



Kansas in Crisis

Are We Headed for a W Recovery?

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KU INSTITUTE FOR
POLICY &
SOCIAL RESEARCH
The University of Kansas

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.

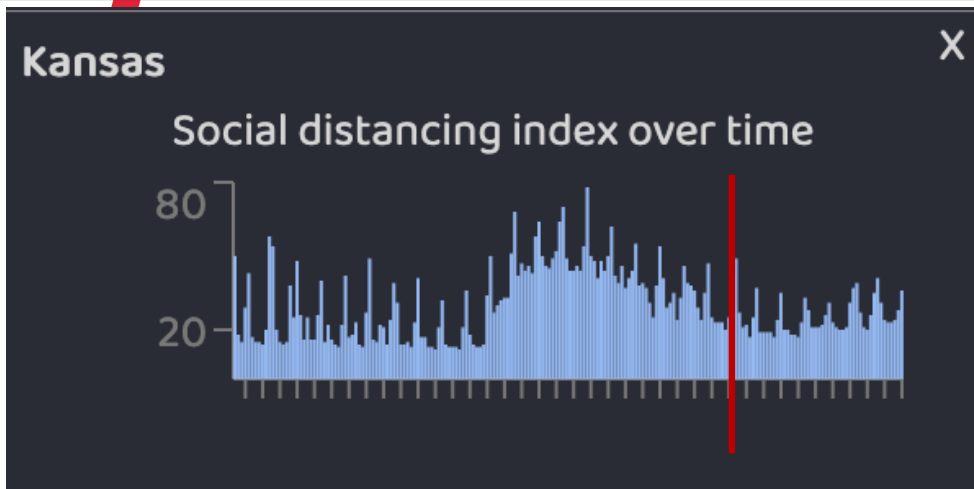
IPSR Goals for COVID-19 Crisis

- 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?



Source: University of Maryland Covid Tracking Project

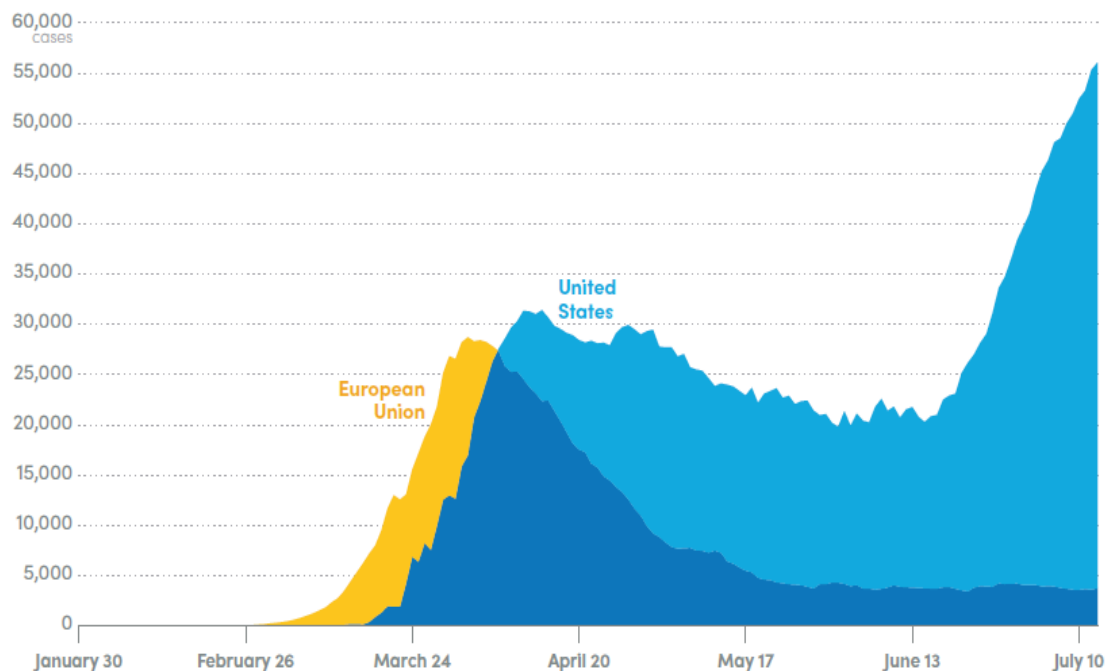
Red line shows May 3rd, when Kansas started to reopen. Social distancing has increased somewhat in the last few weeks.

- 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.

COVID Cases are Surging

New COVID-19 Cases, 7-Day Rolling Average

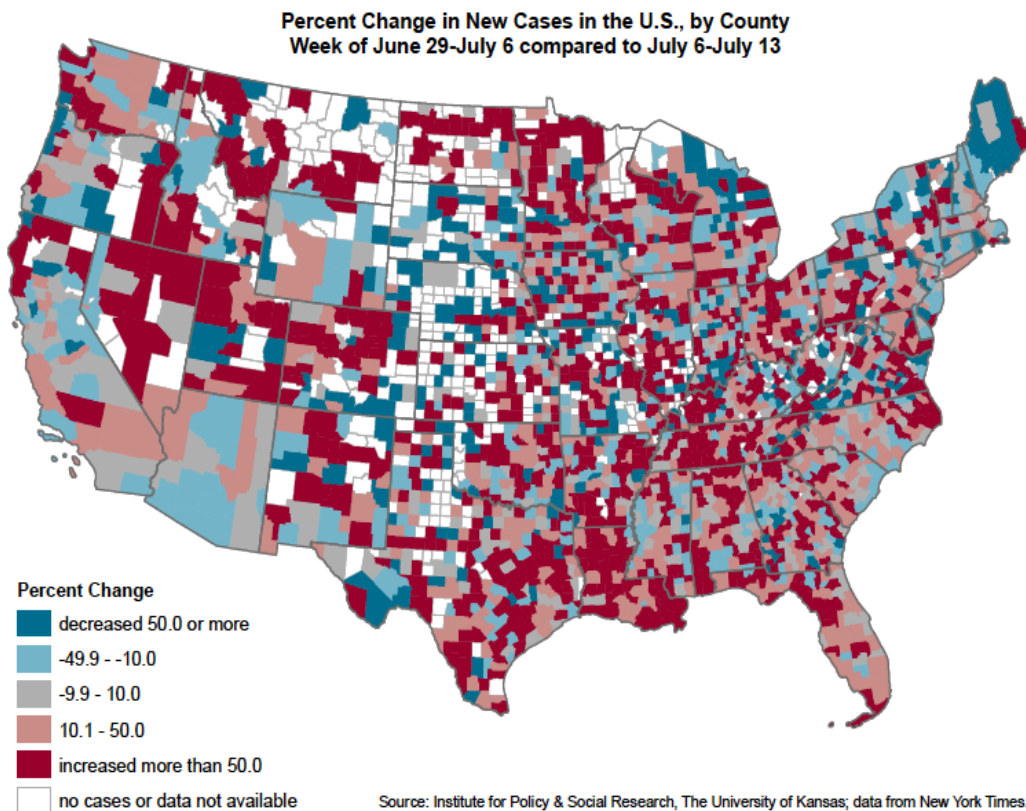
European Union and United States cases through July 13th



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

- 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.

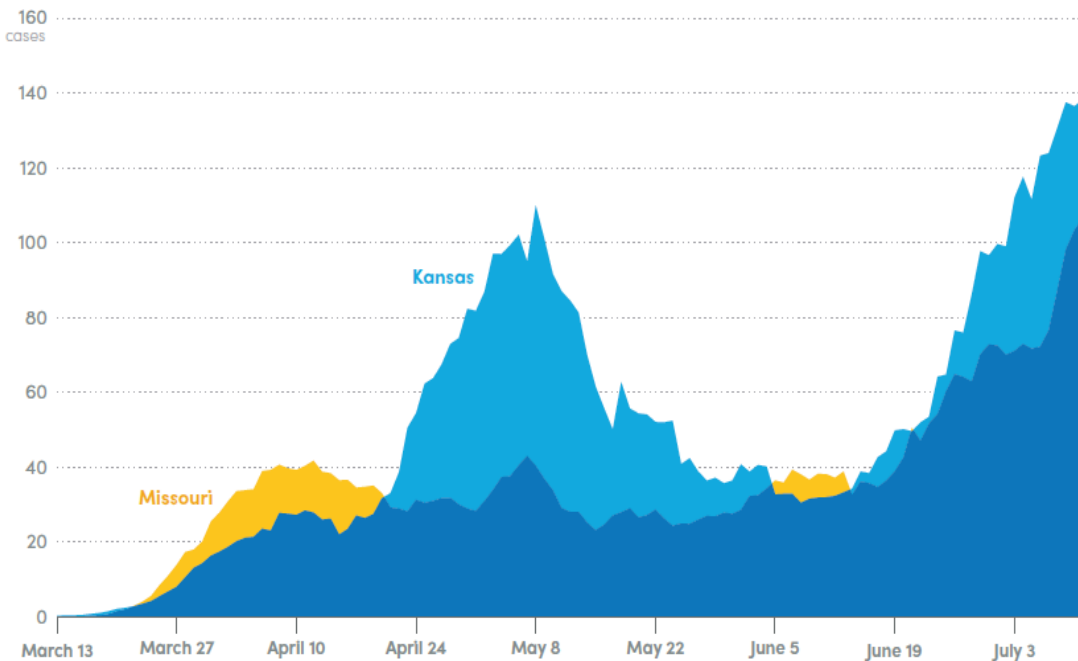
Covid Cases Concentrated in the Southeast and West



- 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

New COVID-19 Cases per Million Residents, 7-Day Rolling Average
Kansas and Missouri population-adjusted cases through July 12th

