The Kansas Economic Recovery

K is not OK

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August 15, 2020
Caveats

• These slides were completed on August 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 monthly 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?
  • A new recovery letter: not V, likely a K and perhaps W.
  • But K is not OK.
We have Exceeded 5 Million Cases & 168,000 Deaths

By The New York Times  Updated August 15, 2020, 8:12 A.M. E.T.

Leer en español

TOTAL CASES
5.3 million+

DEATHS
168,335

Includes confirmed and probable cases where available

• The past week we’ve averaged 53,083 cases per day.
Compared to the European Union, Cases are Out of Control

- The EU has 117 million more people than the US but has far fewer cases
  - As of August 15th:
    - EU has 425 cases per 100,000
    - US has 1601 cases per 100,000
  - US has nearly 4 times the number of cases
Deaths are Likely Undercounted

- Not all who die from COVID-19 are included in death-toll.
- Excess deaths—measured compared to a year earlier are a broader measure
  - Will include those who have heart attacks but were reluctant to seek medical care.

- As of August 1:
  - 211,500 excess deaths in the US
  - 500 excess deaths in Kansas

Source: New York Times

Donna K. Ginther, PhD
COVID Cases are Surging in Our Region

- Adjusted Kansas/Missouri Cases per million residents.
- Kansas has 33,087 cases
  - 1,136 cases per 100,000
- Missouri has 64,885 cases
  - 1,057 cases per 100,000
  - Missouri has accelerating cases adjusted for population compared to Kansas at the end of July and early August.
Covid Cases Concentrated in the Southeast and West

- Map showing the increases in new cases by county between the weeks July 26th of August 2nd
- Dark red counties indicate those that saw an increase of 50% or more
  - There are a lot of red counties in Kansas
Troubling News: Kansas Daily Cases are Increasing

- Data through August 9th
- The 7-day moving average of new cases has slowed down at a high plateau.
- Cases are predicted to increase:
  - According to KU Medical Center forecasts, cases may accelerate in coming weeks.

Source: Institute for Policy & Social Research, The University of Kansas; cases (blue) from the New York Times and projected cases (grey) 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 over 10 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 >48 per 1,000
  - Douglas, Sedgwick & Johnson Counties 6-10 per 1,000
  - Leavenworth & Wyandotte Counties have case rates 18-30 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 108 tests per 1,000 people.
  • The US average is 187 tests per 1,000.
  • 10% of Kansas tests are positive which is higher than the US overall average of 8%
COVID-19 and the US & Kansas Economies

Unemployment & Uncertainty
The Stock Market: January 1 – August 14th

- The Dow Jones Industrial Average peaked at 29,348 on February 12th.
  - It bottomed out on March 23rd, and has recovered to 27,931 on August 14th
  - Down about 5% since the peak
- Nasdaq has is up 21% for the year.
- Market continues to be volatile.

Source: FRED https://fred.stlouisfed.org/series/DJIA
Gross Domestic Product Fell at Historic Rate

- Gross Domestic product fell by 9.5% compared to the previous quarter.
- At an annualized rate, this is -33%
- Consumption (2/3rds of GDP) fell by 10%
- This makes the Great Recession look like a mere blip.

Source: Lewis, FRED, Federal Reserve Bank of St. Louis;
Retail sectors up:

- Clothing 5.7%
- Furniture 0%
- Restaurants/Bars 5%
- Motor Vehicles -1.2%
- Electronics 22.9%
- Miscellaneous 6.2%

Retail sales were up 2.7% compared to a year ago.
Lewis, Mertens & Stock have developed a Weekly Economic Activity Index that is scaled to 4th Quarter 2019 GDP growth.

- The index has risen to –6.2%
- This indicates that GDP for this quarter is forecast to be 6.2% lower for Q3.

Unemployment Rate Facts

• 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 July, 2020

Employment rose by 1.3% in July, Service Employment rose by 1.5%

Unemployment Rate is lower than last month but still highest levels since the Great Depression at 10.2%
U-3 and U-6 Show Continued Slack in Labor Market

- U-6 rate is a broader measure of unemployment:
  - 16.5% in July and 18% in June.
- U-6 indicates that one sixth of the workforce is experiencing hardship.

