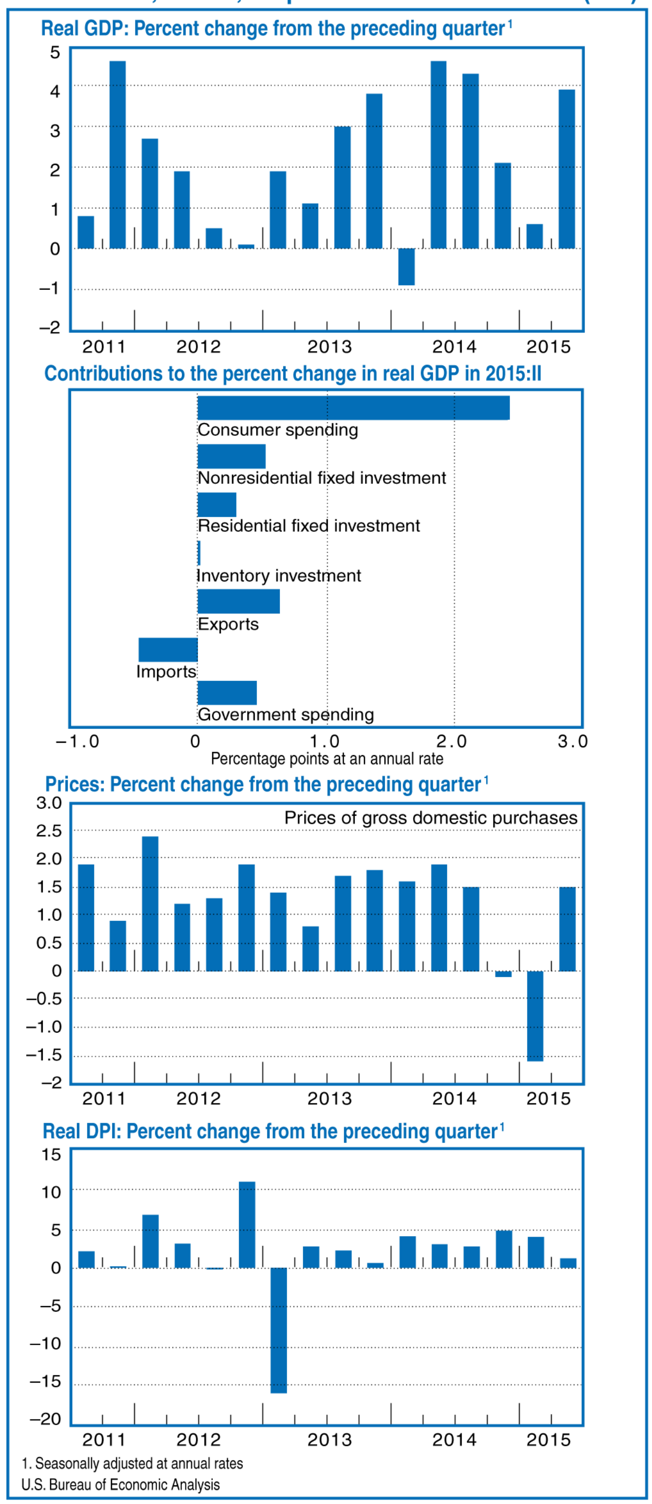
GDP and the Economy

Third Estimates for the Second Quarter of 2015

Real gross domestic product (GDP) increased 3.9 percent at an annual rate in the second quarter of 2015, according to the third estimates of the national income and product accounts (NIPAs) (chart 1 and table 1).[1] In the first quarter of 2015, real GDP increased 0.6 percent. The third estimate of real GDP growth in the second quarter was revised up 0.2 percentage point from the second estimate that was released in August. Consumer spending and nonresidential fixed investment increased more than previously estimated.[2]

- The second-quarter increase in real GDP primarily reflected positive contributions from consumer spending, exports, nonresidential fixed investment, state and local government spending, 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 increased 1.5 percent in the second quarter, in contrast to a decrease of 1.6 percent in the first quarter. Energy prices turned up in the second quarter, while food prices decreased more in the second quarter than in the first quarter. Excluding food and energy, prices increased 1.2 percent in the second quarter after increasing 0.2 percent.
- Real disposable personal income (DPI) increased 1.2 percent in the second quarter after increasing 3.9 percent in the first quarter. Current-dollar DPI increased 3.4 percent after increasing 1.9 percent. The differences in the movements in real DPI and current-dollar DPI reflected an upturn in the implicit price deflator for consumer spending, which is used to deflate DPI.
- Corporate profits from current production increased $70.4 billion in the second quarter after decreasing $123.0 billion in the first quarter (see table 3).
- Real gross domestic income increased 0.7 percent in the second quarter after increasing 0.4 percent in the first quarter.

