

2021 – A Year of Rebuilding

Economic Update



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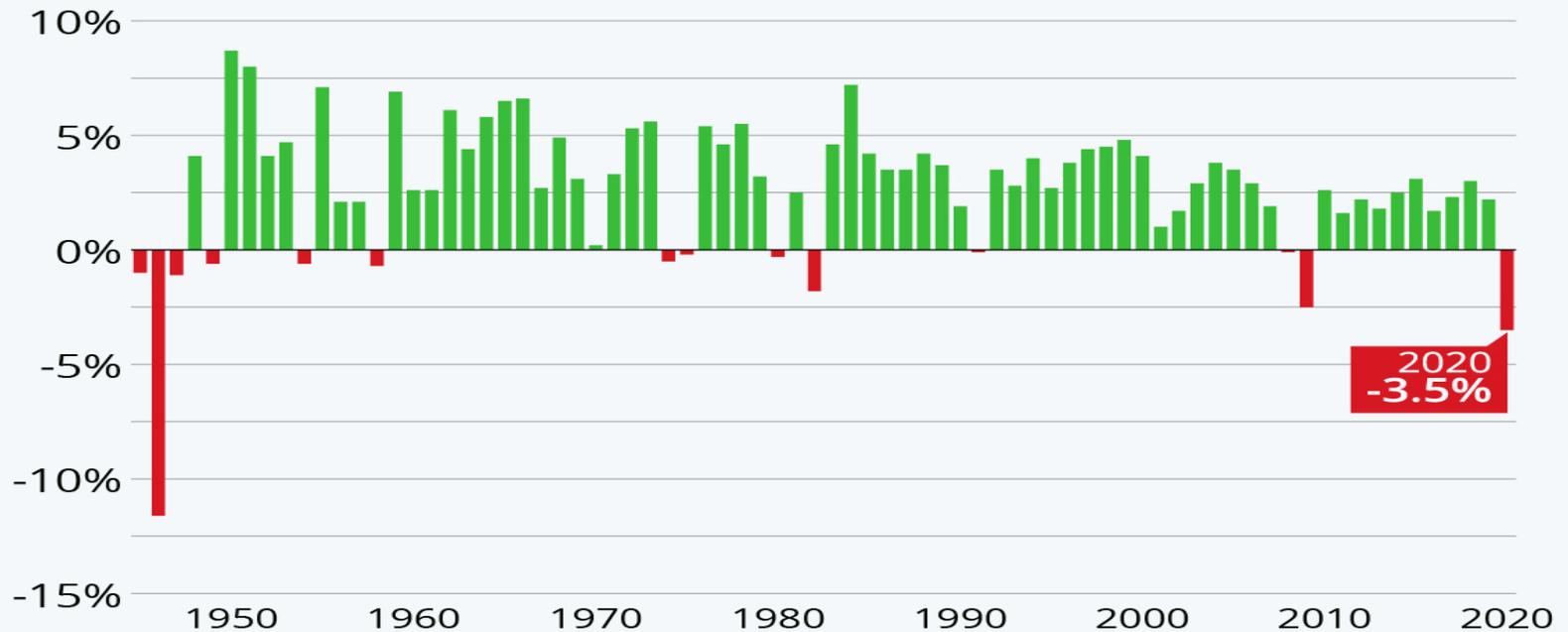
Be Careful What You Wish For



Worst Than Expected

U.S. GDP Falls 3.5% in Biggest Drop Since 1946

Annual real GDP growth in the United States



Source: U.S. Bureau of Economic Analysis



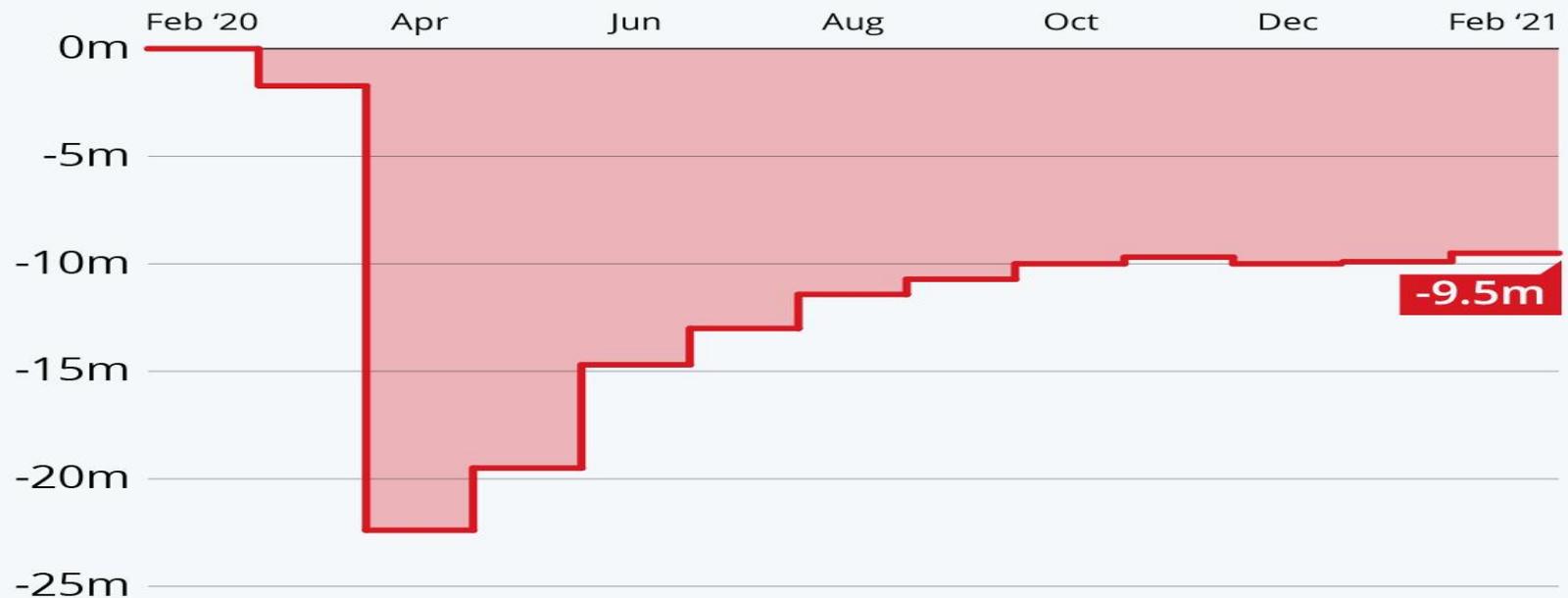
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We Almost Destroyed Our Economy

The State of the Jobs Recovery

Cumulative change in total nonfarm employment in the United States since February 2020 (seasonally adjusted)*



* excludes proprietors, private household employees, unpaid volunteers, farm employees, and the unincorporated self-employed

