

# Monthly Forecast Report

## Real Gross Domestic Product



PAPAYACAST

February 2020

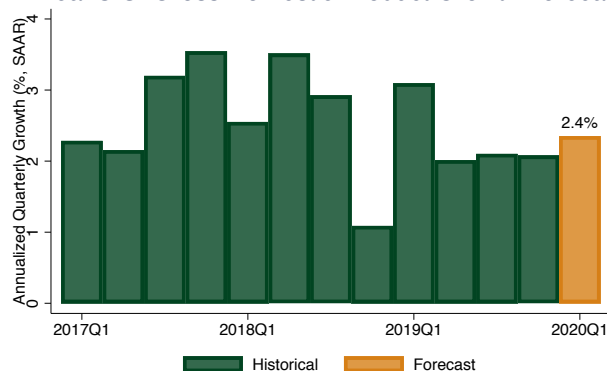
Just as the uncertainty surrounding the U.S. China trade war begins to fade, global growth concerns are back at the forefront as the world grapples with the COVID-19 coronavirus that is threatening to become a global pandemic. For the time being, the U.S. economy is largely insulated from the impact being felt in the rest of the world, but the situation is dynamic and could change unexpectedly. PapayaCast's current forecast for U.S. GDP growth is calling for a 2.4% annualized increase for the first quarter of 2020, which would be an improvement over the 2.1% growth seen in the fourth quarter of 2019.

Given the uncertainty surrounding the spread of the COVID-19 virus and its impact to economies around the world, our forecast represents an optimistic appraisal for the economy's prospects in the first quarter. The preliminary economic data for January does not raise any red flags, but last month was just the beginning stages of the COVID-19 spread throughout China, with few cases noted in other countries. Due to the lag in release of government data we will not see the virus' current effect on the U.S. economy until next month.

One of the biggest risks to the national economy is disruptions to supply chains throughout the world, which could drive up prices as inputs to production processes and finished goods become scarcer. With millions of Chinese workers staying home it remains to be seen what the economic fallout will be. We will be closely watching U.S. data on trade and prices in the coming months to gauge the impact on the national economy.

One the brighter side, January data points to a strong U.S. economy with solid fundamentals. Employment growth came in at 225,000 new jobs for the month, a significant increase over the 147,000 new jobs in December. Retail sales further point to a strong consumer with a 0.26% increase from December to January, the best rate of growth since October 2019. With a resilient consumer and business investment slowly on the mend, the U.S. economy has the potential to weather the COVID-19 storm that is brewing.

Real U.S. Gross Domestic Product Growth Forecast



Source: PapayaCast, Bureau of Economic Analysis

Real U.S. Gross Domestic Product Forecast, Q4 2019

Component	Percent Change	Contribution to Change
Gross Domestic Product	2.4	
Personal Consumption Expenditures	2.1	1.5
Gross Private Domestic Investment	2.3	0.4
Net Exports	-	0.0
Exports	0.7	0.1
Imports	0.4	-0.1
Government Expenditures and Investment	2.7	0.5

Source: PapayaCast

## Forecast Accuracy

Here at PapayaCast we're proud of our forecasts, and we're not afraid to show you our track record. We invite other forecasters to do the same! After the government's release of their official fourth quarter GDP estimate, our average forecast error stands at +/- 0.2 percentage points. Each month we'll include our GDP forecast accuracy to let you know how we're doing over time.

Average Forecast Error  
**± 0.2 pp**