

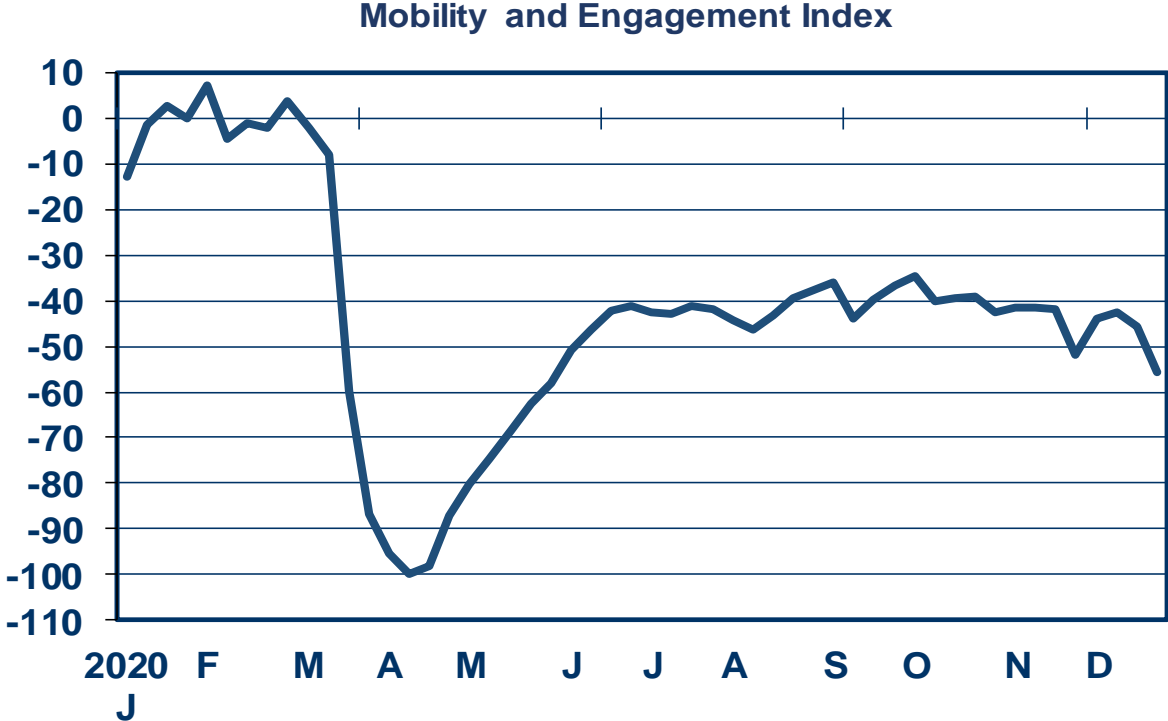
**The Comerica Economic Outlook:  
Policies and Pathogens:  
The U.S. Economy in the Time of Coronavirus**

