

The Economic Recovery in Kansas: A Work in Progress

Donna K. Ginther

Roy A. Roberts Distinguished Professor of Economics
Director, Institute for Policy & Social Research, University of Kansas
Research Associate, National Bureau of Economic Research

October 22, 2020

KU INSTITUTE FOR
POLICY &
SOCIAL RESEARCH
The University of Kansas

Thank You to Our Sponsor: The Economic Development Administration

- Funding for the conference is provided in part through a grant from the Economic Development Administration: Coronavirus Aid, Relief, and Economic Security (CARES) Act University Center Supplemental Disaster Recovery and Resiliency Awards.
- Thank you to US Department of Commerce EDA Participants:
 - Jane Reimer, EDA Denver Regional Office.
 - Bernadette Grafton, EDA Washington DC.

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 periodic 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.



What is the Role of Government in an Economic Crisis?

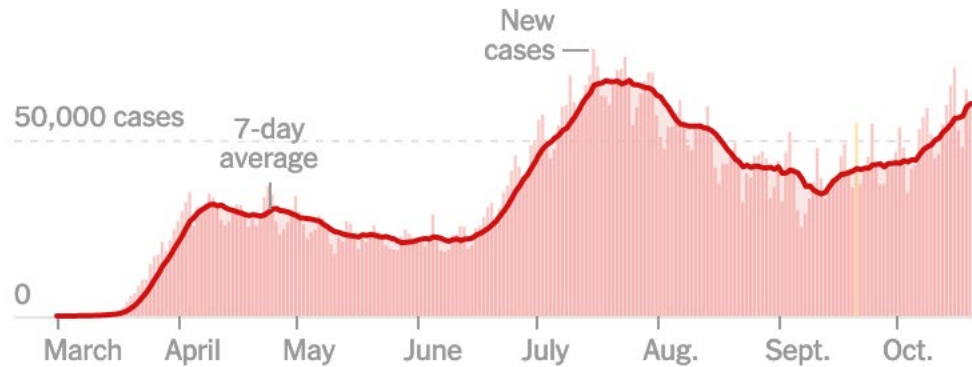
Overview

- Update on the coronavirus in Kansas
- What's happened to the economy so far?
- What do the new data tell us about the future economy?
 - The shape of the recovery is open to debate.
 - The recovery will take longer than we'd like.
- What is the role of government in an economic crisis?

We Have Exceeded 8.3 Million Cases & 222,000 Deaths

By The New York Times Updated October 21, 2020, 3:08 P.M. E.T.

[Leer en español](#)



	TOTAL REPORTED	ON OCT. 20	14-DAY CHANGE
Cases	8.3 million+	60,598	+36% →
Deaths	221,571	929	+7% →

■ Day with data reporting anomaly.

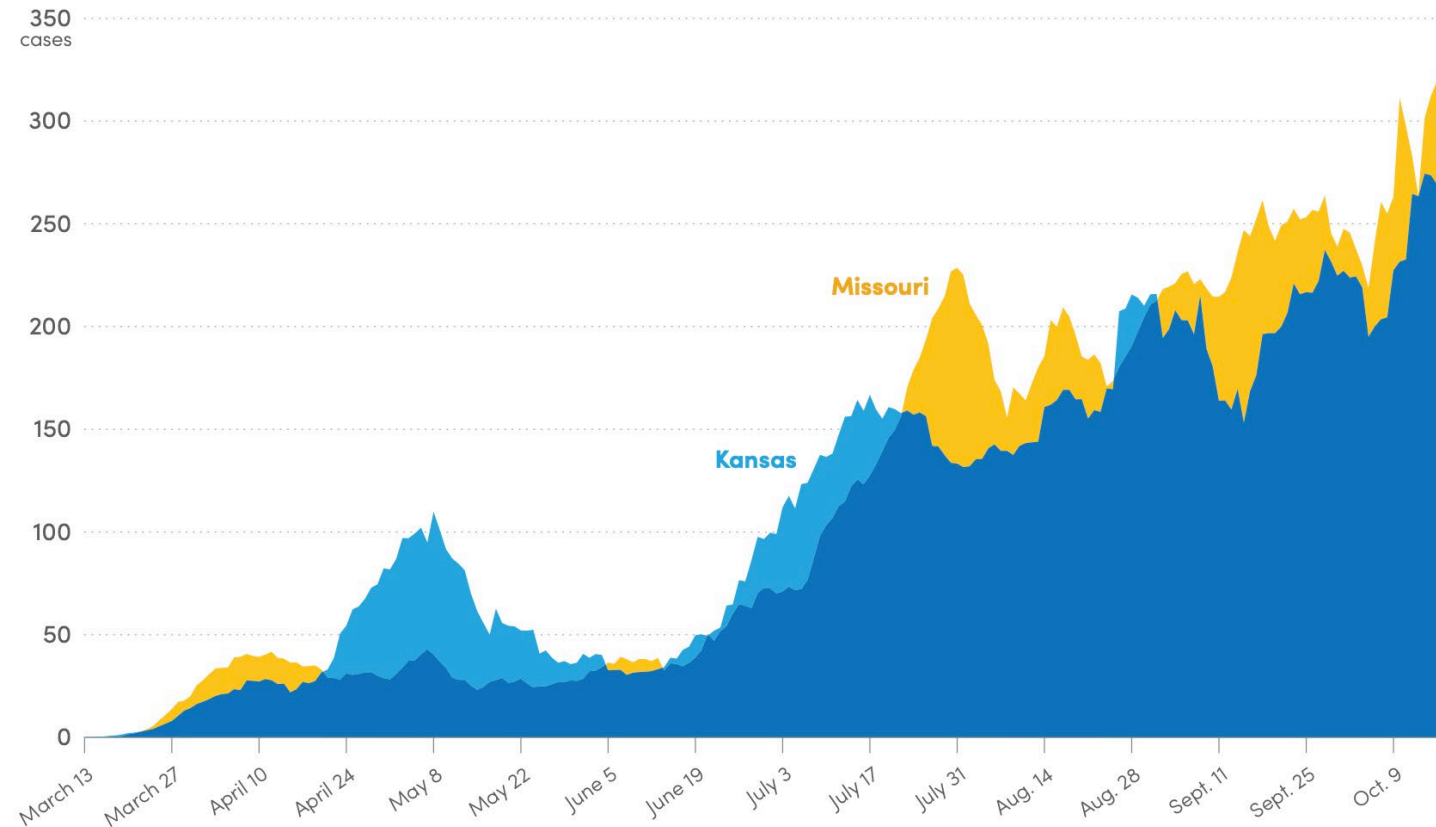
Includes confirmed and probable cases where available. 14-day change trends use 7-day averages.

- In the past week we've averaged 59,269 cases per day.
- According to the CDC, if you examine excess deaths, close to 300,000 additional people have died since COVID started.

COVID Cases Are Surging in Our Region

New COVID-19 Cases per Million Residents, 7-Day Rolling Average

Kansas and Missouri population-adjusted cases through October 18th

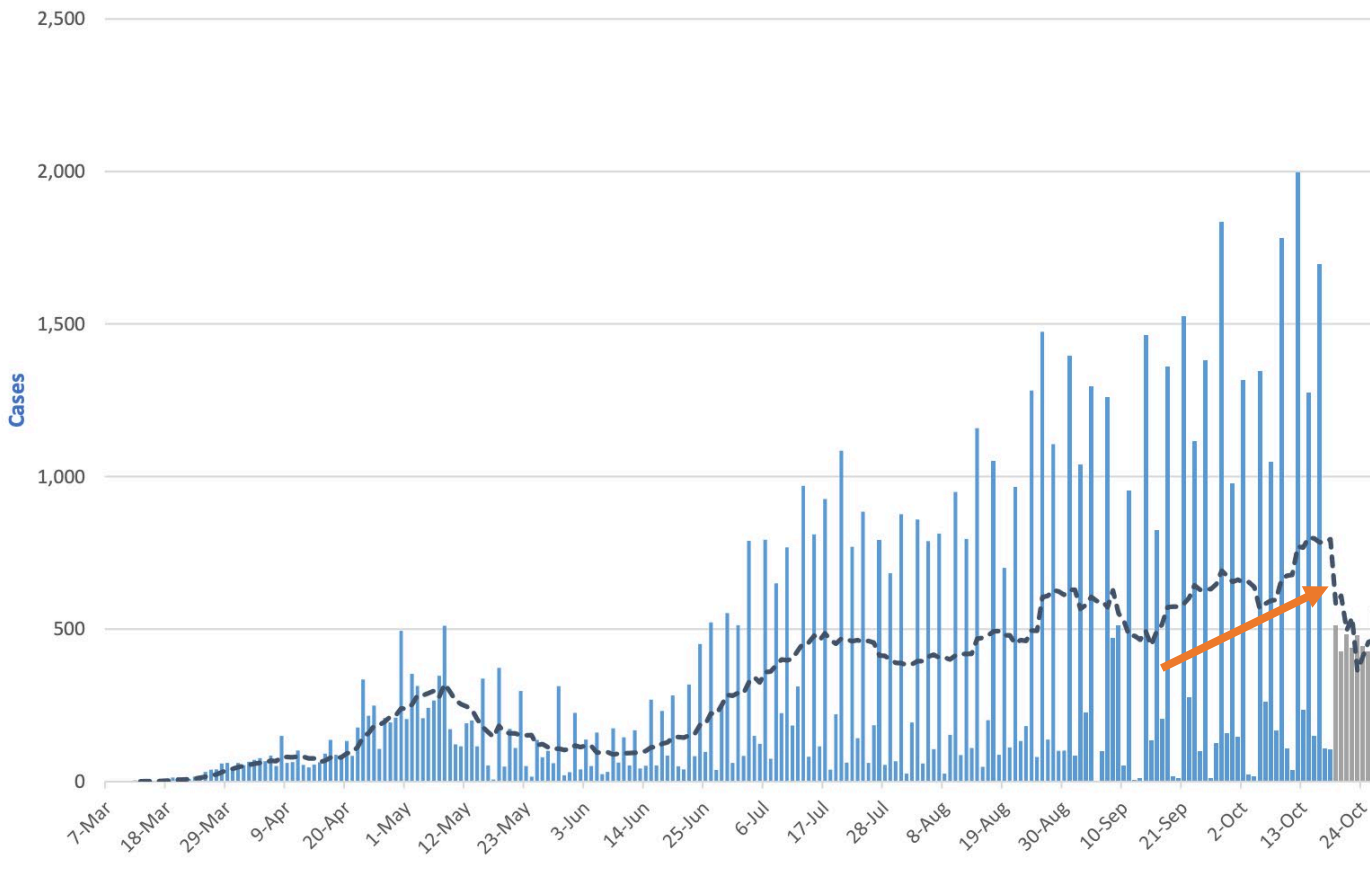


Source: Institute for Policy & Social Research, The University of Kansas; data from The New York Times.

- Adjusted Kansas/Missouri cases per million residents.
- Kansas has 5,561 cases in the past week.
 - 191 new cases per 100,000.
- Missouri has 13,675 cases in the past week.
 - 222 new cases per 100,000
 - Missouri and Kansas cases per capita converged at the end of August.

Troubling News: Kansas Daily Cases Are Increasing

New COVID-19 Cases and 7-day Trend Line in Kansas

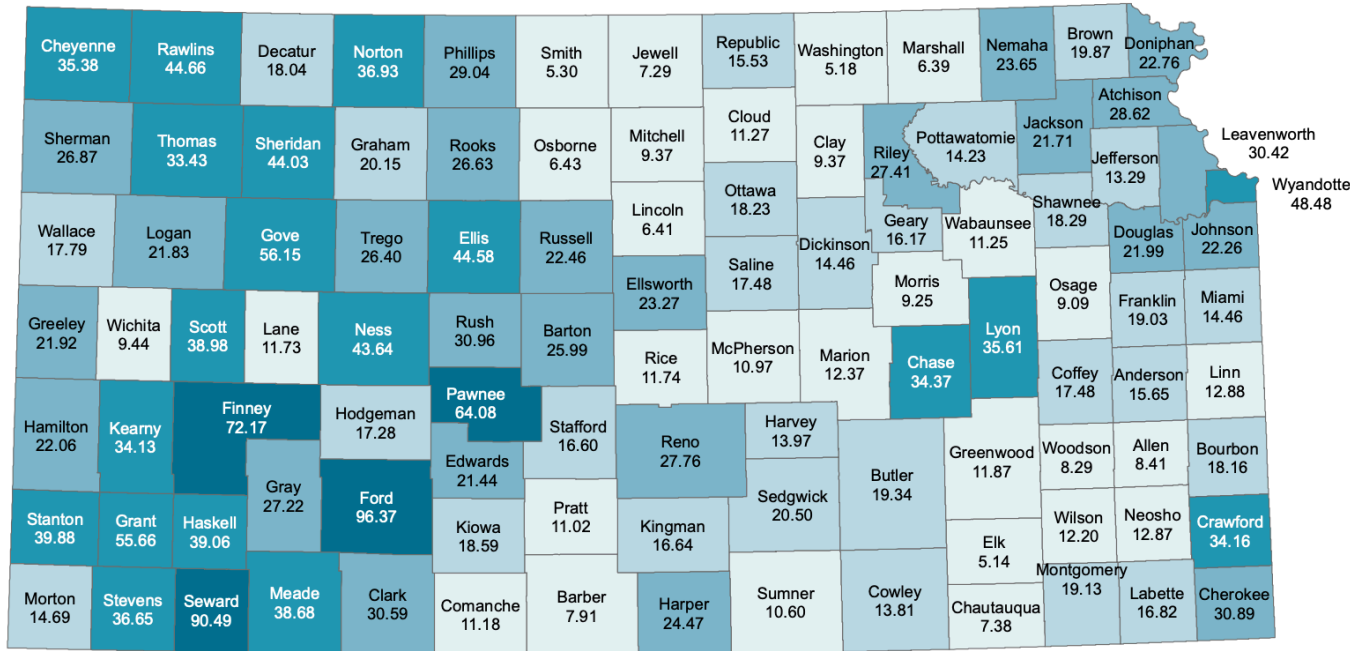


Source: Institute for Policy & Social Research, The University of Kansas; cases (blue) from the New York Times and projected cases (grey) from The University of Kansas Medical Center.

- The 7-day moving average of new cases trended up in the past week.
 - The forecast remains high.
- Tragedy in Norton County Kansas:
 - All 62 residents in a long-term care facility were infected and 10 died.
 - Norton County does not have a mask mandate.

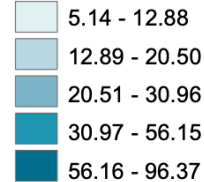
Case Rates by County

COVID-19 Cases per 1,000 People in Kansas, by County as of October 18, 2020



Source: Institute for Policy & Social Research, The University of Kansas; data from The New York Times and U.S. Census Bureau.

Cases per 1,000 people

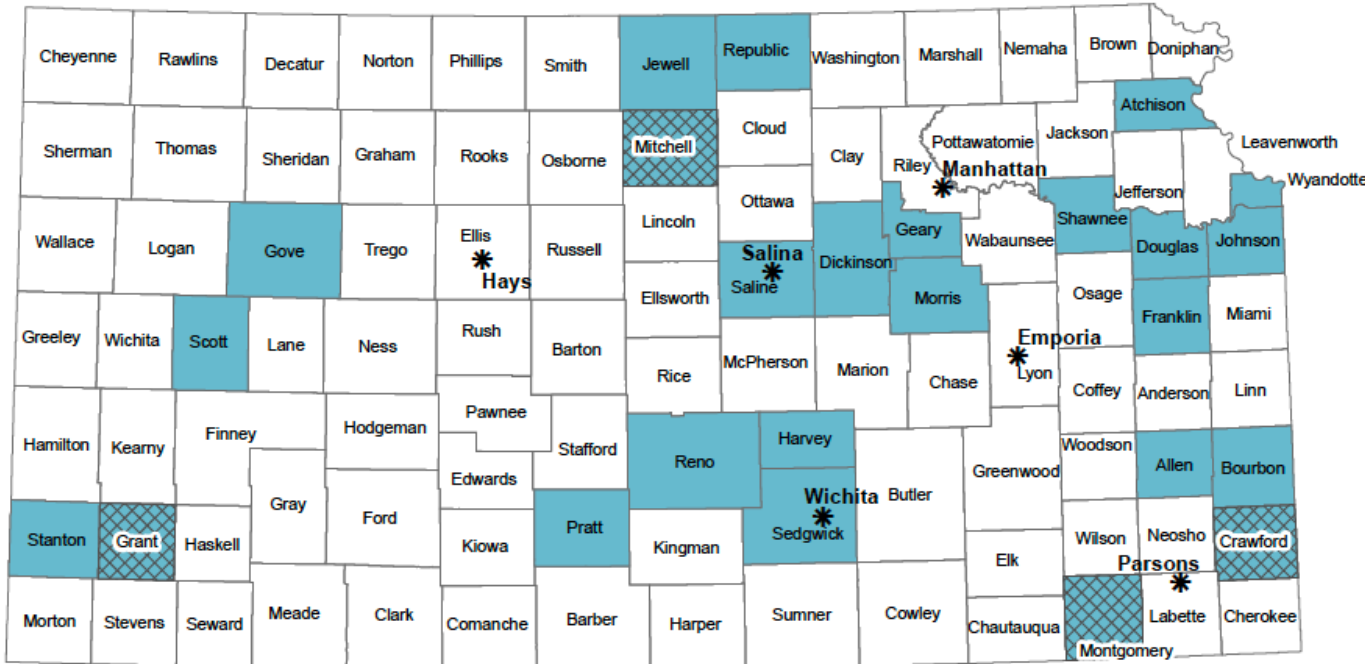


- Darker colors indicate that these counties have higher case rates:
 - Ford, Seward, and Finney Counties have case rates that are > 72 per 1,000.
 - Douglas, Sedgwick & Johnson Counties 20-22 per 1,000.
 - Leavenworth & Wyandotte Counties have case rates 30-48 per 1,000.

