

U.S. Data Review

- Revised GDP: modest downward adjustment, led by softer consumer spending
- Price indexes: faster inflation than previously reported

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Revised Q4 GDP

- U.S. GDP advanced 2.7 percent (annual rate) in the fourth quarter, a bit slower than the first estimate (and consensus projection for the revision) of 2.9 percent. Most of the downside surprise occurred in consumer spending (growth of 1.4 percent versus 2.1 percent first reported). Other components registered smaller changes (some upside, some downside).
- Within consumer spending, growth in all key areas was revised lower: outlays for services rose 2.4 percent rather than 2.6 percent, outlays for nondurable goods were up 0.2 percent (versus an advance of 1.5 percent), and spending on durable goods declined 1.5 percent (versus a preliminary reading of a pickup of 0.5 percent).
- Net exports contributed less to growth than first reported, adding 0.5 percentage point to GDP growth rather than 0.6 percentage point. Although net exports contributed positively, trade flows were weak, as both imports and exports fell. In the revised tally, the general thrust of the data was similar to that in the prior report but exports slipped more than previously believed (-1.6 percent versus -1.3 percent) and imports declined at a slower rate (-4.2 percent versus -4.6 percent).

- On the positive side, business fixed investment was firmer than previously believed. Outlays for structures stood out, with growth now tallying 8.5 percent rather than 0.4 percent. Investment in intellectual property also was adjusted higher.
- Other components posted modest changes. Residential construction was a bit better, but still extremely soft. Government spending was a tad weaker, as outlays at the federal level were revised lower.
- Growth of final domestic purchases, which strips away the contributions of net exports and inventory investment to give a better sense of underlying demand, was unimpressive. Growth in Q4 totaled 0.7 percent, revised a tick lower from the first estimate. Recall that inventory investment contributed significantly to GDP in Q4 (1.5 percentage points), and this area can swing widely from quarter-to-quarter.
- Key inflation metrics published with the GDP data were adjusted higher in the fourth quarter, an unfavorable development. The GDP price index was revised to 3.9 percent from 3.5 percent; the headline and core price indexes for personal consumption expenditures were adjusted to 3.7 percent and 4.3 percent from 3.2 percent and 3.9 percent, respectively. Faster price increases for new and used vehicles and hospital expenses were cited as key drivers of the revision to the PCE indexes.

GDP and Related Items*

	22-Q3	22-Q4(a)	22-Q4(p)
1. Gross Domestic Product	3.2	2.9	2.7
2. Personal Consumption Expenditures	2.3	2.1	1.4
3. Nonresidential Fixed Investment	6.2	0.7	3.3
3a. Nonresidential Structures	-3.6	0.4	8.5
3b. Nonresidential Equipment	10.6	-3.7	-3.2
3c. Intellectual Property Products	6.8	5.3	7.4
4. Change in Business Inventories (Contribution to GDP Growth)	-1.2	1.5	1.5
5. Residential Construction	-27.1	-26.7	-25.9
6. Total Government Purchases	3.7	3.7	3.6
6a. Federal Government Purchases	3.7	6.2	5.9
6b. State and Local Govt. Purchases	3.7	2.3	2.3
7. Net Exports (Contribution to GDP Growth)	2.9	0.6	0.5
7a. Exports	14.6	-1.3	-1.6
7b. Imports	-7.3	-4.6	-4.2
Additional Items			
8. Final Sales	4.5	1.4	1.2
9. Final Sales to Domestic Purchasers	1.5	0.8	0.7
10. Gross Domestic Income	0.8	--	--
11. Average of GDP & GDI	2.0	--	--
12. GDP Chained Price Index	4.4	3.5	3.9
13. Core PCE Price Index	4.7	3.9	4.3

* Percent change SAAR, except as noted

(a) = advance (1st estimate of GDP); (p) = preliminary (2nd estimate of GDP)

Source: Bureau of Economic Analysis via Haver Analytics