

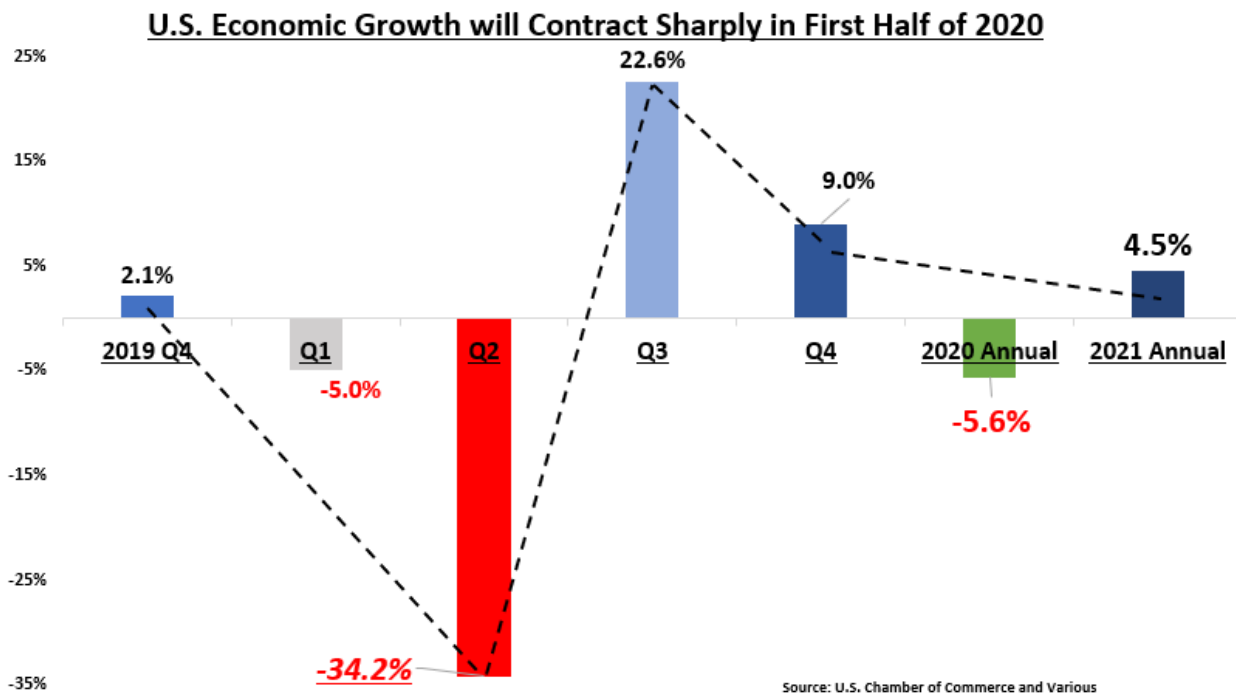
## Looking for Growth in the Third Quarter as the Economy Reopens

Now that the second quarter is over, it is a good time to take stock of where the economy and recovery stand. The data over the last few weeks shows an economy that bottomed out in May, halfway through the second quarter, and rebounded in June.

That rebound will not be enough to prevent a recession of historical depth though. The textbook definition of a recession is two consecutive quarters of negative growth. We already know that first quarter growth was -5 percent. The second quarter drop will be substantially deeper.

Estimates vary from approximately -30 percent to -40 percent, all of which would be record-setting. On average, forecasters see the economy contracting over 34 percent on an annualized basis.

These estimates are not as dire as they were just a few weeks ago, however. Stronger than expected consumer activity caused many forecasters to improve their outlooks for the second quarter.

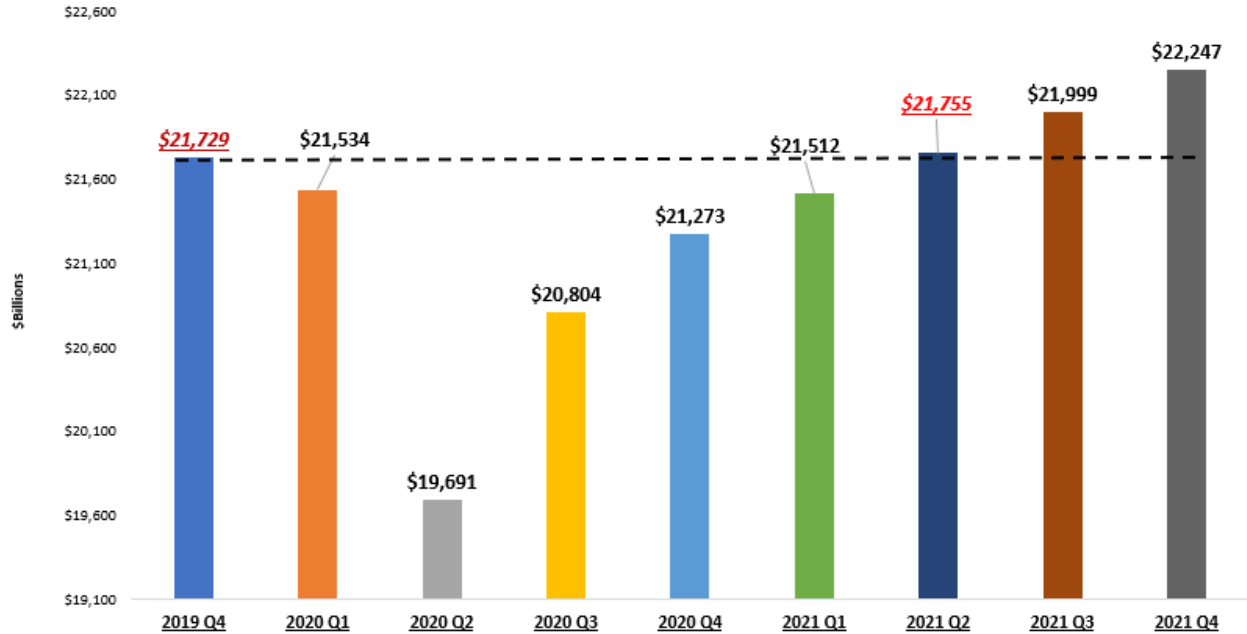


The severity of this recession will be compared, rightfully, to the Great Depression and the 2007-2009 Great Recession. It will differ in its length since it should be just the first two quarters of 2020.

The recession should end in the third quarter as the economy continues to reopen and growth resumes. Forecasters see the economy growing close to 23 percent this quarter, which would be a record. Growth then tapers down to 9 percent in the fourth quarter of this year and 4.5 percent in 2021. The strong growth in the third and fourth quarters will not be enough to prevent the economy from contracting for 2020.

In fact, the hole dug by the severe contraction in the second quarter means it will still take until mid-2021 to return to its size at the end of 2019, before COVID-19 caused the Great Pause in the economy. And that is an optimistic scenario.

### GDP Returns to Pre-Shock Level in Mid-2021



That is the state of the recovery now, but unknown events are likely to alter these forecasts. For instance, all the estimates above came before the recent surge in COVID-19 cases. That spike could slow growth as states and cities delay reopening. To the upside, developments like an effective therapeutic or vaccine would accelerate recovery.

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