GDP and the Economy

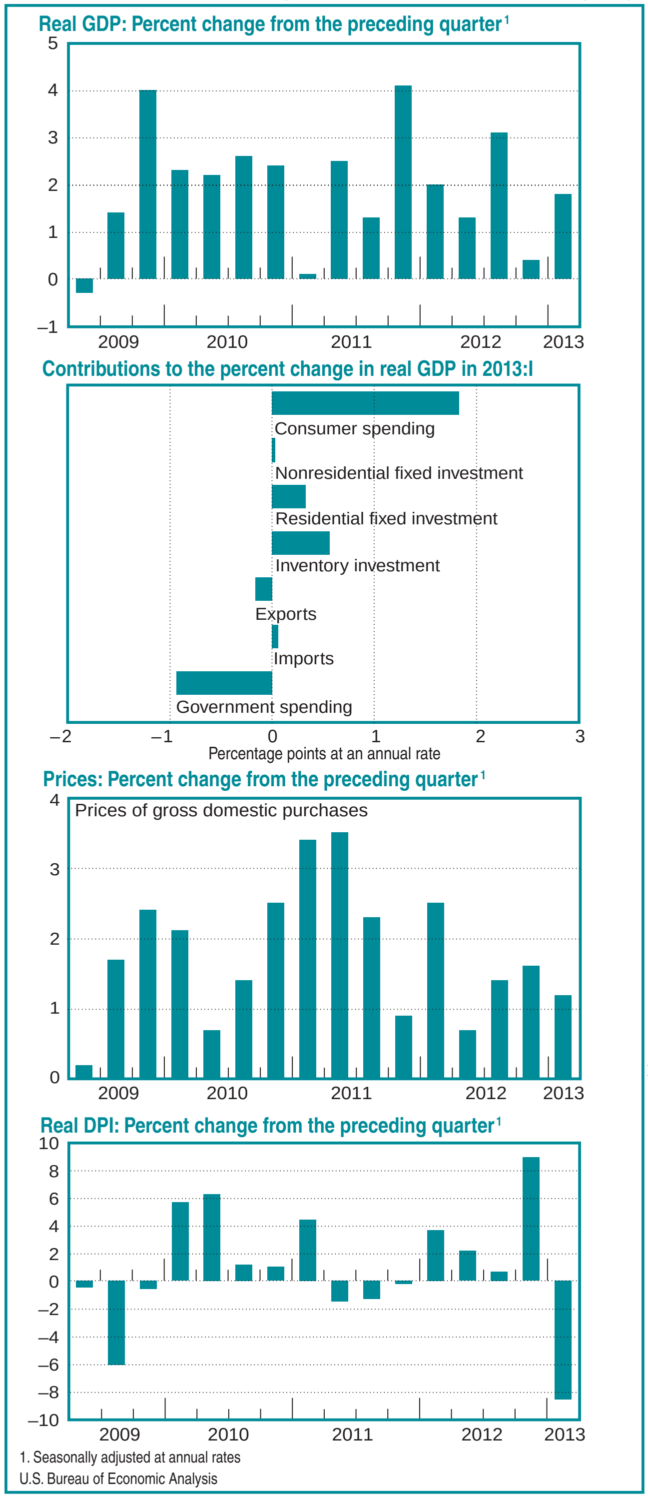
Third Estimates for the First Quarter of 2013

REAL GROSS domestic product (GDP) rose at an annual rate of 1.8 percent in the first quarter of 2013, according to the third estimates of the national income and product accounts (chart 1 and table 1).[1] In the fourth quarter of 2012, real GDP rose 0.4 percent.

The third estimate of real GDP growth was revised down 0.6 percentage point from the second estimate. The revision reflected downward revisions to consumer spending, to exports, and to nonresidential fixed investment that were partly offset by a downward revision to imports. (see table 2).[2]

