

Technical Note

Gross Domestic Product Third Quarter of 2016 (Second Estimate)

November 29, 2016

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 third quarter is available on BEA's Web site at www.bea.gov; a brief summary of "highlights" is also posted on the Web site. In a few weeks, the *Survey of Current Business*, BEA's online monthly journal, will publish a more detailed analysis of the estimates ("GDP and the Economy").

Sources of Revision to Real GDP

Real GDP increased 3.2 percent (annual rate) in the third quarter of 2016, an upward revision of 0.3 percentage point from the advance estimate. The revision reflected upward revisions to consumer spending and to residential fixed investment, which were partly offset by downward revisions to inventory investment and to nonresidential fixed investment.

- The upward revision to consumer spending reflected upward revisions to both goods and services. The upward revision to goods was primarily to "other" nondurable goods and to motor vehicles and parts. The revision to "other" nondurable goods reflected newly available data from the Alcohol and Tobacco Tax and Trade Bureau for August and September as well as revised Census Monthly Retail Sales for August and September. The revision to motor vehicles and parts reflected the incorporation of newly available and revised data from R.L. Polk on motor vehicle registrations. The revision to services was primarily to housing and utilities and reflected the incorporation of newly available electricity usage and unit-value data from the Energy Information Administration.
- The upward revision to residential fixed investment reflected upward revisions to single-family housing and to improvements. The revision to single-family housing reflected newly available Census construction spending data for September and revised data for July and August, and improvements, while the revision to improvements primarily reflected revised Census Monthly Retail Sales for building material and garden equipment and supplies dealers for August and September.
- The downward revision to inventory investment primarily reflected downward revisions to construction, mining, and utilities and to manufacturing. The revision to construction, mining, and utilities inventories was primarily to mining and reflected newly available Quarterly Financial Report data from the Census Bureau. The downward revision to manufacturing primarily reflected the incorporation of revised Census inventory data for durable goods industries for September and newly available Census inventory data for nondurable goods industries for September.

- The downward revision to nonresidential fixed investment reflected downward revisions to equipment and to intellectual property products, which were partly offset by an upward revision to nonresidential structures. The revision to equipment primarily reflected a downward revision to industrial equipment based on detailed Census Bureau data on exports and imports of goods for the month of September. The revision to intellectual property products was to research and development investment and was based on newly available R&D expense data from company financial reports. The upward revision to nonresidential structures reflected newly available Census construction spending data for September and revised data for July and August.

Gross Domestic Income and Corporate Profits

Real gross domestic income (GDI), which measures the output of the economy as the costs incurred and the incomes earned in the production of GDP, increased 5.2 percent in the third quarter. For a given quarter, the estimates of GDP and GDI may differ for a variety of reasons, including the incorporation of largely independent source data. However, over longer time spans, the estimates of GDP and GDI tend to follow similar patterns of change. The average of real GDP and real GDI increased 4.2 percent.

Profits from current production increased \$133.8 billion, or 6.6 percent (quarterly rate), in the third quarter. Domestic profits of financial corporations increased \$50.9 billion, domestic profits of nonfinancial corporations increased \$76.5 billion, and rest-of-the-world profits increased \$6.4 billion.

Revisions to Wages and Salaries in the First and Second Quarters

In addition to presenting revised estimates for the third quarter, today's release presents revised estimates of second-quarter wages and salaries, personal taxes, and contributions for government social insurance. Wages and salaries are now estimated to have increased \$131.6 billion in the second quarter of 2016, an upward revision of \$38.6 billion. These estimates reflect the most recently available wage and salary tabulations for the second quarter from the BLS Quarterly Census of Employment and Wages (QCEW) program for all states. Real GDI is now estimated to have increased 0.7 percent in the second quarter, an upward revision of 0.9 percentage point. In addition to the revisions to second quarter wages and salaries, third quarter wages and salaries are now estimated to have increased \$110.1 billion, an upward revision of \$15.6 billion. The upward revision to the third quarter primarily reflects the incorporation of revised data for the months of August and September from the Bureau of Labor Statistics' Current Employment Statistics.

David B. Wasshausen
Chief, National Income and Wealth Division
Bureau of Economic Analysis
(301) 278-9715

Table A. SOURCE DATA FOR THE ADVANCE AND SECOND ESTIMATES OF GDP FOR THE THIRD QUARTER OF 2016

This table shows the actual data used for the second estimate of GDP for the third quarter of 2016. For nonresidential and residential structures and nondurable manufacturing inventories, actual data for September were not available in time for inclusion in the advance GDP estimate released on October 28, 2016, and BEA made assumptions for these source data. For merchant wholesale and retail inventories and net exports, the revisions for September are calculated from the values from the Census Bureau's Advance Economic Indicators report. The revisions for July and August are calculated from the later, more detailed reports.

All series shown in the table are in billions of dollars, seasonally adjusted at annual rates, and are published by the Census Bureau.

		2016					
		Apr.	May	Jun.	July	Aug.	Sept.
Private fixed investment:							
Nonresidential structures:							
1	Value of new nonresidential construction put in place.....	409.1	415.9	419.8	428.3	430.2	426.0
	Revision.....	---	---	---	4.1	7.8	2.7
Residential structures:							
Value of new residential construction put in place:							
2	Single family.....	243.3	240.1	238.6	238.6	236.3	236.6
	Revision.....	---	---	---	0.7	0.7	2.8
3	Multifamily.....	58.9	60.3	60.4	59.7	60.8	62.1
	Revision.....	---	---	---	-0.8	-1.2	0.6
Change in private inventories:							
NOTE: Data reflect concurrent seasonal factors.							
4	Change in inventories for nondurable manufacturing.....	3.7	5.4	7.3	-5.0	5.0	-9.0
	Revision.....	---	---	---	-0.3	0.1	-5.1
5	Change in inventories for merchant wholesale.....	41.5	15.7	21.1	2.7	-11.9	8.7
	Revision.....	---	---	---	1.9	1.2	-6.1
6	Change in inventories for retail industries..	-11.1	32.2	33.9	-18.8	47.8	16.0
	Revision.....	---	---	---	0.0	2.1	-5.8
Net exports of goods:							
7	U.S. exports of goods, Census basis.....	119.5	119.2	120.1	123.8	124.7	125.5
	Revision.....	---	---	---	0.0	0.2	-0.2
8	U.S. imports of goods, Census basis.....	176.9	180.2	184.4	182.5	183.8	182.0
	Revision.....	---	---	---	0.0	0.2	-0.2

11/29/2016 8:30 AM