

# GDP and the Economy

## Third Estimates for the Second Quarter of 2017

REAL GROSS domestic product (GDP) increased 3.1 percent at an annual rate in the second quarter of 2017, according to the third estimates of the national income and product accounts (NIPAs) (chart 1 and table 1).<sup>1</sup> The third estimate of real GDP growth was revised up 0.1 percentage point from the second estimate of 3.0 percent; the upward revision primarily reflected an upward revision to inventory investment.<sup>2</sup> In the first quarter of 2017, real GDP increased 1.2 percent.

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

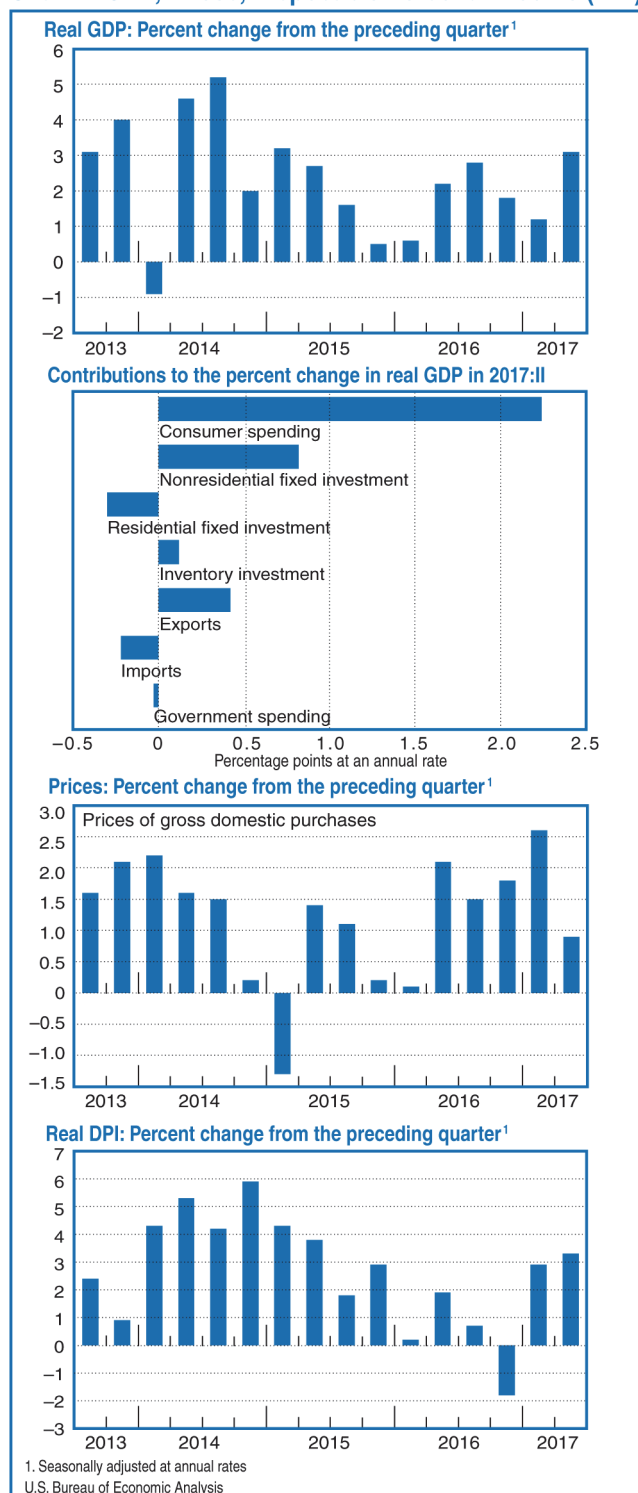
- Prices of goods and services purchased by U.S. residents, as measured by the gross domestic purchases price index, increased 0.9 percent in the second quarter after an increase of 2.6 percent in the first quarter. Energy prices turned down, while food prices increased more in the second quarter than in the first quarter. Excluding food and energy, prices increased 1.3 percent after increasing 2.3 percent.
- Real disposable personal income (DPI) increased 3.3 percent in the second quarter after increasing 2.9 percent in the first quarter. Current-dollar DPI increased 3.6 percent after increasing 5.2 percent. The differences in the movements in real DPI and current-dollar DPI reflected a deceleration in the implicit price deflator for consumer spending, which is used to deflate DPI.
- Real gross domestic income increased 2.9 percent after increasing 2.7 percent.
- Corporate profits from current production increased \$14.4 billion after decreasing \$46.2 billion (see table 3).

