

GDP and the Economy

Second Estimates for the Second Quarter of 2014

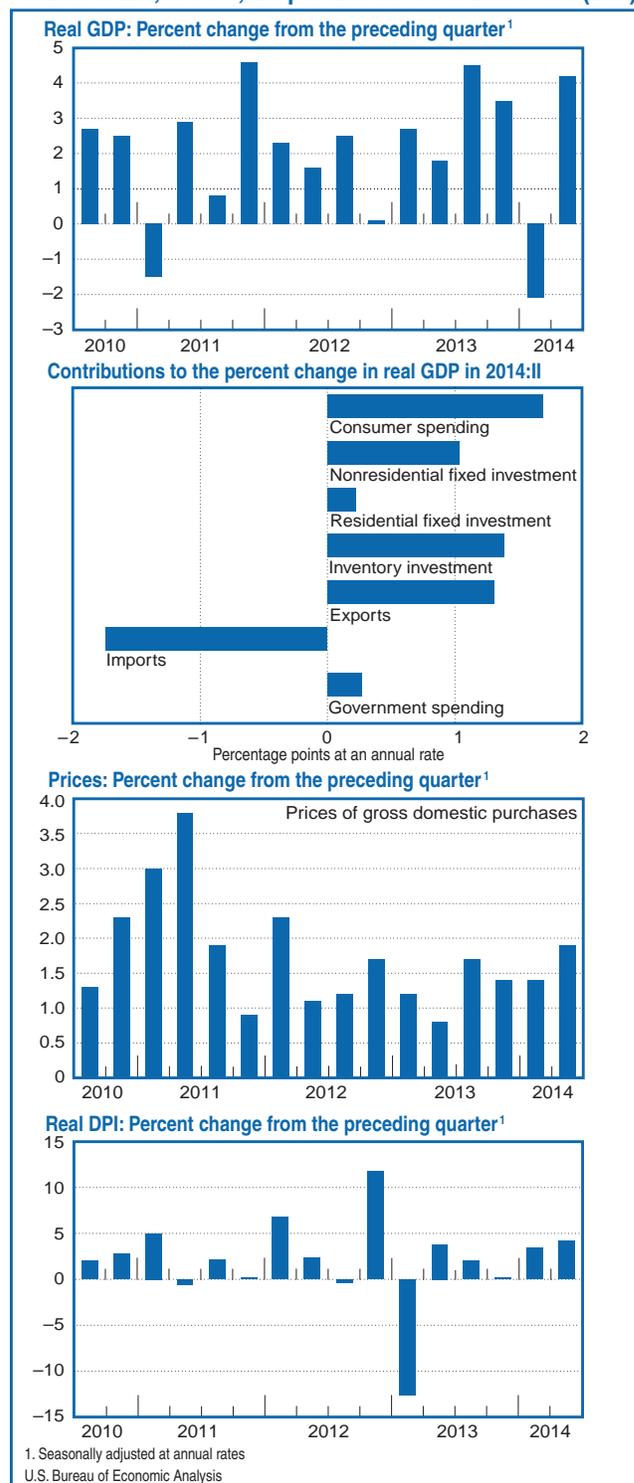
REAL GROSS domestic product (GDP) increased 4.2 percent at an annual rate in the second quarter of 2014, according to the second estimates of the national income and product accounts (NIPAs) (chart 1 and table 1).¹ The second estimate of real GDP growth was revised up 0.2 percentage point from the advance estimate of 4.0 percent; the upward revision primarily reflected an upward revision to nonresidential fixed investment and a downward revision to imports that were partly offset by a downward revision to inventory investment.² In the first quarter, real GDP decreased 2.1 percent.

- The upturn in the percent change in real GDP in the second quarter primarily reflected upturns in exports and in inventory investment, accelerations in consumer spending and in nonresidential fixed investment, and upturns in state and local government spending and in residential fixed investment that were partly offset by an acceleration in imports.
- Prices of goods and services purchased by U.S. residents increased 1.9 percent in the second quarter, unrevised from the advance estimate; in the first quarter, this index increased 1.4 percent. In the second quarter, both food and energy prices accelerated. Excluding food and energy, prices increased 1.7 percent in the second quarter after increasing 1.3 percent (see table 7).
- Real disposable personal income (DPI) increased 4.2 percent in the second quarter after increasing 3.4 percent in the first quarter (revised) (see “Revised First-Quarter 2014 Income Estimates” on page 9). Current-dollar DPI increased 6.6 percent after increasing 4.8 percent (revised).
- The personal saving rate, personal saving as a percentage of current-dollar DPI, was 5.3 percent; in the first quarter, the rate was 4.9 percent (revised).

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 “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 assumes that a rate of activity for a quarter is maintained for a year.

