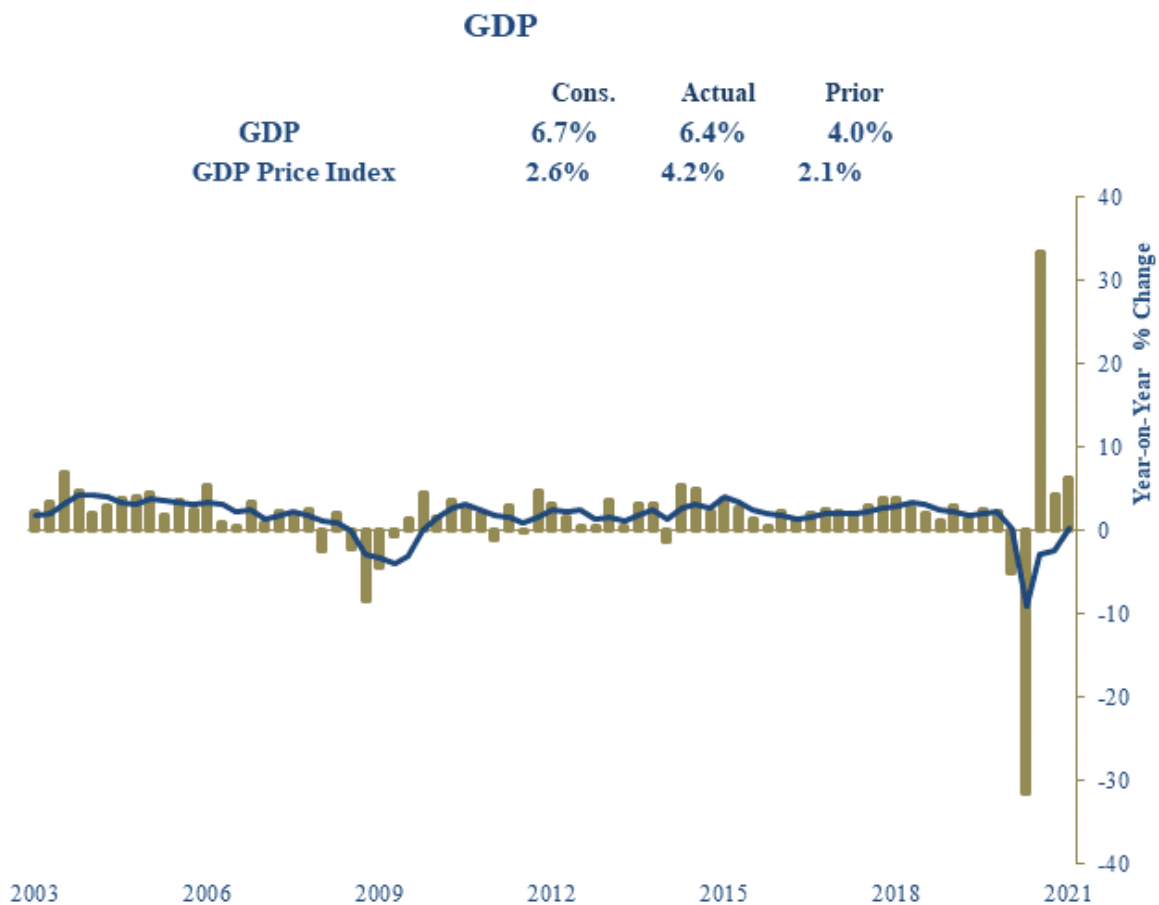


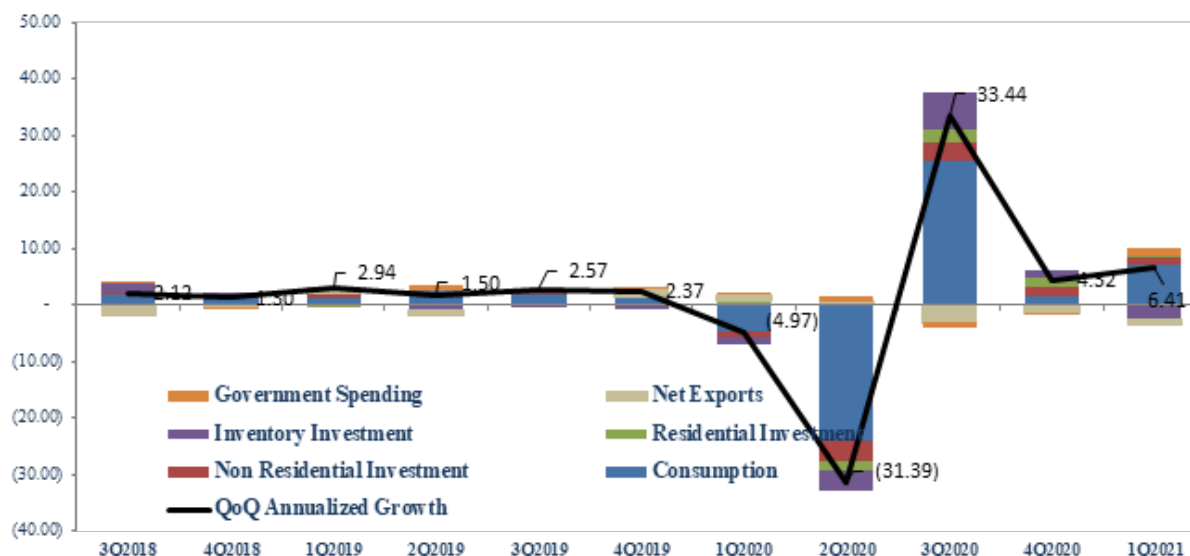
29.Apr.2021

1Q21 GDP: Solid Gains To Start Year

Bottom Line: The US economy grew at a 6.4% annualized pace in the 1st Quarter, a touch below elevated expectations. Consumption was notably strong, more than offsetting weakness in net exports and a sharp drop in inventories. Business fixed investment and residential investment also added notably to the quarter's gains. While seasonal calculations provided an artificial boost to the consumption figures, this advanced reading showed the year started on a strong footing amid continued reopenings and vaccine progress.



US Quarterly GDP (seas. adj. ann rate) with contributions in bar graphs



Gross Domestic Product ROSE by 6.4% in the 1st Quarter, higher than market expectations for an increase of 2.6%. Economic activity was 0.4% ABOVE its year-ago level.

