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The Outlook for the US and Texas Economies in a Post-COVID-19 Environment

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Perryman Economic Forecast:

Short-Term Outlook for the US and Texas

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TABLE OF CONTENTS

Summary | Real Gross Product 2020-2021 1
Summary | Employment 2020-2021 1
Key Patterns and Trends Affecting The Economy 2
United States Outlook 6
Texas Outlook 7
Conclusion 8
Definition of Terms 9
Definition of Sectors 9
Methodology 10

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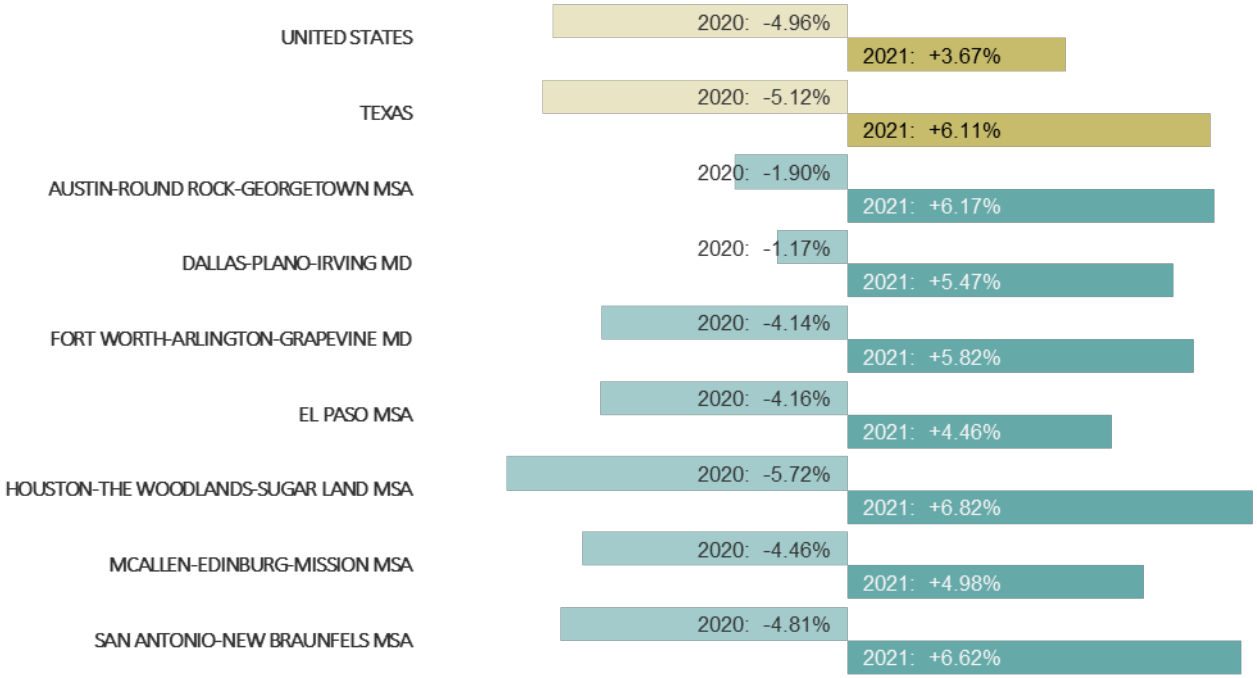
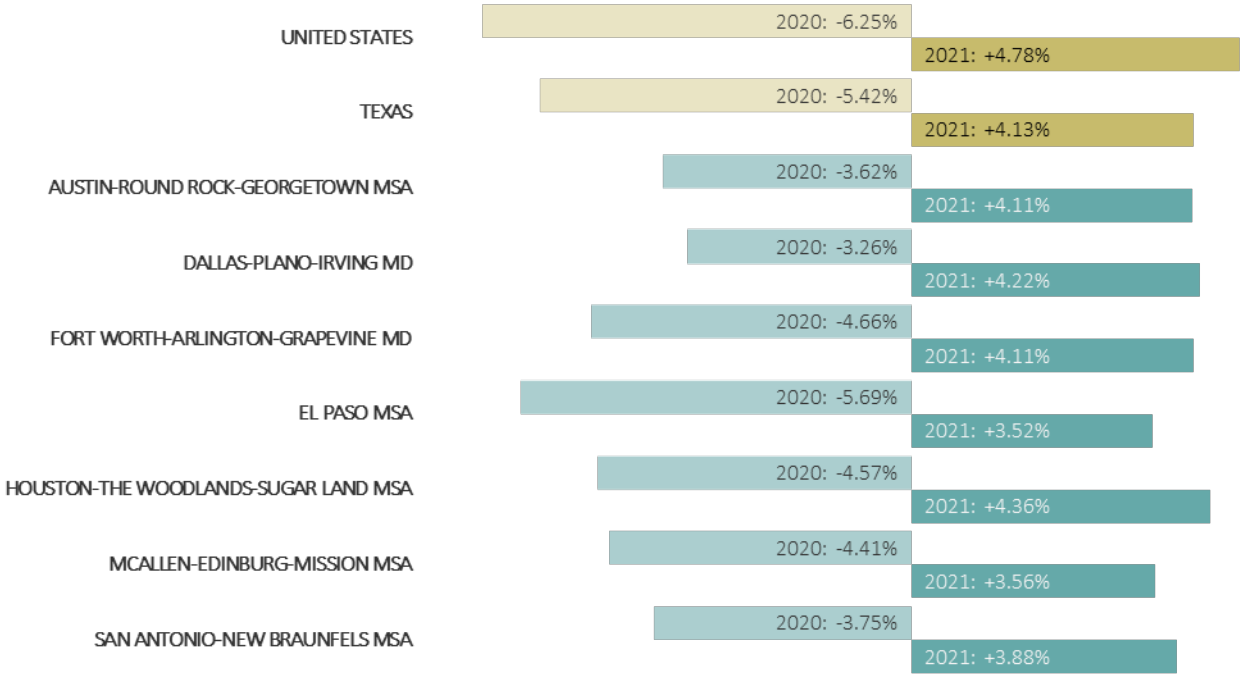
SUMMARY | REAL GROSS PRODUCT 2020-2021



