Economic Outlook

February 2021
Outlook themes

• The economy slowed in the fourth quarter of 2020 as the virus surged and fiscal support waned.

• However, growth is expected to rebound in 2021 aided by additional fiscal relief and the vaccine rollout helping unlock pent-up demand.

• Stronger growth in the second half of 2021 is expected to be accompanied by employment gains in leisure and hospitality and firmer prices for services.
Activity subsided to end 2020, but projections call for a rebound in 2021

Sources: BEA, NBER, Wolters Kluwer, Haver Analytics
Compared to the last package, the latest stimulus bill differs both in size and composition.

Sources: CRFB, Staff
Leisure and hospitality has accounted for much of the movement in payrolls

Sources: BLS, Haver Analytics
Herd immunity could be reached later this year if the current pace of immunizations continues.

Sources: Staff, CDC, The Morning Newsletter of the New York Times
Consistently, consumers are poised to resume activities in the second half of 2021

When will you feel comfortable…

- Going out to eat
- Going to an amusement park
- Going on vacation

Source: Morning Consult
Demand for services is expected to rise in the second half of 2021

Sources: Macro-Advisers, BEA, Haver Analytics
Near-term inflation masks important sectoral differences

ppt, infl. contr. between Dec-19 and Nov-20

Dec 2019: PCE = 1.6
Nov 2020: PCE = 1.1

Sources: BEA, Haver Analytics
Markets expect demand to recover in sectors holding inflation down

Chg in Infl. Contr. since Dec-19, ppt

% chg, S&P 1500 Sector (Nov 6 to Dec 31)

Sources: BEA, S&P, Haver Analytics