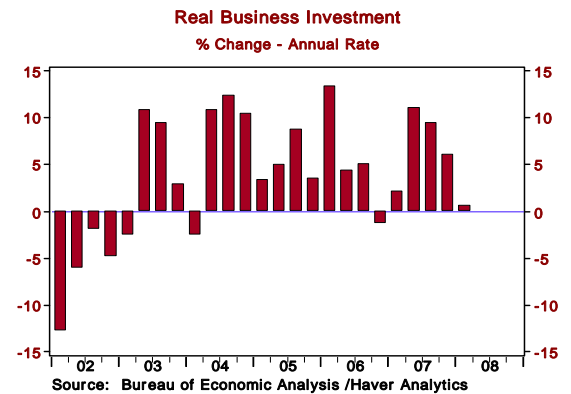
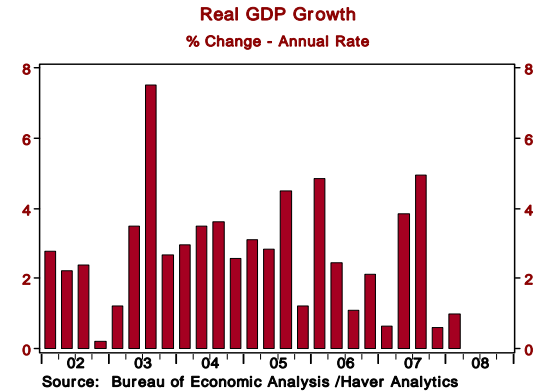


1ST QUARTER GDP (FINAL)

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- Real GDP was revised up to a 1.0% annual growth rate in Q1 versus a previously estimated 0.9%. The upward revision met consensus expectations. Real GDP is up 2.5% versus a year ago.
- The largest upward revisions were for consumption, which added 0.8 points to real GDP growth rather than the prior estimate of 0.7, and business investment, which added 0.1 point to real GDP growth versus a prior estimate of zero. The largest downward revision was to inventories, which were flat in Q1 versus a previous estimate that they added 0.2 points to the real GDP growth rate.
- The largest drag on real GDP continues to be home building, which subtracted 1.1 points from the growth rate. Excluding housing, real GDP grew at a 2.1% rate in Q1 and is up 3.6% versus last year.
- The GDP price index was revised up to a 2.7% annual rate in Q1 versus a previous estimate of 2.6%. Nominal GDP growth – real GDP plus inflation – was revised up to a 3.7% growth rate in Q1 versus a prior estimate of 3.5%.

Implications: Real GDP growth in the first quarter was revised up slightly to 1% from the 0.9% previously estimated. However, the mix of growth was favorable for growth in Q2. By themselves, consumption and business investment generated an upward revision of 0.2 points in the real GDP growth rate, while home building and government added another 0.1 point. The reason overall real GDP growth did not go up as much as these categories suggested is that inventories were revised down, leaving more room for businesses to produce in Q2. The GDP report also included upward revisions to inflation. GDP prices increased at a 2.7% annual rate in Q1 versus a previous estimate of 2.6%; “core” consumption (PCE) prices rose at a 2.3% rate in Q1 versus a prior estimate of 2.1%. Today’s report includes revised data on corporate profits for Q1 and shows some downward revisions versus last month’s estimates. In other news today, initial claims for unemployment insurance were unchanged at 384,000 last week. Continuing claims for jobless benefits increased 82,000 to 3.139 million, a rebound from last week’s drop of 79,000.



| 4th Quarter GDP <i>Seasonally Adjusted Annual Rates</i> | Q1-08 | Q4-07 | Q3-07 | Q2-07 | 4-Quarter Change |
|---|--------------|--------------|--------------|--------------|-------------------------|
| Real GDP | 1.0% | 0.6% | 4.9% | 3.8% | 2.5% |
| GDP Price Index | 2.7% | 2.4% | 1.0% | 2.6% | 2.2% |
| Nominal GDP | 3.7% | 3.0% | 6.0% | 6.6% | 4.8% |
| PCE | 1.1% | 2.3% | 2.8% | 1.4% | 1.9% |
| Business Investment | 0.5% | 6.0% | 9.4% | 11.0% | 6.7% |
| Structures | 1.3% | 12.4% | 16.4% | 26.2% | 13.7% |
| Equipment and Software | 0.2% | 3.1% | 6.2% | 4.7% | 3.5% |
| Contributions to GDP Growth (p.pts.) | Q1-08 | Q4-07 | Q3-07 | Q2-07 | 4Q Avg. |
| PCE | 0.8 | 1.6 | 2.0 | 1.0 | 1.4 |
| Business Investment | 0.1 | 0.6 | 1.0 | 1.1 | 0.7 |
| Residential Investment | -1.1 | -1.3 | -1.1 | -0.6 | -1.0 |
| Inventories | 0.0 | -1.8 | 0.9 | 0.2 | -0.2 |
| Government | 0.4 | 0.4 | 0.7 | 0.8 | 0.6 |
| Net Exports | 0.8 | 1.0 | 1.4 | 1.3 | 1.1 |

Source: Commerce Department

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