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

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



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)			
		2014		2013		2013		2014	
		II	III	IV	I	II	III	IV	I	II
Gross domestic product ¹	100.0	4.5	3.5	-2.1	4.2	4.5	3.5	-2.1	4.2
Personal consumption expenditures	68.6	2.0	3.7	1.2	2.5	1.39	2.51	0.83	1.69
Goods.....	22.9	3.5	3.7	1.0	5.8	0.80	0.83	0.23	1.30
Durable goods.....	7.5	4.9	5.7	3.2	14.3	0.36	0.42	0.23	1.00
Nondurable goods.....	15.4	2.8	2.7	0.0	1.9	0.43	0.41	0.00	0.29
Services.....	45.7	1.3	3.7	1.3	0.8	0.59	1.69	0.60	0.40
Gross private domestic investment	16.4	16.8	3.8	-6.9	17.5	2.50	0.62	-1.13	2.64
Fixed investment.....	15.8	6.6	6.3	0.2	8.1	1.01	0.95	0.03	1.25
Nonresidential.....	12.6	5.5	10.4	1.6	8.4	0.67	1.23	0.20	1.03
Structures.....	2.9	11.2	12.8	2.9	9.4	0.29	0.34	0.08	0.26
Equipment.....	5.8	4.7	14.1	-1.0	10.7	0.27	0.76	-0.06	0.59
Intellectual property products.....	3.9	2.8	3.6	4.6	4.4	0.11	0.14	0.18	0.17
Residential.....	3.2	11.2	-8.5	-5.3	7.2	0.34	-0.28	-0.17	0.22
Change in private inventories.....	0.6	.....	.....	.....	.....	1.49	-0.34	-1.16	1.39
Net exports of goods and services	-3.2	.....	.....	.....	.....	0.59	1.08	-1.66	-0.43
Exports.....	13.5	5.1	10.0	-9.2	10.1	0.67	1.30	-1.30	1.31
Goods.....	9.4	5.7	13.6	-11.9	13.8	0.52	1.20	-1.18	1.22
Services.....	4.1	3.6	2.3	-2.8	2.2	0.15	0.10	-0.12	0.09
Imports.....	16.7	0.6	1.3	2.2	11.0	-0.09	-0.22	-0.36	-1.74
Goods.....	13.9	0.1	0.9	2.5	12.3	-0.01	-0.12	-0.33	-1.60
Services.....	2.8	2.8	3.5	1.0	5.0	-0.08	-0.09	-0.03	-0.14
Government consumption expenditures and gross investment	18.3	0.2	-3.8	-0.8	1.4	0.04	-0.71	-0.15	0.27
Federal.....	7.0	-1.2	-10.4	-0.1	-0.9	-0.08	-0.79	-0.01	-0.06
National defense.....	4.4	0.4	-11.4	-4.0	0.9	0.03	-0.55	-0.18	0.04
Nondefense.....	2.6	-3.9	-8.6	6.6	-3.7	-0.11	-0.24	0.17	-0.10
State and local.....	11.3	1.1	0.6	-1.3	2.9	0.13	0.07	-0.14	0.33
Addenda:									
Final sales of domestic product.....	99.4	3.0	3.9	-1.0	2.8	3.03	3.84	-0.95	2.78
Goods.....	30.5	10.8	8.1	-8.5	10.8	3.18	2.43	-2.69	3.18
Services.....	61.9	1.1	1.8	1.4	0.5	0.74	1.10	0.86	0.33
Structures.....	7.6	8.3	-0.4	-3.8	9.0	0.60	-0.03	-0.29	0.66
Motor vehicle output.....	2.9	-10.6	18.5	3.3	20.3	-0.31	0.47	0.09	0.52
GDP excluding motor vehicle output.....	97.1	5.0	3.1	-2.3	3.7	4.83	3.03	-2.20	3.65
Final sales of computers.....	0.4	-4.0	6.2	17.8	14.1	-0.02	0.03	0.07	0.05
GDP excluding final sales of computers.....	99.6	4.6	3.5	-2.2	4.1	4.53	3.47	-2.17	4.12
Research and development (R&D).....	2.5	-2.9	-0.8	2.9	1.9	-0.08	-0.02	0.07	0.05
GDP excluding R&D.....	97.5	4.7	3.6	-2.2	4.2	4.59	3.52	-2.18	4.12
Gross domestic income (GDI) ².....	.....	1.9	1.8	-0.8	4.7	.....	.....	.....	.....

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

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

NOTE. Percent changes are from NIPA tables 1.1.1 and 1.2.1, contributions 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.

Real GDP turned up in the second quarter, primarily reflecting upturns in exports and in inventory investment, accelerations in consumer spending and in nonresidential fixed investment, and upturns in state and local government spending and in residential fixed investment that were partly offset by an acceleration in imports.

Consumer spending added 1.69 percentage points to real GDP growth after adding 0.83 percentage point. The acceleration reflected an acceleration in spending for goods that was partly offset by a slowdown in spending for services. (See table 2.)

The acceleration in nonresidential fixed investment primarily reflected an upturn in investment in equipment and a pickup in investment in structures. (See table 3.)

Inventory investment added 1.39 percentage points to real GDP growth after subtracting 1.16 percentage points, primarily reflecting upturns in retail trade industries and in mining, utilities, and construction industries. (See table 4.)

Exports added 1.31 percentage points to real GDP growth after subtracting 1.30 percentage points. The upturn in exports primarily reflected an upturn in exports of goods. (See table 5.)

Imports subtracted 1.74 percentage points from real GDP growth after subtracting 0.36 percentage point. The acceleration primarily reflected an acceleration in goods imports, especially automotive vehicles, engines, and parts.

State and local government spending added 0.33 percentage point to real GDP growth after subtracting 0.14 percentage point. The upturn primarily reflected an upturn in structures investment. (See table 6.)

Real final sales of domestic product, real GDP less inventory investment, increased 2.8 percent after decreasing 1.0 percent.

Real gross domestic income, which measures the output of the economy as the incomes earned and costs incurred in production, increased 4.7 percent after decreasing 0.8 percent (revised).

Consumer Spending

Table 2. 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)			
		2013		2014		2013		2014	
		II	III	IV	I	II	III	IV	I
PCE ¹	100.0	2.0	3.7	1.2	2.5	2.0	3.7	1.2	2.5
Goods	33.4	3.5	3.7	1.0	5.8	1.15	1.22	0.34	1.88
Durable goods	10.9	4.9	5.7	3.2	14.3	0.53	0.61	0.34	1.46
Motor vehicles and parts	3.8	1.6	5.5	5.5	20.0	0.06	0.20	0.20	0.68
Furnishings and durable household equipment	2.4	9.7	4.3	0.8	12.6	0.23	0.10	0.02	0.29
Recreational goods and vehicles	3.0	8.5	5.7	3.7	13.0	0.25	0.17	0.11	0.37
Other durable goods	1.7	-0.5	8.4	0.8	7.2	-0.01	0.14	0.01	0.12
Nondurable goods	22.4	2.8	2.7	0.0	1.9	0.63	0.61	0.00	0.42
Food and beverages purchased for off-premises consumption	7.5	2.2	2.6	-1.0	-1.5	0.16	0.20	-0.08	-0.11
Clothing and footwear	3.1	-3.8	2.5	-3.7	5.3	-0.12	0.08	-0.12	0.16
Gasoline and other energy goods	3.5	3.8	-0.1	2.2	-3.8	0.13	0.00	0.08	-0.13
Other nondurable goods	8.5	5.5	4.0	1.4	6.2	0.45	0.34	0.12	0.51
Services	66.6	1.3	3.7	1.3	0.8	0.85	2.49	0.88	0.58
Household consumption expenditures	63.9	1.1	3.5	1.4	0.6	0.68	2.22	0.89	0.37
Housing and utilities	18.2	-1.5	1.9	5.6	-3.3	-0.27	0.36	0.99	-0.61
Health care	16.5	2.6	4.3	-1.4	0.5	0.43	0.70	-0.23	0.08
Transportation services	2.9	1.0	2.8	1.8	2.2	0.03	0.08	0.05	0.06
Recreation services	3.8	3.6	0.9	-1.9	3.3	0.13	0.04	-0.07	0.12
Food services and accommodations	6.3	0.2	7.2	-1.3	5.1	0.01	0.44	-0.08	0.32
Financial services and insurance	7.4	2.1	5.7	2.8	1.9	0.15	0.42	0.20	0.14
Other services	8.8	2.1	2.1	0.3	2.9	0.19	0.19	0.03	0.26
Final consumption expenditures of NPISHs ²	2.8	6.4	10.5	-0.5	7.6	0.17	0.28	-0.01	0.20
Gross output of NPISHs ³	10.7	1.9	7.1	-4.1	0.3	0.21	0.76	-0.46	0.03
Less: Receipts from sales of goods and services by NPISHs ⁴	8.0	0.5	6.0	-5.3	-2.1	0.04	0.48	-0.44	-0.17

