

Cast Away



COVID-19 Economic Update

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On Behalf of
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November 11th, 2020

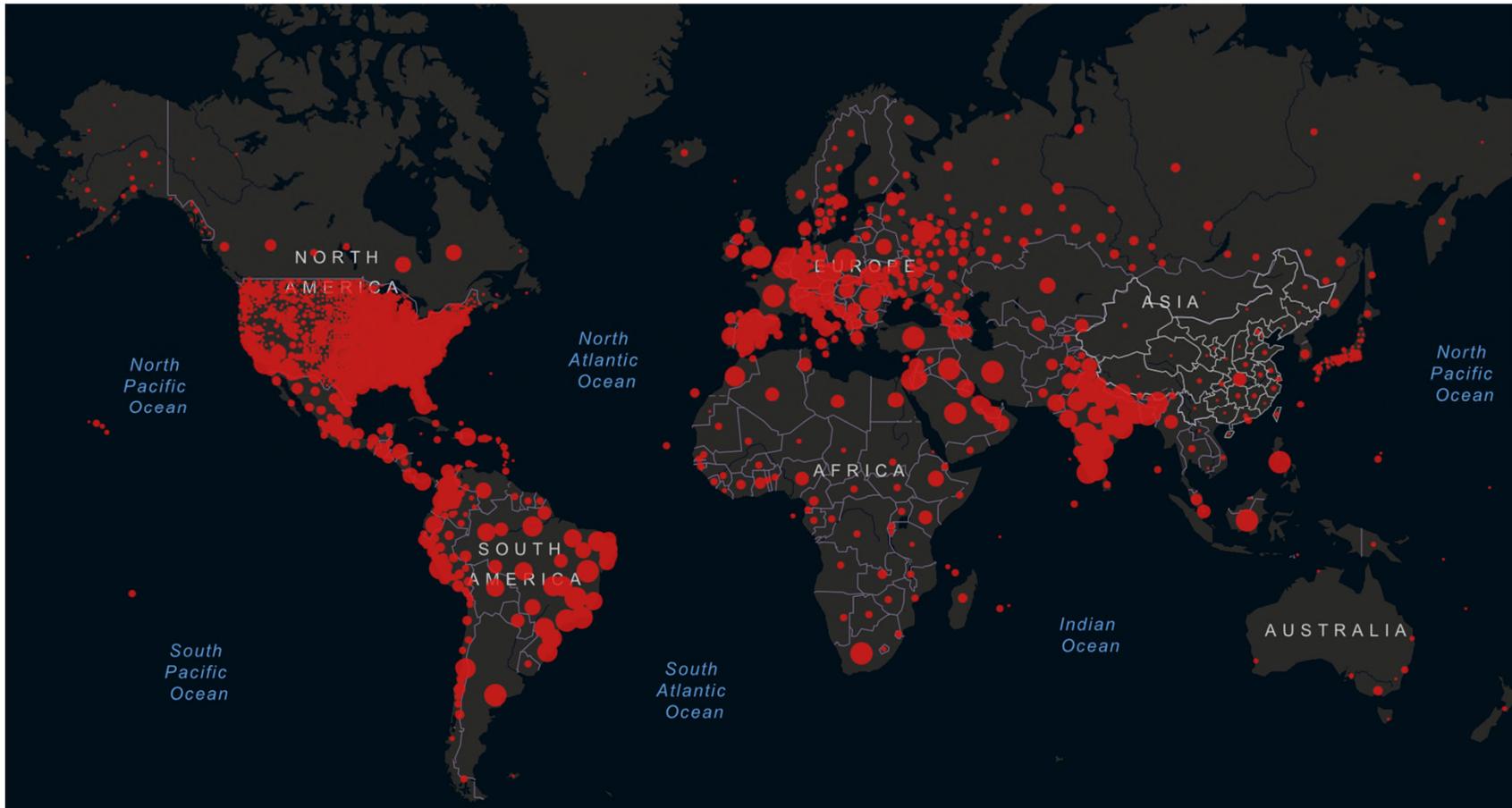


Life is like a box of chocolates,
you never know what you're
going to get . . .



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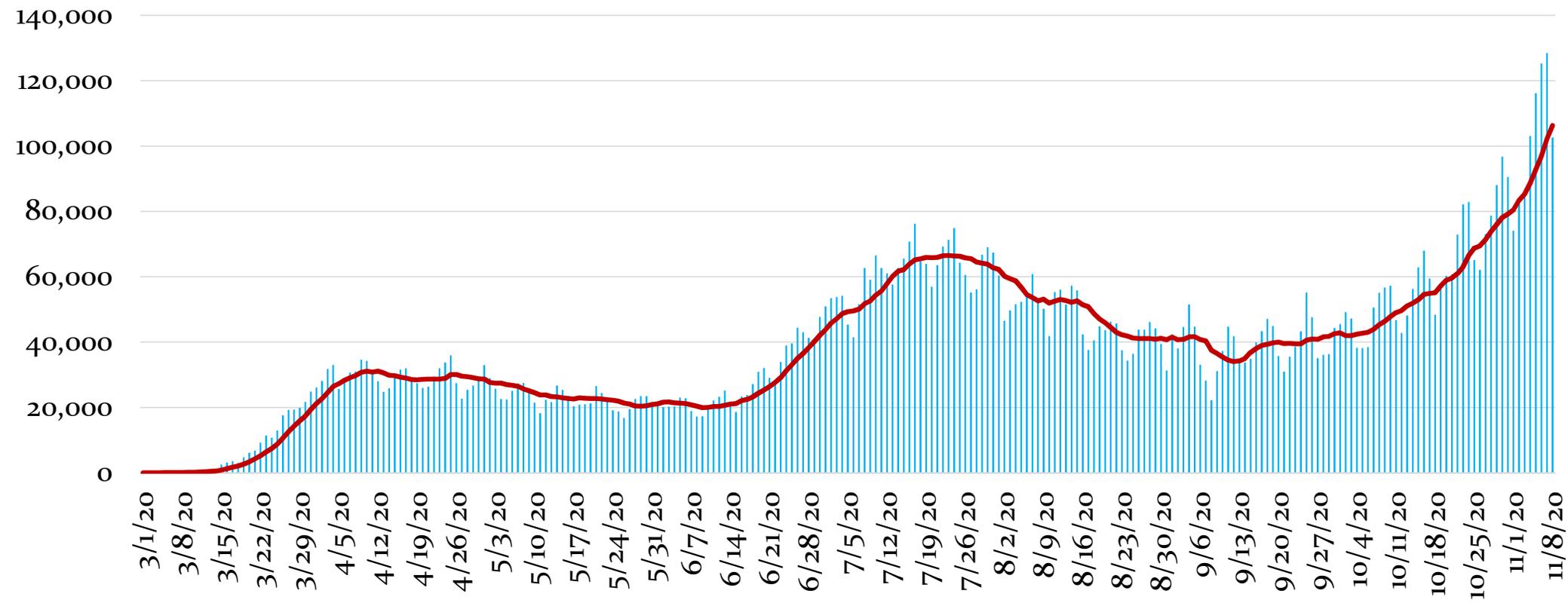
Coronavirus COVID-19 Global Cumulative Confirmed Cases As of 11/9/2020



Total Confirmed: 50,517,420 | Total Deaths: 1,257,922

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

■ Daily Cases — 7-Day Average



Where the Candidates Stand: The Economy

BIDEN

TRUMP

REOPENING THE ECONOMY

Cautious

Yes, as quickly as possible

PUTTING THE ECONOMY BACK ON TRACK

Trillions more; spending to create clean energy, manufacturing and caregiving jobs, and to ease racial economic inequality; supports additional federal stimulus.

Onetime stimulus; supports further stimulus measures, including payroll tax cut.

TAXES & WAGES

Raise the minimum wage; reverse some of 2017 tax cuts

No to raising taxes

TRADE

Boost domestic manufacturing: proposed his own *made-in-America* manufacturing plan that would spend \$700 billion on American-made products and industrial research; criticizes Trump's tariff war w/China as bad for U.S. consumers and farmers.

Boost domestic manufacturing: in a return to a core issue of his 2016 campaign, Trump is telling voters he wants to boost domestic manufacturing

GREEN INVESTMENTS

\$2 trillion over 4 years: says he would spend \$2T over 4 years to improve infrastructure, create zero-emissions public transportation, build sustainable homes & create clean-energy jobs.

Little appetite: Advocates more spending on U.S. roads, bridges and airports, too, but has signaled little appetite for making "green" investments.

