

*ECONOMIC OUTLOOK*

- ◆ The longest U.S. economic expansion, which started during July 2009, ended in the month of February as the global viral pandemic forced a nationwide shutdown of businesses and an end to the U.S. expansion. While the Commerce Department's third revision for Q4 real GDP came in at an annual rate of 2.1% and the GDPNow forecast for Q1 was downgraded to -0.3%, investors are focused on the next two quarters and how deep and long the recession will be. We expect a sharp decline, with Q2 real GDP falling 20% and Q3 real GDP declining 10%, followed by a sizeable upturn in the fourth quarter. The combination of the monetary and fiscal stimulus policies just implemented should help soften the downside and hasten the recovery.
- ◆ The Federal Reserve is taking aggressive action to support the economy. On March 3, the Federal Open Market Committee (FOMC) cut the federal funds rate by 0.5%. With the effects of the coronavirus weighing on the economy, less than two weeks later, the FOMC reduced the federal funds rate by an additional 1% to a range of 0 to 0.25% and began to increase its holdings of Treasury securities and agency mortgage-backed securities. The committee also expanded its overnight and term repurchase agreement operations and lowered the primary credit rate by 150 basis points to 0.25%. A week later, the FOMC increased the size of its bond purchases and implemented various programs to minimize disruptions and promote the stability of the financial system. They have committed to using their full range of tools to support the U.S. economy.
- ◆ On March 27, the House of Representatives passed the \$2 trillion CARES Act, the largest economic bill in U.S. history, which President Trump immediately signed into law. The legislation is aimed at providing relief for individuals and businesses negatively impacted by the coronavirus outbreak. The stimulus bill has many facets. Key measures include a one-time direct deposit of up to \$1,200 to tax paying individuals and \$2,400 for married couples, an additional \$600 per week for laid-off workers on top of state benefits, \$350 billion of small business relief, and \$500 billion allotted to provide loans to large corporations.
- ◆ The forced closure of businesses throughout the country has led to massive layoffs. The Labor Department reported 5.245 million American workers applied for state unemployment benefits last week, making the four week total over 22 million. This trend will remain until the country is able to reopen, which will likely be a gradual multi-phased process.

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