- Prices of goods and services purchased by U.S. residents, as measured by the gross domestic purchases price index, increased 1.2 percent in the first quarter after increasing 1.6 percent in the fourth quarter. Energy prices turned down, and food prices slowed in the first quarter. Excluding food and energy, prices increased 1.5 percent in the first quarter after increasing 1.2 percent in the fourth quarter.
- Real disposable personal income (DPI) decreased 8.6 percent in the first quarter after increasing 8.9 percent in the fourth quarter. Current-dollar DPI decreased 7.7 percent after increasing 10.6 percent; the downturn reflected a downturn in personal income and a pickup in personal current taxes (see “Special Factors Affecting Disposable Personal Income” in the March 2013 SURVEY OF CURRENT BUSINESS).
- The personal saving rate, personal saving as a percent of current-dollar DPI, was 2.5 percent in the first quarter; in the fourth quarter, the rate was 5.3 percent.
- Real gross domestic income rose 2.5 percent in the first quarter after rising 5.5 percent in the fourth quarter.
- Corporate profits from current production decreased $28.0 billion in the first quarter after increasing $45.4 billion in the fourth quarter (see table 3).

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,” “inventory investment” refers to “change in private inventories,” and “government spending” refers to “government consumption expenditures and gross investment.”

Teresita Duremdes Teensma prepared this article.

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)				Contributions to percent change in real GDP (percentage points)			
	2013	2012			2013	2012			2013
	I	II	III	IV	I	II	III	IV	I
Gross domestic product [1]	**100.0**	**1.3**	**3.1**	**0.4**	**1.8**	**1.3**	**3.1**	**0.4**	**1.8**
Personal consumption expenditures	**71.0**	**1.5**	**1.6**	**1.8**	**2.6**	**1.06**	**1.12**	**1.28**	**1.83**
Goods	24.2	0.3	3.6	4.3	4.4	0.08	0.85	1.02	1.04
Durable goods	8.0	–0.2	8.9	13.6	7.6	–0.02	0.66	1.00	0.58
Nondurable goods	16.3	0.6	1.2	0.1	2.8	0.10	0.19	0.02	0.45
Services	46.8	2.1	0.6	0.6	1.7	0.99	0.26	0.27	0.80
Gross private domestic investment	**13.4**	**0.7**	**6.6**	**1.3**	**7.4**	**0.09**	**0.85**	**0.17**	**0.96**
Fixed investment	13.1	4.5	0.9	14.0	3.0	0.56	0.12	1.69	0.39
Nonresidential	10.5	3.6	–1.8	13.2	0.4	0.36	–0.19	1.28	0.04
Structures	3.0	0.6	0.0	16.7	–8.3	0.02	0.00	0.46	–0.26
Equipment and software	7.5	4.8	–2.6	11.8	4.1	0.35	–0.19	0.82	0.31
Residential	2.7	8.5	13.5	17.6	14.0	0.19	0.31	0.41	0.34
Change in private inventories	0.3	....	....	....	....	–0.46	0.73	–1.52	0.57
Net exports of goods and services	**–3.4**	....	....	....	....	**0.23**	**0.38**	**0.33**	**–0.09**
Exports	13.7	5.3	1.9	–2.8	–1.1	0.72	0.27	–0.40	–0.15
Goods	9.6	7.0	1.1	–5.0	–2.5	0.67	0.11	–0.50	–0.25
Services	4.1	1.1	4.0	2.5	2.4	0.05	0.16	0.10	0.10
Imports	17.1	2.8	–0.6	–4.2	–0.4	–0.49	0.11	0.73	0.06
Goods	14.2	2.9	–1.2	–3.9	–1.3	–0.42	0.18	0.57	0.19
Services	2.9	2.3	2.6	–5.6	4.5	–0.07	–0.07	0.17	–0.12
Government consumption expenditures and gross investment	**18.9**	**–0.7**	**3.9**	**–7.0**	**–4.8**	**–0.14**	**0.75**	**–1.41**	**–0.93**
Federal	7.4	–0.2	9.5	–14.8	–8.7	–0.02	0.71	–1.23	–0.68
National defense	4.8	–0.2	12.9	–22.1	–12.0	–0.01	0.64	–1.28	–0.63
Nondefense	2.6	–0.4	3.0	1.7	–2.1	–0.01	0.08	0.04	–0.06
State and local	11.6	–1.0	0.3	–1.5	–2.1	–0.12	0.04	–0.18	–0.25
Addenda:									
Final sales of domestic product	99.7	1.7	2.4	1.9	1.2	1.71	2.37	1.89	1.20
Goods	28.7	1.3	6.1	1.4	5.8	0.38	1.73	0.40	1.62
Services	64.1	1.2	1.7	–1.3	0.5	0.76	1.11	–0.84	0.31
Structures	7.2	1.7	3.9	12.1	–2.0	0.12	0.27	0.82	–0.15
Motor vehicle output	2.8	7.3	–8.6	6.8	12.5	0.20	–0.25	0.18	0.33
GDP excluding motor vehicle output	97.2	1.1	3.5	0.2	1.5	1.06	3.36	0.20	1.45
Final sales of computers	0.5	–19.9	29.5	26.5	23.3	–0.10	0.11	0.10	0.09
GDP excluding final sales of computers	99.5	1.4	3.0	0.3	1.7	1.35	2.99	0.28	1.68
Gross domestic income (GDI) [2]	....	–0.7	1.6	5.5	2.5	....	....	....	....

