



American  
Bankers  
Association®

# Economic Outlook

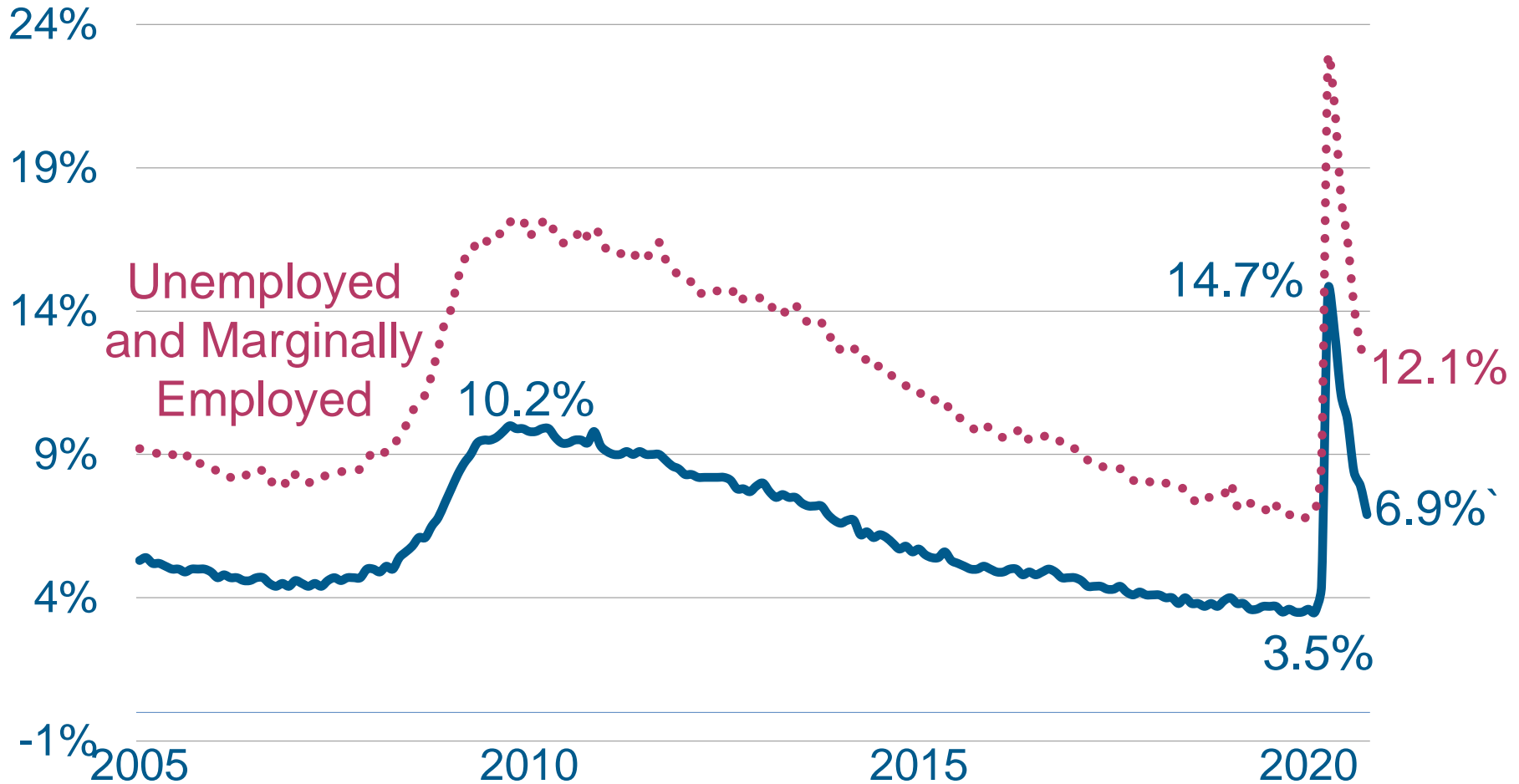
Bank and Capital Markets Tax Institute

November 19, 2020

**Rob Strand**

Vice President and Senior Economist  
American Bankers Association

# Unemployment Rate



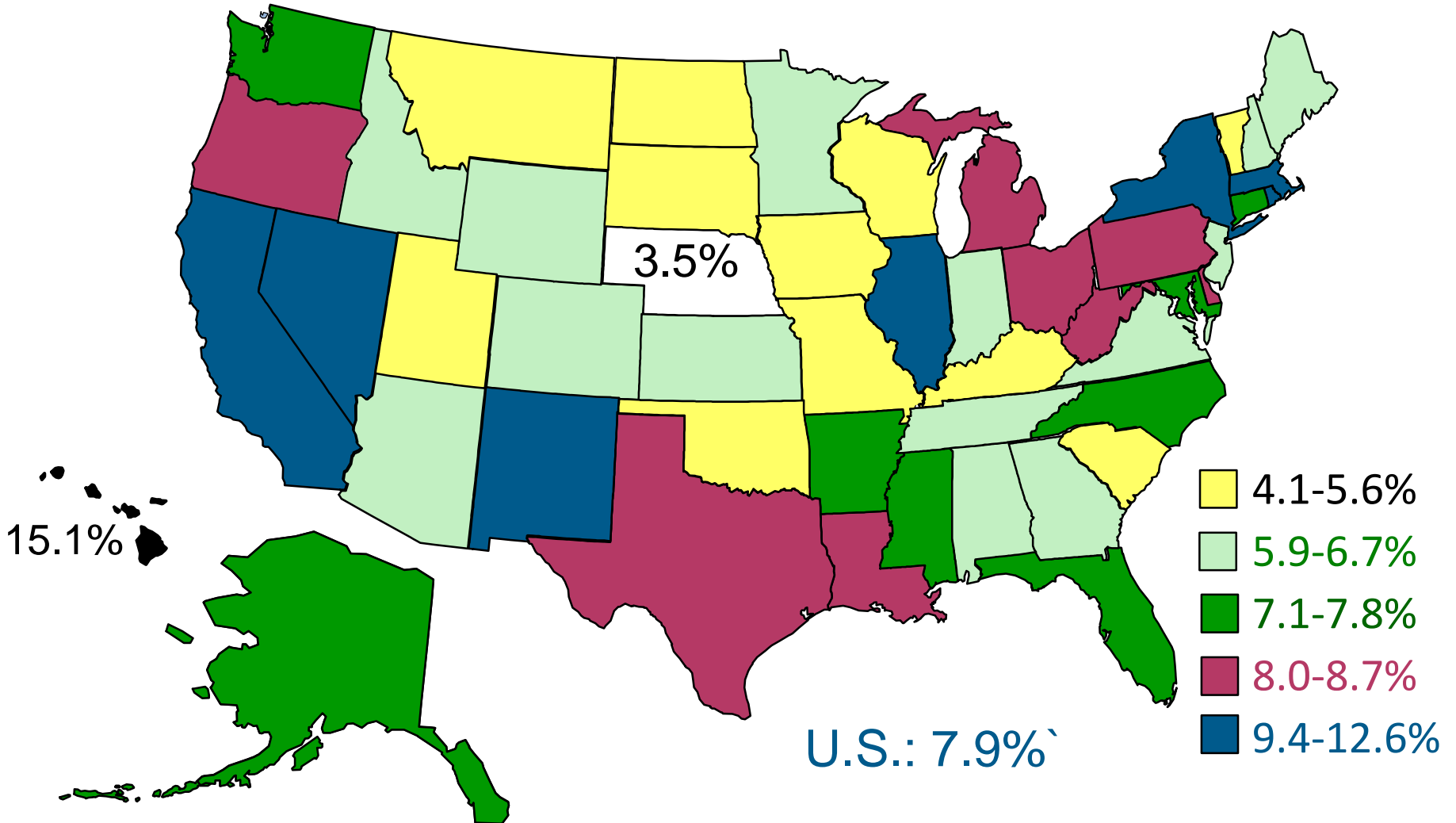
Source: U.S. Bureau of Labor Statistics (August 2020)

# Monthly Change in U.S. Payrolls



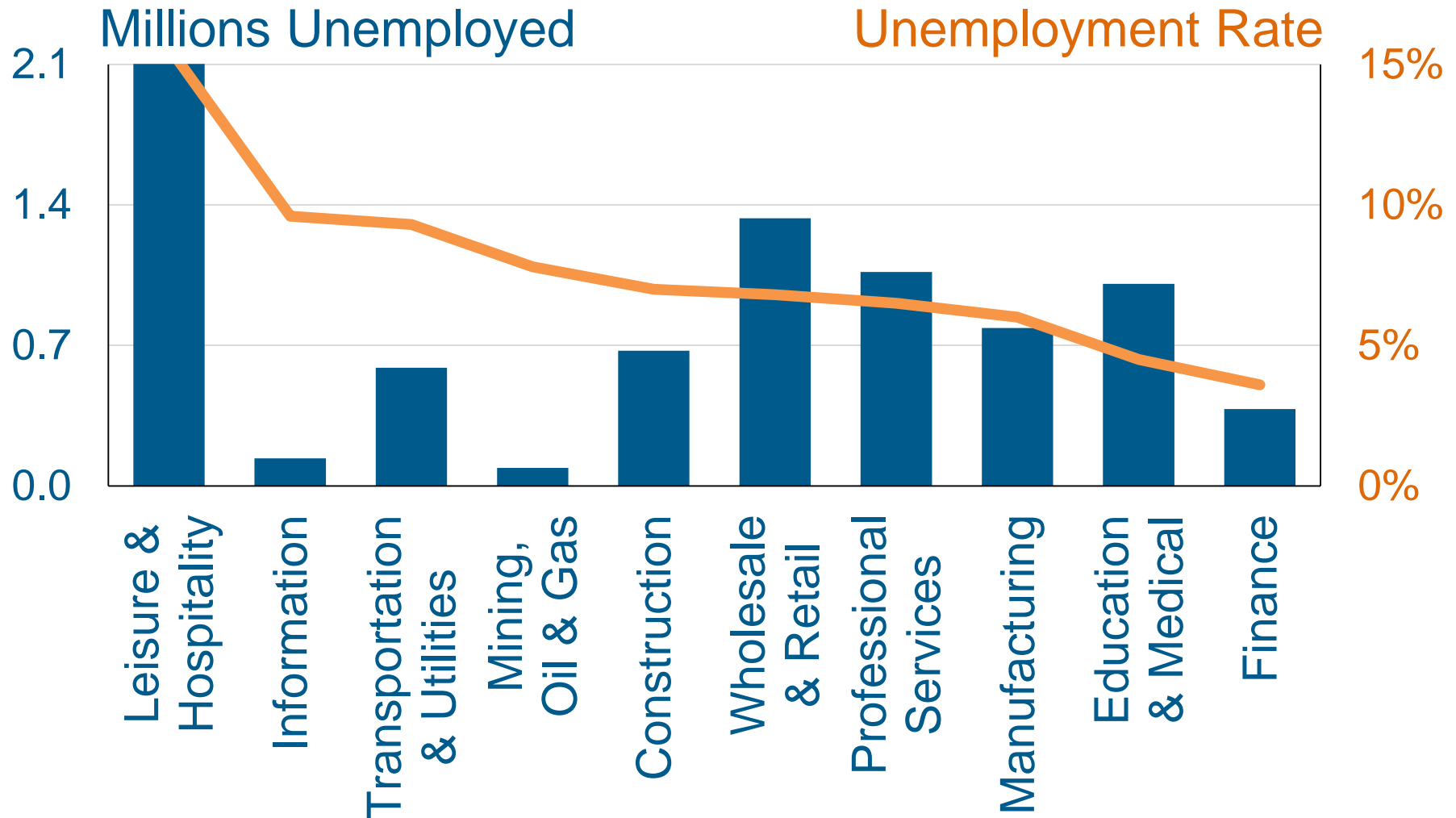
Source: U.S. Bureau of Labor Statistics

# Unemployment Rate



Source: U.S. Census Bureau, *September 2020*

# U.S. Unemployment by Industry



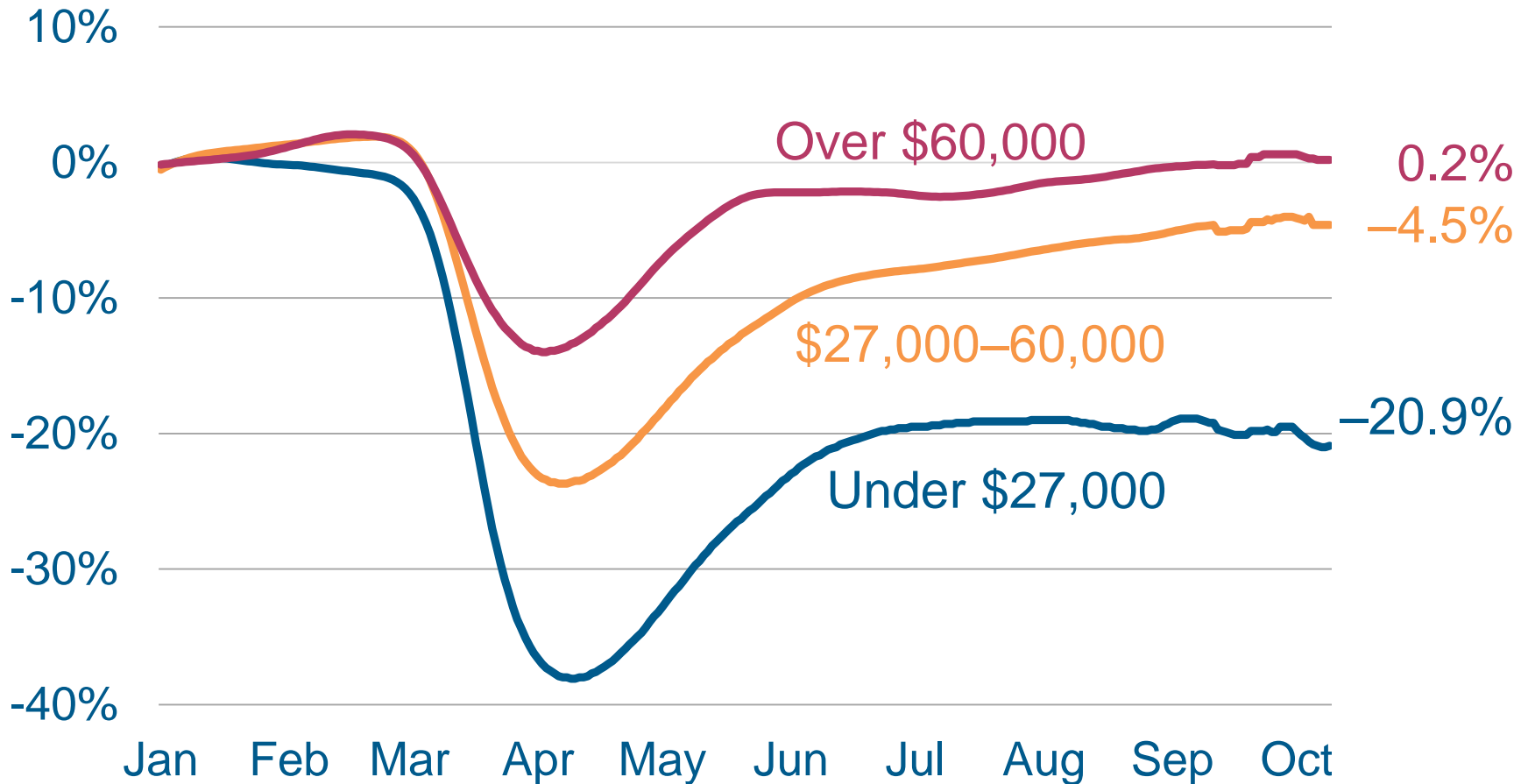
Source: U.S. Bureau of Labor Statistics, October 2020



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# Low Wage Workers Most Affected

Percent change in employment by income level



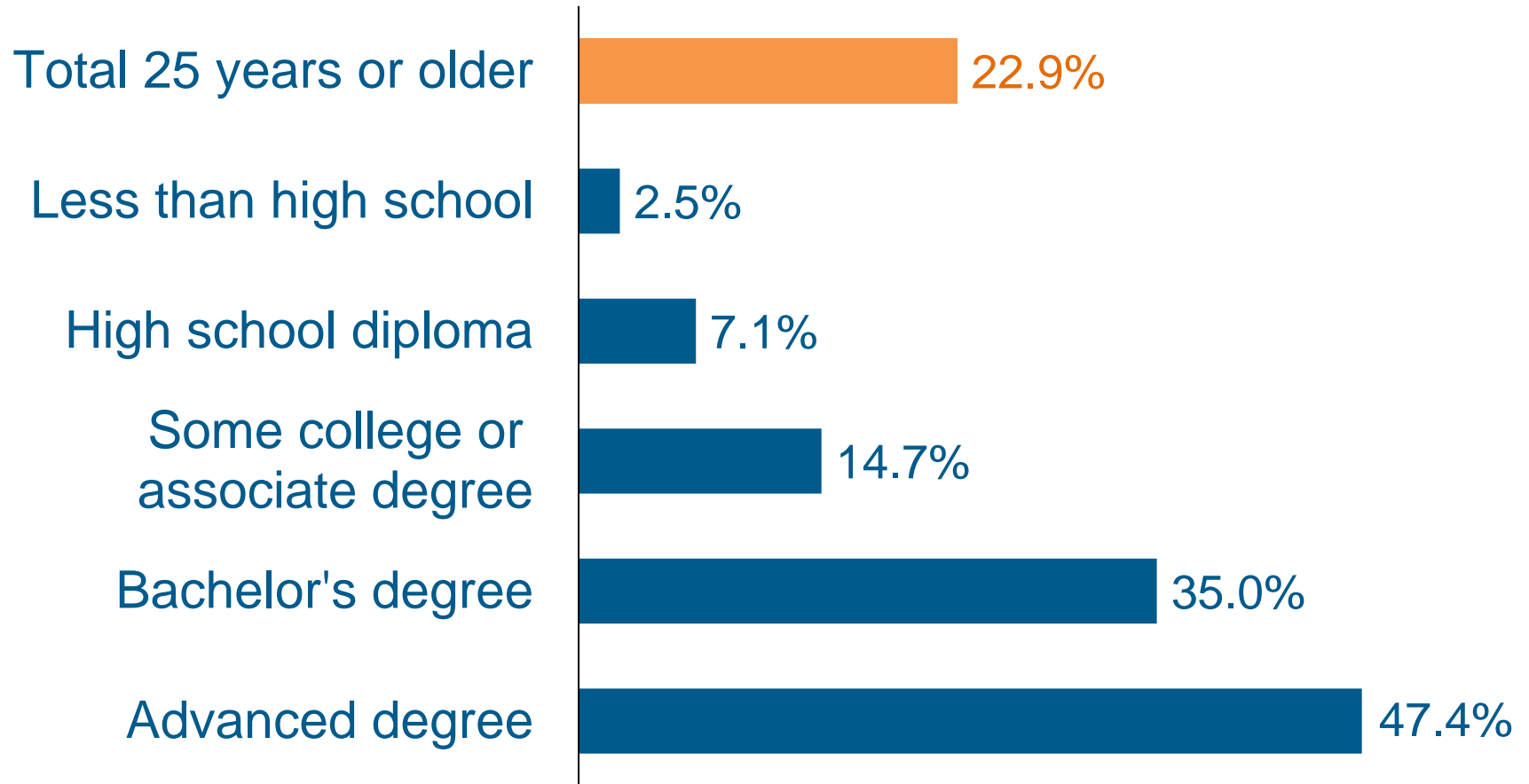
Source: Opportunity Insights, Paychex, Intuit, Earnin, Kronos



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# Nearly One in Four Still Working from Home in September Due to the Pandemic

Employed persons who teleworked or worked at home in the last 4 weeks



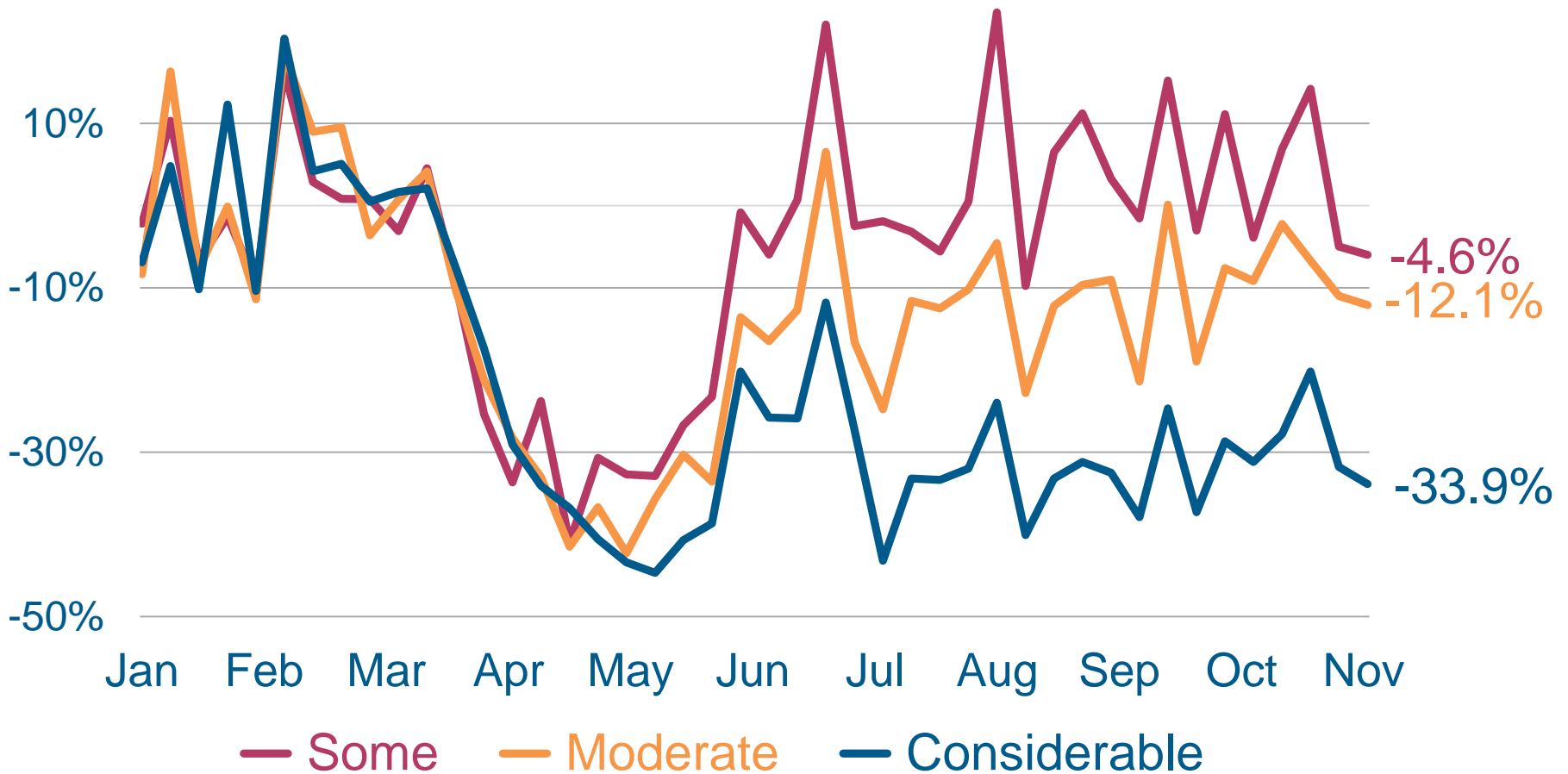
Source: Bureau of Labor Statistics



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# High Wage Workers Also Vulnerable

