# US 3Q GDP strong at 4.3% driven by consumer spending

bradesco investments

DECEMBER

2025

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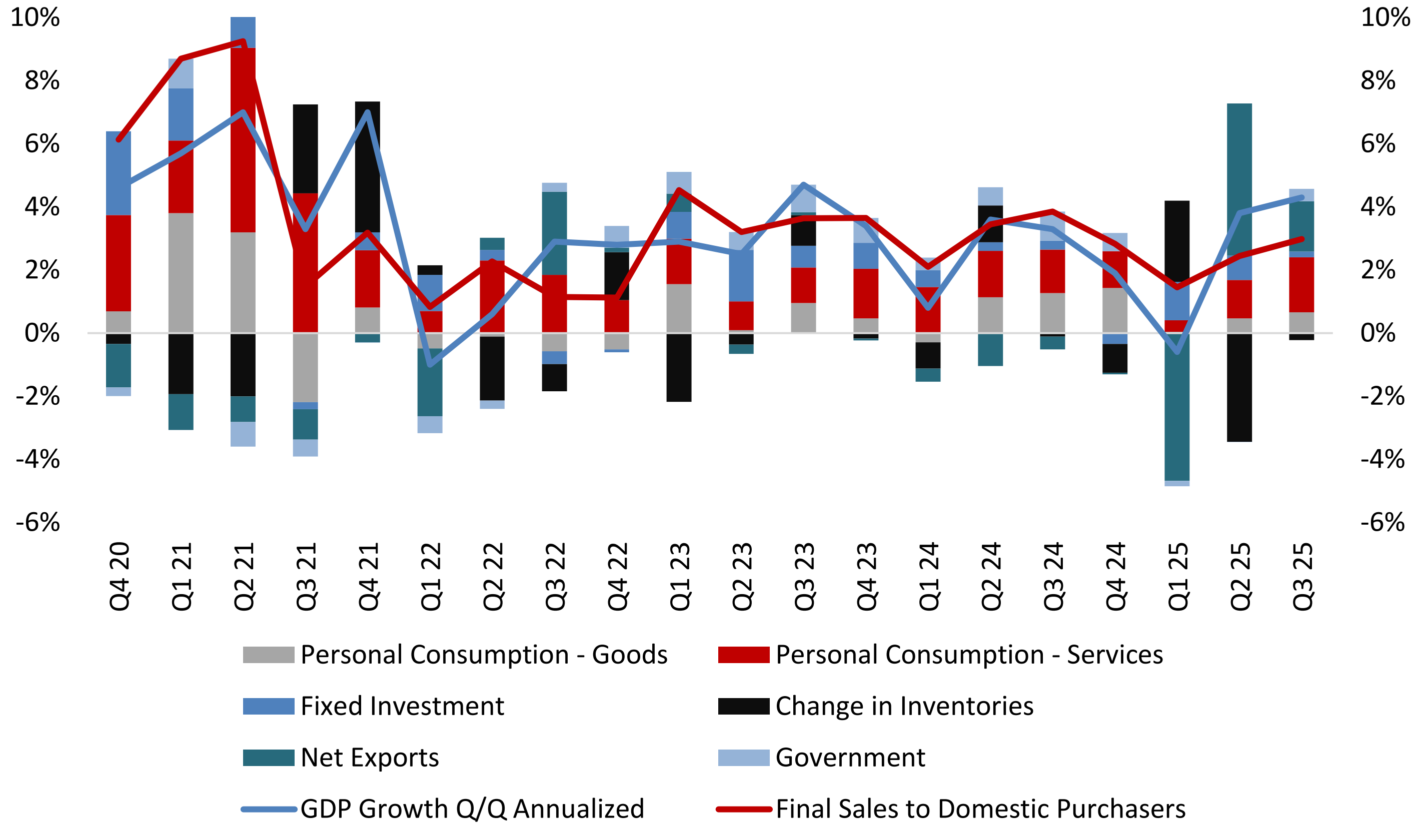
US *3rd* quarter GDP data showed overall growth at a strong 4.3% QoQ annualized. Consumer spending was the main driver of growth with personal consumption expenditures rising 3.5% and contributing 2.4% to the 4.3% growth. An 8.8% rise in exports and 4.7% fall in imports also helped growth for the quarter as the rise in net exports is a positive for GDP. The change in net exports contributed 1.6% to the 4.3% growth for the quarter. By excluding net exports and inventory changes, the measure of final sales to domestic purchasers provides a more accurate reflection of underlying economic growth. This was 3% during the quarter, a rise from 2.9% in 2Q and 1.9% in 1Q and indicates continuing solid growth of the economy, despite tariff uncertainties and weakening consumer confidence.

Fixed Investment was weak at just 1% growth, weighed down by a 5.1% decline in residential investment. Residential investment has fallen for 3 quarters in a row and indicate severe weakness in the housing market, likely due to high mortgage rates and expensive housing costs limiting residential housing demand. However, within fixed investment, investments in equipment increased 5.4% and much of this was due to IT equipment. We believe the rapid increase in artificial intelligence datacenters is having a meaningful impact on US GDP growth as hundreds of billions of dollars are being spent by large technology companies. While detailed and granular data on datacenter builds is not available from the GDP figures, we note that investments in IT equipment and software have contributed about 30% of overall GDP growth so far this year, with much of it likely due to AI datacenter builds. Even though datacenter investments are expanding rapidly, investments in non-residential structures have been very weak. In fact, investments in non-residential structures have been declining every quarter since the beginning of 2024. This would indicate that non-residential investments excluding datacenter builds are even weaker.

The GDP release indicates the US economy was performing well up to September, but the government shutdown in October and November is likely to have a meaningful impact on 4th quarter growth. Nevertheless, reported strength, especially from consumer spending, means a rate cut in the Fed's January meeting is less likely as the Fed will wait for more inflation and employment data to come in before deciding on further rate cuts.

## GDP growth at 4.3% QoQ annualized, driven by consumer spending




Source: Bloomberg/Bradesco

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