

The Economic Recovery is Stalling Out

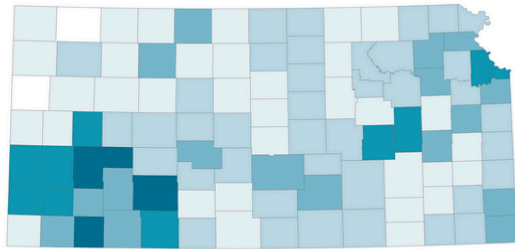
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October 6, 2020

KU INSTITUTE FOR
POLICY &
SOCIAL RESEARCH
The University of Kansas

2020 Kansas Economic Policy Conference—October 22nd



2020 Kansas Economic Policy Conference

What is the Role of Government in a Crisis?

October 22, 2020
Virtual Conference

- The 2020 Kansas Economic Policy Conference will be virtual. Thanks to support from the U.S. Economic Development Administration registration is free but is required.
- Program includes Dr. Lee Norman & Lt. Governor Lynn Rogers
- <https://ipsr.ku.edu/conferen/kepc2020/registration.shtml>

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.

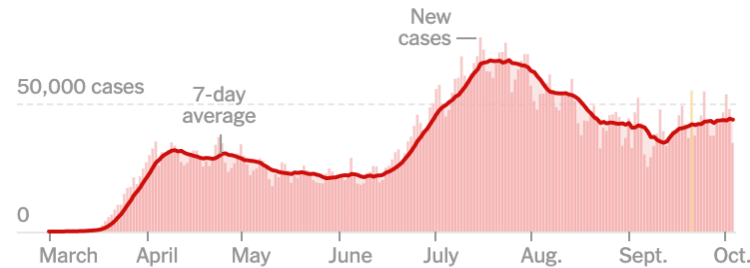
Overview

- Update on the Coronavirus in Kansas and the United States
- Focus will be mostly on the Kansas side because of data availability.
- 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.

We have Exceeded 7.4 Million Cases & 209,000 Deaths

By The New York Times Updated October 5, 2020, 8:49 A.M. E.T.

[Leer en español](#)



	TOTAL REPORTED	ON OCT. 4	14-DAY CHANGE
Cases	7.4 million+	34,491	+6% →
Deaths	209,603	332	-8% →

■ Day with data reporting anomaly.

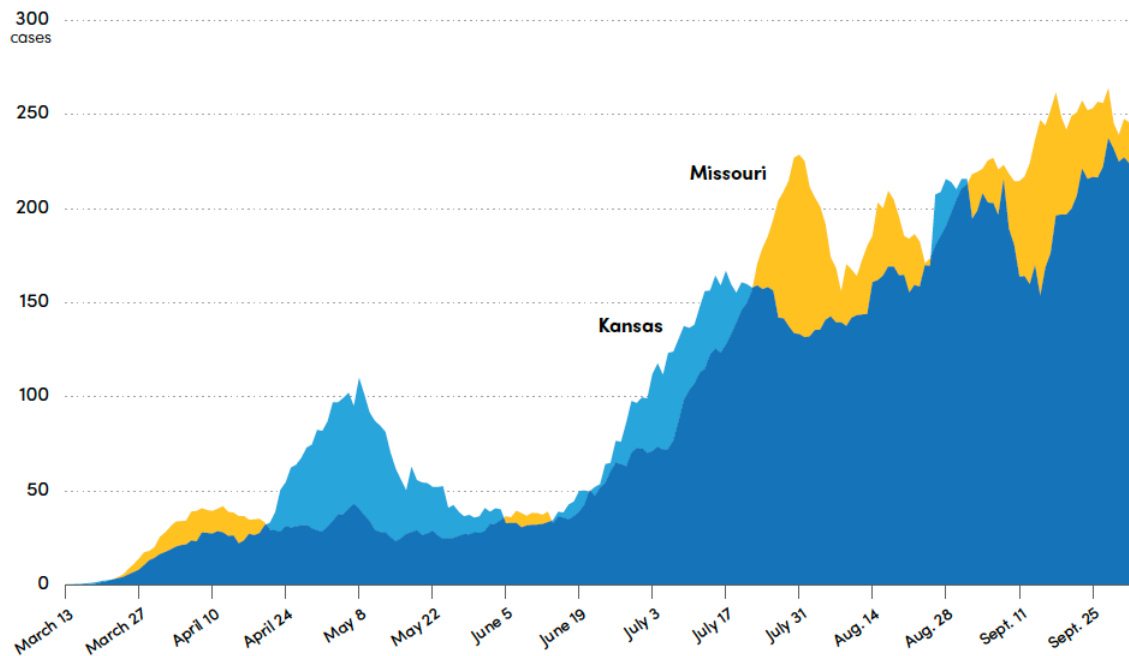
Includes confirmed and probable cases where available. 14-day change trends use 7-day averages.

- The past week we've averaged 43,586 cases per day.

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 4th

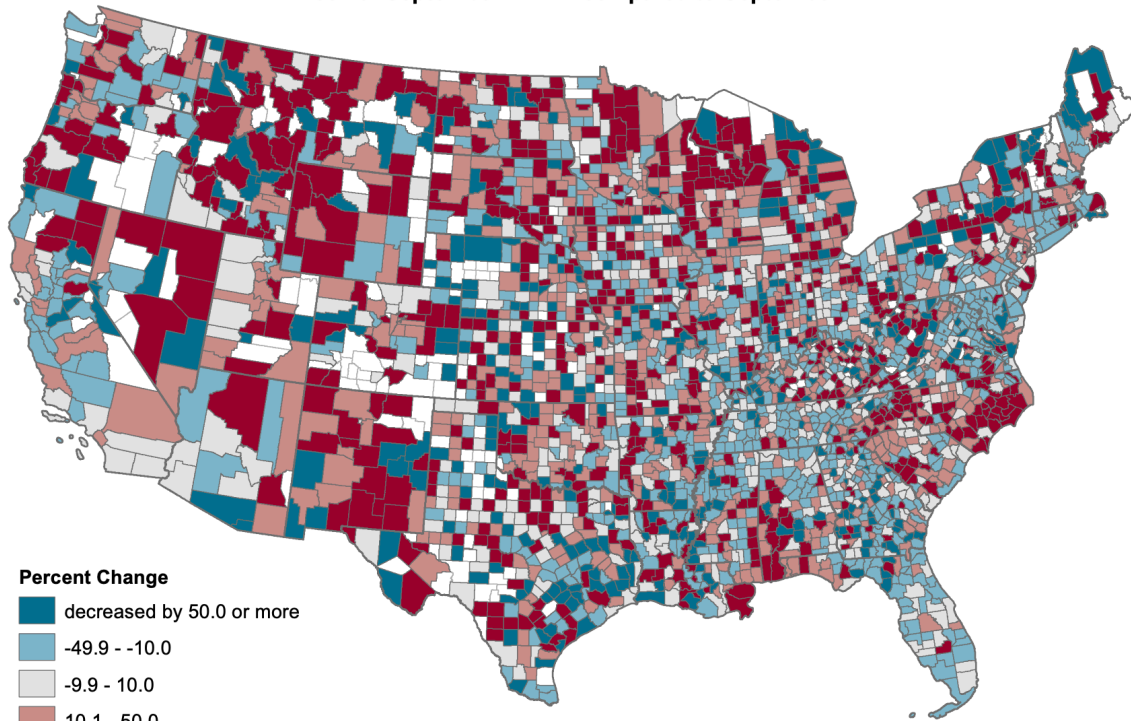


Source: Institute for Policy & Social Research, The University of Kansas; data from The New York Times.

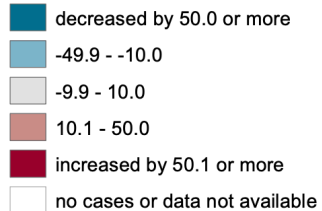
- Adjusted Kansas/Missouri Cases per million residents.
- Kansas has 4,452 cases in the past week
 - 153 cases per 100,000
- Missouri has 9,503 cases in the past week.
 - 155 cases per 100,000
 - Missouri and Kansas cases per capita converged at the end of August.

Covid Cases Concentrated in the Southeast and West

Percent Change in New Cases in the U.S., by County
Week of September 20 - 27 compared to September 13 - 20



Percent Change



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

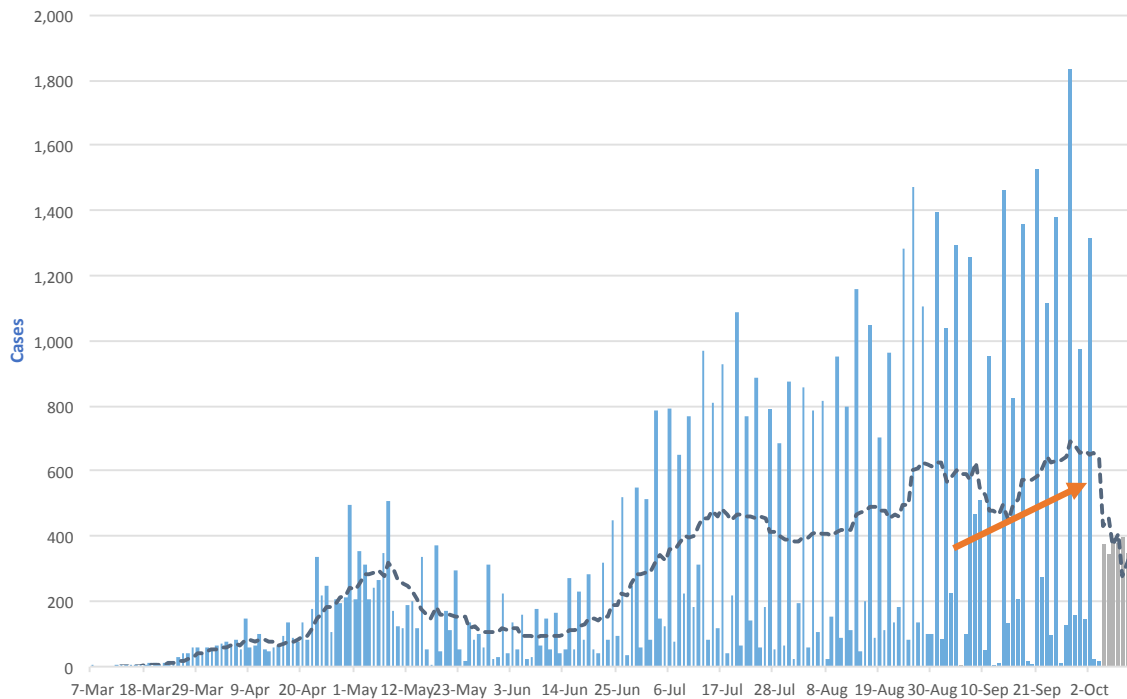
Map showing the increases in new cases by county between the weeks of September 13th and September 20th

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

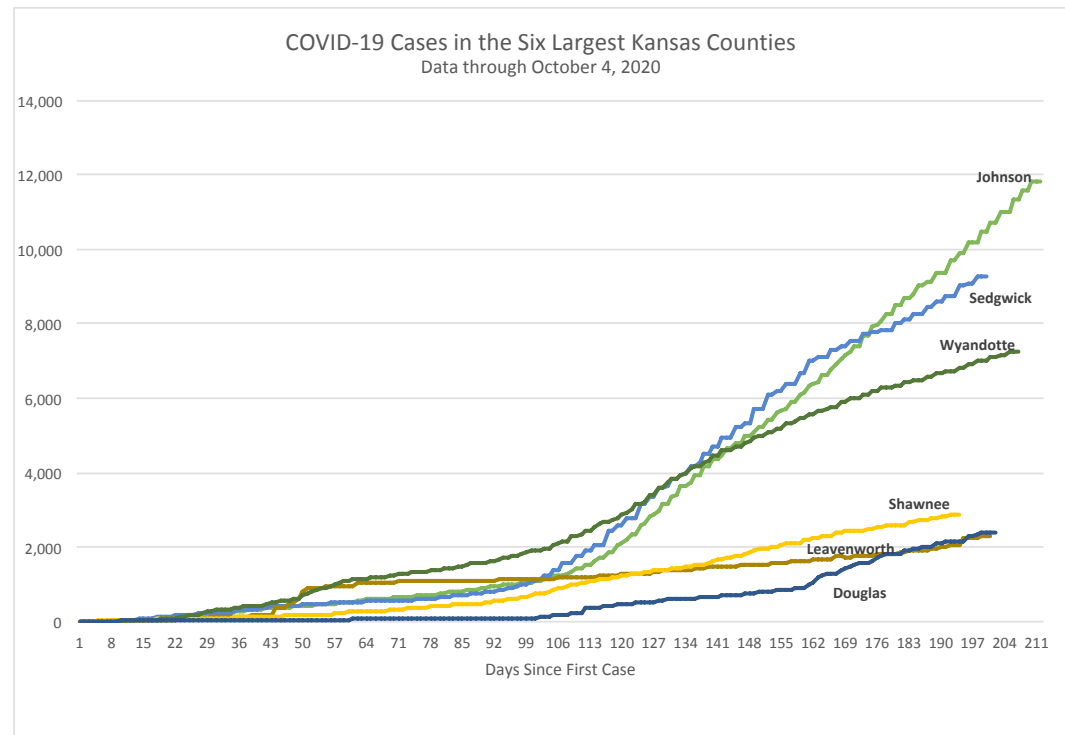
New COVID-19 Cases and 7-day Trend Line in Kansas



- 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.

