

THE REAL ECONOMY

VOLUME 74



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INFLATION-ADJUSTED INTEREST RATES, INVESTMENT AND THE MIDDLE MARKET

BY JOSEPH BRUSUELAS, BRIAN BECKER, ERNEST J. NEDDER AND JOEL SHAMON

A CONFLUENCE OF EVENTS and policy shifts has coalesced into a unique opportunity for middle market firms to make long-term strategic investments in their firms. Interest rates, once adjusted for inflation, reside in negative terrain. This implies that firms should take advantage of those historically low borrowing costs to increase productivity-enhancing investment to prepare for the intense competition that will characterize the post-pandemic economy.

In that economy, it will be necessary for firms to pull forward investments in software, equipment and intellectual property that would have occurred over the decade into the next 12 to 24 months to prepare for the reopening of the \$21.7 trillion U.S. economy and the global supply chains that support it. The potential

return on investment amid real negative interest rates demands that midmarket firms act boldly and decisively to integrate advanced technologies into the production of goods and provision of services to prepare for what will be a very different economic and financial landscape than before the pandemic.

Moreover, given the shape of the yield curve and real negative interest rates well beyond the 10-year interval, an increase in spending, especially on productivity-enhancing projects, makes economic sense and will bolster the long-term prospects of the middle market firms that have the foresight to act now. Proprietary survey data taken from special questions inside the RSM US Middle Market Business Index survey over the years has consistently pointed to a deficiency in outlays on capital expenditures across the middle market.

"U.S. middle market firms should act decisively to take advantage of real negative interest rates to bolster market position and create the conditions to thrive in the coming expansion."

Brian Becker, RSM National Consulting Leader

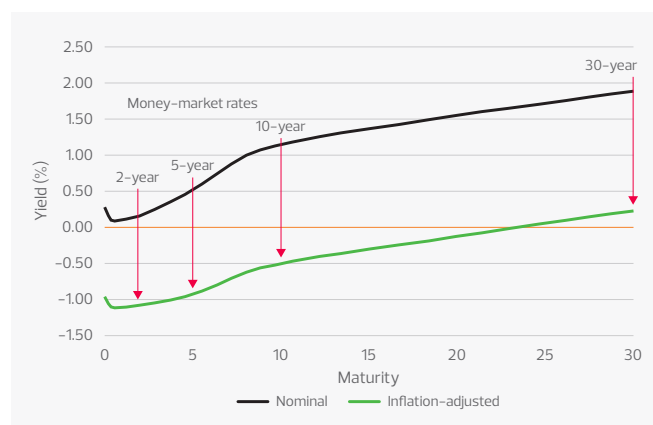
MIDDLE MARKET INSIGHT

This provides a tremendous opportunity for middle market firms to make transformational investments to complement the era of technology, telework and automation that is upon us.

Over the past decade, a low central bank policy rate worked in concert with reduced expectations for growth and inflation, all of which acted to pressure the entire yield curve lower. With yields out to a 10-year maturity at roughly 1% and with the inflation rate running at 1.4%, inflation-adjusted yields out to 10-year maturity turned negative.

Nominal and real U.S. Treasury yield curves

NATIONAL TREASURY YIELDS AND INFLATION-ADJUSTED YIELDS*



Source: Bloomberg; RSM US LLP

*As of Jan. 14, 2021

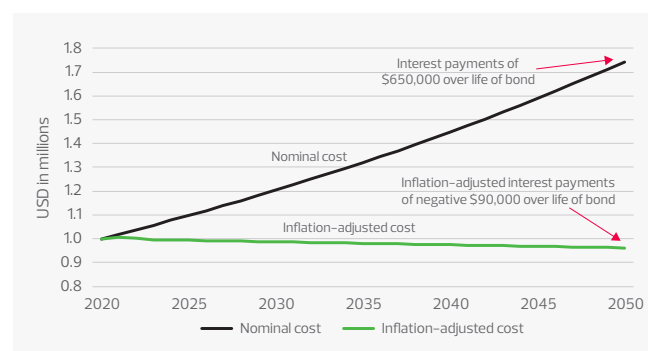
The agenda of the incoming Biden administration includes aggressive short-term spending and long-term infrastructure projects as part of its response to pandemic economic losses. The damage wrought by the pandemic and the coming fiscal largesse almost assure that monetary policy will continue to be directed at damping the long end of the yield curve in the coming year. Over the next year, the Federal Reserve will continue to purchase \$120 billion (\$80 billion per month in U.S. Treasuries and \$40 billion in mortgage-backed securities) in assets per month, which implies that the cost of

borrowing at the long end of the yield curve will remain low in nominal terms and remain negative in inflation-adjusted (or real) terms.

