GDP and the Economy

Third Estimates for the Third Quarter of 2013

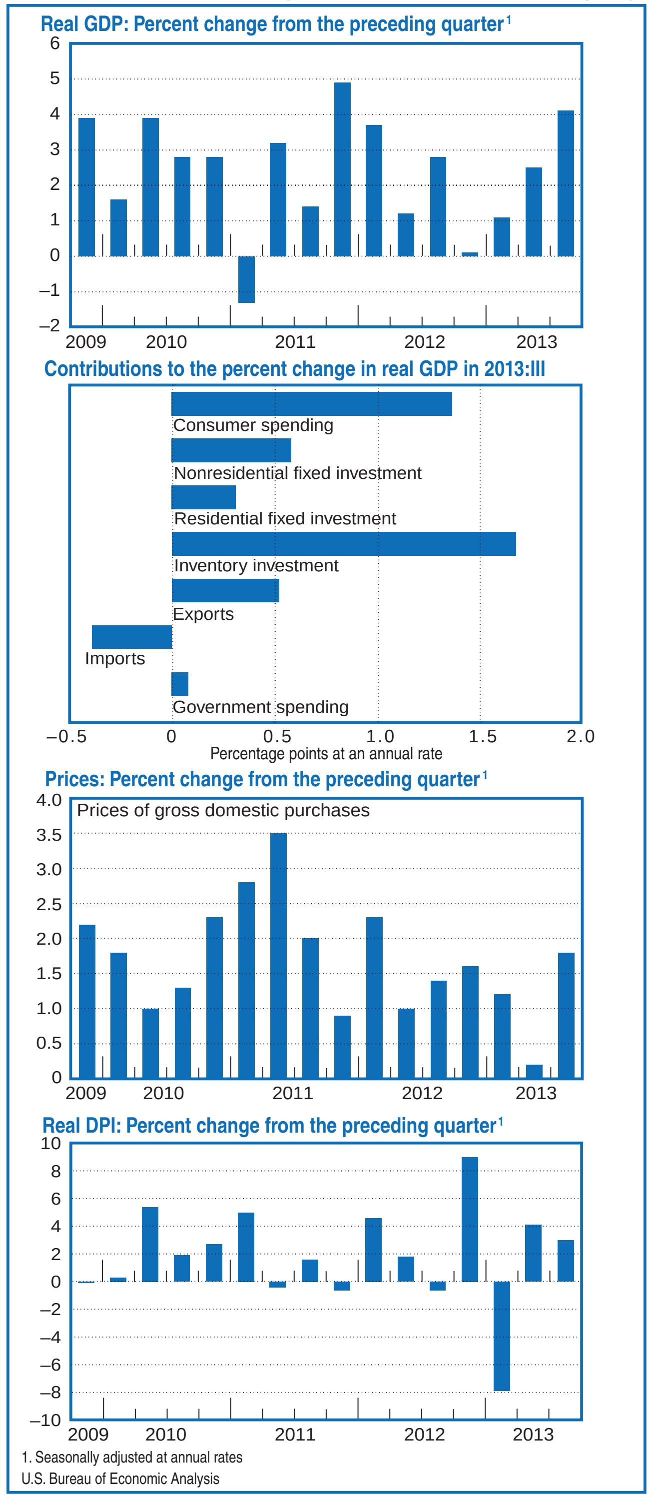
REAL GROSS domestic product (GDP) increased 4.1 percent at an annual rate in the third quarter of 2013, according to the third estimates of the national income and product accounts (NIPAs) (chart 1 and table 1).[1] In the second quarter, real GDP increased 2.5 percent.

