US Daily: Forecasting 3.3% GDP Growth in Q3

- Ahead of tomorrow's advance release of Q3 GDP growth, we are nudging down our forecast by 0.1pp to +3.3%, reflecting the incorporation of today's trade and inventories data. Our forecast is 0.1pp above consensus and in line with the Atlanta Fed's GDPNow model.
- We expect Q3 GDP to again show strong business investment and consumer spending growth. Business investment growth (GS forecast: +10.4%) was boosted sharply by AI-related capex, which we estimate contributed 5.0pp. However, the boost to GDP from AI-related capex is mechanically offset by a wider trade deficit, as a substantial portion of its value is imported—we estimate that the net exports component contributed -4.2pp to Q3 GDP growth.
- We estimate consumer spending grew 3.4% annualized in Q3 after 3.8% in Q2. While the consumer outlook looks healthier following upward revisions to income and the saving rate in last month's annual revisions to the national accounts, we nonetheless expect spending growth to slow from its recent rapid pace as the boost from fiscal stimulus earlier in the year fades completely and spending converges to the pace of real income growth.
- The disruption to oil flows on the back of the Iran War has had a pronounced impact across the various components of GDP, but we expect the impact to be roughly neutral on net. US oil exports slowed in the third quarter after increasing notably in the second quarter following the closure of the Strait of Hormuz. The decline was partly the result of slowing SPR releases (which are subtracted from GDP via lower federal government nondefense spending), which will result in a boost to federal government spending.

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Forecasting 3.3% GDP Growth in Q3

Ahead of tomorrow's advance release of Q3 GDP growth, we are nudging down our forecast by 0.1pp to +3.3%. Our forecast is 0.1pp above consensus and in line with the Atlanta Fed's GDPNow model. The modest downgrade to our forecast reflects the incorporation of today's trade and inventories data from the Advance Economic Indicators report, which indicated faster inventory accumulation (which mechanically boosts growth) but a wider trade deficit than we had previously assumed.

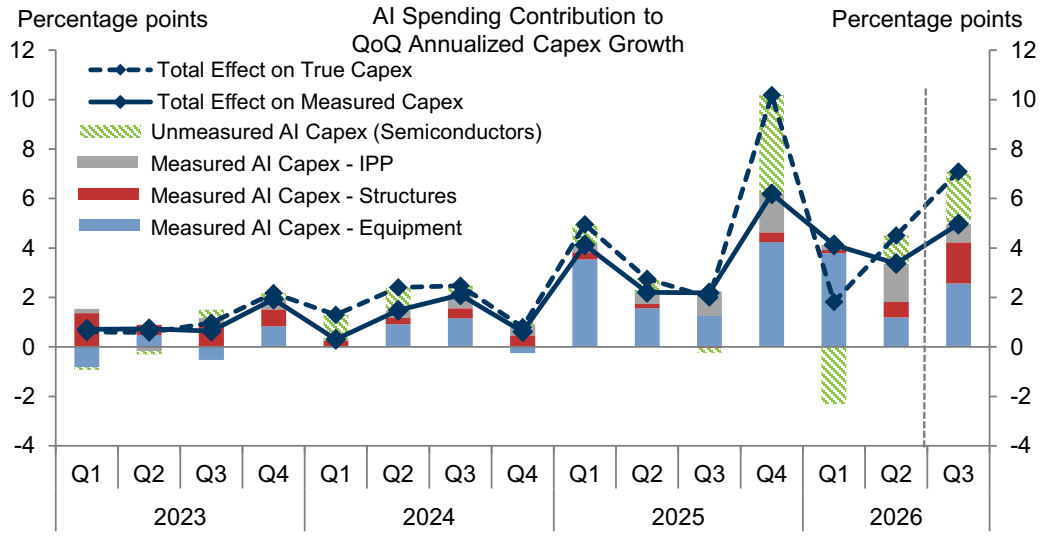
Exhibit 1: We Forecast Q3 GDP Growth of 3.3% Annualized, 0.1pp Above Consensus and in Line with GDPNow

