

US & CANADA ECONOMIC OUTLOOK

COVID-19: Fragile Recovery



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Agenda

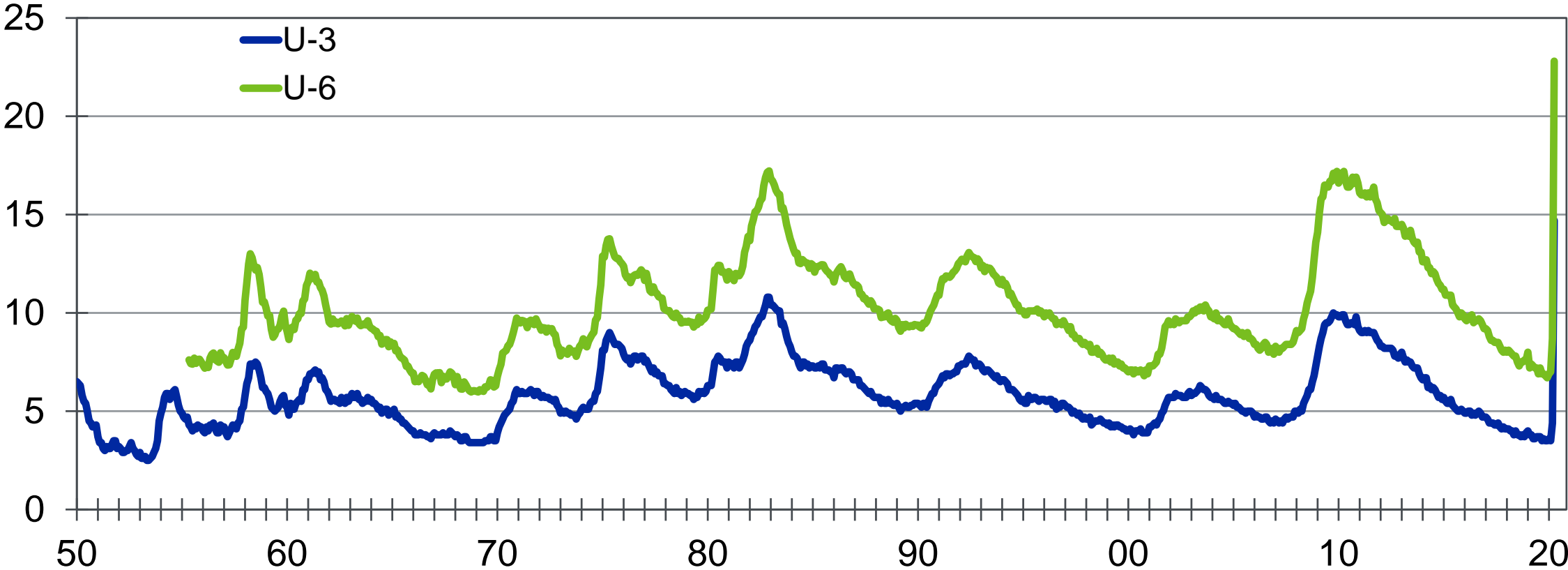
1. The Worst is at Hand
2. Fragile Recovery
3. Weaker Asset Prices
4. Long-Term Fallout

1

The Worst is at Hand...

