Economic Update

November 27, 2024

Third Quarter GDP Growth Unrevised at Strong 2.8% in Second Print

- **Third quarter real GDP growth was unrevised at an annualized pace of 2.8%, down from 3.0% in the second quarter. Revisions were offsetting.**
- **The GDP price index climbed 1.9% in the third quarter, an upward revision from 1.8% in the advance estimate.**
- **Gross domestic income (GDI) rose an annualized 2.2% in the third quarter, up from 2.0% in the second quarter; the average of GDP and GDI growth was 2.5%, unchanged from the second quarter.**
- **PNC is forecasting GDP growth to decelerate to somewhat above 2% in the fourth quarter and slow further to below 2% in the first half of next year, before accelerating in the second half.**

Third quarter real GDP growth was unchanged at an annualized pace of 2.8%, according to the second estimate from the Bureau of Economic Analysis. This was a tick below PNC'S forecast of 2.9% and down slightly from 3.0% in the second quarter. The update primarily reflected upward revisions to private inventory investment and nonresidential fixed investment and downward revisions to exports and consumer spending. Imports, which subtract from GDP, were revised down. Relative to the second quarter, the deceleration in real GDP in the third quarter was primarily due to a drop in private inventory investment and a larger decrease in residential fixed investment. These drops were partly offset by accelerations in exports, consumer spending and federal government spending. On a year-ago basis real GDP growth was 2.7% in the third quarter, down from 3.0% in the second quarter.

Personal consumption expenditures – the largest component of GDP – was revised down to an annualized 3.5% from the advance estimate of 3.7%. Even after the revision consumer spending growth in the third quarter was very strong. The downward revision to personal consumption expenditures was partially offset by a significant upward revision of gross private domestic investment to 1.1% annualized, from 0.3% in the advance report. Growth in exports was revised down to 7.5% from 8.9%, while import growth was revised down to 10.2% from 11.2%. Government spending growth was unrevised at an annualized 5.0%.

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The GDP price index climbed 1.9% in the third quarter, an upward revision from 1.8% in the advance estimate. The personal consumption expenditures (PCE) price index increased 1.5%, unchanged from the previous estimate. The core PCE price index , excluding food and energy prices and the Federal Reserve's preferred inflation measure, rose 2.1%, down from the original estimate of 2.2%.

Nominal disposable personal income increased 2.3% to $122.9 billion, a downward revision of $43.1 billion from the previous estimate. Real disposable personal income growth was revised down to 0.8% percent from the advance estimate of 1.6%. The personal saving rate - saving as a percent of disposable personal income - was 4.3% in the third quarter, a downward revision from 4.8%.

This release also included the first reads on gross domestic income (GDI) and corporate profits in the third quarter. Real GDI—an alternative measure of the size of the economy, based on the income going to households and businesses—rose an annualized 2.2% in the third quarter, up from 2.0% in the second quarter. On a year-ago basis real GDI was up 3.1% in the third quarter, down slightly from 3.2% in the previous two quarters.

The average of GDP and GDI growth was 2.5% in the third quarter, unchanged from the second quarter. Meanwhile, corporate profits with inventory valuation and capital consumption adjustments fell $10 billion in the third quarter to $3.81 trillion (not adjusted for inflation) compared to an increase of $133 billion in the second quarter. Finally, growth in real final sales to domestic purchasers, which excludes changes in inventories and trade, was revised down slightly to 3.4% from the initial estimate of 3.5%.

PNC is forecasting GDP growth to moderate to an annualized pace of slightly above 2% in the fourth quarter and slow further to below 2% in the first two quarters of 2025 as the lagged impact of tighter monetary policy remains a drag on the economy. Growth is expected to accelerate somewhat in the second half of next year as lower interest rates kick in and boost growth. But risks to the outlook, both to the upside and the downside, have increased following Donald Trump's victory in the presidential election.

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