

Economic Tug of War

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July 2022

MOODY'S

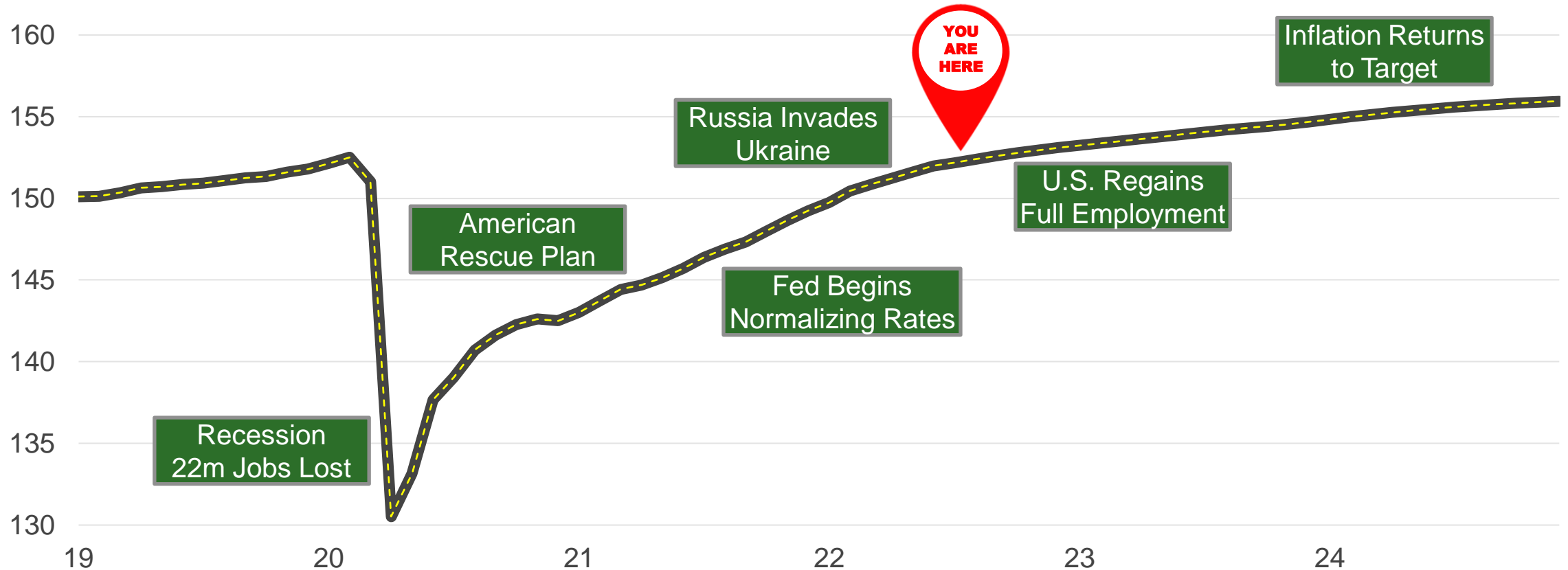
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Pandemic Recovery Roadmap

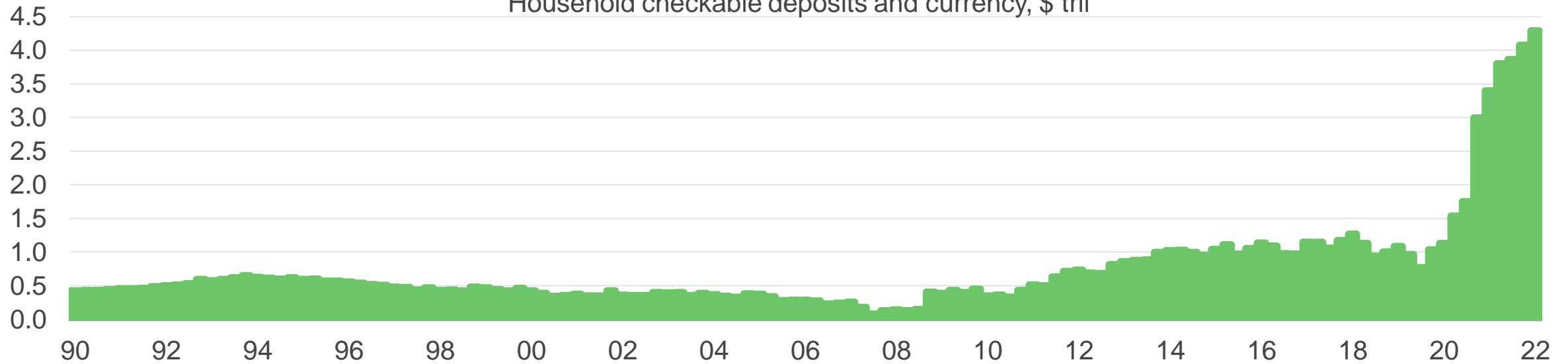
U.S. Payroll Employment, Moody's Analytics July Baseline Scenario, mil



