# GDP and the Economy

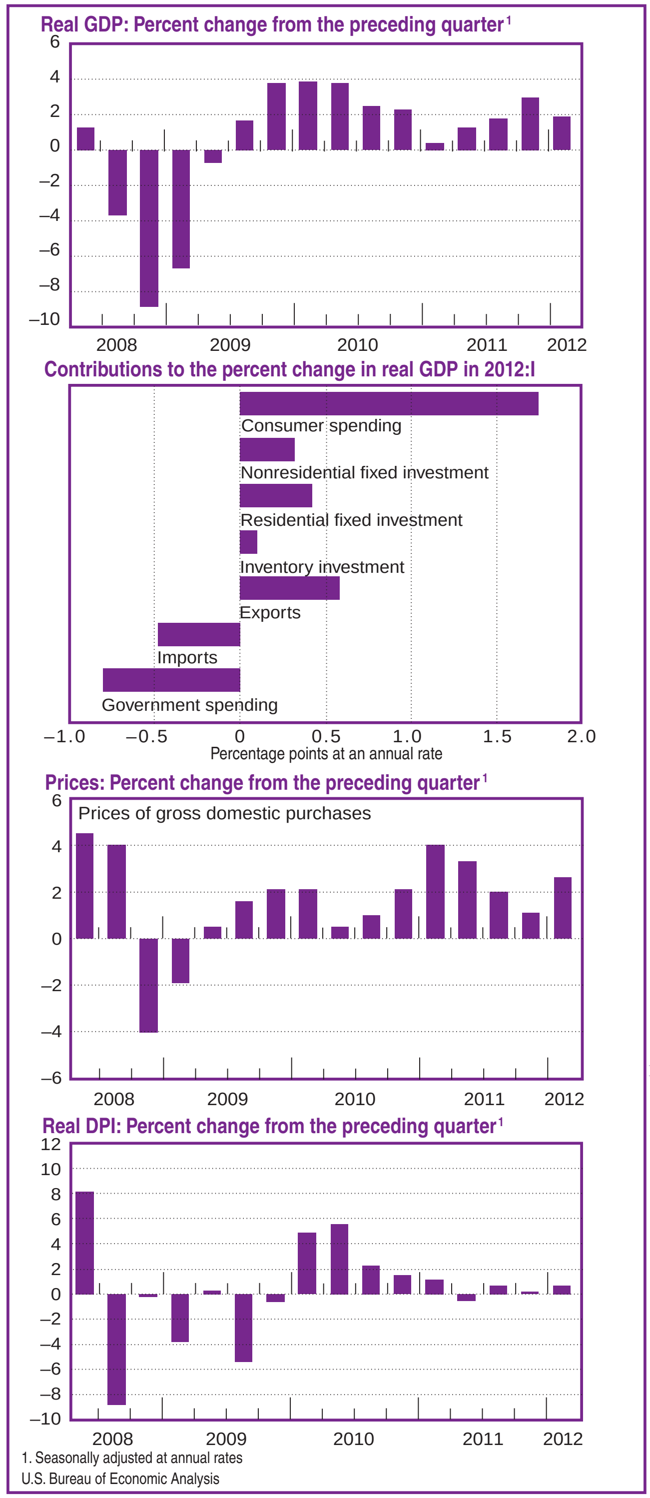
## Third Estimates for the First Quarter of 2012

REAL GROSS domestic product (GDP) increased at an annual rate of 1.9 percent in the first quarter of 2012, according to the third estimates of the national income and product accounts (NIPAs) (chart 1 and table 1).[1] In the fourth quarter of 2011, real GDP increased 3.0 percent.

