

# GDP and the Economy

## Second Estimates for the Third Quarter of 2012

**R**EAL GROSS domestic product (GDP) increased at an annual rate of 2.7 percent in the third quarter of 2012, according to the second estimates of the national income and product accounts (NIPAs) (chart 1 and table 1).<sup>1</sup> In the second quarter, real GDP increased 1.3 percent.

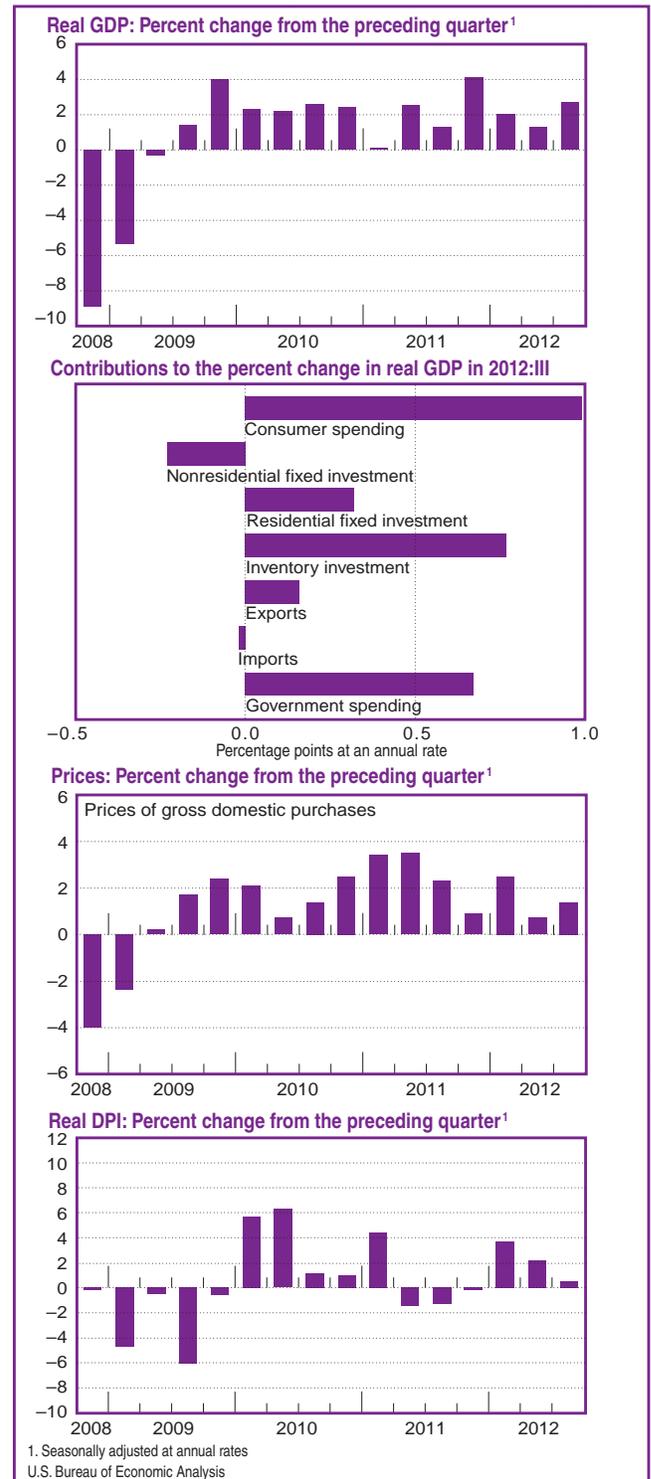
The second estimate of real GDP growth was revised up 0.7 percentage point from the advance estimate, reflecting upward revisions to inventory investment and to exports that were partly offset by downward revisions to consumer spending and to nonresidential fixed investment.<sup>2</sup>

- Prices of goods and services purchased by U.S. residents increased 1.4 percent in the third quarter after increasing 0.7 percent in the second quarter. Energy prices turned up in the third quarter, and food prices turned down. Excluding food and energy, gross domestic purchases prices increased 1.1 percent in the third quarter after increasing 1.4 percent.
- Real disposable personal income (DPI) increased 0.5 percent in the third quarter, 0.3 percentage point less than in the advance estimate, after increasing 2.2 percent (revised) in the second quarter. Current-dollar DPI increased 2.1 percent after increasing 2.9 percent (revised). The sharper deceleration in real DPI than in current-dollar DPI reflected an acceleration in the PCE implicit price deflator, which is used to deflate DPI. The deflator increased 1.6 percent in the third quarter after increasing 0.7 percent. The deceleration in third-quarter current-dollar DPI reflected a deceleration in personal income that was partly offset by a deceleration in personal current taxes.
- The personal saving rate, personal saving as a percentage of current-dollar DPI, was 3.6 percent in the third quarter, 0.1 percentage point less than in the advance estimate; in the second quarter, the rate was 3.8 percent (revised).
- Corporate profits increased \$67.3 billion in the third quarter after increasing \$21.8 billion.

1. "Real" estimates are in chained (2005) 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, "inventory investment" refers to "change in private inventories," "consumer spending" refers to "personal consumption expenditures (PCE)," and "government spending" refers to "government consumption expenditures and gross investment."

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



Shelly Smith prepared this article.

## Real GDP Overview

Table 1. Real Gross Domestic Product and Components

[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)		
	2012		2012					2012		
	III	IV	I	II	III	IV	I	II	III	
<b>Gross domestic product</b> <sup>1</sup> .....	<b>100.0</b>	<b>4.1</b>	<b>2.0</b>	<b>1.3</b>	<b>2.7</b>	<b>4.1</b>	<b>2.0</b>	<b>1.3</b>	<b>2.7</b>	
<b>Personal consumption expenditures</b> .....	<b>70.6</b>	<b>2.0</b>	<b>2.4</b>	<b>1.5</b>	<b>1.4</b>	<b>1.45</b>	<b>1.72</b>	<b>1.06</b>	<b>0.99</b>	
Goods.....	24.0	5.4	4.7	0.3	3.5	1.29	1.11	0.08	0.83	
Durable goods.....	7.7	13.9	11.5	-0.2	8.7	1.00	0.85	-0.02	0.64	
Nondurable goods.....	16.3	1.8	1.6	0.6	1.1	0.29	0.26	0.10	0.18	
Services.....	46.6	0.3	1.3	2.1	0.3	0.16	0.61	0.99	0.16	
<b>Gross private domestic investment</b> .....	<b>13.2</b>	<b>33.9</b>	<b>6.1</b>	<b>0.7</b>	<b>6.7</b>	<b>3.72</b>	<b>0.78</b>	<b>0.09</b>	<b>0.86</b>	
Fixed investment.....	12.6	10.0	9.8	4.5	0.7	1.19	1.18	0.56	0.10	
Nonresidential.....	10.2	9.5	7.5	3.6	-2.2	0.93	0.74	0.36	-0.23	
Structures.....	2.9	11.5	12.9	0.6	-1.1	0.31	0.35	0.02	-0.03	
Equipment and software.....	7.3	8.8	5.4	4.8	-2.7	0.62	0.39	0.35	-0.20	
Residential.....	2.5	12.1	20.5	8.5	14.2	0.26	0.43	0.19	0.32	
Change in private inventories.....	0.5	.....	.....	.....	.....	2.53	-0.39	-0.46	0.77	
<b>Net exports of goods and services</b> .....	<b>-3.3</b>	.....	.....	.....	.....	<b>-0.64</b>	<b>0.06</b>	<b>0.23</b>	<b>0.14</b>	
Exports.....	13.9	1.4	4.4	5.3	1.1	0.21	0.60	0.72	0.16	
Goods.....	9.8	6.0	4.0	7.0	0.2	0.58	0.39	0.67	0.03	
Services.....	4.1	-8.8	5.2	1.1	3.2	-0.38	0.21	0.05	0.13	
Imports.....	17.2	4.9	3.1	2.8	0.1	-0.85	-0.54	-0.49	-0.02	
Goods.....	14.3	6.3	2.0	2.9	-1.0	-0.90	-0.29	-0.42	0.15	
Services.....	2.9	-1.7	9.0	2.3	5.9	0.05	-0.25	-0.07	-0.17	
<b>Government consumption expenditures and gross investment</b> .....	<b>19.6</b>	<b>-2.2</b>	<b>-3.0</b>	<b>-0.7</b>	<b>3.5</b>	<b>-0.43</b>	<b>-0.60</b>	<b>-0.14</b>	<b>0.67</b>	
Federal.....	7.9	-4.4	-4.2	-0.2	9.5	-0.35	-0.34	-0.02	0.71	
National defense.....	5.3	-10.6	-7.1	-0.2	12.9	-0.60	-0.39	-0.01	0.64	
Nondefense.....	2.6	10.2	1.8	-0.4	3.0	0.25	0.05	-0.01	0.08	
State and local.....	11.7	-0.7	-2.2	-1.0	-0.4	-0.08	-0.26	-0.12	-0.04	

