

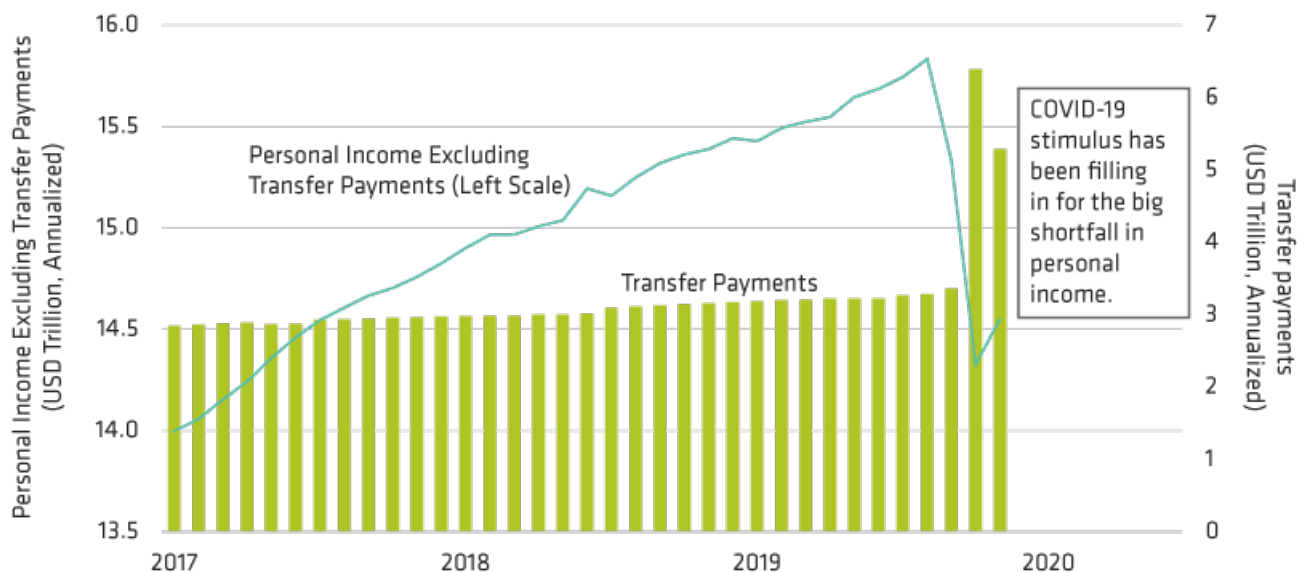
Why the US Economy Needs More Stimulus Very Soon

August 7, 2020

by Team
of AllianceBernstein

Fiscal Rescue Package Has Been Filling the Income Gap

Personal Income and Transfer Payments



As of July 31, 2020

Source: Refinitiv Datastream and AllianceBernstein (AB)

There’s a lot of debate in the US Congress over whether the US economy needs more stimulus—and if it does, how big the stimulus has to be. But a closer look at personal income numbers doesn’t leave much room for discussion. More stimulus is very much needed—and soon.

The COVID-19 crisis has left roughly 14 million people still out of work—nearly 10% of the total number of people employed before the crisis. The labor market has started to improve as the economy has gradually reopened, but there’s still a mountain to climb before things get back to normal. This means continued government support is necessary to keep households solvent and the US economy on the path to eventual recovery.

Household income has held steady to this point but only because of transfer payments—in the form of stimulus checks and enhanced unemployment benefits from the government. These payments have replaced the income lost from households hurt by unemployment, but enhanced unemployment benefits expired at the end of July.

Until the labor market improves enough to put nearly 10% of the labor force back to work, the household sector and the overall economy will still need heavy government support.

The views expressed herein do not constitute research, investment advice or trade recommendations and do not necessarily represent the views of all AB portfolio-management teams. Views are subject to change over time.

© AllianceBernstein L.P.