

# Biden and Re-opening the Economy

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# Presentation Overview

- Background
- 2021 Economic Outlook
  - Regional Dimension
- Preparing for Re-opening
  - Living, Amenity, and Residence shifts
- Importance of Economic Modeling
- Demonstration
- Q&A

# About Us

Regional Economic Models, Inc. (REMI) was founded in 1980 on a transformative idea: *government decision-makers should test the economic effects of their policies before they're implemented.* We are the nation's leader in dynamic local, state and national policy modeling. Our clients use REMI models to perform rigorous economic analysis that critically influences local, state and national policies.

## OUR CLIENTS:

Sandia National Laboratories • Ernst & Young • Texas Comptroller  
University of Michigan • Tennessee Valley Authority • National Education Association  
South Coast Air Quality Management District • North Carolina Department of Commerce  
Wyoming Department of Administration & Information

# 2021 Economic Outlook

Does re-opening imply returning to similar version of January 2020?

- Anticipate shifts in work, cultural, a spatial movement patterns
- Recreational travel recovers, but not business travel
- Massive stimulus running the economy red-hot

State governors are pushing to re-open their economies —

- Texas and Mississippi governors have announced they will lift mask mandates and all full capacity business operations (Iowa and Montana have also lifted mask mandates)
- Massachusetts removed capacity limits on restaurants
- South Carolina will permit gatherings of more than 250 people

Source: [New York Times](#)

# Components of Re-opening



## Working from Home

- Greater human capital mobility
- ↑ Productivity, ↓ Production Costs



## Changes to Travel Demand

- Business travel demand falls
- Recreational travel expected to recover



## Consumer Demand

- Large increase in savings (reinvestment, leisure spending)
- Stimulus checks in many American households

# Preparing for The Re-opening



What we can anticipate—

- Covid disruptions
- Stimulus impacts

COVID-19 Vaccine —

- President Biden announced that the U.S. would have enough vaccines for every American adult by May

Policies can make a big difference—

- A changing spatial environment provides potential for emergence of new industry clusters.

# The Regional Dimension

## Shift in standard of living

- Urban vs. Suburban and Rural

## Place of residence/place of work shift

- Moving away from high-cost, high-contact cities to lower cost and uncongested locations

## Implications of continued Remote Work

- Restructuring spatial distribution of workforce

# Importance of Economic Modeling



## CLARIFY

You need a *software solution* that simplifies the complex relationships between policies and your economy.

## CALCULATE

Macroeconomic policy models allow you to *analyze* and *quantify* inherently complex policy issues and solutions.

## COMMUNICATE

You can explain a *quantitative narrative* to policy makers and the general public.

- ✓ Get policy right
- ✓ Pass/Block legislation
- ✓ Modernize and advance your agency
- ✓ Formalize your decision-making process



# REMI Model

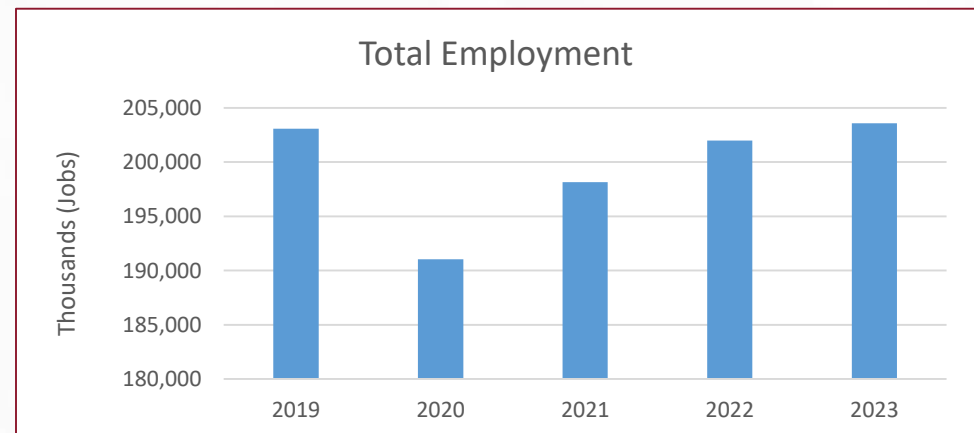
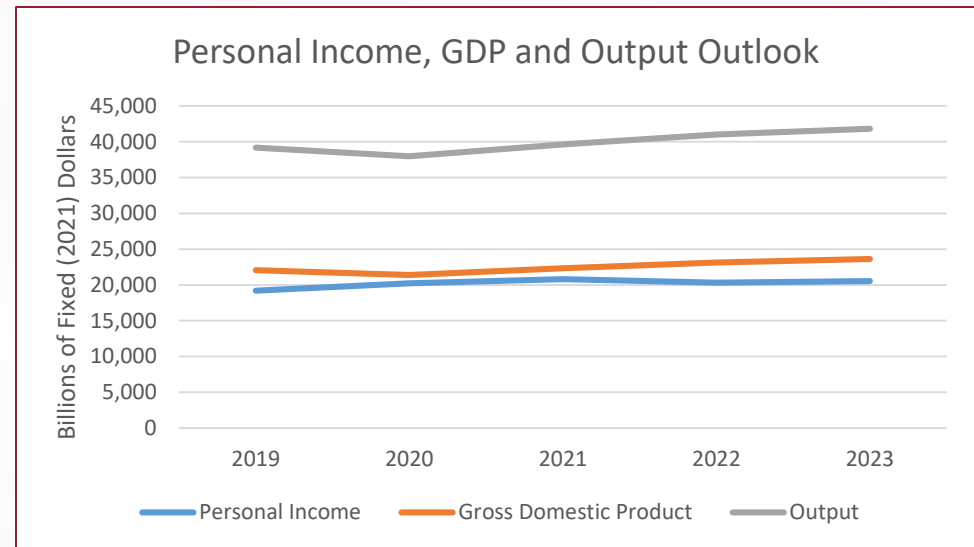
## New RSQE Macroeconomic Update

