

GDP and the Economy

Second Estimates for the Second Quarter of 2018

By Lisa S. Mataloni

Real gross domestic product (GDP) increased at an annual rate of 4.2 percent in the second quarter of 2018, according to the second estimate of the National Income and Product Accounts (NIPAs) (chart 1 and table 1).¹ With the second estimate, real GDP growth for the second quarter was revised up 0.1 percentage point from the advance estimate of 4.1 percent issued last month (see “Revisions” below). In the first quarter, real GDP increased 2.2 percent.

The increase in real GDP in the second quarter reflected positive contributions from consumer spending, nonresidential fixed investment, exports, federal government spending, and state and local government spending. These positive contributions were partly offset by negative contributions from inventory investment and from residential fixed investment (chart 2).² Imports, which are a subtraction in the calculation of GDP, decreased.

Chart 1. Real GDP: Percent Change From Preceding Quarter

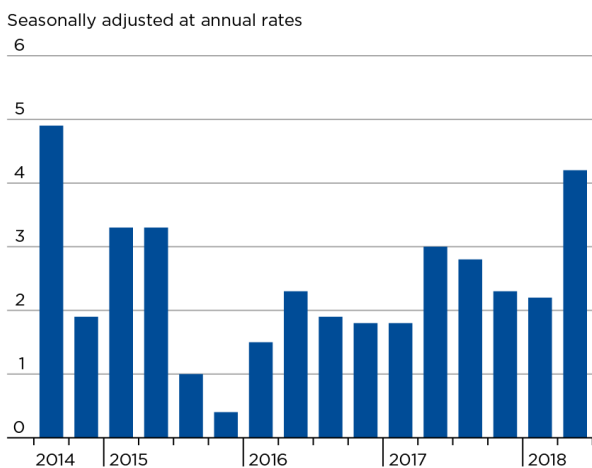
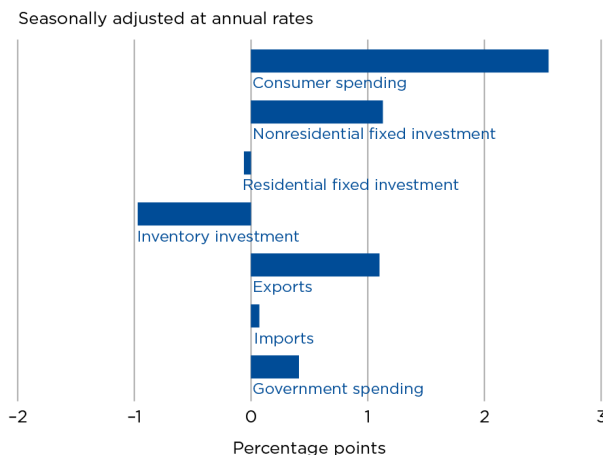


Chart 2. Real GDP: Contributions to the Percent Change in 2018:II



GDP Component Detail

The acceleration in real GDP growth in the second quarter reflected accelerations in consumer spending and in exports, a smaller decrease in residential fixed investment, and accelerations in federal government spending and in state and local government spending. These movements were partly offset by a downturn in private inventory investment and a deceleration in nonresidential fixed investment. Imports turned down.

- The acceleration in consumer spending (line 2) reflected an upturn in spending on goods and an acceleration in spending on services.
- The upturn in goods (line 3) reflected an upturn in durable goods (mainly motor vehicles and parts) and an acceleration in nondurable goods (mainly due to an upturn in clothing and footwear).
- The main contributors to the acceleration in services (line 6) were an upturn in spending on "other" services (reflecting upturns in legal services and in social services and religious activities), and accelerations in food services and accommodations and in housing and utilities.
- The deceleration in nonresidential fixed investment (line 9) primarily reflected decelerations in equipment (mainly due to a deceleration in transportation equipment and a downturn in industrial equipment) and in intellectual property products (mainly software).
- The smaller decrease in residential fixed investment reflected an upturn in investment in "other" structures (mainly improvements) and in multi-family structures that were partly offset by a downturn in investment in single-family structures.
- The downturn in private inventory investment (line 14) mainly reflected a downturn in wholesale trade industries (primarily nondurable goods).
- The acceleration in exports (line 16) reflected an acceleration in exports of goods that was partly offset by a deceleration in exports of services.
- The acceleration in exports of goods (line 17) primarily reflected an upturn in exports of industrial supplies and materials (mainly petroleum and products) and an acceleration in foods, feeds, and beverages (notably, soybeans).
- Real gross domestic income (GDI) (line 27) increased 1.8 percent in the second quarter of 2018 after increasing 3.9 percent in the first quarter.