1. "Real" estimates are in chained (2009) dollars, and price indexes are chain-type measures. Each GDP estimate for a quarter (advance, second, and third) incorporates increasingly comprehensive and improved source data; for more information, see "The Revisions to GDP, GDI, and Their Major Components" in the August 2014 SURVEY OF CURRENT BUSINESS. Quarterly estimates are expressed at seasonally adjusted annual rates, which reflect a rate of activity for a quarter as if it were maintained for a year.

2. In this article, "consumer spending" refers to "personal consumption expenditures," "inventory investment" refers to "change in private inventories," and "government spending" refers to "government consumption expenditures and gross investment."

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Chart 1. GDP, Prices, Disposable Personal Income (DPI)



## Real GDP Overview

Table 1. 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) |              |              |  |  |
|---|---------------------------------------|--|------------|-------------|-------------|-------------|--|--------------|--------------|--|--|
|   |                                       | 2016                                   |            | 2017        |             |             | 2016   |              | 2017         |  |  |
|   |                                       | III                                    | IV         | I           | II          | III         | IV   | I            | II           |  |  |
| <b>Gross domestic product</b> <sup>1</sup> .....                      | <b>100.0</b>                          | <b>2.8</b>                             | <b>1.8</b> | <b>1.2</b>  | <b>3.1</b>  | <b>2.8</b>  | <b>1.8</b>   | <b>1.2</b>   | <b>3.1</b>   |  |  |
| <b>Personal consumption expenditures</b> .....                        | <b>69.1</b>                           | <b>2.8</b>                             | <b>2.9</b> | <b>1.9</b>  | <b>3.3</b>  | <b>1.92</b> | <b>1.99</b>  | <b>1.32</b>  | <b>2.24</b>  |  |  |
| Goods .....   | 22.1                                  | 3.2                                    | 4.7        | 0.7         | 5.4         | 0.69        | 1.03   | 0.15         | 1.16         |  |  |
| Durable goods .....   | 7.6                                   | 9.4                                    | 9.2        | -0.1        | 7.6         | 0.68        | 0.67   | -0.01        | 0.56         |  |  |
| Nondurable goods .....  | 14.5                                  | 0.1                                    | 2.5        | 1.1         | 4.2         | 0.01        | 0.35   | 0.16         | 0.61         |  |  |
| Services .....  | 47.1                                  | 2.7                                    | 2.1        | 2.5         | 2.3         | 1.23        | 0.97   | 1.17         | 1.08         |  |  |
| <b>Gross private domestic investment</b> .....                        | <b>16.5</b>                           | <b>2.4</b>                             | <b>8.5</b> | <b>-1.2</b> | <b>3.9</b>  | <b>0.40</b> | <b>1.34</b>  | <b>-0.20</b> | <b>0.64</b>  |  |  |
| Fixed investment .....  | 16.5                                  | 1.5                                    | 1.7        | 8.1         | 3.2         | 0.25        | 0.28   | 1.27         | 0.53         |  |  |
| Nonresidential .....  | 12.6                                  | 3.4                                    | 0.2        | 7.2         | 6.7         | 0.42        | 0.02   | 0.86         | 0.82         |  |  |
| Structures .....  | 2.9                                   | 14.3                                   | -2.2       | 14.8        | 7.0         | 0.37        | -0.06  | 0.39         | 0.20         |  |  |
| Equipment .....   | 5.6                                   | -2.1                                   | 1.8        | 4.4         | 8.8         | -0.12       | 0.10   | 0.24         | 0.48         |  |  |
| Intellectual property products .....                                  | 4.1                                   | 4.2                                    | -0.4       | 5.7         | 3.7         | 0.17        | -0.02  | 0.23         | 0.15         |  |  |
| Residential .....   | 3.8                                   | -4.5                                   | 7.1        | 11.1        | -7.3        | -0.18       | 0.26   | 0.41         | -0.30        |  |  |
| Change in private inventories .....                                   | 0.0                                   | .....                                  | .....      | .....       | .....       | 0.16        | 1.06   | -1.46        | 0.12         |  |  |
| <b>Net exports of goods and services</b> .....                        | <b>-2.9</b>                           | .....                                  | .....      | .....       | .....       | <b>0.36</b> | <b>-1.61</b>   | <b>0.22</b>  | <b>0.21</b>  |  |  |
| Exports .....   | 12.0                                  | 6.4                                    | -3.8       | 7.3         | 3.5         | 0.74        | -0.47  | 0.85         | 0.42         |  |  |
| Goods .....   | 7.9                                   | 8.1                                    | -3.4       | 10.8        | 2.2         | 0.60        | -0.27  | 0.81         | 0.18         |  |  |
