MONTHLY ECONOMIC SERIES REPORT:
Posted September 9, 2020
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_Economy Watch_ is a complimentary global service for member companies that provides a platform for strategic decision-making by helping senior executives understand changing business and economic conditions worldwide. It offers concise, insightful perspectives on overall economic activity, consumer and CEO confidence, labor market and demographic trends, and productivity so that business executives can better understand what is happening – and what is likely to happen – in the U.S., Europe, and emerging markets.
ECONOMIC FORECAST for the UNITED STATES (released on September 9, 2020)

The Conference Board Economic Forecast for the US Economy - September 2020

Economic growth has picked up in the third quarter following a sharp contraction of 31.7 percent (annualized rate) in the second quarter. While bringing US economic output back to pre-pandemic levels will require continued growth, there has been some progress in driving economic activity higher over the summer despite a sharp uptick in new COVID-19 cases. Indeed, various economic indicators that we track have rebounded in July and August at a greater than expected rate.

While we expect US economic growth to continue to improve through the last month of the third quarter, concerns remain about the sustainability of the recovery beyond that. The pandemic-induced lockdown in March and April yielded a supply-side shock that is now transforming into a demand shock. High unemployment rates, low consumer confidence, and income disruptions are likely to limit consumer spending later in the year.

Looking further ahead, The Conference Board currently has two recovery scenarios for the US economy:

Base Case Forecast: Our base case forecast includes a third quarter GDP rebound of 32.9 percent. Given the severity of the economic contraction in the second quarter even a moderate improvement in economic activity over the summer yields a strong growth rate in the third quarter. While consumer spending has been the largest driver of growth over the summer, we expect it to stall as high levels of unemployment damage spending later in the year, leading to a much slower GDP expansion of only 1.3 percent in the a fourth quarter GDP expansion. This results in an annual growth rate of -3.8 percent in 2020 and puts the US economy on a modest recovery path of about 3.2 percent growth in 2021.

Upside Forecast: Alternatively, we offer a second more optimistic scenario in which the growth momentum seen between May and August is sustained for the remainder of the year, albeit at a slower pace. Furthermore, in this scenario we adopt a more optimistic outlook on the impact of unemployment on US consumption in the fourth quarter - resulting in a “swoosh”-shaped recovery for the US economy. This upside forecast results in an annual growth rate of -3.2 percent in 2020 and a strong rebound of 6.9 percent in 2021. In this scenario US monthly economic output recovers completely to pre-pandemic levels by January 2021.
# ECONOMIC FORECAST for the UNITED STATES – Continued

## THE CONFERENCE BOARD BASE CASE ECONOMIC OUTLOOK, 2019-2020-2021

Percentage Change, Seasonally Adjusted Annual Rates (except where noted)