That is, 30 years from now, pandemic debt will be retired in deflated dollars. Though nominal interest payments will require \$650,000 for each million dollars of issuance, those payments will have been deflated such that the cost of the bond will be negative \$90,000 in 2020 dollars.

Cost of retiring \$1 million of new federal debt in 30 years

ASSUMING NOMINAL AND INFLATION-ADJUSTED 30-YEAR TREASURY YIELDS



Source: RSM US LLP

Though this would sound ridiculous in normal times, these times are anything but. Due to the unique confluence of events that is upon us, firms will actually make money by borrowing, because we are operating at near-zero nominal interest rates that become negative when adjusted for inflation.

With the Federal Reserve anchoring the front end of the yield curve with a zero policy rate (the Fed intends to keep it there until 2023) and the U.S. economy still operating well below potential, the next few years will be defined by inflation-adjusted interest rates that are negative. This provides a tremendous opportunity for middle market firms to make transformational investments to complement the era of technology, telework and automation that is upon us.

Fortune favors the bold. Now is the time to act. Those middle market firms that choose to invest in their firms and personnel will create the conditions to thrive in the coming economic expansion. ■



UPDATING U.S. GDP FORECAST: FISCAL FIREPOWER TO BOLSTER GROWTH

BY JOSEPH BRUSUELAS

RECENT EVENTS have set the stage for a significant increase in fiscal outlays this year that will boost growth in the American economy to 5.4% for the year, with risk to the upside.

The upward revision comes after the Democrats captured control of the Senate by winning two runoff elections in Georgia, which has increased the freedom of the Biden administration to pursue its ambitious spending plans. That will result in a much quicker pace of growth than previously forecast.

We are now anticipating as much as \$2 trillion in fiscal aid in early February that will boost growth by 1.9 percentage points in 2021 and 1.1 percentage points in 2022. This will close a sizeable output gap in the domestic economy and pull forward to the final quarter when the U.S. economy will return to using its full capacity to produce goods and provide services.

Because of the reconfiguration of power in Washington, the Biden administration will have as many as three opportunities to use reconciliation, a legislative maneuver that allows budget-related matters to be passed with a simple majority and avoid the filibuster. Such a use of reconciliation will most likely result in not only a near-term boost to growth but will also set the stage for a much more ambitious array of spending programs.

The next round of fiscal aid will almost certainly contain a one-time, \$1,400 direct transfer to eligible individuals. When that is added to the \$600 payments approved in December as part of the \$900 billion coronavirus relief package, American households stand to receive \$465 billion in direct aid.

Given that households are sitting on roughly \$1.5 trillion in excess savings compared to the 20-year average of before the pandemic, we will most likely observe one of the more robust and sustained increases in household consumption since the late 1990s.

The coming boom in overall consumer spending will significantly bolster the opportunity of middle market businesses to facilitate their recovery and re-imagination in the aftermath of the pandemic.

RSM US 2021 U.S. GDP forecasts

Q1 2021	2.50% (QOQ %, SAAR)
Q2 2021	8.70%
Q3 2021	7.10%
Q4 2021	3.70%
2021 growth	5.40% (YOY %)
2022 growth	3.30%

Source: Congressional Budget Office

We anticipate that a fiscal package will include direct aid to state and local governments that will preclude debilitating losses to essential services and prevent what we think would be a loss of close to 1.5 million jobs because of the need to balance budgets on the state and local level.

Finally, there will be funding for vaccines and their distribution, as well as more support for small businesses that continue to bear the brunt of the pandemic. And it is almost certain that there will be an extension through the end of the year of pandemic-related unemployment programs.

Coming attractions

We are now confident that a double-dip recession can be ruled out and that there is slightly less than a 20% chance of recession over the next 12 months. The significant increase in fiscal transfers to households amid a robust increase in federal spending will turbocharge growth during the middle of 2021 to the point where we expect an average growth rate of 7.9% between April and September.

In addition, we have not included an increase in fiscal outlays directed toward Biden administration priorities such as infrastructure, automatic stabilizers and other social investments. The passage of those programs later this year would result in an impact of between \$2 trillion and \$4 trillion to the economy, and would significantly alter the growth forecast for this year and next. Additionally, there will most likely be action on extending health care and climate change programs that will alter the growth equation in 2022 and 2023.

