

GDP and the Economy

Initial Estimates for the Fourth Quarter of 2018

By Lisa S. Mataloni

Real gross domestic product (GDP) increased at an annual rate of 2.6 percent in the fourth quarter of 2018, according to the “initial” estimates of the National Income and Product Accounts (NIPAs) (chart 1 and table 1).^{1,2} In the third quarter, real GDP increased 3.4 percent.

In 2018 (from the 2017 annual level to the 2018 annual level), real GDP increased 2.9 percent compared with an increase of 2.2 percent in 2017 (see “[Real GDP, 2018](#)”).

Note on the Effects of the Partial Federal Government Shutdown on the Estimation of the Fourth Quarter of 2018

Due to a lapse in fiscal year 2019 appropriations, some federal government agencies were closed and some federal employees were furloughed December 22, 2018, through January 25, 2019. The shutdown resulted in delays of many of the principal source data used to produce estimates of GDP. This “initial” estimate of GDP for the fourth quarter of 2018 reflects a combination of data and methods typically used for both the advance and second current quarterly estimates.

The full effects of the partial federal government shutdown on the fourth-quarter estimates cannot be quantified, because they are embedded in the regular source data that underlie the estimates and cannot be separately identified. However, the Bureau of Economic Analysis (BEA) did estimate the effects of a reduction in the labor services supplied by federal employees and a reduction in intermediate purchases of goods and services by nondefense agencies. BEA estimates the impact of these reductions in services provided by the federal government subtracted about 0.1 percentage point from real GDP growth in the fourth quarter. Congress authorized backpay for furloughed federal employees. As a result, the shutdown had no impact on current-dollar federal compensation and was reflected as a temporary increase in the prices paid for federal employee compensation. For more information, see the FAQ “[How will the federal government shutdown be reflected in GDP for the fourth quarter of 2018 and the first quarter of 2019?](#)” on BEA’s website.

The increase in real GDP in the fourth quarter reflected positive contributions from consumer spending, nonresidential fixed investment, exports, private inventory investment, and federal government spending. These contributions were partly offset by negative contributions from residential fixed investment and state and local government spending. Imports, which are a subtraction in the calculation of GDP, increased (chart 2).

Chart 1. Real GDP: Percent Change From Preceding Quarter

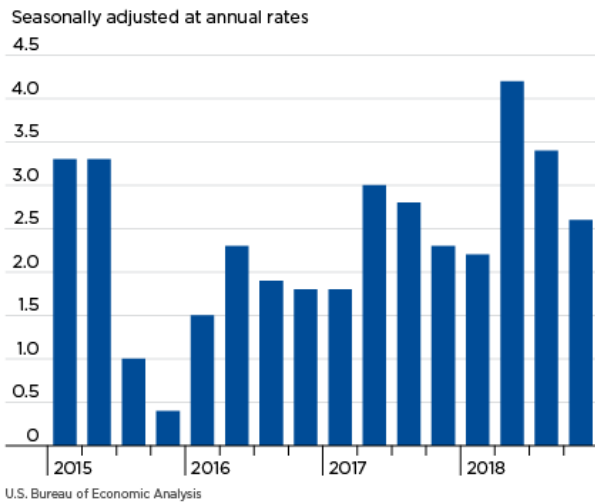
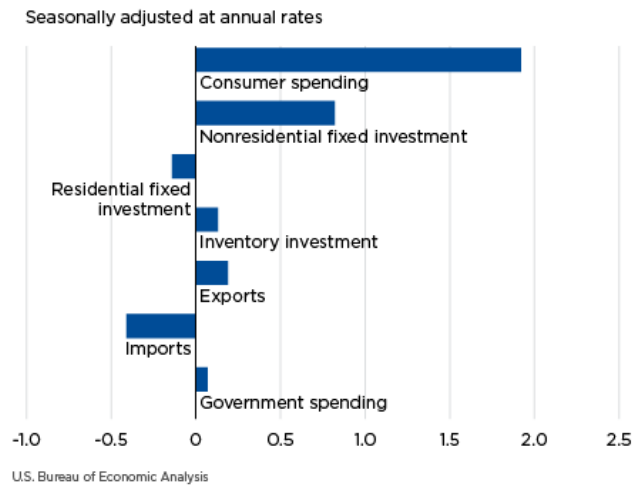


Chart 2. Real GDP: Contributions to the Percent Change in 2018:IV



GDP Component Detail

The deceleration in real GDP growth in the fourth quarter reflected decelerations in private inventory investment (line 14), consumer spending (line 2), and federal government spending (line 23) and a downturn in state and local government spending (line 26). These movements were partly offset by an upturn in exports (line 16) and an acceleration in nonresidential fixed investment (line 9). Imports increased less in the fourth quarter than in the third quarter (line 19).

