

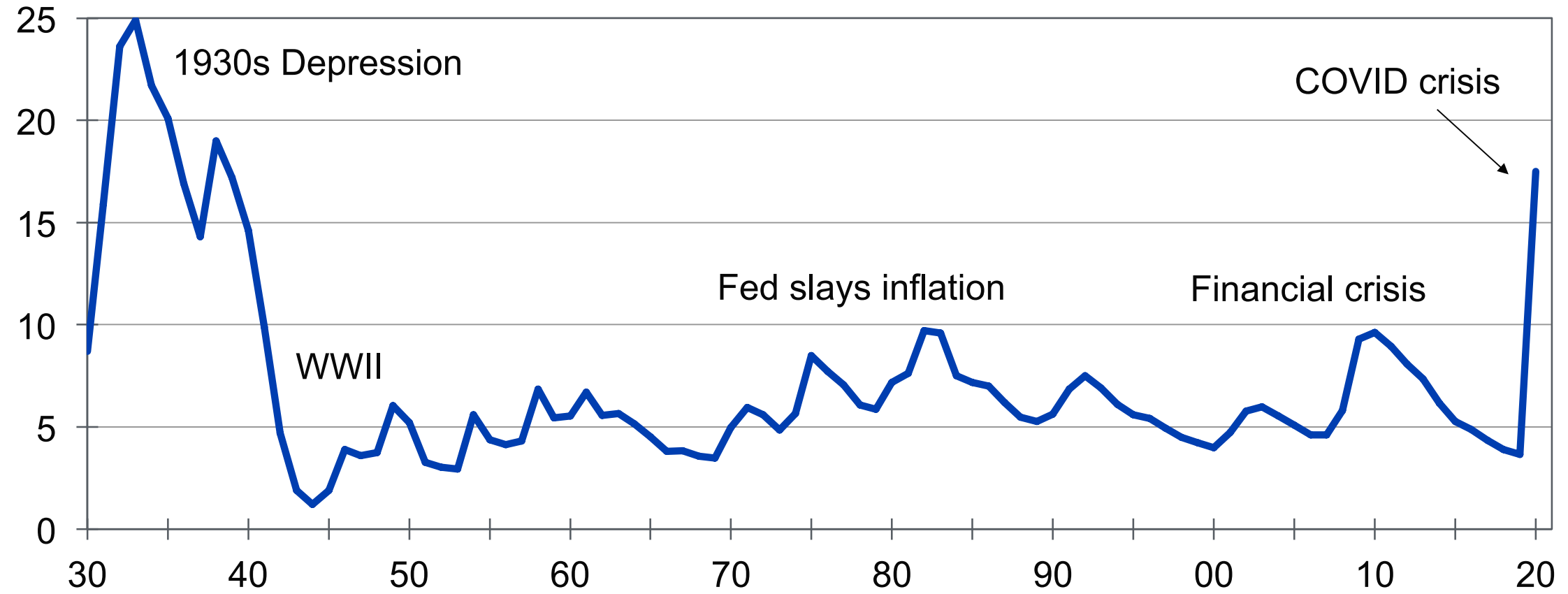
The COVID-19 Economy

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Not Since the Great Depression

