Technical Note

Gross Domestic Product (Third Estimate), Corporate Profits (Revised Estimate), and GDP by Industry, First Quarter 2022

June 29, 2022

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 brief summary of "highlights" is available on BEA's website at www.bea.gov.

Economic Factors and First-Quarter 2022 GDP

Real GDP decreased 1.6 percent at an annual rate (0.4 percent at a quarterly rate[1]) in the first quarter of 2022, following an increase of 6.9 percent at an annual rate (1.7 percent at a quarterly rate) in the fourth quarter of 2021. The decline occurred amid a resurgence of COVID-19 cases from the Omicron variant and decreases in government pandemic assistance payments. Other economic factors including supply-chain challenges, low unemployment, and widespread inflation continued. The full economic effects of the COVID-19 pandemic and other economic factors cannot be quantified in the GDP estimate for the first quarter of 2022 because the impacts are generally embedded in source data and cannot be separately identified. Real GDP for the first quarter of 2022 is 2.7 percent above the level of real GDP for the fourth quarter of 2019[2].

The decrease in real GDP for the first quarter reflected decreases in exports, federal government spending, private inventory investment, and state and local government spending, while imports, which are a subtraction in the calculation of GDP, increased. Nonresidential fixed investment, consumer spending, and residential fixed investment increased.

Sources of Revision to Real GDP

The decrease in first-quarter real GDP was revised down 0.1 percentage point from the “second” estimate, primarily reflecting downward revisions to consumer spending and federal government spending that were mostly offset by upward revisions to private inventory investment, nonresidential fixed investment, and exports. Imports were revised up.

---

[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?.

[2] The fourth quarter of 2019 was the most recent quarter prior to the onset of the COVID-19 pandemic. Calculated as the percent change from the fourth quarter of 2019 to the first quarter of 2022 in real GDP from news release table 3, line 1.

- Within consumer spending, both services and goods were revised down.
    - For services, revisions primarily reflected updated first-quarter Census Quarterly Services Survey (QSS) data. Downward revisions to financial services and insurance (notably, banking and other financial services) and health care (notably hospitals) were the leading contributors.
    - For goods, a downward revision to durable goods (led by recreational goods and vehicles) was partly offset by an upward revision to nondurable goods (more than accounted for by gasoline and other energy goods) based primarily on revised Census Monthly Retail Trade Survey data and new March Petroleum Supply Report data from the Energy Information Administration, respectively.
- The downward revision to federal government spending primarily reflected a downward revision to national defense equipment investment, based on updated information from BEA's International Transactions Accounts (ITAs) on federal transfers of military equipment.
- The revision to private inventory investment reflected an upward revision to nonfarm inventories, led by retail trade (notably, general merchandise stores) and "other" industries (specifically, information), based primarily on revised Census Bureau inventory data.
- Within nonresidential fixed investment the upward revision was led by structures (mainly commercial and health care), based primarily on revised February and March Census Value of Construction Put in Place data.
- The upward revisions to both exports and imports were based primarily on revised Census Bureau goods data as well as the annual revision of BEA's ITAs, which was incorporated on a best-change basis. Within exports, the leading contributor to the upward revision was goods (led by nonautomotive capital goods). Within imports, an upward revision to services (led by transport) was partly offset by a downward revision to goods (led by nonfood and nonautomotive consumer goods).

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 3.0 percent in the first quarter, a downward revision of 0.9 percentage point, reflecting the downward revision to consumer spending.

Prices

BEA's featured measure of inflation in the U.S. economy, the price index for gross domestic purchases, increased 8.0 percent in the first quarter, unrevised from the second estimate. Excluding food and energy, gross domestic purchases prices increased 6.9 percent, also unrevised from the second estimate.

The price index for personal consumption expenditures (PCE) increased 7.1 percent in the first quarter, an upward revision of 0.1 percentage point from the second estimate. Excluding food and energy, the "core" PCE price index increased 5.2 percent, also an upward revision of 0.1 percentage point, primarily reflecting updated BLS price indexes for medical insurance carriers. 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 (as measured by GDP), increased 1.8 percent at an annual rate (0.4 percent at a quarterly rate) in the first quarter, a downward revision of 0.3 percentage point from the previous estimate. The updated estimate primarily reflected a downward revision to net interest, based primarily on new first-quarter assets data from the Federal Reserve Board's U.S. Financial Accounts as well as revised data from BEA's ITAs. The average of real GDP and real GDI increased 0.1 percent at an annual rate (less than 0.1 percent at a quarterly rate) in the first quarter, a downward revision of 0.2 percentage point.