Cataclysmic Economic Shock

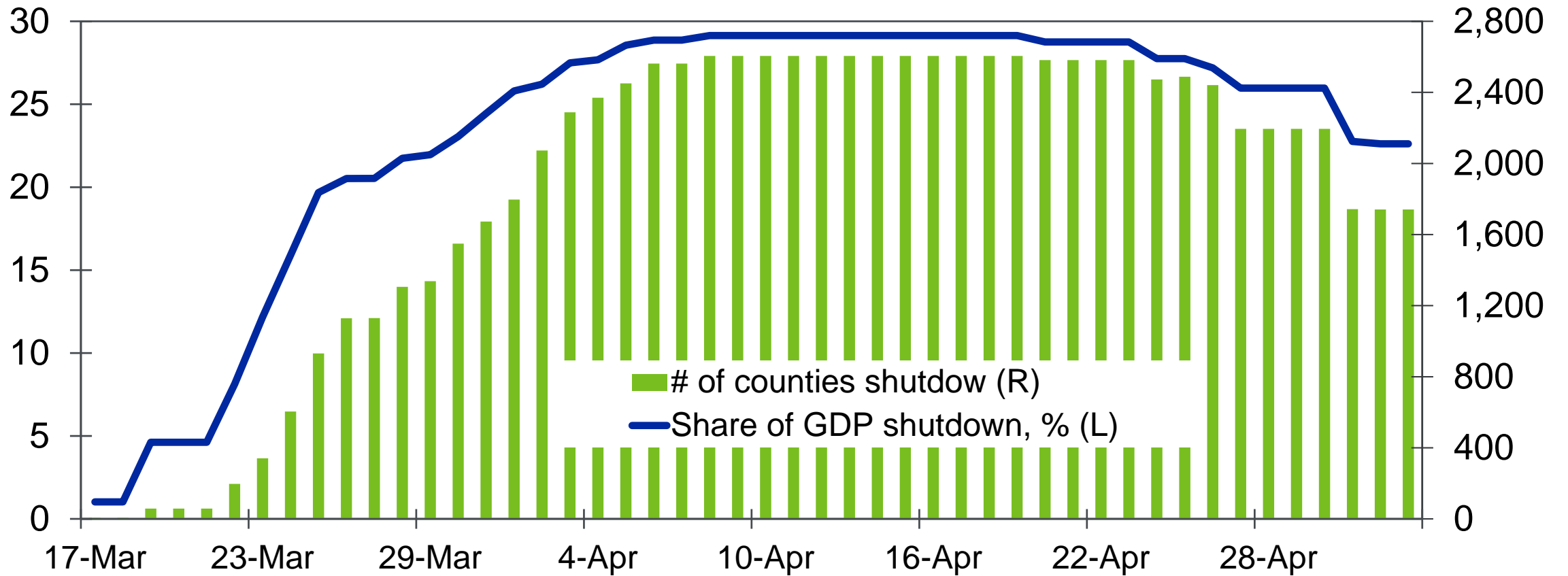
U.S. unemployment rates, %



Sources: ISM, Moody's Analytics

U.S. Businesses Begin to Reopen

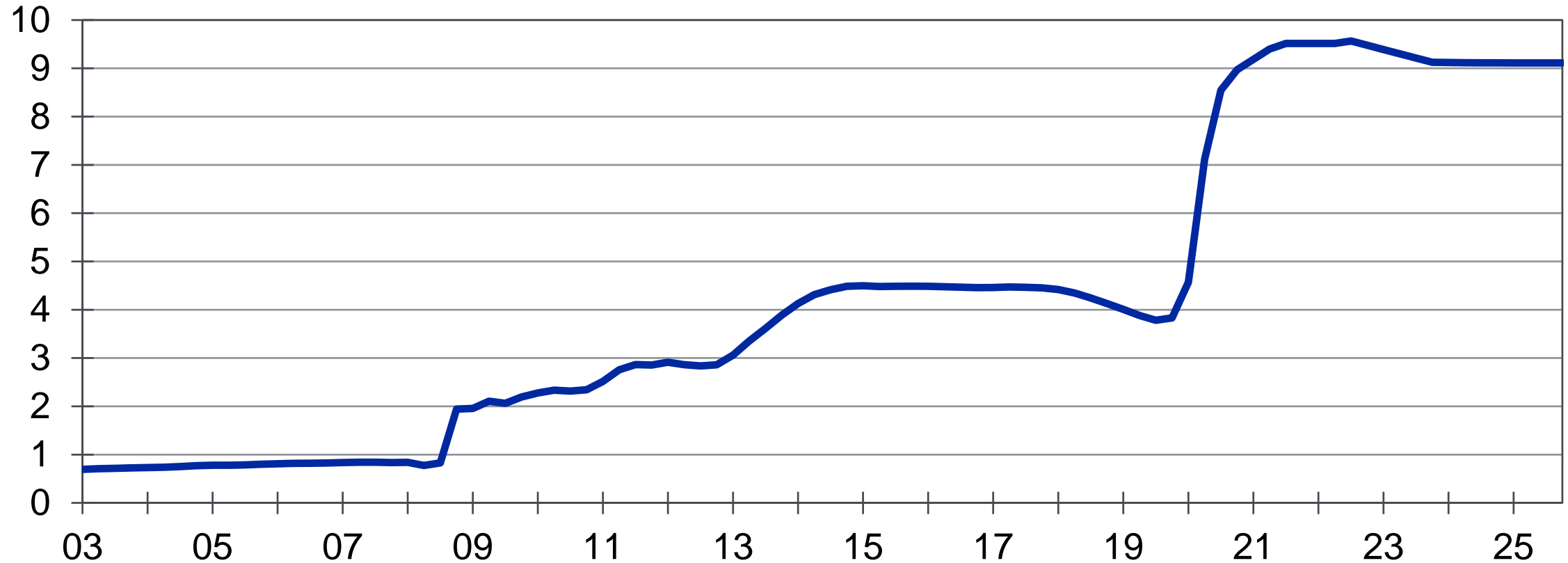
Share of GDP and # of counties shutdown



Sources: BEA, NY Times, Moody's Analytics

Fed Builds a Strong Firewall

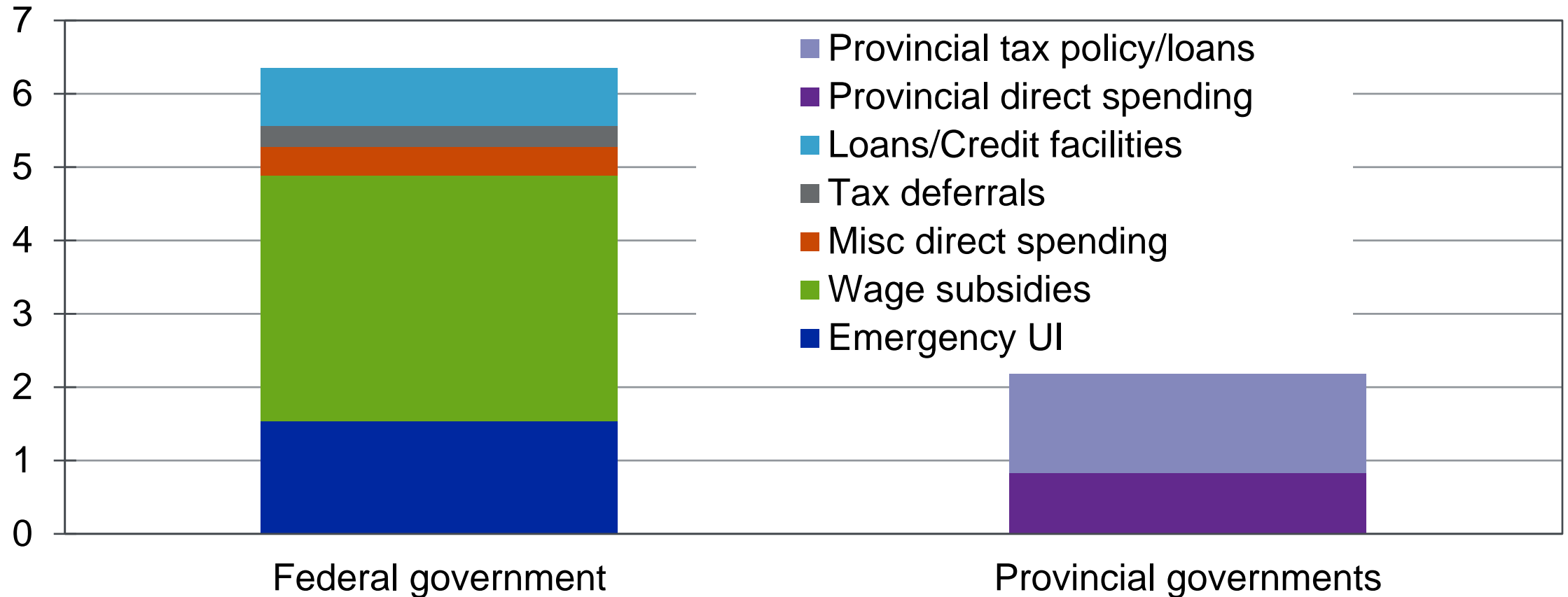
Assets held outright on the Fed's balance sheet, \$ tril



