

GDP and the Economy

Second Estimates for the First Quarter of 2016

REAL GROSS domestic product (GDP) increased 0.8 percent at an annual rate in the first quarter of 2016, according to the second estimates of the national income and product accounts (NIPAs) (chart 1 and table 1).¹ The second estimate of the first-quarter percent change in real GDP was revised up 0.3 percentage point from the advance estimate of 0.5 percent. The upward revision primarily reflected upward revisions to private inventory investment, to residential fixed investment, and to exports and a downward revision to imports.²

The first-quarter increase in real GDP primarily reflected positive contributions from consumer spending, residential fixed investment, and state and local government spending that were partly offset by negative contributions from nonresidential fixed investment, exports, private inventory investment, and federal government spending. Imports, which are a subtraction in the calculation of GDP, decreased.

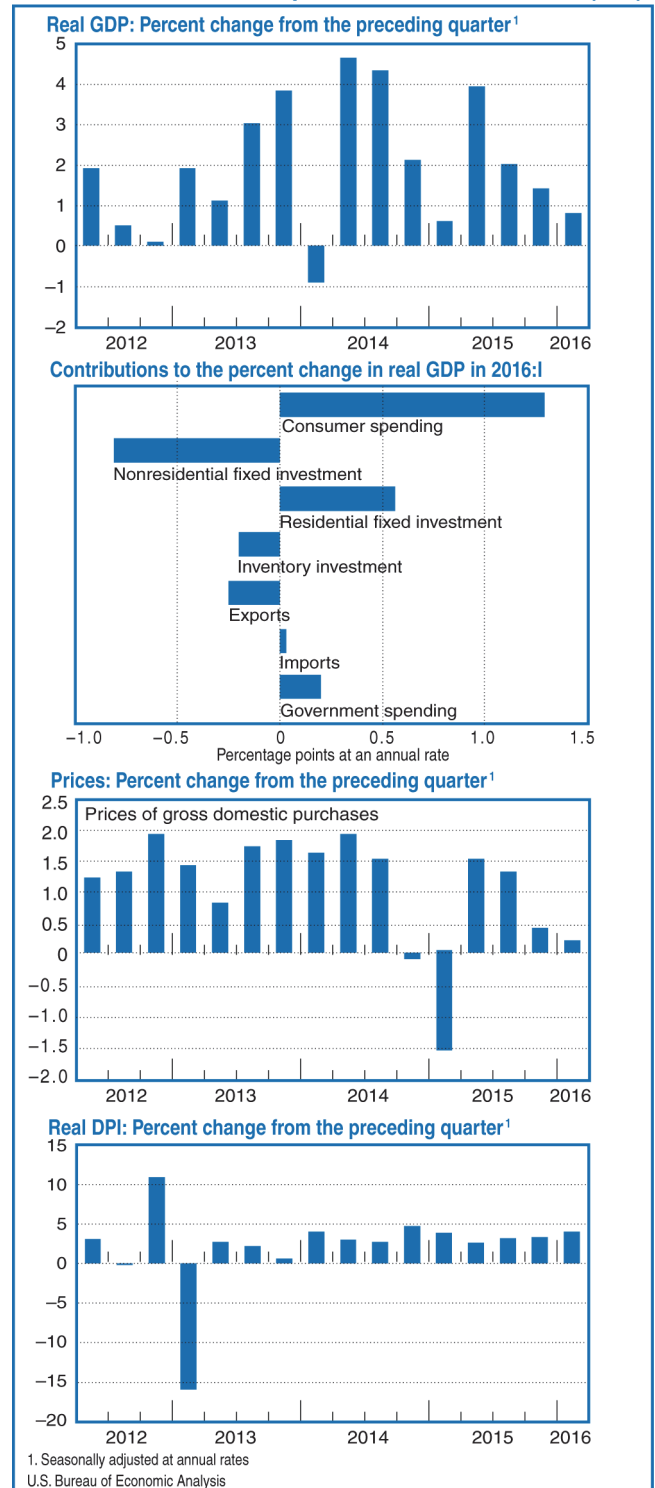
- Prices of goods and services purchased by U.S. residents increased 0.2 percent in the first quarter after increasing 0.4 percent in the fourth quarter of 2015. Energy prices and food prices decreased more in the first quarter than in the fourth quarter. Excluding food and energy, prices increased 1.4 percent after increasing 1.0 percent.
- Real disposable personal income (DPI) increased 4.0 percent in the first quarter after increasing 3.3 percent (revised) in the fourth quarter. Current-dollar DPI increased 4.4 percent after increasing 3.7 percent (revised) in the fourth quarter. (See [“Revised Fourth-Quarter 2015 Income Estimates”](#) on page 9.)

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 reflect a rate of activity for a quarter as if it were 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.”

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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 | | | | 2016 | | | | |
| | | I | II | III | IV | I | II | III | IV | I |
| Gross domestic product ¹ | 100.0 | 3.9 | 2.0 | 1.4 | 0.8 | 3.9 | 2.0 | 1.4 | 0.8 | |
| Personal consumption expenditures | 68.6 | 3.6 | 3.0 | 2.4 | 1.9 | 2.42 | 2.04 | 1.66 | 1.29 | |
| Goods | 21.8 | 5.5 | 5.0 | 1.6 | 0.4 | 1.20 | 1.08 | 0.36 | 0.09 | |
| Durable goods | 7.3 | 8.0 | 6.6 | 3.8 | -1.2 | 0.57 | 0.47 | 0.28 | -0.09 | |
| Nondurable goods | 14.5 | 4.3 | 4.2 | 0.6 | 1.3 | 0.62 | 0.61 | 0.09 | 0.18 | |
| Services | 46.8 | 2.7 | 2.1 | 2.8 | 2.6 | 1.23 | 0.96 | 1.30 | 1.20 | |
| Gross private domestic investment | 16.5 | 5.0 | -0.7 | -1.0 | -2.6 | 0.85 | -0.11 | -0.16 | -0.45 | |
| Fixed investment | 16.1 | 5.2 | 3.7 | 0.4 | -1.5 | 0.83 | 0.60 | 0.06 | -0.25 | |
| Nonresidential | 12.5 | 4.1 | 2.6 | -2.1 | -6.2 | 0.53 | 0.33 | -0.27 | -0.81 | |
| Structures | 2.6 | 6.2 | -7.2 | -5.1 | -8.9 | 0.18 | -0.21 | -0.14 | -0.25 | |
| Equipment | 5.8 | 0.3 | 9.9 | -2.1 | -9.0 | 0.03 | 0.57 | -0.12 | -0.56 | |
| Intellectual property products | 4.0 | 8.3 | -0.8 | -0.2 | -0.1 | 0.33 | -0.03 | -0.01 | 0.00 | |
| Residential | 3.6 | 9.3 | 8.2 | 10.1 | 17.1 | 0.30 | 0.27 | 0.33 | 0.56 | |
| Change in private inventories | 0.4 | ..... | ..... | ..... | ..... | 0.02 | -0.71 | -0.22 | -0.20 | |
| Net exports of goods and services | -2.8 | ..... | ..... | ..... | ..... | 0.18 | -0.26 | -0.14 | -0.21 | |
| Exports | 11.9 | 5.1 | 0.7 | -2.0 | -2.0 | 0.64 | 0.09 | -0.25 | -0.25 | |
| Goods | 7.7 | 6.5 | -0.9 | -5.4 | -2.6 | 0.55 | -0.07 | -0.45 | -0.21 | |
| Services | 4.2 | 2.3 | 3.9 | 5.0 | -0.9 | 0.10 | 0.16 | 0.20 | -0.04 | |
| Imports | 14.7 | 3.0 | 2.3 | -0.7 | -0.2 | -0.46 | -0.35 | 0.11 | 0.03 | |
| Goods | 11.9 | 3.2 | 1.4 | -1.3 | -1.1 | -0.41 | -0.18 | 0.17 | 0.14 | |
| Services | 2.8 | 2.0 | 6.4 | 1.9 | 3.8 | -0.05 | -0.17 | -0.05 | -0.10 | |
| Government consumption expenditures and gross investment | 17.6 | 2.6 | 1.8 | 0.1 | 1.2 | 0.46 | 0.32 | 0.02 | 0.20 | |
| Federal | 6.8 | 0.0 | 0.2 | 2.3 | -1.6 | 0.00 | 0.02 | 0.15 | -0.11 | |
| National defense | 4.1 | 0.3 | -1.4 | 2.8 | -3.6 | 0.01 | -0.06 | 0.11 | -0.15 | |
| Nondefense | 2.7 | -0.5 | 2.8 | 1.5 | 1.6 | -0.01 | 0.08 | 0.04 | 0.04 | |
| State and local | 10.8 | 4.3 | 2.8 | -1.2 | 2.9 | 0.46 | 0.30 | -0.13 | 0.31 | |
| Addenda: | | | | | | | | | | |
| Gross domestic income (GDI) ² ..... | ..... | 2.2 | 2.0 | 1.9 | ..... | ..... | ..... | ..... | ..... |  |
| Average of GDP and GDI ..... | ..... | 3.0 | 2.0 | 1.7 | ..... | ..... | ..... | ..... | ..... |  |
| Final sales of domestic product | 99.6 | 3.9 | 2.7 | 1.6 | 1.0 | 3.90 | 2.70 | 1.61 | 1.04 | |
| Goods | 29.8 | 5.9 | 2.2 | -0.7 | -2.2 | 1.79 | 0.67 | -0.20 | -0.67 | |
| Services | 62.4 | 2.0 | 1.8 | 2.5 | 1.6 | 1.24 | 1.12 | 1.54 | 1.01 | |
| Structures | 7.8 | 12.2 | 2.5 | 0.6 | 6.7 | 0.90 | 0.19 | 0.05 | 0.50 | |
| Motor vehicle output | 2.9 | 14.5 | 19.2 | -21.1 | -3.0 | 0.40 | 0.53 | -0.71 | -0.09 | |
| GDP excluding motor vehicle output | 97.1 | 3.6 | 1.5 | 2.2 | 1.0 | 3.52 | 1.45 | 2.09 | 0.93 | |
| Final sales of computers | 0.4 | 41.5 | 5.0 | 9.8 | 75.5 | 0.13 | 0.02 | 0.04 | 0.23 | |
| GDP excluding final sales of computers | 99.6 | 3.8 | 2.0 | 1.4 | 0.6 | 3.78 | 1.96 | 1.35 | 0.61 | |
| Research and development (R&D) .. | 2.6 | 9.7 | -0.7 | -0.5 | -0.5 | 0.25 | -0.02 | -0.01 | -0.01 | |
| GDP excluding R&D | 97.4 | 3.8 | 2.1 | 1.4 | 0.9 | 3.67 | 2.00 | 1.40 | 0.85 | |

