

GDP and the Economy

Second Estimates for the Third Quarter of 2018

By Lisa S. Mataloni

Real gross domestic product (GDP) increased at an annual rate of 3.5 percent in the third quarter of 2018, according to the second estimate 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 unrevised from the advance estimate issued last month (see “Revisions” below). In the second quarter, real GDP increased 4.2 percent.

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

Chart 1. Real GDP: Percent Change From Preceding Quarter

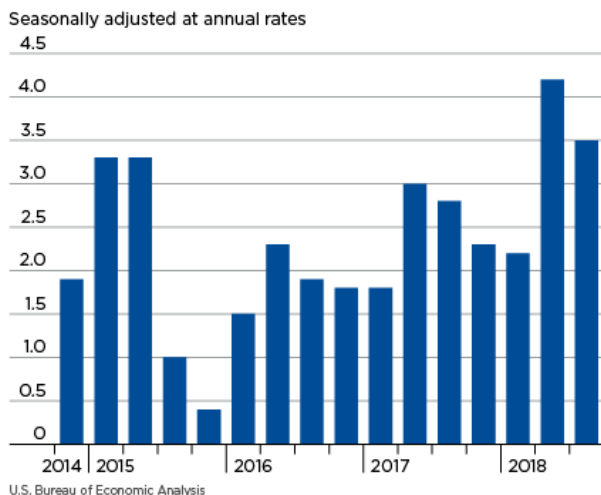
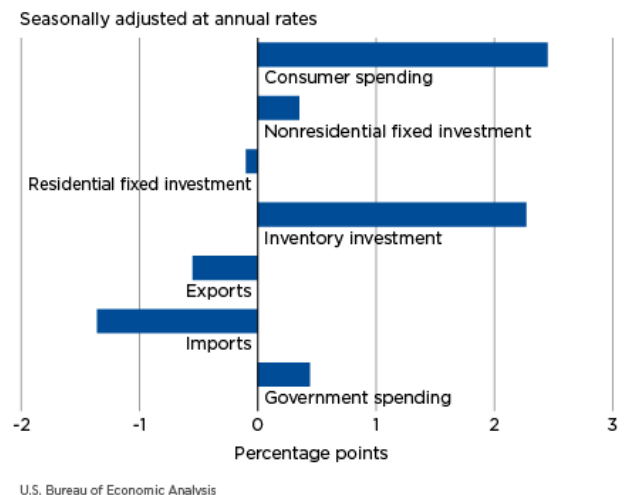


Chart 2. Real GDP: Contributions to the Percent Change in 2018:III



Impact of Hurricane Florence on Third-Quarter 2018 Estimates

Hurricane Florence made its initial landfall on September 14, 2018, causing damage and flooding in parts of the southeastern United States, most notably, the Carolinas. This natural disaster disrupted consumption and business activities, including utilities. In contrast, provision of emergency and remediation services likely increased in response to the disaster. These impacts on production are included, but not separately identified, in the source data that BEA uses to prepare the estimates of GDP; consequently, it is not possible to estimate the overall impact of Hurricane Florence on 2018 third-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 that the impact of Hurricane Florence resulted in losses of \$35.0 billion in privately owned fixed assets (\$140.0 billion at an annual rate) and \$2.0 billion in state and local government-owned fixed assets (\$8.0 billion at an annual rate).

BEA also estimates the insurance benefits paid and received because 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 Hurricane Florence in the amount of \$4.9 billion (\$19.8 billion at an annual rate). The federal government's National Flood Insurance Program expects to pay an additional \$5.0 billion (\$20.0 billion at an annual rate), and foreign insurance companies expect to pay \$0.6 billion (\$2.2 billion at an annual rate). These estimates can be found in [NIPA table 5.11U](#).

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

GDP Component Detail

The deceleration in real GDP growth in the third quarter primarily reflected a downturn in exports (line 16) and decelerations in nonresidential fixed investment (line 9) and in consumer spending (line 2). Additionally, imports increased in the third quarter after decreasing in the second (line 19). These movements were partly offset by an upturn in nonfarm inventory investment (line 14).

