

Technical Note

Gross Domestic Product Fourth Quarter of 2016 (Third Estimate)

March 30, 2017

This technical note provides background information about the source data and estimating methods used to produce the estimates presented in the GDP news release. The complete set of estimates for the fourth quarter is available on BEA's Web site at www.bea.gov; a brief summary of "highlights" is also posted on the Web site. The April issue of the *Survey of Current Business*, BEA's online monthly journal, will include a more detailed analysis of the estimates ("GDP and the Economy").

Sources of Revision to Real GDP

Real GDP was revised up 0.2 percentage point from the second estimate, increasing 2.1 percent (annual rate) in the fourth quarter after increasing 3.5 percent in the third quarter. Upward revisions to consumer spending and to inventory investment were partly offset by downward revisions to nonresidential fixed investment and to exports of goods and services. Imports, which are a subtraction in the calculation of GDP, were revised upward.

- The upward revision to consumer spending reflected upward revisions to both goods and services. The upward revision to goods was more than accounted for by gasoline and other energy goods and primarily reflected the incorporation of newly available data for the month of December from the Energy Administration Association's Petroleum Supply Monthly Report. The revision to services reflected upward revisions to "other" services and to recreation services. Within "other" services, net foreign travel was the leading contributor to the revision, reflecting the incorporation of revised statistics from BEA's International Transactions Accounts. Revisions to recreation services primarily reflected the incorporation of newly available and revised information from the Census Bureau's Quarterly Services Report.
- The upward revision to inventory investment primarily reflected an upward revision to manufacturing, based on revised inventory data for December from the Census Bureau's Manufacturers' Shipments, Inventories, and Orders (M3) survey.
- The downward revision to nonresidential fixed investment was more than accounted for by a downward revision to intellectual property products. All three categories (software; research and development; and entertainment, literary, and artistic originals) were revised down and reflected the incorporation of newly available and revised data from the Census Bureau's Quarterly Services Report as well as newly available R&D expense data from publicly traded company financial reports.

- Revisions to both exports and imports primarily reflected the incorporation of revised statistics from BEA's International Transactions Accounts.

Gross Domestic Income and Corporate Profits

Real gross domestic income (GDI), which measures the value of the production of goods and services in the United States as the costs incurred and the incomes earned in production, increased 1.0 percent in the fourth quarter, following a 5.0 percent increase in the third quarter.

Profits from current production increased \$11.2 billion, or 0.5 percent (quarterly rate), in the fourth quarter, compared with an increase of \$117.8 billion, or 5.8 percent, in the third. In the fourth quarter, profits of domestic financial corporations increased \$26.5 billion, profits of domestic nonfinancial corporations decreased \$60.4 billion, and rest-of-the-world profits increased \$45.1 billion.

The estimate of nonfinancial corporate profits in the fourth quarter was reduced by a \$4.95 billion (\$19.8 billion at an annual rate) settlement between a U.S. subsidiary of Volkswagen and the federal and state governments. This settlement was recorded in the national income and product accounts (NIPAs) as a business current transfer payment to government; the estimate of GDI was not affected by the settlement. The NIPAs record these types of settlements on an accrual basis in the quarter when the settlement is finalized, which is not necessarily the same quarter when the charges are recorded on a company's own financial statements. For more information, see the FAQ, "[What are the effects of the Volkswagen buyback deal on GDP and the national accounts?](#)"

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