

# ECONOMIC PULSE

## UNITED STATES: WILL US GDP GROW IN Q4?

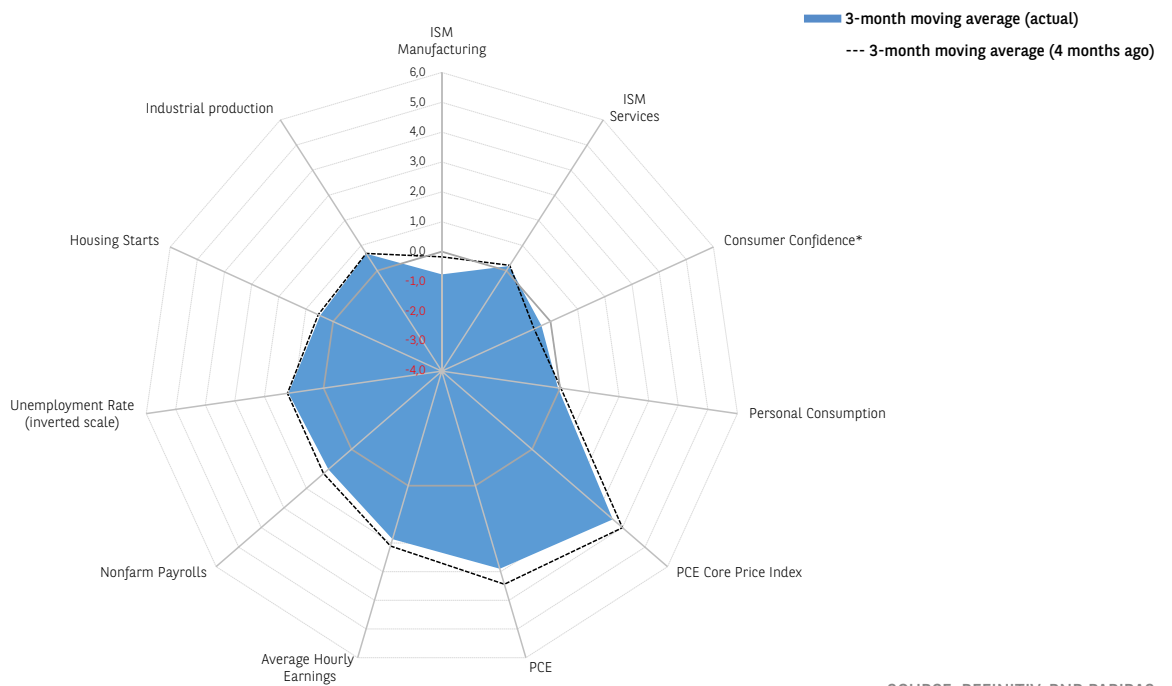
According to the latest estimate by the Atlanta Federal Reserve (GDPnow) on 1st December, quarterly annualised growth in US GDP could be 2.8% in Q4 2022, which would be hardly different from the Q3 performance (+2.9% q/q), but well above the first two quarters (-1.6% in Q1 and -0.6% in Q2). This latest estimate strengthens the idea that the US economy is resilient and is not expected to enter a recession in 2022. Also, according to the Atlanta Federal Reserve, personal consumption expenditures (PCE), non-residential investments and foreign trade would be the main growth drivers in Q4, as in Q3. Residential investment, on the other hand, would continue to fall, with a negative contribution for the seventh consecutive quarter.

However, this very positive estimate masks a slowdown in the economy. While previous estimates have long indicated growth of more than 4% for Q4, the downward revision of the last estimate is particularly pronounced (-1.2 points). In particular, it is attributable to the publication of the ISM manufacturing index and personal income, which significantly reduced estimates of the contribution of household consumption and non-residential investment (with the exception of investment in equipment).

While the US economy is still robust according to GDPnow estimates, the Leading Economic Index (LEI), published by the Conference Board, sends a more negative signal. The LEI continued to contract (-0.8% m/m) in October, for the eighth consecutive month, driven downwards by more negative consumer judgement in a context of high inflation and rising interest rates, as well as by the deterioration of prospects in the residential construction and manufacturing sectors. The LEI's one-month diffusion index, i.e. the proportion of sub-indicators up year-on-year over one month, was only 35% in October, while it was still 50% between July and September.

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### UNITED STATES: QUARTERLY CHANGES



The indicators in the radar are all transformed into 'z-scores' (deviations from the long-term average, as standard deviations). These z-scores have mean zero and their values are between -4 and +6. In the radar chart, the blue area shows the actual conditions of economic activity. It is compared with the situation four months earlier (dotted-line). An expansion of the blue area compared to the dotted area signals an increase in the variable.

