

# GDP and the Economy

## Third Estimates for the Second Quarter of 2013

REAL GROSS domestic product (GDP) increased 2.5 percent at an annual rate in the second quarter of 2013, according to the third estimates of the national income and product accounts (NIPAs) (chart 1 and table 1).<sup>1</sup> In the first quarter, real GDP increased 1.1 percent.

The third estimate of real GDP growth for the second quarter is the same as the second estimate released last month and primarily reflects downward revisions to inventory investment and to exports that were offset by an upward revision to state and local government spending.<sup>2</sup>

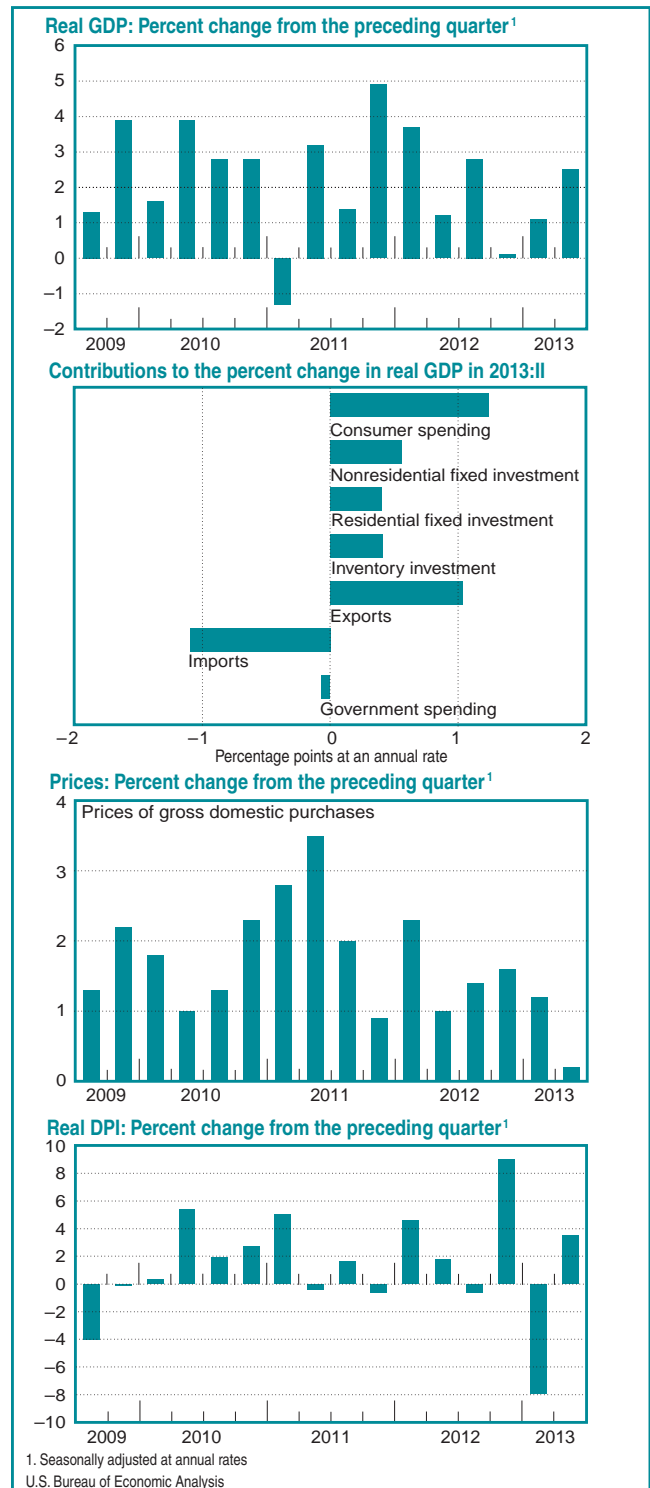
The acceleration in real GDP in the second quarter primarily reflected upturns in exports and in nonresidential fixed investment, a smaller decrease in federal government spending, and an upturn in state and local government spending that were partly offset by an acceleration in imports and decelerations in inventory investment and in consumer spending.

