

ANALYSIS

JUNE 2024

AUTHOR

Mark M. Zandi
Mark.Zandi@moodys.com
Chief Economist

Brendan La Cerda
Brendan.LaCerde@moodys.com
Director\Senior Economist

Justin Begley
Justin.Begley@moodys.com
Economist

ABOUT

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CONTACT US

Email
helpeconomy@moodys.com

U.S./Canada
+1.866.275.3266

EMEA
+44.20.7772.5454 (London)
+420.234.747.505 (Prague)

Asia/Pacific
+852.3551.3077

All Others
+1.610.235.5299

Web
www.economy.com
www.moodysanalytics.com

Assessing the Macroeconomic Consequences of Biden vs. Trump

President Joe Biden and former President Donald Trump will pursue very different economic policies if reelected. In this analysis, we assess the macroeconomic consequences of the policies proposed by the presidential candidates. Both have put forward a wide range of proposals to change the tax code, government spending, and trade, immigration and regulatory policies that if implemented could have significant impacts on the economy's performance for years to come.

Assessing the Macroeconomic Consequences of Biden vs. Trump¹

BY MARK ZANDI, BRENDAN LA CERDA AND JUSTIN BEGLEY²

President Joe Biden and former President Donald Trump will pursue very different economic policies if reelected. In this analysis, we assess the macroeconomic consequences of the policies proposed by the presidential candidates. Both have put forward a wide range of proposals to change the tax code, government spending, and trade, immigration and regulatory policies that if implemented could have significant impacts on the economy's performance for years to come.

Of course, what ultimately becomes law and is implemented depends in significant part on the makeup of Congress. We thus consider four scenarios. We deem the most likely scenario to be that Biden wins reelection, but that he will need to negotiate with a divided Congress. The Senate will flip to Republican control and the Democrats will narrowly win control of the House (see Chart 1).³ This *Biden & Divided Congress* scenario (40% probability) is our baseline scenario and is largely consistent with the policy status quo.

Chart 1: 2024 Presidential Election Scenarios

Ordered from most likely to least likely

1

Biden & Divided Congress scenario

40% probability

It is challenging for Biden and Democrats to implement a significant economic agenda. This scenario is thus mostly consistent with the status quo. The exception is an agreement extending current lower tax rates for individuals making less than \$400,000 per year. Biden aggressively uses executive orders, but there is legislative stagnation.

2

Republican Sweep scenario

35% probability

Trump makes permanent the individual tax cuts from the TCJA. He imposes higher tariffs on China and many other nations and imposes much more restrictive immigration policies, including more deportations. His deregulatory banking, energy and climate policy agenda is reinvigorated.

3

Trump & Divided Congress scenario

15% probability

Trump pursues most of his economic policies, including making permanent the tax cuts for individuals. Other policies concerning tariffs, immigration and regulations are implemented via executive orders. Many of his policy moves are challenged in the courts, but this does little to dissuade his policies.

4

Democratic Sweep scenario

10% probability

Biden's fiscal 2025 budget is fully implemented. Tax cuts are extended for individuals earning less than \$400,000 per year, but higher-income earners see their taxes rise. Corporate taxes increase, with the statutory rate rising from 21% to 28%, among other novel reforms. Certain tax credits aimed at low- and middle-income individuals are expanded. The increase in government spending is focused on programs to support the finances of low- and middle-income households.

Source: Moody's Analytics

¹ This paper is part of an ongoing Moody's Analytics analysis of the economic implications of the candidates' economic policy proposals in the 2024 U.S. presidential election. Moody's Analytics will continue to publish a series of reports throughout the election cycle analyzing the candidates' proposed tax and economic plans. We do not endorse or support any political party or candidate, including those in the 2024 U.S. presidential election.

² The authors have not made contributions to either presidential candidate during this election cycle, and Mark Zandi served as an economic advisor to the 2008 John McCain presidential campaign.

³ This scenario is the Moody's Analytics May 2024 baseline scenario and is based on our [model of the presidential election outcome](#).

A nearly likely scenario is the *Republican Sweep* scenario (35% probability), which assumes Trump is victorious and there is a Republican sweep of Congress. In this scenario, Congress fully adopts the policies Trump espouses. We also consider a less likely *Trump & Divided Congress* scenario (15% probability) in which Trump is reelected and the Senate goes Republican, but the House flips to the Democrats.

Finally, the least likely *Democratic Sweep* scenario (10% probability) assumes Biden and the Democrats sweep the presidency and Congress and fully implement the economic agenda that is laid out in Biden's recent fiscal 2025 budget proposal for the federal government.⁴

We use the Moody's Analytics model of the U.S. and global economies for this analysis.⁵ The model is a general equilibrium structural model similar to those used by the [Federal Reserve Board](#) and Congressional Budget Office for forecasting, budgeting and policy analysis. The Moody's Analytics model was used to evaluate the plethora of fiscal and monetary policies implemented during the 2008-2009 global financial crisis and COVID-19 pandemic, and many of the economic policies proposed by presidential candidates in other elections.⁶

Quantifying the macroeconomic impact of Trump's policies is complicated by their lack of transparency and specificity, requiring us to make assumptions regarding their design and size. We rely on Trump's campaign website, speeches, press announcements, interviews, and public commentary from campaign advisors to determine his policy positions. Evaluating Biden's policies is complicated by the wide range of his proposals. Some are familiar and we have already modeled and analyzed them, while others are more novel.

Some economic policies floated during the campaign are not included in this analysis, including some regulatory and anti-trust proposals. While these policies may have noteworthy impacts on specific industries or companies, they are assumed to have minor macroeconomic consequences.⁷ A noteworthy exception is the possibility that Trump may work to impede the independence of the Federal Reserve and the conduct of monetary policy. In his first term, the former president was openly critical of Fed policy and Fed Chair Jerome Powell, and credible [media reports](#) suggest Trump advisors are carefully considering steps he might take to influence or determine the setting of interest rates in a second term. Although this would have serious negative macroeconomic consequences, we consider it too speculative to include in our analysis.

We assume that the candidates' policies are implemented soon after they take office in January and do not change throughout their term. We also assume there are no other significant policy changes. Monetary policy, including the federal funds rate and any quantitative easing or tightening, is determined endogenously in the Moody's Analytics model using a Taylor-rule-like reaction function that is based on the Federal Reserve Board's [framework for conducting monetary policy](#) and is consistent with the historical behavior of the Fed in setting policy.

4 In the *Democratic Sweep* and *Republican Sweep* scenarios, we effectively assume the Senate does away with the filibuster rule to allow for full adoption of Biden's and Trump's policies, respectively. This further reduces the odds that these scenarios will occur, but they bookend the possible economic outlooks because of policy changes resulting from the outcome of the election.

5 A detailed description of the Moody's Analytics model of the U.S. economy is available [here](#). More detailed validation documentation is available on request.

6 See "[The Macroeconomic Consequences of Trump vs. Biden](#)," Mark Zandi and Bernard Yaros, Moody's Analytics white paper, September 2020. Also see "[The Macroeconomic Consequences of Mr. Trump's Economic Policies](#)," Mark Zandi, Chris Lafakis, Dan White and Adam Ozimek, Moody's Analytics white paper, June 2016, and "[The Macroeconomic Consequences of Secretary Clinton's Economic Policies](#)," Mark Zandi, Chris Lafakis and Adam Ozimek, Moody's Analytics white paper, July 2016.

7 See "[Death, Taxes and Regulation](#)," Mitch Murphy, Mark Zandi and Dante DeAntonio, Moody's Analytics white paper, August 2018.

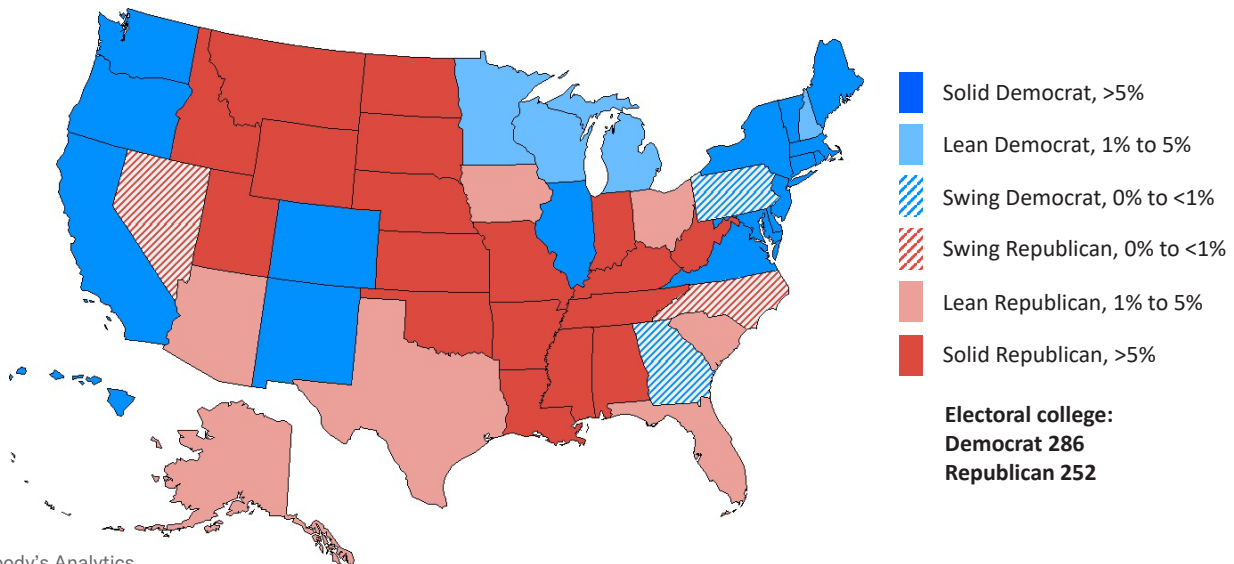
BIDEN & DIVIDED CONGRESS (40% PROBABILITY)

The most likely scenario, which is the Moody's Analytics baseline outlook, is that Biden wins reelection and Congress remains divided. However, control of Congress shifts in this scenario, with the Senate flipping Republican and the House Democratic.

The expectation that Biden will win reelection is based on our [model of presidential elections](#) since 1980 (see Chart 2). We have modeled the share of the vote that goes to the incumbent party across states based on a wide range of political and economic factors. Based on assumptions and our baseline state-level economic outlook, Biden narrowly wins the electoral college and the presidency.

Chart 2: Biden Narrowly Wins

Winning candidate by state and margin of victory, May 2024 forecast



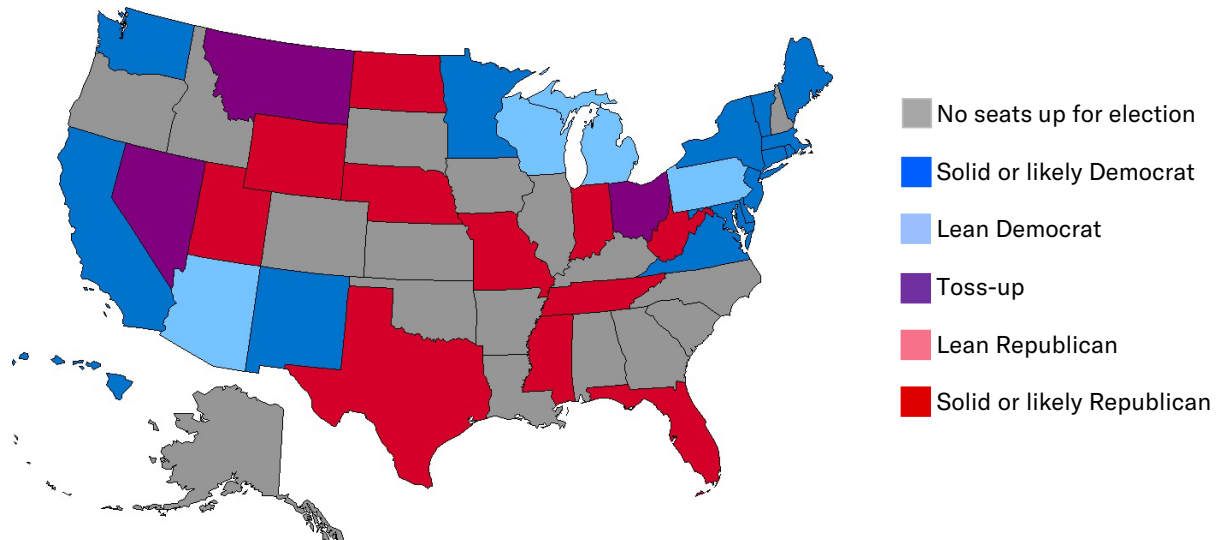
Source: Moody's Analytics

The Senate appears likely to go Republican. With the retirement of West Virginia Democrat Joe Manchin, the [deep-red state](#) will almost surely elect a Republican senator, leaving the Senate evenly divided. But while recent polling shows that Senate races in Arizona, Maryland, Montana, Nevada and Ohio are close, Republicans need to take only one of these seats to regain the majority (see Chart 3). Each race has its own story, but helping the Republicans' cause is angst over inflation and heightened concern over the immigrant crisis at the southern border. Polling shows both these issues favoring Republicans over Democrats.

The [House is expected to go to the Democrats](#). The Republicans hold a razor-thin majority, and the Democrats need to take just four additional seats from the GOP to secure a majority, assuming no upsets in current Democratic strongholds. Recent federal judicial decisions on redistricting efforts have also leaned in Democrats' favor, boosting their chances. Also, given that incumbents win reelection more than 90% of the time, the relatively high number of congressional retirements relative to previous cycles creates the potential for more change in the body.

Chart 3: Which States Will Determine Control of the Senate?

Senate elections in 2024



Sources: The Cook Political Report, Moody's Analytics

This scenario more-or-less assumes the policy status quo but with significant [political drama](#). A detailed description of Biden's policies is provided in Appendix A: Biden's Economic Policies. The drama begins immediately at the start of Biden's second term with the expiration of the Treasury debt limit suspension. In 2023, Biden and Congress negotiated a compromise bill—the [Fiscal Responsibility Act](#)—to suspend the debt limit until January 1, 2025. On that date, the ceiling will adjust to the amount of debt outstanding at the time and Treasury will begin so-called extraordinary measures to maintain a positive cash balance for as long as it can until Congress and the president raise, suspend or eliminate the debt limit.

