US Economic Update Quarter 3

Presented by World Trade Center of Harrisburg

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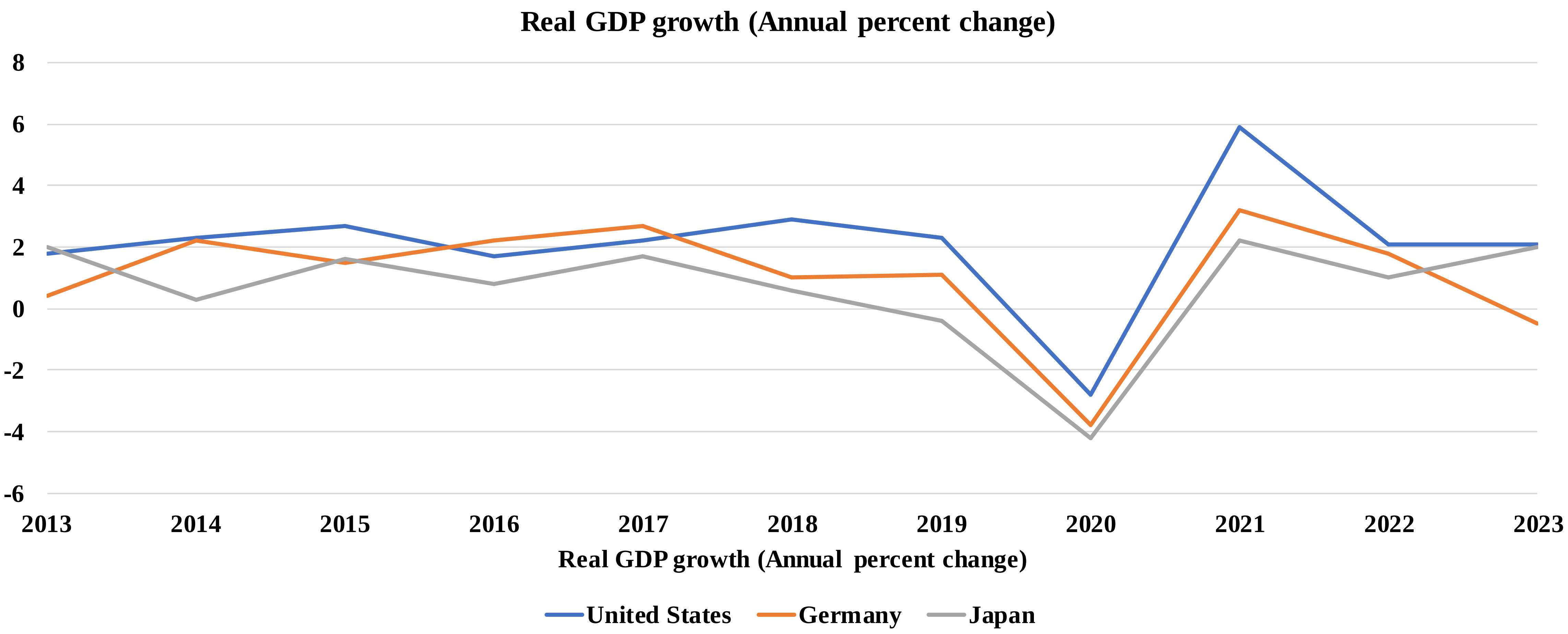
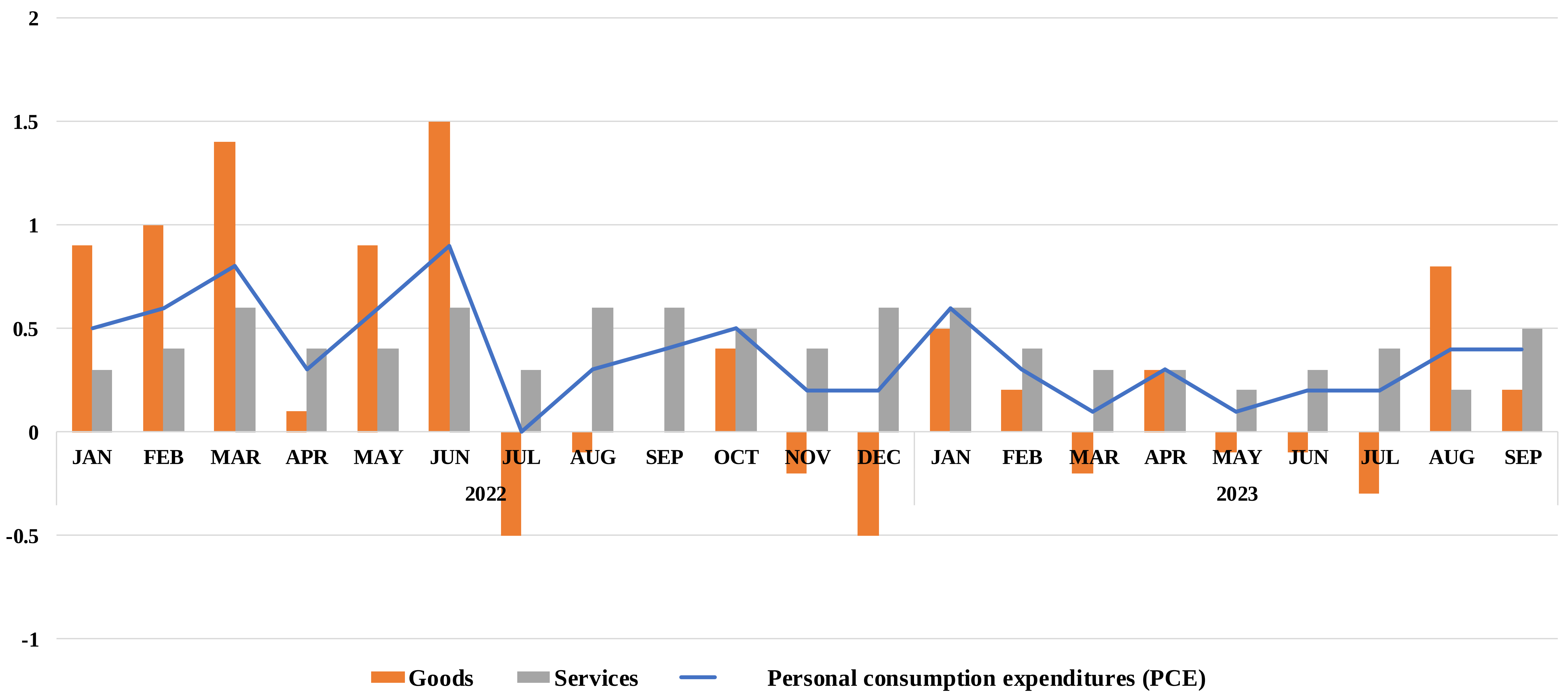
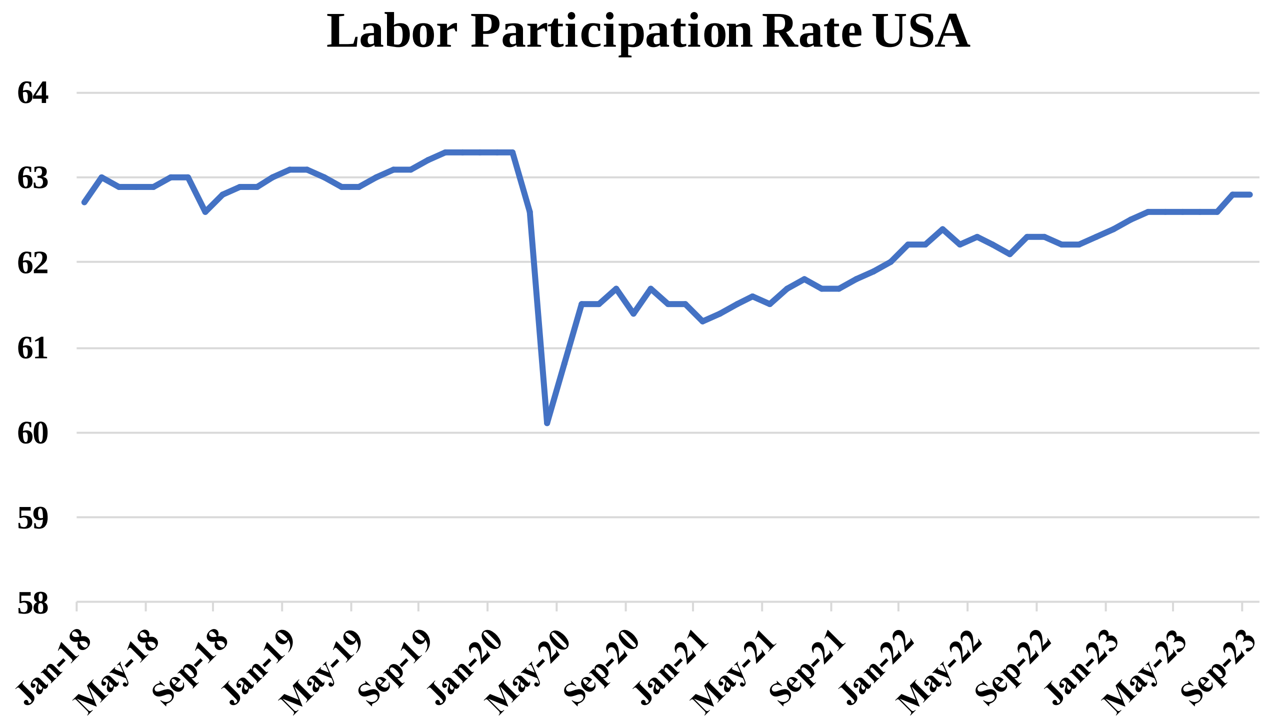
In the third quarter, the U.S. economy showed robust growth, even as interest rates reached a 22-year high. The Commerce Department reported that Gross Domestic Product (GDP), a measure of all economic production, expanded at an annualized rate of 4.9%, surpassing the 2.1% rate from the previous quarter and exceeding economists' anticipated 4.3% rate.



