Kansas in Crisis
Are We Headed for a W Recovery?

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Caveats

• These slides were completed on July 15, 2020

• Things will have changed by the time you see this presentation.

• This presentation is based on my readings and data from sources noted throughout.
IPSR Goals for COVID-19 Crisis

• Synthesize the data on the Coronavirus in Kansas
• Report economic indicators
• Inform the public and policymakers on these issues on a bi-weekly basis.
• Data and briefings available at http://ipsr.ku.edu/covid19/
• Thanks to Xan Wedel, Thomas Becker & Lindsay Jorgenson who helped with the data, visualizations & slides.
Overview

• Update on the Coronavirus in Kansas and the United States

• What’s happened to the economy so far?

• How Does Kansas Compare to the Rest of the US?

• What do the new data tell us about the future economy?
  • This is going to take much longer than we would prefer.
What do we know about the virus?

- The University of Kansas Medical Center model indicates that it takes approximately 4 weeks for increased mobility to be reflected in cases.
- It takes five weeks for mobility to be reflected in deaths.

Source: University of Maryland Covid Tracking Project

Red line shows May 3rd, when Kansas started to reopen. Social distancing has increased somewhat in the last few weeks.
COVID Cases are Surging

- July 14th set a new highest daily record of COVID cases.
- US has 3.5 million cases and 127,677 deaths.
  - Translates to ~900 cases per 100,000 people
- Europe’s policies controlled the virus. We have not.
Covid Cases Concentrated in the Southeast and West

- Map showing the increases in new cases by county between the week of July 6th and July 13th
- Dark red counties indicate those that saw an increase of 50% or more
  - Virus appears to have peaked in Arizona and California, but remains a problem in Texas and SE
COVID Cases are Surging

- Adjusted Kansas/Missouri Cases per million residents.
- Kansas has 21,157 cases
  - 726 cases per 100,000
  - Cases are growing exponentially once again.
- Missouri has 31,737 cases
  - 517 cases per 100,000
- Kansas has higher case rates than Missouri
Troubling News: Kansas Daily Cases are Increasing

- The 7-day moving average of new cases are trending upwards.
- Cases are increasing:
  - According to KU Medical Center estimates, we may have reached a peak in cases.
  - However, it is too soon to tell.

Source: Institute for Policy & Social Research, The University of Kansas; cases from the New York Times and projected cases from The University of Kansas Medical Center.
Growth in COVID-19 Cases Has Varied by County

- In the six largest counties, growth rates have varied significantly.
  - All curves except Leavenworth are increasing.
  - Douglas county cases are nearly 7 times higher than on June 2\textsuperscript{nd}.
  - Sedgwick, Johnson & Wyandotte Counties are Accelerating.

Counties with Meatpacking Have Slowed

- In counties with meatpacking plants cases are growing at a slower rate and we may have bent the curve.
  - Seems to be the case for all of the counties.

Case Rates by County

- Darker colors indicate that these counties have higher case rates:
  - Ford, Seward, and Finney Counties have case rates that are > 40 per 1,000
  - Douglas, Sedgwick & Johnson Counties ~4 per 1,000
  - Leavenworth & Wyandotte Counties have case rates 15-19 per 1,000

Source: New York Times & US Census Bureau
Testing Has Been Uneven Across the Country

- COVID Tracking Project data used to estimate tests per 1,000 people in each state.
  - Kansas has performed only 75 tests per 1,000 people.
  - The US average is 119 tests per 1,000.
  - 9% of Kansas tests are positive which is higher than the US overall average of 7%
COVID-19 and the US & Kansas Economies

Unemployment & Uncertainty
The Stock Market: January 1 – July 13th

- The Dow Jones Industrial Average peaked at 29,348 on February 12th.
  - It bottomed out on March 23rd, and has recovered to 26,870 on July 13th
  - Down about 8% since the peak
- Nasdaq has tracked the Dow.
- Market continues to be volatile.

Source: FRED https://fred.stlouisfed.org/series/DJIA
Food Inflation has Increased

- Although overall inflation is practically zero
- The price of food is rising steeply
  - Meat prices are up 10%
  - Food at home up 5%
Lewis, Mertens & Stock have developed a Weekly Economic Activity Index that is scaled to 4th Quarter 2019 GDP growth.

- The index has dropped to -7.35%.
- This indicates that GDP for this quarter is forecast to be 7.35% lower for Q2.

The monthly jobs report is based on two surveys:
  - Establishment Survey that reports total employment
  - Household Survey that reports total unemployment

The Unemployment Rate is defined as the share of people looking for work divided by the labor force (employed + unemployed) (U-3 rate).

The Unemployment rate does not count people who are discouraged workers and working part-time for economic reasons (U-6 rate).