Lawmakers are assumed to come to terms at the last moment, as they have done historically, pushing the debt limit further down the road and avoiding a government default. Of course, this is not without a cost, since it further damages global investor trust in the willingness of the U.S. government to pay its obligations in a timely way.

As part of the debt limit deal, lawmakers are assumed to cement the government spending caps agreed to in the FRA, perhaps with the threat of sequestration, which leads to smaller increases in defense spending and further cuts to nondefense outlays in Biden's second term. The debt limit deal also includes a compromise on taxes. Under current law, the personal income tax provisions in the [Tax Cut and Jobs Act](#) passed in Trump's first term are set to expire at the end of 2025. In this scenario, lawmakers extend some, but not all, of the personal income tax cuts, primarily for those with annual incomes below \$400,000. Tax cuts for higher earners expire to the chagrin of Republicans, although Biden is not able to push through his proposed corporate tax increases.

We also expect the agreement to include tax provisions similar to those that got bipartisan support earlier this year in the [Tax Relief for American Families and Workers Act](#). Democrats get an increase in the child tax credit, a higher ceiling for the low-income housing tax credit, and an extension of expanded Affordable Care Act premium tax credits. Republicans get an extension to some corporate tax provisions in the TCJA, including business deductions for

research and development costs, an extension of the 100% bonus depreciation for qualified properties, and an increase in the limits on the expensing of depreciable business assets.

Aside from fiscal policy, we expect Biden to impose much tougher restrictions on immigrants crossing the southern border, and while he will pursue broader immigration reform, we assume legislation will remain elusive. Instead, he will get increased border funding and an expansion of the ability of border control and immigration courts to handle higher volumes of illegal immigrants and asylees. Therefore, foreign migration is expected to settle back to a pace more consistent with its early-2000s average.

Biden also continues to use targeted tariff increases, much like the recently announced 100% tariffs on Chinese electric vehicles and solar panels, to help U.S. companies in their competition with government-supported Chinese firms. Finally, efforts to facilitate the transition to clean energy as embodied in the [Inflation Reduction Act](#), including broader use of electric vehicles and solar energy, higher gas mileage requirements, and stiffer utility emission standards, are reinforced in Biden's second term.

In the *Biden & Divided Congress* scenario, the economy remains near its potential, growing quickly enough and creating enough jobs to ensure it remains at full employment with an unemployment rate close to 4% (see Table 1). Inflation steadily moderates and returns to the Federal Reserve's 2% target by summer 2025. The Fed begins to cut interest rates later this year, and slowly reduces the federal funds rate to its estimated equilibrium rate, or r-star, near 3% by the end of 2026, and long-term interest rates hold steady. The federal government's budget deficit stabilizes at just over 5% of GDP, and the publicly traded debt-to-GDP ratio increases from its current nearly 100% to 105% by the end of Biden's second term.⁸

No new major policy legislation is assumed in this scenario, but the policies passed in Biden's first term, including the [Infrastructure Investment and Jobs Act](#), the [CHIPS Act](#), and the IRA, are solidified and continue to have economic impacts. Broadly, these policies provide tax subsidies and government outlays to enhance the nation's basic infrastructure, incent more semiconductor production and R&D in the U.S., and reduce carbon emissions to address climate change. Ultimately in total, the budgetary cost of these policies is largely a wash. The policies support near-term growth through increased [construction and manufacturing](#), which will continue well into Biden's second term. The policies also underpin longer-term growth by lowering businesses' transportation and communication costs, improving supply-chain resilience, and reducing risks posed by U.S. dependence on foreign chip production. The benefits of lower carbon emissions play out over much longer periods.

REPUBLICAN SWEEP (35% PROBABILITY)

Given how close the election is sure to be, we consider the *Republican Sweep* scenario to be nearly as likely as the *Biden & Divided Congress* baseline scenario. Trump needs to swing only a state or two to win election, and if he is reelected president, it seems likely his coattails will ensure the Senate flips Republican and the House remains under Republican

⁸ The risks to this sanguine baseline economic outlook are two-sided. On the upside, the economy might enjoy stronger-than-expected productivity gains due to the increased adoption of remote work and generated by technologies such as artificial intelligence. Immigration reform may also get through the legislative process, supporting stronger labor force and productivity gains. On the downside, geopolitical tensions could intensify, most significantly between the U.S. and China, accelerating the pace of deglobalization. Climate change could ignite more and bigger weather events than anticipated, increasing insurance and other business and living costs more quickly than expected.

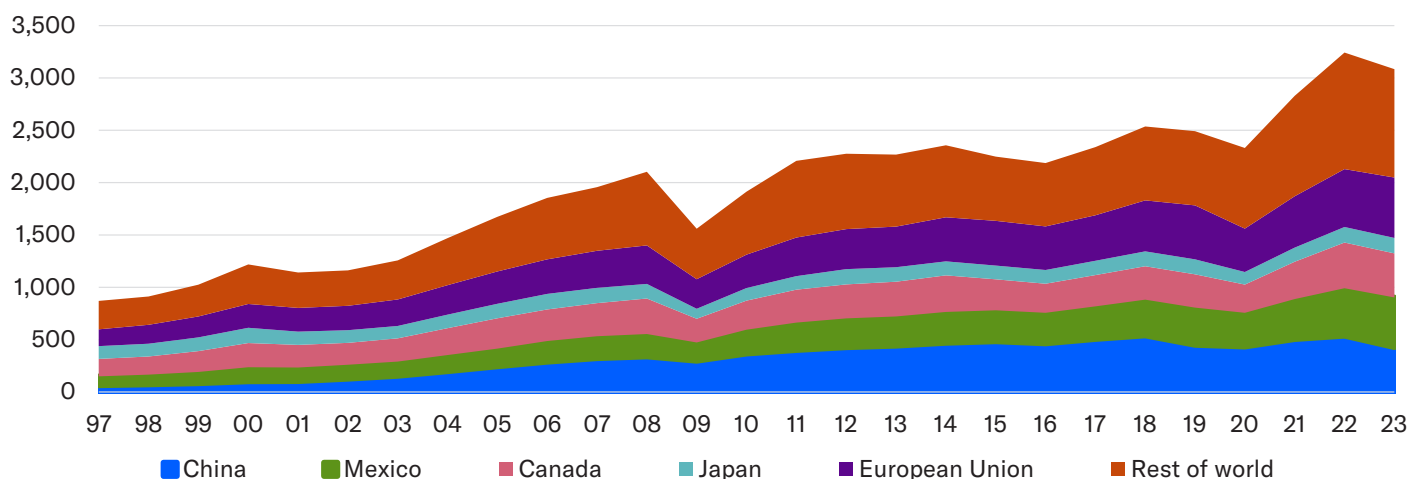
control. While the two scenarios are nearly as likely, the economic outlook depending on which scenario prevails is meaningfully different.

Broadly, the policies adopted under the *Republican Sweep* scenario result in higher inflation and weaker economic growth (see Table 2). A detailed description of Trump’s policies is provided in Appendix B: Trump’s Economic Policies. Contributing most directly to this outcome are Trump’s proposed tariff hikes and immigration enforcement measures. We assume he makes a number of these changes through executive orders and thus bypasses the legislative process, much as he did in his first term. These moves will likely be challenged in the courts, but the policies will be implemented long before the judicial system finally rules on their legality. And given Republican control of Congress, whatever he is unable to do through executive order, he is able to largely accomplish legislatively.

Tariff increases that Trump imposed in his first administration were limited. At their peak in 2019, they impacted about 10% of U.S. imports and were limited to specific products, mostly from China. They nonetheless did measurable economic damage, particularly to the agriculture, manufacturing and transportation industries. A tariff increase covering nearly all goods imports, as Trump recently proposed, goes far beyond any previous action. Goods imports account for more than 10% of U.S. consumer spending (see Chart 4). The proposed tariff policy raises costs for businesses and in turn weighs on growth and productivity, and lifts inflation as businesses pass many of their higher costs to consumers.

Chart 4: Top U.S. Trading Partners

U.S. imports by country, \$ bil



Sources: Census Bureau, Moody’s Analytics

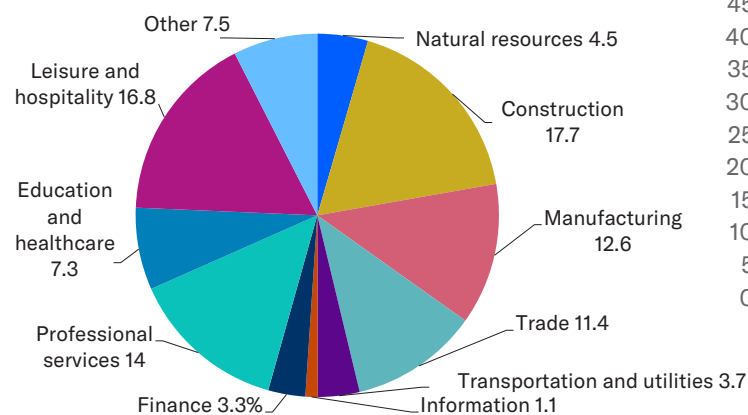
The higher tariffs do not materially help to reduce the U.S. trade deficit. Demand for imports declines with the higher tariffs, but a resulting appreciation of the real trade-weighted dollar and weaker global growth cause exports to suffer, roughly offsetting the impact on the trade balance. And this is despite our assumption that other nations will not retaliate with their own higher tariffs or other trade restrictions. Any in-kind reprisals would further depress U.S. exports and exacerbate the trade deficit.

Further, given the continued fragility of global supply chains, higher tariffs run the additional risk of disrupting trade flows. Uncertainty over further possible policy changes is likely to deter investment in global supply-chain networks. Deliveries could also be disrupted as producers divert shipments to markets without tariffs and businesses try to source from domestic suppliers.

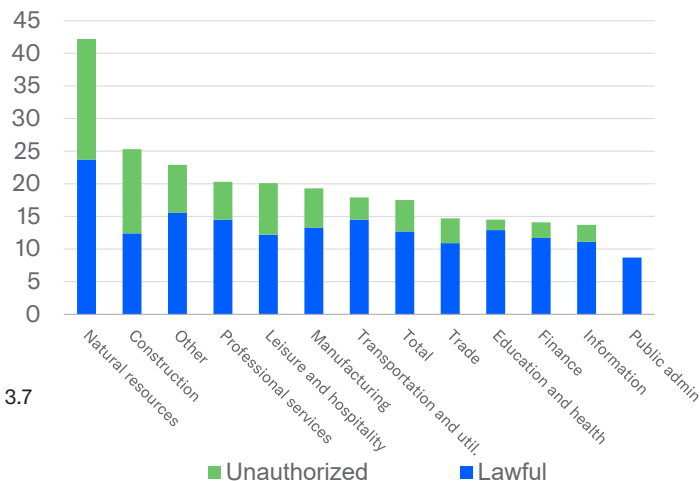
Trump's proposed immigration enforcement measures, including more restrictive immigration policies and large-scale deportation of unauthorized immigrants, quickly cause a significant tightening in the already-tight job market, particularly in industries such as agriculture, construction, leisure and hospitality, and retail, where immigrant workers are more prevalent (see Chart 5). The surge in immigration across the southern border since the pandemic reopening has presented many challenges to communities across the nation (see Chart 6), but the benefit has been to significantly increase labor supply and help ease wage and price pressures. This has come at an opportune time as it forestalled even more aggressive interest rate hikes by the Federal Reserve and thus a possible recession. Reversing these immigration flows as Trump is proposing will quickly result in a tighter job market and foment wage and price pressures with immigrant-heavy industries taking the greatest hit (see Chart 7). More precisely, we assume that the combination of more deportations and less unauthorized immigration reduces foreign migration by approximately 1 million people per year. At the end of his second administration, the U.S. population is just over 4 million people smaller compared with the baseline.

Chart 5: Immigrants Are Crucial to U.S. Goods Production & World Food Supply

Distribution of unauthorized immigrants, % share of unauthorized immigrant population by industry



Composition of U.S. labor force, % industry share of employment by immigration status



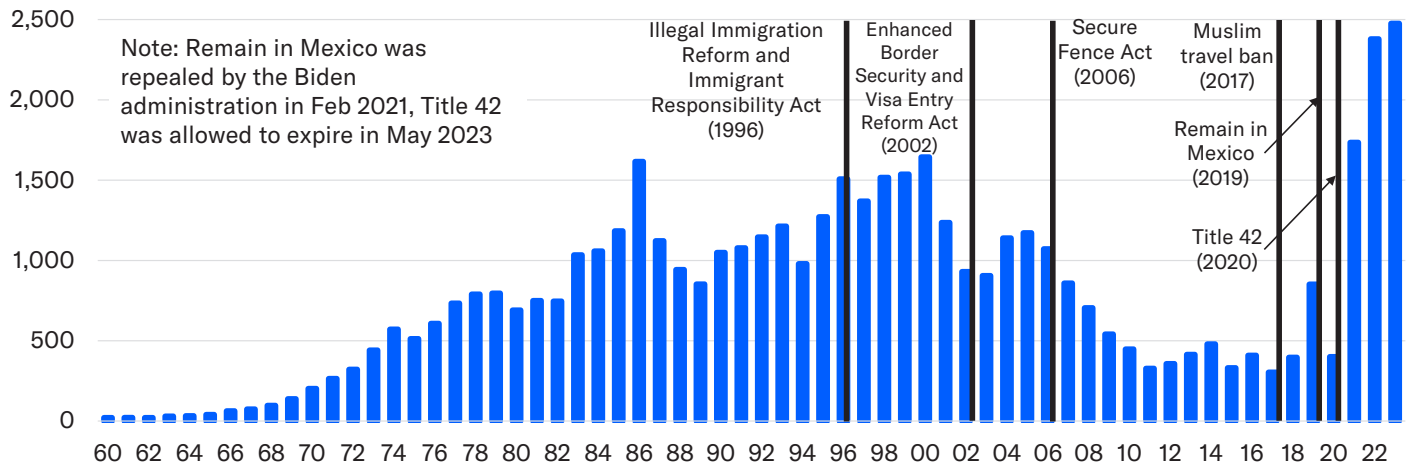
Sources: Pew Research, Moody's Analytics

The Federal Reserve, which is focused on labor costs and inflation, may feel compelled to resume its rate hikes, or at the very least wait longer to cut rates. Recession becomes a serious threat once again.

