

GDP and the Economy

Second Estimates for the First Quarter of 2018

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Real gross domestic product (GDP) increased at an annual rate of 2.2 percent in the first quarter of 2018, according to the second estimate of the National Income and Product Accounts (NIPAs) (chart 1 and table 1).¹ In the fourth quarter of 2017, real GDP increased 2.9 percent.

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

Chart 1. Real GDP: Percent Change From Preceding Quarter

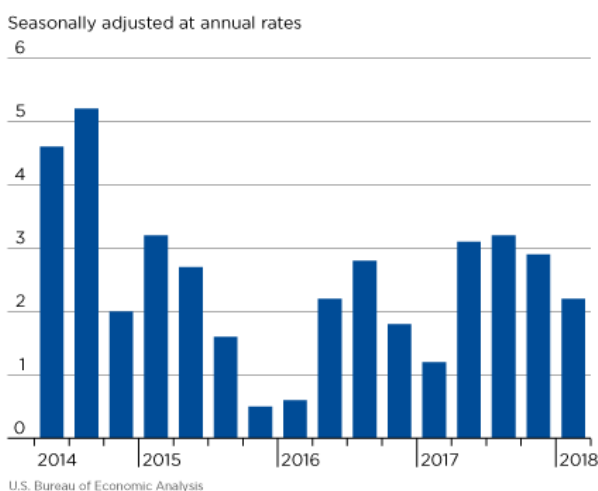
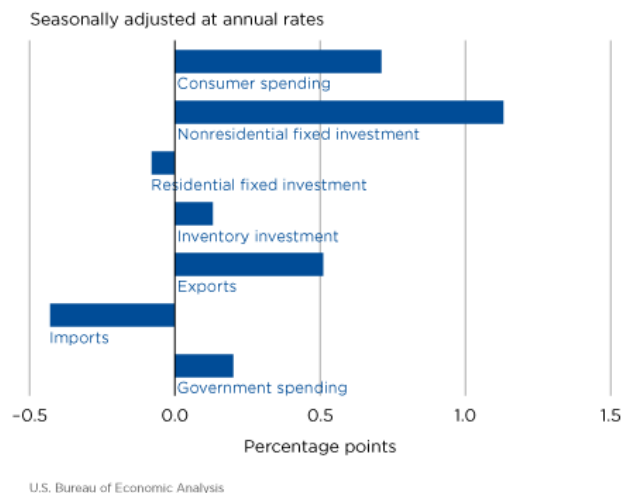


Chart 2. Real GDP: Contributions to the Percent Change in 2018:1



GDP Component Detail

The deceleration in real GDP growth in the first quarter reflected smaller increases in consumer spending, in exports, in state and local government spending, and in federal government spending and a downturn in residential fixed investment. These movements were partly offset by an upturn in private inventory investment and by a larger increase in nonresidential fixed investment. Imports, which are a subtraction in the calculation of GDP, decelerated.

- The smaller increase in consumer spending (table 1, line 2) reflected a downturn in spending for goods (line 3) and a smaller increase in spending for services (line 6).
 - The main contributors to the downturn in spending for goods were downturns in motor vehicles and parts and in clothing and footwear and a smaller increase in food and beverages purchased for off-premises consumption.
 - The main contributor to the smaller increase in spending for services was a deceleration in housing and utilities (mainly electricity and gas).
- The larger increase in nonresidential fixed investment (line 9) reflected accelerations in intellectual property products (line 12) and in structures (line 10) that were partly offset by a deceleration in investment in equipment (line 11).
 - The acceleration in intellectual property products was mainly due to an upturn in software investment.
 - The acceleration in structures primarily reflected accelerations in investment in mining exploration, shafts, and wells and in commercial and health care structures as well as an upturn in investment in power and communication structures.
- The downturn in residential fixed investment primarily reflected a downturn in “other” structures (mainly due to a downturn in brokers’ commissions and other ownership transfer costs and to a deceleration in improvements).
- The upturn in private inventory investment (line 14) mainly reflected an upturn in wholesale trade industries (for both durable and nondurable goods).
- The smaller increase in exports (line 16) reflected a deceleration in exports of goods that was partly offset by an upturn in exports of services.
 - The deceleration in exports of goods (line 17) primarily reflected downturns in industrial supplies and materials (mainly petroleum and products) and in “other” goods and a deceleration in nonautomotive capital goods. These movements were partly offset by an upturn in exports of foods, feeds, and beverages (mainly soybeans) and by an acceleration in automotive vehicles, engines, and parts.
 - The upturn in exports of services mainly reflected upturns in travel services and in transport services.
- The deceleration in imports (line 19) reflected a deceleration in imports of goods that was partly offset by a larger increase in imports of services.