Source: Moody's Analytics

Canadian Stimulus Efforts Help with Spending Shortfall

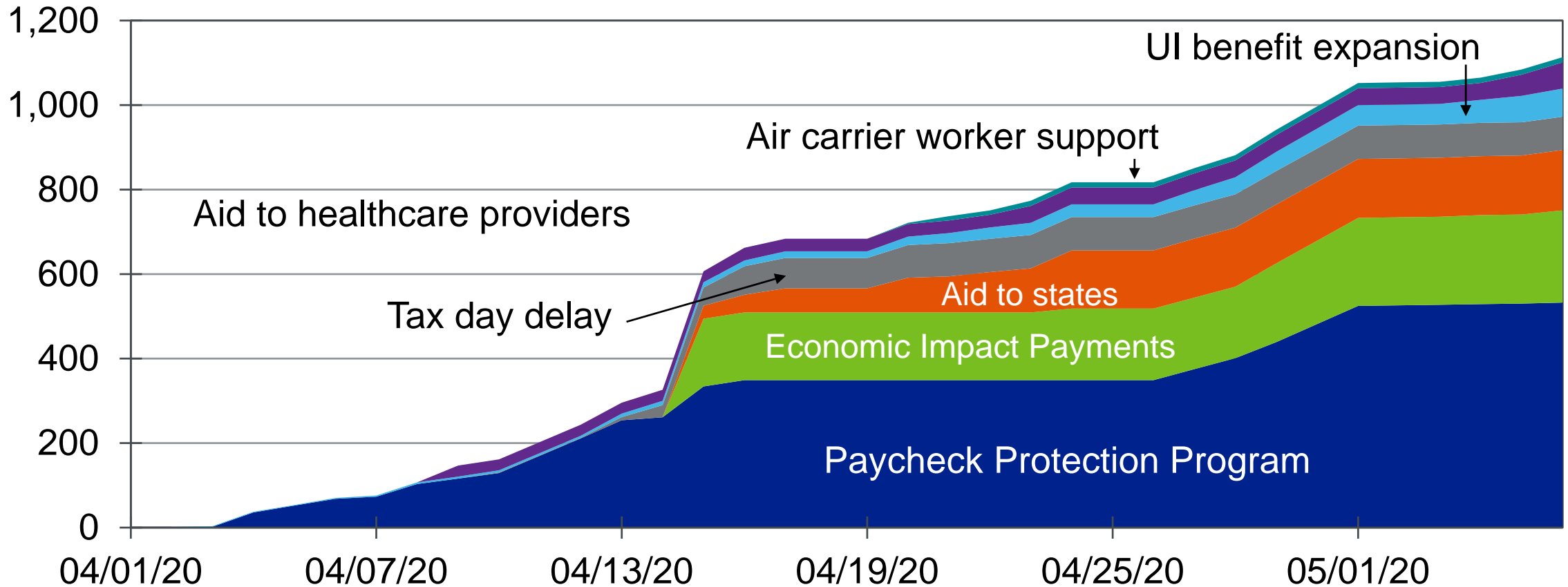
% of 2019 GDP



Sources: Canada Parliamentary Budget Office, Moody's Analytics

Fiscal Rescue Ramps Up

Cumulative federal fiscal pandemic relief, \$ bil



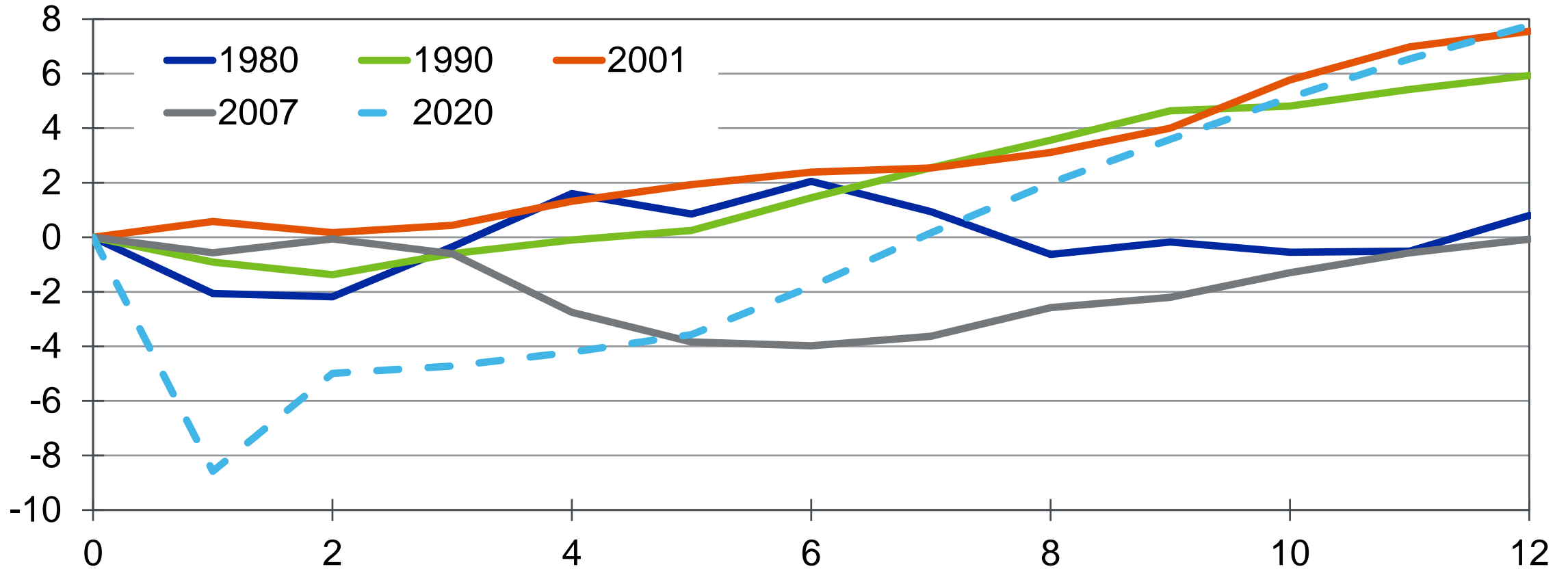
Sources: Committee for a Responsible Federal Budget, U.S. Treasury, Moody's Analytics

2

...But a Fragile Recovery...

Not a V

U.S. Real GDP, % change since beginning of recession...



Sources: BEA, Moody's Analytics

COVID's Uncertain Epidemiology in the U.S.

Scenario Assumptions

S1 Scenario

- 1.2-1.5 mil confirmed infections
- New infections peak in April
- 6% confirmed case fatality rate
- 10% hospitalization rate
- Infections abate by June
- Surplus of hospital beds
- Surplus of ICU beds
- Surplus of ventilators

Baseline Forecast

- 1.6-2.2 mil confirmed infections
- New infections peak in April
- 6% case fatality rate*
- 10% hospitalization rate