| Services .....  | 4.1                                   | 3.2                                    | -4.6       | 1.0         | 6.2         | 0.13        | -0.19  | 0.04         | 0.25         |  |  |
| Imports .....   | 15.0                                  | 2.7                                    | 8.1        | 4.3         | 1.5         | -0.37       | -1.14  | -0.63        | -0.22        |  |  |
| Goods .....   | 12.2                                  | 1.2                                    | 9.2        | 4.7         | 1.3         | -0.14       | -1.05  | -0.56        | -0.16        |  |  |
| Services .....  | 2.8                                   | 9.0                                    | 3.2        | 2.5         | 2.2         | -0.24       | -0.09  | -0.07        | -0.06        |  |  |
| <b>Government consumption expenditures and gross investment</b> ..... | <b>17.3</b>                           | <b>0.5</b>                             | <b>0.2</b> | <b>-0.6</b> | <b>-0.2</b> | <b>0.09</b> | <b>0.03</b>  | <b>-0.11</b> | <b>-0.03</b> |  |  |
| Federal .....   | 6.5                                   | 1.6                                    | -0.5       | -2.4        | 1.9         | 0.11        | -0.03  | -0.16        | 0.13         |  |  |
| National defense .....  | 3.9                                   | 2.5                                    | -3.2       | -3.3        | 4.7         | 0.10        | -0.13  | -0.13        | 0.18         |  |  |
| Nondefense .....  | 2.7                                   | 0.3                                    | 3.6        | -1.2        | -1.9        | 0.01        | 0.10   | -0.03        | -0.05        |  |  |
| State and local .....   | 10.8                                  | -0.2                                   | 0.6        | 0.5         | -1.5        | -0.02       | 0.06   | 0.05         | -0.16        |  |  |
| <b>Addenda:</b>   |                                       |  |            |             |             |             |  |              |              |  |  |
| Gross domestic income (GDI) <sup>2</sup> .....                        | .....                                 | 4.1                                    | -1.7       | 2.7         | 2.9         | .....       | .....  | .....        | .....        |  |  |
| Average of GDP and GDI .....  | .....                                 | 3.4                                    | 0.0        | 2.0         | 3.0         | .....       | .....  | .....        | .....        |  |  |
| Final sales of domestic product .....                                 | 100.0                                 | 2.6                                    | 0.7        | 2.7         | 2.9         | 2.62        | 0.70   | 2.70         | 2.94         |  |  |
| Goods .....   | 29.4                                  | 4.7                                    | 3.0        | -1.6        | 7.3         | 1.39        | 0.88   | -0.47        | 2.10         |  |  |
| Services .....  | 62.5                                  | 2.2                                    | 1.0        | 1.5         | 2.1         | 1.39        | 0.61   | 0.91         | 1.32         |  |  |
| Structures .....  | 8.1                                   | 0.1                                    | 3.4        | 10.3        | -4.3        | 0.01        | 0.27   | 0.80         | -0.36        |  |  |
| Motor vehicle output .....  | 2.8                                   | 2.7                                    | -1.9       | -7.3        | 0.8         | 0.08        | -0.06  | -0.22        | 0.02         |  |  |
| GDP excluding motor vehicle output .....                              | 97.2                                  | 2.8                                    | 1.9        | 1.5         | 3.1         | 2.70        | 1.81   | 1.45         | 3.04         |  |  |
| Final sales of computers .....  | 0.4                                   | -7.9                                   | -7.8       | 23.3        | 22.3        | -0.03       | -0.03  | 0.08         | 0.08         |  |  |
| GDP excluding final sales of computers .....                          | 99.6                                  | 2.8                                    | 1.8        | 1.2         | 3.0         | 2.81        | 1.79   | 1.16         | 2.98         |  |  |
| Research and development (R&D) .....                                  | 2.6                                   | 2.2                                    | -1.1       | 7.1         | 1.3         | 0.06        | -0.03  | 0.18         | 0.03         |  |  |
| GDP excluding R&D .....   | 97.4                                  | 2.8                                    | 1.8        | 1.1         | 3.1         | 2.72        | 1.79   | 1.06         | 3.03         |  |  |

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

2. GDI is deflated by the implicit price deflator for GDP.

NOTE: For GDP and its components, percent changes are from NIPA tables 1.1.1 and 1.2.1, contributions to percent change are from NIPA tables 1.1.2 and 1.2.2, and shares are from NIPA table 1.1.10, or they are calculated from table 1.2.5. For GDI, percent changes are from NIPA table 1.7.1.

