



Technical Note
Gross Domestic Product
Third Quarter of 2008 (Final)
December 23, 2008

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 estimates will be published in BEA's monthly journal, the *Survey of Current Business*, along with a more detailed analysis of the estimates ("GDP and the Economy").

Sources of Revision to Real GDP

Real GDP decreased 0.5 percent (annual rate) in the third quarter (that is, from the second quarter to the third), the same decrease as in the preliminary estimate. An upward revision to investment in nonresidential structures was offset by a downward revision to equipment and software investment:

- The upward revision to nonresidential structures reflected revised Census construction spending data for August and September.
- The downward revision to equipment and software was primarily to prepackaged software, reflecting newly available Census Bureau quarterly services survey data for the third quarter.

The price index for gross domestic purchases—the prices paid by U.S. residents for goods and services, wherever produced—increased 4.5 percent in the third quarter, 0.2 percentage point less than the preliminary estimate. The revision reflected downward revisions to the price indexes for personal consumption expenditures (PCE) and for residential investment. The downward revision to PCE prices primarily reflected a downward revision to the price for banking services that was based on newly available FDIC tabulations of *Call Report* data for the third quarter. The downward revision to residential investment prices reflected a revised Census Bureau price index for single-family houses under construction.

Corporate Profits

Profits from current production decreased \$18.5 billion, or 1.2 percent (quarterly rate), in the third quarter, compared with a decrease of \$14.6 billion in the preliminary estimate. The revision to profits reflected new and revised source data, which include preliminary tabulations of Census quarterly financial reports, regulatory agency reports, and compilations of publicly available corporate financial statements. Domestic profits of financial corporations decreased \$75.5 billion, domestic profits of nonfinancial corporations increased \$52.1 billion, and rest-of-the-world profits increased \$4.9 billion in the third quarter. The increase in nonfinancial corporate profits reflected increases in petroleum and coal products manufacturing and in wholesale trade.

Effective with today's release, the estimates of real gross value added of nonfinancial corporate business were revised, beginning with 2005, reflecting the use of a revised deflator for nonfinancial industries from the annual revision of the GDP-by-industry accounts.

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