

## ECONOMIC NEWS

# United States: A Record Surge Follows a Record Drop!

### HIGHLIGHTS

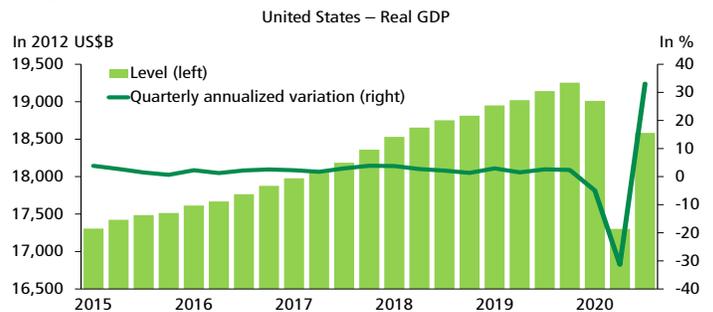
- ▶ According to the advance estimate of national accounts, U.S. real GDP jumped 33.1% (annualized) between the second and third quarters of 2020 (non-annualized quarterly variation of +7.4%). This is the highest increase since the national accounts were first published and follows on the heels of annualized drops of 5.0% in the first quarter and 31.4% in the second quarter.
- ▶ Real consumption grew 40.7% (quarterly annualized variation) after falling 33.2% in the spring. Durable goods surged 82.2%, while non-durable goods saw a gain of 28.8%. Real consumption of services climbed 38.4% after plunging 41.8% in the second quarter.
- ▶ Non-residential fixed investment by businesses rose 20.3% (annualized). Non-residential construction contracted a further 14.6%. Investment in equipment shot up 70.1% (annualized), the first increase since early 2019. The variation in business inventories was -US\$1.0B versus -US\$287.0B in the spring, leading to a strong positive contribution of 6.6% to the variation in real GDP. Residential investment grew 59.3%.
- ▶ However, despite the rebound in activity, international trade made a negative contribution of 3.09 percentage points. Real imports rose 91.1%, while exports gained 59.7%.
- ▶ Government expenditures dropped by 4.5%.

### COMMENTS

It was clear that real GDP would see a major rebound in the third quarter. The implementation of public health measures and the lockdown beginning in mid-March took a heavy toll on real GDP in the second quarter. It was only logical that the gradual lifting of those measures in the spring would boost third quarter figures. That said, the U.S. economy is still a far cry from where it was before COVID-19. Real GDP for the third quarter of 2020 is at 96.5% of its peak in late 2019. This comparison is slightly better for consumption (96.7%) than for business investment

### GRAPH

**Despite the third quarter's rebound, the U.S. economy is still a long way off from its pre-pandemic level**



Sources: Bureau of Economic Analysis and Desjardins, Economic Studies

(95.1%). Exports are at 84.7% of their level in the fourth quarter of 2019. Consumption of durable goods and residential investment exceeded their previous highs by greater margins than the other components.

### IMPLICATIONS

Unsurprisingly, the U.S. economy rebounded in the third quarter. After this strong performance, we expect upcoming variations in real GDP to be more subdued, even if the United States hasn't announced new public health measures to combat the most recent wave of COVID-19 cases. We will need to wait several more quarters before real GDP achieves pre-pandemic levels. That said, it's unclear whether the growth observed so far is sufficient for this atypical recession to be declared officially over.

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