- Infections abate by July
- Surplus of hospital beds
- Small surplus of ICU beds
- Small surplus of ventilators

S3 Scenario

- 3-4 mil confirmed infections
- New infections peak in May
- 10% case fatality rate*
- 15% hospitalization rate
- Infections abate by August
- Small deficit of hospital beds
- Large deficit of ICU beds
- Small deficit of ventilators

Sources: [Johns Hopkins CSSE COVID-19 Data Repository](#), Moody's Analytics

...and Canada

Scenario Assumptions

S1 Scenario

- 80-90 ths confirmed infections
- New infections peak in April
- 6% confirmed case fatality rate
- 10% hospitalization rate
- Infections abate by June
- Surplus of hospital beds
- Surplus of ICU beds
- Surplus of ventilators

Baseline Forecast

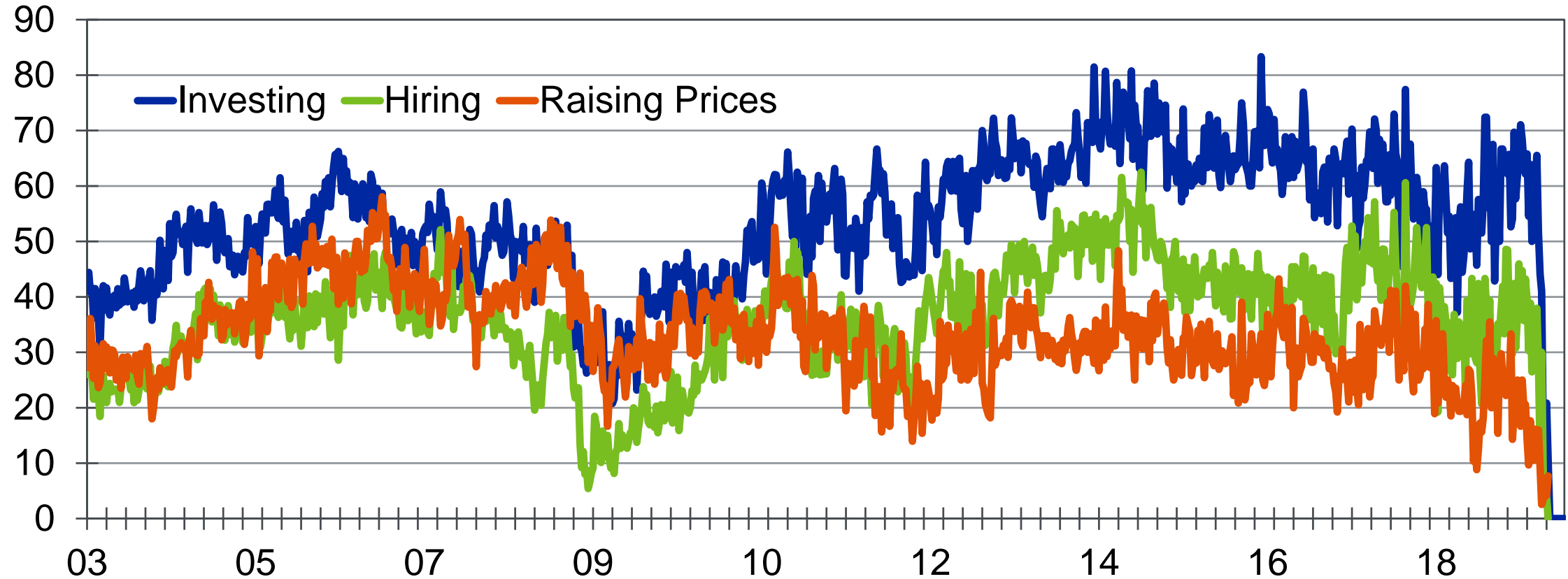
- 100-120 ths confirmed infections
- New infections peak in April
 - 6% confirmed case fatality rate
- 10% hospitalization rate
- Infections abate by July
- Surplus of hospital beds
- Surplus of ICU beds
- Surplus of ventilators