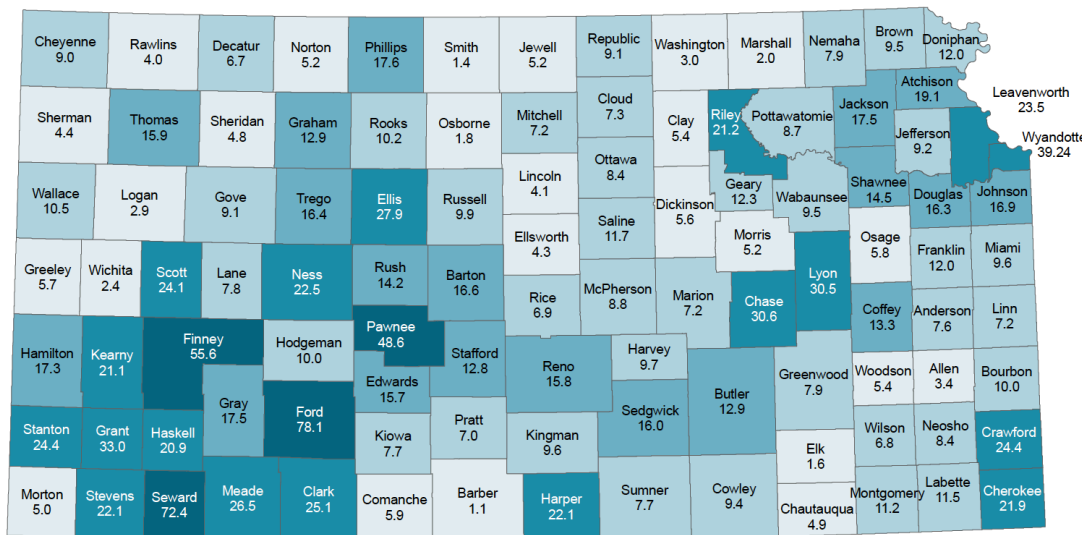
Growth in COVID-19 Cases Has Varied by County

- In the six largest counties, growth rates have varied significantly.
 - All curves are increasing.
 - Douglas county cases are 36 times higher since June 2nd.
 - Sedgwick, Johnson & Wyandotte Counties are steadily increasing.



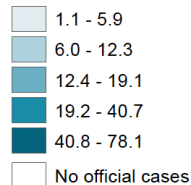
Case Rates by County

COVID-19 Cases per 1,000 People in Kansas, by County
as of September 20, 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



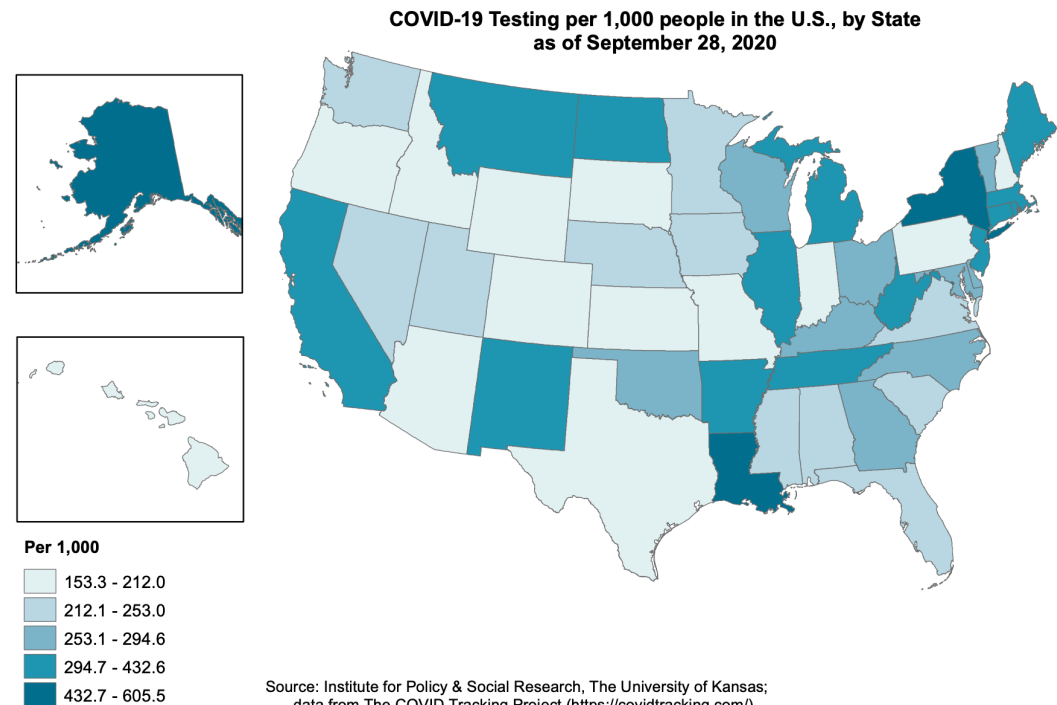
Source: New York Times & US Census Bureau

- Darker colors indicate that these counties have higher case rates:

- Ford, Seward, and Finney Counties have case rates that are > 55 per 1,000
- Douglas, Sedgwick & Johnson Counties 16-17 per 1,000
- Leavenworth & Wyandotte Counties have case rates 23-40 per 1,000

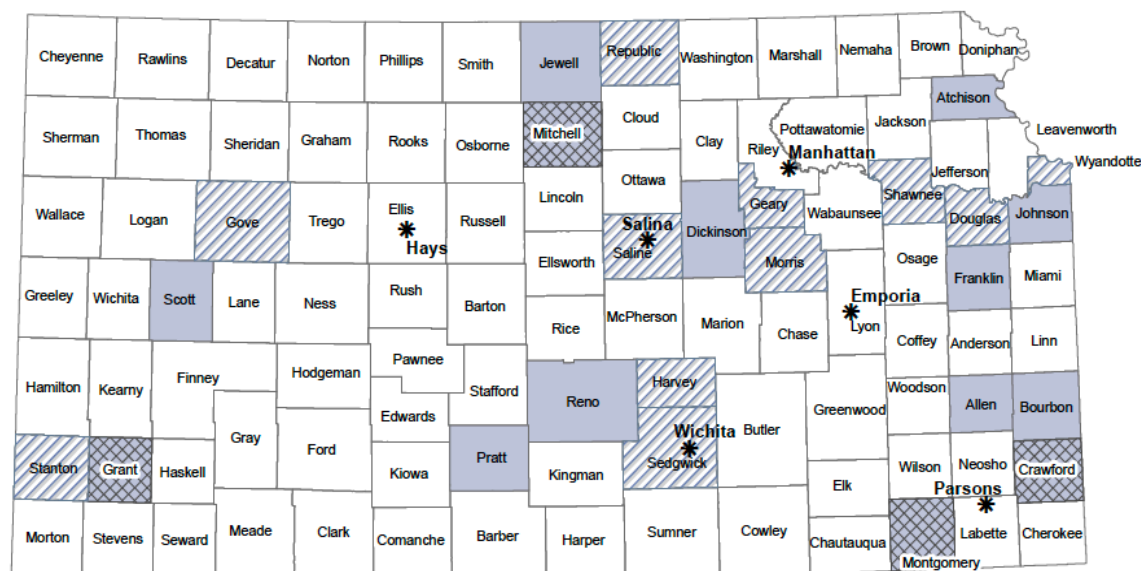
Testing Has Been Uneven Across the Country

- COVID Tracking Project data used to estimate tests per 1,000 people in each state.
 - Kansas has performed only 182 tests per 1,000 people.
 - The US average is 314 tests per 1,000.
 - 11.5% of Kansas tests are positive which is higher than the US overall average of 7.4%

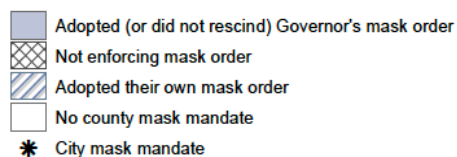


Do Masks Work?

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.



Source: IPSR

- 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
 - Wichita has a mandate but Sedgwick County does not.

Difference-in-Differences Model

	Before Change	After Change	Difference
Treatment (Masks)	Cases _{t1}	Cases _{t2}	ΔCases_t $= \text{Cases}_{t2} - \text{Cases}_{t1}$
Control (No Mask)	Cases _{c1}	Cases _{c2}	ΔCases_c $= \text{Cases}_{c2} - \text{Cases}_{c1}$
Difference			$\Delta\Delta\text{Cases}$ $\Delta\text{Cases}_t - \Delta\text{Cases}_c$

We can think of counties with a mask mandate as the treatment and counties without a mask mandate as the control. Taking the difference in the difference in cases for the treatment and control groups provides an estimate of the treatment effect of masks on cases.

Difference-in-Difference Model Estimates

- Do Covid-19 cases change at a different rate in counties that adopted a mask mandate compared to those without?
- Estimating a Difference-in-differences model, we find that cases dropped in counties with mask mandates:
 - -2.231 ($p < .001$) per 100,000 per day, starting 14 days after the mask mandate
 - -3.048 ($p < .001$) per 100,000 per day, starting 21 days after the mask mandate



COVID-19 and the US & Kansas Economies

Massive Unemployment

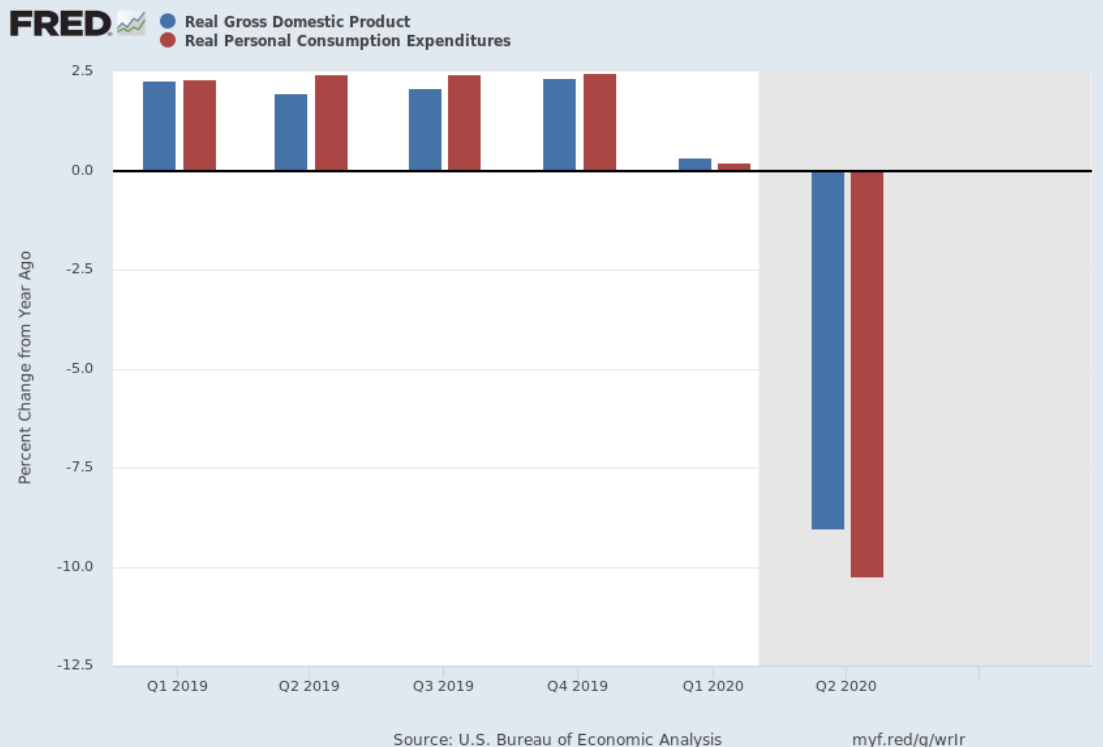
The Stock Market: January 1 – October 5th



- The Dow Jones Industrial Average peaked at 29,348 on February 12th.
 - It bottomed out on March 23rd, and has recovered to 28,141 on October 5th
 - Down about 4% since the peak
- Nasdaq is up 25% for the year.
- Market continues to be volatile.

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

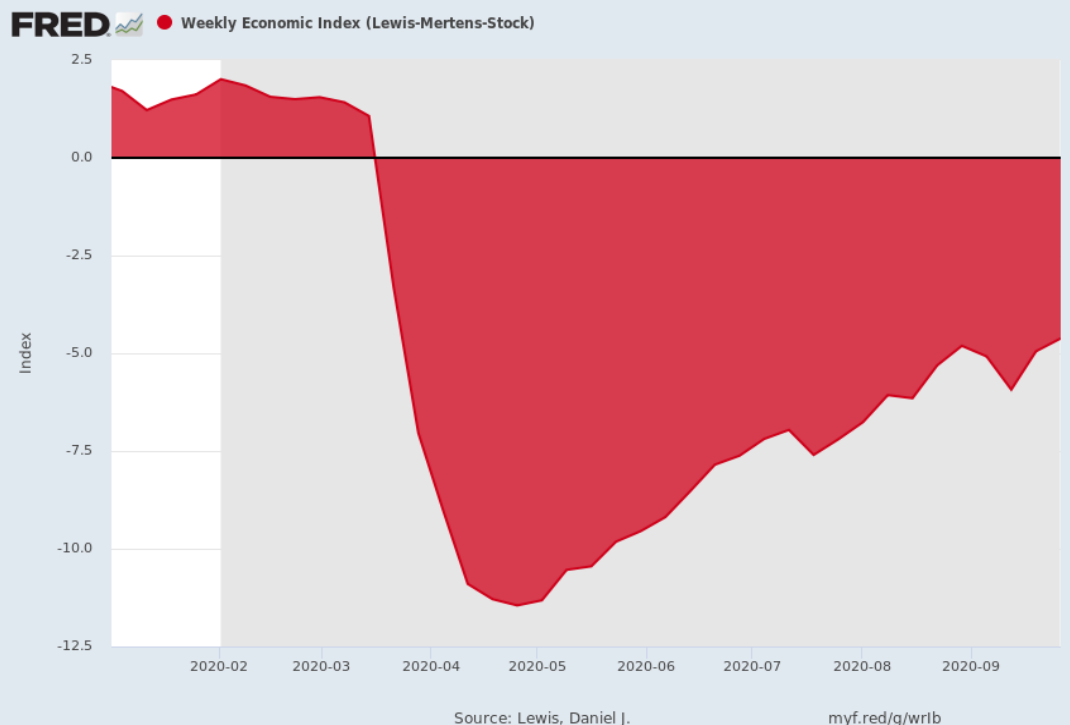
Gross Domestic Product Fell at Historic Rate



