



COVID-19: Economic Implications and Policy Response

Hoover Kiwanis Club
03/19/2021

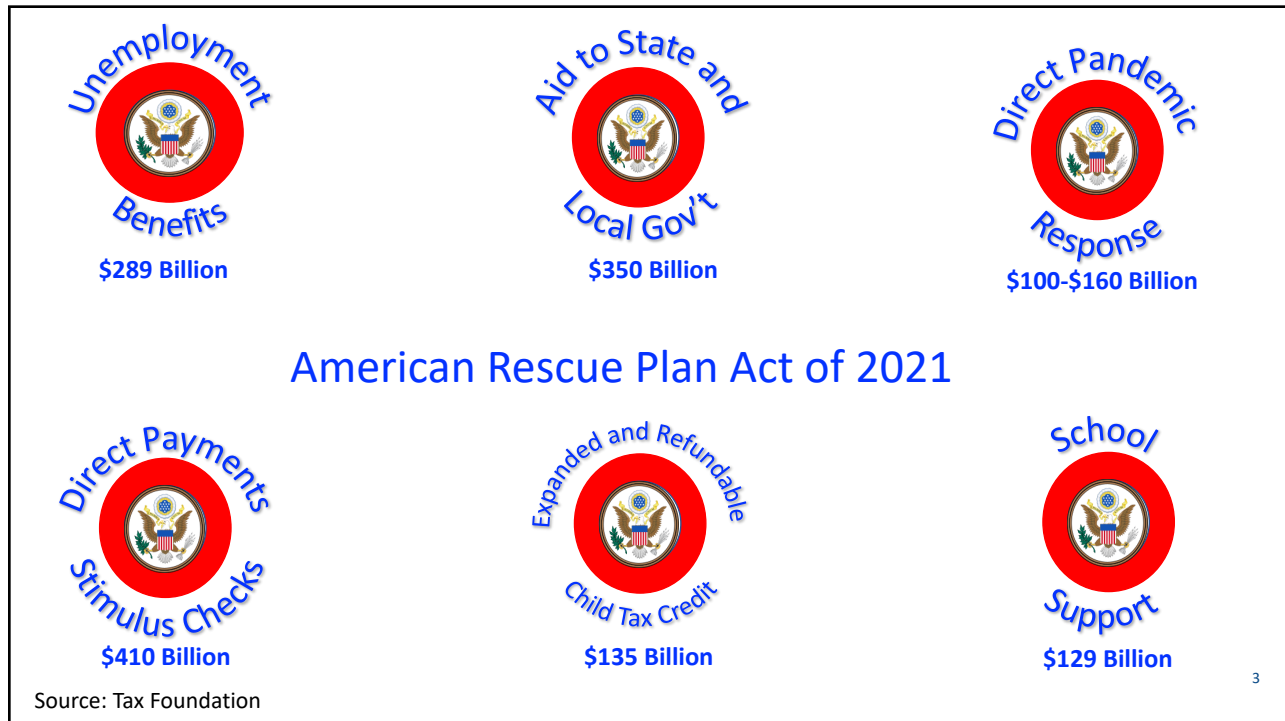


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Outline for Today's Talk

- Discuss President Biden's Proposed Economic Relief Package.
- Explain the (initial) impact of COVID-19 on spending and employment
- Highlight the (initial) Monetary and Fiscal Response by the US.
- Discuss how the Monetary and Fiscal response aided the recovery in 2020:Q2 & 2020:Q3
- Discuss reasons for the slowdown in the recovery in 2020:Q4

2




3

Conclusion

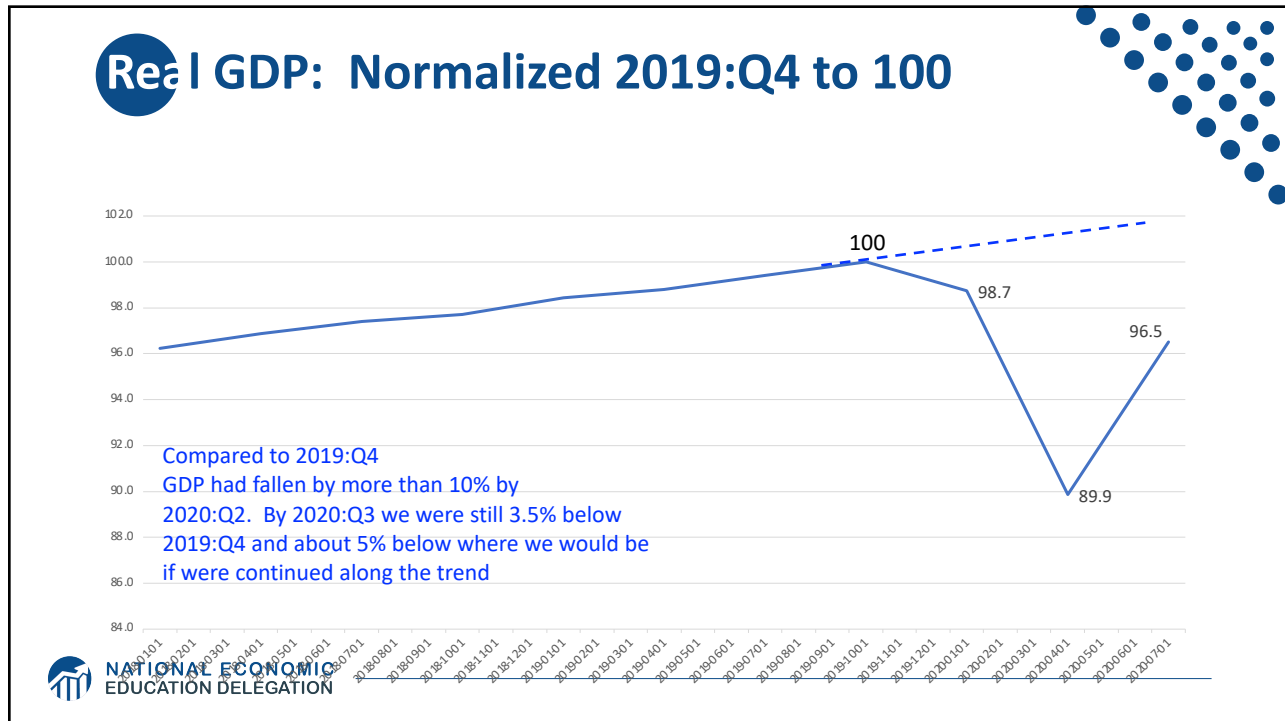
The economic recovery in 2021 depends crucially on

- The distribution of the vaccines.
- The efficacy of the vaccines and new strains.
- The economic response to the most recent fiscal stimulus.
- The willingness of the population to “continue” follow safety protocols.
- The ability of businesses and households to (continue to) adapt.

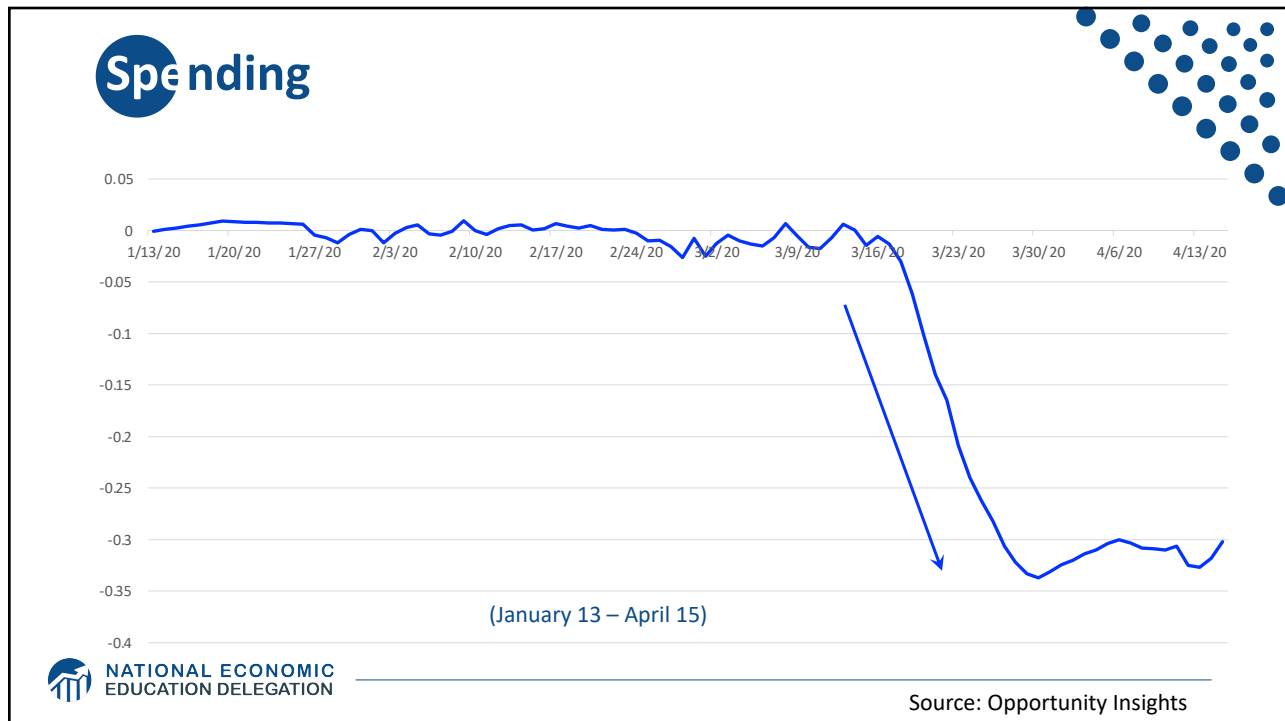
The recovery in the Q2 and Q3 of 2020 was supported by an “improvement” in the health situation and fiscal and monetary support.

