Markets
Economics

Key US Growth Measures Diverge, Complicating Recession Debate

- Second quarter GDP contracted 0.6%, better than prior estimate
- Gross domestic income rose at 1.4% pace, spending revised up

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The government's main measures of US growth pointed in different directions in the first half of 2022, adding to the ongoing debate on the health of the economy.

Inflation-adjusted gross domestic product, or the total value of all goods and services produced in the economy, decreased at a 0.6% annualized rate in the April to June period, Commerce Department data showed Thursday. That reflects an upward revision to

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However, the other, lesser-known official measure of economic growth -- known as gross domestic income -- climbed at a 1.4% rate in the second quarter after increasing 1.8% in the first three months of the year. It measures activity by calculating all income generated from producing those goods and services, like compensation and company profits.

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Theoretically, GDP and GDI should be roughly equal, but in reality, they tend to differ, especially in early estimates. But the current gap is particularly large.

The GDP figures suggest an abrupt slowdown in economic momentum in the first half of the year. Under the surface, there's more at play, including the impact of volatile categories like imports and inventories, but overall, consumer spending has decelerated. The back-to-back negative quarters, a common rule of thumb for recessions, have not only fueled fears of an imminent downturn but also led some to believe it was already under way.

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GDI, however, points to a more gradual cooling. It paints a picture of an economy supported by a robust labor market and resilient consumer spending, though one that's starting to feel the pinch of the worst inflation in a generation.