S3 Scenario

- 300-400 ths confirmed infections
- New infections peak in May
 - 10% confirmed case fatality rate
- 15% hospitalization rate
- Infections abate by August
- Regional deficit of hospital beds
 - Regional deficit of ICU beds
 - Regional deficit of ventilators

Businesses Will Remain Cautious...

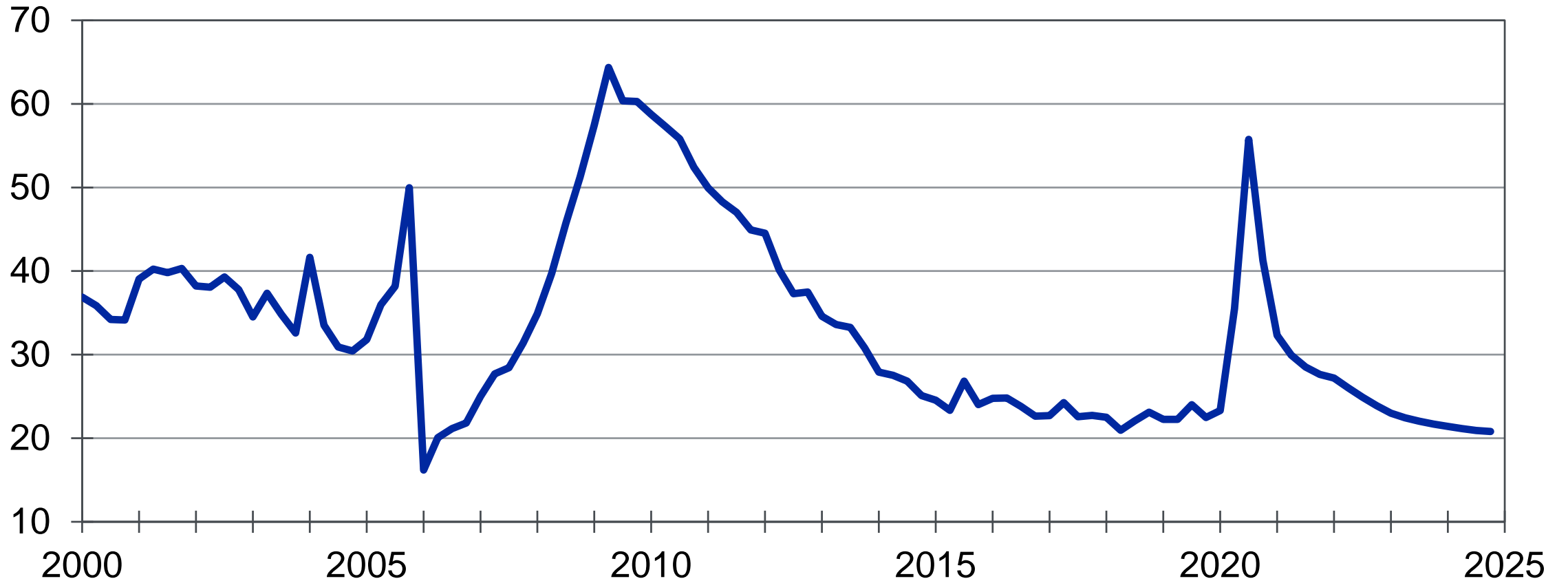
% of respondents to Moody's Analytics global business survey that are ...