 NATIONAL ECONOMIC EDUCATION DELEGATION

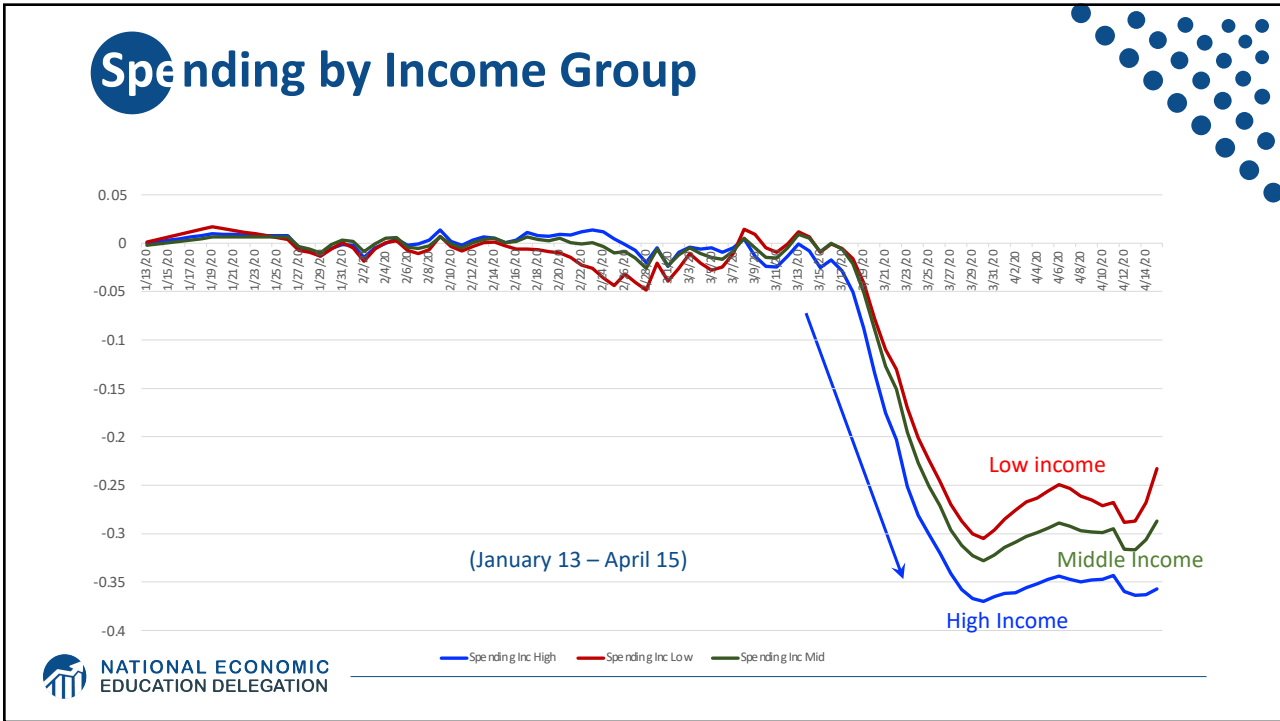
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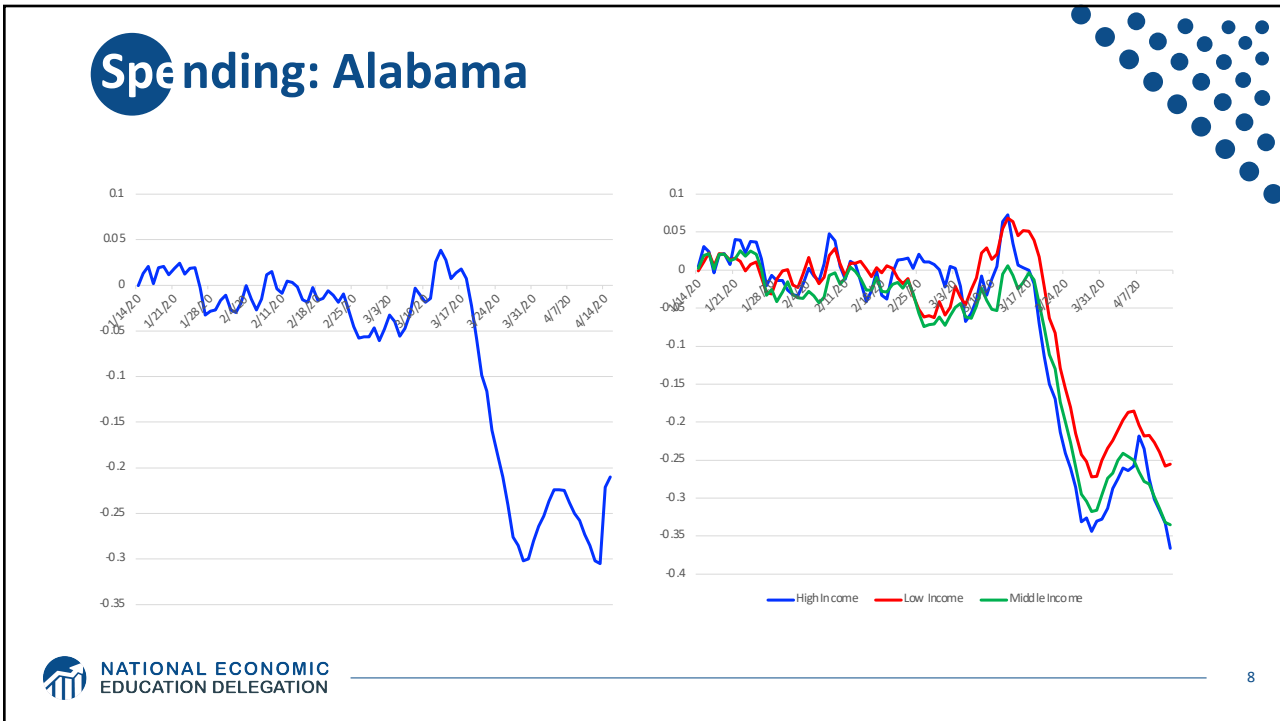
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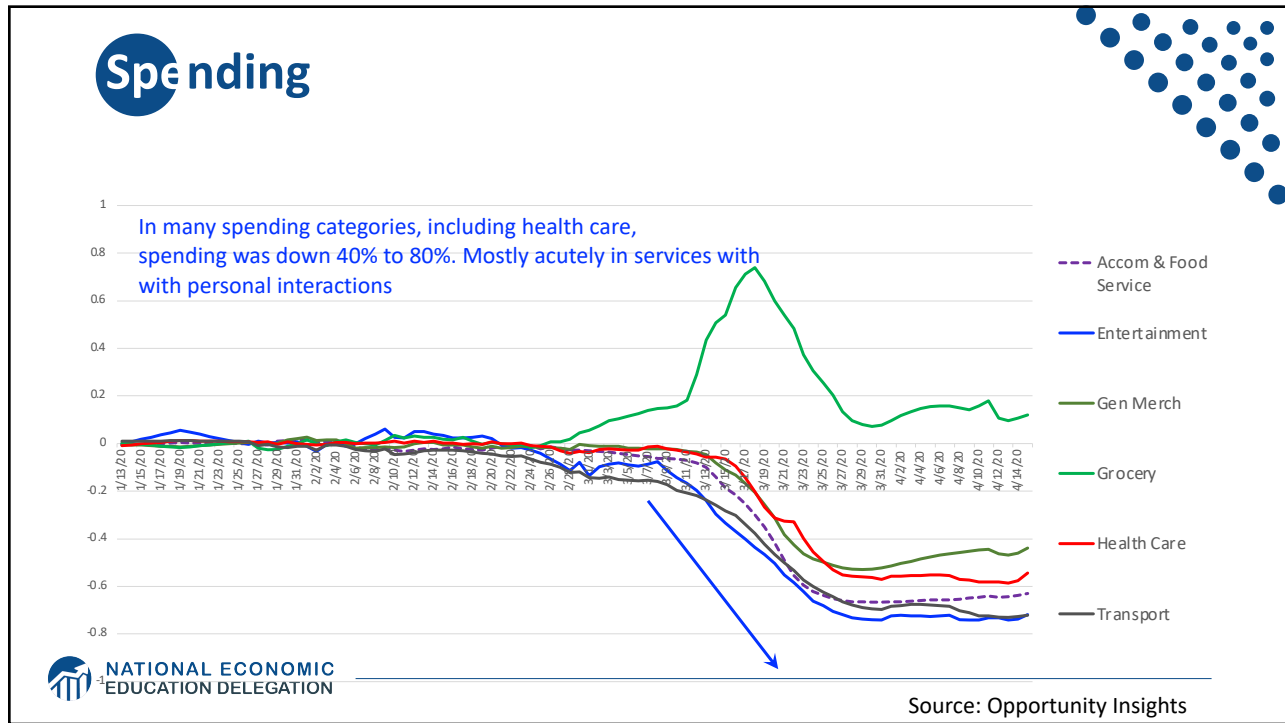
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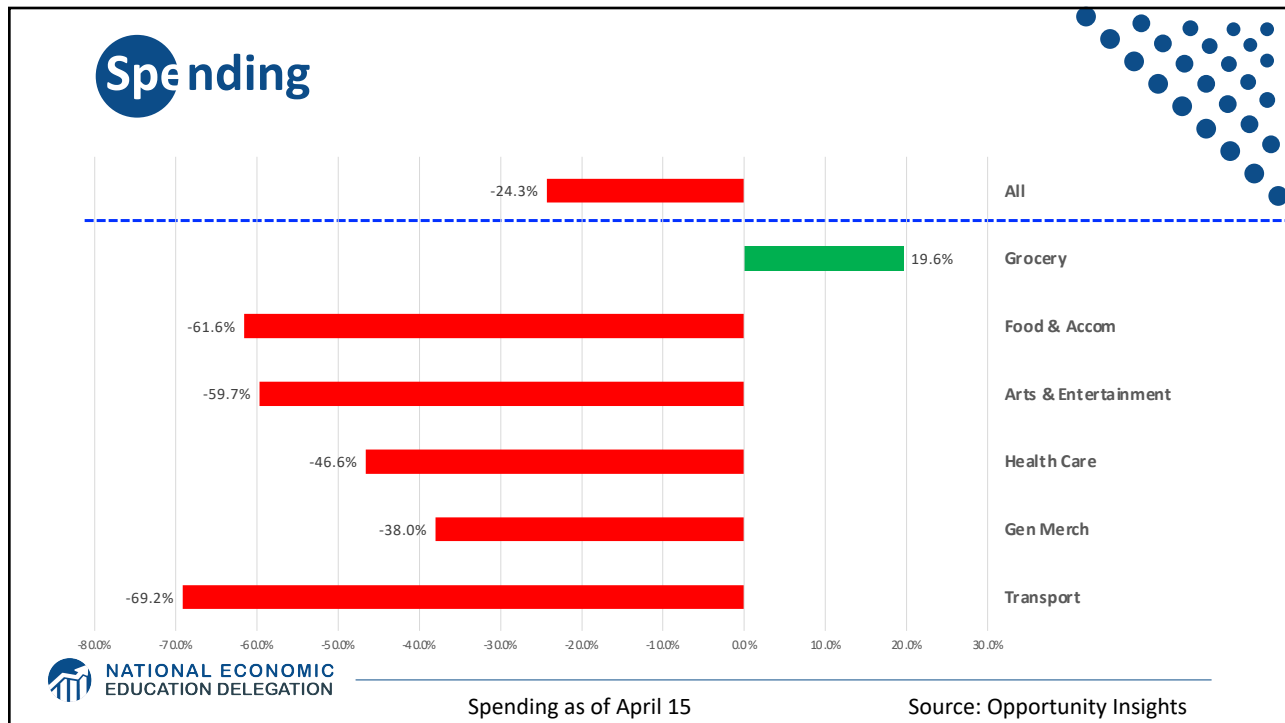
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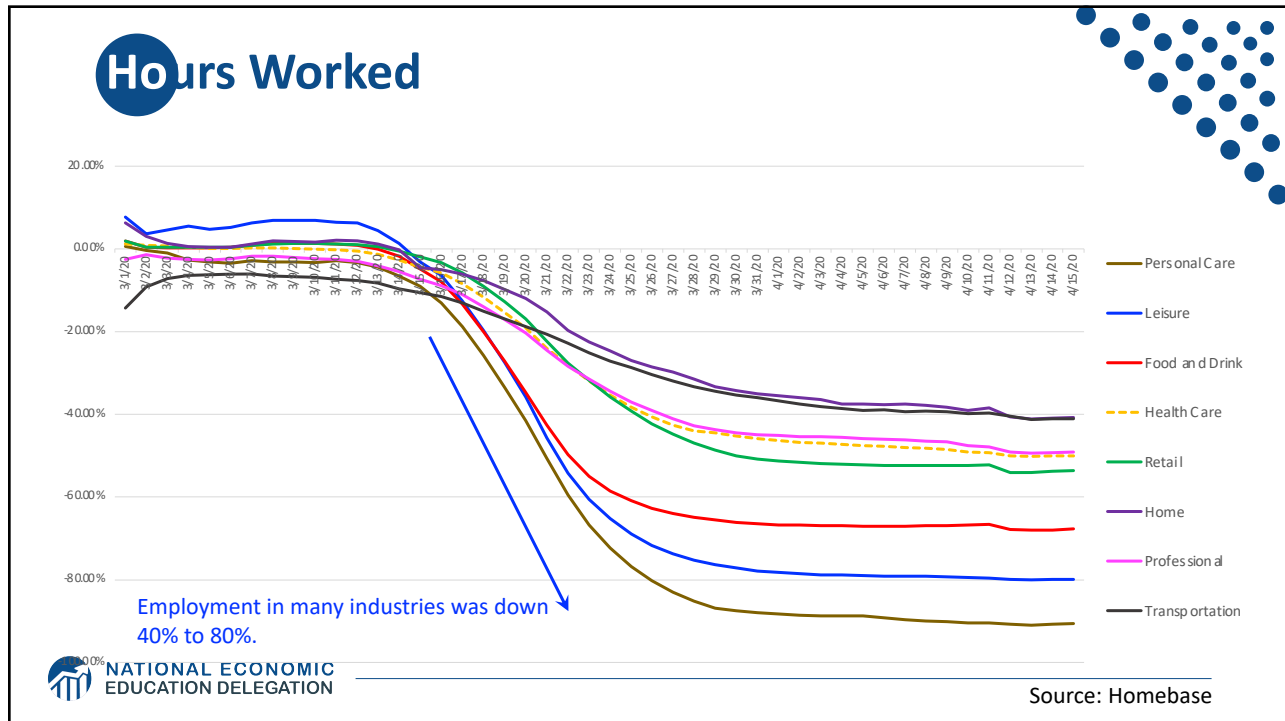
