
Finance & economics

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The notorious GDP

What GDP can and cannot tell you about the post-pandemic economy

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Simple mathematics adds to confusion. On October 29th the Bureau of Economic Analysis reported that American GDP rose at an annual pace of 33% in the third quarter, compared with the second. The rate in this case is doubly misleading. Output rose by just 7.4% from the second quarter to the third. Though the third-quarter rise is larger, in absolute terms, than the second-quarter fall, the fact that the third-quarter growth rate took place from a pandemic-diminished base of output means that American GDP will still be nearly 3% lower than it was a year ago.