

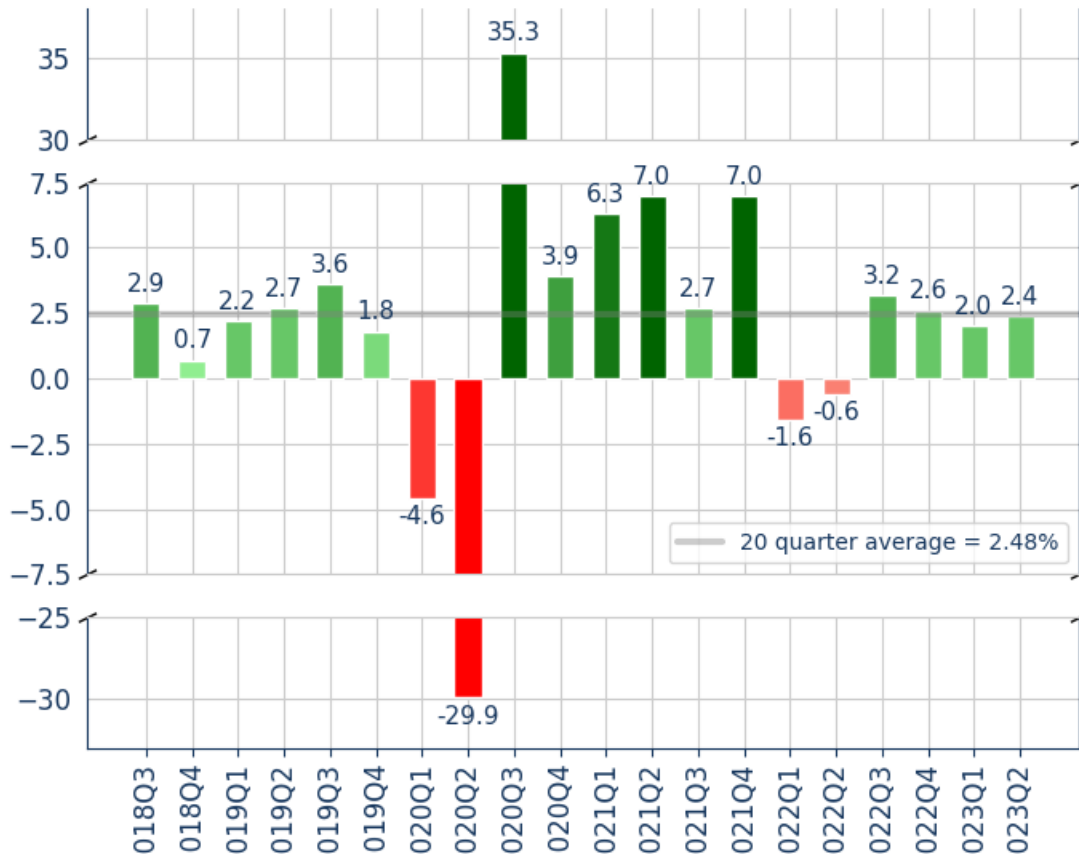
27.Jul.2023

## 2Q23 GDP: Well Above Expectations

**Bottom Line:** The advance reading of 2nd Quarter 2023 GDP was well above expectations at 2.4% annualized quarter-on-quarter, led by gains in services consumption and nonresidential investment. Goods consumption rose only slightly, but government spending was higher. Trade was a slight drag, as was residential investment, while inventory growth was a slight positive. On net, this was a solid report, exemplified by solid gains in real final domestic demand and real final sales. Both rose slightly less than in the 1st Quarter but remained over 2%. **Overall, initial indications suggest that 2Q growth was solid as consumers continued to transition from goods consumption during the pandemic back towards services. Moreover, despite the nearly flat growth in goods consumption, businesses continue to invest in long-term capital projects. Finally, residential investment was a modest drag but will likely flip to a positive in the 2nd half.**

## US GDP rose 2.4% in the 2nd Quarter

2nd Qtr. 2023 growth was sharply above consensus of 1.8%.

