SIFMA Research:
2020 End-Year US Economic Survey

Forecasts from the SIFMA Economic Advisory Roundtable

December 2020

SIFMA Economic Advisory Roundtable

The SIFMA Economic Advisory Roundtable brings together Chief U.S. Economists of 27 global and regional financial institutions. This semiannual survey compiles the median economic forecast of Roundtable members, published prior to the upcoming Federal Open Market Committee (FOMC) meeting. We analyze Roundtable economists' expectations for: GDP, unemployment, inflation, interest rates, etc. We also review expectations for policy moves at the upcoming FOMC meeting and discuss key macroeconomic topics and how these factors impact monetary policy.

Note: The survey was populated between November 18 and December 3

Key Takeaways

- 2020 GDP growth est. -2.5%, 2021 est. +3.5% (median forecast, 4Q/4Q)
- 2020 unemployment rate est. 6.8%, 2021 est. 5.4% (4Q average)
- Economists expect GDP to return to pre-COVID-19 levels by 2H21

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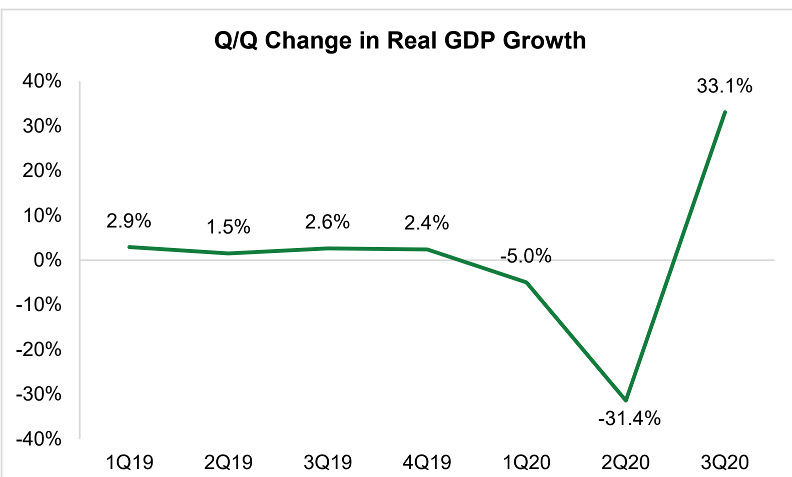
Setting the Scene

Status of the Economic Environment

Earlier this year the world changed almost overnight. Along with learning new ways to live and work, the U.S. economy took the sharpest drop into recession on record. The unemployment rate increased 10.3 pps to 14.7%, the highest rate and largest month-over-month increase in the history of the series, according to the U.S. Bureau of Labor Statistics (BLS). The number of people unemployed rose to 23.1 million (+15.9 million to pre-COVID levels).

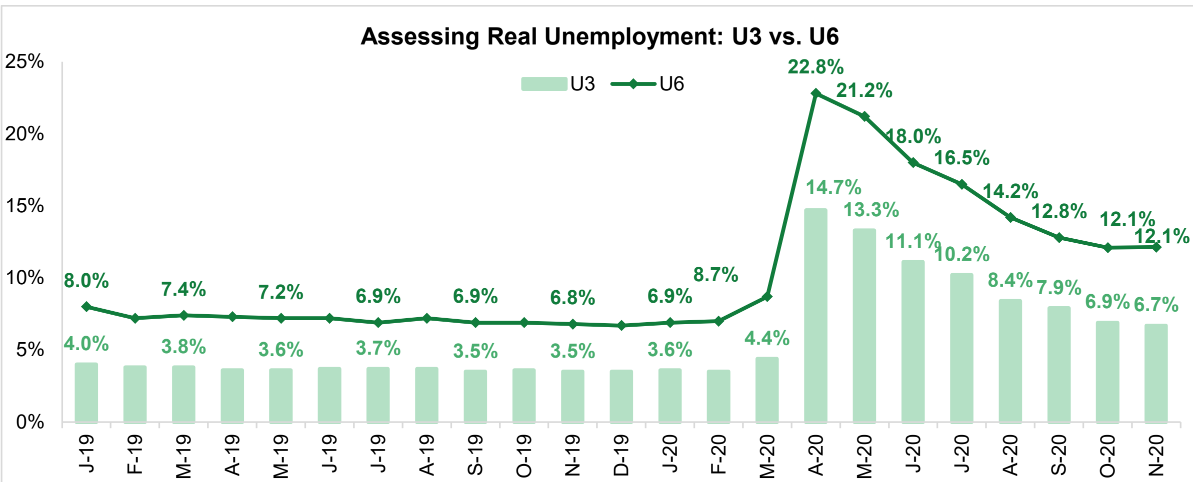
As we head into the end of the year of COVID-only forecasts, there are clear statistical signs of the economic recovery. The U.S. recovery since the lockdowns has been strong, boosted by fiscal stimulus (a significant contributor to 2Q20 GDP, contributing to a lesser extent in 3Q20) and outperformance in some sectors of the economy, such as online retail sales and home sales. The economic recovery, as depicted by growth in real GDP, has clearly been in a V- shaped pattern:



Source: Federal Reserve Economic Data (citing U.S. Bureau of Economic Analysis)
Note: Percent change from preceding period, seasonally adjusted

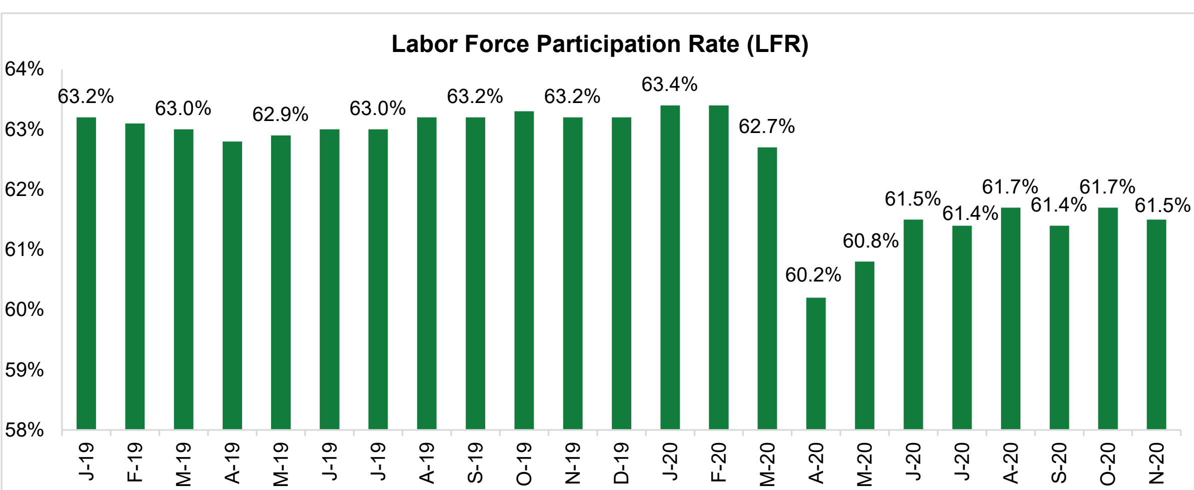
The U3 unemployment rate has come down substantially to 6.7% in November, -8.0 pps from the April peak of 14.7% but still 3.2 pps higher than February levels. There are now 10.7 million people unemployed, down from 23.1 million in April but 4.9 million higher than in February.

The spread between the U3 and U6 (a broader measure of underemployment) has closed as well. Typically, there is a 3-4 pps spread between U3 and U6 figures. In April, this gap reached 8.1 pps, a difference of 13 million jobs. By November, the spread decreased to 5.4 pps, as the employment picture had improved on both measures (albeit still around 2 pps points higher than the average in 2019).



Source: Federal Reserve Economic Data (citing U.S. Bureau of Labor Statistics)
Note: Seasonally adjusted; U6 = total unemployed + all persons marginally attached to the labor force + total employed part time for economic reasons

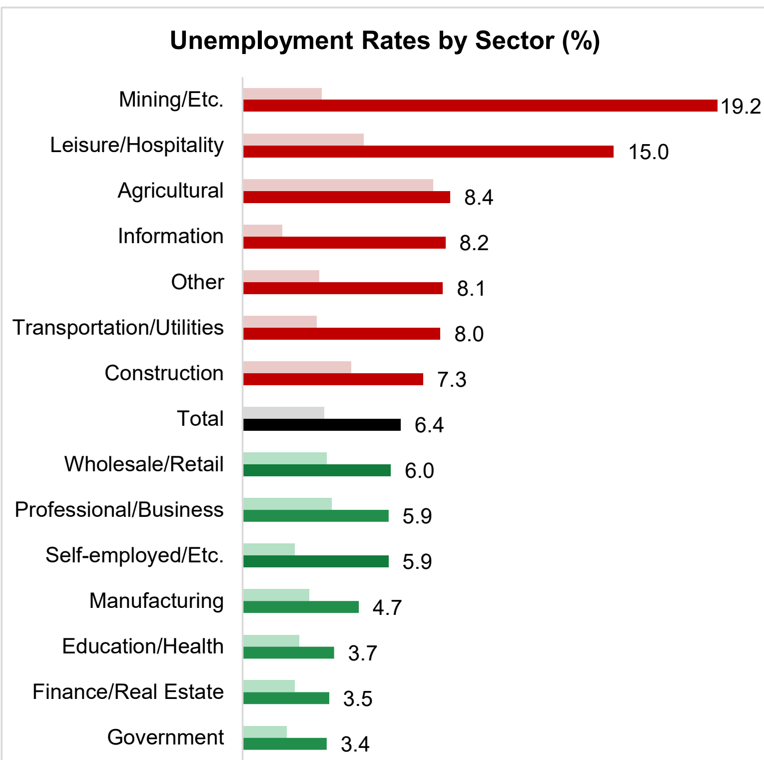
However, we are not out of the woods yet. While the unemployment rate has come down, the labor force participation rate (LFR) has also declined. The LFR was 61.5% in November, +1.3 pps from the April low but down 1.9 pps from February levels. Additionally, the November employment release may not truly represent the current employment environment, as the recent round of lockdowns only started at the later end of the month.



Source: Federal Reserve Economic Data (citing U.S. Bureau of Labor Statistics)
Note: Seasonally adjusted

Further, the recovery has not been equal across all segments of the economy. Service areas affected by social distancing, whether forced by lockdowns or driven by fear of the virus (travel, entertainment, hospitality, etc.), continue to struggle. Conversely, other areas have flourished, such as some technology companies, plays on the migration to the suburbs from urban centers and various physical, mostly delivered goods (online retail, grocery, used cars, home sales, etc.).

Putting this in perspective, we look at unemployment by sector. The worst sector is mining, quarrying and oil and gas extraction at a 19.2% unemployment rate (+16.0 pps Y/Y). This is followed by leisure and hospitality at a 15.0% unemployment rate (+10.1 pps Y/Y). Looking further at this number, we note: accommodation is at 21.5% unemployment; arts, entertainment and recreation 17.0%; and food services and drinking places 13.8%. On the other end of the spectrum, the government sector has an unemployment rate around half of the national total, at 3.4% (+1.6 pps Y/Y). Employees in the in-person or physical touch sectors are the true casualties of this war against the pandemic.



Source: U.S. Bureau of Labor Statistics

Note: As of Nov 2020. Dark bar = 2020, light = 2019. Household data, not seasonally adjusted. Mining = Mining, quarrying & oil & gas extraction; agriculture = Agricultural & related private wage & salary workers; self-employed = Self-employed workers, unincorporated & unpaid family workers; finance includes insurance; all = subcategories of nonagricultural private wage & salary workers except agriculture, government & self-employed

While the backward looking data paints a positive picture for the economic recovery, we are writing this as COIVD cases spike in the U.S. (around 14 million cases and 274 thousand deaths). This leads many to predict another wave of mass lockdowns is in our near future. Additionally, the GDP impact of the original fiscal stimulus has run out, and Congress has not yet passed another round. This could change the shape of the economic recovery from a V to a W.

