

Macroeconomic Outlook

United States

January 14, 2021

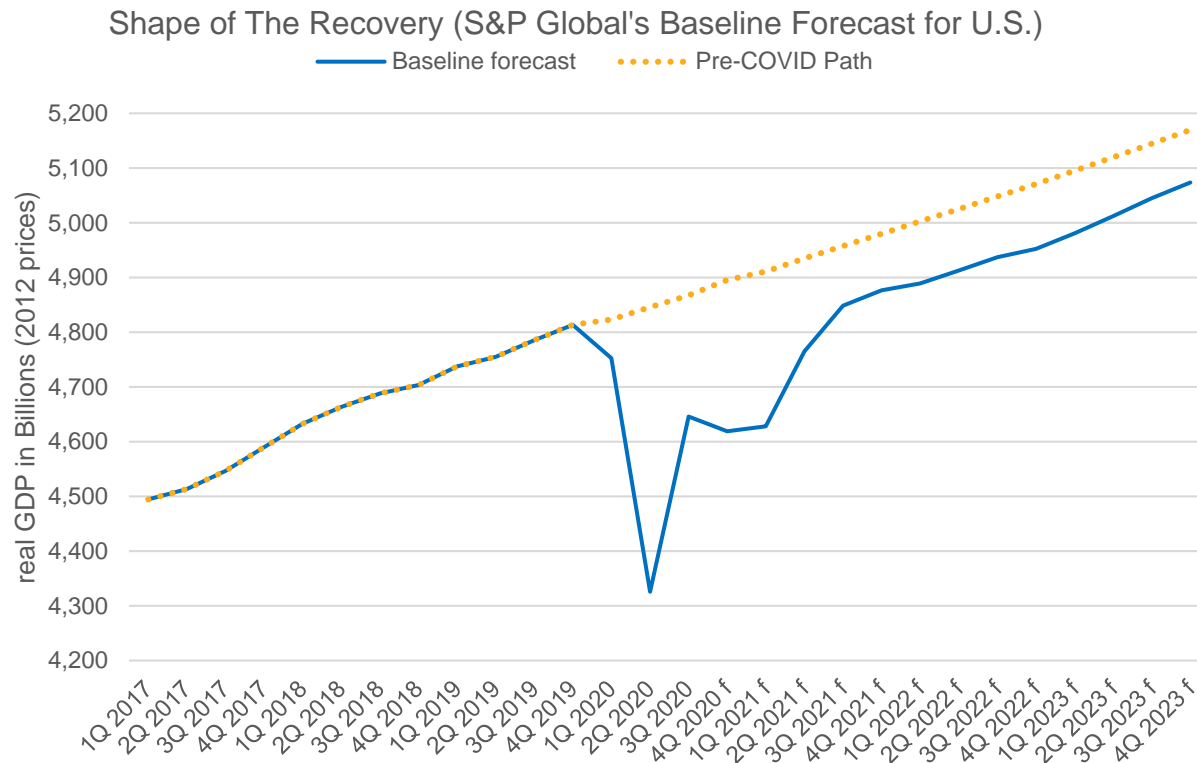
Satyam Panday

Senior Economist, US and Canada

S&P Global
Ratings

Slow Climb Out Of The U.S. Hole

Evolution of Real U.S. GDP

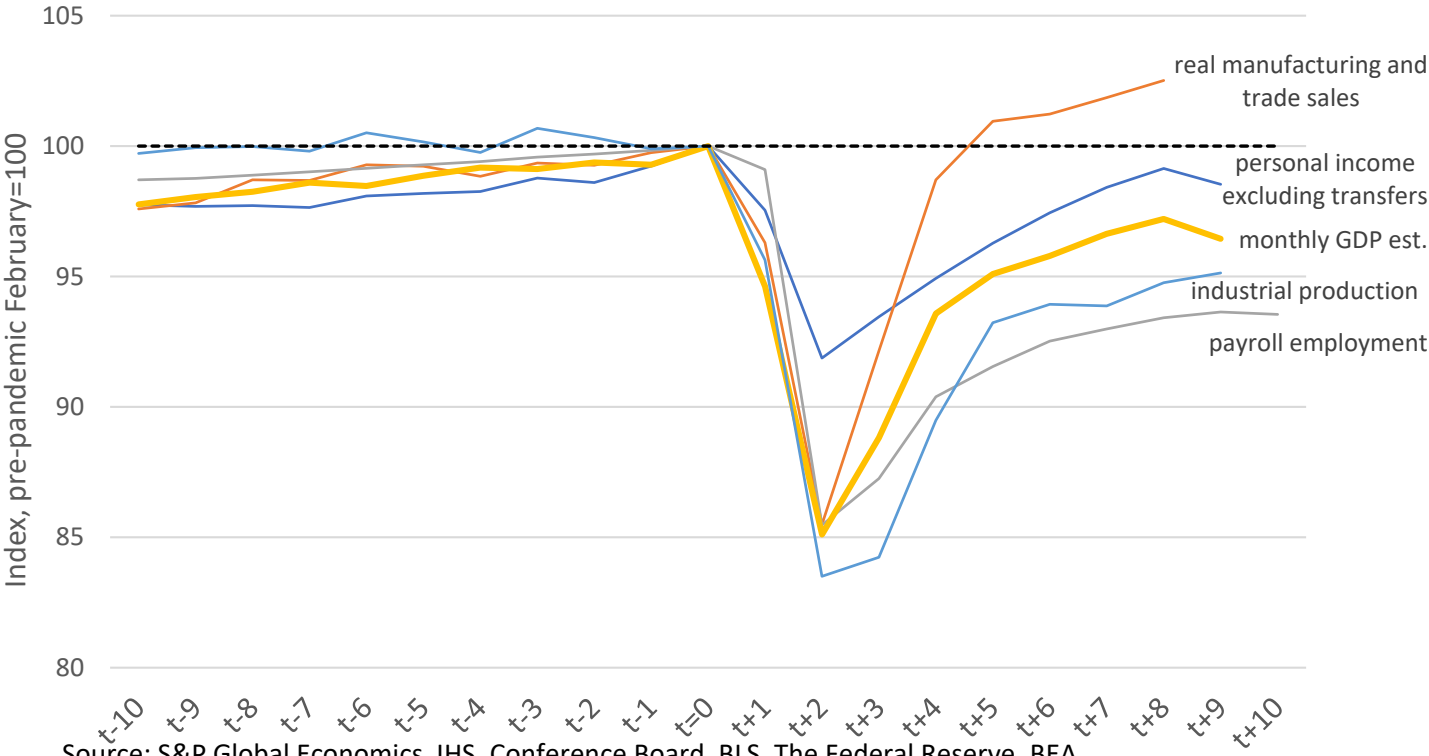


Source: S&P Global Ratings, Oxford Economics, Bureau of Economic Analysis
Note: Pre-covid path shows Dec 2019 forecasts. S&P Global forecasts from Q4 2020 onwards.

- **End of the cycle.** The longest economic expansion in U.S. history killed by COVID-19. We forecast GDP will rise by 4.2% in 2021 and 3% in 2022. We won't reach pre-crisis GDP levels until 3Q 2021.
- **Unemployment:** Remains elevated, particularly in sectors like leisure & hospitality, restaurants, and retail. We do not expect the unemployment rate to reach its pre-crisis lows until sometime in 2024.
- **Key Risks In Downside Scenario:** Distribution of COVID-19 vaccine, completion of new fiscal stimulus, increasing trade tensions with China. Downside scenario results in GDP not back to pre-crisis levels until 2Q 2022. Unemployment well above pre-crisis levels in 2024.
- **Potential Upside Scenario:** Democrat-led Congress could provide a clearer path to additional stimulus, increased infrastructure spending.

