

BUSINESS SITUATION

This article was prepared by Larry R. Moran, Daniel Larkins, Ralph W. Morris, Deborah Y. Sieff, and Kurt S. Bersani.

REAL GROSS domestic product (GDP) increased 5.5 percent in the third quarter of 1999, according to the "preliminary" estimates of the national income and product accounts (NIPAs), after increasing 1.9 percent in the second quarter (table 1 and chart 1); the "advance" third-quarter estimate of real GDP, reported in the November SURVEY OF CURRENT BUSINESS, had shown a 4.8-percent increase.¹ The upward revision to real GDP primarily reflected a downward

revision to imports, which are subtracted in the calculation of GDP, and upward revisions to private nonfarm inventory investment, to consumer spending for services, and to State and local government spending; these revisions were partly offset by a downward revision to private investment in equipment and software. Real final sales of domestic product and real gross domestic purchases were each revised up less than GDP.

1. Quarterly estimates in the NIPAs are expressed at seasonally adjusted annual rates. Quarter-to-quarter dollar changes are the differences between the published estimates. Quarter-to-quarter percent changes are annualized and are calculated from unrounded data unless otherwise specified.

Real estimates are calculated using a chain-type Fisher formula with annual weights for all years and for all quarters except those for the most recent year, which are calculated using quarterly weights; real estimates are expressed both as index numbers (1996=100) and as chained (1996) dollars. Price indexes (1996=100) are also calculated using a chain-type Fisher formula.

Table 1.—Real Gross Domestic Product, Real Gross Domestic Purchases, and Real Final Sales to Domestic Purchasers

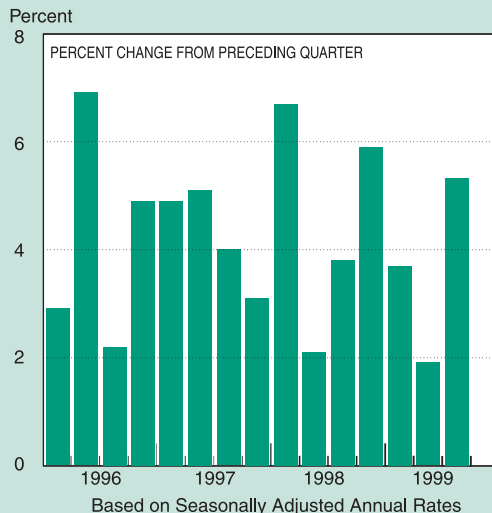
[Seasonally adjusted at annual rates]

	Billions of chained (1996) dollars					Percent change from preceding quarter			
	Level		Change from preceding quarter			1998		1999	
	1999	1998	1999			IV	I	II	III
	III	IV	I	II	III				
Gross domestic product	8,897.7	123.2	78.7	40.7	119.1	5.9	3.7	1.9	5.5
Less: Exports of goods and services	1,055.2	37.8	-14.4	10.0	28.8	16.1	-5.5	4.0	11.7
Plus: Imports of goods and services	1,391.9	32.1	37.8	44.5	46.5	10.8	12.5	14.4	14.6
Equals: Gross domestic purchases	9,212.6	117.3	125.9	70.8	134.4	5.5	5.8	3.2	6.1
Less: Change in private inventories	33.9	-5.4	-20.6	-36.1	19.9	.....	.....	.....	.....
Nonfarm	37.1	-19.3	-15.1	-30.0	24.0	.....	.....	.....	.....
Farm	-3.7	14.9	-5.4	-6.5	-4.6	.....	.....	.....	.....
Equals: Final sales to domestic purchasers	9,171.8	123.0	144.2	103.0	114.0	5.8	6.7	4.7	5.1
Personal consumption expenditures	6,028.8	65.1	92.6	73.4	67.0	4.6	6.5	5.1	4.6
Durable goods	821.2	34.8	22.8	17.3	15.1	20.4	12.4	9.1	7.7
Nondurable goods	1,778.8	20.6	36.9	14.2	15.1	5.0	8.9	3.3	3.5
Services	3,436.7	12.4	34.5	42.7	37.5	1.5	4.2	5.2	4.5
Gross private domestic fixed investment	1,612.7	48.5	33.4	25.1	31.7	13.8	9.1	6.6	8.3
Nonresidential fixed investment	1,241.0	40.5	21.9	20.2	38.1	15.3	7.8	7.0	13.3
Structures	247.5	3.6	-3.8	-3.4	-1.0	5.8	-5.8	-5.3	-1.5
Equipment and software	1,001.9	37.9	27.2	25.2	41.0	18.6	12.5	11.2	18.2
Residential investment	374.1	8.4	11.1	5.1	-4.7	9.8	12.9	5.5	-4.8
Government consumption expenditures and gross investment	1,535.4	10.6	18.7	4.9	15.9	2.9	5.1	1.3	4.2
Federal	539.3	5.0	-6	2.8	5.1	3.9	-5	2.1	3.9
National defense	348.5	-2.6	-3.5	-2.2	9.3	-2.9	-4.0	-2.6	11.4
Nondefense	190.8	7.5	2.8	5.0	-4.1	17.8	6.1	10.9	-8.1
State and local	995.8	5.5	19.3	2.2	10.7	2.3	8.2	.9	4.4
Addendum: Final sales of domestic product	8,856.6	128.7	96.9	72.7	98.7	6.2	4.6	3.4	4.6

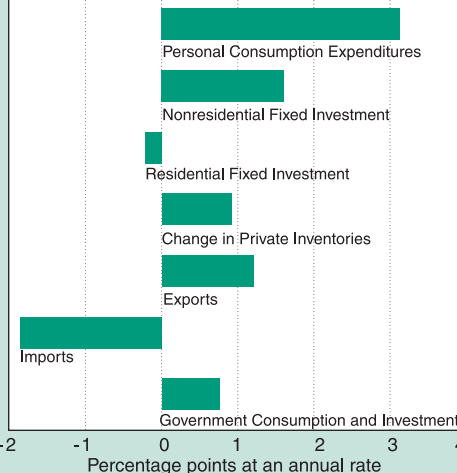
NOTE.—Chained (1996) dollar series are calculated as the product of the chain-type quantity index and the 1996 current-dollar value of the corresponding series, divided by 100. Because the formula for the chain-type quantity indexes uses weights of more than one period, the corresponding chained-dollar estimates usually are not additive. Chained (1996) dollar levels and residuals, which measure the extent of nonadditivity in each table, are in NIPA tables 1.2, 1.4, and 1.6. Percent changes are calculated from unrounded data. Percent changes in major aggregates are in NIPA table S.1.

CHART 1

Real Gross Domestic Product



CONTRIBUTIONS TO 5.5-PERCENT INCREASE IN REAL GDP IN 1999:III



(The sources of the revisions are discussed in the section "Revisions.")

The picture of the economy in the third quarter that is shown by the preliminary estimates is similar to that shown by the advance estimates. Like the advance estimates, the preliminary estimates showed the following:

- The third-quarter increase in real GDP—at 5.5 percent—was well above the 3.5-percent average annual growth rate for real GDP over the current expansion, which began in the second quarter of 1991.
- The sharp third-quarter acceleration was primarily accounted for by an upturn in private nonfarm inventory investment and by accelerations in exports of goods and in private nonresidential investment in equipment and software. These changes were partly offset by a downturn in private residential investment and a small slowdown in consumer spending.
- Real final sales of domestic product accelerated less than GDP, as private inventory investment—which is excluded from final sales of domestic product—increased after decreasing in the second quarter.²
- Real gross domestic purchases accelerated less than GDP, as exports—which are

2. Final sales of domestic product is calculated as GDP less change in private inventories.

Table 2.—Contributions to Percent Change in Real Gross Domestic Product

[Seasonally adjusted at annual rates]

	1998		1999	
	IV	I	II	III
Percent change at annual rate:				
Gross domestic product	5.9	3.7	1.9	5.5
Percentage points at annual rates:				
Personal consumption expenditures	3.13	4.27	3.36	3.13
Durable goods	1.51	.96	.71	.62
Nondurable goods .....	.98	1.68	.64	.71
Services .....	.64	1.63	2.01	1.80
Gross private domestic investment	1.94	.67	-.36	2.32
Fixed investment	2.20	1.48	1.10	1.40
Nonresidential	1.79	.94	.86	1.61
Structures .....	.18	-.18	-.16	-.04
Equipment and software	1.61	1.12	1.02	1.65
Residential .....	.41	.53	.24	-.22
Change in private inventories	-.26	-.80	-1.46	.92
Net exports of goods and services .....	.33	-2.13	-1.35	-.65
Exports	1.65	-.61	.42	1.21
Goods	1.38	-.74	.32	1.12
Services .....	.27	.13	.10	.09
Imports	-1.32	-1.52	-1.77	-1.86
Goods	-1.29	-1.28	-1.59	-1.83
Services	-.03	-.24	-.19	-.04
Government consumption expenditures and gross investment .....	.51	.87	.23	.76
Federal .....	.24	-.03	.13	.24
National defense	-.12	-.16	-.10	.43
Nondefense .....	.36	.13	.23	-.19
State and local .....	.28	.90	.10	.51

NOTE.—NIPA table 8.2 also shows contributions for 1998:II and 1998:III.

excluded from gross domestic purchases—accelerated sharply.³

- The largest contributors to the third-quarter increase in real GDP were consumer spending, private investment in equipment and software, exports of goods and services, and private nonfarm inventory investment (table 2 and chart 1). The increase in GDP was moderated by an increase in imports.

