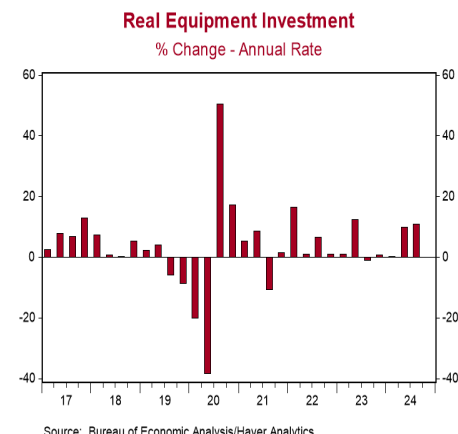
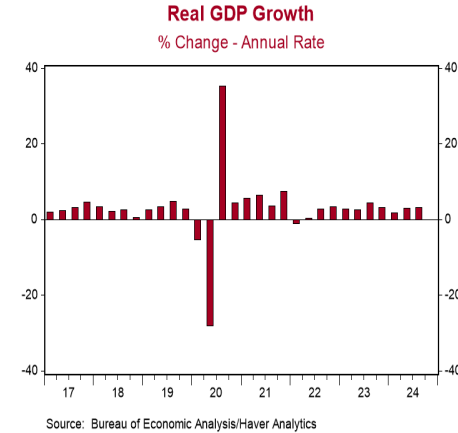


3rd Quarter GDP (Final)

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- Real GDP growth in Q3 was revised higher to 3.1% from a prior estimate of 2.8%, beating the consensus expected 2.8% annualized rate.
- Upward revisions to consumer spending, net exports, business investment, residential investment and government purchases easily offset a downward revision to inventories.
- The largest positive contributions to the real GDP growth rate in Q3 were consumer spending and government purchases. The weakest component was net exports.
- The GDP price index was unrevised coming in at a 1.9% annual growth rate. Nominal GDP growth – real GDP plus inflation – was revised higher to a 5.0% annualized rate from a prior estimate of 4.7%.

Implications: The final reading for real GDP growth in the third quarter was revised upward from last month’s estimate, coming in at a 3.1% annual rate, and, the underlying components showed a slightly stronger mix. Upward revisions in consumer spending (primarily services), net exports, business investment (equipment & software), home building, and government purchases more than offset a downward revision to inventories. For a more accurate measure of sustainable growth, we focus on "core" GDP, which includes consumer spending, business fixed investment, and home building, but excludes the more volatile categories like government purchases, inventories, and international trade. "Core" GDP grew at a 3.4% annual rate in Q3, above the prior estimate of 3.2%. However, the second look at economy-wide corporate profits for Q3 revealed a downward revision, with profits declining 0.4% from Q2 (compared to the -0.3% initially reported) but still up 6.0% year-over-year. Since Federal Reserve profits are included in this data – and the Fed has been posting substantial losses – we focus on corporate profits excluding the Fed, which are up 4.7% year-over-year. Using pre-tax profits, our Capitalized Profits Model suggests stocks remain overvalued. We also received a second look at Q3 Real Gross Domestic Income (GDI), an alternative measure of economic activity. Real GDI was revised slightly lower to a 2.1% annual growth rate but is up 3.0% from a year ago. GDP inflation was unrevised at 1.9% annually in Q3, and GDP prices are up 2.2% over the past year. Meanwhile, nominal GDP (real growth plus inflation) increased at a 5.0% annual rate in Q3 and is up the same year-over-year. A 5.0% trend growth rate in nominal GDP suggests the Fed should be reluctant for at least the near future. On the labor front this morning, initial jobless claims declined 22,000 last week to 220,000. Meanwhile, continuing claims declined 5,000 to 1.874 million. These figures are consistent with continued job growth in December, but at a slower pace than earlier this year.



3rd Quarter GDP <i>Seasonally Adjusted Annual Rates</i>	Q3-24	Q2-24	Q1-24	Q4-23	4-Quarter Change
Real GDP	3.1%	3.0%	1.6%	3.2%	2.7%
GDP Price Index	1.9%	2.5%	3.0%	1.5%	2.2%
Nominal GDP	5.0%	5.6%	4.7%	4.8%	5.0%
PCE	3.7%	2.8%	1.9%	3.5%	3.0%
Business Investment	4.0%	3.9%	4.5%	3.8%	4.1%
Structures	-5.0%	0.2%	6.2%	6.5%	1.9%
Equipment	10.8%	9.9%	0.3%	0.7%	5.3%
Intellectual Property	3.1%	0.7%	7.5%	5.2%	4.1%
Contributions to GDP Growth (p.pts.)	Q3-24	Q2-24	Q1-24	Q4-23	4Q Avg.
PCE	2.5	1.9	1.3	2.3	2.0
Business Investment	0.6	0.5	0.6	0.5	0.6
Residential Investment	-0.2	-0.1	0.5	0.1	0.1
Inventories	-0.2	1.1	-0.5	-0.5	0.0
Government	0.9	0.5	0.3	0.6	0.6
Net Exports	-0.4	-0.9	-0.6	0.1	-0.5

Source: Bureau of Economic Analysis

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