

# GDP and the Economy

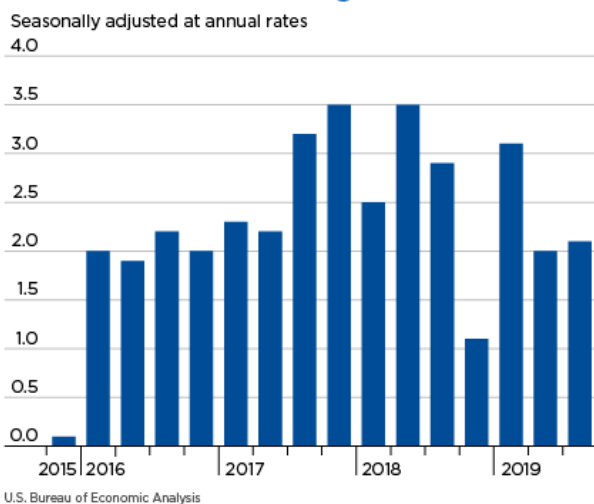
## Second Estimates for the Third Quarter of 2019

By Lisa S. Mataloni

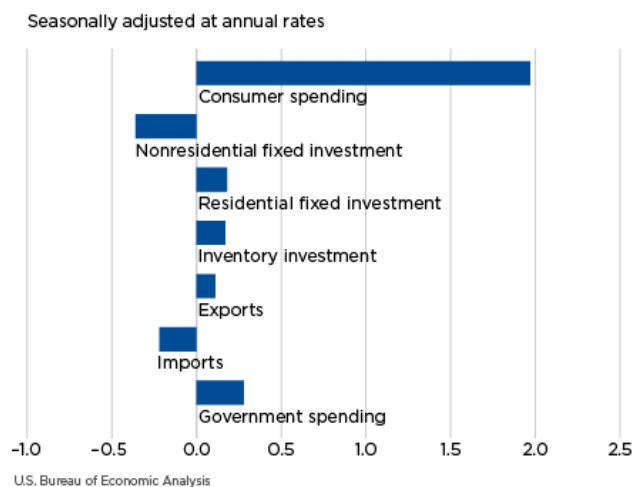
Real gross domestic product (GDP) increased at an annual rate of 2.1 percent in the third quarter of 2019, according to the second estimates of the National Income and Product Accounts (NIPAs) (chart 1 and table 1).<sup>1</sup> With the second estimate, real GDP growth for the third quarter was revised up 0.2 percentage point from the advance estimate issued last month (see “Updates”). In the second quarter of 2019, real GDP increased 2.0 percent.

The increase in real GDP in the third quarter reflected positive contributions from consumer spending, federal government spending, residential investment, private inventory investment, exports, and state and local government spending that were partly offset by a negative contribution from nonresidential fixed investment.<sup>2</sup> Imports, which are a subtraction in the calculation of GDP, increased (chart 2 and table 1).

**Chart 1. Real GDP: Percent Change from Preceding Quarter**



**Chart 2. Real GDP: Contributions to the Percent Change in 2019:III**



## GDP Component Detail

The acceleration in real GDP in the third quarter reflected upturns in private inventory investment, exports, and residential fixed investment (table 1). These movements were partly offset by decelerations in consumer spending, federal government spending, and state and local government spending and a larger decrease in nonresidential fixed investment.

- The upturn in private inventory investment primarily reflected upturns in retail trade and nondurable-goods manufacturing industries.
- The upturn in exports reflected an upturn in exports of goods, led by a smaller decrease in nonautomotive capital goods and an upturn in automotive vehicles, engines, and parts.
- The upturn in residential fixed investment reflected an upturn in structures, led by an upturn in improvements.
- The deceleration in consumer spending reflected decelerations in spending on both goods and services. The deceleration in spending on goods was led by a deceleration in motor vehicles and a downturn in clothing and footwear. The deceleration in spending on services primarily reflected a slowdown in health care spending and a downturn in spending on recreation services.
- The deceleration in federal government spending primarily reflected a deceleration in nondefense spending. Second-quarter spending was boosted when the federal government returned to normal operations after the partial government shutdown that occurred in the fourth quarter of 2018 and the first quarter of 2019. For more information, see [“How will the federal government shutdown be reflected in GDP for the fourth quarter of 2018 and the first quarter of 2019?”](#)
- The deceleration in state and local spending mainly reflected a downturn in gross investment in structures.
- The larger decrease in nonresidential fixed investment primarily reflected a downturn in spending on equipment, which was more than accounted for by a downturn in computers and peripheral equipment. The downturn in equipment was partly offset by an acceleration in spending on intellectual property products.