- The deceleration in private inventory investment primarily reflected a downturn in manufacturing and a deceleration in wholesale trade industries.
- The deceleration in consumer spending reflected decelerations in both services (line 6) and goods (line 3). The deceleration in spending on services primarily reflected a downturn in food services and accommodations. Within goods, the main contributors were widespread decelerations in nondurable goods, except in gasoline and other energy goods, which increased in the fourth quarter after decreasing in the third quarter.
- Within federal government spending, the deceleration reflected a downturn in nondefense spending (line 25) that was partly offset by an acceleration in defense spending (line 24). The downturn in nondefense spending reflected a downturn in compensation of general government employees because of the reduced hours worked related to the partial government shutdown (see [the note](#)).
- The downturn in state and local government spending primarily reflected a downturn in investment in structures.

- The upturn in exports reflected an upturn in exports of goods (line 17) that was partly offset by a deceleration in exports of services (line 18). The leading contributors to the upturn in exports of goods were upturns in petroleum and products and in nonautomotive capital goods. A notable offset was in foods, feeds, and beverages, which decreased more in the fourth quarter than in the third quarter.
- The acceleration in nonresidential fixed investment reflected accelerated investment in intellectual property products (line 12, mainly for research and development) and in equipment (line 11, mainly due to an upturn in transportation equipment investment).
- The deceleration in imports reflected a deceleration in imports of goods that was partly offset by an acceleration in imports of services. Within goods imports, the leading contributors were downturns in imports of petroleum and products and of nonautomotive capital goods.

Table 1. Real Gross Domestic Product (GDP) and Related Measures

[Seasonally adjusted at annual rates]

| Line | | Share of current-dollar GDP (percent) | Change from preceding period (percent) | | | | Contribution to percent change in real GDP (percentage points) | | | |
|-----------------|---|---------------------------------------|--|--------------|--------------|--------------|--|--------------|--------------|--------------|
| | | 2018 | 2018 | | | | 2018 | | | |
| | | IV | I | II | III | IV | I | II | III | IV |
| 1 | Gross domestic product¹ | 100.0 | 2.2 | 4.2 | 3.4 | 2.6 | 2.2 | 4.2 | 3.4 | 2.6 |
| 2 | Personal consumption expenditures | 68.0 | 0.5 | 3.8 | 3.5 | 2.8 | 0.36 | 2.57 | 2.37 | 1.92 |
| 3 | Goods | 21.1 | -0.6 | 5.5 | 4.3 | 3.9 | -0.13 | 1.16 | 0.90 | 0.80 |
