

GDP and the Economy

Third Estimates for the First Quarter of 2015

REAL GROSS domestic product (GDP) decreased 0.2 percent at an annual rate in the first quarter of 2015, according to the third estimates of the national income and product accounts (NIPAs) (chart 1 and table 1).¹ In the fourth quarter of 2014, real GDP increased 2.2 percent.

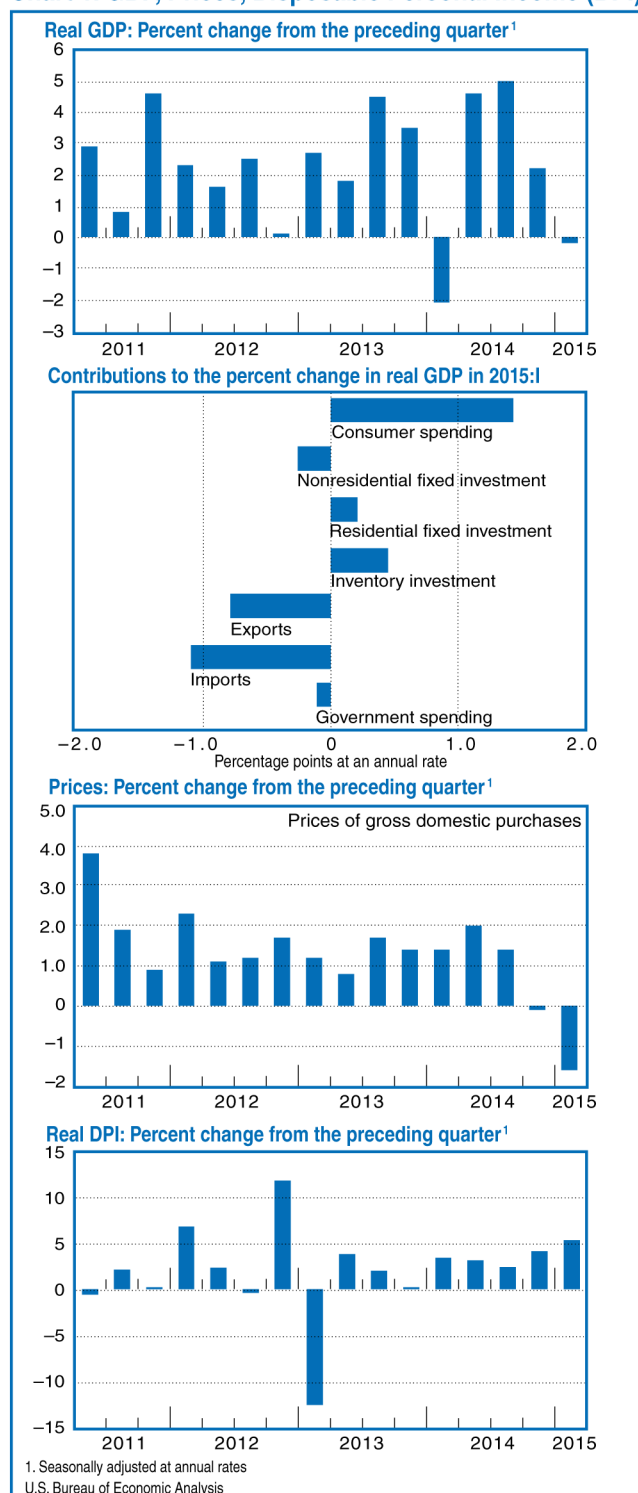
The third estimate of real GDP growth in the first quarter was revised up 0.5 percentage point from the second estimate. Exports decreased less than previously estimated, and consumer spending and imports increased more.²

- The first-quarter decrease in real GDP primarily reflected negative contributions from exports, non-residential fixed investment, and state and local government spending that were partly offset by positive contributions from consumer spending, inventory investment, and residential fixed investment. Imports, which are a subtraction in the calculation of GDP, increased.
- Prices of goods and services purchased by U.S. residents decreased 1.6 percent in the first quarter after decreasing 0.1 percent in the fourth quarter. Energy prices decreased more in the first quarter than in the fourth quarter, and food prices turned down. Excluding food and energy, prices increased 0.1 percent.
- Real disposable personal income (DPI) increased 5.3 percent in the first quarter after increasing 4.1 percent in the fourth quarter. Current-dollar DPI increased 3.2 percent in the first quarter after increasing 3.7 percent in the fourth quarter.
- Corporate profits from current production decreased \$110.8 billion in the first quarter after decreasing \$30.4 billion in the fourth quarter (see table 3).
- Real gross domestic income increased 1.9 percent in the first quarter after increasing 3.7 percent in the fourth quarter.