Sources: BLS, Moody's Analytics

A Mountain of Money Is Holding Back a Recession

Household checkable deposits and currency, \$ tril

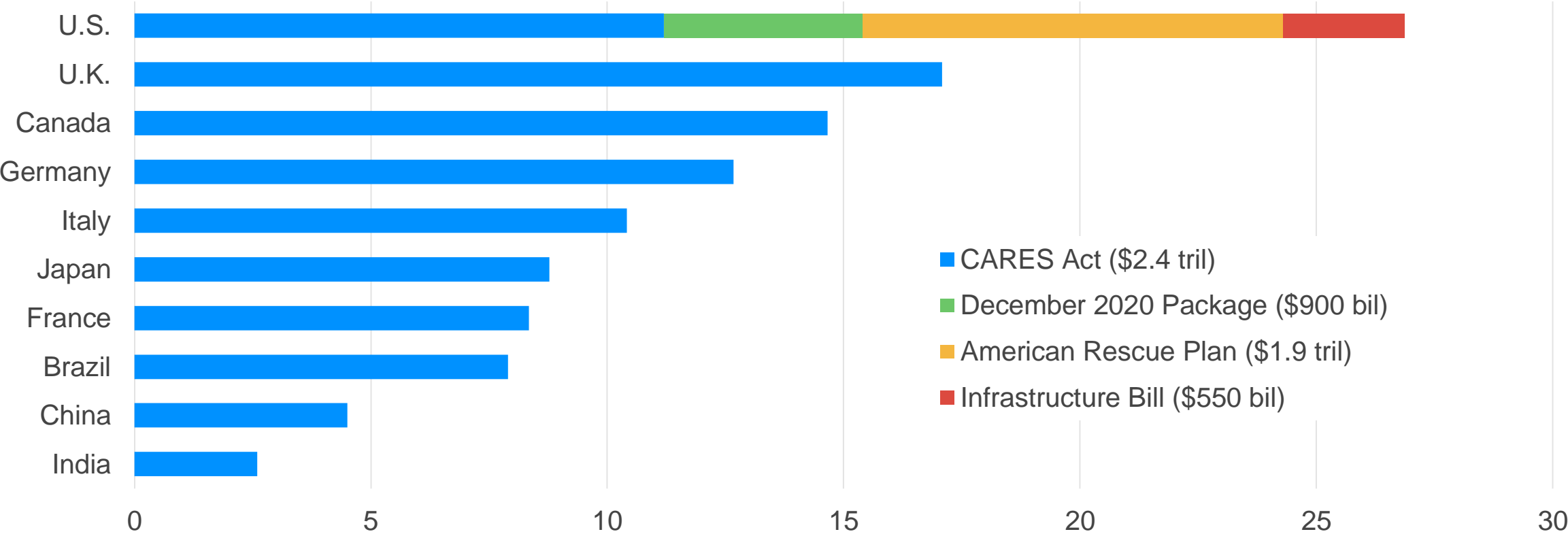


Income Group	Total Excess Savings (\$, bil)	Excess Savings per Household (\$)
0% to 20%	146,716	5,731
20% to 40%	233,456	9,119
40% to 60%	308,057	12,033
60% to 80%	227,797	8,898
80% to 90%	287,037	22,424
90% to 100%	1,503,764	117,479
Total	2,706,828	21,147

