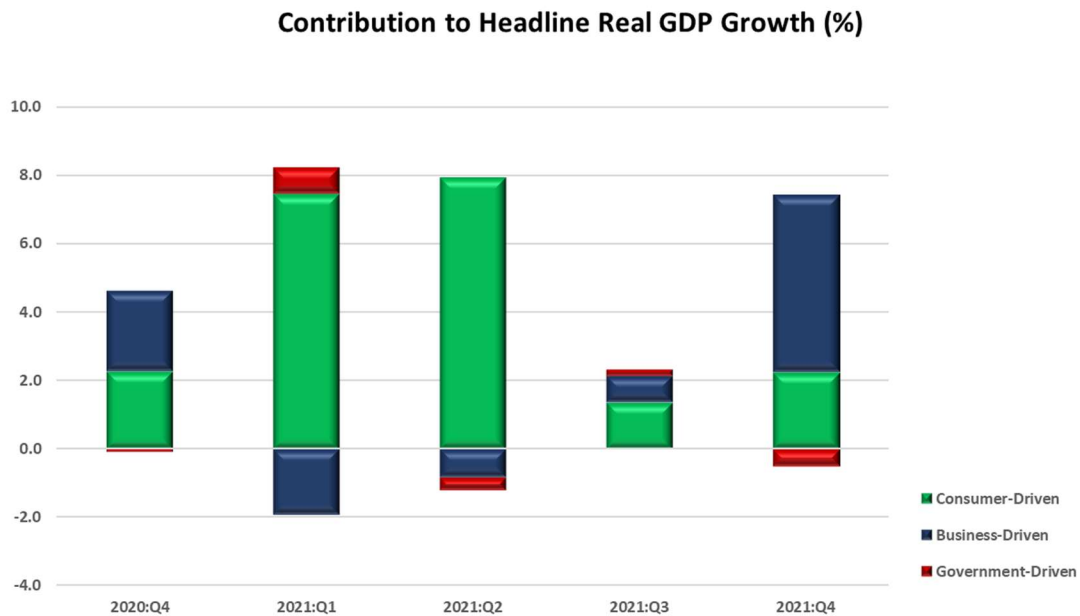


US GDP Release: 2021Q4



Source: Bureau of Economic Analysis
Visualized by TCA



US economic activity grew by a 6.9% annual rate in the fourth quarter of 2021. The Q4 figure was well above the 5.5% GDP growth in the consensus forecast.

Consumer-driven real GDP grew by 3.3% in Q4. This translated into consumer-driven GDP adding 2.25 percentage points to the 6.9% headline GDP growth figure. In the most recent data, consumer sentiment registered 67.4. This was the lowest figure since November 2011. In our previous reports, we expected the new COVID surge to put downward pressure on consumer sentiment and also consumer-driven GDP growth. The COVID infection numbers for the Omicron variant continue to rise (though this variant is less severe than previous variants). Inflation has surged in recent months and helped to dampen consumer-driven GDP growth. Supply chain issues have also persisted and we see this issue lasting into at least the first half of 2022. Moreover, the labor market continues to see muted growth, which will also affect consumer-driven GDP.

Government-driven GDP faltered in 2021Q4 after rebounding in the previous quarter. The sector declined by 2.9% in Q4 and added -0.51 percentage points to headline real GDP growth. Federal government expenditures added -0.27 percentage points to headline GDP growth while state and local expenditures added -0.24 percentage points.

Business-driven real GDP (which consists of gross domestic private investment and net exports) was the strongest-growing component in 2021Q4. BEA statistics show that business-driven GDP added 5.15 percentage points to headline GDP in 2021Q4. The positive addition to headline GDP came from gross domestic private investment, which added 5.15 percentage points to GDP. Net exports added zero percentage points to GDP growth this quarter. This is an improvement as net exports added -1.26 percentage points to headline GDP in the previous quarter.

We expect several factors to have profound impacts on GDP going forward. Inflation has accelerated and will likely remain elevated well into 2022. Upward wage pressures on lower-wage positions (especially sectors with large wage increases) will continue to have a hand in driving inflation growth. The supply chain issues will also be a systemic problem going into 2022, which will continue to put upward pressure on inflation and downward pressure on consumer confidence and spending. We expect 4.0% GDP growth in 2022.

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.