BEA 東亞銀行

Economic Indicators Analysis **31 July 2026**

Underlying Private Demand Remains Solid Despite Headline Moderation

Summary:

- Headline real GDP growth moderated in Q2 to 1.5% from 2.1% in Q1 (SAAR).
- Growth was driven by strong consumer spending and robust AI-related investment.
- Robust underlying demand reveals significant strength across the US economy rather than a broad-based moderation in growth.

The advance estimate for US Q2 GDP presented a deceleration in headline growth. Headline real GDP expanded at a seasonally adjusted annual rate (SAAR) of 1.5% in Q2 2026, down from the 2.1% pace recorded in Q1. On a year-on-year (YoY) basis, the US economy slowed to 2.1% growth in Q2 from 2.7% in Q1. Consumer spending remained the primary driver of growth, while investment moderated but continued to expand at a solid pace. In contrast, government spending and net exports weighed on overall growth.

Meanwhile, underlying economic momentum strengthened. An underlying indicator, real final sales to private domestic purchasers (a key measure of private demand which combines consumer spending and fixed business investment) accelerated to 3.9% SAAR from 1.7% in Q1. The stark divergence between this 3.9% growth in real final sales to private domestic purchasers and the 1.5% headline GDP growth suggests that the underlying private-sector demand remained stronger than headline figures imply.

Consumer spending emerged as the primary growth driver, demonstrating surprising momentum following a sluggish start to 2026. Personal consumption expenditures (PCE) rebounded sharply to growth of 3.2% SAAR in Q2, up from a muted 0.5% gain in Q1, propelled by steady outlays across both goods (+5.2% SAAR) and services (+2.2% SAAR). This led to PCE contributing 2.12 percentage points (ppts) to headline GDP growth. It should be noted that consumer spending may have received a temporary boost from the FIFA World Cup held across June and July.

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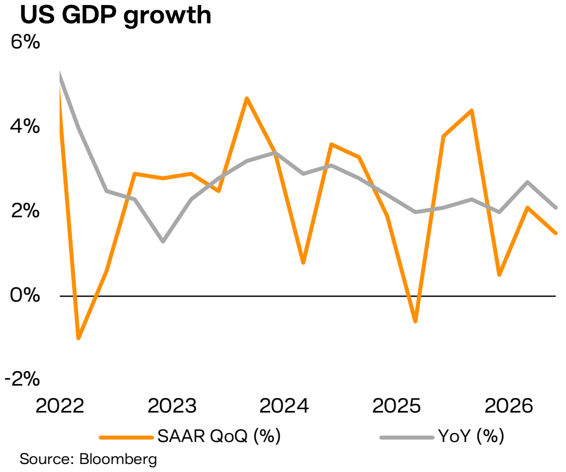

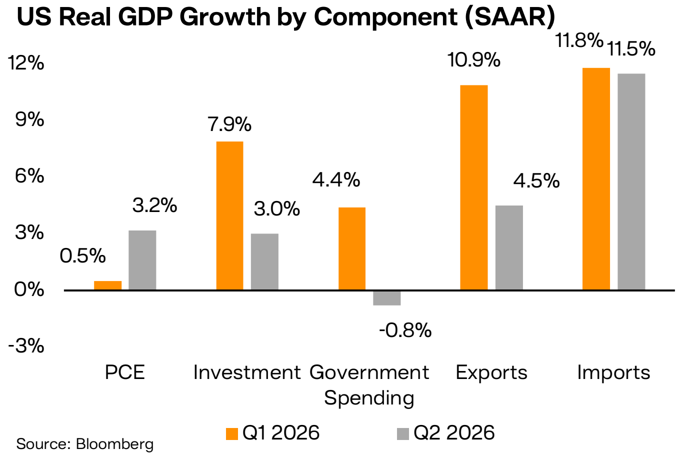

Investment softened but remained a positive contributor to output. Headline investment grew by 3.0% SAAR in Q2, decelerating from 7.9% the previous quarter. This slowdown was largely attributable to the volatile private inventory component, which subtracted 0.67 ppts from headline GDP growth. Meanwhile, private business investment posted a solid 8.4% SAAR expansion, driven by a 15.2% surge in equipment and an 8.8% gain in intellectual property. The continued expansion in private investment reflected a robust AI capital expenditure cycle.

The primary drags pulling headline growth down originated from government spending and net exports. Government spending contracted by 0.8% SAAR, a sharp reversal from the 4.4% surge in Q1, partially reflected by crude oil sales, which reduced measured federal consumption spending. Simultaneously, net exports exerted a negative drag on growth, subtracting 1.1 ppts from the headline rate as export growth softened from 10.9% SAAR in Q1 to 4.5% in Q2, while imports continued to surge sharply by 11.5% in Q2 (Q1: 11.8%).

Underlying economic momentum for Q2 showcased resilience. Looking ahead, the sharp contrast between a cooling headline GDP figure and robust underlying demand reveals significant strength across the US economy rather than a broad-based moderation in growth. Driven by resilient consumer spending and a sustained corporate AI capex cycle, private domestic demand remains robust, pointing to a continued momentum in underlying economic growth.

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