| 4 | Durable goods | 7.1 | -2.0 | 8.6 | 3.7 | 5.9 | -0.15 | 0.60 | 0.26 | 0.41 |
| 5 | Nondurable goods | 14.0 | 0.1 | 4.0 | 4.6 | 2.8 | 0.02 | 0.56 | 0.64 | 0.39 |
| 6 | Services | 46.9 | 1.0 | 3.0 | 3.2 | 2.4 | 0.49 | 1.42 | 1.47 | 1.11 |
| 7 | Gross private domestic investment | 18.1 | 9.6 | -0.5 | 15.2 | 4.6 | 1.61 | -0.07 | 2.53 | 0.82 |
| 8 | Fixed investment | 17.6 | 8.0 | 6.4 | 1.1 | 3.9 | 1.34 | 1.10 | 0.21 | 0.69 |
| 9 | Nonresidential | 13.7 | 11.5 | 8.7 | 2.5 | 6.2 | 1.47 | 1.15 | 0.35 | 0.82 |
| 10 | Structures | 3.1 | 13.9 | 14.5 | -3.4 | -4.2 | 0.40 | 0.43 | -0.11 | -0.13 |
| 11 | Equipment | 6.0 | 8.5 | 4.6 | 3.4 | 6.7 | 0.49 | 0.27 | 0.21 | 0.39 |
| 12 | Intellectual property products | 4.6 | 14.1 | 10.5 | 5.6 | 13.1 | 0.58 | 0.45 | 0.25 | 0.56 |
| 13 | Residential | 3.8 | -3.4 | -1.3 | -3.6 | -3.5 | -0.14 | -0.05 | -0.14 | -0.14 |
| 14 | Change in private inventories | 0.5 | ..... | ..... | ..... | ..... | 0.27 | -1.17 | 2.33 | 0.13 |
| 15 | Net exports of goods and services | -3.2 | ..... | ..... | ..... | ..... | -0.02 | 1.22 | -1.99 | -0.22 |
| 16 | Exports | 12.2 | 3.6 | 9.3 | -4.9 | 1.6 | 0.43 | 1.12 | -0.62 | 0.19 |
| 17 | Goods | 8.0 | 3.2 | 13.5 | -8.4 | 1.6 | 0.26 | 1.06 | -0.72 | 0.13 |
| 18 | Services | 4.2 | 4.2 | 1.5 | 2.4 | 1.4 | 0.18 | 0.07 | 0.10 | 0.06 |
| 19 | Imports | 15.3 | 3.0 | -0.6 | 9.3 | 2.7 | -0.45 | 0.10 | -1.37 | -0.41 |
| 20 | Goods | 12.4 | 2.4 | -0.4 | 10.5 | 1.6 | -0.30 | 0.06 | -1.24 | -0.20 |
| 21 | Services | 2.9 | 5.5 | -1.4 | 4.3 | 7.5 | -0.15 | 0.04 | -0.12 | -0.21 |
| 22 | Government consumption expenditures and gross investment | 17.1 | 1.5 | 2.5 | 2.6 | 0.4 | 0.27 | 0.43 | 0.44 | 0.07 |
| 23 | Federal | 6.4 | 2.6 | 3.7 | 3.5 | 1.6 | 0.17 | 0.24 | 0.23 | 0.10 |
| 24 | National defense | 3.8 | 3.0 | 5.9 | 4.9 | 6.9 | 0.11 | 0.22 | 0.18 | 0.25 |
| 25 | Nondefense | 2.6 | 2.1 | 0.5 | 1.6 | -5.6 | 0.06 | 0.01 | 0.04 | -0.15 |
| 26 | State and local | 10.7 | 0.9 | 1.8 | 2.0 | -0.3 | 0.10 | 0.20 | 0.22 | -0.03 |
| Addenda: | | | | | | | | | | |
| 27 | Gross domestic income (GDI) ² | ..... | 3.9 | 0.9 | 4.6 | ..... | ..... | ..... | ..... | ..... |
| 28 | Average of GDP and GDI | ..... | 3.1 | 2.5 | 4.0 | ..... | ..... | ..... | ..... | ..... |
| 29 | Final sales of domestic product | 99.5 | 1.9 | 5.4 | 1.0 | 2.5 | 1.94 | 5.33 | 1.03 | 2.46 |
| 30 | Goods | 29.6 | 4.1 | 6.5 | 6.1 | 6.7 | 1.20 | 1.91 | 1.77 | 1.93 |
| 31 | Services | 62.0 | 1.2 | 2.9 | 2.8 | 1.6 | 0.73 | 1.78 | 1.76 | 1.01 |
| 32 | Structures | 8.4 | 3.4 | 5.5 | -2.0 | -4.1 | 0.28 | 0.47 | -0.17 | -0.35 |
| 33 | Motor vehicle output | 2.8 | 9.5 | -5.8 | 9.6 | 0.8 | 0.26 | -0.17 | 0.25 | 0.02 |
| 34 | GDP excluding motor vehicle output | 97.2 | 2.0 | 4.5 | 3.2 | 2.6 | 1.96 | 4.33 | 3.10 | 2.57 |