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>2021</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
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<tbody>
<tr>
<td></td>
<td>I Q*</td>
<td>II Q*</td>
<td>III Q</td>
<td>IV Q</td>
<td>first half</td>
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<tr>
<td>Real GDP</td>
<td>-5.0</td>
<td>-3.17</td>
<td>32.9</td>
<td>1.3</td>
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<tr>
<td>Final Sales of GDP</td>
<td>-3.6</td>
<td>-28.5</td>
<td>22.1</td>
<td>2.2</td>
<td>2.3</td>
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<td>Real Disposable Income</td>
<td>2.6</td>
<td>47.0</td>
<td>4.0</td>
<td>-22.0</td>
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<td>CPI (all items)</td>
<td>1.2</td>
<td>-3.5</td>
<td>3.0</td>
<td>1.3</td>
<td>1.4</td>
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<tr>
<td>CPI Core</td>
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<td>-1.6</td>
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<td>Real Consumer Spending</td>
<td>-6.9</td>
<td>-34.1</td>
<td>33.2</td>
<td>2.4</td>
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<td>Light Vehicle Sales Mil. Units</td>
<td>15.2</td>
<td>11.4</td>
<td>14.5</td>
<td>14.9</td>
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<tr>
<td>Housing Starts Thousand Units</td>
<td>1484</td>
<td>1064</td>
<td>1206</td>
<td>1249</td>
<td>1290</td>
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<td>Residential Investment</td>
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<td>-37.9</td>
<td>33.0</td>
<td>10.0</td>
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<td>Real Capital Spending</td>
<td>-6.7</td>
<td>-26.0</td>
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<td>Structures</td>
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<td>Equipment</td>
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<td>-35.9</td>
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<td>Intellectual Property Products</td>
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<td>Inventory Change Bil. '09$</td>
<td>-81</td>
<td>-286</td>
<td>90</td>
<td>50</td>
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<td>Real Government Purchases</td>
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<td>2.8</td>
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<td>Federal</td>
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<td>State &amp; Local</td>
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<td>Net Exports</td>
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<td>Exports</td>
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<td>Imports</td>
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<td>18.1</td>
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<td>Pre-tax Profits Bil**</td>
<td>2035</td>
<td>1808</td>
<td>1900</td>
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<tr>
<td>Unemployment Rate (%)</td>
<td>3.8</td>
<td>13.0</td>
<td>9.0</td>
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<td>FED FUNDS TARGET RATE</td>
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<tr>
<td>90 Day T-Bills (%)</td>
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<td>0.14</td>
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<td>10 Yr Treas Bonds (%)</td>
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<td>0.69</td>
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<tr>
<td>Exchange Rates</td>
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<tr>
<td>$/EURO</td>
<td>1.10</td>
<td>1.10</td>
<td>1.15</td>
<td>1.16</td>
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<tr>
<td>Yen/$</td>
<td>108.99</td>
<td>107.51</td>
<td>106.00</td>
<td>105.00</td>
<td>106.50</td>
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* Actual data
**Current $ Level With IVA & CCA

For the latest updates, please go to the member’s only page: [http://www.conference-board.org/data/chiefeconomist.cfm](http://www.conference-board.org/data/chiefeconomist.cfm)
The Conference Board Leading Economic Index® (LEI) for the U.S. and The Conference Board Coincident Economic Index® (CEI) (released on August 20, 2020)

The Conference Board Leading Economic Index® (LEI) for the U.S. Increased in July

Despite improvement, pace of economic growth will likely weaken in final months of 2020

The Conference Board Leading Economic Index® (LEI) for the U.S. increased 1.4 percent in July to 104.4 (2016 = 100), following a 3.0 percent increase in June and a 3.1 percent increase in May.

“The US LEI increased for the third consecutive month in July, albeit at a slower pace than the sharp increases in the previous two months,” said Ataman Ozyildirim, Senior Director of Economic Research at The Conference Board. “Despite the recent gains in the LEI, which remain fairly broad-based, the initial post-pandemic recovery appears to be losing steam. The LEI suggests that the pace of economic growth will weaken substantially during the final months of 2020.”

For additional information on The Conference Board Leading Economic Index® (LEI) for the U.S., please click [here](#).

Underlying databases are available as a separate fee-based subscription service.
The Conference Board Consumer Confidence Index Decreased in August

The Conference Board Consumer Confidence Index® decreased in August, after declining in July. The Index now stands at 84.8 (1985=100), down from 91.7 in July. The Present Situation Index – based on consumers’ assessment of current business and labor market conditions – decreased sharply from 95.9 to 84.2. The Expectations Index – based on consumers’ short-term outlook for income, business, and labor market conditions – declined from 88.9 in July to 85.2 this month.

The monthly Consumer Confidence Survey®, based on a probability-design random sample, is conducted for The Conference Board by Nielsen, a leading global provider of information and analytics around what consumers buy and watch. The cutoff date for the preliminary results was August 14.

“Consumer Confidence declined in August for the second consecutive month,” said Lynn Franco, Senior Director of Economic Indicators at The Conference Board. “The Present Situation Index decreased sharply, with consumers stating that both business and employment conditions had deteriorated over the past month. Consumers’ optimism about the short-term outlook, and their financial prospects, also declined and continues on a downward path. Consumer spending has rebounded in recent months but increasing concerns amongst consumers about the economic outlook and their financial well-being will likely cause spending to cool in the months ahead.”