Robert A. Dye Ph.D.  
January 2021

**Comerica**

RAISE YOUR EXPECTATIONS.®

# Mobility Remains Well Below Pre-Covid Levels



Source: Federal Reserve Bank of Dallas



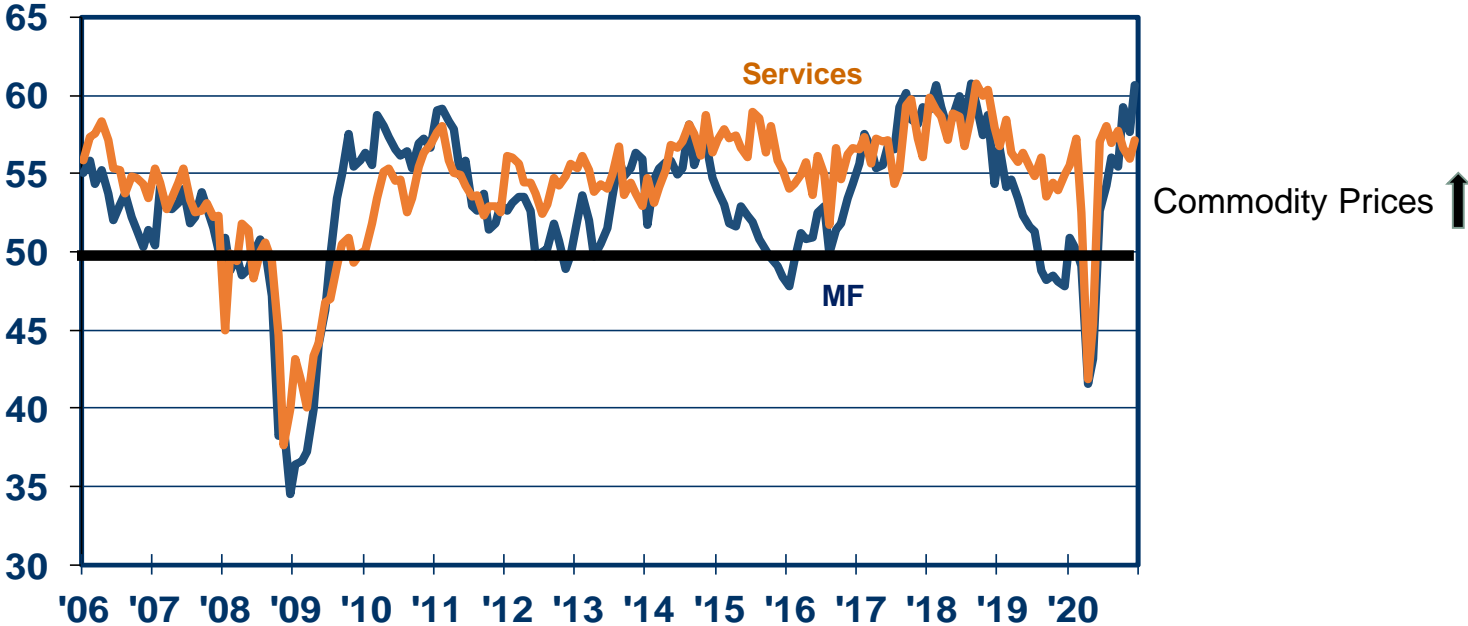
## Key assumptions

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- 1) No near-term political crisis
- 2) No national-scale lockdowns due to COVID-19.
- 3) The vaccines and distribution systems work.
- 4) Normalcy with respect to coronavirus not until second half of 2021.
- 5) Additional fiscal stimulus in early 2021.
- 6) The rehiring rate of furloughed workers will be somewhat less than 100%.
- 7) There will not be another economically significant crises in the near-term.
- 8) Ongoing demand destruction will lead to capacity reduction in certain industries.
- 9) There will be lingering economic after-effects even with an effective vaccine.
- 10) It's a K-shaped economy.

# U.S. Manufacturing Sector Strengthened at Year End

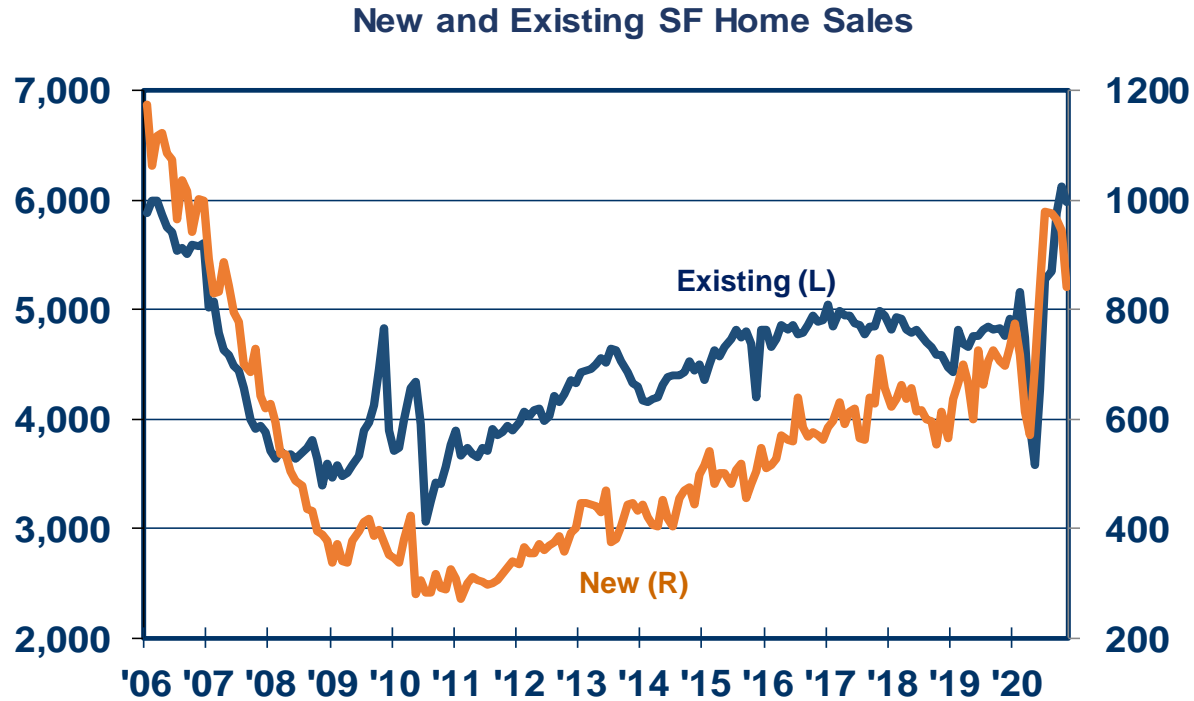
## ISM Manufacturing and Services Indexes