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



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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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	
	II	III	IV	I	II	III	IV	I	II
Gross domestic product [1]	**100.0**	**4.3**	**2.1**	**0.6**	**3.9**	**4.3**	**2.1**	**0.6**	**3.9**
Personal consumption expenditures	**68.3**	**3.5**	**4.3**	**1.8**	**3.6**	**2.34**	**2.86**	**1.19**	**2.42**
Goods	22.2	4.1	4.1	1.1	5.5	0.91	0.91	0.25	1.20
Durable goods	7.4	7.5	6.1	2.0	8.0	0.54	0.44	0.14	0.57
Nondurable goods	14.8	2.4	3.2	0.7	4.3	0.37	0.47	0.10	0.62
Services	46.1	3.1	4.3	2.1	2.7	1.42	1.95	0.94	1.23
Gross private domestic investment	**16.9**	**7.4**	**2.1**	**8.6**	**5.0**	**1.22**	**0.36**	**1.39**	**0.85**
Fixed investment	16.2	7.9	2.5	3.3	5.2	1.23	0.39	0.52	0.83
Nonresidential	12.8	9.0	0.7	1.6	4.1	1.12	0.09	0.20	0.53
Structures	2.8	–1.9	4.3	–7.4	6.2	–0.05	0.12	–0.22	0.18
Equipment	5.9	16.4	–4.9	2.3	0.3	0.92	–0.30	0.14	0.03
Intellectual property products	4.1	6.6	6.9	7.4	8.3	0.25	0.27	0.29	0.33
Residential	3.3	3.4	10.0	10.1	9.3	0.11	0.31	0.32	0.30
Change in private inventories	0.7	....	....	....	....	–0.01	–0.03	0.87	0.02
Net exports of goods and services	**–2.9**	....	....	....	....	**0.39**	**–0.89**	**–1.92**	**0.18**
Exports	12.7	1.8	5.4	–6.0	5.1	0.24	0.71	–0.81	0.64
Goods	8.6	6.0	3.9	–11.7	6.5	0.55	0.36	–1.10	0.55
Services	4.2	–7.1	8.9	7.3	2.3	–0.31	0.35	0.30	0.10
Imports	15.6	–0.8	10.3	7.1	3.0	0.15	–1.60	–1.12	–0.46
Goods	12.8	–0.8	9.9	7.2	3.2	0.13	–1.29	–0.93	–0.41
Services	2.8	–0.6	11.9	6.7	2.0	0.02	–0.31	–0.18	–0.05
Government consumption expenditures and gross investment	**17.7**	**1.8**	**–1.4**	**–0.1**	**2.6**	**0.33**	**–0.26**	**–0.01**	**0.46**
Federal	6.8	3.7	–5.7	1.1	0.0	0.26	–0.41	0.08	0.00
National defense	4.1	4.5	–10.3	1.0	0.3	0.19	–0.47	0.04	0.01
Nondefense	2.7	2.5	2.1	1.2	–0.5	0.07	0.06	0.03	–0.01
State and local	10.9	0.6	1.3	–0.8	4.3	0.07	0.15	–0.09	0.46
Addenda:									
Gross domestic income (GDI) [2]	....	5.1	2.9	0.4	0.7	....	....	....	....
Average of GDP and GDI	....	4.7	2.5	0.5	2.3	....	....	....	....
Final sales of domestic product	99.3	4.3	2.1	–0.2	3.9	4.28	2.10	–0.23	3.90
Goods	30.5	9.1	–0.2	–1.8	5.9	2.74	–0.06	–0.57	1.79
Services	61.7	2.4	2.7	2.1	2.0	1.49	1.63	1.28	1.24
Structures	7.7	0.6	6.8	–0.9	12.2	0.05	0.50	–0.07	0.90
Motor vehicle output	3.0	19.8	–11.3	1.4	14.5	0.53	–0.35	0.04	0.40
GDP excluding motor vehicle output	97.0	3.8	2.5	0.6	3.6	3.75	2.42	0.60	3.52
Final sales of computers	0.4	4.3	–26.7	29.8	41.5	0.02	–0.12	0.10	0.13
GDP excluding final sales of computers	99.6	4.3	2.2	0.5	3.8	4.26	2.19	0.55	3.78
Research and development (R&D)	2.6	1.9	5.5	5.2	9.7	0.05	0.14	0.13	0.25
GDP excluding R&D	97.4	4.3	2.0	0.5	3.8	4.23	1.93	0.51	3.67

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.

