

# GDP and the Economy

## Second Estimates for the Second Quarter of 2011

REAL GROSS domestic product (GDP) increased at an annual rate of 1.0 percent in the second quarter of 2011, according to the second estimates of the national income and product accounts (NIPAs) (chart 1, table 1).<sup>1</sup> The second estimate of real GDP growth was revised down 0.3 percentage point from the advance estimate, reflecting downward revisions to inventory investment and exports that were partly offset by upward revisions to nonresidential fixed investment and consumer spending (see page 9).<sup>2</sup> In the first quarter, real GDP increased 0.4 percent.

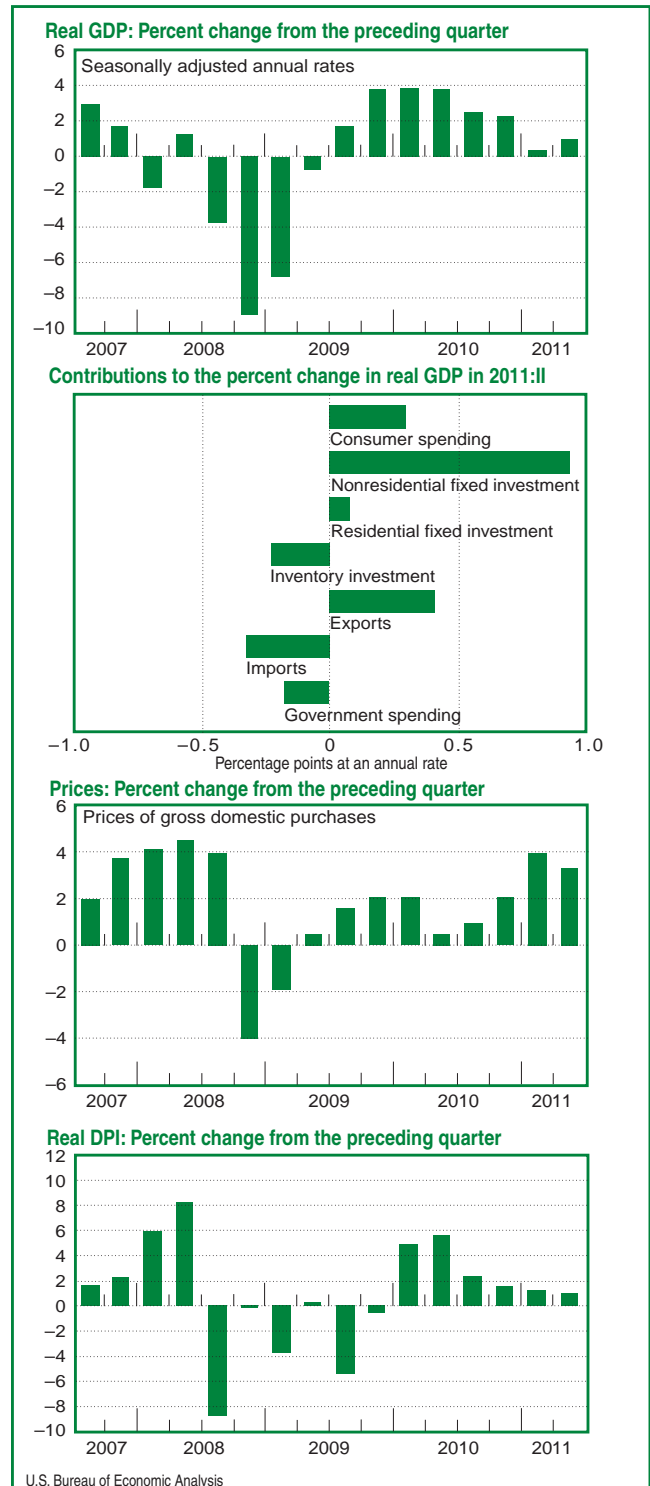
The acceleration in real GDP in the second quarter primarily reflected a deceleration in imports, an upturn in federal government spending, and an acceleration in nonresidential fixed investment that were partly offset by decelerations in consumer spending and in exports and by a downturn in inventory investment.

- Prices of goods and services purchased by U.S. residents increased 3.3 percent, 0.1 percentage point more than in the advance estimate, after increasing 4.0 percent (see page 8). Both energy and food prices slowed. Excluding food and energy, gross domestic purchases prices increased 2.6 percent after increasing 2.4 percent.
- Real disposable personal income (DPI) increased 1.0 percent in the second quarter, 0.3 percentage point more than in the advance estimate, after increasing 1.2 percent (revised). The slight deceleration reflected a larger deceleration in current-dollar DPI than in the PCE implicit price deflator used in deriving real DPI. Current-dollar DPI was revised up 0.3 percentage point in the second quarter, reflecting an upward revision to personal income that was partly offset by an upward revision to personal current taxes.
- The personal saving rate, personal saving as a percentage of current-dollar DPI, was 5.2 percent in the second quarter, revised up 0.1 percentage point; in the first quarter, the rate was 5.0 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. More information can be found at [www.bea.gov/about/infoqual.htm](http://www.bea.gov/about/infoqual.htm) and [www.bea.gov/faq/national/gdp\\_accuracy.htm](http://www.bea.gov/faq/national/gdp_accuracy.htm). 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 (PCE)," "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)			
	2011		2010		2011		2010		2011	
	II	III	IV	I	II	III	IV	I	II	
<b>Gross domestic product<sup>1</sup>.....</b>	<b>100.0</b>	<b>2.5</b>	<b>2.3</b>	<b>0.4</b>	<b>1.0</b>	<b>2.5</b>	<b>2.3</b>	<b>0.4</b>	<b>1.0</b>	
<b>Personal consumption expenditures.....</b>	<b>71.1</b>	<b>2.6</b>	<b>3.6</b>	<b>2.1</b>	<b>0.4</b>	<b>1.85</b>	<b>2.48</b>	<b>1.47</b>	<b>0.30</b>	
Goods.....	24.2	4.8	8.3	4.7	-1.4	1.09	1.87	1.10	-0.34	
Durable goods.....	7.6	8.8	17.2	11.7	-5.1	0.63	1.20	0.85	-0.40	
Nondurable goods.....	16.5	3.0	4.3	1.6	0.4	0.47	0.67	0.25	0.07	
Services.....	47.0	1.6	1.3	0.8	1.4	0.75	0.61	0.36	0.64	
<b>Gross private domestic investment.....</b>	<b>12.6</b>	<b>9.2</b>	<b>-7.1</b>	<b>3.8</b>	<b>6.4</b>	<b>1.14</b>	<b>-0.91</b>	<b>0.47</b>	<b>0.78</b>	
Fixed investment.....	12.3	2.3	7.5	1.2	8.7	0.28	0.88	0.15	1.01	
Nonresidential.....	10.0	11.3	8.7	2.1	9.9	1.04	0.82	0.20	0.94	
Structures.....	2.7	4.2	10.5	-14.3	15.7	0.10	0.26	-0.40	0.38	
Equipment and software.....	7.4	14.1	8.1	8.7	7.9	0.94	0.56	0.60	0.55	
Residential.....	2.2	-27.7	2.5	-2.4	3.4	-0.76	0.06	-0.06	0.08	
Change in private inventories.....	0.4	.....	.....	.....	.....	0.86	-1.79	0.32	-0.23	
<b>Net exports of goods and services.....</b>	<b>-4.0</b>	.....	.....	.....	.....	<b>-0.68</b>	<b>1.37</b>	<b>-0.34</b>	<b>0.09</b>	
Exports.....	13.9	10.0	7.8	7.9	3.1	1.21	0.98	1.01	0.41	
Goods.....	9.8	8.9	9.2	10.6	2.7	0.75	0.79	0.94	0.26	
Services.....	4.1	12.6	4.7	1.7	3.9	0.46	0.18	0.07	0.15	
Imports.....	17.9	12.3	-2.3	8.3	1.9	-1.89	0.39	-1.35	-0.33	
Goods.....	15.1	12.4	-0.5	9.5	1.9	-1.58	0.08	-1.29	-0.28	
Services.....	2.8	11.6	-10.4	2.2	1.6	-0.31	0.31	-0.06	-0.04	
<b>Government consumption expenditures and gross investment.....</b>	<b>20.3</b>	<b>1.0</b>	<b>-2.8</b>	<b>-5.9</b>	<b>-0.9</b>	<b>0.20</b>	<b>-0.58</b>	<b>-1.23</b>	<b>-0.18</b>	
Federal.....	8.2	3.2	-3.0	-9.4	2.0	0.26	-0.26	-0.82	0.16	
National defense.....	5.5	5.7	-5.9	-12.6	7.1	0.31	-0.34	-0.74	0.38	
Nondefense.....	2.7	-1.8	3.1	-2.7	-7.5	-0.05	0.09	-0.08	-0.21	
State and local.....	12.0	-0.5	-2.7	-3.4	-2.8	-0.06	-0.33	-0.41	-0.34	

