

Money Matters: Infrastructure Financing During the Coronavirus Crisis

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Related Research:

“U.S. Real-Time Economic Data Hints At Signs Of Improvement From Recent Lows” (May 21, 2020)

“COVID-19 Activity In U.S. Public Finance” (most recent update: May 21, 2020)

“The Recession Could Erode U.S. Not-For-Profit Utilities’ Financial Flexibility” (Apr. 29, 2020)

“An Already Historic U.S. Downturn Now Looks Even Worse” (Apr. 16, 2020)

“COVID-19's Potential Effects In U.S. Public Finance Vary By Sector” (Mar. 5, 2020)

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Credit Conditions

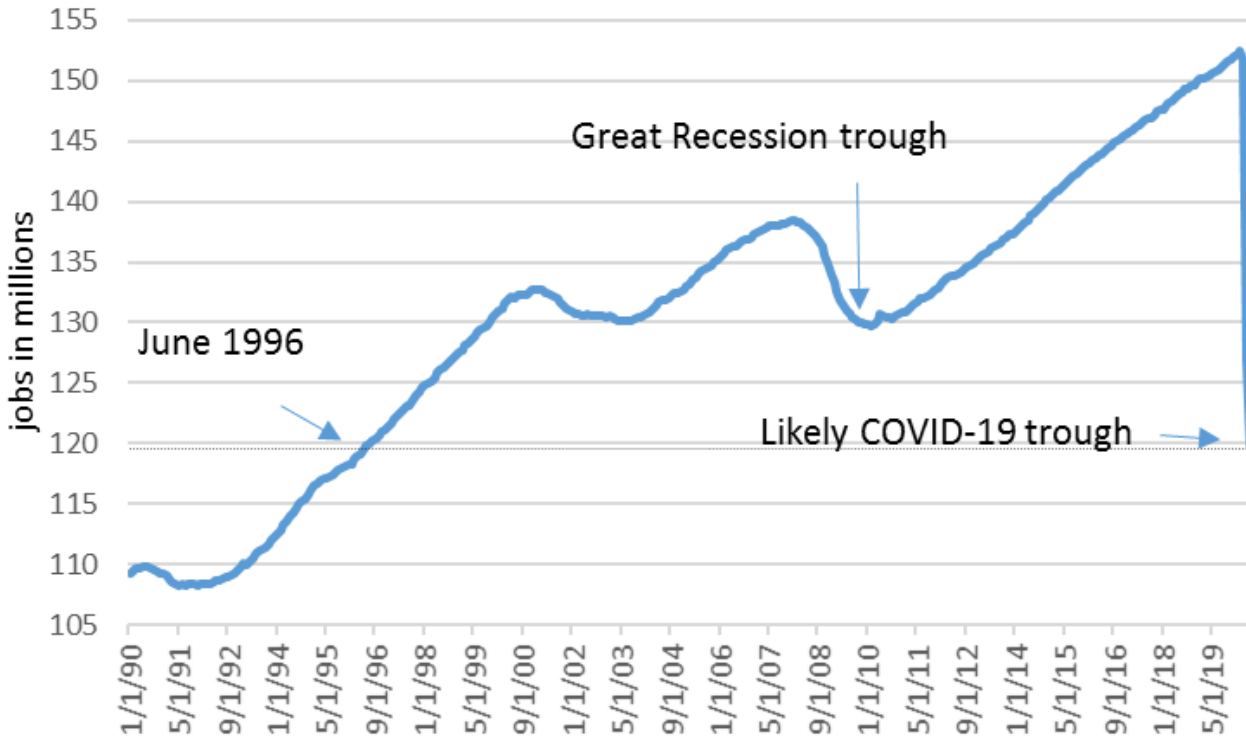
S&P Global Economics U.S. Outlook: April 2020 (Baseline)