Recapping Early COVID-19 Forecasts

Before digging into this year's survey results, we recap highlights from our June 2020 survey: https://www.sifma.org/wp-content/uploads/2020/06/SIFMA-US-Economic-Survey-1H20.pdf

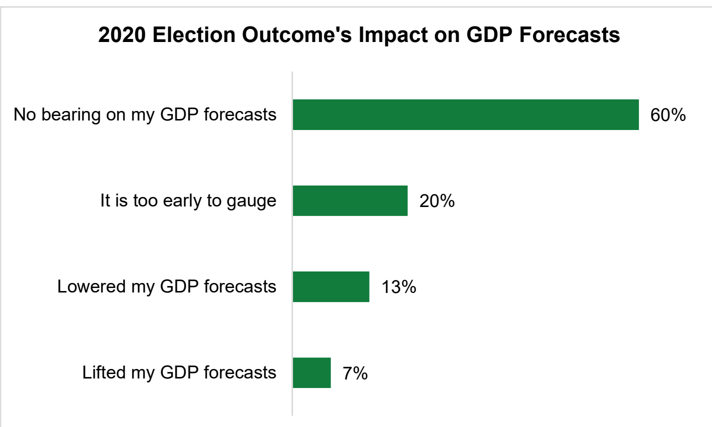
- GDP growth estimate for 2020 was -5.5% and +4.7% for 2021 (median forecast, 4Q/4Q)
- Top factors affecting economic growth: COVID-19 was on the top of the list, followed by business confidence and then private credit markets
- Top risk to economic forecasts: COVID-19 vaccine/2nd wave for both the up and downside
- 77% of economists expected a swoosh-shaped economic recovery, followed by 9% for both V-shaped and U-shaped
- 43% of respondents expected nominal GDP to return to its pre COVID-19 level (in relation to 4Q19) by the end of 2022
- 77% of economists expected the long-term potential GDP growth rate is between 1.5% and 2%, with 55% stating this has not changed from pre COVID-19 estimates
- Economists expected the elevated unemployment rate to end the year at 9.5% in 2020 and 7.2% in 2021 (4Q/4Q)
- 100% of respondents said the U.S. won't take its target rate into negative territory; if so, estimates were split 50%/50% as to timing, further out in 2020 or not until 2021
- 86% of economists thought rates would not begin to normalize until after 2021; top factors included labor impact of COVID-19, large scale return to work, and if there was a second wave of COVID-19
- Economists expected inflation (PCE deflator) to decrease to 0.3% in 2020 (core PCE deflator 0.9%); top factors in the core inflation outlook were COVID-19 recovery time and economic slack/unemployment
- 41% of respondents expected a 15% to 25% probability for deflation in the next two years; 45% of respondents expected a 0% to 15% probability for structurally higher inflation over the long run

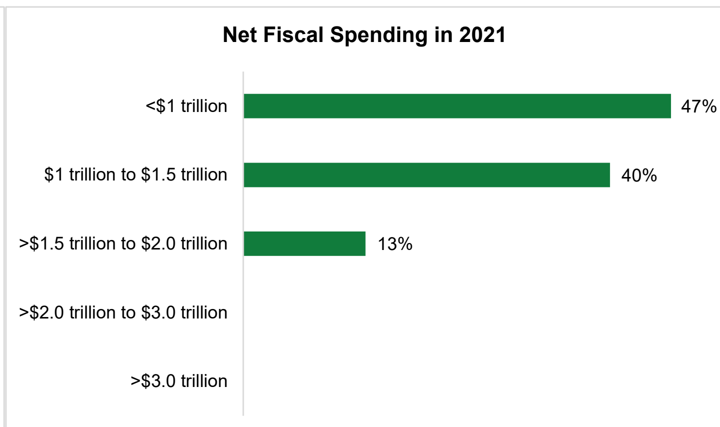
In summary, COVID, COVID, COVID. In our mid-2020 survey, the economic recovery was viewed as highly dependent upon the delivery of a viable vaccine on a widescale basis, which would enable consumers and businesses to return to some sort of pre-COVID normal behaviors.

Mindset as Populating the Survey

As we headed into this round of our semiannual economic outlook survey, economists had an important additional factor to consider. We sent this survey into the field a little over a week after the U.S. presidential election was called for President-elect Joe Biden. While few details were known of the President-elect's potential policy priorities or nominations for key offices (the exception being nominating former Federal Reserve Chair Janet Yellen for Treasury Secretary, which was well received by markets), we felt it was important to gauge the mindset of economists as they prepared forecasts for next year.

- When asked how the election outcome impacted the GDP forecast, 60% of economists indicated no impact while 20% said it is too early to gauge
- When asked about expectations for net fiscal spending in year 1 of the new Administration and Congress, 47% expect less than $1 trillion in net spending while 40% estimated between $1 trillion and $1.5 trillion





2H20 Survey Results Highlights

2020 marked the deepest recession on record in the U.S. While economic growth is expected to recover fully by the end of 2021 (estimated at 3.5% 4Q/4Q), forecasting during crisis times is difficult at best. There are too many unknowns, and what we think we know appears to change daily. The majority of states and local economies have opened to some degree, but what will the new normal be? Will customer preferences have permanently shifted? Will businesses need to make enduring adjustments? What portion of the jobs lost will become permanent? In addition to the demand side, fundamentals factors are shifting on the supply side as well.

Therefore, instead of comparing to past numbers, we asked our Roundtable of economists to provide their best assessment of a new normal and when we can get there. We highlight the following from the survey:
(Note: This survey was populated between November 18 and December 3)

- **Economic Forecasts**
  - 2020 GDP growth expected at -2.5% (median forecast, 4Q/4Q); 2021 expected at 3.5%
  - On a quarterly basis, 1Q21 GDP growth expected at 2.6% and 2Q21 at 4.2% (Q/Q, SAAR)
  - Unemployment rate forecasted to end 2020 at 6.8%, falling in 2021 to 5.4% (4Q average)

- **Economic Recovery**
  - When building their forecasts, 59% assumed a vaccine would begin to be disseminated to the broad population by 1Q21
  - In terms of the shape of GDP growth recovery, 53% of survey participants responded Swoosh-shaped recovery, followed by 20% W-shaped (a double-dip into recession); when looking at the business outlook this changes to 57% Swoosh-shaped and 29% K-shaped
  - Economists expect GDP to return to its pre-COVID-19 level (in relation to 4Q19) by 2H21
  - 81% of economists expect the long-term potential growth rate is between 1.5% and 2%, with 47% stating this is somewhat lower compared with pre COVID-19 estimates

- **Life after COVID**
  - 57% of respondents expect the labor force participation rate not to return to the ~63% pre-COVID average until beyond the end of 2022, followed by 29% expecting it in 2H22
  - Once a vaccine is distributed en masse, 38% of Roundtable economists expect consumers to approach high-density activities at increased but nowhere near pre-COVID-19 levels and another 38% expect it to return to pre-COVID-19 norms
  - 56% of respondents expect employees never to return to the office at pre-COVID levels, followed by split but equal responses for either in 2H21 or 2H22, 19% of respondents each answer

- **Fed Actions**
  - Respondents indicated that should the Fed need to provide more policy accommodation, the top tool will be asset purchases/balance sheet (75%)
  - Only one respondent replied the Fed would embark on Yield Curve Caps/Control (YCC) and they expect it in 1H21
  - 100% of Roundtable economists said the U.S. will not take its target rate into negative territory

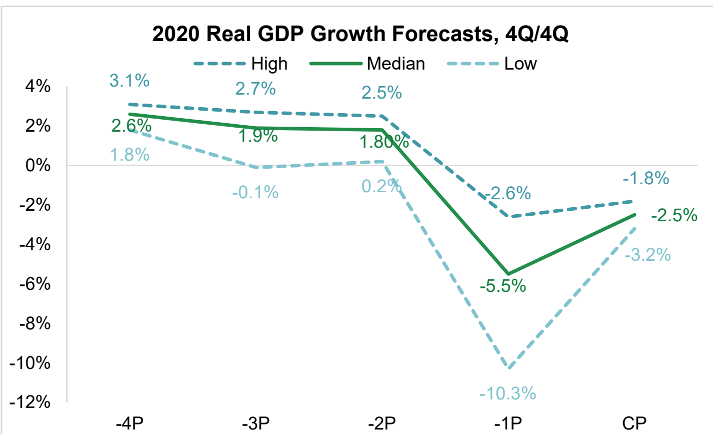
- **Trade Policy**
  - 53% said the focus will return to tariffs and trade negotiations by 2H21; 27% said beyond 2021
  - 57% of respondents expect a light trade deal (eliminating tariffs) between the U.S. and China, followed by 36% expecting no progress after Phase 1 and 7% expecting a full deal (IP protection)
  - Will negative sentiments around China's handling of COVID-19 impact future trade negotiations? 57% of economists responded somewhat, followed by 36% not at all. None believe that it ends all chances of negotiation

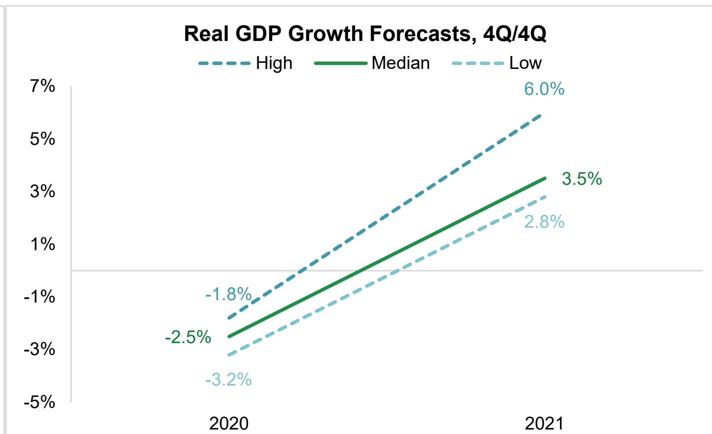
The Economy

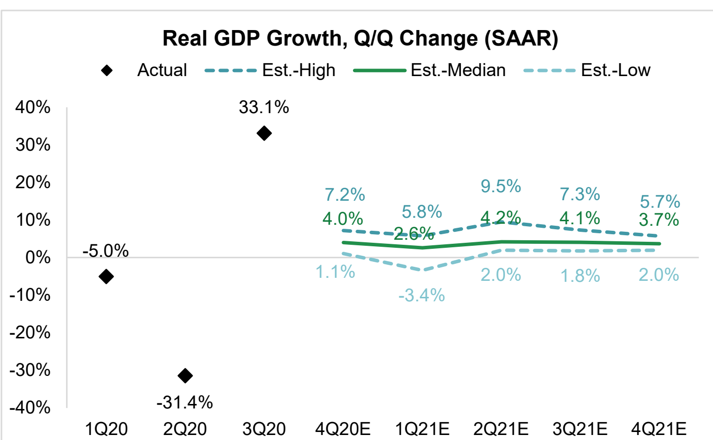
GDP Growth Expectations

Our Roundtable economists expect GDP growth to finish 2020 at -2.5% (median forecast, 4Q/4Q). For 2021, the median forecast sees GDP increasing by 3.5% (4Q/4Q). On a quarterly basis, respondents forecast 2.6% GDP growth in 1Q21, improving to 4.2% in 2Q21.

(Last survey: 2020 GDP growth -5.5%, +4.7% for 2021; median forecast, 4Q/4Q)





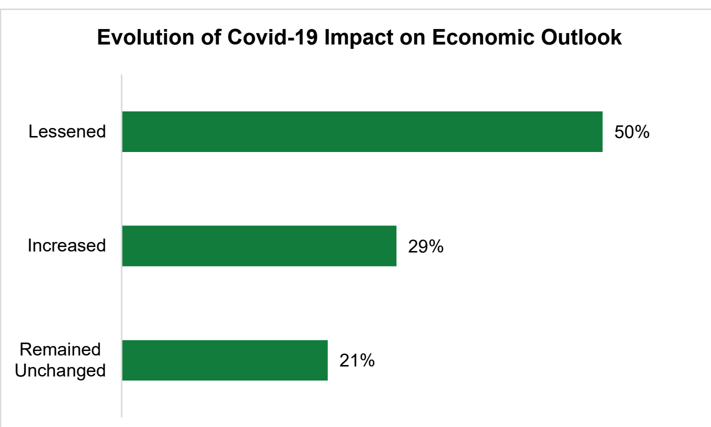


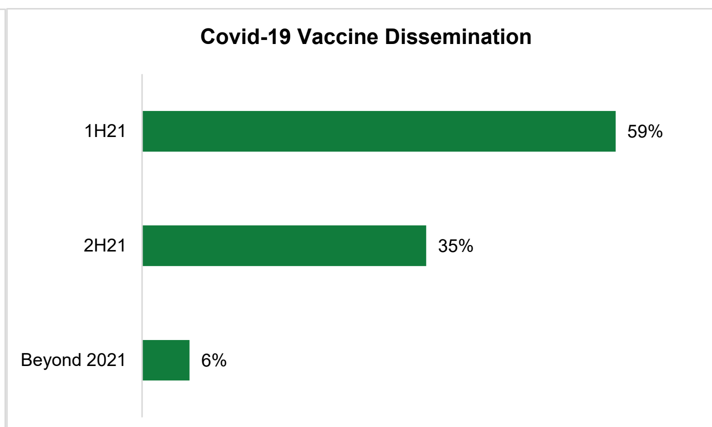
Source: Bureau of Economic Analysis, SIFMA Economic Advisory Roundtable
Note: SAAR = seasonally adjusted annual rate

COVID-19 Impact on the Economic Outlook

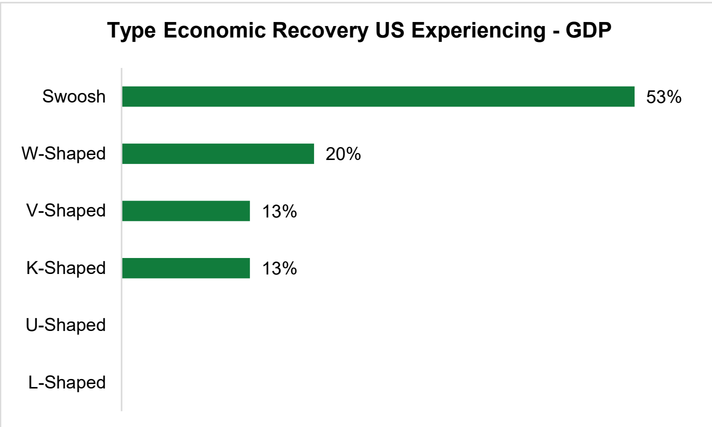
2020 was a difficult year for forecasting. Therefore, we polled our Roundtable economists for just how all-encompassing COVID-19 is for estimates, despite having so many unknown moving parts.

