



## UCLA Anderson Forecast Updates Views, Given Economy's Rapid Rate of Decline

**Los Angeles (April 10, 2020)** -- Given the speed of the U.S. economy's rate of decline amid the coronavirus pandemic, the UCLA Anderson Forecast team has updated its views, downgrading the near-term outlook. According to senior economist David Shulman, real GDP is now on track to decline in the second quarter of 2020 by 7.5% from the previous quarter (an annual rate of -30%), and decline by an additional 1.25% in the third quarter (an annual rate of -5%).

This contraction will drive the official unemployment rate to a peak of around 13% in the fourth quarter, and total job loss to approximately 17 million. The economy is forecast to rebound by 1% in the fourth quarter (an annual rate of 4%). The rate of growth is expected to accelerate in early 2021 as the effects of COVID-19 abate; however, a recovery to an employment level equivalent to the last months of 2019 will not occur until late 2022.

The update is the second revision by the UCLA Anderson Forecast economists to their regular quarterly spring Forecast, originally published on March 12 and revised on March 16, 2020.

With respect to California, UCLA Anderson Forecast director Jerry Nickelsburg expects the state's unemployment rate to be higher than for the U.S., predicting that it will peak at more than 16% with 2.2 million jobs lost in the state. A sharp contraction in income and taxable sales will cause increased stress for state and local government at a time when the demands on them are increasing. As with the U.S., employment in California will not return to its previous peak levels until late 2022.

After an [analysis of recent payroll declines](#) (available on the UCLA Anderson Forecast website), Professor Emeritus Ed Leamer stated that “While we normally would use the historical data regarding expansions and recessions to form a forecast, this economic shutdown creates an economy so unlike any we have ever experienced that the historical data are rendered nearly irrelevant. Professor [and renowned University of Chicago economist] Frank Knight famously contrasted decision making with known probabilities (uncertainty) and decision making with unknown probabilities (risk). There is a lot of risk out there now.”

Implicit in the latest forecast is the assumption of an abatement of the pandemic and accompanying safer-at-home orders this summer. The UCLA Anderson Forecast is keeping a close eye on both the appropriateness of this assumption and the unique economic events that are currently unfolding, and will update its analysis as events dictate.