

GDP and the Economy

Third Estimates for the Second Quarter of 2019

By Lisa S. Mataloni

Real gross domestic product (GDP) increased at an annual rate of 2.0 percent in the second quarter of 2019, according to the third estimates of the National Income and Product Accounts (NIPAs) (chart 1 and table 1).¹ With the third estimate, real GDP growth for the second quarter was the same as in the second estimate issued last month (see “[Updates](#)”). In the first quarter of 2019, real GDP increased 3.1 percent.

The increase in real GDP in the second quarter reflected positive contributions from consumer spending, federal government spending, and state and local government spending that were partly offset by negative contributions from private inventory investment, exports, nonresidential fixed investment, and residential fixed investment (chart 2 and table 1).²

Chart 1. Real GDP: Percent Change from Preceding Quarter

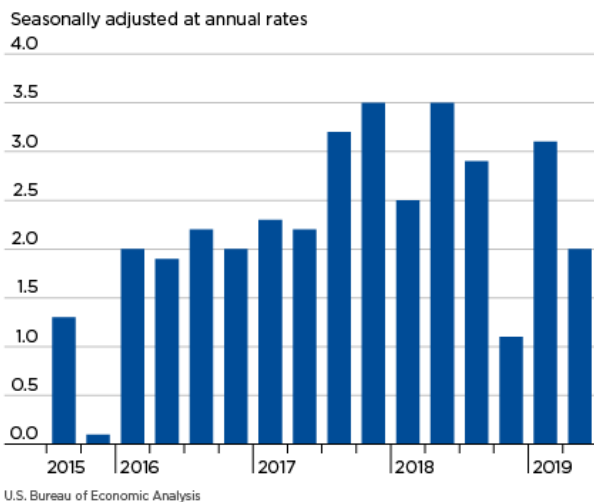
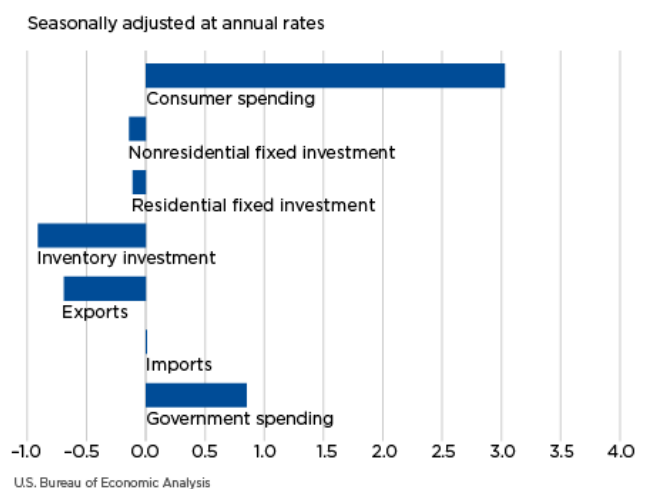


Chart 2. Real GDP: Contributions to the Percent Change in 2019:II



GDP Component Detail

The deceleration in real GDP in the second quarter primarily reflected downturns in inventory investment (line 14), exports (line 16), and nonresidential fixed investment (line 9). These downturns were partly offset by accelerations in consumer spending (line 2) and federal government spending (line 23).