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

NOTE. Percent changes are from NIPA table 1.1.1, contributions are from NIPA table 1.1.2, and shares are from NIPA table 1.1.10.

Table 2. 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)		
	2012		2012					2012		
	III	IV	I	II	III	IV	I	II	III	
<b>Gross domestic product</b> <sup>1</sup> .....	<b>100.0</b>	<b>4.1</b>	<b>2.0</b>	<b>1.3</b>	<b>2.7</b>	<b>4.1</b>	<b>2.0</b>	<b>1.3</b>	<b>2.7</b>	
Final sales of domestic product.....	99.5	1.5	2.4	1.7	1.9	1.56	2.35	1.71	1.90	
Change in private inventories.....	0.5	.....	.....	.....	.....	2.53	-0.39	-0.46	0.77	
Goods.....	28.7	16.1	3.9	1.3	5.8	4.23	1.09	0.38	1.62	
Services.....	64.3	-1.0	0.6	1.2	1.4	-0.62	0.38	0.76	0.89	
Structures.....	7.0	7.2	7.4	1.7	2.3	0.49	0.50	0.12	0.16	
<b>Addenda:</b>										
Motor vehicle output.....	2.7	24.0	30.9	7.3	-8.4	0.55	0.72	0.20	-0.24	
GDP excluding motor vehicle output.....	97.3	3.6	1.3	1.1	3.0	3.54	1.23	1.06	2.91	
Final sales of computers.....	0.4	31.1	4.5	-19.9	31.7	0.12	0.02	-0.10	0.12	
GDP excluding final sales of computers.....	99.6	4.0	1.9	1.4	2.6	3.97	1.94	1.35	2.55	
<b>Gross domestic income (GDI)</b> <sup>2</sup> .....	.....	4.5	3.8	-0.7	1.7	.....	.....	.....	.....	

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

2. GDI is deflated by the implicit price deflator for GDP. The third-quarter change reflects the incorporation of revised wage and salary estimates for the third quarter of 2012.

NOTE. For GDP and its components, percent changes are from NIPA table 1.2.1, contributions are from NIPA table 1.2.2, and shares are calculated from NIPA table 1.2.5. For GDI, percent changes are from NIPA table 1.7.1.

Consumer spending slowed in the third quarter, adding 0.99 percentage point to real GDP growth after adding 1.06 percentage points in the second quarter.

Nonresidential fixed investment turned down, subtracting 0.23 percentage point from real GDP growth after adding 0.36 percentage point (see page 4).

Residential fixed investment accelerated, adding 0.32 percentage point to real GDP growth after adding 0.19 percentage point (see page 4).

Inventory investment turned up, adding 0.77 percentage point to real GDP growth after subtracting 0.46 percentage point (see page 5).

Exports decelerated, contributing 0.16 percentage point to real GDP growth after adding 0.72 percentage point (see page 6).

Imports decelerated, subtracting 0.02 percentage point from real GDP growth after subtracting 0.49 percentage point (see page 6).

Federal government spending turned up, adding 0.71 percentage point to real GDP growth after subtracting 0.02 percentage point (see page 7).

State and local government spending decreased less, subtracting 0.04 percentage point from real GDP growth after subtracting 0.12 percentage point (see page 7).

Real final sales of domestic product, real GDP less inventory investment, accelerated slightly, increasing 1.9 percent after increasing 1.7 percent.

Motor vehicle output turned down, subtracting 0.24 percentage point from real GDP growth after adding 0.20 percentage point.

Final sales of computers turned up, adding 0.12 percentage point to real GDP growth after subtracting 0.10 percentage point.

Real gross domestic income, which measures the output of the economy as the costs incurred and the incomes earned in the production of GDP, increased 1.7 percent in the third quarter; in contrast, it decreased 0.7 percent (revised) in the second quarter.

## Consumer Spending

**Table 3. 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)		
	2012		2011		2012			2011		2012
	III	IV	I	II	III	IV	I	II	III	
<b>PCE</b> <sup>1</sup> .....	<b>100.0</b>	<b>2.0</b>	<b>2.4</b>	<b>1.5</b>	<b>1.4</b>	<b>2.0</b>	<b>2.4</b>	<b>1.5</b>	<b>1.4</b>	
<b>Goods</b> .....	<b>34.0</b>	<b>5.4</b>	<b>4.7</b>	<b>0.3</b>	<b>3.5</b>	<b>1.81</b>	<b>1.57</b>	<b>0.11</b>	<b>1.17</b>	
<b>Durable goods</b> .....	10.9	13.9	11.5	-0.2	8.7	1.40	1.20	-0.02	0.91	
Motor vehicles and parts ....	3.6	28.6	13.0	-9.8	10.3	0.88	0.45	-0.37	0.35	
Furnishings and durable household equipment .....	2.4	9.8	8.6	-0.7	5.9	0.22	0.20	-0.02	0.14	
Recreational goods and vehicles .....	3.2	11.8	13.1	7.2	11.3	0.35	0.39	0.22	0.34	
Other durable goods .....	1.7	-3.6	9.8	8.6	4.6	-0.06	0.16	0.14	0.08	
<b>Nondurable goods</b> .....	23.1	1.8	1.6	0.6	1.1	0.41	0.38	0.14	0.26	
Food and beverages for off-premises consumption .....	7.4	0.3	0.0	-0.5	0.8	0.02	0.00	-0.04	0.06	
Clothing and footwear .....	3.3	3.4	5.9	-4.9	5.4	0.11	0.19	-0.17	0.17	
Gasoline and other energy goods .....	4.0	0.5	-2.5	8.5	-3.8	0.02	-0.10	0.32	-0.15	
Other nondurable goods .....	8.4	3.1	3.5	0.3	2.1	0.26	0.29	0.02	0.18	
<b>Services</b> .....	<b>66.0</b>	<b>0.3</b>	<b>1.3</b>	<b>2.1</b>	<b>0.3</b>	<b>0.22</b>	<b>0.87</b>	<b>1.39</b>	<b>0.23</b>	
Household consumption expenditures .....	63.2	0.5	1.4	1.5	-0.1	0.36	0.90	0.98	-0.05	
Housing and utilities .....	17.8	-3.4	-2.2	5.5	1.3	-0.63	-0.39	0.95	0.24	
Health care .....	16.2	3.7	3.7	-1.3	-1.5	0.59	0.59	-0.21	-0.25	
Transportation services .....	2.8	-1.1	1.6	2.9	0.4	-0.03	0.04	0.08	0.01	
Recreation services .....	3.7	0.6	-0.6	2.9	4.6	0.02	-0.02	0.10	0.17	
Food services and accommodations .....	6.4	4.7	4.8	1.1	1.1	0.29	0.30	0.07	0.07	
Financial services and insurance .....	7.4	-2.0	3.8	-0.1	-4.9	-0.15	0.28	-0.01	-0.37	
Other services .....	8.8	3.0	1.1	-0.1	0.8	0.26	0.10	-0.01	0.07	
Final consumption expenditures of NPISHs <sup>2</sup> .....	2.8	-4.9	-1.2	16.3	10.8	-0.14	-0.03	0.41	0.29	
Gross output of NPISHs <sup>3</sup> .....	10.9	3.1	4.1	0.6	0.4	0.34	0.44	0.07	0.04	
Less: Receipts from sales of goods and services by NPISHs <sup>4</sup> .....	8.1	6.0	5.9	-4.1	-2.9	0.47	0.47	-0.34	-0.24	