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

2. GDI is deflated by the implicit price deflator for GDP. The third-quarter change in GDI reflects the incorporation of newly available 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 are calculated from NIPA table 1.2.5.

Prices

Prices for gross domestic purchases, goods and services purchased by U.S. residents, increased 1.6 percent in the fourth quarter after increasing 1.8 percent in the third quarter (table 2, line 1, and chart 3). Price decelerations for most major components were partly offset by an acceleration in the prices paid for federal nondefense spending, reflecting a temporary increase in the prices paid for federal government employee compensation related to the partial federal government shutdown (see [the note](#)).

Food prices decelerated slightly (line 20), increasing 0.2 percent after increasing 0.5 percent. Prices for energy goods and services (line 21) turned down, decreasing 1.8 percent in the fourth quarter after increasing 3.3 percent in the third quarter. Gross domestic purchases prices excluding food and energy (line 22) increased 1.8 percent in the fourth quarter, the same increase as in the third quarter.

Consumer prices excluding food and energy (line 25), a measure of the “core” rate of inflation, accelerated, increasing 1.7 percent in the fourth quarter after increasing 1.6 percent in the third quarter.

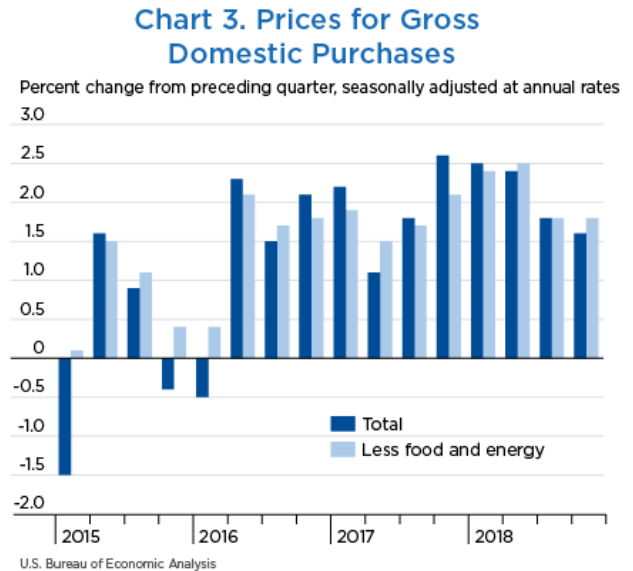


Table 2. Prices for Gross Domestic Purchases

[Percent change at annual rates; based on seasonally adjusted index numbers (2012=100)]

| Line | | Change from preceding period (percent) | | | | Contribution to percent change in gross domestic purchases prices (percentage points) | | | |
|------------------------------------|---|--|------------|------------|------------|---|-------------|-------------|-------------|
| | | 2018 | | | | 2018 | | | |
| | | I | II | III | IV | I | II | III | IV |
| 1 | Gross domestic purchases¹ | 2.5 | 2.4 | 1.8 | 1.6 | 2.5 | 2.4 | 1.8 | 1.6 |
| 2 | Personal consumption expenditures | 2.5 | 2.0 | 1.6 | 1.5 | 1.63 | 1.32 | 1.04 | 0.97 |
| 3 | Goods | 2.2 | 0.4 | -0.4 | -1.1 | 0.46 | 0.08 | -0.07 | -0.24 |
| 4 | Durable goods | -1.1 | -1.6 | -0.9 | -1.5 | -0.07 | -0.11 | -0.06 | -0.10 |
| 5 | Nondurable goods | 3.9 | 1.4 | 0.0 | -1.0 | 0.53 | 0.19 | -0.01 | -0.13 |
| 6 | Services | 2.6 | 2.7 | 2.5 | 2.7 | 1.17 | 1.24 | 1.11 | 1.20 |
| 7 | Gross private domestic investment | 2.5 | 3.1 | 2.0 | 1.5 | 0.42 | 0.53 | 0.35 | 0.26 |
| 8 | Fixed investment | 2.5 | 3.2 | 2.0 | 1.5 | 0.42 | 0.53 | 0.34 | 0.26 |
| 9 | Nonresidential | 0.7 | 2.0 | 1.6 | 1.1 | 0.09 | 0.26 | 0.21 | 0.15 |
| 10 | Structures | 3.2 | 5.1 | 3.1 | 6.0 | 0.09 | 0.15 | 0.09 | 0.18 |
| 11 | Equipment | -0.3 | 0.8 | 1.2 | -0.7 | -0.02 | 0.05 | 0.07 | -0.04 |
| 12 | Intellectual property products | 0.4 | 1.4 | 1.0 | 0.3 | 0.02 | 0.06 | 0.04 | 0.01 |
| 13 | Residential | 8.8 | 7.3 | 3.6 | 3.0 | 0.32 | 0.27 | 0.13 | 0.11 |
| 14 | Change in private inventories | ..... | ..... | ..... | ..... | 0.01 | -0.01 | 0.01 | 0.00 |
| 15 | Government consumption expenditures and gross investment | 2.9 | 3.3 | 2.5 | 2.5 | 0.48 | 0.55 | 0.41 | 0.41 |
| 16 | Federal | 1.8 | 2.0 | 1.5 | 2.3 | 0.11 | 0.13 | 0.10 | 0.14 |
| 17 | National defense | 1.4 | 1.3 | 1.2 | 1.3 | 0.05 | 0.05 | 0.04 | 0.05 |
| 18 | Nondefense | 2.4 | 3.0 | 2.0 | 3.7 | 0.06 | 0.08 | 0.05 | 0.09 |
| 19 | State and local | 3.6 | 4.1 | 3.0 | 2.6 | 0.37 | 0.42 | 0.32 | 0.27 |
| Addenda: | | | | | | | | | |
| Gross domestic purchases: | | | | | | | | | |
| 20 | Food | 0.4 | 1.1 | 0.5 | 0.2 | 0.02 | 0.05 | 0.03 | 0.01 |
| 21 | Energy goods and services | 12.6 | 0.4 | 3.3 | -1.8 | 0.33 | 0.01 | 0.09 | -0.05 |
| 22 | Excluding food and energy | 2.4 | 2.5 | 1.8 | 1.8 | 2.19 | 2.33 | 1.68 | 1.67 |
| Personal consumption expenditures: | | | | | | | | | |
| 23 | Food and beverages purchased for off-premises consumption | 0.2 | 1.2 | 0.4 | 0.3 | ..... | ..... | ..... | ..... |
| 24 | Energy goods and services | 12.7 | 0.7 | 3.3 | -2.0 | ..... | ..... | ..... | ..... |
| 25 | Excluding food and energy | 2.2 | 2.1 | 1.6 | 1.7 | ..... | ..... | ..... | ..... |
| 26 | Gross domestic product | 2.0 | 3.0 | 1.8 | 1.8 | ..... | ..... | ..... | ..... |
| 27 | Exports of goods and services | 4.0 | 5.8 | 0.3 | -1.5 | ..... | ..... | ..... | ..... |
| 28 | Imports of goods and services | 7.3 | 0.8 | 0.4 | -1.8 | ..... | ..... | ..... | ..... |

