



COVID-19: Economic Implications and Policy Response

Kiwanis Club of San Jose
01/25/2021



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JOHNS HOPKINS UNIVERSITY OF MEDICINE | CORONAVIRUS RESOURCE CENTER

Home Tracking Testing Tracing Vaccines By Region Events & News About

Tracking Home Critical Trends Global Map U.S. Map Data in Motion

COVID-19 Dashboard by the Center for Systems Science and Engineering (CSSE) at Johns Hopkins University (JHU)

Global Cases

99,346,343

Cases by Country/Region/Sovereignty

- 25,144,973 US
- 10,667,736 India
- 3,844,577 Brazil
- 3,698,246 Russia
- 3,680,078 United Kingdom
- 3,112,055 France
- 2,499,560 Spain
- 2,466,813 Italy
- 2,435,247 Turkey

Admin0

Last Updated at (MM/YYYY)
1/25/2021, 10:21 AM

Esri, FAO, NOAA

Global Deaths

2,131,532

- 419,263 deaths US
- 217,037 deaths Brazil
- 153,470 deaths India
- 149,614 deaths Mexico
- 98,131 deaths United Kingdom

US State Level

Deaths, Recovered

- 42,325 deaths, 121,923 recovered New York US
- 37,121 deaths, recovered California US
- 34,917 deaths, 1,809,067 recovered Texas US

Cumulative Cases Active Cases Incidence Rate Case-Fatality Ratio Testing Rate

192 countries/regions

Lancet Inf Dis Article: [Here](#). Mobile Version: [Here](#). Data sources: [Full list](#). Downloadable database: [GitHub](#), [Feature Layer](#).
Lead by JHU CSSE. Technical Support: [Esri Living Atlas team](#) and [JHU APL](#). Financial Support:

2M 1.5M 1M 500k 0

Jul 2021

Daily Cases

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Outline for Today's Talk

- Explain the impact of COVID-19 on spending and employment
- Highlight the 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
- Discuss the December Economic Relief Package.
- Discuss President Biden's Proposed Economic Relief Package.



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Conclusion

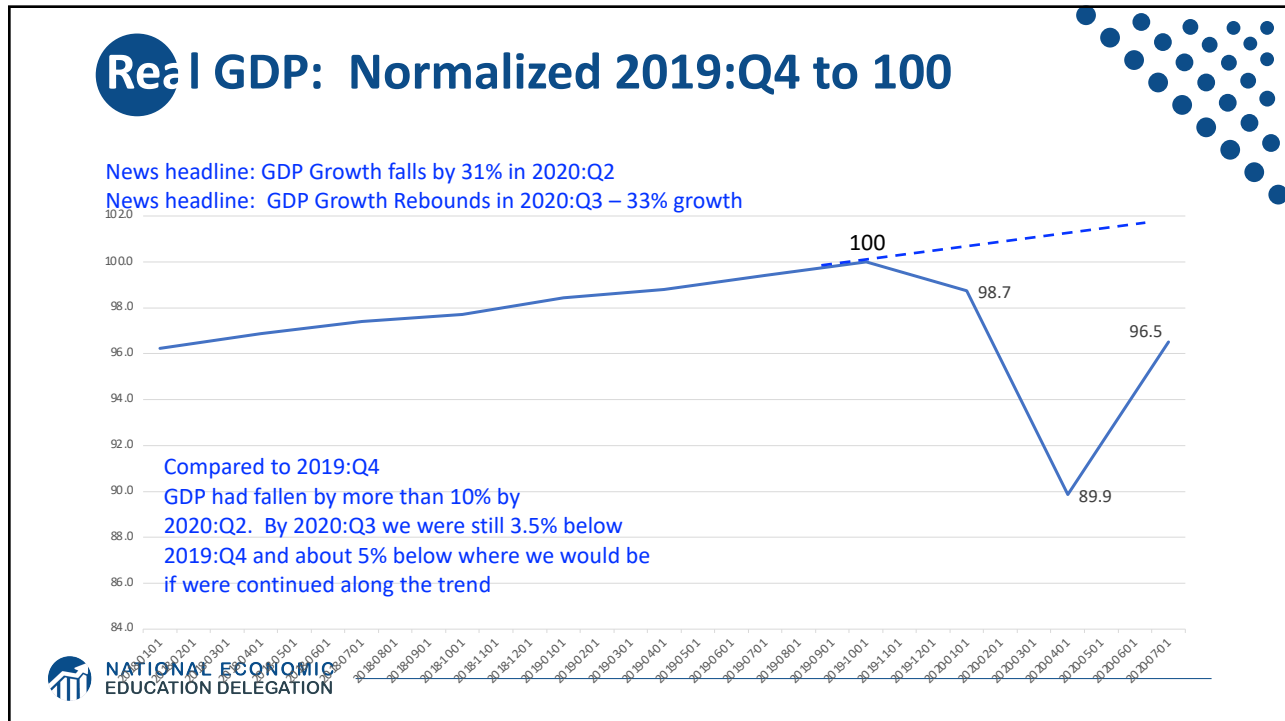
The economic recovery in 2021 depends crucially on

- The efficacy and the distribution of the vaccines
- The willingness of the population to "continue" follow safety guidelines.
- The ability of the fiscal response to provide some income support for households and support small businesses.
- The ability of businesses and households to (continue to) adapt
- Resolution of political uncertainty

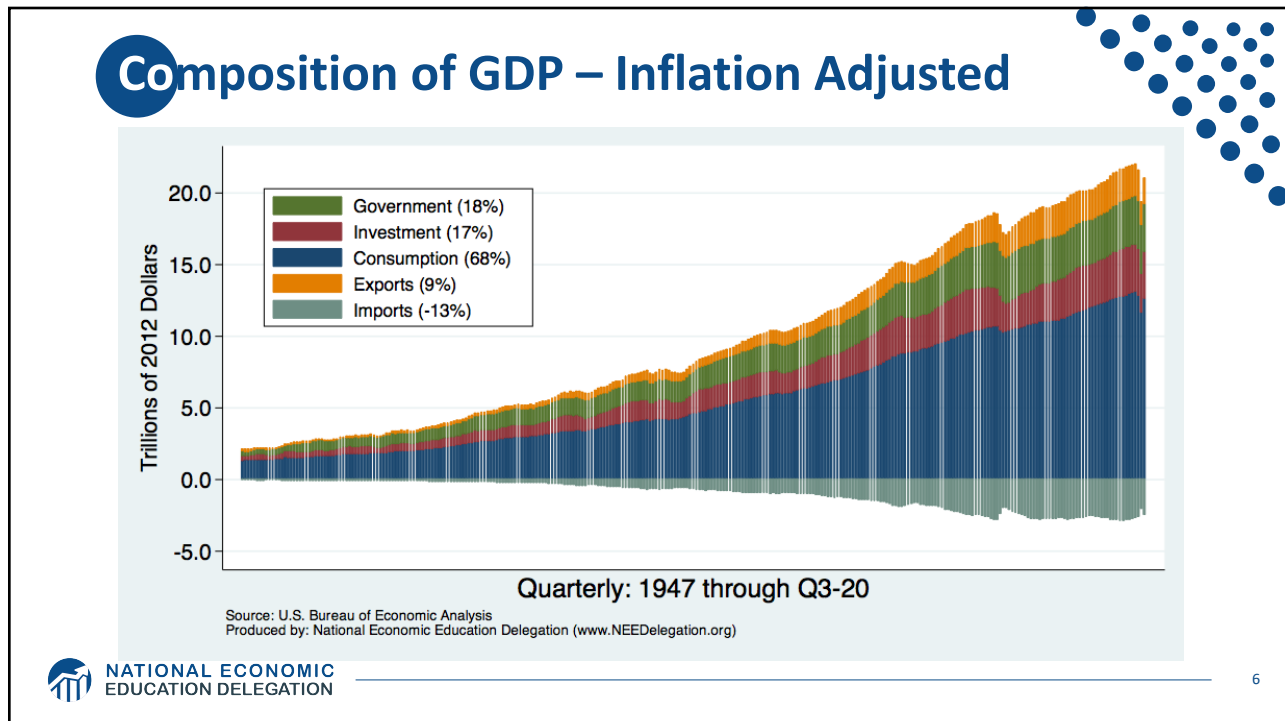
The recovery in the Q2 and Q3 of 2020 was supported by an "improvement" in the health situation and fiscal and monetary support.



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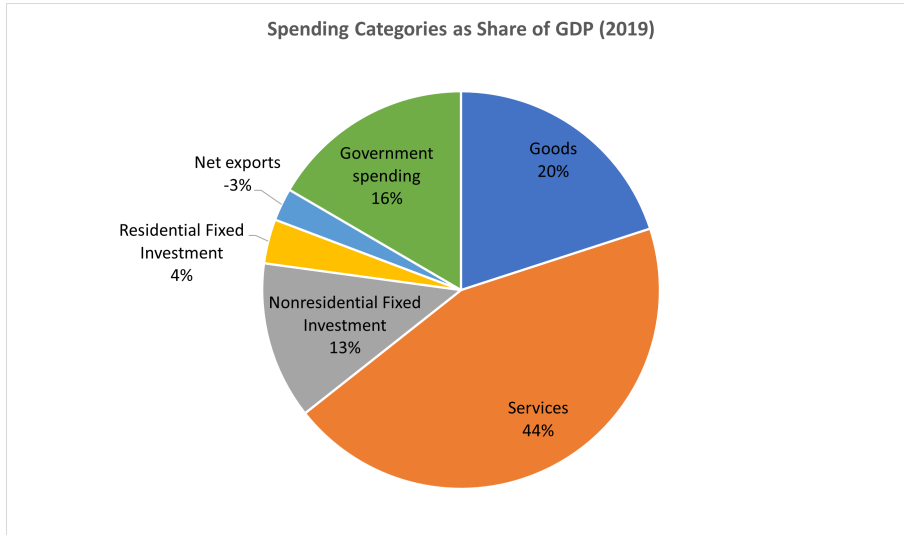


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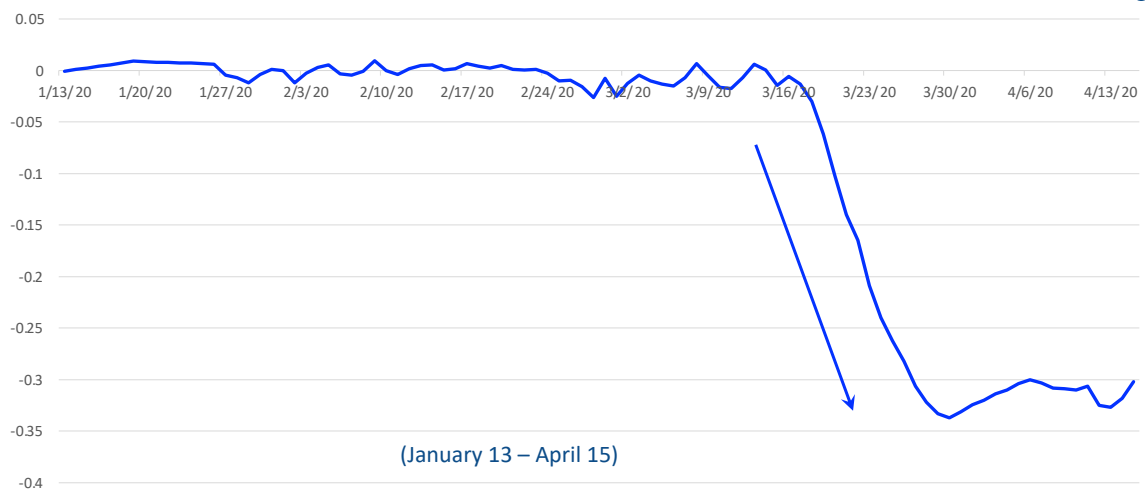
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Why does spending matter?