Where the Candidates Stand: Other Issues

BIDEN

TRUMP

HEALTHCARE

Obamacare: Yes	Obamacare: No
Lower drug prices: Yes	Lower drug prices: Yes
Medicare/Medicaid Expansion: Yes	Medicare/Medicaid Expansion: No

CLIMATE CHANGE

Climate Plan: Yes	Climate Plan: No
Tougher Auto Emissions Rules: Yes	Tougher Auto Emissions Rules: No
Ban on Coal, Fracking: Cautious	Ban on Coal, Fracking: No

FOREIGN POLICY

Biden pledges to restore U.S. global leadership and reverse many of Trump's foreign policy actions.	Trump won the 2016 election promising to put "America First," overturn what he said were unfair trade deals and force U.S. allies to pay more toward joint defense measures.
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Other important differences in the candidates' stances exist with respect to race and criminal justice, immigration, and big tech...

Source: Reuters

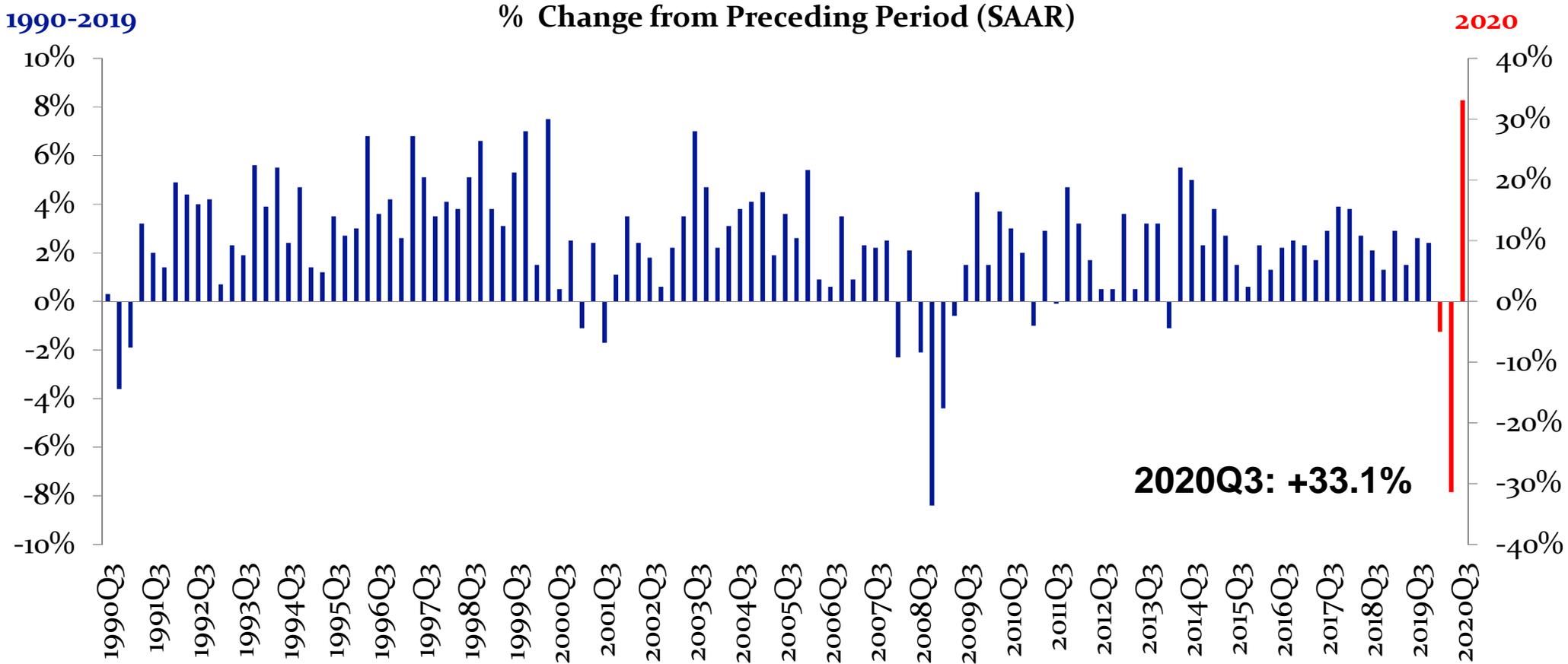


Which Workers Face the Highest Unemployment Risk?

	Total Employment	Share of Total Employment
All Occupations	144,731,220	-
Employed in Occupations at “Low Risk” of Layoff	77,944,910	54%
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%
Employed in Occupations at “High Risk” of Layoff	66,786,310	46%
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*



2020Q3: +33.1%

Big!