The price index for gross domestic purchases increased 1.7 percent in the third quarter after increasing 1.9 percent in the second (table 3). In the third quarter, a deceleration in energy prices more than offset an acceleration in food prices. The price index for gross domestic purchases excluding the prices of food and energy—food and energy prices are normally more volatile than many other prices—increased 1.2 percent in the third quarter, the same as in the second. GDP prices increased 1.1 percent after increasing 1.3 percent.

Real disposable personal income (DPI) increased 2.7 percent in the third quarter after increasing 3.2 percent in the second. The personal saving rate—personal saving as a percentage of current-

3. Gross domestic purchases—a measure of purchases by U.S. residents regardless of where the purchased goods and services were produced—is calculated as the sum of personal consumption expenditures, gross private domestic investment, and government consumption expenditures and gross investment.

Table 3.—Percent Changes in Prices

[Annual rates; based on seasonally adjusted index numbers (1996=100)]

	1998	1999		
	IV	I	II	III
Gross domestic product	0.9	2.0	1.3	1.1
Less: Exports of goods and services	-1.3	-.5	.7	1.2
Plus: Imports of goods and services	-.3	-3.0	5.2	6.2
Equals: Gross domestic purchases	1.0	1.6	1.9	1.7
Less: Change in private inventories				
Equals: Final sales to domestic purchasers	1.0	1.7	2.0	1.8
Personal consumption expenditures	1.2	1.4	2.2	1.9
Food	2.4	2.5	1.2	2.1
Energy goods and services ¹	-6.4	-2.5	26.9	14.3
Other personal consumption expenditures	1.4	1.4	1.3	1.2
Private nonresidential fixed investment	-1.8	-.9	-1.4	-1.4
Structures	3.5	1.3	2.2	3.3
Equipment and software	-3.5	-1.6	-2.5	-2.7
Private residential investment	4.5	4.0	3.6	3.7
Government consumption expenditures and gross investment	1.3	3.8	2.9	3.4
Federal	1.4	8.6	.9	1.8
National defense	1.0	7.6	1.0	1.8
Nondefense	2.1	10.4	.7	1.7
State and local	1.3	1.4	4.0	4.3
Addendum: Gross domestic purchases less food and energy	1.1	1.7	1.2	1.2

1. Consists of gasoline, fuel oil, and other energy goods and of electricity and gas.

NOTE.—Percent changes in major aggregates are in NIPA table 8.1. Index number levels are in tables 7.1, 7.2, and 7.4.

dollar DPI—continued its downtrend, decreasing to 2.1 percent from 2.5 percent; the third-quarter rate is the lowest since 1959, the first year for which quarterly estimates are available.⁴

Personal consumption expenditures

Real personal consumption expenditures (PCE) increased 4.6 percent in the third quarter after increasing 5.1 percent in the second (table 4 and chart 2). Although the third-quarter increase was smaller than that in the second quarter, it was larger than the 3.7-percent average annual growth rate over the current expansion. The deceleration was accounted for by slowdowns in durable goods and in services; nondurable goods increased slightly more than in the second quarter.

The deceleration in PCE was consistent with movements in consumer income and in indicators of consumer sentiment (chart 3). Growth in real DPI slowed, and the Index of Consumer Sentiment (prepared by the University of Michigan's Survey Research Center as a measure of consumer attitudes and expectations) declined. In contrast, the unemployment rate decreased to 4.2 percent, its lowest quarterly rate since 1970.

4. As a result of the recently released comprehensive revision of the NIPA's, the personal saving rate is higher for all periods than was previously indicated, the higher rate reflects both definitional changes and inclusion of new source data. For information about the definitional changes, see "A Preview of the 1999 Comprehensive Revision of the National Income and Product Accounts" on page 7 of the August 1999 SURVEY.

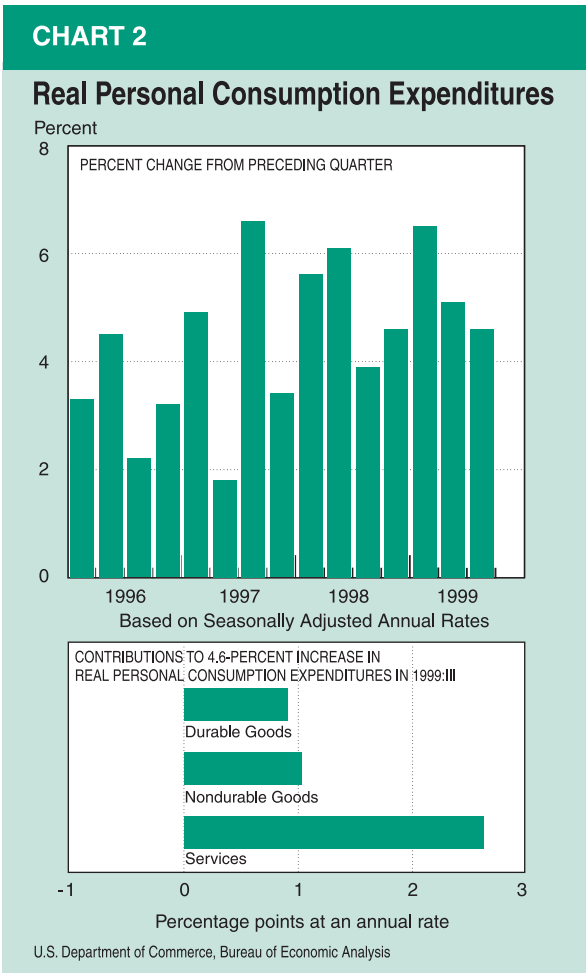


Table 4.—Real Personal Consumption Expenditures

[Seasonally adjusted at annual rates]

	Billions of chained (1996) dollars					Percent change from preceding quarter			
	Level	Change from preceding quarter				1998	1999		
		1999	1998	1999			IV	I	II
	III	IV	I	II	III				
Personal consumption expenditures	6,028.8	65.1	92.6	73.4	67.0	4.6	6.5	5.1	4.6
Durable goods	821.2	34.8	22.8	17.3	15.1	20.4	12.4	9.1	7.7
Motor vehicles and parts	319.4	20.7	3.0	6.8	2.2	32.2	3.9	9.2	2.7
Of which: New autos	101.4	7.7	1.6	5.6	-8	40.5	6.5	25.5	-3.2
New trucks	88.9	7.7	-9	1.3	2.3	45.6	-4.0	6.0	11.0
Furniture and household equipment	346.2	10.9	14.1	8.8	10.7	15.2	19.3	11.3	13.3
Other	157.6	2.8	6.4	1.8	2.9	8.1	18.5	4.8	7.8
Nondurable goods	1,778.8	20.6	36.9	14.2	15.1	5.0	8.9	3.3	3.5
Food	848.4	12.4	4.1	5.1	3.8	6.1	2.0	2.4	1.8
Clothing and shoes	321.6	3.4	19.1	2.1	4.8	4.8	28.4	2.7	6.1
Gasoline, fuel oil, and other energy goods	146.0	-1.2	1.0	1.0	2.1	-3.4	2.8	2.8	5.9
Other	463.4	5.5	13.2	6.0	4.8	5.2	12.6	5.4	4.2
Services	3,436.7	12.4	34.5	42.7	37.5	1.5	4.2	5.2	4.5
Housing	828.5	4.0	6.4	4.7	5.4	2.0	3.2	2.3	2.7
Household operation	363.9	-8.3	8.6	4.8	5.1	-9.0	10.3	5.6	5.8
Electricity and gas	134.9	-10.9	5.4	1.1	2.7	-28.4	18.5	3.5	8.4
Other household operation	228.9	2.4	3.2	3.6	2.5	4.5	6.0	6.7	4.4
Transportation	242.4	1.5	1.6	2.2	2.5	2.5	2.8	3.6	4.2
Medical care	881.0	5.8	3.4	6.4	9.0	2.7	1.6	3.0	4.2
Other	889.0	6.5	9.1	18.1	8.2	3.4	5.6	9.5	5.7

NOTE.—See note to table 1 for an explanation of chained (1996) dollar series. Chained (1996) dollar levels and residuals are in NIPA tables 2.3 and 8.9B (motor vehicles). Percent changes in major aggregates are in NIPA table S.1.

Expenditures for durable goods increased 7.7 percent after increasing 9.1 percent. The deceleration was more than accounted for by a slowdown in motor vehicles and parts, which reflected a downturn in new autos. Furniture and household equipment and "other" durable goods increased a little more than in the second quarter.⁵

Expenditures for services increased 4.5 percent after increasing 5.2 percent. The slowdown was more than accounted for by a slowdown in "other" services, which largely reflected a downturn in brokerage commissions.⁶ In contrast, housing, household operation, transportation, and medical care increased slightly more than in the second quarter.

5. "Other" durable goods includes jewelry and watches, ophthalmic products and orthopedic equipment, books and maps, bicycles and motorcycles, guns and sporting equipment, photographic equipment, boats, and pleasure aircraft.

