

Monthly Forecast Report

Real Gross Domestic Product



PAPAYACAST

October 2019

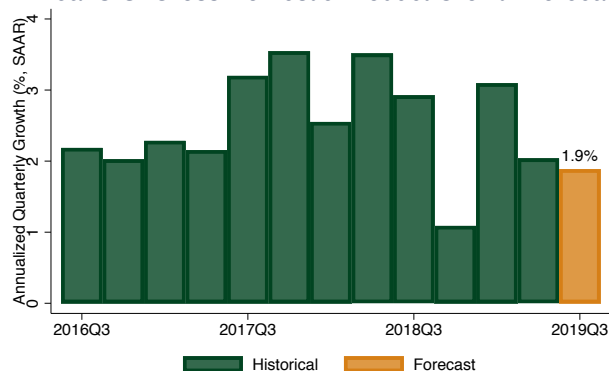
The economy is poised for continued growth in the third quarter, although recent trends have pointed towards slower growth in the world's largest economy. Gross domestic product (GDP) is estimated to have grown by 1.9% in the third quarter, according to PapayaCast, a downward revision from the 2.3% estimate in our last report.

Recent data have shown some chinks in the U.S. consumer's armor, as retail sales and spending on services both disappointed and came in lower than the previous month. Retail sales declined by 0.3% from August to September, but perhaps more troubling was real consumer spending on services declined from July to August, the first decline since December of 2018. And while the decline was mere fractions of a percent, any lower reading for this sector of the economy is a major headwind for growth as consumer spending on services makes up roughly 45% of the entire U.S. economy, while consumer spending on goods makes up about 25% of the U.S. economy.

The data on the business side of the economy has not fared much better than consumer spending. The manufacturing sector in particular has raised concerns regarding the economy's health as the ISM manufacturing index for September hit the lowest level since June 2009. On the bright side, residential investment is showing signs of a turnaround as spending and employment for residential construction have both headed higher after negative growth in the second quarter.

Despite the disappointing trends in the latest data, the U.S. economy continues to grow and there are no signs of an imminent recession on our radar. We will be keeping a close eye on all the latest developments and in our next report will provide our first estimate of fourth quarter GDP growth.

Real U.S. Gross Domestic Product Growth Forecast



Source: PapayaCast, Bureau of Economic Analysis

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

Component	Percent Change	Contribution to Change
Gross Domestic Product	1.9	
Personal Consumption Expenditures	2.1	1.5
Gross Private Domestic Investment	1.0	0.2
Net Exports	-	-0.4
Exports	4.3	0.6
Imports	5.2	-0.9
Government Expenditures and Investment	3.6	0.6

Source: PapayaCast

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! On October 30th the U.S. Bureau of Economic Analysis will release their advance estimate of third quarter GDP, giving us our first comparison to official government estimates. Each month we'll include our GDP forecast accuracy to let you know how we're doing over time.