



## Q2 GDP Shows a Sharp 32.9% Contraction

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Second quarter GDP displayed a 32.9% annualized quarterly decline based on advanced estimates (DE -29.9%; Consensus -34.5%) after the 5% fall in the first quarter. The main economic shock from the Pandemic came in April and was reflected into the current release, thus leading to the drastic fall.

### Data Details – Hefty Declines

- **Personal Consumption Expenditure fell a substantial 34.6%** after shrinking 6.9% in the first quarter.
- **Gross Private Domestic Investment tumbled 49%** following the 9% earlier contraction. Meanwhile, Residential Investment fell 38.7% after growing 19% in the first quarter.
- Government Expenditure and Gross Investment grew 2.7% compared with the 1.3% prior rise. The Federal level saw 17.4% growth while State and Local Expenditure experienced a 5.6% contraction.
- Exports contracted 64.1% while Imports fell 53.4%.
- Disposable Personal Income grew 42.1%, much due to government recovery programs.
- Personal Savings grew 1.9% compared with the prior quarter. The related savings rate grew from 9.5% to 25.7%, as economic uncertainty spurred more savings.
- The GDP Price Index fell 1.5% (DE -0.6%; Consensus -0.1%) following the 1.4% rise in the prior quarter. The PCE Price Index contracted 1.9%, after the prior 1.3% rise, and fell 1.1% excluding food and energy.

### Perspectives – The Same Narrative

Second quarter GDP was expected to take a massive hit and it did. That should come as no surprise, given the degree to which overall business activity was scaled back in April due to lockdowns and business restrictions.

While Consumption and Business Investment figures paint a gloomy picture, the results don't change the Recovery story. The second quarter was turbulent, but spending started to regain strength in June.

There's no doubt that GDP will rise for the third quarter. The extent of gains, though, will depend on Pandemic management, as outbreaks make Reopening quite challenging.