

**1st QUARTER 2017 GDP (2ND RELEASE)**

Hello everyone. Thank you for joining us once again here at Seifried & Brew. I am Jamie Sumner, chief analyst, and I hope everyone had a great Memorial Day weekend. It was a long weekend and hopefully it didn't rain too much where you are. For this week's webcast what we wanted to do is take a look at the 2nd release of the **first quarter 2017 GDP**.

Overall, it was kind of a positive release, [Slide 2] above expectations. It came in at that 1.2% growth rate for the first quarter, up from 0.7% growth rate. Now that 1.2% was above what the consensus was from economics out there of about a 0.8%. So that's a positive within there.

We saw movements in each of the categories here with inside of GDP. We saw the **Consumer segment** with the contribution to the overall GDP at 44 basis points (bps). That's a pick-up of 21 bps when we look at the advance release versus the 2nd release. We look at the **Investment segment** here, which remember, are business investments as well as residential fixed investments. We can see we went from a 0.69 contribution to a 0.78. So, we picked up about 9 bps within there. So that's a positive with inside that investment. Now when we look at the overall contribution, Consumer (which we have mentioned before), this contributes about 70% of overall GDP. When we look at the Investment portion that gives around a 17% of the overall GDP. So that's how these two work out. **Exports** actually comes down about 3%, and then we have somewhere around 17% for the **Government** portion here. So, this is how it kind of flows out with inside of the GDP. Now keep that in mind when we start looking at the different growth rates in three of these categories.

So, we look at the Government, the Government came originally with the advance release that was projected down -0.30% detracting (30 bps) from GDP; now we're at down (20 bps). So, we got a pickup of 10 bps. Overall with the **exports-imports**, here we're picking up about 6 bps. So, the big winner here would be that Consumer segment really popped up in there and that's a positive.

However, when we look at the growth rate, [Slide 3] (so now these are the growth rates with inside of the different components-the percentage change from the prior quarter), you can see we have some very strong quarters back here; 4.5% for the Consumer portion back in the fourth quarter 2014. We had almost up to that 4.5% in the second quarter of 2016. As we look at the first quarter of 2017, you can see we're all the way down here just above ½% for the first quarter of 2017. So, we've come down pretty much from where we've been over the last couple of quarters, and hopefully what we will see is in the second quarter this number starts to pick up a little more in here.

When we look at the gross private domestic investments (**Gross Domestic Investments**) [Slide 4], we can see we survived throughout this time towards relatively low levels of growth in here. Picked up almost to that 10% mark back in the fourth quarter, and now we're just under that 5% mark for the first quarter of 2017. Now these numbers, however are plagued with the **Inventories** which tend to be kind of volatile. In fact, when we look at the contributions from Inventory, they actually detracted from GDP by 107 bps. So, a big detraction from overall GDP this quarter. When we look at the inventories number that came out last week, both the retail and wholesale inventories, they were down by 3/10th of a percent month-over-month. So still not gaining any ground in that inventory area in here. Also, when we look at the overall residential fixed investments, we saw in April that new home sales and existing home sales overall came down month-over-month from where they were. So that's going to pull a little bit out of this investment section. Remember, this accounts for about 17% of GDP, so it's a pretty big number. As we move through the quarter (this is just the first portion of the second quarter numbers that are



coming out), we have two more months to work through here and hopefully we'll start to see these numbers rebound.

We look at the Government portion of GDP [Slide 5], also the growth rates have been very mundane below 1%, even negative two out of the last four quarters in here, and hopefully we'll see what happens with fiscal policy if this is going to start to pick up as we move throughout this administration.

But overall when we look at the GDPNow put out by the *Atlanta Fed* [Slide 6], we can see, today came out 3.7% as a projection for the second quarter GDP in here. That is very aggressive. If you recall, this is fairly volatile as the release approaches. Last quarter we saw a dip down pretty far to that 0.2% mark before the release of the advance estimate. But that's where we are right now, at that 3.7%. So, it will be interesting as we move throughout the next couple of months to see how this number is volatile and if it remains where it is or if it starts to come back down.

That is what we have for you this week. We look forward to seeing you next week. Have a great week everyone.



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