1. “Real” estimates are in chained (2009) dollars, and price indexes are chain-type measures. Each GDP estimate for a quarter (advance, second, and third) incorporates increasingly comprehensive and improved source data; for more information, see “The Revisions to GDP, GDI, and Their Major Components” in the August 2014 SURVEY OF CURRENT BUSINESS. Quarterly estimates are expressed at seasonally adjusted annual rates, which 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.”

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



Real GDP Overview

Table 1. Real Gross Domestic Product (GDP) and Related Measures

[Seasonally adjusted at annual rates]

	Share of current-dollar GDP (percent)	Change from preceding period (percent)				Contribution to percent change in real GDP (percentage points)			
	2015	2014			2015	2014			2015
	I	II	III	IV	I	II	III	IV	I
Gross domestic product ¹	100.0	4.6	5.0	2.2	-0.2	4.6	5.0	2.2	-0.2
Personal consumption expenditures	68.5	2.5	3.2	4.4	2.1	1.75	2.21	2.98	1.43
Goods.....	22.2	5.9	4.7	4.8	1.0	1.33	1.06	1.07	0.22
Durable goods.....	7.5	14.1	9.2	6.2	1.3	0.99	0.67	0.45	0.10
Nondurable goods.....	14.7	2.2	2.5	4.1	0.8	0.34	0.39	0.61	0.12
Services.....	46.3	0.9	2.5	4.3	2.7	0.42	1.15	1.91	1.21
Gross private domestic investment	16.7	19.1	7.2	3.7	2.4	2.87	1.18	0.61	0.40
Fixed investment.....	16.1	9.5	7.7	4.5	-0.3	1.45	1.21	0.72	-0.05
Nonresidential.....	12.8	9.7	8.9	4.7	-2.0	1.18	1.10	0.60	-0.26
Structures.....	2.8	12.6	4.8	5.9	-18.8	0.35	0.14	0.17	-0.60
Equipment.....	6.0	11.2	11.0	0.6	2.6	0.63	0.63	0.04	0.15
Intellectual property products.....	4.0	5.5	8.8	10.3	4.9	0.21	0.34	0.39	0.19
Residential.....	3.3	8.8	3.2	3.8	6.5	0.27	0.10	0.12	0.21
Change in private inventories.....	0.6	.....	.....	.....	.....	1.42	-0.03	-0.10	0.45
Net exports of goods and services	-3.2	.....	.....	.....	.....	-0.34	0.78	-1.03	-1.89
Exports.....	12.8	11.1	4.5	4.5	-5.9	1.43	0.61	0.59	-0.79
Goods.....	8.6	14.3	7.5	2.4	-11.6	1.26	0.69	0.22	-1.09
Services.....	4.2	4.0	-1.9	9.2	7.5	0.17	-0.08	0.37	0.30
Imports.....	15.9	11.3	-0.9	10.4	7.1	-1.77	0.16	-1.62	-1.10
Goods.....	13.1	12.5	-1.3	10.4	7.2	-1.62	0.19	-1.35	-0.93
Services.....	2.8	5.6	1.0	10.0	6.4	-0.15	-0.03	-0.27	-0.18
Government consumption expenditures and gross investment	17.9	1.7	4.4	-1.9	-0.6	0.31	0.80	-0.35	-0.11
Federal.....	6.9	-0.9	9.9	-7.3	0.0	-0.06	0.68	-0.53	0.00
National defense.....	4.3	0.9	16.0	-12.2	-1.2	0.04	0.66	-0.57	-0.05
Nondefense.....	2.6	-3.8	0.4	1.5	2.0	-0.10	0.01	0.04	0.05
State and local.....	11.0	3.4	1.1	1.6	-1.0	0.38	0.13	0.18	-0.12
Addenda:									
Final sales of domestic product.....	99.4	3.2	5.0	2.3	-0.6	3.18	4.99	2.32	-0.62
Goods.....	30.1	11.4	9.5	1.1	-3.4	3.34	2.87	0.34	-1.03
Services.....	62.3	0.6	3.0	2.5	2.4	0.40	1.84	1.52	1.46
Structures.....	7.6	11.7	3.4	4.7	-7.5	0.85	0.26	0.36	-0.60
Motor vehicle output.....	2.8	21.3	27.2	-17.6	-3.5	0.55	0.71	-0.57	-0.10
GDP excluding motor vehicle output.....	97.2	4.1	4.4	2.9	-0.1	4.05	4.25	2.79	-0.07
Final sales of computers.....	0.3	14.6	19.5	-41.2	5.8	0.06	0.08	-0.20	0.02
GDP excluding final sales of computers.....	99.7	4.6	4.9	2.4	-0.2	4.54	4.89	2.42	-0.19
Research and development (R&D).....	2.6	3.4	6.6	12.3	3.8	0.09	0.16	0.30	0.10
GDP excluding R&D.....	97.4	4.6	4.9	2.0	-0.3	4.51	4.80	1.92	-0.27
Gross domestic income (GDI) ².....	.....	4.0	5.2	3.7	1.9	.....	.....	.....	.....