Source: Moody's Analytics

Businesses Bankruptcies and Failures Spike

Business bankruptcies, ths, SAAR



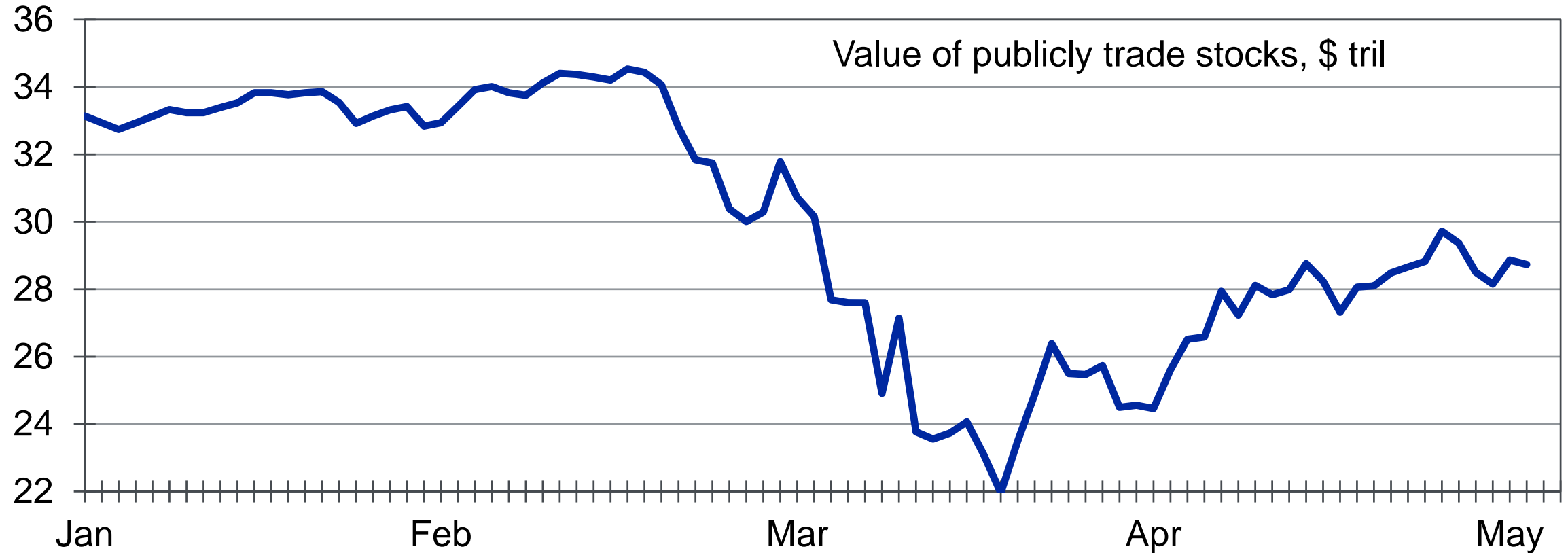
Sources: Bankruptcy Courts, Moody's Analytics

3

...Weaker Asset Prices...