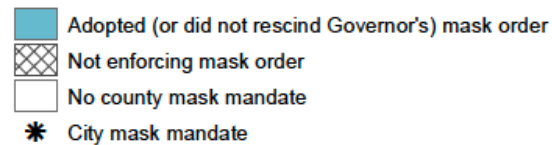
Source: New York Times & US Census Bureau

Do Masks Work?

Mask Mandates in Kansas, by County
as of August 20, 2020



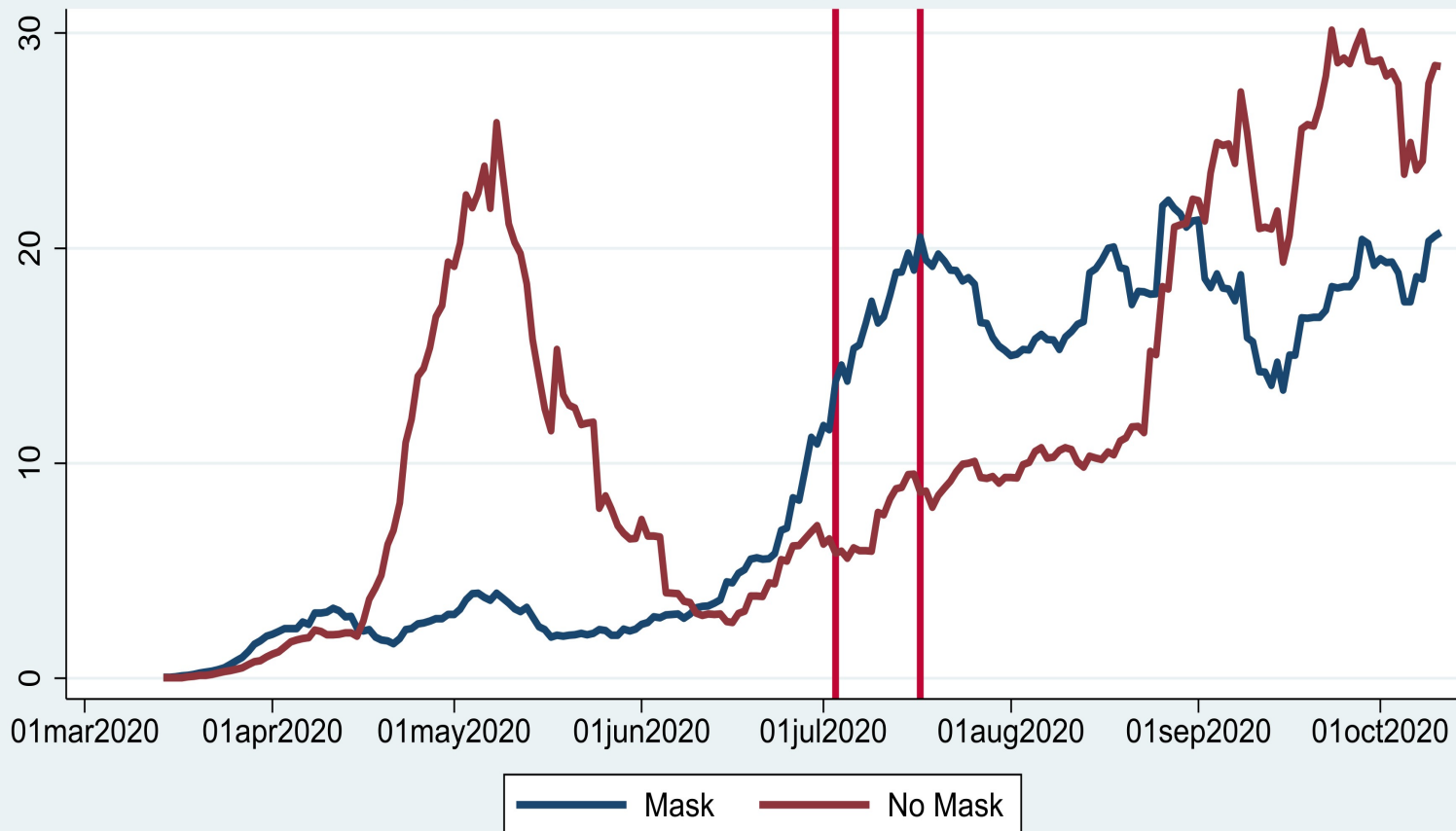
Source: Institute for Policy & Social Research, The University of Kansas; data from the Kansas Chamber and Kansas Health Institute.



- On July 3rd, 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.


Difference-in-Difference Model Estimates

Kansas 7-Day Rolling Average Daily Cases per 100K Population



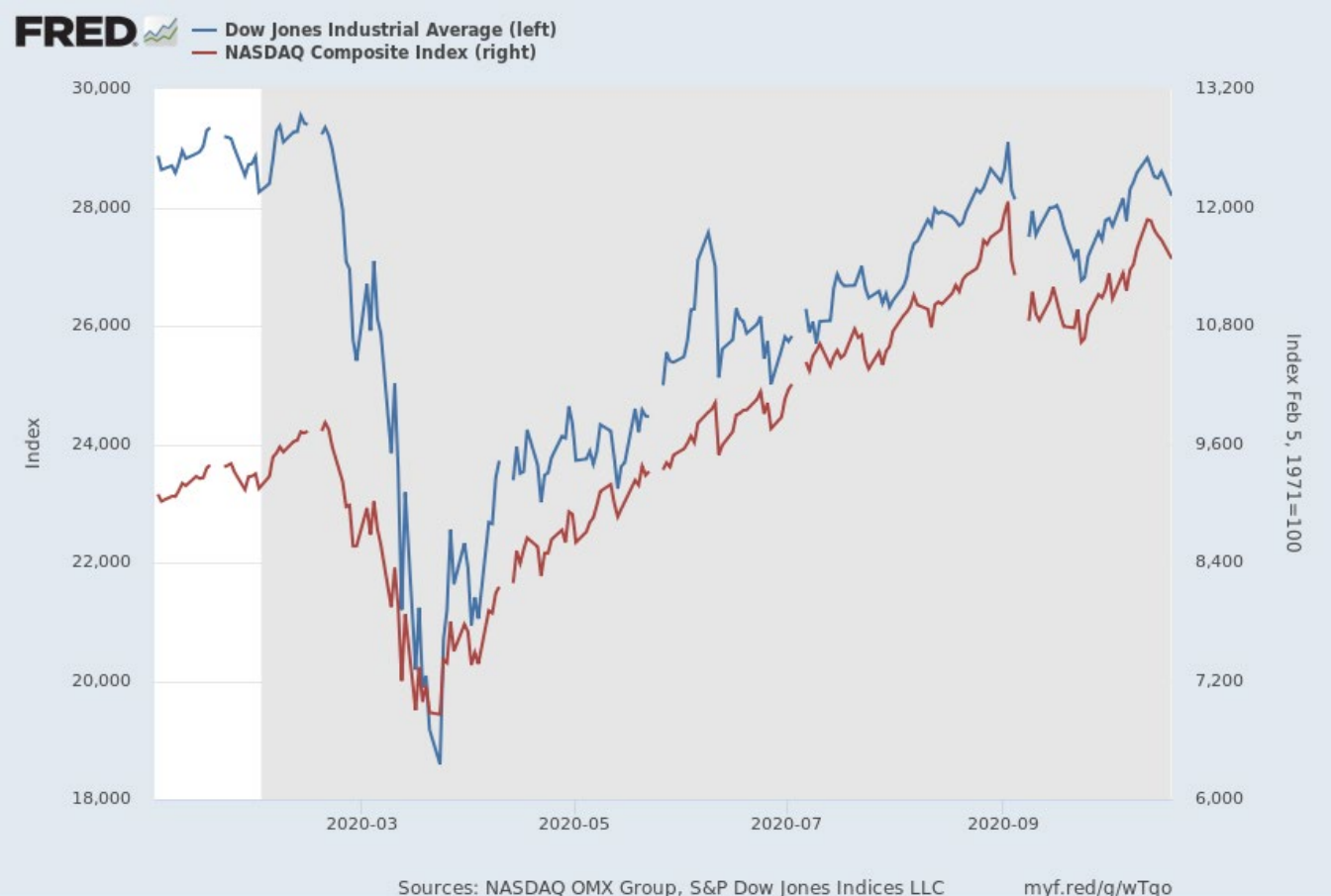
- -7.3 ($p < .001$) per 100,000 per day, starting 21 days after the mask mandate
- -7.1 ($p < .001$) per 100,000 per day, starting 21 days after the mask mandate controlling for mobility
- Cases are lower in mask-mandate counties.

Source: IPSR Zambrana & Ginther



COVID-19 and the US and Kansas Economies

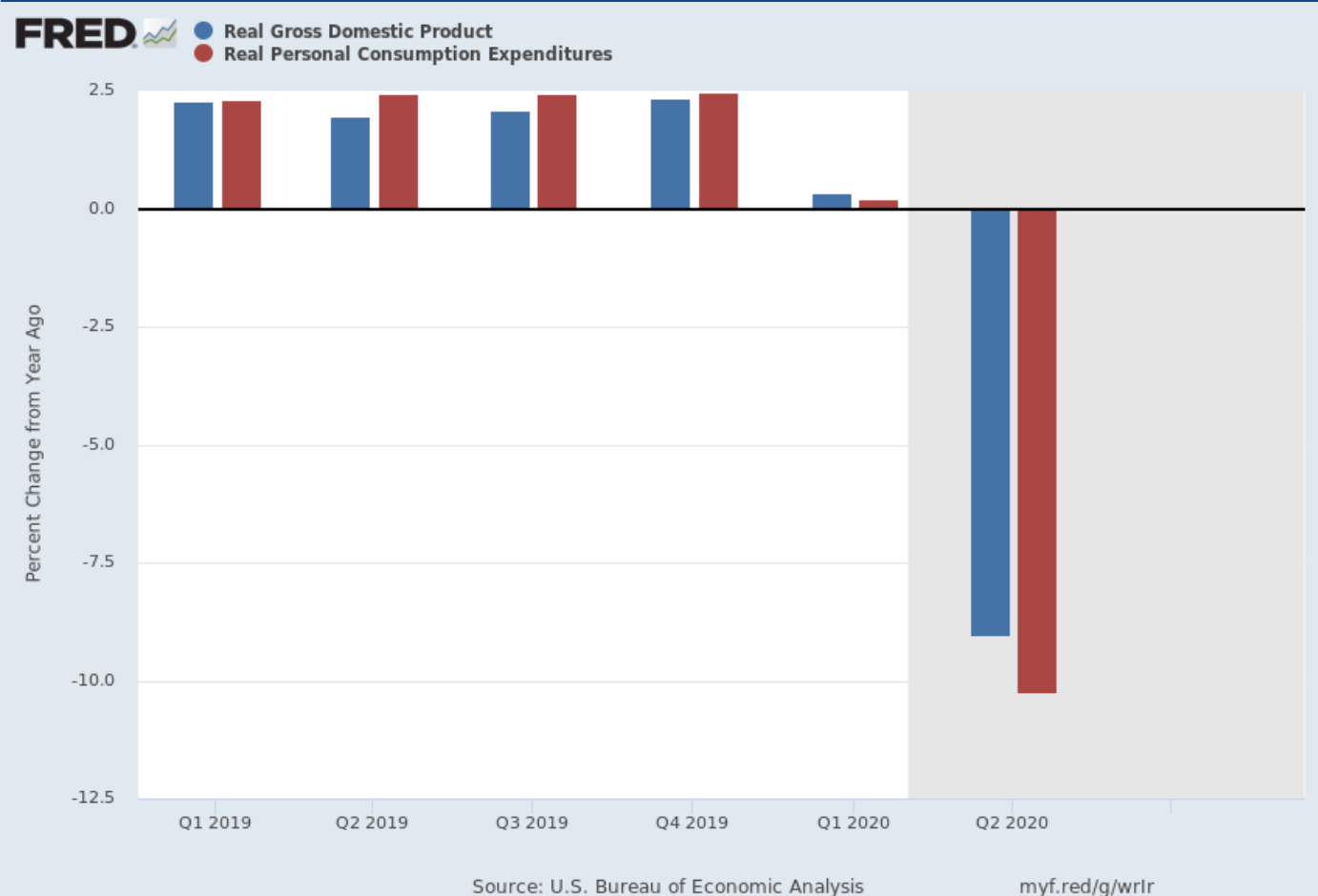
The Stock Market: January 1 – October 19



- The Dow Jones Industrial Average peaked at 29,348 on February 12.
 - It bottomed out on March 23, and has recovered to 28,179 on October 19.
 - Down about 4% since the peak.
- Nasdaq is up 27% for the year.
- Market continues to be volatile.

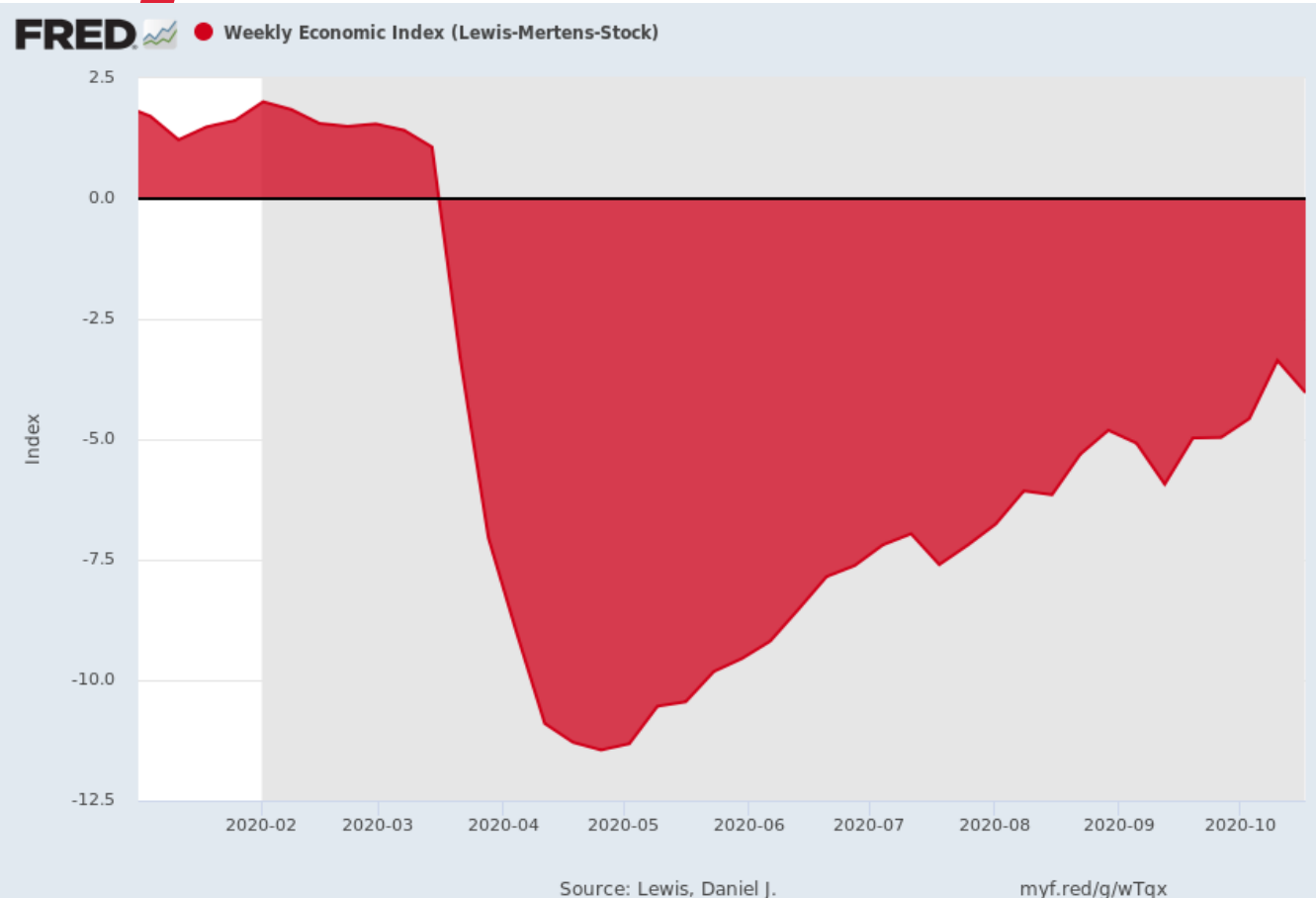
Source: FRED <https://fred.stlouisfed.org/series/DJIA>

Gross Domestic Product Fell at Historic Rate



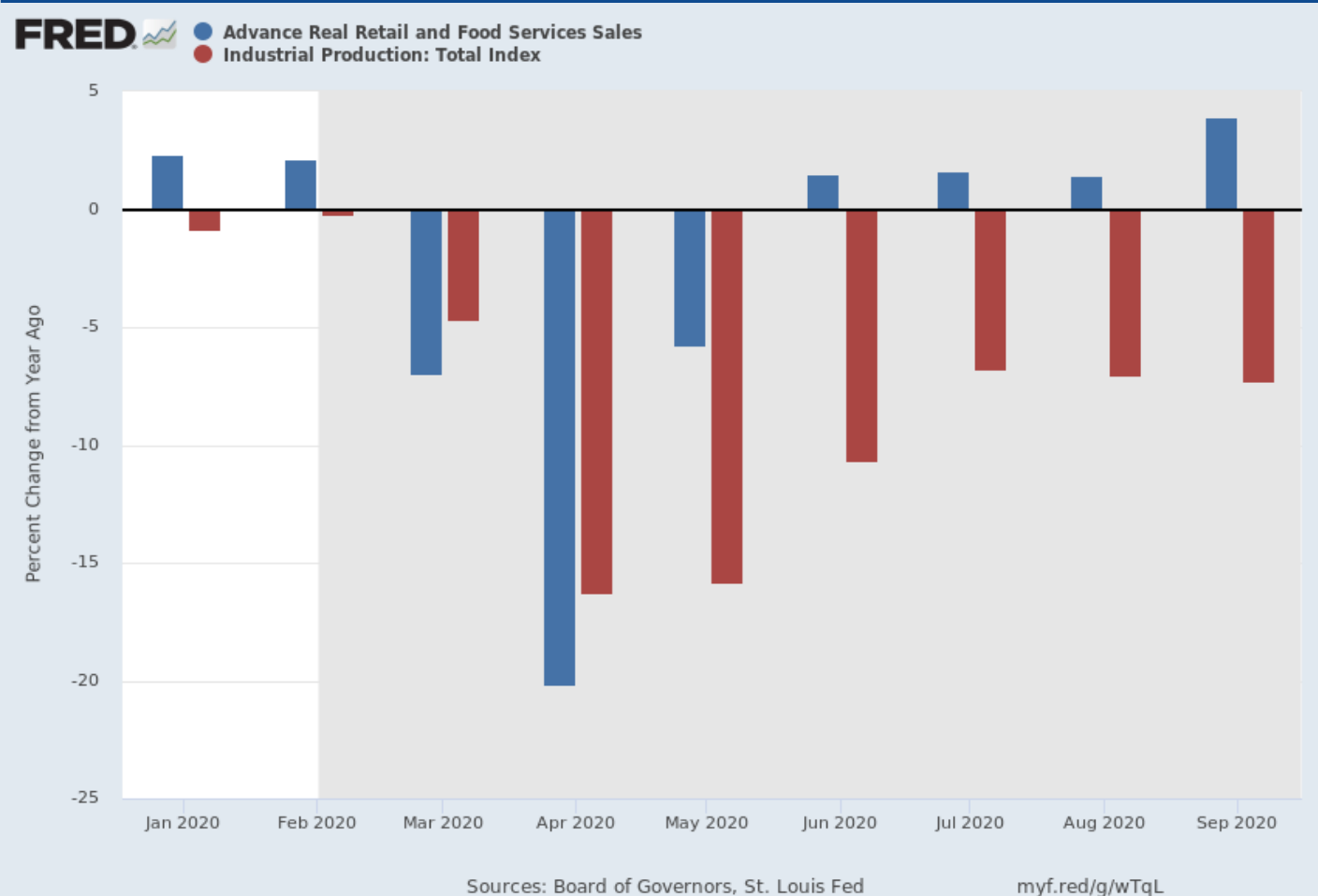
- Gross Domestic Product fell by 9% compared to the previous quarter.
- At an annualized rate, this is -32%.
- Consumption (2/3 of GDP) fell by 10%.
- This makes the Great Recession look like a mere blip.

