

U.S. GDP – Third Quarter 2016 Third Estimate

The Bureau of Economic Analysis (BEA) real Gross Domestic Product (GDP) third estimate shows that the U.S. economy expanded 3.5% (annualized) in the third quarter this year, higher than the 3.2% second estimate. The BEA report also shows an upward revisions of personal consumption expenditures (PCE), which accounts for 70% of GDP, from 2.8% to 3.0%, and private investment spending from 2.1% to 3.0% in the third quarter.

In the third quarter, durable goods consumption rose 11.6% and nondurable goods fell 0.5%. Fixed residential investment (housing) decreased 4.1%. U.S. exports and imports increased 10.0% and 2.2%, respectively. Government spending increased 0.8%. Corporate profits (with inventory valuation adjustment and capital consumption allowances) in the third quarter increased 5.8%. This reflects a \$117.8 billion increase from the \$12.5 billion decrease in the second quarter, according to the third estimate of the BEA.

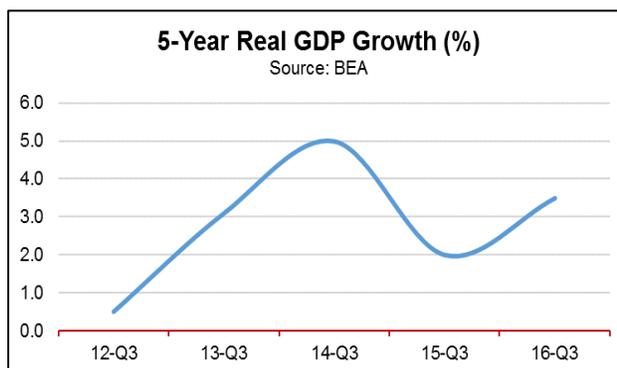
Credit Union Impact Meter: **High**

The latest estimate of the third quarter GDP confirms the turnaround of business investment spending into positive territory. With real disposable income rising 2.6% in the third quarter, and stronger third quarter corporate profits compared to the second quarter, higher GDP growth can be expected if spending by both households and business sectors continues to improve. Quarterly GDP growth this year now averages 1.9%, the third quarter GDP growth was the fastest increase since the third quarter in 2014.

Durable goods consumption which includes autos—an indicator of future path of GDP—was the highest since the second quarter of 2014. If durable goods consumption remains robust, it should sustain strong auto and other consumer loan growth at credit unions ahead. Fixed residential investment spending continued to decline in the third quarter, but not as much as in the second quarter. November new residential construction data came in weaker than prior months, but will turnaround given strong housing demand. New single-family homes sales rose 16.5% in November from a year ago. Further improvements in residential investment spending and home sales will continue to support healthy mortgage lending at credit unions moving forward.

The 25 basis points Fed funds rate hike at the FOMC meeting this month is in line with inflation on the horizon and further improvements in labor markets. CUNA economists' view of moderate U.S. economic growth this year and the next remains unchanged.

Data Snapshot: Real GDP – Quarterly and 5-Year Periodic Change (%)



Quarterly Change (%)	2015Q4	2016Q1	2016Q2	2016Q3
Real Gross Domestic Product	0.9	0.8	1.4	3.5
Personal consumption	2.3	1.6	4.3	3.0
<i>Durable goods</i>	4.0	-0.6	9.8	11.6
Private domestic investment	-2.3	-3.3	-7.9	3.0
<i>Residential</i>	11.5	7.8	-7.7	-4.1
Exports	-2.7	-0.7	1.8	10.0
Imports	0.7	-0.6	0.2	2.2
Government expenditures	1.0	1.6	-1.7	0.8

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