Stock Prices Down, but Resilient

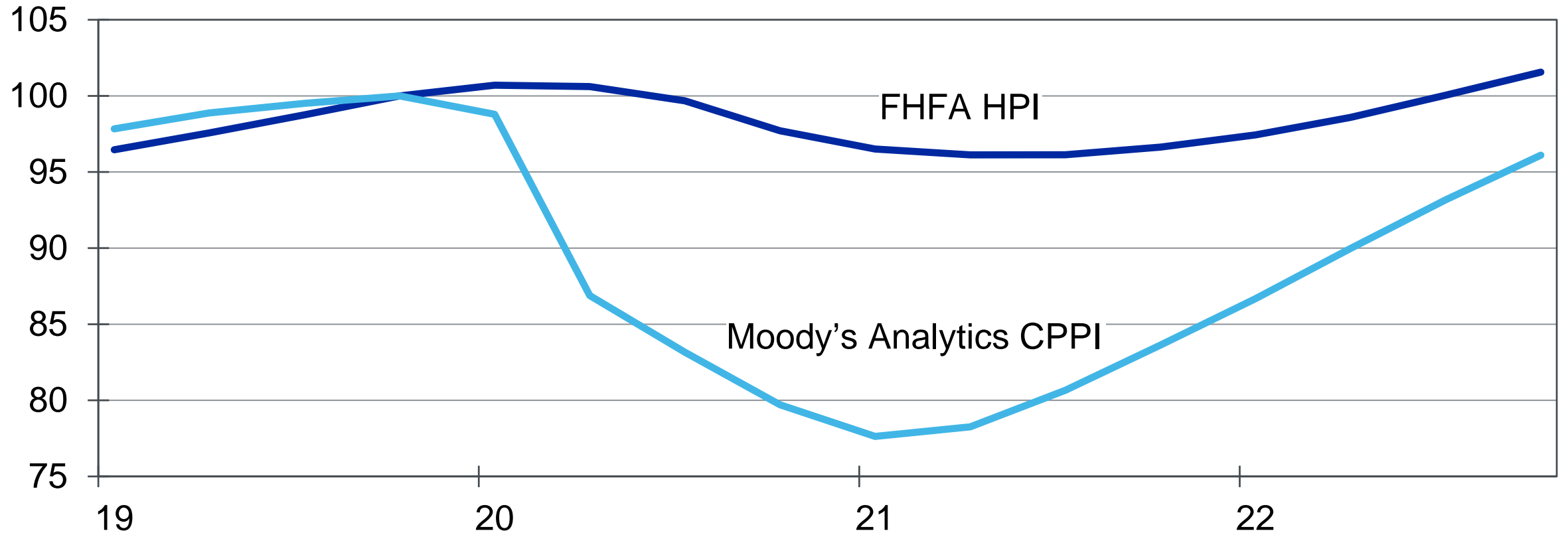
Wilshire 5000



Sources: Wilshire 5000, Federal Reserve, Moody's Analytics

U.S. Real Estate Prices Slump

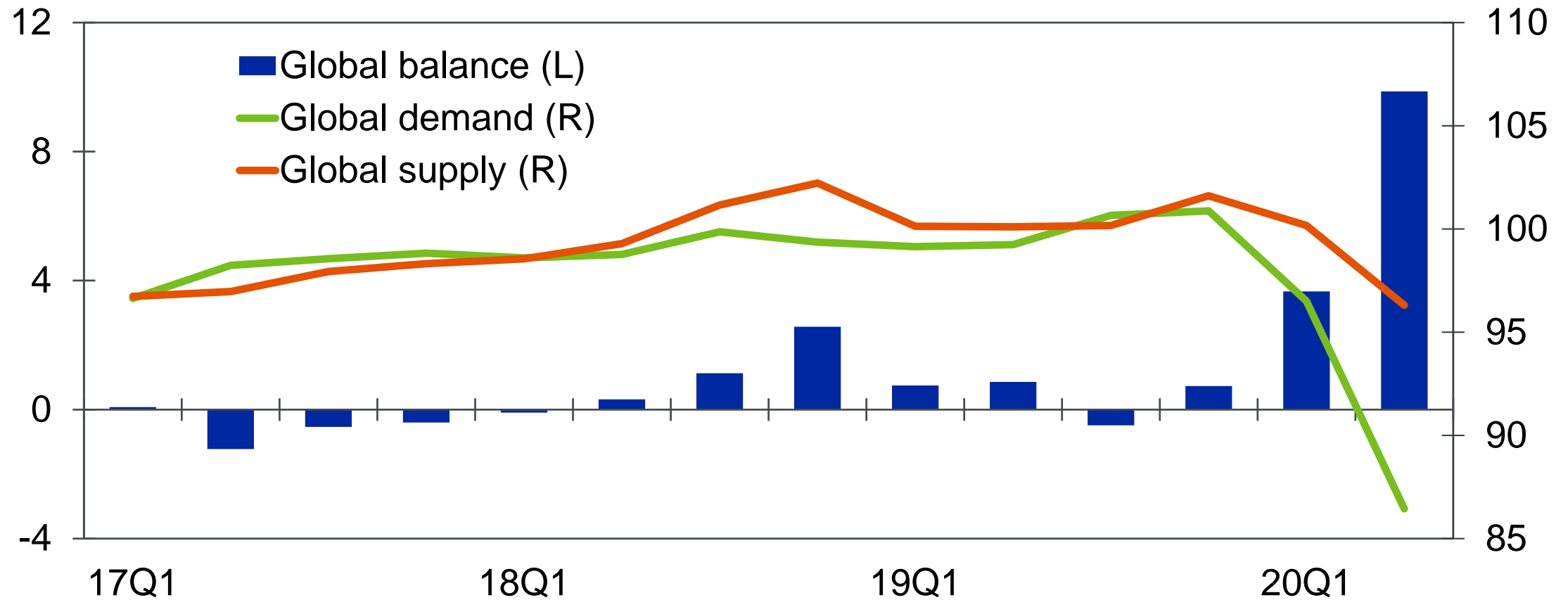
Index: 2019Q4 = 100, April baseline



Sources: FHFA, Moody's Analytics

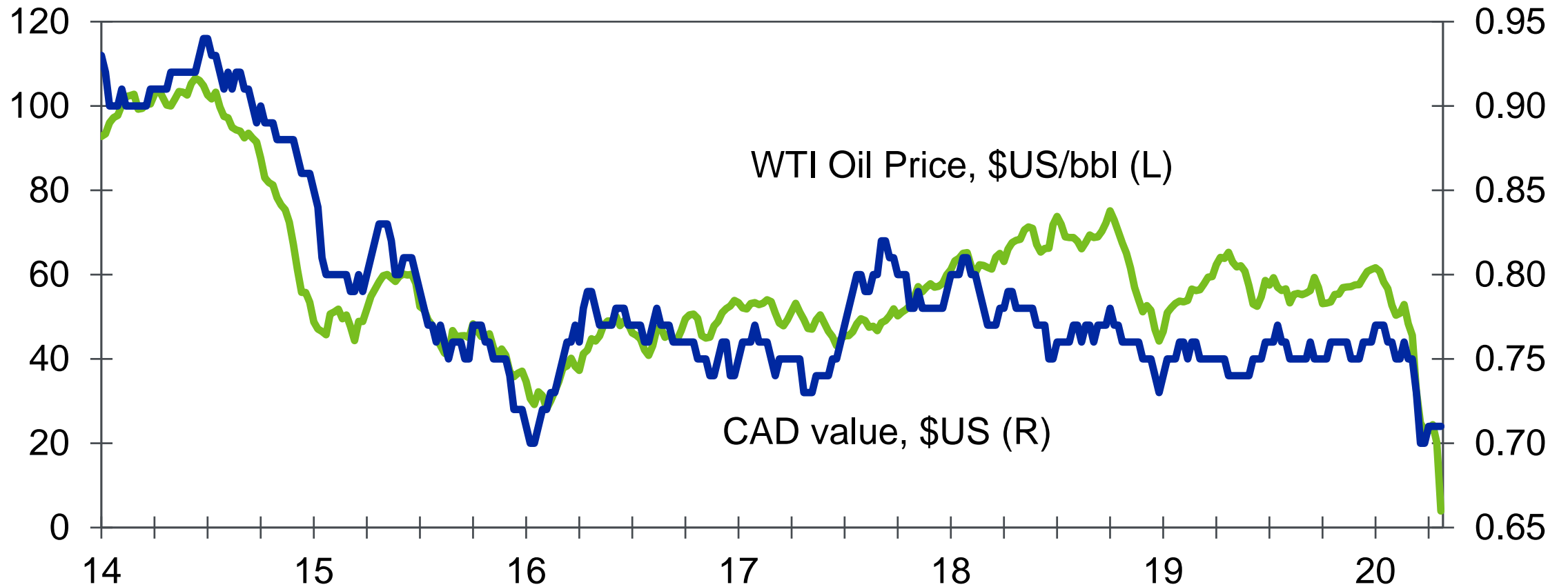
Global Oil Glut...