The acceleration in real GDP in the second quarter reflected an upturn in exports, a pickup in consumer spending, a deceleration in imports, an upturn in state and local government spending, and an acceleration in nonresidential fixed investment that were partly offset by slowdowns in private inventory investment and in federal government spending.

The pickup in consumer spending primarily reflected pickups in both goods and services.

The pickup in goods primarily reflected an upturn in motor vehicles and parts and a pickup in "other" nondurable goods (largely tobacco and prescription drugs).

The pickup in services reflected pickups in "other" services (mainly net foreign travel and communication), in food services and accommodations, and in financial services and insurance and an upturn in recreation services that were mostly offset by a downturn in housing and utilities and a slowdown in health care.

The acceleration in nonresidential fixed investment primarily reflected an upturn in structures that was partly offset by a deceleration in equipment.

The slowdown in private inventory investment reflected a slowdown in nonfarm inventory investment and a downturn in farm inventory investment.

The upturn in exports reflected an upturn in goods exports that was partly offset by a slowdown in services exports. In goods, the upturn was widespread; the largest contributors were nonautomotive capital goods; automotive vehicles, engines, and parts; industrial supplies and materials; and "other" goods. In services, the largest contributor to the slowdown was travel.

The deceleration in imports reflected slowdowns in both goods and services imports. In goods, the largest contributors to the slowdown were consumer goods, industrial supplies and materials, and "other" goods. In services, the largest contributors to the slowdown were downturns in transport and in government goods and services.

The slowdown in federal government spending reflected a downturn in nondefense spending and a slowdown in national defense spending.

The upturn in state and local government spending primarily reflected an upturn in investment in structures.

Revisions to GDP

Table 2. Second and Third Estimates for the Second 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]	**3.7**	**3.9**	**0.2**	**3.7**	**3.9**	**0.2**
Personal consumption expenditures	**3.1**	**3.6**	**0.5**	**2.11**	**2.42**	**0.31**
Goods	5.5	5.5	0.0	1.19	1.20	0.01
Durable goods	8.2	8.0	–0.2	0.59	0.57	–0.02
Nondurable goods	4.1	4.3	0.2	0.60	0.62	0.02
Services	2.0	2.7	0.7	0.93	1.23	0.30
Gross private domestic investment	**5.2**	**5.0**	**–0.2**	**0.88**	**0.85**	**–0.03**
Fixed investment	4.1	5.2	1.1	0.66	0.83	0.17
Nonresidential	3.2	4.1	0.9	0.41	0.53	0.12
Structures	3.1	6.2	3.1	0.09	0.18	0.09
Equipment	–0.4	0.3	0.7	–0.02	0.03	0.05
Intellectual property products	8.6	8.3	–0.3	0.34	0.33	–0.01
Residential	7.8	9.3	1.5	0.25	0.30	0.05
Change in private inventories	....	....	....	0.22	0.02	–0.20
Net exports of goods and services	....	....	....	**0.23**	**0.18**	**–0.05**
Exports	5.2	5.1	–0.1	0.65	0.64	–0.01
Goods	6.5	6.5	0.0	0.55	0.55	0.00
Services	2.5	2.3	–0.2	0.10	0.10	0.00
Imports	2.8	3.0	0.2	–0.42	–0.46	–0.04
Goods	2.7	3.2	0.5	–0.34	–0.41	–0.07
Services	3.2	2.0	–1.2	–0.09	–0.05	0.04
Government consumption expenditures and gross investment	**2.6**	**2.6**	**0.0**	**0.47**	**0.46**	**–0.01**
Federal	0.0	0.0	0.0	0.00	0.00	0.00
National defense	0.3	0.3	0.0	0.01	0.01	0.00
Nondefense	–0.4	–0.5	–0.1	–0.01	–0.01	0.00
State and local	4.3	4.3	0.0	0.46	0.46	0.00
Addenda:						
Final sales of domestic product	3.5	3.9	0.4	3.47	3.90	0.43
Gross domestic income (GDI)	0.6	0.7	0.1	....	....	....
Average of GDP and GDI	2.1	2.3	0.2	....	....	....
Gross domestic purchases price index	1.5	1.5	0.0	....	....	....
GDP price index	2.1	2.1	0.0	....	....	....