1. The estimates under the contribution columns are also percent changes.
2. GDI is deflated by the implicit price deflator for GDP. The fourth-quarter change reflects the incorporation of revised fourth-quarter wage and salary estimates.
Note. For GDP and its components, percent changes are from NIPA tables 1.1.1 and 1.2.1, contributions to percent change are from NIPA tables 1.1.2 and 1.2.2, and shares are from NIPA table 1.1.10 and are calculated from table 1.2.5. For GDI, percent changes are from NIPA table 1.7.1.

Consumer spending picked up in the first quarter, primarily reflecting a pickup in services. The largest contributor to the pickup in services was an upturn in electricity and gas.

Nonresidential fixed investment slowed, reflecting a downturn in structures (mainly power and communication structures) and a slowdown in equipment and software (mainly information processing equipment and software).

Residential fixed investment slowed; the largest contributor to the slowdown was a downturn in “other” structures (mainly brokers’ commissions and improvements).

Inventory investment turned up. The leading contributors to the upturn were manufacturing and farm industries.

Exports decreased less than in the fourth quarter, reflecting a smaller decrease in exports of goods. In goods, an upturn in foods, feeds, and beverages and a smaller decrease in nonautomotive capital goods were partly offset by a downturn in “other” goods.

Imports decreased less than in the fourth quarter, reflecting a smaller decrease in imports of goods (mainly nonpetroleum industrial supplies and materials and “other” goods) and an upturn in imports of services (mainly royalties and license fees and travel).

Government spending decreased less than in the fourth quarter; the smaller decrease was more than accounted for by a smaller decrease in national defense spending.

Real final sales of domestic product, real GDP less inventory investment, increased 1.2 percent after increasing 1.9 percent.

Motor vehicle output accelerated, adding 0.33 percentage point to real GDP growth after adding 0.18 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 2.5 percent after increasing 5.5 percent.

Revisions to GDP

Table 2. Second and Third Estimates for the First Quarter of 2013

[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]	**2.4**	**1.8**	**–0.6**	**2.4**	**1.8**	**–0.6**
Personal consumption expenditures	**3.4**	**2.6**	**–0.8**	**2.40**	**1.83**	**–0.57**
Goods	4.1	4.4	0.3	0.98	1.04	0.06
Durable goods	8.2	7.6	–0.6	0.63	0.58	–0.05
Nondurable goods	2.2	2.8	0.6	0.35	0.45	0.10
Services	3.1	1.7	–1.4	1.42	0.80	–0.62
Gross private domestic investment	**9.0**	**7.4**	**–1.6**	**1.16**	**0.96**	**–0.20**
Fixed investment	4.1	3.0	–1.1	0.53	0.39	–0.14
Nonresidential	2.2	0.4	–1.8	0.23	0.04	–0.19
Structures	–3.5	–8.3	–4.8	–0.11	–0.26	–0.15
Equipment and software	4.6	4.1	–0.5	0.34	0.31	–0.03
Residential	12.1	14.0	1.9	0.30	0.34	0.04
Change in private inventories	....	....	....	0.63	0.57	–0.06
Net exports of goods and services	....	....	....	**–0.21**	**–0.09**	**0.12**
Exports	0.8	–1.1	–1.9	0.11	–0.15	–0.26
Goods	0.3	–2.5	–2.8	0.03	–0.25	–0.28
Services	2.0	2.4	0.4	0.08	0.10	0.02
Imports	1.9	–0.4	–2.3	–0.32	0.06	0.38
Goods	1.1	–1.3	–2.4	–0.16	0.19	0.35
Services	5.8	4.5	–1.3	–0.16	–0.12	0.04
Government consumption expenditures and gross investment	**–4.9**	**–4.8**	**0.1**	**–0.97**	**–0.93**	**0.04**
Federal	–8.7	–8.7	0.0	–0.68	–0.68	0.00
National defense	–12.1	–12.0	0.1	–0.63	–0.63	0.00
Nondefense	–2.1	–2.1	0.0	–0.05	–0.06	–0.01
State and local	–2.4	–2.1	0.3	–0.29	–0.25	0.04
Addenda:						
Final sales of domestic product	1.8	1.2	–0.6	1.76	1.20	–0.56
Gross domestic income	2.5	2.5	0.0	....	....	....
Gross domestic purchases price index	1.2	1.2	0.0	....	....	....
GDP price index	1.1	1.2	0.1	....	....	....