Change in job postings by education level



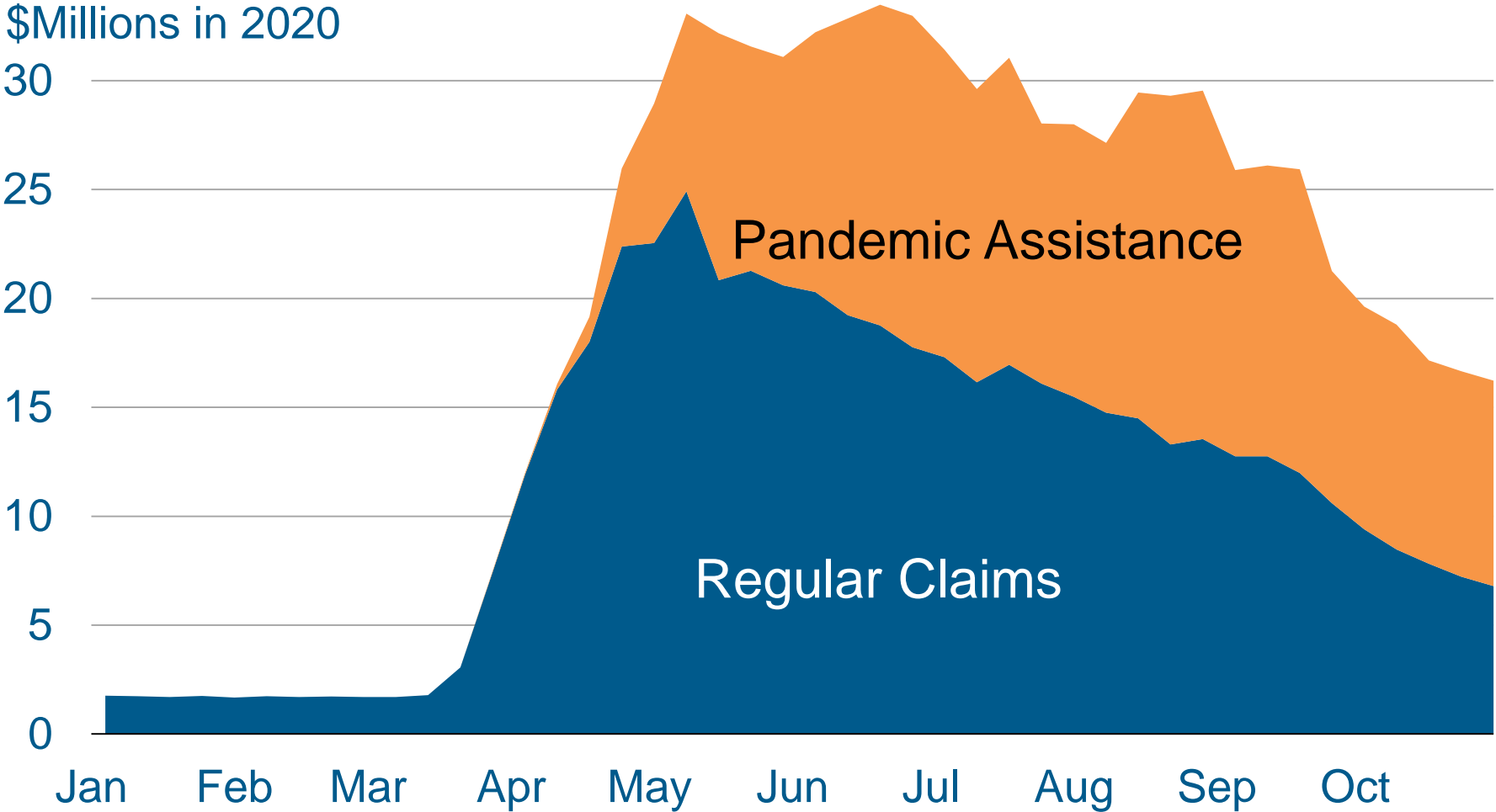
Source: Opportunity Insights, Burning Glass Technologies



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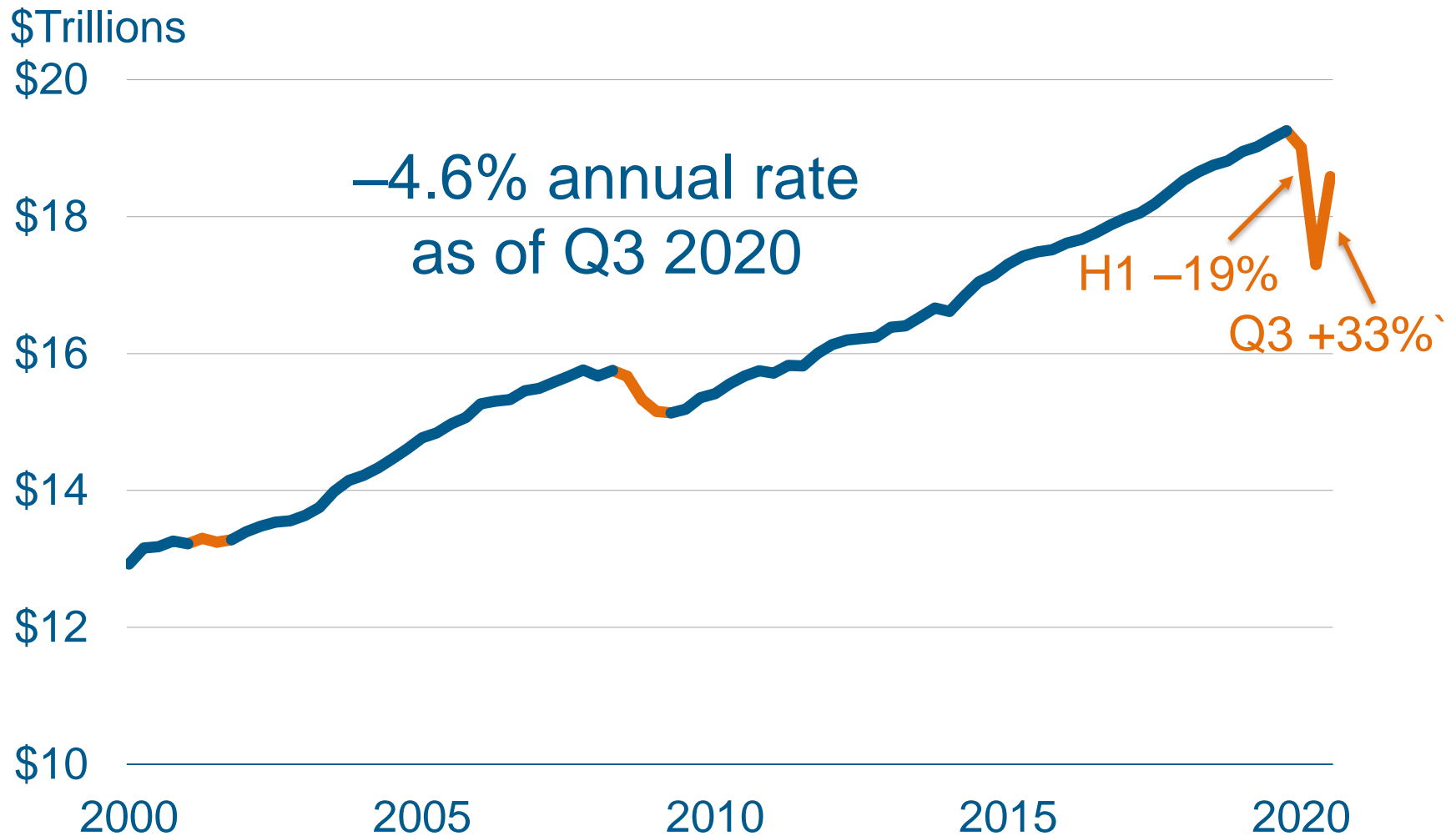


# Continued Unemployment Insurance Claims



Source: U.S. Department of Labor

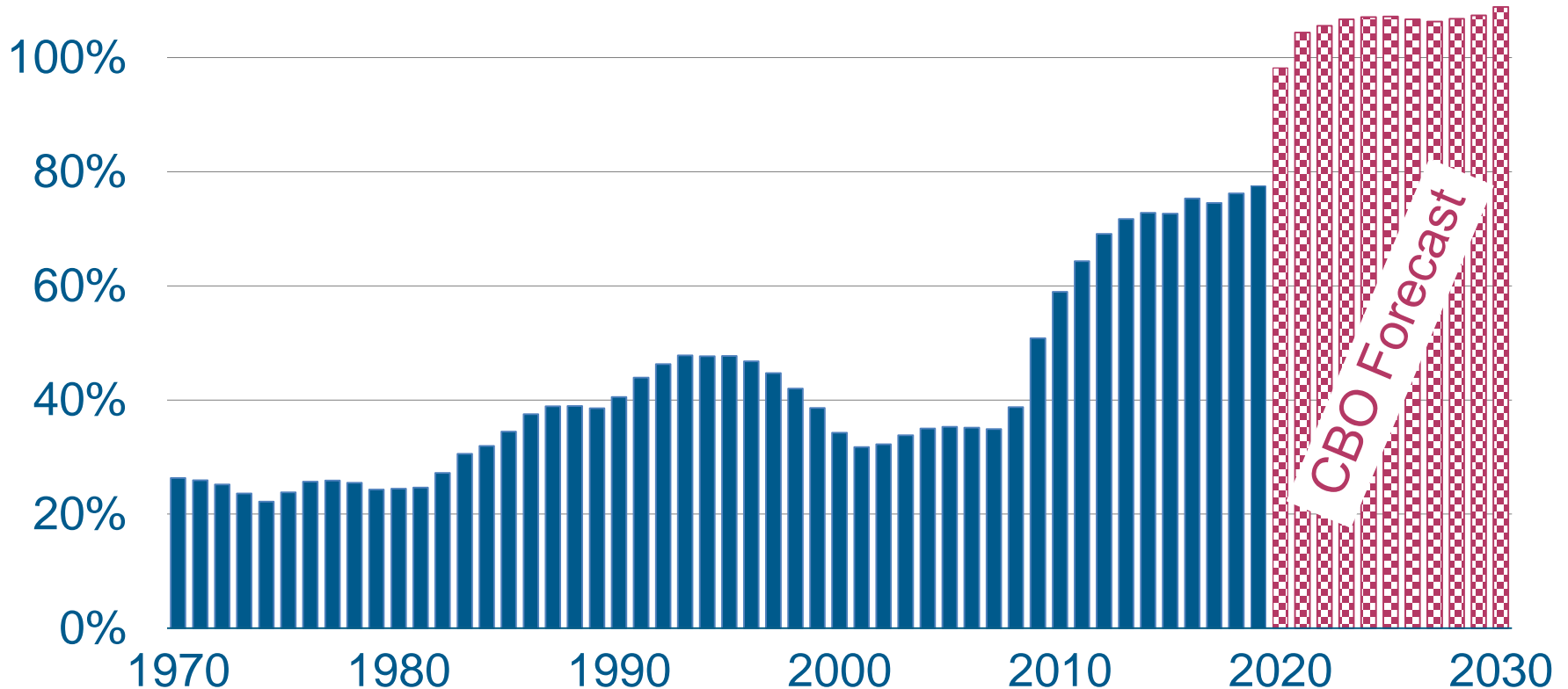
# U.S. Real Gross Domestic Product



Source: Federal Reserve

# Federal Debt Held by the Public / GDP

\$2.2 trillion in pandemic assistance: Economic Impact Payments, SBA Payroll Protection Program and Economic Injury Disaster Loans, federal unemployment insurance add-on



Source: Congressional Budget Office



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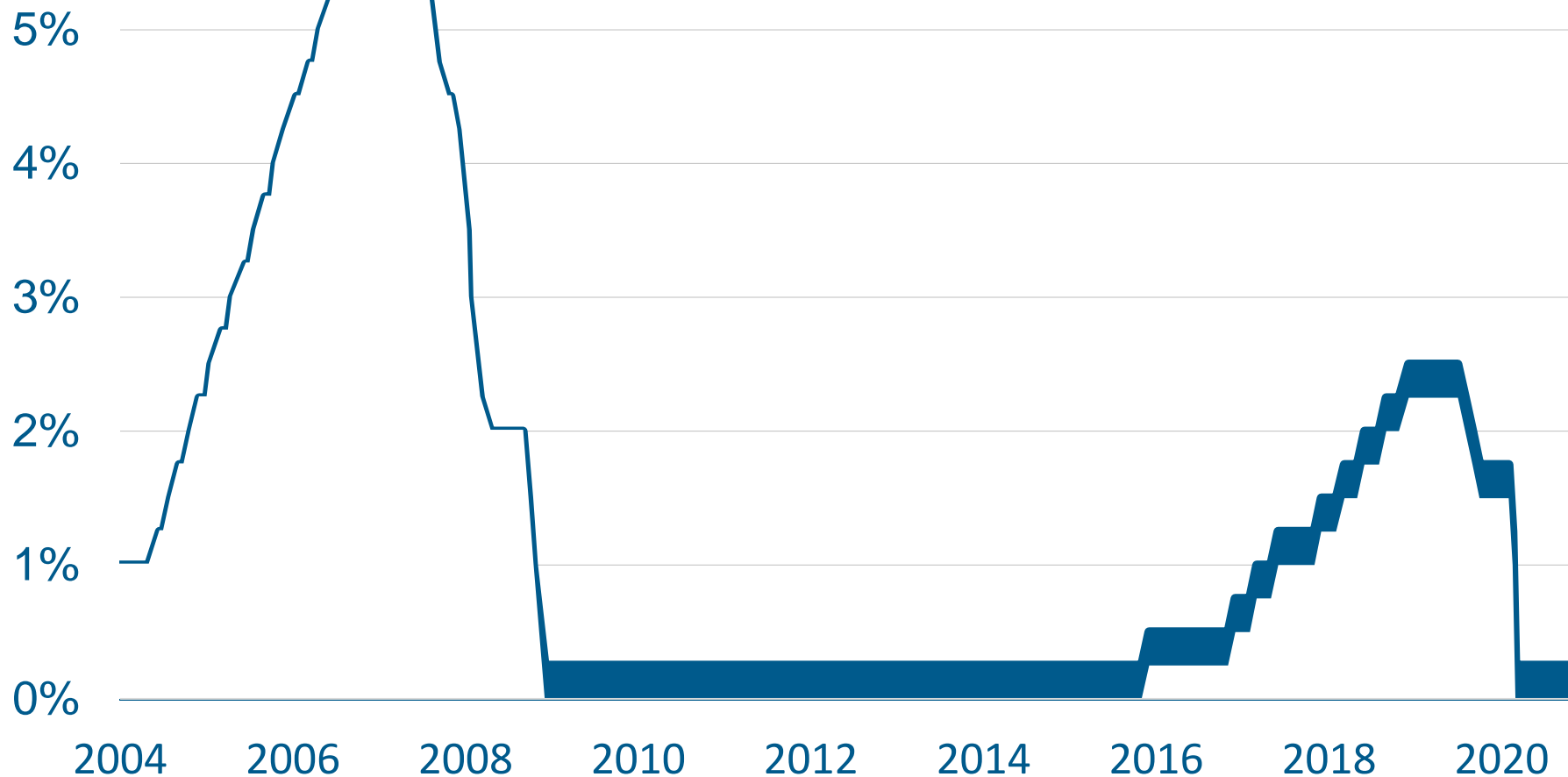
# Polling Question #1

## **Should Congress provide additional pandemic assistance?**

- a. No; the economy is recovering without additional federal support.
- b. Extending the \$600 weekly add-on for those who lost their jobs is needed.
- c. A somewhat smaller unemployment add-on, such as \$300 weekly, is needed.
- d. Another full round of Economic Impacts Payments, add-on unemployment benefits, and perhaps tax cuts is needed to get the economy back on track.