The slowdown in real GDP growth in the first quarter primarily reflected a larger decrease in nonresidential fixed investment, a slowdown in consumer spending, and a downturn in federal government spending that were partly offset by an upturn in state and local government spending and by a pickup in residential fixed investment.

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

The larger decrease in nonresidential fixed investment primarily reflected larger decreases in equipment and in structures.

The pickup in residential fixed investment reflected pickups in "other" structures (mainly brokers commissions) and in multifamily structures that were partly offset by a slowdown in single-family structures.

The downturn in federal government spending primarily reflected a downturn in defense spending.

The upturn in state and local government spending was primarily accounted for by an upturn in investment in structures.

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

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

NOTE. Percent changes are from NIPA tables 1.1.1 and 1.2.1, contributions 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 NIPA table 1.2.5.

Consumer Spending

Table 2. Real Personal Consumption Expenditures (PCE)

[Seasonally adjusted at annual rates]

| | Share of current-dollar PCE (percent) | | | | Change from preceding period (percent) | | | | Contribution to percent change in real PCE (percentage points) | | | |
|--|---------------------------------------|------------|------------|------------|--|-------------|-------------|-------------|--|--|--|--|
| | 2016 | | 2015 | | 2016 | | 2015 | | 2016 | | | |
| | I | II | III | IV | I | II | III | IV | I | | | |
| PCE ¹ | 100.0 | 3.6 | 3.0 | 2.4 | 1.9 | 3.6 | 3.0 | 2.4 | 1.9 | | | |
| Goods | 31.8 | 5.5 | 5.0 | 1.6 | 0.4 | 1.76 | 1.59 | 0.54 | 0.14 | | | |
| Durable goods | 10.7 | 8.0 | 6.6 | 3.8 | -1.2 | 0.84 | 0.70 | 0.41 | -0.13 | | | |
| Motor vehicles and parts.... | 3.5 | 9.7 | 3.0 | -5.7 | -11.5 | 0.35 | 0.11 | -0.22 | -0.44 | | | |
| Furnishings and durable household equipment..... | 3.1 | 4.5 | 8.7 | 5.5 | 3.8 | 0.11 | 0.21 | 0.13 | 0.09 | | | |
| Recreational goods and vehicles..... | 3.1 | 8.5 | 10.2 | 13.0 | 9.4 | 0.25 | 0.30 | 0.38 | 0.28 | | | |
| Other durable goods..... | 1.7 | 8.5 | 5.0 | 7.2 | -3.6 | 0.14 | 0.08 | 0.12 | -0.06 | | | |
| Nondurable goods | 21.1 | 4.3 | 4.2 | 0.6 | 1.3 | 0.92 | 0.90 | 0.13 | 0.27 | | | |
| Food and beverages purchased for off-premises consumption.... | 7.2 | 2.7 | 0.3 | -0.3 | 2.2 | 0.20 | 0.02 | -0.02 | 0.16 | | | |
| Clothing and footwear..... | 3.0 | 6.6 | 1.3 | 0.1 | -0.9 | 0.20 | 0.04 | 0.00 | -0.03 | | | |
| Gasoline and other energy goods..... | 2.1 | -0.5 | 5.2 | -2.5 | 6.1 | -0.01 | 0.13 | -0.06 | 0.13 | | | |
| Other nondurable goods..... | 8.8 | 6.2 | 8.3 | 2.4 | 0.0 | 0.53 | 0.70 | 0.21 | 0.00 | | | |
| Services | 68.2 | 2.7 | 2.1 | 2.8 | 2.6 | 1.81 | 1.43 | 1.91 | 1.76 | | | |
| Household consumption expenditures..... | 65.3 | 2.7 | 1.6 | 2.5 | 2.4 | 1.77 | 1.06 | 1.63 | 1.58 | | | |
| Housing and utilities..... | 18.0 | -0.8 | 0.8 | -1.5 | 2.0 | -0.14 | 0.15 | -0.27 | 0.36 | | | |
| Health care..... | 16.9 | 3.0 | 3.6 | 2.6 | 2.2 | 0.50 | 0.60 | 0.43 | 0.37 | | | |
| Transportation services..... | 3.1 | 7.1 | 3.7 | 7.1 | 6.1 | 0.21 | 0.11 | 0.21 | 0.19 | | | |
| Recreation services..... | 4.0 | 2.3 | 0.1 | 14.2 | 3.8 | 0.09 | 0.01 | 0.52 | 0.15 | | | |
| Food services and accommodations..... | 6.7 | 7.2 | 1.8 | 4.4 | 1.9 | 0.46 | 0.12 | 0.29 | 0.13 | | | |
| Financial services and insurance..... | 7.6 | 2.2 | -1.0 | 3.0 | 1.2 | 0.18 | -0.06 | 0.23 | 0.09 | | | |
| Other services..... | 9.1 | 5.2 | 1.6 | 2.5 | 3.3 | 0.46 | 0.14 | 0.22 | 0.30 | | | |
| Final consumption expenditures of NPISHs ² | 2.9 | 1.6 | 14.3 | 10.5 | 6.4 | 0.05 | 0.37 | 0.28 | 0.18 | | | |
| Gross output of NPISHs ³ | 11.0 | 0.7 | 1.5 | 2.8 | 3.4 | 0.07 | 0.17 | 0.30 | 0.37 | | | |
| Less: Receipts from sales of goods and services by NPISHs ⁴ | 8.1 | 0.3 | -2.4 | 0.2 | 2.3 | 0.03 | -0.20 | 0.02 | 0.19 | | | |

NPISHs Nonprofit institutions serving households
 1. The estimates under the contribution columns are also percent changes.
 2. Gross operating expenses less primary sales to households.
 3. Net of unrelated sales, secondary sales, and sales to business, to government, and to the rest of the world; excludes own-account investment (construction and software).
 4. Excludes unrelated sales, secondary sales, and sales to business, to government, and to the rest of the world; includes membership dues and fees.
 NOTE. Percent changes are from NIPA table 2.3.1, contributions are from NIPA table 2.3.2, and shares are calculated from NIPA table 2.3.5.

