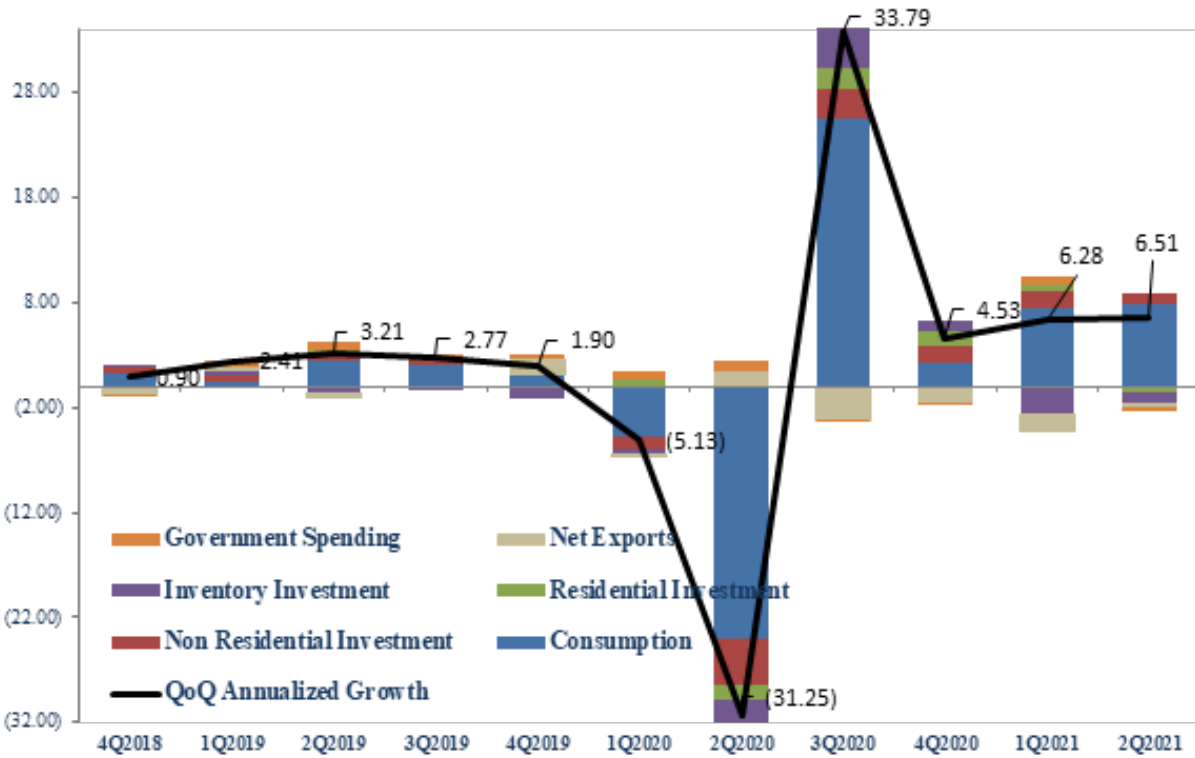


29.Jul.2021

## 2Q21 GDP: Slower Than Expected

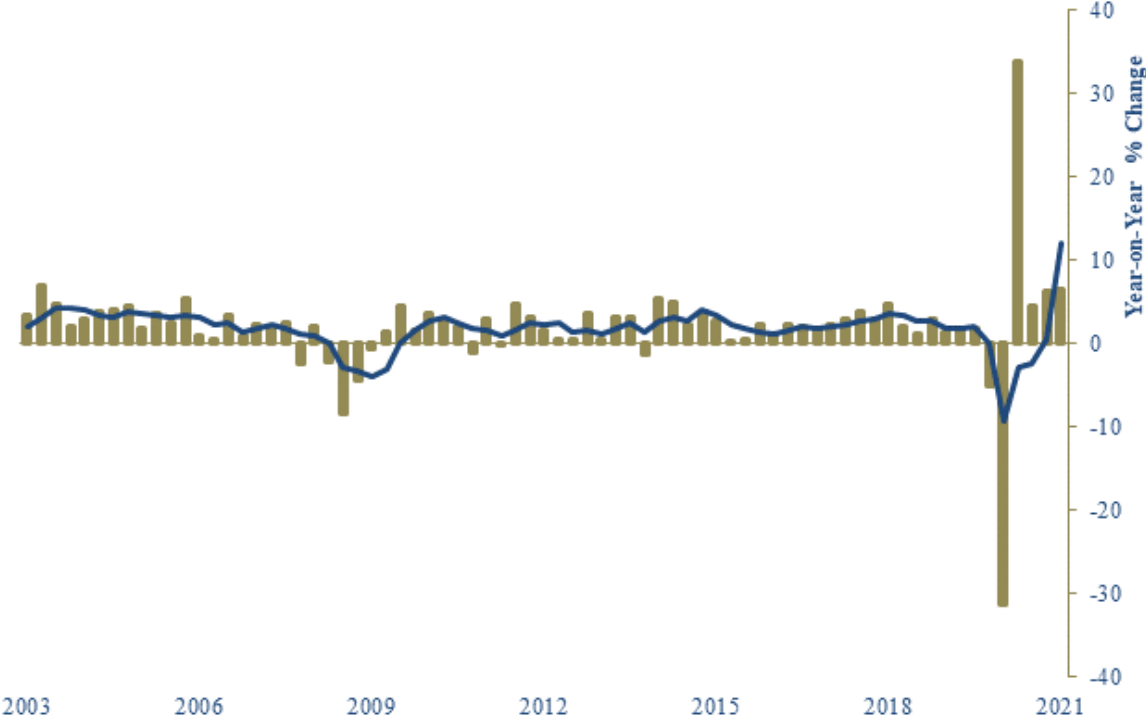
**Bottom Line:** The advance reading of 2nd Quarter GDP showed slower than expected growth as residential investment was a surprising drag on growth. Coming in at 6.5% annualized quarter-on-quarter growth, the reading was only slightly higher than growth in the 1st Quarter and well below some estimates for 10+% growth. Consumption contributed nearly 8 points to growth on the quarter as net exports, inventory investment, and government purchases proved a drag, in addition to the surprising drag from housing-related investment. We suspect that the residential investment figures will get revised higher. Still, the report shows that economic growth remains volatile deep into the recovery from the initial impact of the pandemic. The dependence on consumption and the potential that growth in both business and residential investment has peaked means the risks are that growth in the 2nd half of 2021 is slower than in the 1st half.

US Quarterly GDP (seas. adj. ann rate) with contributions in bar graphs



