

GDP and the Economy

Second Estimates for the Third Quarter of 2016

REAL GROSS domestic product (GDP) increased 3.2 percent at an annual rate in the third quarter of 2016, according to the second estimates of the national income and product accounts (NIPAs) (chart 1 and table 1).¹ The second estimate of real GDP growth for the third quarter was revised up 0.3 percentage point from the advance estimate of 2.9 percent. The general picture of economic growth remains the same; the increase in consumer spending was larger than previously estimated.

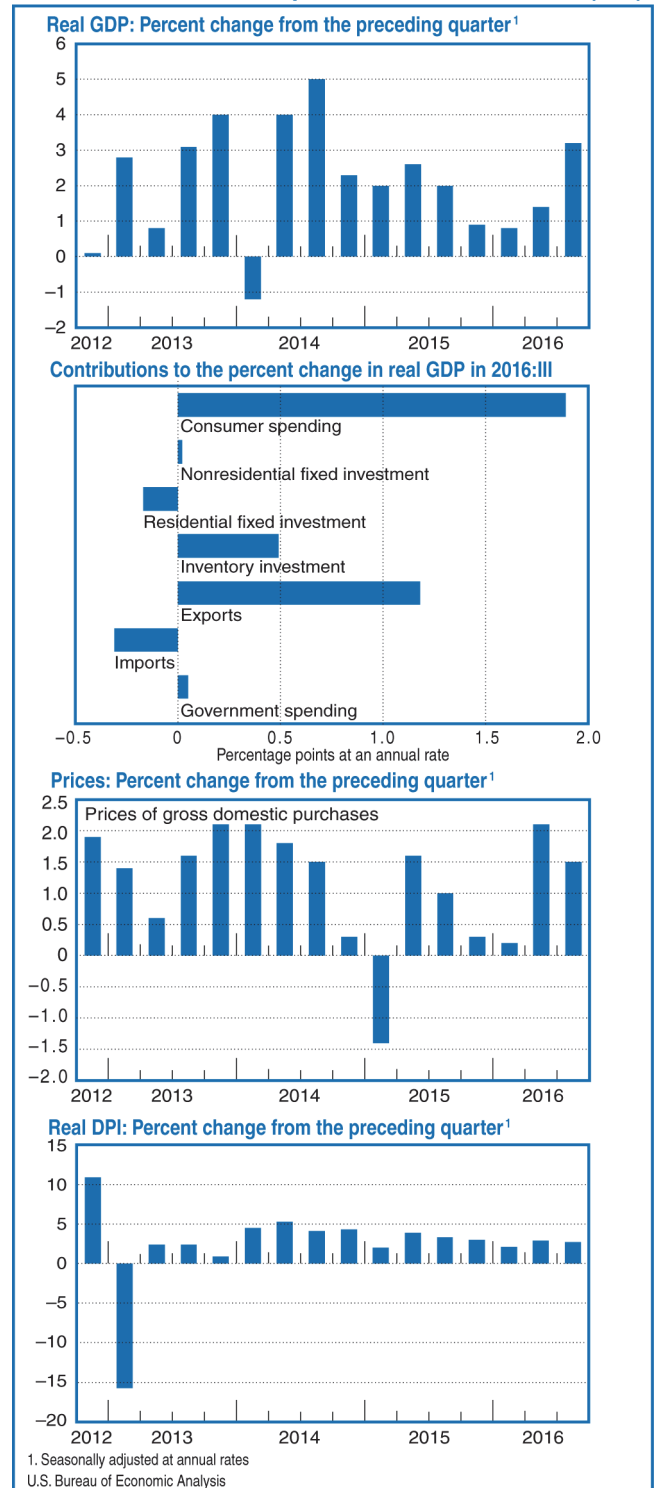
The third-quarter increase in real GDP primarily reflected positive contributions from consumer spending, exports, inventory investment, and federal government spending that were partly offset by negative contributions from residential fixed investment and state and local government spending. Imports,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

- Prices of goods and services purchased by U.S. residents increased 1.5 percent in the third quarter after increasing 2.1 percent in the second quarter. Energy prices slowed, while food prices decreased more than in the third quarter than in the second quarter. Excluding food and energy, prices increased 1.7 percent in the third quarter after increasing 2.0 percent in the second quarter (see table 7).
- Real disposable personal income (DPI) increased 2.7 percent in the third quarter after increasing 2.9 percent in the second quarter (revised). Current-dollar DPI increased 4.2 percent after increasing 5.0 percent (revised). (See the box “Revised Second-Quarter 2016 Income Estimates.”) The differences in the movements in real DPI and current-dollar DPI reflected a slowdown in the implicit price deflator for consumer spending, which is used to deflate DPI.
- Profits from current production (corporate profits with inventory valuation adjustment and capital consumption adjustment) increased \$133.8 billion in the third quarter; in the second quarter, profits decreased \$12.5 billion.

1. “Real” estimates are in chained (2009) 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 August 2014 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.”

Chart 1. GDP, Prices, Disposable Personal Income (DPI)



Lisa S. Mataloni prepared this article.

Real GDP Overview

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

[Seasonally adjusted at annual rates]