Sources: Federal Reserve Board, BEA, Census Bureau, Moody's Analytics

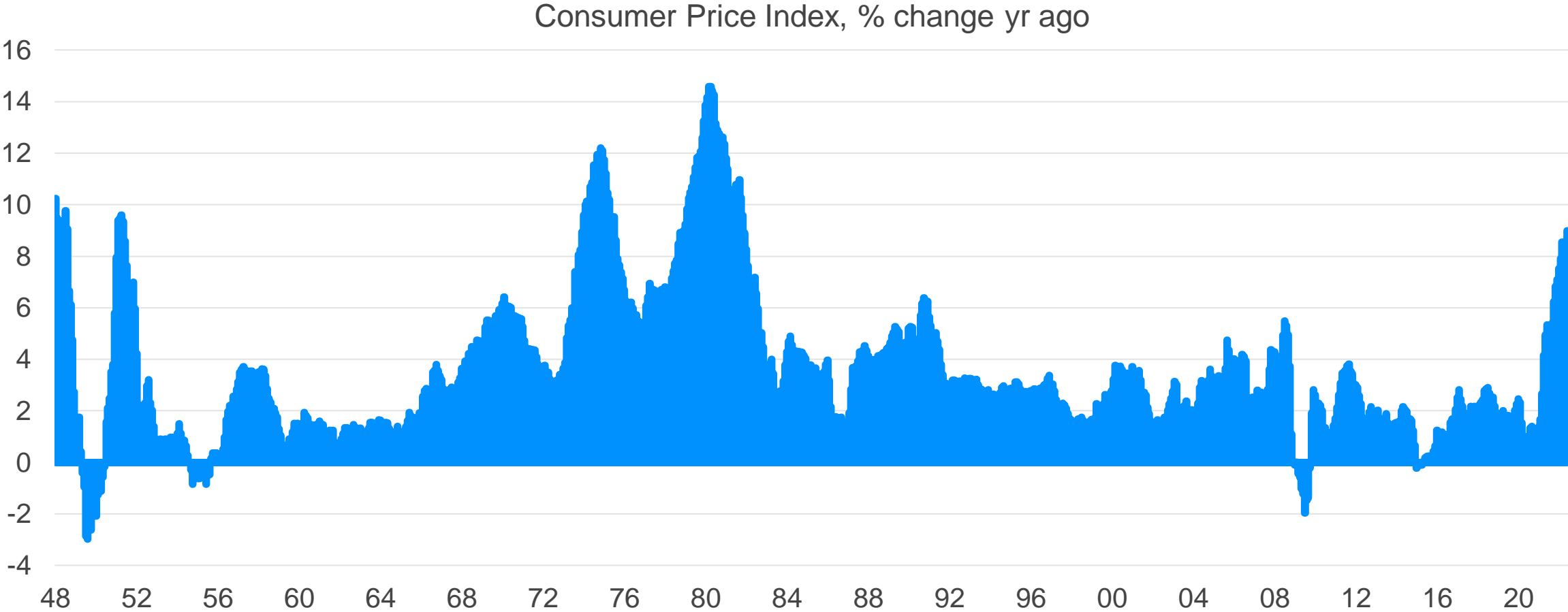
Record Level of Fiscal Support

Fiscal Support Since Start of the Pandemic, % of 2019 GDP