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

Consumer spending accelerated in the second quarter, reflecting a pickup in spending for goods that was partly offset by a slowdown in spending for services.

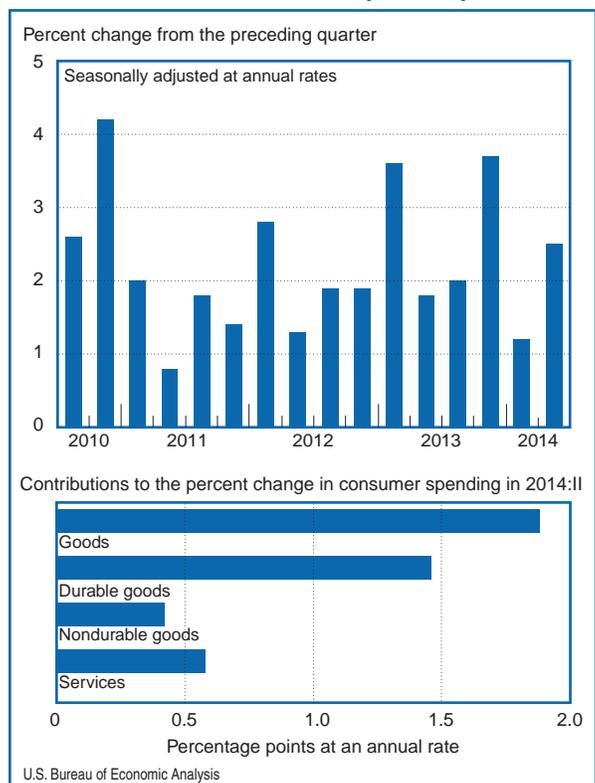
The pickup in spending for goods primarily reflected a pickup in spending for durable goods. Spending for nondurable goods also picked up.

The pickup in spending for durable goods was widespread; the largest contributors were pickups in spending for motor vehicles and parts (specifically for new motor vehicles), for furnishings and durable household equipment, and for recreational goods and vehicles.

The pickup in spending for nondurable goods primarily reflected a pickup in spending for "other" nondurable goods (specifically for prescription drugs) and an upturn in spending for clothing and footwear that were partly offset by a downturn in spending for gasoline and other energy goods (particularly for fuel oil).

The slowdown in spending for services primarily reflected a downturn in spending for housing and utilities (especially for electricity and gas) that was partly offset by upturns in spending for food services and accommodations and for health care services.

Chart 2. Real Personal Consumption Expenditures



Private Fixed Investment

Table 3. 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)			
		2013		2014		2013		2014	
		II	III	IV	I	II	III	IV	I
Private fixed investment ¹	100.0	6.6	6.3	0.2	8.1	6.6	6.3	0.2	8.1
Nonresidential	79.9	5.5	10.4	1.6	8.4	4.42	8.07	1.28	6.72
Structures	18.3	11.2	12.8	2.9	9.4	1.92	2.21	0.51	1.71
Commercial and health care	4.4	11.9	22.6	-8.8	15.1	0.48	0.89	-0.40	0.63
Manufacturing	1.8	11.5	6.4	2.9	2.0	0.20	0.11	0.05	0.04
Power and communication	4.0	26.0	56.8	19.8	-15.2	0.87	1.79	0.75	-0.68
Mining exploration, shafts, and wells	5.6	7.0	-11.1	11.5	26.7	0.38	-0.64	0.58	1.34
Other structures ²	2.5	-0.4	1.9	-17.2	16.5	0.00	0.05	-0.48	0.39
Equipment	36.8	4.7	14.1	-1.0	10.7	1.79	4.96	-0.37	3.91
Information processing equipment	10.9	4.4	-4.2	-7.7	26.3	0.53	-0.44	-0.85	2.55
Computers and peripheral equipment	2.8	6.7	25.3	-39.0	26.1	0.20	0.69	-1.41	0.65
Other ³	8.1	3.6	-13.4	7.5	26.4	0.33	-1.13	0.56	1.91
Industrial equipment	8.7	17.4	1.5	14.1	26.9	1.34	0.13	1.08	2.08
Transportation equipment	9.0	4.1	38.1	-0.2	1.2	0.36	2.94	-0.02	0.18
Other equipment ⁴	8.3	-5.2	30.5	-6.4	-10.3	-0.45	2.33	-0.58	-0.90
Intellectual property products	24.7	2.8	3.6	4.6	4.4	0.71	0.90	1.13	1.10
Software ⁵	11.1	7.2	3.8	1.5	3.9	0.81	0.43	0.16	0.44
Research and development ⁶	10.8	-0.6	3.6	8.8	5.7	-0.06	0.38	0.90	0.61
Entertainment, literary, and artistic originals	2.9	-1.3	3.1	2.1	1.8	-0.04	0.09	0.06	0.06
Residential	20.1	11.2	-8.5	-5.3	7.2	2.22	-1.81	-1.09	1.42
Structures	19.8	11.3	-8.7	-5.3	7.0	2.20	-1.82	-1.08	1.37
Permanent site	8.3	8.9	7.3	10.7	6.1	0.69	0.57	0.84	0.51
Single family	6.8	7.0	-0.6	7.9	1.6	0.46	-0.04	0.52	0.12
Multifamily	1.5	19.9	57.9	25.2	29.6	0.23	0.61	0.32	0.39
Other structures ⁷	11.4	12.9	-18.0	-15.3	7.7	1.51	-2.40	-1.93	0.87
Equipment	0.3	6.5	2.8	-2.6	16.3	0.02	0.01	-0.01	0.05

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. Includes communication equipment, nonmedical instruments, medical equipment and instruments, photocopy and related equipment, and office and accounting equipment.

