

GDP Rises in 2nd Quarter

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Thanks primarily to a boost from consumer spending, gross domestic product ([GDP](#)) accelerated in the second quarter, according to a report released Friday, but not by quite as much as economists anticipated.

According to the Commerce Department, GDP was up 2.6% in the quarter, short of forecasts by 0.3%. First-quarter growth was revised downward from 1.4% to 1.2%.

"Our economy is now on the upswing," said Evan Tarver, financial analyst for New York-based FitSmallBusiness.com. "This is thanks in large part to increases in personal consumption, fixed investments, national exports as well as federal government spending."

Martin Crutsinger of the Associated Press noted that "despite the improvement, the current recovery is still the weakest in more than six decades."

In recent years, the trend has been that the U.S. economy has shown signs of improvement in the middle of the year only to collapse by the end of the year. Consequently, the good news may be temporary.

"The economy grew 3.5% in the third quarter of 2016 before slowing down," Ben White cautioned in Politico. "It grew at 5% in the third quarter of 2014 before sputtering out."

"The result each year has been a return to what some economists call the 'new normal' of plodding annual growth of about 2%, dragged down by slow increases in worker productivity."

The Commerce Department adjusted its GDP data upward for 2014 to 2016. According to the revisions, GDP during that time was 2.2%, not 2.1% as originally believed.

The revisions put growth in 2014 at 2.6% (up from 2.4%) and growth in 2015 at 2.9% (up from 2.6%). GDP in 2016 was revised downward from 1.6% to 1.5%.

Personal consumption in the second quarter was up 2.8% as expected.

"The positive economic data keeps rolling in," said John Boyd Jr., principal of The Boyd Co. of Princeton, New Jersey. He acknowledged the contribution of consumer spending but observed, "Business spending has also increased 5.2%. This signals confidence by job creators and businesses of an improving economy and improving U.S. business climate."

John Engle Jr., president of Illinois-based Almington Capital, also expressed optimism.

"This is yet another sign of robust economic growth," he said. "After a slow 2016 and unimpressive first quarter, it is good to see signs of acceleration. With both consumer spending and business spending propelling growth, the only dark cloud is a weak level of housing investment.

"Overall, this bodes well for the rest of the year, with steady and solid growth numbers."

Boyd also expressed concern about housing, saying "this is due to a lack of skilled construction labor and rising land costs."

That "underscores the need for lawmakers to create repurposing incentives to promote residential and mixed use development in vacant retail space," he said. "In this year alone, over 50 million square feet of retail space is vacant. As more lawmakers around the country are recalibrating their incentive packages in response to the retail sector, I expect builders to increasingly look to repurposing vacant retail - often located in valuable locations with high access and parking - in their building plans over the next 18 months."