COVID-19 Drags U.S. Economy into Recession; NABE Panel Expects GDP Declines in Q1 and Q2 2020, but Upticks in Q3 and Q4

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The April 2020 NABE Flash Outlook presents the consensus macroeconomic forecast of a panel of 45 professional forecasters (see last page for listing). To capture rapidly changing economic conditions, this flash version of the NABE Outlook Survey, covering the quarterly outlook for 2020 and 2021, was conducted April 3-April 7, 2020. The NABE Outlook Survey originated in 1965 and is one of three surveys conducted by the National Association for Business Economics (NABE); the others are the NABE Business Conditions Survey and the NABE Economic Policy Survey. Founded in 1959, the National Association for Business Economics is the professional association for those who use economics in their work. NABE has 2,900 members and 44 chapters nationwide. **Eugenio Aleman** *(lead), Wells Fargo;* **Jan Hogrefe,** *Boeing;* **Jack Kleinhenz, CBE,** *National Retail Federation;* **Sara Rutledge,** *StratoDem Analytics;* **Yelena Shulyateva,** *Bloomberg LP; and* **Ryan Sweet,** *Moody's Analytics, conducted the analysis of survey responses for this report. The views expressed in this report are those of the panelists, and do not necessarily represent the views of their affiliated companies or institutions. This report may be reproduced in whole or in part with appropriate citation to NABE.*

SUMMARY: "NABE Outlook Survey panelists believe that the U.S. economy is already in recession and will remain in a contractionary state for the first half of 2020, as the COVID-19 pandemic severely restricts economic activity," said NABE President **Constance Hunter, CBE,** chief economist, KPMG. "The consensus is real GDP declined at an annualized rate of 2.4% in the first quarter of 2020, and will shrink at an annualized rate of 26.5% in the second quarter.

"The panel is optimistic about a return to economic growth in the latter half of 2020, anticipating an annualized real GDP growth rate of 2.0% in the third quarter," she added. "Despite a sharp deterioration in labor market conditions, the median forecast suggests conditions will improve by the end of the year with support from aggressive fiscal and monetary stimulus, as panelists expect the Federal Reserve to hold steady on near-zero interest rates through 2021."

Highlights:

- **Panelists expect a short, sharp recession, as measured by inflation-adjusted gross domestic product (real GDP) in the first half of 2020, followed by a recovery in late 2020 into 2021.** The median forecast calls for annualized real GDP growth of -2.4% in Q1 2020 and -26.5% in Q2 2020. After modest growth of 2.0% in Q3 2020, the median forecast calls for growth to strengthen to 5.8% in Q4 2020 and 6.0% in Q1 2021, although the range between high and low forecasts is quite large, indicating a lack of consensus about the shape of the recovery.

- **The panel anticipates the midpoint of the federal funds rate will remain at its current 0.125% level and that yields on the 10-year Treasury note will remain low.** The median panel forecast calls for the 10-year Treasury yield to hold at 0.7% in Q2 2020, with little change in Q3 2020. Panelists expect the yield to end 2020 at 0.9%, drifting up to 1.5% by year-end 2021.

- **The unemployment rate is expected to spike, and payroll employment is forecast to shrink significantly.** The Q2 2020 median projection for monthly nonfarm payroll employment is a loss of 4.58 million jobs. After averaging 3.8% in Q1 2020, the median unemployment rate projection for Q2 2020 is 12.0%. The unemployment rate is expected to fall back to 9.5% at the end of 2020, and to 6.0% at year-end 2021.

- **The drop in economic activity is expected to push down inflation over the next year, as measured by the "core" personal consumption expenditures (PCE) price index.** The median forecast for the PCE price index less food and energy calls for a slowdown in the annual rate of change from 1.7% in Q1 to 0.8% in Q2 2020, before returning gradually to 1.7% in the last half of 2021.

Quarterly Forecasts and Range of Estimates

Medians of Quarterly Forecasts

	Real Gross Domestic Product	Personal Consumption Expenditures Price Index (PCE)	Civilian Unemployment Rate	Nonfarm Employment (in thousands)	Federal Funds Target	10-Year Treasury Note Yield
	% change, annual rate		% quarterly average	average monthly change	% quarter-end	
Q1-20	-2.4	1.7	3.8a	-71a	0.125a	0.70a
Q2-20	-26.5	0.8	12.0	-4,583	0.125	0.70
Q3-20	2.0	1.0	10.5	140	0.125	0.75
Q4-20	5.8	1.2	9.5	375	0.125	0.90
Q1-21	6.0	1.4	8.0	422	0.125	1.08
Q2-21	4.5	1.5	7.4	339	0.125	1.15
Q3-21	3.8	1.7	6.6	334	0.125	1.35
Q4-21	2.9	1.7	6.0	310	0.125	1.50

a = actual

	Real Gross Domestic Product % change, annual rate			Civilian Unemployment Rate %, quarterly average			Nonfarm Employment average monthly change, thousands		
	Full Sample Median	Five Lowest	Five Highest	Full Sample Median	Five Lowest	Five Highest	Full Sample Median	Five Lowest	Five Highest
Q1-20	-2.4	-7.7	1.0	3.8a	—	—	-71a	—	—
Q2-20	-26.5	-50.0	-1.0	12.0	6.4	20.0	-4,583	-10,413	-1,067
Q3-20	2.0	-12.6	20.7	10.5	5.9	17.3	140	-3,000	4,547
Q4-20	5.8	0.0	23.6	9.5	4.5	18.0	375	-2,000	3,000
Q1-21	6.0	2.1	15.7	8.0	4.1	15.0	422	-400	1,855
Q2-21	4.5	2.1	13.1	7.4	4.0	13.4	339	100	1,608
Q3-21	3.8	2.0	8.0	6.6	3.9	12.0	334	142	1,333
Q4-21	2.9	1.1	6.3	6.0	3.7	10.4	310	125	1,052

a = actual

	Personal Consumption Expenditures Price Index (PCE) less food & energy % change, annual rate			Federal Funds Target % quarter-end			10-Year Treasury-Note Yield % quarter-end		
	Full Sample Median	Five Lowest	Five Highest	Full Sample Median	Five Lowest	Five Highest	Full Sample Median	Five Lowest	Five Highest
Q1-20	1.7	-1.2	2.0	0.125a	—	—	0.70a	—	—
Q2-20	0.8	-3.4	1.9	0.125	0.125	0.125	0.70	0.42	1.00
Q3-20	1.0	-0.8	1.9	0.125	0.061	0.125	0.75	0.55	1.20
Q4-20	1.2	0.0	3.0	0.125	0.076	0.125	0.90	0.56	1.30
Q1-21	1.4	0.5	3.0	0.125	0.125	0.500	1.08	0.64	1.50
Q2-21	1.5	0.8	3.4	0.125	0.125	0.750	1.15	0.63	1.80
Q3-21	1.7	1.0	2.3	0.125	0.125	1.000	1.35	0.80	2.10
Q4-21	1.7	1.1	2.4	0.125	0.125	1.125	1.50	0.84	3.00

a = actual

Five highest and five lowest are the response medians
Historical data from Haver Analytics, April 3, 2020

With their permission, NABE panelists who responded to the April 2020 NABE Outlook Flash Survey are:

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