

GDP and the Economy

Second Estimates for the Third Quarter of 2014

REAL GROSS domestic product (GDP) increased 3.9 percent at an annual rate in the third quarter of 2014, according to the second estimates of the national income and product accounts (NIPAs) (chart 1 and table 1).¹ The second estimate of real GDP growth was revised up 0.4 percentage point from the advance estimate of 3.5 percent; the upward revision primarily reflected upward revisions to inventory investment, to consumer spending, and to nonresidential fixed investment that were partly offset by a downward revision to exports and an upward revision to imports.² In the second quarter, real GDP increased 4.6 percent.

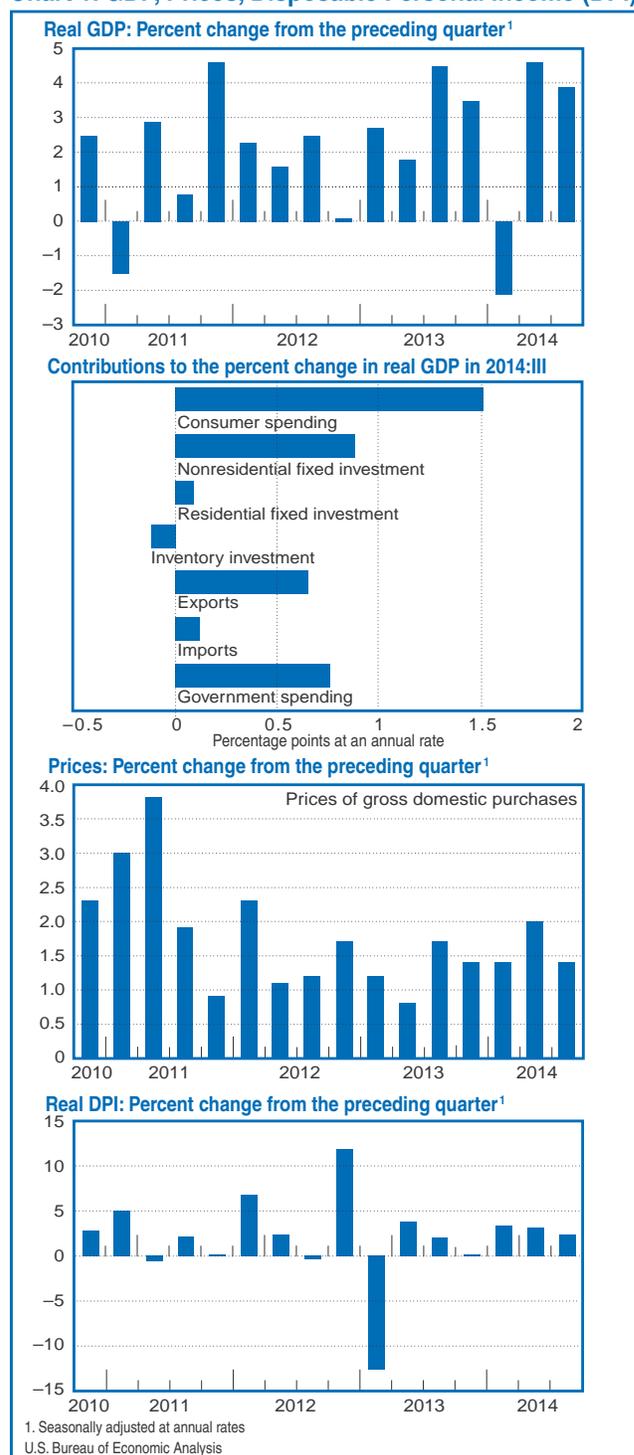
The slowdown in real GDP growth in the third quarter reflected a downturn in inventory investment and slowdowns in exports, in nonresidential fixed investment, in state and local government spending, in consumer spending, and in residential fixed investment that were partly offset by a downturn in imports and an upturn in federal government spending.

- Prices of goods and services purchased by U.S. residents increased 1.4 percent in the third quarter, 0.1 percentage point more than in the advance estimate; in the second quarter, this index increased 2.0 percent. In the third quarter, food prices slowed, and energy prices turned down. Excluding food and energy, prices increased 1.6 percent in the third quarter after increasing 1.7 percent (see table 7).
- Real disposable personal income (DPI) increased 2.3 percent in the third quarter, 0.4 percentage point less than in the advance estimate, after increasing 3.1 percent (revised) in the second quarter (see “Revised Second-Quarter 2014 Income Estimates” on page 9). Current-dollar DPI increased 3.6 percent after increasing 5.5 percent (revised). The smaller deceleration in real DPI than in current-dollar DPI reflected a slowdown in the implicit price deflator for consumer spending, which is used to deflate DPI.
- Corporate profits from current production increased \$43.8 billion in the third quarter after increasing \$164.1 billion in the second quarter (see table 9).

1. “Real” estimates are in chained (2009) dollars, and price indexes are chain-type measures. Each GDP estimate for a quarter (advance, second, and third) incorporates increasingly comprehensive and improved source data; for more information, see “Revisions to GDP, GDI, and Their Major Components” in the August 2014 SURVEY OF CURRENT BUSINESS. Quarterly estimates are expressed at seasonally adjusted annual rates, which assumes that a rate of activity for a quarter is maintained for a year.

2. In this article, “consumer spending” refers to “personal consumption expenditures,” “inventory investment” refers to “change in private inventories,” and “government spending” refers to “government consumption expenditures and gross investment.”

Chart 1. GDP, Prices, Disposable Personal Income (DPI)



Lisa S. Mataloni prepared this article.

Real GDP Overview

Table 1. Real Gross Domestic Product (GDP) and Related Measures

[Seasonally adjusted at annual rates]