The third estimate of real GDP growth was the same as the second estimate, primarily reflecting a downward revision to imports and an upward revision to nonresidential fixed investment that were offset by downward revisions to exports, to consumer spending, and to inventory investment (see page 3).[2]

- Prices of goods and services purchased by U.S. residents, as measured by the gross domestic purchases price index, increased 2.6 percent in the first quarter, 0.2 percentage point more than in the second estimate, after increasing 1.1 percent in the fourth quarter. Energy prices turned up in the first quarter, while food prices slowed. Excluding food and energy, gross domestic purchases prices increased 2.4 percent in the first quarter after increasing 1.2 percent in the fourth. The pay raise for military personnel added less than 0.1 percentage point to the first-quarter change in the gross domestic purchases price index.
- Real disposable personal income (DPI) increased 0.7 percent in the first quarter, 0.3 percentage point more than in the second estimate, after increasing 0.2 percent in the fourth quarter. Current-dollar DPI increased 3.3 percent, 0.4 percentage point more than in the second estimate, after increasing 1.3 percent. The upward revision to current-dollar DPI primarily reflected an upward revision to state and local government Medicaid benefit payments.
- The personal saving rate was 3.7 percent, 0.1 percentage point more than in the second estimate; in the fourth quarter, the rate was 4.2 percent.
- Real gross domestic income increased 3.1 percent in the first quarter after increasing 2.6 percent.
- Corporate profits decreased $6.4 billion in the first quarter after increasing $16.8 billion.

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




1. “Real” estimates are in chained (2005) 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 “Revisions to GDP, GDI, and Their Major Components” in the July 2011 SURVEY OF CURRENT BUSINESS. 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 (PCE),” “inventory investment” refers to “change in private inventories,” and “government spending” refers to “government consumption expenditures and gross investment.”

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## 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) | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2012 | 2011 | | | 2012 | 2011 | | | 2012 |
| | I | II | III | IV | I | II | III | IV | I |
| **Gross domestic product** [1] | **100.0** | **1.3** | **1.8** | **3.0** | **1.9** | **1.3** | **1.8** | **3.0** | **1.9** |
| **Personal consumption expenditures** [2] | **71.2** | **0.7** | **1.7** | **2.1** | **2.5** | **0.49** | **1.24** | **1.47** | **1.74** |
| Goods | 24.5 | –1.6 | 1.4 | 5.4 | 5.7 | –0.38 | 0.33 | 1.29 | 1.35 |
| Durable goods | 8.0 | –5.3 | 5.7 | 16.1 | 13.7 | –0.42 | 0.42 | 1.16 | 1.01 |
| Nondurable goods | 16.5 | 0.2 | –0.5 | 0.8 | 2.1 | 0.04 | –0.09 | 0.13 | 0.34 |
| Services | 46.7 | 1.9 | 1.9 | 0.4 | 0.8 | 0.87 | 0.90 | 0.19 | 0.39 |
| **Gross private domestic investment** | **13.2** | **6.4** | **1.3** | **22.1** | **6.5** | **0.79** | **0.17** | **2.59** | **0.84** |
| Fixed investment | 12.8 | 9.2 | 13.0 | 6.3 | 6.0 | 1.07 | 1.52 | 0.78 | 0.74 |
| Nonresidential | 10.4 | 10.3 | 15.7 | 5.2 | 3.1 | 0.98 | 1.49 | 0.53 | 0.32 |
| Structures | 2.8 | 22.6 | 14.4 | –0.9 | 1.9 | 0.54 | 0.37 | –0.02 | 0.05 |
| Equipment and software | 7.6 | 6.2 | 16.2 | 7.5 | 3.5 | 0.44 | 1.12 | 0.55 | 0.27 |
| Residential | 2.3 | 4.2 | 1.3 | 11.6 | 20.0 | 0.09 | 0.03 | 0.25 | 0.42 |
| Change in private inventories [2] | 0.5 | ........ | ........ | ........ | ........ | –0.28 | –1.35 | 1.81 | 0.10 |
| **Net exports of goods and services** | **–3.9** | ........ | ........ | ........ | ........ | **0.24** | **0.43** | **–0.26** | **0.10** |
| Exports | 13.9 | 3.6 | 4.7 | 2.7 | 4.2 | 0.48 | 0.64 | 0.37 | 0.58 |
| Goods | 9.8 | 2.5 | 5.0 | 3.6 | 3.8 | 0.24 | 0.48 | 0.36 | 0.37 |
| Services | 4.1 | 6.2 | 4.0 | 0.4 | 5.3 | 0.24 | 0.16 | 0.02 | 0.21 |
| Imports | 17.8 | 1.4 | 1.2 | 3.7 | 2.7 | –0.24 | –0.21 | –0.63 | –0.48 |
| Goods | 15.0 | 1.6 | 0.5 | 3.3 | 1.6 | –0.23 | –0.08 | –0.48 | –0.24 |
| Services | 2.9 | 0.4 | 4.8 | 5.6 | 8.9 | –0.01 | –0.13 | –0.15 | –0.24 |
| **Government consumption expenditures and gross investment** [2] | **19.5** | **–0.9** | **–0.1** | **–4.2** | **–4.0** | **–0.18** | **–0.02** | **–0.84** | **–0.80** |
| Federal | 7.9 | 1.9 | 2.1 | –6.9 | –5.9 | 0.16 | 0.17 | –0.58 | –0.48 |
| National defense | 5.2 | 7.0 | 5.0 | –12.1 | –8.3 | 0.37 | 0.27 | –0.70 | –0.46 |
| Nondefense | 2.7 | –7.6 | –3.8 | 4.5 | –0.8 | –0.22 | –0.10 | 0.12 | –0.02 |
| State and local | 11.6 | –2.8 | –1.6 | –2.2 | –2.7 | –0.34 | –0.19 | –0.26 | –0.32 |

