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Personal Consumption: Q1 GDP Rewritten

February personal consumption rises a more-than-expected 0.8% (Consensus: +0.6%; Decision Economics: +0.7%) from a January level revised up by 0.2%.

That pattern of surprising, or newfound, strength ripples through to the constant dollar numbers in a way that essentially rewrites the first-quarter GDP outlook. On the revised numbers, January real consumption is up 0.8% annualized from the fourth-quarter average, as against being flat on the old numbers, and February is up 2.8% annualized.

Even on the assumption of just modest real consumption growth in March, first quarter consumption will be up 2%-2.5%--as against +1.1% built into the standing DE GDP forecast and many others.

GDP forecasts will be revised up by a large fraction of a percentage point. More significantly, the general outlook for the economy will strengthen too, by virtue of the stronger--more normal--consumer spending picture.

There will be no sharp Fed re-think on this development, but hawks clearly gain ground for their wait-and-see view--and FOMC middle-of-the-roaders will lean away from thoughts of further near-term stimulus.

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