Adding to the inflation pressures are Trump's proposed partially deficit-financed corporate tax cuts. We assume these tax cuts would be done as part of a reconciliation bill that allows the Senate to pass the legislation with a simple majority, which they have in this scenario. The revenue generated from the higher tariffs offsets only part of the tax revenue lost

Chart 6: U.S.-Mexico Border Crossings Surge to an All-Time High

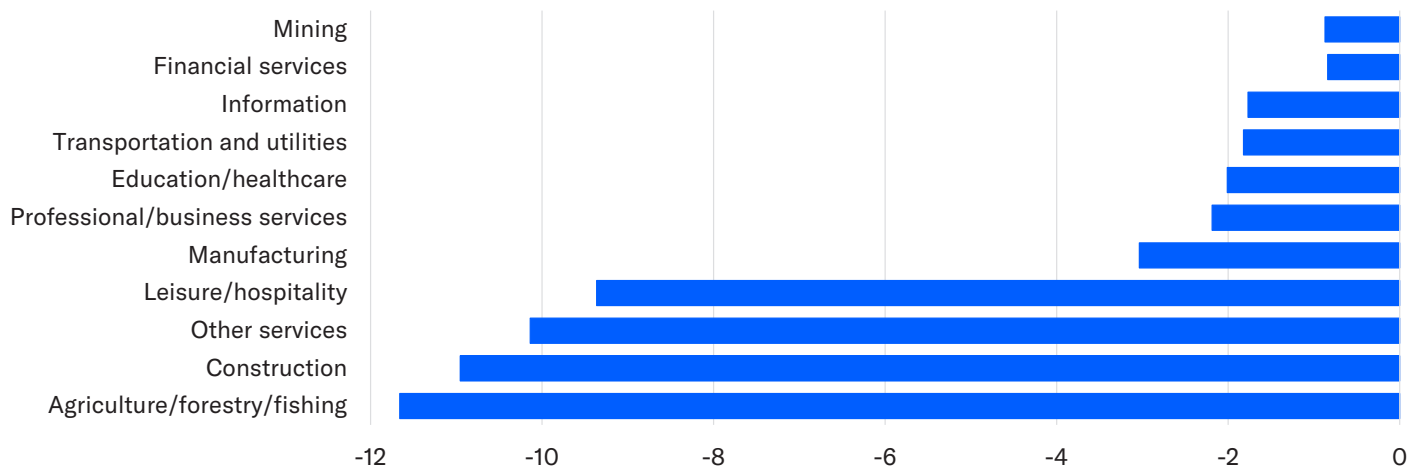
Southwest border encounters, ths



Sources: CBP, Moody's Analytics

Chart 7: Immigrant-Heavy Industries Suffer Labor Shortages

Real GDP by industry, *Republican Sweep* scenario, % deviation from baseline, 2028Q4



Source: Moody's Analytics

because of the lower statutory tax rate on corporate profits.⁹ This fiscal stimulus boosts economic growth at a time when the economy is already operating at full employment and

⁹ Over the 10-year budget horizon, 2025-2034, we estimate the higher tariffs will generate \$1.7 trillion in revenue, while the tax cuts will cost \$3.4 trillion in revenue. The net impact of the tariffs and tax cuts is to increase the government's cumulative budget deficit over the decade by \$1.7 trillion.

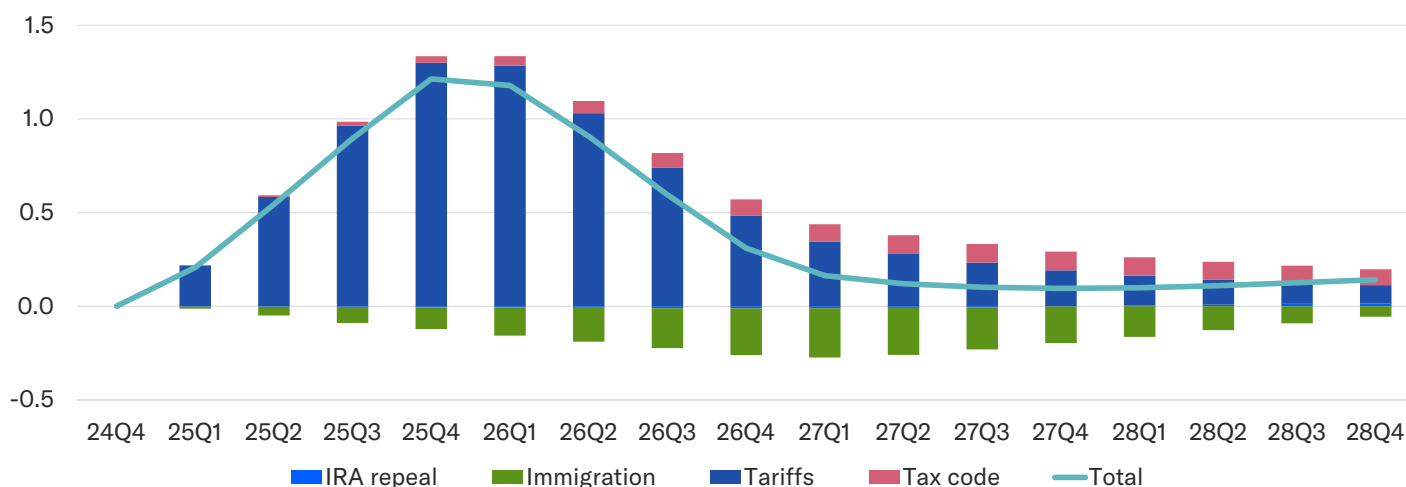
growing at its potential, limiting any boost to hiring and investment and fanning inflation. The corporate tax cuts reduce businesses' cost of capital and lift investment and longer-term economic growth, but these benefits are largely offset by higher interest rates. Short-term rates are higher given the Fed's response to the higher inflation, and long-term rates are higher because of the government's larger deficits and heavier debt load.

While Trump scales back the climate-related provisions of the IRA in this scenario, this does little to help the government's fiscal situation. The IRA's clean-energy investments were largely paid for by stricter IRS enforcement on tax avoidance and new taxes, which Trump has said he would also unwind. Of course, the IRA investments are intended to address the economic threat posed by the physical risks caused by climate change. The likely increase in [climate-related economic costs](#) will largely be borne in future decades and thus is not part of this analysis.

Under the *Republican Sweep* scenario, consumer price inflation reaccelerates from 3% in 2024 to 3.6% next year (see Table 2), fueled by the higher tariffs, outflow of foreign immigrants, the resulting tighter labor market and more quickly rising labor costs, and tax-cut-fueled fiscal stimulus (see Chart 8). Compared with the baseline scenario, Trump's policies add 1.2 percentage points to CPI inflation in 2025 (see Table 3). The Federal Reserve does not raise rates in response, as it is torn between higher inflation and a weakening economy, but is much slower to cut rates. Long-term interest rates remain elevated.

Chart 8: Inflation Higher Under the *Republican Sweep* Scenario...

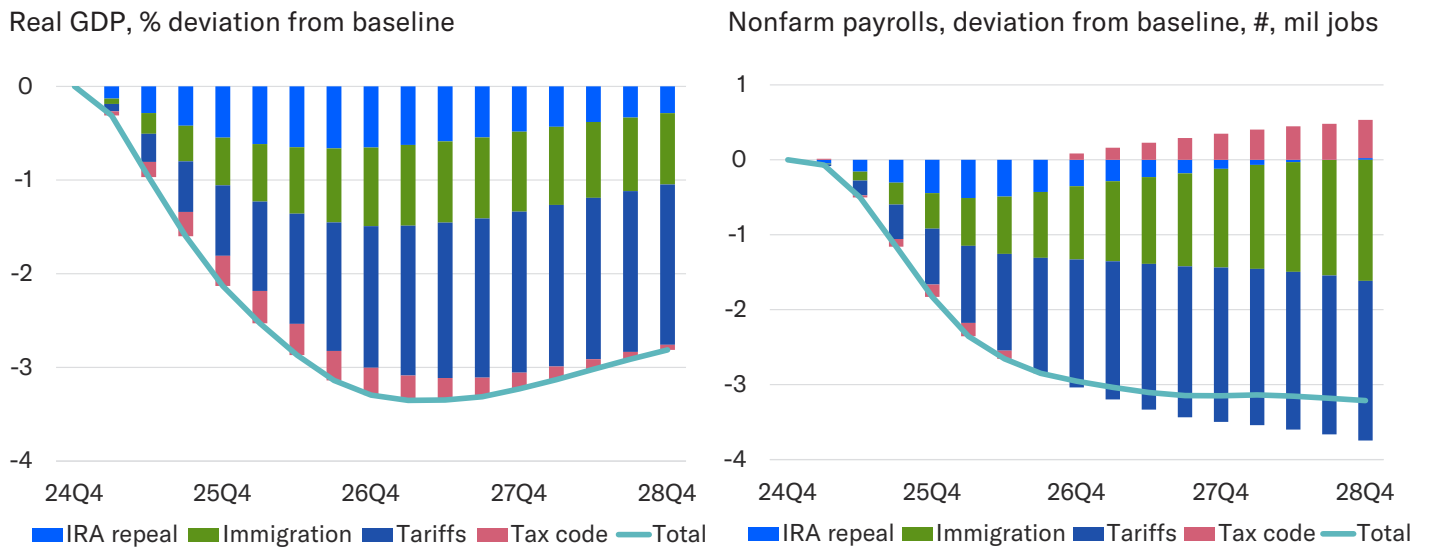
CPI, deviation of annual growth from baseline, ppts



Sources: BLS, Moody's Analytics

The higher inflation and interest rates weigh on real incomes and consumer and business sentiment, and the economy suffers a recession beginning in mid-2025. The downturn is mild by historical standards, but unemployment rises from its current rate of just less than 4% to a peak of more than 5% in early 2026. The recession and higher unemployment ultimately quell the high inflation and the Fed finally begins to lower interest rates. While the economy recovers beginning in mid-2026, employment is still 3.2 million jobs lower and the unemployment rate is nearly half a percentage point higher by the end of Trump's second term compared with the baseline (see Chart 9). The lower employment reflects a combination

Chart 9: ...Even as GDP and Employment Are Weaker



Sources: BEA, BLS, Moody's Analytics

of weaker labor force growth, due to the reduction in immigration, and layoffs due to the economy's deterioration.

Despite the recession, corporations navigate things reasonably well in the *Republican Sweep* scenario. Their sales and revenues are weaker, but the financial impact is offset by businesses' lower tax liability. Households, however, do less well financially. The typical American household's real after-tax income is approximately \$2,000, or 1.4%, lower by the end of Trump's term in this scenario than in the baseline. The value of their stock holdings and homes is also somewhat diminished by the higher interest rates.

The government's fiscal situation also suffers in this scenario (see Chart 10). Budget deficits are consistently more than 6% of GDP and the nation's debt load increases from just less than 100% to 114% by the end of Trump's term. The poorer fiscal outlook reflects the weaker economy and the resulting impact on tax revenues and government transfer payments along with the tax cuts, and the higher interest rates and thus higher borrowing costs on the debt.

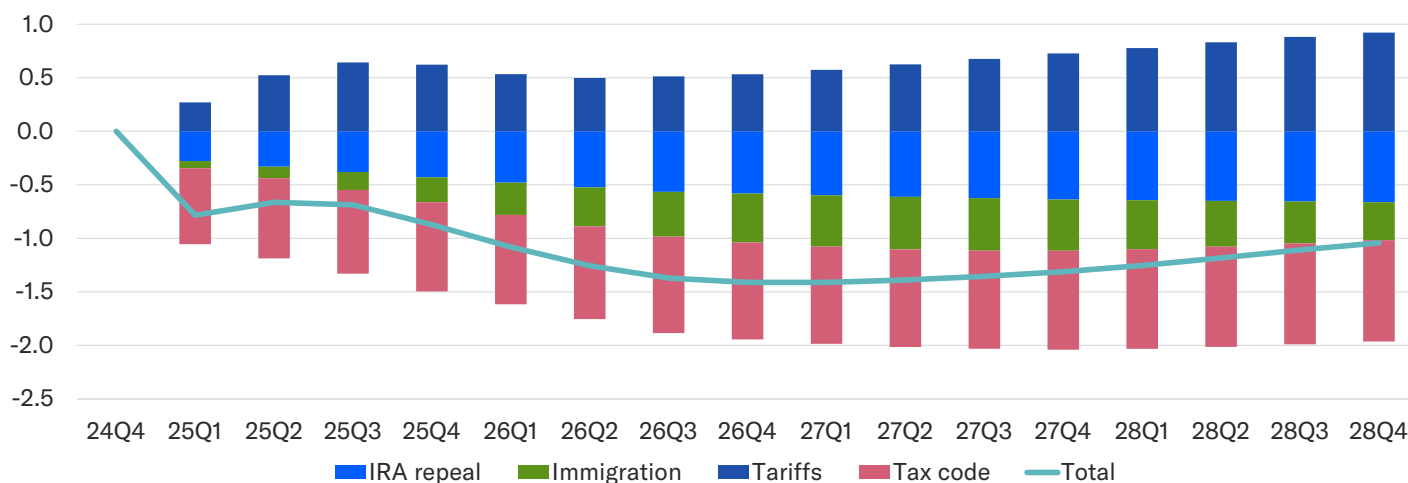
TRUMP & DIVIDED CONGRESS (15% PROBABILITY)

The *Trump & Divided Congress* scenario is much less likely since a Trump victory should win the day for enough Republicans in close congressional races. But those races are challenging to handicap, and given the political chaos among House Republican ranks over who would be speaker and their inability to get little done legislatively, voters may have had enough. Democrats win the small handful of races they need to retake control of the House.

In this scenario, Trump is stymied from making some of the sweeping policy changes he has proposed. He does extend the lower personal income tax rates for all taxpayers provided by the TCJA, including for high-income households, but he is unable to lower the corporate tax rate. He is able to axe the additional funding the IRS received as part of the IRA, but the rest of the IRA largely survives. Since **red states have benefited most** from clean energy

Chart 10: Budget Deficit Larger in *Republican Sweep* Scenario

U.S. budget deficit, % of GDP, deviation from baseline, ppts



Sources: BEA, Moody's Analytics

investments, Trump does not have enough support from congressional Republicans to meaningfully cut such provisions in the IRA.