	Share of current-dollar GDP (percent)		Change from preceding period (percent)					Contribution to percent change in real GDP (percentage points)		
	2014		2014					2014		
	III	IV	I	II	III	IV	I	II	III	
Gross domestic product ¹	100.0	3.5	-2.1	4.6	3.9	3.5	-2.1	4.6	3.9	
Personal consumption expenditures	68.2	3.7	1.2	2.5	2.2	2.51	0.83	1.75	1.51	
Goods	22.8	3.7	1.0	5.9	4.3	0.83	0.23	1.33	0.97	
Durable goods	7.5	5.7	3.2	14.1	8.7	0.42	0.23	0.99	0.63	
Nondurable goods	15.3	2.7	0.0	2.2	2.2	0.41	0.00	0.34	0.34	
Services	45.4	3.7	1.3	0.9	1.2	1.69	0.60	0.42	0.54	
Gross private domestic investment	16.5	3.8	-6.9	19.1	5.1	0.62	-1.13	2.87	0.85	
Fixed investment	15.9	6.3	0.2	9.5	6.2	0.95	0.03	1.45	0.97	
Nonresidential	12.7	10.4	1.6	9.7	7.1	1.23	0.20	1.18	0.88	
Structures	2.9	12.8	2.9	12.6	1.1	0.34	0.08	0.35	0.03	
Equipment	5.9	14.1	-1.0	11.2	10.7	0.76	-0.06	0.63	0.61	
Intellectual property products	3.9	3.6	4.6	5.5	6.4	0.14	0.18	0.21	0.24	
Residential	3.2	-8.5	-5.3	8.8	2.7	-0.28	-0.17	0.27	0.09	
Change in private inventories	0.5	.....	.....	.....	.....	-0.34	-1.16	1.42	-0.12
Net exports of goods and services	-2.9	.....	.....	.....	.....	1.08	-1.66	-0.34	0.78
Exports	13.5	10.0	-9.2	11.1	4.9	1.30	-1.30	1.43	0.65	
Goods	9.4	13.6	-11.9	14.3	6.7	1.20	-1.18	1.26	0.61	
Services	4.1	2.3	-2.8	4.0	1.0	0.10	-0.12	0.17	0.04	
Imports	16.4	1.3	2.2	11.3	-0.7	-0.22	-0.36	-1.77	0.12	
Goods	13.6	0.9	2.5	12.5	-1.4	-0.12	-0.33	-1.62	0.20	
Services	2.8	3.5	1.0	5.6	2.6	-0.09	-0.03	-0.15	-0.07	
Government consumption expenditures and gross investment	18.3	-3.8	-0.8	1.7	4.2	-0.71	-0.15	0.31	0.76	
Federal	7.1	-10.4	-0.1	-0.9	9.9	-0.79	-0.01	-0.06	0.67	
National defense	4.5	-11.4	-4.0	0.9	16.0	-0.55	-0.18	0.04	0.66	
Nondefense	2.6	-8.6	6.6	-3.8	0.4	-0.24	0.17	-0.10	0.01	
State and local	11.2	0.6	-1.3	3.4	0.8	0.07	-0.14	0.38	0.09	
Addenda:										
Final sales of domestic product	99.5	3.9	-1.0	3.2	4.1	3.84	-0.95	3.18	4.01	
Goods	30.7	8.1	-8.5	11.4	8.3	2.43	-2.69	3.34	2.48	
Services	61.6	1.8	1.4	0.6	2.1	1.10	0.86	0.40	1.30	
Structures	7.7	-0.4	-3.8	11.7	1.4	-0.03	-0.29	0.85	0.11	
Motor vehicle output	3.0	18.5	3.3	21.3	25.5	0.47	0.09	0.55	0.67	
GDP excluding motor vehicle output	97.0	3.1	-2.3	4.1	3.3	3.03	-2.20	4.05	3.22	
Final sales of computers	0.4	6.2	17.8	14.6	20.5	0.03	0.07	0.06	0.08	
GDP excluding final sales of computers	99.6	3.5	-2.2	4.6	3.8	3.47	-2.17	4.54	3.82	
Research and development (R&D)	2.5	-0.8	2.9	3.4	5.8	-0.02	0.07	0.09	0.14	
GDP excluding R&D	97.5	3.6	-2.2	4.6	3.8	3.52	-2.18	4.51	3.75	
Gross domestic income (GDI) ² .....	.....	1.8	-0.8	4.0	4.5	.....	.....	.....	.....

1. The estimates of GDP under the contribution columns are also percent changes.

2. GDI is deflated by the implicit price deflator for GDP. The third-quarter change in GDI reflects the incorporation of revised wage and salary estimates.

NOTE: Percent changes are from NIPA tables 1.1.1 and 1.2.1, contributions to percent change are from NIPA tables 1.1.2 and 1.2.2, and shares are from NIPA table 1.1.10, or they are calculated from table 1.2.5. For GDI, percent changes are from NIPA table 1.7.1.

Real GDP increased 3.9 percent in the third quarter after increasing 4.6 percent in the second quarter. The slowdown reflected a downturn in inventory investment and slowdowns in exports, in nonresidential fixed investment, in state and local government spending, in consumer spending, and in residential fixed investment that were partly offset by a downturn in imports and an upturn in federal government spending.

Consumer spending slowed in the third quarter, reflecting a slowdown in spending for goods (specifically durable goods) that was partly offset by a pickup in spending for services. (See table 2.)

Nonresidential fixed investment slowed, primarily reflecting a slowdown in structures. (See table 3.)

Residential fixed investment added 0.09 percentage point to real GDP growth after adding 0.27 percentage point, primarily reflecting a downturn in single-family structures and slowdown in multifamily structures.

Inventory investment subtracted 0.12 percentage point from real GDP growth after adding 1.42 percentage points, reflecting a downturn in nonfarm inventory investment (mainly due to downturns in manufacturing, in mining, utilities, and construction, and in retail trade). (See table 4.)

Exports added 0.65 percentage point to real GDP growth after adding 1.43 percentage points. The slowdown primarily reflected a deceleration in exports of goods; exports of services also slowed. (See table 5.)

Imports turned down, reflecting a downturn in imports of goods and a slowdown in imports of services.

Government spending picked up, reflecting an upturn in federal government spending that was partly offset by a slowdown in state and local government spending. (See table 6.)

Real final sales of domestic product, real GDP less inventory investment, increased 4.1 percent in the third quarter after increasing 3.2 percent in the second quarter.

Real gross domestic income, which measures the output of the economy as the incomes earned and costs incurred in production, increased 4.5 percent after increasing 4.0 percent (revised).

Consumer Spending

Table 2. Real Personal Consumption Expenditures (PCE)

[Seasonally adjusted at annual rates]

	Share of current-dollar PCE (percent)		Change from preceding period (percent)					Contribution to percent change in real PCE (percentage points)		
	2014	2013	2014			2013				
	III	IV	I	II	III	IV	I	II	III	
PCE ¹	100.0	3.7	1.2	2.5	2.2	3.7	1.2	2.5	2.2	
Goods	33.5	3.7	1.0	5.9	4.3	1.22	0.34	1.93	1.42	
Durable goods	11.0	5.7	3.2	14.1	8.7	0.61	0.34	1.44	0.92	
Motor vehicles and parts	3.8	5.5	5.5	19.1	10.5	0.20	0.20	0.65	0.38	
Furnishings and durable household equipment	2.4	4.3	0.8	12.8	5.9	0.10	0.02	0.29	0.14	
Recreational goods and vehicles	3.1	5.7	3.7	13.3	15.1	0.17	0.11	0.38	0.43	
Other durable goods	1.7	8.4	0.8	7.1	-1.8	0.14	0.01	0.12	-0.03	
Nondurable goods	22.5	2.7	0.0	2.2	2.2	0.61	0.00	0.49	0.49	
Food and beverages purchased for off-premises consumption....	7.5	2.6	-1.0	-1.4	0.0	0.20	-0.08	-0.10	0.00	
Clothing and footwear	3.1	2.5	-3.7	5.6	1.0	0.08	-0.12	0.17	0.03	
Gasoline and other energy goods	3.4	-0.1	2.2	-3.3	-0.4	0.00	0.08	-0.11	-0.01	
Other nondurable goods	8.6	4.0	1.4	6.6	5.7	0.34	0.12	0.54	0.47	
Services	66.5	3.7	1.3	0.9	1.2	2.49	0.88	0.61	0.78	
Household consumption expenditures	63.8	3.5	1.4	0.8	1.0	2.22	0.89	0.51	0.64	
Housing and utilities	18.0	1.9	5.6	-3.3	-1.8	0.36	0.99	-0.60	-0.34	
Health care	16.7	4.3	-1.4	4.0	1.9	0.70	-0.23	0.65	0.32	
Transportation services	2.9	2.8	1.8	3.7	2.0	0.08	0.05	0.11	0.06	
Recreation services	3.7	0.9	-1.9	-1.8	-3.2	0.04	-0.07	-0.07	-0.12	
Food services and accommodations	6.4	7.2	-1.3	5.3	4.6	0.44	-0.08	0.32	0.29	
Financial services and insurance	7.5	5.7	2.8	2.7	5.6	0.42	0.20	0.20	0.41	
Other services	8.7	2.1	0.3	-1.2	0.2	0.19	0.03	-0.10	0.02	
Final consumption expenditures of NPISHs ²	2.8	10.5	-0.5	3.9	5.4	0.28	-0.01	0.11	0.15	
Gross output of NPISHs ³	10.9	7.1	-4.1	4.6	3.4	0.76	-0.46	0.49	0.36	
Less: Receipts from sales of goods and services by NPISHs ⁴	8.1	6.0	-5.3	4.9	2.7	0.48	-0.44	0.39	0.22	