Real gross domestic income (GDI) increased 2.4 percent in the third quarter after increasing 0.9 percent in the second quarter (revised).

**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)			
		2019	2018	2019			2018	2019		
		III	IV	I	II	III	IV	I	II	II
1	<b>Gross domestic product (GDP)<sup>1</sup></b>	<b>100.0</b>	<b>1.1</b>	<b>3.1</b>	<b>2.0</b>	<b>2.1</b>	<b>1.1</b>	<b>3.1</b>	<b>2.0</b>	<b>2.1</b>
2	<b>Personal consumption expenditures</b>	<b>68.1</b>	<b>1.4</b>	<b>1.1</b>	<b>4.6</b>	<b>2.9</b>	<b>0.97</b>	<b>0.78</b>	<b>3.03</b>	<b>1.97</b>
3	Goods	21.2	1.6	1.5	8.6	5.7	0.33	0.32	1.74	1.17
4	Durable goods	7.2	1.3	0.3	13.0	8.3	0.09	0.02	0.87	0.57
5	Nondurable goods	14.0	1.7	2.2	6.5	4.3	0.24	0.30	0.87	0.59
6	Services	46.9	1.4	1.0	2.8	1.7	0.65	0.46	1.29	0.80
7	<b>Gross private domestic investment</b>	<b>17.4</b>	<b>3.0</b>	<b>6.2</b>	<b>-6.3</b>	<b>-0.1</b>	<b>0.53</b>	<b>1.09</b>	<b>-1.16</b>	<b>-0.01</b>
8	Fixed investment	17.1	2.7	3.2	-1.4	-1.0	0.46	0.56	-0.25	-0.18
9	Nonresidential	13.3	4.8	4.4	-1.0	-2.7	0.64	0.60	-0.14	-0.36
10	Structures	2.9	-9.0	4.0	-11.1	-12.0	-0.29	0.12	-0.36	-0.37
11	Equipment	5.7	7.4	-0.1	0.8	-3.8	0.42	0.00	0.05	-0.22
12	Intellectual property products	4.7	11.7	10.8	3.6	5.1	0.51	0.48	0.17	0.24
13	Residential	3.7	-4.7	-1.0	-3.0	5.1	-0.18	-0.04	-0.11	0.18
14	Change in private inventories	0.4	.....	.....	.....	.....	0.07	0.53	-0.91	0.17
15	<b>Net exports of goods and services</b>	<b>-3.0</b>	<b>.....</b>	<b>.....</b>	<b>.....</b>	<b>.....</b>	<b>-0.35</b>	<b>0.73</b>	<b>-0.68</b>	<b>-0.11</b>
16	Exports	11.6	1.5	4.1	-5.7	0.9	0.18	0.49	-0.69	0.11
17	Goods	7.6	2.6	4.6	-5.9	2.0	0.21	0.36	-0.48	0.16
18	Services	4.0	-0.7	3.3	-5.1	-1.2	-0.03	0.13	-0.21	-0.05
19	Imports	14.6	3.5	-1.5	0.0	1.5	-0.53	0.23	0.01	-0.22
20	Goods	11.8	2.3	-2.8	0.1	0.8	-0.28	0.36	-0.02	-0.09
21	Services	2.8	8.9	4.5	-0.7	4.7	-0.24	-0.13	0.02	-0.13
22	<b>Government consumption expenditures and gross investment</b>	<b>17.5</b>	<b>-0.4</b>	<b>2.9</b>	<b>4.8</b>	<b>1.6</b>	<b>-0.07</b>	<b>0.50</b>	<b>0.82</b>	<b>0.28</b>
23	Federal	6.6	1.1	2.2	8.3	3.4	0.07	0.14	0.53	0.22
24	National defense	3.9	5.2	7.7	3.3	2.2	0.20	0.29	0.13	0.09
25	Nondefense	2.7	-4.5	-5.4	16.1	5.1	-0.12	-0.15	0.40	0.13
26	State and local	10.9	-1.2	3.3	2.7	0.5	-0.14	0.36	0.29	0.06
<b>Addenda:</b>										
27	Gross domestic income (GDI) <sup>2</sup>	.....	0.8	3.2	0.9	2.4	.....	.....	.....	.....
28	Average of GDP and GDI	.....	0.9	3.2	1.4	2.3	.....	.....	.....	.....
29	Final sales of domestic product	99.6	1.0	2.6	3.0	2.0	1.02	2.57	2.92	1.96
30	Goods	29.7	4.8	7.3	2.1	5.2	1.39	2.12	0.62	1.51
31	Services	62.2	0.6	1.0	2.7	1.4	0.37	0.66	1.66	0.90
32	Structures	8.1	-7.7	3.9	-3.1	-3.4	-0.67	0.32	-0.26	-0.29
33	Motor vehicle output	2.9	1.3	-7.6	-7.6	35.1	0.04	-0.22	-0.21	0.84
34	GDP excluding motor vehicle output	97.1	1.1	3.4	2.3	1.3	1.05	3.32	2.23	1.29