- The downturn in private inventory investment primarily reflected a downturn in nondurable-goods manufacturing and larger decreases in wholesale and retail trade.
- The downturn in exports reflected downturns in both goods and services.
 - Within goods (line 17), a larger decrease in nonautomotive capital goods and downturns in automotive vehicles, engines, and parts and in consumer goods except food and automotive were partly offset by an upturn in exports of petroleum and products.
 - Within services (line 18), travel was the largest contributor to the downturn.
- The downturn in nonresidential fixed investment reflected a downturn in structures (line 10) and a deceleration in intellectual property products (IPP) (line 12). Within IPP, research and development and software investment slowed.
- The acceleration in consumer spending reflected accelerations in spending on both goods and services.
 - The acceleration in spending on goods (line 3) primarily reflected upturns in spending on motor vehicles and parts, in food purchased for off-premises consumption, and in clothing and footwear.
 - Within services (line 6), upturns in food services and accommodations and recreation services and accelerations in transportation services and in housing and utilities were partly offset by a deceleration in health care services.
- The acceleration in federal government spending was more than accounted for by nondefense spending (line 25). Within nondefense, compensation of general government employees and intermediate goods and services purchased both turned up. These components were impacted by the partial government shutdown that occurred in the fourth quarter of 2018 and the first quarter of 2019. For more information, see [“How will the federal government shutdown be reflected in GDP for the fourth quarter of 2018 and the first quarter of 2019?”](#)

Real gross domestic income (line 27) increased 1.8 percent in the second quarter after increasing 3.2 percent in the first quarter.

Table 1. Real Gross Domestic Product (GDP) and Related Measures

[Seasonally adjusted at annual rates]

Line		Share of current-dollar GDP (percent)	Change from preceding period (percent)				Contribution to percent change in real GDP (percentage points)			
		2019	2018		2019		2018		2019	
		II	III	IV	I	II	III	IV	I	II
1	Gross domestic product¹	100.0	2.9	1.1	3.1	2.0	2.9	1.1	3.1	2.0
2	Personal consumption expenditures	68.0	3.5	1.4	1.1	4.6	2.34	0.97	0.78	3.03
3	Goods	21.1	3.6	1.6	1.5	8.6	0.75	0.33	0.32	1.74
4	Durable goods	7.1	3.6	1.3	0.3	13.0	0.25	0.09	0.02	0.87
5	Nondurable goods	14.0	3.6	1.7	2.2	6.5	0.50	0.24	0.30	0.87
6	Services	46.9	3.4	1.4	1.0	2.8	1.59	0.65	0.46	1.29
7	Gross private domestic investment	17.6	13.7	3.0	6.2	-6.3	2.27	0.53	1.09	-1.16
8	Fixed investment	17.2	0.7	2.7	3.2	-1.4	0.13	0.46	0.56	-0.25
9	Nonresidential	13.5	2.1	4.8	4.4	-1.0	0.29	0.64	0.60	-0.14
10	Structures	3.0	-2.1	-9.0	4.0	-11.1	-0.07	-0.29	0.12	-0.36
11	Equipment	5.9	2.9	7.4	-0.1	0.8	0.17	0.42	0.00	0.05
12	Intellectual property products	4.7	4.1	11.7	10.8	3.6	0.18	0.51	0.48	0.17
13	Residential	3.7	-4.0	-4.7	-1.0	-3.0	-0.16	-0.18	-0.04	-0.11
14	Change in private inventories	0.4	.....	.....	.....	.....	2.14	0.07	0.53	-0.91
15	Net exports of goods and services	-3.1	.....	.....	.....	.....	-2.05	-0.35	0.73	-0.68
16	Exports	11.7	-6.2	1.5	4.1	-5.7	-0.78	0.18	0.49	-0.69
17	Goods	7.7	-9.1	2.6	4.6	-5.9	-0.78	0.21	0.36	-0.48
18	Services	4.0	-0.1	-0.7	3.3	-5.1	0.00	-0.03	0.13	-0.21
19	Imports	14.8	8.6	3.5	-1.5	0.0	-1.27	-0.53	0.23	0.01
20	Goods	12.0	9.2	2.3	-2.8	0.1	-1.11	-0.28	0.36	-0.02
21	Services	2.8	6.1	8.9	4.5	-0.7	-0.16	-0.24	-0.13	0.02
22	Government consumption expenditures and gross investment	17.5	2.1	-0.4	2.9	4.8	0.36	-0.07	0.50	0.82
23	Federal	6.6	2.9	1.1	2.2	8.3	0.19	0.07	0.14	0.53
24	National defense	3.9	3.0	5.2	7.7	3.3	0.11	0.20	0.29	0.13
25	Nondefense	2.7	2.8	-4.5	-5.4	16.1	0.07	-0.12	-0.15	0.40
26	State and local	10.9	1.6	-1.2	3.3	2.7	0.17	-0.14	0.36	0.29
Addenda:										
27	Gross domestic income (GDI) ²	.....	3.3	0.8	3.2	1.8	.....	.....	.....	.....
28	Average of GDP and GDI	.....	3.1	0.9	3.2	1.9	.....	.....	.....	.....
29	Final sales of domestic product	.....	0.8	1.0	2.6	3.0	0.78	1.02	2.57	2.92
30	Goods	29.6	4.8	4.8	7.3	2.1	1.41	1.39	2.12	0.62
31	Services	62.2	2.8	0.6	1.0	2.7	1.73	0.37	0.66	1.66
32	Structures	8.2	-2.5	-7.7	3.9	-3.1	-0.21	-0.67	0.32	-0.26
33	Motor vehicle output	2.7	10.3	1.3	-7.6	-7.6	0.28	0.04	-0.22	-0.21

