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BEA 1

* 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 (Third Estimate)
 Corporate Profits: First Quarter 2014 (Revised 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 2.9 percent in the first quarter of 2014 according to the "third" estimate released by the Bureau of Economic Analysis.** In the fourth quarter of 2013, real GDP increased 2.6 percent.

The GDP estimate released today is based on more complete source data than were available for the "second" estimate issued last month. In the second estimate, real GDP was estimated to have decreased 1.0 percent. With the third estimate for the first quarter, the increase in personal consumption expenditures (PCE) was smaller than previously estimated, and the decline in exports was larger than previously estimated (for more information, see "Revisions" on page 3).

The decrease in real GDP in the first quarter primarily reflected negative contributions from private inventory investment, exports, state and local government spending, nonresidential fixed investment, and residential fixed investment that were partly offset by a positive contribution from PCE. 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. More information is available in "[Preview of Upcoming NIPA Revision](#)" in the May Survey of Current Business and on [BEA's Web site](#). The August Survey will contain an article describing the annual revision in detail.

FOOTNOTE. _____

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](#) along with the [Technical Note](#) and [Highlights](#) related to this release. For information on revisions, see "[Revisions to GDP, GDI, and Their Major Componen](#)

Real GDP declined 2.9 percent in the first quarter, after increasing 2.6 percent in the fourth. This downturn in the percent change in real GDP primarily reflected a downturn in exports, a larger decrease in private inventory investment, a deceleration in PCE, 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, the same increase as in the second 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 1.0 percent in the first quarter, compared with an increase of 3.3 percent in the fourth. Durable goods increased 1.2 percent, compared with an increase of 2.8 percent. Nondurable goods decreased 0.3 percent, in contrast to an increase of 2.9 percent. Services increased 1.5 percent, compared with an increase of 3.5 percent.

Real nonresidential fixed investment decreased 1.2 percent in the first quarter, in contrast to an increase of 5.7 percent in the fourth. Nonresidential structures decreased 7.7 percent, compared with a decrease of 1.8 percent. Equipment decreased 2.8 percent, in contrast to an increase of 10.9 percent. Intellectual property products increased 6.3 percent, compared with an increase of 4.0 percent. Real residential fixed investment decreased 4.2 percent, compared with a decrease of 7.9 percent.

Real exports of goods and services decreased 8.9 percent in the first quarter, in contrast to an increase of 9.5 percent in the fourth. Real imports of goods and services increased 1.8 percent, compared with an increase of 1.5 percent.

Real federal government consumption expenditures and gross investment increased 0.6 percent in the first quarter, in contrast to a decrease of 12.8 percent in the fourth. National defense decreased 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 1.7 percent; it was unchanged in the fourth quarter.

The change in real private inventories subtracted 1.70 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 \$45.9 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 -- decreased 1.3 percent in the first quarter, in contrast to an increase of 2.7 percent in the fourth.

Gross domestic purchases

Real gross domestic purchases -- purchases by U.S. residents of goods and services wherever produced -- decreased 1.4 percent in the first quarter, in contrast to 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 3.6 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 \$27.4 billion in the first quarter, in contrast to an increase of \$17.0 billion in the fourth; in the first quarter, receipts decreased \$9.8 billion, and payments increased \$17.6 billion.

Current-dollar GDP

Current-dollar GDP -- the market value of the nation's output of goods and services -- decreased 1.7 percent, or \$73.6 billion, in the first quarter to a level of \$17,016.0 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 2.6 percent in the first quarter, in contrast to an increase of 2.6 percent 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 downward revision to the percent change in real GDP primarily reflected downward revisions to personal consumption expenditures and to exports and an upward revision to imports.

	Advance Estimate	Second Estimate	Third Estimate
	(Percent change from preceding quarter)		
Real GDP.....	0.1	-1.0	-2.9
Current-dollar GDP.....	1.4	0.3	-1.7
Real GDI.....	...	-2.3	-2.6

Gross domestic purchases price index.....	1.4	1.3	1.3
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Corporate Profits

Profits from current production

Profits from current production (corporate profits with inventory valuation adjustment (IVA) and capital consumption adjustment (CCAdj)) decreased \$198.3 billion in the first quarter, in contrast to an increase of \$47.1 billion in the fourth. The IVA decreased \$33.2 billion, compared with a decrease of \$0.5 billion. The CCAdj decreased \$195.3 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 national income and product accounts.

Taxes on corporate income increased \$27.8 billion in the first quarter, compared with an increase of \$13.3 billion in the fourth. Profits after tax with IVA and CCAdj decreased \$226.0 billion, in contrast to an increase of \$33.8 billion. The first-quarter changes in taxes on corporate income and in the CCAdj mainly reflect the expiration of bonus depreciation provisions. For further explanation, see the box below.

Dividends decreased \$87.1 billion in the first quarter, in contrast to an increase of \$90.5 billion in the fourth. Undistributed profits decreased \$139.1 billion, compared with a decrease of \$56.7 billion. Net cash flow with IVA -- the internal funds available to corporations for investment -- decreased \$119.5 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 the 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 1002, "[How do the economic stimulus acts impact NIPA Corporate Profits?](#)".

The rest-of-the-world component of profits decreased \$25.7 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 the rest of the world and payments to the rest of the world.

Domestic corporate profits with IVA

Profits of financial corporations decreased \$52.6 billion in the first quarter, in contrast to an increase of \$6.1 billion in the fourth. This decrease was almost entirely accounted for by "other" financial industries. Profits of nonfinancial corporations increased \$75.4 billion, compared with an increase of \$19.5 billion. This increase primarily reflected increases in "other" nonfinancial industries, in utilities industries, in durable-goods manufacturing industries, and in information industries that were partly offset by a decrease in nondurable-goods manufacturing industries.

Gross value added of nonfinancial domestic corporate business

In the first quarter, both real gross value added of nonfinancial corporations and profits per unit of real value decreased. The decrease in unit profits reflected increases in unit labor and nonlabor costs incurred by corporations that were partly offset by an increase in unit prices.

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Next release -- July 30, 2014 at 8:30 A.M. EDT for:
Gross Domestic Product: Second Quarter 2014 (Advance Estimate)
Annual Revision of the National Income and Product Accounts

Last Modified: Wednesday, June 25, 2014

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