Pandemic Recovery Roadmap

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

Recession 22m Jobs Lost
American Rescue Plan
Russia Invades Ukraine
Fed Begins Normalizing Rates
U.S. Regains Full Employment
Inflation Returns to Target

Sources: BLS, Moody's Analytics
A Mountain of Money Is Holding Back a Recession

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

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

Household checkable deposits and currency, $ tril

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

U.S. |
U.K. |
Canada |
Germany |
Italy |
Japan |
France |
Brazil |
China |
India |

0 5 10 15 20 25 30

CARES Act ($2.4 tril) |
December 2020 Package ($900 bil) |
American Rescue Plan ($1.9 tril) |
Infrastructure Bill ($550 bil)

Sources: BEA, National Finance Ministries Moody's Analytics
Historic Levels of Headline Inflation

Consumer Price Index, % change yr ago

Sources: BLS, Moody's Analytics
Not Just Demand That’s Pushing Up Prices

The supply-chain stress index includes 14 indicators of bottlenecks in the supply chain, such as supplier deliver times from purchasing manager surveys, freight rates, and job openings in transportation and warehousing.

More stressed than pre-pandemic

Less stressed than pre-pandemic

Sources: Multiple statistical sources, Moody’s Analytics
This Isn’t Stagflation (Yet)

Sources: BLS, Moody’s Analytics

This is stagflation

This is not stagflation

Misery index, %

Unemployment rate
CPI inflation

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

- Moderate Recession
- Stagflation
- Baseline

Sources: BLS, Moody’s Analytics
Several Different Fed Strategies In Play…

Federal Funds Rate, %

Moderate Recession
Stagflation
Baseline

Sources: Federal Reserve System, Moody’s Analytics
...Each With Its Own Consequences

U.S. Payroll Employment, mil

Sources: BLS, Moody's Analytics