In the third quarter, there was a 2.9 percent rise in Personal Consumption Expenditures (PCE) prices, up from the 2.5 percent increase in the second quarter. When you exclude food and energy, the "core" PCE price index increased by 2.4 percent, a decrease from the 3.7 percent increase previously recorded

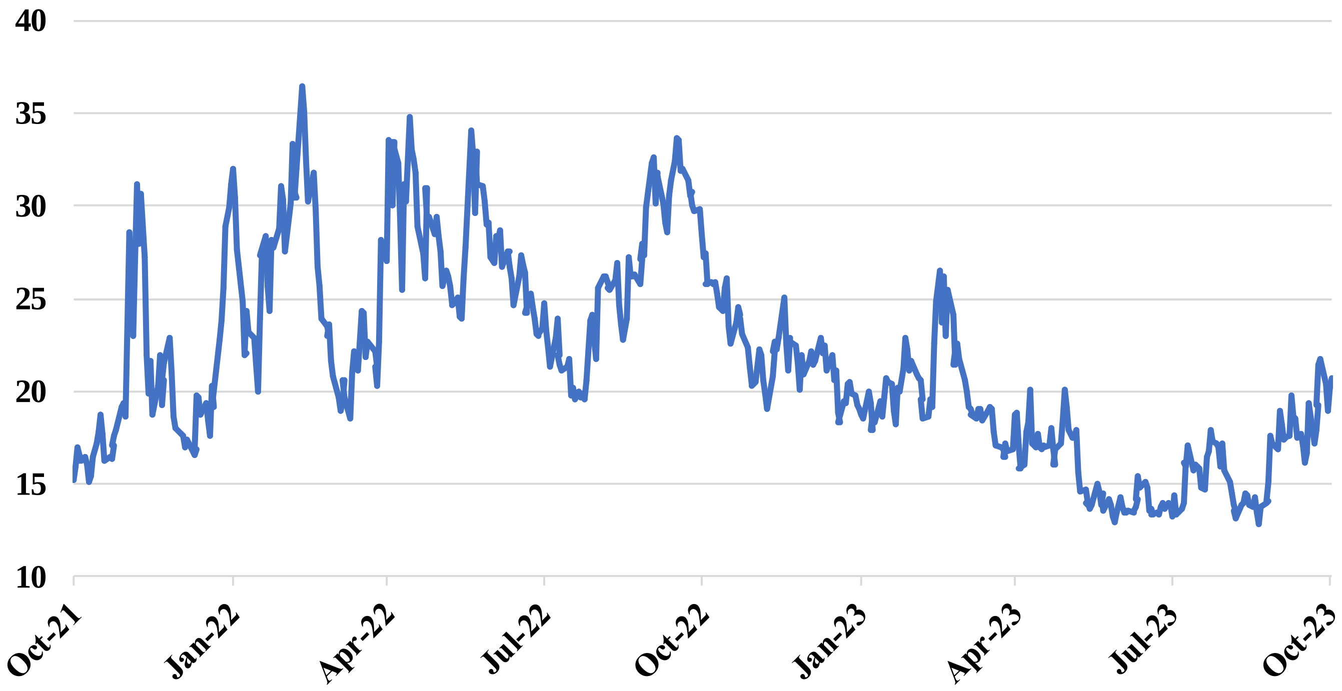




In September, the labor market remained strong, with over 300,000 new jobs added. Upward revisions were also made for job gains in July and August, adding over 100,000 additional jobs