U.S. unemployment rate, %

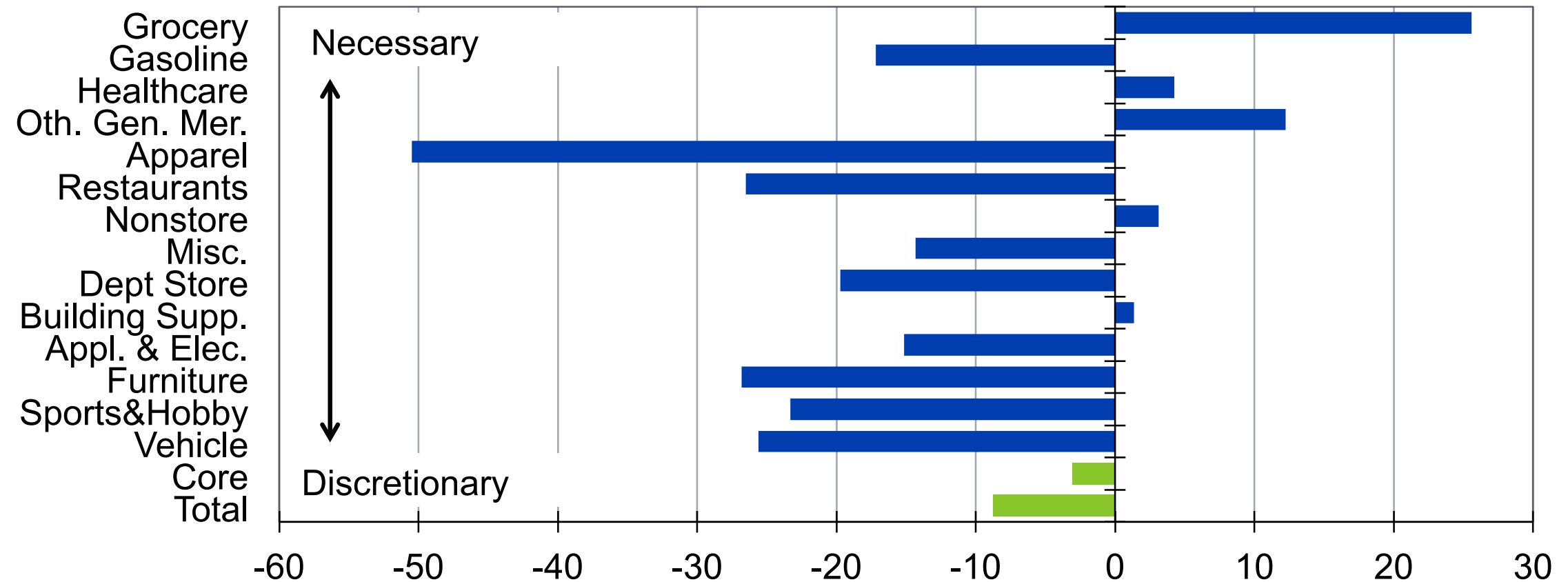


Sources: Federal Reserve, BEA, Moody's Analytics

MOODY'S ANALYTICS

Spending Shifts – Losers Swamp Winners

Retail sales, % change, March 2020

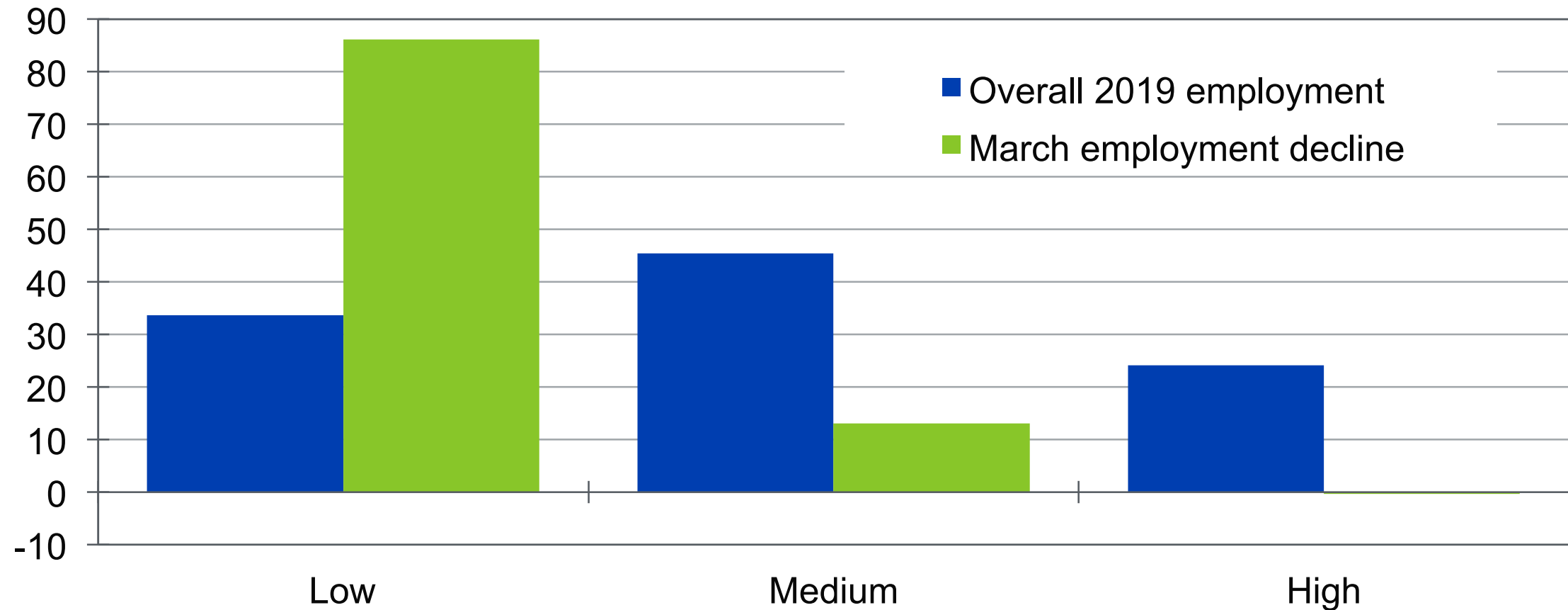