- The third estimate of real GDP growth was revised up 0.5 percentage point from the second estimate. The revision primarily reflected upward revisions to consumer spending and to nonresidential fixed investment that were partly offset by a downward revision to residential fixed investment (see table 2).[2]
- The acceleration in real GDP growth in the third quarter primarily reflected an acceleration in private inventory investment, a deceleration in imports, and accelerations in state and local government spending and in consumer spending that were partly offset by a deceleration in exports.
- Prices of goods and services purchased by U.S. residents, as measured by the gross domestic purchases price index, increased 1.8 percent in the third quarter, the same as in the second estimate; in the second quarter, this index increased 0.2 percent. Energy prices turned up in the third quarter, and food prices picked up slightly. Excluding food and energy, prices increased 1.5 percent in the third quarter after increasing 0.8 percent in the second quarter.
- Real disposable personal income (DPI) increased 3.0 percent in the third quarter after increasing 4.1 percent in the second quarter. The deceleration in real DPI reflected an upturn in the implicit price deflator for consumer spending, which is used to deflate DPI. Current-dollar DPI increased 5.0 percent after increasing 4.0 percent. The personal saving rate, personal saving as a percentage of current-dollar DPI, was 4.9 percent in the third quarter; in the second quarter, the rate was 4.7 percent.
- Corporate profits from current production increased $39.2 billion in the third quarter after increasing $66.8 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 "Revisions to GDP, GDI, and Their Major Components" in the July 2011 Survey of Current Business. Quarterly estimates are expressed at seasonally adjusted annual rates, which assumes that a rate of activity for a quarter is 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)



1. Seasonally adjusted at annual rates
U.S. Bureau of Economic Analysis

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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)			
	2013	2012	2013			2012	2013		
	III	IV	I	II	III	IV	I	II	III
Gross domestic product [1]	**100.0**	**0.1**	**1.1**	**2.5**	**4.1**	**0.1**	**1.1**	**2.5**	**4.1**
Personal consumption expenditures	**68.2**	**1.7**	**2.3**	**1.8**	**2.0**	**1.13**	**1.54**	**1.24**	**1.36**
Goods	23.1	3.7	3.7	3.1	4.5	0.85	0.85	0.71	1.03
Durable goods	7.5	10.5	5.8	6.2	7.9	0.74	0.43	0.46	0.58
Nondurable goods	15.6	0.6	2.7	1.6	2.9	0.10	0.43	0.26	0.46
Services	45.1	0.6	1.5	1.2	0.7	0.29	0.69	0.53	0.32
Gross private domestic investment	**16.2**	**–2.4**	**4.7**	**9.2**	**17.2**	**–0.36**	**0.71**	**1.38**	**2.56**
Fixed investment	15.3	11.6	–1.5	6.5	5.9	1.63	–0.23	0.96	0.89
Nonresidential	12.2	9.8	–4.6	4.7	4.8	1.13	–0.57	0.56	0.58
Structures	2.8	17.6	–25.7	17.6	13.4	0.44	–0.80	0.43	0.35
Equipment	5.5	8.9	1.6	3.3	0.2	0.47	0.09	0.18	0.02
Intellectual property products	3.9	5.7	3.7	–1.5	5.8	0.21	0.14	–0.06	0.22
Residential	3.1	19.8	12.5	14.2	10.3	0.50	0.34	0.40	0.31
Change in private inventories	0.9	....	....	....	....	–2.00	0.93	0.41	1.67
Net exports of goods and services	**–3.0**	....	....	....	....	**0.68**	**–0.28**	**–0.07**	**0.14**
Exports	13.4	1.1	–1.3	8.0	3.9	0.15	–0.18	1.04	0.52
Goods	9.3	–3.0	–2.8	9.4	5.6	–0.28	–0.27	0.84	0.52
Services	4.1	11.3	2.2	4.8	0.1	0.43	0.09	0.20	0.01
Imports	16.4	–3.1	0.6	6.9	2.4	0.53	–0.10	–1.10	–0.39
Goods	13.6	–3.5	–0.2	7.5	2.4	0.50	0.03	–1.00	–0.32
Services	2.7	–1.0	5.0	4.0	2.5	0.03	–0.13	–0.11	–0.07
Government consumption expenditures and gross investment	**18.6**	**–6.5**	**–4.2**	**–0.4**	**0.4**	**–1.31**	**–0.82**	**–0.07**	**0.08**
Federal	7.4	–13.9	–8.4	–1.6	–1.5	–1.19	–0.68	–0.12	–0.11
National defense	4.6	–21.6	–11.2	–0.6	–0.5	–1.22	–0.57	–0.03	–0.02
Nondefense	2.8	1.0	–3.6	–3.1	–3.1	0.03	–0.11	–0.09	–0.09
State and local	11.2	–1.0	–1.3	0.4	1.7	–0.12	–0.14	0.05	0.19
Addenda:									
Final sales of domestic product	99.1	2.2	0.2	2.1	2.5	2.14	0.21	2.07	2.47
Goods	31.1	–1.2	5.5	3.9	10.7	–0.36	1.63	1.20	3.19
Services	61.4	–0.6	0.3	0.7	0.2	–0.35	0.21	0.46	0.14
Structures	7.5	12.7	–9.2	11.9	11.1	0.85	–0.70	0.82	0.80
Motor vehicle output	2.7	–2.8	9.2	12.1	–12.9	–0.07	0.24	0.32	–0.38
GDP excluding motor vehicle output	97.3	0.2	0.9	2.2	4.7	0.22	0.91	2.16	4.51
Final sales of computers	0.4	50.3	17.5	15.4	–12.4	0.16	0.07	0.06	–0.05
GDP excluding final sales of computers	99.6	0.0	1.1	2.4	4.2	–0.02	1.08	2.42	4.19
Research and development (R&D)	2.5	0.4	–0.2	1.9	3.0	0.01	0.00	0.05	0.08
GDP excluding R&D	97.5	0.1	1.2	2.5	4.2	0.13	1.15	2.43	4.06
Gross domestic income (GDI) [2]	....	4.9	2.4	3.2	1.8	....	....	....	....

