**HIGHLIGHTS**

- Real GDP expanded by 1.7% (at an annualized quarterly rate) in the second quarter of 2013, way above expectations.
- Consumer spending, having risen by 1.8%, made a significant contribution to this growth. Residential investment also escalated strongly (+13.4%). Non-residential investments were up by 4.8%. On the other hand, government spending continued to decline, dropping by 0.4%. All told, domestic demand is posting a gain of 2.0%.
- Change in inventories edged up in the second quarter: its contribution to the variation in real GDP comes to +0.4%.
- Exports climbed by 5.4%, while imports surged by 9.5%. Thus the balance of trade deteriorated during the quarter, contributing -0.8% to real GDP.
- The Bureau of Economic Analysis has made many changes in the methodology it uses to compile economic accounts. For example, the base year for data expressed in real terms has changed from 2005 to 2009. And in accordance with international standards, a new category has been added: that of investments in intellectual property products (which includes business investments in the field of research and development, software and mining exploration).

**COMMENTS**

The faster-than-expected growth in the second quarter of 2013 is certainly good news. However, for a more complete picture of the state of health of the U.S. economy, we must also take into account the major historical revisions that the Bureau of Economic Analysis has made to the U.S. economic accounts.

Generally speaking, the new estimates are pretty much in line with the initial numbers. For instance, for the period from 1929 to 2012, average annual GDP growth now stands at 3.3%, a mere 0.1% higher than the previous data. Having said that, the changes over the short term are a bit more significant. The increase in real GDP for the year 2012 is now 2.8%, compared with 2.2% according to the previous estimates. This better number is due to more robust growth at the end of 2011 and the beginning of 2012. But for the second half of 2012 and the beginning of 2013, the growth has been revised downwards. Moreover, real GDP growth for the first quarter of 2013 is now estimated at 1.1%, versus 1.8% according to the initial data.

**Implications:** The benefits of more-robust-than-expected real GDP growth in the second quarter of 2013 are offset by the downwards revision of growth in the second half of 2012 and the first quarter of 2013. As a result, the increase in U.S. real GDP for the year 2013 as a whole will probably be in the neighbourhood of 1.7%, which is similar to our most recent forecasts. This should give some comfort to the Federal Reserve as far as its strategy for scaling back securities purchases is concerned. To be continued this afternoon...

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**Economic growth has been revised downwards slightly for the second half of 2012 and the beginning of 2013**

![Graph showing economic growth revised downwards](image-url)