

ECONOMIC NEWS

United States: Growth in Line with Expectations

HIGHLIGHTS

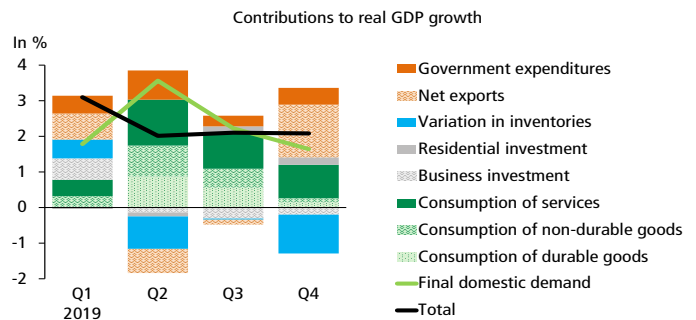
- ▶ U.S. real GDP rose 2.1% (annualized) in the fourth quarter of 2019, according to the preliminary estimate of national accounts. This was identical to the summer's increase and similar to last spring's growth of 2.0%. Final domestic demand advanced 1.6% following a rise of 2.2%.
- ▶ Overall, in 2019, real GDP climbed 2.3%, below the gains made in 2018 (2.9%) and 2017 (2.4%).
- ▶ Real consumption was up 1.8% in the fourth quarter, after gaining 3.2% last summer. Durable goods advanced 2.1% while non-durable goods only increased 0.8%. Services grew 2.0%.
- ▶ Non-residential fixed investment by business fell 1.5%, a third straight decline. Non-residential construction plunged 10.1%, the fifth decline in six quarters. Investment in equipment retreated 2.9%. Investment linked to intellectual property products saved the day somewhat with a 5.9% increase. The variation in business inventories was just US\$6.5B, on the heels of two straight increases of US\$69.4B. This took a big 1.09 percentage point bite out of growth. Residential investment rose 5.8%, a second consecutive gain.
- ▶ Foreign trade made a large 1.48 percentage point contribution, with real exports advancing 1.4% while imports fell 8.7%.
- ▶ Government expenditures rose 2.7%.

COMMENTS

U.S. real GDP growth has been very stable since the spring. Its current cruising speed is clearly at around 2%, matching potential GDP growth. However, this stability obscures some major movements among the components and the impacts of the trade war. The latter is largely responsible for the drop in investment noted in the last few quarters. It also played a role in the fourth quarter's sharp movement in inventories and imports.

GRAPH

Real GDP holds up, while final domestic demand slows again



Sources: Bureau of Economic Analysis and Desjardins, Economic Studies

It remains to be seen what impact the recent China–U.S. trade deal and the coronavirus epidemic will have on trade ties in the coming quarters.

IMPLICATIONS

Growth is in line with expectations for the fourth quarter and 2019 as a whole. We must now hope that the slowdown in consumption will be short-lived and that investment will strengthen again. In the meantime, the Federal Reserve should be relatively happy with how the economy is doing and keep its key rates where they are.

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