# FOMC Federal Funds Target Rate

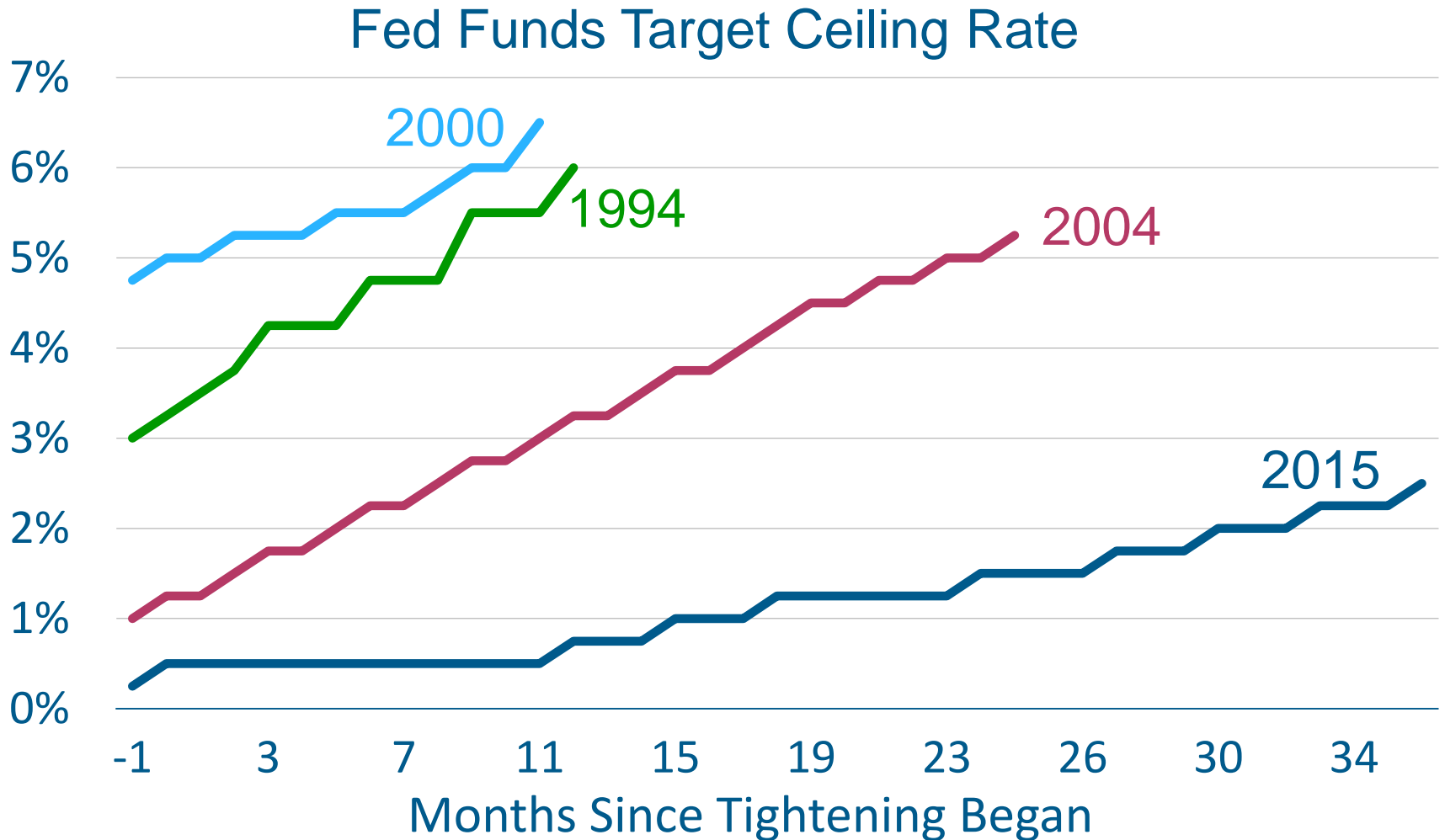


Source: Federal Reserve



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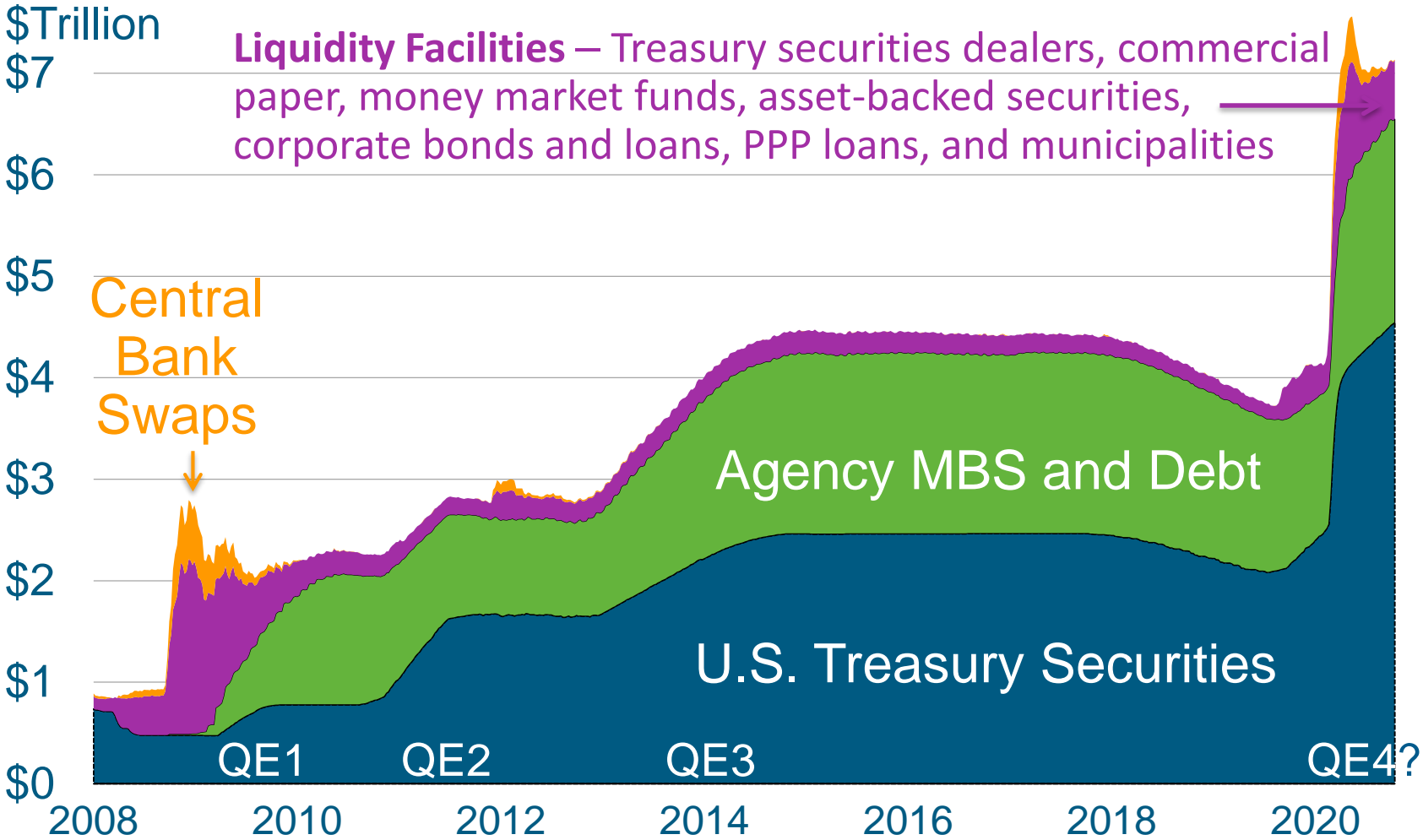
# Federal Reserve Tightening History



Source: Federal Reserve

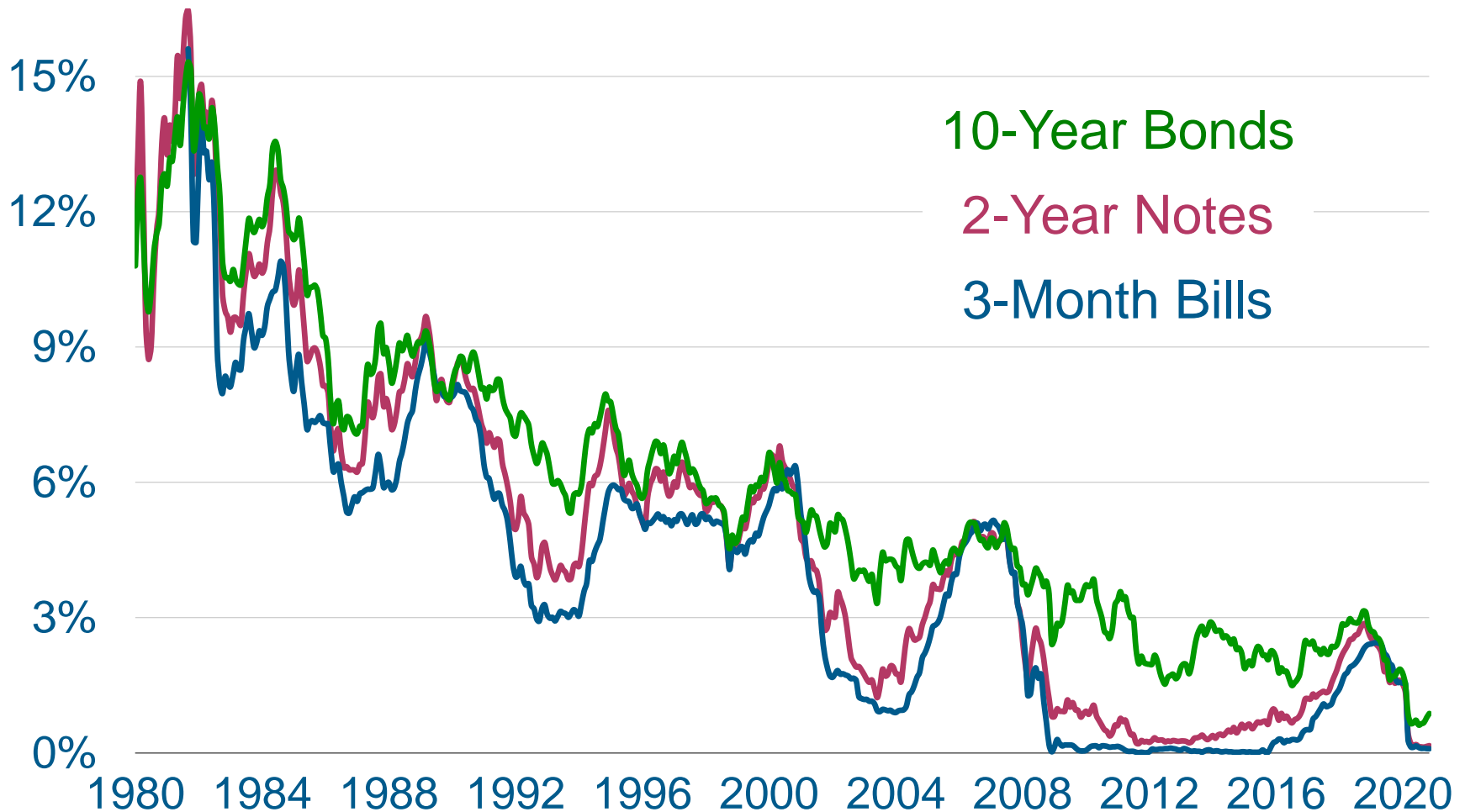


# Federal Reserve Balance Sheet (\$Trillions)



Source: Federal Reserve

# Interest Rates on U.S. Treasuries

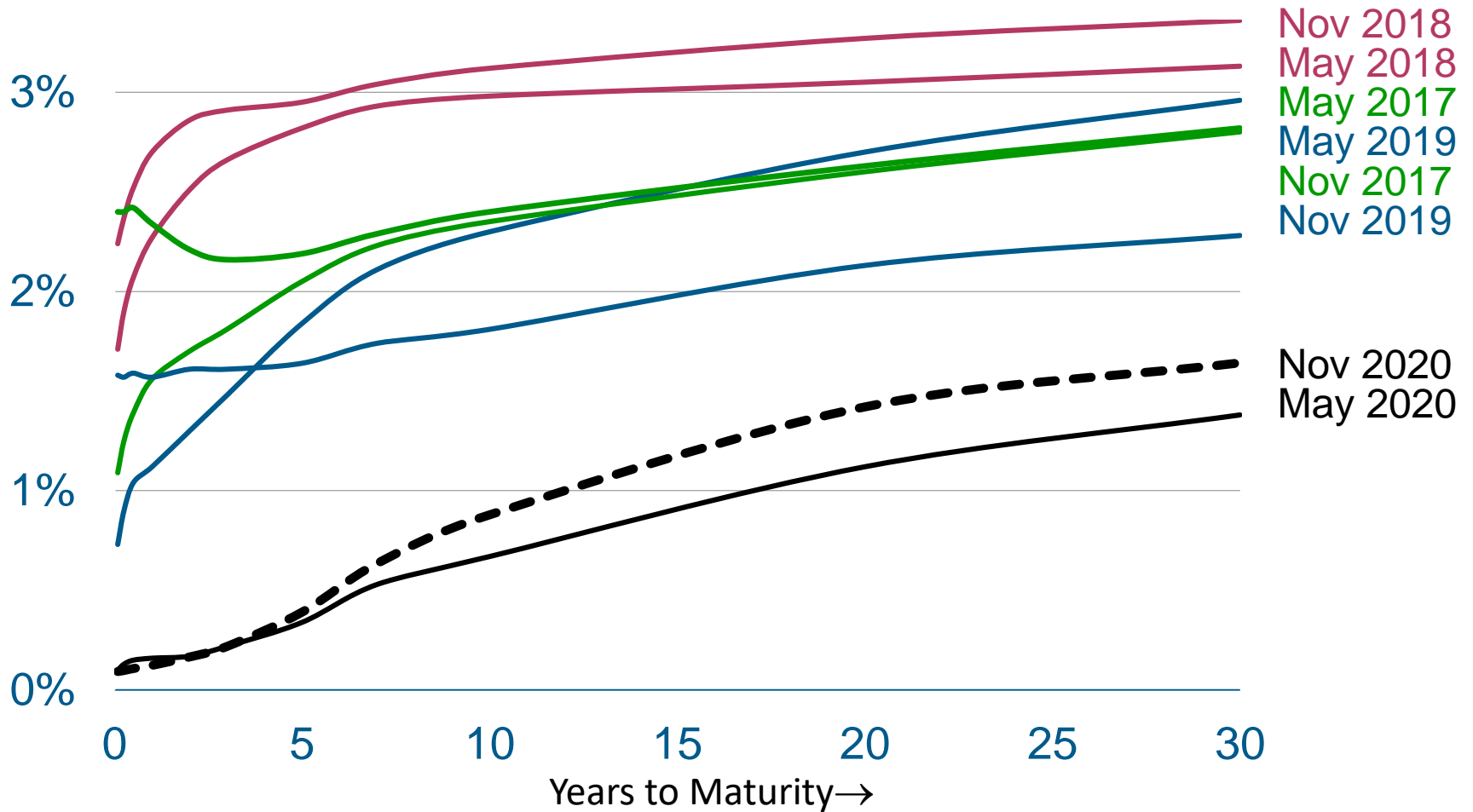


Source: Federal Reserve





# Yield Curve for U.S. Treasury Securities

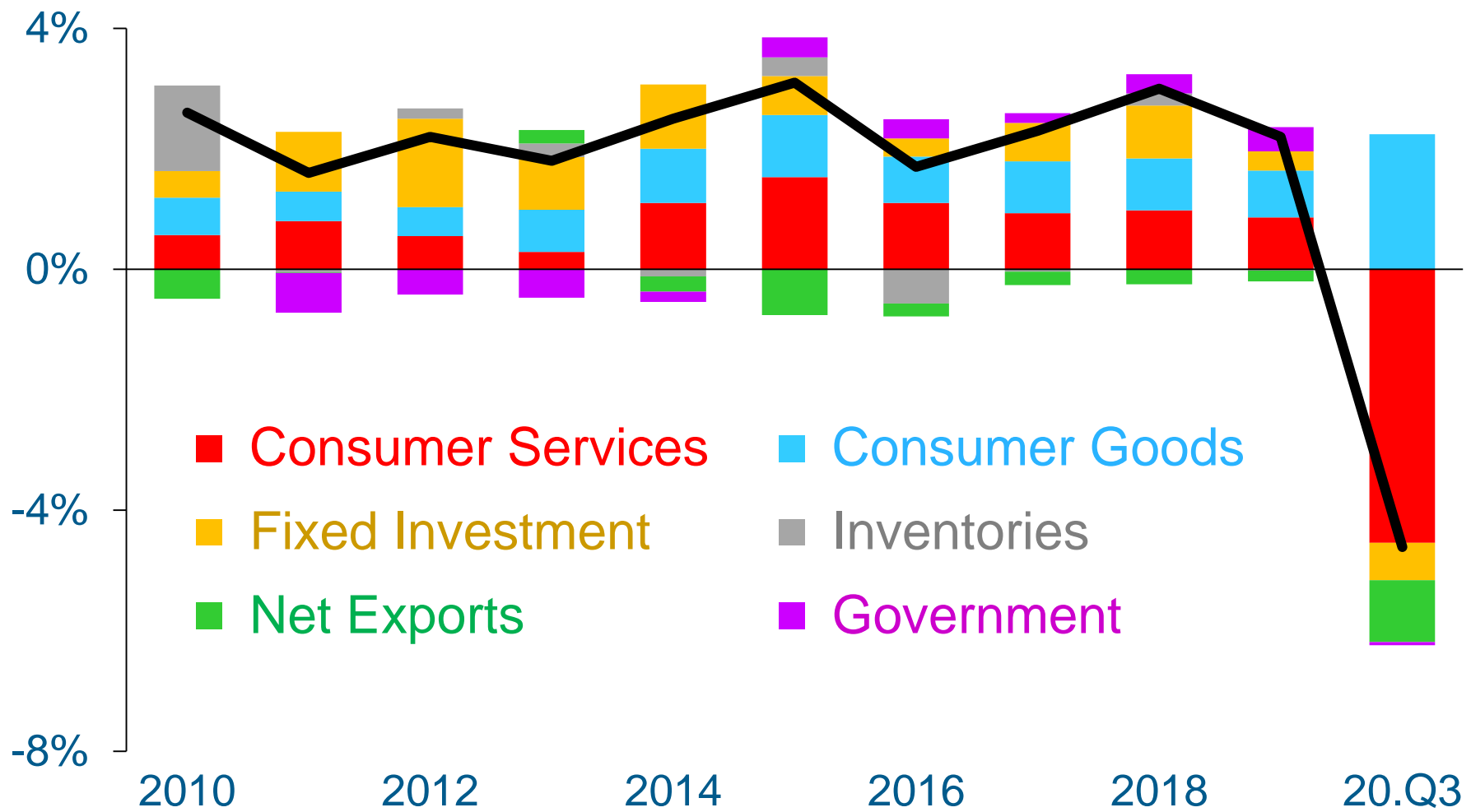


Source: Federal Reserve



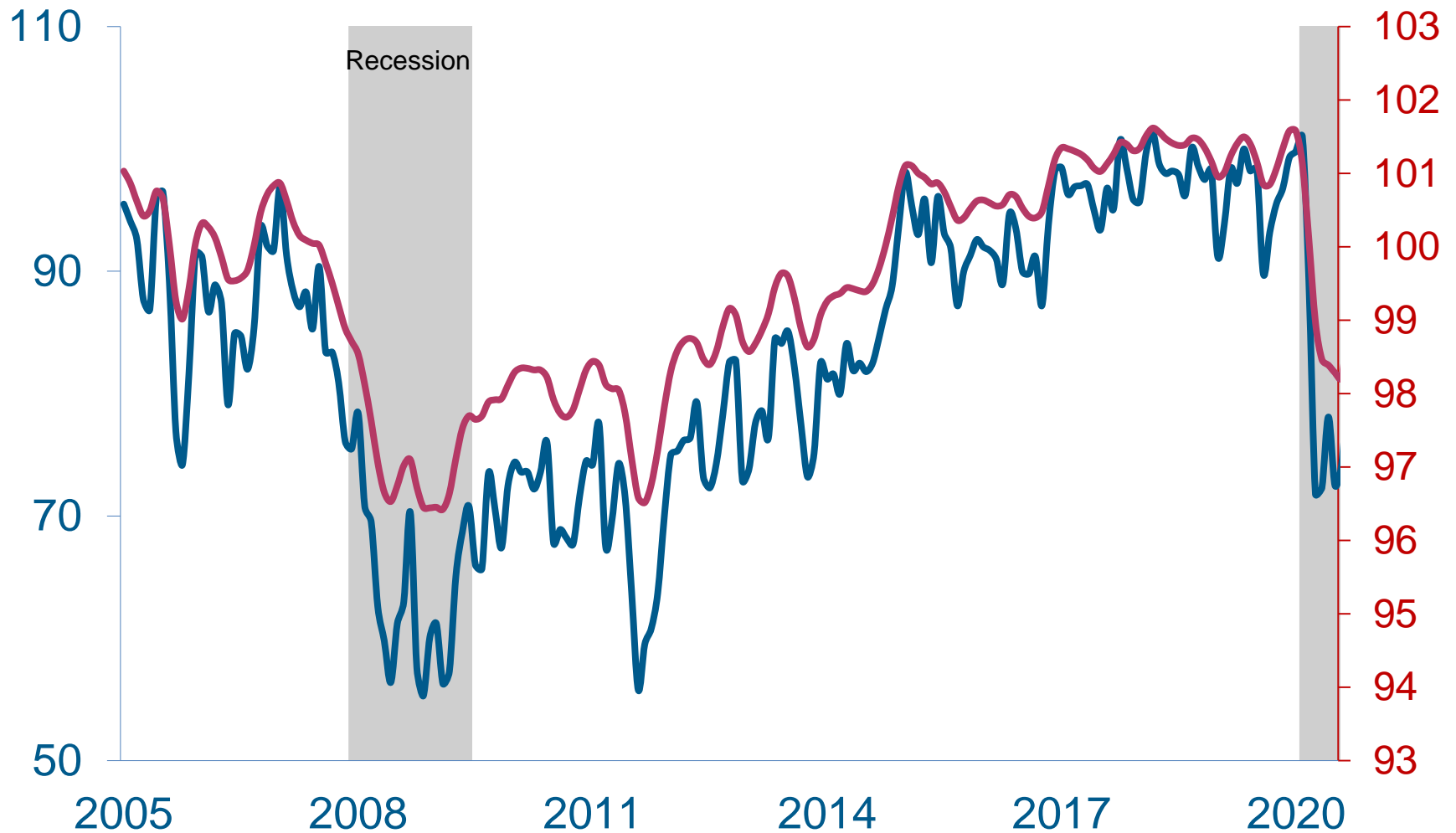
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# Contributions to GDP Growth through 2020.Q3



