

Economists cite stimulus, vaccine as keys to recovery in 2021

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Covid-19 turned 2020 into a significantly challenging year for the U.S. economy, but federal stimulus staved off a much worse scenario and now the nation has the potential to return to pre-pandemic levels by the middle of 2021, a national economic expert told an Arizona audience on Friday.

Anthony Chan, the former chief economist at JPMorgan Chase was the keynote speaker during the 2020 Economic Outlook Event hosted Friday by the University of Arizona's Eller College of Management. The usually in-person event was held virtually this year via Zoom.

George Hammond, director of the Eller College Economic and Business Research Center, was the event's other keynote speaker. He said Chan's overall expectations for the nation also hold true for Arizona, which he said is actually in a better position than the country as a whole.

"We've gone through a lot, but the light is at the end of the tunnel," Chan said, referencing the coming coronavirus vaccine and fruits of the stimulus including steady growth and improvements in the job market.

Still, he said, challenges remain and now is not the time for the government to withhold more needed stimulus. He likened worries about the national debt amid current circumstances to concern about firefighters getting carpets wet when a house is on fire.

For one thing, Chan said, the nation's unemployment rate — which the Bureau of Labor Statistics reported Friday has edged down to 6.7% — doesn't reflect the large number of Americans who have dropped out of the labor market. He calculated that when those people are figured in, the actual national unemployment rate is 9%.

He also said there are nearly 7 million people who are in danger of being evicted when a federal moratorium expires at the end of this year.



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A pair of economists have given their predictions on how the national and Arizona economies will play out in 2021.

“We need to do something because the individuals in the predicament had nothing to do with this,” he said. “This is why we can’t worry about debt, and we can’t worry about how much we spend. We do not want this economy to completely collapse.”

'Fiscal cliff'

Hammond said the financial infusion from the federal CARES Act pumped about \$40 billion into Arizona’s economy, with economic impact payments for individuals and families and unemployment assistance making the biggest impact.

“There’s a big concern here because most of the provisions of the CARES Act, maybe all of them, expire at the end of the year,” he said. “That suggests we’re headed towards a bit of a fiscal cliff if no further action is taken.”

Hammond said Arizona has seen some nice job gains since its worst hit from the pandemic, when the jobless rate peaked at just over 13%.

He said the state has recovered about two thirds of the jobs it lost, leaving about 100,000 jobs to be recovered to get back to pre-pandemic levels. But he said Arizona’s unemployment rate has been “a bit weird, frankly.”

“Arizona’s rate has been really volatile. It’s kind of zigzagged around,” he said. “There’s a lot of speculation about what might be driving that.”

Hammond said that if the state can add close to 14,000 jobs per month between now and June it can recover what it has lost. That’s the pace of jobs recovering since the pandemic’s worst point, but it’s not certain that pace can be maintained.

Uncertain outlook

For Arizona, Hammond said the outlook remains “unusually uncertain,” because of questions about what could happen with Covid-19. If the current surge doesn’t get much worse than it was in July — and if the vaccine and more stimulus are forthcoming — the state could return to pre-pandemic employment levels by the middle of 2021.

Regarding the coronavirus vaccine, Chan said it will take time to reach most Americans, further highlighting the need for government intervention in the meantime.

“We all know that it’s not going to be like flipping the switch,” he said. “To assume that very quickly we go back to normal I think is a huge mistake.”

Chan said he expects inflation to begin picking up gradually in 2021, creating more opportunities for investment in the value sector with a slight slowdown in tech and other elements of the growth sector.

Chan highlighted the potential for lessened trade tensions between the U.S. and China in coming months may mean more trade activity that can spur growth. He also said American farmers are poised to benefit from trade improvements as well.

In the long run, Chan said, many of the changes that occurred in 2020 will be permanent.

“2020 was a year where we had almost a decade’s worth of changes,” he said.

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