- The downturn in exports (line 16) primarily reflected downturns in foods, feeds, and beverages (mainly soybeans), in petroleum and products, and in nonautomotive capital goods.
- The deceleration in nonresidential fixed investment (line 9) primarily reflected a downturn in investment in structures (line 10). Decelerations in intellectual property products (line 12) and in equipment (line 11) also contributed to this deceleration. The main contributor to the downturn in structures was investment in mining exploration, shafts, and wells, which turned down following strong second-quarter growth.
- The deceleration in consumer spending (line 2) reflected a deceleration in spending on durable goods (line 4) that was partly offset by accelerations in nondurable goods (line 5) and in services (line 6). The deceleration in durable goods was mainly due to a downturn in motor vehicles and parts.
- The upturn in imports (line 19) was mostly accounted for by upturns in imported consumer durable goods (nonfood, nonautomotive) and in automotive vehicles, engines, and parts.
- The upturn in nonfarm inventory investment (line 14) was widespread across most industries. The leading contributors were the wholesale trade and manufacturing industries.

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	2017	2018			2017	2018		
		III	IV	I	II	III	IV	I	II	III
1	Gross domestic product¹	100.0	2.3	2.2	4.2	3.5	2.3	2.2	4.2	3.5
2	Personal consumption expenditures	68.0	3.9	0.5	3.8	3.6	2.64	0.36	2.57	2.45
3	Goods	21.2	6.8	-0.6	5.5	4.8	1.42	-0.13	1.16	1.00
4	Durable goods	7.1	12.7	-2.0	8.6	3.9	0.87	-0.15	0.60	0.28
5	Nondurable goods	14.1	4.0	0.1	4.0	5.3	0.55	0.02	0.56	0.73
6	Services	46.8	2.6	1.0	3.0	3.1	1.22	0.49	1.42	1.45
7	Gross private domestic investment	18.0	0.8	9.6	-0.5	15.1	0.14	1.61	-0.07	2.52
8	Fixed investment	17.5	6.2	8.0	6.4	1.4	1.04	1.34	1.10	0.25
9	Nonresidential	13.6	4.8	11.5	8.7	2.5	0.63	1.47	1.15	0.35
10	Structures	3.1	1.3	13.9	14.5	-1.7	0.04	0.40	0.43	-0.05
11	Equipment	6.0	9.9	8.5	4.6	3.5	0.56	0.49	0.27	0.21
12	Intellectual property products	4.5	0.7	14.1	10.5	4.3	0.03	0.58	0.45	0.19
13	Residential	3.9	11.1	-3.4	-1.3	-2.6	0.41	-0.14	-0.05	-0.10
14	Change in private inventories	0.4	.....	.....	.....	.....	-0.91	0.27	-1.17	2.27
15	Net exports of goods and services	-3.2	.....	.....	.....	.....	-0.89	-0.02	1.22	-1.91
16	Exports	12.3	6.6	3.6	9.3	-4.4	0.79	0.43	1.12	-0.55
17	Goods	8.1	10.9	3.2	13.5	-8.1	0.83	0.26	1.06	-0.69
18	Services	4.2	-1.0	4.2	1.5	3.4	-0.04	0.18	0.07	0.14
19	Imports	15.4	11.8	3.0	-0.6	9.2	-1.68	-0.45	0.10	-1.36
20	Goods	12.6	14.2	2.4	-0.4	10.3	-1.62	-0.30	0.06	-1.23
21	Services	2.9	2.0	5.5	-1.4	4.6	-0.06	-0.15	0.04	-0.13
22	Government consumption expenditures and gross investment	17.2	2.4	1.5	2.5	2.6	0.41	0.27	0.43	0.44
23	Federal	6.4	4.1	2.6	3.7	3.5	0.26	0.17	0.24	0.23
24	National defense	3.8	2.9	3.0	5.9	4.9	0.11	0.11	0.22	0.18
25	Nondefense	2.6	5.7	2.1	0.5	1.5	0.15	0.06	0.01	0.04
26	State and local	10.8	1.4	0.9	1.8	2.0	0.15	0.10	0.20	0.22
Addenda:										
27	Gross domestic income (GDI) ²	.....	1.5	3.9	0.9	4.0	.....	.....	.....	.....
28	Average of GDP and GDI	.....	1.9	3.1	2.5	3.8	.....	.....	.....	.....
29	Final sales of domestic product	99.6	3.2	1.9	5.4	1.2	3.20	1.94	5.33	1.23
30	Goods	29.4	1.1	4.1	6.5	6.2	0.34	1.20	1.91	1.81
31	Services	62.1	2.1	1.2	2.9	2.9	1.32	0.73	1.78	1.77
32	Structures	8.5	7.9	3.4	5.5	-0.8	0.64	0.28	0.47	-0.07
33	Motor vehicle output	2.8	23.2	9.5	-5.8	9.9	0.58	0.26	-0.17	0.26
34	GDP excluding motor vehicle output	97.2	1.8	2.0	4.5	3.3	1.72	1.96	4.33	3.24