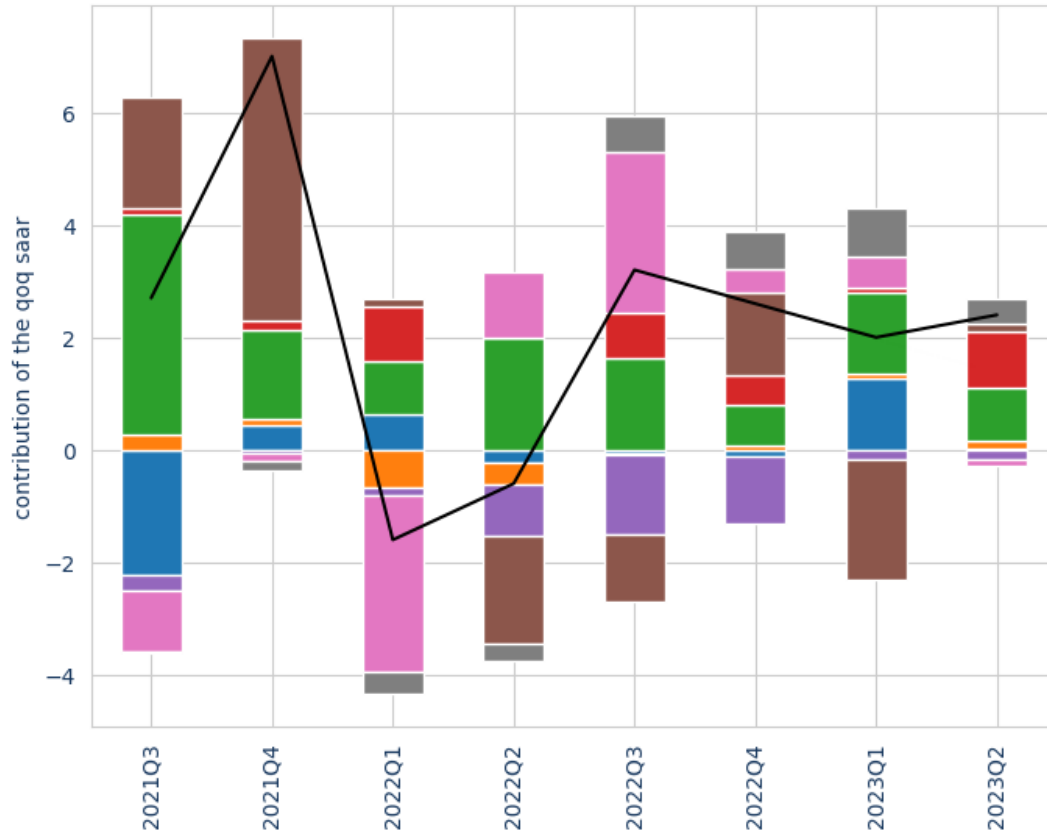


US Real GDP (QoQ SAAR) Headline Components	2Q '23	1Q '23	4Q '22	3Q '22	2Q '22	1Q '22
<b>Gross domestic product</b>	<b>2.40</b>	<b>2.00</b>	<b>2.60</b>	<b>3.20</b>	<b>-0.60</b>	<b>-1.60</b>
Personal consumption expenditures	1.60	4.20	1.00	2.30	2.00	1.30
Gross private domestic investment	5.70	-11.90	4.50	-9.60	-14.10	5.40
Exports	-10.80	7.80	-3.70	14.60	13.80	-4.60
Imports	-7.80	2.00	-5.50	-7.30	2.20	18.40
Government consumption expenditures and gross investment	2.60	5.00	3.80	3.70	-1.60	-2.30

Quarter-over-quarter seasonally adjusted rates. Source: US BEA.

## US Real GDP by component

Consumption was revised sharply higher for Q1.



