

Biden's additional stimulus package: despite its large size, there are doubts it will be passed at its current scale

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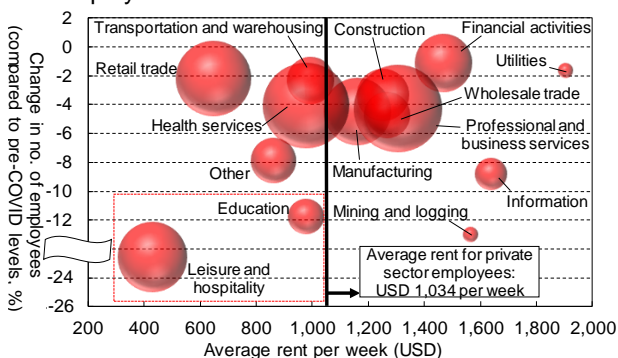
After suffering an unprecedented slump brought about by the COVID-19 pandemic, a recovery is underway in the US economy. However, there is a third wave of infections that started increasing in autumn last year and a shadow is looming over the economy again. The labour statistics for December 2020 published on 8th January show the number of non-farm employees has fallen for the first time in eight months – an impact of the restrictions on movement that were tightened in several states during late November. “Leisure and hospitality” – which incorporates many face-to-face services, such as dining out and hotels – and “education” – where opportunities to hold face-to-face lessons are declining – stand out as sectors where the number of employees has fallen. The fall in the number of employees (total) since the start of the pandemic in “leisure and hospitality” and “education” has been large compared with other sectors and exceeds 50% of the total decrease in private sector employees (Chart 1). In addition, wages in these sectors are comparatively low and many of those who lost their job due to COVID-19 are thought to be in a precarious situation. Therefore, if the COVID-19 situation does not improve, or if it gets worse, there are concerns that many unemployed people will be pushed into an even tougher position.

It appears the new administration is also aware of this problem; just before his inauguration, President Biden announced an additional economic stimulus package (to the sum of USD 1.9 trillion) on 14th January in response to the pandemic. The new administration has indicated it will swiftly address problems concerning household income and employment. Specifically, it aims to provide direct payments to individuals and extend the period for unemployment benefit support. In addition, the Biden administration plans to support education institutions which find themselves in a difficult situation and to significantly increase the budget to secure housing for those with a poor standard of living.

If this additional stimulus package is enacted as it stands now, it will give powerful support to the US economy in the face of the pandemic. However, despite the “Blue Wave” in government, the number of seats in the Senate is split evenly between the Republicans and Democrats and Republican senators have a very different opinion about some of the provisions, such as support for local governments and the amount in benefits given to households. As such, the road to fruition is expected to be bumpy and there are questions over whether the measures will be enacted on the same scale they were proposed. It is possible to pass the bill through the Senate with a simple majority using a procedure called “reconciliation” as part of budget

resolution, but there are reports that the Biden administration aims to pass the bill with the cooperation of Congress and will avoid using such measures. In order to forecast the future of the US economy, it will be important to keep an eye on Congress.

Chart 1: Change in Number of Private Sector Employees from Pre-COVID-19 Levels and Rent



Note: "Change in number of employees" compares data for Dec 2020 with that of Feb 2020. The size of bubbles correlates to the number of employees in Dec 2020. "Average rent per week" for "education" and "health services" were published together in Dec 2020.

Source: US Department of Labor, MUFG Bank Economic Research Office

Table 1: Additional Stimulus Package Announced by President Biden

Provision	Measures announced by President Biden		Reference: Additional package at end Dec 2020	
	Details	Amount (USDbn)	Details	Amount (USDbn)
Small and Medium-Sized Businesses	Support businesses exempt from PPP and those in specific regions	50	PPP second draw for businesses of fewer than 500 employees	325
Households	Provide direct payment of USD1,400 per person	465	Provide direct payment of USD600 per person	166
Local governments	Provide aid to state and local governments	350	-	-
Unemployment benefits	Ⓞ Increase Unemployment Insurance benefits to USD 400 per week Ⓞ Extend PEUC and PUA until September	350	Ⓞ Additional USD300 per week in benefits Ⓞ Extend PEUC and PUA for 11 weeks (until March)	120
Health Care	Funding for vaccine development and testing	160	Aid for testing, tracing, mitigation, research institutions and health providers	69
Education	Re-open schools and increase funding to educational institutions	170	Support for elementary, and secondary, higher education and governors emergency education relief funds	82
Families with children	Expand Child Tax Credits	120	-	-
Housing	Rent subsidies	30	Rent subsidies	25
Childcare	Provide support to childcare providers	25	-	-
Other		180		113
	Total	1,900	Total	900

Note: 1.PPP (Paycheck Protection Program) are subsidised loans to support employment
2.PEUC (Pandemic Emergency Unemployment Compensation) is a measure to extend regular unemployment benefits.
PUA (Pandemic Unemployment Assistance) is a measure to expand those eligible for support, such as self-employed
Source: Committee for a Responsible Federal Budget, MUFG Bank Economic Research Office

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