Labor participation rates remain below pre-pandemic levels. This combined with relatively low unemployment signals tight labor markets and a sign of a still hot economy, potentially working against Fed in the fight against inflation

Third-quarter wages and salaries, when adjusted for inflation, declined nearly 3% in the third quarter While wage growth is slowing it still remains above its pre-pandemic levels, giving the Fed concerns of self-fulfilling cycle of high inflation



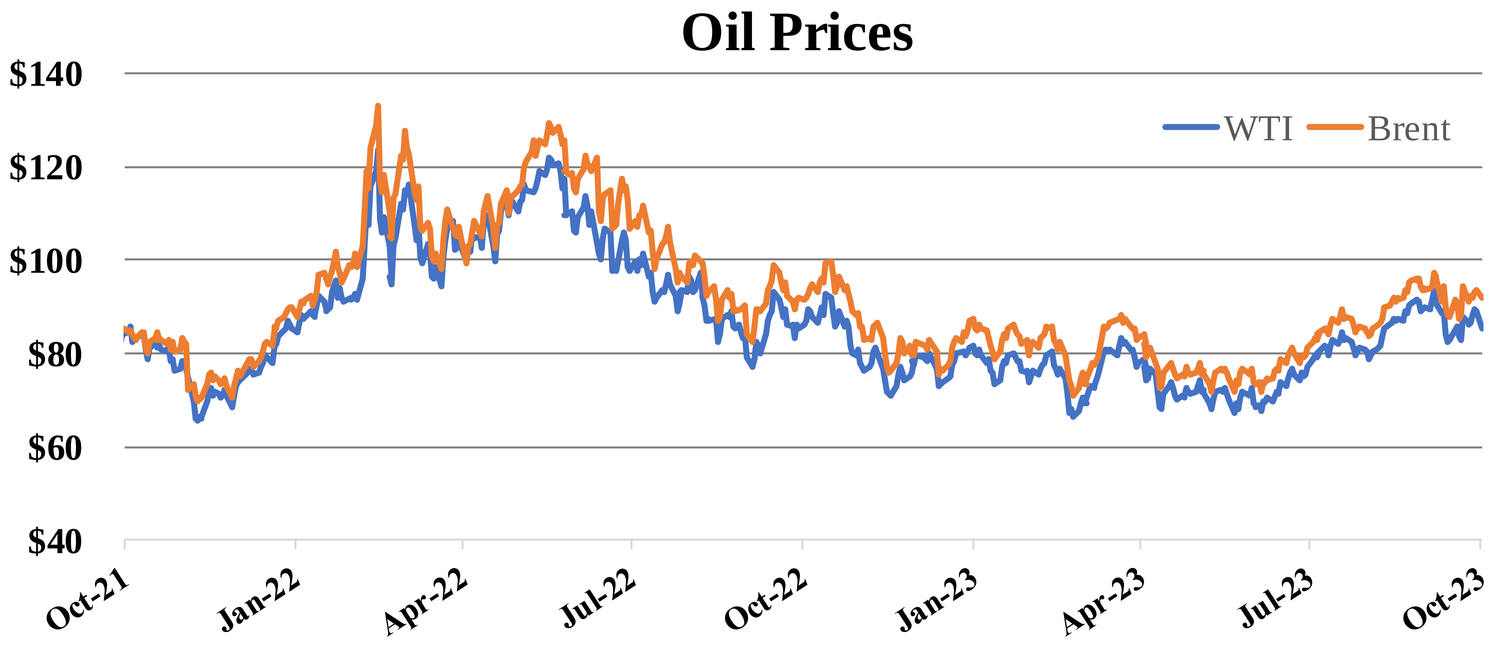
The VIX, or Volatility Index, is a measure of market volatility and investor sentiment often referred to as the "fear gauge", remains below the last 24 month high in Q1 2022

However, Q3 2023 saw the VIX elevate again driven by the Ukraine War, Israeli-Palestinian conflict, as well as rising oil prices and revamp fears of recession

