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EMBARGOED UNTIL RELEASE AT 8:30 A.M. EDT, THURSDAY, MAY 29, 2014

BEA 14-21

* See the navigation bar at the right side of the news release text for links to data tables, contact personnel and their telephone numbers, and supplementary materials.

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National Income and Product Accounts
Gross Domestic Product: First Quarter 2014 (Second Estimate)
Corporate Profits: First Quarter 2014 (Preliminary Estimate)

Real gross domestic product -- the output of goods and services produced by labor and property located in the United States -- decreased at an annual rate of 1.0 percent in the first quarter according to the "second" estimate released by the Bureau of Economic Analysis. In the fourth quarter, real GDP increased 2.6 percent.

The GDP estimate released today is based on more complete source data than were available for the "advance" estimate issued last month. In the advance estimate, real GDP was estimated to have increased 0.1 percent. With this second estimate for the first quarter, the decline in private inventory investment was larger than previously estimated (see "Revisions" on page 3).

The decrease in real GDP in the first quarter primarily reflected negative contributions from private inventory investment, exports, nonresidential fixed investment, state and local government spending, and residential fixed investment that were partly offset by a positive contribution from personal consumption expenditures. Imports, which are a subtraction in the calculation of GDP, increased.

BOX. _____

Annual Revision of the National Income and Product Accounts

The annual revision of the national income and product accounts will be released along with the "advance" estimate of GDP for the second quarter of 2014 on July 30. In addition to the regular revision of estimates for the most recent 3 years and for the first quarter of 2014, GDP and select components will be revised back to the first quarter of 1999 (see "Preview of Upcoming NIPA Revision" in the May Survey of Current Business). The August Survey will contain an article describing the annual revision in detail.

FOOTNOTE. _____

NOTE. Quarterly estimates are expressed at seasonally adjusted annual rates, unless otherwise specified. Quarter-to-quarter dollar changes are differences between these published estimates. Percent changes are calculated from unrounded data and are annualized. "Real" estimates are in chained (2009) dollars. Price indexes are chain-type measures.

This news release is available on BEA's Web site at www.bea.gov along with the [Technical Note and Highlights](#) related to this release. For information on revisions, see "Revisions to GDP, GDI, and Their Major Components".

The downturn in the percent change in real GDP primarily reflected a downturn in exports, a larger decrease in private inventory investment, and downturns in nonresidential fixed investment and in state and local government spending that were partly offset by an upturn in federal government spending.

The price index for gross domestic purchases, which measures prices paid by U.S. residents, increased 1.3 percent in the first quarter, 0.1 percentage point less than in the advance estimate; this index increased 1.5 percent in the fourth quarter. Excluding food and energy prices, the price index for gross domestic purchases increased 1.3 percent in the first quarter, compared with an increase of 1.8 percent in the fourth.

Real personal consumption expenditures increased 3.1 percent in the first quarter, compared with an increase of 3.3 percent in the fourth. Durable goods increased 1.4 percent, compared with an increase of 2.8 percent. Nondurable goods increased 0.4 percent, compared with an increase of 2.9 percent. Services increased 4.3 percent, compared with an increase of 3.5 percent.

Real nonresidential fixed investment decreased 1.6 percent in the first quarter, in contrast to an increase of 5.7 percent in the fourth. Investment in nonresidential structures decreased 7.5 percent, compared with a decrease of 1.8 percent. Investment in equipment decreased 3.1 percent, in contrast to an increase of 10.9 percent. Investment in intellectual property products increased 5.1 percent, compared with an increase of 4.0 percent. Real residential fixed investment decreased 5.0 percent, compared with a decrease of 7.9 percent.

Real exports of goods and services decreased 6.0 percent in the first quarter, in contrast to an increase of 9.5 percent in the fourth. Real imports of goods and services increased 0.7 percent, compared with an increase of 1.5 percent.

Real federal government consumption expenditures and gross investment increased 0.7 percent in the first quarter, in contrast to a decrease of 12.8 percent in the fourth. National defense decreased 2.4 percent, compared with a decrease of 14.4 percent. Nondefense increased 5.9 percent, in contrast to a decrease of 10.0 percent. Real state and local government consumption expenditures and gross investment decreased 1.8 percent in the first quarter; it was unchanged in the fourth.

The change in real private inventories subtracted 1.62 percentage points from the first-quarter change in real GDP, after subtracting 0.02 percentage point from the fourth-quarter change. Private businesses increased inventories \$49.0 billion in the first quarter, following increases of \$111.7 billion in the fourth quarter and \$115.7 billion in the third.

Real final sales of domestic product -- GDP less change in private inventories -- increased 0.6 percent in the first quarter, compared with an increase of 2.7 percent in the fourth.

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Gross domestic purchases

Real gross domestic purchases -- purchases by U.S. residents of goods and services wherever produced -- was unchanged in the first quarter, following an increase of 1.6 percent in the fourth.

