

# GDP and the Economy

## Third Estimates for the Fourth Quarter of 2015

REAL GROSS domestic product (GDP) increased 1.4 percent at an annual rate in the fourth quarter of 2015, according to the third estimates of the national income and product accounts (NIPAs) (chart 1 and table 1).<sup>1</sup> The third estimate of real GDP growth was revised up 0.4 percentage point from the second estimate of 1.0 percent; the upward revision primarily reflected upward revisions to consumer spending and to exports that were partly offset by a downward revision to private inventory investment.<sup>2</sup>

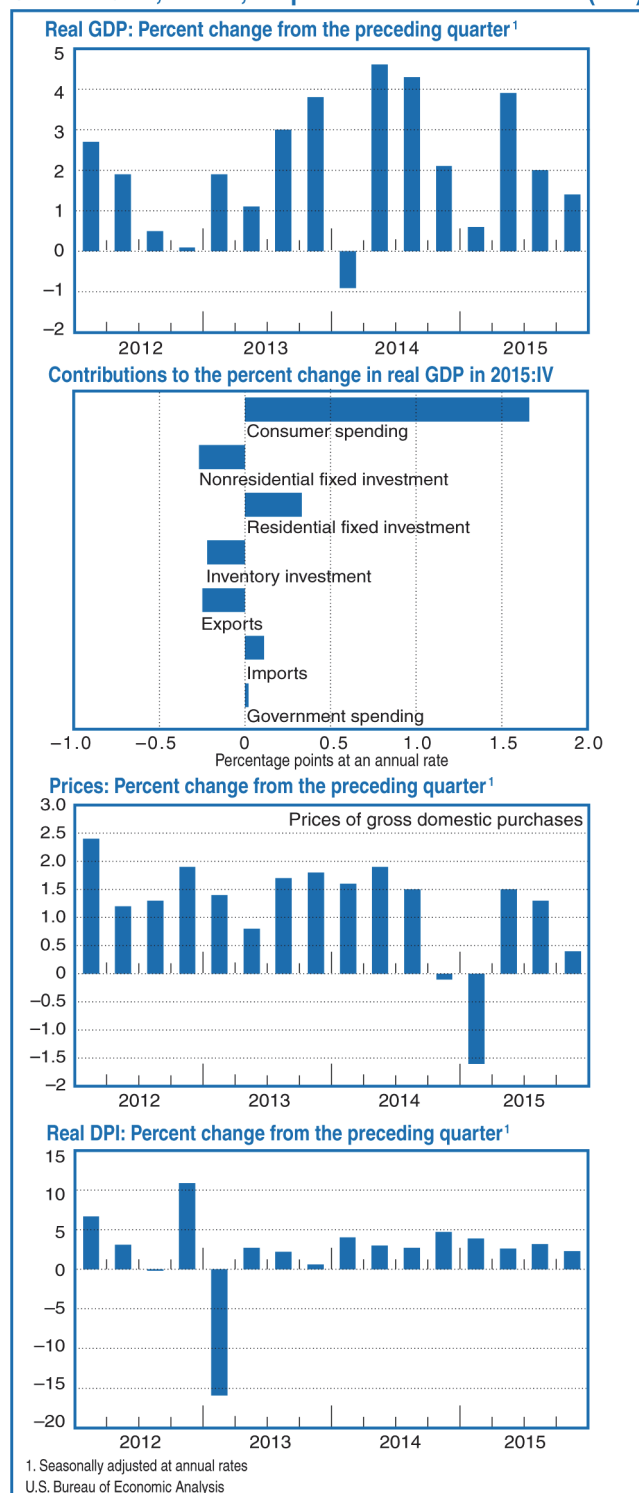
The fourth-quarter increase in real GDP reflected positive contributions from consumer spending, residential fixed investment, and federal government spending that were partly offset by negative contributions from nonresidential fixed investment, exports, private inventory investment, and state and local government spending. Imports, which are a subtraction in the calculation of GDP, decreased.

- Prices of goods and services purchased by U.S. residents, as measured by the gross domestic purchases price index, increased 0.4 percent in the fourth quarter, the same increase as in the second estimate; in the third quarter, this index increased 1.3 percent. The slowdown primarily reflected a larger decrease in energy prices in the fourth quarter. Excluding food and energy, prices increased 1.0 percent after increasing 1.3 percent.
- Real disposable personal income (DPI) increased 2.3 percent, 0.2 percentage point less than the second estimate. In the third quarter, real DPI increased 3.2 percent. Current-dollar DPI increased 2.7 percent after increasing 4.5 percent. The differences in the movements in real DPI and current-dollar DPI reflected a slowdown in the implicit price deflator for consumer spending, which is used to deflate DPI.
- Real gross domestic income increased 0.9 percent after increasing 2.0 percent.
- Corporate profits from current production decreased \$159.6 billion in the fourth quarter after decreasing \$33.0 billion in the third quarter (see table 3).

