

27.Oct.2022

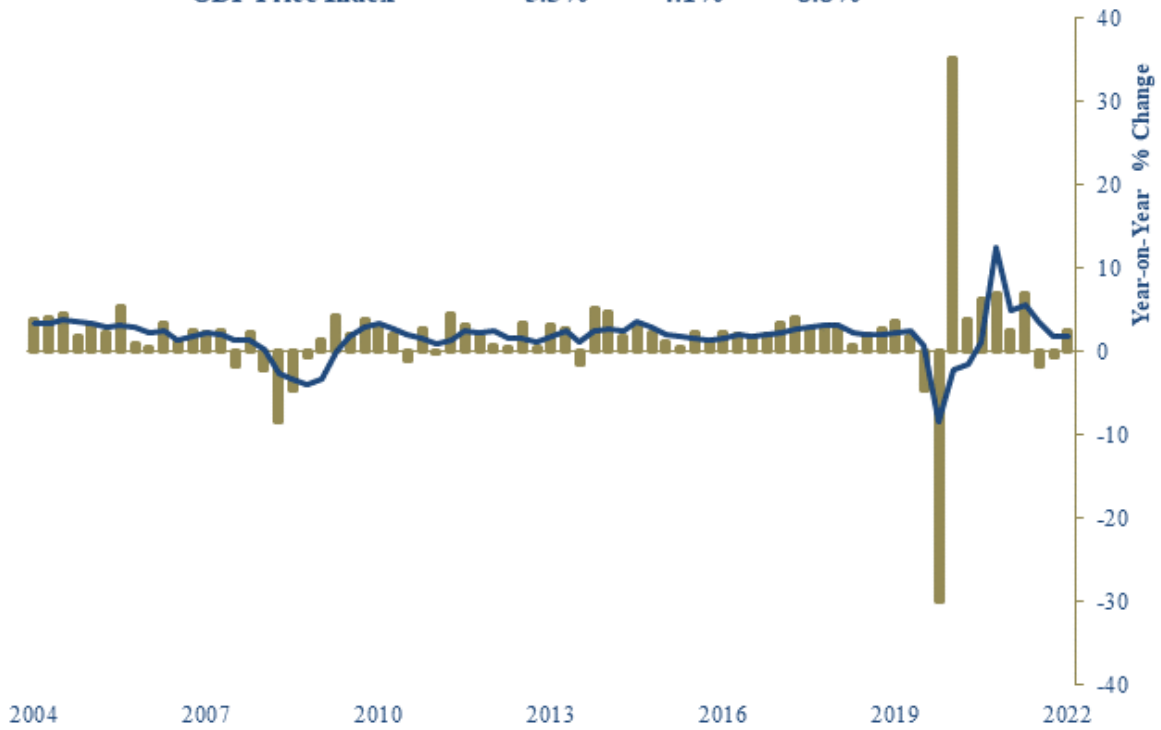
3Q22 GDP: Solid Rebound, Trend Still Slower

Bottom Line: The advance reading of 3rd Quarter GDP was slightly higher than the consensus but below the Atlanta Fed's GDPNow model. At 2.4% annualized, the reading marked a solid rebound from the 1st Half. Business fixed investment drove the gains, and government purchases rebounded after five straight quarters of negative readings. Net exports were also a significant addition to growth. Against that, residential investment was a significant drag, as expected, subtracting nearly 140 basis points, while inventory investment also proved a drag of about 70bps. Finally, consumption remained steady but modest, rising 1.4% and accounting for 100 basis points of the total tally.

