

Monthly Forecast Report

Real Gross Domestic Product



PAPAYACAST

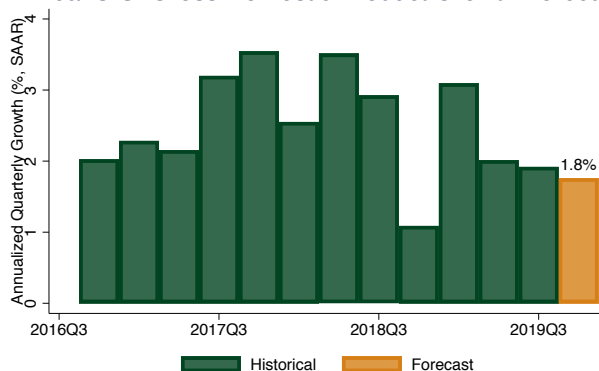
November 2019

The U.S. economy is on track for another quarter of slower growth as the latest monthly data highlights the challenges the economy is facing. PapayaCast's preliminary forecast of fourth quarter GDP calls for 1.8% growth, marginally lower than the 1.9% growth in the third quarter. The Government's estimate for third quarter growth released at the end of October matched our 1.9% forecast in last month's report.

Consumer spending remains a growth driver, however the earliest indicators suggests spending activity has cooled heading into the holiday season. Retail sales in October increased at a 3.2% annual rate from September, down from 5.8% annualized growth in the third quarter. The consumer price index exhibited strong growth in October, up 4.4% from September on an annualized basis. In contrast, annualized CPI growth in the third quarter was just 1.8%. Higher prices erode the gains in retail sales in real terms as sales data are not adjusted for inflation. The October data is an early indication of third quarter growth in consumer spending, but so far points towards headwinds for real GDP growth from this important sector of the economy.

Data on business investment is sparse at this point, but those data that have come out show a continuation in weakness for this component of GDP. Industrial production of business equipment declined by an annualized 6.8% from September to October, a reversal from the 0.7% gain in the third quarter. Investment in nonresidential structures could be similarly trending lower for the fourth quarter. Nonresidential construction employment declined 2.5% from September to October, even lower than the 0.2% decline in the third quarter. Residential construction, on the other hand, is trending favorably as construction employment increased 4.2% from September to October, on track to meet the 5.1% annualized growth in the third quarter. A turnaround in residential investment that started in the third quarter will help to offset the declines in nonresidential investment.

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	1.8	
Personal Consumption Expenditures	2.1	1.5
Gross Private Domestic Investment	-1.3	-0.2
Net Exports	-	-0.1
Exports	0.8	0.1
Imports	1.3	-0.2
Government Expenditures and Investment	3.9	0.7

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! Last month was the first time we were able to compare our forecast directly with government estimates, and our forecast of 1.9% GDP growth in October matched the government number exactly, giving us a current forecast error of +/- 0.0 percentage points. Each month we'll include our GDP forecast accuracy to let you know how we're doing over time.

Average Forecast Error
± 0.0 pp