— GDP qoq saar	■ Consumption - Services	■ Change in inventories
■ Consumption - Durable Goods	■ Fixed Investment - Nonresidential	■ Net exports
■ Consumption - Nondurable goods	■ Fixed Investment - Residential	■ Government

US Real GDP Breakdown by Contribution to Total	2Q '23	1Q '23	4Q '22	3Q '22	2Q '22	1Q '22
<b>GDP qoq saar</b>	<b>2.40</b>	<b>2.00</b>	<b>2.60</b>	<b>3.20</b>	<b>-0.60</b>	<b>-1.60</b>
Consumption - Durable Goods	0.03	1.28	-0.11	-0.07	-0.24	0.64
Consumption - Nondurable goods	0.13	0.07	0.09	-0.01	-0.37	-0.66
Consumption - Services	0.95	1.44	0.72	1.63	1.99	0.93
Fixed Investment - Nonresidential	0.99	0.08	0.52	0.80	0.01	0.98
Fixed Investment - Residential	-0.16	-0.16	-1.20	-1.42	-0.93	-0.15
Change in inventories	0.14	-2.14	1.47	-1.19	-1.91	0.15
Net exports	-0.12	0.58	0.42	2.86	1.16	-3.13

Government	0.45	0.85	0.65	0.65	-0.29	-0.40
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Quarter-over-quarter seasonally adjusted rates. Source: US BEA.

## Real GDP

Averaged 2.31% in the five years before the pandemic



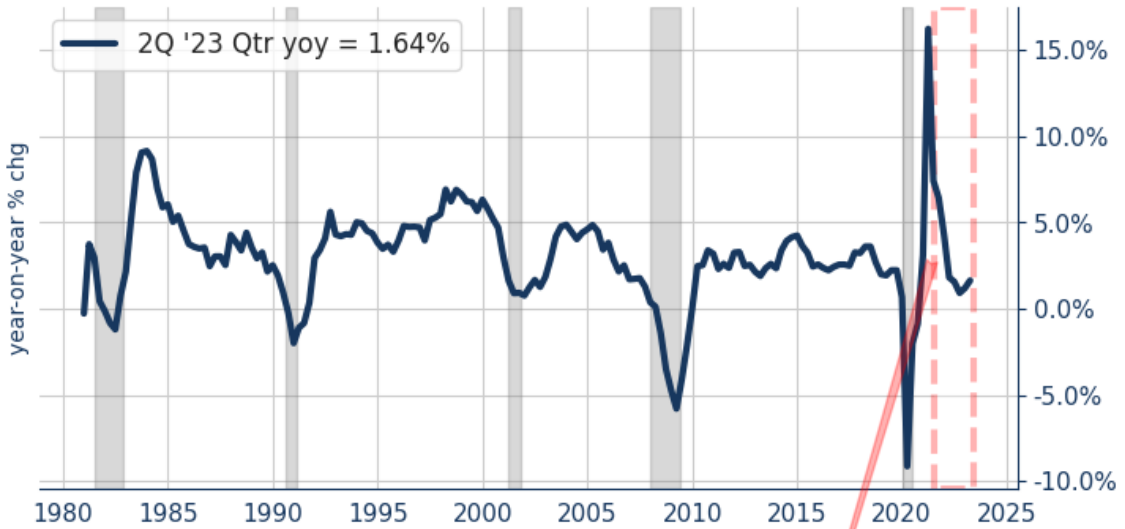
### QoQ annualized (2Q '23 = 2.4%)



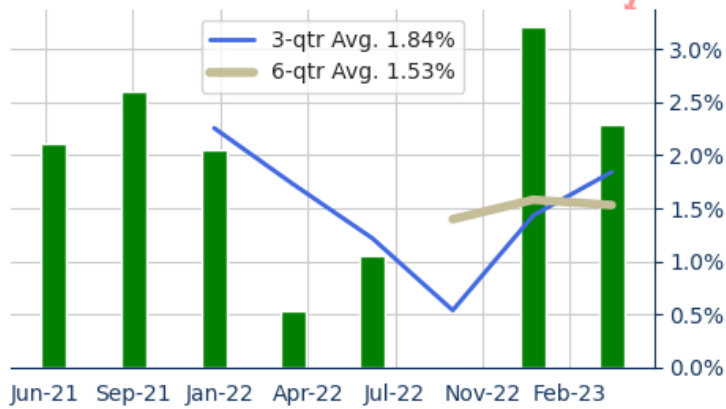
Contingent Macro Advisors 2023 source: US BEA