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

2. GDI is deflated by the implicit price deflator for GDP. The second-quarter 2019 change in GDI reflects the incorporation of newly-available data on private wages and salaries.

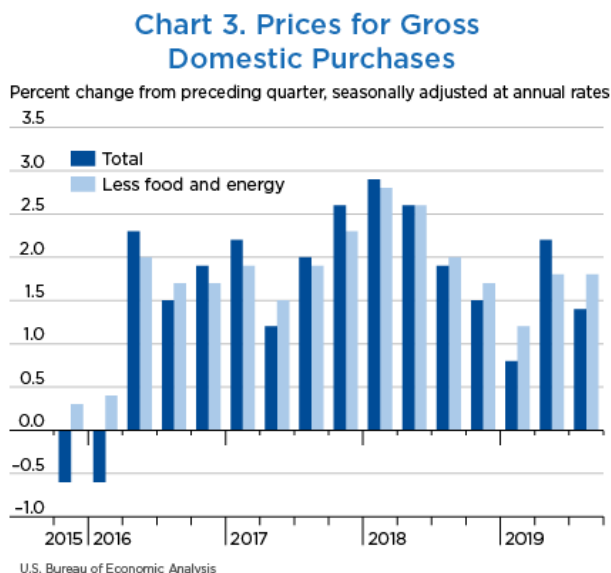
Note. Percent changes are from NIPA tables 1.1.1 and 1.2.1, contributions are from NIPA tables 1.1.2 and 1.2.2, and shares are from NIPA table 1.1.10 or are calculated from NIPA table 1.2.5.

## Prices

Prices for gross domestic purchases, goods and services purchased by U.S. residents, increased 1.4 percent in the third quarter after increasing 2.2 percent in the second quarter (chart 3 and table 2). The deceleration primarily reflected a deceleration in the prices for consumer goods; the main contributor was a downturn in prices for gasoline and other energy goods.

Food prices turned down, decreasing 0.7 percent in the third quarter after increasing 0.7 percent in the second quarter. Energy goods and services decreased 8.0 percent after increasing 18.8 percent. Gross domestic purchases prices excluding food and energy increased 1.8 percent, the same rate as in the second quarter.