- The deceleration in imports of goods (line 20) primarily reflected downturns in “other” goods and in industrial supplies and materials and a deceleration in nonautomotive consumer durable goods.
- The smaller increase in federal government spending (line 23) reflected decelerations in consumption expenditures and in gross investment (mainly for equipment).
- The smaller increase in state and local government spending (line 26) reflected a downturn in investment in structures.
- Real gross domestic income (GDI) (line 27) increased 2.8 percent in the first quarter of 2018 after increasing 1.0 percent in the fourth quarter of 2017 (revised). The fourth-quarter increase in real GDI was revised from 0.9 percent to 1.0 percent based on newly available fourth-quarter data for wages and salaries from the Bureau of Labor Statistics Quarterly Census of Employment and Wages (QCEW) program.

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
		I	II	III	IV	I	II	III	IV	I
1	Gross domestic product¹	100.0	3.1	3.2	2.9	2.2	3.1	3.2	2.9	2.2
2	Personal consumption expenditures	69.0	3.3	2.2	4.0	1.0	2.24	1.49	2.75	0.71
3	Goods	22.1	5.4	4.5	7.8	-0.6	1.16	0.97	1.67	-0.13
4	Durable goods	7.5	7.6	8.6	13.7	-2.6	0.56	0.63	0.98	-0.20
5	Nondurable goods	14.6	4.2	2.3	4.8	0.4	0.61	0.34	0.69	0.06
6	Services	46.9	2.3	1.1	2.3	1.8	1.08	0.52	1.08	0.84
7	Gross private domestic investment	16.9	3.9	7.3	4.7	7.2	0.64	1.19	0.78	1.18
8	Fixed investment	16.8	3.2	2.4	8.2	6.5	0.53	0.40	1.31	1.05
9	Nonresidential	12.9	6.7	4.7	6.8	9.2	0.82	0.58	0.84	1.13
10	Structures	3.0	7.0	-7.0	6.3	14.2	0.20	-0.21	0.18	0.39
11	Equipment	5.8	8.8	10.8	11.6	5.5	0.48	0.58	0.63	0.31
12	Intellectual property products	4.1	3.7	5.2	0.8	10.9	0.15	0.21	0.03	0.43
13	Residential	3.9	-7.3	-4.7	12.8	-2.0	-0.30	-0.18	0.46	-0.08
14	Change in private inventories	0.1	.....	.....	.....	.....	0.12	0.79	-0.53	0.13
15	Net exports of goods and services	-3.2	.....	.....	.....	.....	0.21	0.36	-1.16	0.08
16	Exports	12.4	3.5	2.1	7.0	4.2	0.42	0.25	0.83	0.51
17	Goods	8.2	2.2	1.8	11.6	5.4	0.18	0.15	0.89	0.43
18	Services	4.1	6.2	2.5	-1.4	1.9	0.25	0.10	-0.06	0.08
19	Imports	15.6	1.5	-0.7	14.1	2.8	-0.22	0.11	-1.99	-0.43
20	Goods	12.8	1.3	-0.2	17.3	2.2	-0.16	0.03	-1.96	-0.28
21	Services	2.8	2.2	-2.6	1.1	5.5	-0.06	0.07	-0.03	-0.15
22	Government consumption expenditures and gross investment	17.3	-0.2	0.7	3.0	1.1	-0.03	0.12	0.51	0.20
23	Federal	6.5	1.9	1.3	3.2	1.7	0.13	0.09	0.20	0.11
24	National defense	3.9	4.7	2.4	5.5	1.8	0.18	0.09	0.21	0.07
25	Nondefense	2.6	-1.9	-0.2	-0.1	1.6	-0.05	-0.01	0.00	0.04
26	State and local	10.8	-1.5	0.2	2.9	0.8	-0.16	0.03	0.31	0.08
Addenda:										
27	Gross domestic income (GDI) ²	.....	2.3	2.4	1.0	2.8	.....	.....	.....	.....
28	Average of GDP and GDI	.....	2.7	2.8	2.0	2.5	.....	.....	.....	.....
29	Final sales of domestic product	99.9	2.9	2.4	3.4	2.0	2.94	2.37	3.41	2.04
30	Goods	29.5	7.3	9.6	2.6	3.2	2.10	2.74	0.78	0.94
31	Services	62.3	2.1	1.5	1.9	1.5	1.32	0.93	1.18	0.91
32	Structures	8.3	-4.3	-6.2	12.2	4.0	-0.36	-0.51	0.93	0.33
33	Motor vehicle output	2.9	0.8	-10.3	35.1	8.5	0.02	-0.30	0.83	0.23
34	GDP excluding motor vehicle output	97.1	3.1	3.6	2.1	2.0	3.04	3.45	2.05	1.94
35	Research and development (R&D)	2.5	1.3	0.9	-0.4	6.7	0.03	0.02	-0.01	0.16
36	GDP excluding R&D	97.5	3.1	3.2	3.0	2.1	3.03	3.13	2.90	2.01