1. The estimates for gross domestic purchases 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.

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 the prices of personal consumption expenditures (PCE), private investment, and government consumption expenditures and gross investment.

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 website.

BEA also produces price indexes for all the components of GDP. The PCE price index is a measure of the total cost of consumer goods and services, including durable goods, nondurable goods, and services. PCE prices for food, for energy goods and services, and for all items except food and energy are also estimated and reported.

Because prices for food and for energy can be volatile, the price measure that excludes food and energy is often used as a measure of underlying, or "core," inflation. The core PCE price index includes purchased meals and beverages, such as restaurant meals and pet food. (See "[What is the core PCE price index?](#)" on BEA's website.)

BEA also prepares a supplemental PCE price index, the "market-based" PCE price index, that is based on market transactions for which there are corresponding price measures. This index excludes many imputed expenditures, such as financial services furnished without payment, that are included in PCE and in the PCE price index. BEA also prepares a market-based measure that excludes food and energy.

Personal Income

Personal income (table 3, line 1), which is measured in current dollars, increased \$225.1 billion in the fourth quarter, after increasing \$190.6 billion in the third quarter (revised). The acceleration in personal income reflected an upturn in farm proprietors' income and accelerations in personal dividend income and personal interest income. Compensation of employees decelerated.

Personal current taxes (line 29) increased \$6.4 billion in the fourth quarter after increasing \$29.6 billion in the third quarter.

Disposable personal income (DPI) (line 30) increased \$218.7 billion in the fourth quarter after increasing \$160.9 billion in the third quarter.

The personal saving rate (line 33 and chart 5)—personal saving as a percentage of DPI—was 6.7 percent in the fourth quarter; in the third quarter, the personal saving rate was 6.4 percent.

Real DPI (line 35 and chart 4) increased 4.2 percent in the fourth quarter after increasing 2.6 percent in the third quarter. Current-dollar DPI (line 34) increased 5.7 percent after increasing 4.2 percent.

With the release of this initial estimate of GDP for the fourth quarter of 2018, BEA also released revised estimates of various income-related measures for the previous quarter. The revision reflected the incorporation of third-quarter tabulations from the Quarterly Census of Employment and Wages from the Bureau of Labor Statistics:

- Wages and salaries (line 3) increased \$108.4 billion in the third quarter, an upward revision of \$13.6 billion.
- The personal saving rate (line 33) was 6.4 percent, revised up from 6.3 percent as previously estimated.
- The percent change in real gross domestic income (table 1, line 27) was 4.6 percent, 0.3 percentage point higher than previously estimated.