Source: U.S. Bureau of Labor Statistics



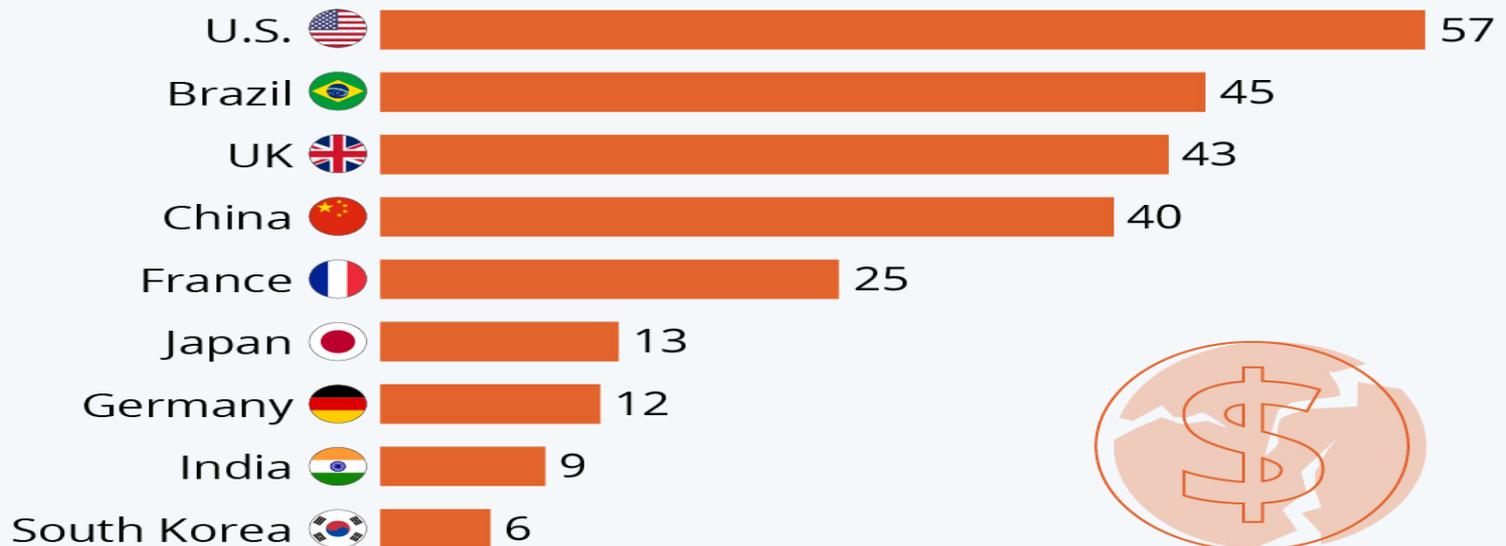
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Pandemic is not Done With US Yet

2021 to Set off Avalanche of Business Insolvencies

Projected increase of business insolvencies in 2021 compared with 2019 (in percent)



As of July 2020

Source: Euler Hermes

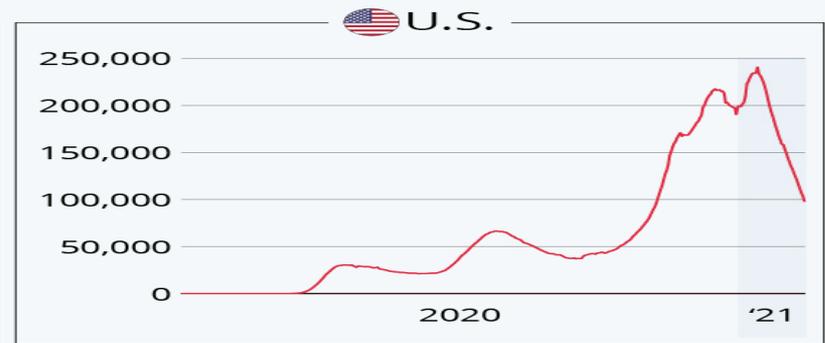
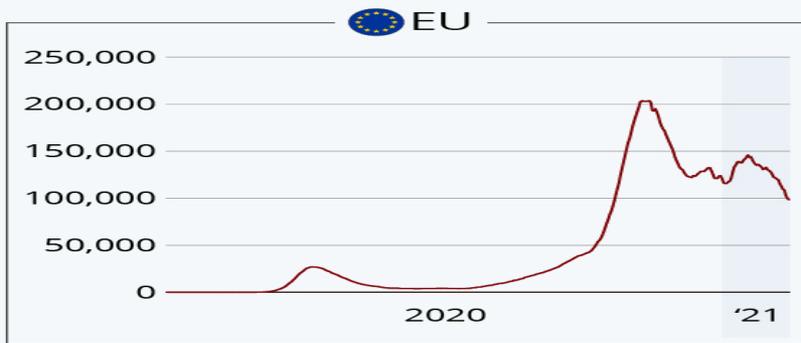
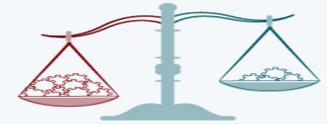


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of Covid-19 Cases Ebbing

New Coronavirus Cases Ebbing in Big Outbreak Centers

Two-week rolling averages of daily new cases of COVID-19 in the EU, the U.S., India and Brazil



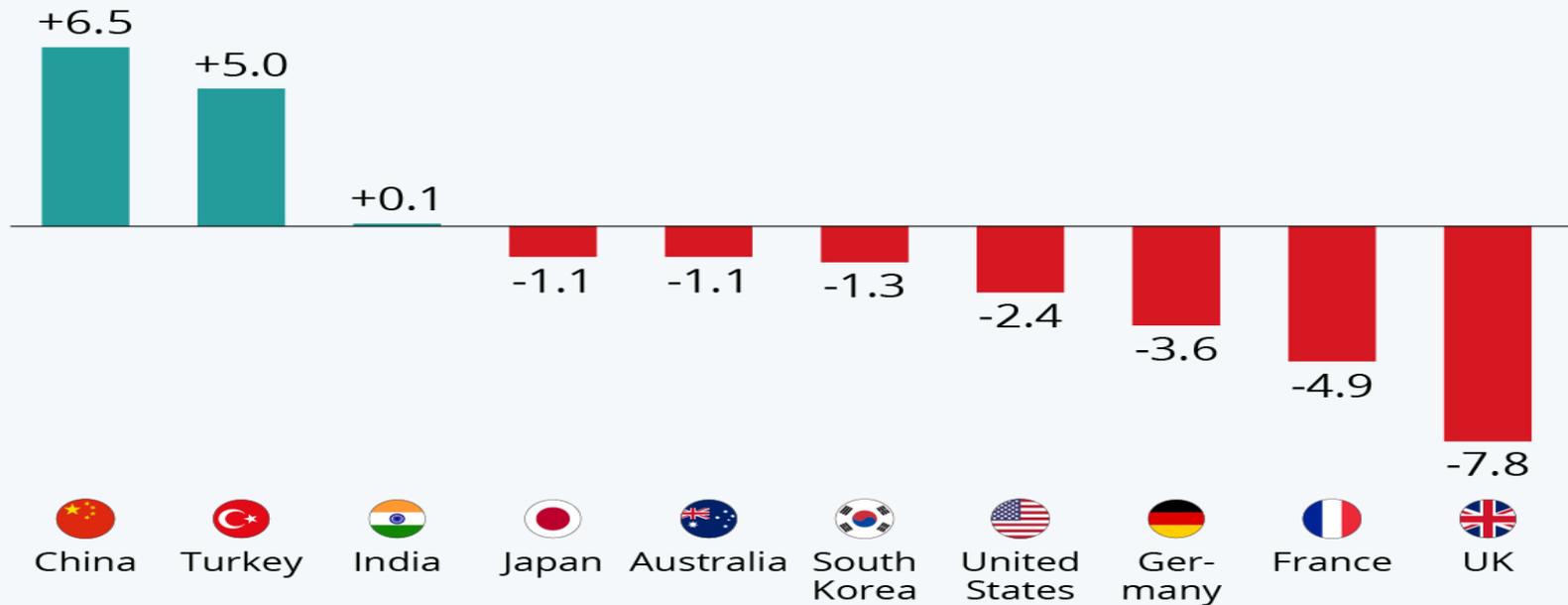
As of Feb 15, 2021; EU as of Feb 14, 2021
Source: European CDC via Our World in Data



The World is Turning the Corner

Coronavirus Slump Eases in Q4

2020 Q4 GDP growth in selected countries (in percent)



Year-on-year growth, not annualized

Source: OECD



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Vaccines and Stimulus Programs

- As vaccination rates grow, infection rates are plummeting.
- Industrialized countries have committed more than \$7 trillion to prop up their economies.