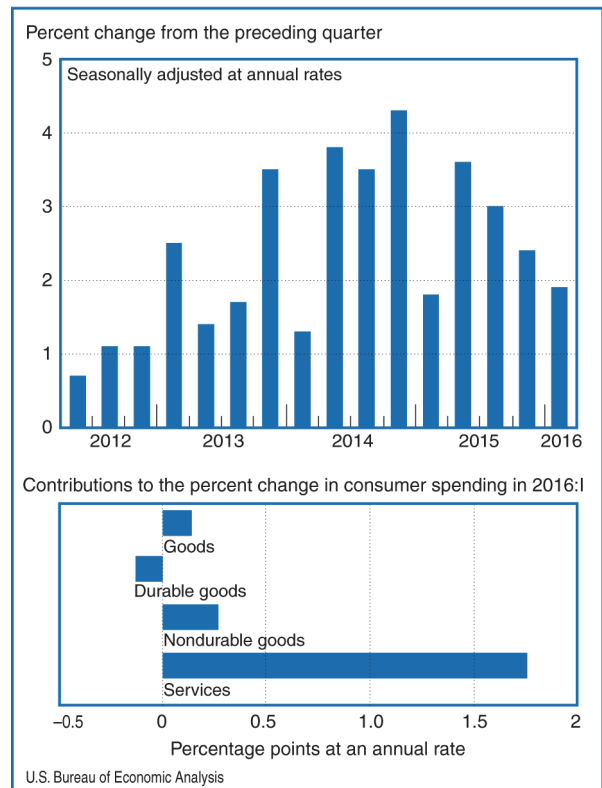
The slowdown in consumer spending for goods reflected a downturn in spending for durable goods that was partly offset by a pickup in spending for nondurable goods.

Within durable goods, the main contributors to the downturn were a larger decrease in spending for motor vehicles and parts (primarily new motor vehicles) and a downturn in spending for “other” durable goods (mainly jewelry).

Within nondurable goods, upturns in spending for gasoline and other energy goods and in spending for food and beverages purchased for off-premises consumption were partly offset by a slowdown in spending for “other” nondurable goods (that was more than accounted for by a downturn in spending for pharmaceuticals and other medical products).

The slowdown in spending for services primarily reflected slowdowns in spending for recreational services, in spending for food services and accommodations, and in spending for financial services and insurance that were partly offset by an upturn in spending for electricity and gas.

Chart 2. Real Personal Consumption Expenditures



Private Fixed Investment

Table 3. Real Private Fixed Investment (PFI)

[Seasonally adjusted at annual rates]

| | Share of current-dollar PFI (percent) | | | | Change from preceding period (percent) | | | | Contribution to percent change in real PFI (percentage points) | | | | |
|--|---------------------------------------|------------|-------------|-------------|--|-------------|--------------|--------------|--|------------|------------|------------|-------------|
| | 2016 | | | | 2015 | | | | 2016 | | | | |
| | I | II | III | IV | I | II | III | IV | I | II | III | IV | |
| Private fixed investment¹ | 100.0 | 5.2 | 3.7 | 0.4 | -1.5 | 5.2 | 3.7 | 0.4 | -1.5 | 5.2 | 3.7 | 0.4 | -1.5 |
| Nonresidential | 77.4 | 4.1 | 2.6 | -2.1 | -6.2 | 3.29 | 2.09 | -1.68 | -4.98 | | | | |
| Structures | 16.2 | 6.2 | -7.2 | -5.1 | -8.9 | 1.09 | -1.27 | -0.87 | -1.53 | | | | |
| Commercial and health care | 5.5 | 31.1 | -0.7 | 1.2 | 33.7 | 1.36 | -0.03 | 0.06 | 1.54 | | | | |
| Manufacturing | 3.1 | 64.4 | 6.1 | 9.3 | -1.3 | 1.41 | 0.18 | 0.27 | -0.04 | | | | |
| Power and communication | 3.3 | 41.8 | 2.8 | 2.6 | -1.1 | 1.13 | 0.09 | 0.08 | -0.04 | | | | |
| Mining exploration, shafts, and wells | 1.3 | -68.0 | -47.0 | -39.6 | -86.1 | -4.13 | -1.78 | -1.19 | -3.37 | | | | |
| Other structures ² | 3.1 | 60.3 | 9.6 | -3.0 | 13.6 | 1.33 | 0.27 | -0.09 | 0.39 | | | | |
| Equipment | 36.1 | 0.3 | 9.9 | -2.1 | -9.0 | 0.17 | 3.55 | -0.77 | -3.43 | | | | |
| Information processing equipment | 11.2 | -4.4 | 27.3 | 2.1 | -4.1 | -0.49 | 2.68 | 0.24 | -0.47 | | | | |
| Computers and peripheral equipment | 2.6 | 27.2 | 19.7 | -30.4 | 4.3 | 0.65 | 0.50 | -0.97 | 0.11 | | | | |
| Other ³ | 8.6 | -12.9 | 29.9 | 15.0 | -6.4 | -1.14 | 2.18 | 1.20 | -0.58 | | | | |
| Industrial equipment | 8.1 | 22.4 | -3.5 | 11.4 | -4.1 | 1.63 | -0.28 | 0.87 | -0.34 | | | | |
| Transportation equipment | 9.8 | -4.1 | 19.0 | -10.1 | -12.8 | -0.42 | 1.80 | -1.08 | -1.35 | | | | |
| Other equipment ⁴ | 7.1 | -6.9 | -8.0 | -10.1 | -16.1 | -0.57 | -0.64 | -0.79 | -1.27 | | | | |
| Intellectual property products | 25.1 | 8.3 | -0.8 | -0.2 | -0.1 | 2.03 | -0.19 | -0.04 | -0.03 | | | | |
| Software ⁵ | 11.3 | 6.0 | -1.0 | 1.5 | 2.3 | 0.66 | -0.11 | 0.16 | 0.25 | | | | |
| Research and development ⁶ | 11.0 | 12.5 | -1.8 | -1.9 | -2.2 | 1.32 | -0.20 | -0.21 | -0.24 | | | | |
| Entertainment, literary, and artistic originals .. | 2.8 | 2.0 | 4.5 | 0.3 | -1.4 | 0.06 | 0.13 | 0.01 | -0.04 | | | | |
| Residential | 22.6 | 9.3 | 8.2 | 10.1 | 17.1 | 1.86 | 1.65 | 2.05 | 3.47 | | | | |
| Structures | 22.2 | 9.4 | 8.2 | 10.2 | 17.2 | 1.84 | 1.63 | 2.04 | 3.44 | | | | |
| Permanent site | 10.2 | 9.7 | 17.1 | 13.7 | 15.8 | 0.85 | 1.47 | 1.22 | 1.46 | | | | |
| Single family | 8.0 | 4.8 | 12.9 | 12.4 | 6.9 | 0.35 | 0.91 | 0.89 | 0.52 | | | | |
| Multifamily | 2.2 | 33.5 | 35.9 | 19.1 | 57.1 | 0.50 | 0.56 | 0.33 | 0.93 | | | | |
| Other structures ⁷ | 12.1 | 9.2 | 1.4 | 7.4 | 18.4 | 1.00 | 0.16 | 0.81 | 1.99 | | | | |
| Equipment | 0.3 | 4.6 | 5.6 | 4.1 | 10.1 | 0.01 | 0.02 | 0.01 | 0.03 | | | | |

Private fixed investment turned down, reflecting a larger decrease in nonresidential fixed investment that was partly offset by a pickup in residential fixed investment.

The larger decrease in nonresidential fixed investment reflected larger decreases in equipment and in structures that were partly offset by a downturn in intellectual property products.

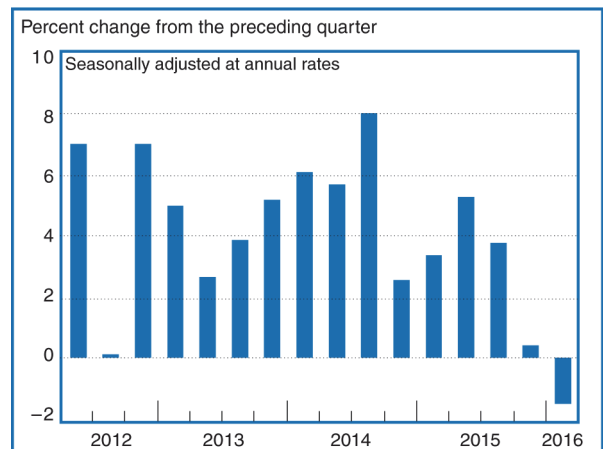
The larger decrease in structures was mainly attributable to a larger decrease in mining exploration, shafts, and wells, the largest for this series and the fifth consecutive quarterly decrease.

