THE CONFERENCE BOARD

MONTHLY ECONOMIC SERIES REPORT:

Posted May 13, 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 May 11, 2020)

US economic contraction deepens, and recovery will be slow

The advance estimate of first quarter 2020 GDP shows a contraction of -4.8 percent (annualized) over the last quarter of 2019. However, it is important to note that due to the large shock the US economy is undergoing - which was heavily concentrated in the last month of Q1 - that it is likely that these preliminary data will be heavily revised. It is likely that revisions will be on the downside because many of the updated series show worse performance than forecast.

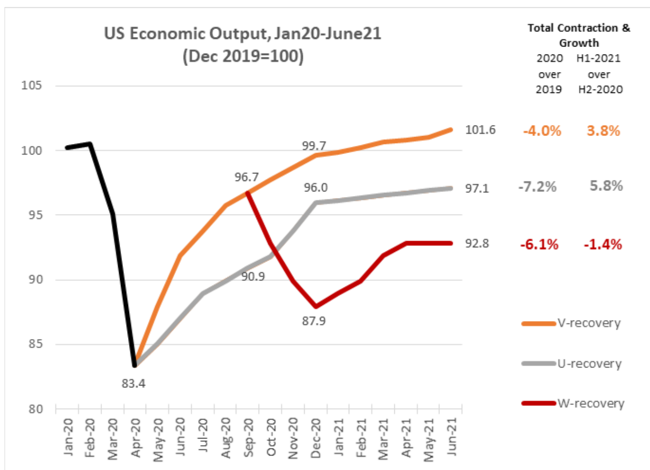
The deep contraction of economic activity will continue into Q2, even though most of the decline will be concentrated in April. The latest job numbers for April, which showed an increase in unemployment to 14.7 percent, may still be an understatement of the actual amount of slack currently in the labor market, as involuntary part-time employment increased, and the total labor force shrank. The forecasts for U.S. retail sales and industrial production also suggest sharp declines for April.

May and June will show some recovery as the economy begins to open again. But as our month-by-month scenarios show, even in the most optimistic case (a V-shape rebound), not even half of the losses suffered during March and April will be made up for by the end of Q2.

The Conference Board is adopting a U-shape scenario as our base forecast, and we expect second quarter GDP to decline by almost 45 percent (annualized). This large drop is driven by a fall in consumer spending of more than 50%, a drop in real capital spending of just over 20% and a fall in exports of more than 35%. By the end of June, economic output will have recovered to 87% of what it was in December 2019.

Our U-shaped growth scenario assumes a slow recovery in the second half of the year that will bring December 2020 economic output to about 96% of what it was a year earlier. This recovery will be primarily driven by consumer spending in Q3 and Q4. We don't expect a recovery in investment to start until Q4. Despite some isolated supply-side price spikes, overall inflation is likely to remain weak at -0.4% for the first half of 2020 and 0.5% for the second half. This is due to soft demand, muted oil prices, and ongoing monetary support.

On the basis of our U-shaped scenario, GDP will contract by -7.2 percent for 2020 on the whole. This compares unfavorably to the -4 percent contraction associated with our V-shaped recovery scenario. However, the more rapid V-shaped scenario is predicated on a rapid reopening of the US economy that may trigger a COVID-19 resurgence that would require implementation of containment measures. This would result in a W-shaped scenario that would hurt fourth quarter growth and extend this economic crisis into 2021.



ECONOMIC FORECAST for the UNITED STATES – Continued

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THE CONFERENCE BOARD ECONOMIC OUTLOOK, 2018-2019-2020