Unemployment and policy considerations

Given the significant boost to growth prospects from the coming change in fiscal policy, we expect that the unemployment rate, which stands at 6.75%, will fall to 4.9% by the end of 2021 and 4% in 2022.

While this will support an increase in core inflation back toward 2%, it will not lead to full employment, which we think is 3%, or create the kind of high-pressure economy that results in inflation above 2% that would lead the Fed to change its accommodative monetary policy. For this reason, we do not expect an increase in the policy rate until 2024.

We have made the case for some time that changes in the underlying structure of the economy permit it to run above the long-term trend growth rate of 1.8% for several quarters without generating significant inflation. Our

forecast is predicated on that analytical framework, and given the Fed's shift in its policy regime last year, we are certain that will set the stage for a year of robust growth.

Multipliers and upside risk

To transform increases to fiscal outlays into growth forecasts, we use the fiscal multipliers estimated by the Congressional Budget Office, which themselves are based on the most relevant academic literature.

Following passage of the CARES Act last March, the CBO found that initial estimates of fiscal multipliers were somewhat lower than compared to recent experience. That was almost certainly because of the following:

- Higher household savings: The savings of direct aid by households linked to uncertainty around fiscal aid programs turned out to be quite rational and well-founded, given the months-long delay in renewing that aid by the political authority.
- Reduced spending: The understandable pullback of outlays by upper-income households early in the pandemic is an almost perfect fit to what is known as the Keynesian paradox of thrift.
- Inability to spend: This was because of the necessity of engaging in social distancing and varying degrees of lockdowns across the economy.

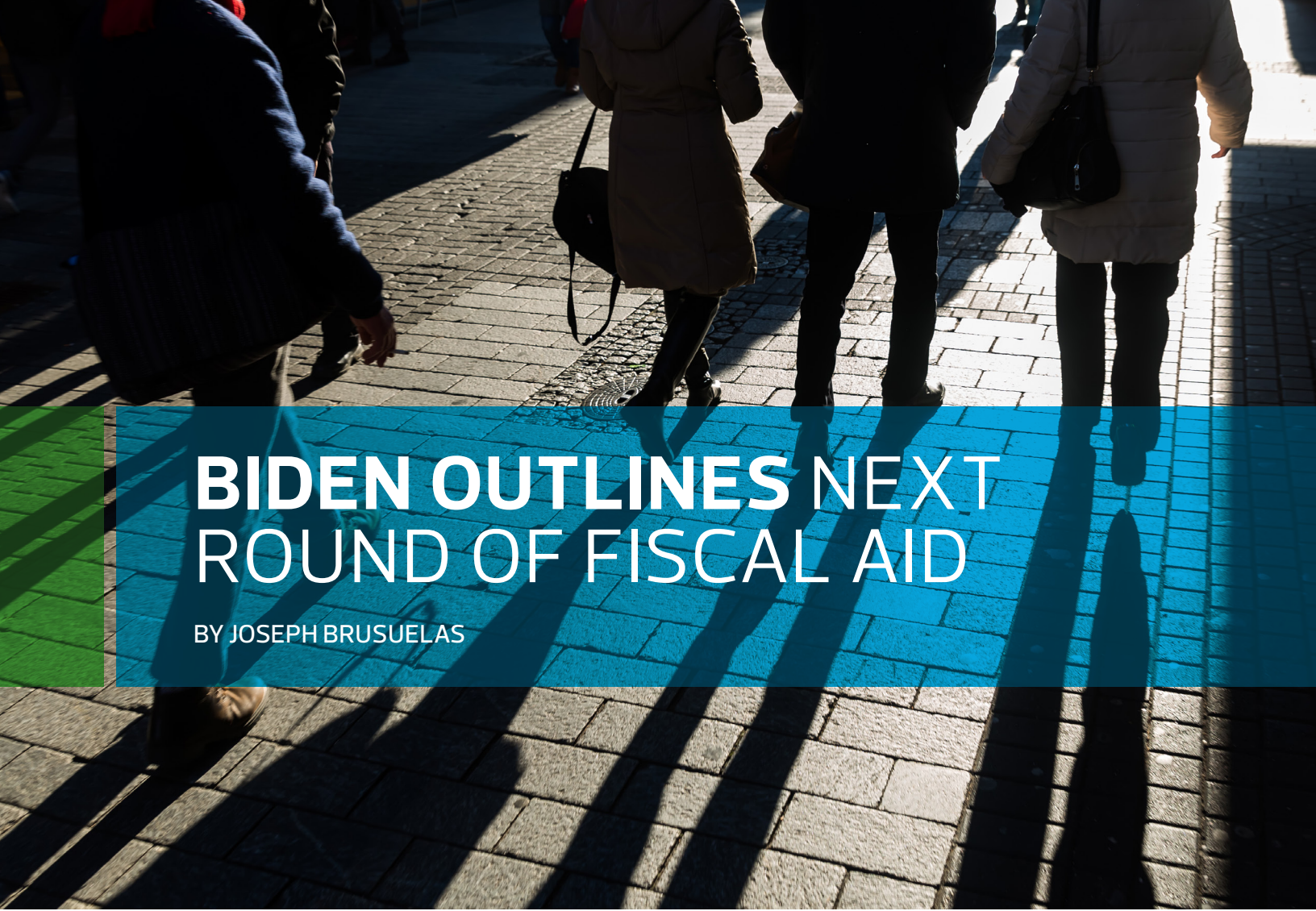
CBO estimated multipliers for pandemic relief programs