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

[Seasonally adjusted at annual rates]

Line		Share of current-dollar GDP (percent)	Change from preceding period (percent)				Contribution to percent change in real GDP (percentage points)			
		2018	2017		2018		2017		2018	
		II	III	IV	I	II	III	IV	I	II
1	Gross domestic product¹	100.0	2.8	2.3	2.2	4.2	2.8	2.3	2.2	4.2
2	Personal consumption expenditures	68.0	2.2	3.9	0.5	3.8	1.52	2.64	0.36	2.55
3	Goods	21.2	4.1	6.8	-0.6	5.4	0.86	1.42	-0.13	1.12
4	Durable goods	7.1	7.7	12.7	-2.0	8.6	0.54	0.87	-0.15	0.60
5	Nondurable goods	14.1	2.3	4.0	0.1	3.7	0.32	0.55	0.02	0.52
6	Services	46.8	1.4	2.6	1.0	3.1	0.65	1.22	0.49	1.43
7	Gross private domestic investment	17.6	8.8	0.8	9.6	0.4	1.47	0.14	1.61	0.10
8	Fixed investment	17.6	2.6	6.2	8.0	6.2	0.44	1.04	1.34	1.07
9	Nonresidential	13.7	3.4	4.8	11.5	8.5	0.45	0.63	1.47	1.13
10	Structures	3.1	-5.7	1.3	13.9	13.2	-0.18	0.04	0.40	0.39
11	Equipment	6.0	9.8	9.9	8.5	4.4	0.56	0.56	0.49	0.27
12	Intellectual property products	4.5	1.7	0.7	14.1	11.0	0.08	0.03	0.58	0.47
13	Residential	3.9	-0.5	11.1	-3.4	-1.6	-0.02	0.41	-0.14	-0.06
14	Change in private inventories	0.0	.....	.....	.....	.....	1.04	-0.91	0.27	-0.97
15	Net exports of goods and services	-2.7	.....	.....	.....	.....	0.01	-0.89	-0.02	1.17
16	Exports	12.6	3.5	6.6	3.6	9.1	0.42	0.79	0.43	1.10
17	Goods	8.4	2.1	10.9	3.2	13.1	0.17	0.83	0.26	1.03
18	Services	4.2	6.3	-1.0	4.2	1.6	0.25	-0.04	0.18	0.07
19	Imports	15.3	2.8	11.8	3.0	-0.4	-0.41	-1.68	-0.45	0.07
20	Goods	12.4	2.5	14.2	2.4	-0.3	-0.29	-1.62	-0.30	0.05
21	Services	2.9	4.4	2.0	5.5	-0.8	-0.12	-0.06	-0.15	0.02
22	Government consumption expenditures and gross investment	17.2	-1.0	2.4	1.5	2.3	-0.18	0.41	0.27	0.41
23	Federal	6.4	-1.3	4.1	2.6	3.7	-0.08	0.26	0.17	0.24
24	National defense	3.8	-2.9	2.9	3.0	6.0	-0.11	0.11	0.11	0.22
25	Nondefense	2.6	1.1	5.7	2.1	0.5	0.03	0.15	0.06	0.01
26	State and local	10.7	-0.9	1.4	0.9	1.6	-0.10	0.15	0.10	0.17
Addenda:										
27	Gross domestic income (GDI) ²	.....	1.3	1.5	3.9	1.8	.....	.....	.....	.....
28	Average of GDP and GDI	.....	2.0	1.9	3.1	3.0	.....	.....	.....	.....
29	Final sales of domestic product	100.0	1.8	3.2	1.9	5.3	1.79	3.20	1.94	5.20
30	Goods	29.4	8.4	1.1	4.1	7.0	2.40	0.34	1.20	2.05
31	Services	62.0	1.2	2.1	1.2	2.9	0.74	1.32	0.73	1.78
32	Structures	8.6	-3.7	7.9	3.4	4.6	-0.32	0.64	0.28	0.39
33	Motor vehicle output	2.7	-3.8	23.2	9.5	-6.2	-0.10	0.58	0.26	-0.18
34	GDP excluding motor vehicle output	97.3	3.0	1.8	2.0	4.5	2.93	1.72	1.96	4.41