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 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 1.7 percent in the third quarter after increasing 2.4 percent in the second quarter (table 2, line 1, and chart 3). Food prices decelerated (line 20), increasing 0.5 percent after increasing 1.1 percent. Energy goods and services accelerated, increasing 3.4 percent after increasing 0.4 percent. Gross domestic purchases prices excluding food and energy (line 22) increased 1.8 percent after increasing 2.5 percent.

Consumer prices excluding food and energy (line 25), a measure of the “core” rate of inflation, decelerated, increasing 1.5 percent in the third quarter after increasing 2.1 percent in the second quarter.

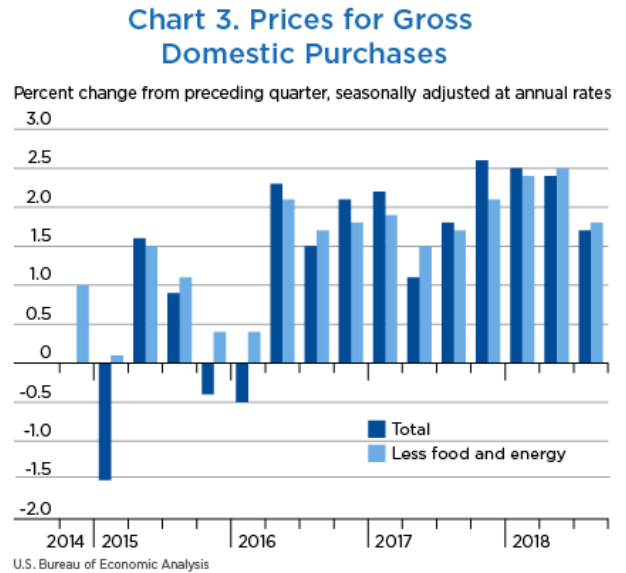


Table 2. Prices for Gross Domestic Purchases

[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)			
		2017	2018			2017	2018		
		IV	I	II	III	IV	I	II	III
1	Gross domestic purchases¹	2.6	2.5	2.4	1.7	2.6	2.5	2.4	1.7
2	Personal consumption expenditures	2.7	2.5	2.0	1.5	1.81	1.63	1.32	0.99
3	Goods	1.5	2.2	0.4	-0.4	0.30	0.46	0.08	-0.07
4	Durable goods	-2.2	-1.1	-1.6	-0.9	-0.16	-0.07	-0.11	-0.06
5	Nondurable goods	3.4	3.9	1.4	0.0	0.46	0.53	0.19	-0.01
6	Services	3.3	2.6	2.7	2.3	1.50	1.17	1.24	1.06
7	Gross private domestic investment	1.3	2.5	3.1	2.0	0.22	0.42	0.53	0.34
8	Fixed investment	1.2	2.5	3.2	2.0	0.21	0.42	0.53	0.33
9	Nonresidential	0.7	0.7	2.0	1.5	0.09	0.09	0.26	0.20
10	Structures	2.3	3.2	5.1	3.1	0.07	0.09	0.15	0.09
11	Equipment	-0.5	-0.3	0.8	1.1	-0.03	-0.02	0.05	0.07
12	Intellectual property products	1.2	0.4	1.4	0.9	0.05	0.02	0.06	0.04
13	Residential	3.1	8.8	7.3	3.6	0.11	0.32	0.27	0.13
14	Change in private inventories	.....	.....	.....	.....	0.02	0.01	-0.01	0.01
15	Government consumption expenditures and gross investment	3.2	2.9	3.3	2.5	0.53	0.48	0.55	0.41
16	Federal	1.3	1.8	2.0	1.5	0.08	0.11	0.13	0.10
17	National defense	1.2	1.4	1.3	1.2	0.05	0.05	0.05	0.04
18	Nondefense	1.4	2.4	3.0	2.1	0.04	0.06	0.08	0.05
