Instant Analysis

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Time EST	Indicator	For	Actual	Estimate*	Consensus**	Previous Period
08:30 AM	GDP Annualized QoQ	3Q A	3.0%	2.7%	2.6%	3.1%
08:30 AM	Personal Consumption QoQ	3Q A	2.4%	2.2%	2.1%	3.3%
08:30 AM	GDP Price Index	3Q A	2.2%	1.8%	1.7%	1.0%
08:30 AM	Core PCE QoQ	3Q A	1.3%	NA	1.3%	0.9%
10:00 AM	U. of Mich. Sentiment	Oct F	100.7	101.0	100.7	101.1

* Estimate from Bank of the West Economics
**Consensus from Bloomberg

Q3 GDP Sizzles – Illustrating the Resiliency and Vibrancy of the U.S. Expansion

The advance estimate of third quarter GDP growth exceeded nearly all expectations largely shaking off the negative impact of the fall hurricanes. The 3.0% annualized growth rate for the third quarter nearly matched the second quarters 3.1% pace and sets the U.S. economy up for a repeat performance in the final quarter of the year. U.S. GDP growth over the last two quarters has been the strongest since 2014 when U.S. oil production was boosting U.S. GDP growth. We boosted our fourth quarter GDP forecast up to 2.9% from 2.8% in the wake of these Q3 GDP estimates. Another 3.0% growth performance is entirely possible as residential and structural investment bounce back from hurricane reconstruction.

Relative strength was seen in the sectors of the economy we expected last quarter, but we got more of it than anticipated. Business equipment spending jumped another 8.6% annualized last quarter on top of an 8.8% increase in the second quarter, adding almost a half a percentage point to Q3 U.S. GDP growth. Rising wages and unfilled positions along with improved business confidence may be playing a role in the acceleration in business equipment spending.

Stronger global growth and a weaker dollar is adding to U.S. export growth with the shrinking U.S. trade deficit adding another 0.4 percentage points to U.S. GDP growth last quarter. Business inventory rebuilding added another 0.7 percentage points to U.S. GDP growth.

We did get a negative hit from the hurricanes in the residential and structural investment categories. Residential and commercial construction each subtracted around 0.2 percentage points for U.S. GDP growth last quarter. A rebound in construction activity in the fourth quarter will likely mean a similar or greater addition to U.S. GDP growth from construction in the fourth quarter.

Finally, the negative hurricane impacts on consumer spending were not quite as severe as we thought they might be at the national level. Consumer spending did slow to a 2.4% pace from 3.3% in the second quarter. However, a tight labor market and near record high stock prices kept consumers spending at a decent clip last quarter. Moreover, hurricane preparations, gasoline hording, and motor vehicle replace in Texas and Florida also added to consumer spending in the third quarter.

This morning's strong Q3 GDP report raises the odds of another interest rate hike in December, which was already our baseline view. The conversation at the FOMC could start to shift from we are hiking too fast to we are not hiking fast enough.