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ACCOUNTING & AUDIT

Covid Causes Economy to Shrink by 32.9% in Second Quarter

Gross domestic product shrank 9.5% in the second quarter from the first, a drop that equals an annualized pace of 32.9%, the Commerce Department's initial estimate showed on Thursday. That's the steepest annualized decline in quarterly records dating ...

Jul. 30, 2020



The U.S. economy suffered its sharpest downturn since at least the 1940s in the second quarter, highlighting how the pandemic has ravaged businesses across the country and left millions of Americans out of work.

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“The decline in second quarter GDP reflected the response to Covid-19, as ‘stay-at-home’ orders issued in March and April were partially lifted in some areas of the country in May and June, and government pandemic assistance payments were distributed to households and businesses,” the Bureau of Economic Analysis said in the release.

The figures lay bare the extent of the economic devastation that resulted from the government-ordered shutdowns and stay-at-home orders designed to slow the spread of the novel coronavirus that abruptly brought a halt to the longest-running expansion. While employment, spending and production have improved since reopenings picked up in May and massive federal stimulus reached Americans, a recent surge in infections has tempered the pace of the recovery.

That surge, the result of America's failure to contain the virus, indicates that the U.S. economy is likely to recover more slowly than places that have done a better job, such as the euro area. And the longer the pandemic lasts without a vaccine, the longer economic output will remain below pre-crisis levels, leaving permanent scars on many businesses and workers.

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