

# GDP and the Economy

## Second Estimates for the Second Quarter of 2012

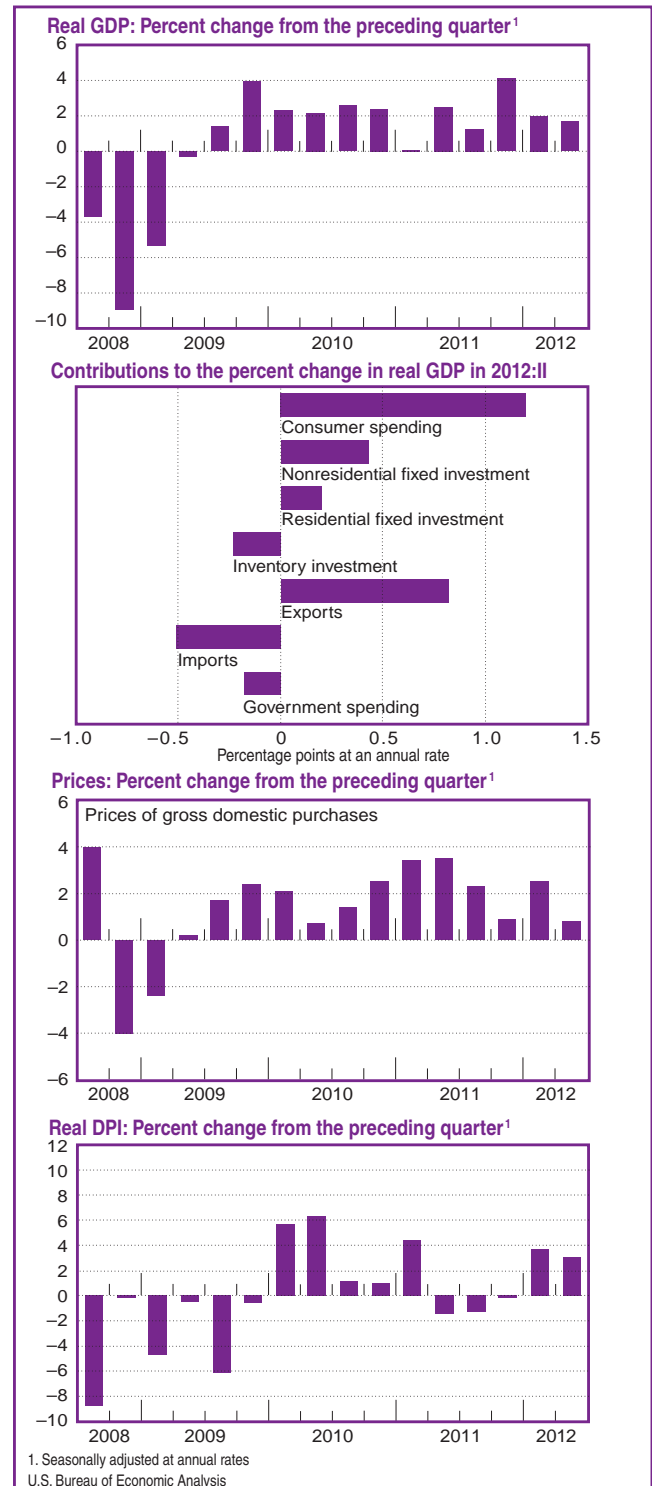
**R**EAL GROSS domestic product (GDP) increased at an annual rate of 1.7 percent in the second quarter of 2012, according to the second estimates of the national income and product accounts (NIPAs) (chart 1 and table 1).<sup>1</sup> The second estimate of real GDP growth was revised up 0.2 percentage point from the advance estimate, reflecting a downward revision to imports and upward revisions to consumer spending, to exports, and to state and local government spending that were partly offset by downward revisions to inventory investment and to nonresidential fixed investment.<sup>2</sup> In the first quarter, real GDP increased 2.0 percent.

- Prices of goods and services purchased by U.S. residents increased 0.8 percent in the second quarter, 0.1 percentage point more than in the advance estimate, after increasing 2.5 percent in the first quarter. Energy prices turned down in the second quarter, and food prices decelerated. Excluding food and energy, gross domestic purchases prices increased 1.4 percent in the second quarter after increasing 2.4 percent in the first quarter.
- Real disposable personal income (DPI) increased 3.1 percent in the second quarter, 0.1 percentage point less than in the advance estimate, after increasing 3.7 percent (revised) in the first quarter. In the second quarter, current-dollar DPI increased 3.8 percent after increasing 6.3 percent (revised) in the first quarter. The sharper deceleration in current-dollar DPI than in real DPI reflected a sharp deceleration in the personal consumption expenditures (PCE) implicit price deflator, which is used to deflate DPI. The second estimate of current-dollar DPI was revised down 0.2 percentage point; the revision was more than accounted for by a downward revision to personal income.
- The personal saving rate, personal saving as a percentage of current-dollar DPI, was 4.0 percent in the second quarter, the same rate as in the advance estimate; in the first quarter, the rate was 3.6 percent.

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)



Christopher Swann 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)				Contribution to percent change in real GDP (percentage points)			
	2012		2011		2012		2011		2012	
	II	III	IV	I	II	III	IV	I	II	
<b>Gross domestic product</b> <sup>1</sup> .....	<b>100.0</b>	<b>1.3</b>	<b>4.1</b>	<b>2.0</b>	<b>1.7</b>	<b>1.3</b>	<b>4.1</b>	<b>2.0</b>	<b>1.7</b>	
<b>Personal consumption expenditures</b> .....	<b>71.0</b>	<b>1.7</b>	<b>2.0</b>	<b>2.4</b>	<b>1.7</b>	<b>1.18</b>	<b>1.45</b>	<b>1.72</b>	<b>1.20</b>	
Goods.....	24.0	1.4	5.4	4.7	0.4	0.33	1.29	1.11	0.09	
Durable goods.....	7.7	5.4	13.9	11.5	0.0	0.40	1.00	0.85	0.00	
Nondurable goods.....	16.3	-0.4	1.8	1.6	0.5	-0.06	0.29	0.26	0.09	
Services.....	47.0	1.8	0.3	1.3	2.4	0.85	0.16	0.61	1.11	
<b>Gross private domestic investment</b> .....	<b>13.2</b>	<b>5.9</b>	<b>33.9</b>	<b>6.1</b>	<b>3.0</b>	<b>0.68</b>	<b>3.72</b>	<b>0.78</b>	<b>0.40</b>	
Fixed investment.....	12.7	15.5	10.0	9.8	5.1	1.75	1.19	1.18	0.63	
Nonresidential.....	10.4	19.0	9.5	7.5	4.2	1.71	0.93	0.74	0.43	
Structures.....	3.0	20.7	11.5	12.9	2.8	0.51	0.31	0.35	0.08	
Equipment and software.....	7.4	18.3	8.8	5.4	4.7	1.20	0.62	0.39	0.34	
Residential.....	2.4	1.4	12.1	20.5	8.9	0.03	0.26	0.43	0.20	
Change in private inventories.....	0.4	.....	.....	.....	.....	-1.07	2.53	-0.39	-0.23	
<b>Net exports of goods and services</b> .....	<b>-3.7</b>	.....	.....	.....	.....	<b>0.02</b>	<b>-0.64</b>	<b>0.06</b>	<b>0.32</b>	
Exports.....	14.1	6.1	1.4	4.4	6.0	0.83	0.21	0.60	0.82	
Goods.....	9.9	6.2	6.0	4.0	7.3	0.59	0.58	0.39	0.70	
Services.....	4.1	6.1	-8.8	5.2	3.0	0.25	-0.38	0.21	0.12	
Imports.....	17.7	4.7	4.9	3.1	2.9	-0.81	-0.85	-0.54	-0.51	
Goods.....	14.8	2.9	6.3	2.0	2.5	-0.43	-0.90	-0.29	-0.37	
Services.....	2.9	13.8	-1.7	9.0	4.6	-0.38	0.05	-0.25	-0.13	
<b>Government consumption expenditures and gross investment</b> .....	<b>19.6</b>	<b>-2.9</b>	<b>-2.2</b>	<b>-3.0</b>	<b>-0.9</b>	<b>-0.60</b>	<b>-0.43</b>	<b>-0.60</b>	<b>-0.18</b>	
Federal.....	7.8	-4.3	-4.4	-4.2	-0.1	-0.36	-0.35	-0.34	-0.01	
National defense.....	5.2	2.6	-10.6	-7.1	-0.1	0.15	-0.60	-0.39	0.00	
Nondefense.....	2.6	-17.4	10.2	1.8	-0.3	-0.51	0.25	0.05	-0.01	
State and local.....	11.8	-2.0	-0.7	-2.2	-1.4	-0.24	-0.08	-0.26	-0.17	