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.

Consumer spending slowed in the second quarter, adding 0.30 percentage point to real GDP growth after adding 1.47 percentage points. Spending for goods turned down, reflecting a downturn in spending for durable goods and a slowdown in spending for non-durable goods. Spending for services picked up.

Nonresidential fixed investment accelerated, contributing 0.94 percentage point to real GDP growth after contributing 0.20 percentage point. The acceleration reflected an upturn in structures that was partly offset by a slight slowdown in equipment and software (page 4).

Residential investment turned up. An upturn in "other" structures was partly offset by a downturn in single-family structures.

Inventory investment turned down, subtracting 0.23 percentage point from real GDP growth after adding 0.32 percentage point (page 5).

Exports slowed, adding 0.41 percentage point to real GDP growth after adding 1.01 percentage points. A slowdown in exports of goods was partly offset by a pickup in exports of services (page 6).

Imports decelerated primarily reflecting a deceleration in imports of goods (page 6).

Federal government spending turned up, reflecting an upturn in national defense spending that was partly offset by a larger decrease in nondefense spending (page 7).

State and local government spending decreased 2.8 percent after decreasing 3.4 percent.

Table 2. Real Gross Domestic Product (GDP) by Type of Product

[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)			
	2011		2010		2011		2010		2011	
	II	III	IV	I	II	III	IV	I	II	
<b>Gross domestic product<sup>1</sup>.....</b>	<b>100.0</b>	<b>2.5</b>	<b>2.3</b>	<b>0.4</b>	<b>1.0</b>	<b>2.5</b>	<b>2.3</b>	<b>0.4</b>	<b>1.0</b>	
Final sales of domestic product.....	99.6	1.7	4.2	0.0	1.2	1.65	4.14	0.04	1.22	
Change in private inventories.....	0.4	.....	.....	.....	.....	0.86	-1.79	0.32	-0.23	
Goods.....	28.0	7.9	5.9	4.9	0.0	2.12	1.63	1.36	-0.01	
Services.....	65.3	1.5	1.0	-0.1	1.3	0.98	0.65	-0.05	0.83	
Structures.....	6.7	-8.0	1.0	-13.1	2.4	-0.59	0.07	-0.95	0.16	
<b>Addenda:</b>										
Motor vehicle output.....	2.4	14.9	-17.4	59.2	-5.9	0.33	-0.43	1.08	-0.15	
GDP excluding motor vehicle output.....	97.6	2.2	2.9	-0.7	1.2	2.18	2.78	-0.73	1.14	
Final sales of computers.....	0.6	72.7	64.2	14.7	19.7	0.29	0.29	0.08	0.11	
GDP excluding final sales of computers.....	99.4	2.2	2.1	0.3	0.9	2.22	2.06	0.27	0.88	

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

NOTE: 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.

Real final sales of domestic product, real GDP less inventory investment, increased 1.2 percent in the second quarter after increasing less than 0.1 percent in the first quarter.

Motor vehicle output turned down, subtracting 0.15 percentage point from real GDP growth after adding 1.08 percentage points.

Final sales of computers picked up slightly, contributing 0.11 percentage point to real GDP growth after contributing 0.08 percentage point.

