

Economic Indicator — October 30, 2024

Q3 GDP: The U.S. Economy Continues to Clip Along at a Solid Pace

Summary

- Real GDP grew a solid annualized rate of 2.8% in Q3-2024 relative to the previous quarter. On a year-ago basis, output was up 2.7% in the third quarter, stronger than the 2.4% per annum growth rate that was registered during the last economic expansion in 2010-2019.
- Consumer spending once again stole the show. Overall spending remained solid in the third quarter, with real personal consumption expenditures (PCE) advancing at a 3.7% annualized rate.
- Investment spending was also strong in the third quarter, with real business spending on equipment up more than 11%. That said, spending on intellectual property products was essentially flat, while structures (i.e., non-residential construction) posted a modest contraction.
- We look for the U.S. economy to continue to expand in coming quarters, although not quite as strongly as it has recently. Policy changes in the wake of next week's election could potentially lead to modifications of our forecast. We may make some changes to our forecast once we know the results of the election. Our [Annual Economic Outlook](#) webinar is scheduled for Thursday November 21.

Economist(s)

Jay H. Bryson, Ph.D.

Chief Economist | Wells Fargo Economics
Jay.Bryson@wellsfargo.com | 704-410-3274

Shannon Seery Grein

Economist | Wells Fargo Economics
shannon.grein@wellsfargo.com | 704-410-0369

Real GDP Grew At a Solid Pace, Yet Again, in Q3-2024

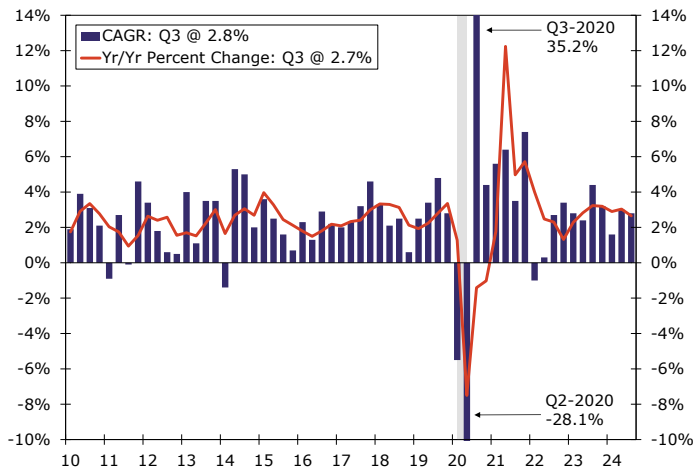
Data released this morning showed that real GDP rose at an annualized rate of 2.8% in Q3-2024 relative to the second quarter ([chart](#)). The outturn was a tick weaker than the 2.9% growth rate that the Bloomberg consensus forecast had anticipated. Nevertheless, real GDP grew 2.7% on a year-ago basis in the third quarter, stronger than the 2.4% per annum rate that was registered during the last economic expansion in 2010-2019. In short, the U.S. economy continues to clip along at a solid pace.

Consumer spending once again stole the show. Overall spending remained solid in the third quarter, with real personal consumption expenditures (PCE) advancing at a 3.7% annualized rate. That's the fastest pace in six quarters and the details suggest spending was broad-based across categories—real spending on goods rose at a 6.0% annualized clip while services consumption rose at a pace fairly steady with Q2 (+2.6%). Household purchasing power has faded and once again become more reliant on income growth. Yet while the labor market has shown signs of moderating, income growth is still supportive of spending ([chart](#)). Real disposable personal income and spending were both up around 3% over the past year. Households continue to face their fair share of challenges with still-high prices at the top of the list, but that doesn't appear to be deterring them from spending.

Businesses also spent more last quarter, but the gain in investment spending is not necessarily a sign of a renewed pickup in capex as the details are somewhat mixed. Most of the gain is attributable to real equipment investment, which popped 11.1% in Q3. Just over half of that, however, came from transportation equipment, most likely spending on aircraft specifically, based on previously released durable goods data. Most of the other strength in equipment was tied to increased spending on information processing equipment, which has been a bright spot in an otherwise flagging environment. Elsewhere, there was only a modest gain in intellectual property investment and structures investment slipped. We do, however, anticipate the economic environment is growing more supportive of capex amid some policy clarity that will accompany the upcoming presidential election, further Fed easing and simply the fact that some equipment needs replacing.