# Real Final Domestic Demand

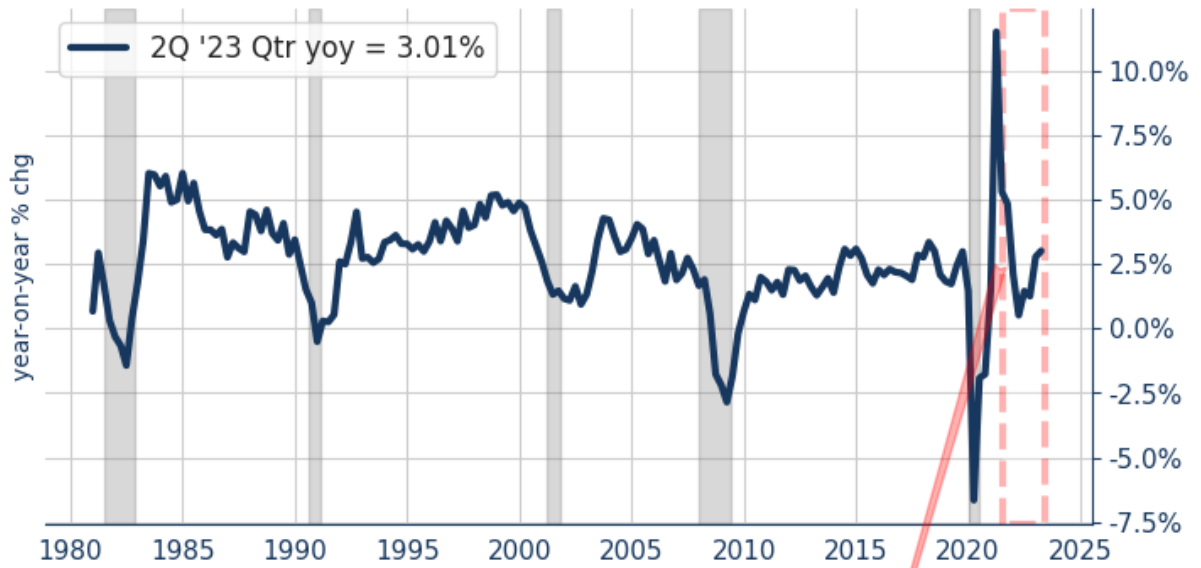
2Q '23 Qtr. 2023 growth was 2.4%.



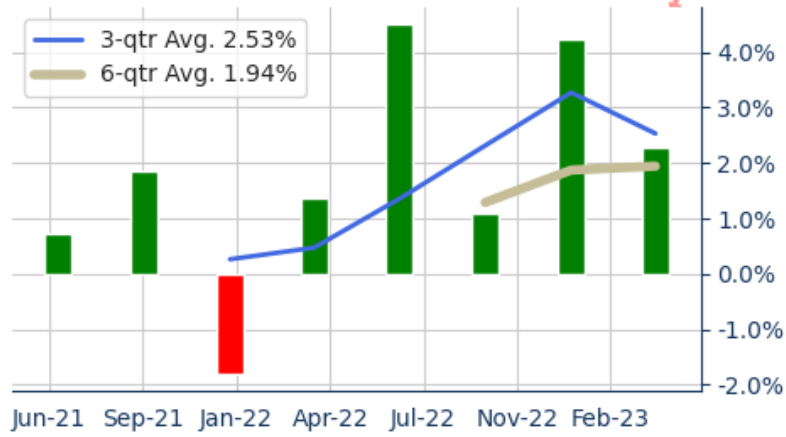
## QoQ annualized (2Q '23 Qtr = 2.29%)



