

GROSS DOMESTIC PRODUCT UPDATE

APRIL 30, 2025

The Bureau of Economic Analysis (BEA) has released its initial estimate for Q1 2025 Gross Domestic Product (GDP), reporting a contraction of 0.3%. This marks the first quarter of economic decline since 2022. The contraction was largely driven by a notable increase in imports, stemming from ongoing uncertainty surrounding the potential implementation of new tariffs. Since imports are subtracted in the GDP calculation, this shift resulted in a negative impact on the overall economic growth.

Real GDP, Percent Change from Preceding Quarter

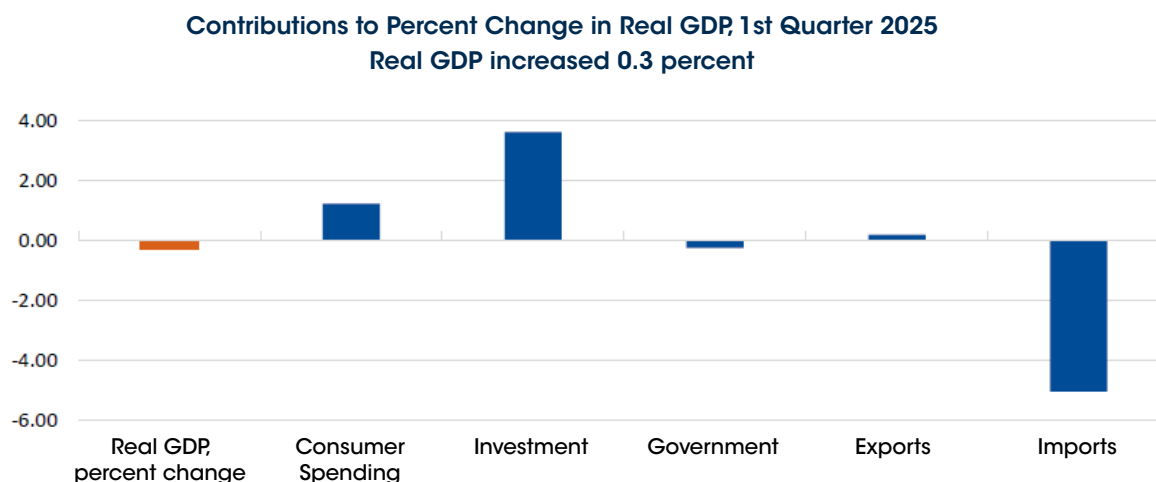


Source: U.S. Bureau of Economic Analysis

When compared to Q4 2024, the deceleration in real GDP during Q1 reflected several factors: a sharp rise in imports, a slowdown in consumer spending, and a reduction in government expenditures. However, personal consumption—which comprises over two-thirds of GDP—rose by 3.6%, up from 2.4% in the previous quarter. A detailed breakdown of personal consumption reveals that goods increased by 0.5%, services grew by 2.4%, and private domestic investment surged by 21.9%. Notably, nonresidential investment within private domestic investment rose by 9.8%, driven largely by a 22.5% increase in equipment investment for the quarter.

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Note. Imports are a subtraction in the calculation of GDP; thus, an increase in imports results in a negative contribution to GDP. U.S. Bureau Economic Analysis

Source: U.S. Bureau of Economic Analysis

Although the headline GDP figure indicates a contraction, which would typically raise concerns, a closer look at the underlying components presents a more nuanced picture. Personal consumption showed solid growth after a sluggish start to the year, fueled in part by a rush to purchase goods ahead of expected tariff increases. Since tariffs are deducted in the GDP calculation, their negative impact on the economy in Q1 may turn into a tailwind in subsequent quarters.

Overall, despite the contraction, the economy remains stable, with positive signals emerging from consumer spending and investment. This initial estimate is subject to revision as additional data becomes available, with the next update to be released on May 29, 2025.

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