- Prices of goods and services purchased by U.S. residents, as measured by the gross domestic purchases price index, increased 0.2 percent in the second quarter, 0.1 percentage point less than the second estimate; in the first quarter, this index increased 1.2 percent. Energy prices decreased more in the second quarter than in the first quarter. Food prices slowed. Excluding food and energy, prices increased 0.8 percent after increasing 1.4 percent.
- Real disposable personal income (DPI) increased 3.5 percent in the second quarter after decreasing 7.9 percent in the first quarter. Current-dollar DPI increased 3.4 percent after decreasing 7.0 percent; the upturn reflected a sharp upturn in personal income and a deceleration in personal current taxes. The personal saving rate, personal saving as a percentage of current-dollar DPI, was 4.5 percent in the second quarter; in the first quarter, the rate was 4.1 percent.
- Corporate profits from current production increased \$66.8 billion in the second quarter after decreasing \$26.6 billion in the first quarter (see table 3).

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 "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."

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



Lisa S. Mataloni prepared this article.

## 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)			
	2013		2012		2013		2012		2013	
	II	III	IV	I	II	III	IV	I	II	
<b>Gross domestic product</b> <sup>1</sup> .....	<b>100.0</b>	<b>2.8</b>	<b>0.1</b>	<b>1.1</b>	<b>2.5</b>	<b>2.8</b>	<b>0.1</b>	<b>1.1</b>	<b>2.5</b>	
<b>Personal consumption expenditures</b> .....	<b>68.6</b>	<b>1.7</b>	<b>1.7</b>	<b>2.3</b>	<b>1.8</b>	<b>1.15</b>	<b>1.13</b>	<b>1.54</b>	<b>1.24</b>	
Goods.....	23.1	3.7	3.7	3.7	3.1	0.84	0.85	0.85	0.71	
Durable goods.....	7.5	8.3	10.5	5.8	6.2	0.59	0.74	0.43	0.46	
Nondurable goods.....	15.6	1.6	0.6	2.7	1.6	0.25	0.10	0.43	0.26	
Services.....	45.5	0.7	0.6	1.5	1.2	0.31	0.29	0.69	0.53	
<b>Gross private domestic investment</b> .....	<b>15.7</b>	<b>6.5</b>	<b>-2.4</b>	<b>4.7</b>	<b>9.2</b>	<b>0.99</b>	<b>-0.36</b>	<b>0.71</b>	<b>1.38</b>	
Fixed investment.....	15.3	2.7	11.6	-1.5	6.5	0.39	1.63	-0.23	0.96	
Nonresidential.....	12.2	0.3	9.8	-4.6	4.7	0.04	1.13	-0.57	0.56	
Structures.....	2.7	5.9	17.6	-25.7	17.6	0.15	0.44	-0.80	0.43	
Equipment.....	5.6	-3.9	8.9	1.6	3.3	-0.22	0.47	0.09	0.18	
Intellectual property products.....	3.9	2.8	5.7	3.7	-1.5	0.11	0.21	0.14	-0.06	
Residential.....	3.1	14.1	19.8	12.5	14.2	0.35	0.50	0.34	0.40	
Change in private inventories.....	0.5	.....	.....	.....	.....	0.60	-2.00	0.93	0.41	
<b>Net exports of goods and services</b> .....	<b>-3.1</b>	.....	.....	.....	.....	<b>-0.03</b>	<b>0.68</b>	<b>-0.28</b>	<b>-0.07</b>	
Exports.....	13.4	0.4	1.1	-1.3	8.0	0.05	0.15	-0.18	1.04	
Goods.....	9.3	1.6	-3.0	-2.8	9.4	0.16	-0.28	-0.27	0.84	
Services.....	4.1	-2.6	11.3	2.2	4.8	-0.10	0.43	0.09	0.20	
Imports.....	16.5	0.5	-3.1	0.6	6.9	-0.08	0.53	-0.10	-1.10	
Goods.....	13.7	0.4	-3.5	-0.2	7.5	-0.05	0.50	0.03	-1.00	
Services.....	2.8	1.0	-1.0	5.0	4.0	-0.03	0.03	-0.13	-0.11	
<b>Government consumption expenditures and gross investment</b> .....	<b>18.7</b>	<b>3.5</b>	<b>-6.5</b>	<b>-4.2</b>	<b>-0.4</b>	<b>0.67</b>	<b>-1.31</b>	<b>-0.82</b>	<b>-0.07</b>	
Federal.....	7.5	8.9	-13.9	-8.4	-1.6	0.69	-1.19	-0.68	-0.12	
National defense.....	4.7	12.5	-21.6	-11.2	-0.6	0.60	-1.22	-0.57	-0.03	
Nondefense.....	2.9	2.8	1.0	-3.6	-3.1	0.08	0.03	-0.11	-0.09	
State and local.....	11.2	-0.2	-1.0	-1.3	0.4	-0.02	-0.12	-0.14	0.05	
<b>Addenda:</b>										
Final sales of domestic product.....	99.5	2.2	2.2	0.2	2.1	2.19	2.14	0.21	2.07	
Goods.....	30.6	4.8	-1.2	5.5	3.9	1.46	-0.36	1.63	1.20	
Services.....	62.0	1.6	-0.6	0.3	0.7	1.00	-0.35	0.21	0.46	
Structures.....	7.4	4.7	12.7	-9.2	11.9	0.32	0.85	-0.70	0.82	
Motor vehicle output.....	2.8	0.2	-2.8	9.2	12.1	0.01	-0.07	0.24	0.32	
GDP excluding motor vehicle output.....	97.2	2.9	0.2	0.9	2.2	2.78	2.22	0.91	2.16	
Final sales of computers.....	0.4	0.9	50.3	17.5	15.4	0.00	0.16	0.07	0.06	
GDP excluding final sales of computers.....	99.6	2.8	0.0	1.1	2.4	2.78	-0.02	1.08	2.42	
Research and development (R&D).....	2.6	1.7	0.4	-0.2	1.9	0.04	0.01	0.00	0.05	
GDP excluding R&D.....	97.4	2.8	0.1	1.2	2.5	2.74	0.13	1.15	2.43	
Gross domestic income (GDI) <sup>2</sup> .....	.....	0.9	4.9	2.4	2.6	.....	.....	.....	.....	