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

	2019		2020				2018	2019	2020
	first half	second half	I Q*	II Q	III Q	IV Q	ANNUAL	ANNUAL	ANNUAL
Real GDP	2.6	2.1	-4.8	-44.5	24.4	18.9	2.9	2.3	-7.2
Final Sales of GDP	2.8	2.6	-4.3	-42.7	21.7	13.1	2.8	2.2	-6.9
Real Disposable Income	3.0	1.9	0.5	-18.0	5.0	12.0	4.0	2.9	-1.6
CPI (all items)	2.0	2.1	1.2	-2.0	0.0	1.0	2.4	1.8	0.8
CPI Core	2.2	2.4	2.0	1.0	0.5	1.0	2.1	2.2	1.7
Real Consumer Spending	2.8	2.5	-7.6	-54.2	36.3	15.5	3.0	2.6	-10.0
Light Vehicle Sales Mil. Units	17.0	17.0	15.2	12.5	13.1	13.5	17.3	17.0	13.6
Housing Starts Thousand Units	1234	1361	1466	1341	1324	1359	1250	1298	1373
Residential Investment	-2.0	5.6	21.0	-25.0	-7.0	11.0	-1.5	-1.5	0.7
Real Capital Spending	1.7	-2.4	-8.6	-20.8	-2.4	8.6	6.4	2.1	-6.9
Structures	-3.6	-8.6	-9.7	-35.0	-5.0	10.0	4.1	-4.3	-13.1
Equipment	0.4	-4.0	-15.3	-29.6	-5.1	10.2	6.8	1.3	-11.2
Intellectual Property Products	7.3	3.7	0.4	0.0	2.0	6.1	7.4	7.5	2.1
Inventory Change Bil. '09$	92.7	41.3	-16	-150	-61	165	48	67	-16
Real Government Purchases	3.9	2.1	0.7	4.0	4.0	4.0	1.7	2.3	2.7
Federal	5.2	3.4	1.7	4.0	4.0	4.0	2.9	3.5	3.5
State & Local	3.0	1.4	0.1	4.0	4.0	4.0	1.0	1.6	2.2
Net Exports	-962.4	-945.4	-817.4	-790.3	-838.5	-826.8	-920.0	-953.9	-818.3
Exports	-0.7	1.5	-8.7	-35.1	11.1	9.0	3.0	0.0	-8.0
Imports	-0.8	-3.3	-15.3	-30.0	15.0	5.0	4.4	1.0	-9.7
Pre-tax Profits Bil**	2045	2105	2076	1993	1993	2027	2075	2075	2022
Unemployment Rate (%)	3.8	3.6	3.8	16.0	14.0	11.0	3.9	3.7	11.2
FED FUNDS TARGET RATE	2.38	1.94	1.29	0.13	0.13	0.13	1.78	2.16	0.42
90 Day T-Bills (%)	2.39	1.82	1.13	0.13	0.13	0.13	1.97	2.10	0.38
10 Yr Treas Bonds (%)	2.49	1.80	1.38	0.28	0.28	0.28	2.91	2.14	0.55
Exchange Rates									
$/EURO	1.13	1.11	1.10	1.09	1.09	1.10	1.18	1.12	1.10
Yen/$	110.04	108.02	108.99	107.00	107.00	108.00	110.43	109.03	107.75

**Current $ Level With IVA & CCA

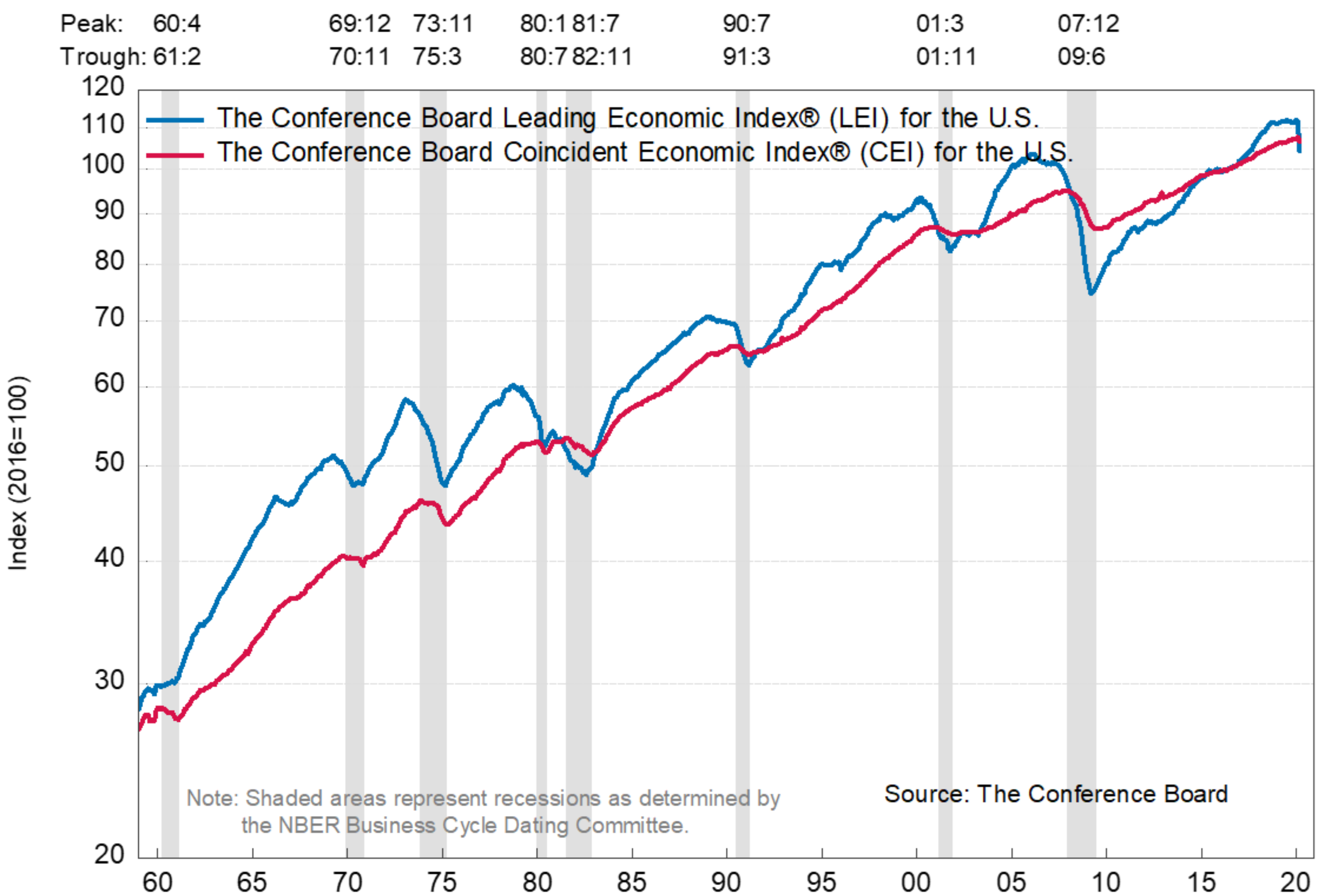
For the latest updates, please go to the member's only page:
http://www.conference-board.org/data/chiefeconomist.cfm