Sources: Census Bureau, Moody's Analytics

MOODY'S ANALYTICS

Low Wage Workers Bearing Brunt of Losses

Share of jobs by wage tier, %

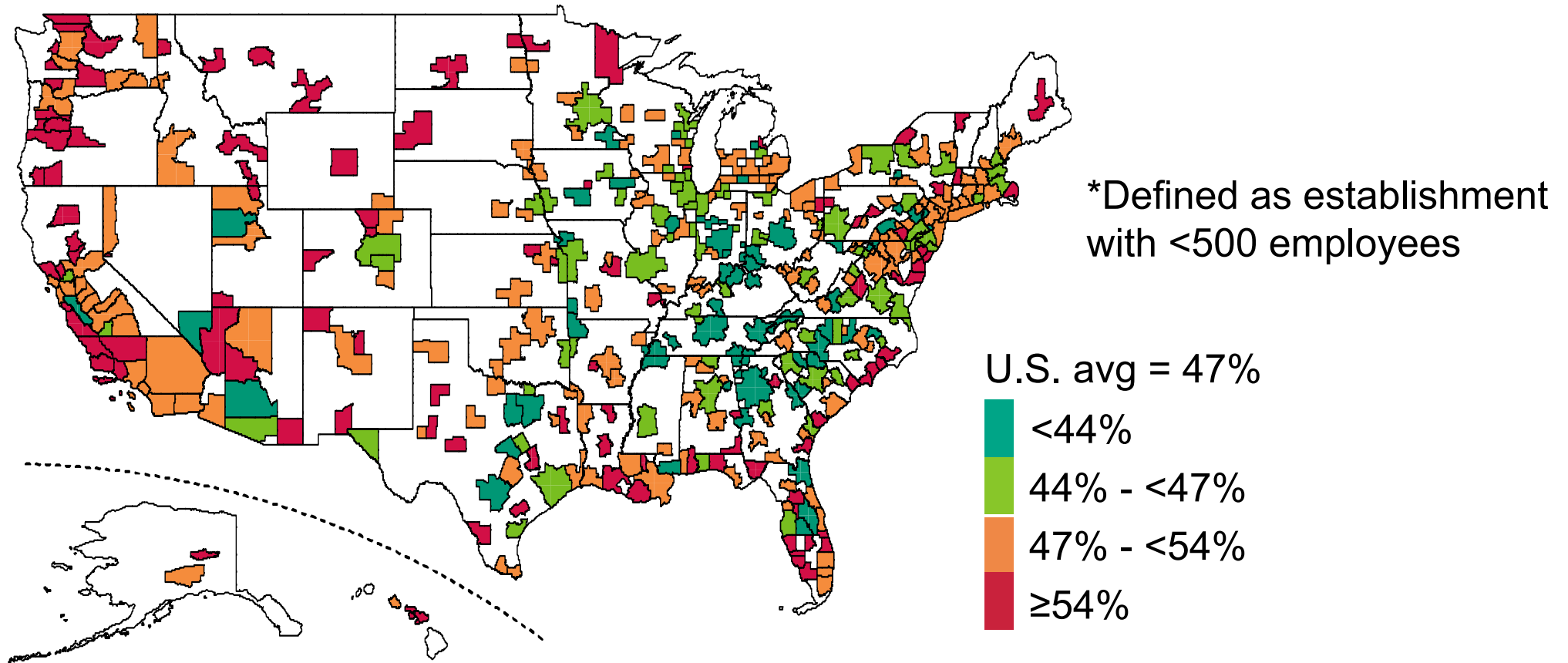


Sources: BLS, Moody's Analytics

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Small Business Vulnerability