Consumers’ assessment of present-day conditions receded in August. The percentage of consumers claiming business conditions are “good” declined from 17.5 percent to 16.4 percent, while those claiming business conditions are “bad” increased from 38.9 percent to 43.6 percent. Consumers’ appraisal of the job market was also less favorable. The percentage of consumers saying jobs are “plentiful” declined from 22.3 percent to 21.5 percent, while those claiming jobs are “hard to get” increased from 20.1 percent to 25.2 percent.

Consumers were also more pessimistic about the short-term outlook. The percentage of consumers expecting business conditions will improve over the next six months declined from 31.6 percent to 29.1 percent, while those anticipating fewer jobs increased from 21.3 percent to 21.9 percent. Regarding their short-term income prospects, the percentage of consumers expecting an increase declined from 14.8 percent to 12.7 percent, while the proportion expecting a decrease rose from 15.8 percent to 16.6 percent.

Source: August 2020 Consumer Confidence Survey®

For additional information on the Consumer Confidence Index®, please visit http://www.conference-board.org/data/consumerconfidence.cfm

Underlying databases are available as a separate fee-based subscription service.
The Conference Board Employment Trends Index™ (ETI) Increased in August

*Job growth retains upward momentum*

The Conference Board Employment Trends Index™ (ETI) increased in August, following increases in May, June, and July. The index now stands at 52.55, up from 51.37 (an upward revision) in July. However, the index is down from 109.8 a year ago.

“Despite the rise in new COVID-19 cases at the beginning of the summer, job growth continues to gain momentum: the Employment Trends Index increased for the fourth consecutive month,” said Gad Levanon, Head of The Conference Board Labor Markets Institute. “Over the coming months, job growth will persist as industries impacted by social distancing such as travel, hotels, restaurants, and personal care will continue to recover. However, another wave of infections this fall would limit the expansion of the US labor market.”

August’s increase was fueled by positive contributions from six of the eight components. From the largest positive contributor to the smallest, the components were: Initial Claims for Unemployment Insurance; the Number of Employees Hired by the Temporary-Help Industry; the Ratio of Involuntarily Part-time to All Part-time Workers; Percentage of Firms With Positions Not Able to Fill Right Now; Job Openings; and Industrial Production.

The Employment Trends Index aggregates eight labor market indicators, each of which has proven accurate in its own area. Aggregating individual indicators into a composite index filters out “noise” to show underlying trends more clearly.

**ETI™ and turning points, November 1973 to Present**

**ETI™, January 2000 to Present**

For additional information on the Employment Trends Index (ETI)™, please visit [http://www.conference-board.org/data/eti.cfm](http://www.conference-board.org/data/eti.cfm)
Online Labor Demand Rises in July

*The Conference Board®-Burning Glass® Help Wanted OnLine™ (HWOL) Index* rose in July and now stands at 90.2 (July 2018=100), up from 89.2 in June. The Index rose 5.7 percent from May to June and is down 12.5 percent from a year ago.

The Help Wanted OnLine™ Index is produced in collaboration with Burning Glass Technologies, the global pioneer in real-time labor market data and analysis. This recent collaboration enhances the Help Wanted OnLine™ program by providing additional insights into important labor market trends.

**Help Wanted OnLine™ (HWOL) Index: United States, seasonally adjusted, July 2020**

[July 2018=100]

For additional information on *Help Wanted OnLine® (HWOL)*, please visit [http://www.conference-board.org/data/helpwantedonline.cfm](http://www.conference-board.org/data/helpwantedonline.cfm)
GLOBAL LEADING ECONOMIC INDEXES (LEI)

**Australia**
The Conference Board Leading Economic Index® (LEI) for Australia increased 0.4 percent in June 2020 to 108.1 (2016=100).

The Conference Board Coincident Economic Index® (CEI) for Australia increased 1.1 percent in June 2020 to 106.2 (2016=100).

