Outlook themes

• The economy has seen a strong rebound.

• However, the continued spread of virus will weigh on the recovery.

• Fiscal stimulus measures were timely, targeted and unprecedented, but its support to economic activities is fading.

• Federal debt has increased, but appears sustainable for now.
U.S. GDP rebounded in third quarter

Sources: BEA, NBER, Haver Analytics
Job gains continue with largest contribution from leisure and hospitality

Sources: BLS, Haver Analytics

Monthly Payroll January to August 2020

Job Recovered by Industry

Sources: BLS, Haver Analytics
Increases in COVID cases will weigh on payroll growth

% chg from January 2020, 7d ma, sa

Accommodations and food services card spending (left)  Daily new U.S. COVID cases (right, inverted)

Sources: BEA, Haver Analytics
The second wave in Europe will slow the rebound in exports

Sources: Haver Analytics, Census Bureau, WIND
Fiscal stimulus were timely, unprecedented, and targeted

Sources: CBO
Fiscal support to the recovery is fading

Unemployment Benefits, Bn, saar

Unemployment Rate, pp.

Jan-1996 to Dec-2019
Actual Transfers: Jan-2020 to Present

Sources: Haver Analytics, BEA, BLS
Significant uncertainty surrounding further stimulus

HEROES Act

- State Fiscal Aid: $360 Bn
- Stimulus Checks: $748 Bn
- UI: $492 Bn
- Business Assistance: $390 Bn
- Other: $360 Bn

Treasury Proposal

- State Fiscal Aid: $300 Bn
- Stimulus Checks: $684 Bn
- UI: $230 Bn
- Business Assistance: $246 Bn
- Other: $215 Bn

Senate Republicans

- State Fiscal Aid: $110 Bn
- Stimulus Checks: $175 Bn
- UI: $340 Bn
- Business Assistance: $408 Bn
- Other: $492 Bn

Sources: CRFB
Fiscal stimulus measures have significantly deteriorated debt projections

Federal Government Debt Projections

Percent of U.S. GDP

Sources: CBO
Debt sustainability isn’t a concern yet

Fiscal Limit Distributions of the U.S. Federal Government

Probability of default

Sources: Staff’s calculations