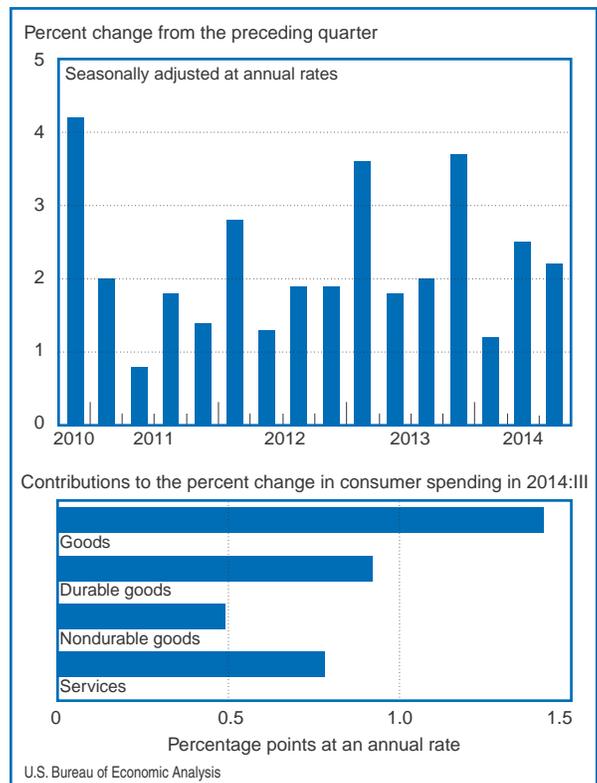
The slowdown in consumer spending reflected a slowdown in spending for goods that was partly offset by a pickup in spending on services.

The slowdown in spending for goods reflected a slowdown in spending for durable goods.

The slowdown in spending for durable goods primarily reflected slowdowns in spending for motor vehicles and parts (primarily for new motor vehicles) and for furnishings and durable household equipment and a downturn in spending for "other" durable goods.

The largest contributors to the pickup in services were a smaller decrease in spending for electricity and gas and a pickup in spending for financial services and insurance; a slowdown in health care services was a notable offset.

Chart 2. Real Personal Consumption Expenditures



1. The estimates under the contribution columns are also percent changes.
 2. Gross operating expenses less primary sales to households.
 3. Net of unrelated sales, secondary sales, and sales to business, to government, and to the rest of the world; excludes own-account investment (construction and software).
 4. Excludes unrelated sales, secondary sales, and sales to business, to government, and to the rest of the world; includes membership dues and fees.
 NOTE: Percent changes are from NIPA table 2.3.1, contributions are from NIPA table 2.3.2, and shares are calculated from NIPA table 2.3.5.
 NPISHs Nonprofit institutions serving households

Private Fixed Investment

Table 3. Real Private Fixed Investment (PFI)

[Seasonally adjusted at annual rates]

	Share of current-dollar PFI (percent)		Change from preceding period (percent)					Contribution to percent change in real PFI (percentage points)		
	2014		2014					2014		
	III	IV	I	II	III	IV	I	II	III	
Private fixed investment¹.....	100.0	6.3	0.2	9.5	6.2	6.3	0.2	9.5	6.2	
Nonresidential.....	79.8	10.4	1.6	9.7	7.1	8.07	1.28	7.79	5.65	
Structures.....	18.2	12.8	2.9	12.6	1.1	2.21	0.51	2.27	0.22	
Commercial and health care	4.3	22.6	-8.8	16.5	4.1	0.89	-0.40	0.68	0.18	
Manufacturing.....	2.0	6.4	2.9	32.3	19.8	0.11	0.05	0.53	0.35	
Power and communication	3.8	56.8	19.8	-16.5	-17.7	1.79	0.75	-0.74	-0.75	
Mining exploration, shafts, and wells.....	5.6	-11.1	11.5	26.7	8.1	-0.64	0.58	1.34	0.44	
Other structures ²	2.5	1.9	-17.2	19.4	-0.6	0.05	-0.48	0.45	-0.01	
Equipment.....	37.1	14.1	-1.0	11.2	10.7	4.96	-0.37	4.14	3.88	
Information processing equipment.....	10.4	-4.2	-7.7	26.6	-7.5	-0.44	-0.85	2.59	-0.81	
Computers and peripheral equipment...	2.8	25.3	-39.0	26.6	10.3	0.69	-1.41	0.66	0.28	
Other ³	7.6	-13.4	7.5	26.6	-13.0	-1.13	0.56	1.93	-1.09	
Industrial equipment.....	9.1	1.5	14.1	27.2	29.3	0.13	1.08	2.11	2.32	
Transportation equipment....	9.6	38.1	-0.2	2.9	34.3	2.94	-0.02	0.35	2.80	
Other equipment ⁴	8.0	30.5	-6.4	-10.3	-5.1	2.33	-0.58	-0.90	-0.42	
Intellectual property products.....	24.6	3.6	4.6	5.5	6.4	0.90	1.13	1.37	1.55	
Software ⁵	10.9	3.8	1.5	4.2	4.4	0.43	0.16	0.48	0.48	
Research and development ⁶	10.8	3.6	8.8	8.0	9.3	0.38	0.90	0.85	0.97	
Entertainment, literary, and artistic originals.....	2.9	3.1	2.1	1.5	3.1	0.09	0.06	0.05	0.09	
Residential.....	20.2	-8.5	-5.3	8.8	2.7	-1.81	-1.09	1.74	0.56	
Structures.....	19.8	-8.7	-5.3	8.6	2.7	-1.82	-1.08	1.68	0.55	
Permanent site.....	8.4	7.3	10.7	9.5	-1.6	0.57	0.84	0.78	-0.13	
Single family.....	6.8	-0.6	7.9	3.5	-3.4	-0.04	0.52	0.24	-0.23	
Multifamily.....	1.5	57.9	25.2	41.9	6.7	0.61	0.32	0.54	0.10	
Other structures ⁷	11.5	-18.0	-15.3	8.0	6.0	-2.40	-1.93	0.90	0.68	
Equipment.....	0.3	2.8	-2.6	16.5	3.2	0.01	-0.01	0.05	0.01	

1. The estimates under the contribution columns are also percent changes.

2. Consists primarily of religious, educational, vocational, lodging, railroads, farm, and amusement and recreational structures, net purchases of used structures, and brokers' commissions on the sale of structures.

3. Includes communication equipment, nonmedical instruments, medical equipment and instruments, photocopy and related equipment, and office and accounting equipment.

