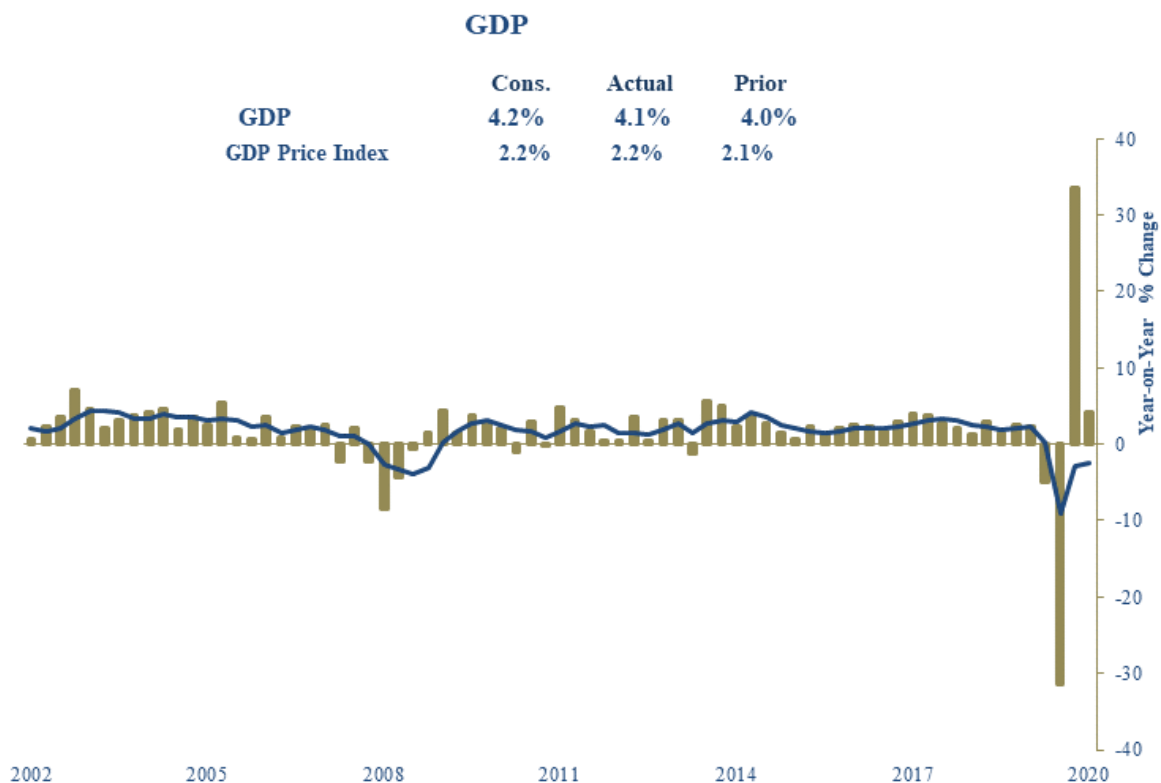


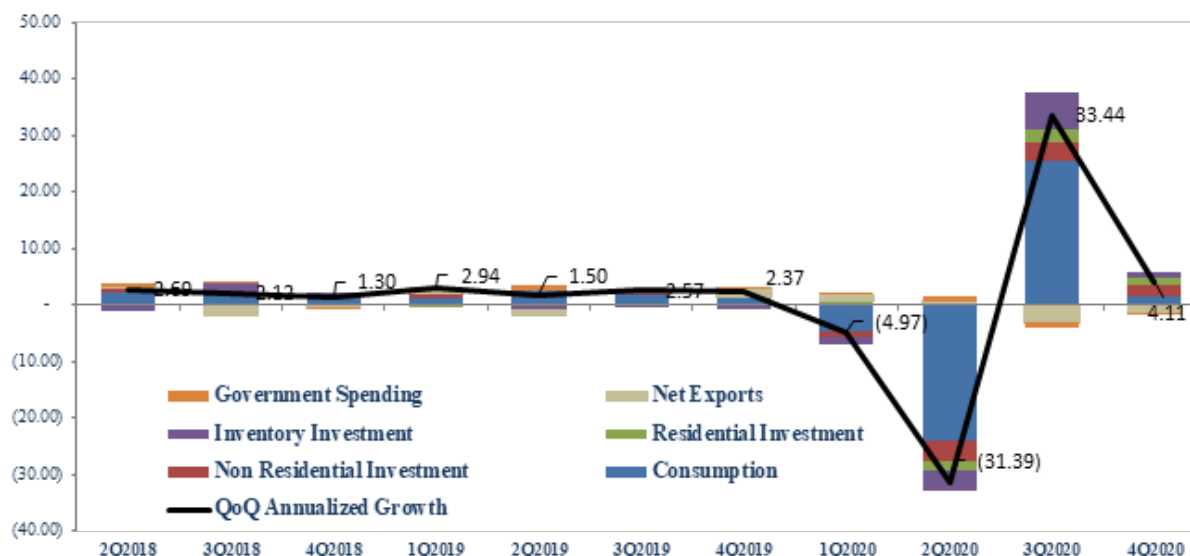
25.Feb.2021

4Q20 GDP: Slight Revisions

Bottom Line: The second estimate of 4th Quarter 2020 GDP was revised modestly higher, a bit less than expected as personal consumption was a touch lower, but the residential investment was higher. Core PCE, the Fed's preferred inflation metric, was 1.4%, well below their target. Overall, these revisions were minor and confirmed that while consumption continued to grow in the 4th Quarter, the pace of gains slowed sharply. The recovery was driven by housing and manufacturing. Most data suggest these trends continued into the 1st Quarter of 2021. The median of Bloomberg consensus estimates for the 1st Quarter was 3.5% quarter-over-quarter annualized this morning.



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