**Brazil**
The Conference Board Leading Economic Index® (LEI) for Brazil, together with Fundação Getulio Vargas (TCB/FGV Brazil LEI), increased 1.9 percent in July 2020 to 111.5 (2016=100).

The Conference Board Coincident Economic Index® (CEI) for Brazil, together with Fundação Getulio Vargas (TCB/FGV Brazil CEI), increased 0.5 percent in July 2020 to 98.1 (2016=100).

**China**
The Conference Board Leading Economic Index® (LEI) for China increased 0.7 percent in July 2020 to 152.5 (2016=100).

The Conference Board Coincident Economic Index® (CEI) for China decreased 1.0 percent in July 2020 to 123.8 (2016=100).

**Euro Area**
The Conference Board Leading Economic Index® (LEI) for Euro Area decreased 0.4 percent in July 2020 to 99.0 (2016=100).

The Conference Board Coincident Economic Index® (CEI) for Euro Area decreased 1.9 percent in July 2020 to 100.2 (2016=100).

**France**
The Conference Board Leading Economic Index® (LEI) for France increased 1.4 percent in June 2020 to 100.3 (2016=100).

The Conference Board Coincident Economic Index® (CEI) for France increased 1.3 percent in June 2020 to 100.3 (2016=100).

**Germany**
The Conference Board Leading Economic Index® (LEI) for Germany increased 2.3 percent in July 2020 to 89.6 (2016=100).

The Conference Board Coincident Economic Index® (CEI) for Germany increased 0.8 percent in July 2020 to 101.1 (2016=100).

**Global LEI**
The Conference Board Leading Economic Index® (LEI) for the global economy increased 2.5 percent in June 2020 to 108.4 (2016=100).

The Conference Board Coincident Economic Index® (CEI) for the global economy increased 2.1 percent in June 2020 to 101.5 (2016=100).
India
The Conference Board Leading Economic Index® (LEI) for India decreased 0.9 percent in July 2020 to 108.8 (2016=100).

The Conference Board Coincident Economic Index® (CEI) for India decreased 18.4 percent in July 2020 to 67.5 (2016=100).

Japan
The Conference Board Leading Economic Index® (LEI) for Japan decreased 0.5 percent in June 2020 to 83.7 (2016=100).

The Conference Board Coincident Economic Index® (CEI) for Japan increased 0.8 percent in June 2020 to 98.2 (2016=100).

South Korea
The Conference Board Leading Economic Index® (LEI) for South Korea increased 1.4 percent in July 2020 to 104.0 (2016=100).

The Conference Board Coincident Economic Index® (CEI) for South Korea increased 0.1 percent in July 2020 to 101.1 (2016=100).

Mexico
The Conference Board Leading Economic Index® (LEI) for Mexico increased 4.3 percent in June 2020 to 102.9 (2016=100).

The Conference Board Coincident Economic Index® (CEI) for Mexico decreased 3.0 percent in June 2020 to 90.8 (2016=100).

Spain
The Conference Board Leading Economic Index® (LEI) for Spain decreased 1.7 percent in June 2020 to 90.1 (2016=100).

The Conference Board Coincident Economic Index® (CEI) for Spain decreased 3.6 percent in June 2020 to 83.8 (2016=100).

United Kingdom
The Conference Board Leading Economic Index® (LEI) for the U.K. decreased 2.4 percent in June 2020 to 76.3 (2016=100).

The Conference Board Coincident Economic Index® (CEI) for the U.K. increased 0.9 percent in June 2020 to 102.6 (2016=100).
Global Consumer Confidence Suffers Record Drop in Q2
The Conference Board® Global Consumer Confidence Survey shows discretionary spending fell while expenditures on essentials rose

Deteriorating job prospects and rising anxieties about personal finances drove a record drop in global consumer confidence in the second quarter of 2020, according to The Conference Board® Global Consumer Confidence Survey.

