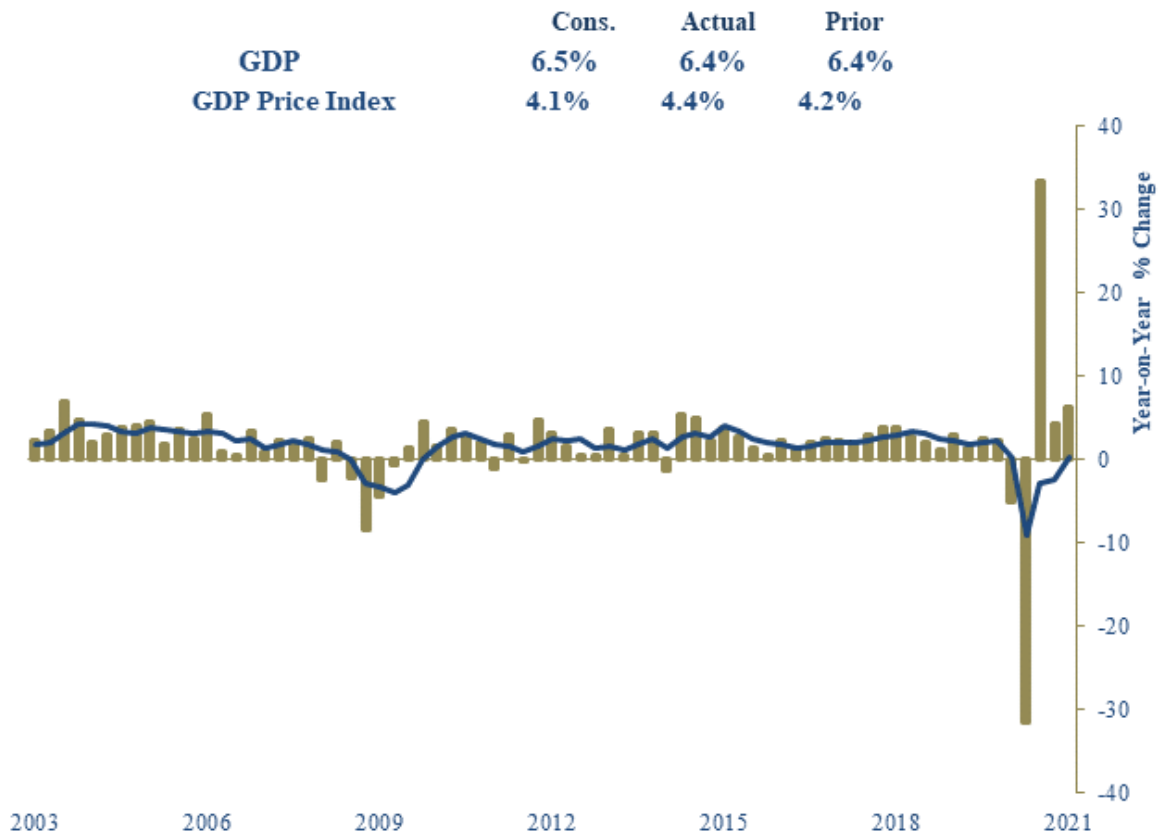


1Q21 GDP: Key Components Even Stronger

Bottom Line: The third reading of 1st Quarter GDP showed even stronger growth in consumption and investment, especially residential investment. Overall, though, growth was unchanged at 6.4% annualized quarter-over-quarter, as the drag from net exports was even more significant than previously estimated. Overall, the consumer drove growth in the 1st Quarter, with spending ending the quarter on a strong note. That said, this report was old news with the 2nd Quarter ending in less than a week. Early forecasts suggest the current quarter grew even stronger than the 1st Quarter, with consensus at 10% annualized quarter-over-quarter. We forecast about 9% growth.