TOM HANKS
BIG

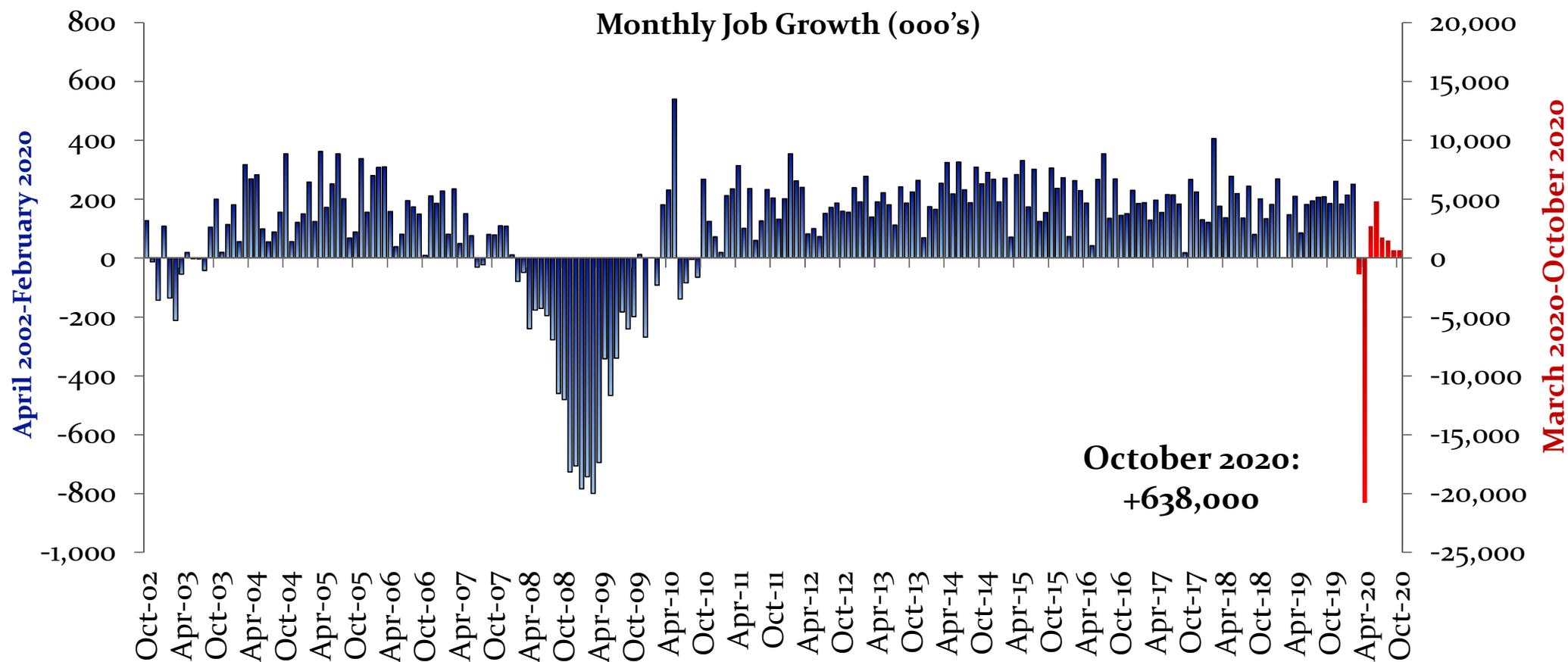


Photo: 20th Century Fox



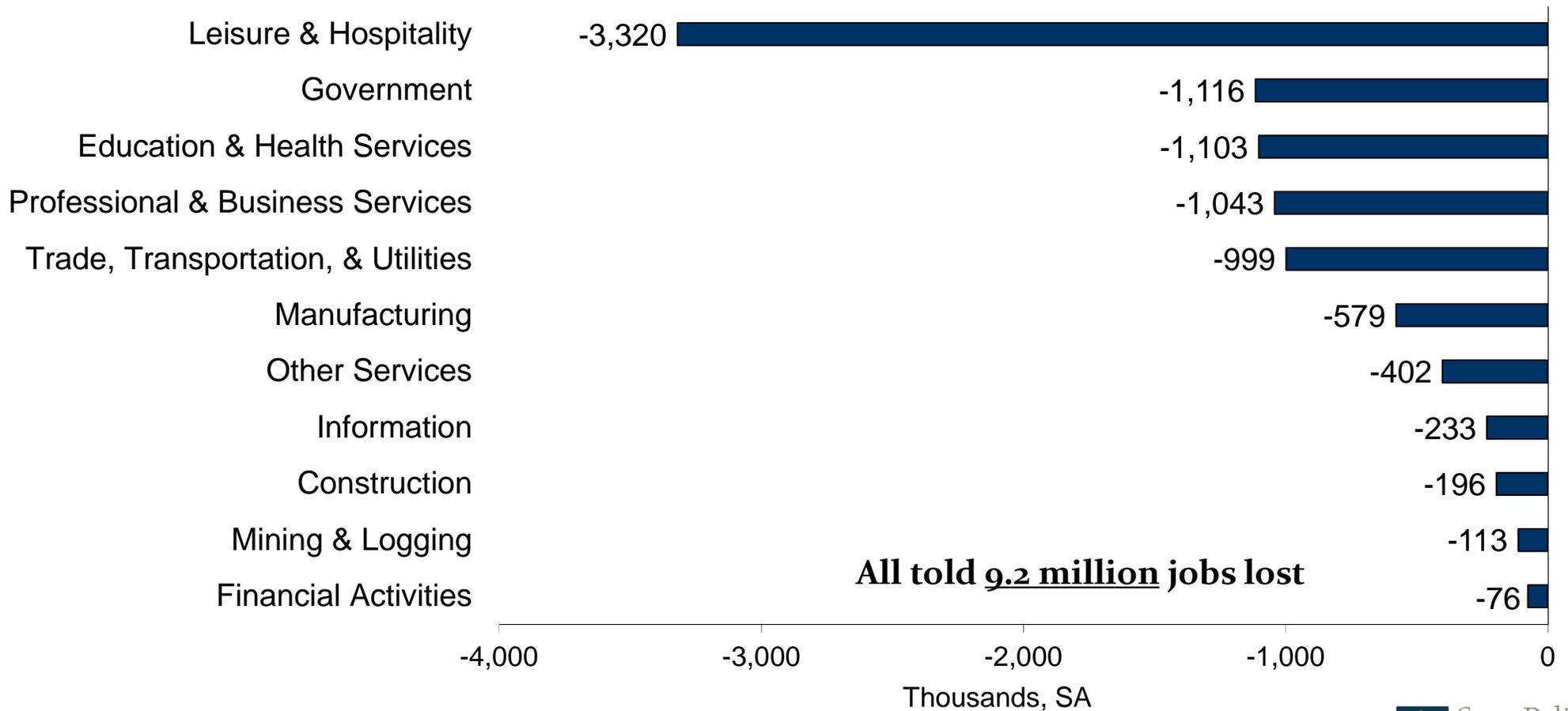
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Net Change in U.S. Jobs, October 2002 – October 2020



National Nonfarm Employment

by Industry Sector, October 2019 v. October 2020



Employment Growth, 25 Largest Metros (NSA)

September 2019 v. September 2020 Percent Change

Rank	MSA	%	Rank	MSA	%
1	Phoenix-Mesa-Scottsdale, AZ	-2.9	13	Miami-Fort Lauderdale-West Palm Beach, FL	-7.0
2	Dallas-Fort Worth-Arlington, TX	-3.5	13	Seattle-Tacoma-Bellevue, WA	-7.0
3	Atlanta-Sandy Springs-Roswell, GA	-3.7	15	Chicago-Naperville-Elgin, IL-IN-WI	-7.2
4	Denver-Aurora-Lakewood, CO	-3.8	16	Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	-7.4
5	San Antonio-New Braunfels, TX	-4.2	17	Portland-Vancouver-Hillsboro, OR-WA	-7.7
6	Tampa-St. Petersburg-Clearwater, FL	-4.3	18	San Diego-Carlsbad, CA	-7.8
7	Houston-The Woodlands-Sugar Land, TX	-5.1	19	Riverside-San Bernardino-Ontario, CA	-8.0
8	Washington-Arlington-Alexandria, DC-VA-MD-WV	-5.7	20	Boston-Cambridge-Nashua, MA-NH	-9.5
9	St. Louis, MO-IL	-5.9	20	Orlando-Kissimmee-Sanford, FL	-9.5
10	Baltimore-Columbia-Towson, MD	-6.3	22	Los Angeles-Long Beach-Anaheim, CA	-9.6
11	Charlotte-Concord-Gastonia, NC-SC	-6.7	23	Detroit-Warren-Dearborn, MI	-9.8
11	Minneapolis-St. Paul-Bloomington, MN-WI	-6.7	24	San Francisco-Oakland-Hayward, CA	-10.6
			25	New York-Newark-Jersey City, NY-NJ-PA	-10.8

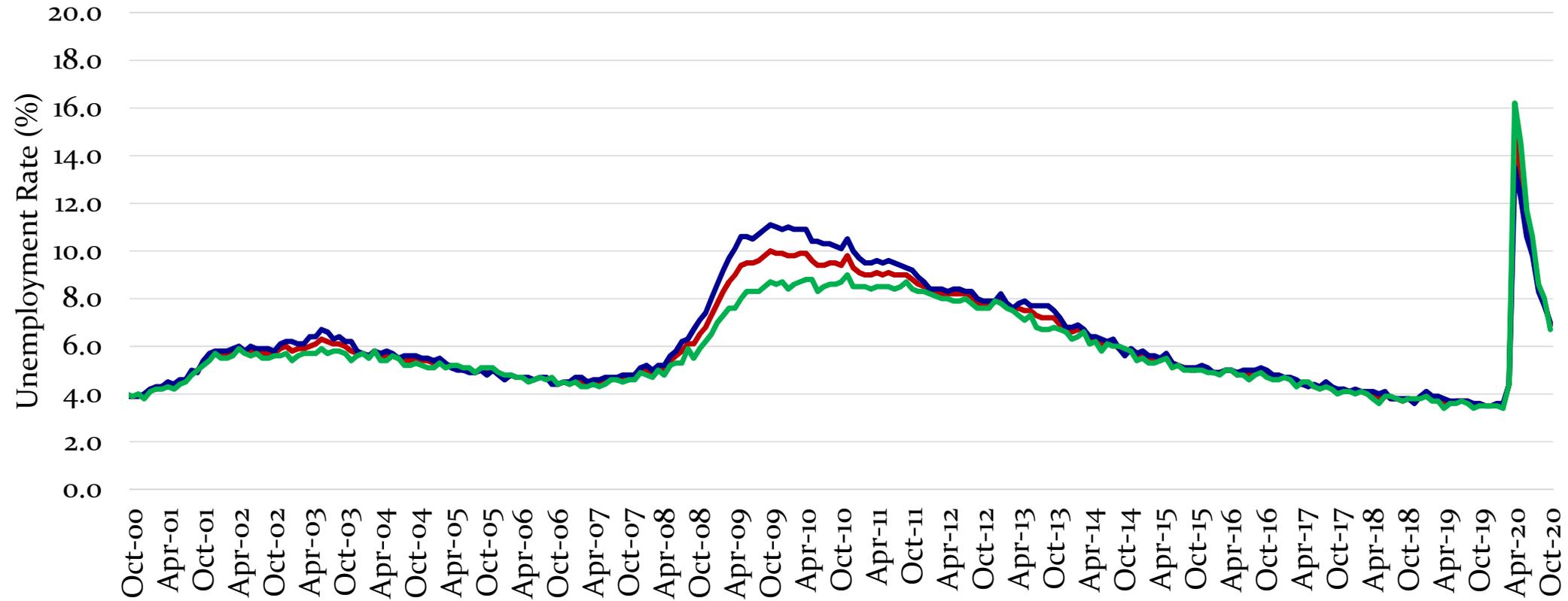
U.S. Year-over-year Percent Change

Sept: -6.4% Oct: -6.1%

You've Got Males

U.S. Unemployment Rate, October 2000 – October 2020

— Total Unemployment — Men — Women



Unemployment Rates, 25 Largest Metros (NSA)

