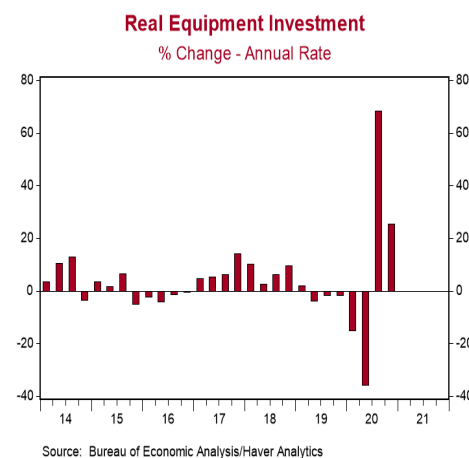


4th Quarter GDP (Final)

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- Real GDP growth in Q4 was revised to a 4.3% annual rate from a prior estimate of 4.1%, beating the consensus expected 4.1%.
- The upward revision was due to more inventory accumulation.
- The largest positive contributions to the real GDP growth rate in Q4 came from business investment and consumer spending. The weakest component was net exports.
- The GDP price index was revised lower to a 2.0% annualized rate of change. Nominal GDP growth – real GDP plus inflation – was revised higher, coming in at a 6.3% annual rate. Nominal GDP is down 1.2% versus a year ago but up at a 1.4% annual rate in the past two years.

Implications: Economic growth was revised upward in the fourth quarter, beating consensus expectations. Real GDP grew at a 4.3% annual rate in Q4 versus a prior estimate and consensus expected 4.1%. The upward revision was mainly due to higher inventories than originally thought, which more than offset small downward revisions for consumer spending and business investment. Real GDP is down 2.4% in the past year. Meanwhile, nominal GDP (real growth plus inflation) rose at a 6.3% annual rate in Q4, but is still down 1.2% from a year ago. Today we also got our first look at economy-wide Q4 corporate profits, which declined 1.4% compared to the third quarter and are down 0.7% from a year ago. The decline in Q4 was due to a drop in profits at domestic non-financial companies, while profits increased at domestic financial firms. Our capitalized profits model suggests US equities remain cheap, not only at today’s interest rates but even using a 10-year Treasury yield of 2.0%. Moving forward, expect profits to grow and hit new record highs in 2021 as the economy continues to return to normal. In other news today, initial jobless claims fell 97,000 last week to 684,000 while continuing claims declined 264,000 to 3.870 million, both numbers hit new pandemic lows. Expect to see some blowout positive numbers on job growth starting soon.



4th Quarter GDP <i>Seasonally Adjusted Annual Rates</i>	Q4-20	Q3-20	Q2-20	Q1-20	4-Quarter Change
Real GDP	4.3%	33.4%	-31.4%	-5.0%	-2.4%
GDP Price Index	2.0%	3.5%	-1.8%	1.4%	1.3%
Nominal GDP	6.3%	38.4%	-32.8%	-3.4%	-1.2%
PCE	2.3%	41.0%	-33.2%	-6.9%	-2.7%
Business Investment	13.1%	22.9%	-27.2%	-6.7%	-1.4%
Structures	-6.2%	-17.4%	-33.6%	-3.7%	-16.1%
Equipment	25.4%	68.2%	-35.9%	-15.2%	3.5%
Intellectual Property	10.5%	8.4%	-11.4%	2.4%	2.1%
Contributions to GDP Growth (p.pts.)	Q4-20	Q3-20	Q2-20	Q1-20	4Q Avg.
PCE	1.6	25.4	-24.0	-4.8	-0.4
Business Investment	1.7	3.2	-3.7	-0.9	0.1
Residential Investment	1.4	2.2	-1.6	0.7	0.7
Inventories	1.4	6.6	-3.5	-1.3	0.8
Government	-0.1	-0.8	0.8	0.2	0.0
Net Exports	-1.5	-3.2	0.6	1.1	-0.7

Source: Bureau of Economic Analysis