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, 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, percent changes are from NIPA table 1.7.1.

Consumer spending picked up in the third quarter, reflecting pickups in both nondurable and durable goods that were partly offset by a slowdown in services.

The pickup in spending for durable goods primarily reflected an upturn in motor vehicles and parts and a pickup in furnishings and durable household equipment.

The pickup in spending for nondurable goods primarily an upturn in food and beverages purchased for off-premises consumption, an acceleration in "other" nondurable goods, and an upturn in gasoline and other energy goods.

The slowdown in spending for services primarily reflected a downturn in housing and utilities (notably in spending for natural gas) and slowdowns in financial services and insurance and in health care.

Nonresidential fixed investment picked up slightly, reflecting an upturn in intellectual property products (primarily software).

Residential fixed investment slowed, primarily reflecting a slowdown in new structures that was partly offset by a pickup in improvements.

Inventory investment picked up, adding 1.67 percentage points to the change in real GDP after adding 0.41 percentage point; the pickup reflected a pickup in nonfarm inventory investment, mainly an upturn in wholesale trade and a pickup in retail trade. Farm inventory investment increased at about the same rate as in the second quarter.

Exports slowed in the third quarter, reflecting slowdowns in exports of both goods and services.

Imports slowed, reflecting slowdowns in imports of both goods and services.

State and local government spending picked up, primarily reflecting an upturn in spending for structures.

Real final sales of domestic product, real GDP less inventory investment, increased 2.5 percent after increasing 2.1 percent.

Real gross domestic income, which measures the output of the economy as the incomes earned and costs incurred in production, increased 1.8 percent after increasing 3.2 percent.

Revisions to GDP

Table 2. Second and Third Estimates for the Third Quarter of 2013

[Seasonally adjusted at annual rates]