Source: Bureau of Economic Analysis

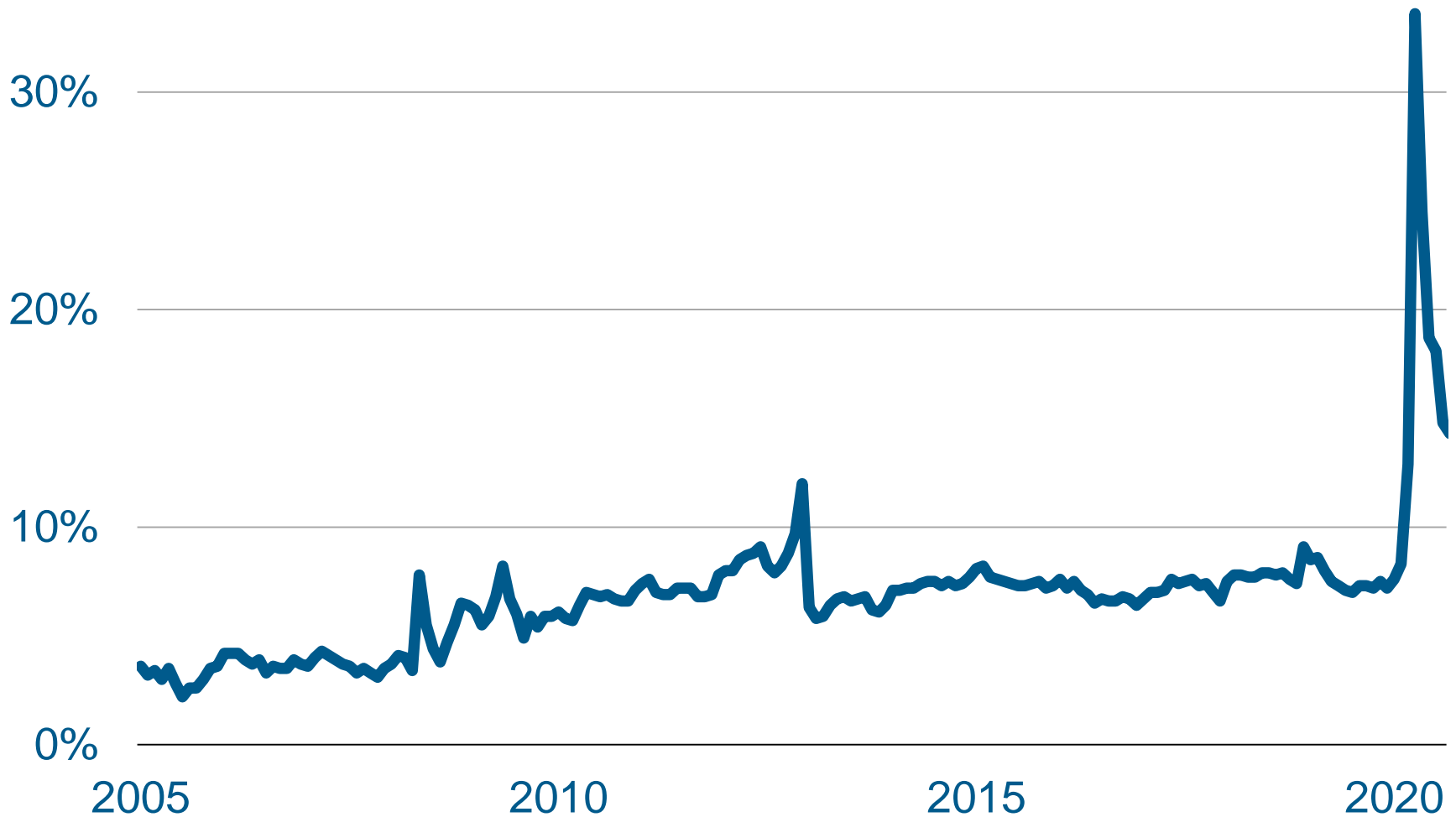
# Consumer Sentiment and Confidence



Source: University of Michigan, Conference Board



# Personal Savings Rate

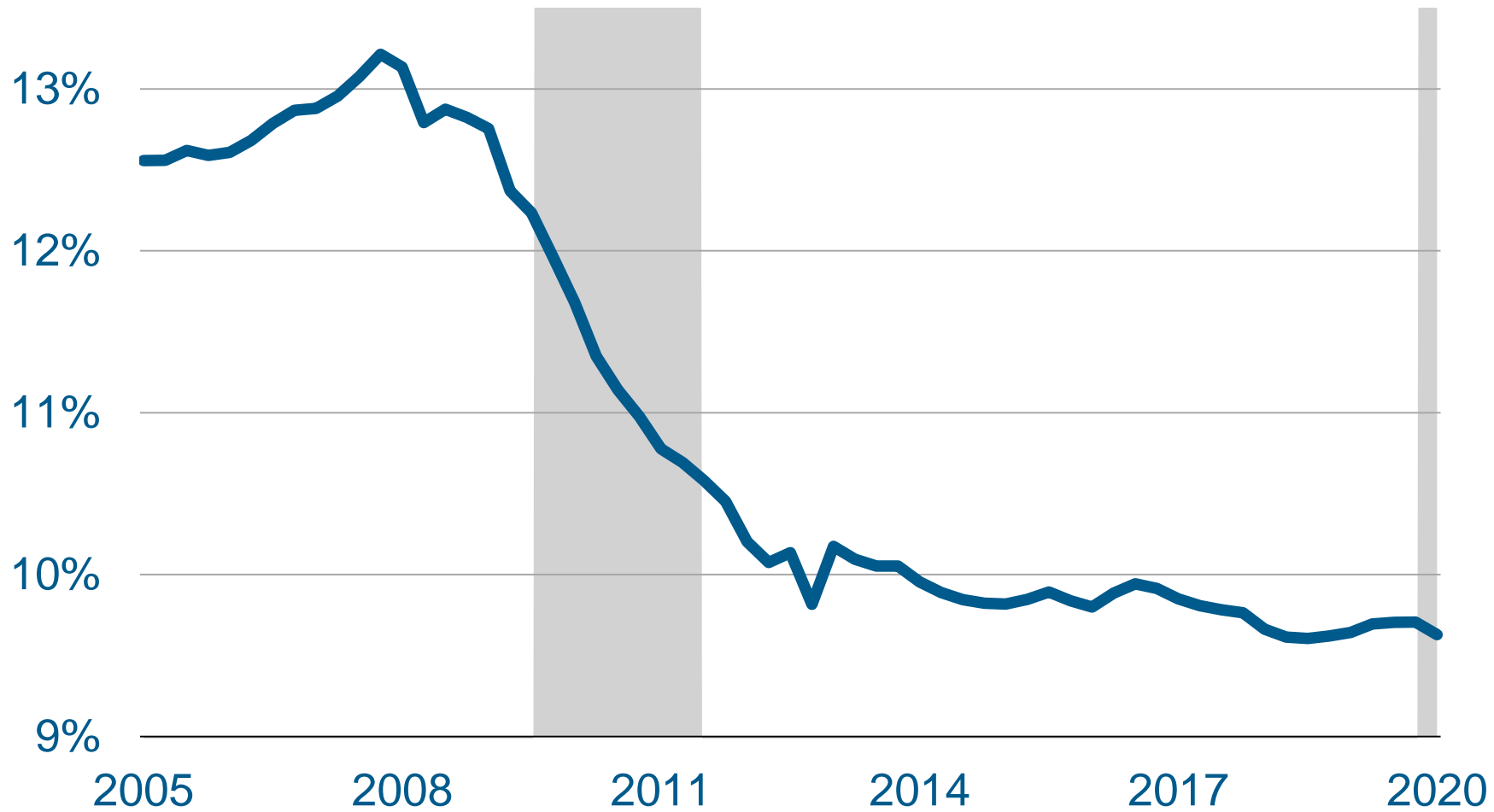


Source: Federal Reserve



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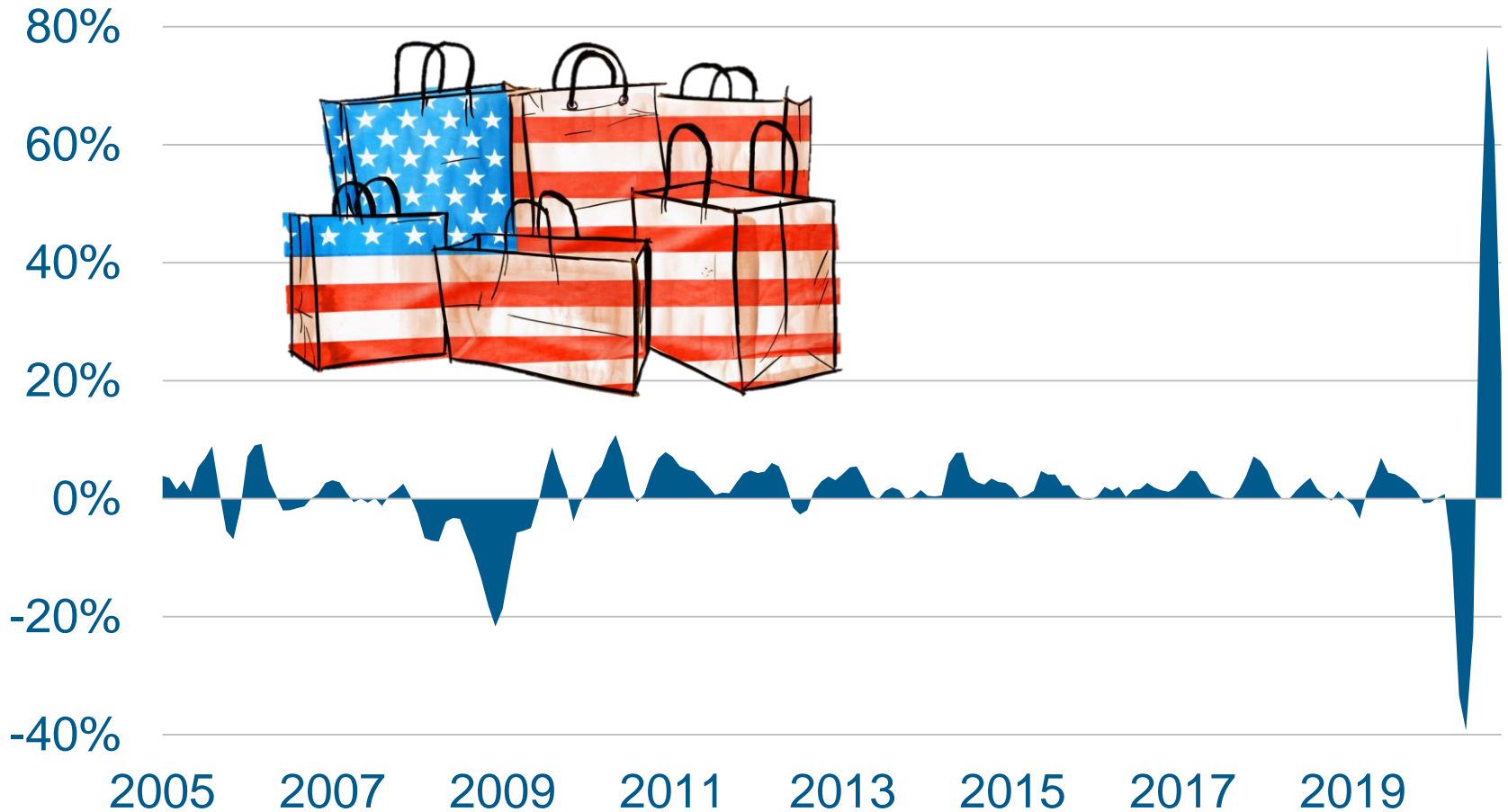
# Household Debt Service / Disposable Income



Source: Federal Reserve

# Retail Sales

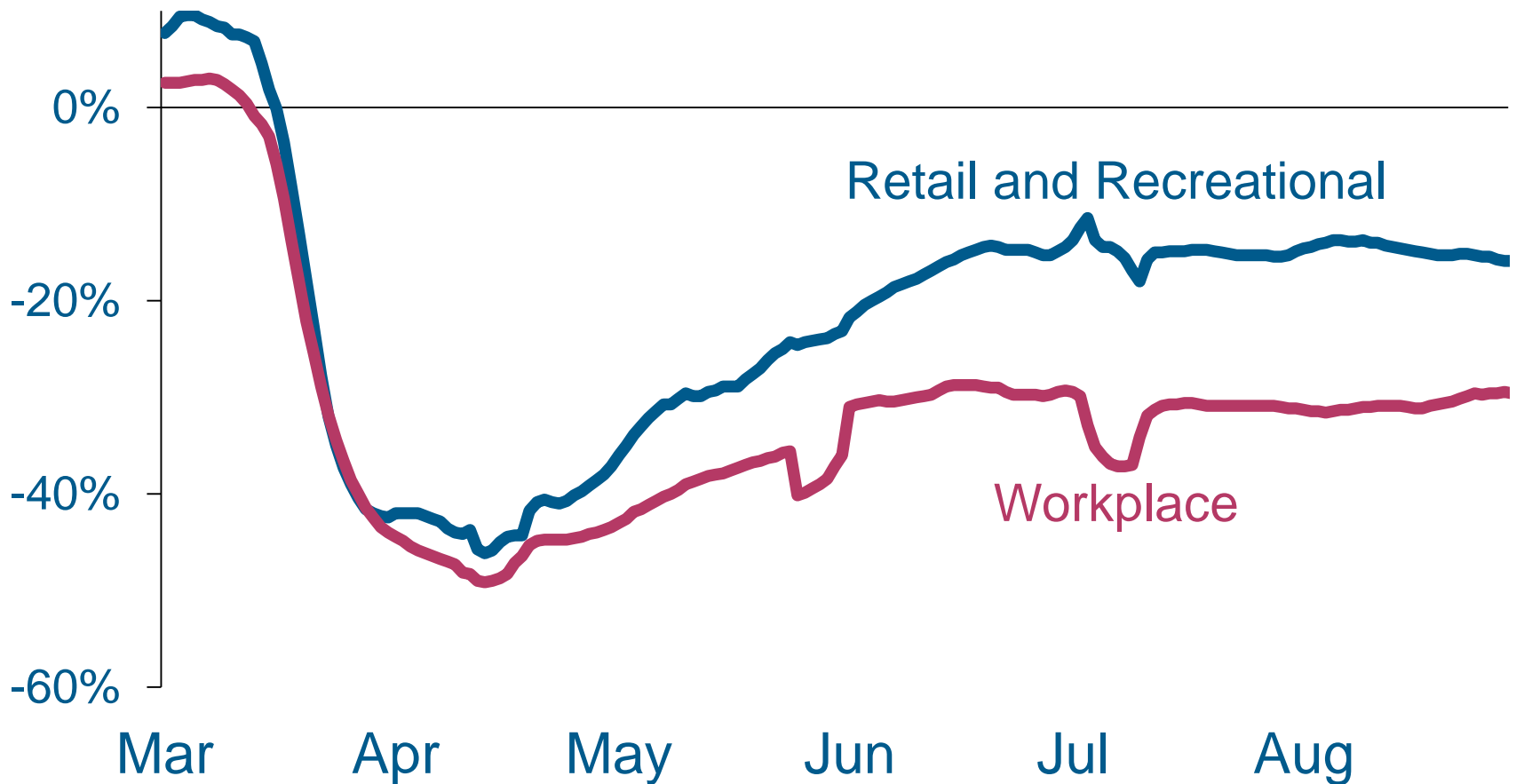
Inflation & Seasonally-Adjusted Quarterly Growth Rate on Quarter Avg.



Source: U.S. Bureau of Economic Analysis

# U.S. Mobility

Change in Visits from Pre-pandemic Baseline, 7-Day Average



Source: Google U.S. Mobility Data



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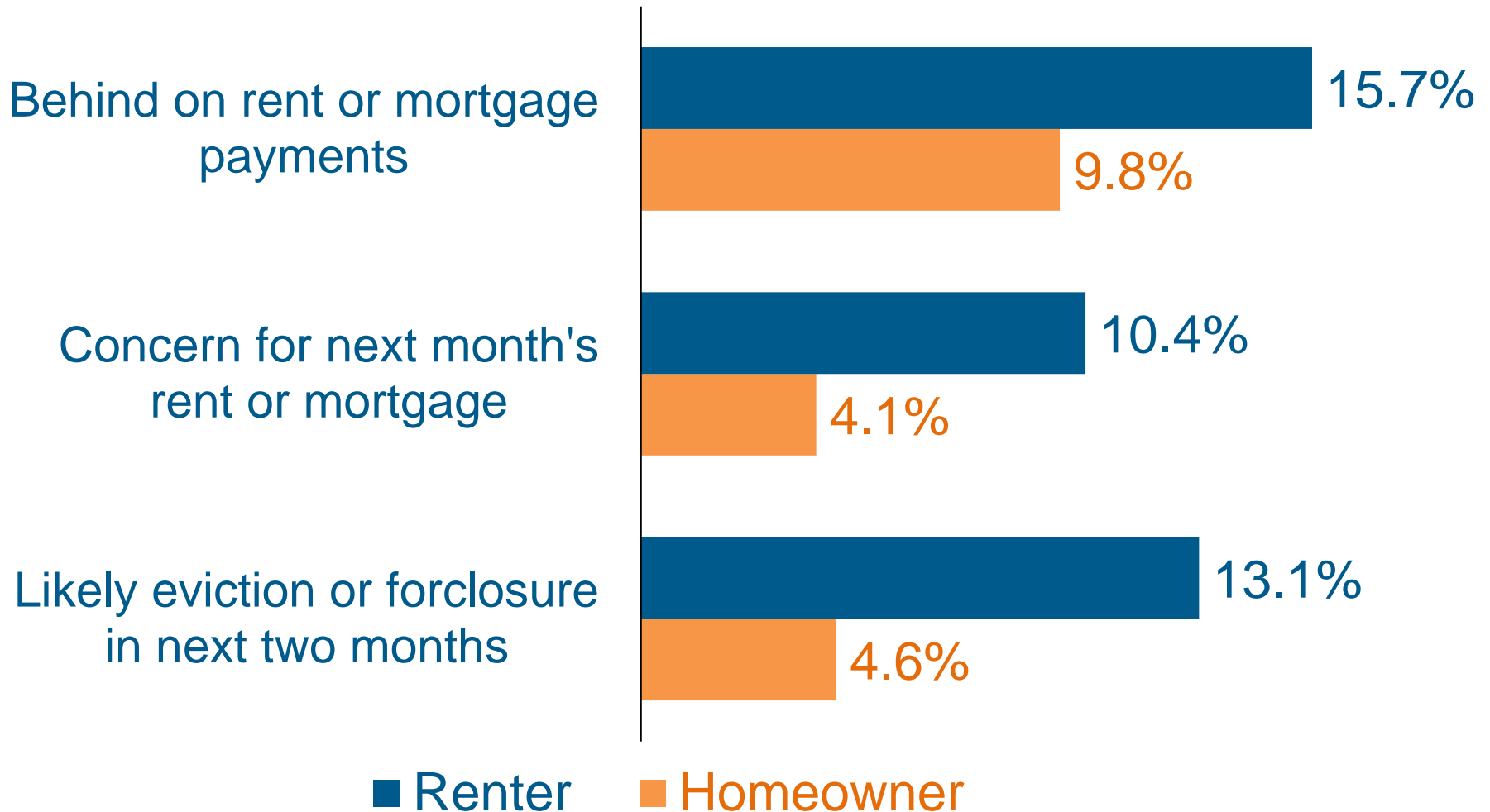
# Polling Question #2

**If there is a Democrat in the White House and a (slim) Republican majority in the Senate, would this be good for the economy?**

- a. Yes
- b. Maybe. We will see.
- c. No



# Risk of Increased Foreclosures and Evictions

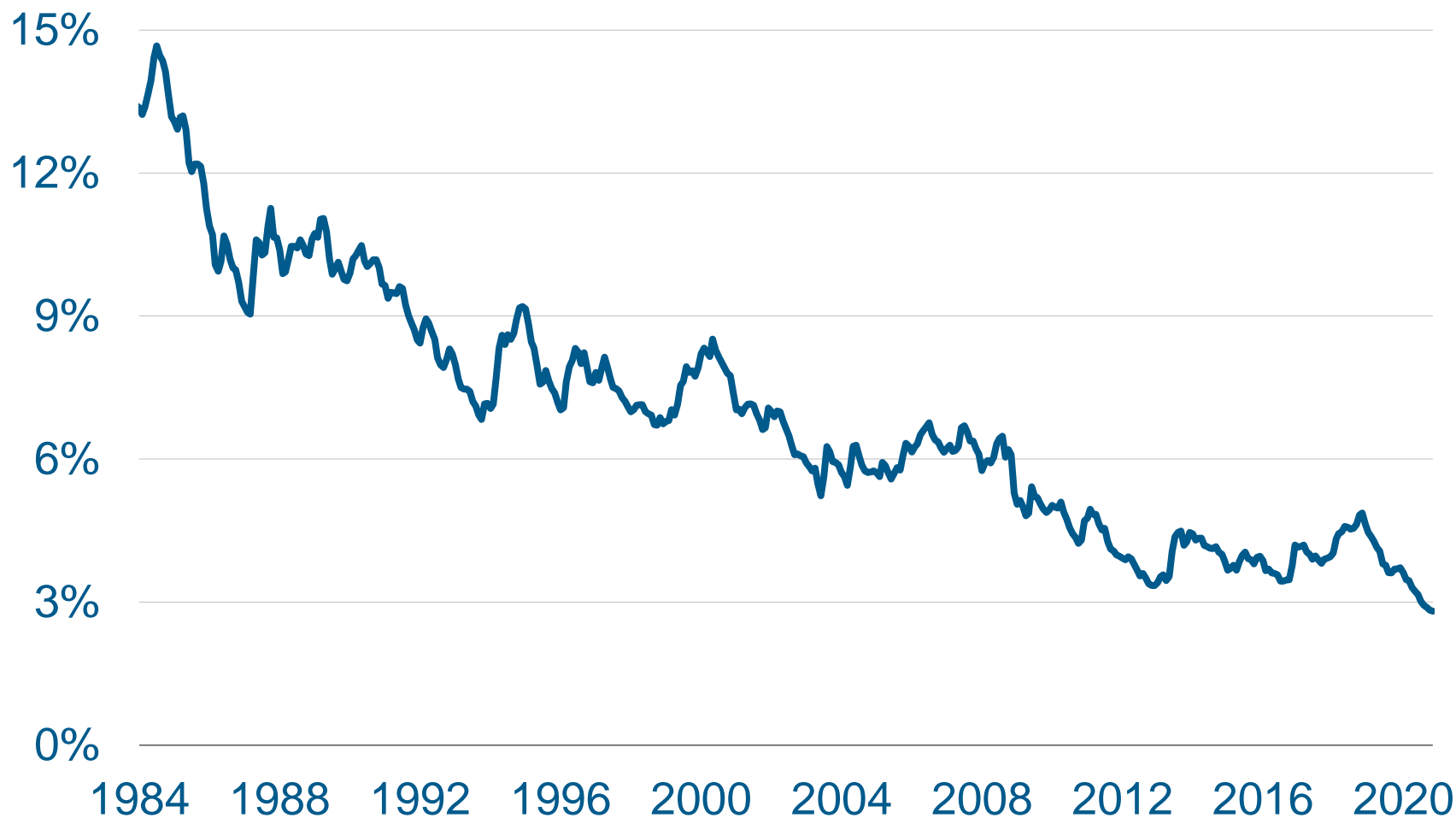


Source: Census Household Pulse Survey, Oct 14 – 26



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# Conventional 30-Year Mortgage Rate

