



The Daily Dish

Reading Today's GDP Report

DOUGLAS HOLTZ-EAKIN | APRIL 27, 2023

Today at 8:30 the Bureau of Economic Analysis ([BEA](#)) will release the first report on gross domestic product (GDP) in the 1st quarter of 2023. There is a lot of uncertainty about the strength of economic growth in the January to March period. As of April 18, the [Atlanta Fed](#) put the estimate at 2.5 percent (annual rate). Yesterday it downgraded the estimated growth to 1.1 percent. What can we learn today? Here's a quick guide to finding the message in the report.

1. *What's the top-line growth?* Start with the growth rate of the economy (Table 1, Row 1). Are we closer to 2.5 or 1.0 percent? What evidence is there of slowing from a 2.6 percent annual rate in 4th quarter?
2. *Toss out special factors?* Table 2 shows the contribution of different components to the top-line number. Check for large contributions (or subtractions) from inventory investment and/or net exports. These often reverse themselves quickly, as we saw a year ago when GDP growth came in negative.
3. *Check for the business investment slowdown.* In every postwar recession except the pandemic, business spending went south first and the household sector followed a quarter or two later. Fixed investment in non-residential structures (Table 1, Row 10), equipment (Row 11), and intellectual property products (Row 12) are the key. Equipment growth has been negative two of the past three quarters, while intellectual property investment has been slowing steadily. Is business investment holding up?
4. *Get a sneak peek at tomorrow's inflation report.* The market-based PCE excluding food and energy (Table 4, Row 36) is the Fed's preferred measure. It slowed to 4.1 percent in the 4th quarter, down from 5.0 percent the quarter before. The monthly data – which will come out Friday – show it running at 5.2 percent in the first two months of 2023. If it lands above 5.0 percent for the first quarter, get ready for a bumpy ride.

There is, of course, lots of other great information on a plethora of topics. But recession and inflation are the focal points at this time and this checklist should prepare you for the day.