Key indicator	2020									
	2019	Q1e	Q2e	Q3e	Q4e	2020e	2021e	2022e	2023e	
Percentage change										
Real GDP (in real terms)	2.3	(7.5)	(34.6)	24.1	17.6	(5.2)	6.2	2.5	2.4	
Nonresidential construction	(4.3)	(6.5)	(31.2)	(10.0)	18.0	(11.8)	4.9	4.7	3.1	
Residential construction	(1.5)	0.8	(48.3)	25.8	24.4	(6.1)	8.2	4.4	2.1	
Federal government purchases	3.5	3.4	17.1	6.1	5.5	6.7	0.7	(8.0)	(2.3)	
State and local government purchases	1.6	0.8	1.4	1.3	1.2	1.3	0.7	0.0	0.6	
Exports of goods and services	0.0	(11.5)	(34.7)	8.2	17.0	(8.5)	4.7	4.4	3.4	
Imports of goods and services	1.0	(8.9)	(26.8)	14.8	15.2	(6.7)	10.4	6.7	4.1	
CPI	1.8	2.0	0.8	0.5	0.3	0.9	2.7	2.9	2.2	
Core CPI	2.2	2.0	1.9	1.4	1.3	1.7	2.1	2.8	2.3	
Levels										
Unemployment rate (%)	3.7	3.8	14.4	9.0	8.0	8.8	6.7	5.4	4.1	
Payroll employment (mil.)	150.9	151.2	134.1	142.7	144.6	143.1	147.2	150.1	152.6	
Federal funds rate (%)	2.2	1.1	0.1	0.1	0.1	0.4	0.1	0.1	0.5	
10-year T-note yield (%)	2.1	1.5	0.7	1.0	1.3	1.1	1.5	1.9	2.2	
Mortgage rate (30-year conventional, %)	3.9	3.5	3.3	3.5	3.6	3.5	3.7	4.0	4.3	
Three-month T-bill rate (%)	2.1	0.9	0.0	0.2	0.2	0.3	0.2	0.2	0.6	
S&P 500 Index	2,912.5	3,069.0	2,412.2	2,583.5	2,712.0	2,694.3	3,034.0	3,315.3	3,397.5	
Crude oil (\$/bbl, WTI)	57.0	42.0	25.0	25.0	25.0	29.3	43.8	50.0	56.0	
Housing starts (mil.)	1.3	1.4	1.1	1.1	1.2	1.2	1.3	1.3	1.3	
Federal surplus (FY unified, bil. \$)	(984.4)	(356.6)	(494.4)	(1,153.4)	(784.8)	(2,789.3)	(1,937.6)	(1,437.0)	(1,344.6)	

Source: S&P Global Economics
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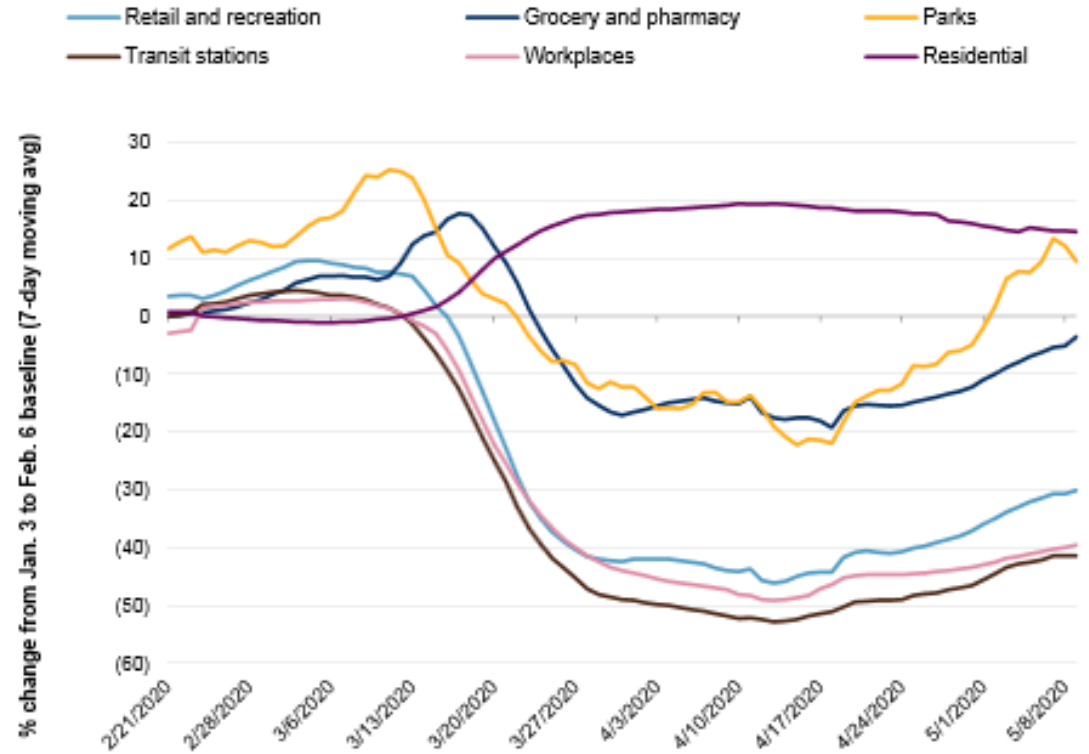
Credit Conditions

U.S. Jobs Projected To Fall To Lowest In Decades



Sources: U.S. Department of Labor Statistics and S&P Global Economics
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Still, People are Getting Out. Sort of.