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 -4.03% .
 - This indicates that GDP for this quarter is forecast to be 4.03% lower for Q3.

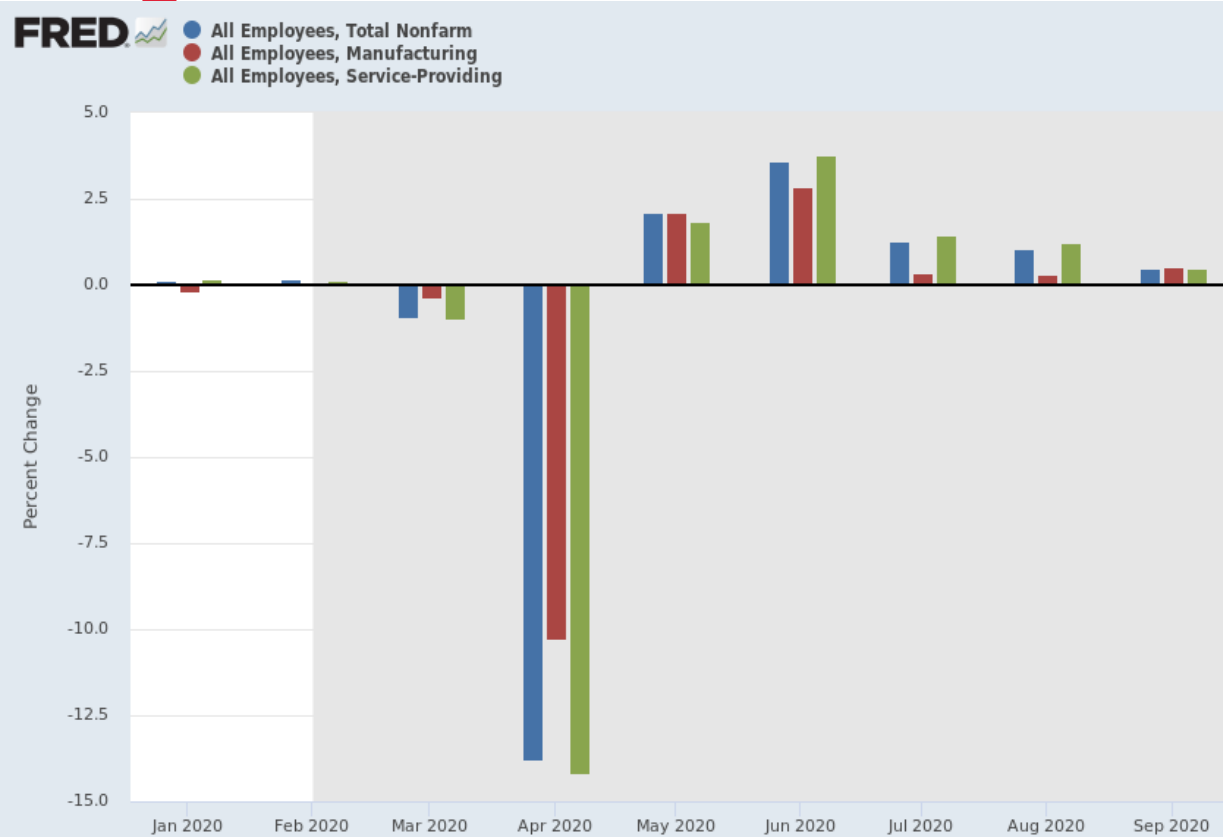
Industrial Production & Retail Sales – September



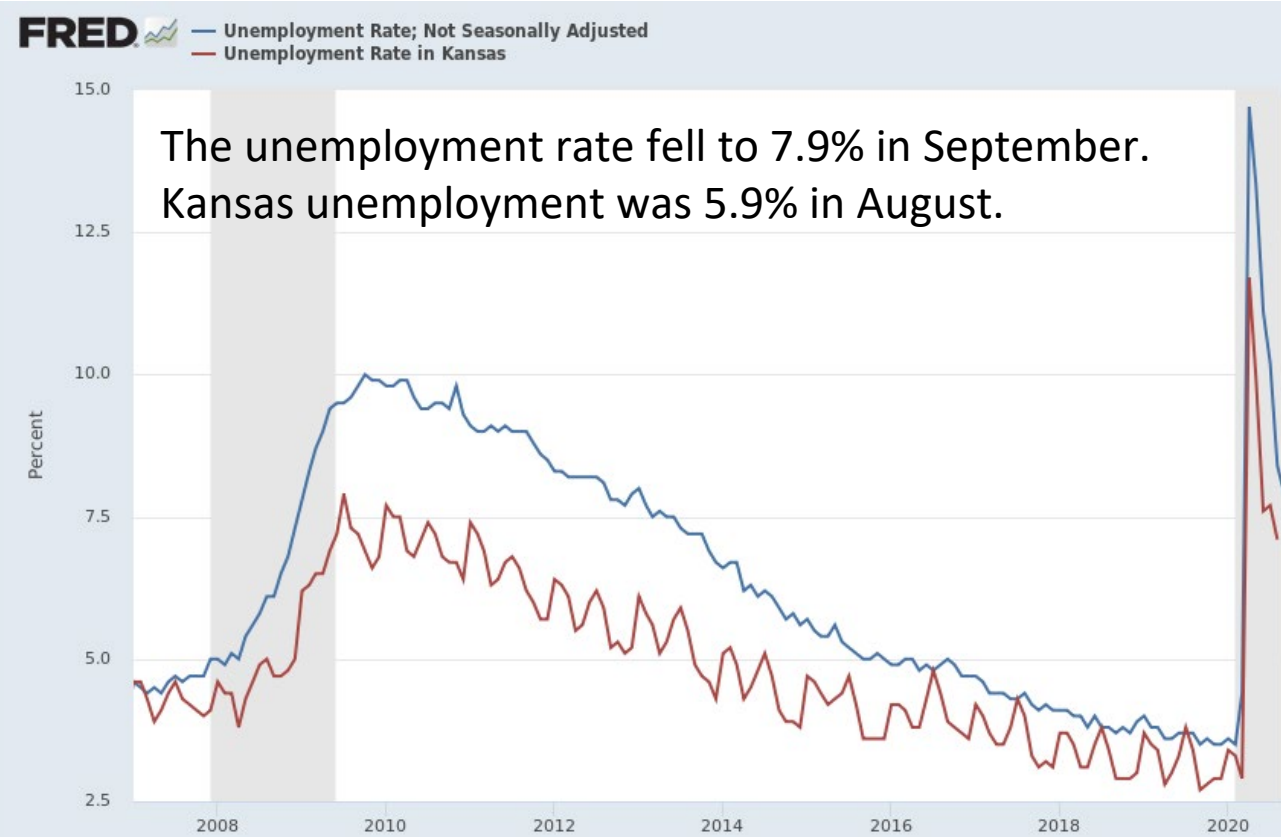
- Compared to a year ago, retail sales are up 3.9%.
- Compared to a year ago, industrial production is down 7.3%.
- Although sales have recovered, production has not.

Source: <https://fred.stlouisfed.org>

Employment & Unemployment September, 2020



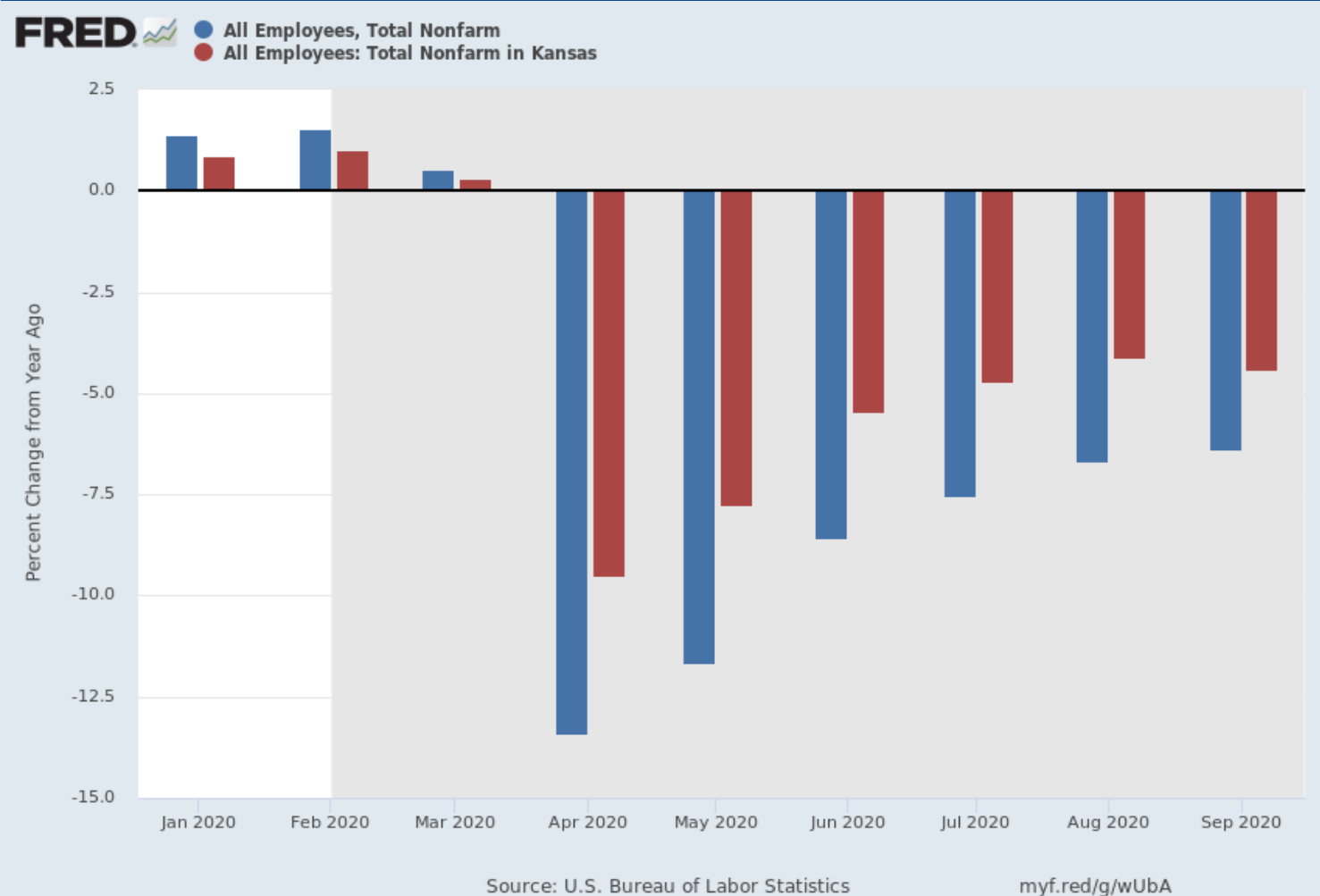
Source: U.S. Bureau of Labor Statistics myf.red/g/wrKI



Source: U.S. Bureau of Labor Statistics myf.red/g/wssu

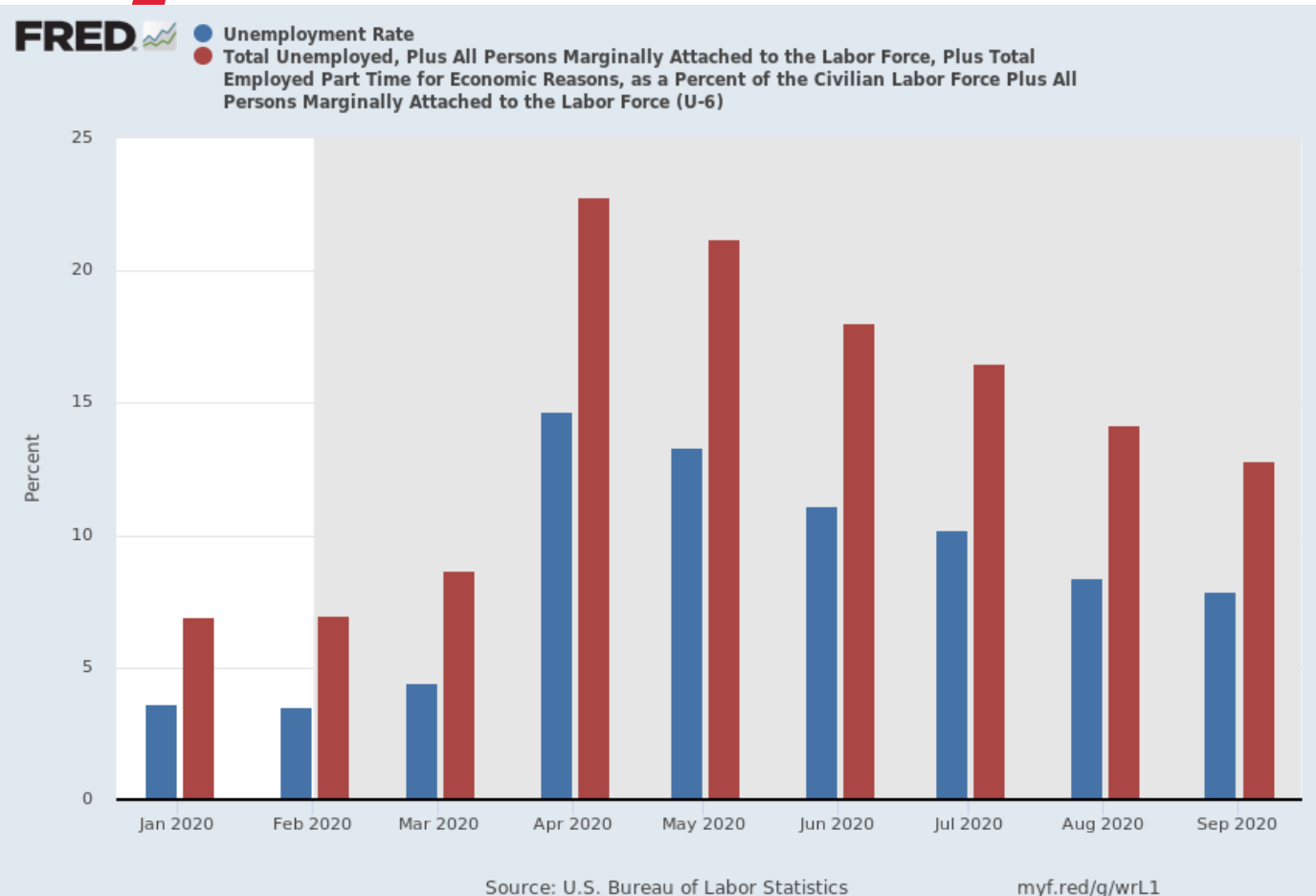
Employment rose by 0.5% in September.
 Service Employment rose by 0.5%

Employment in Kansas and the US



- Kansas employment was down 4.4% from a year ago in September.
- US employment down 6.4% compared to a year ago in September.
- Employment recovery has stalled.

U-3 and U-6 Show Continued Slack in Labor Market



- U-6 rate is a broader measure of unemployment.
 - 12.8% in September and 14.2% in August.
- U-6 indicates that a large share of the workforce is experiencing hardship.