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 "The 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 reflect a rate of activity for a quarter as if it were 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)



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## 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)			
	2015	2015				2015			
	IV	I	II	III	IV	I	II	III	IV
<b>Gross domestic product</b> <sup>1</sup> .....	<b>100.0</b>	<b>0.6</b>	<b>3.9</b>	<b>2.0</b>	<b>1.4</b>	<b>0.6</b>	<b>3.9</b>	<b>2.0</b>	<b>1.4</b>
<b>Personal consumption expenditures</b> .....	<b>68.5</b>	<b>1.8</b>	<b>3.6</b>	<b>3.0</b>	<b>2.4</b>	<b>1.19</b>	<b>2.42</b>	<b>2.04</b>	<b>1.66</b>
Goods.....	22.1	1.1	5.5	5.0	1.6	0.25	1.20	1.08	0.36
Durable goods.....	7.4	2.0	8.0	6.6	3.8	0.14	0.57	0.47	0.28
Nondurable goods.....	14.7	0.7	4.3	4.2	0.6	0.10	0.62	0.61	0.09
Services.....	46.4	2.1	2.7	2.1	2.8	0.94	1.23	0.96	1.30
<b>Gross private domestic investment</b> .....	<b>16.7</b>	<b>8.6</b>	<b>5.0</b>	<b>-0.7</b>	<b>-1.0</b>	<b>1.39</b>	<b>0.85</b>	<b>-0.11</b>	<b>-0.16</b>
Fixed investment.....	16.2	3.3	5.2	3.7	0.4	0.52	0.83	0.60	0.06
Nonresidential.....	12.7	1.6	4.1	2.6	-2.1	0.20	0.53	0.33	-0.27
Structures.....	2.7	-7.4	6.2	-7.2	-5.1	-0.22	0.18	-0.21	-0.14
Equipment.....	6.0	2.3	0.3	9.9	-2.1	0.14	0.03	0.57	-0.12
Intellectual property products.....	4.0	7.4	8.3	-0.8	-0.2	0.29	0.33	-0.03	-0.01
Residential.....	3.5	10.1	9.3	8.2	10.1	0.32	0.30	0.27	0.33
Change in private inventories.....	0.5	.....	.....	.....	.....	0.87	0.02	-0.71	-0.22
<b>Net exports of goods and services</b> .....	<b>-2.8</b>	.....	.....	.....	.....	<b>-1.92</b>	<b>0.18</b>	<b>-0.26</b>	<b>-0.14</b>
Exports.....	12.2	-6.0	5.1	0.7	-2.0	-0.81	0.64	0.09	-0.25
Goods.....	8.0	-11.7	6.5	-0.9	-5.4	-1.10	0.55	-0.07	-0.45
Services.....	4.2	7.3	2.3	3.9	5.0	0.30	0.10	0.16	0.20
Imports.....	15.0	7.1	3.0	2.3	-0.7	-1.12	-0.46	-0.35	0.11
Goods.....	12.3	7.2	3.2	1.4	-1.3	-0.93	-0.41	-0.18	0.17
Services.....	2.8	6.7	2.0	6.4	1.9	-0.18	-0.05	-0.17	-0.05
<b>Government consumption expenditures and gross investment</b> .....	<b>17.6</b>	<b>-0.1</b>	<b>2.6</b>	<b>1.8</b>	<b>0.1</b>	<b>-0.01</b>	<b>0.46</b>	<b>0.32</b>	<b>0.02</b>
Federal.....	6.8	1.1	0.0	0.2	2.3	0.08	0.00	0.02	0.15
National defense.....	4.1	1.0	0.3	-1.4	2.8	0.04	0.01	-0.06	0.11
Nondefense.....	2.7	1.2	-0.5	2.8	1.5	0.03	-0.01	0.08	0.04
State and local.....	10.8	-0.8	4.3	2.8	-1.2	-0.09	0.46	0.30	-0.13
<b>Addenda:</b>									
Gross domestic income (GDI) <sup>2</sup> .....	.....	0.4	2.2	2.0	0.9	.....	.....	.....	.....
Average of GDP and GDI.....	.....	0.5	3.0	2.0	1.1	.....	.....	.....	.....
Final sales of domestic product.....	99.5	-0.2	3.9	2.7	1.6	-0.23	3.90	2.70	1.61
Goods.....	30.2	-1.8	5.9	2.2	-0.7	-0.57	1.79	0.67	-0.20
Services.....	62.1	2.1	2.0	1.8	2.5	1.28	1.24	1.12	1.54
Structures.....	7.7	-0.9	12.2	2.5	0.6	-0.07	0.90	0.19	0.05
Motor vehicle output.....	2.9	1.4	14.5	19.2	-21.1	0.04	0.40	0.53	-0.71
GDP excluding motor vehicle output.....	97.1	0.6	3.6	1.5	2.2	0.60	3.52	1.45	2.09
Final sales of computers.....	0.4	29.8	41.5	5.0	9.8	0.10	0.13	0.02	0.04
GDP excluding final sales of computers.....	99.6	0.5	3.8	2.0	1.4	0.55	3.78	1.96	1.35
Research and development (R&D).....	2.6	5.2	9.7	-0.7	-0.5	0.13	0.25	-0.02	-0.01
GDP excluding R&D.....	97.4	0.5	3.8	2.1	1.4	0.51	3.67	2.00	1.40