The Conference Board Leading Economic Index® (LEI) for the U.S. **and The Conference Board Coincident Economic Index®** (CEI) (*released on April 17, 2020*)

The Conference Board Leading Economic Index® (LEI) for the U.S. Plummets in March
Largest Decline in Index's 60-Year History

The Conference Board Leading Economic Index® (LEI) for the U.S. declined 6.7 percent in March to 104.2 (2016 = 100), following a 0.2 percent decrease in February, and a 0.4 percent increase in January.

"In March, the US LEI registered the largest decline in its 60-year history," said Ataman Ozyildirim, Senior Director of Economic Research at The Conference Board. "The unprecedented and sudden deterioration was broad based, with the largest negative contributions coming from initial claims for unemployment insurance and stock prices. The sharp drop in the LEI reflects the sudden halting in business activity as a result of the global pandemic and suggests the US economy will be facing a very deep contraction."



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 Weakened Significantly in April

28 Apr. 2020

The Conference Board Consumer Confidence Index Weakened Significantly in April

The Conference Board ***Consumer Confidence Index***® deteriorated further in April, following a sharp decline in March. The Index now stands at 86.9 (1985=100), down from 118.8 in March. The Present Situation Index – based on consumers' assessment of current business and labor market conditions – also declined considerably, from 166.7 to 76.4. However, the Expectations Index – based on consumers' short-term outlook for income, business and labor market conditions – improved from 86.8 in March to 93.8 this month.

"Consumer confidence weakened significantly in April, driven by a severe deterioration in current conditions," said Lynn Franco, Senior Director of Economic Indicators at The Conference Board. "The 90-point drop in the Present Situation Index, the largest on record, reflects the sharp contraction in economic activity and surge in unemployment claims brought about by the COVID-19 crisis. Consumers' short-term expectations for the economy and labor market improved, likely prompted by the possibility that stay-at-home restrictions will loosen soon, along with a re-opening of the economy. However, consumers were less optimistic about their financial prospects and this could have repercussions for spending as the recovery takes hold. The uncertainty of the economic effects of COVID-19 will likely cause expectations to fluctuate in the months ahead."

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 April 17.

Consumers' appraisal of current conditions declined considerably in April. Those claiming business conditions are "good" decreased from 39.2 percent to 20.8 percent, while those claiming business conditions are "bad" increased from 11.7 percent to 45.2 percent. Consumers' assessment of the job market also eroded significantly from last month. Those saying jobs are "plentiful" decreased from 43.3 percent to 20.0 percent. Those claiming jobs are "hard to get" increased from 13.8 percent to 33.6 percent.

Consumers, however, were somewhat optimistic about the short-term outlook. The percentage of consumers expecting business conditions will improve over the next six months increased from 18.7 percent to 40.0 percent, however those expecting business conditions will worsen also increased, from 16.4 percent to 25.7 percent.

Consumers' outlook for the labor market was mixed. The proportion expecting more jobs rose from 16.9 percent to 41.0 percent, while those anticipating fewer jobs in the months ahead also increased, from 17.6 percent to 20.8 percent. Regarding their short-term income prospects, the percentage of consumers expecting an increase declined from 20.0 percent to 16.7 percent, while the proportion expecting a decrease rose from 10.1 percent to 18.5 percent.

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) Dropped Further in April

11 May. 2020

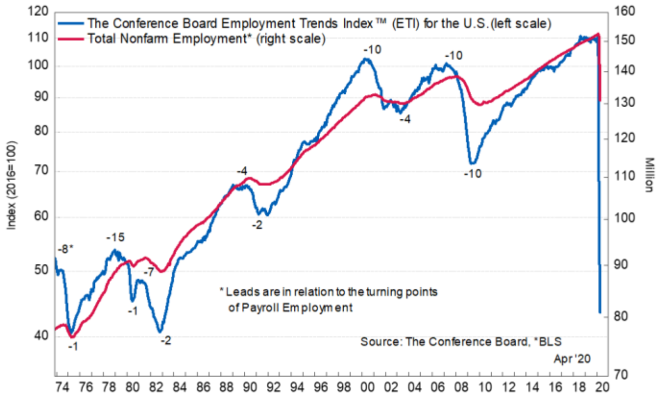
The Conference Board Employment Trends Index™ (ETI) Dropped Further in April
Index declines further as job market deteriorates amid COVID-19

