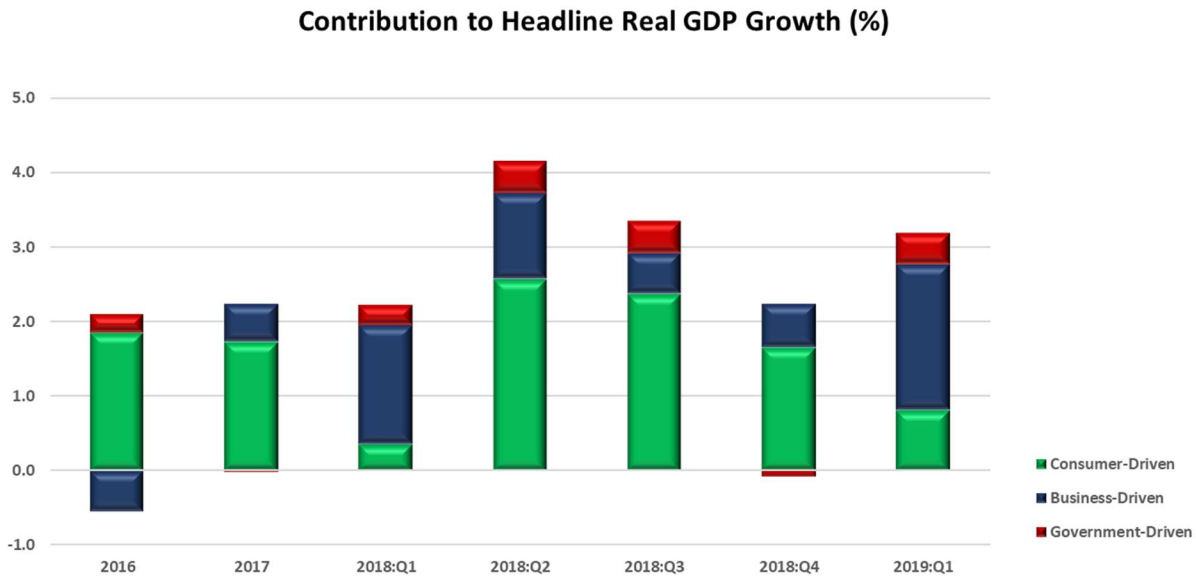


US GDP Release: 2019Q1



Source: Bureau of Economic Analysis



The US economy grew at a 3.2% annual rate in the first quarter of 2019, according to the preliminary release from the Bureau of Economic Analysis (BEA). The Q1 figure was well above the 1.5% consensus forecast. Moreover, the Q1 real GDP growth rate was a rebound from the 2.2% rate in 2018Q4.

Business-driven real GDP (which consists of gross domestic private investment and net exports) made the largest contribution to real GDP growth in 2019Q1. BEA statistics show that business-driven GDP accounted for 1.95% of the 3.2% headline real GDP growth rate. The change in private inventories, exports and imports all made considerable contributions to headline real GDP growth relative to 2018Q4.

Government-driven GDP also rebounded in 2019Q1, adding 0.41% to headline real GDP growth. This is compared to -0.07% in 2018Q4. State and local governments accounted for all of the government-driven growth.

While the 3.2% annual growth rate for 2019Q1 beat expectations, and saw several sectors rebound, the data from consumer-driven real GDP growth is concerning. Consumer-driven real GDP only added 0.82% to the headline growth figure. Moreover, consumer-driven real GDP growth has been slowing and adding less to the headline figure over recent quarters. In fact, consumer-driven real GDP grew at a 3.8% annual rate in 2018Q2 (adding 2.6% to the headline growth figure in that quarter). In 2019Q1, consumer-driven

real GDP grew by a 1.2% annual rate (adding the aforementioned 0.82% to headline real GDP growth). Additionally, consumer sentiment had fallen from 100.1 in September 2018 to 91.2 in January 2019. In the most recent data, consumer sentiment rebounded to 98.4 in March 2019. With the consumer accounting for roughly two-thirds of the US economy, as the consumer goes, so does real GDP eventually.

While we do not feel that a recession is imminent, the trend of softening consumer-driven real GDP growth is cause for concern. It will also be interesting to see if the Q1 real GDP report, which was above expectations, will help to boost consumer sentiment. That said, we expect real GDP growth to moderate in 2019, with growth shaking out at roughly 2.2% for the year.

About Thompson Consulting and Analytics, LLC

Thompson Consulting and Analytics, LLC (TCA) is an economic consulting firm that operates with client success in mind. We are experienced at performing economic impact analysis, econometric forecasts, and economic research studies. In addition, we offer predictive analytics, site feasibility studies, white papers/industry analysis, and other economic consulting services. Our extensive background in regional economics and commercial real estate research has provided private and public sector clients with valuable results and actionable insights.