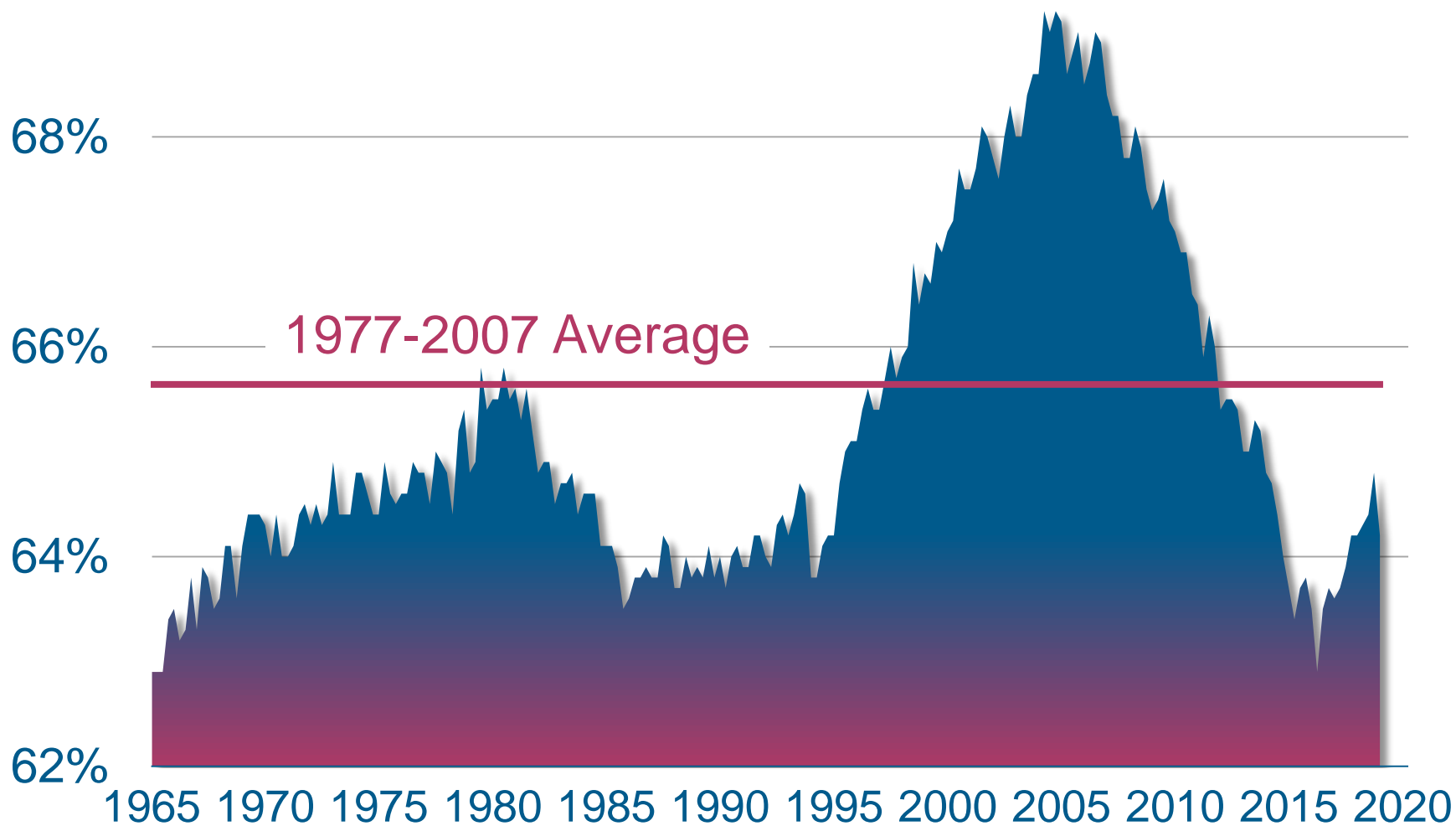


Source: Federal Reserve



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# U.S. Homeownership Rate



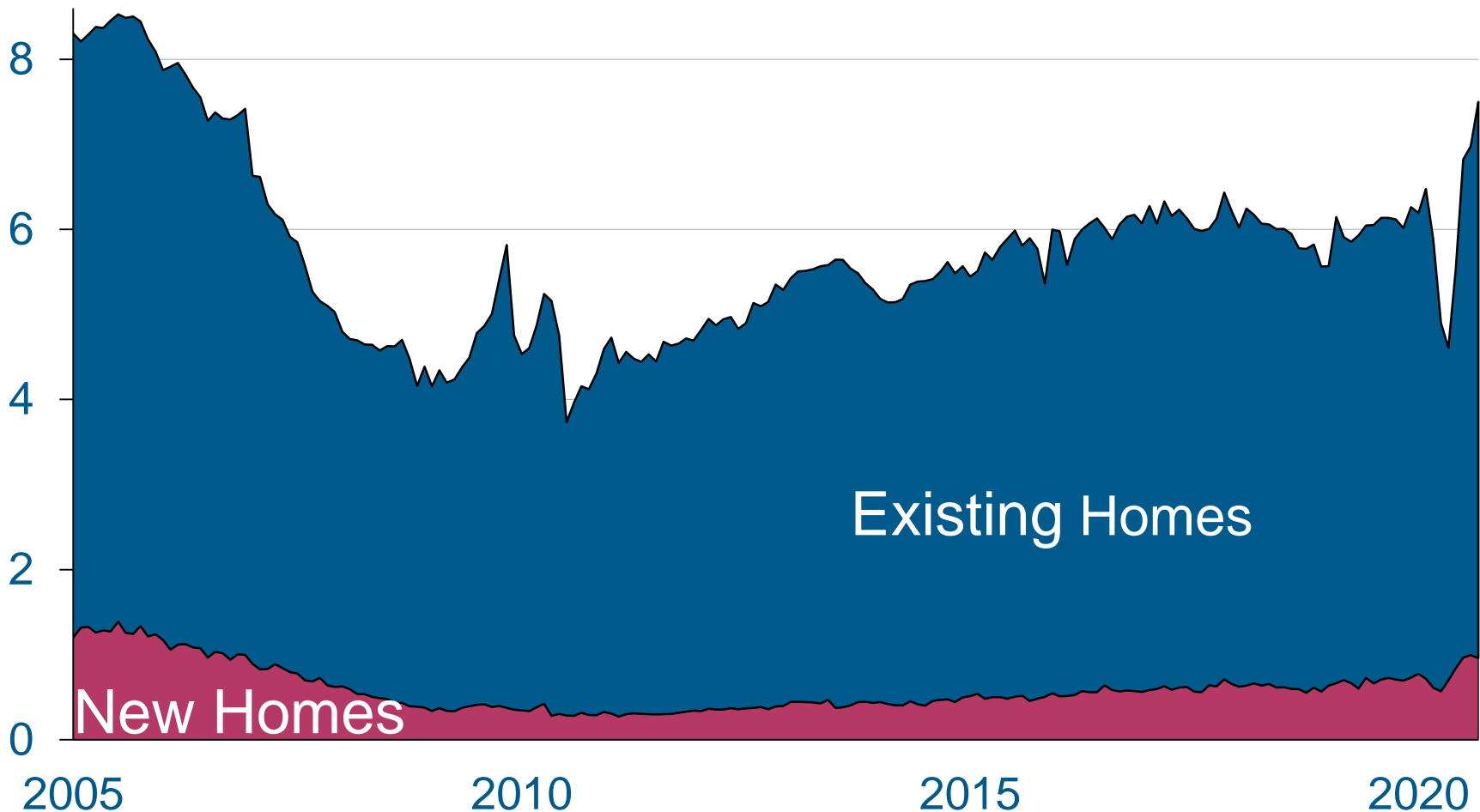
Sources: U.S. Bureau of the Census



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# Home Sales in the U.S.

Millions of Units SAAR

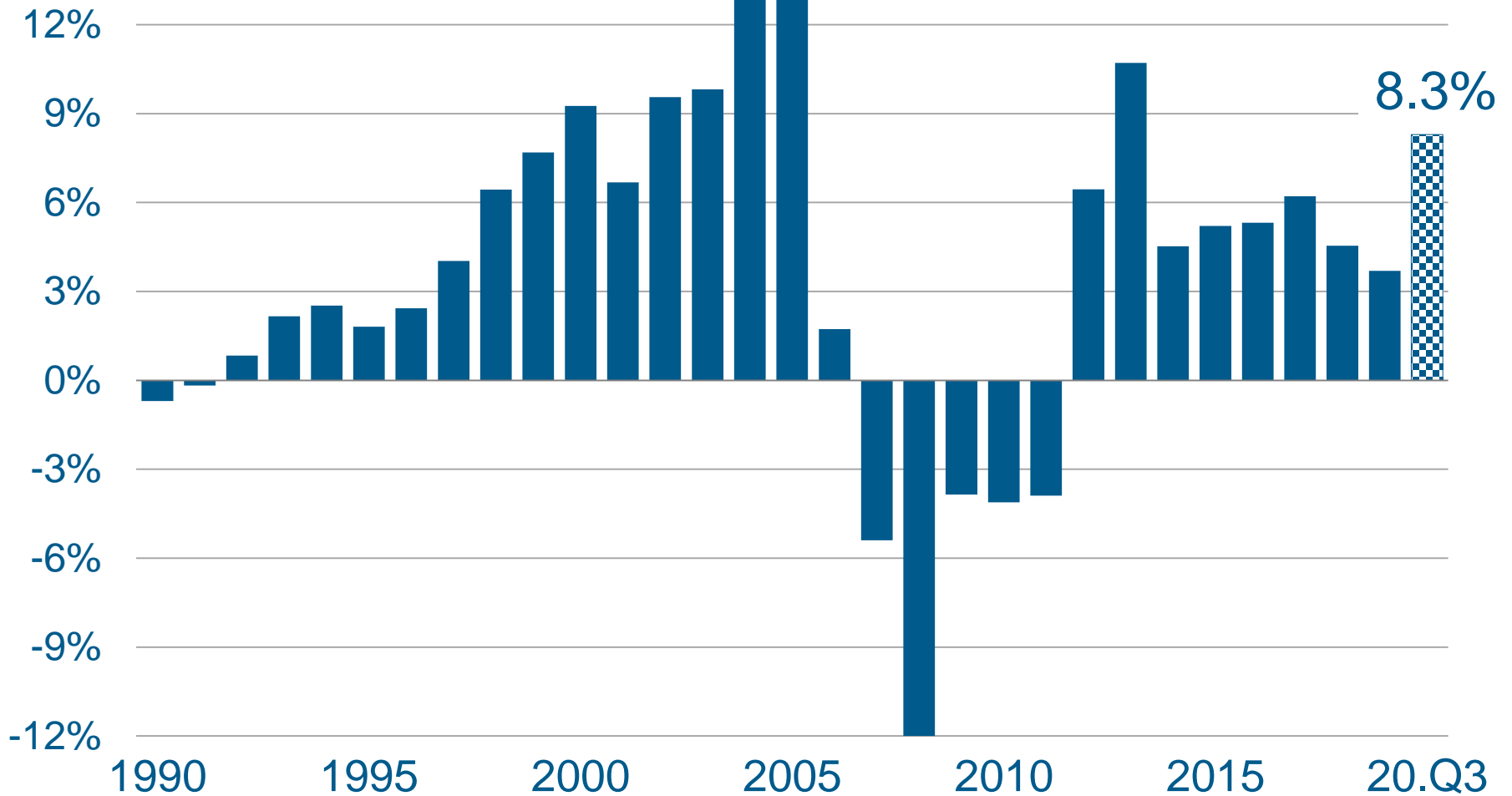


Source: U.S. Census Bureau, National Association of Realtors



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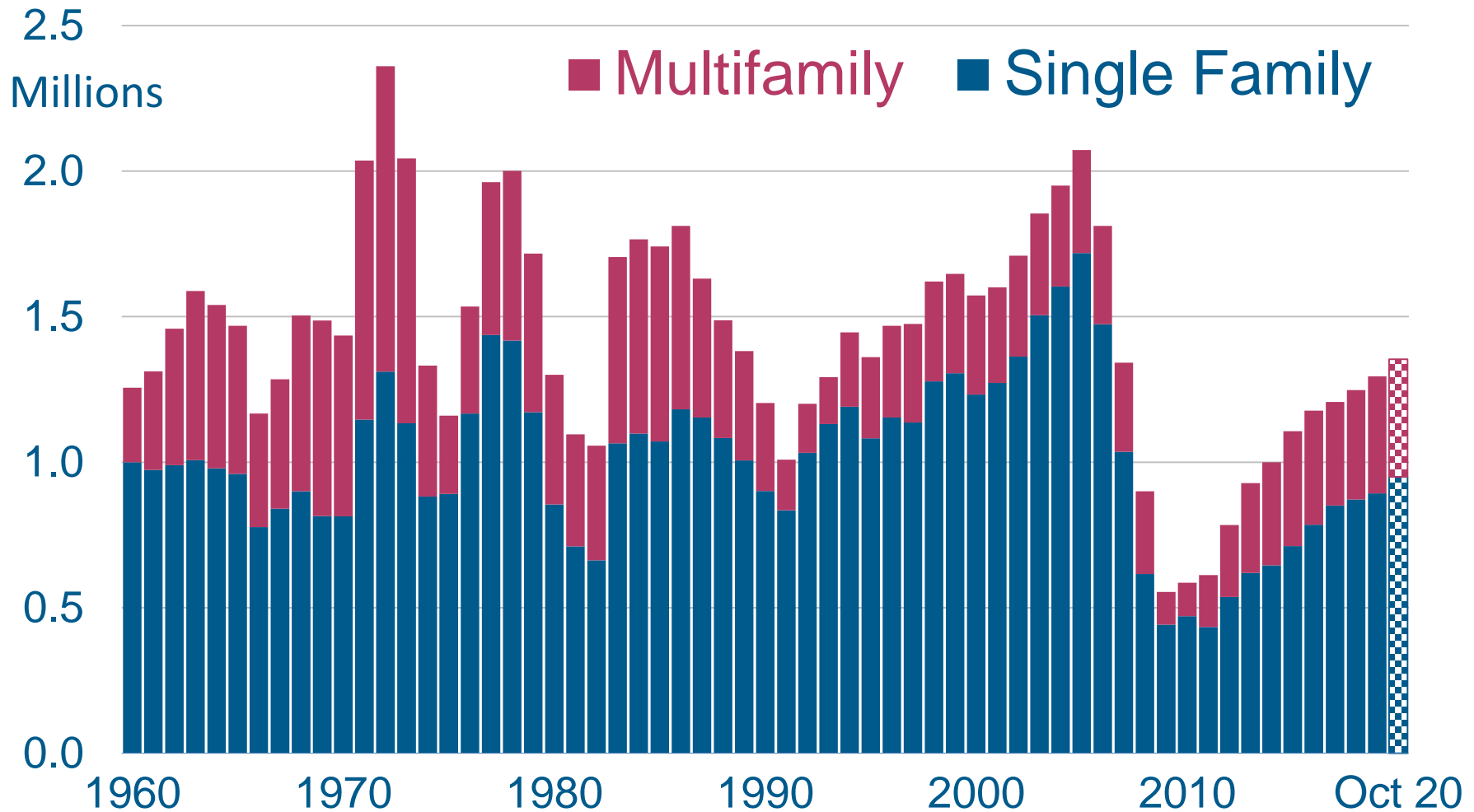
# Home Price Appreciation



Source: S&P/Case-Shiller U.S. National Home Price Index



# Housing Starts in the U.S.

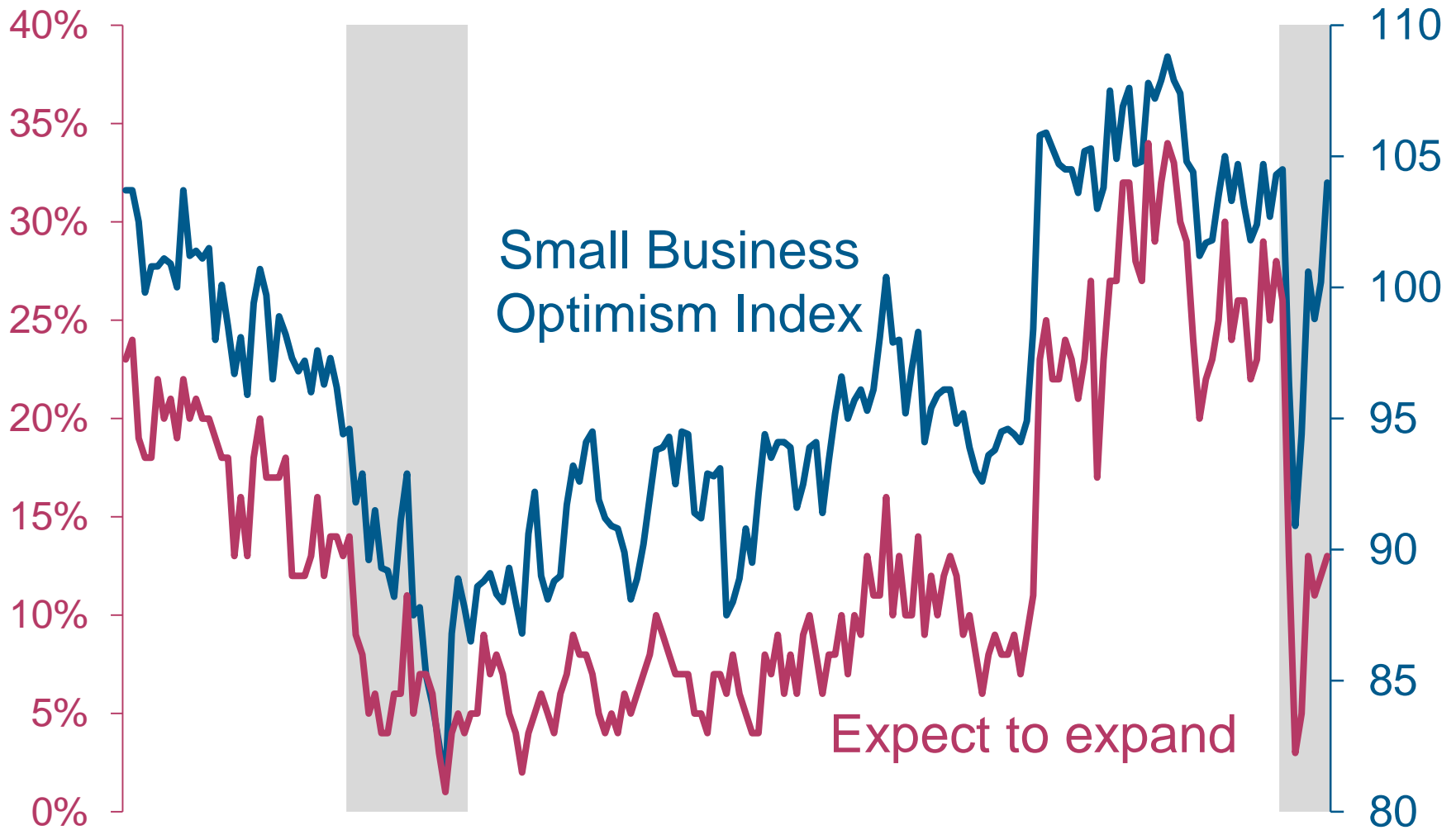


Source: U.S. Bureau of the Census



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# Small Business Optimism



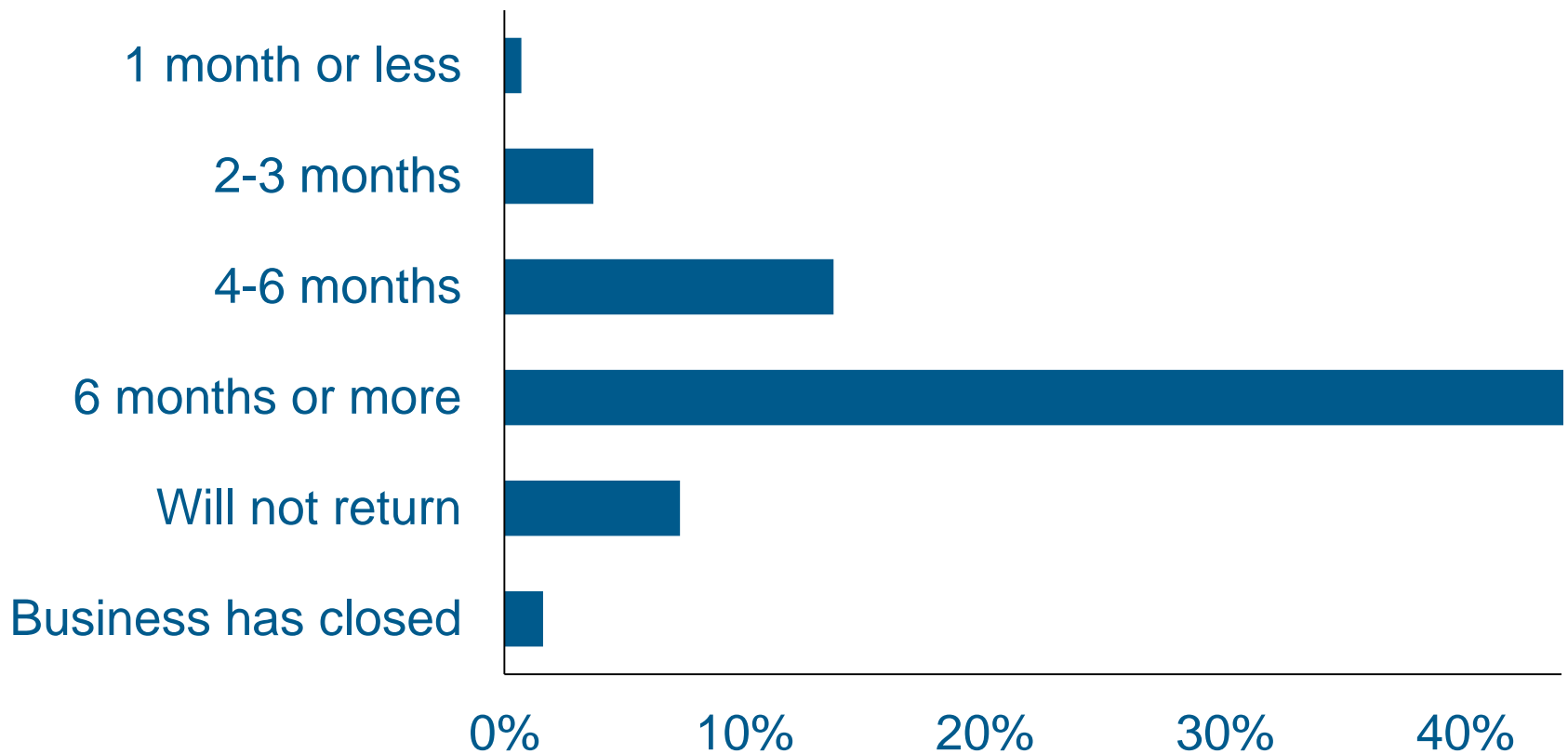
Source: National Federation of Independent Business