Sources: <https://www.bls.gov/news.release/pdf/empsit.pdf>
https://www.bls.gov/news.release/archives/empsit_05072010.pdf

A Tale of Two Downturns: This Time Is Different

Unemployment by Characteristic	Sept, 2010	Sept, 2020
Total	9.6%	7.9%
Men, Age 20+	9.8%	7.4%
Women, Age 20+	8.0%	7.7%
Age 25+		
Less than High School	15.4%	10.6%
High School	10.0%	9.0%
Some College	9.1%	8.1%
Bachelor's Degree +	4.4%	4.8%
Temporary Layoff	9.1%	36.7%
U-6	16.9%	16.5%

- 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 September (36.7%).

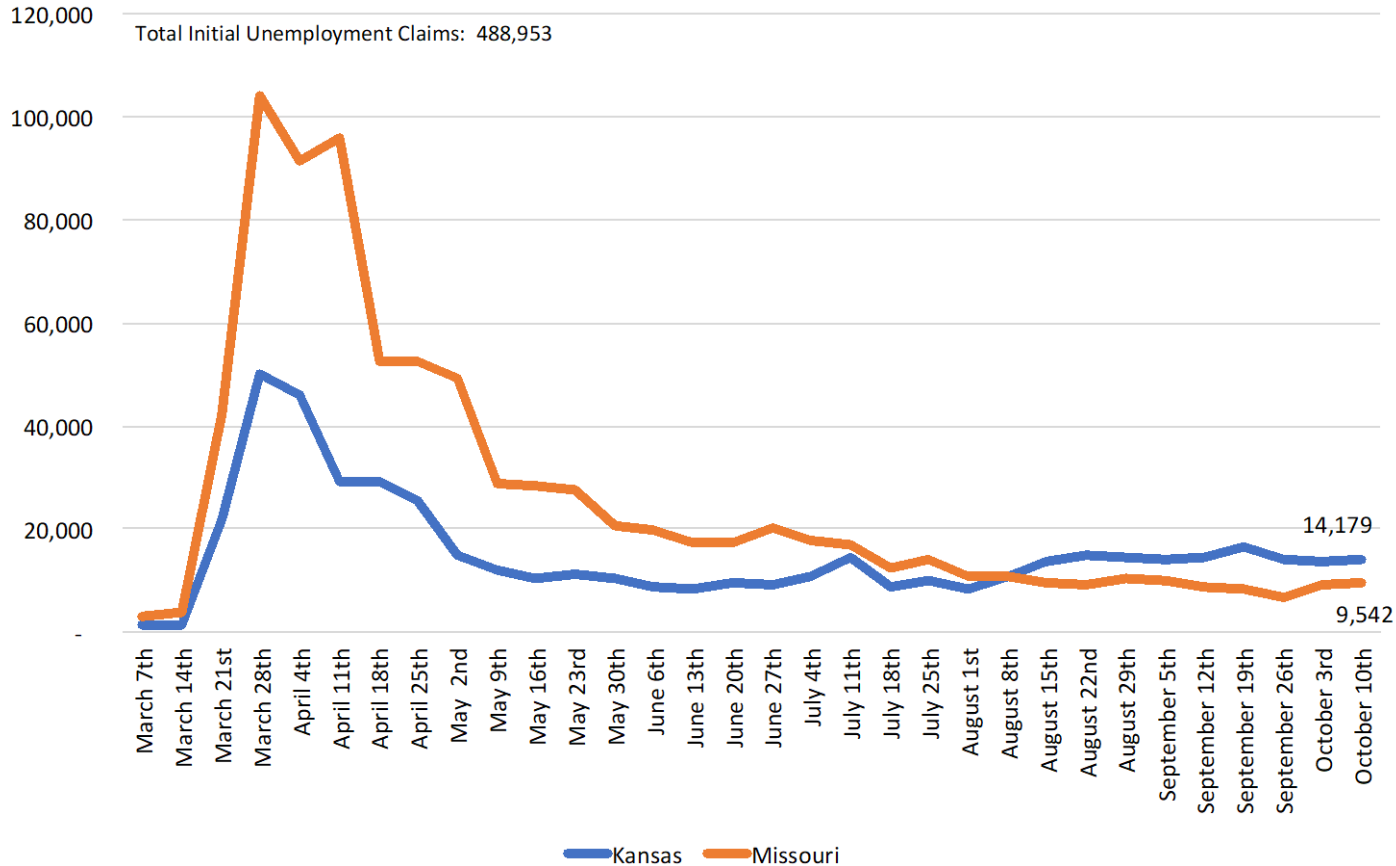
Sources: <https://www.bls.gov/news.release/pdf/empsit.pdf>
https://www.bls.gov/news.release/archives/empsit_05072010.pdf

The Underwhelming September Jobs Report

- At Sept's pace, it will take us 17 mon to get back to Feb emp, & 26 mon to get back to pre-COVID trend. @ernietedeschi (Evercore ISI Research)
- Right now we are on track to end 2020 with 400,000 fewer people due to COVID deaths and 9.5 million fewer jobs. @BetseyStevenson (University of Michigan)

Unemployment Claims in Kansas and Missouri

Initial Unemployment Claims in Kansas and Missouri, March - September 2020

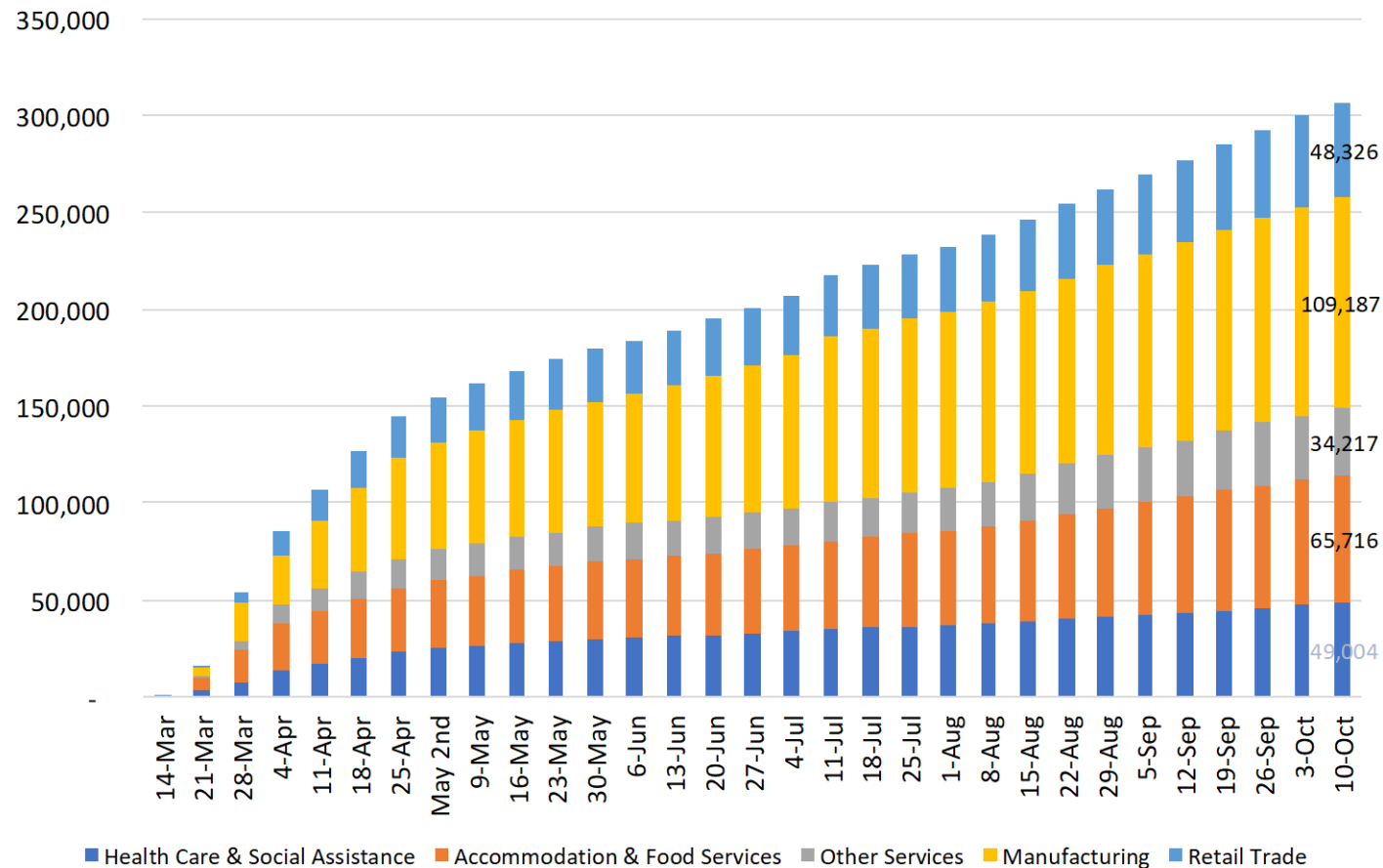


- 14,179 people filed an initial claim in Kansas in the week of October 10.
- Since March 14 a total of 488,953 workers have filed initial unemployment claims in Kansas.
- Initial claims remain stubbornly high.
 - Data from March 14 – October 10.

Source: Calculations using KS and MO Department of Labor Data

Cumulative Initial Unemployment Claims by Industry

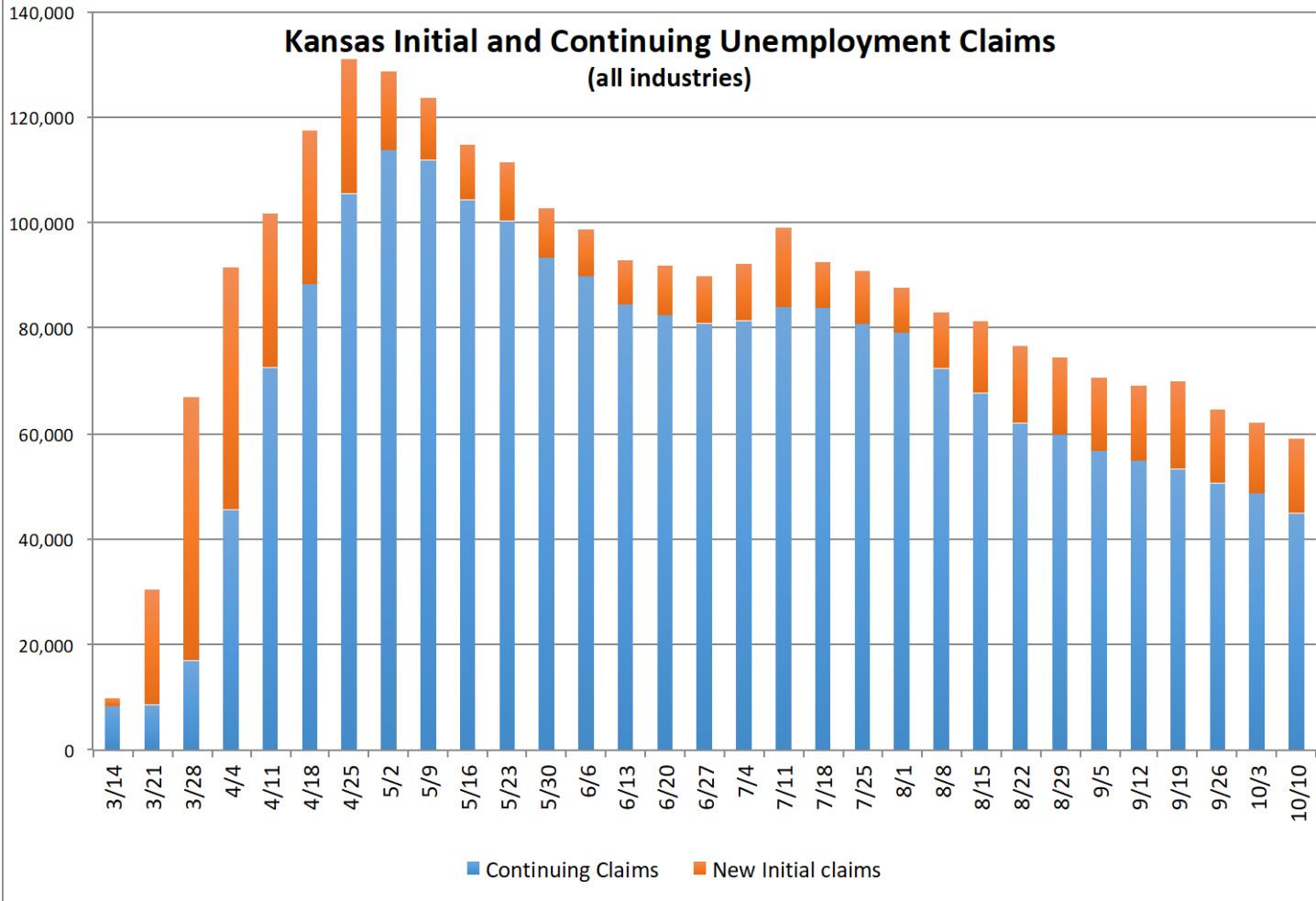
Kansas Industries with Largest Cumulative Job Losses March 14 - October 10th



- Industries hardest hit include:
 - Manufacturing: 109,187
 - Accommodation & Food Services: 65,716
 - Health care & Social assistance: 49,004
 - Retail Trade: 48,326
 - Other Services: 34,217
- These five industries account for 63% of people who have lost their jobs.

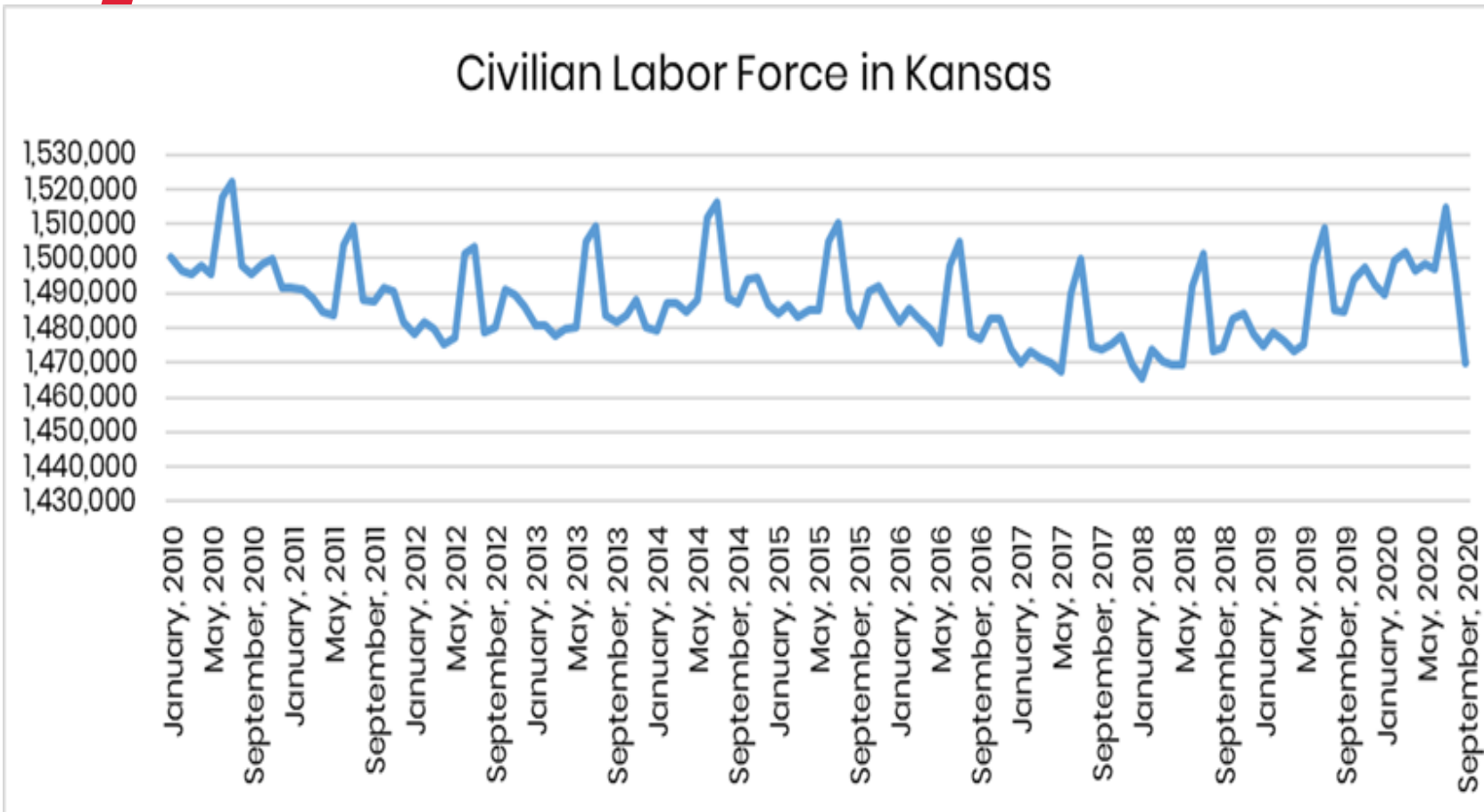
Source: Calculations using KS and MO Department of Labor Data

Unemployment in Kansas Remains High



- Kansas continuing + initial unemployment claims remain high.
- There are 44,864 continuing claims and 141,179 new initial claims as of the week ending October 10.
- State Unemployment ~6%.