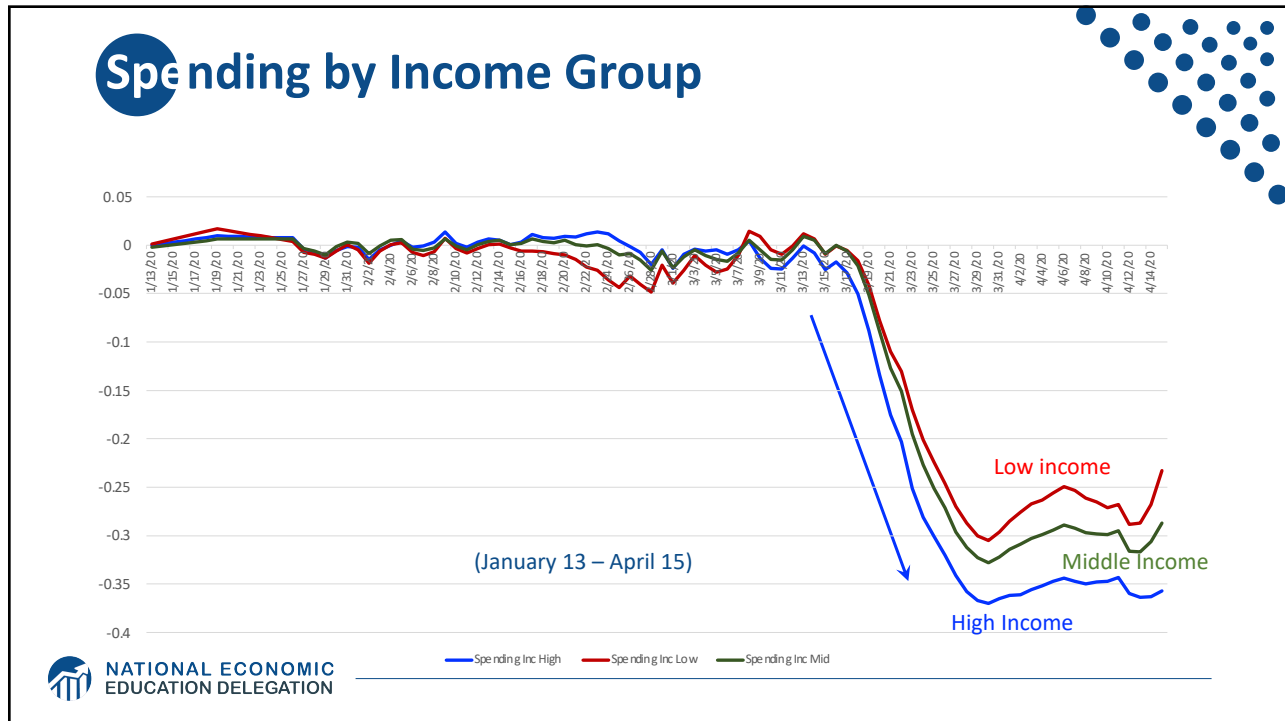


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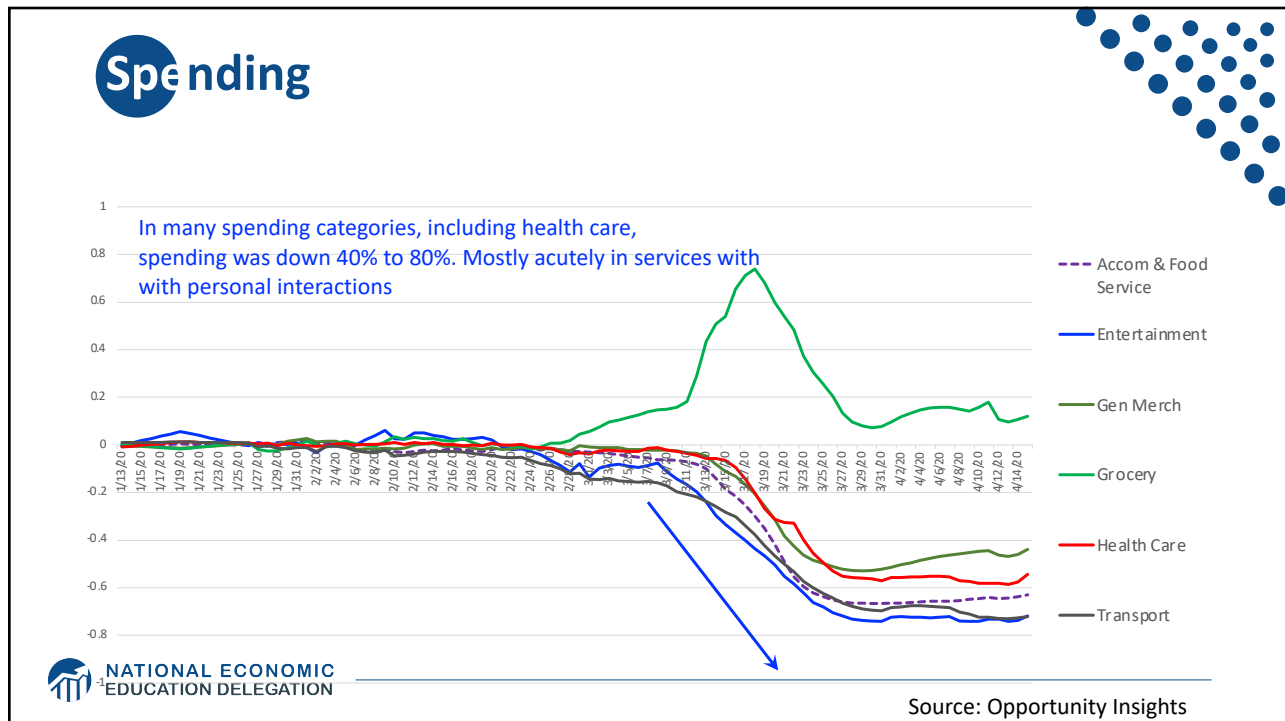
Spending