4. Consists primarily of furniture and fixtures, agricultural machinery, construction machinery, mining and oilfield machinery, service industry machinery, and electrical equipment not elsewhere classified.

5. Excludes software "embedded," or bundled, in computers and other equipment.

6. Excludes expenditures for software development, which are included in expenditures for software investment.

7. Consists primarily of manufactured homes, improvements, dormitories, net purchases of used structures, and brokers' commissions and other ownership transfer costs.

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

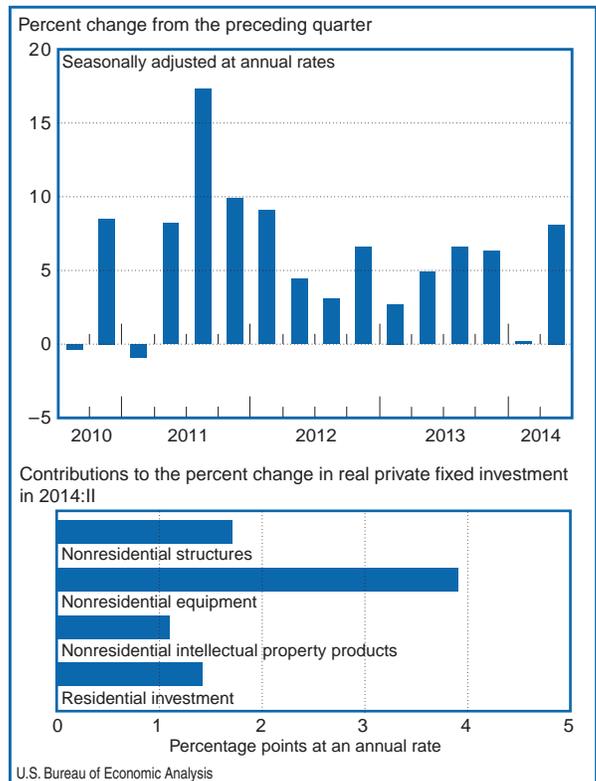
The acceleration in nonresidential fixed investment primarily reflected an upturn in equipment and an acceleration in structures.

The acceleration in structures primarily reflected upturns in commercial and health care structures and in "other" structures and a pickup in mining exploration, shafts, and wells that were partly offset by a downturn in power and communication structures.

The upturn in equipment was primarily accounted for by an upturn in information processing equipment (specifically for computers and peripheral equipment).

The upturn in residential fixed investment was more than accounted for by an upturn in "other" structures (mainly brokers' commissions and other ownership transfer costs).

Chart 3. Real Private Fixed Investment



Inventory Investment

Table 4. Change in Real Private Inventories by Industry
 [Billions of chained (2009) dollars; seasonally adjusted at annual rates]

	Level					Change from preceding quarter				
	2013			2014		2013			2014	
	II	III	IV	I	II	III	IV	II	II	
Change in private inventories ¹	43.4	95.6	81.8	35.2	83.9	52.2	-13.8	-46.6	48.7	
Farm.....	6.2	10.8	10.5	2.2	4.1	4.6	-0.3	-8.3	1.9	
Mining, utilities, and construction....	0.6	12.3	-8.3	-17.4	8.1	11.7	-20.6	-9.1	25.5	
Manufacturing.....	6.6	12.3	9.7	11.8	30.6	5.7	-2.6	2.1	18.8	
Durable-goods industries.....	9.0	15.9	14.4	15.6	20.5	6.9	-1.5	1.2	4.9	
Nondurable-goods industries.....	-1.7	-2.4	-3.5	-2.5	10.4	-0.7	-1.1	1.0	12.9	
Wholesale trade.....	3.1	25.8	38.0	33.2	23.4	22.7	12.2	-4.8	-9.8	
Durable-goods industries.....	4.6	22.1	19.4	26.1	25.9	17.5	-2.7	6.7	-0.2	
Nondurable-goods industries.....	-1.1	5.1	18.3	8.3	-0.4	6.2	13.2	-10.0	-8.7	
Retail trade.....	24.6	29.5	36.0	4.0	13.1	4.9	6.5	-32.0	9.1	
Motor vehicle and parts dealers	16.4	16.6	23.7	-6.4	11.5	0.2	7.1	-30.1	17.9	
Food and beverage stores.....	2.1	0.5	1.6	0.3	-0.5	-1.6	1.1	-1.3	-0.8	
General merchandise stores.....	1.2	3.9	2.2	2.7	-1.5	2.7	-1.7	0.5	-4.2	
Other retail stores.....	5.0	8.8	8.7	7.3	3.9	3.8	-0.1	-1.4	-3.4	
Other industries.....	2.3	4.3	-5.0	1.6	4.9	2.0	-9.3	6.6	3.3	
Residual ²	-1.2	-2.3	-0.2	-2.6	-3.0	-1.1	2.1	-2.4	-0.4	
Addenda: Ratios of private inventories to final sales of domestic business: ³										
Private inventories to final sales	2.32	2.32	2.31	2.33	2.33	.....	.....	.....	.....
Nonfarm inventories to final sales	2.13	2.14	2.12	2.14	2.14	.....	.....	.....	.....
Nonfarm inventories to final sales of goods and structures.....	3.84	3.82	3.78	3.85	3.83	.....	.....	.....	.....

1. The levels are from NIPA table 5.7.6B.
 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 5.8.6B.
 NOTE: The chained-dollar series are calculated as the period-to-period change in end-of-period inventories. Quarterly changes are stated at annual rates. Because the formula for the chain-type quantity indexes uses weights of more than one period, chained-dollar estimates are usually not additive.

Real inventory investment increased \$48.7 billion after decreasing \$46.6 billion. The upturn reflected upturns in retail trade industries and in mining, utilities, and construction industries, a pickup in manufacturing industries, and an upturn in farm inventory investment that were partly offset by a larger decrease in wholesale trade industries.

Farm inventory investment increased \$1.9 billion after decreasing \$8.3 billion; the upturn reflected upturns in crops and in material and supplies.

