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U.S. Growth Rate Revised Upward

Healthy consumer spending and AI expansion added to the GDP change

BY KONRAD PUTZIER

The U.S. economy grew at a faster pace than previously thought in the second quarter, helped by healthy consumer spending and signs of spending on the booming AI sector.

Gross domestic product expanded at a seasonally and inflation- adjusted annual rate of 3.3% in the quarter, the Commerce Department said in an updated estimate Thursday. The department had previously said the economy grew by 3%. The economy's growth reflected in part a drop in imported goods after companies front-loaded purchases earlier in the year to get ahead of new tariffs. Trade can cause swings in quarterly growth because of the way GDP is calculated.

The latest estimate changed because of revisions to investment and consumer spending, the Department said. Investments in intellectual property, light trucks and commercial and healthcare structures were all revised upward. Revisions, while a routine part of all major economic data, have been more closely watched in recent months as economists, policymakers and investors hunt for clues to the direction of the economy.

The revision adds roughly $20 billion to the seasonally adjusted, annualized economic output in the recent quarter. Economists polled by The Wall Street Journal had expected a smaller upward revision to 3.1%.

Note

Gross domestic product measures the value of all goods and services produced in the economy. U.S. GDP previously shrank by 0.5% in the first quarter as businesses stocked up on imported goods ahead of new tariffs.

Note

With the latest estimate, the U.S. economy grew at an annualized average of 1.4% in the first half of the year. That is still a significant slowdown from the pace of growth in recent years. In 2024, GDP grew by an average pace of 2.5%.

"We're seeing that the economy is continuing to chug along" despite stock market volatility and low consumer confidence, said Lauren Henderson, senior economist at Stifel.

Final sales to private domestic purchasers—a measure of spending by U.S. businesses and consumers on goods and services that leaves out international trade, government and inventory—rose by 1.9% in the second quarter. That figure was revised up from a prior estimate of 1.2%, and roughly un--changed from the first quarter.

The upward revision in intellectual property investment was driven by software, research and development, the Commerce Department said. The figures show "increasingly concrete signs of an AI-related boom in tech investment," Capital Economics chief North America economist Paul Ashworth wrote in a note.

Software investment grew at the fastest annualized quarterly rate since at least 2007, he added.

The booming artificial intelligence industry has been a major contributor to economic growth in recent years as companies invest heavily in things such as memory chips and data centers.

The Commerce Department said consumer spending on pharmaceutical products, healthcare services, accommodation and food services all came in stronger than prior estimates.

"The good news is consumption came in higher than previously thought," Navy Federal Credit Union chief economist Heather Long wrote in a note. "Americans are continuing to spend despite the tariffs and uncertainty, albeit at a slower pace than past years."

Note

New figures from the Labor Department showed 229,000 people filing for unemployment benefits last week, down from a revised 234,000 the prior week and slightly lower than the 230,000 new jobless claims economists had expected.