Sources: BEA, National Finance Ministries Moody's Analytics

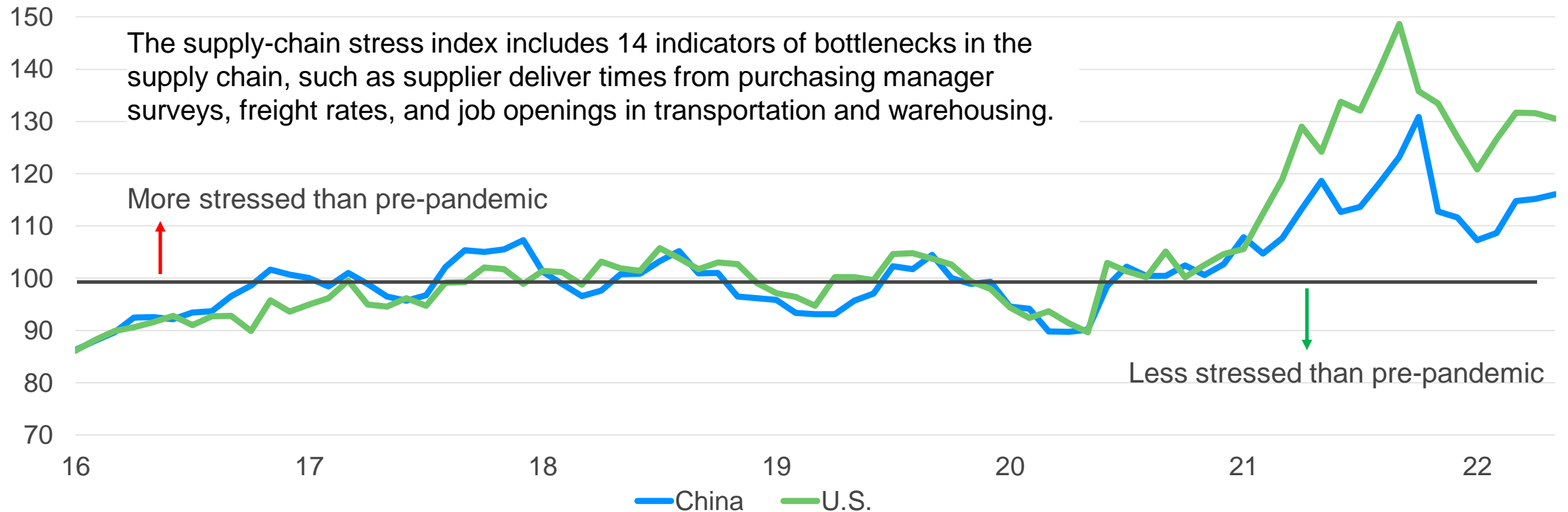
Historic Levels of Headline Inflation



Sources: BLS, Moody's Analytics

Not Just Demand That's Pushing Up Prices

