Road to Recovery

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The Pandemic Recovery Roadmap

U.S. payroll employment, Moody’s Analytics Baseline Scenario, mil

- Recession 22 mil jobs lost
- $1.9 tril American Rescue Plan
- Fed tapers QE
- “Build Back Better” Fiscal Package
- Fed begins rate normalization
- Regain full employment

Sources: BLS, Moody’s Analytics
What to watch? EPOP

Ratio of employment to prime working age population, %

Sources: BLS, Moody’s Analytics
Getting Back to Normal

Back to Normal Index, Feb 2020=100

» U.S. = 94.5
» Population Weighted Regional Indices:
  - South = 96.4
  - Midwest = 94.9
  - West = 93.4
  - Northeast = 91.4

Source: CNN Business, Moody’s Analytics
Potential Pent-Up Demand is Historic

Household checkable deposits and currency, $ tril

Sources: Federal Reserve, Moody’s Analytics
How Households Used Stimulus Checks

Avg % of stimulus checks that households reportedly...

Sources: New York Fed, Moody’s Analytics
Record Level of Fiscal Support

Fiscal support since start of pandemic, % of 2019 GDP

Sources: BEA, National Finance Ministries, Moody’s Analytics

- U.S.
- Japan
- U.K.
- Australia
- Italy
- Canada
- France
- Germany
- Brazil
- South Korea
- Russia
- Spain
- China

- CARES Act ($2.4 tril)
- December 2020 Package ($900 bil)
- American Rescue Plan ($1.9 tril)
- Assumed Infrastructure Bill ($550 bil)
- Assumed Reconciliation Bill ($2.5 tril)
Not Done With Inflation Yet

% change yr ago

Sources: Federal Reserve, Treasury, BLS, Moody’s Analytics
What Could Go Wrong?

Using alternative scenarios in the revenue forecasting process help to add important context around the most relevant risks:

- (S2 “Delta Variant”) What if conditions around the pandemic don’t return to normal as quickly as is laid out in the baseline?
- (S6 “Inflation”) What happens if inflation isn’t as transitory as the baseline forecast assumes?

Source: Moody’s Analytics
Delta Has Already Made an Impact

Consumer confidence index, Feb 2020 = 100

Sources: Conference Board, University of Michigan, Moody’s Analytics
Further Pullback Could Be More Damaging

U.S. payroll employment, mil

Sources: Federal Reserve, Treasury, BLS, Moody's Analytics
How Transitory is Inflation?

U.S. Supply Chain Stress Index, 2019Q4=100

Sources: Moody’s Analytics
Stagflation Less Likely, But More Painful

U.S. payroll employment, mil

Sources: Federal Reserve, Treasury, BLS, Moody’s Analytics