The larger decrease in equipment investment was primarily attributable to downturns in industrial equipment and in information processing equipment (mainly communication equipment).

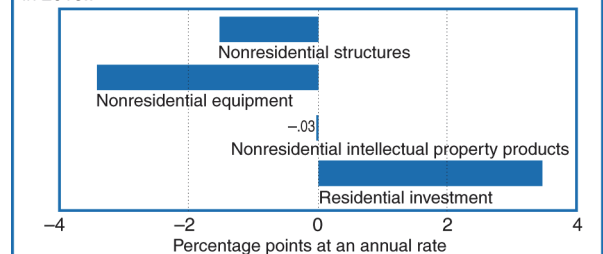
The smaller decrease in intellectual property products reflected a pickup in software that was mostly offset by a downturn in entertainment, literary, and artistic originals, and a larger decrease in research and development.

The pickup in residential fixed investment reflected pickups in "other" structures (mainly brokers' commissions) and in multifamily structures that were partly offset by a slowdown in single-family structures.

Chart 3. Real Private Fixed Investment



Contributions to the percent change in real private fixed investment in 2016:1



1. The estimates under the contribution columns are also percent changes.
 2. Consists primarily of religious, educational, vocational, lodging, railroads, farm, and amusement and recreational structures, net purchases of used structures, and brokers' commissions on the sale of structures.
 3. Includes communication equipment, nonmedical instruments, medical equipment and instruments, photocopy and related equipment, and office and accounting equipment.
 4. Consists primarily of furniture and fixtures, agricultural machinery, construction machinery, mining and oilfield machinery, service industry machinery, and electrical equipment not elsewhere classified.
 5. Excludes software "embedded," or bundled, in computers and other equipment.
 6. Excludes expenditures for software development, which are included in expenditures for software investment.
 7. Consists primarily of manufactured homes, improvements, dormitories, net purchases of used structures, and brokers' commissions and other ownership transfer costs.
 NOTE: Percent changes are from NIPA table 5.3.1, contributions are from NIPA table 5.3.2, and shares are calculated from NIPA table 5.3.5.

Inventory Investment

Table 4. Change in Real Private Inventories by Industry

[Billions of chained (2009) dollars; seasonally adjusted at annual rates]

| | Level | | | | Change from preceding quarter | | | | | |
|--|--------------|--------------|-------------|-------------|-------------------------------|------------|--------------|-------------|-------------|------|
| | 2015 | | | | 2016 | | 2015 | | | 2016 |
| | I | II | III | IV | I | II | III | IV | I | |
| Change in private inventories¹ | 112.8 | 113.5 | 85.5 | 78.3 | 69.6 | 0.7 | -28.0 | -7.2 | -8.8 | |
| Farm..... | 7.0 | 4.1 | 6.6 | 3.1 | -1.0 | -2.8 | 2.4 | -3.5 | -4.2 | |
| Mining, utilities, and construction... | 5.4 | 8.0 | 2.1 | 11.2 | 15.1 | 2.6 | -6.0 | 9.1 | 3.9 | |
| Manufacturing..... | 20.6 | 30.2 | 1.4 | 15.7 | -5.0 | 9.7 | -28.9 | 14.3 | -20.6 | |
| Durable-goods industries..... | 19.1 | 17.7 | -0.1 | 9.8 | -4.3 | -1.4 | -17.9 | 10.0 | -14.1 | |
| Nondurable-goods industries..... | 1.9 | 12.6 | 1.5 | 5.9 | -0.7 | 10.7 | -11.2 | 4.4 | -6.7 | |
| Wholesale trade..... | 48.7 | 40.1 | 22.2 | 16.2 | 7.6 | -8.5 | -18.0 | -5.9 | -8.6 | |
| Durable-goods industries..... | 29.8 | 16.1 | 0.9 | 4.8 | -10.8 | -13.7 | -15.2 | 3.9 | -15.5 | |
| Nondurable-goods industries..... | 19.2 | 23.5 | 20.2 | 11.2 | 17.3 | 4.3 | -3.3 | -9.1 | 6.2 | |
| Retail trade..... | 21.0 | 31.4 | 46.4 | 24.3 | 47.9 | 10.4 | 15.1 | -22.1 | 23.5 | |
| Motor vehicle and parts dealers | 4.5 | 13.1 | 26.8 | 10.1 | 33.1 | 8.6 | 13.7 | -16.8 | 23.1 | |
| Food and beverage stores..... | 2.8 | -0.3 | 1.5 | -0.1 | 0.2 | -3.1 | 1.7 | -1.6 | 0.4 | |
| General merchandise stores..... | 0.3 | 8.9 | 0.8 | 1.4 | 2.4 | 8.6 | -8.1 | 0.7 | 0.9 | |
| Other retail stores..... | 13.3 | 9.8 | 17.7 | 13.2 | 12.6 | -3.5 | 7.9 | -4.4 | -0.6 | |
| Other industries..... | 11.2 | 1.3 | 7.6 | 9.5 | 7.7 | -9.9 | 6.3 | 1.8 | -1.8 | |
| Residual ² | -1.8 | -1.6 | 0.0 | -1.7 | -2.0 | 0.2 | 1.6 | -1.7 | -0.4 | |
| Addenda: Ratios of private inventories to final sales of domestic business:³ | | | | | | | | | | |
| Private inventories to final sales | 2.35 | 2.35 | 2.36 | 2.37 | 2.38 | ..... | ..... | ..... | ..... |  |
| Nonfarm inventories to final sales..... | 2.18 | 2.18 | 2.18 | 2.19 | 2.21 | ..... | ..... | ..... | ..... |  |
| Nonfarm inventories to final sales of goods and structures | 3.90 | 3.88 | 3.88 | 3.91 | 3.95 | ..... | ..... | ..... | ..... |  |

1. The levels are from NIPA table 5.7.6B.
 2. The residual is the difference between the first line and the sum of the most detailed lines.
 3. The ratios are from NIPA table 5.8.6B.
 NOTE: The chained-dollar series are calculated as the period-to-period change in end-of-period inventories. Quarterly changes are stated at annual rates. Because the formula for the chain-type quantity indexes uses weights of more than one period, chained-dollar estimates are usually not additive.

Real inventory investment decreased \$8.8 billion after decreasing \$7.2 billion, reflecting larger decreases in both nonfarm and farm inventory investment. Within nonfarm inventory investment, a downturn in manufacturing, a smaller increase in mining, utilities, and construction industries, and a downturn in “other” industries were mostly offset by an upturn in retail trade industries.

Inventory investment in mining, utilities, and construction industries increased \$3.9 billion after increasing \$9.1 billion; the smaller increase primarily reflected a slowdown in utilities.

Inventory investment in manufacturing industries decreased \$20.6 billion after increasing \$14.3 billion, reflecting downturns in both durable-goods manufacturing industries (mainly in transportation equipment and in machinery) and nondurable-goods manufacturing industries (mainly petroleum and coal products).

Inventory investment in retail trade industries increased \$23.5 billion after decreasing \$22.1 billion, primarily reflecting an upturn in inventory investment by motor vehicle and parts dealers.

Inventory investment in “other” industries decreased \$1.8 billion after increasing \$1.8 billion.

Inventory Investment

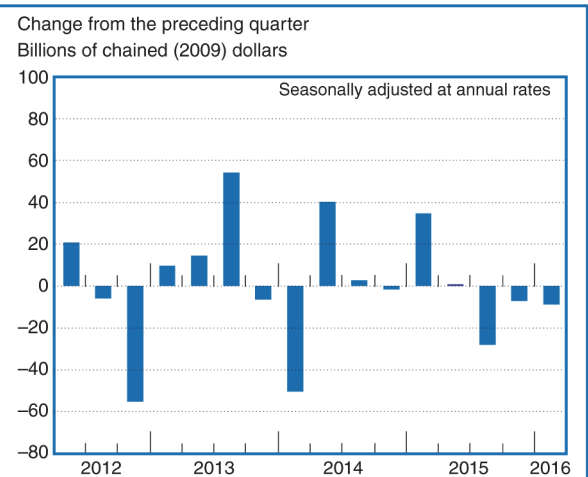
The change in real private inventories, often called real private inventory investment, represents the change in the physical stock of goods held by businesses. It includes finished goods, goods at various stages of production, and raw materials.