Conducted in collaboration with Nielsen, the survey found that overall global consumer confidence fell to 92 in the second quarter from a near-historic high of 106 early in the first quarter, before the pandemic significantly expanded beyond China.* A reading below 100 is considered negative, indicating that consumers were slightly more pessimistic than optimistic globally for the first time since 2016. The 14-point drop marks the largest period-on-period decline since the launch of the index in the first quarter of 2005. Moreover, the latest decline is twice as deep as the largest drop during the 2008-9 global financial crisis.

“Early signs of economic rebound in several markets do not necessarily portend a quick recovery in consumer confidence in the coming months,” said Bart van Ark, Chief Economist of The Conference Board and a report co-author. “Countries vary in their approaches to containing the pandemic, managing the direct impacts on employment and income, and the trust populations have in their governments, which all influence consumers’ confidence that a recovery will take hold.”

For additional information on the Global Consumer Confidence, please visit https://www.conference-board.org/data/bcicountry.cfm?cid=15
CEO Confidence Marginally Improved in Q3

13 Aug. 2020

The Conference Board Measure of CEO Confidence™ in collaboration with The Business Council rose slightly in the third quarter. The measure saw a one-point uptick, moving from 44 in the second quarter to 45 in the third quarter. (A reading below 50 points reflects more negative than positive responses.)

The latest Q3 results also reveal that, over the next 12 months, 38 percent of surveyed CEOs expect to reduce their workforce. Moreover, 37 percent say they will trim their capital spending budgets by 10 percent or more. And with uncertain economic conditions likely to persist, more than a third do not foresee increasing employees’ average wages over the next 12 months. Nearly 50 percent say they will increase wages by less than three percent.

"Without substantial containment of COVID-19, widespread uncertainty will continue being the dominant cloud hanging over America’s CEO community,” said Bart van Ark, Chief Economist of The Conference Board. “With more than one third of CEOs planning to make workforce and sizeable capital spending reductions over the next year, the effects on the economy could extend beyond the next 12 months.”

The latest CEO Confidence results reflect a new collaboration with The Business Council, in which The Conference Board surveyed a majority of the Council’s CEOs – all of whom lead top global companies. Also, the survey now gauges CEOs’ expectations about future actions their companies plan on taking in four key areas: capital spending, employment, recruiting, and wages.

"By collaborating with The Conference Board on their CEO Confidence survey, the world’s top CEOs who are members of The Business Council are providing insights on how they are feeling about the economy and the business environment and steps they plan on taking in light of their sentiment,” said Roger W. Ferguson, Jr., Vice Chairman of The Business Council and Trustee of The Conference Board. “The Conference Board’s non-partisan, decades-long track record in conducting renowned surveys makes them an ideal partner for The Business Council, whose mission it is to foster greater understanding of the major opportunities and challenges facing business today.”

Current Conditions

- On the whole, CEOs remain pessimistic about current economic conditions, though to a lesser extent than in the second quarter. Nearly 90 percent say conditions are worse compared to six months ago, down from 100 percent last quarter. Conversely, just 8 percent say general economic conditions are better.
- CEOs also continue to feel pessimistic about conditions in their own industries, albeit less so. Currently, about 76 percent say conditions are worse compared to six months ago, down from 82 percent last quarter. About 17 percent of CEOs say conditions are better in their own industries, up from 10 percent last quarter.

Future Conditions

- While sentiment about present-day conditions modestly improved, expectations about the short-term outlook have retreated. Now, 62 percent expect economic conditions will improve over the next six months, down from 71 percent last quarter. Moreover, nearly 17 percent expect economic conditions will worsen, up slightly from 16 percent in Q2.
- CEOs’ expectations regarding short-term prospects in their own industries were somewhat more positive than their expectations for the overall economy. Now, 60 percent of CEOs anticipate an improvement in conditions, down from 69 percent last quarter. Those expecting conditions will worsen in the short term, however, decreased to 17 percent from 22 percent in the previous quarter.
Capital Spending, Employment, Recruiting, and Wages

The survey also gauged CEOs’ expectations about four key actions their companies plan on taking over the next 12 months.