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

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

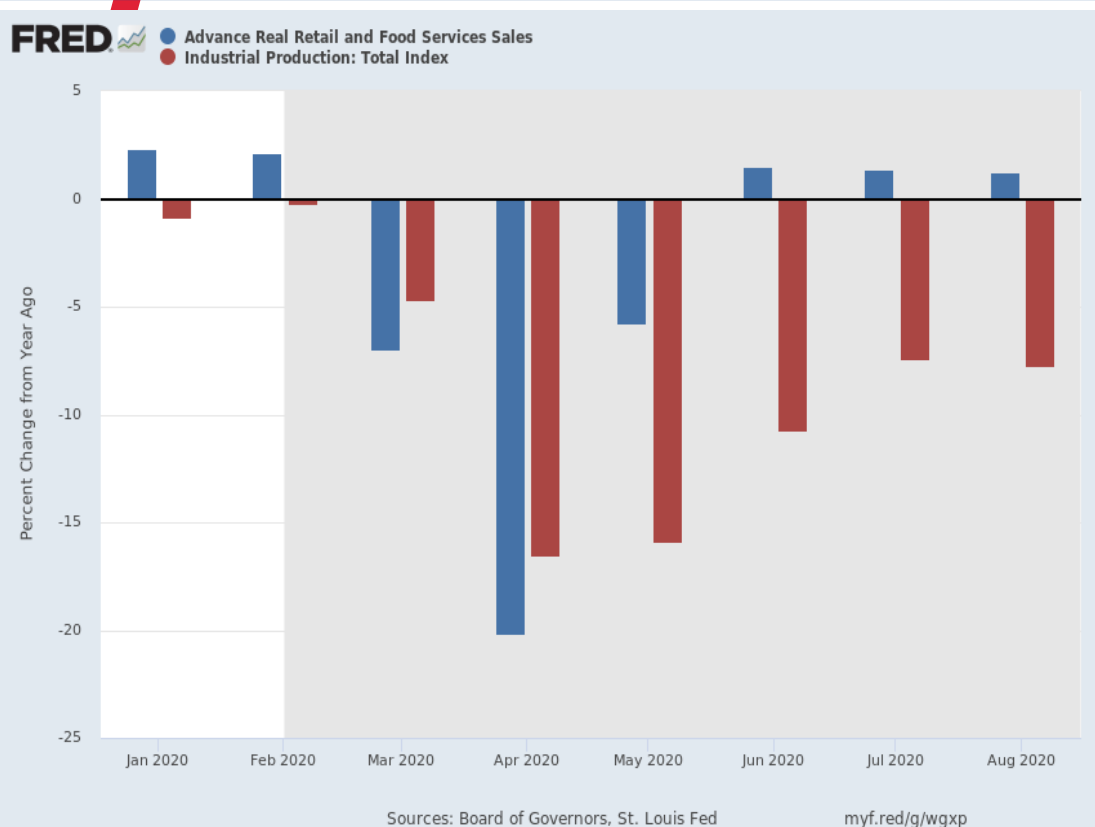
Weekly Economic Activity Index



- Lewis, Mertens & Stock have developed a Weekly Economic Activity Index that is scaled to 4th Quarter 2019 GDP growth.
 - The index has risen to -4.62%
 - This indicates that GDP for this quarter is forecast to be 4.62% lower for Q3.

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.

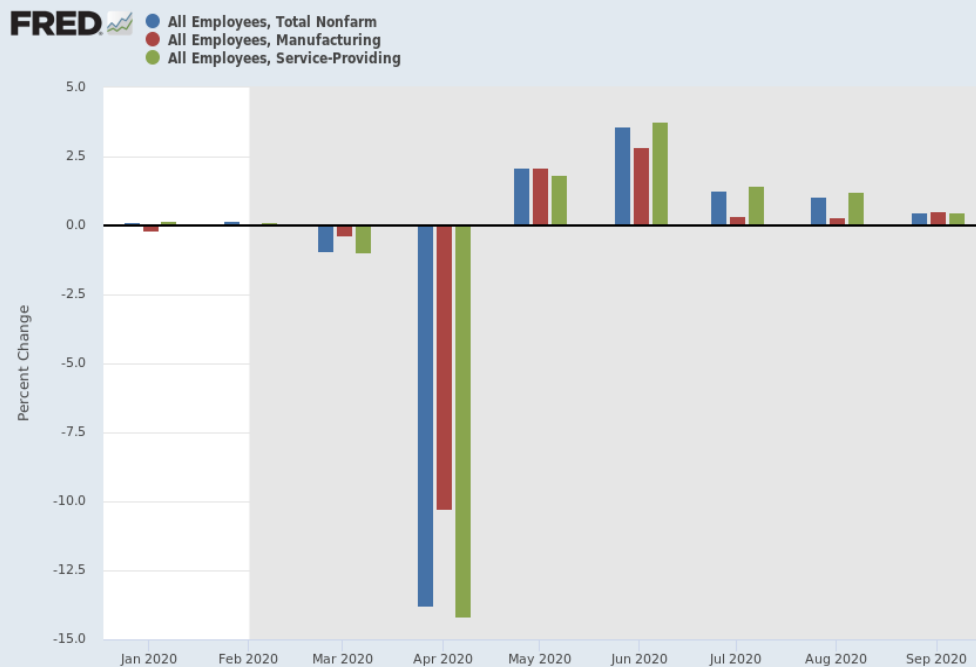
Industrial Production & Retail Sales--August



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

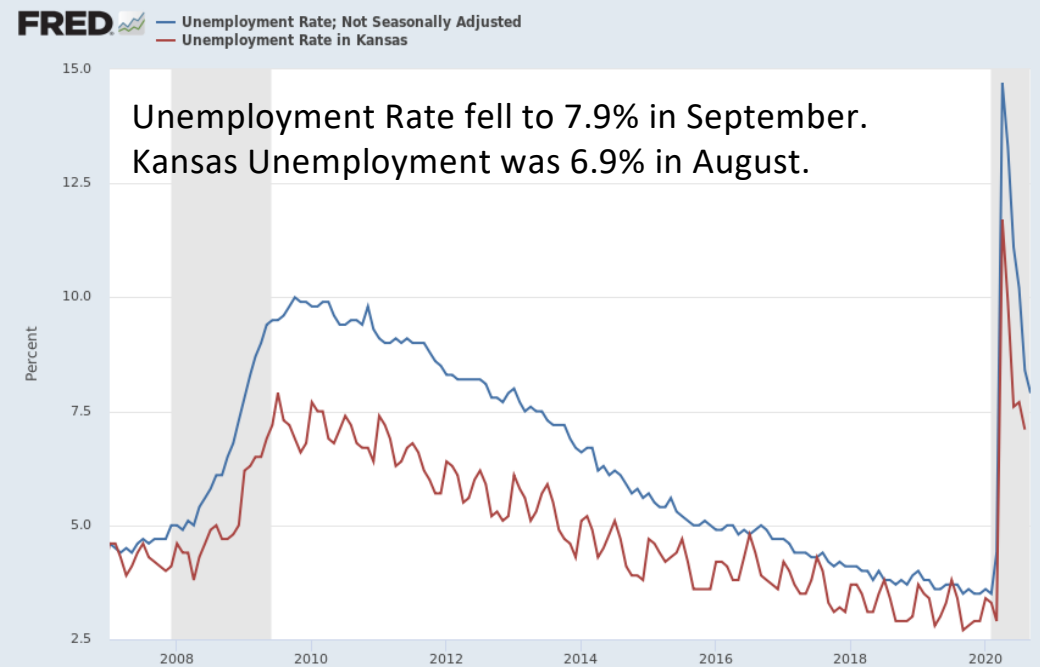
- Compared to a year ago, retail sales are up 1.2%
- Compared to a year ago, industrial production is down 7.7%
- Although sales have recovered, production has not.

Employment & Unemployment September, 2020



Source: U.S. Bureau of Labor Statistics

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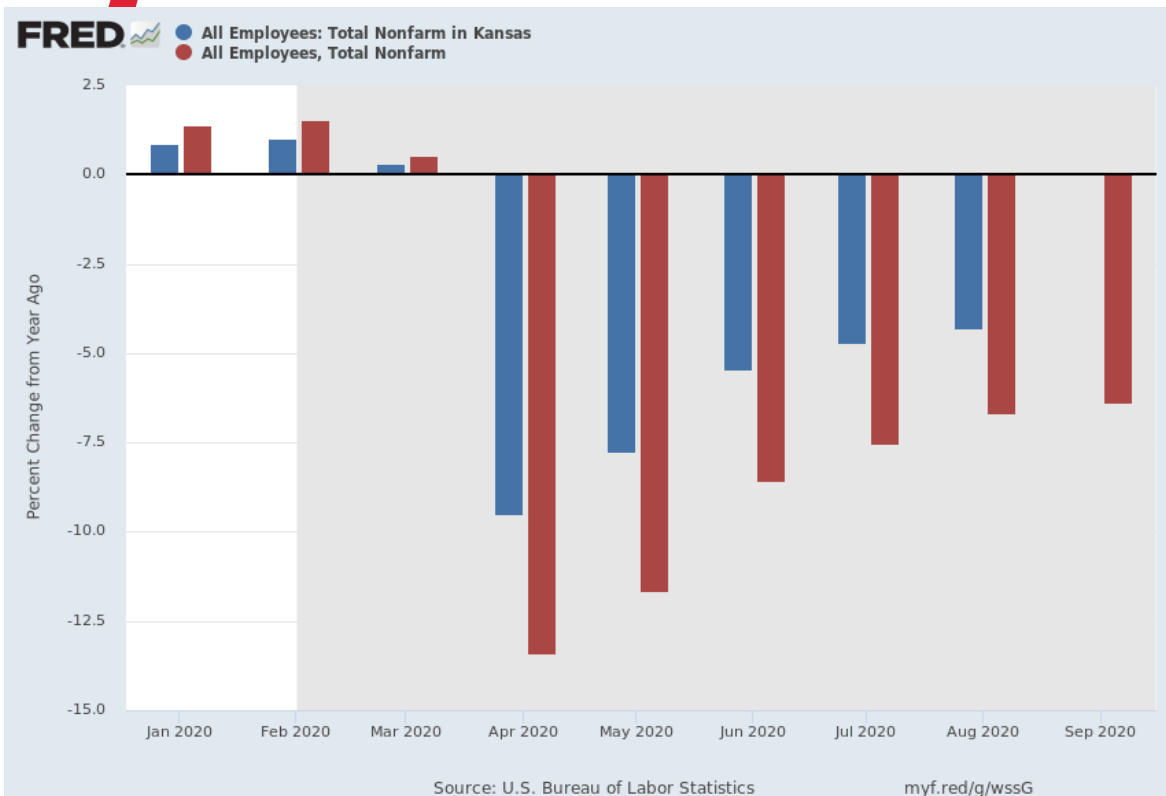


Source: U.S. Bureau of Labor Statistics

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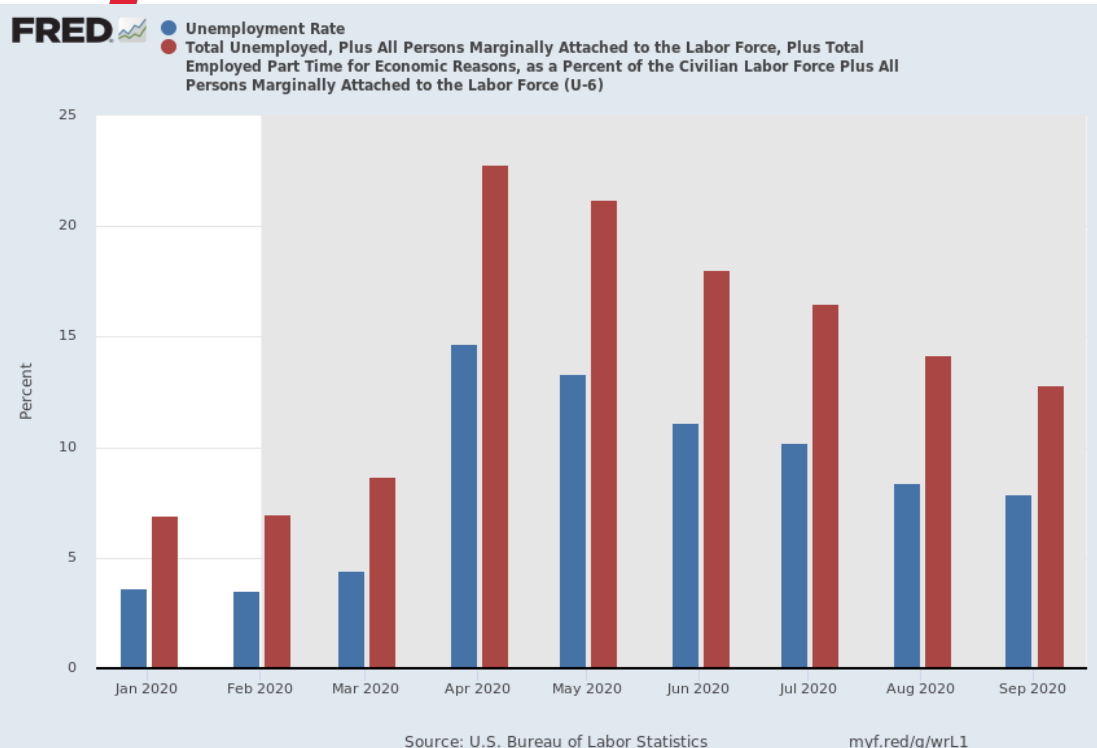
Employment rose by .5% in September,
Service Employment rose by .5%

Employment in Kansas and the US



- Kansas Employment was down 4.3% from a year ago in August.
- US Employment down 6.7% 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

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)
- https://www.bisnow.com/national/news/economy/september-2020-jobs-report-106184?utm_source=outbound_pub_6&utm_campaign=outbound_issue_42540&utm_content=outbound_link_108&utm_medium=email