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, and contributions, from NIPA table 2.3.2; shares are calculated from NIPA table 2.3.5.  
 NPISHs Nonprofit institutions serving households

Consumer spending increased 1.4 percent in the third quarter after increasing 1.5 percent in the second quarter. The slight slowdown reflected a deceleration in spending for services that was mostly offset by an acceleration in spending for goods. Over the last 12 quarters, consumer spending has increased on average by about 2 percent.

In the third quarter, consumer spending for motor vehicles and parts turned up, reflecting upturns in spending on both new and used vehicles.

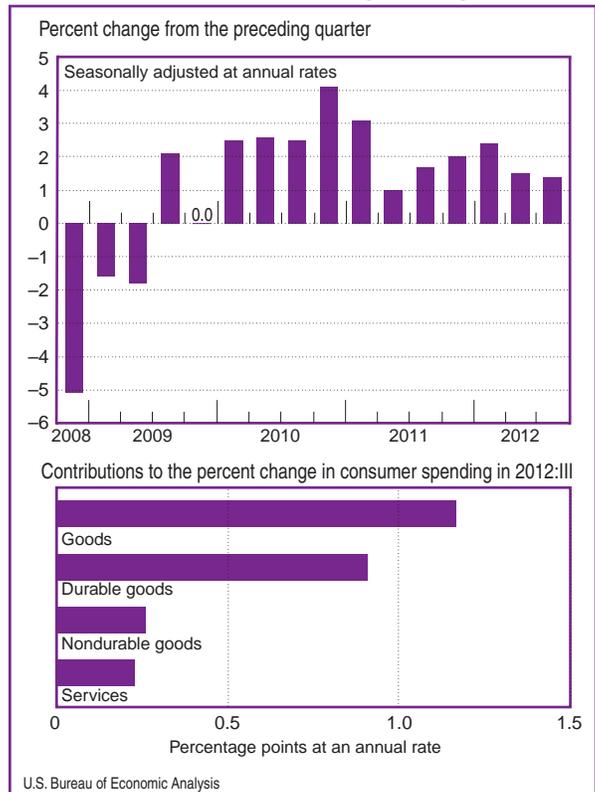
Consumer spending for clothing and footwear also turned up.

In contrast, spending for gasoline and other energy goods turned down, reflecting a downturn in spending for motor vehicle fuels.

Spending for housing and utilities slowed, reflecting a deceleration in spending for household utilities, notably for electricity and gas.

Financial services and insurance decreased more than in the second quarter, reflecting a downturn in consumer purchases of financial services.

**Chart 2. Real Personal Consumption Expenditures**



## Private Fixed Investment

**Table 4. 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)			
		2011		2012			2011		2012	
		III	IV	I	II	III	IV	I	II	III
<b>Private fixed investment</b> <sup>1</sup>	<b>100.0</b>	<b>10.0</b>	<b>9.8</b>	<b>4.5</b>	<b>0.7</b>	<b>10.0</b>	<b>9.8</b>	<b>4.5</b>	<b>0.7</b>	
<b>Nonresidential</b> .....	<b>80.6</b>	<b>9.5</b>	<b>7.5</b>	<b>3.6</b>	<b>-2.2</b>	<b>7.84</b>	<b>6.25</b>	<b>2.92</b>	<b>-1.82</b>	
<b>Structures</b> .....	<b>23.0</b>	<b>11.5</b>	<b>12.9</b>	<b>0.6</b>	<b>-1.1</b>	<b>2.57</b>	<b>2.93</b>	<b>0.14</b>	<b>-0.25</b>	
Commercial and health care	5.1	-5.0	11.1	10.3	5.8	-0.25	0.54	0.49	0.29	
Manufacturing.....	2.6	21.8	-7.8	26.2	-16.0	0.54	-0.21	0.62	-0.46	
Power and communication	4.6	9.3	94.3	-19.5	-8.1	0.40	3.16	-1.05	-0.39	
Mining exploration, shafts, and wells.....	7.5	21.5	-8.4	-4.1	3.7	1.56	-0.67	-0.32	0.28	
Other structures <sup>2</sup> .....	3.2	10.4	3.0	13.5	1.2	0.32	0.11	0.40	0.04	
<b>Equipment and software</b> .....	<b>57.6</b>	<b>8.8</b>	<b>5.4</b>	<b>4.8</b>	<b>-2.7</b>	<b>5.27</b>	<b>3.32</b>	<b>2.77</b>	<b>-1.57</b>	
Information processing equipment and software	27.4	6.7	5.9	-2.4	-2.8	1.97	1.69	-0.68	-0.80	
Computers and peripheral equipment.....	3.6	11.2	14.7	-19.6	-31.9	0.48	0.60	-0.91	-1.46	
Software <sup>3</sup> .....	14.7	8.7	1.9	6.1	2.6	1.30	0.29	0.88	0.38	
Other <sup>4</sup> .....	9.1	1.7	8.5	-6.9	3.2	0.19	0.79	-0.66	0.28	
Industrial equipment.....	9.9	21.4	-13.6	13.6	0.1	2.05	-1.45	1.27	0.01	
Transportation equipment.....	9.7	31.0	20.0	15.8	-16.3	2.62	1.91	1.48	-1.76	
Other equipment <sup>5</sup> .....	10.6	-12.7	11.8	6.9	9.8	-1.37	1.17	0.70	0.98	
<b>Residential</b> .....	<b>19.4</b>	<b>12.1</b>	<b>20.5</b>	<b>8.5</b>	<b>14.2</b>	<b>2.15</b>	<b>3.53</b>	<b>1.54</b>	<b>2.54</b>	
<b>Structures</b> .....	<b>19.0</b>	<b>12.3</b>	<b>21.2</b>	<b>8.8</b>	<b>14.4</b>	<b>2.12</b>	<b>3.54</b>	<b>1.55</b>	<b>2.51</b>	
Permanent site.....	7.7	8.5	30.9	25.4	31.8	0.56	1.87	1.61	2.06	
Single family.....	6.6	8.8	26.9	17.6	31.1	0.51	1.44	0.99	1.73	
Multifamily.....	1.1	5.9	61.7	87.9	36.1	0.05	0.43	0.62	0.33	
Other structures <sup>6</sup> .....	11.2	14.6	15.6	-0.6	4.1	1.56	1.67	-0.06	0.45	
<b>Equipment</b> .....	<b>0.5</b>	<b>7.1</b>	<b>-1.6</b>	<b>-2.5</b>	<b>7.3</b>	<b>0.03</b>	<b>-0.01</b>	<b>-0.01</b>	<b>0.03</b>	