September 2020

Rank	MSA	%	Rank	MSA	%
1	St. Louis, MO-IL	5.5	13	San Antonio-New Braunfels, TX	7.8
2	Minneapolis-St. Paul-Bloomington, MN-WI	5.9	14	Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	7.9
3	Tampa-St. Petersburg-Clearwater, FL	6.1	15	San Francisco-Oakland-Hayward, CA	8.6
4	Phoenix-Mesa-Scottsdale, AZ	6.3	16	San Diego-Carlsbad, CA	9.0
5	Baltimore-Columbia-Towson, MD	6.5	17	Boston-Cambridge-Nashua, MA-NH	9.2
5	Denver-Aurora-Lakewood, CO	6.5	18	New York-Newark-Jersey City, NY-NJ-PA	9.5
7	Atlanta-Sandy Springs-Roswell, GA	6.7	19	Houston-The Woodlands-Sugar Land, TX	9.6
7	Washington-Arlington-Alexandria, DC-VA-MD-WV	6.7	20	Detroit-Warren-Dearborn, MI	9.8
9	Charlotte-Concord-Gastonia, NC-SC	7.0	20	Orlando-Kissimmee-Sanford, FL	9.8
10	Seattle-Tacoma-Bellevue, WA	7.4	22	Miami-Fort Lauderdale-West Palm Beach, FL	10.1
11	Dallas-Fort Worth-Arlington, TX	7.5	23	Riverside-San Bernardino-Ontario, CA	10.4
12	Portland-Vancouver-Hillsboro, OR-WA	7.7	24	Chicago-Naperville-Elgin, IL-IN-WI	10.5
			25	Los Angeles-Long Beach-Anaheim, CA	13.6

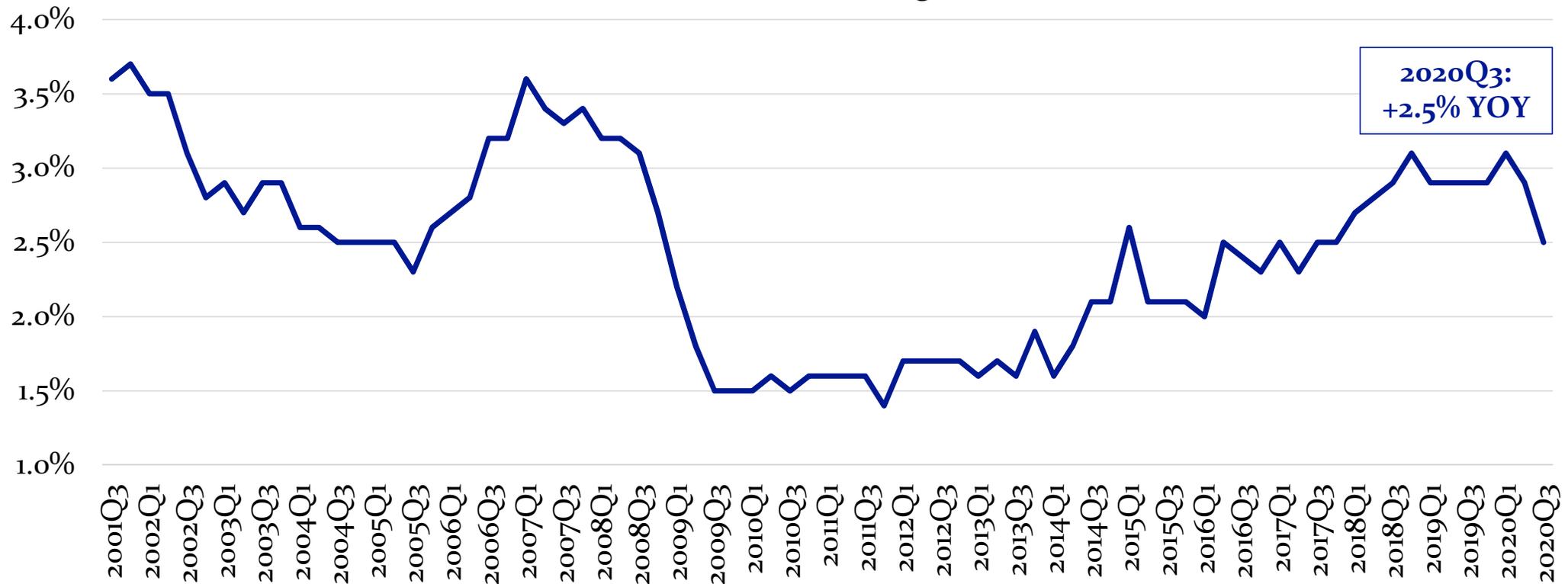
U.S. Unemployment Rate
Sept: 7.9% Oct: 6.9%



Growth in Wages & Salaries, U.S. Employment Cost Index (ECI)

2001Q3 – 2020Q3

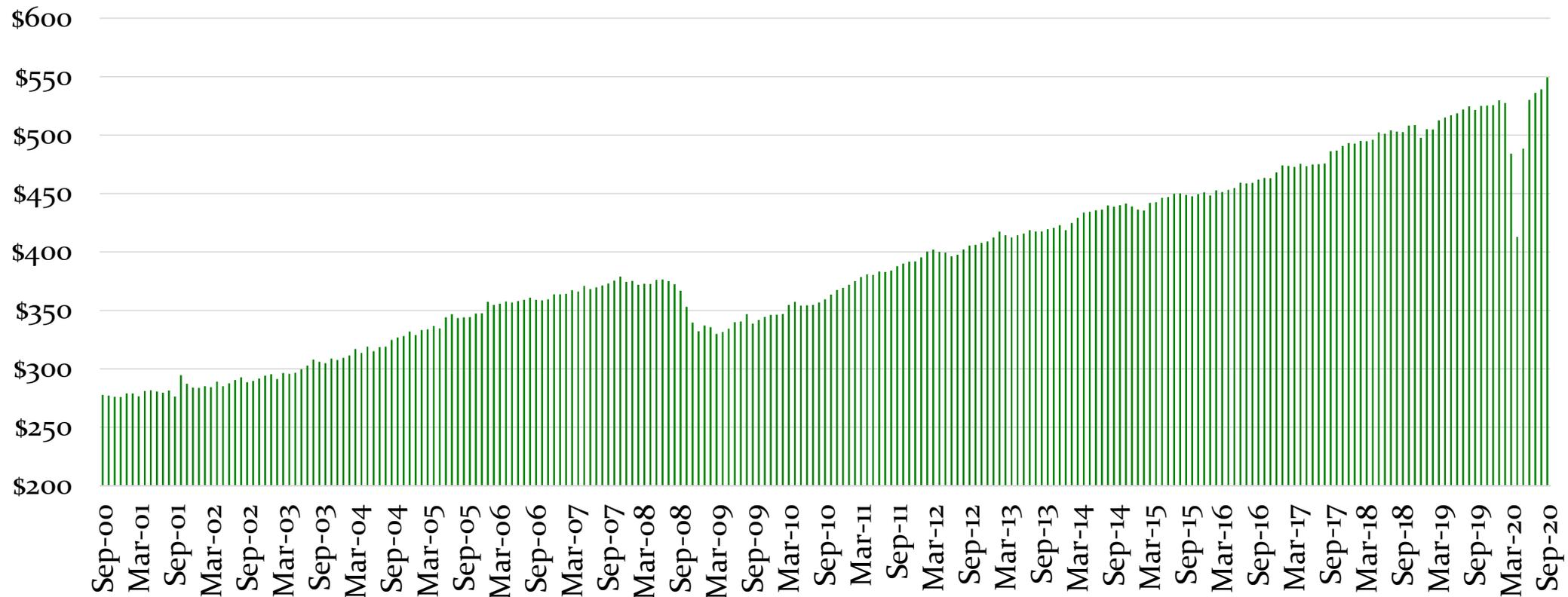
ECI for Wages & Salaries
12-Month % Change