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 picked up in the first quarter, reflecting pickups in nondurable goods and in services that were partly offset by a slowdown in durable goods, primarily in motor vehicles and parts.

Nonresidential fixed investment slowed, reflecting a slowdown in equipment and software that was partly offset by an upturn in structures. The largest contributor to the slowdown in equipment and software was a downturn in industrial equipment.

Residential investment accelerated, reflecting accelerations in single-family structures, in "other" structures, and in multifamily structures.

Inventory investment slowed sharply, mainly reflecting downturns in manufacturing industries and in wholesale trade industries that were partly offset by an upturn in retail trade industries.

Exports picked up, primarily reflecting a pickup in exports of services. The largest contributors to the pickup in services were upturns in travel and in passenger fares.

Imports slowed, reflecting a slowdown in imports of goods that was partly offset by a pickup in imports of services. Within goods, a downturn in petroleum and products and a larger decrease in nonautomotive consumer goods was partly offset by an upturn in automotive vehicles, engines, and parts.

Government spending decreased somewhat less than in the fourth quarter. The smaller decrease reflected a smaller decrease in federal government spending that was partly offset by a larger decrease in state and local government spending.

### Table 2. 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) | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2012 | 2011 | | | 2012 | 2011 | | | 2012 |
| | I | II | III | IV | I | II | III | IV | I |
| **Gross domestic product** [1] | **100.0** | **1.3** | **1.8** | **3.0** | **1.9** | **1.3** | **1.8** | **3.0** | **1.9** |
| Final sales of domestic product | 99.5 | 1.6 | 3.2 | 1.1 | 1.8 | 1.62 | 3.16 | 1.14 | 1.78 |
| Change in private inventories | 0.5 | ...... | ...... | ...... | ...... | –0.28 | –1.35 | 1.81 | 0.10 |
| Goods | 28.7 | –0.6 | 2.2 | 13.0 | 6.0 | –0.17 | 0.62 | 3.49 | 1.68 |
| Services | 64.4 | 1.8 | 1.2 | –1.0 | 0.0 | 1.18 | 0.81 | –0.67 | –0.02 |
| Structures | 6.9 | 5.0 | 5.8 | 2.0 | 3.1 | 0.33 | 0.38 | 0.14 | 0.21 |
| **Addenda:** | | | | | | | | | |
| Motor vehicle output | 2.9 | –4.1 | 5.1 | 20.4 | 53.3 | –0.10 | 0.12 | 0.47 | 1.16 |
| GDP excluding motor vehicle output | 97.1 | 1.5 | 1.7 | 2.5 | 0.7 | 1.44 | 1.69 | 2.48 | 0.71 |
| Final sales of computers | 0.6 | 13.0 | 42.1 | 21.2 | –8.3 | 0.07 | 0.22 | 0.12 | –0.05 |
| GDP excluding final sales of computers | 99.4 | 1.3 | 1.6 | 2.8 | 1.9 | 1.26 | 1.60 | 2.83 | 1.93 |
| Gross domestic income (GDI) [2] | ............. | 0.2 | 2.6 | 2.6 | 3.1 | ........ | ........ | ........ | ......... |

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

2. GDI is deflated by the implicit price deflator for GDP. The quarterly change reflects the incorporation of revised wage and salary estimates for the previous quarter.