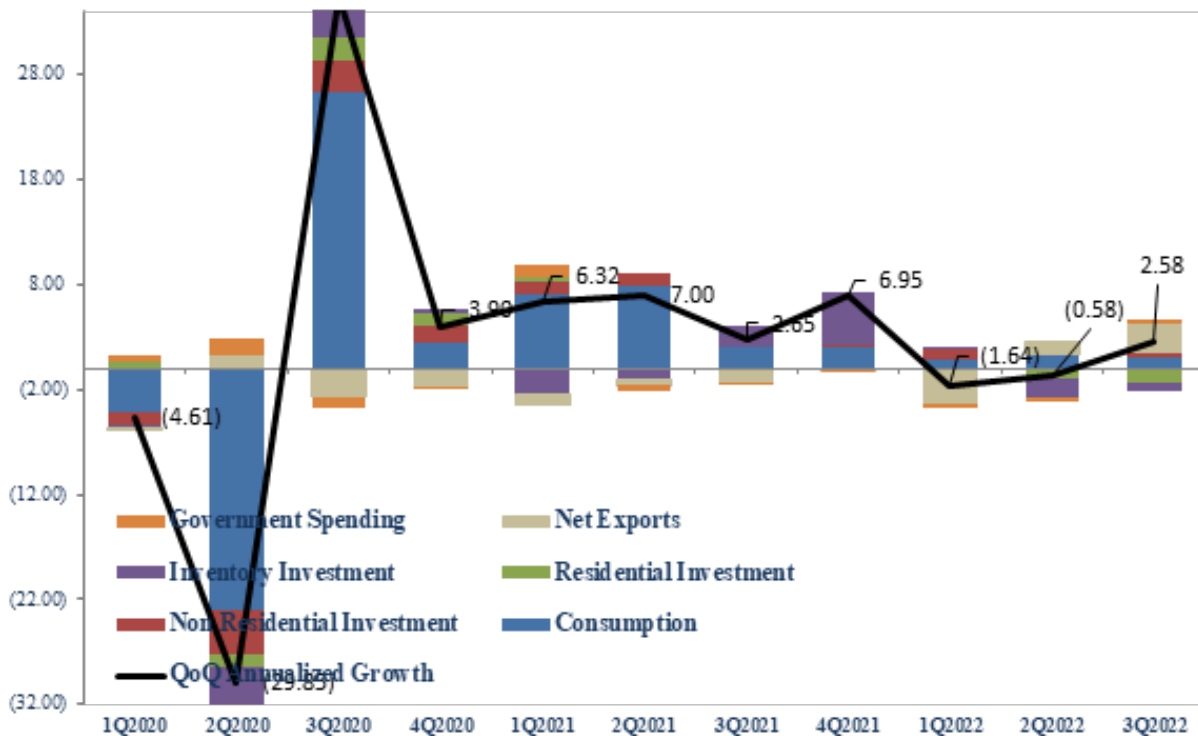
Looking through the volatility, the trend in growth continues to slow. Real final domestic demand was only 0.5%, following readings of 0.2% and 1.3% in the 2nd and 1st Quarters, respectively. Changes in net exports and business fixed investments are unlikely to change the growth trend significantly. Consumption will remain the key to growth and looks tepid, while residential investment will likely remain a significant drag for at least a few more quarters.

GDP

GDP	Cons.	Actual	Prior
	2.4%	2.6%	-0.9%
GDP Price Index	5.3%	4.1%	8.8%



US Quarterly GDP (seas. adj. ann rate) with contributions in bar graphs



Gross Domestic Product ROSE by 2.6% in the 3rd Quarter, higher than market expectations for an increase of 2.4%. Economic activity was 1.8% ABOVE its year-ago level.

