

26 October 2018  
Snap

## US growth keeps booming as consumers splash the cash

Another decent growth number will be welcome news for President Trump, but for markets, the bigger question is where the economy goes next. We see no reason to expect an imminent correction, although growth may begin to ease in 2019 as higher rates bite and fiscal tailwinds fade

At 3.5%, the latest US quarterly growth figure will be welcome news for President Trump, who appears keen to play up his administration's economic credentials to rally the Republican vote ahead of a challenging mid-term election in a couple of weeks' time.

Unsurprisingly, it was another exceptionally strong quarter for the US consumer, where the combination of tax cuts, rising wages and a tight jobs market saw spending contribute 2.7% to the overall economic growth figure. Admittedly, the latest quarterly accounts were also given a sizable boost by inventories, which helped offset a particularly sharp correction in net exports.

# -1.8%

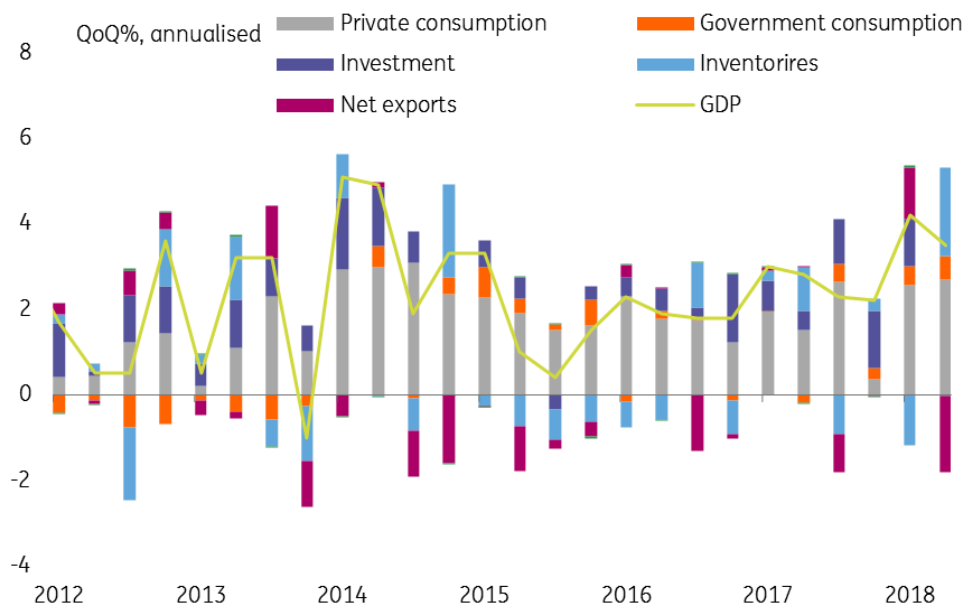
Contribution of net trade to overall  
3Q GDP

But the big question for markets, particularly in light of the recent stock market movements, is whether this is 'as good as it gets' for US growth. Well, at this stage we don't see any real reason to expect growth to fall sharply, particularly given that the fourth quarter is likely to be boosted by rebuilding and clean-up efforts following the recent hurricanes in the south-east.

That said, there is a risk that, as we move into 2019, growth begins to ease. Tighter financial conditions – driven by higher interest rates and the stronger dollar – may start to bite, while persistent trade uncertainties and fading fiscal tailwinds may also begin to restrain activity more noticeably. However, the strong underpinnings of the tight jobs market and the resulting positive impact on wage growth are likely to stay with us into next year, and we still expect a decent 2.4% growth reading for 2019.

With that in mind, we expect the Federal Reserve to push ahead with its tightening cycle, hiking in December and three more times in 2019.

### Contributions to US GDP growth



Source: Macrobond

#### James Smith

Developed Markets Economist  
 +44 20 7767 1038  
[james.smith@ing.com](mailto:james.smith@ing.com)

### Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. ("**ING**") solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group NV and its subsidiary and affiliated companies).* The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. The producing legal entity ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is subject to limited regulation by the Financial Conduct Authority (FCA). ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10 Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.