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GDP

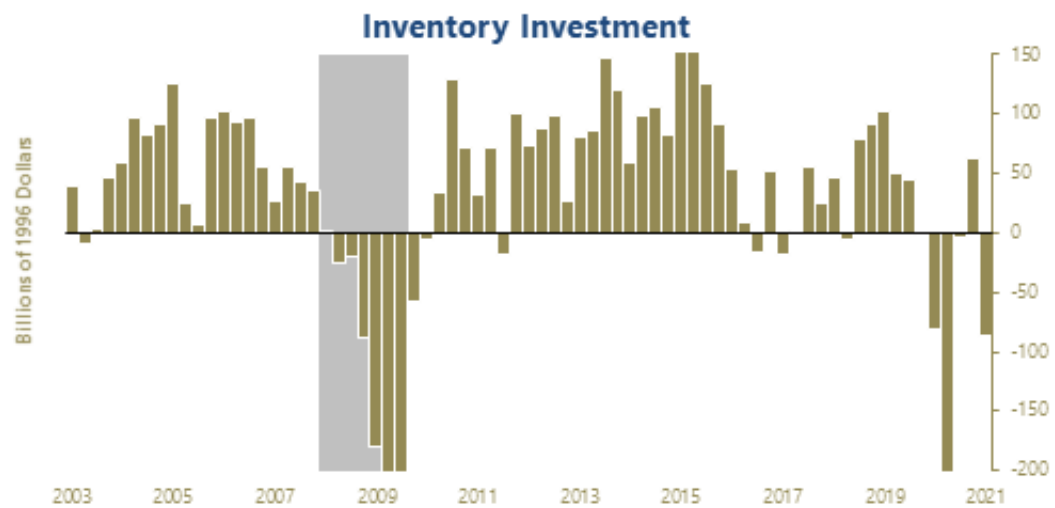
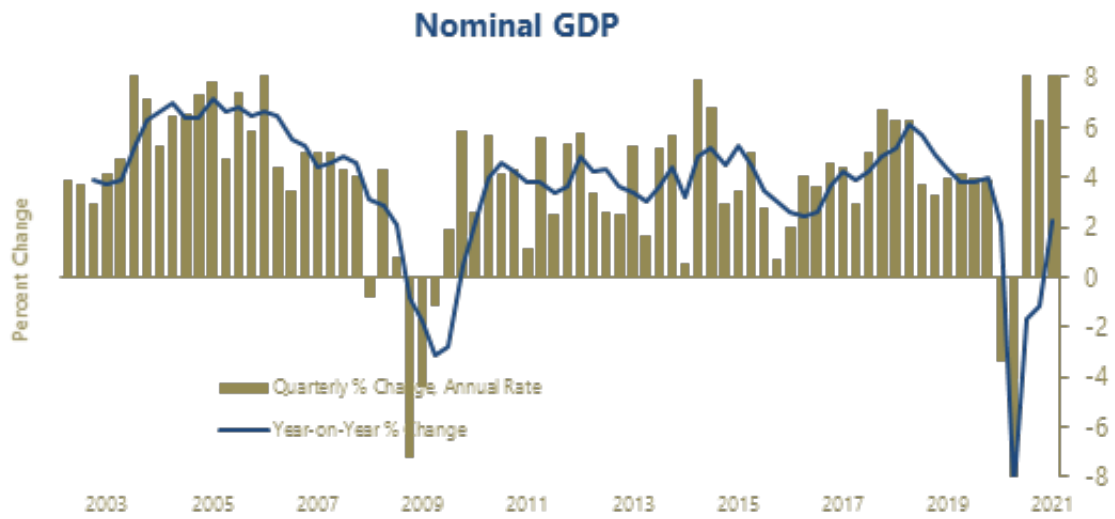


GDP was UNCHANGED at 6.4% in this third estimate for 2021 1st Quarter. This compared with market expectations for an upward revision to 640.0%. Economic activity was 0.4% above its year-ago level.

In final sales categories, imports, fixed investment, exports, residential investment, consumption were revised higher while, net exports and government purchases were revised lower.

As a result of all of these changes, real final sales were revised down by 0.2 percentage points to 9.2% while real domestic demand was revised up by 0.2 percentage points to 10.5%.

The GDP Price Index was REVISED UP by 0.07 points to 4.4%, compared with market expectations of 430.0%. Economy-wide prices were 2.1% ABOVE year-ago levels.



