GlobalResearch
Center for Research on Globalization

Historic Collapse of US Economy: Real GDP Registers Biggest Quarterly Slump in Last 70 Years at 32.9%

By Justinas Baltrusaitis
Global Research, August 17, 2020
BuySharesco.uk

Region: USA
Theme: Global Economy

The United States economy has been growing steadily over the last few years as indicated by the real Gross Domestic Product figures. However, the coronavirus health crisis has plunged the economy to the worst levels in about seven decades.

Data presented by Buy Shares indicates that the United States' real GDP dropped by 32.9% in the second quarter of 2020. The drop initiated due to the pandemic is the worst since the second quarter of 1947 [when data collection started]. Notable drops were recorded in Q1 1958 by 10%. During Q2 of 1980, there was also a major drop of 8%. During the recession at the end of Q4 2008, the real GDP declined by 8.4%.

The Buy Shares research also overviewed the real US GDP figures between 2010 and Q2 2020. The highest GDP was recorded in 2019 at $19.09 trillion but slightly dropped to $19.01 trillion in the first quarter of this year. By Q2 2020, the real GDP dropped by 9.5% to about $17.2 trillion. Over the last ten years, the lowest GDP was recorded in 2010 at $15.59 trillion, in a period when the country was recovering from the recession.

Covid-19 impact on the US economy

The decline in the US real GDP is a clear indicator of how the coronavirus pandemic has taken a toll on the country's economy which has been growing steadily in the last five years. The drop means that consumers had to cut spending with businesses freezing investment while at the same time the global trade activity has slowed down. The pandemic led to widespread joblessness, with many businesses closing down. The pandemic affected different key sectors like triggering a collapse in oil prices with most Americans staying at home while avoiding commuting.

For economists, positive GDP growth every year gives a picture of how the economy is flourishing. Elsewhere, with negative growth, economists view it as a recession or the economy is staring at a recession or downturn. For investors, the GDP is important as it gives a clear picture of the stock market. When the GDP is undergoing negative growth, the stock market is heavily impacted. In the US, the stock market crashed in the middle of the pandemic but tech entities are lead.

Notably, the drop could have been worse if the government had not pumped trillions into the economy to support individuals and businesses. The recovery process for the economy might not be in sight considering that the country is yet to fully contain the health crisis. With some states imposing new measures like lockdowns, consumer spending might be slowed again. Additionally, the government support for businesses and individuals might come to an end soon.

The US economic recovery path

As the country continues to ponder on the best recovery path, there is increased pressure on both White House and Congress to agree on a second stimulus package with President Donald Trump stating that he was in no hurry. At the same time, a section of Republicans argues that the jobless benefits are discouraging some of the unemployed from looking for work.

According to economists, the US economy witnessed some bounce back around May and June but the pandemic economic shock inflicted so much damage in earlier months with the impact being felt in the later months. At the end of July, the United States' much-anticipated rebound appeared to be stalling with about 1.4 million Americans filing for unemployment in the last week of the month. Notably, the International Monetary Fund also already predicted the global economy will fall at the end of this year.

At the moment, the general coronavirus outbreak path is not yet unknown. With different infection waves and lockdowns could cast doubt on the recovery path. However, a medical breakthrough in terms of getting a vaccine might turntable by resulting in extensive normalization of the economy.

The known assumption is that once the pandemic gradually eases, and easing of lockdowns the economy globally will embark on recovery on its own. Therefore, long term economic projection might look positive compared to the current situation.

*

Note to readers: please click the share buttons above or below. Forward this article to your email lists. Crosspost on your blog site, internet forums. etc.

Justin is an editor, writer, and a downhill fan. He spent many years writing about banking, finances, blockchain, and digital assets-related news. He strives to serve the untold stories for the readers.

Featured image is from BuyShares.co.uk