

GDP and the Economy

Final Estimates for the First Quarter of 2009

REAL GROSS domestic product (GDP) decreased at an annual rate of 5.5 percent in the first quarter of 2009, according to the “final” estimates of the national income and product accounts (NIPAs) (chart 1 and table 1).¹ According to the “preliminary” estimate, real GDP decreased 5.7 percent (see page 3). In the fourth quarter, real GDP decreased 6.3 percent.

The smaller decrease in real GDP in the first quarter than in the fourth quarter primarily reflected a larger decrease in imports, an upturn in consumer spending for durable goods, and a smaller decrease in consumer spending for nondurable goods. In contrast, inventory investment and investment in nonresidential structures decreased more than in the fourth quarter.²

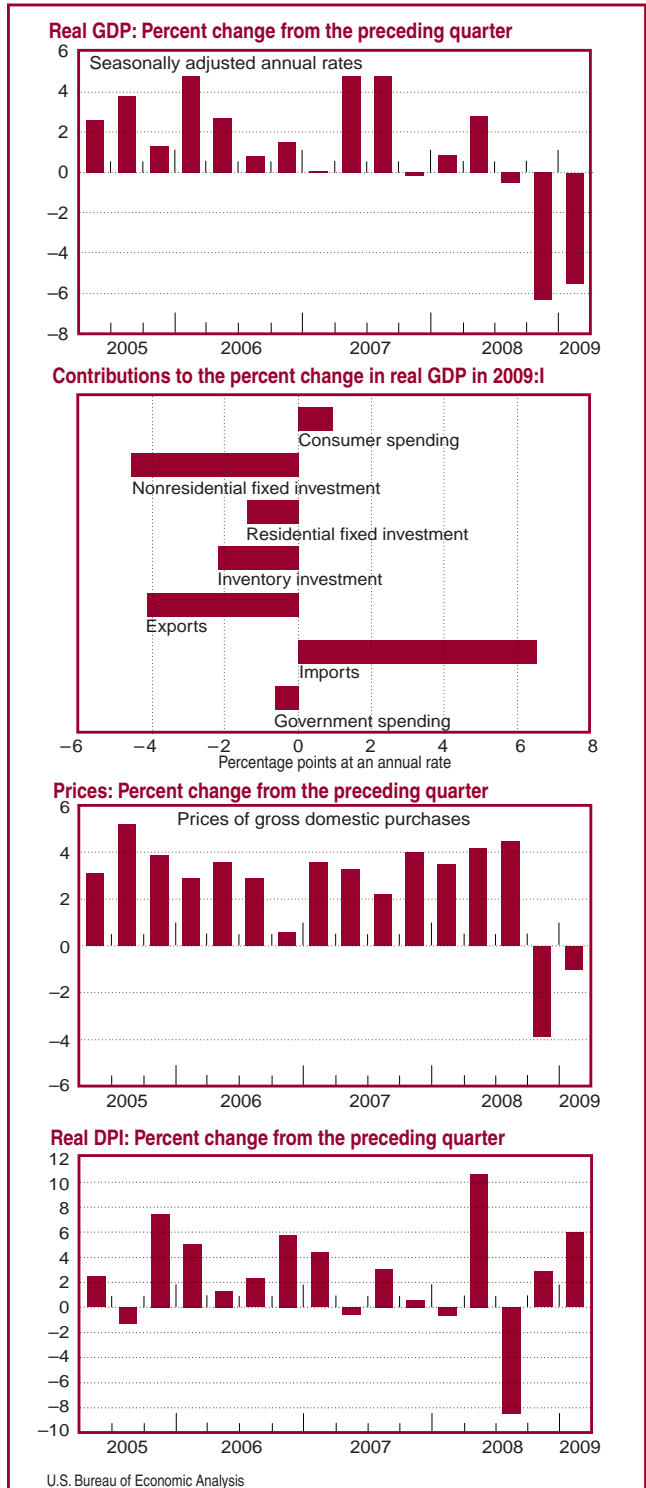
- Prices of goods and services purchased by U.S. residents fell 1.0 percent after falling 3.9 percent. Energy prices decreased less than in the fourth quarter, and food prices decelerated. Excluding food and energy, gross domestic purchases prices picked up slightly, increasing 1.4 percent after increasing 1.2 percent. The federal pay raise for civilian and military personnel added 0.3 percentage point to the change in the first-quarter gross domestic purchases price index.
- Real disposable personal income (DPI) increased 6.0 percent after increasing 2.9 percent. The acceleration mainly reflected an upturn in current-dollar DPI, which primarily reflected a sharp downturn in personal current taxes. Real DPI was revised down 0.5 percentage point from the “preliminary” estimate.
- The personal saving rate was 4.3 percent in the first quarter; it was 3.2 percent in the fourth quarter.
- Corporate profits increased \$48.1 billion, or 3.8 percent at a quarterly rate, in the first quarter after decreasing \$250.3 billion in the fourth quarter (see page 4).

