

# Recovering scenarios for 2021

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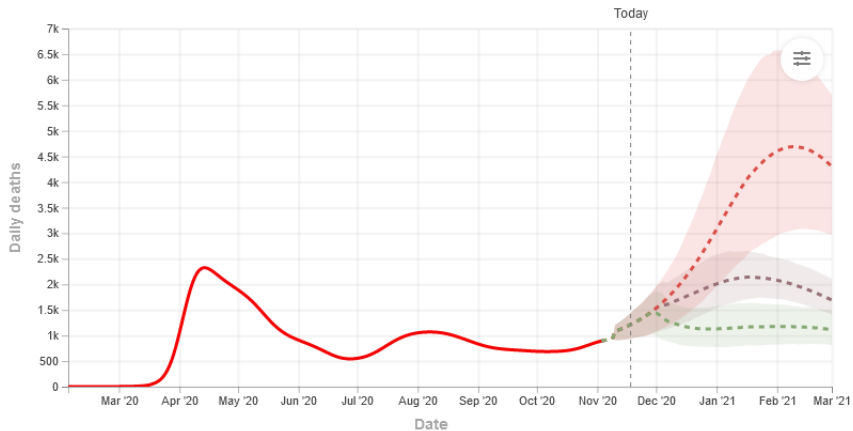
## Key message and outline

- The course of the economy IS the course of the virus!

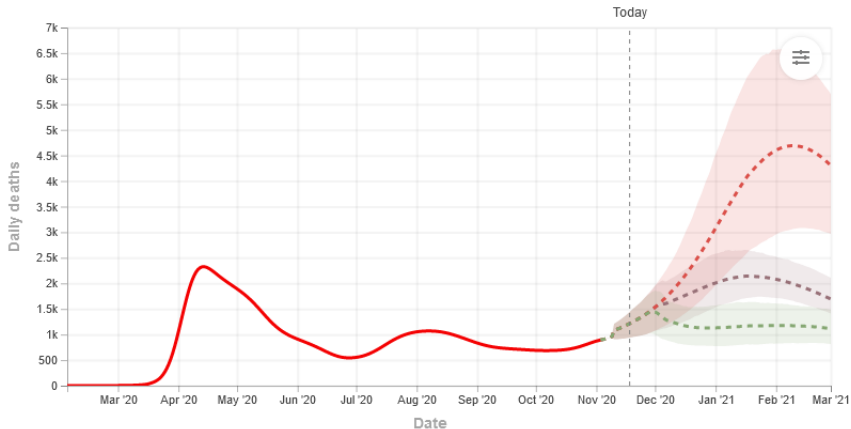
# Key message and outline

- The course of the economy IS the course of the virus!
- Virus course predictions
- How does the US economy look today? (assessing the virus damage)
- Looking forward

# Virus course predictions (IHME)

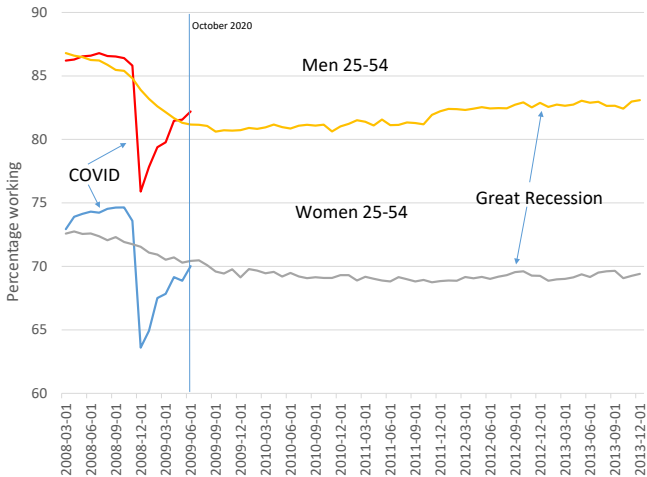


# Virus course predictions (IHME)



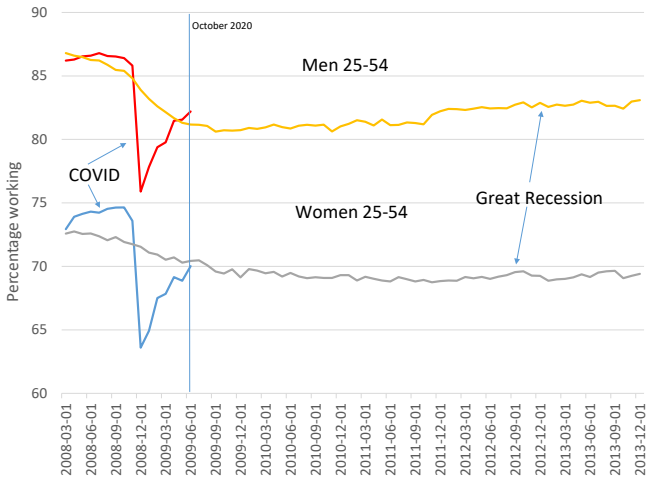
- Over the next 2 weeks matters will get worse (no uncertainty)
- Most likely scenario: slow drag of pandemic
- Optimistic scenario (fast vaccine deployment): a bit better
- Pessimistic scenario (vaccine failure): dire