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

2. GDI is deflated by the implicit price deflator for GDP.

NOTE: For GDP and its components, 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 slowed in the fourth quarter. The slowdown primarily reflected downturns in nonresidential fixed investment and in state and local government spending, a slowdown in consumer spending, and a downturn in exports that were partly offset by a smaller decrease in private inventory investment, a downturn in imports, and a pickup in federal government spending.

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

The main contributors to the slowdown in spending for goods were a slowdown in "other" nondurable goods (mainly recreational items) and downturns in motor vehicles and parts (primarily new motor vehicles) and in gasoline and other energy goods.

The downturn in nonresidential fixed investment reflected a downturn in equipment (notably, a downturn in transportation equipment and a slowdown in information processing equipment) that was partly offset by smaller decreases in structures and in intellectual property products.

The smaller decrease in inventory investment reflected a smaller decrease in nonfarm inventory investment (primarily reflecting an upturn in manufacturing inventories) that was partly offset by a downturn in farm inventory investment.

The downturn in exports primarily reflected a larger decrease in goods exports (mainly due to a downturn in exports of automotive vehicles, engines and parts).

The downturn in imports reflected a downturn in goods imports and a slowdown in services imports.

The pickup in federal spending reflected an upturn in national defense spending that was partly offset by a slowdown in nondefense spending.

The downturn in state and local government spending reflected a downturn in gross investment in structures and a slowdown in consumption expenditures.

Real gross domestic income, which measures the output of the economy as the incomes earned and the costs incurred in production, increased 0.9 percent in the fourth quarter after increasing 2.0 percent in the third quarter.

## Revisions to GDP

Table 2. Second and Third Estimates for the Fourth Quarter of 2015

[Seasonally adjusted at annual rates]