While oil prices remain below their high following the Russian invasion of Ukraine, Q3 2023 saw prices steadily rise again

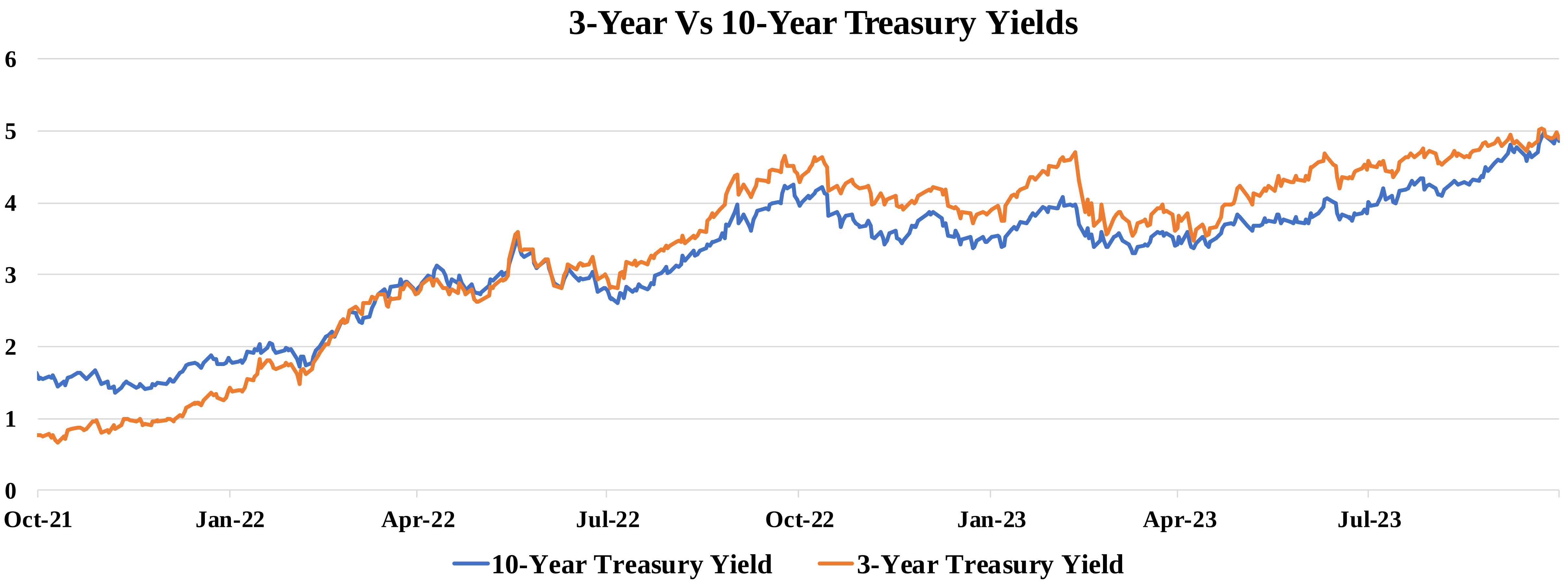
WTI crude saw its largest 1-day spike since April, riding fears and concerns over what the Israeli conflict could mean for oil supply and global production

