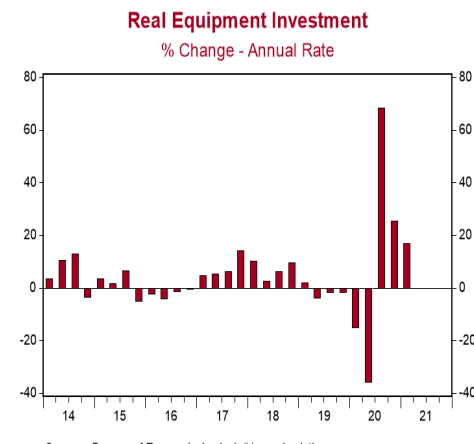
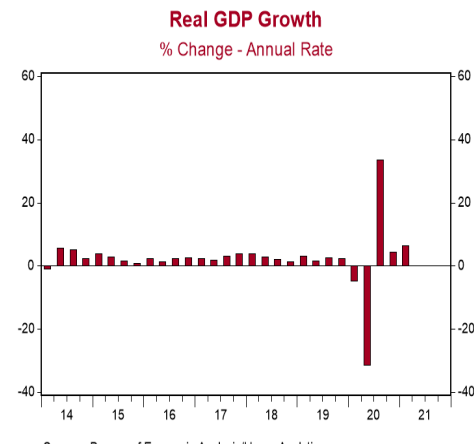


1st Quarter GDP (Initial)

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- Real GDP grew at a 6.4% annual rate in Q1, very close to the consensus expected 6.7%.
- The largest positive contributions to the real GDP growth rate in Q1 were personal consumption, business fixed investment, and government purchases. The weakest component, by far, was inventories.
- Personal consumption, business investment, and home building, combined, grew at a 10.6% annual rate in Q1 and are up 2.2% from a year ago.
- The GDP price index increased at a 4.1% annual rate in Q1 and is up 1.9% from a year ago. Nominal GDP (real GDP plus inflation) rose at a 10.7% annual rate in Q1 and is up 2.3% from a year ago.

Implications: Due to the rollout of vaccines, fewer restrictions on business activity, and massive government stimulus, real GDP surged in the first quarter. Get ready for even faster growth in the second quarter. Real GDP rose at a 6.4% annual rate in Q1, close to consensus expectations, with consumer spending accounting for the leading share of that growth. Consumer spending on durable goods rose at a 41.4% annual rate, with purchases of motor vehicles and parts up at a 51.5% rate, in spite of supply-chain issues like a lack of semiconductors holding back supply. Meanwhile, businesses ramped up investment in equipment, which rose at a 16.7% annual rate and which should help spur future growth in productivity. Home building was another strong sector, with residential construction up at a 10.8% annual rate. The largest drags on real GDP growth in Q1 were inventories and net exports. Inventories fell as businesses with supply-chain issues met increased demand by lightening up on goods on their shelves and showrooms. In turn, this leaves more room for future growth as companies strive to replenish inventories in the year ahead. Net exports mostly fell because of a surge in imports as the US economy recovers more quickly than many of our advanced-economy trading partners. In other news this morning, new claims for unemployment insurance fell 13,000 last week to 553,000, while continuing claims rose 9,000. The steep drop in initial claims in the past few weeks suggests a very strong report on April payrolls (arriving next Friday, May 7). On the manufacturing front, the Richmond Fed index, which measures mid-Atlantic manufacturing sentiment, remained at a very-elevated +17 in April, consistent with our estimate that the national ISM Manufacturing index rises again for the month. On the housing front, prices continue to escalate. The national Case-Shiller index rose 1.1% in February and is up 12.0% from a year ago, a major acceleration from the 4.3% gain in the twelve months ending February 2020. Price gains were led by the Phoenix and San Diego metro areas, while Chicago and Las Vegas had the slowest price gains, the former because of bad public policy, the latter because it's heavily dependent on the travel and tourism industries hit so hard by COVID-19. The FHFA index, which measures prices for homes financed with conforming mortgages, rose 0.9% in February and is up 12.3% in the past year, the largest twelve-month increase on record (dating back to 1991). In other housing news this morning, pending home sales, which are contracts on existing homes, rose 1.9% in March after an 11.5% drop in February. Combined, this suggests a modest drop in existing home closings in April, although closings will remain at a relatively high level.



1st Quarter GDP Seasonally Adjusted Annual Rates	Q1-21	Q4-20	Q3-20	Q2-20	4-Quarter Change
Real GDP	6.4%	4.3%	33.4%	-31.4%	0.4%
GDP Price Index	4.1%	2.0%	3.5%	-1.8%	1.9%
Nominal GDP	10.7%	6.3%	38.4%	-32.8%	2.3%
PCE	10.7%	2.3%	41.0%	-33.2%	1.6%
Business Investment	9.9%	13.1%	22.9%	-27.2%	2.7%
Structures	-4.8%	-6.2%	-17.4%	-33.6%	-16.4%
Equipment	16.7%	25.4%	68.2%	-35.9%	12.1%
Intellectual Property	10.1%	10.5%	8.4%	-11.4%	3.9%
Contributions to GDP Growth (p.pts.)	Q1-21	Q4-20	Q3-20	Q2-20	4Q Avg.
PCE	7.0	1.6	25.4	-24.0	2.5
Business Investment	1.3	1.7	3.2	-3.7	0.6
Residential Investment	0.5	1.4	2.2	-1.6	0.6
Inventories	-2.6	1.4	6.6	-3.5	0.5
Government	1.1	-0.1	-0.8	0.8	0.3
Net Exports	-0.9	-1.5	-3.2	0.6	-1.2

Source: Bureau of Economic Analysis