# Real Final Sales

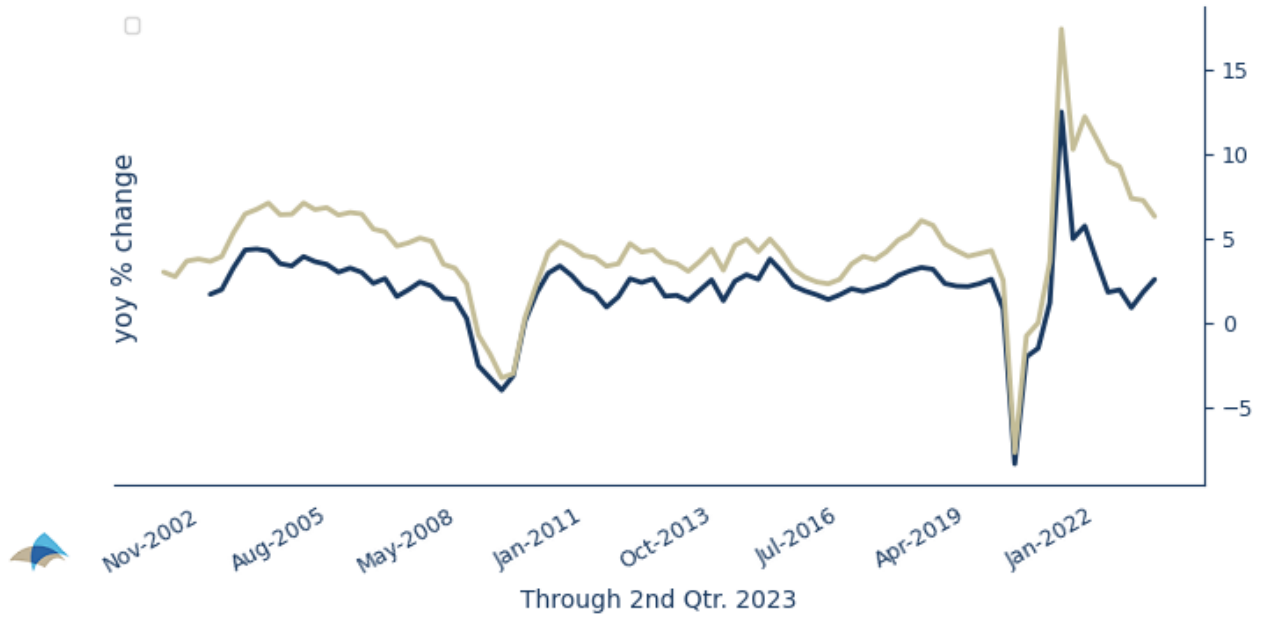


## QoQ annualized (2Q '23 Qtr = 2.28%)

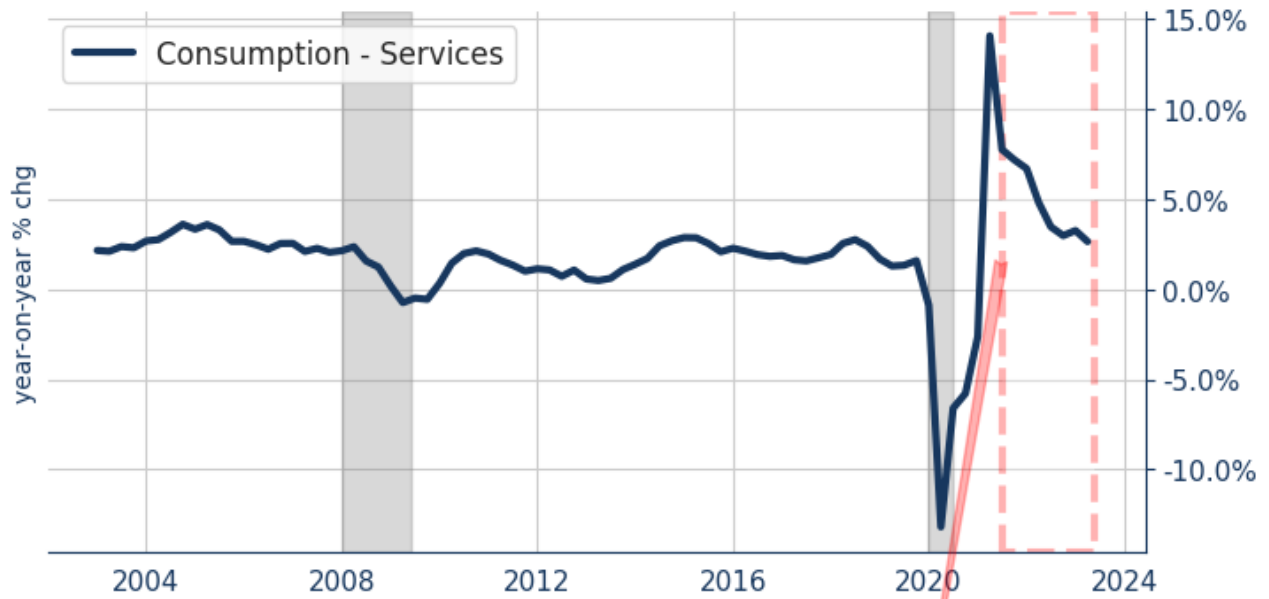


