

Monthly Forecast Report

Real Gross Domestic Product



PAPAYACAST

January 2020

U.S. economic growth held steady in the fourth quarter, ending the year on a positive note as recessionary risks are fading into the background. The nation's GDP grew at a 1.7% annual rate in the fourth quarter, according to the latest estimate from PapayaCast. This marks a slight slowdown from the 2.1% growth in the third quarter and an upward revision to the forecast in our report last month.

Consumer spending softened somewhat from the third quarter as personal consumption expenditures are estimated to have grown by 2.3%, a decrease from the 3.2% annual rate in the third quarter. However, this slowdown in consumer spending is not a concern. The Q4 estimate is far from turning negative, and job growth has been steady, averaging 184,000 new jobs per month in the fourth quarter. This was on par with the 193,000 monthly pace of job creation in the third quarter, which will help keep the American consumer with sufficient disposable income to maintain spending trends.

Private domestic investment growth is estimated to have remained negative in the fourth quarter, but this was due primarily to a drawdown in inventories as opposed to a further deterioration in other areas of investment. Residential investment was a strong contributor to the top line number as housing starts surged in the fourth quarter, hitting a post-recession high of 1.6 million units at an annual rate in December. A drop in imports helped offset the decline in business investment as imported goods subtract from GDP.

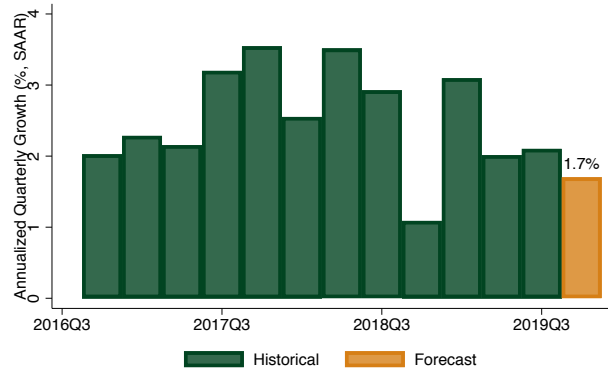
With trade uncertainty moving into the past thanks to the phase one agreement between China and the Trump administration, the primary recession risks are fading into the background. While the Trump administration's trade policy has been unpredictable at times, the outlook is positive. If current negotiations between the two sides continue to bear fruit this should alleviate the uncertainty businesses have been facing and lead to a turnaround in investment, which was the primary drag on GDP growth in 2019.

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. Next week 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

Real U.S. Gross Domestic Product Growth Forecast



Source: PapayaCast, Bureau of Economic Analysis

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

Component	Percent Change	Contribution to Change
Gross Domestic Product	1.7	
Personal Consumption Expenditures	2.3	1.6
Gross Private Domestic Investment	-5.7	-1.0
Net Exports	-	0.9
Exports	0.2	0.0
Imports	-4.7	0.9
Government Expenditures and Investment	1.3	0.2

Source: PapayaCast