Key Points – Background/Considerations

- Recession began March 2020
- Volatility prevalent (bottoming out of oil prices, stock market growth, etc.)
- Federal government stimulus focused on individuals/keeping people employed
- Future stimulus may focus on state/local funding
- Recession widely predicted to last through the first half of 2021
  - Shape of recession may be more ‘U’ than ‘V’ shaped (there are other shapes)
  - The U.S. has a consumer-driven economy
  - Recovery will follow spread and reactions to virus
  - Differs by U.S. region (in timing and impact)
- Specific market-sector impacts largely still unknown
- Impact to public-sector markets will be delayed, tax revenues down will impact capital spending
  - Gas tax
  - Sales tax
  - Income tax
GDP:

- On an annual average basis, the panel expects real GDP to decline 5.9% in 2020, but to increase 3.6% in 2021.

- Eight of 10 panelists anticipate the economy will post the first positive quarterly change in GDP in Q3 2020, while 13% of panelists expect the first positive Q/Q change in GDP to occur in Q4 2020.

- In response to the question of “when will U.S. real GDP be back to pre-COVID-19 recession levels,” the panel is more divided, but a majority of respondents—89%—believes that the U.S. economy will not return to its pre-COVID-19 recession level until, at least, the second half of 2021.
Numbers Driving A/E/C Markets:

- **Homebuilding** is forecasted to slow from the 2019 pace of 1.29 million starts to 1.15 million housing starts in 2020, before increasing to 1.26 million starts in 2021 (homebuilding numbers key to land development sector, also utilities, schools, ‘retail follows rooftops’, etc.)

- **Real federal, state, and local government consumption expenditures and gross investment** are expected to increase by a combined 1.5% in 2020, compared to the actual 2.3% in 2019, panelists anticipate government spending growth to slow further in 2021, to 1.3%

- Panelists expect **corporate profits to contract by 13% in 2020**, the median forecast calls for **profits to increase by 11% in 2021**
‘Upside Risks’ to Economy

A **vaccine** (51%) or a **successful test and trace policy** that slows the COVID-19 pandemic (29%) are seen as the greatest upside risks to the U.S. economy.

A mere 2% of panelists cite more traditional upsides, such as a **stronger stock market** or an **infrastructure spending** program.

**Source:** National Association for Business Economics, June 2020
Construction Put-in-Place Forecast

Source: U.S. Census Bureau, FMI
## Growth Outlook by Sector - 2020

<table>
<thead>
<tr>
<th>Up (5% growth or more)</th>
<th>Stable (0-4.9% growth)</th>
<th>Down (less than 0% growth)</th>
</tr>
</thead>
<tbody>
<tr>
<td>No markets</td>
<td>No markets</td>
<td>Communication (-1%)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Highway &amp; Street (-3%)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Transportation (-4%)</td>
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<tr>
<td></td>
<td></td>
<td>Public Safety (-4%)</td>
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<tr>
<td></td>
<td></td>
<td>Water/Wastewater (-6%)</td>
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<tr>
<td></td>
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<td>Power (-7%)</td>
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<tr>
<td></td>
<td></td>
<td>Health Care (-7%)</td>
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<td></td>
<td></td>
<td>Educational (-7%)</td>
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<tr>
<td></td>
<td></td>
<td>Office (-7%)</td>
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<tr>
<td></td>
<td></td>
<td>Manufacturing (-8%)</td>
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<tr>
<td></td>
<td></td>
<td>Residential (-10%)</td>
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<tr>
<td></td>
<td></td>
<td>Commercial (-15%)</td>
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<tr>
<td></td>
<td></td>
<td>Lodging (-15%)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Multi-family (-17%)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Amusement/Recreation (-17%)</td>
</tr>
</tbody>
</table>

**Note:** Ordered by least to greatest decline expected.

**Note:** Consumer driven markets expected to fare the worst.

*Source: U.S. Census Bureau, FMI*
AASHTO SCENARIO 2: JUNE 2020 STATE SURVEY

Assumptions:
- Average of state estimated percent losses compared to 2019, weighted by each state’s 2018 non-federal transportation revenues.
- Less significant losses in FFY 2021 compared to FFY 2020.
LIMITATIONS AND CONSIDERATIONS

Timing of data and general uncertainty

- Conditions are changing daily so there are limitations of all data in their ability to capture new developments.
- Given that the trajectory of the pandemic is unknown, transportation revenue forecasts—particularly longer-term forecasts—necessarily rely on many assumptions.

Timing of tax receipts

- Receipt of tax revenues are typically delayed by weeks or months following economic activity.
- As the delay varies widely by state and tax type, these estimates do not attempt to account for the delay in receipts.
- This may result in losses being shifted earlier (for example, the impact of a downturn in activity in late summer might be felt until FFY2021).
AASHTO Forecast    July 10, 2020

LIMITATIONS AND CONSIDERATIONS

Seasonality of revenues
- These estimates do not attempt to account for the seasonal variability of tax receipts.

Comparison to 2019 revenues
- The methodology of state revenue forecasting and the timing of forecast releases vary widely, in order to be as consistent as possible these analyses compare expected revenues to FFY2019 rather than to annual forecasts.
- Since most state forecasts expect increasing revenues our methodology understates the losses states will experience.