U.S. Data Review

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

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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).

GDP and Related Items*

		21-Q4	22-Q1(p)	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 (Contribution to GDP Growth)**	5.3	-1.1	-0.4
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 (Contribution to GDP Growth)**	-0.2	-3.2	-3.2
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 (2nd estimate of GDP); (r) = revised (3rd estimate of GDP)
Source: Bureau of Economic Analysis via Haver Analytics

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 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.