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

2. GDI is deflated by the implicit price deflator for GDP. The first-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 are calculated from NIPA table 1.2.5.

Prices

Prices for gross domestic purchases, goods and services purchased by U.S. residents, increased 2.3 percent in the second quarter of 2018 after increasing 2.5 percent in the first quarter (table 2, line 1, and chart 3). The deceleration primarily reflected a deceleration in the prices paid for consumer nondurable goods (line 5) that was partly offset by an acceleration in the prices paid for nonresidential fixed investment (line 9).

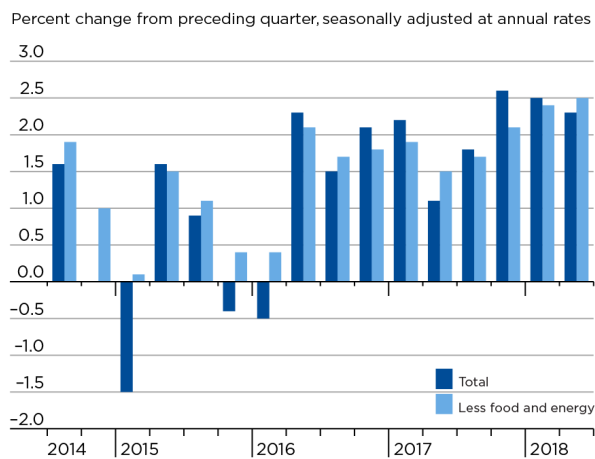
The main contributors to the deceleration in consumer nondurable goods prices were decelerations in gasoline and other energy goods as well as clothing and footwear.

All subcomponents contributed to the acceleration in the prices paid for nonresidential fixed investment

Consumer prices excluding food and energy (line 25), a measure of the “core” rate of inflation, decelerated, increasing 2.0 percent in the second quarter after increasing 2.2 percent in the first quarter.

The GDP price index accelerated in the second quarter, increasing 3.0 percent (line 26) after increasing 2.0 percent in the first quarter. The movement in the GDP price index differs from the movement in the gross domestic purchases price index because of the changes in import and in export prices. Import prices, which are included in gross domestic purchases and excluded from GDP, decelerated, increasing 0.7 percent in the second quarter after increasing 7.3 percent in the first quarter. Export prices, which are included in GDP and excluded from gross domestic purchases, accelerated, increasing 5.7 percent in the second quarter after increasing 4.0 percent in the first quarter.

Chart 3. Prices of Gross Domestic Purchases



U.S. Bureau of Economic Analysis

Table 2. Prices for Gross Domestic Purchases

[Percent change at annual rates; based on seasonally adjusted index numbers (2012=100)]

