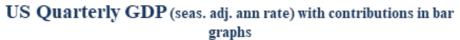
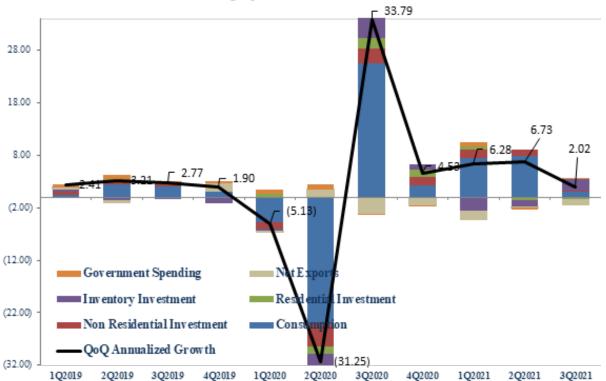


28.Oct.2021

3Q21 GDP: Even Slower Than Expected

Bottom Line: The advanced reading of 3rd Quarter GDP showed slower growth than expected, even after significant downward revisions to forecasts over the last eight weeks. Real final sales fell slightly on the quarter as prices continued to rise sharply. Real consumption was lower than expected, and much of the positive reading in the real GDP figure was due to a rebound in inventory investment. Residential investment was lower for the second straight quarter. Overall, this report reveals that real growth, adjusted for the higher inflation seen over the last year, slowed considerably from the pandemic-recovery pace seen in the prior three quarters and may even be returning to pre-pandemic trends.





GDP



Gross Domestic Product ROSE by 2.0% in the 3rd Quarter, lower than market expectations for an increase of 5.3%. Economic activity was 4.9% ABOVE its yearago level.

Inventory Investment ROSE by \$90.8 billion, adding 2.07 percentage points to overall economic activity. Consequently, **Real Final Sales** FELL by 0.1% and was 5.1% ABOVE its year-ago level.

Imports ROSE by 6.1% and **Exports** FELL by 2.5% so **Net Exports** FELL by \$67.2 billion. This implies that **Real Final Domestic Demand** ROSE by 1.0% and was 6.0% ABOVE its year-ago level.

Consumer Spending ROSE by 1.6%, contributing 1.09 percentage points to economic growth.

Business Investment ROSE by 1.8%, adding 0.24 percentage points to GDP. Intellectual property products increased by 12.2% while non-residential structures declined by 7.2%.

Residential Investment FELL by 7.7%, subtracting 0.38 percentage points to economic growth.

Government Purchases ROSE by 0.8%, adding 0.14 percentage points to GDP. This was its 8th positive contribution in the last 12 quarters.

The GDP Price Index ROSE by 5.9%, compared with market expectations of 5.3%. This is also 4.7% ABOVE its year-ago level.





