Economic Update May 2020: What a Tiny Strand of RNA Can Do to Ruin a Forecast

Kenneth A. Kriz
University Distinguished Professor of Public Administration
Note to Self; Hubris in Forecasting is Fatal: My (and Many Others) Economic Outlook in December

- Slow economic growth, but still growing
  - CBO Estimate - January: Economic growth in 2020 of 2.2%, unemployment rate 3.5% average over the year

- Concerns over federal debt and trade wars
What a Difference 4 Months and a Tiny Strand of RNA Can Make! – GDP Forecasts as of May 15, 2020

<table>
<thead>
<tr>
<th>Forecast</th>
<th>2020 Q1</th>
<th>2020 Q2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Atlanta Fed (GDP Now)</td>
<td>-1.00%</td>
<td>-42.80%</td>
</tr>
<tr>
<td>NY Fed (GDP Nowcast)</td>
<td>-0.40%</td>
<td>-31.05%</td>
</tr>
<tr>
<td>NY Fed (Weekly Economic Index)</td>
<td>-6.75%</td>
<td>-11.14%</td>
</tr>
<tr>
<td>St. Louis Fed (Economic News Index)</td>
<td>-15.26%</td>
<td>-48.07%</td>
</tr>
<tr>
<td>Blue Chip Consensus</td>
<td>-4.00%</td>
<td>-32%</td>
</tr>
<tr>
<td>Moody's High Frequency Model</td>
<td>1.70%</td>
<td>-34.10%</td>
</tr>
<tr>
<td>Simple Average Combination Forecast</td>
<td>-4.29%</td>
<td>-33.19%</td>
</tr>
<tr>
<td>Bates-Granger Combination Forecast</td>
<td></td>
<td>-29.83%</td>
</tr>
<tr>
<td>Advance Estimate</td>
<td></td>
<td>-4.78%</td>
</tr>
</tbody>
</table>
What a Difference 4 Months and a Tiny Strand of RNA Can Make! – Unemployment Claims
TRADITIONAL ECONOMIC DATA
Recent Economic Releases

- Retail sales
  - Down 16.2% in April (excluding Auto & Gas purchases)

- Industrial Production
  - Down 11.1% in April

- Manufacturing Capacity Utilization
  - 61.1% (lowest ever reading – series started in 1948)
NEW “ALTERNATIVE” ECONOMIC MEASURES
Weekly Business Formations Data from Census

Year-to-Year Percent Change in New Business Applications, IA and IL

<table>
<thead>
<tr>
<th>Year</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020</td>
<td></td>
</tr>
</tbody>
</table>

Week 2.5 to 17.5
Electricity Demand
Google Location Data

[Graph showing percent change from baseline for different categories such as Retail & Recreation, Grocery & Pharmacy, Workplaces, and Residential, with data points from 02/11/2020 to 05/01/2020.]
Census Small Business Pulse Survey

Overall, how has this business been affected by the COVID-19 pandemic?

Data collected Apr 26 to May 2

- Large negative effect
- Moderate negative effect
- Little or no effect (Survey Response)
- Moderate positive effect
- Large positive effect

[Bar chart showing the percentage of businesses affected by COVID-19]
In the last week, did this business have a change in the number of paid employees?

Data collected Apr 26 to May 2

- Yes, increased
- Yes, decreased
- No

Survey Response

National | State IA | State IL

Percentage of Businesses
In the last week, did this business have disruptions in its supply chain?

Data collected Apr 26 to May 2

Survey Response

- Yes
- No

Percentages of Businesses

State IA  
State IL  
National
Since March 13, 2020, has this business missed any other scheduled payments, not including loans?

Data collected Apr 26 to May 2.

Survey Response

Yes

No

Percentage of Businesses

National

State IL

State IA

[Bar chart showing the percentage of businesses that missed scheduled payments, with 'Yes' showing a low percentage for all categories, and 'No' showing a high percentage for each category.]
Forecasts: Several Different Letters and Shapes

Stylized COVID-19 Recovery Scenarios

Source: S&P Global Economics.
Copyright © 2020 by Standard & Poor’s Financial Services LLC. All rights reserved.