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US Real GDP Nowcast - 2026Q2

Our Nowcast, SAAR

+1.1%

68% CI: +0.5% to +2.4%

2026Q2 real GDP growth

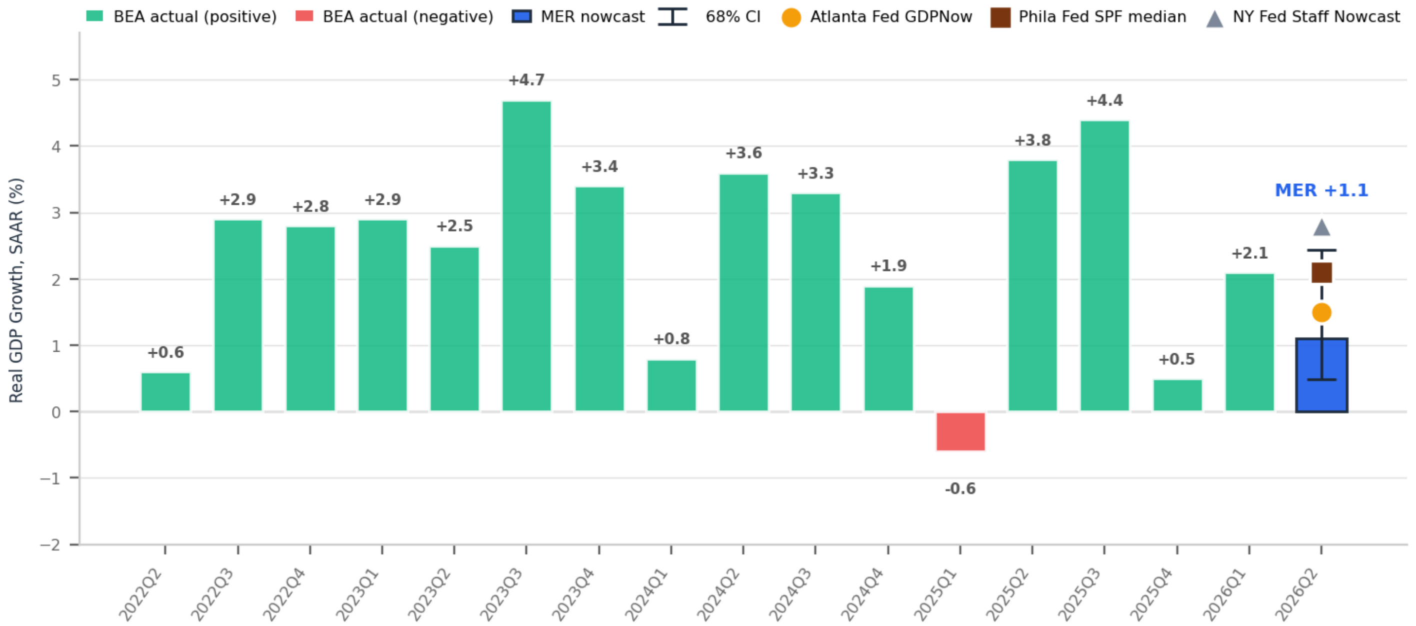
Peer comparison **MER +1.1%** **Atlanta Fed GDPNow +1.5%** **Phila Fed SPF median +2.1%** **NY Fed Staff Nowcast +2.8%**

Peer values are each tracker's latest published estimate at build time; the SPF median is from the May 2026 survey.

Key Takeaways

- MER's central estimate for Q2 2026 real GDP growth is +1.1% annualised. The 68% confidence band is +0.5% to +2.4%, built from our forecast-error record against BEA first prints, detailed on page 3. That is slowing to +1.1% from +2.1% in 2026Q1, BEA's latest estimate for that quarter.
- Peer comparison: Atlanta Fed GDPNow +1.5%, Phila Fed SPF median +2.1% (May 2026 survey), NY Fed Staff Nowcast +2.8%. All forecasters see positive growth; the four estimates span a 1.7-point range.
- We are the lowest of the four trackers this quarter, 1.7 pp below the NY Fed Staff Nowcast. The slowdown we see is not in the consumer: it is in business investment, inventories and government, which between them give back more than consumption adds. The energy shock shows up in incomes rather than in spending volumes, and households have so far bridged the gap out of savings, which is not a durable arrangement. The balance of risk still tilts to the upside, on unobserved June spending and the under-forecasting skew in our past misses.
- The main remaining unknown is June personal spending, unobserved until the morning of the print; June goods trade and advance inventories are in hand, with services trade and the detailed inventory books due in August. Net exports and inventories, estimated from incomplete data at the advance stage, remain the widest error channels for all trackers.