## 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)			
		2010		2011		2010		2011	
		II	III	IV	I	II	III	IV	I
<b>PCE</b> <sup>1</sup> .....	<b>100.0</b>	<b>2.6</b>	<b>3.6</b>	<b>2.1</b>	<b>0.4</b>	<b>2.6</b>	<b>3.6</b>	<b>2.1</b>	<b>0.4</b>
<b>Goods</b> .....	<b>34.0</b>	<b>4.8</b>	<b>8.3</b>	<b>4.7</b>	<b>-1.4</b>	<b>1.56</b>	<b>2.68</b>	<b>1.57</b>	<b>-0.47</b>
<b>Durable goods</b> .....	<b>10.7</b>	<b>8.8</b>	<b>17.2</b>	<b>11.7</b>	<b>-5.1</b>	<b>0.89</b>	<b>1.72</b>	<b>1.21</b>	<b>-0.57</b>
Motor vehicles and parts .....	3.4	8.6	37.1	15.8	-25.4	0.27	1.09	0.53	-1.03
Furnishings and durable household equipment .....	2.4	3.4	8.9	3.5	3.2	0.08	0.20	0.08	0.07
Recreational goods and vehicles .....	3.2	12.7	11.4	15.3	9.3	0.39	0.35	0.46	0.29
Other durable goods .....	1.8	9.6	4.5	8.5	6.2	0.15	0.08	0.14	0.10
<b>Nondurable goods</b> .....	<b>23.2</b>	<b>3.0</b>	<b>4.3</b>	<b>1.6</b>	<b>0.4</b>	<b>0.67</b>	<b>0.96</b>	<b>0.36</b>	<b>0.09</b>
Food and beverages for off-premises consumption .....	7.6	3.4	4.8	0.8	1.1	0.25	0.36	0.06	0.08
Clothing and footwear .....	3.3	0.4	12.4	3.1	2.5	0.01	0.39	0.10	0.08
Gasoline and other energy goods .....	4.1	0.8	-5.9	-6.0	-7.1	0.03	-0.21	-0.23	-0.29
Other nondurable goods .....	8.4	4.6	5.2	5.3	2.8	0.38	0.43	0.43	0.23
<b>Services</b> .....	<b>66.0</b>	<b>1.6</b>	<b>1.3</b>	<b>0.8</b>	<b>1.4</b>	<b>1.09</b>	<b>0.88</b>	<b>0.52</b>	<b>0.90</b>
Household consumption expenditures .....	63.4	2.0	1.7	0.8	1.5	1.28	1.10	0.50	0.92
Housing and utilities .....	17.9	2.3	-0.7	-1.5	0.1	0.43	-0.13	-0.27	0.03
Health care .....	16.2	2.5	4.3	0.6	2.3	0.40	0.70	0.09	0.36
Transportation services .....	2.9	2.7	0.1	-0.5	0.1	0.08	0.00	-0.01	0.00
Recreation services .....	3.7	7.7	-1.2	-2.0	2.8	0.28	-0.04	-0.07	0.10
Food services and accommodations .....	6.3	3.0	3.6	6.9	1.0	0.18	0.22	0.42	0.06
Financial services and insurance .....	7.5	-2.9	1.0	4.3	3.7	-0.22	0.08	0.32	0.27
Other services .....	8.9	1.4	3.0	0.2	1.0	0.13	0.27	0.02	0.09
Final consumption expenditures of NPISHs <sup>2</sup> .....	2.6	-6.9	-7.8	0.6	-0.7	-0.20	-0.22	0.02	-0.02
Gross output of NPISHs <sup>3</sup> .....	10.8	1.9	3.6	-1.7	1.4	0.20	0.39	-0.19	0.15
Less: Receipts from sales of goods and services by NPISHs <sup>4</sup> .....	8.2	5.0	7.6	-2.5	2.1	0.40	0.61	-0.21	0.17

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

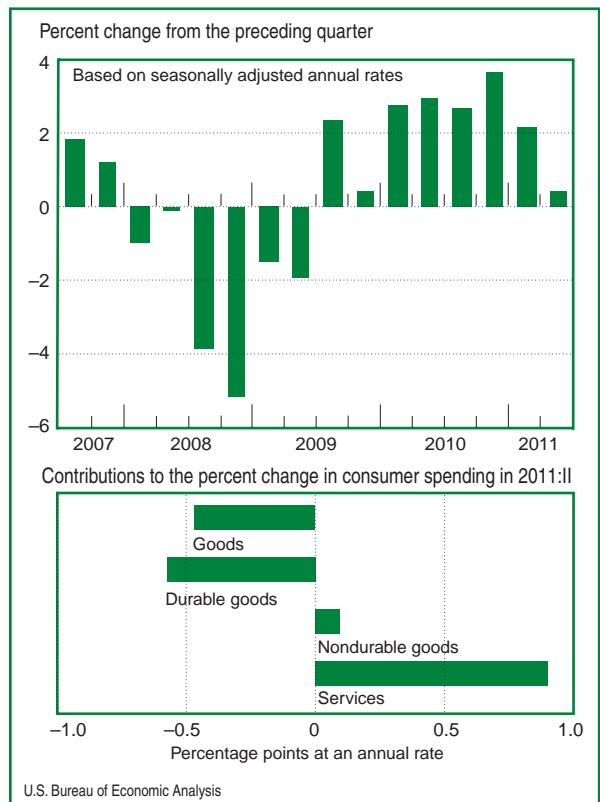
The slowdown in second-quarter consumer spending reflected a downturn in spending for goods that was partly offset by a pickup in spending for services. The downturn in spending for goods reflected a downturn in spending for durable goods and a slowdown in spending for nondurable goods.

The downturn in spending for durable goods primarily reflected a downturn in spending for motor vehicles and parts. A slowdown in spending for recreational goods and vehicles also contributed.

The slowdown in spending for nondurable goods mainly reflected a slowdown in spending for "other" nondurable goods, mainly pharmaceuticals.

The pickup in spending for services mainly reflected an upturn in spending for housing and utilities, mainly electricity and gas, and an upturn in spending for recreation services that were partly offset by a slowdown in spending 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)				
		2010		2011			2010		2011		
		III	IV	I	II	III	IV	I	II		
<b>Private fixed investment</b> <sup>1</sup>	<b>100.0</b>	<b>2.3</b>	<b>7.5</b>	<b>1.2</b>	<b>8.7</b>	<b>2.3</b>	<b>7.5</b>	<b>1.2</b>	<b>8.7</b>		
<b>Nonresidential</b> .....	<b>81.8</b>	<b>11.3</b>	<b>8.7</b>	<b>2.1</b>	<b>9.9</b>	<b>8.70</b>	<b>7.02</b>	<b>1.67</b>	<b>8.01</b>		
<b>Structures</b> .....	<b>21.7</b>	<b>4.2</b>	<b>10.5</b>	<b>-14.3</b>	<b>15.7</b>	<b>0.84</b>	<b>2.22</b>	<b>-3.33</b>	<b>3.22</b>		
Commercial and health care	4.8	-5.0	-8.2	-19.5	11.5	-0.28	-0.44	-1.07	0.54		
Manufacturing.....	1.9	-38.1	-34.1	-20.5	36.8	-1.13	-0.87	-0.43	0.61		
Power and communication	4.7	-7.1	81.1	-33.3	6.3	-0.33	2.88	-1.98	0.29		
Mining exploration, shafts, and wells.....	7.4	67.5	21.9	8.0	33.2	3.04	1.29	0.52	2.09		
Other structures <sup>2</sup> .....	2.9	-12.1	-17.9	-11.1	-9.9	-0.45	-0.65	-0.37	-0.31		
<b>Equipment and software</b> .....	<b>60.0</b>	<b>14.1</b>	<b>8.1</b>	<b>8.7</b>	<b>7.9</b>	<b>7.86</b>	<b>4.80</b>	<b>5.00</b>	<b>4.79</b>		
Information processing equipment and software	31.1	8.6	10.9	0.3	12.1	2.57	3.32	0.10	3.66		
Computers and peripheral equipment...	5.7	9.5	23.0	-6.7	56.3	0.49	1.16	-0.38	2.52		
Software <sup>3</sup> .....	14.9	7.1	8.2	2.0	13.1	1.01	1.19	0.30	1.86		
Other <sup>4</sup> .....	10.5	10.2	8.9	1.6	-6.5	1.08	0.96	0.18	-0.72		
Industrial equipment.....	10.1	8.1	9.9	11.7	-1.9	0.77	0.96	1.13	-0.17		
Transportation equipment...	8.3	45.3	-0.6	37.8	16.2	2.82	0.05	2.50	1.31		
Other equipment <sup>5</sup> .....	10.6	17.6	4.3	12.6	-0.4	1.70	0.47	1.26	-0.02		
<b>Residential</b> .....	<b>18.2</b>	<b>-27.7</b>	<b>2.5</b>	<b>-2.4</b>	<b>3.4</b>	<b>-6.40</b>	<b>0.49</b>	<b>-0.46</b>	<b>0.64</b>		
<b>Structures</b> .....	<b>17.7</b>	<b>-28.4</b>	<b>2.3</b>	<b>-2.6</b>	<b>3.4</b>	<b>-6.40</b>	<b>0.45</b>	<b>-0.47</b>	<b>0.63</b>		
Permanent site.....	6.5	-24.3	-15.2	-0.8	-5.6	-2.07	-1.15	-0.05	-0.38		
Single family.....	5.7	-25.5	-16.7	1.3	-6.1	-1.95	-1.13	0.07	-0.37		
Multifamily.....	0.7	-13.3	-2.0	-15.0	-1.4	-0.12	-0.02	-0.13	-0.01		
Other structures <sup>6</sup> .....	11.3	-30.8	15.0	-3.7	9.1	-4.33	1.60	-0.42	1.01		
<b>Equipment</b> .....	<b>0.5</b>	<b>-0.5</b>	<b>8.5</b>	<b>3.3</b>	<b>3.1</b>	<b>0.00</b>	<b>0.04</b>	<b>0.02</b>	<b>0.02</b>		