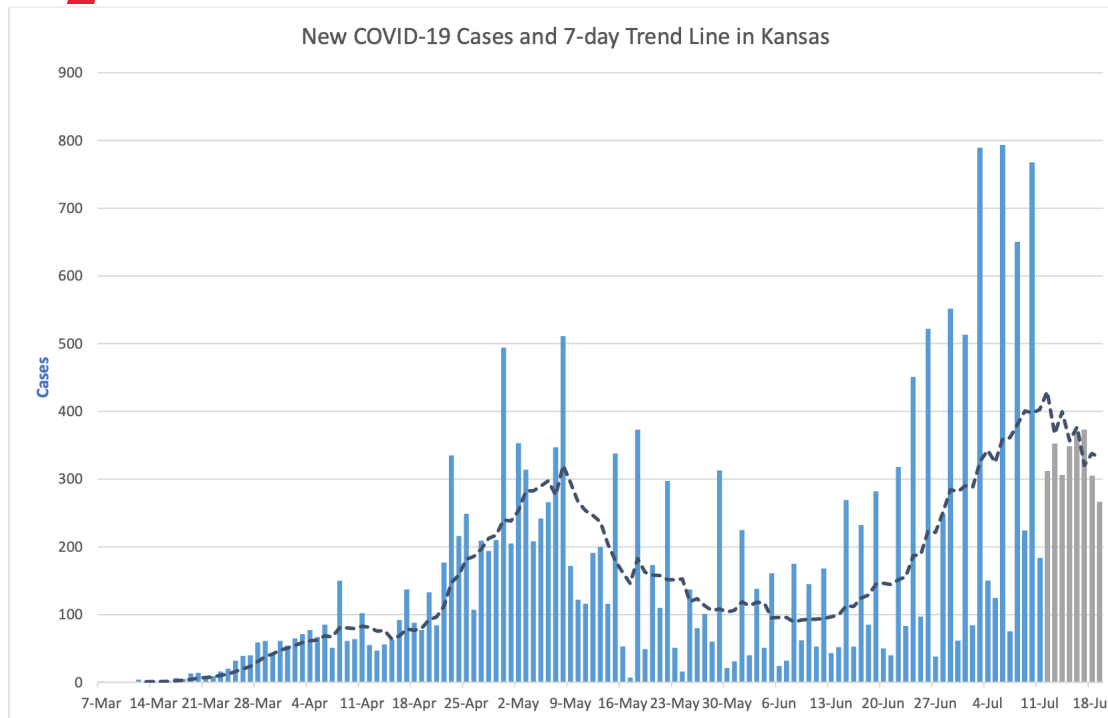


Source: Institute for Policy & Social Research, The University of Kansas; data from The New York Times.

8 Donna K. Ginther, PhD

- 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

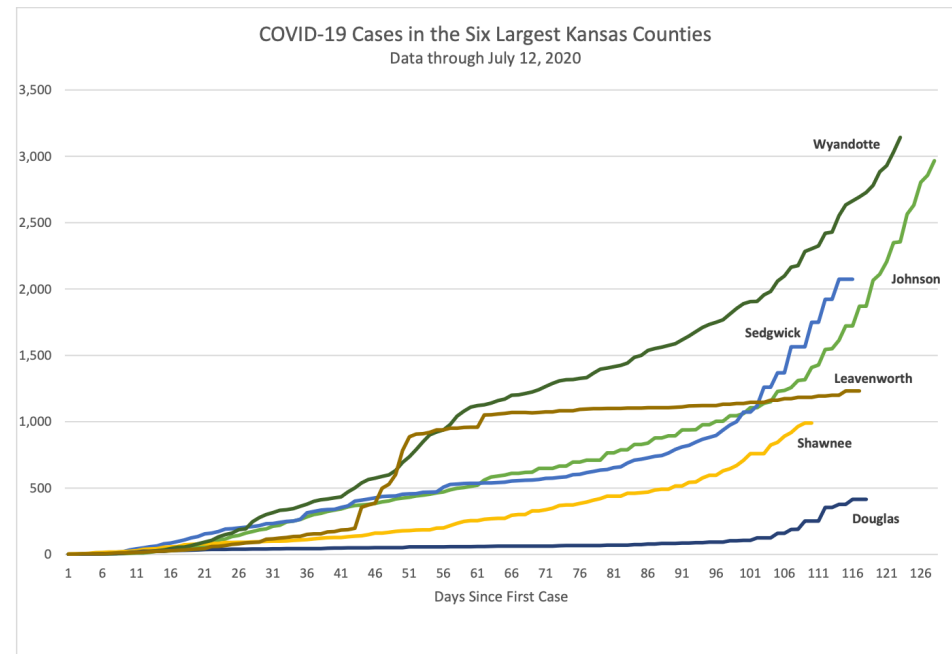


Source: Institute for Policy & Social Research, The University of Kansas; cases from the New York Times and projected cases from The University of Kansas Medical Center.

- The 7-day moving average of new case 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.

Growth in COVID-19 Cases Has Varied by County

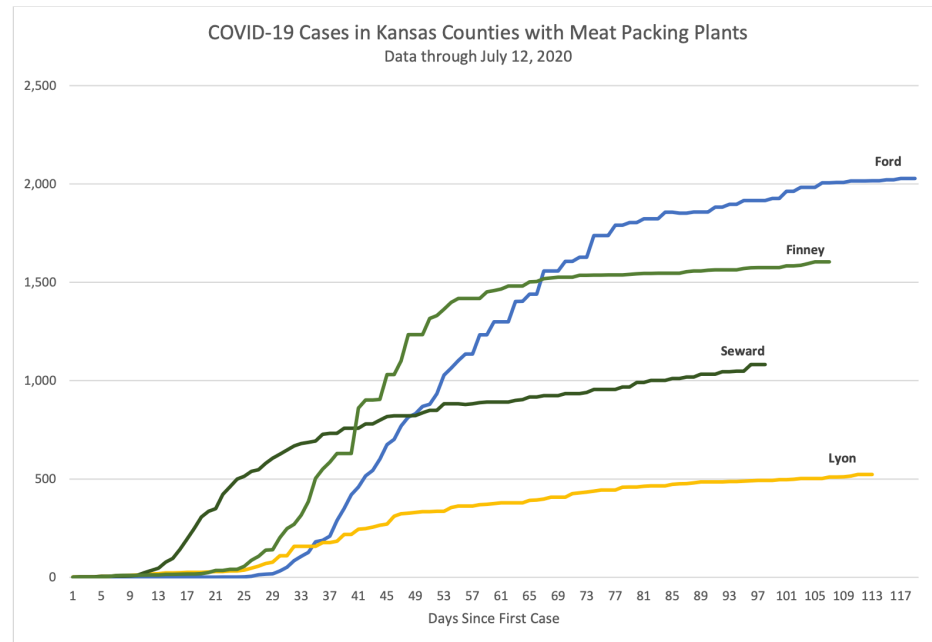
- In the six largest counties, growth rates have varied significantly.
 - All curves except Leavenworth are increasing.
 - Douglas county cases are nearly 7 times higher than on June 2nd.
 - Sedgwick, Johnson & Wyandotte Counties are Accelerating.



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

Counties with Meatpacking Have Slowed

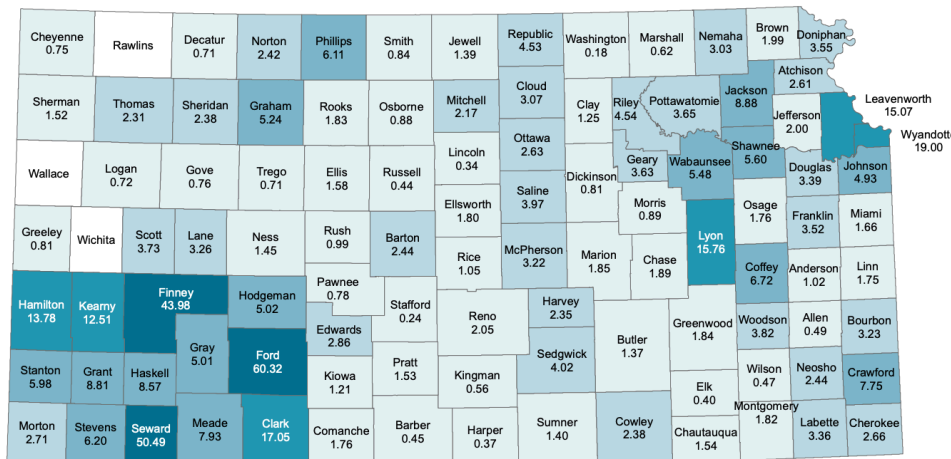
- In counties with meatpacking plants cases are growing at a slower rate and we may have bent the curve.
 - Seems to be the case for all of the counties.



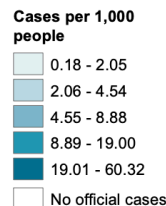
Source: Institute for Policy & Social Research, The University of Kansas; data from The New York Times.

Case Rates by County

COVID-19 Cases per 1,000 People in Kansas, by County
as of July 12, 2020



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

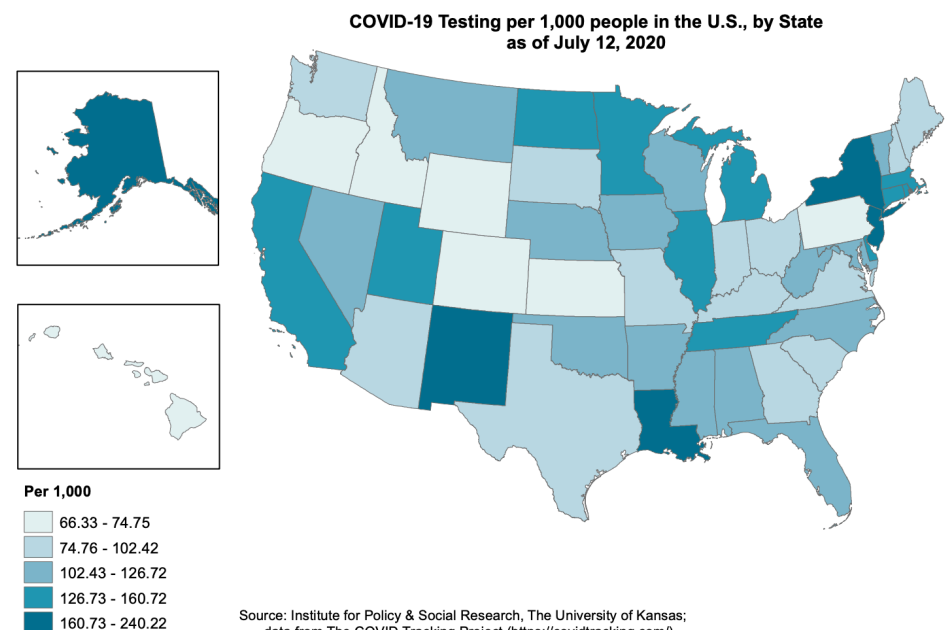


- Darker colors indicate that these counties have higher case rates:
 - Ford, Seward, and Finney Counties have case rates that are > 40 per 1,000
 - Douglas, Sedgwick & Johnson Counties ~4 per 1,000
 - Leavenworth & Wyandotte Counties have case rates 15-19 per 1,000