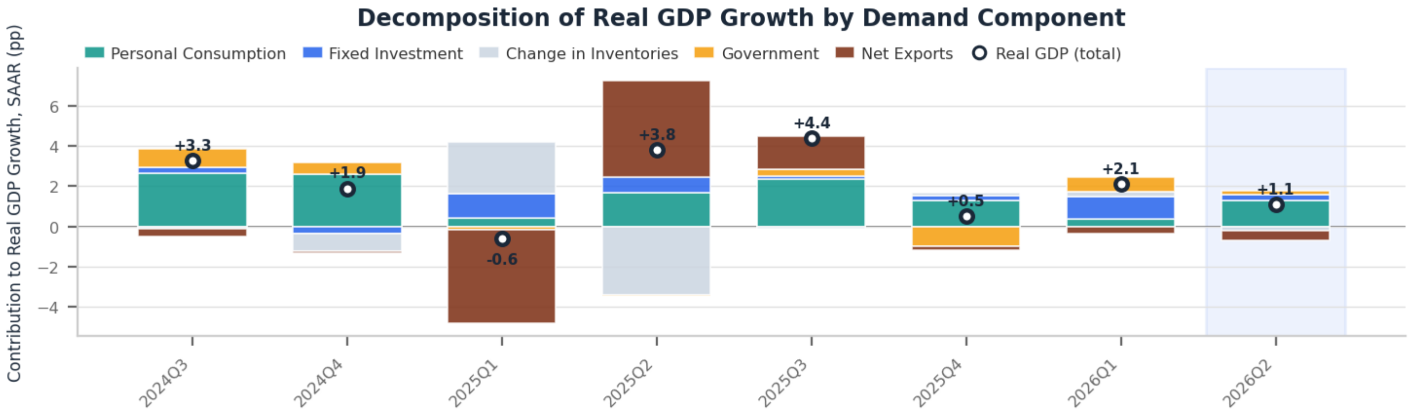
US Real GDP Growth - Historical Actuals and 2026Q2 Nowcast



Source: BEA, Atlanta Fed GDPNow, Phila Fed SPF median, NY Fed Staff Nowcast, Macro Edge Research

Note: Dark blue bar is MER nowcast; vertical capped line is the 68% CI +0.5 to +2.4. Coloured markers are peer estimates; BEA publishes the 2026Q2 advance estimate July 30, 2026. Prior bars are BEA's latest estimate as at this report's date, not first prints and not final: these are revised for years. 2026Q1: +2.1% today vs a +2.0% advance print. The band is asymmetric (most past misses were under-forecasts); roughly 1 in 3 prints outside it. Real GDP growth, SAAR %.

Composition - Demand-Side Decomposition



Source: BEA NIPA, Macro Edge Research

Note: Historical contributions are BEA's latest-revised published figures. The 2026Q2 column is MER's analyst attribution of the headline nowcast across components: the MER NowCast model targets aggregate GDP growth, not individual components, so the 2026Q2 components are anchored to recent contribution patterns and monthly indicators, constrained to sum to the headline. Contributions sum to GDP growth up to rounding. The net-export figure is the real (volume) drag: the nominal deficit widening is larger, but much of it is import price, mostly energy.