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

The third estimate of the first-quarter change in real GDP was 0.6 percentage point less than the second estimate. The downward revision primarily reflected downward revisions to consumer spending, to exports, and to nonresidential fixed investment that were partly offset by a downward revision to imports. For 1983–2011, the average revision (without regard to sign) between the second estimate and the third estimate is 0.3 percentage point.

The downward revision to consumer spending was more than accounted for by a downward revision to spending for services. In services, the revisions were widespread; the largest contributors were "other" services (notably net foreign travel, legal services, and personal care services), health care, and the gross output of nonprofit hospitals.

The downward revision to nonresidential fixed investment was primarily accounted for by a downward revision to structures that was more than accounted for by a downward revision to power and communication structures.

The downward revision to exports was more than accounted for by a downward revision to exports of goods (mainly industrial supplies and materials and nonautomotive capital goods).

The downward revision to imports was primarily accounted for by downward revision to imports of goods (mainly automotive vehicles, engines, and parts and nonautomotive capital goods).

Source Data and Methodologies

For the details about the source data and the methodologies that are used for the estimates, see *Concepts and Methods of the U.S. National Income and Product Accounts* at www.bea.gov/methodologies/index.htm.

Source data for the third estimate. The third estimate of GDP for the first quarter of 2013 incorporated the following source data.

Consumer spending: Census Bureau retail sales for January–March (benchmarked to the 2011 Annual Retail Trade Survey) and Quarterly Services Survey data for the first quarter (new), Energy Information Administration electricity and natural gas usage and unit value data for February (revised) and March (new), and Federal Deposit Insurance Corporation *Call Report* data for the first quarter (new).

Nonresidential fixed investment: Census Bureau construction spending data (value put in place) for February and March (revised) and Quarterly Services Survey data for the first quarter (new).

Residential fixed investment: Census Bureau construction spending data for February and March (revised) and building supply retail sales data for January–March (benchmarked to the 2011 Annual Retail Trade Survey) and Bureau of Labor Statistics remodelers' payroll data for March (revised).

Inventory investment: Census Bureau manufacturers' and trade inventories for January–March (trade inventories were benchmarked to the 2011 Annual Trade Survey) and *Quarterly Financial Report* data for the first quarter (revised).

Exports and imports: Bureau of Economic Analysis international transactions accounts data for January–March (reflects the annual revision).

Government spending: Census Bureau construction spending data for February and March (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							
	2013	2012			2013	2012			2013
	I	II	III	IV	I	II	III	IV	I
Current production measures:									
Corporate profits	1,985.0	21.8	45.7	45.4	–28.0	1.1	2.4	2.3	–1.4
Domestic industries	1,552.2	–11.9	54.0	21.3	–8.4	–0.8	3.6	1.4	–0.5
Financial	450.4	–39.7	68.1	–3.5	–3.4	–9.3	17.5	–0.8	–0.8
Nonfinancial	1,101.8	27.8	–14.1	24.8	–5.0	2.6	–1.3	2.3	–0.5
Rest of the world	432.8	33.6	–8.2	24.1	–19.6	8.4	–1.9	5.6	–4.3
Receipts from the rest of the world	661.7	10.0	4.2	35.7	–19.7	1.6	0.6	5.5	–2.9
Less: Payments to the rest of the world	228.9	–23.6	12.4	11.6	–0.1	–10.3	6.0	5.3	0.0
Less: Taxes on corporate income	437.5	–10.3	9.1	–4.4	–10.5	–2.3	2.0	–1.0	–2.3
Equals: Profits after tax	1,547.5	31.9	36.7	49.8	–17.5	2.2	2.5	3.3	–1.1
Net dividends	781.1	20.4	12.8	124.3	–103.5	2.8	1.7	16.3	–11.7
Undistributed profits from current production	766.3	11.6	23.8	–74.3	85.8	1.6	3.3	–9.9	12.6
Net cash flow	1,910.1	6.0	32.5	–89.8	125.6	0.3	1.8	–4.8	7.0

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 $28.0 billion, or 1.4 percent at a quarterly rate, in the first quarter after increasing $45.4 billion, or 2.3 percent, in the fourth quarter.

