

UNITED STATES

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CHANGE OF SCENERY

The 46th president of the United States, Joe Biden, will face a difficult mandate. At the time of his inauguration on 20 January 2021, he will inherit a sluggish economy, as the Covid-19 pandemic continued to worsen with a human toll of tragic proportions. Looking beyond the health crisis, the new Democratic administration will have to act on political and social stages that have never seemed so antagonistic at the dawn of a new decade. With his reputation as a man of dialogue, Joe Biden will need all of his long political experience and skills in the art of compromise to try to heal America's divisions.

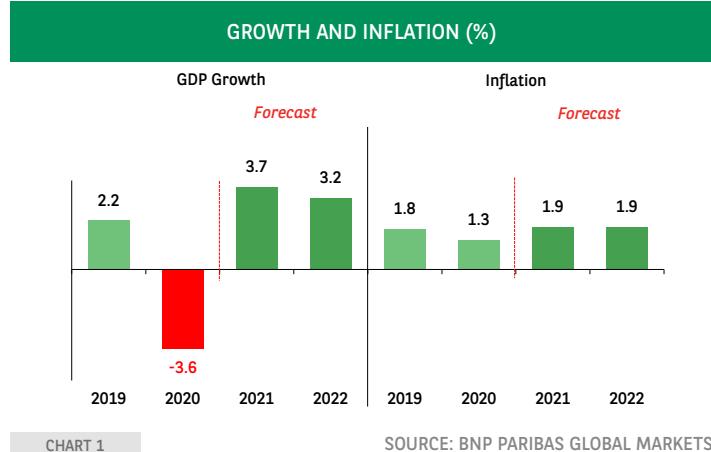
Though not the landslide the polls predicted, Joe Biden's victory was nonetheless decisive: with 81.3 million popular votes (51.4% of votes cast) and 306 electoral votes out of a total of 538, the Democrat candidate won the 3 November election and was elected the 46th president of the United States. His term will begin with his inauguration on 20 January 2021. Kamala Harris will be the first woman to become Vice-President.

WHAT MANOEUVRING ROOM FOR PRESIDENT BIDEN?

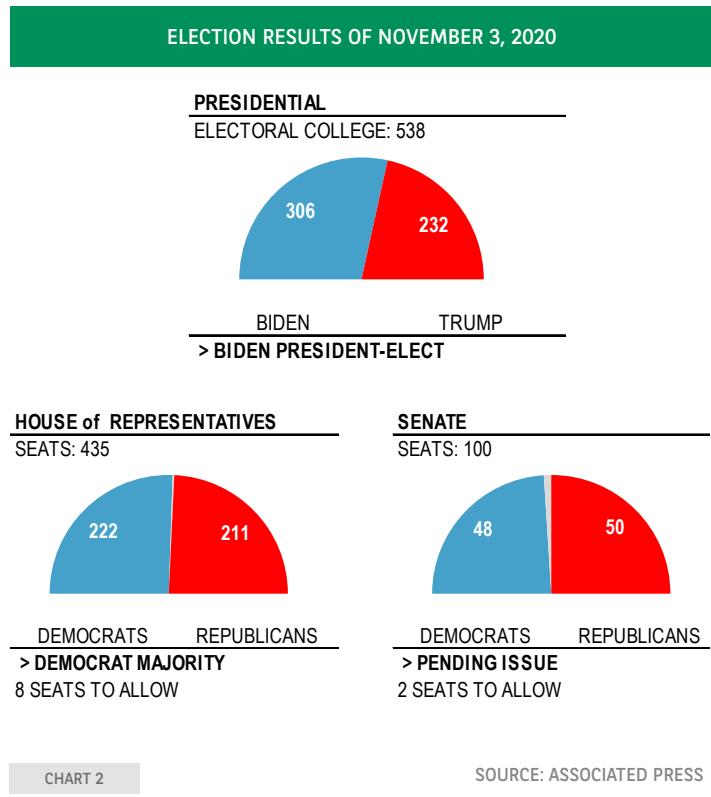
And then what? President Biden's ability to get things done will depend on the balance of power in Congress. The elections did not spark the "Blue Wave" that the Democrats were hoping for: according to the vote count as of 6 December, the Democratic Party barely held on to their majority in the House of Representatives (222 seats, just above the minimum threshold of 218 seats), while the Republicans gained 10 seats. All eyes are now focused on the Senate, whose support is vital for the passage of laws and treaties and for confirming nominations to key positions (including Supreme Court justices, Federal Judges and the Attorney General). So far, the Republican Party has clung to 50 seats while the Democrats have won 48. The two remaining seats are both in the State of Georgia. Since none of the candidates managed to obtain the required 50% of the vote during the general election, a runoff election will be held on 5 January 2021. If the Democrats win both seats, the Senate would be split equally with 50 seats for each party, in which case the Vice-President, Kamala Harris, who is also president of the Senate according to the Constitution, would cast the tie-breaking vote. A lot of US government policy in the years ahead will depend on which way Georgia votes on 5 January.

President-elect Biden has made some bold proposals, from healthcare (strengthen Obamacare, provide easier access to Medicare and Medicaid, introduce universal healthcare for children, Federal subsidies for private insurance policies...) to labour conditions (raise the Federal minimum hourly wage from USD 7.50 to USD 15; improve the status of the self-employed, double Federal funding for the State Small Business Credit Initiative...) and education (increase the number of scholarships, free education through community college for students from low-income households, student loan forgiveness after 20 years of repayments...), but there is very little chance these measures would be adopted if there is a Republican majority in the Senate. Even within the Democratic camp, these proposals would be subject to compromise. In other areas, however, President Biden will have greater manoeuvring room, especially in foreign affairs, where he is likely to act through presidential decrees.