Contribution to Real GDP Growth, Percentage Points (prior quarters: BEA's latest estimates)

Component	2024Q3	2024Q4	2025Q1	2025Q2	2025Q3	2025Q4	2026Q1	2026Q2
Real GDP (Total)	**+3.30**	**+1.90**	**-0.60**	**+3.80**	**+4.40**	**+0.50**	**+2.10**	**+1.10**
Personal Consumption (PCE)	+2.66	+2.61	+0.42	+1.68	+2.34	+1.30	+0.37	+1.30
Fixed Investment	+0.28	-0.34	+1.21	+0.77	+0.15	+0.26	+1.11	+0.30
Change in Inventories	-0.11	-0.91	+2.58	-3.44	-0.12	+0.14	+0.23	-0.20
Government	+0.92	+0.57	-0.17	-0.01	+0.38	-0.99	+0.74	+0.20
Net Exports	-0.41	-0.06	-4.68	+4.83	+1.62	-0.22	-0.37	-0.50

Bridge from 2026Q1 to 2026Q2

From +2.1% in 2026Q1 (BEA's current estimate; the advance print was +2.0%), the change in each component's contribution (pp): consumption +0.93, net exports -0.13, inventories -0.43, government -0.54, fixed investment -0.81. Those sum to -1.0 pp, the arithmetic of the +1.1% headline, not its derivation: the model targets aggregate GDP and the components are our attribution of it. Measured against the advance print instead, the step down is 0.9 pp; the 0.1 pp gap is BEA's revision, not activity. Either way the slowdown sits in investment, inventories and government, not in the consumer.

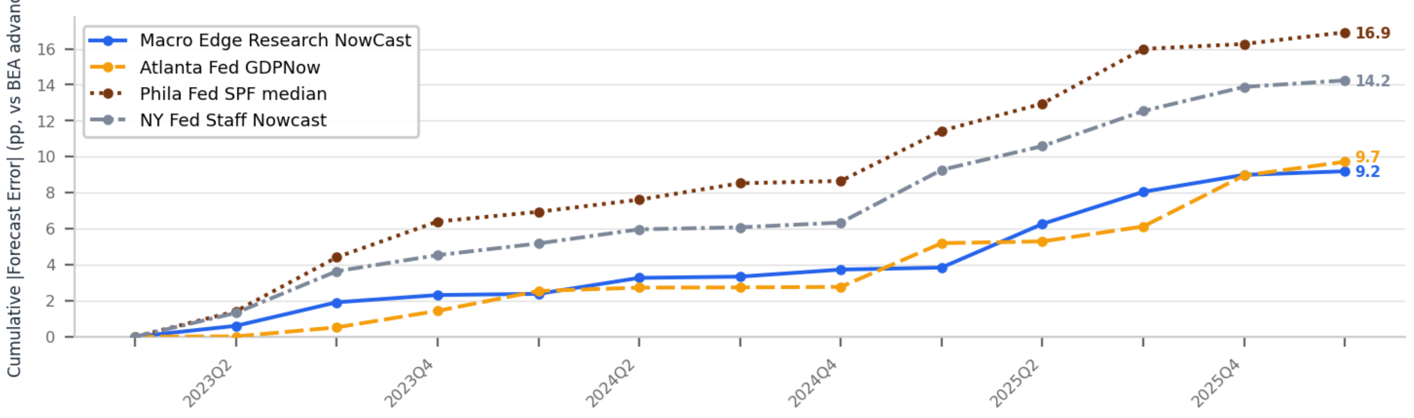
Those three lines carry the entire step down, so they deserve more than a number. Fixed investment gives back 0.8 pp from a Q1 contribution of +1.1 pp that was among the strongest in two years (much of it the data-centre buildout, which shows no sign of slowing), and we treat part of the rest as transitory. We flag the tension honestly: durable-goods orders jumped in April and, through May's pullback and a steady June, sat well above Q1's level, arguing for a smaller drag than we carry, and the likeliest place for our number to be too low. Government subtracts 0.5 pp from a Q1 figure that had rebounded from a negative quarter; that line has swung by more than a point twice in six quarters, and we assume mean reversion rather than a fiscal impulse. Inventories subtract 0.4 pp from their Q1 contribution, as a stock drawdown that had been narrowing in Q1 deepens again, though June's advance inventory print and any unsold front-run imports argue the other way here. Had those three repeated their Q1 contributions, the quarter would print near +2.9%; that gap is the size of the judgement we are making, and the main reason we call the risk here tilted upward.