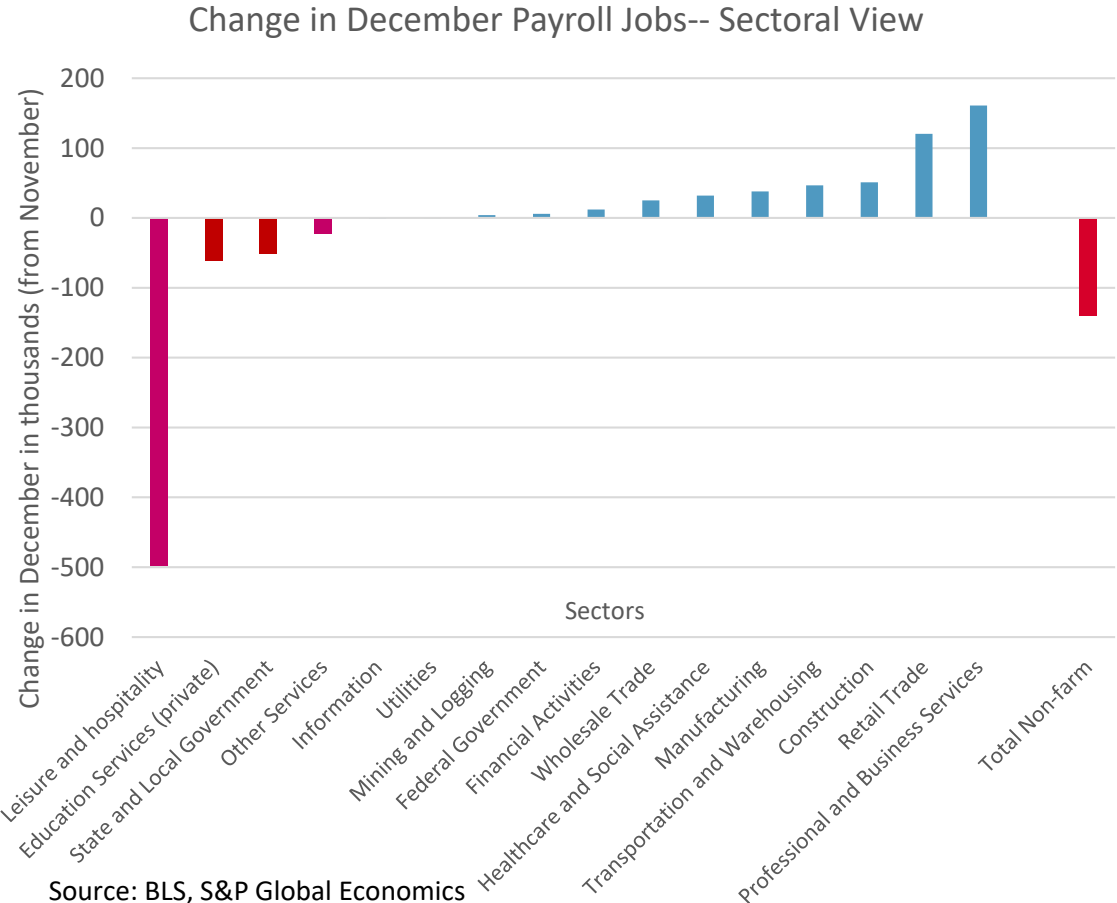
Contours of the **Current Recovery**

Key Co-incident indicators

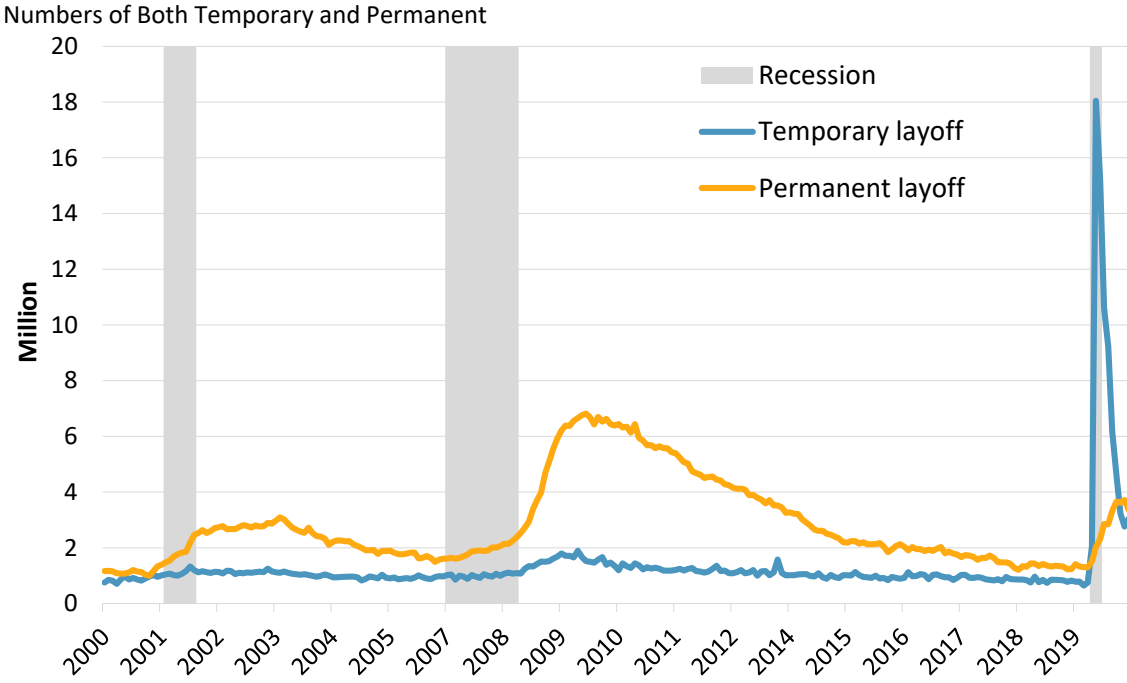


- **Goods vs Services Dynamic:** Different from previous business cycle downturns
 - **Spending in Goods** (36% of consumer spending) Recovered
 - **Spending in Services** (64% of consumer spending) Yet to recover completely
 - affected by stop-go pattern of virus economy