Labor Force Participation Has Dropped in Kansas



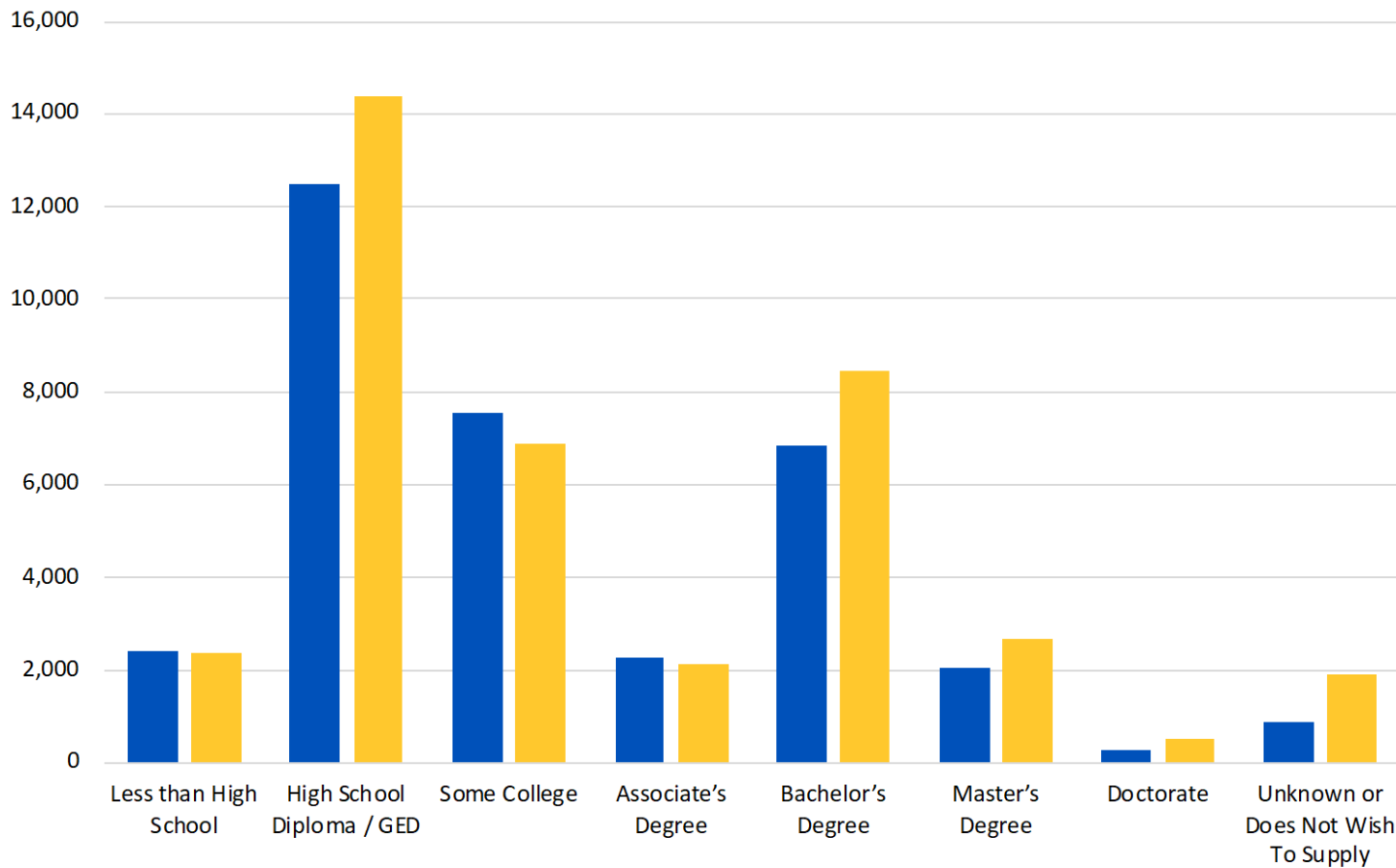
- 1 in 3 Kansans have filed initial unemployment claims this year.
- The Civilian Labor Force has in Kansas has dropped by 2.1% since March.

Source: Calculations using KS and MO Department of Labor Data

Female v. Male Claims by Education as of October 10

Initial and Continued Unemployment Claimants by Education Level and Gender as of October 10, 2020

■ Female ■ Male

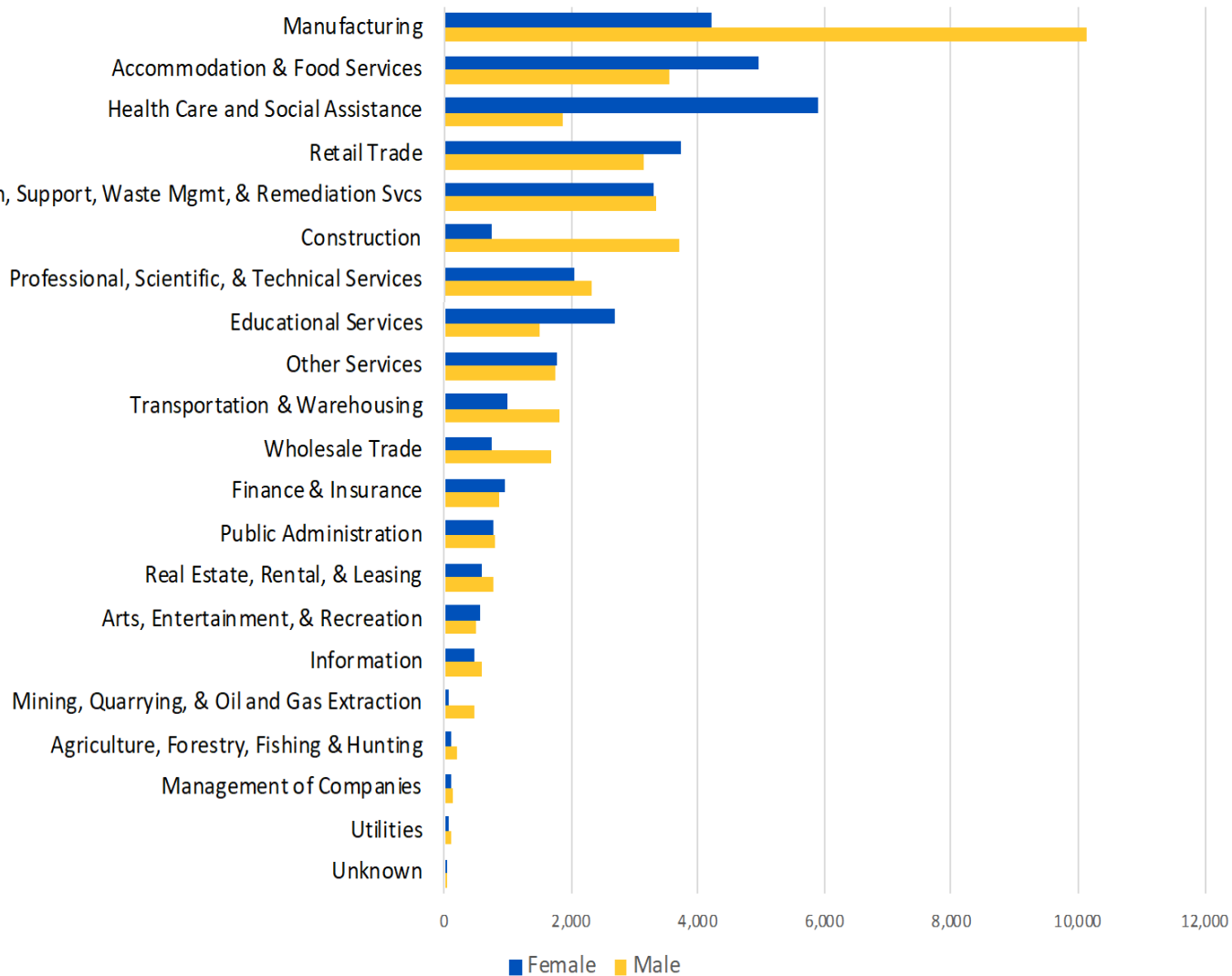


Source: Author's calculations.

- Females with less than high school, some college and associate degrees are more likely to be unemployed than males.
- Females with a high school degree or a bachelor's or more are less likely to be unemployed.

Gender Differences in Unemployment Claims by Industry

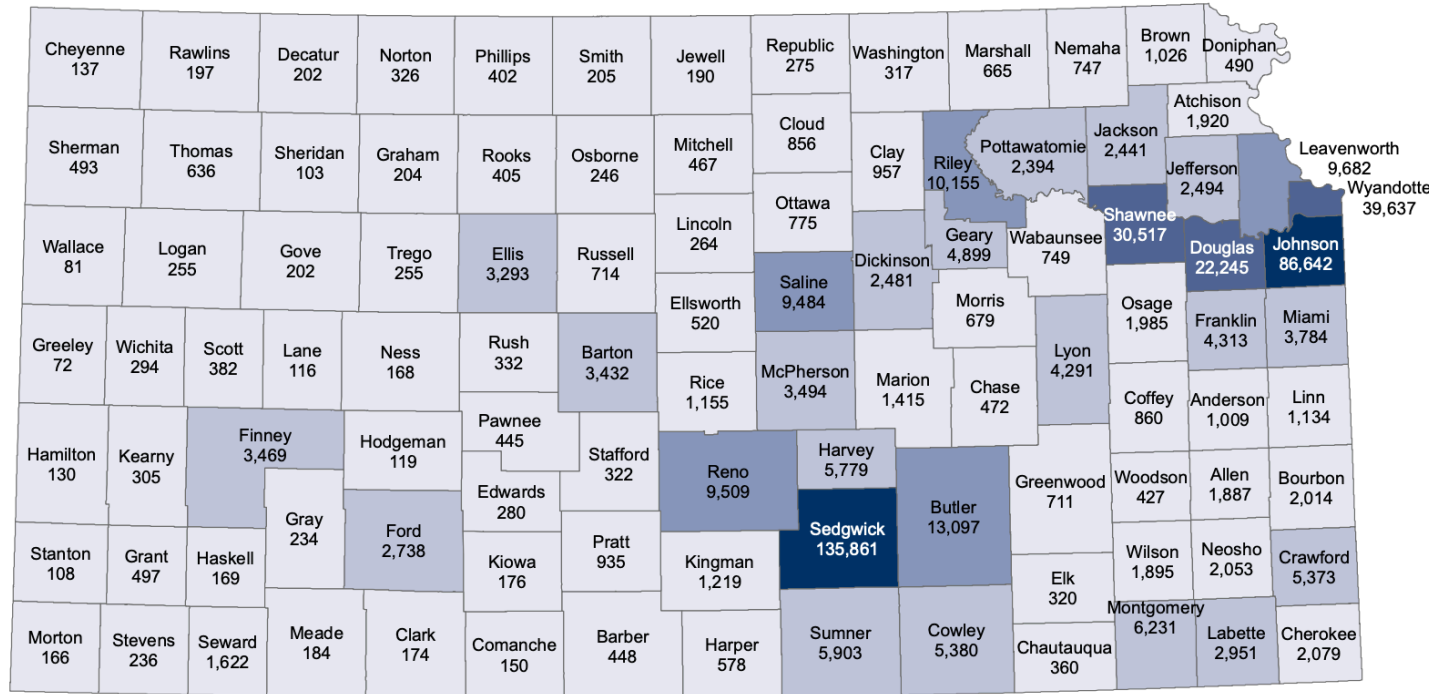
Initial and Continued Unemployment Claimants by Industry



- **Male Unemployment:**
 - Manufacturing
 - Accommodation & Food
 - Construction
- **Female Unemployment:**
 - Accommodation & Food
 - Health Care
 - Retail Trade
 - Administrative Support

Cumulative Unemployment Claims by County

Initial Jobless Claims in Kansas, by County
March 21 - October 10, 2020

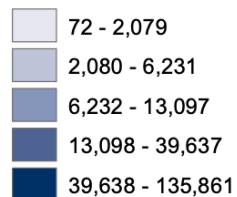


• Top 5 Counties by Cumulative Initial Claims:

- Sedgwick 135,861
- Johnson 86,642
- Wyandotte 39,637
- Shawnee 30,517
- Douglas 22,245
- Data calculated March 21 – October 10.

Source: Institute for Policy & Social Research, The University of Kansas; data from Kansas Department of Labor, Labor Market Information Services.

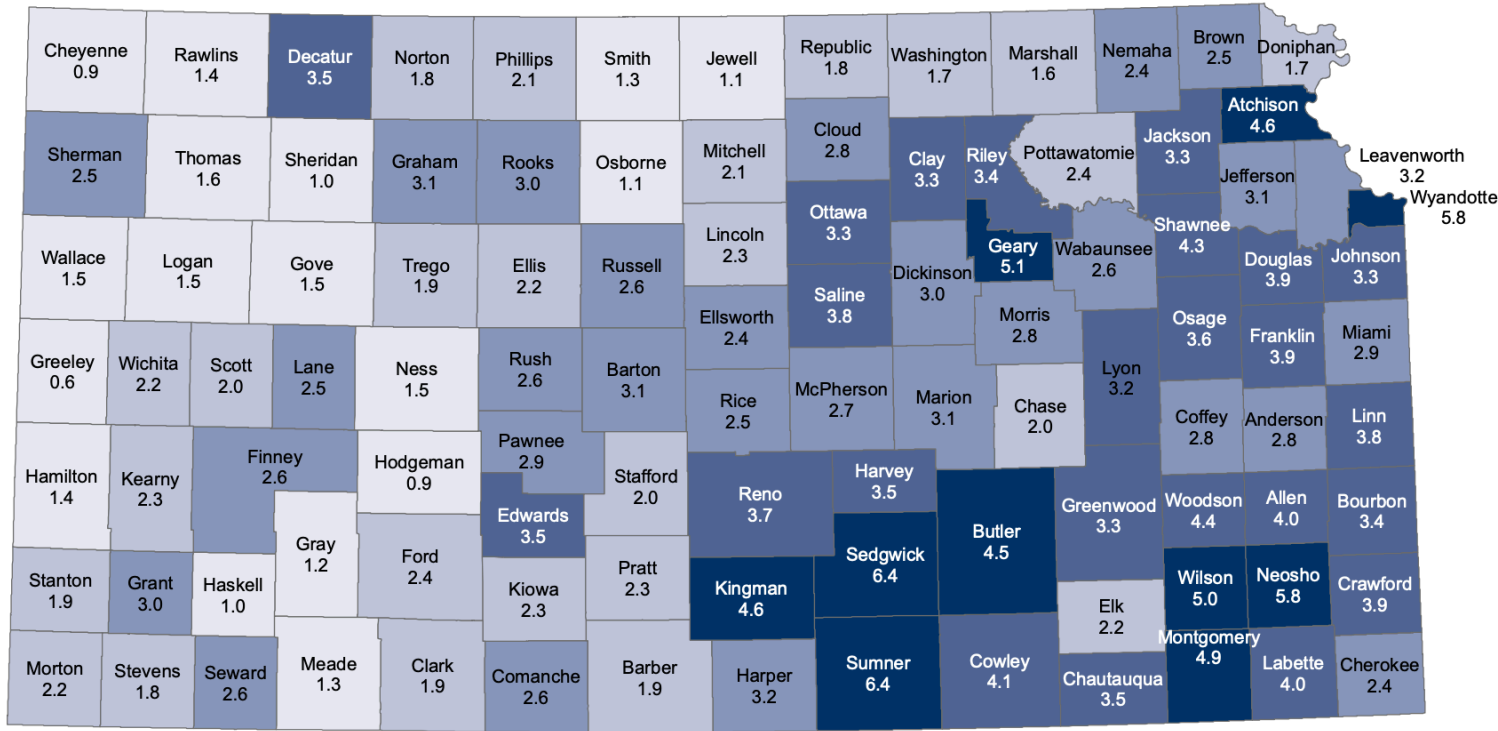
Initial Claims, March 21 - Oct 10



Source: IPSR calculations using Kansas Department of Labor Data

September Kansas Unemployment Rate 5.9%

Projected Unemployment Rate in Kansas, by County
October 10, 2020

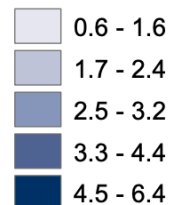


- Uneven impact across the state:
 - Sedgwick County 6.4%
 - Douglas 3.9%
 - Johnson 3.3%
 - Wyandotte 5.8%
 - Shawnee 4.3%
- Eastern half of the state is suffering

Source: Institute for Policy & Social Research, The University of Kansas; data from Kansas Department of Labor, Labor Market Information Services.

Projected unemployment rate derived using initial and continued jobless claims as of October 10th and preliminary, not seasonally adjusted, civilian labor force for September 2020.

