Is Help on the Way for Our Struggling Economy?

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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.
• 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 COVID-19 in Kansas and the United States
• What’s happened to the US & Kansas economies so far?
• What do the new data tell us about the future economy?
• Will Congress Act to prevent a W-shaped recession?
  • If so, will it be enough?
We Have Exceeded 18.2 Million Cases & 323,000 Deaths

• In the past week we’ve averaged 216,000 cases per day.

• This is an increase of 18% compared to last week.

• Now over 3,239 deaths per day.

Source: New York Times
Covid Cases Are Declining in the Midwest

- Map showing the increases in new cases by county between the weeks of December 6th and December 13th.
- Dark red counties indicate those that saw an increase of 50% or more.
  - Cases are starting to decrease in Western Kansas.

Troubling News: Kansas Daily Cases Are Increasing

- The 7-day moving average of new cases trended up in the past week.
- Cases are increasing:
  - Cases are forecast to fall but remain at a high level.

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 are increasing.
  - Douglas County cases are 82 times higher since June 2.
  - Sedgwick, Johnson & Wyandotte Counties are steadily increasing.

Case Rates by County

COVID-19 Cases per 1,000 People in Kansas, by County as of December 13, 2020

- Darker colors indicate that these counties have higher case rates:
  - Ford, Seward, and Finney Counties have case rates that are > 141 per 1,000
  - Douglas, Sedgwick & Johnson Counties have case rates of 45-63 per 1,000
  - Leavenworth & Wyandotte Counties have case rates of 53-79 per 1,000

Kansas Has Fewer Tests and Higher Positivity Rates

- COVID Tracking Project data used to estimate tests per 1,000 people in each state.
  - Kansas has performed only 305 tests per 1,000 people.
  - The US average is 569 tests per 1,000.
  - 20.8% of Kansas tests are positive which is higher than the US overall average of 8.6%.

Source: Institute for Policy & Social Research, The University of Kansas; data from The COVID Tracking Project (https://covidtracking.com/).
Do Masks Work?

On July 3, the Governor implemented a mask mandate for the state of Kansas.

Counties could opt out of the mandate.

Some cities imposed a mandate but the surrounding county did not.

- Manhattan has a mandate but Riley County does not.

Source: IPSR, data from the Kansas Health Institute

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COVID Cases Remain Lower in Counties that had a Mask Mandate in July

- Counties that adopted a mask mandate in July have significantly lower COVID-19 cases per 100,000 population.
- We estimate that mask mandates have reduced cases by 47% relative to the mean.
  - This means fewer sick people, hospitalizations and deaths!

Source: IPSR
Swiss Cheese Model of COVID Defense

- No single approach keeps you safe.
- Each intervention (e.g. social distancing) has holes.
- The more layers there are, the safer you are.

COVID-19 and the US & Kansas Economies

A Stalling Recovery
The Stock Market: January 1 – December 18

- The Dow Jones Industrial Average peaked at 29,348 on February 12.
  - It bottomed out on March 23, and has recovered to 30,179 on December 14.
  - It’s up about 2% since the peak
- Nasdaq is up 36% 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 around 9% in Q2.
- At an annualized rate, this is -32%.
- GDP rose 7.4% in Q3.
- Consumption (2/3rds of GDP) fell 9.6%, and then rose by 8.9%.

Source: U.S. Bureau of Economic Analysis my.fred.gx/f00
• Gross Domestic Product was still down 2.9% from a year ago in Q3.
• Consumption is also still down 2.9%

Source: Lewis, FRED, Federal Reserve Bank of St. Louis; Donna K. Ginther, PhD
Weekly Economic Activity Index

- Lewis, Mertens & Stock have developed a Weekly Economic Activity Index that is scaled to 4th Quarter 2019 GDP growth.
  - The index has risen to –2.39%
  - This indicates that GDP for this quarter is forecast to be 2.39% lower for Q4.

Industrial Production & Retail Sales in November

- Compared to a year ago, retail sales are up 2.9%.
- Compared to a year ago, industrial production is up 0.39%.
- Although sales have recovered, production has not.

Source: https://fred.stlouisfed.org
Employment & Unemployment November, 2020

- Employment rose by 0.17% in October.
- Service employment rose by 0.16%.