			2026Q3 GDP Forecasts, QoQ AR		
	Weights	2026Q2	GS	Atlanta Fed *GDPNow*	Consensus
Real GDP	***100.0***	**2.2**	**3.3**	**3.3**	**3.2**
Consumer Expenditure	*67.5*	3.8	3.4	3.8	3.4
Business Fixed Investment	*14.5*	9.0	10.4	12.3	
Equipment	*5.9*	13.4	10.5	20.9	
Structures	*2.9*	0.1	15.1	6.6	
Intellectual Property	*5.8*	9.2	8.0	6.7	
Residential Investment	*3.6*	2.8	2.3	-3.6	
Government Spending	*17.3*	-0.1	0.9	2.5	
Federal	*6.0*	-2.4	2.0	5.1	
State and Local	*11.2*	1.2	0.3	1.1	
Contribution from:					
Net Exports		*-1.1*	*-4.2*	*-3.0*	
Inventories		*-0.5*	*3.4*	*1.6*	
Domestic Final Sales		*3.8*	*3.9*	*4.5*	

Source: Department of Commerce, Federal Reserve Bank of Atlanta, Bloomberg, Goldman Sachs Global Investment Research

We expect the GDP report to again show strong business investment and consumer spending growth in Q3. Business investment growth (GS forecast: +10.4%) was boosted sharply by AI-related capex. As Exhibit 2 shows, we estimate that it contributed 5.0pp to measured business fixed investment growth in Q3. However, the net impact on GDP from AI-related capex is more modest because a substantial portion of its value is imported and therefore is mechanically offset by a wider trade deficit. We estimate that the overall net exports component contributed -4.2pp to Q3 GDP growth.

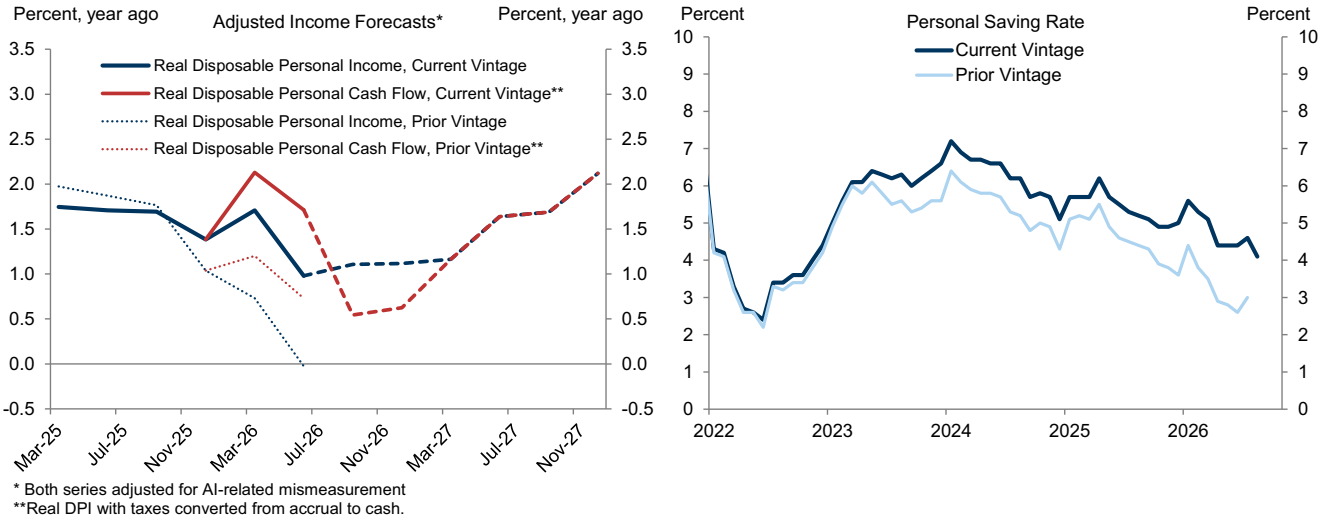
Exhibit 2: We Estimate That AI-related Capex Contributed 5.0pp to Measured Business Fixed Investment Growth in Q3



Source: Department of Commerce, Goldman Sachs Global Investment Research

We estimate consumer spending grew a robust 3.4% annualized in Q3 after 3.8% in Q2. While the consumer has remained resilient and the outlook appears healthier following upward revisions to income and the saving rate in last month's annual revisions to the national accounts, we nonetheless expect spending growth to slow from its recent rapid pace as the boost from fiscal stimulus earlier in the year fades completely and spending converges to the pace of real income growth.

