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U.S. News: Economists See 17% Jobless Rate in June

Harriet Torry
By Harriet Torry and Anthony DeBarros
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U.S. unemployment is expected to hit 17% in June as the economy contracts due to efforts to contain the coronavirus pandemic, economists predicted, and the economy is expected to start rebounding in the second half of the year.

A monthly Wall Street Journal survey found economists expect gross domestic product to shrink 6.6% this year, measured from the fourth quarter of 2019, a downgrade from the 4.9% contraction economists predicted in last month's survey.

While economists expect a deeper contraction in the second quarter, a majority -- 85% -- continue to expect the recovery will start in the second half of the year. They predict an annualized growth rate of 9% in the third quarter, up from 6.2% in the prior survey. Growth is expected to clock in at 6.9% in the fourth quarter, up slightly from last month's projection.

"The trough will occur in May or June, with activity starting to pick up," said Chad Moutray, chief economist for the National Association of Manufacturers. "With that said, growth will remain well below pre-recessionary levels likely until at least 2022."

Business and academic economists in this month's survey expect, on average, that gross domestic product will contract at an annual rate of 32% in the second quarter. That represents a worsening from the April survey of economists, when they expected GDP to shrink 25% from April to June. The annualized rate, however, overstates the severity of any drop in output because it assumes that one quarter's pace continues for a year.

In the May survey, 68.3% of economists said they expect the recovery to be shaped like a "swoosh." Named after the Nike logo, it predicts a large drop followed by a gradual recovery. The survey results echo recent comments by corporate executives.

As states start to loosen stay-at-home orders, economists were split on whether this is the right moment to do so: 29.8% said the reopening measures are happening at the right time, 14% said such measures were overdue, while 31.6% described it as too soon. Just under a quarter, 24.6%, were unsure whether the timing is right.

"In the absence of a vaccine or some therapeutic drug, opening the economy now would certainly trigger a spike in new infections and will be followed by economic shutdown 2.0," said Bernard Baumohl, chief global economist at The Economic Outlook Group, who currently views the reopening as premature.

Federal Reserve Chairman Jerome Powell received good grades for his performance as Fed chairman during the coronavirus pandemic, with 71.9% of economists assigning him an A grade, while 24.6% gave him a B. Just 1.8% gave him a C and F, respectively.

"Like a good engineer, [Mr. Powell] opened the floodgates to drain the reservoir in advance of an impending flood of demand for liquidity," said **Georgia State** University economist **Rajeev Dhawan**.

The grades marked an improvement from December, when 63.8% of economists gave Mr. Powell a B, 17% assigned him an A and 14.9% gave him a C.

To fight the pandemic, central-bank officials cut rates to near zero, purchased huge quantities of government debt and began lending to American businesses.

Those purchases of debt are expected to get bigger. Economists project the central bank's portfolio of bonds, loans and new programs will grow to $7.74 trillion in June from less than $4 trillion last year. The portfolio stood at $6.72 trillion on May 4.

Economists see the Fed's balance sheet swelling to $9.29 trillion by December, $9.63 trillion by December 2021 and $11.27 trillion by December 2022. In that range, the portfolio would be more than twice the size reached after the 2007-09 financial crisis.

The Wall Street Journal surveyed 64 economists from May 8-12, though not every economist answered every question.

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