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 accelerated in the second quarter, reflecting an acceleration in nonresidential fixed investment and an upturn in residential fixed investment.

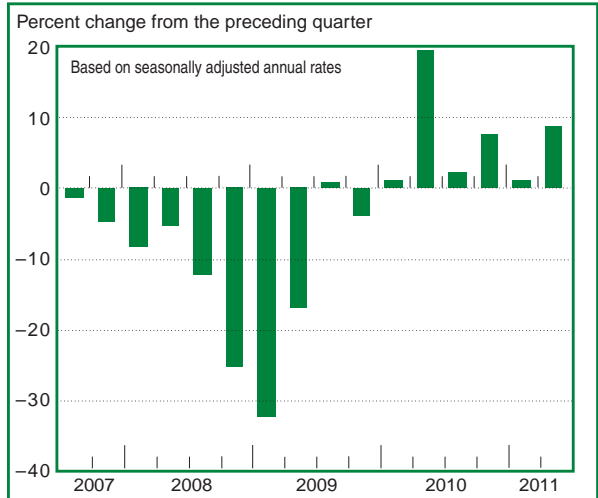
The acceleration in nonresidential fixed investment reflected an upturn in structures that was partly offset by a slowdown in equipment and software.

The upturn in investment in structures primarily reflected upturns in power and communication and in commercial and health care, an acceleration in mining exploration, shafts, and wells, and an upturn in manufacturing.

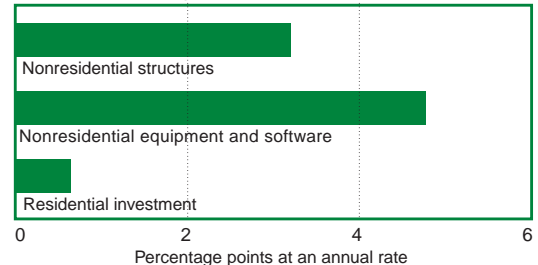
The slowdown in investment in equipment and structures reflected downturns in industrial equipment and in "other" equipment and a slowdown in transportation equipment that were partly offset by a sharp acceleration in information processing equipment and software.

The upturn in residential fixed investment primarily reflected an upturn in "other" structures, specifically residential improvements and brokers' commissions on the sale of residential structures. In contrast, single-family structures turned down.

**Chart 3. Real Private Fixed Investment**



Contributions to the change in real private fixed investment in 2011:II



## 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				
	2010			2011		2010		2011		
	II	III	IV	I	II	III	IV	I	II	
<b>Change in private inventories<sup>1</sup></b>	<b>64.6</b>	<b>92.3</b>	<b>38.3</b>	<b>49.1</b>	<b>40.6</b>	<b>27.7</b>	<b>-54.0</b>	<b>10.8</b>	<b>-8.5</b>	
Farm .....	0.8	-5.7	-5.2	-7.8	-8.6	-6.5	0.5	-2.6	-0.8	
Mining, utilities, and construction ....	0.6	-6.0	-1.6	-1.2	5.7	-6.6	4.4	0.4	6.9	
Manufacturing .....	4.8	24.2	39.7	33.3	23.6	19.4	15.5	-6.4	-9.7	
Durable-goods industries .....	22.8	21.6	19.4	27.3	21.1	-1.2	-2.2	7.9	-6.2	
Nondurable-goods industries .....	-16.3	3.3	20.1	7.0	3.5	19.6	16.8	-13.1	-3.5	
Wholesale trade .....	26.9	50.3	16.5	22.3	38.8	23.4	-33.8	5.8	16.5	
Durable-goods industries .....	14.8	26.0	13.9	15.2	31.1	11.2	-12.1	1.3	15.9	
Nondurable-goods industries .....	12.0	23.8	3.3	7.5	9.6	11.8	-20.5	4.2	2.1	
Retail trade .....	32.3	28.4	-13.7	-0.7	-21.8	-3.9	-42.1	13.0	-21.1	
Motor vehicle and parts dealers .....	21.9	19.8	-17.7	-9.1	-23.8	-2.1	-37.5	8.6	-14.7	
Food and beverage stores .....	-1.0	0.0	-0.5	-0.3	2.2	1.0	-0.5	0.2	2.5	
General merchandise stores .....	4.3	4.5	1.4	3.7	-1.6	0.2	-3.1	2.3	-5.3	
Other retail stores .....	8.1	4.9	2.2	4.3	-0.2	-3.2	-2.7	2.1	-4.5	
Other industries .....	-0.3	1.0	1.2	3.9	1.6	1.3	0.2	2.7	-2.3	
Residual <sup>2</sup> .....	-3.1	-0.9	1.8	-1.4	0.0	.....	.....	.....	.....	
<b>Addenda: Ratios of private inventories to final sales of domestic business:<sup>3</sup></b>										
Private inventories to final sales .....	2.34	2.36	2.33	2.34	2.35	.....	.....	.....	.....	
Nonfarm inventories to final sales .....	2.12	2.14	2.12	2.14	2.15	.....	.....	.....	.....	
Nonfarm inventories to final sales of goods and structures .....	3.94	3.98	3.91	3.94	3.96	.....	.....	.....	.....	

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.

