

GDP and the Economy

Second Estimates for the First Quarter of 2013

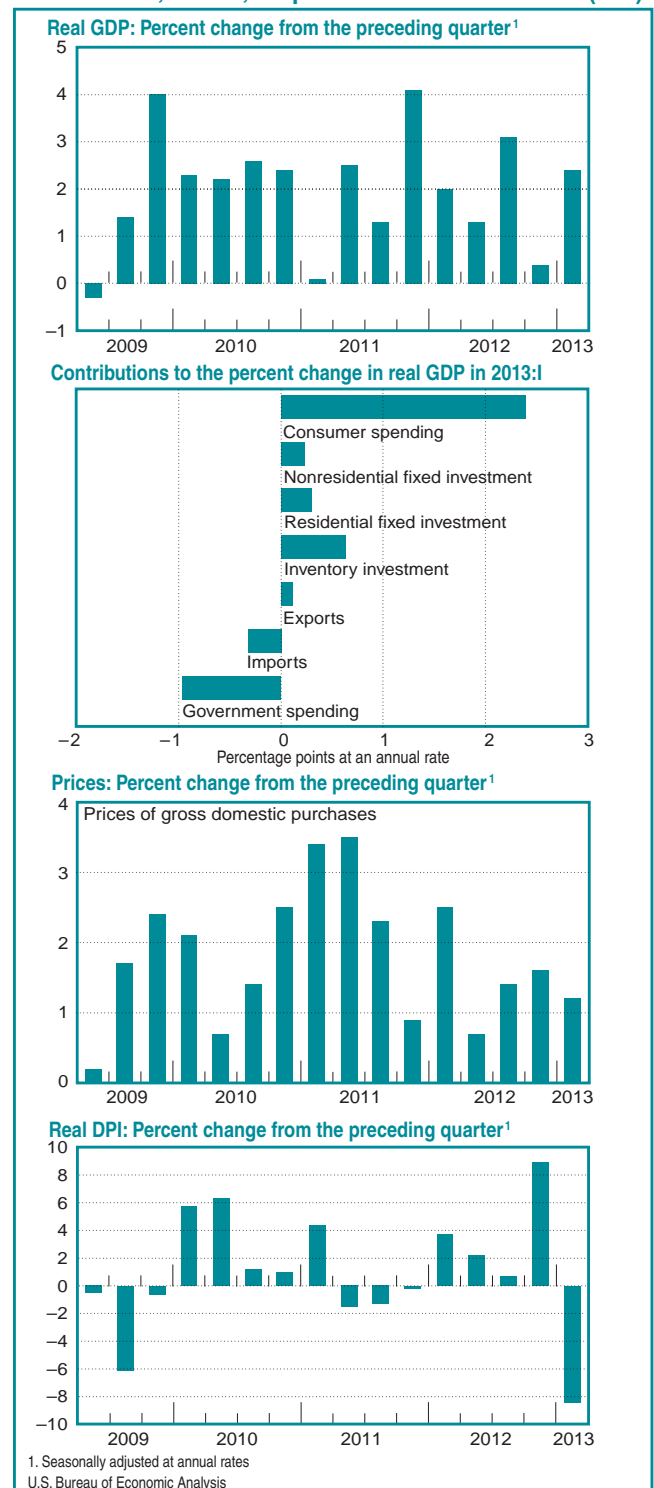
REAL GROSS domestic product (GDP) increased 2.4 percent at an annual rate in the first quarter of 2013, according to the second estimates of the national income and product accounts (NIPAs) (chart 1 and table 1).¹ The second estimate of real GDP growth was revised down 0.1 percentage point from the advance estimate of 2.5 percent; the downward revision reflected downward revisions to private inventory investment, to exports, and to state and local government spending that were partly offset by a downward revision to imports and an upward revision to consumer spending.² Although the second estimate is slightly lower than the advance estimate, the general picture of the economy has not greatly changed.

- Prices of goods and services purchased by U.S. residents increased 1.2 percent in the first quarter, 0.1 percentage point more than the advance estimate. In the fourth quarter, prices increased 1.6 percent. In the first quarter, energy prices turned down, and food prices decelerated. Excluding food and energy, gross domestic purchases prices increased 1.4 percent after increasing 1.2 percent (see page 8).
- Real disposable personal income (DPI) decreased 8.4 percent in the first quarter after increasing 8.9 percent (revised) (see page 9). The downturn in real DPI reflected a downturn in personal income and a pickup in personal current taxes. The downturn in personal income primarily reflected sharp downturns in personal dividend income and in wages and salaries and a sharp acceleration in contributions for government social insurance. The sharp declines in personal dividend income and in wages and salaries followed large fourth-quarter increases that reflected the payments of accelerated and special dividends, bonuses, and other types of irregular pay by companies in anticipation of changes to individual income tax rates in 2013.
- The personal saving rate, personal saving as a percentage of current-dollar DPI, was 2.3 percent; in the fourth quarter, the rate was 5.3 percent (revised).

1. Real estimates are in chained (2005) 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)



Teresita Duremdes Teensma prepared this article.

Real GDP Overview

Table 1. Real Gross Domestic Product and Components

[Seasonally adjusted at annual rates]

