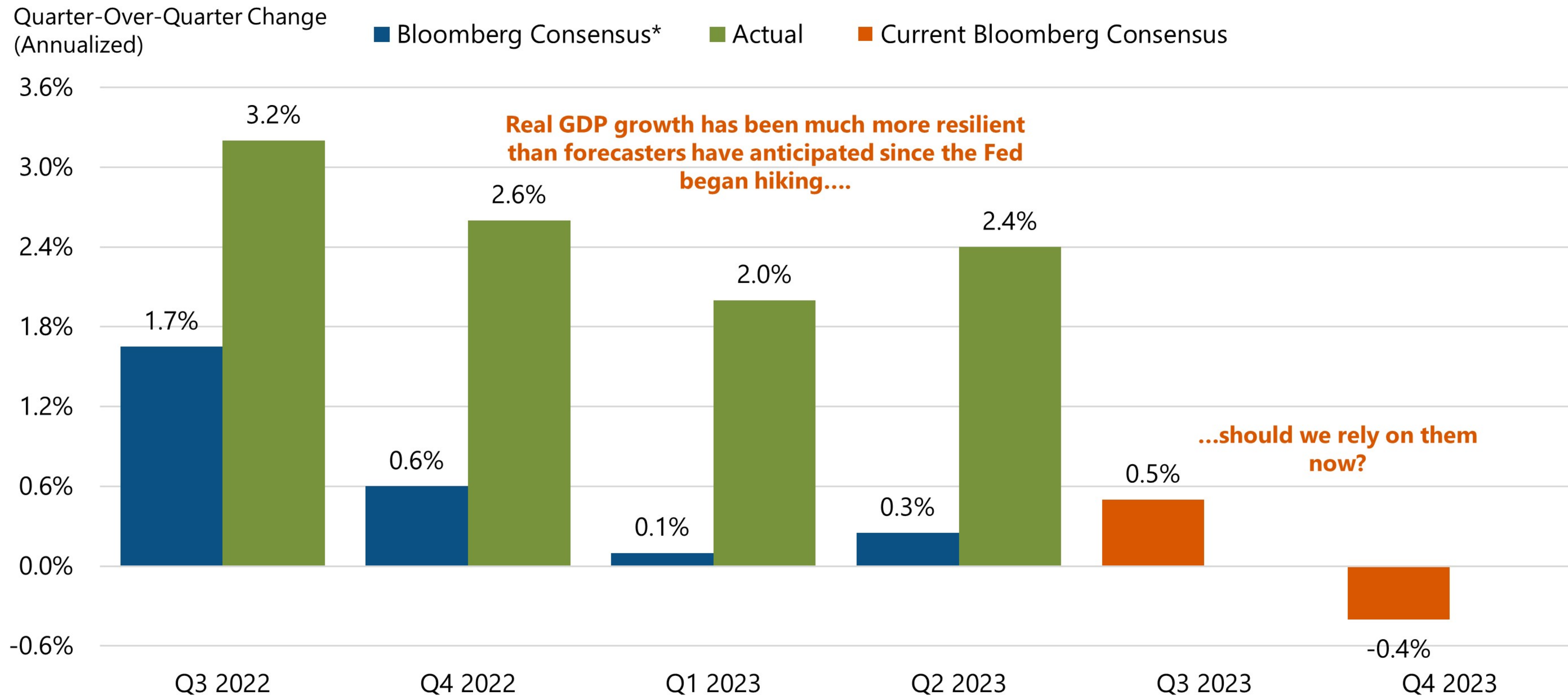


Fiction Versus Reality

Real U.S. Gross Domestic Product: Bloomberg Consensus Forecast Versus Actual For The Week Ending 07/28/2023



Source: Bureau of Economic Analysis, Bloomberg, Payden Calculations

*The consensus for the next quarter as of the release of the first estimate for the previous quarter

Following a strong Q1 2023 reading (+2.0%), real U.S. gross domestic (GDP) growth topped forecasts again in Q2 2023, growing 2.4% at a quarter-to-quarter annualized rate. In acknowledging the good news, it's also crucial to consider how the Wall Street consensus has consistently anticipated slower growth due in large part to the Federal Reserve's monetary policy tightening. As is often the case in forecasting, reality had other plans. The labor market remained strong, and consumer spending remained much more resilient than expected, boosting GDP growth. Fast forward to today, and the consensus has merely pushed out its forecasted recession. Despite the previous forecast misses, Wall Street now sees Q3 and Q4 GDP growth slowing to 0.5% and -0.4%, respectively. Will history repeat itself with stronger-than-expected second-half growth? With a strong labor market and solid real income gains continuing through June, we're betting on it.