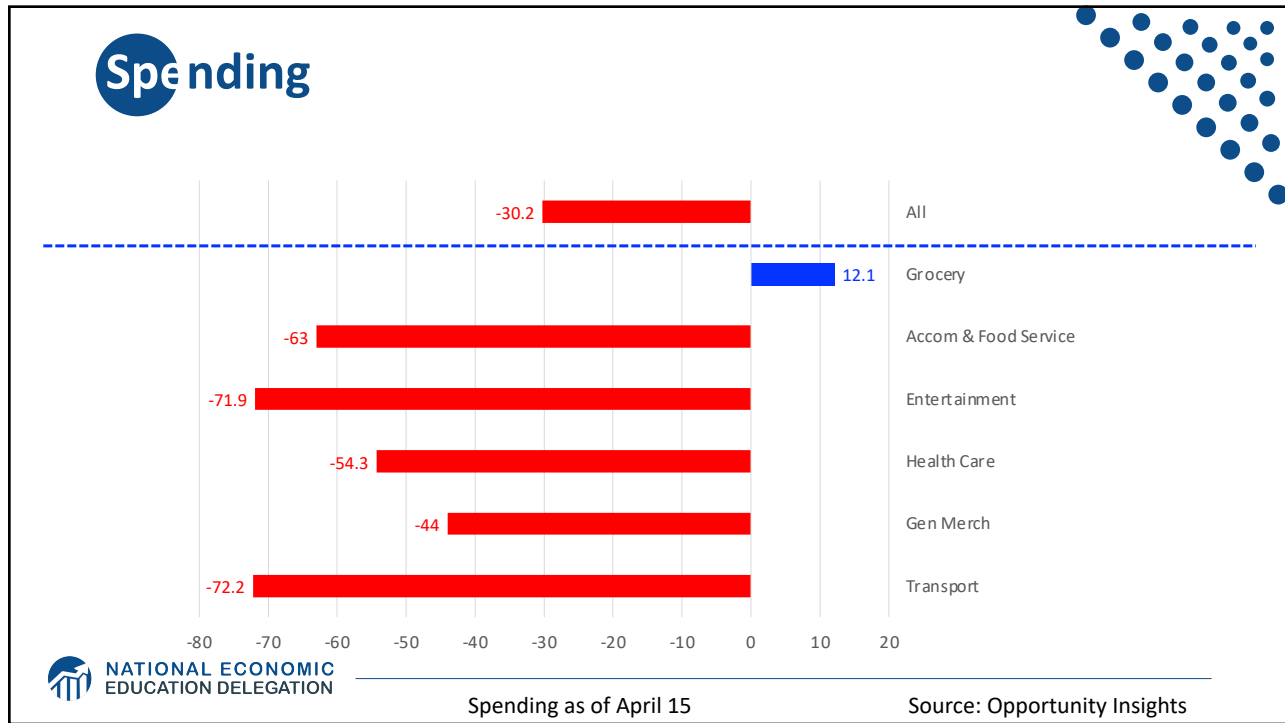
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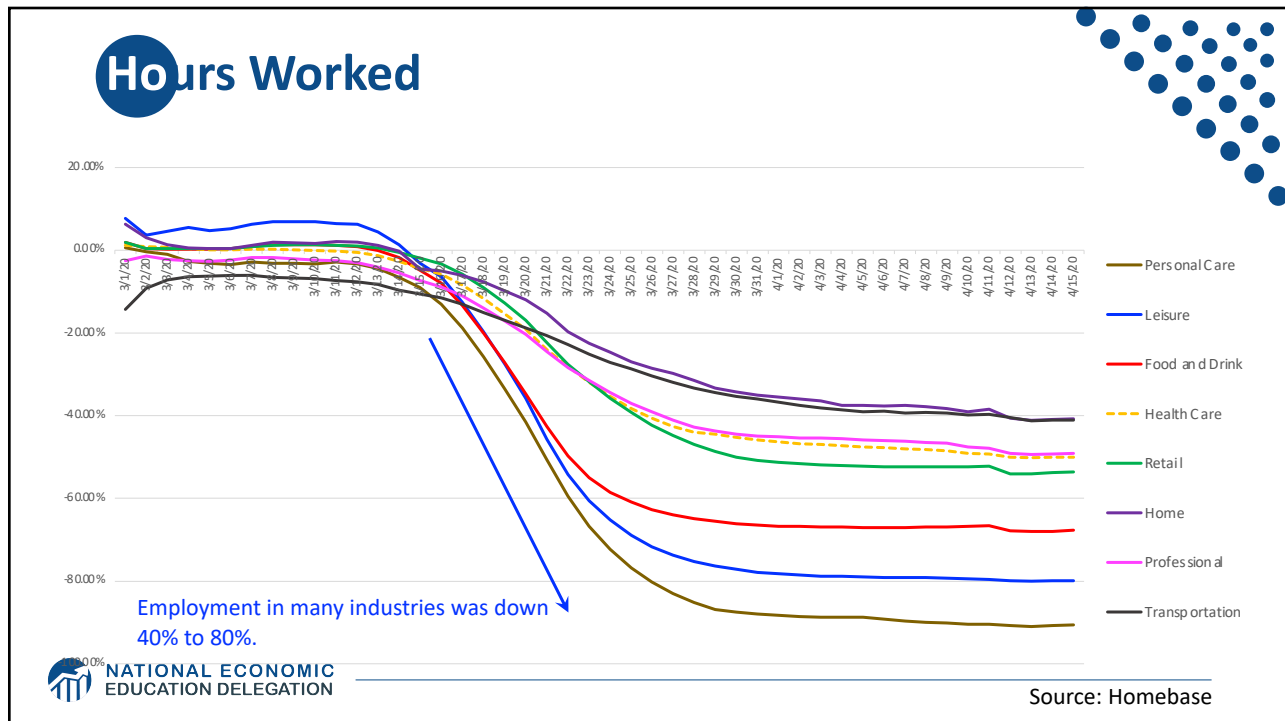
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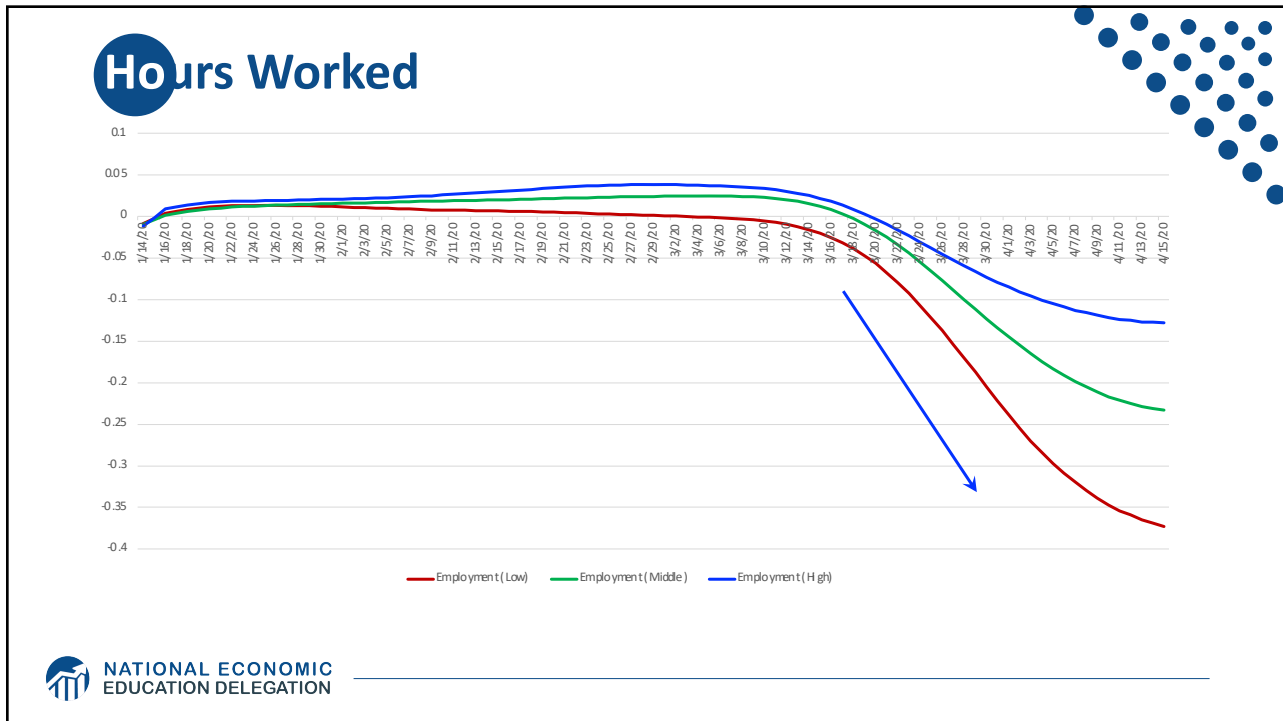
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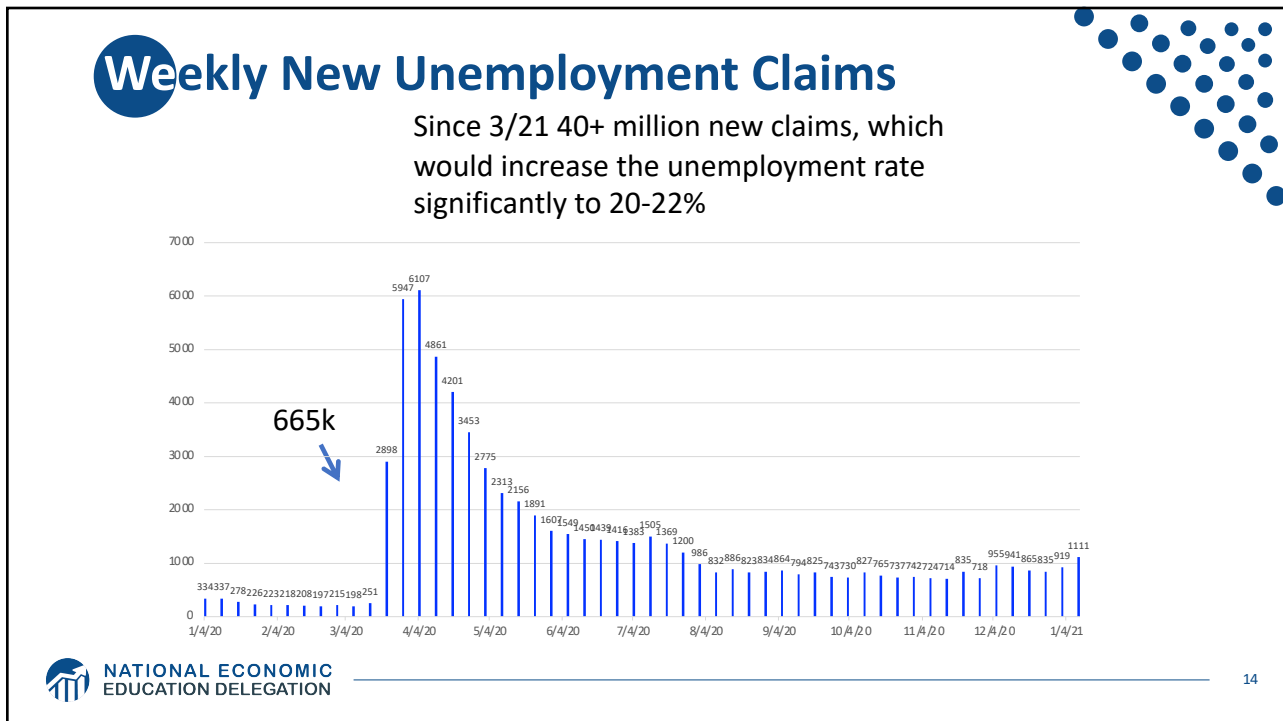
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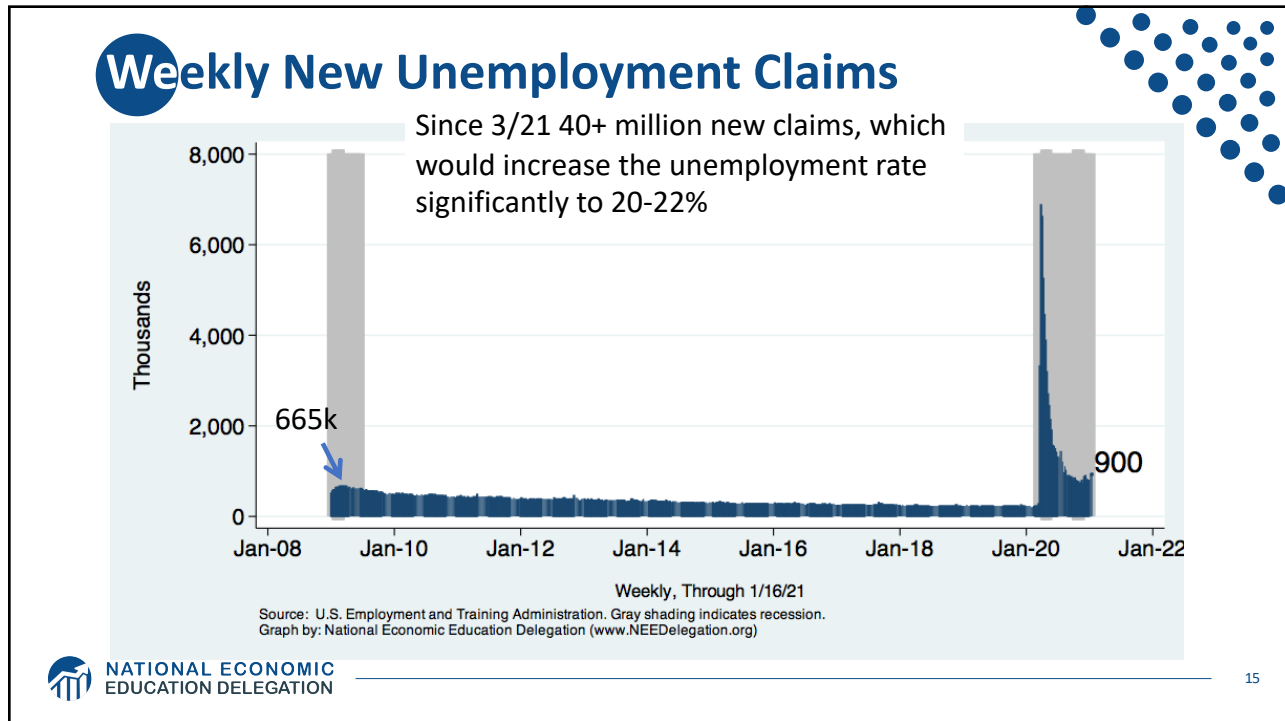
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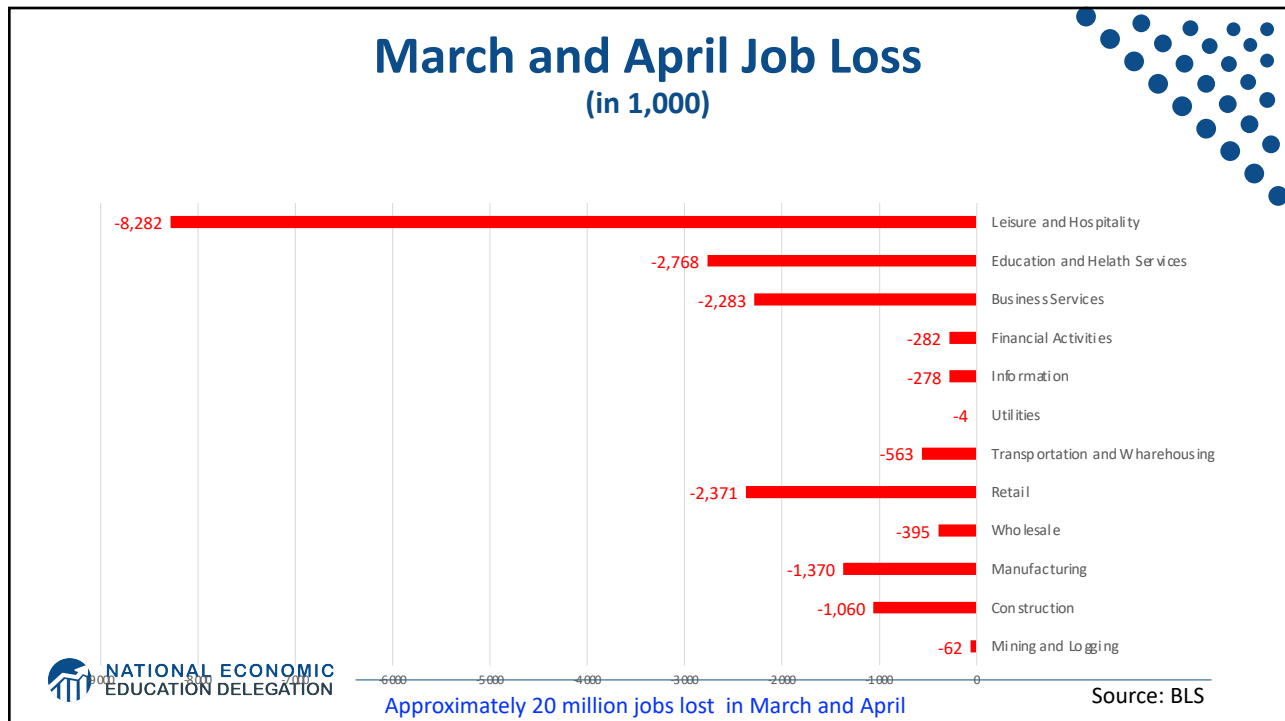
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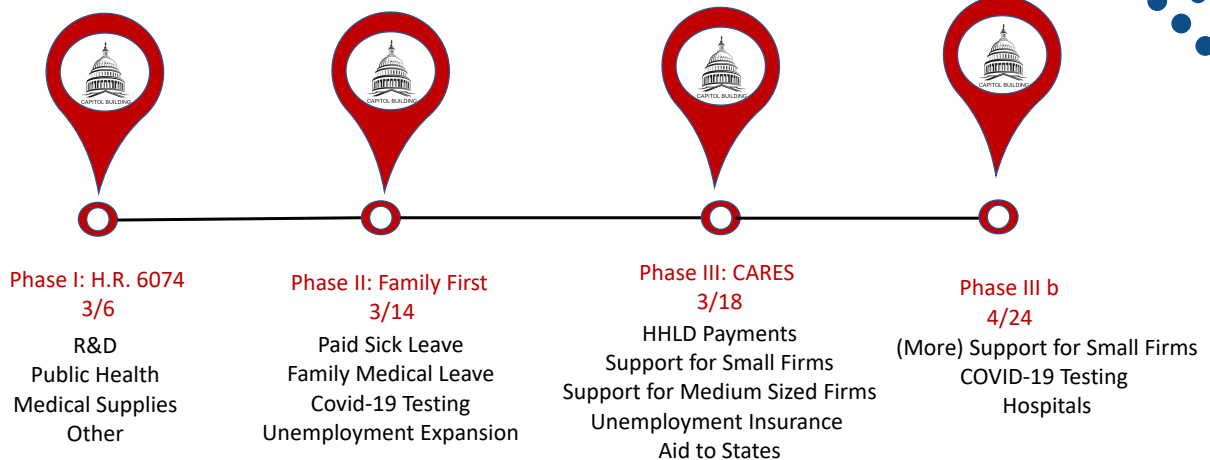
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Government Response: Fiscal Response

- Respond to the impacted sector(s) – **health crisis**,
- Provide income support for the lower income and most vulnerable,
- Provide support to maintain employer - employee matches, and
- Provide support for the sectors that are most exposed to the shock.