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

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

NOTE. For GDP and its components, percent changes are from NIPA tables 1.1.1 and 1.2.1, contributions to percent change are from NIPA tables 1.1.2 and 1.2.2, and shares are from NIPA table 1.1.10, or they are calculated from table 1.2.5. For GDI, percent changes are from NIPA table 1.7.1.

Real GDP turned down in the first quarter as the dollar strengthened against other major currencies, as imports and exports were delayed by the West Coast ports labor dispute, as energy prices fell, and as severe winter weather affected much of the nation. The downturn primarily reflected a slowdown in consumer spending and downturns in exports, in nonresidential fixed investment, and in state and local government spending that were partly offset by upturns in private inventory investment and in federal government spending and a deceleration in imports.

The slowdown in consumer spending reflected slowdowns in spending for both goods and services.

The slowdown in spending for goods primarily reflected downturns in clothing and footwear and in motor vehicle and parts and a slowdown in "other" nondurable goods (mainly pharmaceutical products).

The slowdown in spending for services primarily reflected a downturn in "other" services (primarily cellular telephone services) and slowdowns in health care and in food services and accommodations that were partly offset by a pickup in electricity and gas.

The downturn in nonresidential fixed investment was mostly accounted for by a downturn in investment in structures that was primarily due to a 48.6 percent decrease in mining exploration, shafts, and wells, the largest decrease since the second quarter of 2009.

The upturn in inventory investment primarily reflected upturns in inventory investment in manufacturing industries, in retail trade industries, and in "other" industries (notably the information industry).

The downturn in exports of goods mainly reflected a downturn in exports of foods, feeds, and beverages, a larger decrease in exports of nonautomotive capital goods, and a downturn in exports of "other" goods.

The slowdown in imports mainly reflected a slowdown in goods imports, particularly petroleum and products.

The upturn in federal government spending primarily reflected a smaller decrease in defense spending.

The downturn in state and local government spending was primarily accounted for by a downturn in investment in structures.

Real final sales of domestic product, real GDP less inventory investment, decreased 0.6 percent after increasing 2.3 percent.