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%

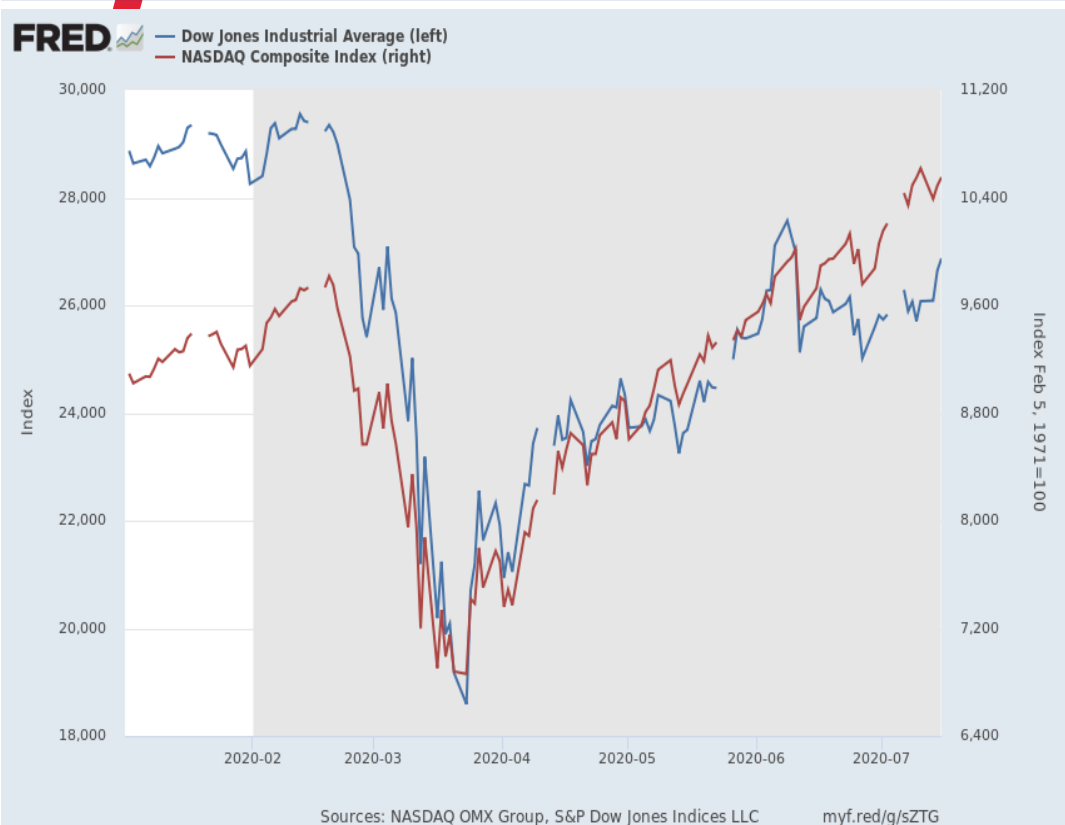




COVID-19 and the US & Kansas Economies

Unemployment & Uncertainty

The Stock Market: January 1 – July 13th

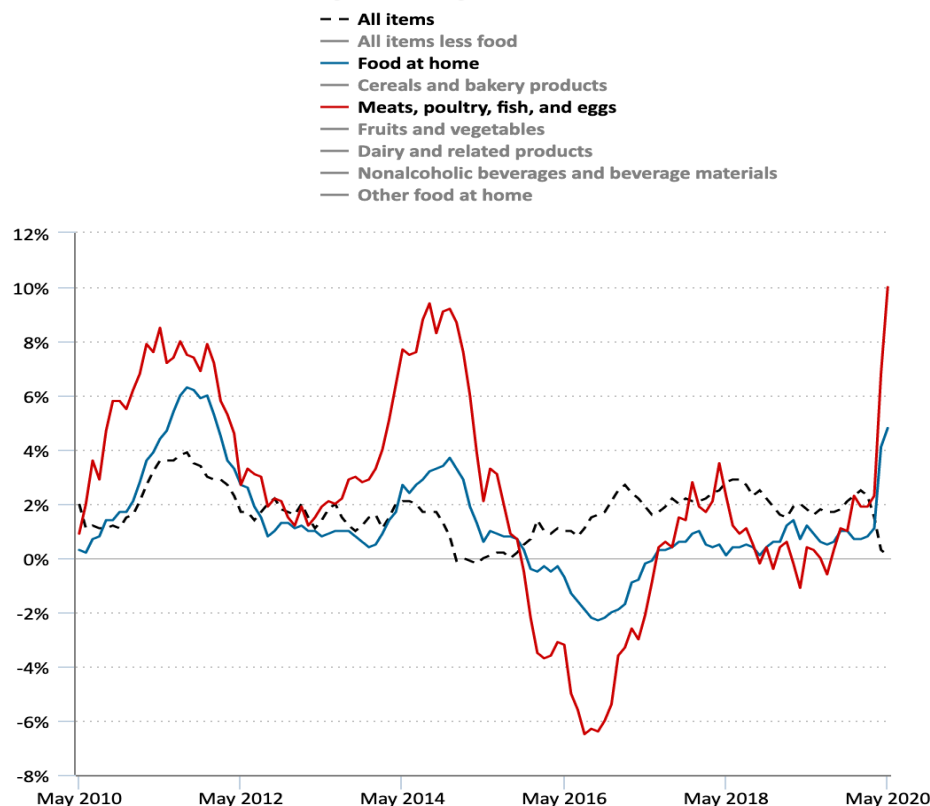


Source: FRED <https://fred.stlouisfed.org/series/DJIA>

- 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.

Food Inflation has Increased

Consumer Price Index for All Urban Consumers, 12-month percent change, selected food at home items, May 2010–May 2020

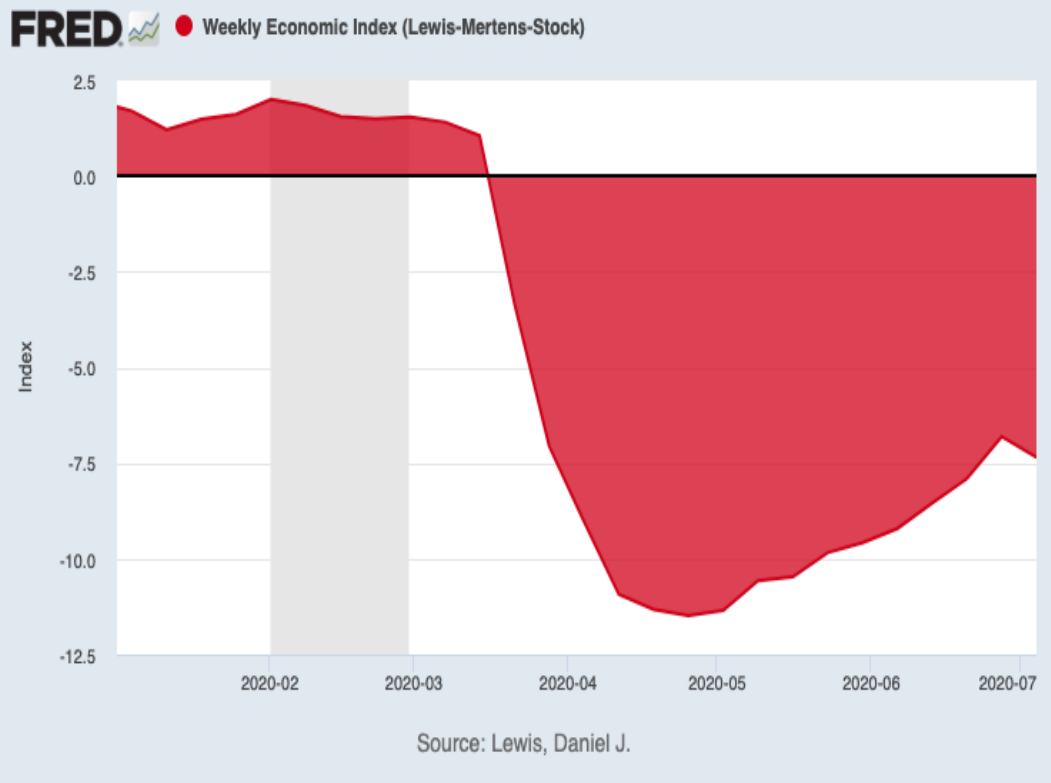


Click legend items to change data display. Hover over chart to view data.
Source: U.S. Bureau of Labor Statistics.



- Although overall inflation is practically zero
- The price of food is rising steeply
 - Meat prices are up 10%
 - Food at home up 5%