GDP

	Cons.	Actual	Prior
GDP	8.4%	6.5%	6.4%
GDP Price Index	5.4%	6.3%	4.2%



**Gross Domestic Product** ROSE by 6.5% in the 2nd Quarter, higher than market expectations for an increase of 5.4%. Economic activity was 12.2% ABOVE its year-ago level.

**Inventory Investment** FELL by \$77.6 billion, subtracting 1.13 percentage points from overall economic activity. Consequently, **Real Final Sales** ROSE by 7.7% and was 11.2% ABOVE its year-ago level.

Additionally, **Imports** ROSE by 9.0% and Exports ROSE by 5.3% so **Net Exports** FELL by \$46.7 billion. This implies that **Real Final Domestic Demand** ROSE by 7.9% and was 12.9% ABOVE its year-ago level.

**Consumer Spending** ROSE by 11.8%, contributing 7.78 percentage points to economic growth.

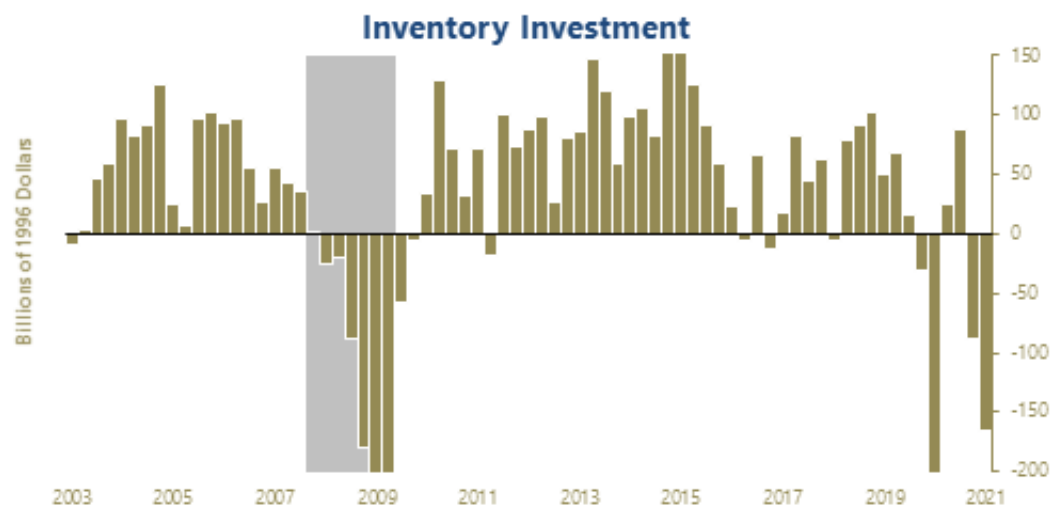
**Business Investment** ROSE by 8.0%, adding 1.06 percentage points to GDP. Intellectual property products increased by 10.7% while non-residential structures declined by 6.9%.