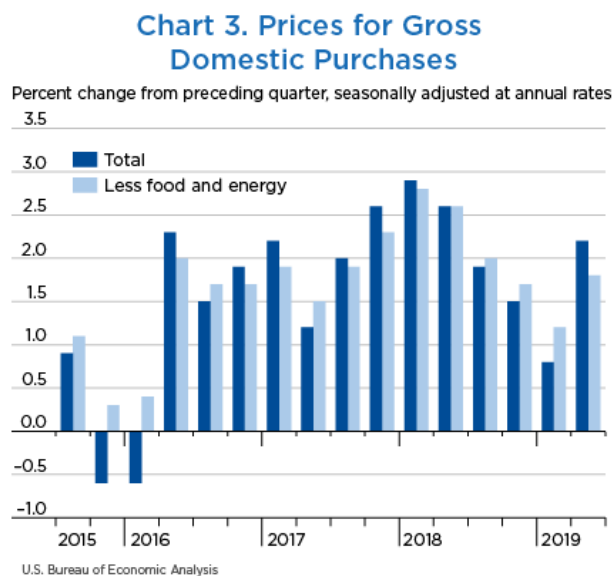
1. The GDP estimates under the contribution columns are also percent changes.

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

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

Prices

Prices for gross domestic purchases, goods and services purchased by U.S. residents, increased 2.2 percent in the second quarter after increasing 0.8 percent in the first quarter (chart 3 and table 2, line 1). The acceleration primarily reflected an upturn in prices paid for consumer goods (notably gasoline and other energy goods) and an upturn in prices paid for state and local government spending (notably petroleum products). Food prices decelerated (line 20), increasing 0.7 percent after increasing 3.0 percent. Energy goods and services prices turned up (line 21), increasing 18.8 percent after decreasing 16.7 percent. Gross domestic purchases prices excluding food and energy (line 22) accelerated, increasing 1.8 percent in the second quarter after increasing 1.2 percent in the first quarter.



Consumer prices excluding food and energy (line 25), a measure of the “core” rate of inflation, accelerated, increasing 1.9 percent in the second quarter after increasing 1.1 percent in the first quarter.

Table 2. Prices for Gross Domestic Purchases

[Percent change at annual rates; based on seasonally adjusted index numbers (2012=100)]