Source: The Institute for Supply Management



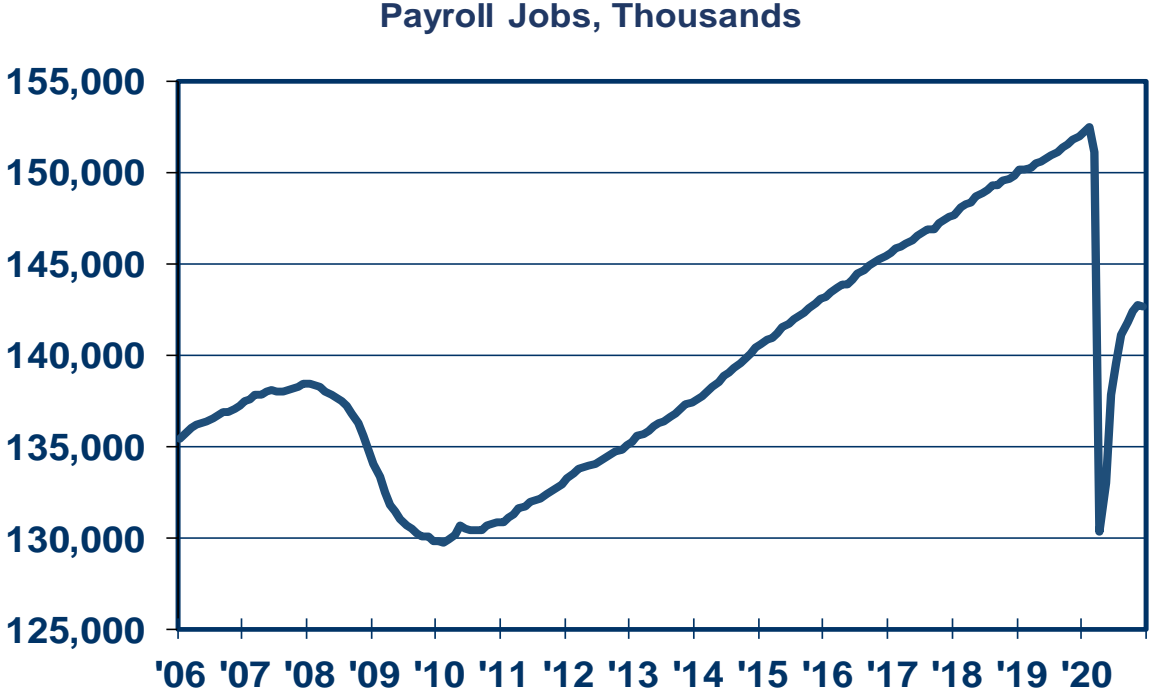
# Single-Family Housing, Improving Trend but Year-End Wobble