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. Excludes software "embedded," or bundled, in computers and other equipment.  
 4. Includes communication equipment, nonmedical instruments, medical equipment and instruments, photocopy and related equipment, and office and accounting equipment.  
 5. Consists primarily of furniture and fixtures, agricultural machinery, construction machinery, mining and oilfield machinery, service industry machinery, and electrical equipment not elsewhere classified.  
 6. Consists primarily of manufactured homes, improvements, dormitories, net purchases of used structures, and brokers' commissions on the sale of residential structures.  
 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.

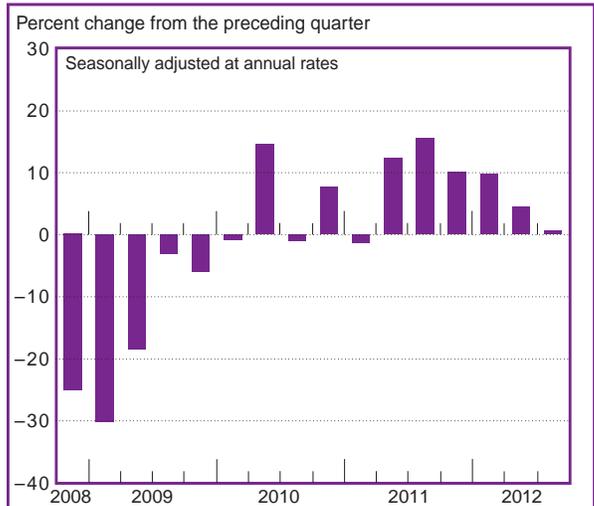
Private fixed investment increased 0.7 percent in the third quarter after increasing 4.5 percent in the second quarter. The slowdown reflected downturns in nonresidential fixed investment in equipment and software and in structures that were partly offset by a pickup in residential fixed investment.

Nonresidential structures fell 1.1 percent after increasing 0.6 percent. The downturn primarily reflected a downturn in manufacturing and a slowdown in "other" structures that were partly offset by a smaller decrease in power and communication and an upturn in mining exploration, shafts, and wells.

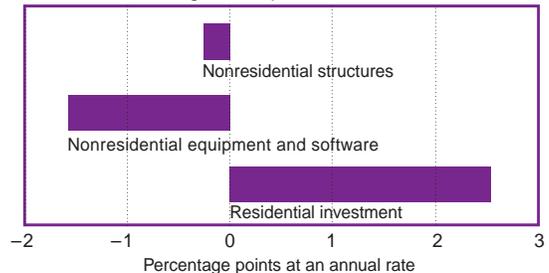
The downturn in equipment and software primarily reflected a downturn in transportation equipment (notably aircraft and light trucks) and a deceleration in industrial equipment.

Residential fixed investment increased 14.2 percent after increasing 8.5 percent. The pickup reflected an acceleration in single-family structures and an upturn in "other" structures (specifically, improvements) that were partly offset by a slowdown in multifamily structures. Residential investment has increased over 15 percent since its low point in the third quarter of 2010.

**Chart 3. Real Private Fixed Investment**



Contributions to the change in real private fixed investment in 2012:III



## Inventory Investment

**Table 5. Change in Real Private Inventories by Industry**  
 [Billions of chained (2005) dollars; seasonally adjusted at annual rates]

	Level					Change from preceding quarter				
	2011		2012			2011		2012		
	III	IV	I	II	III	IV	I	II	III	
<b>Change in private inventories<sup>1</sup></b>	<b>-4.3</b>	<b>70.5</b>	<b>56.9</b>	<b>41.4</b>	<b>61.3</b>	<b>74.8</b>	<b>-13.6</b>	<b>-15.5</b>	<b>19.9</b>	
Farm.....	-2.8	-1.6	-2.6	-7.9	-19.4	1.2	-1.0	-5.3	-11.5	
Mining, utilities, and construction....	0.1	7.6	15.7	3.1	-4.8	7.5	8.1	-12.6	-7.9	
Manufacturing.....	2.4	35.5	11.9	-1.8	36.5	33.1	-23.6	-13.7	38.3	
Durable-goods industries.....	16.1	22.4	12.4	14.3	28.8	6.3	-10.0	1.9	14.5	
Nondurable-goods industries.....	-11.4	13.3	0.4	-13.6	8.9	24.7	-12.9	-14.0	22.5	
Wholesale trade.....	2.7	30.2	19.1	13.8	31.7	27.5	-11.1	-5.3	17.9	
Durable-goods industries.....	19.0	15.5	21.5	24.4	21.4	-3.5	6.0	2.9	-3.0	
Nondurable-goods industries.....	-12.5	14.1	0.0	-7.0	11.0	26.6	-14.1	-7.0	18.0	
Retail trade.....	-5.1	-3.4	21.1	29.4	19.8	1.7	24.5	8.3	-9.6	
Motor vehicle and parts dealers.....	-4.8	-5.0	20.1	21.9	20.5	-0.2	25.1	1.8	-1.4	
Food and beverage stores.....	1.6	0.9	2.4	0.0	-0.2	-0.7	1.5	-2.4	-0.2	
General merchandise stores.....	-0.7	2.5	-1.0	1.8	-1.3	3.2	-3.5	2.8	-3.1	
Other retail stores.....	-1.6	-2.2	0.8	7.0	2.2	-0.6	3.0	6.2	-4.8	
Other industries.....	-1.5	1.7	-5.7	10.3	4.9	3.2	-7.4	16.0	-5.4	
Residual <sup>2</sup> .....	-5.8	1.3	-7.1	-12.9	-10.7	.....	.....	.....	.....	
<b>Addenda: Ratios of private inventories to final sales of domestic business:<sup>3</sup></b>										
Private inventories to final sales.....	2.32	2.32	2.32	2.32	2.33	.....	.....	.....	.....	
Nonfarm inventories to final sales.....	2.12	2.13	2.13	2.14	2.16	.....	.....	.....	.....	
Nonfarm inventories to final sales of goods and structures.....	3.94	3.92	3.90	3.91	3.93	.....	.....	.....	.....	

Real inventory investment increased \$19.9 billion in the third quarter after decreasing \$15.5 billion in the second quarter. The upturn reflected upturns in manufacturing and wholesale trade industries that were partly offset by downturns in “other” industries and in retail trade industries and a larger decrease in farm.

The larger decrease in farm primarily reflected the effects of the drought (see the box).

The upturn in manufacturing reflected an upturn in nondurable-goods industries and an acceleration in durable-goods industries.