GDP was REVISED UP by 0.1 points to 4.1% in this second estimate of economic activity for Q4-20. This was lower than market expectations for an upward revision to 4.2%.

Economic activity is now 2.4% BELOW its year ago level and 25.3% ABOVE its 2007 Q4 cyclical peak. Because most of the adjustment was due to new December data, this revision suggests that the economic activity increased slightly at the end of the quarter.

Consumer Spending was revised lower by -0.14% to 2.4%, contributing 1.61% to economic growth. Business Fixed Investment was revised higher by 0.23% to 14.0%, contributing 1.76% to economic growth. **Residential Investment** was revised higher by 2.25% to 35.8%, contributing 1.37% to economic growth. Inventory Investment was revised slightly higher, contributing 1.11% to economic growth.

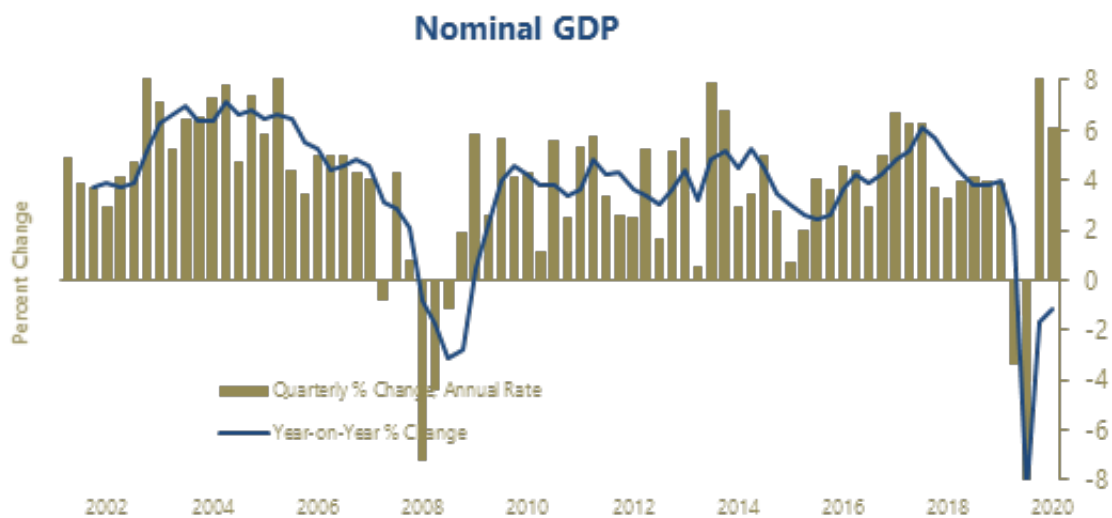
Net Exports were revised modestly lower with a slight decline in Exports and slight growth in Imports, contributing -1.55% to economic growth.