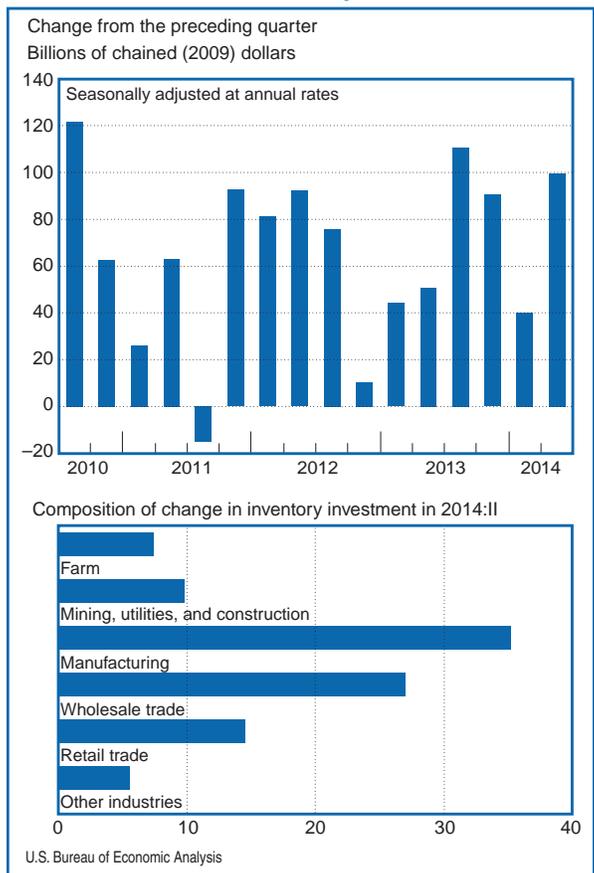
Mining, utilities, and construction increased \$25.5 billion after decreasing \$9.1 billion (mainly as a result of an increase in inventories of utilities).

The pickup in manufacturing industries primarily reflected a pickup in nondurable-goods industries.

Wholesale trade industries decreased \$9.8 billion after decreasing \$4.8 billion; durable-goods industries turned down, while nondurable-goods industries decreased less than in the first quarter.

The upturn in retail trade industries was more than accounted for by an upturn in motor vehicles and parts dealers.

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, the change in private inventories must be included in the GDP calculation.

Thus, GDP can also be seen as the sum of final sales of domestic product and the change in private inventories (table 1).

For most industries, the estimates of change in private inventories are prepared by revaluing book-value estimates of inventories from the Census Bureau to a replacement-cost basis and calculating the change over a quarter or a year. BEA provides estimates for incomplete industry data.

Exports and Imports

Table 5. 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)			
		2013		2014		2013		2014	
		II	III	IV	I	II	III	IV	I
Exports of goods and services ¹	100.0	5.1	10.0	-9.2	10.1	5.1	10.0	-9.2	10.1
Exports of goods ²	69.3	5.7	13.6	-11.9	13.8	3.93	9.22	-8.40	9.39
Foods, feeds, and beverages	6.1	37.3	83.4	-24.1	-16.1	1.82	3.89	-1.70	-1.02
Industrial supplies and materials	21.7	12.7	16.9	-23.1	24.4	2.63	3.56	-5.53	4.89
Capital goods, except automotive	23.5	-2.3	1.9	-1.3	6.0	-0.54	0.51	-0.26	1.47
Automotive vehicles, engines, and parts	6.8	3.8	-1.8	-13.3	29.3	0.26	-0.11	-0.92	1.77
Consumer goods, except automotive	8.6	-12.4	4.3	11.7	16.3	-1.10	0.39	0.94	1.32
Other	2.7	40.5	42.5	-30.4	42.0	0.86	0.98	-0.94	0.96
Exports of services ²	30.7	3.6	2.3	-2.8	2.2	1.14	0.77	-0.82	0.70
Imports of goods and services ¹	100.0	0.6	1.3	2.2	11.0	0.6	1.3	2.2	11.0
Imports of goods ²	83.2	0.1	0.9	2.5	12.3	0.12	0.75	2.06	10.15
Foods, feeds, and beverages	4.5	-7.6	-0.4	8.0	32.7	-0.33	-0.02	0.33	1.29
Industrial supplies and materials, except petroleum and products	10.9	8.1	-1.5	3.3	23.6	0.83	-0.15	0.35	2.39
Petroleum and products	12.4	-10.5	-9.1	16.7	-24.7	-1.56	-1.32	2.11	-3.69
Capital goods, except automotive	20.6	7.9	5.9	2.5	15.6	1.51	1.16	0.50	3.07
Automotive vehicles, engines, and parts	11.5	14.6	3.3	-12.7	35.1	1.54	0.37	-1.52	3.50
Consumer goods, except automotive	19.5	1.8	5.2	-3.3	16.9	0.33	0.98	-0.64	3.15
Other	3.8	-42.8	-7.3	29.1	12.2	-2.20	-0.27	0.94	0.46
Imports of services ²	16.8	2.8	3.5	1.0	5.0	0.46	0.58	0.18	0.88
Addenda:									
Exports of agricultural goods ³	6.6	30.2	79.2	-22.7	-17.5	.....	.....	.....	.....
Exports of nonagricultural goods	62.8	3.5	8.1	-10.7	17.8	.....	.....	.....	.....
Imports of nonpetroleum goods	70.7	2.5	3.0	-0.1	21.0	.....	.....	.....	.....

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 turned up in the second quarter, reflecting upturns in both exports of goods and of services.

The upturn in exports of goods primarily reflected upturns in industrial supplies and materials and in automotive vehicles, engines, and parts.

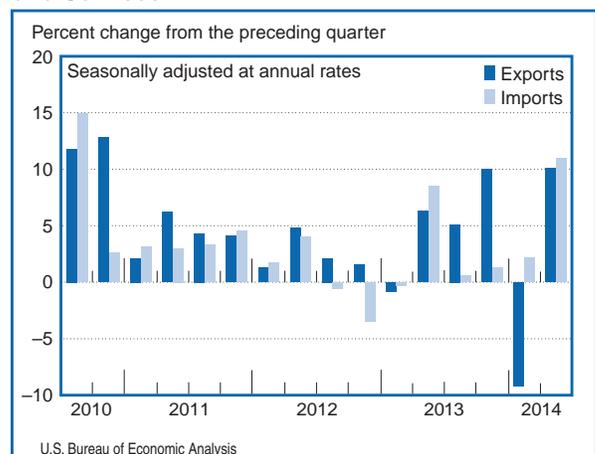
The upturn in exports of services primarily reflected an upturn in "other" business services (primarily for telecommunications, computers, and information services).