In this scenario, we also assume Trump is less aggressive in increasing tariffs, lifting them to an average 5% and providing exemptions for close trading partners and allies while keeping the pressure on China. This would be similar to how the trade war played out in his first term, with numerous concessions provided to allies such as the European Union, the United Kingdom, Mexico and Canada, while tariffs remained high on Chinese imports.

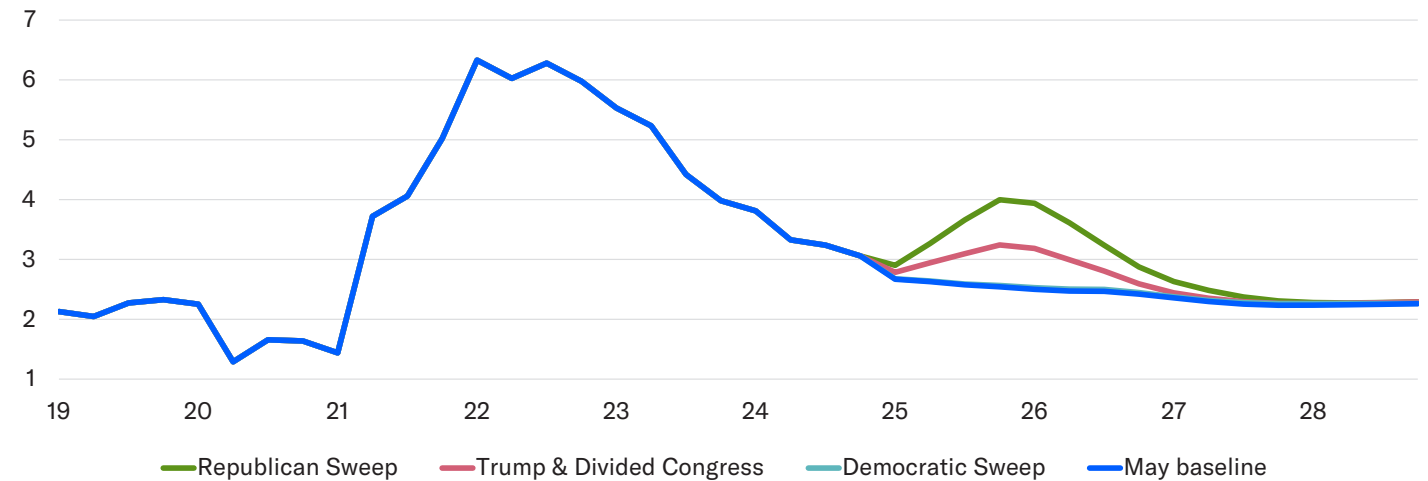
Trump's rhetoric on immigration and the policies he ultimately adopts are materially different in this scenario. Despite broad powers allocated to the executive regarding the border, Congress puts up roadblocks and Trump faces logistical hurdles in trying to deport many immigrants. The hurdles include assembling resources to apprehend immigrants winning the inevitable court battles and negotiating a place to send the immigrants. In this scenario, we therefore expect a less severe reduction in net immigration, with deportations closer to 500,000 annually, similar to the pace in Trump's first term.¹⁰ In total, the total U.S population is 1.75 million people smaller by the end of 2028 than under our baseline scenario.

The economy is diminished in the *Trump & Divided Congress* scenario compared with the baseline, but it avoids recession (see Table 4). Inflation does not accelerate as it does in the *Republican Sweep* scenario, but CPI inflation remains stubbornly stuck at 3% in 2025 (see Chart 11). The Fed delays its rate cuts, and long-term rates are somewhat higher. The higher inflation and interest rates weigh on the economy, but do not undermine it. The unemployment rate rises from just less than 4% to a peak below 5% (see Chart 12). By the end of Trump's term, unemployment is still somewhat higher than in the baseline, and annual real household incomes are almost \$500 lower. Budget deficits are consistently near 6% of GDP and the debt-to-GDP ratio rises to 110%.

¹⁰ Department of Homeland Security, *2022 Yearbook of Immigration Statistics*, p. 103-104.

Chart 11: Stubborn Inflation...

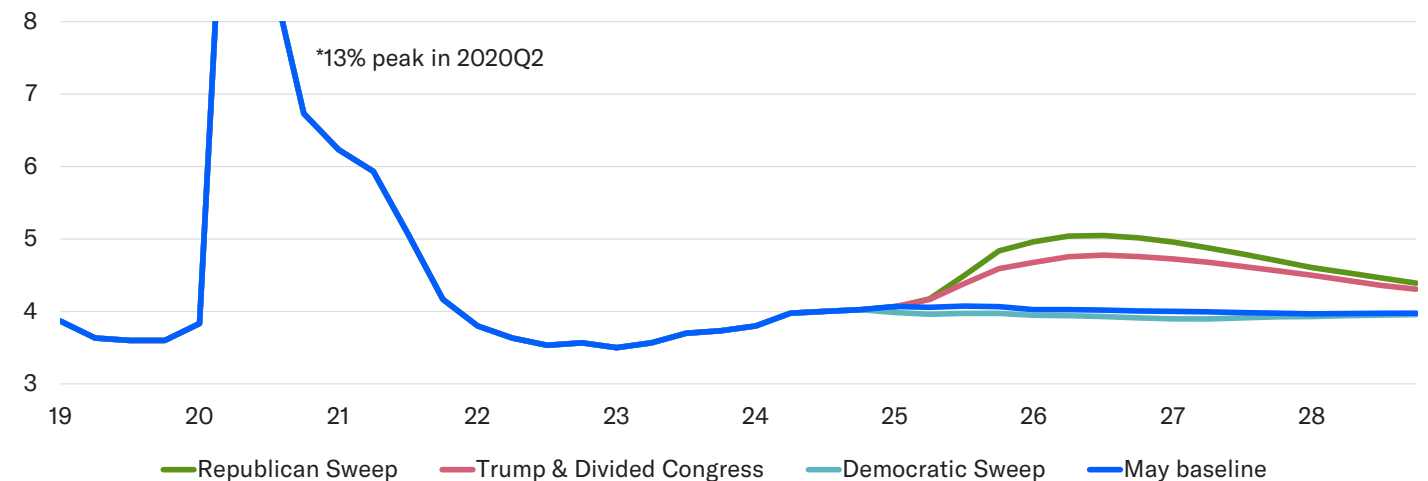
Core CPI, % change yr ago



Sources: BLS, Moody's Analytics

Chart 12: ...And Higher Unemployment

Unemployment rate, %



Sources: BLS, Moody's Analytics

DEMOCRATIC SWEEP (10% PROBABILITY)

Least likely is the *Democratic Sweep* scenario, in which Biden wins reelection and the Democrats sweep Congress. The election math for the Democrats to remain in control of the Senate is difficult, but not impossible, especially if the electorate's perception of the economy improves and voters' focus turns to issues such as abortion and away from the southern border.

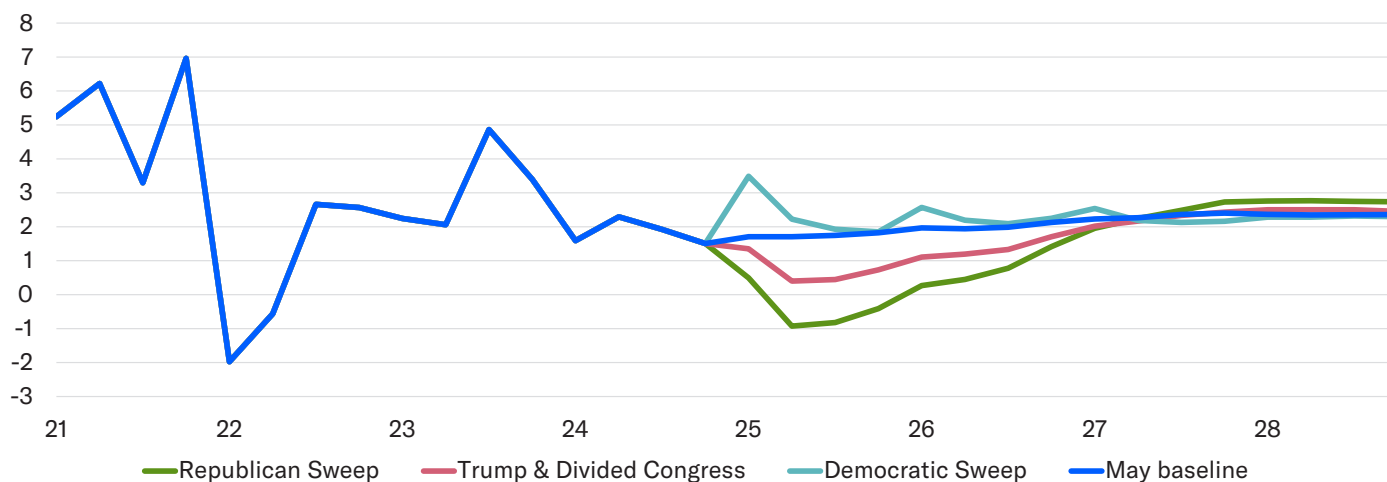
Biden is able to pass a sweeping tax and government spending bill consistent with his 2025 budget proposal. The legislation increases the corporate tax rate to 28% from its current 21% and allows personal income tax rates for those making more than \$400,000 annually to increase back to their higher pre-TCJA rates. There is a new top individual tax bracket, and the additional Medicare tax applied to higher-income earners is increased. Lower- and middle-income taxpayers continue to pay their current lower TCJA tax rates, and some benefit from a much larger child tax credit and expanded earned income tax credit. There are also more tax credits to address the affordable housing shortage, such as an enhanced low-income housing tax credit.

The legislation also includes a sizable boost to spending on a range of government programs that benefit low- and middle-income Americans, including universal pre-K, eldercare, Affordable Care Act subsidies and other public health initiatives, free community college, public housing investments, and paid family leave.

The economy performs better in this scenario than the other scenarios by the end of Biden’s second term based on some measures such as real GDP (see Chart 13) and jobs (see Chart 14), but not as well as the baseline scenario on other measures, such as real disposable household income and after-tax corporate profits given the higher marginal rates that high-income households and large businesses are required to pay (see Table 5). Lower corporate earnings weigh on stock prices despite lower interest rates in this scenario, although the lower rates help lift single-family housing demand and house prices.

Chart 13: Somewhat Stronger Growth Under the *Democratic Sweep*..

Real GDP, % change annualized

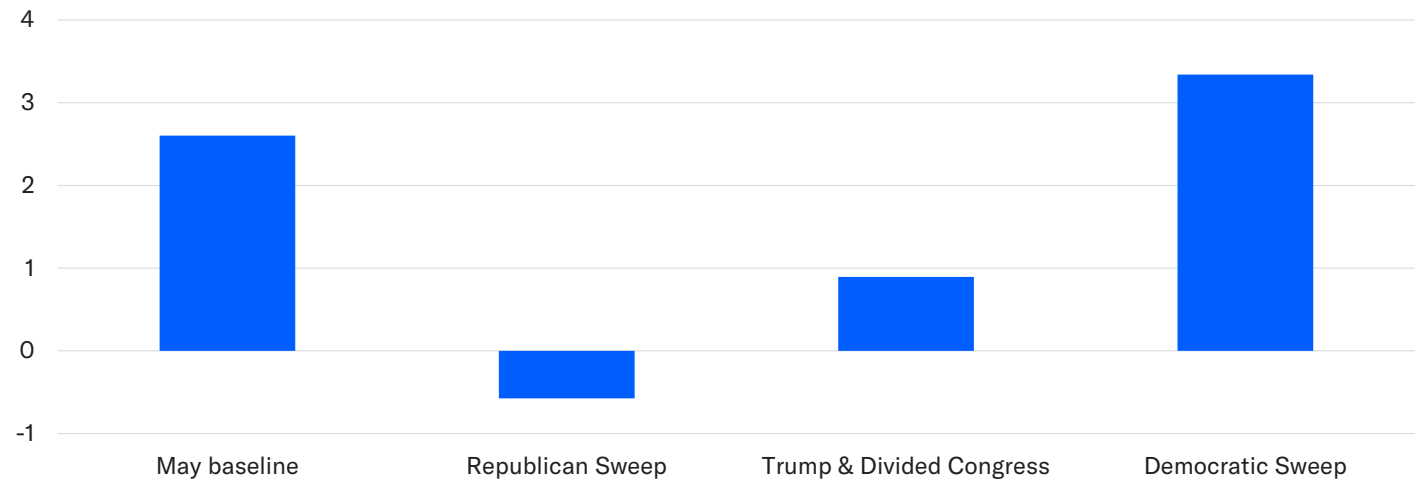


Sources: BEA, Moody’s Analytics

While there is little impact on the broader economy, Biden’s policies provide a clear boost to the finances of lower- and middle-income Americans. Their financial situation is meaningfully better in this scenario as they benefit from increased government spending on childcare and eldercare, healthcare, education, and public housing. These increased benefits are paid for by the higher taxes paid by high-income and wealthy households.