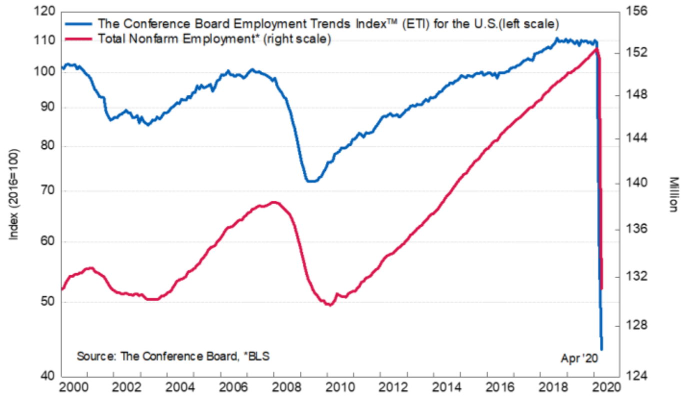
The Conference Board Employment Trends Index™ (ETI) declined further in April, following a sharp decline in March. The index now stands at 43.43, down from 57.87 (a downward revision) in March. The index is down 60.2 percent from a year ago.

"The Employment Trends Index plunged in March and April, with all components of the index moving far into negative territory," said Gad Levanon, Head of The Conference Board Labor Markets Institute. "A decline in jobs of this magnitude is unprecedented. The principal objective of the economy going forward is to accommodate the delicate balance of getting people back to work while minimizing the spread of the virus. Millions of workers in businesses that were shut down will return to work over the coming months as states start to reopen their economies. However, for many companies, massive layoffs will continue in the coming months as they try to adjust to lost revenue with cost cuts. Beginning in May or June, we expect that the number of workers returning to work will be larger than the number being furloughed or laid off. This would mean the unemployment rate will start to decline. At the end of the year, however, the labor market may still be in worse condition than it was at the peak of the Great Recession."

April's decrease was fueled by negative contributions from all eight components. From the largest negative contributor to the smallest, these were: the Ratio of Involuntarily Part-time to All Part-time Workers, the Number of Employees Hired by the Temporary-Help Industry, the Percentage of Respondents Who Say They Find "Jobs Hard to Get," Initial Claims for Unemployment Insurance, Industrial Production, Job Openings, Real Manufacturing and Trade Sales, and the Percentage of Firms With Positions Not Able to Fill Right Now.

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.





For additional information on the Employment Trends Index (ETI) ™, please visit
http://www.conference-board.org/data/eti.cfm

Online Labor Demand Declined in March

13 May 2020

Online Labor Demand Declined Sharply in April

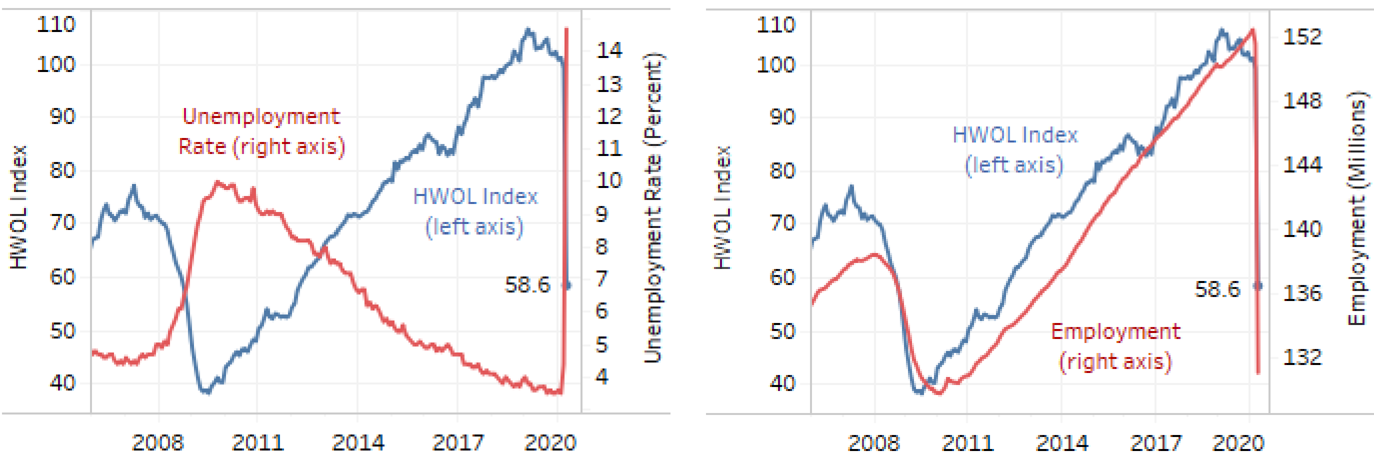
***The Conference Board®-Burning Glass® Help Wanted OnLine™ (HWOL)* Index** fell sharply in April and now stands at 58.6 (July 2018=100), down from 99.4 in March. The Index declined 1.8 percent from February to March and is down 44.6 percent from a year ago.