Line		Change from preceding period (percent)				Contribution to percent change in gross domestic purchases prices (percentage points)			
		2017		2018		2017		2018	
		III	IV	I	II	III	IV	I	II
1	Gross domestic purchases¹	1.8	2.6	2.5	2.3	1.8	2.6	2.5	2.3
2	Personal consumption expenditures	1.6	2.7	2.5	1.9	1.06	1.81	1.63	1.26
3	Goods	0.7	1.5	2.2	0.4	0.14	0.30	0.46	0.08
4	Durable goods	-2.4	-2.2	-1.1	-1.5	-0.17	-0.16	-0.07	-0.11
5	Nondurable goods	2.3	3.4	3.9	1.4	0.31	0.46	0.53	0.19
6	Services	2.0	3.3	2.6	2.6	0.91	1.50	1.17	1.17
7	Gross private domestic investment	1.9	1.3	2.5	3.1	0.33	0.22	0.42	0.52
8	Fixed investment	2.0	1.2	2.5	3.1	0.34	0.21	0.42	0.53
9	Nonresidential	1.3	0.7	0.7	1.9	0.17	0.09	0.09	0.26
10	Structures	3.9	2.3	3.2	4.9	0.11	0.07	0.09	0.15
11	Equipment	-0.5	-0.5	-0.3	0.8	-0.03	-0.03	-0.02	0.05
12	Intellectual property products	2.0	1.2	0.4	1.4	0.09	0.05	0.02	0.06
13	Residential	4.5	3.1	8.8	7.3	0.17	0.11	0.32	0.27
14	Change in private inventories	.....	.....	.....	.....	0.00	0.02	0.01	-0.01
15	Government consumption expenditures and gross investment	2.5	3.2	2.9	3.3	0.42	0.53	0.48	0.55
16	Federal	1.2	1.3	1.8	1.9	0.08	0.08	0.11	0.12
17	National defense	1.0	1.2	1.4	1.2	0.04	0.05	0.05	0.04
18	Nondefense	1.5	1.4	2.4	3.0	0.04	0.04	0.06	0.08
19	State and local	3.4	4.4	3.6	4.2	0.35	0.45	0.37	0.43
Addenda:									
Gross domestic purchases:									
20	Food	0.3	0.1	0.4	1.1	0.01	0.01	0.02	0.05
21	Energy goods and services	8.5	24.9	12.6	0.4	0.21	0.61	0.33	0.01
22	Excluding food and energy	1.7	2.1	2.4	2.5	1.59	1.95	2.19	2.27
Personal consumption expenditures (PCE):									
23	Food and beverages purchased for off-premises consumption	0.3	0.2	0.2	1.2	.....	.....	.....	.....
24	Energy goods and services	8.3	24.1	12.7	0.6	.....	.....	.....	.....
25	Excluding food and energy	1.4	2.1	2.2	2.0	.....	.....	.....	.....
26	Gross domestic product (GDP)	2.2	2.5	2.0	3.0	.....	.....	.....	.....
27	Exports of goods and services	3.8	6.1	4.0	5.7	.....	.....	.....	.....
28	Imports of goods and services	1.0	5.7	7.3	0.7	.....	.....	.....	.....

1. The estimates prices for gross domestic purchases 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.

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 the prices of personal consumption expenditures (PCE), private investment, and government consumption expenditures and gross investment.

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 website.

BEA also produces price indexes for all the components of GDP. The PCE price index is a measure of the total cost of consumer goods and services, including durable goods, nondurable goods, and services. PCE prices for food, for energy goods and services, and for all items except food and energy are also estimated and reported.

Because prices for food and for energy can be volatile, the price measure that excludes food and energy is often used as a measure of underlying, or "core," inflation. The core PCE price index includes purchased meals and beverages, such as restaurant meals and pet food. (See "[What is the core PCE price index?](#)" on BEA's website.)

BEA also prepares a supplemental PCE price index, the "market-based" PCE price index, that is based on market transactions for which there are corresponding price measures. This index excludes many imputed expenditures, such as financial services furnished without payment, that are included in PCE and in the PCE price index. BEA also prepares a market-based measure that excludes food and energy.

Personal Income

Personal income (table 3, line 1), which is measured in current dollars, decelerated in the second quarter, increasing \$178.5 billion after increasing \$216.1 billion (revised) in the first quarter. Decelerations in wages and salaries, government social benefits, personal interest income, and nonfarm proprietors' income were partly offset by a deceleration in contributions for government social insurance (a subtraction in the calculation of personal income), an acceleration in personal dividend income, and an upturn in farm proprietors' income.