What is driving the nowcast

The striking thing about Q2 2026: solid activity data, hot price data. Industrial production rose through the quarter at a 4.1% annualised pace; capacity utilisation edged to 76%. Retail sales ran at a double-digit nominal annualised rate, much of it price; real spending firmed more modestly through April and May. The labour market cooled but did not crack: payroll gains slowed from 148k in April to 129k in May and 57k in June, while unemployment ticked down to 4.2% on falling participation more than hiring. On that evidence the quarter looks respectable. Two forces pull the other way. First, prices: this quarter, energy. With the US-Iran war shutting the Strait of Hormuz from late February, crude (WTI) ran from about $65 a barrel to a $115 peak on 7 April, averaging $96 across the quarter against $73 in Q1, carrying the all-commodities producer price index up at a 27.6% annualised rate; the index is energy-heavy and overstates the breadth, but consumer prices accelerated too on the quarter's average, though the pulse broke late: June consumer prices fell outright as fuel retraced. The effect on real growth is narrower than the headline implies, and lands first on incomes, not spending volumes. Real disposable income fell at a 2.4% annualised rate through April and May, while real consumer spending rose 1.5% and the saving rate dropped from a Q1 average of 3.9% to 3.0%. Households paid the energy bill out of savings rather than by cutting real purchases. That is why consumption is the largest positive contributor, not the drag a reader might expect, and why we would not call that strength durable: it rests on a saving rate now unusually thin. Second, trade: the goods and services deficit held near $55 bn a month through April, near its Q1 run-rate, then jumped to $78 bn in May, goods alone from the low-to-mid $80s bn to $105.9 bn. The move has a familiar signature: with the prior tariff regime struck down in February, refunds flowing and a replacement schedule landing in late July, importers appear to have front-run the changeover much as in early 2025. June's advance print, out the morning we publish, retraces only part of it: a $101.5 bn goods deficit, down $4.4 bn from May, still far above April. Housing was choppy: starts collapsed in May, rebounded in June. Financial conditions remain easy, credit spreads tight. The blockade eased through June and crude round-tripped, so the quarter contains the bulk of the price shock. One forward note: energy has re-accelerated since the quarter closed, crude up some 12% in July, so we would not read Q2's softness as the end of the income squeeze.

Track Record - Forecast Accuracy

Cumulative Absolute Forecast Error vs BEA Advance Release, 2023Q2 to 2026Q1 (12 quarters) - Lower is Better



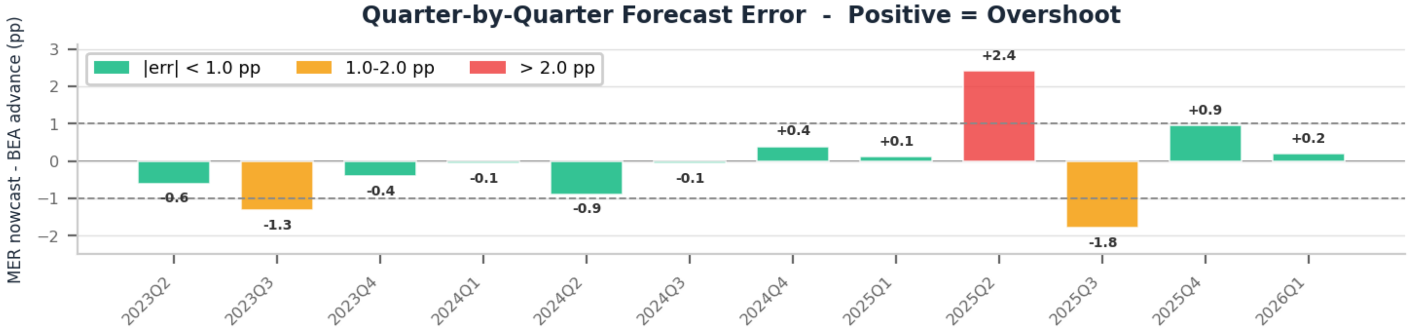
Source: BEA, Atlanta Fed GDPNow, Phila Fed SPF median, NY Fed Staff Nowcast, Macro Edge Research

Note: MER NowCast compared against BEA's initial (advance) release; historical advance values re-verified against primary vintages in this edition after the Oct-Nov 2025 federal shutdown disrupted BEA's release calendar: 2025Q3's advance was cancelled outright, so its benchmark is BEA's December 2025 initial estimate. Lines start at zero and step up by each quarter's absolute forecast error. MER rows 2023Q2-2025Q4 are model reconstructions at each quarter's historical data cutoff; 2026Q1 onward are live published nowcasts. Peer figures are each institution's published readings, captured from FRED (series GDPNOW), the Phila Fed median-forecast file and the NY Fed nowcast workbook on a consistent rule across quarters; peers are tracked as benchmarks only and are not inputs to the MER nowcast.

