

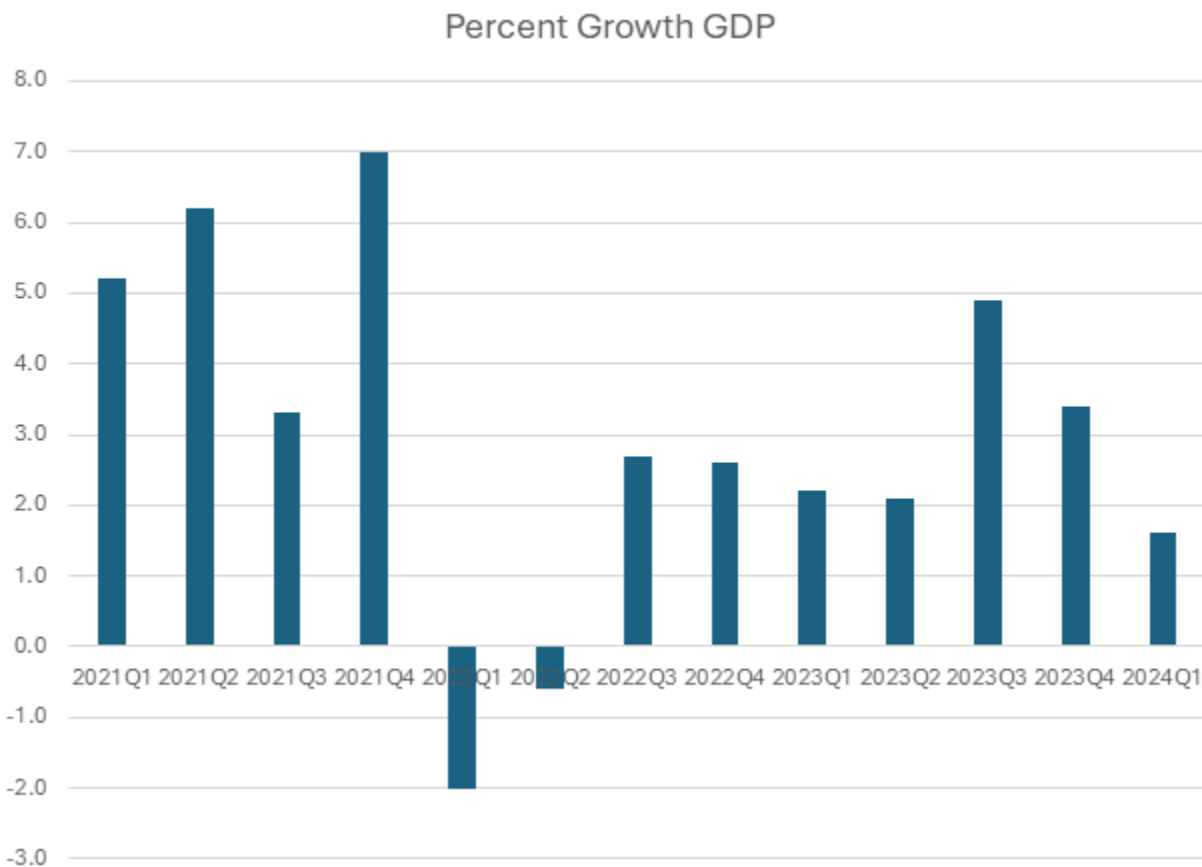


Three Lessons from the GDP Data

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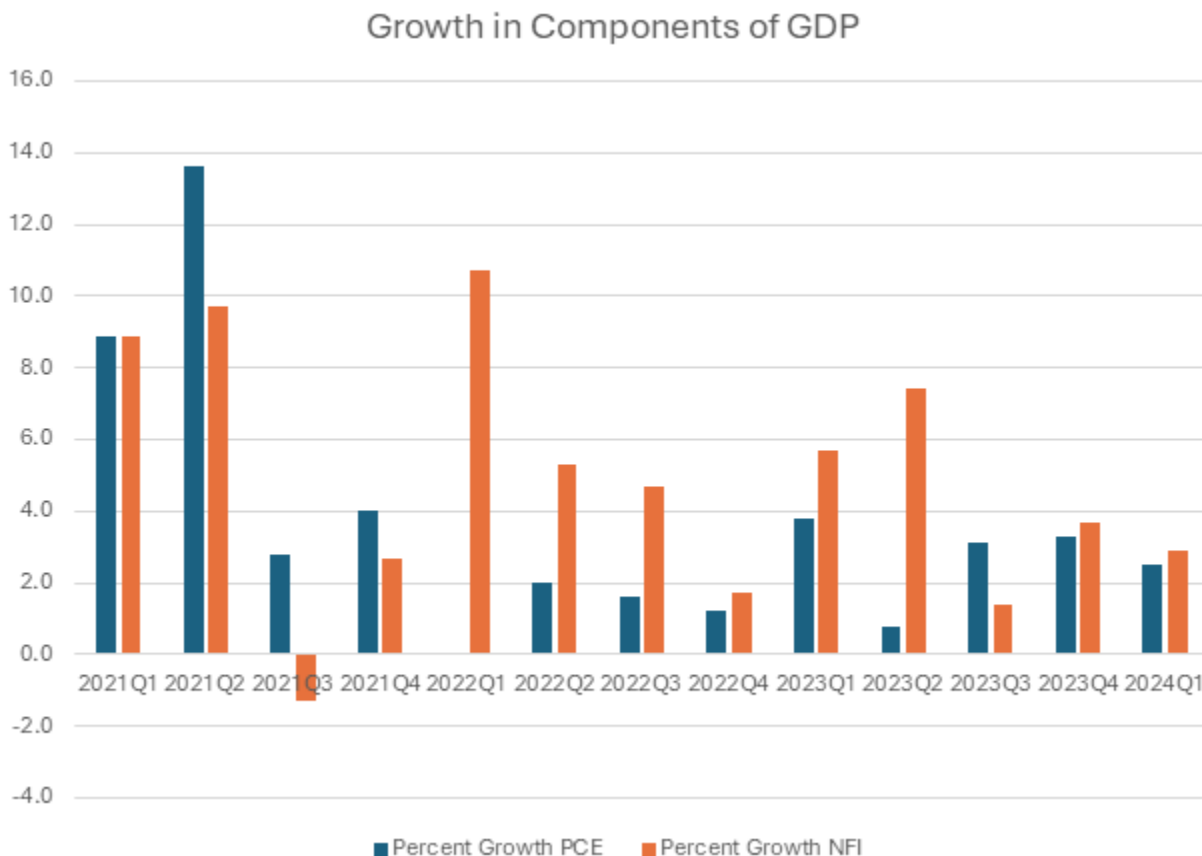
Yesterday the Bureau of Economic Analysis released the [first estimate](#) of gross domestic product (GDP) for the 1st quarter of 2024. Based on indicators such as the Atlanta Fed's [GDPNow](#), many had expected a growth rate in the range of 2.5 percent. In contrast, the data came in at 1.6 percent (see chart, below). This represents a fairly sharp slowdown from the previous two quarters.

With the benefit of hindsight, those two quarters now look more like the exception and not the norm. The Biden Administration inherited an economy growing quite rapidly in 2021, but it has steadily slowed since. So perhaps the 1.6 percent rate should have been the expectation.



The second insight that came from yesterday's data is that key components of spending in the economy seem to be converging. The chart below shows the annual growth rates of personal consumption expenditures (PCE) and non-residential fixed investment (NFI). As the chart displays, over the past couple of years these growth rates have diverged greatly.

But in the most recent couple of quarters, these growth rates look quite similar. This suggests that this rate of growth is more sustainable than one driven by a boom in household spending or business investment in a couple of quarters.



The final takeaway is that inflation remains with us. The core (non-food, non-energy) PCE price index rose at an annual rate of 3.7 percent in the first quarter (see chart, below). This is up sharply from the 2 percent rate in the final two quarters of 2023.

As a closing note, the PCE data implicitly include the PCE for March, which will be released at 8:30 this morning. Be ready for a hot inflation number (or revisions to the past data).

Core PCE Inflation (annual rate)