### Unemployment by Characteristic

<table>
<thead>
<tr>
<th>Unemployment by Characteristic</th>
<th>July, 2010</th>
<th>July, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>9.5%</td>
<td>10.2%</td>
</tr>
<tr>
<td>Men, Age 20+</td>
<td>9.7%</td>
<td>9.4%</td>
</tr>
<tr>
<td>Women, Age 20+</td>
<td>7.9%</td>
<td>10.5%</td>
</tr>
<tr>
<td>Age 25+</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than High School</td>
<td>13.8%</td>
<td>15.4%</td>
</tr>
<tr>
<td>High School</td>
<td>10.1%</td>
<td>10.8%</td>
</tr>
<tr>
<td>Some College</td>
<td>8.3%</td>
<td>10%</td>
</tr>
<tr>
<td>Bachelor’s Degree +</td>
<td>4.5%</td>
<td>6.7%</td>
</tr>
<tr>
<td>Temporary Layoff</td>
<td>8.5%</td>
<td>55.9%</td>
</tr>
<tr>
<td>U-6</td>
<td>16.4%</td>
<td>18%</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 (55.9%)%)

Unemployment Claims in Kansas and Missouri

- 8,473 people filed an initial claim in Kansas the last week of July.
- Since March 14th a total of 350,158 workers have filed initial unemployment claims in Kansas.
- Initial claims remain stubbornly high.
  - Data from March 14th – August 1st

Source: Calculations using KS and MO Department of Labor Data
Initial Unemployment Claims Continue to Grow

- **US Initial Unemployment Claims are still at historic highs**
  - Almost another million people filed initial unemployment claims
  - Almost 55 million unemployed since March.
  - Over 16 million people remain unemployed in the US.
  - Enhanced unemployment benefits have ended.

Source: https://www.dol.gov/ui/data.pdf
• Industries hardest hit include:
  • Manufacturing: 90,726
  • Accommodation & Food Services: 48,949
  • Health care & Social assistance: 37,153
  • Retail Trade: 34,093
  • Other Services: 21,957

• These five industries account for 67% 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 79,097 continuing claims and 8,473 new initial claims as of the week ending August 1st.
- State Unemployment ~7%
Initial Jobless Claims in Kansas, by County
March 21 - August 1, 2020

Top 5 Counties by Cumulative Initial Claims:
- Sedgwick 106,390
- Johnson 59,529
- Shawnee 20,916
- Wyandotte 21,392
- Douglas 16,715

Data calculated March 21st – August 1st

Source: IPSR calculations using Kansas Department of Labor Data

KU Institute for Policy & Social Research
The University of Kansas
June Official Unemployment

- Wilson County 8%
- Johnson 6.8%
- Montgomery 8%
- Woodson 7%
- Neosho 7.6%
- Douglas 8.3%
- Sedgwick 11.5%
- State Unemployment 7.5%

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 11.5%
  - Sedgwick 10.8%
  - Wyandotte 7.7%
  - Butler 7.2%
  - Neosho 7.1%

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

Source: IPSR calculations using Kansas Department of Labor Data
Kansas Initial Unemployment Claims by Industry as a Share of Total Employment—Data as of August 1st

<table>
<thead>
<tr>
<th>Industry</th>
<th>Unemployment Within Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government</td>
<td>5.8%</td>
</tr>
<tr>
<td>Health</td>
<td>20.13%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>53.94%</td>
</tr>
<tr>
<td>Retail</td>
<td>24.37%</td>
</tr>
<tr>
<td>Food</td>
<td>44.91%</td>
</tr>
<tr>
<td>Professional</td>
<td>15.83%</td>
</tr>
<tr>
<td>Administrative</td>
<td>30.74%</td>
</tr>
<tr>
<td>Construction</td>
<td>25.07%</td>
</tr>
<tr>
<td>Finance</td>
<td>5.99%</td>
</tr>
<tr>
<td>Transportation</td>
<td>21.43%</td>
</tr>
<tr>
<td>Wholesale</td>
<td>14.03%</td>
</tr>
<tr>
<td>Other</td>
<td>42.63%</td>
</tr>
<tr>
<td>Management</td>
<td>2.15%</td>
</tr>
<tr>
<td>Education</td>
<td>5.8%</td>
</tr>
<tr>
<td>Information</td>
<td>20.81%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>33.77%</td>
</tr>
<tr>
<td>Entertainment</td>
<td>59.65%</td>
</tr>
<tr>
<td>Mining</td>
<td>29.11%</td>
</tr>
<tr>
<td>Utilities</td>
<td>2.55%</td>
</tr>
</tbody>
</table>

- I calculated the share of initial unemployment claims for all of March – July 25th 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.
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 4.5% UE & 7.5% of GSP
    - Health has improved a lot.
  - Retail 6% UE & 6.4% of GSP

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

- Percent change in households receiving TANF by county, June 2019 – June 2020
  - Dark red counties indicate an increase of 20% or more
    - Caseloads have increased by 47% in Shawnee County & 26% in Johnson County
Demand for SNAP Benefits have also increased

- Percent change in households receiving SNAP benefits by county, June 2019 – June 2020
- Dark red counties indicate an increase of 20% or more
- Expect these numbers to increase.
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 1\textsuperscript{st}.
  - It is still down 7.8% since the first of the year.
  - US consumption is down -8%
- Two hard-hit sectors:
  - Restaurants –24.7% (-29.4% in US)
  - Healthcare down 12.2% (-10.2% in US)