The acceleration in real GDP growth in the second quarter primarily reflected an upturn in inventory investment, an acceleration in consumer spending, a deceleration in imports, and an upturn in federal government spending. These movements were partly offset by a downturn in residential fixed investment, a deceleration in exports, and a downturn in state and local government spending.

The acceleration in consumer spending reflected an acceleration in spending for goods that was partly offset by a deceleration in services.

Spending for durable goods turned up, reflecting contributions from all the subcomponents; the primary contributors were upturns in motor vehicles and parts and in "other" durable goods (mainly jewelry).

Spending for nondurable goods accelerated, primarily reflecting upturns in clothing and footwear and in gasoline and other energy goods.

The downturn in residential fixed investment primarily reflected a downturn in "other" structures (mainly in brokers' commissions and other ownership transfer costs and in improvements).

The upturn in inventory investment reflected an upturn in nonfarm industries that was partly offset by a downturn in farm inventories. Within nonfarm inventory investment, an upturn in wholesale trade industries, a smaller decrease in manufacturing, and an acceleration in "other" industries were partly offset by a downturn in retail trade industries and a larger decrease in mining, utilities, and construction.

The deceleration in exports reflected a deceleration in goods exports that was partly offset by an acceleration in services exports.

The deceleration in imports reflected decelerations in both goods exports and services exports.

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 downturn in state and local government spending reflected a downturn in gross investment (mainly due to a larger decrease in structures) that was partly offset by an acceleration in consumption expenditures.