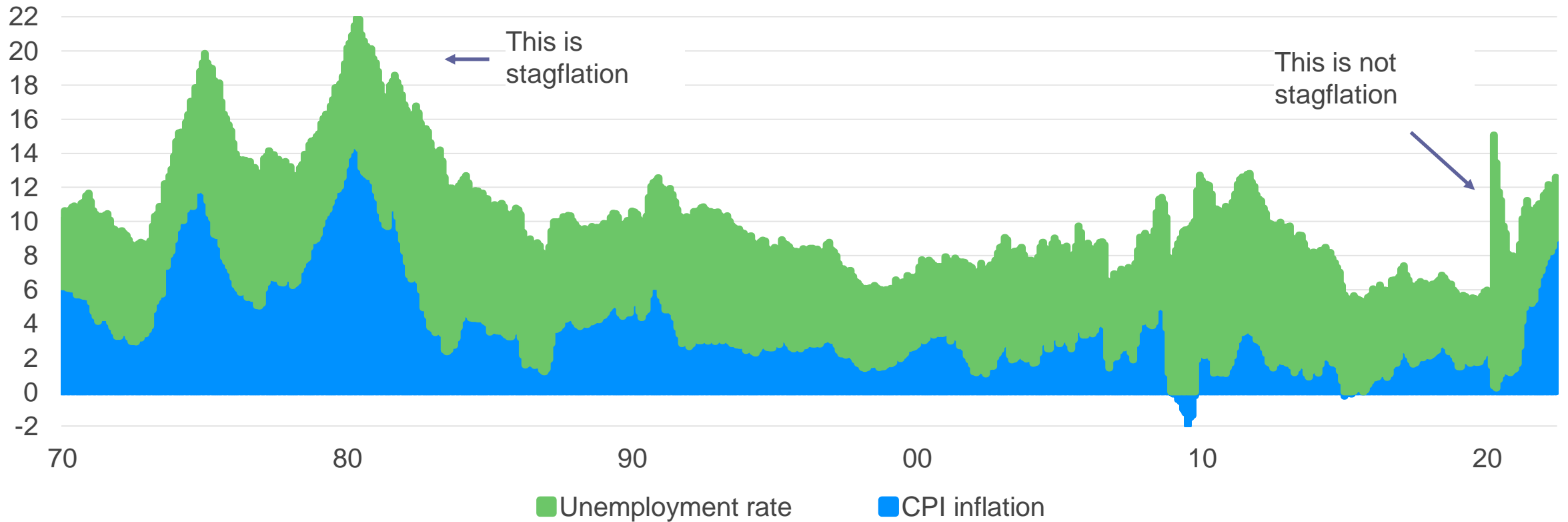
Supply-Chain Stress Index, Oct 2019=100



Sources: Multiple statistical sources, Moody's Analytics

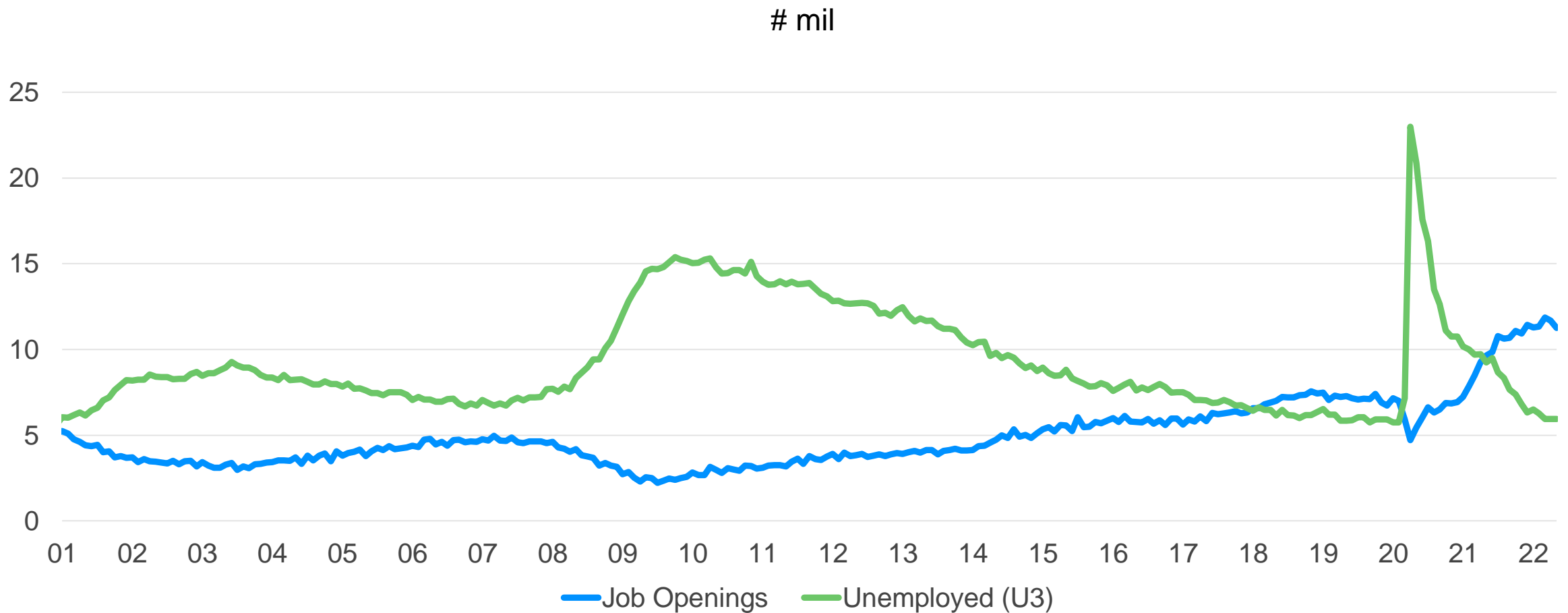
This Isn't Stagflation (Yet)

