

## Uncertainty about the future of the US economy is creeping in as COVID-19 cases rise again

TAKASUKE TANAKA  
ECONOMIC RESEARCH OFFICE

MUFG Bank, Ltd.  
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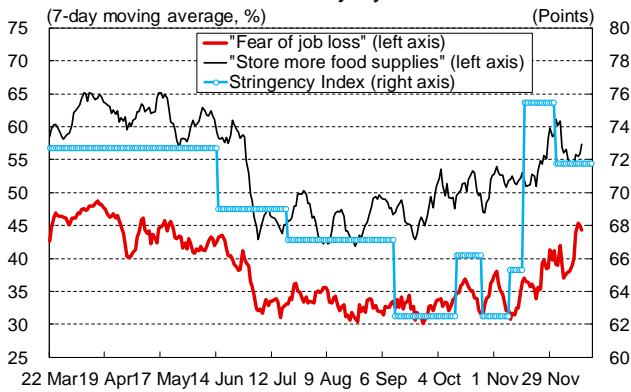
Major economic indicators and statistics published monthly show the robust recovery of the US economy has continued on the whole up until November. As a result, the real GDP growth rate for the October-December quarter is forecast to increase significantly by 10.4% on a QoQ annualised basis according to GDP Now, published by Atlanta Federal Reserve Bank (as of 23<sup>rd</sup> December 2020). According to the Summary of Economic Projections announced at the Federal Open Market Committee (FOMC) meeting in December, the outlook for the real GDP growth rate for the October-December quarter was revised upwards from the September meeting by a considerable amount. This suggests the US economy is performing better than the forecast made a few months ago.

Since the start of December, however, the COVID-19 situation has got worse and there is mounting uncertainty about the future as restrictions on movement are tightened again (Chart 1). A daily survey of consumers reveals the ratio of those who “fear of job loss” and “store more food supplies” rises and falls with some delay in reaction to the tightening and loosening of restrictions on movement. Currently, a deterioration in the COVID-19 situation is affecting consumer sentiment via the tightening of restrictions on movement by state governments and there are concerns that this could have a negative impact on consumer behaviour in the future. If the situation does not improve, or if it gets worse, there is a possibility that states will further strengthen their restrictions on movement and economic activities will be forcibly curbed.

On the other hand, the additional economic stimulus package being discussed by Congress to deal with this situation was finally approved by both the House and Senate on 21<sup>st</sup> December 2020 (Table 1). However, as well as the time taken for Congress to make a decision, the package was capped at USD 900 billion – far less than the USD 2 trillion or more demanded by the Democratic Party – due to Republican opposition to subsidies for states and regional governments. This time, the Democratic Party agrees with the rise in payments to households requested by President Trump, whereas the Republican Party has resisted the proposal, reflecting the meandering path to decision-making that is typical of a split Congress\*. A new Congress will begin on 3<sup>rd</sup> January 2021 and it is forecast to be “split” as well. Therefore, it will be important to keep a close eye on not only the COVID-19 situation, but also Congress.

\*As of 25<sup>th</sup> December, the bill has not yet been approved as President Trump is requesting revisions and refusing to sign.

Chart 1: Consumer Survey by FRB of Cleveland



Note: 1. Survey is summary of "Consumers and COVID-19" by FRB Cleveland  
 2. Online survey of fluent English speaking US residents over age of 18  
 Source: Federal Reserve Bank of Cleveland, Oxford University, MUFG Bank Economic Research Office

Table 1: Additional Economic Policies Agreed by US Congress

Item	Content	Amount (USD bns)
Small and Medium-Sized Businesses	Ⓞ PPP second draw for businesses of fewer than 550 employees (286)	325
	Ⓞ Grants for businesses in low-income areas (20)	
	Ⓞ Support for live venues, movie theatres etc. (15)	
Unemployment Benefits	Ⓞ Additional USD 300 per week in benefits for 11 weeks	120
	Ⓞ Extend Pandemic Emergency Unemployment Compensation (PEUC) and Pandemic Unemployment Assistance (PUA) for 11 weeks	
Households	Direct payment of USD 600 per person	166
Education	Support for emergency relief funds: elementary and secondary (54.3), higher education (22.7), governors emergency education (4.1)	82
Health Care	Aid to states for testing, tracing and COVID-19 mitigation (22), Biomedical Advanced Research and Development Authority (20), Centers for Disease Control and Prevention (9), healthcare providers (9)	69
Transportation	Support businesses such as airlines (15), transit (14), state highways (10), airports (2), airport construction (1)	45
Food	Funding for Supplemental Nutrition Assistance Program (SNAP)	13
Housing	Extension of CDC eviction moratorium, rent subsidies	25
Other	Childcare (10), US Postal Service (10)	55
Total		900

Note: 1. PPP are subsidised loans to support employment (Paycheck Protection Program)  
 2. Value in brackets () is amount in USD billions  
 Source: US Senate, various news reports, MUFG Bank Economic Research Office

Translation by Elizabeth Foster

For further details, please contact the Economic Research Office, MUFG Bank

Managing Director, Rei Tsuruta Tel: +81-(0)3-3240-3204

Written by Takasuke Tanaka <takasuke\_tanaka@mufg.jp>

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