## Revisions to GDP

**Table 2. Second and Third Estimates for the Second Quarter of 2017**  
[Seasonally adjusted at annual rates]

|   | Change from preceding quarter (percent) |                |                                      | Contribution to percent change in real GDP (percentage points) |                |                                      |
|---|---|----------------|--------------------------------------|--|----------------|--------------------------------------|
|   | Second estimate                         | Third estimate | Third estimate minus second estimate | Second estimate  | Third estimate | Third estimate minus second estimate |
| <b>Gross domestic product (GDP) <sup>1</sup></b> .....                | <b>3.0</b>                              | <b>3.1</b>     | <b>0.1</b>                           | <b>3.0</b>   | <b>3.1</b>     | <b>0.1</b>                           |
| <b>Personal consumption expenditures</b> .....                        | <b>3.3</b>                              | <b>3.3</b>     | <b>0.0</b>                           | <b>2.28</b>  | <b>2.24</b>    | <b>-0.04</b>                         |
| Goods.....  | 5.9                                     | 5.4            | -0.5                                 | 1.27   | 1.16           | -0.11                                |
| Durable goods.....  | 8.9                                     | 7.6            | -1.3                                 | 0.65   | 0.56           | -0.09                                |
| Nondurable goods.....   | 4.3                                     | 4.2            | -0.1                                 | 0.62   | 0.61           | -0.01                                |
| Services.....   | 2.1                                     | 2.3            | 0.2                                  | 1.00   | 1.08           | 0.08                                 |
| <b>Gross private domestic investment</b> .....                        | <b>3.6</b>                              | <b>3.9</b>     | <b>0.3</b>                           | <b>0.60</b>  | <b>0.64</b>    | <b>0.04</b>                          |
| Fixed investment.....   | 3.6                                     | 3.2            | -0.4                                 | 0.58   | 0.53           | -0.05                                |
| Nonresidential.....   | 6.9                                     | 6.7            | -0.2                                 | 0.85   | 0.82           | -0.03                                |
| Structures.....   | 6.2                                     | 7.0            | 0.8                                  | 0.18   | 0.20           | 0.02                                 |
| Equipment.....  | 8.8                                     | 8.8            | 0.0                                  | 0.47   | 0.48           | 0.01                                 |
| Intellectual property products.....                                   | 4.9                                     | 3.7            | -1.2                                 | 0.20   | 0.15           | -0.05                                |
| Residential.....  | -6.5                                    | -7.3           | -0.8                                 | -0.26  | -0.30          | -0.04                                |
| Change in private inventories.....                                    | .....                                   | .....          | .....                                | 0.02   | 0.12           | 0.10                                 |
| <b>Net exports of goods and services</b> .....                        | <b>.....</b>                            | <b>.....</b>   | <b>.....</b>                         | <b>0.21</b>  | <b>0.21</b>    | <b>0.00</b>                          |
| Exports.....  | 3.7                                     | 3.5            | -0.2                                 | 0.45   | 0.42           | -0.03                                |
| Goods.....  | 2.3                                     | 2.2            | -0.1                                 | 0.19   | 0.18           | -0.01                                |
| Services.....   | 6.5                                     | 6.2            | -0.3                                 | 0.26   | 0.25           | -0.01                                |
| Imports.....  | 1.6                                     | 1.5            | -0.1                                 | -0.23  | -0.22          | 0.01                                 |
| Goods.....  | 1.6                                     | 1.3            | -0.3                                 | -0.20  | -0.16          | 0.04                                 |
| Services.....   | 1.4                                     | 2.2            | 0.8                                  | -0.04  | -0.06          | -0.02                                |
| <b>Government consumption expenditures and gross investment</b> ..... | <b>-0.3</b>                             | <b>-0.2</b>    | <b>0.1</b>                           | <b>-0.05</b>   | <b>-0.03</b>   | <b>0.02</b>                          |
| Federal.....  | 1.9                                     | 1.9            | 0.0                                  | 0.13   | 0.13           | 0.00                                 |
| National defense.....   | 4.7                                     | 4.7            | 0.0                                  | 0.18   | 0.18           | 0.00                                 |
| Nondefense.....   | -1.9                                    | -1.9           | 0.0                                  | -0.05  | -0.05          | 0.00                                 |
| State and local.....  | -1.7                                    | -1.5           | 0.2                                  | -0.18  | -0.16          | 0.02                                 |
| <b>Addenda:</b>   |   |                |                                      |  |                |                                      |
| Final sales of domestic product.....                                  | 3.0                                     | 2.9            | -0.1                                 | 3.02   | 2.94           | -0.08                                |
| Gross domestic income (GDI).....                                      | 2.9                                     | 2.9            | 0.0                                  | .....  | .....          | .....                                |
| Average of GDP and GDI.....   | 3.0                                     | 3.0            | 0.0                                  | .....  | .....          | .....                                |
| Gross domestic purchases price index.....                             | 0.8                                     | 0.9            | 0.1                                  | .....  | .....          | .....                                |
| GDP price index.....  | 1.0                                     | 1.0            | 0.0                                  | .....  | .....          | .....                                |

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

The third estimate of the second-quarter change in real GDP was 0.1 percentage point higher than the second estimate released in August, and the general picture of economic growth remains the same. The average revision from the second estimate to third estimate for real GDP is 0.2 percentage point. The upward revision to the percent change in real GDP primarily reflected an upward revision to inventory investment that was partly offset by downward revisions to consumer spending, residential fixed investment, nonresidential fixed investment, and exports.

The growth rate of consumer spending was the same as that previously estimated, but its contribution to real GDP growth was revised down, reflecting a downward revision to spending for goods (mainly motor vehicles and parts) that was partly offset by an upward revision to spending for services (mainly health care).

The downward revision to nonresidential fixed investment was primarily due to a downward revision to intellectual property products (mainly research and development) that was partly offset by upward revisions to structures and to equipment.

The downward revision to residential fixed investment was primarily to single-family structures.

The upward revision to inventory investment reflected an upward revision to farm inventories that was more than accounted for by an upward revision to crop output.

The downward revision to exports was to exports of goods (mainly petroleum and other products) and to exports of services.

### Source Data and Methodologies

For the details about the source data and the methodologies that are used to prepare the estimates, see *Concepts and Methods of the U.S. National Income and Product Accounts* on BEA's Web site.

**Source data for the third estimate.** The third estimate of GDP for the second quarter of 2017 incorporated the following source data.

