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Economic Research

Economic Briefing

US economy registers 3.0% growth in Q2

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The US economy expanded by 3.0% in the second quarter after contracting by 0.5% in the first quarter. The sharp fluctuations are attributable to the tariff dispute, which has caused distortions in foreign trade. It therefore makes sense to interpret the first half of the year as a whole. Accordingly, the US economy has lost considerable momentum this year, with average quarterly growth of 1.2%. However, we still believe that a recession can be avoided.

Data: In the second quarter, the US economy expanded by 3.0% (this and all subsequent growth rates are annualized quarter-on-quarter changes). Advance trade and inventory data for June published yesterday had already signaled that previous estimates of around 2½% were too cautious.

Details: The strongest growth driver was the turnaround in foreign trade. In the first quarter, the US trade deficit had increased significantly because imports rose much more sharply than exports (due to purchases that were pulled forward to avoid the foreseeable tariffs). In the second quarter, the situation reversed, with imports slumping by 30%. The improvement in the foreign trade balance alone boosted GDP growth by 5 percentage points in the second quarter (in the first quarter, net foreign trade had subtracted 4.6 percentage points from GDP growth). This was not offset by the reduction in inventories, which made a negative contribution to growth of 3.2 percentage points.

Private consumption and investment were moderately dynamic. Private consumption, which was the most important growth driver last year, grew by only 1.4%. Private business invested more in intellectual property such as software (+6.4%) and in equipment (+4.8%), but less in structures (-10.3%). Residential construction contracted by 4.6% as affordability remains an issue due to high interest rates and prices. Government spending largely stagnated, similar to the first quarter.

Interpretation: Three months ago, we explained here that the decline in GDP due to the surge in import demand in the first quarter painted too bleak a picture of the situation. The recovery in the second quarter confirms our view. That said, the strong increase is overstating growth this time.

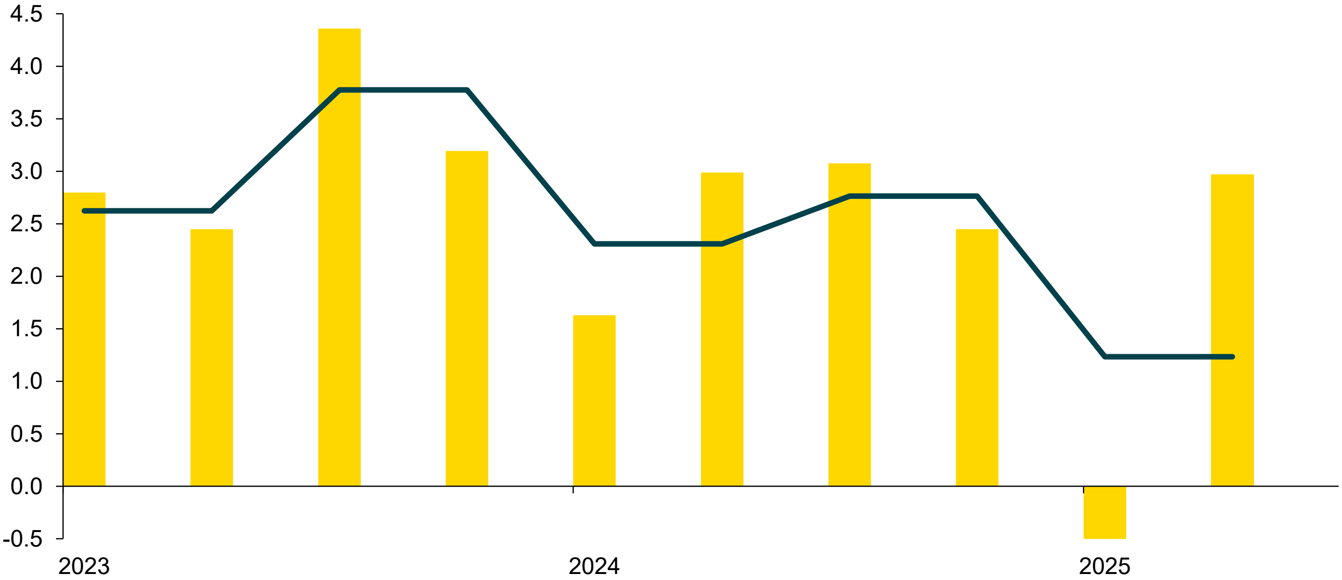
For a medium-term assessment, it makes sense to look at the first half of this year as a whole. Average quarterly growth of 1.2% shows that the US economy has lost momentum compared to 2024 (Chart 1). The tariff conflict, with its direct tariff costs and increased uncertainty, has therefore not left it unscathed.

The picture is similar for private domestic final demand. This figure excludes government spending, foreign trade, and inventories from GDP. Federal Reserve Chair Jerome Powell often highlights this measure because it reflects private consumption and private investment and thus more clearly signals the underlying trend. The Q2 quarterly growth of this figure, at 1.2% after 1.9% in the first quarter and 2.9% in the final quarter of 2024, also indicates a slowdown, but not a slump.

Growth is likely to be below average in the coming quarters due to the impact of tariffs. However, we still believe that the US economy will be able to avoid a recession despite the tariff shock. The underlying growth rate in the US is much higher than in the eurozone, for example, which is why a certain slowing will not immediately lead to a contraction. Furthermore, imports and exports play a less important role for the US economy than for the German economy, for example. Therefore, unlike the bursting of the New Economy bubble in 2001 and the real estate bubble in 2007, a foreign trade shock is unlikely to be enough to trigger a US recession.

Chart 1 - US economy lost momentum in first half of 2025

US GDP, real, quarterly change, annual rate in %. Line: semi-annual averages



Source: BEA, S&P Global, Commerzbank Research

Table 1 - US Gross Domestic Product, real

		2025Q2	2025Q1	2024Q4	2024Q3	2024	2023
GDP	qq	**3.0**	-0.5	2.5	3.1		
	yy	**2.0**	2.0	2.5	2.7	2.8	2.9
Private consumption	qq/yy	**1.4**	0.5	4.0	3.7	2.8	2.5
Government purchases	qq/yy	**0.4**	-0.6	3.1	5.1	3.4	3.9
Non-residential investment	qq/yy	**1.9**	10.3	-2.9	4.0	3.6	6.0
Residential investment	qq/yy	**-4.6**	-1.3	5.5	-4.3	4.2	-8.3
Domestic demand	qq/yy	**-1.9**	4.0	2.1	3.4	3.1	2.3
Net exports *		**5.0**	-4.6	0.3	-0.4	-0.4	0.5

Source: BEA, S&P Global, Commerzbank Research.qq/yy: change vs. previous quarter (annualized)/previous year in %.* Contribution to GDP growth in percentage points.

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