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

NOTE. Percent changes are from NIPA table 1.1.1, contributions are from NIPA table 1.1.2, and shares are from NIPA table 1.1.10.

Table 2. Real Gross Domestic Product (GDP) and Related Measures

[Seasonally adjusted at annual rates]

	Share of current-dollar GDP (percent)		Change from preceding period (percent)				Contribution to percent change in real GDP (percentage points)			
	2012		2011		2012		2011		2012	
	II	III	IV	I	II	III	IV	I	II	
<b>Gross domestic product</b> <sup>1</sup> .....	<b>100.0</b>	<b>1.3</b>	<b>4.1</b>	<b>2.0</b>	<b>1.7</b>	<b>1.3</b>	<b>4.1</b>	<b>2.0</b>	<b>1.7</b>	
Final sales of domestic product.....	99.6	2.3	1.5	2.4	2.0	2.35	1.56	2.35	1.97	
Change in private inventories.....	0.4	.....	.....	.....	.....	-1.07	2.53	-0.39	-0.23	
Goods.....	28.3	2.1	16.1	3.9	2.4	0.58	4.23	1.09	0.68	
Services.....	64.7	0.5	-1.0	0.6	1.4	0.33	-0.62	0.38	0.91	
Structures.....	7.0	5.5	7.2	7.4	2.1	0.37	0.49	0.50	0.15	
<b>Addenda:</b>										
Motor vehicle output.....	2.8	1.5	24.0	30.9	6.6	0.03	0.55	0.72	0.18	
GDP excluding motor vehicle output.....	97.2	1.3	3.6	1.3	1.6	1.25	3.54	1.23	1.55	
Final sales of computers.....	0.4	31.5	31.1	4.5	-19.5	0.12	0.12	0.02	-0.09	
GDP excluding final sales of computers.....	99.6	1.2	4.0	1.9	1.8	1.16	3.97	1.94	1.83	
<b>Gross domestic income (GDI)</b> <sup>2</sup> .....	.....	-0.2	4.5	3.8	0.6	.....	.....	.....	.....	

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

2. GDI is deflated by the implicit price deflator for GDP. The third-quarter change reflect the incorporation of revised wage and salary estimates for the third quarter of 2011.

NOTE. For GDP and its components, percent changes are from NIPA table 1.2.1, contributions are from NIPA table 1.2.2, and shares are calculated from NIPA table 1.2.5. For GDI, percent changes are from NIPA table 1.7.1.

Consumer spending slowed in the second quarter, adding 1.20 percentage points to real GDP growth after adding 1.72 percentage points in the first quarter. Slowdowns in both durable and nondurable goods were partly offset by a pickup in services.

Nonresidential fixed investment slowed, contributing 0.43 percentage point to real GDP growth after contributing 0.74 percentage point. Structures decelerated, and equipment and software slowed somewhat (see page 4).

Residential fixed investment decelerated, adding 0.20 percentage point to real GDP growth after adding 0.43 percentage point (see page 4).

Inventory investment decreased less than in the first quarter, subtracting 0.23 percentage point from real GDP growth after subtracting 0.39 percentage point (see page 5).

Exports accelerated, contributing 0.82 percentage point to real GDP growth after contributing 0.60 percentage point. A pickup in goods exports was partly offset by a slowdown in services exports (see page 6).

Imports slowed slightly, subtracting 0.51 percentage point from real GDP growth after subtracting 0.54 percentage point. Services imports slowed, while goods imports picked up (see page 6).

Federal government spending decreased less than in the first quarter, subtracting 0.01 percentage point from real GDP growth after subtracting 0.34 percentage point (see page 7).

State and local government spending also decreased less, subtracting 0.17 percentage point from real GDP growth after subtracting 0.26 percentage point (see page 7).

Real final sales of domestic product, real GDP less inventory investment, slowed, increasing 2.0 percent after increasing 2.4 percent.

Motor vehicle output slowed sharply, adding 0.18 percentage point to real GDP growth after adding 0.72 percentage point.

Final sales of computers turned down, subtracting 0.09 percentage point from real GDP growth after adding 0.02 percentage point.

Real gross domestic income, which measures the output of the economy as the costs incurred and the incomes earned in the production of GDP, increased 0.6 percent after increasing 3.8 percent.

