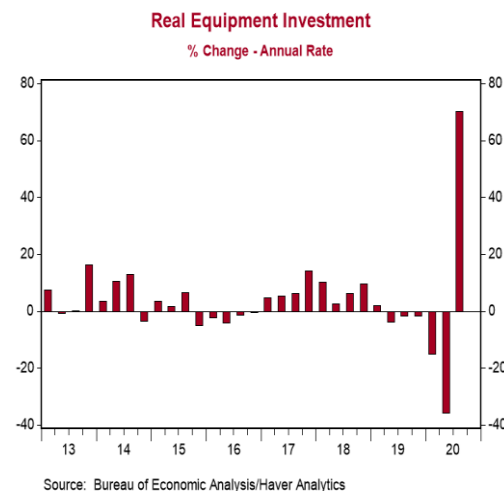
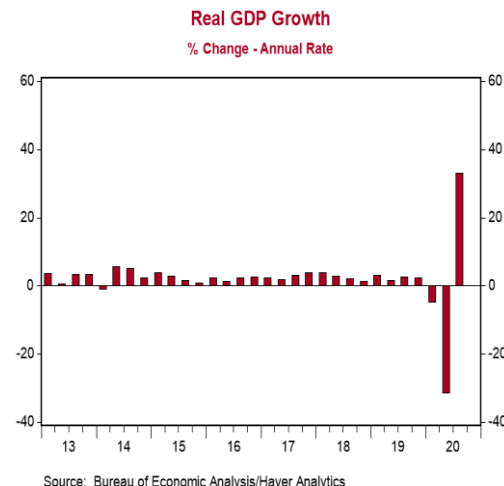


Third Quarter GDP (Advance)

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- The first estimate for Q3 real GDP growth is 33.1% at an annual rate, beating the 32.0% the consensus expected. Real GDP is down 2.9% from a year ago.
- The largest positive contribution to the Q3 real GDP growth rate, by far, was consumer spending. The largest drag was net exports.
- Personal consumption, business investment, and home building, combined, grew at a 38.1% annual rate in Q3. They're down 2.8% versus a year ago.
- The GDP price index increased at a 3.6% annual rate in Q3. Nominal GDP – real GDP plus inflation – rose at a 38.0% rate in Q3, but is down 1.8% from a year ago.

Implications: Real GDP grew at a 33.1% annual rate in the third quarter, the fastest pace for any quarter since World War II. Consumer spending led the sharp rebound from the Great Depression-like drop in economic activity in the second quarter, growing at a 40.7% annual rate. The largest annualized gains in consumer spending included recreation services (+276.6%), food service & accommodations (+209.9%), transportation (+173.0%), and health care (+93.7%). Still, real GDP and consumer spending remain noticeably below the peaks hit in late 2019, with real GDP still down 3.5% and consumer spending down 3.3%. In other words, in spite of the massive gains in Q3, we are still a long road away from a full economic recovery. Don't expect real GDP to hit new highs until the second half of 2021. In the meantime, it's important to note that home building increased at a 59.3% annual rate and is at a new record high, as residential builders crank up activity even in the face of lingering COVID-19 rules and restrictions. Look for more solid growth in home building in the year ahead as some residents of center cities pursue more space and safety from crime in the suburbs in light of being cooped up in their homes due to limits on travel and gatherings (both leisure and work-related) as well as riots and looted stores. Also, investment in business equipment soared at a 70.1% annual rate, the steepest gain for any quarter on record going back to at least 1947. In addition, inventories, which plummeted in Q2, were roughly unchanged in Q3, resulting in a 6.6 percentage point boost to the real GDP growth rate, the largest for any quarter in 70 years. The GDP deflator, a measure of inflation, increased at a 3.6% annual rate in Q3 and is up 1.1% from a year ago. Nominal GDP – real GDP growth plus inflation – grew at a 38.0% annual rate in Q3 but is still down 1.8% from a year ago. In spite of the gain in Q3, in both real activity and inflation, don't look for the Federal Reserve to shift away from its loose monetary policy anytime soon. In other news this morning, new claims for jobless benefits fell 40,000 to 751,000. Continuing claims for regular state benefits fell 709,000 to 7.8 million. These figures are consistent with continued job growth in October.



3rd Quarter GDP		Q3-20	Q2-20	Q1-20	Q4-19	4-Quarter Change
<i>Seasonally Adjusted Annual Rates</i>						
Real GDP		33.1%	-31.4%	-5.0%	2.4%	-2.9%
GDP Price Index		3.6%	-1.8%	1.4%	1.4%	1.1%
Nominal GDP		38.0%	-32.8%	-3.4%	3.9%	-1.8%
PCE		40.7%	-33.2%	-6.9%	1.6%	-2.9%
Business Investment		20.3%	-27.2%	-6.7%	-0.3%	-5.0%
Structures		-14.6%	-33.6%	-3.7%	-5.3%	-15.2%
Equipment		70.1%	-35.9%	-15.2%	-1.7%	-2.4%
Intellectual Property		-1.0%	-11.4%	2.4%	4.7%	-1.5%
Contributions to GDP Growth (p.pts.)		Q3-20	Q2-20	Q1-20	Q4-19	4Q Avg.
PCE		25.3	-24.0	-4.8	1.1	-0.6
Business Investment		2.9	-3.7	-0.9	0.0	-0.4
Residential Investment		2.1	-1.6	0.7	0.2	0.3
Inventories		6.6	-3.5	-1.3	-0.8	0.2
Government		-0.7	0.8	0.2	0.4	0.2
Net Exports		-3.1	0.6	1.1	1.5	0.0

Source: Bureau of Economic Analysis