Chart 14: ...And More Jobs

Nonfarm payrolls, total additions, 2025-2028, mil

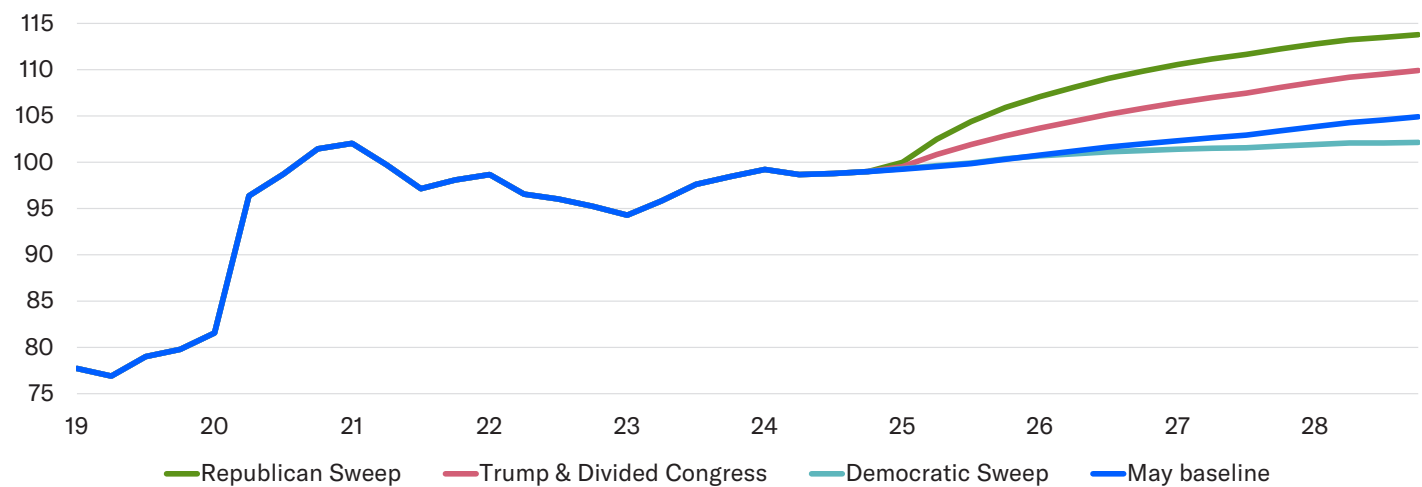


Sources: BLS, Moody's Analytics

The increased tax revenue in this scenario also goes to reducing government deficits, which remain closer to 4% of GDP. The government's debt-to-GDP ratio thus holds steady at close to 100% throughout Biden's second term (see Chart 15). The smaller budget deficits and a lighter debt load help keep inflation in check and contribute to lower interest rates.

Chart 15: A Better Fiscal Trajectory Under a *Democratic Sweep*

Federal debt held by the public, % of nominal GDP



Sources: U.S. Treasury, BEA, Moody's Analytics

Appendix A: Biden's Economic Policies

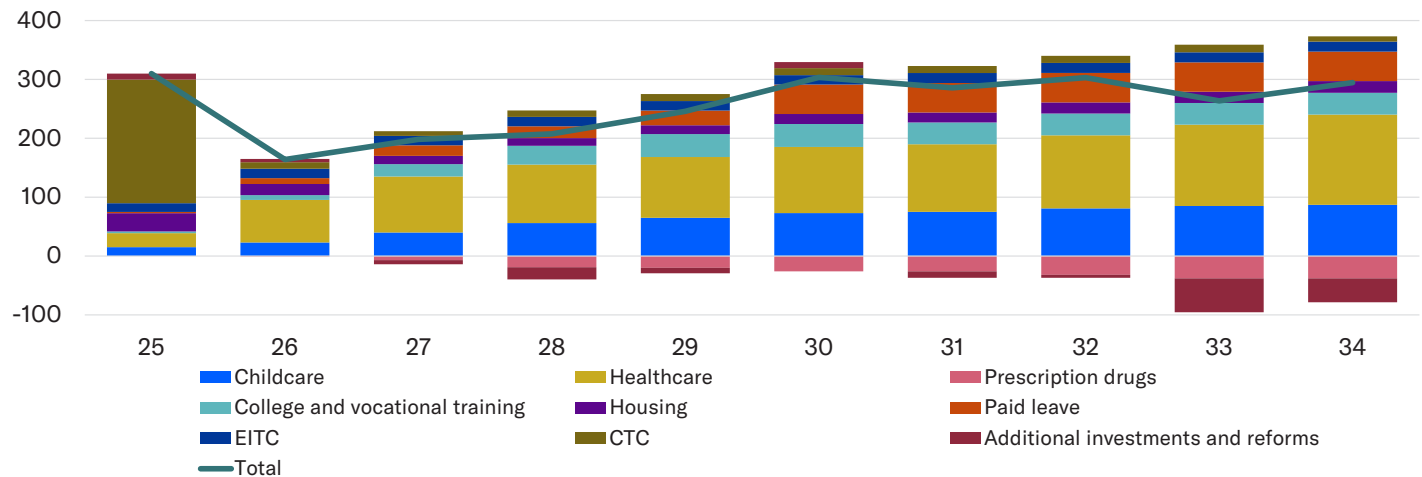
To determine the economic policies that Biden will pursue if elected to a second term and are included in our *Democratic Sweep* and *Biden & Divided Congress* scenarios we rely on his [fiscal 2025 budget proposal](#). We consider his budget to be his policy wish list. The budget scores for his spending proposals are those provided by the Office of Management and Budget, and the impact of his tax proposals on government revenue is determined based on simulations of our macroeconomic model.

ON GOVERNMENT SPENDING

Biden's budget includes new nondefense government spending proposals coupled with offsets through various policy reforms and tax hikes. On net, the budget would increase nondefense discretionary spending by nearly \$1.7 trillion over the next decade (see Chart 16). At the top of the agenda are efforts to expand access to childcare and eldercare, improve college access and affordability, and reduce healthcare and prescription drug costs.

Chart 16: Biden's Government Spending Proposals

Projected outlays from Biden's spending proposals, \$ bil



Sources: OMB, Moody's Analytics

For childcare, the budget proposes \$600 billion in additional spending over the next 10 years to fund universal preschool for 4-year-olds and increase childcare subsidies for households that have pre-kindergarten-age children and earn no more than \$200,000 per annum. For higher education, Biden and Congress would outlay nearly \$300 billion over the next decade to fully fund community college, subsidize low-income students enrolled in a historically Black colleges and universities, eliminate student debt-related fees on new federal loans, and provide federal funding for vocational training.

On healthcare and prescription drugs, the budget devotes nearly \$500 billion over the next decade to make the extended Affordable Care Act premium tax credits that were included in

the IRA permanent, while funding Medicaid-like coverage to individuals in states that have to this point opted out of Medicaid expansion. The budget would also shift funding for the Indian Health Service from discretionary health to mandatory spending and increase public funding for behavioral and mental healthcare, which is expected to carry a 10-year price tag of about \$340 billion. Offsetting about a quarter of the total cost will be various efforts to enhance Medicare drug price negotiations and reduce costs to the federal government.

In addition to increasing spending on nondefense discretionary programs, Biden has proposed increasing government transfers by establishing a universal paid family and medical leave program administered by the Social Security Administration. This would replace the wages of new parents and those who temporarily step away from work for medical reasons for up to 12 weeks. Medicare funding for home and community-based care is also expanded. Together, these transfer programs would increase spending by \$480 billion over the next decade, with much of the spending occurring in the second half of the 10-year budget horizon.

ON TAXES

Central to Biden's policy proposals are significant changes to the tax code as he seeks to more than offset his proposed increase in government spending with more tax revenues. Biden has [reiterated](#) on the campaign trail that he wants to reform the system of taxation "to make the wealthy and big corporations pay their fair share" while extending former President Trump's tax cuts for those earning less than \$400,000 per year. His proposals are sweeping, affecting personal income, corporate and payroll taxes.

The most straightforward tax proposal is to restore the marginal tax rate on personal income to the Obama-era 39.6% for single tax filers earning more than \$400,000 per annum and married filers earning more than \$450,000. Capital gains would also be taxed at the same rate as wage income for those earning \$1 million or more per year—that is, at 39.6%, up from the current 20%. Moreover, Biden would limit 1031 like-kind exchanges—which allow real estate investors to sell properties for investment purposes or swap properties to defer capital gains tax payments—at \$500,000. He would also restrict high-income taxpayers' contributions to their retirement accounts if their balances are greater than a still-to-be-determined amount.

The plan also includes additional tax credits. Indeed, the budget would make permanent the American Rescue Plan's expansion to the earned income tax credit for childless workers (see Chart 17) and expand the child tax credit from \$2,000 to \$3,000 per child aged 6 and older and to \$3,600 per child less than 6 years old.

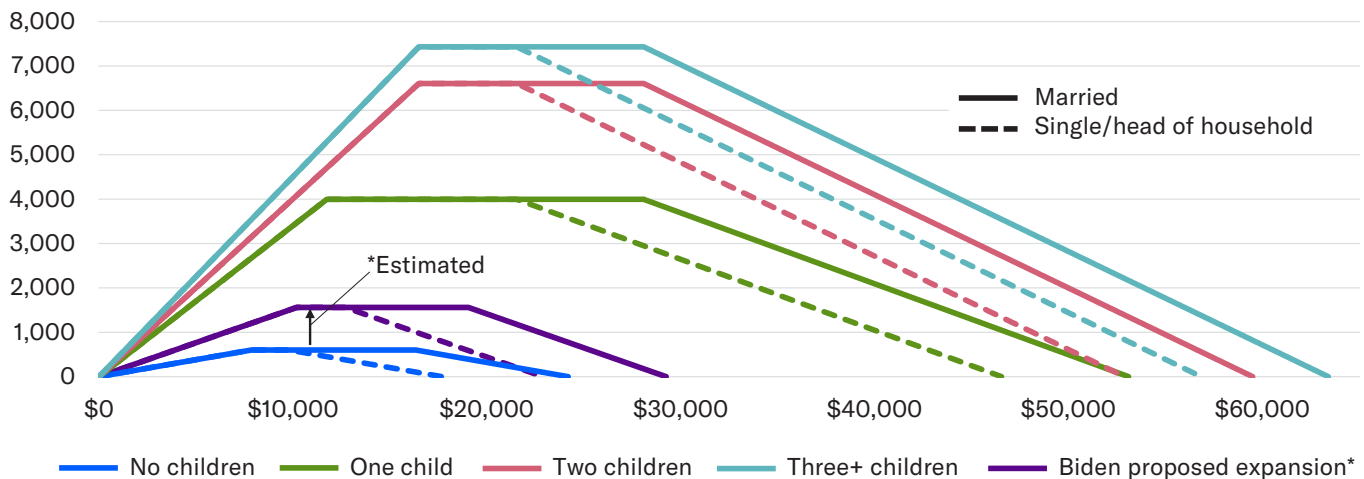
Less straightforward are Biden's untested personal income tax proposals. First, he would impose a minimum 25% wealth tax on those with a net worth of \$100 million or more. Under the Biden administration's [expanded definition of income](#), unrealized capital gains would be subject to taxation at this rate. Moreover, the budget would reform estate and gift taxes by modifying estate, gift, and generation-skipping transfer tax rules. This would entail allowing the TCJA's higher estate tax exemptions to expire and taxing unrealized capital gains at death above \$5 million for individuals and \$10 million for joint filers.

Taking Biden's personal income tax proposals together, they would increase the effective rate on personal income from approximately 9.5% to 10.2% a decade from now.

Regarding payroll taxes, Biden is focused on shoring up Medicare. In their 2024 [report](#), the Trustees of the Social Security and Medicare trust funds projected that the Health Insurance

Chart 17: Biden's EITC Would Give Boost to Workers Without Children

Earned income tax credit by household earnings and marital status, \$, 2023



Sources: IRS, Center for Budget and Policy Priorities, Moody's Analytics

trust fund will be depleted by 2036. To extend the fund's lifespan, Biden proposes raising the additional Medicare tax from 0.9% to 2.1% for workers earning more than \$400,000. Currently, the burden of the Medicare payroll tax is split between the worker and the employer at 1.45% a piece. But employers must also withhold an additional 0.9% of wages for workers that exceed \$200,000 per annum. Thus, with the hike, wages above \$400,000 would be taxed at 5% for Medicare, up from 3.8%. Moreover, business pass-through income would also be subject to Medicare taxes by applying the net investment income tax and increasing the rate from 3.8% to 5%. Biden's policy changes would push the effective social insurance contribution tax rate up from an estimated 15.2% to 15.7% a decade from now.

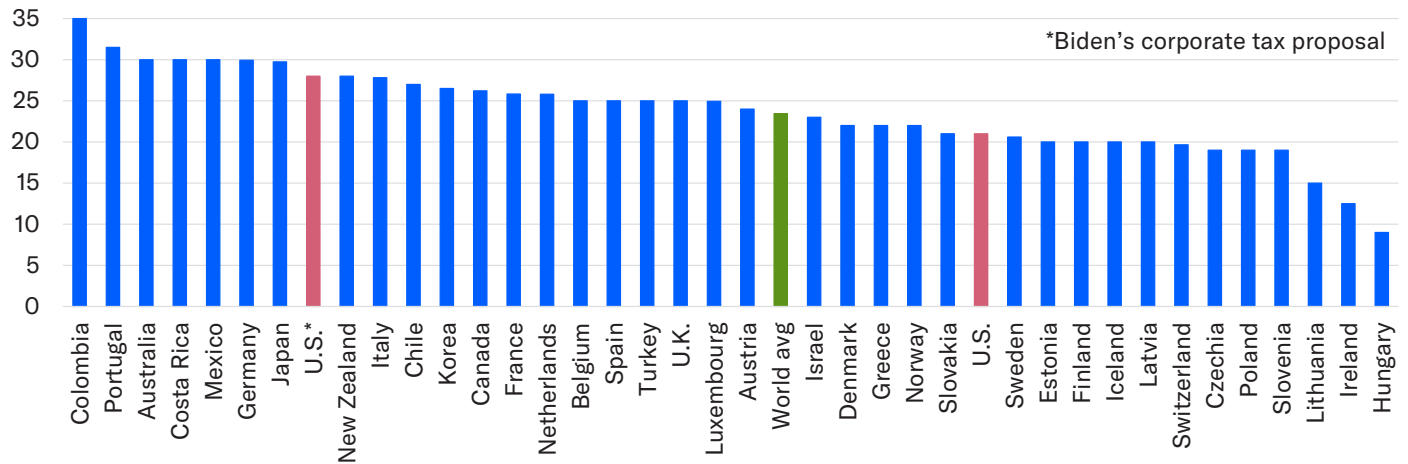
Like the changes Biden has proposed for individual income taxes, his corporate tax reforms include both well-established proposals and some new ones that carry more uncertainty. Biden has regularly criticized the TCJA's permanent corporate tax cuts on the campaign trail. In his [2024 State of the Union Address](#), he said "The last administration enacted a \$2 trillion tax cut, overwhelmingly benefiting the top 1%, the very wealthy and the biggest corporations." Therefore, key to his corporate tax agenda is an increase in the statutory rate from 21% to 28%. While well below the 35% rate that long prevailed prior to the TCJA, it would put the U.S. into the top 10 countries in the OECD with the highest corporate tax rates (see Chart 18)

The budget would also raise the tax rate on the foreign earnings of U.S. multinational corporations from 10.5% to 21%, and the IRA's 1% excise tax on stock repurchases to 4%. Moreover, Biden has proposed expanded limitations on deductions for compensation. Specifically, the budget would deny deductions for all compensation above \$1 million paid to employees of C corporations. Finally, it would also close the loophole for fund managers that allows them to treat carried interest like investment income for tax purposes.