	Change from preceding quarter (percent)			Contribution to percent change in real GDP (percentage points)		
	Second	Third	Third minus second	Second	Third	Third minus second
Gross domestic product (GDP) [1]	**3.6**	**4.1**	**0.5**	**3.6**	**4.1**	**0.5**
Personal consumption expenditures	**1.4**	**2.0**	**0.6**	**0.96**	**1.36**	**0.40**
Goods	4.1	4.5	0.4	0.93	1.03	0.10
Durable goods	7.7	7.9	0.2	0.56	0.58	0.02
Nondurable goods	2.4	2.9	0.5	0.37	0.46	0.09
Services	0.0	0.7	0.7	0.02	0.32	0.30
Gross private domestic investment	**16.7**	**17.2**	**0.5**	**2.49**	**2.56**	**0.07**
Fixed investment	5.4	5.9	0.5	0.81	0.89	0.08
Nonresidential	3.5	4.8	1.3	0.42	0.58	0.16
Structures	13.8	13.4	–0.4	0.36	0.35	–0.01
Equipment	0.0	0.2	0.2	0.00	0.02	0.02
Intellectual property products	1.7	5.8	4.1	0.07	0.22	0.15
Residential	13.0	10.3	–2.7	0.38	0.31	–0.07
Change in private inventories	....	....	....	1.68	1.67	–0.01
Net exports of goods and services	....	....	....	**0.07**	**0.14**	**0.07**
Exports	3.7	3.9	0.2	0.50	0.52	0.02
Goods	5.4	5.6	0.2	0.49	0.52	0.03
Services	0.1	0.1	0.0	0.00	0.01	0.01
Imports	2.7	2.4	–0.3	–0.43	–0.39	0.04
Goods	2.7	2.4	–0.3	–0.36	–0.32	0.04
Services	2.5	2.5	0.0	–0.07	–0.07	0.00
Government consumption expenditures and gross investment	**0.4**	**0.4**	**0.0**	**0.09**	**0.08**	**–0.01**
Federal	–1.4	–1.5	–0.1	–0.10	–0.11	–0.01
National defense	–0.3	–0.5	–0.2	–0.01	–0.02	–0.01
Nondefense	–3.1	–3.1	0.0	–0.09	–0.09	0.00
State and local	1.7	1.7	0.0	0.19	0.19	0.00
Addenda:						
Final sales of domestic product	1.9	2.5	0.6	1.92	2.47	0.55
Gross domestic income	1.4	1.8	0.4	....	....	....
Gross domestic purchases price index	1.8	1.8	0.0	....	....	....
GDP price index	2.0	2.0	0.0	....	....	....

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

The third estimate of the third-quarter change in real GDP was 0.5 percentage point higher than the second estimate. Upward revisions to consumer spending and to nonresidential fixed investment were partly offset by a downward revision to residential fixed investment. For 1983–2012, the average revision (without regard to sign) between the second estimate and the third estimate is 0.3 percentage point.

The upward revision to consumer spending reflected upward revisions to spending for services and to spending for goods.

The upward revision to goods primarily reflected an upward revision to spending for gasoline and other energy goods.

The upward revision to services primarily reflected an upward revision to household spending for health care (mainly proprietary hospitals and physician services) and for recreation services (mainly cable and satellite television and radio) and an upward revision to the gross output of nonprofit institutions serving households (mainly hospitals) that were partly offset by a downward revision to transportation services (mainly motor vehicle maintenance and repair).

The upward revision to nonresidential fixed investment primarily reflected an upward revision to intellectual property products, specifically software.

The downward revision to residential fixed investment was primarily to "other" structures, specifically brokers' commissions and other ownership transfer costs.

Source Data and Methodologies

For the details about the source data and the methodologies that are used for the estimates, see *Concepts and Methods of the U.S. National Income and Product Accounts* at www.bea.gov/methodologies/index.htm.

Source data for the third estimate. The third estimate of GDP for the third quarter of 2013 incorporated the following source data.

Consumer spending: Census Bureau retail sales for September (revised) and Quarterly Services Survey data for the third quarter (new), Federal Deposit Insurance Corporation (FDIC) *Call Report* data for the third quarter (new), and Energy Information Administration data for September (revised).

Nonresidential fixed investment: Census Bureau Quarterly Services Survey data for the third quarter (new).

Inventory investment: Census Bureau manufacturers' and trade inventories for September (revised).

GDP prices: Bureau of Labor Statistics (BLS) export and import prices for July, August, and September (revised), BLS producer price indexes for July, August, and September (revised), and FDIC *Call Report* data for the third quarter (new).