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

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

Note. Percent changes are from NIPA tables 1.1.1 and 1.2.1, contributions are from NIPA tables 1.1.2 and 1.2.2, and shares are from NIPA table 1.1.10 or are calculated from NIPA table 1.2.5.

Prices

Prices for gross domestic purchases, goods and services purchased by U.S. residents, increased 2.7 percent in the first quarter of 2018 after increasing 2.5 percent in the fourth quarter of 2017 (table 2, line 1, and chart 3). The acceleration mainly reflected an acceleration in the prices paid for residential investment.

The acceleration in prices paid for residential investment (line 13) reflected accelerations in new single-family construction and in brokers' commissions and other ownership transfer costs.

Consumer prices excluding food and energy (line 25), a measure of the “core” rate of inflation, accelerated, increasing 2.3 percent in the first quarter after increasing 1.9 percent in the fourth quarter.

The GDP price index increased 1.9 percent in the first quarter (line 26), compared with a 2.7 percent increase in the gross domestic purchases price index. The smaller increase in the GDP price index than in the gross domestic purchases price index reflects the changes in import and in export prices. Import prices, which are included in gross domestic purchases and excluded from GDP, increased 9.0 percent in the first quarter. Export prices, which are included in GDP and excluded from gross domestic purchases, increased 3.9 percent in the first quarter.