Source: National Association of Realtors, Census



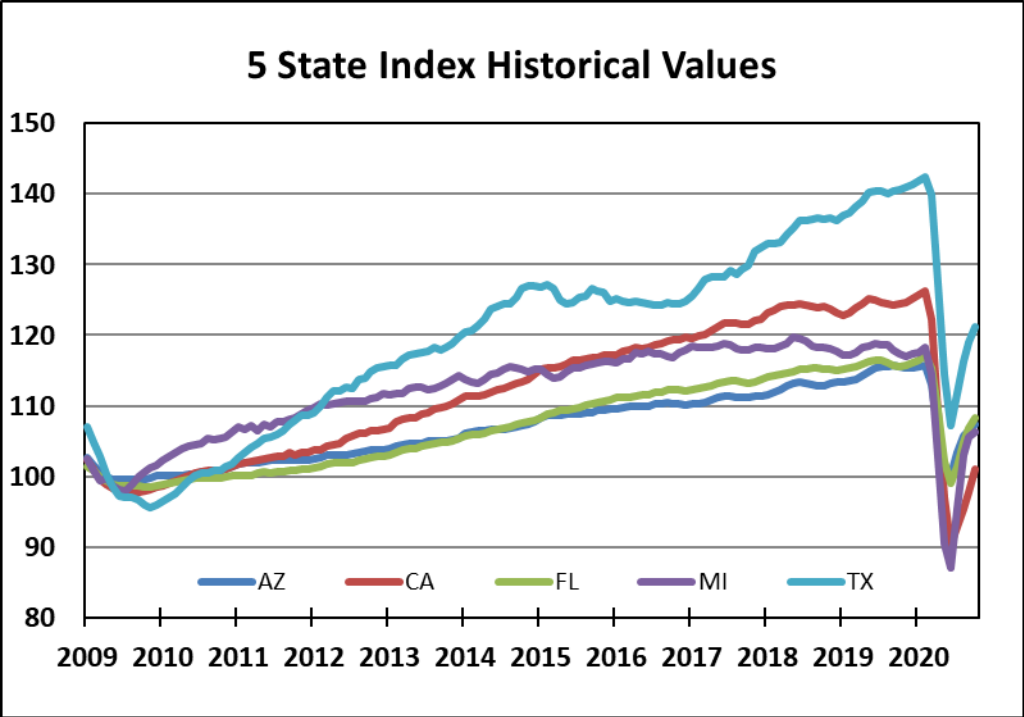
# U.S. Payroll Employment Through December



Source: Bureau of Labor Statistics



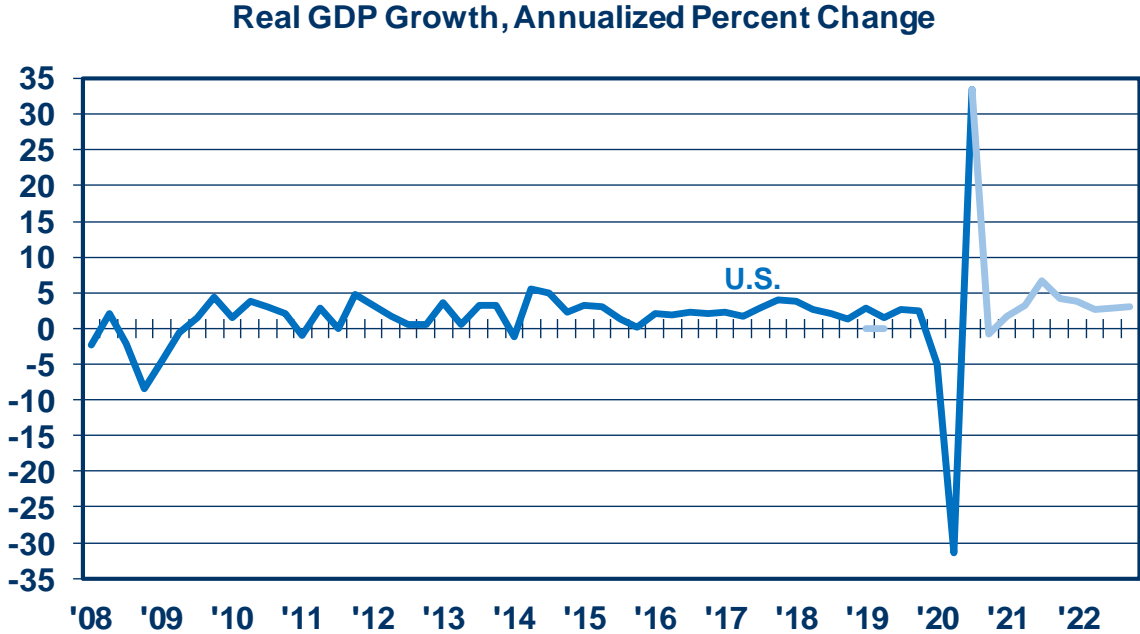
# State-Level Economic Activity Indexes Through October