The Index is based on a model that estimates the number of job openings in the US. The model also includes a measure of online job ads, as well as other key labor market indicators (see program note on page 4). A sharp decline in these labor market indicators resulted in a sharp decline in the index in April.

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 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, April 2020

[July 2018=100]



For additional information on ***Help Wanted OnLine® (HWOL)***, please visit
http://www.conference-board.org/data/helpwantedonline.cfm

GLOBAL LEADING ECONOMIC INDEXES (LEI)

Australia
The Conference Board Leading Economic Index®(LEI) for Australia decreased 0.4 percent in February 2020 to 106.4 (2016=100).

The Conference Board Coincident Economic Index®(CEI) for Australia increased 0.1 percent in February 2020 to 106.8 (2016=100).

Brazil
The Conference Board Leading Economic Index®(LEI) for Brazil, together with Fundação Getulio Vargas (TCB/FGV Brazil LEI), decreased 4.7 percent in March 2020 to 114.5 (2016=100).

The Conference Board Coincident Economic Index®(CEI) for Brazil, together with Fundação Getulio Vargas (TCB/FGV Brazil CEI), declined 0.2 percent in March 2020 to 105.0 (2016=100).

China
The Conference Board Leading Economic Index®(LEI) for China increased 1.4 percent in March 2020 to 156.3 (2016=100).

The Conference Board Coincident Economic Index®(CEI) for China increased 19.5 percent in March 2020 to 114.0 (2016=100).

Euro Area
The Conference Board Leading Economic Index®(LEI) for the Euro Area decreased 2.5 percent in April 2020 to 105.2 (2016=100).

The Conference Board Coincident Economic Index®(CEI) for the Euro Area increased 0.9 percent in April 2020 to 104.8 (2016=100).

France
The Conference Board Leading Economic Index®(LEI) for France decreased 0.3 percent in February 2020 to 105.0 (2016=100).

The Conference Board Coincident Economic Index®(CEI) for France increased 0.2 percent in February 2020 to 105.9 (2016=100).

Germany
The Conference Board Leading Economic Index®(LEI) for Germany decreased 2.7 percent in March 2020 to 95.5 (2016=100).

The Conference Board Coincident Economic Index®(CEI) for Germany decreased 1.5 percent in March 2020 to 102.4 (2016=100).

Global LEI
The Conference Board Leading Economic Index® (LEI) for the global economy decreased 0.4 percent in February 2020 to 116.5 (2016=100).

The Conference Board Coincident Economic Index® (CEI) for the global economy decreased 0.9 percent in February 2020 to 104.7 (2016=100).

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India

The Conference Board Leading Economic Index®(LEI) for India decreased 3.6 percent in March 2020 to 116.1 (2016=100).

The Conference Board Coincident Economic Index®(CEI) for India decreased 13.7 percent in March 2020 to 97.4 (2016=100).

Japan

The Conference Board Leading Economic Index®(LEI) for Japan decreased 1.1 percent in March 2020 to 88.9 (2016=100).

The Conference Board Coincident Economic Index®(CEI) for Japan declined 0.5 percent in March 2020 to 100.8 (2016=100).

South Korea

The Conference Board Leading Economic Index®(LEI) for South Korea decreased 0.3 percent in March 2020 to 104.0 (2016=100).

The Conference Board Coincident Economic Index®(CEI) for South Korea decreased 1.7 percent in March 2020 to 101.3 (2016=100).

Mexico

The Conference Board Leading Economic Index®(LEI) for Mexico was unchanged in February 2020 at 102.8 (2016=100).

The Conference Board Coincident Economic Index®(CEI) for Mexico increased 0.2 percent in February 2020 to 106.3 (2016=100).

Spain

The Conference Board Leading Economic Index®(LEI) for Spain decreased 2.0 percent in March 2020 to 98.7 (2016=100).

The Conference Board Coincident Economic Index®(CEI) for Spain decreased 1.8 percent in March 2020 to 101.8 (2016=100).

United Kingdom

The Conference Board Leading Economic Index®(LEI) for the U.K. decreased 0.1 percent in February 2020 to 90.8 (2016=100).