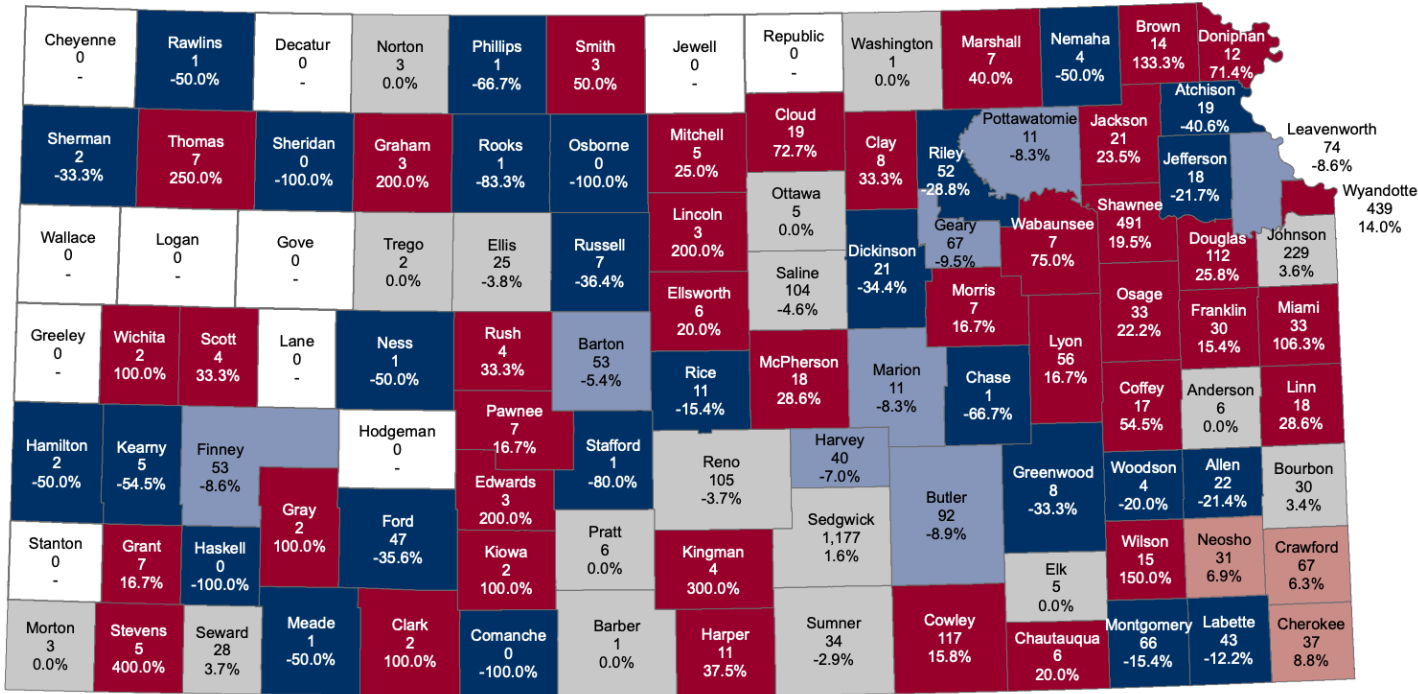
Projected Unemployment Rate



Source: IPSR calculations using Kansas Department of Labor Data

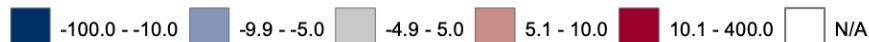
Demand for Social Assistance Has Increased

Percent Change in Households Receiving Temporary Assistance for Needy Families (TANF) in Kansas, by County
August 2019 - August 2020



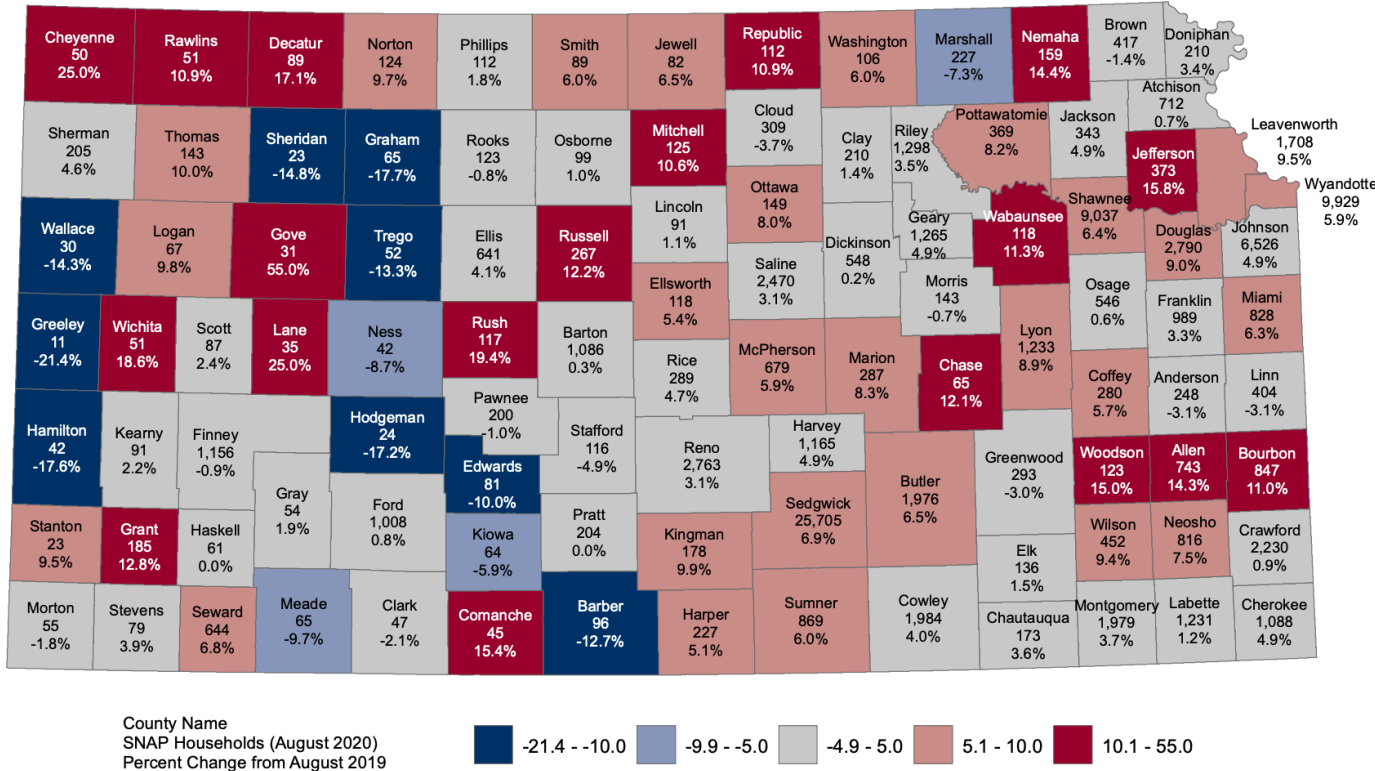
- Percent change in households receiving TANF by county, August 2019 – August 2020.
- Dark red counties indicate an increase of 10% or more.
 - Caseloads have increased by 19.5% in Shawnee County & 3.6% in Johnson County.

County Name
TANF Households (August 2020)
Percent Change from August 2019



Demand for SNAP Benefits Have Also Increased

Percent Change in Households Receiving Supplemental Nutrition Assistance Program (SNAP) in Kansas, by County
August 2019 - August 2020



- Percent change in households receiving SNAP benefits by county, August 2019 – August 2020.
- Dark red counties indicate an increase of 10% or more.
- Expect these numbers to increase.



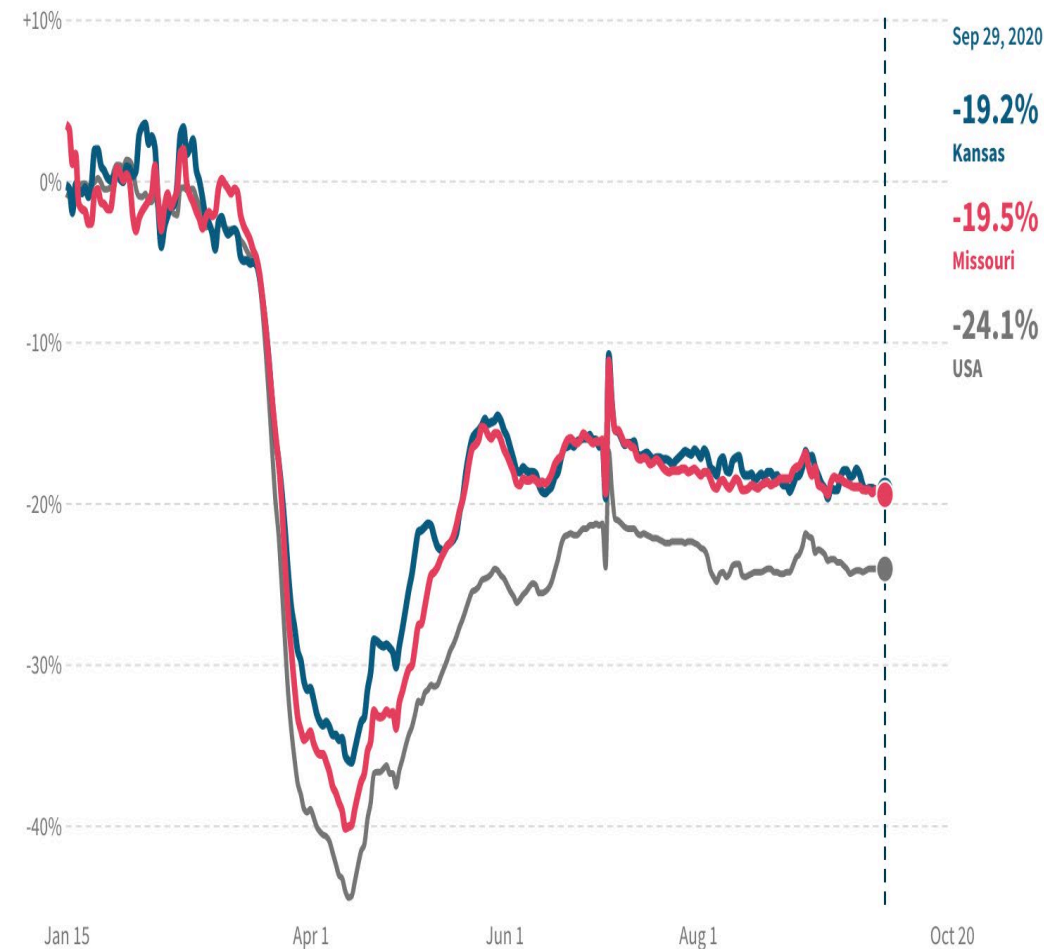
How Does Kansas Compare?

Kansas is doing better than other states.

Kansas Small Businesses Are More Likely To Be Open

In **Kansas**, as of September 29 2020, the number of small businesses open decreased by **19.2%** compared to January 2020.

DOWNLOAD CHART 



- The number of small businesses open in Kansas has fallen by 19.2% since January.
 - In the US, the number is -24.1%
 - Kansas is doing slightly better than Missouri -19.5%
 - and Iowa -20%
- At its worst, 25% of Kansas small businesses were closed.

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

Kansas City & Wichita Businesses Have Rebounded a Bit Better Than the State Average

In **Kansas City**, as of September 29, 2020, the number of small businesses open decreased by **15.8%** compared to January 2020.

DOWNLOAD CHART 

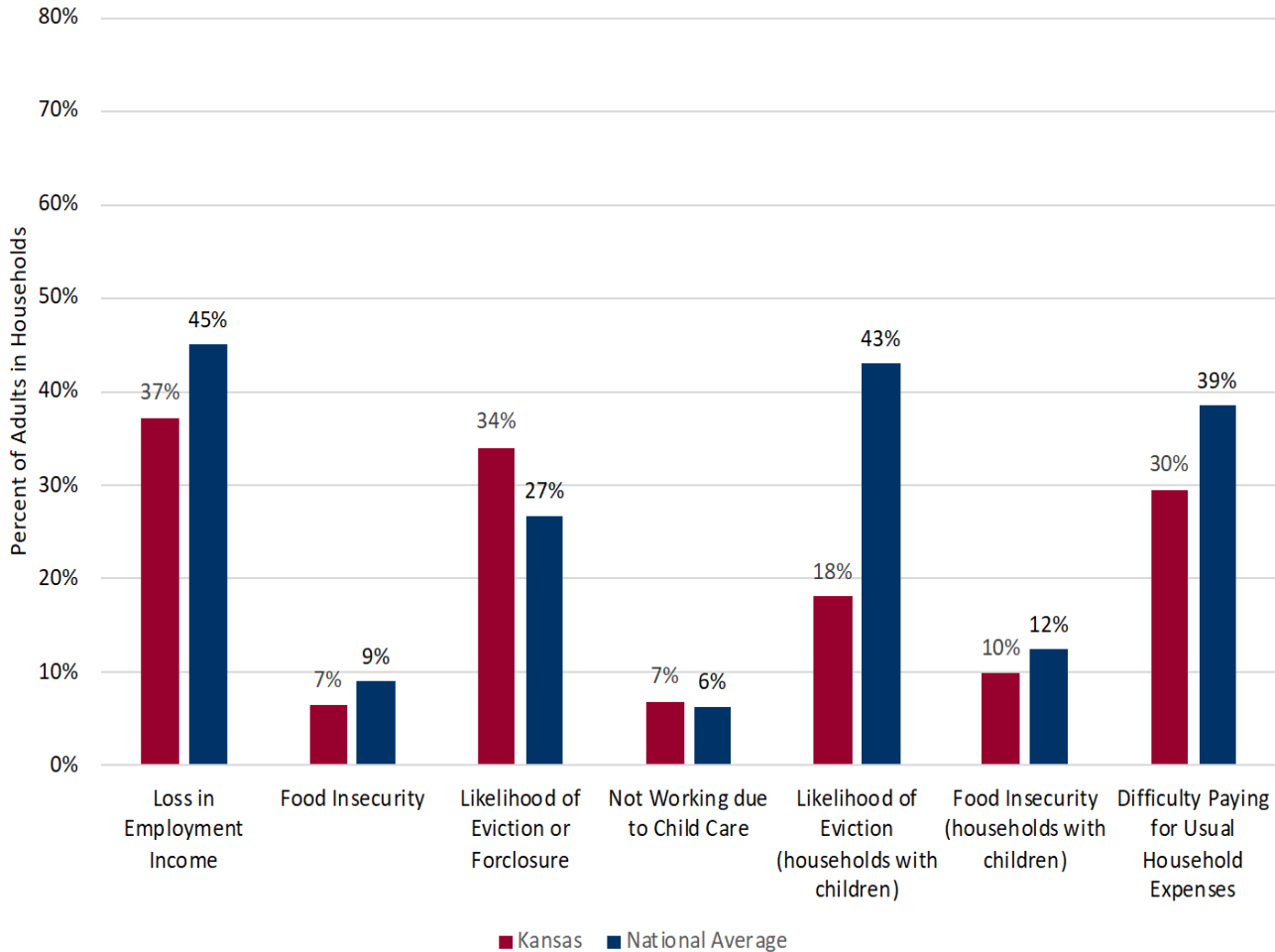


- The number of small businesses open in Kansas has fallen by 19.2% since January.
 - Kansas City has a drop of -15.8% of small businesses that are open.
 - -18.3% in Wichita

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

Kansas and US Household Comparison

US Census Household Pulse Survey



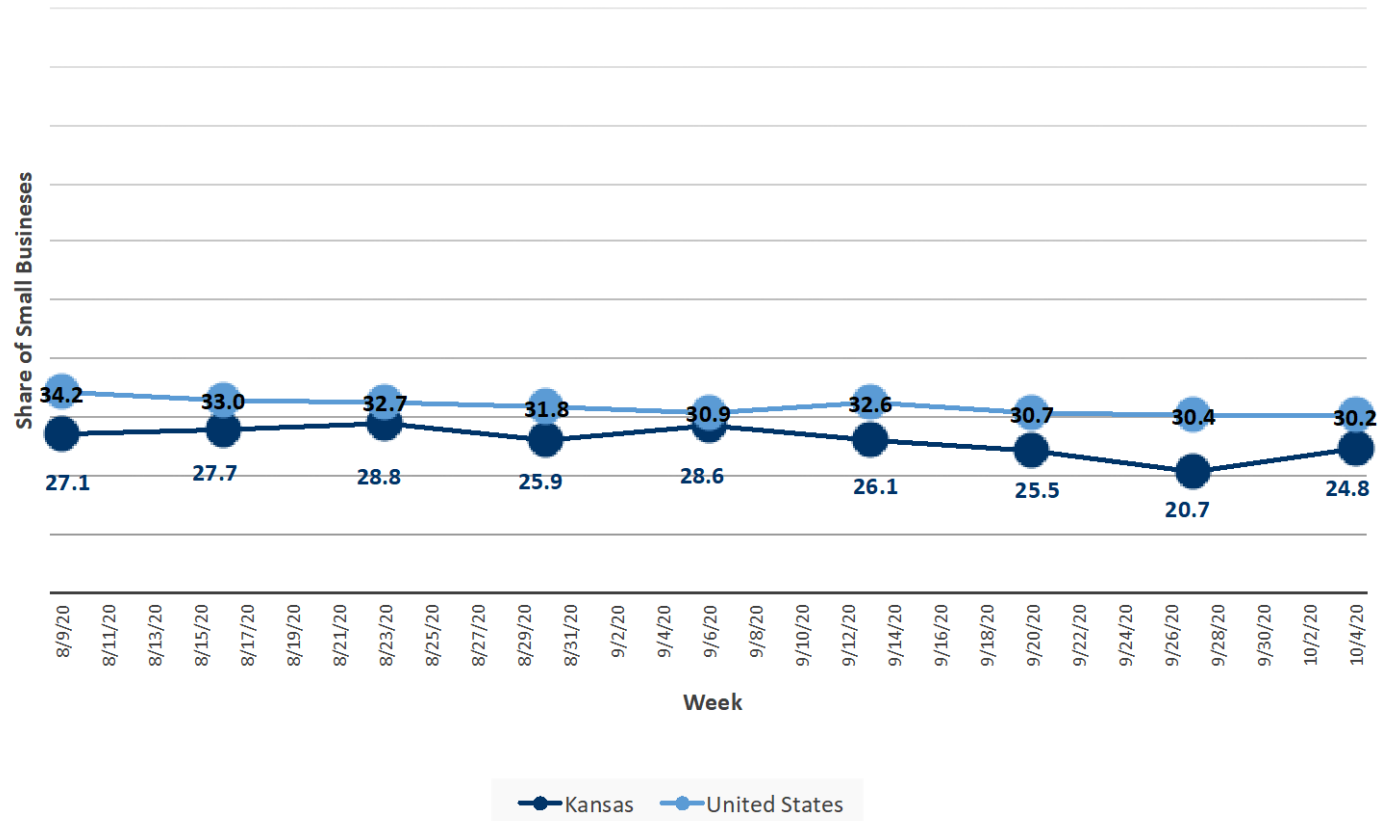
- 37% of households faced loss in Employment income in the week of September 30th – October 12th.
- 34% of households report likely or somewhat likely eviction.
- 10% of households with children are food insecure.