Small business* employment, % of total private, 2016

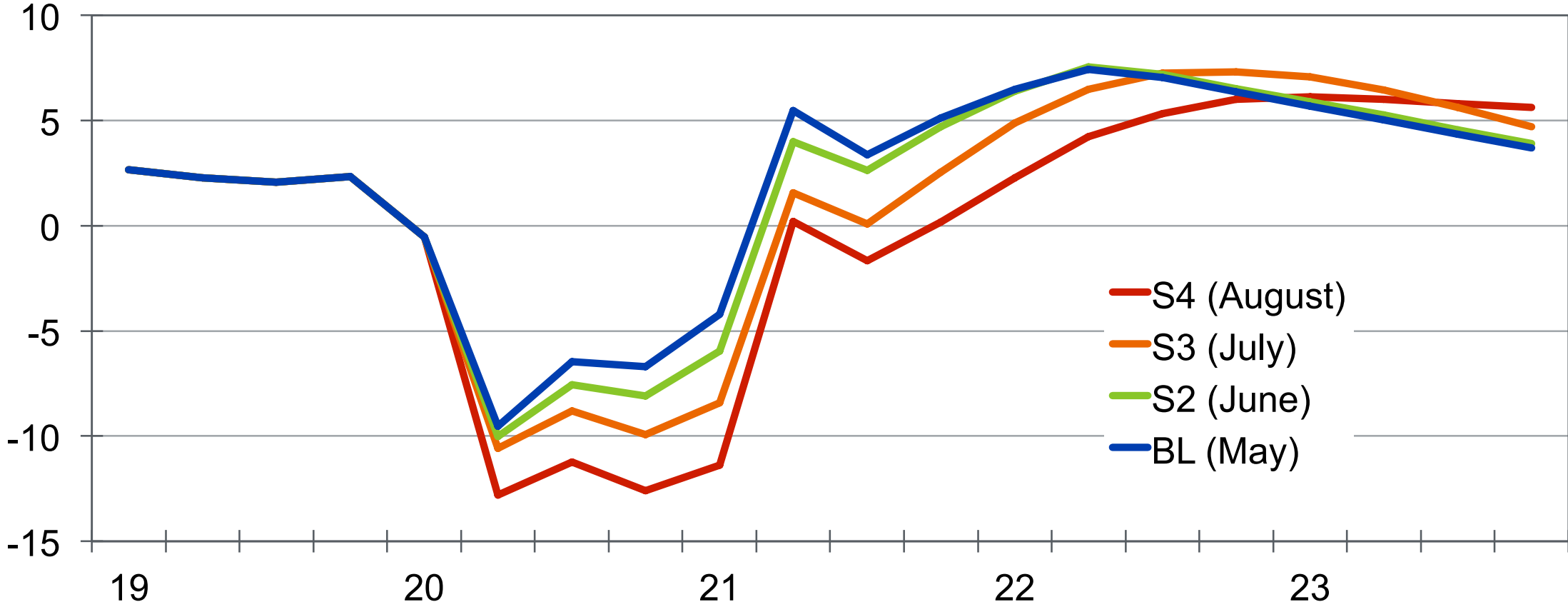


Sources: Census Bureau, Moody's Analytics

MOODY'S ANALYTICS

Timing Is Everything in the Forecast

U.S. real GDP, % change yr ago

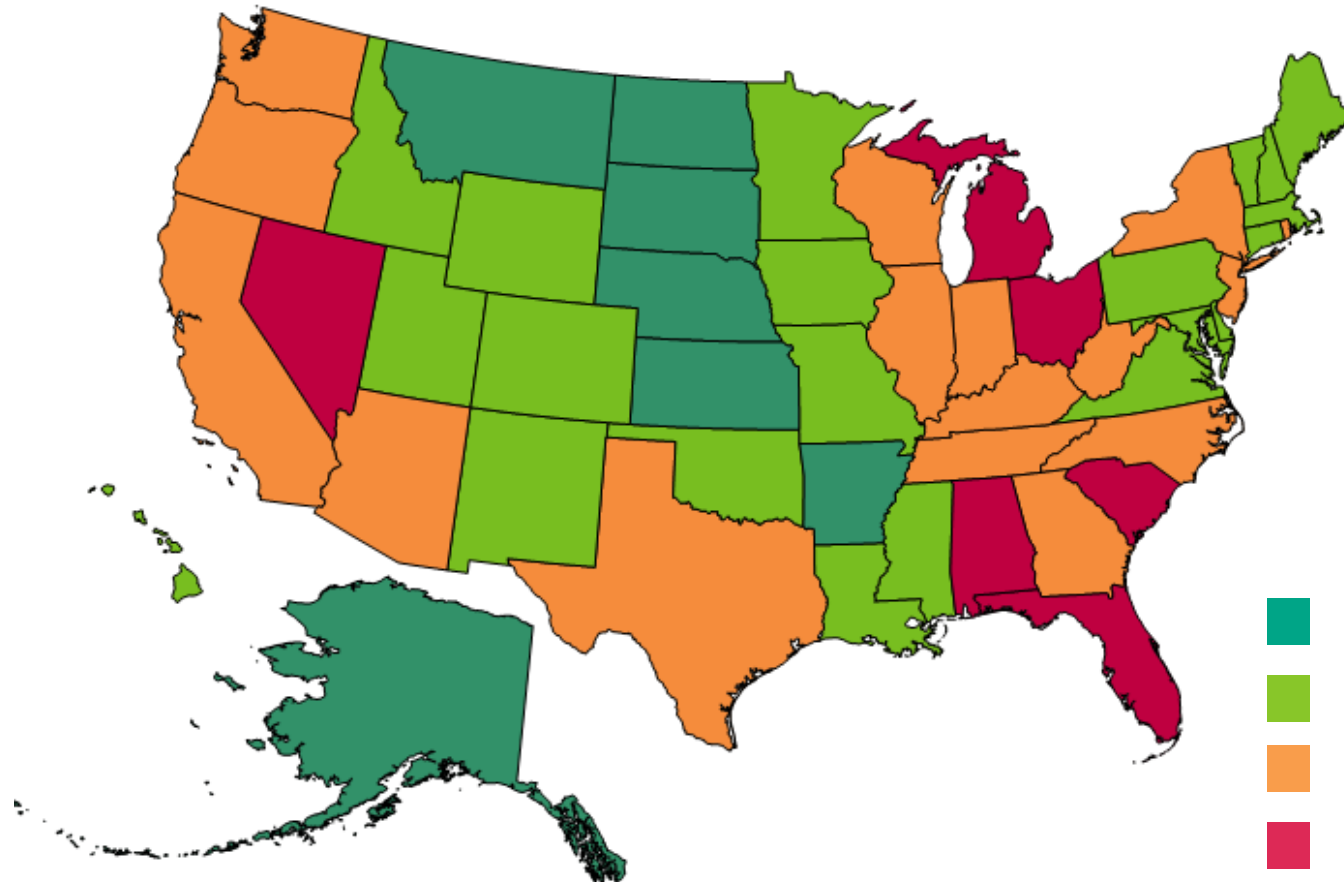


Sources: BEA, Moody's Analytics

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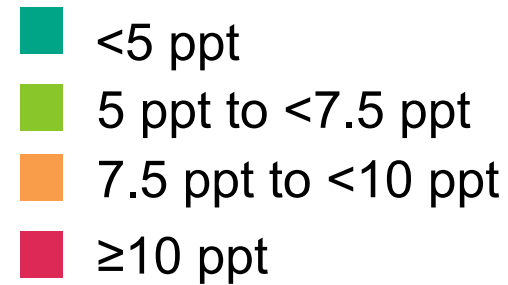
Lots of Pain, but Not All the Same

Change in unemployment rate 2019Q4 to 2020Q2, ppts



Key Characteristics

- » COVID-19 Infection Rate
- » Exposure to small business
- » Industry mix
- » International connectivity