	Change from preceding quarter (percent)			Contribution to percent change in real GDP (percentage points)		
	Second	Third	Third minus second	Second	Third	Third minus second
<b>Gross domestic product (GDP) <sup>1</sup></b> .....	<b>1.0</b>	<b>1.4</b>	<b>0.4</b>	<b>1.0</b>	<b>1.4</b>	<b>0.4</b>
<b>Personal consumption expenditures</b> .....	<b>2.0</b>	<b>2.4</b>	<b>0.4</b>	<b>1.38</b>	<b>1.66</b>	<b>0.28</b>
Goods.....	1.9	1.6	-0.3	0.42	0.36	-0.06
Durable goods .....	3.4	3.8	0.4	0.25	0.28	0.03
Nondurable goods .....	1.2	0.6	-0.6	0.17	0.09	-0.08
Services .....	2.1	2.8	0.7	0.96	1.30	0.34
<b>Gross private domestic investment</b> .....	<b>-0.7</b>	<b>-1.0</b>	<b>-0.3</b>	<b>-0.12</b>	<b>-0.16</b>	<b>-0.04</b>
Fixed investment .....	0.1	0.4	0.3	0.02	0.06	0.04
Nonresidential .....	-1.9	-2.1	-0.2	-0.24	-0.27	-0.03
Structures .....	-6.6	-5.1	1.5	-0.18	-0.14	0.04
Equipment .....	-1.8	-2.1	-0.3	-0.11	-0.12	-0.01
Intellectual property products .....	1.3	-0.2	-1.5	0.05	-0.01	-0.06
Residential.....	8.0	10.1	2.1	0.26	0.33	0.07
Change in private inventories.....				-0.14	-0.22	-0.08
<b>Net exports of goods and services</b> .....				<b>-0.25</b>	<b>-0.14</b>	<b>0.11</b>
Exports.....	-2.7	-2.0	0.7	-0.34	-0.25	0.09
Goods.....	-5.8	-5.4	0.4	-0.49	-0.45	0.04
Services.....	3.7	5.0	1.3	0.15	0.20	0.05
Imports .....	-0.6	-0.7	-0.1	0.09	0.11	0.02
Goods.....	-1.2	-1.3	-0.1	0.15	0.17	0.02
Services.....	2.4	1.9	-0.5	-0.07	-0.05	0.02
<b>Government consumption expenditures and gross investment</b> .....	<b>-0.1</b>	<b>0.1</b>	<b>0.2</b>	<b>-0.01</b>	<b>0.02</b>	<b>0.03</b>
Federal .....	2.2	2.3	0.1	0.15	0.15	0.00
National defense.....	2.7	2.8	0.1	0.11	0.11	0.00
Nondefense .....	1.5	1.5	0.0	0.04	0.04	0.00
State and local .....	-1.4	-1.2	0.2	-0.16	-0.13	0.03
<b>Addenda:</b>						
Final sales of domestic product .....	1.2	1.6	0.4	1.14	1.61	0.47
Gross domestic income (GDI).....		0.9				
Average of GDP and GDI.....		1.1				
Gross domestic purchases price index .....	0.4	0.4	0.0			
GDP price index.....	0.9	0.9	0.0			

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

The third estimate of the fourth-quarter change in real GDP was 0.4 percentage point higher than the second estimate released in February, but the general picture of economic growth remains the same. The average revision from the second estimate to third estimate for real GDP is 0.2 percentage point. The upward revision primarily reflected upward revisions to consumer spending and to exports that were partly offset by a downward revision to private inventory investment.

The upward revision to consumer spending reflected an upward revision to services (notably, to recreation and transportation services) that was partly offset by a downward revision to goods.

In private inventory investment, the downward revision reflected downward revisions to manufacturing and to retail trade industries.

The upward revision to exports reflected upward revisions to exports of both services and goods.

The revision to goods exports reflected an upward revision to "other" goods.

The revision to services exports reflected upward revisions to "other" business services and to travel.

## Source Data and Methodologies

For the details about the source data and the methodologies that are used for the estimates, see *Concepts and Methods of the U.S. National Income and Product Accounts* on BEA's Web site.

**Source data for the third estimate.** The third estimate of GDP for the fourth quarter of 2015 incorporated the following source data.

*Consumer spending:* Census Bureau retail sales for December (revised) and quarterly services survey data for the fourth quarter (new) and Federal Deposit Insurance Corporation financial services *Call Report* data for the fourth quarter (new).

*Nonresidential fixed investment:* Census Bureau con-

struction spending data for November and December (revised) and quarterly services survey data for the fourth quarter (new).

*Residential fixed investment:* Census Bureau construction spending data for November and December (revised).

*Inventory investment:* Census Bureau manufacturers' and trade inventories for December (revised) and *Quarterly Financial Report* data for the fourth quarter (revised).

*Exports and imports:* Bureau of Economic Analysis international transactions accounts data for October, November, and December.

*Government spending:* Census Bureau construction spending data for November and December (revised).

