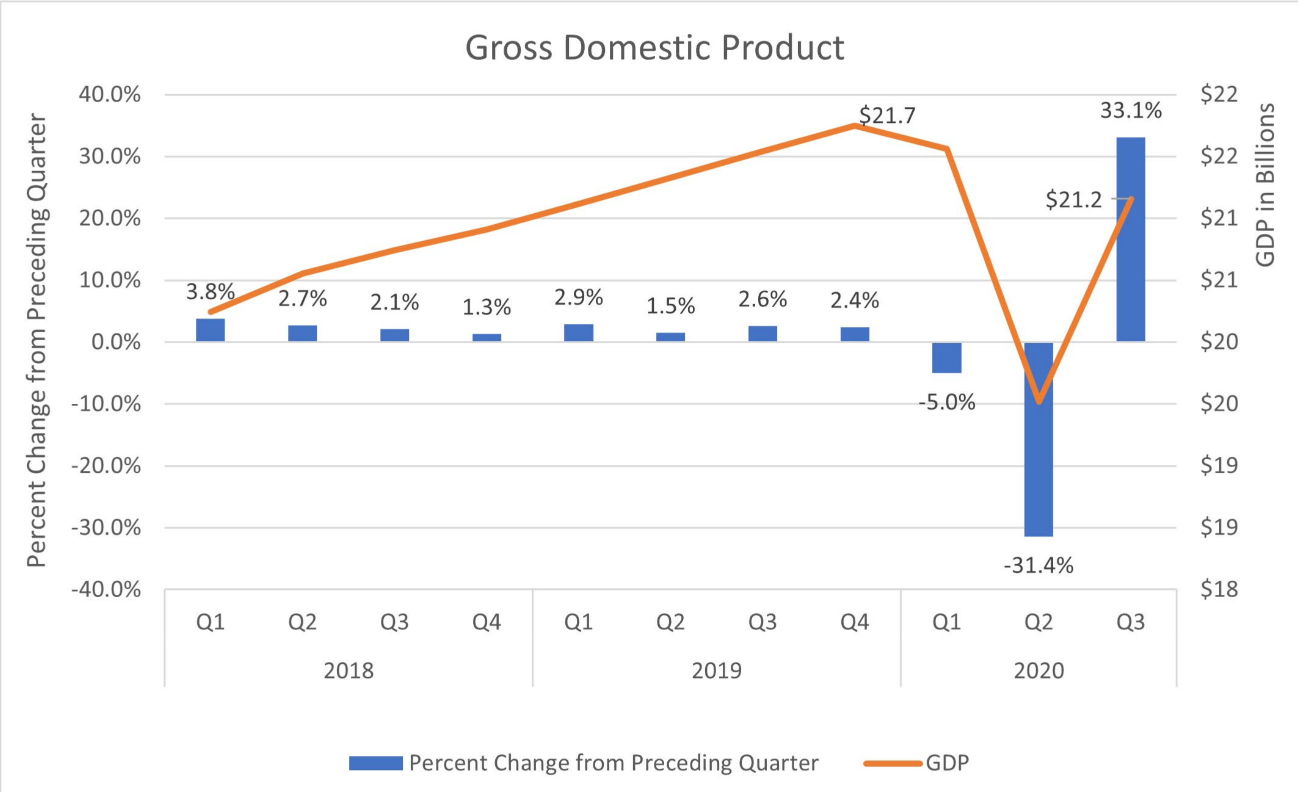
GDP Rebounds in Third Quarter

By Patti F. Herrera, Edd and **Dave Heckler**

posted October 30, 2020

The national Bureau of Economic Analysis (BEA) released its preliminary or "advance" estimate of the nation's rate of production during the third quarter of this year. According to the BEA, third-quarter gross domestic product (GDP) jumped at an annual rate of 33.1% after falling by 31.4% in the second quarter. Despite this significant increase, the GDP still lags behind the nation's pre-COVID-19 GDP by about 2.7%.



////

Source: Bureau of Economic Analysis

This rebound is due largely to gains in personal consumption expenditures, inventory investments, and residential and nonresidential investments. The nation saw significant increases in personal consumption in the service industry (led by food services) and in goods (led by the auto and apparel industries). Aggregate gains in GDP were offset by lower government spending at the local, state, and federal levels.

The BEA also reported that disposable personal income decreased by $636.7 billion, or 13.2%, in the third quarter compared to a 44.3% (or $1.6 trillion) increase in the second quarter. The personal savings rate is also down to an annualized rate of 15.8% compared to 25.7% in the second quarter. This data seems to suggest that the expiration of federal pandemic assistance is reducing household discretionary income. At the same time, the savings rate may be suggesting one of two things, or a combination of them. First, that Americans may be feeling more confident about their security and the economy overall and/or that they are unable to stash away as much money as they did when they were receiving federal assistance.

Meanwhile, Wall Street continues to signal confidence with the major indexes continuing their gains after a steep drop earlier this year.

The BEA will revise its third-quarter GDP estimate on November 25.