Line		Change from preceding period (percent)				Contribution to percent change in gross domestic purchases prices (percentage points)			
		2018		2019		2018		2019	
		III	IV	I	II	III	IV	I	II
1	Gross domestic purchases¹	1.9	1.5	0.8	2.2	1.9	1.5	0.8	2.2
2	Personal consumption expenditures	1.6	1.3	0.4	2.4	1.05	0.88	0.26	1.57
3	Goods	-0.3	-1.4	-1.6	1.6	-0.07	-0.29	-0.34	0.32
4	Durable goods	-1.2	-1.1	-0.3	-1.8	-0.08	-0.08	-0.02	-0.12
5	Nondurable goods	0.1	-1.5	-2.3	3.3	0.01	-0.21	-0.31	0.44
6	Services	2.5	2.6	1.3	2.8	1.12	1.17	0.60	1.25
7	Gross private domestic investment	2.1	0.7	1.7	2.0	0.36	0.12	0.30	0.35
8	Fixed investment	2.1	0.5	1.8	2.0	0.35	0.09	0.30	0.33
9	Nonresidential	1.6	0.0	1.6	2.0	0.21	0.00	0.20	0.27
10	Structures	3.2	5.6	2.8	4.0	0.10	0.16	0.08	0.11
11	Equipment	1.6	-1.1	1.0	0.4	0.09	-0.06	0.06	0.02
12	Intellectual property products	0.5	-2.2	1.5	2.9	0.02	-0.10	0.07	0.13
13	Residential	3.9	2.5	2.6	1.7	0.14	0.09	0.09	0.06
14	Change in private inventories	.....	.....	.....	.....	0.01	0.03	0.00	0.02
15	Government consumption expenditures and gross investment	3.0	2.9	1.3	1.7	0.51	0.48	0.22	0.29
16	Federal	2.6	2.8	4.6	-2.1	0.16	0.18	0.29	-0.14
17	National defense	2.7	1.8	1.1	1.5	0.10	0.07	0.04	0.06
18	Nondefense	2.4	4.3	10.0	-7.2	0.06	0.11	0.25	-0.19
19	State and local	3.3	2.9	-0.6	4.1	0.35	0.30	-0.06	0.43
Addenda:									
Gross domestic purchases:									
20	Food	0.4	0.2	3.0	0.7	0.02	0.01	0.14	0.03
21	Energy goods and services	3.5	-4.9	-16.7	18.8	0.10	-0.13	-0.49	0.47
22	Excluding food and energy	2.0	1.7	1.2	1.8	1.80	1.59	1.14	1.71
Personal consumption expenditures:									
23	Food and beverages purchased for off-premises consumption	0.4	0.2	3.0	0.6	.....	.....	.....	.....
24	Energy goods and services	3.9	-5.2	-16.7	18.4	.....	.....	.....	.....
25	Excluding food and energy	1.6	1.7	1.1	1.9	.....	.....	.....	.....
26	Gross domestic product	2.0	1.6	1.1	2.4	.....	.....	.....	.....
27	Exports of goods and services	1.1	-1.4	-2.5	3.3	.....	.....	.....	.....
28	Imports of goods and services	0.6	-1.8	-3.5	1.6	.....	.....	.....	.....

1. The estimated prices for gross domestic purchases under the contribution columns are also percent changes.

Note. Most percent changes are from NIPA table 1.6.7; percent changes for PCE for food and energy goods and services and for PCE excluding food and energy are from NIPA table 2.3.7. Contributions are from NIPA table 1.6.8. GDP, export, and import prices are from NIPA table 1.1.7.

Updates

Real GDP increased 2.0 percent in the second quarter of 2019, the same increase as in the second estimate (table 3, line 1). The revision reflected downward revisions to consumer spending (line 2) and nonresidential fixed investment (line 9) that were offset primarily by upward revisions to state and local government spending (line 26) and exports (line 16) and a downward revision to imports (line 19).

- The downward revision to consumer spending primarily reflected a downward revision to spending on nondurable goods (line 4), mainly food and beverages purchased for off-premises consumption.
- The downward revision to nonresidential investment was primarily to structures, notably investment in manufacturing structures.
- The upward revision to state and local government spending was to structures reflecting updated Census construction spending data.
- The revisions to exports and imports reflected updated statistics from BEA international transactions accounts.

