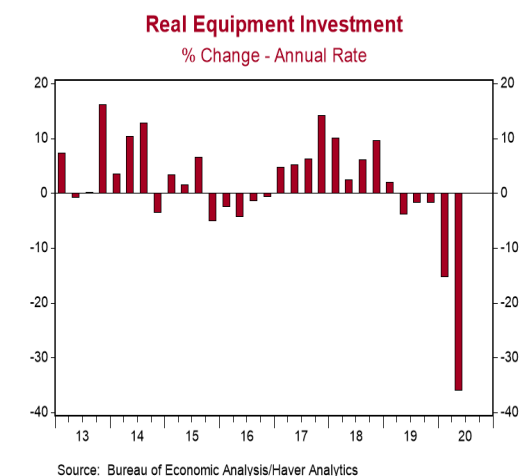
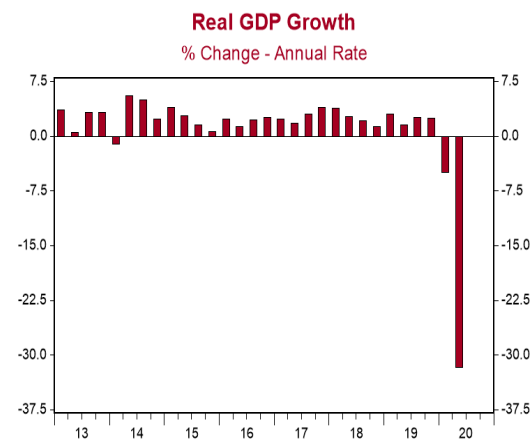


2nd Quarter GDP (Preliminary)

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- Real GDP was revised to a -31.7% annual growth rate in Q2 from a prior estimate of -32.9%, slightly better than the consensus expected -32.5%.
- The change was due to minor upward revisions in all major categories.
- The largest negative contribution to the real GDP growth rate in Q2 was consumer spending on services. Government purchases and net exports made positive contributions to real GDP.
- The GDP price index was revised lower to a -2.0% annual rate of change. Nominal GDP growth – real GDP plus inflation – was revised slightly higher to a -33.3% annual rate.

Implications: Real GDP growth was revised slightly higher for the second quarter, to -31.7% from -32.9% at an annual rate, but was still easily the worst quarter since the Great Depression. To put this in perspective, previously, the worst quarter since the immediate military wind-down following World War II was the first quarter of 1958, when real GDP fell at a 10.0% annual rate. Today's report showed small positive revisions to all major categories of GDP led by a smaller decline in inventories than originally thought. Today we also got the first look at economy-wide corporate profits, which declined 11.1% in Q2 and are down 20.1% in the past year. The decline in Q2 was due to lower profits at domestic nonfinancial companies, as well as profits from the rest of the world; profits at domestic financial companies grew in Q2. In spite of the decline in profits, our capitalized profits model suggests US equities remain cheap at today's interest rates. It's important to recognize that all of this is in the rearview mirror and we anticipate real GDP growth at around a 20% annual rate for Q3, which would be the fastest quarterly pace post WWII. Still, a full economic recovery is a long way off; we don't anticipate an unemployment rate below 4.0% until 2023 or 2024. In other news this morning, initial jobless claims declined 98,000 last week to 1.006 million; continuing claims for regular benefits declined 223,000 to 14.535 million. These figures suggest the pace of recovery in the labor market has slowed but still suggests positive job creation in August as well as a lower unemployment rate.



2nd Quarter GDP Seasonally Adjusted Annual Rates	Q2-20	Q1-20	Q4-19	Q3-19	4-Quarter Change
Real GDP	-31.7%	-5.0%	2.4%	2.6%	-9.1%
GDP Price Index	-2.0%	1.4%	1.4%	1.5%	0.6%
Nominal GDP	-33.3%	-3.4%	3.9%	4.0%	-8.6%
PCE	-34.1%	-6.9%	1.6%	2.7%	-10.5%
Business Investment	-26.0%	-6.7%	-0.3%	1.9%	-8.5%
Structures	-33.4%	-3.7%	-5.3%	3.6%	-10.9%
Equipment	-35.9%	-15.2%	-1.7%	-1.7%	-14.9%
Intellectual Property	-7.7%	2.4%	4.7%	5.3%	1.0%
Contributions to GDP Growth (p.pts.)	Q2-20	Q1-20	Q4-19	Q3-19	4Q Avg.
PCE	-24.8	-4.8	1.1	1.8	-6.7
Business Investment	-3.5	-0.9	0.0	0.3	-1.0
Residential Investment	-1.7	0.7	0.2	0.2	-0.2
Inventories	-3.5	-1.3	-0.8	-0.1	-1.4
Government	0.8	0.2	0.4	0.4	0.5
Net Exports	0.9	1.1	1.5	0.0	0.9

Source: Bureau of Economic Analysis