

Technical Note

Gross Domestic Product Second Quarter of 2018 (Second Estimate)

August 29, 2018

This technical note provides background information about the source data and estimating methods used to produce the estimates presented in the GDP news release. The complete set of estimates for the second quarter is available on BEA's Web site at www.bea.gov; a brief summary of "highlights" is also posted on the Web site. BEA's source data and assumptions for the "second" estimate are shown in a "[Key Source Data and Assumptions](#)" table on the BEA Web site. In a few weeks, the *Survey of Current Business*, BEA's online monthly journal, will publish a more detailed analysis of the estimates ("GDP and the Economy").

Sources of Revision to Real GDP

Real GDP increased 4.2 percent (annual rate) in the second quarter of 2018, an upward revision of 0.1 percentage point from the "advance" estimate. The revision primarily reflected higher nonresidential fixed investment and lower imports of goods. Consumer spending for goods was lower than previously estimated.

- The upward revision to nonresidential fixed investment was mostly accounted for by investment in software, based on new data from the Census Bureau Advance Quarterly Services Report.
- Imports, which are a subtraction in the calculation of GDP, were revised down, primarily reflecting a downward revision to imported goods. Within goods, the downward revision was widespread, the largest contributor was petroleum. The updated estimates reflected updated data from the joint BEA/Census monthly U.S. International Trade in Goods and Services Report.
- A downward revision to consumer spending for goods reflecting widespread downward revisions among the components of spending partly offset the upward revisions to real GDP.

Prices

The price index for gross domestic purchases, which measures the prices of final goods and services purchased by U.S. residents, increased 2.3 percent in the second quarter, unchanged from the advance estimate. The PCE price index increased 1.9 percent, revised up 0.1 percentage point. Excluding food and energy prices, the PCE price index increased 2.0 percent, unchanged from the advance estimate.

Gross Domestic Income and Corporate Profits

Real gross domestic income (GDI), which measures output of the economy as the incomes earned and costs incurred in the production of goods and services (as measured by GDP), increased 1.8 percent in the second quarter. 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. The average of real GDP and real GDI increased 3.0 percent.

Profits from current production increased \$72.4 billion, or 3.3 percent (quarterly rate), in the second quarter, and increased 7.7 percent from the same quarter one year ago. Domestic profits of financial corporations increased \$16.8 billion, domestic profits of nonfinancial corporations increased \$63.6 billion, and rest-of-the-world profits decreased \$8.0 billion.

National after-tax profits without inventory valuation and capital consumption adjustments (shown in line 11 of table 9 of the GDP news release), conceptually closest to S&P 500 profits, increased \$69.5 billion in the second quarter, following a \$148.1 billion increase in the first. Second quarter national after-tax profits increased 6.7 percent from the same quarter one year ago.

Revisions to Wages and Salaries in the First Quarter

In addition to presenting revised estimates for the second quarter, today's release presents revised estimates of first-quarter wages and salaries, personal taxes, and contributions for government social insurance. Wages and salaries are now estimated to have increased \$122.5 billion in the first quarter of 2018, an upward revision of \$0.4 billion. These estimates reflect revised wage and salary tabulations for the first quarter from the BLS Quarterly Census of Employment and Wages (QCEW). In the first quarter, real GDI increased 3.9 percent, unrevised from last month's estimate.

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