Note. For GDP and its components, percent changes are from NIPA table 1.2.1, contributions are from NIPA table 1.2.2, and shares are calculated from NIPA table 1.2.5. For GDI, percent changes are from NIPA table 1.7.1.

Real final sales of domestic product, real GDP less inventory investment, increased 1.8 percent after increasing 1.1 percent.

Motor vehicle output accelerated sharply, adding 1.16 percentage points to real GDP growth after adding 0.47 percentage point.

Final sales of computers subtracted 0.05 percentage point from real GDP growth after adding 0.12 percentage point.

Real gross domestic income, which measures the output of the economy as the costs incurred and the incomes earned in the production of GDP, increased 3.1 percent after increasing 2.6 percent.

# Revisions to GDP

**Table 3. Second and Third Estimates for the First Quarter of 2012**
[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 |
| **Gross domestic product (GDP)** [1] | **1.9** | **1.9** | **0.0** | **1.9** | **1.9** | **0.0** |
| **Personal consumption expenditures** | **2.7** | **2.5** | **–0.2** | **1.90** | **1.74** | **–0.16** |
| Goods | 6.1 | 5.7 | –0.4 | 1.44 | 1.35 | –0.09 |
| Durable goods | 14.3 | 13.7 | –0.6 | 1.05 | 1.01 | –0.04 |
| Nondurable goods | 2.3 | 2.1 | –0.2 | 0.38 | 0.34 | –0.04 |
| Services | 1.0 | 0.8 | –0.2 | 0.47 | 0.39 | –0.08 |
| **Gross private domestic investment** | **6.3** | **6.5** | **0.2** | **0.81** | **0.84** | **0.03** |
| Fixed investment | 4.9 | 6.0 | 1.1 | 0.61 | 0.74 | 0.13 |
| Nonresidential | 1.9 | 3.1 | 1.2 | 0.20 | 0.32 | 0.12 |
| Structures | –3.3 | 1.9 | 5.2 | –0.09 | 0.05 | 0.14 |
| Equipment and software | 3.9 | 3.5 | –0.4 | 0.30 | 0.27 | –0.03 |
| Residential | 19.4 | 20.0 | 0.6 | 0.41 | 0.42 | 0.01 |
| Change in private inventories | ........... | ........... | ........... | 0.21 | 0.10 | –0.11 |
| **Net exports of goods and services** | ........... | ........... | ........... | **–0.08** | **0.10** | **0.18** |
| Exports | 7.2 | 4.2 | –3.0 | 0.98 | 0.58 | –0.40 |
| Goods | 6.3 | 3.8 | –2.5 | 0.60 | 0.37 | –0.23 |
| Services | 9.5 | 5.3 | –4.2 | 0.37 | 0.21 | –0.16 |
| Imports | 6.1 | 2.7 | –3.4 | –1.05 | –0.48 | 0.57 |
| Goods | 5.0 | 1.6 | –3.4 | –0.73 | –0.24 | 0.49 |
| Services | 12.0 | 8.9 | –3.1 | –0.33 | –0.24 | 0.09 |
| **Government consumption expenditures and gross investment** | **–3.9** | **–4.0** | **–0.1** | **–0.78** | **–0.80** | **–0.02** |
| Federal | –5.9 | –5.9 | 0.0 | –0.48 | –0.48 | 0.00 |
| National defense | –8.3 | –8.3 | 0.0 | –0.46 | –0.46 | 0.00 |
| Nondefense | –0.8 | –0.8 | 0.0 | –0.02 | –0.02 | 0.00 |
| State and local | –2.5 | –2.7 | –0.2 | –0.30 | –0.32 | –0.02 |
| **Addenda:** | | | | | | |
| Final sales of domestic product | 1.7 | 1.8 | 0.1 | 1.66 | 1.78 | 0.12 |
| Gross domestic purchases price index | 2.4 | 2.6 | 0.2 | ........... | ........... | ........... |
| GDP price index | 1.7 | 2.0 | 0.3 | ........... | ........... | ........... |

