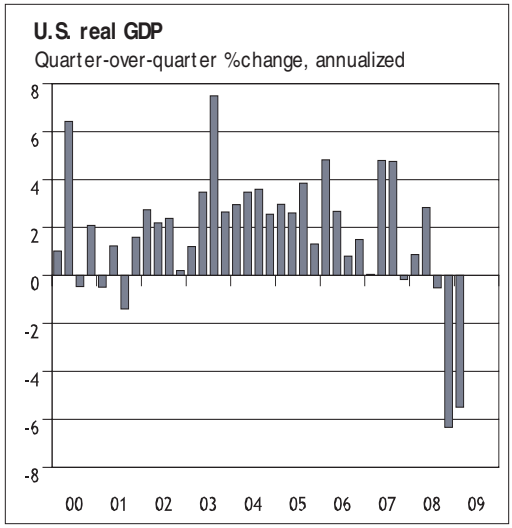
U.S. NATIONAL GDP ACCOUNTS

June 25, 2009



Annualized decline in U.S. GDP lowered to 5.5%

The final (third) estimate of the decline in first-quarter GDP was moderated once again, this time to 5.5% from the preliminary (second) estimate of 5.7% and the advance (first) estimate of 6.1%. The revision boosted the level of U.S. GDP by US$6.8 billion in 2002 chained dollars.

The report contained small changes to most of the major expenditure components. The reduction in the net export deficit by US$5.2 billion and the lessening in the drawdown in inventories by US$4.3 billion were the main revisions moderating the overall decline in GDP. Despite the revision to the latter, the change in inventories still contributed a sizeable 2.2 percentage point subtraction from the overall first-quarter GDP growth rate. The main offset to these revisions was a lowering of consumer spending growth to an annualized 1.4% from the 1.5% indicated in the preliminary report, which subtracted US$4 billion.

Annualized quarterly growth in the first-quarter core PCE deflator, the key inflation measure in the GDP report, was revised up marginally, although it still indicated minimal price pressure, rising 1.6% compared to the 1.5% in the preliminary report.

Minimal revisions to first-quarter GDP growth do not alter the near-term expectations for improving growth going forward because the lion's share of that quarter's weakness reflects a sizeable drawdown in inventories. Thus, any pick-up in demand will increasingly be satisfied by new production. However, this will not prevent another drop in second-quarter growth in the face of continuing marked weakness in investment, although it will temper the pace of decline in overall GDP.

The Fed will likely take some encouragement from indications of improving economic conditions, but the fact that activity continues to decline will result in the central bank keeping monetary conditions accommodative

Q1 national accounts: Final estimate

Annualized % change from previous quarter

	Q4/07	Q1/08	Q2/08	Q3/08	Q4/08	Q1/09
Consumer spending	1.0	0.9	1.2	-3.8	-4.3	1.4
Durables	0.4	-4.3	-2.8	-14.8	-22.1	9.5
Non-durables	0.3	-0.4	3.9	-7.1	-9.4	-0.4
Services	1.4	2.4	0.7	-0.1	1.5	0.9
Business Fixed Investment	-11.9	-5.8	-11.5	0.4	-23.0	-48.9
Residential	-27.0	-25.0	-13.3	-16.1	-22.7	-38.8
Non-residential structures	8.6	8.7	18.4	9.6	-9.4	-42.9
Equipment and software	1.0	-0.5	-5.0	-7.5	-28.1	-33.7
Government spending	0.8	1.9	3.9	5.8	1.3	-3.1
Inventory change ($ bn)	-8.1	-10.2	-50.6	-29.6	-25.8	-87.1
Final domestic demand	-0.1	0.1	1.3	-2.2	-5.8	-5.4
Exports	4.4	5.1	12.3	3.0	-23.6	-30.6
Imports	-2.3	-0.8	-7.3	-3.5	-17.5	-36.4
Real GDP	**-0.2**	**0.9**	**2.8**	**-0.5**	**-6.3**	**-5.5**

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