

# Return of the Economist



**COVID-19 Economic Update**

**By: Anirban Basu**  
**Sage Policy Group, Inc.**

**On Behalf of**  
**The Mid-Atlantic CIO Forum**

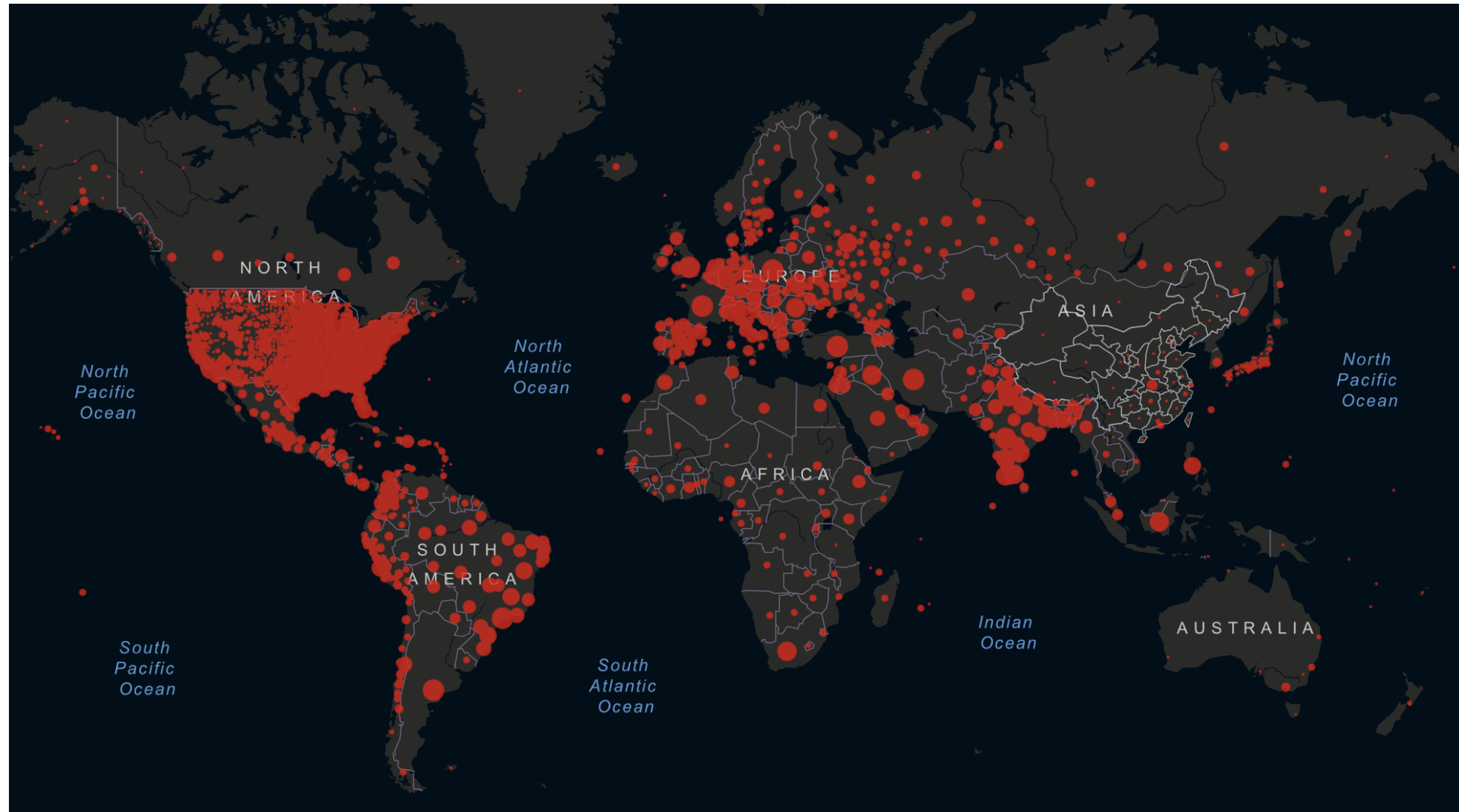
**December 17<sup>th</sup>, 2020**

## Ring Verse

*Three Rings for the Elven-kings under the sky,  
Seven for the Dwarf-lords in their halls of stone,  
Nine for Mortal Men doomed to die,  
One for the Dark Lord on his dark throne,  
In the Land of Mordor where the Shadows lie,  
One ring to rule them all, one ring to find them,  
One ring to bring them all and in the darkness bind them*

# Coronavirus COVID-19 Global Cumulative Confirmed Cases

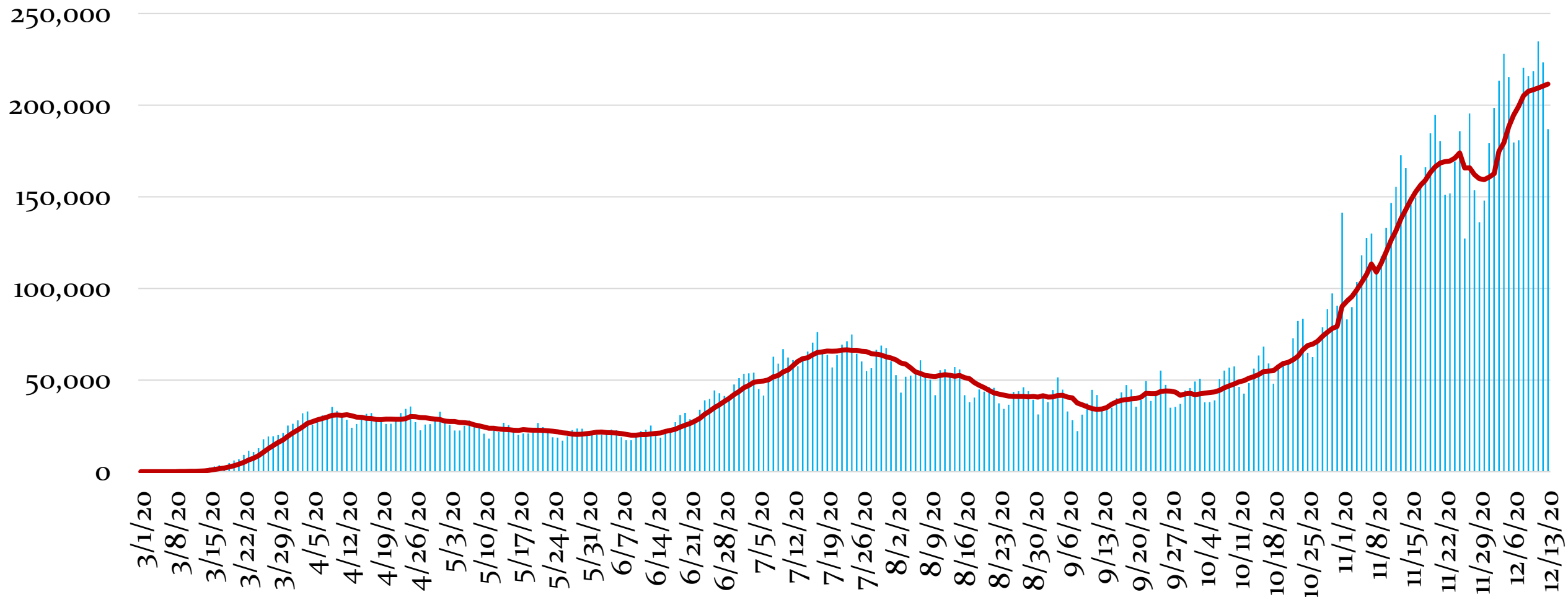
*As of 12/14/2020*



Total Confirmed: 72,336,167 | Total Deaths: 1,614,159

# U.S. COVID-19 Daily Cases, March – December 2020

■ Daily Cases    — 7-Day Average



# Which Workers Face the Highest Unemployment Risk?

	Total Employment	Share of Total Employment
All Occupations	144,731,220	-
<b>Employed in Occupations at “Low Risk” of Layoff</b>	<b>77,944,910</b>	<b>54%</b>
Employed in “Essential” Occupations	24,840,280	17%
Employed in Occupations Possible to Work from Home	48,204,920	33%
Employed in Other Salaried Occupations	4,899,710	3%
<b>Employed in Occupations at “High Risk” of Layoff</b>	<b>66,786,310</b>	<b>46%</b>
Food Preparation and Serving-Related Occupations	13,374,170	9%
Sales and Related Occupations	10,443,460	7%
Production Occupations	8,313,750	6%
Installation, Maintenance and Repair Occupations	5,628,890	4%
All Other “High-Risk” Occupations	29,026,040	20%

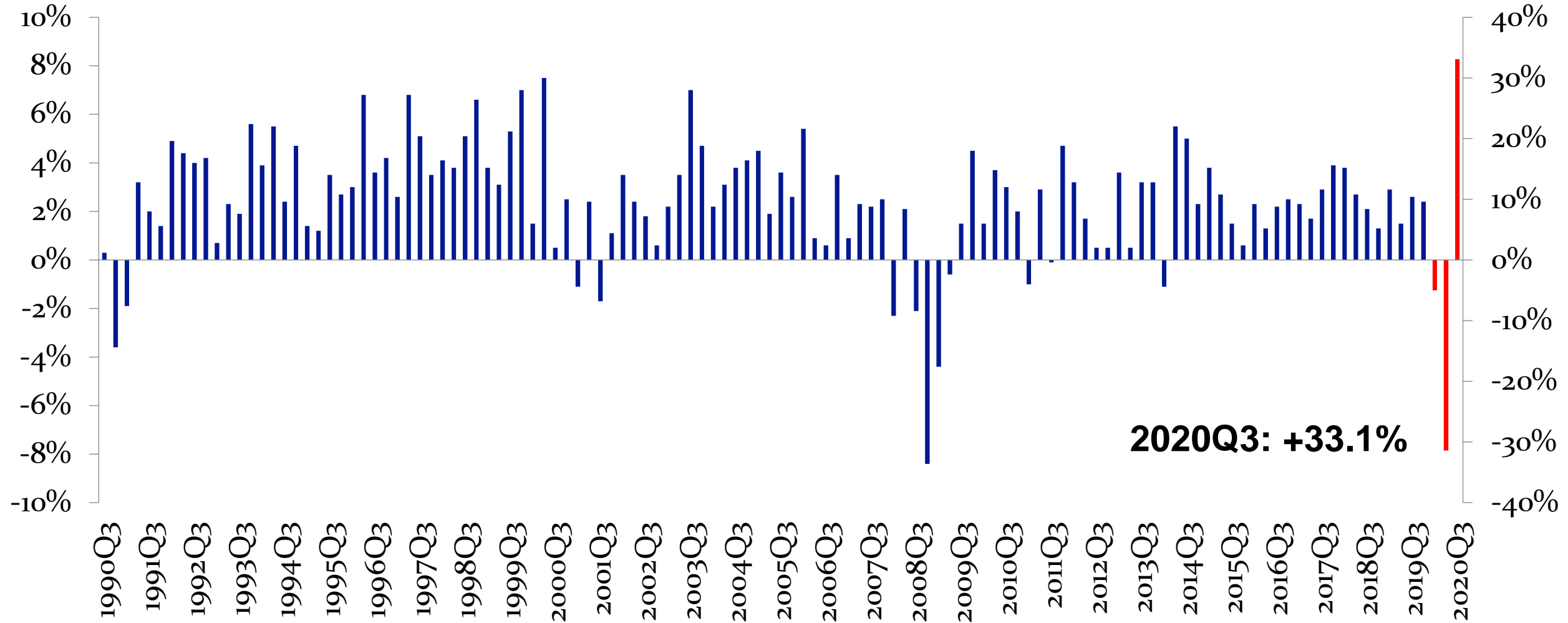
# Gross Domestic Product

## 1990Q3 through 2020Q3\*

% Change from Preceding Period (SAAR)