**Consumer spending:** Census Bureau retail sales data for June (revised) and Quarterly Services Survey (QSS) data for the second quarter (new and revised), Federal Deposit Insurance Corporation Call Report data for the second quarter (new), Energy Information Administration electricity and natural gas usage and unit value data for April and May (revised) and June (new), and Securities and Exchange Commission (SEC) FOCUS Report data for the second quarter (new).

**Nonresidential fixed investment:** Census Bureau construc-

tion spending data for May and June (revised), equipment shipments for June (revised), and QSS data for the second quarter (new and revised).

**Residential fixed investment:** Census Bureau construction spending data for May and June (revised).

**Inventory investment:** Census Bureau manufacturers' and trade inventories for June (revised), Quarterly Financial Report data for the second quarter (revised), and USDA Economic Research Service farm income forecast for 2017.

**Exports and imports:** BEA international transactions accounts data for April through June.

**Government spending:** Census Bureau construction spending data for May and June (revised).

**Prices:** Bureau of Labor statistics (BLS) export and import prices for April through June (revised), and BLS producer price indexes for April through June (revised).

## Corporate Profits

**Table 3. Corporate Profits**  
[Seasonally adjusted]

|  | Billions of dollars (annual rate) |                               |       |       |       | Percent change from preceding quarter (quarterly rate) |      |      |      |
|--|-----------------------------------|-------------------------------|-------|-------|-------|--|------|------|------|
|  | Level                             | Change from preceding quarter |       |       |       |  |      |      |      |
|  | 2017                              | 2016                          |       | 2017  |       | 2016   |      | 2017 |      |
|  | II                                | III                           | IV    | I     | II    | III  | IV   | I    | II   |
| <b>Current production measures:</b>                |                                   |                               |       |       |       |  |      |      |      |
| Corporate profits with IVA and CCAdj.....          | 2,123.4                           | 104.6                         | 53.9  | -46.2 | 14.4  | 5.2  | 2.6  | -2.1 | 0.7  |
| Domestic industries.....                           | 1,707.9                           | 105.3                         | 6.7   | -36.9 | 25.2  | 6.5  | 0.4  | -2.1 | 1.5  |
| Financial.....                                     | 441.6                             | 62.6                          | 27.2  | -40.7 | -33.8 | 14.7   | 5.6  | -7.9 | -7.1 |
| Nonfinancial.....                                  | 1,266.3                           | 42.6                          | -20.5 | 3.8   | 59.1  | 3.6  | -1.7 | 0.3  | 4.9  |
| Rest of the world.....                             | 415.5                             | -0.7                          | 47.3  | -9.3  | -10.8 | -0.2   | 12.2 | -2.1 | -2.5 |
| Receipts from the rest of the world.....           | 710.1                             | -0.2                          | 25.1  | 5.4   | 5.5   | 0.0  | 3.7  | 0.8  | 0.8  |
| Less: Payments to the rest of the world.....       | 294.6                             | 0.4                           | -22.2 | 14.7  | 16.3  | 0.2  | -7.8 | 5.6  | 5.9  |
| Less: Taxes on corporate income....                | 479.6                             | 15.7                          | -17.7 | -3.2  | 13.3  | 3.3  | -3.6 | -0.7 | 2.9  |
| <b>Equals:</b> Profits after tax.....              | 1,643.8                           | 88.9                          | 71.7  | -43.0 | 1.1   | 5.8  | 4.4  | -2.6 | 0.1  |
| Net dividends.....                                 | 994.2                             | 5.0                           | 2.8   | 9.0   | 6.2   | 0.5  | 0.3  | 0.9  | 0.6  |
| Undistributed profits from current production..... | 649.6                             | 83.9                          | 68.9  | -52.0 | -5.1  | 15.1   | 10.8 | -7.4 | -0.8 |
| Net cash flow.....                                 | 2,269.9                           | 98.6                          | 62.3  | -40.0 | 40.8  | 4.7  | 2.8  | -1.8 | 1.8  |

IVA Inventory valuation adjustment

CCAdj Capital consumption adjustment

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

Profits from current production increased \$14.4 billion, or 0.7 percent at a quarterly rate, in the second quarter after decreasing \$46.2 billion, or 2.1 percent, in the first quarter.

Profits of domestic financial corporations decreased \$33.8 billion, or 7.1 percent, after decreasing \$40.7 billion, or 7.9 percent.

Profits of domestic nonfinancial corporations increased \$59.1 billion, or 4.9 percent, after increasing \$3.8 billion, or 0.3 percent.