2020Q3:
+2.5% YOY

U.S. Retail Sales, September 2000 – September 2020

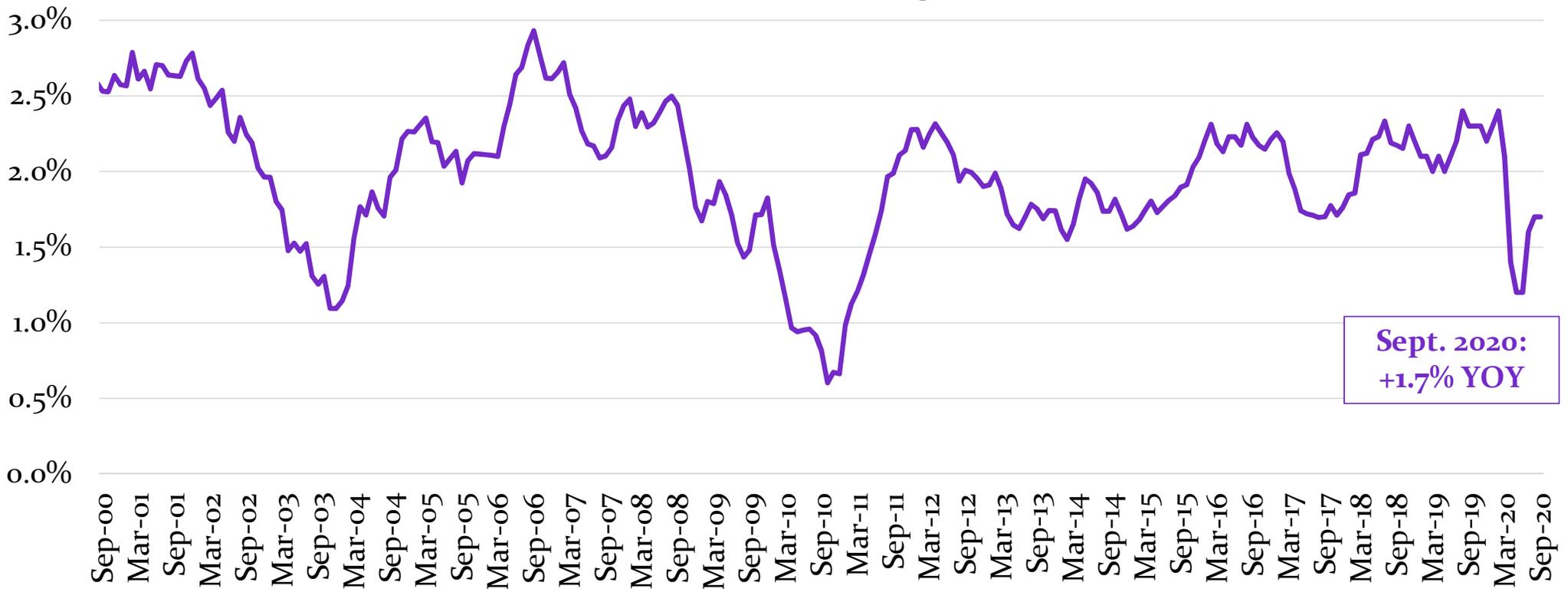
Retail Sales (\$Billions)



Consumer Price Index: All Items Less Food & Energy

September 2000 – September 2020

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



Sept. 2020:
+1.7% YOY

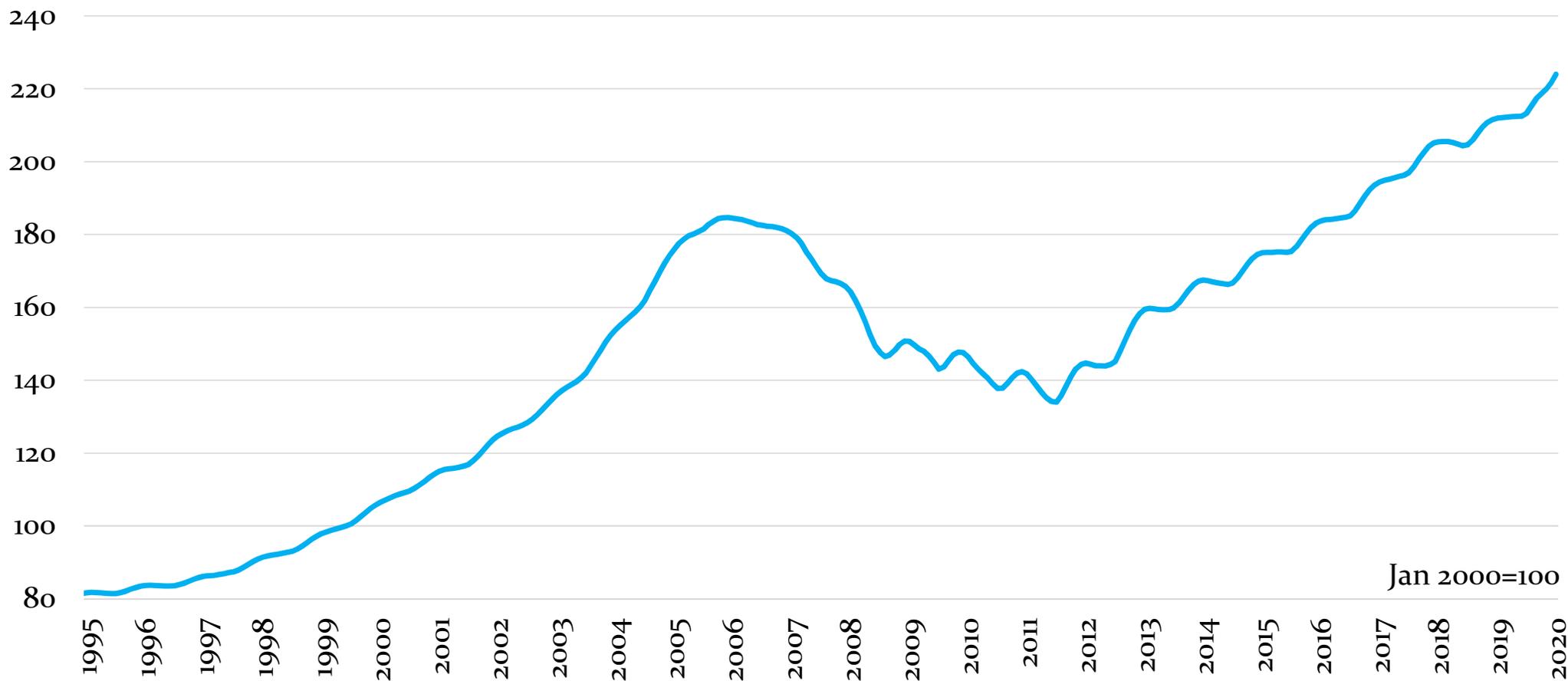
U.S. 10-Year Treasury Constant Maturity Rate, 1962 – 2020*



*Week ending 11/6/2020

S&P Case-Shiller U.S. National Home Price Index

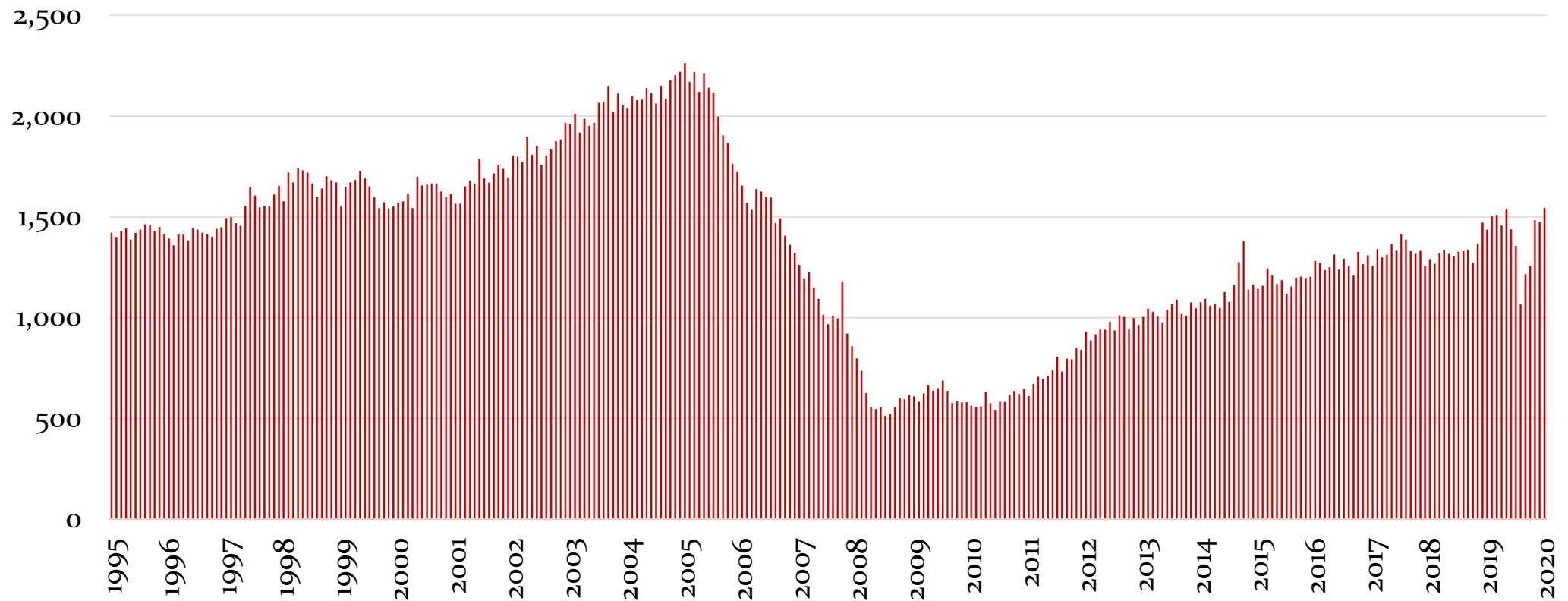
August 1995 – August 2020



U.S. Residential Building Permits

September 1995 – September 2020

Building Permits (ooo's of Units)