- The U.S. Economic Outlook for 2020-2022 from the University of Michigan's Research Seminar in Quantitative Economics (RSQE).
- An update to the Economics Outlook from CBO
- Includes the \$1.6 trillion stimulus moved through Congress

# Short-Term Outlook: The U.S.



- Years 2019-2023
- Growth 2020-2021
  - Personal income: 2.9%
  - GDP: 4.4%
  - Output: 4.4%
- Employment: +7,099 thousand jobs

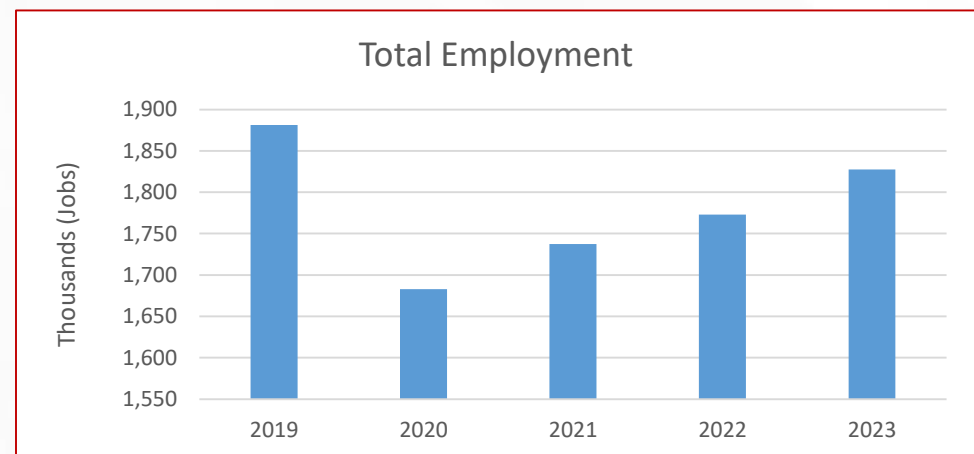
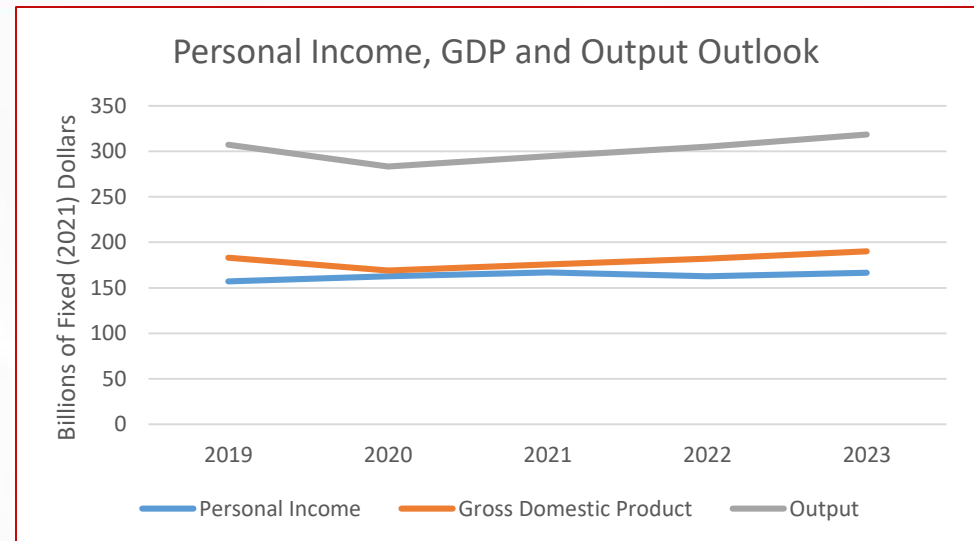


# Short-Term Outlook: Nevada



- A state hit hardest by Covid in 2020
  - GDP: -7.7%
  - Employment: -10.5%
- Growth 2020-2021
  - Personal income: 2.6%
  - GDP: 4.0%
  - Output: 3.9%
  - Employment: +55 thousand jobs
- The reality is more optimistic

what does **REMI** say? <sup>sm</sup>



# Model Simulation

## Scenario 1

- Nevada Economic Outlook
- Increasing Consumption Demand

## Scenario 2

- Shifts out of star cities
- WFH & relocation

# Model Simulation: Scenario 1



- Nevada Bounce-back Scenario
  - Baseline - Consumer confidence slowly comes back accompanied by steady growth
  - Red-hot tourism economy from large pent-up consumer demand
- Increase Consumption Demand for Nevada
  - A 15% increase in non-government industries since 2021

# Model Simulation: Scenario 2

- With remote work becoming more commonplace, we will see a jump in migration from the Star Cities to the rest of the United States.
- “Star Cities Model”
  - Built for illustrating spatial changes
  - Region 1: core counties of Seattle, SF, LA, Boston, NY and DC
  - Region 2: rest of the U.S.
- Decrease Residence Adjustment for region 1, Star Cities.
  - Denotes a flow of income out of the star cities as a result of commuting behavior

# Conclusions

- We have entered a "new-normal" in regard to business practices affecting...
  - Productivity and Production Costs
  - Travel Demand
  - Consumption Demand
  - Regional Migration
- Modeling can help us understand various possible outcomes in these uncertain times

# Q&A

## Contact Us

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*\*Presentation slides and recordings will be made available to attendees\**