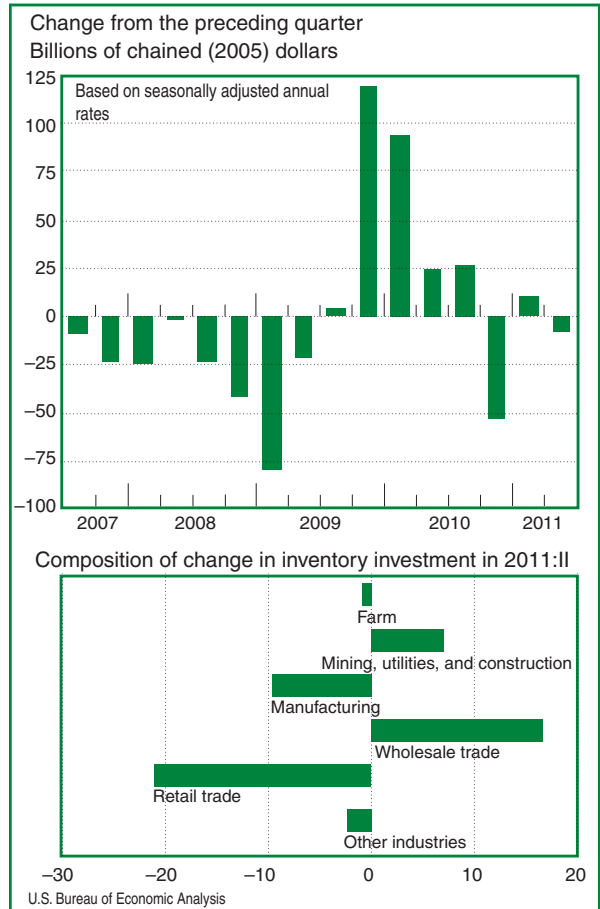
Inventory investment decreased \$8.5 billion in the second quarter after increasing \$10.8 billion in the first quarter.

Inventory investment in manufacturing industries decreased \$9.7 billion, reflecting smaller accumulations in both durable-goods and nondurable-goods industries.

Inventory investment in wholesale trade industries increased \$16.5 billion, reflecting larger accumulations in both durable-goods and nondurable-goods industries.

Inventory investment in retail trade industries decreased \$21.1 billion, primarily as a result of a much larger drawdown by motor vehicle and parts dealers. Drawdowns by general merchandise stores and by "other" retail stores after first-quarter accumulations also contributed to the decrease.

**Chart 4. Real Private Inventory Investment**



### 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, 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 does not always have complete data for every industry.

## 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)			
		2010		2011			2010		2011	
		II	III	IV	I	II	III	IV	I	II
<b>Exports of goods and services<sup>1</sup></b>	<b>100.0</b>	<b>10.0</b>	<b>7.8</b>	<b>7.9</b>	<b>3.1</b>	<b>10.0</b>	<b>7.8</b>	<b>7.9</b>	<b>3.1</b>	
<b>Exports of goods<sup>2</sup></b>	<b>70.8</b>	<b>8.9</b>	<b>9.2</b>	<b>10.6</b>	<b>2.7</b>	<b>6.28</b>	<b>6.36</b>	<b>7.33</b>	<b>1.94</b>	
Foods, feeds, and beverages	6.2	19.6	22.3	-9.6	-7.0	1.04	1.25	-0.61	-0.45	
Industrial supplies and materials	23.6	0.7	11.1	15.3	-4.7	0.22	2.31	3.30	-1.12	
Capital goods, except automotive	23.5	15.7	10.4	4.9	15.3	3.73	2.49	1.18	3.34	
Automotive vehicles, engines, and parts	6.2	8.7	6.1	48.2	-1.1	0.53	0.37	2.47	-0.07	
Consumer goods, except automotive	8.5	9.2	18.7	-10.5	15.2	0.81	1.57	-0.95	1.20	
Other	3.0	-1.4	-42.3	90.0	-26.7	-0.05	-1.64	1.95	-0.96	
<b>Exports of services<sup>2</sup></b>	<b>29.2</b>	<b>12.6</b>	<b>4.7</b>	<b>1.7</b>	<b>3.9</b>	<b>3.76</b>	<b>1.45</b>	<b>0.52</b>	<b>1.12</b>	
<b>Imports of goods and services<sup>1</sup></b>	<b>100.0</b>	<b>12.3</b>	<b>-2.3</b>	<b>8.3</b>	<b>1.9</b>	<b>12.30</b>	<b>-2.30</b>	<b>8.30</b>	<b>1.90</b>	
<b>Imports of goods<sup>2</sup></b>	<b>84.1</b>	<b>12.4</b>	<b>-0.5</b>	<b>9.5</b>	<b>1.9</b>	<b>10.30</b>	<b>-0.42</b>	<b>7.92</b>	<b>1.62</b>	
Foods, feeds, and beverages	4.1	4.3	-14.1	8.6	3.8	0.19	-0.59	0.34	0.15	
Industrial supplies and materials, except petroleum and products	11.4	9.7	-13.2	20.3	24.6	1.07	-1.48	2.04	2.47	
Petroleum and products	17.9	2.9	-19.3	13.2	-10.1	0.44	-3.10	2.02	-1.88	
Capital goods, except automotive	19.1	18.1	12.9	11.4	17.2	3.41	2.38	2.14	3.03	
Automotive vehicles, engines, and parts	8.7	19.6	-4.9	40.2	-37.6	1.82	-0.49	3.36	-4.37	
Consumer goods, except automotive	19.6	16.7	0.3	8.6	4.3	3.38	0.06	1.72	0.83	
Other	3.3	-2.0	109.6	-64.9	54.9	-0.01	2.81	-3.71	1.39	
<b>Imports of services<sup>2</sup></b>	<b>15.9</b>	<b>11.6</b>	<b>-10.4</b>	<b>2.2</b>	<b>1.6</b>	<b>1.96</b>	<b>-1.89</b>	<b>0.38</b>	<b>0.25</b>	
<b>Addenda:</b>										
Exports of agricultural goods <sup>3</sup>	6.9	12.7	21.0	-0.3	-17.7					
Exports of nonagricultural goods	63.9	8.6	8.0	11.9	5.3					
Imports of nonpetroleum goods	66.2	14.6	4.0	8.7	5.4					

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 slowed in the second quarter, reflecting a slowdown in exports of goods that was partly offset by a pickup in exports of services.

The slowdown in exports of goods mainly reflected downturns in industrial supplies and materials, in "other" exports, and in automotive vehicles, engines, and parts that were partly offset by an upturn in non-automotive consumer goods and a pickup in nonautomotive capital goods.

