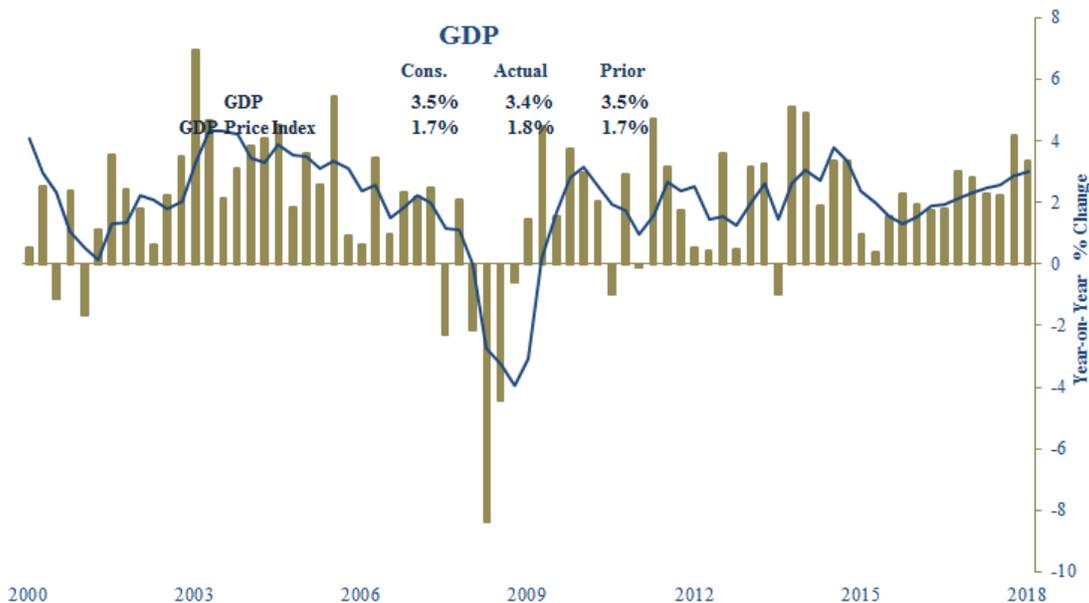
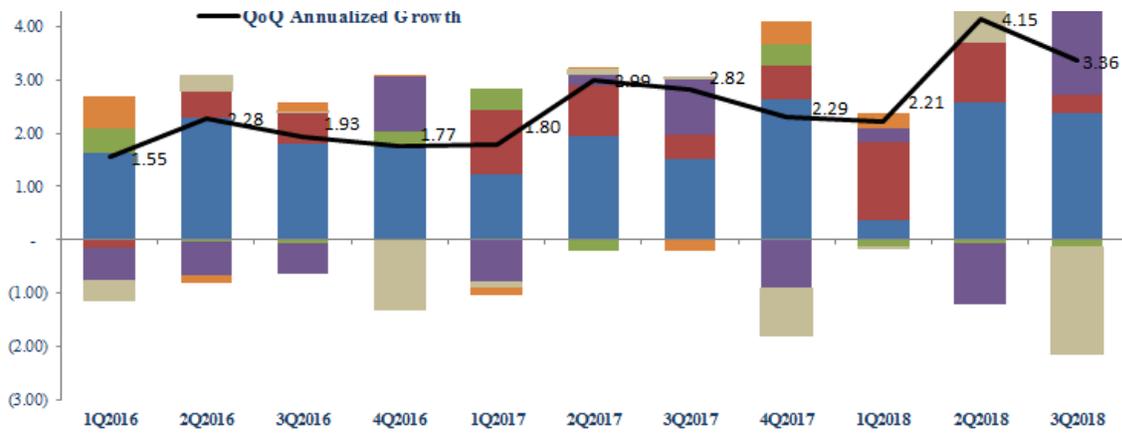