	Share of current-dollar GDP (percent)	Change from preceding period (percent)				Contributions to percent change in real GDP (percentage points)				
		2012				2013				
		I	II	III	IV	I	II	III	IV	I
Gross domestic product ¹	100.0	1.3	3.1	0.4	2.4	1.3	3.1	0.4	2.4	
Personal consumption expenditures	71.1	1.5	1.6	1.8	3.4	1.06	1.12	1.28	2.40	
Goods	24.2	0.3	3.6	4.3	4.1	0.08	0.85	1.02	0.98	
Durable goods	8.0	-0.2	8.9	13.6	8.2	-0.02	0.66	1.00	0.63	
Nondurable goods	16.2	0.6	1.2	0.1	2.2	0.10	0.19	0.02	0.35	
Services	46.9	2.1	0.6	0.6	3.1	0.99	0.26	0.27	1.42	
Gross private domestic investment	13.4	0.7	6.6	1.3	9.0	0.09	0.85	0.17	1.16	
Fixed investment	13.1	4.5	0.9	14.0	4.1	0.56	0.12	1.69	0.53	
Nonresidential	10.5	3.6	-1.8	13.2	2.2	0.36	-0.19	1.28	0.23	
Structures	3.0	0.6	0.0	16.7	-3.5	0.02	0.00	0.46	-0.11	
Equipment and software	7.5	4.8	-2.6	11.8	4.6	0.35	-0.19	0.82	0.34	
Residential	2.7	8.5	13.5	17.6	12.1	0.19	0.31	0.41	0.30	
Change in private inventories.....	0.3					-0.46	0.73	-1.52	0.63	
Net exports of goods and services	-3.4					0.23	0.38	0.33	-0.21	
Exports.....	13.8	5.3	1.9	-2.8	0.8	0.72	0.27	-0.40	0.11	
Goods.....	9.7	7.0	1.1	-5.0	0.3	0.67	0.11	-0.50	0.03	
Services	4.1	1.1	4.0	2.5	2.0	0.05	0.16	0.10	0.08	
Imports.....	17.2	2.8	-0.6	-4.2	1.9	-0.49	0.11	0.73	-0.32	
Goods.....	14.3	2.9	-1.2	-3.9	1.1	-0.42	0.18	0.57	-0.16	
Services	2.9	2.3	2.6	-5.6	5.8	-0.07	-0.07	0.17	-0.16	
Government consumption expenditures and gross investment	18.9	-0.7	3.9	-7.0	-4.9	-0.14	0.75	-1.41	-0.97	
Federal.....	7.4	-0.2	9.5	-14.8	-8.7	-0.02	0.71	-1.23	-0.68	
National defense	4.8	-0.2	12.9	-22.1	-12.1	-0.01	0.64	-1.28	-0.63	
Nondefense	2.6	-0.4	3.0	1.7	-2.1	-0.01	0.08	0.04	-0.05	
State and local	11.5	-1.0	0.3	-1.5	-2.4	-0.12	0.04	-0.18	-0.29	
Addenda:										
Final sales of domestic product	99.7	1.7	2.4	1.9	1.8	1.71	2.37	1.89	1.76	
Goods	28.6	1.3	6.1	1.4	5.7	0.38	1.73	0.40	1.60	
Services	64.1	1.2	1.7	-1.3	1.3	0.76	1.11	-0.84	0.84	
Structures	7.2	1.7	3.9	12.1	-0.8	0.12	0.27	0.82	-0.06	
Motor vehicle output	2.8	7.3	-8.6	6.8	10.7	0.20	-0.25	0.18	0.28	
GDP excluding motor vehicle output	97.2	1.1	3.5	0.2	2.2	1.06	3.36	0.20	2.10	
Final sales of computers.....	0.4	-19.9	29.5	26.5	4.7	-0.10	0.11	0.10	0.02	
GDP excluding final sales of computers	99.6	1.4	3.0	0.3	2.4	1.35	2.99	0.28	2.36	
Gross domestic income (GDI) ²		-0.7	1.6	5.5	2.5					

Real GDP accelerated in the first quarter. The acceleration primarily reflected an upturn in inventory investment, an acceleration in consumer spending, a smaller decrease in federal government spending, and an upturn in exports that were partly offset by an upturn in imports and a slowdown in nonresidential fixed investment.

Consumer spending added 2.40 percentage points to real GDP growth after adding 1.28 percentage points; a pickup in services was partly offset by a slowdown in spending for goods.

The slowdown in nonresidential fixed investment reflected a downturn in structures and a slowdown in equipment and software. (See page 4.)

Inventory investment added 0.63 percentage point to the change in real GDP after subtracting 1.52 percentage points. (See page 5.)

The upturn in exports was more than accounted for by an upturn in exports of goods. (See page 6.)

Imports subtracted 0.32 percentage point from real GDP growth after adding 0.73 percentage point.

The smaller decrease in federal government spending was more than accounted for by a smaller decrease in defense spending. (See page 7.)

Real final sales of domestic product, real GDP less inventory investment, increased 1.8 percent after increasing 1.9 percent.

Real gross domestic income, which measures the output of the economy as the incomes earned and costs incurred in production, increased 2.5 percent after increasing 5.5 percent (revised).

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

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

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 and are calculated from table 1.2.5. For GDI, percent changes are from NIPA table 1.7.1.

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)			
	2013		2012		2013		2012		2013			
	I	II	III	IV	I	II	III	IV	I			
PCE ¹	100.0	1.5	1.6	1.8	3.4	1.5	1.6	1.8	3.4			
Goods	34.1	0.3	3.6	4.3	4.1	0.11	1.20	1.45	1.40			
Durable goods	11.2	-0.2	8.9	13.6	8.2	-0.02	0.93	1.41	0.89			
Motor vehicles and parts	3.8	-9.8	10.1	22.5	9.1	-0.37	0.35	0.75	0.34			
Furnishings and durable household equipment	2.4	-0.7	5.7	4.3	5.1	-0.02	0.13	0.10	0.12			
Recreational goods and vehicles.....	3.2	7.2	11.5	11.6	9.2	0.22	0.35	0.35	0.28			
Other durable goods	1.8	8.6	6.2	12.6	8.9	0.14	0.10	0.21	0.15			
Nondurable goods	22.9	0.6	1.2	0.1	2.2	0.14	0.27	0.03	0.50			
Food and beverages for off-premises consumption....	7.4	-0.5	0.2	-0.1	1.3	-0.04	0.02	-0.01	0.10			
Clothing and footwear.....	3.3	-4.9	5.3	-1.5	1.7	-0.17	0.17	-0.05	0.06			
Gasoline and other energy goods	3.9	8.5	-2.9	-6.0	2.6	0.32	-0.12	-0.25	0.10			
Other nondurable goods.....	8.3	0.3	2.4	4.0	2.9	0.02	0.20	0.33	0.25			
Services	65.9	2.1	0.6	0.6	3.1	1.39	0.37	0.39	2.02			
Household consumption expenditures.....	63.3	1.5	0.8	0.6	3.4	0.98	0.49	0.41	2.17			
Housing and utilities	17.7	5.5	1.3	-4.2	4.7	0.95	0.23	-0.77	0.82			
Health care.....	16.4	-1.3	2.7	2.3	2.2	-0.21	0.43	0.37	0.35			
Transportation services	2.8	2.9	1.5	0.6	3.4	0.08	0.04	0.02	0.10			
Recreation services.....	3.7	2.9	0.7	-1.0	1.9	0.10	0.03	-0.04	0.07			
Food services and accommodations.....	6.5	1.1	1.3	8.0	2.3	0.07	0.08	0.50	0.15			
Financial services and insurance	7.4	-0.1	-4.8	2.6	7.5	-0.01	-0.36	0.19	0.55			
Other services.....	8.8	-0.1	0.4	1.5	1.4	-0.01	0.04	0.13	0.13			
Final consumption expenditures of NPISHs ²	2.6	16.3	-4.1	-0.9	-5.4	0.41	-0.11	-0.02	-0.14			
Gross output of NPISHs ³	10.9	0.6	4.6	-0.2	-0.1	0.07	0.50	-0.02	-0.01			
Less: Receipts from sales of goods and services by NPISHs ⁴	8.3	-4.1	7.7	0.0	1.6	-0.34	0.61	0.00	0.13			