Confirmed Cases are Plummeting

Daily new confirmed COVID-19 cases

Shown is the rolling 7-day average. The number of confirmed cases is lower than the number of actual cases; the main reason for that is limited testing.

Our World
in Data

LINEAR LOG

+ Add country



Source: Johns Hopkins University CSSE COVID-19 Data - Last updated 10 March, 10:03 (London time)

CC BY

▶ Jan 23, 2020  Mar 9, 2021

Deaths are Falling Rapidly

Our World
in Data

Daily new confirmed COVID-19 deaths

Shown is the rolling 7-day average. Limited testing and challenges in the attribution of the cause of death means that the number of confirmed deaths may not be an accurate count of the true number of deaths from COVID-19.

LINEAR

LOG

+ Add country



Source: Johns Hopkins University CSSE COVID-19 Data - Last updated 10 March, 10:03 (London time)

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▶ Feb 29, 2020 ○ Mar 9, 2021

CHART

MAP

TABLE

SOURCES

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Vaccinations are Accelerating

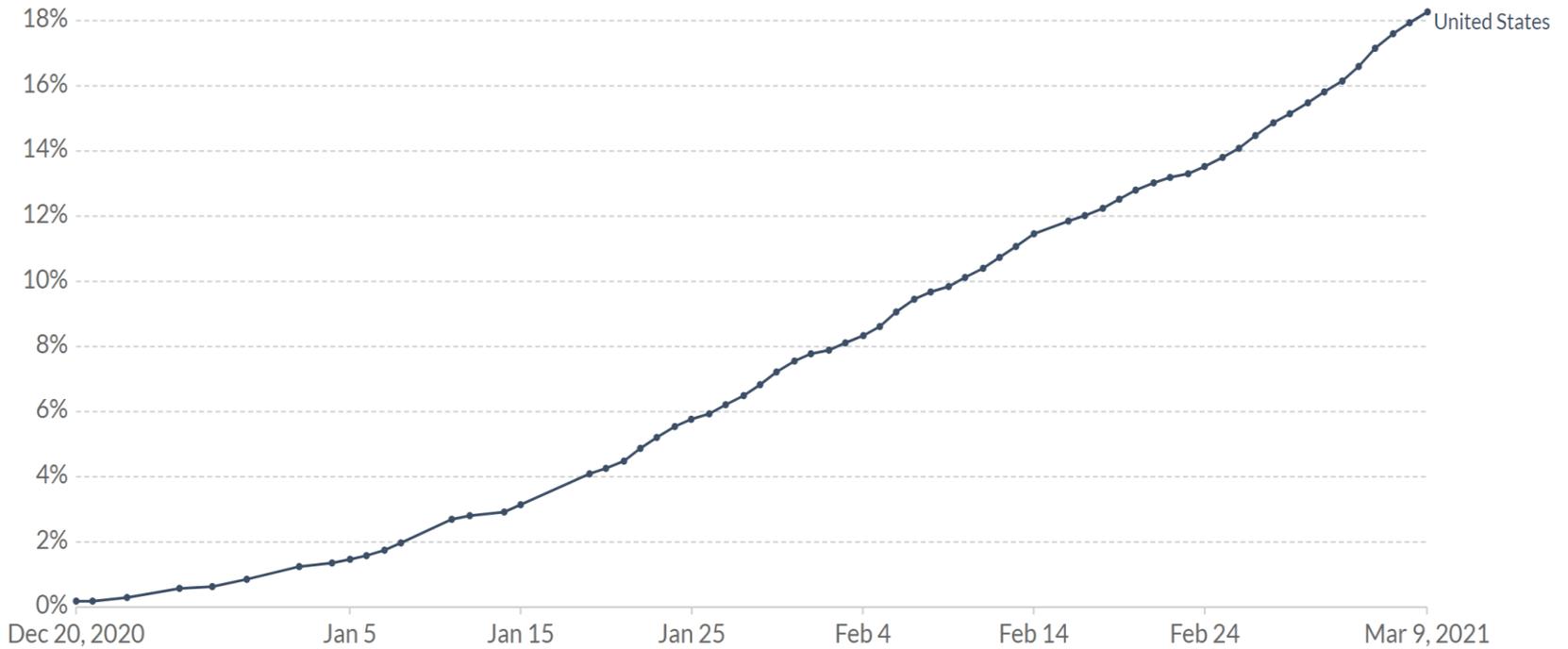


Share of people who received at least one dose of COVID-19 vaccine

Share of the total population that received at least one vaccine dose. This may not equal the share that are fully vaccinated if the vaccine requires two doses.

Our World
in Data

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Source: Official data collated by Our World in Data - Last updated 10 March, 11:07 (London time)

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▶ Dec 20, 2020 ○ Mar 9, 2021

CHART

MAP

TABLE

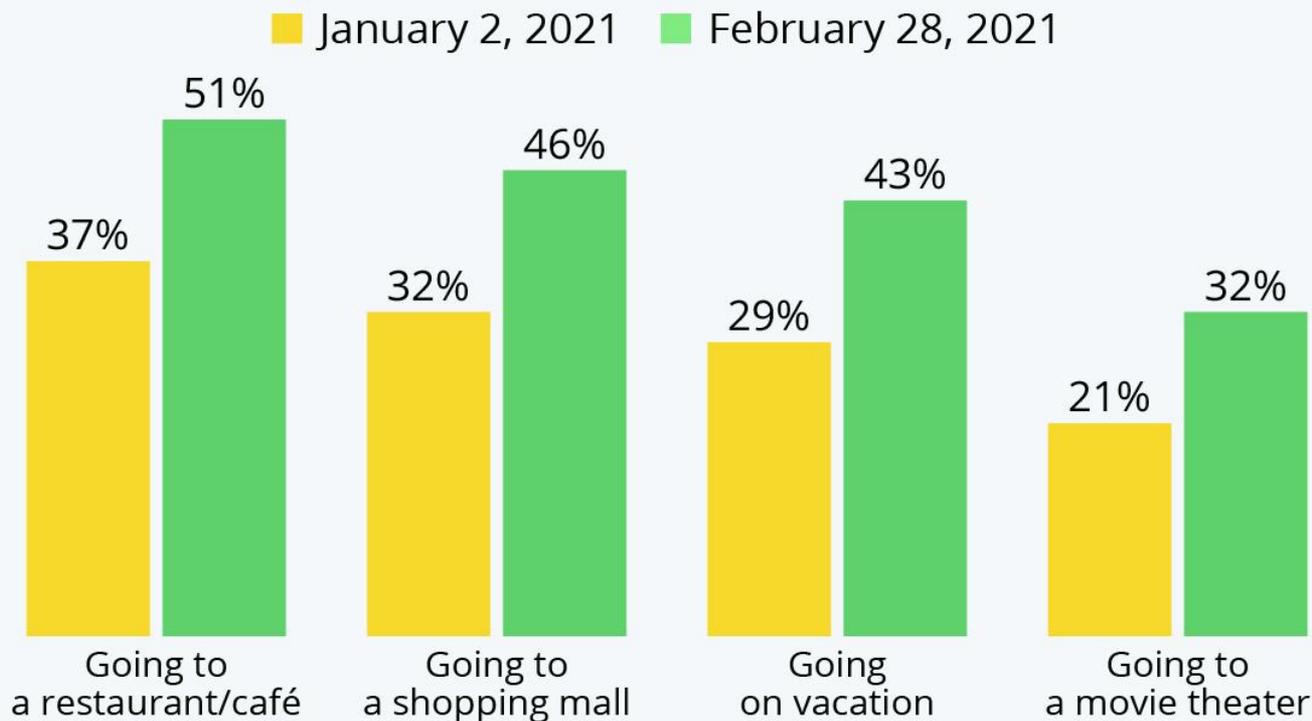
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Vaccine Progress Sparks Optimism Among Americans