Accuracy Scorecard vs BEA Advance Release (rolling 12 quarters)

Forecaster	n	MAE (pp)	RMSE (pp)	Median |err|	Hit (sign)
Macro Edge Research NowCast	12	0.77	1.05	0.50	100%
Atlanta Fed GDPNow	12	0.81	1.21	0.63	100%
Phila Fed SPF median	12	1.41	1.74	1.16	92%
NY Fed Staff Nowcast	12	1.19	1.45	1.10	92%

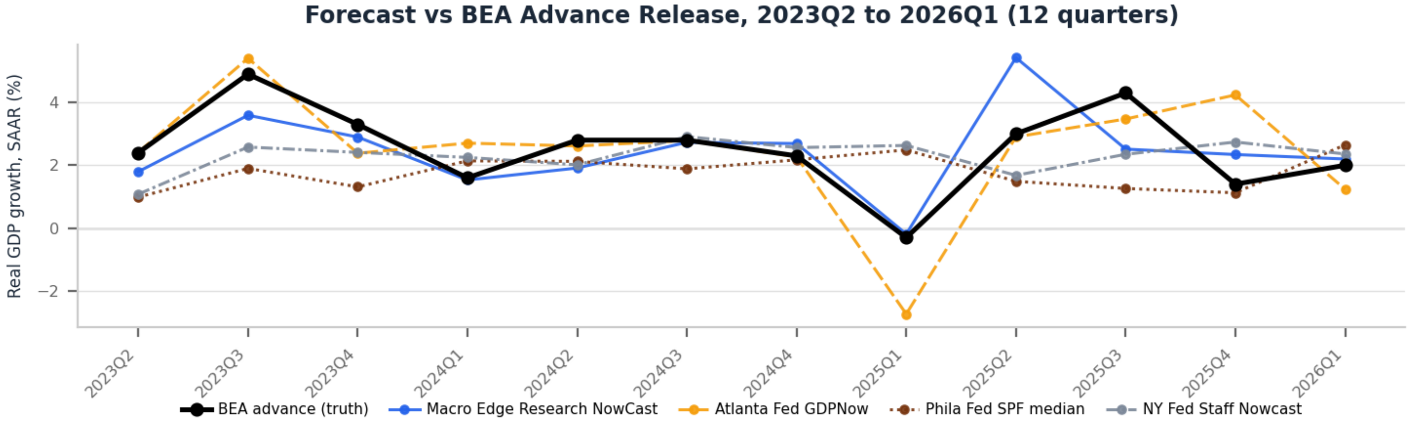
Quarter-by-Quarter Forecast Error - Positive = Overshoot



Source: BEA, Macro Edge Research

Note: Forecast error is the MER NowCast minus the BEA advance release. Dashed lines mark +/-1.0 pp miss bands. Trade- and inventory-driven swings with no monthly antecedent are the structural blind spot of GDP nowcasts; 2025Q2 is our largest miss.

Forecast vs BEA Advance Release, 2023Q2 to 2026Q1 (12 quarters)



Source: BEA, Atlanta Fed GDPNow, Phila Fed SPF median, NY Fed Staff Nowcast, Macro Edge Research

Note: Black line is the BEA advance print (truth). Coloured lines are each forecaster's nowcast for the quarter. Forecasters cluster tightly in calm quarters and diverge sharply around the 2025Q1 tariff shock and 2025Q2 reversal.

Risks and Prior-Quarter Post-Mortem

Risks to the forecast

June personal-spending data unobserved ELEVATED

Personal income and spending for June release the same morning as GDP (July 30, per the BEA schedule). Real PCE is the largest contributor to real GDP; June spending is its largest input unobservable outside BEA before the print.