	Share of current-dollar GDP (percent)		Change from preceding period (percent)					Contribution to percent change in real GDP (percentage points)				
	2016		2015		2016			2015		2016		
	III	IV	I	II	III	IV	I	II	III			
Gross domestic product¹.....	100.0	0.9	0.8	1.4	3.2	0.9	0.8	1.4	3.2			
Personal consumption expenditures.....	68.7	2.3	1.6	4.3	2.8	1.53	1.11	2.88	1.89			
Goods.....	22.0	2.1	1.2	7.1	3.4	0.47	0.25	1.51	0.74			
Durable goods.....	7.6	4.0	-0.6	9.8	11.6	0.30	-0.05	0.70	0.83			
Nondurable goods.....	14.5	1.2	2.1	5.7	-0.6	0.17	0.30	0.80	-0.09			
Services.....	46.7	2.3	1.9	3.0	2.5	1.07	0.86	1.37	1.15			
Gross private domestic investment.....	16.1	-2.3	-3.3	-7.9	2.1	-0.39	-0.56	-1.34	0.34			
Fixed investment.....	16.1	-0.2	-0.9	-1.1	-0.9	-0.03	-0.15	-0.18	-0.15			
Nonresidential.....	12.4	-3.3	-3.4	1.0	0.1	-0.43	-0.44	0.12	0.02			
Structures.....	2.7	-15.2	0.1	-2.1	10.1	-0.45	0.00	-0.06	0.26			
Equipment.....	5.6	-2.6	-9.5	-2.9	-4.8	-0.16	-0.59	-0.17	-0.28			
Intellectual property products.....	4.1	4.6	3.7	9.0	1.0	0.18	0.15	0.35	0.04			
Residential.....	3.7	11.5	7.8	-7.7	-4.4	0.40	0.29	-0.31	-0.17			
Change in private inventories.....	0.0	.....	.....	.....	.....	-0.36	-0.41	-1.16	0.49
Net exports of goods and services.....	-2.5	.....	.....	.....	.....	-0.45	0.01	0.18	0.87
Exports.....	12.2	-2.7	-0.7	1.8	10.1	-0.34	-0.09	0.21	1.18			
Goods.....	8.0	-4.6	0.1	1.7	14.2	-0.38	0.01	0.13	1.06			
Services.....	4.2	1.0	-2.2	1.9	2.9	0.04	-0.09	0.08	0.12			
Imports.....	14.7	0.7	-0.6	0.2	2.1	-0.11	0.09	-0.03	-0.31			
Goods.....	11.9	0.7	-1.3	0.0	0.7	-0.09	0.16	0.00	-0.08			
Services.....	2.7	0.7	2.5	1.1	8.6	-0.02	-0.07	-0.03	-0.23			
Government consumption expenditures and gross investment.....	17.6	1.0	1.6	-1.7	0.2	0.18	0.28	-0.30	0.05			
Federal.....	6.7	3.8	-1.5	-0.4	2.5	0.25	-0.10	-0.02	0.16			
National defense.....	3.9	4.4	-3.2	-3.2	2.1	0.17	-0.13	-0.13	0.08			
Nondefense.....	2.8	2.8	0.9	3.8	3.0	0.08	0.03	0.10	0.08			
State and local.....	10.9	-0.6	3.5	-2.5	-1.1	-0.07	0.39	-0.28	-0.12			
Addenda:												
Gross domestic income (GDI) ².....	.....	1.5	0.8	0.7	5.2	.....	.....	.....	.....
Average of GDP and GDI.....	.....	1.2	0.8	1.1	4.2	.....	.....	.....	.....
Final sales of domestic product.....	100.0	1.2	1.2	2.6	2.7	1.24	1.24	2.57	2.67			
Goods.....	29.7	-0.8	-1.4	2.2	7.1	-0.24	-0.42	0.66	2.05			
Services.....	62.5	2.1	1.1	2.4	2.1	1.26	0.68	1.48	1.30			
Structures.....	7.9	-1.9	7.4	-8.7	-2.5	-0.15	0.57	-0.73	-0.20			
Motor vehicle output.....	2.9	-15.2	2.2	7.5	1.1	-0.49	0.06	0.21	0.03			
GDP excluding motor vehicle output.....	97.1	1.4	0.8	1.2	3.2	1.37	0.77	1.20	3.13			
Final sales of computers.....	0.4	2.9	54.3	17.8	-7.8	0.01	0.18	0.07	-0.03			
GDP excluding final sales of computers.....	99.6	0.9	0.7	1.3	3.2	0.86	0.65	1.34	3.19			
Research and development (R&D).....	2.6	4.7	0.6	11.8	-2.9	0.12	0.01	0.29	-0.08			
GDP excluding R&D.....	97.4	0.8	0.8	1.2	3.3	0.76	0.82	1.12	3.23			

1. The estimates of GDP 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 revised 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 they are calculated from NIPA table 1.2.5.

Real GDP picked up in the third quarter. The pickup primarily reflected an upturn in inventory investment, a pickup in exports, an upturn in federal government spending, and smaller decreases in state and local government spending and in residential fixed investment. These changes were partly offset by a slowdown in consumer spending, a pickup in imports, and a slowdown in nonresidential fixed investment.

The slowdown in consumer spending reflected slowdowns in spending for both goods and services.

The slowdown in nonresidential fixed investment reflected a slowdown in investment in intellectual property products and a larger decrease in equipment that were partly offset by an upturn in structures.

The smaller decrease in residential fixed investment primarily reflected a smaller decrease in investment in structures.

The upturn in inventory investment primarily reflected an upturn in nonfarm industries.

The pickup in exports primarily reflected a pickup in goods exports. Services exports also picked up.

The pickup in imports primarily reflected a pickup in services imports. Goods imports also picked up slightly.

The upturn in federal government spending reflected an upturn in national defense spending that was partly offset by a slowdown in nondefense spending.

The smaller decrease in state and local government spending reflected a smaller decrease in investment spending and a pickup in consumption expenditures.

Real gross domestic income (GDI), which measures the value of the costs incurred and the incomes earned in the production of goods and services in the nation's economy, increased 5.2 percent in the third quarter after increasing 0.7 percent (revised) in the second quarter. (See the box "Revised Second-Quarter 2016 Income Estimates.")

The average of real GDP and real GDI, a supplemental measure of U.S. economic activity that equally weights GDP and GDI, increased 4.2 percent after increasing 1.1 percent (revised).

Consumer Spending

Table 2. Real Personal Consumption Expenditures (PCE)

[Seasonally adjusted at annual rates]

	Share of current-dollar PCE (percent)		Change from preceding period (percent)					Contribution to percent change in real PCE (percentage points)		
	2016	2015	2016			2015	2016			
	III	IV	I	II	III	IV	I	II	III	
PCE ¹	100.0	2.3	1.6	4.3	2.8	2.3	1.6	4.3	2.8	
Goods	32.1	2.1	1.2	7.1	3.4	0.69	0.37	2.23	1.09	
Durable goods	11.0	4.0	-0.6	9.8	11.6	0.44	-0.07	1.04	1.21	
Motor vehicles and parts....	3.8	-1.7	-8.5	9.0	20.1	-0.06	-0.33	0.32	0.68	
Furnishings and durable household equipment....	3.1	6.1	4.9	9.2	5.7	0.15	0.12	0.22	0.14	
Recreational goods and vehicles.....	3.1	7.7	6.8	14.5	9.5	0.23	0.20	0.42	0.28	
Other durable goods.....	1.7	7.4	-3.6	4.2	6.5	0.12	-0.06	0.07	0.11	
Nondurable goods	21.0	1.2	2.1	5.7	-0.6	0.25	0.44	1.19	-0.13	
Food and beverages purchased for off-premises consumption....	7.1	-0.2	3.2	7.5	2.2	-0.01	0.23	0.53	0.16	
Clothing and footwear.....	3.0	0.7	-0.7	4.8	-0.7	0.02	-0.02	0.15	-0.02	
Gasoline and other energy goods.....	2.1	-1.0	5.8	-0.3	-3.3	-0.02	0.12	-0.01	-0.07	
Other nondurable goods.....	8.8	3.1	1.3	6.0	-2.2	0.27	0.11	0.52	-0.19	
Services	67.9	2.3	1.9	3.0	2.5	1.58	1.26	2.05	1.68	
Household consumption expenditures.....	65.2	2.1	1.9	3.3	2.4	1.37	1.25	2.16	1.56	
Housing and utilities.....	18.4	-1.8	0.7	4.4	3.0	-0.33	0.13	0.80	0.54	
Health care.....	17.2	3.7	5.6	7.3	2.3	0.61	0.93	1.23	0.40	
Transportation services.....	2.9	5.4	-1.3	-1.6	1.7	0.16	-0.04	-0.05	0.05	
Recreation services.....	3.8	9.9	-0.6	-6.5	3.2	0.36	-0.02	-0.25	0.12	
Food services and accommodations.....	6.7	3.8	2.5	2.7	2.1	0.25	0.16	0.18	0.14	
Financial services and insurance.....	7.5	2.1	-2.3	-0.5	1.5	0.16	-0.18	-0.03	0.12	
Other services.....	8.8	1.7	3.0	3.2	2.1	0.15	0.26	0.28	0.19	
Final consumption expenditures of NPISHs ²	2.7	8.2	0.3	-4.3	4.3	0.22	0.01	-0.12	0.12	
Gross output of NPISHs ³	11.1	3.4	3.8	5.5	3.2	0.36	0.41	0.60	0.35	
Less: Receipts from sales of goods and services by NPISHs ⁴	8.3	1.8	5.0	8.9	2.8	0.15	0.40	0.71	0.23	

