

Technical Note

Gross Domestic Product Third Quarter of 2016 (Third Estimate)

December 22, 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 3.5 percent (annual rate) in the third quarter of 2016, an upward revision of 0.3 percentage point from the second estimate. The revision reflected upward revisions to nonresidential fixed investment, consumer spending, and state and local government spending.

- The largest contributor to the upward revision to nonresidential fixed investment was an upward revision to intellectual property products, which reflected updated R&D expense data from company financial reports and newly available data from the Census quarterly services survey (QSS).
- The upward revision to consumer spending was primarily to services and reflected upward revisions to spending by nonprofit institutions and to financial services. The revisions were mostly the result of incorporating newly available Census QSS data.
- The upward revision to state and local government spending was primarily to investment in structures and was based on revised Census construction data for August and September.

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 4.8 percent in the third quarter, a downward revision of 0.4 percentage point from the previous estimate. The revision reflected a downward revision to corporate profits of domestic industries.

Profits from current production increased \$117.8 billion, or 5.8 percent (quarterly rate), in the third quarter, a downward revision of \$16.0 billion. Domestic profits of financial corporations increased \$50.1 billion, domestic profits of nonfinancial corporations increased \$66.4 billion, and rest-of-the-world profits increased \$1.3 billion.

Effective with today's release, the estimates of real gross value added of nonfinancial corporate business were revised historically (see NIPA Table 1.14 in BEA's online interactive data application and news release Table 13). The revision reflects the use of a revised deflator for nonfinancial industries from BEA's industry accounts.

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