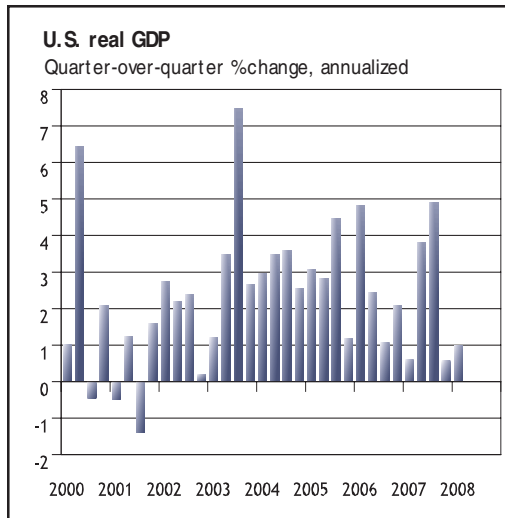


U.S. NATIONAL GDP ACCOUNTS

June 26, 2008



U.S. economic growth estimate nudged up

The final first-quarter GDP economic growth estimate was nudged up to an annualized 1% from the preliminary estimate of 0.9%, implying that growth started the year on a weak note resulting from ongoing declines in residential investment and tighter credit conditions that emerged last summer. However, despite these pressures, the growth rate managed to remain in the positive column.

The modest upward revision reflected stronger domestic spending that more than offset a larger drawdown in inventories. Generally, this combination is more favourable for growth going forward. The most noteworthy change in domestic spending was in business investment for equipment and software - its previously estimated 0.9% drop was revised away to show a small increase of 0.2%. Consumer spending growth remained weak in the quarter, although the rate was raised slightly to 1.1% from 1% previously.

There were also significant upward revisions to both export growth (to 5.4% from 2.8%) and imports (to -0.7% from -2.6%), although they were completely offsetting leaving the net export balance unchanged.

Growth in the first-quarter core PCE deflator, the key inflation measure in the GDP report, was revised up to 2.3% from 2.1%.

Although the economy managed to avoid a decline at the start of the year, growth was weak. Our forecast assumes that this will continue to be the case in the second quarter, with the economy managing to eke out another small increase with modest gains in consumer spending offsetting the ongoing restraint from a declining housing market.

Q1 national accounts – Final

Annualized % change from previous quarter

	Q1/07	Q2/07	Q3/07	Q4/07	Q1/08
Consumer spending	3.7	1.4	2.8	2.3	1.1
Durables	8.8	1.7	4.5	2.0	-6.0
Non-durables	3.0	-0.5	2.2	1.2	-0.2
Services	3.1	2.3	2.8	2.8	3.1
Business fixed investment	-4.4	3.1	-0.7	-4.0	-6.9
Residential	-16.3	-11.8	-20.5	-25.2	-24.5
Non-residential structures	6.3	26.2	16.4	12.4	1.3
Equipment and software	0.3	4.7	6.2	3.1	0.2
Government spending	-0.5	4.1	3.8	1.9	2.1
Inventory change (\$ bn)	0.1	5.8	30.6	-18.3	-19.6
Final domestic demand	1.7	2.1	2.5	1.3	0.1
Exports	1.1	7.5	19.1	6.5	5.5
Imports	3.9	-2.7	4.3	-1.4	-0.7
Real GDP	0.6	3.8	4.9	0.6	1.0

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