Revisions to GDP

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

[Seasonally adjusted at annual rates]

	Change from preceding quarter (percent)			Contribution to percent change in real GDP (percentage points)		
	Second	Third	Third minus second	Second	Third	Third minus second
Gross domestic product (GDP) ¹	-0.7	-0.2	0.5	-0.7	-0.2	0.5
Personal consumption expenditures	1.8	2.1	0.3	1.23	1.43	0.20
Goods	0.5	1.0	0.5	0.10	0.22	0.12
Durable goods	1.1	1.3	0.2	0.08	0.10	0.02
Nondurable goods	0.1	0.8	0.7	0.02	0.12	0.10
Services	2.5	2.7	0.2	1.13	1.21	0.08
Gross private domestic investment	0.7	2.4	1.7	0.12	0.40	0.28
Fixed investment	-1.3	-0.3	1.0	-0.21	-0.05	0.16
Nonresidential	-2.8	-2.0	0.8	-0.37	-0.26	0.11
Structures	-20.8	-18.8	2.0	-0.67	-0.60	0.07
Equipment	2.7	2.6	-0.1	0.16	0.15	-0.01
Intellectual property products	3.6	4.9	1.3	0.14	0.19	0.05
Residential	5.0	6.5	1.5	0.16	0.21	0.05
Change in private inventories				0.33	0.45	0.12
Net exports of goods and services				-1.90	-1.89	0.01
Exports	-7.6	-5.9	1.7	-1.03	-0.79	0.24
Goods	-14.0	-11.6	2.4	-1.32	-1.09	0.23
Services	7.4	7.5	0.1	0.30	0.30	0.00
Imports	5.6	7.1	1.5	-0.87	-1.10	-0.23
Goods	5.1	7.2	2.1	-0.67	-0.93	-0.26
Services	7.6	6.4	-1.2	-0.21	-0.18	0.03
Government consumption expenditures and gross investment	-1.1	-0.6	0.5	-0.20	-0.11	0.09
Federal	0.1	0.0	-0.1	0.01	0.00	-0.01
National defense	-1.0	-1.2	-0.2	-0.04	-0.05	-0.01
Nondefense	2.0	2.0	0.0	0.05	0.05	0.00
State and local	-1.8	-1.0	0.8	-0.21	-0.12	0.09
Addenda:						
Final sales of domestic product	-1.1	-0.6	0.5	-1.07	-0.62	0.45
Gross domestic income		1.9				
Gross domestic purchases price index	-1.6	-1.6	0.0			
GDP price index	-0.1	0.0	0.1			

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

The third estimate of the first-quarter change in real GDP was 0.5 percentage points higher than the second estimate released in May. The upward revision primarily reflected upward revisions to exports, to consumer spending, to inventory investment, to nonresidential fixed investment, and to state and local government spending that were partly offset by an upward revision to imports.

The upward revision to consumer spending was accounted for by upward revisions to both goods and services.

The upward revision to goods was primarily accounted for by food and beverages purchased for off-premises consumption.

The largest contributors to the upward revision to services were transportation services (primarily ground transportation) and final consumption expenditures of nonprofit institutions serving households (primarily hospitals and nursing homes).

The upward revision to nonresidential fixed investment reflected upward revisions to structures and to intellectual property products.

The upward revision to inventory investment primarily reflected an upward revision to manufacturing industries (notably nondurable goods).

The upward revision to exports of goods was relatively widespread; the largest contributors were industrial supplies and materials and “other” goods.

The upward revision to imports was more than accounted for by an upward revision to goods.

The upward revision to state and local government spending primarily reflected an upward revision to investment in structures.

Source Data and Methodologies

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

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

Consumer spending: Census Bureau retail sales for January through March (revised) 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 Securities and Exchange Commission FOCUS report for the first quarter (new).

Nonresidential fixed investment: Census Bureau construction spending data 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).

Inventory investment: Census Bureau manufacturers’ and trade inventories for March (revised) and *Quarterly Financial Report* data for the first quarter (revised).

