

# Technical Note

## Gross Domestic Product (Second Estimate) Corporate Profits (Preliminary Estimate) First Quarter 2024 May 30, 2024

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](http://www.bea.gov).

### Real GDP and Related Aggregates

Real GDP increased at an annual rate of 1.3 percent (0.3 percent at a quarterly rate<sup>1</sup>) in the first quarter of 2024, compared with an increase of 3.4 percent (0.8 percent at a quarterly rate) in the fourth quarter of 2023. The increase in real GDP reflected increases in consumer spending, residential fixed investment, nonresidential fixed investment, and state and local government spending that were partly offset by a decrease in private inventory investment. Imports, which are a subtraction in the calculation of GDP, increased.

### Sources of Revision to Real GDP

The increase in first-quarter real GDP was revised down 0.3 percentage point from the "advance" estimate, primarily reflecting downward revisions to consumer spending and private inventory investment that were partly offset by an upward revision to state and local government spending.

- The revision to consumer spending primarily reflected a downward revision to spending on goods. The largest contributor was motor vehicles and parts (led by new light trucks), based on revised unit sales data from Wards Intelligence for all three months of the quarter, and IHS Markit Polk vehicle registrations data, revised for January and February and new for March.
- Within private inventory investment, the downward revision was mainly to wholesale trade industries (led by durable goods industries), based primarily on new and updated Census Bureau inventory data.

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<sup>1</sup> 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?](#).

- The revision to state and local government spending primarily reflected an upward revision to structures investment, based on new March and revised January and February Census Bureau Value-Put-in-Place construction spending data.

## Prices

BEA's featured measure of inflation in the U.S. economy, the price index for gross domestic purchases, increased 3.0 percent in the first quarter, 0.1 percentage point lower than previously estimated. Excluding food and energy, the gross domestic purchases price index increased 3.2 percent, the same as previously estimated.

The price index for personal consumption expenditures (PCE) increased 3.3 percent in the first quarter, a downward revision of 0.1 percentage point from the previous estimate. Excluding food and energy, the "core" PCE price index increased 3.6 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 1.5 percent at an annual rate (0.4 percent at a quarterly rate) in the first quarter compared with an increase of 3.6 percent at an annual rate (0.9 percent at a quarterly rate) in the fourth quarter. The average of real GDP and real GDI increased 1.4 percent at an annual rate (0.3 percent at a quarterly rate) in the first quarter, following an increase of 3.5 percent at an annual rate (0.9 percent at a quarterly rate) in the fourth quarter.

Current-dollar GDI increased \$311.1 billion in the first quarter led by an increase in compensation, based on employment, hours, and earnings data from the BLS Current Employment Statistics.

Profits from current production decreased \$21.1 billion, or 0.6 percent (quarterly rate), in the first quarter. Domestic profits of financial corporations increased \$73.7 billion, domestic profits of nonfinancial corporations decreased \$114.1 billion, and rest-of-the-world profits increased \$19.3 billion.

Estimates of corporate profits were reduced by several settlements that were finalized in the first quarter. Settlements are recorded in the National Income and Product Accounts (NIPAs) on an accrual basis in the quarter when the settlement is finalized, regardless of when they are recorded on a company's financial statement. In the first quarter:

- Paper manufacturer 3M and chemical makers Chemours, DuPont de Nemours, and Corteva reached settlements with U.S. local governments in the amount of \$10.3 billion (\$41.2 billion at an annual rate) and \$1.2 billion (\$4.7 billion at an annual rate), respectively, over contaminated water claims.
- Diesel engine manufacturer Cummins agreed to pay \$1.7 billion (\$6.7 billion at an annual rate) in penalties for alleged violations of the Clean Air Act and California law.

The estimate of GDI was not impacted because these settlements were recorded in the NIPAs as business current transfer payments to government, which offset the reduction to corporate profits.

The BEA profits measure that is conceptually most like 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 \$98.3 billion in the first quarter. First-quarter national after-tax profits increased 10.9 percent from the same quarter one year ago.

### **Updates to Fourth-Quarter Wages and Salaries**

In addition to presenting updated estimates for the first quarter, today's release presents revised estimates of fourth-quarter wages and salaries, personal taxes, and contributions for government social insurance, based on updated data from the BLS Quarterly Census of Employment and Wages program. Wages and salaries are now estimated to have increased \$58.5 billion in the fourth quarter, a downward revision of \$73.0 billion. Personal current taxes are now estimated to have increased \$27.1 billion, a downward revision of \$12.6 billion. Contributions for government social insurance are now estimated to have increased \$8.3 billion, a downward revision of \$9.6 billion. With the incorporation of these new data, real GDI is now estimated to have increased 3.6 percent in the fourth quarter, a downward revision of 1.2 percentage points from the previously published estimate.

### **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. 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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