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Fiscal Policy Timeline



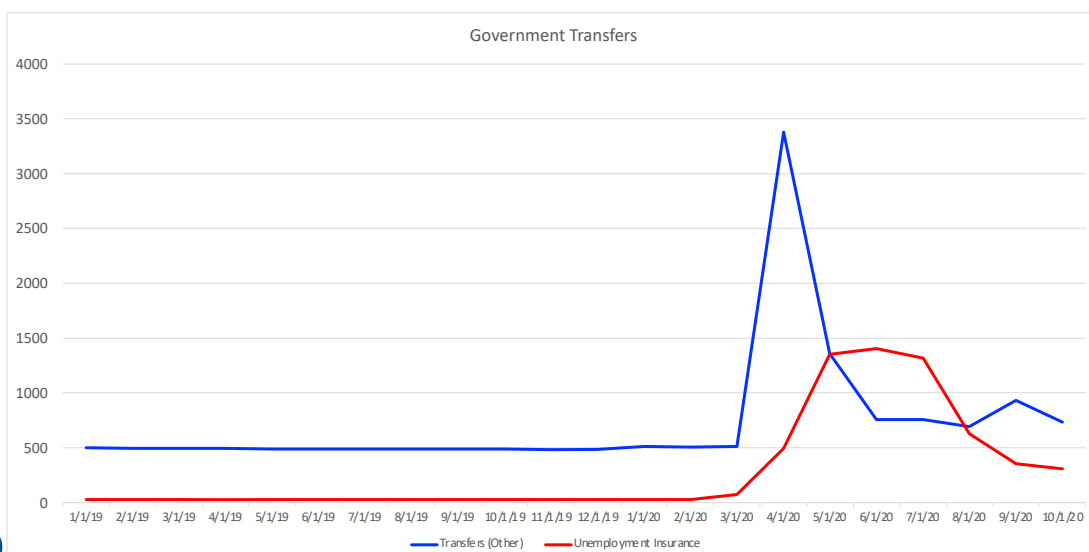
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Fiscal Response (Phase III a-b): CARES Act

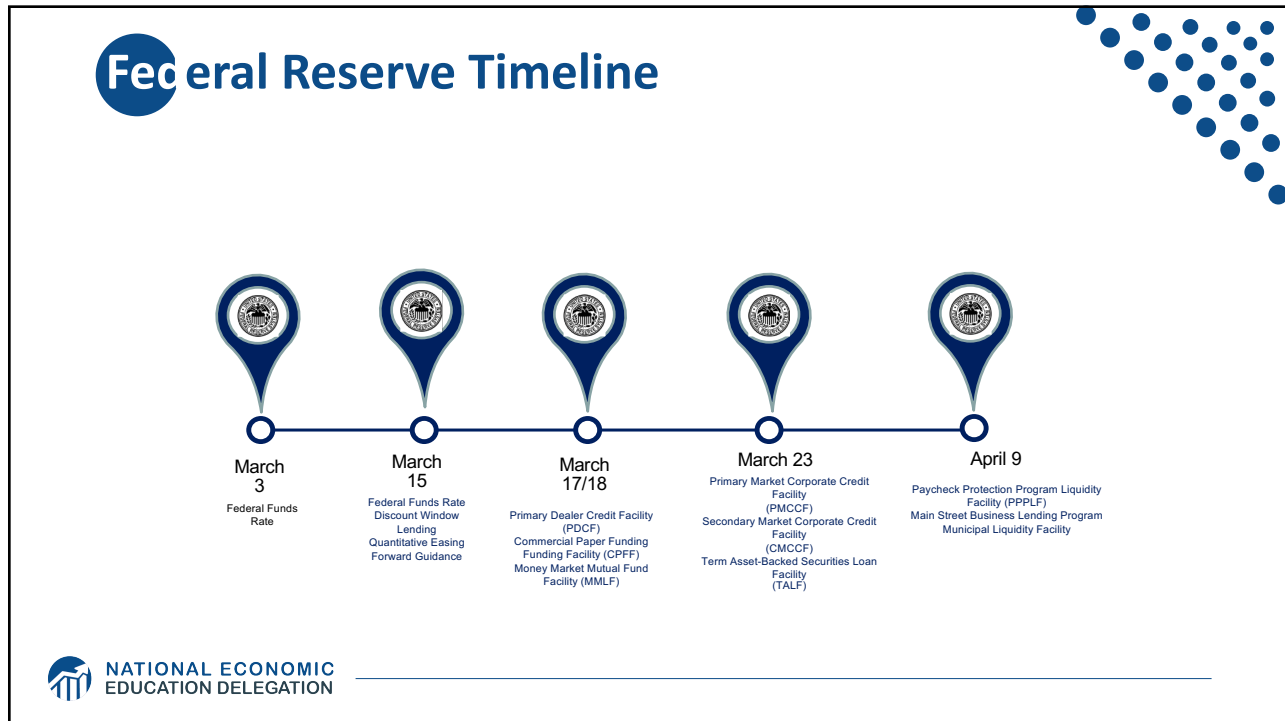
- **Direct payment to households \$1,200 for every adult and \$500 for every child.**
- **Small business loans (Paycheck Protection Program)-- \$350 billion**
 - <500 employees and designed to cover six (6) weeks of payroll.
- **Economic Stabilization Fund (Main Street Lending Program) – \$500bn**
 - 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)**

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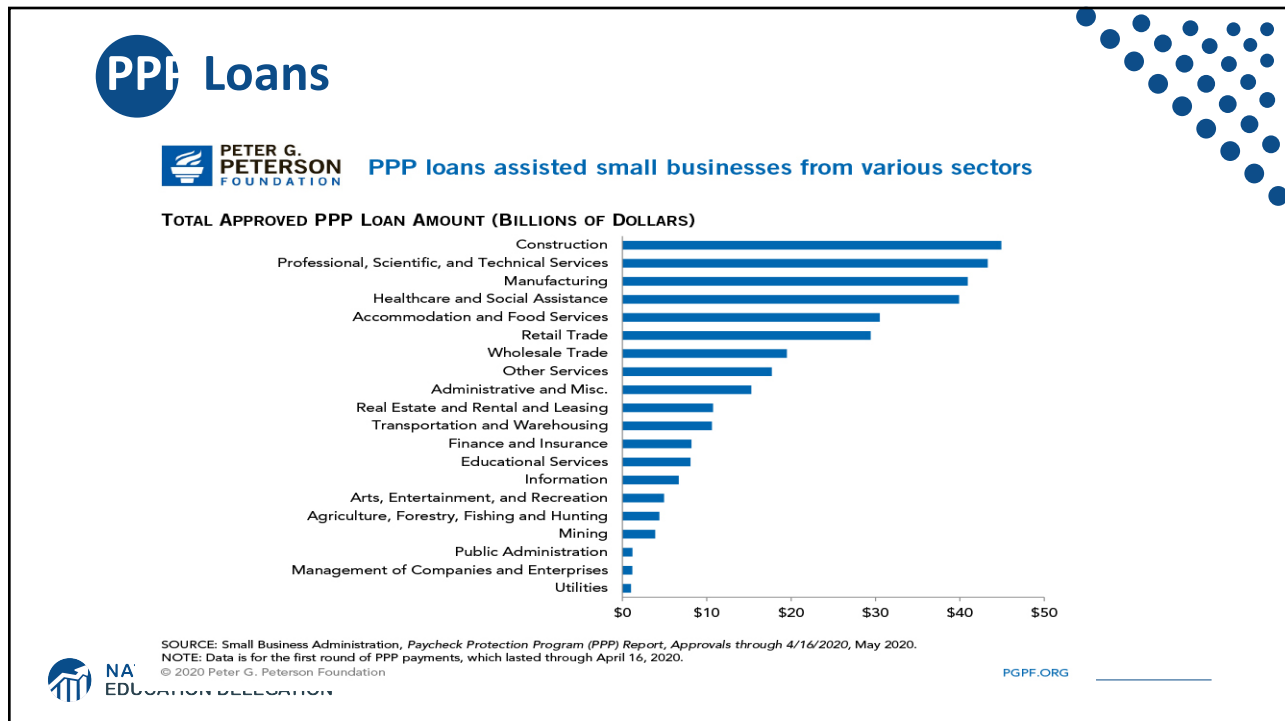
Fiscal Response (Phase III a-b): CARES Act



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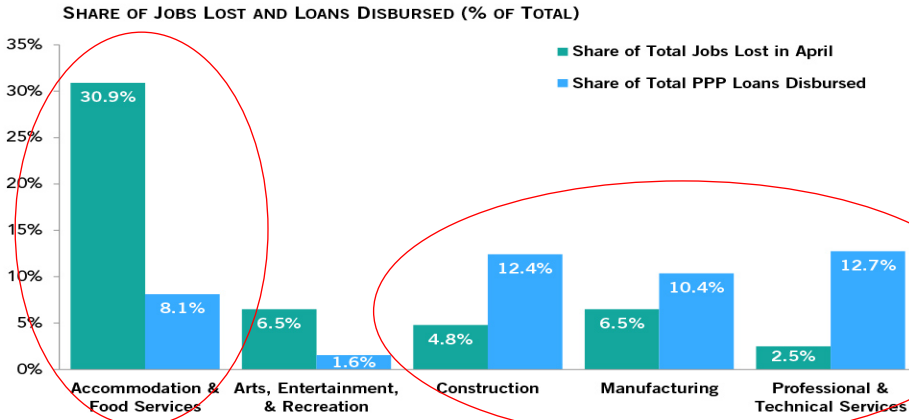