6. "Other" services includes personal care, personal business, recreational, net foreign travel, education and research, and religious and welfare activities.

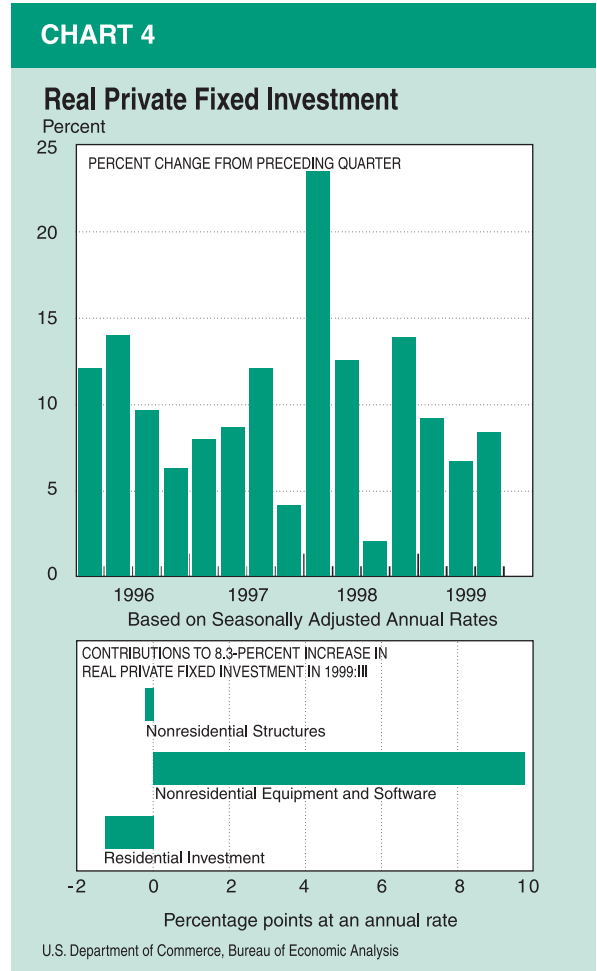
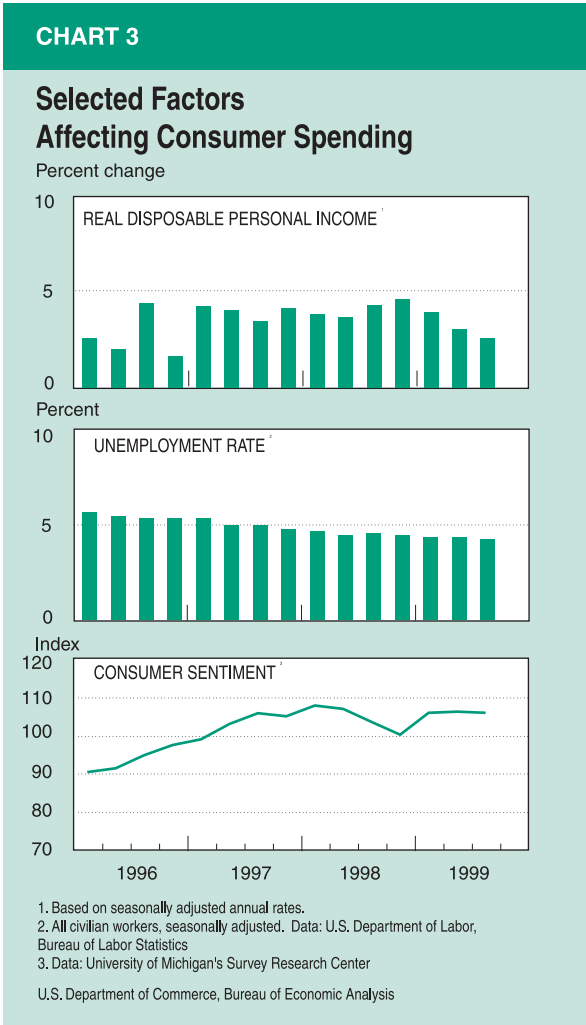
Expenditures for nondurable goods increased 3.5 percent after increasing 3.3 percent. Clothing and shoes and gasoline, fuel oil, and other energy goods increased more than in the second quarter. Food and "other" nondurable goods decelerated.⁷

Private fixed investment

Real gross private domestic fixed investment increased 8.3 percent in the third quarter after increasing 6.6 percent in the second (chart 4). An acceleration in nonresidential fixed investment more than offset a downturn in residential investment.

Nonresidential fixed investment.—Real private nonresidential fixed investment jumped 13.3 percent quarter after increasing 7.0 percent (table 5). The acceleration primarily reflected an acceleration in spending on equipment and software; in

7. "Other" nondurable goods includes tobacco, toilet articles, stationery and writing supplies, toys, film, flowers, cleaning preparations and paper products, and magazines and newspapers.



addition, spending on structures decreased less than in the second quarter.

The third-quarter increase in nonresidential fixed investment was larger than the average increase over the current expansion (8.6 percent), and it occurred despite unfavorable movements in profits, capacity utilization, and interest rates in recent quarters (chart 5). Over the past four quarters, domestic corporate profits increased only 1.8 percent, the capacity utilization rate declined to 80.6 percent from 81.4 percent, and long-term interest rates increased (for example, the yield on high-grade corporate bonds increased to 7.32 percent from 6.32 percent). In contrast, real final sales of domestic product—another factor that affects investment spending—increased 4.2 percent.

Expenditures for equipment and software jumped 18.2 percent after increasing 11.2 percent. The acceleration was accounted for by a sharp acceleration in transportation equipment—mostly reflecting an acceleration in trucks, buses, and trailers and an upturn in aircraft—and by a modest acceleration in industrial equipment. “Other” equipment decreased about as much as in the second quarter, and information processing equipment and software slowed somewhat.⁸ The slowdown in information processing equipment and software was accounted for by communication

equipment; computers and peripheral equipment and software each increased somewhat more than in the second quarter.

Structures decreased 1.5 percent after decreasing 5.3 percent. Mining exploration, shafts, and wells increased more than in the second quarter, nonresidential buildings decreased less, and utilities increased slightly after changing little. In contrast, “other” structures decreased after increasing.⁹

Residential investment.—Real private residential investment decreased 4.8 percent after increasing 5.5 percent (table 5). The downturn was accounted for by “other” residential investment, which turned down, and by single-family structures, which decreased after changing little.¹⁰ Multifamily structures changed little after a small decrease.

“Other” residential investment decreased 2.3 percent after increasing 15.4 percent. The downturn largely reflected a downturn in brokers’ commissions, as sales of new and existing homes decreased 217,000 units (seasonally adjusted annual rate) in the third quarter after increasing 406,000 units in the second. The decrease

9. “Other” structures includes streets, dams and reservoirs, sewer and water facilities, parks, airfields, brokerage commissions on the sale of structures, and net purchases of used structures.

10. “Other” residential investment includes home improvements, new manufactured home sales, brokers’ commissions on home sales, residential equipment, and other residential structures (which consists primarily of dormitories and fraternity and sorority houses.)

8. “Other” equipment includes construction and agricultural equipment, mining and oilfield equipment, electrical equipment not included in other categories, furniture and fixtures, and service-industry machinery.

Table 5.—Real Gross Private Domestic Fixed Investment

[Seasonally adjusted at annual rates]

	Billions of chained (1996) dollars					Percent change from preceding quarter			
	Level	Change from preceding quarter				1998	1999		
	1999	1998	1999				IV	I	II
	III	IV	I	II	III				
Gross private domestic fixed investment	1,612.7	48.5	33.4	25.1	31.7	13.8	9.1	6.6	8.3
Nonresidential	1,241.0	40.5	21.9	20.2	38.1	15.3	7.8	7.0	13.3
Structures	247.5	3.6	-3.8	-3.4	-1.0	5.8	-5.8	-5.3	-1.5
Nonresidential buildings, including farm	177.6	3.2	-8	-5.4	-3.6	7.3	-1.8	-11.1	-7.6
Utilities	38.7	.8	-6	-1	.7	9.0	-5.7	-1.5	7.2
Mining exploration, shafts, and wells	25.4	-6	-2.0	1.0	2.8	-10.3	-30.1	19.5	60.2
Other structures	6.2	.3	-2	1.1	-9	18.7	-12.3	100.1	-44.3
Equipment and software	1,001.9	37.9	27.2	25.2	41.0	18.6	12.5	11.2	18.2
Information processing equipment and software	528.5	21.1	21.9	30.6	27.5	21.3	21.0	28.6	23.9
Computers and peripheral equipment ¹	235.6	17.9	15.1	19.5	22.7	52.4	38.6	46.9	49.9
Software	153.0	5.9	3.8	5.4	6.0	19.0	11.7	16.1	17.2
Other	174.8	2.6	6.9	10.6	6.4	7.1	19.6	29.9	16.0
Industrial equipment	149.9	.2	-3.9	1.6	3.3	.4	-9.9	4.3	9.4
Transportation equipment	207.0	21.6	5.0	.8	15.4	63.9	11.2	1.6	36.3
Of which: Motor vehicles	170.1	18.0	2.2	3.7	14.1	66.3	6.0	10.3	41.1
Other	130.1	-4.1	6.0	-3.7	-3.2	-11.4	19.5	-10.4	-9.2
Residential	374.1	8.4	11.1	5.1	-4.7	9.8	12.9	5.5	-4.8
Single-family structures	192.2	5.3	6.5	0	-3.6	12.1	14.4	-1	-7.1
Multifamily structures	22.8	-1	2.2	-4	-1	-1.9	48.7	-6.5	-2.1
Other ²	159.3	3.2	2.3	5.6	-9	8.8	6.1	15.4	-2.3

1. Includes new computers and peripheral equipment only.
 2. “Other” residential investment includes home improvements, new manufactured home sales, brokers’ commissions on home sales, residential equipment, and other residential structures (which consists primarily of dormitories and fraternity and sorority houses).