Imports of goods and services accelerated, reflecting pickups in both imports of goods and of services.

The pickup in imports of goods mainly reflected upturns in automotive vehicles, engines, and parts and in nonautomotive consumer goods that were partly offset by a downturn in petroleum and products.

The pickup in imports of services mainly reflected an upturn in transport services and an acceleration in travel that were partly offset by a downturn in charges for the use of intellectual property.

Chart 5. Real Exports and Imports of Goods and Services



Government Spending

Table 6. 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)						
		2013		2014			2013		2014				
		II	III	IV	I	II	III	IV	I	II			
Government consumption expenditures and gross investment¹	100.0	0.2	-3.8	-0.8	1.4	0.2	-3.8	-0.8	1.4				
Consumption expenditures.....	81.4	0.4	-3.9	2.8	-0.1	0.32	-3.14	2.22	-0.11				
Gross investment.....	18.6	-0.8	-3.6	-15.1	8.7	-0.15	-0.66	-3.04	1.54				
Federal	38.3	-1.2	-10.4	-0.1	-0.9	-0.48	-4.19	-0.05	-0.35				
National defense	23.9	0.4	-11.4	-4.0	0.9	0.11	-2.90	-0.98	0.21				
Consumption expenditures.....	19.3	0.5	-12.5	3.5	-2.0	0.10	-2.57	0.67	-0.38				
Gross investment.....	4.6	0.2	-6.9	-30.0	13.9	0.01	-0.33	-1.65	0.59				
Nondefense	14.4	-3.9	-8.6	6.6	-3.7	-0.59	-1.29	0.93	-0.55				
Consumption expenditures.....	10.9	-3.7	-9.4	10.8	-3.6	-0.41	-1.07	1.13	-0.40				
Gross investment.....	3.5	-4.7	-6.0	-5.3	-4.2	-0.18	-0.22	-0.19	-0.15				
State and local	61.7	1.1	0.6	-1.3	2.9	0.65	0.39	-0.78	1.77				
Consumption expenditures.....	51.2	1.3	1.0	0.8	1.3	0.64	0.50	0.42	0.67				
Gross investment.....	10.5	0.2	-1.1	-10.8	11.1	0.02	-0.11	-1.20	1.10				

1. The estimates under the contribution columns are also percent changes.
NOTE: Percent changes are from NIPA table 3.9.1, contributions are from NIPA table 3.9.2, and shares are calculated from NIPA table 3.9.5.

Government spending turned up in the second quarter, and the upturn was more than accounted for by an upturn in state and local government spending.

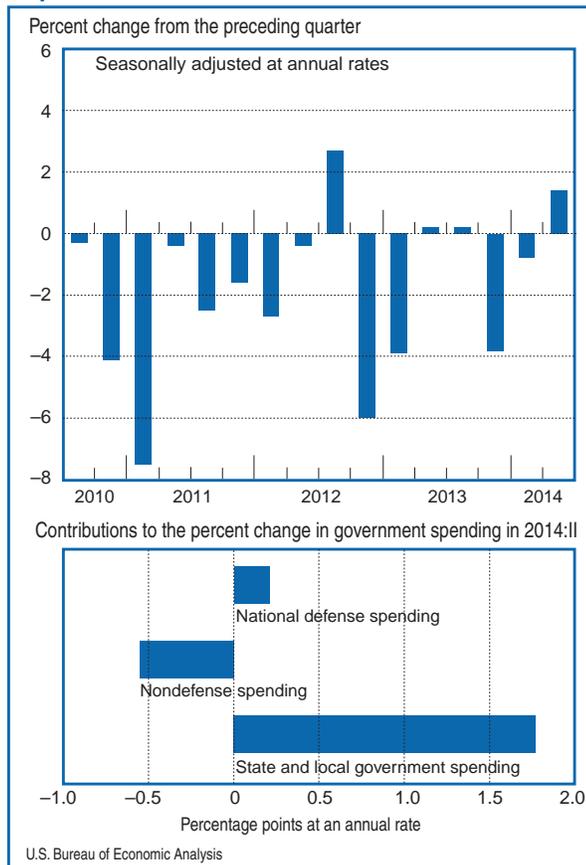
Federal government spending decreased more in the second quarter than in the first quarter; the larger decrease reflected a downturn in nondefense spending that was mostly offset by an upturn in national defense spending.

The upturn in national defense spending reflected an upturn in gross investment that was partly offset by a downturn in consumption expenditures.

The downturn in nondefense spending was more than accounted for by a downturn in consumption expenditures (mostly compensation).

The upturn in state and local government spending primarily reflected an upturn in gross investment (specifically for structures).

Chart 6. Real Government Consumption Expenditures and Gross Investment



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), of equipment, and of intellectual property products 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.

Prices

Table 7. Prices for Gross Domestic Purchases

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

	Change from preceding period (percent)				Contribution to percent change in gross domestic purchases prices (percentage points)			
	2013		2014		2013		2014	
	III	IV	I	II	III	IV	I	II
Gross domestic purchases ¹	1.7	1.4	1.4	1.9	1.7	1.4	1.4	1.9
Personal consumption expenditures	1.7	1.0	1.4	2.3	1.12	0.67	0.91	1.54
Goods	1.2	-1.4	-0.6	1.8	0.27	-0.32	-0.12	0.40
Durable goods	-2.5	-2.6	-2.8	-1.8	-0.19	-0.19	-0.21	-0.13
Nondurable goods	3.0	-0.9	0.6	3.6	0.46	-0.13	0.08	0.53
Services	1.9	2.3	2.3	2.6	0.85	0.99	1.03	1.14
Gross private domestic investment	2.1	2.2	2.4	1.0	0.31	0.34	0.38	0.16
Fixed investment	2.0	2.6	2.8	1.1	0.30	0.38	0.42	0.17
Nonresidential	1.2	1.3	1.4	1.2	0.14	0.16	0.17	0.15
Structures	2.2	3.9	2.3	1.4	0.06	0.10	0.06	0.04
Equipment	0.4	-0.2	0.8	1.1	0.02	-0.01	0.04	0.06
Intellectual property products	1.6	1.7	1.7	1.3	0.06	0.06	0.06	0.05
Residential	5.5	7.6	8.6	0.7	0.16	0.23	0.25	0.02
Change in private inventories					0.01	-0.04	-0.05	-0.02
Government consumption expenditures and gross investment	1.4	2.4	0.4	1.4	0.26	0.43	0.07	0.25
Federal	1.2	5.3	-2.5	1.7	0.09	0.36	-0.17	0.12
National defense	1.0	3.1	0.1	1.7	0.04	0.13	0.00	0.07
Nondefense	1.5	9.0	-6.5	1.8	0.04	0.23	-0.18	0.05
State and local	1.5	0.6	2.2	1.2	0.17	0.06	0.24	0.13
Addenda:								
Gross domestic purchases:								
Food	1.1	-1.0	1.3	4.1	0.05	-0.05	0.06	0.20
Energy goods and services	6.8	-2.6	2.8	5.1	0.24	-0.10	0.10	0.18
Excluding food and energy	1.5	1.7	1.3	1.7	1.39	1.59	1.19	1.56
Personal consumption expenditures (PCE):								
Food and beverages purchased for off-premises consumption	1.0	0.0	1.4	4.5				
Energy goods and services	6.6	-2.7	4.0	5.2				
Excluding food and energy	1.4	1.3	1.2	2.0				
Gross domestic product (GDP)	1.7	1.5	1.3	2.1				
Exports of goods and services	0.7	0.3	2.8	-0.1				
Imports of goods and services	0.8	0.0	2.8	-0.8				