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PPP Loans



The distribution of PPP loans has not matched levels of unemployment

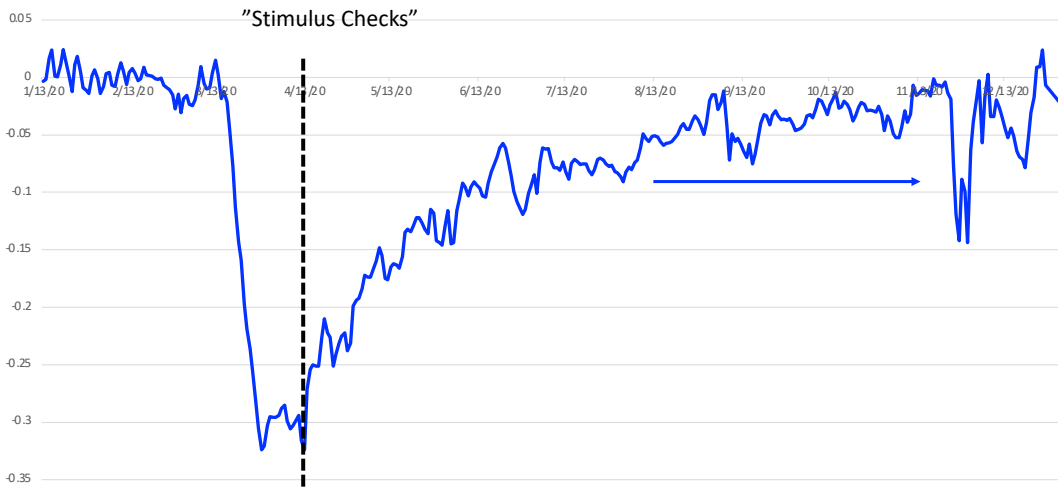


SOURCES: U.S. Small Business Services Administration, Paycheck Protection Program (PPP) Report, Approvals through 07/24/20, July 2020; and S&P Global Ratings, Economic Research: The Paycheck Protection Program Impact on Jobs: (More) Help Wanted, May 2020.
© 2020 Peter G. Peterson Foundation

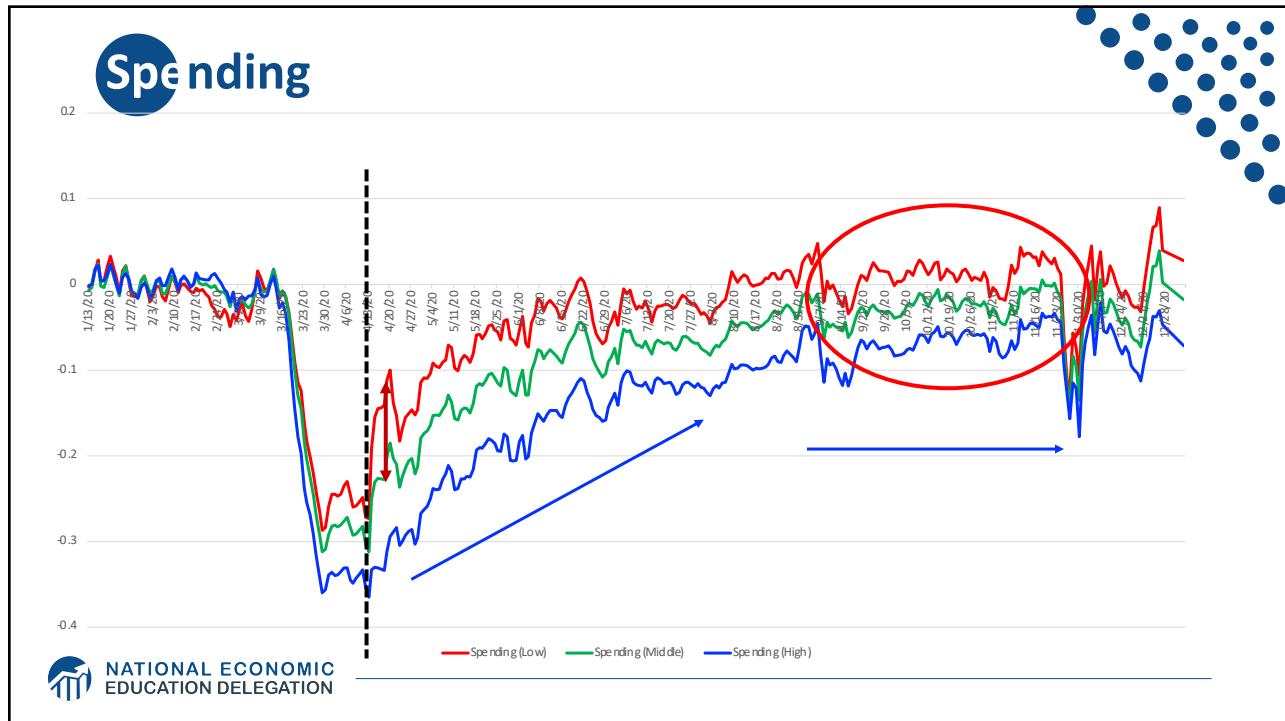
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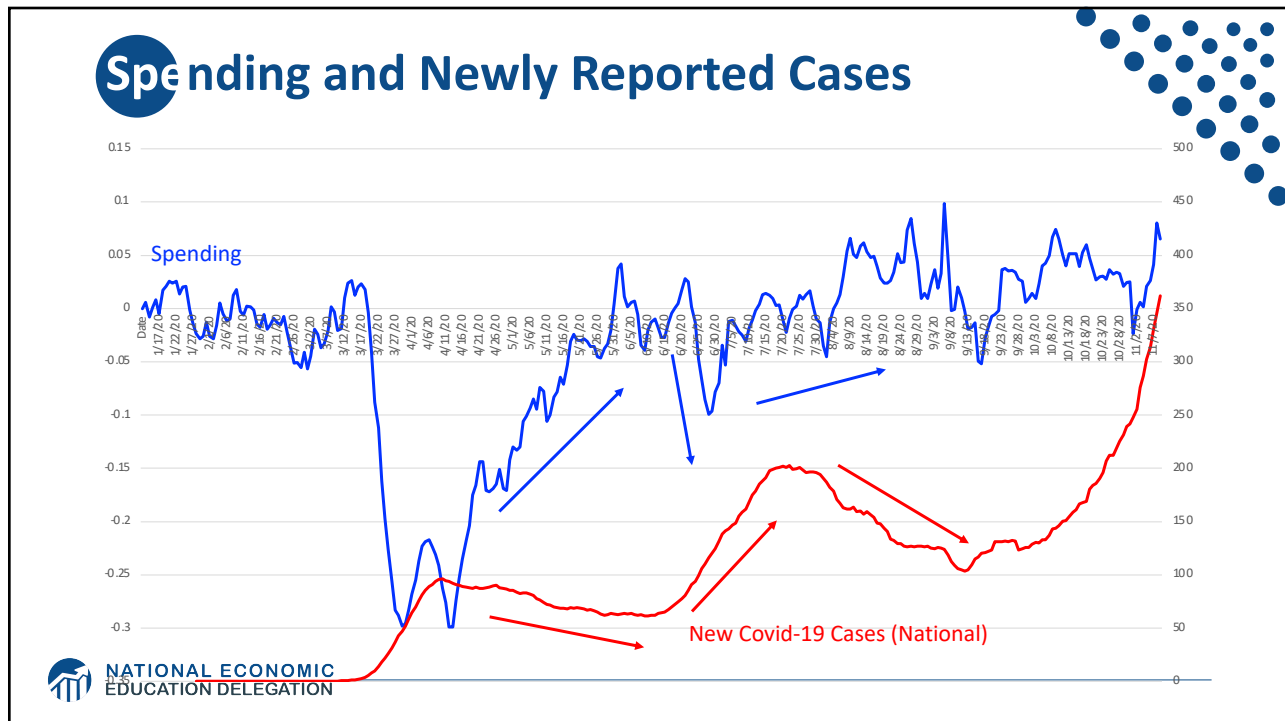
Total Spending