Source: Comerica Bank



# Historic Gyration in 2020 GDP



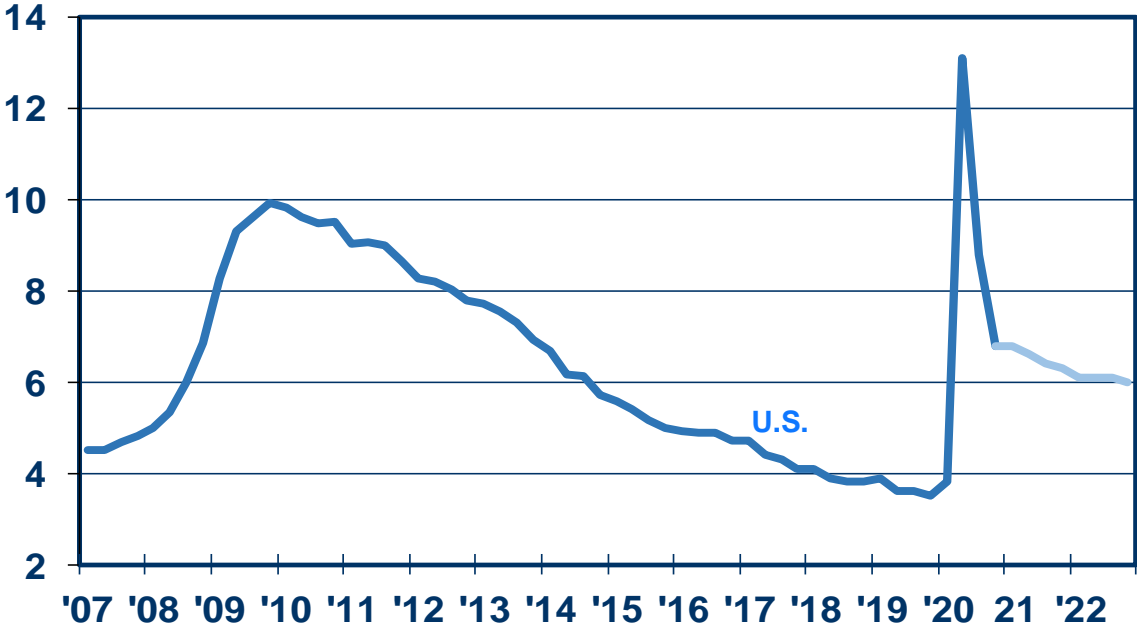
Source: Bureau of Economic Analysis, Comerica Bank





# Labor Market Conditions Have Changed Profoundly

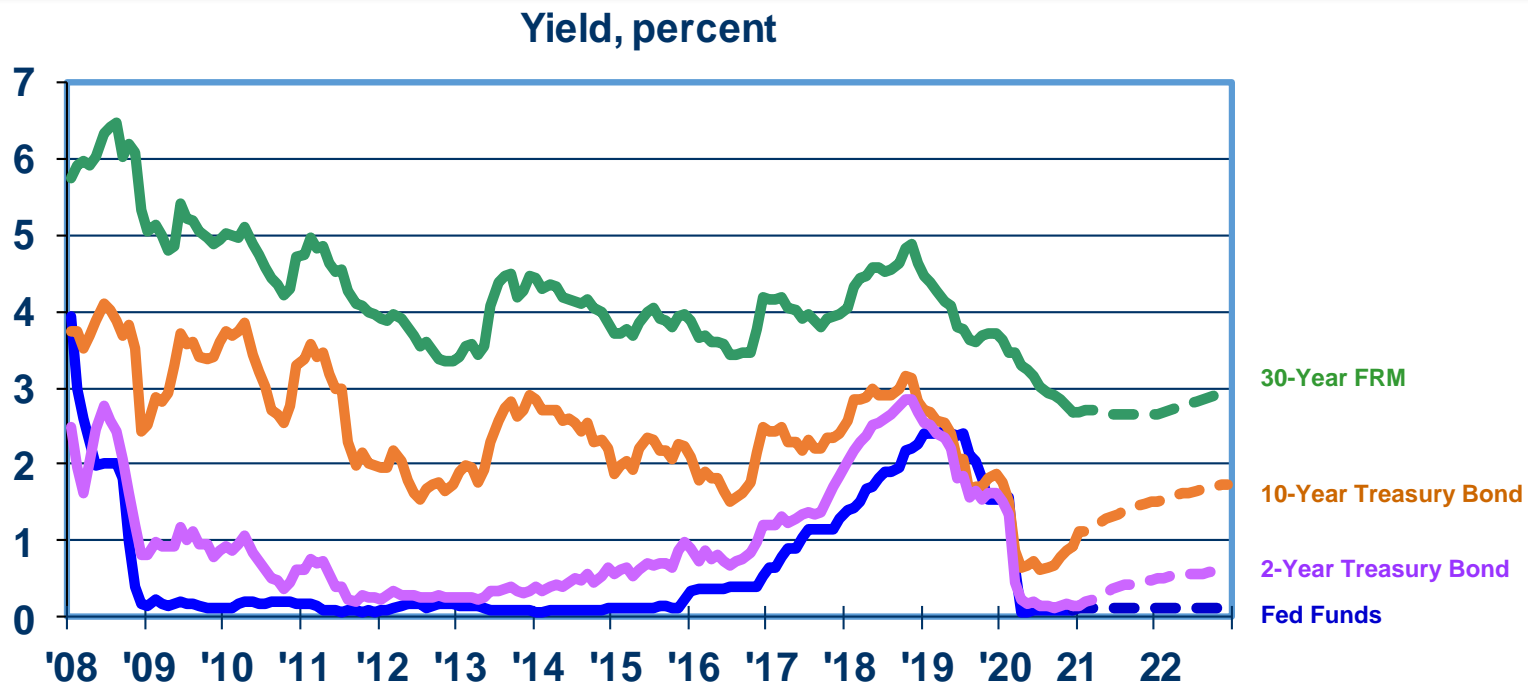
## Gradual Decline in U. Rate After Initial Drop