Checks	0.60
Other revenue	0.37
Other spending	0.78
Paycheck Protection Program	0.39
Savings and loan support	0.88
Unified Payments Interface	0.67

Source: Congressional Budget Office

We expect those headwinds to abate as the distribution of vaccines accelerates across the country in the coming months, which will likely result in stronger multipliers. In addition, as the economy reopens, the normalization of demand for services will be a large part of the economic narrative this year and next, which will result in stronger multipliers and present some upside risk to our forecast.

With the Federal Reserve committed to keeping its policy rate effectively at zero through 2023 and its purchase of \$120 billion in assets each month, we are confident that there will be no crowding out of private investment this year. ■



BIDEN OUTLINES NEXT ROUND OF FISCAL AID

BY JOSEPH BRUSUELAS

PRESIDENT JOE BIDEN put forward an ambitious \$1.9 trillion fiscal aid plan to address the public health crisis, the damage caused to the economy by the pandemic and the rollout of a national vaccination program. If enacted as proposed, which is highly unlikely, the plan would imply \$2.9 trillion in aid pumped into the economy in the near term, which underscores our robust gross domestic product forecast of 5.4% for the year, with risk of a quicker pace of growth. To put this in perspective, this bill would imply that the total effort by the federal government to offset the impact of the pandemic would be roughly \$5.8 trillion, or 26.7% of GDP.

Biden's \$1.9 trillion American Rescue Plan

Category	Cost (US\$ B)	Highlights
Direct aid	\$1,000	\$1,400 checks for most Americans; rental, food, child care and utility assistance for those in need
Community support	\$440	\$350 billion for first responders and other essential workers; grants for small businesses, tribal governments and transit agencies
National vaccination program/school reopening	\$400	Funds to expand vaccinations and testing; \$130 billion for schools to achieve safe reopening
Information technology	\$10	Support to modernize federal cybersecurity infrastructure

Source: AP; RSM US LLP

IN OUR ESTIMATION, THIS PACKAGE WILL BOLSTER NOT ONLY GROWTH BUT ALSO PUBLIC CONFIDENCE.



While we do not think that the package will be passed as is, much of it will be put into place and provide what has been lacking for some time: A national program to address the greatest health crisis in over a century and the means to put forward a coherent and competent plan for vaccine distribution. In our estimation, this package will bolster not only growth but also public confidence.

But as with any aid program, the devil is in the details, and this plan provides a framework for understanding the Biden administration's priorities. Most important, the package will have to work its way through the legislative process and garner enough support in the Senate to avoid any potential filibuster. For this reason, the total size of the package and its composition could get larger and change, or get smaller. If reconciliation has to be used, then the total package will be smaller if the Democrats must find offsetting tax hikes to push it through.

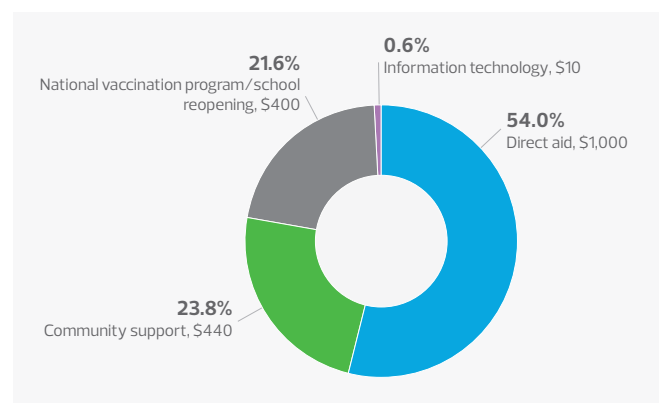
The portion of the package that will garner the most attention is the additional \$1,400 in one-time checks, which would be on top of the \$600 checks that were part of the aid package passed in late December. In addition, the Biden administration will ask for an unemployment insurance supplement of \$400 to assist hard-hit workers, which is just above the \$300 provided in December.