## Consumer Spending

**Table 3. 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)			
		2011		2012		2011		2012	
		II	III	IV	I	II	III	IV	I
<b>PCE</b> <sup>1</sup> .....	<b>100.0</b>	<b>1.7</b>	<b>2.0</b>	<b>2.4</b>	<b>1.7</b>	<b>1.7</b>	<b>2.0</b>	<b>2.4</b>	<b>1.7</b>
<b>Goods</b> .....	<b>33.8</b>	<b>1.4</b>	<b>5.4</b>	<b>4.7</b>	<b>0.4</b>	<b>0.47</b>	<b>1.81</b>	<b>1.57</b>	<b>0.12</b>
<b>Durable goods</b> .....	<b>10.9</b>	<b>5.4</b>	<b>13.9</b>	<b>11.5</b>	<b>0.0</b>	<b>0.56</b>	<b>1.40</b>	<b>1.20</b>	<b>0.00</b>
Motor vehicles and parts .....	3.6	1.9	28.6	13.0	-9.4	0.06	0.88	0.45	-0.36
Furnishings and durable household equipment .....	2.4	6.3	9.8	8.6	-0.5	0.14	0.22	0.20	-0.01
Recreational goods and vehicles .....	3.2	10.5	11.8	13.1	7.4	0.32	0.35	0.39	0.23
Other durable goods .....	1.7	1.7	-3.6	9.8	8.5	0.03	-0.06	0.16	0.14
<b>Nondurable goods</b> .....	<b>22.9</b>	<b>-0.4</b>	<b>1.8</b>	<b>1.6</b>	<b>0.5</b>	<b>-0.09</b>	<b>0.41</b>	<b>0.38</b>	<b>0.13</b>
Food and beverages for off-premises consumption .....	7.5	-0.1	0.3	0.0	-0.5	0.00	0.02	0.00	-0.04
Clothing and footwear .....	3.3	-5.7	3.4	5.9	-5.0	-0.19	0.11	0.19	-0.17
Gasoline and other energy goods .....	3.9	-3.0	0.5	-2.5	7.1	-0.12	0.02	-0.10	0.27
Other nondurable goods .....	8.2	2.8	3.1	3.5	0.8	0.23	0.26	0.29	0.07
<b>Services</b> .....	<b>66.2</b>	<b>1.8</b>	<b>0.3</b>	<b>1.3</b>	<b>2.4</b>	<b>1.19</b>	<b>0.22</b>	<b>0.87</b>	<b>1.57</b>
Household consumption expenditures .....	63.5	1.1	0.5	1.4	2.4	0.73	0.36	0.90	1.49
Housing and utilities .....	17.8	1.7	-3.4	-2.2	5.5	0.31	-0.63	-0.39	0.95
Health care .....	16.4	-0.8	3.7	3.7	1.5	-0.13	0.59	0.59	0.24
Transportation services .....	2.8	2.9	-1.1	1.6	0.7	0.08	-0.03	0.04	0.02
Recreation services .....	3.7	2.1	0.6	-0.6	0.5	0.08	0.02	-0.02	0.02
Food services and accommodations .....	6.4	2.3	4.7	4.8	1.2	0.14	0.29	0.30	0.08
Financial services and insurance .....	7.6	4.5	-2.0	3.8	2.6	0.33	-0.15	0.28	0.19
Other services .....	8.9	-0.9	3.0	1.1	-0.2	-0.08	0.26	0.10	-0.01
Final consumption expenditures of NPISHs <sup>2</sup> .....	2.7	18.2	-4.9	-1.2	3.0	0.46	-0.14	-0.03	0.08
Gross output of NPISHs <sup>3</sup> .....	10.9	0.9	3.1	4.1	2.1	0.10	0.34	0.44	0.23
Less: Receipts from sales of goods and services by NPISHs <sup>4</sup> .....	8.3	-4.4	6.0	5.9	1.9	-0.36	0.47	0.47	0.15

1. The estimates under the contribution columns are also percent changes.  
 2. Net of expenses, or 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, and contributions, from NIPA table 2.3.2; shares are calculated from NIPA table 2.3.5.  
 NPISHs Nonprofit institutions serving households

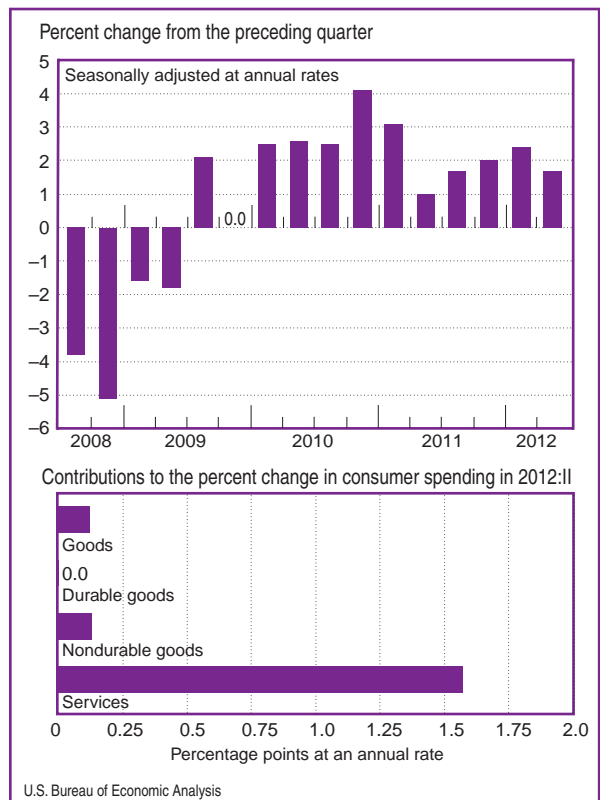
Consumer spending slowed in the second quarter, reflecting a deceleration in spending for goods, especially for durable goods, that was partly offset by a pickup in spending for services.

Spending for durable goods slowed, reflecting downturns in spending for motor vehicles and parts and for furnishings and durable household equipment and a slowdown in recreational goods and vehicles.

Spending for nondurable goods also slowed, mainly reflecting a downturn in spending for clothing and footwear and a slowdown in spending for "other" nondurable goods that were partly offset by an upturn in spending for gasoline and other energy goods.

Spending for services accelerated, mainly reflecting an upturn in spending for housing and utilities, especially for electricity and gas, that was partly offset by decelerations in spending for health care and for food services and accommodations.

**Chart 2. Real Personal Consumption Expenditures**



## Private Fixed Investment

**Table 4. 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)			
		2011		2012		2011		2012	
		II	III	IV	I	II	III	IV	I
<b>Private fixed investment<sup>1</sup></b>	<b>100.0</b>	<b>15.5</b>	<b>10.0</b>	<b>9.8</b>	<b>5.1</b>	<b>15.5</b>	<b>10.0</b>	<b>9.8</b>	<b>5.1</b>
<b>Nonresidential.....</b>	<b>81.2</b>	<b>19.0</b>	<b>9.5</b>	<b>7.5</b>	<b>4.2</b>	<b>15.16</b>	<b>7.84</b>	<b>6.25</b>	<b>3.43</b>
<b>Structures.....</b>	<b>23.2</b>	<b>20.7</b>	<b>11.5</b>	<b>12.9</b>	<b>2.8</b>	<b>4.47</b>	<b>2.57</b>	<b>2.93</b>	<b>0.67</b>
Commercial and health care	5.0	12.5	-5.0	11.1	10.1	0.64	-0.25	0.54	0.49
Manufacturing.....	2.8	65.0	21.8	-7.8	37.7	1.31	0.54	-0.21	0.86
Power and communication	4.8	16.7	9.3	94.3	-14.3	0.70	0.40	3.16	-0.76
Mining exploration, shafts, and wells.....	7.5	21.8	21.5	-8.4	-4.8	1.57	1.56	-0.67	-0.37
Other structures <sup>2</sup> .....	3.2	7.5	10.4	3.0	15.1	0.25	0.32	0.11	0.45
<b>Equipment and software.....</b>	<b>58.0</b>	<b>18.3</b>	<b>8.8</b>	<b>5.4</b>	<b>4.7</b>	<b>10.69</b>	<b>5.27</b>	<b>3.32</b>	<b>2.77</b>
Information processing equipment and software	27.7	3.6	6.7	5.9	-2.6	1.17	1.97	1.69	-0.74
Computers and peripheral equipment.....	4.0	11.7	11.2	14.7	-19.6	0.52	0.48	0.60	-0.90
Software <sup>3</sup> .....	14.6	7.9	8.7	1.9	5.3	1.23	1.30	0.29	0.76
Other <sup>4</sup> .....	9.1	-5.8	1.7	8.5	-6.3	-0.58	0.19	0.79	-0.60
Industrial equipment.....	9.9	37.1	21.4	-13.6	13.8	3.30	2.05	-1.45	1.29
Transportation equipment.....	10.1	45.1	31.0	20.0	15.9	3.59	2.62	1.91	1.50
Other equipment <sup>5</sup> .....	10.3	26.1	-12.7	11.8	7.0	2.63	-1.37	1.17	0.72
<b>Residential.....</b>	<b>18.8</b>	<b>1.4</b>	<b>12.1</b>	<b>20.5</b>	<b>8.9</b>	<b>0.32</b>	<b>2.15</b>	<b>3.53</b>	<b>1.62</b>
<b>Structures.....</b>	<b>18.3</b>	<b>1.3</b>	<b>12.3</b>	<b>21.2</b>	<b>9.2</b>	<b>0.30</b>	<b>2.12</b>	<b>3.54</b>	<b>1.63</b>
Permanent site.....	7.2	8.0	8.5	30.9	26.9	0.55	0.56	1.87	1.70
Single family.....	6.2	7.4	8.8	26.9	18.4	0.44	0.51	1.44	1.03
Multifamily.....	1.1	12.5	5.9	61.7	96.3	0.10	0.05	0.43	0.66
Other structures <sup>6</sup> .....	11.1	-2.5	14.6	15.6	-0.7	-0.25	1.56	1.67	-0.06
<b>Equipment.....</b>	<b>0.5</b>	<b>5.1</b>	<b>7.1</b>	<b>-1.6</b>	<b>-2.0</b>	<b>0.03</b>	<b>0.03</b>	<b>-0.01</b>	<b>-0.01</b>

