

US GDP shows strong consumer spending story

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



Source: istock

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.

Author

James Knightley

Chief International Economist

james.knightley@ing.com

Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("ING") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.