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.
 NPISHs Nonprofit institutions serving households

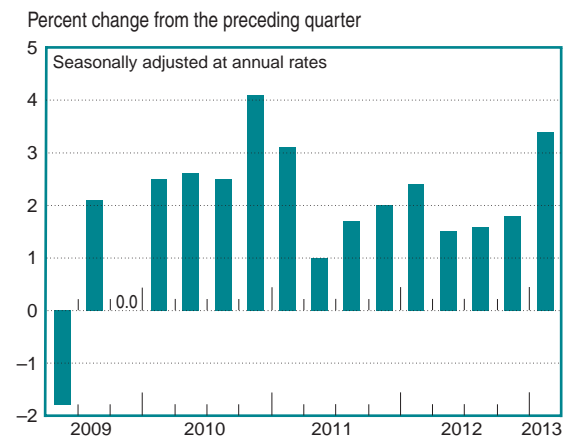
Spending for goods slowed, reflecting a slowdown in spending for durable goods that was partly offset by a pickup in spending for nondurable goods.

The slowdown in spending for durable goods was widespread; the largest contributors were new and used motor vehicles.

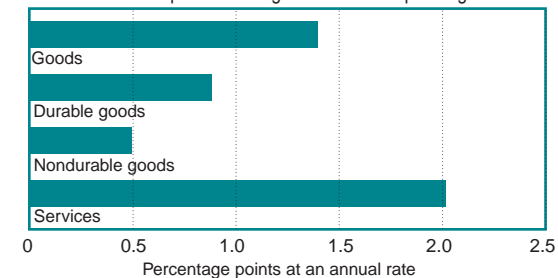
The pickup in spending for nondurable goods primarily reflected upturns in motor vehicle fuels, lubricants, and fluids, in food and nonalcoholic beverages purchased for off-premises consumption, and in clothing and footwear.

Spending for services accelerated. The acceleration mainly reflected an upturn in electricity and gas utilities and a pickup in financial services and insurance that were partly offset by a slowdown in food services.

Chart 2. Real Personal Consumption Expenditures



Contributions to the percent change in consumer spending in 2013:1



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)				
		2012				2013				
		I	II	III	IV	I	II	III	IV	I
Private fixed investment ¹	100.0	4.5	0.9	14.0	4.1	4.5	0.9	14.0	4.1	
Nonresidential	79.8	3.6	-1.8	13.2	2.2	2.92	-1.50	10.72	1.82	
Structures	22.7	0.6	0.0	16.7	-3.5	0.14	0.00	3.76	-0.80	
Commercial and health care	5.0	10.3	8.5	6.9	-2.4	0.49	0.42	0.38	-0.12	
Manufacturing.....	2.6	26.2	-8.9	24.4	-10.5	0.62	-0.25	0.60	-0.29	
Power and communication	4.6	-19.5	-9.1	69.9	-25.8	-1.05	-0.44	2.65	-1.44	
Mining exploration, shafts, and wells.....	7.6	-4.1	3.6	1.9	23.7	-0.32	0.27	0.15	1.60	
Other structures ²	2.9	13.5	0.1	-0.7	-16.9	0.40	0.00	-0.02	-0.55	
Equipment and software	57.0	4.8	-2.6	11.8	4.6	2.77	-1.50	6.95	2.62	
Information processing equipment and software	27.1	-2.4	-2.5	15.9	3.1	-0.68	-0.71	4.25	0.86	
Computers and peripheral equipment.....	3.7	-19.6	-33.2	73.4	-14.9	-0.91	-1.53	2.18	-0.62	
Software ³	14.6	6.1	3.8	9.2	9.1	0.88	0.55	1.33	1.28	
Other ⁴	8.8	-6.9	3.0	7.8	2.2	-0.66	0.27	0.74	0.20	
Industrial equipment.....	9.6	13.6	0.1	9.7	-2.4	1.27	0.01	0.98	-0.23	
Transportation equipment.....	9.5	15.8	-16.1	7.3	0.9	1.48	-1.74	0.90	0.10	
Other equipment ⁵	10.7	6.9	9.4	7.4	19.4	0.70	0.94	0.83	1.90	
Residential	20.2	8.5	13.5	17.6	12.1	1.54	2.42	3.29	2.29	
Structures	19.8	8.8	13.7	17.9	12.1	1.55	2.39	3.27	2.24	
Permanent site.....	8.8	25.4	29.7	39.3	34.8	1.61	1.94	2.73	2.54	
Single family.....	7.5	17.6	28.8	37.3	31.6	0.99	1.62	2.23	1.99	
Multifamily.....	1.3	87.9	35.4	51.5	55.1	0.62	0.32	0.50	0.55	
Other structures ⁶	11.0	-0.6	4.1	4.8	-2.7	-0.06	0.45	0.54	-0.30	
Equipment	0.5	-2.5	7.3	4.2	10.7	-0.01	0.03	0.02	0.05	

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. Excludes software "embedded," or bundled, in computers and other equipment.
 4. Includes communication equipment, nonmedical instruments, medical equipment and instruments, photocopy and related equipment, and office and accounting equipment.
 5. Consists primarily of furniture and fixtures, agricultural machinery, construction machinery, mining and oilfield machinery, service industry machinery, and electrical equipment not elsewhere classified.
 6. Consists primarily of manufactured homes, improvements, dormitories, net purchases of used structures, and brokers' commissions on the sale of residential structures.
 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.

Private fixed investment slowed, reflecting slowdowns in both nonresidential investment and residential investment.