## Corporate Profits

**Table 3. Corporate Profits**  
[Seasonally adjusted]

	Billions of dollars (annual rate)					Percent change from preceding quarter (quarterly rate)			
	Level	Change from preceding quarter							
	2015	2015				2015			
	IV	I	II	III	IV	I	II	III	IV
<b>Current production measures:</b>									
Corporate profits.....	1,890.3	-123.0	70.4	-33.0	-159.6	-5.8	3.5	-1.6	-7.8
Domestic industries.....	1,514.8	-93.9	59.0	-10.0	-153.1	-5.5	3.6	-0.6	-9.2
Financial.....	372.9	-23.4	34.6	1.8	-24.0	-6.1	9.6	0.5	-6.0
Nonfinancial.....	1,141.8	-70.5	24.3	-11.8	-129.2	-5.3	1.9	-0.9	-10.2
Rest of the world.....	375.6	-29.0	11.4	-23.1	-6.5	-6.9	2.9	-5.7	-1.7
Receipts from the rest of the world.....	648.9	-40.0	24.9	-3.5	-22.4	-5.8	3.8	-0.5	-3.3
Less: Payments to the rest of the world.....	273.4	-11.0	13.4	19.5	-16.0	-4.1	5.2	7.2	-5.5
Less: Taxes on corporate income	509.9	5.5	31.3	-6.9	-32.2	1.1	6.0	-1.2	-5.9
Equals: Profits after tax.....	1,380.4	-128.4	39.2	-26.2	-127.4	-7.9	2.6	-1.7	-8.4
Net dividends.....	890.5	6.3	1.2	26.0	-15.1	0.7	0.1	3.0	-1.7
Undistributed profits from current production.....	489.9	-134.7	38.0	-52.2	-112.2	-17.9	6.2	-8.0	-18.6
Net cash flow.....	2,024.5	-135.5	48.1	-35.1	-101.6	-6.0	2.3	-1.6	-4.8

NOTE: Levels of these and other profits series are shown in NIPA tables 1.12, 1.14, 1.15, and 6.16D.

Profits from current production decreased \$159.6 billion, or 7.8 percent at a quarterly rate, in the fourth quarter after decreasing \$33.0 billion, or 1.6 percent, in the third quarter.

Profits of domestic financial corporations decreased \$24.0 billion, or 6.0 percent, after increasing \$1.8 billion, or 0.5 percent.

Profits of domestic nonfinancial corporations decreased \$129.2 billion, or 10.2 percent, after decreasing \$11.8 billion, or 0.9 percent. (See page 5 for additional information about fourth-quarter profits.)

Profits from the rest of the world decreased \$6.5 billion, or 1.7 percent, after decreasing \$23.1 billion, or 5.7 percent. In the fourth quarter, receipts decreased \$22.4 billion, and payments decreased \$16.0 billion.

Taxes on corporate income decreased \$32.2 billion, or 5.9 percent, in the fourth quarter after decreasing \$6.9 billion, or 1.2 percent, in the third quarter.

Net dividends decreased \$15.1 billion, or 1.7 percent, after increasing \$26.0 billion, or 3.0 percent.

### 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 the

Census Bureau *Quarterly Financial Report*, Federal Deposit Insurance Corporation call reports, other regulatory reports, and tabulations from corporate financial reports. The estimates are benchmarked to Internal Revenue Service (IRS) data when these data are available for two reasons: the IRS 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).

## Corporate Profits by Industry

**Table 4. Corporate Profits by Industry**  
[Seasonally adjusted]

	Billions of dollars (annual rate)					Percent change from preceding quarter (quarterly rate)			
	Level	Change from preceding quarter							
	2015	2015				2015			
	IV	I	II	III	IV	I	II	III	IV
<b>Industry profits:</b>									
Profits with IVA.....	2,219.3	85.2	62.7	-31.7	-163.2	3.8	2.7	-1.3	-6.8
Domestic industries.....	1,843.7	114.2	51.3	-8.7	-156.7	6.2	2.6	-0.4	-7.8
Financial.....	434.6	-3.1	34.3	2.5	-24.0	-0.7	8.1	0.5	-5.2
Nonfinancial.....	1,409.1	117.3	17.0	-11.1	-132.7	8.3	1.1	-0.7	-8.6
Utilities.....	9.5	8.0	3.5	-15.3	-3.7	47.4	14.2	-53.7	-27.9
Manufacturing.....	393.6	68.5	2.3	-4.1	-139.2	14.7	0.4	-0.8	-26.1
Wholesale trade.....	179.5	8.5	-5.6	4.8	11.3	5.3	-3.3	2.9	6.7
Retail trade.....	179.4	10.6	-14.3	5.5	-1.1	5.9	-7.5	3.1	-0.6
Transportation and warehousing.....	101.0	22.7	3.1	11.0	3.6	37.5	3.7	12.8	3.7
Information.....	153.1	22.0	7.8	-3.9	6.4	18.2	5.4	-2.6	4.3
Other nonfinancial.....	393.0	-23.0	20.2	-9.2	-9.9	-5.5	5.2	-2.2	-2.5
Rest of the world.....	375.6	-29.0	11.4	-23.1	-6.5	-6.9	2.9	-5.7	-1.7
<b>Addenda:</b>									
Profits before tax (without IVA and CCAdj).....	2,149.5	39.5	141.4	-67.7	-176.5	1.8	6.3	-2.8	-7.6
Profits after tax (without IVA and CCAdj).....	1,639.6	34.0	110.2	-60.8	-144.2	2.0	6.4	-3.3	-8.1
IVA.....	69.7	45.7	-78.7	35.9	13.3	.....	.....	.....	.....
CCAdj.....	-329.0	-208.1	7.7	-1.3	3.6	.....	.....	.....	.....