- Total unemployed, plus all persons marginally attached to the labor force, plus total employed part time for economic reasons, as a percent of the civilian labor force plus all persons marginally attached to the labor force.
Employment & Unemployment April, 2020

Employment rose by 3.6% in June, Service Employment rose by 3.7%

Unemployment Rate is lower than last month but still highest levels since the Great Depression at 11.1%

Source: https://fred.stlouisfed.org/
U-3 and U-6 Show Continued Slack in Labor Market

*U-6 rate is a broader measure of unemployment*
  - 18% in June and 21.2% in May.

*U-6 indicates that close to one fifth of the workforce is experiencing hardship.*

A Tale of Two Downturns: This Time is Different

<table>
<thead>
<tr>
<th>Unemployment by Characteristic</th>
<th>June, 2010</th>
<th>May, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>9.5%</td>
<td>11.1%</td>
</tr>
<tr>
<td>Men, Age 20+</td>
<td>9.9%</td>
<td>10.2%</td>
</tr>
<tr>
<td>Women, Age 20+</td>
<td>7.8%</td>
<td>11.2%</td>
</tr>
<tr>
<td>Age 25+</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than High School</td>
<td>14.1%</td>
<td>16.6%</td>
</tr>
<tr>
<td>High School</td>
<td>10.8%</td>
<td>12.1%</td>
</tr>
<tr>
<td>Some College</td>
<td>8.2%</td>
<td>10.9%</td>
</tr>
<tr>
<td>Bachelor’s Degree +</td>
<td>4.4%</td>
<td>6.9%</td>
</tr>
<tr>
<td>Temporary Layoff</td>
<td>8.1%</td>
<td>58.6%</td>
</tr>
<tr>
<td>U-6</td>
<td>16.7%</td>
<td>21.2%</td>
</tr>
</tbody>
</table>

- Women are more likely to be unemployed than men.
  - Since 1980 we’ve had “Mancessions”
- Only Bachelor’s degree or higher have lower rates.
- Temporary Layoffs are higher.
  - Temporary Layoffs have dropped between May (73%) and June (58.6%)

Initial Unemployment Claims Continue to Grow

- US Initial Unemployment Claims are still at historic highs
  - Another 1.4 million people filed initial unemployment claims
  - Over 48 million unemployed since March.
  - According to reports in the New York Times, a study indicates that 5.4 million workers have lost health insurance benefits.

Source: https://www.dol.gov/ui/data.pdf
Unemployment Claims in Kansas and Missouri

- 10,814 people filed an initial claim in Kansas the first week in July.
- Since March 14\textsuperscript{th} a total of 306,355 workers have filed initial unemployment claims in Kansas.
- Initial claims remain stubbornly high.
  - Data from March 14\textsuperscript{th} – July 4\textsuperscript{th}

Source: Calculations using KS and MO Department of Labor Data
### Cumulative Initial Unemployment Claims by Industry

- **Industries hardest hit include:**
  - Manufacturing: 79,009
  - Accommodation & Food Services: 44,166
  - Health care & Social assistance: 33,925
  - Retail Trade: 30,471
  - Other Services: 19,790

- **These five industries account for 78% of people who have lost their jobs.**

**Source:** Calculations using KS and MO Department of Labor Data
Unemployment in Kansas Remains High

- Kansas continuing + initial unemployment claims remain high
- There are 81,314 continuing claims and 10,814 new initial claims as of the week ending July 4th
Kansas Initial Unemployment Claims by Industry as a Share of Total Employment—Data as of June 6th

<table>
<thead>
<tr>
<th>Industry</th>
<th>Unemployment Within Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government</td>
<td>1.7%</td>
</tr>
<tr>
<td>Health</td>
<td>17.92%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>44.85%</td>
</tr>
<tr>
<td>Retail</td>
<td>21.17%</td>
</tr>
<tr>
<td>Food</td>
<td>39.52%</td>
</tr>
<tr>
<td>Professional</td>
<td>12.43%</td>
</tr>
<tr>
<td>Administrative</td>
<td>25.14%</td>
</tr>
<tr>
<td>Construction</td>
<td>19.58%</td>
</tr>
<tr>
<td>Finance</td>
<td>4.67%</td>
</tr>
<tr>
<td>Transportation</td>
<td>18.24%</td>
</tr>
<tr>
<td>Wholesale</td>
<td>11.92%</td>
</tr>
<tr>
<td>Other</td>
<td>37.52%</td>
</tr>
<tr>
<td>Management</td>
<td>1.66%</td>
</tr>
<tr>
<td>Education</td>
<td>55.26%</td>
</tr>
<tr>
<td>Information</td>
<td>18.22%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>28.39%</td>
</tr>
<tr>
<td>Entertainment</td>
<td>56.37%</td>
</tr>
<tr>
<td>Mining</td>
<td>26.02%</td>
</tr>
<tr>
<td>Utilities</td>
<td>1.92%</td>
</tr>
</tbody>
</table>