Chart 3. Prices of Gross Domestic Purchases

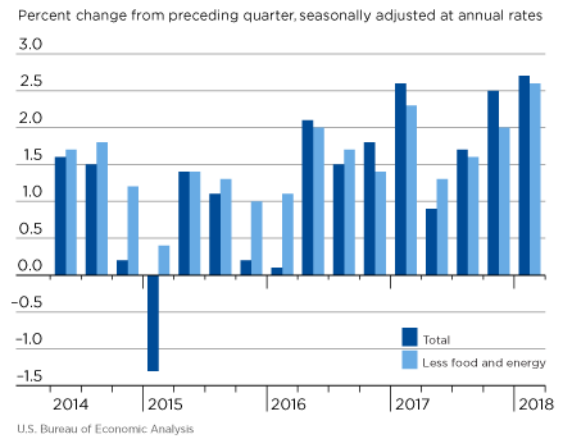


Table 2. Prices for Gross Domestic Purchases

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

Line		Change from preceding period (percent)				Contribution to percent change in gross domestic purchases prices (percentage points)			
		2017			2018	2017			2018
		II	III	IV	I	II	III	IV	I
1	Gross domestic purchases¹	0.9	1.7	2.5	2.7	0.9	1.7	2.5	2.7
2	Personal consumption expenditures	0.3	1.5	2.7	2.6	0.18	1.02	1.83	1.72
3	Goods	-3.6	0.7	1.8	2.0	-0.79	0.16	0.38	0.43
4	Durable goods	-3.6	-2.5	-2.1	-1.7	-0.27	-0.19	-0.15	-0.12
5	Nondurable goods	-3.6	2.4	3.8	3.9	-0.52	0.34	0.53	0.55
6	Services	2.2	1.9	3.2	2.8	0.97	0.87	1.44	1.29
7	Gross private domestic investment	2.6	1.9	1.0	2.9	0.40	0.30	0.16	0.48
8	Fixed investment	2.5	1.9	1.0	3.0	0.40	0.30	0.16	0.49
9	Nonresidential	1.9	1.1	0.6	1.3	0.23	0.14	0.07	0.16
10	Structures	3.8	4.5	1.9	3.5	0.11	0.12	0.05	0.10
11	Equipment	0.8	0.2	0.2	0.3	0.04	0.01	0.01	0.02
12	Intellectual property products	1.9	0.1	0.0	1.2	0.08	0.00	0.00	0.05
13	Residential	4.6	4.4	2.5	8.8	0.17	0.16	0.09	0.32
14	Change in private inventories	.....	.....	.....	.....	0.01	0.00	0.00	-0.01
15	Government consumption expenditures and gross investment	1.6	2.3	3.0	3.2	0.27	0.38	0.50	0.54
16	Federal	1.8	1.1	1.7	4.0	0.11	0.07	0.11	0.25
17	National defense	1.4	0.4	1.5	3.4	0.05	0.02	0.06	0.13
18	Nondefense	2.3	2.1	2.1	4.9	0.06	0.05	0.05	0.12
19	State and local	1.5	3.0	3.8	2.8	0.16	0.31	0.39	0.29
Addenda:									
Gross domestic purchases:									
20	Food	2.1	0.2	0.1	0.4	0.10	0.01	0.01	0.02
21	Energy goods and services	-16.0	8.4	28.2	12.3	-0.45	0.21	0.66	0.31
22	Excluding food and energy	1.3	1.6	2.0	2.6	1.21	1.49	1.82	2.40
Personal consumption expenditures (PCE):									
23	Food and beverages purchased for off-premises consumption	2.0	0.2	0.2	0.2	.....	.....	.....	.....
24	Energy goods and services	-16.0	8.4	27.7	12.9	.....	.....	.....	.....
25	Excluding food and energy	0.9	1.3	1.9	2.3	.....	.....	.....	.....
26	Gross domestic product (GDP)	1.0	2.1	2.3	1.9	.....	.....	.....	.....
27	Exports of goods and services	-0.1	3.3	5.8	3.9	.....	.....	.....	.....
28	Imports of goods and services	-1.0	0.4	6.1	9.0	.....	.....	.....	.....

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 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 slightly in the first quarter, increasing \$177.2 billion after increasing \$193.7 billion in the fourth quarter, revised up as a result of the newly available QCEW data for wages and salaries. Decelerations in personal interest income (line 17), in nonfarm proprietors' income (line 14), and in rental income (line 15) were mostly offset by accelerations in wages and salaries (line 3) and in government social benefits to persons (line 20).

- Personal current taxes (line 29) decreased \$33.2 billion in the first quarter after increasing \$51.6 billion in the fourth quarter.
- Disposable personal income (line 30) increased \$210.4 billion in the first quarter; in the fourth quarter, it increased \$142.1 billion.
- The personal saving rate (line 33)—personal saving as a percentage of disposable personal income—was 3.1 percent in the first quarter; in the fourth quarter, the saving rate was 2.7 percent.
- Wages and salaries in the first quarter were adjusted up by \$10.0 billion (line 36) at an annualized rate to account for bonuses that are not included in the monthly source data in

the Current Employment Statistics from the Bureau of Labor Statistics. This adjustment reflects one-time bonuses paid by businesses reported publicly in response to the Tax Cuts and Jobs Act (TCJA) (enacted in December 2017). The adjustment was derived from news releases about the estimates of the number of employees who received bonuses and the bonus amounts.