- Unemployment fell to 6.7% in November.
- Kansas unemployment was 5.6% in November.
Employment in Kansas and US Compared to a Year Ago

Kansas employment was down 4.1% from a year ago in November. US employment down 6.1% compared to a year ago in November. Employment recovery has stalled.
U-3 and U-6 Show Continued Slack in Labor Market

- U-6 rate is a broader measure of unemployment
  - 12.0% in November and 12.1% in October.
- U-6 indicates that a large share of the workforce is experiencing hardship.

Sources:
Prophetic Words from October

From Betsey Stevenson, University of Michigan

• We're now down 8.8 million fewer jobs
• Up to 315,000 dead

Unemployment Claims in Kansas and Missouri

• 30,466 people filed an initial claim in Kansas the week of December 5.
• Since March 14 a total of 647,050 workers have filed initial unemployment claims in Kansas.
• Initial claims remain stubbornly high.
  • Data is from March 14 – December 5.

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

- Industries hardest hit include:
  - Manufacturing: 126,768
  - Accommodation & Food Services: 77,328
  - Health care & Social assistance: 68,266
  - Retail Trade: 60,479
  - Other Services: 41,426

- These five industries account for 60% of people who have lost their jobs.

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

- Kansas continuing and initial unemployment claims remain high.
- There are 51,896 continuing claims and 62,778 new initial claims as of the week ending November 7.
- State Unemployment ~5.5%.
Cumulative Unemployment Claims by County

Top 5 Counties by Cumulative Initial Claims:

- Sedgwick 164,834
- Johnson 120,492
- Wyandotte 49,566
- Shawnee 41,836
- Douglas 30,167

Data calculated March 21 – December 5.

Source: IPSR calculations using Kansas Department of Labor Data
November Kansas Unemployment Rate 5.6%

- Uneven impact across the state:
  - Sedgwick County 7.6%
  - Douglas 5.3%
  - Johnson 4.8%
  - Wyandotte 6.1%
  - Shawnee 5.7%

- Unemployment increased compared to October.

Source: IPSR calculations using Kansas Department of Labor Data
Demand for Social Assistance Has Increased

- Percent change in households receiving TANF by county, October 2019 – October 2020.
- Dark red counties indicate an increase of 10% or more.
  - Caseloads have decreased by 0.2% in Shawnee County & increased by 4.4% in Douglas County.
Demand for SNAP Benefits Have Also Increased

- Percent change in households receiving SNAP benefits by county, October 2019 – October 2020
- Dark red counties indicate an increase of 10.1% or more.
- Expect these numbers to increase.
How Does Kansas Compare?

Kansas is doing better than other states.
Kansas Consumption Has Not Held up Well Compared to Other States

In Kansas, as of November 29, 2020, total spending by all consumers decreased by 10.8% compared to January 2020.

- Kansas consumption expenditures are somewhat better than Missouri and Iowa.
  - Kansas had more restrictions than either Missouri or Iowa.
  - Missouri down -11.5%
  - Iowa down -12.5%

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

- The number of small businesses open in Kansas has fallen by 26.1% since January.
  - In the US, the number is -25.3%.
  - Kansas is doing worse than Missouri: -22.5%.
  - and Iowa: -25.9%.
- At its worst, 39% of Kansas small businesses were closed.

Source: Economic Tracker, https://tracktherecovery.org/
Kansas City & Wichita Businesses Have Rebounded to State Average

In Wichita, as of November 30 2020, the number of small businesses open decreased by 23.3% compared to January 2020.

- The number of small businesses open in Kansas has fallen by 26.1% since January.
  - Kansas City has a drop of -16.5% of small businesses that are open.
  - -23.3% in Wichita.

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

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Kansas and US Household Comparison

- 39% of households faced loss in Employment income in the week of November 11-23
- 44% of households with children report likely or somewhat likely eviction
- 14% of households with children are food insecure
Small Business Pulse Data

- Dark Blue: Kansas small businesses
- Light Blue: US small businesses
- 29.4% of Kansas small businesses reported a large negative impact from the pandemic in the most recent week.

Source: US Census Bureau

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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/
What Indicators Do Economists Watch?

- GDP is down for the foreseeable future.
- Unemployment is still historically high.
- Retail sales have rebounded

Source: https://fivethirtyeight.com/features/how-the-experts-are-measuring-the-economic-recovery/

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Consumption January – October 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
Real-Time Data on Consumer Spending

In Kansas, as of November 29 2020, total spending by all consumers decreased by 10.8% compared to January 2020.

