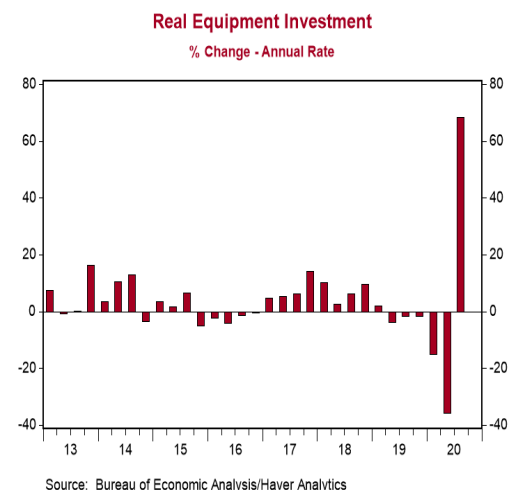
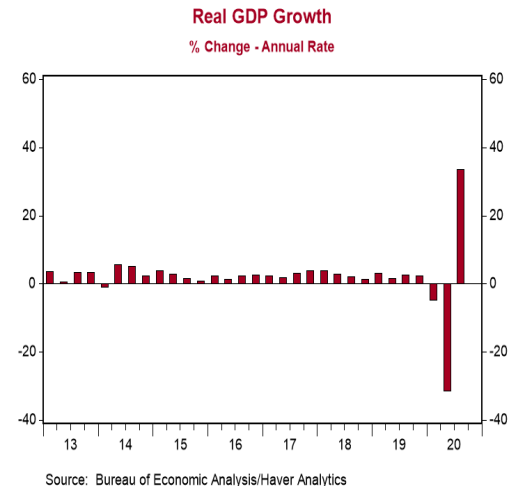


3rd Quarter GDP (Final)

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- Real GDP was revised upward to a 33.4% annual growth rate in Q3 from a prior estimate of 33.1%, beating the consensus expected 33.1%.
- Consumer spending on services and business investment in intellectual property were the main reasons for the upward revision.
- The largest positive contribution to the real GDP growth rate in Q3, by far, was consumer spending. The weakest component was net exports.
- The GDP price index was revised slightly lower to a 3.5% annual rate. Nominal GDP growth – real GDP plus inflation – rose at a 38.4% annual rate. Nominal GDP is down 1.7% versus a year ago.

Implications: Real GDP growth for the third quarter was revised up to a 33.4% annualized pace versus the 33.1% reported a month ago. Growth in corporate profits was revised up, as well. These figures are welcome news but shouldn't change anyone's interpretation of what happened in the economy in the third quarter or what's happening now. The economy revived sharply in Q3 and is likely continuing to grow in Q4, although at a slower pace. As to the near future, Q1 in particular, the pace of growth will heavily depend on the path of COVID-19, the pace of vaccination, and the restrictions on business activity being imposed by governments. Between the second half of 2020 and all of 2021, the first quarter will probably be the weakest, although we still think it will eek out positive growth, following what we're currently estimating to be a roughly 5.0% growth rate in the fourth quarter. Nominal GDP growth (real growth plus inflation) was upwardly revised to a 38.4% annual rate in Q3. Nominal GDP is down 1.7% in the past year but up at a 1.0% annual rate in the past two years. In addition to the massive growth rate in the economy, today's report also provided a second look at economy-wide corporate profits, and like the GDP reading, corporate profits were revised higher. Profits rose 27.4% in Q3 compared to the previously estimated increase of 27.1%, hitting an all-time record high, even higher than pre-COVID-19 profit levels. Profits are up 3.5% versus a year ago. Plugging economy-wide profits into our capitalized profits models suggest that, even at higher interest rates stocks are still relatively cheap.



3rd Quarter GDP <i>Seasonally Adjusted Annual Rates</i>	Q3-20	Q2-20	Q1-20	Q4-19	4-Quarter Change
Real GDP	33.4%	-31.4%	-5.0%	2.4%	-2.8%
GDP Price Index	3.5%	-1.8%	1.4%	1.4%	1.1%
Nominal GDP	38.4%	-32.8%	-3.4%	3.9%	-1.7%
PCE	41.0%	-33.2%	-6.9%	1.6%	-2.8%
Business Investment	22.9%	-27.2%	-6.7%	-0.3%	-4.5%
Structures	-17.4%	-33.6%	-3.7%	-5.3%	-15.9%
Equipment	68.2%	-35.9%	-15.2%	-1.7%	-2.6%
Intellectual Property	8.4%	-11.4%	2.4%	4.7%	0.7%
Contributions to GDP Growth (p.pts.)	Q3-20	Q2-20	Q1-20	Q4-19	4Q Avg.
PCE	25.4	-24.0	-4.8	1.1	-0.6
Business Investment	3.2	-3.7	-0.9	0.0	-0.4
Residential Investment	2.2	-1.6	0.7	0.2	0.4
Inventories	6.6	-3.5	-1.3	-0.8	0.2
Government	-0.8	0.8	0.2	0.4	0.2
Net Exports	-3.2	0.6	1.1	1.5	0.0

Source: Bureau of Economic Analysis