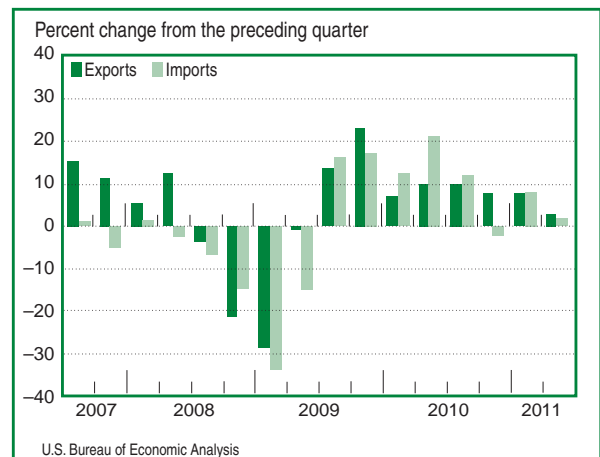
The pickup in exports of services mainly reflected a pickup in "other" private services.

Imports of goods and services decelerated sharply, reflecting decelerations in both imports of goods and services.

The deceleration in imports of goods mainly reflected a downturn in automotive vehicles, engines, and parts, which was affected by supply chain disruptions resulting from the earthquake and tsunami in Japan. Petroleum and products also turned down. In contrast, "other" imports turned up.

The deceleration in imports of services mainly reflected a downturn in "other" transportation and a larger decrease in direct defense expenditures that were partly offset by upturns in travel and "other" imports of 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)			
	2011		2010		2011		2010		2011	
	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>1.0</b>	<b>-2.8</b>	<b>-5.9</b>	<b>-0.9</b>	<b>1.0</b>	<b>-2.8</b>	<b>-5.9</b>	<b>-0.9</b>	
Consumption expenditures.....	84.3	0.4	-2.6	-2.4	0.5	0.34	-2.16	-1.95	0.42	
Gross investment.....	15.7	3.8	-3.7	-21.6	-7.8	0.64	-0.63	-3.91	-1.29	
<b>Federal.....</b>	<b>40.7</b>	<b>3.2</b>	<b>-3.0</b>	<b>-9.4</b>	<b>2.0</b>	<b>1.28</b>	<b>-1.22</b>	<b>-3.90</b>	<b>0.80</b>	
<b>National defense.....</b>	<b>27.3</b>	<b>5.7</b>	<b>-5.9</b>	<b>-12.6</b>	<b>7.1</b>	<b>1.52</b>	<b>-1.64</b>	<b>-3.54</b>	<b>1.86</b>	
Consumption expenditures.....	23.8	5.5	-8.0	-7.3	9.1	1.26	-1.94	-1.70	2.05	
Gross investment.....	3.5	6.7	7.9	-39.1	-5.4	0.25	0.31	-1.84	-0.20	
<b>Nondefense.....</b>	<b>13.4</b>	<b>-1.8</b>	<b>3.1</b>	<b>-2.7</b>	<b>-7.5</b>	<b>-0.24</b>	<b>0.42</b>	<b>-0.36</b>	<b>-1.05</b>	
Consumption expenditures.....	11.6	-2.5	2.6	-2.4	-8.2	-0.29	0.30	-0.27	-1.00	
Gross investment.....	1.7	2.7	6.5	-5.3	-2.6	0.05	0.11	-0.09	-0.05	
<b>State and local.....</b>	<b>59.3</b>	<b>-0.5</b>	<b>-2.7</b>	<b>-3.4</b>	<b>-2.8</b>	<b>-0.30</b>	<b>-1.58</b>	<b>-1.97</b>	<b>-1.68</b>	
Consumption expenditures.....	48.8	-1.3	-1.1	0.0	-1.3	-0.63	-0.53	0.01	-0.63	
Gross investment.....	10.5	3.0	-9.0	-16.9	-9.5	0.34	-1.05	-1.98	-1.05	

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 0.9 percent in the second quarter after decreasing 5.9 percent in the first quarter, reflecting an upturn in federal government spending and a smaller decrease in state and local government spending.

The upturn in federal government spending reflected an upturn in national defense spending that was partly offset by a larger decrease in nondefense spending. The upturn in national defense spending reflected an upturn in consumption expenditures and a smaller decrease in gross investment, mainly in equipment and software. The larger decrease in nondefense spending primarily reflected a larger decrease in consumption expenditures.

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

### Government Spending

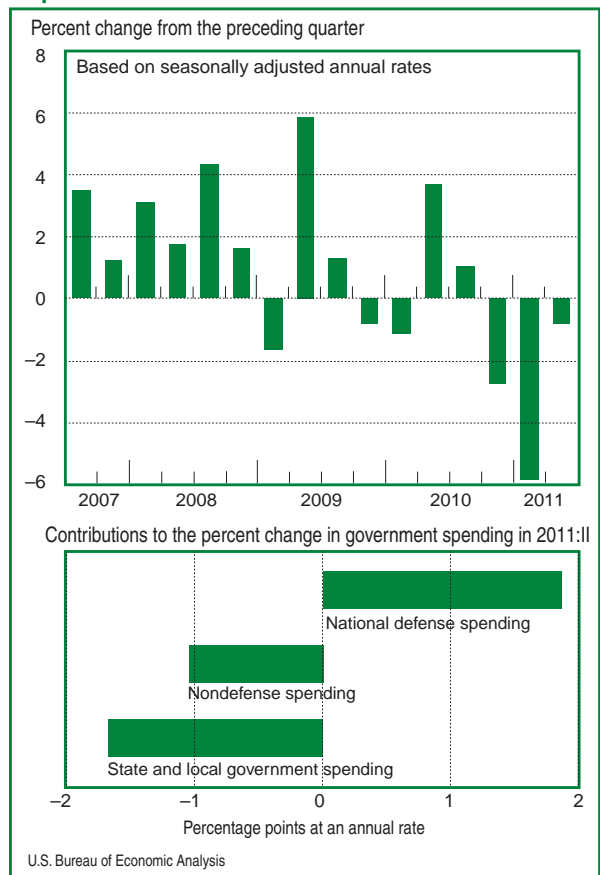
“Government consumption expenditures and gross investment,” or “government spending,” consists of two components: (1) consumption expenditures by federal government and by state and local governments and (2) gross investment by government and government-owned enterprises.