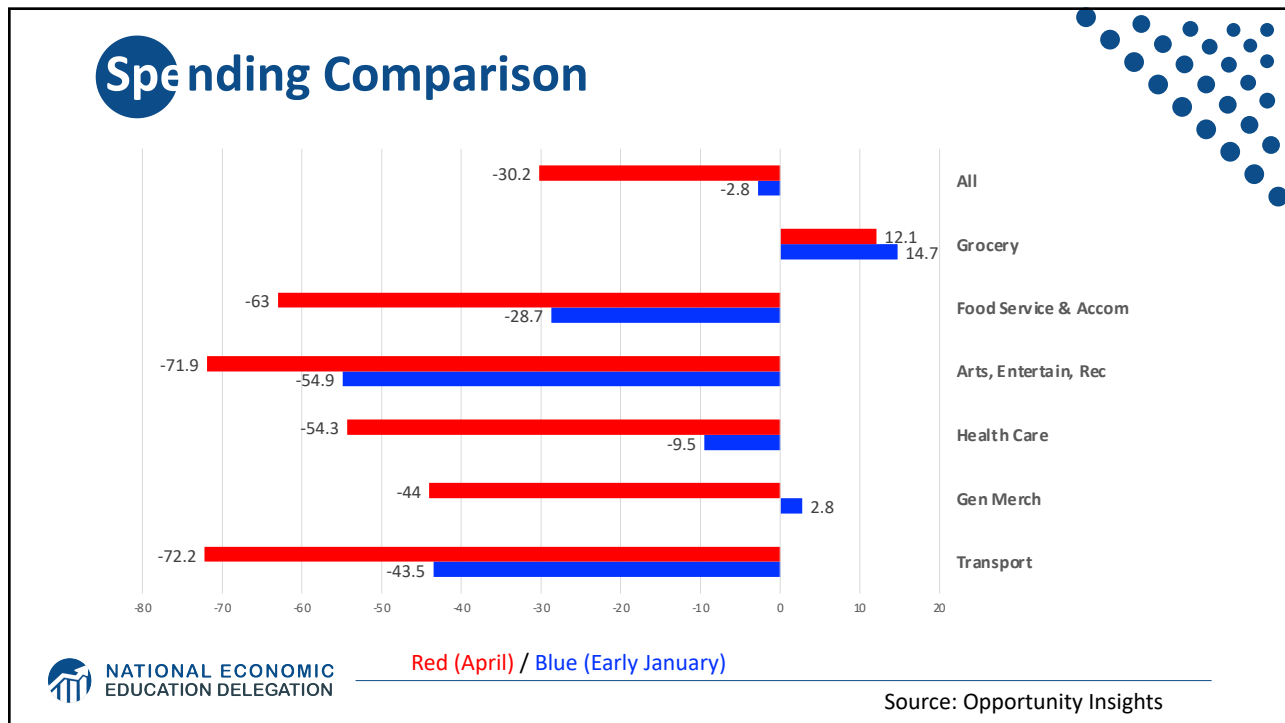
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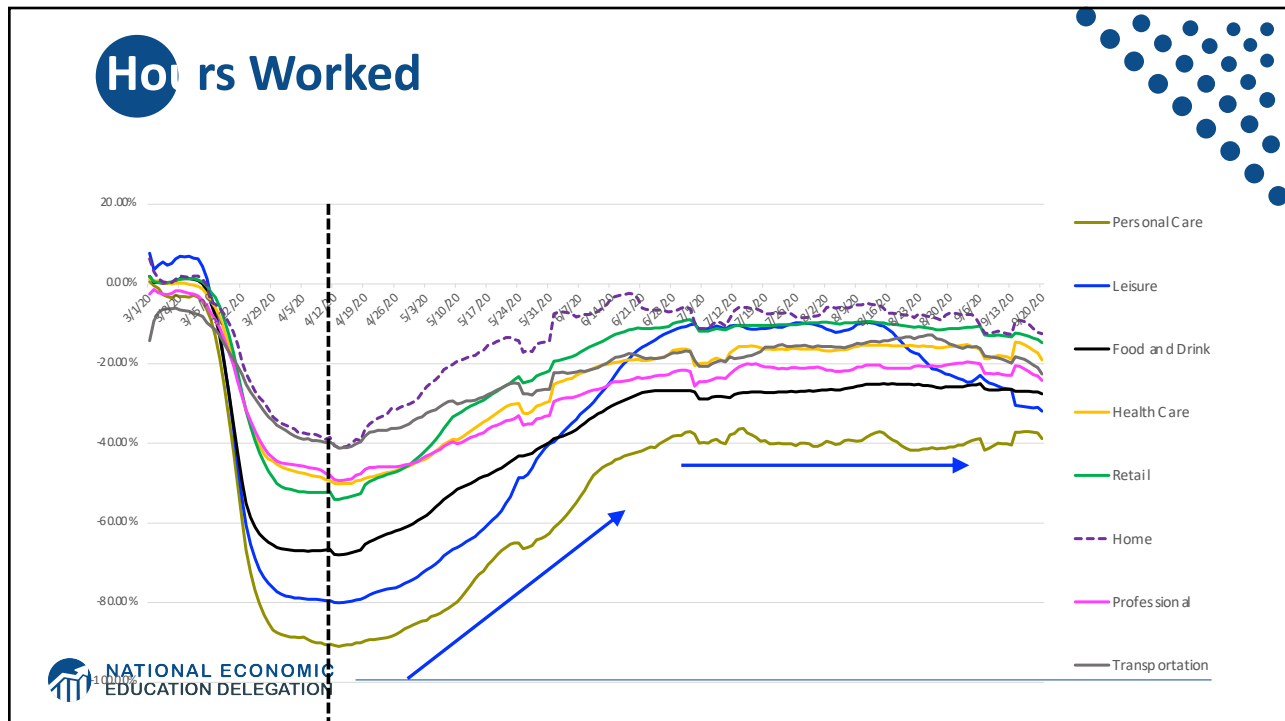
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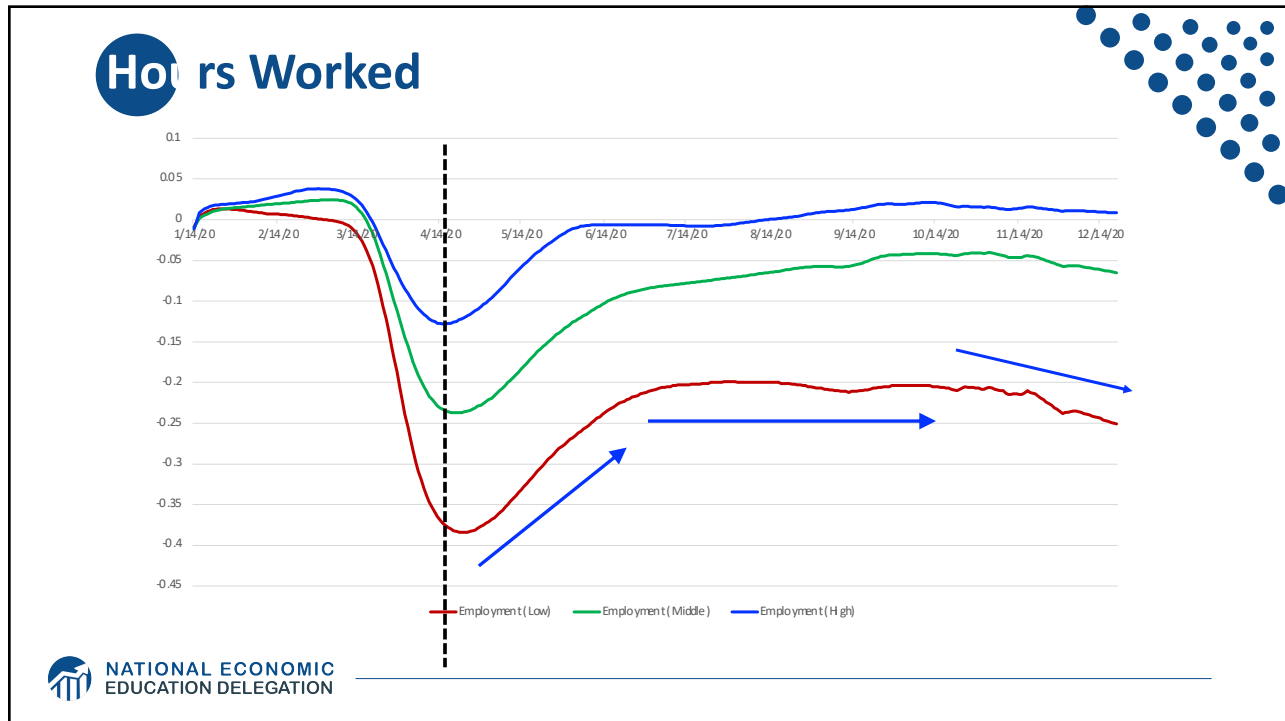
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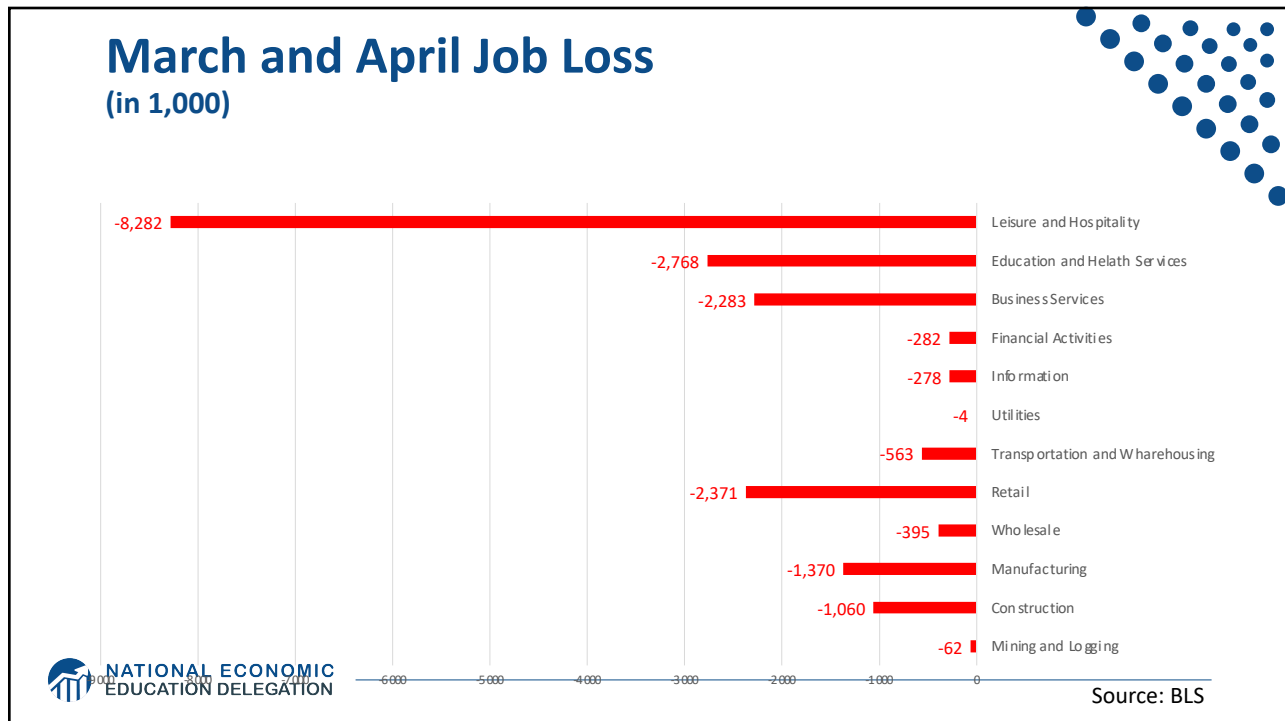
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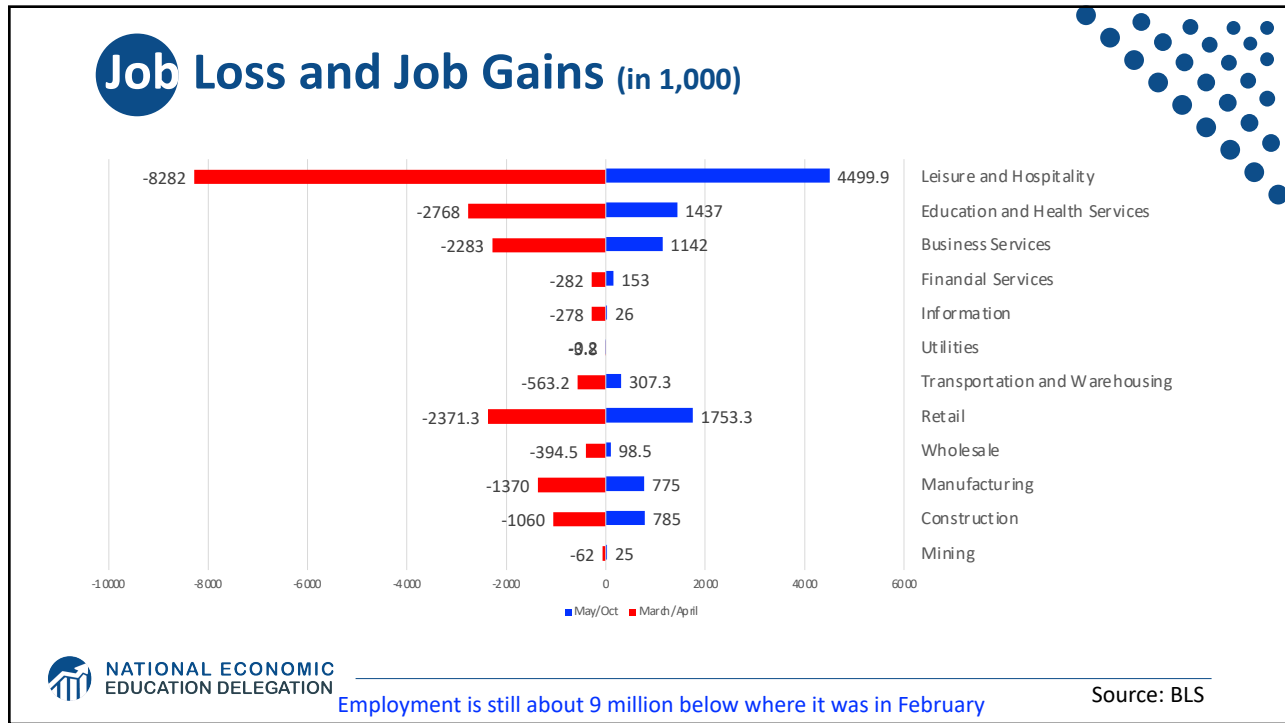
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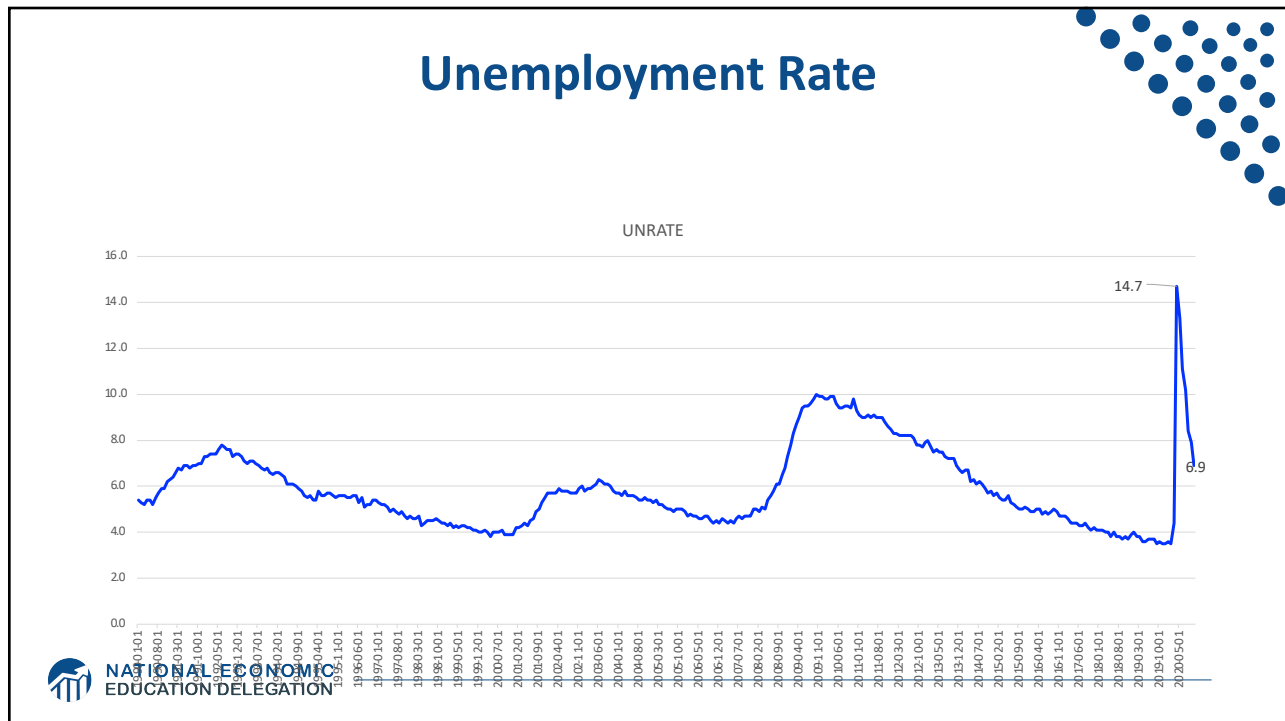
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December Fiscal Package \$900B: What is in it?