Misery index, %



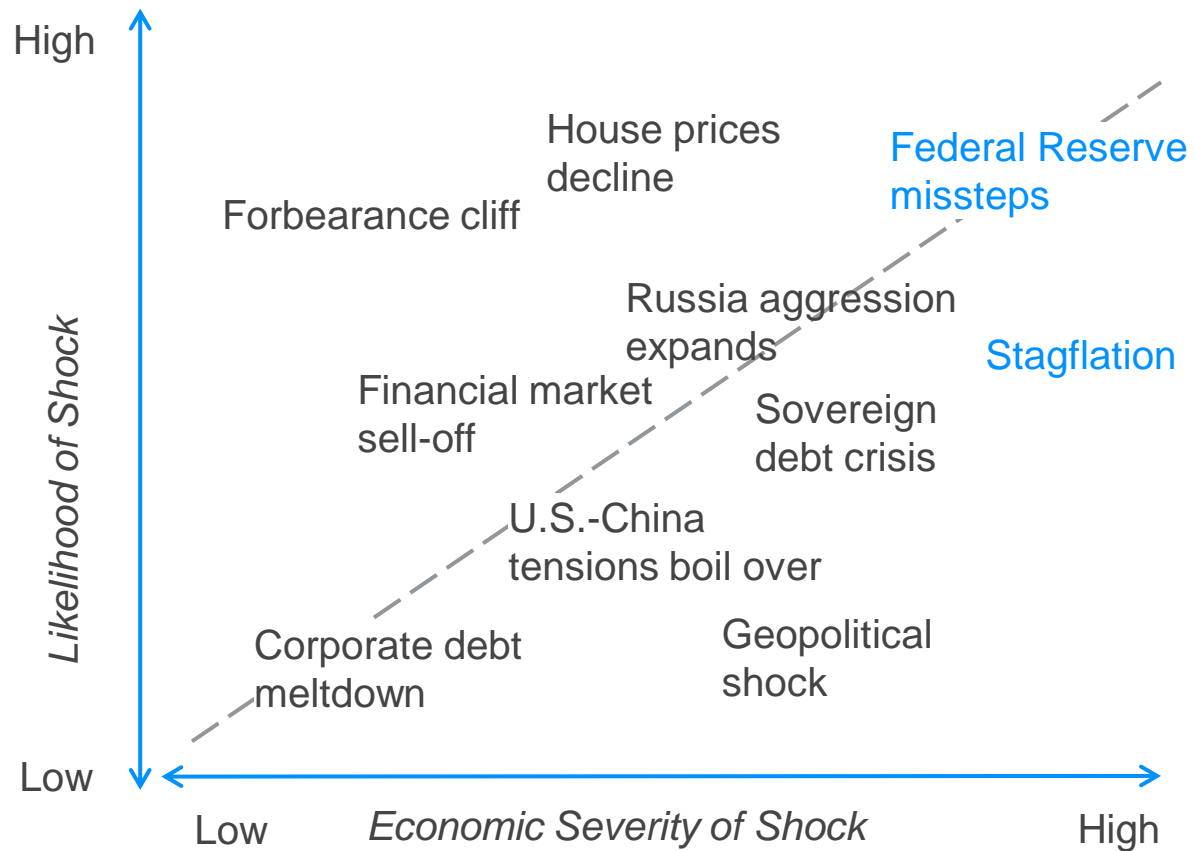
Sources: BLS, Moody's Analytics

Labor Market Says No Recession (Yet)



Sources: BLS, Moody's Analytics

So Long As Nothing Else Goes Wrong



#1 Downside Risk to the Outlook – Fed Policy

- » Policy Error
- » Intentional Demand Destruction
- » Potential Outcome – Moderate Recession

