ECONOMIC NEWS

# United States: Real GDP Picks Up Again

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## HIGHLIGHTS

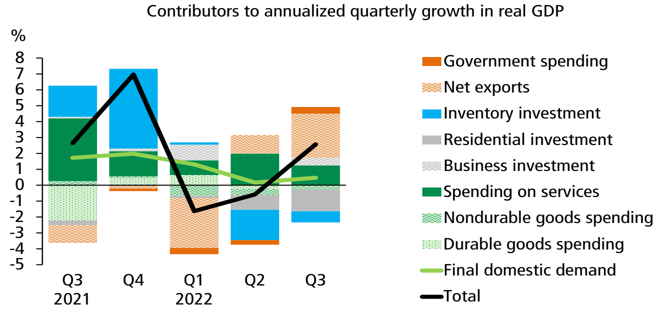
- According to advance GDP estimates, US real GDP grew at an annualized rate of 2.6% in the third quarter of 2022. This comes after two successive quarters of declines: -1.6% (quarterly annualized variation) in Q1 and -0.6% in Q2.
- Real spending was up 1.4% (annualized) in the third quarter. With durable goods spending down 0.8% and nondurable goods spending at -1.4%, the gain comes from spending on services, which picked up 2.8%.
- Nonresidential fixed investment by business grew 3.7%, while nonresidential construction tumbled 15.3%. Investment in equipment posted a solid 10.8% gain. Investment in intellectual property products grew 6.9%. Residential investment plunged 26.4%, suffering its worst decline since spring 2020.
- Private inventory investment fell from +US$110.2 billion to +US$61.9 billion, shaving 0.70 points off real GDP growth.
- International trade contributed a healthy 2.77 percentage points. Real exports shot up 14.4% while real imports declined 6.9%.
- Government spending was up 2.4%.

## COMMENTS

The good news first: the US economy has finally posted quarterly real GDP growth in 2022! After suffering a first contraction in Q1, driven by a drop in net exports, and a second in Q2 caused by weaker inventory investment, growth has returned to positive territory. A big contributor was the combination of increased exports and reduced imports. Other contributors were continued spending on services and a return to growth in business investment and government spending.

Still, there are some weaknesses hiding behind this gain: final domestic demand increased a mere 0.5% after growing 0.2% in Q2. The sector struggling the most is undeniably construction. Business investment in structures has been in near constant decline since the summer of 2019, now down 28.0% overall. Residential investment is down an overall 15.1% since peaking in early 2021. And as interest rate hikes are poised to continue, the construction sector is likely to take a further hit. Another weak spot is real goods spending, which has posted declines four out of the past five quarters. Again here, rate hikes and cost-of-living increases will continue to take a toll.

**GRAPH**
**Growth is driven mainly by international trade as domestic demand remains relatively flat**




Sources: Bureau of Economic Analysis and Desjardins Economic Studies

## IMPLICATIONS

After two quarters of contractions, an increase in real GDP is good news. But weak domestic demand suggests it's not all smooth sailing ahead. Things could take a turn for the worse at the end of 2022 or in 2023 as the US economy continues to react to interest rate hikes, which are needed to curb inflation.

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