Household Pulse Survey for September 30 – October 12, 2020

Source: <https://www.census.gov/programs-surveys/household-pulse-survey/data.html>

Small Business Pulse Data

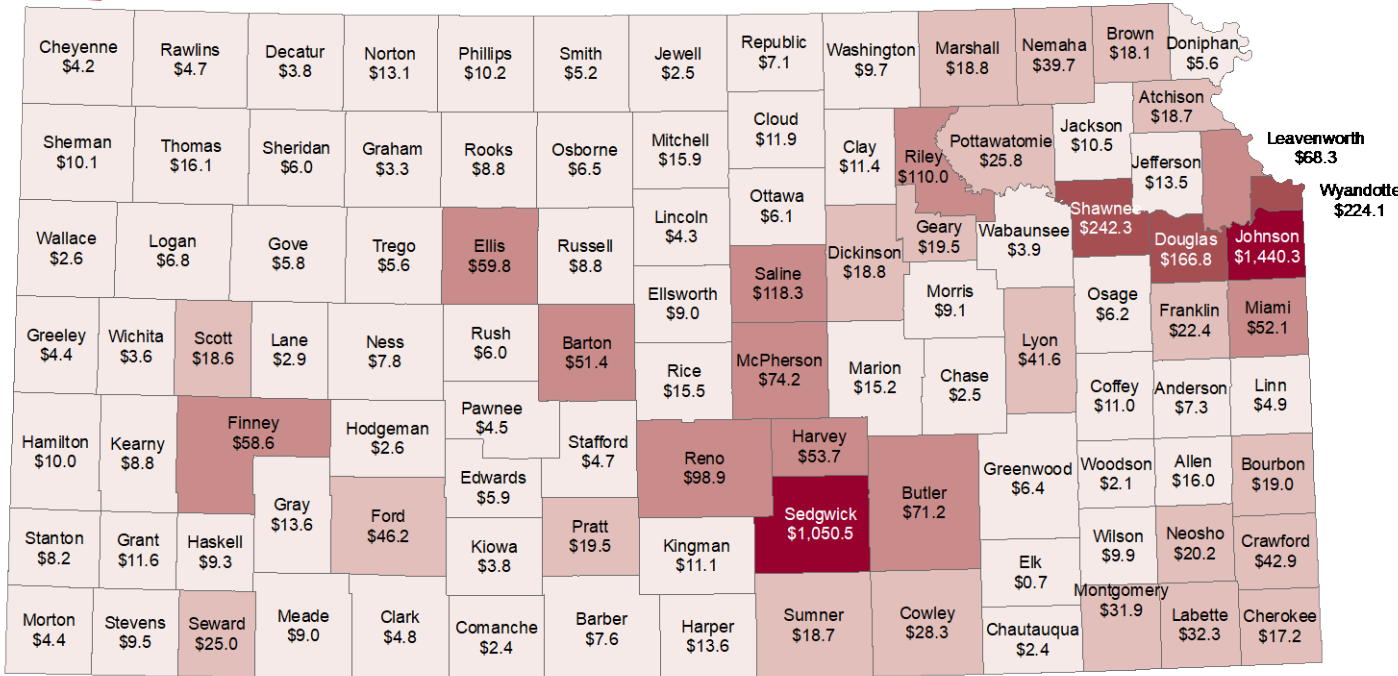
Share of Small Businesses Reporting a Large Negative Impact as a Result of the Covid-19 Pandemic



- Dark Blue: Kansas small businesses
- Light Blue: US small businesses
- 24.8% of Kansas small businesses reported a large negative impact from the pandemic in the most recent week.

Payroll Protection Program Loans by County

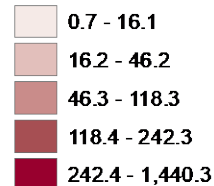
Estimated Amount of PPP Loans in Kansas, by County, as of June 30, 2020



- Johnson: \$1.4 billion
- Sedgwick: \$1 billion
- Shawnee: \$242 million
- Wyandotte: \$224 million
- Douglas: \$167 million

Source: Institute for Policy & Social Research, The University of Kansas; data from U.S. Small Business Administration.

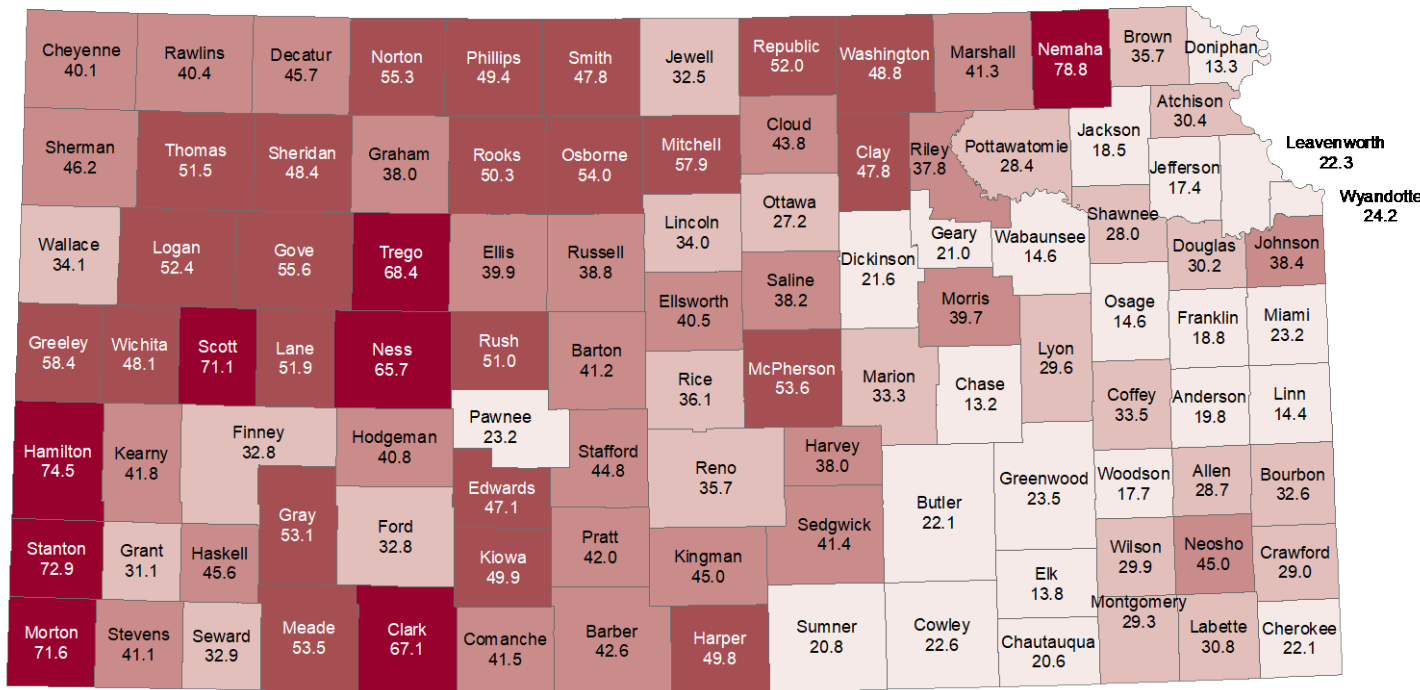
Dollars (in millions)



Kansas Total:
\$4,996.1 million
51,872 loans

Jobs Retained with PPP Loans

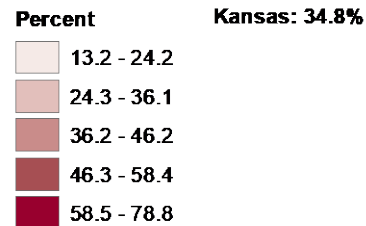
Jobs Retained with PPP Loans as a Percentage of Civilian Labor Force in Kansas, by County, as of June 30, 2020



- Kansas: 34.8% of workforce
- Douglas 30%
- Johnson 38%
- Shawnee 28%
- Morton 71.6%
- Scott 71.1%

Source: Institute for Policy & Social Research, The University of Kansas; data from U.S. Small Business Administration and Bureau of Labor Statistics.

Civilian labor force estimates from June 2020.





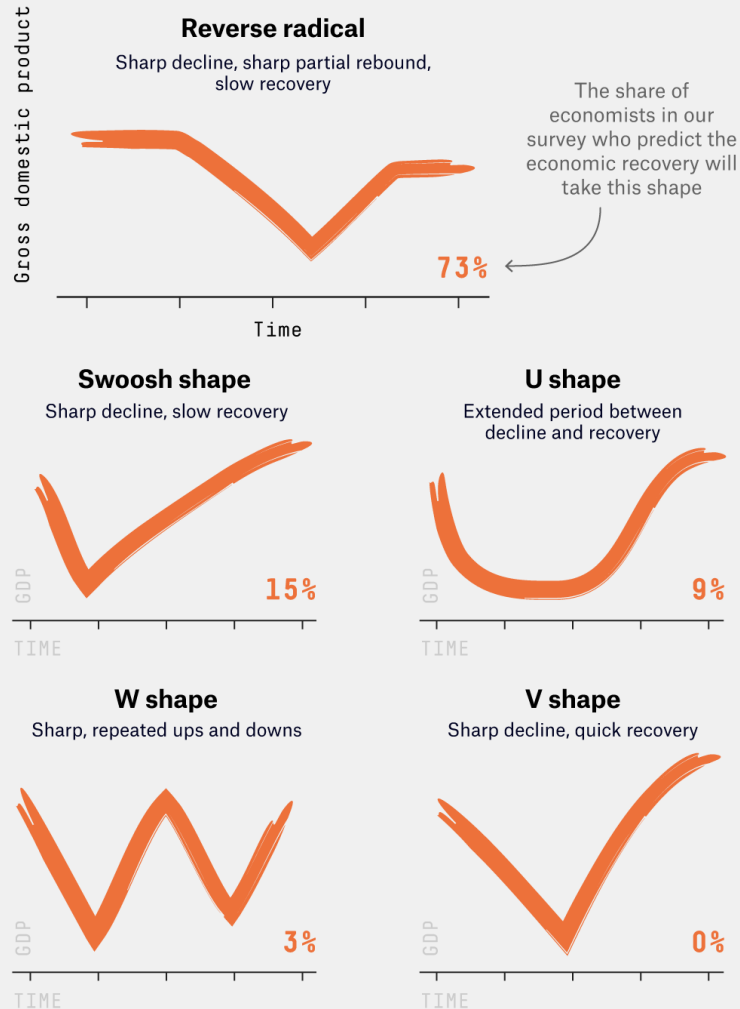
What's the Latest Letter for the Economic Recovery?

K is not OK.

Shape of the Recovery – Reverse Radical?

Economists in our survey expect an uneven recovery

Expert predictions for the shape of the U.S. economic recovery



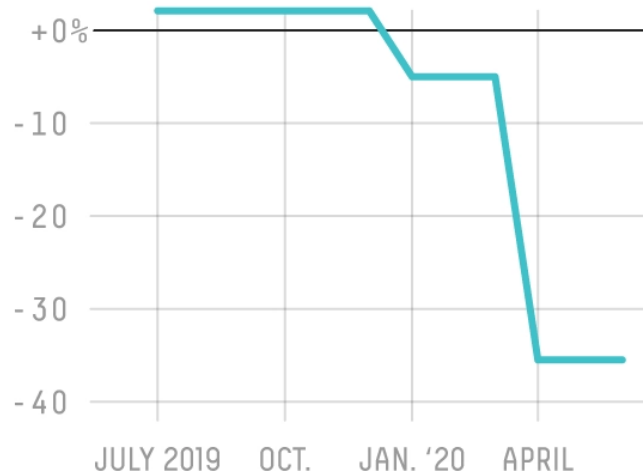
- In June, Fivethirtyeight.com interviewed top macroeconomists about the recovery.
- 73% of economists expect a reverse radical recovery:
 - Sharp-partial recovery with prolonged lower level.
- Now economists are talking about K-shaped recovery

Source: <https://fivethirtyeight.com/features/what-economists-fear-most-during-this-recovery/>

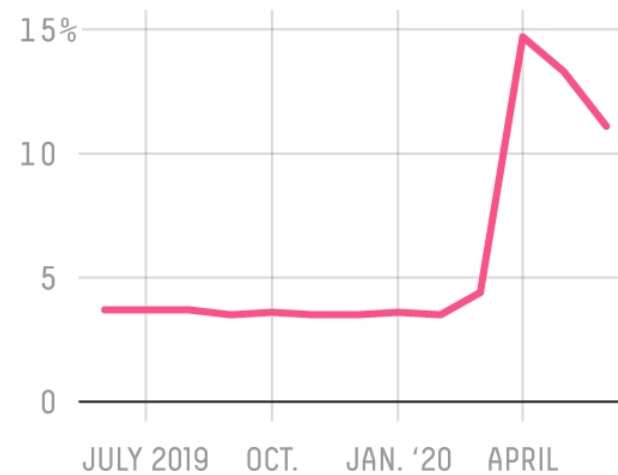
What Indicators Do Economists Watch?

A snapshot of the recovery, three ways

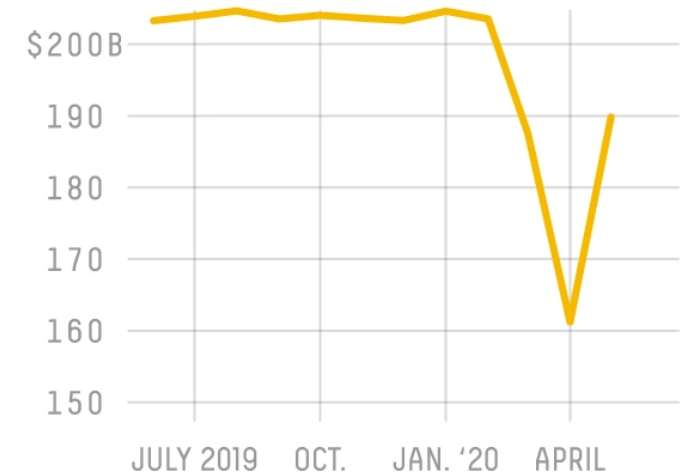
Annualized real GDP growth by quarter



Monthly unemployment rate



Advance real retail and food services sales



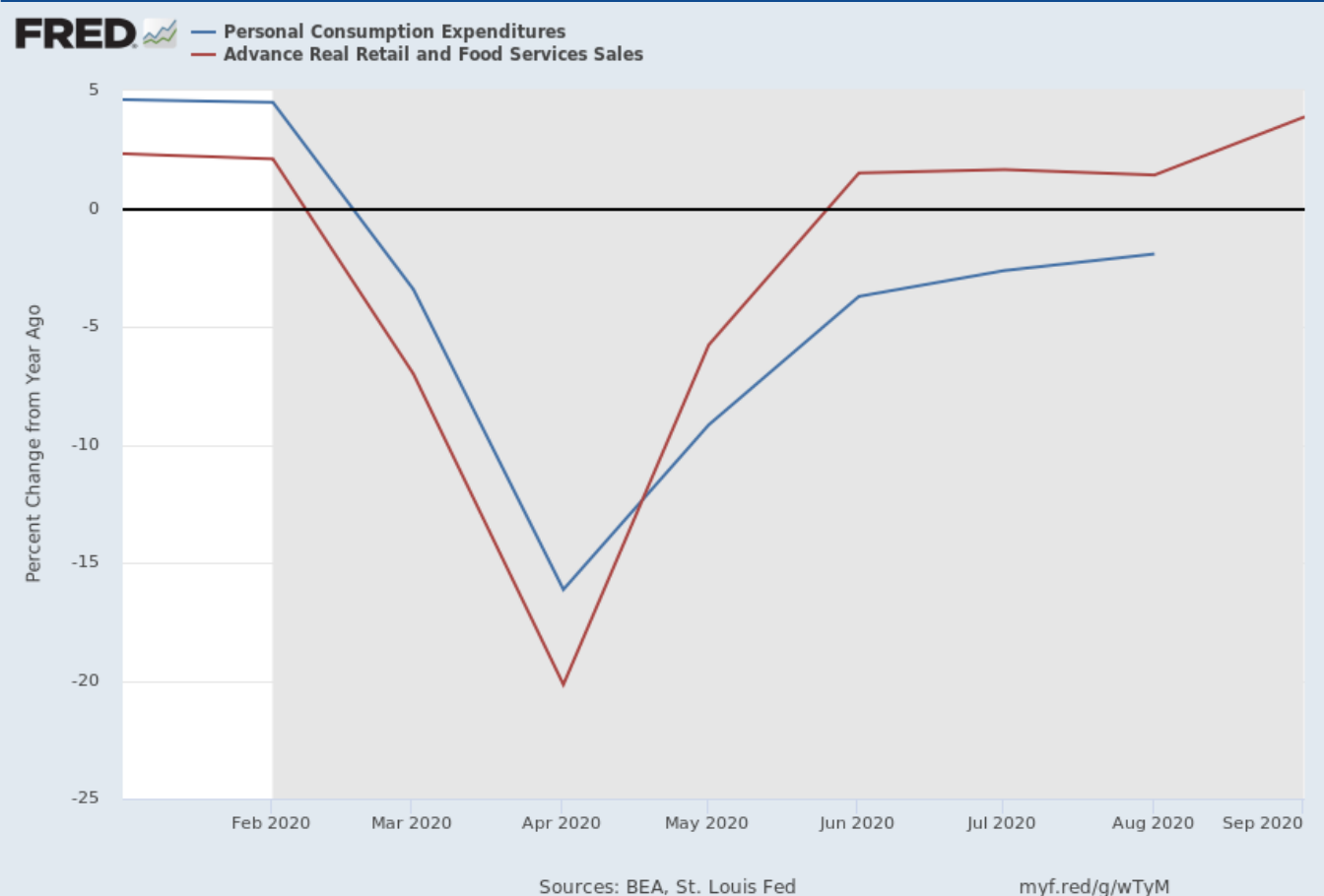
FiveThirtyEight

SOURCES: FEDERAL RESERVE BANK OF ST. LOUIS, ATLANTA FED

- GDP – down for the foreseeable future
- Unemployment – high
- Retail sales – have rebounded