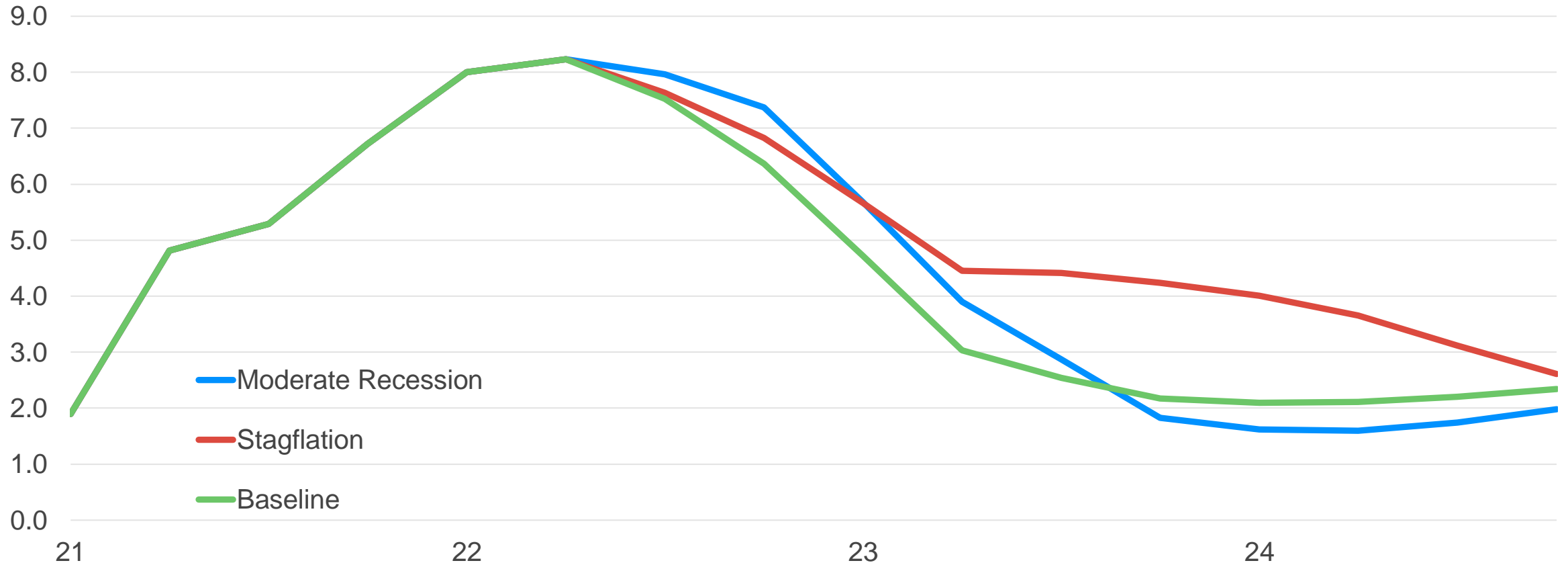
#2 Downside Risk to the Outlook – Supply Shocks

- » Additional Energy Sanctions
- » War in Ukraine
- » Potential Outcome – Stagflation

Source: Moody's Analytics

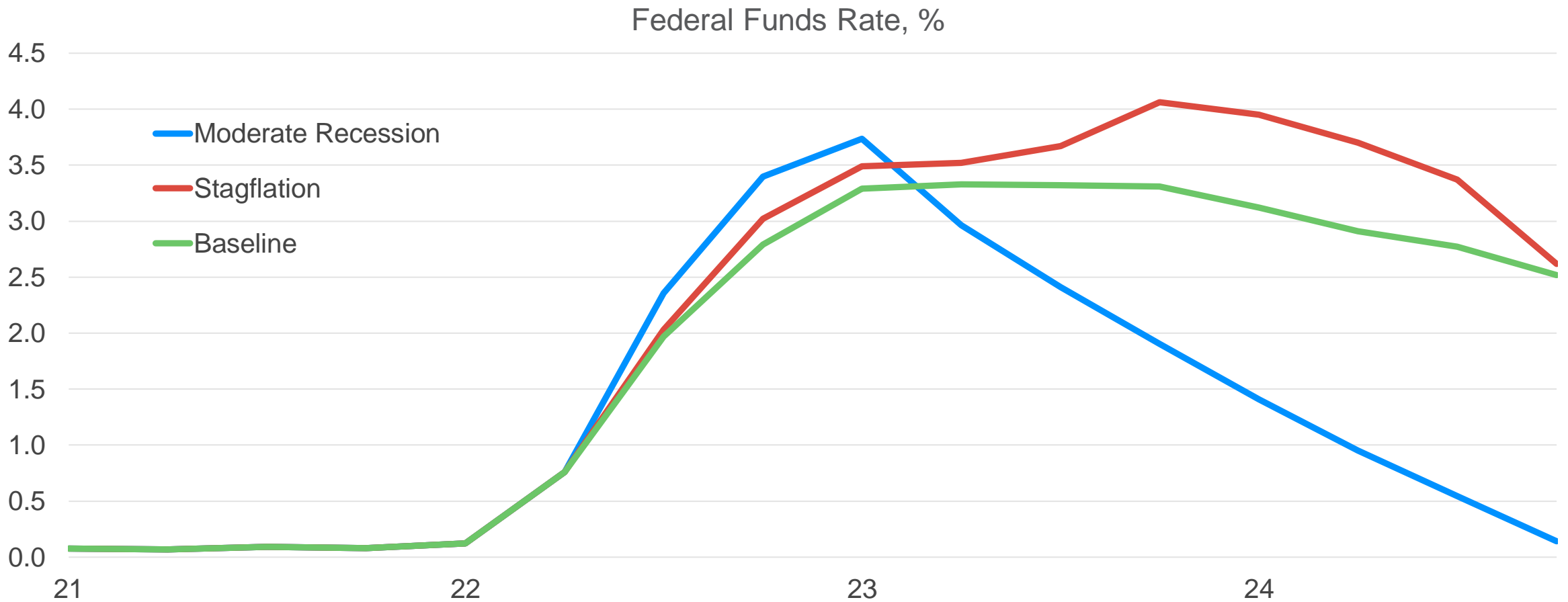
What to Watch?

