

Economic Alert iQ



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International

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U.S. economy stalls in Q1 2015.

- U.S. economic growth was lower than expected in the first quarter as harsh weather dampened consumer spending and energy companies struggling with low prices slashed spending.
- Gross domestic product rose at 0.2% in Q1 compared to consensus expectations of 1.0%, after advancing 2.2% in the prior quarter Q4 2014.
- Consumer spending rose by 1.9% in Q1 compared to 4.4% in Q4, mainly driven by consumption of durable goods (1.1%), and services (2.8%), while nondurables contracted 0.3%. With business spending soft and the export sector stagnant, the near-term trajectory of the economy depends largely on consumer spending.
- Business investment contracted 3.4%, driven predominantly by the largest narrowing in the past four years (-23.1%) of nonresidential structures, including office buildings and factories. It grew 5.9% in the prior quarter. The pullback in investments is as a result of the oil sector slump, but more broadly due to slow industrial production and declining capacity utilization.
- Slower industrial production was not sufficient to stem inventory accumulation, resulting from weak demand. Inventories rose by USD110 billion compared to USD80 billion in Q4. Part of the rise in inventories is due to the continuing flood of cheaper imports, due to the strong appreciating US dollar.
- The GDP report also showed price pressures remain limited. A measure of inflation, which is tied to consumer spending and strips out food and energy costs, climbed at a 0.9% annualized pace, the smallest gain since the end of 2010.

- On a positive note, pending home sales are up 13.4% from a year earlier. If this rise persist, a more sustainable housing recovery is likely to take hold.
- Economic growth may pick up to a 3.1% pace in the second quarter, according to the median forecast in a Bloomberg survey conducted April 3 to April 8.
- The Fed's long-awaited liftoff on its benchmark interest rate won't happen until September, according to economists surveyed by Bloomberg, as officials try to spur inflation and hiring after the economy stumbled in the first quarter. Policy makers are due to release a statement later in the day.

Selected Indicator	Q2 14			Q3 14			Q4 14			Q1 15		
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Real GDP (qoq %)	--	--	4.6	--	--	5	--	--	2.2	--	--	0.2
Real GDP (yoy %)	--	--	2.6	--	--	2.7	--	--	2.4	--	--	3
Personal Consumption (qoq %)	--	--	2.5	--	--	3.2	--	--	4.4	--	--	1.9
Private Investment (qoq %)	--	--	19.1	--	--	7.2	--	--	3.7	--	--	2
Gov't Spending (qoq %)	--	--	1.7	--	--	4.4	--	--	-1.9	--	--	-0.8
Change in Inventories (USD bn)	--	--	84.8	--	--	82.2	--	--	80	--	--	110.3
Nominal GDP (USD bn)	--	--	17328	--	--	17600	--	--	17704	--	--	17710
Nominal GDP (yoy %)	--	--	4.3	--	--	4.3	--	--	3.7	--	--	3.9
GDP Price Deflator (qoq %)	--	--	2.1	--	--	1.4	--	--	0.1	--	--	-0.1
Core PCE Deflator (qoq %)	--	--	2	--	--	1.4	--	--	1.1	--	--	0.9

Source: Bloomberg

Selected Indicator	Q2 14			Q3 14			Q4 14			Q1 15		
	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
Consumer Prices												
Consumer Price Index (yoy %)	2	2.1	2.1	2	1.7	1.7	1.7	1.3	0.8	-0.1	0	-0.1
CPI ex-Food & Energy (yoy %)	1.8	2	1.9	1.9	1.7	1.7	1.8	1.7	1.6	1.6	1.7	1.8
PCE Price Index (yoy %)	1.5	1.7	1.6	1.6	1.5	1.4	1.4	1.2	0.8	0.2	0.3	
Core PCE Index (yoy %)	1.4	1.5	1.5	1.5	1.5	1.5	1.5	1.4	1.3	1.3	1.4	
Consumer Price Index (mom %)	0.2	0.3	0.2	0.1	-0.1	0.1	0.1	-0.3	-0.3	-0.7	0.2	0.2
CPI ex-Food & Energy (mom %)	0.2	0.2	0.1	0.1	0.1	0.1	0.2	0.1	0.1	0.2	0.2	0.2

Source: Bloomberg



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