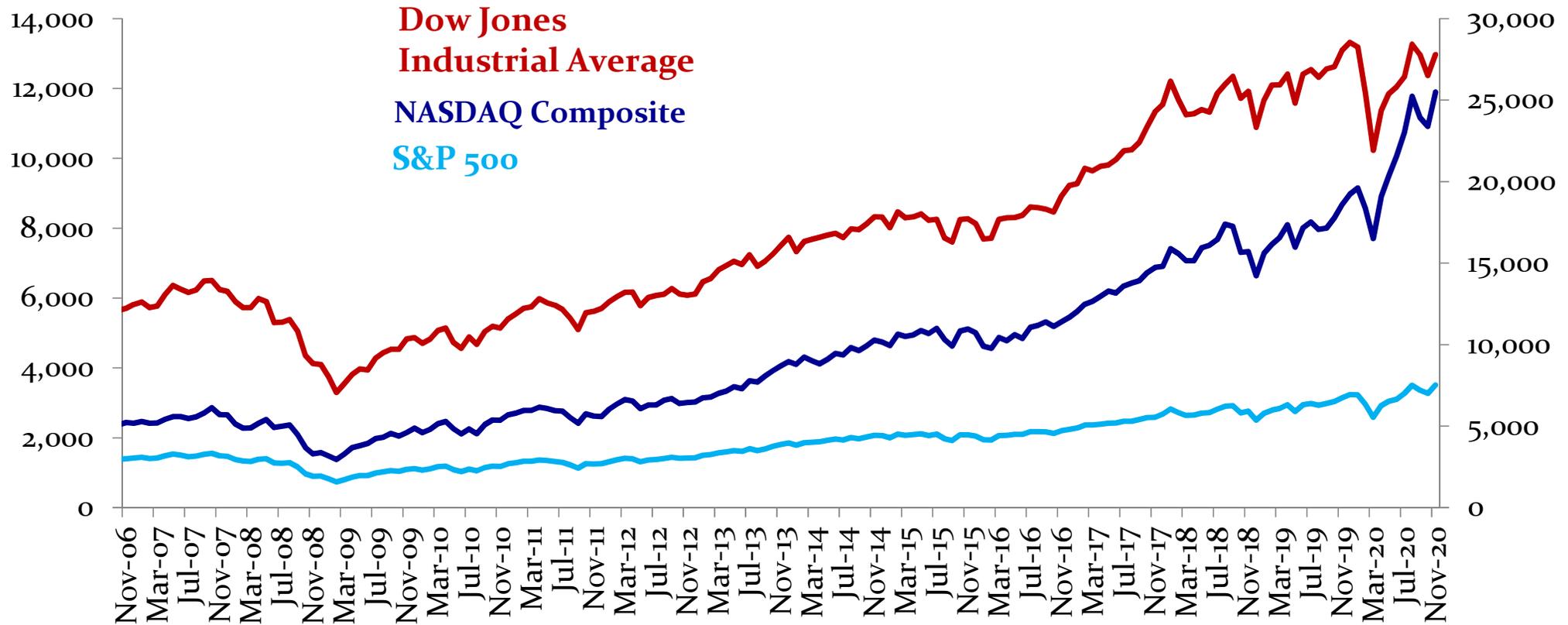


U.S. Stock Markets

October 2006 – October 2020*

NASDAQ/S&P

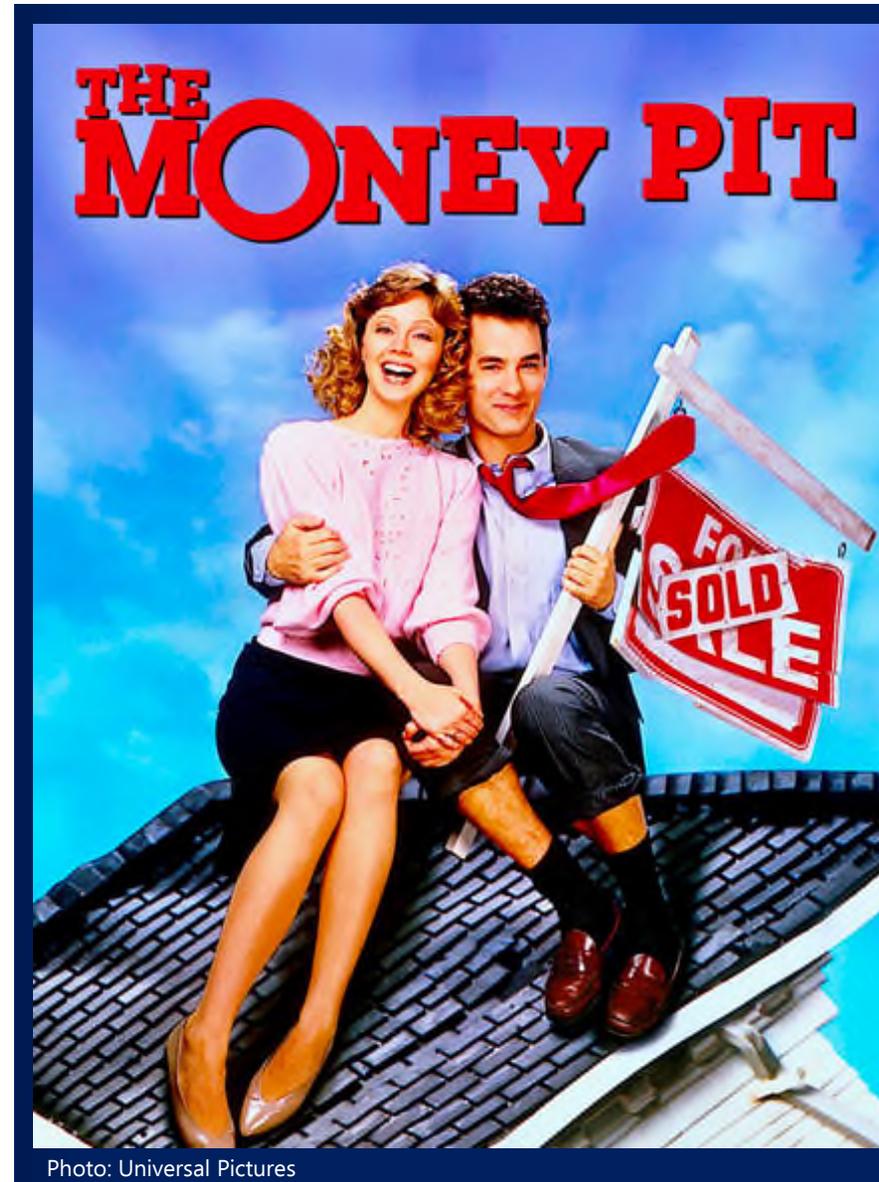
Dow Jones



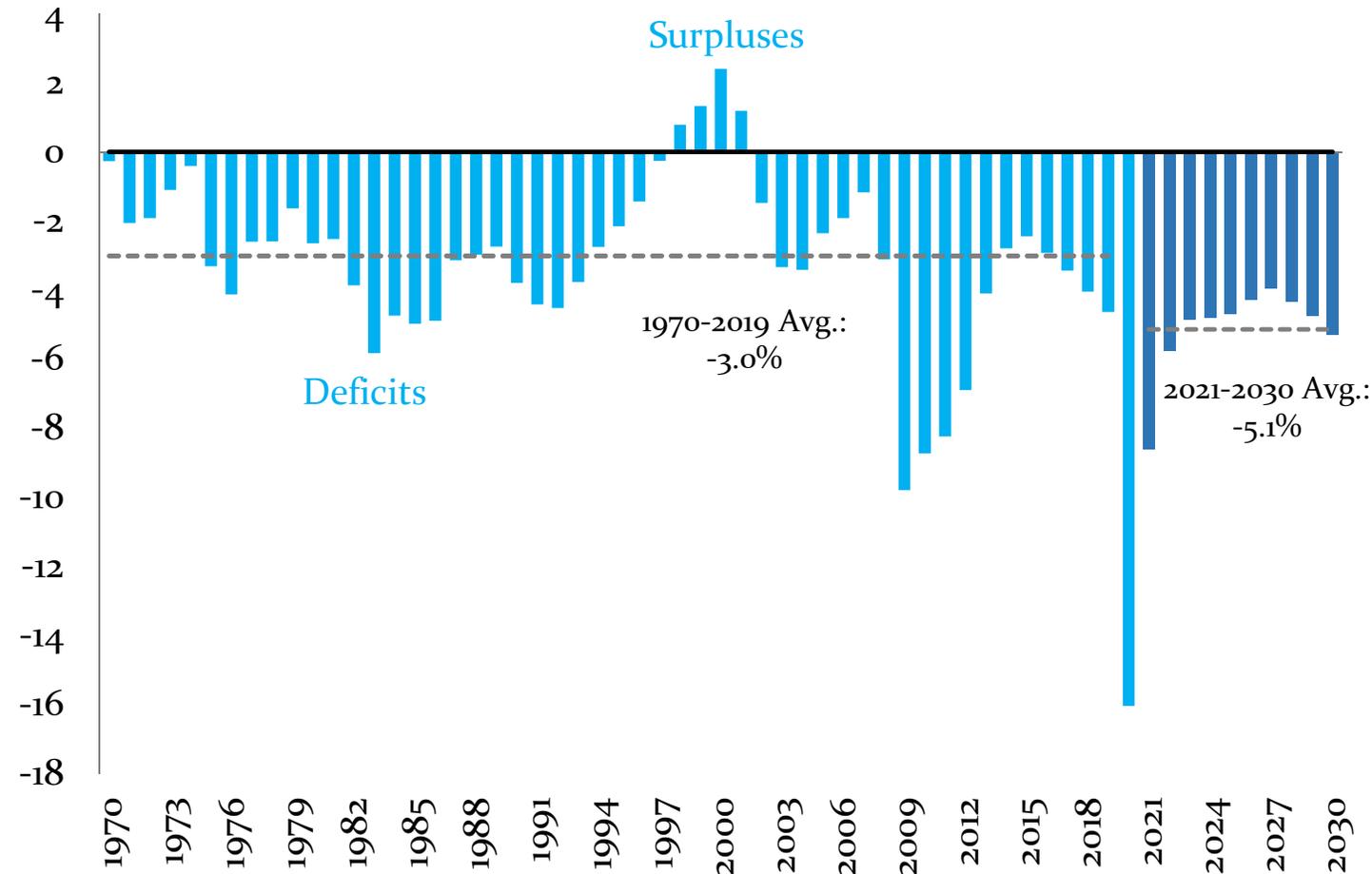
*Week ending 11/6/2020



The Money Pit

