

Economics Group

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First Quarter Contraction Deeper Than Initially Thought

Recording larger declines with each revised estimate, real GDP contracted at a 2.9 percent annual rate in Q1. A swift rebound in economic activity should unfold in Q2, with firming rates of growth expected in H2.

Health Care Spending Reversal

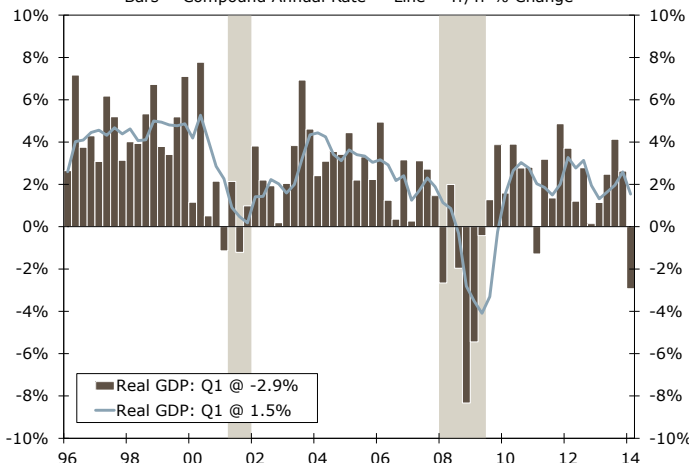
- The third pass at first quarter GDP resulted in the largest quarterly contraction since Q1 2009. Consumer healthcare spending, once thought to have been a positive, subtracted 0.16 percentage points from overall growth. As such, total consumer spending is now reported to have expanded at a 1.0 percent annual rate, substantially lower than the previously reported 3.1 percent estimate.

Wider Trade Deficit Also Unfavorable

- Primarily reflecting weaker export activity, net exports subtracted a larger 1.53 percentage points off GDP.
- While the first quarter disappointed on many fronts, the second quarter is shaping up for a swift rebound. Except for trade, all major sectors are expected to contribute to headline growth. Following our estimate of roughly 3.0 percent in Q2, we expect real GDP will continue to firm in the second half of the year.

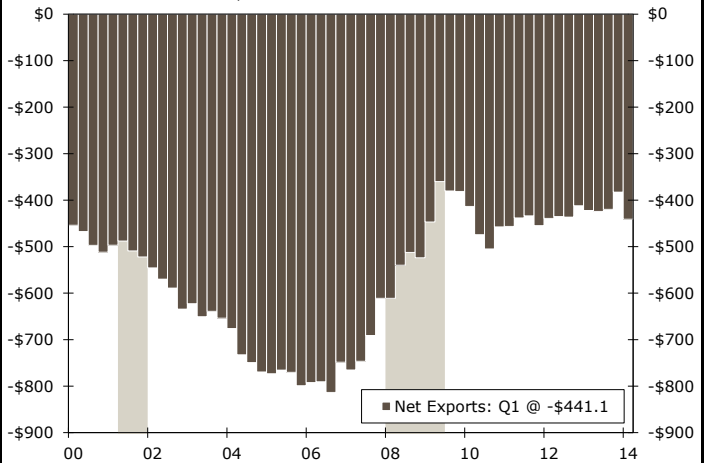
U.S. Real GDP

Bars = Compound Annual Rate Line = Yr/Yr % Change



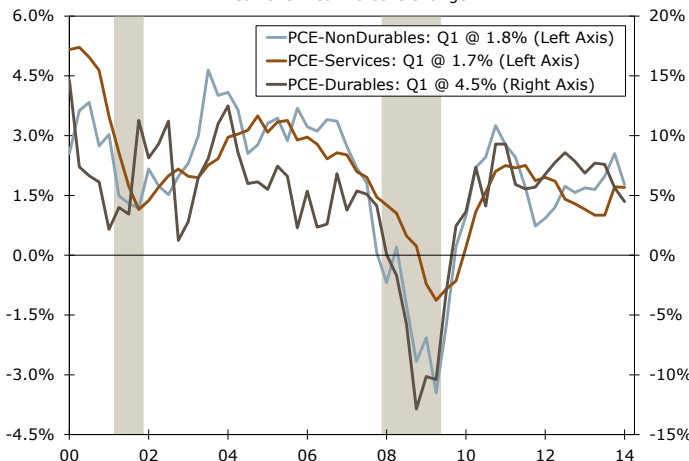
Net Exports of Goods and Services

SAAR, Billions of 2000 Chained Dollars



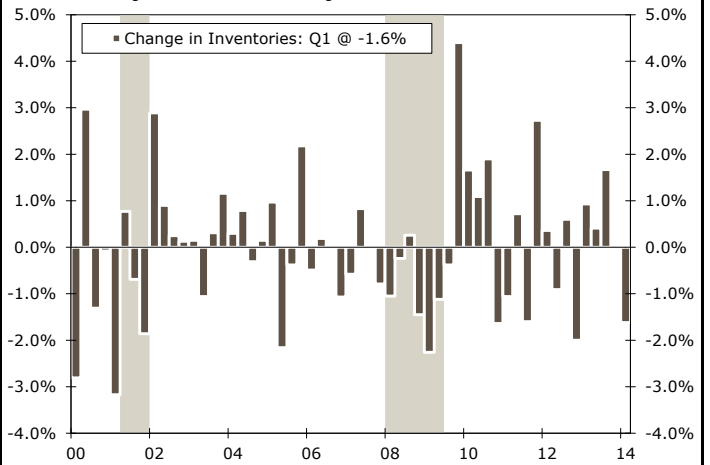
Real Personal Consumption Expenditures

Year-over-Year Percent Change



Real Gross Private Domestic Investment

Change in Inventories-Percentage Point Contribution to GDP Growth



Source: U.S. Department of Commerce and Wells Fargo Securities, LLC

Wells Fargo Securities, LLC Economics Group

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