1Q 2017 GDP RELEASE *(Advance Estimate)*

Hello everyone. Thank you for joining us once again here at Seifried & Brew. I am Jamie Sumner, the Chief Analyst. For this week's webcast we want to go over the ***1st quarter 2017 GDP*** release that came out on Friday.

We had a pretty disappointing GDP release [Slide 2], below expectations at that 0.7% and in fact when we look at this number across history we can see that this is the lowest that quarterly number has come in since the first quarter of 2014. When we look at the trend both annual and then quarterly [Slide 3] we can see we are pretty far down here (like I said at the lowest since the 1st quarter 2014 at that 0.7). However, it is the advanced estimate so we have two more releases to adjust this. We are going to see how that is going to play over the next couple of months in here.

When we look at the contributions with inside the GDP [Slide 4] we see almost things are starting to fall apart on the surface. We see the ***Consumer Segment*** only contributing 23 basis points (bps) into the overall GDP. That's much lower then what we saw last quarter when it was 240 bps. When we dig into the number a little bit you'll find out that this detraction primarily came from the motor vehicles and parts. That was detracting from GDP by about 45 bps as well housing and utilities which came down about 29 bps. So those are the two bigger segments that really pulled that number down.

We look at the ***Investment*** portion. This is fixed investments as well as inventories. At 0.69, we are below where we were last quarter at that 1.47. Not too much of a surprise in here that we saw this come down to that 0.69. This was due to those inventory numbers. In fact when we look at inventories that contribution actually detracted from GDP by 0.93 percentage points. That's 93 basis bps taken away from GDP. That's very aggressive here, however the positive is that fixed investments would have contributed 162 bps to GDP. So we had a very robust fixed investment portion in the first quarte, however that was counter balanced by the detraction with inside the inventories due to the low retail sales numbers that have been coming out.

Government taking back 30 bps with inside the GDP is a combination between both Federal and State budgets coming down and a lot of that is due to some of the defense budget being reduced in the first quarter. So we saw that come down. Most likely we are going to see that start to pick back up when we get some fiscal stimulus coming though the administration.

And then we have the ***exports-imports*** coming in at just a 7 bps contribution for this quarter. Much better than the last quarter when it detracted out 182 bps. So overall, while there is a low level growth at that 0.7%, there are some highlights that are positive for us namely with inside that fixed investment portion. We see businesses as well as residential fixed investment starting to build up. That's a positive going into the second quarter.

We look at ***final sales to domestic purchases*** [Slide 5]. If you recall this is GDP excluding inventories, (because it is very volatile), and the net exports. We come in at 1.5% and that compares to the last quarter of 2.8%, 2.1%, 2.4%, and 1.2%. So that number as well is below what we have been seeing in here. [Slide 6] Big number ***core PCE***, looking at inflation with the Fed. This number coming in at 2%, right where the Fed likes to see that so we are right at 2% here. However looking at the meeting coming up most likely not going to see a change in rates. The economy is kind of pulling back a little bit although we see this now, core inflation getting up to their target rate here. That's what we have for you this week we look forward to seeing you next week. Have a great week everyone.

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