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

The third estimate of the second-quarter change in real GDP was 0.2 percentage point higher than the second estimate released in August. The upward revision primarily reflected upward revisions to consumer spending, to nonresidential fixed investment, and to residential fixed investment that were partly offset by a downward revision to private inventory investment.

The upward revision to consumer spending reflected widespread upward revisions to spending for services. Leading contributors were "other" services, transportation services, and health care services.

The upward revision to nonresidential fixed investment primarily reflected an upward revision to investment in nonresidential structures, specifically commercial and health care buildings and educational and vocational buildings.

The upward revision to residential fixed investment primarily reflected an upward revision to single-family structures.

The downward revision to private inventory investment primarily reflected a downward revision to nonfarm inventory investment, specifically to wholesale trade industries and to nondurable-goods manufacturing industries.

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 second quarter of 2015 incorporated the following source data.

Consumer spending: Census Bureau retail sales data for June (revised) and quarterly services survey data for the second quarter (new), Energy Information Administration electricity and natural gas usage and unit value data for May (revised) and June (new), and Securities and Exchange Commission FOCUS report data for the second quarter (new).

Nonresidential fixed investment: Census Bureau construction spending data 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 *Quarterly Financial Report* data for the second quarter (revised).

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

Government spending: Census Bureau construction spending data for May and June (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		2014		2015	
	II	III	IV	I	II	III	IV	I	II
Current production measures:									
Corporate profits	2,083.0	90.5	–25.5	–123.0	70.4	4.4	–1.2	–5.8	3.5
Domestic industries	1,677.9	72.1	–21.1	–93.9	59.0	4.3	–1.2	–5.5	3.6
Financial	395.1	4.4	–22.6	–23.4	34.6	1.1	–5.6	–6.1	9.6
Nonfinancial	1,282.8	67.7	1.5	–70.5	24.3	5.4	0.1	–5.3	1.9
Rest of the world	405.1	18.5	–4.4	–29.0	11.4	4.5	–1.0	–6.9	2.9
Receipts from the rest of the world	674.9	16.1	–13.5	–40.0	24.9	2.3	–1.9	–5.8	3.8
Less: Payments to the rest of the world	269.8	–2.4	–9.1	–11.0	13.4	–0.8	–3.3	–4.1	5.2
Less: Taxes on corporate income	549.0	–9.0	–6.1	5.5	31.3	–1.7	–1.2	1.1	6.0
Equals: Profits after tax	1,533.9	99.6	–19.5	–128.4	39.2	6.5	–1.2	–7.9	2.6
Net dividends	879.6	–3.5	18.6	6.3	1.2	–0.4	2.2	0.7	0.1
Undistributed profits from current production	654.3	103.1	–38.1	–134.7	38.0	15.0	–4.8	–17.9	6.2
Net cash flow	2,161.1	76.7	18.7	–135.5	48.1	3.6	0.8	–6.0	2.3

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 $70.4 billion, or 3.5 percent at a quarterly rate, in the second quarter after decreasing $123.0 billion, or 5.8 percent, in the first quarter.

Profits of domestic financial corporations increased $34.6 billion, or 9.6 percent, after decreasing $23.4 billion, or 6.1 percent.

Profits of domestic nonfinancial corporations increased 24.3 billion, or 1.9 percent, after decreasing $70.5 billion, or 5.3 percent.

Profits from the rest of the world increased $11.4 billion, or 2.9 percent, after decreasing $29.0 billion, or 6.9 percent. In the second quarter, receipts increased $24.9 billion, and payments increased $13.4 billion.

Taxes on corporate income increased $31.3 billion, or 6.0 percent, in the second quarter after increasing $5.5 billion, or 1.1 percent, in the first quarter.

