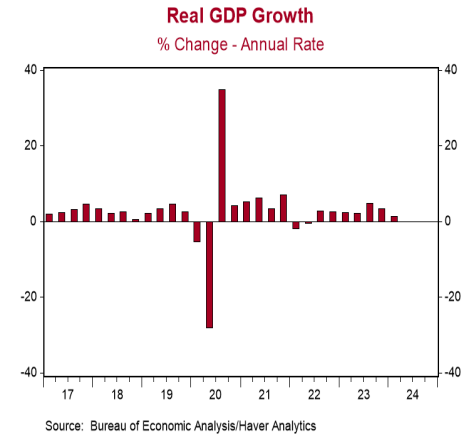


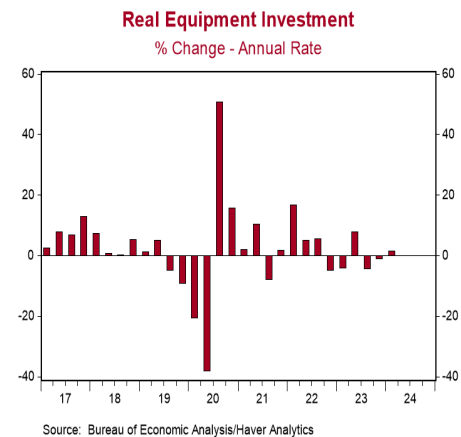
1st Quarter GDP (Final)

Strider Elass – Senior Economist
 Brian S. Wesbury – Chief Economist
 Robert Stein, CFA – Dep. Chief Economist

- Real GDP growth in Q1 was revised higher to a consensus expected 1.4% annual rate from a prior estimate of 1.3%.
- Upward revisions to business investment, net exports, inventories, home building, and government purchases more than offset a downward revision to consumer spending.
- The largest positive contributions to the real GDP growth rate in Q1 were consumer spending, business investment, and home building. The weakest component was net exports.
- The GDP price index was revised slightly higher to a 3.1% annual growth rate. Nominal GDP growth – real GDP plus inflation – was revised higher to a 4.5% annualized rate from a prior estimate of 4.3%.



Implications: The final reading for real GDP growth in the first quarter ended up coming in as expected, revised slightly higher to a 1.4% annual rate from a prior estimate of 1.3%. The upward revision to the overall number was mainly due to net exports (imports were revised lower), business investment (equipment and software along with structures) and government purchases. These more than offset a downward revision to consumption, mainly in services. Today we also received our second look at economy-wide corporate profits for Q1, which were revised lower, now down 1.4% from Q4 versus the 0.6% decline reported last month, but still up 6.4% from a year ago. The government includes Federal Reserve profits in this data, and the Fed is making losses. So, we follow profits excluding those earned (or lost) by the Fed, which are up 6.3% from a year ago. However, profits excluding the Fed declined 1.2% in Q1, the largest drop for any quarter since Q3 2021 with domestic non-financial companies' profits falling the most. Plugging in non-Fed profits into our Capitalized Profits Model suggests stocks remain overvalued. In addition to corporate profits, we also got a second look at the Q1 total for Real Gross Domestic Income, an alternative to GDP that is just as accurate. Real GDI was revised lower to a 1.3% annual rate in Q1 and is up 1.8% versus a year ago. Regarding monetary policy, inflation remains stubbornly high. GDP inflation was revised slightly higher to a still elevated 3.1% annual rate in Q1 versus a prior estimate of 3.0%. GDP prices are up 2.4% from a year ago. Meanwhile, nominal GDP (real GDP growth plus inflation) rose at a 4.5% annual rate in Q1 and is up 5.4% from a year ago.



1st Quarter GDP <i>Seasonally Adjusted Annual Rates</i>	Q1-24	Q4-23	Q3-23	Q2-23	4-Quarter Change
Real GDP	1.4%	3.4%	4.9%	2.1%	2.9%
GDP Price Index	3.1%	1.6%	3.3%	1.7%	2.4%
Nominal GDP	4.5%	5.1%	8.3%	3.8%	5.4%
PCE	1.5%	3.3%	3.1%	0.8%	2.2%
Business Investment	4.4%	3.8%	1.5%	7.4%	4.2%
Structures	3.4%	10.9%	11.2%	16.1%	10.3%
Equipment	1.6%	-1.1%	-4.4%	7.7%	0.9%
Intellectual Property	7.7%	4.3%	1.8%	2.7%	4.1%
Contributions to GDP Growth (p.pts.)	Q1-24	Q4-23	Q3-23	Q2-23	4Q Avg.
PCE	1.0	2.2	2.1	0.6	1.5
Business Investment	0.6	0.5	0.2	1.0	0.6
Residential Investment	0.6	0.1	0.3	-0.1	0.2
Inventories	-0.4	-0.5	1.3	0.0	0.1
Government	0.3	0.8	1.0	0.6	0.7
Net Exports	-0.7	0.3	0.0	0.0	-0.1

Source: Bureau of Economic Analysis