ECONOMIC NEWS

United States: Economic Growth Has Slowed

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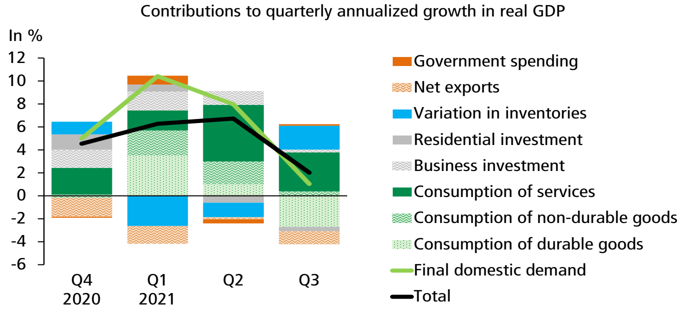
HIGHLIGHTS

- U.S. real GDP rose an annualized 2.0% (0.5% non-annualized) between the second and third quarters of 2021 according to the advance estimate of national accounts. This follows annualized quarterly variations of 6.7% in the spring and 6.3% last winter. Real GDP is now 1.4% above its level at the end of 2019.
- Real consumption grew by only 1.6% annualized in the third quarter. Consumption of durable goods fell 26.2%, the worst contraction since fall 2008. Consumption of non-durable goods was up 2.6%, while services grew at an annualized rate of 7.9%.
- Non-residential fixed investment by businesses advanced 1.8%. Private non-residential construction was down 7.3%. Equipment investment dipped 3.2%, the first decline since the spring of 2020. Investment linked to intellectual property products grew 12.2%. The change in inventories stood at -US$77.7B, up from -US$168.5B. Residential investment shrank by 7.7%.
- International trade took a 1.14 percentage-point bite out of growth. Real imports were up 6.1%, whereas real exports were down 2.5%.
- Government expenditures rose 0.8%.

GRAPH
Drop in consumption of durable goods, especially motor vehicles, weighed on real GDP growth



Sources: Bureau of Economic Analysis and Desjardins, Economic Studies

COMMENTS

The U.S. economy has just experienced its weakest real GDP growth since the recovery began a year ago. An uptick representing less than a third of the growth logged in the first two quarters of 2021 naturally comes as a disappointment. The main reason for this slowdown is the automotive sector. The supply problems experienced by this industry caused a 41.6% annualized decline in vehicle production. This triggered declines of 53.9% in motor vehicle consumption, 18.9% in investment in transportation equipment, 6.8% in automotive-related exports and US$46.5B in dealer inventories. Excluding the automotive sector, real GDP would have grown by an annualized 3.5% in the third quarter.

Other sectors have definitely weakened as well, with a slowdown in consumption of non-durable goods and a further contraction in residential investment. The federal government's contribution was also lower, with a 4.7% reduction in spending and a 5.6% decline in real household disposable income (partly due to the end of support measures). There was some upbeat news: the recovery in services consumption remains robust and business investment in intellectual property products already stands 12.7% above its fall 2019 level.

IMPLICATIONS

Now that real GDP surpassed its pre-pandemic level, we can expect lower growth rates than during the recovery period. That being said, this summer's slowdown is still disappointing, but was sparked primarily by supply problems that will hopefully be temporary.