GDP - by annual % Change

		% Change at Annual Rate (unless noted as \$)									
	Quarterly Averages						Annual Averages				
	Q2-21	Q1-21	Q4-20	Q3-20	Q2-20	2020	2019	Five Year	Ten Year		
2.0	6.7	6.3	4.5	33.8	-31.2	-3.4	2.3	1.1	1.6		
1.6 t 1.8	12.0 9.2	11.4 12.9	3.4 12.5	41.4 18.7	-33.4 -30.3	-3.8 -5.3	2.2 4.3	1.2 2.0	1.7 4.1		
-7.7 ng 90.8	-11.7 -80.2	13.3 -177.1	34.4 63.5	60.0 278.1	-30.8 -222.4	6.8 -117.4	-0.9 9.4	3.1 -36.0	5.4 -10.0		
-67.2 -2.5 6.1	-18.4 7.6 7.1	-93.3 -2.9 9.3	-111.5 22.5 31.3	-246.5 54.5 89.2	67.1 -59.9 -53.1	-37.4 -13.6 -8.9	-41.1 -0.1 1.1	-44.2 -1.5 0.3	-35.3 1.0 2.0		
0.8	-2.0	4.2	-0.5	-2.1	3.9	2.5	2.2	1.7	0.2		
-0.1 1.0 5.9	8.1 8.0 6.3	9.1 10.4 4.5	3.4 5.0 2.2	25.9 29.9 3.5	-27.6 -27.3 -1.3	-2.9 -2.5 1.3	2.2 2.4 1.8	1.3 1.5 1.7	1.7 1.8 1.7		
	2.0 1.6 1.8 -7.7 90.8 -67.2 -2.5 6.1 0.8 -0.1 1.0 5.9	2.0 6.7 1.6 12.0 1.8 9.2 1.7.7 -11.7 1.9 90.8 -80.2 1.6 7.6 1.6 7.1 1.7 90.8 -2.0 1.8 -2.0 1.8 -2.0 1.8 -2.0 1.8 -2.0 1.8 -2.0	Q3-21 Advance Q2-21 Q1-21 2.0 6.7 6.3 1.6 12.0 11.4 1.8 9.2 12.9 -7.7 -11.7 13.3 -90.8 -80.2 -177.1 -67.2 -18.4 -93.3 -2.5 7.6 -2.9 6.1 7.1 9.3 0.8 -2.0 4.2 -0.1 8.1 9.1 1.0 8.0 10.4 5.9 6.3 4.5	Q3-21 Advance Q2-21 Q1-21 Q4-20 2.0 6.7 6.3 4.5 1.6 12.0 11.4 3.4 1.8 9.2 12.9 12.5 -7.7 -11.7 13.3 34.4 hg 90.8 -80.2 -177.1 63.5 -67.2 -18.4 -93.3 -111.5 -2.5 7.6 -2.9 22.5 6.1 7.1 9.3 31.3 0.8 -2.0 4.2 -0.5 -0.1 8.1 9.1 3.4 1.0 8.0 10.4 5.0 5.9 6.3 4.5 2.2	Q3-21 Advance Q2-21 Q2-21 Q1-21 Q1-21 Q4-20 Q4-20 Q3-20 2.0 6.7 6.3 4.5 33.8 1.6 12.0 11.4 3.4 41.4 1.8 9.2 12.9 12.5 18.7 1.6 12.0 11.4 3.4 60.0 1.0 -7.7 -11.7 13.3 34.4 60.0 1.0 -80.2 -177.1 63.5 278.1 -67.2 -18.4 -93.3 -111.5 -246.5 -2.5 7.6 -2.9 22.5 54.5 6.1 7.1 9.3 31.3 89.2 0.8 -2.0 4.2 -0.5 -2.1 -0.1 8.1 9.1 3.4 25.9 1.0 8.0 10.4 5.0 29.9 5.9 6.3 4.5 2.2 3.5	Q3-21 Advance Q2-21 Q1-21 Q4-20 Q3-20 Q2-20 2.0 6.7 6.3 4.5 33.8 -31.2 1.6 12.0 11.4 3.4 41.4 -33.4 1.8 9.2 12.9 12.5 18.7 -30.3 -7.7 -11.7 13.3 34.4 60.0 -30.8 1.0 8.0 -80.2 -177.1 63.5 278.1 -222.4 -67.2 -18.4 -93.3 -111.5 -246.5 67.1 -2.5 7.6 -2.9 22.5 54.5 -59.9 6.1 7.1 9.3 31.3 89.2 -53.1 0.8 -2.0 4.2 -0.5 -2.1 3.9 -0.1 8.1 9.1 3.4 25.9 -27.6 1.0 8.0 10.4 5.0 29.9 -27.3 5.9 6.3 4.5 2.2 3.5 -1.3	Q3-21 Advance Q2-21 Q2-20 Q1-21 Q1-21 Q4-20 Q3-20 Q2-20 Q2-20 2020 2.0 6.7 6.3 4.5 33.8 -31.2 -3.4 1.6 12.0 11.4 3.4 41.4 -33.4 -3.8 1.8 9.2 12.9 12.5 18.7 -30.3 -5.3 -7.7 -11.7 13.3 34.4 60.0 -30.8 6.8 ng 90.8 -80.2 -177.1 63.5 278.1 -222.4 -117.4 -67.2 -18.4 -93.3 -111.5 -246.5 67.1 -37.4 -2.5 7.6 -2.9 22.5 54.5 -59.9 -13.6 6.1 7.1 9.3 31.3 89.2 -53.1 -8.9 0.8 -2.0 4.2 -0.5 -2.1 3.9 2.5 -0.1 8.1 9.1 3.4 25.9 -27.6 -2.9 1.0 8.0 10.4 5.0	Q3-21 Advance Q2-21 Q1-21 Q4-20 Q3-20 Q2-20 2020 2019 2.0 6.7 6.3 4.5 33.8 -31.2 -3.4 2.3 1.6 12.0 11.4 3.4 41.4 -33.4 -3.8 2.2 1.8 9.2 12.9 12.5 18.7 -30.3 -5.3 4.3 -7.7 -11.7 13.3 34.4 60.0 -30.8 6.8 -0.9 hg 90.8 -80.2 -177.1 63.5 278.1 -222.4 -117.4 9.4 -67.2 -18.4 -93.3 -111.5 -246.5 67.1 -37.4 -41.1 -2.5 7.6 -2.9 22.5 54.5 -59.9 -13.6 -0.1 6.1 7.1 9.3 31.3 89.2 -53.1 -8.9 1.1 0.8 -2.0 4.2 -0.5 -2.1 3.9 2.5 2.2 -0.1 8.0	Q3-21 Advance Q2-21 Q1-21 Q4-20 Q3-20 Q2-20 2020 2019 Five Year 2.0 6.7 6.3 4.5 33.8 -31.2 -3.4 2.3 1.1 1.6 12.0 11.4 3.4 41.4 -33.4 -3.8 2.2 1.2 1.8 9.2 12.9 12.5 18.7 -30.3 -5.3 4.3 2.0 -7.7 -11.7 13.3 34.4 60.0 -30.8 6.8 -0.9 3.1 ng 90.8 -80.2 -177.1 63.5 278.1 -222.4 -117.4 9.4 -36.0 -67.2 -18.4 -93.3 -111.5 -246.5 67.1 -37.4 -41.1 -44.2 -2.5 7.6 -2.9 22.5 54.5 -59.9 -13.6 -0.1 -1.5 6.1 7.1 9.3 31.3 89.2 -53.1 -8.9 1.1 0.3 0.8 -2.0 </td		