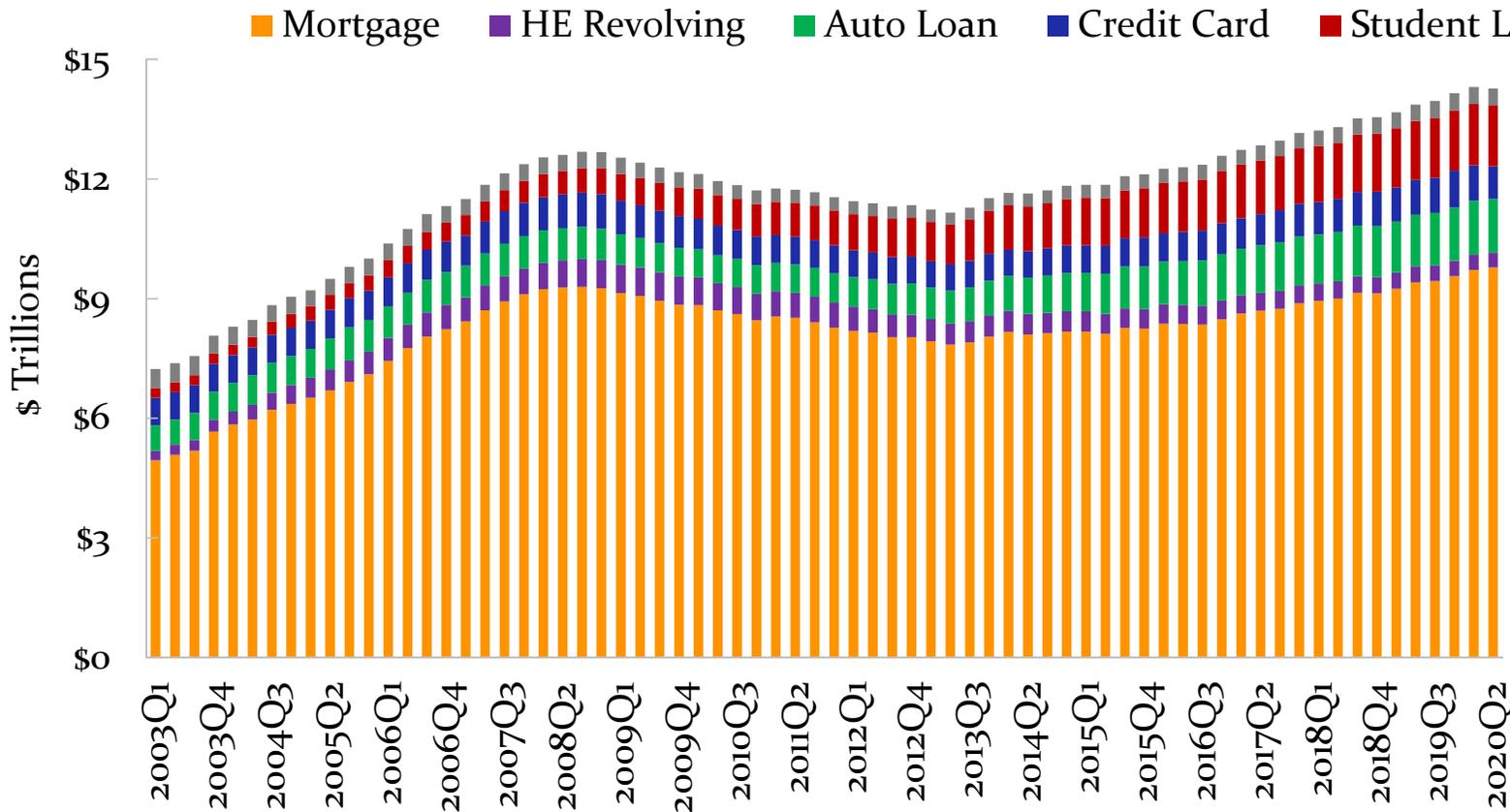


U.S. Federal Deficit, % of GDP



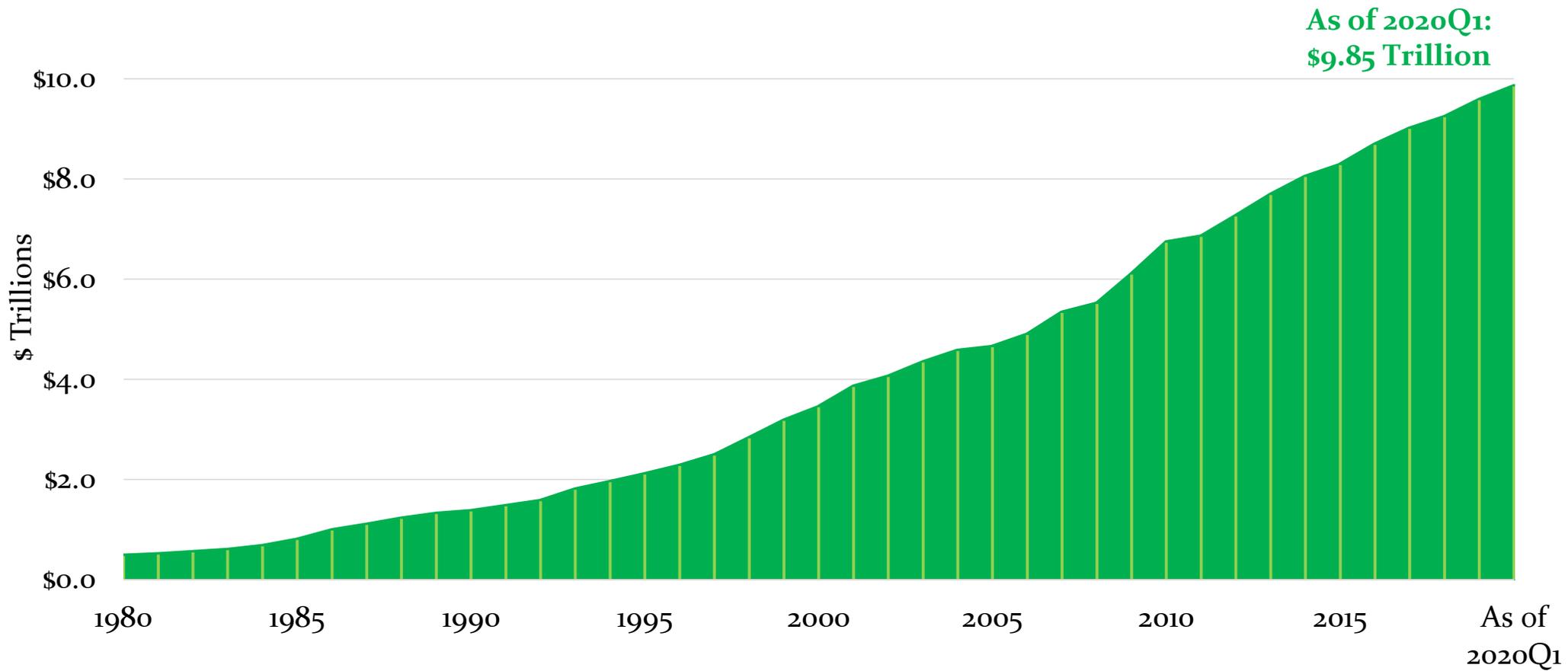
- Over the 2021–2030 period, deficits are projected to average 5.1% of GDP, totaling \$13.0 trillion.
- Over the past 50 years, deficits averaged just 3.0% of GDP.