1. “Real” estimates are in chained (2000) dollars, and price indexes are chain-type measures. Each GDP estimate for a quarter (advance, preliminary, and final) incorporates increasingly comprehensive and improved source data. More information can be found at www.bea.gov/about/infoqual.htm and www.bea.gov/faq/national/gdp_accuracy.htm. 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.”

Christopher Swann prepared this article.

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



Real GDP Overview

Table 1. Real Gross Domestic Product and Components

[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)			
		2009		2008		2009		2008	
		I	II	III	IV	I	II	III	IV
Gross domestic product ¹	100.0	2.8	-0.5	-6.3	-5.5	2.8	-0.5	-6.3	-5.5
Personal consumption expenditures	70.5	1.2	-3.8	-4.3	1.4	0.87	-2.75	-2.99	0.95
Durable goods	6.8	-2.8	-14.8	-22.1	9.5	-0.21	-1.16	-1.67	0.61
Nondurable goods	19.9	3.9	-7.1	-9.4	-0.4	0.80	-1.57	-1.97	-0.07
Services	43.8	0.7	-0.1	1.5	0.9	0.28	-0.03	0.66	0.41
Gross private domestic investment	11.4	-11.5	0.4	-23.0	-48.9	-1.74	0.06	-3.47	-8.20
Fixed investment	12.2	-1.7	-5.3	-22.0	-37.6	-0.25	-0.79	-3.36	-5.99
Nonresidential	9.5	2.5	-1.7	-21.7	-37.3	0.27	-0.19	-2.56	-4.59
Structures	3.5	18.5	9.7	-9.4	-42.9	0.64	0.36	-0.38	-2.05
Equipment and software	6.0	-5.0	-7.5	-28.1	-33.7	-0.37	-0.55	-2.18	-2.54
Residential	2.7	-13.3	-16.0	-22.8	-38.8	-0.52	-0.60	-0.80	-1.40
Change in private inventories	-0.8	.....	.....	.....	.....	-1.50	0.84	-0.11	-2.20
Net exports of goods and services	-2.3	.....	.....	.....	.....	2.93	1.05	-0.15	2.39
Exports	10.8	12.3	3.0	-23.6	-30.6	1.54	0.40	-3.44	-4.16
Goods	7.0	16.3	3.7	-32.0	-38.8	1.39	0.34	-3.38	-3.69
Services	3.8	3.8	1.4	-1.5	-11.5	0.15	0.06	-0.06	-0.47
Imports	13.2	-7.3	-3.5	-17.5	-36.4	1.39	0.65	3.29	6.55
Goods	10.5	-7.1	-4.7	-19.6	-41.4	1.14	0.74	3.09	6.25
Services	2.7	-8.0	3.3	-6.7	-10.2	0.25	-0.09	0.20	0.29
Government consumption expenditures and gross investment	20.5	3.9	5.8	1.3	-3.1	0.78	1.14	0.26	-0.63
Federal	7.8	6.6	13.8	7.0	-4.5	0.47	0.97	0.52	-0.35
National defense	5.3	7.3	18.0	3.4	-6.8	0.36	0.85	0.18	-0.37
Nondefense	2.5	5.0	5.1	15.3	0.6	0.11	0.12	0.34	0.02
State and local	12.7	2.5	1.3	-2.0	-2.2	0.31	0.17	-0.25	-0.28
Addenda:									
Final sales of domestic product .....	.....	4.4	-1.3	-6.2	-3.3	4.32	-1.35	-6.23	-3.29
Gross domestic purchases .....	.....	-0.1	-1.5	-5.9	-7.5	.....	.....	.....	.....
Gross domestic purchases price index .....	.....	4.2	4.5	-3.9	-1.0	.....	.....	.....	.....
GDP price index .....	.....	1.1	3.9	0.5	2.8	.....	.....	.....	.....