The change in private inventories is a key component of gross domestic product (GDP), which measures output derived from current production. To include the value of currently produced goods that are not yet sold and to exclude the value of goods produced in previous periods, the change in private inventories must be included in the GDP calculation.

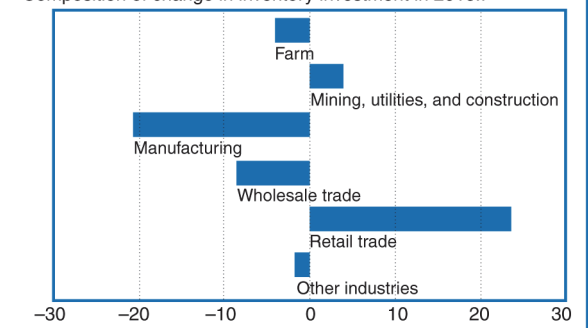
Thus, GDP can also be seen as the sum of final sales of domestic product and the change in private inventories (table 2).

For most industries, the estimates of change in private inventories are prepared by revaluing book-value estimates of inventories from the Census Bureau to a replacement-cost basis and calculating the change over a quarter or a year. BEA provides estimates for incomplete industry data.

Chart 4. Real Private Inventory Investment



Composition of change in inventory investment in 2016:1



Exports and Imports

Table 5. Real Exports and Imports of Goods and Services

[Seasonally adjusted at annual rates]

| | Share of current-dollar exports and imports (percent) | Change from preceding period (percent) | | | | Contribution to percent change in real exports and imports (percentage points) | | | | |
|--|---|--|-------------|-------------|-------------|--|--------------|--------------|--------------|--------------|
| | | 2015 | | 2016 | | 2015 | | 2016 | | |
| | | I | II | III | IV | I | II | III | IV | I |
| Exports of goods and services¹ | 100.0 | 5.1 | 0.7 | -2.0 | -2.0 | 5.1 | 0.7 | -2.0 | -2.0 | -2.0 |
| Exports of goods² | 64.9 | 6.5 | -0.9 | -5.4 | -2.6 | 4.34 | -0.58 | -3.65 | -1.71 | -1.71 |
| Foods, feeds, and beverages..... | 5.2 | 15.7 | 2.3 | -11.3 | -17.7 | 0.85 | 0.13 | -0.66 | -1.04 | -1.04 |
| Industrial supplies and materials..... | 16.9 | 6.5 | -3.4 | -8.5 | 11.8 | 1.23 | -0.66 | -1.59 | 1.92 | 1.92 |
| Capital goods, except automotive..... | 23.8 | 3.7 | -5.5 | -2.7 | -9.8 | 0.89 | -1.34 | -0.66 | -2.45 | -2.45 |
| Automotive vehicles, engines, and parts..... | 6.8 | 10.2 | 13.1 | -9.4 | -8.9 | 0.65 | 0.84 | -0.68 | -0.64 | -0.64 |
| Consumer goods, except food and automotive..... | 8.9 | -12.3 | 3.4 | 3.1 | -0.1 | -1.14 | 0.29 | 0.27 | -0.01 | -0.01 |
| Other..... | 3.3 | 83.9 | 5.5 | -9.9 | 16.9 | 1.86 | 0.17 | -0.33 | 0.50 | 0.50 |
| Exports of services² | 35.1 | 2.3 | 3.9 | 5.0 | -0.9 | 0.76 | 1.25 | 1.63 | -0.32 | -0.32 |
| Imports of goods and services¹ | 100.0 | 3.0 | 2.3 | -0.7 | -0.2 | 3.00 | 2.30 | -0.70 | -0.20 | -0.20 |
| Imports of goods² | 81.0 | 3.2 | 1.4 | -1.3 | -1.1 | 2.66 | 1.17 | -1.09 | -0.94 | -0.94 |
| Foods, feeds, and beverages..... | 4.9 | 11.0 | -6.0 | 1.0 | 19.1 | 0.49 | -0.29 | 0.04 | 0.83 | 0.83 |
| Industrial supplies and materials..... | 14.8 | -6.7 | 3.3 | -3.0 | 6.3 | -1.26 | 0.57 | -0.50 | 0.94 | 0.94 |
| Capital goods, except automotive..... | 21.6 | 2.7 | -5.0 | 0.5 | -8.6 | 0.59 | -1.10 | 0.10 | -1.96 | -1.96 |
| Automotive vehicles, engines, and parts..... | 13.1 | 23.9 | 2.5 | -0.6 | 0.7 | 2.64 | 0.31 | -0.08 | 0.09 | 0.09 |
| Consumer goods, except food and automotive..... | 21.8 | 3.6 | 8.3 | -6.6 | -8.2 | 0.76 | 1.72 | -1.49 | -1.85 | -1.85 |
| Other..... | 4.8 | -12.3 | -1.0 | 21.5 | 24.4 | -0.56 | -0.04 | 0.84 | 1.01 | 1.01 |
| Imports of services² | 19.0 | 2.0 | 6.4 | 1.9 | 3.8 | 0.35 | 1.12 | 0.34 | 0.71 | 0.71 |
| Addenda: | | | | | | | | | | |
| Exports of agricultural goods ³ | 5.5 | 4.9 | -0.9 | -4.1 | -1.1 | ..... | ..... | ..... | ..... | ..... |
| Exports of nonagricultural goods..... | 59.3 | 3.9 | 1.0 | -1.3 | -2.2 | ..... | ..... | ..... | ..... | ..... |
| Imports of nonpetroleum goods..... | 76.1 | 0.0 | 0.0 | 0.0 | 0.0 | ..... | ..... | ..... | ..... | ..... |

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

2. Exports and imports of certain goods, primarily military equipment purchased and sold by the federal government, are included in services.

3. Includes parts of foods, feeds, and beverages, of nondurable industrial supplies and materials, and of nondurable nonautomotive consumer goods.

NOTE. Percent changes are from NIPA table 4.2.1, contributions are from NIPA table 4.2.2, and shares are calculated from NIPA table 4.2.5.

Exports of goods and services decreased 2.0 percent in the first quarter, the same rate as in the fourth quarter. A downturn in exports of services was offset by a smaller decrease in exports of goods.

The smaller decrease in exports of goods primarily reflected upturns in industrial supplies and materials (mainly petroleum and products) and in "other" goods exports that were partly offset by larger decreases in exports of nonautomotive capital goods (that was more than accounted for by civilian aircraft engines and parts) and in foods, feeds and beverages and by a downturn in consumer goods, excluding food and automotive.

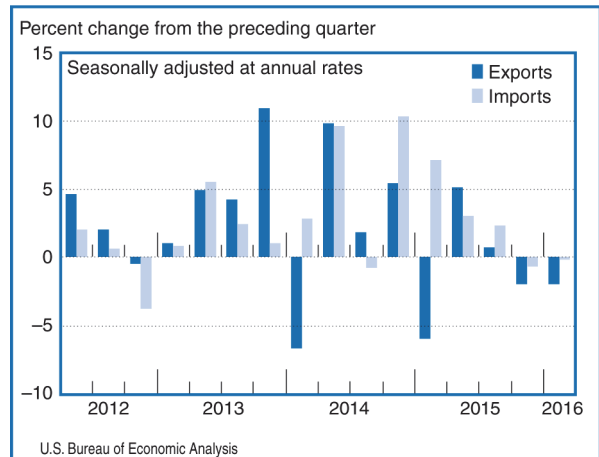
The downturn in exports of services primarily reflected downturns in "other" business services (mainly financial services) and in transport services that were partly offset by a pickup in travel services and an upturn in government goods and services n.e.c. (not elsewhere classified).

Imports of goods and services decreased 0.2 percent in the first quarter, after decreasing 0.7 percent in the fourth quarter. The smaller decrease reflected a pickup in imports of services and a smaller decrease in imports of goods.

The smaller decrease in imports of goods primarily reflected an upturn in industrial supplies and materials (mainly petroleum) and a pickup in foods, feeds, and beverages that were partly offset by a downturn in nonautomotive capital goods (mainly telecommunication equipment).

The pickup in imports of services primarily reflected a pickup in travel.