Private fixed investment decelerated in the second quarter, reflecting decelerations in both nonresidential fixed investment and residential fixed investment.

The deceleration in nonresidential fixed investment reflected decelerations in structures and in equipment and software.

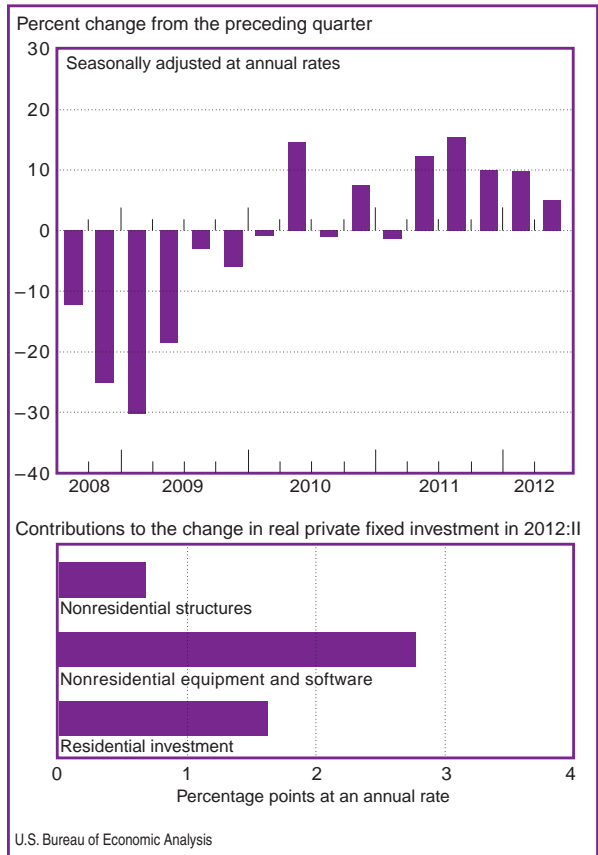
The deceleration in structures mainly reflected a downturn in power and communication that was partly offset by an upturn in manufacturing.

The deceleration in equipment and software reflected a downturn in information processing equipment and software and decelerations in "other" equipment and in transportation equipment that were partly offset by an upturn in industrial equipment.

The slowdown in residential fixed investment reflected a downturn in "other" structures and a slowdown in single-family structures that were partly offset by a pickup in multifamily structures. Within "other" structures, a downturn in improvements was partly offset by an acceleration in brokers' commissions.

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.

**Chart 3. Real Private Fixed Investment**



## Inventory Investment

**Table 5. Change in Real Private Inventories by Industry**

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

	Level					Change from preceding quarter				
	2012		2011		2012	2011		2012		
	II	III	IV	I	II	III	IV	I	II	
<b>Change in private inventories<sup>1</sup></b>	<b>27.5</b>	<b>-4.3</b>	<b>70.5</b>	<b>56.9</b>	<b>49.9</b>	<b>-31.8</b>	<b>74.8</b>	<b>-13.6</b>	<b>-7.0</b>	
Farm.....	-5.9	-2.8	-1.6	-2.6	-2.2	3.1	1.2	-1.0	0.4	
Mining, utilities, and construction....	1.5	0.1	7.6	15.7	2.9	-1.4	7.5	8.1	-12.8	
Manufacturing.....	16.4	2.4	35.5	11.9	-1.5	-14.0	33.1	-23.6	-13.4	
Durable-goods industries.....	19.9	16.1	22.4	12.4	14.5	-3.8	6.3	-10.0	2.1	
Nondurable-goods industries.....	-2.0	-11.4	13.3	0.4	-13.4	-9.4	24.7	-12.9	-13.8	
Wholesale trade.....	24.4	2.7	30.2	19.1	14.9	-21.7	27.5	-11.1	-4.2	
Durable-goods industries.....	26.9	19.0	15.5	21.5	24.8	-7.9	-3.5	6.0	3.3	
Nondurable-goods industries.....	0.3	-12.5	14.1	0.0	-6.3	-12.8	26.6	-14.1	-6.3	
Retail trade.....	-9.3	-5.1	-3.4	21.1	27.7	4.2	1.7	24.5	6.6	
Motor vehicle and parts dealers.....	-10.5	-4.8	-5.0	20.1	20.5	5.7	-0.2	25.1	0.4	
Food and beverage stores.....	2.0	1.6	0.9	2.4	-0.4	-0.4	-0.7	1.5	-2.8	
General merchandise stores.....	-1.5	-0.7	2.5	-1.0	2.3	0.8	3.2	-3.5	3.3	
Other retail stores.....	-0.2	-1.6	-2.2	0.8	6.5	-1.4	-0.6	3.0	5.7	
Other industries.....	0.3	-1.5	1.7	-5.7	11.7	-1.8	3.2	-7.4	17.4	
Residual <sup>2</sup> .....	-3.3	-5.8	1.3	-7.1	-11.0	.....	.....	.....	.....	
<b>Addenda: Ratios of private inventories to final sales of domestic business:<sup>3</sup></b>										
Private inventories to final sales.....	2.34	2.32	2.32	2.32	2.32	.....	.....	.....	.....	
Nonfarm inventories to final sales.....	2.14	2.12	2.13	2.13	2.13	.....	.....	.....	.....	
Nonfarm inventories to final sales of goods and structures.....	3.99	3.94	3.92	3.90	3.90	.....	.....	.....	.....	

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 decreased \$7.0 billion in the second quarter after decreasing \$13.6 billion in the first quarter. The smaller decrease primarily reflected an upturn in “other” industries and smaller decreases in manufacturing industries and in wholesale trade that were partly offset by a downturn in mining, utilities, and construction and a slowdown in retail trade.

The smaller decrease in inventory investment in manufacturing industries primarily reflected an upturn in durable-goods industries.

The smaller decrease in inventory investment in wholesale trade industries reflected a smaller decrease in nondurable-goods industries that was partly offset by a slowdown in durable-goods industries.

The slowdown in inventory investment in retail trade mainly reflected a sharp deceleration in motor vehicle and parts dealers and a downturn in food and beverage stores.