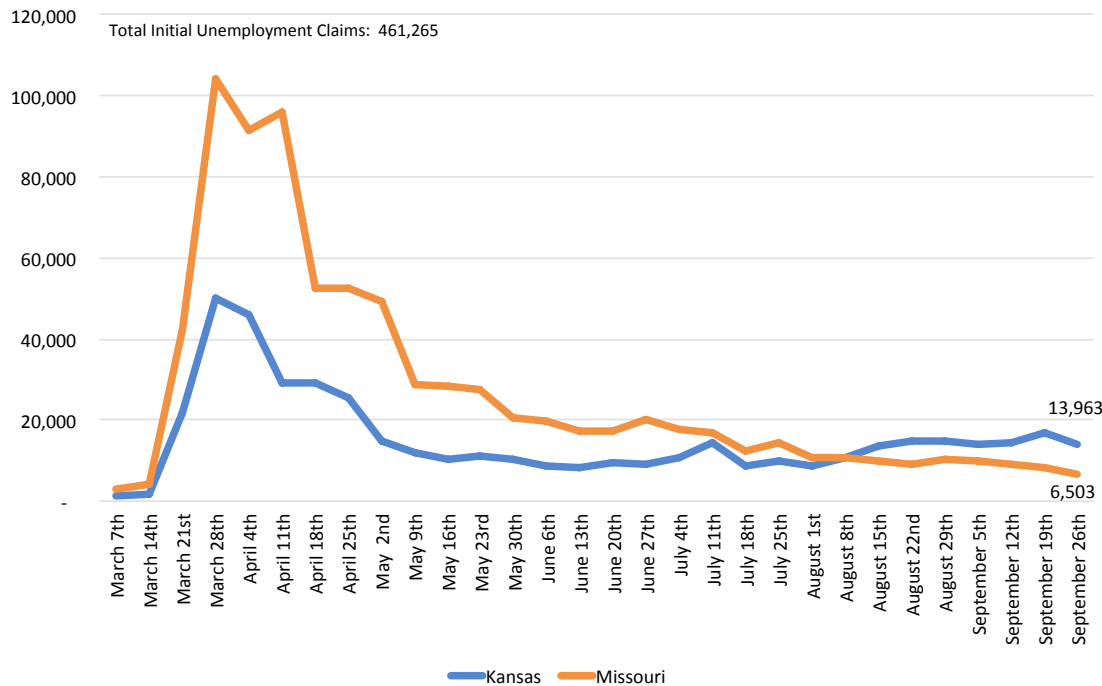
Kansas Initial Unemployment Claims by Industry as a Share of Total Employment—Data as of September 19th

Industry	Unemployment Within Industry
Government	7.8%
Health	25%
Manufacturing	62.9%
Retail	32.6%
Food	58.1%
Professional	28.2%
Administrative	43.1%
Construction	42.8%
Finance	10.2%
Transportation	27.9%
Wholesale	17.9%
Other	61.6%
Management	3.6%
Education	7.8%
Information	28.2%
Real Estate	58.7%
Entertainment	65.4%
Mining	38.7%
Utilities	6.45%

- We calculated the share of initial unemployment claims for all of March – September 19th 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 in Kansas and Missouri

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

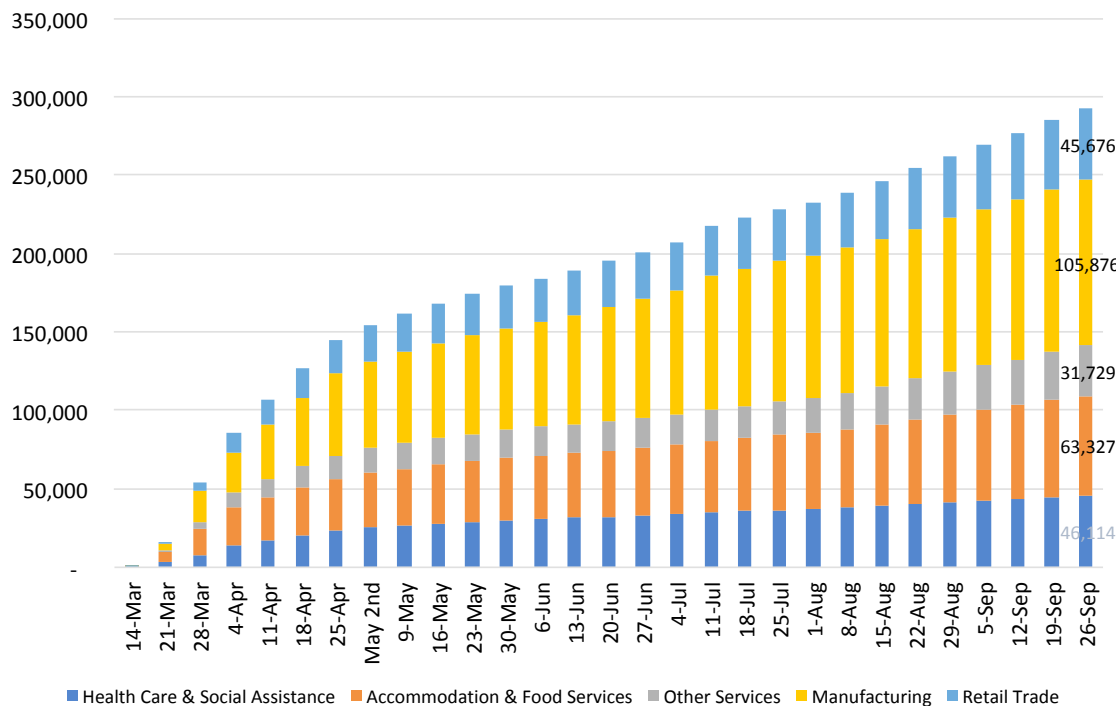


Source: Calculations using KS and MO Department of Labor Data

- 13,963 people filed an initial claim in Kansas the week of September 26th
- Since March 14th a total of 461,265 workers have filed initial unemployment claims in Kansas.
- Initial claims remain stubbornly high.
 - Data from March 14th – September 26th

Cumulative Initial Unemployment Claims by Industry

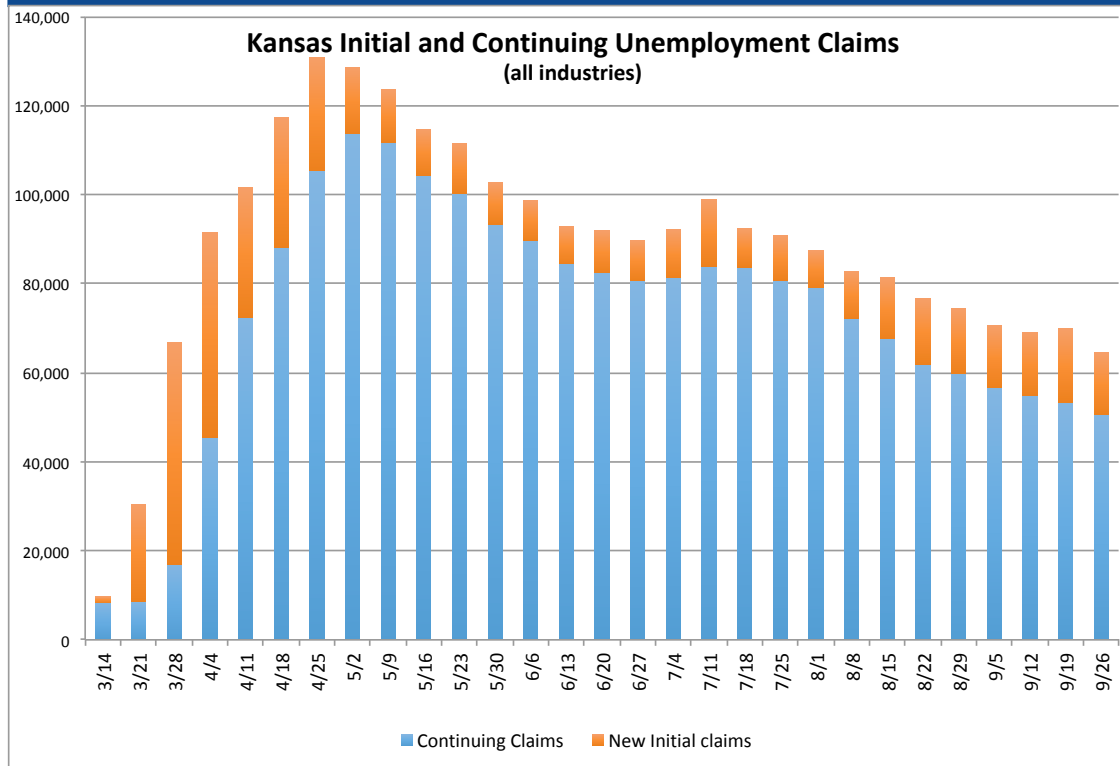
Kansas Industries with Largest Cumulative Job Losses March 14 - September 26th



Source: Calculations using KS and MO Department of Labor Data

- Industries hardest hit include:
 - Manufacturing: 105,876
 - Accommodation & Food Services: 63,327
 - Health care & Social assistance: 46,114
 - Retail Trade: 45,676
 - Other Services: 31,729
- These five industries account for 63% of people who have lost their jobs.

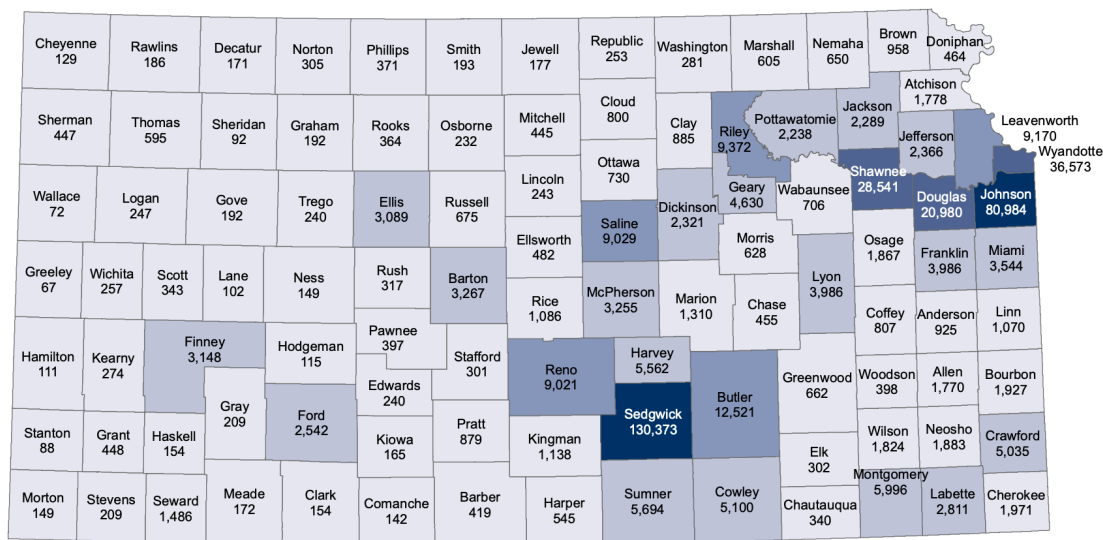
Unemployment in Kansas Remains High



- Kansas continuing + initial unemployment claims remain high
- There are 50,533 continuing claims and 13,963 new initial claims as of the week ending September 26th.
- State Unemployment ~7%

Cumulative Unemployment Claims by County

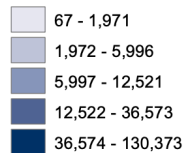
Initial Jobless Claims in Kansas, by County
March 21 - September 26, 2020



- Top 5 Counties by Cumulative Initial Claims:
 - Sedgwick 130,373
 - Johnson 80,984
 - Wyandotte 36,573
 - Shawnee 25,426
 - Douglas 20,980
- Data calculated March 21st – September 26th