The United States will re-join the Paris Climate Agreement, which is not a treaty and thus does not require Senate approval. This is one example from Biden's list of campaign promises that will be met. There could also be some bipartisan support for industrial policies (stricter place-of-origin rules to qualify as "made in America"; Federal



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purchases of American products; greater investment in research and development) and infrastructure investment (road repairs, high-speed internet services, encouraging the development of rail and public transportation).

HEALTH EMERGENCY AND THE ECONOMIC CRISIS

The immediate priority for the Biden administration will be to fight the pandemic, after an alarming resurgence that threatens to worsen an already dire human toll (nearly 300,000 deaths) and social-economic disaster (nearly 10 million jobs have already been destroyed). As we were going to press, the number of new Covid-19 cases, aggravated by the Thanksgiving holiday, had already risen to an all-time high, with 175,000 new cases daily, or nearly 53 new cases per 100,000 inhabitants. This is twice as high as in Europe¹. Initially hitting the more rural states (North Dakota, Indiana, Kansas, Utah and Colorado), the second wave of the pandemic has returned to the big metropolitan areas.

Even if a vaccine does become available in late 2020 or early 2021, the situation will continue to worsen in the weeks ahead. In a recent speech before the Bay Area Council Economic Institute, Federal Reserve Chairman Jerome Powell warned that the next few months would be "very difficult". The State of New York, which has waged one of the bitterest fights against the pandemic, has had to close its schools again, while most retail stores and public spaces have shut down again in California. Mobility reports by the internet search engines show that activity is slowing. After rebounding for several months, private consumption seems to have contracted in November, falling between 1% and 1.5% (see box and chart 3). Moreover, this decline is expected to worsen in December.

Even before he was elected, Joe Biden worked with House Chair Nancy Pelosi to promote a supplemental budget package to fight the pandemic. The pre-electoral atmosphere combined with the summer's economic rebound was not propitious for a bipartisan budget agreement, and the status quo prevailed. With the economic horizon darkening again, this stand-off seems increasingly unsustainable. Recently, a bipartisan initiative was launched in the Senate to unblock nearly USD 1,000 bn in emergency funds. In addition to purely health-related measures (widespread testing and tracing procedures; facilitating access to healthcare), the package proposes to raise and extend the Federal Unemployment Benefit Program (which was lowered to USD 400 a week) and to beef up the Paycheck Protection Program, a support mechanism for small businesses.

Completed on 7 December 2020

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MONITORING PRIVATE CONSUMPTION

From artificial intelligence to e-commerce, social networks and video conferencing, the digital revolution has accelerated in all its forms during the Covid-19 crisis. Faced with the need to track the pandemic, new tools have been developed to measure consumer behaviour that draw on "big data". Google, the internet search engine, issues daily Mobility Reports for all regions of the world based on the use of its apps, such as Google Maps. Whereas for national institutions, the production of statistics has been disrupted by the pandemic, these online tools have proven to be very useful for estimating the loss of production attributable to social distancing and/or lockdown restrictions. In France, there seems to be a strong correlation with economic activity (Insee, 2020¹). The same observation can be made for the United States, where private consumption trends, usually available on a monthly basis, can be analysed using the search engines' mobility reports. Based on a principal component analysis, the six destination criteria used by Google were weighted to obtain the following composite indicator:

$$\Delta IGM = 0,19 \cdot \Delta I_{RET} + 0,18 \cdot \Delta I_{RES} + 0,18 \cdot \Delta I_{TRANS} + 0,18 \cdot \Delta I_{PHARM} + 0,17 \cdot \Delta I_{WORK} + 0,10 \cdot \Delta I_{PARK}$$

where: Δ expresses monthly change (normalized) in indicators; IGM : the overall mobility indicator; I_{RET} : retail and recreation customer traffic indicator; I_{RES} : total time spent at home indicator (opposite sign); I_{TRANS} : public transport indicator; I_{PHARM} : food and pharmacy traffic indicator; I_{WORK} : commuting traffic indicator; I_{PARK} : park traffic indicator.

Estimates of private consumption trends were obtained using linear regression between the data series provided by the Bureau of Economic Analysis (BEA) and the IGM trend as calculated above. Although it is based on a limited number of observations and is thus fragile, the similarity is remarkable. For the month of November, it suggests that consumption will drop into negative territory after a 6-month rebound (see chart 3).

¹ Insee, Point de conjoncture, 17 November 2020.

CONSUMPTION PLUNGES AGAIN

Private consumption, m/m, vol. s.a.

◆ Estimation via Google Mobility

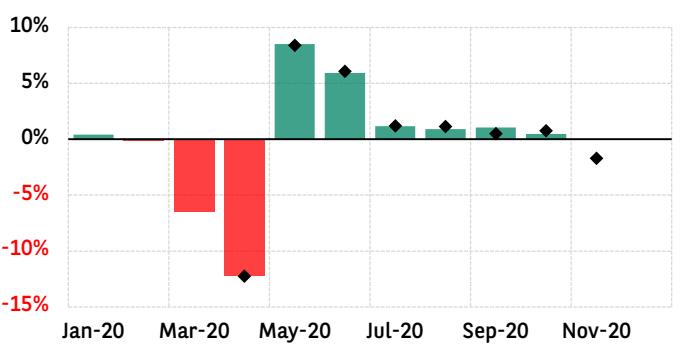


CHART 3

SOURCE: BEA, GOOGLE, BNP PARIBAS

¹ At 5 December 2020, the Covid-19 incidence rate in the European Union was 23 new cases a day per 100,000 inhabitants (7-day moving average for Germany, France, Italy, Spain, Portugal, the Netherlands, Belgium, Austria, and Ireland) compared to 53 new cases per 100,000 in the United States. Source: Johns-Hopkins University.



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