# Labor Markets: Employment Population Ratio



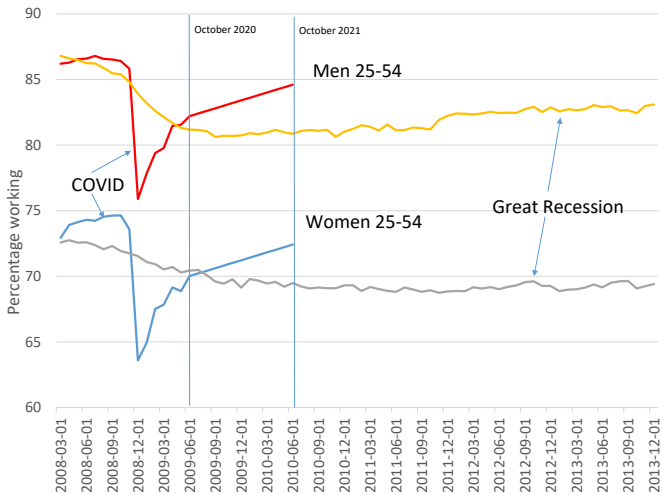
- COVID recession hit labor markets (and women) much harder than Great Recession

# Labor Markets: Employment Population Ratio



- COVID recession hit labor markets (and women) much harder than Great Recession
- Initial recovery has been fast, labor market now comparable to post GR

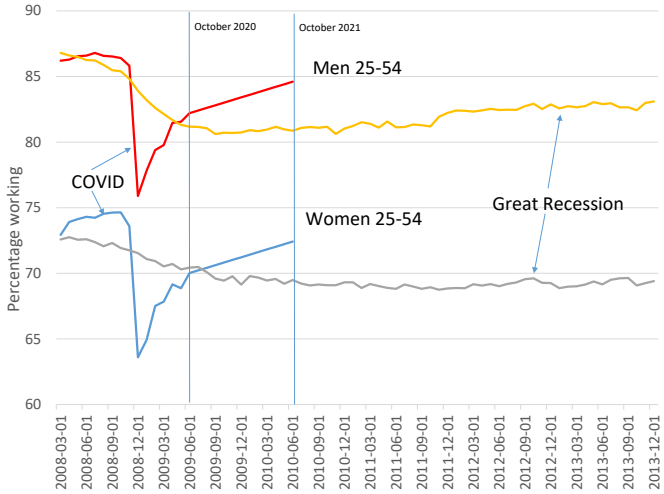
# Labor Markets: Employment Population Ratio