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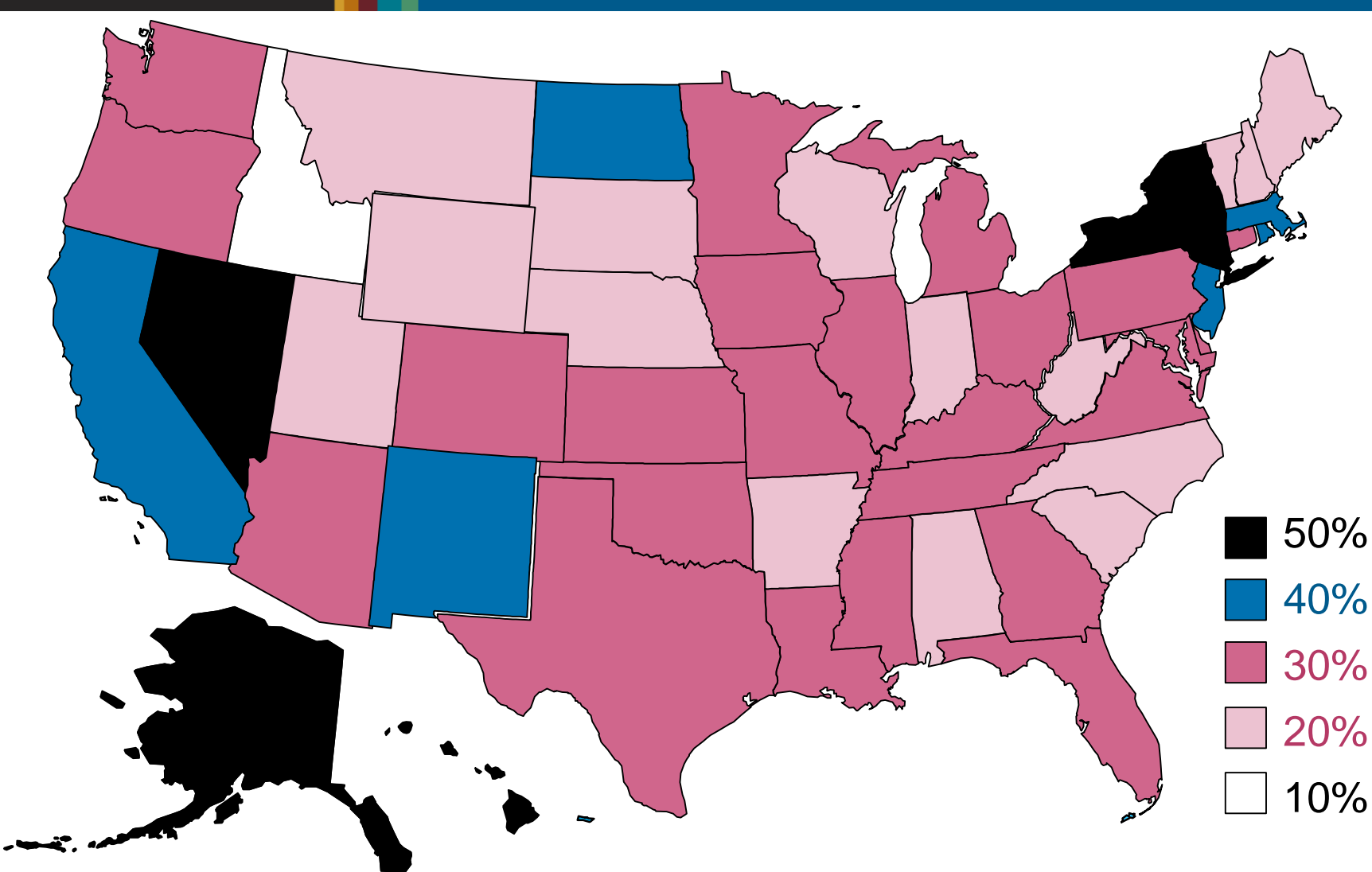
# Returning to Business as Usual

How much time do you think will pass before this business returns to its normal level of operations relative to a year ago?





# Has business been impacted by the pandemic?

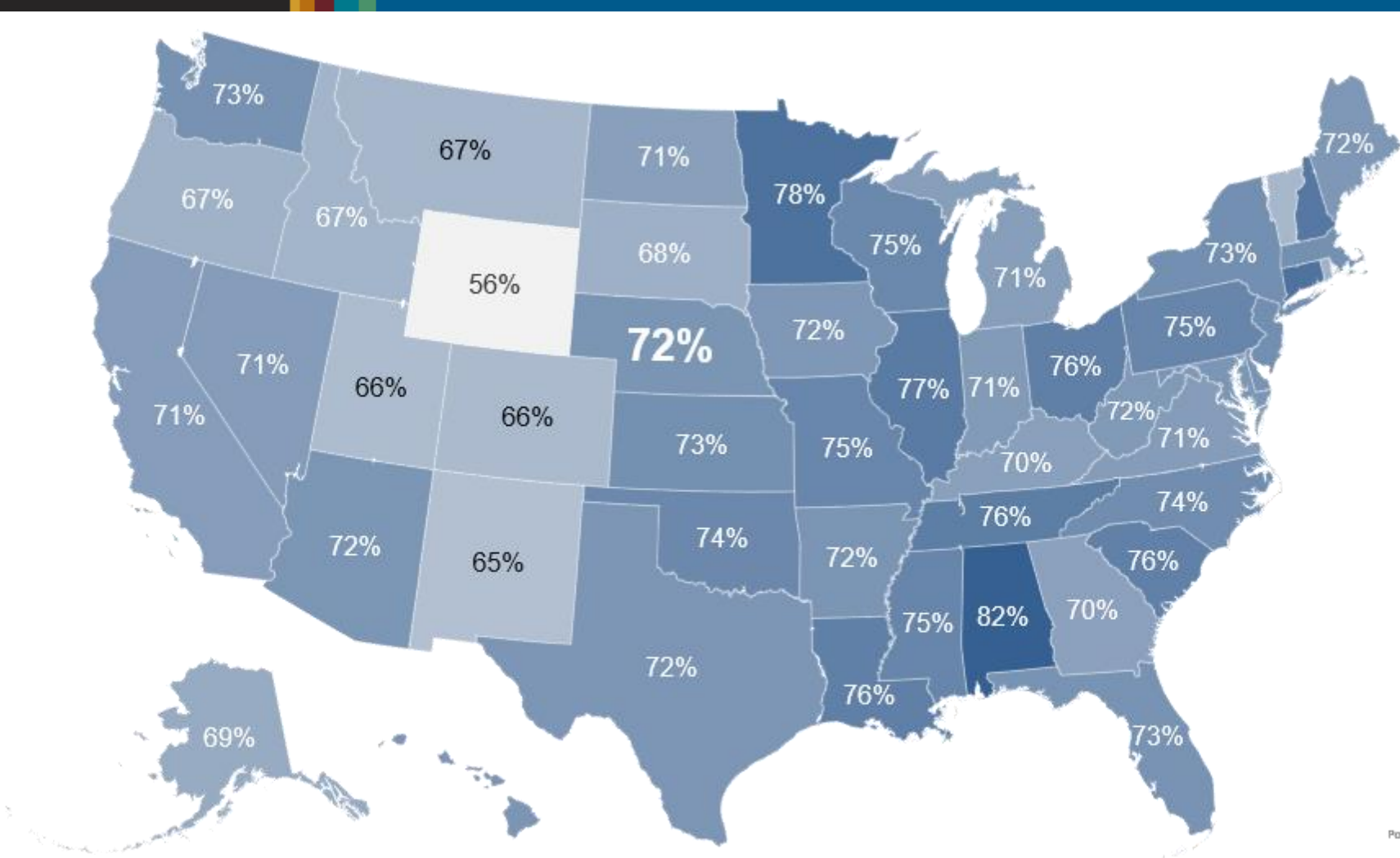


Source: Census Small Business Pulse Survey, October 4–12



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# PPP Reaches 72.4% of Small Businesses



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Source: Census Small Business Pulse Survey, October 4–12



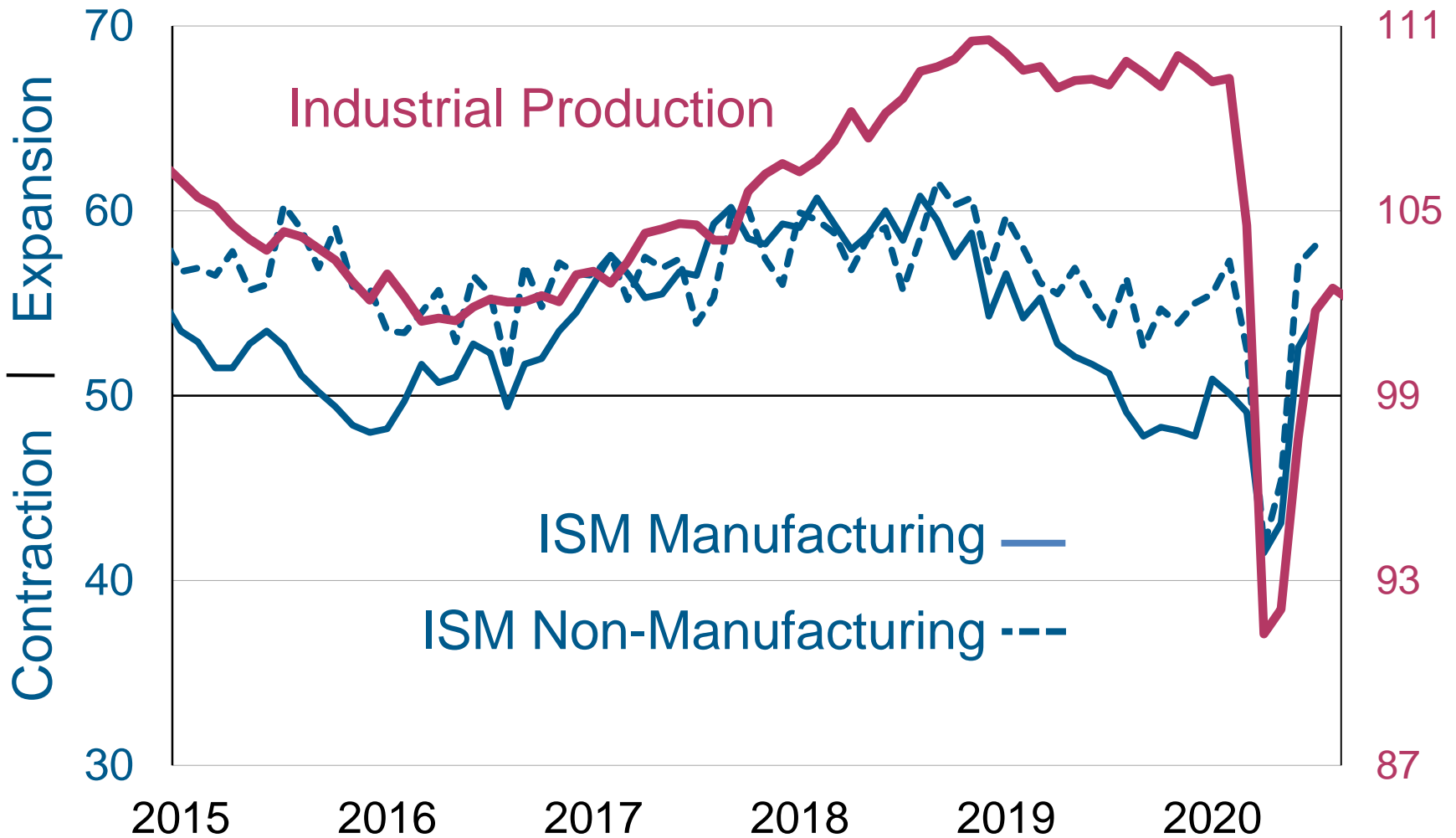
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# Polling Question #3

**Are you optimistic about the outlook for your firm in 2021?**

- a. Yes
- b. We will have to see
- c. No

# Business Indexes

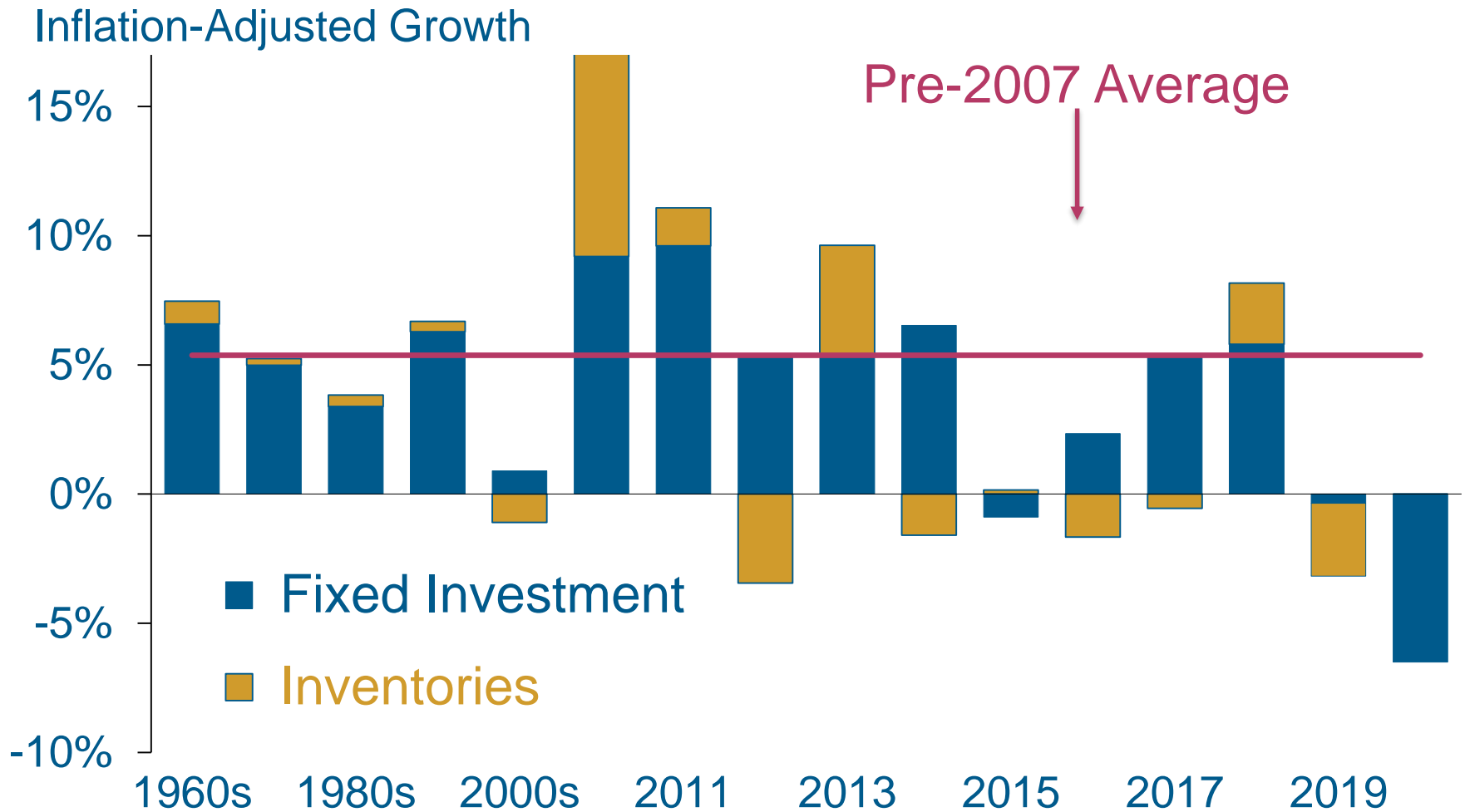


Sources: Federal Reserve, Institute for Supply Management



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# Business Investment



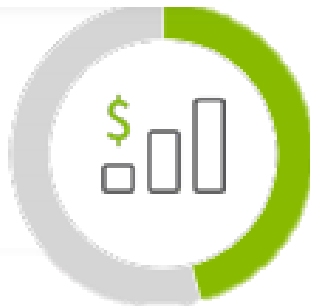
Source: U.S. Bureau of Economic Analysis



Amid the financial pressures created by the COVID-19 outbreak since March 2020:

**46%**

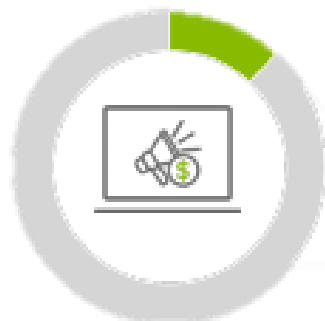
of small business owners have **increased investment in their business**



Of the small business owners that increased investment,

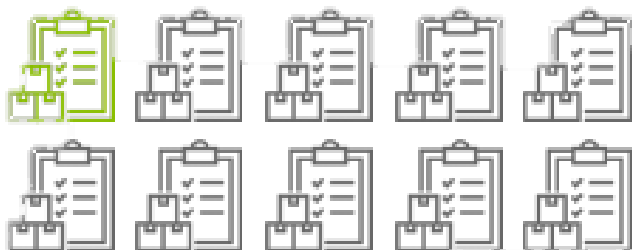


Nearly **1 in 5** increased investment in **technology/e-commerce platforms**



**12%**

increased investment in **marketing and advertising**

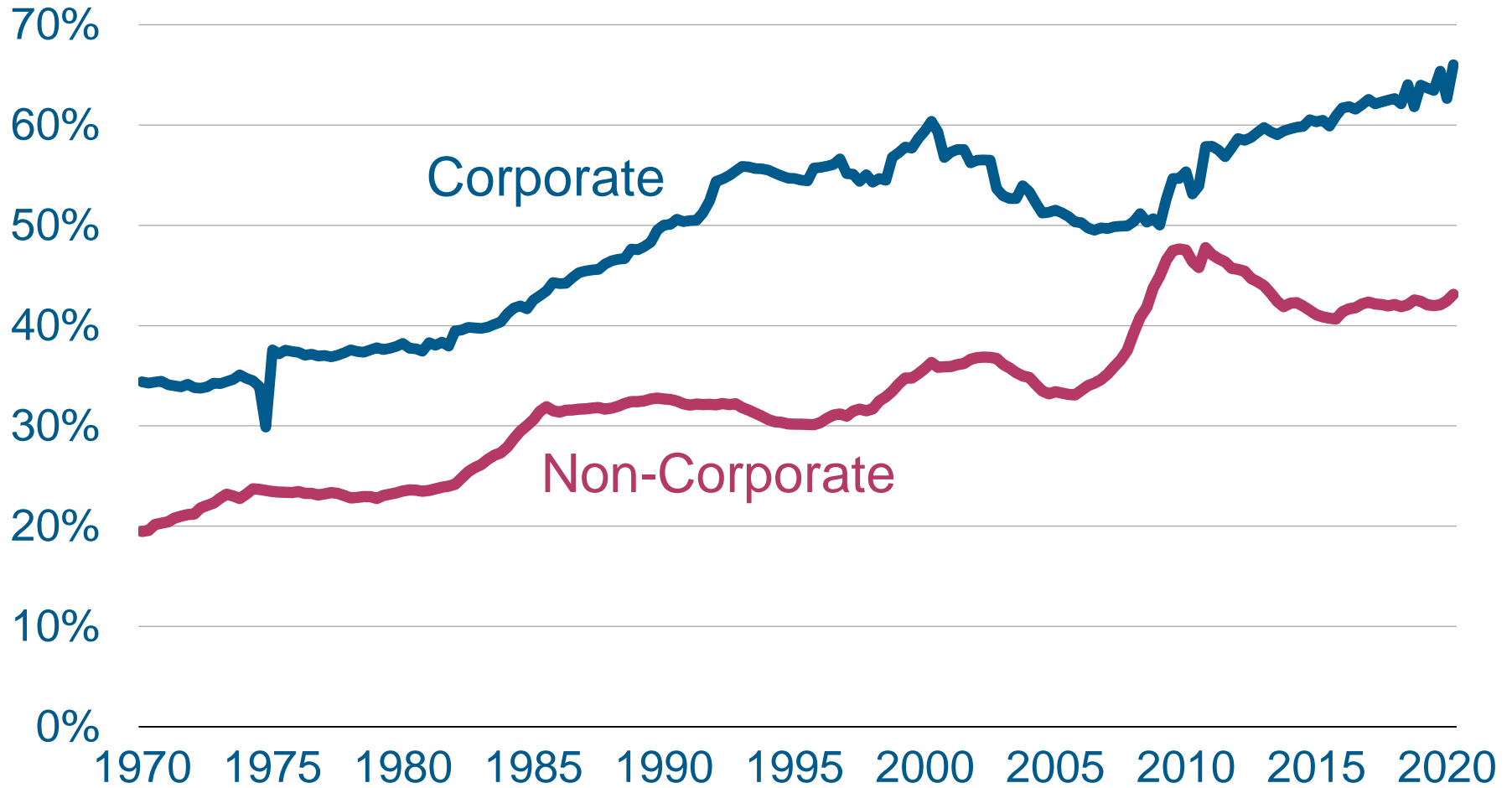


About **1 in 10** also increased investment in **product inventory and supplies**

