



US

## US GDP report highlights strong domestic economy

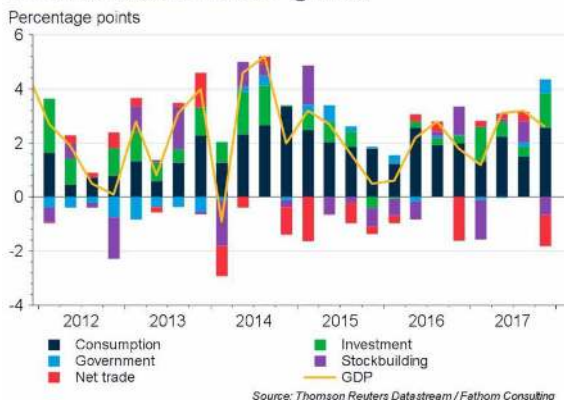
26 January 2018

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- Today's advance estimate of US 2017 Q4 GDP showed that the economy expanded at an annualised pace of 2.6% last quarter, a little more than our forecast, and less than the consensus estimate
- As we expected and [highlighted in a note](#) earlier this week, net trade and inventories both made large negative contributions to the headline figure (subtracting 1.1 and 0.7 percentage points respectively)
- The key takeaway from today's report was the strength of the private domestic economy; excluding government, inventories and trade, the economy expanded by 4.7% (annualised) - the quickest pace since 2014 Q3
- Looking ahead, the trade deficit may well edge higher, despite the ongoing US dollar weakness, but we expect personal consumption and investment to remain strong as the effect of the recent tax cuts really kicks in
- The upshot is that we continue to forecast GDP growth of 3.1% for 2018 as a whole, and expect actual GDP growth and the rate of expansion implied by our ESI to converge

**US contributions to GDP growth**



**US Economic Sentiment Indicator**





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