GDP - by annual % Change

	% Change at Annual Rate (unless noted as \$)									
	Quarterly Averages							Annual Averages		
	Q1-21 3rd Est.	Q1-21 2nd Est.	Q1-21 Advance	Q4-20	Q3-20	Q2-20	Q1-20	2020	2019	Five Year
Real GDP	6.4	6.4	6.4	4.3	33.4	-31.4	-5.0	-3.5	2.2	1.1
Consumption	11.4	11.3	10.7	2.3	41.0	-33.2	-6.9	-3.9	2.4	1.3
Business Fixed Investment	11.7	10.8	9.9	13.1	22.9	-27.2	-6.7	-4.0	2.9	1.9
Residential Investment	13.0	12.7	10.8	36.6	63.0	-35.5	19.0	6.1	-1.7	2.8
Inventory Investment (\$ Chg)	-149.1	-155.0	-147.5	65.8	283.3	-206.1	-79.9	-126.0	-4.9	-43.0
Net Exports (\$ Change)	-90.3	-71.9	-53.5	-103.0	-243.9	12.9	73.5	32.0	6.8	27.5
Exports	-2.1	-2.9	-1.1	22.3	59.6	-64.4	-9.5	3.0	3.3	3.0
Imports	9.5	6.7	5.7	29.9	93.0	-54.1	-15.0	-9.3	1.1	0.3
Government Purchases	5.72	5.75	6.30	-0.8	-4.8	2.5	1.3	1.1	2.3	1.6
Addendum:										
Real Final Sales	9.2	9.4	9.2	2.9	25.9	-28.1	-3.6	-2.9	2.2	1.3
Final Domestic Demand	10.5	10.3	9.8	29.8	-27.1	-4.6	1.6	-2.7	2.3	1.5
Price Index	4.4	4.4	4.2	2.1	3.4	-1.7	1.3	1.2	1.8	1.7

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

T.J. Connelly, Head of Research	June 24, 2021	Steven A. Wood, Sr. Economic
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GDP - by contribution

	Quarterly							Annual Averages			
	Q1-21 3rd Est.	Q1-21 2nd Est.	Q1-21 Advance	Q4-20	Q3-20	Q2-20	Q1-20	2020	2019	Five Year	Ten Year
Real GDP	6.4	6.4	6.4	4.3	33.4	-31.4	-5.0	-3.5	2.2	1.1	1.7
Consumption	7.42	7.40	7.0	1.6	25.4	-24.0	-4.8	-2.6	1.6	0.9	1.2
Business Fixed Investment	1.5	1.4	1.3	1.7	3.2	-3.7	-0.9	-0.5	0.4	0.3	0.5
Residential Investment	0.6	0.6	0.5	1.4	2.2	-1.6	0.7	0.2	-0.1	0.1	0.2
Inventory Investment (\$ Chg)	-2.7	-2.8	-2.6	1.4	6.6	-3.5	-1.3	-0.6	0.0	-0.2	-0.1
Net Exports (\$ Change)	-1.5	-1.2	-0.9	-1.5	-3.2	0.6	1.1	-0.1	-0.2	-0.2	-0.2
Exports	-0.2	-0.3	-0.1	2.0	4.9	-9.5	-1.1	-1.5	0.0	-0.1	0.2
Imports	-1.3	-0.9	-0.8	-3.6	-8.1	10.1	2.3	1.3	-0.2	-0.1	-0.4
Government Purchases	1.0	1.0	1.1	-0.1	-0.8	0.8	0.2	0.2	0.4	0.3	0.0
Others:											
Defense	-0.2	-0.1	-0.1	0.2	0.2	0.2	0.0	0.1	0.2	0.1	0.0
Intellectual Property	0.7	0.8	0.5	0.5	0.5	-0.5	0.1	0.1	0.3	0.2	0.2
Equipment	0.8	0.8	0.9	1.3	3.3	-2.0	-0.9	-0.3	0.1	0.1	0.3
Medical Care	-0.5	-0.2	0.3	1.5	7.4	-7.6	-2.0	-0.9	0.3	0.1	0.2

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