Labor Market Saw A Reversal In December With the Rise in Virus Cases and Local Restrictions



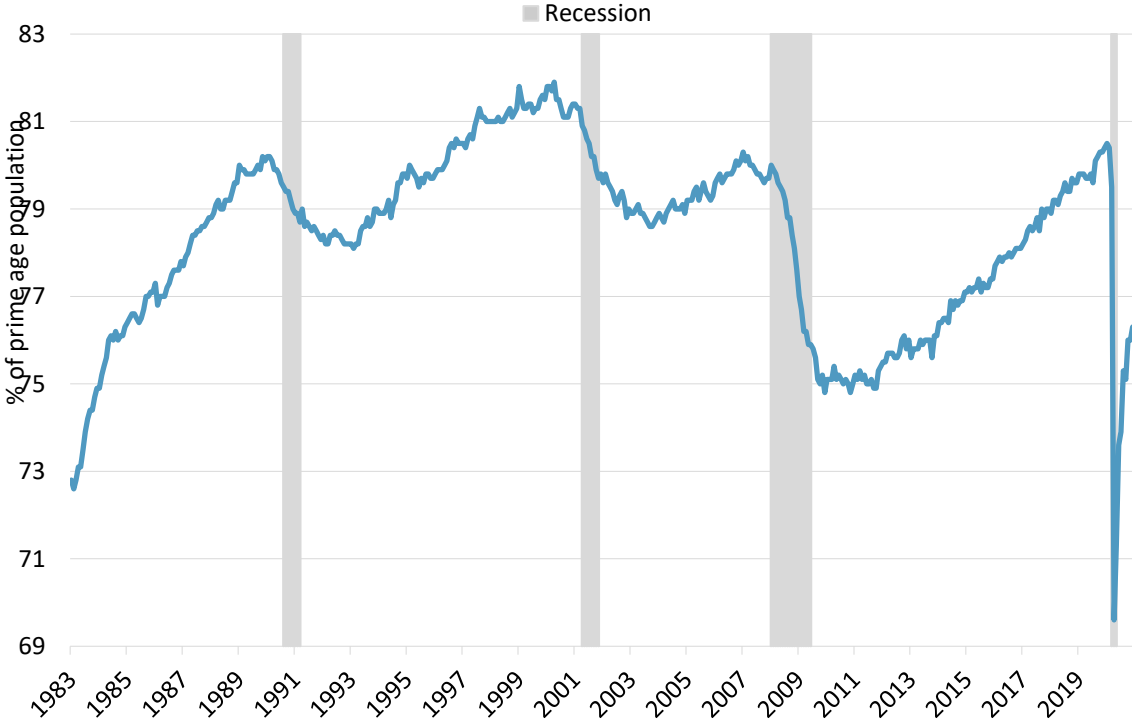
Permanent Layoff Vs Temporary Layoff



Source: S&P Global Ratings, Bureau of Labor Statistics, S&P Global Economics, Data as of December 2020
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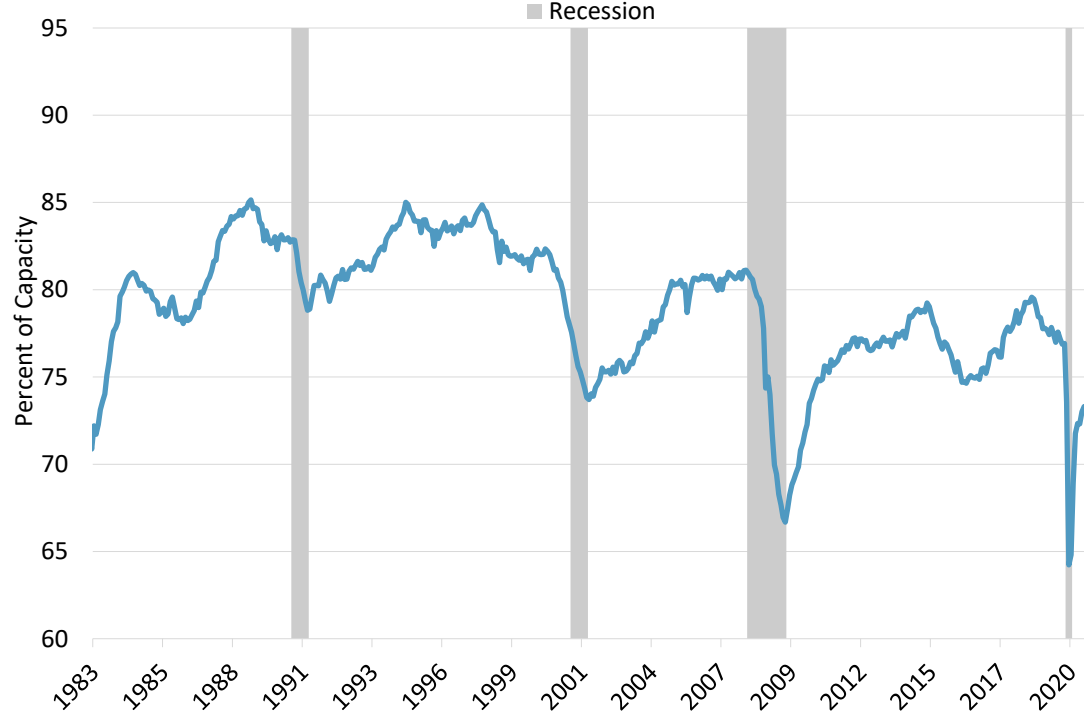
Resource Utilization Running Well Below Normal

