

28.Jan.2021

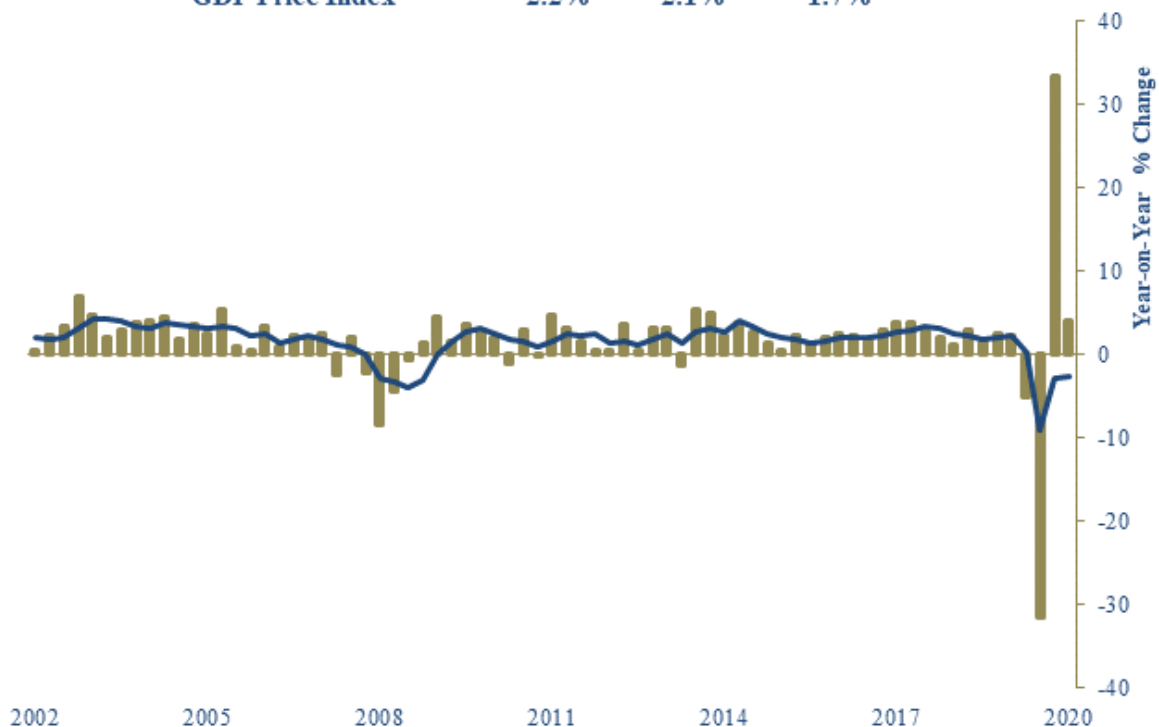
4Q20 GDP: Slower Than Expected As Consumption Just 2.5%

Bottom Line: The advance reading of 4th Quarter 2020 GDP showed strong gains in business fixed investment and residential investments, but consumption grew just 2.5%. Net exports were a modest drag on GDP, as were government purchases.