4. Consists primarily of furniture and fixtures, agricultural machinery, construction machinery, mining and oilfield machinery, service industry machinery, and electrical equipment not elsewhere classified.

5. Excludes software "embedded," or bundled, in computers and other equipment.

6. Excludes expenditures for software development, which are included in expenditures for software investment.

7. Consists primarily of manufactured homes, improvements, dormitories, net purchases of used structures, and brokers' commissions and other ownership transfer costs.

NOTE: Percent changes are from NIPA table 5.3.1, contributions are from NIPA table 5.3.2, and shares are calculated from NIPA table 5.3.5.

Private fixed investment slowed in the third quarter, reflecting slowdowns in both nonresidential and residential fixed investment.

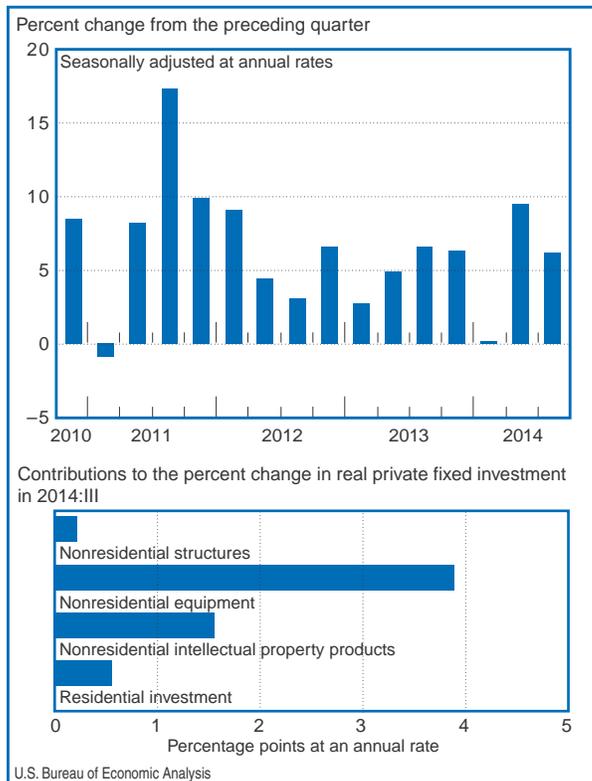
The slowdown in nonresidential fixed investment primarily reflected a slowdown in structures.

The slowdown in structures primarily reflected slowdowns in mining exploration, shafts, and wells and in commercial and health care and a downturn in "other" structures.

Equipment slowed, primarily reflecting a downturn in "other" information processing equipment (specifically communications equipment) that was mostly offset by a pickup in transportation equipment.

The slowdown in residential fixed investment primarily reflected a downturn in single-family structures and slowdowns in both multifamily structures and "other" structures (which was more than accounted for by improvements). Residential investment in equipment also slowed.

Chart 3. Real Private Fixed Investment



Inventory Investment

Table 4. Change in Real Private Inventories by Industry

[Billions of chained (2009) dollars; seasonally adjusted at annual rates]

	Level					Change from preceding quarter				
	2013		2014			2013		2014		
	III	IV	I	II	III	IV	I	II	III	
Change in private inventories¹	95.6	81.8	35.2	84.8	79.1	-13.8	-46.6	49.6	-5.7	
Farm.....	10.8	10.5	2.2	4.8	7.8	-0.3	-8.3	2.6	3.0	
Mining, utilities, and construction....	12.3	-8.3	-17.4	8.9	8.3	-20.6	-9.1	26.3	-0.6	
Manufacturing.....	12.3	9.7	11.8	27.6	12.0	-2.6	2.1	15.8	-15.6	
Durable-goods industries.....	15.9	14.4	15.6	19.9	15.7	-1.5	1.2	4.3	-4.2	
Nondurable-goods industries.....	-2.4	-3.5	-2.5	8.3	-2.5	-1.1	1.0	10.8	-10.8	
Wholesale trade.....	25.8	38.0	33.2	22.4	27.8	12.2	-4.8	-10.8	5.4	
Durable-goods industries.....	22.1	19.4	26.1	25.7	24.8	-2.7	6.7	-0.4	-0.9	
Nondurable-goods industries.....	5.1	18.3	8.3	-1.2	4.4	13.2	-10.0	-9.5	5.6	
Retail trade.....	29.5	36.0	4.0	14.8	14.1	6.5	-32.0	10.8	-0.7	
Motor vehicle and parts dealers	16.6	23.7	-6.4	13.2	8.4	7.1	-30.1	19.6	-4.8	
Food and beverage stores.....	0.5	1.6	0.3	-0.3	0.9	1.1	-1.3	-0.6	1.2	
General merchandise stores.....	3.9	2.2	2.7	-1.8	1.3	-1.7	0.5	-4.5	3.1	
Other retail stores.....	8.8	8.7	7.3	4.1	3.7	-0.1	-1.4	-3.2	-0.4	
Other industries.....	4.3	-5.0	1.6	6.3	8.6	-9.3	6.6	4.7	2.3	
Residual ²	-2.3	-0.2	-2.6	-3.1	-2.3	2.1	-2.4	-0.5	0.8	
Addenda: Ratios of private inventories to final sales of domestic business:³										
Private inventories to final sales	2.32	2.31	2.33	2.33	2.32	.....	.....	.....	.....
Nonfarm inventories to final sales	2.14	2.12	2.14	2.14	2.14	.....	.....	.....	.....
Nonfarm inventories to final sales of goods and structures.....	3.82	3.78	3.85	3.82	3.78	.....	.....	.....	.....

1. The levels are from NIPA table 5.7.6B.

2. The residual is the difference between the first line and the sum of the most detailed lines.

3. The ratios are from NIPA table 5.8.6B.

NOTE: The chained-dollar series are calculated as the period-to-period change in end-of-period inventories. Quarterly changes are stated at annual rates. Because the formula for the chain-type quantity indexes uses weights of more than one period, chained-dollar estimates are usually not additive.

Real inventory investment decreased \$5.7 billion in the third quarter after increasing \$49.6 billion in the second quarter. Downturns in manufacturing, in mining, utilities, and construction, and in retail trade were the main contributors; an upturn in wholesale trade was a notable offset.

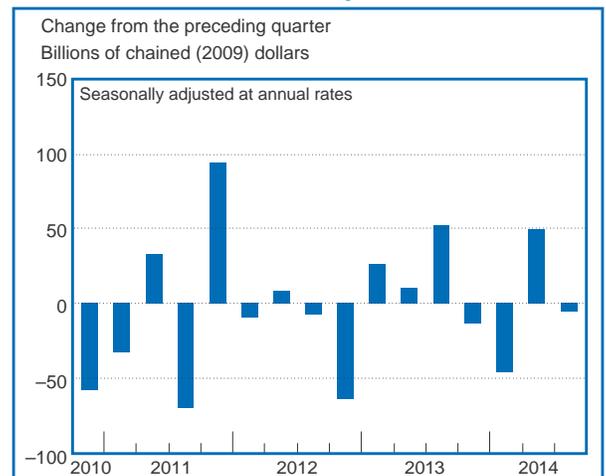
Mining, utilities, and construction industries decreased \$0.6 billion after increasing \$26.3 billion.

Manufacturing industries decreased \$15.6 billion after increasing \$15.8 billion. The downturn reflected downturns in both nondurable-goods industries (mainly petroleum and coal products) and durable-goods industries (mainly machinery).