MIDDLE MARKET INSIGHT

This program, though unlikely to be passed as is, provides a comprehensive national solution to the ongoing pandemic health crisis.

Major categories of proposed Biden spending

IN BILLIONS OF DOLLARS



Source: Federal Reserve; RSM US LLP

The Biden economic team also inserted an increase in the minimum wage to \$15 an hour, which one would assume is an attempt to address the growing economic inequality around the economy. That would be an increase from the current \$7.25 an hour, and there was no language around how quickly this would be phased in.

State and local governments would receive aid to the tune of \$440 billion, which includes funds to reopen schools, grants and loans to small businesses, and outright relief for state and local governments to prevent a loss of jobs that we think could be as high as 1.5 million. At the core of the proposal is \$160 billion for funding a national vaccination program, expanded testing, and the acquisition of protective gear and supplies. ■

PRESIDENT BIDEN'S TAX PLAN

Ambitious agenda could face challenges despite unified government

BY CHRISTIAN WOOD

PRESIDENT JOE BIDEN'S tax plan gained new life on Jan. 5, when Democrats swept the two Senate runoffs in Georgia. The victories positioned the Democratic Party to control the White House and Congress by the end of January, albeit by narrow majorities in both chambers.

With unified Democratic control, the Biden administration can pursue its agenda and ambitious spending plan on a clearer path than it would have if Republicans had maintained a Senate majority. That increases the likelihood of tax changes, although the extent, nature

and timing of them remain uncertain due to continuing public health and economic crises as well as moderates' influence in a Senate that is split 50–50. Vice President Kamala Harris is positioned to cast a tiebreaking vote.

Despite lingering uncertainty at the onset of Biden's term, his tax plan warrants in-depth consideration now that his party is positioned to control the legislative agenda and support it with Congressional majorities. Here is a breakdown of what we know about Biden's tax plan from what his campaign and administration have expressed.

Biden's \$1.9 trillion American Rescue Plan

Item	Law	Biden's proposal
Corporate income tax rate	21%	Increase to 28%
Alternative minimum tax (AMT)	TCJA repealed alternative minimum tax	15% minimum tax on global book income of \$100 million or more
Section 199A deduction	20% pass-through deduction for qualified business income (QBI)	Phase out the section 199A deduction for those making more than \$400,000

Biden's \$1.9 trillion American Rescue Plan (cont.)

Individuals and owners of pass-through entities	37% individual top rate	Reinstitute the top individual income tax rate to 39.6%
	Capital gains rate of up to 20%	Tax capital gains as ordinary income for taxpayers with over \$1 million in income
	Social Security tax for employer and employee applied to first \$137,700 of wages or self-employment income	Imposes additional Social Security taxes on wages or self-employment income over \$400,000
	Deduction limited through 2025 to medical and dental, limited state taxes, limited real estate taxes, limited home mortgage interest, mortgage insurance premiums, gifts to charity, and casualty or theft losses	Reduce the benefit of itemized deductions to a tax benefit of no more than 28%
	Estate tax exemption for the first \$11.58 million per individual and decedents have a FMV basis in the assets	The Biden proposal could expand the estate and gift tax by reducing the exemption amount to \$3.5 million and increasing the top rate for the estate tax to 45%; Biden would consider eliminating step-up in basis for inherited property
	Exchange of real property held for productive use in a trade or business or for investment for real property of like kind to be held for productive use in a trade or business or for investment without recognition of gain or loss	Retain the current like-kind exchange rules for taxpayers earning less than \$400,000; taxpayers with income greater than \$400,000 will be ineligible for capital gains deferral
Global intangible low-taxed income (GILTI)	10.5% tax on un-repatriated amounts	Increase rate to 21% applied on a country basis

Source: AP; RSM US LLP

Increase corporate tax rates

Biden proposes to increase the corporate income tax rate from 21%, as enacted through the passage of the Tax Cuts and Jobs Act, to 28%. He stated in a September TV interview: "I'd make the changes on the corporate taxes on day one." However, his transition team has since downplayed that as a priority.

