

## May 1, 2023 – Economic Commentary

The surprising 1.1% first estimate of Q1 US growth, released last Friday, provides the context for scrutinizing the economic activity numbers for April being released this week -- and for evaluating the Federal Open Market Committee (FOMC) decision on interest rates on Wednesday. It seems highly likely at this point, especially with the resolution of the First Republic saga, that the Fed will raise the Fed Funds rate another 25 bps and signal some willingness to pause and watch decelerating payroll growth and possible economic slowdown for an impact on still-too-high inflation. Complicating matters considerably for the Fed is the fact that the weaker-than-expected first quarter growth was primarily due to inventory decumulation (likely to be reversed in Q2) and weak business fixed investment, while consumer spending remained very robust. Numbers detailing economic activity in April in the critical (and very large) service sector will be released just prior to the FOMC announcement of monetary policy changes and should receive considerable discussion at the press conference that follows.

### Data to Watch:

1. US ISM Service Sector Purchasing Managers Index (PMI) for April, released Wednesday, May 3
2. FOMC Interest Rate announcement and press conference, Wednesday, May 3
3. US Initial Claims for Unemployment for week ending April 29, released Thursday, May 4
4. US Non-Farm Payrolls and Unemployment Rate for April, released Friday, May 5

### Suggested Reading:

[The air has come out of the Dollar](#)

[‘The Godfather of AI’ leaves Google and warns of dangers ahead](#)

[Has France really gone to hell? Its catastrophist discourse is at odds with the facts](#)

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