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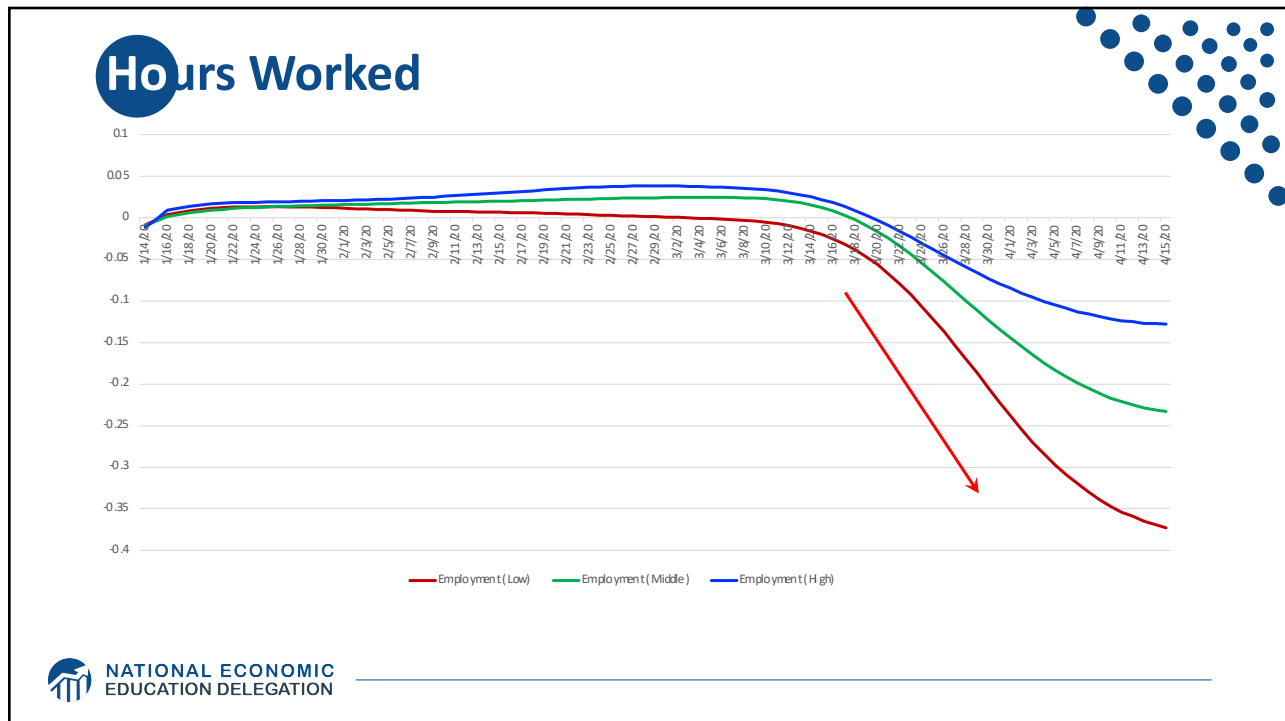
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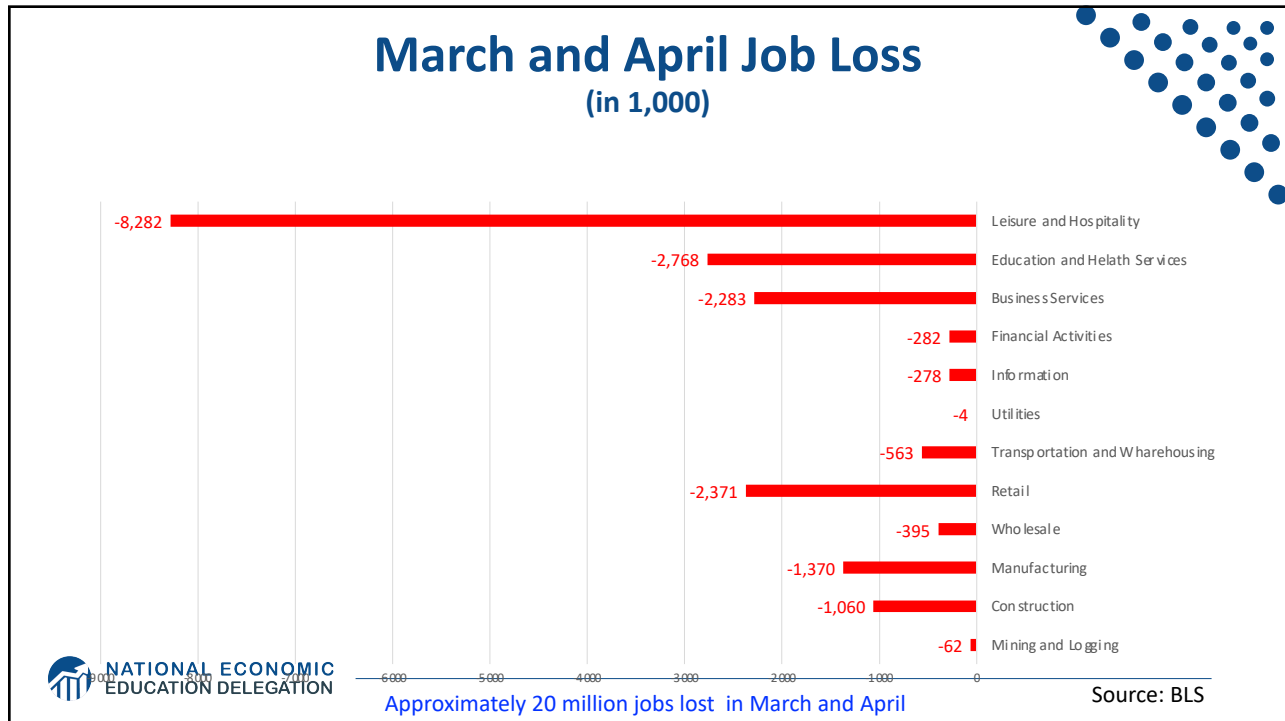
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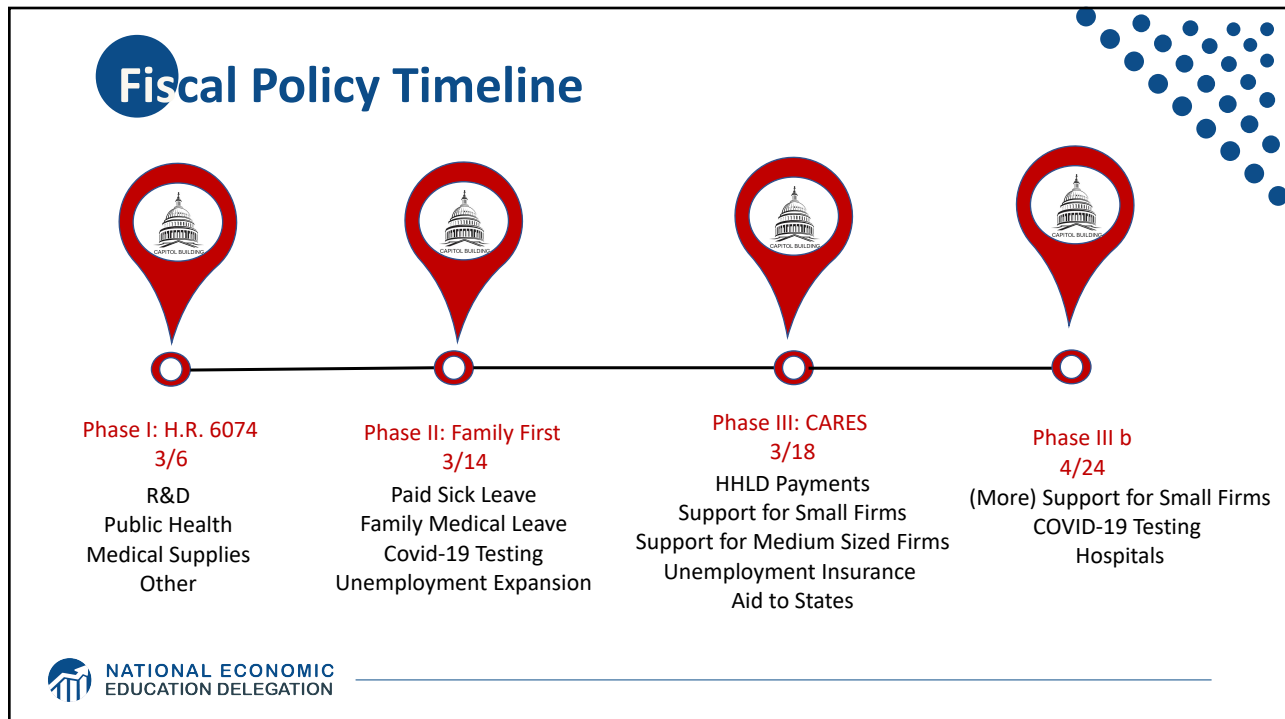
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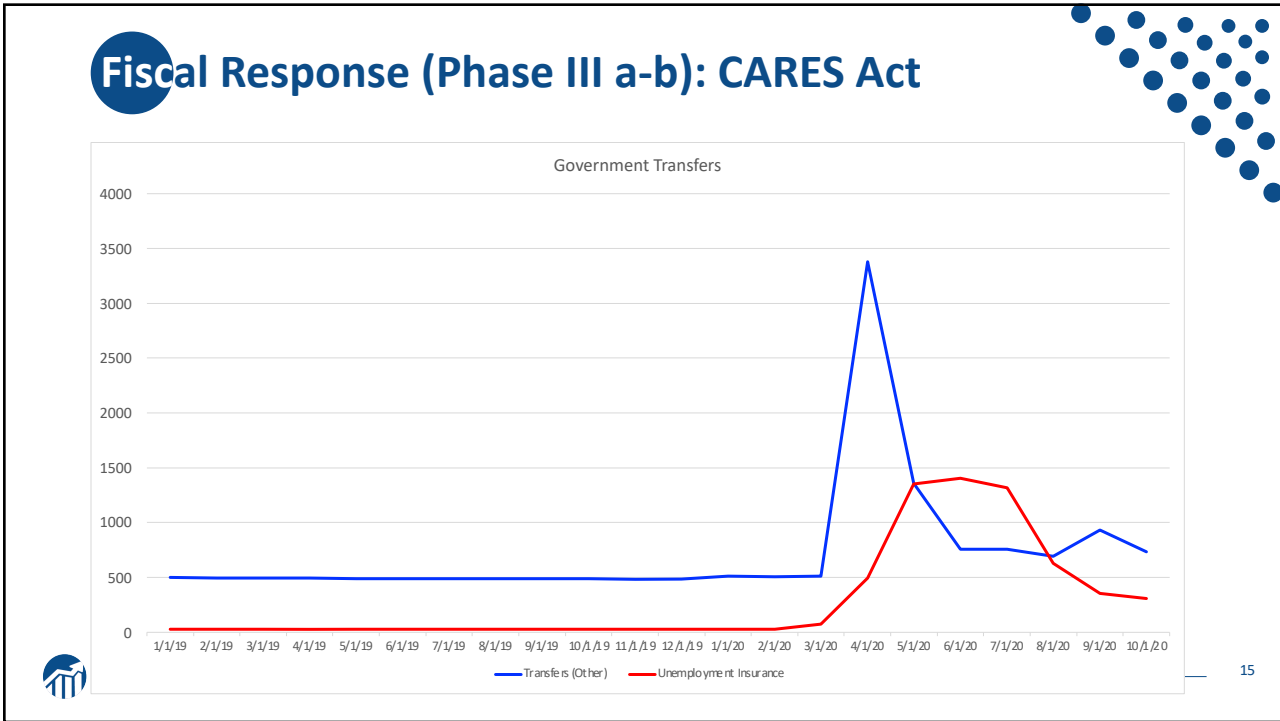
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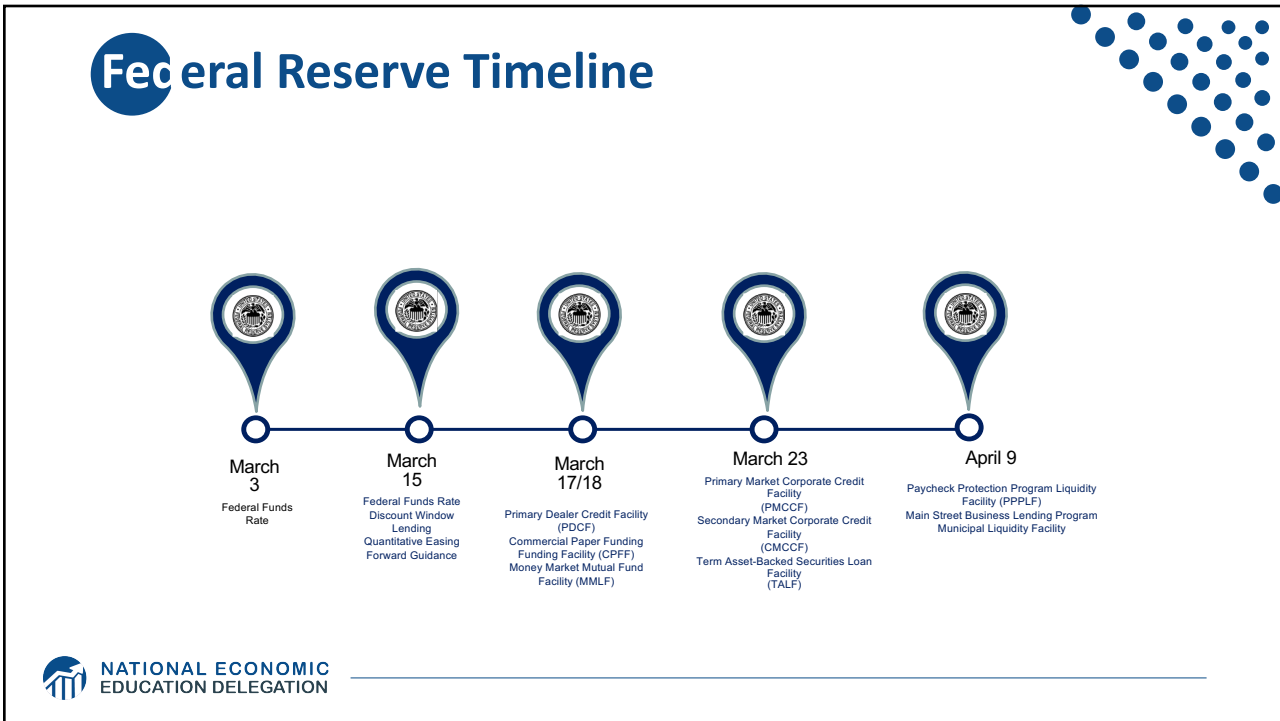