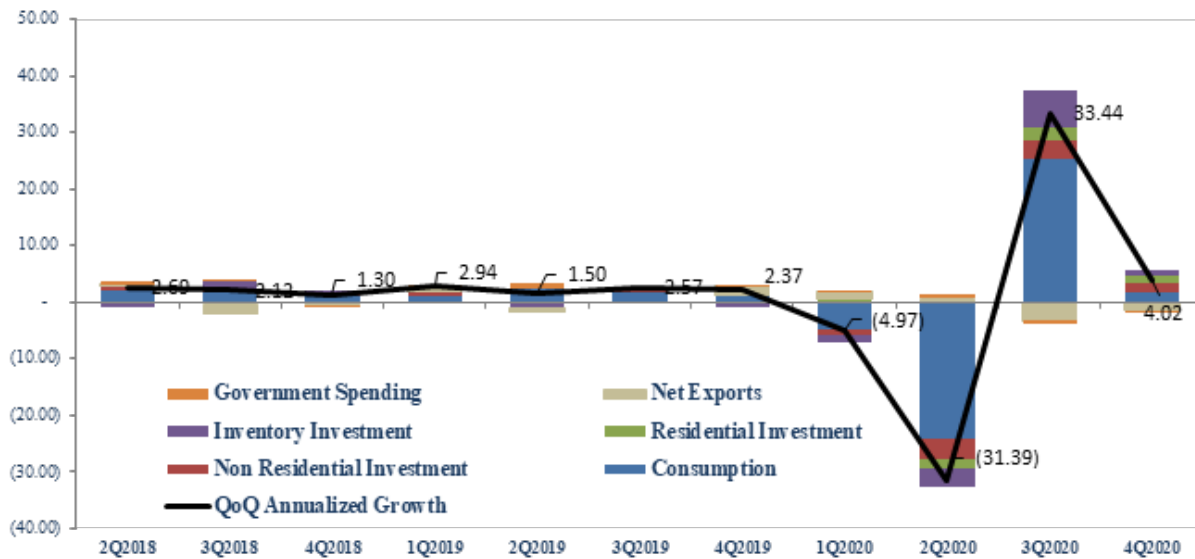
While manufacturing and housing continued to lead the recovery, consumption of non-durable goods was lower. Consumers continued to spend on durable goods and autos, but most other segments were weaker as shutdowns for the virus began again in the fourth quarter. Overall, this report showed just how fragile this recovery remains. And with housing and manufacturing nearly as good as it can get, a lot will depend on the consumer in the coming months.

GDP

	Cons.	Actual	Prior
GDP	4.2%	4.0%	33.1%
GDP Price Index	2.2%	2.1%	-1.7%



US Quarterly GDP (seas. adj. ann rate) with contributions in bar graphs



Gross Domestic Product ROSE by 4.0% in the 4th Quarter, higher than market expectations for an increase of 2.2%. Economic activity is now 2.5% BELOW its year-ago level.

Inventory Investment ROSE by \$48.4 billion, adding 1.04 percentage points to overall economic activity. Consequently, **Real Final Sales** ROSE by 3.0% and is now 2.7% BELOW its year-ago level.

Imports ROSE by 29.5% and **Exports** ROSE by 22.0% so **Net Exports** FELL by \$102.1 billion. This implies that **Real Final Domestic Demand** ROSE by 4.4% and is now 1.5% BELOW its year-ago level.

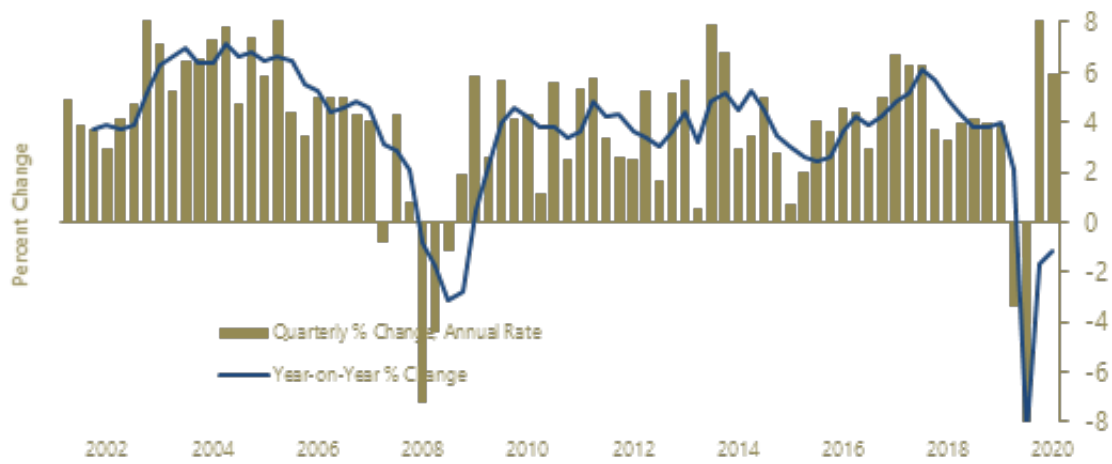
Consumer Spending ROSE by 2.5%, contributing 1.70 percentage points to economic growth.

Business Investment ROSE by 13.8%, adding 1.73 percentage points to GDP. Intellectual property products increased by 7.5% while non-residential structures increased by 3.0%. **Residential Investment** ROSE by 33.5%, adding 1.29 percentage points to economic growth.