June services trade and scorecard cutoffs MODERATE

The July 28 advance report covers goods only (June deficit $101.5 bn); June services trade follows August 4, and BEA's own goods mapping can differ from the advance basis. Our estimate uses data through July 28.

Inventory data partially in hand MODERATE

Advance June inventories arrived July 28 with the trade report: wholesale +0.3%, retail flat. The detailed books follow in early August; the inventory contribution is the second-most volatile line in our table, estimated by BEA from limited inputs.

First print versus later revisions MODERATE

Initial estimates differ from later revisions by about 0.4 pp on average over the quarters we score, and by as much as 0.9 pp in the worst of them (2025Q4: +1.4 advance, +0.5 today); the longer BEA record is wider still. The advance release is what we predict; later revisions can move the comparison either direction without changing underlying activity.

Prior quarter review - 2026Q1

We put the quarter at +2.2%; BEA's advance estimate printed +2.0% on April 30, a miss of 0.2 pp, and the third estimate has since moved to +2.1%. For context, the other trackers finished at NY Fed Staff Nowcast +2.36%, Phila Fed SPF median +2.65% (a March survey, pushed back by the shutdown-delayed BEA calendar, roughly 55 days ahead of the release) and Atlanta Fed GDPNow +1.24%, its terminal update published the day before the release. The NY Fed's and SPF's cutoffs differ materially from ours, while GDPNow's terminal update shared our T-1 timing; either way this is a record of outcomes rather than a like-for-like ranking, and a single quarter supports no conclusion about relative accuracy. The economic story broadly held: government spending swung back from its heavy Q4 drag and investment firmed, though the mix surprised, with consumption softer than the monthly data had implied. Two cautions carry into Q2. First-print GDP is revised, sometimes materially. And trade and inventories remain the hardest lines to call from monthly source data, which is precisely where this quarter's uncertainty sits.

How forecasters fared on 2026Q1 vs the BEA advance print

Forecaster	2026Q1 forecast	BEA advance	|Miss| (pp)
Macro Edge Research NowCast (T-1)	**+2.20%**	**+2.00%**	**0.20**
NY Fed Staff Nowcast (backcast, T-6)	+2.36%	+2.00%	**0.36**
Phila Fed SPF median (March survey, T-55)	+2.65%	+2.00%	**0.65**
Atlanta Fed GDPNow (final update, T-1)	+1.24%	+2.00%	**0.76**

What It Means

For Fed policy

A soft real print alongside a hot quarterly deflator is an uncomfortable mix for a central bank, and the monthly data complicate it further: June consumer prices fell outright even as the quarter's average price level ran far above Q1's. The print lands the morning after the July FOMC decision, so its real audience is the September meeting. The Fed on the receiving end has changed character: Kevin Warsh chaired his first meeting in June, dropped the statement's easing bias and launched five task forces, one covering the inflation framework. The committee is split on how much of the energy shock to look through: nine of eighteen June dots pencilled a hike, while the Chair has called one-time price moves non-inflationary. As of July 28, with the two-day meeting under way, fed funds futures priced roughly a 30% chance of a July hike, down from near 40% a week ago, and most of a quarter-point move priced by early autumn, with WTI some 12% above its end-June level. A growth print this soft argues the other way, and the June income and spending data released the same morning will weigh at least as heavily.

For markets

Published trackers span +1.1% to +2.8% for the quarter, with our estimate at the bottom of the range; wider gaps have been common in the recent record. The low end is not an outlier: S&P Global's PMI-implied estimate for Q2, published July 24, sits at 1.2%, a tenth above our estimate. The composition will matter as much as the headline: a miss driven by net exports or inventories should carry less signal for the growth path than one driven by consumption.

About the nowcast: a statistical model maps a broad panel of monthly US activity, labour, price and financial indicators into a single estimate of quarterly real GDP growth; data through July 28, 2026. The confidence band is built from the model's own historical forecast errors, weighted toward the most recent quarters. The component rows on page 2 are analyst attribution around that estimate, not model output.

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