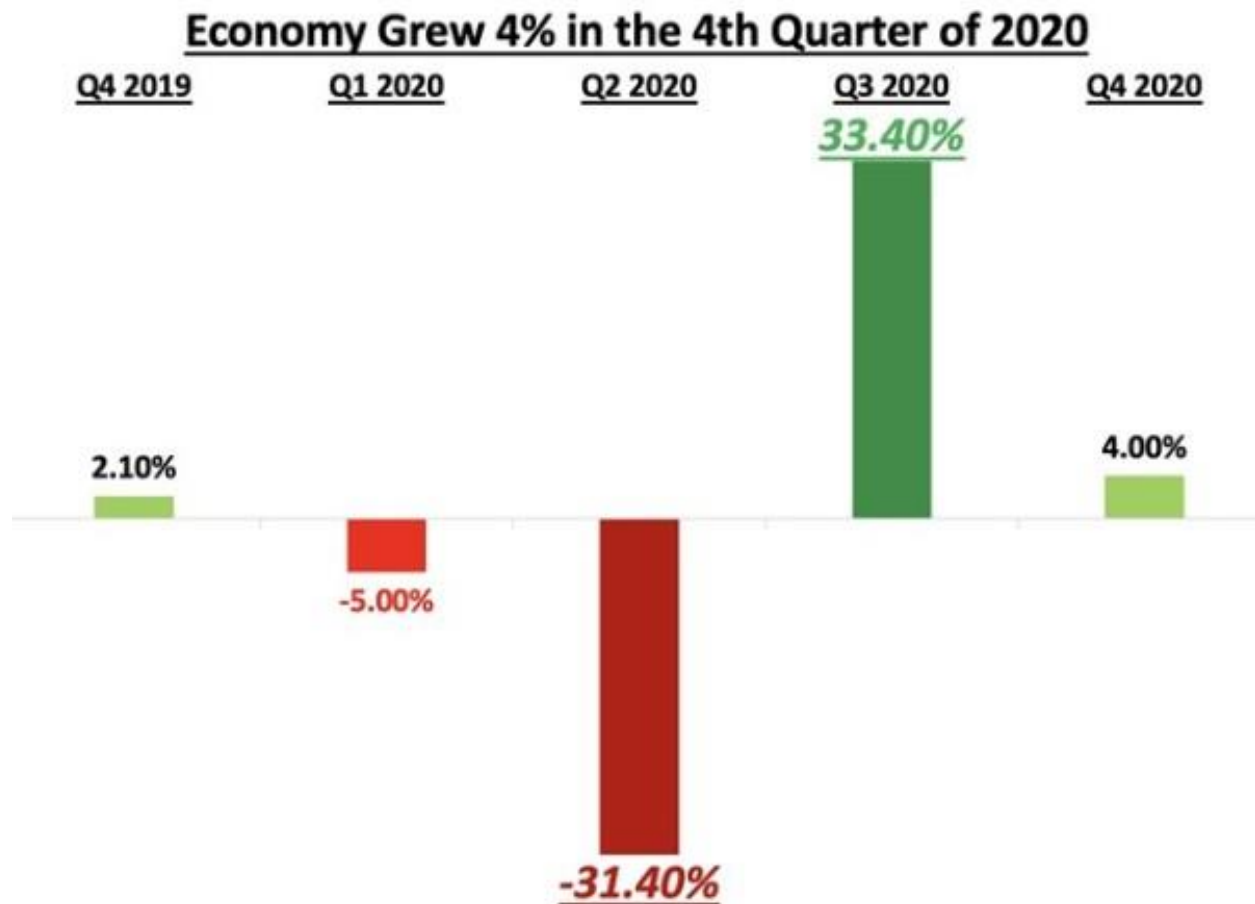


The Economy Grew 4% in Q4 2020

The Bureau of Economic Analysis reported its [initial estimate](#) for GDP growth in the fourth quarter of 2020 today. It showed the economy grew 4% to close a [tumultuous year](#).

Details: The economy contracted 5% in the first quarter of 2020 as the COVID-19 crisis began to unfold. Then it plummeted more than 31% in the second quarter before rebounding more than 33% in the third quarter – both records that will likely never be beaten.