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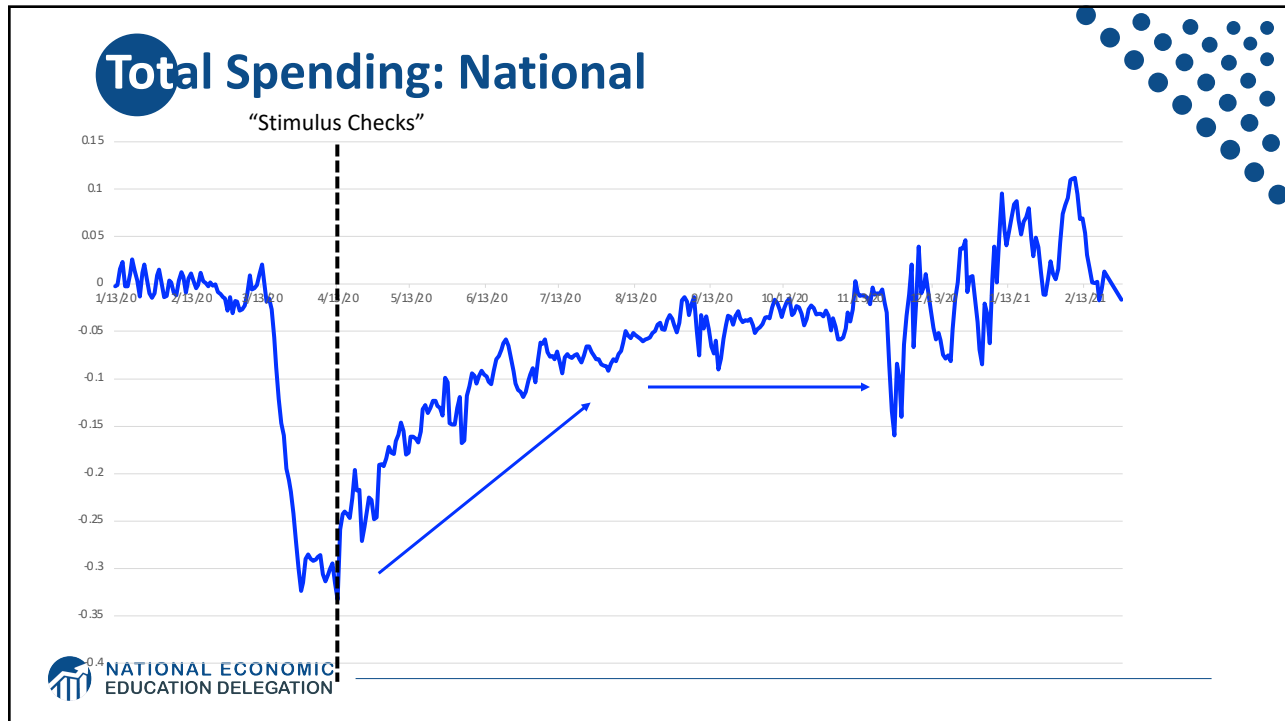
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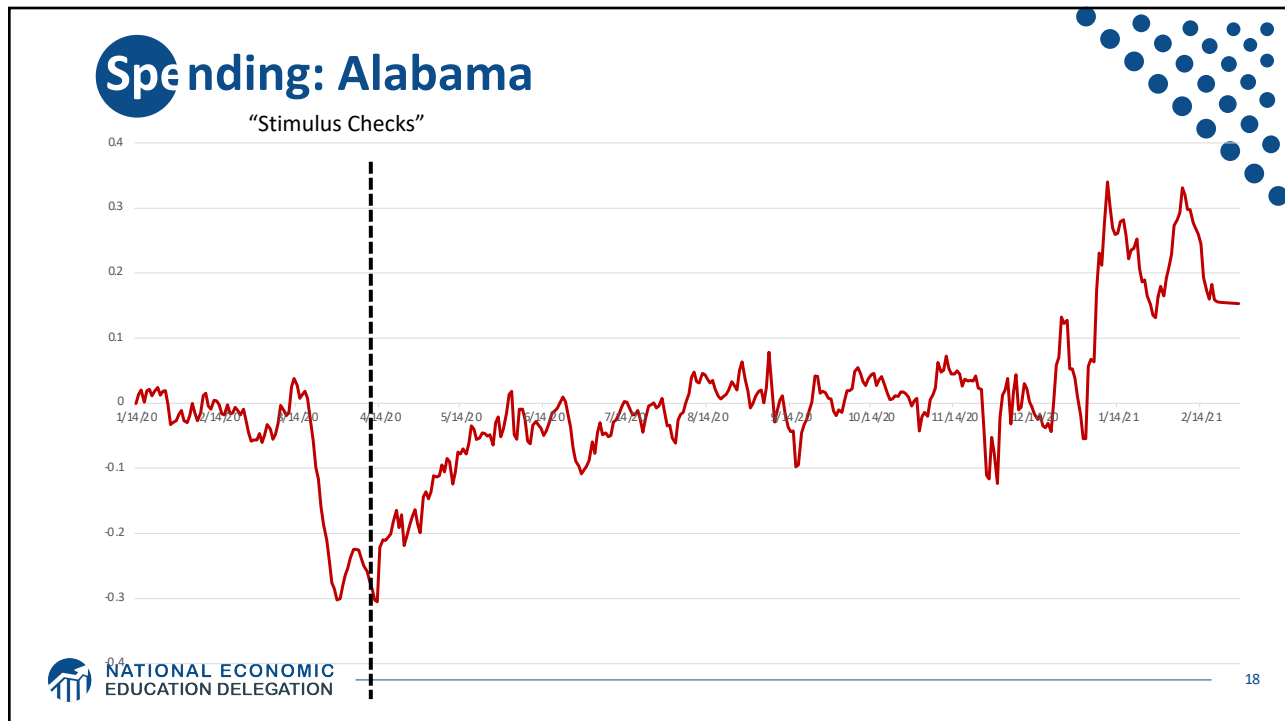
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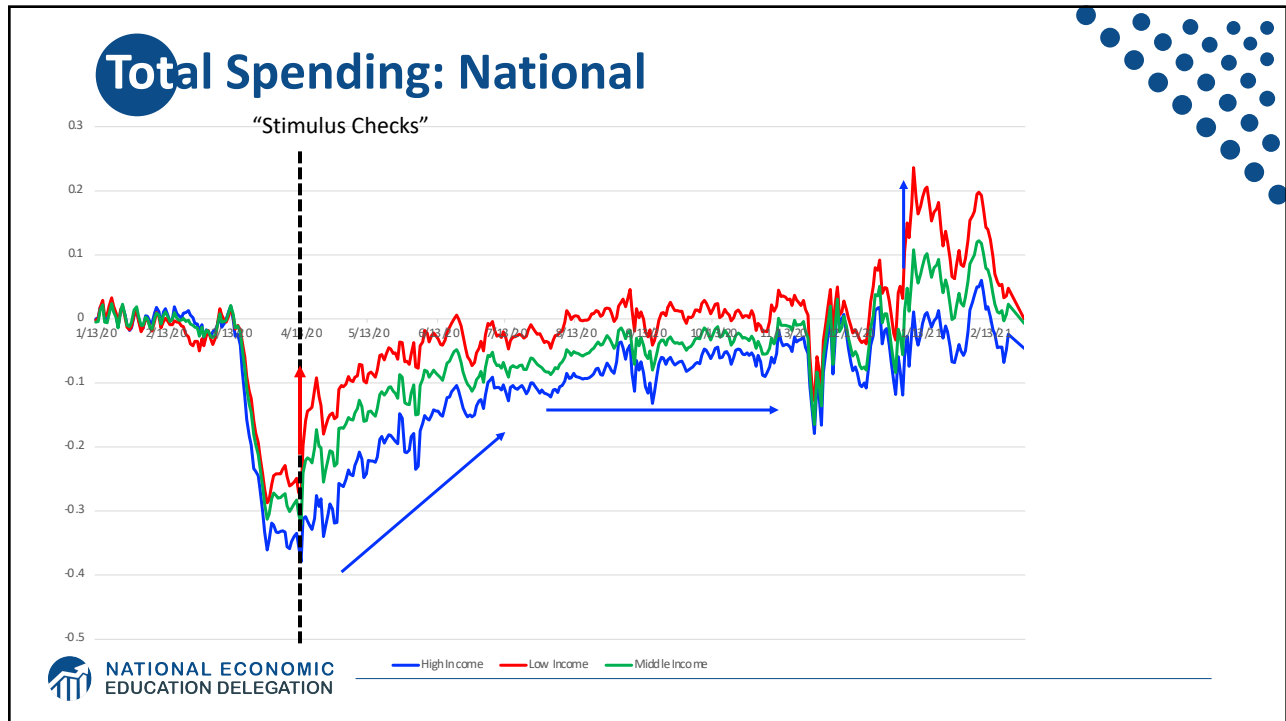
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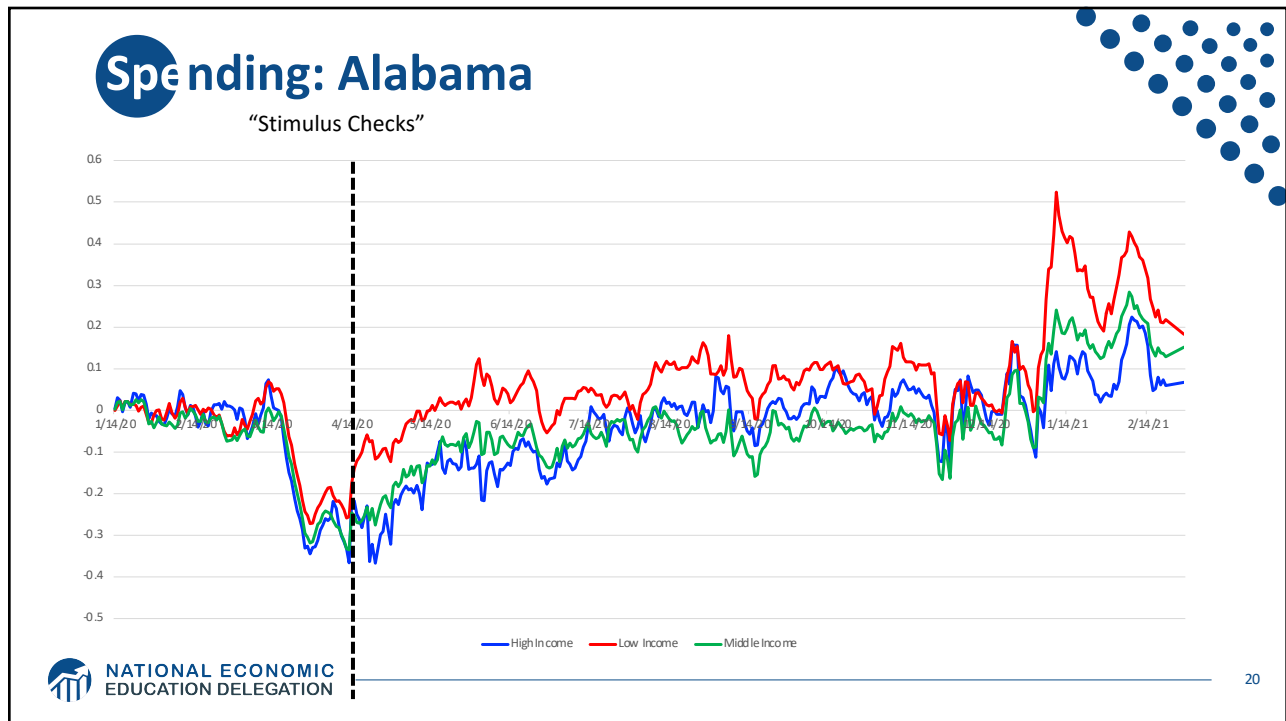
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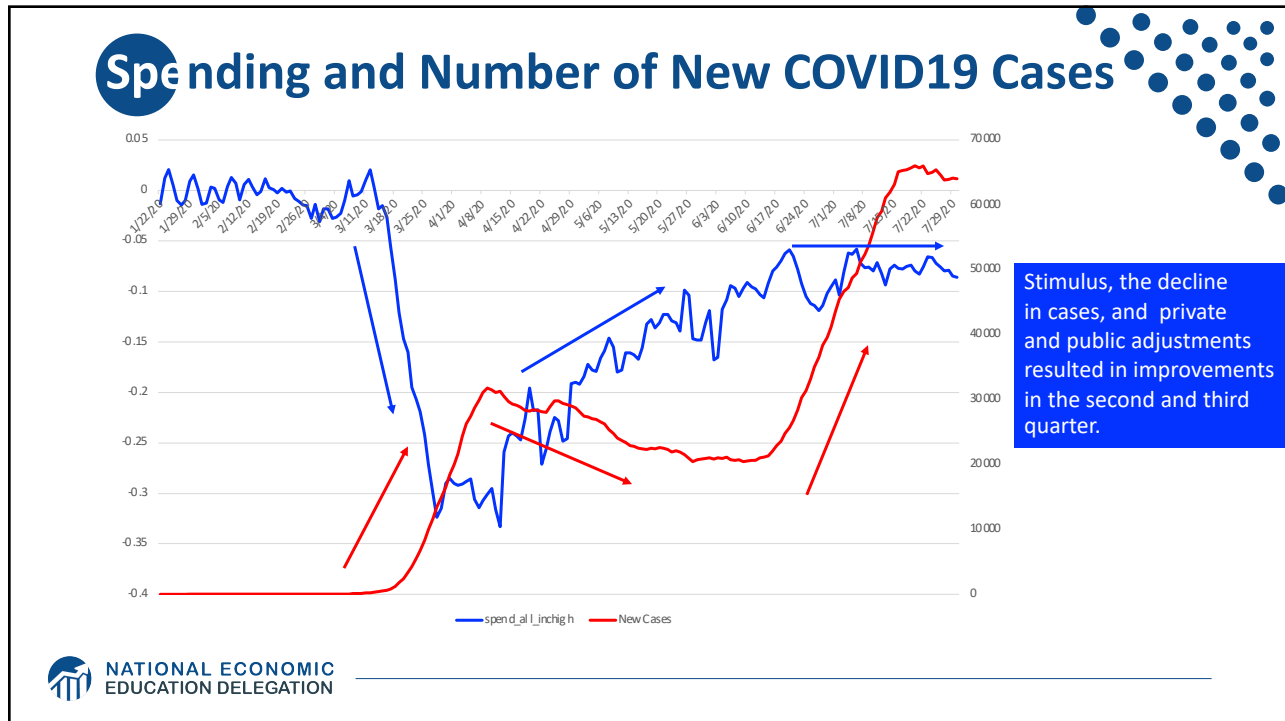