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

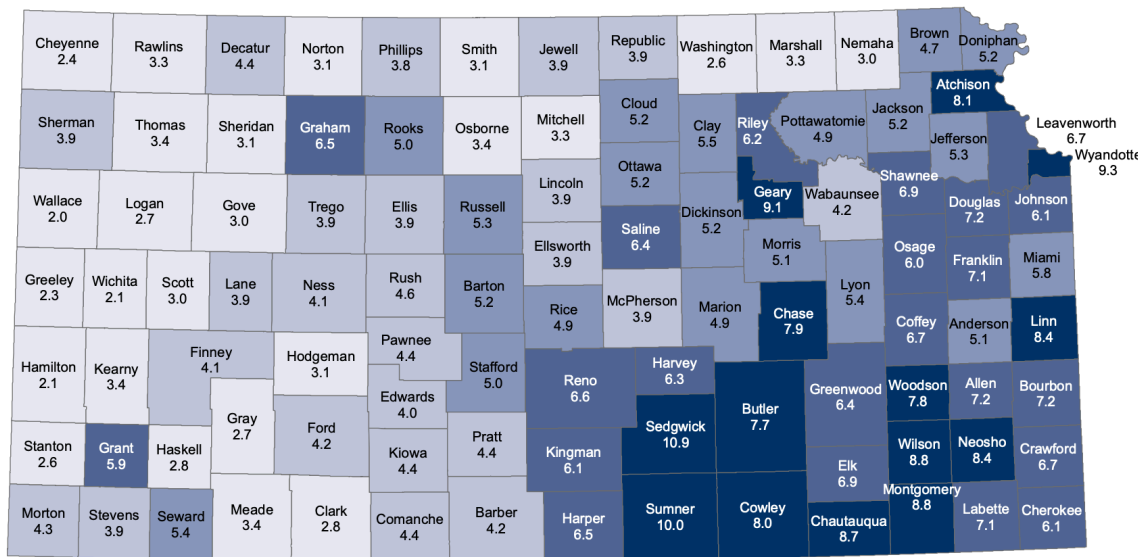
Initial Claims, March 21 - Sept 26



Source: IPSR calculations using Kansas Department of Labor Data

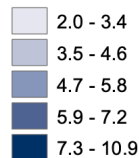
August Kansas Unemployment Rate 6.9%

Unemployment Rate in Kansas, by County
August 2020



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

Unemployment Rate

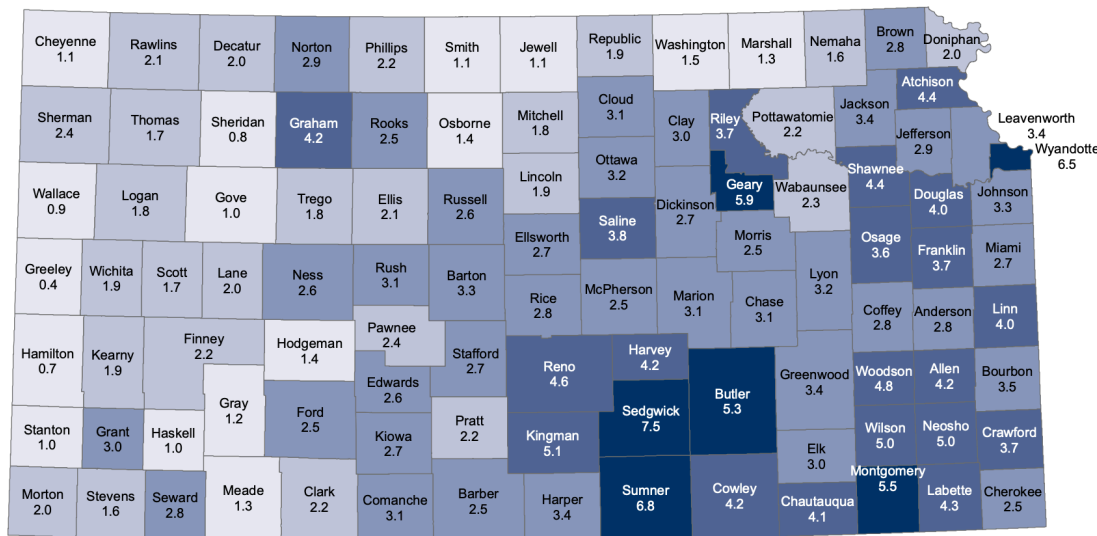


Source: IPSR calculations using Kansas Department of Labor Data

- Uneven impact across the state:
 - Sedgwick County 10.9%
 - Douglas 7.2%
 - Johnson 6.1%
 - Wyandotte 9.3%
 - Shawnee 6.9%
- Eastern half of the state is suffering

Initial + Continued Claims as a Share of Labor Force

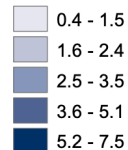
Projected Unemployment Rate in Kansas, by County
September 26, 2020



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 September 26th and preliminary, not seasonally adjusted, civilian labor force for August 2020.

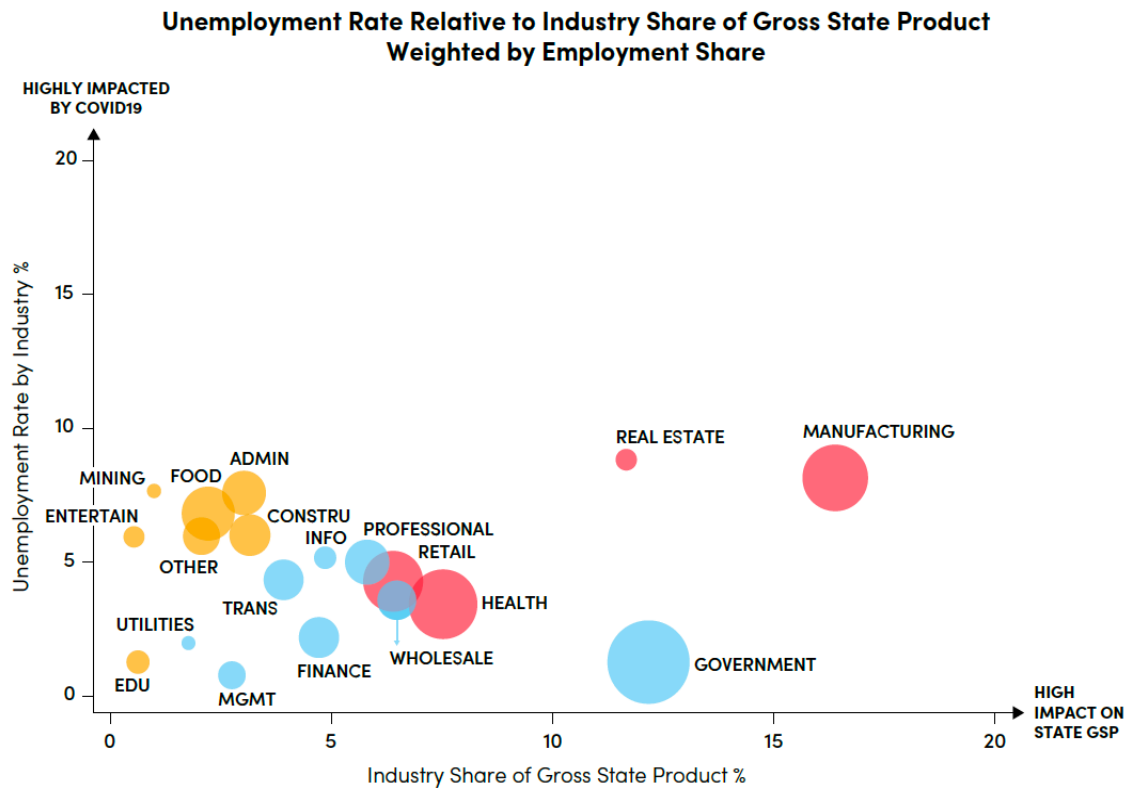
Projected Unemployment Rate



- Top 5 counties by unemployment rate:
 - Sedgwick 7.5%
 - Sumner 6.8%
 - Wyandotte 6.5%
 - Geary 5.9%
 - Wilson 5%
- 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

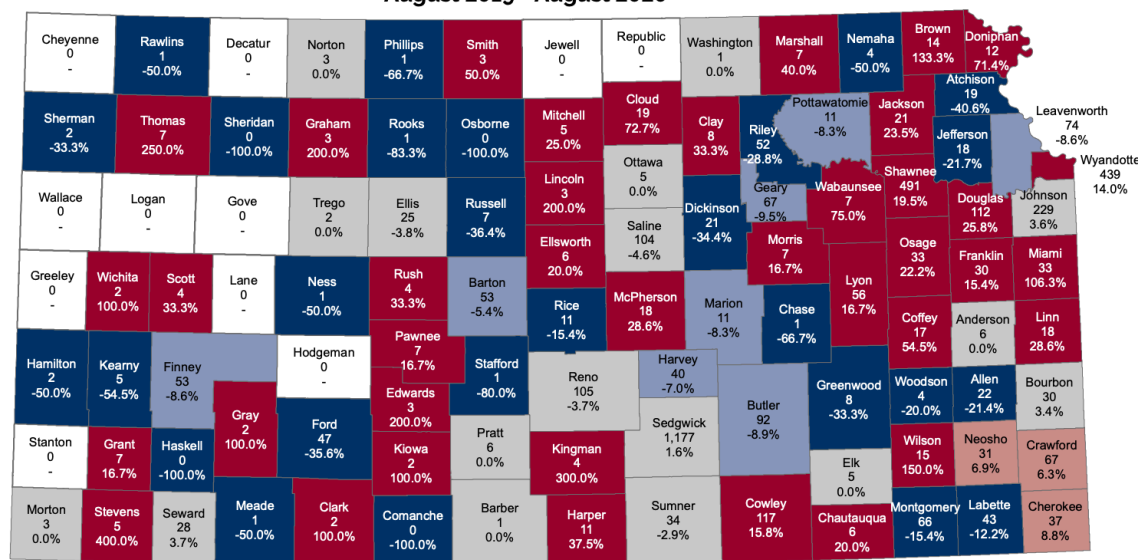


Source: Author's calculations.

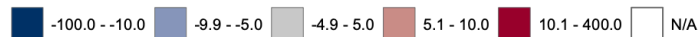
- Sectors that contribute most to Kansas growth with above average unemployment:
 - Manufacturing 8.2% UE & 16% of GSP
 - Health Services 3.5% UE & 7.5% of GSP
 - Health has improved a lot.
 - Retail 4.3% UE & 6.4% of GSP

Demand for Social Assistance has Increased

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



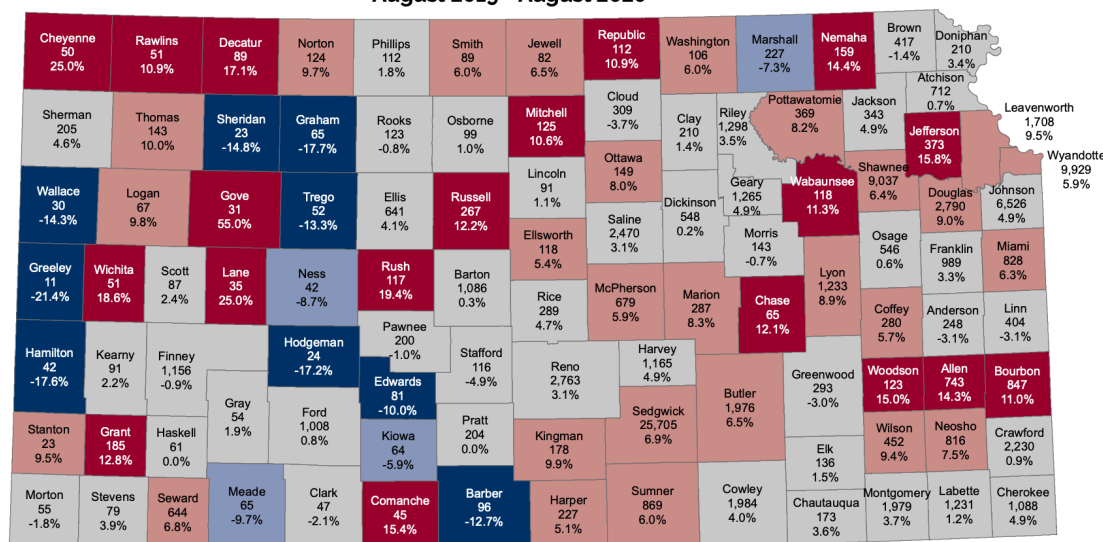
County Name
TANF Households (August 2020)
Percent Change from August 2019



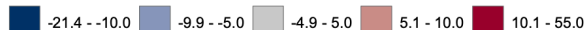
- Percent change in households receiving TANF by county, August 2019 – August 2020
- Dark red counties indicate an increase of 10% or more
 - Caseloads have increased by 19.5% in Shawnee County & 3.6% in Johnson County

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



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



- 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.



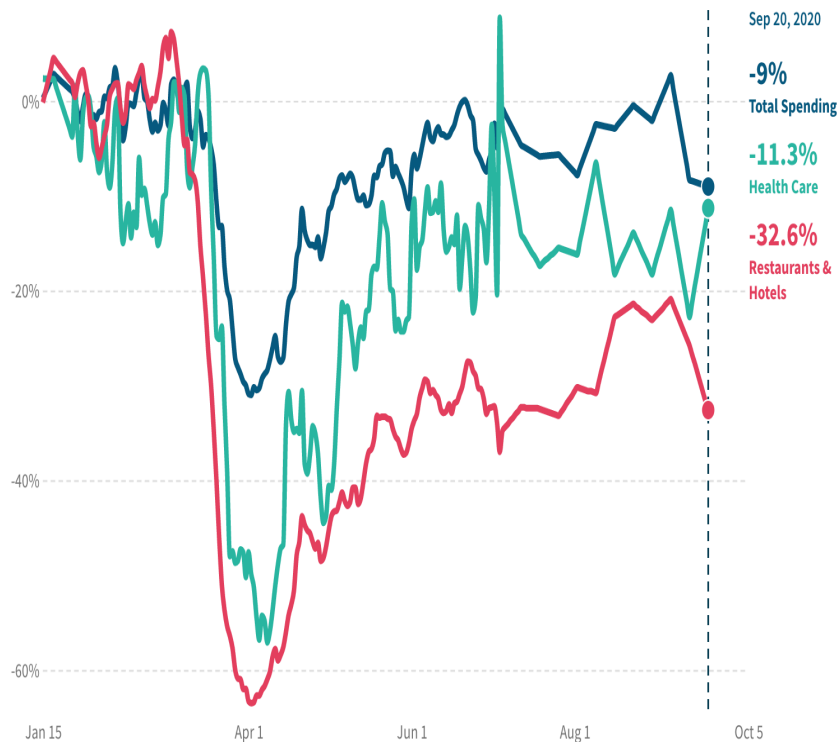
How Does Kansas Compare?

Kansas is doing better than other states

Kansas Consumption has Rebounded since April

In **Kansas**, as of September 20 2020, total spending by all consumers decreased by **9%** compared to January 2020.

