

# U.S. Data Review

- Revised Q2 GDP: consumer spending revised lower, business investment adjusted upward
- Benchmark revisions: modest adjustments to growth

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## Revised Q2 GDP

- The final (third) estimate of GDP growth was unrevised from the preliminary (2nd) tally of 2.1 percent, although shifts in some areas were notable. In addition to the final estimate of Q2 growth, benchmark revisions for current dollar measures of GDP and components were revised from the first quarter of 2013 through the first quarter of 2023. GDI and various components of income were adjusted from 1979-Q1 to 2023-Q1. The reference year for chain-type quantity and price indexes was shifted to 2017 from 2012. Revisions to GDP data, on balance, were modestly favorable.
- A downward revision to consumer spending was the most notable aspect of the final adjustments to Q2 GDP (growth of 0.8 percent versus 1.7 percent). The consumer appeared to be more active in Q3, however, with July data on real consumer outlays suggesting growth in the area of 3.0 percent, annual rate, for the quarter. Data on real consumer spending for August (and revisions to July figures) published in tomorrow's Personal Income and Consumption report will go a long way in either confirming the rebound or in suggesting the need for a more cautious assessment of the consumer for the second half of 2023.

### GDP and Related Items\*

	23-Q1	23-Q2 (p)	23-Q2 (r)
1. <b>Gross Domestic Product</b>	2.2	2.1	2.1
2. <b>Personal Consumption Expenditures</b>	3.8	1.7	0.8
3. <b>Nonresidential Fixed Investment</b>	5.7	6.1	7.4
3a. <b>Nonresidential Structures</b>	30.3	11.2	16.1
3b. <b>Nonresidential Equipment</b>	-4.1	7.7	7.7
3c. <b>Intellectual Property Products</b>	3.8	2.2	2.7
4. <b>Change in Business Inventories (Contribution to GDP Growth)</b>	-2.2	-0.1	0.0
5. <b>Residential Construction</b>	-5.3	-3.6	-2.2
6. <b>Total Government Purchases</b>	4.8	3.3	3.3
6a. <b>Federal Government Purchases</b>	5.2	1.2	1.1
6b. <b>State and Local Govt. Purchases</b>	4.6	4.7	4.7
7. <b>Net Exports (Contribution to GDP Growth)</b>	0.6	-0.2	0.0
7a. <b>Exports</b>	6.8	-10.6	-9.3
7b. <b>Imports</b>	1.3	-7.0	-7.6
<b>Additional Items</b>			
8. <b>Final Sales</b>	4.6	2.2	2.1
9. <b>Final Sales to Domestic Purchasers</b>	3.8	2.3	2.0
10. <b>Gross Domestic Income</b>	0.5	0.5	0.7
11. <b>Average of GDP &amp; GDI</b>	1.4	1.3	1.4
12. <b>GDP Chained Price Index</b>	3.9	2.0	1.7
13. <b>Core PCE Price Index</b>	5.0	3.7	3.7

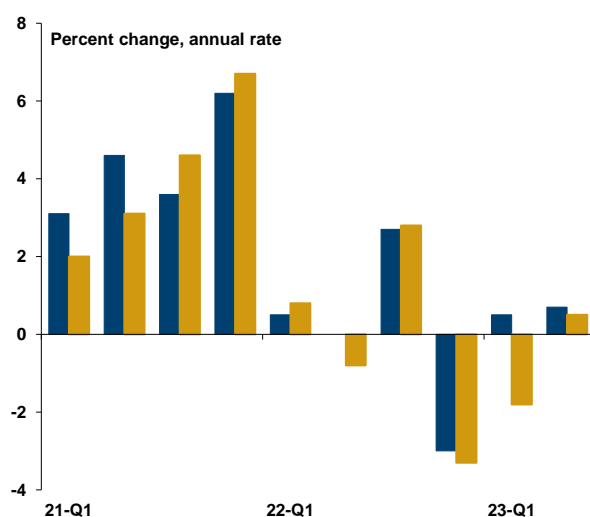
\* Percent change SAAR, except as noted. (p) = preliminary (2<sup>nd</sup> estimate of GDP), (r) = revised (3<sup>rd</sup> estimate of GDP).