Chart 5. Real Exports and Imports of Goods and Services



Government Spending

Table 6. Real Government Consumption Expenditures and Gross Investment (CEGI)

[Seasonally adjusted at annual rates]

| | Share of current-dollar CEGI (percent) | | | | Change from preceding period (percent) | | | | Contribution to percent change in real CEGI (percentage points) | | | | |
|---|--|-------------|-------------|-------------|--|--------------|--------------|--------------|---|------------|------------|------------|------------|
| | 2016 | | 2015 | | 2016 | | 2015 | | | 2016 | | | |
| | I | II | III | IV | I | II | III | IV | I | II | III | IV | |
| Government consumption expenditures and gross investment¹ | 100.0 | 2.6 | 1.8 | 0.1 | 1.2 | 2.6 | 1.8 | 0.1 | 1.2 | 2.6 | 1.8 | 0.1 | 1.2 |
| Consumption expenditures..... | 80.5 | -0.2 | 1.3 | 0.7 | -0.3 | -0.17 | 1.02 | 0.53 | -0.27 | | | | |
| Gross investment..... | 19.5 | 15.5 | 4.1 | -2.0 | 7.6 | 2.78 | 0.79 | -0.40 | 1.42 | | | | |
| Federal | 38.4 | 0.0 | 0.2 | 2.3 | -1.6 | 0.01 | 0.10 | 0.87 | -0.61 | | | | |
| National defense | 23.1 | 0.3 | -1.4 | 2.8 | -3.6 | 0.08 | -0.32 | 0.64 | -0.86 | | | | |
| Consumption expenditures..... | 18.5 | -1.0 | -0.5 | 1.2 | -4.6 | -0.18 | -0.10 | 0.23 | -0.87 | | | | |
| Gross investment..... | 4.6 | 5.6 | -4.9 | 9.5 | 0.2 | 0.26 | -0.23 | 0.41 | 0.01 | | | | |
| Nondefense | 15.4 | -0.5 | 2.8 | 1.5 | 1.6 | -0.07 | 0.42 | 0.22 | 0.25 | | | | |
| Consumption expenditures..... | 11.6 | -1.8 | 3.1 | 1.1 | 1.5 | -0.21 | 0.35 | 0.13 | 0.17 | | | | |
| Gross investment..... | 3.8 | 3.9 | 1.9 | 2.5 | 2.0 | 0.15 | 0.07 | 0.09 | 0.07 | | | | |
| State and local | 61.6 | 4.3 | 2.8 | -1.2 | 2.9 | 2.60 | 1.71 | -0.74 | 1.77 | | | | |
| Consumption expenditures..... | 50.4 | 0.4 | 1.5 | 0.3 | 0.9 | 0.22 | 0.77 | 0.16 | 0.43 | | | | |
| Gross investment..... | 11.2 | 24.5 | 8.8 | -7.8 | 12.8 | 2.38 | 0.94 | -0.90 | 1.34 | | | | |

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

NOTE: Percent changes are from NIPA table 3.9.1, contributions are from NIPA table 3.9.2, and shares are calculated from NIPA table 3.9.5.

Government spending picked up in the first quarter, reflecting an upturn in state and local government spending that was partly offset by a downturn in federal government spending.

The downturn in federal government spending primarily reflected a downturn in national defense spending that was partly offset by a slight pickup in nondefense spending.

The downturn in defense spending reflected a downturn in consumption expenditures, mainly intermediate services purchased.

The upturn in state and local government spending was primarily accounted for by an upturn in investment in structures.

Government Spending

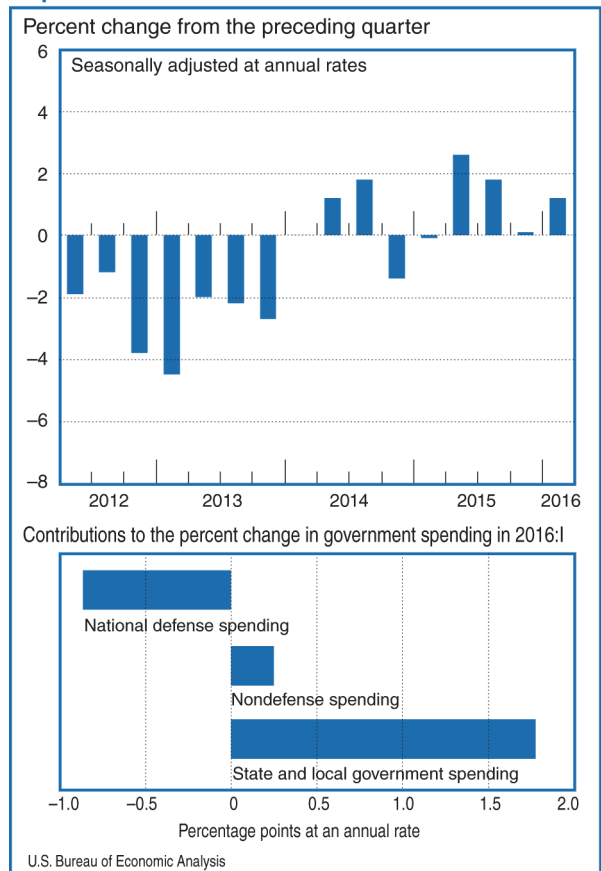
“Government consumption expenditures and gross investment,” or “government spending,” consists of two components: (1) consumption expenditures by federal government and by state and local governments and (2) gross investment by government and government-owned enterprises.

Government consumption expenditures consists of the goods and services that are produced by general government (less any sales to other sectors and investment goods produced by government itself). Governments generally provide services to the general public without charge. The value of government production—that is, government’s gross output—is measured as spending for labor and for intermediate goods and services and a charge for consumption of fixed capital (which represents a partial measure of the services provided by government-owned fixed capital).

Gross investment consists of new and used structures (such as highways and dams), of equipment, and of intellectual property products purchased or produced by government and government-owned enterprises.

Government consumption expenditures and gross investment excludes current transactions of government-owned enterprises, current transfer payments, interest payments, subsidies, and transactions in financial assets and nonproduced assets, such as land.

Chart 6. Real Government Consumption Expenditures and Gross Investment



Prices

Table 7. Prices for Gross Domestic Purchases

[Percent change at annual rates; based on seasonally adjusted index numbers (2009=100)]

| | Change from preceding period (percent) | | | Contribution to percent change in gross domestic purchases prices (percentage points) | | | | |
|---|--|------------|------------|---|--------------|-------------|-------------|--------------|
| | 2015 | | | 2016 | 2015 | | | 2016 |
| | II | III | IV | I | II | III | IV | I |
| Gross domestic purchases¹ | 1.5 | 1.3 | 0.4 | 0.2 | 1.5 | 1.3 | 0.4 | 0.2 |
| Personal consumption expenditures | 2.2 | 1.3 | 0.3 | 0.3 | 1.46 | 0.85 | 0.23 | 0.22 |
| Goods | 2.5 | -0.3 | -2.8 | -4.1 | 0.53 | -0.05 | -0.62 | -0.90 |
| Durable goods | -0.2 | -2.4 | -1.5 | -1.1 | -0.02 | -0.17 | -0.11 | -0.08 |
| Nondurable goods | 3.8 | 0.8 | -3.5 | -5.6 | 0.54 | 0.12 | -0.51 | -0.82 |
| Services | 2.1 | 2.0 | 1.9 | 2.5 | 0.93 | 0.91 | 0.85 | 1.12 |
| Gross private domestic investment ... | -1.0 | 1.5 | 0.6 | 0.2 | -0.16 | 0.25 | 0.10 | 0.04 |
| Fixed investment | -1.0 | 1.5 | 0.8 | 0.5 | -0.15 | 0.23 | 0.12 | 0.08 |
| Nonresidential | -1.0 | 1.2 | 0.4 | 0.2 | -0.12 | 0.14 | 0.05 | 0.02 |
| Structures | -2.4 | 1.3 | -0.1 | -1.6 | -0.07 | 0.03 | 0.00 | -0.04 |
| Equipment | 0.0 | 0.3 | 0.0 | 0.3 | 0.00 | 0.02 | 0.00 | 0.02 |
| Intellectual property products | -1.5 | 2.3 | 1.4 | 1.1 | -0.06 | 0.09 | 0.05 | 0.04 |
| Residential | -0.8 | 2.6 | 2.1 | 1.8 | -0.03 | 0.09 | 0.07 | 0.06 |
| Change in private inventories ..... | ..... | ..... | ..... | ..... | -0.01 | 0.02 | -0.02 | -0.04 |
| Government consumption expenditures and gross investment | 1.2 | 0.9 | 0.2 | 0.0 | 0.20 | 0.16 | 0.04 | -0.01 |
| Federal | 0.8 | 0.9 | 1.3 | 1.6 | 0.06 | 0.06 | 0.08 | 0.10 |
| National defense | 0.3 | 0.4 | 1.3 | 1.1 | 0.01 | 0.02 | 0.05 | 0.04 |
| Nondefense | 1.6 | 1.8 | 1.3 | 2.3 | 0.04 | 0.05 | 0.03 | 0.06 |
| State and local | 1.4 | 1.0 | -0.4 | -1.1 | 0.15 | 0.10 | -0.04 | -0.11 |
| Addenda: | | | | | | | | |
| Gross domestic purchases: | | | | | | | | |
| Food | -1.2 | 2.1 | -0.3 | -1.8 | -0.06 | 0.10 | -0.02 | -0.09 |
| Energy goods and services | 15.1 | -1.2 | -17.0 | -30.6 | 0.42 | -0.04 | -0.53 | -0.99 |
| Excluding food and energy | 1.2 | 1.3 | 1.0 | 1.4 | 1.14 | 1.20 | 0.91 | 1.32 |
| Personal consumption expenditures (PCE): | | | | | | | | |
| Food and beverages purchased for off-premises consumption | -1.1 | 2.2 | 0.0 | -1.8 | ..... | ..... | ..... | ..... |
| Energy goods and services | 15.1 | -1.9 | -17.2 | -30.4 | ..... | ..... | ..... | ..... |
| Excluding food and energy | 1.9 | 1.4 | 1.3 | 2.1 | ..... | ..... | ..... | ..... |
| Gross domestic product (GDP) | 2.1 | 1.3 | 0.9 | 0.6 | ..... | ..... | ..... | ..... |
| Exports of goods and services | -1.0 | -4.1 | -5.5 | -5.7 | ..... | ..... | ..... | ..... |
| Imports of goods and services | -4.2 | -3.5 | -7.5 | -7.1 | ..... | ..... | ..... | ..... |