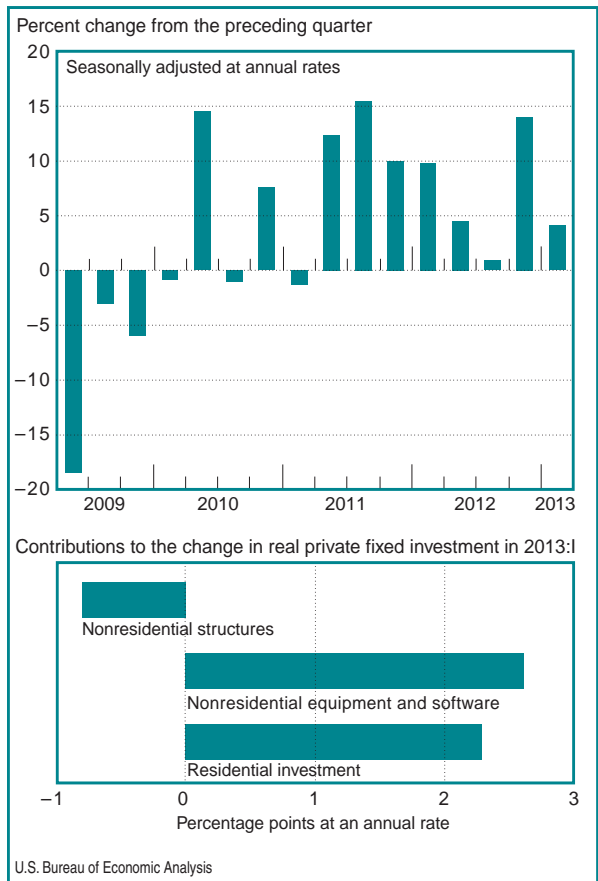
The slowdown in nonresidential fixed investment reflected a downturn in structures and a slowdown in equipment and software.

The downturn in nonresidential structures reflected downturns in power and communication structures and in manufacturing structures, a larger decrease in "other" structures, and a downturn in commercial and health care structures that were partly offset by an acceleration in mining structures.

The slowdown in equipment and software primarily reflected a deceleration in information processing equipment and software and a downturn in industrial equipment that were partly offset by an acceleration in "other" equipment.

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

Chart 3. Real Private Fixed Investment



Inventory Investment

Table 4. Change in Real Private Inventories by Industry

[Billions of chained (2005) dollars; seasonally adjusted at annual rates]

	Level				Change from preceding quarter				
	2012				2013				
	I	II	III	IV	I	II	III	IV	I
Change in private inventories¹	56.9	41.4	60.3	13.3	38.3	-15.5	18.9	-47.0	25.0
Farm.....	-2.6	-7.9	-19.2	-15.2	8.1	-5.3	-11.3	4.0	23.3
Mining, utilities, and construction....	15.7	3.1	-4.9	0.4	-6.2	-12.6	-8.0	5.3	-6.6
Manufacturing.....	11.9	-1.8	36.4	0.0	10.6	-13.7	38.2	-36.4	10.6
Durable-goods industries.....	12.4	14.3	28.8	6.8	6.5	1.9	14.5	-22.0	-0.3
Nondurable-goods industries.....	0.4	-13.6	8.8	-5.6	4.2	-14.0	22.4	-14.4	9.8
Wholesale trade.....	19.1	13.8	32.1	12.6	8.3	-5.3	18.3	-19.5	-4.3
Durable-goods industries.....	21.5	24.4	22.2	17.0	9.3	2.9	-2.2	-5.2	-7.7
Nondurable-goods industries.....	0.0	-7.0	10.7	-2.0	0.1	-7.0	17.7	-12.7	2.1
Retail trade.....	21.1	29.4	19.2	22.1	16.2	8.3	-10.2	2.9	-5.9
Motor vehicle and parts dealers.....	20.1	21.9	20.6	12.2	5.0	1.8	-1.3	-8.4	-7.2
Food and beverage stores.....	2.4	0.0	-0.1	-0.7	1.3	-2.4	-0.1	-0.6	2.0
General merchandise stores.....	-1.0	1.8	-1.6	6.0	8.2	2.8	-3.4	7.6	2.2
Other retail stores.....	0.8	7.0	1.8	5.3	1.6	6.2	-5.2	3.5	-3.7
Other industries.....	-5.7	10.3	3.8	0.3	-0.3	16.0	-6.5	-3.5	-0.6
Residual ²	-7.1	-12.9	-10.6	-11.2	0.5	.....	.....	.....	.....
Addenda: Ratios of private inventories to final sales of domestic business:³									
Private inventories to final sales.....	2.32	2.32	2.32	2.30	2.29	.....	.....	.....	.....
Nonfarm inventories to final sales.....	2.13	2.14	2.15	2.14	2.13	.....	.....	.....	.....
Nonfarm inventories to final sales of goods and structures.....	3.90	3.91	3.92	3.87	3.86	.....	.....	.....	.....

1. The levels are from NIPA table 5.6.6B.

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 5.7.6B.

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 turned up in the first quarter, increasing \$25.0 billion after decreasing \$47.0 billion in the fourth quarter. The upturn reflected an upturn in manufacturing industries, a pickup in farm industries, and a smaller decrease in wholesale trade industries that were partly offset by downturns in mining, utilities, and construction industries and in retail trade industries.

Farm inventory investment picked up, mainly reflecting a pickup in crop output in the first quarter following the Midwest drought in 2012.

The upturn in inventory investment in manufacturing industries reflected an upturn in investment in nondurable-goods industries and a smaller decrease in durable-goods industries.

The smaller decrease in inventory investment in wholesale trade industries was more than accounted for by an upturn in nondurable-goods industries.

Inventory investment in retail trade industries turned down; the downturn primarily reflected a downturn in "other" retail stores and a deceleration in general merchandise stores that were partly offset by an upturn in food and beverage stores.