Employment-To-Population Ratio: Prime Age (25 - 54 years)



Source: Bureau of Labor Statistics. Data through December 2020
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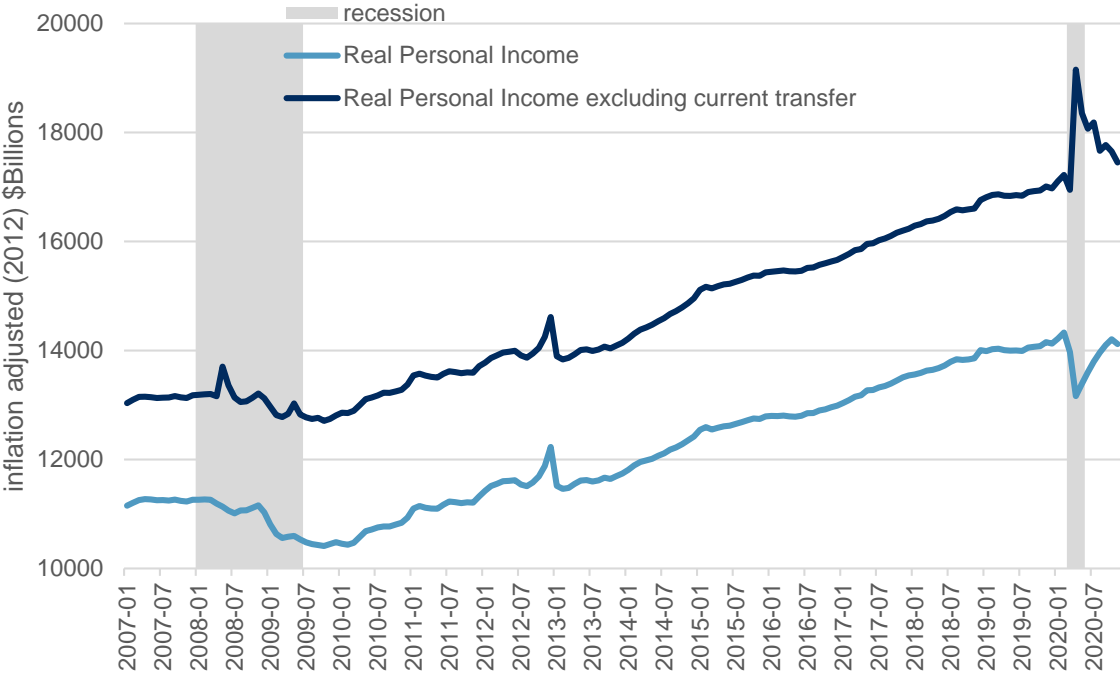
Industrial Capacity Utilization



Source: Board of Governors of the Federal Reserve System, S&P Global Economics, Data through November 2020.
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Unprecedented **Fiscal Support** To Households

Income support by the government helped household balance sheets



Source: St.Louis FRED, S&P Global Economics

Percent Change in All Consumer Spending*

In the United States, as of December 06 2020, total spending by all consumers decreased by 1.7% compared to January 2020.