2020

1990-2019



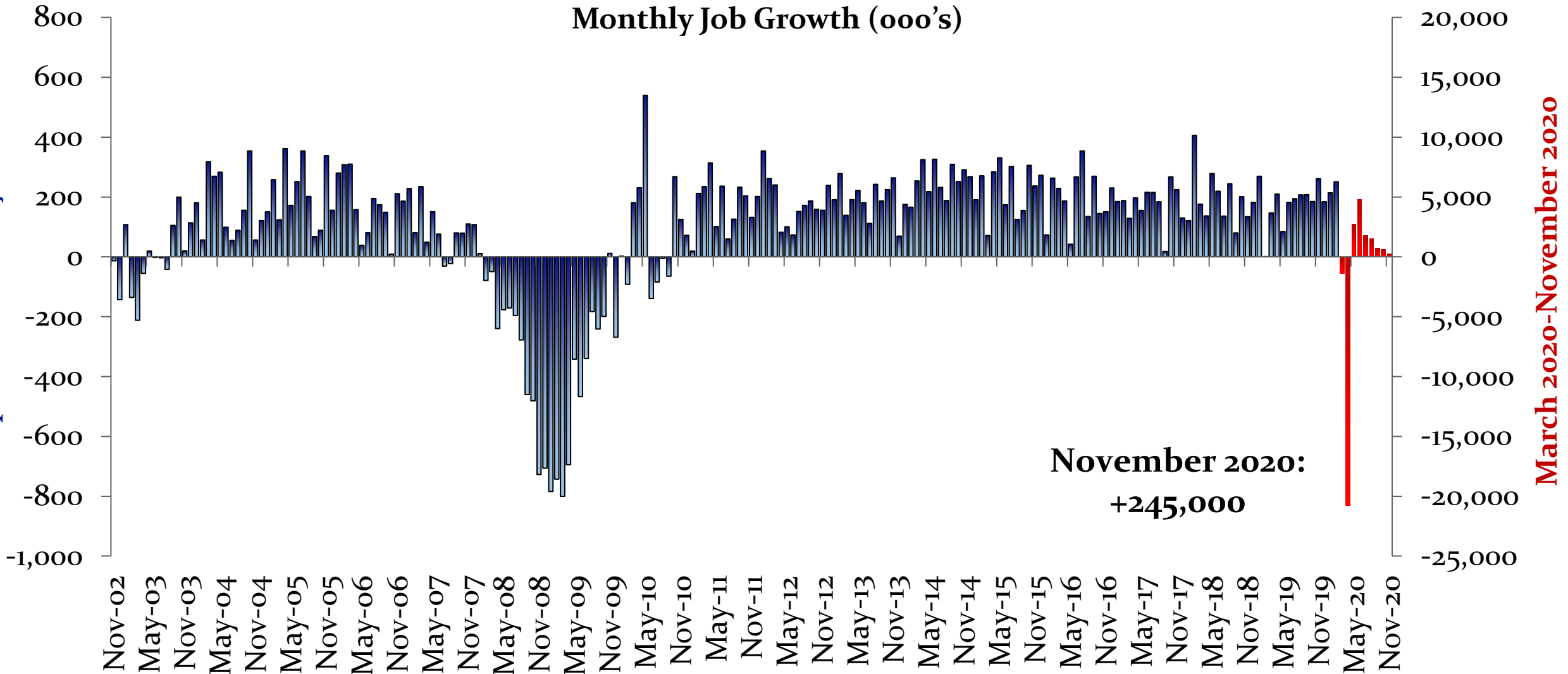
2020Q3: +33.1%

# Nine Reasons for Hope in the Kingdom of Men (& Women)



# I. There was Plenty of Job Growth on Middle Earth (OK, America)

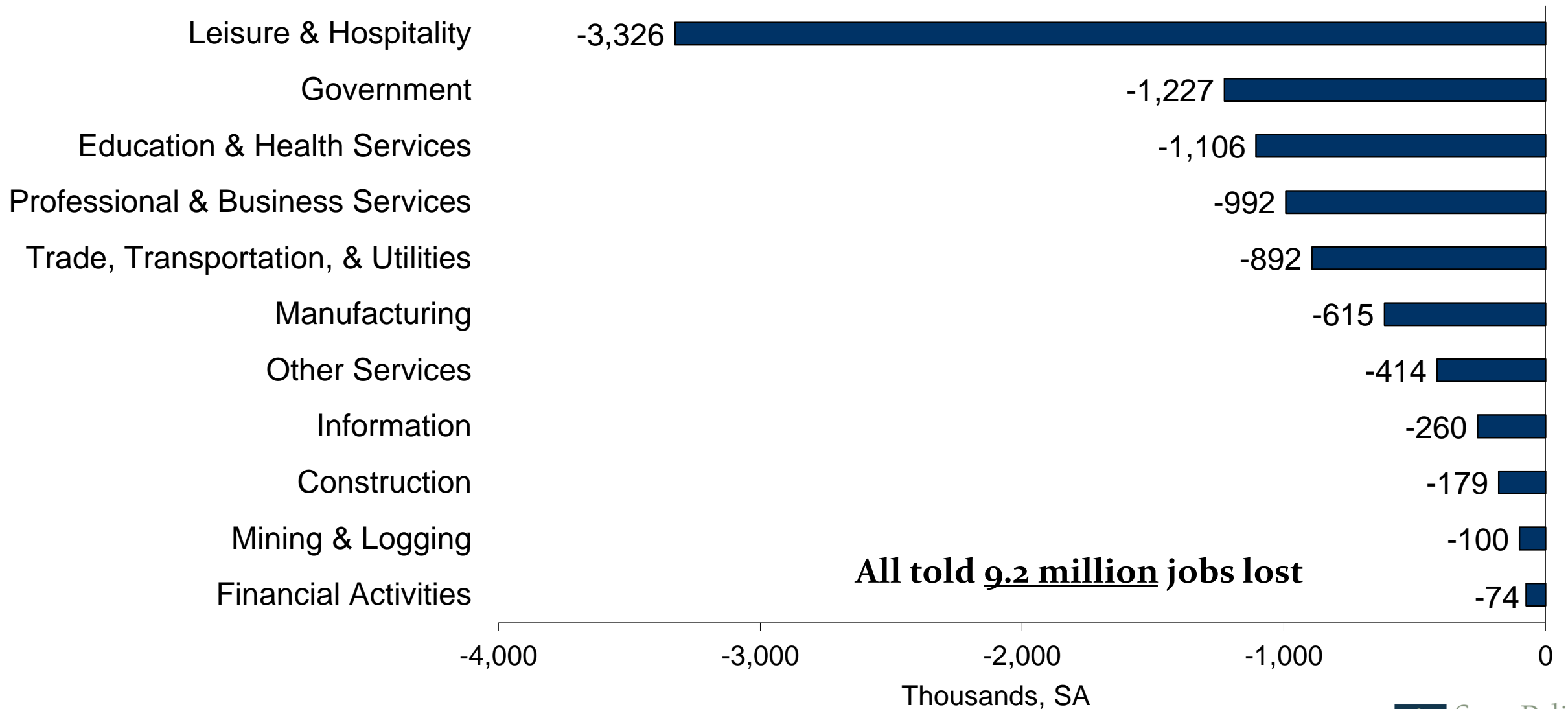
*Net Change in U.S. Jobs, November 2002 – November 2020*





# National Nonfarm Employment

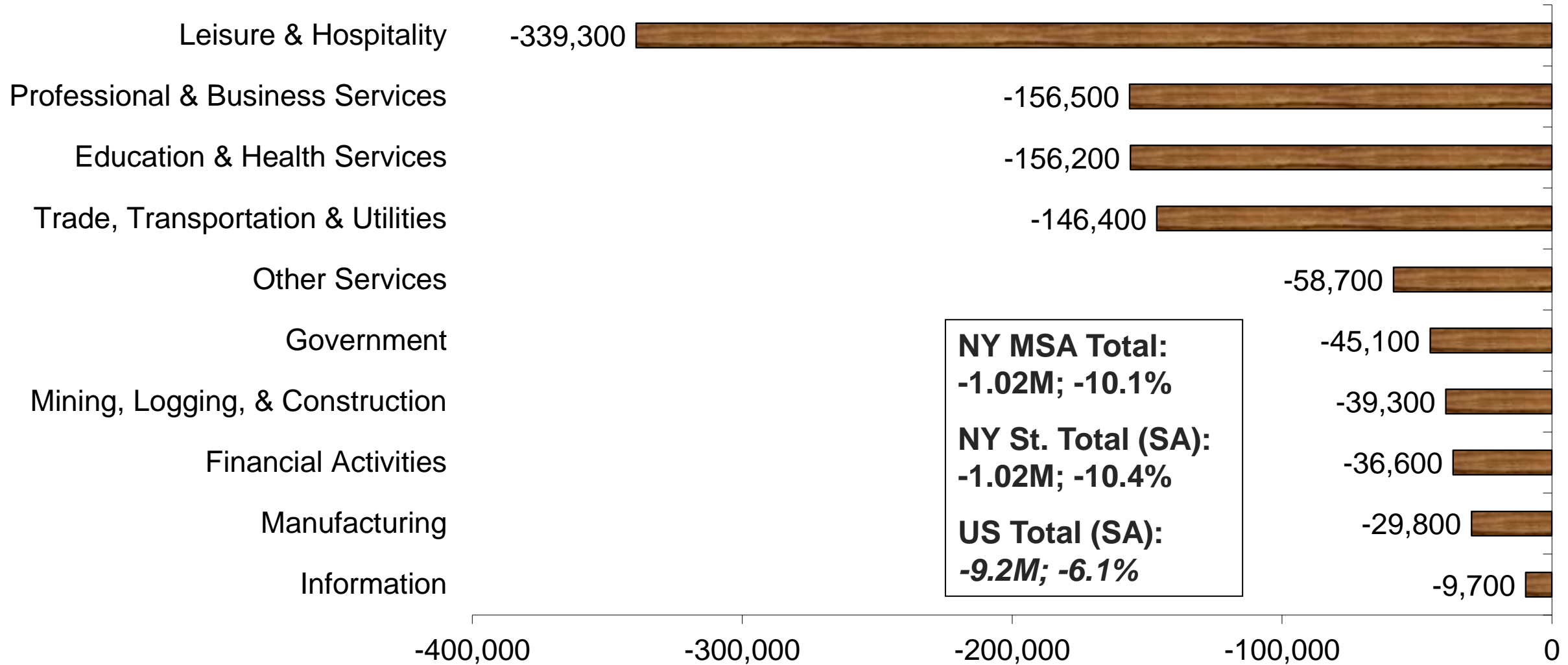
*by Industry Sector, November 2019 v. November 2020*



# New York–Newark–Jersey City, NY–NJ–PA MSA Nonfarm Employment

by Industry Sector Groups (NSA)

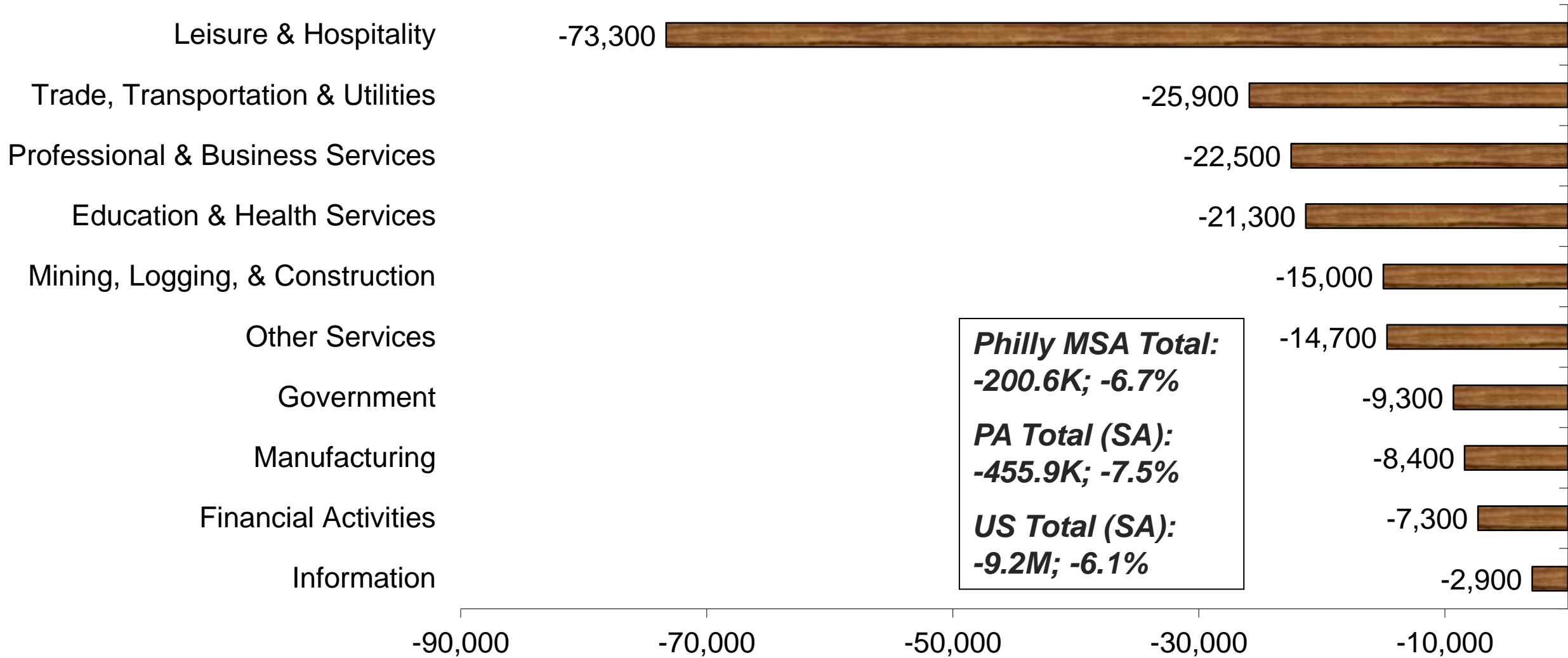
*October 2019 v. October 2020 Absolute Change*



# Philadelphia–Camden–Wilmington, PA–NJ–DE–MD MSA Nonfarm Employment

by Industry Sector Groups (NSA)