Chart 4. Real Disposable Personal Income

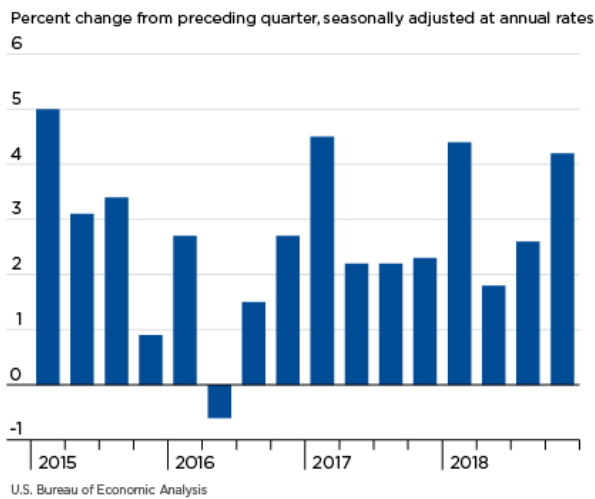


Chart 5. Personal Saving Rate

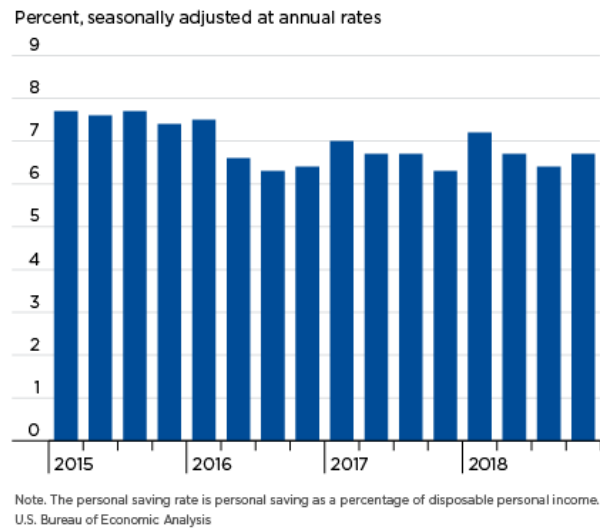


Table 3. Personal Income and Its Disposition

[Billions of dollars; quarterly estimates are seasonally adjusted at annual rates]

| Line | | Level | | Change from preceding period | | | |
|--------------------------------------|--|-----------------|-----------------|------------------------------|--------------|--------------|--------------|
| | | 2018 | | 2018 | | | |
| | | III | IV | I | II | III | IV |
| 1 | Personal income | 17,657.3 | 17,882.4 | 216.1 | 147.6 | 190.6 | 225.1 |
| 2 | Compensation of employees | 10,907.9 | 11,022.1 | 141.5 | 72.8 | 125.0 | 114.2 |
| 3 | Wages and salaries | 8,879.2 | 8,978.3 | 122.5 | 60.2 | 108.4 | 99.1 |
| 4 | Private industries | 7,493.6 | 7,584.0 | 117.1 | 52.0 | 94.0 | 90.4 |
| 5 | Goods-producing industries | 1,468.2 | 1,486.3 | 41.9 | -3.1 | 19.0 | 18.2 |
| 6 | Manufacturing | 880.7 | 889.3 | 22.1 | -7.1 | 9.8 | 8.6 |
| 7 | Services-producing industries | 6,025.4 | 6,097.6 | 75.1 | 55.1 | 75.0 | 72.2 |
| 8 | Trade, transportation, and utilities | 1,365.7 | 1,378.3 | 18.8 | 6.8 | 14.1 | 12.6 |
| 9 | Other services-producing industries | 4,659.7 | 4,719.3 | 56.3 | 48.3 | 60.9 | 59.6 |
| 10 | Government | 1,385.6 | 1,394.3 | 5.5 | 8.1 | 14.4 | 8.7 |
| 11 | Supplements to wages and salaries | 2,028.7 | 2,043.8 | 19.0 | 12.6 | 16.6 | 15.1 |
| 12 | Proprietors' income with IVA and CCAAdj | 1,580.0 | 1,620.7 | 23.8 | 18.6 | 11.5 | 40.7 |
| 13 | Farm | 27.9 | 50.0 | -0.2 | 1.8 | -9.1 | 22.1 |
| 14 | Nonfarm | 1,552.0 | 1,570.7 | 24.0 | 16.8 | 20.6 | 18.7 |
| 15 | Rental income of persons with CCAAdj | 767.4 | 769.0 | 4.0 | 5.0 | 13.2 | 1.6 |
| 16 | Personal income receipts on assets | 2,772.2 | 2,825.0 | 26.6 | 28.3 | 24.4 | 52.9 |
| 17 | Personal interest income | 1,616.2 | 1,637.2 | 20.4 | 8.9 | 9.7 | 21.1 |
| 18 | Personal dividend income | 1,156.0 | 1,187.8 | 6.2 | 19.3 | 14.7 | 31.8 |
| 19 | Personal current transfer receipts | 2,997.2 | 3,026.7 | 46.4 | 31.9 | 31.4 | 29.5 |
| 20 | Government social benefits to persons | 2,935.6 | 2,964.1 | 44.3 | 29.7 | 30.2 | 28.5 |
| 21 | Social security | 977.8 | 991.8 | 25.3 | 8.2 | 8.7 | 14.0 |
| 22 | Medicare | 739.9 | 759.8 | 7.1 | 10.8 | 15.4 | 19.9 |
| 23 | Medicaid | 607.8 | 604.7 | 7.1 | 12.3 | 5.2 | -3.1 |
| 24 | Unemployment insurance | 24.7 | 24.1 | -0.5 | -2.0 | -0.8 | -0.6 |
| 25 | Veterans' benefits | 111.0 | 113.1 | 3.6 | 2.4 | 3.0 | 2.1 |
| 26 | Other | 474.5 | 470.5 | 1.7 | -2.0 | -1.3 | -4.0 |
| 27 | Other current transfer receipts, from business (net) | 61.6 | 62.6 | 2.1 | 2.2 | 1.2 | 1.0 |
| 28 | Less: Contributions for government social insurance | 1,367.4 | 1,381.1 | 26.2 | 8.9 | 14.9 | 13.8 |
| 29 | Less: Personal current taxes | 2,064.9 | 2,071.3 | -40.9 | 5.3 | 29.6 | 6.4 |
| 30 | <i>Equals:</i> Disposable personal income (DPI) | 15,592.4 | 15,811.1 | 257.0 | 142.3 | 160.9 | 218.7 |
| 31 | Less: Personal outlays | 14,596.3 | 14,755.6 | 111.5 | 208.9 | 192.6 | 159.3 |
| 32 | <i>Equals:</i> Personal saving | 996.0 | 1,055.5 | 145.5 | -66.7 | -31.6 | 59.4 |
| 33 | Personal saving as a percentage of DPI | 6.4 | 6.7 | ..... | ..... | ..... | ..... |
| Addenda: | | | | | | | |
| Percent change at annual rate | | | | | | | |
| 34 | Current-dollar DPI | ..... | ..... | 7.0 | 3.8 | 4.2 | 5.7 |
| 35 | Real DPI, chained (2012) dollars | ..... | ..... | 4.4 | 1.8 | 2.6 | 4.2 |

