

U.S. Data Review

- Q1 GDP: modest revision; still firm growth
- International trade in goods: notable declines in exports & imports; net little changed

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Revised Q1 GDP

New data show that the U.S. economy grew 3.1 percent in the first quarter, little different than the initial estimate of 3.2 percent and close to the expected reading of 3.0 percent.

The business sector could be viewed as the source for much of the downward revision, as both inventory investment and fixed investment were adjusted downward. The revision to inventory investment was smaller than we had expected (contributing 0.6 percentage point to GDP growth versus our estimate of 0.4 percentage point and the initial read of 0.65 percentage point). We were looking for little change in business fixed investment, as an upward revision to investment in structures was likely to offset a downward adjustment to equipment spending. These items moved as we expected, but a downward revision to investment in intellectual property tilted overall investment downward (growth of 2.3 percent rather than 2.7 percent). Both exports and imports were revised upward, leaving little change in the contribution to GDP growth. The growth of consumer spending was one tick firmer than previously believed, better than the downward nudge we were expecting.

Today's report brought the first estimate of corporate profits for the first quarter, with results tilting on the disappointing side. After tax earnings fell 3.5 percent (not annualized) after showing little change in the prior quarter. Results in earlier quarters were quite strong, and thus profits remain elevated relative to historical standards, but recent results suggest a loss of momentum (chart).

GDP and Related Items*

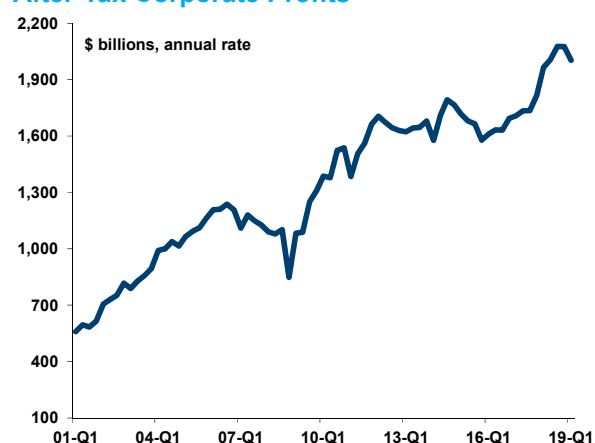
	18-Q4	19-Q1(a)	19-Q1(p)
1. Gross Domestic Product	2.2	3.2	3.1
2. Personal Consumption Expenditures	2.5	1.2	1.3
3. Nonresidential Fixed Investment	5.4	2.7	2.3
3a. Nonresidential Structures	-3.9	-0.8	1.7
3b. Nonresidential Equipment	6.6	0.2	-1.0
3c. Intellectual Property Products	10.7	8.6	7.2
4. Change in Business Inventories (Contribution to GDP Growth)	0.1	0.7	0.6
5. Residential Construction	-4.7	-2.8	-3.5
6. Total Government Purchases	-0.4	2.4	2.5
6a. Federal Government Purchases	1.1	0.0	-0.1
6b. State and Local Govt. Purchases	-1.3	3.9	4.0
7. Net Exports (Contribution to GDP Growth)	-0.1	1.0	1.0
7a. Exports	1.8	3.7	4.8
7b. Imports	2.0	-3.7	-2.5
Additional Items			
8. Final Sales	2.1	2.5	2.5
9. Final Sales to Domestic Purchasers	2.1	1.4	1.5
10. Gross Domestic Income	1.7	—	1.4
11. Average of GDP & GDI	1.9	—	2.2
12. GDP Chained Price Index	1.7	0.9	0.8
13. Core PCE Price Index	1.8	1.3	1.0
14. After-tax Corp. Profits (not annualized)	0.0	—	-3.5

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

* Percent change SAAR, except as noted

Source: Bureau of Economic Analysis via Haver Analytics

After-Tax Corporate Profits*



Source: Bureau of Economic Analysis via Haver Analytics

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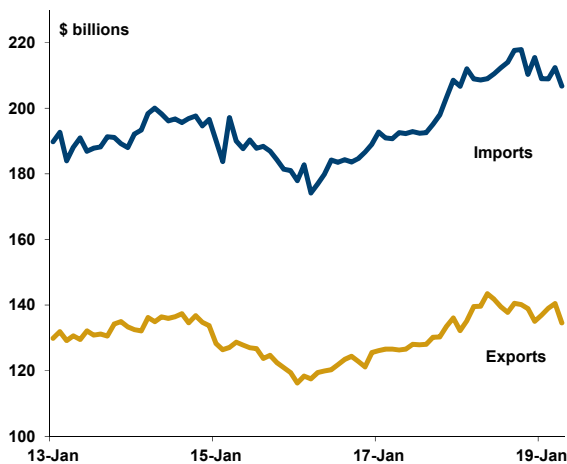
International Trade in Goods

Both exports and imports fell noticeably in April, slipping 4.2 percent and 2.7 percent, respectively. The changes left a deficit of \$72.1 billion, slightly wider than the shortfall of \$71.9 billion in March and the average of \$71.3 billion in the first quarter. The slippage from the average in the first quarter suggests a negative contribution to GDP growth from net exports in Q2, although the figures suggest a modest drag. Also, conclusions should be guarded, because these figures are not price adjusted and they do not include trade in services.

The slippage in trade during April was broadly based across categories, as all six major areas on the import side fell (led by a drop of 5.4 percent in the miscellaneous area, but reinforced by declines of more than three percent in both capital goods and autos and a drop of 2.3 percent in consumer goods). On the export side, shipments of food rose modestly, but the other five major categories fell.

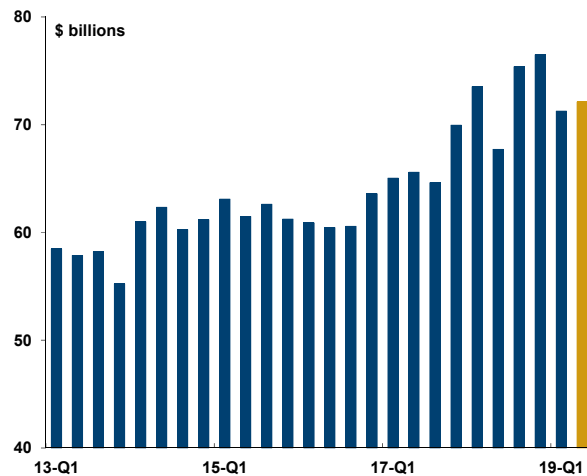
Trade flows with China merit close attention, but such figures will not be available until the publication of the full trade report (goods and services) next week.

Nominal Imports & Exports of Goods



Source: U.S. Census Bureau via Haver Analytics

Nominal Goods Trade Deficit*



* Quarterly averages of monthly data. The reading for 2019-Q2 (gold bar) is the deficit for April.

Source: U.S. Census Bureau via Haver Analytics