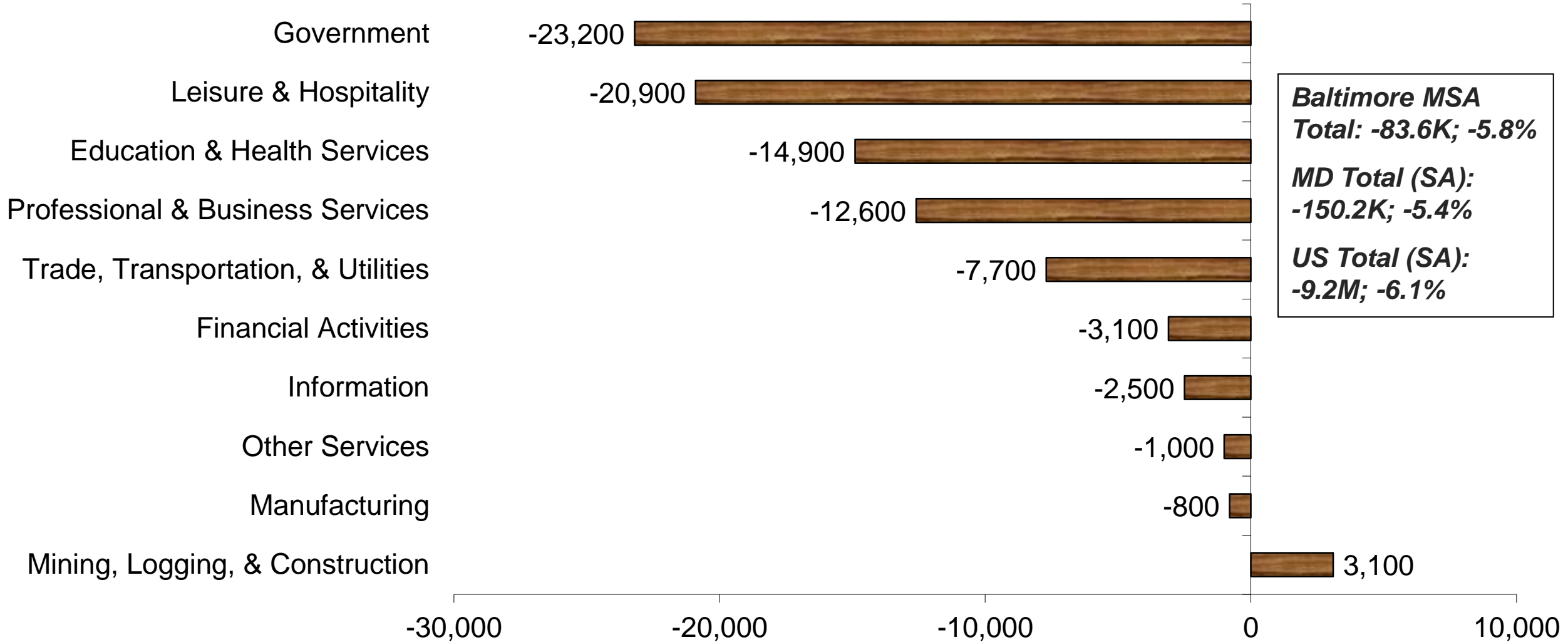
October 2019 v. October 2020 Absolute Change



# Baltimore–Columbia–Towson MSA Nonfarm Employment

by Industry Sector Groups (NSA)

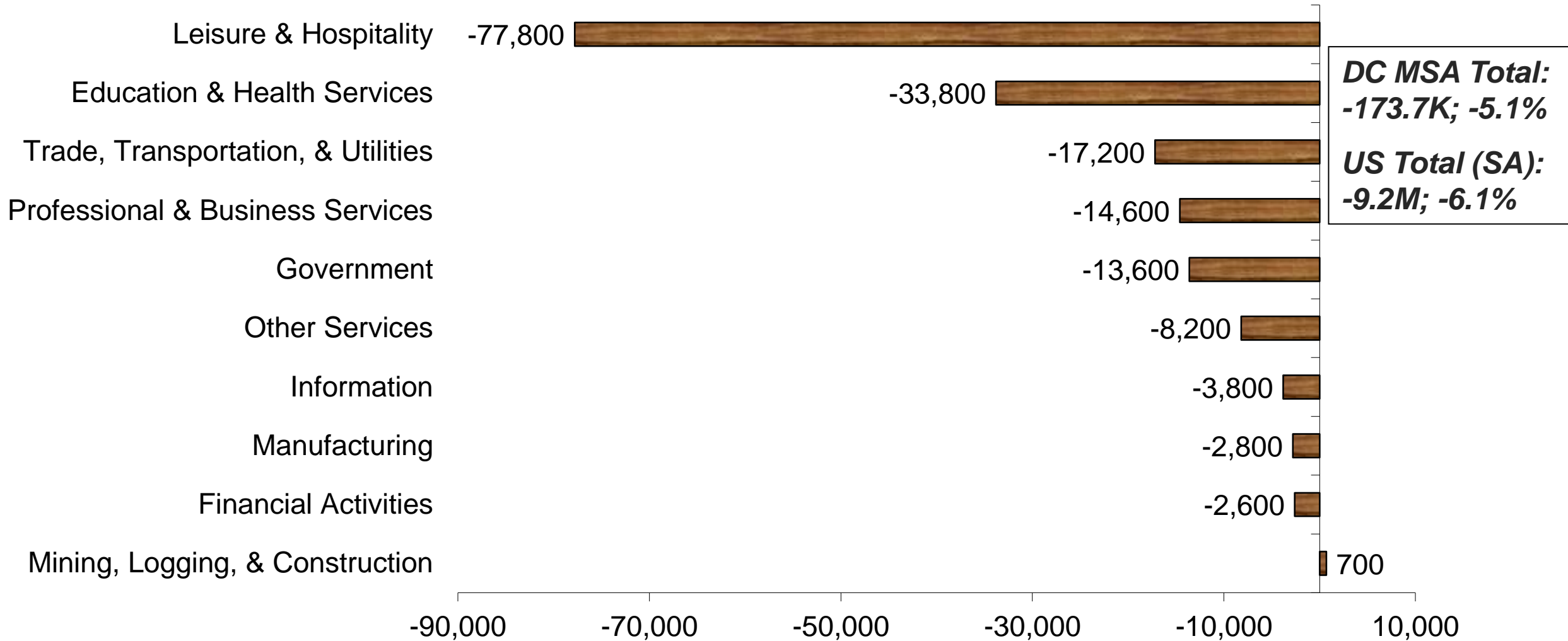
October 2019 v. October 2020 Absolute Change



# Washington, DC–Arlington–Alexandria MSA Nonfarm Employment

by Industry Sector Groups (NSA)

October 2019 v. October 2020 Absolute Change



# Employment Growth, 25 Largest Metros (NSA)

*October 2019 v. October 2020 Percent Change*

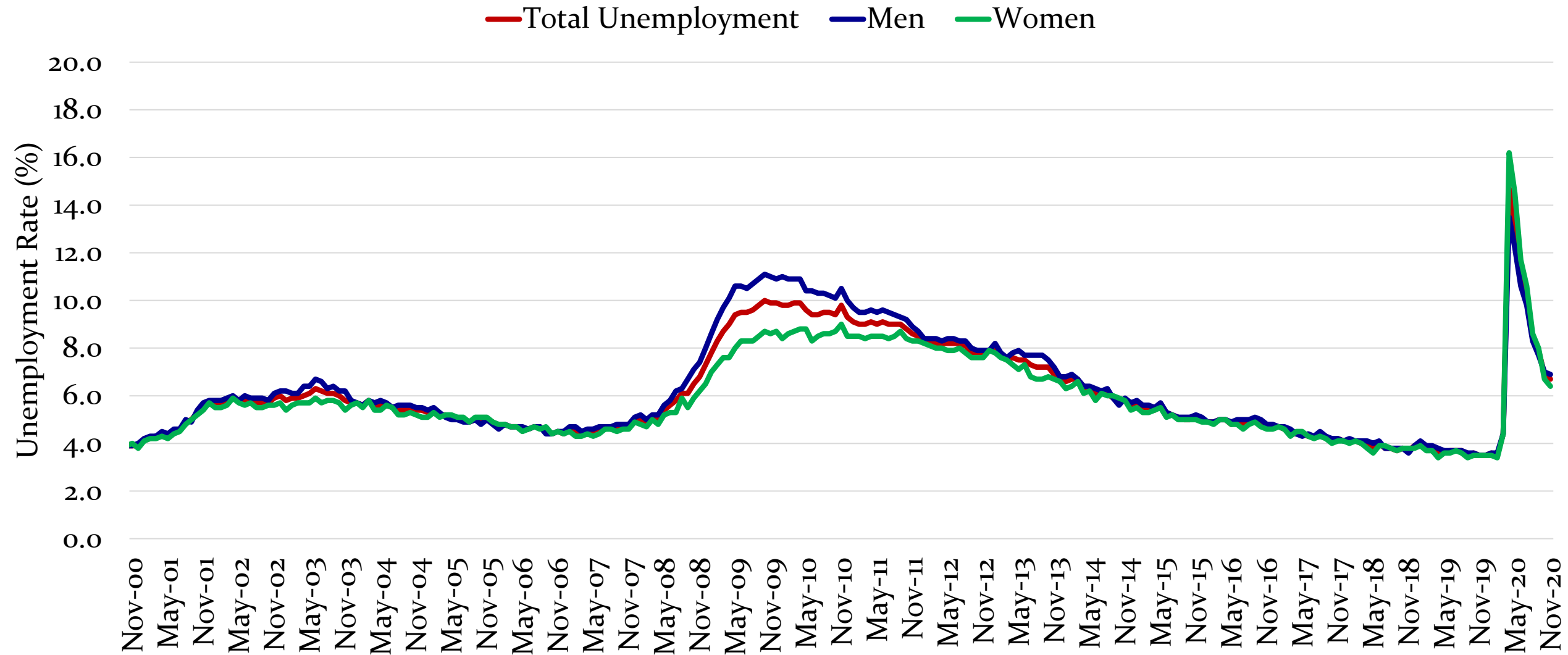
Rank	MSA	%	Rank	MSA	%
1	Dallas-Fort Worth-Arlington, TX	-2.3	13	Miami-Fort Lauderdale-West Palm Beach, FL	-6.6
2	Phoenix-Mesa-Scottsdale, AZ	-2.4	<b>14</b>	<b>Philadelphia-Camden-Wilmington, PA-NJ-DE-MD</b>	<b>-6.7</b>
3	Atlanta-Sandy Springs-Roswell, GA	-3.1	14	Seattle-Tacoma-Bellevue, WA	-6.7
4	Denver-Aurora-Lakewood, CO	-3.6	16	Riverside-San Bernardino-Ontario, CA	-6.9
5	San Antonio-New Braunfels, TX	-3.9	17	Portland-Vancouver-Hillsboro, OR-WA	-7.0
6	Tampa-St. Petersburg-Clearwater, FL	-4.1	17	San Diego-Carlsbad, CA	-7.0
7	Houston-The Woodlands-Sugar Land, TX	-4.8	19	Chicago-Naperville-Elgin, IL-IN-WI	-7.1
8	St. Louis, MO-IL	-5.1	20	Los Angeles-Long Beach-Anaheim, CA	-8.3
<b>8</b>	<b>Washington-Arlington-Alexandria, DC-VA-MD-WV</b>	<b>-5.1</b>	21	Detroit-Warren-Dearborn, MI	-9.0
<b>10</b>	<b>Baltimore-Columbia-Towson, MD</b>	<b>-5.8</b>	22	Boston-Cambridge-Nashua, MA-NH	-9.2
11	Charlotte-Concord-Gastonia, NC-SC	-6.0	23	Orlando-Kissimmee-Sanford, FL	-9.3
12	Minneapolis-St. Paul-Bloomington, MN-WI	-6.2	24	San Francisco-Oakland-Hayward, CA	-9.8
			<b>25</b>	<b>New York-Newark-Jersey City, NY-NJ-PA</b>	<b>-10.1</b>

***U.S. Year-over-year Percent Change***

***Oct: -6.1% Nov: -6.1%***

## II. Fewer Idle in the Shire (pre-COVID-19)

*U.S. Unemployment Rate, November 2000 – November 2020*



# Unemployment Rates, 25 Largest Metros (NSA)

October 2020

Rank	MSA	%	Rank	MSA	%
1	Minneapolis-St. Paul-Bloomington, MN-WI	4.2	12	Portland-Vancouver-Hillsboro, OR-WA	6.7
2	St. Louis, MO-IL	4.3	<b>14</b>	<b>Baltimore-Columbia-Towson, MD</b>	<b>7.2</b>
3	Atlanta-Sandy Springs-Roswell, GA	4.7	14	Chicago-Naperville-Elgin, IL-IN-WI	7.2
4	Seattle-Tacoma-Bellevue, WA	5.3	14	San Francisco-Oakland-Hayward, CA	7.2
5	Tampa-St. Petersburg-Clearwater, FL	5.6	<b>17</b>	<b>Philadelphia-Camden-Wilmington, PA-NJ-DE-MD</b>	<b>7.3</b>
6	Charlotte-Concord-Gastonia, NC-SC	6.0	18	Phoenix-Mesa-Scottsdale, AZ	7.5
7	Dallas-Fort Worth-Arlington, TX	6.1	19	Houston-The Woodlands-Sugar Land, TX	7.7
8	Detroit-Warren-Dearborn, MI	6.3	19	Miami-Fort Lauderdale-West Palm Beach, FL	7.7
8	San Antonio-New Braunfels, TX	6.3	19	San Diego-Carlsbad, CA	7.7
10	Denver-Aurora-Lakewood, CO	6.5	22	Orlando-Kissimmee-Sanford, FL	8.0
<b>11</b>	<b>Washington-Arlington-Alexandria, DC-VA-MD-WV</b>	<b>6.6</b>	23	Riverside-San Bernardino-Ontario, CA	9.0
			<b>24</b>	<b>New York-Newark-Jersey City, NY-NJ-PA</b>	<b>9.7</b>
12	Boston-Cambridge-Nashua, MA-NH	6.7	25	Los Angeles-Long Beach-Anaheim, CA	11.0

