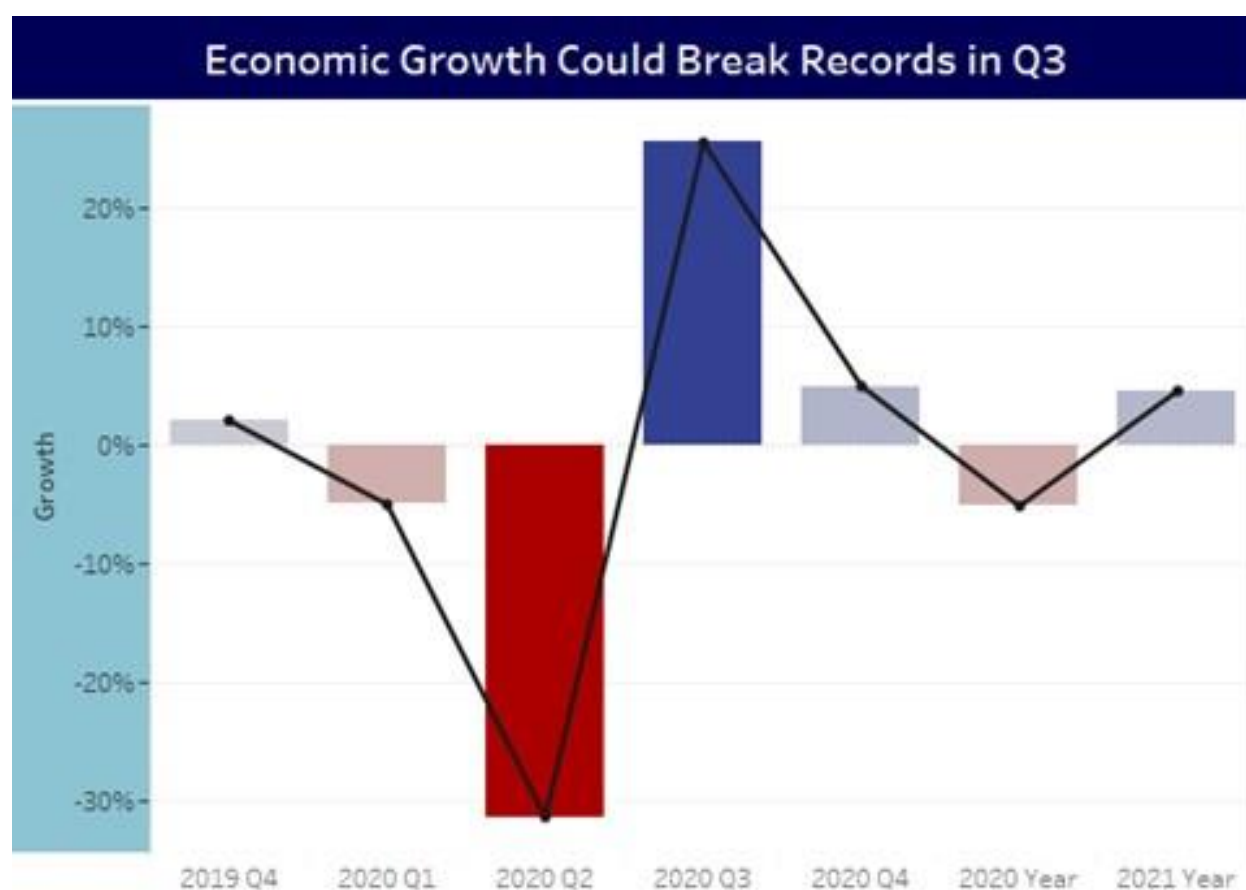


What to Expect in This Week's Q3 GDP Numbers

On Thursday, the Bureau of Economic Analysis (BEA) will release the GDP report for the third quarter of this year. This is a good time to take stock of where the economy has been, where it is now, and where it may be going.

Expect a record number. BEA will likely show the economy grew at a record rate last quarter. On average, forecasters see growth being over 25% on an annual basis. The previous record for growth in one quarter was 16.7% in the first quarter of 1950.



The strong growth in the third quarter is the latest proof of the incredible resiliency of the U.S. economy. COVID-19 and the subsequent Great Pause was an enormous shock to the economy. Growth contracted by over 31% in the second quarter, the new record for quarterly contraction. Interestingly, the previous record was -10% in the first quarter of 1958, which was caused by the flu pandemic that year. The contraction in the second quarter was more than three times more severe, yet the U.S. economy bounced back strongly even while the virus remains with us. The tendency of the U.S. economy is to grow absent outside forces like a global pandemic or poor economic policy (fiscal or monetary).

The big picture. While third quarter growth will be impressive, it is important not to overstate the relative strength of the economy. Even with continued strong growth in the fourth quarter and into 2021 of around 5%, it will still take until mid-to-late 2021 for the size of the U.S. economy to return to its pre-pandemic level.

The virus is still in control of the economy. As it surges with the cold weather, it is likely to put more weight on the economy as people seek to stay safe. That means the economy is likely to remain on the trajectory it is on now – modest, uneven growth – until the virus is under control globally. Those businesses that have recovered (those on the top of the “K”) will continue to be alright, but those on the bottom of the “K” will continue to struggle until the virus is brought to heel and they can open fully.

This only holds if the U.S. can avoid another pause of the economy. We have so far avoided the pandemic causing any other major problem in the economy. If we are forced to lockdown the economy again, we may not be as fortunate.

—Curtis Dubay, Senior Economist, U.S. Chamber of Commerce