## Real & Nominal GDP Year-over-Year

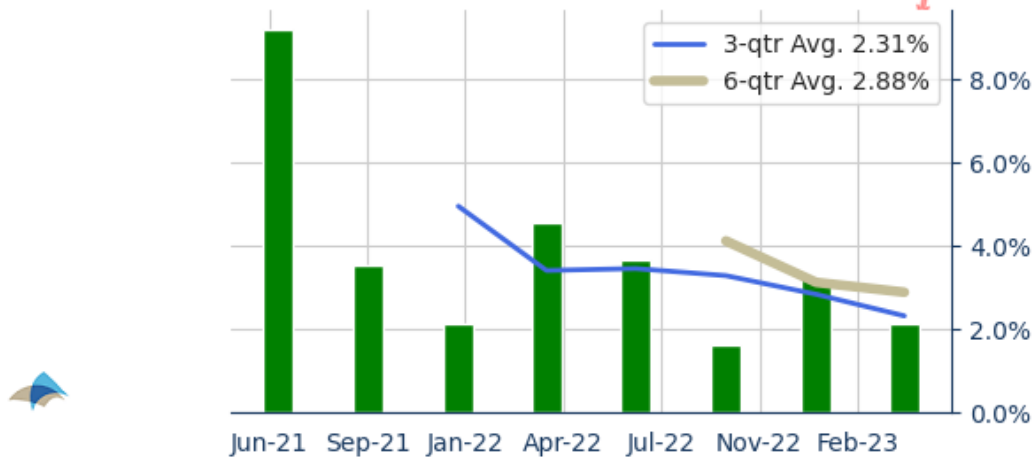
Nominal GDP (6.28%) was 372bps over Real GDP (2.56%).



