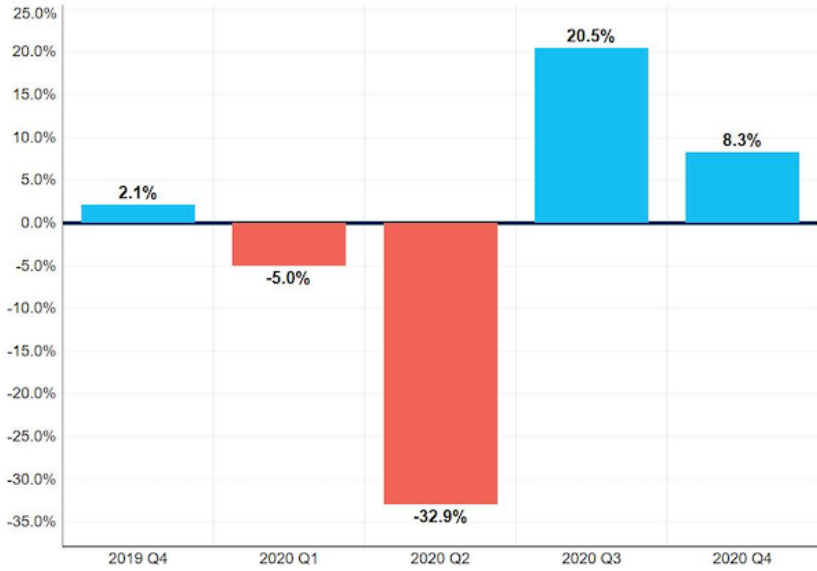


# Pandemic Causes Historic Economic Contraction

**U.S. Economic Growth Contracted Sharply in First Half of 2020**



It was expected, but still it is shocking to see. According to the [Bureau of Economic Analysis](#), the economy contracted by 33% in the second quarter. That is the largest quarterly contraction on record. The previous quarterly record decline was -10% in the first quarter of 1958. The record-setting drop was caused by the Great Pause of the economy due to COVID-19.

The 33% contraction in the second quarter is an “annualized” number. That means the economy would have to contract at that same rate for four consecutive

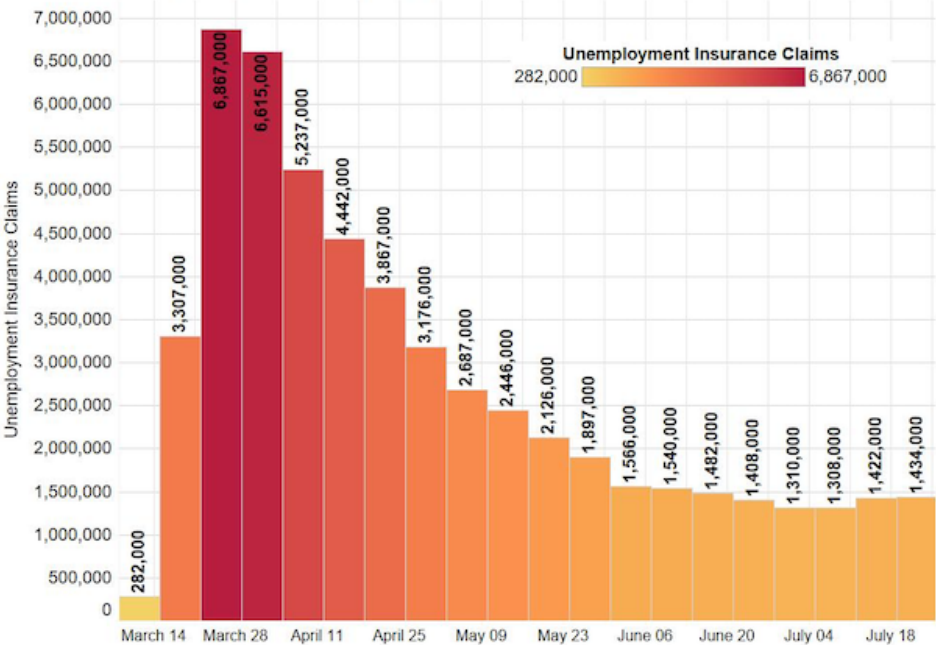
quarters for the economy to drop that much for the year. The contraction from the previous quarter is roughly a quarter of that number, so around 9% compared to the first quarter of 2020.

A key difference, and a silver lining, is the current recession will be much shorter than previous large contractions. The Great Depression lasted four years. The Great Recession (2007-2009) went on for two. This contraction is probably over already, after only a few months.

The growth rates for the rest of 2020 will likely be robust, perhaps exceeding 20% in the third quarter. That would be the fastest quarterly growth on record, smashing the previous record of 16.7% in 1950.

Further adding to the gloom today is an [increase in unemployment claims](#). Initial claims were 1.4 million last week, which was an increase of 12,000 from the previous week. Continuing claims (initial claims minus those that are no longer claiming benefits) increased by almost 900,000 to 17 million. However, the four-week average fell by 435,000 to slightly over 17 million. That may turn around if initial claims continue to rise though.

### Historically High Unemployment Insurance Claims Continue



The recovery will have ups and downs. Today is a down day. There will be better days to come.

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