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

- Kansas consumption expenditures are better than Missouri’s and Iowa’s.
  - Kansas had more restrictions than either Missouri or Iowa.
  - Missouri down -8.9%
  - Iowa down -12.4%

Source: Economic Tracker
https://tracktherecovery.org/

In Kansas, as of August 02 2020, total spending by all consumers decreased by 7.8% compared to January 2020.
Kansas Small Businesses are More Likely to be Open

- The number of small businesses open in Kansas has fallen by 12.5% since January.
  - In the US, the number is 18.1%.
  - Kansas is doing better than Missouri -15.4%.
  - and Iowa -16.5%.
- 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

In Johnson County, as of July 27 2020, the number of small businesses open decreased by 13% compared to January 2020.

- 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 12.5% since January.
  - In Johnson County there’s been a drop of -13% of small businesses that are open.
  - Sedgwick County is doing relatively better
  - Douglas County is doing significantly worse.

Source: Economic Tracker https://tracktherecovery.org
Kansas and US Household Comparison

45% of households faced loss in Employment income in the week of July 16-21
- 39% delayed medical care
- 25% Housing insecurity
- 10% Food Scarcity
- More Kansans are not working because of lack of child care.
Kansas Household Pulse Data

- Loss in employment income is at its highest since the surveys began
  - The rate of housing insecurity and loss in employment income have increased over the last three weeks
What’s the Latest Letter for the Economic Recovery?
K is not OK
In June, Fivethirtyeight.com interviewed top macroeconomists about the recovery.  
73% of economists expect a reverse radical recovery:  
- Sharp-partial recovery with prolonged lower level.

Now economists are talking about K-shaped recovery

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—have rebounded

Source: https://fivethirtyeight.com/features/how-the-experts-are-measuring-the-economic-recovery/
Consumption January – July, 2020

- Consumption is 2/3rds of GDP
- 60% of consumption is services (blue line)
- Swoosh or reverse radical recovery
- 40% of consumption is goods (red line)
- V-shaped, partly driven by groceries.

Source: FRED
In Kansas, as of August 02 2020, total spending by all consumers decreased by 7.8% compared to January 2020.

Real-Time Data on Consumer Spending

- Consumer Spending in the US is down 8% and in Kansas down 7.8%.
  - 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.
TSA Travel Checkpoint Numbers Remain Low

- Air travel plummeted in March and April.
- It has slowly trended upward since May.
- As of this week, it’s only ~25% of the number of passengers as a year ago.
  - L-shaped

Source: TSA https://www.tsa.gov/coronavirus/passenger-throughput
Open Table Diners Compared to the Previous Year

- Eating Out is down 50% compared to a year ago.
- Kansans were more likely to eat out after May than in the US as a whole.
  - See spikes of eating out around Father’s Day and July 4th.
- Since cases have increased eating out is at a low level.
  - L-shaped

Source: TSA https://www.tsa.gov/coronavirus/passenger-throughput
Gasoline Supplied

- Gasoline supplied and used dropped significantly in March.
- Gasoline supplies have recovered, but at a much lower level than earlier in the year.
- Supply is 8% less than a year earlier.
  - Reverse radical

Source: TSA https://www.tsa.gov/coronavirus/passenger-throughput
Is this a K-shaped Recovery?

The recession is over for the rich, but the working class is far from recovered

The stock market and home values are back at record levels, while jobs remain scarce for those earning less than $20 an hour

August 13, 2020

Source: https://www.washingtonpost.com/business/2020/08/13/recession-is-over-rich-working-class-is-far-recovered/?utm_campaign=wp_post_most&utm_medium=email&utm_source=newletter&utmsrc=nl_most
Is this a K-shaped Recovery?

Jobs have rebounded for the top, but not for the bottom
(Chart shows percent change in employment since January 2020)

- Jobs for those earning > $32 per hour have recovered.
- Jobs for those earning between $20-$32 per hour down 5%
- Jobs for those earning between $14-$20 per hour down 16%
- Jobs for those earning between <$14 per hour down 20%
- The rich have recovered.
- The rest have not.


TOM PETERSON/THE WASHINGTON POST
Could the K turn into a W?

- August 1st: Enhanced unemployment benefits ended.
  - Executive Order: 5 weeks of $300 per week from federal government
  - States asked to pay the additional $100

Trump wants states to pay a quarter of his new unemployment benefit. States say they can't afford it.

“The concept of saying to states 'you pay 25 percent of the unemployment insurance' is just laughable,” New York Gov. Andrew Cuomo, a Democrat, said.

Could the K turn into a W?

State and Local Budget Pain Looms Over Economy’s Future

Providing more aid to struggling governments has become one of the biggest issues tangling up the debate over another pandemic rescue package.