% of respondents who said they would be comfortable doing the following right now



Based on weekly survey of 2,200 U.S. adults

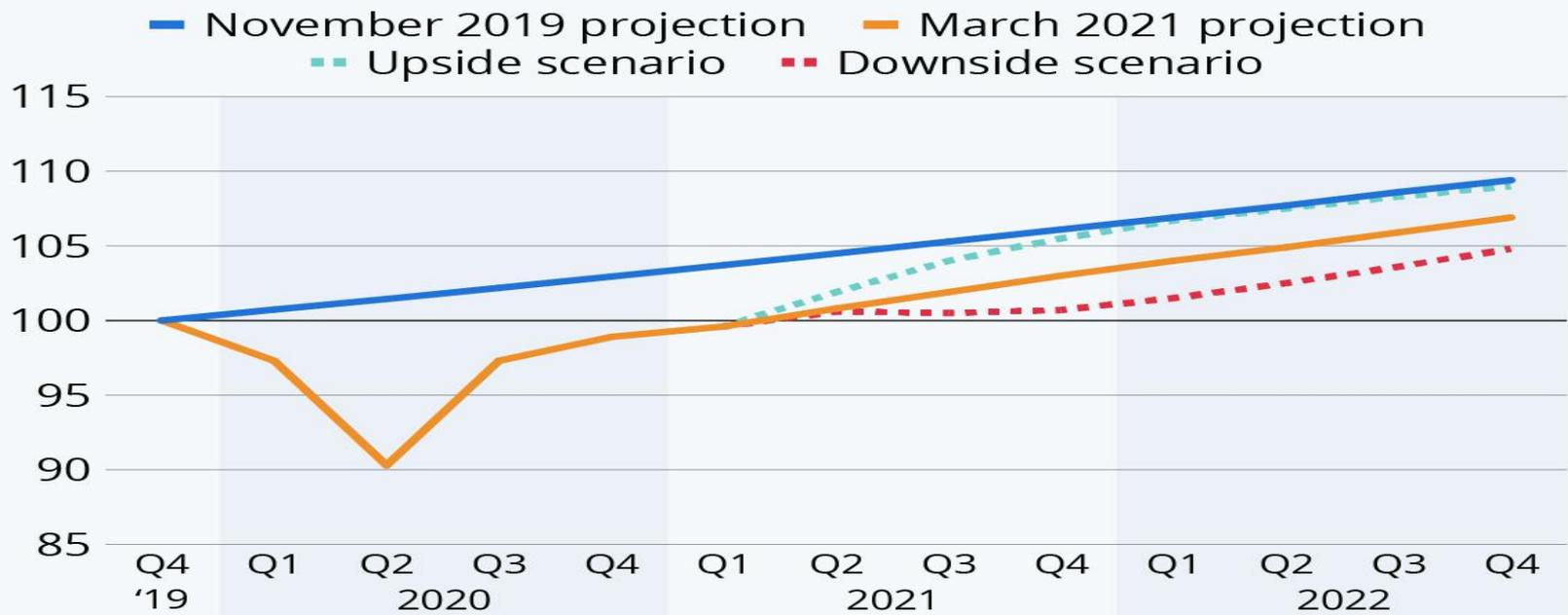
Source: Morning Consult



The “Bounce” is Starting

World Economy to Return to Pre-Pandemic Output in 2021

Global GDP projections made in November 2019 and March 2021, Index: Q4 2019=100



Source: OECD



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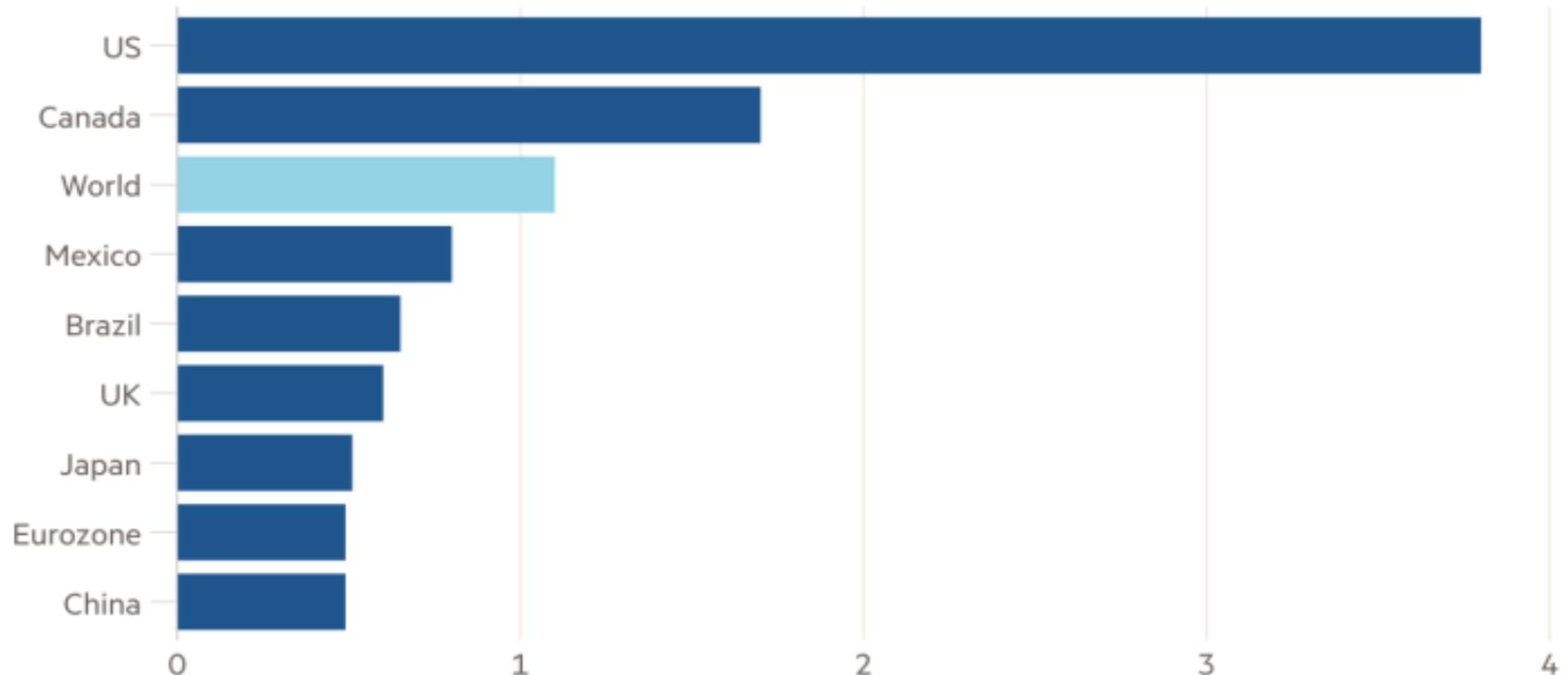
Growth is Picking Up

- Stimulus cash will start flowing in two to three weeks.
- America could be swamped with vaccines in a month.
- The only question is will growth be:
 - Anemic, Healthy or Spectacular.
- Bill Gurley of Benchmark Capital calls it “The Revenge Economy.”
 - But even he is unsure how strong it will be.