Wholesale trade turned up. The upturn was more than accounted for by an upturn in nondurable-goods industries.

The downturn in retail trade was more than accounted for by a downturn in motor vehicle and parts dealers.

Chart 4. Real Private Inventory Investment



Composition of change in inventory investment in 2014:III



U.S. Bureau of Economic Analysis

Inventory Investment

The change in real private inventories, often called real private inventory investment, represents the change in the physical stock of goods held by businesses. It includes finished goods, goods at various stages of production, and raw materials.

The change in private inventories is a key component of gross domestic product (GDP), which aims to measure output derived from current production. To include the value of currently produced goods that are not yet sold and to exclude the value of goods produced in previous periods, the change in private inventories must be included in the GDP calculation.

Thus, GDP can also be seen as the sum of final sales of domestic product and the change in private inventories (table 1).

For most industries, the estimates of change in private inventories are prepared by revaluing book-value estimates of inventories from the Census Bureau to a replacement-cost basis and calculating the change over a quarter or a year. BEA provides estimates for incomplete industry data.

Exports and Imports

Table 5. Real Exports and Imports of Goods and Services

[Seasonally adjusted at annual rates]

	Share of current-dollar exports and imports (percent)		Change from preceding period (percent)					Contribution to percent change in real exports and imports (percentage points)			
			2014					2013		2014	
	2014	2013	III	IV	I	II	III	IV	I	II	III
Exports of goods and services¹	100.0	100.0	-9.2	11.1	4.9	10.0	-9.2	11.1	4.9		
Exports of goods².....	69.3	13.6	-11.9	14.3	6.7	9.22	-8.40	9.76	4.59		
Foods, feeds, and beverages	5.6	83.4	-24.1	-16.1	-8.5	3.89	-1.70	-1.02	-0.51		
Industrial supplies and materials	21.8	16.9	-23.1	25.4	9.1	3.56	-5.53	5.09	1.93		
Capital goods, except automotive	23.5	1.9	-1.3	6.5	6.2	0.51	-0.26	1.58	1.44		
Automotive vehicles, engines, and parts	7.2	-1.8	-13.3	29.3	27.0	0.11	-0.92	1.77	1.69		
Consumer goods, except food and automotive	8.5	4.3	11.7	16.3	-0.1	0.39	0.94	1.33	0.00		
Other	2.7	42.5	-30.4	44.2	1.1	0.98	-0.94	1.01	0.03		
Exports of services².....	30.7	2.3	-2.8	4.0	1.0	0.77	-0.82	1.29	0.30		
Imports of goods and services¹	100.0	1.3	2.2	11.3	-0.7	1.3	2.2	11.3	-0.7		
Imports of goods².....	83.0	0.9	2.5	12.5	-1.4	0.75	2.06	10.30	-1.14		
Foods, feeds, and beverages	4.5	-0.4	8.0	32.7	-7.2	0.02	0.33	1.28	-0.34		
Industrial supplies and materials, excluding petroleum	11.0	-1.5	3.3	25.2	0.0	0.15	0.35	2.53	0.00		
Petroleum and products	12.0	-9.1	16.7	-24.9	-10.8	1.32	2.11	-3.71	-1.39		
Capital goods, except automotive	21.0	5.9	2.5	16.2	5.9	1.16	0.50	3.19	1.18		
Automotive vehicles, engines, and parts	11.6	3.3	-12.7	35.3	4.3	0.37	-1.52	3.51	0.48		
Consumer goods, except food and automotive	19.3	5.2	-3.3	16.4	-4.1	0.98	-0.64	3.05	-0.81		
Other	3.7	-7.3	29.1	12.0	-6.8	0.27	0.94	0.45	-0.27		
Imports of services².....	17.0	3.5	1.0	5.6	2.6	0.58	0.18	0.98	0.44		
Addenda:											
Exports of agricultural goods ³	6.1	79.2	-22.7	-17.6	-6.8	.....	.....	.....	.....
Exports of nonagricultural goods	63.3	8.1	-10.7	18.4	8.1	.....	.....	.....	.....
Imports of nonpetroleum goods	71.0	3.0	-0.1	21.3	0.3	.....	.....	.....	.....

1. The estimates under the contribution columns are also percent changes.

2. Exports and imports of certain goods, primarily military equipment purchased and sold by the federal government, are included in services.

3. Includes parts of foods, feeds, and beverages, of nondurable industrial supplies and materials, and of nondurable nonautomotive consumer goods.

NOTE: Percent changes are from NIPA table 4.2.1, contributions are from NIPA table 4.2.2, and shares are calculated from NIPA table 4.2.5.

Exports of goods and services decelerated in the third quarter, reflecting slowdowns in exports of both goods and services.

The slowdown in exports of goods primarily reflected a slowdown in industrial supplies and materials (mainly reflecting a deceleration in petroleum and petroleum products and a downturn in natural gas) and a downturn in nonfood nonautomotive consumer goods.

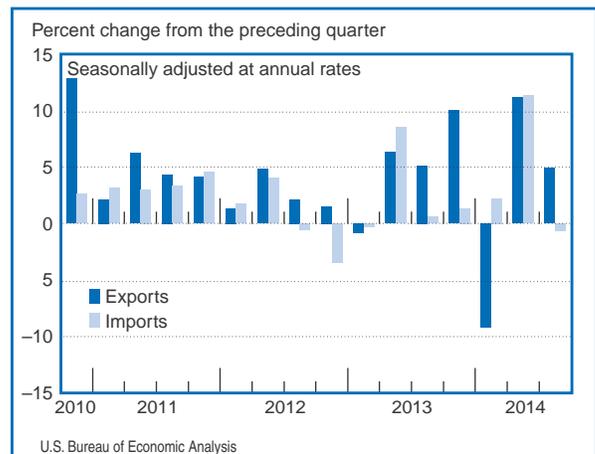
The slowdown in exports of services primarily reflected a downturn in "other" business services and a deceleration in travel that were partly offset by an upturn in government goods and services n.e.c.

Imports of goods and services turned down, reflecting a downturn in imports of goods and a slowdown in imports of services.

The downturn in imports of goods primarily reflected a downturn in nonfood nonautomotive consumer goods and slowdowns in automotive vehicles, engines, and parts, in nonpetroleum industrial supplies and materials, and in nonautomotive capital goods that were partly offset by a smaller decrease in petroleum and products.

The slowdown in imports of services was more than accounted for by a slowdown in travel.

