

# ECONOMIC NEWS

## United States: Growth in Real GDP More Modest than Expected

By Benoit P. Durocher, Senior Economist

### HIGHLIGHTS

- ▶ Real GDP rose an annualized 6.5% between the first and second quarter of 2021.
- ▶ Domestic demand advanced 7.9%. Consumer spending was up 11.8%, while non-residential investment climbed by 8.0%. These gains were partly offset, however, by a reduction in residential investment (-9.8%) and government spending (-1.5%).
- ▶ Goods and services exports rose 6.0%, while imports grew by 7.8%. The trade balance therefore deteriorated by -\$32.9B in 2012 U.S. dollars, translating into a contribution of -0.4% to the quarterly annualized variation in real GDP.
- ▶ The contribution of inventories to the quarterly annualized variation in real GDP was -1.1%.

### COMMENTS

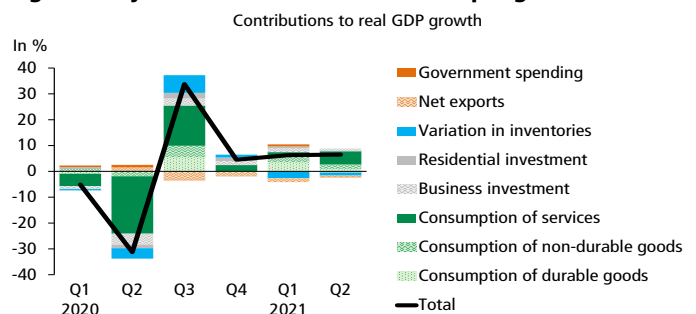
Expectations were very high for the second quarter: the 6.5% increase in real GDP is therefore disappointing in some respects. Furthermore, the reduction in residential investment was a surprise, as the preliminary data suggested good growth for the quarter. The same is true for government spending. The increase in imports also exceeded our projections, resulting in a larger than expected reduction in the contribution of international trade to economic growth.

That said, the increase in real GDP observed in the second quarter is still very high from a historical perspective. It was high enough to allow the U.S. economy to completely recover the ground it lost during the pandemic.

### IMPLICATIONS

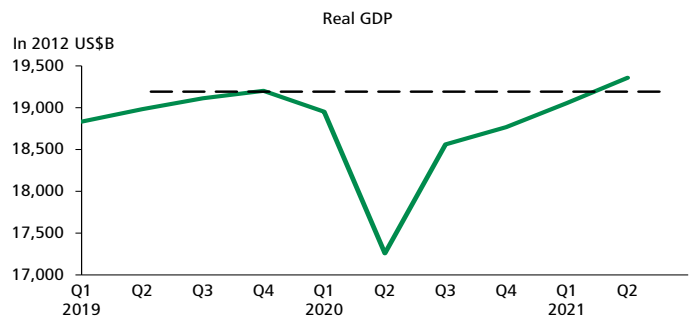
Despite the full recovery of real GDP, the effects of the pandemic are continuing to be felt on the U.S. economy. For example,

**GRAPH 1**  
Consumption and non-residential investment contributed significantly to the increase in real GDP in spring 2021



Sources: Bureau of Economic Analysis and Desjardins, Economic Studies

**GRAPH 2**  
Real GDP has now completely recovered



Sources: Bureau of Economic Analysis and Desjardins, Economic Studies

the job market still has some catching up to do. This is pushing the monetary authorities toward caution, as could be observed yesterday in the Federal Reserve's press release.