NPISHs Nonprofit institutions serving households
 1. The estimates under the contribution columns are also percent changes.
 2. Gross operating expenses less primary sales to households.
 3. Net of unrelated sales, secondary sales, and sales to business, to government, and to the rest of the world; excludes own-account investment (construction and software).
 4. Excludes unrelated sales, secondary sales, and sales to business, to government, and to the rest of the world; includes membership dues and fees.
 NOTE. Percent changes are from NIPA table 2.3.1, contributions are from NIPA table 2.3.2, and shares are calculated from NIPA table 2.3.5.

The slowdown in consumer spending in the third quarter reflected slowdowns in spending for goods and for services.

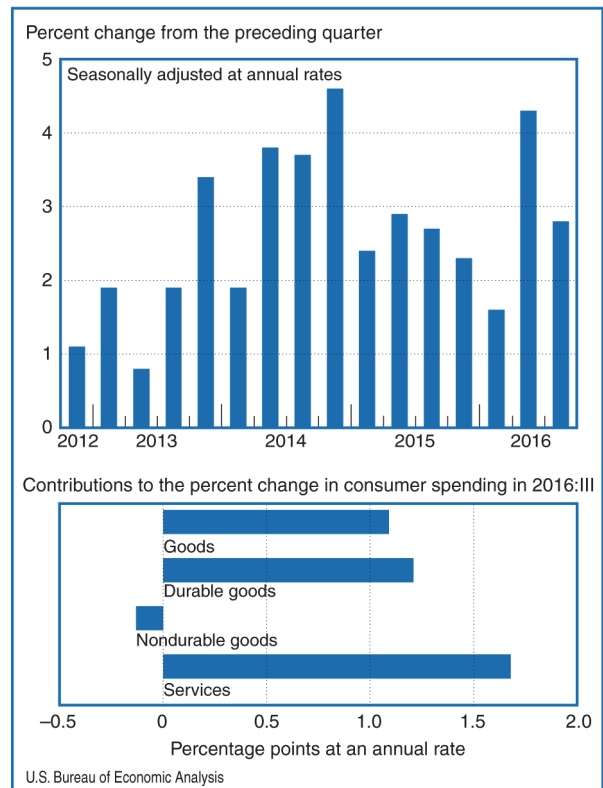
The slowdown in spending for goods reflected a downturn in spending for nondurable goods that was partly offset by a pickup in spending for durable goods.

The pickup in spending for durable goods primarily reflected a pickup in spending for motor vehicles and parts (mainly new motor vehicles).

The downturn in spending for nondurable goods primarily reflected a downturn in spending for "other" nondurable goods (mainly pharmaceuticals, household supplies, and tobacco).

The slowdown in spending for services primarily reflected slowdowns in spending for health care and for housing and utilities (specifically electricity and gas) that were partly offset by an upturn in recreation services.

Chart 2. Real Personal Consumption Expenditures



Private Fixed Investment

Table 3. Real Private Fixed Investment (PFI)

[Seasonally adjusted at annual rates]

	Share of current-dollar PFI (percent)		Change from preceding period (percent)			Contribution to percent change in real PFI (percentage points)			
	2016	2015	2016			2015	2016		
	III	IV	I	II	III	IV	I	II	III
Private fixed investment ¹	100.0	-0.2	-0.9	-1.1	-0.9	-0.2	-0.9	-1.1	-0.9
Nonresidential	76.7	-3.3	-3.4	1.0	0.1	-2.62	-2.68	0.75	0.11
Structures	16.6	-15.2	0.1	-2.1	10.1	-2.72	0.02	-0.34	1.57
Commercial and health care	5.7	5.8	22.6	12.6	25.6	0.28	1.04	0.63	1.27
Manufacturing	2.5	-17.2	-10.7	-8.5	23.6	-0.49	-0.28	-0.21	0.52
Power and communication	3.6	-4.8	0.6	6.8	-1.6	-0.17	0.02	0.23	-0.06
Mining exploration, shafts, and wells	1.5	-53.6	-32.7	-57.4	-30.1	-2.03	-0.88	-1.60	-0.57
Other structures ²	3.3	-10.2	4.2	22.1	13.9	-0.32	0.12	0.61	0.42
Equipment	34.9	-2.6	-9.5	-2.9	-4.8	-0.97	-3.59	-1.06	-1.71
Information processing equipment	10.7	1.2	-3.0	-4.9	8.8	0.13	-0.32	-0.53	0.90
Computers and peripheral equipment	2.6	-26.0	4.6	11.7	-3.9	-0.79	0.11	0.28	-0.10
Other ³	8.2	12.0	-5.2	-9.6	13.2	0.92	-0.44	-0.81	1.00
Industrial equipment	7.5	10.4	-3.8	9.4	-2.9	0.73	-0.29	0.68	-0.22
Transportation equipment	9.5	-6.2	-12.8	-5.4	-17.6	-0.68	-1.40	-0.55	-1.87
Other equipment ⁴	7.1	-13.6	-18.8	-8.5	-6.9	-1.16	-1.59	-0.65	-0.51
Intellectual property products	25.3	4.6	3.7	9.0	1.0	1.08	0.90	2.14	0.25
Software ⁵	11.4	3.3	7.5	4.5	7.6	0.36	0.81	0.50	0.83
Research and development ⁶	11.2	6.3	1.2	17.0	-5.4	0.65	0.13	1.73	-0.62
Entertainment, literary, and artistic originals ..	2.7	2.8	-1.3	-3.0	1.5	0.07	-0.04	-0.08	0.04
Residential	23.3	11.5	7.8	-7.7	-4.4	2.44	1.74	-1.88	-1.04
Structures	22.9	11.6	7.8	-7.9	-4.5	2.43	1.71	-1.89	-1.06
Permanent site	9.9	15.3	-1.2	-13.5	-8.7	1.42	-0.12	-1.48	-0.91
Single family	7.9	13.9	-5.6	-17.1	-11.9	1.07	-0.48	-1.53	-1.01
Multifamily	2.0	21.5	20.1	2.7	5.1	0.36	0.35	0.05	0.10
Other structures ⁷	13.0	8.6	15.7	-3.2	-1.1	1.00	1.83	-0.41	-0.14
Equipment	0.3	4.9	9.6	3.6	6.7	0.02	0.03	0.01	0.02

1. The estimates under the contribution columns are also percent changes.
 2. Consists primarily of religious, educational, vocational, lodging, railroads, farm, and amusement and recreational structures, net purchases of used structures, and brokers' commissions on the sale of structures.
 3. Includes communication equipment, nonmedical instruments, medical equipment and instruments, photocopy and related equipment, and office and accounting equipment.
 4. Consists primarily of furniture and fixtures, agricultural machinery, construction machinery, mining and oilfield machinery, service industry machinery, and electrical equipment not elsewhere classified.
 5. Excludes software "embedded," or bundled, in computers and other equipment.
 6. Excludes expenditures for software development, which are included in expenditures for software investment.
 7. Consists primarily of manufactured homes, improvements, dormitories, net purchases of used structures, and brokers' commissions and other ownership transfer costs.
 NOTE: Percent changes are from NIPA table 5.3.1, contributions are from NIPA table 5.3.2, and shares are calculated from NIPA table 5.3.5.