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

NOTE: Most percent changes are from NIPA table 1.6.7; percent changes for PCE for food and energy goods and services and for PCE excluding food and energy are from NIPA table 2.3.7. Contributions are from NIPA table 1.6.8. GDP, export, and import prices are from NIPA table 1.1.7.

Prices paid by U.S. residents, as measured by the gross domestic purchases price index, increased 0.2 percent in the first quarter after increasing 0.4 percent in the fourth quarter. Both energy prices and food prices decreased more in the first quarter than in the fourth quarter.

Consumer prices increased 0.3 percent, the same rate as in the fourth quarter. A larger decrease in goods prices was offset by a pickup in services prices.

The larger decrease in goods prices was accounted for by a larger decrease in nondurable-goods prices (mainly gasoline and other energy goods) that was partly offset by a smaller decrease in durable-goods prices.

Prices paid for nonresidential fixed investment slowed in the first quarter, primarily reflecting a larger decrease in the prices paid for structures (mainly commercial and health care).

Prices paid for residential investment slowed, increasing 1.8 percent after increasing 2.1 percent.

Prices paid by government slowed, reflecting a larger decrease in prices paid by state and local governments (mainly for petroleum products) that was offset by a slight pickup in prices paid by the federal government.

The GDP price index increased 0.6 percent in the first quarter, compared with a 0.2 percent increase in the gross domestic purchases price index. The larger increase in the GDP price index than in the gross domestic purchases price index reflects the changes in import and in export prices. Import prices, which are included in gross domestic purchases and excluded from GDP, decreased 7.1 percent in the first quarter. Export prices, which are included in GDP and excluded from gross domestic purchases, decreased 5.7 percent in the first quarter.

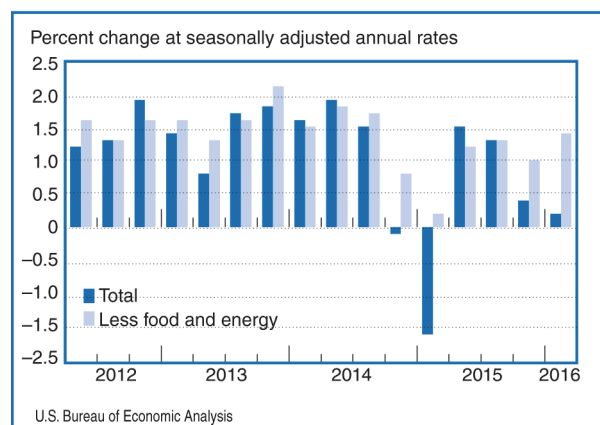
Note on Prices

BEA's gross domestic purchases price index is the most comprehensive index of prices paid by U.S. residents for all goods and services, regardless of whether those goods and services were produced domestically or imported. It is derived from prices of consumer spending, private investment, and government spending.

The GDP price index measures the prices of goods and services produced in the United States, including the prices of goods and services produced for export.

The difference between the gross domestic purchases price index and the GDP price index reflects the differences between imports prices (included in the gross domestic purchases index) and exports prices (included in the GDP price index). For other measures that are affected by import and export prices, see the FAQ "How do the effects of dollar depreciation show up in the GDP accounts?" on BEA's Web site.

Chart 7. Gross Domestic Purchases Prices



Revisions

Table 8. Advance and Second Estimates for the First Quarter of 2016

[Seasonally adjusted at annual rates]

| | Change from preceding quarter (percent) | | | Contribution to percent change in real GDP (percentage points) | | |
|---|---|-------------|----------------------|--|--------------|----------------------|
| | Advance | Second | Second minus advance | Advance | Second | Second minus advance |
| Gross domestic product (GDP) ¹ | 0.5 | 0.8 | 0.3 | 0.5 | 0.8 | 0.3 |
| Personal consumption expenditures | 1.9 | 1.9 | 0.0 | 1.27 | 1.29 | 0.02 |
| Goods | 0.1 | 0.4 | 0.3 | 0.03 | 0.09 | 0.06 |
| Durable goods | -1.6 | -1.2 | 0.4 | -0.12 | -0.09 | 0.03 |
| Nondurable goods | 1.0 | 1.3 | 0.3 | 0.15 | 0.18 | 0.03 |
| Services | 2.7 | 2.6 | -0.1 | 1.24 | 1.20 | -0.04 |
| Gross private domestic investment | -3.5 | -2.6 | 0.9 | -0.60 | -0.45 | 0.15 |
| Fixed investment | -1.6 | -1.5 | 0.1 | -0.27 | -0.25 | 0.02 |
| Nonresidential | -5.9 | -6.2 | -0.3 | -0.76 | -0.81 | -0.05 |
| Structures | -10.7 | -8.9 | 1.8 | -0.30 | -0.25 | 0.05 |
| Equipment | -8.6 | -9.0 | -0.4 | -0.53 | -0.56 | -0.03 |
| Intellectual property products | 1.7 | -0.1 | -1.8 | 0.07 | 0.00 | -0.07 |
| Residential | 14.8 | 17.1 | 2.3 | 0.49 | 0.56 | 0.07 |
| Change in private inventories | | | | -0.33 | -0.20 | 0.13 |
| Net exports of goods and services | | | | -0.34 | -0.21 | 0.13 |
| Exports | -2.6 | -2.0 | 0.6 | -0.31 | -0.25 | 0.06 |
| Goods | -3.4 | -2.6 | 0.8 | -0.27 | -0.21 | 0.06 |
| Services | -0.9 | -0.9 | 0.0 | -0.04 | -0.04 | 0.00 |
| Imports | 0.2 | -0.2 | -0.4 | -0.02 | 0.03 | 0.05 |
| Goods | -0.7 | -1.1 | -0.4 | 0.08 | 0.14 | 0.06 |
| Services | 3.8 | 3.8 | 0.0 | -0.10 | -0.10 | 0.00 |
| Government consumption expenditures and gross investment | 1.2 | 1.2 | 0.0 | 0.20 | 0.20 | 0.00 |
| Federal | -1.6 | -1.6 | 0.0 | -0.11 | -0.11 | 0.00 |
| National defense | -3.6 | -3.6 | 0.0 | -0.15 | -0.15 | 0.00 |
| Nondefense | 1.5 | 1.6 | 0.1 | 0.04 | 0.04 | 0.00 |
| State and local | 2.9 | 2.9 | 0.0 | 0.31 | 0.31 | 0.00 |
| Addenda: | | | | | | |
| Final sales of domestic product | 0.9 | 1.0 | 0.1 | 0.87 | 1.04 | 0.17 |
| Gross domestic purchases price index | 0.3 | 0.2 | -0.1 | | | |
| GDP price index | 0.7 | 0.6 | -0.1 | | | |

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

Revised Fourth-Quarter 2015 Income Estimates

With the release of the second estimate of GDP, BEA also releases revised estimates of various income-related measures for the previous quarter. The revision reflected the incorporation of fourth-quarter tabulations from the quarterly census of employment and wages from the Bureau of Labor Statistics.