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

The third estimate of the percent change in real GDP was the same as in the second estimate, reflecting a downward revision to imports and an upward revision to nonresidential fixed investment that were offset by downward revisions to exports, to consumer spending, and to inventory investment.

The downward revision to consumer spending reflected small downward revisions to spending for both goods and services. Within goods, the downward revision was widespread. Within services, the largest contributors to the revision were spending for recreation services and for financial services and insurance.

The upward revision to nonresidential fixed investment reflected an upward revision to structures, mainly commercial and health care structures and mining exploration, shafts, and wells.

The downward revision to inventory investment reflected downward revisions to retail trade industries, to manufacturing industries, and to wholesale trade industries.

The downward revision to exports was to both goods and services, primarily reflecting downward revisions to industrial supplies and materials, to automotive vehicles, engines, and parts, and to royalties and license fees.

The downward revision to imports was to both goods and services. Within goods, the revision was widespread among the components, and the largest revision was to automotive vehicles, engines, and parts. Within services, the downward revision was mainly accounted for by “other” private services.

## Source Data for the Third Estimates

The third estimate of GDP for the first quarter of 2012 incorporated the following source data.

*Personal consumption expenditures:* Census Bureau quarterly services survey data for the first quarter (new), retail sales for March (revised), Energy Information Administration (EIA) gasoline supply data for March (new) and Federal Deposit Insurance Corporation (FDIC) *Call Report* data for the first quarter (new).

*Nonresidential fixed investment:* Census Bureau construction spending (value put in place) data for February and March (revised) and Department of Energy data for petroleum and natural gas drilling (revised).

*Residential fixed investment:* Census Bureau construction spending (value put in place) data for February and March (revised).

*Change in private inventories:* manufacturers’ and trade inventories for March (revised).

*Exports and imports of goods and services:* annual revision of international transactions accounts (ITA) data for October 2011 through March 2012 (revised) and Census Bureau goods data for March (revised). These data include updated seasonal factors for the estimates of exports and imports for 2011.

*Government consumption expenditures and gross investment:* Census Bureau construction spending (value put in place) data 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 FDIC data (new).

# Corporate Profits

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

| | Billions of dollars (annual rate) | | | | | Percent change from preceding quarter (quarterly rate) | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Level | Change from preceding quarter | | | | | | | |
| | 2012 | 2011 | | | 2012 | 2011 | | | 2012 |
| | I | II | III | IV | I | II | III | IV | I |
| **Current production measures:** | | | | | | | | | |
| Corporate profits | 1,980.5 | 61.2 | 32.5 | 16.8 | –6.4 | 3.3 | 1.7 | 0.9 | –0.3 |
| Domestic industries | 1,619.3 | 26.5 | 27.1 | 58.3 | 41.7 | 1.8 | 1.8 | 3.8 | 2.6 |
| Financial | 484.5 | –54.2 | 9.2 | 29.9 | 26.3 | –11.5 | 2.2 | 7.0 | 5.7 |
| Nonfinancial | 1,134.8 | 80.8 | 17.9 | 28.4 | 15.4 | 8.1 | 1.7 | 2.6 | 1.4 |
| Rest of the world | 361.2 | 34.6 | 5.4 | –41.5 | –48.1 | 8.4 | 1.2 | –9.2 | –11.8 |
| Receipts from the rest of the world | 611.4 | 49.0 | –10.5 | –25.2 | –13.8 | 8.0 | –1.6 | –3.9 | –2.2 |
| *Less:* Payments to the rest of the world | 250.3 | 14.4 | –16.0 | 16.4 | 34.4 | 7.2 | –7.4 | 8.2 | 15.9 |
| *Less:* Taxes on corporate income | 494.0 | –1.8 | –9.1 | –0.7 | 83.3 | –0.4 | –2.2 | –0.2 | 20.3 |
| *Equals:* Profits after tax | 1,486.5 | 63.0 | 41.6 | 17.5 | –89.7 | 4.3 | 2.7 | 1.1 | –5.7 |
| Net dividends | 841.8 | 13.6 | 14.0 | 10.3 | 10.1 | 1.7 | 1.7 | 1.3 | 1.2 |
| Undistributed profits from current production | 644.7 | 49.3 | 27.7 | 7.2 | –99.8 | 7.5 | 3.9 | 1.0 | –13.4 |
| Net cash flow | 1,768.9 | 86.2 | 35.8 | 44.8 | –123.9 | 5.0 | 2.0 | 2.4 | –6.5 |

