

U.S. Data Review

- Revised Q1 GDP: headline nudged higher; internals somewhat softer

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Revised Q1 GDP

- The second estimate of Q1 GDP was a bit improved from the advance reading (-0.2 percent, annual rate, versus -0.3 percent previously), although the internals of the report were softer than first reported – a disappointing development. Notably, the latest iteration of Q1 GDP revealed slower growth of private domestic final domestic demand (GDP less net exports, inventory investment, and government spending) than previously reported (+2.5 percent, annual rate, 0.5 percentage point less than first reported and down from 2.9 percent growth in 24-Q4), which could indicate ongoing weakening in the U.S. economy – at least in part caused by disruptive policies of the Trump administration and the uncertainty that they have generated for consumers and businesses.

GDP and Related Items*

	24-Q4	25-Q1(a)	25-Q1(p)
1. Gross Domestic Product	2.4	-0.3	-0.2
2. Personal Consumption Expenditures	4.0	1.8	1.2
3. Nonresidential Fixed Investment	-3.0	9.8	10.3
3a. Nonresidential Structures	2.9	0.4	-1.4
3b. Nonresidential Equipment	-8.7	22.5	24.8
3c. Intellectual Property Products	-0.5	4.1	4.6
4. Change in Business Inventories (Contribution to GDP Growth)	-0.8	2.3	2.6
5. Residential Construction	5.5	1.3	-0.6
6. Total Government Purchases	3.1	-1.4	-0.7
6a. Federal Government Purchases	4.0	-5.1	-4.6
6b. State and Local Govt. Purchases	2.5	0.8	1.7
7. Net Exports (Contribution to GDP Growth)	0.3	-4.8	-4.9
7a. Exports	-0.2	1.8	2.4
7b. Imports	-1.9	41.3	42.6
Additional Items			
8. Final Sales	3.3	-2.5	-2.9
9. Final Sales to Domestic Purchasers	3.0	2.3	2.0
10. Gross Domestic Income	4.5	--	-0.2
11. Average of GDP & GDI	3.5	--	-0.2
12. GDP Chained Price Index	2.3	3.7	3.7
13. Core PCE Price Index	2.6	3.5	3.4

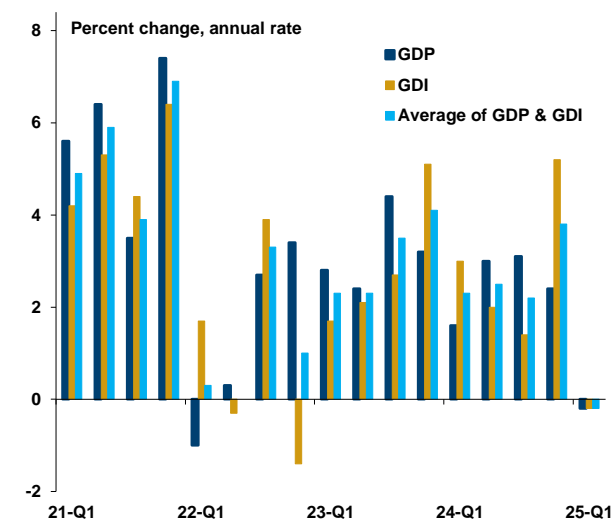
* Percent change SAAR, except as noted. (a) = advance (1st estimate of GDP), (p) = preliminary (2nd estimate of GDP)

Source: Bureau of Economic Analysis via Haver Analytics

- Consumer spending, which was a key driver of growth in recent years (+2.8 percent in 2024), was a key factor in lighter growth in private domestic final demand. On the point, real household spending increased 1.2 percent, annual rate, versus 1.8 percent first reported (a contribution of 0.80 percentage point to growth versus 1.21 percentage points). Estimates of outlays for both durable and nondurable goods were nudged lower (-3.8 percent and +2.2 percent, respectively, versus advance readings of -3.4 percent and +2.7 percent). Spending on services also came in lighter (+1.7 percent versus +2.4 percent).
- With regard to outright constraints on activity, the latest report reaffirmed that volatile trade flows weighed heavily on GDP in Q1 (subtracting 4.90 percentage points versus -4.83 percentage points previously). Exports grew at an annualized rate of 2.4 percent (versus +1.8 percent first reported), which was far exceed by the surge of 42.6 percent in imports (versus +41.3 percent previously). With that said, a portion of the imports were allocated to inventories, with firms attempting to front-run tariffs. Indeed, inventory investment, which was first estimated to have contributed 2.25 percentage points to growth, was revised to a contribution of 2.64 percentage points – a partial offset to the drag from trade.

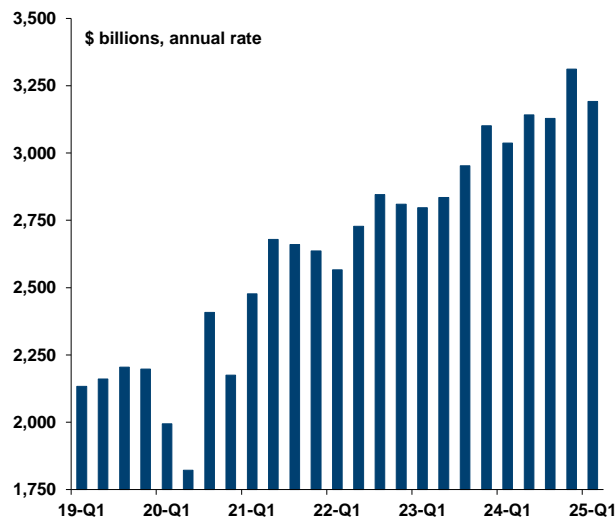
- Adjustments to other areas were relatively modest (table, prior page). Growth of business fixed investment was revised 0.5 percentage points higher to 10.3 percent (contribution of 1.36 percentage points versus 1.29 percentage points previously), with upward adjustments to equipment spending and intellectual property investment offsetting a downward revision to spending on new structures. Government spending was also nudged higher, although still a drag on activity (-0.7 percent versus -1.4 percent previously; 0.12 percentage point subtracted from growth versus -0.25 percentage point), with both federal and state and local outlays a bit better than previously reported. Finally, residential construction contracted slightly versus previously reported modest growth (-0.6 percent versus +1.3 percent; -0.02 percentage points to growth versus +0.05 percentage points).
- An alternate measure to economic activity, Gross Domestic Income (GDI), was released today with the second estimate of GDP. This metric, which measures income earned in the economy (e.g., wages, profits, etc.), contracted 0.2 percent, annual rate, in the first quarter – matching that of GDP. This measure, which can often deviate significantly from GDP results given differences in sampling, was aligned with the output measure in the latest quarter. Resultantly, the average of the two, a measure used by the Bureau of Economic Analysis to provide an even more complete view of the economy, also came in at -0.2 percent (chart, below left).
- Price indexes released with today's report were mostly unchanged from the first tally. While Q1 estimates for the GDP and headline PCE price indexes were unchanged at 3.7 percent and 3.6 percent, respectively, the core PCE price index was revised 0.1 percentage point lower to 3.4 percent.
- A view on broad corporate profits in Q1 was somewhat disappointing, as pre-tax earnings slid 11.3 percent (not annualized) and post-tax profits declined 3.6 percent (chart, below right). That said, the soft performance followed strong results earlier in the expansion and could represent an air pocket rather than meaningful deterioration in earnings.

GDP & GDI



Source: Bureau of Economic Analysis via Haver Analytics

After-Tax Corporate Profits



Source: Bureau of Economic Analysis via Haver Analytics