

2021 Year Ahead Outlook

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What is your outlook for economic growth in 2021?

The economy is set to continue its recovery in 2021. We think that there likely will be a soft start to the year as a result of the COVID resurgence which has led to restrictions being put in place, as well as a lapse of fiscal policy. But we think by the spring we should see a real strong recovery in the economy as fiscal policy kicks in...more stimulus goes underway. We think the vaccine is a really positive force that can help to unleash pent-up demand in the economy. And of course, we have just momentum that's naturally building the economy that has allowed people to return to work and to build their income back. So we think the economy, as I noted, is continuing to recover. By the third quarter of 2021, we do think we'll be back at the pre-COVID levels of growth.

What are the upside & downside risks to the forecast?

Now, of course, there are risks in both directions. On the upside, we could have a much more resilient economy, even in the face of this COVID resurgence. We have seen that people are able to adapt, moving towards a more virtual world, which has allowed people to remain productive and allowed income creation to continue. We also, of course, can see a vaccine really create a big shift in the parts of the economy that have been hit the hardest. Consider the services side of the economy—entertainment, travel, restaurants that have all been really hurt from the pandemic that can come back in a significant way after the vaccine has been implemented. So there are risks to the upside.

But on the downside, the virus is still clearly a big challenge. And we're still at a point where we're seeing cases rise at an alarming rate, which can create some real speed bumps for the economy. We also have to consider the parts of the economy that were underutilized in the past year from the COVID pandemic...the scarring on the economy. Those people, those millions of people that were out of work for months, how quickly can they get back to the labor market and what does it mean for their ability to continue to spend and earn an income going forward. So clearly there are risks. But our baseline forecast is that the recovery is ongoing and that the healing process for the economy will continue in 2021.

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