Profits from current production decreased $63.8 billion, or 2.2 percent (quarterly rate), in the first quarter. Domestic profits of financial corporations decreased $51.1 billion, domestic profits of nonfinancial corporations decreased $4.8 billion, and rest-of-the-world profits decreased $7.9 billion.

- First-quarter profits were revised up $2.6 billion from the previous estimate, reflecting upward revisions to domestic nonfinancial industries profits, based primarily on updated Census Quarterly Financial Report data, and to rest-of-the-world profits, based on updated ITA data. The upward revisions were partly offset by downward revisions to domestic financial industries profits, based on updated tabulations of publicly traded companies' earnings.

BEA's profits measure that is conceptually most similar to S&P 500 profits—national after-tax profits without inventory valuation and capital consumption adjustments—increased $26.4 billion in the first quarter. First-quarter national after-tax profits (shown in line 11 of table 9 of the GDP news release) increased 15.2 percent from the same quarter one year ago.

Real GDP by Industry

Today's release includes estimates of GDP by industry, or value added—a measure of an industry's contribution to GDP (shown in table 12 of the news release). In the first quarter, private goods-producing industries decreased 6.9 percent, private services-producing industries decreased 0.8 percent, and government increased 2.0 percent. Overall, 9 of 22 industry groups contributed to the first-quarter decline in real GDP.

- Within private goods-producing industries, the leading contributors to the decrease were nondurable goods manufacturing (led by petroleum and coal products) and mining.

- Within private services-producing industries, decreases in retail trade as well as finance and insurance were partly offset by an increase in real estate and rental and leasing.

- The increase in government reflected an increase in state and local government that was partly offset by a decrease in federal government.

Updates to Disposable Personal Income

Current-dollar disposable personal income (DPI) was revised down $51.3 billion in the first quarter to a level of $18.20 trillion, primarily reflecting an upward revision to personal current taxes, which are a subtraction in the calculation of DPI. Personal current taxes were revised up $50.3 billion, reflecting an upward revision to federal taxes, specifically, declarations and settlements, based on new data from the Department of the Treasury that showed a stronger than expected filing season for settlements compared to 2021. Partly offsetting the upward revision was a downward revision to state and local personal current taxes, based on new data from the Census Bureau's Quarterly Tax Survey. For detailed estimates on personal current taxes, refer to NIPA table 3.4U.

Federal Government Economic Response to the COVID-19 Pandemic

Since the onset of the COVID-19 pandemic, several legislative acts, including the Coronavirus Aid, Relief, and Economic Security (CARES) Act; the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act; and the American Rescue Plan (ARP) Act, were signed into law. The Acts established several temporary programs and provided additional funding for existing federal programs to support individuals, communities, and businesses impacted by the pandemic. Because the effects of the Acts were in the form of transfers to individuals, subsidies to businesses, and grants to state and local governments, their effects on GDP show up indirectly through the components of GDP, such as consumer spending, business investment, and government spending. Thus, BEA cannot separately identify the total effect of the Acts on changes in GDP.

It is possible, however, to identify the impacts of select recovery programs on aggregate federal government spending. Further information on these and other pandemic response programs, including estimates of the effects of these programs on federal government spending is available in Effects of Selected Federal Pandemic Response Programs on Federal Government Receipts, Expenditures, and Saving.

Looking Ahead: 2022 Annual Update of the National Economic Accounts

BEA will release results from the 2022 annual update of the National Economic Accounts, which includes the National Income and Product Accounts as well as the Industry Economic Accounts, on September 29, 2022. The update will present revised statistics for GDP, GDP by Industry, and gross domestic income that cover the first quarter of 2017 through the first quarter of 2022. For details, refer to Information on Updates to the National Economic Accounts.

More Information

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

Erich H. Strassner
Associate Director, National Economic Accounts
Bureau of Economic Analysis
(301) 278-9612