NOTE.—See note to table 1 for an explanation of chained (1996) dollar series. Chained (1996) dollar levels and residuals are in NIPA tables 5.5 and 8.9B (motor vehicles). Percent changes in major aggregates are in NIPA table S.1.

in home sales may have partly reflected an increase in the commitment rate on 30-year fixed-rate mortgages to 7.6 percent from 6.9 percent (chart 6).

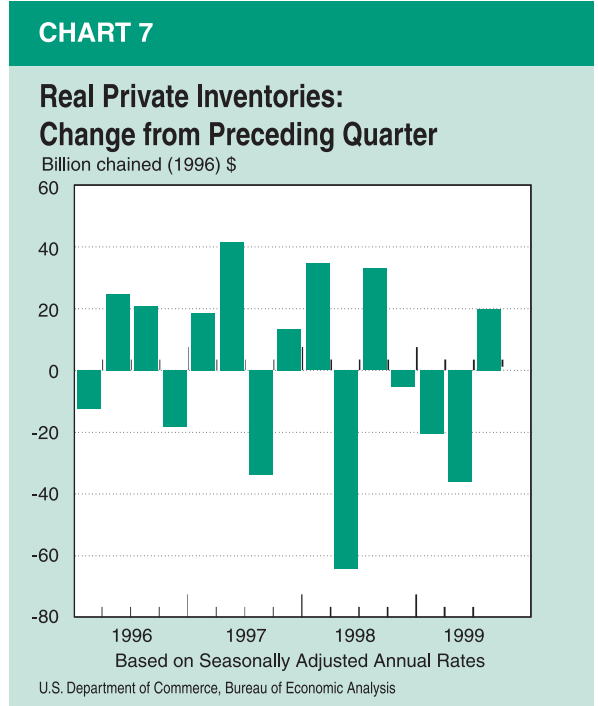
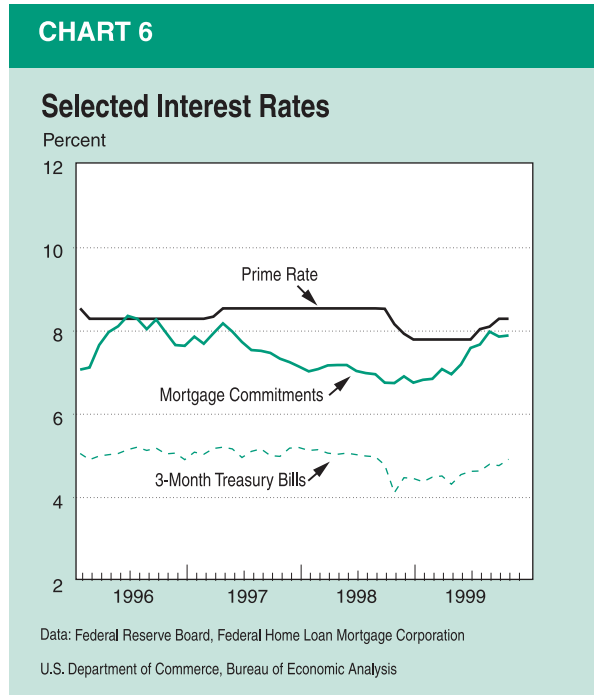
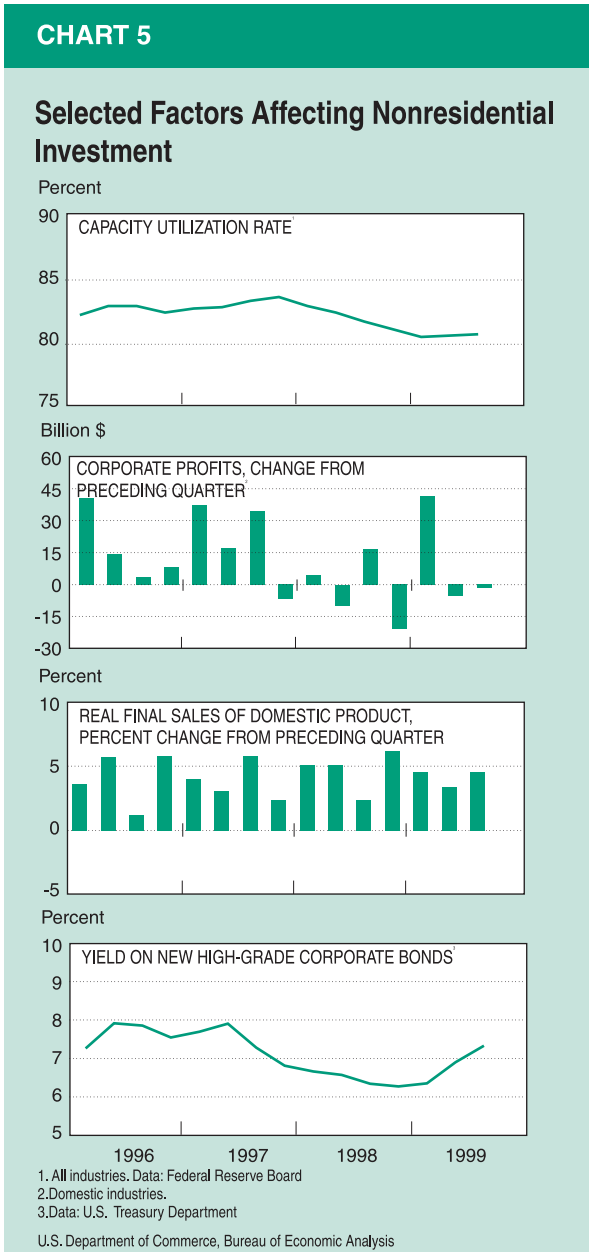
Single-family structures decreased 7.1 percent after decreasing 0.1 percent, and multifamily structures decreased 2.1 percent after decreasing 6.5 percent.

Inventory investment

Real inventory investment—that is, the change in private inventories—increased \$19.9 billion in the third quarter, as inventory accumulation stepped up to \$33.9 billion from \$14.0 billion; inventory investment had decreased \$36.1 billion in

the second quarter (table 6 and chart 7). The third-quarter step-up reflected step-ups in the accumulation of wholesale and retail inventories and a swing from liquidation to accumulation of manufacturing inventories.

Wholesale trade inventories increased \$22.1 billion, about twice as much as in the second quarter. The step-up reflected inventories of nondurable goods; inventories of durable goods increased about as much as in the second quarter.



Retail trade inventories increased \$14.3 billion after increasing \$5.9 billion. Inventories of durable-goods retailers increased \$11.0 billion after increasing \$4.0 billion; the step-up reflected inventories of motor vehicle dealers, which increased \$8.5 billion after no change. Inventories of nondurable-goods retailers increased \$3.5 billion after increasing \$1.9 billion; a downturn in inventories of apparel stores partly offset upturns or step-ups in the inventories of most other retail categories.

Manufacturing inventories increased slightly after decreasing. Inventories of materials and

supplies turned up, and inventories of finished goods increased more than in the second quarter; work-in-process inventories decreased about as much as in the second quarter. Inventories of durable-goods manufacturers increased a little after decreasing; the upturn partly reflected a substantial slowdown in the liquidation of aircraft inventories and swings from liquidation to accumulation of industrial machinery and of instruments. In contrast, inventories of electrical machinery increased less than in the second quarter, and inventories of motor vehicles decreased after increasing. Inventories of

Table 6.—Real Change in Private Inventories

[Billions of chained (1996) dollars; seasonally adjusted at annual rates]

	Level					Change from preceding quarter			
	1998		1999			1998		1999	
	III	IV	I	II	III	IV	I	II	III
Change in private inventories	76.1	70.7	50.1	14.0	33.9	-5.4	-20.6	-36.1	19.9
Farm	-2.1	12.8	7.4	.9	-3.7	14.9	-5.4	-6.5	-4.6
Nonfarm	77.5	58.2	43.1	13.1	37.1	-19.3	-15.1	-30.0	24.0
Manufacturing	22.2	12.0	0	-8.3	.5	-10.2	-12.0	-8.3	8.8
Durable goods	13.4	6.8	1.8	-6.6	.6	-6.6	-5.0	-8.4	7.2
Nondurable goods	8.8	5.3	-1.8	-1.7	-.1	-3.5	-7.1	.1	1.6
Wholesale trade	33.8	17.2	9.5	11.1	22.1	-16.6	-7.7	1.6	11.0
Durable goods	18.6	15.5	11.8	11.0	11.5	-3.1	-3.7	-.8	.5
Nondurable goods	15.3	1.4	-2.4	.1	10.6	-13.9	-3.8	2.5	10.5
Retail trade	11.0	15.5	17.5	5.9	14.3	4.5	2.0	-11.6	8.4
Durable goods	7.7	16.0	9.5	4.0	11.0	8.3	-6.5	-5.5	7.0
Of which: Motor vehicle dealers	4.3	7.6	3.1	0	8.5	3.3	-4.5	-3.1	8.5
Nondurable goods	3.3	-3	8.0	1.9	3.5	-3.6	8.3	-6.1	1.6
Other	10.8	13.6	15.7	4.1	0	2.8	2.1	-11.6	-4.1
Durable goods	1.1	1.0	1.7	-2.0	-1.0	-.1	.7	-3.7	1.0
Nondurable goods	9.7	12.6	14.0	6.3	1.1	2.9	1.4	-7.7	-5.2
Addenda:									
Motor vehicles	3.6	16.6	6.4	2.5	13.2	13.0	-10.2	-3.9	10.7
Autos	7.2	12.9	1.7	-7.9	3.2	5.7	-11.2	-9.6	11.1
Trucks	-3.2	3.9	4.5	9.2	9.4	7.1	.6	4.7	2

NOTE.—See note to table 1 for an explanation of chained (1996) dollar series.