- \$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



Biden Recovery Package Package \$1.9T: What is in it?

- \$1,400 checks to individuals (and \$600 for eligible dependents).
- \$400 additional unemployment benefits (through the crisis)
- \$400 billion for vaccine program
- Expand child tax credit (lower income families)
- Increase the minimum wage to \$15/ hour
- \$30 billion in rental assistance & extend the eviction ban through September
- Provide funds to reopen schools
- Renew paid leave provisions

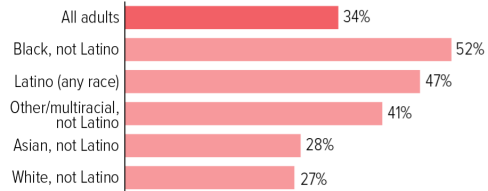


Outlook

- **Additional Fiscal response is needed**

1 in 3 Adults Had Trouble Paying for Usual Household Expenses in Last 7 Days

Share of adults reporting that it was somewhat or very difficult for their household to pay for usual expenses



Note: Other/multiracial, not Latino = people identifying as American Indian, Alaska Native, Native Hawaiian or Pacific Islander, or more than one race. Percentages exclude individuals who did not respond to the question.

Source: CBPP analysis of Census Bureau Household Pulse Survey tables for October 28 – November 9, 2020

CENTER ON BUDGET AND POLICY PRIORITIES | CBPP.ORG

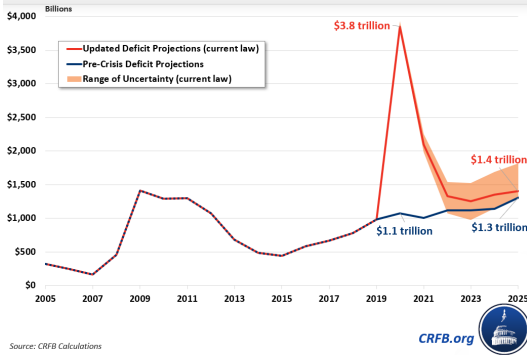
Of Course: The Economy in 2021 Depends

Daily change



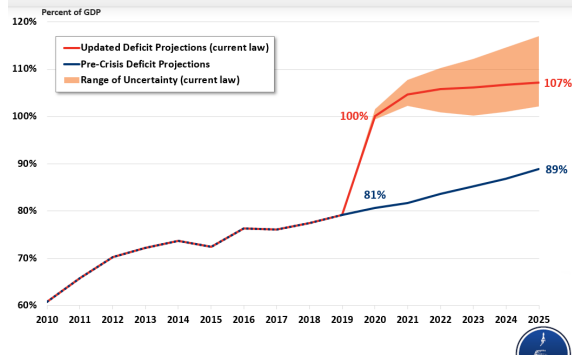
Looking Forward: Federal Budget Implications

Federal Deficit Will Reach Record Levels



Deficit may be nearly 20% of GDP

Debt Will Equal Size of Economy This Year



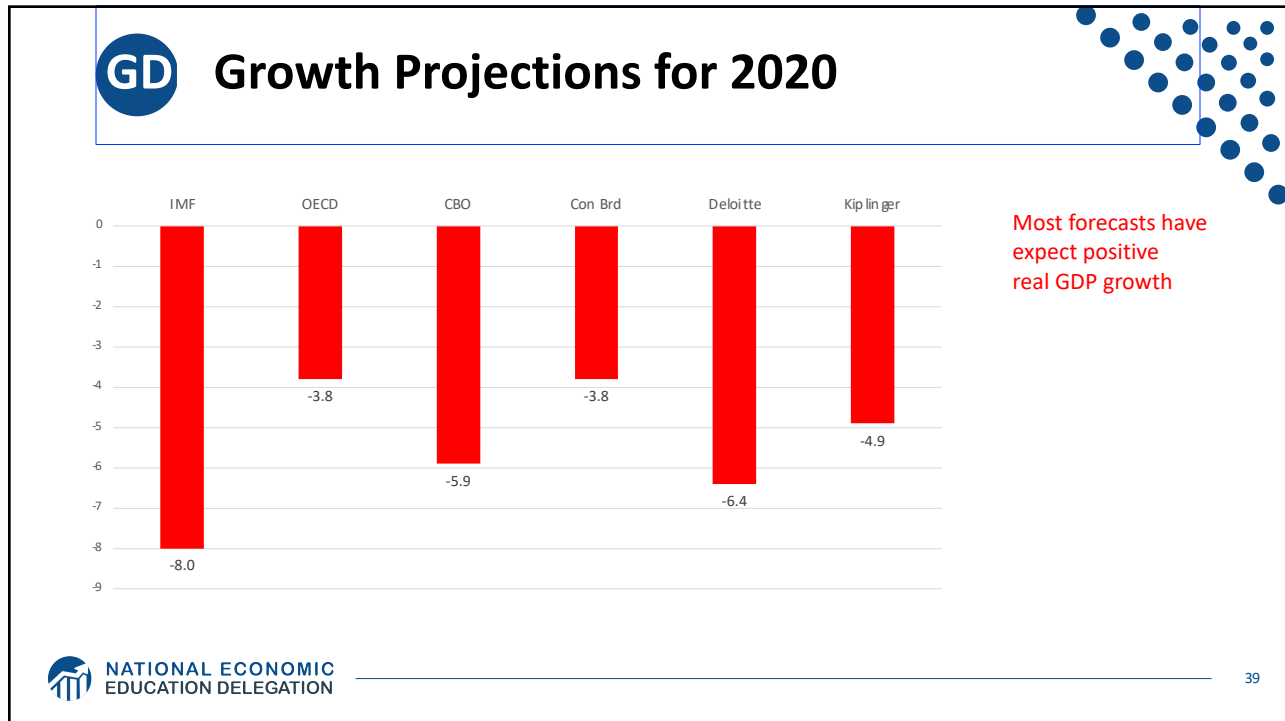
Debt will likely equal GDP this year

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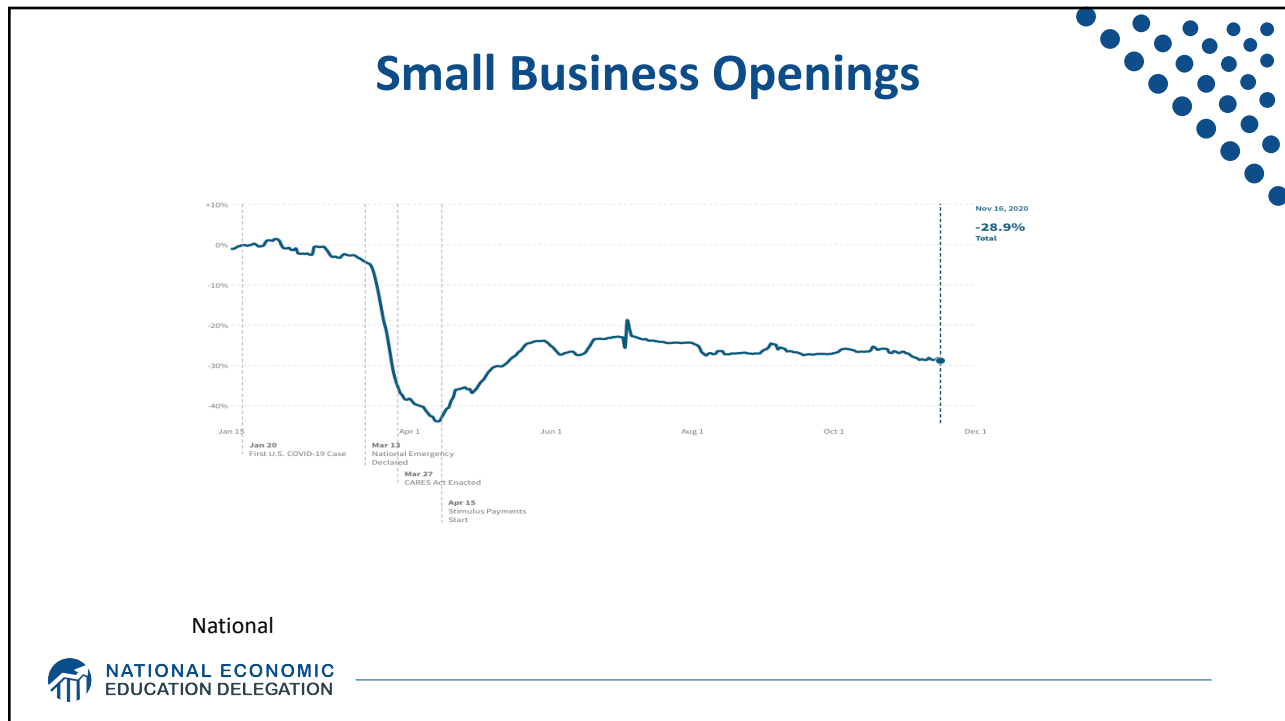
Looking Forward

- 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.

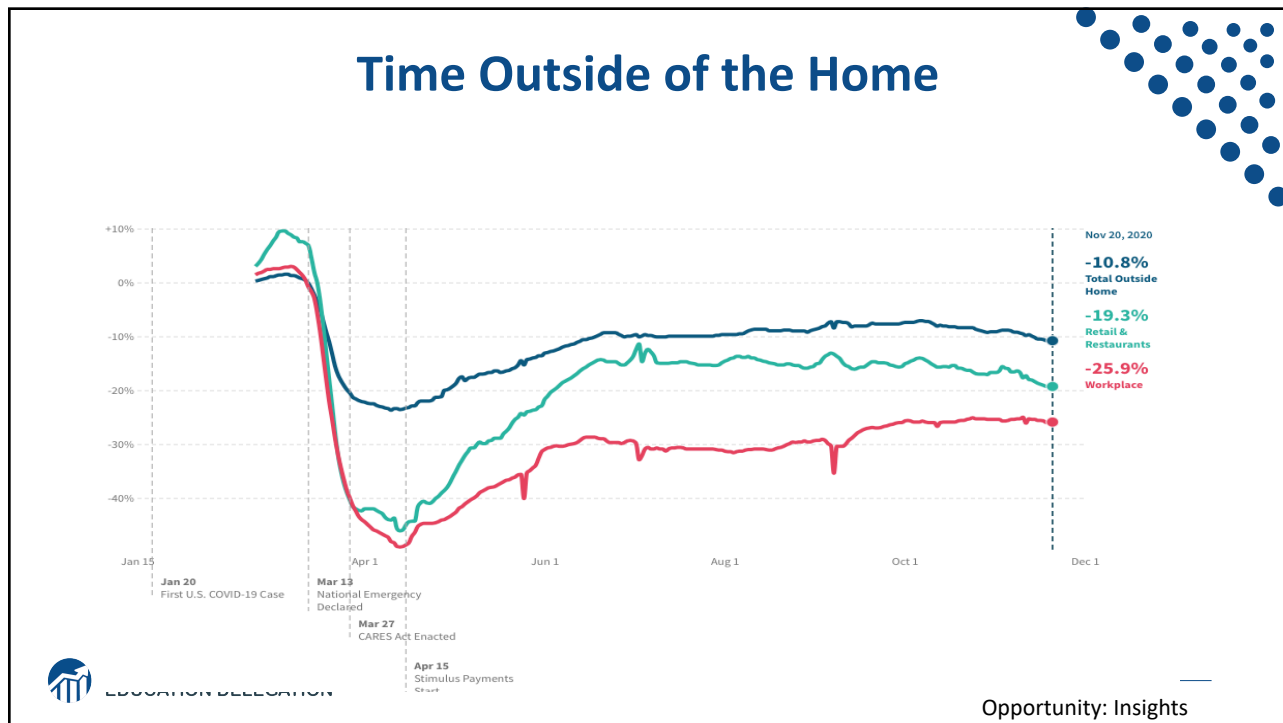
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Investment Expenditures

- **Investment expenditures are composed of residential and non-residential spending.**
- **Residential spending refers to purchases of new homes.**
- **Non-residential spending refers to capital purchases and new inventory accumulation.**
 - Tools, machinery, new factories, commercial real estate.

