

Technical Note

Gross Domestic Product Third Quarter of 2019 (Third Estimate)

December 20, 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 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. BEA's source data and assumptions for the "third" estimate are shown in a "[Key Source Data and Assumptions](#)" table that will be available on the BEA Web site at 10:00 A.M. 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 2.1 percent (annual rate) in the third quarter of 2019, the same as in the "second" estimate. The updated estimates reflected upward revisions to consumer spending and nonresidential fixed investment that were offset by a downward revision to private inventory investment.

- Within consumer spending, an upward revision to services was partly offset by a downward revision to goods. Within services, the largest contributors to the upward revision were "other services" (notably personal care) and financial services (notably portfolio management and investment advice) based on new third-quarter Census Bureau Quarterly Services Report data. Within goods, the largest contributor to the downward revision was food and beverages based on revised Census Monthly Retail Sales Report data.
- Within nonresidential fixed investment, the upward revision was more than accounted for by structures, notably power, based on revised Census Value of Construction Put in Place data.
- Within private inventory investment, the largest contributor to the downward revision was wholesale trade industries, notably nondurable goods, based primarily on revised Census Monthly Wholesale Trade Report data.

Real final sales to private domestic purchasers, which measures private demand in the domestic economy and is derived as the sum of consumer spending and private fixed investment, increased 2.3 percent in the third quarter, an upward revision of 0.2 percentage point.

Prices

BEA's featured measure of inflation in the U.S. economy, the price index for gross domestic purchases, increased 1.4 percent in the third quarter, unrevised from the second estimate.

The price index for personal consumption expenditures (PCE) increased 1.5 percent, unrevised from the second estimate. Excluding food and energy prices, the PCE price index increased 2.1 percent, also unrevised from the second estimate.

Gross Domestic Income and Corporate Profits

Real gross domestic income (GDI), which measures output of the economy as the incomes earned and costs incurred in the production of goods and services (as measured by GDP), increased 2.1 percent in the third quarter, a downward revision of 0.3 percentage point from the previous estimate. The downward revision to real GDI primarily reflected a downward revision to corporate profits.

Profits from current production decreased \$4.7 billion, or 0.2 percent (quarterly rate), in the third quarter, and decreased 1.2 percent from the same quarter one year ago. Domestic profits of financial corporations decreased \$4.7 billion, domestic profits of nonfinancial corporations decreased \$5.5 billion, and rest-of-the-world profits increased \$5.5 billion.

Estimates of corporate profits were affected by legal settlements in the third quarter. The national income and product accounts record these settlements on an accrual basis in the quarter when the settlement is finalized, regardless of when they are recorded on a company's financial statement.

The estimates of nonfinancial corporate profits were reduced by \$6.0 billion (\$24.0 billion at an annual rate), reflecting legal settlements with Facebook and Google. The settlements were recorded as business current transfer payments to the federal government and to the rest of the world, respectively. These current transfer payments offset the reduction in corporate profits, and as a result, did not affect the estimate of GDI.

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 \$23.1 billion in the third quarter. Third-quarter national after-tax profits (shown in line 11 of table 9 of the GDP news release) were down 1.1 percent from the same quarter one year ago.

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