**U.S. Unemployment Rate**

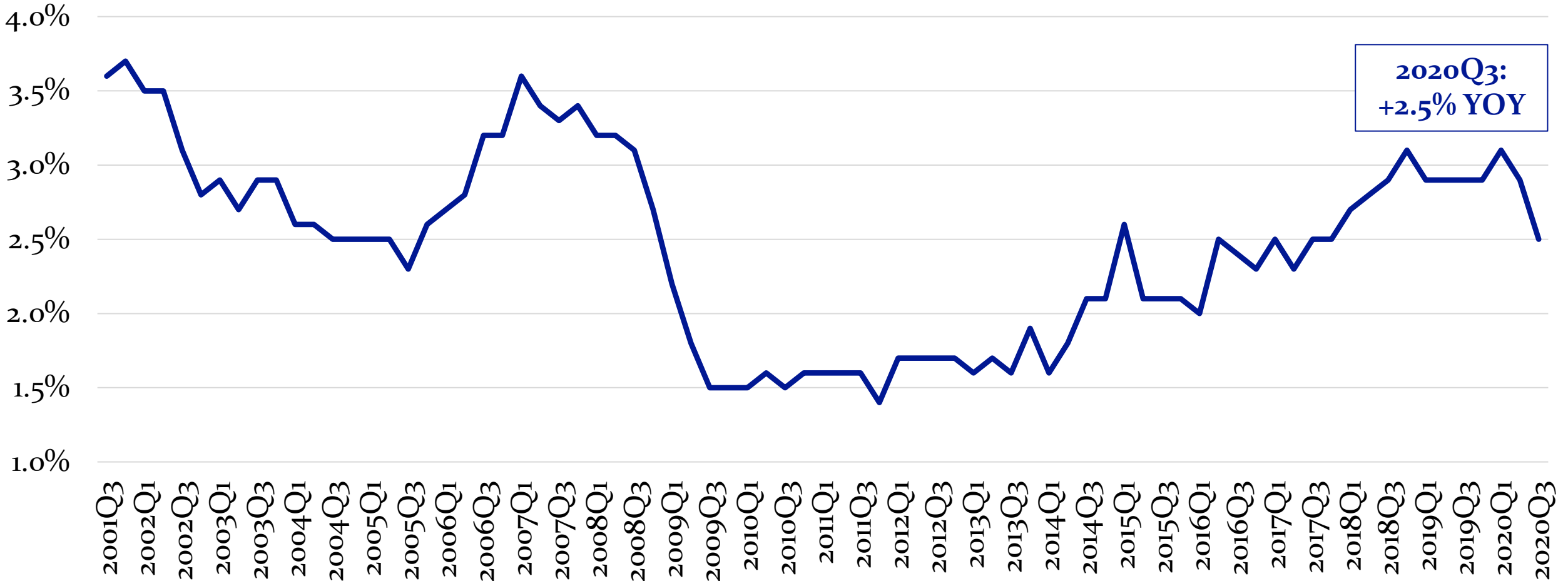
**Oct: 6.9% Nov: 6.7%**



# III. Gold Aplenty

*Growth in Wages & Salaries, U.S. Employment Cost Index (ECI), 2001Q3– 2020Q3*

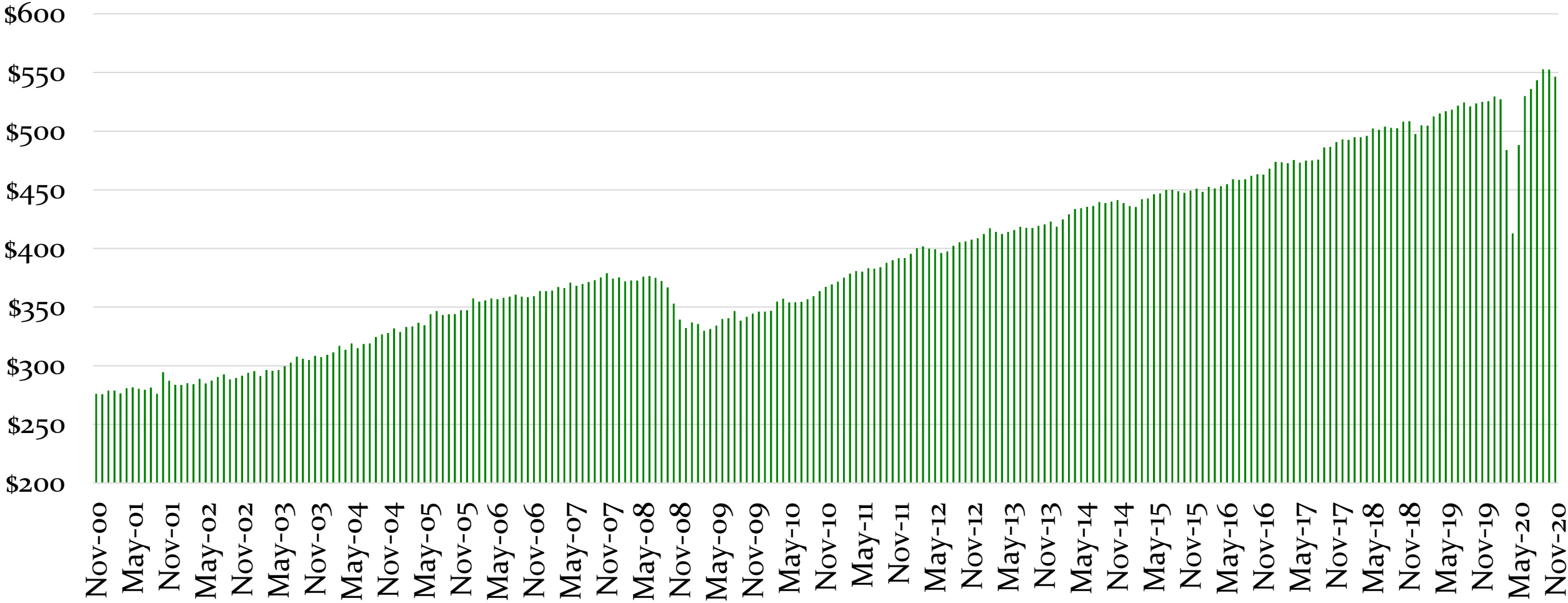
ECI for Wages & Salaries  
12-Month % Change



# IV. In the Baggins!

*U.S. Retail Sales, November 2000 – November 2020*

Retail Sales (\$Billions)

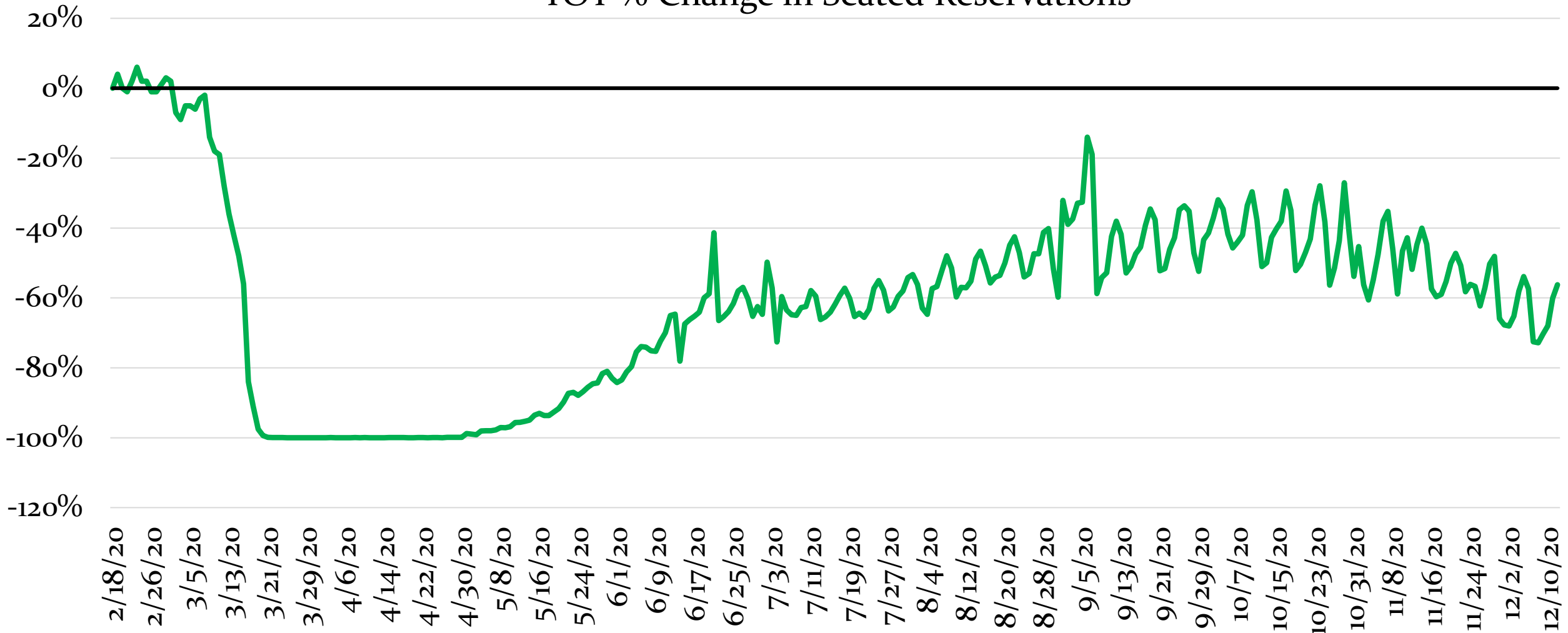


Source: U.S. Census Bureau

# U.S. Restaurant Reservations (Seated Diners)

*YOY % Change, February 2020 – December 2020*

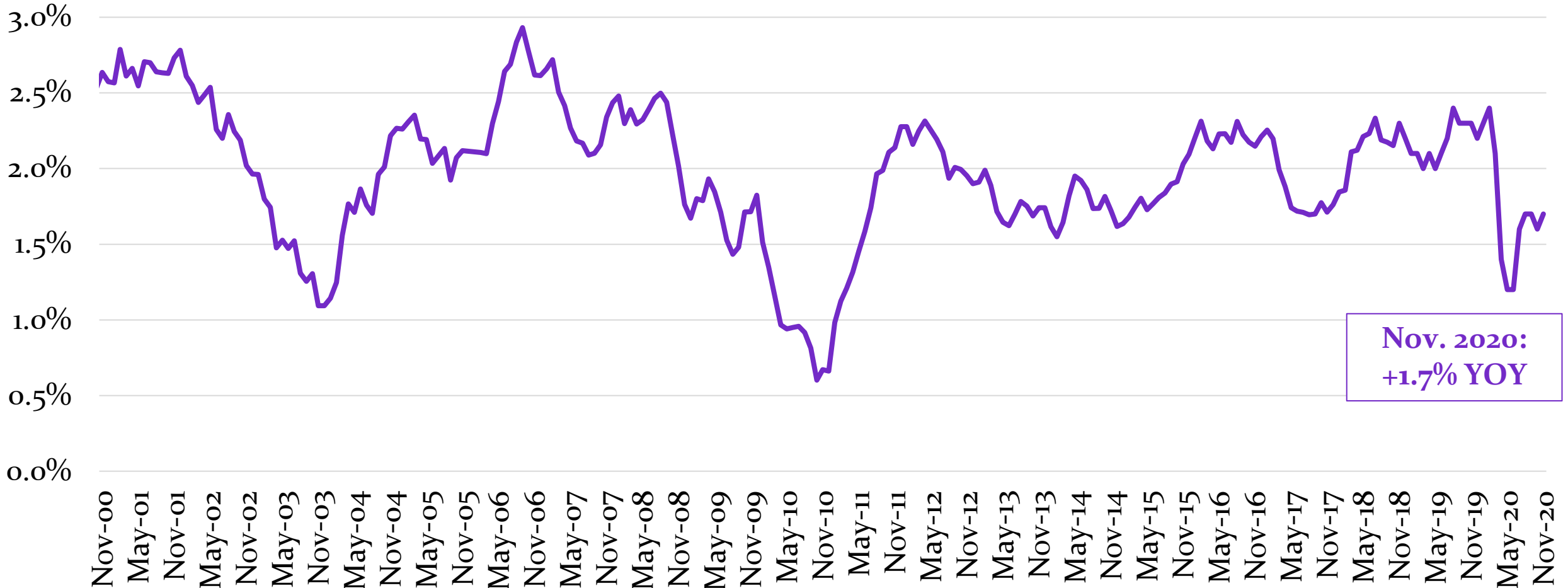
## YOY % Change in Seated Reservations



# V. Your Gold Coins Go Further

*Consumer Price Index: All Items Less Food & Energy, November 2000 – November 2020*