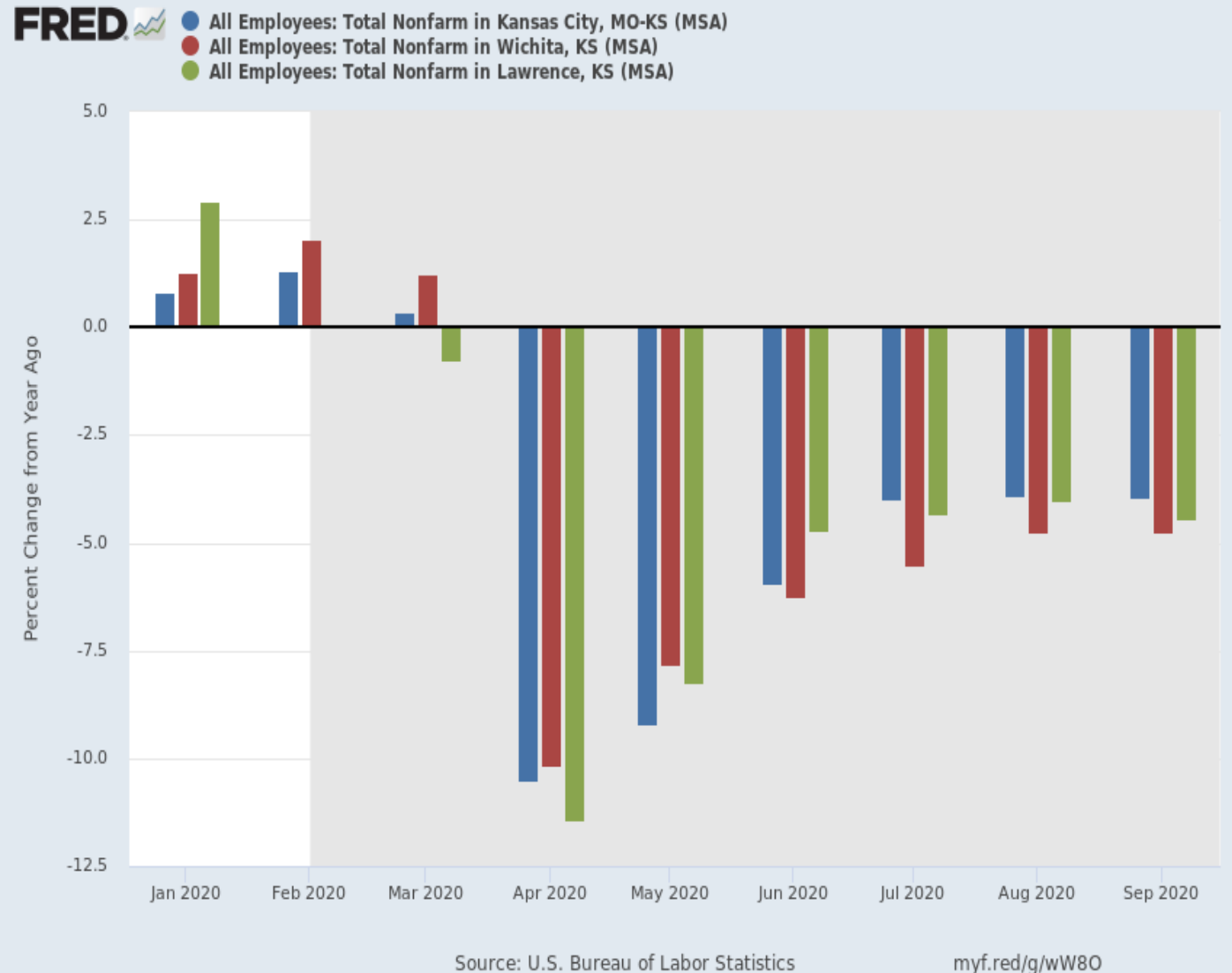
Source: <https://fivethirtyeight.com/features/how-the-experts-are-measuring-the-economic-recovery/>

Consumption January – September, 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.

Change in Employment by Major City in Kansas



- Compared to a year ago:
 - Kansas City MSA down 4%.
 - Wichita down 4.7%.
 - Lawrence down 4.4%.
- Employment has not recovered.

Is This a K-shaped Recovery?

The Washington Post

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

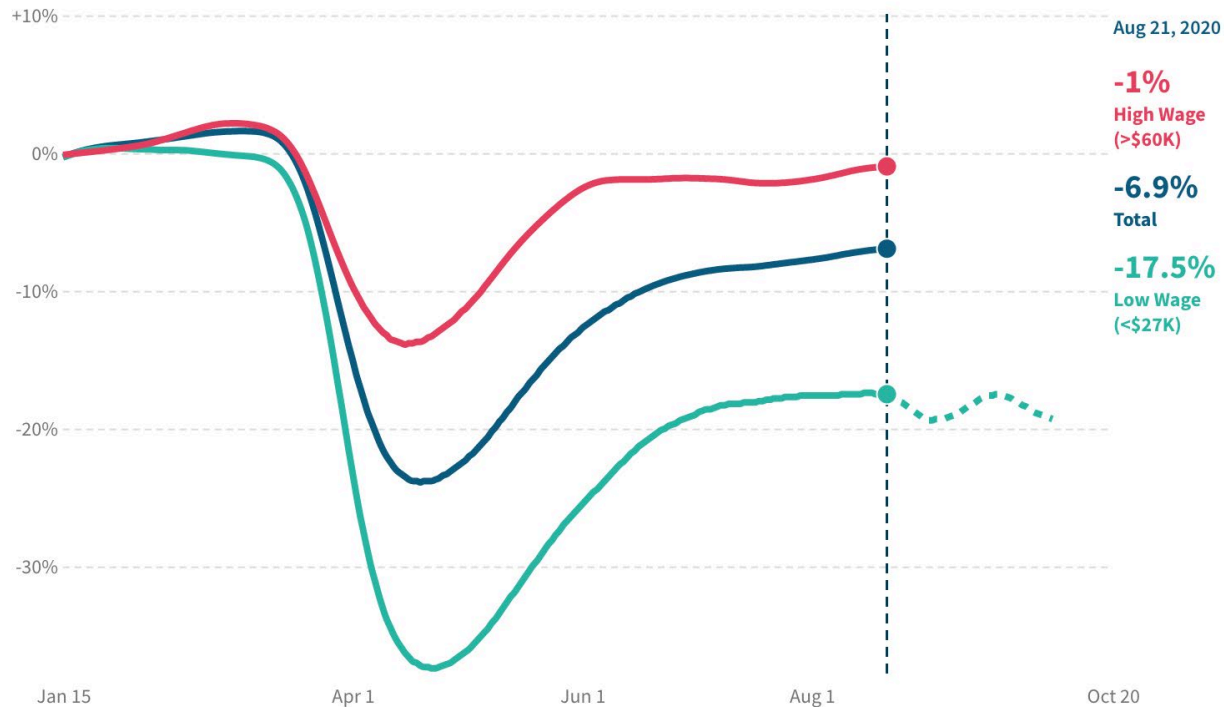
August 13, 2020

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 the US?

In the United States, as of August 21, 2020, employment rates decreased by **6.9%** compared to January 2020 (not seasonally adjusted).

DOWNLOAD CHART 

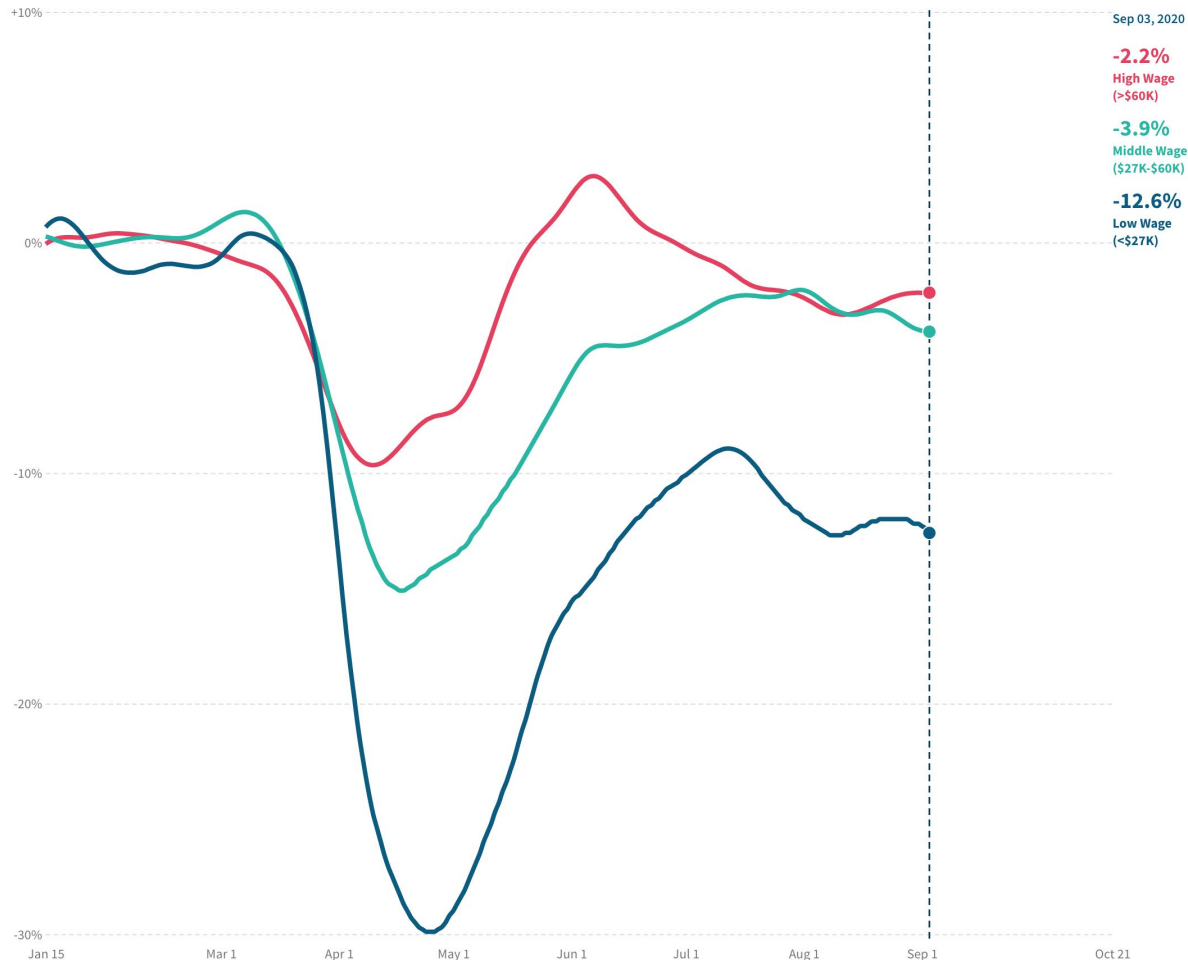


- Jobs for those earning > \$60,000 per year are down only 1%.
- Jobs for low wage workers, earning < \$27,000 per year are down 17.5%.
 - The rich have recovered.
 - The rest have not.

Is This a K-shaped Recovery in Kansas?

In **Kansas**, as of September 03 2020, employment rates among workers in the bottom wage quartile decreased by **12.6%** compared to January 2020 (not seasonally adjusted).

DOWNLOAD CHART



- Jobs for those earning > \$60,000 per year are down only 2.2% and middle wage jobs down 3.9%.
- Jobs for low wage workers, earning <\$27,000 per year are down 12.6%.
 - The rich and middle income have recovered.
 - The low income have not.



What is the Role of Government in an Economic Crisis?

To Support the Economic Recovery

What is the Role of Government in a Crisis?



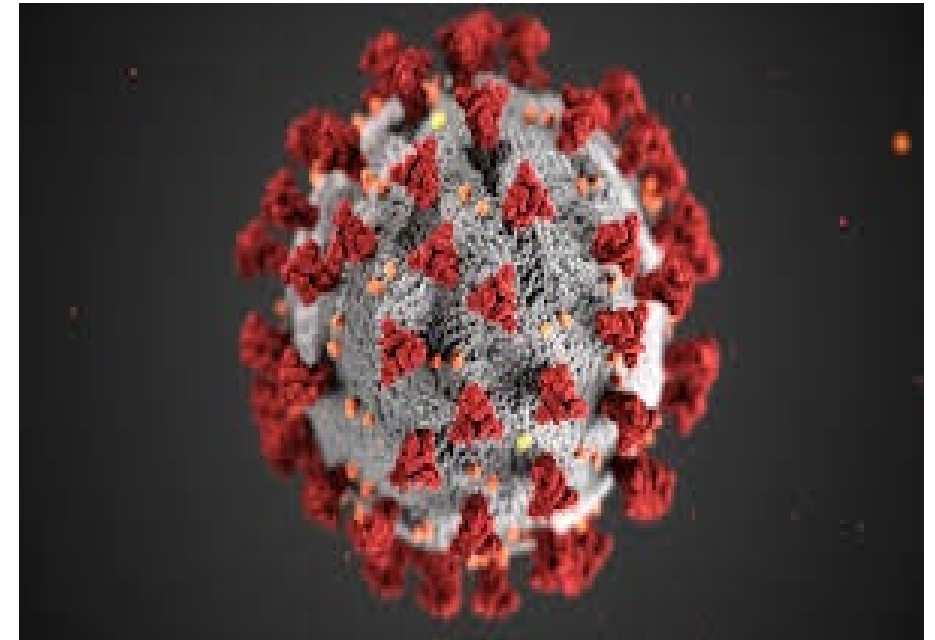
- When nature strikes (e.g. tornadoes, hurricanes and floods), we look to the federal government for disaster relief.
 - The government provides social insurance in the case of widespread disasters.

Niccolò Ubalducci / flickr Creative Commons
<https://www.kmuw.org/post/storms-bring-rare-october-tornadoes-kansas>

48 Donna K. Ginther, PhD

What is the Role of Government in a Crisis?

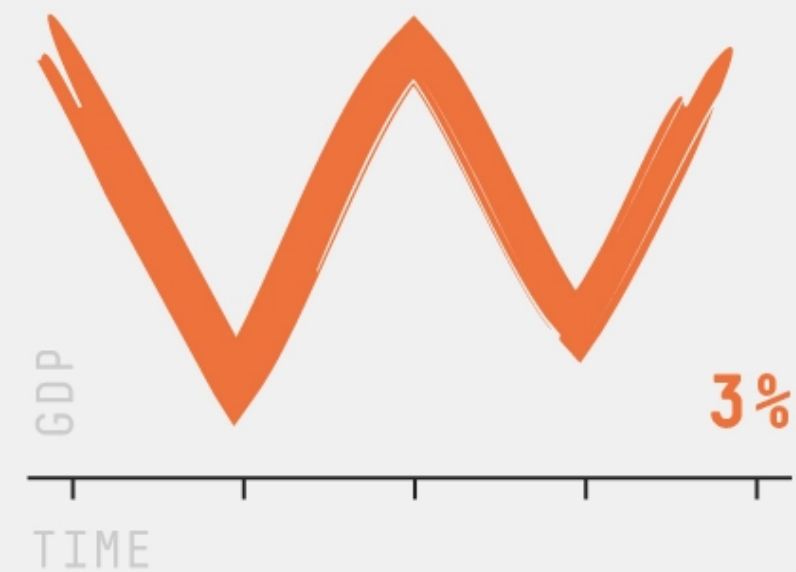
- Instead of an F5 Tornado leveling Kansas, we have an F5 pandemic leveling the world.
 - The federal government responded in March and the economy recovered through August.
- It's no accident that the recovery has stalled now that those funds have been spent.



Could the K Turn into a W?

W shape

Sharp, repeated ups and downs



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.

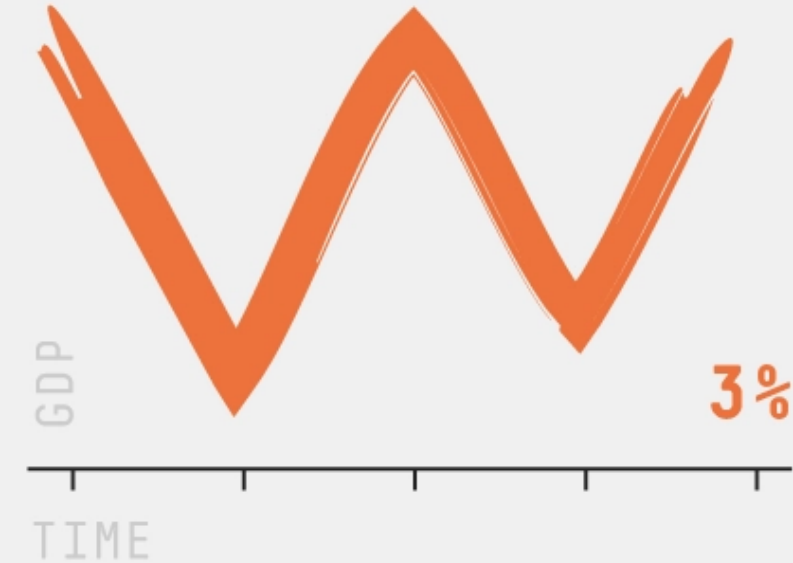
- The Fed chair, Jerome H. Powell, has repeatedly warned that state job cuts could drag down an economic recovery: **“It will hold back the economic recovery if they continue to lay people off and if they continue to cut essential services.”**

Source: August 14, 2020 New York Times. <https://www.nytimes.com/2020/08/14/business/economy/state-local-budget-pain.html>

Could the K Turn into a W?

W shape

Sharp, repeated ups and downs



Anxious for a Lifeline, the U.S. Economy Is Left to Sink or Swim

President Trump cut off negotiations over a new aid package on Tuesday. Economists of all stripes agree that could be a costly mistake.

- The Fed chair, Jerome H. Powell said: “Too little support would lead to a weak recovery, creating unnecessary hardship for households and businesses,” he said. “Over time, household insolvencies and business bankruptcies would rise, harming the productive capacity of the economy and holding back wage growth.”

Source: October 7, 2020 New York Times. <https://www.nytimes.com/2020/10/07/business/second-stimulus-bill-fails-impact.html>

Economic Impacts of COVID-19

- We will be posting weekly updates on data.
- We are updating briefings every month to six 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!

Thank You *Mahalo*
Kiitos
Tack
Grazie **Thanks**
Toda
Obrigado
Takk **Gracias**
Danke **Merci**