- Personal current taxes (line 29) increased \$12.6 billion in the second quarter after decreasing \$40.9 billion (revised) in the first quarter.
- Disposable personal income (line 30 and chart 4) increased \$165.9 billion in the second quarter after increasing \$257.0 billion (revised) in the first quarter.
- The personal saving rate (line 33 and chart 5)—personal saving as a percentage of disposable personal income—was 6.8 percent in the second quarter; in the first quarter, the personal saving rate was 7.2 percent.
- Real disposable personal income (DPI) increased 2.5 percent in the second quarter after increasing 4.4 percent in the first quarter. Current-dollar DPI increased 4.4 percent after increasing 7.0 percent. The differences in the movements in real DPI and current-dollar DPI reflected a deceleration in the implicit price deflator for consumer spending, which is used to deflate DPI.
- With the release of the second estimate of GDP, BEA also released revised estimates of various income-related measures for the previous quarter. The revision reflected the incorporation of first-quarter tabulations from the Quarterly Census of Employment and Wages from the Bureau of Labor Statistics. As a result of this revision:
 - Wages and salaries (line 3) increased \$122.5 billion in the first quarter, an upward revision of \$0.4 billion.

- Personal income (line 1) increased \$216.1 billion, an upward revision of \$0.3 billion.
- The personal saving rate (line 33) was 7.2 percent and the percent change in real GDI (table 1, line 27) was 3.9 percent, both the same as previously estimated.

Table 3. Personal Income and Its Disposition

[Billions of dollars; quarterly estimates are seasonally adjusted at annual rates]

Line		Level		Change from preceding period			
		2018		2017		2018	
		I	II	III	IV	I	II
1	Personal income	17,319.2	17,497.6	173.9	208.0	216.1	178.5
2	Compensation of employees	10,710.1	10,820.3	131.3	97.4	141.5	110.2
3	Wages and salaries	8,710.6	8,805.8	110.9	81.5	122.5	95.1
4	Private industries	7,347.5	7,434.6	102.0	74.1	117.1	87.0
5	Goods-producing industries	1,452.2	1,476.3	20.3	9.6	41.9	24.1
6	Manufacturing	878.0	888.3	9.4	4.7	22.1	10.3
7	Services-producing industries	5,895.3	5,958.2	81.7	64.5	75.1	62.9
8	Trade, transportation, and utilities	1,344.8	1,358.2	14.4	4.8	18.8	13.4
9	Other services-producing industries	4,550.5	4,600.1	67.3	59.7	56.3	49.5
10	Government	1,363.1	1,371.2	8.9	7.4	5.5	8.1
11	Supplements to wages and salaries	1,999.4	2,014.5	20.4	15.9	19.0	15.1
12	Proprietors' income with IVA and CCAdj	1,549.9	1,573.5	12.5	18.6	23.8	23.6
13	Farm	35.2	42.1	-5.2	-0.9	-0.2	6.9
14	Nonfarm	1,514.7	1,531.4	17.6	19.5	24.0	16.7
15	Rental income of persons with CCAdj	749.3	753.9	7.7	13.3	4.0	4.7
16	Personal income receipts on assets	2,719.5	2,743.4	4.2	77.7	26.6	23.9
17	Personal interest income	1,597.6	1,603.2	9.2	77.1	20.4	5.6
18	Personal dividend income	1,121.9	1,140.2	-4.9	0.6	6.2	18.3
19	Personal current transfer receipts	2,933.9	2,963.6	33.6	12.3	46.4	29.7
20	Government social benefits to persons	2,875.7	2,903.2	33.9	11.0	44.3	27.5
21	Social security	960.8	969.1	6.9	5.7	25.3	8.2
22	Medicare	713.7	724.5	7.9	7.1	7.1	10.8
23	Medicaid	590.3	600.4	14.3	-0.4	7.1	10.1
24	Unemployment insurance	27.6	25.5	-0.2	-0.8	-0.5	-2.1
25	Veterans' benefits	105.6	107.9	2.4	2.2	3.6	2.4
26	Other	477.8	475.9	2.6	-2.8	1.7	-1.9
27	Other current transfer receipts, from business (net)	58.2	60.4	-0.3	1.3	2.1	2.2
28	Less: Contributions for government social insurance	1,343.6	1,357.1	15.4	11.3	26.2	13.6
29	Less: Personal current taxes	2,030.0	2,042.6	34.3	22.4	-40.9	12.6
30	<i>Equals:</i> Disposable personal income (DPI)	15,289.2	15,455.1	139.6	185.6	257.0	165.9
31	Less: Personal outlays	14,194.8	14,400.8	136.5	230.0	111.5	206.0
32	<i>Equals:</i> Personal saving	1,094.3	1,054.3	3.1	-44.5	145.5	-40.1
33	Personal saving as a percentage of DPI	7.2	6.8	.....	.....	.....	.....
Addenda:							
Percent change at annual rate							
34	Current-dollar DPI	.....	.....	3.9	5.1	7.0	4.4
35	Real DPI, chained (2012) dollars	.....	.....	2.2	2.3	4.4	2.5