Domestic profits of financial corporations decreased $3.4 billion, or 0.8 percent, after decreasing $3.5 billion, or 0.8 percent.

Domestic profits of nonfinancial corporations decreased $5.0 billion, or 0.5 percent, after increasing $24.8 billion, or 2.3 percent.

Profits from the rest of the world decreased $19.6 billion, or 4.3 percent, after increasing $24.1 billion, or 5.6 percent. In the first quarter, receipts decreased $19.7 billion, and payments decreased $0.1 billion.

Dividends decreased $103.5 billion, or 11.7 percent, after increasing $124.3 billion, or 16.3 percent. The large fourth-quarter increase reflected accelerated and special dividends paid by corporations at the end of 2012 in anticipation of changes to individual income tax rates.

Net cash flow from current production, a profits-related measure of internal funds available for investment, increased $125.6 billion, or 7.0 percent, after decreasing $89.8 billion, or 4.8 percent.

Measuring Corporate Profits

Corporate profits is a widely followed economic indicator used to gauge corporate health, assess investment conditions, and analyze the effect on corporations of economic policies and conditions. In addition, corporate profits is an important component in key measures of income.

BEA's measure of corporate profits aims to capture the income earned by corporations from current production in a manner that is fully consistent with the national income and product accounts (NIPAs). The measure is defined as receipts arising from current production less associated expenses. Receipts exclude income in the form of dividends and capital gains, and expenses exclude bad debts, natural resource depletion, and capital losses.

Because direct estimates of NIPA-consistent corporate profits are unavailable, BEA derives these estimates in three steps.

First, BEA measures profits before taxes to reflect corporate income regardless of any redistributions of income through taxes. Estimates for the current quarter are based on corporate earnings reports from sources including the Census Bureau *Quarterly Financial Report,* Federal Deposit Insurance Corporation call reports, other regulatory reports, and tabulations from corporate financial reports. The estimates are benchmarked to Internal Revenue Service (IRS) data when these data are available for two reasons: the IRS data are based on well-specified accounting definitions, and they are comprehensive, covering all incorporated businesses—publicly traded and privately held—in all industries.

Second, to remove the effects of price changes on inventories valued at historical cost and of tax accounting for inventory withdrawals, BEA adds an inventory valuation adjustment that values inventories at current cost.

Third, to remove the effects of tax accounting on depreciation, BEA adds a capital consumption adjustment (CCAdj). CCAdj is defined as the difference between capital consumption allowances (tax return depreciation) and consumption of fixed capital (the decline in the value of the stock of assets due to wear and tear, obsolescence, accidental damage, and aging).

Corporate Profits by Industry

Table 4. Corporate Profits by Industry

[Seasonally adjusted]