Biden's proposal also includes a 15% minimum tax on corporations with global book income of \$100 million or more. In essence, this would reinstate AMT repealed with the passage of TCJA for those qualifying businesses. Under the proposal, corporations may claim deductions for net operating loss carryforwards and foreign taxes paid. When determining corporate tax liability, corporations would pay the greater of their regular corporate income tax liability or the 15% minimum tax.

Section 199A deduction

The TCJA introduced the section 199A deduction, which is a below-the-line deduction available to owners of sole proprietorships, partnerships, S corporations, and some trusts and estates engaged in qualified trades or businesses. Under the current guidance, the deduction is limited to the lesser of 20% of qualified business income plus 20% of the combined real estate investment trust dividends and qualified publicly traded partnership income, or 20% of the taxpayer's taxable income minus net capital gains.

While the section 199A deduction is set to expire at the end of 2025, the Biden proposal would maintain the current deduction for those making under \$400,000 per year and phase out the deduction completely for those making \$400,000 or more. That is on top of Biden's proposed tax plan to restore the top marginal tax rate for noncorporate taxpayers to the pre-TCJA rate of 39.6%.

Tax proposals affecting individuals' returns for flow-through entity consideration

Under Biden's proposal, the top individual income tax rate of 39.6% would be restored. The current top individual income tax rate is 37%. The Biden proposal would also tax capital gains as ordinary income for taxpayers with over \$1 million in income.

The Biden proposal increases Social Security taxes by imposing Social Security taxes on earnings over \$400,000. Currently, Social Security taxes of 12.4% are imposed on wages or self-employment income up to \$137,700 for 2020 (this is indexed for inflation). The proposal would create a donut where the Social Security tax would stop on income over the normal threshold (i.e., \$137,700 for 2020) and then apply to amounts above \$400,000. This increased tax would apply only to the employee at a rate of 12.4%.

The Biden proposal would reintroduce the Pease limitation on income that exceeds \$400,000. That limitation reduces itemized deductions by 3% for every

dollar that income exceeds \$400,000. In addition, the plan could cap the benefit of itemized deductions to a tax benefit of no more than 28%. So if a taxpayer was in the 39.6% bracket, a dollar deducted would reduce taxes owed only by 28% instead of 39.6%. In 2019, Biden indicated that he would eliminate the \$10,000 cap on the deduction for state and local tax. This item has not been officially included in his proposals.

Biden's proposal could affect the tax-free transfer of property on death in two ways. Under current law, the first \$11.58 million of an estate is not taxed, and estate beneficiaries or heirs receive the property with a basis equal to the fair market value of the property. That means an estate's beneficiary could immediately sell the property with appreciation never being taxed. Biden's proposal could reduce the estate tax exemption to \$3.5 million, the exemption that was in effect in 2009. He has further suggested that he would consider eliminating the so-called "step-up in basis" or would tax unrealized gains. These potential changes could lead to a substantial increase in taxes on estate beneficiaries, complicating business transfers on death.

Under section 1031, taxpayers may exchange real property held for productive use in a trade or business or for investment for real property of like kind to be held for productive use in a trade or business or for investment without recognition of gain or loss. The TCJA amended section 1031 to exclude exchanges of personal or intangible property from like-kind treatment. Biden's proposal allows for taxpayers with income under \$400,000 to make a tax-free exchange of real property held for productive use in a trade or business or for investment for property of like kind. However, taxpayers with income greater than \$400,000 must recognize in taxable income the capital gains from the sales of real property.

Global intangible low-taxed income (GILTI)

Companies headquartered in the United States currently pay a 10.5% minimum tax on the unrepatriated low-tax profits earned by their foreign subsidiaries from intangible assets such as patents, trademarks and copyrights. The TCJA introduced the GILTI tax in an attempt to discourage corporations from shifting intangible assets and related profits to low-tax jurisdictions. Biden's proposal doubles the GILTI tax rate to 21% and applies it on a country-by-country basis.

Additional Biden proposals

Much of Biden's proposal focuses on moving the United States towards more reliance on renewable energy and away from fossil fuels, as well as encouraging investment in the United States. In order to achieve these objectives, Biden released limited details regarding the establishment or expansion of certain tax incentives including, but not limited to, the Manufacturing Communities Tax Credit, New Markets Tax Credit and Solar Investment Tax Credit.