Chart 5. Real Exports and Imports of Goods and Services



Government Spending

Table 6. Real Government Consumption Expenditures and Gross Investment (CEGI)
[Seasonally adjusted at annual rates]

	Share of current-dollar CEGI (percent)	Change from preceding period (percent)					Contribution to percent change in real CEGI (percentage points)				
		2013		2014			2013		2014		
		III	IV	I	II	III	IV	I	II	III	
Government consumption expenditures and gross investment¹	100.0	-3.8	-0.8	1.7	4.2	-3.8	-0.8	1.7	4.2		
Consumption expenditures.....	81.6	-3.9	2.8	-0.2	5.4	-3.14	2.22	-0.19	4.39		
Gross investment.....	18.4	-3.6	-15.1	10.7	-1.1	-0.66	-3.04	1.89	-0.20		
Federal	38.7	-10.4	-0.1	-0.9	9.9	-4.19	-0.05	-0.34	3.71		
National defense	24.4	-11.4	-4.0	0.9	16.0	-2.90	-0.98	0.21	3.65		
Consumption expenditures.....	20.0	-12.5	3.5	-2.0	21.0	-2.57	0.67	-0.38	3.80		
Gross investment.....	4.5	-6.9	-30.0	14.0	-3.6	-0.33	-1.65	0.59	-0.16		
Nondefense	14.3	-8.6	6.6	-3.8	0.4	-1.29	0.93	-0.56	0.07		
Consumption expenditures.....	10.8	-9.4	10.8	-3.7	1.1	-1.07	1.13	-0.42	0.13		
Gross investment.....	3.4	-6.0	-5.3	-3.9	-1.8	-0.22	-0.19	-0.14	-0.06		
State and local	61.3	0.6	-1.3	3.4	0.8	0.39	-0.78	2.04	0.48		
Consumption expenditures.....	50.8	1.0	0.8	1.2	0.9	0.50	0.42	0.61	0.45		
Gross investment.....	10.5	-1.1	-10.8	14.6	0.2	-0.11	-1.20	1.43	0.02		

Government spending accelerated in the third quarter, reflecting an upturn in federal government spending that was partly offset by a slowdown in state and local government spending.

The upturn in federal government spending reflected a pickup in defense spending and an upturn in nondefense spending.

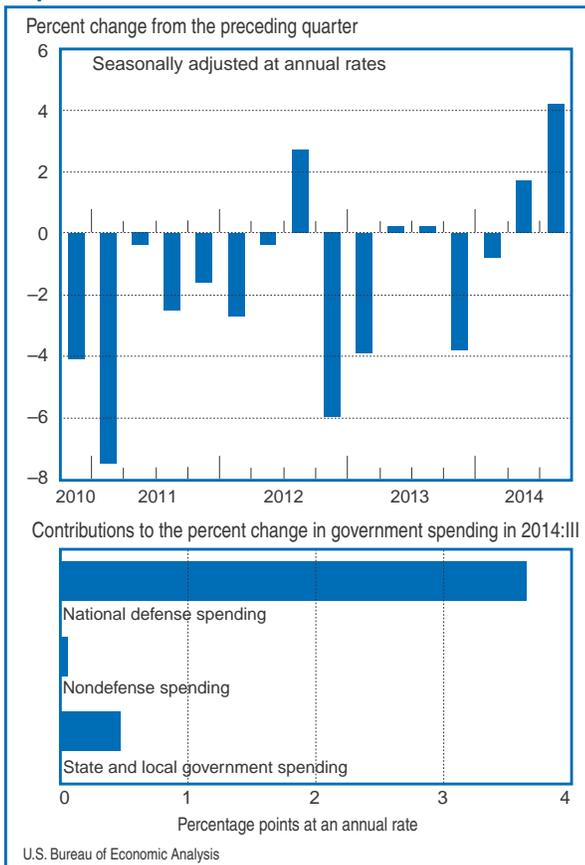
The pickup in national defense spending primarily reflected an upturn in intermediate services purchased.

The upturn in nondefense spending primarily reflected an upturn in consumption expenditures following the second-quarter boost in sales due to the release of 5 million barrels of crude oil from the Strategic Petroleum Reserve.

The slowdown in state and local government spending mainly reflected a slowdown in gross investment as a result of a downturn in investment in structures.

1. The estimates under the contribution columns are also percent changes.
NOTE: Percent changes are from NIPA table 3.9.1, contributions are from NIPA table 3.9.2, and shares are calculated from NIPA table 3.9.5.

Chart 6. Real Government Consumption Expenditures and Gross Investment



Government Spending

“Government consumption expenditures and gross investment,” or “government spending,” consists of two components: (1) consumption expenditures by federal government and by state and local governments and (2) gross investment by government and government-owned enterprises.

Government consumption expenditures consists of the goods and services that are produced by general government (less any sales to other sectors and investment goods produced by government itself). Governments generally provide services to the general public without charge. The value of government production—that is, government’s gross output—is measured as spending for labor and for intermediate goods and services and a charge for consumption of fixed capital (which represents a partial measure of the services provided by government-owned fixed capital).

Gross investment consists of new and used structures (such as highways and dams), of equipment, and of intellectual property products purchased or produced by government and government-owned enterprises.

Government consumption expenditures and gross investment excludes current transactions of government-owned enterprises, current transfer payments, interest payments, subsidies, and transactions in financial assets and nonproduced assets, such as land.

Prices

Table 7. Prices for Gross Domestic Purchases

[Percent change at annual rates; based on seasonally adjusted index numbers (2009=100)]

	Change from preceding period (percent)				Contribution to percent change in gross domestic purchases prices (percentage points)			
	2013		2014		2013		2014	
	IV	I	II	III	IV	I	II	III
Gross domestic purchases¹	1.4	1.4	2.0	1.4	1.4	1.4	2.0	1.4
Personal consumption expenditures	1.0	1.4	2.3	1.3	0.67	0.91	1.55	0.84
Goods	-1.4	-0.6	1.8	0.2	-0.32	-0.12	0.40	0.04
Durable goods	-2.6	-2.8	-1.9	-2.0	-0.19	-0.21	-0.13	-0.15
Nondurable goods	-0.9	0.6	3.6	1.3	-0.13	0.08	0.53	0.19
Services	2.3	2.3	2.6	1.8	0.99	1.03	1.15	0.80
Gross private domestic investment	2.2	2.4	1.0	1.8	0.34	0.38	0.15	0.29
Fixed investment	2.6	2.8	1.1	2.1	0.38	0.42	0.17	0.32
Nonresidential	1.3	1.4	1.2	1.0	0.16	0.17	0.15	0.13
Structures	3.9	2.3	1.4	2.3	0.10	0.06	0.04	0.07
Equipment	-0.2	0.8	1.1	1.0	-0.01	0.04	0.06	0.06
Intellectual property products	1.7	1.7	1.2	0.0	0.06	0.06	0.04	0.00
Residential	7.6	8.6	0.7	6.6	0.23	0.25	0.02	0.20
Change in private inventories .....	.....	.....	.....	.....	-0.04	-0.05	-0.02	-0.04
Government consumption expenditures and gross investment	2.4	0.4	1.4	1.5	0.43	0.07	0.25	0.27
Federal	5.3	-2.5	1.7	0.6	0.36	-0.17	0.12	0.04
National defense	3.1	0.1	1.7	0.5	0.13	0.00	0.07	0.02
Nondefense	9.0	-6.5	1.8	0.8	0.23	-0.18	0.05	0.02
State and local	0.6	2.2	1.2	2.1	0.06	0.24	0.13	0.23
Addenda:								
Gross domestic purchases:								
Food	-1.0	1.3	4.2	2.5	-0.05	0.06	0.20	0.12
Energy goods and services	-2.6	2.8	5.1	-4.4	-0.10	0.10	0.18	-0.16
Excluding food and energy	1.7	1.3	1.7	1.6	1.59	1.19	1.56	1.43
Personal consumption expenditures (PCE):								
Food and beverages purchased for off-premises consumption	0.0	1.4	4.5	3.1	.....	.....	.....	.....
Energy goods and services	-2.7	4.0	5.2	-4.0	.....	.....	.....	.....
Excluding food and energy	1.3	1.2	2.0	1.4	.....	.....	.....	.....
Gross domestic product (GDP)	1.5	1.3	2.1	1.4	.....	.....	.....	.....
Exports of goods and services	0.3	2.8	-0.2	-0.7	.....	.....	.....	.....
Imports of goods and services	0.0	2.8	-0.8	-0.5	.....	.....	.....	.....

