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Media Alert

Comment on Q3 GDP

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Strong Topline GDP Growth Overstates the Strength in the Economy

The U.S. Bureau of Economic Analysis today reported 3.5 percent annualized growth in real Gross Domestic Product for the third quarter of 2014, which is above expectations because of strong contributions from net exports and government spending on national defense.

The growth in household consumption was disappointing, and business investment grew only moderately. Despite extremely low interest rates, residential investment continues to grow unusually slowly, partly a result of very weak household formation.

Moving forward, we expect the U.S. economy to grow at about a 2.5 percent rate on average in the coming quarters. If moderate economic growth and therefore the current pace of job creation are sustained, we could even see some pickup next year in wage growth, and a first Fed hike by mid-2015.

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