Table 7.—Real Exports and Imports of Goods and Services

[Seasonally adjusted at annual rates]

	Billions of chained (1996) dollars					Percent change from preceding quarter			
	Level	Change from preceding quarter				1998		1999	
	1999	1998	1999			IV	I	II	III
	III	IV	I	II	III				
Exports of goods and services	1,055.2	37.8	-14.4	10.0	28.8	16.1	-5.5	4.0	11.7
Exports of goods ¹	761.6	32.2	-17.8	7.7	27.5	19.4	-9.3	4.3	15.8
Foods, feeds, and beverages	59.1	6.4	-4.9	3.2	3.0	60.3	-29.6	25.9	23.6
Industrial supplies and materials	152.5	3.3	-5.2	3.0	2.4	9.2	-13.1	8.5	6.5
Capital goods, except automotive	351.2	12.1	-7.6	-1.2	22.8	15.7	-8.7	-1.5	30.9
Automotive vehicles, engines, and parts	74.8	6.3	-3.4	3.5	.8	43.1	-17.1	21.3	4.5
Consumer goods, except automotive	80.0	-1.0	.5	-4	1.1	-5.3	2.8	-2.3	5.8
Other	44.9	5.5	2.0	-1	-1.9	69.2	19.2	-.6	-15.9
Exports of services ¹	294.1	5.9	2.9	2.3	1.9	8.6	4.1	3.2	2.7
Imports of goods and services	1,391.9	32.1	37.8	44.5	46.5	10.8	12.5	14.4	14.6
Imports of goods ¹	1,188.8	31.8	32.3	40.5	46.3	12.8	12.6	15.5	17.2
Foods, feeds, and beverages	47.1	.2	.9	2.3	1.1	1.4	9.0	22.9	9.9
Industrial supplies and materials, except petroleum and products	159.3	-2.2	.0	3.4	4.8	-5.7	.1	9.3	12.9
Petroleum and products	82.8	-5.7	1.4	4.7	-2.5	-24.2	7.1	25.5	-11.2
Capital goods, except automotive	390.2	9.3	7.9	23.0	19.7	11.8	9.6	29.2	23.1
Automotive vehicles, engines, and parts	184.0	16.4	9.7	3.0	10.6	53.7	26.5	7.1	26.9
Consumer goods, except automotive	251.5	1.8	8.4	5.1	10.7	3.1	15.7	8.9	18.9
Other	74.1	8.0	2.6	1.5	1.9	64.6	16.5	8.4	11.2
Imports of services ¹	204.5	.7	5.6	4.3	.8	1.6	11.9	8.9	1.7

1. Exports and imports of certain goods, primarily military equipment purchased and sold by the Federal Government, are included in services.

NOTE.—See note to table 1 for an explanation of chained (1996) dollar series. Chained (1996) dollar levels and residuals are in NIPA table 4.4. Percent changes in major aggregates are in NIPA table S.1.

nondurable-goods manufacturers changed little after a small decrease; an upswing in petroleum inventories more than offset a downswing in chemicals.

“Other” nonfarm inventories were unchanged after increasing.¹¹

Farm inventories decreased \$3.7 billion after increasing \$0.9 billion. Crop inventories decreased after increasing. Livestock inventories decreased about as much as in the second quarter.

In the third quarter, the ratio of real nonfarm inventories to real final sales of domestic businesses decreased to 2.09 from 2.10; over the current expansion, the ratio has fluctuated in the range of 2.07 to 2.17. The inventory-sales ra-

tio that includes only final sales of goods and structures decreased from 3.73 to 3.71, its lowest level in more than 30 years.¹²

Exports and imports

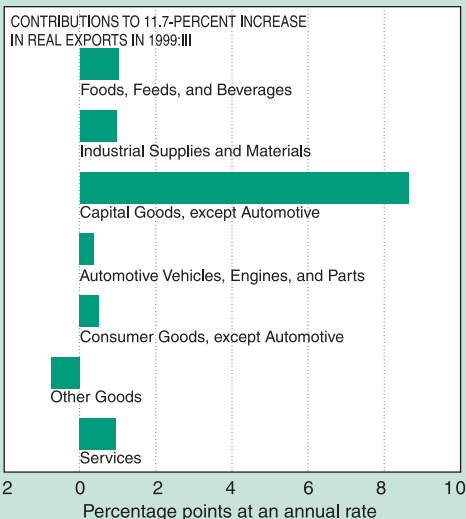
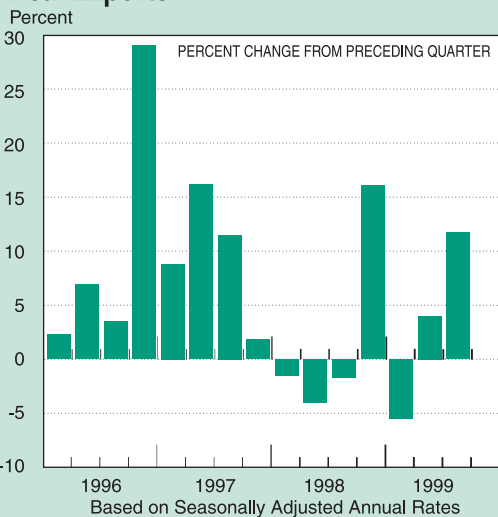
Real exports of goods and services increased 11.7 percent in the third quarter after increasing 4.0 percent in the second (table 7). Real imports of goods and services increased 14.6 percent after increasing 14.4 percent.

11. “Other” nonfarm inventories includes inventories held by the following industries: Mining; construction; public utilities; transportation; communication; finance, insurance, and real estate; and services.

12. Use of the ratio that includes all final sales of domestic businesses in the denominator implies that the production of services results in a demand for inventories that is similar to that generated in the production of goods and structures. In contrast, use of the “goods and structures” ratio implies that the production of services does not generate demand for inventories. Both implications are extreme. Production of some services may require substantial inventories, while production of other services may not.

CHART 8

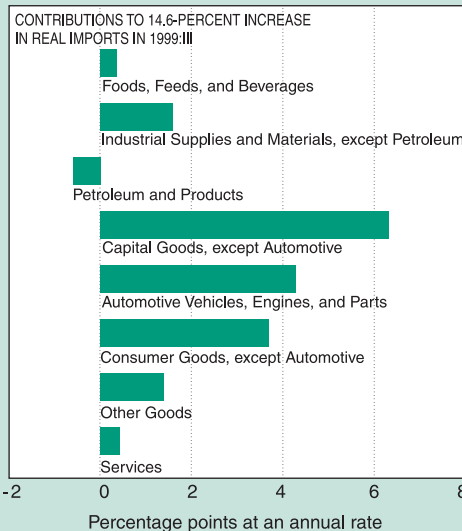
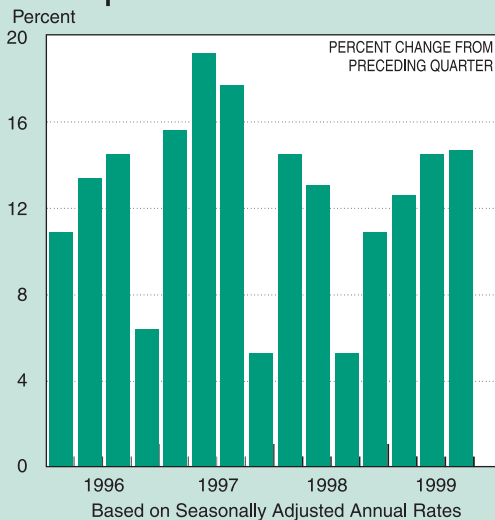
Real Exports



U.S. Department of Commerce, Bureau of Economic Analysis

CHART 9

Real Imports



U.S. Department of Commerce, Bureau of Economic Analysis

Real exports of goods increased 15.8 percent after increasing 4.3 percent (chart 8). The acceleration was more than accounted for by nonautomotive capital goods. Exports of services increased 2.7 percent after increasing 3.2 percent; the slowdown primarily reflected a slowdown in passenger fares and a downturn in "other" private services.¹³

Real imports of goods increased 17.2 percent after increasing 15.5 percent (chart 9). The step-up was more than accounted for by automotive vehicles, engines, and parts and by nonautomotive consumer goods. In contrast, petroleum and products turned down. Imports of services increased 1.7 percent after increasing 8.9 percent; the slowdown was primarily accounted for by a slowdown in "other" private services and by a downturn in travel.¹⁴

Government spending

Real government consumption expenditures and gross investment increased 4.2 percent in the third quarter after increasing 1.3 percent in the second (table 8 and chart 10). Spending by the Federal Government and by State and local governments both increased more than in the second quarter.