Weekly Economic Activity Index



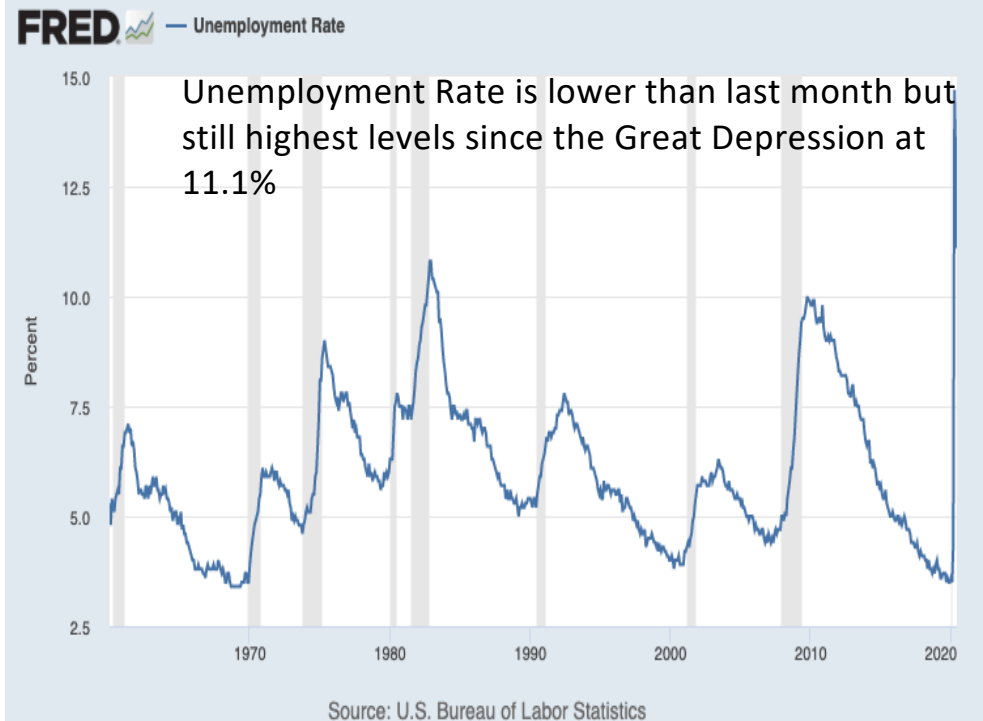
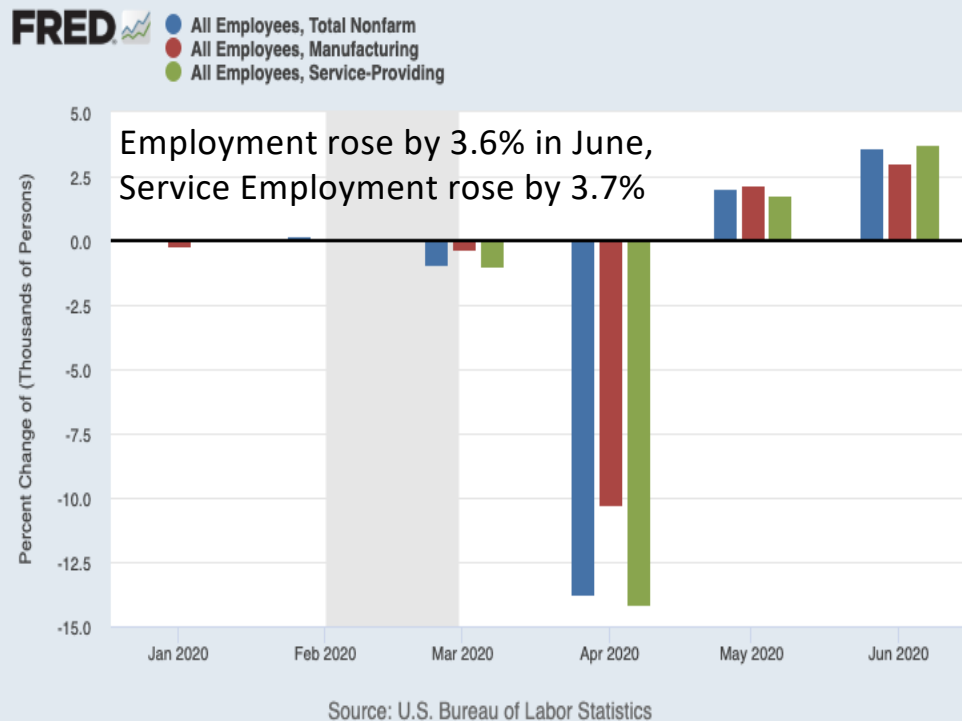
- Lewis, Mertens & Stock have developed a Weekly Economic Activity Index that is scaled to 4th Quarter 2019 GDP growth.
 - The index has dropped to - 7.35%
 - This indicates that GDP for this quarter is forecast to be 7.35% lower for Q2.

Source: Lewis, Daniel J., Mertens, Karel and Stock, James H., Weekly Economic Index (Lewis-Mertens-Stock) [WEI], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/WEI>, May 17, 2020.

Unemployment Rate Facts

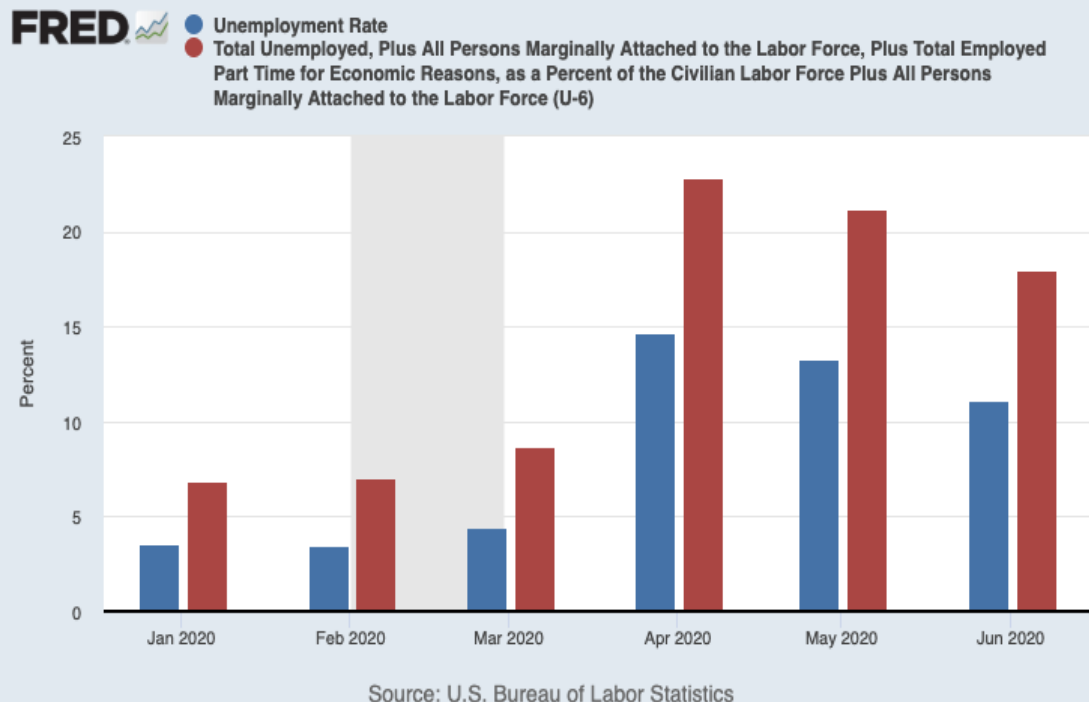
- The monthly jobs report is based on two surveys:
 - Establishment Survey that reports total employment
 - Household Survey that reports total unemployment
- The Unemployment Rate is defined as the share of people looking for work divided by the labor force (employed + unemployed) (U-3 rate).
- The 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 April, 2020



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.

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	June, 2010	May, 2020
Total	9.5%	11.1%
Men, Age 20+	9.9%	10.2%
Women, Age 20+	7.8%	11.2%
Age 25+		
Less than High School	14.1%	16.6%
High School	10.8%	12.1%
Some College	8.2%	10.9%
Bachelor's Degree +	4.4%	6.9%
Temporary Layoff	8.1%	58.6%
U-6	16.7%	21.2%

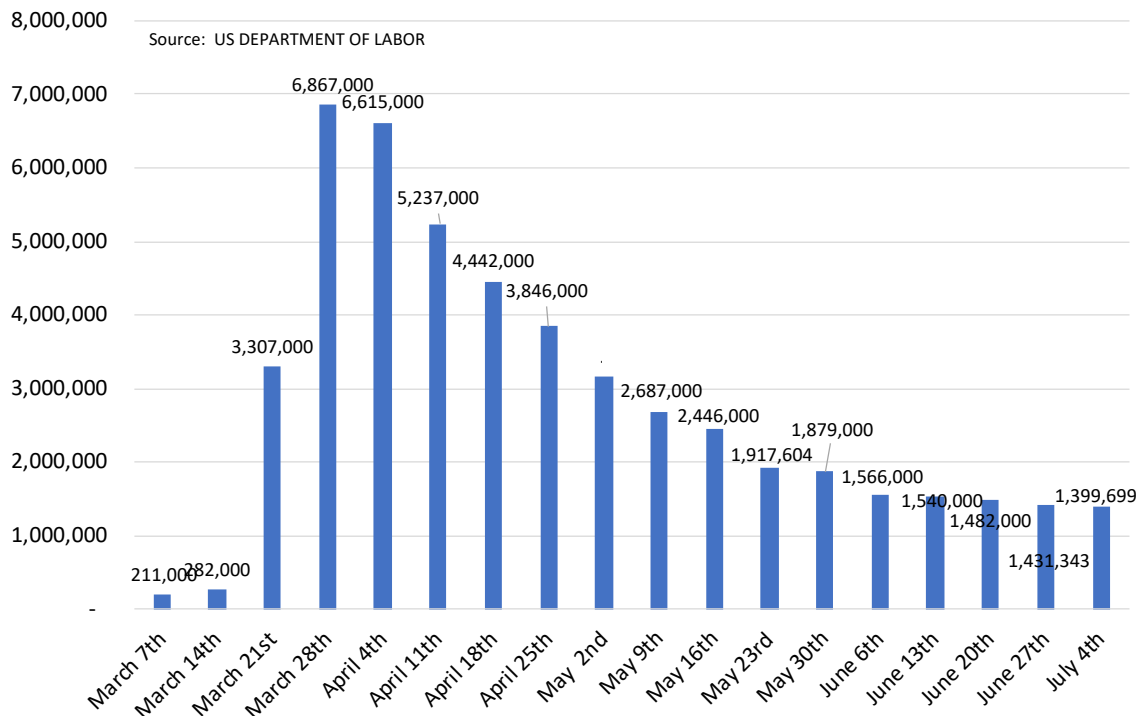
Sources: <https://www.bls.gov/news.release/pdf/empst.pdf>
https://www.bls.gov/news.release/archives/empst_05072010.pdf