Inventory Investment

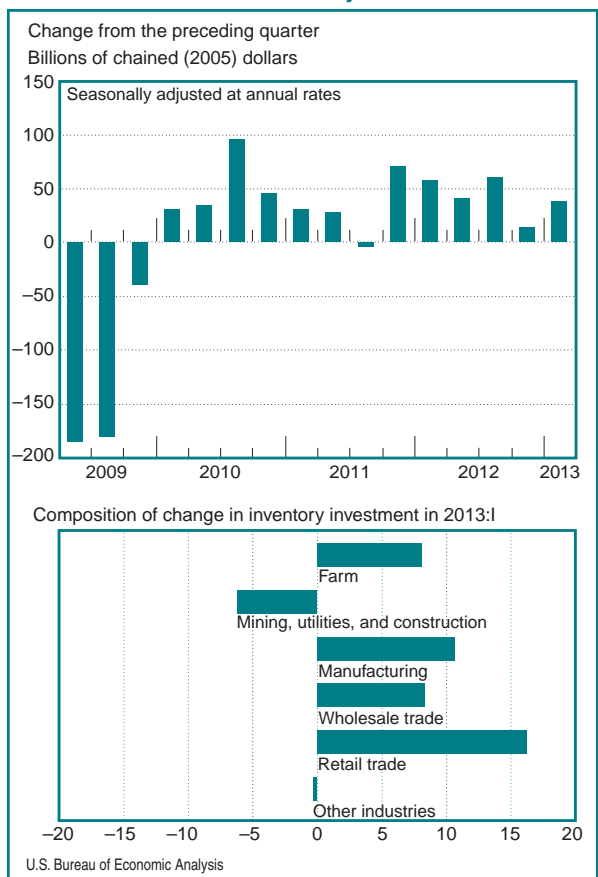
The change in real private inventories, often called real private inventory investment, represents the change in the physical stock of goods held by businesses. It includes finished goods, goods at various stages of production, and raw materials.

The change in private inventories is a key component of gross domestic product (GDP), which aims to measure 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



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)			
		2012		2013		2012		2013	
		I	II	III	IV	I	II	III	IV
Exports of goods and services ¹	100.0	5.3	1.9	-2.8	0.8	5.3	1.9	-2.8	0.8
Exports of goods ²	70.1	7.0	1.1	-5.0	0.3	4.92	0.77	-3.57	0.22
Foods, feeds, and beverages	6.1	32.1	13.5	-35.2	-1.8	1.67	0.83	-2.80	-0.11
Industrial supplies and materials	22.0	9.1	-6.3	0.7	3.9	2.02	-1.43	0.17	0.85
Capital goods, except automotive	23.8	-0.8	7.6	-9.1	-1.5	-0.16	1.78	-2.28	-0.35
Automotive vehicles, engines, and parts	6.7	9.3	-10.0	-5.5	7.1	0.62	-0.71	-0.37	0.46
Consumer goods, except automotive	8.2	13.7	-1.3	1.1	-1.1	1.08	-0.11	0.09	-0.09
Other	3.4	-9.1	14.1	63.1	-14.2	-0.30	0.41	1.62	-0.53
Exports of services ²	29.9	1.1	4.0	2.5	2.0	0.33	1.15	0.74	0.59
Imports of goods and services ¹	100.0	2.8	-0.6	-4.2	1.9	2.8	-0.6	-4.2	1.9
Imports of goods ²	83.3	2.9	-1.2	-3.9	1.1	2.40	-1.03	-3.21	0.95
Foods, feeds, and beverages	4.2	-5.0	8.3	3.7	15.0	-0.21	0.32	0.15	0.58
Industrial supplies and materials, except petroleum and products	10.7	0.3	4.5	-12.3	9.6	0.04	0.47	-1.38	0.98
Petroleum and products	14.9	-3.0	-5.1	-7.6	-15.7	-0.51	-0.80	-1.18	-2.59
Capital goods, except automotive	20.0	7.5	-8.8	1.1	2.3	1.46	-1.85	0.24	0.46
Automotive vehicles, engines, and parts	10.7	4.3	7.8	-11.9	-4.5	0.45	0.83	-1.39	-0.49
Consumer goods, except automotive	19.3	6.2	-0.1	6.4	1.0	1.12	-0.02	1.21	0.20
Other	3.4	1.6	1.0	-24.4	75.6	0.05	0.03	-0.87	1.82
Imports of services ²	16.7	2.3	2.6	-5.6	5.8	0.38	0.42	-0.96	0.95
Addenda:									
Exports of agricultural goods ³	6.7	26.8	14.2	-35.9	2.0	.....	.....	.....	.....
Exports of nonagricultural goods	63.5	5.2	-0.3	-0.8	0.1	.....	.....	.....	.....
Imports of nonpetroleum goods	68.3	4.4	-0.3	-3.0	5.3	.....	.....	.....	.....

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 turned up in the first quarter, reflecting an upturn in exports of goods that was partly offset by a slowdown in exports of services.

The upturn in exports of goods primarily reflected smaller decreases in foods, feeds, and beverages and in nonautomotive capital goods that were partly offset by a downturn in "other" goods.

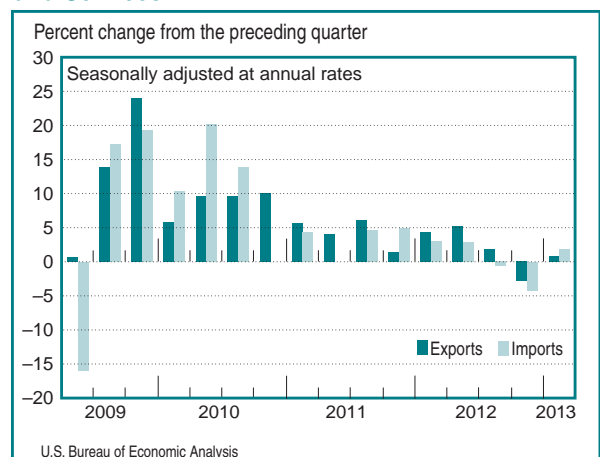
The slowdown in exports of services primarily reflected a downturn in transfers under U.S. military agency sales contracts and a slowdown in "other" private services that were partly offset by an upturn in travel.

Imports of goods and services turned up, reflecting upturns in imports of goods and of services.

The upturn in imports of goods mainly reflected upturns in "other" goods and in nonpetroleum industrial supplies and materials and a smaller decrease in automotive vehicles, engines, and parts that were partly offset by a larger decrease in petroleum and products and a slowdown in nonautomotive consumer goods.

The upturn in imports of services mainly reflected upturns in travel, in royalties and license fees, and in passenger fares that were partly offset by a slowdown in "other" private services.