Federal defense spending increased 11.4 percent after decreasing 2.6 percent. Consumption spending turned up, largely reflecting upturns for research and development, for personnel support, and for installation support. Investment spending decreased slightly after increasing sharply;

equipment and software was unchanged after increasing, and structures decreased more than in the second quarter.

Federal nondefense spending decreased 8.1 percent after increasing 10.9 percent. Consumption

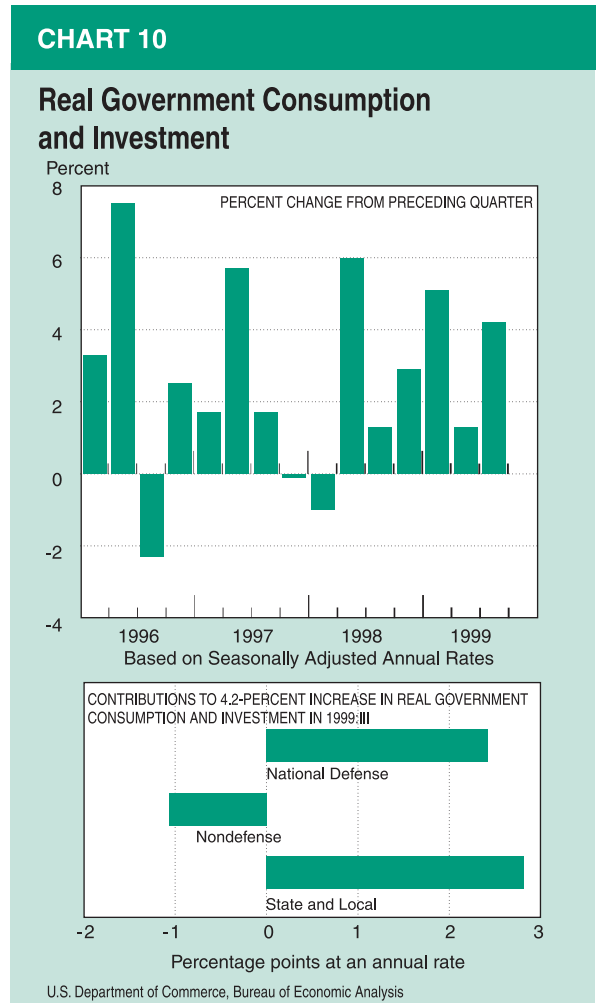


Table 8.—Real Government Consumption Expenditures and Gross Investment by Type

[Seasonally adjusted at annual rates]

	Billions of chained (1996) dollars					Percent change from preceding quarter			
	Level	Change from preceding quarter				1998	1999		
		1999	1998	1999			IV	I	II
	III	IV	I	II	III				
Government consumption expenditures and gross investment	1,535.4	10.6	18.7	4.9	15.9	2.9	5.1	1.3	4.2
Federal	539.3	5.0	-6	2.8	5.1	3.9	-5	2.1	3.9
National defense	348.5	-2.6	-3.5	-2.2	9.3	-2.9	-4.0	-2.6	11.4
Consumption expenditures	294.3	0	-4.1	-4.6	9.4	-1	-5.4	-6.2	13.9
Gross investment	54.4	-2.6	.7	2.5	-2	-18.0	5.2	20.7	-1.4
Nondefense	190.8	7.5	2.8	5.0	-4.1	17.8	6.1	10.9	-8.1
Consumption expenditures	149.3	6.2	1.7	1.3	-2.8	18.8	4.4	3.6	-7.1
Gross investment	41.9	1.2	1.3	3.8	-1.3	14.1	13.9	45.6	-12.1
State and local	995.8	5.5	19.3	2.2	10.7	2.3	8.2	.9	4.4
Consumption expenditures	804.9	5.9	6.7	6.9	7.6	3.1	3.4	3.5	3.9
Gross investment	191.0	-4	12.8	-4.9	3.2	-9	31.6	-9.7	6.9

NOTE.—See note to table 1 for an explanation of chained (1996) dollar series. Chained (1996) dollar levels and residuals are in NIPA table 3.8. Percent changes in major aggregates are in NIPA table S.1.

expenditures turned down, largely reflecting a downturn in services; durable goods and nondurable goods also turned down. Investment spending decreased after a sharp increase, reflecting a downturn in equipment and software.

State and local government spending increased 4.4 percent after increasing 0.9 percent. The step-up was primarily accounted for by an upturn in investment in structures.

Table 9.—Revisions to Change in Real Gross Domestic Product and Prices, Third Quarter 1999

[Seasonally adjusted at annual rates]

	Percent change from preceding quarter		Preliminary estimate minus advance estimate		
	Advance estimate	Preliminary estimate	Percentage points	Billions of chained (1996) dollars	Contribution to percent change in real GDP
Gross domestic product	4.8	5.5	0.7	15.1	.....
<i>Less:</i> Exports of goods and services	12.4	11.7	-.7	-1.7	-.7
Goods	17.0	15.8	-1.2	-2.0	-.8
Services	2.5	2.7	.2	.1	.1
<i>Plus:</i> Imports of goods and services	17.2	14.6	-2.6	-8.0	.32
Goods	20.6	17.2	-3.4	-8.3	.32
Services	1.4	1.7	.3	.1	-.1
Equals: Gross domestic purchases	5.6	6.1	.5	9.6	.....
<i>Less:</i> Change in private inventories .....	.....	.....	.....	5.8	.22
Farm .....	.....	.....	.....	4.8	.....
Nonfarm .....	.....	.....	.....	1.1	.....
Equals: Final sales to domestic purchasers	4.9	5.1	.2	4.8	.....
Personal consumption expenditures	4.3	4.6	.3	3.7	.19
Durable goods	7.1	7.7	.6	1.3	.5
Nondurable goods	3.6	3.5	-.1	-.5	-.2
Services	4.1	4.5	.4	3.0	.16
Private fixed investment	9.0	8.3	-.7	-2.7	-.11
Nonresidential	14.9	13.3	-1.6	-4.4	-.18
Structures	-5.0	-1.5	3.5	2.2	.11
Equipment and software	21.7	18.2	-3.5	-7.3	-.29
Residential	-6.3	-4.8	1.5	1.4	.7
Government consumption expenditures and gross investment	3.3	4.2	.9	3.4	.17
Federal	3.1	3.9	.8	1.0	.5
National defense	9.9	11.4	1.5	1.2	.5
Nondefense	-7.8	-8.1	-.3	-.1	-.1
State and local	3.4	4.4	1.0	2.4	-.51
Addenda:					
Final sales of domestic product	5.2	5.8	.6	10.1	.....
Gross domestic purchases price index	1.6	1.7	.1	.....	.....
GDP price index	1.0	1.1	.1	.....	.....

NOTE.—The preliminary estimates for the third quarter of 1999 incorporate the following revised or additional major source data that were not available when the advance estimates were prepared.

Personal consumption expenditures: Retail sales for August and September (revised), consumers' share of new-car purchases for September, average unit value for domestic new autos for September (revised), and consumers' share of new-truck purchases for September.

Nonresidential fixed investment: Construction put in place for July and August (revised) and September, manufacturers' shipments of machinery and equipment for August (revised) and September, and exports and imports of machinery and equipment for August (revised) and September.

Residential fixed investment: Construction put in place for July and August (revised) and September.

Change in private inventories: Manufacturing, retail trade, and wholesale trade inventories for July and August (revised) and September.

Exports and imports of goods and services: Exports and imports of goods for August (revised) and September.

Government consumption expenditures and gross investment: Monthly Treasury Statement detailed data for September, Department of Defense detailed financial report for the quarter, and State and local government construction put in place for July and August (revised) and September.

Wages and salaries: Employment, average hourly earnings, and average weekly hours for August and September (revised).

GDP prices: Detailed merchandise export and import price indexes for July through September (revised), unit-value index for petroleum imports for August (revised) and September, and housing prices for the third quarter.

Revisions

The 0.7-percentage-point difference between the preliminary estimate of a 5.5-percent increase in real GDP in the third quarter and the advance estimate of a 4.8-percent increase is slightly larger than the average revision of 0.5 percentage point (without regard to sign) from the advance estimate to the preliminary estimate in 1978–98 (table 9).

As noted earlier, the upward revision was primarily accounted for by a downward revision to imports and by upward revisions to private nonfarm inventory investment, to consumer spending for services, and to State and local government spending; these revisions were partly offset by an downward revision to private investment in equipment and software.

The downward revision to imports mainly reflected the incorporation of newly available Census Bureau data on international trade in goods for September. For the advance estimate, BEA had assumed that goods imports would increase about 0.8 percent in September (monthly rate), but newly available data indicated a decrease of 0.1 percent.