- 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

Initial Unemployment Claims (Seasonally Adjusted),
Months of March - July 2020

Source: US DEPARTMENT OF LABOR

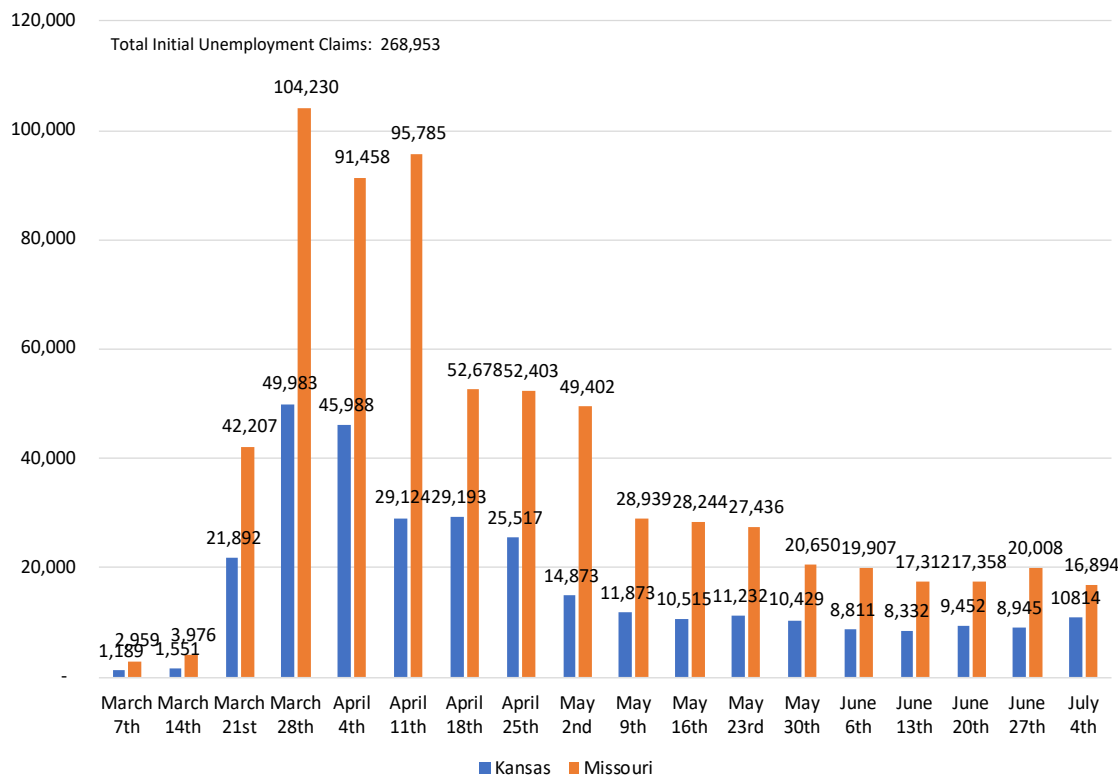


Source: <https://www.dol.gov/ui/data.pdf>

- 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.

Unemployment Claims in Kansas and Missouri

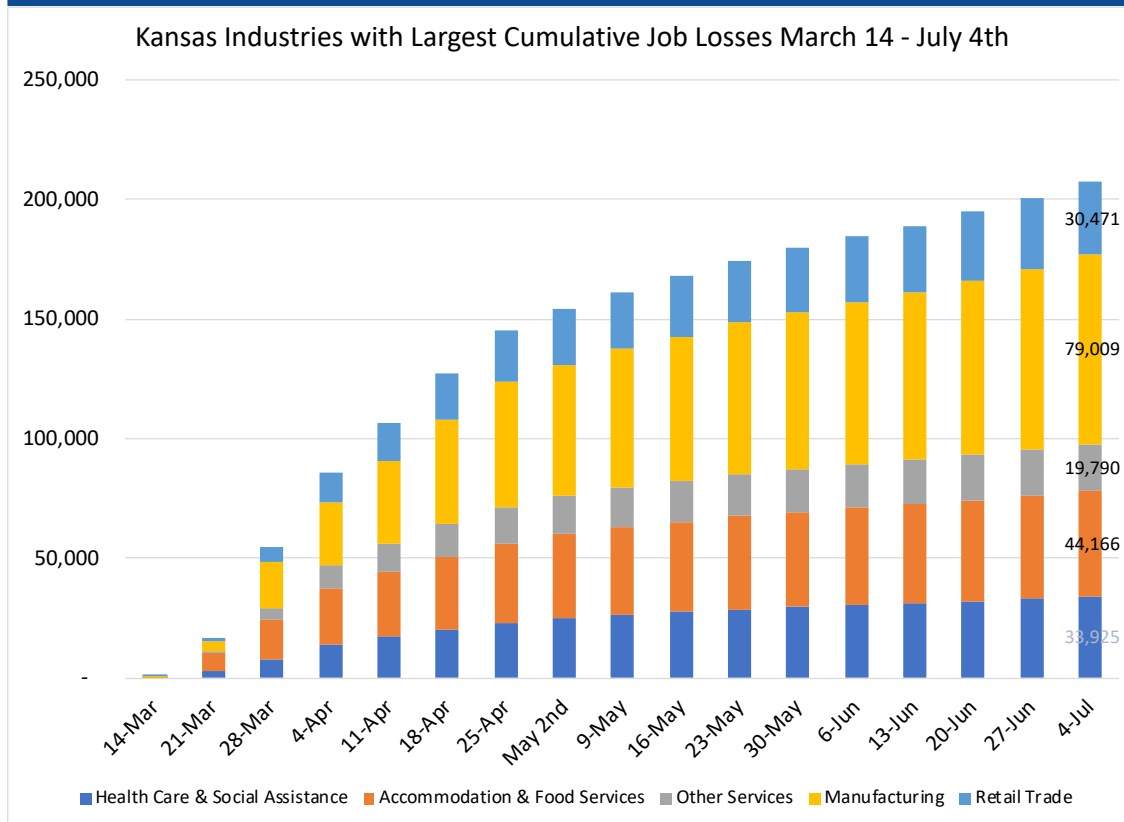
Initial Unemployment Claims in Kansas and Missouri, March - July 2020



Source: Calculations using KS and MO Department of Labor Data

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

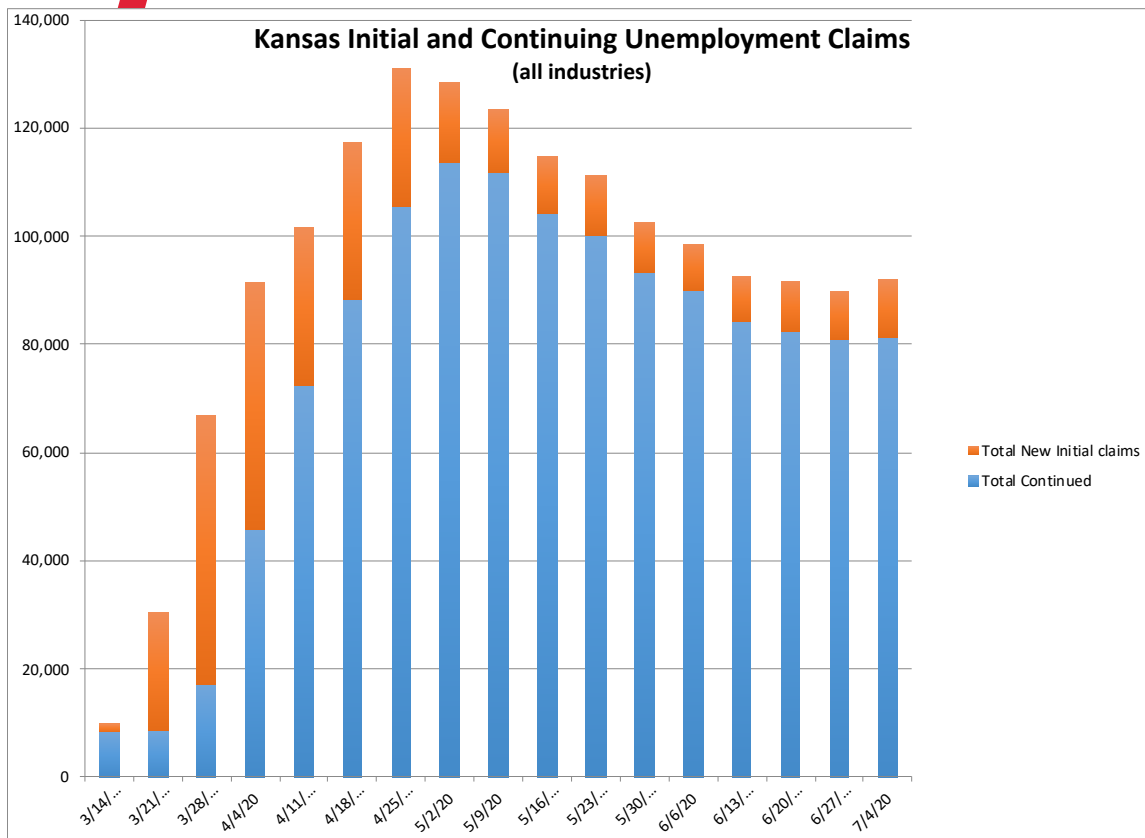
Cumulative Initial Unemployment Claims by Industry



Source: Calculations using KS and MO Department of Labor Data

- 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.

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

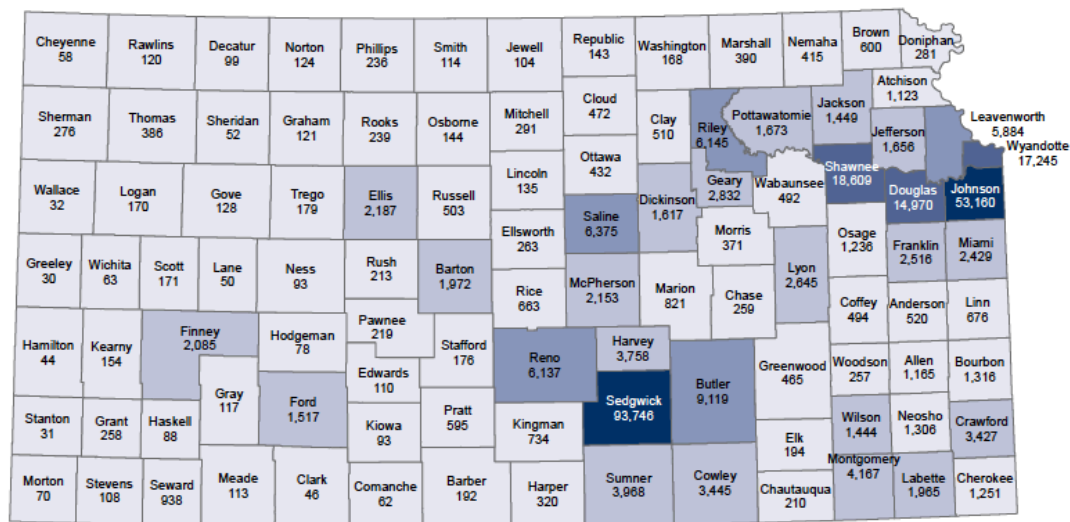
Industry	Unemployment Within Industry
Government	1.7%
Health	17.92%
Manufacturing	44.85%
Retail	21.17%
Food	39.52%
Professional	12.43%
Administrative	25.14%
Construction	19.58%
Finance	4.67%
Transportation	18.24%
Wholesale	11.92%
Other	37.52%
Management	1.66%
Education	55.26%
Information	18.22%
Real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

- 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.