Gross national product

Real gross national product -- the goods and services produced by the labor and property supplied by U.S. residents -- decreased 2.1 percent in the first quarter, in contrast to an increase of 3.1 percent in the fourth. GNP includes, and GDP excludes, net receipts of income from the rest of the world, which decreased \$42.4 billion in the first quarter, in contrast to an increase of \$17.0 billion in the fourth; in the first quarter, receipts decreased \$29.0 billion, and payments increased \$13.4 billion.

Current-dollar GDP

Current-dollar GDP -- the market value of the nation's output of goods and services -- increased 0.3 percent, or \$11.7 billion, in the first quarter to a level of \$17,101.3 billion. In the fourth quarter, current-dollar GDP increased 4.2 percent, or \$176.7 billion.

Gross domestic income

Real gross domestic income (GDI), which measures the output of the economy as the costs incurred and the incomes earned in the production of GDP, decreased 2.3 percent in the first quarter, in contrast to an increase of 2.6 percent (revised) in the fourth. For a given quarter, the estimates of GDP and GDI may differ for a variety of reasons, including the incorporation of largely independent source data. However, over longer time spans, the estimates of GDP and GDI tend to follow similar patterns of change.

Revisions

The second estimate of the first-quarter percent change in real GDP was revised down 1.1 percentage points, or \$43.7 billion, from the advance estimate issued last month, primarily reflecting a downward revision to private inventory investment and an upward revision to imports that were partly offset by an upward revision to exports.

	Advance Estimate	Second Estimate
	Percent change from preceding quarter)	
Real GDP.....	0.1	-1.0
Current-dollar GDP.....	1.4	0.3
Real GDI.....	--	-2.3
Gross domestic purchases price index...	1.4	1.3

Corporate Profits

Profits from current production

Profits from current production (corporate profits with inventory valuation adjustment (IVA) and capital consumption adjustment (CCAdj)) decreased \$213.4 billion in the first quarter, in contrast to an increase of \$47.1 billion in the fourth. The IVA decreased \$32.3 billion, compared with a decrease of \$0.5 billion. The CCAdj decreased \$182.5 billion, compared with a decrease of \$1.5 billion. The IVA and CCAdj convert inventory withdrawals and depreciation of fixed assets reported on a tax-return, historical-cost basis to the current-cost economic measures used in the NIPAs.

Taxes on corporate income increased \$26.2 billion in the first quarter, compared with an increase of \$13.3 billion in the fourth. Profits after tax with IVA and CCAdj decreased \$239.5 billion, in contrast to an increase of \$33.8 billion. The first-quarter changes in taxes on corporate income and in CCAdj mainly reflect the expiration of bonus depreciation provisions. For further explanation, see the box below.

Dividends decreased \$89.0 billion in the first quarter, in contrast to an increase of \$90.5 billion in the fourth. Undistributed profits decreased \$150.6 billion, compared with a decrease of \$56.7 billion. Net cash flow with IVA -- the internal funds available to corporations for investment -- decreased \$131.6 billion, compared with a decrease of \$43.0 billion.

BOX. _____

Impacts of Bonus Depreciation on the First Quarter of 2014

The first-quarter changes in taxes on corporate income and in capital consumption adjustment (CCAdj) mainly reflect the expiration of both the 50-percent bonus depreciation provision and increased Section 179 expensing limits claimed under the American Taxpayer Relief Act of 2012. For detailed data, see the table "Net Effects of the Tax Acts of 2002, 2003, 2008, 2009, 2010, and 2012 on Selected Measures of Corporate Profits".

Bonus depreciation does not affect profits from current production. Profits from current production are based on consistent depreciation profiles of fixed assets valued at current cost, not on the depreciation-accounting practices used for federal income tax returns. For a discussion on the effect of tax act provisions on the CCAdj, see FAQ 999, "Why does the capital consumption adjustment for domestic business decline so much in the first quarter of 2012?".

Domestic profits of financial corporations decreased \$70.6 billion in the first quarter, in contrast to an increase of \$6.1 billion in the fourth. Domestic profits of nonfinancial corporations decreased \$102.3 billion, in contrast to an increase of \$18.1 billion.

The rest-of-the-world component of profits decreased \$40.4 billion in the first quarter, in contrast to an increase of \$22.9 billion in the fourth. This measure is calculated as the difference between receipts from rest of the world and payments to rest of the world. In the first quarter, receipts decreased \$32.3 billion, and payments increased \$8.2 billion.

Gross value added of nonfinancial domestic corporate business

Real gross value added of nonfinancial corporations decreased 2.2 percent in the first quarter. Profits per unit of real value added decreased, reflecting increases in the unit labor and nonlabor costs incurred by corporations that were partly offset by an increase in unit prices.

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Next release -- June 25, 2014 at 8:30 A.M. EDT for:
Gross Domestic Product: First Quarter 2014 (Third Estimate)
Corporate Profits: First Quarter 2014 (Revised Estimate)

Last Modified: Thursday, May 29, 2014

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