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
Monthly Retail Sales and Food Services

Billions of Dollars, SA

RSQE: August 2020
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

RSQE: August 2020
Real GDP Growth

Percent, SAAR

Forecast

- Annual Real GDP Growth
- Quarterly Real GDP Growth

2018: 3.0%
2019: 2.2%
2020: -4.9%
2021: 3.6%
2022: 2.4%

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

Thousands of Jobs, SA

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
Michigan Unemployment Rate, 2005q1–2022q4

Percent

Forecast
lsa.umich.edu/econ/rsqe