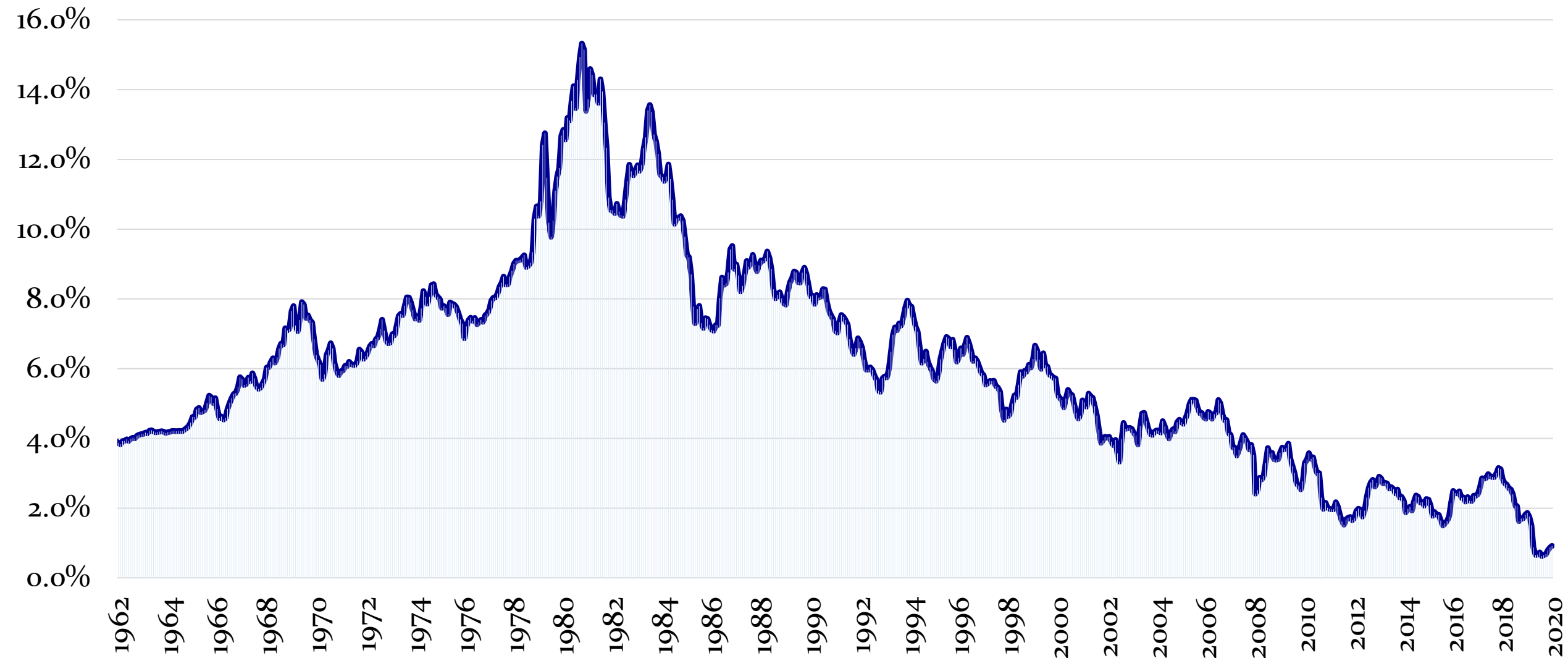
Core CPI (All Items Less Food & Energy)  
12-Month % Change



Nov. 2020:  
+1.7% YOY

# VI. Interest Rates are Hobbit-Sized

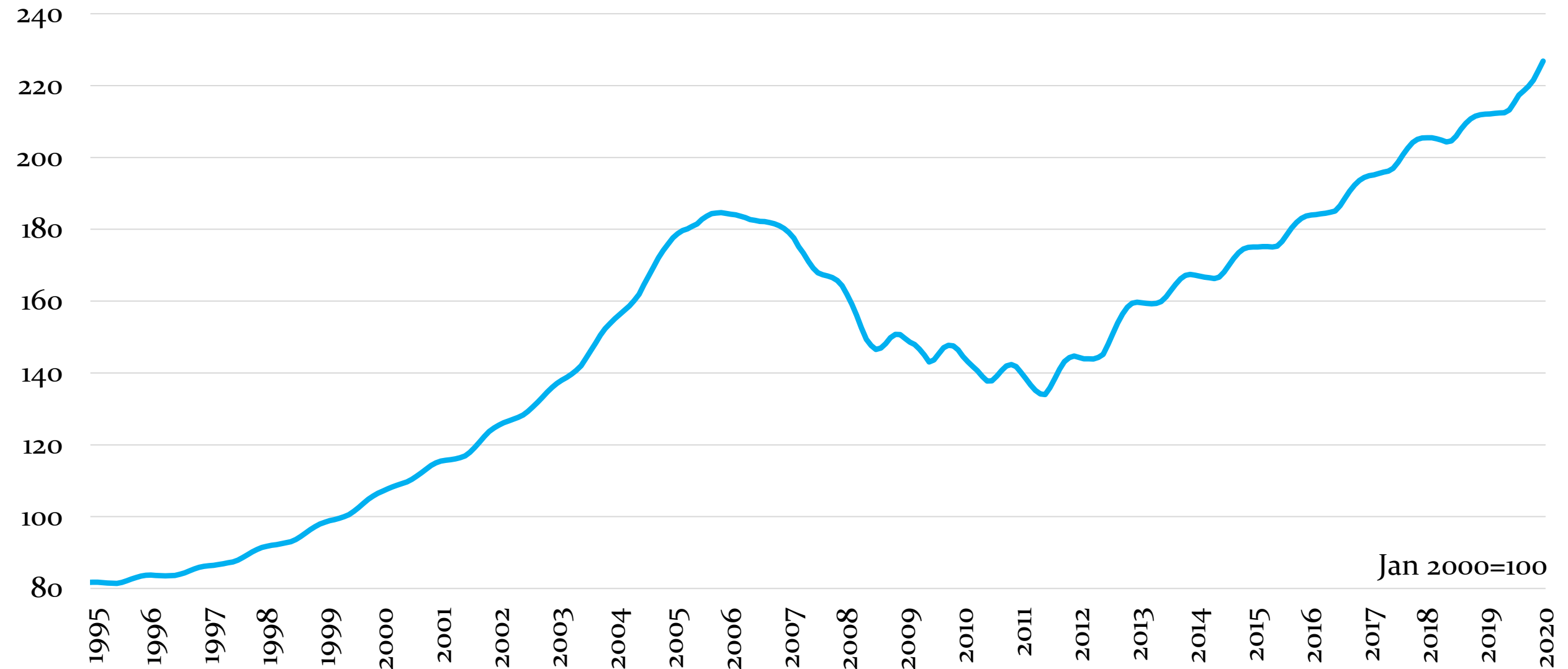
*U.S. 10-Year Treasury Constant Maturity Rate, 1962 – 2020\**



\*Week ending 12/11/2020

# VII. Property Values Rise in Middle East

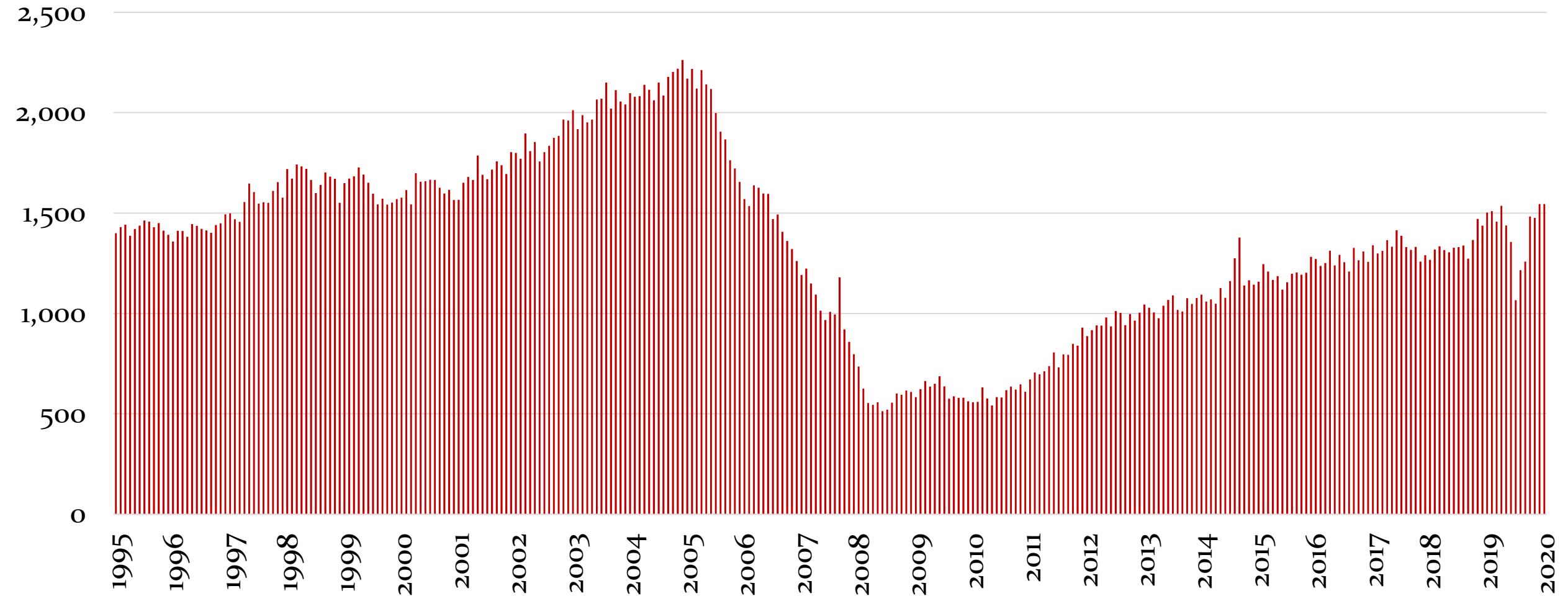
*S&P Case-Shiller U.S. National Home Price Index, September 1995 – September 2020*



# VIII. The Kingdom is Under Construction

*U.S. Residential Building Permits, October 1995 – October 2020*

Building Permits (ooo's of Units)