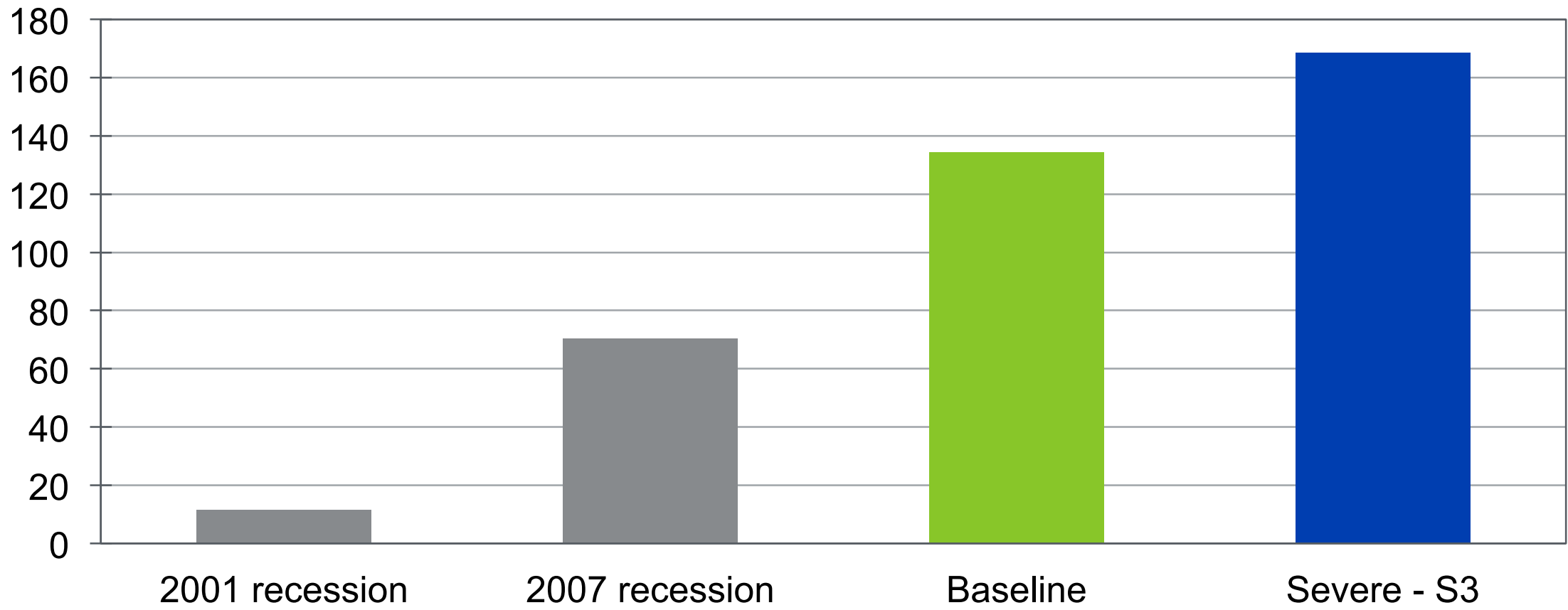


Sources: BEA, Moody's Analytics

MOODY'S ANALYTICS

Historic Declines On Tap

Aggregate state general fund revenue declines through fiscal 2021, \$ bil

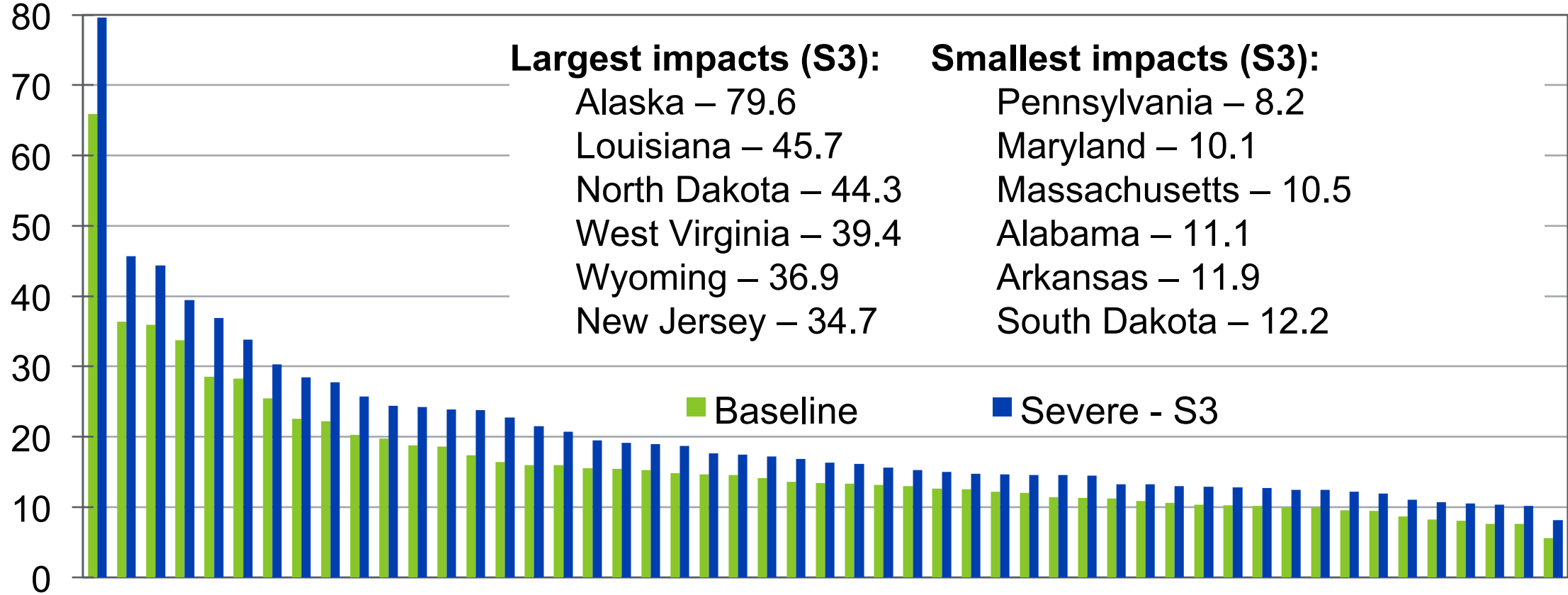


Sources: NASBO, Moody's Analytics

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Wide Range of Revenue Outcomes

