



# ECONOMIC UPDATE

## March 20, 2020

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### Quote of the week

“The sky is falling...But cowering in the dark places of our minds doesn’t help. Rather than private panic, we need public-spirited action.”

—[Dr. Cornelia Griggs](#), Pediatric Surgery Fellow, New York

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### What you need to know

- Goldman Sachs is now forecasting that [U.S. gross domestic product will contract at a 24 percent annual rate in the second quarter](#), a steeper drop than during any quarter of the Great Recession. JPMorgan, Goldman Sachs and S&P Global say we’re already in a recession.
- [U.S. retail sales fell 0.5% in February](#), showing that consumers were spending less even before the spread of coronavirus had escalated dramatically in the United States. Now, major retailers are temporarily closing their doors, and as more states impose restrictions on retail stores, bars and restaurants, sales are likely to fall even more sharply.
- [Unemployment insurance claims rose by 70,000 to 281,000](#). Next week’s release is expected to show much more dramatic job loss, and could surpass the worst week during the Great Recession, when the most initial claims in a single week was 665,000 in late March 2009.
- The Dow Jones Industrial Average has dropped more than 32 percent from its peak – which likely will strike another major blow to consumer spending.
- After dropping interest rates to zero last week, the Federal Reserve announced it will begin making short-term loans to corporations by buying commercial paper (short-term corporate IOUs used to fund operations) in order to keep credit flowing to businesses. The Fed [will offer emergency loans to financial institutions](#) that buy ‘prime’ money market (low risk, low volatility) mutual funds, hoping to prevent a 2008-style credit crunch.

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### Happening the week of March 23, 2020

- *Tuesday*: The Philadelphia Fed releases its [Non-Manufacturing Business Outlook Survey](#) for March and the Richmond Fed releases its [Survey of Manufacturing Activity](#) for March. IHS Markit releases its [flash manufacturing and nonmanufacturing PMI surveys](#).
- *Thursday*: The Department of Labor releases [weekly jobless claims](#), BEA releases its [3rd estimate of fourth quarter GDP](#).
- *Friday*: The University of Michigan updates its [Consumer Sentiment](#) survey for March.

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## Good reads

- [“The Covid-19 Questions: Can Social Solidarity Replicate Faster than the Virus?”](#) *Vox*, 3/17/2020
- [“We Need a Massive Economic Response to Counter the Threat of the Coronavirus,”](#) *The Hill*, 3/18/2020
- [“How to Practice Social Distancing While Helping the Economy,”](#) *The Washington Post*, 3/16/2020

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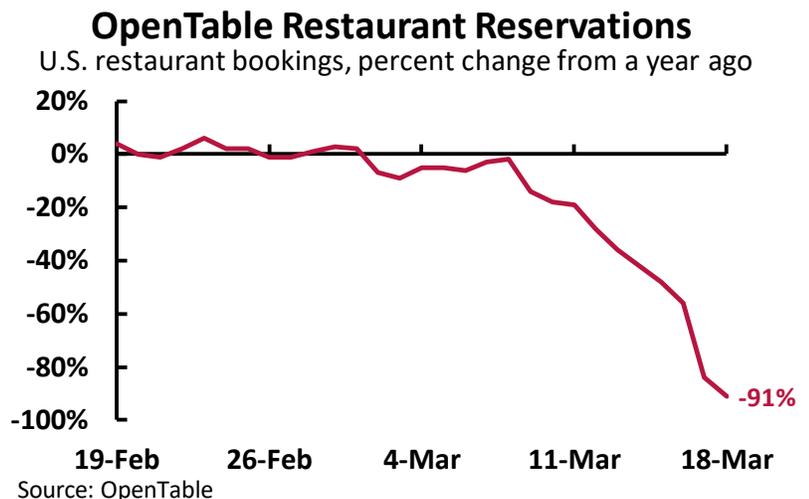
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## Chart of the week

The economy is falling faster than most market indicators reveal. Daily and weekly indicators are giving us a first glimpse at how the economy is reacting to COVID-19.

One example: restaurant reservations. OpenTable has released daily data showing that restaurant reservations in the United States have fallen 91% over this day a year ago as consumers (rightly) stay home.

Another example: jobless claims. 70,000 more people filed initial claims for unemployment insurance this week. This is a 33% increase over last week—*faster* than the worst week of the Great Recession when claims rose 14%.



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## New research and reports

- Leading economists from around the world are calling for policymakers to “[Act Fast and Do Whatever it Takes](#)” to mitigate the COVID Economic Crisis.
- The Congressional Research Service has launched a [Coronavirus Disease \(COVID-19\) resource page](#) that includes dozens of reports on the disease, including its economic impact.
- University of Chicago economists estimate that [the March 16<sup>th</sup> drop in the stock market \(11%\) reflects a 1.5% decrease in expected annual U.S. GDP growth](#).

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## Selected JEC resources

- [Cutting Payroll Taxes is an Ineffective Way to Counter the Economic Damage of the Coronavirus](#)
- [March Macroeconomic Dashboard](#)
- [Key Points About the Economy](#)

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