

Monthly Forecast Report

Real Gross Domestic Product



April 2020

The U.S. economy has taken a beating not seen in multiple generations, and as we move forward into uncharted waters it is critical to stay informed on current events and keep an eye on what is to come. For the first quarter of 2020, PapayaCast is forecasting a real GDP growth rate of -1.4% on an annualized basis. If realized, this would be the first quarter of negative growth since the first quarter of 2014, according to the most up-to-date data from the U.S. Bureau of Economic Analysis.

Recession is here. The longest economic expansion in our nation's history has ended. With projected negative growth for the first quarter of 2020 GDP, and all but certain negative growth for GDP in the second quarter, the technical definition of a recession will have been met: two consecutive quarters of negative GDP growth. While it is the duty of the National Bureau of Economic Research to officially declare when a recession has happened, and often long after the fact, there is little dispute from any sector that we face recession. And perhaps a recession greater than any we have seen in the past.

So how did we get here? For the first time in known history, human society intentionally shut down large portions of its own economy. The modern plague causing the COVID-19 disease posed such a danger to our species that we did the unthinkable. And while the gambit appears to have worked, with COVID-19 hospitalizations flat to declining in the worst hotspots of the world, we now have the next challenge to face: rebuilding an economy we tore down. Whether the cure was worse than the disease remains to be seen, as well as the depths of the recession we are in.

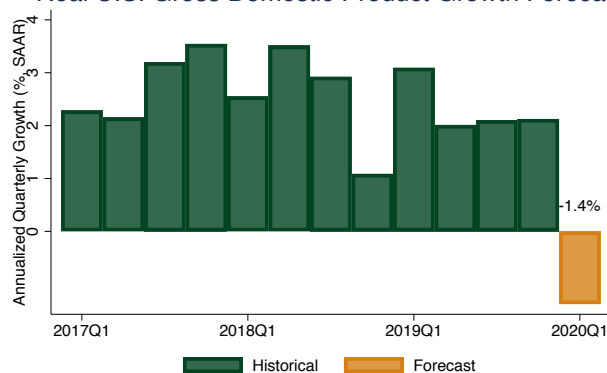
This subject is far too complex and important to give a proper treatment in just a few paragraphs. In the coming months PapayaCast will be releasing a special report on the COVID-19 impact on the U.S. economy, as well as what the ensuing recession and recovery could look like over the next business cycle. Our unemployment rate is going to reach levels not seen since the Great depression, and while we here at PapayaCast try to keep things at an analytical level in our reporting, there is no denying the real tragedy and suffering that people are, and will be going through in the months to come. As we deliver to you the most objective analysis possible on the future recession, we cannot help but hope that everyone is wrong and that this recession will not be as bad as most are projecting it to be.

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! Our current average forecast error stands at +/- 0.2 percentage points, and this week we will be updating our forecast performance as the government releases the official estimate of first quarter GDP growth. 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

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	-1.4	
Personal Consumption Expenditures	-0.7	-0.5
Gross Private Domestic Investment	-10.5	-1.9
Net Exports	-	0.4
Exports	-1.7	-0.2
Imports	-3.3	0.6
Government Expenditures and Investment	3.8	0.6

Source: PapayaCast