Stimulating Growth

Impact of Biden's stimulus plan on 2021 growth outlook

Percentage point rise in GDP forecast



Assuming consumer spending is sensitive to changes in income

Source: OECD

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America Will be a Growth Machine

- **U.S. Set to Power Global Economic Recovery From Covid-19** (WSJ 3-7-21)
 - For the first time since 2005, America may make a bigger contribution to growth than China
- The world economy is likely to grow by around 6% this year, according to Oxford Economics, the fastest rate in almost half a century, as [vaccine campaigns](#) allow pandemic restrictions to be lifted and businesses to snap back.
- **Expect Inflation to come roaring back..**



It Has Been 16 Long Years

- For the first time since 2005, the U.S. is expected this year to make a bigger contribution to global growth than China.
- After the 2008 financial crisis, the global economic recovery was powered by China, as the U.S. experienced the weakest revival since the Great Depression.
- Since the U.S. economy is about 1/3 larger than China's, the US contribution to global growth will be larger than China's if both grow roughly at the same rate in 2021.



The OECD is Bullish on America

- The U.S. economy will expand by 6.5% this year, almost double the OECD's projection as recently as December.
- India will grow by 12.6%, China will see 7.8% growth, while the Eurozone will grow by 3.9%.

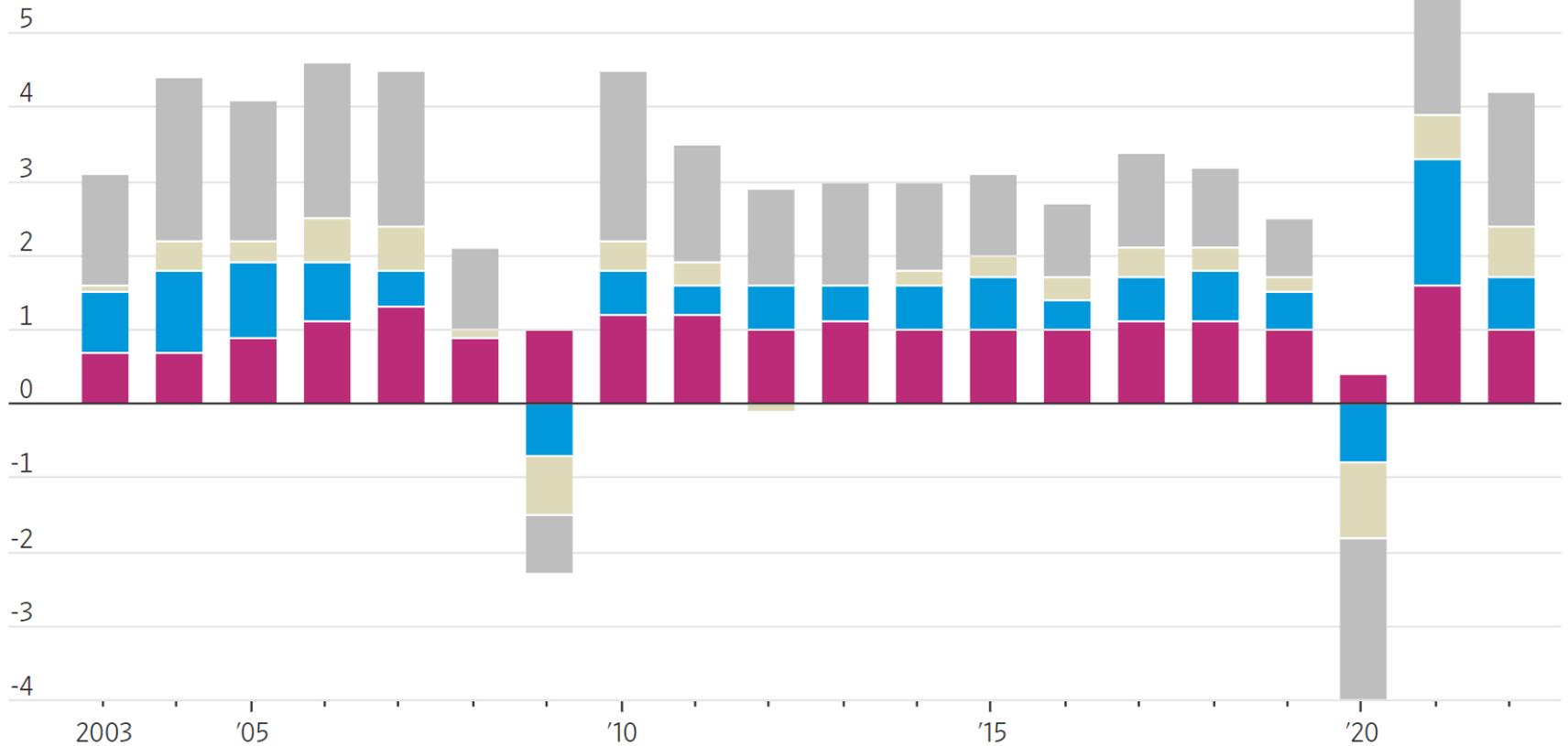


U.S. Will Drive Global Growth in 21

Contribution to global growth

■ China ■ U.S. ■ Eurozone ■ Rest of world

6 percentage points



Note: Figures for 2021-22 are estimates.

