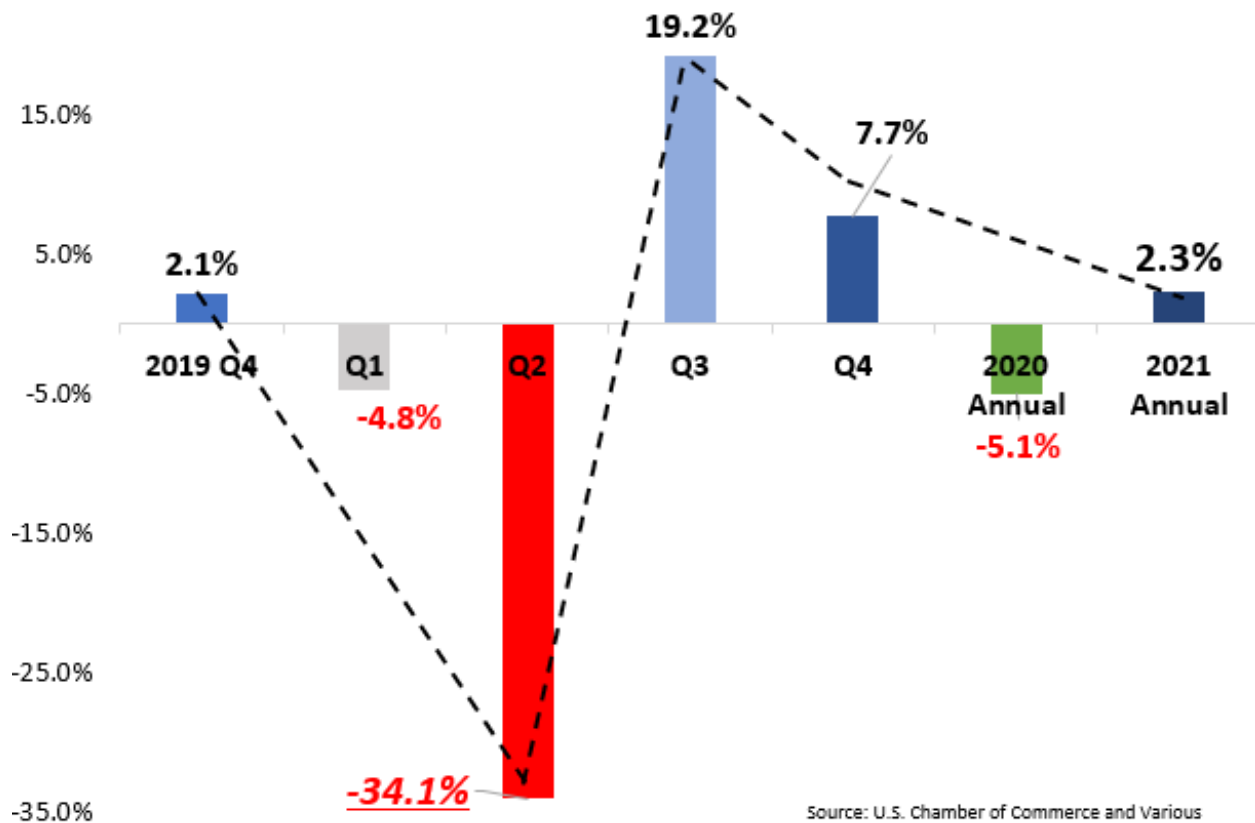


# How Much Growth is Needed to Return to Pre-Crisis Levels?

We are in the middle of an economic freefall caused by the COVID-19 epidemic. The economy will likely contract by more than 30% (annualized) in the second quarter. The economy contracted close to 5% in the first quarter already.

The economy should rebound sharply once states and localities ease stay-at-home orders and we return to something closer to normal.