- **Capital Spending:** 37 percent say they will trim their budgets by 10 percent or more over the next 12 months. An additional 18 percent say they anticipate reducing their capital spending plans by less than 10 percent.
- **Employment:** Looking ahead over the next 12 months, 38 percent of CEOs expect to reduce their workforce.
- **Hiring Qualified People:** Nearly two-thirds anticipate little, if any, problems in attracting qualified personnel.
- **Wages:** Nearly 50 percent say they will increase wages by less than three percent.

Source: CEO Confidence Survey Third Quarter 2020 / The Conference Board

The CEO Confidence survey was fielded from July 15th through July 31st.

The Conference Board *Measure of CEO Confidence™*

*Quarterly changes in real Gross Domestic Product at annual rates, based on chain-type 2005 weighted measures.
Note: Shaded areas indicate periods of recession.
Sources: The Conference Board; U.S. Department of Commerce; NBER

For additional information on the CEO Confidence, please visit [http://www.conference-board.org/data/ceoconfidence.cfm](http://www.conference-board.org/data/ceoconfidence.cfm)
Global Economic Outlook (July 2020 Update)

An unprecedented drop in global GDP sets the stage for a slow and uneven recovery

The COVID-19 pandemic has radically changed the prospects of the global economy for the short-, the medium- and potentially for the long-term. In the short-term, as governments throughout the world introduce stringent measures limiting physical mobility and social activity to slow the spread of the virus and avert a health crisis, economic activity seriously contracted. This is leading to an unprecedented decline in global GDP during the first half of 2020. Rather than seeing a quick v-shaped recovery, the outlook assumes a more u-shaped pattern. The Conference Board currently estimates global GDP growth to fall at -4.5 percent for 2020 compared to 2019, which is an unprecedented decline for the post WW-II period. Medium-term, global GDP is expected to return to its pre-COVID-19 levels only by mid-2021, but for mature economies it is likely to last at least until the end of 2021 before output is fully recovered. Longer-term, beyond 2021, the outlook for the global economy is highly uncertain, and we have removed the 5- and 10 year outlook until The Conference Board Global Economic Outlook model will be fully recalibrated over the Summer.

For additional information on the Global Economic Outlook, please visit http://www.conference-board.org/data/globaloutlook.cfm
Global Productivity Growth Remains Weak, Extending Slowing Trend

Global productivity growth in 2019 showed a 1.4 percent increase, roughly the same as 2018 but below the average of 1.8 (2011-2019) for the recent decade (Chart 1). Productivity growth has especially slowed in Europe and Japan over the previous two years, driven by slowing growth in output coupled with a strong labor market performance, whereas output growth in the US was fast enough to outpace employment growth. Overall, GDP growth in mature economies has become increasingly employment-driven, as employment growth accounted for two thirds of output growth in 2018 and 2019, as opposed to one third during the 2000-2017 period. Hence labor productivity has recently contributed only half as much to the growth of mature economies as previously (Chart 2). The productivity performance of emerging markets and developing economies has been more diverse, even though most economies have been showing a slowing trend as well. Productivity growth in China in 2019 improved growth in output bounced back from weakness in 2018 due to a severe credit supply crunch. (Note that The Conference Board relies on alternative GDP growth rates for China. A separate set based on official Chinese data is also available in The Conference Board Total Economy Database™.) In most other emerging markets, especially India, Russia and Turkey, output growth slowed down in 2019, driven by a global drop in industrial production which weighed on their productivity performance.

**CHART 1: Global labor productivity growth (% change)**

Notes: Labor productivity growth is measured as growth in GDP per person employed; Aggregation based on shares in nominal PPP converted GDP.
Notes: GDP growth (measured in log differences) is the sum of growth in employment and output per worker; Regional GDP and labor productivity growth rates are aggregated using shares in nominal PPP converted GDP, while Employment growth is derived as a residual; Growth rates for 2000-2007 and 2010-2017 are the averages of yearly growth rates.

For additional information on the Total Economy Database™, please visit http://www.conference-board.org/data/economydatabase/