

Datanote: US GDP Second Estimate/ Advance Goods Trade

In one line: GDP details better than the headline, but growth is slowing

- The second estimate of Q1 GDP growth was revised down to 1.3% from 1.6%, in line with the consensus.
- The goods trade deficit surged to \$99.4B in April, from an upwardly revised \$92.3B, well above the consensus, \$92.4B.

A sharp downward revision to quarterly consumption growth in Q1, to 2.0% from 2.5%, accounts for almost all of the shift lower in the second estimate of overall GDP growth. The consumption downgrade was, in turn, nearly all due to weaker spending on goods, as flagged by the revisions included in the April retail sales report. The revisions to the other major components of GDP essentially offset each other, as the bigger drag from net trade and inventories roughly matched upward revisions to private

fixed investment and, to a lesser extent, government spending.

The 1.3% headline looks weak, but big drags from the volatile trade and inventories components account for much of the Q1 downshift. The BEA now estimates that final sales to private domestic purchasers, a cleaner read of the economy's underlying momentum, grew by 2.8%, down from 3.1% in the initial estimate and softer than the 3.2% average in the second half of last year but still solid. Looking

forward, though, we see growth losing much more momentum over the next couple of quarters, as the recent tailwinds to consumers' spending fade while high interest rates start to weigh more heavily.

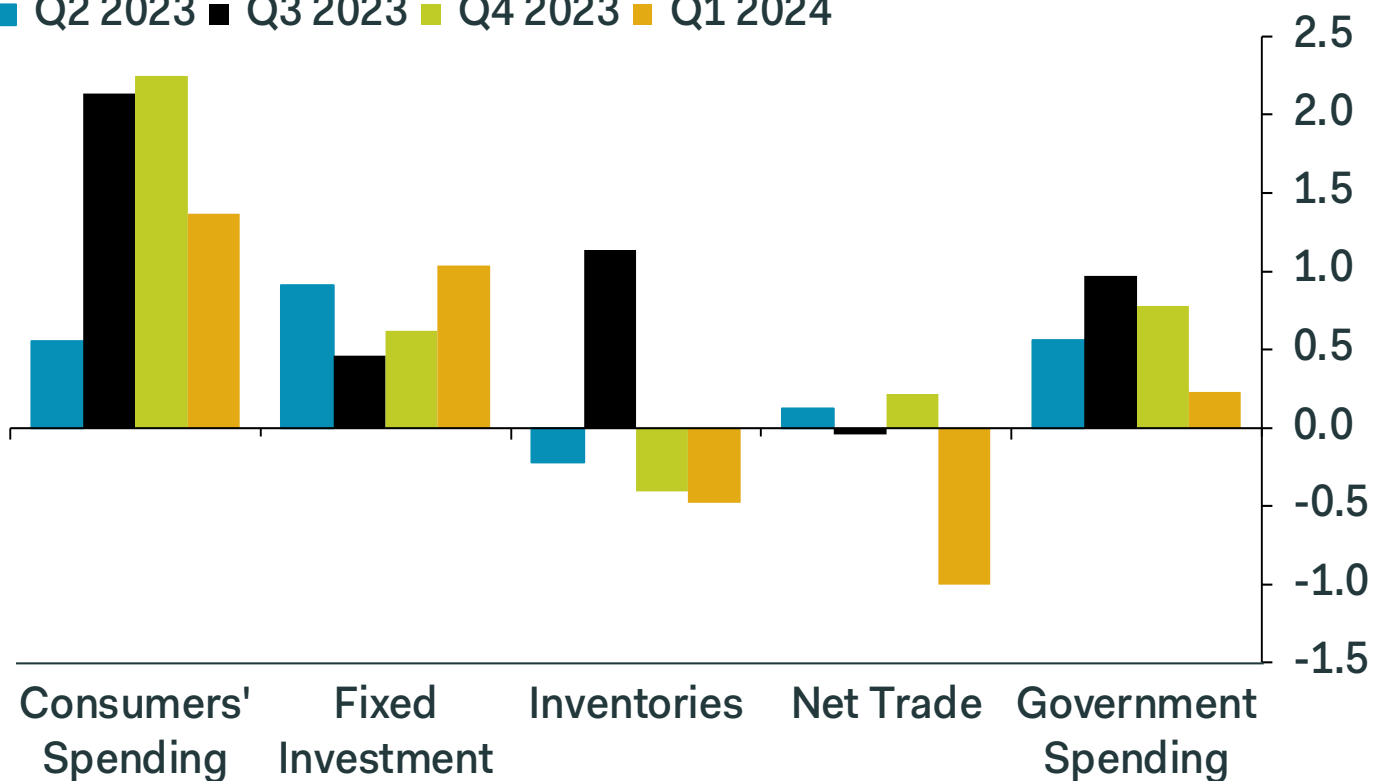
Elsewhere, roughly half of the surge in the advance goods trade deficit to its highest level in almost two years reflects a big swing in the volatile food and industrial supplies components, which includes trade in oil. Food and industrial supplies exports slumped

while imports recovered following a dip in March. But the underlying trade balance also deteriorated, as a modest increase in exports was more than offset by a surge in imports of autos and capital goods. Some of this jump in the deficit will likely unwind in May, but even if the deficit dropped back to its March level for the rest of Q2, the average deficit this quarter will still widen substantially, enough to exert another big drag on overall GDP growth, all else equal. That said, the trade data are so erratic and this

is only one month's numbers; a lot can still change.

Contributions to q/q% growth in GDP, percentage points

■ Q2 2023 ■ Q3 2023 ■ Q4 2023 ■ Q1 2024



Contributions to q/q% growth in GDP, percentage points

