Daiwa Capital Markets

U.S. Data Review

- Revised GDP: downward adjustments to consumer spending and net exports

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Revised GDP

The final reading for GDP growth in Q4 was nudged lower from the preliminary estimate of 7.0 percent. While overall growth shifted only modestly, various components were adjusted, with the scale tipping to the softer side.

The downward revision to consumer spending stood out, with growth adjusted 0.6 percentage point lower to 2.5 percent. Net exports also were revised lower (a drag of 0.23 percentage point of growth versus 0.07 percentage point reported in the preliminary tally). Growth of exports was slower than previously believed, and import grew at a slightly faster clip. Growth of business fixed investment eased as well, although it remained in positive territory. A downward adjustment to investment in intellectual property more than offset slight improvements in outlays for equipment and structures.

On the firmer side, inventory investment was even more robust than previously reported (a contribution of 5.3 percentage points to growth versus 4.9 percent). Residential construction also was firmer, led by a brisk pace of brokerage commissions and spending on improvements. New home construction was less negative than previously reported.

Data on corporate profits for the fourth quarter were released with this report. After-tax profits grew only modestly (0.2 percent, not annualized), but profits had surged in the prior two quarters as the economy emerged from recession, and some cooling in growth is not surprising. While total profits grew only slightly, profit margins of nonfinancial corporate businesses remained wide (18.2 percent), signaling the ability of firms to pass along increased costs to consumers.

Today's report supports the view that growth in Q1 will be slow. We currently expect GDP to increase at a rate of approximately one-half of one percent, and some analysts are expecting a negative print. Inventory investment is likely to represent a notable drag. Some of the expected softness will be payback for brisk results in Q4, and a portion will reflect supply-chain issues related to Omicron and the Russia-Ukraine conflict. Moreover, data in-hand suggest a substantial drag from net exports, subtracting something in the neighborhood of two percentage points from growth.

GDP and Related Items*

		21-Q2	21-Q3	21-Q4 (p)	21-Q4 (r)
1.	**Gross Domestic Product**	6.7	2.3	7.0	6.9
2.	**Personal Consumption Expenditures**	12.0	2.0	3.1	2.5
3.	**Nonresidential Fixed Investment**	9.2	1.7	3.1	2.9
3a.	**Nonresidential Structures**	-3.0	-4.1	-9.4	-8.3
3b.	**Nonresidential Equipment**	12.1	-2.3	2.4	2.8
3c.	**Intellectual Property Products**	12.5	9.1	10.6	8.9
4.	**Change in Business Inventories (Contribution to GDP Growth)**	-1.3	2.2	4.9	5.3
5.	**Residential Construction**	-11.7	-7.7	1.0	2.2
6.	**Total Government Purchases**	-2.0	0.9	-2.6	-2.6
6a.	**Federal Government Purchases**	-5.3	-5.1	-4.5	-4.3
6b.	**State and Local Govt. Purchases**	0.2	4.9	-1.4	-1.6
7.	**Net Exports (Contribution to GDP Growth)**	-0.2	-1.3	-0.1	-0.2
7a.	**Exports**	7.6	-5.3	23.6	22.4
7b.	**Imports**	7.1	4.7	17.6	17.9
	Additional Items				
8.	**Final Sales**	8.1	0.1	2.0	1.5
9.	**Final Sales to Domestic Purchasers**	8.0	1.3	2.0	1.7
10.	**Gross Domestic Income**	4.3	6.4	--	5.1
11.	**Average of GDP & GDI**	5.5	4.3	--	6.0
12.	**GDP Chained Price Index**	6.1	6.0	7.1	7.1
13.	**Core PCE Price Index**	6.1	4.6	1.3	5.0
14.	**After-tax Corp. Profits (not annualized)**	10.5	3.4	--	0.2

** 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