

Expect better news from today's US GDP

Today should see an upward revision to growth, but it is better prospects for 2Q17 that will drive the Fed's decision-making



Source: iStock

1Q17 US GDP was a disappointment, rising 0.7% QoQ annualised. However, the Federal Reserve appears pretty relaxed, suggesting they think it was a “transitory” slowdown. We should get a slight upward revision today to 1% – still worse than pretty much all other developed markets – but at least it is a move in the right direction. Retail sales were revised higher, as was construction spending, while decent manufacturing numbers should also contribute to a better outturn for today's GDP revision.

However, it is the 2Q data that will determine whether the Fed will hike at the June FOMC meeting and here the newsflow has been better. Confidence and business surveys remain at high levels and early data for the quarter suggest a decent rebound is likely in 2Q. This should back up the Fed's story of economic weakness only being temporary and will help nudge markets further in the direction of a June rate hike.

1.0%

ING 1Q GDP forecast

(QoQ%)

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