- I calculated the share of initial unemployment claims for all of March – June 13th over total employment by industry in March, 2020.
  - Industries are ranked by share of total employment.
  - Government, health care, manufacturing and retail trade are 53% of total employment in the state.
Cumulative Unemployment Claims by County

Top 5 Counties by Cumulative Initial Claims:

- Sedgwick 93,746
- Johnson 53,160
- Wyandotte 17,245
- Shawnee 18,609
- Douglas 14,970

Data calculated March 21st – July 4th

Source: IPSR calculations using Kansas Department of Labor Data
Initial + Continued Claims as a Share of Labor Force

Top 5 counties by unemployment rate:
- Sumner 11.3%
- Sedgwick 11.2%
- Neosho 7.7%
- Wyandotte 7.2%
- Douglas 6.7%

This likely understates true unemployment because of people’s failure to file for continued claims.

Source: IPSR calculations using Kansas Department of Labor Data
Unemployment Claims Relative to Gross State Product

• Sectors that contribute most to Kansas growth with above average unemployment:
  • Manufacturing 12% UE & 16% of GSP
  • Health Services 5% UE & 7.5% of GSP
  • Retail 6.7% UE & 6.4% of GSP

Source: Author’s calculations.
Demand for Social Assistance has Increased

- Percent change in households receiving TANF by county, May 2019 – May 2020
  - Dark red counties indicate an increase of 20% or more
  - Caseloads have increased by 57% in Shawnee County & 31% in Johnson County
Demand for SNAP Benefits have also increased

- Percent change in households receiving SNAP benefits by county, May 2019 – May 2020
- Dark red counties indicate an increase of 20% or more
How Does Kansas Compare?

Kansas is doing better than other states
Kansas Consumption has Rebounded since April

Total consumption spending in Kansas fell by over 50% between January and April 1st.
• It is still down 6.3% since the first of the year.
• US consumption is down -9%

Two hard-hit sectors:
• Restaurants -25.1% (-13.5% in US)
• Healthcare up 5.9% (-33.8% in US)

These data exclude Johnson County

Source: Economic Tracker
https://tracktherecovery.org/
Kansas Consumption has held up Well Compared to other States

- Kansas consumption expenditures are lower than Missouri’s but much better than Iowa’s.
- Kansas had more restrictions than either Missouri or Iowa.

Source: Economic Tracker
https://tracktherecovery.org/
Kansas Small Businesses are More Likely to be Open

- The number of small businesses open in Kansas has fallen by 10.2% since January.
  - In the US, the number is -14.5%
  - Kansas is doing better than Missouri -12.3%
  - and Iowa -15.3%
- At its worst, 25% of Kansas small businesses were closed.

Source: Economic Tracker
https://tracktherecovery.org/
Johnson County Small Businesses Have Rebounded to State Average

- More small businesses have closed in the past week
  - Likely the result of additional COVID restrictions
- The number of small businesses open in Kansas has fallen by 10.2% since January.
  - In Johnson County there’s been a drop of -18.1% of small businesses that are opened.
  - Sedgwick County is doing relatively better
  - Douglas County is doing significantly worse.

Source: Economic Tracker
https://tracktherecovery.org/
What was the impact of PPP?

The Small Business Administration released detailed data
Kansas Small Businesses Received Significant Help from PPP

- In some western Kansas counties over 50% of small businesses received PPP funding.
- In Johnson, Sedgwick and Douglas counties approximately 18% of small businesses received PPP funding.

Source: Small Business Administration
### PPP Preserved Jobs

- A Total of 521,322 jobs were preserved by the PPP program in Kansas
- Half of jobs were in the five hardest-hit industries:
  - Health care
  - Food Service
  - Manufacturing
  - Construction
  - Retail

<table>
<thead>
<tr>
<th>Industry</th>
<th>Jobs Preserved</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health Care and Social Assistance</td>
<td>87,676</td>
</tr>
<tr>
<td>Accommodation and Food Services</td>
<td>70,338</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>49,636</td>
</tr>
<tr>
<td>Construction</td>
<td>48,965</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>42,468</td>
</tr>
<tr>
<td>Professional, Scientific, and Technical Services</td>
<td>38,457</td>
</tr>
<tr>
<td>Other Services (except Public Administration)</td>
<td>37,407</td>
</tr>
<tr>
<td>Administrative and Support and Waste Management</td>
<td>25,679</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>20,866</td>
</tr>
<tr>
<td>Agriculture, Forestry, Fishing and Hunting</td>
<td>20,699</td>
</tr>
<tr>
<td>Transportation and Warehousing</td>
<td>16,429</td>
</tr>
<tr>
<td>Real Estate and Rental and Leasing</td>
<td>12,620</td>
</tr>
<tr>
<td>Educational Services</td>
<td>11,890</td>
</tr>
<tr>
<td>Arts, Entertainment, and Recreation</td>
<td>10,595</td>
</tr>
<tr>
<td>Finance and Insurance</td>
<td>9,417</td>
</tr>
<tr>
<td>Mining, Quarrying, and Oil and Gas Extraction</td>
<td>5,472</td>
</tr>
<tr>
<td>Information</td>
<td>5,326</td>
</tr>
<tr>
<td>Not Specified</td>
<td>3,455</td>
</tr>
<tr>
<td>Utilities</td>
<td>1,820</td>
</tr>
<tr>
<td>Management of Companies and Enterprises</td>
<td>1,392</td>
</tr>
<tr>
<td>Public Administration</td>
<td>715</td>
</tr>
<tr>
<td>Grand Total</td>
<td>521,322</td>
</tr>
</tbody>
</table>
Detail on Jobs Preserved