Private fixed investment decreased less in the third quarter than in the second quarter, reflecting a smaller decrease in residential fixed investment that was partly offset by a slowdown in nonresidential fixed investment.

The slowdown in nonresidential fixed investment reflected a slowdown in intellectual property products and a larger decrease in equipment that were partly offset by an upturn in structures.

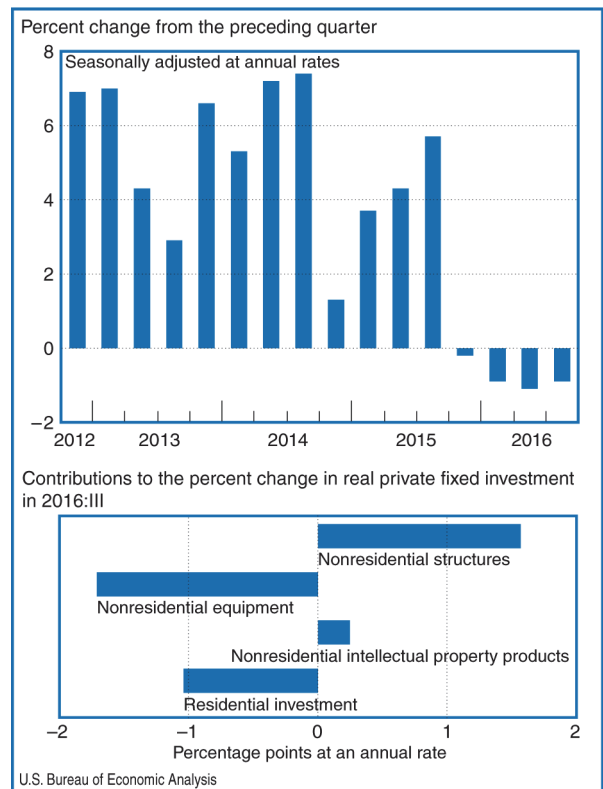
The upturn in structures reflected a smaller decrease in mining exploration, shafts, and wells (the seventh consecutive quarterly decrease), an upturn in manufacturing structures, and a pickup in commercial and health care structures that were partly offset by a downturn in power and communication structures and a slowdown in "other" structures.

The larger decrease in equipment primarily reflected a larger decrease in transportation equipment and a downturn in industrial equipment that were partly offset by an upturn in information processing equipment.

The slowdown in intellectual property products was more than accounted for by a downturn in research and development.

The smaller decrease in residential fixed investment primarily reflected a smaller decrease in single family structures.

Chart 3. Real Private Fixed Investment



Inventory Investment

Table 4. Change in Real Private Inventories by Industry
 [Billions of chained (2009) dollars; seasonally adjusted at annual rates]

	Level					Change from preceding quarter				
	2015		2016			2015		2016		
	III	IV	I	II	III	IV	I	II	III	
Change in private inventories¹	70.9	56.9	40.7	-9.5	7.6	-14.0	-16.2	-50.2	17.0	
Farm.....	-1.1	-4.1	-5.1	-2.6	-1.6	-3.0	-1.0	2.5	1.1	
Mining, utilities, and construction...	-1.2	9.9	-6.5	-9.9	-12.2	11.1	-16.4	-3.4	-2.2	
Manufacturing.....	2.2	14.3	4.0	-19.5	-0.6	12.1	-10.4	-23.5	19.0	
Durable-goods industries.....	-6.2	5.9	-0.6	-18.0	0.1	12.0	-6.4	-17.4	18.1	
Nondurable-goods industries.....	7.9	8.4	4.5	-1.6	-0.6	0.5	-3.9	-6.1	1.0	
Wholesale trade.....	26.8	17.0	12.5	-3.7	3.2	-9.7	-4.6	-16.2	6.8	
Durable-goods industries.....	3.8	9.0	-10.5	-5.5	-3.6	5.2	-19.5	5.1	1.9	
Nondurable-goods industries.....	22.1	8.1	22.0	1.6	6.4	-14.0	13.9	-20.4	4.9	
Retail trade.....	36.9	13.1	35.3	14.6	13.5	-23.8	22.1	-20.7	-1.1	
Motor vehicle and parts dealers	17.9	1.0	23.6	13.9	14.8	-16.9	22.6	-9.7	0.9	
Food and beverage stores.....	1.2	-0.1	0.4	2.3	1.1	-1.3	0.5	1.9	-1.2	
General merchandise stores.....	0.8	-0.9	0.6	-1.9	-3.7	-1.7	1.5	-2.5	-1.9	
Other retail stores.....	17.2	13.3	11.0	0.3	1.5	-3.9	-2.2	-10.7	1.2	
Other industries.....	8.0	8.9	0.0	10.1	4.1	0.9	-9.0	10.1	-6.0	
Residual ²	0.4	-2.4	1.3	1.9	1.3	-2.8	3.7	0.6	-0.6	
Addenda: Ratios of private inventories to final sales of domestic business:³										
Private inventories to final sales.....	2.35	2.36	2.36	2.34	2.33	.....	.....	.....	.....
Nonfarm inventories to final sales.....	2.20	2.21	2.21	2.19	2.18	.....	.....	.....	.....
Nonfarm inventories to final sales of goods and structures.....	3.88	3.91	3.92	3.89	3.86	.....	.....	.....	.....

1. The levels are from NIPA table 5.7.6B.
 2. The residual is the difference between the first line and the sum of the most detailed lines.
 3. The ratios are from NIPA table 5.8.6B.
 NOTE: The chained-dollar series are calculated as the period-to-period change in end-of-period inventories. Quarterly changes are stated at annual rates. Because the formula for the chain-type quantity indexes uses weights of more than one period, chained-dollar estimates are usually not additive.

Real inventory investment increased \$17.0 billion in the third quarter after decreasing \$50.2 billion in the second quarter. The upturn primarily reflected upturns in manufacturing industries and in wholesale trade industries and a smaller decrease in retail trade industries that were partly offset by a downturn in “other” industries.

The upturn in manufacturing industries reflected upturns in both durable-goods industries (notably transportation equipment manufacturing) and in nondurable-goods industries.

The upturn in wholesale trade industries reflected an upturn in nondurable-goods industries that was partly offset by a slowdown in durable-goods industries.

The smaller decrease in retail trade industries primarily reflected upturns in “other” retail industries and in motor vehicle and parts dealers.

