Comment on Q3 GDP

US Growth Performance Does Not Disappoint
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US Real Gross Domestic Product grew by 1.9 percent during the third quarter of 2019, in line with The Conference Board forecast. Consumer spending was again the strongest driver of growth, following a very strong Q2 consumption growth of 4.6 percent. Consumer spending should continue to support growth, despite the weakness in business spending driven by high uncertainty in the global outlook.

The divergence between consumers’ outlook and business confidence is again reflected in this report. Nonresidential fixed investment contributed negatively to GDP growth for two consecutive quarters. In contrast, residential investment improved for the first time since the last quarter of 2017. The US economy is slowing down to its long-term growth potential and should grow at 2 percent for the second half of 2019.

Given the recent underperformance of investment and global uncertainties, the FOMC is expected to cut the Federal Funds rate today. Looking ahead, if the US economy remains around its long-term growth rate, future cuts later in the year will become less likely.

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