



## UNITED STATES

### Real GDP growth is revised upwards to 3.9%

#### HIGHLIGHTS

- The third quarter's real GDP growth was revised upwards with the preliminary estimate of the national accounts. The annualized gain is now 3.9% instead of 3.5%.
- According to the Conference Board survey, consumer confidence deteriorated in November. The 5.4-point drop brings the index from 94.1 to 88.7.
- In September, the S&P/Case-Shiller index of existing home prices in the 20 largest cities went up for the first time (+0.3%) since April. The index's annual change still slowed from 5.7% to 4.9%.

#### COMMENTS

The upward change to real GDP came as a surprise, as many of the indicators released since the advance estimate was announced had pointed to slightly weaker results. As expected, net exports were revised downwards, but this was more than offset by higher consumption and investment. However, the clear winner was the inventory change, which made a much smaller negative contribution than previously announced. The 3.9% rise by real GDP follows a 4.6% increase in the spring; the average since mid-2013 is now 2.9%, despite the drop posted last winter.

November's drop in consumer confidence is disappointing, as the consensus had expected another gain. With the labour market's solid performance, falling gas prices and the rebound by stock indexes, it is hard to see what could have sapped household sentiment. We can therefore assume this is temporary.

After a downtrend that was starting to raise concerns, home prices turned around in September. The new national index even posted a monthly gain of 0.7%, its best since February. The previous drops by home prices reflected the weak housing market observed since fall 2013. Sales are now more in line with modest price growth.

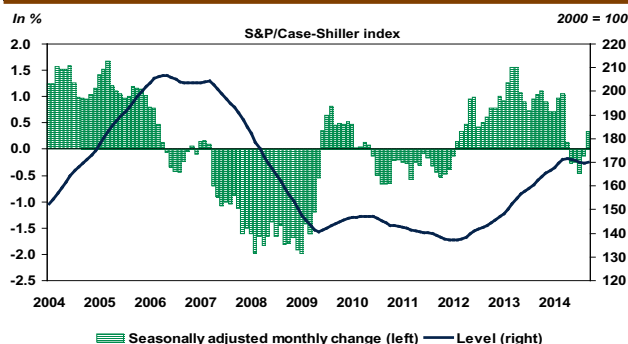
#### The upward revision to real GDP comes from inventory, consumption and investment

Contributions to real GDP growth in Q3 2014

GDP components	Advance estimate (in % points)	Preliminary estimate (in % points)	
Personal consumption	1.22	1.51	+0.29
Residential investment	0.06	0.09	+0.03
Private non-residential investment	0.68	0.88	+0.20
Government expenditures	0.83	0.76	-0.07
Exports	1.03	0.65	-0.38
Imports	0.29	0.12	-0.17
Inventory change	-0.57	-0.12	+0.45
<b>TOTAL</b>	<b>3.5</b>	<b>3.9</b>	<b>+0.4</b>
Final domestic demand	2.7	3.2	+0.5

Sources: Bureau of Economic Analysis and Desjardins, Economic Studies

#### Existing home prices began to rise again in September



Sources: Standard & Poor's and Desjardins, Economic Studies

**Implications:** U.S. economic growth is finally showing a lot of strength. In this context, the drop in consumer confidence is not too worrisome as the holiday season approaches. All the same, better figures would have been appreciated. After two quarters of strong growth, real GDP could slow in the fourth quarter, though the positive trend should be here to stay.

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