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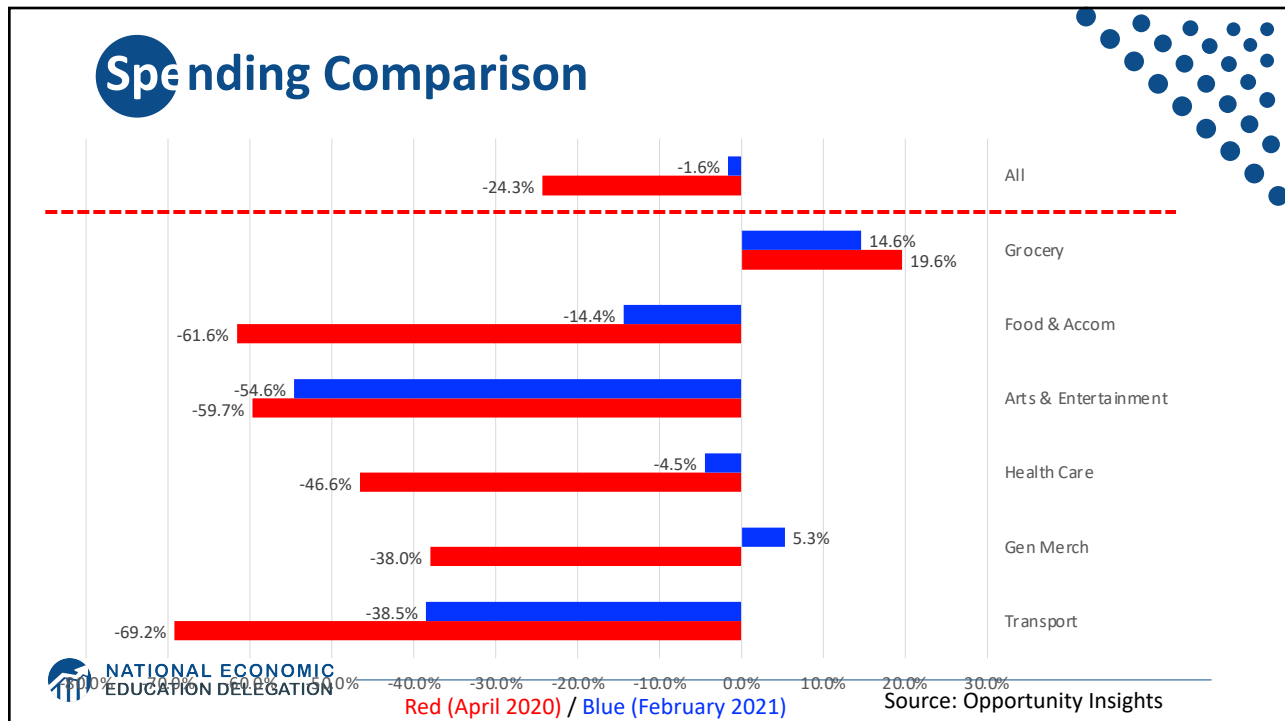
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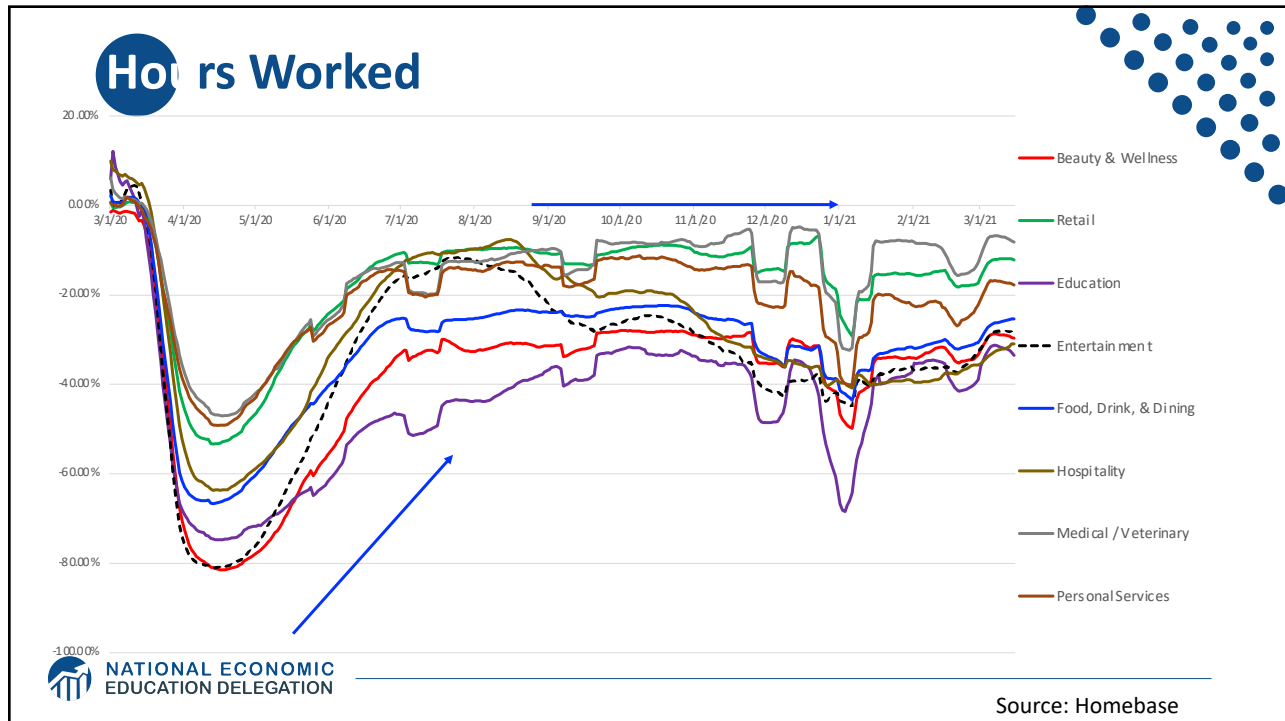
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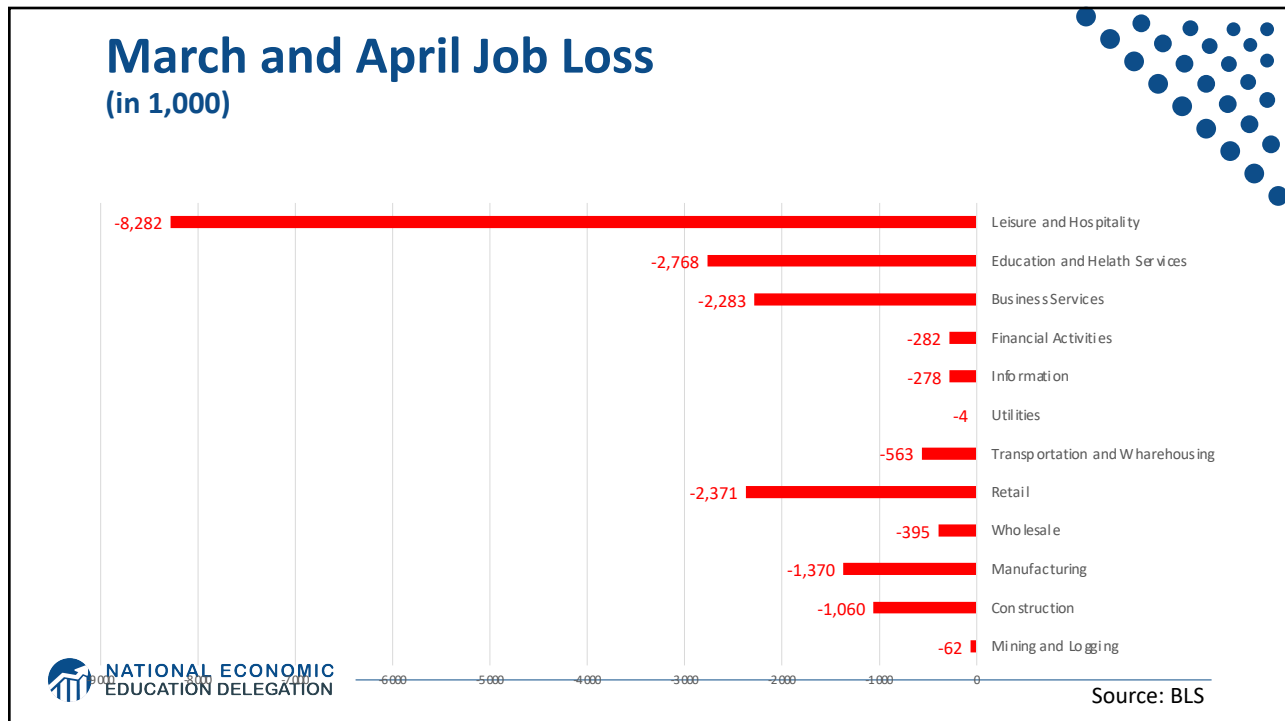
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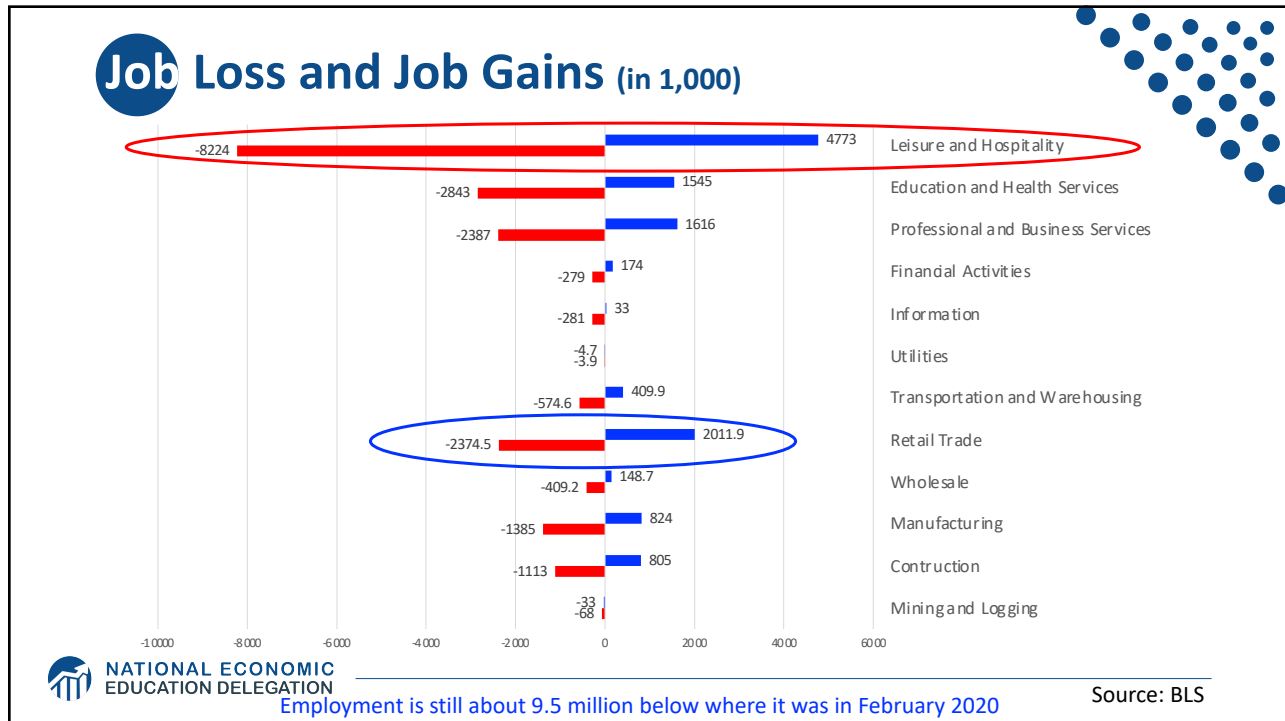
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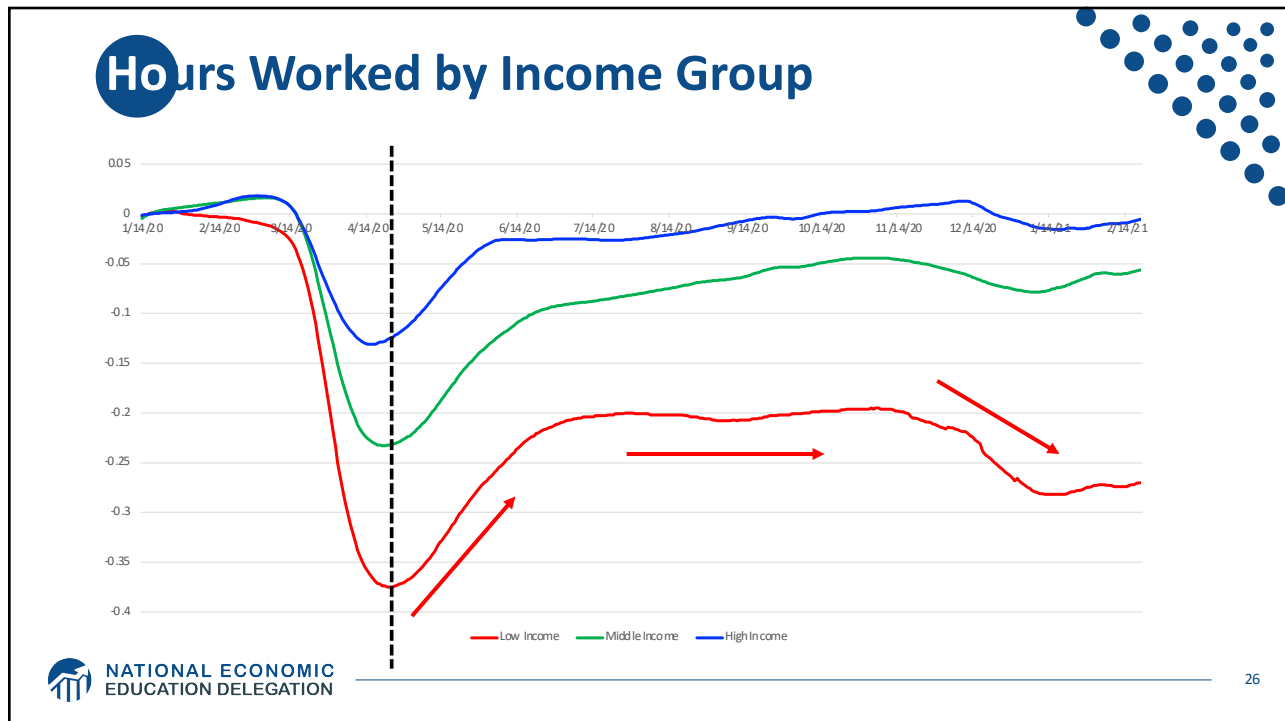