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)				
	2013		2012		2013		2012		2013				
	I	II	III	IV	I	II	III	IV	I	II	III	IV	
Government consumption expenditures and gross investment¹	100.0	-0.7	3.9	-7.0	-4.9	-0.7	3.9	-7.0	-4.9				
Consumption expenditures.....	84.9	-1.2	4.6	-8.0	-3.0	-1.04	3.89	-6.87	-2.53				
Gross investment.....	15.1	2.3	-0.2	-1.2	-15.0	0.35	-0.02	-0.13	-2.42				
Federal.....	38.9	-0.2	9.5	-14.8	-8.7	-0.09	3.68	-6.13	-3.48				
National defense.....	25.4	-0.2	12.9	-22.1	-12.1	-0.04	3.28	-6.37	-3.21				
Consumption expenditures.....	22.2	-2.1	15.0	-24.9	-8.9	-0.48	3.30	-6.39	-2.02				
Gross investment.....	3.2	13.8	-0.6	-0.2	-30.7	0.44	-0.01	0.02	-1.19				
Nondefense.....	13.5	-0.4	3.0	1.7	-2.1	-0.05	0.39	0.24	-0.27				
Consumption expenditures.....	11.9	-0.2	4.1	1.2	-1.7	-0.03	0.47	0.14	-0.19				
Gross investment.....	1.6	-1.3	-4.9	5.9	-4.7	-0.02	-0.08	0.10	-0.07				
State and local.....	61.1	-1.0	0.3	-1.5	-2.4	-0.60	0.20	-0.87	-1.46				
Consumption expenditures.....	50.8	-1.1	0.2	-1.3	-0.6	-0.53	0.13	-0.62	-0.31				
Gross investment.....	10.3	-0.7	0.6	-2.6	-10.7	-0.08	0.07	-0.25	-1.15				

1. The estimates under the contribution columns are also percent changes.
NOTE: Percent changes are from NIPA table 3.9.1, contributions from NIPA table 3.9.2, and shares are calculated from NIPA table 3.9.5.

Government spending decreased less in the first quarter than in the fourth quarter, reflecting a smaller decrease in federal government spending.

The smaller decrease in federal government spending was more than accounted for by a smaller decrease in national defense spending.

The smaller decrease in national defense spending was accounted for by a smaller decrease in consumption expenditures and a downturn in gross investment.

Nondefense spending turned down, reflecting downturns in both consumption expenditures and gross investment.

State and local government spending decreased more than in the fourth quarter; the larger decrease primarily reflected a larger decrease in investment in structures and a downturn in investment in equipment and software.

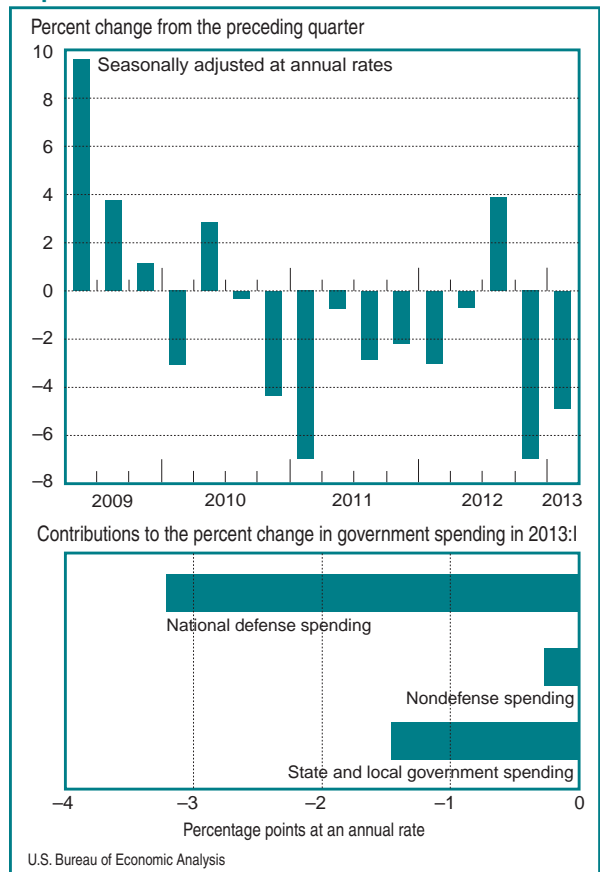
BEA's First-Quarter Estimates of Defense Spending

Federal government spending decreased 8.7 percent at an annual rate in the first quarter of 2013, reflecting a decrease in national defense spending that was primarily based on data from the *Monthly Treasury Statement (MTS)* from the Department of the Treasury. Typically, BEA adjusts the MTS data for timing differences so that spending is recorded in the quarter when the production of defense services takes place. In the first quarter, the decrease in BEA's estimates of defense consumption expenditures and gross investment is smaller than the decrease in Department of Defense military outlays in the MTS because of this timing adjustment.

For example, two annual lump-sum payments to fund retirement benefits for defense personnel were made in the fourth quarter of 2012 and were recorded in the MTS in the month that they were paid. In the national income and product accounts, these once-a-year payments are distributed across the year in order to align them with when the production of defense services takes place.

For more information, see the FAQ ["How does BEA use the Monthly Treasury Statement \(MTS\) to produce estimates of defense spending?"](#)

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 (2005=100))