1. The estimates under the contribution columns are also percent changes

NOTE: Most percent changes are from NIPA table 1.6.7; percent changes for PCE for food and energy goods and services and for PCE excluding food and energy are from NIPA table 2.3.7. Contributions are from NIPA table 1.6.8. GDP, export, and import prices are from NIPA table 1.1.7.

Prices of goods and services purchased by U.S. residents, as measured by the price index for gross domestic purchases, increased 1.4 percent in the third quarter after increasing 2.0 percent in the second quarter. The deceleration was more than accounted for by a slowdown in consumer prices.

The slowdown in consumer prices reflected slowdowns in both goods prices and services prices.

The slowdown in goods prices was mostly accounted for by a downturn in the prices paid for gasoline and other energy goods.

The slowdown in prices for services was widespread.

Prices paid for residential fixed investment picked up, increasing 6.6 percent after increasing 0.7 percent. The main contributor was an upturn in prices paid for new home construction.

Consumer prices excluding food and energy, a measure of "core" inflation, increased 1.4 percent after increasing 2.0 percent.

The GDP price index increased 1.4 percent in the third quarter, the same increase as in the price index for gross domestic purchases. Export prices decreased 0.7 percent after decreasing 0.2 percent, and import prices decreased 0.5 percent after decreasing 0.8 percent.

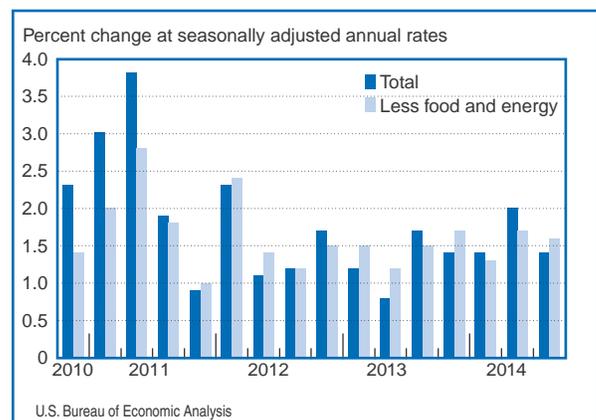
Note on Prices

BEA's gross domestic purchases price index is the most comprehensive index of prices paid by U.S. residents for all goods and services, regardless of whether those goods and services were produced domestically or imported. It is derived from prices of consumer spending, private investment, and government spending.

The GDP price index measures the prices of goods and services produced in the United States, including the prices of goods and services produced for export.

The difference between the gross domestic purchases price index and the GDP price index reflects the differences between imports prices (included in the gross domestic purchases index) and exports prices (included in the GDP price index). For other measures that are affected by import and export prices, see the FAQ "[How do the effects of dollar depreciation show up in the GDP accounts?](#)" on BEA's Web site.

Chart 7. Gross Domestic Purchases Prices



Revisions

Table 8. Advance and Second Estimates for the Third Quarter of 2014

[Seasonally adjusted at annual rates]

	Change from preceding quarter (percent)			Contribution to percent change in real GDP (percentage points)		
	Advance	Second	Second minus advance	Advance	Second	Second minus advance
Gross domestic product (GDP)¹	3.5	3.9	0.4	3.5	3.9	0.4
Personal consumption expenditures	1.8	2.2	0.4	1.22	1.51	0.29
Goods	3.1	4.3	1.2	0.70	0.97	0.27
Durable goods	7.2	8.7	1.5	0.53	0.63	0.10
Nondurable goods	1.1	2.2	1.1	0.18	0.34	0.16
Services	1.1	1.2	0.1	0.52	0.54	0.02
Gross private domestic investment	1.0	5.1	4.1	0.17	0.85	0.68
Fixed investment	4.7	6.2	1.5	0.74	0.97	0.23
Nonresidential	5.5	7.1	1.6	0.68	0.88	0.20
Structures	3.8	1.1	-2.7	0.11	0.03	-0.08
Equipment	7.2	10.7	3.5	0.41	0.61	0.20
Intellectual property products	4.2	6.4	2.2	0.16	0.24	0.08
Residential	1.8	2.7	0.9	0.06	0.09	0.03
Change in private inventories .....	.....	.....	.....	-0.57	-0.12	0.45
Net exports of goods and services .....	.....	.....	.....	1.32	0.78	-0.54
Exports	7.8	4.9	-2.9	1.03	0.65	-0.38
Goods	11.0	6.7	-4.3	0.99	0.61	-0.38
Services	1.0	1.0	0.0	0.04	0.04	0.00
Imports	-1.7	-0.7	1.0	0.29	0.12	-0.17
Goods	-2.4	-1.4	1.0	0.34	0.20	-0.14
Services	1.7	2.6	0.9	-0.05	-0.07	-0.02
Government consumption expenditures and gross investment	4.6	4.2	-0.4	0.83	0.76	-0.07
Federal	10.0	9.9	-0.1	0.67	0.67	0.00
National defense	16.0	16.0	0.0	0.66	0.66	0.00
Nondefense	0.5	0.4	-0.1	0.01	0.01	0.00
State and local	1.3	0.8	-0.5	0.15	0.09	-0.06
Addenda:						
Final sales of domestic product	4.2	4.1	-0.1	4.12	4.01	-0.11
Gross domestic purchases price index	1.3	1.4	0.1	.....	.....	.....
GDP price index	1.3	1.4	0.1	.....	.....	.....

1. The estimates under the contribution columns are also percent changes.

The upward revision to the third-quarter increase in real GDP primarily reflected upward revisions to inventory investment, to consumer spending, and to nonresidential fixed investment that were partly offset by a downward revision to exports and an upward revision to imports.

The upward revision to consumer spending primarily reflected an upward revision to goods. Within goods, the upward revision was widespread; the largest contributors were motor vehicle fuels, lubricants, and fluids; food and beverages purchased for off-premises consumption; "other" nondurable goods (most notably, tobacco); and recreational goods and vehicles.

The upward revision to nonresidential fixed investment primarily reflected an upward revision to equipment.

The upward revision to inventory investment reflected upward revisions to wholesale trade, to retail trade, and to "other" industries.

The downward revision to exports was due to widespread downward revisions to goods exports; the largest contributors were industrial supplies and materials and foods, feeds, and beverages.

The upward revision to imports primarily reflected an upward revision to goods imports. The largest contributors were nonfood nonautomotive consumer goods and nonpetroleum industrial supplies and materials.

Revised Second-Quarter 2014 Income Estimates

With the release of the second estimate of GDP, BEA also released revised estimates of various income-related measures for the previous quarter. The revision incorporated second-quarter data from the quarterly census of employment and wages from the Bureau of Labor Statistics.

Wages and salaries increased \$51.9 billion, a downward revision of \$50.6 billion. Personal current taxes increased \$3.5 billion, a downward revision of \$7.7 billion. Contributions for government social insurance, which is subtracted in calculating personal income, increased \$7.6 billion, a downward revision of \$6.9 billion.

