

# Technical Note

## Gross Domestic Product Fourth Quarter of 2019 (Third Estimate) March 26, 2020

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 is available on BEA's Web site at [www.bea.gov](http://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 on the BEA Web site. 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 fourth quarter of 2019, the same as in the "second" estimate. The updated estimates primarily reflected an upward revision to consumer spending, that was largely offset by downward revisions to federal government spending and nonresidential fixed 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 health care and recreation services based on new and revised fourth-quarter Census Bureau Quarterly Services Report (QSR) data. The largest contributor to the downward revision to goods was gasoline, based on new and revised Energy Information Administration data.
- Within federal government spending, the largest contributor to the downward revision was investment in defense equipment, notably aircraft, based on the latest Department of Defense federal budget reports.
- Within nonresidential fixed investment, a downward revision to intellectual property products (IPP) was partially offset by an upward revision to structures. Within IPP, a downward revision to research and development was partially offset by an upward revision to software, reflecting new and revised QSR data. Within structures, the upward revisions reflected revised Census construction spending data. These revisions were largely offset by a downward revision to mining exploration, shafts, and wells, based on revised drilling footage data from the American Petroleum Institute.

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 1.3 percent in the fourth quarter, the same as in the second estimate.

### **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 fourth quarter, the same as in the second estimate.

The price index for personal consumption expenditures (PCE) increased 1.4 percent, an upward revision of 0.1 percentage point. Excluding food and energy prices, the PCE price index increased 1.3 percent, an upward revision of 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 2.6 percent in the fourth quarter. The average of real GDP and real GDI increased 2.4 percent.

Profits from current production increased \$53.0 billion, or 2.6 percent (quarterly rate), in the fourth quarter, in contrast to a decrease of \$4.7 billion, or 0.2 percent, in the third quarter. Domestic profits of financial corporations increased \$0.7 billion, domestic profits of nonfinancial corporations increased \$53.7 billion, and rest-of-the-world profits decreased \$1.4 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 fourth-quarter increase in nonfinancial corporate profits were affected by a legal settlement paid by Facebook that reduced third-quarter profits by \$5.0 billion (\$20.0 billion at an annual rate).

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 \$67.2 billion in the fourth quarter. Fourth-quarter national after-tax profits (shown in line 11 of table 9 of the GDP news release) increased 4.1 percent from the same quarter one year ago.

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