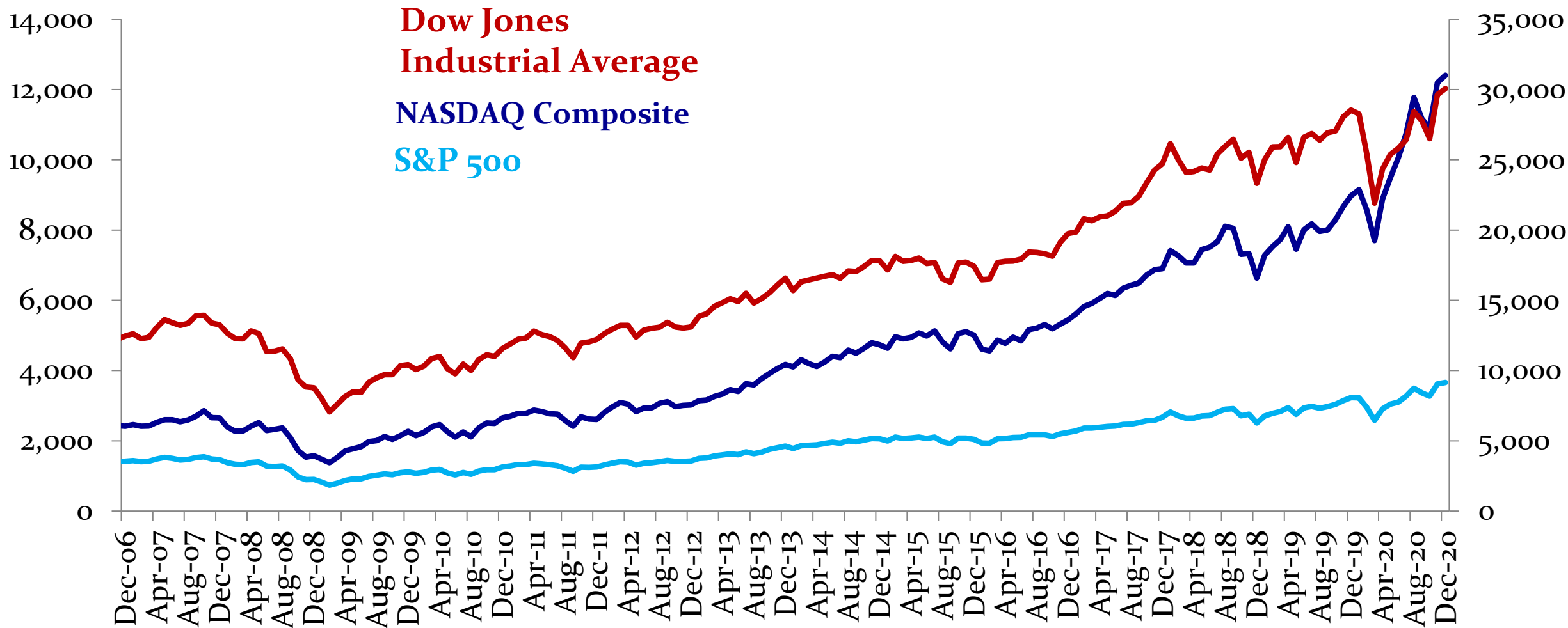


# IX. But It Goes to Elven

*U.S. Stock Markets, December 2006 – December 2020\**

NASDAQ/S&P

Dow Jones



\*Week ending 12/11/2020

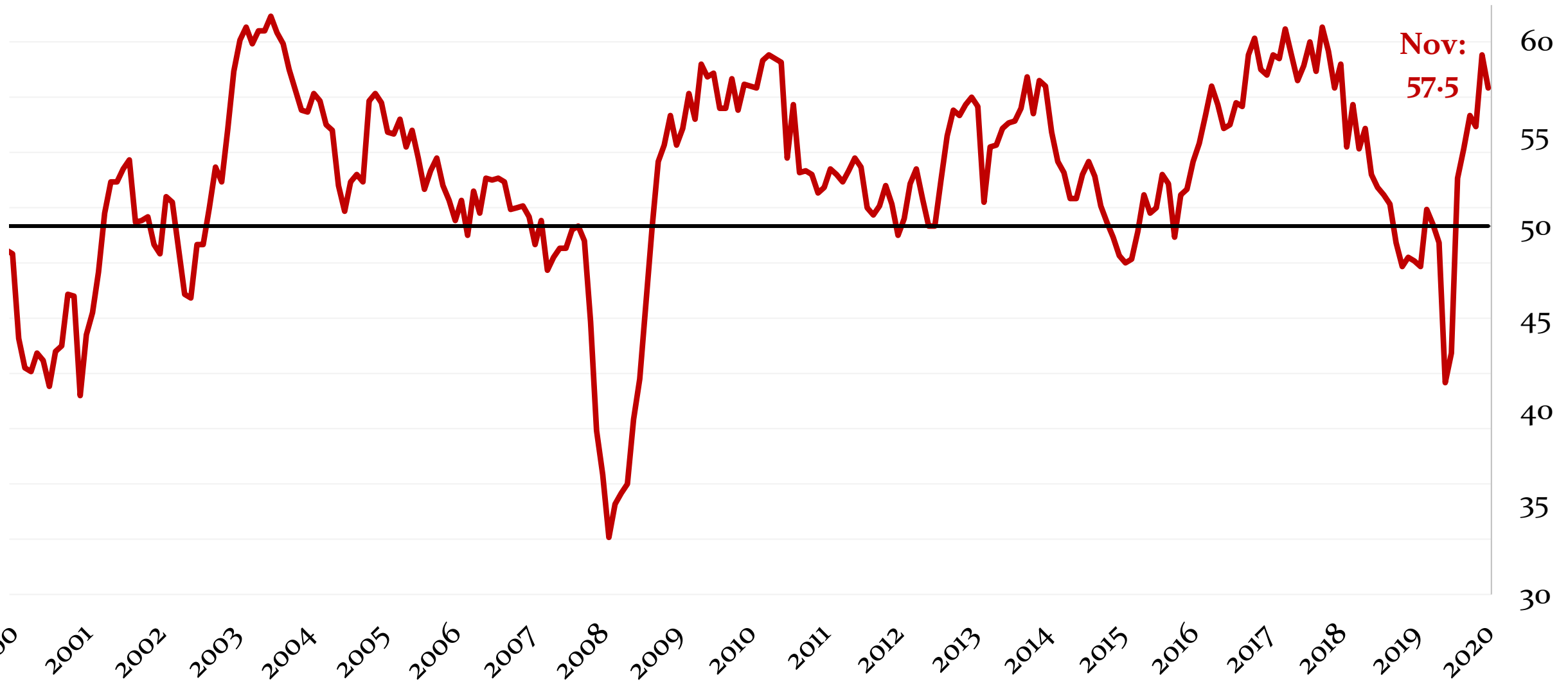


# Seven Factors Dwarfing Hope



# I. Manufacturing Doth Decline

*Institute of Supply Management: Purchasing Managers Index (PMI), 2000 – 2020*

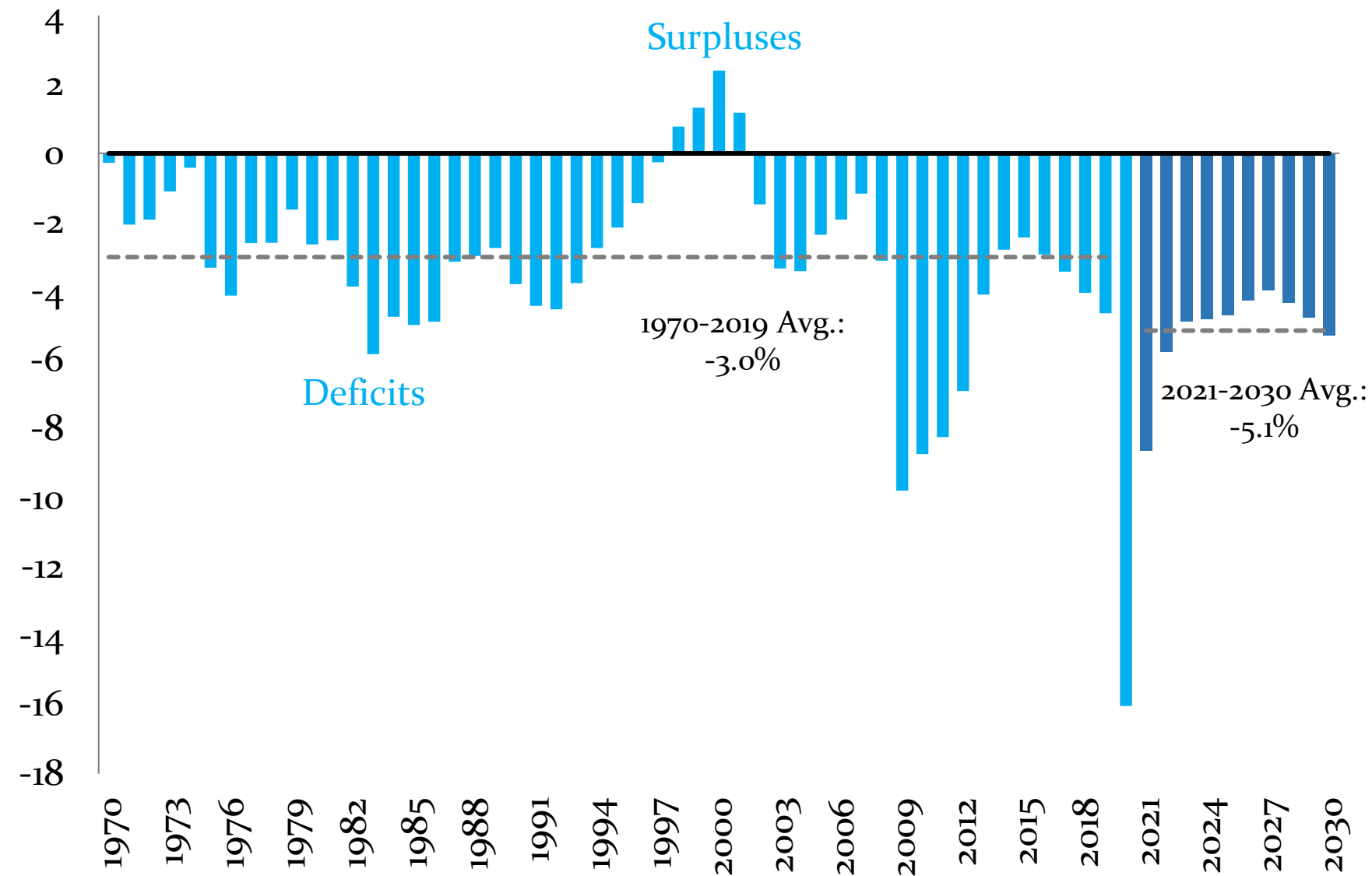


*\*A reading above 50 percent indicates that the manufacturing economy is generally expanding; below 50 percent indicates that it is generally contracting.*

Source: Institute of Supply Management; Quandl.com

## II. A Tower of National Debt

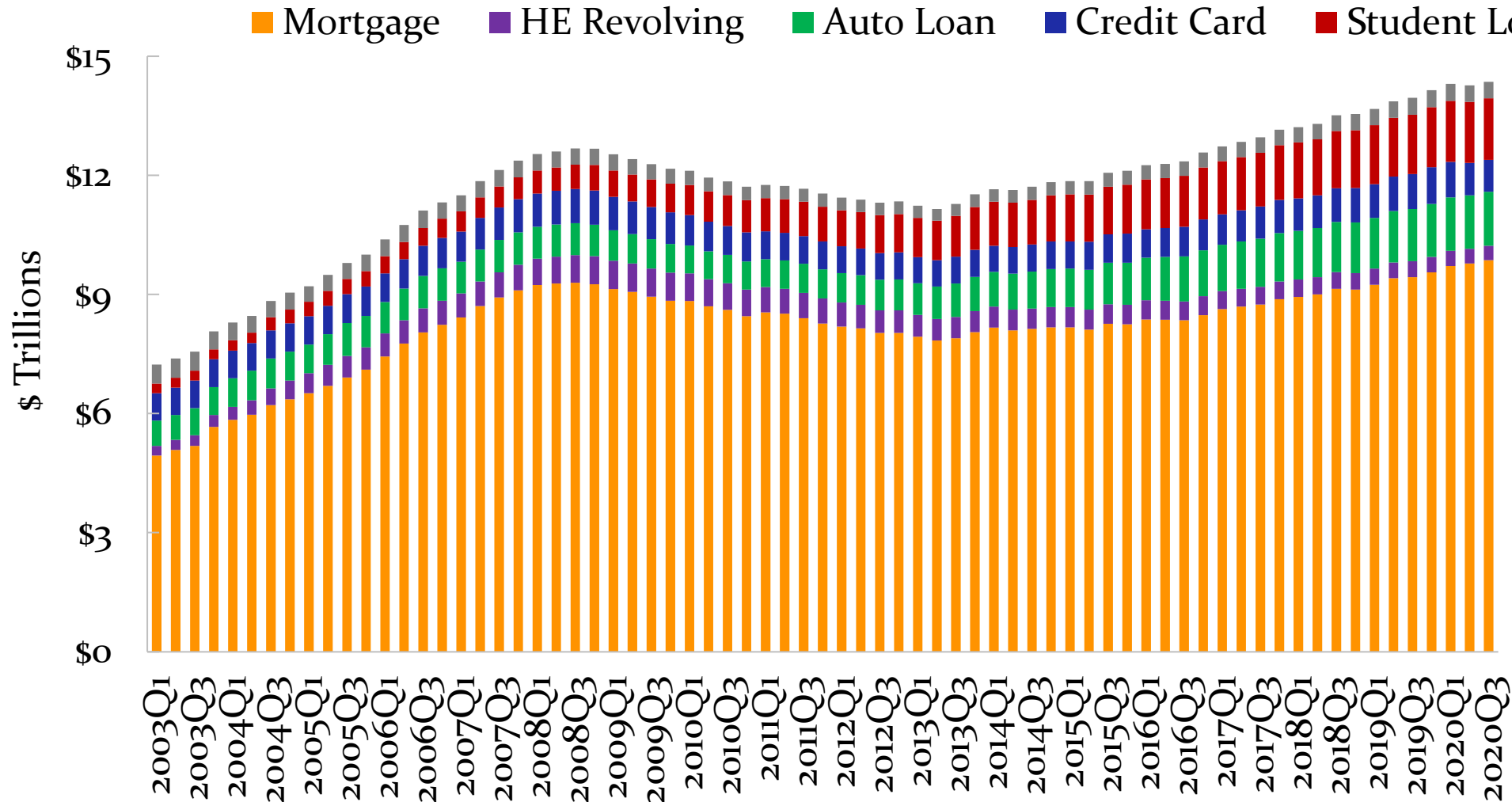
### U.S. Federal Deficit, % of GDP



- Over the 2021–2030 period, deficits are projected to average 5.1% of GDP, totaling \$13.0 trillion.
- Over the past 50 years, deficits averaged just 3.0% of GDP.

# III. A Mountain of Consumer Debt, Too

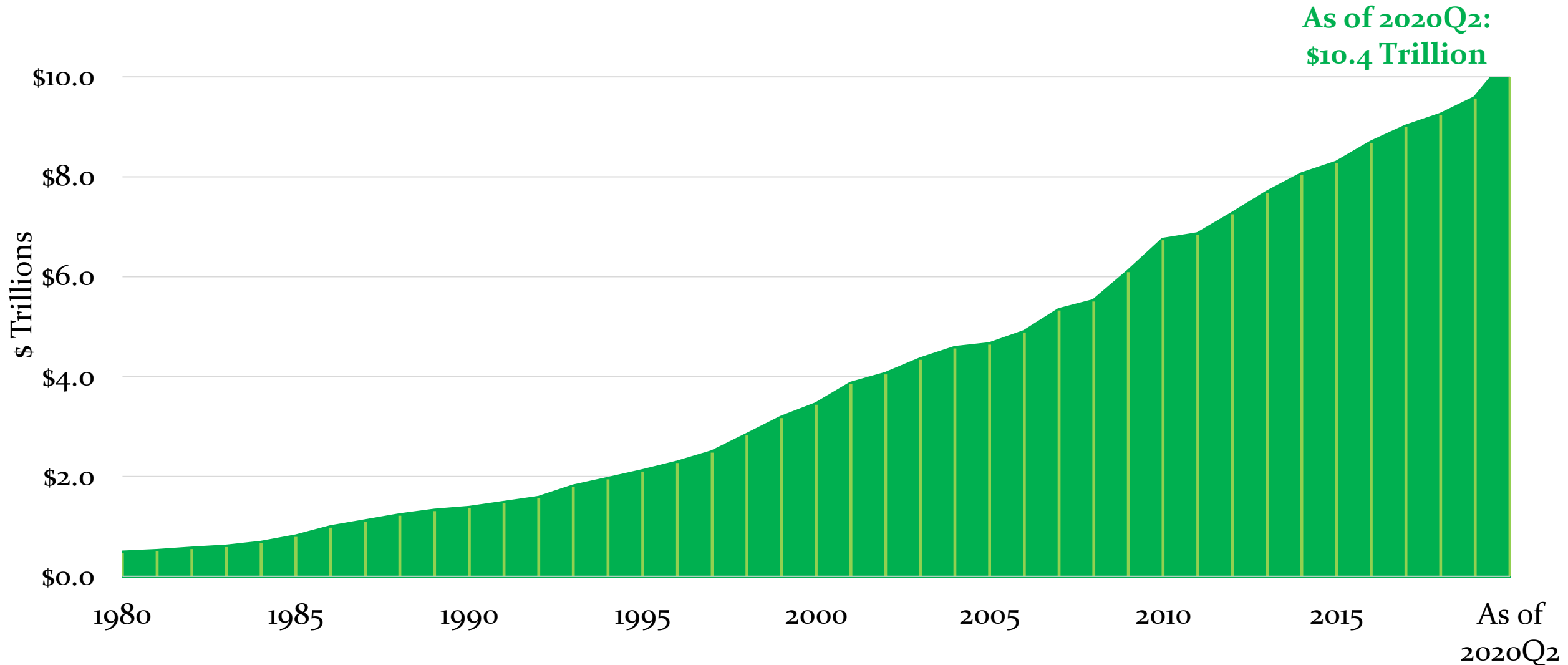
## Total U.S. Household Debt, 2003 – 2020



- Debt balances have been rising steadily for several years and are now \$1.7 trillion higher than the previous peak in 2008Q3 of \$12.7 trillion.
- Overall household debt is 28.7% above the 2013Q2 trough.