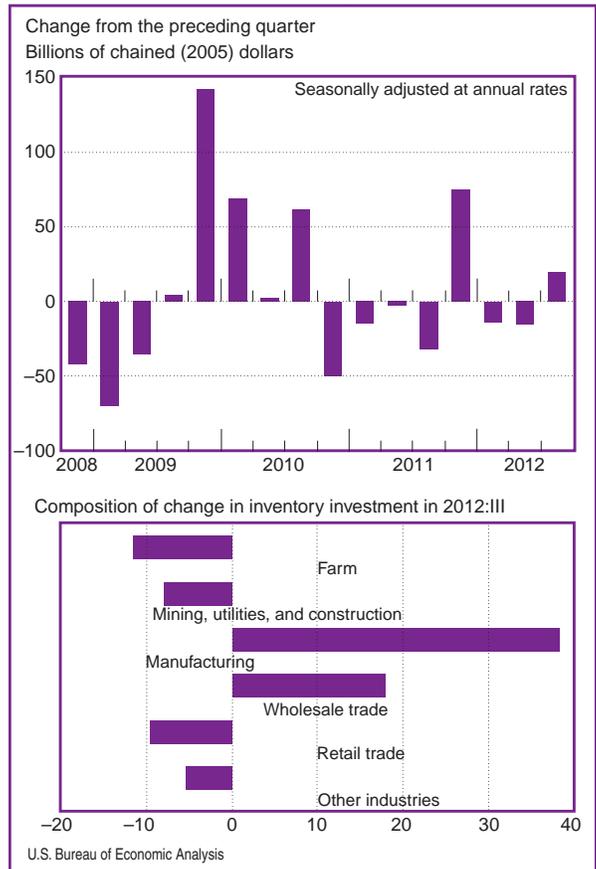
The upturn in wholesale trade reflected an upturn in nondurable-goods industries that was partly offset by a downturn in durable-goods industries.

The downturn in retail trade reflected downturns in “other” retail trade, in general merchandise stores, and in motor vehicle and parts dealers that were partly offset by a smaller decrease in food and beverage stores.

The downturn in “other” industries reflected downturns in agricultural services, forestries, and fisheries and in transportation and warehousing.

1. The levels are from NIPA table 5.6.6B.  
 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 5.7.6B.  
 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.

**Chart 4. Real Private Inventory Investment**



### Effects of the Summer Drought

This summer’s drought adversely affected agricultural production in several Midwestern states. The NIPAs reflect the effects of the drought in several ways, but the largest effect was on BEA’s estimates of farm inventory investment.

The farm inventory investment estimates reflect the continuing effects of the drought on farm production (particularly losses for corn and soybeans). Based on USDA farm statistics, BEA estimated that the drought reduced current-dollar farm inventory investment by about \$29 billion in the third quarter after reducing farm inventory investment by about \$12 billion in the second quarter. In the third quarter, total farm inventory investment subtracted 0.39 percentage point from real GDP growth after subtracting 0.17 percentage point in the second quarter.

For more details, including a discussion of income-side effects, see “Effects of the 2012 Midwest Drought on the NIPA Estimates” in the October 2012 SURVEY OF CURRENT BUSINESS.

## Exports and Imports

**Table 6. 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)			
		2011		2012			2011		2012	
		III	IV	I	II	III	IV	I	II	III
<b>Exports of goods and services<sup>1</sup></b>	<b>100.0</b>	<b>1.4</b>	<b>4.4</b>	<b>5.3</b>	<b>1.1</b>	<b>1.4</b>	<b>4.4</b>	<b>5.3</b>	<b>1.1</b>	
<b>Exports of goods<sup>2</sup></b>	<b>70.8</b>	<b>6.0</b>	<b>4.0</b>	<b>7.0</b>	<b>0.2</b>	<b>4.14</b>	<b>2.89</b>	<b>4.92</b>	<b>0.17</b>	
Foods, feeds, and beverages	6.8	5.8	-10.2	32.1	15.6	0.33	-0.62	1.67	0.95	
Industrial supplies and materials	21.6	13.5	-6.3	9.1	-8.4	2.96	-1.47	2.02	-1.93	
Capital goods, except automotive	24.3	4.6	12.5	-0.8	7.5	1.07	2.87	-0.16	1.76	
Automotive vehicles, engines, and parts	6.6	-2.6	24.3	9.3	-10.9	-0.17	1.45	0.62	-0.78	
Consumer goods, except automotive	8.3	3.4	-7.0	13.7	-0.5	0.28	-0.60	1.08	-0.04	
Other	3.1	-10.7	51.4	-9.1	7.1	-0.33	1.26	-0.30	0.21	
<b>Exports of services<sup>2</sup></b>	<b>29.2</b>	<b>-8.8</b>	<b>5.2</b>	<b>1.1</b>	<b>3.2</b>	<b>-2.70</b>	<b>1.49</b>	<b>0.33</b>	<b>0.93</b>	
<b>Imports of goods and services<sup>1</sup></b>	<b>100.0</b>	<b>4.9</b>	<b>3.1</b>	<b>2.8</b>	<b>0.1</b>	<b>4.90</b>	<b>3.10</b>	<b>2.80</b>	<b>0.10</b>	
<b>Imports of goods<sup>2</sup></b>	<b>83.1</b>	<b>6.3</b>	<b>2.0</b>	<b>2.9</b>	<b>-1.0</b>	<b>5.20</b>	<b>1.68</b>	<b>2.40</b>	<b>-0.84</b>	
Foods, feeds, and beverages	4.1	20.3	-2.9	-5.0	8.2	0.77	-0.12	-0.21	0.32	
Industrial supplies and materials, except petroleum and products	10.7	-4.0	12.3	0.3	6.5	-0.44	1.24	0.04	0.67	
Petroleum and products	14.9	2.9	-21.7	-3.0	-4.4	0.50	-4.24	-0.51	-0.69	
Capital goods, except automotive	20.1	12.9	11.5	7.5	-9.0	2.39	2.15	1.46	-1.90	
Automotive vehicles, engines, and parts	11.2	8.6	36.0	4.3	7.9	0.83	3.18	0.45	0.83	
Consumer goods, except automotive	19.1	1.7	-7.3	6.2	0.0	0.34	-1.43	1.12	0.00	
Other	3.2	31.8	33.8	1.6	-2.0	0.81	0.89	0.05	-0.06	
<b>Imports of services<sup>2</sup></b>	<b>16.9</b>	<b>-1.7</b>	<b>9.0</b>	<b>2.3</b>	<b>5.9</b>	<b>-0.27</b>	<b>1.41</b>	<b>0.38</b>	<b>0.95</b>	
<b>Addenda:</b>										
Exports of agricultural goods <sup>3</sup>	7.4	11.8	-2.5	26.8	15.9	.....	.....	.....	.....	
Exports of nonagricultural goods	63.4	5.4	4.7	5.2	-1.4	.....	.....	.....	.....	
Imports of nonpetroleum goods	68.3	7.2	9.2	4.4	-0.2	.....	.....	.....	.....	

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.

Real exports of goods and services decelerated, reflecting a deceleration in exports of goods that was partly offset by an acceleration in exports of services.

The deceleration in goods exports reflected downturns in industrial supplies and materials (notably coal and petroleum products), in automotive vehicles, engines, and parts, and in nonautomotive consumer goods. In contrast, nonautomotive capital goods turned up, reflecting an upturn in civilian aircraft, engines, and parts.