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 $6.4 billion, or 0.3 percent at a quarterly rate, in the first quarter after increasing $16.8 billion, or 0.9 percent, in the fourth quarter.

Domestic profits of financial corporations increased $26.3 billion, or 5.7 percent, after increasing $29.9 billion, or 7.0 percent.

Domestic profits of nonfinancial corporations increased $15.4 billion, or 1.4 percent, after increasing $28.4 billion, or 2.6 percent.

Profits from the rest of the world decreased $48.1 billion, or 11.8 percent, after decreasing $41.5 billion, or 9.2 percent. In the first quarter, receipts decreased $13.8 billion, and payments increased $34.4 billion.

Taxes on corporate income increased $83.3 billion, or 20.3 percent, after decreasing $0.7 billion, or 0.2 percent. The large first-quarter increase mainly reflected the expiration of bonus depreciation claimed under the Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010. (For detailed data, see the table "Net Effects of the Tax Acts of 2002, 2003, 2008, 2009, and 2010 on Selected Measures of Corporate Profits" at www.bea.gov/national.)

## 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 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 5. Corporate Profits by Industry

[Seasonally adjusted]

| | Billions of dollars (annual rate) | | | | | Percent change from preceding quarter (quarterly rate) | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Level | Change from preceding quarter | | | | | | | |
| | 2012 | 2011 | | | 2012 | 2011 | | | 2012 |
| | I | II | III | IV | I | II | III | IV | I |
| **Industry profits:** | | | | | | | | | |
| Profits with IVA | 2,109.9 | 69.1 | 37.2 | 18.6 | 223.9 | 3.9 | 2.0 | 1.0 | 11.9 |
| Domestic industries | 1,748.8 | 34.6 | 31.7 | 60.1 | 272.1 | 2.6 | 2.3 | 4.2 | 18.4 |
| Financial | 529.1 | –52.6 | 9.8 | 30.1 | 50.3 | –10.7 | 2.2 | 6.7 | 10.5 |
| Nonfinancial | 1,219.7 | 87.1 | 22.0 | 30.1 | 221.7 | 10.1 | 2.3 | 3.1 | 22.2 |
| Utilities | 35.7 | 0.3 | –4.5 | 9.2 | 15.8 | 1.9 | –29.4 | 86.1 | 79.3 |
| Manufacturing | 361.6 | 32.3 | 18.3 | 11.0 | 82.4 | 14.8 | 7.3 | 4.1 | 29.5 |
| Wholesale trade | 113.0 | 19.2 | –5.2 | 4.1 | 23.3 | 26.9 | –5.8 | 4.8 | 26.1 |
| Retail trade | 144.3 | –7.5 | –2.1 | 12.2 | 21.5 | –6.2 | –1.9 | 11.1 | 17.5 |
| Transportation and warehousing | 50.0 | 3.3 | 6.7 | 7.7 | 8.8 | 13.9 | 25.1 | 23.0 | 21.3 |
| Information | 136.0 | 4.7 | –6.5 | 8.6 | 30.3 | 4.8 | –6.2 | 8.8 | 28.7 |
| Other nonfinancial | 379.0 | 34.9 | 15.3 | –22.8 | 39.6 | 11.2 | 4.4 | –6.3 | 11.7 |
| Rest of the world | 361.2 | 34.6 | 5.4 | –41.5 | –48.1 | 8.4 | 1.2 | –9.2 | –11.8 |
| **Addenda:** | | | | | | | | | |
| Profits before tax (without IVA and CCAdj) | 2,138.9 | 13.5 | 22.3 | –8.3 | 234.3 | 0.7 | 1.2 | –0.4 | 12.3 |
| Profits after tax (without IVA and CCAdj) | 1,644.9 | 15.3 | 31.4 | –7.6 | 151.0 | 1.1 | 2.1 | –0.5 | 10.1 |
| IVA | –29.0 | 55.6 | 14.9 | 26.9 | –10.4 | ........ | ........ | ........ | ........ |
| CCAdj | –129.5 | –8.1 | –4.6 | –1.8 | –230.4 | ........ | ........ | ........ | ........ |