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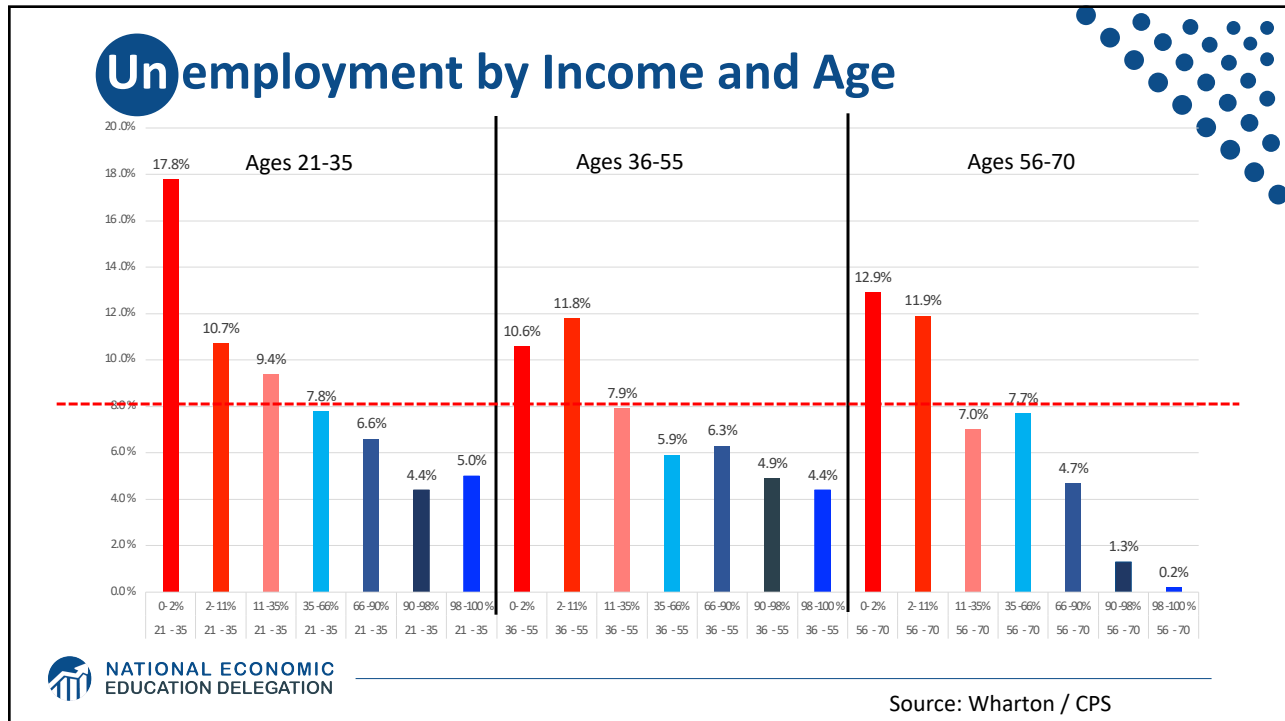
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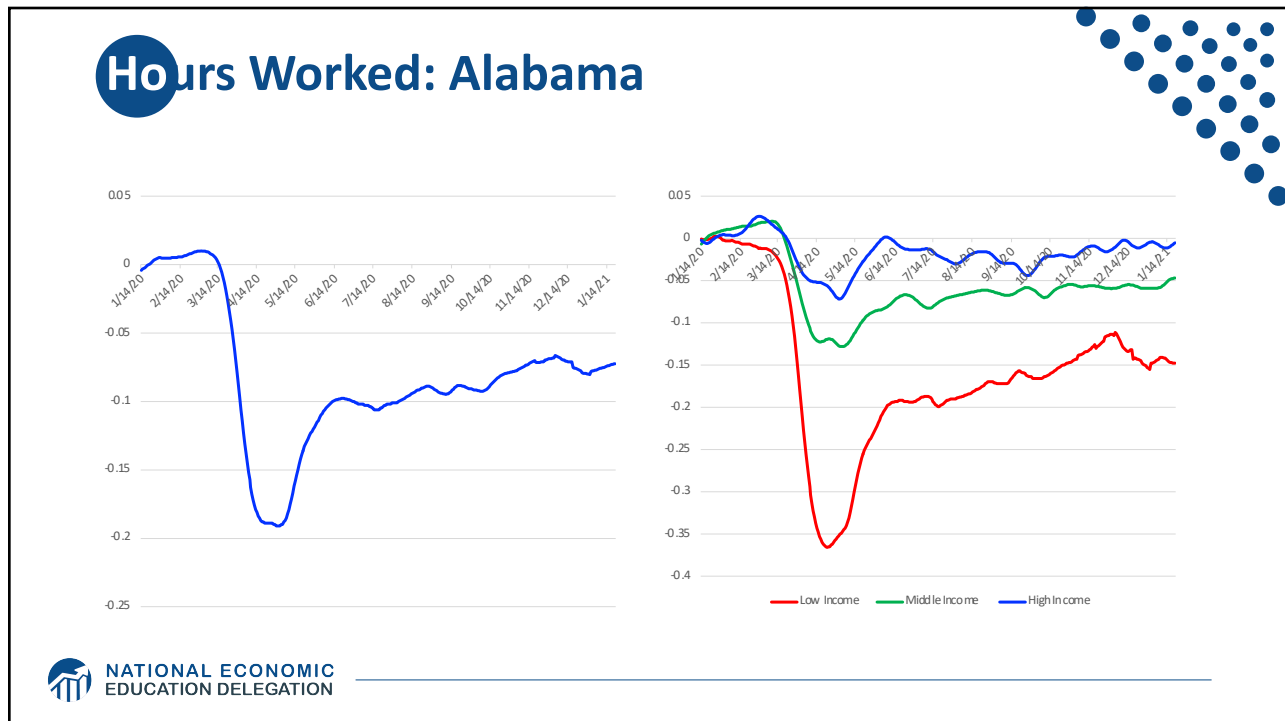
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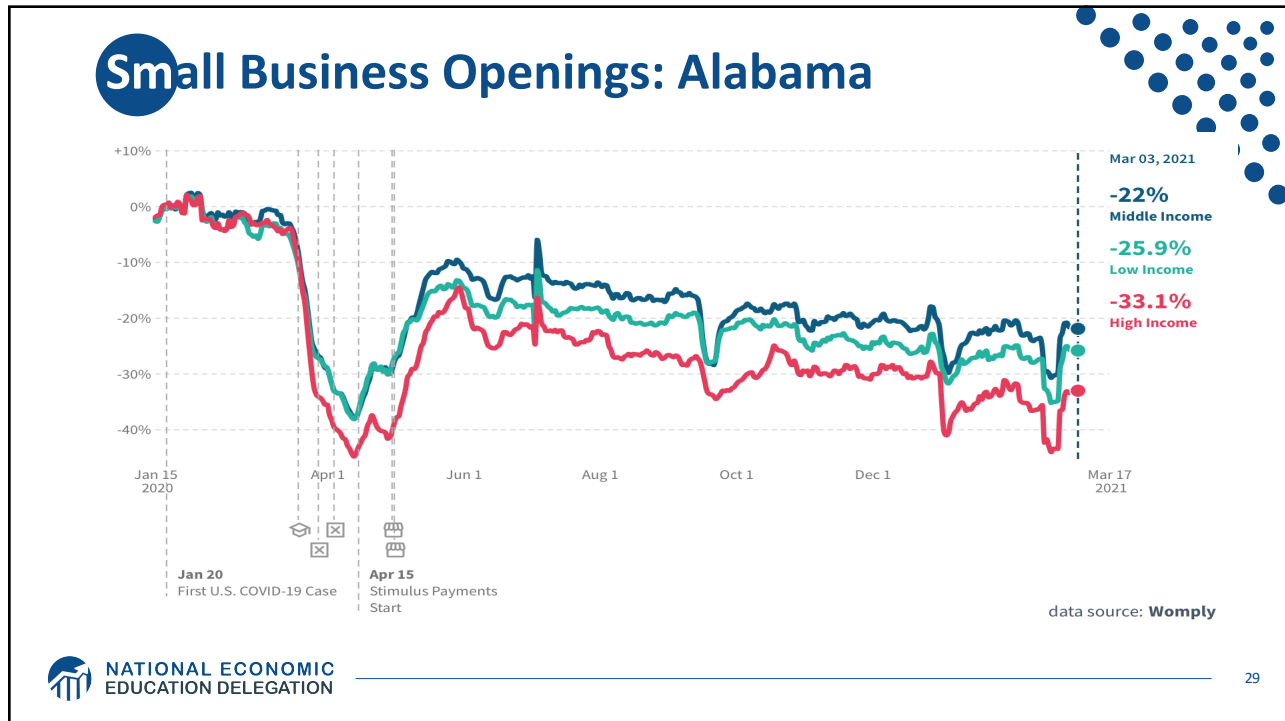
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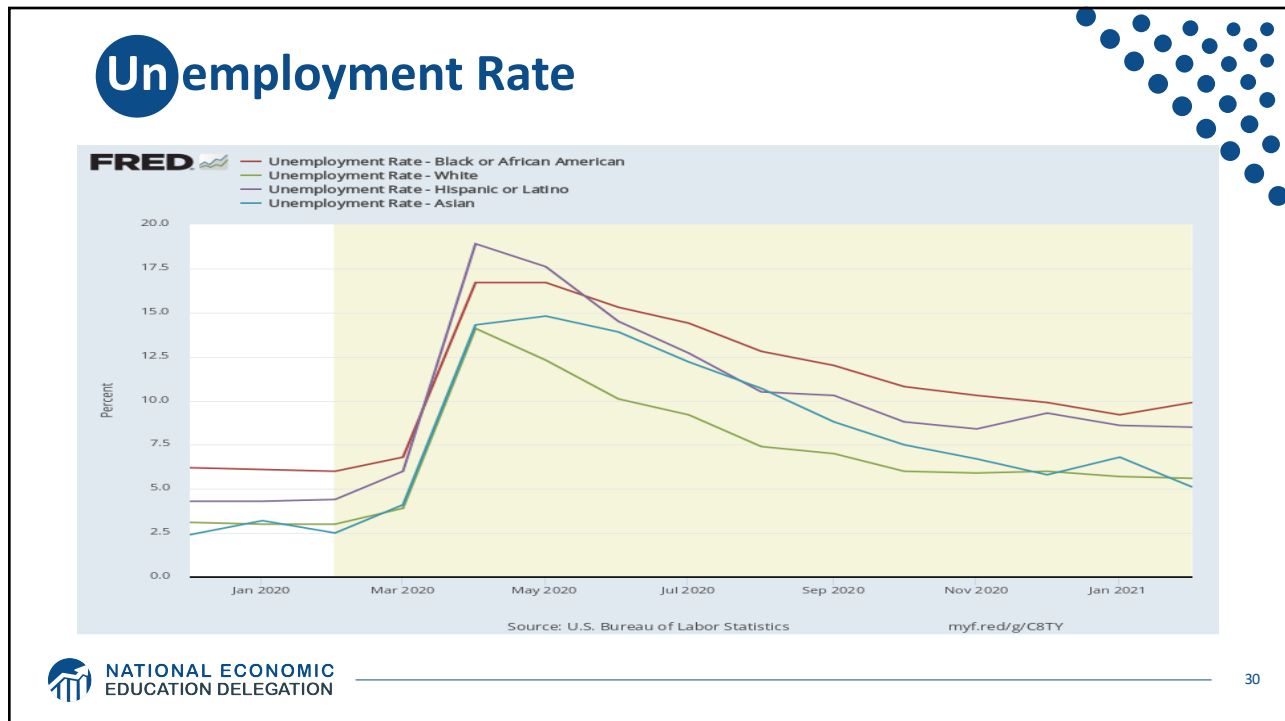
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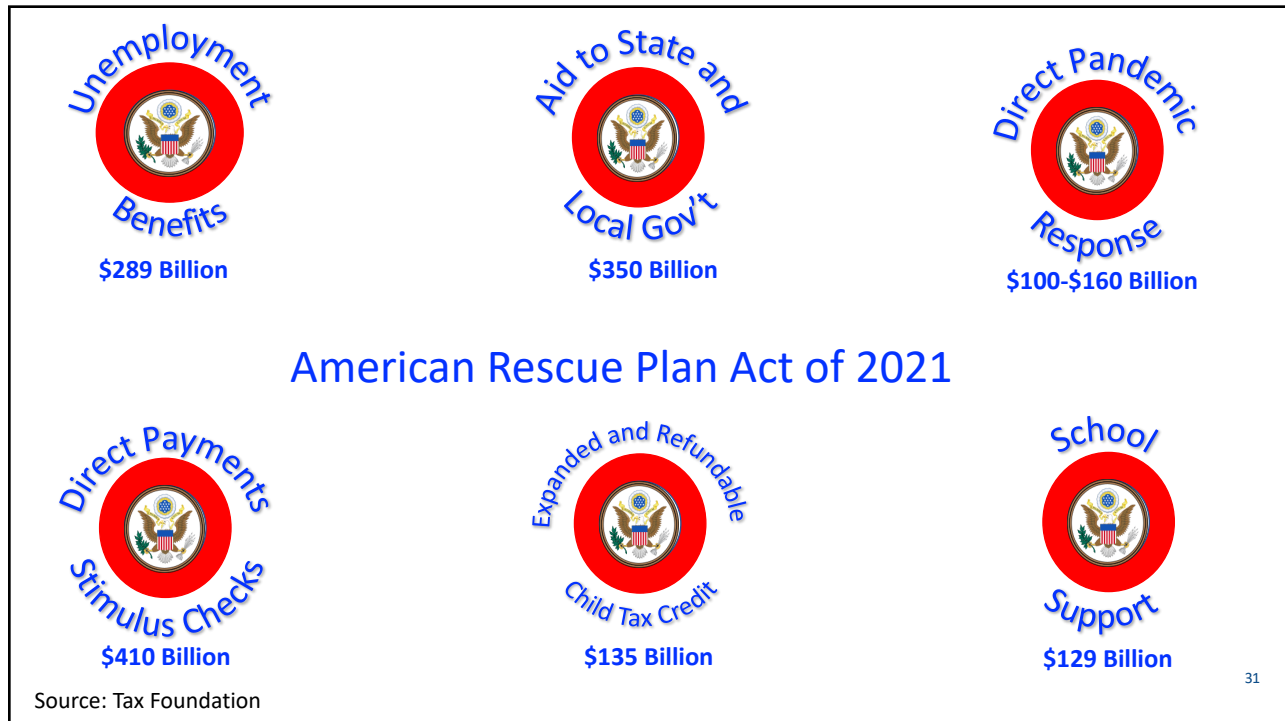
