The U.S. and Michigan Outlook for 2020–2022
Consensus Revenue Estimating Conference
August 24, 2020

Research Seminar in Quantitative Economics
High-Frequency Economic Indicators
U.S. Economic Outlook
Epidemiology news:
  • Getting infected results in strong immune response that is likely to last
  • Hard-hit areas with >20% antibody prevalence avoiding second waves so far
  • Vaccine pipeline looks promising

Recent outbreak in the Sunbelt states:
  • Modest activity restrictions, peak healthcare load manageable, caseload dropping rapidly
  • Makes extreme activity restrictions elsewhere less likely in future outbreaks

Expectations:
  • Few, localized stay-at-home/non-essential business closures
  • Modest mitigation measures stay in place for a while
  • Wide distribution of a vaccine with flu-vaccine effectiveness by mid-2021
The fed funds rate at zero since March and for the forecast window

Massive liquidity and market functioning support

Several direct lending programs to businesses and governments
  • Most are undersubscribed

Negative interest rates extremely unlikely

The Fed is cooling on yield curve control

Enhanced forward policy guidance is likely
  • Will signal commitment to calendar and inflation/unemployment based rules
Four COVID-19 relief bills so far, more is needed
  • Last bill was early June

More than $500 bln in personal income support in Q2
  • Early estimates suggest 50-75% went into consumption

Continuation of income support is needed
  • We assumed $350/week UI benefit through 2020, $175/week in 2021Q1
  • Another round of stimulus checks

State and local governments face large budget holes
  • We expect $150bln in general aid, $100bln for schools for FY2021
Quarterly U.S. Unemployment Rate

Unemployment Rate (LH)
Labor Force Participation Rate (LH)

Percent

05 06 07 08 09 10 11 12 13 14 15 16 17 18 19 20 21 22

RSQE: August 2020

LSA RESEARCH SEMINAR IN QUANTITATIVE ECONOMICS UNIVERSITY OF MICHIGAN
High-Frequency Indicators: Michigan
New Cases of COVID-19 (Michigan)

Source: New York Times

RSQE: August 2020
Total Consumer Spending

Percent change, Compared to January 2020

- All Consumer Spending in the U.S.
- All Consumer Spending in Michigan

Source: Affinity Solutions via Opportunity Insights

RSQE: August 2020
Michigan Payroll Employment, 2005q1–2022q4

Thousands of Jobs, SA

05 06 07 08 09 10 11 12 13 14 15 16 17 18 19 20 21 22

Forecast

RSQE: August 2020
Annual Job Growth in Michigan, 2005–2022
Private Industries

Thousands of Payroll Job Gains

- Fast Recovery Industries (All Other Private Industries)
- Slow Recovery Industries (Leisure and Hospitality, Other Services, and Retail Trade)

RSQE: August 2020