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) increased $223.9 billion, or 11.9 percent at a quarterly rate, after increasing $18.6 billion, or 1.0 percent. The difference between this measure of the increase in profits and the increase in profits from current production reflects the capital consumption adjustment (CCAdj), which decreased $230.4 billion.

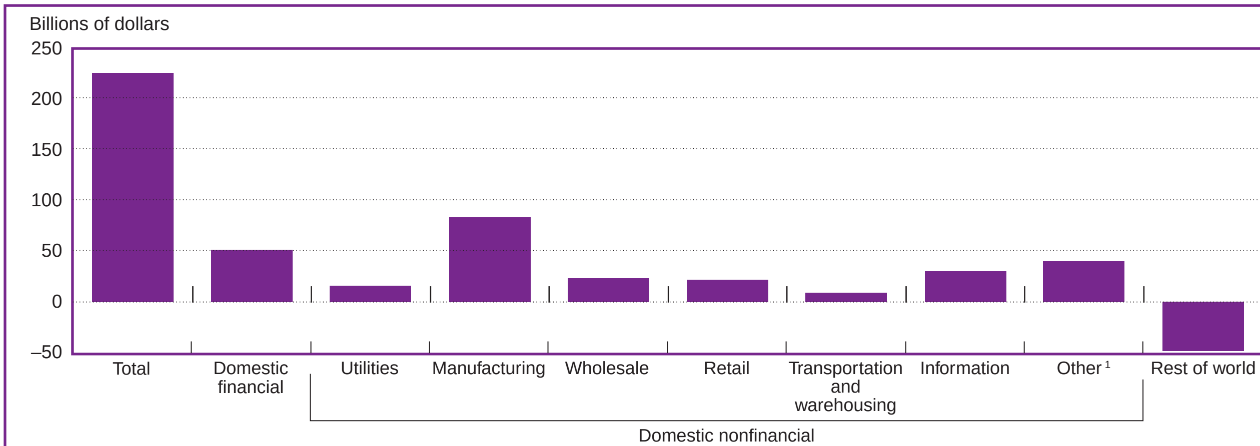
Profits of domestic industries increased $272.1 billion, or 18.4 percent, after increasing $60.1 billion, or 4.2 percent.

Profits of domestic financial industries increased $50.3 billion, or 10.5 percent, after increasing $30.1 billion, or 6.7 percent.

Profits of domestic nonfinancial industries increased $221.7 billion, or 22.2 percent, after increasing $30.1 billion, or 3.1 percent. The largest contributors to the acceleration were an acceleration in manufacturing industries and an upturn in “other” nonfinancial industries.

The large first-quarter decrease in the CCAdj mainly reflected the expiration of bonus depreciation claimed under the Tax Relief, Unemployment Insurance Reauthorization and Job Creation Act of 2010 (see FAQ 999 on BEA’s Web site).

**Chart 2. Corporate Profits With Inventory Valuation Adjustment: Change From the Preceding Quarter, 2012:I**




1. “Other” nonfinancial corporations include the agriculture, mining, construction, and services industries.
NOTE. Based on seasonally adjusted estimates.
U.S. Bureau of Economic Analysis

## 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: Profits Before Tax, Profits Tax Liability, and Dividends” at www.bea.gov/methodologies/index.htm.