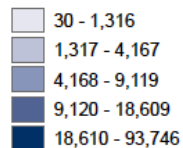
Cumulative Unemployment Claims by County

Initial Jobless Claims in Kansas, by County
March 21 - July 4, 2020



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

Initial Claims, March 21 - July 4

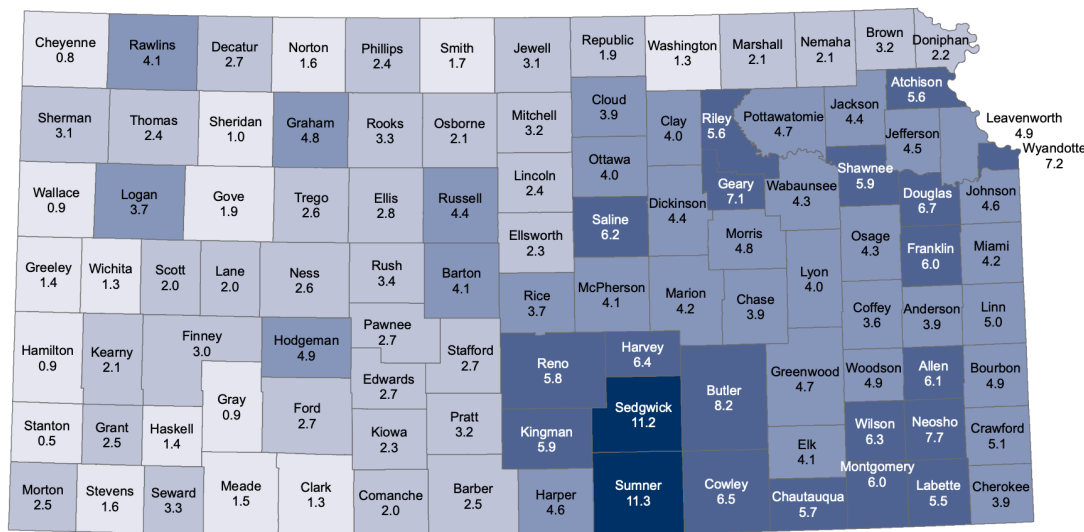


- Top 5 Counties by Cumulative Initial Claims:
 - Sedgwick 93,746
 - Johnson 53,160
 - Wyandotte 17,245
 - Shawnee 18,609
 - Douglas 14,970
- Data calculated March 21st – July 4th

Source: IPSR calculations using Kansas Department of Labor Data

Initial + Continued Claims as a Share of Labor Force

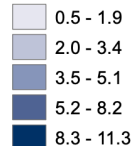
Projected Unemployment Rate in Kansas, by County
July 4, 2020



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 June 13th and preliminary, not seasonally adjusted, civilian labor force for May 2020.

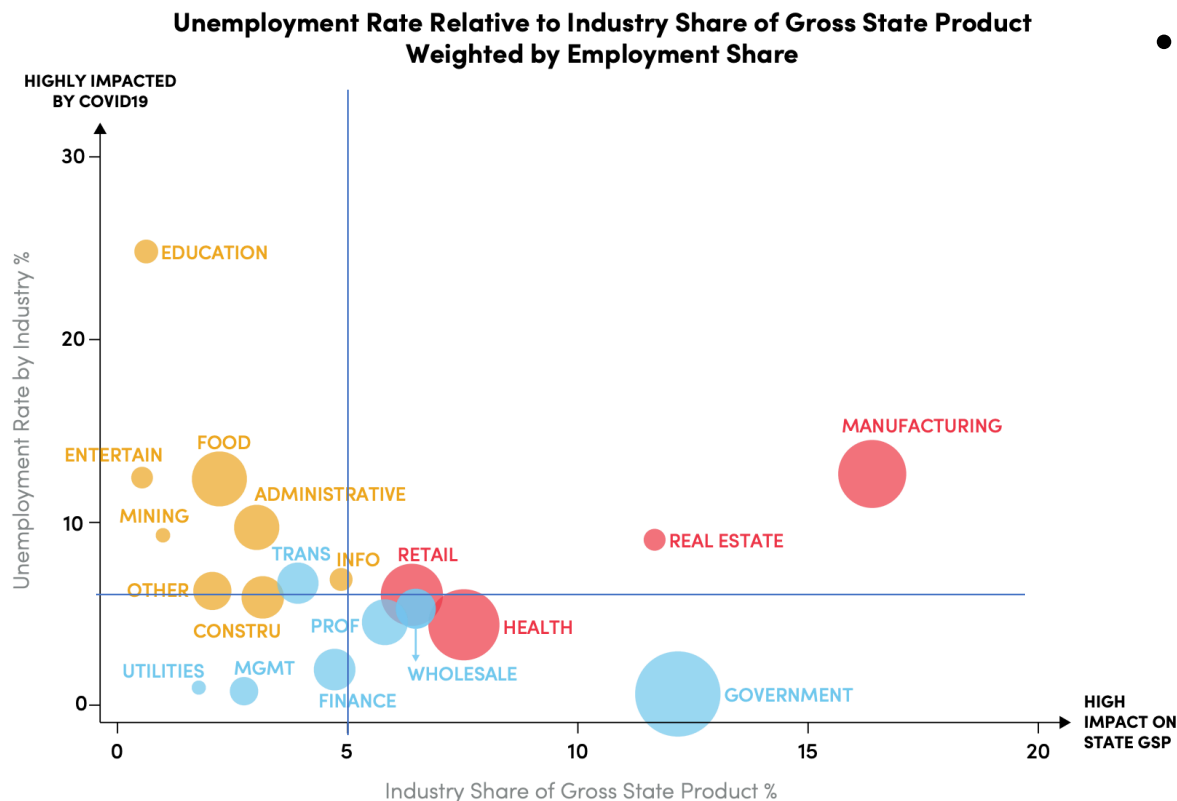
Projected Unemployment Rate



- 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

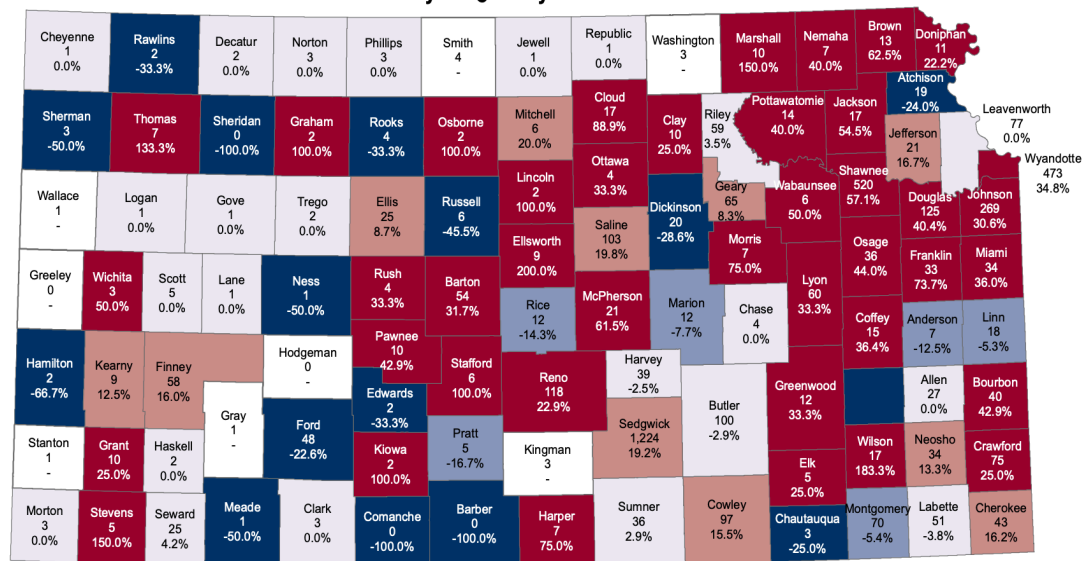


Source: Author's calculations.

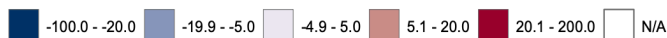
- Sectors that contribute most to Kansas growth with above average unemployment:
 - Manufacturing 12% UE & 16% of GSP
 - Health Services 5% UE & 7.5% of GSP
 - Retail 6.7% UE & 6.4% of GSP

Demand for Social Assistance has Increased

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



County Name	TANF Households (May 2020)	Percent Change from May 2019
Adams County	67	-8%
Baker County	10	-100%
Barre City	10	-100%
Carter County	10	-100%
Cherokee County	10	-100%
Clatsop County	10	-100%
Colusa County	10	-100%
Contra Costa County	10	-100%
Dakota County	10	-100%
Del Norte County	10	-100%
El Dorado County	10	-100%
Fresno County	10	-100%
Humboldt County	10	-100%
Inyo County	10	-100%
Kern County	10	-100%
Lake County	10	-100%
Lassen County	10	-100%
Madera County	10	-100%
Maricopa County	10	-100%
Mariposa County	10	-100%
Merced County	10	-100%
Monterey County	10	-100%
Nevada County	10	-100%
Oakland City	10	-100%
Orange County	10	-100%
Palm Springs City	10	-100%
Riverside County	10	-100%
Santa Clara County	10	-100%
Santa Cruz County	10	-100%
Shasta County	10	-100%
Siskiyou County	10	-100%
Sonoma County	10	-100%
Stanislaus County	10	-100%
Stockton City	10	-100%
Sutter County	10	-100%
Tulare County	10	-100%
Ventura County	10	-100%
Yuba County	10	-100%