The Manufacturing Communities Tax Credit, originally proposed during the Obama administration, targets communities that have suffered economic disruption due to manufacturing plant closures or government office closures that provided the community with significant employment opportunities.

The New Markets Tax Credit currently provides investors with a federal tax credit in exchange for investment in low-income communities.

The Solar Investment Tax Credit rewards businesses that invest in solar facility construction. Congress extended the credit in 2015; however, the deduction in 2019 was 30% and will be further reduced in 2020, 2021 and 2022, without additional action.

In addition to the like-kind exchange limitations, Biden has also proposed to eliminate certain tax incentives for the real estate industry, including eliminating the passive loss rules for \$25,000 of rental losses and accelerated depreciation on rental housing. ■

TAKEAWAYS

President Biden's campaign promoted a \$5.4 trillion spending plan over the next decade and a framework to generate \$3.4 trillion in new tax revenue, according to an analysis by the University of Pennsylvania's Wharton School of Business [Budget Model](#). It remains to be seen how successful the Biden administration will be in pursuing its agenda, but having the support of a Democratic-controlled Congress will certainly help. While numerous uncertainties shape the environment at the dawn of this new era in American policy, taxpayers should familiarize themselves with Biden's plan, remain vigilant for developments and position themselves to act at the appropriate times.

THE ALTERNATIVE

ALTERNATIVE ANALYSIS FOR INFORMED MIDDLE MARKET DECISION-MAKING

OPEC'S RESPONSE TO A DROP IN DEMAND

BY JOSEPH BRUSUELAS

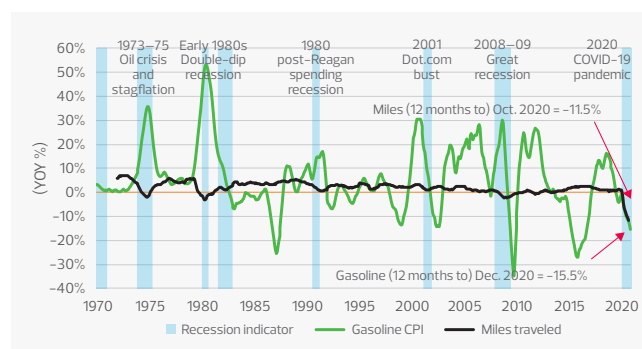
THE PRICE OF GAS continued to decline in December, falling 15.5% lower than a year earlier. According to recent data from the Bureau of Labor Statistics, gas prices for consumers peaked in late 2018 as the global manufacturing recession took hold and as Americans began to feel the effects of a slowing economy.

As shown in the chart, Americans' demand for gasoline in normal times is somewhat inelastic. That is, most people will drive a certain amount of miles regardless of changes in the cost of gas.

But these are not normal times. The demand for gasoline dropped like a stone as Americans remained in their homes during the pandemic. We have driven 11.5% fewer miles over the past 12 months, according to the Federal Highway Administration, and that decrease is expected to grow larger as the pre-pandemic months in 2020 drop out of the calculation.

The drop in demand left OPEC in a quandary. Falling prices make American and Canadian fracking less profitable, which helps OPEC hold onto its market share. But the drop in demand also hurts the profits of the less affluent OPEC members, which rely on the higher revenue.

Vehicle miles traveled and consumer gasoline prices
12-MONTH MOVING AVERAGES OF YEAR-OVER-YEAR % CHANGES



Source: FHA; NBER; Bloomberg; RSM US LLP

According to CNN, OPEC is now taking a bifurcated response, continuing the production cuts made by the major producers during the pandemic, while allowing Russia and Kazakhstan to increase their production.

The continuation of the production cuts was enough to push benchmark crude oil prices above \$50 per barrel in mid-December for the first year-over-year price increase in a year. Combined with increasing uncertainty over the vaccination rollout, it's reasonable to expect consumer demand for gasoline to moderate for a few more months. ■