### Inventory Investment

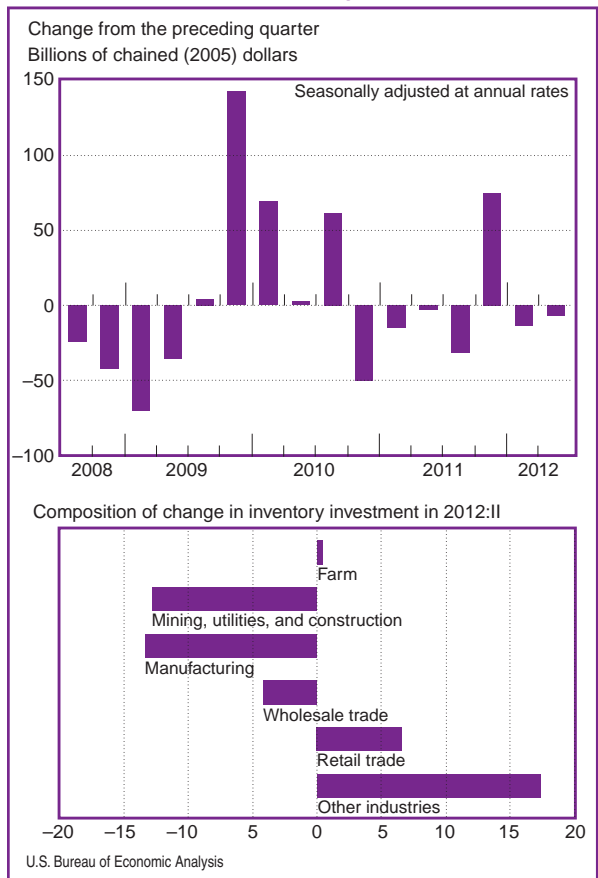
The change in real private inventories, often called real private inventory investment, represents the change in the physical stock of goods held by businesses. It includes finished goods, goods at various stages of production, and raw materials.

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 (see 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 6. 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)			
		2011		2012			2011		2012	
		II	III	IV	I	II	III	IV	I	II
<b>Exports of goods and services<sup>1</sup></b> .....	<b>100.0</b>	<b>6.1</b>	<b>1.4</b>	<b>4.4</b>	<b>6.0</b>	<b>6.1</b>	<b>1.4</b>	<b>4.4</b>	<b>6.0</b>	
<b>Exports of goods<sup>2</sup></b> .....	<b>70.8</b>	<b>6.2</b>	<b>6.0</b>	<b>4.0</b>	<b>7.3</b>	<b>4.33</b>	<b>4.14</b>	<b>2.89</b>	<b>5.13</b>	
Foods, feeds, and beverages .....	6.2	-10.8	5.8	-10.2	32.3	-0.69	0.33	-0.62	1.68	
Industrial supplies and materials .....	22.4	5.8	13.5	-6.3	9.0	1.39	2.96	-1.47	2.00	
Capital goods, except automotive .....	23.9	8.6	4.6	12.5	-1.2	1.99	1.07	2.87	-0.27	
Automotive vehicles, engines, and parts .....	6.8	20.9	-2.6	24.3	9.1	1.23	-0.17	1.45	0.60	
Consumer goods, except automotive .....	8.4	1.4	3.4	-7.0	13.7	0.12	0.28	-0.60	1.08	
Other .....	3.1	10.3	-10.7	51.4	1.1	0.29	-0.33	1.26	0.03	
<b>Exports of services<sup>2</sup></b> .....	<b>29.2</b>	<b>6.1</b>	<b>-8.8</b>	<b>5.2</b>	<b>3.0</b>	<b>1.79</b>	<b>-2.70</b>	<b>1.49</b>	<b>0.89</b>	
<b>Imports of goods and services<sup>1</sup></b> .....	<b>100.0</b>	<b>4.7</b>	<b>4.9</b>	<b>3.1</b>	<b>2.9</b>	<b>4.70</b>	<b>4.90</b>	<b>3.10</b>	<b>2.90</b>	
<b>Imports of goods<sup>2</sup></b> .....	<b>83.5</b>	<b>2.9</b>	<b>6.3</b>	<b>2.0</b>	<b>2.5</b>	<b>2.51</b>	<b>5.20</b>	<b>1.68</b>	<b>2.14</b>	
Foods, feeds, and beverages .....	4.0	7.0	20.3	-2.9	-5.2	0.28	0.77	-0.12	-0.21	
Industrial supplies and materials, except petroleum and products .....	10.5	0.6	-4.0	12.3	-0.4	0.08	-0.44	1.24	-0.03	
Petroleum and products .....	16.1	-2.3	2.9	-21.7	-2.8	-0.41	0.50	-4.24	-0.47	
Capital goods, except automotive .....	20.2	6.5	12.9	11.5	7.0	1.22	2.39	2.15	1.38	
Automotive vehicles, engines, and parts .....	10.8	65.7	8.6	36.0	3.9	4.73	0.83	3.18	0.41	
Consumer goods, except automotive .....	18.8	-9.3	1.7	-7.3	6.8	-1.89	0.34	-1.43	1.24	
Other .....	3.1	-38.9	31.8	33.8	-5.4	-1.49	0.81	0.89	-0.17	
<b>Imports of services<sup>2</sup></b> .....	<b>16.5</b>	<b>13.8</b>	<b>-1.7</b>	<b>9.0</b>	<b>4.6</b>	<b>2.15</b>	<b>-0.27</b>	<b>1.41</b>	<b>0.75</b>	
<b>Addenda:</b>										
Exports of agricultural goods <sup>3</sup> .....	6.7	-13.7	11.8	-2.5	27.0	.....	.....	.....	.....	
Exports of nonagricultural goods .....	64.1	8.4	5.4	4.7	5.5	.....	.....	.....	.....	
Imports of nonpetroleum goods .....	67.4	4.4	7.2	9.2	3.9	.....	.....	.....	.....	

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 accelerated in the second quarter, reflecting an acceleration in exports of goods that was partly offset by a deceleration in exports of services.

The acceleration in exports of goods reflected upturns in industrial supplies and materials, in foods, feeds, and beverages, and in nonautomotive consumer goods. In contrast, nonautomotive capital goods turned down, mainly reflecting a downturn in civilian aircraft, engines, and parts. Both "other" exports of goods and automotive vehicles, engines, and parts decelerated.

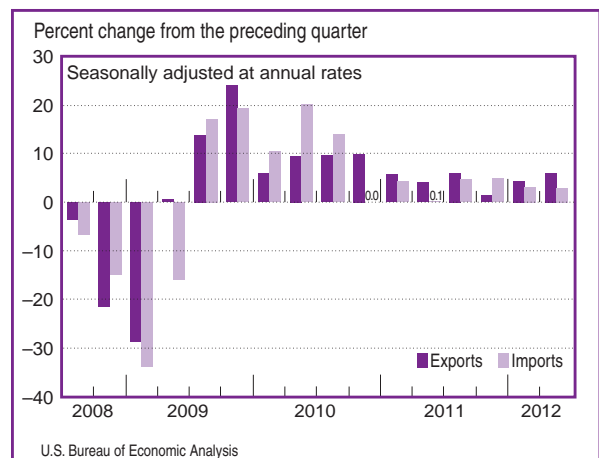
The deceleration in exports of services mainly reflected a slowdown in travel and a downturn in passenger fares.

Imports of goods and services slowed slightly, reflecting a slowdown in imports of services that was partly offset by a pickup in imports of goods.