Biden also proposes some additional corporate taxes, including increasing the new 15% alternative minimum tax rate on corporations earning \$1 billion or more per year, imposed as part of the IRA, to 21%. This is a tax on book income—the income firms report on financial statements

Chart 18: U.S. Corporate Tax Rates Less Competitive Under *Democratic Sweep...*

Corporate tax rates for OECD countries, 2023



Sources: Tax Foundation, The White House, Moody's Analytics

to shareholders and that reflects a company's true financial performance. The IRA's alternative minimum tax has thus far proven to be a failure when it comes to increasing government revenues. Its implementation was scheduled for 2023 but the IRS delayed enactment due to [various unresolved complexities](#). The budget also adopts the undertaxed profits rule, which would mimic the OECD's global minimum tax rules. This grants the U.S. the authority to levy additional taxes on firms that are subsidiaries of multinational corporations that pay less than the 15% global minimum rate in another country.

We estimate that Biden's corporate tax proposals would increase the effective corporate tax rate from close to 12% currently to more than 19% a decade from now. This would be the highest effective corporate tax rate since before the financial crisis. Overall, Biden's tax reforms would raise the most revenue as a percent of GDP since the 1950s (see Chart 19).

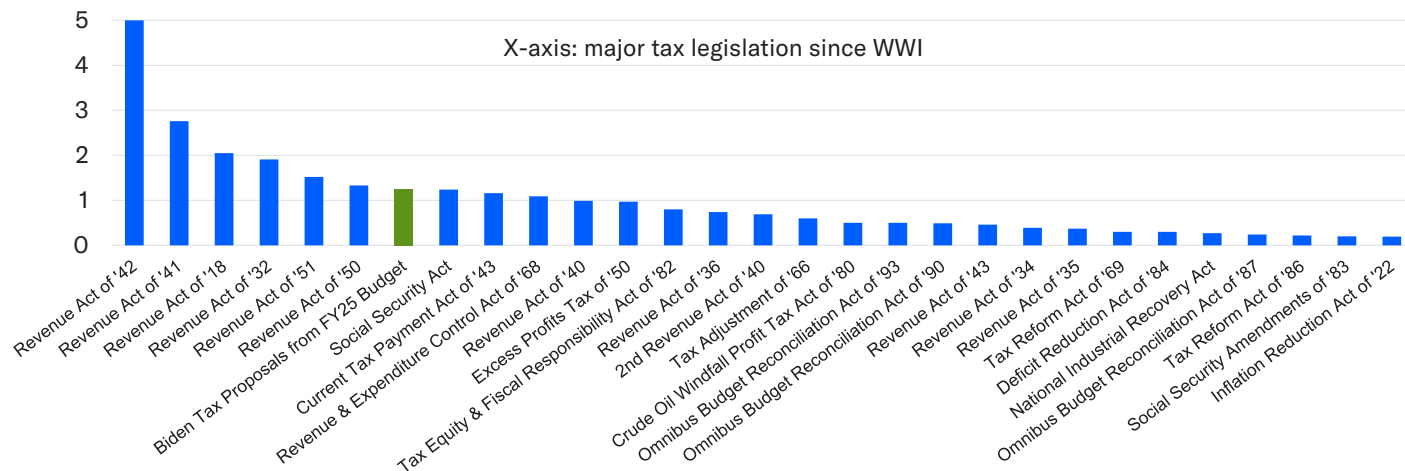
OTHER POLICIES

There are other policy proposals that Biden has floated in the past, including during his 2020 presidential campaign, that as far as we can determine he has yet to put forward in this election cycle. While they are important to mention, since they may eventually find their way into Biden's policy agenda, we do not include them in this analysis.

In the 2020 election, then-candidate Biden [proposed sweeping changes](#) to Social Security, including increasing the special minimum benefit to 125% of the federal poverty level with future growth indexed to the National Average Wage Index. Moreover, he proposed re-indexing the cost-of-living adjustment for Social Security benefits to the consumer price index for the elderly. The cost-of-living adjustment currently is tied to the consumer price index for urban wage earners. He would also implement a 5% across-the-board increase to the primary insurance amount 20 years after benefit eligibility. The PIA increase would be phased in, rising 1% per annum from the 16th year through the 20th after reaching the eligible age to receive benefits.

Chart 19: ...But Raise Lots of Revenue

Avg annual revenue raised following 1-2 yrs after enactment, % of GDP



Sources: Romer & Romer, U.S. Treasury, Moody's Analytics

Biden proposed paying for these increases in Social Security benefits by applying payroll taxes to wage earnings above a fixed \$400,000. The maximum annual earnings to which Social Security payroll taxes currently apply are \$168,600.

On immigration, Biden's 2025 budget requests funding for 1,300 more border patrol agents, 375 immigration judges, and 1,600 asylum officers as well as various technological investments to combat drug trafficking. The budget also increases the number of refugees admitted to the U.S. to an [annual cap](#) of 125,000, approximately double what it was in 2023. In the [immigration bill](#) he delivered to Congress in the first year of his term, Biden proposed pathways for more undocumented immigrants and individuals protected by the Deferred Action for Childhood Arrivals policy to apply for and obtain legal status and citizenship. At the same time, the president recently supported a bipartisan Senate bill aimed at reducing migrant flow at the southwestern border.

The stronger economy in the *Democratic Sweep* scenario increases labor demand, which lifts the pace of foreign migration. By the end of 2028, the U.S. population is about 125,000 people larger than under the baseline.

Also in question is Biden's support of a \$15 federal minimum wage. It is a key component of the Democratic [policy platform](#) and the president raised the minimum wage to \$15 for all federal employees and contractors by [executive action](#) in 2022. Thus, it is possible that Biden and a cooperative Democrat-led Congress would seek to increase the federal minimum wage if he gets a second term, but since it has not been a central component of his 2024 campaign policy agenda, we do not model the potential impacts.¹¹

¹¹ The evidence on the employment and price effects of a minimum wage increase are mixed. However, in general, [employment effects](#) lean negative, particularly where the [minimum wage binds](#), while [labor supply tends to rise](#) for certain demographics. There is little consensus on the extent to which minimum wage hikes are passed through to consumers as higher prices, though [low-wage industries](#) do appear to be where inflation increases.

Finally, Biden has often touted his success in canceling more than **\$160 billion** in federal student loans. Early efforts to forgive between \$10,000 and \$20,000 in student debt for every borrower were blocked by the Supreme Court. His **latest proposal** would seek to resurrect this policy, but from a different angle. The new plan would provide relief in the form of full or partial forgiveness for five kinds of borrowers: (1) those eligible for forgiveness on an existing plan but have not enrolled, (2) those whose balances now exceed the amount initially borrowed because of interest accumulation, (3) those who have been in repayment for 20 or more years, (4) those enrolled in “low-financial-value” programs, and (5) those experiencing hardship in paying back loans. **Estimates** of the proposed cost range from \$220 billion to \$750 billion, depending on the administration’s ambiguous definition of “financial hardship.”

Appendix B: Trump's Economic Policies

To determine the economic policies that former President Trump will pursue if elected to a second term, we rely on his campaign website, speeches, press announcements, interviews, and public commentary from campaign advisors to glean his policy positions. The budget scores are based on estimates from the Congressional Budget Office and simulations of our macroeconomic model. These policies are fully adopted in the Republican Sweep scenario, and to a lesser degree in the Trump & Divided Congress scenario, given the political constraints.

LOWER TAXES

The [Tax Cuts and Jobs Act of 2017](#) was the signature piece of economic legislation passed in Trump's first term, and with [several provisions of the TCJA set to expire](#) at the end of 2025, taxes will be at the top of Trump's economic policy agenda should he win the election. In a recent speech to private donors, a campaign official [noted](#) that "extending the Trump tax cuts" is a key issue this election cycle. Trump's [campaign website](#) shares that "President Trump's vision for America's economic revival is lower taxes, bigger paychecks, and more jobs for American workers." For personal income taxes, this would imply an extension of current tax rates for all taxpayers. This translates into an effective personal income tax rate across taxpayers of less than 10%. In addition, Trump and his advisors have [discussed](#) reducing the statutory corporate tax rate from its current 21% to 15%, reducing the effective corporate tax rate to approximately 7% of profits.

AXE THE IRA

The [Inflation Reduction Act of 2022](#) was a significant legislative achievement for Biden and will be in the crosshairs if Trump is reelected. The IRA was passed on a partisan basis through the budget reconciliation process and has thus been targeted by congressional Republicans. [Project 2025](#), a policy agenda crafted by the conservative Heritage Foundation think tank, and viewed as influential to Trump's potential policy playbook, calls for "the rescinding of all funds not already spent" by the IRA.

Trump would work to significantly scale back the climate-related provisions in the IRA. The primary targets will be funding for clean energy initiatives, subsidies and other programs to combat climate change, and conservation. The IRA's tax credits for electric vehicles and clean energy projects are especially vulnerable. The additional funds allocated to the Internal Revenue Service in the IRA to increase enforcement and raise more revenues to pay for the IRA has been much maligned by Republicans, so we expect Trump to slash what is left of the IRS's additional budget authority.

Given that Trump's [pitch to voters](#) in 2024 includes his actions taken during his first term to lower prescription drug prices and enhance medical price transparency, we do not expect him to reverse IRA provisions meant to lower drug prices. We also expect the funding for agriculture in the IRA to be left untouched, since at the height of the trade war in his first term Trump mobilized the federal government to [subsidize](#), and in some cases bail out, farmers pinched by high tariffs on U.S. farm exports.

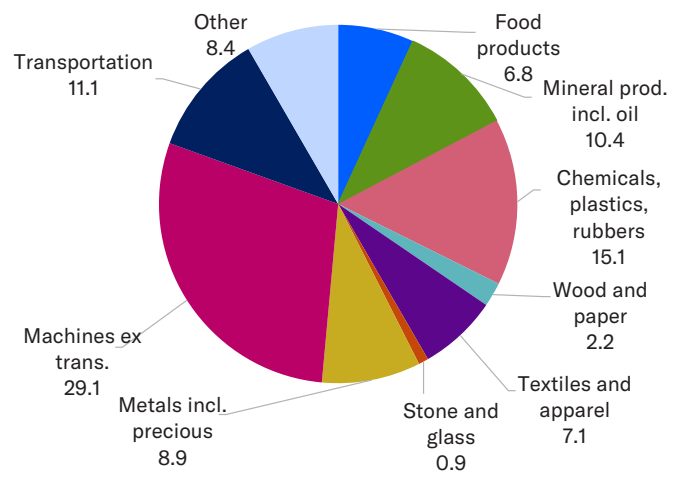
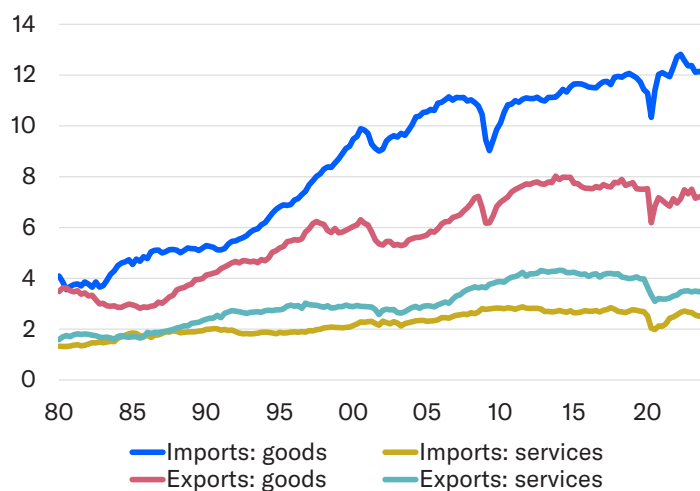
ON TARIFFS

A trade war with China characterized most of Trump's first term, and we can expect further efforts to restrict trade in his second term, as the former president has consistently touted

protectionism on the campaign trail. Most significantly, this entails a 10% tariff on nearly all imported goods (see Chart 20). Trump has also threatened 60% tariffs on Chinese imports, but we assume he does not follow through for fear of retaliation and the continued U.S. reliance on many essential goods from China. Instead, he imposes the same 10% tariff on Chinese goods. To simplify our analysis, we also assume our trading partners do not retaliate with their own tariffs or trade restrictions. Of course, some trading partners surely would.

Chart 20: Scope and Scale of Tariff Impact

Trade volume measures, %, share of domestic demand Share of U.S. imports by goods, %, 2023



Sources: BEA, Moody's Analytics

ON IMMIGRATION

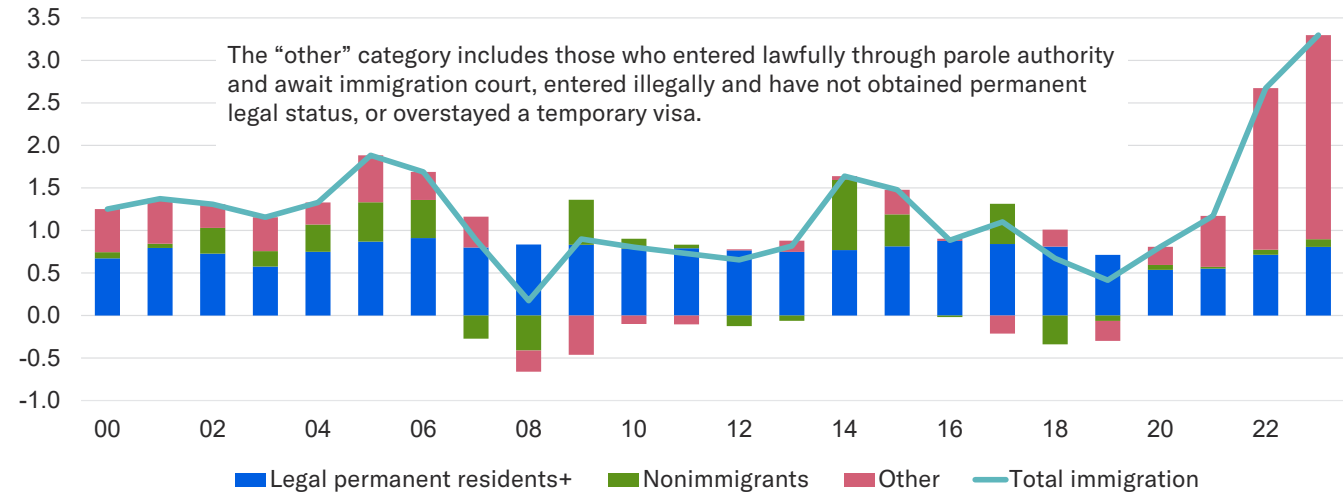
Trump has been highly critical of Biden's handling of the surge of immigrants coming across the Mexican border into the U.S. He pledges on his [campaign site](#) to “shut down Biden’s border disaster...end catch-and-release, restore Remain in Mexico, and eliminate asylum fraud.” And he [vows](#) to order “the largest deportation in the history of our country.” Indeed, there has been a surge in immigration across the U.S.-Mexico border under Biden, with **8 million** encounters since 2021 compared with **2.3 million** in Trump’s four-year term and **3.3 million** during Obama’s eight years (see Chart 21).