19	State and local	4.4	3.6	4.1	3.0	0.45	0.37	0.42	0.31
Addenda:									
Gross domestic purchases:									
20	Food	0.1	0.4	1.1	0.5	0.01	0.02	0.05	0.02
21	Energy goods and services	24.9	12.6	0.4	3.4	0.61	0.33	0.01	0.09
22	Excluding food and energy	2.1	2.4	2.5	1.8	1.95	2.19	2.33	1.62
Personal consumption expenditures:									
23	Food and beverages purchased for off-premises consumption	0.2	0.2	1.2	0.4	.....	.....	.....	.....
24	Energy goods and services	24.1	12.7	0.7	3.3	.....	.....	.....	.....
25	Excluding food and energy	2.1	2.2	2.1	1.5	.....	.....	.....	.....
26	Gross domestic product	2.5	2.0	3.0	1.7	.....	.....	.....	.....
27	Exports of goods and services	6.1	4.0	5.8	0.1	.....	.....	.....	.....
28	Imports of goods and services	5.7	7.3	0.8	0.5	.....	.....	.....	.....

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 \$174.9 billion in the third quarter after increasing \$147.6 billion in the second quarter (revised). The acceleration in personal income primarily reflected accelerations in wages and salaries (line 3), rental income of persons (line 15), and nonfarm proprietors' income (line 14) that were partly offset by a downturn in farm proprietors' income (line 13) and a deceleration in personal income receipts on assets (line 16). Personal current taxes (line 29) increased \$27.2 billion in the third quarter after increasing \$5.3 billion in the second quarter.

Disposable personal income (DPI) (line 30 and chart 4) increased \$147.7 billion in the third quarter after increasing \$142.3 billion in the second quarter.

The personal saving rate (line 33 and chart 5)—personal saving as a percentage of DPI—was 6.3 percent in the third quarter; in the second quarter, the personal saving rate was 6.7 percent.

Real DPI (line 35) increased 2.4 percent in the third quarter after increasing 1.8 percent in the second quarter.

Current-dollar DPI (line 34) increased 3.9 percent after increasing 3.8 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.

