Written by **Bob Adelmann** on April 28, 2017

# Latest GDP Report: The Good News and the Bad News

Friday's report from the Bureau of Economic Analysis (BEA) was so filled with disclaimers that one will have to wait another month to get a true picture of how the economy is performing under President Trump. In the meantime, said the BEA, real (inflation-adjusted) gross domestic product (GDP) increased at an annual rate of 0.7 percent in the first quarter of 2017.

However, last-minute retail sales data (which showed slowing) wasn't incorporated into Friday's report, causing the BEA to say that its estimate "is based on source data that are incomplete or subject to further revision." The "second" estimate on the first quarter's economic performance will be released on May 26.

Economists polled expected a 1.0 percent gain. The report from May is likely to be closer to 0.5 percent.

That would make it 11 straight years when the economy has failed to produce 3.0 percent growth in its economic output.

That's the bad news.

The good news is that the bad news will likely be revised higher in May. Part of the weakness in the first quarter was due to cuts in federal and state government spending. Part was due to the warm weather reducing energy demands for gasoline, home heating oil and gas, and winter clothes. Part is that inventory builds by retailers slacked off following an enormous increase in the final quarter of last year.

The consumer is in pretty good shape, and getting better. Strong stock market gains, an improving labor market, gradually rising real wages, and Trump optimism all will likely show up in improved economic activity in the second and third quarters.

Industry, especially construction, mining, and energy (which have been pushing the bulk of new labor gains), is continuing to add new oil rigs while restarting those that were idled during the last two years. It is also continuing to build new homes to meet unexpectedly high demand. According to the BEA, "fixed business investment" such as this increased more than 10 percent in the first quarter, far ahead of where it has been over the past several years. There is always a lag between such investment and final economic output.

There's more good news. The last time there was an extended period of 3.0 percent growth was the seven years under President Ronald Reagan (1983 through 1989), who implemented "Reaganomics" that looked very much like Donald Trump's "Trumponomics": tax cuts, cuts in government red tape, and increased employment, resulting a rising stock market.

Don't read too much into Friday's report. There's good news a-comin'.

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