- In the first quarter, disposable personal income accelerated, and the personal saving rate was higher than in the fourth quarter; these movements mostly resulted from the downturn in personal current taxes, which reflects the effects of the TCJA. BEA estimates that the TCJA reduced personal current taxes by \$115.5 billion at an annual rate (line 37). BEA's preliminary estimates of the effects of the TCJA are partly based on projections prepared by the Treasury Department's Office of Tax Analysis. For more information, see [“How does the 2017 Tax Cuts and Jobs Act affect BEA's estimates of personal taxes?”](#)

Table 3. Personal Income and Its Disposition

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

Line		Level		Change from preceding period			
		2017	2018	2017		2018	
		IV	I	II	III	IV	I
1	Personal income	16,662.6	16,839.8	94.3	129.4	193.7	177.2
2	Compensation of employees	10,471.7	10,607.9	76.7	113.1	115.6	136.3
3	Wages and salaries	8,493.0	8,612.4	63.1	97.4	100.4	119.5
4	Private industries	7,140.4	7,248.4	56.8	89.0	93.0	107.9
5	Goods-producing industries	1,394.3	1,427.5	9.3	16.6	17.9	33.2
6	Manufacturing	847.3	867.6	4.6	5.8	12.4	20.3
7	Services-producing industries	5,746.1	5,820.9	47.5	72.4	75.2	74.8
8	Trade, transportation, and utilities	1,314.3	1,324.9	7.1	12.2	6.5	10.6
9	Other services-producing industries	4,431.8	4,496.0	40.5	60.2	68.6	64.2
10	Government	1,352.5	1,364.1	6.3	8.4	7.4	11.5
11	Supplements to wages and salaries	1,978.7	1,995.5	13.6	15.7	15.2	16.8
12	Proprietors' income with IVA and CCAdj	1,403.1	1,420.0	-1.6	3.3	21.2	16.9
13	Farm	29.6	29.8	-4.8	-5.1	-2.4	0.2
14	Nonfarm	1,373.6	1,390.2	3.3	8.4	23.6	16.7
15	Rental income of persons with CCAdj	757.4	761.7	9.5	6.9	10.2	4.3
16	Personal income receipts on assets	2,481.1	2,497.4	14.4	-0.6	47.2	16.3
17	Personal interest income	1,506.1	1,518.9	-11.5	-4.5	45.4	12.8
18	Personal dividend income	975.0	978.5	25.9	3.9	1.8	3.5
19	Personal current transfer receipts	2,873.2	2,908.7	5.1	21.4	14.9	35.5
20	Government social benefits to persons	2,812.6	2,847.1	4.3	20.7	14.1	34.5
21	Social security	935.4	960.8	6.8	7.2	5.4	25.4
22	Medicare	681.9	685.8	4.1	4.9	5.5	3.9
23	Medicaid	590.8	598.5	-4.0	6.0	7.5	7.7
24	Unemployment insurance	27.8	27.5	-1.7	-0.1	-0.7	-0.3
25	Veterans' benefits	100.2	103.1	2.5	1.2	0.9	2.9
26	Other	476.4	471.4	-3.4	1.6	-4.5	-5.1
27	Other current transfer receipts, from business (net)	60.7	61.6	0.7	0.7	0.8	1.0
28	<i>Less:</i> Contributions for government social insurance	1,323.9	1,355.9	9.7	14.7	15.4	32.0
29	<i>Less:</i> Personal current taxes	2,109.7	2,076.5	-10.9	50.2	51.6	-33.2
30	<i>Equals:</i> Disposable personal income (DPI)	14,552.9	14,763.3	105.2	79.2	142.1	210.4
31	<i>Less:</i> Personal outlays	14,167.3	14,302.0	134.1	121.2	240.1	134.7
32	<i>Equals:</i> Personal saving	385.7	461.3	-28.9	-42.1	-98.0	75.7
33	Personal saving as a percentage of DPI	2.7	3.1	.....	.....	.....	.....
Addenda:							
Percent change at annual rate							
34	Current-dollar DPI	.....	.....	3.0	2.2	4.0	5.9
35	Real DPI, chained (2009) dollars	.....	.....	2.7	0.7	1.2	3.3
The effects of special factors on changes in DPI							
In wages and salaries, private industries:							
36	One-time bonuses paid in response to the Tax Cut and Jobs Act (TCJA)	.....	.....	0.0	0.0	0.0	10.0
In personal current taxes:							
37	Effect of the TCJA	.....	.....	0.0	0.0	0.0	-115.5