Sources: Bureau of Labor Statistics, Comerica Bank



# January 2021 Interest Rate Forecast



Source: Federal Reserve, Comerica Bank



# Forecast Risks, the 360 View ...

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## Downside Risks

- Political Risk
- State/city lock-downs
- Double dip recession
- Vaccine efficacy and uptake
- Lingering after-effects of demand destruction
- Inadequate policy response/fiscal exhaustion
- Lingering high unemployment, no 1:1 rehire
- S&L government
- Credit tightening
- Oil, lower for longer
- Geopolitical

## Upside Risks

- Fiscal Stimulus
- Herd Immunity
- Improving business/consumer confidence
- Low interest rates
- Pent-up demand, including autos
- Housing market
- Rest-of-world growth
- Supply chain reconfiguration
- Manufacturing rebound
- Inflation

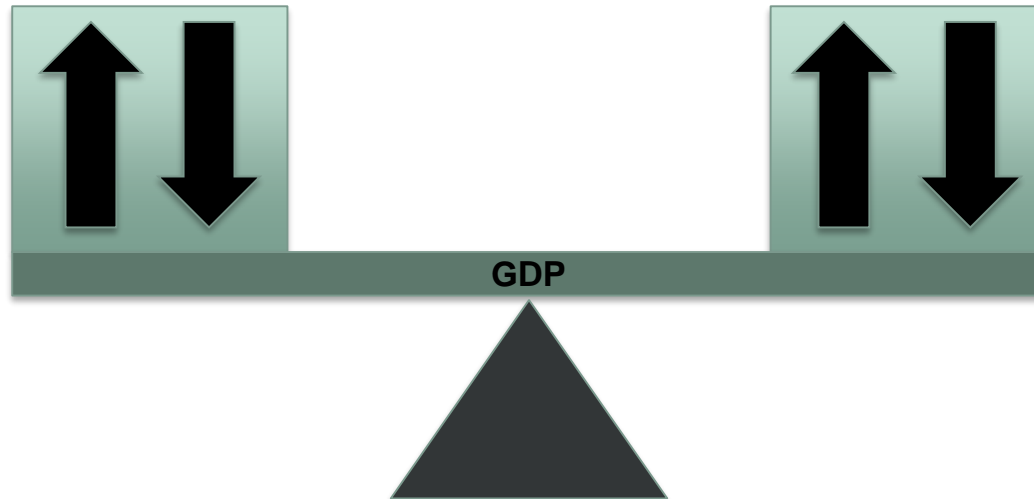
## Lingering After Effects

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- 1) Devaluation of fossil fuel resources contributing to cooler growth in previously hot areas.
- 2) Commercial real estate markets adjust to persistent changes in business, shopping and commuting patterns.
- 3) Decreased business and leisure travel.
- 4) Loss of vitality in small consumer-facing businesses.
- 5) Female labor force participation.
- 6) Baby bust/boom?
- 7) Changing net-migration patterns.
- 8) Reduced confidence in public schooling.
- 9) Accelerating change in auto industry.