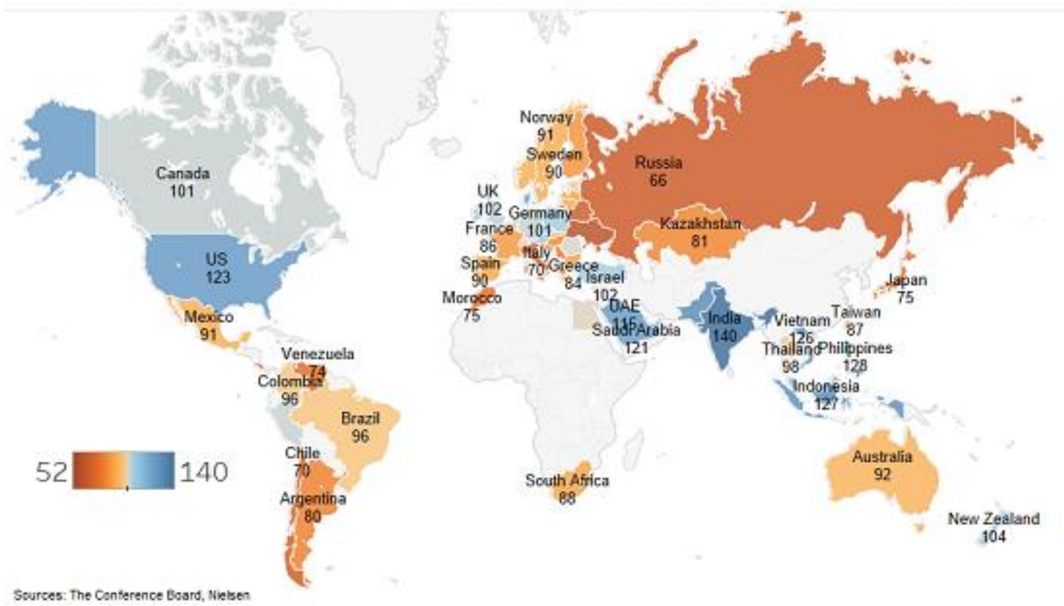
The Conference Board Coincident Economic Index®(CEI) for the U.K. was unchanged in February 2020 at 104.6 (2016=100).

The Conference Board® **Global Consumer Confidence Index**
(*released on April 16, 2020*)

GIlobally, Consumers Were Confident in Early 2020, But COVID-19 is Rapidly Eroding Confidence

Depth of the Fall – and the Recovery from It – Will Vary By Country

GLOBAL CONSUMER CONFIDENCE INDEX, 2020 Q1: 106



Despite a dip, overall global consumer confidence stood at a near-record high through mid-February. In the first quarter of 2020, the Index decreased slightly to 106 from a historic high of 107*. A reading above 100 is considered positive, indicating that there were slightly more optimistic consumers than pessimistic ones globally. As the survey was conducted in the first half of February, the Index does not reflect the global spread of the virus since March.

"Obviously, the reading for the early stages of Q1 does not reflect the huge impact of the global pandemic on consumer confidence," said Bart van Ark, Chief Economist of The Conference Board. "Strong labor markets and solid household balance sheets in many markets may have cushioned some of the initial blow to consumers. However, as we have also reviewed more recent metrics, including *The Conference Board Consumer Confidence Index®* for the US, which point at very rapid declines in March, it is unlikely that earlier strengths can offset the bigger impacts as the crisis evolves."

Source: January 2020 ***Global Consumer Confidence Survey***

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

CEO Confidence Declines Sharply

09 Apr. 2020

Amid the fallout from COVID-19, confidence among US CEOs has declined sharply. The Conference Board ***Measure of CEO Confidence™*** decreased from 43 in the fourth quarter of 2019 to 36 in the first quarter of 2020. In addition, a follow-up survey from late March to early April showed a further decline to 34. (A reading of more than 50 points reflects more positive than negative responses).

“In late March, CEO Confidence declined to levels not seen since the height of the Great Recession. The sharp fall was driven by a dramatic deterioration in sentiment about the current state of the economy,” said Lynn Franco, Senior Director of Economic Indicators and Surveys at The Conference Board. “So it comes as no surprise that more than 80 percent of these executives said COVID-19 has substantially impacted their business.”

“Despite the overall decline in confidence and negativity about the present situation, by early April CEOs felt less pessimistic about the short-term outlook,” said Bart van Ark, Chief Economist at The Conference Board. “This suggests that while CEOs see brighter days ahead, they also expect to experience major consequences from the current crisis. For example, workers, profits, sales, and investment activity will all take a hit, and such impacts could endure post-crisis.”

A Stark Shift in Sentiment

The Conference Board surveyed CEOs during two timeframes. A comparison reveals a striking shift in attitudes:

CEOs’ pessimism soars: the current state of the economy and their own industry

- **Mid-February to mid-March:** More than 70 percent of participating CEOs said the state of the economy had deteriorated compared to six months ago. And 55 percent said the state of their own industry had deteriorated compared to six months ago.
- **Late March to early April:** By this point in time the economy had further deteriorated.As such, 97 percent of CEOs said conditions had deteriorated and were significantly worse than they were six months ago. And 92 percent said the same about the outlook for their own industry.
- **Why the increased pessimism?** On March 26th the Department of Labor reported that in one week alone, 3.3 million Americans filed for unemployment insurance. In addition, by late March several states had already begun enacting various social distancing measures. Also, there were abundant signs showing a severe pullback in consumer spending.

