

# Technical Note

## Gross Domestic Product (Third Estimate), Corporate Profits, and GDP by Industry, Fourth Quarter and Year 2023

March 28, 2024

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 3.4 percent (0.8 percent at a quarterly rate<sup>1</sup>) in the fourth quarter of 2023, compared with an increase of 4.9 percent (1.2 percent at a quarterly rate) in the third quarter. The increase in real GDP reflected increases in consumer spending, state and local government spending, exports, nonresidential fixed investment, federal government spending, and residential fixed investment that were partly offset by a decrease in private inventory investment. Imports, which are a subtraction in the calculation of GDP, increased.

### Sources of Revision to Real GDP

The increase in fourth-quarter real GDP was revised up 0.2 percentage point from the "second" estimate released last month. The updated estimates primarily reflected upward revisions to consumer spending, nonresidential fixed investment, and state and local government spending that were partly offset by downward revisions to private inventory investment and exports. Imports were revised down.

- Within consumer spending, an upward revision to services was partly offset by a downward revision to goods.
  - For services, the revision primarily reflected upward revisions to health care (both outpatient and hospital services), other services (led by professional and other services as well as social services and religious activities), and financial services and insurance (mainly financial service charges, fees, and commissions). These revisions were based primarily on updated fourth-quarter data from the Census Bureau Quarterly Services Survey (QSS).
  - For goods, the downward revision was led by food and beverages, primarily based on revised Census Bureau Monthly Retail Trade Survey data for December.

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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?](#).

- The revision to nonresidential fixed investment reflected upward revisions to structures, intellectual property products, and equipment.
  - For structures, the revision primarily reflected upward revisions to manufacturing as well as commercial and health care structures, based primarily on revised Census Bureau Value of Construction Put in Place (VPIP) data for November and December. These upward revisions were partly offset by a downward revision to mining exploration, shafts, and wells, based on revised data on footage drilled from the American Petroleum Institute.
  - The upward revision to intellectual property products reflected an upward revision to research and development, based primarily on updated R&D expenses reported in publicly traded companies' financial statements.
  - The revision to equipment was led by information processing equipment (notably, computers and peripherals), based primarily on updated Census Bureau QSS data.
- The upward revision to state and local government spending was led by structures (mainly, educational structures as well as highways and streets), based on revised Census Bureau VPIP data.
- Within private inventory investment, the revision primarily reflected a downward revision to nonfarm, led by information industries, primarily reflecting data from the Census Bureau Quarterly Financial Report.
- For both exports and imports, the revised estimates primarily reflected updated data from BEA's International Transactions Accounts (ITAs).
  - Within exports, the downward revision was to services, led by other business services (which includes financial services).
  - Within imports, the revision was led by services (notably, telecommunications services).

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 3.3 percent in the fourth quarter. The estimate was revised up 0.4 percentage point from the second estimate, reflecting upward revisions to both consumer spending and private fixed investment.

## Prices

BEA's featured measure of inflation in the U.S. economy, the price index for gross domestic purchases, increased 1.9 percent in the fourth quarter, the same as previously estimated. The price index for personal consumption expenditures (PCE) increased 1.8 percent, the same as previously estimated. The "core" PCE (PCE excluding food and energy) price index increased 2.0 percent, a downward revision of 0.1 percentage point.

For a comparison of PCE prices to BLS consumer price indexes, refer to National Income and Product Accounts (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 (as measured by GDP), increased 4.8 percent at an annual rate (1.2 percent at a quarterly rate) in the fourth quarter, compared with an increase of 1.9 percent at an annual rate (0.5 percent at a quarterly rate) 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 4.1 percent (1.0 percent at a quarterly rate), following an increase of 3.4 percent (0.8 percent at a quarterly rate).

Current-dollar GDI increased \$432.4 billion in the fourth quarter and primarily reflected increases in compensation, based on employment, hours, and earnings data from the BLS Current Employment Statistics, and in corporate profits.

Profits from current production increased \$133.5 billion, or 4.1 percent (quarterly rate), in the fourth quarter. Domestic profits of financial corporations increased \$5.9 billion, domestic profits of nonfinancial corporations increased \$136.5 billion, and rest-of-the-world profits decreased \$8.9 billion.

Estimates of corporate profits were affected by several legal settlements that were finalized in the fourth quarter. Settlements are recorded in the 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 fourth quarter, the following settlement reduced corporate profits:

- Binance agreed to pay penalties and fines totaling \$4.3 billion (\$17.3 billion at an annual rate) for violating criminal anti-money-laundering guidelines, failing to register as a money-transfer business, and violating multiple sanctions programs.

The estimate of GDI was not impacted by these settlements because they were recorded in the NIPAs as business current transfer payments to the federal government, which offset the reductions to corporate profits.

The BEA profit 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 \$78.5 billion in the fourth quarter. Fourth-quarter national after-tax profits increased 8.6 percent from the same quarter one year ago.

### **Real GDP by Industry**

Today's release includes estimates of GDP by industry, or value added—a measure of an industry's contribution to GDP (shown in table 12 of the news release). Private goods-producing industries increased 7.0 percent (1.7 percent at a quarterly rate), private services-producing industries increased 2.6 percent (0.6 percent at a quarterly rate), and government increased 3.1 percent (0.8 percent at a quarterly rate) in the fourth quarter.

Overall, 18 of 22 industry groups contributed to the fourth-quarter increase in real GDP. Within private goods-producing industries, the leading contributors to the increase were nondurable goods manufacturing (led by petroleum and coal products and chemical products), durable goods manufacturing (led by machinery), and construction. Within private services-producing industries, the leading contributors to the increase were retail trade (led by motor vehicle and parts dealers); health care and social assistance (led by ambulatory health care services); utilities; and professional, scientific, and technical services (led by computer systems design and related services). The increase in government reflected increases in both state and local government as well as federal government.

### **GDP, GDI, and GDP by Industry for 2023**

Real GDP increased 2.5 percent in 2023 (from the 2022 annual level to the 2023 annual level), compared with an increase of 1.9 percent in 2022 (table 1). The increase in real GDP in 2023 primarily reflected increases in consumer spending, nonresidential fixed investment, state and local government spending, exports, and federal government spending that were partly offset by decreases in residential fixed investment and private inventory investment. Imports decreased.

Measured from the fourth quarter of 2022 to the fourth quarter of 2023, real GDP increased 3.1 percent during the period, compared with an increase of 0.7 percent from the fourth quarter of 2021 to the fourth quarter of 2022.

Real GDI increased 0.5 percent in 2023, compared with an increase of 2.1 percent in 2022. The average of real GDP and GDI increased 1.5 percent in 2023, compared with an increase of 2.0 percent in 2022.

In 2023, profits from current production increased \$49.3 billion, compared with an increase of \$285.9 billion in 2022. Profits of domestic financial corporations decreased \$55.2 billion, compared with a decrease of \$0.9 billion. Profits of domestic nonfinancial corporations increased \$66.6 billion, compared with an increase of \$247.6 billion. Rest-of-the-world profits increased \$37.9 billion, compared with an increase of \$39.2 billion.

For GDP by industry in 2023, private goods-producing industries increased 2.7 percent, private services-producing industries increased 2.7 percent, and government increased 1.4 percent. Overall, 17 of 22 industry groups contributed to the increase in real GDP.

### **More Information**

The complete set of statistics for the fourth 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").

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