GDP under 2%?

Second quarter GDP is setting up to come in under 2% when the advanced print is released tomorrow.

BNY Mellon's Nowcast, which incorporates all relevant data on the US economy as they come in throughout the quarter, pegs the current growth rate of the US economy at 1.74%. This is not far off the Bloomberg consensus estimate of 1.8%.

Other publicly available nowcasts also peg GDP with a one-handle. The New York Fed's (which uses a similar technique to ours) checks in at 1.4%, the Atlanta Fed's pegs growth at 1.3%, while the St. Louis Fed's is the most aggressive at 2.9%.

A number below 2% would be the first reading that low since Q1 2017, and represent a meaningful deceleration. On the other hand, a number in the high 1s would probably be in line with most economists' estimates of potential growth in the US, so not a cause for alarm.

Last quarter we dissected the Q1 GDP publication, and argued that the 3.2% initial print (since revised down to 3.1%) was flattered by significant inventory accumulation (which shows up as an increase in private investment, but represents current production which could not find a final buyer) and a decline in personal consumption (which ironically made GDP look stronger due to the associated narrowing of the trade deficit).

This quarter we'll be expecting a reversal in the business investment category, due to the large inventory overhang finally being sold off. In addition, PMIs throughout the quarter weakened considerably, signaling that businesses were thinking of reigning in capital
It's unlikely that the GDP print, unless it is wildly above or below the consensus forecasts, will move the dial on asset markets, expectations for the FOMC (where we maintain our call of a 25 basis point cut), and by extension currency movements.

Our Nowcast Estimates Current US Growth at 1.7%

![BNY Mellon Nowcast and GDP graph](image)

**SOURCE:** BNY Mellon Markets, Bloomberg, FRED database, data through 25 July 2019

Please direct questions or comments to:

AerialView@BNYMellon.com

---

Disclaimer

Your privacy is important to us. You can opt-out from receiving future Aerial View Newsletters by unsubscribing via this link, at any time. You can also select the Newsletter topics that you want to receive by managing your preferences.

This message was sent from an unmonitored email box. Please do not reply to this message.

Contact Us | webmaster@bnymellon.com

© 2019 The Bank of New York Mellon Corporation. All rights reserved.