Table 3. Personal Income and Its Disposition

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

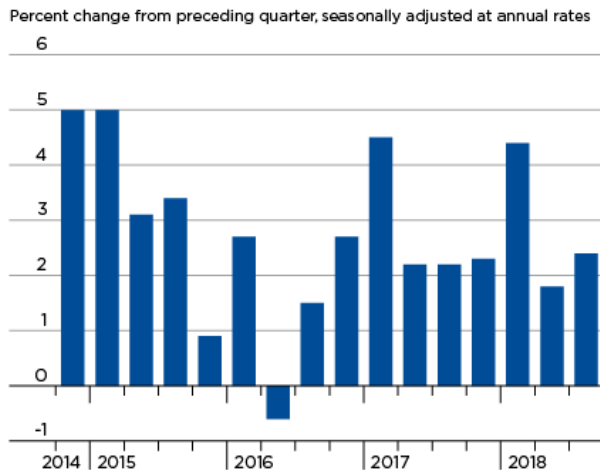
Line		Level		Change from preceding period			
		2018		2017	2018		
		II	III	IV	I	II	III
1	Personal income	17,466.7	17,641.7	208.0	216.1	147.6	174.9
2	Compensation of employees	10,782.9	10,892.6	97.4	141.5	72.8	109.7
3	Wages and salaries	8,770.8	8,865.1	81.5	122.5	60.2	94.3
4	Private industries	7,399.6	7,479.5	74.1	117.1	52.0	80.0
5	Goods-producing industries	1,449.2	1,456.5	9.6	41.9	-3.1	7.3
6	Manufacturing	870.9	871.8	4.7	22.1	-7.1	0.9
7	Services-producing industries	5,950.4	6,023.1	64.5	75.1	55.1	72.7
8	Trade, transportation, and utilities	1,351.5	1,363.5	4.8	18.8	6.8	12.0
9	Other services-producing industries	4,598.9	4,659.6	59.7	56.3	48.3	60.7
10	Government	1,371.2	1,385.5	7.4	5.5	8.1	14.3
11	Supplements to wages and salaries	2,012.0	2,027.5	15.9	19.0	12.6	15.5
12	Proprietors' income with IVA and CCAAdj	1,568.5	1,582.5	18.6	23.8	18.6	14.0
13	Farm	37.0	30.7	-0.9	-0.2	1.8	-6.3
14	Nonfarm	1,531.5	1,551.8	19.5	24.0	16.8	20.3
15	Rental income of persons with CCAAdj	754.2	767.0	13.3	4.0	5.0	12.8
16	Personal income receipts on assets	2,747.8	2,769.3	77.7	26.6	28.3	21.6
17	Personal interest income	1,606.5	1,614.1	77.1	20.4	8.9	7.5
18	Personal dividend income	1,141.2	1,155.3	0.6	6.2	19.3	14.0
19	Personal current transfer receipts	2,965.8	2,995.4	12.3	46.4	31.9	29.6
20	Government social benefits to persons	2,905.4	2,933.8	11.0	44.3	29.7	28.4
21	Social security	969.1	977.3	5.7	25.3	8.2	8.2
22	Medicare	724.5	739.9	7.1	7.1	10.8	15.4
23	Medicaid	602.6	606.2	-0.4	7.1	12.3	3.6
24	Unemployment insurance	25.5	24.7	-0.8	-0.5	-2.0	-0.8
25	Veterans' benefits	107.9	111.0	2.2	3.6	2.4	3.1
26	Other	475.8	474.7	-2.8	1.7	-2.0	-1.1
27	Other current transfer receipts, from business (net)	60.4	61.6	1.3	2.1	2.2	1.2
28	Less: Contributions for government social insurance	1,352.4	1,365.2	11.3	26.2	8.9	12.7
29	Less: Personal current taxes	2,035.3	2,062.5	22.4	-40.9	5.3	27.2
30	<i>Equals:</i> Disposable personal income (DPI)	15,431.4	15,579.2	185.6	257.0	142.3	147.7
31	Less: Personal outlays	14,403.8	14,598.3	230.0	111.5	208.9	194.6
32	<i>Equals:</i> Personal saving	1,027.7	980.9	-44.5	145.5	-66.7	-46.8
33	Personal saving as a percentage of DPI	6.7	6.3	.....	.....	.....	.....
Addenda:							
Percent change at annual rate							
34	Current-dollar DPI	.....	.....	5.1	7.0	3.8	3.9
35	Real DPI, chained (2012) dollars	.....	.....	2.3	4.4	1.8	2.4