Inventory Investment FELL by \$147.5 billion, subtracting 2.64 percentage points from overall economic activity. Consequently, **Real Final Sales** ROSE by 9.2% and was 0.4% ABOVE its year-ago level.

Imports ROSE by 5.7% and Exports FELL by 1.1% so Net Exports FELL by \$53.5 billion. This implies that **Real Final Domestic Demand** ROSE by 9.8% and was 2.0% ABOVE its year-ago level.

Consumer Spending ROSE by 10.7%, contributing 7.02 percentage points to economic growth.

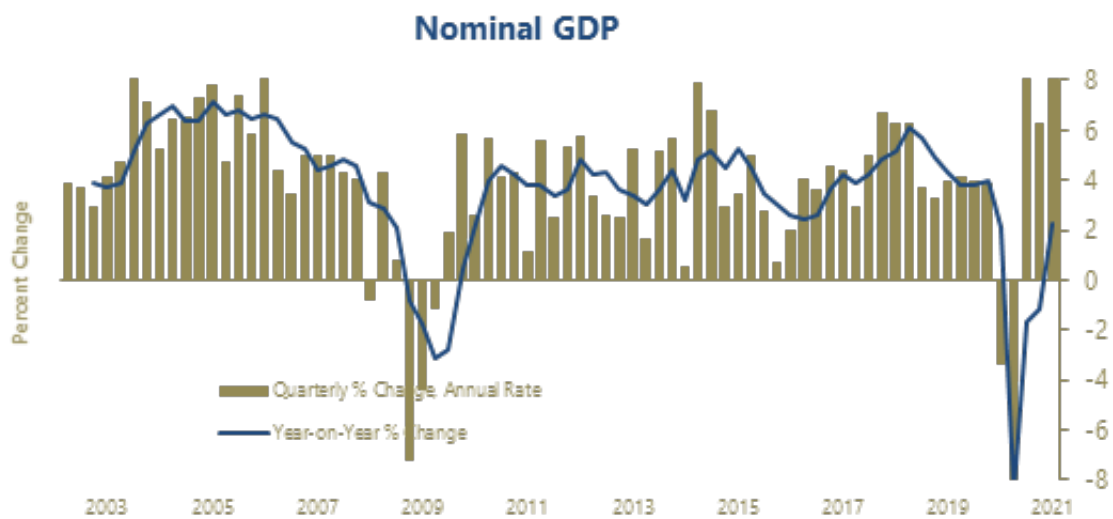
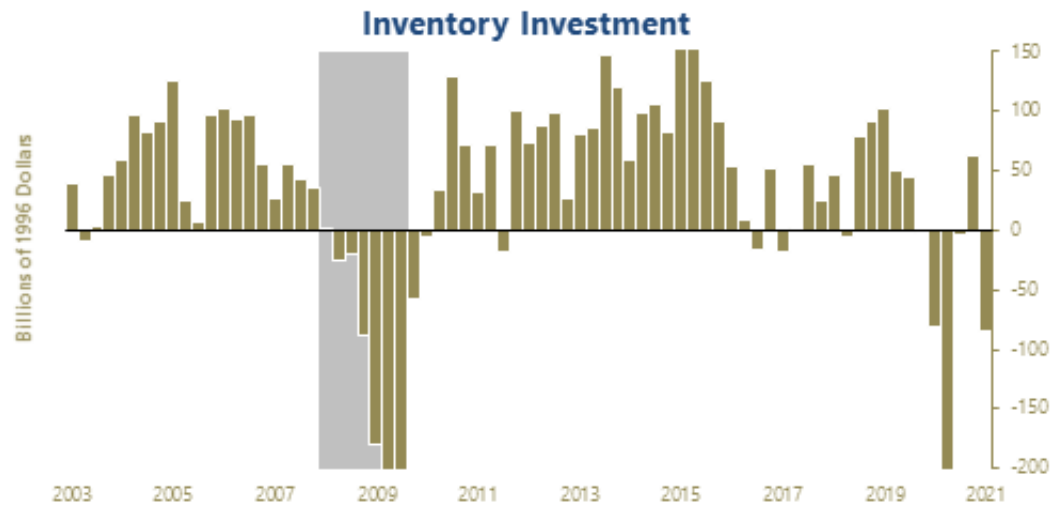
Business Investment ROSE by 9.9%, adding 1.29 percentage points to GDP. Intellectual property products increased by 10.1% while non-residential structures declined by 4.8%.