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T.J. Connelly, Head of Research

October 28, 2021 Steven A. Wood, Senior Economic Adviser

GDP - by contribution

	% Contributions										
	Quarterly						Annual Averages				
	Q3-21 Advance	Q2-21	Q1-21	Q4-20	Q3-20	Q2-20	2020	2019	Five Year	Ten Year	
Real GDP	2.0	6.7	6.3	4.5	33.8	-31.2	-3.4	2.3	1.1	1.6	
Consumption Business Fixed Investment	1.1 0.2	7.9 1.2	7.4 1.7	2.3 1.6	25.5 2.7	-24.1 -4.3	-2.6 -0.7	1.5 0.6	0.8 0.3	1.1 0.5	
Residential Investment Inventory Investment (\$ Chg	-0.4 2.1	-0.6 -1.3	0.6 -2.6	1.3 1.1	2.2 6.8	-1.4 -4.0	0.3 -0.5	0.0 0.1	0.1 -0.2	0.2 0.0	
Net Exports (\$ Change) Exports Imports	-1.1 -0.3 -0.9	-0.2 0.8 -1.0	-1.6 -0.3 -1.3	-1.7 2.1 -3.7	-3.3 4.6 -7.9	1.5 -8.3 9.9	-0.3 -1.6 1.3	-0.2 0.0 -0.2	-0.2 -0.1 -0.1	-0.2 0.2 -0.3	
Government Purchases	0.1	-0.4	0.8	-0.1	-0.2	1.0	0.4	0.4	0.3	0.0	
Others:											
Defense	-0.1	0.0	-0.3	0.2	0.1	0.2	0.1	0.2	0.1	0.0	
Intellectual Property	0.6	0.6	8.0	0.5	0.5	-0.5	0.1	0.3	0.3	0.2	
Equipment	-0.2	0.7	0.8	1.3	2.7	-2.0	-0.5	0.2	0.0	0.2	
Medical Care	0.6	1.1	-0.5	1.5	7.4	-7.7	-1.0	0.4	0.1	0.2	

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