**Residential Investment** FELL by 9.8%, subtracting 0.49 percentage points to economic growth.

Finally, **Government Purchases** FELL by 1.5%, subtracting 0.27 percentage points to GDP. This was its 4th negative contribution in the last 12 quarters.

**The GDP Price Index** ROSE by 6.3%, compared with market expectations of 5.4%. This is also 4.1% ABOVE its year-ago level.





## GDP - by annual % Change

	% Change at Annual Rate (unless noted as \$)									
	Quarterly Averages						Annual Averages			
	Q2-21 Advance	Q1-21	Q4-20	Q3-20	Q2-20	Q1-20	2020	2019	Five Year	Ten Year
<b>Real GDP</b>	<b>6.5</b>	<b>6.3</b>	<b>4.5</b>	<b>33.8</b>	<b>-31.2</b>	<b>-5.1</b>	<b>-3.4</b>	<b>1.8</b>	<b>1.1</b>	<b>1.7</b>
Consumption	11.8	11.4	3.4	41.4	-33.4	-6.9	-3.8	1.5	1.2	1.7
Business Fixed Investment	8.0	12.9	12.5	18.7	-30.3	-8.1	-5.3	4.3	2.0	4.1
Residential Investment	-9.8	13.3	34.4	60.0	-30.8	20.3	6.8	-0.9	3.1	5.4
Inventory Investment (\$ Chg)	-77.6	-177.1	63.5	278.1	-222.4	-46.7	-117.4	21.7	-36.0	-10.0
Net Exports (\$ Change)	-46.7	-90.3	-103.0	-243.9	12.9	73.5	-8.4	-39.9	-41.3	-36.0
Exports	5.3	-2.1	22.3	59.6	-64.4	-9.5	-12.9	-0.1	-1.4	1.1
Imports	9.0	9.5	29.9	93.0	-54.1	-15.0	-9.3	1.1	0.3	2.1
Government Purchases	-1.5	4.2	-0.5	-2.1	3.9	3.7	1.1	2.3	1.6	0.1
<b>Addendum:</b>										
Real Final Sales	7.7	9.1	3.4	25.9	-27.6	-4.6	-2.9	1.8	1.3	1.7
Final Domestic Demand	7.9	10.4	5.0	29.9	-27.3	-4.4	-2.5	1.8	1.5	1.8
Price Index	6.3	4.5	2.2	3.5	-1.3	1.5	1.3	1.8	1.7	1.7

Source: Bureau of Economic Analysis, Department of Commerce via Bloomberg. Our calculations.

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## GDP - by contribution

	% Contributions									
	Quarterly						Annual Averages			
	Q2-21 Advance	Q1-21	Q4-20	Q3-20	Q2-20	Q1-20	2020	2019	Five Year	Ten Year
Real GDP	6.5	6.3	4.5	33.8	-31.2	-5.1	-3.4	1.8	1.1	1.7
Consumption	7.8	7.4	2.3	25.5	-24.1	-4.8	-2.6	1.5	0.8	1.2
Business Fixed Investment	1.1	1.7	1.6	2.7	-4.3	-1.1	-0.7	0.6	0.3	0.5
Residential Investment	-0.5	0.6	1.3	2.2	-1.4	0.7	0.3	0.0	0.1	0.2
Inventory Investment (\$ Chg)	-1.1	-2.6	1.1	6.8	-4.0	-0.5	-0.5	0.1	-0.2	0.0
Net Exports (\$ Change)	-0.4	-1.6	-1.7	-3.3	1.5	-0.1	-0.3	-0.2	-0.2	-0.2
Exports	0.6	-0.3	2.1	4.6	-8.3	-2.0	-1.6	0.0	-0.1	0.2
Imports	-1.1	-1.3	-3.7	-7.9	9.9	1.9	1.3	-0.2	-0.1	-0.4
Government Purchases	-0.3	0.8	-0.1	-0.2	1.0	0.6	0.4	0.4	0.3	0.0
Others:										
Defense	0.0	-0.3	0.2	0.1	0.2	0.0	0.1	0.2	0.1	0.0
Intellectual Property	0.5	0.8	0.5	0.5	-0.5	0.2	0.1	0.3	0.3	0.2
Equipment	0.7	0.8	1.3	2.7	-2.0	-1.3	-0.5	0.2	0.0	0.2
Medical Care	0.5	-0.5	1.5	7.4	-7.7	-2.0	-1.0	0.4	0.1	0.2

Source: Bureau of Economic Analysis, Department of Commerce via Bloomberg. Our calculations.