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

The slowdown in imports of services mainly reflected decelerations in travel and in passenger fares and a downturn in "other" transportation that were partly offset by a pickup in "other" private services.

**Chart 5. Real Exports and Imports of Goods and Services**



## Government Spending

**Table 7. 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)			
	2012		2011		2012		2011		2012	
	II	III	IV	I	II	III	IV	I	II	
<b>Government consumption expenditures and gross investment<sup>1</sup></b>	<b>100.0</b>	<b>-2.9</b>	<b>-2.2</b>	<b>-3.0</b>	<b>-0.9</b>	<b>-2.9</b>	<b>-2.2</b>	<b>-3.0</b>	<b>-0.9</b>	
Consumption expenditures.....	84.6	-2.2	-2.7	-1.1	-1.2	-1.88	-2.29	-0.95	-0.99	
Gross investment.....	15.4	-6.7	0.6	-12.5	0.6	-1.06	0.10	-2.05	0.09	
<b>Federal.....</b>	<b>39.7</b>	<b>-4.3</b>	<b>-4.4</b>	<b>-4.2</b>	<b>-0.1</b>	<b>-1.75</b>	<b>-1.76</b>	<b>-1.69</b>	<b>-0.05</b>	
<b>National defense.....</b>	<b>26.5</b>	<b>2.6</b>	<b>-10.6</b>	<b>-7.1</b>	<b>-0.1</b>	<b>0.73</b>	<b>-3.00</b>	<b>-1.92</b>	<b>-0.01</b>	
Consumption expenditures.....	23.0	5.4	-13.1	-4.7	-2.0	1.25	-3.26	-1.10	-0.45	
Gross investment.....	3.5	-14.2	7.4	-21.3	13.7	-0.52	0.26	-0.82	0.44	
<b>Nondefense.....</b>	<b>13.2</b>	<b>-17.4</b>	<b>10.2</b>	<b>1.8</b>	<b>-0.3</b>	<b>-2.48</b>	<b>1.24</b>	<b>0.23</b>	<b>-0.04</b>	
Consumption expenditures.....	11.6	-18.5	12.9	3.6	0.0	-2.31	1.35	0.40	0.00	
Gross investment.....	1.6	-9.8	-6.7	-10.0	-2.4	-0.17	-0.12	-0.17	-0.04	
<b>State and local.....</b>	<b>60.3</b>	<b>-2.0</b>	<b>-0.7</b>	<b>-2.2</b>	<b>-1.4</b>	<b>-1.19</b>	<b>-0.42</b>	<b>-1.31</b>	<b>-0.84</b>	
Consumption expenditures.....	50.0	-1.7	-0.8	-0.5	-1.1	-0.82	-0.38	-0.25	-0.53	
Gross investment.....	10.3	-3.5	-0.4	-9.8	-2.9	-0.37	-0.04	-1.06	-0.31	

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 second quarter than in the first quarter, reflecting smaller decreases in both federal government spending and state and local government spending.

The smaller decrease in federal government spending reflected a smaller decrease in national defense spending that was partly offset by a downturn in nondefense spending. Within defense spending, gross investment turned up, mainly reflecting an upturn in spending for equipment and software, and consumption expenditures decreased less than in the first quarter. Within nondefense spending, a slowdown in consumption expenditures was partly offset by a smaller decrease in gross investment.

The smaller decrease in state and local government spending reflected a smaller decrease in gross investment, especially in structures, that was partly offset by a larger decrease in consumption expenditures.

### Government Spending

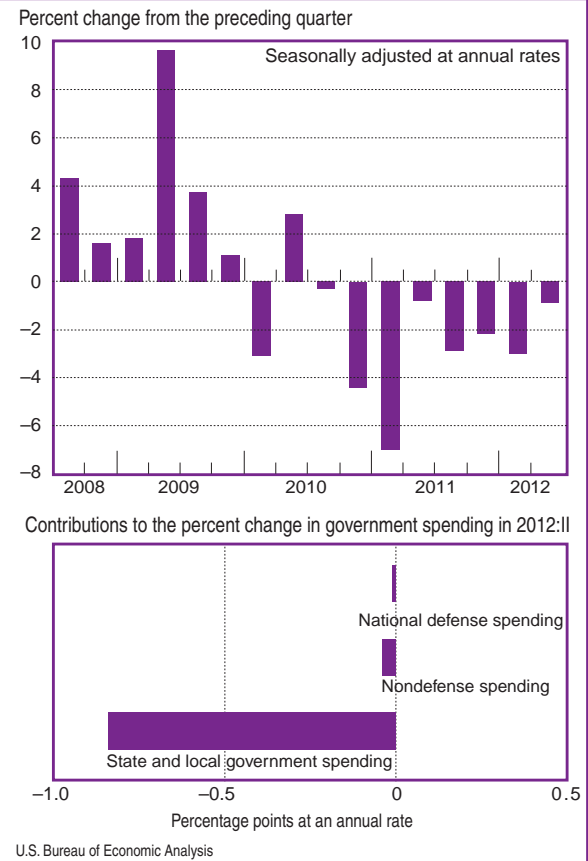
“Government consumption expenditures and gross investment,” or “government spending,” consists of two components: (1) consumption expenditures by federal government and by state and local governments and (2) gross investment by government and government-owned enterprises.

Government consumption expenditures consists of the goods and services that are produced by general government (less any sales to other sectors and investment goods produced by government itself). Governments generally provide services to the general public without charge. The value of government production—that is, government’s gross output—is measured as spending for labor and for intermediate goods and services and a charge for consumption of fixed capital (which represents a partial measure of the services provided by government-owned fixed capital).

Gross investment consists of new and used structures (such as highways and dams) and of equipment and software purchased or produced by government and government-owned enterprises.

Government consumption expenditures and gross investment excludes current transactions of government-owned enterprises, current transfer payments, interest payments, subsidies, and transactions in financial assets and nonproduced assets, such as land.