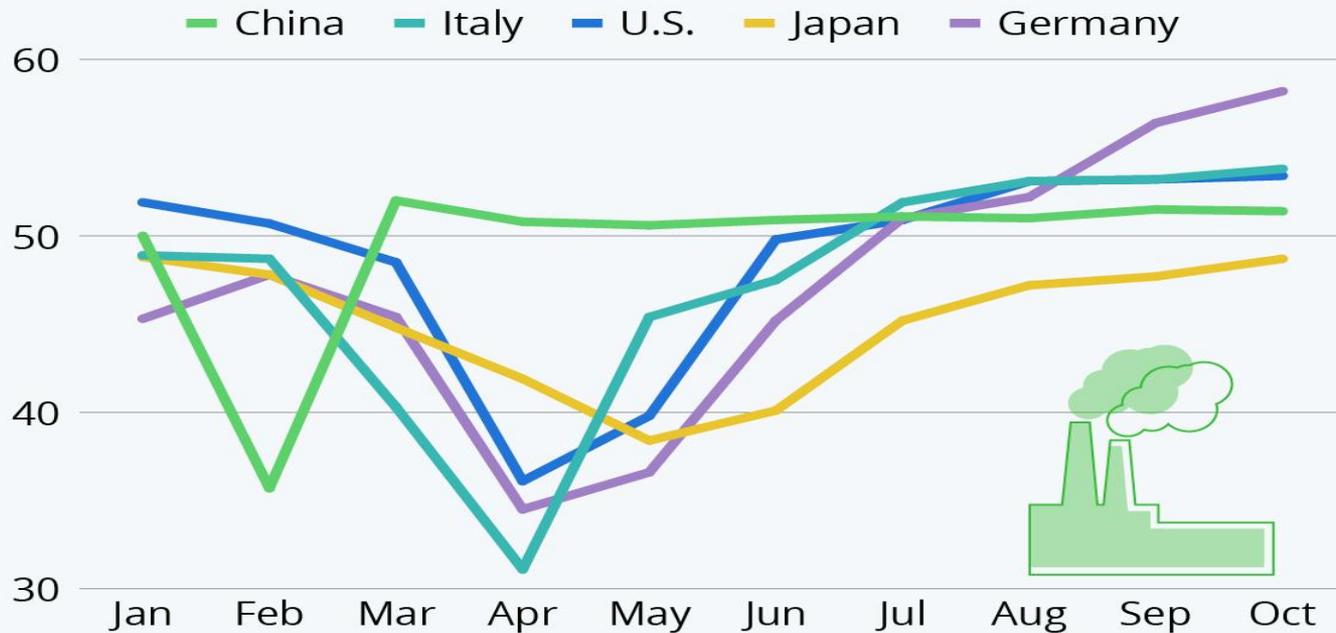
Source: Oxford Economics



Factories Turned On in November

Global Factory Activity Rebounds

Purchasing manager indices for manufacturing in 2020



Index value below 50 indicates contraction, above 50 indicates expansion

Sources: Reuters, IHS Markit, Caixin, Jibun Bank



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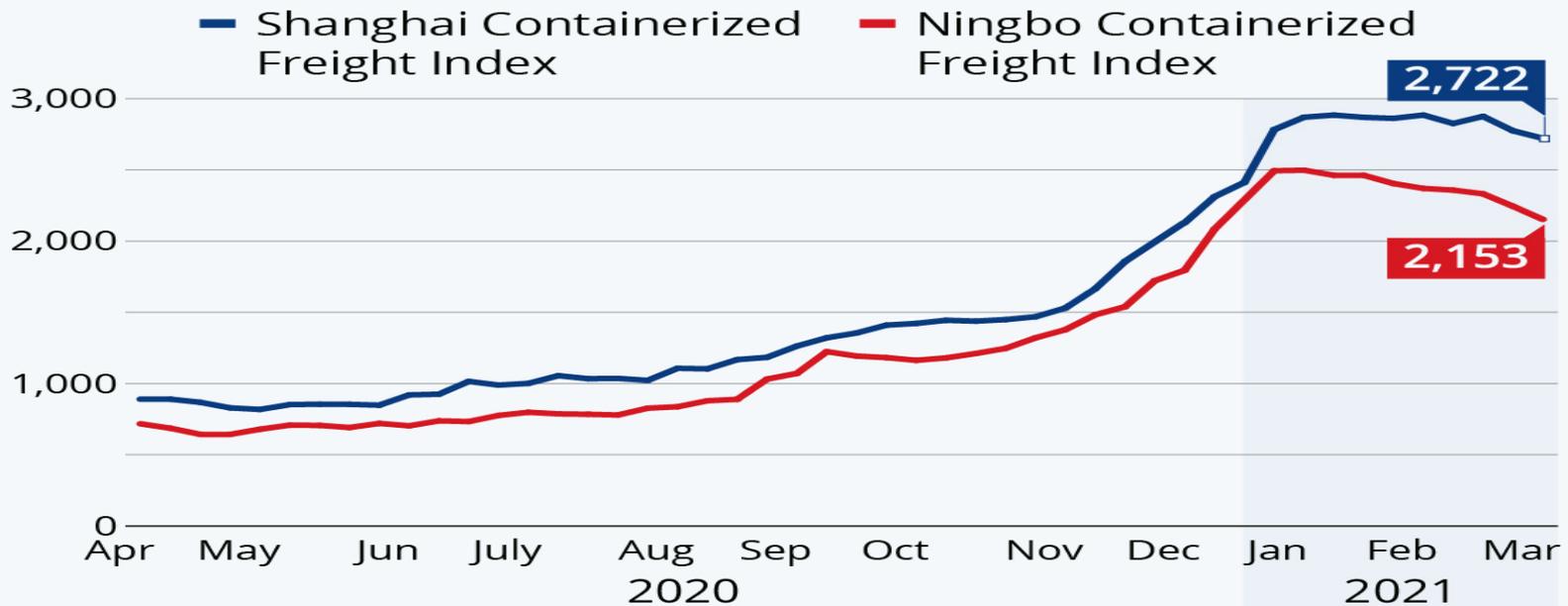
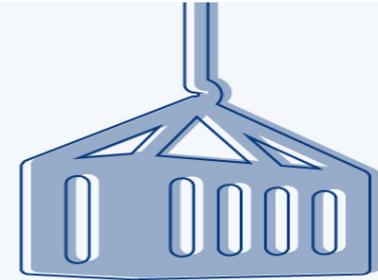
When Containers Ship . . .



... Railcars Roll

Container Freight From Asia Surges

Cost of shipping container freight out of Shanghai/Ningbo port (index value)



Source: Shanghai and Ningbo Shipping Exchanges via Container News



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America's Strategic Interests

- **The Global Pandemic and the Trump Presidency helped Americans realize how dependent we are on other countries for key strategic assets.**
- **We will make major investments in bringing these industries home.**
 - Rare Earths,
 - Semiconductors,
 - PPEs,
 - Pharmaceutical feed stock, and
 - Other Strategically Important Assets.



A Commodities Shipping Boom

- **We are already seeing shortages and month's long backlogs for critical inputs for a whole host of industries.**
 - Single Family Homes
 - Apartment Buildings
 - Warehouses
 - Road and other infrastructure projects that require American-made steel components
 - Cars, Trucks and RVs
 - Laptops and other computers
 - The list seems endless



Inflation and Chips

- **\$1.9 Trillion will accelerate consumer demand and fuel inflation.**
 - Global investors have started to worry about a sharp uptick in inflation, which could result from strong growth and supply-chain bottlenecks.
- We have a growing shortage of computer chips which are creating bottlenecks in a wide range of industries, including:
 - Automobiles,
 - Computers, and
 - Trucks