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

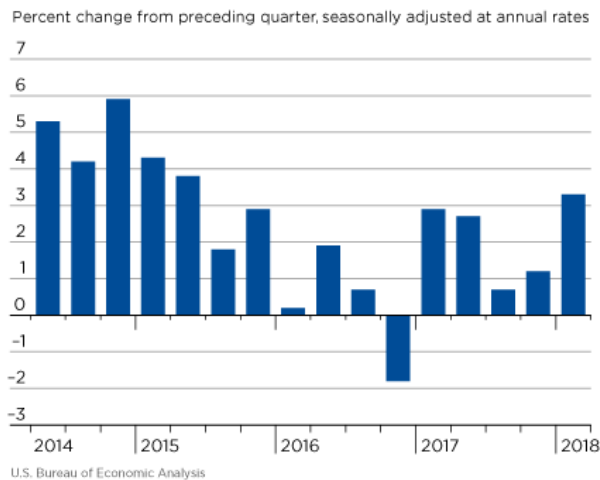
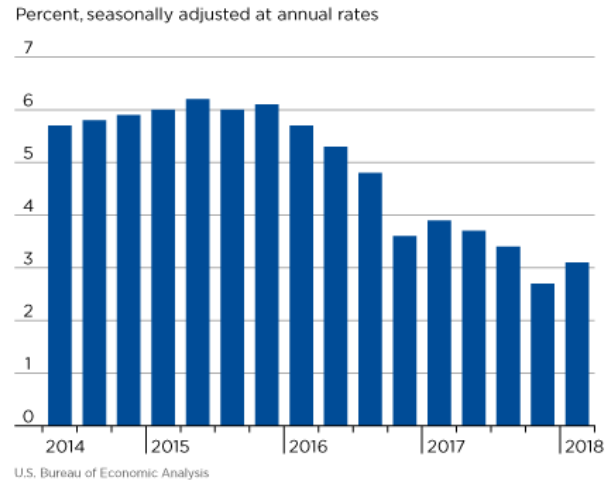


Chart 5. Personal Saving Rate



Revisions

Real GDP increased 2.2 percent in the first quarter of 2018, a slight downward revision of 0.1 percentage point from the advance estimate (table 4, line 1). The revision primarily reflected downward revisions to inventory investment (line 14), to consumer spending for services (line 6), to residential fixed investment (line 13), and to exports (line 16). These downward revisions were mostly offset by upward revisions to nonresidential fixed investment (line 9) and to consumer spending for goods (line 3).

- The downward revision to inventory investment reflected a revision to wholesale trade inventories based on revised data from the Census Bureau's Manufacturing and Trade Inventories and Sales report. Updated estimates of wholesale trade, manufacturing, and retail trade inventories reflected data that were benchmarked to the most recent annual surveys and that were incorporated on a best-change basis; that is, the change in the revised source data from the fourth quarter of 2017 to the first quarter of 2018 is incorporated into the NIPA estimates. (The *level* of inventories in the NIPAs will be revised in the July 2018 Comprehensive Update of the NIPAs.)
- The downward revision to consumer spending for services reflected a revision to health care spending based on the new Census Bureau Advance Quarterly Services Report (QSR).
- The upward revision to nonresidential fixed investment reflected a revision to intellectual property products (IPP). Within IPP, software investment was revised up, based on data from the new QSR. In addition, research and development (R&D) was revised up, based on new R&D expense data from company financial reports.
- The upward revision to consumer spending for goods reflected a revision to motor vehicles and parts (specifically, used motor vehicles) based on the revised Census Bureau Monthly

Retail Sales Report. The updated consumer spending estimates also reflected benchmarked Census Bureau retail sales data.

