S&P Global Finds The U.S. Entering Recession As Fallout From The Coronavirus Spreads

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NEW YORK (S&P Global Ratings) March 17, 2020--While economic data for March is just starting to be released, the severity of the blow from the coronavirus leads us to believe that the U.S. is entering recession--if not already in one, said S&P Global Economics in an article published today, "A U.S. Recession Takes Hold As Fallout From The Coronavirus Spreads."

"The impact of social distancing on consumer spending activity and a knockdown effect on business investment, together with the oil price hit on capital investments in energy infrastructure and expanded travel bans, likely means a -1.0% reading in the first quarter and a large contraction of 6.0% for GDP growth in the second, signaling recession for the U.S.," said Beth Ann Bovino, U.S. Chief Economist at S&P Global. "Ironically, consumer spending, which was once the U.S. economy's savior and we had considered to be the main support to growth in December--helping to offset the economic pain from the trade war--is now the culprit."

For the year, we now forecast real GDP is likely to be flat in 2020 (versus our 1.9% forecast before the virus). We continue to expect a slow U-shaped recovery in the second half following a second-quarter slump. Uncertainty to our estimates of growth in 2020 is higher than usual.

Compared with our forecasts before the virus, the first half of the year will be weighed down by a combination of:

- The effects of the spread of the virus;
- The suspension of Boeing 737 MAX production and exports; and
- The recent Saudi Arabia-Russia standoff, with its drop in oil prices and knock-on effects on energy investments.

It has become increasingly clear to us that COVID-19 will be a major headwind to U.S. growth in the near term, though the inevitable impact on the U.S. economy depends largely on how long the virus lasts in America. We recognize that the path of the outbreak is very uncertain. If the virus is not contained, which is a material risk, the U.S. economic impact--and the credit implications--could be much more severe in 2020.

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