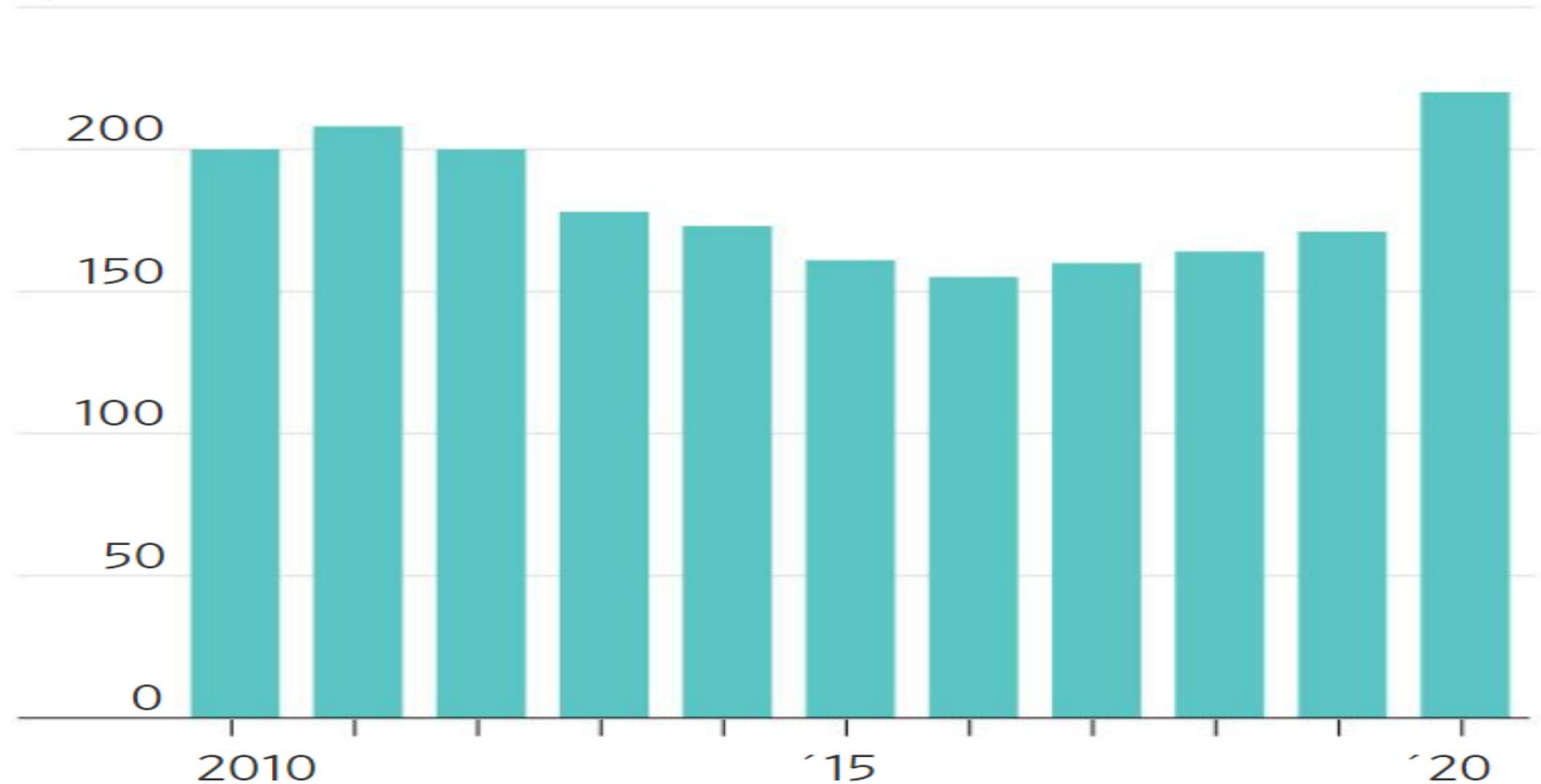


Covid Revived the Laptop Industry

Year of the Laptop

Global unit sales of laptops surged in 2020 as people worked and learned from home

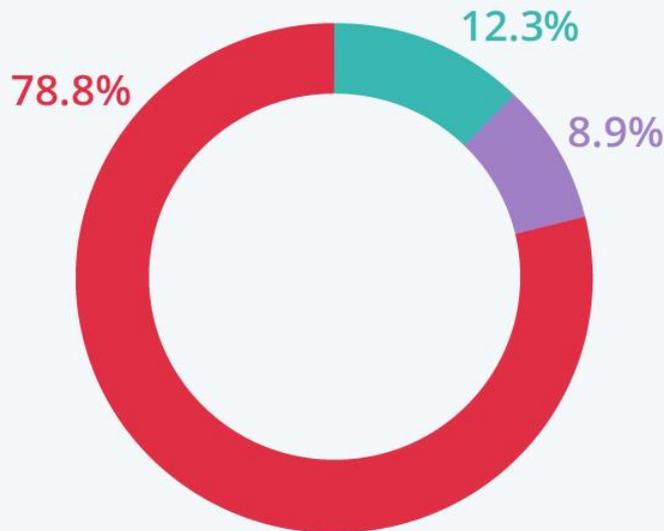
250 million



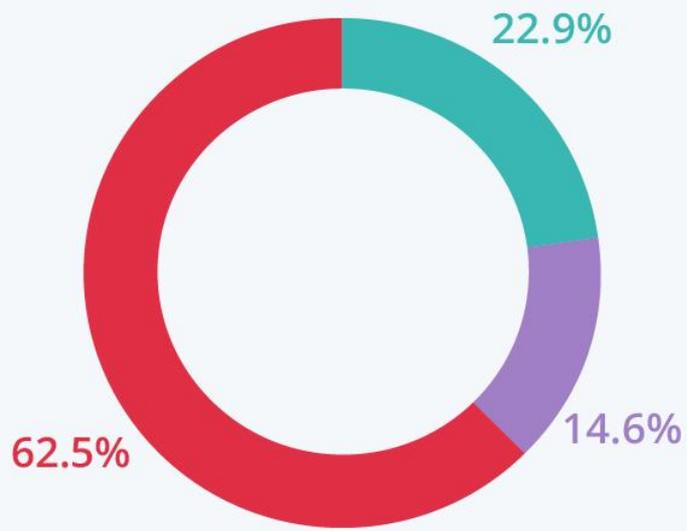
Remote Work Could Double Permanently

Percentage of U.S. work teams/departments that plan to work remotely in five years, compared to pre-pandemic

