



Grupo de Pesquisa em
Gestão e Planejamento Econômico-Financeiro
Universidade Federal do Rio de Janeiro – UFRJ

The Quarterly Observatory of the
U.S. Economy:
Macroeconomic Trends,
3rd Quarter 2024

Textos para Discussão

No. 21 – outubro, 2024.

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Manuel Alcino Ribeiro da Fonseca (mfonseca@facc.ufrj.br).

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Título

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Autor

GPEF *

* Grupo de Pesquisa em Gestão e Planejamento Econômico-Financeiro

Resumo:

O principal objetivo do Observatório Trimestral é avaliar a evolução da economia norte-americana em uma perspectiva de mais longo prazo, e levando em conta um referencial macroeconômico bem definido. Este referencial, assim como as previsões elaboradas no texto, segue material disponível em outro Texto para Discussão:

“A macro-econometric model containing income distribution, price changes and Government financing: Solutions and dynamic analysis for the US.”

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Abstract:

The main objective of the Quarterly Observatory is to evaluate the path of the U.S. economy in a longer-term perspective and considering a well-defined macroeconomic framework. This framework, as well as the predictions elaborated in the text, follow material available in another Text for Discussion:

“A macro-econometric model containing income distribution, price changes and Government financing: Solutions and dynamic analysis for the US.”

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GPEF

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Econômico-Financeiro

Introduction

In the third quarter of 2024, the trend of relatively robust growth that occurred in the previous quarter was maintained – the rate of GDP growth remained at 0.7%. The main factor explaining this expansion was the stronger performance of private consumption. On the other hand, private investment stagnated, and the trade deficit maintained a high rate of growth. In addition, the level of employment in the private sector kept the tendency of diminishing growth rates – a pattern that has been present since the end of 2021.

Annual inflation measured by the GDP deflator cooled down in the third quarter and the same movement was observed in the CPI index – in the third quarter, the annual inflation rate based on this indicator was 2.4% (a decrease close to 0.6 percentage point).

There has been a major revision of the Federal Government's fiscal data that indicates a much worse scenario than what was previously released. In the second quarter (last data available), there was relatively strong tax revenue growth. But this positive trend was accompanied, in the third quarter, by a robust expansion of consumption and, especially, net transfers. The annual rate of change of the federal debt, therefore, continued to display a strong upward movement. The latest figure, referring to the second quarter of 2024, is 7.7%.

1. GDP growth and its main factors

In the third quarter of 2024, GDP maintained a relatively strong growth rate (0.7%), stimulated by the sharper expansion of household consumption. In addition, the more robust growth in federal government expenditures also contributed to this result, as well as the trend of diminishing real interest rates, which was observed in the last three quarters.

On the other hand, the relative stagnation of private investment, with a growth rate close to zero (0.09%) in the third quarter, raises serious doubts about the maintenance of this favorable performance of aggregate output in the coming quarters. Another factor limiting GDP expansion is the continued growth of the trade deficit, which has been occurring since the end of last year.

1. GDP growth and its main factors

	Units	Last III-24	Previous II-24	Change (%)											
				I-23	II-23	III-23	IV-23	I-24	II-24	III-24					
Real net exports	Bil. 2017 USD	-1,077.1	-1,035.6	-2.03	0.39	1.00	-0.24	4.30	6.01	4.00					
Real private consumption	Bil. 2017 USD	16,111.6	15,967.2	1.22	0.25	0.63	0.86	0.48	0.70	0.90					
Real private investment	Bil. 2017 USD	4,372.9	4,369.1	-2.30	1.93	2.43	0.18	0.89	2.02	0.09					
Real interest rates				Real Rate (%)							Forecast (%)				
Moody's Aaa yield	% (GDP Deflator)	2.40	2.49	-0.69	1.15	1.95	2.12	2.55	2.49	2.40	2024	2025	2026	2027	2028
				Change (%)											
Real GDP	Bil. 2017 USD	23,386.2	23,223.9	0.69	0.61	1.07	0.79	0.40	0.74	0.70	2024	2025	2026	2027	2028

2. Inflation and monetary aggregates

Inflation, as measured by the CPI index, has remained falling since the first quarter of this year. In the case of the GDP deflator, a similar trend has also been observed.

Among the factors that contribute to the lower expansion of prices is the reduced growth of the money supply (M1 and monetary base) * and, mainly, the strong reduction in the average price of commodities (PPI index). In the opposite direction, M1 income velocity has been rising consistently since the beginning of last year – a trend that is explained, in part, by the tighter money supply.

* One major issue with data for monetary variables was the change in the definition of M1 adopted by the Fed in May 2020, which caused a fourfold increase in the figure for that month. To deal with this change, an adjustment has been made to bring recent data in line with the original series.

2. Inflation and monetary aggregates

	Units	Last	Previous	Annual Change (%)											
		III-24	II-24	I-23	II-23	III-23	IV-23	I-24	II-24	III-24					
Consumer Price Index (CPI)	1982-84 = 100	314.68	313.04	4.94	3.05	3.69	3.32	3.48	2.98	2.41					
				Annual Change (%)							Forecast (%)				
		III-24	II-24	I-23	II-23	III-23	IV-23	I-24	II-24	III-24	2024	2025	2026	2027	2028
GDP Deflator	2017 = 100	125.50	124.94	5.33	3.46	3.12	2.57	2.40	2.58	2.23	3.09	3.47	3.01	2.72	2.68
Monetary base	Bil. USD	5,588.4	5,731.8	-9.17	1.85	2.88	7.79	5.58	2.19	0.38	2.16	3.66	3.55	3.91	4.10
M1*	Bil. USD	4,369.8	4,337.6	-8.47	-10.46	-10.63	-8.94	-4.96	-2.14	0.21	0.66	3.76	5.35	4.91	4.60
				M1 Velocity											
		III-24	II-24	I-23	II-23	III-23	IV-23	I-24	II-24	III-24					
M1 income velocity	N.A.	5.001	5.002	4.420	4.632	4.760	4.820	4.927	5.002	5.001					
				Annual Change (%)											
		III-24	II-24	I-23	II-23	III-23	IV-23	I-24	II-24	III-24					
Producer Price Index (PPI) All commodities	1982 = 100	252.52	255.87	-1.14	-9.42	-3.35	-3.11	-0.77	0.79	-2.47					

* See the previous page.

