

GDP and the Economy

Third Estimates for the Third Quarter of 2017

REAL GROSS domestic product (GDP) increased 3.2 percent at an annual rate in the third quarter of 2017, according to the third estimates of the national income and product accounts (NIPAs) (chart 1 and table 1).¹ The third estimate of real GDP growth was revised down 0.1 percentage point from the second estimate of 3.3 percent; the downward revision primarily reflected a downward revision to consumer spending.² In the second quarter of 2017, real GDP increased 3.1 percent.

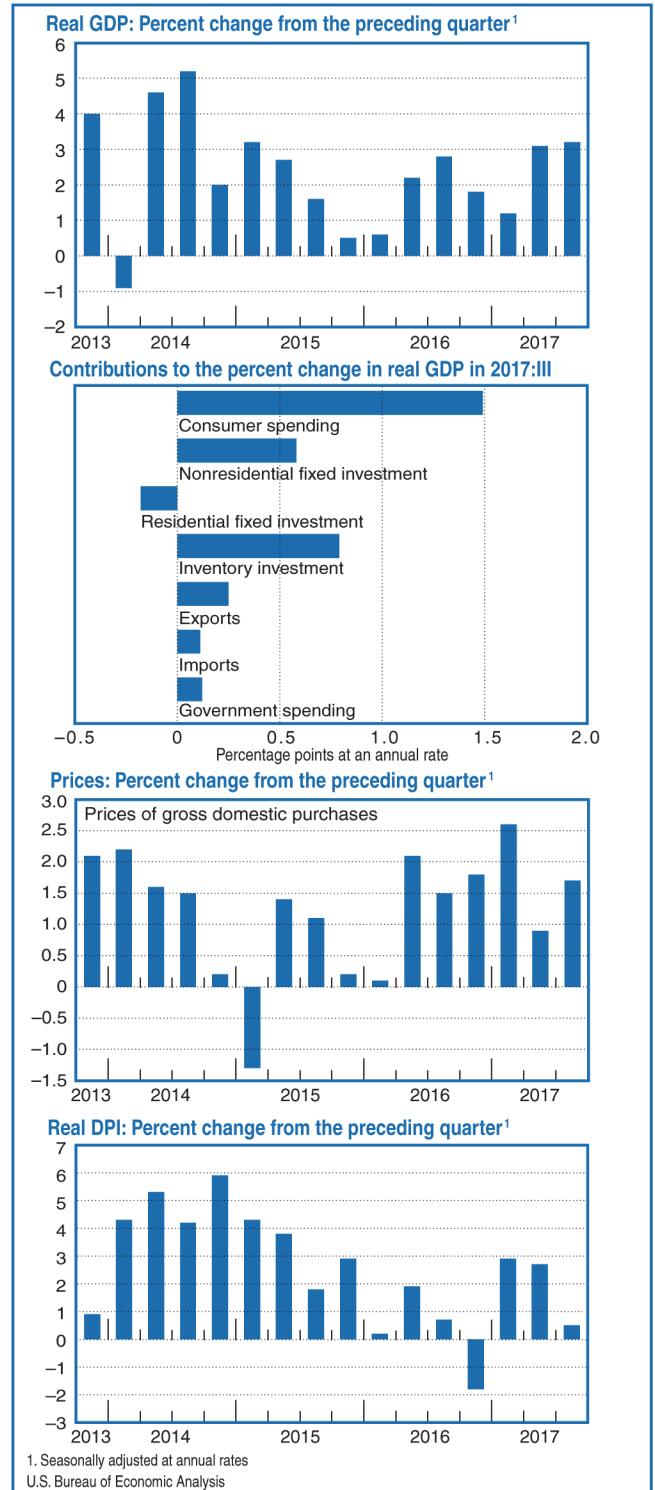
The third-quarter increase in real GDP reflected positive contributions from consumer spending, inventory investment, nonresidential fixed investment, exports, federal government spending, and state and local government spending that were partly offset by a negative contribution from residential fixed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

- Prices of goods and services purchased by U.S. residents, as measured by the gross domestic purchases price index, increased 1.7 percent in the third quarter after increasing 0.9 percent in the second quarter. Energy prices turned up, and food prices decelerated. Excluding food and energy, prices increased 1.6 percent after increasing 1.3 percent.
- Real disposable personal income (DPI) increased 0.5 percent in the third quarter after increasing 2.7 percent in the second quarter. Current-dollar DPI increased 2.1 percent in the third quarter after increasing 3.0 percent in the second quarter.
- Real gross domestic income increased 2.0 percent in the third quarter after increasing 2.3 percent in the second quarter.
- Corporate profits from current production increased \$90.2 billion in the third quarter after increasing \$14.4 billion in the second quarter (see table 3).

