

Economy grows at 2.8% pace in third quarter

BY PAUL WISEMAN

THE ASSOCIATED PRESS

WASHINGTON>> The American economy expanded at a healthy 2.8% annual pace from July through September on strong consumer spending and a surge in exports, the government said Wednesday, leaving unchanged its initial estimate of third-quarter growth.

U.S. gross domestic product — the economy's output of goods and services — slowed from the April-July rate of 3%, the Commerce Department reported Wednesday.

But the GDP report still showed that the American economy — the world's largest — is proving surprisingly durable. Growth has topped 2% for eight of the last nine quarters.

Within the GDP data, a category that measures the economy's underlying strength rose at a solid 3.2% annual rate from July through September, 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.

Still, American voters — exasperated by high prices — were unimpressed by the steady growth and chose this month to return Donald Trump to the White House to overhaul the nation's economic policies. He will be supported by Republican majorities in the House and Senate.

Consumer spending, which accounts for about 70% of U.S. economic activity, accelerated to a 3.5% annual pace last quarter, up from 2.8% in the April-June period and fastest growth since the fourth quarter of 2023. Exports also contributed to the third quarter's growth, increasing at a 7.5% rate, most in two years. Still, the third-quarter growth in both consumer spending and exports was lower than the Commerce Department initially estimated.

But growth in business investment slowed sharply on a drop in investment in housing and in nonresidential buildings such as offices and warehouses. By contrast, spending on equipment surged.

When he takes office next month, President-elect Trump will inherit an economy that looks broadly healthy.

Growth is steady. Unemployment is low at 4.1%. Inflation, which hit a four-decade high 9.1% in June 2022, has fallen to 2.6%. That is still above the Federal Reserve's 2% target, but the central bank felt satisfied enough with the progress against inflation to cut its benchmark interest rate in September and again this month. Most Wall Street traders expect the Fed to cut rates again in December.

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 2.1%, down from 2.8% in the April-June quarter.

The public still feels inflation's sting: Prices are about 20% higher than they were in February 2021, just before inflation started picking up

Trump has promised an economic shake-up. On Monday, for example, he vowed to slap new import taxes on goods from China, Mexico and Canada. Mainstream economists view such taxes — or tariffs — as inflationary. That is because they are paid by U.S. importers, who then seek to pass along the higher costs to their customers.

Wednesday's report was the second of three looks at third-quarter GDP. The Commerce Department will issue the final report on Dec. 19.

