

## 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



Source: Shutterstock

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.

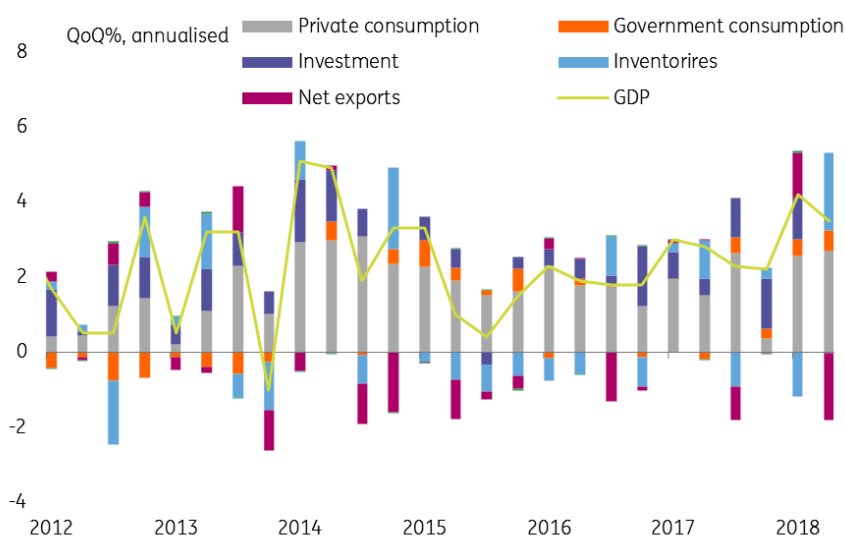
# -1.8% Contribution of net trade to overall 3Q GDP

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

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