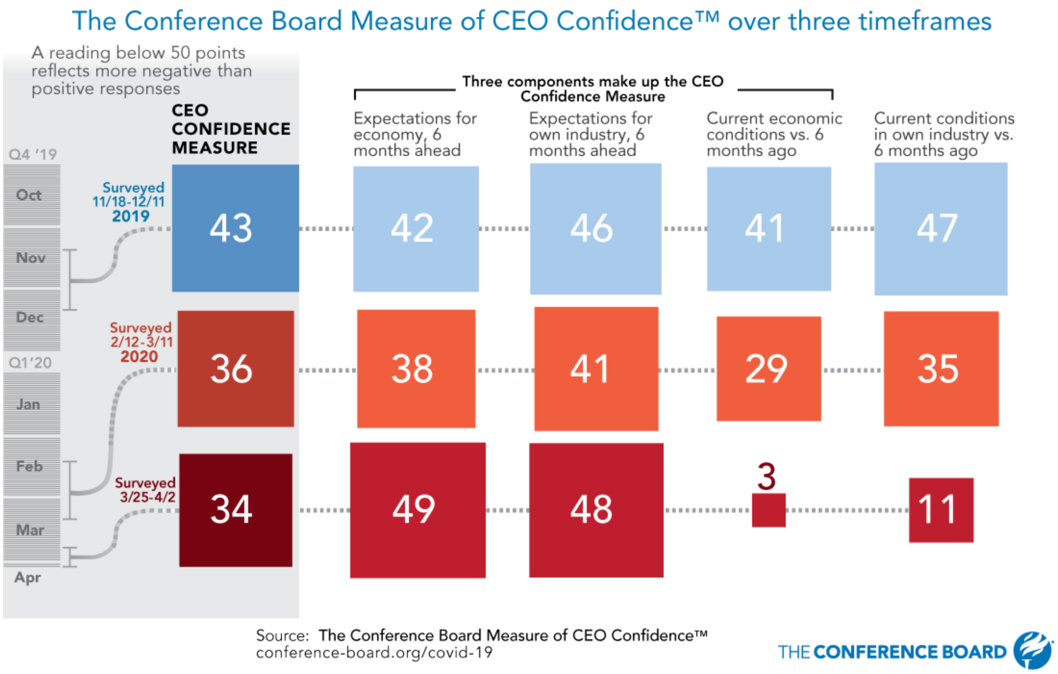
CEOs’ outlook improves: the future of the economy and their own industry

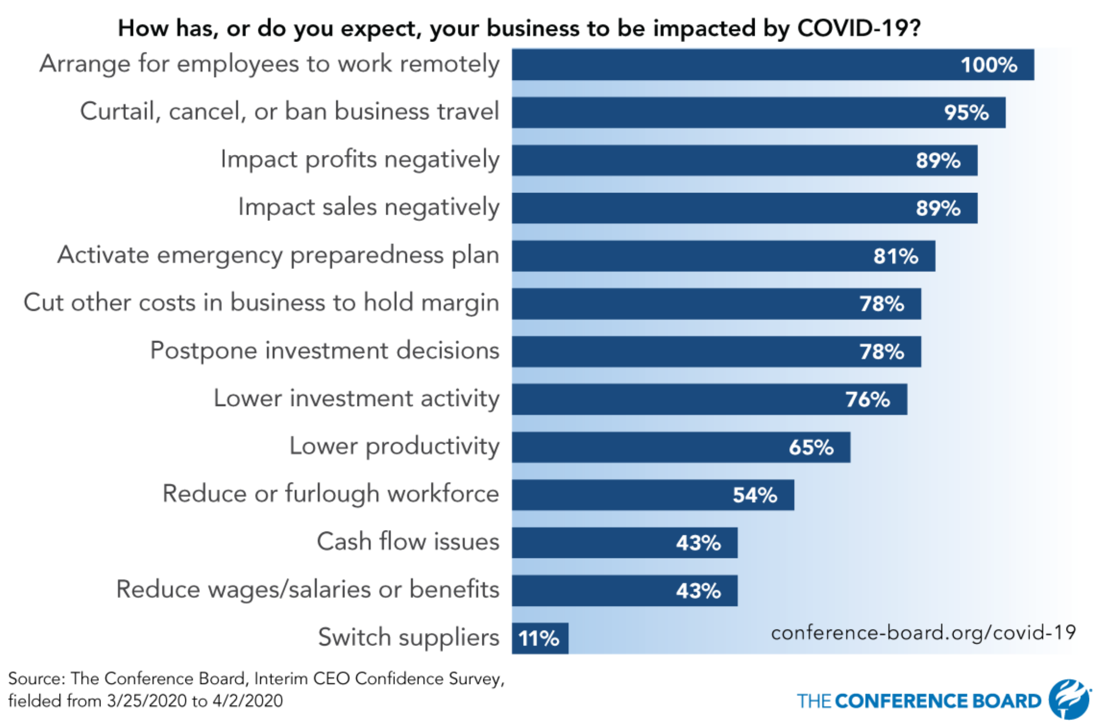
- **Mid-February to mid-March:** Only about a quarter of CEOs felt that both the economy and their own industry would be better six months down the road.
- **Late March to early April:** By this time, sentiment started to shift. Now, about half of CEOs foresee the economy and their industry improving six months from now.
- **Why the increased optimism?** A more positive outlook is likely due to CEOs having had more time to digest the consequences of the economic fallout and develop plans for responding to it. In addition, both the Federal Reserve and US Congress had enacted measures to help prop up credit markets, the economy, businesses, and consumers.