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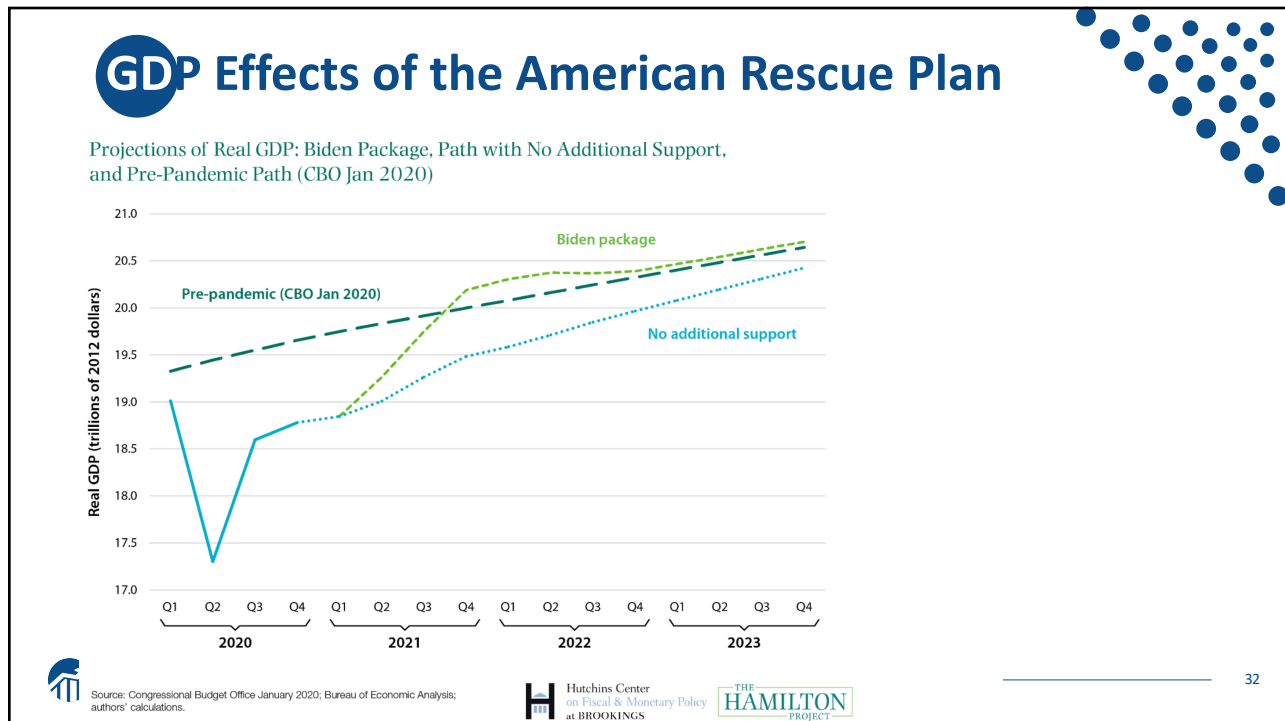
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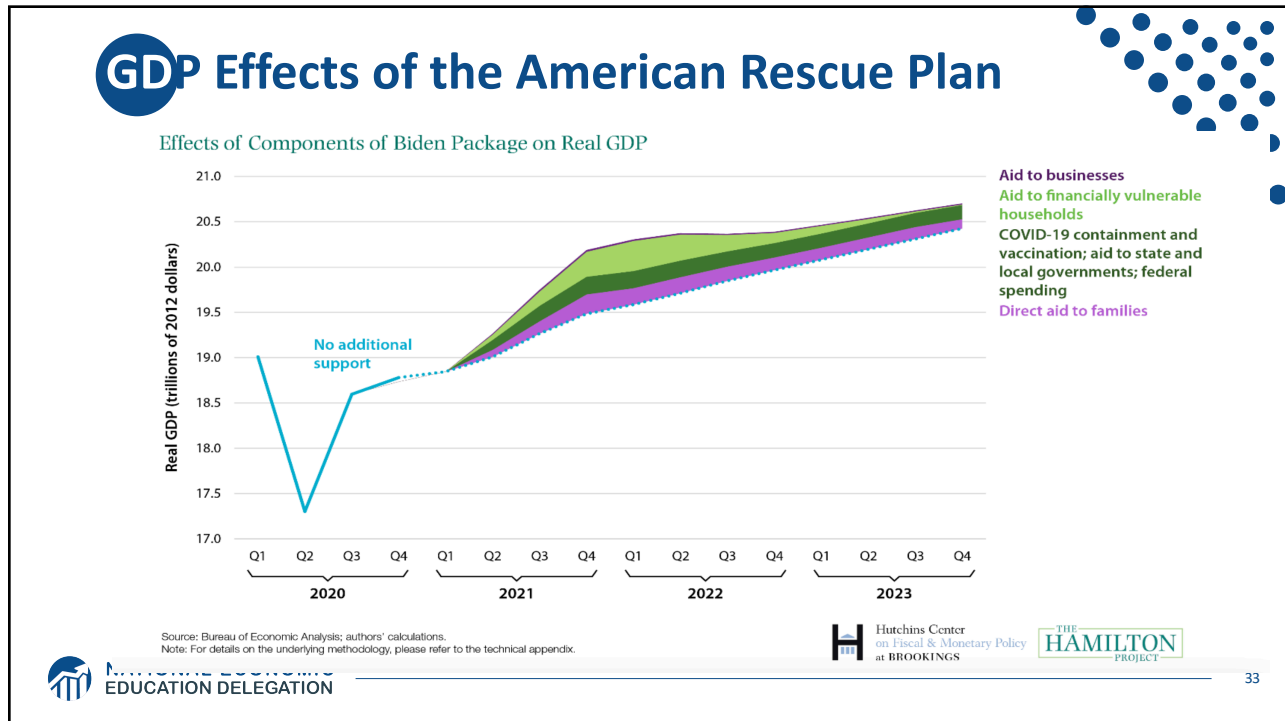
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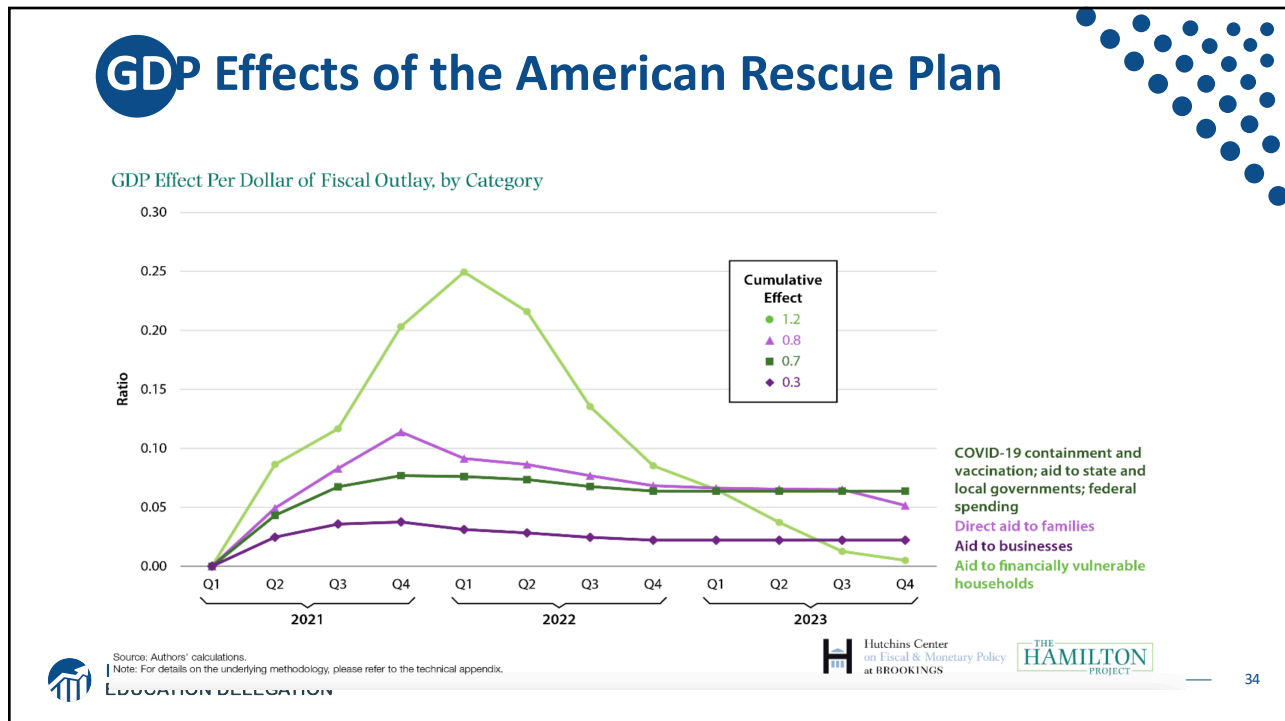
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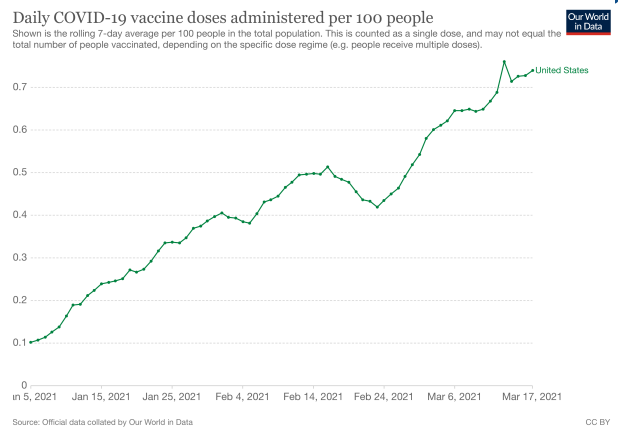
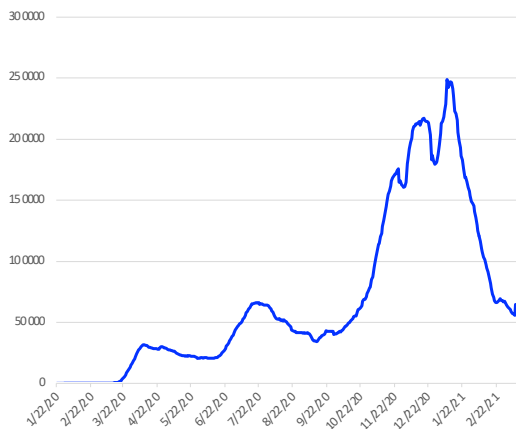
34

