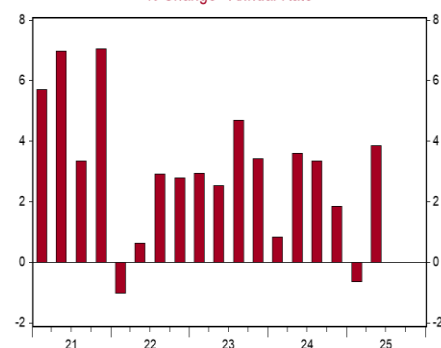


2nd Quarter GDP (Final)

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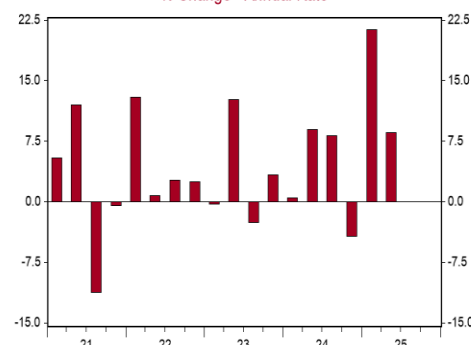
- Real GDP growth in Q2 was revised higher to a 3.8% annual rate, easily beating the consensus expected 3.3%.
- Upward revisions to personal consumption, business investment, and government purchases more than offset small downward revisions to net exports, inventories, and residential investment.
- Personal consumption, business investment, and home building, combined, rose at a 2.9% annual rate in Q2. We refer to this as “core” GDP.
- The GDP price index was revised slightly higher to 2.1% annualized from a prior estimate of 2.0%. Nominal GDP growth – real GDP plus inflation – was revised upward to a 6.0% annualized rate from a prior estimate of 5.3%.

Real GDP Growth
% Change - Annual Rate



Source: Bureau of Economic Analysis/Haver Analytics

Real Equipment Investment
% Change - Annual Rate



Source: Bureau of Economic Analysis/Haver Analytics

Implications: The final reading for real GDP growth in Q2 showed the economy on firmer footing than initially thought, with growth revised up to a 3.8% annual rate. More importantly, the details improved: stronger consumer spending (services), business investment (equipment, software, and structures), and government purchases more than offset weaker readings on inventories, trade, and housing. For a better gauge of sustainable growth, we look at “core” GDP—consumer spending, business fixed investment, and home building—while excluding the more volatile categories like government, inventories, and trade. Core GDP grew at a 2.9% annual rate in Q2, far above the prior 1.9% estimate. The Bureau of Economic Analysis also released its annual revisions. From 2019–2024, average real GDP growth held at 2.4%, unchanged from prior estimates—a non-event. More notable was corporate profits: the second look at Q2 profits showed growth of just 0.2% from Q1 (vs. +1.7% previously) and 3.6% year-over-year. Excluding the Fed—whose large losses drag on the totals—corporate profits rose 0.6% in Q2 and are up only 2.5% year-over-year, the second slowest four-quarter pace since 2020. Based on pre-tax profits, our Capitalized Profits Model continues to signal that equities remain overvalued. As for inflation, GDP inflation was revised slightly higher to a 2.1% annualized rate in Q2, and GDP prices have risen 2.5% over the past year. Meanwhile, nominal GDP (real growth plus inflation) increased at a 6.0% annual rate in Q2 and is up 4.6% year-over-year. All in all a very solid quarter for the economy.

2nd Quarter GDP Seasonally Adjusted Annual Rates	Q2-25	Q1-25	Q4-24	Q3-24	4-Quarter Change
Real GDP	3.8%	-0.6%	1.9%	3.3%	2.1%
GDP Price Index	2.1%	3.6%	2.4%	1.8%	2.5%
Nominal GDP	6.0%	2.9%	4.3%	5.1%	4.6%
PCE	2.5%	0.6%	3.9%	4.0%	2.7%
Business Investment	7.3%	9.5%	-3.7%	3.5%	4.0%
Structures	-7.5%	-3.1%	-8.0%	-2.2%	-5.2%
Equipment	8.5%	21.3%	-4.2%	8.2%	8.1%
Intellectual Property	15.0%	6.5%	-0.6%	2.6%	5.7%
Contributions to GDP Growth (p.pts.)	Q2-25	Q1-25	Q4-24	Q3-24	4Q Avg.
PCE	1.7	0.4	2.6	2.7	1.8
Business Investment	1.0	1.2	-0.5	0.5	0.5
Residential Investment	-0.2	0.0	0.2	-0.2	-0.1
Inventories	-3.4	2.6	-0.9	-0.1	-0.5
Government	0.0	-0.2	0.6	0.9	0.3
Net Exports	4.8	-4.7	-0.1	-0.4	-0.1

Source: Bureau of Economic Analysis