

# Monthly Forecast Report

## Real Gross Domestic Product



PAPAYACAST

September 2019

Despite recessionary fears and uncertainty around the U.S.-China trade war, the U.S. economy remains in growth mode as consumer spending continues to be a bright spot. PapayaCast forecasts that U.S. gross domestic product (GDP) will grow by 2.3% on a seasonally adjusted annual basis in the third quarter of 2019. This is a modest increase over the previous quarter, when GDP grew by 2.0% based on the latest revision from the Bureau of Economic Analysis.

The U.S. consumer has not disappointed in the third quarter, with spending on goods and services improving on recent trends and showing little signs of a slow-down. Retail sales are building on their growth from the second quarter, and real spending on consumer services increased by an annualized 3.4% in July compared to 2.8% in the second quarter. Nonfarm job growth in July and August averaged 145,000 jobs per month, marginally lower than the 152,000 average during the second quarter. This job growth will help sustain spending levels through the third quarter.

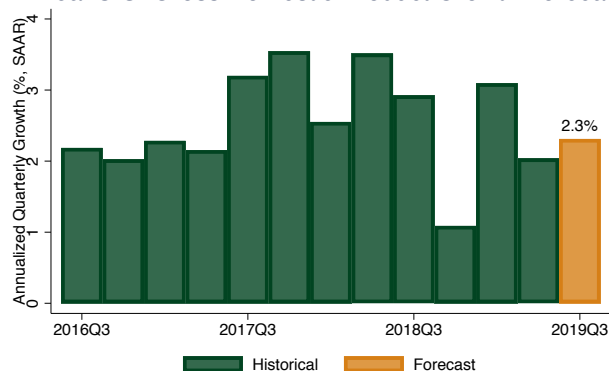
While consumer spending has been a source of strength in today's economy, there are some concerns in other sectors that could dampen headline growth in the near term. Business investment and international trade have both disappointed in recent months. Private nonresidential construction spending, industrial production, and residential housing starts all logged negative growth from June to July. Exports in July were actually up from June levels, but imports were also higher, and imports act as a drag on GDP growth.

It remains to be seen whether the trade war with China will have a significant impact on the U.S. economy in the short term. Consumers remain the foundation of the U.S. economy, but if business investment continues to trend lower, it can have negative consequences for longer-term growth, as the economy will be starved of investments that would improve productivity and support above-average GDP growth.

## Forecast Accuracy

Here at PapayaCast we're proud of our forecasts, and we're not afraid to show you our track record. We invite other forecasters to do the same! This is our inaugural forecast, so we do not have any statistics to share for this initial public release. Each month we'll include our GDP forecast accuracy to let you know how we're doing over time.

Real U.S. Gross Domestic Product Growth Forecast



Source: PapayaCast, Bureau of Economic Analysis

Real U.S. Gross Domestic Product Forecast, Q3 2019

Component	Percent Change	Contribution to Change
Gross Domestic Product	2.3	
Personal Consumption Expenditures	3.1	1.5
Gross Private Domestic Investment	0.7	0.1
Net Exports	-	-0.3
Exports	2.1	0.2
Imports	3.7	-0.5
Government Expenditures and Investment	2.5	0.3

Source: PapayaCast