CCAAdj Capital consumption adjustment

IVA Inventory valuation adjustment

Note. Dollar levels and percent changes are from NIPA tables 2.1 and 2.2B.

Note on the Impact of California Wildfires on Fourth-Quarter 2018 Estimates

In November 2018, wildfires burned across the state of California. These natural disasters disrupted consumption and business activities, while provision of emergency and remediation services increased in response to the disaster. These impacts on production are included, but are not separately identified, in the source data BEA uses to prepare the estimates of GDP; consequently, it is not possible to estimate the overall impact of the California wildfires on 2018 fourth-quarter GDP.

The destruction of fixed assets, such as residential and nonresidential structures, does not directly affect GDP or personal income. BEA estimates disaster losses in NIPA table 5.1. [Saving and Investment by Sector](#). BEA's preliminary estimates show the California wildfires resulted in losses of \$16.0 billion in privately owned fixed assets (\$64.0 billion at an annual rate).

BEA also estimates the insurance benefits paid and received as a result of major disasters. These benefits are recorded on an accrual basis in the quarter in which the disaster occurred and are classified as capital transfers; they do not directly affect the measures of GDP, personal income, or saving. BEA's preliminary estimates, presented in NIPA table 5.11U. [Capital Transfers Paid and Received, by Sector and by Type](#), show domestic insurance companies expect to pay benefits for disaster losses related to the California wildfires in the amount of \$6.3 billion (\$25.4 billion at an annual rate), and foreign insurance companies expect to pay \$8.9 billion (\$35.4 billion at an annual rate).

For additional information, see the FAQ [“How are the measures of production and income in the national accounts affected by a natural or man-made disaster?”](#)

Real GDP, 2018

Real GDP increased 2.9 percent in 2018 (from the 2017 annual level to the 2018 annual level), compared with an increase of 2.2 percent in 2017 (table 4, line 1 and chart 6). The increase in real GDP in 2018 primarily reflected positive contributions from consumer spending (line 2), nonresidential fixed investment (line 9), exports (line 16), federal government spending (line 23), private inventory investment (line 14), and state and local government spending (line 26) that were slightly offset by a small negative contribution from residential fixed investment (line 13). Imports, which are a subtraction in the calculation of GDP, increased (line 19).

The acceleration in real GDP from 2017 to 2018 primarily reflected accelerations in nonresidential fixed investment, private inventory investment, federal government spending, exports, and consumer spending and an upturn in state and local government spending (table 4). These movements were partly offset by a downturn in residential investment.

Chart 6. Real GDP: Contributions to Percent Change in 2018

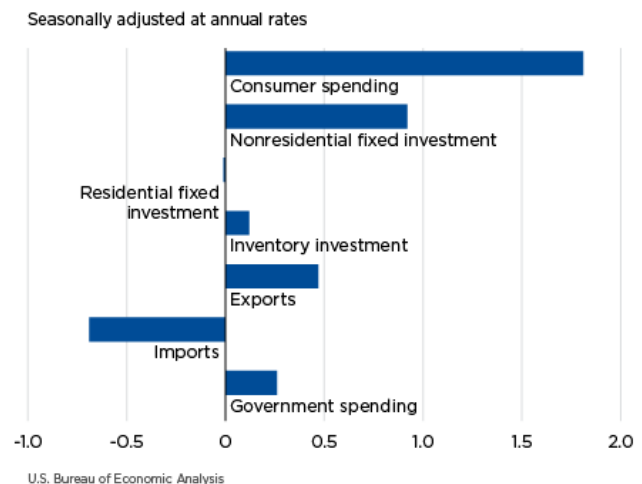


Table 4. Real Gross Domestic Product (GDP) and Components

[Seasonally adjusted at annual rates]

