

# U.S. Data Review

- Q4 GDP: firm growth led by brisk consumer spending
- Inflation: tame readings on the GDP and PCE price indexes

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## Q4 GDP

- The first estimate of GDP growth in the fourth quarter of 2023 was firm, with the jump of 3.3 percent, annual rate, well above the consensus expectation of an advance of 2.0 percent. The results translated to a Q4/Q4 advance of 3.1 percent. We still expect the economy to slow next year, as restrictive monetary policy constrains demand, but the results in the closing months of 2023 strongly suggest that momentum heading into 2024 is still positive.
- An active consumer sector again contributed importantly to economic activity in Q4, with growth of 2.8 percent only modestly slower than the brisk 3.1 percent pace in Q3. On a Q4/Q4 basis, real consumer spending increased 2.6 percent in 2023. Outlays were solid across categories in Q4, with spending on durable and nondurable goods up 4.6 percent and 3.4 percent, respectively, and expenditures on services up 2.4 percent.

### GDP and Related Items\*

	23-Q2	23-Q3	23-Q4
1. <b>Gross Domestic Product</b>	2.1	4.9	3.3
2. <b>Personal Consumption Expenditures</b>	0.8	3.1	2.8
3. <b>Nonresidential Fixed Investment</b>	7.4	1.4	1.9
3a. <b>Nonresidential Structures</b>	16.1	11.2	3.2
3b. <b>Nonresidential Equipment</b>	7.7	-4.4	1.0
3c. <b>Intellectual Property Products</b>	2.7	1.8	2.1
4. <b>Change in Business Inventories (Contribution to GDP Growth)</b>	0.0	1.3	0.1
5. <b>Residential Construction</b>	-2.2	6.7	1.1
6. <b>Total Government Purchases</b>	3.3	5.8	3.3
6a. <b>Federal Government Purchases</b>	1.1	7.1	2.5
6b. <b>State and Local Govt. Purchases</b>	4.7	5.0	3.7
7. <b>Net Exports (Contribution to GDP Growth)</b>	0.0	0.0	0.4
7a. <b>Exports</b>	-9.3	5.4	6.3
7b. <b>Imports</b>	-7.6	4.2	1.9
<b>Additional Items</b>			
8. <b>Final Sales</b>	2.1	3.6	3.2
9. <b>Final Sales to Domestic Purchasers</b>	2.0	3.5	2.7
10. <b>Gross Domestic Income</b>	0.5	1.5	--
11. <b>Average of GDP &amp; GDI</b>	1.3	3.2	--
12. <b>GDP Chained Price Index</b>	1.7	3.3	1.5
13. <b>Core PCE Price Index</b>	3.7	2.0	2.0

\* Percent change SAAR, except as noted.

Source: Bureau of Economic Analysis via Haver Analytics

- Business fixed investment also registered favorable results (+1.9 percent, annual rate, in Q4 and +4.1 percent Q4/Q4). Spending on structures was moderate (+3.2 percent, annual rate), but the increase followed bursts in the previous three quarters. Equipment spending rose 1.0 percent, although it has been choppy earlier in 2023, while investment in intellectual property increased 2.1 percent.
- Growth of residential construction was modest (+1.1 percent), and it contracted Q4/Q4 (-0.1 percent), but the sector is showing signs of life in a difficult environment. New home construction was up (+8.3 percent), but brokerage commissions contracted sharply (-28.3 percent) – a change that emphasized how elevated interest rates are constraining activity in the housing market.
- Government spending increased at a firm pace (+3.3 percent in Q4; +4.3 percent Q4/Q4 in 2023). Expenditures were well maintained at both the federal and state and local levels, potentially still supported by COVID-related funding that is providing a tailwind to activity.

- Inventory investment contributed 0.1 percentage point to GDP growth after a sizable 1.3 percentage point contribution in Q3. Inventory investment often ebbs and flows from quarter-to-quarter and, in our view, the recent buildup raises the prospect of a notable drag in early 2024. The constraint could be magnified if economic activity slows and firms move proactively to prevent unwanted inventory accumulation.
- Net exports contributed 0.4 percentage point to GDP growth, with exports jumping 6.3 percent versus an increase of 1.9 percent in imports. The performance in exports is especially impressive in light of a strong foreign exchange value of the dollar and mixed performances in the economies of major trading partners.
- Inflation readings were favorable in Q4. The GDP price index increased 1.5 percent, annual rate, a marked slowdown from the advance of 3.3 percent in Q3. The headline price index for personal consumption expenditures rose 1.7 percent, and the core advanced 2.0 percent. The results suggest that inflation has moderated sharply and could be showing signs of approaching a “sustainable” two-percent trend.