- 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

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



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Kansas
State Data Center

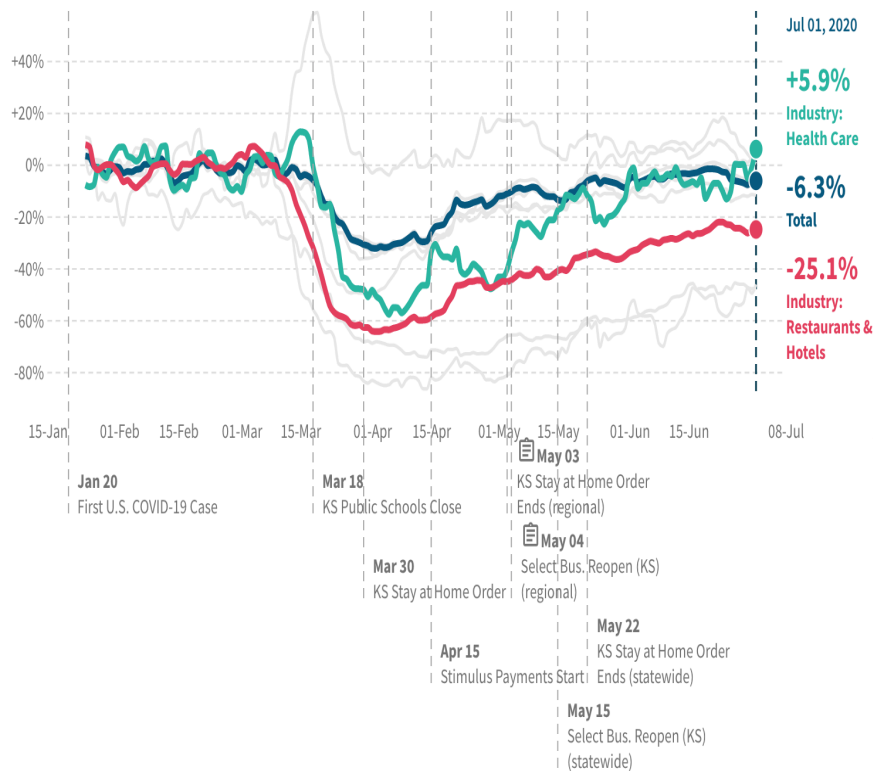
State of Kansas
Department for Children and Families



How Does Kansas Compare?

Kansas is doing better than other states

Kansas Consumption has Rebounded since April



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

Total consumption spending in Kansas fell by over 50% between January and April 1st.

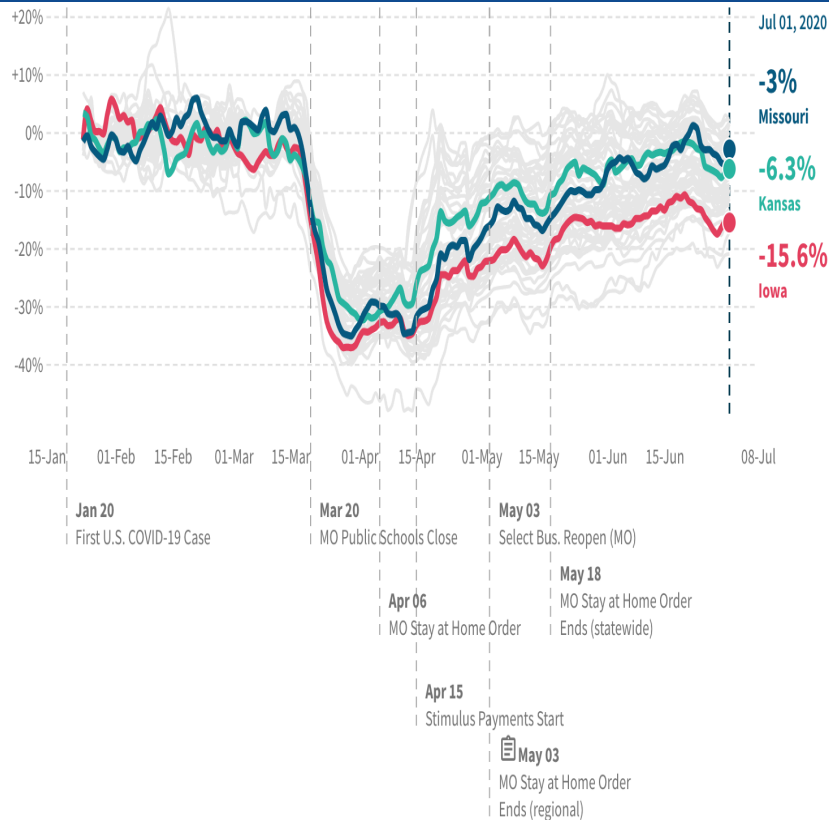
- It is still down 6.3% since the first of the year.
- US consumption is down -9%

Two hard-hit sectors:

- Restaurants -25.1% (-13.5% in US)
- Healthcare up 5.9% (-33.8% in US)

These data exclude Johnson County

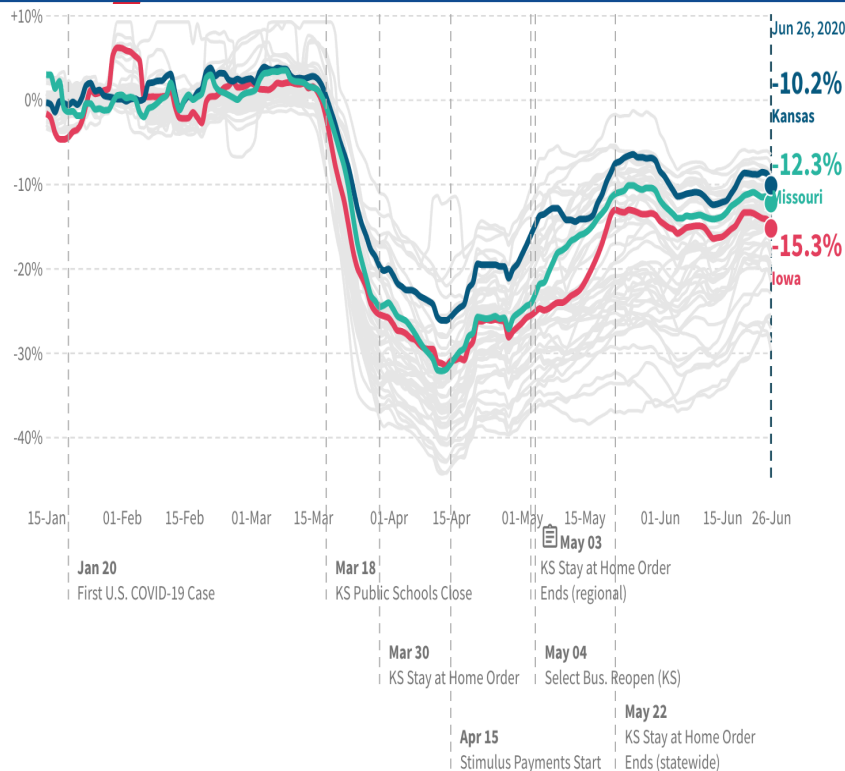
Kansas Consumption has held up Well Compared to other States



- 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/>

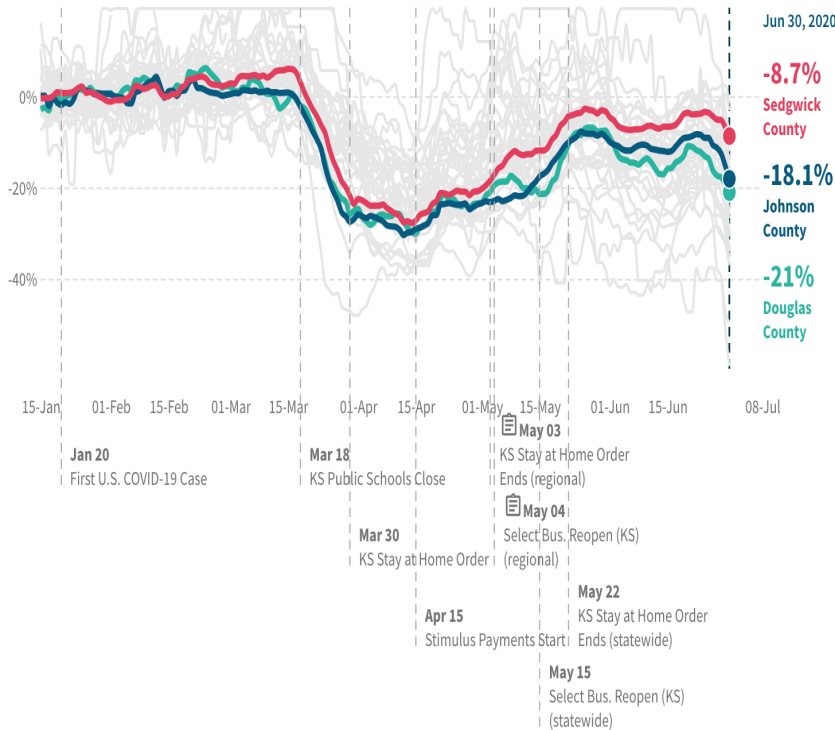
Kansas Small Businesses are More Likely to be Open



- 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/>

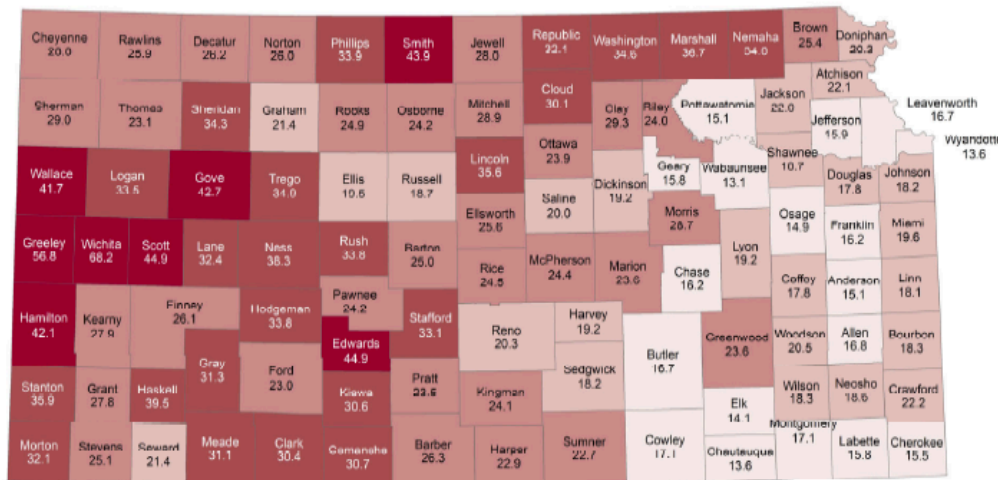


What was the impact of PPP?