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 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.”

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



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)			
		2017	2016	2017			2016	2017		
		III	IV	I	II	III	IV	I	II	III
Gross domestic product ¹	100.0	1.8	1.2	3.1	3.2	1.8	1.2	3.1	3.2	
Personal consumption expenditures	68.9	2.9	1.9	3.3	2.2	1.99	1.32	2.24	1.49	
Goods	22.1	4.7	0.7	5.4	4.5	1.03	0.15	1.16	0.97	
Durable goods	7.6	9.2	-0.1	7.6	8.6	0.67	-0.01	0.56	0.63	
Nondurable goods	14.5	2.5	1.1	4.2	2.3	0.35	0.16	0.61	0.34	
Services	46.8	2.1	2.5	2.3	1.1	0.97	1.17	1.08	0.52	
Gross private domestic investment	16.7	8.5	-1.2	3.9	7.3	1.34	-0.20	0.64	1.19	
Fixed investment	16.4	1.7	8.1	3.2	2.4	0.28	1.27	0.53	0.40	
Nonresidential	12.7	0.2	7.2	6.7	4.7	0.02	0.86	0.82	0.58	
Structures	2.9	-2.2	14.8	7.0	-7.0	-0.06	0.39	0.20	-0.21	
Equipment	5.7	1.8	4.4	8.8	10.8	0.10	0.24	0.48	0.58	
Intellectual property products	4.1	-0.4	5.7	3.7	5.2	-0.02	0.23	0.15	0.21	
Residential	3.8	7.1	11.1	-7.3	-4.7	0.26	0.41	-0.30	-0.18	
Change in private inventories.....	0.2	.....	.....	.....	.....	1.06	-1.46	0.12	0.79
Net exports of goods and services	-2.7	.....	.....	.....	.....	-1.61	0.22	0.21	0.36
Exports	12.0	-3.8	7.3	3.5	2.1	-0.47	0.85	0.42	0.25	
Goods	7.9	-3.4	10.8	2.2	1.8	-0.27	0.81	0.18	0.15	
Services	4.1	-4.6	1.0	6.2	2.5	-0.19	0.04	0.25	0.10	
Imports	14.8	8.1	4.3	1.5	-0.7	-1.14	-0.63	-0.22	0.11	
Goods	12.0	9.2	4.7	1.3	-0.2	-1.05	-0.56	-0.16	0.03	
Services	2.7	3.2	2.5	2.2	-2.6	-0.09	-0.07	-0.06	0.07	
Government consumption expenditures and gross investment	17.2	0.2	-0.6	-0.2	0.7	0.03	-0.11	-0.03	0.12	
Federal	6.5	-0.5	-2.4	1.9	1.3	-0.03	-0.16	0.13	0.09	
National defense	3.8	-3.2	-3.3	4.7	2.4	-0.13	-0.13	0.18	0.09	
Nondefense	2.7	3.6	-1.2	-1.9	-0.2	0.10	-0.03	-0.05	-0.01	
State and local	10.7	0.6	0.5	-1.5	0.2	0.06	0.05	-0.16	0.03	
Addenda:										
Gross domestic income (GDI) ².....	.....	-1.7	2.7	2.3	2.0	.....	.....	.....	.....
Average of GDP and GDI	0.0	2.0	2.7	2.6	.....	.....	.....	.....	.....
Final sales of domestic product	99.8	0.7	2.7	2.9	2.4	0.70	2.70	2.94	2.37	
Goods	29.8	3.0	-1.6	7.3	9.6	0.88	-0.47	2.10	2.74	
Services	62.2	1.0	1.5	2.1	1.5	0.61	0.91	1.32	0.93	
Structures	8.0	3.4	10.3	-4.3	-6.2	0.27	0.80	-0.36	-0.51	
Motor vehicle output	2.7	-1.9	-7.3	0.8	-10.3	-0.06	-0.22	0.02	-0.30	
GDP excluding motor vehicle output	97.3	1.9	1.5	3.1	3.6	1.81	1.45	3.04	3.45	
Final sales of computers.....	0.4	-7.8	23.3	22.3	-24.2	-0.03	0.08	0.08	-0.10	
GDP excluding final sales of computers	99.6	1.8	1.2	3.0	3.3	1.79	1.16	2.98	3.26	
Research and development (R&D)	2.5	-1.1	7.1	1.3	0.9	-0.03	0.18	0.03	0.02	
GDP excluding R&D	97.5	1.8	1.1	3.1	3.2	1.79	1.06	3.03	3.13	

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

2. GDI is deflated by the implicit price deflator for GDP.

NOTE: For GDP and its components, the percent changes are from NIPA tables 1.1.1 and 1.2.1, contributions to percent change 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 table 1.2.5. For GDI, the percent changes are from NIPA table 1.7.1.

