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Snap

## US GDP shows strong consumer spending story

GDP growth figures were in line with expectations, but the details of the report are encouraging

US 2Q GDP growth has come in at 2.6% annualised versus 2.7% consensus while 1Q GDP growth was revised down to 1.2% from 1.4%, however, these are only fractional misses.

**2.6%** US 2Q GDP annualised growth  
2.7% consensus

As expected

### Strong consumer spending story

As expected there was a strong consumer spending story - consumption up 2.8% and 1Q revised up to 1.9%. Meanwhile, non-residential fixed investment rose 5.2%, so it is clear that households and businesses are still happy to spend. The key areas of weakness were residential investment (falling to 6.8%), and government consumption growth remains soft, rising 0.7% after +0.5, +0.2 and -0.6% readings respectively for the past three-quarters. Another area of relative disappointment was inventories contributed nothing versus expectations of a rebound. However, this offers a potential pillar of support for 3Q growth.

Overall, the headline growth rate is respectable rather than great, but to be fair the breakdown is a slightly better mix than hoped. However, given the Fed story is more about inflation right now this is unlikely to sway sentiment in any meaningful way. On that front, we had a weak employment cost index figure of 0.5%QoQ for 2Q17 versus 0.8% in 1Q, which again highlights the lack of inflation pressures coming from the jobs market. This will keep the market mind-set as doubting the Fed's indicated path for interest rate hikes.

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