Profits from the rest of the world decreased \$10.8 billion, or 2.5 percent, after decreasing \$9.3 billion, or 2.1 percent. In the second quarter, receipts increased \$5.5 billion, and payments increased \$16.3 billion.

Taxes on corporate income increased \$13.3 billion, or 2.9 percent, in the second quarter after decreasing \$3.2 billion, or 0.7 percent, in the first quarter.

Net dividends increased \$6.2 billion, or 0.6 percent, after increasing \$9.0 billion, or 0.9 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 the

Census Bureau *Quarterly Financial Report*, Federal Deposit Insurance Corporation call reports, other regulatory reports, and tabulations from corporate financial reports. The estimates are benchmarked to Internal Revenue Service (IRS) data when these data are available for two reasons: the IRS data are based on well-specified accounting definitions, and they are comprehensive, covering all incorporated businesses—publicly traded and privately held—in all industries.

Second, to remove the effects of price changes on inventories valued at historical cost and of tax accounting for inventory withdrawals, BEA adds an inventory valuation adjustment that values inventories at current cost.

Third, to remove the effects of tax accounting on depreciation, BEA adds a capital consumption adjustment (CCAdj). CCAdj is defined as the difference between capital consumption allowances (tax return depreciation) and consumption of fixed capital (the decline in the value of the stock of assets due to wear and tear, obsolescence, accidental damage, and aging).

## Corporate Profits by Industry

**Table 4. Corporate Profits by Industry**  
[Seasonally adjusted]

|  | Billions of dollars (annual rate) |                               |       |       |       | Percent change from preceding quarter (quarterly rate) |       |       |       |
|--|-----------------------------------|-------------------------------|-------|-------|-------|--|-------|-------|-------|
|  | Level                             | Change from preceding quarter |       |       |       |  |       |       |       |
|  | 2017                              | 2016                          |       | 2017  |       | 2016   |       | 2017  |       |
|  | II                                | III                           | IV    | I     | II    | III  | IV    | I     | II    |
| <b>Industry profits:</b>                         |                                   |                               |       |       |       |  |       |       |       |
| Corporate profits with IVA .....                 | 2,220.8                           | 99.5                          | 52.4  | -37.5 | 18.9  | 4.8  | 2.4   | -1.7  | 0.9   |
| Domestic industries.....                         | 1,805.2                           | 100.1                         | 5.1   | -28.2 | 29.8  | 5.9  | 0.3   | -1.6  | 1.7   |
| Financial.....                                   | 489.9                             | 63.4                          | 28.0  | -41.1 | -33.8 | 13.4   | 5.2   | -7.3  | -6.4  |
| Nonfinancial.....                                | 1,315.3                           | 36.7                          | -22.8 | 12.8  | 63.5  | 3.0  | -1.8  | 1.0   | 5.1   |
| Utilities.....                                   | 28.2                              | -1.0                          | 5.0   | 6.5   | 0.6   | -5.9   | 31.1  | 30.6  | 2.1   |
| Manufacturing.....                               | 389.6                             | 11.4                          | 1.4   | -16.4 | 19.2  | 3.1  | 0.4   | -4.2  | 5.2   |
| Wholesale trade.....                             | 107.8                             | 25.0                          | -43.6 | -8.0  | 17.5  | 21.3   | -30.7 | -8.2  | 19.4  |
| Retail trade.....                                | 183.9                             | 13.7                          | -1.3  | -4.2  | 4.4   | 8.0  | -0.7  | -2.3  | 2.4   |
| Transportation and warehousing.....              | 73.6                              | -3.3                          | -4.3  | 9.4   | 14.5  | -5.7   | -8.0  | 19.0  | 24.5  |
| Information.....                                 | 131.0                             | -3.4                          | 9.6   | -3.7  | -7.2  | -2.5   | 7.2   | -2.6  | -5.2  |
| Other nonfinancial.....                          | 401.1                             | -5.7                          | 10.5  | 29.3  | 14.5  | -1.6   | 3.0   | 8.2   | 3.8   |
| Rest of the world.....                           | 415.5                             | -0.7                          | 47.3  | -9.3  | -10.8 | -0.2   | 12.2  | -2.1  | -2.5  |
| <b>Addenda:</b>                                  |                                   |                               |       |       |       |  |       |       |       |
| Profits before tax (without IVA and CCAAdj)..... | 2,254.3                           | 56.0                          | 77.2  | 20.0  | -22.5 | 2.6  | 3.5   | 0.9   | -1.0  |
| Profits after tax (without IVA and CCAAdj).....  | 1,774.7                           | 40.3                          | 94.9  | 23.1  | -35.8 | 2.4  | 5.6   | 1.3   | -2.0  |
| IVA.....   | -33.6                             | 43.5                          | -24.8 | -57.5 | 41.4  | .....  | ..... | ..... | ..... |
| CCAAdj.....                                      | -97.4                             | 5.1                           | 1.6   | -8.7  | -4.5  | .....  | ..... | ..... | ..... |