Consumer prices excluding food and energy, a measure of the “core” rate of inflation, accelerated, increasing 2.1 percent in the third quarter after increasing 1.9 percent in the second 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		2019		2018		2019	
		IV	I	II	III	IV	I	II	II
1	<b>Gross domestic purchases<sup>1</sup></b>	<b>1.5</b>	<b>0.8</b>	<b>2.2</b>	<b>1.4</b>	<b>1.5</b>	<b>0.8</b>	<b>2.2</b>	<b>1.4</b>
2	<b>Personal consumption expenditures</b>	<b>1.3</b>	<b>0.4</b>	<b>2.4</b>	<b>1.5</b>	<b>0.88</b>	<b>0.26</b>	<b>1.57</b>	<b>0.98</b>
3	Goods	-1.4	-1.6	1.6	-0.8	-0.29	-0.34	0.32	-0.16
4	Durable goods	-1.1	-0.3	-1.8	-1.2	-0.08	-0.02	-0.12	-0.09
5	Nondurable goods	-1.5	-2.3	3.3	-0.5	-0.21	-0.31	0.44	-0.07
6	Services	2.6	1.3	2.8	2.5	1.17	0.60	1.25	1.14
7	<b>Gross private domestic investment</b>	<b>0.7</b>	<b>1.7</b>	<b>2.0</b>	<b>1.1</b>	<b>0.12</b>	<b>0.30</b>	<b>0.35</b>	<b>0.19</b>
8	Fixed investment	0.5	1.8	2.0	1.2	0.09	0.30	0.33	0.19
9	Nonresidential	0.0	1.6	2.0	0.5	0.00	0.20	0.27	0.07
10	Structures	5.6	2.8	4.0	1.6	0.16	0.08	0.11	0.05
11	Equipment	-1.1	1.0	0.4	-1.1	-0.06	0.06	0.02	-0.06
12	Intellectual property products	-2.2	1.5	2.9	2.0	-0.10	0.07	0.13	0.09
13	Residential	2.5	2.6	1.7	3.4	0.09	0.09	0.06	0.12
14	Change in private inventories	.....	.....	.....	.....	0.03	0.00	0.02	-0.01

Line		Change from preceding period (percent)				Contribution to percent change in gross domestic purchases prices (percentage points)			
		2018	2019			2018	2019		
		IV	I	II	III	IV	I	II	II
15	<b>Government consumption expenditures and gross investment</b>	<b>2.9</b>	<b>1.3</b>	<b>1.7</b>	<b>1.5</b>	<b>0.48</b>	<b>0.22</b>	<b>0.29</b>	<b>0.26</b>
16	Federal	2.8	4.6	-2.1	1.5	0.18	0.29	-0.14	0.09
17	National defense	1.8	1.1	1.5	1.4	0.07	0.04	0.06	0.05
18	Nondefense	4.3	10.0	-7.2	1.6	0.11	0.25	-0.19	0.04
19	State and local	2.9	-0.6	4.1	1.6	0.30	-0.06	0.43	0.17
<b>Addenda:</b>									
Gross domestic purchases:									
20	Food	0.2	3.0	0.7	-0.7	0.01	0.14	0.03	-0.03
21	Energy goods and services	-4.9	-16.7	18.8	-8.0	-0.13	-0.49	0.47	-0.22
22	Excluding food and energy	1.7	1.2	1.8	1.8	1.59	1.14	1.71	1.68
Personal consumption expenditures:									
23	Food and beverages purchased for off-premises consumption	0.2	3.0	0.6	-0.5	.....	.....	.....	.....
24	Energy goods and services	-5.2	-16.7	18.4	-8.2	.....	.....	.....	.....
25	Excluding food and energy	1.7	1.1	1.9	2.1	.....	.....	.....	.....
26	Gross domestic product	1.6	1.1	2.4	1.8	.....	.....	.....	.....
27	Exports of goods and services	-1.4	-2.5	3.3	-2.3	.....	.....	.....	.....
28	Imports of goods and services	-1.8	-3.5	1.6	-4.0	.....	.....	.....	.....