	Change from preceding period (percent)				Contribution to percent change in gross domestic purchases prices (percentage points)			
	2012			2013	2012			2013
	II	III	IV	I	II	III	IV	I
Gross domestic purchases¹	0.7	1.4	1.6	1.2	0.7	1.4	1.6	1.2
Personal consumption expenditures	0.7	1.6	1.6	1.0	0.47	1.09	1.09	0.68
Goods	-1.8	1.9	1.1	-0.9	-0.43	0.44	0.25	-0.21
Durable goods	-1.2	-2.3	-2.0	-1.1	-0.09	-0.18	-0.15	-0.08
Nondurable goods	-2.2	4.0	2.6	-0.8	-0.34	0.62	0.40	-0.13
Services	2.0	1.4	1.9	2.0	0.90	0.65	0.85	0.90
Gross private domestic investment	1.3	0.6	1.5	1.7	0.17	0.08	0.20	0.22
Fixed investment	1.2	1.3	1.5	1.8	0.14	0.16	0.19	0.23
Nonresidential	1.2	0.8	1.2	0.6	0.12	0.08	0.12	0.07
Structures	3.2	1.0	1.4	1.8	0.09	0.03	0.04	0.05
Equipment and software	0.4	0.7	1.1	0.2	0.03	0.05	0.08	0.01
Residential	1.2	3.3	3.0	6.7	0.03	0.08	0.07	0.16
Change in private inventories .....	.....	.....	.....	.....	0.02	-0.08	0.01	-0.01
Government consumption expenditures and gross investment	0.6	1.4	1.6	1.7	0.11	0.26	0.30	0.31
Federal	1.2	0.9	1.6	2.4	0.09	0.07	0.12	0.17
National defense	0.9	0.9	1.9	3.0	0.04	0.05	0.10	0.14
Nondefense	2.0	1.0	0.8	1.3	0.05	0.02	0.02	0.03
State and local	0.1	1.6	1.6	1.2	0.02	0.19	0.18	0.13
Addenda:								
Gross domestic purchases:								
Food	0.7	-0.6	1.8	1.6	0.03	-0.03	0.09	0.08
Energy goods and services	-13.1	10.3	9.9	-4.3	-0.55	0.40	0.39	-0.17
Excluding food and energy	1.4	1.2	1.2	1.4	1.26	1.06	1.11	1.31
Personal consumption expenditures (PCE):								
Food and beverages for off-premises consumption	0.7	0.6	1.8	1.3	.....	.....	.....	.....
Energy goods and services	-13.6	10.5	9.9	-3.7	.....	.....	.....	.....
Excluding food and energy	1.7	1.1	1.0	1.3	.....	.....	.....	.....
Gross domestic product (GDP)	1.6	2.7	1.0	1.1	.....	.....	.....	.....
Exports	0.5	0.0	1.5	1.5	.....	.....	.....	.....
Imports	-3.9	-6.5	5.3	1.9	.....	.....	.....	.....

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.

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.

Prices of goods and services purchased by U.S. residents, as measured by the price index for gross domestic purchases, increased 1.2 percent in the first quarter after increasing 1.6 percent in the fourth quarter.

Consumer prices slowed, increasing 1.0 percent after increasing 1.6 percent. The slowdown was more than accounted for by a downturn in prices paid for goods.

The downturn in goods prices was more than accounted for by a downturn in the prices paid for motor vehicle fuels, lubricants, and fluids.

Prices paid for nonresidential fixed investment slowed, reflecting a deceleration in prices paid for equipment and software. Prices paid for structures picked up slightly.

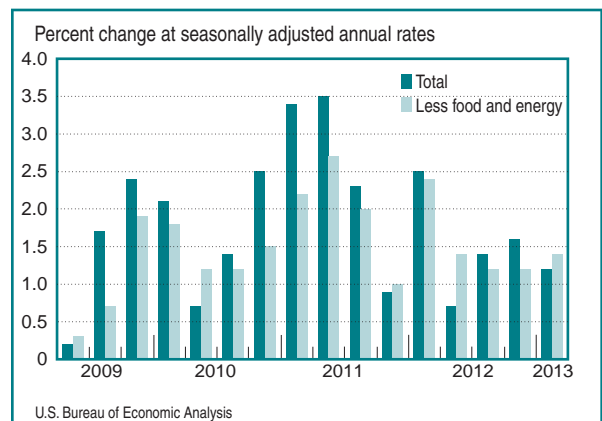
Prices paid for residential investment accelerated, increasing 6.7 percent after increasing 3.0 percent. The acceleration reflected a pickup in prices paid for single-family residential structures.

Prices paid by the federal government accelerated, primarily reflecting an acceleration in military compensation as a result of the first-quarter pay raise for military personnel.

Prices paid by state and local governments slowed, increasing 1.2 percent after increasing 1.6 percent; the slowdown was more than accounted for by a downturn in petroleum prices.

Consumer prices excluding food and energy, a measure of the "core" rate of inflation, picked up, increasing 1.3 percent after increasing 1.0 percent.

The GDP price index increased 1.1 percent, 0.1 percentage point less than the increase in the gross domestic purchases price index. Import prices slowed, increasing 1.9 percent after increasing 5.3 percent. Export prices increased 1.5 percent, the same increase as in the fourth quarter.

Chart 7. Gross Domestic Purchases Prices

Revisions

Table 8. Advance and Second Estimates for the First Quarter of 2013

[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	2.5	2.4	-0.1	2.5	2.4	-0.1
Personal consumption expenditures	3.2	3.4	0.2	2.24	2.40	0.16
Goods	3.3	4.1	0.8	0.78	0.98	0.20
Durable goods	8.1	8.2	0.1	0.62	0.63	0.01
Nondurable goods	1.0	2.2	1.2	0.16	0.35	0.19
Services	3.1	3.1	0.0	1.46	1.42	-0.04
Gross private domestic investment	12.3	9.0	-3.3	1.56	1.16	-0.40
Fixed investment	4.1	4.1	0.0	0.53	0.53	0.00
Nonresidential	2.1	2.2	0.1	0.22	0.23	0.01
Structures	-0.3	-3.5	-3.2	-0.01	-0.11	-0.10
Equipment and software	3.0	4.6	1.6	0.23	0.34	0.11
Residential	12.6	12.1	-0.5	0.31	0.30	-0.01
Change in private inventories				1.03	0.63	-0.40
Net exports of goods and services				-0.50	-0.21	0.29
Exports	2.9	0.8	-2.1	0.40	0.11	-0.29
Goods	3.5	0.3	-3.2	0.34	0.03	-0.31
Services	1.5	2.0	0.5	0.06	0.08	0.02
Imports	5.4	1.9	-3.5	-0.90	-0.32	0.58
Goods	5.2	1.1	-4.1	-0.73	-0.16	0.57
Services	6.0	5.8	-0.2	-0.17	-0.16	0.01
Government consumption expenditures and gross investment	-4.1	-4.9	-0.8	-0.80	-0.97	-0.17
Federal	-8.4	-8.7	-0.3	-0.65	-0.68	-0.03
National defense	-11.5	-12.1	-0.6	-0.60	-0.63	-0.03
Nondefense	-2.0	-2.1	-0.1	-0.05	-0.05	0.00
State and local	-1.2	-2.4	-1.2	-0.14	-0.29	-0.15
Addenda:						
Final sales of domestic product	1.5	1.8	0.3	1.47	1.76	0.29
Gross domestic purchases price index	1.1	1.2	0.1			
GDP price index	1.2	1.1	-0.1			

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

The second estimate of the first-quarter increase in real GDP is 0.1 percentage point less than the advance estimate, primarily reflecting downward revisions to private inventory investment, to exports, and to state and local government spending that were partly offset by a downward revision to imports and an upward revision to consumer spending. The average revision (without regard to sign) between the advance estimate and the second estimate is 0.5 percentage point.