Net dividends increased $1.2 billion, or 0.1 percent, after increasing $6.3 billion, or 0.7 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		2015	
	II	III	IV	I	II	III	IV	I	II
Industry profits:									
Profits with IVA	2,414.2	91.4	–28.7	85.2	62.7	4.1	–1.3	3.8	2.7
Domestic industries	2,009.1	72.9	–24.3	114.2	51.3	4.1	–1.3	6.2	2.6
Financial	456.2	5.6	–22.4	–3.1	34.3	1.3	–5.0	–0.7	8.1
Nonfinancial	1,553.0	67.3	–2.0	117.3	17.0	5.0	–0.1	8.3	1.1
Utilities	28.4	–8.9	–6.2	8.0	3.5	–27.8	–26.9	47.4	14.2
Manufacturing	537.0	3.4	8.1	68.5	2.3	0.7	1.8	14.7	0.4
Wholesale trade	163.5	35.6	–9.6	8.5	–5.6	26.5	–5.6	5.3	–3.3
Retail trade	175.1	2.9	21.1	10.6	–14.3	1.9	13.4	5.9	–7.5
Transportation and warehousing	86.3	2.3	–11.7	22.7	3.1	3.3	–16.2	37.5	3.7
Information	150.6	–8.0	–2.3	22.0	7.8	–6.1	–1.8	18.2	5.4
Other nonfinancial	412.0	40.0	–1.5	–23.0	20.2	10.6	–0.4	–5.5	5.2
Rest of the world	405.1	18.5	–4.4	–29.0	11.4	4.5	–1.0	–6.9	2.9
Addenda:									
Profits before tax (without IVA and CCAdj)	2,393.7	51.9	–66.7	39.5	141.4	2.3	–2.9	1.8	6.3
Profits after tax (without IVA and CCAdj)	1,844.6	60.9	–60.7	34.0	110.2	3.6	–3.4	2.0	6.4
IVA	20.5	39.5	38.0	45.7	–78.7	....	....	....	....
CCAdj	–331.3	–0.8	3.2	–208.1	7.7	....	....	....	....

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

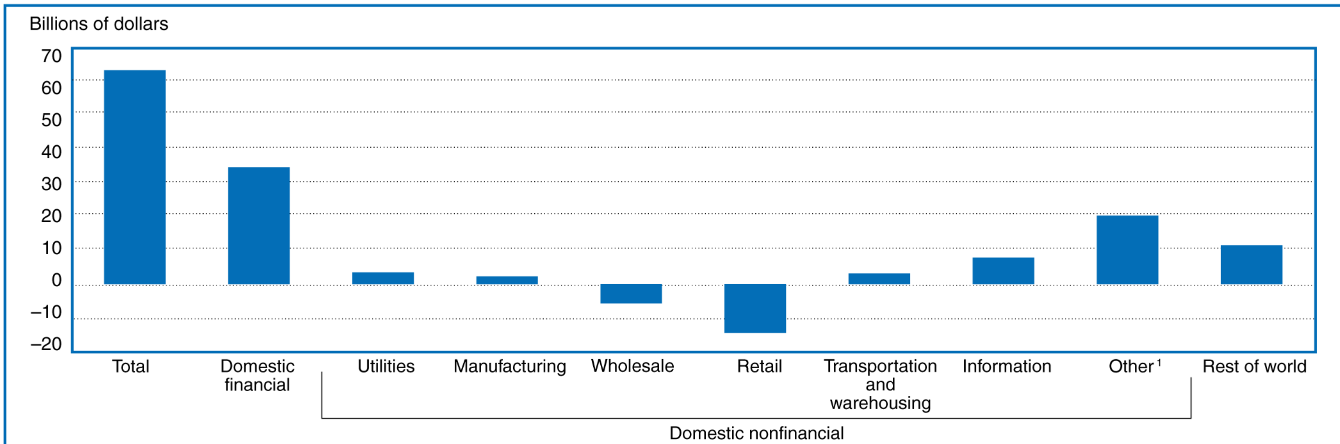
Profits with inventory valuation adjustment (IVA) increased $62.7 billion, or 2.7 percent at a quarterly rate, in the second quarter after increasing $85.2 billion, or 3.8 percent, in the first quarter.

Profits of domestic industries increased $51.3 billion, or 2.6 percent, after increasing $114.2 billion, or 6.2 percent.

Profits of domestic financial industries increased $34.3 billion, or 8.1 percent, after decreasing $3.1 billion, or 0.7 percent.

Profits of domestic nonfinancial industries increased $17.0 billion, or 1.1 percent, after increasing $117.3 billion, or 8.3 percent; the increase primarily reflected an increase in "other" nonfinancial industries that was partly offset by a decrease in retail trade industries. A small increase in manufacturing industries reflected an increase in durable goods that was mostly offset by a decrease in nondurable goods.

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