Government Purchases were revised slightly higher and fell modestly for the 3th time in the past 12 quarters, contributing -0.19% to economic growth.

As a result of all of these changes, **Real Final Sales** was revised slightly higher while Real Domestic Demand was unchanged.

The GDP Price Index was REVISED UP by 0.10 points to 2.2%, compared with market expectations of 2.2%. Economy-wide prices are now 1.3% ABOVE its year-

ago level.



GDP - by annual % Change

	% Change at Annual Rate (unless noted as \$)									
	Quarterly Averages						Annual Averages			
	Q4-20 2nd Est.	Q4-20 Advance	Q3-20	Q2-20	Q1-20	Q4-19	2018	2017	Five Year	Ten Year
Real GDP	4.1	4.0	33.4	-31.4	-5.0	2.4	3.0	2.3	2.5	1.8
Consumption	2.4	2.5	41.0	-33.2	-6.9	1.6	2.7	2.6	3.0	2.0
Business Fixed Investment	14.0	13.8	22.9	-27.2	-6.7	-0.3	6.9	3.7	4.1	3.1
Residential Investment	35.8	33.5	63.0	-35.5	19.0	5.8	-0.6	4.0	4.7	1.9
Inventory Investment (\$ Chg)	51.8	48.4	283.3	-206.1	-79.9	-45.1	37.6	-8.8	-11.0	8.6
Net Exports (\$ Change)	-104.0	-102.1	-243.9	12.9	73.5	88.7	-60.9	-53.2	-69.0	-21.6
Exports	21.8	22.0	59.6	-64.4	-9.5	3.4	3.0	3.9	2.4	2.8
Imports	29.6	29.5	93.0	-54.1	-15.0	-7.5	4.1	4.7	4.1	2.9
Government Purchases	-1.1	-1.2	-4.8	2.5	1.3	2.4	2.1	-0.1	0.9	0.0
Addendum:										
Real Final Sales	3.0	3.0	25.9	-28.1	-3.6	3.2	2.8	2.4	2.6	1.8
Final Domestic Demand	4.4	4.4	29.8	-27.1	-4.6	1.6	3.0	2.5	2.8	1.8
Price Index	2.2	2.1	3.4	-1.7	1.3	1.4	2.4	1.9	1.6	1.6

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

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T.J. Connelly, Head of Research

February 25, 2021

Steven A. Wood, Sr. Economic Adviser

GDP - by contribution

GDP -- by Contribution

	Quarterly						Annual Averages			
	Q4-20 2nd Est.	Q4-20 Advance	Q3-20	Q2-20	Q1-20	Q4-19	2018	2017	Five Year	Ten Year
Real GDP	4.1	4.0	33.4	-31.4	-5.0	2.4	3.0	2.3	2.5	1.8
Consumption	1.6	1.7	25.4	-24.0	-4.8	1.1	1.9	1.8	2.0	1.4
Business Fixed Investment	1.8	1.7	3.2	-3.7	-0.9	0.0	0.9	0.5	0.5	0.4
Residential Investment	1.4	1.3	2.2	-1.6	0.7	0.2	0.0	0.2	0.2	0.1
Inventory Investment (\$ Chg)	1.1	1.0	6.6	-3.5	-1.3	-0.8	0.2	0.0	0.0	0.1
Net Exports (\$ Change)	-1.6	-1.5	-3.2	0.6	1.1	1.5	-0.3	-0.2	-0.3	-0.1
Exports	2.0	2.0	4.9	-9.5	-1.1	0.4	0.4	0.5	0.3	0.4
Imports	-3.6	-3.5	-8.1	10.1	2.3	1.1	-0.6	-0.7	-0.6	-0.5
Government Purchases	-0.2	-0.2	-0.8	0.8	0.2	0.4	0.3	0.2	0.2	0.0
Others:										
Defense	0.2	0.2	0.2	0.2	0.0	0.3	0.1	0.0	0.0	0.0
Intellectual Property	0.4	0.4	0.5	-0.5	0.1	0.2	0.3	0.2	0.2	0.2
Equipment	1.3	1.3	3.3	-2.0	-0.9	-0.1	0.5	0.2	0.2	0.2
Medical Care	1.3	1.3	7.4	-7.6	-2.0	0.5	0.3	0.3	0.4	0.3

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