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							
	2013	2012	2013			2012	2013		
	III	IV	I	II	III	IV	I	II	III
Current production measures:									
Corporate profits	2,126.6	34.9	–26.6	66.8	39.2	1.7	–1.3	3.3	1.9
Domestic industries	1,706.8	29.3	–7.0	62.2	22.5	1.8	–0.4	3.8	1.3
Financial	465.9	–15.6	–4.1	24.5	9.7	–3.5	–0.9	5.7	2.1
Nonfinancial	1,240.8	45.0	–3.1	37.8	12.7	3.9	–0.3	3.2	1.0
Rest of the world	419.8	5.6	–19.6	4.6	16.7	1.4	–4.7	1.2	4.1
Receipts from the rest of the world	667.0	16.1	–19.7	1.2	8.3	2.4	–2.9	0.2	1.3
Less: Payments to the rest of the world	247.2	10.5	–0.1	–3.4	–8.4	4.2	0.0	–1.3	–3.3
Less: Taxes on corporate income	417.8	–5.9	–25.0	10.0	–0.4	–1.3	–5.8	2.4	–0.1
Equals: Profits after tax	1,708.7	40.8	–1.7	56.9	39.5	2.6	–0.1	3.5	2.4
Net dividends	858.3	120.9	–103.8	273.5	–179.0	16.2	–12.0	35.8	–17.3
Undistributed profits from current production	850.5	–80.1	102.1	–216.6	218.6	–9.7	13.7	–25.5	34.6
Net cash flow	2,284.4	–91.2	140.7	–205.3	231.1	–4.1	6.6	–9.1	11.3

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 $39.2 billion, or 1.9 percent at a quarterly rate, in the third quarter after increasing $66.8 billion, or 3.3 percent, in the second quarter.

Domestic profits of financial corporations increased $9.7 billion, or 2.1 percent, after increasing $24.5 billion, or 5.7 percent.

Domestic profits of nonfinancial corporations increased $12.7 billion, or 1.0 percent, after increasing $37.8 billion, or 3.2 percent.

Profits from the rest of the world increased $16.7 billion, or 4.1 percent, after increasing $4.6 billion, or 1.2 percent. In the third quarter, receipts increased $8.3 billion, and payments decreased $8.4 billion.

Taxes on corporate income decreased $0.4 billion, or 0.1 percent, in the third quarter after increasing $10.0 billion, or 2.4 percent, in the second quarter.

Net dividends decreased $179.0 billion, or 17.3 percent, after increasing $273.5 billion, or 35.8 percent. The large second-quarter increase primarily reflected dividends paid by Fannie Mae to the federal government under the stock purchase agreement authorized by the Housing and Economic Recovery Act of 2008.

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).

Corporate Profits by Industry

Table 4. Corporate Profits by Industry

[Seasonally adjusted]

	Billions of dollars (annual rate)					Percent change from preceding quarter (quarterly rate)			
	Level	Change from preceding quarter							
	2013	2012	2013			2012	2013		
	III	IV	I	II	III	IV	I	II	III
Industry profits:									
Profits with IVA	2,288.2	34.5	−41.1	68.6	39.6	1.6	−1.8	3.1	1.8
Domestic industries	1,868.4	29.0	−21.5	64.0	22.9	1.6	−1.2	3.6	1.2
Financial	521.6	−15.1	−5.2	25.0	9.7	−3.0	−1.0	5.1	1.9
Nonfinancial	1,346.8	44.1	−16.3	39.0	13.2	3.5	−1.2	3.0	1.0
Utilities	50.2	−7.2	4.7	8.9	3.0	−17.7	13.9	23.3	6.5
Manufacturing	392.4	22.3	−20.4	−7.9	10.6	5.7	−5.0	−2.0	2.8
Wholesale trade	154.7	12.8	5.8	0.9	3.6	9.7	4.0	0.6	2.4
Retail trade	166.0	16.5	−10.1	21.0	−3.9	11.6	−6.3	14.1	−2.3
Transportation and warehousing	61.3	−5.1	7.4	3.1	3.7	−9.8	15.8	5.7	6.4
Information	118.3	−10.4	21.7	7.6	−13.5	−9.2	21.1	6.1	−10.2
Other nonfinancial	403.9	15.2	−25.3	5.3	9.7	3.8	−6.1	1.4	2.4
Rest of the world	419.8	5.6	−19.6	4.6	16.7	1.4	−4.7	1.2	4.1
Addenda:									
Profits before tax (without IVA and CCAdj)	2,286.6	21.0	−36.4	46.6	46.9	1.0	−1.6	2.1	2.1
Profits after tax (without IVA and CCAdj)	1,868.7	27.0	−11.6	36.6	47.3	1.5	−0.6	2.1	2.6
IVA	1.7	13.6	−4.6	21.9	−7.2	....	....	....	....
CCAdj	−161.6	0.3	14.4	−1.6	−0.5	....	....	....	....