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)			
	2010		2011		2010		2011	
	III	IV	I	II	III	IV	I	II
<b>Gross domestic purchases<sup>1</sup></b> .....	<b>1.0</b>	<b>2.1</b>	<b>4.0</b>	<b>3.3</b>	<b>1.0</b>	<b>2.1</b>	<b>4.0</b>	<b>3.3</b>
<b>Personal consumption expenditures</b> .....	<b>1.0</b>	<b>1.9</b>	<b>3.9</b>	<b>3.2</b>	<b>0.68</b>	<b>1.34</b>	<b>2.67</b>	<b>2.20</b>
Goods .....	0.8	3.4	8.0	5.1	0.19	0.76	1.80	1.17
Durable goods .....	-2.5	-2.4	-0.6	1.7	-0.18	-0.18	-0.04	0.13
Nondurable goods .....	2.4	6.2	12.4	6.7	0.37	0.94	1.84	1.04
Services .....	1.1	1.2	1.9	2.3	0.49	0.57	0.87	1.03
<b>Gross private domestic investment</b> .....	<b>0.9</b>	<b>1.7</b>	<b>2.1</b>	<b>2.4</b>	<b>0.09</b>	<b>0.20</b>	<b>0.26</b>	<b>0.29</b>
Fixed investment .....	0.5	0.8	1.4	2.5	0.06	0.09	0.17	0.30
Nonresidential .....	0.5	0.4	1.4	2.6	0.04	0.04	0.14	0.25
Structures .....	2.5	3.6	5.0	6.9	0.07	0.09	0.12	0.17
Equipment and software .....	-0.3	-0.8	0.2	1.1	-0.03	-0.06	0.01	0.08
Residential .....	0.6	2.5	1.5	2.1	0.01	0.05	0.03	0.05
Change in private inventories .....					0.04	0.10	0.09	-0.01
<b>Government consumption expenditures and gross investment</b> .....	<b>0.9</b>	<b>3.1</b>	<b>5.4</b>	<b>4.1</b>	<b>0.18</b>	<b>0.61</b>	<b>1.05</b>	<b>0.80</b>
Federal .....	1.1	2.0	5.3	3.7	0.09	0.16	0.42	0.29
National defense .....	0.9	2.5	6.3	3.8	0.05	0.14	0.33	0.20
Nondefense .....	1.5	1.1	3.4	3.6	0.04	0.03	0.09	0.09
State and local .....	0.7	3.8	5.5	4.4	0.09	0.45	0.63	0.51
<b>Addenda:</b>								
Gross domestic purchases:								
Food .....	0.8	2.4	5.9	5.7	0.04	0.12	0.29	0.28
Energy goods and services .....	6.1	25.5	42.4	15.0	0.21	0.90	1.49	0.60
Excluding food and energy .....	0.8	1.2	2.4	2.6	0.71	1.12	2.20	2.40
Personal consumption expenditures (PCE):								
Food and beverages for off-premises consumption .....	0.3	1.4	6.5	6.4				
Energy goods and services .....	5.6	24.7	40.7	15.0				
Excluding food and energy .....	0.8	0.7	1.6	2.2				
Gross domestic product (GDP) .....	1.4	1.9	2.5	2.4				
Exports .....	0.6	8.6	11.0	8.7				
Imports .....	-2.2	8.4	19.1	12.7				

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 paid by U.S. residents, as measured by the gross domestic purchases price index, slowed in the second quarter, increasing 3.3 percent after increasing 4.0 percent. About 0.1 percentage point of the first-quarter increase in the price index had reflected the federal pay raise for military personnel, which is treated as an increase in the price of employee services purchased by the government.

Consumer prices slowed, mainly reflecting a slowdown in prices paid for gasoline and “other” energy goods. In contrast, prices paid for motor vehicles and parts, for food services and accommodations, and for health care accelerated.

Prices paid for nonresidential fixed investment accelerated, reflecting pickups in prices paid for equipment and software (mainly an upturn in prices paid for “other” equipment) and in prices for structures.

Prices paid by government slowed. Prices paid by both federal government and state and local governments slowed, primarily reflecting a slowdown in petroleum prices. The slowdown in federal government prices also reflected the first-quarter military pay raise.

Consumer prices excluding food and energy, a measure of the “core” rate of inflation, picked up, increasing 2.2 percent after increasing 1.6 percent.

The GDP price index increased 2.4 percent, 0.9 percentage point less than the increase in the price index for gross domestic purchases, reflecting a smaller increase in export prices (8.7 percent) than in import prices (12.7 percent).

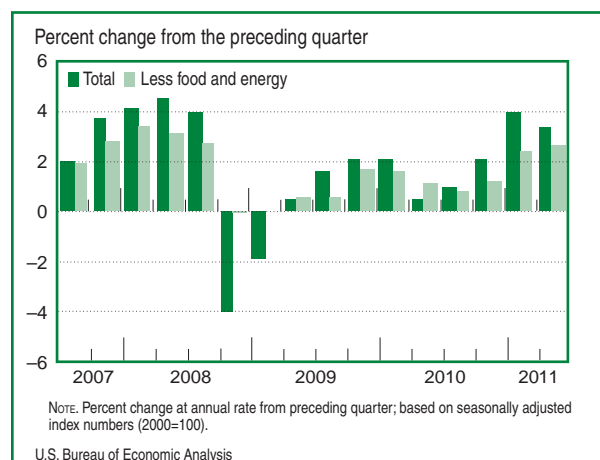
**Note on Prices**

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**



NOTE: Percent change at annual rate from preceding quarter; based on seasonally adjusted index numbers (2000=100).



## Revisions

**Table 9. Advance and Second Estimates for the Second Quarter of 2011**

[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>1.3</b>	<b>1.0</b>	<b>-0.3</b>	<b>1.3</b>	<b>1.0</b>	<b>-0.3</b>
<b>Personal consumption expenditures</b> .....	<b>0.1</b>	<b>0.4</b>	<b>0.3</b>	<b>0.07</b>	<b>0.30</b>	<b>0.23</b>
Goods .....	-1.3	-1.4	-0.1	-0.33	-0.34	-0.01
Durable goods .....	-4.4	-5.1	-0.7	-0.35	-0.40	-0.05
Nondurable goods .....	0.1	0.4	0.3	0.02	0.07	0.05
Services .....	0.8	1.4	0.6	0.40	0.64	0.24
<b>Gross private domestic investment</b> .....	<b>7.1</b>	<b>6.4</b>	<b>-0.7</b>	<b>0.87</b>	<b>0.78</b>	<b>-0.09</b>
Fixed investment .....	5.9	8.7	2.8	0.69	1.01	0.32
Nonresidential .....	6.3	9.9	3.6	0.61	0.94	0.33
Structures .....	8.1	15.7	7.6	0.20	0.38	0.18
Equipment and software .....	5.7	7.9	2.2	0.41	0.55	0.14
Residential .....	3.8	3.4	-0.4	0.08	0.08	0.00
Change in private inventories .....				0.18	-0.23	-0.41
<b>Net exports of goods and services</b> .....				<b>0.58</b>	<b>0.09</b>	<b>-0.49</b>
Exports .....	6.0	3.1	-2.9	0.81	0.41	-0.40
Goods .....	6.8	2.7	-4.1	0.65	0.26	-0.39
Services .....	4.0	3.9	-0.1	0.16	0.15	-0.01
Imports .....	1.3	1.9	0.6	-0.23	-0.33	-0.10
Goods .....	1.5	1.9	0.4	-0.22	-0.28	-0.06
Services .....	0.2	1.6	1.4	-0.01	-0.04	-0.03
<b>Government consumption expenditures and gross investment</b> .....	<b>-1.1</b>	<b>-0.9</b>	<b>0.2</b>	<b>-0.23</b>	<b>-0.18</b>	<b>0.05</b>
Federal .....	2.2	2.0	-0.2	0.18	0.16	-0.02
National defense .....	7.3	7.1	-0.2	0.39	0.38	-0.01
Nondefense .....	-7.3	-7.5	-0.2	-0.21	-0.21	0.00
State and local .....	-3.4	-2.8	0.6	-0.41	-0.34	0.07
<b>Addenda:</b>						
Final sales of domestic product .....	1.1	1.2	0.1	1.11	1.22	0.11
Gross domestic purchases price index .....	3.2	3.3	0.1			
GDP price index .....	2.3	2.4	0.1			

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

The second estimate of the second-quarter increase in real GDP was 0.3 percentage point less than the advance estimate. The average revision (without regard to sign) between the advance estimate and the second estimate is 0.5 percentage point. The downward revision to the percent change in real GDP primarily reflected downward revisions to inventory investment and to exports that were partly offset by upward revisions to nonresidential fixed investment and to consumer spending.