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), which is measured in current dollars, increased \$168.8 billion in the third quarter after increasing \$200.4 billion in the second quarter (revised). The deceleration primarily reflected a downturn in personal interest income that was partly offset by accelerations in proprietors' income and compensation of employees.

- Personal current taxes decreased \$9.5 billion in the third quarter after increasing \$43.2 billion in the second quarter.
- Disposable personal income (DPI) increased \$178.3 billion after increasing \$157.2 billion.
- The personal saving rate (chart 4)—personal saving as a percentage of DPI—was 7.9 percent in the third quarter; in the second quarter, the personal saving rate was 7.8 percent.
- Real DPI (chart 5) increased 2.9 percent in the third quarter after increasing 1.5 percent in the second quarter. Current-dollar DPI increased 4.4 percent after increasing 3.9 percent. The differences in the movements in real DPI and current-dollar DPI reflected a deceleration in the implicit price deflator for consumer spending, which is used to deflate DPI.

With the release of the second estimate of GDP, the Bureau of Economic Analysis also released revised estimates of second-quarter wages and salaries, personal taxes, and contributions for social insurance. These estimates reflect newly available second-quarter private wages and salaries from the Bureau of Labor Statistics Quarterly Census of Employment and Wages. As a result:

- Wages and salaries is now estimated to have increased \$62.1 billion in the second quarter, a downward revision of \$46.7 billion.
- Personal income is now estimated to have increased \$200.4 billion, a downward revision of \$43.7 billion.
- Real DPI is now estimated to have increased 1.5 percent; in the previously published estimate, real DPI increased 2.4 percent.
- The personal saving rate is now estimated at 7.8 percent; in the previously published estimate, the personal saving rate was 8.0 percent.
- The percent change in real GDI (table 1, line 27) is now estimated at 0.9 percent; in the previously published estimate, real GDI increased 1.8 percent.

**Table 3. Personal Income and Its Disposition**

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

Line		Level		Change from preceding period			
		2019		2018	2019		
		II	II	IV	I	II	II
<b>1</b>	<b>Personal income</b>	18,555.9	18,724.7	154.3	272.6	200.4	168.8
2	Compensation of employees	11,386.9	11,488.0	63.1	249.2	80.4	101.0
3	Wages and salaries	9,273.6	9,352.9	47.8	221.5	62.1	79.3
4	Private industries	7,830.9	7,892.7	37.2	212.7	51.5	61.8
5	Goods-producing industries	1,533.6	1,540.5	10.6	37.3	8.3	6.9
6	Manufacturing	911.1	915.7	6.9	15.6	4.0	4.6