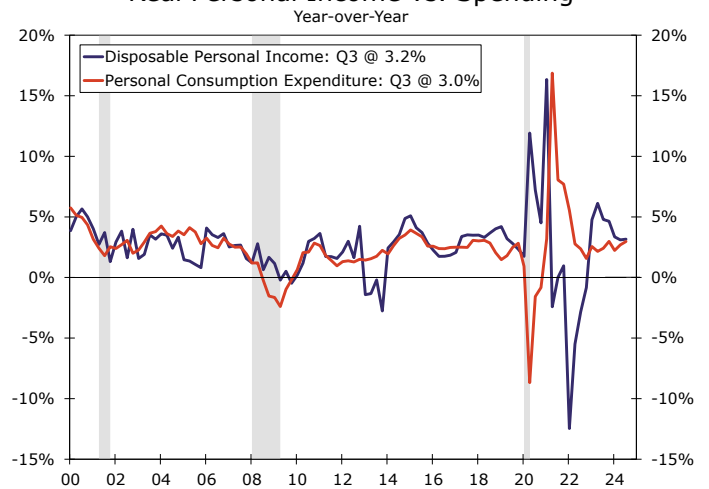
Residential investment spending pulled back for the second consecutive quarter as well as the sector continues to struggle amid higher rates and still-strapped inventory. All told, economic growth would have been even stronger in Q3 if it weren't for a pop in imports (+11.2%) that swamped what was an impressive gain in exports (+8.9%). A smaller gain in inventories also subtracted a couple tenths from headline growth. Real final sales to private domestic purchasers, an indication of domestic U.S. demand that cuts through some of the volatility, rose a stronger 3.2% in Q3.

U.S. Real GDP Growth



Source: U.S. Department of Commerce and Wells Fargo Economics

Real Personal Income vs. Spending



Source: U.S. Department of Commerce and Wells Fargo Economics

Monthly real PCE data for September are slated for release tomorrow. The 3.7% annualized increase in real PCE in Q3 that was reported today implies that real consumer spending shot up 0.6% in September, assuming no upward revision to spending data in July and August. In other words, the economy appears to have entered the fourth quarter with a good head of steam. But the strong growth rate may have some negative implications for the Fed's battle against inflation. This morning's

data showed that the core PCE deflator rose at an annualized rate of 2.2% in Q3 relative to the previous quarter, a tick above the 2.1% rate the consensus forecast had anticipated. This quarterly growth rate implies that core PCE prices rose 0.3% in September relative to the previous month, a tick above the 0.2% increase the consensus currently anticipates.

We look for the U.S. economy to continue to expand in coming quarters, although not quite as strongly as it has recently. We also forecast that core PCE inflation, which in August came in at 2.7% on a year-over-year basis, will slowly recede toward the Fed's target of 2% next year. That said, policy changes in the wake of next week's election could potentially lead to modifications of our forecast. We may make some changes to our forecast once we know the results of the election. Our [Annual Economic Outlook](#) webinar is scheduled for Thursday November 21.

Subscription Information

To subscribe please visit: www.wellsfargo.com/economicsemail

Via The Bloomberg Professional Services at WFRE

Economics Group

Jay H. Bryson, Ph.D.	Chief Economist	704-410-3274	Jay.Bryson@wellsfargo.com
Sam Bullard	Senior Economist	704-410-3280	Sam.Bullard@wellsfargo.com
Nick Bennenbroek	International Economist	212-214-5636	Nicholas.Bennenbroek@wellsfargo.com
Tim Quinlan	Senior Economist	704-410-3283	Tim.Quinlan@wellsfargo.com
Sarah House	Senior Economist	704-410-3282	Sarah.House@wellsfargo.com
Azhar Iqbal	Econometrician	212-214-2029	Azhar.Iqbal@wellsfargo.com
Charlie Dougherty	Senior Economist	212-214-8984	Charles.Dougherty@wellsfargo.com
Michael Pugliese	Senior Economist	212-214-5058	Michael.D.Pugliese@wellsfargo.com
Brendan McKenna	International Economist	212-214-5637	Brendan.Mckenna@wellsfargo.com
Jackie Benson	Economist	704-410-4468	Jackie.Benson@wellsfargo.com
Shannon Grein	Economist	704-410-0369	Shannon.Grein@wellsfargo.com
Nicole Cervi	Economist	704-410-3059	Nicole.Cervi@wellsfargo.com
Jeremiah Kohl	Economic Analyst	212-214-1164	Jeremiah.J.Kohl@wellsfargo.com
Aubrey Woessner	Economic Analyst	704-410-2911	Aubrey.B.Woessner@wellsfargo.com
Delaney Conner	Economic Analyst	704-374-2150	Delaney.Conner@wellsfargo.com
Anna Stein	Economic Analyst	212-214-1063	Anna.H.Stein@wellsfargo.com
Ali Hajibeigi	Economic Analyst	212-214-8253	Ali.Hajibeigi@wellsfargo.com
Coren Miller	Administrative Assistant	704-410-6010	Coren.Miller@wellsfargo.com