DOWNLOAD CHART



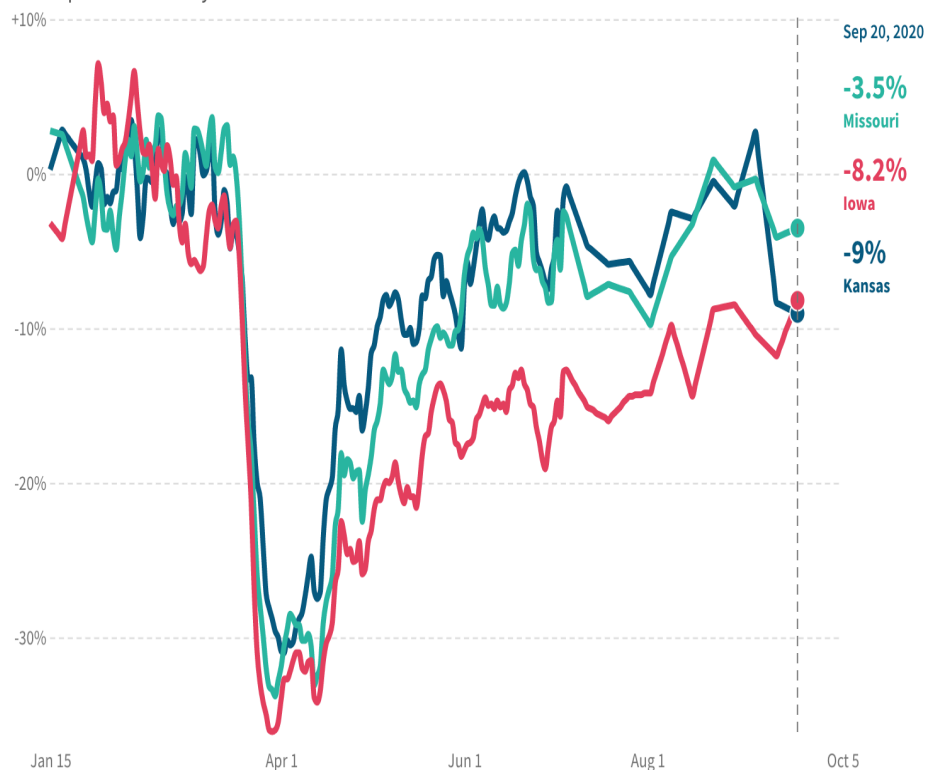
- Total consumption spending in Kansas fell by over 50% between January and April 1st.
 - It is still down 9% since the first of the year.
 - US consumption is down -3.8%
- Two hard-hit sectors:
 - Restaurants –32.6% (-27.7% in US)
 - Healthcare down 11.3% (-12.2% in US)

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

Kansas Consumption has not held up Well Compared to other States

In **Kansas**, as of September 20 2020, total spending by all consumers decreased by **9%** compared to January 2020.

DOWNLOAD CHART 



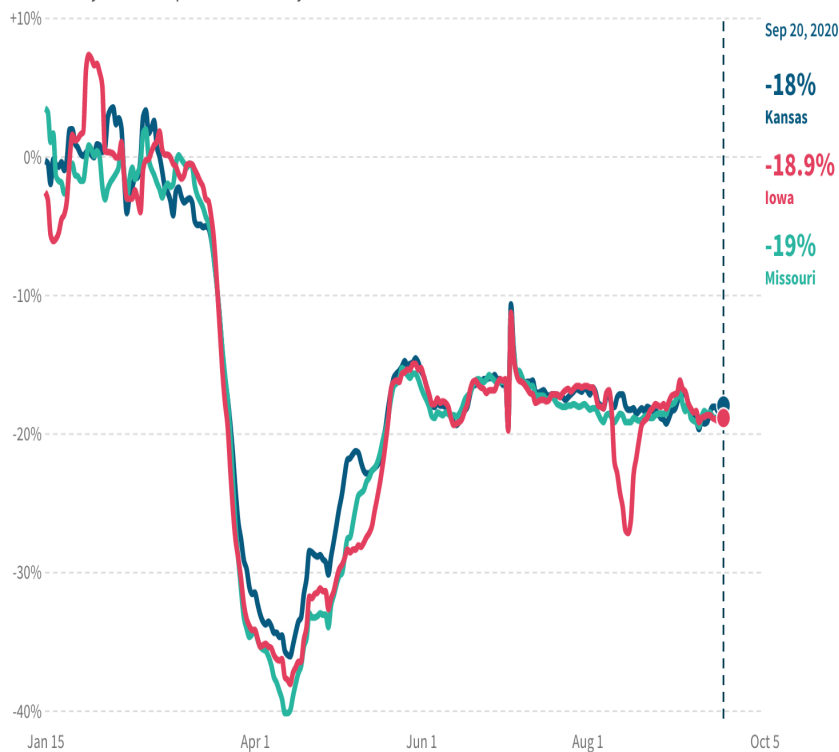
- Kansas consumption expenditures are somewhat worse than Iowa's and much worse than Missouri's.
 - Kansas had more restrictions than either Missouri or Iowa.
 - Missouri down -3.5%
 - Iowa down -8.2%

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

Kansas Small Businesses are More Likely to be Open

In **Kansas**, as of September 20 2020, the number of small businesses open decreased by **18%** compared to January 2020.

DOWNLOAD CHART

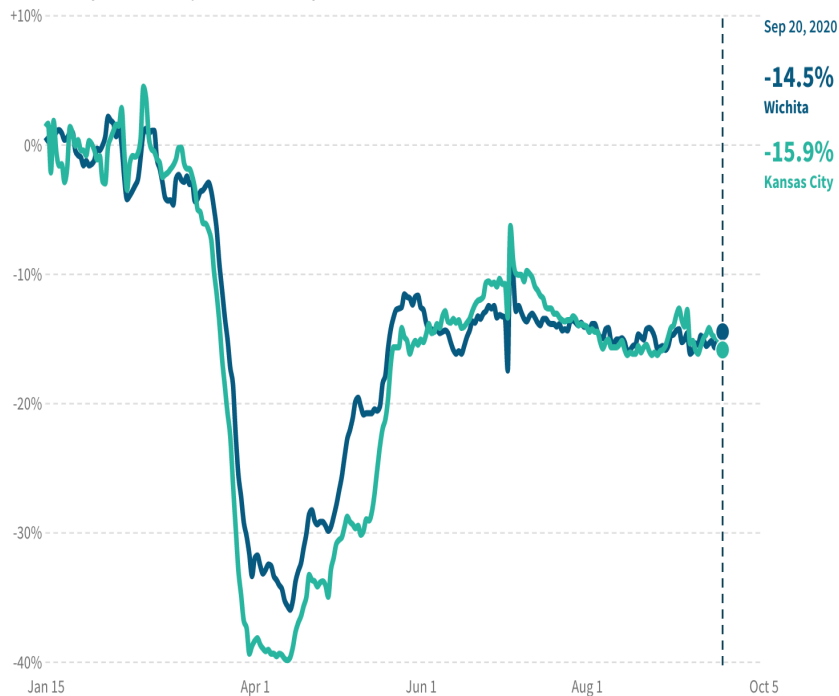


- The number of small businesses open in Kansas has fallen by 18% since January.
 - In the US, the number is -24.2%
 - Kansas is doing slightly better than Missouri -19%
 - and Iowa -18.9%
- At its worst, 25% of Kansas small businesses were closed.

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

Kansas City & Wichita Businesses Have Rebounded to State Average

In **Wichita**, as of September 20 2020, the number of small businesses open decreased by **14.5%** compared to January 2020.

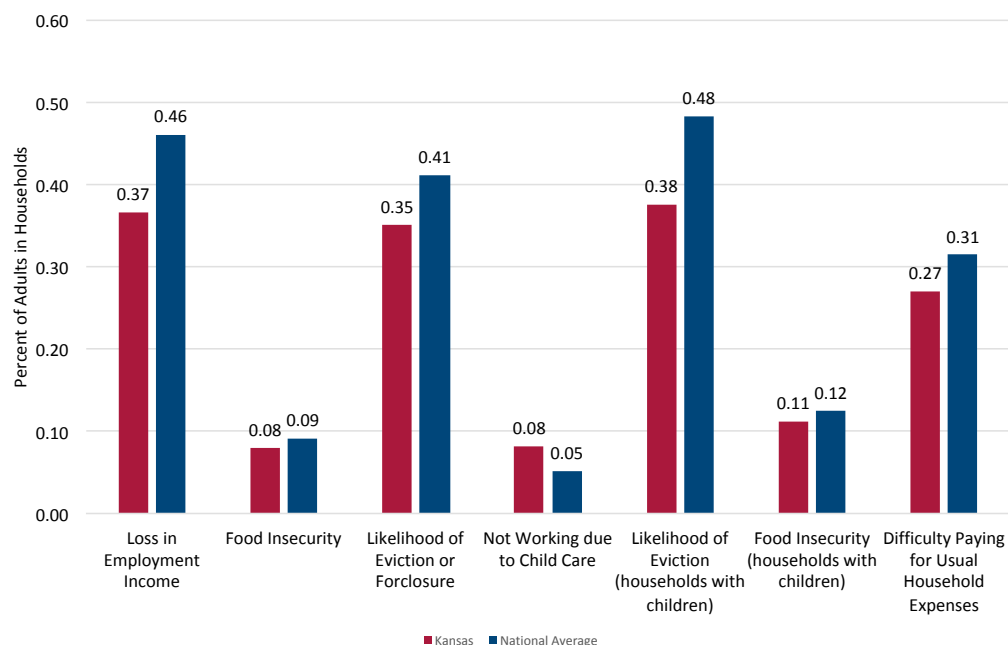


- The number of small businesses open in Kansas has fallen by 18% since January.
 - Kansas City has a drop of -15.9% of small businesses that are open.
 - -14.5.% in Wichita

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

Kansas and US Household Comparison

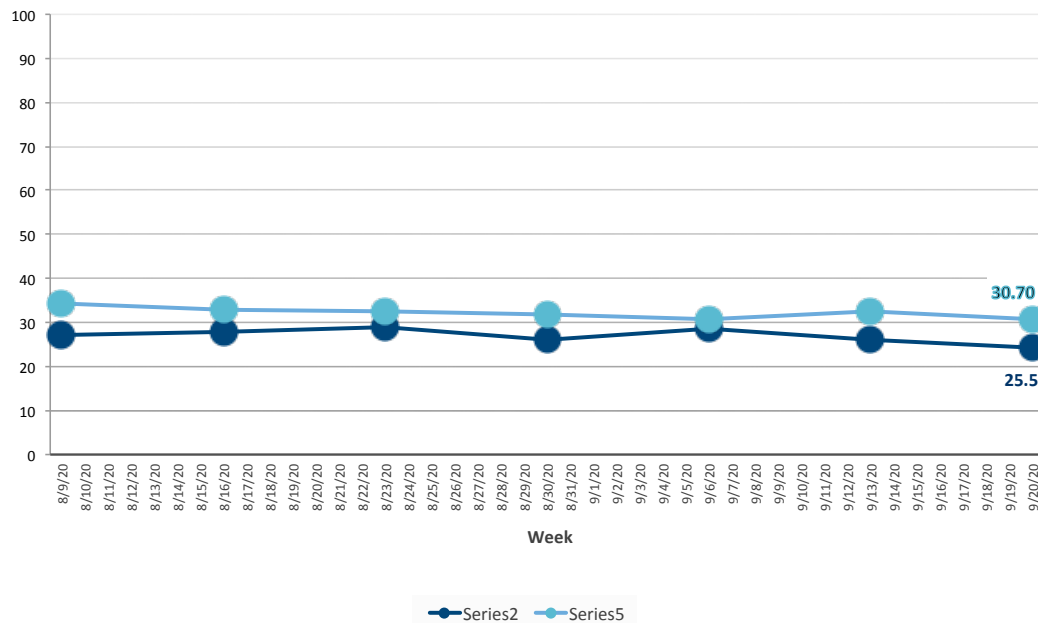
US Census Household Pulse Survey



- 37% of households faced loss in Employment income in the week of September 2nd-14th
 - 38% of households with children report likely or somewhat likely eviction
 - 11% of households with children are food insecure

Small Business Pulse Data

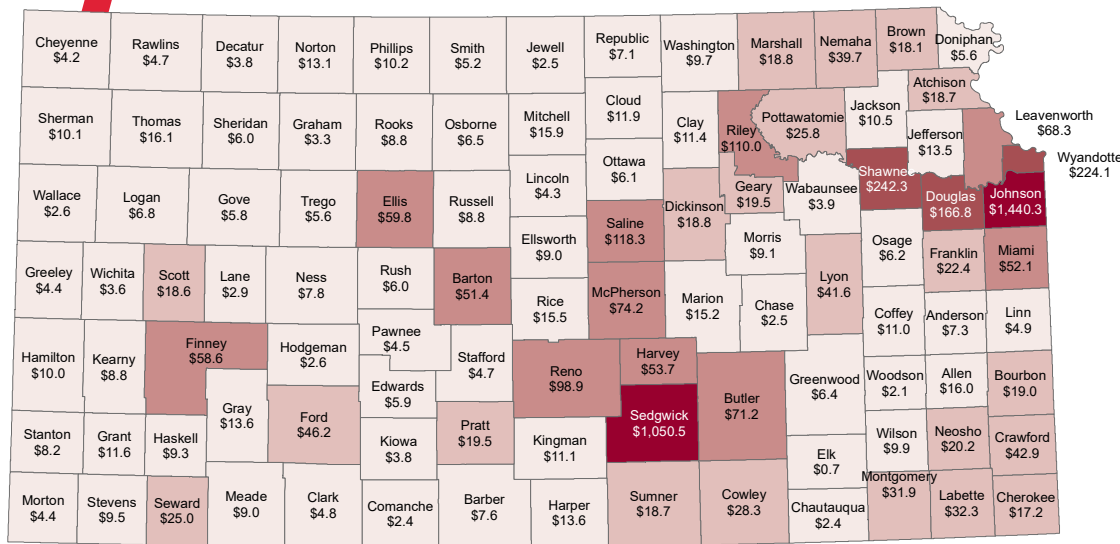
Share of Small Businesses Reporting a Large Negative Impact as a Result of the Covid-19 Pandemic



- Dark Blue: Kansas small businesses
- Light Blue: US small businesses
- 25.5% of Kansas small businesses reported a large negative impact from the pandemic in the most recent week

Payroll Protection Program Loans by County

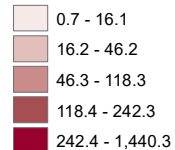
Estimated Amount of PPP Loans in Kansas, by County,
as of June 30, 2020



- 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)

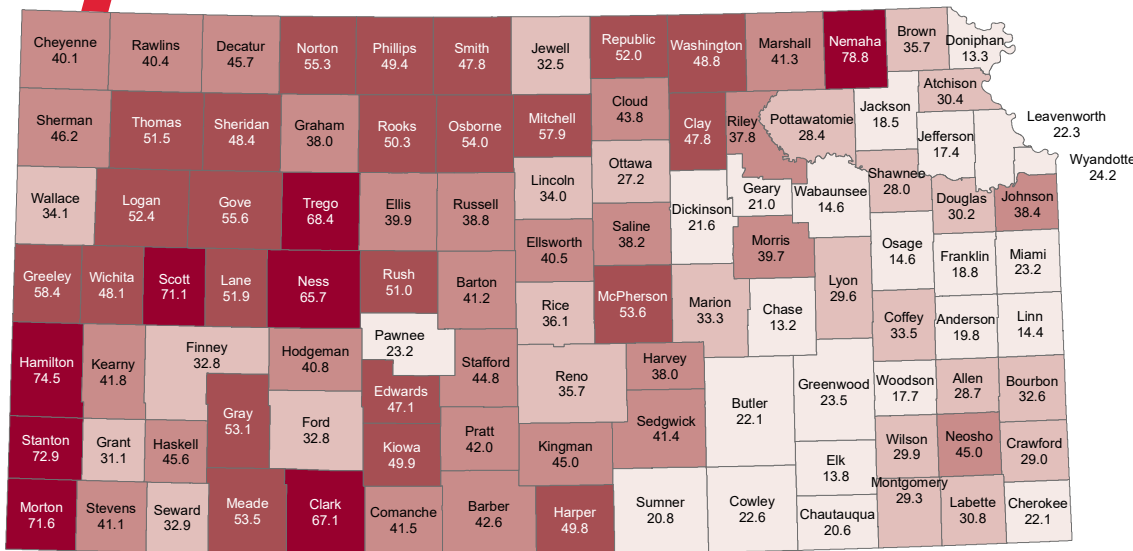


Kansas Total:

\$4,996.1 million
51,872 loans

Jobs Retained with PPP Loans

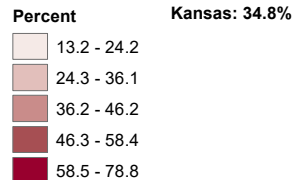
Jobs Retained with PPP Loans as a Percentage of Civilian Labor Force in Kansas, by County, as of June 30, 2020



- 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.