SUMMARY | EMPLOYMENT 2020-2021



Source: US Multi-Regional Econometric Model, The Perryman Group

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KEY PATTERNS AND TRENDS AFFECTING THE ECONOMY

The US economy is currently facing challenges and uncertainty. However, recent Federal Reserve policy changes have the potential to enhance recovery and long-term growth. In addition, the economy was structurally sound prior to the recent downturn, and the worst of the losses should have already occurred. Future performance will be determined in part by the following issues.

COVID-19

The COVID-19 pandemic continues, and while down from highs earlier this year, cases have been trending upward (as of early October). The situation continues to evolve, and until the health situation is more under control, daily life and the economy cannot fully return to a sustainable "normal."

The US job market has improved as businesses have reopened, but total employment remains well below pre-COVID-19 levels. About 22.2 million jobs were lost across the nation during March and April. Although the economy added jobs in the months since then, only about half of the positions have been restored.

As expected, momentum slowed to some extent after large gains in the early months of reopening as high-contact businesses such as restaurants and retail stores were able to rehire some workers. Going forward, gains are likely to be somewhat slower. If additional restrictions are required due to surging cases, job growth will be further curtailed. However, as long as hospitalization rates can be kept at a manageable level, another massive shutdown is unlikely. Once the health crisis is adequately manageable, a return to sustainable growth is likely assuming that the basic structure of the economy remains in place.

ADDITIONAL RELIEF

The Coronavirus Aid, Relief and Economic Security (CARES) Act helped preserve the economy's structure. It provided relief to individuals, small businesses, and key industries, which helped to mitigate the fallout from the pandemic and related safety requirements. The Federal Reserve response has also been massive.

Since March, trillions of dollars have poured into the economy through monetary and fiscal stimulus, and the Fed has slashed interest rates to basically zero. More than 150 million stimulus checks were sent. Small businesses received about half a trillion dollars in loans. Hard-hit sectors (such as airlines) received assistance. While imperfect in both conception and execution, these initiatives have generally been successful in maintaining the structure to support a strong recovery.

As of early October, many provisions of the CARES Act have mostly expired. A lack of additional relief could stall the recovery, and additional action may be needed. Airlines which took advantage of CARES Act assistance, for example, were prohibited from laying off workers until October 1, but tens of thousands of layoffs began as relief talks stalled. Air travel has risen since April, but is still about 70% lower than a year prior. Nearly one of every six restaurants has closed either long term or permanently, and 40% of operators don't think their restaurants will survive the next six months without additional support. Theme parks and other tourism venues have similarly announced large layoffs. Many Americans are facing potential eviction or

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