# Consumption - Services

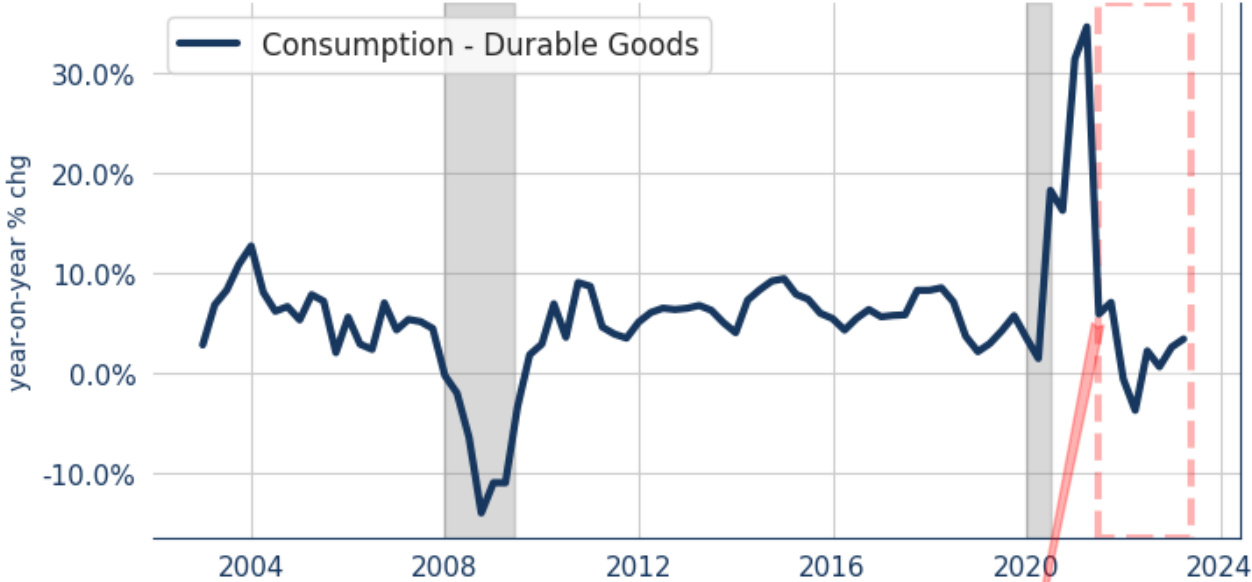


QoQ annualized (2nd Qtr = 2.11%)





# Consumption - Durable Goods



QoQ annualized (2nd Qtr = 0.35%)

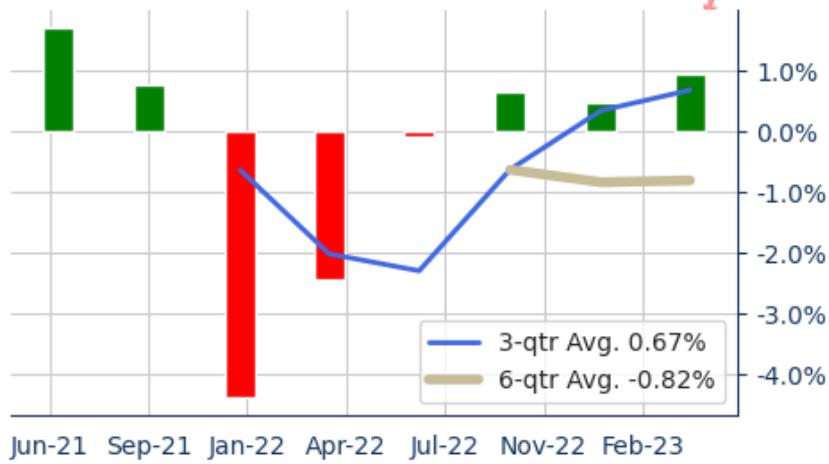


Contingent Macro Advisors 2023 source: US BEA

# Consumption - Nondurable goods



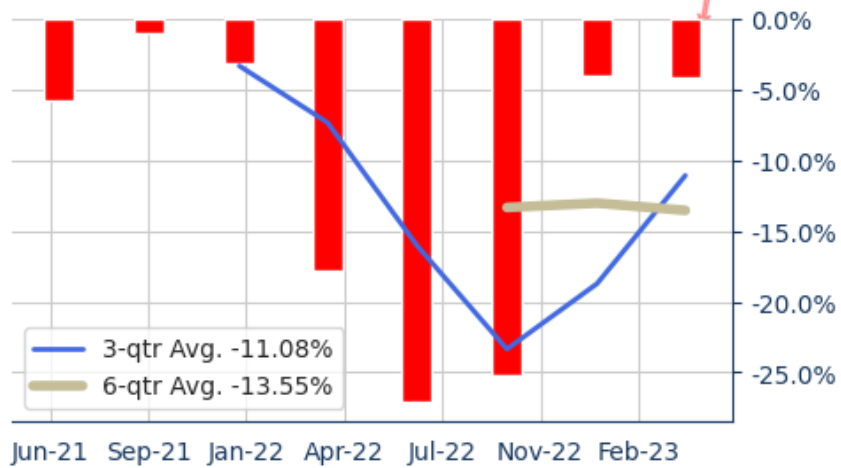
QoQ annualized (2nd Qtr = 0.92%)



