US growth revised up on stronger consumer and business data

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The Bureau of Economic Analysis yesterday revised its estimate of GDP growth in the second quarter upwards to an annualised 3.3 per cent from an initial reading of 3.0 per cent.

The stronger growth was driven by a jump in real final sales to private domestic producers — a measure of spending watched closely by economists — which rose 1.9 per cent during the quarter, up from 1.2 per cent in more modest initial estimates.

"Real GDP was revised up 0.3 percentage points from the advance estimate, primarily reflecting upward revisions to investment and consumer spending," the BEA said.

The upward revision suggests the economy is in slightly better health than some had feared as the Federal Reserve weighs whether to lower borrowing costs when it meets next month, amid enormous pressure from Donald Trump.

The US president, who has repeatedly berated Jay Powell, the Fed chair, for refusing to cut interest rates, this week moved to sack governor Lisa Cook over alleged mortgage fraud, in an unprecedented step against the central bank. Cook yesterday filed a lawsuit against her firing.

The initial second-quarter GDP reading, released in July, pointed to an underlying slowdown in growth over the first half of the year.

That was despite the economy rebounding from a negative reading in the first quarter, driven by import fluctuations after the implementation of sweeping new tariffs.

"The moderation in growth largely reflects a slowdown in consumer spending," Powell said at the time.

He noted that the real final sales figure — which he described as a "narrower but better signal . . . for where the economy is going" than overall GDP — had "certainly come down" in the first half.

Yesterday's data showed businesses were investing more in intellectual property, equipment and structures than initially thought, fuelled in part by the artificial intelligence boom.

Consumers were spending more than first estimates suggested on pharmaceuticals and healthcare, among other categories.

But overall first half growth remained slower than in previous years and analysts said the Fed would probably reduce rates next month, after Powell last week opened the door to a

September cut.

"Real final sales to domestic purchasers — the engine of the economy — were revised higher," said Ryan Sweet, chief US economist at Oxford Economics.

"But this is unlikely to alter the Federal Reserve's assessment of the health of the economy as it focuses on the downside risks to the labour market."

Analysts at Citi echoed that sentiment, writing in a note: "Details of revisions do not change the story that underlying demand is slowing outside of a few specific parts of the economy."