As a result of these revisions,

- Personal income increased \$175.8 billion, a downward revision of \$47.2 billion.
- Disposable personal income increased \$172.3 billion, a downward revision of \$39.5 billion.
- Personal saving increased \$29.5 billion, a downward revision of \$39.5 billion.
- The personal saving rate was 5.1 percent, a downward revision of 0.3 percentage point.
- Real gross domestic income increased 4.0 percent, a downward revision of 1.2 percentage points.

Major Source Data for the Second Estimates

Consumer spending: retail sales for August and September (revised). Motor vehicle registrations data for September (new). Energy Information Administration data for retail natural gas sales for July (revised) and August (new). Federal Reserve Board tabulations of commercial bank *Call Report* data for the third quarter (new).

Nonresidential fixed investment: construction spending (value put in place) for July and August (revised) and September (new). Manufacturers' shipments (M3) of machinery and equipment for August and September (revised). Exports and imports for July and August (revised) and September (new). Motor vehicle registrations data for September (new).

Residential fixed investment: construction spending for July and August (revised) and September (new).

Inventory investment: manufacturers' inventories for July–September (revised) and trade inventories for July and August (revised) and September (new). Census Bureau Quarterly Financial Reports for the third quarter (new).

Exports and imports: trade in goods and services for July and August (revised) and September (new).

Government spending: state and local construction spending for July and August (revised) and September (new).

Corporate Profits

Table 9. Corporate Profits

[Seasonally adjusted]

	Billions of dollars (annual rate)					Percent change from preceding quarter (quarterly rate)				
	Level		Change from preceding quarter							
	2014	2013	2014			2013	2014			
	III	IV	I	II	III	IV	I	II	III	
Current production measures:										
Corporate profits	2,150.0	3.1	-201.7	164.1	43.8	0.1	-9.4	8.4	2.1	
Domestic industries.....	1,755.0	-10.8	-175.7	167.6	42.8	-0.6	-10.2	10.9	2.5	
Financial	472.3	-5.1	-86.2	33.3	20.3	-1.0	-17.1	7.9	4.5	
Nonfinancial.....	1,282.7	-5.6	-89.6	134.3	22.5	-0.5	-7.4	11.9	1.8	
Rest of the world	394.9	13.9	-26.0	-3.6	1.0	3.4	-6.1	-0.9	0.2	
Receipts from the rest of the world	671.4	14.7	-8.9	2.7	0.0	2.2	-1.3	0.4	0.0	
Less: Payments to the rest of the world	276.5	0.7	17.1	6.3	-1.0	0.3	6.7	2.3	-0.4	
Less: Taxes on corporate income	603.2	27.9	66.9	45.7	-4.8	6.0	13.5	8.1	-0.8	
Equals: Profits after tax.....	1,546.8	-24.7	-268.6	118.4	48.6	-1.5	-16.3	8.6	3.2	
Net dividends	898.4	80.6	-89.5	-0.5	-3.9	8.8	-9.0	-0.1	-0.4	
Undistributed profits from current production	648.4	-105.5	-178.9	118.8	52.5	-13.8	-27.3	24.9	8.8	
Net cash flow	2,078.0	-92.3	-163.0	133.4	25.1	-4.2	-7.8	6.9	1.2	
Industry profits:										
Profits with IVA	2,480.0	4.9	-6.0	164.8	42.6	0.2	-0.3	7.3	1.7	
Domestic industries.....	2,085.1	-9.1	20.0	168.4	41.6	-0.5	1.1	9.0	2.0	
Financial	534.9	-4.7	-68.6	33.7	20.4	-0.8	-12.5	7.0	4.0	
Nonfinancial.....	1,550.2	-4.4	88.5	134.7	21.3	-0.3	6.8	9.7	1.4	
Rest of the world	394.9	13.9	-26.0	-3.6	1.0	3.4	-6.1	-0.9	0.2	
Addenda:										
Profits before tax (without IVA and CCAdj).....	2,475.9	10.7	15.6	152.9	25.8	0.5	0.7	6.7	1.1	
Profits after tax (without IVA and CCAdj).....	1,872.7	-17.3	-51.2	107.3	30.5	-1.0	-2.9	6.2	1.7	
IVA.....	4.1	-5.8	-21.6	11.9	16.8					
CCAdj.....	-330.1	-1.7	-195.7	-0.8	1.2					

NOTE: Levels of these and other profits series are shown in NIPA tables 1.12, 1.14, 1.15, and 6.16D.
IVA Inventory valuation adjustment CCAdj Capital consumption adjustment

Profits from current production (corporate profits with inventory valuation and capital consumption adjustments) increased \$43.8 billion, or 2.1 percent at a quarterly rate, in the third quarter after increasing \$164.1 billion, or 8.4 percent, in the second quarter.

Profits of domestic financial corporations increased \$20.3 billion, or 4.5 percent, after increasing \$33.3 billion, or 7.9 percent.

Profits of domestic nonfinancial corporations increased \$22.5 billion, or 1.8 percent, after increasing \$134.3 billion, or 11.9 percent.

Profits from the rest of the world increased \$1.0 billion, or 0.2 percent, after decreasing \$3.6 billion, or 0.9 percent. In the third quarter, receipts were unchanged, and payments decreased \$1.0 billion.

Taxes on corporate income decreased \$4.8 billion, or 0.8 percent, after increasing \$45.7 billion, or 8.1 percent.

Profits after tax increased \$48.6 billion, or 3.2 percent, after increasing \$118.4 billion, or 8.6 percent.

Net dividends decreased \$3.9 billion, or 0.4 percent, after decreasing \$0.5 billion, or 0.1 percent.

Undistributed profits increased \$52.5 billion after increasing \$118.8 billion.

Net cash flow, a profits-related measure of internal funds available for investment, increased \$25.1 billion after increasing \$133.4 billion.

Measuring Corporate Profits

Corporate profits is a widely followed economic indicator used to gauge corporate health, assess investment conditions, and analyze the effect on corporations of economic policies and conditions. In addition, corporate profits is an important component in key measures of income.

BEA's measure of corporate profits aims to capture the income earned by corporations from current production in a manner that is fully consistent with the national income and product accounts (NIPAs). The measure is defined as receipts arising from current production less associated expenses. Receipts exclude income in the form of dividends and capital gains, and expenses exclude bad debts, natural resource depletion, and capital losses.

Because direct estimates of NIPA-consistent corporate profits are unavailable, BEA derives these estimates in three steps.

First, BEA measures profits before taxes to reflect corporate income regardless of any redistributions of income through taxes. Estimates for the current quarter are based on corporate earnings reports from sources including Cen-

sus Bureau Quarterly Financial Reports, Federal Deposit Insurance Corporation call reports, other regulatory reports, and tabulations from corporate financial reports. The estimates are benchmarked to Internal Revenue Service data when the data are available for two reasons: the data are based on well-specified accounting definitions, and they are comprehensive, covering all incorporated businesses—publicly traded and privately held—in all industries.

Second, to remove the effects of price changes on inventories valued at historical cost and of tax accounting for inventory withdrawals, BEA adds an inventory valuation adjustment that values inventories at current cost.

Third, to remove the effects of tax accounting on depreciation, BEA adds a capital consumption adjustment (CCAdj). CCAdj is defined as the difference between capital consumption allowances (tax return depreciation) and consumption of fixed capital (the decline in the value of the stock of assets due to wear and tear, obsolescence, accidental damage, and aging).