- Consumer Spending in the US is down 11.6% and in Kansas down 10.8%.
  - 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.

Source: Economic Tracker, https://tracktherecovery.org/
Air travel plummeted in March and April.
- It has slowly trended upward since May.
- As of this week, it’s only ~33% of the number of passengers as a year ago.
  - L-shaped

Source: TSA https://www.tsa.gov/coronavirus/passenger-throughput
Dining out is down 50% compared to a year ago.

Kansans were more likely to dine out after May than in the US as a whole.
- See spikes of eating out around Father’s Day and July 4.

Since cases have increased dining out is at a low level.
- L-shaped

Source: Open Table, https://www.opentable.com/state-of-industry
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 16% less than a year earlier.
  - Reverse radical

Employment by Major City in Kansas

- Kansas City MSA is down 3.8% from a year ago.
- Wichita is down 4.2%.
- Lawrence is down 7.1%.
- Manhattan is down 8.6%.
- Topeka is down 2.6%.
Is This a K-shaped Recovery?

Economy

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
Is This a K-shaped Recovery?

In Kansas, as of October 15 2020, employment rates among workers in the bottom wage quartile decreased by 15.3% compared to January 2020 (not seasonally adjusted).

- Jobs for those earning > $60,000 per year are down 0.7%.
- Jobs for workers earning <$27,000 per year are down 15%.
  - The rich have recovered.
  - The rest have not.

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

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There Are Some Bright Spots

- The stock market has fully recovered.
- Housing prices have increased.
  - Now that people are working at home, they want better housing.
- The vaccine has arrived!
**Millions Set to Lose Aid as Federal Programs Expire**

Number of persons claiming unemployment benefits in the U.S. in the week ended Nov. 7, 2020

<table>
<thead>
<tr>
<th>Program</th>
<th>Number</th>
<th>Due to expire Dec. 26</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regular state programs</td>
<td>6.04m</td>
<td></td>
</tr>
<tr>
<td>Pandemic Unemployment Assistance*</td>
<td>9.15m</td>
<td></td>
</tr>
<tr>
<td>Pandemic Emergency Unemployment Compensation**</td>
<td>4.51m</td>
<td></td>
</tr>
<tr>
<td>Other programs</td>
<td>0.75m</td>
<td></td>
</tr>
</tbody>
</table>

* available to individuals who are self-employed, or who otherwise would not qualify for regular unemployment compensation

** extends benefits by up to 13 weeks for individuals who have exhausted all rights to regular unemployment compensation

Source: U.S. Department of Labor

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**But Continued Concerns**

13.7 million unemployed workers are set to lose aid next week unless Congress acts.
Is Help on the Way for the Struggling Economy?

Maybe some, but not enough.
Congress Passed a New Stimulus Bill

- Programs for people:
  - $600 per person stimulus payments
  - $300 per month in federal unemployment benefits until March 14th
  - Moratorium on Evictions until January 31st
  - $25 billion in rental assistance
  - $13 billion in food assistance
  - $10 billion in childcare assistance

Source: https://www.washingtonpost.com/business/2020/12/20/stimulus-package-details/
Congress Passed a New Stimulus Bill

• Programs for businesses:
  • $284 billion for the PPP program
    • Program extended to churches & non-profits
  • $20 billion in Economic Injury Disaster Loans
  • $15 billion for the entertainment industry (e.g. movie theaters)
  • Tax break for corporate lunches
  • $13 billion in agriculture assistance

Source: https://www.washingtonpost.com/business/2020/12/20/stimulus-package-details/
Other Provisions

- $45 billion for Transportation including:
  - Airlines, mass transit, airports & Amtrak
- $82 billion for education:
  - $23 billion for Higher Education
  - $54 billion for K-12
- $20 billion for vaccine distribution

Source: https://www.washingtonpost.com/business/2020/12/20/stimulus-package-details/
What’s Not to Like?

Trump Demands Changes to Coronavirus Relief Bill, Calling It a ‘Disgrace’

The president sought bigger checks for Americans and a bill that dealt more specifically with pandemic relief.

• President is calling for $2000 stimulus payments

Source: https://www.washingtonpost.com/business/2020/12/20/stimulus-package-details/
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.”


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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 wish you a healthy and happy holiday season!
Thank You!