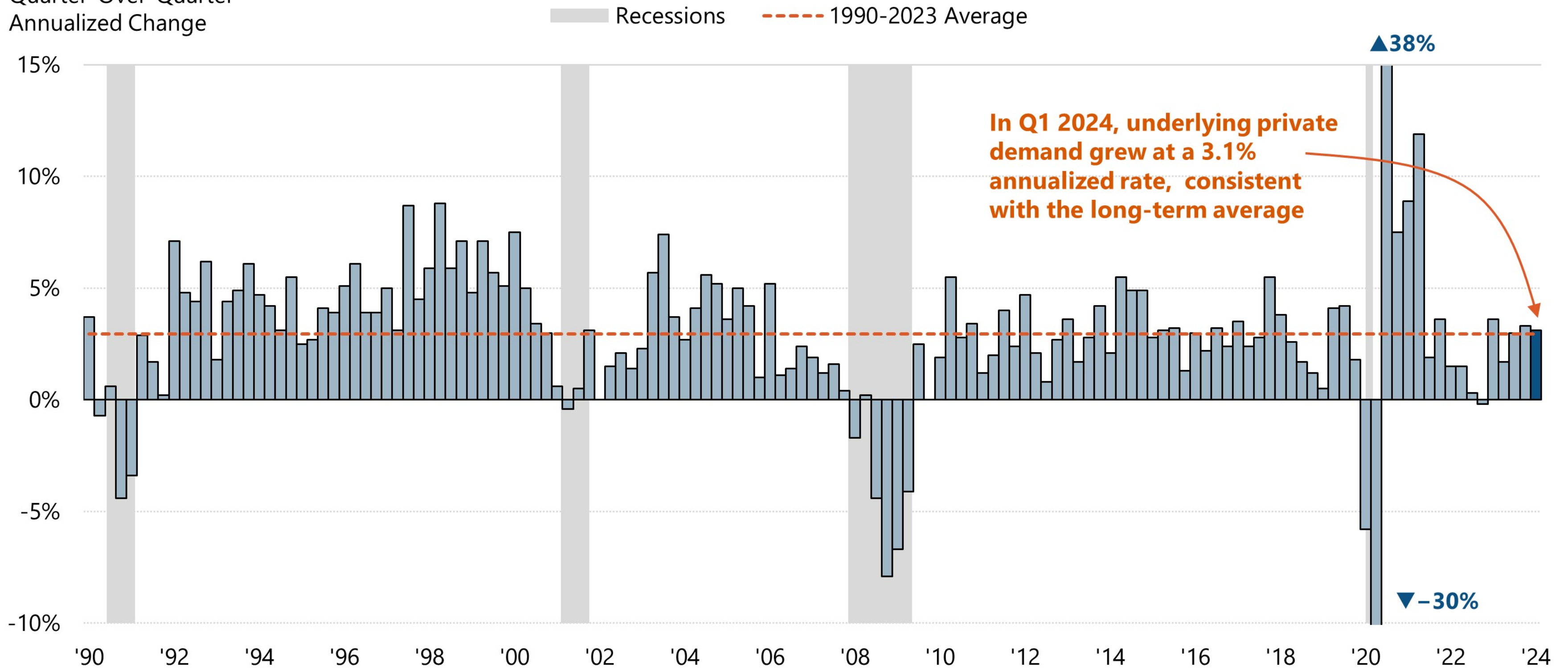


Inflated Fears

Real Final Sales To Private Domestic Purchasers*

For The Week Ending 04/26/2024

Quarter-Over-Quarter
Annualized Change



In Q1 2024, underlying private demand grew at a 3.1% annualized rate, consistent with the long-term average

Source: Bureau of Economic Analysis

*Personal consumption expenditures plus gross private fixed investment

The U.S. economy grew at a 1.6% annualized rate in Q1, below expectations, while the core Personal Consumption Expenditures (PCE) Price Index clocked in at 3.7% annualized. Consequently, whispers of “stagflation” circulated in markets. However, we saw evidence of continued (if not exceptional) U.S. economic strength. First, consumer spending on services contributed the most to GDP in any quarter since 2021. Second, housing investment rose by 14% in Q1—better than any quarter from 2013-2019. So, what detracted from growth? A surge in imports that outpaced exports shaved 86 basis points from topline growth. But we view this as a sign of U.S. consumer strength not weakness. Inventory investment also detracted 35 basis points, but it is often volatile. Real Final Sales to Private Domestic Purchasers, a gauge of underlying demand that excludes trade, inventories, and government spending, registered a 3.1% annualized growth rate. To investors worried about growth, we'd say the fuss is overdone. As for inflation? We can't help you there—we're also still worried.