Estimated revenue declines, % of 2019 general fund revenues

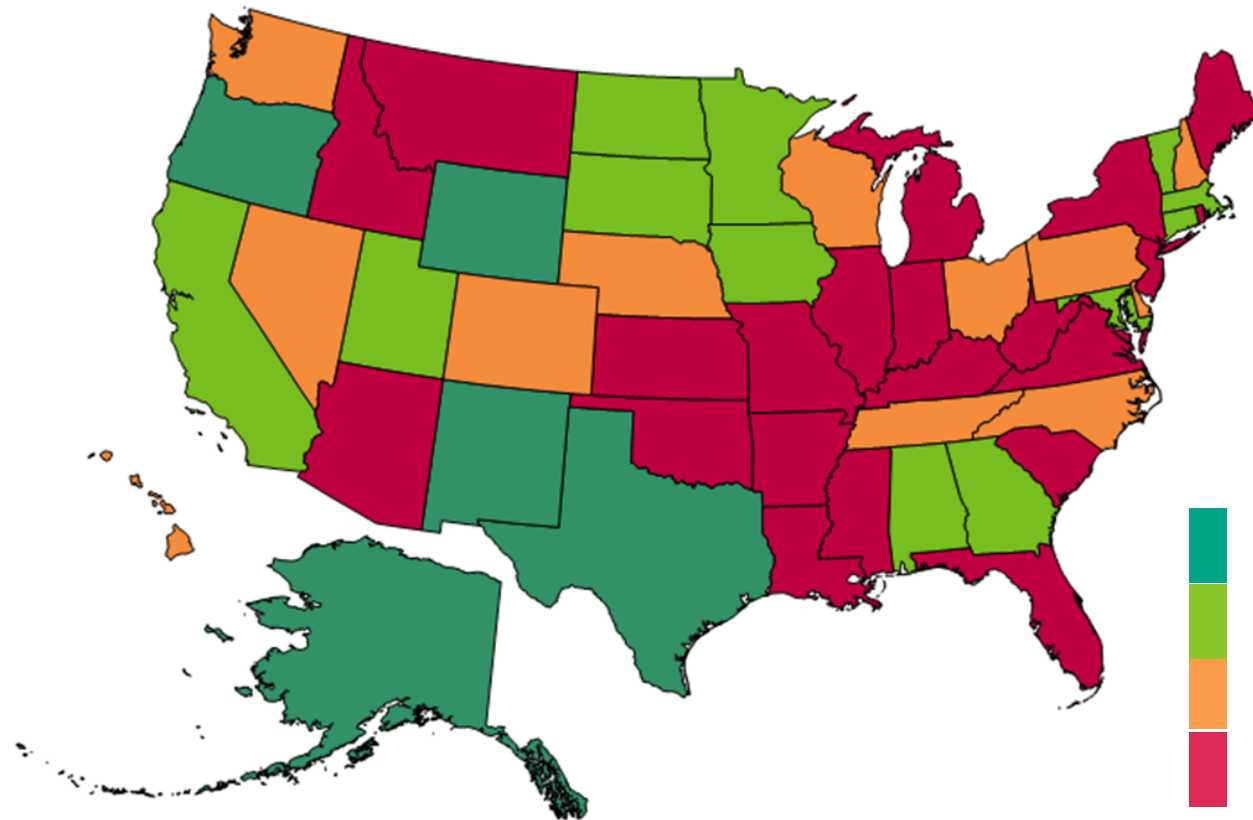


Source: Moody's Analytics

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Inescapable Shortfalls

Shortfall net of reserves under baseline, % of 2019 revenues



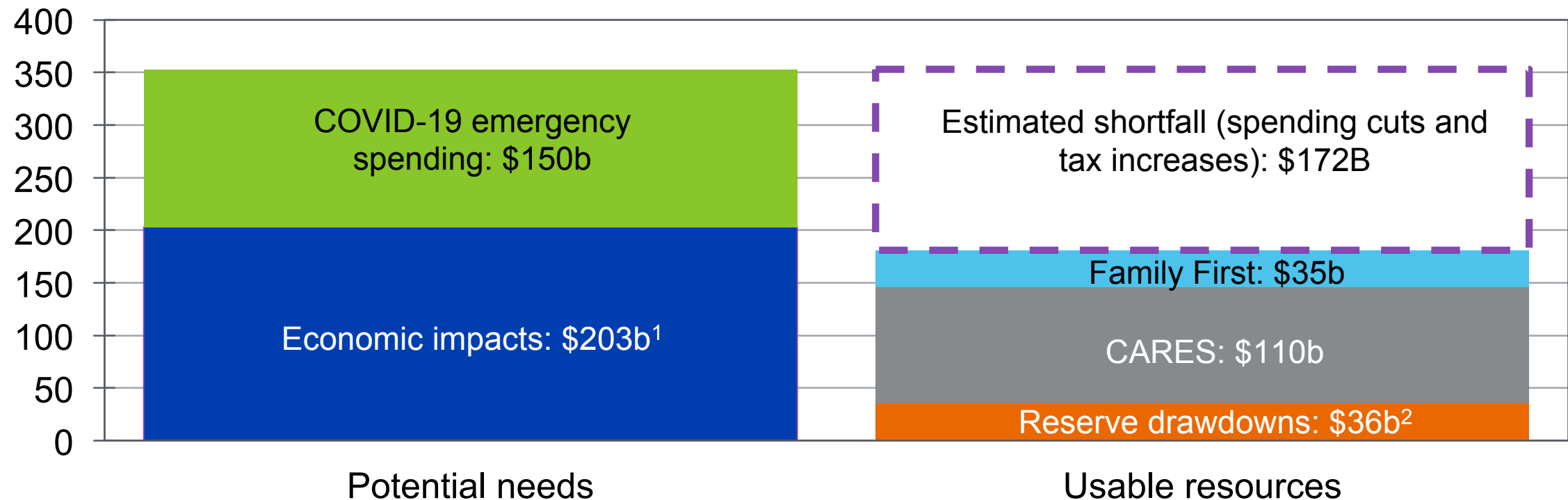
- » Only 17 states have adequate reserves available to absorb baseline with relatively minor difficulty.
- » An unprecedented 21 states would have to go through the painful process of filling budget holes of 10% or more.
 - » Under the severe-S3 scenario, up to 34 states would need to fill budget holes of 10% or more. Some as large as 40%.

Sources: NASBO, Moody's Analytics

MOODY'S ANALYTICS

Overall Cost Will Be Too Much to Handle

State governments through fiscal 2021, \$ bil



- 1) Impacts through FY21. Impacts through FY22 could be at least another \$100 bil.
- 2) Assumes states will initially only draw on approximately half of their reserves.

Sources: NASBO, Moody's Analytics

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