

Economists at IHS Markit downgraded their economic forecast to a deep recession.

Please consider [COVID-19 Recession to be Deeper Than That of 2008-2009](#)

Our interim global forecast is the second prepared in March and is much more pessimistic than our 17 March regularly scheduled outlook. It is based on major downgrades to forecasts of the US economy and oil prices. The risks remain overwhelmingly on the downside and further downgrades are almost assured.

IHS Markit now believes the COVID-19 recession will be deeper than the one following the global financial crisis in 2008-09. Real world GDP should plunge 2.8% in 2020 compared with a drop of 1.7% in 2009. Many key economies will see double-digit declines (at annualized rates) in the second quarter, with the contraction continuing into the third quarter.

It will likely take two to three years for most economies to return to their pre-pandemic levels of output. More troubling is the likelihood that, because of the negative effects of the uncertainty associated with the virus on capital spending, the path of potential GDP will be lower than before. This happened in the wake of the global financial crisis.

Six Key Points

1. *Based on recent data and developments, IHS Markit has slashed the US 2020 forecast to a contraction of 5.4%.*
2. *Because of the deep US recession and collapsing oil prices, IHS Markit expects Canada's economy to contract 3.3% this year, before seeing a modest recovery in 2021.*
3. *Europe, where the number of cases continues to grow rapidly and lockdowns are pervasive, will see some of the worst recessions in the developed world, with 2020 real GDP drops of approximately 4.5% in the eurozone and UK economies. Italy faces a decline of 6% or more. The peak GDP contractions expected in the second quarter of 2020 will far exceed those at the height of the global financial crisis.*
4. *Japan was already in recession, before the pandemic. The postponement of the summer Tokyo Olympics will make the downturn even deeper. IHS Markit expects a real GDP contraction of 2.5% this year and a very weak recovery next year.*
5. *China's economic activity is expected to have plummeted at a near-double-digit rate in the first quarter. It will then recover sooner than other countries, where the spread of the virus has occurred later. IHS Markit predicts growth of just 2.0% in 2020, followed by a stronger-than-average rebound in 2021, because of its earlier recovery from the pandemic.*
6. *Emerging markets growth will also be hammered. Not only are infection rates rising rapidly in key economies, such as India, but the combination of the deepest global recession since the 1930s, plunging commodity prices, and depreciating currencies (compounding already dangerous debt burdens) will push many of these economies to the breaking point.*



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No V-Shaped Recovery

With that, Markit came around to my point of view all along. Those expecting a V-shaped recovery are sadly mistaken.

I have been amused by Goldman Sachs and Morgan Stanley predictions of a strong rebound in the third quarter.

For example [Goldman Projects a Catastrophic GDP Decline Worse than Great Depression](#) followed by a fantasyland recovery.

- **Other GDP Estimates**
- **Delusional Forecast**
- **Advice Ignored by Trump**
- **Fast Rebound Fantasies**

I do not get these fast rebound fantasies, and neither does Jim Bianco. He retweeted a Goldman Sachs estimate which is not the same as endorsing it.

I do not know how deep this gets, but the rebound will not be quick, no matter what.

Fictional Reserve Lending

Please note that [Fictional Reserve Lending Is the New Official Policy](#)

The Fed officially cut reserve requirements of banks to zero in a desperate attempt to spur lending.

It won't help. As I explain, bank reserves were effectively zero long ago.

US Output Drops at Fastest Rate in a Decade

Meanwhile [US Output Drops at Fastest Rate in a Decade](#)

In Europe, we see [Largest Collapse in Eurozone Business Activity Ever](#).

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Lies From China

If you believe the lies (I don't), China is allegedly recovered.

OK, precisely who will China be delivering the goods to? Demand in the US, Eurozone, and rest of the world has collapse.

We have gone from praying China will soon start delivering goods to not wanting them even if China can produce them.

Nothing is Working Now: What's Next for America?

On March 23, I wrote [Nothing is Working Now: What's Next for America?](#)

I noted 20 "*What's Next?*" things.

It's a list of projections from an excellent must see video presentation by Jim Bianco. I added my own thoughts on the key points.

The bottom line is don't expect a v-shaped recovery. We will not return to the old way of doing business.

Globalization is not over, but the rush to globalize everything is. This will impact earnings for years to come.

Finally, stimulus checks are on the way, but there will be no quick return to buying cars, eating out, or traveling as much.

Boomers who felt they finally had enough retirement money just had a quarter of it or more wiped out.

It will take a long time, if ever, for the same sentiment to return. Spending will not recover. Boomers will die first, and they are the ones with the most money.



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