Sources: Google Community Mobility Reports and S&P Global Economics
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What Are We Watching?

Right Now

- Operational continuity / contingency planning
 - Includes back office and cybersecurity
- Revenue softness and available reserves
- Are you affiliated with a city?
 - Prop 218, but what about inter-fund loans?
- Deferral of PAY-go system reinvestments to preserve cash
- Late audits

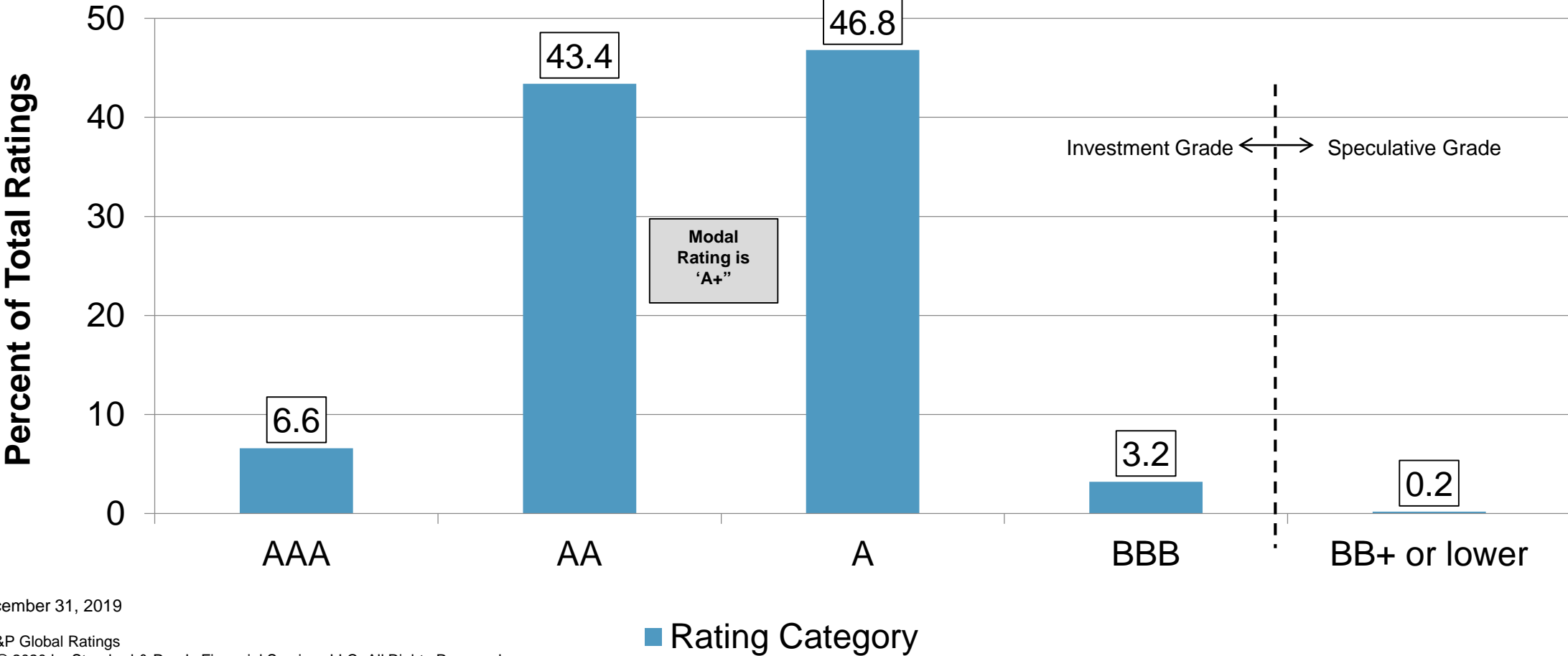
Next 1 to 3 Years

- What if you really do need a rate increase next year?
- The future of non-residential customers?
 - Especially small commercial
- Drought conditions creeping back in?
- Public pensions

Appendix

Supplemental Research from S&P Global

Most Muni Water Systems Currently Rated Very Highly



As of December 31, 2019

Source: S&P Global Ratings
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COVID-19 Activity In U.S. Public Finance

