

AgCountry Economy Review
Third Quarter 2020
ERM Department
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The economic outlook has improved from the first quarter of 2020, marked by improving employment metrics and an expected improvement in Gross Domestic Product. According to the Bureau of Economic Analysis, real U.S. GDP declined 5% in the first quarter of 2020 and 31.7% in the second quarter. In contrast to the first and second quarters, the outlook for GDP in the third quarter of 2020 is positive, and 2021 GDP is forecasted to increase 3.5% (Moody's Economics).

Unemployment still remains a focal point of the economy due to COVID-19 impacts with 11 million less jobs now than before the pandemic. However, job growth does exist as evidenced by the unemployment rate falling from 10.2% in July, to 8.4% in August and then again to 7.9% in September 2020. The labor force participation rate decreased by 0.3 percentage point to 61.4 percent in September and is 2.0 percentage points lower than in February. The number of unemployed job leavers (voluntarily) rose by 212,000 to 801,000 in September. Moody's Economics is forecasting the unemployment rate to remain elevated at 8.4% in 2021 (annual rate based on the September outlook).

The Federal Reserve has responded to COVID-19 with a swift reduction in short-term rates and is expected to keep the Fed funds target at 0% to .25% throughout 2020 and well into 2021. In addition to monetary actions being taken, fiscal policy has also been swift with unprecedented economic stimulus in 2020. Another round of approximately \$1.5 trillion in additional stimulus is expected with the proceeds likely to be split between state and local government as well as unemployment benefits.

As the outlook for the economy improves, much of the progress continues to hinge upon the status of the COVID-19 pandemic, the subsequent employment changes, and the government's fiscal and monetary reactions.