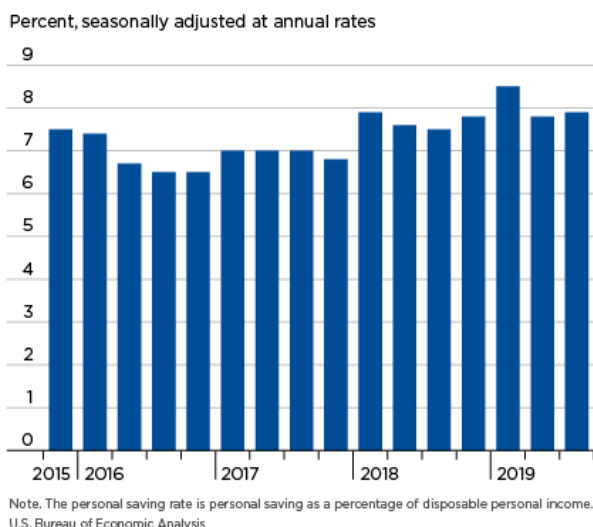
Line		Level		Change from preceding period			
		2019		2018	2019		
		II	II	IV	I	II	II
7	Services-producing industries	6,297.3	6,352.2	26.6	175.4	43.1	54.9
8	Trade, transportation, and utilities	1,410.0	1,418.2	6.8	30.4	6.6	8.2
9	Other services-producing industries	4,887.3	4,934.0	19.8	145.0	36.6	46.7
10	Government	1,442.7	1,460.3	10.6	8.8	10.7	17.6
11	Supplements to wages and salaries	2,113.3	2,135.0	15.3	27.7	18.3	21.7
12	Proprietors' income with IVA and CCAdj	1,632.9	1,684.3	34.4	-3.2	11.7	51.4
13	Farm	19.2	42.6	18.6	-11.1	-5.6	23.4
14	Nonfarm	1,613.7	1,641.7	15.8	7.9	17.4	28.0
15	Rental income of persons with CCAdj	777.2	779.8	-1.1	2.9	10.2	2.6
16	Personal income receipts on assets	3,016.5	3,002.2	44.3	-46.8	61.4	-14.3
17	Personal interest income	1,750.5	1,721.6	8.0	-27.9	51.2	-28.9
18	Personal dividend income	1,266.0	1,280.5	36.4	-19.0	10.2	14.5
19	Personal current transfer receipts	3,158.6	3,197.4	19.9	109.4	45.4	38.8
20	Government social benefits to persons	3,104.2	3,142.8	19.5	109.7	45.4	38.6
21	Social security	1,030.5	1,037.6	9.1	37.8	7.6	7.1
22	Medicare	793.6	809.9	17.9	20.3	18.7	16.3
23	Medicaid	631.4	645.9	-5.3	12.8	21.1	14.4
24	Unemployment insurance	25.9	25.8	-0.5	0.9	-1.0	-0.1
25	Veterans' benefits	118.4	120.1	1.9	4.6	2.0	1.7
26	Other	504.4	503.6	-3.6	33.5	-2.9	-0.8
27	Other current transfer receipts, from business (net)	54.4	54.6	0.4	-0.3	0.0	0.2
28	Less: Contributions for government social insurance	1,416.3	1,427.0	6.3	38.9	8.7	10.6
29	Less: Personal current taxes	2,200.1	2,190.6	-9.1	79.5	43.2	-9.5
30	<i>Equals:</i> Disposable personal income (DPI)	16,355.7	16,534.0	163.4	193.1	157.2	178.3
31	Less: Personal outlays	15,073.1	15,230.8	102.2	65.2	250.1	157.7
32	<i>Equals:</i> Personal saving	1,282.6	1,303.2	61.2	127.9	-92.9	20.6
33	Personal saving as a percentage of DPI	7.8	7.9	.....	.....	.....	.....
<b>Addenda:</b>							
<b>Percent change at annual rate</b>							
34	Current-dollar DPI	.....	.....	4.2	4.9	3.9	4.4
35	Real DPI, chained (2012) dollars	.....	.....	2.8	4.5	1.5	2.9

CCAdj Capital consumption adjustment

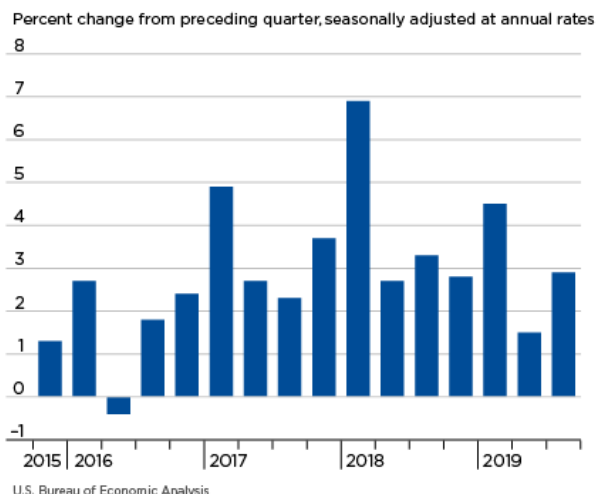
IVA Inventory valuation adjustment

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

**Chart 4. Personal Saving Rate**



**Chart 5. Real Disposable Personal Income**



## Updates

Real GDP increased 2.1 percent in the third quarter of 2019, an upward revision of 0.2 percentage point from the advance estimate (table 4). The revision reflected upward revisions to private inventory investment, nonresidential fixed investment, and consumer spending that were partly offset by a downward revision to state and local government spending.