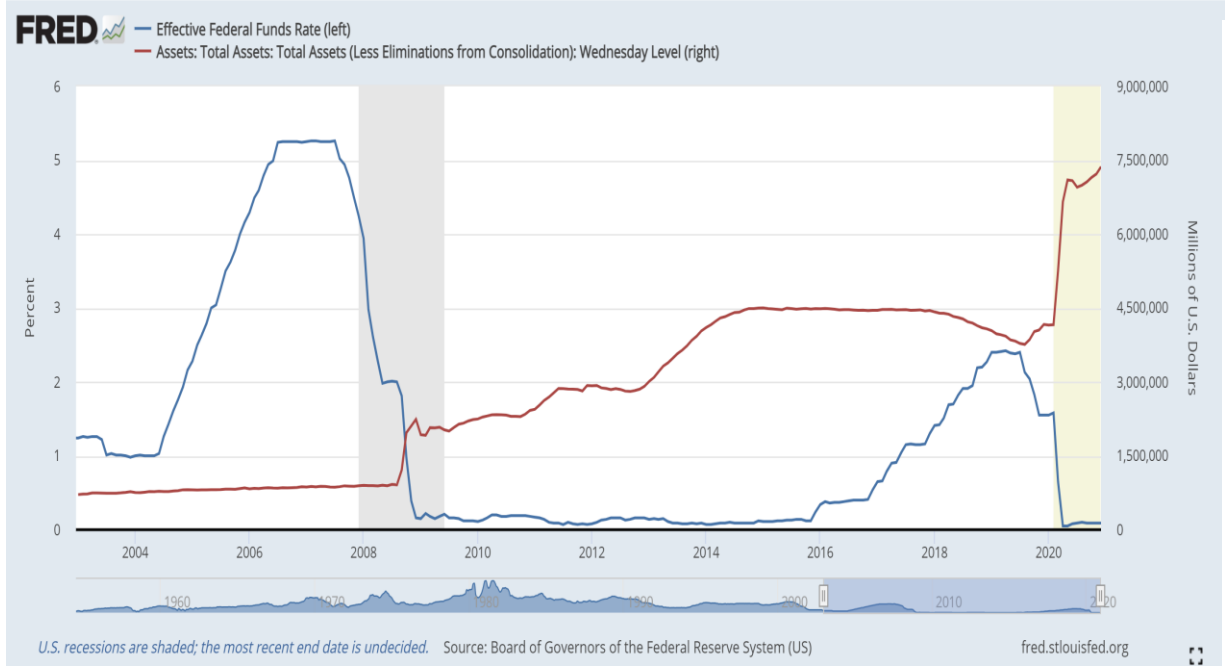


*Change in average consumer credit and debit card spending, indexed to January 4-31, 2020 and seasonally adjusted. The dashed segment of the line is provisional data, which may be subject to non-negligible revisions as newer data is posted. This series is based on data from Affinity Solutions.

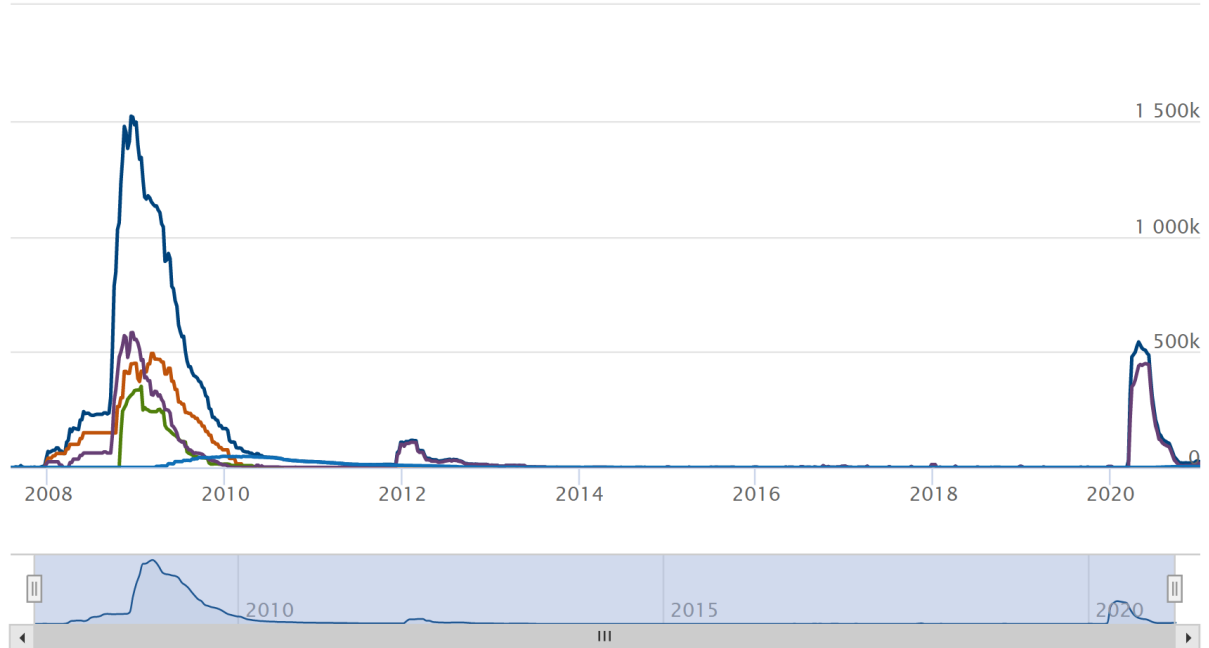
last updated: December 15, 2020 next update expected: January 13, 2021