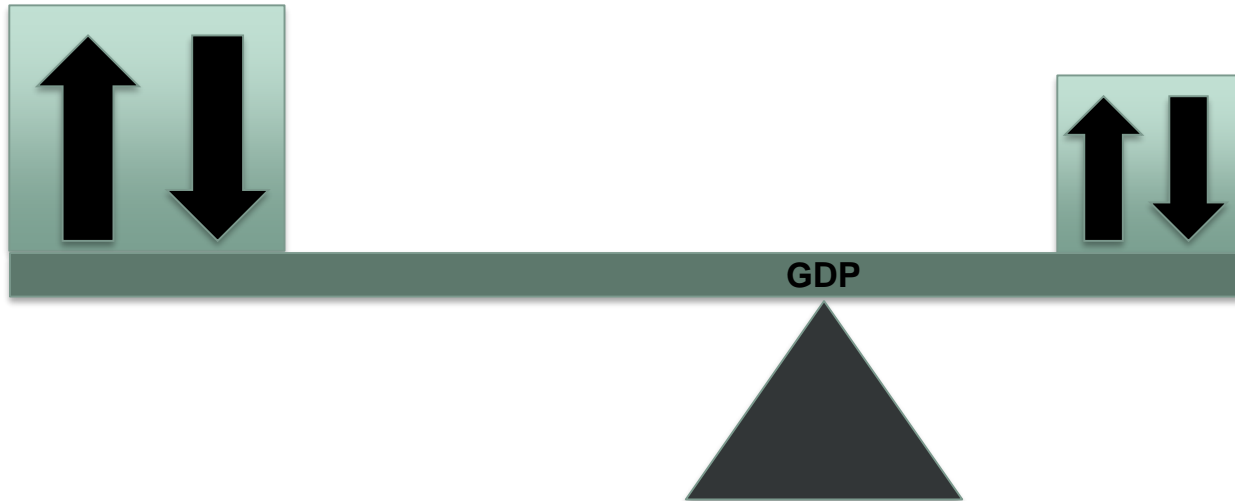
## Risk Factors, The Simple View

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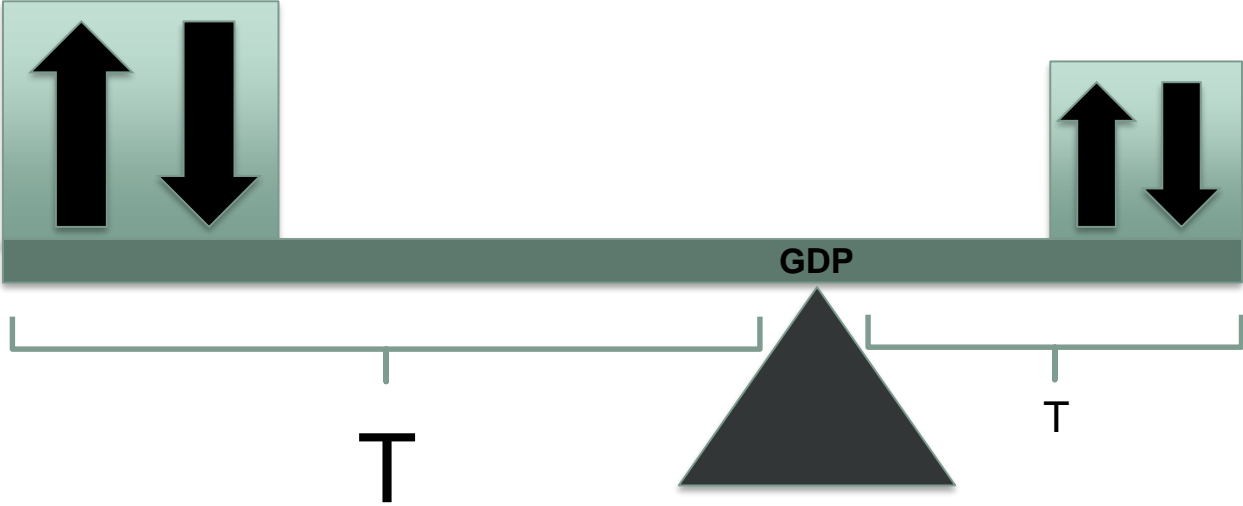