HEALTH CARE AND LIFE SCIENCES

HEALTH CARE AND LIFE SCIENCES DEAL FLOW IN 2021 **COULD MARK BUSIEST YEAR YET**

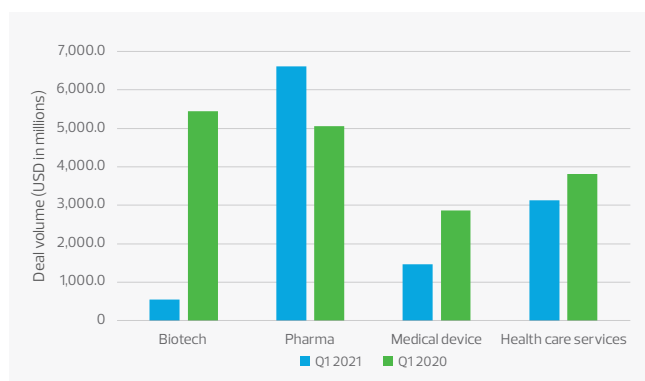
BY MATT WOLF

IN YEARS PAST, the JP Morgan Healthcare Conference, held in mid-January, has heralded sector announcements of large partnerships, joint ventures, and mergers and acquisitions. This year, the health care sector could not even wait until the second full week of the year to kick off an acquisition announcement spree. While we may see investors pull back after last quarter's investment spree to focus on integrations and operations, or to focus on other industries as they rebalance portfolios, the quick start is an early sign of what promises to be an active year for funding and mergers and acquisitions activity.

Through mid-January, we have seen more than \$3.1 billion of announced deals in the health care services sector, largely driven by Centene's \$2.9 billion acquisition of the behavioral health provider Magellan on Jan. 4. Already, this deal represents 82% of last year's first-quarter deal volume (\$3.8 billion). It's safe to say that year over year, we will see more health care services deal volume in the first quarter than we did last year.

Meanwhile, the pandemic is shining a bright light on the potential of the life sciences arena. The pharmaceutical sector has already exceeded last year's deal volume in the

The first 10 days of Q1 2021 reported 68% of total Q1 2020 deal volume across the health care sector



Source: Bloomberg LP

first quarter by \$1.6 billion, due to Bristol Myers Squibb's blockbuster \$11.1 billion acquisition of MyoKardia. Biotech has been off to a slower start this quarter after posting \$193.2 billion in 2020, its largest year for deal volume on record. While this year may not be as busy for pharma and biotech as 2020, there are no shortages of therapies that require funding.

THROUGH MID-JANUARY, MORE THAN \$3.1 BILLION OF DEALS
HAVE BEEN ANNOUNCED IN HEALTH CARE SERVICES.

Keen observers will note that the data above excludes the acquisition of Change Healthcare by UnitedHealth Group's Optum for \$12.8 billion. Such tangential deals in nonmedical services and health care technology will continue to see activity in 2021. Rock Health estimates that 2020 saw \$12 billion in digital health venture funding, which nearly doubles 2019's \$7.4 billion. We expect 2021 will be an even busier year for digital health, given the disruption thrust upon the ecosystem by the pandemic.

Additional tail winds for deal volume across the entire health care ecosystem include reduced political uncertainty, a favorable interest rate environment and vaccination. Deal-makers have a continuously clarifying view of White House health care policy over the next four years, and the threats to the Affordable Care Act seem largely in the rearview mirror.

This improved certainty reduces some risk associated with executing deals. Meanwhile, the Fed has said it intends to keep interest rates low until at least 2023, which will make capital cheaper and deals more attractive. Furthermore, RSM estimates that \$4 trillion of economic activity is currently sidelined, waiting to be unleashed once the populace has achieved herd immunity, social distancing requirements relax and businesses can return to full capacity. ■

THE TAKEAWAY

These powerful macroeconomic factors will fuel an incredibly active year in health care deal activity.

REPORT EXPLORES OPTIMISM IN THE MIDDLE MARKET AMID EXPECTATION OF CHANGE

With the inauguration of Joe Biden as president of the United States, senior executives at middle market businesses are optimistic about the American economy, even as they expect substantial shifts under the new administration, according to a recent RSM survey.

The executives' responses presented a generally positive view that they expected the economy to grow under a Biden administration. A plurality of 46% said they were much more optimistic or somewhat more optimistic when asked how their expectations for the economy had changed due to the results of the election.

[Download the report](#) to get additional survey findings and insights.



REAL BUSINESS INSIGHTS FOR MIDDLE MARKET COMPANIES

Check out *The Real Economy: Industry Outlook* and get data-driven, sector-specific insights from RSM's senior industry analysts, a select group of professionals dedicated to studying economic and industry data, market trends and the emerging issues faced by middle market businesses like yours.

Each outlook provides unique perspectives and planning opportunities affecting businesses in the following industries:

- Business and professional services
- Consumer products
- Financial services
- Health care
- Industrials
- Life sciences
- Real estate
- Technology, media and telecom

Watch for our next issue: February 2021.



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