

Monthly Forecast Report

Real Gross Domestic Product

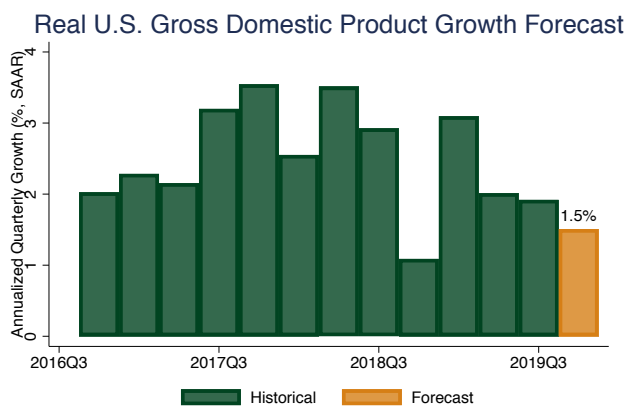


December 2019

The longest economic expansion in U.S. history is on track to reach new highs in the fourth quarter as GDP growth remains positive, albeit slower than the prior quarter. U.S. GDP growth is expected to come in at 1.5% in the fourth quarter, according to the latest forecast from PapayaCast, a downward revision from our 1.8% projection in last month's report.

The latest monthly data point towards a slowdown in growth in the fourth quarter compared to the government's 2.1% estimate of third quarter growth, however growth is still positive and we see no recession on the immediate horizon. The phase one trade deal between the U.S. and China promises to relieve some uncertainty for businesses, which could lead to a turnaround in business investment. If trade talks between the first and second largest economies in the world trend favorably it would remove the biggest recession risk to the U.S. economy. Meanwhile, global economic growth is not deteriorating in the near term, and 2020 is shaping up to set a new record for longest running economic expansion in this nation's history.

The labor market sent a strong signal in November as nonfarm payroll employment increased by 266,000 jobs, the largest monthly job gain since January and has put the fourth quarter on track for the largest job gain since the fourth quarter of 2018. Steady employment growth puts more disposable income in the hands of consumers, and signals business' willingness to keep hiring. Without a major recession risk on the radar, we can look to employment trends in the coming months to signal if the current economic expansion has some steam left in it.



Source: PapayaCast, Bureau of Economic Analysis

Real U.S. Gross Domestic Product Forecast, Q4 2019

Component	Percent Change	Contribution to Change
Gross Domestic Product	1.5	
Personal Consumption Expenditures	2.1	1.5
Gross Private Domestic Investment	-1.8	-0.3
Net Exports	-	0.1
Exports	0.9	0.1
Imports	0.2	-0.0
Government Expenditures and Investment	1.6	0.3

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! After accurately forecasting third quarter GDP growth our average forecast error stands at +/- 0.0 percentage points. At the end of January, the government will release their fourth quarter GDP estimate, which will be the second comparison of our forecast to official government figures. 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