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

NOTE: Percent changes are from NIPA table 1.1.1, contributions are from NIPA table 1.1.2, and shares are from NIPA table 1.1.10.

Consumer spending turned up in the first quarter, increasing 1.4 percent after decreasing 4.3 percent; it contributed 0.95 percentage point to the first-quarter percent change in real GDP. Spending for durable goods turned up, and spending for nondurable goods decreased less than in the fourth quarter. In contrast, spending for services slowed.

Nonresidential fixed investment decreased much more than in the fourth quarter and reduced the percent change in real GDP by 4.59 percentage points, reflecting larger decreases in both structures and equipment and software.

Residential investment also decreased more than in the fourth quarter and reduced the percent change in real GDP by 1.40 percentage points. Residential investment has decreased in each quarter since the first quarter of 2006; the first-quarter 2009 decrease was the largest quarterly decrease since the second quarter of 1980.

A record decrease in inventory investment reduced the percent change in real GDP by 2.20 percentage points.

Exports decreased more than in the fourth quarter and reduced the percent change in real GDP by 4.16 percentage points. Both goods and services decreased.

Imports declined much more than in the fourth quarter. The first-quarter decrease was the sixth consecutive quarterly decline and added 6.55 percentage points to the percent change in real GDP; imports are subtracted in the calculation of GDP.

Federal government spending turned down, primarily reflecting a downturn in national defense spending.

GDP and Gross Domestic Purchases

In addition to gross domestic product (GDP), another related measure of economic growth—gross domestic purchases—is included in the national income and product accounts (NIPAs).

GDP measures the market value of final goods and services produced by labor and property in the United States, including the goods that are added to, or subtracted from, inventories. GDP is defined as the sum of consumer spending, business and residential investment, inventory investment, government spending, and exports less imports.

Gross domestic purchases is defined as GDP less exports plus imports. It measures domestic demand for goods and services regardless of their origin. Exports represent foreign demand for U.S. goods and services. Subtracting exports

from GDP yields a measure of expenditures that focuses on domestic buyers. Imports can be viewed as the value of goods and services that exceed the domestic supply and that expand the consumption and investment alternatives for domestic purchasers.

Differences between GDP and gross domestic purchases reflect patterns in imports less exports: As imports exceed exports, gross domestic purchases exceeds GDP.

For annual and quarterly estimates of these measures, see NIPA tables 1.4.1 and 1.4.3–1.4.6.

See also “A Guide to the National Income and Product Accounts of the United States” at www.bea.gov under “Methodology Papers.” For a related discussion about GDP prices and gross domestic purchases prices, see FAQ 499.

Revisions to GDP

Table 2. Preliminary and Final Estimates for the First Quarter of 2009

[Seasonally adjusted at annual rates]

