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BLOG POST
GDP Estimates
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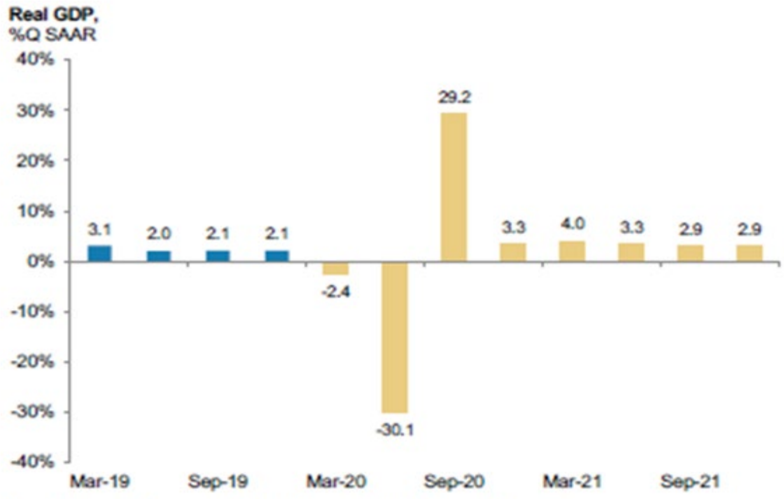
There is a saying among financial industry professionals that differences in opinion are "what makes markets." This means that these differences create buyers and sellers. COVID-19 has created incredible uncertainty around future expectations, particularly in terms of GDP contraction. Q2 GDP estimates vary widely among experts. Perhaps the most dramatic was Morgan Stanley economist Ellen Zentner predicting that Q2 GDP would contract to a GDP of 30.1%. (Atlanta Federal Reserve Bank GDP) Now, real time estimates as of March 25, 2020, for Q1 2020 is 3.1%. The bank is clear that current Q1 estimates do not reflect COVID-19 data. A contraction to -30.1% would indicate a sharp decline and deep recession. Much of GDP contraction estimates across economists point to record unemployment claims in March.

- GDP declining estimates result in a sharp decline in consumer discretionary spending.
- Morgan Stanley estimates personal consumption expenditures will contract at a 31% annualized pace (Morgan Stanley).
- Ellen Zentner estimates that Q4 GDP contraction will be (2.3%) (Morgan Stanley).
- Zentner and Morgan Stanley anticipate Q3 GDP to rebound to 29.2%.



Source: Bureau of Economic Analysis, Morgan Stanley Research forecasts