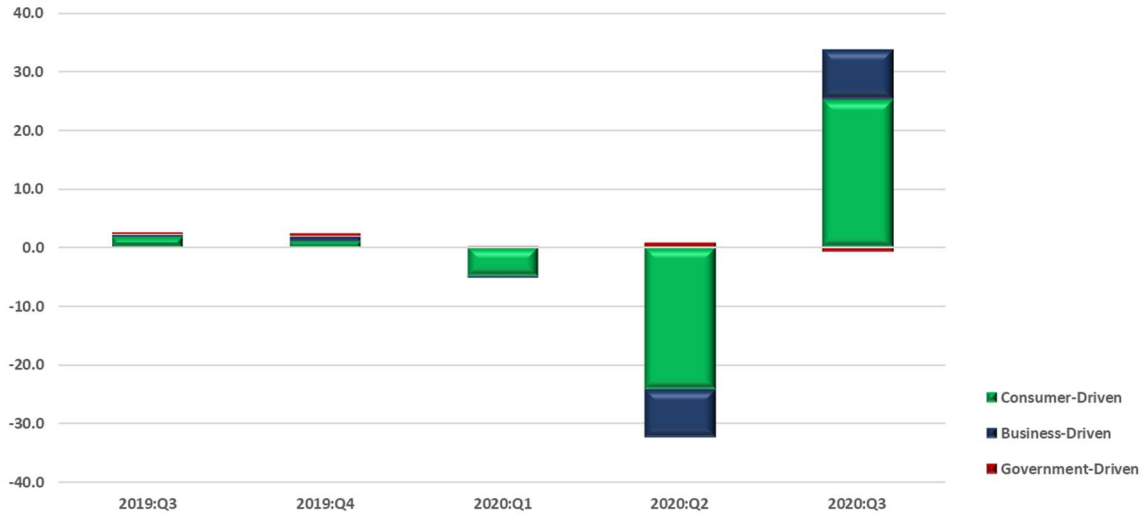


US GDP Release: 2020Q3

Contribution to Headline Real GDP Growth (%)



Source: Bureau of Economic Analysis



US economic activity surged by a record 33.1% annual rate in the third quarter of 2020, according to the preliminary release from the Bureau of Economic Analysis (BEA). The Q3 figure was better than the 32% GDP growth in the consensus forecast.

Consumer-driven real GDP, which had contracted in 2020Q1 and plummeted in Q2 (-24.0%), rebounded by a robust 25.3% in 2020Q3. In the most recent data, consumer sentiment registered 74.1. By comparison, the index stood at 101.0 in February 2020, before the full effect of COVID and the eventual economic shutdown. That being said, the recent 74.1 index figure is an increase over the 71.8 figure in April. With the consumer accounting for roughly two-thirds of the US economy, as the consumer goes, so does real GDP.

Government-driven GDP faltered in Q3, adding -0.68% to headline real GDP growth. This is compared to 0.77% in 2020Q2. Federal government spending contributed -0.39% to headline GDP. Of course, the discontinuation of the federal stimulus spending was a factor in the negative government-driven GDP growth.

Business-driven real GDP (which consists of gross domestic private investment and net exports) also produced a strong rebound in the recent report. BEA statistics show that business-driven GDP rose by 8.5% in 2020Q3. All of the gains came from gross domestic private investment (11.6% growth) as net exports fell by 3.1%.

While we feel that the recession is likely over (by definition), we expect that the recovery will be long and tenuous. Consequently, we expect -4.5% GDP growth in 2020 with moderate GDP growth in 2021. Moreover, we have not ruled out the prospect of a double-dip recession if there is a second lockdown due to increased COVID cases.

About Thompson Consulting and Analytics, LLC

Thompson Consulting and Analytics, LLC (TCA) is an economic consulting firm that operates with client success in mind. We are experienced at performing economic impact analysis, econometric forecasts, and economic research studies. In addition, we offer predictive analytics, site feasibility studies, white papers/industry analysis, and other economic consulting services. Our extensive background in regional economics and commercial real estate research has provided private and public sector clients with valuable results and actionable insights.