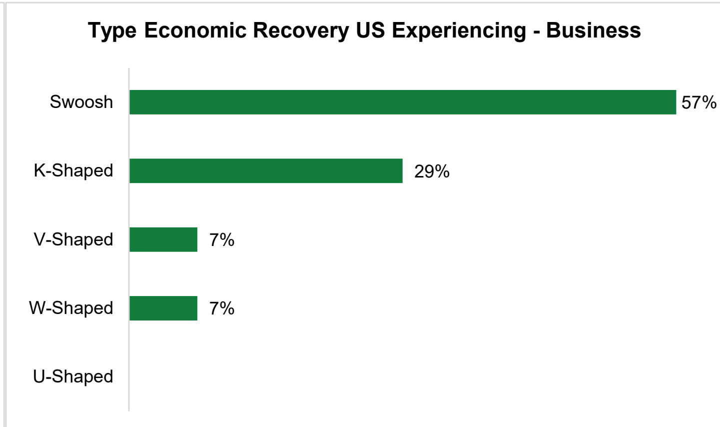
- When asked how has Covid-19's impact evolved in economic outlooks, 50% responded it has lessened, i.e. it is a near-term phenomenon not a structural shift
- When building their forecasts, 59% assumed a vaccine would be disseminated to the broad population by 1H21
- In terms of the shape of GDP growth recovery, 53% of responded Swoosh-shaped recovery, followed by 20% W-shaped; when looking at the business outlook, this changes to 57% Swoosh-shaped and 29% K-shaped
- 50% of Roundtable economists expect GDP to return to its pre-COVID-19 level (in relation to 4Q19) by 2H21, followed by 44% expecting it by 1H21
- 81% of Roundtable economists expect the long-term potential growth rate is between 1.5% and 2%, with 47% stating this is somewhat lower from pre-COVID-19 estimates

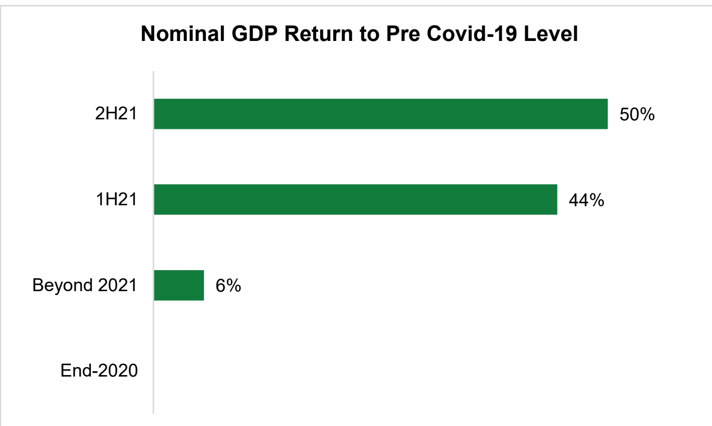


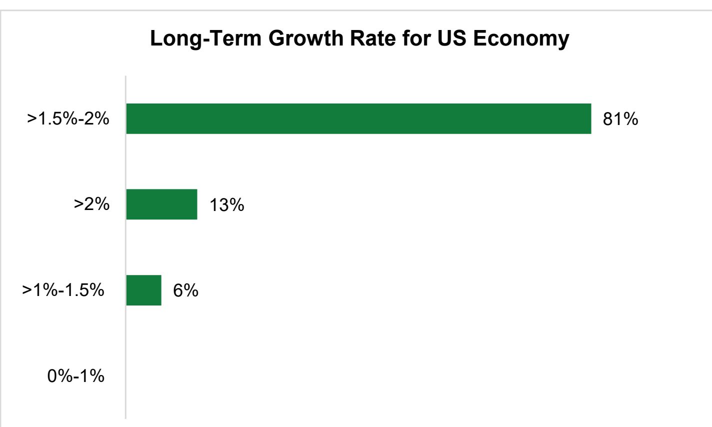


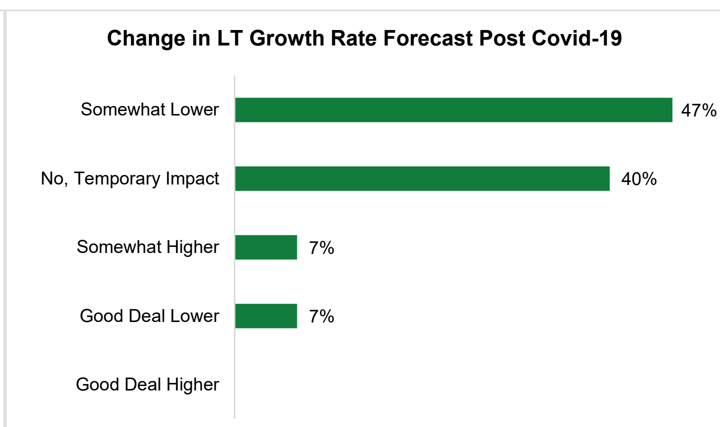
Source: SIFMA Economic Advisory Roundtable









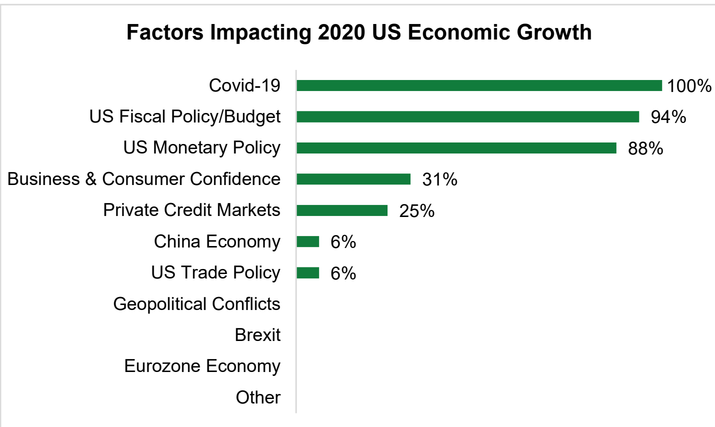


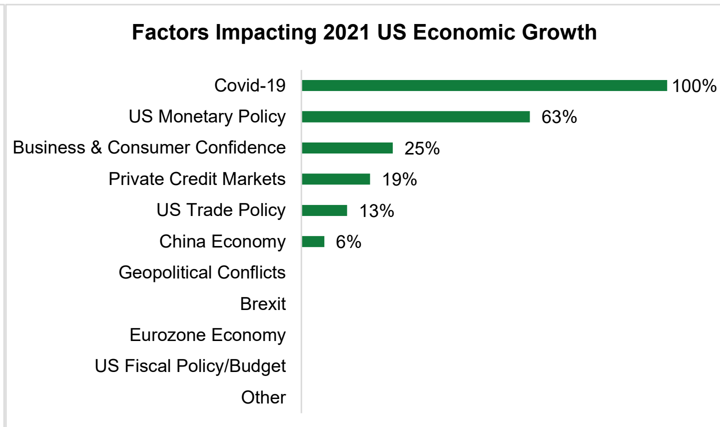
Source: SIFMA Economic Advisory Roundtable
Note: Figures may not add to 100% due to rounding

Risks to Economic Forecasts

When asked to rank the factors that had the greatest impact on U.S. economic growth in 2020, COVID-19 was on the top of the list, followed by US fiscal and monetary policy. Looking ahead to 2021, factors having the greatest impact on forecasts included COVID-19, US monetary policy and business and consumer confidence.

(Last survey: COVID-19 was on the top of the list, followed by business confidence and then private credit markets)

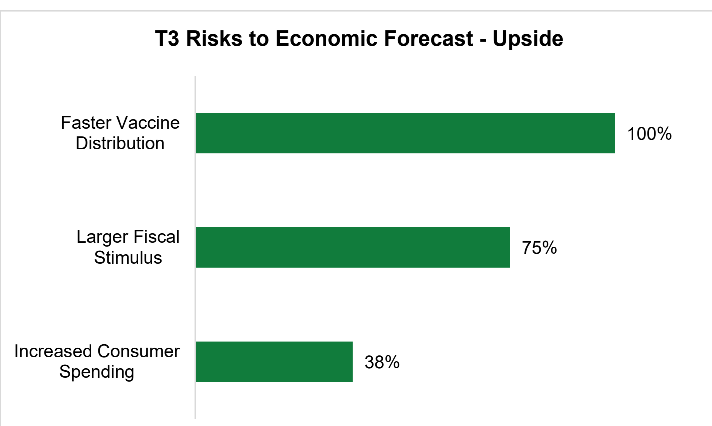


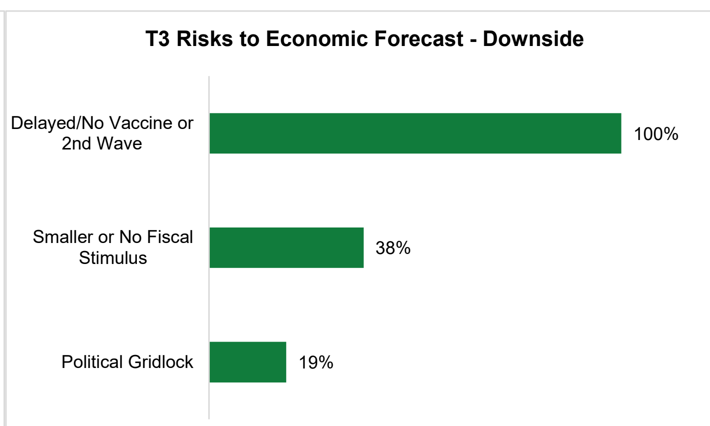


Source: SIFMA Economic Advisory Roundtable
Note: Ranked by percentage of economists that listed a factor

Therefore, our Roundtable economists list the following top risks to their economic forecasts:

- **Upside** – faster vaccine distribution, larger fiscal stimulus and increased consumer spending
- **Downside** – delayed/no vaccine or 2^{nd} wave of COVID-19, smaller or no fiscal stimulus and political gridlock



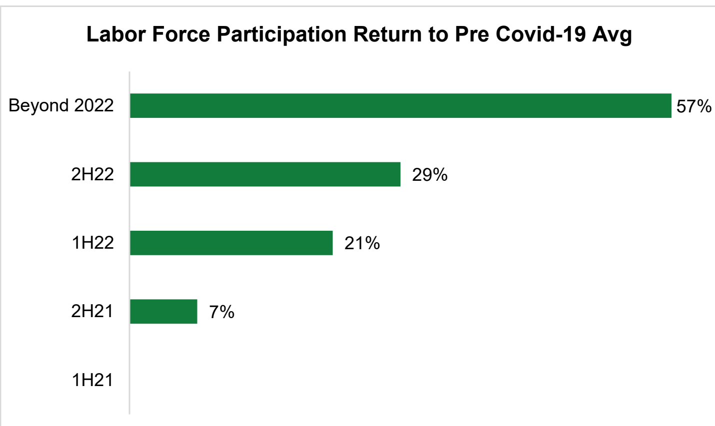


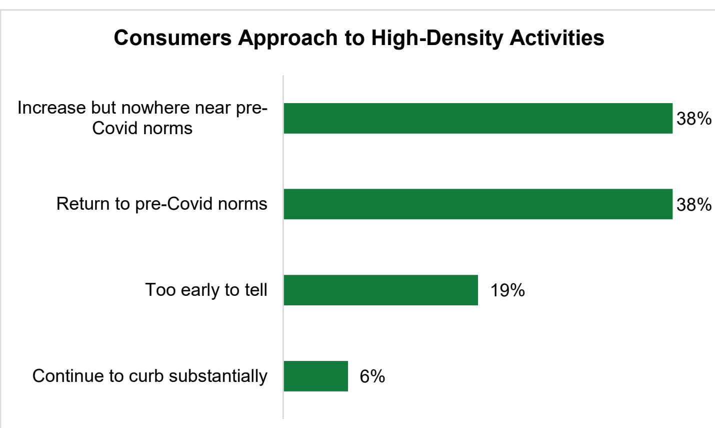
Source: SIFMA Economic Advisory Roundtable
Note: Ranked by percentage of economists that listed a factor

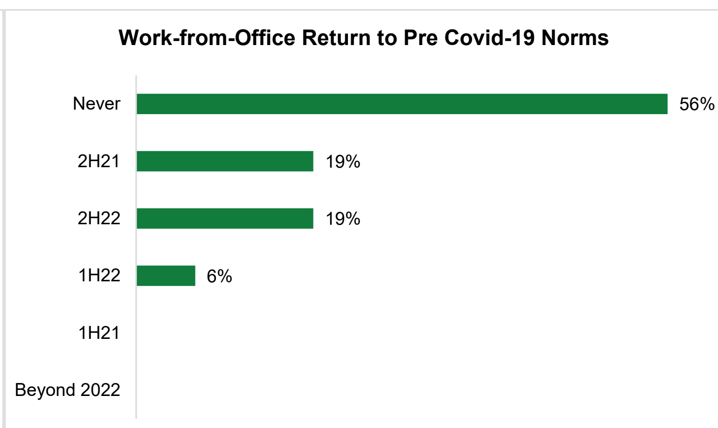
Life after COVID

Important factors in economic forecasts are when businesses and consumers can return to pre-COVID-19 normalcy and what the new normal might look like. As such, we polled Roundtable economists on a few areas in need of a normal life.

- 57% of respondents expect the labor force participation rate to return to the ~63% pre-COVID-19 average beyond 2022, followed by 29% expecting it in 2H22
- Once a vaccine is distributed en masse, 38% of Roundtable economists expect consumers to approach high-density activities at increased by nowhere near pre-COVID-19 levels while another 38% expect it to return to pre-COVID-19 norms
- 56% of respondents expect employees never to return to the office at pre-COVID-19 levels, followed by 19% each that expect it in 2H21 and 2H22





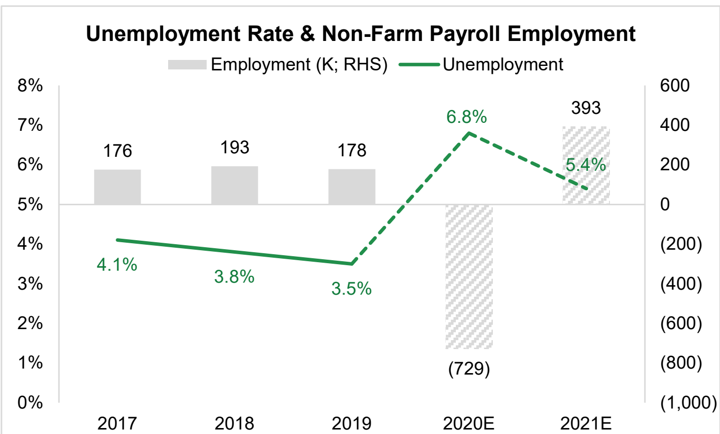


Source: SIFMA Economic Advisory Roundtable
Note: Figures may not add to 100% due to rounding

Employment and the Consumer

As of November 2020, the U.S. unemployment rate remained elevated at 6.7% (down from the April peak of 14.7% but versus 3.6% to start the year). Roundtable economists expect the unemployment rate to end 2020 at 6.8%, falling in 2021 to 5.4% (4Q average). Employment growth (average monthly change in non-farm payroll employment) is expected to end 2020 at -729,000 but rebound to +393,000 in 2021.

