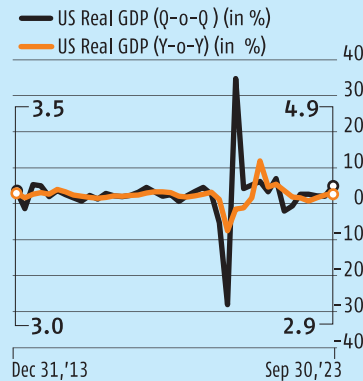


At 4.9%, US third-quarter GDP grows at fastest pace in 2 years

Economists expect growth to slow in the final months of the year



LOOKING UP



Source: Bloomberg

BLOOMBERG
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The US economy grew at the fastest pace in nearly two years last quarter, fuelled by a surge in consumer spending.

Gross domestic product accelerated to a 4.9 per cent annualised rate, more than double the second-quarter pace, according to the government's preliminary estimate Thursday. The economy's main growth engine — personal spending — jumped 4 per cent, also the most since 2021.

A closely watched measure of underlying inflation, meanwhile, cooled to the slowest pace since 2020.

The world's largest economy has remained steadfast in the face of high prices and a rapid run-up in borrowing costs, repeatedly outshining forecasters' expectations and tempering recession fears.

The primary driver of that resilience is the enduring strength of the job market, which continues to fuel household demand.

Looking ahead, the durability of economic momentum in the fourth quarter will help Federal Reserve officials determine whether to raise interest rates again. Many economists expect growth

to slow in the final months of the year as borrowing costs limit purchases of big-ticket items and student-loan payments resume.

But should demand stay robust, it risks keeping inflation above the central bank's 2 per cent goal and may warrant tighter monetary policy.

At next week's meeting, policymakers are widely expected to leave the benchmark interest rate unchanged, with some pointing to the rapid jump in government borrowing costs as a reason for caution.

The 10-year Treasury yield surged above 5 per cent earlier this week for the first time in 16 years.

"Given the uncertainties and risks, and how far we have come, the committee is proceeding carefully," Fed Chair Jerome Powell said last week, referring to the central bank's rate-setting Federal Open Market Committee.

So far, the data suggest inflation continues to dissipate. The closely watched core personal consumption expenditures price index, which strips out food and energy costs, stepped down to a 2.4 per cent pace in the third quarter. Including those more volatile categories, the overall PCE price index increased 2.9 per cent.