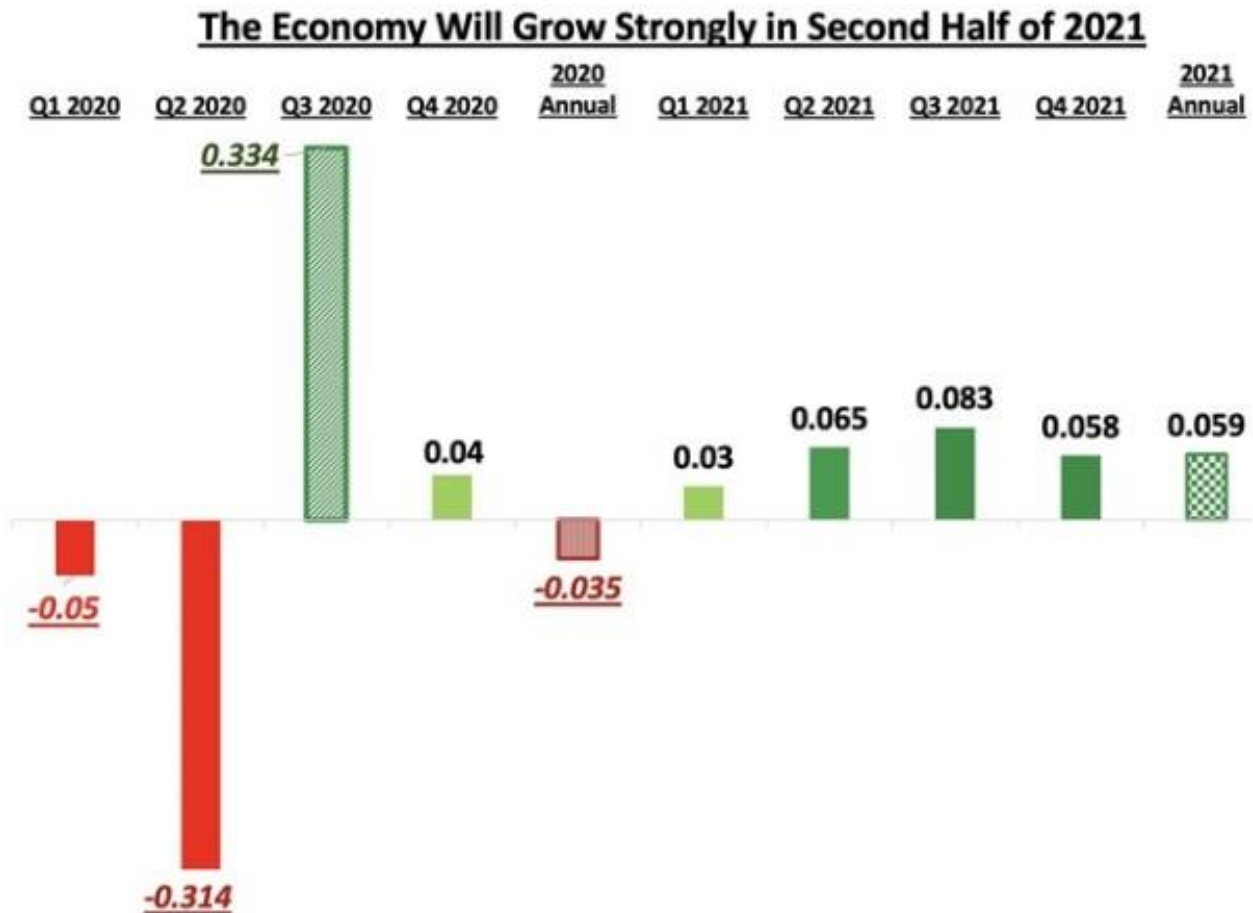


Why it matters: The 4% growth in the fourth quarter is about what forecasters anticipated. The resurgence of the virus in November and December certainly slowed growth. December saw the first monthly job loss since the height of the pandemic in April. Without the surge, the economy would have grown stronger.

Annually, the economy contracted 3.5% compared to 2019 (-2.5% on quarter-over-quarter basis). This is the first annual decline in GDP since 2009 and the Great Recession. The economy contracted 2.5% that year. 2020's contraction is the largest annual decline since 1946 when the economy contracted because of the end of World War II.

Looking ahead: At its current pace, the economy will return to the size it was in December 2019, before the COVID-19 contraction began, sometime in the second quarter of 2021. That is a sharp bounce back considering how far the economy had fallen just a few months ago.

It will take the economy longer to get back to the size it would have been had the recession never occurred. The timing of hitting that mark will be determined by the rate of growth this year. Right now, the economy is tracking to grow strongly once we fully get over the virus. The services sector is eager to get back to work and consumers are equally eager to spend on services they have not been able to enjoy in almost a year now. With government support, a recovering labor market, and built-up savings, consumers should have the money to spend. We could see growth of 5% or more this year.



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