Table 4. Advance and Second Estimates for the First 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	2.3	2.2	-0.1	2.3	2.2	-0.1
2	Personal consumption expenditures	1.1	1.0	-0.1	0.73	0.71	-0.02
3	Goods	-1.1	-0.6	0.5	-0.24	-0.13	0.11
4	Durable goods	-3.3	-2.6	0.7	-0.25	-0.20	0.05
5	Nondurable goods	0.1	0.4	0.3	0.01	0.06	0.05
6	Services	2.1	1.8	-0.3	0.97	0.84	-0.13
7	Gross private domestic investment	7.3	7.2	-0.1	1.19	1.18	-0.01
8	Fixed investment	4.6	6.5	1.9	0.76	1.05	0.29
9	Nonresidential	6.1	9.2	3.1	0.76	1.13	0.37
10	Structures	12.3	14.2	1.9	0.34	0.39	0.05
11	Equipment	4.7	5.5	0.8	0.27	0.31	0.04
12	Intellectual property products	3.6	10.9	7.3	0.14	0.43	0.29
13	Residential	0.0	-2.0	-2.0	0.00	-0.08	-0.08
14	Change in private inventories	.....	.....	.....	0.43	0.13	-0.30
15	Net exports of goods and services	.....	.....	.....	0.20	0.08	-0.12
16	Exports	4.8	4.2	-0.6	0.59	0.51	-0.08
17	Goods	6.1	5.4	-0.7	0.49	0.43	-0.06
18	Services	2.4	1.9	-0.5	0.10	0.08	-0.02
19	Imports	2.6	2.8	0.2	-0.39	-0.43	-0.04
20	Goods	2.1	2.2	0.1	-0.26	-0.28	-0.02
21	Services	4.8	5.5	0.7	-0.13	-0.15	-0.02
22	Government consumption expenditures and gross investment	1.2	1.1	-0.1	0.20	0.20	0.00
23	Federal	1.7	1.7	0.0	0.11	0.11	0.00
24	National defense	1.8	1.8	0.0	0.07	0.07	0.00
25	Nondefense	1.6	1.6	0.0	0.04	0.04	0.00
26	State and local	0.8	0.8	0.0	0.09	0.08	-0.01
Addenda:							
27	Final sales of domestic product	1.9	2.0	0.1	1.89	2.04	0.15
28	Gross domestic purchases price index	2.8	2.7	-0.1	.....	.....	.....
29	GDP price index	2.0	1.9	-0.1	.....	.....	.....

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) decreased \$12.4 billion, or 0.6 percent at a quarterly rate, in the first quarter after decreasing \$1.1 billion, or 0.1 percent, in the fourth quarter (table 5, line 1). In the first quarter, profits of domestic financial corporations increased \$2.2 billion (line 4), profits of domestic nonfinancial corporations decreased \$19.0 billion (line 5), and rest-of-the-world profits increased \$4.4 billion (line 6).

Profits from current production and gross domestic income (GDI) are not directly affected by the 2017 Tax Cuts and Jobs Act (TCJA), because these measures reflect profits before subtracting taxes and payments to shareholders. However, the TCJA resulted in significant movements among certain components of domestic corporate profits, including taxes on corporate income and net dividends.

- Taxes on corporate income decreased \$117.4 billion in the first quarter (line 9). The large decline primarily reflected a reduction in the federal domestic corporate income tax rate from 35 percent to 21 percent. The lower corporate tax rate took effect on January 1, 2018.
- Net dividends shown in table 5 (line 11) are on a national basis and include net dividends received by U.S. corporations from foreign affiliates operating abroad. On a domestic basis, net dividends (paid) by domestic corporations decreased \$1,093.8 billion in the first quarter (line 18, table 1.10, "[Gross Domestic Income by Type of Income](#)"), reflecting an increase in dividends received from the rest of the world (line 11, table 4.1, "[Foreign Transactions in the National Income and Product Accounts](#)"). The large increase in dividends received from the rest of the world was based on preliminary data from BEA's International Transactions Accounts and reflected changes in U.S. tax law that eliminated taxes on repatriated profits to U.S. multinationals from their affiliates abroad.