Table 3. Second and Third Estimates for the Second Quarter of 2019

[Seasonally adjusted at annual rates]

Line		Change from preceding period (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
1	Gross domestic product (GDP)¹	2.0	2.0	0.0	2.0	2.0	0.0
2	Personal consumption expenditures	4.7	4.6	-0.1	3.10	3.03	-0.07
3	Goods	8.8	8.6	-0.2	1.78	1.74	-0.04
4	Durable goods	13.0	13.0	0.0	0.87	0.87	0.00
5	Nondurable goods	6.8	6.5	-0.3	0.91	0.87	-0.04
6	Services	2.8	2.8	0.0	1.32	1.29	-0.03
7	Gross private domestic investment	-6.1	-6.3	-0.2	-1.11	-1.16	-0.05
8	Fixed investment	-1.1	-1.4	-0.3	-0.20	-0.25	-0.05
9	Nonresidential	-0.6	-1.0	-0.4	-0.09	-0.14	-0.05
10	Structures	-9.4	-11.1	-1.7	-0.30	-0.36	-0.06
11	Equipment	0.7	0.8	0.1	0.04	0.05	0.01
12	Intellectual property products	3.7	3.6	-0.1	0.17	0.17	0.00
13	Residential	-2.9	-3.0	-0.1	-0.11	-0.11	0.00
14	Change in private inventories	.....	.....	.....	-0.91	-0.91	0.00
15	Net exports of goods and services	.....	.....	.....	-0.72	-0.68	0.04
16	Exports	-5.8	-5.7	0.1	-0.71	-0.69	0.02
17	Goods	-5.6	-5.9	-0.3	-0.45	-0.48	-0.03
18	Services	-6.3	-5.1	1.2	-0.26	-0.21	0.05
19	Imports	0.1	0.0	-0.1	-0.01	0.01	0.02
20	Goods	0.3	0.1	-0.2	-0.03	-0.02	0.01
21	Services	-0.8	-0.7	0.1	0.02	0.02	0.00
22	Government consumption expenditures and gross investment	4.5	4.8	0.3	0.77	0.82	0.05
23	Federal	8.1	8.3	0.2	0.52	0.53	0.01
24	National defense	3.1	3.3	0.2	0.12	0.13	0.01
25	Nondefense	16.0	16.1	0.1	0.40	0.40	0.00
26	State and local	2.3	2.7	0.4	0.25	0.29	0.04
Addenda:							
27	Final sales of domestic product	3.0	3.0	0.0	2.95	2.92	-0.03
28	Gross domestic income (GDI)	2.1	1.8	-0.3	.....	.....	.....
29	Average of GDP and GDI	2.1	1.9	-0.2	.....	.....	.....
30	Gross domestic purchases price index	2.2	2.2	0.0	.....	.....	.....
31	GDP price index	2.4	2.4	0.0	.....	.....	.....

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

Corporate Profits

Measured in current dollars, profits from current production (corporate profits with the inventory valuation (IVA) adjustment and the capital consumption adjustment) increased \$75.8 billion, or 3.8 percent at a quarterly rate, in the second quarter of 2019 after decreasing \$78.7 billion, or 3.8 percent, in the first quarter (table 4, line 1). Profits of domestic financial corporations increased \$2.5 billion (line 3), profits of domestic nonfinancial corporations increased \$34.7 billion (line 4), and rest-of-the-world profits increased \$38.7 billion (line 5).

Profits after tax increased \$66.1 billion in the second quarter after decreasing \$75.7 billion in the first quarter (line 10).