Exports and imports: Bureau of Economic Analysis international transactions accounts data for January through 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								
	2015	2014				2015				
	I	II	III	IV	I	II	III	IV	I	
Current production measures:										
Corporate profits	2,029.5	164.1	64.5	-30.4	-110.8	8.4	3.1	-1.4	-5.2	
Domestic industries.....	1,684.2	167.6	48.1	5.7	-81.8	10.9	2.8	0.3	-4.6	
Financial.....	453.5	33.3	16.1	-12.5	-2.1	7.9	3.6	-2.7	-0.5	
Nonfinancial	1,230.7	134.3	32.0	18.1	-79.6	11.9	2.5	1.4	-6.1	
Rest of the world	345.3	-3.6	16.5	-36.1	-29.0	-0.9	4.2	-8.8	-7.8	
Receipts from the rest of the world.....	609.3	2.7	14.4	-36.5	-40.0	0.4	2.1	-5.3	-6.2	
Less: Payments to the rest of the world.....	264.0	6.3	-2.1	-0.4	-11.0	2.3	-0.8	-0.1	-4.0	
Less: Taxes on corporate income.....	623.0	45.7	-5.5	-4.8	25.3	8.1	-0.9	-0.8	4.2	
Equals: Profits after tax.....	1,406.4	118.4	70.1	-25.8	-136.1	8.6	4.7	-1.6	-8.8	
Net dividends	922.8	-0.5	-3.9	18.6	5.8	-0.1	-0.4	2.1	0.6	
Undistributed profits from current production	483.7	118.8	73.9	-44.3	-141.8	24.9	12.4	-6.6	-22.7	
Net cash flow	1,976.3	133.4	46.9	12.2	-135.7	6.9	2.3	0.6	-6.4	

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 \$110.8 billion, or 5.2 percent at a quarterly rate, in the first quarter after decreasing \$30.4 billion, or 1.4 percent, in the fourth quarter.

Profits of domestic financial corporations decreased \$2.1 billion, or 0.5 percent, after decreasing \$12.5 billion, or 2.7 percent.

Profits of domestic nonfinancial corporations decreased 79.6 billion, or 6.1 percent, after increasing \$18.1 billion, or 1.4 percent.

Profits from the rest of the world decreased \$29.0 billion, or 7.8 percent, after decreasing \$36.1 billion, or 8.8 percent. In the first quarter, receipts decreased \$40.0 billion, and payments decreased \$11.0 billion.

Taxes on corporate income increased \$25.3 billion, or 4.2 percent, in the first quarter after decreasing \$4.8 billion, or 0.8 percent, in the fourth quarter.

Net dividends increased \$5.8 billion, or 0.6 percent, after increasing \$18.6 billion, or 2.1 percent.

Measuring Corporate Profits

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

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

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

First, BEA measures profits before taxes to reflect corporate income regardless of any redistributions of income through taxes. Estimates for the current quarter are based on corporate earnings reports from sources including the

Census Bureau *Quarterly Financial Report*, Federal Deposit Insurance Corporation call reports, other regulatory reports, and tabulations from corporate financial reports. The estimates are benchmarked to Internal Revenue Service (IRS) data when these data are available for two reasons: the IRS data are based on well-specified accounting definitions, and they are comprehensive, covering all incorporated businesses—publicly traded and privately held—in all industries.

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

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

Corporate Profits by Industry

Table 4. Corporate Profits by Industry
[Seasonally adjusted]

	Billions of dollars (annual rate)				Percent change from preceding quarter (quarterly rate)					
	Level	Change from preceding quarter								
		2015	2014			2015	2014			
	I	II	III	IV	I	II	III	IV	I	
Industry profits:										
Profits with IVA.....	2,574.8	164.8	63.7	-34.3	108.0	7.3	2.6	-1.4	4.4	
Domestic industries.....	2,229.5	168.4	47.2	1.8	137.0	9.0	2.3	0.1	6.5	
Financial.....	536.6	33.7	16.2	-13.0	18.9	7.0	3.1	-2.4	3.6	
Nonfinancial.....	1,692.9	134.7	31.1	14.7	118.2	9.7	2.0	0.9	7.5	
Utilities.....	54.1	8.1	4.1	-11.6	11.2	19.1	8.2	-21.3	26.1	
Manufacturing.....	594.5	71.9	19.3	4.2	66.6	16.6	3.8	0.8	12.6	
Wholesale trade.....	175.2	5.6	16.8	3.7	-2.9	3.7	10.6	2.1	-1.6	
Retail trade.....	204.9	8.6	-0.9	16.8	12.3	5.1	-0.5	9.6	6.4	
Transportation and warehousing.....	92.3	9.9	-1.4	-9.0	19.2	13.4	-1.6	-11.1	26.4	
Information.....	153.1	19.9	-13.8	-0.6	24.6	16.1	-9.7	-0.5	19.2	
Other nonfinancial ...	418.6	10.8	7.1	11.2	-13.1	2.7	1.7	2.7	-3.0	
Rest of the world.....	345.3	-3.6	16.5	-36.1	-29.0	-0.9	4.2	-8.8	-7.8	
Addenda:										
Profits before tax (without IVA and CCAdj).....	2,514.2	152.9	47.0	-61.8	78.9	6.7	1.9	-2.5	3.2	
Profits after tax (without IVA and CCAdj).....	1,891.2	107.3	52.4	-57.1	53.7	6.2	2.8	-3.0	2.9	
IVA.....	60.5	11.9	16.7	27.5	29.0	.....	.....	.....	.....
CCAdj.....	-545.3	-0.8	0.9	3.9	-218.8	.....	.....	.....	.....