The Small Business Administration released detailed data

Kansas Small Businesses Received Significant Help from PPP

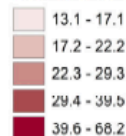
Percent of Small Businesses in Kansas Receiving PPP Loans, by County,
as of June 30, 2020



Source: Institute for Policy & Social Research, The University of Kansas;
data from U.S. Small Business Administration and U.S. Census Bureau,
2016 County Business Patterns and 2017 Nonemployer Statistics.

Small business defined as those establishments with less than 500 employees, including nonemployers.

Percent of Small Businesses



- 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

Source: Small Business Administration

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

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

Jobs Retained by Industry



Source: Small Business Administration

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



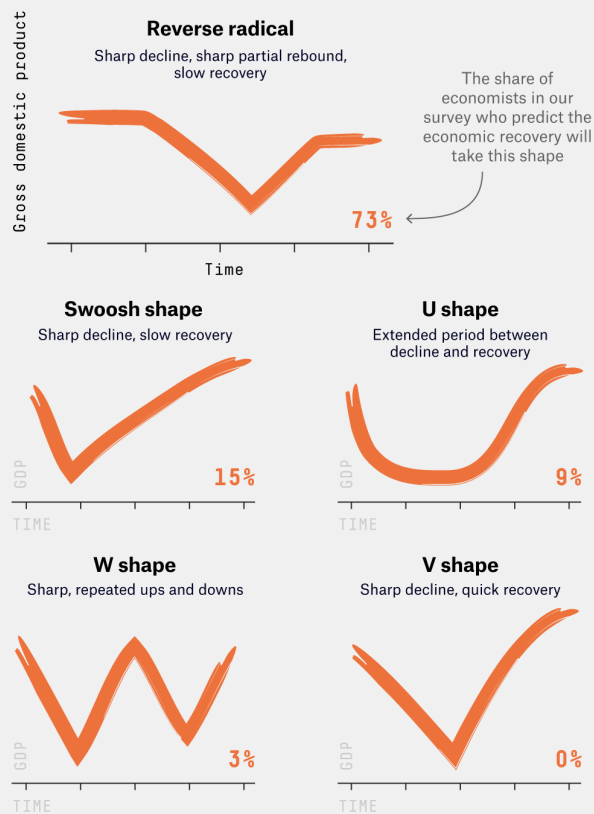
What Does the Future Hold?

Is a W-Shaped Recovery in the Cards?

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



FiveThirtyEight

SOURCE: FIVETHIRTYEIGHT/IGM COVID-19 ECONOMIC OUTLOOK SURVEY

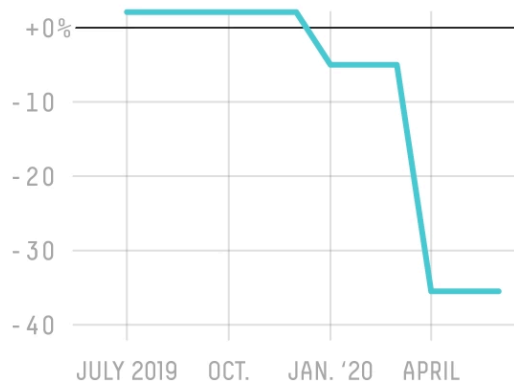
- Fivethirtyeight.com interviewed top macroeconomists about the recovery.
- No hope for a V-shaped recovery
- Little support for a swoosh.
- 73% of economists expect a reverse radical recovery:
 - Sharp-partial recovery with prolonged lower level.

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

What Indicators Do Economists Watch?

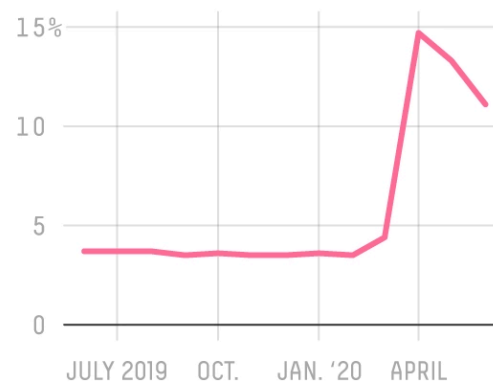
A snapshot of the recovery, three ways

Annualized real GDP growth by quarter

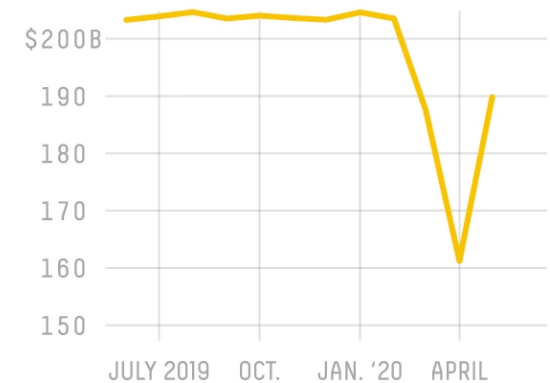


FiveThirtyEight

Monthly unemployment rate



Advance real retail and food services sales



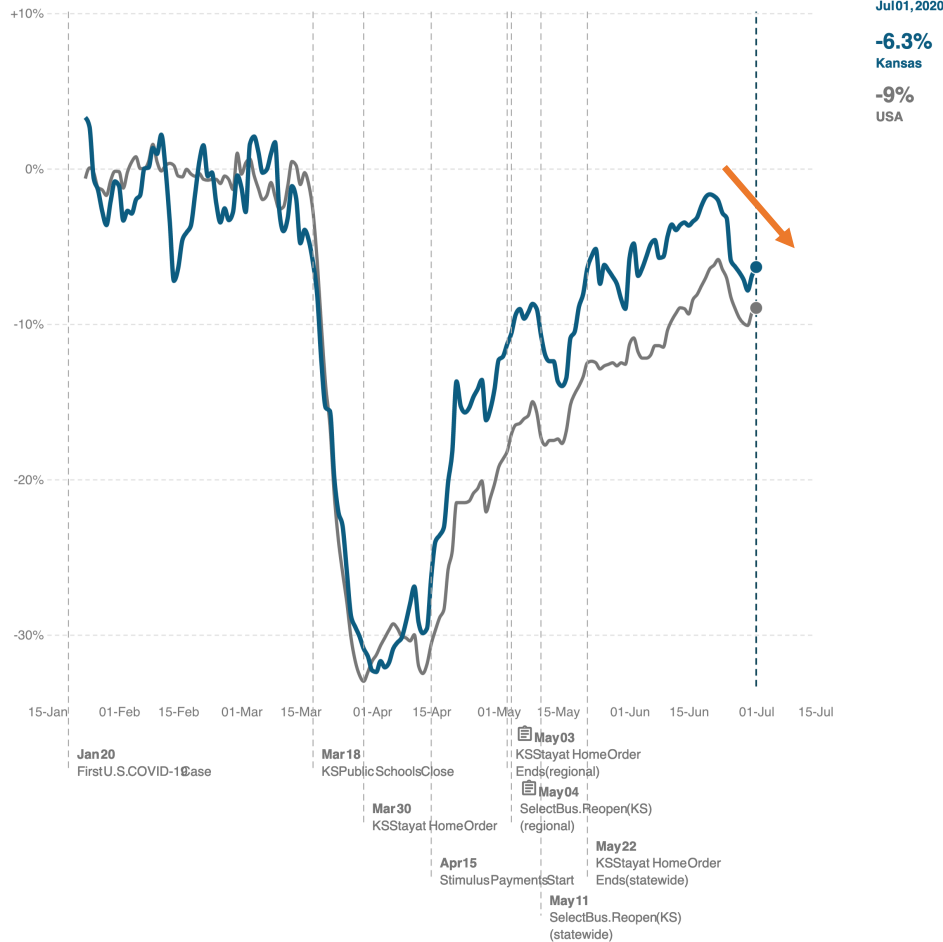
SOURCES: FEDERAL RESERVE BANK OF ST. LOUIS, ATLANTA FED

- 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/>

Percent Change in All Consumer Spending*

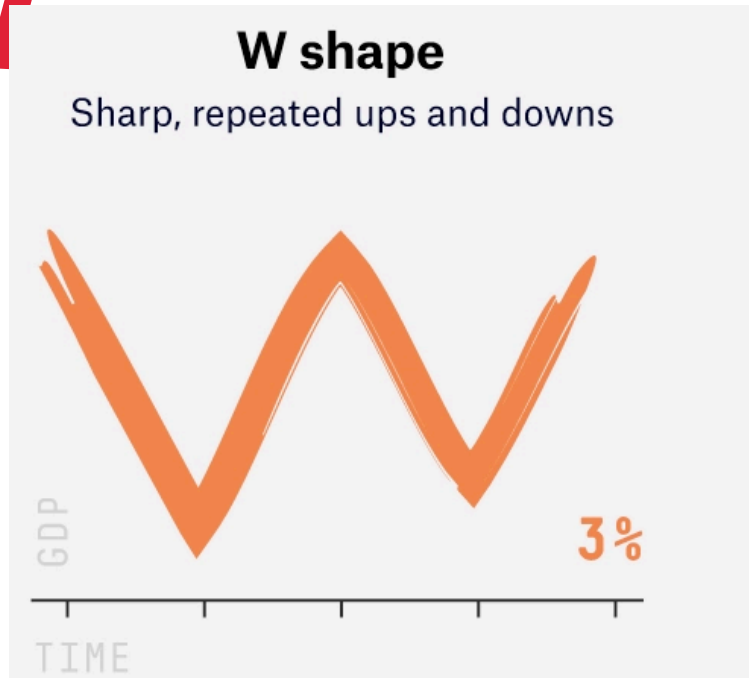
In Kansas as of July 01 2020 total spending by all consumers decreased by 6.3% compared to January 2020.



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 1st: 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.

The Reverse Radical Could Easily Become a W

The New York Times | <https://nyti.ms/3e0pS9P>

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.

<https://www.nytimes.com/2020/07/15/opinion/ben-bernanke-coronavirus-federal-aid.html?searchResultPosition=1>

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.

Support the States & the Unemployed

- 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!

Thank
You

Mahalo

Kiitos

Tack

Grazie

Obrigado

Toda

Thanks

Takk

Danke

Gracias

Merci

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