The downturn in “other” industries primarily reflected a downturn in business related services.

Inventory Investment

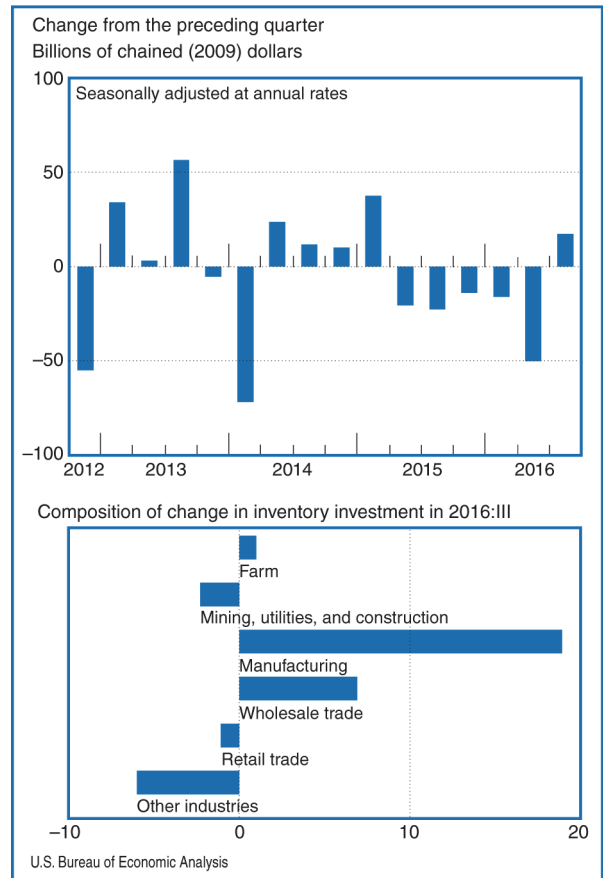
The change in real private inventories, often called real private inventory investment, represents the change in the physical stock of goods held by businesses. It includes finished goods, goods at various stages of production, and raw materials.

The change in private inventories is a key component of gross domestic product (GDP), which measures output derived from current production. To include the value of currently produced goods that are not yet sold and to exclude the value of goods produced in previous periods, the change in private inventories must be included in the GDP calculation.

Thus, GDP can also be seen as the sum of final sales of domestic product and the change in private inventories (table 2).

For most industries, the estimates of change in private inventories are prepared by revaluing book-value estimates of inventories from the Census Bureau to a replacement-cost basis and calculating the change over a quarter or a year. BEA provides estimates for incomplete industry data.

Chart 4. Real Private Inventory Investment



Exports and Imports

Table 5. Real Exports and Imports of Goods and Services

[Seasonally adjusted at annual rates]

	Share of current-dollar exports and imports (percent)	Change from preceding period (percent)					Contribution to percent change in real exports and imports (percentage points)						
		2015		2016			2015		2016				
		III	IV	I	II	III	IV	I	II	III			
Exports of goods and services¹	100.0	-2.7	-0.7	1.8	10.1	-2.7	-0.7	1.8	10.1				
Exports of goods²	65.6	-4.6	0.1	1.7	14.2	-3.08	0.06	1.10	9.08				
Foods, feeds, and beverages.....	7.3	-15.5	-10.3	21.1	216.7	-0.93	-0.58	1.05	7.64				
Industrial supplies and materials.....	17.4	-7.3	16.5	0.6	2.4	-1.34	2.62	0.11	0.50				
Capital goods, except automotive.....	22.6	-2.7	-8.4	-0.9	-0.4	-0.65	-2.10	-0.21	-0.05				
Automotive vehicles, engines, and parts.....	6.7	-8.7	-0.1	2.5	2.9	-0.62	-0.01	0.17	0.21				
Consumer goods, except food and automotive.....	8.6	3.3	-0.2	-8.1	12.0	0.29	-0.02	-0.74	1.01				
Other.....	3.1	5.6	4.9	25.9	-7.2	0.16	0.14	0.71	-0.23				
Exports of services²	34.4	1.0	-2.2	1.9	2.9	0.35	-0.79	0.68	1.06				
Imports of goods and services¹	100.0	0.7	-0.6	0.2	2.1	0.7	-0.6	0.2	2.1				
Imports of goods²	81.3	0.7	-1.3	0.0	0.7	0.59	-1.08	0.03	0.59				
Foods, feeds, and beverages.....	4.8	1.9	18.5	-6.9	-14.6	0.09	0.81	-0.35	-0.76				
Industrial supplies and materials.....	16.5	-2.3	6.3	6.2	7.9	-0.40	0.95	0.93	1.24				
Capital goods, except automotive.....	21.7	0.5	-8.9	11.4	0.5	0.10	-2.02	2.36	0.11				
Automotive vehicles, engines, and parts.....	12.7	2.2	0.5	-10.0	4.4	0.29	0.07	-1.37	0.56				
Consumer goods, except food and automotive.....	21.1	-1.6	-5.5	-5.1	-1.4	-0.34	-1.22	-1.13	-0.30				
Other.....	4.5	21.4	7.8	-8.5	-5.4	0.86	0.35	-0.41	-0.25				
Imports of services²	18.7	0.7	2.5	1.1	8.6	0.13	0.46	0.20	1.55				
Addenda:													
Exports of agricultural goods ³	7.8	-2.8	1.0	0.0	1.0	.....	.....	.....	.....
Exports of nonagricultural goods.....	57.8	0.9	-2.4	-0.3	-0.3	.....	.....	.....	.....
Imports of nonpetroleum goods.....	75.1	0.0	0.0	0.0	0.0	.....	.....	.....	.....

Exports picked up in the third quarter, reflecting pick-ups in exports of both goods and services.

The pickup in goods exports primarily reflected a pickup in exports of foods, feeds, and beverages (which primarily reflected an upturn in exports of soybeans) and an upturn in nonfood, nonautomotive consumer goods (mainly reflecting an upturn in durable-goods exports).

The pickup in exports of services primarily reflected an upturn in travel services.

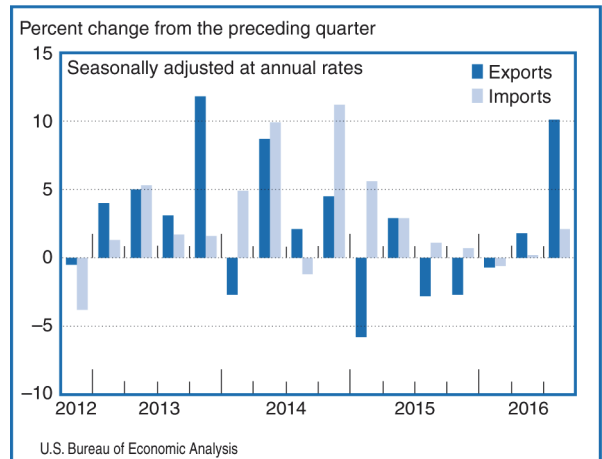
The pickup in imports reflected a pickup in imports of both goods and services.

The main contributors to the pickup in imports of goods were an upturn in automotive vehicles, engines, and parts and a smaller decrease in nonfood, nonautomotive consumer goods.