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

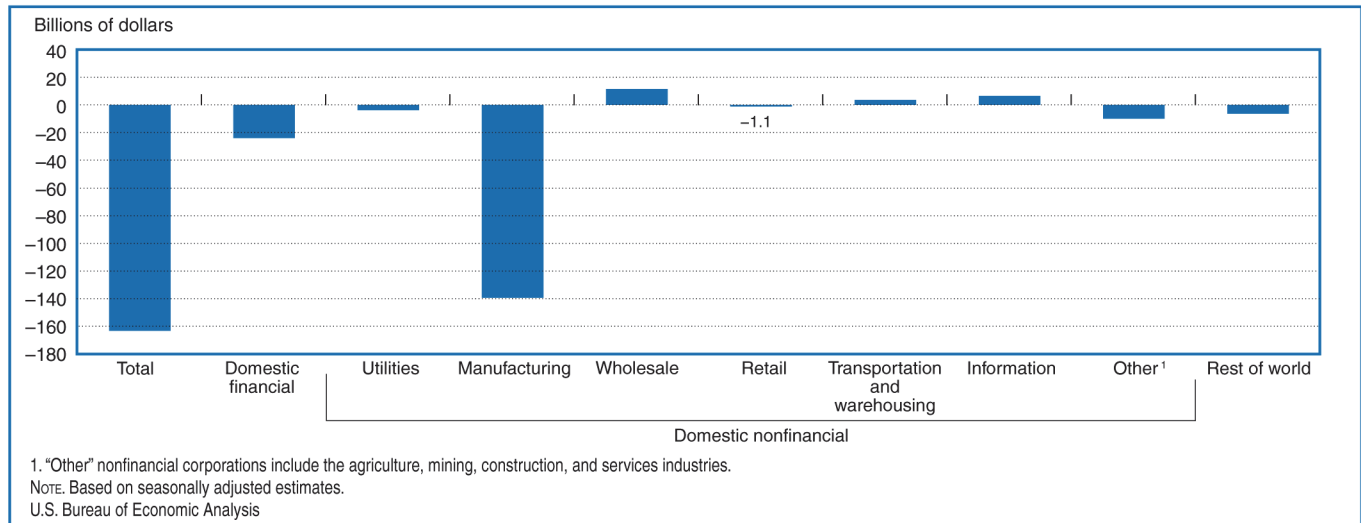
Profits with inventory valuation adjustment (IVA) decreased \$163.2 billion, or 6.8 percent at a quarterly rate, in the fourth quarter after decreasing \$31.7 billion, or 1.3 percent, in the third quarter.

Profits of domestic industries decreased \$156.7 billion, or 7.8 percent, after decreasing \$8.7 billion, or 0.4 percent.

Profits of domestic financial industries decreased \$24.0 billion, or 5.2 percent, after increasing \$2.5 billion, or 0.5 percent.

Profits of domestic nonfinancial industries decreased \$132.7 billion, or 8.6 percent, after decreasing \$11.1 billion, or 0.7 percent. The fourth-quarter profits were reduced by a \$20.8 billion settlement (\$83.2 billion at an annual rate) between a U.S. subsidiary of BP, the federal government, and the five states that were most affected by the 2010 Deepwater Horizon oil spill in the Gulf of Mexico. For more information, see the [FAQ](#), "What caused the large increase to government current transfer receipts from business in the fourth quarter of 2015?"

**Chart 2. Corporate Profits With Inventory Valuation Adjustment: Change From the Preceding Quarter, 2015:IV**



### Corporate Profits by Industry

Industry profits are corporate profits by industry with inventory valuation adjustment (IVA). The IVA removes the effect of price changes on inventories. The IVA is the difference between the cost of inventory withdrawals at acquisition cost and replacement cost. Ideally, BEA would also add the capital consumption adjustment (CCAdj) for

each industry. However, estimates of the CCAdj are only available for two broad categories: total financial industries and total nonfinancial industries. For more information about BEA's methodology, see "Corporate Profits" in *Concepts and Methods of the U.S. National Income and Product Accounts* on BEA's Web site.