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.

Consumer spending slowed in the second quarter, reflecting slowdowns in both services and goods.

The slowdown in spending for goods primarily reflected downturns in food and beverages purchased for off-premises consumption, in motor vehicles and parts, and in gasoline and other energy goods.

The slowdown in spending for services was more than accounted for by a slowdown in household spending that primarily reflected a downturn in electricity and gas that was partly offset by a pickup in spending for health care services and by an upturn in cellular telephone services.

Nonresidential fixed investment turned up, primarily reflecting an upturn in structures that was partly offset by a downturn in intellectual property products (primarily software). The upturn in structures reflected an upturn in power and communication structures.

Residential fixed investment picked up, primarily reflecting a pickup in "other" structures (mainly improvements and brokers' commissions) that was partly offset by a slowdown in single-family structures.

Exports added 1.04 percentage points to real GDP growth after subtracting 0.18 percentage point; the upturn primarily reflected an upturn in exports of goods, primarily nonautomotive capital goods (civilian aircraft, engines, and parts).

Imports picked up, subtracting 1.10 percentage points from real GDP growth after subtracting 0.10 percentage point. The pickup primarily reflected an upturn in goods imports, especially automotive vehicles, engines, and parts.

Federal government spending decreased less than in the first quarter, primarily reflecting a smaller decrease in defense spending.

State and local government spending turned up after declining for three quarters, primarily reflecting an upturn in gross investment spending.

Real final sales of domestic product, real GDP less inventory investment, increased 2.1 percent after increasing 0.2 percent, as inventory investment slowed.

Real gross domestic income, which measures the output of the economy as the incomes earned and costs incurred in production, increased 2.6 percent after increasing 2.4 percent.