- The upward revision to private inventory investment primarily reflected an upward revision to nondurable-goods manufacturing industries. With the upward revision, private inventory investment contributed positively to GDP growth, in contrast to a negative contribution in the advance estimate.
- Within nonresidential fixed investment, the upward revision primarily reflected an upward revision to structures, notably commercial and health care structures.
- The upward revision to consumer spending was primarily accounted for by a revision to spending on goods. Within goods, the leading source of the revision was motor vehicles and parts.
- Within state and local government spending, the downward revision primarily reflected a downward revision to gross investment in structures.

**Table 4. Advance and Second Estimates for the Third Quarter of 2019**

[Seasonally adjusted at annual rates]

Line		Change from preceding period (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
1	Gross domestic product (GDP) <sup>1</sup>	1.9	2.1	0.2	1.9	2.1	0.2
2	Personal consumption expenditures	2.9	2.9	0.0	1.93	1.97	0.04



Line		Change from preceding period (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
3	Goods	5.5	5.7	0.2	1.14	1.17	0.03
4	Durable goods	7.6	8.3	0.7	0.53	0.57	0.04
5	Nondurable goods	4.4	4.3	-0.1	0.61	0.59	-0.02
6	Services	1.7	1.7	0.0	0.79	0.80	0.01
7	<b>Gross private domestic investment</b>	<b>-1.5</b>	<b>-0.1</b>	<b>1.4</b>	<b>-0.27</b>	<b>-0.01</b>	<b>0.26</b>
8	Fixed investment	-1.3	-1.0	0.3	-0.22	-0.18	0.04
9	Nonresidential	-3.0	-2.7	0.3	-0.40	-0.36	0.04
10	Structures	-15.3	-12.0	3.3	-0.48	-0.37	0.11
11	Equipment	-3.8	-3.8	0.0	-0.23	-0.22	0.01
12	Intellectual property products	6.6	5.1	-1.5	0.30	0.24	-0.06
13	Residential	5.1	5.1	0.0	0.18	0.18	0.00
14	Change in private inventories	.....	.....	.....	-0.05	0.17	0.22
15	<b>Net exports of goods and services</b>	<b>.....</b>	<b>.....</b>	<b>.....</b>	<b>-0.08</b>	<b>-0.11</b>	<b>-0.03</b>
16	Exports	0.7	0.9	0.2	0.09	0.11	0.02
17	Goods	1.6	2.0	0.4	0.12	0.16	0.04
18	Services	-0.8	-1.2	-0.4	-0.03	-0.05	-0.02
19	Imports	1.2	1.5	0.3	-0.17	-0.22	-0.05
20	Goods	0.4	0.8	0.4	-0.05	-0.09	-0.04
21	Services	4.4	4.7	0.3	-0.12	-0.13	-0.01
22	<b>Government consumption expenditures and gross investment</b>	<b>2.0</b>	<b>1.6</b>	<b>-0.4</b>	<b>0.35</b>	<b>0.28</b>	<b>-0.07</b>
23	Federal	3.4	3.4	0.0	0.22	0.22	0.00
24	National defense	2.2	2.2	0.0	0.08	0.09	0.01
25	Nondefense	5.2	5.1	-0.1	0.14	0.13	-0.01
26	State and local	1.1	0.5	-0.6	0.12	0.06	-0.06
<b>Addenda:</b>							
27	Final sales of domestic product	2.0	2.0	0.0	1.97	1.96	-0.01
28	Gross domestic purchases price index	1.4	1.4	0.0	.....	.....	.....
29	GDP price index	1.7	1.8	0.1	.....	.....	.....

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

## Corporate Profits

Measured in current dollars, profits from current production (corporate profits with the inventory valuation adjustment (IVA) and the capital consumption adjustment (CCAdj)) increased \$4.6 billion, or 0.2 percent at a quarterly rate, in the third quarter after increasing \$75.8 billion, or 3.8 percent, in the second quarter (table 5). Profits of domestic financial corporations decreased \$9.8 billion, profits of domestic nonfinancial corporations increased \$7.9 billion, and rest-of-the-world profits increased \$6.5 billion.