Given the president’s broad powers to enforce border policy, he does not need approval from Congress to make significant changes. He is thus expected to quickly reinstate policies such as Title 42 and Remain in Mexico that work to limit entry by unauthorized immigrants. Trump has also said he wants to deport millions of unauthorized immigrants living and working in the country. Using the [largest deportation operation](#) in American history, which took place in the 1950s when 1.3 million illegal Mexican immigrants were expelled under the Eisenhower administration as a guide, Trump could deport as many as 1 million immigrants annually. We do not expect significant changes to policies related to legal immigration.

For the *Republican Sweep* scenario, we assume that Trump’s immigration policies reduce foreign migration into the U.S. by 1 million per year for a total of approximately 4 million by the end of

Chart 21: Immigration Poses Challenges but Powers Growth

Net foreign immigration, mil



Sources: CBO, Moody's Analytics

2028. In the *Trump & Divided Government* scenario, we assume an immigration reduction of about 450,000 per year for a total of 1.75 million, or roughly half the *Republican Sweep* scenario.

In the first Trump administration, [statistics from Customs and Border Patrol](#) show that removals, expulsions and returns totaled 384,817 (2017), 487,566 (2018), 518,210 (2019) and 611,586 (2020). The per annum average is 500,545. Removals alone averaged 299,107 annually. Further, they increased by about 230,000 between the start and end of the administration. A more forceful effort to ramp up removals, coupled with a sizable, additional reduction in unauthorized crossings, would be feasible.

Table 1: Economic Outlook *Biden & Divided Congress* (Baseline) Scenario

	2024	2025	2026	2027	2028	2016-2020	2020-2024	2024-2028
Real GDP						Avg annual growth		
2017\$ bil	22,942.0	23,342.2	23,786.8	24,309.5	24,883.5			
% change	2.5	1.7	1.9	2.2	2.4	1.4	3.2	2.1
Nonfarm employment						Avg annual growth		
Mil	158.5	159.6	160.1	160.6	161.1			
Change, ths	2,452	1,042	542	494	524	-0.4	2.8	0.4
						Avg		
Unemployment rate, %	4.0	4.1	4.0	4.0	4.0	5.0	4.9	4.0
Labor force participation rate, %	62.7	62.7	62.5	62.5	62.4	62.7	62.4	62.3
Real disposable income per household						Avg annual growth		
2017\$ bil	130,882	132,300	133,933	136,069	138,423			
% change	1.2	1.1	1.2	1.6	1.7	3.6	-0.0	1.4
FHFA House Price Index								
Index	421.6	427.5	432.6	440.2	450.5			
% change	5.0	1.4	1.2	1.8	2.3	6.3	10.0	1.7
Consumer Price Index								
% change	3.0	2.4	2.3	2.2	2.2	1.9	4.9	2.3
Core CPI								
% change	3.4	2.6	2.5	2.3	2.2	2.0	4.5	2.4
S&P Stock Price Index								
Index	5,198.8	5,367.4	5,600.7	5,943.3	6,284.5			
% change	21.3	3.2	4.3	6.1	5.7	11.4	12.7	4.9
Broad dollar index								
Index	118.7	112.4	111.4	111.0	110.7			
% change	-1.5	-5.3	-0.8	-0.4	-0.3	1.0	0.2	-1.7
Corporate profits after taxes								
\$ bil	3,209.2	3,138.1	3,148.7	3,287.7	3,476.2			
% change	7.9	-2.2	0.3	4.4	5.7	4.1	10.1	2.0
						Avg		
Federal funds rate, %	5.2	4.3	3.3	2.9	2.9	1.2	2.5	3.7
10-yr Treasury yield, %	4.3	4.1	4.1	4.0	4.0	2.0	2.7	4.1
Federal budget deficit, \$ bil								
% of GDP	-1,550.1	-1,582.2	-1,583.4	-1,649.0	-1,779.0	-6.2	-8.8	-5.2
Federal debt-to-GDP ratio, %								
	99.0	100.3	102.0	103.4	104.9	82.3	98.4	101.9

Sources: BEA, BLS, Census Bureau, Treasury, Moody's Analytics

Table 2: Economic Outlook Under Republican Sweep Scenario

	2024	2025	2026	2027	2028	2016-2020	2020-2024	2024-2028
Real GDP						Avg annual growth		
2017\$ bil	22,942.0	23,049.1	23,082.7	23,504.7	24,144.9			
% change	2.5	0.5	0.1	1.8	2.7	1.4	3.2	1.3
Nonfarm employment						Avg annual growth		
Mil	158.5	158.7	157.4	157.5	157.9			
Change, ths	2,452	152	-1,271	88	462	-0.4	2.8	-0.1
Unemployment rate, %	4.0	4.4	5.0	4.8	4.5	5.0	4.9	4.5
Labor force participation rate, %	62.7	62.6	62.4	62.2	62.1	62.7	62.2	62.4
Real disposable income per household						Avg annual growth		
2017\$ bil	130,882	131,947	132,459	134,050	136,216			
% change	1.2	0.8	0.4	1.2	1.6	3.6	-0.0	1.0
FHFA House Price Index								
Index	421.6	426.3	430.5	438.4	447.6			
% change	5.0	1.1	1.0	1.8	2.1	6.3	10.0	1.5
Consumer Price Index								
% change	3.0	3.6	3.2	2.4	2.3	1.9	4.9	2.8
Core CPI								
% change	3.4	3.5	3.4	2.4	2.3	2.0	4.5	2.9
S&P Stock Price Index								
Index	5,198.8	5,269.3	5,415.8	5,744.9	6,120.9			
% change	21.3	1.4	2.8	6.1	6.5	11.4	12.7	4.2
Broad dollar index								
Index	118.7	114.5	111.8	109.4	106.8			
% change	-1.5	-3.5	-2.4	-2.2	-2.3	1.0	0.2	-2.6
Corporate profits after taxes								
\$ bil	3,209.2	2,972.1	2,981.9	3,203.9	3,515.1			
% change	7.9	-7.4	0.3	7.4	9.7	4.1	10.1	2.3
Federal funds rate, %	5.2	4.6	3.7	2.8	2.4	1.2	2.5	3.7
10-yr Treasury yield, %	4.3	4.4	4.4	4.4	4.4	2.0	2.7	4.4
Federal budget deficit, \$ bil	-1,550.1	-1,772.4	-1,923.6	-2,007.9	-2,070.7			
% of GDP	-5.4	-6.0	-6.3	-6.4	-6.2	-6.2	-8.8	-6.1
Federal debt-to-GDP ratio, %	99.0	105.9	109.8	112.3	113.8	82.3	98.4	108.2

Sources: BEA, BLS, Census Bureau, Treasury, Moody's Analytics

Table 3: Economic Outlook Under Various Scenarios

	2024	2025	2026	2027	2028	2016-2020	2020-2024	2024-2028
Real GDP						Avg annual growth		
Baseline, 2017\$ bil	22,942.0	23,342.2	23,786.8	24,309.5	24,883.5			
% change	2.5	1.7	1.9	2.2	2.4	1.4	3.2	2.1
Republican Sweep, 2017\$ bil	22,942.0	23,049.1	23,082.7	23,504.7	24,144.9			
% change	2.5	0.5	0.1	1.8	2.7	1.4	3.2	1.3
Difference from baseline, %	0.0	-1.3	-3.0	-3.3	-3.0			
Trump Divided Government, 2017\$ bil	22,942.0	23,212.0	23,442.3	23,891.6	24,475.4			
% change	2.5	1.2	1.0	1.9	2.4	1.4	3.2	1.6
Difference from baseline, %	0.0	-0.6	-1.4	-1.7	-1.6			
Democratic Sweep, 2017\$ bil	22,942.0	23,471.7	23,984.1	24,527.7	25,077.2			
% change	2.5	2.3	2.2	2.3	2.2	1.4	3.2	2.2
Difference from baseline, %	0.0	0.6	0.8	0.9	0.8			
Nonfarm employment								
Baseline, mil	158.5	159.6	160.1	160.6	161.1			
Change, ths	2,451.5	1,042.5	542.4	494.1	524.1	-0.4	2.8	0.4
Republican Sweep, mil	158.5	158.7	157.4	157.5	157.9			
Change, ths	2,451.5	152.2	-1,270.8	88.1	461.7	-0.4	2.8	-0.1
Difference from baseline, ths	0	-890	-2,704	-3,110	-3,172			
Trump Divided Government, mil	158.5	159.1	158.7	159.0	159.4			
Change, ths	2,451.5	567.0	-341.0	207.5	460.8	-0.4	2.8	0.1
Difference from baseline, ths	0	-476	-1,359	-1,646	-1,709			
Democratic Sweep, mil	158.5	159.9	160.7	161.4	161.9			
Change, ths	2,451.5	1,338.4	879.6	698.7	425.0	-0.4	2.8	0.5
Difference from baseline, ths	0	296	633	838	738			
Unemployment rate						Avg		
Baseline, %	4.0	4.1	4.0	4.0	4.0	5.0	4.9	4.0
Republican Sweep, %	4.0	4.4	5.0	4.8	4.5	5.0	4.9	4.5
Difference from baseline, ppt	0.0	0.3	1.0	0.8	0.5			
Trump Divided Government, %	4.0	4.3	4.7	4.6	4.4	5.0	4.9	4.4
Difference from baseline, ppt	-0.0	0.2	0.7	0.7	0.4			
Democratic Sweep, %	4.0	4.0	3.9	3.9	3.9	5.0	4.9	3.9
Difference from baseline, ppt	-0.0	-0.1	-0.1	-0.1	-0.0			
Labor force participation rate								
Baseline, %	62.7	62.7	62.5	62.5	62.4	62.7	62.4	62.3
Republican Sweep, %	62.7	62.6	62.4	62.2	62.1	62.7	62.2	62.4
Difference from baseline, ppt	0.0	-0.0	-0.1	-0.2	-0.3			
Trump Divided Government, %	62.7	62.6	62.5	62.3	62.2	62.7	62.2	62.5
Difference from baseline, ppt	0.0	-0.0	-0.1	-0.1	-0.2			
Democratic Sweep, %	62.7	62.7	62.8	62.8	62.7	62.7	62.2	62.7
Difference from baseline, ppt	0.0	0.1	0.2	0.3	0.3			
Real disposable income per household						Avg annual growth		
Baseline, 2017\$ bil	130,882	132,300	133,933	136,069	138,423			
% change	1.2	1.1	1.2	1.6	1.7	3.6	-0.0	1.4
Republican Sweep, 2017\$ bil	130,882	131,947	132,459	134,050	136,216			
% change	1.2	0.8	0.4	1.2	1.6	3.6	-0.0	1.0
Difference from baseline, %	0.0	-0.3	-1.1	-1.5	-1.6			
Trump Divided Government, 2017\$ bil	130,882	132,384	133,450	135,368	137,718			
% change	1.2	1.1	0.8	1.4	1.7	3.6	-0.0	1.3
Difference from baseline, %	0.0	0.1	-0.4	-0.5	-0.5			
Democratic Sweep, 2017\$ bil	130,882	132,887	133,238	135,619	137,759			
% change	1.2	1.5	0.3	1.8	1.6	3.6	-0.0	1.3
Difference from baseline, %	0.0	0.4	-0.5	-0.3	-0.5			

Table 3: Economic Outlook Under Various Scenarios (Cont.)

