

Monthly Forecast Report

Real Gross Domestic Product



PAPAYACAST

September 30, 2020

Economic activity has shaped up to be robust in the third quarter, with a solid rebound in GDP growth from the dismal second quarter. PapayaCast's current forecast for third quarter GDP is calling for a 26.2% annualized rate of growth, up from our prior forecast of 22.9% in August. This would be a sharp turnaround from the Bureau of Economic Analysis' revised estimate of -31.4% for the second quarter and puts the nation well on the way to recovery.

Third quarter growth has been robust as we have learned to deal with the COVID-19 virus more effectively since the initial lockdowns. Concern in July over regional outbreaks in California, Texas, and Florida, among other states, led to rollbacks of some economic reopening. However, a return to large scale shelter at home orders was avoided along with a repeat of the dramatic plunge in economic activity. The spike in new daily cases surpassed previous peaks nationally, but the number of daily deaths did not, highlighting our increased effectiveness in protecting vulnerable populations and finding ways to resume economic activity while still struggling with the COVID-19 pandemic.

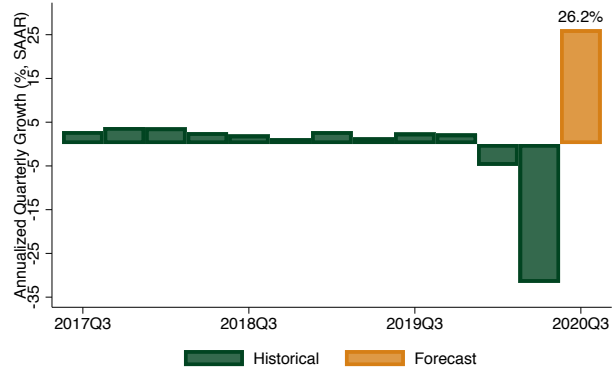
While the situation has improved greatly from several months ago we have not yet achieved a "V" shaped recovery. The labor market moves forward, with job gains of 1.73 million and 1.37 million in July and August respectively, but unemployment levels are concerning. Despite strong hiring, layoffs are still taking place at an alarming rate. Weekly new claims for unemployment insurance is still averaging over 800,000 for the first three weeks of September. While indicators like the stock market and national retail sales have seen "V" shaped recoveries, the overall economy has not yet experienced the same trend and recessionary pain is still being felt by Americans across the country.

Looking forward, additional fiscal stimulus from Congress and the White House is needed to sustain momentum in the current recovery. Negotiations appear to be getting new life towards the end of September, but given the lack of progress in previous rounds, we have not yet factored in additional stimulus into our outlook. With persistently high levels of new unemployment claims each week, and a slowing in the rate of monthly net job gains since June, the current economic recovery could last well through the end of next year, absent significant stimulus from Congress and the White House.

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 massive swing to the downside in second quarter GDP growth our current average forecast error stands at +/- 2.2 percentage points. Each month we'll include our GDP forecast accuracy to let you know how we're doing over time.

Real U.S. Gross Domestic Product Growth Forecast



Source: PapayaCast, Bureau of Economic Analysis

Real U.S. Gross Domestic Product Forecast, Q3 2020

Component	Percent Change	Contribution to Change
Gross Domestic Product	26.2	
Personal Consumption Expenditures	38.0	25.1
Gross Private Domestic Investment	59.0	8.9
Net Exports	-	-2.5
Exports	52.0	5.4
Imports	55.0	-7.9
Government Expenditures and Investment	-22.4	-5.2

Source: PapayaCast

Average Forecast Error
± 2.2 pp