U.S. economy flexes in 2Q

Business spending drives 4.6% surge, best in 2 1/2 years

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A surge in business spending drove the economy to its fastest growth in 2½ years in the second quarter, the government said Friday.

The nation's gross domestic product grew at a 4.6% seasonally adjusted annual rate in the April-June period — up from the 4.2% previously estimated, the Commerce Department said. Economists expected a revision to 4.6%.

Business investment rose 9.7%, vs. 8.4% previously believed as companies built more factories and bought more equipment. Booming auto sales, the housing recovery and an oil- and natural-gas drilling frenzy are forcing manufacturers that supply these sectors to boost capacity.

Oxford Economics lead economist Gregory Daco said he expects such "spending momentum to carry into 2015."

Companies flush with cash are also growing more confident about spending it after a two-year budget bill by Congress early this year temporarily resolved long-standing partisan battles and repeated threats of a government shutdown.

Also fueling the stronger growth estimate: Exports increased 11.1%, vs. the 10.1% previously believed.

After shrinking earlier this year amid extreme winter weather, the economy bounced back smartly in the second quarter and has continued to accelerate recently. Consumer spending, business investment and new-home sales all have picked up momentum.

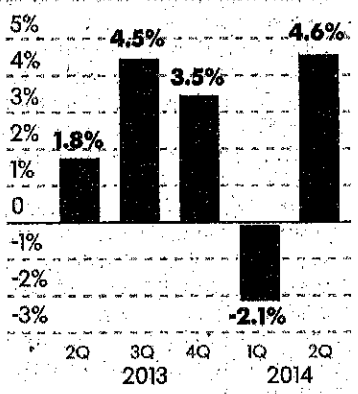
Job growth slowed in August, after six straight months of 200,000-plus payroll gains, but many economists consider the dip an aberration that doesn't reflect other positive labor market indicators.

Some analysts say the economy's impressive second-quarter performance reflects a strengthening of fundamental growth drivers, rather than a temporary rebound.

"The impressive gain in the second quarter looks to be far more than just a weather-related upturn," Markit chief economist Chris Williamson said.

STRONGER ECONOMY

Change in U.S. gross domestic product from previous quarter at a seasonally adjusted annual rate:



Source Bureau of Economic Analysis from Haver Analytics

JANET LOEHRKE, USA TODAY