	
National defense	22.3	-3.2	-3.3	4.7	2.4	-0.73	-0.74	1.02	0.53	
Consumption expenditures.....	17.6	-4.9	-6.5	0.6	3.0	-0.90	-1.18	0.11	0.52	
Gross investment.....	4.7	3.9	10.6	22.0	0.0	0.17	0.45	0.91	0.00	
Nondefense	15.4	3.6	-1.2	-1.9	-0.3	0.55	-0.18	-0.30	-0.05	
Consumption expenditures.....	11.7	3.2	-3.4	-2.6	2.8	0.37	-0.40	-0.31	0.32	
Gross investment.....	3.8	4.9	6.0	0.2	-9.3	0.18	0.22	0.01	-0.37	
State and local	62.3	0.6	0.5	-1.5	-0.1	0.35	0.29	-0.91	-0.09	
Consumption expenditures.....	52.5	0.2	0.4	1.0	1.0	0.08	0.23	0.52	0.50	
Gross investment.....	9.9	2.7	0.6	-13.2	-5.8	0.27	0.06	-1.43	-0.59	

1. The estimates under the contribution columns are also percent changes.
NOTE: Percent changes are from NIPA table 3.9.1, contributions are from NIPA table 3.9.2, and shares are calculated from NIPA table 3.9.5.

Government spending increased 0.4 percent in the third quarter after decreasing 0.2 percent in the second quarter. The upturn reflected a smaller decrease in state and local government spending that was partly offset by a deceleration in federal government spending.

The deceleration in federal government spending reflected a deceleration in national defense spending that was partly offset by a smaller decrease in nondefense spending.

The deceleration in national defense spending primarily reflected a deceleration in gross investment (mainly in equipment) that was partly offset by an acceleration in consumption expenditures.

The smaller decrease in nondefense spending reflected an upturn in consumption expenditures that was partly offset by a downturn in gross investment.

The smaller decrease in state and local government spending primarily reflected a smaller decrease in gross investment (mainly from a smaller decrease in structures).

Government Spending

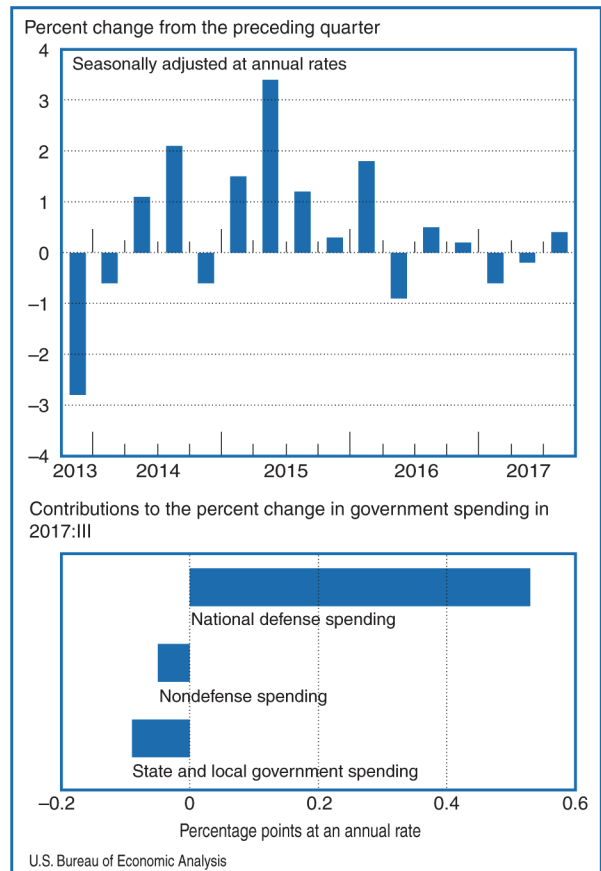
“Government consumption expenditures and gross investment,” or “government spending,” consists of two components: (1) consumption expenditures by federal government and by state and local governments and (2) gross investment by government and government-owned enterprises.