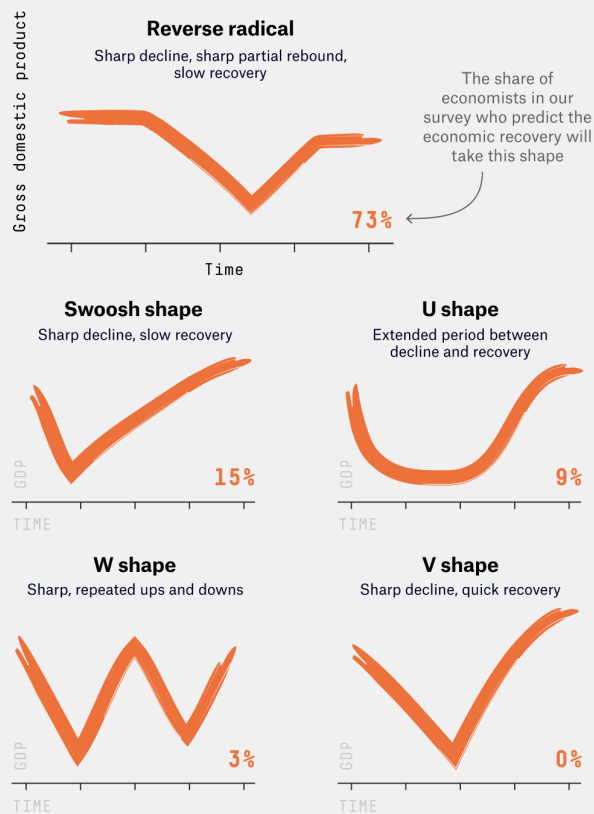
What's the Latest Letter for the Economic Recovery?

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



FiveThirtyEight

SOURCE: FIVETHIRTYEIGHT/IGM COVID-19 ECONOMIC OUTLOOK SURVEY

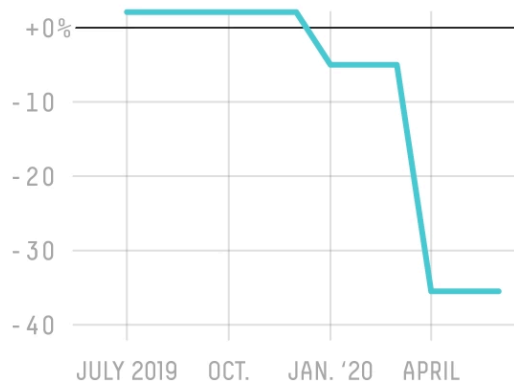
- In June, Fivethirtyeight.com interviewed top macroeconomists about the recovery.
- 73% of economists expect a reverse radical recovery:
 - Sharp-partial recovery with prolonged lower level.
- Now economists are talking about K-shaped recovery

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

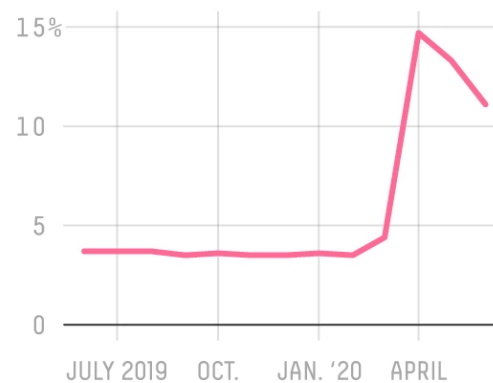
What Indicators Do Economists Watch?

A snapshot of the recovery, three ways

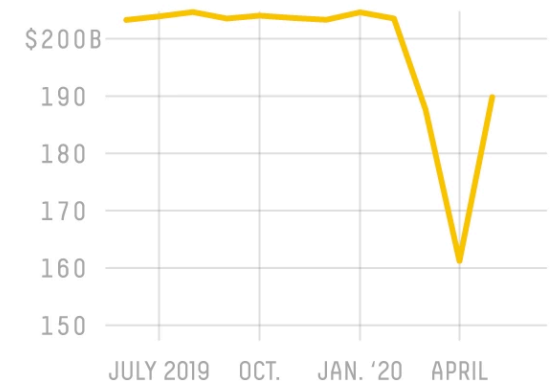
Annualized real GDP growth by quarter



Monthly unemployment rate



Advance real retail and food services sales



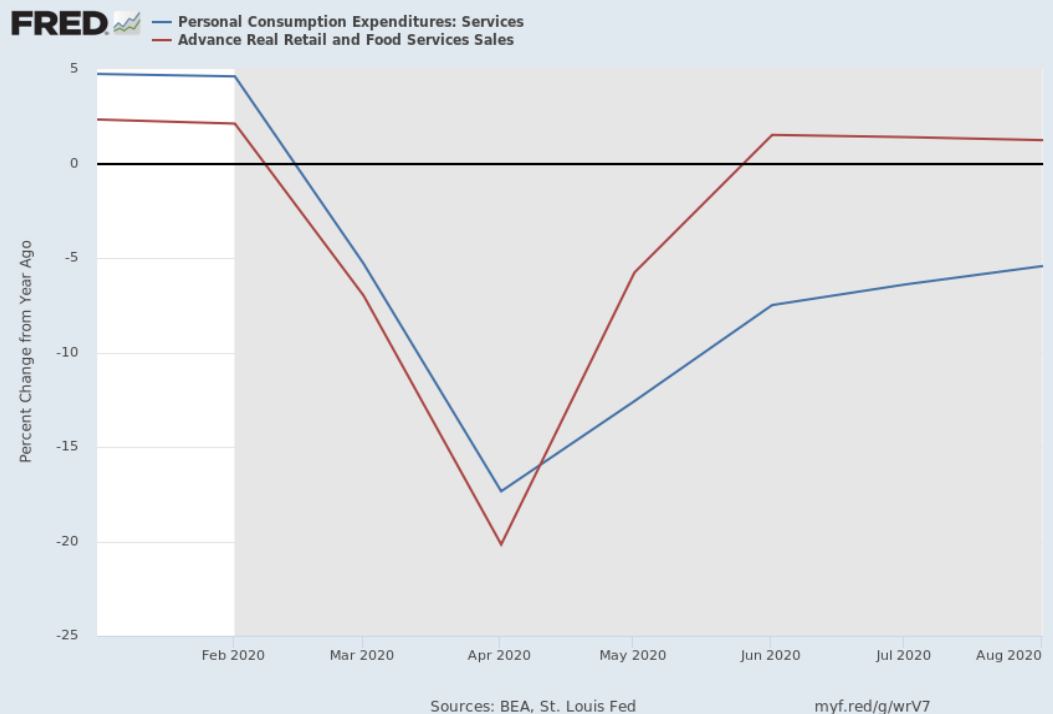
FiveThirtyEight

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

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

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

Consumption January – August, 2020

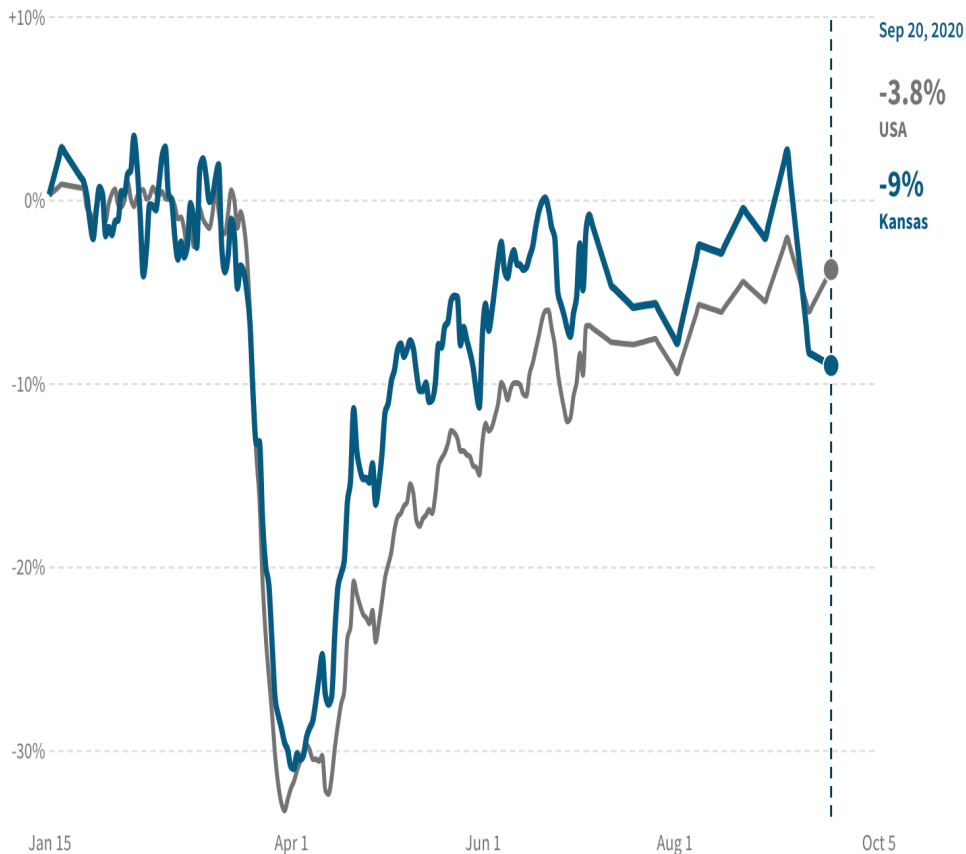


- Consumption is 2/3rds of GDP
 - 60% of consumption is services (blue line)
 - Swoosh or reverse radical recovery
 - 40% of consumption is goods (red line)
 - V-shaped, partly driven by groceries.

Source: FRED

In **Kansas**, as of September 20 2020, total spending by all consumers decreased by **9%** compared to January 2020.

DOWNLOAD CHART 

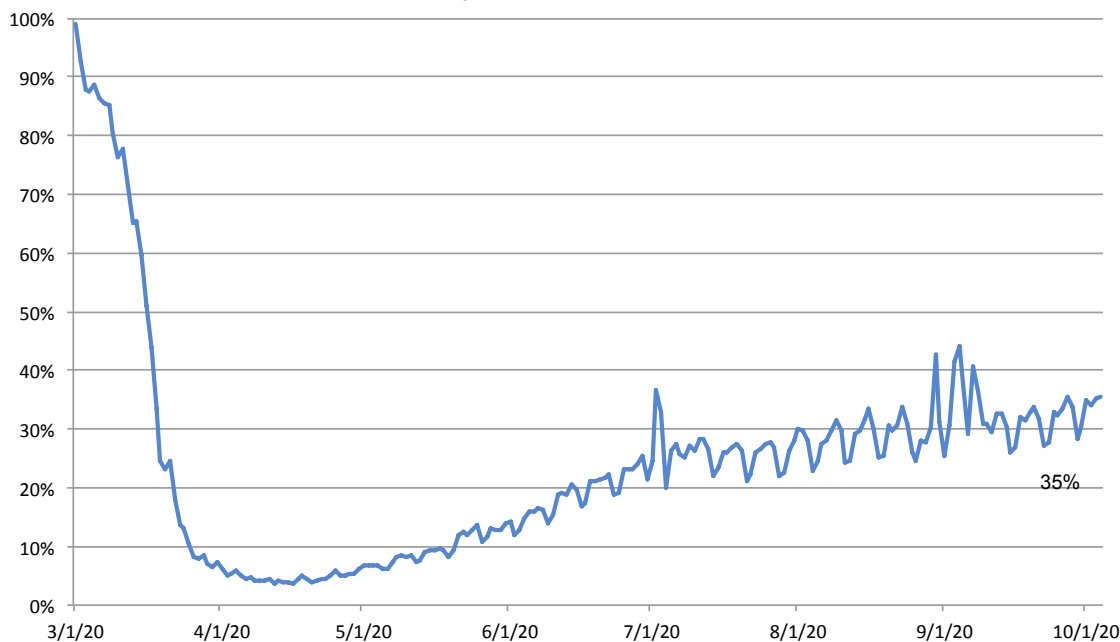


Real-Time Data on Consumer Spending

- Consumer Spending in the US is down 3.8% and in Kansas down 9%.
 - 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