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 \$108.0 billion, or 4.4 percent at a quarterly rate, in the first quarter after decreasing \$34.3 billion, or 1.4 percent, in the fourth quarter.

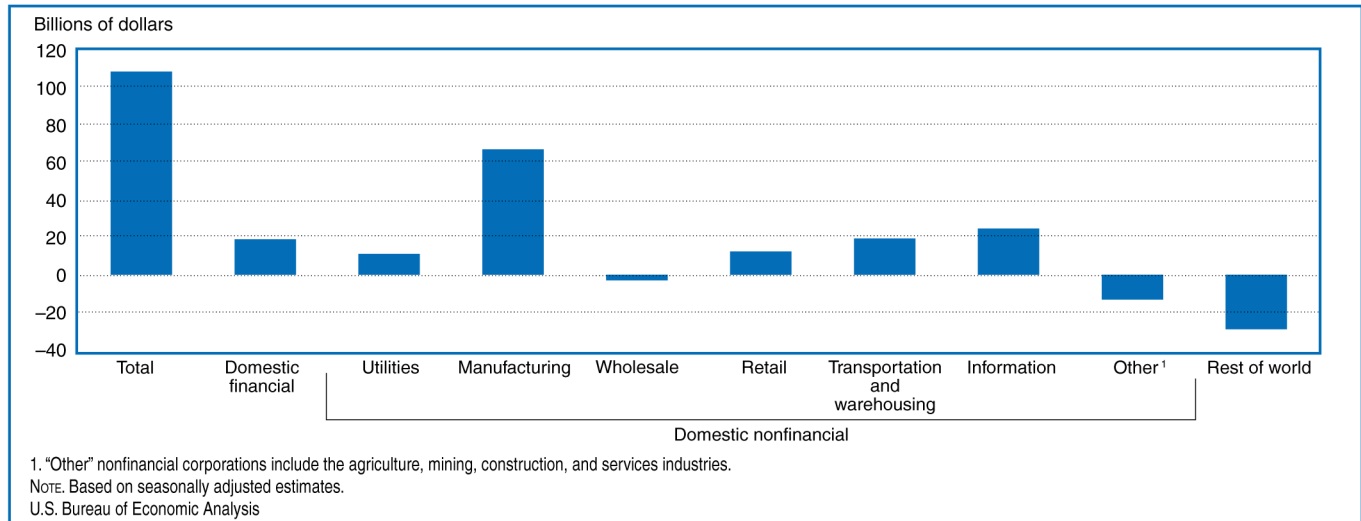
Profits of domestic industries increased \$137.0 billion, or 6.5 percent, after increasing \$1.8 billion, or 0.1 percent.

Profits of domestic financial industries increased \$18.9 billion, or 3.6 percent, after decreasing \$13.0 billion, or 2.4 percent.

Profits of domestic nonfinancial industries increased \$118.2 billion, or 7.5 percent, after increasing \$14.7 billion, or 0.9 percent, largely reflecting increases in manufacturing, in information, and in transportation warehousing.

The large difference between profits from current production (in table 3) and profits before tax reflect the expiration of both the 50 percent bonus depreciation provision and increased Section 179 expensing limits claimed under extensions of the 2010 tax acts. For details see [“How do the economic stimulus acts impact NIPA Corporate Profits?”](#)

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



Corporate Profits by Industry

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

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