Bottom Line: Economic activity was revised modestly lower in the 3rd Quarter with most of the 10 basis point revision coming from lower consumption than previously estimated. This means that consumption decelerated modestly late in the 3rd Quarter and suggests that the 4th Quarter likely started a touch slower than previously thought. The 4th Quarter ends a week from Monday with a government shutdown looming. The data released so far for October, November and early December suggest that 2018 Q4 economic activity grew at a slower pace than in Q3-18; many early estimates are between 2.5% to 3.0%. Any shutdown should have almost no impact on the 4th Quarter but might impact 1st Quarter data depending on its duration -- President Trump tweeted earlier today that it could be "a shutdown that will last for a very long time."



US Quarterly GDP (seas. adj. ann rate) with contributions in bar graphs





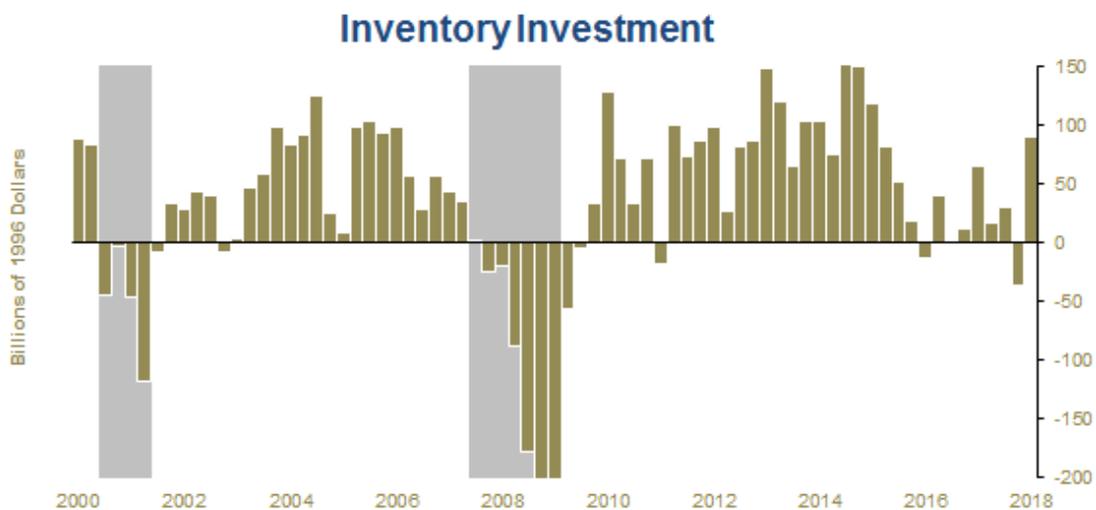
GDP was REVISED LOWER by 0.1 percentage points to 3.4% in this third estimate for 2018 3rd Quarter.

This compared with market expectations for no change revision to 3.5%. Economic activity is now 3.0% above its year ago level.

In final sales categories, imports and fixed investment were revised higher while , net exports, residential investment, exports, consumption and government purchases were revised lower.

As a result of all of these changes, **real final sales** was revised down by 0.2 percentage points to 1.0% while real domestic demand was revised down by 0.1 percentage points to 2.9%.

The GDP Price Index was REVISED UP by 0.09 points to 1.8%, compared with market expectations of 1.7%. Economy-wide prices are now 2.3% ABOVE year ago levels.