- The Fed chair, Jerome H. Powell, has repeatedly warned that state job cuts could drag down an economic recovery: “It will hold back the economic recovery if they continue to lay people off and if they continue to cut essential services.”

Could the K turn into a W?

W shape
Sharp, repeated ups and downs

- July 25th: Eviction moratorium ended.

There's no eviction moratorium, sorry: Trump's executive order can't keep you from getting evicted now

President Trump's executive order on evictions doesn't renew protections -- and that puts some 40 million people at risk.

- Although the order encourages the Secretary of the Treasury and the Secretary of Housing and Urban Development to explore ways to fund financial assistance to tenants who are behind on rent, the executive order stops short of setting up such a fund or banning evictions.

Children are Suffering

Millions of Children in Households Struggling to Afford the Basics

8 million children live in a household that is behind on rent

9 to 17 million children live in a household where children did not eat enough because they couldn’t afford it

Households With Children Nearly Twice as Likely to Be Behind on Rent
Share of adult renters saying they are behind on last month’s rent, as of week ending July 21

<table>
<thead>
<tr>
<th>With children in household</th>
<th>No children</th>
</tr>
</thead>
<tbody>
<tr>
<td>29%</td>
<td>16%</td>
</tr>
</tbody>
</table>

Note: Behind on rent = did not pay on time or deferred rent. Chart excludes renters who did not respond to question. Source: CBPP analysis of Census Bureau Household Pulse Survey.

According to the Center for Budget Policy & Priorities, households with children are suffering more:

- Nearly 30% of households with children are behind on rent
- 9-17 million children are not getting enough to eat

Source: CBPP analysis of Household Pulse Survey, week ending July 21


Donna K. Ginther, PhD
Parents and teachers clash at Georgia school board meeting after viral hallway photo

Over 900 in Georgia District Quarantine as High School Shut

By The Associated Press

Aug. 11, 2020

Coronavirus Live Updates: In Arizona, a School District Cancels Classes After Teacher ‘Sick Out’

• In Kansas and the US, it’s every district for itself.

https://www.washingtonpost.com/education/2020/08/12/paulding-county-school-coronavirus/
What Economists Fear Most

Economists fear an economic crisis without more aid

Average chance that each of the following scenarios will be more likely to occur if federal unemployment aid isn’t at least partially renewed by Sept. 1:

<table>
<thead>
<tr>
<th>SCENARIO</th>
<th>AVG. CHANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decline in personal consumption</td>
<td>74.8%</td>
</tr>
<tr>
<td>Increasing food insecurity</td>
<td>63.4%</td>
</tr>
<tr>
<td>A wave of evictions</td>
<td>55.2%</td>
</tr>
<tr>
<td>More job losses</td>
<td>53.5%</td>
</tr>
<tr>
<td>More workers returning to the workforce</td>
<td>43.2%</td>
</tr>
<tr>
<td>A wave of mortgage defaults</td>
<td>42.9%</td>
</tr>
</tbody>
</table>

The survey of 32 economists was conducted Aug. 7-10.

Source: [Fivethirtyeight](https://fivethirtyeight.com/features/what-economists-fear-will-happen-without-more-unemployment-aid/)

- The economy was supported by the CARES Act.
- Congress & the President have failed to provide additional support.
  - 75% of economists expect a decrease in consumption.
  - 63% expect increased food insecurity.
  - 55% expect increased evictions.
What Economists Fear Most: What will Create a Drag on the Recovery?

Possibility of no stimulus adds to economists’ fears
How much weight economists gave various scenarios when setting the lower bound of their GDP predictions for the fourth quarter of 2020

<table>
<thead>
<tr>
<th>FACTOR</th>
<th>WEIGHT</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bad &quot;second wave&quot; in the fall</td>
<td>39.5%</td>
</tr>
<tr>
<td>No further fiscal stimulus</td>
<td>33.4%</td>
</tr>
<tr>
<td>Low consumer spending</td>
<td>14.8%</td>
</tr>
<tr>
<td>Slow vaccine development</td>
<td>9.4%</td>
</tr>
<tr>
<td>Banking or financial system weakness</td>
<td>7.8%</td>
</tr>
<tr>
<td>Other</td>
<td>4.4%</td>
</tr>
</tbody>
</table>

Weights are an average of responses in a survey of 32 economists conducted Aug. 7-10.

Source: Fivethirtyeight/IGM COVID-19 Economic Survey

Source: https://fivethirtyeight.com/features/what-economists-fear-will-happen-without-more-unemployment-aid/

• Adding to fears for the recovery:
  • 40% of economists fear a bad second wave of the virus in the fall
  • 33% fear no further stimulus
  • 15% fear lower consumer spending
Economic Impacts of COVID-19

• We will be posting weekly updates on data.
• We are moving to update these briefings every month.
• 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!