Wages and salaries increased \$125.5 billion, an upward revision of \$43.8 billion. Personal current taxes increased \$36.4 billion, an upward revision of \$8.0 billion. Contributions for government social insurance, which is subtracted in calculating personal income, increased \$15.5 billion, an upward revision of \$5.9 billion.

As a result of these revisions,

- Personal income increased \$158.5 billion, an upward revision of \$41.0 billion.
- Disposable personal income increased \$122.0 billion, an upward revision of \$33.0 billion.
- Personal saving increased \$31.1 billion, an upward revision of \$33.0 billion.
- The personal saving rate was 5.2 percent, an upward revision of 0.2 percentage point.
- Real GDI increased 1.9 percent, an upward revision of 1.0 percentage point.

The second estimate of the first-quarter percent change in real GDP is 0.3 percentage point more than the advance estimate released last month, primarily reflecting upward revisions to private inventory investment, to residential fixed investment, and to exports and a downward revision to imports.

The upward revision to residential fixed investment was mostly accounted for by an upward revision to investment in multifamily structures.

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

The upward revision to exports was primarily to exports of goods. The largest contributors to the revision were “other” goods (primarily the territorial adjustment) and nonfood, nonautomotive consumer goods.

The downward revision to imports was primarily to imports of goods.

Major Source Data for the Second Estimates

Consumer spending: retail sales for January through March (revised). Motor vehicle registrations data for March (new). Energy Information Administration (EIA) data for gasoline for January (revised) and February (new). EIA data for electricity and natural gas sales and unit value data for January (revised) and February (new).

Nonresidential fixed investment: construction spending (value put in place) data for January and February (revised) and March (new). Manufacturers’ shipments (M3) of machinery and equipment for January through March (revised). Exports and imports for January and February (revised) and March (new).

Residential fixed investment: construction spending (value put in place) data for January and February (revised) and March (new).

Inventory investment: manufacturers’ inventories of durable goods for January through March (revised). Manufacturers’ inventories of nondurable goods and trade inventories for January and February (revised) and March (new).

Exports and imports: trade in goods and services for January and February (revised) and March (new).

Government spending: state and local construction spending for January and February (revised) and March (new).

Corporate Profits

Table 9. Corporate Profits
[Seasonally adjusted]

| | Billions of dollars (annual rate) | | | | Percent change from preceding quarter (quarterly rate) | | | | | |
|---|-----------------------------------|-------------------------------|-------|--------|--|-------|-------|-------|-------|--|
| | Level | Change from preceding quarter | | | | | | | | |
| | | 2016 | 2015 | | | | | | | |
| | I | II | III | IV | I | II | III | IV | I | |
| Current production measures: | | | | | | | | | | |
| Corporate profits | 1,896.8 | 70.4 | -33.0 | -159.6 | 6.5 | 3.5 | -1.6 | -7.8 | 0.3 | |
| Domestic industries..... | 1,558.5 | 59.0 | -10.0 | -153.1 | 43.7 | 3.6 | -0.6 | -9.2 | 2.9 | |
| Financial | 370.9 | 34.6 | 1.8 | -24.0 | -2.0 | 9.6 | 0.5 | -6.0 | -0.5 | |
| Nonfinancial..... | 1,187.6 | 24.3 | -11.8 | -129.2 | 45.7 | 1.9 | -0.9 | -10.2 | 4.0 | |
| Rest of the world | 338.3 | 11.4 | -23.1 | -6.5 | -37.3 | 2.9 | -5.7 | -1.7 | -9.9 | |
| Receipts from the rest of the world | 645.4 | 24.9 | -3.5 | -22.4 | -3.5 | 3.8 | -0.5 | -3.3 | -0.5 | |
| Less: Payments to the rest of the world | 307.1 | 13.4 | 19.5 | -16.0 | 33.8 | 5.2 | 7.2 | -5.5 | 12.3 | |
| Less: Taxes on corporate income..... | 508.3 | 31.3 | -6.9 | -32.2 | -1.7 | 6.0 | -1.2 | -5.9 | -0.3 | |
| Equals: Profits after tax..... | 1,388.5 | 39.2 | -26.2 | -127.4 | 8.1 | 2.6 | -1.7 | -8.4 | 0.6 | |
| Net dividends | 897.9 | 1.2 | 26.0 | -15.1 | 7.4 | 0.1 | 3.0 | -1.7 | 0.8 | |
| Undistributed profits from current production | 490.6 | 38.0 | -52.2 | -112.2 | 0.8 | 6.2 | -8.0 | -18.6 | 0.2 | |
| Net cash flow | 2,036.3 | 48.1 | -35.1 | -101.6 | 11.8 | 2.3 | -1.6 | -4.8 | 0.6 | |
| Industry profits: | | | | | | | | | | |
| Profits with IVA | 2,228.6 | 62.7 | -31.7 | -163.2 | 9.3 | 2.7 | -1.3 | -6.8 | 0.4 | |
| Domestic industries..... | 1,890.3 | 51.3 | -8.7 | -156.7 | 46.5 | 2.6 | -0.4 | -7.8 | 2.5 | |
| Financial | 433.2 | 34.3 | 2.5 | -24.0 | -1.4 | 8.1 | 0.5 | -5.2 | -0.3 | |
| Nonfinancial..... | 1,457.1 | 17.0 | -11.1 | -132.7 | 48.0 | 1.1 | -0.7 | -8.6 | 3.4 | |
| Rest of the world | 338.3 | 11.4 | -23.1 | -6.5 | -37.3 | 2.9 | -5.7 | -1.7 | -9.9 | |
| Addenda: | | | | | | | | | | |
| Profits before tax (without IVA and CCAAdj)..... | 2,179.7 | 141.4 | -67.7 | -176.5 | 30.2 | 6.3 | -2.8 | -7.6 | 1.4 | |
| Profits after tax (without IVA and CCAAdj)..... | 1,671.4 | 110.2 | -60.8 | -144.2 | 31.8 | 6.4 | -3.3 | -8.1 | 1.9 | |
| IVA..... | 48.9 | -78.7 | 35.9 | 13.3 | -20.9 | ..... | ..... | ..... | ..... |  |
| CCAAdj..... | -331.8 | 7.7 | -1.3 | 3.6 | -2.8 | ..... | ..... | ..... | ..... |  |

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 CCAAdj Capital consumption adjustment

Profits from current production (corporate profits with inventory valuation adjustment (IVA) and capital consumption adjustment (CCAAdj)) increased \$6.5 billion, or 0.3 percent at a quarterly rate, in the first quarter after decreasing \$159.6 billion, or 7.8 percent, in the fourth quarter.

Profits of domestic financial corporations decreased \$2.0 billion, or 0.5 percent, after decreasing \$24.0 billion, or 6.0 percent.

Profits of domestic nonfinancial corporations increased \$45.7 billion, or 4.0 percent, after decreasing \$129.2 billion, or 10.2 percent.

Profits from the rest of the world decreased \$37.3 billion, or 9.9 percent, after decreasing \$6.5 billion, or 1.7 percent. In the first quarter, receipts decreased \$3.5 billion, and payments increased \$33.8 billion.

Taxes on corporate income decreased \$1.7 billion, or 0.3 percent, after decreasing \$32.2 billion, or 8.4 percent.

Profits after tax increased \$8.1 billion, or 0.6 percent, after decreasing \$127.4 billion, or 8.4 percent.

Net dividends increased \$7.4 billion after decreasing \$15.1 billion.

Undistributed profits increased \$0.8 billion after decreasing \$112.2 billion.

Net cash flow from current production, a profits-related measure of internal funds available for investment, increased \$11.8 billion after decreasing \$101.6 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 (CCAAdj). CCAAdj 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).