The slight acceleration in real GDP in the third quarter primarily reflected an acceleration in private inventory investment and an upturn in state and local government spending that were partly offset by decelerations in consumer spending, nonresidential fixed investment, and exports.

The deceleration in consumer spending reflected decelerations in spending for services and for nondurable goods that were partly offset by a slight acceleration in spending for durable goods.

The deceleration in spending for nondurable goods primarily reflected downturns in clothing and footwear and in gasoline and other energy goods.

The deceleration in spending for services primarily reflected downturns in electricity and gas and in "other" services (mainly telecommunication services) that were partly offset by an upturn in food services and accommodations.

The deceleration in nonresidential fixed investment reflected a downturn in structures (mainly due to a deceleration in mining exploration, shafts, and wells and to a larger decrease in commercial and health care) that was partly offset by accelerations in equipment and intellectual property products.

Residential fixed investment decreased less in the third quarter than in the second, primarily reflecting a smaller decrease in investment in "other" structures (which was more than accounted for by a smaller decrease in spending for improvements).

The acceleration in private inventory investment primarily reflected an acceleration in nonfarm industries; an upturn in manufacturing, a smaller decrease in mining, utilities, and construction, and an acceleration in wholesale trade were partly offset by a larger decrease in retail trade and a downturn in "other" industries. Farm inventory investment turned up.

The deceleration in exports reflected decelerations in exports of both goods and services.

Imports turned down, reflecting downturns in imports of both goods and services.

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

Revisions to GDP

Table 2. Second and Third Estimates for the Third Quarter of 2017

[Seasonally adjusted at annual rates]

	Change from preceding quarter (percent)			Contribution to percent change in real GDP (percentage points)		
	Second estimate	Third estimate	Third estimate minus second estimate	Second estimate	Third estimate	Third estimate minus second estimate
Gross domestic product (GDP) ¹	3.3	3.2	-0.1	3.3	3.2	-0.1
Personal consumption expenditures	2.3	2.2	-0.1	1.60	1.49	-0.11
Goods	4.1	4.5	0.4	0.89	0.97	0.08
Durable goods	8.1	8.6	0.5	0.59	0.63	0.04
Nondurable goods	2.0	2.3	0.3	0.30	0.34	0.04
Services	1.5	1.1	-0.4	0.71	0.52	-0.19
Gross private domestic investment	7.3	7.3	0.0	1.20	1.19	-0.01
Fixed investment	2.4	2.4	0.0	0.39	0.40	0.01
Nonresidential	4.7	4.7	0.0	0.59	0.58	-0.01
Structures	-6.8	-7.0	-0.2	-0.20	-0.21	-0.01
Equipment	10.4	10.8	0.4	0.56	0.58	0.02
Intellectual property products	5.8	5.2	-0.6	0.23	0.21	-0.02
Residential	-5.1	-4.7	0.4	-0.20	-0.18	0.02
Change in private inventories				0.80	0.79	-0.01
Net exports of goods and services				0.43	0.36	-0.07
Exports	2.2	2.1	-0.1	0.27	0.25	-0.02
Goods	1.6	1.8	0.2	0.13	0.15	0.02
Services	3.2	2.5	-0.7	0.13	0.10	-0.03
Imports	-1.1	-0.7	0.4	0.17	0.11	-0.06
Goods	-0.6	-0.2	0.4	0.08	0.03	-0.05
Services	-2.9	-2.6	0.3	0.08	0.07	-0.01
Government consumption expenditures and gross investment	0.4	0.7	0.3	0.07	0.12	0.05
Federal	1.3	1.3	0.0	0.08	0.09	0.01
National defense	2.4	2.4	0.0	0.09	0.09	0.00
Nondefense	-0.3	-0.2	0.1	-0.01	-0.01	0.00
State and local	-0.1	0.2	0.3	-0.01	0.03	0.04
Addenda:						
Final sales of domestic product	2.5	2.4	-0.1	2.49	2.37	-0.12
Gross domestic income (GDI)	2.5	2.0	-0.5			
Average of GDP and GDI	2.9	2.6	-0.3			
Gross domestic purchases price index	1.8	1.7	-0.1			
GDP price index	2.1	2.1	0.0			

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

The third estimate of the third-quarter change in real GDP was 0.1 percentage point lower than the second estimate released in November, but the general picture of economic growth remains the same. The average revision from the second estimate to third estimate of real GDP is 0.2 percentage point. The downward revision to the percent change in real GDP primarily reflected a downward revision to consumer spending that was partly offset by an upward revision to state and local government spending.