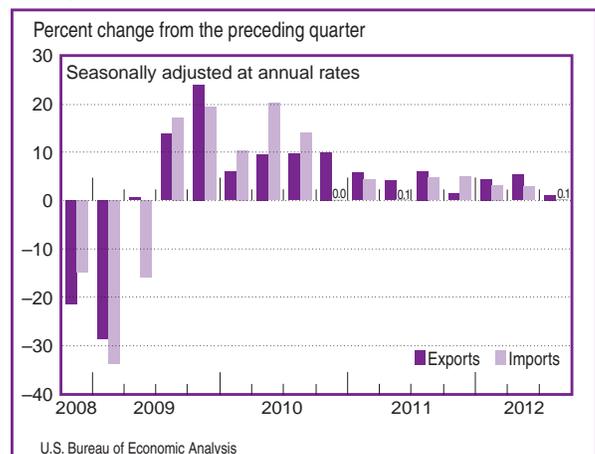
The acceleration in services exports primarily reflected an upturn in passenger fares and an acceleration in "other" private services.

Real imports of goods and services decelerated, reflecting a downturn in imports of goods that was partly offset by an acceleration in imports of services.

The downturn in goods imports reflected a downturn in nonautomotive capital goods and a deceleration in nonautomotive consumer goods that were partly offset by an acceleration in nonpetroleum industrial supplies and materials and an upturn in foods, feeds, and beverages.

The acceleration in services imports was driven primarily by an acceleration in royalties and license fees (reflecting payments associated with the broadcasting rights for the summer Olympic games) that was partly offset by a downturn in travel.

**Chart 5. Real Exports and Imports of Goods and Services**



## Government Spending

**Table 7. 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)				
	2012	2011	2012					2011				
	III	IV	I	II	III	IV	I	II	III			
<b>Government consumption expenditures and gross investment<sup>1</sup></b>	<b>100.0</b>	<b>-2.2</b>	<b>-3.0</b>	<b>-0.7</b>	<b>3.5</b>	<b>-2.2</b>	<b>-3.0</b>	<b>-0.7</b>	<b>3.5</b>			
Consumption expenditures.....	84.7	-2.7	-1.1	-1.2	4.7	-2.29	-0.95	-1.04	3.91			
Gross investment.....	15.3	0.6	-12.5	2.3	-2.9	0.10	-2.05	0.35	-0.43			
<b>Federal.....</b>	<b>40.2</b>	<b>-4.4</b>	<b>-4.2</b>	<b>-0.2</b>	<b>9.5</b>	<b>-1.76</b>	<b>-1.69</b>	<b>-0.09</b>	<b>3.68</b>			
<b>National defense.....</b>	<b>27.0</b>	<b>-10.6</b>	<b>-7.1</b>	<b>-0.2</b>	<b>12.9</b>	<b>-3.00</b>	<b>-1.92</b>	<b>-0.04</b>	<b>3.29</b>			
Consumption expenditures.....	23.6	-13.1	-4.7	-2.1	15.0	-3.26	-1.10	-0.48	3.29			
Gross investment.....	3.4	7.4	-21.3	13.8	-0.3	0.26	-0.82	0.44	0.00			
<b>Nondefense.....</b>	<b>13.2</b>	<b>10.2</b>	<b>1.8</b>	<b>-0.4</b>	<b>3.0</b>	<b>1.24</b>	<b>0.23</b>	<b>-0.05</b>	<b>0.39</b>			
Consumption expenditures.....	11.6	12.9	3.6	-0.2	3.9	1.35	0.40	-0.03	0.45			
Gross investment.....	1.6	-6.7	-10.0	-1.3	-4.0	-0.12	-0.17	-0.02	-0.06			
<b>State and local.....</b>	<b>59.8</b>	<b>-0.7</b>	<b>-2.2</b>	<b>-1.0</b>	<b>-0.4</b>	<b>-0.42</b>	<b>-1.31</b>	<b>-0.60</b>	<b>-0.20</b>			
Consumption expenditures.....	49.6	-0.8	-0.5	-1.1	0.3	-0.38	-0.25	-0.53	0.17			
Gross investment.....	10.2	-0.4	-9.8	-0.7	-3.5	-0.04	-1.06	-0.08	-0.37			

1. The estimates under the contribution columns are also percent changes.  
NOTE: Percent changes are from NIPA table 3.9.1, contributions from NIPA table 3.9.2, and shares are calculated from NIPA table 3.9.5.

Total government spending turned up. Both federal defense and nondefense spending turned up, and state and local spending decreased less in the third quarter than in the second quarter.

The large upturn in defense spending reflected an upturn in consumption expenditures (specifically, intermediate services purchased). In contrast, investment in defense equipment and software slowed.

The upturn in nondefense spending reflected an upturn in consumption expenditures (specifically, a downturn in government sales to other sectors).

The smaller decrease in state and local spending reflected an upturn in compensation that was partly offset by a downturn in investment in equipment and software and a larger decrease in investment in structures.

### Government Spending

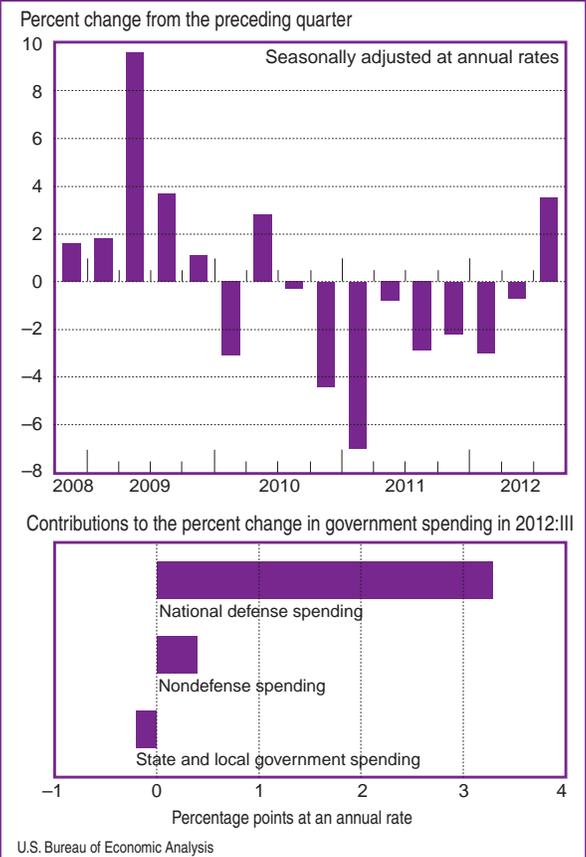
“Government consumption expenditures and gross investment,” or “government spending,” consists of two components: (1) consumption expenditures by federal government and by state and local governments and (2) gross investment by government and government-owned enterprises.