CCAdj Capital consumption adjustment

IVA Inventory valuation adjustment

Note. Dollar levels and percent changes are from NIPA tables 2.1 and 2.2B.

Chart 4. Real Disposable Personal Income

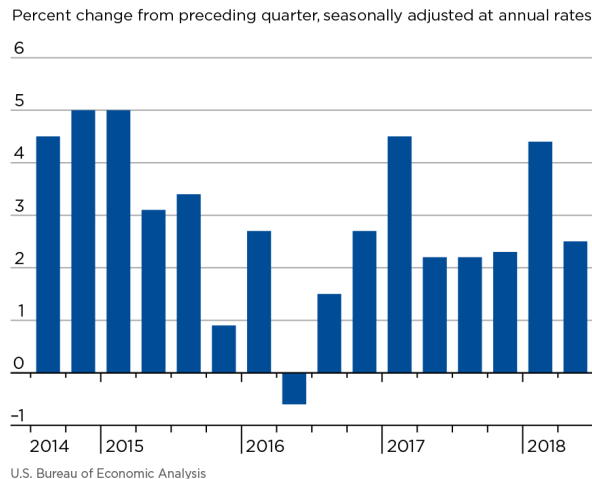
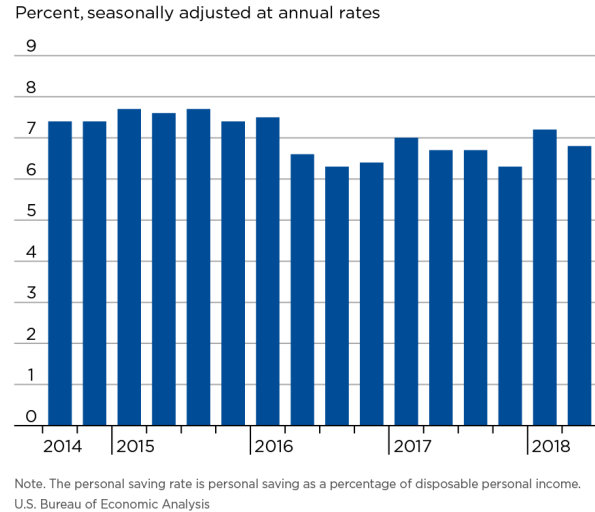


Chart 5. Personal Saving Rate



Revisions

Real GDP increased 4.2 percent in the second quarter of 2018, a slight upward revision of 0.1 percentage point from the advance estimate (table 4, line 1). The revision primarily reflected an upward revision to nonresidential fixed investment (line 9) that was partly offset by downward revisions to consumer spending on goods (line 3). Imports, which are a subtraction in the calculation of GDP, were revised down (line 19).