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Conclusion

- **The economic recovery in 2021 depends crucially on**

- The efficacy and the distribution of the vaccines
- The willingness of the population to “continue” follow safety guidelines.
- The ability of the fiscal response to provide some income support for households and support small businesses.
- The ability of businesses and households to adapt
- Resolution of political uncertainty



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2020 -- This Time is Different

- **Great Depression**

- A Financial Crisis which and (initial) flawed policy response
- -- resulted in persistent high unemployment

- **Great Recession**

- A Financial Crisis that spilled over into the real economy

- **Oil Crisis of 1975 : Supply Shock due to a sharp rise in the price of oil**

- **Prior to the pandemic none of the above:**

- Financial markets were not in trouble.
- Real GDP growth was strong buoyed by strong consumer spending.
- Unemployment and inflation were both low.
- Oil prices were falling.

- **COVID-19 – “Health Shock”**

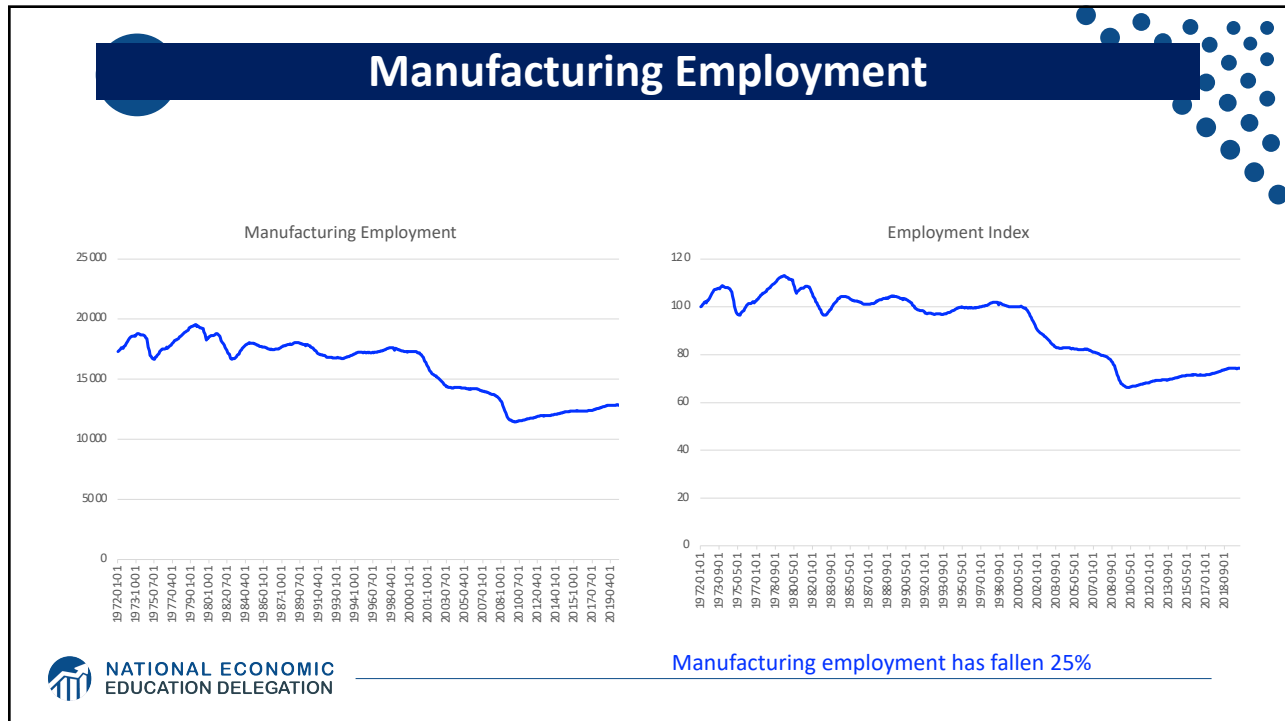
- Supply Shocks: Disrupted supply chains
- Demand Shocks: Limit market transaction in order to reduce the spread
- Sudden Demand Stop

- **Spanish Flu (1918)**

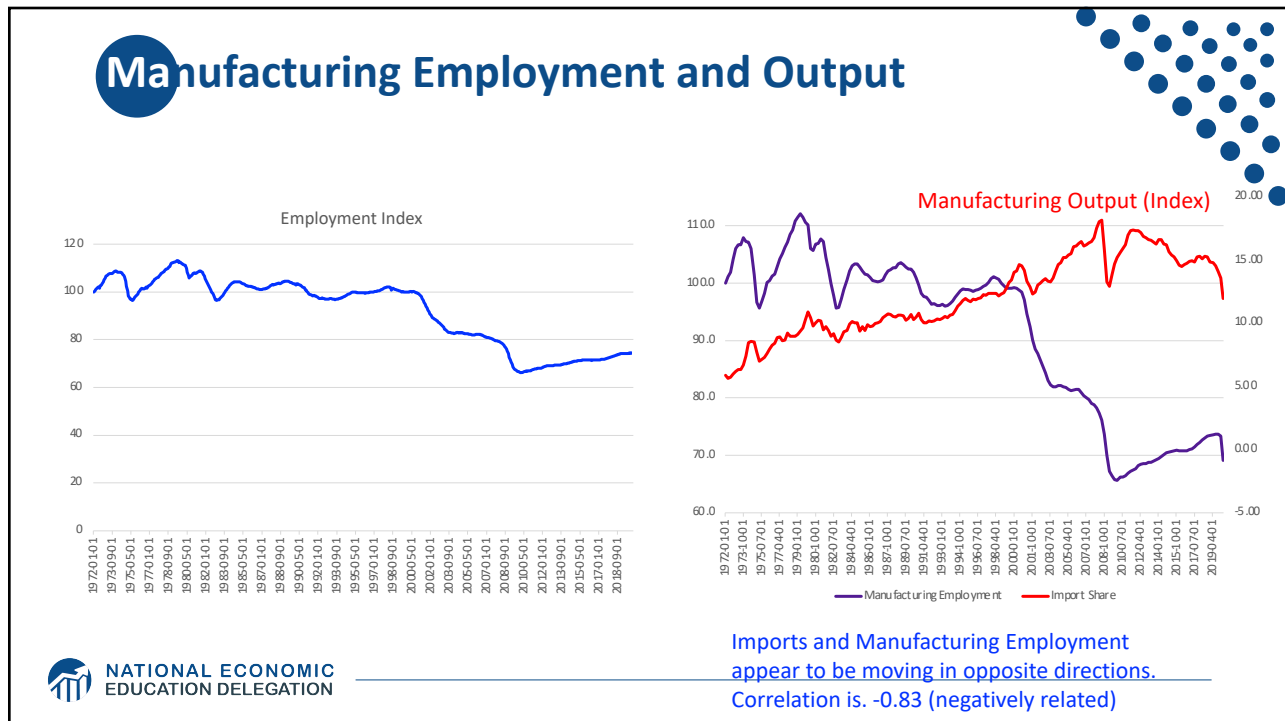
- Structure of production and consumption is notably different



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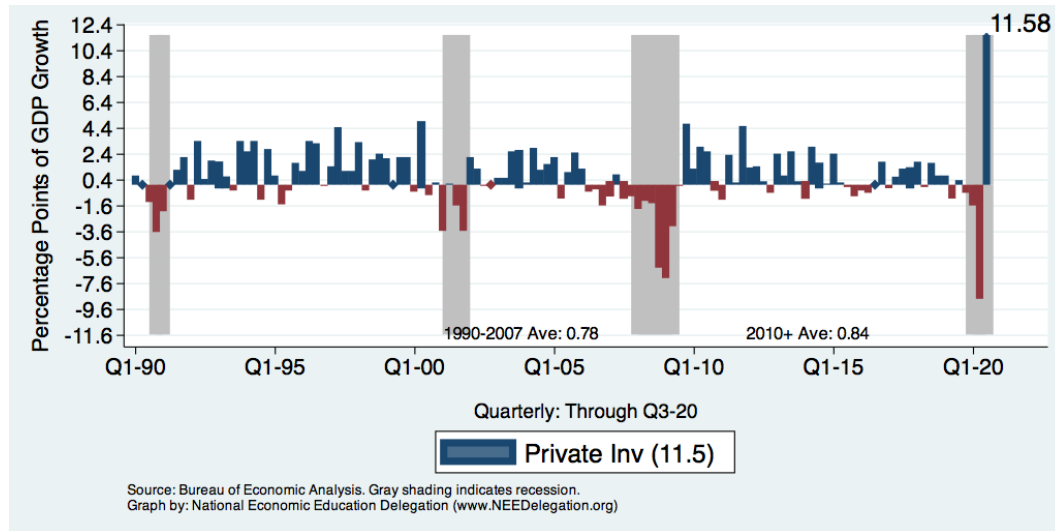


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Contributions to GDP: Private Investment



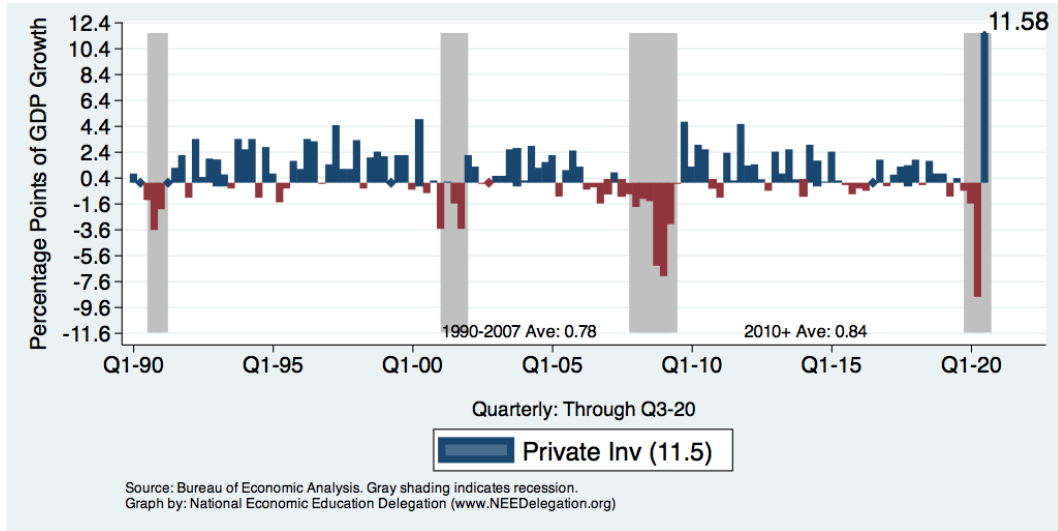
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Investment Expenditures

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Contributions to GDP: Private Investment



Dow Jones and S&P 500