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 CCAdj Capital consumption adjustment

Profits with inventory valuation adjustment (IVA) increased $39.6 billion, or 1.8 percent at a quarterly rate, in the third quarter after increasing $68.6 billion, or 3.1 percent, in the second quarter.

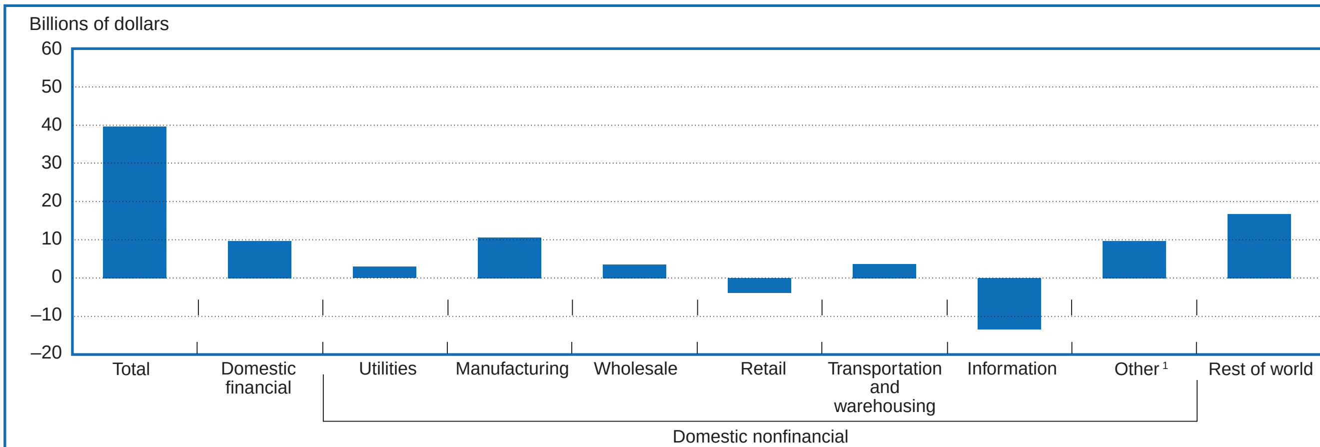
Profits of domestic industries increased $22.9 billion, or 1.2 percent after increasing $64.0 billion, or 3.6 percent.

Profits of domestic financial industries increased $9.7 billion, or 1.9 percent after increasing $25.0 billion, or 5.1 percent.

Profits of domestic nonfinancial industries increased $13.2 billion, or 1.0 percent after increasing $39.0 billion, or 3.0 percent. The third-quarter increase primarily reflected increases in manufacturing and in "other" nonfinancial corporations that were partly offset by a decrease in information. In manufacturing, the largest increases were in "other" durable goods and in food and beverage and tobacco products. These increases were partly offset by decreases in petroleum and coal products and in chemical products.

Profits from the rest of the world increased $16.7 billion, or 4.1 percent in the third quarter after increasing $4.6 billion, or 1.2 percent in the second quarter.

Chart 2. Corporate Profits With Inventory Valuation Adjustment: Change From the Preceding Quarter, 2013:III



1. "Other" nonfinancial corporations include the agriculture, mining, construction, and services industries.
NOTE. Based on seasonally adjusted estimates.
U.S. Bureau of Economic Analysis

Corporate Profits by Industry

Industry profits are corporate profits by industry with inventory valuation adjustment (IVA). The IVA removes the effect of price changes on inventories. The IVA is the difference between the cost of inventory withdrawals at acquisition cost and replacement cost. Ideally, BEA would also add the capital consumption adjustment (CCAdj) for each industry. However, estimates of the CCAdj are only available for two broad categories: total financial industries and total nonfinancial industries. For more information about BEA's methodology, see "Corporate Profits" in *Concepts and Methods of the U.S. National Income and Product Accounts* at www.bea.gov/methodologies/index.htm.