	Change from preceding quarter (percent)			Contribution to percent change in real GDP (percentage points)		
	Preliminary	Final	Final minus preliminary	Preliminary	Final	Final minus preliminary
Gross domestic product (GDP) ¹	-5.7	-5.5	0.2	-5.7	-5.5	0.2
Personal consumption expenditures	1.5	1.4	-0.1	1.08	0.95	-0.13
Durable goods	9.6	9.5	-0.1	0.62	0.61	-0.01
Nondurable goods	-0.6	-0.4	0.2	-0.11	-0.07	0.04
Services	1.3	0.9	-0.4	0.58	0.41	-0.17
Gross private domestic investment	-49.3	-48.9	0.4	-8.27	-8.20	0.07
Fixed investment	-37.3	-37.6	-0.3	-5.93	-5.99	-0.06
Nonresidential	-36.9	-37.3	-0.4	-4.54	-4.59	-0.05
Structures	-42.3	-42.9	-0.6	-2.02	-2.05	-0.03
Equipment and software	-33.5	-33.7	-0.2	-2.52	-2.54	-0.02
Residential	-38.7	-38.8	-0.1	-1.39	-1.40	-0.01
Change in private inventories				-2.34	-2.20	0.14
Net exports of goods and services				2.18	2.39	0.21
Exports	-28.7	-30.6	-1.9	-3.86	-4.16	-0.30
Goods	-37.8	-38.8	-1.0	-3.57	-3.69	-0.12
Services	-7.2	-11.5	-4.3	-0.29	-0.47	-0.18
Imports	-34.1	-36.4	-2.3	6.05	6.55	0.50
Goods	-39.6	-41.4	-1.8	5.92	6.25	0.33
Services	-4.3	-10.2	-5.9	0.12	0.29	0.17
Government consumption expenditures and gross investment	-3.5	-3.1	0.4	-0.71	-0.63	0.08
Federal	-4.3	-4.5	-0.2	-0.34	-0.35	-0.01
National defense	-6.8	-6.8	0.0	-0.37	-0.37	0.00
Nondefense	1.0	0.6	-0.4	0.03	0.02	-0.01
State and local	-2.9	-2.2	0.7	-0.37	-0.28	0.09
Addenda:						
Final sales of domestic product	-3.4	-3.3	0.1	-3.38	-3.29	0.09
Gross domestic purchases price index	-1.0	-1.0	0.0			
GDP price index	2.8	2.8	0.0			

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

Real GDP decreased 5.5 percent in the first-quarter final estimate, 0.2 percentage point less of a decrease than the preliminary estimate. The average revision (without regard to sign) between the preliminary estimate and the final estimate is 0.3 percentage point. The revision to the percent change in real GDP primarily reflected a downward revision to imports and an upward revision to inventory investment that were partly offset by downward revisions to exports and to consumer spending for services.

The largest contributor to the downward revision to consumer spending for services was electricity and gas services.

The upward revision to inventory investment was more than accounted for by mining, utilities, and construction inventories.

The downward revision to exports was to both goods and services. In goods, the largest contributor to the revision was foods, feeds, and beverages. In services, the largest contributors to the revision were "other" transportation and royalties and license fees.

The downward revision to imports was also to both goods and services. In goods, the largest contributors to the revision were petroleum and products and automotive vehicles, engines, and parts. In services, the downward revision was widespread; the largest contributors were "other" private services and direct defense expenditures.

Source Data for the Final Estimates

The final estimates of gross domestic product for the first quarter of 2009 incorporated the following source data.

Personal consumption expenditures: Retail sales for March (revised) and quarterly services survey for the first quarter (new), motor vehicle registrations for March (revised), and Energy Information Administration (EIA) natural gas usage data for March (new).

Nonresidential fixed investment: Construction spending (value put in place) for February and March (revised) and quarterly services survey for the first quarter (new).

Residential fixed investment: Construction spending (value put in place) for February and March (revised).

Change in private inventories: Manufacturers' and trade

inventories for March (revised), Quarterly Financial Report data for mining, and EIA data for utilities.

Exports and imports of goods and services: International transactions accounts data for October 2008–March 2009 (revised).

Government consumption expenditures and gross investment: State and local government construction spending (value put in place) for February and March (revised).