## Regions Financial *Next Step Survey* November 2020

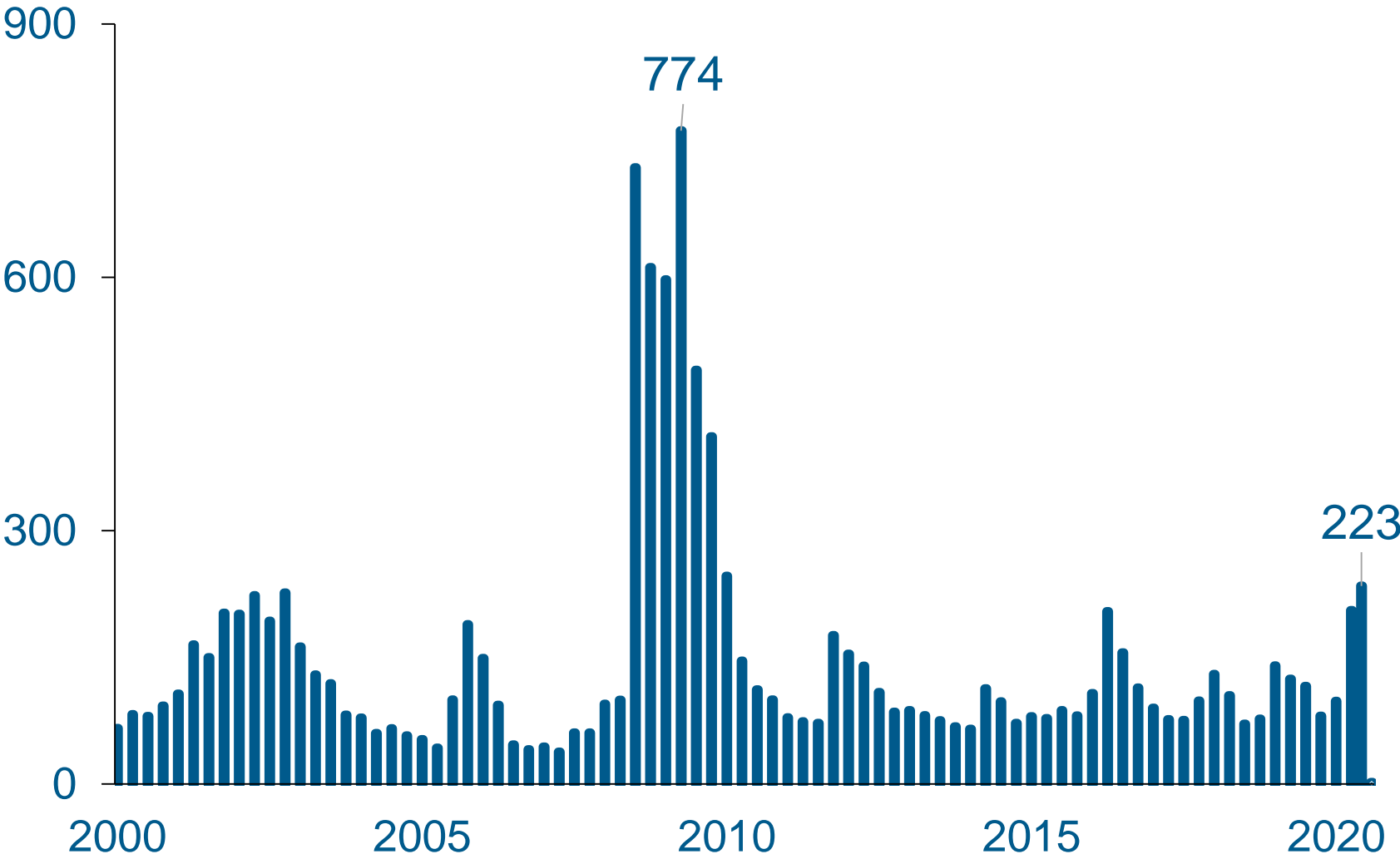


# Nonfinancial Business Debt / Assets



Source: Federal Reserve

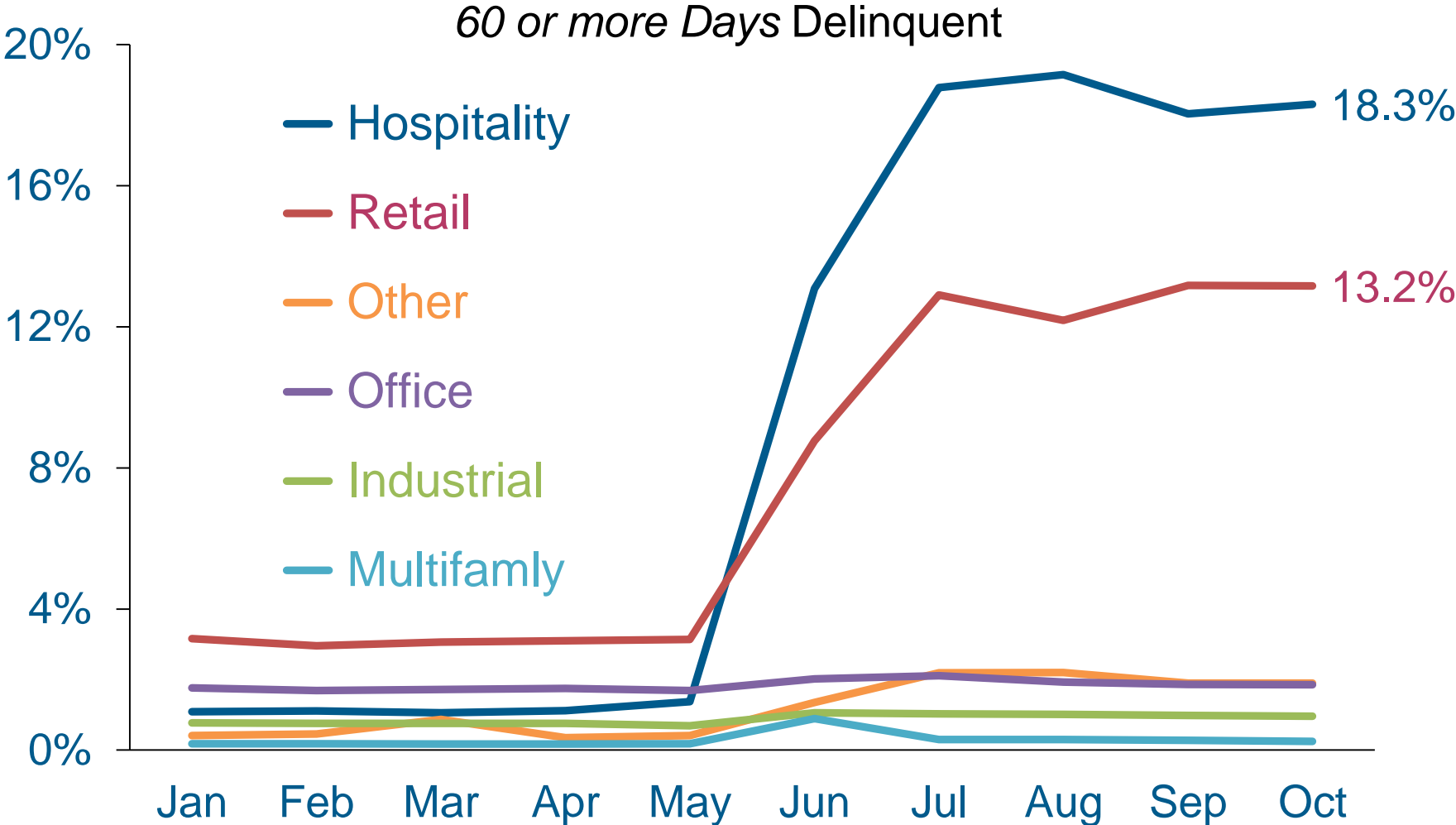
# Bloomberg Corporate Bankruptcy Index



Source: Bloomberg Financial L.P

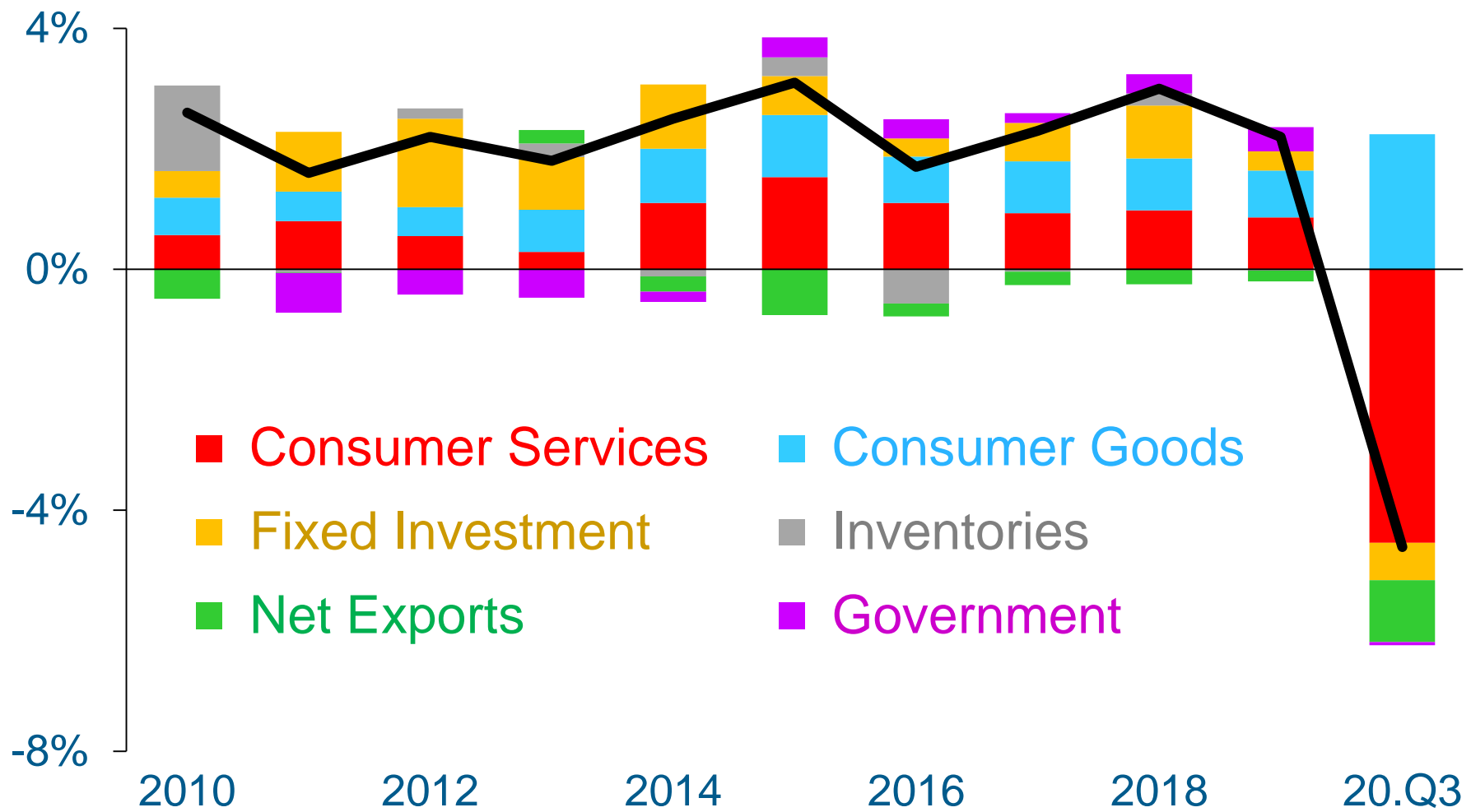


# Commercial Real Estate Delinquencies



Source: Bloomberg Financial L.P

# Contributions to GDP Growth through 2020.Q3



Source: Bureau of Economic Analysis

# New Daily COVID-19 Cases

7-day moving average, Thousands

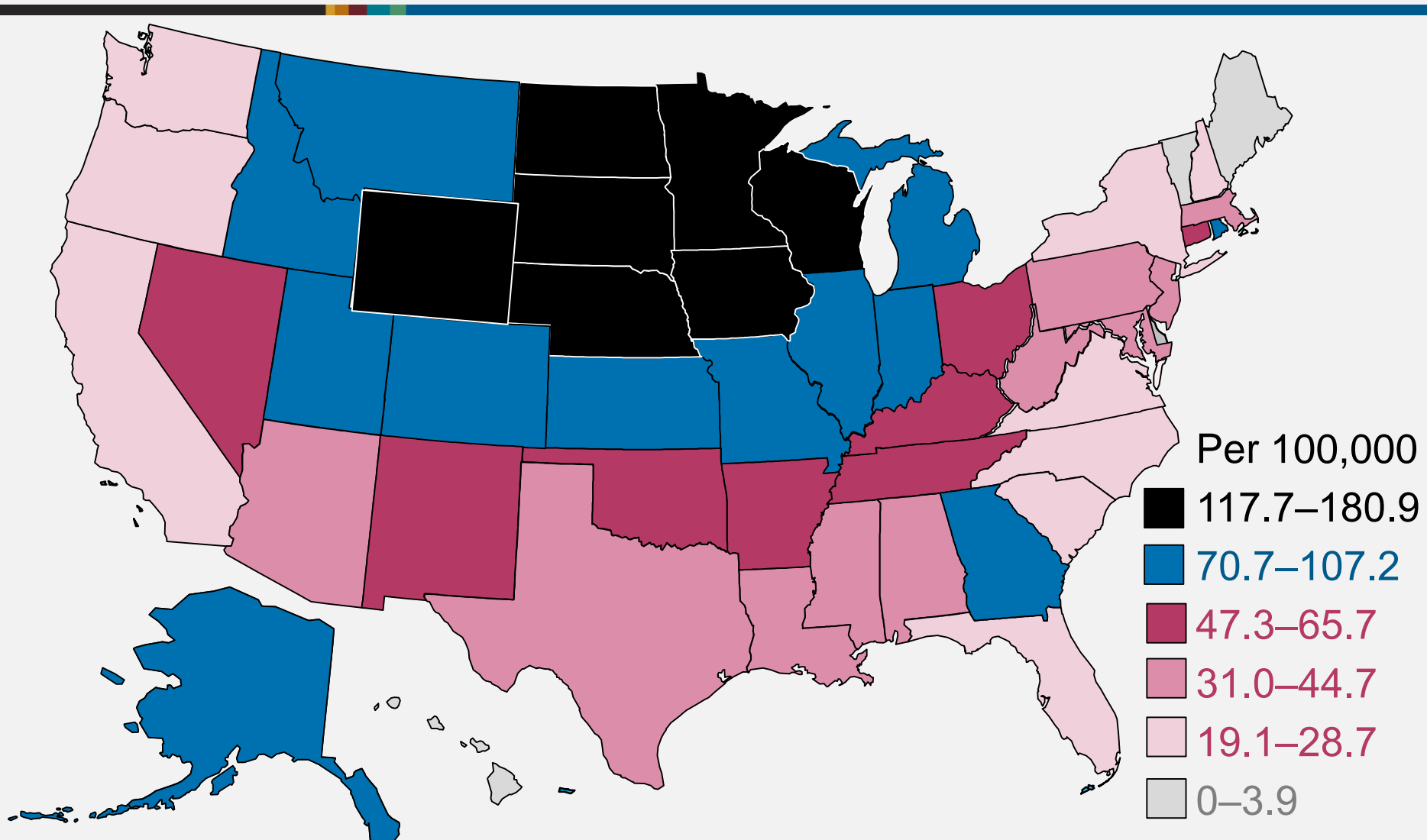


Source: World Health Organization



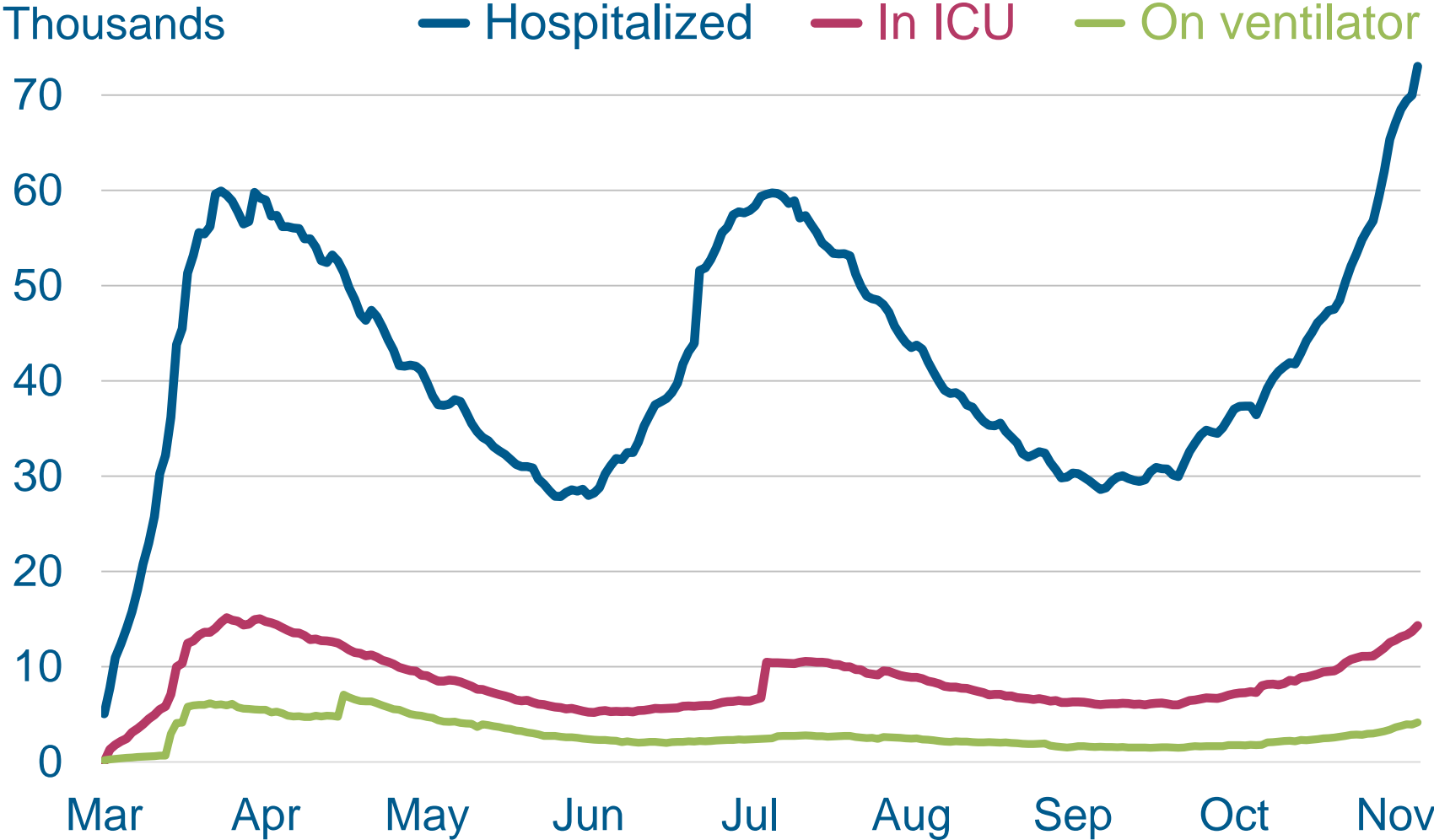
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# New COVID-19 Cases in the Last 7 Days



Source: Census Small Business Pulse Survey, October 4–12

# New Daily Hospitalizations in 2020

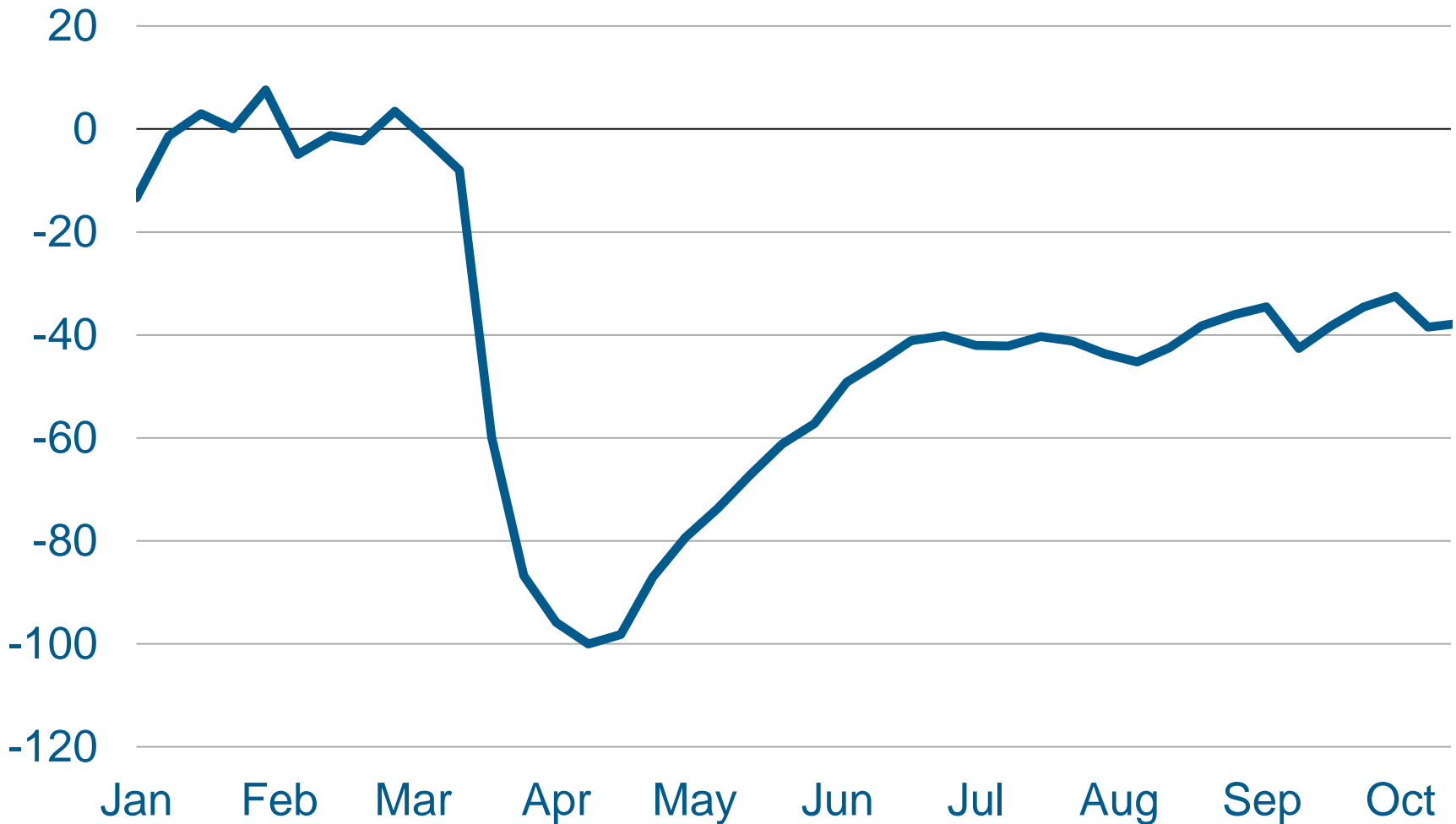


Source: Center for Disease Control



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# U.S. Mobility and Engagement Index