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) and of equipment and software 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 8. Prices for Gross Domestic Purchases**

[Percent change at annual rates; based on seasonally adjusted index numbers (2005=100)]

	Change from preceding period (percent)				Contribution to percent change in gross domestic purchases prices (percentage points)			
	2011		2012		2011		2012	
	IV	I	II	III	IV	I	II	III
<b>Gross domestic purchases<sup>1</sup></b> .....	<b>0.9</b>	<b>2.5</b>	<b>0.7</b>	<b>1.4</b>	<b>0.9</b>	<b>2.5</b>	<b>0.7</b>	<b>1.4</b>
<b>Personal consumption expenditures</b> .....	<b>1.1</b>	<b>2.5</b>	<b>0.7</b>	<b>1.6</b>	<b>0.71</b>	<b>1.70</b>	<b>0.47</b>	<b>1.09</b>
Goods .....	-0.2	2.5	-1.8	1.9	-0.06	0.59	-0.43	0.44
Durable goods .....	-2.5	-1.0	-1.2	-2.3	-0.19	-0.07	-0.09	-0.18
Nondurable goods .....	0.8	4.2	-2.2	3.9	0.13	0.66	-0.34	0.61
Services .....	1.7	2.5	2.0	1.4	0.77	1.11	0.90	0.65
<b>Gross private domestic investment</b> .....	<b>1.2</b>	<b>1.0</b>	<b>1.3</b>	<b>0.5</b>	<b>0.16</b>	<b>0.13</b>	<b>0.17</b>	<b>0.06</b>
Fixed investment .....	1.4	1.2	1.2	1.2	0.16	0.14	0.14	0.14
Nonresidential .....	1.5	1.8	1.2	0.8	0.15	0.17	0.12	0.08
Structures .....	4.5	2.7	3.2	1.0	0.12	0.08	0.09	0.03
Equipment and software .....	0.4	1.4	0.4	0.7	0.03	0.10	0.03	0.05
Residential .....	0.6	-1.4	1.2	2.9	0.01	-0.03	0.03	0.07
Change in private inventories .....	.....	.....	.....	.....	0.00	-0.01	0.02	-0.08
<b>Government consumption expenditures and gross investment</b> .....	<b>0.0</b>	<b>3.6</b>	<b>0.6</b>	<b>1.3</b>	<b>0.00</b>	<b>0.68</b>	<b>0.11</b>	<b>0.25</b>
Federal .....	-0.9	3.2	1.2	0.9	-0.07	0.24	0.09	0.07
National defense .....	-0.9	4.2	0.9	0.9	-0.05	0.21	0.04	0.04
Nondefense .....	-0.8	1.2	2.0	1.0	-0.02	0.03	0.05	0.02
State and local .....	0.6	3.8	0.1	1.6	0.07	0.44	0.02	0.19
<b>Addenda:</b>								
Gross domestic purchases:								
Food .....	3.4	1.2	0.7	-0.6	0.18	0.07	0.03	-0.03
Energy goods and services .....	-5.2	7.6	-13.1	10.3	-0.22	0.31	-0.55	0.39
Excluding food and energy .....	1.0	2.4	1.4	1.1	0.91	2.14	1.26	1.04
Personal consumption expenditures (PCE):								
Food and beverages for off-premises consumption .....	3.3	1.3	0.7	0.6	.....	.....	.....	.....
Energy goods and services .....	-5.0	8.1	-13.6	10.5	.....	.....	.....	.....
Excluding food and energy .....	1.3	2.2	1.7	1.1	.....	.....	.....	.....
Gross domestic product (GDP) .....	0.4	2.0	1.6	2.7	.....	.....	.....	.....
Exports .....	-3.8	2.8	0.5	0.5	.....	.....	.....	.....
Imports .....	0.0	5.6	-3.9	-6.5	.....	.....	.....	.....

Prices paid by U.S. residents, as measured by the gross domestic purchases price index, accelerated in the third quarter. Excluding food and energy, prices slowed.

Consumer prices picked up. The pickup was more than accounted for by an upturn in prices for nondurable goods, mainly in prices paid for gasoline and other energy goods. Prices paid for consumer services slowed.

Prices paid for nonresidential fixed investment slowed, reflecting a slowdown in prices paid for structures.

Prices paid for residential fixed investment accelerated, increasing 2.9 percent after increasing 1.2 percent.

Prices paid by government picked up. A pickup in prices paid by state and local governments, mainly for petroleum and related goods, was partly offset by a slowdown in prices paid by the federal government.

Consumer prices excluding food and energy, a measure of the “core” rate of inflation, slowed, increasing 1.1 percent after increasing 1.7 percent.

The GDP price index increased 2.7 percent, 1.3 percentage points more than the increase in the price index for gross domestic purchases. The faster growth in the GDP price index than in the gross domestic purchases price index reflected a small increase in export prices (0.5 percent) relative to a larger decrease in import prices (6.5 percent).

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 calculated from index numbers in NIPA table 2.3.4. Contributions are from NIPA table 1.6.8. GDP, export, and import prices are from NIPA table 1.1.7.

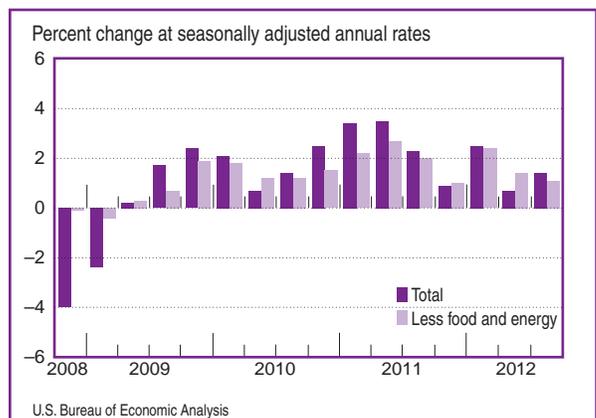
**Note on Prices**

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 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 9. Advance and Second Estimates for the Third Quarter of 2012

[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
<b>Gross domestic product (GDP) <sup>1</sup></b> .....	<b>2.0</b>	<b>2.7</b>	<b>0.7</b>	<b>2.0</b>	<b>2.7</b>	<b>0.7</b>
<b>Personal consumption expenditures</b> .....	<b>2.0</b>	<b>1.4</b>	<b>-0.6</b>	<b>1.42</b>	<b>0.99</b>	<b>-0.43</b>
Goods .....	4.4	3.5	-0.9	1.03	0.83	-0.20
Durable goods .....	8.5	8.7	0.2	0.63	0.64	0.01
Nondurable goods .....	2.4	1.1	-1.3	0.40	0.18	-0.22
Services .....	0.8	0.3	-0.5	0.39	0.16	-0.23
<b>Gross private domestic investment</b> .....	<b>0.5</b>	<b>6.7</b>	<b>6.2</b>	<b>0.07</b>	<b>0.86</b>	<b>0.79</b>
Fixed investment .....	1.5	0.7	-0.8	0.20	0.10	-0.10
Nonresidential .....	-1.3	-2.2	-0.9	-0.13	-0.23	-0.10
Structures .....	-4.4	-1.1	3.3	-0.13	-0.03	0.10
Equipment and software .....	0.0	-2.7	-2.7	0.00	-0.20	-0.20
Residential .....	14.4	14.2	-0.2	0.33	0.32	-0.01
Change in private inventories .....				-0.12	0.77	0.89
<b>Net exports of goods and services</b> .....				<b>-0.18</b>	<b>0.14</b>	<b>0.32</b>
Exports .....	-1.6	1.1	2.7	-0.23	0.16	0.39
Goods .....	-3.5	0.2	3.7	-0.35	0.03	0.38
Services .....	3.1	3.2	0.1	0.12	0.13	0.01
Imports .....	-0.2	0.1	0.3	0.04	-0.02	-0.06
Goods .....	-1.3	-1.0	0.3	0.20	0.15	-0.05
Services .....	5.5	5.9	0.4	-0.16	-0.17	-0.01
<b>Government consumption expenditures and gross investment</b> .....	<b>3.7</b>	<b>3.5</b>	<b>-0.2</b>	<b>0.71</b>	<b>0.67</b>	<b>-0.04</b>
Federal .....	9.6	9.5	-0.1	0.72	0.71	-0.01
National defense .....	13.0	12.9	-0.1	0.64	0.64	0.00
Nondefense .....	3.0	3.0	0.0	0.08	0.08	0.00
State and local .....	-0.1	-0.4	-0.3	-0.01	-0.04	-0.03
<b>Addenda:</b>						
Final sales of domestic product .....	2.1	1.9	-0.2	2.13	1.90	-0.23
Gross domestic purchases price index .....	1.5	1.4	-0.1			
GDP price index .....	2.8	2.7	-0.1			

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

The second estimate of the third-quarter increase in real GDP was 0.7 percentage point, or \$21.9 billion, more than the advance estimate. The upward revision primarily reflected upward revisions to inventory investment and to exports that were partly offset by downward revisions to consumer spending and to nonresidential fixed investment.

