US Economic Research 29 June 2022



U.S. Data Review

Revised Q1 GDP: modest adjustment overall, but interesting shifts in components

Michael Moran Lawrence Werther

Daiwa Capital Markets America michael.moran@us.daiwacm.com lawrence.werther@us.daiwacm.com

Revised Q1 GDP

Gross domestic product in the United States fell 1.6 percent in the first quarter, close to the preliminary estimate and the consensus expectation of -1.5 percent. While the adjustment to the headline figure was modest, the components posted some interesting changes. Perhaps most notable, consumer spending was lighter than previously believed, now showing growth of 1.8 percent versus a preliminary estimate of 3.1 percent. Household spending on services, although firm at 3.0 percent, was notably softer than the prior estimate of 4.8 percent. In addition, spending on durable goods was less robust than previously believed (5.9 percent versus 6.8 percent).

The inventory situation shifted in the opposite direction, with firms adding more to stocks than previously believed. The contribution to growth was still negative, but the drag was noticeably lighter than previously believed (-0.35 percentage point versus -1.09 percentage points). The negative contribution to growth could be easily misinterpreted. Businesses boosted their inventories in the first quarter, with the additions representing a positive contribution to the *level* of GDP. However, the additions were lighter than the huge dollar volume added in the fourth quarter, and

GDP and Related Items*

		21-Q4	22-Q1(p	o) 22-Q1(r
1.	Gross Domestic Product	6.9	-1.5	-1.6
2.	Personal Consumption Expenditures	2.5	3.1	1.8
3.	Nonresidential Fixed Investment	2.9	9.2	10.0
3a.	Nonresidential Structures	-8.3	-3.6	-0.9
3b.	Nonresidential Equipment	2.8	13.2	14.1
3c.	Intellectual Property Products	8.9	11.6	11.2
4.	Change in Business Inventories	5.3	-1.1	-0.4
	(Contribution to GDP Growth)			
5.	Residential Construction	2.2	0.4	0.4
6.	Total Government Purchases	-2.6	-2.7	-2.9
6a.	Federal Government Purchases	-4.3	-6.1	-6.8
6b.	State and Local Govt. Purchases	-1.6	-0.6	-0.5
7.	Net Exports	-0.2	-3.2	-3.2
	(Contribution to GDP Growth)			
7a.	Exports	22.4	-5.4	-4.8
7b.	Imports	17.9	18.3	18.9
	Additional Items			
8.	Final Sales	1.5	-0.4	-1.2
9.	Final Sales to Domestic Purchasers	1.7	2.7	2.0
10.	Gross Domestic Income	6.3	2.1	1.8
11.	Average of GDP & GDI	6.6	0.3	0.1
12.	GDP Chained Price Index	7.1	8.1	8.2
13.	Core PCE Price Index	5.0	5.1	5.2
14.	After-tax Corp. Profits (not annualized)	0.2	-4.3	-4.9

^{*} Percent change SAAR, except as noted

(p) = preliminary (2^{nd} estimate of GDP); (r) = revised (3^{rd} estimate of GDP) Source: Bureau of Economic Analysis via Haver Analytics

the smaller quarter-to-quarter change translated to a negative contribution to *growth*. The larger additions now seen in the first quarter have been accompanied by recent press reports of retailers experiencing unexpected build-ups of inventories, suggesting that additional negative contributions to growth are on the horizon.

Business fixed investment provided a mildly positive surprise, as growth now totaled 10.0 percent rather than 9.2 percent. Outlays for new structures accounted for most of the adjustment, as the contraction was much smaller than initially reported (-0.9 percent versus -3.6 percent). Outlays for new equipment were firmer than the already strong showing (14.1 percent versus 13.2 percent).

Exports and imports were both revised upward, with the shifts largely offsetting and leaving no adjustment to the contribution of net exports to GDP growth. International trade was a notable drag in Q1, with exports falling at an annual rate of 4.8 percent (versus a preliminary estimate of -5.4 percent), and imports surging 18.9 percent (versus 18.3 percent). The combined changes left a negative contribution to GDP growth of 3.23 percentage points.

The inflation figures were revised upward, with the increases in the price indexes for GDP, personal consumption expenditures, and core PCE all revised by 0.1 percentage point (to 8.2 percent, 7.1 percent, and 5.2 percent, respectively). The magnitude of the adjustments was minuscule, but any upward revisions are unwelcome in the current environment.

This report is issued by Daiwa Securities Group Inc. through its relevant group companies. Daiwa Securities Group Inc. is the global brand name of Daiwa Securities Co. Ltd., Tokyo ("Daiwa Securities") and its subsidiaries worldwide that are authorized to do business within their respective jurisdictions. These include: Daiwa Capital Markets Hong Kong Kong Ltd. (Hong Kong), regulated by the Hong Kong Securities and Futures Commission, Daiwa Capital Markets Europe Limited (London), regulated by the Financial Conduct Authority and a member of the London Stock Exchange, and Daiwa Capital Markets America Inc. (New York), a U.S. brokerdealer registered with the U.S. Securities and Exchange Commission, a futures commission merchant regulated by the U.S. Commodity Futures Trading Commission, and a primary dealer in U.S. government securities. The data contained in this report were taken from statistical services, reports in our possession, and from other sources believed to be reliable. The opinions and estimates expressed are our own, and we make no representation or guarantee either as to accuracy, completeness or as to the existence of other facts or interpretations that might be significant.