Exhibit 3: Tax Refunds Boosted Consumer Cash Flow in the First Half of the Year, Helping to Offset the Hit to Spending Power From Higher Energy Prices; Income Growth and the Saving Rate Were Revised Up in the Annual Revisions to the National Accounts



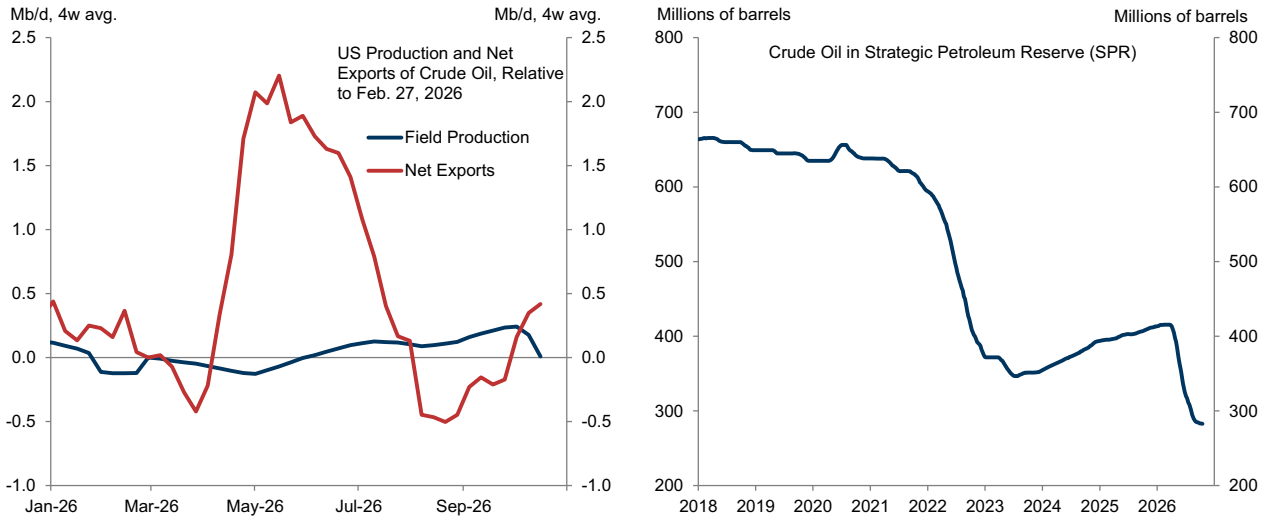
Source: Department of Commerce, Goldman Sachs Global Investment Research

The disruption to oil flows on the back of the Iran War has had a pronounced impact across the various components of GDP, but we expect the impact to be roughly neutral on net. The left panel of Exhibit 4 shows that US oil exports slowed sharply in Q3 after increasing notably in Q2 following the closure of the Strait of Hormuz and the resulting

decline in oil flows out of the Strait. This decline in US oil exports was reflected in the trade source data and mechanically lowered our Q3 exports forecast sharply as the source data was released—we forecast exports growth of -6.5% for Q3.

But rather than coming from a slowdown in domestic oil production (which has increased modestly since the start of the war), the decline was partly the result of slowing SPR releases, which are subtracted from GDP via lower federal government nondefense spending. This is likely to provide a *positive* growth impulse to federal government spending (for the purposes of GDP accounting, the *change* in the change in inventories is what impacts GDP growth). We forecast that the federal government spending component increased by 2.0% annualized in Q3 after declining by 2.4% in Q2.

Exhibit 4: The Impact of the Sharp Decline in Oil Exports on Q3 GDP Should Be Roughly Neutral, as the Decline in Available Oil Came from Slowing SPR Releases Rather Than a Decline in US Production



Source: EIA, Goldman Sachs Global Investment Research

While we often turn to domestic final sales (DFS)—which exclude the noisy trade and inventory components of the GDP statistics—as a better measure of underlying growth, there are two (partly offsetting) distortions that have impacted domestic final sales growth in recent quarters. First, while changes in *private* inventories are excluded from DFS, changes in the SPR are included via the federal government spending component and are not offset by changes in net exports in DFS, which will boost DFS growth relative to GDP in Q3. Second, AI-related investment is sharply boosting business fixed investment, which is included in DFS. However, as discussed above, most of the value of AI investment is imported and therefore subtracted from GDP—an offset that is excluded from DFS.

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