● Fully remote ● Partially remote ● Not remote



Before COVID-19



Five years from now

Survey conducted between Oct. 21-Nov.7 of over 1,000 U.S. hiring managers

Source: Upwork



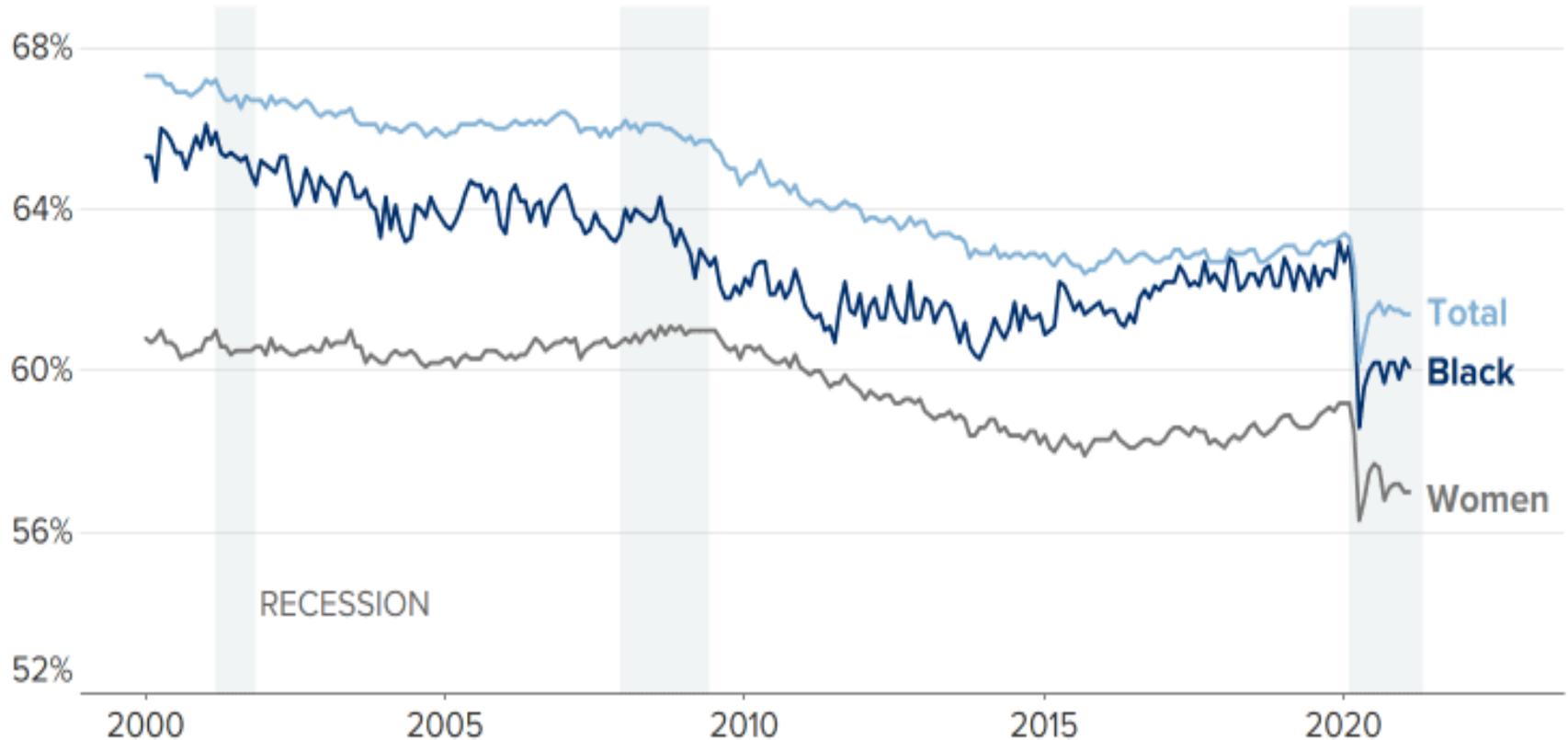
Is This Why You Are Here?



The Worst is Over

Labor force participation rate

Share of the working-age population that is either working or actively looking for work



SOURCE: U.S. Bureau of Labor Statistics, retrieved from FRED, Federal Reserve Bank of St. Louis. Data for women includes workers 20 years and older. As of February 2021.





Job Growth Will Accelerate

- **Goldman Sachs forecasts a jobs boom, says unemployment rate could fall to 4.1% by the end of 2021**
- That forecast is the lowest on Wall Street, and the firm said that number could fall even further.
- A rebound in hospitality hiring combined with an economic bounce back and stimulus spending is expected to fuel the jobs boom.

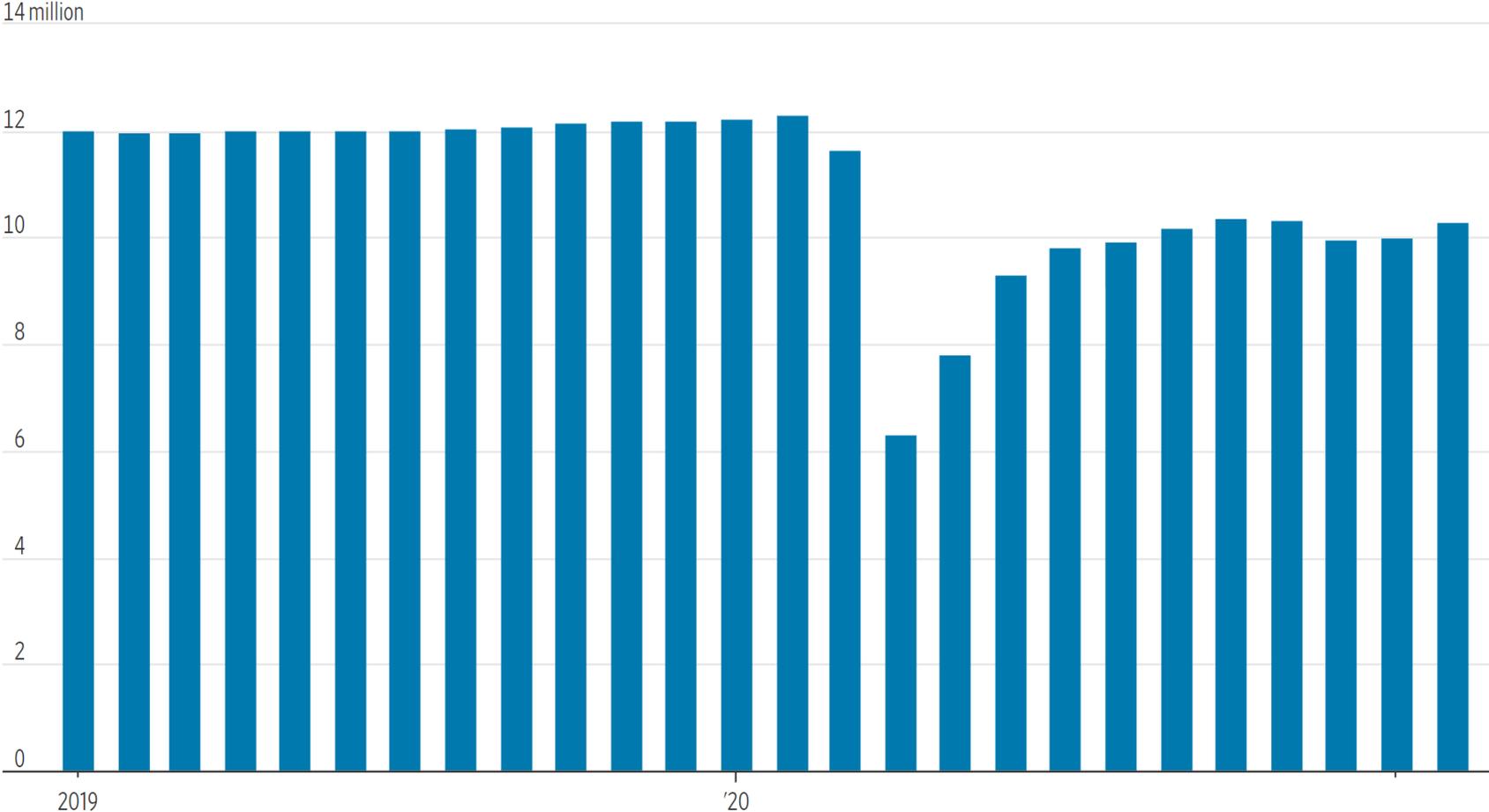


Services Employment Will Surge

- **When vaccines are readily available, more states will drop restrictions on business and travel.**
- **Pent Up Demand Winners:**
 - Airlines and Cruise Lines,
 - Rental Car Companies,
 - Restaurants and Bars,
 - Resorts and Hotels,
 - College Football and MLB Baseball,
 - Amusement Parks and Movie Theaters
 - New Housing Starts (in spite of higher interest)

More Jobs, Less Inflation?

Food-services and drinking-places employment



Note: Seasonally adjusted
Source: Labor Department via St. Louis Fed

Prepare to Move Quickly



'Or, if you want something more expensive, I can show you this again tomorrow'

Austin Texas

real estate