Daiwa Capital Markets

U.S. Data Review

- Data surprises: firm Q3 GDP; weak leading indicators

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Revised GDP

- Real U.S. GDP grew at an annual rate of 3.2 percent in the third quarter, revised from the preliminary estimate (and the consensus projection) of 2.9 percent.
- Most of the surprise was the result of an upward revision to consumer spending, now showing growth of 2.3 percent rather than 1.7 percent. Stronger outlays for services more than offset a downward revision to spending on goods.
- Friday's report on income and consumption in November will provide insights into consumer activity in Q4. October results suggest a favorable performance, although weak retail activity in November raised doubts.
- Business fixed investment also was firmer than previously believed, registering growth of 6.2 percent rather than 5.1 percent. Most of this adjustment was the result of a smaller decline in outlays for new structures (-3.6 percent rather than -6.9 percent). Investment in intellectual property also was adjusted upward (6.8 percent versus 5.8 percent).
- The upward adjustments to consumer and business spending were partially offset by a downward adjustment to inventory investment, now subtracting 1.2 percentage points from growth rather than 1.0 percentage point. Slower growth in exports lessened slightly the positive contribution from international trade, and residential construction was a bit softer than the already pronounced retreat in activity.
- The price indexes for GDP and core consumer prices were both revised higher by 0.1 percentage point to 4.4 percent and 4.7 percent, respectively. The adjustments were small, but any upward move is unwelcome.

GDP and Related Items*

		22-Q2	22-Q3(p)	22-Q3(r)
1.	**Gross Domestic Product**	-0.6	2.9	3.2
2.	**Personal Consumption Expenditures**	2.0	1.7	2.3
3.	**Nonresidential Fixed Investment**	0.1	5.1	6.2
3a.	**Nonresidential Structures**	-12.7	-6.9	-3.6
3b.	**Nonresidential Equipment**	-2.0	10.7	10.6
3c.	**Intellectual Property Products**	8.9	5.8	6.8
4.	**Change in Business Inventories (Contribution to GDP Growth)**	-1.9	-1.0	-1.2
5.	**Residential Construction**	-17.8	-26.8	-27.1
6.	**Total Government Purchases**	-1.6	3.0	3.7
6a.	**Federal Government Purchases**	-3.4	3.4	3.7
6b.	**State and Local Govt. Purchases**	-0.6	2.8	3.7
7.	**Net Exports (Contribution to GDP Growth)**	1.2	2.9	2.9
7a.	**Exports**	13.8	15.3	14.6
7b.	**Imports**	2.2	-7.3	-7.3
	Additional Items			
8.	**Final Sales**	1.3	4.0	4.5
9.	**Final Sales to Domestic Purchasers**	0.2	0.9	1.5
10.	**Gross Domestic Income**	-0.8	0.3	0.8
11.	**Average of GDP & GDI**	-0.7	1.6	2.0
12.	**GDP Chained Price Index**	9.0	4.3	4.4
13.	**Core PCE Price Index**	4.7	4.6	4.7
14.	**After-tax Corp. Profits (not annualized)**	6.2	-0.2	0.8

** Percent change SAAR, except as noted*
(p) = preliminary (2nd estimate of GDP); (r) =- revised (3rd estimate of GDP)
Source: Bureau of Economic Analysis via Haver Analytics

Leading Indicators

- The decline of 1.0 percent in the index of leading economic indicators was notably weaker than the expected drop of 0.5 percent. The surprise largely reflected a negative contribution from building permits, which were not available at the time when most estimates were made (housing report was published on Tuesday). Most analysts probably assumed a neutral influence, but building permits subtracted 0.37 percentage point from the headline change.
- Initial claims for unemployment insurance subtracted 0.31 percentage point from the overall change, and this was a genuine surprise, as an average of weekly figures suggested a slight positive contribution.
- The leading indicator index has now declined in nine of the past 10 months.