The upward revision to consumer spending was to consumer spending for services, primarily reflecting upward revisions to financial services and insurance and to health care.

The upward revision to nonresidential fixed investment reflected revisions to both nonresidential structures and to equipment and software. Within structures, the upward revision was widespread. Within equipment and software, the revision reflected upward revisions to industrial equipment, software, and "other" equipment.

The downward revision to inventory investment primarily reflected downward revisions to wholesale trade inventories, retail trade inventories, and manufacturing inventories.

The downward revision to exports was primarily to exports of goods. Within exports of goods, the largest contributors to the revision were industrial supplies and materials as well as nonautomotive capital goods.

**Personal Income for the First Quarter of 2011**

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 newly available first-quarter tabulations from the Quarterly Census of Employment and Wages from the Bureau of Labor Statistics.

Wage and salary disbursements increased \$101.2 billion, an upward revision of \$18.4 billion. Personal current taxes increased \$125.0 billion, an upward revision of \$2.7 billion. Contributions for government social insurance, which is subtracted in calculating personal income, decreased \$82.6 billion, an upward revision of \$2.1 billion.

As a result of these revisions,

- Personal income increased \$269.3 billion, an upward revision of \$17.4 billion.
- Disposable personal income increased \$144.3 billion, an upward revision of \$14.7 billion.
- Personal saving decreased \$9.2 billion, an upward revision of \$14.6 billion.
- The personal saving rate was 5.0 percent, an upward revision of 0.1 percentage point.

**Source Data for the Second Estimates**

*Personal consumption expenditures:* retail sales for April, May and June (revised). Motor vehicle registrations for June (new). Financial services based on second-quarter *Call Report* (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 of goods and services:* international transactions accounts for April and May (revised) and June (new). Price indexes for April, May, and June (revised).

*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			2010		2011	
	2011	2010	2011		III	IV	I	II	
	II	III	IV	I	II	III	IV	I	II
<b>Current production measures:</b>									
Corporate profits.....	1,933.7	47.3	24.3	19.0	57.3	2.6	1.3	1.0	3.0
Domestic industries.....	1,495.8	42.6	46.7	-18.8	30.1	3.1	3.3	-1.3	2.1
Financial.....	419.1	7.3	52.0	-38.7	-54.2	1.6	11.3	-7.5	-11.5
Nonfinancial.....	1,076.7	35.3	-5.2	19.7	84.4	3.7	-0.5	2.0	8.5
Rest of the world.....	437.9	4.7	-22.4	37.9	27.1	1.2	-5.7	10.2	6.6
Receipts from the rest of the world.....	648.0	9.6	16.1	20.3	36.1	1.7	2.8	3.4	5.9
Less: Payments to the rest of the world.....	210.1	5.0	38.5	-17.7	9.0	2.9	21.3	-8.1	4.5
Less: Taxes on corporate income	419.3	30.7	-25.6	17.6	-3.0	7.7	-5.9	4.3	-0.7
Equals: Profits after tax.....	1,514.4	16.5	49.9	1.4	60.3	1.2	3.6	0.1	4.1
Net dividends.....	807.4	31.2	14.3	19.0	13.6	4.3	1.9	2.5	1.7
Undistributed profits from current production.....	707.0	-14.7	35.6	-17.6	46.7	-2.2	5.5	-2.6	7.1
Net cash flow.....	1,809.8	-61.6	16.0	21.1	83.8	-3.5	1.0	1.2	4.9
<b>Industry profits:</b>									
Profits with IVA.....	1,826.4	-47.3	-160.4	108.9	65.3	-2.5	-8.8	6.6	3.7
Domestic industries.....	1,388.6	-52.0	-138.0	71.0	38.3	-3.5	-9.7	5.6	2.8
Financial.....	438.9	-2.8	33.0	-29.3	-52.6	-0.6	6.8	-5.6	-10.7
Nonfinancial.....	949.7	-49.2	-171.0	100.3	90.9	-5.0	-18.4	13.2	10.6
Rest of the world.....	437.9	4.7	-22.4	37.9	27.1	1.2	-5.7	10.2	6.6
<b>Addenda:</b>									
Profits before tax (without IVA and CCAdj).....	1,885.8	-21.0	-102.0	134.6	8.7	-1.1	-5.5	7.7	0.5
Profits after tax (without IVA and CCAdj).....	1,466.5	-51.7	-76.4	117.0	11.7	-3.5	-5.4	8.7	0.8
IVA.....	-59.3	-26.4	-58.3	-25.7	56.7	.....	.....	.....	.....
CCAdj.....	107.2	94.6	184.7	-89.8	-8.2	.....	.....	.....	.....

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 increased \$57.3 billion, or 3.0 percent at a quarterly rate, in the second quarter after increasing \$19.0 billion, or 1.0 percent, in the first quarter.

Domestic profits of financial corporations decreased \$54.2 billion, or 11.5 percent, after decreasing \$38.7 billion, or 7.5 percent.

Domestic profits of nonfinancial corporations increased \$84.4 billion, or 8.5 percent, after increasing \$19.7 billion, or 2.0 percent.

Profits from the rest of the world increased \$27.1 billion, or 6.6 percent, after increasing \$37.9 billion, or 10.2 percent. In the second quarter, receipts increased \$36.1 billion, and payments increased \$9.0 billion.

Taxes on corporate income decreased \$3.0 billion, or 0.7 percent, after increasing \$17.6 billion, or 4.3 percent.

Profits after tax increased \$60.3 billion, or 4.1 percent, after increasing \$1.4 billion, or 0.1 percent.

Undistributed corporate profits (a measure of net saving that equals after-tax profits less dividends) increased \$46.7 billion, or 7.1 percent, after decreasing \$17.6 billion, or 2.6 percent.

Net cash flow from current production, a profits-related measure of internal funds available for investment, increased \$83.8 billion, or 4.9 percent, after increasing \$21.1 billion, or 1.2 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).