	2024	2025	2026	2027	2028	2016-2020	2020-2024	2024-2028
FHFA House Price Index								
Baseline, index	421.6	427.5	432.6	440.2	450.5			
% change	5.0	1.4	1.2	1.8	2.3	6.3	10.0	1.7
Republican Sweep, index	421.6	426.3	430.5	438.4	447.6			
% change	5.0	1.1	1.0	1.8	2.1	6.3	10.0	1.5
Difference from baseline, %	0.0	-0.3	-0.5	-0.4	-0.6			
Trump Divided Government, index	421.6	427.4	433.1	440.9	450.7			
% change	5.0	1.4	1.3	1.8	2.2	6.3	10.0	1.7
Difference from baseline, %	0.0	-0.0	0.1	0.2	0.0			
Democratic Sweep, index	421.6	427.4	432.7	440.8	452.0			
% change	5.0	1.4	1.2	1.9	2.5	6.3	10.0	1.8
Difference from baseline, %	0.0	-0.0	0.0	0.1	0.3			
Consumer Price Index								
Baseline, % change yr ago	3.0	2.4	2.3	2.2	2.2	1.9	4.9	2.3
Republican Sweep, % change	3.0	3.6	3.2	2.4	2.3	1.9	4.9	2.8
Difference from baseline, ppt	0.0	1.2	0.8	0.1	0.1			
Trump Divided Government, % change	3.0	3.0	2.7	2.3	2.2	1.9	4.9	2.5
Difference from baseline, ppt	0.0	0.5	0.4	0.0	0.0			
Democratic Sweep, % change	3.0	2.4	2.4	2.2	2.2	1.9	4.9	2.3
Difference from baseline, ppt	0.0	0.0	0.0	0.0	0.0			
Core CPI								
Baseline, % change yr ago	3.4	2.6	2.5	2.3	2.2	2.0	4.5	2.4
Republican Sweep, % change	3.4	3.5	3.4	2.4	2.3	2.0	4.5	2.9
Difference from baseline, ppt	0.0	0.9	1.0	0.2	0.0			
Trump Divided Government, % change	3.4	3.0	2.9	2.3	2.3	2.0	4.5	2.6
Difference from baseline, ppt	0.0	0.4	0.4	0.1	0.0			
Democratic Sweep, % change	3.4	2.6	2.5	2.3	2.3	2.0	4.5	2.4
Difference from baseline, ppt	0.0	0.0	0.0	0.0	0.0			
S&P Stock Price Index								
						Avg annual growth		
Baseline, index	5,198.8	5,367.4	5,600.7	5,943.3	6,284.5			
% change	21.3	3.2	4.3	6.1	5.7	11.4	12.7	4.9
Republican Sweep, index	5,198.8	5,269.3	5,415.8	5,744.9	6,120.9			
% change	21.3	1.4	2.8	6.1	6.5	11.4	12.7	4.2
Difference from baseline, %	-0.0	-1.8	-3.3	-3.3	-2.6			
Trump Divided Government, index	5,198.8	5,288.8	5,461.3	5,781.3	6,126.9			
% change	21.3	1.7	3.3	5.9	6.0	11.4	12.7	4.2
Difference from baseline, %	-0.0	-1.5	-2.5	-2.7	-2.5			
Democratic Sweep, index	5,198.8	5,359.1	5,533.0	5,798.4	6,064.7			
% change	21.3	3.1	3.2	4.8	4.6	11.4	12.7	3.9
Difference from baseline, %	-0.0	-0.2	-1.2	-2.4	-3.5			
Broad dollar index								
Baseline, index	118.7	112.4	111.4	111.0	110.7			
% change	-1.5	-5.3	-0.8	-0.4	-0.3	1.0	0.2	-1.7
Republican Sweep, index	118.7	114.5	111.8	109.4	106.8			
% change	-1.5	-3.5	-2.4	-2.2	-2.3	1.0	0.2	-2.6
Difference from baseline, %	0.0	1.9	0.3	-1.5	-3.5			
Trump Divided Government, index	118.7	113.4	111.8	110.6	109.2			
% change	-1.5	-4.5	-1.4	-1.1	-1.2	1.0	0.2	-2.1
Difference from baseline, %	0.0	0.9	0.3	-0.4	-1.3			
Democratic Sweep, index	118.7	112.1	111.0	110.9	110.6			
% change	-1.5	-5.6	-0.9	-0.1	-0.2	1.0	0.2	-1.7
Difference from baseline, %	0.0	-0.3	-0.4	-0.1	-0.0			

Table 3: Economic Outlook Under Various Scenarios (Cont.)

	2024	2025	2026	2027	2028	2016-2020	2020-2024	2024-2028
Corporate profits after taxes								
Baseline, \$ bil	3,209.2	3,138.1	3,148.7	3,287.7	3,476.2			
% change	7.9	-2.2	0.3	4.4	5.7	4.1	10.1	2.0
Republican Sweep, \$ bil	3,209.2	2,972.1	2,981.9	3,203.9	3,515.1			
% change	7.9	-7.4	0.3	7.4	9.7	4.1	10.1	2.3
Difference from baseline, %	0.0	-5.3	-5.3	-2.6	1.1			
Trump Divided Government, \$ bil	3,209.2	3,019.5	3,019.5	3,181.8	3,414.8			
% change	7.9	-5.9	0.0	5.4	7.3	4.1	10.1	1.6
Difference from baseline, %	-0.0	-3.8	-4.1	-3.2	-1.8			
Democratic Sweep, \$ bil	3,209.2	2,924.4	2,935.6	3,030.8	3,221.2			
% change	7.9	-8.9	0.4	3.2	6.3	4.1	10.1	0.1
Difference from baseline, %	0.0	-6.8	-6.8	-7.8	-7.3			
							Avg	
Federal funds rate								
Baseline, %	5.2	4.3	3.3	2.9	2.9	1.2	2.5	3.7
Republican Sweep, %	5.2	4.6	3.7	2.8	2.4			
Difference from baseline, ppt	0.0	0.3	0.4	-0.1	-0.6			
Trump Divided Government, %	5.2	4.4	3.5	2.9	2.7	1.2	2.5	3.7
Difference from baseline, ppt	0.0	0.1	0.2	-0.1	-0.2			
Democratic Sweep, %	5.2	4.3	3.5	3.0	2.9	1.2	2.5	3.8
Difference from baseline, ppt	0.0	0.1	0.2	0.1	-0.0			
10-yr Treasury yield								
Baseline, %	4.3	4.1	4.1	4.0	4.0	2.0	2.7	4.1
Republican Sweep, %	4.3	4.4	4.4	4.4	4.4	2.0	2.7	4.4
Difference from baseline, ppt	0.0	0.3	0.4	0.4	0.4			
Trump Divided Government, %	4.3	4.2	4.2	4.2	4.1	2.0	2.7	4.2
Difference from baseline, ppt	0.0	0.1	0.2	0.1	0.1			
Democratic Sweep, %	4.3	4.2	4.1	4.1	4.0	2.0	2.7	4.1
Difference from baseline, ppt	0.0	0.0	0.1	0.0	0.0			
Federal budget deficit								
Baseline, \$ bil	-1,550.1	-1,582.2	-1,583.4	-1,649.0	-1,779.0			
% of GDP	-5.4	-5.3	-5.1	-5.1	-5.3	-6.2	-8.8	-5.2
Republican Sweep, \$ bil	-1,550.1	-1,772.4	-1,923.6	-2,007.9	-2,070.7			
% of GDP	-5.4	-6.0	-6.3	-6.4	-6.2	-6.2	-8.8	-6.1
Difference from baseline, %	0.0	12.0	21.5	21.8	16.4			
Trump Divided Government, \$ bil	-1,550.1	-1,691.6	-1,800.9	-1,895.0	-1,992.1			
% of GDP	-5.4	-5.7	-5.9	-5.9	-6.0	-6.2	-8.8	-5.8
Difference from baseline, %	0.0	6.9	13.7	14.9	12.0			
Democratic Sweep, \$ bil	-1,550.1	-1,422.3	-1,287.8	-1,376.5	-1,523.0			
% of GDP	-5.4	-4.7	-4.1	-4.2	-4.5	-6.2	-8.8	-4.6
Difference from baseline, %	0.0	-10.1	-18.7	-16.5	-14.4			
Federal debt-to-GDP ratio								
Baseline, %	99.0	100.3	102.0	103.4	104.9	82.3	98.4	101.9
Republican Sweep, %	99.0	105.9	109.8	112.3	113.8	82.3	98.4	108.2
Difference from baseline, ppt	0.0	5.6	7.9	8.9	8.9			
Trump Divided Government, %	99.0	102.9	105.8	108.1	109.9	82.3	98.4	105.1
Difference from baseline, ppt	0.0	2.5	3.8	4.7	5.0			
Democratic Sweep, %	99.0	99.1	99.2	99.4	100.0	82.3	98.4	99.3
Difference from baseline, ppt	0.0	-1.2	-2.8	-4.0	-4.9			

Sources: BEA, BLS, Census Bureau, Treasury, Federal Reserve, S&P, FHFA, Moody's Analytics

Table 4: Economic Outlook Under Trump & Divided Congress Scenario

	2024	2025	2026	2027	2028	2016-2020	2020-2024	2024-2028
Real GDP						Avg annual growth		
2017\$ bil	22,942.0	23,212.0	23,442.3	23,891.6	24,475.4			
% change	2.5	1.2	1.0	1.9	2.4	1.4	3.2	1.6
Nonfarm employment						Avg annual growth		
Mil	158.5	159.1	158.7	159.0	159.4			
Change, ths	2,452	567	-341	208	461	-0.4	2.8	0.1
Unemployment rate, %	4.0	4.3	4.7	4.6	4.4	5.0	4.9	4.4
Labor force participation rate, %	62.7	62.6	62.5	62.3	62.2	62.7	62.2	62.5
Real disposable income per household						Avg annual growth		
2017\$ bil	130,882	132,384	133,450	135,368	137,718			
% change	1.2	1.1	0.8	1.4	1.7	3.6	-0.0	1.3
FHFA House Price Index								
Index	421.6	427.4	433.1	440.9	450.7			
% change	5.0	1.4	1.3	1.8	2.2	6.3	10.0	1.7
Consumer Price Index								
% change	3.0	3.0	2.7	2.3	2.2	1.9	4.9	2.5
Core CPI								
% change	3.4	3.0	2.9	2.3	2.3	2.0	4.5	2.6
S&P Stock Price Index								
Index	5,198.8	5,288.8	5,461.3	5,781.3	6,126.9			
% change	21.3	1.7	3.3	5.9	6.0	11.4	12.7	4.2
Broad dollar index								
Index	118.7	113.4	111.8	110.6	109.2			
% change	-1.5	-4.5	-1.4	-1.1	-1.2	1.0	0.2	-2.1
Corporate profits after taxes								
\$ bil	3,209.2	3,019.5	3,019.5	3,181.8	3,414.8			
% change	7.9	-5.9	0.0	5.4	7.3	4.1	10.1	1.6
Federal funds rate, %	5.2	4.4	3.5	2.9	2.7	1.2	2.5	3.7
10-yr Treasury yield, %	4.3	4.2	4.2	4.2	4.1	2.0	2.7	4.2
Federal budget deficit, \$ bil	-1,550.1	-1,691.6	-1,800.9	-1,895.0	-1,992.1			
% of GDP	-5.4	-5.7	-5.9	-5.9	-6.0	-6.2	-8.8	-5.8
Federal debt-to-GDP ratio, %	99.0	102.9	105.8	108.1	109.9	82.3	98.4	105.1

Sources: BEA, BLS, Census Bureau, Treasury, Moody's Analytics

Table 5: Economic Outlook Under Democratic Sweep Scenario

	2024	2025	2026	2027	2028	2016-2020	2020-2024	2024-2028
Real GDP						Avg annual growth		
2017\$ bil	22,942.0	23,471.7	23,984.1	24,527.7	25,077.2			
% change	2.5	2.3	2.2	2.3	2.2	1.4	3.2	2.2
Nonfarm employment						Avg annual growth		
Mil	158.5	159.9	160.7	161.4	161.9			
Change, ths	2,452	1,338	880	699	425	-0.4	2.8	0.5
						Avg		
Unemployment rate, %	4.0	4.0	3.9	3.9	3.9	5.0	4.9	3.9
Labor force participation rate, %	62.7	62.7	62.8	62.8	62.7	62.7	62.2	62.7
Real disposable income per household						Avg annual growth		
2017\$ bil	130,882	132,887	133,238	135,619	137,759			
% change	1.2	1.5	0.3	1.8	1.6	3.6	-0.0	1.3
FHFA House Price Index								
Index	421.6	427.4	432.7	440.8	452.0			
% change	5.0	1.4	1.2	1.9	2.5	6.3	10.0	1.8
Consumer Price Index								
% change	3.0	2.4	2.4	2.2	2.2	1.9	4.9	2.3
Core CPI								
% change	3.4	2.6	2.5	2.3	2.3	2.0	4.5	2.4
S&P Stock Price Index								
Index	5,198.8	5,359.1	5,533.0	5,798.4	6,064.7			
% change	21.3	3.1	3.2	4.8	4.6	11.4	12.7	3.9
Broad dollar index								
Index	118.7	112.1	111.0	110.9	110.6			
% change	-1.5	-5.6	-0.9	-0.1	-0.2	1.0	0.2	-1.7
Corporate profits after taxes								
\$ bil	3,209.2	2,924.4	2,935.6	3,030.8	3,221.2			
% change	7.9	-8.9	0.4	3.2	6.3	4.1	10.1	0.1
						Avg		
Federal funds rate, %	5.2	4.3	3.5	3.0	2.9	1.2	2.5	3.8
10-yr Treasury yield, %	4.3	4.2	4.1	4.1	4.0	2.0	2.7	4.1
Federal budget deficit, \$ bil								
% of GDP	-5.4	-4.7	-4.1	-4.2	-4.5	-6.2	-8.8	-4.6
Federal debt-to-GDP ratio, %								
	99.0	99.1	99.2	99.4	100.0	82.3	98.4	99.3

Sources: BEA, BLS, Census Bureau, Treasury, Moody's Analytics

ABOUT THE AUTHORS

[Mark M. Zandi](#) is chief economist of Moody's Analytics, where he directs economic research. Zandi was a co-founder of the company Economy.com, which Moody's purchased in 2005. Zandi's broad research interests encompass macroeconomics, financial markets and public policy. He has analyzed the economic impact of various tax and government spending policies and assessed the appropriate monetary policy response to bubbles in asset markets. Zandi frequently testifies before Congress on topics related to the economy and conducts regular briefings on the economy for corporate boards, trade associations and policymakers at all levels. He is on the board of directors of MGIC, the nation's largest private mortgage insurance company, and the Coleridge Initiative, a nonprofit that facilitates the use of data across government agencies to improve policy analysis and decision-making. He is often quoted in national and global publications and interviewed by major news media outlets. He is a frequent guest on CNBC, NPR, Meet the Press, CNN, and various other national networks and news programs. Zandi earned his BS from the Wharton School at the University of Pennsylvania and his PhD at the University of Pennsylvania.

[Brendan LaCerde](#) is a director and senior economist with Moody's Analytics. Brendan serves as the lead analyst for the Canadian economic forecast. His primary responsibilities also include the development and improvement of country forecast models. His research is primarily focused on international macroeconomics, healthcare and fiscal policy. Before joining Moody's Analytics, Brendan worked as a senior economist with IHS Global Insight's U.S. Macroeconomic Service. Brendan received his PhD in economics from the University of Virginia. He pursued his undergraduate education at the London School of Economics and the University of Notre Dame, where he graduated with a BA in economics and mathematics.

[Justin Begley](#) is a U.S.-based economist at Moody's Analytics. He covers the economies of Minnesota, Alabama, Wyoming, and several U.S. metro areas. His research focuses on U.S. fiscal policy, geopolitical risk, and the U.S. labor market. He also works on developing models to forecast high-frequency data of the U.S. economy and is a regular contributor to Economic View. Prior to joining Moody's Analytics, Justin held fellowships at Florida State University and in political economy at the Mercatus Center at George Mason University. Justin holds a master's of science in economics from Florida State University and a bachelor's degree in finance and economics from Canisius College.

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