	Billions of dollars (annual rate)					Percent change from preceding quarter (quarterly rate)			
	Level	Change from preceding quarter							
	2013	2012			2013	2012			2013
	I	II	III	IV	I	II	III	IV	I
Industry profits:									
Profits with IVA	2,172.0	23.5	43.2	45.0	−40.5	1.1	2.0	2.1	−1.8
Domestic industries	1,739.2	−10.2	51.5	20.9	−20.9	−0.6	3.1	1.2	−1.2
Financial	501.8	−39.3	67.7	−3.4	−4.4	−8.2	15.3	−0.7	−0.9
Nonfinancial	1,237.4	29.0	−16.2	24.3	−16.5	2.4	−1.3	2.0	−1.3
Utilities	38.3	3.0	0.7	−7.4	3.7	7.7	1.9	−17.6	10.5
Manufacturing	360.8	9.3	−5.2	15.3	−22.1	2.5	−1.4	4.2	−5.8
Wholesale trade	154.3	15.0	−19.4	12.5	11.6	11.2	−12.9	9.6	8.1
Retail trade	138.0	−2.2	1.9	8.1	−8.4	−1.6	1.4	5.9	−5.7
Transportation and warehousing	55.0	−1.7	−0.4	−3.3	3.7	−3.0	−0.7	−6.0	7.2
Information	123.8	8.8	−0.5	−14.9	20.6	8.0	−0.4	−12.6	19.9
Other nonfinancial	367.3	−3.1	6.5	13.9	−25.3	−0.8	1.8	3.7	−6.5
Rest of the world	432.8	33.6	−8.2	24.1	−19.6	8.4	−1.9	5.6	−4.3
Addenda:									
Profits before tax (without IVA and CCAdj)	2,187.0	−16.3	86.2	27.3	−34.7	−0.8	4.1	1.2	−1.6
Profits after tax (without IVA and CCAdj)	1,749.5	−6.0	77.1	31.7	−24.2	−0.4	4.6	1.8	−1.4
IVA	−15.0	39.7	−42.8	17.6	−5.8	....	....	....	....
CCAdj	−187.0	−1.7	2.4	0.5	12.5	....	....	....	....

NOTE. Levels of these and other profits series are shown in NIPA tables 1.12, 1.14, 1.15, and 6.16D.
IVA Inventory valuation adjustment CCAdj Capital consumption adjustment

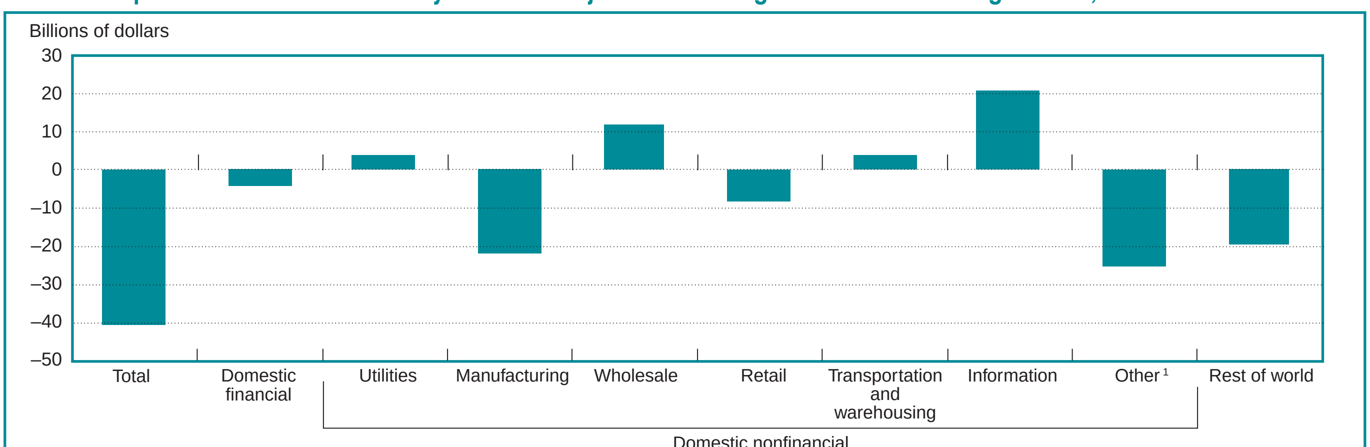
Profits with inventory valuation adjustment (IVA) decreased $40.5 billion, or 1.8 percent at a quarterly rate, in the first quarter after increasing $45.0 billion, or 2.1 percent, in the fourth quarter.

Profits of domestic industries decreased $20.9 billion, or 1.2 percent, after increasing $20.9 billion, or 1.2 percent.

Profits of domestic financial industries decreased $4.4 billion, or 0.9 percent, after decreasing $3.4 billion, or 0.7 percent.

Profits of domestic nonfinancial industries decreased $16.5 billion, or 1.3 percent, after increasing $24.3 billion, or 2.0 percent. The decrease primarily reflected decreases in "other" nonfinancial industries and in manufacturing that were partly offset by increases in information and in wholesale trade.

Chart 2. Corporate Profits With Inventory Valuation Adjustment: Change From the Preceding Quarter, 2013: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" in *Concepts and Methods of the U.S. National Income and Product Accounts* at www.bea.gov/methodologies/index.htm.