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**ARUNODAY MUKHARJI, BBC:**

Hello and welcome to Asia Business Report. I'm Arunoday Mukharji.. Well, our top story today begins in the U.S. 4.9%. That's how much America's economy grew in the third quarter of the year, marking the biggest gain for the world's biggest economy since the end of 2021. Consumer spending was strong, contributing to much of that total GDP increase in the third quarter, despite high interest rates. The spending spree reflected in the report could give the central bank, which meets next week, some reasons to keep policy tight to tamper inflation. For a pulse check on the U.S. economy, let's bring in Tiffany Wilding, an economist at investment firm PIMCO. Thank you very much for being with us here on Asia Business Report. Your thoughts on the numbers.

**TIFFANY WILDING, PIMCO:**

Thanks for having me. Well, you're absolutely right. Today's GDP report was pretty blockbuster, 5% for the third quarter. But obviously GDP can be noisy. But I think what's more important is that if you look under the hood, consumption growth was 4%, and that was a pretty decent acceleration from the 2% pace in the first half of this year. So I think ultimately this suggests that the consumer is still pretty strong in the United States. It's not really feeling the effects of monetary policy. And potentially the Fed needs to do a little bit more to cool things off. Now to be fair, in the fourth quarter, we think growth probably decelerates for a number of reasons, but smoothing through some of that quarterly volatility, things just look quite strong in the United States right now.

**MUKHARJI:**

And as you mentioned, consumer spending has been strong. Do you expect that sentiment to continue until the end of the year and also going into next year?

**WILDING:**

Looking at the underlying drivers of the consumption boom in the United States, we think it still has to do with the fact that the US government officials had a very large response to the pandemic. In terms of the fiscal transfers, the government handouts to businesses and consumers, they were large relative to history as well as large to our developed market peers. And consumers just saved up a pretty decent size stock of savings as a result of that. We think they are spending that down now. And that's definitely being depleted, especially on a real basis as higher prices or the real value of all savings, but nevertheless, that has been still fueling some resilience in the US economy. Looking forward, we do think that that starts to fade, but again, for right now, consumers still have some money in their pockets.

**MUKHARJI:**

Very briefly, we're also talking at a time with the Middle East conflict playing out. Any risks, in your opinion?

**WILDING:**

Clearly the Middle East situation and just wars in particular, just from an economic perspective, tend to be stagflationary. So really the thing that we'll be watching for there is the extent to which you have some sort of disruption and supply, particularly energy supply, so they tend to raise inflation and lower output growth. In terms of the developed market central bank response to that, unfortunately, it's probably going to be tighter for longer or maybe even a couple more interest rate hikes if you really see oil prices spiking here.

**MUKHARJI:**

All right, we leave it there. Thank you very much, Tiffany, for your perspective here on Asia Business Report.