The upward revision to consumer spending was more than accounted for by an upward revision to nondurable goods that primarily reflected an upward revision to motor vehicle fuels, lubricants, and fluids.

The downward revision to private inventory investment was more than accounted for by a downward revision to nonfarm industries that primarily reflected downward revisions to retail trade industries and to "other" industries.

The revisions to exports and to imports primarily reflected newly available Census Bureau goods data for March.

The downward revision to state and local government spending was primarily accounted for by a downward revision to gross investment in structures.

Personal Income for the Fourth Quarter of 2012

With the release of the second estimates of GDP, BEA also releases revised estimates of income-related measures for the previous quarter. This revision incorporates fourth-quarter data from the Quarterly Census of Employment and Wages from the Bureau of Labor Statistics that included accelerated bonuses and other types of irregular pay by companies in the fourth quarter in anticipation of tax law changes in 2013.

Wage and salary disbursements increased \$171.7 billion, an upward revision of \$100.9 billion. Personal current taxes increased \$52.6 billion, an upward revision of \$18.3 billion. Contributions for government social insurance, which is subtracted in calculating personal income, increased \$21.5 billion, an upward revision of \$12.6 billion.

As a result of these revisions,

- Personal income increased \$358.1 billion, an upward revision of \$95.8 billion.
- Disposable personal income increased \$305.5 billion, a downward revision of \$77.5 billion.
- Personal saving increased \$208.4 billion, an upward revision of \$77.5 billion.
- The personal saving rate was 5.3 percent, an upward revision of 0.6 percentage point.

Major Source Data for the Second Estimates

Personal consumption expenditures: retail sales for January through March (revised). Motor vehicle registrations data for March (new). Gasoline for January (revised) and February (new). Energy Information Administration data for electricity and natural gas sales and unit value for January through March (new).

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

Change in private inventories: 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: international transactions accounts for January and February (revised) and March (new).

Government consumption expenditures and gross investment: 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						
	2013		2012		2012		2013		
	I	II	III	IV	I	II	III	IV	I
Current production measures:									
Corporate profits	1,969.2	21.8	45.7	45.4	-43.8	1.1	2.4	2.3	-2.2
Domestic industries	1,549.8	-11.9	54.0	21.3	-10.8	-0.8	3.6	1.4	-0.7
Financial	451.8	-39.7	68.1	-3.5	-2.0	-9.3	17.5	-0.8	-0.4
Nonfinancial	1,098.0	27.8	-14.1	24.8	-8.8	2.6	-1.3	2.3	-0.8
Rest of the world	419.4	33.6	-8.2	24.1	-33.0	8.4	-1.9	5.6	-7.3
Receipts from the rest of the world	658.3	10.0	4.2	35.7	-23.1	1.6	0.6	5.5	-3.4
Less: Payments to the rest of the world	238.9	-23.6	12.4	11.6	9.9	-10.3	6.0	5.3	4.4
Less: Taxes on corporate income	434.4	-10.3	9.1	-4.4	-13.6	-2.3	2.0	-1.0	-3.0
Equals: Profits after tax	1,534.8	31.9	36.7	49.8	-30.2	2.2	2.5	3.3	-1.9
Net dividends	782.9	20.4	12.8	124.3	-101.7	2.8	1.7	16.3	-11.5
Undistributed profits from current production	751.9	11.6	23.8	-74.3	71.4	1.6	3.3	-9.9	10.5
Net cash flow	1,895.4	6.0	32.5	-89.8	110.9	0.3	1.8	-4.8	6.2
Industry profits:									
Profits with IVA	2,155.8	23.5	43.2	45.0	-56.7	1.1	2.0	2.1	-2.6
Domestic industries	1,736.4	-10.2	51.5	20.9	-23.7	-0.6	3.1	1.2	-1.3
Financial	503.2	-39.3	67.7	-3.4	-3.0	-8.2	15.3	-0.7	-0.6
Nonfinancial	1,233.2	29.0	-16.2	24.3	-20.7	2.4	-1.3	2.0	-1.7
Rest of the world	419.4	33.6	-8.2	24.1	-33.0	8.4	-1.9	5.6	-7.3
Addenda:									
Profits before tax (without IVA and CCAdj)	2,171.9	-16.3	86.2	27.3	-49.8	-0.8	4.1	1.2	-2.2
Profits after tax (without IVA and CCAdj)	1,737.6	-6.0	77.1	31.7	-36.1	-0.4	4.6	1.8	-2.0
IVA	-16.1	39.7	-42.8	17.6	-6.9	.....	.....	.....	.....
CCAdj	-186.6	-1.7	2.4	0.5	12.9	.....	.....	.....	.....

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 from current production decreased \$43.8 billion, or 2.2 percent at a quarterly rate, in the first quarter after increasing \$45.4 billion, or 2.3 percent, in the fourth quarter.

Domestic profits of financial corporations decreased \$2.0 billion, or 0.4 percent, after decreasing \$3.5 billion, or 0.8 percent.

Domestic profits of nonfinancial corporations decreased \$8.8 billion, or 0.8 percent, after increasing \$24.8 billion, or 2.3 percent.

Profits from the rest of the world decreased \$33.0 billion, or 7.3 percent, after increasing \$24.1 billion, or 5.6 percent. In the first quarter, receipts decreased \$23.1 billion, and payments increased \$9.9 billion.

Taxes on corporate income decreased \$13.6 billion, or 3.0 percent, after decreasing \$4.4 billion, or 1.0 percent.

After-tax profits decreased \$30.2 billion, or 1.9 percent, after increasing \$49.8 billion, or 3.3 percent.

Undistributed corporate profits, a measure of net saving that equals after-tax profits less dividends, increased \$71.4 billion, or 10.5 percent, after decreasing \$74.3 billion, or 9.9 percent.

Net cash flow from current production, a profits-related measure of internal funds available for investment, increased \$110.9 billion, or 6.2 percent, after decreasing \$89.8 billion, or 4.8 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 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 (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).