The pickup in services imports primarily reflected an upturn in charges for the use of intellectual property, which reflected the fees paid for the broadcast rights to the 2016 Summer Olympics, and a pickup in travel.

1. The estimates under the contribution columns are also percent changes.
 2. Exports and imports of certain goods, primarily military equipment purchased and sold by the federal government, are included in services.
 3. Includes parts of foods, feeds, and beverages, of nondurable industrial supplies and materials, and of nondurable nonautomotive consumer goods.
 NOTE: Percent changes are from NIPA table 4.2.1, contributions are from NIPA table 4.2.2, and shares are calculated from NIPA table 4.2.5.

Chart 5. Real Exports and Imports of Goods and Services



Government Spending

Table 6. Real Government Consumption Expenditures and Gross Investment (CEGI)

[Seasonally adjusted at annual rates]

	Share of current-dollar CEGI (percent)		Change from preceding period (percent)					Contribution to percent change in real CEGI (percentage points)		
	2016	2015	2016			2015	2016			
	III	IV	I	II	III	IV	I	II	III	
Government consumption expenditures and gross investment¹	100.0	1.0	1.6	-1.7	0.2	1.0	1.6	-1.7	0.2	
Consumption expenditures.....	81.4	1.2	-0.1	0.4	1.8	0.99	-0.07	0.34	1.45	
Gross investment.....	18.6	0.1	9.0	-10.0	-6.2	0.02	1.66	-2.01	-1.20	
Federal	38.1	3.8	-1.5	-0.4	2.5	1.41	-0.58	-0.13	0.92	
National defense	22.4	4.4	-3.2	-3.2	2.1	0.98	-0.72	-0.71	0.46	
Consumption expenditures.....	18.0	1.8	-3.3	-3.2	1.9	0.33	-0.61	-0.58	0.34	
Gross investment.....	4.4	15.8	-2.4	-2.9	2.6	0.64	-0.11	-0.13	0.11	
Nondefense	15.7	2.8	0.9	3.8	3.0	0.43	0.14	0.58	0.47	
Consumption expenditures.....	12.0	2.6	1.8	4.7	3.1	0.31	0.21	0.55	0.36	
Gross investment.....	3.7	3.4	-1.8	0.9	2.9	0.12	-0.07	0.03	0.11	
State and local	61.9	-0.6	3.5	-2.5	-1.1	-0.39	2.17	-1.54	-0.67	
Consumption expenditures.....	51.4	0.7	0.6	0.7	1.5	0.35	0.33	0.37	0.74	
Gross investment.....	10.4	-6.6	18.0	-16.0	-12.5	-0.75	1.84	-1.92	-1.42	

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

NOTE: Percent changes are from NIPA table 3.9.1, contributions are from NIPA table 3.9.2, and shares are calculated from NIPA table 3.9.5.

Government spending turned up in the third quarter, reflecting an upturn in federal government spending and a smaller decrease in state and local government spending.

The upturn in federal government spending reflected an upturn in defense spending (primarily intermediate goods and services purchased) that was partly offset by a slowdown in nondefense spending.

The smaller decrease in state and local government spending primarily reflected a smaller decrease in investment in structures.

Government Spending

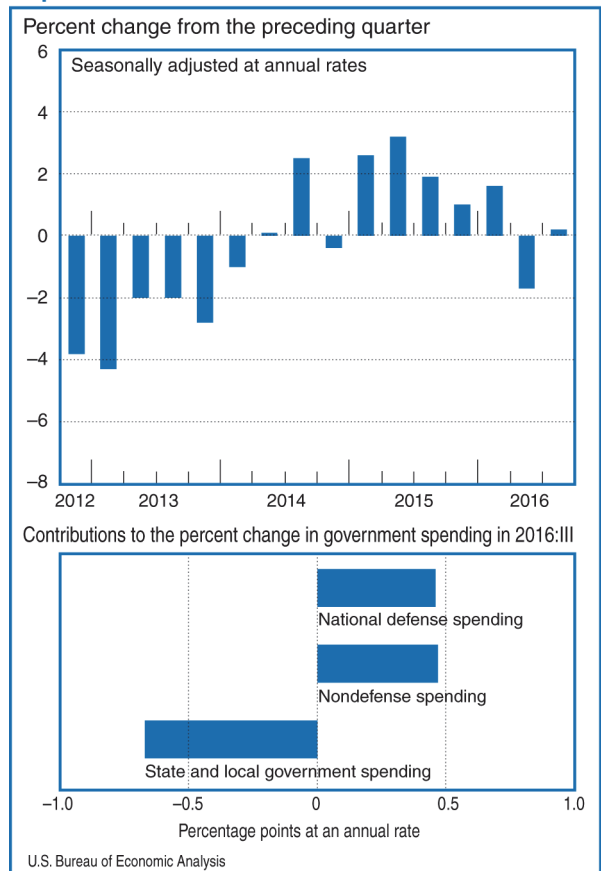
“Government consumption expenditures and gross investment,” or “government spending,” consists of two components: (1) consumption expenditures by federal government and by state and local governments and (2) gross investment by government and government-owned enterprises.

Government consumption expenditures consists of the goods and services that are produced by general government (less any sales to other sectors and investment goods produced by government itself). Governments generally provide services to the general public without charge. The value of government production—that is, government’s gross output—is measured as spending for labor and for intermediate goods and services and a charge for consumption of fixed capital (which represents a partial measure of the services provided by government-owned fixed capital).

Gross investment consists of new and used structures (such as highways and dams), of equipment, and of intellectual property products purchased or produced by government and government-owned enterprises.

Government consumption expenditures and gross investment excludes current transactions of government-owned enterprises, current transfer payments, interest payments, subsidies, and transactions in financial assets and nonproduced assets, such as land.

Chart 6. Real Government Consumption Expenditures and Gross Investment



Prices

Table 7. Prices for Gross Domestic Purchases

[Percent change at annual rates; based on seasonally adjusted index numbers (2009=100)]