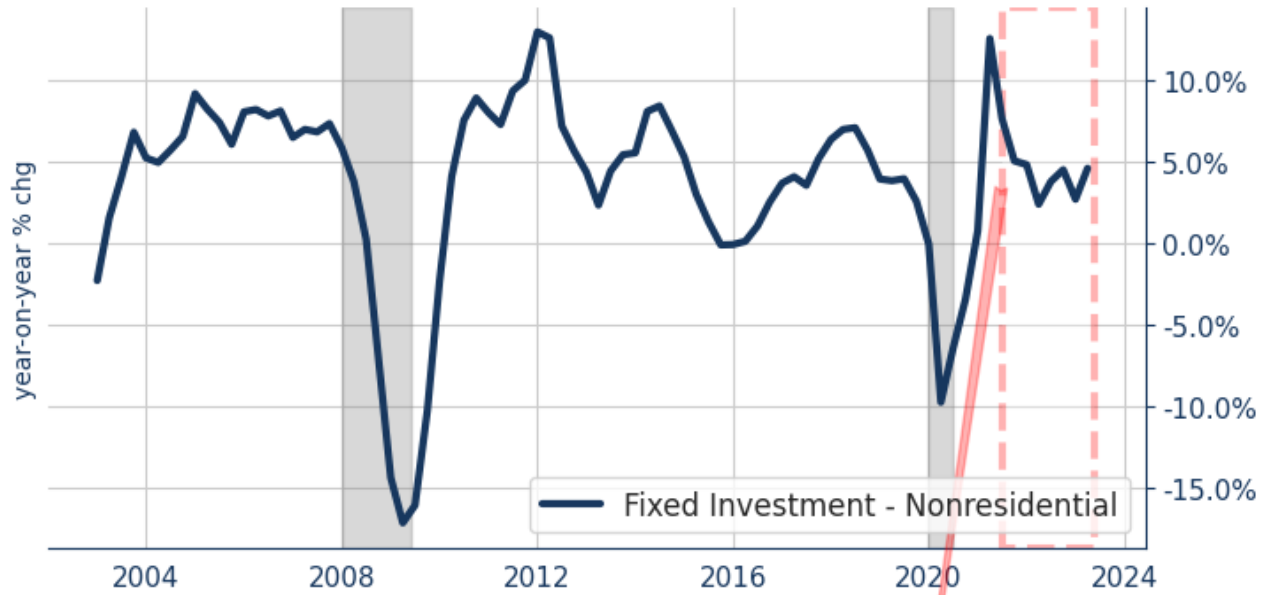
# Fixed Investment - Residential



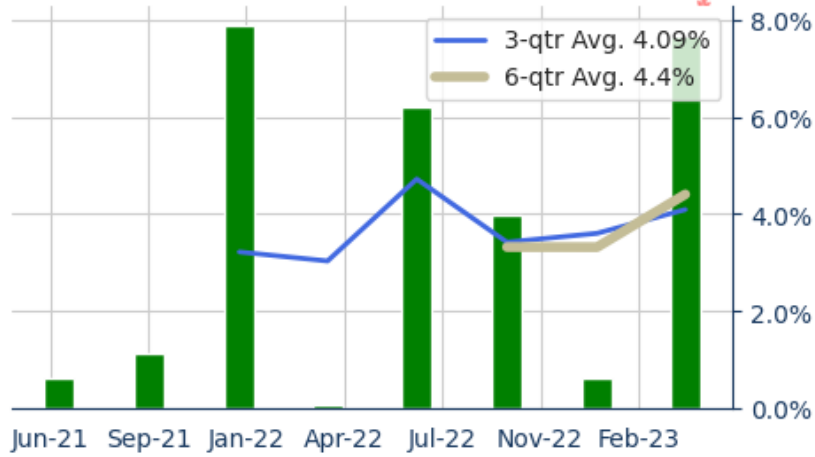
## QoQ annualized (2nd Qtr = -4.15%)



# Fixed Investment - Nonresidential



**QoQ annualized (2nd Qtr = 7.67%)**



# Government



**QoQ annualized (2nd Qtr = 2.58%)**

