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Markit Economic Research

29/08/2013

United States

US economic growth revised higher

- **Second quarter GDP growth revised up from 1.7% to 2.5%**
- **Broad-based improvement across all main sectors**
- **Revision linked to better export performance**

The US economy grew faster than previously thought in the three months to June, largely attributable to an improvement in export performance. GDP is now estimated to have grown at an annualised rate of 2.5% in the second quarter, compared with an initial estimate of 1.7%, according to the Commerce Department.

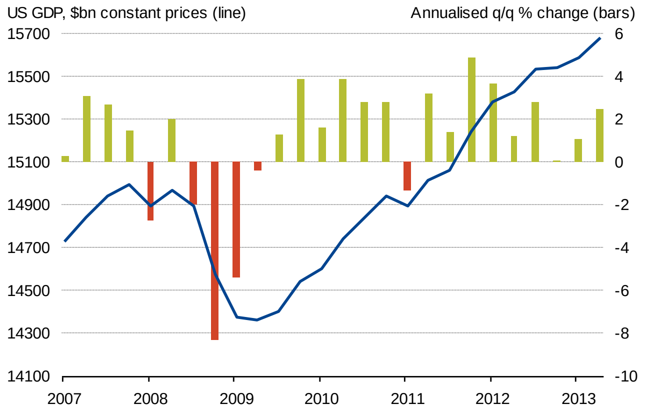
The quarter-on-quarter increase of 0.6% in the second quarter was double the 0.3% rise seen in the first three months of the year. With growth having accelerated since coming to a near standstill at the end of last year, the economy has grown 9.1% since the low reached in the second quarter of 2009 and is now 4.6% larger than the pre-recession peak.

Recent data suggest the recovery continued into the third quarter. Markit's flash manufacturing PMI rose higher in August as order book growth hit a seven-month high; surveys of consumer confidence remained elevated and suggest consumer spending and retail sales will have continued to rise; and house building activity also picked up in July. However, the data provide little indication that growth will accelerate to any significant degree.

Export upturn

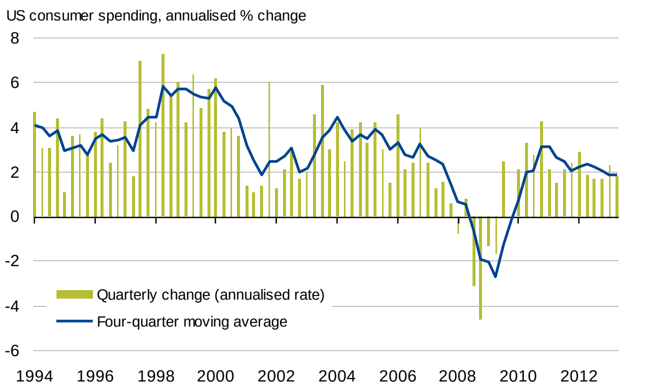
The main cause of the better than previously thought growth in the second quarter was an upward revision to exports (an annualised growth rate of 8.6% compared to a 1.3% fall in the first quarter). This meant that net trade made a positive contribution to the economy. Business investment growth was also revised up from 9.0% to 9.9%, but consumer spending growth was left unchanged at a modest 1.8%, down from 2.3% in the first quarter. Government spending fell at an annualised rate of 1.6%.

GDP



Source: Commerce Department (via Ecowin).

Consumer spending



Source: Commerce Department (via Ecowin).

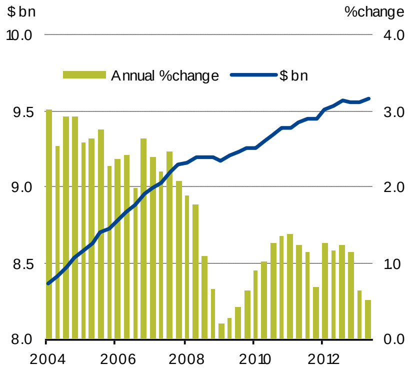
Growth of inventories added 0.6% to overall 2.5% GDP growth rate. The resulting 1.9% annualised increase in real final sales of domestic product compares to just 0.2% in the first three months of the year.

Broad-based growth

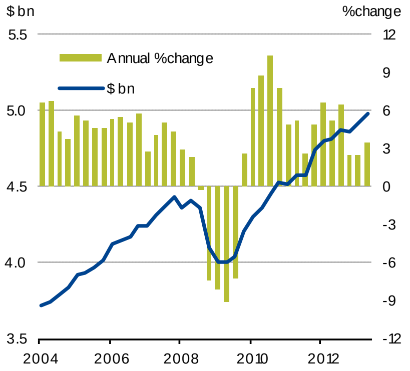
Growth was broad-based by sector, though rates of expansion varied markedly. The dominant service sector grew just 0.1% (quarter-on-quarter), replicating an identical rise seen in the first quarter. Manufacturing posted a far more impressive 1.2% gain, building on a 1.3% increase seen in the first three months of the year. Construction meanwhile expanded 2.2%, though the rise failed to make up for the 2.4% decline registered in the first quarter.

The second quarter improvements mean the services economy is now 4.1% larger than before the recession struck (a recession which appears to have barely affected the services economy). Meanwhile, goods output has jumped 12.5%. Construction, on the other hand, remains 30.4% below its pre-crisis peak.

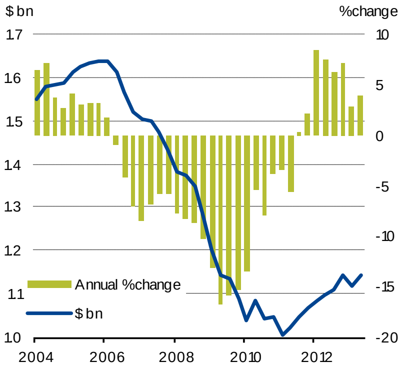
Services



Goods



Construction



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