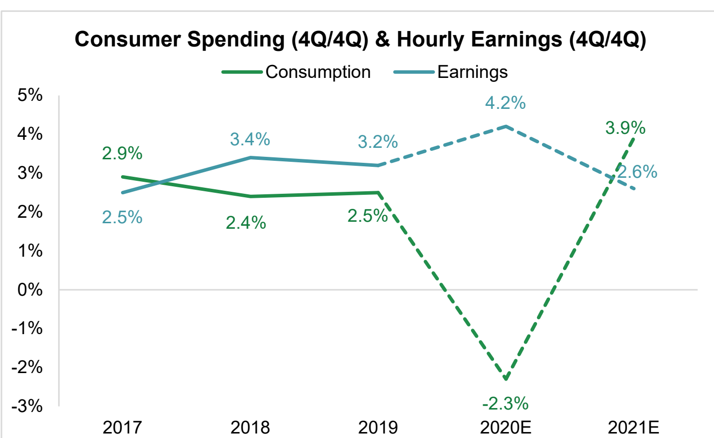
(Last survey: 2020 unemployment rate 9.5%, 2021 7.2%; -1,106 thousand for 2020)



Source: Bureau of Labor Statistics, SIFMA Economic Advisory Roundtable
Note: Average monthly change for non-farm payroll employment, 4Q average for unemployment rate

In light of these unemployment expectations, Roundtable economists expect real personal consumption growth to end 2020 at -2.3%, then rebound to 4.2% in 2021 (4Q/4Q). There is an expected increase in average hourly earnings by 4.2% in 2020 and 2.6% in 2021.

(Last survey: -6.3% real personal consumption growth; 2.7% average hourly earnings)



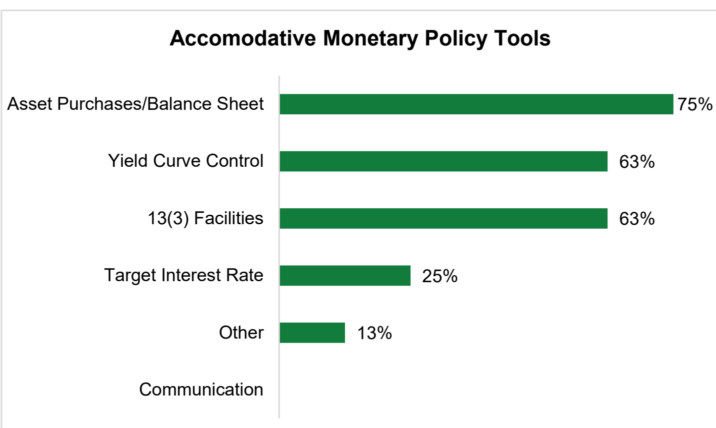
Source: Bureau of Economic Analysis, SIFMA Economic Advisory Roundtable

Monetary Policy

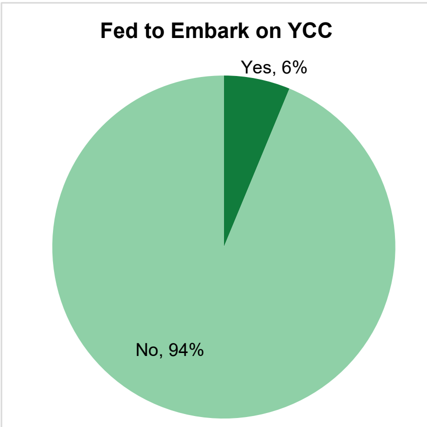
All Eyes Remain on the Fed

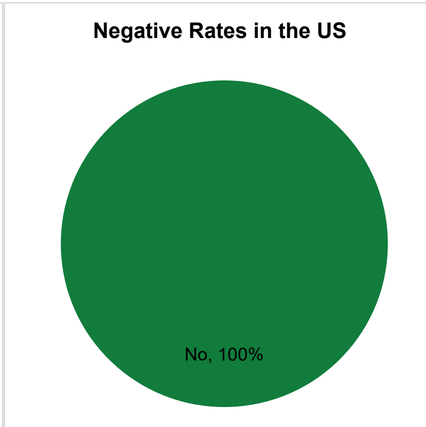
Normally, we would ask the Roundtable to share expectations of the Fed's next rate move at the upcoming FOMC meeting. (Last survey: 100% indicated no expectation the Fed moves into negative rate territory; if so, 50% estimated this to occur further out in 2020 and 50% said not until 2021.) With the Federal Funds rate target remaining in the range of 0.00%-0.25%, the focus shifts to what other actions the Fed could take to rebuild the economy.

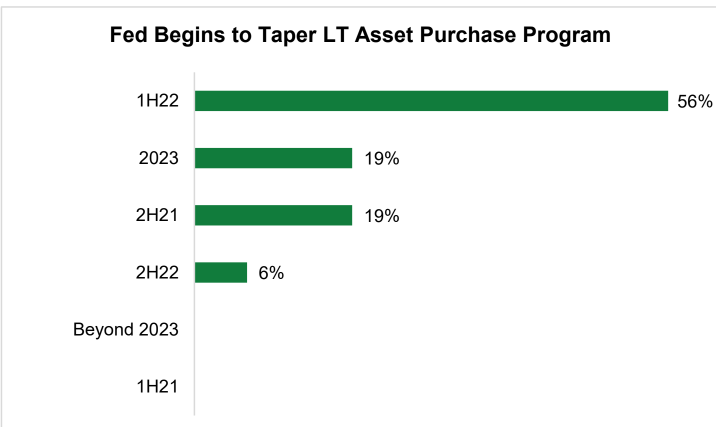
- Respondents indicated that should the Fed need to provide more policy accommodation, the top tool will be asset purchases/balance sheet (75%), followed by 63% responding yield curve control and also 63% selecting increased use of the emergency lending 13(3) facilities
- Only one respondent replied the Fed would embark on Yield Curve Caps/Control (YCC) and they expect to begin in 1H21
- 100% of Roundtable economists said the U.S. won't take its target rate into negative territory
- 56% of respondents believe the Fed will begin to taper its longer-term asset purchase program in 1H22, followed by 19% in 2H21 and another 19% in 2023
- 56% of Roundtable economists expect the Fed will begin to lift its target range for the federal funds rate beyond 2023, followed by 31% in 2023

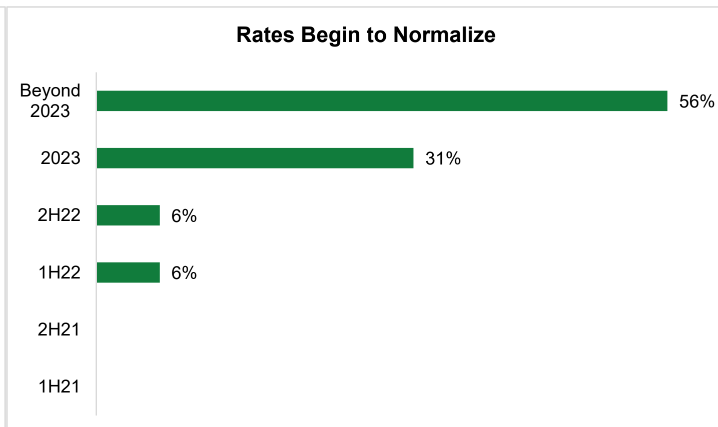


Source: SIFMA Economic Advisory Roundtable
Note: Ranked by percentage of economists that listed a factor



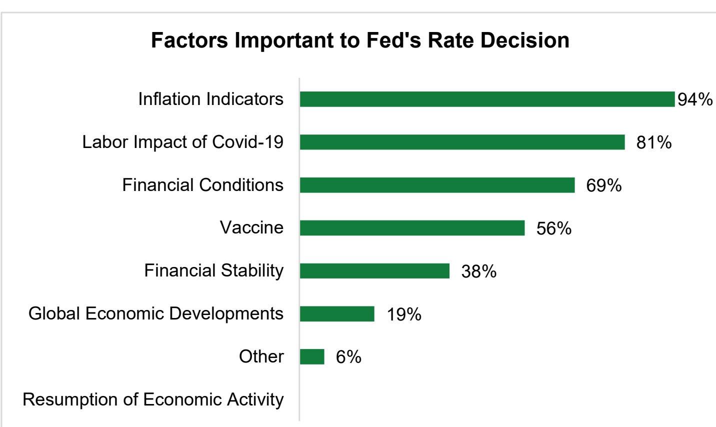


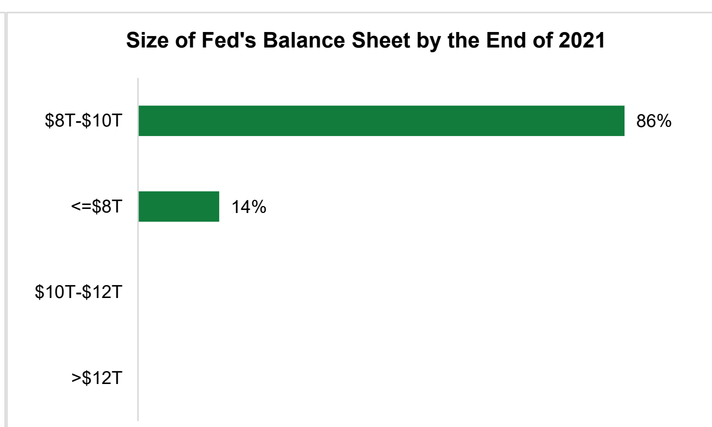




Source: SIFMA Economic Advisory Roundtable (figures may not add to 100% due to rounding)

The most important factors to the Fed's decision making were inflation indicators, labor impact of COVID-19 and financial conditions. In light of expected asset purchases, alongside the 13(3) facilities, 86% of respondents expect the size of total balance sheet to be between $8 trillion and $10 trillion by the end of 2021.



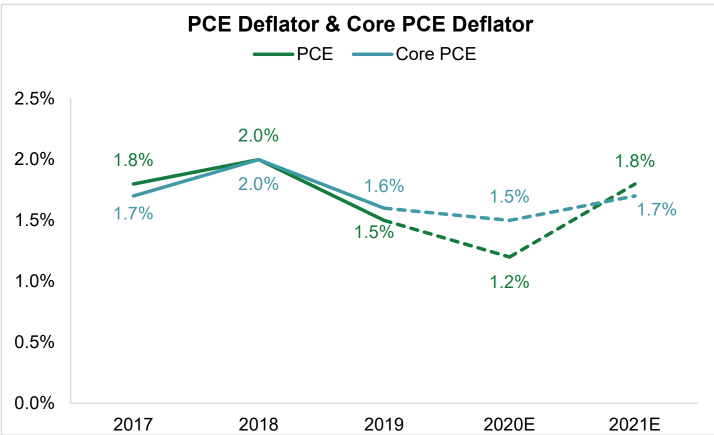


Source: SIFMA Economic Advisory Roundtable (ranked by percentage of economists that listed a factor)

Inflation Expectations

In terms of inflation, Roundtable economists expect it to end 2020 at 1.2% for the PCE deflator and 1.5% for the core PCE deflator (year-over-year). This compares to 1.5% and 1.6% in 2019, respectively.