Residential Investment ROSE by 10.8%, adding 0.49 percentage points to economic growth.

Finally, **Government Purchases** ROSE by 6.3%, adding 1.12 percentage points to GDP. This was its 8th positive contribution in the last 12 quarters.

The GDP Price Index ROSE by 4.2%, compared with market expectations of 2.6%.

This is also 2.0% ABOVE its year-ago level.



GDP - by annual % Change

	% Change at Annual Rate (unless noted as \$)									
	Quarterly Averages						Annual Averages			
	Q1-21 Advance	Q4-20	Q3-20	Q2-20	Q1-20	Q4-19	2020	2019	Five Year	Ten Year
Real GDP	6.4	4.3	33.4	-31.4	-5.0	2.4	-3.5	2.2	1.1	1.7
Consumption	10.7	2.3	41.0	-33.2	-6.9	1.6	-3.9	2.4	1.3	1.8
Business Fixed Investment	9.9	13.1	22.9	-27.2	-6.7	-0.3	-4.0	2.9	1.9	4.1
Residential Investment	10.8	36.6	63.0	-35.5	19.0	5.8	6.1	-1.7	2.8	5.2
Inventory Investment (\$ Chg)	-147.5	65.8	283.3	-206.1	-79.9	-45.1	-126.0	-4.9	-43.0	-13.5
Net Exports (\$ Change)	-53.5	-103.0	-243.9	12.9	73.5	88.7	-8.4	-39.9	-41.3	-36.0
Exports	-1.1	22.3	59.6	-64.4	-9.5	3.4	-12.9	-0.1	-1.4	1.1
Imports	5.7	29.9	93.0	-54.1	-15.0	-7.5	-9.3	1.1	0.3	2.1
Government Purchases	6.3	-0.8	-4.8	2.5	1.3	2.4	-0.5	3.0	1.5	0.0
Addendum:										
Real Final Sales	9.2	2.9	25.9	-28.1	-3.6	3.2	-2.9	2.2	1.3	1.7
Final Domestic Demand	9.8	4.4	29.8	-27.1	-4.6	1.6	-2.7	2.3	1.5	1.9
Price Index	4.2	2.1	3.4	-1.7	1.3	1.4	1.2	1.8	1.7	1.7

Source: Bureau of Economic Analysis, Department of Commerce via Bloomberg. Our calculations.

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T.J. Connelly, Head of Research

April 29, 2021

Steven A. Wood, Senior Economic Adviser

GDP - by contribution

	% Contributions									
	Quarterly						Annual Averages			
	Q1-21 Advance	Q4-20	Q3-20	Q2-20	Q1-20	Q4-19	2020	2019	Five Year	Ten Year
Real GDP	6.4	4.3	33.4	-31.4	-5.0	2.4	-3.5	2.2	1.1	1.7
Consumption	7.0	1.6	25.4	-24.0	-4.8	1.1	-2.6	1.6	0.9	1.2
Business Fixed Investment	1.3	1.7	3.2	-3.7	-0.9	0.0	-0.5	0.4	0.3	0.5
Residential Investment	0.5	1.4	2.2	-1.6	0.7	0.2	0.2	-0.1	0.1	0.2
Inventory Investment (\$ Chg)	-2.6	1.4	6.6	-3.5	-1.3	-0.8	-0.6	0.0	-0.2	-0.1
Net Exports (\$ Change)	-0.9	-1.5	-3.2	0.6	1.1	1.5	-0.1	-0.2	-0.2	-0.2
Exports	-0.1	2.0	4.9	-9.5	-1.1	0.4	-1.5	0.0	-0.1	0.2
Imports	-0.8	-3.6	-8.1	10.1	2.3	1.1	1.3	-0.2	-0.1	-0.4
Government Purchases	1.1	-0.1	-0.8	0.8	0.2	0.4	0.2	0.4	0.3	0.0
Others:										
Defense	-0.1	0.2	0.2	0.2	0.0	0.3	0.1	0.2	0.1	0.0
Intellectual Property	0.5	0.5	0.5	-0.5	0.1	0.2	0.1	0.3	0.2	0.2
Equipment	0.9	1.3	3.3	-2.0	-0.9	-0.1	-0.3	0.1	0.1	0.3
Medical Care	0.3	1.5	7.4	-7.6	-2.0	0.5	-0.9	0.3	0.1	0.2

Source: Bureau of Economic Analysis, Department of Commerce via Bloomberg. Our calculations.