## Revisions to GDP

**Table 2. Second and Third Estimates for the Second 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
<b>Gross domestic product (GDP) <sup>1</sup></b> .....	<b>2.5</b>	<b>2.5</b>	<b>0.0</b>	<b>2.5</b>	<b>2.5</b>	<b>0.0</b>
<b>Personal consumption expenditures</b> .....	<b>1.8</b>	<b>1.8</b>	<b>0.0</b>	<b>1.21</b>	<b>1.24</b>	<b>0.03</b>
Goods .....	3.2	3.1	-0.1	0.73	0.71	-0.02
Durable goods .....	6.1	6.2	0.1	0.45	0.46	0.01
Nondurable goods .....	1.8	1.6	-0.2	0.28	0.26	-0.02
Services .....	1.1	1.2	0.1	0.48	0.53	0.05
<b>Gross private domestic investment</b> .....	<b>9.9</b>	<b>9.2</b>	<b>-0.7</b>	<b>1.48</b>	<b>1.38</b>	<b>-0.10</b>
Fixed investment .....	6.0	6.5	0.5	0.90	0.96	0.06
Nonresidential .....	4.4	4.7	0.3	0.53	0.56	0.03
Structures .....	16.1	17.6	1.5	0.40	0.43	0.03
Equipment .....	2.9	3.3	0.4	0.16	0.18	0.02
Intellectual property products .....	-0.9	-1.5	-0.6	-0.04	-0.06	-0.02
Residential .....	12.9	14.2	1.3	0.37	0.40	0.03
Change in private inventories .....	.....	.....	.....	0.59	0.41	-0.18
<b>Net exports of goods and services</b> .....	.....	.....	.....	<b>0.00</b>	<b>-0.07</b>	<b>-0.07</b>
Exports .....	8.6	8.0	-0.6	1.11	1.04	-0.07
Goods .....	10.1	9.4	-0.7	0.90	0.84	-0.06
Services .....	5.2	4.8	-0.4	0.21	0.20	-0.01
Imports .....	7.0	6.9	-0.1	-1.11	-1.10	0.01
Goods .....	7.1	7.5	0.4	-0.95	-1.00	-0.05
Services .....	6.3	4.0	-2.3	-0.17	-0.11	0.06
<b>Government consumption expenditures and gross investment</b> .....	<b>-0.9</b>	<b>-0.4</b>	<b>0.5</b>	<b>-0.18</b>	<b>-0.07</b>	<b>0.11</b>
Federal .....	-1.6	-1.6	0.0	-0.12	-0.12	0.00
National defense .....	-0.6	-0.6	0.0	-0.03	-0.03	0.00
Nondefense .....	-3.2	-3.1	0.1	-0.09	-0.09	0.00
State and local .....	-0.5	0.4	0.9	-0.06	0.05	0.11
<b>Addenda:</b>						
Final sales of domestic product .....	1.9	2.1	0.2	1.93	2.07	0.14
Gross domestic income .....	2.5	2.6	0.1	.....	.....	.....
Gross domestic purchases price index .....	0.3	0.2	-0.1	.....	.....	.....
GDP price index .....	0.8	0.6	-0.2	.....	.....	.....

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

The third estimate of the second-quarter change in real GDP was the same as the second estimate. Downward revisions to inventory investment and to exports were partly offset by an upward revision to state and local government spending. For 1983–2012, the average revision (without regard to sign) between the second estimate and the third estimate is 0.3 percentage point.

Consumer spending was revised up slightly; the revision reflected an upward revision to spending for services that was partly offset by a downward revision to spending for goods.

The upward revision to nonresidential fixed investment reflected upward revisions to structures and to equipment that were partly offset by a downward revision to intellectual property products.

The downward revision to inventory investment primarily reflected downward revisions to retail trade industries, primarily food and beverage stores, and to “other” industries, primarily information industries.

The downward revision to exports reflected downward revisions to both goods and services. In goods, the largest contributor to the revision was “other” goods. In services, the largest contributors to the revision were “other” private services and “other” transportation.

The upward revision to state and local government spending was more than accounted for by an upward revision to state and local government gross investment, primarily 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* at [www.bea.gov/methodologies/index.htm](http://www.bea.gov/methodologies/index.htm).

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

**Consumer spending:** Census Bureau retail sales for June (revised), Quarterly Services Survey data for the second quarter (new), and Federal Deposit Insurance Corporation *Call Report* data for the second quarter (new).

**Nonresidential fixed investment:** Census Bureau construction spending data (value put in place) for May and June (revised) and Quarterly Services Survey data for the second quarter (new).

**Residential fixed investment:** Census Bureau construction spending data for May and June (revised).

**Inventory investment:** Census Bureau manufacturers’ and trade inventories for June (revised) and farm income statistics (revised) from the Economic Research Service of the U.S. Department of Agriculture.

**Exports and imports:** Bureau of Economic Analysis international transactions accounts data for April, May, and June (revised).

