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WSJ Survey: Strong U.S. Recovery Depends on Effective Covid-19 Response

Economists' forecasts for growth, unemployment rate improve from previous month's survey

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A strong economic recovery depends on effective and sustained containment of Covid-19, economists said in a new Wall Street Journal survey, as the U.S. surpassed 3 million confirmed coronavirus cases.

The latest monthly survey by The Wall Street Journal found that 91% of business and academic economists agreed “somewhat” or “strongly” that economic recovery depends on containing the virus.

“A virus resurgence will push consumer spending back into hibernation,” said Scott Anderson, chief economist at Bank of the West.

Federal Reserve officials, including Chairman Jerome Powell, have voiced similar views in recent days.

“It is not possible to fully reopen the economy until this coronavirus no longer poses a threat to public health,” said **Bernard Baumohl**, chief global economist at the Economic Outlook Group.

Still, compared with last month's survey, economists' expectations for the outlook improved slightly this month.

Economists estimated that gross domestic product contracted at a 31.9% annual rate in the second quarter, compared with a 33.5% pace of contraction in the last survey. They expect the economy will return to growth in the third quarter and expand at a 15.2% rate. Last month, their expectation was for a 14.2% pace of growth in the third quarter.

The U.S. entered a recession in February, the National Bureau of Economic Research determined in June. About a quarter of economists in the survey said a recovery is already under way, while 64% expect it to start in the current quarter.

In the latest survey, 70% of economists said they expect the recovery to resemble a “swoosh” shape similar to the Nike logo, with a large drop followed by a gradual recovery. That was broadly unchanged from the two previous monthly surveys and a contrast to the predictions of Trump administration officials, who have predicted a swift, V-shaped recovery.

Economists’ forecasts for the labor market also improved slightly this month. They see the unemployment rate at 9.1% in December, compared with a 9.6% forecast in last month’s survey.

Meantime, economists expect the labor market to add 1.5 million jobs on average in the third quarter; a month ago they expected 1.6 million jobs added in the same period. Unemployment fell to 11.1% and the U.S. economy regained 4.8 million jobs in June, the Labor Department said last week.

The job growth followed May’s payroll gain of 2.7 million and showed people were getting back to work and the economy was healing faster than anticipated. Still, the U.S. labor market is operating with about 15 million fewer jobs than in February, the month before the pandemic struck the U.S., while the country faces an increase in coronavirus cases that has led some states and businesses to change course on reopenings.

The Wall Street Journal surveyed 60 economists from July 2-7, though not every economist answered every question.

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