

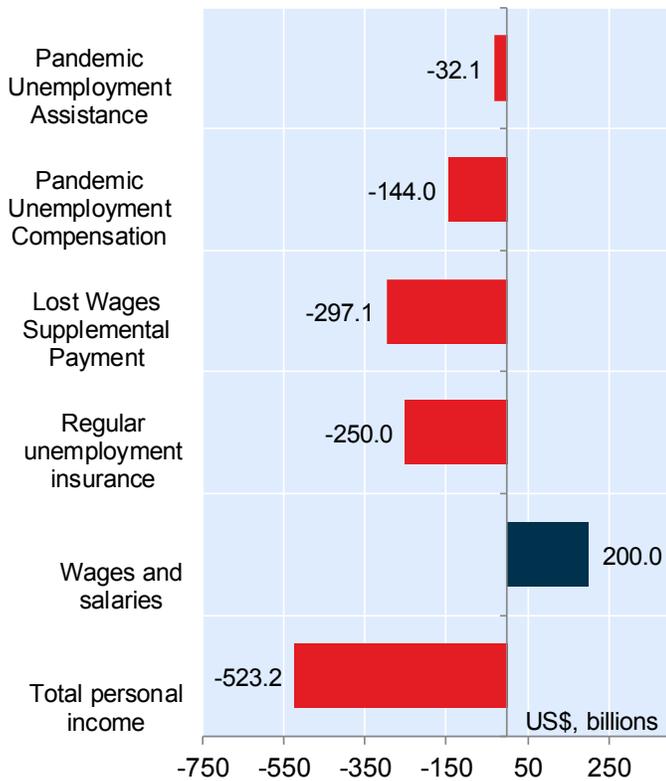
## U.S. Watch

By Jocelyn Paquet

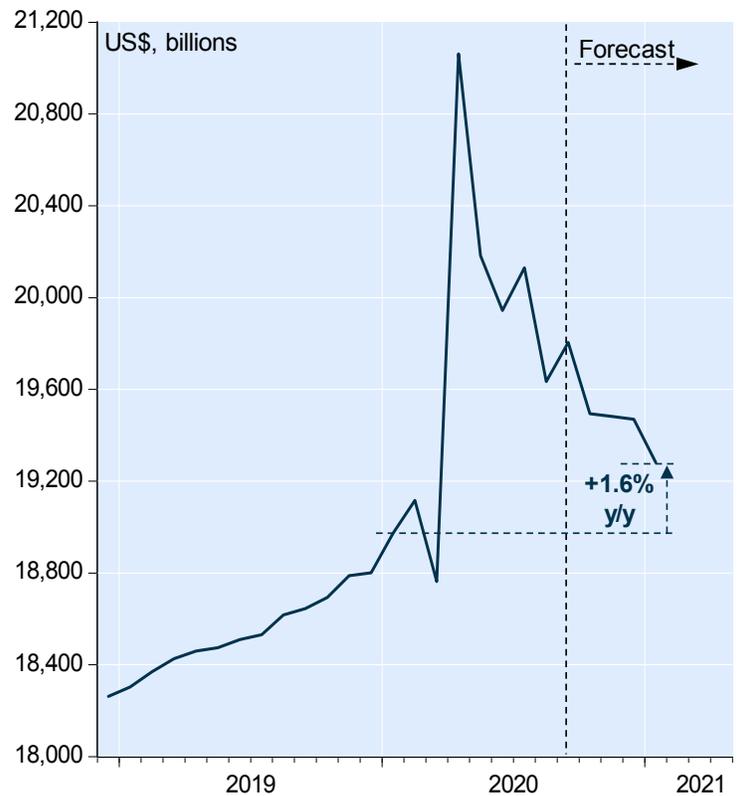
As the U.S. Congress is locked in a stalemate over another round of fiscal stimulus amid rapidly rising cases of COVID-19, analysts are starting to wonder how much longer this chicken game can go on in Washington before consumers start feeling the pinch. To answer this question, we took a closer look at income/spending data published by the BEA. In September, personal income totaled \$19,804.2 billion in the U.S. (annualized). Of this sum, \$176.1 billion came from unemployment insurance programs introduced in the midst of the crisis (the Pandemic Unemployment Assistance and the Pandemic Emergency Unemployment Compensation). These are scheduled to expire at the end of the year. The Lost Wages Supplemental Payment Assistance, a program introduced by President Trump to extend bonifications to regular unemployment schemes, accounted for another \$297.1 billion. The program ran out of funds in October. The end of these programs, combined with a further expected drop in regular unemployment insurance payments, could result in a loss of income of about \$725 billion by the end of January. Of course, these losses should be partially offset by an increase in wages. But given the deteriorating public health situation, job gains could be modest in the coming months, translating in an increase in income of only \$200 billion between October and the end of January. According to our calculations, total personal income could thus decrease by \$525 billion by the end of January but would still be up 1.6% year on year. Although not a stellar gain by historical standards, this is still miles ahead of the 6.8% peak-to-trough drop recorded in the 2008-09 recession. What's more, this number fails to account for substantial savings accumulated over the past few months (representing around 7.0% of current income). Based on this analysis, we believed U.S. consumers will be able to sustain a decent level of spending until Joe Biden's officially becomes President on January 20. Fresh stimulus (and possibly a vaccine) would then likely be necessary to prevent an outright drop in income.

## Can the U.S. afford to wait until January for another round of stimulus?

Expected change in chosen categories of income between Sep. and the end of Jan.



Expected change in personal income



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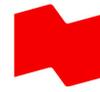
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