

# Technical Note

## Gross Domestic Product Third Quarter of 2019 (Advance Estimate)

October 30, 2019

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](http://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").

### Key Source Data and Assumptions for the Advance Estimate

The advance GDP estimate for the third quarter is based on source data that are incomplete and subject to updates. Three months of source data were available for consumer spending on goods; shipments of capital equipment; motor vehicle sales and inventories; durable goods manufacturing inventories; wholesale and retail trade inventories; exports and imports of goods; federal government outlays; and consumer, producer, and international prices. For major source data series for which only two months of data were available, BEA's assumptions for the third month are shown in the "[Key Source Data and Assumptions](#)" table on the BEA Web site.

### Real GDP and Related Aggregates

Real GDP increased 1.9 percent (annual rate) in the third quarter of 2019, following an increase of 2.0 percent in the second. The increase in third quarter real GDP primarily reflected an increase in consumer spending that was partly offset by a decrease in nonresidential fixed investment.

- Consumer spending on both goods and services increased. The increase in goods primarily reflected increases in recreational goods and vehicles, food and beverages, and other nondurables (mostly pharmaceuticals). Within services, spending on health care and housing and utilities were the largest contributors.
- The decrease in nonresidential fixed investment reflected decreases in structures and equipment that were partly offset by an increase in intellectual property products. Within structures, the largest contributor to the decrease was mining exploration, shafts, and wells. Within equipment, the leading contributors to the decrease were computers and peripheral equipment and aircraft. The increase in intellectual property products reflected increases in both software and research and development.

The slowdown in real GDP in the third quarter primarily reflected decelerations in consumer and federal government spending that were mostly offset by a smaller decrease in private inventory investment and an upturn in exports.

- Consumer spending on both goods and services decelerated. The slowdown in goods was led by a deceleration in motor vehicles and a downturn in clothing and footwear. The slowdown in services primarily reflected a downturn in recreation services and a slowdown in health care.
- The slowdown in federal government spending primarily reflected decelerations in nondefense compensation and purchases of intermediate goods and services. These components were boosted in the second quarter as the federal government returned to normal operations after the partial government shutdown that occurred in the fourth quarter of 2018 and the first quarter of 2019. For more information, [an FAQ is available](#) on BEA's Web site.
- The smaller decrease in private inventory investment primarily reflected upturns in retail trade and nondurable goods manufacturing industries.
- Within exports, the upturn primarily reflected a turnaround in goods, led by a smaller decrease in non-automotive capital goods.

Real final sales to private domestic purchasers, which measures private demand in the domestic economy and is derived as the sum of consumer spending and private fixed investment, increased 2.0 percent in the third quarter after increasing 3.3 percent in the second quarter.

### **Prices**

The price index for gross domestic purchases increased 1.4 percent in the third quarter, compared with a 2.2 percent increase in the second. Excluding food and energy, gross domestic purchases prices increased 1.8 percent, the same increase as in the second quarter.

The price index for personal consumption expenditures (PCE) increased 1.5 percent in the third quarter, following an increase of 2.4 percent. Excluding food and energy prices, the PCE price index increased 2.2 percent after increasing 1.9 percent.

### **Disposable Personal Income**

Real disposable personal income increased 2.9 percent in the third quarter, following a 2.4 percent increase in the second. The personal saving rate was 8.1 percent in the third quarter, compared with 8.0 percent in the second.

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