Conclusion

The economic recovery in 2021 depends crucially on

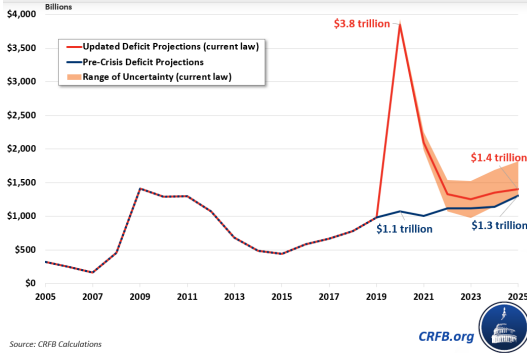
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- The efficacy of the vaccines and new strains.
- The response to the most recent fiscal stimulus.
- The willingness of the population to “continue” follow safety protocols.
- The ability of businesses and households to (continue to) adapt.

Health of the Economy Depends on Health



Looking Forward: Federal Budget Implications

Federal Deficit Will Reach Record Levels

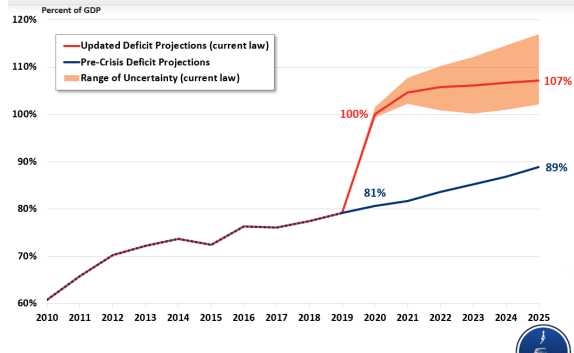


Source: CRFB Calculations



Deficit may be nearly 20% of GDP

Debt Will Equal Size of Economy This Year



Source: CRFB Calculations



Debt will likely equal GDP this year



PPP Loans



PPP loans assisted small businesses from various sectors

TOTAL APPROVED PPP LOAN AMOUNT (BILLIONS OF DOLLARS)



SOURCE: Small Business Administration, Paycheck Protection Program (PPP) Report, Approvals through 4/16/2020, May 2020.
NOTE: Data is for the first round of PPP payments, which lasted through April 16, 2020.

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December Fiscal Package \$900B: What was in it?

- \$600 checks to individuals (and qualifying children 16 and under).
- \$300 additional unemployment benefits (through March)
- \$284 billion for paycheck protection program – loan forgiveness for keeping employment at existing levels.
- \$82 billion for schools and universities
- \$68 billion for vaccine distribution
- \$25 billion for rental assistance and extension of eviction ban
- \$15 billion for shuttered venues (\$12B for low income areas)
- \$78 billion in other support



39

Looking Forward

- Most GDP projections indicate that GDP growth will likely be positive in 2021 and likely well above 3.0 percent.
- According to NABE nearly 70% of their panelists expect GDP to expand by more than 3 percent.
- The Fed Reserve's range for growth is wide – I think this represents the Fed's uncertainty about the health implications.
- While unemployment is expected to decline, the Fed expects unemployment to be above the longer run rate of 4.1 percent.
- The Fed thinks the economy is still structurally sound; otherwise, they would have increased the longer run rate of unemployment above 4.1 percent.

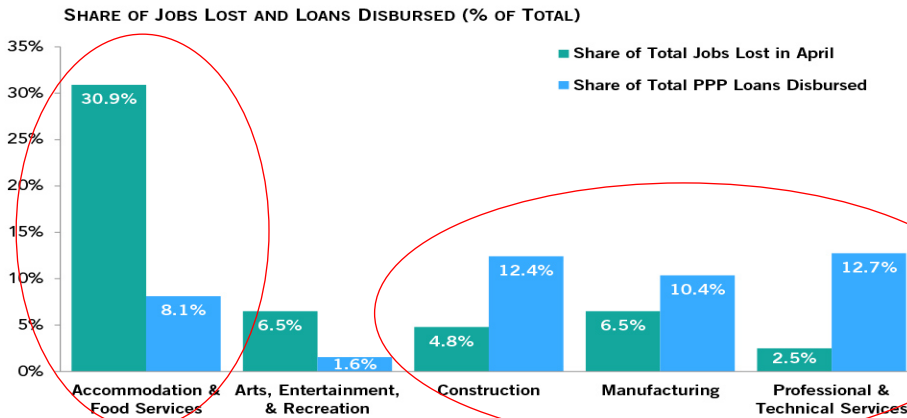


40

PPP Loans



The distribution of PPP loans has not matched levels of unemployment



SOURCES: U.S. Small Business Services Administration, Paycheck Protection Program (PPP) Report, Approvals through 07/24/20, July 2020; and S&P Global Ratings, Economic Research: The Paycheck Protection Program Impact on Jobs: (More) Help Wanted, May 2020.
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41

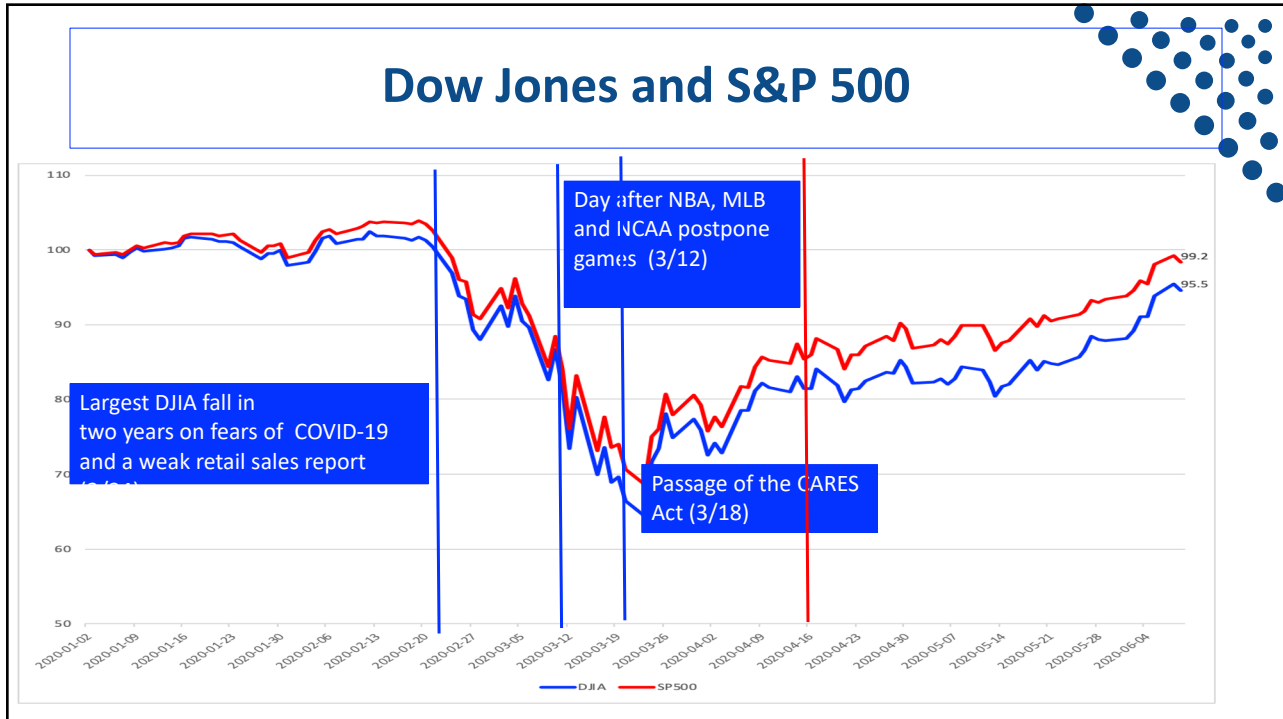
Fiscal Response (Phase III a-b): CARES Act

- **Direct payment to households \$1,200 for every adult and \$500 for every child.**
- **Small business loans (Paycheck Protection Program)-- \$350 billion**
 - <500 employees and designed to cover six (6) weeks of payroll.
- **Economic Stabilization Fund (Main Street Lending Program) – \$500bn**
 - for medium sized firms,
 - state and local municipalities, and
 - passenger and cargo air carriers, and firms maintaining national security.
- **Expand unemployment benefits (additional \$600/week)**



42

42



43