



Daily Economic Update

May 26, 2017

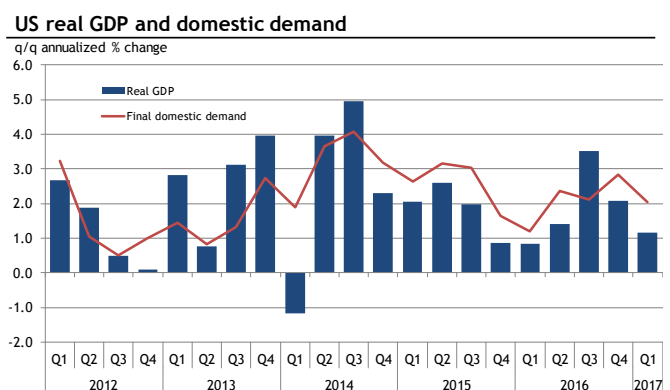
US GDP growth slightly less-slow in Q1

It is still the case that GDP growth moderated in Q1, but slightly less than previously reported and with the composition still arguing that the slowdown was more a result of quarterly volatility than a fundamental deterioration in the economic backdrop. It remains the case that slower Q1 growth largely reflected a pullback in the volatile inventory component (now slightly larger than first reported) and a sharp slowing in consumer spending growth (+0.6% now versus +0.3% in the advance estimate) that both look unlikely to be repeated. On balance, data to-date, remains consistent with our expectation that overall GDP growth bounced back to a solid 2.9% rate in Q2 and, combined with further tightening in labour markets, is consistent with our expectation that the Fed will hike the fed funds target range by another 25 basis points in June.

Highlights:

- U.S. Q1 GDP growth revised up to 1.2% from 0.7% in the advance estimate
- Consumer spending growth remained modest but was revised up slightly to 0.6% from 0.3% previously
- An already-strong business investment gain was revised up to 11.4%, marking the strongest quarterly increase in five years.
- Slower inventory investment was a slightly larger drag than previously reported

US real GDP growth		Q1/17 reported	
annualized ppt contributions	Q3/16	Q4/16	Current (2nd) / Advance
Consumer spending	2.03	2.40	0.44 / 0.23
Gov't spending	0.14	0.03	-0.20 / -0.30
Non-residential investment	0.18	0.11	1.34 / 1.12
Residential investment	-0.16	0.35	0.50 / 0.50
Final domestic demand	2.1	2.8	2.0 / 1.5
Net exports	0.85	-1.82	0.13 / 0.07
Inventory change	0.49	1.01	-1.07 / -0.93
Real GDP	3.5	2.1	1.2 / 0.7



Source: U.S. Bureau of Economic Analysis, RBC Economics Research

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