- Optimistic virus scenario

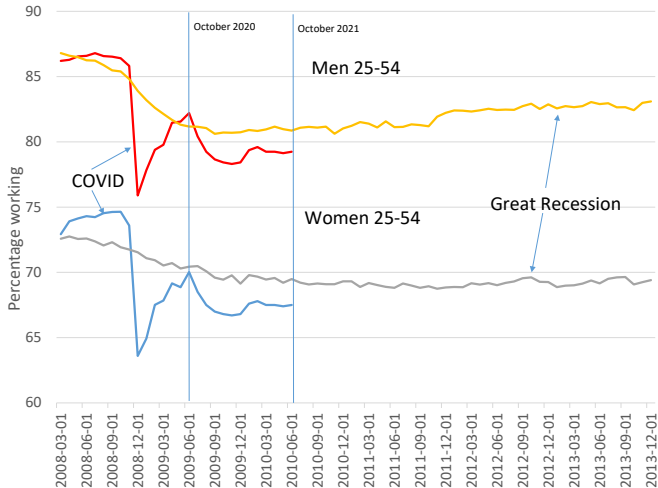


# Labor Markets: Employment Population Ratio



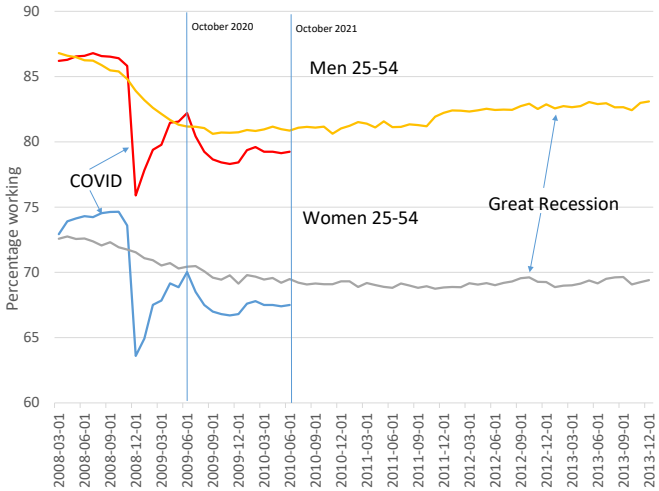
- Optimistic virus scenario
- October 2021: slightly below Pre-COVID labor markets (↓ 2%)

# Labor Markets: Employment Population Ratio



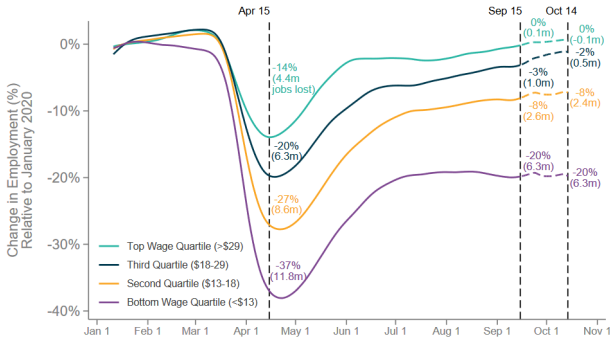
- Pessimistic virus scenario

# Labor Markets: Employment Population Ratio



- Pessimistic virus scenario
- October 2021: still in a severely ( $\downarrow 8\%$ ) depressed labor markets

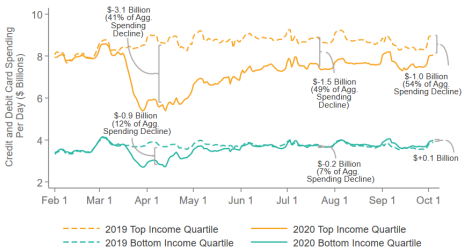
# Inside the labor markets (Opportunity Insights Data)



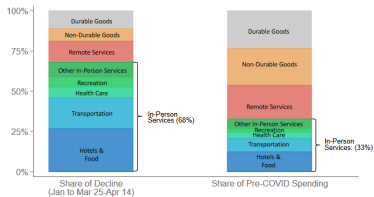
- Low wage workers hit the hardest and still well below Pre-COVID
- High wage almost fully recovered

# Income and Spending (Opportunity Insights Data)

**A. Spending Changes by Income Quartile: 2019 vs. 2020**

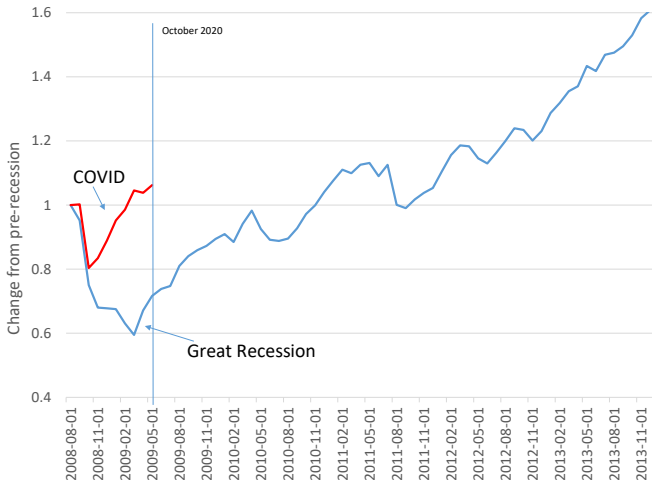


**B. Spending Changes by Sector**



- Spending de-coupled from income (role of CARES program)
- Implies that wealth of the rich actually went up!