How COVID-19 is impacting companies, and how CEOs are responding

The CEOs who responded in late March and early April also weighed in on the business impacts of COVID-19, along with how they are reacting. More than 80 percent said their business has been, or will be, substantially impacted by COVID-19.

The CEO Confidence Survey was fielded from mid-November to mid-December





Source: CEO Confidence Survey Fourth Quarter 2019 / The Conference Board

For additional information on the CEO Confidence, please visit
http://www.conference-board.org/data/ceoconfidence.cfm

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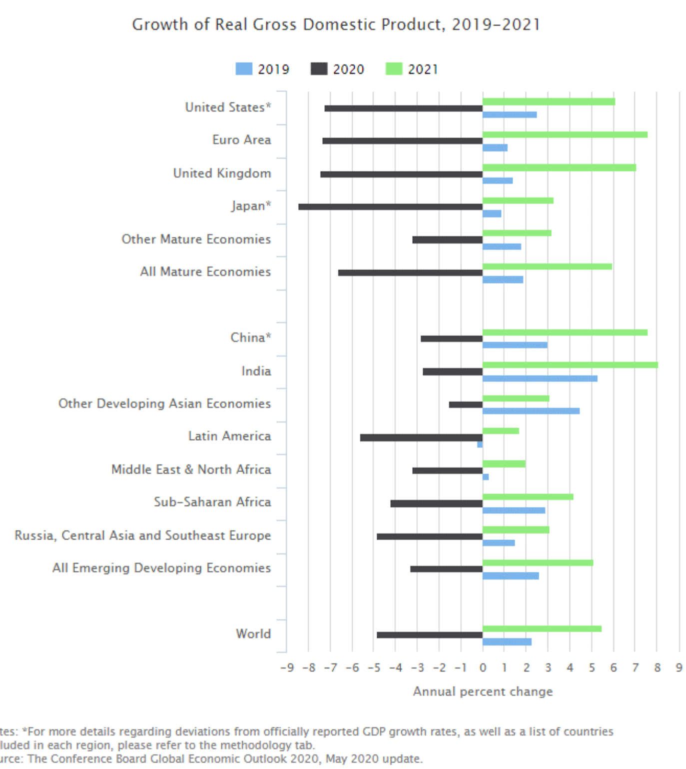
An unprecedented drop in global GDP sets the stage for a slow and uneven recovery

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 -4.8 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.

View this infographic from the October 2019 release for a visual overview.



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** *output per worker* was 1.9 percent in 2018, compared to 2 percent in 2017 and projected to return to 2 percent growth in 2019. The latest estimates extend the downward trend in global labor productivity growth from an average annual rate of 2.9 percent between 2000-2007 to 2.3 percent between 2010-2017. The results also indicate that long-awaited productivity effects from digital transformation are still too small to see reflected in a lasting improvement at the macroeconomic level.
    - *Global total factor productivity* growth which takes account of investment in capital and labor force skills and provides a more accurate picture of the overall efficiency by which capital, labor, and skills are combined in the production process, turned negative again at -0.1 percent in 2018, down from a small increase of 0.2 percent in 2017. The stagnation in total factor productivity growth rates over the past decade, which was continued in 2018, is of great concern from a medium-term growth perspective. This means that the modest growth in labor productivity that still is being realized is mostly driven by the accumulation of physical capital, rather than efficiency gains or innovations.
- Among **mature economies**, the productivity slowdown in the past decade has been dramatic, as growth rates of *output per hour* halved from an average annual rate of 2.3 percent in the period 2000-2007 to 1.2 percent from 2010-2017. Productivity growth further slowed to 0.8 percent in 2018, showing a small projected improvement to 1.1 percent in 2019. When taking a longer-term perspective, the decline in productivity growth rates in mature economies seems to have bottomed out in recent years. However, after improving significantly in 2017, *total factor productivity* growth rates in mature economies returned to below the average 2010-2017 rates in 2018.
- **Emerging markets** still have a substantial productivity growth advantage over mature economies. Taken together all emerging and developing economies saw an increase in *output per worker* at 2.6 percent in 2018, compared to 1 percent on average for the mature economies. However, overall productivity growth rates in emerging markets have also slowed since 2010, and this downward trajectory will continue for the time being. Emerging markets have lost much of their productivity catch-up potential in the past decade. For the largest eight emerging markets (Brazil, China, India, Indonesia, Mexico, Russia, South Africa and Turkey) combined, *output per worker* growth slowed from 5.5 percent between 2000-2007 to 4.4 percent between 2010-2017, a trend which has been exacerbated recently to only 3.5 percent. *Total factor productivity* growth even evaporated completely since 2010, though this is far a large part driven by China.

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