(Last survey: 0.3% and 0.9% respectively for 2020)

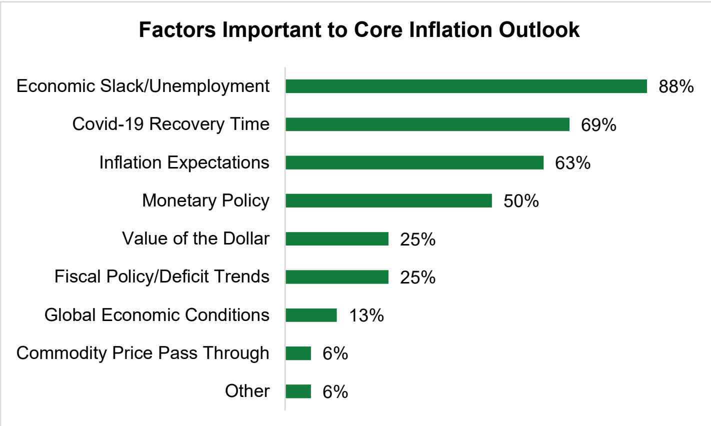


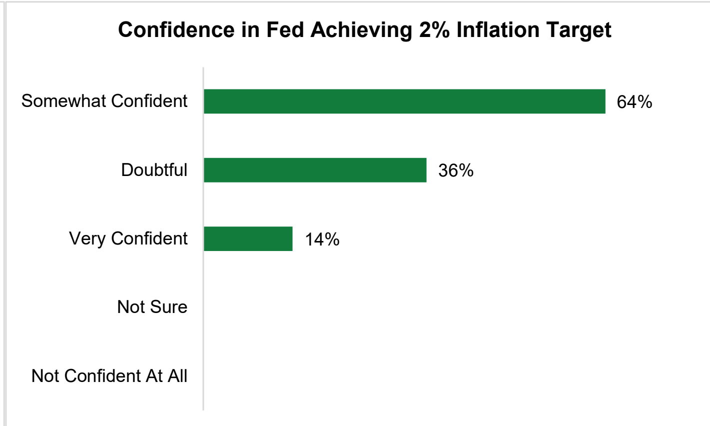
Source: Bureau of Economic Analysis, SIFMA Economic Advisory Roundtable

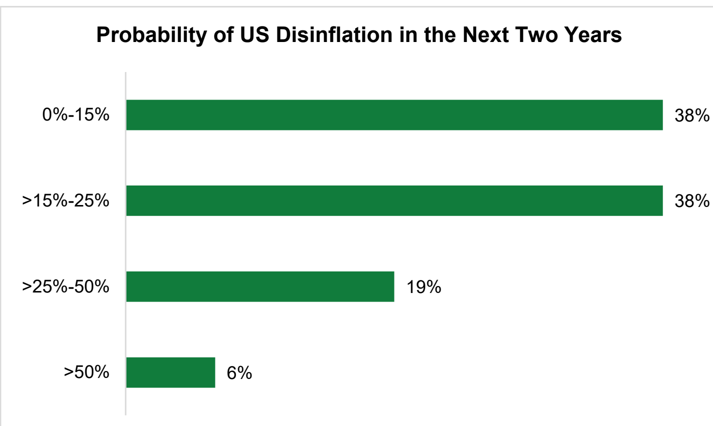
Digging further into inflation, and the potential for disinflation, respondents indicated:

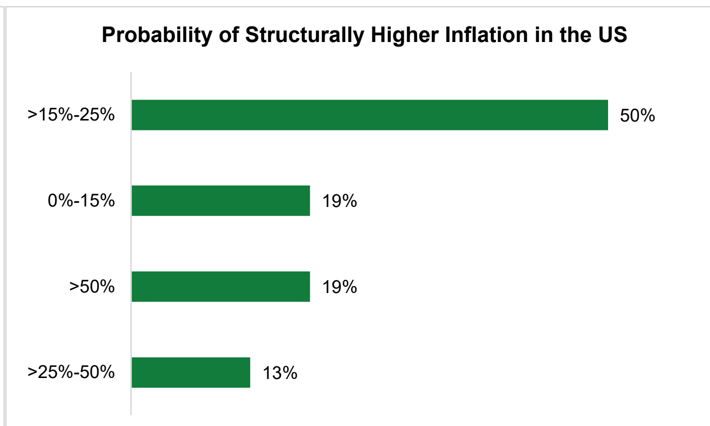
- Top factors in the outlook for core inflation: economic slack/unemployment and COVID-19 recovery time
- 64% of Roundtable economists are somewhat confident the Fed can achieve its 2% inflation target in a sustainable way while 36% are doubtful
- 38% of respondents expect a 0% to 15% probability the U.S. will experience a period of disinflation in core measures over the next two years with another 38% responding 15% to 25% probability
- 50% of respondents expect a 15% to 25% probability the U.S. will experience structurally higher inflation over the long run, followed by 19% responding 0% to 15% and another 19% responding >50%
- Top factors to push inflation higher: sustained breakdown of supply chains, return of consumer purchasing power, costs increase, reversal of globalization and sustained higher deficit

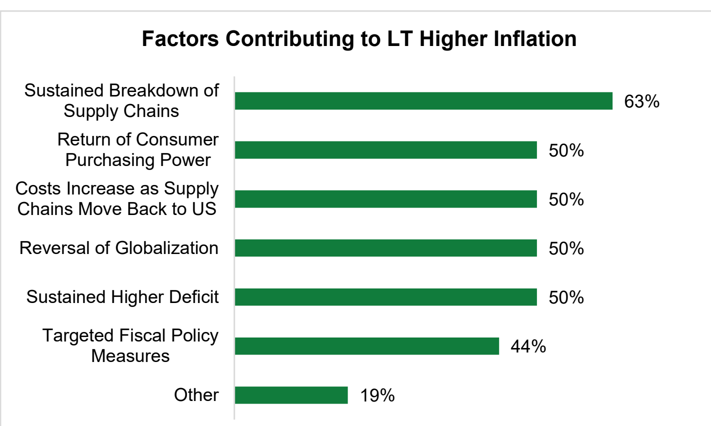
(Last survey: top factors = reversal of globalization and sustained breakdown of supply chains; 48% very confident but 39% not confident at all and 13% doubtful the Fed can achieve its 2% goal)









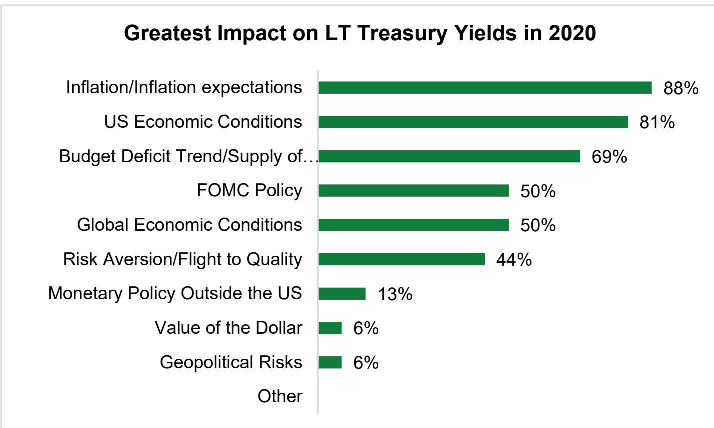


Source: SIFMA Economic Advisory Roundtable
Note: Factors ranked by percentage of economists that listed them; figures may not add to 100% due to rounding

Interest Rates and Credit Markets

Below we rank respondents' factors that have the greatest impact on expectations for long-term Treasury yields in 2020: inflation/inflation expectations and U.S. economic conditions were the top factors.

(Last survey: risk aversion/flight to quality and U.S. economic conditions were the top factors)



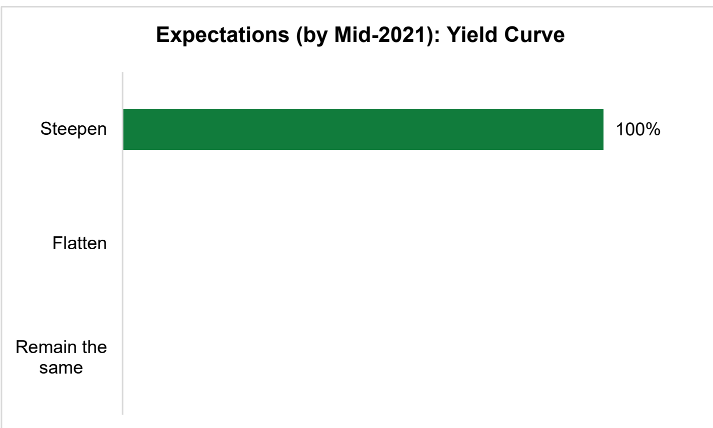
Source: SIFMA Economic Advisory Roundtable

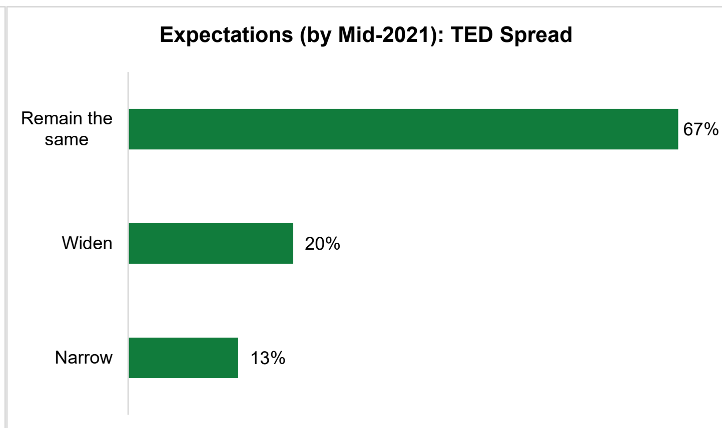
Note: Ranked by percentage of economists that listed a factor

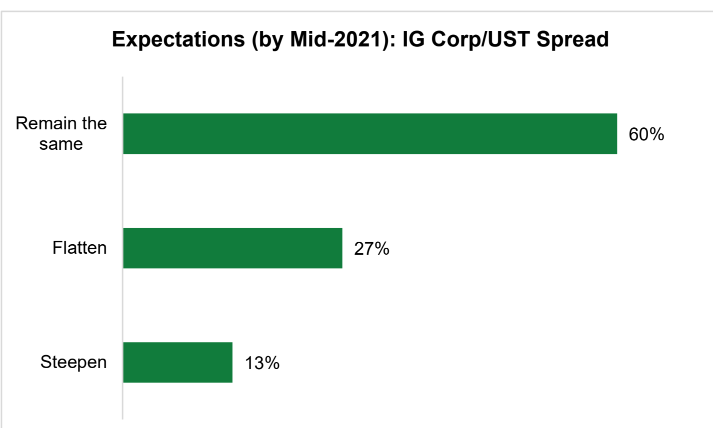
Respondents expect the following movements in key rates:

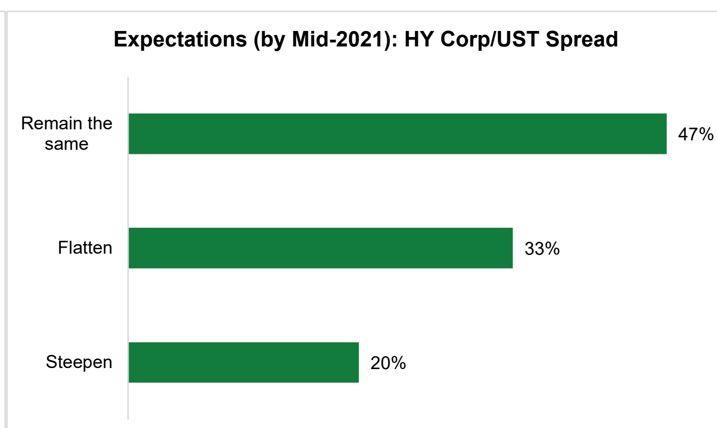
- Yield curve (Fed funds-to-10-year Treasury yield) = 100% steepen
- TED (Treasury-to-Eurodollar, now LIBOR) = 67% remain the same
- Investment-grade corporate-to-Treasury spreads = 60% remain the same
- High-yield corporate-to-Treasury spreads = 47% remain the same

(Last survey: YC 63% steepen; TED 59% remain the same; IG/UST and HY/UST 61% narrow)







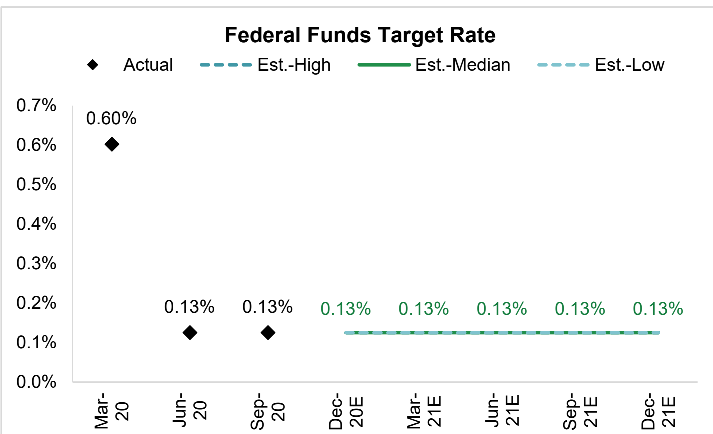


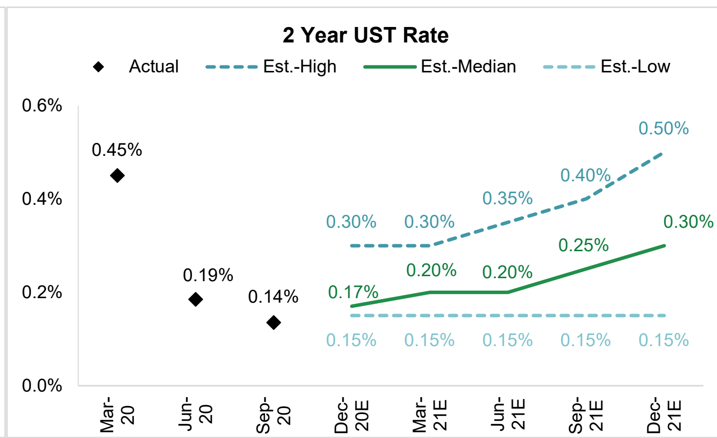
Source: Federal Reserve, Bloomberg, SIFMA Economic Advisory Roundtable
Note: Monthly averages. Fed funds = midpoint of target rate range

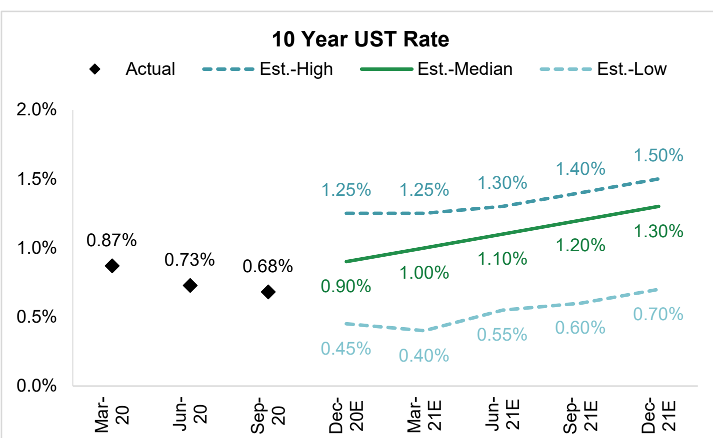
Surveyed Roundtable economists expect the following rates and therefore yield curve:

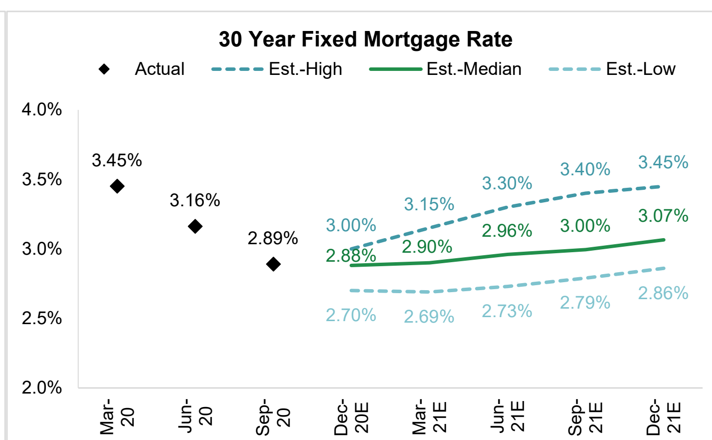
- Fed Funds = 4Q20 0.13%, 4Q21 0.13%
- 2-Year UST = 4Q20 0.17%, 4Q21 0.30%
- 10-Year UST = 4Q20 0.90%, 4Q21 1.30%
- 30-Year Mortgage = 4Q20 2.88%, 4Q21 3.07%

(Last survey: FF 0.13%, 0.13%; 2Y UST 0.20%, 0.35%; 10Y UST 0.68%, 0.80%; 30Y mortgage 3.26%, 3.03%)

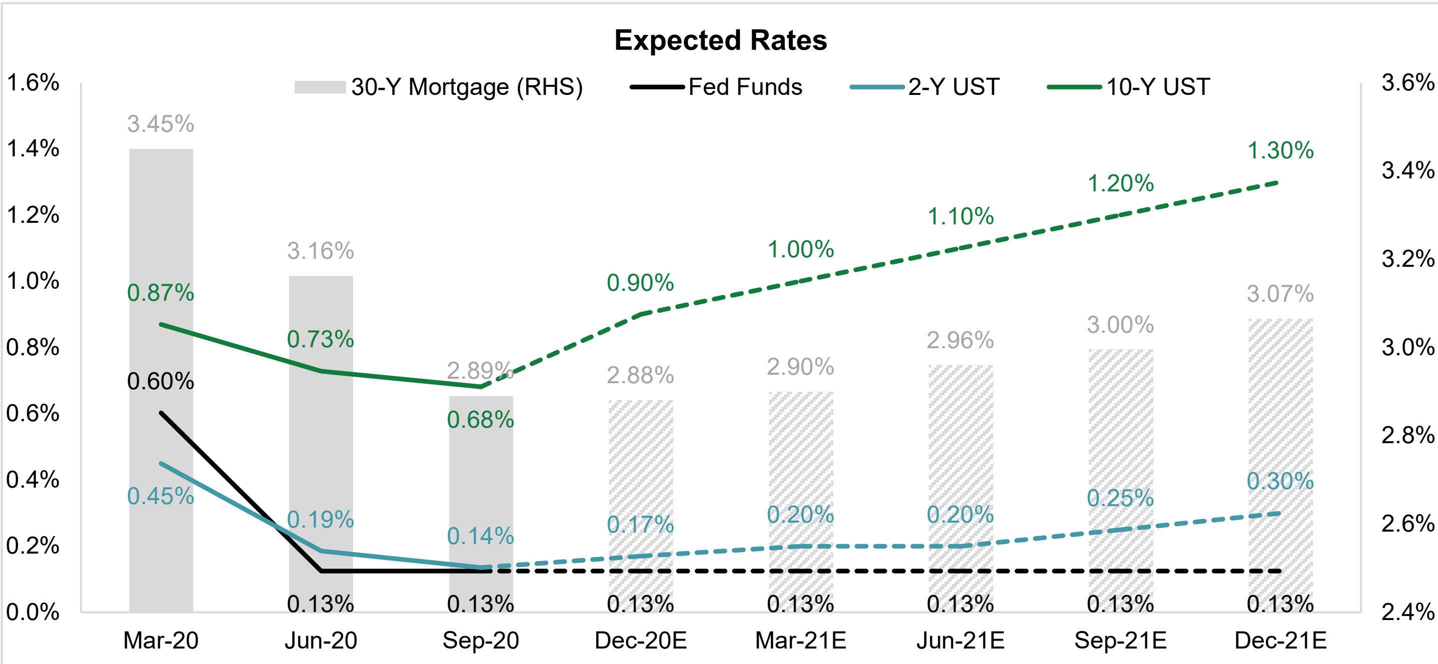








Source: Federal Reserve, Bloomberg, SIFMA Economic Advisory Roundtable



Source: Federal Reserve, Bloomberg, SIFMA Economic Advisory Roundtable

Macro Policy

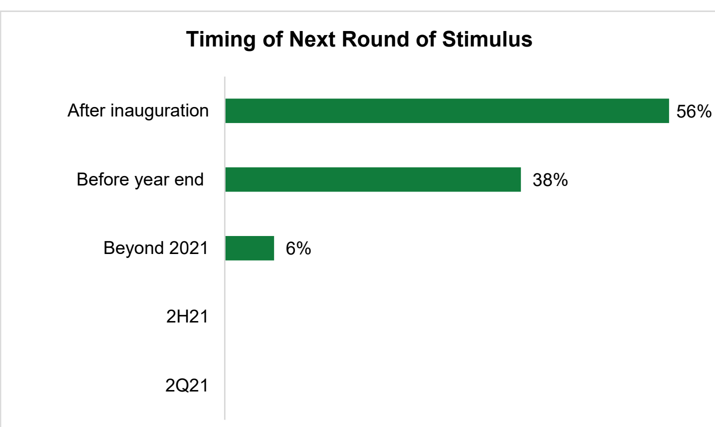
Fiscal Stimulus

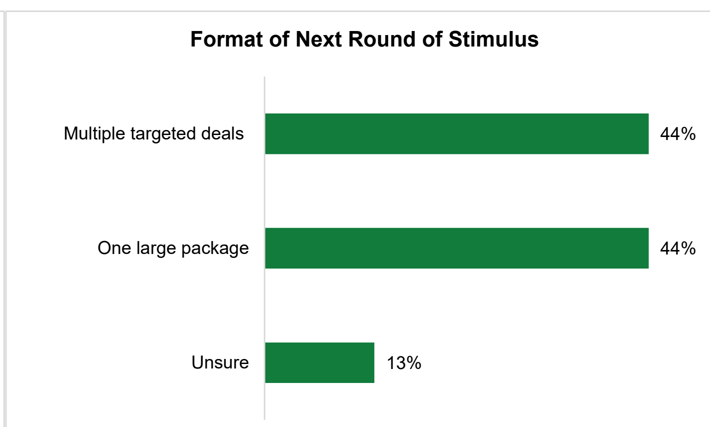
The Fed has stated (multiple times) that it will remain committed to using all the tools in its arsenal to help rebuild the economy and support financial markets. Yet, there are some issues the Fed cannot tackle. As shown earlier in the shape of the recovery charts, we are seeing a split between the data and what we see on the ground. The pure economic data, i.e. GDP growth rates, shows a clear recovery, whether you view this as a V- or swoosh-shaped recovery pattern.

However, there are economic disparities between different business sectors. There are the COVID-19 affected sectors, related to service areas affected by social distancing (whether forced by lockdowns or driven by fear of the virus): travel, entertainment, hospitality, etc. These areas continue to struggle. Then there are the other goods and service sectors, these are the physical, mostly delivered goods areas, as well as the migration form urban areas plays: online retail, grocery, used car sales, home sales, etc.

The uneven business recovery and historically high unemployment situation are areas in need of fiscal stimulus. Therefore, we polled our Roundtable economists on their thoughts on timing of fiscal stimulus and when it can be expected.

- 56% of respondents expect the next round of fiscal stimulus to occur after inauguration, followed by 38% by end of this year
- Roundtable economists are split when it comes to the format the stimulus will come in: 44% expect it to come in multiple targeted deals and 44% expect one large package

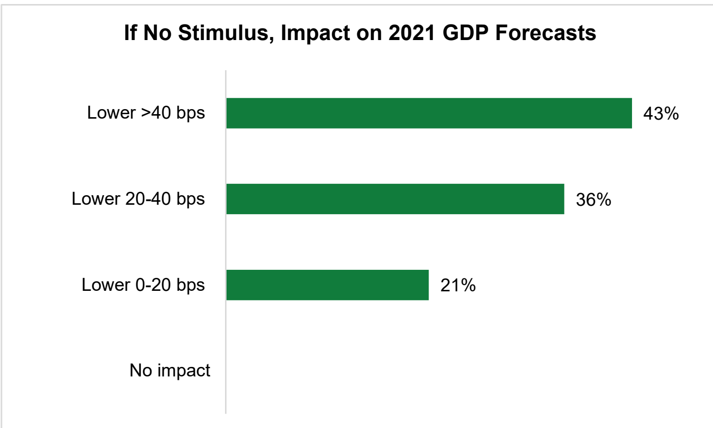


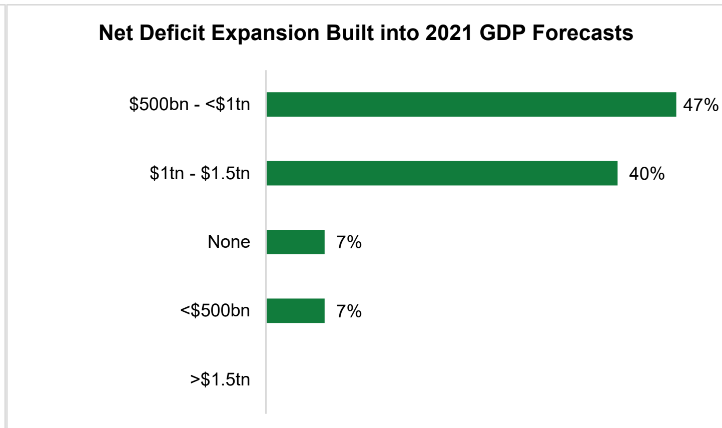


Source: SIFMA Economic Advisory Roundtable

Note: Figures may not add to 100% due to rounding

- If more stimulus does not occur, 43% of respondents indicate this could lower 2021 GDP forecasts by over 40 bps, followed by 36% by 20-40 bps
- 47% of respondents have built $500 billion to $1 trillion deficit expansion into 2021 GDP estimates, followed by 40% at over $1 trillion





Source: SIFMA Economic Advisory Roundtable

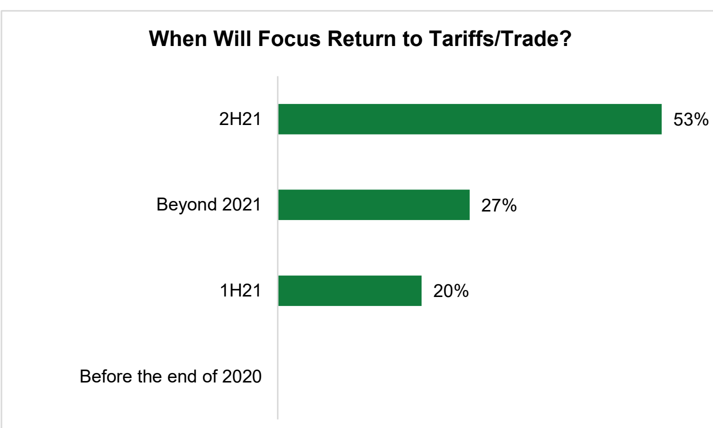
Note: Figures may not add to 100% due to rounding

Trade Policy

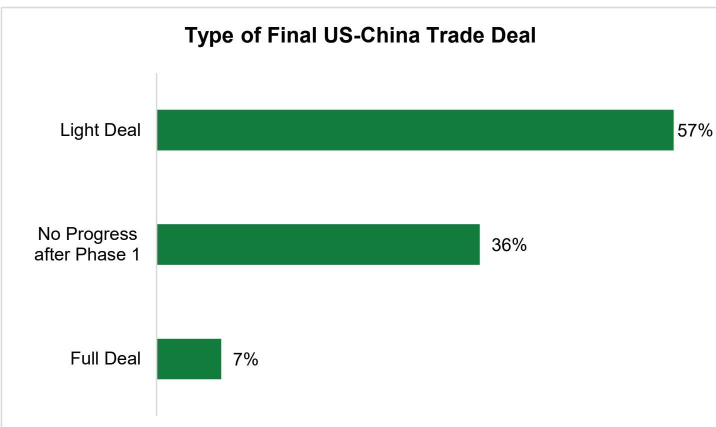
In the trade policy section of the survey (focused on tariffs on China and the EU), we analyzed the shift in sentiment prior to COVID-19 versus currently.

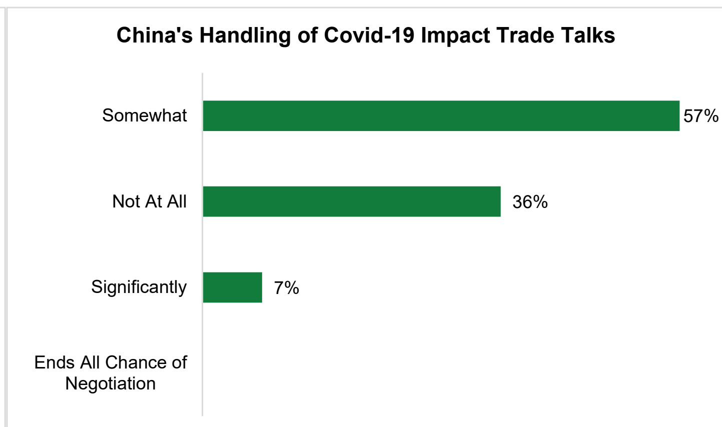
Note: The survey was populated before President-elect Biden indicated the tariffs imposed on China under the phase one trade deal will remain in place at the start of the new administration.