- Food Service: 2,591 loans and 61,490 jobs
- Professional and Technical Jobs: 5,364 loans and 38,457 jobs
- Health Care Services: 3,597 loans and 41,321 jobs

Source: Small Business Administration
What Does the Future Hold?
Is a W-Shaped Recovery in the Cards?
Shape of the Recovery—Reverse Radical

- Fivethirtyeight.com interviewed top macroeconomists about the recovery.
- No hope for a V-shaped recovery
- Little support for a swoosh.
- 73% of economists expect a reverse radical recovery:
  - Sharp-partial recovery with prolonged lower level.

Source: [https://fivethirtyeight.com/features/what-economists-fear-most-during-this-recovery/](https://fivethirtyeight.com/features/what-economists-fear-most-during-this-recovery/)
What Indicators Do Economists Watch?

• GDP—down for the foreseeable future
• Unemployment—still historically high
• Retail sales—looking like a reverse radical

Source: https://fivethirtyeight.com/features/how-the-experts-are-measuring-the-economic-recovery/
Real-Time Data on Consumer Spending

- Consumer Spending in the US is down 9% and in Kansas down 6%.
  - It has not fully recovered and may be headed back down as COVID-19 cases accelerate.
- Consumption is following the reverse radical
  - In coming weeks we'll see if it's a W.
The Reverse Radical Could Easily Become a W

- **August 1\textsuperscript{st}:** Enhanced unemployment benefits will end.
  - We still have historically high unemployment.
  - More people are permanently losing jobs
- **July 25th:** Eviction moratorium will end, potentially affecting millions.
  - Without more support, this will create a drag on the recovery.

*W shape*

Sharp, repeated ups and downs
The Reverse Radical Could Easily Become a W


LIVE UPDATES Updated 12 minutes ago

Coronavirus Live Updates: As U.S. Cases Hit 3.5 Million, Officials Scramble to Add Restrictions

More of the country’s school districts have joined the move toward online learning for their reopening plans. After attacks by Trump aides, Dr. Anthony Fauci said “let’s stop this nonsense” and urged people to focus on the virus.

- Added restrictions to control the virus will slow economic activity.
- Governor Kelly postponed the start of school until after Labor Day: “I can’t in good conscience open schools when Kansas has numerous hot spots where cases are at an all-time high & continuing to rapidly rise.”
- Virtual schooling reduces parents’ ability to work.
Support for State Governments is Needed

**Opinion**

**Ben Bernanke: I Was Chairman of the Federal Reserve. Save the States.**

Congress must act decisively to avoid repeating mistakes of the recovery from the Great Recession.

**By Ben S. Bernanke**

Dr. Bernanke is a former chairman of the Federal Reserve.

Ben Bernanke: Save the States

• Our state governments serve a dual role as providers of critical services — health care, public safety, education and mass transit — as well as large employers. Many states, including New Jersey, are responsible for tens of thousands of jobs and the paychecks that go with them.

• The CARES Act allocated $150 billion to state and local governments. This new aid package must be significantly larger and provide not only assistance for state and local governments but also continued support for the unemployed, investments in public health and stimulus payments to encourage household and business spending and restore full employment.
State tax revenues have dropped because of the economic shock.

Congress must act soon:

- To provide additional benefits to those who are unemployed
- To provide ARRA-type funding to states to address the approximately ~10% reduction in budgets that will lead to increased unemployment.

Bernanke: “To continue to provide services that its citizens need and to avoid severe budget and employment cuts that will drag down the economy, states and localities need more federal help. Providing that help is in everyone’s interest.”
Economic Impacts of COVID-19

• We will be posting weekly updates on data.
• We are moving to update these briefings every two weeks.
• Data and briefings are featured on the IPSR website: http://ipsr.ku.edu/covid19/
• We will also monitor the policy responses.
• I hope that you all stay healthy!
Thank You!