CCAAdj Capital consumption adjustment

IVA Inventory valuation adjustment

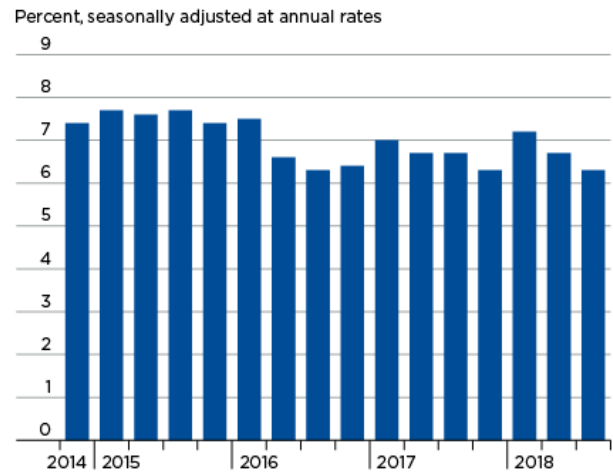
Note. Dollar levels and percent changes are from NIPA tables 2.1 and 2.2B.

Chart 4. Real Disposable Personal Income



U.S. Bureau of Economic Analysis

Chart 5. Personal Saving Rate



Note. The personal saving rate is personal saving as a percentage of disposable personal income.
U.S. Bureau of Economic Analysis

Revisions

The third-quarter percent change in real GDP was unrevised from the advance estimate (table 4, line 1), reflecting upward revisions to nonresidential fixed investment (line 9) and to inventory investment (line 14) that were offset by downward revisions to consumer spending (line 2) and to state and local government spending (line 26).

The upward revision to nonresidential fixed investment reflected upward revisions to structures and equipment that were partly offset by a downward revision to intellectual property products.

Within private inventory investment, the upward revision was widespread. The largest contributor was an upward revision to mining, utilities, and construction inventories, based on revised July and August and newly available September data from the Census Bureau Value of Construction Put in Place Survey and preliminary data from the Census Bureau Quarterly Financial Report on mining industry inventories.

The downward revision to consumer spending reflected downward revisions to motor vehicles and parts, to household utilities, and to recreational goods and vehicles.

Table 4. Advance and Second Estimates for the Third Quarter of 2018
[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)¹	3.5	3.5	0.0	3.5	3.5	0.0
2	Personal consumption expenditures	4.0	3.6	-0.4	2.69	2.45	-0.24
3	Goods	5.8	4.8	-1.0	1.20	1.00	-0.20
4	Durable goods	6.9	3.9	-3.0	0.48	0.28	-0.20
5	Nondurable goods	5.2	5.3	0.1	0.72	0.73	0.01
6	Services	3.2	3.1	-0.1	1.49	1.45	-0.04
7	Gross private domestic investment	12.0	15.1	3.1	2.03	2.52	0.49
8	Fixed investment	-0.3	1.4	1.7	-0.04	0.25	0.29
9	Nonresidential	0.8	2.5	1.7	0.12	0.35	0.23
10	Structures	-7.9	-1.7	6.2	-0.26	-0.05	0.21
11	Equipment	0.4	3.5	3.1	0.03	0.21	0.18
12	Intellectual property products	7.9	4.3	-3.6	0.35	0.19	-0.16
13	Residential	-4.0	-2.6	1.4	-0.16	-0.10	0.06
14	Change in private inventories	.....	.....	.....	2.07	2.27	0.20
15	Net exports of goods and services	.....	.....	.....	-1.78	-1.91	-0.13
16	Exports	-3.5	-4.4	-0.9	-0.45	-0.55	-0.10
17	Goods	-7.0	-8.1	-1.1	-0.59	-0.69	-0.10
18	Services	3.5	3.4	-0.1	0.15	0.14	-0.01
19	Imports	9.1	9.2	0.1	-1.34	-1.36	-0.02
20	Goods	10.3	10.3	0.0	-1.23	-1.23	0.00
21	Services	3.8	4.6	0.8	-0.11	-0.13	-0.02
22	Government consumption expenditures and gross investment	3.3	2.6	-0.7	0.56	0.44	-0.12
23	Federal	3.3	3.5	0.2	0.21	0.23	0.02
24	National defense	4.6	4.9	0.3	0.17	0.18	0.01
25	Nondefense	1.5	1.5	0.0	0.04	0.04	0.00
26	State and local	3.2	2.0	-1.2	0.35	0.22	-0.13
Addenda:							
27	Final sales of domestic product	1.4	1.2	-0.2	1.43	1.23	-0.20
28	Gross domestic purchases price index	1.7	1.7	0.0	.....	.....	.....
29	GDP price index	1.7	1.7	0.0	.....	.....	.....