GDP prices: Export and import prices for January, February, and March (revised), unit value index for petroleum imports for March (revised), and prices of single-family houses under construction for the first quarter (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							
	2009		2008			2009				
	I	II	III	IV	I	II	III	IV	I	
Current production measures:										
Corporate profits.....	1,312.6	-60.2	-18.5	-250.3	48.1	-3.8	-1.2	-16.5	3.8	
Domestic industries.....	933.3	-35.3	-23.4	-267.8	64.7	-3.0	-2.0	-23.6	7.5	
Financial.....	236.1	-31.0	-75.5	-178.7	113.7	-7.6	-20.0	-59.3	92.9	
Nonfinancial.....	697.2	-4.2	52.1	-89.1	-49.0	-0.5	6.7	-10.7	-6.6	
Rest of the world.....	379.3	-25.0	4.9	17.5	-16.6	-6.3	1.3	4.6	-4.2	
Receipts from the rest of the world.....	402.8	8.9	-10.4	-75.5	-77.0	1.6	-1.8	-13.6	-16.0	
Less: Payments to the rest of the world.....	23.5	33.9	-15.3	-93.0	-60.4	21.4	-8.0	-52.6	-71.9	
Less: Taxes on corporate income.....	297.6	3.9	-13.3	-130.3	34.4	1.0	-3.3	-33.1	13.0	
Equals: Profits after tax.....	1,015.0	-64.1	-5.2	-120.1	13.8	-5.4	-0.5	-10.7	1.4	
Net dividends.....	766.3	13.9	-5.3	-32.8	-42.0	1.7	-0.6	-3.9	-5.2	
Undistributed profits from current production.....	248.7	-78.1	0.3	-87.4	55.8	-21.8	0.1	-31.2	28.9	
Net cash flow.....	1,283.0	-60.5	43.1	-97.0	60.4	-4.5	3.4	-7.4	4.9	

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

Corporate profits from current production increased \$48.1 billion, or 3.8 percent at a quarterly rate, in the first quarter after decreasing \$250.3 billion in the fourth quarter.

Domestic profits of financial corporations increased \$113.7 billion, or 92.9 percent, after decreasing \$178.7 billion.

Domestic profits of nonfinancial corporations decreased \$49.0 billion, or 6.6 percent, after decreasing \$89.1 billion.

Profits from the rest of the world decreased \$16.6 billion, or 4.2 percent, after increasing \$17.5 billion. In the first quarter, receipts decreased \$77.0 billion, and payments decreased \$60.4 billion.

After-tax profits increased \$13.8 billion, or 1.4 percent, after decreasing \$120.1 billion.

Net dividends decreased \$42.0 billion, or 5.2 percent, after decreasing \$32.8 billion.

Undistributed corporate profits (a measure of net saving that equals after-tax profits less dividends) increased \$55.8 billion, or 28.9 percent, after decreasing \$87.4 billion.

Net cash flow from current production, a profits-related measure of internally generated funds available for investment, increased \$60.4 billion, or 4.9 percent, after decreasing \$97.0 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).

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								
		2009	2008				2009	2008		
		I	II	III	IV	I	II	III	IV	I
Industry profits:										
Profits with IVA.....	1,456.3	-45.5	6.8	-250.2	103.7	-2.8	0.4	-15.6	7.7	
Domestic industries.....	1,077.0	-20.6	1.9	-267.7	120.3	-1.7	0.2	-21.9	12.6	
Financial.....	249.7	-29.6	-74.4	-177.9	118.8	-7.2	-19.4	-57.6	90.7	
Nonfinancial.....	827.4	9.1	76.3	-89.8	1.6	1.1	9.1	-9.8	0.2	
Utilities.....	69.0	10.5	2.4	-2.8	12.7	22.8	4.1	-4.7	22.6	
Manufacturing.....	215.0	-25.6	57.7	-41.4	-16.2	-10.6	26.8	-15.2	-7.0	
Wholesale trade.....	60.8	10.2	32.7	13.1	-44.4	20.7	55.1	14.2	-42.2	
Retail trade.....	89.1	-19.3	-6.5	-10.4	13.3	-17.3	-7.0	-12.1	17.6	
Transportation and warehousing.....	17.2	0.4	0.4	-0.8	-7.2	1.9	1.7	-3.4	-29.3	
Information.....	108.4	9.0	-11.2	-21.2	25.8	8.5	-9.7	-20.4	31.2	
Other nonfinancial ...	267.8	23.8	0.8	-26.2	17.4	9.4	0.3	-9.5	7.0	
Rest of the world.....	379.3	-25.0	4.9	17.5	-16.6	-6.3	1.3	4.6	-4.2	
Addenda:										
Profits before tax (without IVA and CCAAdj).....	1,351.7	-0.9	-56.3	-499.2	157.2	-0.1	-3.2	-29.5	13.2	
Profits after tax (without IVA and CCAAdj).....	1,054.2	-4.8	-43.1	-368.9	123.0	-0.4	-3.2	-28.4	13.2	
IVA.....	104.6	-44.6	63.1	249.0	-53.5					
CCAAdj.....	-143.7	-14.7	-25.3	-0.1	-55.6					