| Line | | Share of current-dollar GDP (percent) | Change from preceding period (percent) | | Contribution to percent change in real GDP (percentage points) | |
|-----------------|---|---------------------------------------|--|--------------|--|--------------|
| | | 2018 | 2017 | 2018 | 2017 | 2018 |
| 1 | Gross domestic product¹ | 100.0 | 2.2 | 2.9 | 2.2 | 2.9 |
| 2 | Personal consumption expenditures | 68.1 | 2.5 | 2.6 | 1.73 | 1.81 |
| 3 | Goods | 21.2 | 3.7 | 3.8 | 0.78 | 0.80 |
| 4 | Durable goods | 7.1 | 6.8 | 5.7 | 0.48 | 0.40 |
| 5 | Nondurable goods | 14.1 | 2.1 | 2.8 | 0.30 | 0.40 |
| 6 | Services | 46.9 | 2.0 | 2.1 | 0.95 | 1.01 |
| 7 | Gross private domestic investment | 17.8 | 4.8 | 6.0 | 0.81 | 1.03 |
| 8 | Fixed investment | 17.5 | 4.8 | 5.3 | 0.81 | 0.91 |
| 9 | Nonresidential | 13.7 | 5.3 | 7.0 | 0.68 | 0.92 |
| 10 | Structures | 3.1 | 4.6 | 5.0 | 0.13 | 0.15 |
| 11 | Equipment | 6.0 | 6.1 | 7.5 | 0.35 | 0.44 |
| 12 | Intellectual property products | 4.5 | 4.6 | 7.7 | 0.20 | 0.33 |
| 13 | Residential | 3.9 | 3.3 | -0.2 | 0.13 | -0.01 |
| 14 | Change in private inventories | 0.3 | ..... | ..... | 0.00 | 0.12 |
| 15 | Net exports of goods and services | -3.1 | ..... | ..... | -0.31 | -0.22 |
| 16 | Exports | 12.3 | 3.0 | 3.9 | 0.36 | 0.47 |
| 17 | Goods | 8.1 | 3.3 | 4.7 | 0.26 | 0.36 |
| 18 | Services | 4.2 | 2.5 | 2.5 | 0.10 | 0.10 |
| 19 | Imports | 15.4 | 4.6 | 4.6 | -0.67 | -0.69 |
| 20 | Goods | 12.5 | 4.6 | 4.9 | -0.55 | -0.60 |
| 21 | Services | 2.9 | 4.4 | 3.2 | -0.12 | -0.09 |
| 22 | Government consumption expenditures and gross investment | 17.2 | -0.1 | 1.5 | -0.01 | 0.26 |
| 23 | Federal | 6.4 | 0.7 | 2.6 | 0.05 | 0.17 |
| 24 | National defense | 3.8 | 0.7 | 3.4 | 0.03 | 0.13 |
| 25 | Nondefense | 2.6 | 0.8 | 1.5 | 0.02 | 0.04 |
| 26 | State and local | 10.7 | -0.5 | 0.9 | -0.06 | 0.09 |
| Addenda: | | | | | | |
| 28 | Gross domestic income (GDI) ² | ..... | 2.3 | ..... | ..... | ..... |
| 29 | Average of GDP and GDI | ..... | 2.2 | ..... | ..... | ..... |

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

GDI is deflated by the implicit price deflator for GDP.

Note. Percent changes are from NIPA table 1.1.1, contributions to percent change are from NIPA table 1.1.2, and shares are from NIPA table 1.1.10

Information on Key Source Data, Assumptions, and Methodologies

A comprehensive table that presents the “[Key Source Data and Assumptions](#)” (under “Current Release”) that are used to prepare each vintage of the estimate of GDP for the current quarter is available on BEA's website. For the advance estimates that are released near the end of the month after the close of the quarter, the table shows the months of source data for the quarter that are available; for most components of GDP, 3 months of data are available. For the components for which only 2 months of source data are available, BEA's assumptions for the third month are shown. Second estimates are released near the end of the second month after the close of the quarter, and third estimates are released near the end of the third month after the close of the quarter. With each vintage, the table is updated to add newly available and revised source data that have been incorporated into the estimates.

For additional details about the source data and the methodologies that are used to prepare the estimates, see “*Concepts and Methods of the U.S. National Income and Product Accounts*” on BEA's website.

1. “Real” estimates are in chained (2012) 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 January 2018 *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. This “initial” estimate of GDP for the fourth quarter of 2018 reflects a combination of data and methods typically used for both the advance and second current quarterly estimates.



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