**Government spending:** Census Bureau construction spending data for May and June (revised).

**GDP prices:** export and import prices for April, May, and June (revised) and Federal Reserve Board *Call Report* data for the second quarter (new).

## 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	
	II	III	IV	I	II	III	IV	I	II	
<b>Current production measures:</b>										
Corporate profits .....	2,087.4	13.9	34.9	-26.6	66.8	0.7	1.7	-1.3	3.3	
Domestic industries.....	1,684.3	30.7	29.3	-7.0	62.2	2.0	1.8	-0.4	3.8	
Financial .....	456.2	59.0	-15.6	-4.1	24.5	15.0	-3.5	-0.9	5.7	
Nonfinancial .....	1,228.1	-28.3	45.0	-3.1	37.8	-2.4	3.9	-0.3	3.2	
Rest of the world.....	403.1	-16.8	5.6	-19.6	4.6	-3.9	1.4	-4.7	1.2	
Receipts from the rest of the world.....	658.7	-1.9	16.1	-19.7	1.2	-0.3	2.4	-2.9	0.2	
Less: Payments to the rest of the world.....	255.6	14.9	10.5	-0.1	-3.4	6.4	4.2	0.0	-1.3	
Less: Taxes on corporate income.....	418.2	9.4	-5.9	-25.0	10.0	2.2	-1.3	-5.8	2.4	
Equals: Profits after tax.....	1,669.2	4.5	40.8	-1.7	56.9	0.3	2.6	-0.1	3.5	
Net dividends .....	1,037.3	7.1	120.9	-103.8	273.5	1.0	16.2	-12.0	35.8	
Undistributed profits from current production .....	631.9	-2.6	-80.1	102.1	-216.6	-0.3	-9.7	13.7	-25.5	
Net cash flow .....	2,053.3	11.3	-91.2	140.7	-205.3	0.5	-4.1	6.6	-9.1	

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 increased \$66.8 billion, or 3.3 percent at a quarterly rate, in the second quarter after decreasing \$26.6 billion, or 1.3 percent, in the first quarter.

Domestic profits of financial corporations increased \$24.5 billion, or 5.7 percent, after decreasing \$4.1 billion, or 0.9 percent.

Domestic profits of nonfinancial corporations increased \$37.8 billion, or 3.2 percent, after decreasing \$3.1 billion, or 0.3 percent.

Profits from the rest of the world increased \$4.6 billion, or 1.2 percent, after decreasing \$19.6 billion, or 4.7 percent. In the second quarter, receipts increased \$1.2 billion, and payments decreased \$3.4 billion.

Taxes on corporate income increased \$10.0 billion, or 2.4 percent, after decreasing \$25.0 billion, or 5.8 percent, in the first quarter.

Net dividends increased \$273.5 billion, or 35.8 percent, after decreasing \$103.8 billion, or 12.0 percent. The large second-quarter increase primarily reflected dividends paid by Fannie Mae to the federal government under the stock purchase agreement authorized by the Housing and Economic Recovery Act of 2008.

### 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		
	II	III	IV	I	II	III	IV	I	II	
<b>Industry profits:</b>										
Profits with IVA .....	2,248.6	16.8	34.5	-41.1	68.6	0.8	1.6	-1.8	3.1	
Domestic industries .....	1,845.5	33.5	29.0	-21.5	64.0	1.9	1.6	-1.2	3.6	
Financial .....	511.9	59.5	-15.1	-5.2	25.0	13.3	-3.0	-1.0	5.1	
Nonfinancial .....	1,333.6	-26.0	44.1	-16.3	39.0	-2.0	3.5	-1.2	3.0	
Utilities .....	47.2	1.4	-7.2	4.7	8.9	3.7	-17.7	13.9	23.3	
Manufacturing .....	381.8	-22.7	22.3	-20.4	-7.9	-5.5	5.7	-5.0	-2.0	
Wholesale trade .....	151.1	-14.9	12.8	5.8	0.9	-10.2	9.7	4.0	0.6	
Retail trade .....	169.9	-2.8	16.5	-10.1	21.0	-1.9	11.6	-6.3	14.1	
Transportation and warehousing .....	57.6	-1.3	-5.1	7.4	3.1	-2.6	-9.8	15.8	5.7	
Information .....	131.8	-3.7	-10.4	21.7	7.6	-3.2	-9.2	21.1	6.1	
Other nonfinancial .....	394.2	18.0	15.2	-25.3	5.3	4.7	3.8	-6.1	1.4	
Rest of the world .....	403.1	-16.8	5.6	-19.6	4.6	-3.9	1.4	-4.7	1.2	
<b>Addenda:</b>										
Profits before tax (without IVA and CCAAdj) .....	2,239.7	48.5	21.0	-36.4	46.6	2.2	1.0	-1.6	2.1	
Profits after tax (without IVA and CCAAdj) .....	1,821.4	39.1	27.0	-11.6	36.6	2.3	1.5	-0.6	2.1	
IVA .....	8.9	-31.8	13.6	-4.6	21.9					
CCAAdj .....	-161.1	-2.8	0.3	14.4	-1.6					