Profits with inventory valuation adjustment (IVA) increased \$18.9 billion, or 0.9 percent at a quarterly rate, in the second quarter after decreasing \$37.5 billion, or 1.7 percent, in the first quarter.

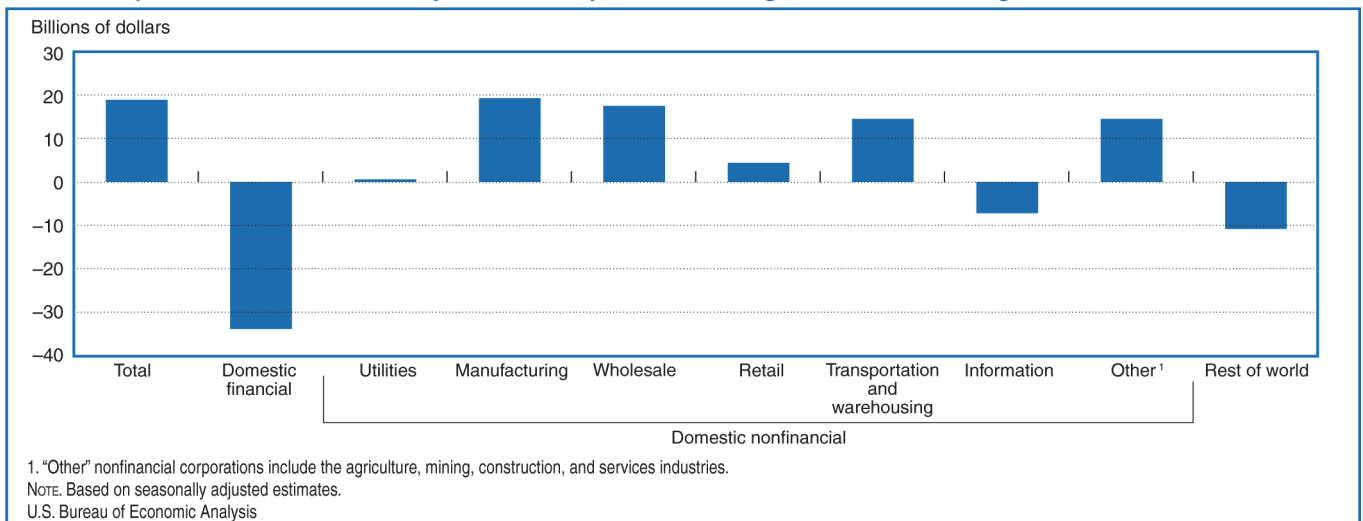
Profits of domestic industries increased \$29.8 billion, or 1.7 percent, after decreasing \$28.2 billion, or 1.6 percent.

Profits of domestic financial industries decreased \$33.8 billion, or 6.4 percent, after decreasing \$41.1 billion, or 7.3 percent.

Profits of domestic nonfinancial industries increased \$63.5 billion, or 5.1 percent, after increasing \$12.8 billion, or 1.0 percent. The second-quarter acceleration was largely due to upturns in manufacturing industries and in wholesale trade industries.

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

**Chart 2. Corporate Profits with Inventory Valuation Adjustment: Change From the Preceding Quarter, 2017:II**



### Corporate Profits by Industry

Industry profits are corporate profits by industry with inventory valuation adjustment (IVA). The IVA removes the effect of price changes on inventories. The IVA is the difference between the cost of inventory withdrawals at acquisition cost and replacement cost. Ideally, BEA would also add the capital consumption adjustment (CCAAdj) for

each industry. However, estimates of the CCAAdj are only available for two broad categories: total financial industries and total nonfinancial industries. For more information about BEA's methodology, see "Corporate Profits" in *Concepts and Methods of the U.S. National Income and Product Accounts* on BEA's Web site.