

# United States

## GDP growth confirmed at 2.5% in Q2, but worries persist about weak demand

- **GDP rose at 2.5% rate in Q2, fuelled by 2.1% rise in final sales**
- **But prices charged fall at 0.1% pace, indicating discounting needed to win sales**
- **Jobless claims lowest since mid-2007**

The US economy grew at an annualised pace of 2.5% in the second quarter, in line with the previous estimate but defying analysts' expectations of a pick up to 2.6%.

There was better news on final sales, which strip out inventories, which grew faster than previously thought, increasing at an annualised rate of 2.1% instead of 1.9%.

Worryingly, it looks like even this relatively modest growth is only being achieved by firms cutting prices. Prices charged for goods and services fell at an annualised rate of 0.1%. That was the first time these prices have fallen since the dark days of early-2009 and points to a general lack of demand growth.

The data therefore look likely to further dissuade policy makers that the economy is ready to withstand any tapering of the Fed asset purchases programme, especially as more up to date indicators such as retail sales, manufacturing output, the flash PMI and durable goods orders all suggest the economy has lost momentum again as we move towards the fourth quarter.

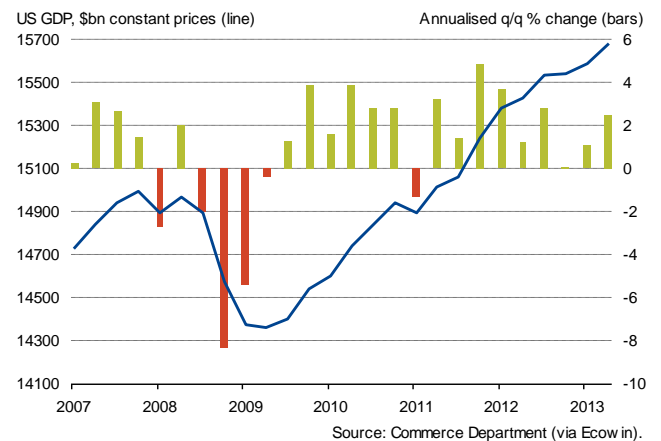
The Fed is likely to want to see these indicators start to firm up again, signaling a resumption of the healthy pace of growth indicated in the spring, before seriously considering any QE tapering. That may well take until next year.

### Labour market new improves

Initial jobless claims were better than expected, coming in at 305k last week against expectations of 325k. At face value, the data provide some encouragement that the job market continues to improve: average weekly initial claims in the four weeks to September 20 were the lowest since June

2007. Although the Labour Department noted there were no "special factors" that will have affected the data, the numbers will no doubt be treated with some caution by many.

### US GDP



### Initial jobless claims



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