The upward revision to private nonfarm inventory investment was more than accounted for by an upward revision to merchant wholesale inventories, which reflected the incorporation of revised Census Bureau data on inventories for August and newly available data for September.

The upward revision to PCE for services was primarily to medical care and to brokerage commissions. Medical care reflected the incorporation of data from the Bureau of Labor Statistics employment cost index, which is one of the indicators for hospital expenses; brokerage commissions reflected the incorporation of newly available Security and Exchange Commission data on exchange volume.

The upward revision to State and local government spending was primarily to investment in buildings and reflected the incorporation of revised Census Bureau data on the value of construction put in place for July and August and newly available data for September.

The downward revision to private investment in equipment and software was primarily to computers and peripheral equipment and to aircraft. It reflected the incorporation of revised Census Bureau data on shipments for July and August and newly available data on shipments and on imports of computers for September.

The preliminary estimates of the increases in the price indexes for gross domestic purchases (1.7 percent) and for GDP (1.1 percent) were 0.1 percentage point higher than the advance estimates.

The preliminary estimate of the increase in real disposable personal income (DPI) was 2.7 percent, 0.2 percentage point higher than the advance estimate, and that of the increase in current-dollar DPI was 4.6 percent, 0.1 percentage point higher. The preliminary estimate of the personal saving rate was 2.1 percent, the same as the advance estimate.

Corporate Profits

Profits from current production increased \$8.2 billion (or 0.9 percent at a quarterly rate) in the third quarter after decreasing \$6.5 billion (0.7 percent) in the second (table 10).¹⁵ Third-quarter profits were reduced by about \$8 billion as a result of Hurricane Floyd, which made landfall in North Carolina in mid-September; benefits paid by insurance companies reduced profits by about

\$6 billion, and uninsured losses reduced profits by about \$2 billion.

Profits of domestic nonfinancial corporations decreased \$2.1 billion (0.4 percent) after increasing \$2.2 billion (0.4 percent); unit profits decreased, reflecting increased unit costs and unchanged unit prices. Profits of domestic financial corporations increased \$0.6 billion (0.4 percent) after decreasing \$7.8 billion (4.2 percent). Profits from the rest of the world increased \$9.8 billion (9.4 percent) after decreasing \$1.0 billion (0.9 percent); payments by U.S. affiliates of earnings to their foreign parents increased less than in the second quarter, and receipts of earnings from foreign affiliates increased more.¹⁶

Cash flow from current production, a profits-related measure of internally generated funds available for investment, increased \$16.0 billion after decreasing \$6.7 billion.¹⁷ The ratio of cash flow to nonresidential fixed investment, an indicator of the share of the current level of investment that could be financed by internally

15. Profits from current production is estimated as the sum of profits before tax, the inventory valuation adjustment, and the capital consumption adjustment; it is shown in NIPA tables 1.9, 1.14, 1.16, and 6.16C as corporate profits with inventory valuation and capital consumption adjustments. Percent changes in profits are shown at quarterly, not annual, rates.

16. Profits from the rest of the world is calculated as (1) receipts by U.S. residents of earnings from their foreign affiliates plus dividends received by U.S. residents from unaffiliated foreign corporations minus (2) payments by U.S. affiliates of earnings to their foreign parents plus dividends paid by U.S. corporations to unaffiliated foreign residents. These estimates include capital consumption adjustments (but not inventory valuation adjustments) and are derived from BEA's international transactions accounts.

17. Cash flow from current production is undistributed profits with inventory valuation and capital consumption adjustments plus the consumption of fixed capital.

Table 10.—Corporate Profits

[Seasonally adjusted]

	Billions of dollars (annual rate)					Percent change (quarterly rate)			
	Level	Change from preceding quarter				1998	1999		
	1999	1998	1999			IV	I	II	III
	III	IV	I	II	III				
Profits from current production	883.7	-9.5	47.7	-6.5	8.2	-1.1	5.7	-0.7	0.9
Domestic industries	770.6	-21.2	41.7	-5.6	-1.5	-2.8	5.7	-7	-2
Financial	178.0	-7	17.2	-7.8	.6	-4	10.2	-4.2	.4
Nonfinancial	592.6	-20.5	24.5	2.2	-2.1	-3.5	4.3	.4	-4
Rest of the world	113.1	11.7	6.0	-1.0	9.8	13.5	6.1	-9	9.4
Receipts (inflows)	175.9	9.7	10.2	7.1	11.8	7.0	7.0	4.5	7.2
Payments (outflows)	62.8	-2.0	4.2	8.1	2.0	-4.1	8.8	15.2	3.4
IVA	-26.5	1.0	-7.5	-26.9	-12.9	.....	.....	.....	.....
CCAdj	52.4	3.0	3.7	2.6	-8	.....	.....	.....	.....
Profits before tax	857.8	-13.4	51.4	17.7	22.0	-1.7	6.7	2.2	2.6
Profits tax liability	259.1	-8.7	12.4	6.4	4.7	-3.5	5.3	2.6	1.8
Profits after tax	598.6	-4.8	39.1	11.3	17.2	-9	7.4	2.0	3.0
Cash flow from current production	932.7	7.5	39.8	-6.7	16.0	.9	4.5	-7	1.7
Domestic industry profits:									
Corporate profits of domestic industries with IVA	718.2	-24.1	38.0	-8.2	-7	-3.4	5.5	-1.1	-1
Financial	200.0	-9	16.7	-7.0	1.7	-5	8.9	-3.4	.9
Nonfinancial	518.2	-23.1	21.3	-1.3	-2.4	-4.4	4.3	-2	-5
	Dollars								
Unit price, costs, and profits of nonfinancial corporations:									
Unit price	1.012	0	0.001	0.003	0	.....	.....	.....	.....
Unit labor cost .....	.650	.002	.001	.002	.001	.....	.....	.....	.....
Unit nonlabor cost .....	.246	.002	-.002	.001	.002	.....	.....	.....	.....
Unit profits from current production .....	.116	-.005	.003	-.001	-.002	.....	.....	.....	.....

NOTE.—Levels of these and other profits series are in NIPA tables 1.14, 1.16, 6.16C, and 7.15.

IVA Inventory valuation adjustment

generated funds, decreased from 79.3 percent to 78.5 percent, its lowest level since 1990; the ratio's average level for 1990–98 was 84.9 percent.

Domestic industry profits and related measures.—Domestic industry profits decreased \$0.7 billion after decreasing \$8.2 billion.¹⁸ Profits of domestic nonfinancial corporations decreased \$2.4 billion after decreasing \$1.3 billion. Profits of retail trade, wholesale trade, and manufacturing decreased, and profits of the transportation and utility group increased. Profits of domestic financial corporations increased \$1.7 billion after decreasing \$7.0 billion.

Profits before tax (PBT) increased \$22.0 billion after increasing \$17.7 billion. The difference between the \$22.0 billion increase in PBT and the \$8.2 billion increase in profits from current production mainly reflected a larger negative level of the inventory valuation adjustment (IVA). The IVA removes inventory profits and losses from business income.¹⁹ In the third quarter, inventory profits amounted to \$26.5 billion, up from \$13.6 billion in the second quarter.

Government Sector

The combined current surplus of the Federal Government and of State and local governments—the NIPA measure of net saving by government—increased \$27.3 billion, to \$183.0 billion, in the third quarter after increasing \$9.4 billion in the second (table 11).²⁰ The acceleration was more than accounted for by an upturn in the State and local government current surplus; the Federal Government current surplus decelerated.²¹

18. Domestic industry profits are estimated as the sum of corporate profits before tax and the inventory valuation adjustment; they are shown in NIPA table 6.16c. Estimates of the capital consumption adjustment do not exist at a detailed industry level; they are available only for total financial and total nonfinancial industries.

19. As prices change, companies that value inventory withdrawals at original acquisition (historical) costs may realize inventory profits or losses. Inventory profits—a capital-gains-like element in profits—result from an increase in inventory prices, and inventory losses—a capital-loss-like element in profits—result from a decrease in inventory prices. In the NIPA's, inventory profits or losses are removed from business incomes by the IVA; a negative IVA removes inventory profits, and a positive IVA removes inventory losses.

20. Net saving equals gross saving less consumption of fixed capital (CFC); the estimates of gross saving, CFC, and net saving are shown in NIPA table 5.1.

21. The NIPA estimates for the government sector are based on financial statements for the Federal Government and for State and local governments, but they differ from them in several respects. See NIPA tables 3.18B on page 10 and 3.19 on page 110 of the October 1998 SURVEY OF CURRENT BUSINESS for some of the major differences. With the release of the comprehensive revision released in late October, additional differences were introduced. For more information about the changes to the NIPA government estimates, see "Improved Estimates of the National Income and Product Accounts for 1959–98: Results of the Comprehensive Revision" elsewhere in this issue. New versions of table 3.18B and 3.19 will be available soon.

Federal

The Federal Government current surplus increased \$16.6 billion, to \$134.7 billion, in the third quarter after increasing \$20.5 billion in the second. The deceleration was more than accounted for by an acceleration in current expenditures; current receipts accelerated slightly.²²

Current receipts.—Federal current receipts increased \$29.7 billion in the third quarter after increasing \$26.6 billion in the second. The step-up was attributable to accelerations in contributions for social insurance, personal tax and nontax receipts, and indirect business tax and nontax accruals.