Consumer Price Index, % change yr ago



Sources: BLS, Moody's Analytics

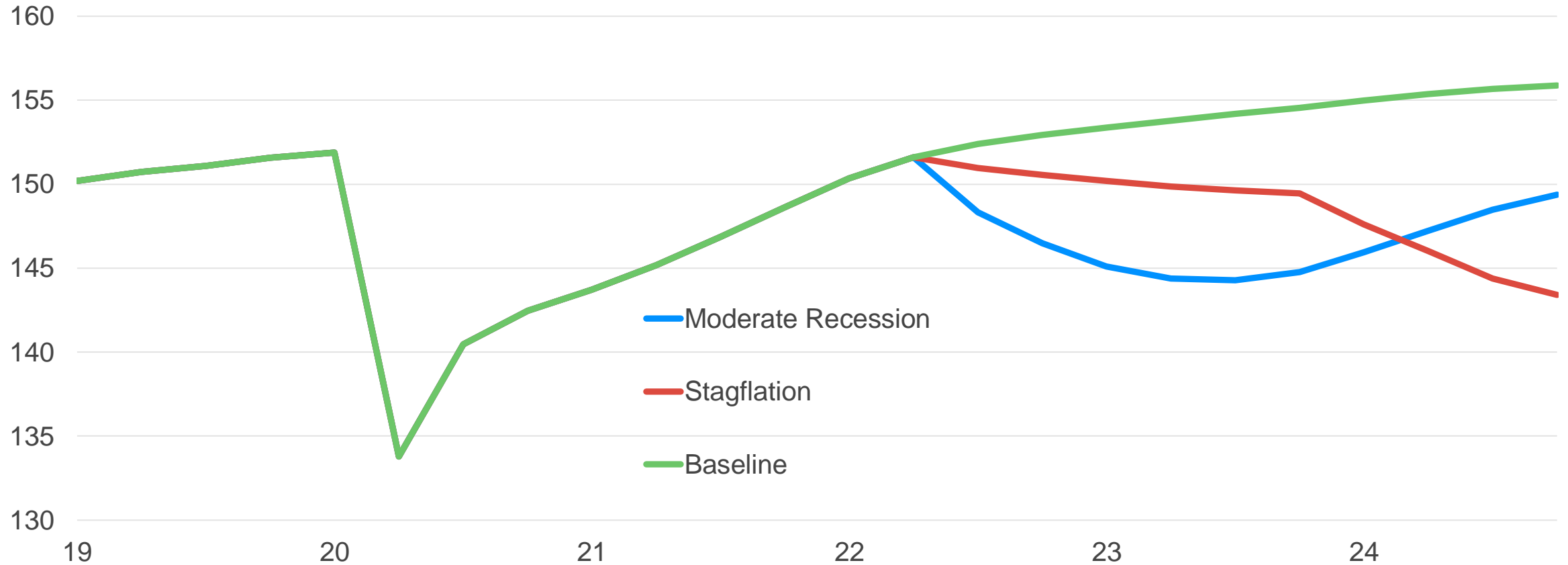
Several Different Fed Strategies In Play...



Sources: Federal Reserve System, Moody's Analytics

...Each With Its Own Consequences

U.S. Payroll Employment, mil



Sources: BLS, Moody's Analytics

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