



THIRD QUARTER 2017 GDP RELEASE

Good day everyone. Thank you for joining us once again here at Seifried & Brew for our weekly briefing. I am Jamie Sumner here, chief analyst. And for this week's briefing, we want to review over the **3Q GDP release** (gross domestic product) that came out last Friday. Now this is the advance release, so there are some preliminary numbers in here, and most often will be adjusted somewhat as we move forward. But it did come out very favorable (slide 2); 3% GDP growth for the third quarter of 2017, beating expectations of about 2.6%, so that's a pretty good number. As we see inside the 3%, we're continuing to grow faster than the average when we look back since the beginning of this recovery.

Let's look into the numbers and see where the contributions came from. Overall (Slide 3), when we look back into history, we can see where we are here at that 3%, just under where we were in the second quarter at 3.1%, but pretty far above the other quarters going back to the first quarter of 2015. So, we're on a pretty good stretch here looking at the numbers. When we look at the individual components (Slide 4), recall the four main components of GDP: the consumer segment, the investment segment, government, and then net export-imports.

Overall the **consumer segment** would make up 1.62% of that 3% growth rate. That is down from where we were last quarter when the consumer segment made up 2.24% so we've come down just a little bit. However, we're still making progress and that's still positive. If we look at the quarter-over-quarter growth rate on personal consumption expenditures (that's the consumer portion) you can see (Slide 5) we did have a downward trajectory here where we grew slower in the third quarter than we did in the second quarter. So that's something to be aware of. And hopefully that trend will not continue as we move into the fourth quarter here.

Looking at that **investment segment**, that investment component there, 98 basis points (bps) compared to what we had last quarter at 64 bps. So, we had a pretty big uptick in that. And that is primarily due to inventory investment here in the third quarter. In fact, when we look at the contributions, two-thirds of this contribution was made up of those inventories. Overall, we can see the growth in this segment/Gross Private Domestic Investment quarter-over-quarter (Slide 6). We're up here at a 6% growth rate for the quarter, much higher than where we were back here in the second quarter. And in fact, in the first quarter if you recall we were negative here. We do find in this segment though that residential real estate investments continue on a downward trajectory. This is the second quarter that we saw negative contributions there, that is, negative growth rates in that segment. Hopefully we'll start to see that pick up.

We're looking at the **government segment**, detracted 2 bps this quarter, 3 bps last quarter. So, we had a little narrowing of that, but not much at all. A lot of the good growth is coming in that defense spending. However, we still have the locals, the state, and local governments, kind of winding down in their spending right now pulling these numbers down.

Another kind of big move would be the **net exports-imports**, contributing 41 bps compared to 21 bps last quarter. When we look at this trend in these two numbers what we'll find is the period over period growth rate for the exports came down but remained positive in here. Now we're just above that 2% mark, however for the imports, the imports actually went negative. And while that's a negative number, negative growth rate, for the contribution in a GDP that's a positive. In fact, that added an additional 12 bps to our GDP in here. The fact that we are importing less goods and services than we were last quarter.



So, overall very positive and favorable outlook going into the fourth quarter. We hope to continue this conversation as we look at the next release of GDP. That's the end of November where we get some maybe refreshed numbers, some revised numbers and hopefully we'll stay at or around that 3% mark. We look forward and will talk to you next week when we look at that job situation report coming out on Friday and see how the whole hurricanes have impacted in September and how that flowed through into the October job market. Look forward to seeing you next week. Have a great week everyone.

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