## U.S. Economic Growth will Contract Sharply in First Half of 2020



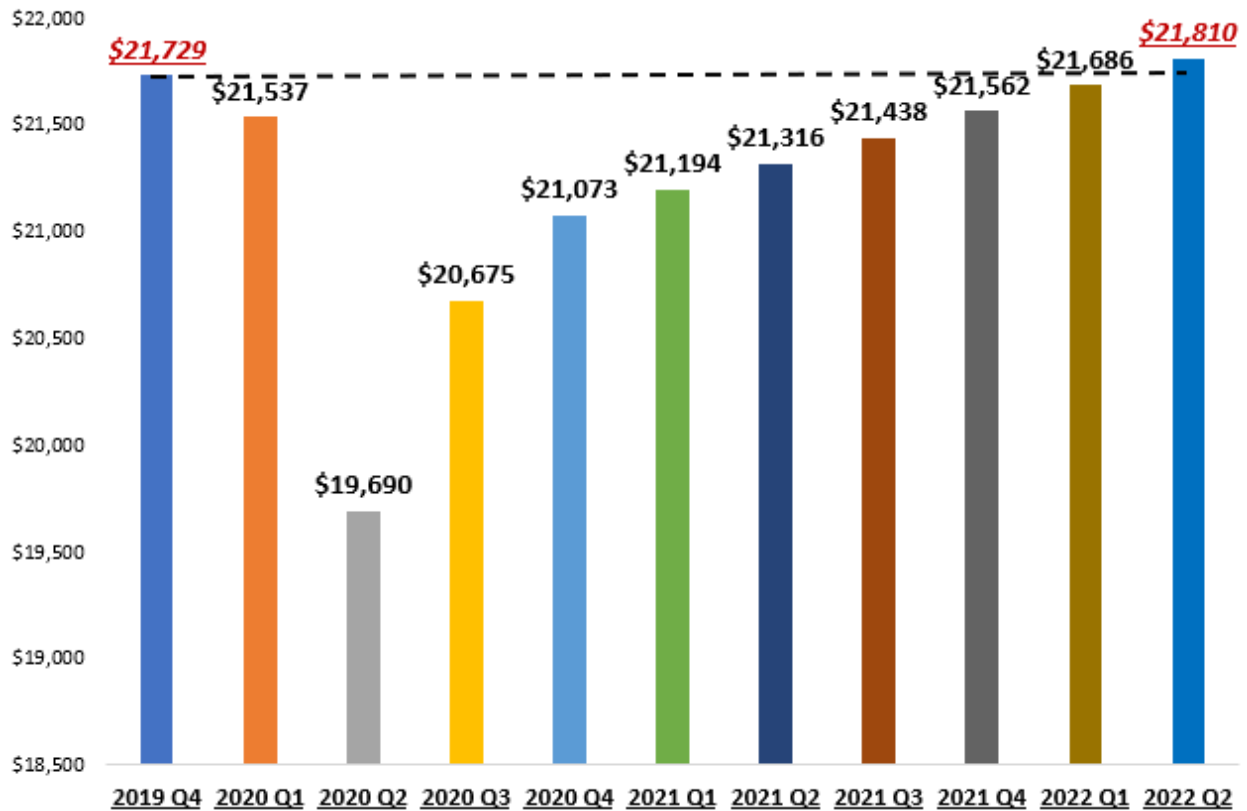
How steep the second quarter decline ends up being and the strength of the resulting recovery will dictate how fast the economy will return to its level of output before the crisis struck.

Discussions about how that return would work can be confusing. You may hear commentators talking about rates versus levels. Rates of growth will likely be high, historically speaking, because of the size of the contraction, but those rates will still take a while to get us back to the levels we were at before.

For instance, even strong growth, almost 20% in the third quarter of this year, and continued strong growth in the fourth quarter, would not be enough to get GDP back to where it was before the recession.

Assuming the economy grows almost 20% next quarter, and then a still robust 7.7% in the fourth quarter, GDP would still decline substantially in 2020. If the economy then grows 2.3% in 2021 and into 2022, it would take until the middle of 2022 for GDP to return to where it was at the end of 2019.

## GDP Returns to Pre-Shock Level in 2022 Q2



Two full years for recovery is a conservative estimate. The economy should grow faster than 2.3% next year. If growth accelerates to 3.3%, for example, GDP would return to its pre-recession level in the fourth quarter of 2021. That would be a year-and-a-half recovery – better but still a long way off.

Hopefully the economy surprises us and grows much faster in the aftermath of COVID-19. That would get us back to where we were faster than the end of next year, but there is no doubt we are in for a prolonged period of recovery. That is the result of a record-setting drop in the economy. There is no way around it.

Economic policy will be vitally important in the coming months and years. Sound fiscal and monetary policy will help us grow stronger and return to where we were faster.

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