Profits after tax (without the IVA and the CCAdj) decreased \$11.3 billion in the third quarter.

**Table 5. Corporate Profits**

[Seasonally adjusted]

Line		Billions of dollars (annual rate)					Percent change from preceding quarter (quarterly rate)				
		Level	Change from preceding quarter								
		2019	2018	2019			2018	2019			
		III	IV	I	II	III	IV	I	II	III	
<b>1</b>	<b>Current production measures:</b>										
2	Corporate profits with IVA and CCAdj	2,087.3	-18.6	-78.7	75.8	4.6	-0.9	-3.8	3.8	0.2	
3	Domestic industries	1,542.6	0.7	-86.0	37.2	-1.9	0.0	-5.4	2.5	-0.1	
4	Financial	399.9	-6.7	22.2	2.5	-9.8	-1.7	5.8	0.6	-2.4	
5	Nonfinancial	1,142.6	7.4	-108.2	34.7	7.9	0.6	-9.0	3.2	0.7	
6	Rest of the world	544.7	-19.3	7.3	38.7	6.5	-3.8	1.5	7.7	1.2	
7	Receipts from the rest of the world	885.5	-5.0	13.7	25.3	-9.1	-0.6	1.6	2.9	-1.0	
8	Less: Payments to the rest of the world	340.7	14.3	6.4	-13.4	-15.6	4.1	1.8	-3.6	-4.4	
9	Less: Taxes on corporate income	206.1	-11.8	-3.0	9.7	-19.1	-5.1	-1.4	4.5	-8.5	
10	Equals: Profits after tax	1,881.2	-6.8	-75.7	66.1	23.7	-0.4	-4.1	3.7	1.3	
11	Net dividends	1,339.2	32.8	-37.9	22.2	-7.6	2.5	-2.8	1.7	-0.6	
12	Undistributed profits from current production	541.9	-39.6	-37.8	43.9	31.3	-7.3	-7.5	9.4	6.1	
13	Net cash flow	2,457.1	-32.1	23.2	72.9	53.0	-1.4	1.0	3.1	2.2	
	<b>Industry profits:</b>										
14	Profits with IVA	2,083.2	-13.7	-31.4	80.6	2.7	-0.7	-1.5	4.0	0.1	
15	Domestic industries	1,538.5	5.6	-38.7	41.9	-3.8	0.4	-2.5	2.8	-0.2	
16	Financial	412.7	-6.5	28.1	3.4	-9.7	-1.6	7.2	0.8	-2.3	
17	Nonfinancial	1,125.8	12.2	-66.8	38.5	5.9	1.1	-5.8	3.6	0.5	
18	Rest of the world	544.7	-19.3	7.3	38.7	6.5	-3.8	1.5	7.7	1.2	
	<b>Addenda:</b>										
19	Profits before tax (without IVA and CCAdj)	2,054.6	-40.6	-31.1	69.4	-30.4	-1.9	-1.5	3.4	-1.5	
20	Profits after tax (without IVA and CCAdj)	1,848.4	-28.7	-28.0	59.7	-11.3	-1.5	-1.5	3.3	-0.6	
21	IVA	28.7	26.8	-0.3	11.2	33.1	.....	.....	.....	.....	
22	CCAdj	4.1	-4.9	-47.4	-4.8	1.9	.....	.....	.....	.....	

CCAdj Capital consumption adjustment

IVA Inventory valuation adjustment

Note. Levels of these and other profits series are shown in NIPA tables [1.12](#), [1.14](#), [1.15](#), and [6.16D](#).

## Note on 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 the Census Bureau *Quarterly Financial Report*, Federal Deposit Insurance Corporation call reports, other regulatory reports, and tabulations from corporate financial reports. The estimates are benchmarked to Internal Revenue Service (IRS) data when these data are available for two reasons: the IRS 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 (CCAdj). CCAdj 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).

## 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. 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.”



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