Mil barrels per day



Sources: International Energy Agency, Moody's Analytics

...Batters the Loonie



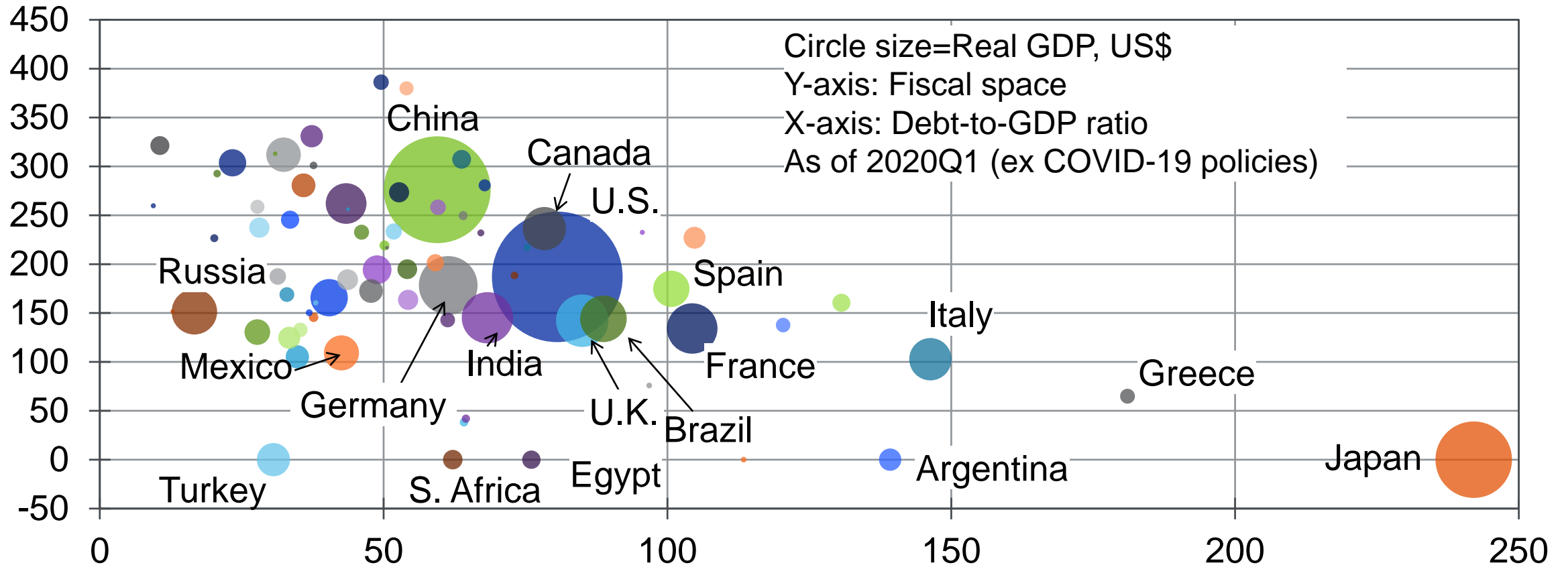
Sources: U.S. EIA, Federal Reserve, Moody's Analytics

4

...and Diminished LT Outlook

Running Out of Fiscal Space

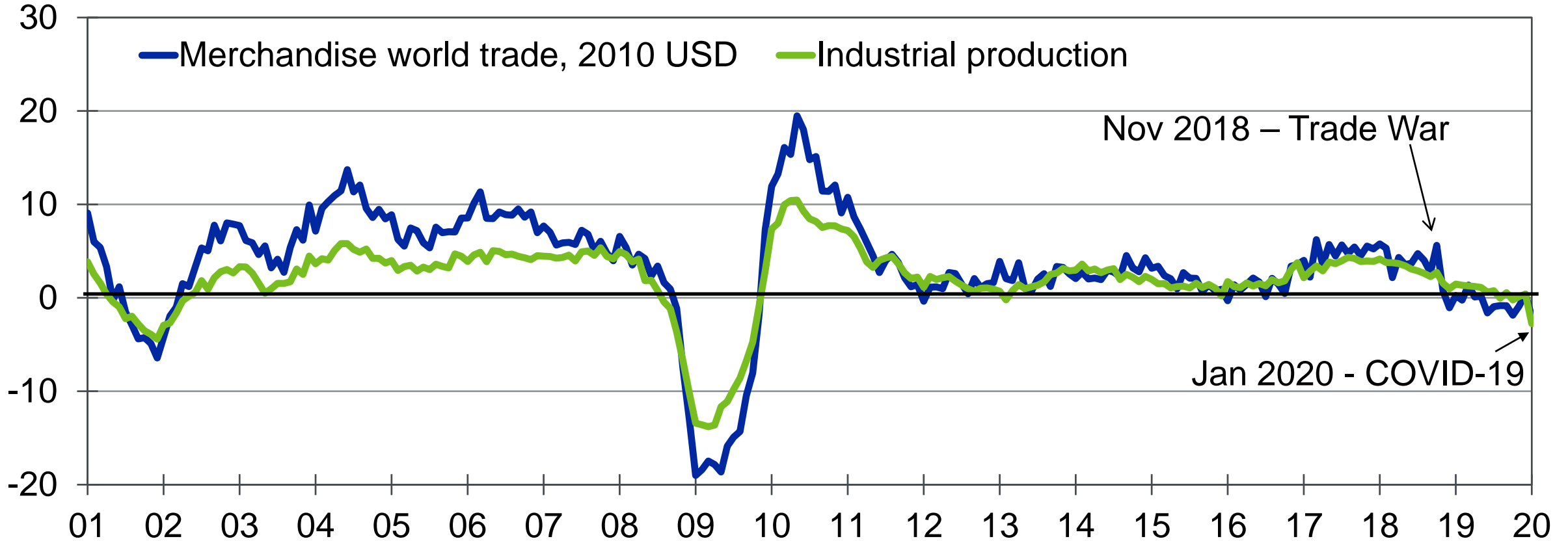
Sovereign borrowing capacity given current yields, projected output growth and primary balance



Source: Moody's Analytics

Globalization Will Be Impaired

Global trade and industrial production, % change yr ago



Sources: CPB World Trade Monitor, Moody's Analytics

Q&A

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