Real GDP rose 3.2% in the first quarter aided by a questionable measure of inflation.

The BEA's Advance Estimate of First Quarter 2019 GDP is 3.2%.

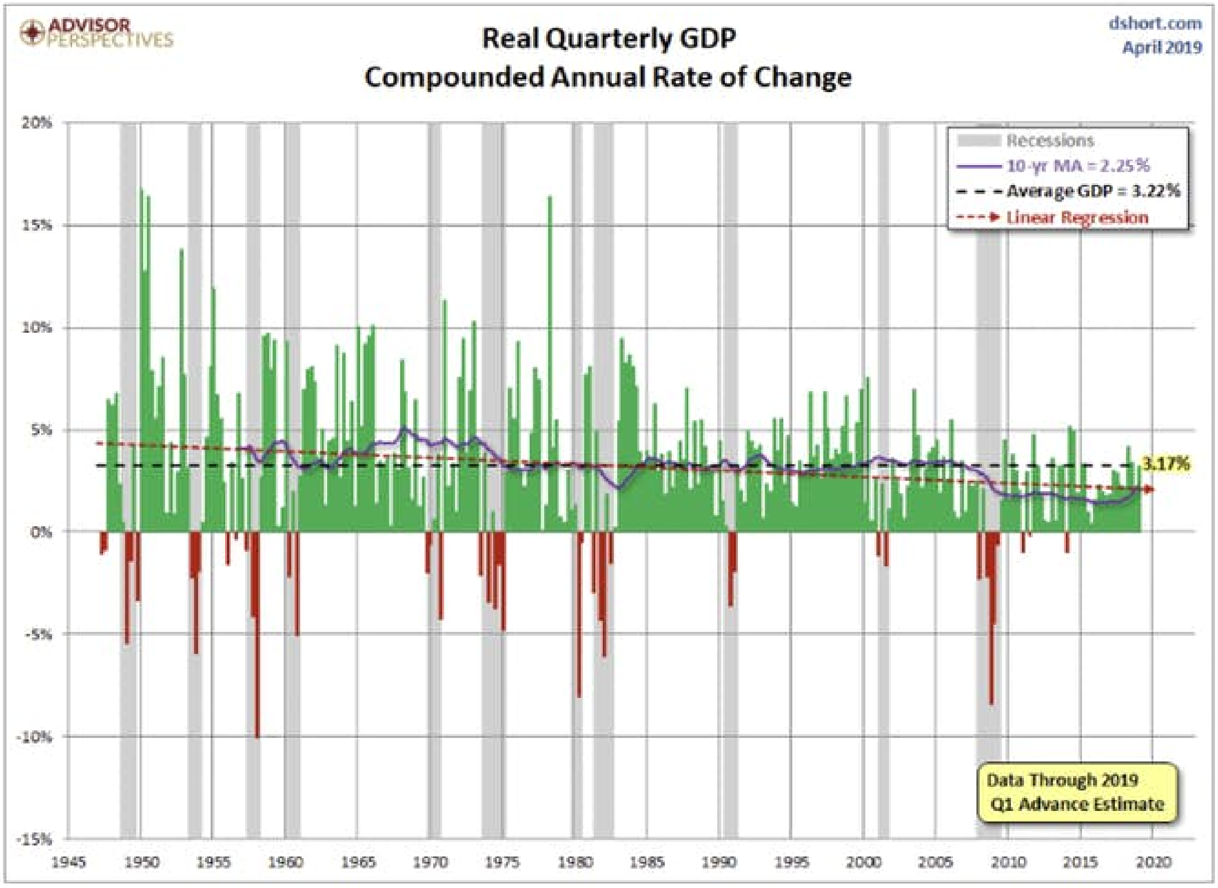
- *The Bureau?s first-quarter advance estimate released today is based on source data that are incomplete or subject to further revision by the source agency. The "second" estimate for the first quarter, based on more complete data, will be released on May 30, 2019.*
- *The increase in real GDP in the first quarter reflected positive contributions from personal consumption expenditures (PCE), private inventory investment, exports, state and local government spending, and nonresidential fixed investment. Imports, which are a subtraction in the calculation of GDP, decreased. These contributions were partly offset by a decrease in residential investment.*
- *The acceleration in real GDP growth in the first quarter reflected an upturn in state and local government spending, accelerations in private inventory investment and in exports, and a smaller decrease in residential investment. These movements were partly offset by decelerations in PCE and nonresidential fixed investment, and a downturn in federal government spending. Imports, which are a subtraction in the calculation of GDP, turned down.*