Table 4. Corporate Profits
[Seasonally adjusted]

Line		Billions of dollars (annual rate)					Percent change from preceding quarter (quarterly rate)				
		Level	Change from preceding quarter								
		2019	2018		2019		2018		2019		
		II	III	IV	I	II	III	IV	I	II	
	Current production measures:										
1	Corporate profits with IVA and CCAdj	2,082.7	47.8	-18.6	-78.7	75.8	2.3	-0.9	-3.8	3.8	
2	Domestic industries	1,544.5	31.2	0.7	-86.0	37.2	2.0	0.0	-5.4	2.5	
3	Financial	409.7	-21.8	-6.7	22.2	2.5	-5.3	-1.7	5.8	0.6	
4	Nonfinancial	1,134.8	53.0	7.4	-108.2	34.7	4.6	0.6	-9.0	3.2	
5	Rest of the world	538.2	16.6	-19.3	7.3	38.7	3.4	-3.8	1.5	7.7	
6	Receipts from the rest of the world	894.6	1.7	-5.0	13.7	25.3	0.2	-0.6	1.6	2.9	
7	Less: Payments to the rest of the world	356.4	-14.9	14.3	6.4	-13.4	-4.1	4.1	1.8	-3.6	
9	Less: Taxes on corporate income	225.2	7.7	-11.8	-3.0	9.7	3.5	-5.1	-1.4	4.5	
10	<i>Equals:</i> Profits after tax	1,857.5	40.1	-6.8	-75.7	66.1	2.2	-0.4	-4.1	3.7	
11	Net dividends	1,346.9	37.8	32.8	-37.9	22.2	2.9	2.5	-2.8	1.7	
12	Undistributed profits from current production	510.7	2.3	-39.6	-37.8	43.9	0.4	-7.3	-7.5	9.4	
13	Net cash flow with IVA	2,404.1	13.9	-32.1	23.2	72.9	0.6	-1.4	1.0	3.1	

CCAdj Capital consumption adjustment

IVA Inventory valuation adjustment

Note. Levels of these and other profits series are shown in NIPA tables [1.12](#) and [6.16D](#).

Note on Measuring Corporate Profits

Corporate profits is a widely followed economic indicator used to gauge corporate health, assess investment conditions, and analyze the effect on corporations of economic policies and conditions. In addition, corporate profits is an important component in key measures of income.

BEA's measure of corporate profits aims to capture the income earned by corporations from current production in a manner that is fully consistent with the national income and product accounts (NIPAs). The measure is defined as receipts arising from current production less associated expenses. Receipts exclude income in the form of dividends and capital gains, and expenses exclude bad debts, natural resource depletion, and capital losses.

Because direct estimates of NIPA-consistent corporate profits are unavailable, BEA derives these estimates in three steps.

First, BEA measures profits before taxes to reflect corporate income regardless of any redistributions of income through taxes. Estimates for the current quarter are based on corporate earnings reports from sources including the Census Bureau *Quarterly Financial Report*, Federal Deposit Insurance Corporation call reports, other regulatory reports, and tabulations from corporate financial reports. The estimates are benchmarked to Internal Revenue Service (IRS) data when these data are available for two reasons: the IRS data are based on well-specified accounting definitions, and they are comprehensive, covering all incorporated businesses—publicly traded and privately held—in all industries.

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

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

Corporate Profits by Industry

Industry profits (corporate profits by industry with IVA) increased \$80.6 billion, or 4.0 percent at a quarterly rate, in the second quarter of 2019 after decreasing \$31.4 billion, or 1.5 percent, in the first quarter (chart 4 and table 5, line 1).

Table 5. Corporate Profits by Industry
[Seasonally adjusted]