## Risk Factors, Asymmetric

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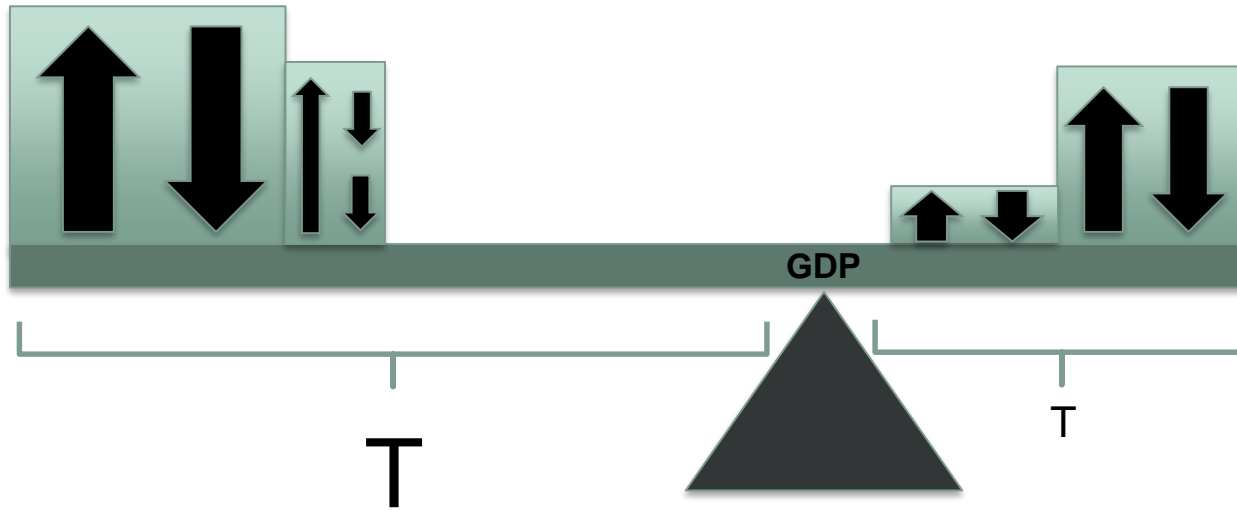


# Risk Factors, Asymmetric and Asymmetric wrt Time



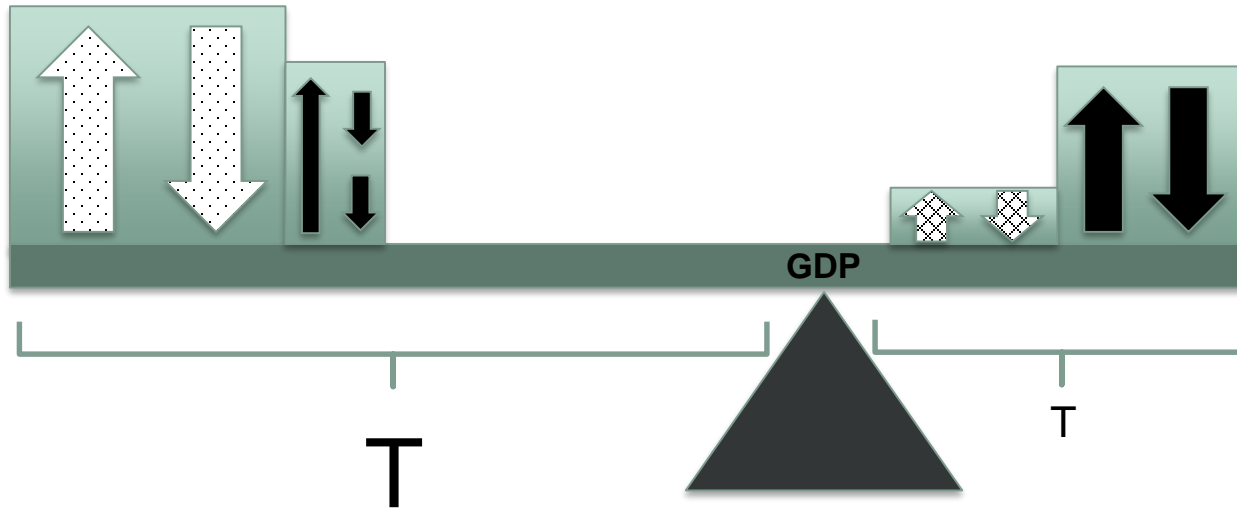
# Risk Factors, Asymmetric and Asymmetric wrt Time, Varying in Magnitude, Duration, Linearity, Nonlinearity.

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# Risk Factors, Asymmetric and Asymmetric wrt Time, Varying in Magnitude, Duration, Linearity, Nonlinearity, Quantifiability



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Robert A. Dye, Chief Economist

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