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), of equipment, and of intellectual property products 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 7. Prices for Gross Domestic Purchases

[Percent change at annual rates; based on seasonally adjusted index numbers (2009=100)]

	Change from preceding period (percent)				Contribution to percent change in gross domestic purchases prices (percentage points)			
	2016		2017		2016		2017	
	IV	I	II	III	IV	I	II	III
Gross domestic purchases¹	1.8	2.6	0.9	1.8	1.8	2.6	0.9	1.8
Personal consumption expenditures	2.0	2.2	0.3	1.5	1.34	1.50	0.18	1.04
Goods	1.3	2.7	-3.6	0.7	0.28	0.57	-0.79	0.15
Durable goods	-3.2	1.0	-3.6	-2.6	-0.24	0.07	-0.27	-0.19
Nondurable goods	3.7	3.6	-3.6	2.4	0.52	0.50	-0.52	0.34
Services	2.3	2.0	2.2	2.0	1.06	0.92	0.97	0.89
Gross private domestic investment ...	1.7	1.7	2.6	1.9	0.28	0.27	0.40	0.31
Fixed investment	1.6	1.6	2.5	1.9	0.25	0.25	0.40	0.31
Nonresidential	0.6	1.5	1.9	1.2	0.08	0.19	0.23	0.15
Structures	2.3	3.1	3.8	4.5	0.06	0.08	0.11	0.13
Equipment	-0.4	0.7	0.8	0.3	-0.02	0.04	0.04	0.01
Intellectual property products	1.0	1.6	1.9	0.1	0.04	0.06	0.08	0.01
Residential	4.8	1.7	4.6	4.5	0.17	0.06	0.17	0.16
Change in private inventories					0.02	0.02	0.01	0.00
Government consumption expenditures and gross investment	1.3	4.8	1.6	2.4	0.22	0.80	0.27	0.41
Federal	0.8	5.5	1.8	1.2	0.05	0.34	0.11	0.08
National defense	0.7	4.9	1.4	0.5	0.03	0.18	0.05	0.02
Nondefense	0.8	6.3	2.3	2.2	0.02	0.16	0.06	0.06
State and local	1.7	4.4	1.5	3.2	0.18	0.46	0.16	0.33
Addenda:								
Gross domestic purchases:								
Food	-1.3	0.3	2.1	0.2	-0.06	0.02	0.10	0.01
Energy goods and services	25.8	15.9	-16.0	8.4	0.62	0.40	-0.45	0.21
Excluding food and energy	1.4	2.3	1.3	1.7	1.28	2.14	1.21	1.54
Personal consumption expenditures (PCE):								
Food and beverages purchased for off-premises consumption	-1.3	0.3	2.0	0.2				
Energy goods and services	25.0	15.5	-16.0	8.3				
Excluding food and energy	1.3	1.8	0.9	1.4				
Gross domestic product (GDP)	2.0	2.0	1.0	2.1				
Exports of goods and services	2.7	2.5	-0.1	3.3				
Imports of goods and services	1.6	6.2	-1.0	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 PCE for food and energy goods and services and for PCE excluding food and energy are from NIPA table 2.3.7. Contributions are from NIPA table 1.6.8. GDP, export, and import prices are from NIPA table 1.1.7.

Prices of goods and services purchased by U.S. residents, as measured by the price index for gross domestic purchases, increased 1.8 percent in the third quarter of 2017 after increasing 0.9 percent in the second quarter. The acceleration primarily reflected accelerations in the prices paid for consumer spending and the prices paid by government.

The acceleration in the prices paid for consumer spending primarily reflected an upturn in the prices paid for nondurable goods, mainly for gasoline and other energy goods.

The acceleration in the prices paid by government primarily reflected an acceleration in the prices paid for consumption expenditures of state and local governments (mainly petroleum prices).

The GDP price index increased 2.1 percent in the third quarter, compared with a 1.8 percent increase in the gross domestic purchases price index. The larger increase in the GDP price index than in the gross domestic purchases price index reflects the changes in import and export prices. Import prices, which are included in gross domestic purchases and excluded from GDP, increased 0.5 percent in the third quarter after decreasing 1.0 percent in the second quarter. Export prices, which are included in GDP and excluded from gross domestic purchases, increased 3.3 percent in the third quarter after decreasing 0.1 percent in the second quarter.

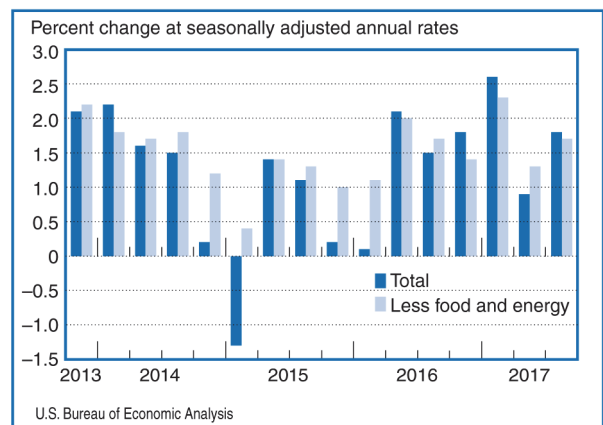
Note on Prices

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 FAQ [“How do the effects of dollar depreciation show up in the GDP accounts?”](#) on BEA's Web site.