The downward revision to consumer spending primarily reflected a downward revision to spending for services (mainly recreation and transportation) that was partly offset by an upward revision to spending for goods.

The revision to state and local government spending primarily reflected an upward revision to investment in structures.

Source Data and Methodologies

For the 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 Web site.

Source data for the third estimate. The third estimate of GDP for the third quarter of 2017 incorporated the following source data.

Consumer spending: Census Bureau retail sales data for September (revised) and Quarterly Services Survey (QSS) data for the third quarter (new and revised), Federal Deposit Insurance Corporation Call Report data for the third quarter (new), and Energy Information Administration electricity and natural gas usage and unit value data for July and August (revised) and September (new).

Nonresidential fixed investment: Census Bureau construction spending data for August and September

(revised), equipment shipments for September (revised), and QSS data for the third quarter (new and revised).

Residential fixed investment: Census Bureau construction spending data for August and September (revised).

Inventory investment: Census Bureau manufacturers' and trade inventories for September (revised) and Quarterly Financial Report data for the third quarter (new).

Exports and imports: BEA international transactions accounts data for July through September (revised).

Government spending: Census Bureau construction spending data for August and September (revised).

Prices: Bureau of Labor statistics (BLS) export and import prices for July through September (revised), and BLS producer price indexes for July through September (revised).

Corporate Profits

Table 3. Corporate Profits

[Seasonally adjusted]

	Billions of dollars (annual rate)					Percent change from preceding quarter (quarterly rate)				
	Level	Change from preceding quarter								
	2017	2016	2017			2016	2017			
	III	IV	I	II	III	IV	I	II	III	
Current production measures:										
Corporate profits with IVA and CCAadj.....	2,213.7	53.9	-46.2	14.4	90.2	2.6	-2.1	0.7	4.3	
Domestic industries.....	1,766.1	6.7	-36.9	25.2	58.2	0.4	-2.1	1.5	3.4	
Financial.....	489.4	27.2	-40.7	-33.8	47.8	5.6	-7.9	-7.1	10.8	
Nonfinancial.....	1,276.7	-20.5	3.8	59.1	10.4	-1.7	0.3	4.9	0.8	
Rest of the world.....	447.5	47.3	-9.3	-10.8	32.0	12.2	-2.1	-2.5	7.7	
Receipts from the rest of the world.....	737.0	25.1	5.4	5.5	26.9	3.7	0.8	0.8	3.8	
Less: Payments to the rest of the world.....	289.5	-22.2	14.7	16.3	-5.2	-7.8	5.6	5.9	-1.7	
Less: Taxes on corporate income....	475.5	-17.7	-3.2	13.3	-4.2	-3.6	-0.7	2.9	-0.9	
Equals: Profits after tax.....	1,738.2	71.7	-43.0	1.1	94.4	4.4	-2.6	0.1	5.7	
Net dividends.....	998.6	2.8	9.0	6.2	4.4	0.3	0.9	0.6	0.4	
Undistributed profits from current production.....	739.6	68.9	-52.0	-5.1	90.0	10.8	-7.4	-0.8	13.9	
Net cash flow.....	2,230.9	62.3	-40.0	40.8	-39.0	2.8	-1.8	1.8	-1.7	

IVA Inventory valuation adjustment

CCAadj Capital consumption adjustment

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

Profits from current production increased \$90.2 billion, or 4.3 percent at a quarterly rate, in the third quarter after increasing \$14.4 billion, or 0.7 percent, in the second quarter.

Profits of domestic financial corporations increased \$47.8 billion, or 10.8 percent, after decreasing \$33.8 billion, or 7.1 percent.

Profits of domestic nonfinancial corporations increased \$10.4 billion, or 0.8 percent, after increasing \$59.1 billion, or 4.9 percent.

Profits from the rest of the world increased \$32.0 billion, or 7.7 percent, after decreasing \$10.8 billion, or 2.5 percent. In the third quarter, receipts increased \$26.9 billion, and payments decreased \$5.2 billion.

Taxes on corporate income decreased \$4.2 billion, or 0.9 percent, in the third quarter after increasing \$13.3 billion, or 2.9 percent, in the second quarter.

Net dividends increased \$4.4 billion, or 0.4 percent, after increasing \$6.2 billion, or 0.6 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 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 (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).

