

# U.S. Data Review

- Q2 GDP: modest upward revision led by consumer spending
- Gross Domestic Income (GDI) suggests a better performance in the economy

**Lawrence Werther**

Daiwa Capital Markets America  
lawrence.werther@us.daiwacm.com

## Revised Q2 GDP

The second estimate of Q2 GDP was a touch firmer than the preliminary tally, with output falling at a slower pace (-0.6 percent versus -0.9 percent). The soft results followed a contraction of 1.6 percent in growth in the first quarter.

Consumer spending stood out on the positive side, with growth revised 0.5 percentage point higher to 1.5 percent. Spending on services was adjusted lower (growth of 3.6 percent versus 4.1 percent in the preliminary tally), but outlays for both durable and nondurable goods were revised higher. (Outlays for goods still contracted, but less than first reported: spending on durable goods eased 0.1 percent rather than falling 2.6 percent, and spending on nondurable items slipped 3.7 percent instead of 5.5 percent.)

The contribution of inventory investment to GDP growth was revised higher by 0.2 percentage point, although the constraint of 1.8 percentage points was still a substantial drag on economic activity.

Revisions to other components were modest. On the positive side, business investment in intellectual property was firmer than first reported, and state and local government spending was less of a drag than previously estimated. Residential and business-related construction were revised lower, as were outlays by the federal government.

While GDP contracted for the second consecutive quarter, an alternative measure of economic output, Gross Domestic Income (GDI), showed better results for the U.S. economy. GDI, which measures incomes earned from production (wages, corporate profits) rather than the value of final goods and services produced in the U.S., registered growth of 1.4 percent in Q2 after advancing 1.8 percent in Q1. While the two measures should track closely, differences can emerge because of measurement issues. Thus, the Commerce Department suggests averaging the two metrics to get a more complete view on economic activity. The average of GDP and GDI showed growth of 0.4 percent in Q2 after an advance of 0.1 percent in Q1, less impressive than results for GDI alone but offering evidence that the economy is not contracting.

Aside from new data on the performance of the economy, the report on revised Q2 GDP showed an upward adjustment to already-rapid inflation, as the GDP price index surged 8.9 percent (versus a preliminary reading of 8.7 percent). The sharp increase followed a jump of 8.2 percent in the first quarter, implying broad price pressure in the economy.

Today's report contained data on corporate profits for the second quarter. After-tax corporate profits rose 9.1 percent (not annualized) after dropping 4.9 percent in Q1. The recovery in Q2 offset the slippage in Q1 and added to the strong performance last year. The level of profits remained well above pre-pandemic norms.

## GDP and Related Items\*

	22-Q1	22-Q2(a)	22-Q2(p)
<b>1. Gross Domestic Product</b>	-1.6	-0.9	-0.6
<b>2. Personal Consumption Expenditures</b>	1.8	1.0	1.5
<b>3. Nonresidential Fixed Investment</b>	10.0	-0.1	0.0
<b>3a. Nonresidential Structures</b>	-0.9	-11.7	-13.2
<b>3b. Nonresidential Equipment</b>	14.1	-2.7	-2.7
<b>3c. Intellectual Property Products</b>	11.2	9.2	10.0
<b>4. Change in Business Inventories (Contribution to GDP Growth)</b>	-0.4	-2.0	-1.8
<b>5. Residential Construction</b>	0.4	-14.0	-16.2
<b>6. Total Government Purchases</b>	-2.9	-1.9	-1.8
<b>6a. Federal Government Purchases</b>	-6.8	-3.2	-3.9
<b>6b. State and Local Govt. Purchases</b>	-0.5	-1.2	-0.6
<b>7. Net Exports (Contribution to GDP Growth)</b>	-3.2	1.4	1.4
<b>7a. Exports</b>	-4.8	18.0	17.6
<b>7b. Imports</b>	18.9	3.1	2.8
<b>Additional Items</b>			
<b>8. Final Sales</b>	-1.2	1.1	1.3
<b>9. Final Sales to Domestic Purchasers</b>	2.0	-0.3	-0.2
<b>10. Gross Domestic Income</b>	1.8	--	1.4
<b>11. Average of GDP &amp; GDI</b>	0.1	--	0.4
<b>12. GDP Chained Price Index</b>	8.2	8.7	8.9
<b>13. Core PCE Price Index</b>	5.2	4.4	4.4
<b>14. After-tax Corp. Profits (not annualized)</b>	-4.9	--	9.1

\* Percent change SAAR, except as noted

(a) = advance (1<sup>st</sup> estimate of GDP); (p) = preliminary (2<sup>nd</sup> estimate of GDP)

Source: Bureau of Economic Analysis via Haver Analytics