Daily TSA Checkpoint Travel Numbers as a Percentage of the Same Day in 2019, March - October 2020

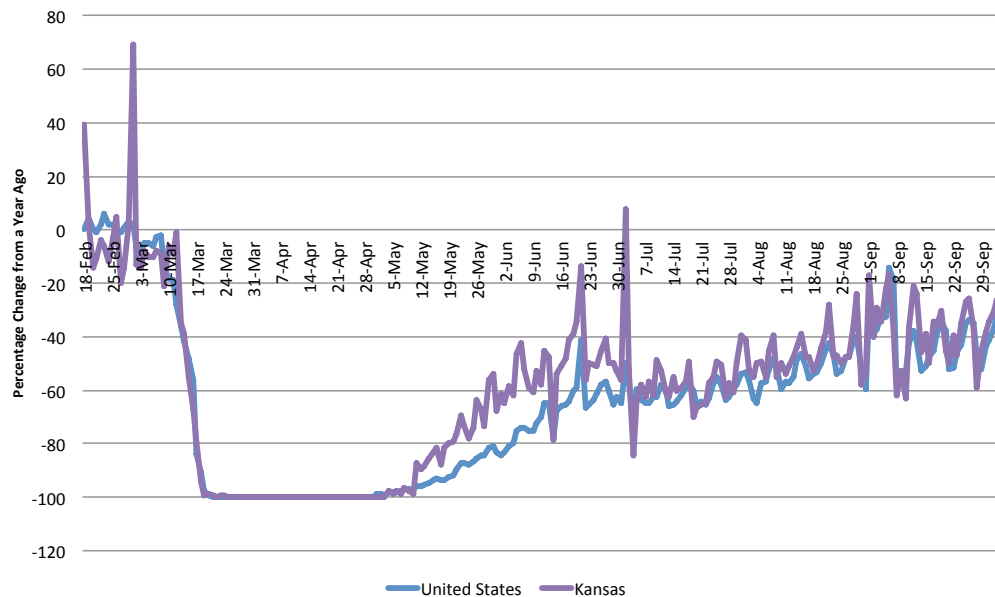


- Air travel plummeted in March and April.
- It has slowly trended upward since May
- As of this week, it's only ~30% of the number of passengers as a year ago.
 - L-shaped

Source: TSA <https://www.tsa.gov/coronavirus/passenger-throughput>

Open Table Diners Compared to the Previous Year

Open Table Percentage Change in Seated Diners from a Year Ago,
United States and Kansas, February - October, 2020

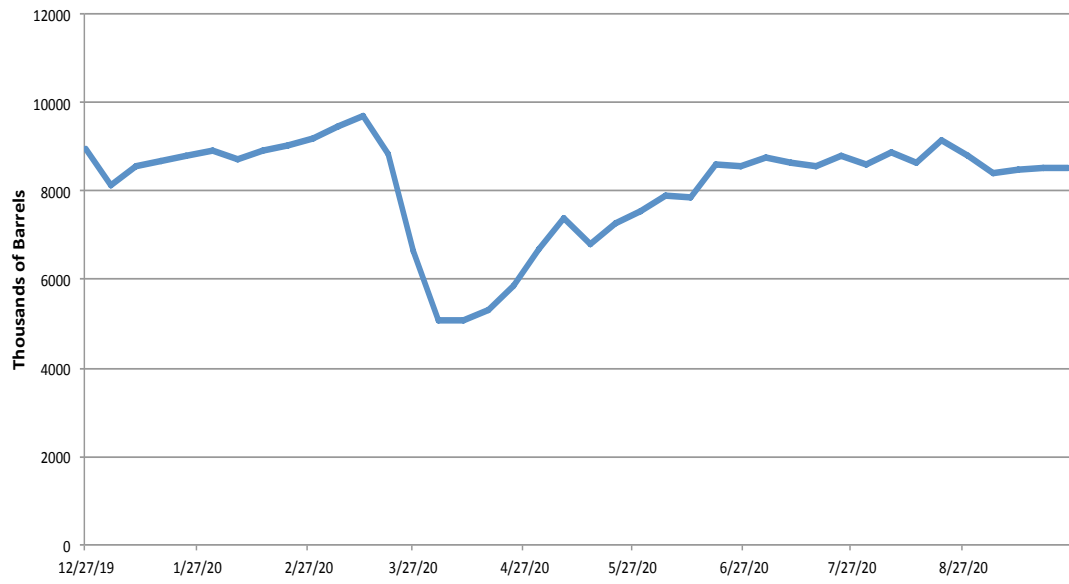


- Eating Out is down 34.6% compared to a year ago.
- Kansans were more likely to eat out after May than in the US as a whole.
 - See spikes of eating out around Father's Day and July 4th.
- Since cases have increased eating out is at a low level.
 - L-shaped

Source: TSA <https://www.tsa.gov/coronavirus/passenger-throughput>

Gasoline Supplied

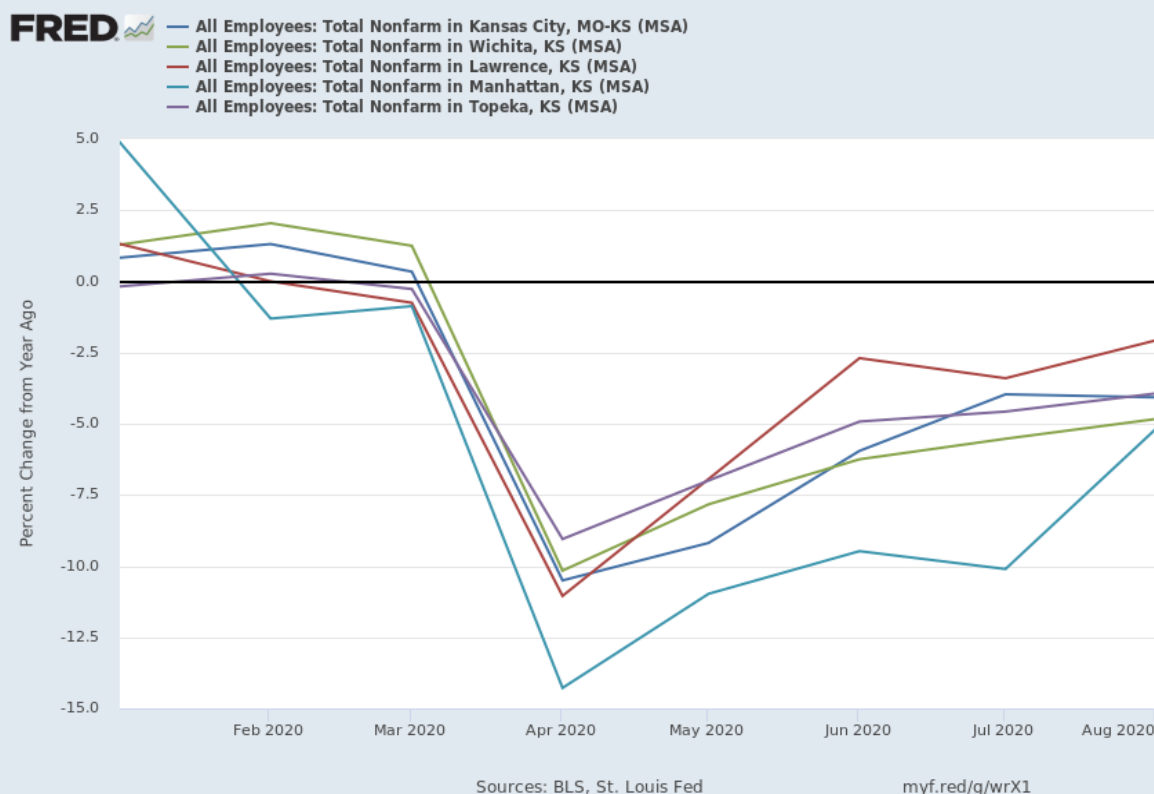
Thousands of Barrels Motor of Gasoline Supplied
January - September 2020



- 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 14% less than a year earlier.
 - Reverse radical

Source: TSA <https://www.tsa.gov/coronavirus/passenger-throughput>

Employment by Major City in Kansas



- Kansas City MSA down 4.1% from a year ago.
- Wichita down 4.8%.
- Lawrence down 2.1%.
- Manhattan down 5.2%.
- Topeka down 3.9%.

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

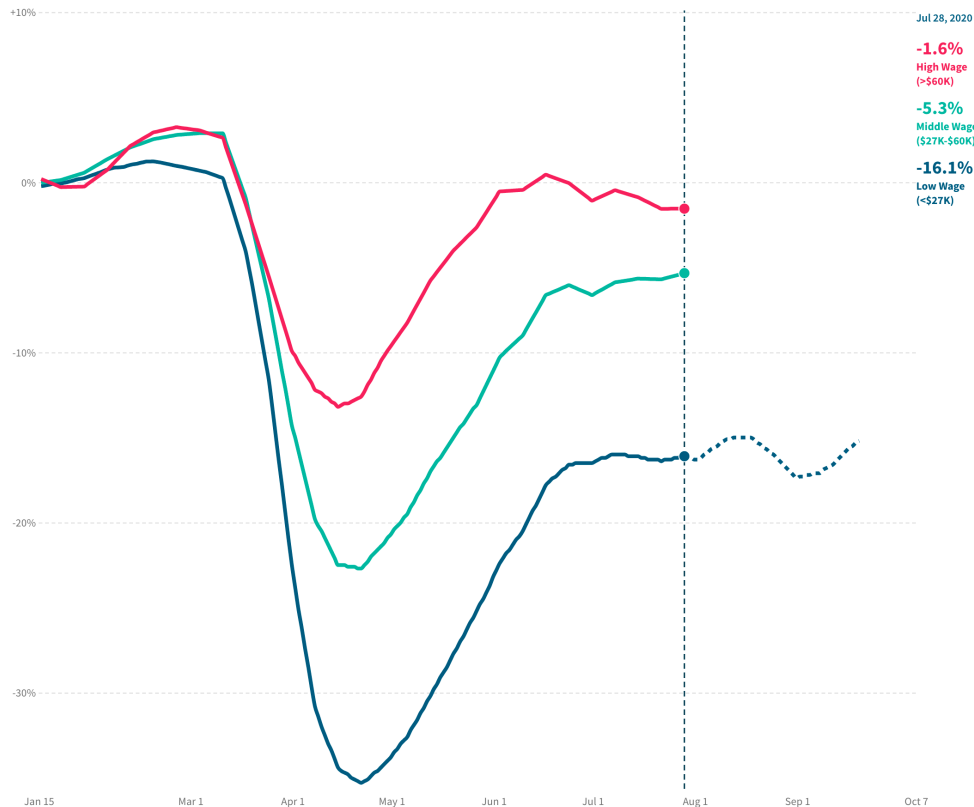
August 13, 2020

Source: https://www.washingtonpost.com/business/2020/08/13/recession-is-over-rich-working-class-is-far-recovered/?utm_campaign=wp_post_most&utm_medium=email&utm_source=newsletter&wpisrc=nl_most

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SOCIAL RESEARCH
The University of Kansas

Is this a K-shaped Recovery?

In the United States, as of July 28, 2020, employment rates among workers in the bottom wage quartile decreased by **16.1%** compared to January 2020 (not seasonally adjusted).

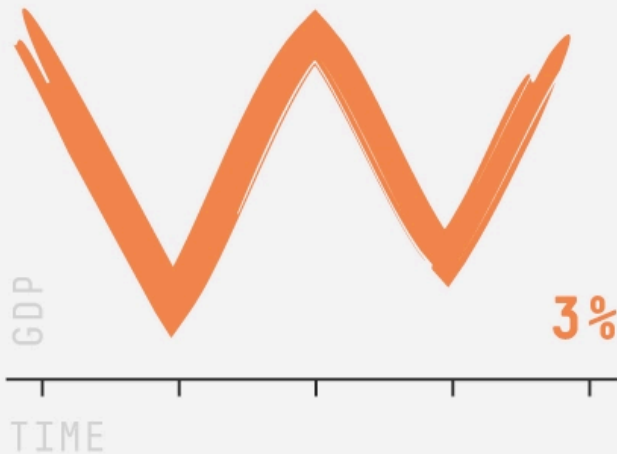


- Jobs for those earning > \$60,000 per year are down only 1.6%
- Jobs for low wage workers, earning <\$27,000 per year are down 16.1%
 - The rich have recovered.
 - The rest have not.

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.

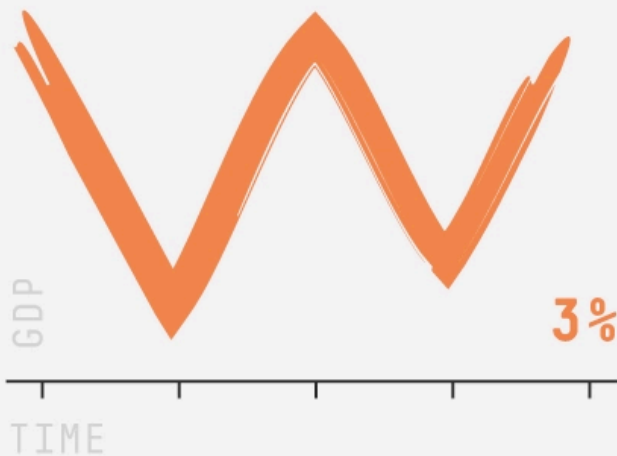
- The Fed chair, Jerome H. Powell, has repeatedly warned that state job cuts could drag down an economic recovery: “It will hold back the economic recovery if they continue to lay people off and if they continue to cut essential services.”

Source: August 14, 2020 New York Times. <https://www.nytimes.com/2020/08/14/business/economy/state-local-budget-pain.html?searchResultPosition=1>

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?action=click&module=Top%20Stories&pgtype=Homepage>

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!

Thank
You

Mahalo

Kiitos

Tack

Grazie

Obrigado

Toda

Thanks

Takk

Danke

Gracias

Merci

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