Source: Bureau of Economic Analysis via Haver Analytics

- Adjustments to business fixed investment in Q2 were more favorable. Outlays for new business structures grew at a 16.1 percent annual rate (versus 11.2 percent reported in the 2nd estimate), while spending on intellectual property increased 2.7 percent (versus 2.2 percent previously reported). Growth of equipment spending was unrevised at 7.7 percent.
- Revisions to net exports and inventory investment also contributed positively to the revision. With regard to net exports, exports contracted less than previously believed (-9.3 percent versus -10.6 percent) while imports declined by a larger amount (-7.6 percent versus -7.0 percent). The combined shifts equated to a positive contribution of 0.04 percentage point to growth rather than a drag of 0.22 percentage point. On the inventory front, a modest build in stocks rather than a decline led to an increase of 0.09 percentage point to growth rather than a subtraction of 0.09 percentage point.

- Regarding adjustments to data after benchmark revisions, growth in 2023-Q1 was revised 0.2 percentage point higher to 2.2 percent. In the 2017-2022 period, growth averaged 2.2 percent, 0.1 percentage point higher than previously published, although results varied by year. Growth was firmer in the 2017-2019 period (2.5, 3.0, and 2.5 percent, respectively, versus 2.2, 2.9, and 2.3 percent). The contraction in 2020 was shallower than first estimated (-2.2 percent versus -2.8 percent), but growth was slower in the two subsequent years (5.8 versus 5.9 percent in 2021 and 1.9 versus 2.1 percent in 2022).
- We had been watching closely growth of Gross Domestic Income, an income rather than production-based measure of growth, as a wide discrepancy emerged between this measure and GDP in recent quarters. GDI was adjusted higher in Q2 (growth of 0.7 percent versus 0.5 percent previously reported), and GDI in Q1 grew 0.5 percent (versus a first-reported contraction of 1.8 percent) after new compensation estimates were incorporated with this release (chart; below left). A discrepancy still exists, but it has narrowed somewhat. Incorporating assessments of other data (labor market metrics, for example) lead us to conclude that the GDP data more likely reflect the underlying performance of the economy (solid rather than modest growth).
- Final data on Q2 corporate profits were published with today's report. Pre-tax profits grew 0.2 percent (not annualized), while after-tax profits rose 0.5 percent. Previously, they had declined 0.4 percent on a pre-tax basis but increased 1.6 percent after accounting for taxes. Profits have softened from the recent peak, but they turned positive after a decline in Q1 and are still strong relative to those pre-pandemic (chart; below right).

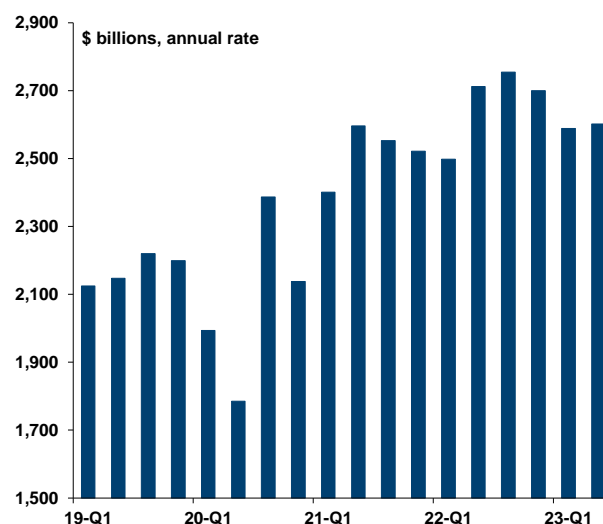
### Growth of Real GDI\*



\* The gold bars indicate growth of Gross Domestic Income prior to the 2023 benchmark revision.

Source: Bureau of Economic Analysis via Haver Analytics

### After-Tax Corporate Profits



Source: Bureau of Economic Analysis via Haver Analytics