

# U.S. Data Review

- Q1 GDP: firmer net exports and business investment; softer consumer spending
- Consumer confidence: rebound in June

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## Q1 GDP (&GDI)

The economy was slightly firmer than previously believed in the first quarter, as the growth of GDP was revised to 1.1 percent from the previous estimate of 0.8 percent. The picture of the economy in early 2016 was better if measured by gross domestic income, which is now estimated to have increased at an annual rate of 2.9 percent versus an initial estimate of 2.2 percent. While GDI does not receive as much attention as GDP does, many observers believe that it to be the more reliable measure of the two.

The upward revision to GDP was concentrated in net exports and business fixed investment. Both exports and imports contributed to the improvement in the trade picture, as exports were adjusted upward, now advancing slightly rather than declining, and imports were revised lower. The new estimate shows net exports adding 0.1 percentage point from GDP growth rather than a subtraction of 0.2 percentage point. Business fixed investment declined in the first quarter, but the new estimate shows a smaller contraction (-4.5 percent versus -6.2 percent). Most of the adjustment occurred in the intellectual property component (up 4.4 percent versus a dip of 0.1 percent), but outlays for structures and equipment also were a bit firmer (i.e. less negative). The new report brought additional favorable news on the business sector with an upward revision to corporate profits (growth of 2.2 percent rather than 0.6 percent, not annualized). However, the adjustment did little to counter the slippage that occurred last year, leaving earnings down on a year-over-year basis.

Consumer spending, in a surprise, was revised lower, now showing growth of 1.5 percent rather than 1.9 percent. This showing is not especially impressive, but individuals seem to be more active in the current quarter, as available data point to growth in the upper three percent area. Residential construction also was revised lower, reflecting slower growth (but still brisk) in multi-family construction that offset an upward adjustment to single-family building.

The GDP price index was revised lower, now showing an increase of 0.4 percent rather than 0.6 percent. The modest advance reflected the influence of lower energy prices, which also restrained the increase in the price index for personal consumption expenditures (up 0.2 percent versus the previous estimate of 0.3 percent). The core PCE price index rose 2.0 percent, revised down from 2.1 percent.

### GDP & Related Items\*

	15-Q4	16-Q1(p)	16-Q1(r)
1. <b>Gross Domestic Product</b>	1.4	0.8	1.1
2. <b>Personal Consumption Expenditures</b>	2.4	1.9	1.5
3. <b>Nonresidential Fixed Investment</b>	-2.1	-6.2	-4.5
3a. <b>Nonresidential Structures</b>	-5.1	-8.9	-7.9
3b. <b>Nonresidential Equipment</b>	-2.1	-9.0	-8.7
3c. <b>Intellectual Property Products</b>	-0.2	-0.1	4.4
4. <b>Change in Business Inventories</b>	-0.2	-0.2	-0.2
<b>(Contribution to GDP Growth)</b>			
5. <b>Residential Construction</b>	10.1	17.1	15.6
6. <b>Total Government Purchases</b>	0.1	1.2	1.3
6a. <b>Federal Government Purchases</b>	2.3	-1.6	-1.6
6b. <b>State and Local Govt. Purchases</b>	-1.2	2.9	3.2
7. <b>Net Exports</b>	-0.1	-0.2	0.1
<b>(Contribution to GDP Growth)</b>			
7a. <b>Exports</b>	-2.0	-2.0	0.3
7b. <b>Imports</b>	-0.7	-0.2	-0.5
<b>Additional Items</b>			
8. <b>Final Sales</b>	1.6	1.0	1.3
9. <b>Final Sales to Domestic Purchasers</b>	1.7	1.2	1.2
10. <b>Gross Domestic Income</b>	0.9	2.2	2.9
11. <b>Average of GDP &amp; GDI</b>	1.1	1.5	2.0
12. <b>GDP Chained Price Index</b>	0.9	0.6	0.4
13. <b>Core PCE Price Index</b>	1.3	2.1	2.0
14. <b>After-tax Corp. Profits (not annualized)</b>	-8.4	0.6	2.2

\* Percent change SAAR, except as noted

Source: Bureau of Economic Analysis

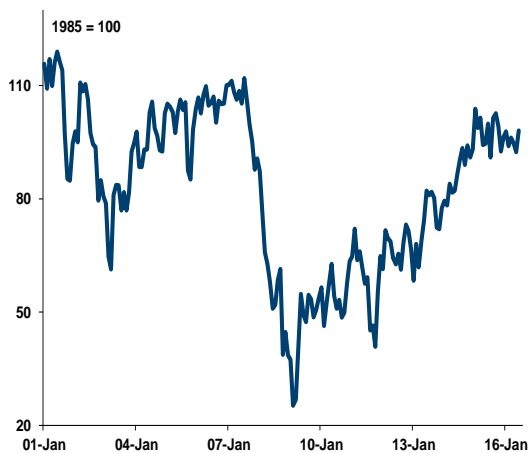
## Consumer Confidence

The Conference Board's index of consumer confidence jumped 5.6 points in June (or 6.1 percent), easily beating the expected increase of approximately one point. The new level of the index (98.0) represented the best of the year thus far; it remained below several of the readings from last year, although it matched the average for all of 2015 (chart, left).

Both the current conditions and expectations components contributed to the increase, with the expectations index making the larger contribution (up 7.6 percent versus 4.5 percent for the current conditions index). The expectations measure has been drifting irregularly lower since early 2015, and the trend is still downward after the latest gain, although the slippage is now a bit less pronounced. The current conditions component has been moving sideways in the past year or so. The latest increase moved the measure to the upper end of the recent range, but it did move to a new high for the current cycle.

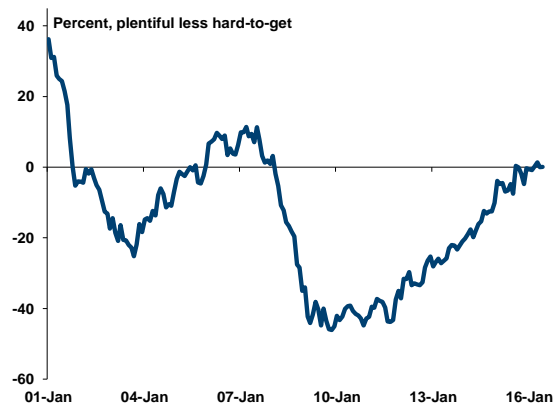
Views on the labor market showed little net change. The share of respondents indicating that jobs were hard to get eased (23.3 percent versus 24.5 percent in May), but so too did the share indicating that jobs were plentiful (23.4 percent versus 24.5 percent). The net reading (plentiful less hard to get) showed a small increase, but not by enough to suggest a notable change in perceptions (chart, right)

### Consumer Confidence



Source: The Conference Board

### Labor Market Assessment\*



\* The share of respondents indicating that jobs are plentiful less the share indicating that jobs are hard to get.

Source: The Conference Board