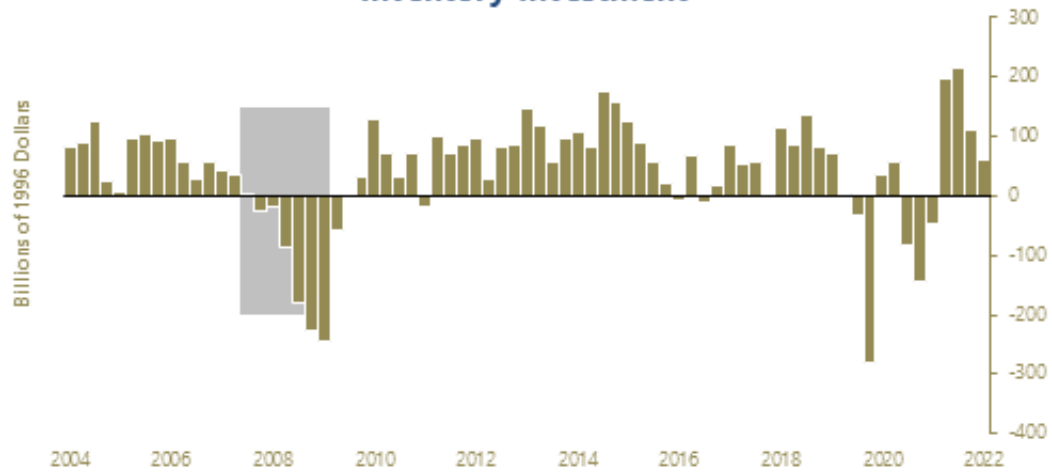
Inventory Investment FELL by \$48.2 billion, subtracting 0.70 percentage points from overall economic activity. Consequently, **Real Final Sales** ROSE by 3.3% and was 1.2% ABOVE its year-ago level. Additionally, **Imports** FELL by 6.9% and **Exports** ROSE by 14.4% so **Net Exports** ROSE by \$156.5 billion. This implies that **Real Final Domestic Demand** ROSE by 0.5% and was 1.0% ABOVE its year-ago level.

Consumer Spending ROSE by 1.4%, contributing 0.97 percentage points to economic growth. **Business Investment** ROSE by 3.7%, adding 0.49 percentage points to GDP. **Intellectual property products** increased by 6.9% while non-residential structures declined by 15.4%. **Residential Investment** FELL by 26.4%, subtracting 1.37 percentage points to economic growth. Finally, **Government Purchases** ROSE by 2.4%, adding 0.42 percentage points to GDP.

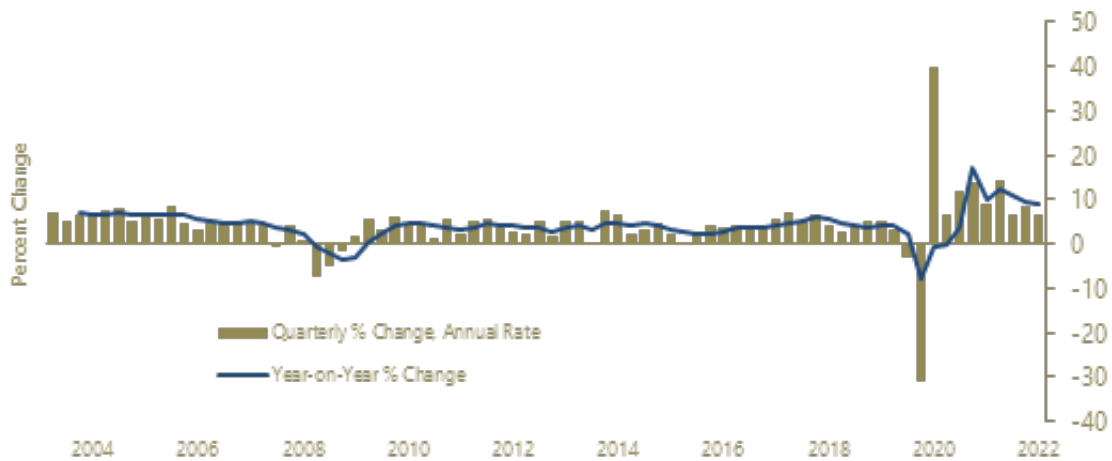
The GDP Price Index ROSE by 4.1%, compared with market expectations of 5.3%. This is also 7.0% ABOVE its year-ago level.