Profits with inventory valuation adjustment increased \$103.7 billion, or 7.7 percent at a quarterly rate, in the first quarter after decreasing \$250.2 billion in the fourth quarter. The difference between this increase and the increase in profits from current production reflects the capital consumption adjustment, which decreased \$55.6 billion.

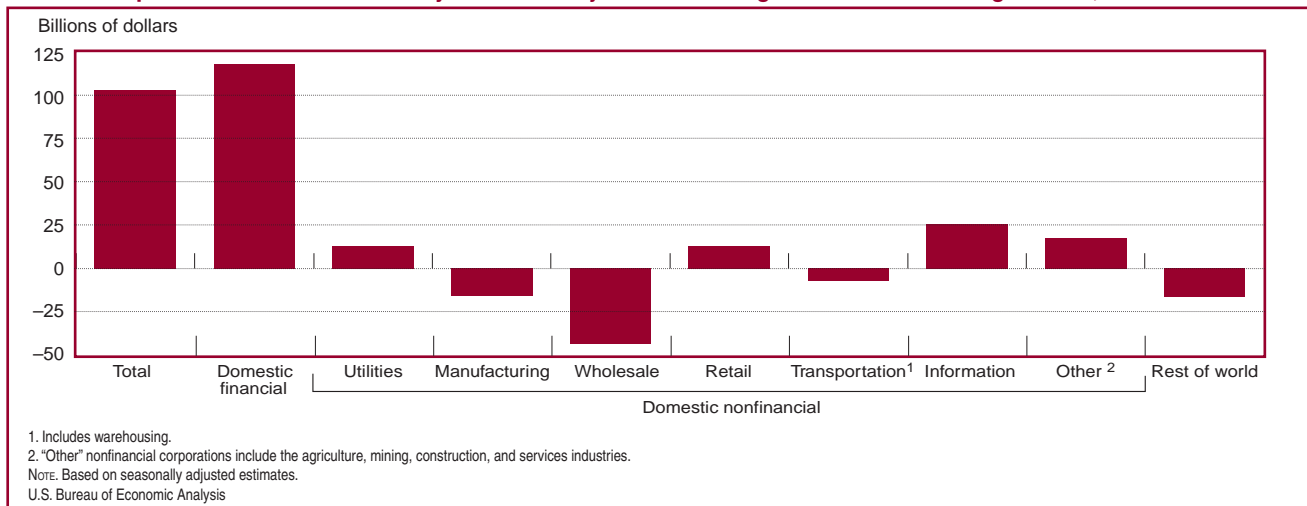
Profits of domestic industries increased \$120.3 billion, or 12.6 percent, after decreasing \$267.7 billion.

Profits of domestic financial industries increased \$118.8 billion, or 90.7 percent, after decreasing \$177.9 billion.

Profits of domestic nonfinancial industries increased \$1.6 billion, or 0.2 percent, after decreasing \$89.8 billion. The upturn reflected upturns in information industries and in "other" nonfinancial industries, a smaller decrease in manufacturing industries, and upturns in retail industries and in utilities. In contrast, profits in wholesale trade industries turned down and profits in transportation and warehousing decreased more than in the fourth quarter.

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 CCAAdj Capital consumption adjustment

Chart 2. Corporate Profits With Inventory Valuation Adjustment: Change From the Preceding Quarter, 2009:I



Corporate Profits by Industry

Industry profits are corporate profits by industry with inventory valuation adjustment (IVA). The IVA removes the effect of prices 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 (CCAAdj) for each indus-

try. However, estimates of the CCAAdj are only available for two broad categories: Total financial industries and total nonfinancial industries. For more information about BEA's methodology, see "Corporate Profits: Profits Before Tax, Profits Tax Liability, and Dividends" at www.bea.gov/methodologies/index.htm.