Rising oil prices also stoke fears of a recessionary period on the horizon

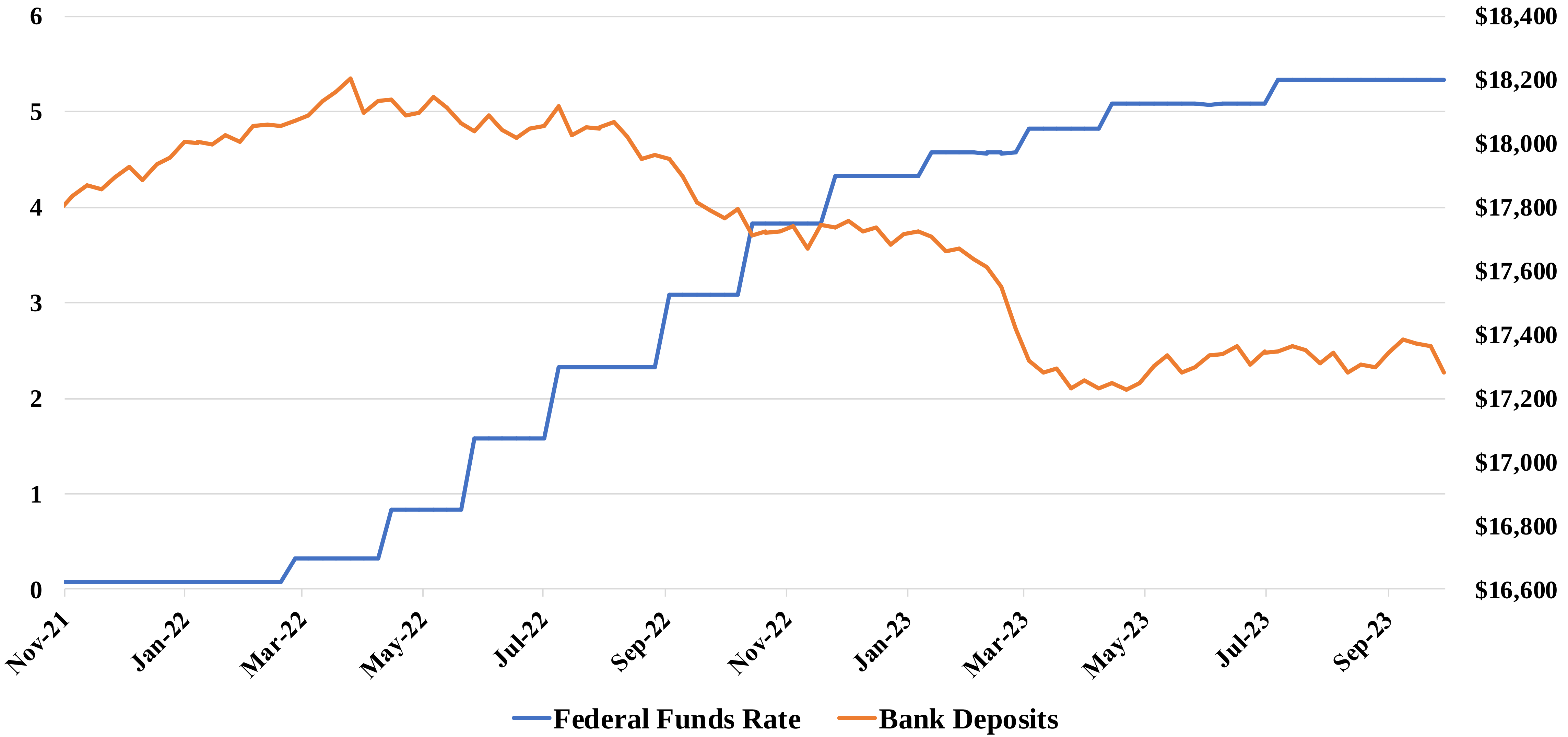


For the better part of the last year the yield curve has remained inverted. An inverted yield curve occurs when short-term interest rates are higher than long-term interest rates. In other words, it's when the yield on short-term government bonds is higher than the yield on long-term government bonds of the same credit quality.

The inversion signals that investors remain skeptical in the short term of economic performance, signaling fears of recession



Rising interest rates coupled with falling deposit amounts impact bank lending practices in several ways. Banks tend to tighten lending standards, raise loan interest rates, and may shift their lending focus. While these changes can improve net interest margins and profitability, they also carry the risk of reduced loan demand and deposit flight.



Q3 Conclusion

- In summary, the current economic situation in the United States is a bit complex and raises some questions about what might happen in the short term.

- While inflation decreased over the past year because the Federal Reserve increased interest rates, we saw prices go up in the third quarter due to higher consumer spending and the rising cost of things like oil. This could continue as we head into the big spending months in the fourth quarter.

- The job market is doing well, adding more than 300,000 jobs, but not many people are joining the workforce, which shows that there might not be enough workers, and this could lead to more inflation. Also, there's a measure called the Volatility Index that shows how scared investors are, and it went up in the third quarter because of global issues and higher oil prices.

- The yield curve, which tells us about interest rates, is behaving strangely, and along with the increase in the Volatility Index, it suggests that investors are worried about a possible recession. Rising interest rates and fewer deposits in banks can make it harder to get loans and may cause people to take their money out of banks.

- All these factors together make the economic situation a bit tricky, with both concerns about growth and inflation.

1.) All data collected from St. Louis Federal Reserve Bank https://fred.stlouisfed.org/