	Change from preceding period (percent)				Contribution to percent change in gross domestic purchases prices (percentage points)			
	2015		2016		2015		2016	
	IV	I	II	III	IV	I	II	III
Gross domestic purchases¹	0.3	0.2	2.1	1.5	0.3	0.2	2.1	1.5
Personal consumption expenditures	0.4	0.3	2.0	1.4	0.27	0.19	1.35	0.96
Goods	-2.6	-4.0	0.8	-0.9	-0.56	-0.87	0.17	-0.19
Durable goods	-1.8	-0.9	-2.5	-4.1	-0.14	-0.06	-0.19	-0.31
Nondurable goods	-2.9	-5.6	2.5	0.8	-0.42	-0.81	0.36	0.12
Services	1.8	2.4	2.6	2.6	0.82	1.06	1.18	1.15
Gross private domestic investment ...	0.3	0.6	1.8	1.1	0.04	0.09	0.29	0.18
Fixed investment	0.4	0.6	2.2	1.4	0.07	0.10	0.35	0.22
Nonresidential	-0.1	0.2	1.2	0.2	-0.01	0.03	0.14	0.03
Structures	-0.2	-1.5	3.2	-0.5	-0.01	-0.04	0.08	-0.01
Equipment	0.1	0.3	0.1	1.1	0.00	0.02	0.01	0.06
Intellectual property products	-0.2	1.3	1.4	-0.4	-0.01	0.05	0.05	-0.02
Residential	2.2	2.0	5.6	5.2	0.08	0.07	0.20	0.19
Change in private inventories .....	.....	.....	.....	.....	-0.02	-0.01	-0.06	-0.04
Government consumption expenditures and gross investment	0.1	-0.4	2.7	2.1	0.01	-0.08	0.47	0.36
Federal	-0.8	1.5	2.1	1.6	-0.05	0.10	0.14	0.11
National defense	-0.9	0.9	2.1	1.6	-0.04	0.04	0.08	0.06
Nondefense	-0.6	2.3	2.2	1.7	-0.02	0.06	0.06	0.05
State and local	0.6	-1.6	3.1	2.4	0.06	-0.17	0.33	0.26
Addenda:								
Gross domestic purchases:								
Food	-0.4	-1.5	-1.8	-2.3	-0.02	-0.07	-0.09	-0.11
Energy goods and services	-14.3	-31.0	15.0	1.2	-0.43	-0.98	0.35	0.03
Excluding food and energy	0.8	1.4	2.0	1.7	0.77	1.25	1.84	1.58
Personal consumption expenditures (PCE):								
Food and beverages purchased for off-premises consumption	-0.1	-1.7	-1.8	-2.1	.....	.....	.....	.....
Energy goods and services	-14.2	-30.6	15.5	2.1	.....	.....	.....	.....
Excluding food and energy	1.2	2.1	1.8	1.7	.....	.....	.....	.....
Gross domestic product (GDP)	0.8	0.5	2.3	1.4	.....	.....	.....	.....
Exports of goods and services	-5.5	-5.1	3.9	2.4	.....	.....	.....	.....
Imports of goods and services	-7.6	-6.0	2.1	2.9	.....	.....	.....	.....

1. The estimates 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.

Prices of goods and services purchased by U.S. residents, as measured by the price index for gross domestic purchases, increased 1.5 percent in the third quarter after increasing 2.1 percent in the second quarter. The slowdown primarily reflected slowdowns in the prices paid for consumer spending, in the prices paid for nonresidential fixed investment, and in the prices paid by government.

The slowdown in prices paid for consumer spending primarily reflected a downturn in goods prices; services prices increased at the same rate in the third quarter as in the second quarter.

The downturn in goods prices was mostly accounted for by a slowdown in the prices paid for nondurable goods, which primarily reflected a downturn in the prices paid for gasoline and other energy goods.

The slowdown in the prices paid for nonresidential fixed investment reflected downturns in the prices paid for structures and for intellectual property products that were partly offset by a pickup in the prices paid for equipment.

The slowdown in the prices paid by government primarily reflected a slowdown in prices paid by state and local governments (mainly for investment in structures).

Consumer prices excluding food and energy, a measure of the “core” rate of inflation, slowed slightly, increasing 1.7 percent after increasing 1.8 percent.

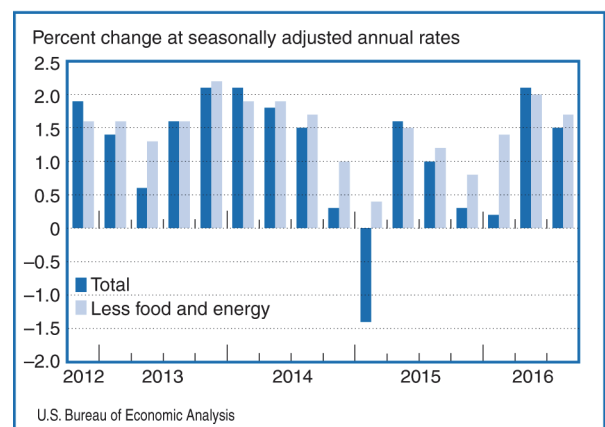
Note on Prices

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 prices of consumer spending, private investment, and government spending.

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 Web site.

Chart 7. Gross Domestic Purchases Prices



Revisions

Table 8. Advance and Second Estimates for the Third Quarter of 2016

[Seasonally adjusted at annual rates]

	Change from preceding quarter (percent)			Contribution to percent change in real GDP (percentage points)		
	Advance	Second	Second minus advance	Advance	Second	Second minus advance
Gross domestic product (GDP) ¹	2.9	3.2	0.3	2.9	3.2	0.3
Personal consumption expenditures	2.1	2.8	0.7	1.47	1.89	0.42
Goods.....	2.2	3.4	1.2	0.48	0.74	0.26
Durable goods.....	9.5	11.6	2.1	0.69	0.83	0.14
Nondurable goods.....	-1.4	-0.6	0.8	-0.21	-0.09	0.12
Services.....	2.1	2.5	0.4	0.99	1.15	0.16
Gross private domestic investment	3.1	2.1	-1.0	0.52	0.34	-0.18
Fixed investment.....	-0.6	-0.9	-0.3	-0.09	-0.15	-0.06
Nonresidential.....	1.2	0.1	-1.1	0.15	0.02	-0.13
Structures.....	5.4	10.1	4.7	0.14	0.26	0.12
Equipment.....	-2.7	-4.8	-2.1	-0.16	-0.28	-0.12
Intellectual property products.....	4.0	1.0	-3.0	0.16	0.04	-0.12
Residential.....	-6.2	-4.4	1.8	-0.24	-0.17	0.07
Change in private inventories.....				0.61	0.49	-0.12
Net exports of goods and services				0.83	0.87	0.04
Exports.....	10.0	10.1	0.1	1.17	1.18	0.01
Goods.....	14.5	14.2	-0.3	1.08	1.06	-0.02
Services.....	2.1	2.9	0.8	0.09	0.12	0.03
Imports.....	2.3	2.1	-0.2	-0.34	-0.31	0.03
Goods.....	0.9	0.7	-0.2	-0.11	-0.08	0.03
Services.....	8.8	8.6	-0.2	-0.23	-0.23	0.00
Government consumption expenditures and gross investment	0.5	0.2	-0.3	0.09	0.05	-0.04
Federal.....	2.5	2.5	0.0	0.17	0.16	-0.01
National defense.....	2.1	2.1	0.0	0.08	0.08	0.00
Nondefense.....	3.0	3.0	0.0	0.08	0.08	0.00
State and local.....	-0.7	-1.1	-0.4	-0.08	-0.12	-0.04
Addenda:						
Final sales of domestic product.....	2.3	2.7	0.4	2.29	2.67	0.38
Gross domestic purchases price index.....	1.6	1.5	-0.1			
GDP price index.....	1.5	1.4	-0.1			

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

The second estimate of the third-quarter increase in real GDP is 0.3 percentage point more than the advance estimate, primarily reflecting an upward revision to consumer spending that was partly offset by downward revisions to nonresidential fixed investment and to inventory investment. The average revision (without regard to sign) between the advance estimate and the second estimate is 0.5 percentage point.

