

ECONOMY

Consumer spending, exports up in third quarter

BY PAUL WISEMAN

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WASHINGTON>> The American economy grew at a healthy 3.1% annual clip from July through September, propelled by vigorous consumer spending and an uptick in exports, the government said in an upgrade to its previous estimate.

Third-quarter growth in U.S. gross domestic product — the economy’s output of goods and services — accelerated from the April-July rate of 3% and continued to look sturdy despite high interest rates, the Commerce Department said Thursday. GDP growth has now topped 2% in eight of the last nine quarters.

Consumer spending, which accounts for about two-thirds of U.S. economic activity, expanded at a 3.7% pace, fastest since the first quarter of 2023 and an uptick from Commerce’s previous third-quarter estimate of 3.5%.

Exports climbed 9.6%. Business investment grew a lackluster 0.8%, but investment in equipment expanded 10.8%. Spending and investment by the federal government jumped 8.9%, including a 13.9% surge in defense spending.

American voters were unimpressed by the steady growth under Democratic President Joe Biden. Exasperated by prices that remain 20% higher than they were when an inflationary surge began in early 2021, they chose last month to send Donald Trump back to the White House with Republican majorities in the House and Senate.

Trump will inherit an economy that looks healthy overall. The unemployment rate remains low at 4.2% even though it is up from the 53-year low 3.4% reached in April 2023. Inflation hit a four-decade high 9.1% in mid-2002. Eleven interest rate hikes by the Federal Reserve in 2022 and 2023 helped bring it down — to 2.7% last month. That is above the Fed’s 2% target. But the central bank still felt comfortable enough with the progress against inflation to cut its benchmark rate Wednesday for the third time this year.

The president-elect has promised sweeping changes in economic policy, including cutting taxes, imposing big tariffs on foreign goods and deporting millions of immigrants who work in the United States illegally. Many economists fear those policies will fuel higher inflation.

“This week’s data show the economy is set to end 2024 on a solid note, which is fortunate since we’ll have to contend with heightened policy uncertainty and possibly greater challenges in 2025.” Oren Klachkin, an economist at Nationwide, wrote in a commentary.

Within the GDP data, a category that measures the economy’s underlying strength rose at a solid 3.4% annual rate from July through September, an upgrade from the previous estimate and up from 2.7% in the April-June quarter. This category includes consumer spending and private investment but excludes volatile items like exports, inventories and government spending.

Wednesday’s report also contained some encouraging news on inflation. The Federal Reserve’s favored inflation gauge — called the personal consumption expenditures index, or PCE — rose at just a 1.5% annual pace last quarter, down from 2.5% in the second quarter. Excluding volatile food and energy prices, so-called core PCE inflation was 2.2%, up modestly from the previous estimate but down from 2.8% in the April-June quarter.

Thursday's report was the Commerce Department's third and final look at third-quarter GDP. It will publish its initial estimate of October-December growth on Jan. 30.