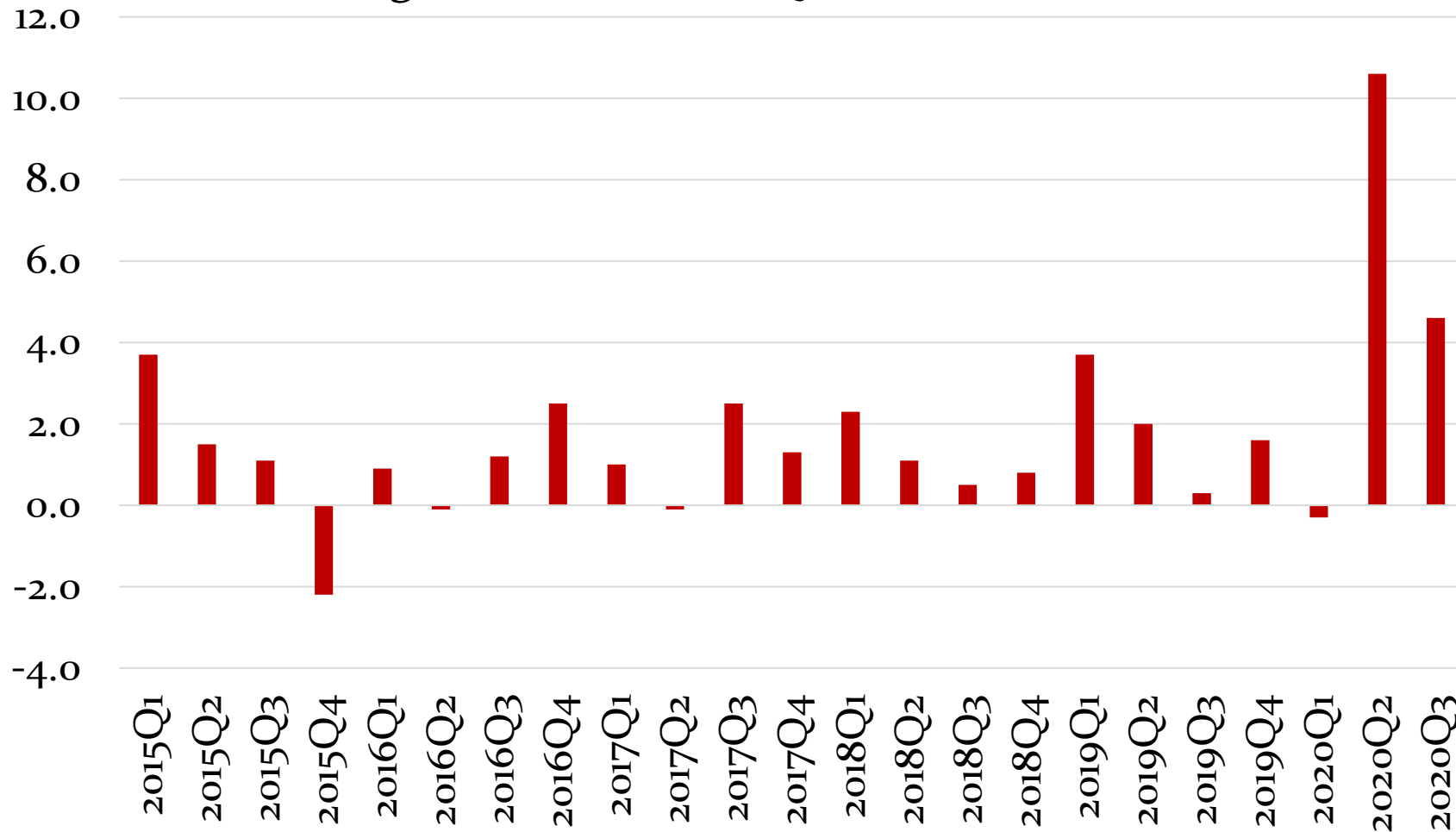
# IV. How Did It Come to This?

*U.S. Corporate Bond Debt Outstanding, 1980 – 2020*



# V. Entish: U.S. Nonfarm Business Sector: *Labor Productivity Growth, 2000–2020*

Nonfarm Business Sector Labor productivity  
% Change From Previous Quarter at Annual Rate

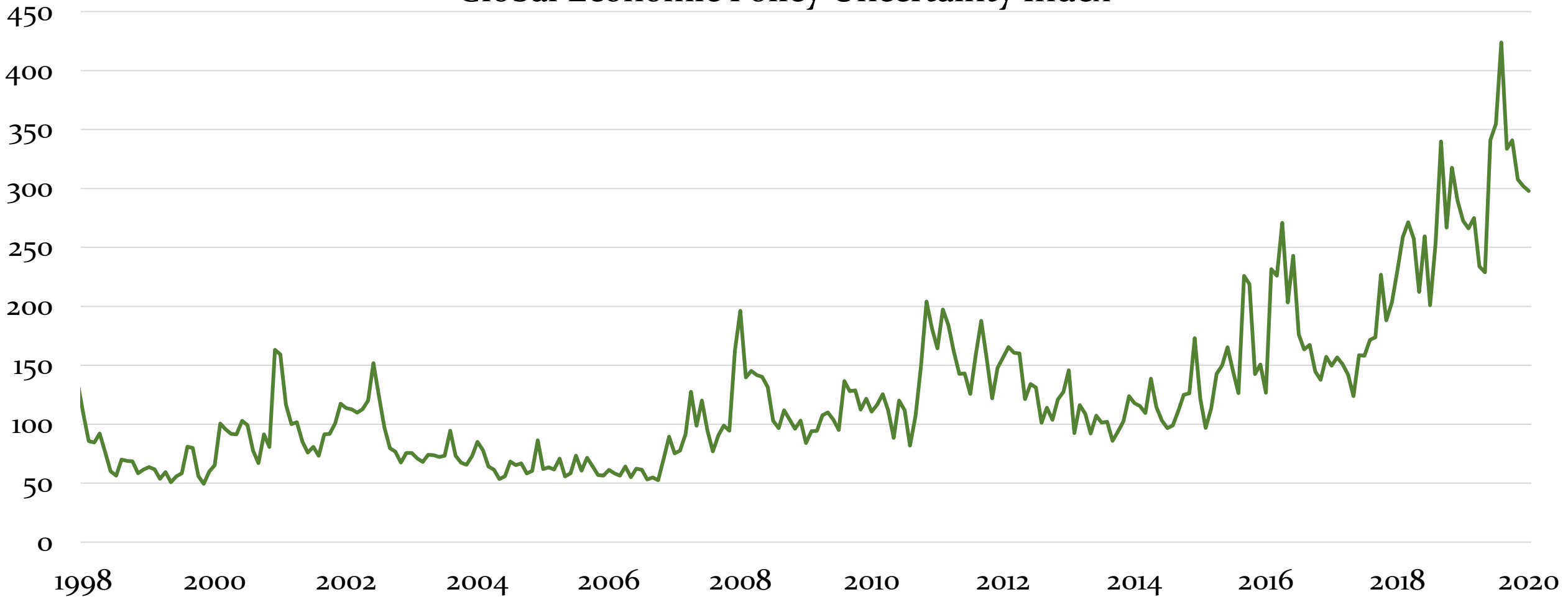


- In 2020Q1 nonfarm business sector labor productivity fell by 0.3%—the first decline since 2017.
- In 2020Q2, productivity rose by 10.6% and in 2020Q3 it rose by 4.6%.
- U.S. productivity has risen at an average rate of 1.6% since 2007, compared with a 2.2% average since the end of WWII.

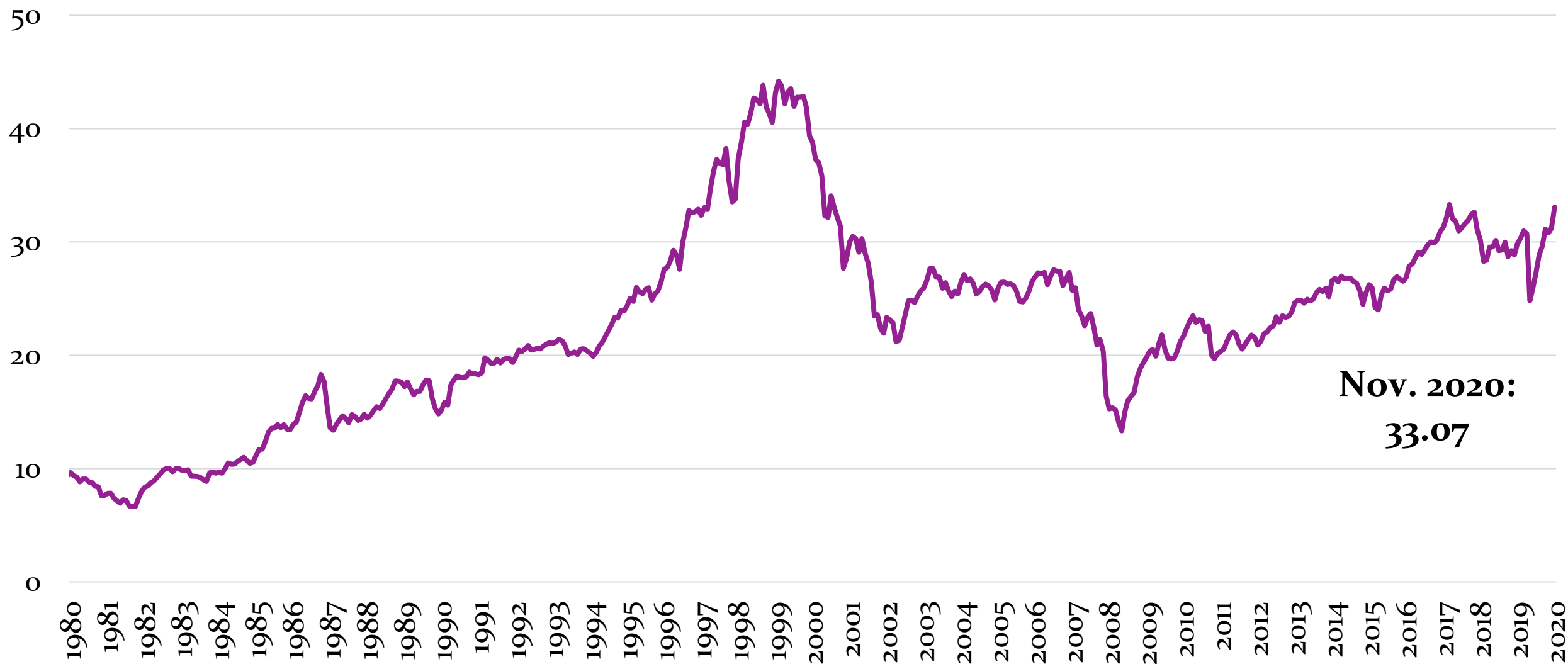
# VI. Uncertainty Across the Realm:

*Global Economic Policy Uncertainty Index, 1998 – 2020*

Global Economic Policy Uncertainty Index



# VII. The Eye is on Asset Prices: *Shiller Price-Earnings Ratio, 1980 – 2020*

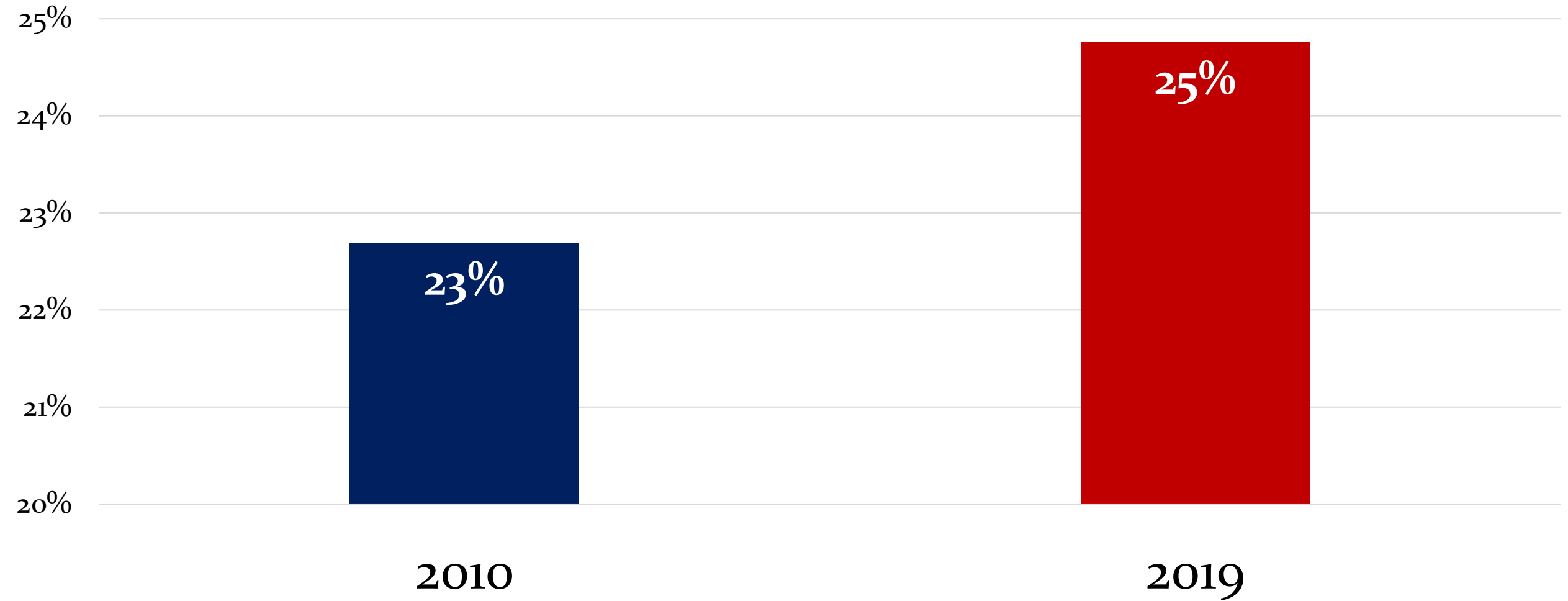


**Nov. 2020:  
33.07**



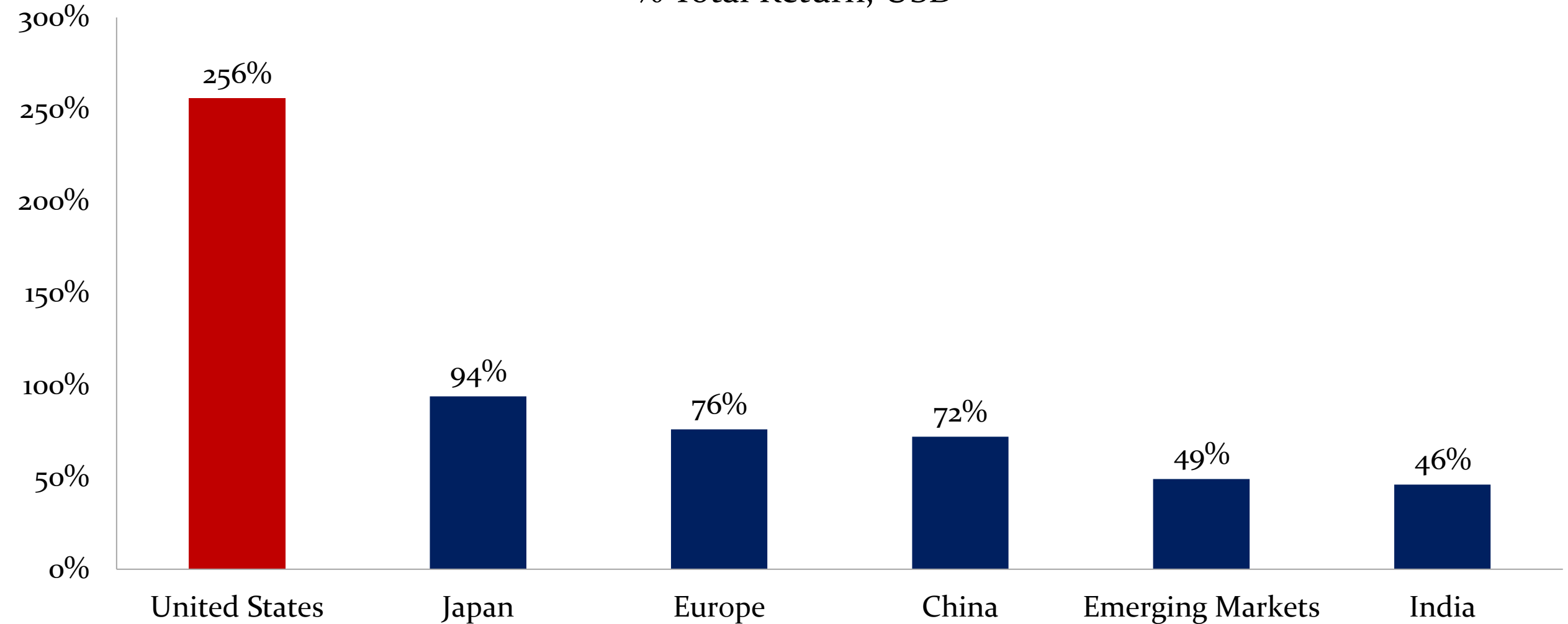
# U.S. Share of Global GDP, 2010 v. 2019

U.S. Share of Global GDP (current USD)



# Stock Market Returns by Country, 2010 – 2019

% Total Return, USD



# Three Things that Make COVID-19 Different, Economically



Photo: Warner Bros; getwallpapers.com

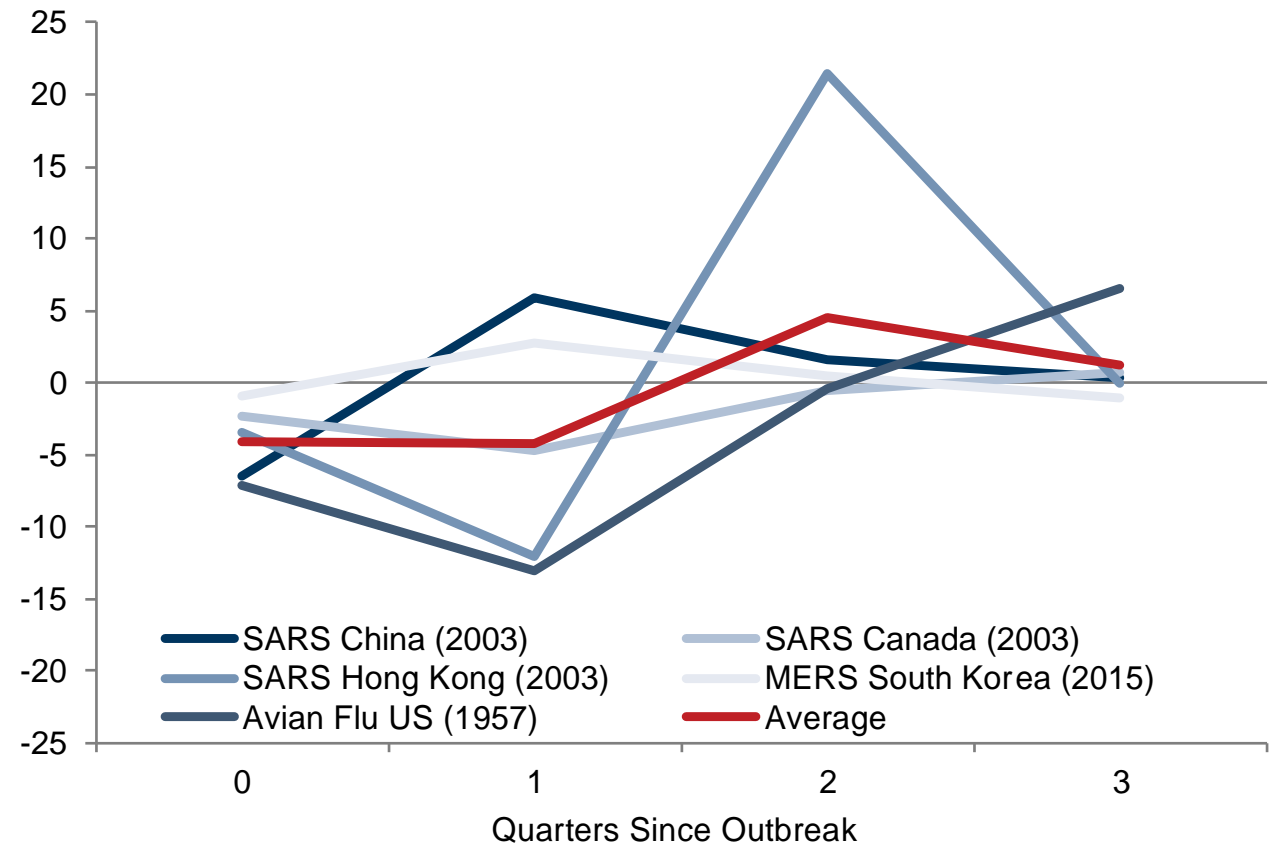
# I. A Supply Shock of a Caliber Unknown in Modern Times

Containment measures	Supply	Demand
Quarantines	Factory closures	Loss of confidence
Travel bans and restrictions	Cutbacks in service provisions	Business and tourism travels
Closure of public places	Supply chain disruption	Education and entertainment services

## II. Economic Impact of Past Pandemics – This One Will be Worse

- Goldman Sachs analyzed GDP changes during other pandemics, including the 2003 SARS episodes in China, Hong Kong, and Canada, the 1957 Avian Flu in the U.S., and the 2015 MERS episode in South Korea.
- The average episode saw a GDP hit of 4-5% in the 1-2 quarters after the outbreak, though the variation was substantial.

Real GDP growth minus average growth over year before outbreak, pp

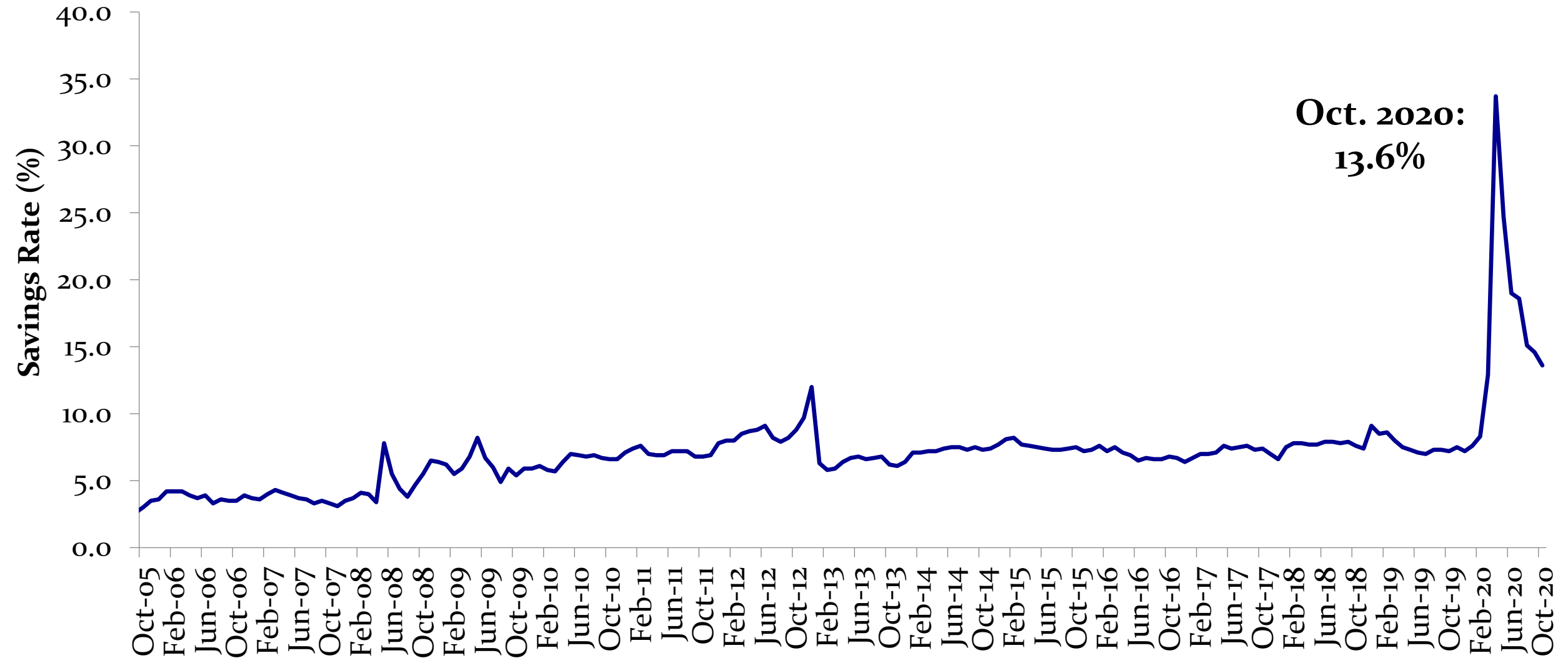


### III. The Cure is Just Oh, So Different: U.S. Government Legislative Actions

- **Phase 1 (3/6/2020)**—*Coronavirus Preparedness and Response Supplemental Appropriations Act*: **\$8.3 billion** in emergency funding.
- **Phase 2 (3/18/2020)**—*Families First Coronavirus Response Act*: **\$192 billion**
  - Provided paid sick leave, tax credits, and free COVID-19 testing; expanded food assistance and unemployment benefits; and increased Medicaid funding.
- **Phase 3 (3/27/2020)**—*Coronavirus Aid, Relief, and Economic Security (CARES) Act*: **More than \$2 trillion** (expected to increase the deficit by \$1.7 trillion)
  - Direct payments to Americans; scaled up unemployment insurance program; loans and grants for small and large businesses and governments; aid to state and local governments, business tax cuts; other health and safety related spending provisions.
- **Phase 4 (4/24/2020)**—*Paycheck Protection Program and Health Care Enhancement Act*: **\$483 billion**
  - Additional funding for Paycheck Protection Program, hospitals, testing efforts, and emergency disaster loans and grants.

# U.S. Saving Rate, October 2005 – October 2020

*(Savings as Percentage of Personal Disposable Income)*



**Oct. 2020:  
13.6%**

# The One



# Forecast

- The initial phase of recovery from the crisis will be sharp, profound and most welcome -- interest rates are still low, pent-up demand high, there is a need to rebuild inventories, and people are anxious to meet again, go to restaurants, casinos, see a movie, watch the Orioles, and engage in other most wonderful of human activities.
- May's jobs report was an absolute stunner. One way to look at this is to say economists missed the mark by 10.5 million jobs. Another way to look at it is that economists missed it by 2 weeks. June was even better, but July-November has been increasingly soft...
- While recovery has begun, these remain treacherous times (obviously – we haven't earned an enduring v-shaped recovery).



# Thank You

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