GDP Price Index



Nominal GDP



GDP - by annual % Change

	% Change at Annual Rate (unless noted as \$)										
	Quarterly Averages							Annual Averages			
	Q3-18 3rd Est.	Q3-18 2nd Est.	Q3-18 Advance	Q2-18	Q1-18	Q4-17	Q3-17	2017	2016	Five Year	Ten Year
Real GDP	3.4	3.5	3.5	4.2	2.2	2.3	2.8	2.2	1.6	2.2	1.5
Consumption	3.5	3.6	4.0	3.8	0.5	3.9	2.2	2.5	2.7	2.7	1.7
Business Fixed Investment	2.5	2.5	0.8	8.7	11.5	4.9	3.4	5.3	0.5	3.7	2.5
Residential Investment	-3.5	-2.6	-4.0	-1.4	-3.4	11.2	-0.5	3.3	6.5	7.2	-0.9
Inventory Investment (\$ Chg)	126.6	123.5	113.1	-67.2	14.2	-48.2	52.4	-0.9	-105.6	-9.7	-1.8
Net Exports (\$ Change)	-108.7	-104.8	-98.0	61.4	-3.2	-53.3	-1.8	32.0	6.8	27.5	22.1
Exports	-4.9	-4.4	-3.5	9.3	3.6	6.6	3.5	3.0	3.3	3.0	5.5
Imports	9.3	9.2	9.1	-0.6	3.0	11.8	2.8	4.6	1.9	3.7	2.3
Government Purchases	2.57	2.60	3.28	2.5	1.5	2.4	-1.0	-0.1	1.4	0.0	0.0
Addendum:											
Real Final Sales	1.0	1.2	1.4	5.4	1.9	3.2	1.8	2.2	2.1	2.2	1.5
Final Domestic Demand	2.9	3.1	3.1	1.9	4.0	1.7	2.6	2.5	2.3	2.4	1.4
Price Index	1.8	1.7	1.7	3.1	2.0	2.5	2.2	1.9	1.1	1.6	1.6

Source: Bureau of Economic Analysis, Department of Commerce via Bloomberg. Our calculations.

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T.J. Connelly, Head of Research

December 21, 2018

Steven A. Wood, Sr. Economic Adviser

GDP - by contribution

	Quarterly							Annual Averages			
	Q3-18 3rd Est.	Q3-18 2nd Est.	Q3-18 Advance	Q2-18	Q1-18	Q4-17	Q3-17	2017	2016	Five Year	Ten Year
Real GDP	3.4	3.5	3.5	4.2	2.2	2.3	2.8	2.2	1.6	2.2	1.5
Consumption	2.4	2.5	2.7	2.6	0.4	2.6	1.5	1.7	1.9	1.8	1.2
Business Fixed Investment	0.4	0.4	0.1	1.2	1.5	0.6	0.5	0.7	0.1	0.5	0.3
Residential Investment	-0.1	-0.1	-0.2	-0.1	-0.1	0.4	0.0	0.1	0.2	0.2	-0.1
Inventory Investment (\$ Chg)	2.3	2.3	2.1	-1.2	0.3	-0.9	1.0	0.0	-0.5	0.0	0.0
Net Exports (\$ Change)	-2.0	-1.9	-1.8	1.2	0.0	-0.9	0.0	-0.3	-0.3	-0.3	0.0
Exports	-0.6	-0.6	-0.5	1.1	0.4	0.8	0.4	0.4	0.0	0.3	0.4
Imports	-1.4	-1.4	-1.3	0.1	-0.5	-1.7	-0.4	-0.7	-0.3	-0.6	-0.4
Government Purchases	0.4	0.4	0.6	0.4	0.3	0.4	-0.2	0.0	0.3	0.0	0.0
Others:											
Defense	0.2	0.2	0.2	0.2	0.1	0.1	-0.1	0.0	0.0	-0.1	0.0
Intellectual Property	0.3	0.2	0.4	0.5	0.6	0.0	0.1	0.2	0.3	0.2	0.2
Equipment	0.2	0.2	0.0	0.3	0.5	0.6	0.6	0.4	-0.1	0.2	0.2
Medical Care	0.5	0.5	0.5	0.3	0.2	0.3	0.6	0.4	0.5	0.4	0.3

Source: Bureau of Economic Analysis, Department of Commerce via Bloomberg. Our calculations.

Apologies we continue to have difficulty making PDFs - please email if you need one and we will send one from a backup machine.



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