

The Conference Board Economic Forecast for the U.S. Economy April 9, 2020

The US economy will contract between 3.6 and 7.4 percent in 2020

Given the highly volatile nature of the ongoing COVID-19 pandemic, The Conference Board continues to rely upon a scenario based approach to its US economic forecasting. To help businesses navigate and consider how to respond to a variety of environments that may emerge over the coming months, The Conference Board has developed four scenarios for the course of the US economy for the remainder of 2020:

May Reboot (quick recovery): Assumes a peak in new COVID-19 cases for the US as a whole by mid-April. Economic activity may gradually resume in May beginning with the most impacted sectors, such as restaurants, travel, etc. Even in this optimistic scenario, annual GDP growth contracts by 3.6 percent.

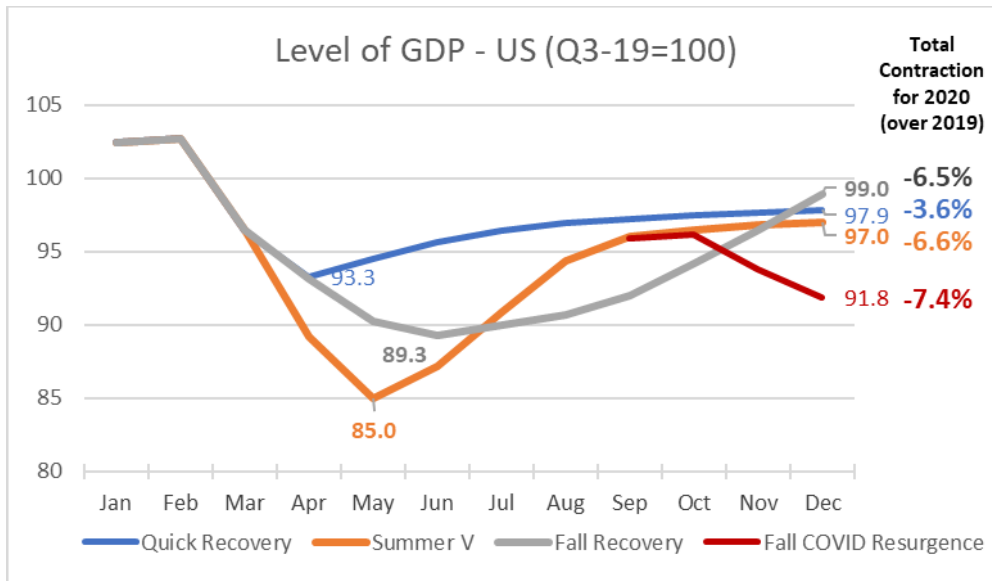
Summertime V-Shape (deep contraction, V-shaped recovery): Assumes that the peak in new COVID-19 cases will take place in early May, creating a deep economic contraction in Q2, especially for consumption. While we may see a strong recovery in Q3, annual GDP growth will still contract by as much as 6.6 percent.

Fall COVID-19 Resurgence (2nd contraction in Q4, W-shaped recovery): Attempts to keep new COVID-19 cases under control in the Fall fail, requiring the implementation of stringent measures starting in October. The economy would begin to contract again in Q4, following a recovery in Q3. Annual GDP growth contracts to 7.4 percent – substantially more than under the previous scenarios.

Fall Recovery (extended contraction, U-shape recovery): Government policies such as social distancing help to ‘flatten the curve’ but extend economic weakness to Q3. The recovery will be slower but more controlled than in the V- and W-shaped scenarios, giving businesses more time to prepare for the recovery.

While we refrain from attaching probabilities to the scenarios, creating any false sense of certainty, at present we treat the Fall Recovery scenarios as our base case. Under this scenario, we assume that social distancing measures are executed in a balanced fashion that prioritize protecting people’s health and wellbeing while simultaneously gradually rebooting the economy. On the basis of this scenario we forecast a 33 percent contraction in GDP in Q2 (on an annualized basis) and no growth in Q3. While Q4 will see a sizable rebound, the economy will contract by 6.5 percent for the entire year (compared to 2019). A significant reduction in consumer spending is the primary driver of this weakness, but weak residential and non-residential investment, exports, and a reduction in inventories exacerbate the pain. Unemployment would rise to 15 percent by May, and average 12% in both Q2 and Q3, and then gradually drop off to 8 percent by Q4. Fiscal stimulus from the government would be insufficient to offset weakness in the private sector of the economy.

The U.S. Economic Forecast



Source: The Conference Board, April 2020

THE CONFERENCE BOARD ECONOMIC OUTLOOK, 2018-2019-2020

Percentage Change, Seasonally Adjusted Annual Rates

	2019		2020				2018	2019	2020
	first half	second half	I Q	II Q	III Q	IV Q	ANNUAL	ANNUAL	ANNUAL
Real GDP	2.6	2.1	-5.8	-33.3	0.1	27.4	2.9	2.3	-6.5
Real Consumer Spending	2.8	2.5	-6.5	-40.0	-1.4	28.4	3.0	2.6	-8.3
Residential Investment	-2.0	5.6	0.0	-20.0	-7.0	10.0	-1.5	-1.5	-2.9
Real Capital Spending	1.7	-2.4	-2.4	-26.5	-3.2	8.6	6.4	2.1	-6.8
Exports	-0.7	1.5	1.0	-8.0	-3.0	9.0	3.0	0.0	-1.0