

## US: Powell pleas for more stimulus

Fed Chair Powell reiterates that while the economy has performed well the outlook remains uncertain and that more fiscal stimulus is required to ensure the recovery continues. His emphasis that doing little on this front is worse than doing too much appears to be a plea for Washington to hammer out another deal irrespective of current tensions



Fed Chair, Jerome Powell

### A good start...

Fed Chair Jerome Powell has been speaking at the National Association for Business Economics Annual (virtual) meeting and offered his thoughts on the current situation and the path ahead. Unsurprisingly the key themes haven't changed since the September FOMC, but his forcefulness behind the cause for more fiscal support for the US economy certainly has.

He highlighted the Fed's own responses to the crisis that lowered the cost of borrowing and ensured credit continued to flow while helping to stabilize financial markets. He also heaped praise on the government's fiscal response, calling it "truly extraordinary" and the "largest and most innovative" since the Great Depression. The income support programs helped to offset the decline in employee compensation and ensured that household finances remained in strong shape despite the unprecedented nature of the pandemic. At the same time, the paycheck protection program

“forestalled an expected wave of bankruptcies and lessened permanent layoffs”.

## But Washington needs to do more...

Nonetheless, he emphasized that more needs to be done. While the recovery “has progressed more quickly than generally expected... the outlook remains highly uncertain”. This is due to ongoing fallout from the pandemic with uncertainty over the path of the virus while economic data suggests “the pace of economic improvement has moderated since the outsized gains of May and June”.

He also highlighted the fact that the “expansion is still far from complete” and that more fiscal support is required. In this regard the “risks of overdoing it seem, for now to be smaller” versus offering too little support that “would lead to a weak recovery, creating unnecessary hardship for households and business”. This is clearly another plea for Washington to hammer out an additional substantial fiscal package. It also ties in with previous comments that he has made stating that the Fed cannot create demand, they can only support conditions to allow the free flow of credit – government needs to step up!

## Re-affirming rates to stay low for longer

On this front we got a re-affirmation of the current Fed stance that nothing is happening on policy “normalization” until 2024. He stated once again that they have adjusted their policy framework due to the changed state of the economy whereby low unemployment can be sustained for longer before generating inflation pressures. This means interest rates can stay lower for longer, which in turn “will support our efforts in pursuit of a strong economic recovery”.

### Author

#### James Knightley

Chief International Economist, US

[james.knightley@ing.com](mailto:james.knightley@ing.com)

### Disclaimer

This publication has been prepared by the Economic and Financial Analysis Division of ING Bank N.V. (“ING”) solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. *ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies)*. The information in the publication is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this publication is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this publication. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the publication and are subject to change without notice.

The distribution of this publication may be restricted by law or regulation in different jurisdictions and persons into whose possession this publication comes should inform themselves about, and observe, such restrictions.

Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of ING. All rights are reserved. ING Bank N.V. is authorised by the Dutch Central Bank and supervised by the European Central Bank (ECB), the Dutch Central Bank (DNB) and the Dutch Authority for the Financial Markets (AFM). ING Bank N.V. is incorporated in the Netherlands (Trade Register no. 33031431 Amsterdam). In the United Kingdom this information is approved and/or communicated by ING Bank N.V., London Branch. ING Bank N.V., London Branch is authorised by the Prudential Regulation Authority and is subject to regulation by the Financial Conduct Authority and limited regulation by the Prudential Regulation Authority. ING Bank N.V., London branch is registered in England (Registration number BR000341) at 8-10

Moorgate, London EC2 6DA. For US Investors: Any person wishing to discuss this report or effect transactions in any security discussed herein should contact ING Financial Markets LLC, which is a member of the NYSE, FINRA and SIPC and part of ING, and which has accepted responsibility for the distribution of this report in the United States under applicable requirements.

Additional information is available on request. For more information about ING Group, please visit <http://www.ing.com>.