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DODGE DATA & ANALYTICS
See Ahead Think Ahead Stay Ahead

Today's update marks the third time in as many weeks where we've provided an updated macroeconomic forecast. This stands as a testament to how rapidly the situation is evolving, and how unique this crisis is.

We feel, however, that last week's passage of the $2 trillion fiscal package (about 9% of GDP) combined with the substantial monetary policy response from the Federal Reserve provides additional clarity and a somewhat more stable platform with which to gauge the trajectory of economic growth.

The fiscal package alone is extensive, including:

- $301 billion in direct payments to individuals,
- $250 billion in additional unemployment insurance benefits,
- $500 billion in direct support to industries, and
- $377 billion for the Small Business Administration.

From a construction standpoint, billions of dollars could be directed to the industry through additions to the Airport Improvement Program as well as through transit infrastructure grants. There does appear, however, to be a large amount of leeway in how states and local areas use the infusion to offset revenue losses and/or cover operating expenses. The Department of Defense has been allocated $1.5 billion to expand military health facilities and field hospitals and the Veterans Affairs (VA) facilities will receive $750 million. Grants of $1.5 billion will go to states and local areas, which in the past have been used for infrastructure.

It will be months until economic data captures the full effect of the crisis, but last week marked the first COVID-19 related data point for the labor market. For the week ending March 21, initial filings for unemployment climbed to 3.3 million — a record high.

The abruptness of this sudden stop in the economy likely means that first quarter GDP will contract, in our estimation, by 2.5% (annualized). The contraction in the second quarter will be even more stark with an annualized decline of 18.3%.

From there, the economy will start to see daylight as the full weight of the fiscal package as well as a declining number of new COVID-19 cases allow growth to rebound sharply with an annualized increase of nearly 11% in the third quarter and 2.5% annualized in the fourth.

For 2020, the economy will contract by 2.2%, but will then accelerate to 2.7% in 2021 and closer to 5% in 2022.

As economists, not epidemiologists, our assumptions are close to the administration's: new infections will peak in May and abate by July, with 3-8 million Americans ultimately infected. Built into our assumptions are additional fiscal policy measures (likely in the fourth quarter) aimed at providing further relief and funds to support the restart of economic growth.

For the construction industry, Dodge continues to work through the ramifications of the above assumptions. For the three weeks ending March 29, new projects entering the earliest stages of planning in the Dodge Data & Analytics database appeared to be statistically normal in most areas of the country. But it is still very early in the crisis. We will be releasing our leading indicator for construction — the Dodge Momentum Index — earlier than normal on April 2 covering planning data for March. You can sign up for this free newsletter at **https://www.construction.com/newsletter-subscriptions** .

There are additional COVID-19 related resources on our website (**https://www.construction.com/toolkit**) including news stories and a bidding tracker, which as of March 26 shows that there are almost 18,000 public construction opportunities actively bidding.

Finally, on April 9 at 2pm, Dodge will host a webinar where I'll share our updated starts forecast as well as additional research related to the crisis. You can register by following this link **https://register.gotowebinar.com/register/5786328780931662093**. This webinar is free for customers, so if you have not received your discount code please contact your account representative.

If you have any questions, please email **econ.questions@construction.com**.

I hope that you and your family remain safe and healthy,

Richard Branch
Chief Economist