The downward revision to consumer spending primarily reflected downward revisions to financial services, to electricity and gas services, and to motor vehicle fuels.

The downward revision to nonresidential investment reflected downward revisions to motor vehicles, to aircraft, to software, and to computers and peripheral equipment.

The upward revision to inventory investment reflected upward revisions to manufacturing, to wholesale trade, and to "other" industries.

The upward revision to exports was primarily to goods.

### Personal Income for the Second Quarter of 2012

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

Wage and salary disbursements increased \$23.3 billion, a downward revision of \$31.9 billion. Personal current taxes increased \$14.4 billion, a downward revision of \$5.8 billion. Contributions for government social insurance, which is subtracted in calculating personal income, increased \$1.8 billion, a downward revision of \$3.9 billion.

As a result of these revisions,

- Personal income increased \$99.9 billion, a downward revision of \$30.4 billion.
- Disposable personal income increased \$85.4 billion, a downward revision of \$24.6 billion.
- Personal saving increased \$28.0 billion, a downward revision of \$24.6 billion.
- The personal saving rate was 3.8 percent, a downward revision of 0.2 percentage point.

### Major Source Data for the Second Estimates

*Personal consumption expenditures:* retail sales for July-September (revised). Motor vehicle registrations data for September (new). Energy Information Administration data for motor vehicle fuels, lubricants, and fluids for August (new), for retail electricity sales for August (new), and for natural gas usage for August (new). Securities and Exchange Commission FOCUS Report data for the third quarter (new), and Federal Reserve Board tabulations of commercial bank *Call Report* data for the third quarter (new).

*Nonresidential fixed investment:* construction spending (value put in place) for July and August (revised) and September (new). Manufacturers' shipments (M3) of machinery and equipment for August and September (revised). Exports and imports for July and August (revised) and September (new). Software company revenue reports for the third quarter (new). Motor vehicle registrations data for September (new).

*Residential fixed investment:* construction spending for July and August (revised) and September (new).

*Change in private inventories:* manufacturers' inventories for July-September (revised) and trade inventories for July and August (revised) and September (new). Census Bureau Quarterly Financial Reports for the third quarter (new).

*Exports and imports:* international transactions accounts for July and August (revised) and September (new).

*Government consumption expenditures and gross investment:* state and local construction spending for July and August (revised) and September (new).

## Corporate Profits

**Table 10. Corporate Profits**

[Seasonally adjusted]

	Billions of dollars (annual rate)					Percent change from preceding quarter (quarterly rate)				
	Level		Change from preceding quarter							
	2012	2011	2012			2011	2012			
	III	IV	I	II	III	IV	I	II	III	
<b>Current production measures:</b>										
Corporate profits .....	1,989.2	1,226.6	-53.0	21.8	67.3	6.7	-2.7	1.1	3.5	
Domestic industries .....	1,555.6	1,195.5	-5.0	-11.9	70.3	8.6	-0.3	-0.8	4.7	
Financial .....	460.5	88.0	-12.3	-39.7	71.3	24.9	-2.8	-9.3	18.3	
Nonfinancial .....	1,095.1	31.4	7.3	27.8	-1.0	3.1	0.7	2.6	-0.1	
Rest of the world .....	433.7	3.1	-48.0	33.6	-2.8	0.7	-10.7	8.4	-0.7	
Receipts from the rest of the world .....	646.0	-5.0	-13.7	10.0	4.5	-0.8	-2.1	1.6	0.7	
Less: Payments to the rest of the world .....	212.3	-8.2	34.4	-23.6	7.3	-4.0	17.7	-10.3	3.6	
Less: Taxes on corporate income .....	462.6	8.4	83.2	-10.3	19.3	2.3	22.5	-2.3	4.4	
Equals: Profits after tax .....	1,526.6	1,143.3	-1,362.2	31.9	48.1	7.8	-8.6	2.2	3.3	
Net dividends .....	758.8	12.0	9.2	20.4	11.3	1.7	1.3	2.8	1.5	
Undistributed profits from current production .....	767.8	102.3	-145.5	11.6	36.8	13.4	-16.8	1.6	5.0	
Net cash flow .....	1,886.8	139.4	-169.8	6.0	45.0	7.5	-8.5	0.3	2.4	
<b>Industry profits:</b>										
Profits with IVA .....	2,188.7	124.7	177.3	23.5	64.4	6.9	9.2	1.1	3.0	
Domestic industries .....	1,755.0	121.5	225.4	-10.2	67.3	9.0	15.3	-0.6	4.0	
Financial .....	512.7	88.3	12.1	-39.3	70.8	23.2	2.6	-8.2	16.0	
Nonfinancial .....	1,242.3	33.2	213.4	29.0	-3.5	3.4	21.3	2.4	-0.3	
Rest of the world .....	433.7	3.1	-48.0	33.6	-2.8	0.7	-10.7	8.4	-0.7	
<b>Addenda:</b>										
Profits before tax (without IVA and CCAdj) .....	2,214.8	97.1	188.1	-16.3	106.6	5.3	9.7	-0.8	5.1	
Profits after tax (without IVA and CCAdj) .....	1,752.2	88.8	104.8	-6.0	87.3	6.0	6.7	-0.4	5.2	
IVA .....	-26.1	27.7	-10.8	39.7	-42.1					
CCAdj .....	-199.5	-2.1	-230.3	-1.7	2.9					

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 from current production increased \$67.3 billion, or 3.5 percent at a quarterly rate, in the third quarter after increasing \$21.8 billion, or 1.1 percent, in the second quarter.

Domestic profits of financial corporations increased \$71.3 billion, or 18.3 percent after decreasing \$39.7 billion, or 9.3 percent.

Domestic profits of nonfinancial corporations decreased \$1.0 billion, or 0.1 percent after increasing \$27.8 billion, or 2.6 percent.

Profits from the rest of the world decreased \$2.8 billion, or 0.7 percent, after increasing \$33.6 billion, or 8.4 percent. In the third quarter, receipts increased \$4.5 billion, and payments increased \$7.3 billion.

Taxes on corporate income increased \$19.3 billion, or 4.4 percent, after decreasing \$10.3 billion, or 2.3 percent.

Undistributed corporate profits, a measure of saving that equals after-tax profits less dividends, increased \$36.8 billion, or 5.0 percent, after increasing \$11.6 billion, or 1.6 percent.

Net cash flow from current production, a profits-related measure of internal funds available for investment, increased \$45.0 billion, or 2.4 percent, after increasing \$6.0 billion, or 0.3 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 (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).