

Q1 GDP is Solid, but Short of the Whisper

The initial reading of first quarter GDP came in at a quarter-over-quarter, annualized rate of +6.4%, a bit below the +6.7% median forecast, but well off whisper numbers above +7.0%. Headline GDP may have missed the mark, but the underlying numbers tell a more compelling story. In particular, the volatile inventory component subtracted 2.6 percentage points from the headline as business stockpiles were unable to keep pace with the boom in consumer spending. Today's depleted inventories translate into tomorrow's increased production, suggesting the inventory contribution will be positive in future quarters. Net exports were another drag on growth, as imports far exceeded exports, shaving another 0.9 percentage points from the overall number. If inventories and net exports are excluded, the GDP print would be closer to +10.0%.

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