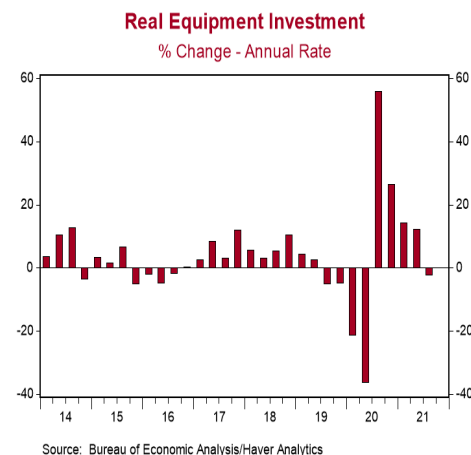
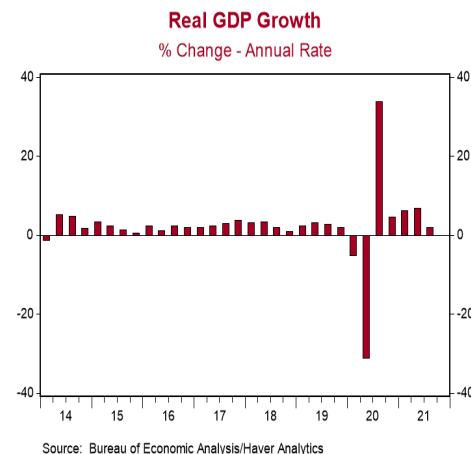


3rd Quarter GDP (Preliminary)

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- Real GDP growth in Q3 was revised up to a 2.1% annual rate from a prior estimate of 2.0%, narrowly missing the consensus expected revision to 2.2%
- Slight upward revisions to consumer spending, inventories, and government purchases more than offset downward revisions to business investment, home building, and net exports.
- The largest positive contributions to the real GDP growth rate in Q3 were inventories and consumer spending. The weakest component was net exports.
- The GDP price index was revised up to a 5.9% annual growth rate from a prior estimate of 5.7%. Nominal GDP growth – real GDP plus inflation – was revised up to an 8.1% annual rate from a prior estimate of 7.8%.

Implications: Today’s second report on Q3 real GDP was revised slightly higher from the initial reading a month ago, growing at a 2.1% annual rate, still showing a substantial slowdown after growing 6.5% in the first half of the year when the federal government was passing out checks like they were going out of style. The slight upward revision to the overall number in Q3 was due to very small revisions in a number of GDP categories; no single category stood out. Meanwhile, other data out this morning on inventories and international trade in October suggest a potentially sharp re-acceleration of the economy in the fourth quarter. Companies appear to be making progress re-stocking shelves and showrooms in Q4, which should temporarily boost real GDP growth. The best news today, however, was the first look at economy-wide Q3 corporate profits, which rose 4.3% from the second quarter, are up 20.7% from a year ago, and at a new all-time high. In fact, the two-year moving average of corporate profits, which includes both the drop related to COVID as well as the following rebound, is also at an all-time high, showing how well many companies have adapted in the face of COVID and related restrictions. Profits in the third quarter rose at both domestic non-financial companies and domestic financial corporations, as well as profits from operations abroad. Our capitalized profits model suggests US equities remain cheap, not only at today’s interest rates but even using a 10-year Treasury yield of 2.0%. In other news this morning, initial unemployment claims declined 71,000 last week to 199,000, plunging to the lowest level since 1969. Continuing claims declined 60,000 to 2.049 million. These figures are consistent with strong job growth in November. Also, personal income rose 0.5% in October, led by private-sector wages & salaries, while personal consumption rose 1.3%, both coming in higher than consensus expectations. Personal income is up 5.9% in the past year, while spending has increased 12.0%. On the inflation front, PCE prices grew 0.6% in October, and are up 5.0% from a year ago. Core prices, which exclude food and energy, rose 0.4% in September and are up 4.1% from a year ago. These figures show that the Federal Reserve is behind the curve. It should have started, and finished, tapering by now. In addition, increases in short-term rates should already be under discussion.



3rd Quarter GDP <i>Seasonally Adjusted Annual Rates</i>	Q3-21	Q2-21	Q1-21	Q4-20	4-Quarter Change
Real GDP	2.1%	6.7%	6.3%	4.5%	4.9%
GDP Price Index	5.9%	6.1%	4.3%	2.2%	4.6%
Nominal GDP	8.1%	13.4%	10.9%	6.6%	9.7%
PCE	1.7%	12.0%	11.4%	3.4%	7.0%
Business Investment	1.5%	9.2%	12.9%	12.5%	9.0%
Structures	-5.0%	-3.0%	5.4%	-8.2%	-2.9%
Equipment	-2.4%	12.2%	14.1%	26.5%	12.1%
Intellectual Property	9.3%	12.5%	15.6%	10.2%	11.9%
Contributions to GDP Growth (p.pts.)	Q3-21	Q2-21	Q1-21	Q4-20	4Q Avg.
PCE	1.2	7.9	7.4	2.3	4.7
Business Investment	0.2	1.2	1.7	1.6	1.2
Residential Investment	-0.4	-0.6	0.6	1.3	0.2
Inventories	2.1	-1.3	-2.6	1.1	-0.2
Government	0.2	-0.4	0.8	-0.1	0.1
Net Exports	-1.2	-0.2	-1.6	-1.7	-1.1

Source: Bureau of Economic Analysis