- The downward revision to consumer spending for goods reflected widespread downward revisions among the subcomponents.
- The upward revision to nonresidential fixed investment was mostly accounted for by higher spending on investment in software, based on new data from the Census Bureau Advance Quarterly Services Report.
- The downward revision to imports primarily reflected a downward revision to imported goods. Within goods, the downward revision was widespread; the largest contributor was petroleum and petroleum-related products. The estimates reflected updated data from the joint BEA/Census monthly U.S. International Trade in Goods and Services Report.

Table 4. Advance and Second Estimates for the Second Quarter of 2018

[Seasonally adjusted at annual rates]

Line		Change from preceding period (percent)			Contribution to percent change in real GDP (percentage points)		
		Advance estimate	Second estimate	Second estimate minus advance estimate	Advance estimate	Second estimate	Second estimate minus advance estimate
1	Gross domestic product (GDP) ¹	4.1	4.2	0.1	4.1	4.2	0.1
2	Personal consumption expenditures	4.0	3.8	-0.2	2.69	2.55	-0.14
3	Goods	5.9	5.4	-0.5	1.24	1.12	-0.12
4	Durable goods	9.3	8.6	-0.7	0.64	0.60	-0.04
5	Nondurable goods	4.2	3.7	-0.5	0.59	0.52	-0.07
6	Services	3.1	3.1	0.0	1.46	1.43	-0.03
7	Gross private domestic investment	-0.5	0.4	0.9	-0.06	0.10	0.16
8	Fixed investment	5.4	6.2	0.8	0.94	1.07	0.13
9	Nonresidential	7.3	8.5	1.2	0.98	1.13	0.15
10	Structures	13.3	13.2	-0.1	0.39	0.39	0.00
11	Equipment	3.9	4.4	0.5	0.23	0.27	0.04
12	Intellectual property products	8.2	11.0	2.8	0.35	0.47	0.12
13	Residential	-1.1	-1.6	-0.5	-0.04	-0.06	-0.02
14	Change in private inventories	.....	.....	.....	-1.00	-0.97	0.03
15	Net exports of goods and services	.....	.....	.....	1.06	1.17	0.11
16	Exports	9.3	9.1	-0.2	1.12	1.10	-0.02
17	Goods	13.3	13.1	-0.2	1.04	1.03	-0.01
18	Services	1.9	1.6	-0.3	0.08	0.07	-0.01
19	Imports	0.5	-0.4	-0.9	-0.06	0.07	0.13
20	Goods	1.0	-0.3	-1.3	-0.12	0.05	0.17
21	Services	-1.9	-0.8	1.1	0.05	0.02	-0.03
22	Government consumption expenditures and gross investment	2.1	2.3	0.2	0.37	0.41	0.04
23	Federal	3.5	3.7	0.2	0.22	0.24	0.02
24	National defense	5.5	6.0	0.5	0.21	0.22	0.01
25	Nondefense	0.6	0.5	-0.1	0.02	0.01	-0.01
26	State and local	1.4	1.6	0.2	0.15	0.17	0.02
Addenda:							
27	Final sales of domestic product	5.1	5.3	0.2	5.06	5.20	0.14
28	Gross domestic purchases price index	2.3	2.3	0.0	.....	.....	.....
29	GDP price index	3.0	3.0	0.0	.....	.....	.....

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

Corporate Profits

Measured in current dollars, profits from current production (corporate profits with the inventory valuation (IVA) adjustment and the capital consumption adjustment) increased \$72.4 billion, or 3.3 percent at a quarterly rate, in the second quarter after increasing \$26.7 billion, or 1.2 percent,

in the first quarter (table 5, line 1). In the second quarter, profits of domestic financial corporations increased \$16.8 billion (line 3), profits of domestic nonfinancial corporations increased \$63.6 billion (line 4), and rest-of-the-world profits decreased \$8.0 billion (line 5).

Profits after tax (without the inventory valuation and capital consumption adjustment), increased \$69.5 billion in the second quarter, after increasing \$148.1 billion in the first quarter (line 19).