Finally, **Government Purchases** FELL by 1.2%, subtracting 0.22 percentage points to GDP. This was its 3rd negative contribution in the last 12 quarters.

The GDP Price Index ROSE by 2.1%, compared with market expectations of 2.2%. This is also 1.3% ABOVE its year-ago level.

Nominal GDP



GDP Price Index



GDP - by annual % Change

	% Change at Annual Rate (unless noted as \$)									
	Quarterly Averages						Annual Averages			
	Q4-20 Advance	Q3-20	Q2-20	Q1-20	Q4-19	Q3-19	2018	2017	Five Year	Ten Year
Real GDP	4.0	33.4	-31.4	-5.0	2.4	2.6	3.0	2.3	2.5	1.8
Consumption	2.5	41.0	-33.2	-6.9	1.6	2.7	2.7	2.6	3.0	2.0
Business Fixed Investment	13.8	22.9	-27.2	-6.7	-0.3	1.9	6.9	3.7	4.1	3.1
Residential Investment	33.5	63.0	-35.5	19.0	5.8	4.6	-0.6	4.0	4.7	1.9
Inventory Investment (\$ Chg)	48.4	283.3	-206.1	-79.9	-45.1	-5.4	37.6	-8.8	-11.0	8.6
Net Exports (\$ Change)	-102.1	-243.9	12.9	73.5	88.7	1.2	-60.9	-53.2	-69.0	-21.6
Exports	22.0	59.6	-64.4	-9.5	3.4	0.8	3.0	3.9	2.4	2.8
Imports	29.5	93.0	-54.1	-15.0	-7.5	0.5	4.1	4.7	4.1	2.9
Government Purchases	-1.2	-4.8	2.5	1.3	2.4	2.1	2.1	-0.1	0.9	0.0
Addendum:										
Real Final Sales	3.0	25.9	-28.1	-3.6	3.2	2.7	2.8	2.4	2.6	1.8
Final Domestic Demand	4.4	29.8	-27.1	-4.6	1.6	2.6	3.0	2.5	2.8	1.8
Price Index	2.1	3.4	-1.7	1.3	1.4	1.5	2.4	1.9	1.6	1.6

Source: Bureau of Economic Analysis, Department of Commerce via Bloomberg. Our calculations.

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GDP - by contribution

	% Contributions									
	Quarterly						Annual Averages			
	Q4-20 Advance	Q3-20	Q2-20	Q1-20	Q4-19	Q3-19	2018	2017	Five Year	Ten Year
Real GDP	4.0	33.4	-31.4	-5.0	2.4	2.6	3.0	2.3	2.5	1.8
Consumption	1.7	25.4	-24.0	-4.8	1.1	1.8	1.9	1.8	2.0	1.4
Business Fixed Investment	1.7	3.2	-3.7	-0.9	0.0	0.3	0.9	0.5	0.5	0.4
Residential Investment	1.3	2.2	-1.6	0.7	0.2	0.2	0.0	0.2	0.2	0.1
Inventory Investment (\$ Chg)	1.0	6.6	-3.5	-1.3	-0.8	-0.1	0.2	0.0	0.0	0.1
Net Exports (\$ Change)	-1.5	-3.2	0.6	1.1	1.5	0.0	-0.3	-0.2	-0.3	-0.1
Exports	2.0	4.9	-9.5	-1.1	0.4	0.1	0.4	0.5	0.3	0.4
Imports	-3.5	-8.1	10.1	2.3	1.1	-0.1	-0.6	-0.7	-0.6	-0.5
Government Purchases	-0.2	-0.8	0.8	0.2	0.4	0.4	0.3	0.2	0.2	0.0
Others:										
Defense	0.2	0.2	0.2	0.0	0.3	0.2	0.1	0.0	0.0	0.0
Intellectual Property	0.4	0.5	-0.5	0.1	0.2	0.2	0.3	0.2	0.2	0.2
Equipment	1.3	3.3	-2.0	-0.9	-0.1	-0.1	0.5	0.2	0.2	0.2
Medical Care	1.3	7.4	-7.6	-2.0	0.5	0.1	0.3	0.3	0.4	0.3

Source: Bureau of Economic Analysis, Department of Commerce via Bloomberg. Our calculations.