**Chart 6. Real Government Consumption Expenditures and Gross Investment**



## Prices

**Table 8. 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)			
	2011		2012		2011		2012	
	III	IV	I	II	III	IV	I	II
<b>Gross domestic purchases<sup>1</sup></b> .....	<b>2.3</b>	<b>0.9</b>	<b>2.5</b>	<b>0.8</b>	<b>2.3</b>	<b>0.9</b>	<b>2.5</b>	<b>0.8</b>
<b>Personal consumption expenditures</b> .....	<b>2.3</b>	<b>1.1</b>	<b>2.5</b>	<b>0.7</b>	<b>1.59</b>	<b>0.71</b>	<b>1.70</b>	<b>0.50</b>
Goods .....	3.0	-0.2	2.5	-1.8	0.69	-0.06	0.59	-0.43
Durable goods .....	-0.6	-2.5	-1.0	-1.2	-0.05	-0.19	-0.07	-0.09
Nondurable goods .....	4.7	0.8	4.2	-2.1	0.73	0.13	0.66	-0.34
Services .....	2.0	1.7	2.5	2.1	0.90	0.77	1.11	0.93
<b>Gross private domestic investment</b> .....	<b>1.6</b>	<b>1.2</b>	<b>1.0</b>	<b>1.2</b>	<b>0.21</b>	<b>0.16</b>	<b>0.13</b>	<b>0.15</b>
Fixed investment .....	1.8	1.4	1.2	1.0	0.21	0.16	0.14	0.12
Nonresidential .....	1.9	1.5	1.8	1.0	0.18	0.15	0.17	0.10
Structures .....	5.7	4.5	2.7	3.3	0.14	0.12	0.08	0.09
Equipment and software .....	0.5	0.4	1.4	0.2	0.04	0.03	0.10	0.01
Residential .....	1.4	0.6	-1.4	0.9	0.03	0.01	-0.03	0.02
Change in private inventories .....	.....	.....	.....	.....	0.00	0.00	-0.01	0.03
<b>Government consumption expenditures and gross investment</b> .....	<b>2.4</b>	<b>0.0</b>	<b>3.6</b>	<b>0.6</b>	<b>0.47</b>	<b>0.00</b>	<b>0.68</b>	<b>0.12</b>
Federal .....	2.2	-0.9	3.2	1.1	0.18	-0.07	0.24	0.09
National defense .....	2.3	-0.9	4.2	0.8	0.12	-0.05	0.21	0.04
Nondefense .....	2.1	-0.8	1.2	1.9	0.06	-0.02	0.03	0.05
State and local .....	2.6	0.6	3.8	0.3	0.29	0.07	0.44	0.03
<b>Addenda:</b>								
Gross domestic purchases:								
Food .....	4.7	3.4	1.2	0.7	0.24	0.18	0.07	0.04
Energy goods and services .....	4.8	-5.2	7.6	-13.1	0.21	-0.22	0.31	-0.55
Excluding food and energy .....	2.0	1.0	2.4	1.4	1.82	0.91	2.14	1.29
Personal consumption expenditures (PCE):								
Food and beverages for off-premises consumption .....	5.1	3.3	1.3	0.7	.....	.....	.....	.....
Energy goods and services .....	4.7	-5.0	8.1	-13.5	.....	.....	.....	.....
Excluding food and energy .....	1.9	1.3	2.2	1.8	.....	.....	.....	.....
Gross domestic product (GDP) .....	3.0	0.4	2.0	1.6	.....	.....	.....	.....
Exports .....	1.7	-3.8	2.8	0.6	.....	.....	.....	.....
Imports .....	-1.9	0.0	5.6	-3.9	.....	.....	.....	.....

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 calculated from index numbers in NIPA table 2.3.4. Contributions are from NIPA table 1.6.8. GDP, export, and import prices are from NIPA table 1.1.7.

Prices of goods and services purchased by U.S. residents as measured by the price index for gross domestic purchases slowed in the second quarter, primarily reflecting decelerations in consumer prices and in prices paid by government.

Consumer prices decelerated sharply, mainly reflecting a downturn in nondurable goods, especially in the prices paid for gasoline and other energy goods.

Prices paid for nonresidential fixed investment slowed, reflecting a deceleration in prices paid for equipment and software, especially transportation equipment prices.

Prices paid for residential investment turned up, increasing 0.9 percent after decreasing 1.4 percent.

Prices paid by the federal government slowed, mainly reflecting a slowdown in prices paid for national defense consumption expenditures, mainly for petroleum and military compensation.

Prices paid by state and local governments slowed, primarily reflecting a downturn in prices paid for consumption expenditures, mainly for petroleum.

Consumer prices excluding food and energy, a measure of the "core" rate of inflation, slowed somewhat.

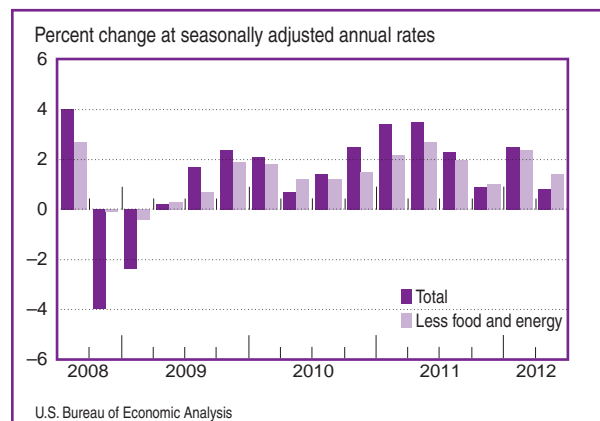
The GDP price index increased 1.6 percent, 0.8 percentage point more than the increase in the price index for gross domestic purchases, reflecting a decrease in import prices (3.9 percent), in contrast to an increase in export prices (0.6 percent).

**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 dollar depreciation [FAQ Answer ID 498](#) on BEA's Web site.

**Chart 7. Gross Domestic Purchases Prices**



## Revisions

**Table 9. Advance and Second Estimates for the Second Quarter of 2012**

[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
<b>Gross domestic product (GDP) <sup>1</sup></b> .....	<b>1.5</b>	<b>1.7</b>	<b>0.2</b>	<b>1.5</b>	<b>1.7</b>	<b>0.2</b>
<b>Personal consumption expenditures</b> .....	<b>1.5</b>	<b>1.7</b>	<b>0.2</b>	<b>1.05</b>	<b>1.20</b>	<b>0.15</b>
Goods .....	0.7	0.4	-0.3	0.18	0.09	-0.09
Durable goods .....	-1.0	0.0	1.0	-0.08	0.00	0.08
Nondurable goods .....	1.5	0.5	-1.0	0.25	0.09	-0.16
Services .....	1.9	2.4	0.5	0.87	1.11	0.24
<b>Gross private domestic investment</b> .....	<b>8.5</b>	<b>3.0</b>	<b>-5.5</b>	<b>1.08</b>	<b>0.40</b>	<b>-0.68</b>
Fixed investment .....	6.1	5.1	-1.0	0.76	0.63	-0.13
Nonresidential .....	5.3	4.2	-1.1	0.54	0.43	-0.11
Structures .....	0.9	2.8	1.9	0.03	0.08	0.05
Equipment and software .....	7.2	4.7	-2.5	0.51	0.34	-0.17
Residential .....	9.7	8.9	-0.8	0.22	0.20	-0.02
Change in private inventories .....	.....	.....	.....	0.32	-0.23	-0.55
<b>Net exports of goods and services</b> .....	<b>.....</b>	<b>.....</b>	<b>.....</b>	<b>-0.31</b>	<b>0.32</b>	<b>0.63</b>
Exports .....	5.3	6.0	0.7	0.73	0.82	0.09
Goods .....	6.0	7.3	1.3	0.58	0.70	0.12
Services .....	3.6	3.0	-0.6	0.15	0.12	-0.03
Imports .....	6.0	2.9	-3.1	-1.04	-0.51	0.53
Goods .....	6.0	2.5	-3.5	-0.88	-0.37	0.51
Services .....	5.5	4.6	-0.9	-0.16	-0.13	0.03
<b>Government consumption expenditures and gross investment</b> .....	<b>-1.4</b>	<b>-0.9</b>	<b>0.5</b>	<b>-0.28</b>	<b>-0.18</b>	<b>0.10</b>
Federal .....	-0.4	-0.1	0.3	-0.03	-0.01	0.02
National defense .....	-0.4	-0.1	0.3	-0.02	0.00	0.02
Nondefense .....	-0.3	-0.3	0.0	-0.01	-0.01	0.00
State and local .....	-2.1	-1.4	0.7	-0.26	-0.17	0.09
<b>Addenda:</b>						
Final sales of domestic product .....	1.2	2.0	0.8	1.22	1.97	0.75
Gross domestic purchases price index .....	0.7	0.8	0.1	.....	.....	.....
GDP price index .....	1.6	1.6	0.0	.....	.....	.....