# Stock Market Wealth (Willshire 5000)



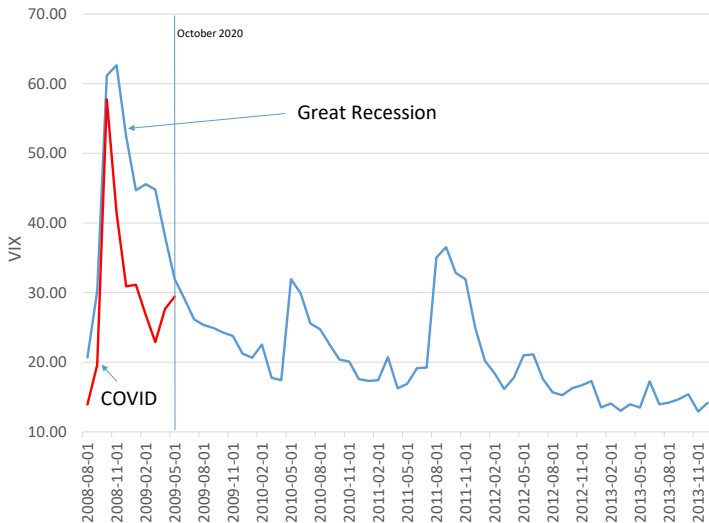
- Fast recovery of wealth combination of (forced) savings by the rich and optimistic expectations

# Housing Market Wealth (Case-Shiller)



- Housing wealth barely affected by COVID

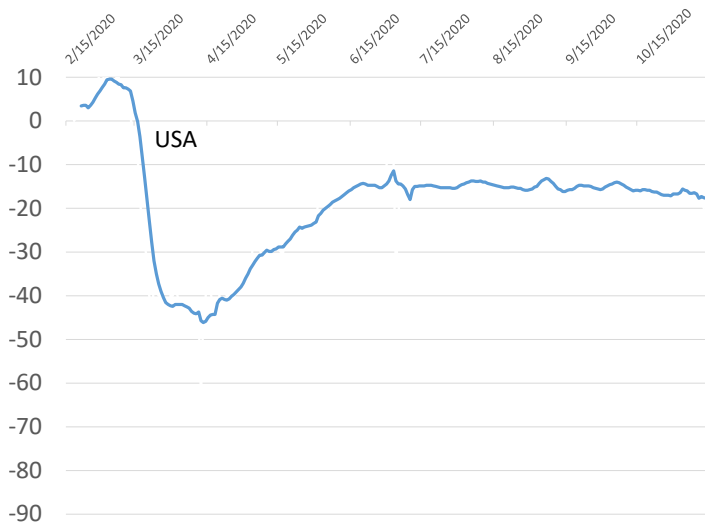
# Uncertainty (VIX)



- Uncertainty still elevated, as course of the virus still not settled!

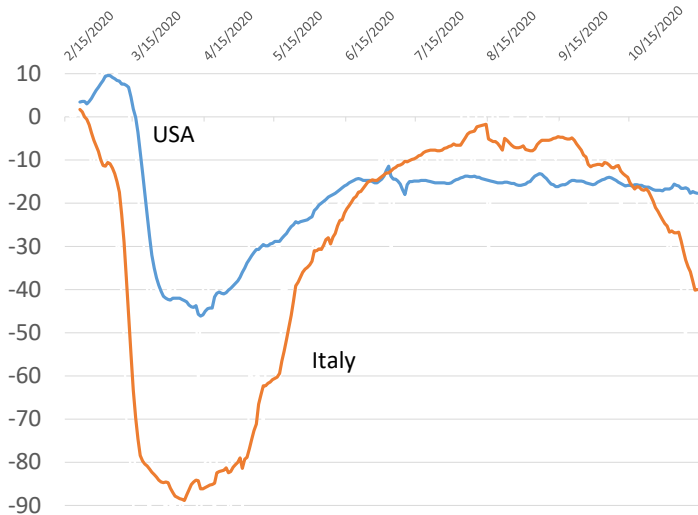


## High frequency indicators (Google mobility)



- Mobility for retail/recreation reliable indicator of COVID impact
- Signals that after initial recovery phase momentum has stalled

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- Italy (and Europe in general) signals that things might get worse

## Summing up

- Labor market has been hit hard but strong initial recovery (especially for some segments)
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- Labor market has been hit hard but strong initial recovery (especially for some segments)
- Wealth largely preserved (or even increased)
- Uncertainty about the future (virus course) still elevated, and some sectors still severely depressed

## Looking forward

- If vaccine does not work, 2021 might be 2020 all over again (unlikely but not impossible scenario)

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- If vaccine works as expected, US is on path for a solid recovery in 2021
- CAVEAT: an aggressive (CARES 2) plan essential to manage the short run surge we will be facing in the winter months
- CARES 2 will help on 3 fronts
  - ▶ Epidemiological: allow people to engage in less contact
  - ▶ Economic: help the hardest hit segments of the population whether further economic hardship
  - ▶ Social: prevent a further tearing of the fabric of our society, which COVID has put under heavy pressure

THANK YOU!