



## UNITED STATES

### Real GDP is revised sharply upwards

#### HIGHLIGHTS

- The second estimate of national accounts for the second quarter has resulted in a definite upwards revision of the annualized change in real GDP, from an initial estimate of 2.3% to 3.7%. This means that the rally after last winter's slow growth of 0.6% was far more pronounced than previously thought.
- Real consumption growth was revised upwards slightly, from 2.9% to 3.1%.
- The revisions to business investment are more substantial. Non-residential construction leaps from a contraction of 1.6% to a gain of 3.1%. The decline in investment in equipment is far less serious: -0.4% instead of -4.1%.
- The contribution from changes in inventory is raised from US\$110.0B to US\$121.1B. This adds an extra 0.3 percentage point to real GDP growth.
- The big surprise comes from government spending. Its annualized increase is up, from 0.8% to 2.6%. This is its strongest growth since the spring of 2010.
- Growth in exports has remained practically stable, while that of imports is down, from 3.5% to 2.8%.

#### COMMENTS

This revision of second-quarter national accounts brings very good news. Historically, the average scope of the difference between the first and second version has been in the order of  $\pm 0.5$  percentage point. The revision released today is nearly three times larger!

Keep in mind that when the first version of second-quarter real GDP was released, the figure of 2.3% was rather disappointing. After meagre growth of 0.6% during the winter, we had been hoping for a more vigorous rally. This revision puts things back on track. We are especially encouraged by the gains in investment and in government spending. In the latter case, the rebound is mainly attributable to the states and municipalities, whose spending is up by 4.3%—the sharpest increase since the end of 2001.

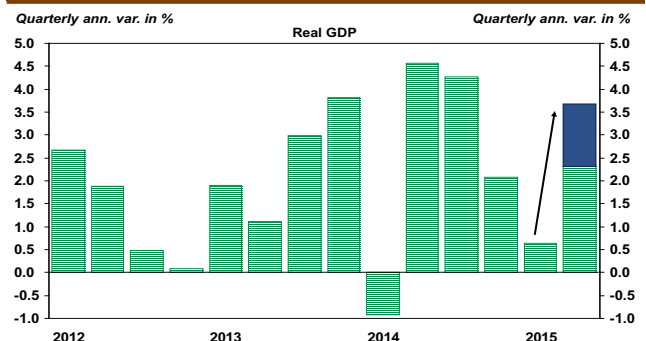
#### Many components of real GDP have contributed to its upwards revision

Contributions to real GDP growth in Q2 2015

GDP components	First estimate (in % points)	Second estimate (in % points)	
Personal consumption	1.99	2.11	+0.12
Residential investment	0.21	0.25	+0.04
Private non-residential investment	-0.07	0.41	+0.48
Government spending	0.14	0.47	+0.33
Exports	0.67	0.65	-0.02
Imports	-0.54	-0.42	+0.12
Changes in inventory	-0.08	0.22	+0.30
<b>TOTAL</b>	<b>2.3</b>	<b>3.7</b>	<b>+1.4</b>
Final domestic demand	2.2	3.2	+1.0

Sources: Bureau of Economic Analysis and Desjardins, Economic Studies

#### The rally after the weakness of the first quarter is now shown to be more pronounced



Sources: Bureau of Economic Analysis and Desjardins, Economic Studies

**Implications:** This improvement in second-quarter real GDP growth provides reassurance about the robustness of the U.S. economy. Data like these could, if the financial volatility of the past week calms down, encourage the Federal Reserve to soon move forward and begin raising key interest rates.

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