

# Bond Case Briefs

Municipal Finance Law Since 1971

---

## S&P U.S. Public Finance 2020 Year In Review: One Like No Other

### Key Takeaways

- ***The COVID-19 pandemic and sudden-stop recession contributed to unprecedented rating volatility in 2020.*** The record economic expansion ended abruptly in March, replaced with a sharp decline in GDP, surging unemployment, and reduced consumer demand. This has created major revenue and spending challenges across our rated universe. After 10 years of upgrades outpacing downgrades, that shifted abruptly in 2020. The majority of rating actions have been negative outlooks to date (80%).
- ***The challenges associated with the pandemic have been actively managed.*** Most public finance entities steadily improved their financial reserves during the record economic recovery that preceded the pandemic and this provides some financial flexibility to react to budget shortfalls or other unforeseen circumstances in a timely manner. Most have proactively managed their budgets which has lessened the credit pressure.
- ***Federal fiscal and monetary policy provided significant credit support.*** The actions of the federal government were swift and supportive, which bolstered the economy, mitigated some budget pressure and stabilized the municipal market—all of which helped meet the challenges of 2020. The magnitude and duration of the pandemic are testing whether it was enough to bridge to normalized economic and health conditions.
- ***The pandemic and its aftermath will continue to dominate credit conditions in 2021.*** Despite a vaccine in sight, the virus curve is spiking and there is likely to be additional economic damage ahead in the U.S. We expect the aftershocks from 2020 will be reverberate for many years in U.S. public finance and will continue to be felt unevenly by sector and state.

[Continue reading.](#)