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

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

Prices of goods and services purchased by U.S. residents, as measured by the price index for gross domestic purchases, increased 1.9 percent in the second quarter after increasing 1.4 percent in the first quarter. The acceleration primarily reflected an increase in the prices paid by consumers.

The acceleration in consumer prices primarily reflected an upturn in prices paid for goods.

The upturn in goods prices was mostly accounted for by an acceleration in the prices paid for nondurable goods (widespread).

Prices paid for residential fixed investment slowed, increasing 0.7 percent after increasing 8.6 percent; the slowdown mainly reflected a slowdown in prices of new structures.

Prices paid by government picked up, primarily reflecting an upturn in prices paid by the federal government for nondefense consumption expenditures (mostly for compensation).

Prices paid by state and local governments increased slightly less than in the first quarter.

Consumer prices excluding food and energy, a measure of "core" rate of inflation, picked up, increasing 2.0 percent after increasing 1.2 percent.

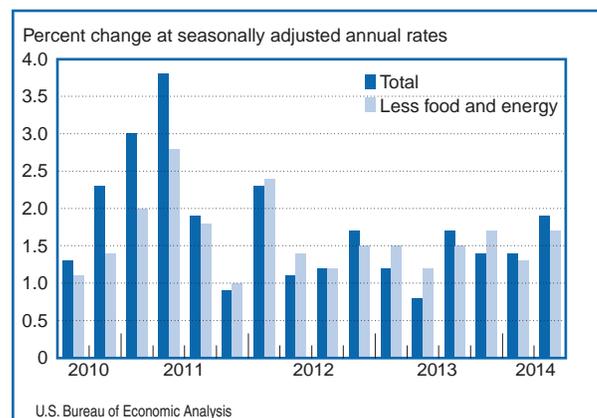
The GDP price index increased 2.1 percent in the second quarter, 0.2 percentage point more than the increase in the price index for gross domestic purchases. Export prices decreased 0.1 percent after increasing 2.8 percent, and import prices decreased 0.8 percent after increasing 2.8 percent.

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 FAQ "[How do the effects of dollar depreciation show up in the GDP accounts?](#)" on BEA's Web site.

Chart 7. Gross Domestic Purchases Prices

Revisions

Table 8. Advance and Second Estimates for the Second Quarter of 2014

[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
Gross domestic product (GDP) ¹	4.0	4.2	0.2	4.0	4.2	0.2
Personal consumption expenditures	2.5	2.5	0.0	1.69	1.69	0.00
Goods	6.2	5.8	-0.4	1.38	1.30	-0.08
Durable goods	14.0	14.3	0.3	0.99	1.00	0.01
Nondurable goods	2.5	1.9	-0.6	0.39	0.29	-0.10
Services	0.7	0.8	0.1	0.31	0.40	0.09
Gross private domestic investment	17.0	17.5	0.5	2.57	2.64	0.07
Fixed investment	5.9	8.1	2.2	0.91	1.25	0.34
Nonresidential	5.5	8.4	2.9	0.68	1.03	0.35
Structures	5.3	9.4	4.1	0.15	0.26	0.11
Equipment	7.0	10.7	3.7	0.40	0.59	0.19
Intellectual property products	3.5	4.4	0.9	0.14	0.17	0.03
Residential	7.5	7.2	-0.3	0.23	0.22	-0.01
Change in private inventories .....	.....	.....	.....	1.66	1.39	-0.27
Net exports of goods and services .....	.....	.....	.....	-0.61	-0.43	0.18
Exports	9.5	10.1	0.6	1.23	1.31	0.08
Goods	12.9	13.8	0.9	1.14	1.22	0.08
Services	2.3	2.2	-0.1	0.10	0.09	-0.01
Imports	11.7	11.0	-0.7	-1.85	-1.74	0.11
Goods	13.3	12.3	-1.0	-1.73	-1.60	0.13
Services	4.2	5.0	0.8	-0.12	-0.14	-0.02
Government consumption expenditures and gross investment	1.6	1.4	-0.2	0.30	0.27	-0.03
Federal	-0.8	-0.9	-0.1	-0.05	-0.06	-0.01
National defense	1.1	0.9	-0.2	0.05	0.04	-0.01
Nondefense	-3.7	-3.7	0.0	-0.10	-0.10	0.00
State and local	3.1	2.9	-0.2	0.35	0.33	-0.02
Addenda:						
Final sales of domestic product	2.3	2.8	0.5	2.29	2.78	0.49
Gross domestic purchases price index	1.9	1.9	0.0	.....	.....	.....
GDP price index	2.0	2.1	0.1	.....	.....	.....

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

The second estimate of the second-quarter increase in real GDP is 0.2 percentage point more than the advance estimate, primarily reflecting an upward revision to nonresidential fixed investment and a downward revision to imports that were partly offset by a downward revision to inventory investment. The average revision (without regard to sign) between the advance estimate and the second estimate is 0.5 percentage point.

The upward revision to nonresidential fixed investment reflected upward revisions to all three subcomponents; the largest contributor was equipment.

