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Economic Indicator Insights

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GDP Revision: Stronger Consumer, Trade

The second estimate of Q2 GDP shows the U.S. economy expanded at 1.7% Q/Q annualized, up two-tenths from the advance estimate. Personal consumption expenditures grew 1.7% Q/Q annualized as well, from 1.5% in the advance estimate, as stronger purchases of durable goods more than offset a drop in non-durables purchases. Utilities spending provided a lift as households faced one of the hottest summers in the past fifty years.

Revisions reflect a trade deficit that has improved by more than expected. Exports increased 6% Q/Q, up 0.7% from the initial estimate, as goods exports grew 7.3% Q/Q. The pace of growth for imports was revised to 2.9% Q/Q from an initial estimate of 6% Q/Q.

Business investment posted a +4.7% Q/Q annualized print, the slowest pace since 2009.

While today's report does not do much to alter the current backdrop of slow expansion, it does ease some anxieties a bit. Exports are not suffering (yet) despite a Eurozone contraction. As uncertainties over the Fiscal Cliff and November election move into the foreground, it seems plausible that households and businesses would curtail spending and investment and this fresh data shows that households (at least for

now) have not. Even though the stronger consumer expenditures were somewhat on temporary factors, a better picture of durable goods spending suggests that households are not curtailing major purchases as much as previously thought. Businesses, however, are delaying investment decisions. The employment report on Friday will show if businesses are putting off hiring decisions as well.