

Technical Note

Gross Domestic Product (Second Estimate) Corporate Profits (Preliminary Estimate) Second Quarter 2023

August 30, 2023

This technical note provides background information about the source data and estimating methods used to produce the estimates presented in the GDP news release; a summary of "highlights" is available on BEA's website at www.bea.gov.

Real GDP and Related Aggregates

Real GDP increased at an annual rate of 2.1 percent (0.5 percent at a quarterly rate¹) in the second quarter of 2023, compared with an increase of 2.0 percent (0.5 percent at a quarterly rate) in the first quarter. The increase in real GDP reflected increases in consumer spending, nonresidential fixed investment, state and local government spending, and federal government spending that were partly offset by decreases in exports, residential fixed investment, and private inventory investment. Imports, which are a subtraction in the calculation of GDP, decreased.

Sources of Revision to Real GDP

The increase in second-quarter real GDP was revised down 0.3 percentage point from the "advance" estimate, reflecting downward revisions to private inventory investment and nonresidential fixed investment that were partly offset by upward revisions to state and local government spending. Imports were revised up.

- Within private inventory investment, the downward revision was led by wholesale trade industries (mainly nondurable goods), based primarily on revised Census Bureau inventory data.
- The downward revision to nonresidential fixed investment reflected downward revisions to equipment and intellectual property products.
 - Within equipment, the leading contributors to the downward revision were information processing equipment (notably, computers and peripherals) and industrial equipment

¹ Percent changes in quarterly seasonally adjusted series are displayed at annual rates, unless otherwise specified. For more information, refer to the FAQ [Why does BEA publish percent changes in quarterly series at annual rates?](#).

(notably, special industry machinery), based on updated Census data on trade in goods as well as shipments.

- Within intellectual property products, a downward revision to software was partly offset by an upward revision to entertainment, literary, and artistic originals, based primarily on new Census Bureau Quarterly Services Survey (QSS) data.
- The revision to state and local government spending primarily reflected an upward revision to structures investment, based on new June and revised April and May Census Value Put in Place (VPIP) construction spending data.
- Within imports, the leading contributor to the upward revision was nondurable industrial supplies and materials (mainly, petroleum and products), primarily reflecting updated data from BEA's International Transactions Accounts as well as new and revised Census trade in goods data for June.

Real final sales to private domestic purchasers, which measures private demand in the domestic economy and is derived as the sum of consumer spending and private fixed investment, increased 2.1 percent in the second quarter, a downward revision of 0.2 percentage point, reflecting the downward revision to private nonresidential fixed investment.

Compared to the first quarter, the acceleration in real GDP in the second quarter primarily reflected a smaller decrease in private inventory investment and an acceleration in nonresidential fixed investment. These movements were partly offset by a downturn in exports, and decelerations in consumer spending and federal government spending. Imports turned down.

Prices

BEA's featured measure of inflation in the U.S. economy, the price index for gross domestic purchases, increased 1.7 percent in the second quarter, a downward revision of 0.2 percentage point from the previous estimate. Excluding food and energy, gross domestic purchases prices increased 2.4 percent, also revised down 0.2 percentage point.

The price index for personal consumption expenditures (PCE) increased 2.5 percent in the second quarter, a downward revision of 0.1 percentage point from the previous estimate. Excluding food and energy, the "core" PCE price index increased 3.7 percent, also revised down 0.1 percentage point. For a comparison of PCE prices to BLS consumer price indexes, refer to NIPA [Table 9.1U. Reconciliation of Percent Change in the CPI with Percent Change in the PCE Price Index](#).

Gross Domestic Income and Corporate Profits

Real gross domestic income (GDI), which measures output of the economy as the costs incurred and the incomes earned in the production of goods and services, increased 0.5 percent at an annual rate (0.1 percent at a quarterly rate) in the second quarter in contrast to a decrease of 1.8 percent at an annual rate (0.5 percent at a quarterly rate) in the first quarter. The average of real GDP and real GDI increased 1.3 percent at an annual rate (0.3 percent at a quarterly rate) in the second quarter, following an increase of 0.1 percent at an annual rate (less than 0.1 percent at a quarterly rate) in the first quarter.

Current-dollar GDI increased \$162.9 billion in the second quarter and was more than accounted for by an increase in compensation, based on employment, hours, and earnings data from the BLS Current Employment Statistics.

Profits from current production decreased \$10.6 billion, or 0.4 percent (quarterly rate), in the second quarter. Domestic profits of financial corporations decreased \$47.8 billion, domestic profits of nonfinancial corporations increased \$17.1 billion, and rest-of-the-world profits increased \$20.2 billion.

The BEA profits measure that is conceptually most similar to S&P 500 profits—national after-tax profits without inventory valuation and capital consumption adjustments (shown in line 11 of table 9 of the GDP news release)—increased \$67.6 billion in the second quarter. Second-quarter national after-tax profits decreased 9.4 percent from the same quarter one year ago.

Updates to First-Quarter Wages and Salaries

BEA's standard practice for first quarter estimates of wages and salaries is to incorporate data from the Bureau of Labor Statistics' Quarterly Census of Employment and Wages (QCEW) program as part of the annual update of the National Economic Accounts. New QCEW data for the first quarter of 2023 will be incorporated into next month's release along with the 2023 Comprehensive Update of the National Economic Accounts (refer to "Looking Ahead" for details).

Looking Ahead: 2023 Comprehensive Update of the National Economic Accounts

BEA will release initial results from the 2023 comprehensive update of the National Economic Accounts, which include the National Income and Product Accounts as well as the Industry Economic Accounts, on September 28, 2023. The update will present revised statistics for GDP, GDP by industry, and gross domestic income. For details, refer to [Information on Updates to the National Economic Accounts](#).

The initial results of the comprehensive update of the Regional Economic Accounts will be released on September 29.

GDP by industry and GDP by state news releases for the second quarter of 2023 will be released this fall. BEA will send out an [advisory](#) with the exact days and times when they become available.

Personal income by state for the second quarter will be released as scheduled on September 29.

More Information

The complete set of statistics for the second quarter is available on [BEA's website](#), along with a table presenting the "[Key Source Data and Assumptions](#)" that underlie the statistics. The *Survey of Current Business*, BEA's online journal, will present a more detailed analysis of the estimates ("GDP and the Economy").

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