Inventory Investment



Nominal GDP



GDP - by annual % Change

	% Change at Annual Rate (unless noted as \$)									
	Quarterly Averages						Annual Averages			
	Q3-22 Advance	Q2-22	Q1-22	Q4-21	Q3-21	Q2-21	2021	2020	Five Year	Ten Year
Real GDP	2.6	-0.6	-1.6	7.0	2.7	7.0	5.9	-2.8	2.1	2.1
Consumption	1.4	2.0	1.3	3.1	3.0	12.1	8.3	-3.0	2.4	2.4
Business Fixed Investment	3.7	0.1	7.9	1.1	0.6	9.9	6.4	-4.9	3.0	3.9
Residential Investment	-26.4	-17.8	-3.1	-1.1	-5.8	-4.8	10.7	7.2	4.0	6.5
Inventory Investment (\$ Chg)	-48.2	-104.4	17.0	246.1	95.0	-60.6	35.2	-127.7	-11.0	-6.6
Net Exports (\$ Change)	156.5	58.2	-191.1	-30.1	-63.6	-39.4	-310.8	-30.0	-95.3	-66.2
Exports	14.4	13.8	-4.6	23.5	-1.1	4.8	6.1	-13.2	-0.2	1.0
Imports	-6.9	2.3	18.4	18.6	6.6	7.9	14.1	-9.0	2.7	2.9
Government Purchases	2.4	-1.6	-2.3	-0.9	-0.2	-3.0	0.6	2.6	1.7	0.7
Addendum:										
Real Final Sales	3.3	1.4	-1.8	1.9	0.7	7.9	5.7	-2.2	2.1	2.1
Final Domestic Demand	0.5	0.2	1.3	2.0	1.7	8.2	6.7	-1.9	2.5	2.4
Price Index (final sales)	4.1	9.0	8.3	6.8	6.3	6.5	4.6	1.4	2.4	2.0

Source: Bureau of Economic Analysis, Department of Commerce via Bloomberg. Our calculations.

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GDP - by contribution

	% Contributions									
	Quarterly						Annual Averages			
	Q3-22 Advance	Q2-22	Q1-22	Q4-21	Q3-21	Q2-21	2021	2020	Five Year	Ten Year
Real GDP	2.6	-0.6	-1.6	7.0	2.7	7.0	5.9	-2.8	2.1	2.1
Consumption	1.0	1.4	0.9	2.1	2.0	7.8	5.5	-2.0	1.7	1.6
Business Fixed Investment	0.5	0.0	1.0	0.2	0.1	1.3	0.8	-0.7	0.4	0.5
Residential Investment	-1.4	-0.9	-0.2	-0.1	-0.3	-0.2	0.5	0.3	0.2	0.2
Inventory Investment (\$ Chg)	-0.7	-1.9	0.2	5.0	2.0	-0.8	0.2	-0.6	0.0	0.0
Net Exports (\$ Change)	2.8	1.2	-3.1	-0.2	-1.1	-0.6	-1.3	-0.3	-0.4	-0.3
Exports	1.6	1.5	-0.5	2.4	-0.1	0.5	0.6	-1.5	0.0	0.2
Imports	1.1	-0.4	-2.6	-2.5	-1.0	-1.1	-1.9	1.3	-0.4	-0.5
Government Purchases	0.4	-0.3	-0.4	-0.2	0.0	-0.5	0.1	0.5	0.3	0.1
Others:										
Defense	0.2	0.1	-0.3	-0.2	-0.1	-0.1	-0.1	0.1	0.1	0.0
Intellectual Property	0.4	0.5	0.5	0.4	0.4	0.6	0.5	0.2	0.3	0.3
Equipment	0.5	-0.1	0.6	0.1	-0.1	0.7	0.5	-0.6	0.1	0.2
Medical Care	0.3	0.1	-0.1	0.4	0.6	1.2	0.8	-0.9	0.2	0.3

Source: Bureau of Economic Analysis, Department of Commerce via Bloomberg. Our calculations.