Monetary Policy Accommodation

Policy Rate and QE

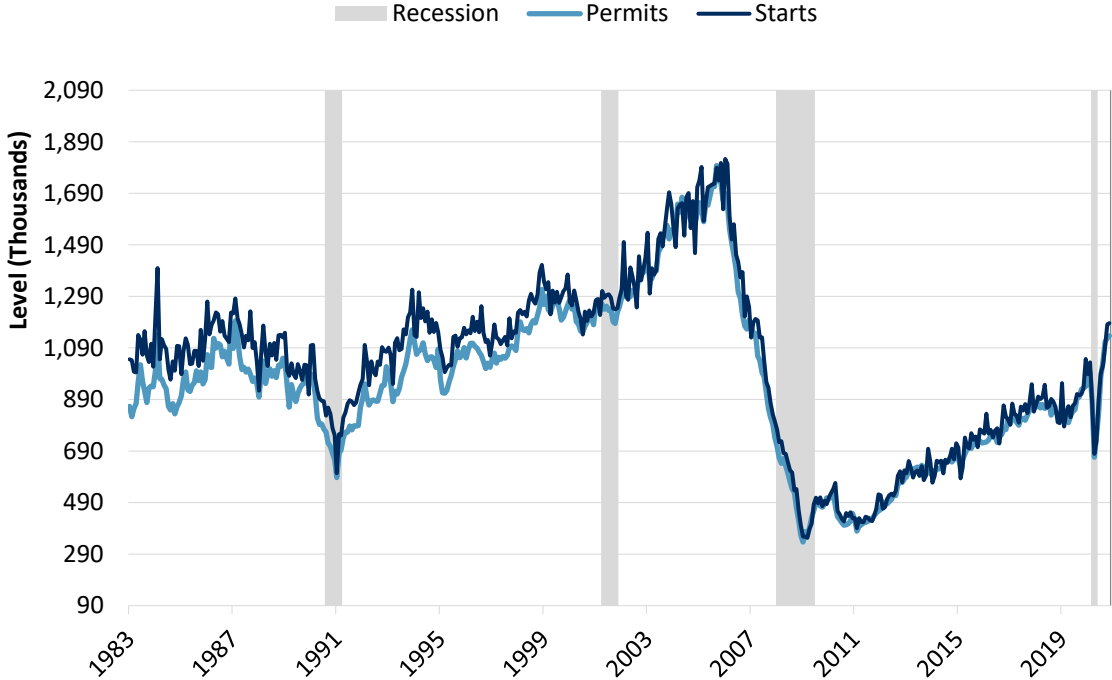


Emergency Programs



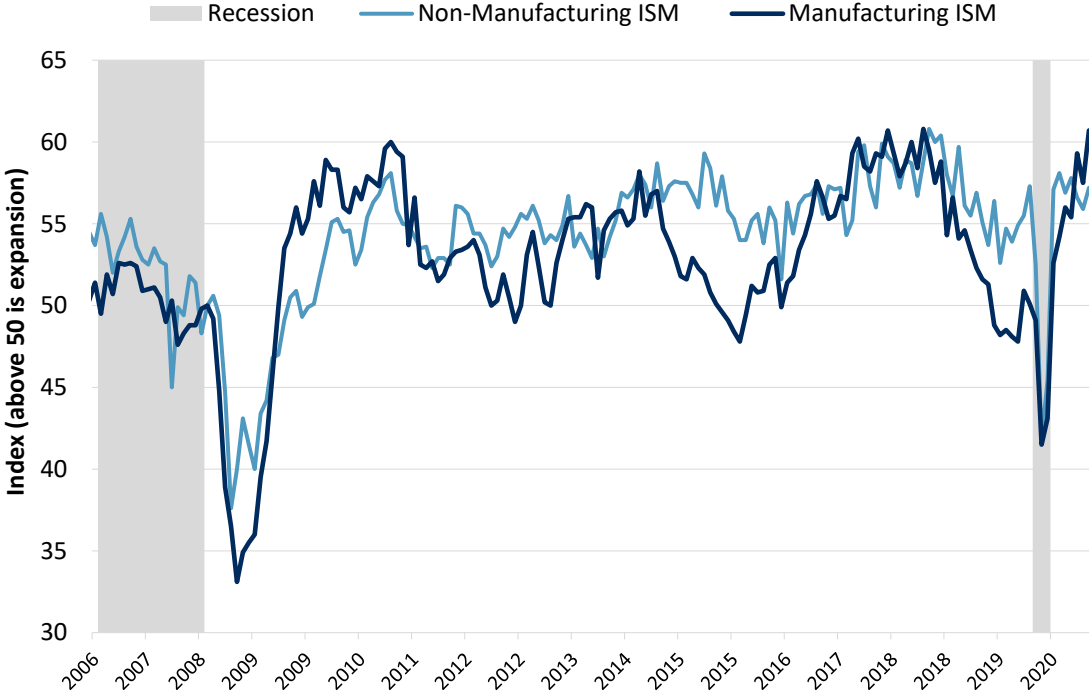
Business Sentiments & Housing Supportive of Growth

