

# Technical Note

## Gross Domestic Product (Third Estimate) Corporate Profits (Revised Estimate) GDP by Industry, Third Quarter 2023 December 21, 2023

This technical note provides background information about the source data and estimating methods used to produce the estimates presented in the GDP news release; a summary of "highlights" is available on BEA's website at [www.bea.gov](http://www.bea.gov).

### Real GDP and Related Aggregates

Real GDP increased at an annual rate of 4.9 percent (1.2 percent at a quarterly rate<sup>1</sup>) in the third quarter of 2023, compared with an increase of 2.1 percent (0.5 percent at a quarterly rate) in the second quarter. The increase in real GDP reflected increases in all components of GDP, led by consumer spending, private inventory investment, and exports. Imports, which are a subtraction in the calculation of GDP, increased.

### Sources of Revision to Real GDP

The increase in third-quarter real GDP was revised down 0.3 percentage point from the "second" estimate, primarily reflecting downward revisions to consumer spending, private inventory investment, and exports. Imports were revised down.

- The revision to consumer spending reflected a downward revision to spending on services that was partly offset by an upward revision to spending on goods. For services, the largest contributors to the downward revision were other services (led by international travel), based on updated data from BEA's International Transactions Accounts (ITAs), and financial services and insurance (led by portfolio management and investment advice services), based on new third-quarter Census Bureau Quarterly Services Survey data. For goods, the largest contributor to the upward revision was gasoline and other motor fuel, based primarily on new September Energy Information Administration data.
- Within private inventory investment, the downward revision was led by retail trade industries (specifically, general merchandise stores and other retail stores) based on revised September Census Bureau inventory data.

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<sup>1</sup> Percent changes in quarterly seasonally adjusted series are displayed at annual rates, unless otherwise specified. For more information, refer to the FAQ [Why does BEA publish percent changes in quarterly series at annual rates?](#)

- For both exports and imports, the revised estimates primarily reflected updated data from BEA's ITAs.
  - Within exports, the downward revision was mainly to services (led by other business services and charges for the use of intellectual property).
  - Within imports, the downward revision was also mainly to services (led by transport).

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 3.0 percent in the third quarter, a downward revision of 0.3 percentage point from the previously published estimate. The revision reflected the downward revision to consumer spending.

Compared to the second quarter, the acceleration in GDP in the third quarter primarily reflected an upturn in exports and accelerations in consumer spending and private inventory investment. These movements were partly offset by a deceleration in nonresidential fixed investment. Imports turned up.

### Prices

BEA's featured measure of inflation in the U.S. economy, the price index for gross domestic purchases, increased 2.9 percent in the third quarter, a downward revision of 0.1 percentage point from the previous estimate. Excluding food and energy, the gross domestic purchases price index increased 2.5 percent, a downward revision of 0.2 percentage point.

The price index for personal consumption expenditures (PCE) increased 2.6 percent in the third quarter, a downward revision of 0.2 percentage point from the previous estimate. Excluding food and energy, the "core" PCE price index increased 2.0 percent, a downward revision of 0.3 percentage point. For a comparison of PCE prices to BLS consumer price indexes, refer to NIPA [Table 9.1U. Reconciliation of Percent Change in the CPI with Percent Change in the PCE Price Index](#).

### Gross Domestic Income and Corporate Profits

Real gross domestic income (GDI), which measures output of the economy as the costs incurred and the incomes earned in the production of goods and services, increased 1.5 percent at an annual rate (0.4 percent at a quarterly rate) in the third quarter, the same as previously published. The average of real GDP and real GDI increased 3.2 percent at an annual rate (0.8 percent at a quarterly rate) in the third quarter, a downward revision of 0.1 percentage point.

Current-dollar GDI increased \$319.4 billion in the third quarter, a downward revision of \$11.4 billion from the previously published estimate. The downward revision was led by net interest, based on newly available data from the Federal Reserve Board's financial accounts of the United States.

Profits from current production increased \$108.7 billion in the third quarter, or 3.4 percent (quarterly rate), an upward revision of \$3.0 billion from the previous estimate. Domestic profits of financial corporations increased \$9.0 billion, a downward revision of \$9.8 billion. Domestic profits of nonfinancial corporations increased \$90.8 billion, an upward revision of \$14.7 billion. Rest-of-the-world profits increased \$8.8 billion, a downward revision of \$1.9 billion.

Estimates of corporate profits were affected by several settlements that were finalized in the third quarter. Settlements are recorded in the National Income and Product Accounts (NIPAs) on an accrual basis in the quarter when the settlement is finalized, regardless of when they are recorded on a company's financial statement. In the third quarter, the following settlement reduced corporate profits:

- UBS AG and several of its U.S.-based affiliates (together, UBS) agreed to pay \$1.4 billion (\$5.7 billion at an annual rate) in penalties to settle a civil action alleging misconduct related to underwriting and issuance of residential mortgage-backed securities issued in 2006 and 2007.

The estimate of GDI was not impacted because the settlement was recorded in the NIPAs as a business current transfer payment to government, which offset the reduction to corporate profits.

The BEA profits measure that is conceptually most like S&P 500 profits—national after-tax profits without inventory valuation and capital consumption adjustments (shown in line 11 of table 9 of the GDP news release)—increased \$114.9 billion in the third quarter. Third-quarter national after-tax profits increased 0.1 percent from the same quarter one year ago.

### **Real GDP by Industry**

Today's release includes estimates of real GDP by industry, or value added—a measure of an industry's contribution to GDP (shown in table 12 of the news release). In the third quarter, the value added of private goods-producing industries increased 10.2 percent (2.5 percent at a quarterly rate), private services-producing industries increased 4.1 percent (1.0 percent at a quarterly rate), and government increased 2.0 percent (0.5 percent at a quarterly rate).

Overall, 14 of 22 industry groups contributed to the third-quarter increase in real GDP. Within private goods-producing industries, the leading contributors to the increase were nondurable goods manufacturing (mainly chemical products) and construction. Within private services-producing industries, the increase primarily reflected increases in retail trade, information, as well as finance and insurance that were partly offset by a decrease in utilities. The increase in government reflected an increase in state and local government that was partly offset by a decrease in federal government.

### **More Information**

The complete set of statistics for the third quarter is available on [BEA's website](#), along with a table presenting the "[Key Source Data and Assumptions](#)" that underlie the statistics. The *Survey of Current Business*, BEA's online journal, will present a more detailed analysis of the estimates ("GDP and the Economy").

David B. Wasshausen  
Associate Director, National Economic Accounts  
Bureau of Economic Analysis  
(301) 278-9752