Contributions for social insurance increased \$8.2 billion after increasing \$6.4 billion. The acceleration was more than accounted for by contributions for social security (old-age, survivors, disability, and health insurance), which increased \$7.6 billion after increasing \$5.7 billion, reflecting a step-up in wage and salary disbursements.

Personal tax and nontax receipts increased \$15.6 billion after increasing \$14.2 billion. Income taxes increased \$15.3 billion after increasing \$14.0 billion.

Indirect business tax and nontax accruals increased \$1.9 billion after increasing \$0.5 billion. The acceleration was more than attributable to an upturn in customs duties.

These accelerations were partly offset by a deceleration in corporate profits tax accruals, which increased \$4.1 billion after increasing \$5.5 billion as a result of a deceleration in domestic corporate profits before tax.

Current expenditures.—Current expenditures increased \$13.1 billion in the third quarter after increasing \$6.1 billion in the second. The acceleration was more than accounted for by upturns in grants-in-aid to State and local governments and in consumption expenditures; these upturns were partly offset by a downturn in "subsidies less the current surplus of government enterprises," by a larger decrease in net interest paid, and by a deceleration in "transfer payments (net)."

Grants-in-aid to State and local governments increased \$14.9 billion after decreasing \$4.2 billion. Grants for medicaid, for welfare and social services, and for health and hospitals turned up.

22. As a result of the revised treatment of capital transfers that was introduced in the recently released comprehensive revision of the NIPA's, "receipts" were renamed "current receipts." For more information about this change and other changes that affected the Federal Government and State and local government estimates, see Brent R. Moulton and David F. Sullivan, "A Preview of the 1999 Comprehensive Revision of the National Income and Product Accounts: New and Redesigned Tables," SURVEY 79 (September 1999): 15–28.

Consumption expenditures increased \$9.4 billion after decreasing \$1.8 billion. The upturn was more than accounted for by defense expenditures, which increased \$11.5 billion after decreasing \$3.8 billion. The upturn in defense expenditures was mostly accounted for by expenditures for services, which increased \$7.8 billion after decreasing \$5.5 billion; expenditures for research and development, for personnel support services, for installation support services, and for weapons support services turned up. The upturn in defense expenditures was partly offset by a downturn in nondefense expenditures, which decreased \$2.1 billion after increasing \$2.0 billion. The downturn was mostly attributable to services, which decreased \$1.9 billion after increasing \$1.7 billion. Within services, expenditures for research and development decreased \$1.4 billion after increasing \$2.3 billion.

"Subsidies less the current surplus of government enterprises" decreased \$10.4 billion after increasing \$6.9 billion. The downturn was more than accounted for by agricultural subsidies, which decreased \$10.1 billion after increasing \$7.3 billion. In the second quarter, farmers and farm landlords received \$6.5 billion in special payments under the Omnibus Consolidated and Emergency Supplemental Appropriations Act of Fiscal Year 1999; there were no significant special payments in the third quarter.

Net interest paid decreased \$5.4 billion after decreasing \$1.2 billion. The larger decrease was more than accounted for by interest paid to persons and business, which decreased \$10.3 billion after decreasing \$1.6 billion.

Transfer payments (net) increased \$4.7 billion after increasing \$6.3 billion. The deceleration was more than accounted for by a downturn in transfer payments to the rest of the world, which decreased \$0.9 billion after increasing \$2.4 billion; military grants to foreign countries decreased after increasing.

State and local

The State and local government current surplus increased \$10.7 billion, to \$48.3 billion, in the third quarter after decreasing \$11.1 billion in the second. The upturn was mostly accounted for by a sharp acceleration in current receipts.

Current receipts.—State and local government current receipts increased \$31.6 billion after increasing \$7.0 billion. The acceleration was mostly accounted for by an upturn in Federal grants-in-aid, which increased \$14.9 billion after decreasing

\$4.2 billion, and by an acceleration in personal tax and nontax receipts.

Personal tax and nontax receipts increased \$5.2 billion after increasing \$0.4 billion. The acceleration was mostly attributable to an upturn in income tax receipts, which increased \$4.5 billion after decreasing \$0.4 billion. In the second quarter, income taxes were reduced \$4.1 billion by changes in State tax laws and by refunds.

Indirect business tax and nontax accruals increased \$10.5 billion after increasing \$9.7 billion. The acceleration was mostly attributable to sales

Table 11.—Government Sector Current Receipts and Expenditures

[Billions of dollars, seasonally adjusted at annual rates]

	Level	Change from preceding quarter				
	1999	1998		1999		
	III	III	IV	I	II	III
Current receipts	2800.8	48.5	44.9	36.4	37.8	46.4
Current expenditures	2617.9	13.5	40.4	4.0	28.4	19.2
Current surplus or deficit(-)	183.0	35.1	4.4	32.4	9.4	27.3
Social insurance funds	79.7	4.7	7.4	5.7	3.7	3.3
Other	103.3	30.4	-3.0	26.7	5.7	24.0
Federal Government						
Current receipts	1882.8	35.9	23.0	33.2	26.6	29.7
Personal tax and nontax receipts	907.7	23.3	20.8	9.8	14.2	15.6
Corporate profits tax accruals	222.2	2.7	-7.3	10.0	5.5	4.1
Indirect business tax and nontax accruals	101.9	1.3	1.9	-1	.5	1.9
Contributions for social insurance	651.1	8.5	7.7	13.4	6.4	8.2
Current expenditures	1748.1	19.8	22.8	-4.6	6.1	13.1
Consumption expenditures	474.6	-6.0	8.6	7.0	-1.8	9.4
National defense	312.3	1.3	.9	1.2	-3.8	11.5
Nondefense	162.3	-7.3	7.5	5.9	2.0	-2.1
Transfer payments (net)	754.4	6.8	11.1	1.3	6.3	4.7
To persons	746.2	3.9	1.6	13.1	3.9	5.7
To the rest of the world	8.3	2.9	9.6	-11.9	2.4	-9
Grants-in-aid to State and local governments	230.6	19.4	-6.0	5.7	-4.2	14.9
Net interest paid	259.4	-4	-5.3	-8.3	-1.2	-5.4
Subsidies less current surplus of government enterprises	29.1	.1	14.4	-10.3	6.9	-10.4
Subsidies	34.1	.4	14.1	-8.4	6.9	-10.3
Of which: Agricultural subsidies	12.8	.7	14.6	-8.0	7.3	-10.1
Less: Current surplus of government enterprises	5.0	.3	-3	1.8	.1	.1
Less: Wage accruals less disbursements	0	0	0	0	0	0
Current surplus or deficit (-)	134.7	16.1	.1	37.9	20.5	16.6
Social insurance funds	78.9	4.7	7.7	5.9	3.4	3.3
Other	55.9	11.4	-7.6	32.0	17.1	13.4
State and local governments						
Current receipts	1148.6	32.1	15.8	8.9	7.0	31.6
Personal tax and nontax receipts	252.5	7.0	3.9	2.0	.4	5.2
Corporate profits tax accruals	36.9	.5	-1.3	2.3	1.0	.5
Indirect business tax and nontax accruals	617.3	5.2	19.2	-1.1	9.7	10.5
Contributions for social insurance	11.2	0	0	0	.2	.3
Federal grants-in-aid	230.6	19.4	-6.0	5.7	-4.2	14.9
Current expenditures	1100.4	13.1	11.5	14.3	18.2	21.0
Consumption expenditures	866.9	11.1	8.4	10.2	16.0	18.5
Transfer payments to persons	245.9	2.3	2.8	3.4	1.7	2.3
Net interest paid	-5	0	.4	.8	.3	.2
Less: Dividends received by government .....	.3	0	0	0	0	0
Subsidies less current surplus of government enterprises	-11.7	-3	0	0	0	-1
Subsidies .....	.5	0	0	0	0	0
Less: Current surplus of government enterprises	12.2	0	.1	0	0	.1
Less: Wage accruals less disbursements	0	0	0	0	0	0
Current surplus or deficit (-)	48.3	19.0	4.3	-5.5	-11.1	10.7
Social insurance funds .....	.8	-1	-2	-1	.2	0
Other	47.5	19.0	4.5	-5.2	-11.4	10.7

taxes, which increased \$6.1 billion in the third quarter after increasing \$5.1 billion.

Corporate profits tax accruals increased \$0.5 billion after increasing \$1.0 billion, reflecting the deceleration in domestic corporate profits before tax.

Current expenditures.—Current expenditures increased \$21.0 billion after increasing \$18.2 billion. The acceleration was mostly attributable to consumption expenditures; transfer payments to persons also accelerated.

Consumption expenditures increased \$18.5 billion after increasing \$16.0 billion. The acceleration was mostly accounted for by compensation, which increased \$9.0 billion after increasing \$7.2 billion. The step-up in compensation resulted from an acceleration in State and local government employment.

Transfer payments to persons increased \$2.3 billion after increasing \$1.7 billion. The acceleration resulted from a turnaround in medical payments made on behalf of indigents and from a smaller decrease in family assistance. 