The downward revision to inventory investment was primarily accounted for by a downward revision to wholesale trade industries.

The downward revision to imports was more than accounted for by a downward revision to imports of goods. Within goods, the largest contributors were consumer goods, except food and automotive and petroleum and products.

Revised First-Quarter 2014 Income Estimates

With the release of the second estimate of GDP, BEA also releases revised estimates of various income-related measures for the previous quarter. The revision incorporates first-quarter data from the quarterly census of employment and wages from the Bureau of Labor Statistics.

Wages and salaries increased \$131.3 billion, a downward revision of \$3.8 billion. Personal current taxes increased \$23.7 billion, a downward revision of \$0.7 billion. Contributions for government social insurance, which is subtracted in calculating personal income, increased \$29.1 billion, a downward revision of \$0.4 billion.

As a result of these revisions,

- Personal income increased \$172.9 billion, a downward revision of \$3.6 billion.
- Disposable personal income increased \$149.2 billion, a downward revision of \$2.9 billion.
- Personal saving increased \$73.2 billion, a downward revision of \$2.9 billion.
- The personal saving rate was 4.9 percent, unrevised from the previous estimate.
- Real gross domestic income decreased 0.8 percent, a downward revision of 0.1 percentage point.

Major Source Data for the Second Estimates

Consumer spending: retail sales for April through June (revised). Motor vehicle registrations data for June (new). Energy Information Administration data for gasoline, electricity, and natural gas sales and unit value data for April (revised) and May (new).

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

Residential fixed investment: construction spending (value put in place) data for April and May (revised) and June (new).

Inventory investment: manufacturers' inventories of durable goods for April through June (revised). Manufacturers' inventories of nondurable goods and trade inventories for April and May (revised) and June (new).

Exports and imports: trade in goods and services for April and May (revised) and June (new).

Government spending: state and local construction spending for April and May (revised) and June (new).

Corporate Profits

Table 9. Corporate Profits

[Seasonally adjusted]

	Billions of dollars (annual rate)					Percent change from preceding quarter (quarterly rate)			
	Level		Change from preceding quarter						
	2014		2013			2014			
	II	III	IV	I	II	III	IV	I	II
Current production measures:									
Corporate profits	2,097.0	37.1	3.1	-201.7	154.9	1.8	0.1	-9.4	8.0
Domestic industries.....	1,694.6	20.6	-10.8	-175.7	150.0	1.2	-0.6	-10.2	9.7
Financial	449.3	27.8	-5.1	-86.2	30.6	5.8	-1.0	-17.1	7.3
Nonfinancial.....	1,245.2	-7.2	-5.6	-89.6	119.3	-0.6	-0.5	-7.4	10.6
Rest of the world	402.4	16.5	13.9	-26.0	4.9	4.2	3.4	-6.1	1.2
Receipts from the rest of the world	673.4	13.3	14.7	-8.9	4.7	2.0	2.2	-1.3	0.7
Less: Payments to the rest of the world	271.0	-3.2	0.7	17.1	-0.2	-1.3	0.3	6.7	-0.1
Less: Taxes on corporate income.....	602.0	8.3	27.9	66.9	39.7	1.8	6.0	13.5	7.1
Equals: Profits after tax.....	1,495.0	28.7	-24.7	-268.6	115.2	1.7	-1.5	-16.3	8.3
Net dividends	901.5	-187.0	80.6	-89.5	-1.3	-17.0	8.8	-9.0	-0.1
Undistributed profits from current production	593.6	215.8	-105.5	-178.9	116.5	39.5	-13.8	-27.3	24.4
Net cash flow	2,050.4	228.0	-92.3	-163.0	130.9	11.7	-4.2	-7.8	6.8
Industry profits:									
Profits with IVA	2,428.3	38.7	4.9	-6.0	155.7	1.7	0.2	-0.3	6.9
Domestic industries.....	2,025.8	22.3	-9.1	20.0	150.7	1.2	-0.5	1.1	8.0
Financial	511.9	28.6	-4.7	-68.6	31.1	5.4	-0.8	-12.5	6.5
Nonfinancial.....	1,514.0	-6.3	-4.4	88.5	119.8	-0.5	-0.3	6.8	8.6
Rest of the world	402.4	16.5	13.9	-26.0	4.9	4.2	3.4	-6.1	1.2
Addenda:									
Profits before tax (without IVA and CCAAdj).....	2,441.8	51.1	10.7	15.6	144.6	2.3	0.5	0.7	6.3
Profits after tax (without IVA and CCAAdj).....	1,839.8	42.7	-17.3	-51.2	104.9	2.4	-1.0	-2.9	6.0
IVA.....	-13.5	-12.4	-5.8	-21.6	11.1	.....	.....	.....	.....
CCAAdj.....	-331.3	-1.7	-1.7	-195.7	-0.8	.....	.....	.....	.....

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

Profits from current production (corporate profits with inventory valuation adjustment (IVA) and capital consumption adjustment (CCAAdj)) increased \$154.9 billion, or 8.0 percent at a quarterly rate, in the second quarter after decreasing in \$201.7 billion, or 9.4 percent, in the first quarter.

Domestic profits of financial corporations increased \$30.6 billion, or 7.3 percent, after decreasing \$86.2 billion, or 17.1 percent.

Domestic profits of nonfinancial corporations increased \$119.3 billion, or 10.6 percent, after decreasing \$89.6 billion, or 7.4 percent.

Profits from the rest of the world increased \$4.9 billion, or 1.2 percent, after decreasing \$26.0 billion, or 6.1 percent. In the second quarter, receipts increased \$4.7 billion, and payments decreased \$0.2 billion.

Taxes on corporate income increased \$39.7 billion, or 7.1 percent, after increasing \$66.9 billion, or 13.5 percent.

Profits after tax increased \$115.2 billion, or 8.3 percent, after decreasing \$268.6 billion, or 16.3 percent.

Net dividends decreased \$1.3 billion, or 0.1 percent, after decreasing \$89.5 billion, or 9.0 percent.

Undistributed profits increased \$116.5 billion after decreasing \$178.9 billion.

Net cash flow, a profits-related measure of internal funds available for investment, increased \$130.9 billion after decreasing \$163.0 billion.

Measuring Corporate Profits

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

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

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

First, BEA measures profits before taxes to reflect corporate income regardless of any redistributions of income through taxes. Estimates for the current quarter are based on corporate earnings reports from sources including Cen-

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

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

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