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

The second estimate of the second-quarter increase in real GDP was 0.2 percentage point more than in the advance estimate. The average revision (without regard to sign) between the advance estimate and the second estimate is 0.5 percentage point.

Consumer spending was revised up, reflecting an upward revision to services that was partly offset by a downward revision to goods. Within services, the largest contributor to the revision was an upward revision to electricity and gas. Within goods, the downward revision was more than accounted for by a downward revision to motor vehicle fuels, lubricants, and fluids.

Nonresidential fixed investment was revised down; the revision was mainly accounted for by downward revisions to computers and peripheral equipment and to "other" information processing equipment.

Inventory investment was revised down, primarily reflecting downward revisions to wholesale trade inventories and to mining, utilities, and construction inventories that were partly offset by an upward revision to retail trade inventories (especially motor vehicle dealers' inventories).

Exports was revised up; the revision was more than accounted for by an upward revision to goods, especially nonautomotive consumer goods.

Imports was revised down; the revision was primarily to goods and was widespread.

State and local government spending was revised up; the revision was more than accounted for by gross investment, primarily in structures.

**Personal Income for the First Quarter of 2012**

With the release of the second estimates of GDP, BEA also releases revised estimates of various income-related measures for the previous quarter. This revision reflects the incorporation of 50-state first-quarter tabulations from the quarterly census of employment and wages from the Bureau of Labor Statistics; last month, BEA incorporated tabulations from a 19-state sample.

Wage and salary disbursements increased \$133.5 billion, an upward revision of \$10.2 billion. Personal current taxes increased \$31.7 billion, an upward revision of \$1.7 billion. Contributions for government social insurance, which is subtracted in calculating personal income, increased \$19.8 billion, an upward revision of \$1.1 billion.

As a result of these revisions,

- Personal income increased \$209.7 billion, an upward revision of \$9.8 billion.
- Disposable personal income increased \$178.1 billion, an upward revision of \$8.2 billion.
- Personal saving increased \$35.0 billion, an upward revision of \$8.2 billion.
- The personal saving rate was 3.6 percent, the same as the previously published rate.

**Source Data for the Second Estimates**

*Personal consumption expenditures:* retail sales for April, May (revised) and June (new). Motor vehicle registrations for June (new). Energy Information Administration data for motor vehicle fuels, lubricants, and fluids, and for gas services and retail electricity sales for May (new).

*Nonresidential fixed investment:* construction spending (value put in place) for April and May (revised) and June (new). Manufacturers' shipments (M3) of machinery and equipment for May and June (revised). Exports and imports for April and May (revised) and June (new).

*Residential fixed investment:* construction spending for April and May (revised) and June (new).

*Change in private inventories:* manufacturers' inventories for April, May, and June (revised) and trade inventories for April and May (revised) and June (new).

*Exports and imports:* international transactions accounts for April and May (revised) and June (new).

*Government consumption expenditures and gross investment:* state and local construction spending for April and May (revised) and June (new).

## Corporate Profits

**Table 10. Corporate Profits**

[Seasonally adjusted]

	Billions of dollars (annual rate)					Percent change from preceding quarter (quarterly rate)				
	Level		Change from preceding quarter							
	2012		2011		2012	2011		2012		
	II	III	IV	I	II	III	IV	I	II	
<b>Current production measures:</b>										
Corporate profits .....	1,910.5	29.6	122.6	-53.0	10.4	1.6	6.7	-2.7	0.5	
Domestic industries.....	1,488.3	18.0	119.5	-5.0	-8.9	1.3	8.6	-0.3	-0.6	
Financial .....	389.7	14.9	88.0	-12.3	-39.2	4.4	24.9	-2.8	-9.1	
Nonfinancial.....	1,098.7	3.2	31.4	7.3	30.4	0.3	3.1	0.7	2.8	
Rest of the world .....	422.1	11.5	3.1	-48.0	19.2	2.6	0.7	-10.7	4.8	
Receipts from the rest of the world.....	637.7	-8.3	-5.0	-13.7	6.2	-1.3	-0.8	-2.1	1.0	
Less: Payments to the rest of the world.....	215.5	-19.9	-8.2	34.4	-13.1	-8.9	-4.0	17.7	-5.7	
Less: Taxes on corporate income.....	448.2	-23.1	8.4	83.2	-5.4	-6.0	2.3	22.5	-1.2	
Equals: Profits after tax.....	1,462.2	52.7	114.3	-136.2	15.6	3.7	7.8	-8.6	1.1	
Net dividends .....	748.0	18.4	12.0	9.2	20.9	2.7	1.7	1.3	2.9	
Undistributed profits from current production .....	714.2	34.2	102.3	-145.5	-5.2	4.7	13.4	-16.8	-0.7	
Net cash flow .....	1,824.5	41.9	139.4	-169.8	-11.3	2.3	7.5	-8.5	-0.6	
<b>Industry profits:</b>										
Profits with IVA.....	2,112.4	34.2	124.7	177.3	11.6	1.9	6.9	9.2	0.6	
Domestic industries.....	1,690.3	22.6	121.5	225.4	-7.6	1.7	9.0	15.3	-0.4	
Financial .....	442.2	15.2	88.3	12.1	-39.0	4.2	23.2	2.6	-8.1	
Nonfinancial.....	1,248.1	7.4	33.2	213.4	31.3	0.8	3.4	21.3	2.6	
Rest of the world .....	422.1	11.5	3.1	-48.0	19.2	2.6	0.7	-10.7	4.8	
<b>Addenda:</b>										
Profits before tax (without IVA and CCAAdj).....	2,096.5	-0.4	97.1	188.1	-28.0	0.0	5.3	9.7	-1.3	
Profits after tax (without IVA and CCAAdj).....	1,648.3	22.8	88.8	104.8	-22.6	1.6	6.0	6.7	-1.4	
IVA.....	16.0	34.4	27.7	-10.8	39.7	.....	.....	.....	.....	
CCAAdj.....	-202.0	-4.6	-2.1	-230.3	-1.3	.....	.....	.....	.....	

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

Profits from current production increased \$10.4 billion, or 0.5 percent at a quarterly rate, in the second quarter after decreasing \$53.0 billion, or 2.7 percent, in the first quarter.

Domestic profits of financial corporations decreased \$39.2 billion, or 9.1 percent, after decreasing \$12.3 billion, or 2.8 percent.

Domestic profits of nonfinancial corporations increased \$30.4 billion, or 2.8 percent, after increasing \$7.3 billion, or 0.7 percent.

Profits from the rest of the world increased \$19.2 billion, or 4.8 percent, after decreasing \$48.0 billion, or 10.7 percent. In the second quarter, receipts increased \$6.2 billion, and payments decreased \$13.1 billion.

Taxes on corporate income decreased \$5.4 billion, or 1.2 percent, after increasing \$83.2 billion, or 22.5 percent. About \$43 billion of the first-quarter increase in taxes reflected the effect of the expiration of "bonus depreciation" in 2011.

Undistributed corporate profits, a measure of net saving that equals after-tax profits less dividends, decreased \$5.2 billion, or 0.7 percent, after decreasing \$145.5 billion, or 16.8 percent.

Net cash flow from current production, a profits-related measure of internal funds available for investment, decreased \$11.3 billion, or 0.6 percent, after decreasing \$169.8 billion, or 8.5 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 (CCAAdj). CCAAdj 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).