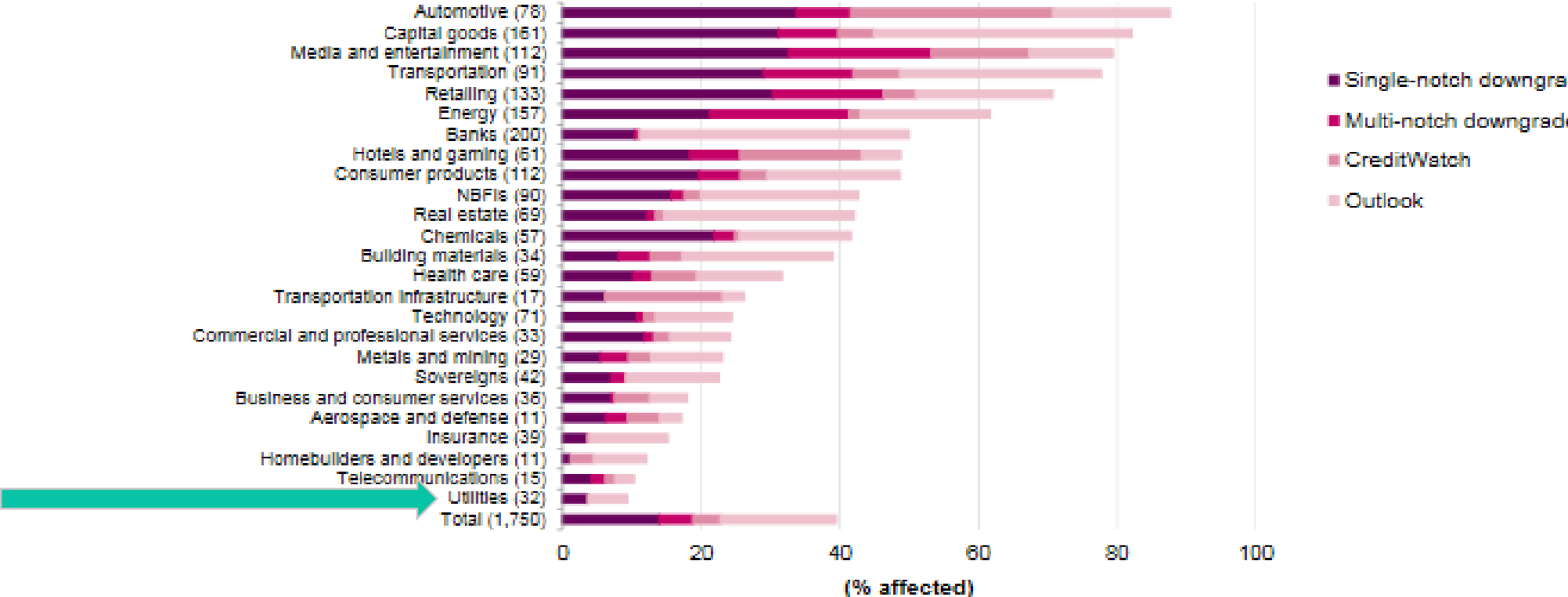
Through May 19, 2020									
Action	Health Care	Housing	Higher Ed	Charter Schools, Independent Schools, Community Colleges	Local Governments	States	Transportation	Utilities*	Total
Downgrade	3	2	1	1	2		2		11
Downgrade + outlook to negative			3	1	8	1	1		14
Downgrade + CreditWatch negative		1						1	2
Negative outlook revision	48	22	246	17	229	12	184	31	789
CreditWatch negative	1						2		3
Total	52	25	250	19	239	13	189	32	819

*S&P Global currently has over 1,600 public revenue bond ratings

Corporate Rating Actions

Sector Breakdown Of Corporate And Sovereign Downgrades By Number Of Notches

Percent of issuers affected by COVID-19 and oil prices



Numbers in parentheses signify the number of rating actions in that sector (including downgrades, negative outlook revisions, and negative CreditWatch placements). NBFIs--Nonbank financial institutions. Data as of May 19, 2020. Source: S&P Global Ratings Research. Copyright © 2020 by Standard & Poor's Financial Services LLC. All rights reserved.

U.S. Real-Time Economic Data Hints At Signs Of Improvement From Recent Lows

May 21, 2020

Key Takeaways

- Real-time high-frequency economic data for the U.S. is hinting that the lockdown-led plunge may now be behind us and that normalization has begun.
- As restrictions on economic and social activities are gradually lifted, mobility is on the rise, new business applications and mortgage applications have bounced, and consumer confidence appears to have found a bottom.
- Still, unemployment claims remain uncomfortably high, but are ebbing. Activities directly affected by social distancing--retail, recreation, leisure, traveling, restaurants, and hospitality--are off their lows, but have improved only modestly.

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