Chart 7. Gross Domestic Purchases Prices



Revisions

Table 8. Advance and Second Estimates for the Third Quarter of 2017

[Seasonally adjusted at annual rates]

	Change from preceding quarter (percent)			Contribution to percent change in real GDP (percentage points)		
	Advance estimate	Second estimate	Second estimate minus advance estimate	Advance estimate	Second estimate	Second estimate minus advance estimate
Gross domestic product (GDP) ¹	3.0	3.3	0.3	3.0	3.3	0.3
Personal consumption expenditures.....	2.4	2.3	-0.1	1.62	1.60	-0.02
Goods.....	4.2	4.1	-0.1	0.92	0.89	-0.03
Durable goods	8.3	8.1	-0.2	0.61	0.59	-0.02
Nondurable goods	2.1	2.0	-0.1	0.31	0.30	-0.01
Services	1.5	1.5	0.0	0.70	0.71	0.01
Gross private domestic investment	6.0	7.3	1.3	0.98	1.20	0.22
Fixed investment	1.5	2.4	0.9	0.25	0.39	0.14
Nonresidential.....	3.9	4.7	0.8	0.49	0.59	0.10
Structures.....	-5.2	-6.8	-1.6	-0.15	-0.20	-0.05
Equipment.....	8.6	10.4	1.8	0.47	0.56	0.09
Intellectual property products.....	4.3	5.8	1.5	0.17	0.23	0.06
Residential.....	-6.0	-5.1	0.9	-0.24	-0.20	0.04
Change in private inventories.....				0.73	0.80	0.07
Net exports of goods and services				0.41	0.43	0.02
Exports.....	2.3	2.2	-0.1	0.28	0.27	-0.01
Goods.....	1.4	1.6	0.2	0.11	0.13	0.02
Services.....	4.1	3.2	-0.9	0.17	0.13	-0.04
Imports.....	-0.8	-1.1	-0.3	0.12	0.17	0.05
Goods.....	-0.5	-0.6	-0.1	0.07	0.08	0.01
Services.....	-2.1	-2.9	-0.8	0.06	0.08	0.02
Government consumption expenditures and gross investment	-0.1	0.4	0.5	-0.02	0.07	0.09
Federal.....	1.1	1.3	0.2	0.08	0.08	0.00
National defense.....	2.3	2.4	0.1	0.09	0.09	0.00
Nondefense	-0.5	-0.3	0.2	-0.01	-0.01	0.00
State and local	-0.9	-0.1	0.8	-0.09	-0.01	0.08
Addenda:						
Final sales of domestic product.....	2.3	2.5	0.2	2.26	2.49	0.23
Gross domestic purchases price index.....	1.8	1.8	0.0			
GDP price index	2.2	2.1	-0.1			

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

Revised Second-Quarter 2017 Income Estimates

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

Wages and salaries increased \$63.1 billion, a downward revision of \$26.5 billion. Personal current taxes decreased \$10.9 billion, a downward revision of \$4.9 billion. Domestic contributions for government social insurance, which is subtracted in calculating personal income, increased \$9.7 billion, a downward revision of \$3.6 billion.

As a result of these revisions,

- Personal income increased \$94.3 billion, a downward revision of \$24.8 billion.
- Disposable personal income increased \$105.2 billion, a downward revision of \$19.9 billion.
- Personal saving decreased \$28.9 billion, a downward revision of \$19.9 billion.
- The personal saving rate was 3.7 percent, a downward revision of 0.1 percentage point.
- Real GDI increased 2.3 percent, a downward revision of 0.6 percentage point.

The second estimate of the third-quarter percent change in real GDP is 0.3 percentage point higher than the advance estimate released last month. The upward revision primarily reflects upward revisions to nonresidential fixed investment, state and local government spending, and inventory investment.

The revision to nonresidential fixed investment reflected upward revisions to equipment (mainly transportation equipment) and to intellectual property products (specifically software) that were partly offset by a downward revision to structures.

The revision to inventory investment reflected an upward revision to manufacturing industries.

The revision to state and local government spending primarily reflected an upward revision to investment in structures.

Major Source Data for the Second Estimates

Consumer spending: retail sales for August and September (revised) and advance quarterly services report data for the third quarter (new). Motor vehicle registrations data for September (new). Energy Information Administration motor vehicle fuels, lubricants, and fluids data for August (new), retail electricity usage and unit value data for August (new), and natural gas usage and unit value data for July (revised) and August (new).

Nonresidential fixed investment: construction spending (value put in place) for July and August (revised) and September (new). Machinery and equipment shipments for August and September (revised). Detailed exports and imports for August (revised) and September (new). Advance quarterly services report data for the third quarter (new).