- 53% of Roundtable economists expect the focus to return to tariffs and trade negotiations by 2H21, with 27% believing this will happen beyond 2021
- U.S. to proceed with trade negotiations with China with: 67% responded start up where they left off, 33% relax trade pressures
- U.S. to proceed with trade negotiations with Europe with: 87% responding relaxed trade pressures, followed by 13% expecting to start up where they left off
- 57% of respondents expect the U.S. and China to eventually agree on light trade deal (around only eliminating tariffs, reducing the U.S. trade deficit with China), followed by 36% no progress after Phase 1 and 7% still holding out hope for a full deal (includes IP protection)
- When asked if the current negative sentiments around China's handling of COVID-19 will impact future trade negotiations, 57% of Roundtable economists responded somewhat, followed by 36% not at all but none expect it to end all chances of negotiation



Source: SIFMA Economic Advisory Roundtable



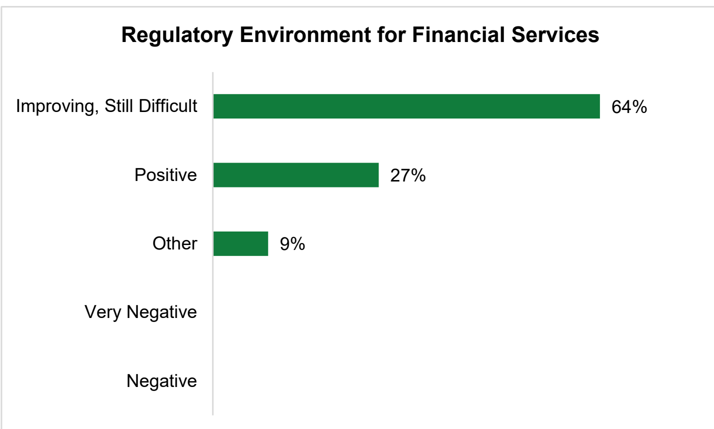


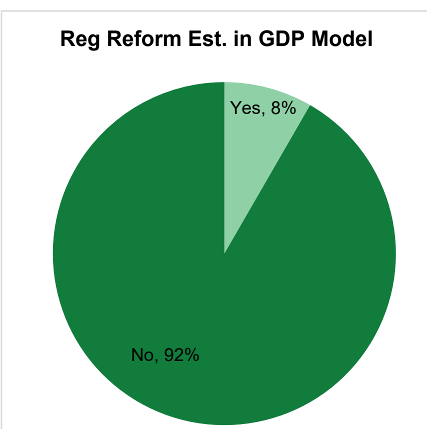
Source: SIFMA Economic Advisory Roundtable

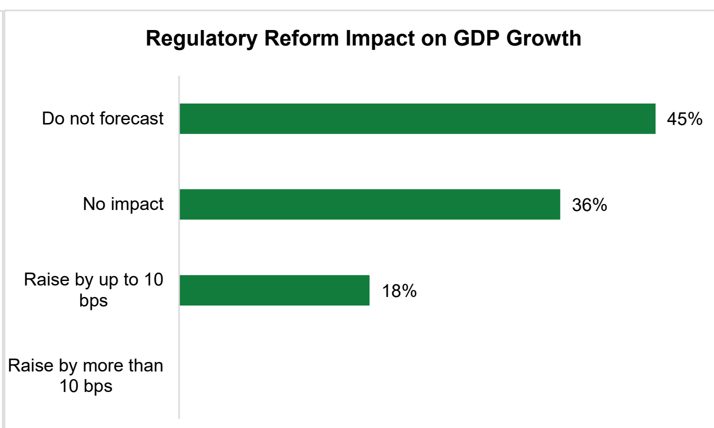
Regulatory Policy

64% of respondents believe the regulatory environment for financial services is improving but still difficult. 92% of Roundtable economists do not build estimates for the impact of regulatory reform into their GDP forecast model, and 36% indicate significant reform would have no impact on their GDP growth forecasts.

(Last survey: 67% improving but still difficult; 89% do not build reg reform into forecasts; 53% say reg reform has no impact on GDP growth estimates)







Source: SIFMA Economic Advisory Roundtable
Note: Reg = regulatory; est = estimates. Figures may not add to 100% due to rounding

SIFMA Economic Advisory Roundtable Forecasts

Economic Indicators – Annual

(%, unless indicated)	2017	2018	2019	2020E	2021E
Real GDP (4Q/4Q)	2.7	2.5	2.3	-2.5	3.5
Real Personal Consumption (4Q/4Q)	2.9	2.4	2.5	-2.3	3.9
Nonresidential Fixed Investment (4Q/4Q)	4.8	6.5	1.4	-3.6	4.1
Residential Fixed Investment (4Q/4Q)	4.7	-3.9	1.6	9.2	5.2
Real Federal Government Spending (4Q/4Q)	1.2	3.0	4.8	2.8	2.0
Real State and Local Government Spending (4Q/4Q)	1.1	0.6	1.9	-2.5	0.5
Non-Farm Payroll Employment (K; avg. monthly change)	175.8	192.8	177.8	-728.6	392.9
Unemployment Rate (4Q average)	4.1	3.8	3.5	6.8	5.4
Labor Force Participation Rate (4Q average)	62.7	62.9	63.2	61.7	62.5
Average Hourly earnings (4Q/4Q)	2.5	3.4	3.2	4.2	2.6
Real Disposable Income (4Q/4Q)	3.4	3.7	1.6	4.9	1.9
Personal Savings Rate (annual average)	7.2	7.9	7.6	16.1	9.8
CPI (4Q/4Q)	2.1	2.2	2.0	1.2	1.9
Core CPI (4Q/4Q)	1.8	2.2	2.3	1.6	1.8
PCE deflator (4Q/4Q)	1.8	2.0	1.5	1.2	1.8
Core PCE deflator (4Q/4Q)	1.7	2.0	1.6	1.5	1.7
Industrial Production Index (annual % change)	2.3	3.9	0.9	-7.3	4.6
Housing Starts (K, annual average)	1,207	1,248	1,295	1,362	1,440
S&P Corelogic Case-Shiller Home Prices (Y/Y)	5.8	5.8	3.5	5.0	4.1
New Home Sales (K, annual average)	616	614	685	831.5	901.5
Motor Vehicle Sales (M, annual average)	17.2	17.2	16.9	14.5	16.0
Federal Budget ($B, FY)	-665	-779	-984	-3,131	-2,236
Current Account Deficit ($B)	365.3	449.7	480.2	664.8	763.9

Economic Indicators – Quarterly

(%)	1Q20	2Q20	3Q20	4Q20E	1Q21E	2Q21E	3Q21E	4Q21E
Real GDP (Q/Q, annualized)	-5.0	-31.4	33.1	4.0	2.6	4.2	4.1	3.7
Real Personal Consumption (Q/Q, annualized)	-6.9	-33.2	40.7	3.9	2.2	5.0	4.9	3.7
Nonresidential Fixed Investment (Q/Q, annualized)	-6.7	-27.2	20.3	5.3	3.7	4.3	4.0	4.2
Residential Fixed Investment (Q/Q, annualized)	19.0	-35.6	59.3	17.0	5.1	4.5	4.0	4.0
Unemployment Rate	3.8	13.0	8.8	6.8	6.5	6.1	5.7	5.4
CPI (Y/Y)	2.1	0.4	1.3	1.2	1.3	2.7	1.9	1.9
Core CPI (Y/Y)	2.2	1.3	1.7	1.6	1.6	2.4	1.9	1.8
PCE Deflator (Y/Y)	1.7	0.6	1.2	1.3	1.4	2.2	1.8	1.8
Core PCE Deflator (Y/Y)	1.8	1.0	1.4	1.5	1.5	2.1	1.7	1.7

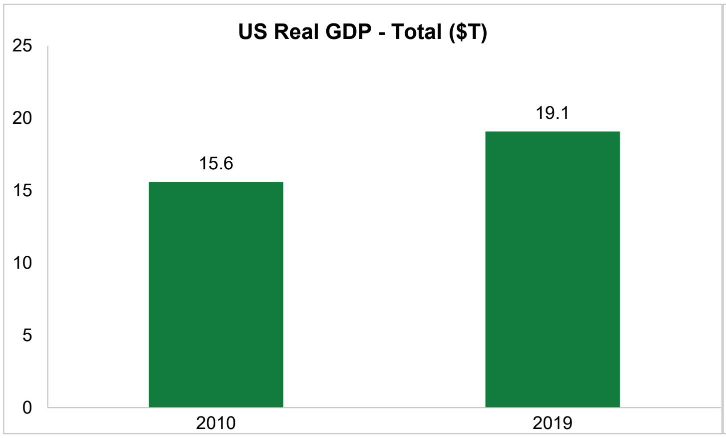
Interest Rates (Monthly Average)

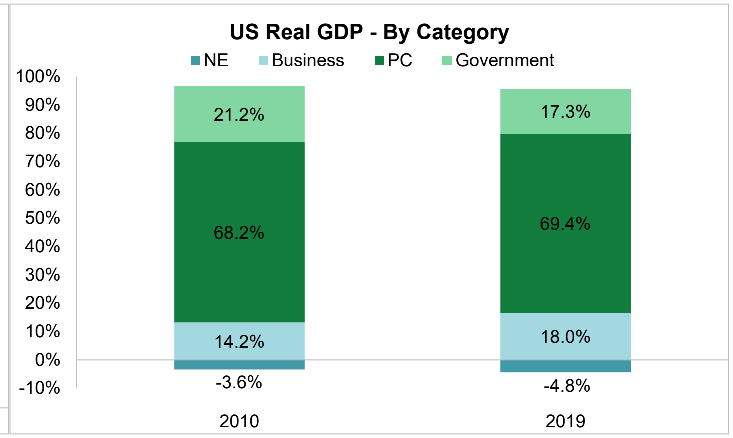
(%)	Mar'20	Jun'20	Sep'20	Dec'20E	Mar'21E	Jun'21E	Sep'21E	Dec'21E
Federal Funds Target Rate (midpoint)	0.602	0.125	0.125	0.125	0.125	0.125	0.125	0.125
2-Year UST Yield	0.45	0.19	0.14	0.17	0.20	0.20	0.25	0.30
10-Year UST Yield	0.87	0.73	0.68	0.90	1.00	1.10	1.20	1.30
30-Year Fixed Mortgage Rate	3.45	3.16	2.89	2.88	2.90	2.96	3.00	3.07

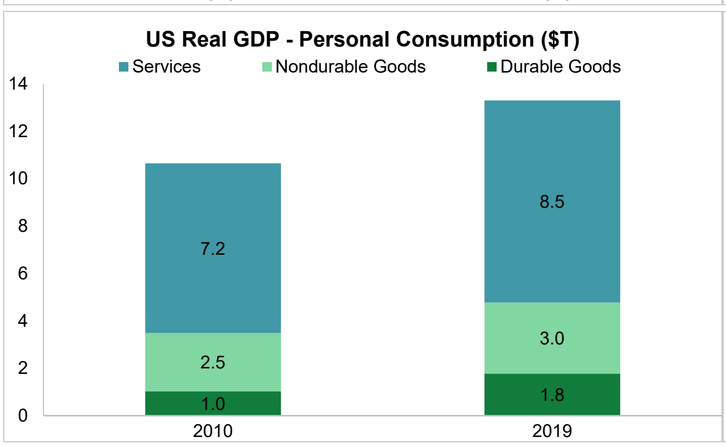
Source: Bureau of Economic Analysis, Bureau of Labor Statistics, Federal Reserve, Bloomberg, SIFMA Economic Advisory Roundtable

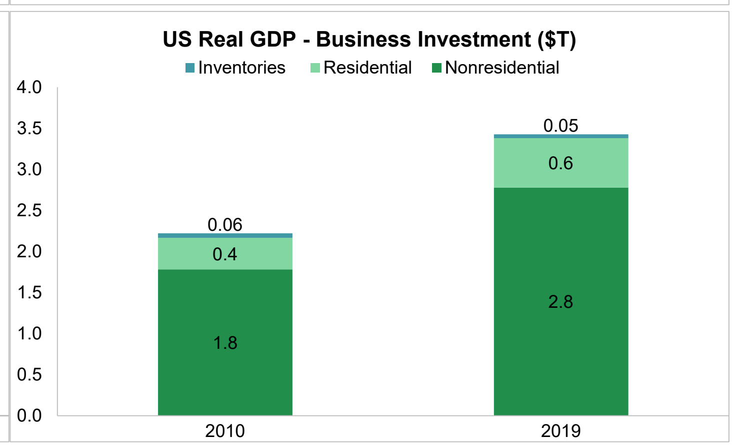
Reference Guide: Economic Landscape

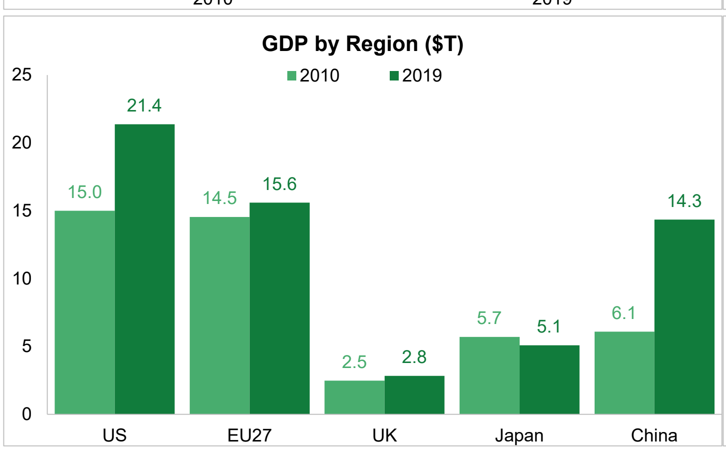
US GDP Growth and Comparison Across Regions