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 IVA and the CCAdj) increased \$76.0 billion, or 3.4 percent at a quarterly rate, in the third quarter after increasing \$65.0 billion, or 3.0 percent, in the second quarter (table 5, line 1). In the third quarter, profits of domestic financial corporations decreased \$7.8 billion (line 4), profits of domestic nonfinancial corporations increased \$66.2 billion (line 5), and rest-of-the-world profits increased \$17.6 billion (line 6).

Profits after tax (without IVA and CCAdj) increased \$13.3 billion in the third quarter after increasing \$63.4 billion in the second quarter (line 20).

Table 5. Corporate Profits

[Seasonally adjusted]

Line		Billions of dollars (annual rate)					Percent change from preceding quarter (quarterly rate)				
		Level	Change from preceding quarter								
		2018	2017	2018			2017	2018			
		III	IV	I	II	III	IV	I	II	III	
1	Current production measures:										
2	Corporate profits with IVA and CCAAdj	2,318.4	49.5	26.7	65.0	76.0	2.4	1.2	3.0	3.4	
3	Domestic industries	1,818.6	26.4	23.0	69.5	58.4	1.6	1.4	4.1	3.3	
4	Financial	449.9	-8.4	-9.3	16.5	-7.8	-1.8	-2.1	3.7	-1.7	
5	Nonfinancial	1,368.7	34.8	32.3	53.0	66.2	2.9	2.7	4.2	5.1	
6	Rest of the world	499.7	23.1	3.7	-4.5	17.6	5.0	0.8	-0.9	3.7	
7	Receipts from the rest of the world	812.4	39.3	20.9	0.5	-7.7	5.2	2.6	0.1	-0.9	
8	Less: Payments to the rest of the world	312.7	16.2	17.2	5.0	-25.3	5.4	5.4	1.5	-7.5	
9	Less: Taxes on corporate income	244.9	-31.4	-121.8	22.8	10.1	-8.6	-36.5	10.7	4.3	
10	Equals: Profits after tax	2,073.5	80.9	148.4	42.2	66.0	4.7	8.2	2.1	3.3	
11	Net dividends	1,250.3	-20.7	18.4	9.8	27.2	-1.7	1.5	0.8	2.2	
12	Undistributed profits from current production	823.2	101.6	130.0	32.4	38.7	19.5	20.9	4.3	4.9	
13	Net cash flow	2,610.9	-737.5	1150.1	59.4	52.8	-35.4	85.3	2.4	2.1	
	Industry profits:										
14	Profits with IVA	2,187.2	-189.6	26.6	70.4	79.9	-8.6	1.3	3.5	3.8	
15	Domestic industries	1,687.5	-212.7	23.0	74.9	62.3	-12.2	1.5	4.8	3.8	
16	Financial	454.6	-35.3	-9.2	17.1	-7.0	-7.2	-2.0	3.8	-1.5	
17	Nonfinancial	1,232.9	-177.4	32.2	57.8	69.3	-14.2	3.0	5.2	6.0	
18	Rest of the world	499.7	23.1	3.7	-4.5	17.6	5.0	0.8	-0.9	3.7	
	Addenda:										
19	Profits before tax (without IVA and CCAAdj)	2,220.5	-146.0	26.4	86.1	23.4	-6.5	1.3	4.1	1.1	
20	Profits after tax (without IVA and CCAAdj)	1,975.7	-114.7	148.1	63.4	13.3	-6.1	8.5	3.3	0.7	
21	IVA	-33.3	-43.6	0.2	-15.7	56.6	.....	.....	.....	.....
22	CCAAdj	131.1	239.1	0.1	-5.4	-3.9	.....	.....	.....	.....

CCAAdj 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](#)” 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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