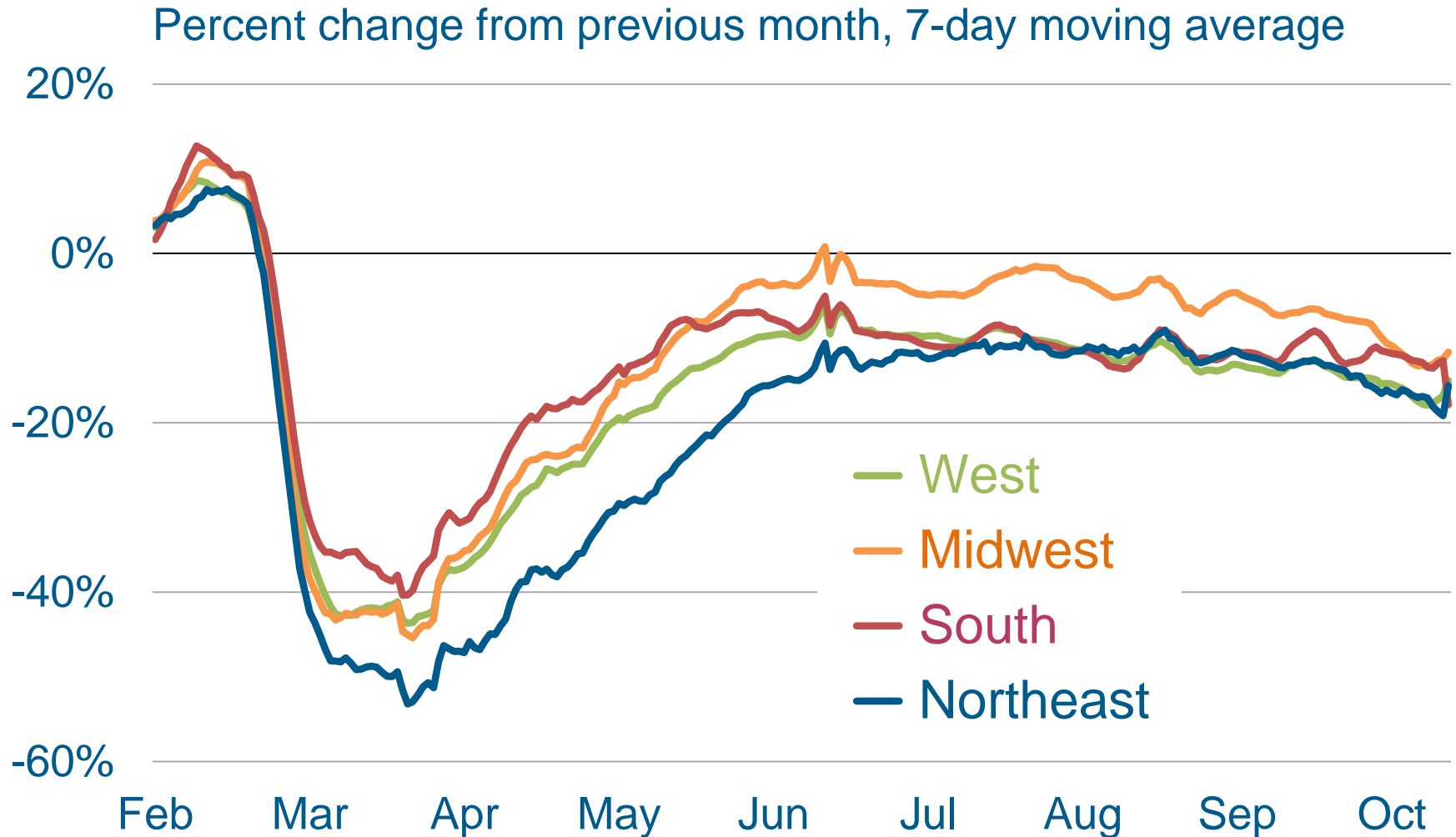


Source: Federal Reserve Bank of Dallas



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# Visits to Retail and Recreation Locations

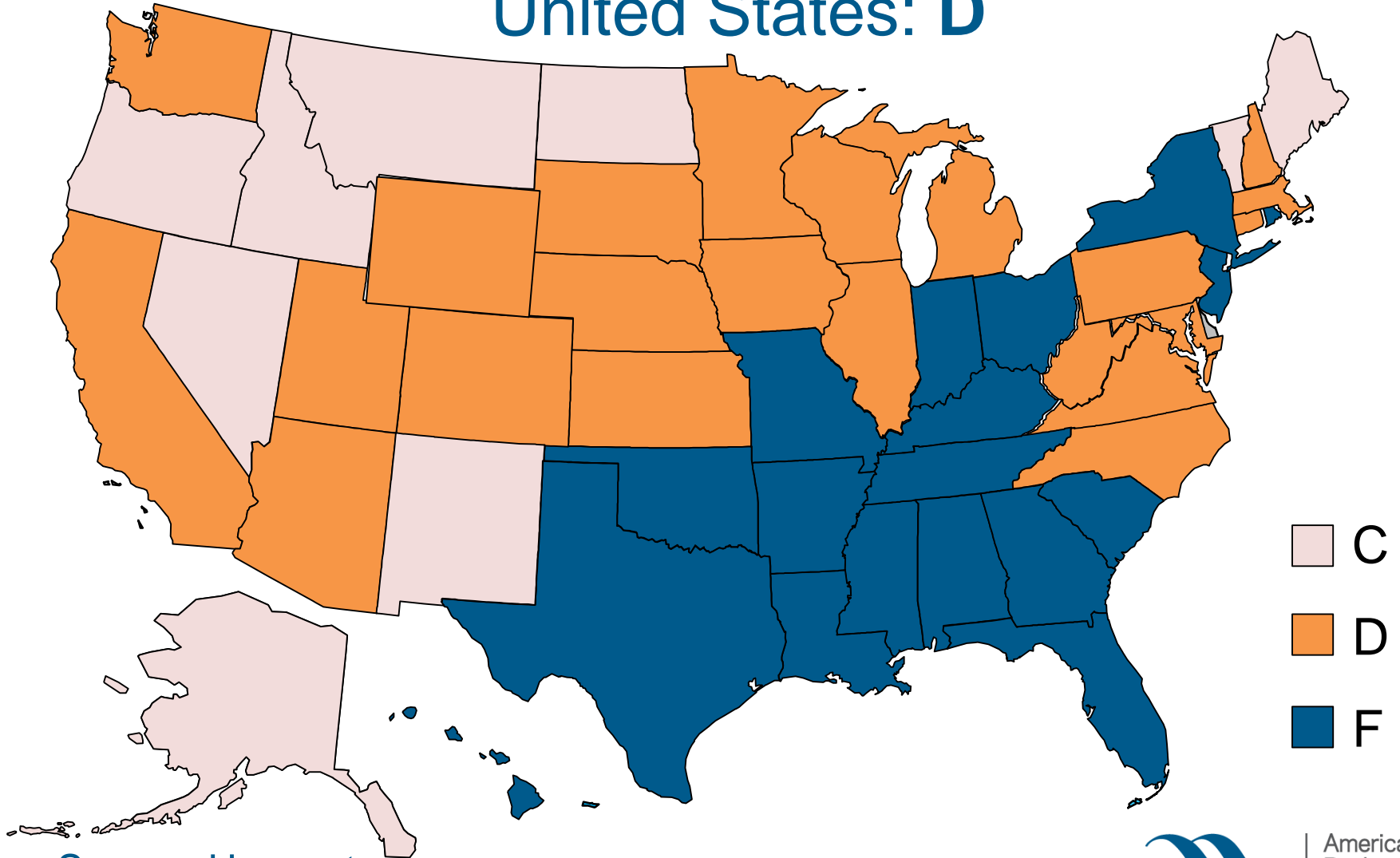


Source: Google U.S. Mobility Data



# Social Distancing Grade

## United States: D



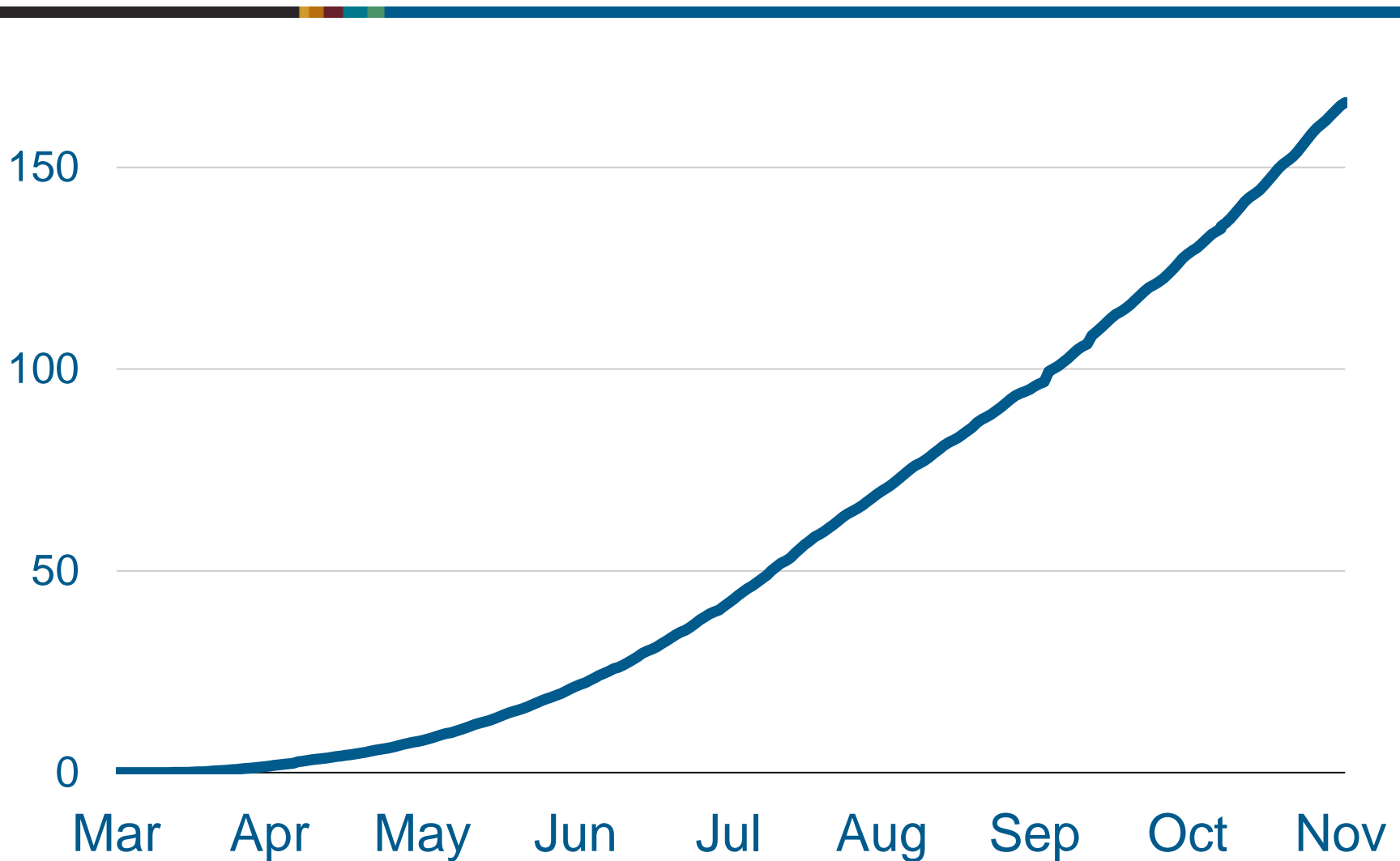
Source: Unacast







# New Daily COVID-19 Tests (*Thousands*)

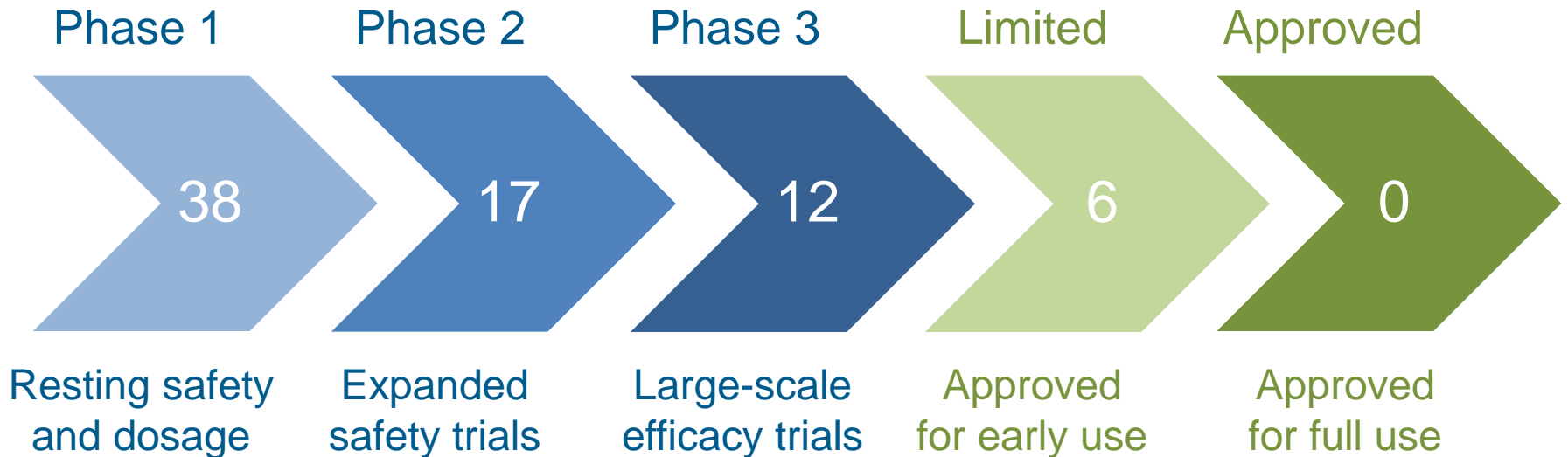


Source: Our World in Data



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# Vaccine Progress



- Phase 3 (U.S.):
- Moderna
  - Pfizer and BioNTech
  - AstraZeneca and Oxford University
  - Johnson & Johnson
  - Novavax

Source: *New York Times*, November 18, 2020

# COVID-19 Vaccines

- **Several are undergoing testing.** Early results are encouraging for several. Awaiting large scale efficacy data.
- **Pfizer and BionNTech** – Seeking emergency FDA authorization
  - 95% effective
  - Can produce double-doses for 700 million through 2021
- **Moderna** – Plans to seeking emergency FDA authorization soon
  - 94.5% effective – across all age groups
  - May also be therapeutic
  - May not require  $-80^{\circ}\text{C}$  for transport and storage
- **Astra Zenica and Oxford** – Ongoing phase 3 study
- **Johnson & Johnson** – Ongoing phase 3 study
  - Single dose; testing if two is more effective
- **Novavax** – Ongoing phase 3 study



# COVID-19 Therapeutics

- Stages of coronavirus infection
  - Virus
  - Immune system damages various organs
- **Convalescent plasma** is likely effective if administered early with a high titer of antibody.
- **Remdesivir** from **Gilead** mitigates symptoms but the efficacy on mortality is unknown.
- **Monoclonal antibodies** from **Regeneron** are showing encouraging results, but more data is needed.
- **Dexamethasone** appears to improve mortality in patients with severe COVID-19.



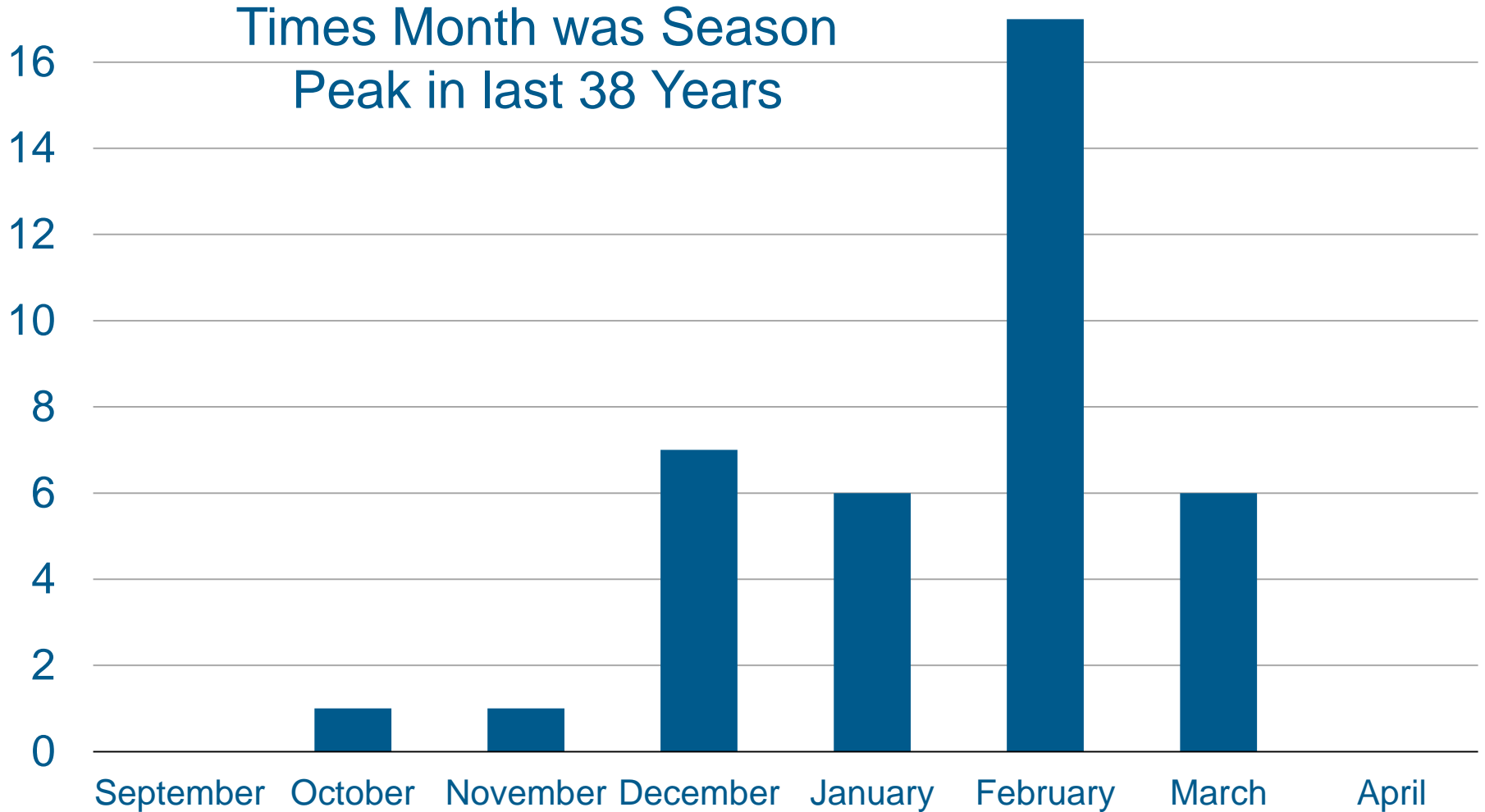
# Polling Question #4

**Which of the following concerns you most for the future?**

- a. When will a vaccine be commonly available?
- b. When can we stop wearing masks in public and hug friends again?
- c. Will my salary be cut or will I lose my job?



# Flu Season



Source: U.S. Center for Disease Control



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# Economic Uncertainties

- **Timing of a COVID-19 vaccine and distribution**
- Financial challenges for the long-term unemployed
- Resilience of housing prices following months of large gains
- Rising corporate financial leverage as earnings decline
- How many firms will give up or fail after the normally robust year-end holiday season?
- Commercial real estate, particularly in leisure and hospitality
- Amount and delay for additional federal stimulus
- Fundamental changes in consumer and business practices?