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

Inventory investment: manufacturers' inventories for July and August (revised) and September (new) and detailed trade inventories for July and August (revised) and September (new).

Exports and imports: detailed international trade in goods and services for July and August (revised) and September (new).

Government spending: state and local construction spending (value put in place) for July and August (revised) and September (new).

A more comprehensive list can be found in the "Key Source Data and Assumptions" table on BEA's Web site.

Corporate Profits

Table 9. Corporate Profits

[Seasonally adjusted]

	Billions of dollars (annual rate)					Percent change from preceding quarter (quarterly rate)				
	Level		Change from preceding quarter			2016		2017		
	2017	2016	2017			IV	I	II	III	
	III	IV	I	II	III	IV	I	II	III	
Current production measures:										
Corporate profits	2,215.0	53.9	-46.2	14.4	91.6	2.6	-2.1	0.7	4.3	
Domestic industries	1,781.0	6.7	-36.9	25.2	73.1	0.4	-2.1	1.5	4.3	
Financial	502.2	27.2	-40.7	-33.8	60.6	5.6	-7.9	-7.1	13.7	
Nonfinancial	1,278.8	-20.5	3.8	59.1	12.5	-1.7	0.3	4.9	1.0	
Rest of the world	434.1	47.3	-9.3	-10.8	18.6	12.2	-2.1	-2.5	4.5	
Receipts from the rest of the world	733.3	25.1	5.4	5.5	23.1	3.7	0.8	0.8	3.3	
Less: Payments to the rest of the world	299.2	-22.2	14.7	16.3	4.6	-7.8	5.6	5.9	1.5	
Less: Taxes on corporate income	476.4	-17.7	-3.2	13.3	-3.2	-3.6	-0.7	2.9	-0.7	
Equals: Profits after tax	1,738.6	71.7	-43.0	1.1	94.8	4.4	-2.6	0.1	5.8	
Net dividends	998.9	2.8	9.0	6.2	4.7	0.3	0.9	0.6	0.5	
Undistributed profits from current production	739.7	68.9	-52.0	-5.1	90.1	10.8	-7.4	-0.8	13.9	
Net cash flow	2,231.6	62.3	-40.0	40.8	-38.3	2.8	-1.8	1.8	-1.7	
Industry profits:										
Profits with IVA	2,312.9	52.4	-37.5	18.9	92.1	2.4	-1.7	0.9	4.1	
Domestic industries	1,878.8	5.1	-28.2	29.8	73.5	0.3	-1.6	1.7	4.1	
Financial	549.7	28.0	-41.1	-33.8	59.8	5.2	-7.3	-6.4	12.2	
Nonfinancial	1,329.1	-22.8	12.8	63.5	13.8	-1.8	1.0	5.1	1.0	
Rest of the world	434.1	47.3	-9.3	-10.8	18.6	12.2	-2.1	-2.5	4.5	
Addenda:										
Profits before tax (without IVA and CCAAdj)	2,337.8	77.2	20.0	-22.5	83.4	3.5	0.9	-1.0	3.7	
Profits after tax (without IVA and CCAAdj)	1,861.4	94.9	23.1	-35.8	86.6	5.6	1.3	-2.0	4.9	
IVA	-24.9	-24.8	-57.5	41.4	8.7	.....	.....	.....	.....
CCAAdj	-97.8	1.6	-8.7	-4.5	-0.5	.....	.....	.....	.....

IVA Inventory valuation adjustment CCAAdj Capital consumption adjustment
 Note: Levels of these and other profits series are shown in NIPA tables 1.12, 1.14, 1.15, and 6.16D.

Profits from current production (corporate profits with inventory valuation adjustment and capital consumption adjustment) increased \$91.6 billion, or 4.3 percent at a quarterly rate, in the third quarter of 2017 after increasing \$14.4 billion, or 0.7 percent, in the second quarter.

Profits of domestic financial corporations increased \$60.6 billion, or 13.7 percent, after decreasing \$33.8 billion, or 7.1 percent.

Profits of domestic nonfinancial corporations increased \$12.5 billion, or 1.0 percent, after increasing \$59.1 billion, or 4.9 percent.

The rest-of-the-world component of profits increased \$18.6 billion, or 4.5 percent, after decreasing \$10.8 billion, or 2.5 percent. In the third quarter, receipts increased \$23.1 billion, and payments increased \$4.6 billion.

Net dividends increased \$4.7 billion after increasing \$6.2 billion.

Undistributed profits increased \$90.1 billion after decreasing \$5.1 billion.

Net cash flow from current production, a profits-related measure of internal funds available for investment, decreased \$38.3 billion after increasing \$40.8 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 (CCAAdj). CCAAdj 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).