Single Family Building Activity-- A Bright Spot During The Pandemic



Note: S&P assumes NBER to tag March through May of 2020 as the recession period.
 Source: S&P Global Ratings, U.S. Census Bureau. Data through November 2020.

Business Sentiments Are In Expansion Territory



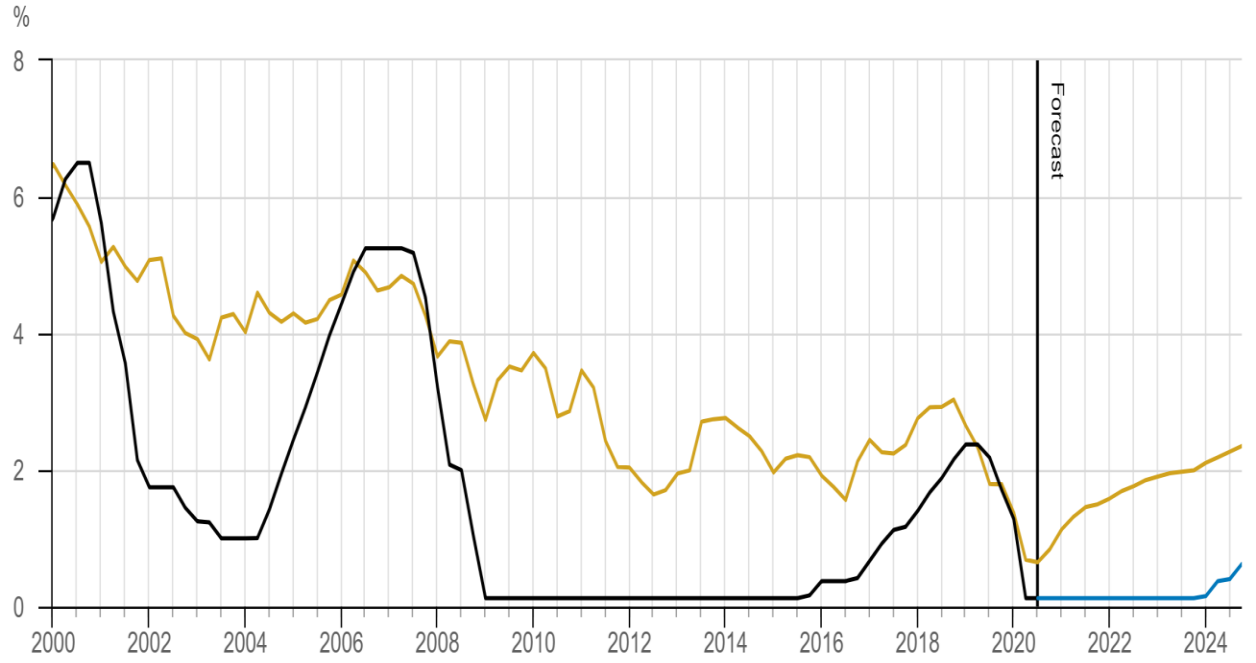
Source: Institute for Supply Management (ISM), S&P Global Economics, Data as of December 2020
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Interest Rates-- Lower For Longer With The Fed's Revised Monetary Framework

Core-PCE Inflation (Y/Y % change)



10-yr Treasury and Fed Funds Rate



The Fed remains committed to holding rates near zero until **maximum “inclusive” employment** and something interesting happens with **inflation expectations**.

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