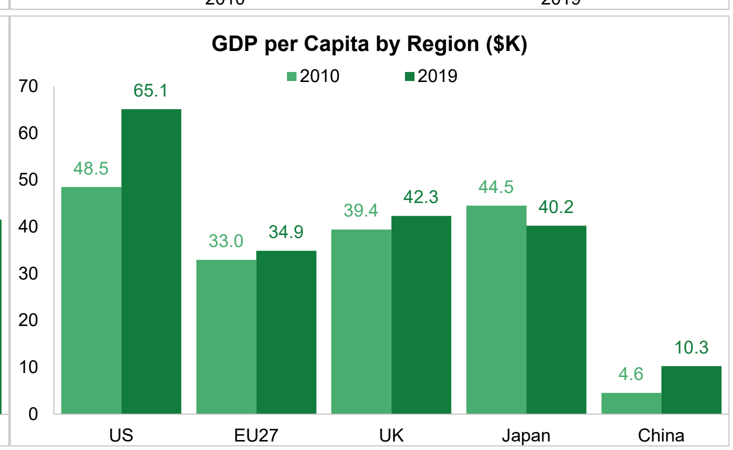








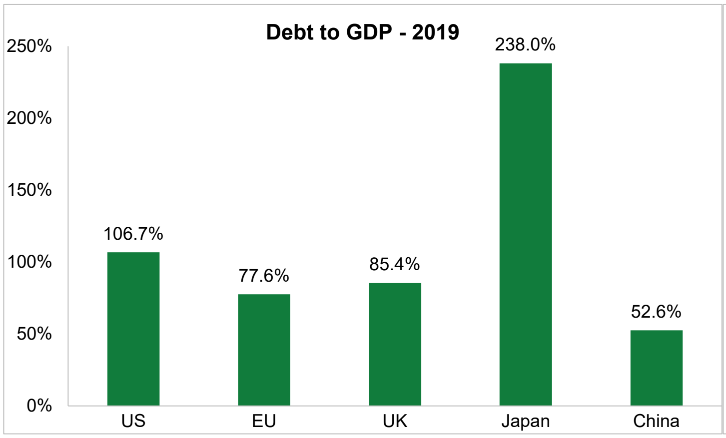


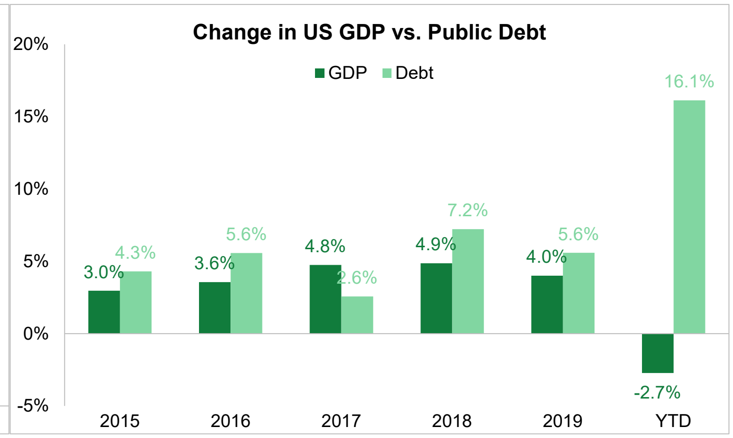


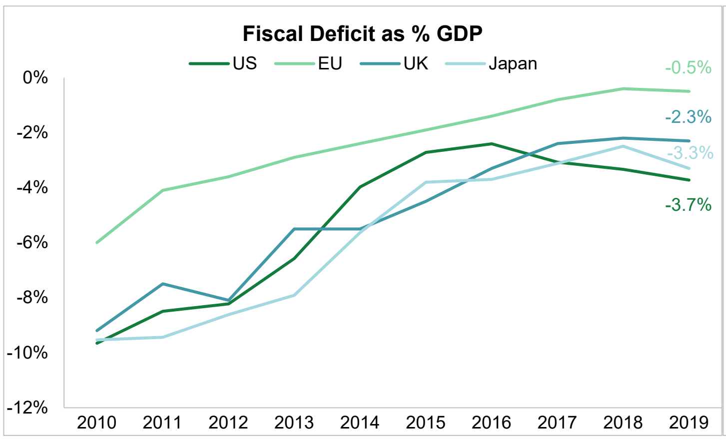
Source: Bureau of Economic Analysis, World Bank, OECD, Bloomberg

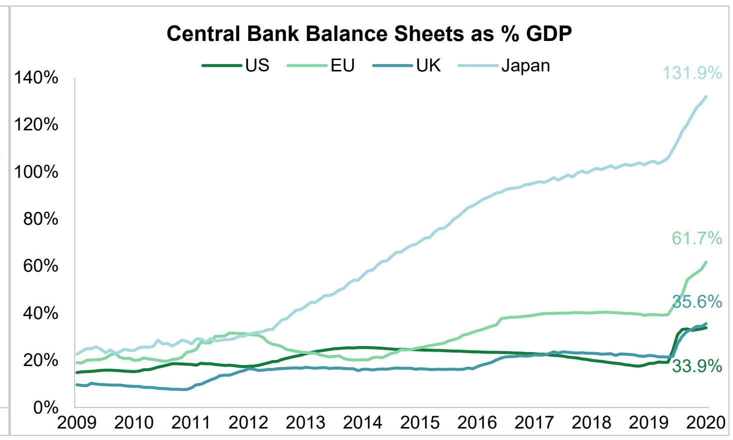
Note: NE = net exports, Business = business investment, Government =govt consumption & investment, PC = personal consumption expenditure

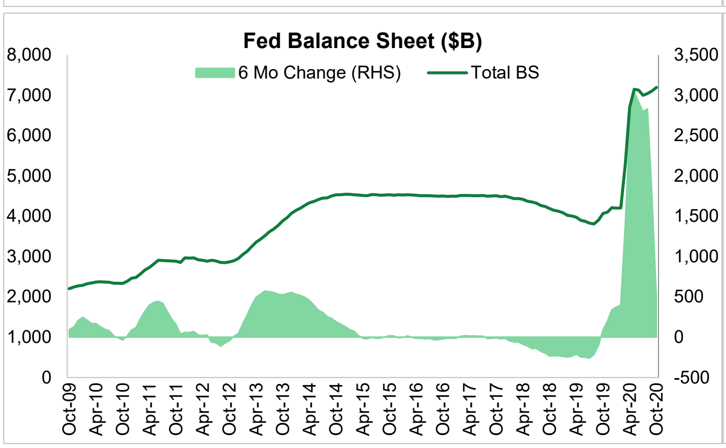
US Debt and Fed Balance Sheet and Comparison Across Regions

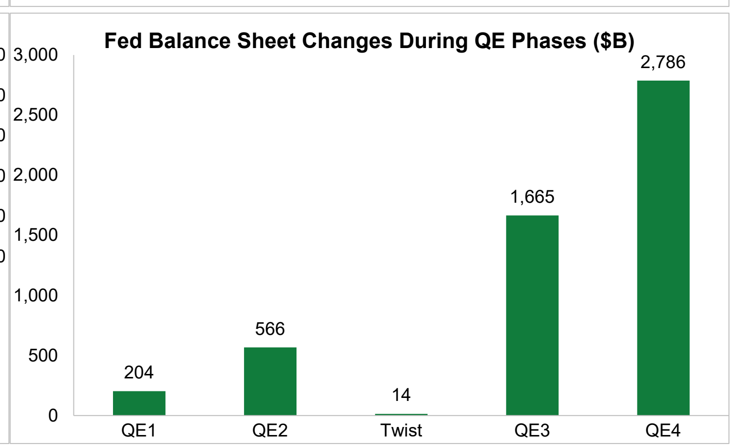






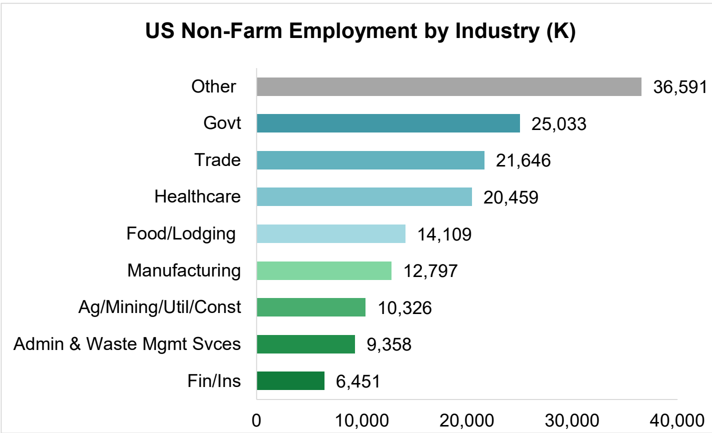


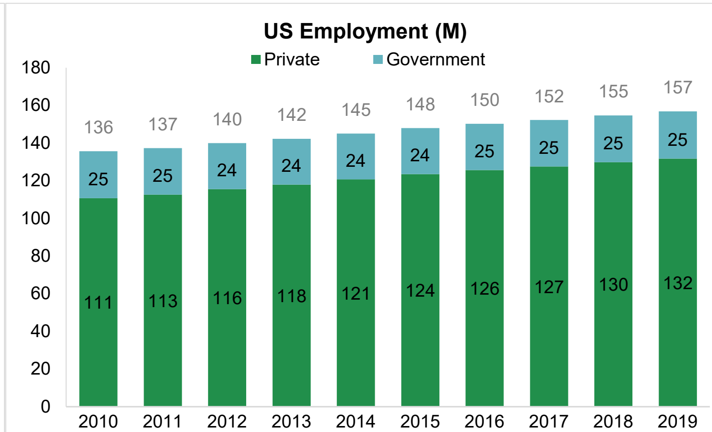


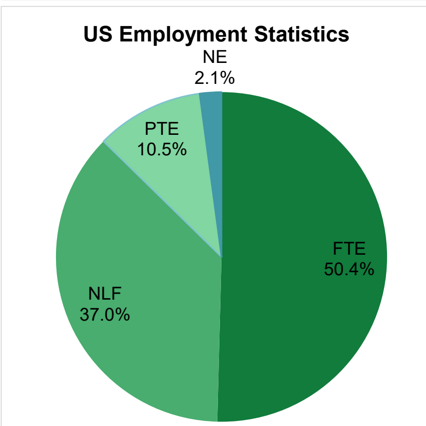


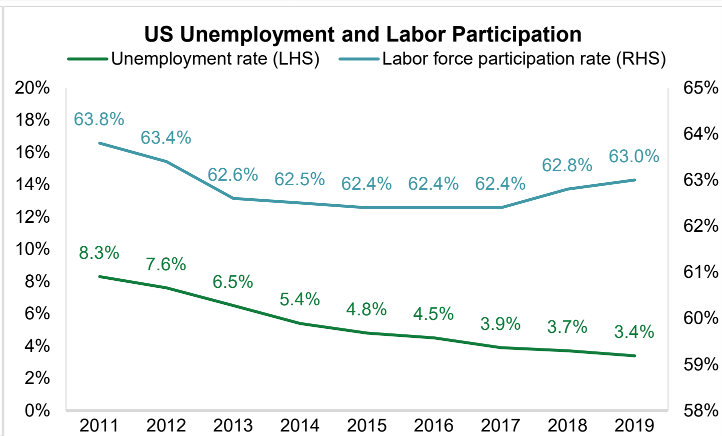
Source: Bloomberg, Bureau of Economic Analysis, Eurostat, Statista, US Treasury
Note: YTS as of September 2020, QE = Quantitative easing is a monetary policy when a central bank purchases financial assets to inject money into the economy; Twist = monetary policy when a central bank buys long-term and sells short-term bonds to flatten the yield curve without expanding the balance sheet; QE1: Nov'08-Mar'10, QE2: Nov'10-Jun'11, Twist: Sep'11-Jun'12, QE3: Sep'12-Oct'14, QE4: Mar'20-May'20

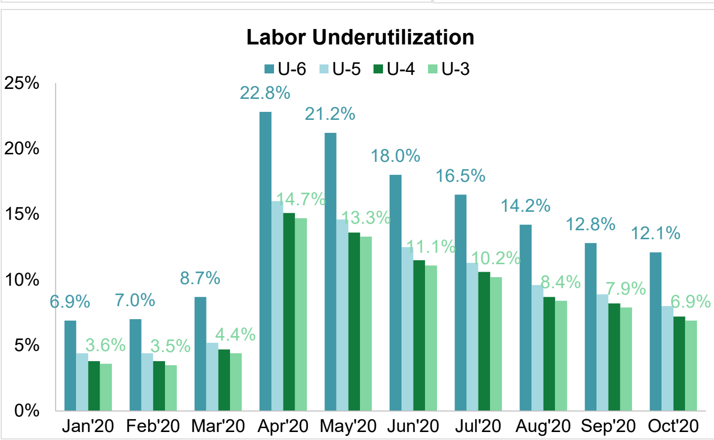
US Employment Landscape











Source: Bureau of Economic Analysis, Bureau of Labor Statistics

Note: NE = not employed (unemployed), FTE = full time employment, NLF = not in labor force, PTE = part time employment. Employment statistics based on civilian population 16 years or over

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James Sweeney
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Michael Moran
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Michael Feroli
J.P. Morgan

Aneta Markowska
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Wells Fargo Securities