The upward revision to consumer spending reflected upward revisions to both goods (mainly new motor vehicles and tobacco) and services (mainly electricity and gas).

The downward revision to nonresidential fixed investment reflected downward revisions to equipment and to intellectual property products (specifically, research and development) that were partly offset by an upward revision to investment in structures.

The downward revisions to inventory investment were to manufacturing industries, to mining, utilities, and construction industries, and to wholesale trade industries.

Revised Second-Quarter 2016 Income Estimates

With the release of the second estimate of GDP, BEA also releases revised estimates of various income-related measures for the previous quarter. The revision reflected the incorporation of second-quarter tabulations from the quarterly census of employment and wages from the Bureau of Labor Statistics.

Wages and salaries increased \$131.6 billion, an upward revision of \$38.6 billion. Personal current taxes increased \$19.4 billion, an upward revision of \$6.9 billion. Contributions for government social insurance, which is subtracted in calculating personal income, increased \$15.8 billion, an upward revision of \$5.2 billion.

As a result of these revisions,

- Personal income increased \$189.2 billion, an upward revision of \$36.2 billion.
- Disposable personal income increased \$169.9 billion, an upward revision of \$29.3 billion.
- Personal saving decreased \$22.7 billion, an upward revision of \$29.3 billion.
- The personal saving rate was 5.9 percent, 0.2 percentage point higher than previously estimated.
- Real GDI increased 0.7 percent, an upward revision of 0.9 percentage point.

Major Source Data for the Second Estimates

Consumer spending: retail sales for July through September (revised). Motor vehicle registrations data for September (new). Data for gasoline, electricity, and natural gas sales and unit value data for July (revised) and August (new).

Nonresidential fixed investment: construction spending (value put in place) data for July and August (revised) and September (new). Manufacturers' shipments (M3) of machinery and equipment for July through September (revised). Exports and imports of goods for July through September (revised).

Residential fixed investment: construction spending (value put in place) data for July and August (revised) and September (new).

Inventory investment: manufacturers' inventories of durable goods for July through September (revised). Manufacturers' inventories of nondurable goods and trade inventories for July and August (revised) and September (new).

Exports and imports: trade in goods for July through September (revised). Trade in services for July and August (revised) and September (new).

Government spending: state and local construction spending for July and August (revised) and September (new).

Corporate Profits

Table 9. Corporate Profits

[Seasonally adjusted]

	Billions of dollars (annual rate)					Percent change from preceding quarter (quarterly rate)				
	Level		Change from preceding quarter			2015		2016		
	2016	2015	2016			IV	I	II	III	
	III	IV	I	II	III	IV	I	II	III	
Current production measures:										
Corporate profits	2,154.8	-127.9	66.0	-12.5	133.8	-6.1	3.4	-0.6	6.6	
Domestic industries.....	1,740.7	-149.8	92.9	-50.5	127.4	-8.7	5.9	-3.0	7.9	
Financial	493.7	-18.2	8.1	5.6	50.9	-4.1	1.9	1.3	11.5	
Nonfinancial.....	1,247.0	-131.7	84.8	-56.1	76.5	-10.3	7.4	-4.6	6.5	
Rest of the world	414.0	22.0	-26.9	38.0	6.4	5.9	-6.8	10.3	1.6	
Receipts from the rest of the world	681.7	-19.9	8.7	37.5	-0.2	-3.0	1.4	5.8	0.0	
Less: Payments to the rest of the world	267.7	-41.9	35.6	-0.5	-6.6	-14.9	14.9	-0.2	-2.4	
Less: Taxes on corporate income.....	564.9	44.9	-47.5	16.4	21.0	8.5	-8.3	3.1	3.9	
Equals: Profits after tax.....	1,589.8	-172.8	113.5	-28.9	112.7	-11.0	8.1	-1.9	7.6	
Net dividends	972.8	-20.8	7.3	-9.3	18.8	-2.1	0.8	-1.0	2.0	
Undistributed profits from current production	617.0	-152.0	106.1	-19.6	94.0	-25.8	24.3	-3.6	18.0	
Net cash flow	2,185.7	-141.1	112.6	-13.4	109.6	-6.7	5.7	-0.6	5.3	
Industry profits:										
Profits with IVA	2,256.8	-130.8	69.5	-12.1	129.7	-5.9	3.4	-0.6	6.1	
Domestic industries.....	1,842.8	-152.8	96.3	-50.1	123.3	-8.4	5.8	-2.8	7.2	
Financial	534.8	-17.3	7.3	5.4	50.2	-3.5	1.5	1.1	10.4	
Nonfinancial.....	1,308.1	-135.5	89.0	-55.5	73.1	-10.1	7.4	-4.3	5.9	
Rest of the world	414.0	22.0	-26.9	38.0	6.4	5.9	-6.8	10.3	1.6	
Addenda:										
Profits before tax (without IVA and CCAAdj).....	2,258.9	-142.5	79.6	102.6	78.2	-6.7	4.0	4.9	3.6	
Profits after tax (without IVA and CCAAdj).....	1,693.9	-187.4	127.1	86.2	57.2	-11.6	8.9	5.6	3.5	
IVA.....	-2.0	11.7	-10.1	-114.7	51.5	.....	.....	.....	.....
CCAAdj.....	-102.1	2.9	-3.5	-0.4	4.1	.....	.....	.....	.....

NOTE: Levels of these and other profits series are shown in NIPA tables 1.12, 1.14, 1.15, and 6.16D. IVA Inventory valuation adjustment CCAAdj Capital consumption adjustment

Profits from current production (corporate profits with inventory valuation adjustment [IVA] and capital consumption adjustment [CCAAdj]) increased \$133.8 billion, or 6.6 percent at a quarterly rate, in the third quarter after decreasing \$12.5 billion, or 0.6 percent, in the second quarter.

Profits of domestic financial corporations increased \$50.9 billion, or 11.5 percent, after increasing \$5.6 billion, or 1.3 percent.

Profits of domestic nonfinancial corporations increased \$76.5 billion, or 6.5 percent, after decreasing \$56.1 billion, or 4.6 percent.

Profits from the rest of the world increased \$6.4 billion, or 1.6 percent, after increasing \$38.0 billion, or 10.3 percent. In the third quarter, receipts decreased \$0.2 billion and payments decreased \$6.6 billion.

Taxes on corporate income increased \$21.0 billion, or 3.9 percent, after increasing \$16.4 billion, or 3.1 percent. The pattern of taxes on corporate income reflects a federal corporate tax payment in the fourth quarter of 2015 by the Federal Reserve Banks to the U.S. Treasury; for details, see “Why do federal corporate taxes increase in the fourth quarter of 2015.”

Profits after tax with IVA and CCAAdj increased \$112.7 billion, or 7.6 percent, after decreasing \$28.9 billion, or 1.9 percent.

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 Cen-

sus Bureau *Quarterly Financial Reports*, Federal Deposit Insurance Corporation call reports, other regulatory reports, and tabulations from corporate financial reports. The estimates are benchmarked to Internal Revenue Service data when the data are available for two reasons: the 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 (CCAAdj). CCAAdj 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).