Line		Billions of dollars (annual rate)					Percent change from preceding quarter (quarterly rate)			
		Level	Change from preceding quarter				2018		2019	
		2019	2018	2019	2018	2019	2018	2019	2018	2019
		II	III	IV	I	II	III	IV	I	II
	Industry profits:									
1	Corporate profits with IVA	2,080.5	53.5	-13.7	-31.4	80.6	2.7	-0.7	-1.5	4.0
2	Domestic industries	1,542.3	36.9	5.6	-38.7	41.9	2.5	0.4	-2.5	2.8
3	Financial	422.4	-21.0	-6.5	28.1	3.4	-5.0	-1.6	7.2	0.8
4	Nonfinancial	1,120.0	57.9	12.2	-66.8	38.5	5.4	1.1	-5.8	3.6
5	Utilities	-1.4	-3.8	-5.3	6.6	2.8	.....	.....	.....	.....
6	Manufacturing	265.5	11.8	4.2	-42.9	5.4	4.1	1.4	-14.2	2.1
7	Wholesale trade	120.6	18.6	11.9	-6.8	4.5	20.1	10.8	-5.5	3.9
8	Retail trade	161.5	19.0	-11.8	21.2	10.3	15.5	-8.3	16.3	6.8
9	Transportation and warehousing	38.1	3.6	10.1	-12.5	-3.0	8.9	23.3	-23.3	-7.4
10	Information	111.6	-3.1	-12.8	-2.8	2.9	-2.4	-10.3	-2.5	2.7
11	Other nonfinancial	424.0	11.8	16.0	-29.6	15.6	2.9	3.8	-6.8	3.8
12	Rest of the world	538.2	16.6	-19.3	7.3	38.7	3.4	-3.8	1.5	7.7
	Addenda:									
13	Profits before tax (without IVA and CCAj)	2,084.9	10.7	-40.6	-31.1	69.4	0.5	-1.9	-1.5	3.4
14	Profits after tax (without IVA and CCAj)	1,859.7	3.0	-28.7	-28.0	59.7	0.2	-1.5	-1.5	3.3
15	IVA	-4.4	42.8	26.8	-0.3	11.2	.....	.....	.....	.....
16	CCAj	2.2	-5.7	-4.9	-47.4	-4.8	.....	.....	.....	.....

CCAj Capital consumption adjustment

IVA Inventory valuation adjustment

Note. Levels of these and other profits series are shown in NIPA tables [1.12](#), [1.14](#), [1.15](#), and [6.16D](#).

Chart 4. Corporate Profits with Inventory Valuation Adjustment in 2019:II, Change From Preceding Quarter

Billions of dollars, seasonally adjusted at annual rates



1. "Other" nonfinancial corporations include the agriculture, mining, construction, and services industries.
U.S. Bureau of Economic Analysis

Note on 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 (CCAdj) for each industry. However, estimates of the CCAdj are only available for two broad categories: total financial industries and total nonfinancial industries. For more information about BEA's methodology, see "Chapter 13: Corporate Profits" in *Concepts and Methods of the U.S. National Income and Product Accounts* on BEA's website.

Information on Key Source Data, Assumptions, and Methodologies

A comprehensive table that presents the “[Key Source Data and Assumptions](#)” (under “Current Release”) that are used to prepare each vintage of the estimate of GDP for the current quarter is available on BEA’s website. For the advance estimates that are released near the end of the month after the close of the quarter, the table shows the months of source data for the quarter that are available; for most components of GDP, 3 months of data are available. For the components for which only 2 months of source data are available, BEA’s assumptions for the third month are shown. Second estimates are released near the end of the second month after the close of the quarter, and third estimates are released near the end of the third month after the close of the quarter. With each vintage, the table is updated to add newly available and revised source data that have been incorporated into the estimates.

For additional details about the source data and the methodologies that are used to prepare the estimates, see “[Concepts and Methods of the U.S. National Income and Product Accounts](#)” on BEA’s website.

1. “Real” estimates are in chained (2012) dollars, and price indexes are chain-type measures. Each GDP estimate for a quarter (advance, second, and third) incorporates increasingly comprehensive and improved source data; for more information, see “[The Revisions to GDP, GDI, and Their Major Components](#)” in the January 2018 *Survey of Current Business*. Quarterly estimates are expressed at seasonally adjusted annual rates, which reflect a rate of activity for a quarter as if it were maintained for a year.
2. In this article, “consumer spending” refers to “personal consumption expenditures,” “inventory investment” refers to “change in private inventories,” and “government spending” refers to “government consumption expenditures and gross investment.”



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