3. Broad sectors in the economy

The sectors that are more directly linked to the cyclical economic pattern of the overall economy are, on one hand, Utilities, Construction, and Manufacturing, and also Trade and Transportation. In the second quarter (latest data available), there was a small resurgence in the nominal income growth rate in the first case, while the rate of change was practically unaltered in the latter.

In relation to the trajectory of the sectors Financial Services and Professional and Business Services, which traditionally are more stable, both had a decrease in the nominal growth rate which surpassed one percentage point in the second quarter.

3. Broad sectors in the economy: National income

	Units	Last	Previous	Change (%)						Forecast (real rate, %)					
		II-24	I-24	IV-22	I-23	II-23	III-23	IV-23	I-24	II-24	2024	2025	2026	2027	2028
Utilities, Construc. and Manufactur.	Bil. USD	3,882	3,827	0.75	0.17	-0.62	2.10	1.74	1.16	1.45	1.60	-2.10	2.52	1.45	1.22
Trade and Transportation	Bil. USD	3,971	3,938	-0.32	1.07	1.85	1.08	1.62	0.87	0.84	-0.95	3.65	1.07	1.46	1.45
Financial services	Bil. USD	4,057	4,008	-0.49	3.07	1.18	1.68	2.55	2.36	1.21					
Professional and business services	Bil. USD	3,897	3,828	1.48	2.41	0.76	1.40	1.03	3.14	1.80					

4. Labor market

The growth (annual rate) of total employment in the private sector has been on a downward trend since the beginning of 2022, and this general pattern, which was also observed in the third quarter, is present for most segments of the economy.

The downward growth trend in employment has been especially strong in the Manufacturing sector, with a slightly negative annual rate of change in the third quarter of 2024. As the labor market loses momentum, the level of productivity in the private sector tends to rise. In the third quarter, labor productivity increased by 2.7% (annual rate).

4. Labor market

	Units	Last	Previous	Annual Change (%)							Forecast (%)				
		III-24	II-24	I-23	II-23	III-23	IV-23	I-24	II-24	III-24	2024	2025	2026	2027	2028
Employment															
Total non-farm	Thousands	158,993	158,548	2.53	2.41	2.03	1.95	1.86	1.61	1.48					
Employment				Annual Change (%)							Forecast (%)				
Total private	Thousands	135,576	135,248	2.53	2.33	1.90	1.74	1.68	1.48	1.35	0.96	2.12	1.47	1.34	1.31
Employment															
Construction	Thousands	8,302	8,233	3.07	3.26	3.05	2.99	3.34	2.78	2.93					
Employment															
Manufacturing	Thousands	12,919	12,945	1.69	0.99	0.42	0.20	0.14	0.00	-0.27					
Employment															
Private services	Thousands	113,718	113,436	2.57	2.40	1.97	1.83	1.74	1.57	1.44					
Labor productivity															
in private sector	2012=100	112.70	112.08	-1.89	-0.33	1.34	2.44	2.72	2.89	2.69					

5. Government budget

There have been significant revisions of the Federal Government's fiscal data that indicate a much worse scenario than what was previously released. In the second quarter of 2024 (last data available), the tax receipts had a growth rate of 2.1%. It should be noted that, after a major drop at the beginning of last year, the Federal Government's tax revenue has recovered and has mostly shown positive and increasing rates.

Both the Federal Government's consumption and net transfers had much higher rates of growth in the third quarter. In the latter's case, this rate surpassed 4.5%.

The major increase in the Federal Government's deficit that occurred in the first quarter of last year (33.9%) contributed to a strong expansion of Federal debt since the second quarter of 2023. Afterwards, however, the deficit has shown more moderate rates of change, with the exception of this year's first quarter. Nevertheless, the federal debt remains in a steep, and mostly increasing, upward trend. In the second quarter (last official data available), the annual rate of change was 7.7%.

5. Government budget

	Units	Last	Previous	Change (%)						Forecast (%)					
		II-24	I-24	IV-22	I-23	II-23	III-23	IV-23	I-24	II-24	2024	2025	2026	2027	2028
Federal Govmt. tax revenue	Bil. USD	3,094.3	3,029.8	-1.17	-9.95	-0.59	1.11	1.10	2.62	2.12					
Federal Govmt. consumption	Bil. USD	1,423.7	1,386.3	2.41	0.15	2.84	0.78	1.51	1.38	2.69					
Federal Govmt. net transfer payments	Bil. USD	2,515.0	2,405.8	-0.06	-1.12	-2.38	0.28	3.07	1.17	4.53					
Federal Govmt. net saving	Bil. USD	-1,763,6	-1,746,1	16.22	33.86	1.33	1.06	0.84	3.23	1.00					
Total Federal debt	Bil. USD	34,831.4	34,586.3	6.08	3.47	5.76	7.23	8.21	9.94	7.73	8.66	6.16	5.45	4.81	4.50