Profits with inventory valuation adjustment (IVA) increased \$68.6 billion, or 3.1 percent, in the second quarter after decreasing \$41.1 billion, or 1.8 percent, in the first quarter.

Profits of domestic industries increased \$64.0 billion, or 3.6 percent, after decreasing \$21.5 billion, or 1.2 percent.

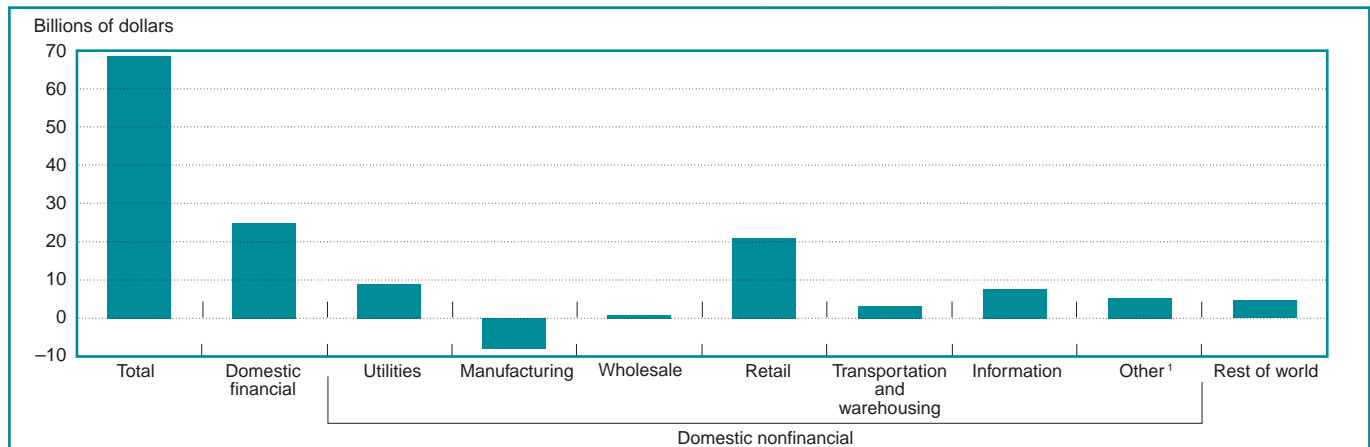
Profits of domestic financial industries increased \$25.0 billion, or 5.1 percent, after decreasing \$5.2 billion, or 1.0 percent.

Profits of domestic nonfinancial industries increased \$39.0 billion, or 3.0 percent, after decreasing \$16.3 billion, or 1.2 percent. The increase primarily reflected increases in retail trade, in utilities, and in information that were partly offset by a decrease in manufacturing.

Profits from the rest of the world increased \$4.6 billion, or 1.2 percent, in the second quarter after decreasing \$19.6 billion, or 4.7 percent, in the first quarter.

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

**Chart 2. Corporate Profits With Inventory Valuation Adjustment: Change From the Preceding Quarter, 2013:II**



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 (CCAAdj) for

each industry. However, estimates of the CCAAdj are only available for two broad categories: total financial industries and total nonfinancial industries. For more information about BEA's methodology, see "Corporate Profits" in *Concepts and Methods of the U.S. National Income and Product Accounts* at [www.bea.gov/methodologies/index.htm](http://www.bea.gov/methodologies/index.htm).