Required Disclosures

This report is produced by the Economics Group of Wells Fargo Bank, N.A. (“WFBNA”). This report is not a product of Wells Fargo Global Research and the information contained in this report is not financial research. This report should not be copied, distributed, published or reproduced, in whole or in part. WFBNA distributes this report directly and through affiliates including, but not limited to, Wells Fargo Securities, LLC, Wells Fargo & Company, Wells Fargo Clearing Services, LLC, Wells Fargo Securities International Limited, Wells Fargo Securities Europe S.A., and Wells Fargo Securities Canada, Ltd. Wells Fargo Securities, LLC is registered with the Commodity Futures Trading Commission as a futures commission merchant and is a member in good standing of the National Futures Association. WFBNA is registered with the Commodity Futures Trading Commission as a swap dealer and is a member in good standing of the National Futures Association. Wells Fargo Securities, LLC and WFBNA are generally engaged in the trading of futures and derivative products, any of which may be discussed within this report.

This publication has been prepared for informational purposes only and is not intended as a recommendation, offer or solicitation with respect to the purchase or sale of any security or other financial product, nor does it constitute professional advice. The information in this report has been obtained or derived from sources believed by WFBNA to be reliable, but has not been independently verified by WFBNA, may not be current, and WFBNA has no obligation to provide any updates or changes. All price references and market forecasts are as of the date of the report or such earlier date as may be indicated for a particular price or forecast. The views and opinions expressed in this report are those of its named author(s) or, where no author is indicated, the Economics Group; such views and opinions are not necessarily those of WFBNA and may differ from the views and opinions of other departments or divisions of WFBNA and its affiliates. WFBNA is not providing any financial, economic, legal, accounting, or tax advice or recommendations in this report, neither WFBNA nor any of its affiliates makes any representation or warranty, express or implied, as to the accuracy or completeness of the statements or any information contained in this report, and any liability therefore (including in respect of direct, indirect or consequential loss or damage) is expressly disclaimed. WFBNA is a separate legal entity and distinct from affiliated banks, and is a wholly-owned subsidiary of Wells Fargo & Company. © 2024 Wells Fargo Bank, N.A.

Important Information for Non-U.S. Recipients

For recipients in the United Kingdom, this report is distributed by Wells Fargo Securities International Limited (“WFSIL”). WFSIL is a U.K. incorporated investment firm authorized and regulated by the Financial Conduct Authority (“FCA”). For the purposes of Section 21 of the UK Financial Services and Markets Act 2000 (the “Act”), the content of this report has been approved by WFSIL, an authorized person under the Act. WFSIL does not deal with retail clients as defined in the Directive 2014/65/EU (“MiFID2”). The FCA rules made under the Act for the protection of retail clients will therefore not apply, nor will the Financial Services Compensation Scheme be available. For recipients in the EFTA, this report is distributed by WFSIL. For recipients in the EU, it is distributed by Wells Fargo Securities Europe S.A. (“WFSE”). WFSE is a French incorporated investment firm authorized and regulated by the Autorité de contrôle prudentiel et de résolution and the Autorité des marchés financiers. WFSE does not deal with retail clients as defined in MiFID2. This report is not intended for, and should not be relied upon by, retail clients.

SECURITIES: NOT FDIC-INSURED - MAY LOSE VALUE - NO BANK GUARANTEE