Table 5. Corporate Profits

[Seasonally adjusted]

Line		Billions of dollars (annual rate)					Percent change from preceding quarter (quarterly rate)			
		Level	Change from preceding quarter				2017		2018	
		2018	2017		2018		2017		2018	
		II	III	IV	I	II	III	IV	I	II
Current production measures:										
1	Corporate profits with IVA and CCAAdj	2,249.7	11.6	49.5	26.7	72.4	0.6	2.4	1.2	3.3
2	Domestic industries	1,771.1	-28.9	26.4	23.0	80.4	-1.7	1.6	1.4	4.8
3	Financial	457.9	20.2	-8.4	-9.3	16.8	4.6	-1.8	-2.1	3.8
4	Nonfinancial	1,313.1	-49.2	34.8	32.3	63.6	-4.0	2.9	2.7	5.1
5	Rest of the world	478.6	40.6	23.1	3.7	-8.0	9.7	5.0	0.8	-1.6
6	Receipts from the rest of the world	813.6	38.3	39.3	20.9	-6.0	5.3	5.2	2.6	-0.7
7	Less: Payments to the rest of the world	335.0	-2.3	16.2	17.2	2.0	-0.7	5.4	5.4	0.6
8	Less: Taxes on corporate income	237.1	9.4	-31.4	-121.8	25.1	2.6	-8.6	-36.5	11.8
9	Equals: Profits after tax	2,012.6	2.2	80.9	148.4	47.3	0.1	4.7	8.2	2.4
10	Net dividends	1,222.1	-17.8	-20.7	18.4	8.9	-1.4	-1.7	1.5	0.7
11	Undistributed profits from current production	790.5	20.1	101.6	130.0	38.4	4.0	19.5	20.9	5.1
12	Net cash flow	2,565.0	-107.9	-737.5	1150.1	66.3	-4.9	-35.4	85.3	2.7
Industry profits:										
13	Profits with IVA	2,115.4	12.5	-189.6	26.6	78.5	0.6	-8.6	1.3	3.9
14	Domestic industries	1,636.7	-28.0	-212.7	23.0	86.5	-1.6	-12.2	1.5	5.6
15	Financial	462.2	20.3	-35.3	-9.2	17.7	4.3	-7.2	-2.0	4.0
16	Nonfinancial	1,174.6	-48.3	-177.4	32.2	68.8	-3.7	-14.2	3.0	6.2
17	Rest of the world	478.6	40.6	23.1	3.7	-8.0	9.7	5.0	0.8	-1.6
Addenda:										
18	Profits before tax (without IVA and CCAAdj)	2,205.6	30.3	-146.0	26.4	94.6	1.4	-6.5	1.3	4.5
19	Profits after tax (without IVA and CCAAdj)	1,968.5	20.9	-114.7	148.1	69.5	1.1	-6.1	8.5	3.7
20	IVA	-90.2	-17.8	-43.6	0.2	-16.1	.....	.....	.....	.....
21	CCAAdj	134.3	-0.9	239.1	0.1	-6.1	.....	.....	.....	.....

CCAAdj Capital consumption adjustment

IVA Inventory valuation adjustment

NOTE. Levels of these and other profits series are shown in NIPA tables 1.12, 1.14, 1.15, and 6.16D.

Note on 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).

Information on Key Source Data, Assumptions, and Methodologies

A comprehensive table that presents the “[Key Source Data and Assumptions](#),” (under Current Release) that are used to prepare each vintage of the estimate of GDP for the current quarter is available on BEA's website. For the advance estimates that are released near the end of the month after the close of the quarter, the table shows the months of source data for the quarter that are available; for most components of GDP, 3 months of data are available. For the components for which only 2 months of source data are available, BEA's assumptions for the third month are shown. Second estimates are released near the end of the second month after the close of the quarter, and third estimates are released near the end of the third month after the close of the quarter. With each vintage, the table is updated to add newly available and revised source data that have been incorporated into the estimates.

For additional details about the source data and the methodologies that are used to prepare the estimates, see [Concepts and Methods of the U.S. National Income and Product Accounts](#) on BEA's website.

1. “Real” estimates are in chained (2012) 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 January 2018 *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.”