Estimates

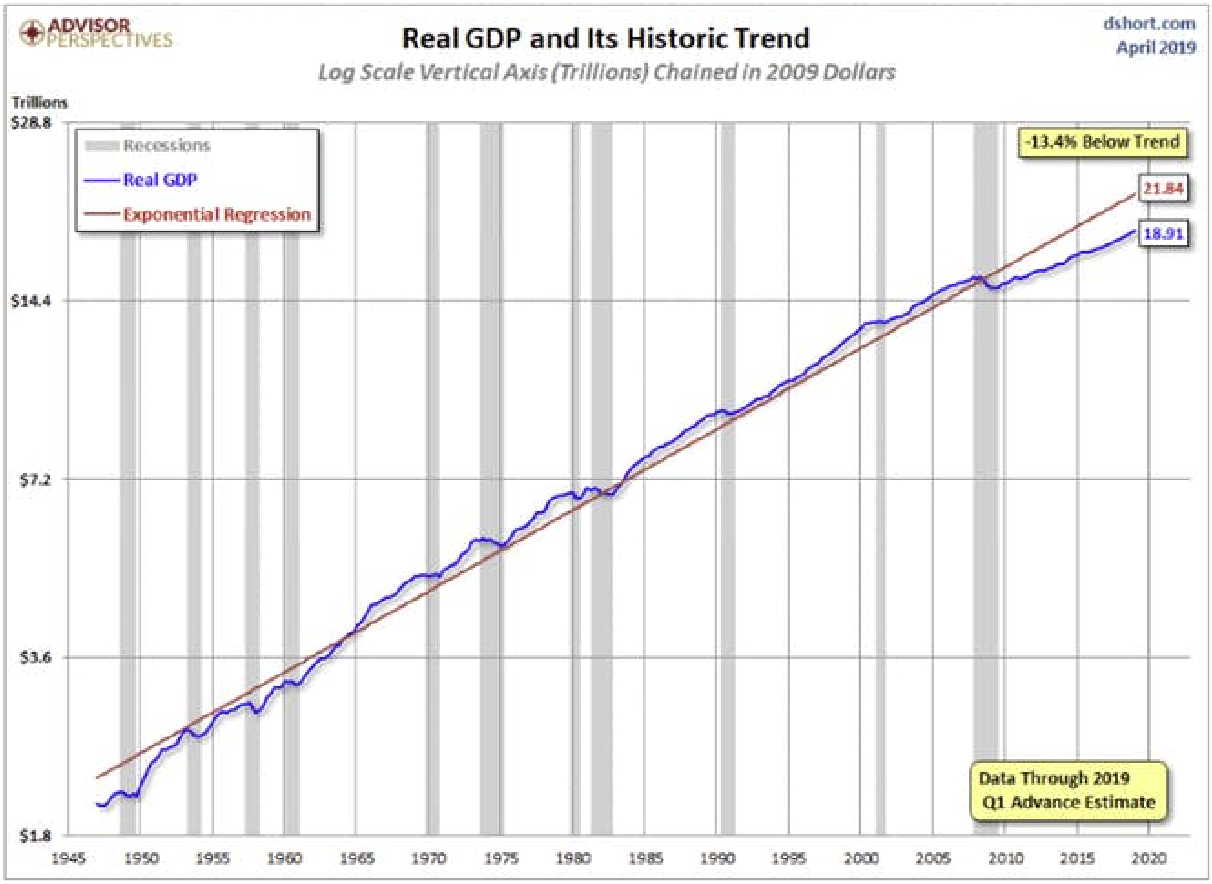
- The Nowcast estimate (released today) was 1.43%
- The GDPNow estimate was 2.7% on April 25.

GDPNow, as volatile as it is, seems to have a far better model.

Advisor Perspectives has excellent charts.



Real GDP Trend



Percentage Point Contributions to GDP

- *PCE: 0.82 PP*
- *...PCE Goods: -0.14 PP*
- *...PCE Services: 0.96 PP*
- *Gross Private Domestic Investment: 0.92 PP*
- *Change in Private Inventories: 0.65 PP*
- *Net Exports: 1.03 PP*
- *...Exports: 0.45 PP*
- *...Imports: 0.58 PP*
- *Government: 0.41 PP*

Consumers threw in the towel on goods. Net exports added 1.03 PP. Imports subtract because of counting methods. The positive addition to GDP represents a collapse in demand.

This is greatest positive boost to the headline since the fourth quarter of 2012. It's also the second consecutive quarterly contraction in the value of imported goods.

Price Indexes

- The price index for gross domestic purchases increased 0.8% in the first quarter, compared with an increase of 1.7% in the fourth quarter.
- The PCE price index increased 0.6%, compared with an increase of 1.5% in the fourth quarter. Excluding food and energy prices, the PCE price index increased 1.3%, compared with an increase of 1.8%.
- The GDP core price index was 1.3% vs 2.0% in the fourth quarter.

Those prices indexes don't match reality or the CPI. They also inflate real GDP.

Bond Market Reaction

The GDP details are nowhere near as good as the headline number.

The number would not be as high in the first place with a higher measure for the GDP deflator.

Rick Davis at the Consumer Metrics Institute just pinged me "*If the BEA's nominal data was deflated using CPI-U inflation information the headline growth number would have been halved to a +1.56% annualized growth rate.*"

Not only is consumer spending down with inventories rising, but the big surprise also stems from the BEA's questionable measure of inflation.