For more information, see "[How does the 2017 Tax Cuts and Jobs Act affect BEA's business income statistics?](#)" and "[How are the International Transactions Accounts affected by an increase in direct investment dividend receipts?](#)"

Table 5. Corporate Profits
[Seasonally adjusted]

Line		Billions of dollars (annual rate)					Percent change from preceding quarter (quarterly rate)					
		Level	Change from preceding quarter									
		2018	2017				2018	2017				2018
		I	II	III	IV	I	II	III	IV	I		
1	Current production measures:											
2	Corporate profits with IVA and CCAdj	2,200.1	14.4	90.2	-1.1	-12.4	0.7	4.3	-0.1	-0.6		
3	Domestic industries	1,754.1	25.2	58.2	4.8	-16.8	1.5	3.4	0.3	-0.9		
4	Financial	477.0	-33.8	47.8	-14.6	2.2	-7.1	10.8	-3.0	0.5		
5	Nonfinancial	1,277.1	59.1	10.4	19.4	-19.0	4.9	0.8	1.5	-1.5		
6	Rest of the world	446.0	-10.8	32.0	-5.9	4.4	-2.5	7.7	-1.3	1.0		
7	Receipts from the rest of the world	771.9	5.5	26.9	14.9	20.0	0.8	3.8	2.0	2.7		
8	Less: Payments to the rest of the world	325.9	16.3	-5.2	20.8	15.7	5.9	-1.7	7.2	5.1		
9	<i>Less:</i> Taxes on corporate income	328.2	13.3	-4.2	-29.9	-117.4	2.9	-0.9	-6.3	-26.4		
10	<i>Equals:</i> Profits after tax	1,872.0	1.1	94.4	28.8	105.0	0.1	5.7	1.7	5.9		
11	Net dividends	983.3	6.2	4.4	-18.8	3.4	0.6	0.4	-1.9	0.3		
12	Undistributed profits from current production	888.7	-5.1	90.0	47.5	101.6	-0.8	13.9	6.4	12.9		
13	Net cash flow	2,560.9	40.8	-39.0	-792.1	1122.1	1.8	-1.7	-35.5	78.0		
14	Industry profits:											
15	Profits with IVA	2,058.6	18.9	90.5	-250.9	-1.7	0.9	4.1	-10.9	-0.1		
16	Domestic industries	1,612.6	29.8	58.5	-245.0	-6.1	1.7	3.2	-13.1	-0.4		
17	Financial	500.7	-33.8	47.0	-39.6	3.4	-6.4	9.6	-7.4	0.7		
18	Nonfinancial	1,112.0	63.5	11.5	-205.3	-9.5	5.1	0.9	-15.5	-0.8		
19	Rest of the world	446.0	-10.8	32.0	-5.9	4.4	-2.5	7.7	-1.3	1.0		
	Addenda:											
21	Profits before tax (without IVA and CCAdj)	2,140.0	-22.5	79.5	-208.0	14.2	-1.0	3.5	-8.9	0.7		
22	Profits after tax (without IVA and CCAdj)	1,811.8	-35.8	83.7	-178.1	131.6	-2.0	4.7	-9.6	7.8		
23	IVA	-81.4	41.4	11.0	-42.9	-15.9	.....	.....	.....	.....
24	CCAdj	141.5	-4.5	-0.2	249.8	-10.7	.....	.....	.....	.....

CCAdj 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.

2018 Comprehensive Update of the National Income and Product Accounts

BEA will release the results of the 15th comprehensive (or benchmark) update of the national income and product accounts (NIPAs), along with the advance estimate of GDP for the second quarter of 2018, on July 27, 2018. Details on the planned statistical, definitional, and presentational changes are available in the April *Survey of Current Business* article “[Preview of the 2018 Comprehensive Update of the National Income and Product Accounts](#).” An article in the September Survey will describe the estimates in detail. Updated NIPA table stubs and news release stubs will be posted on [BEA's website](#) in June.

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 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.”



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