Total U.S. Household Debt, 2003 – 2020

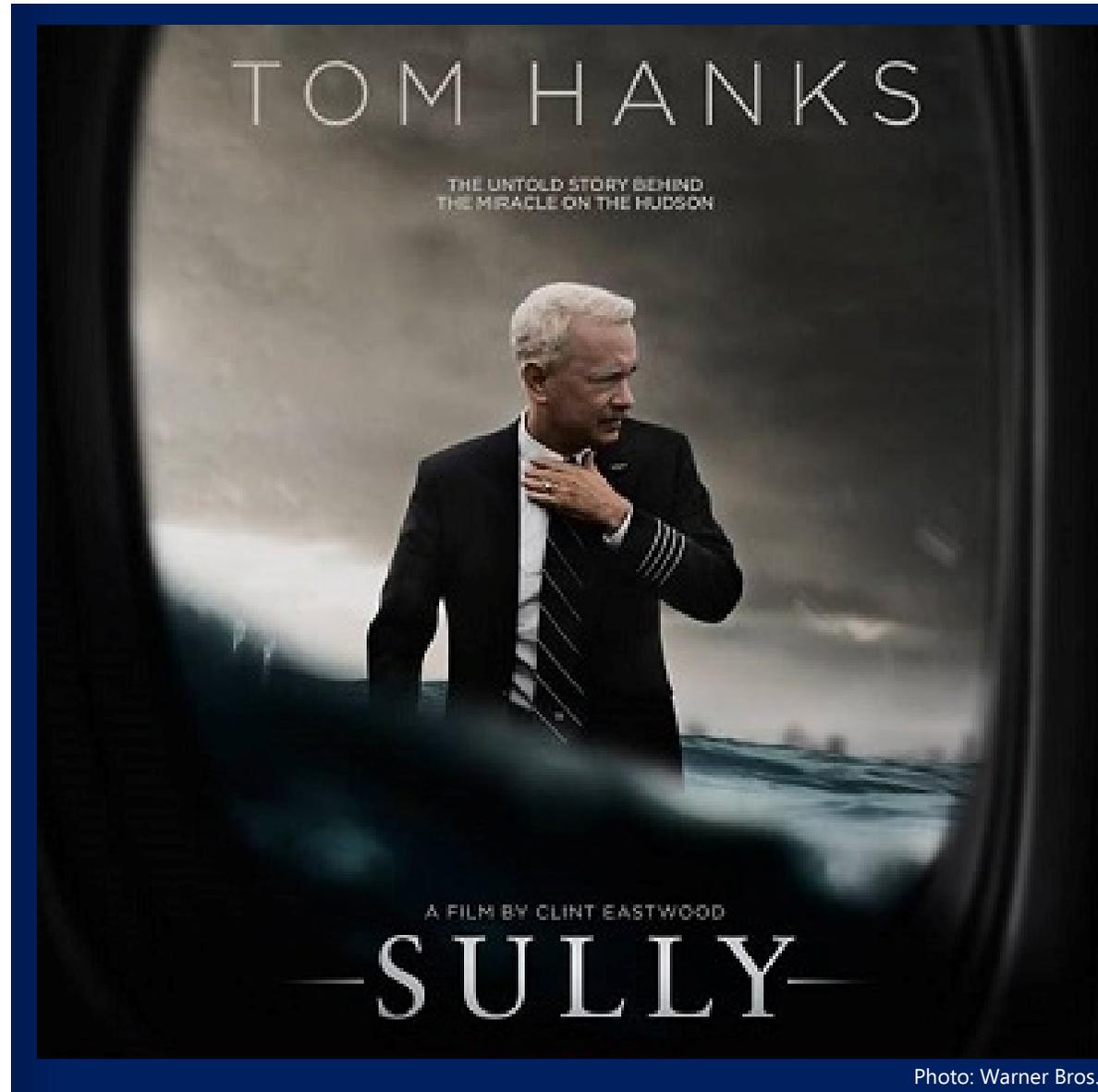


- Debt balances have been rising steadily for several years and are now \$1.6 trillion higher than the previous peak in 2008Q3 of \$12.7 trillion.
- Overall household debt is 28% above the 2013Q2 trough.

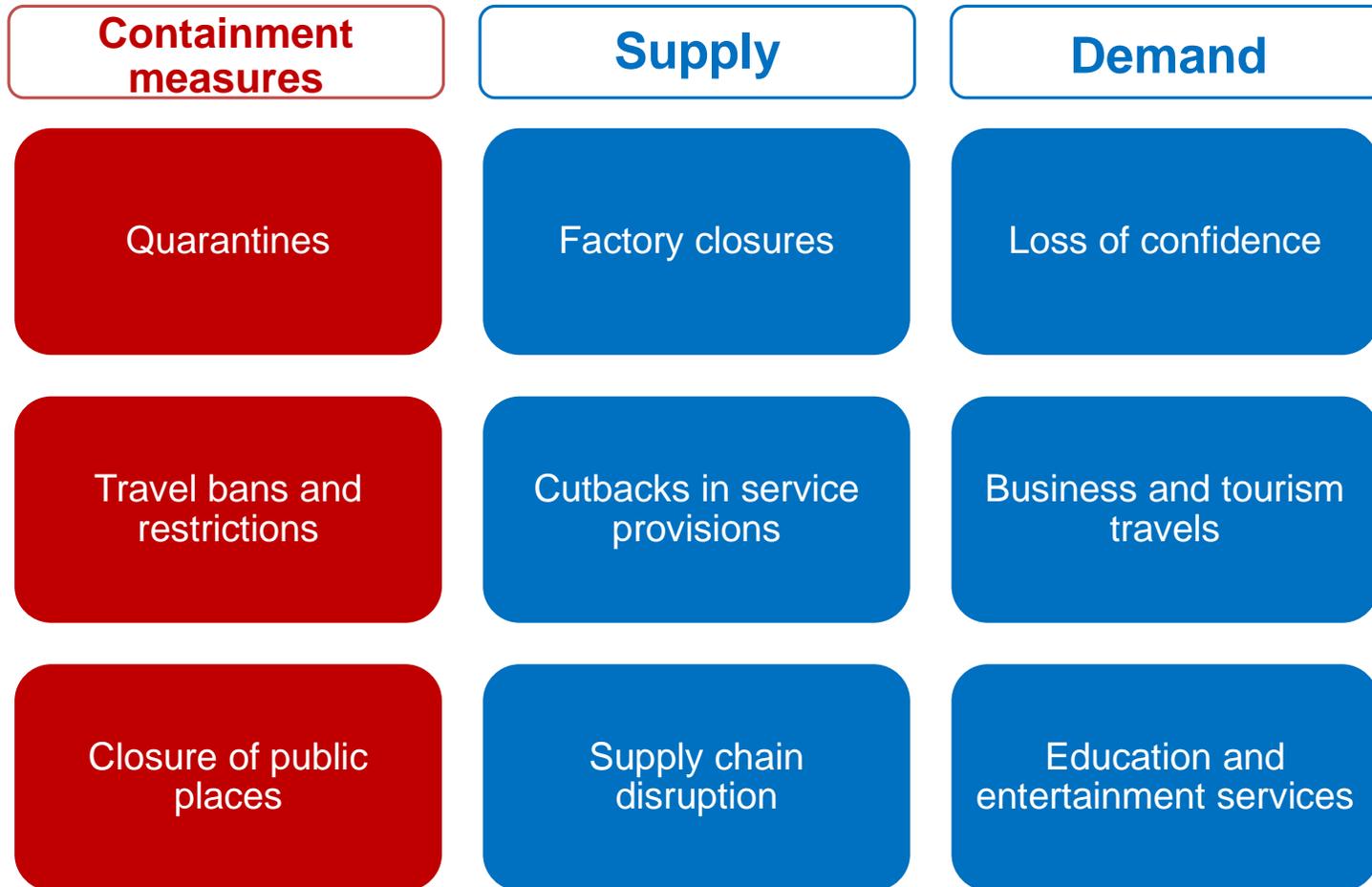
U.S. Corporate Bond Debt Outstanding, 1980 – 2020



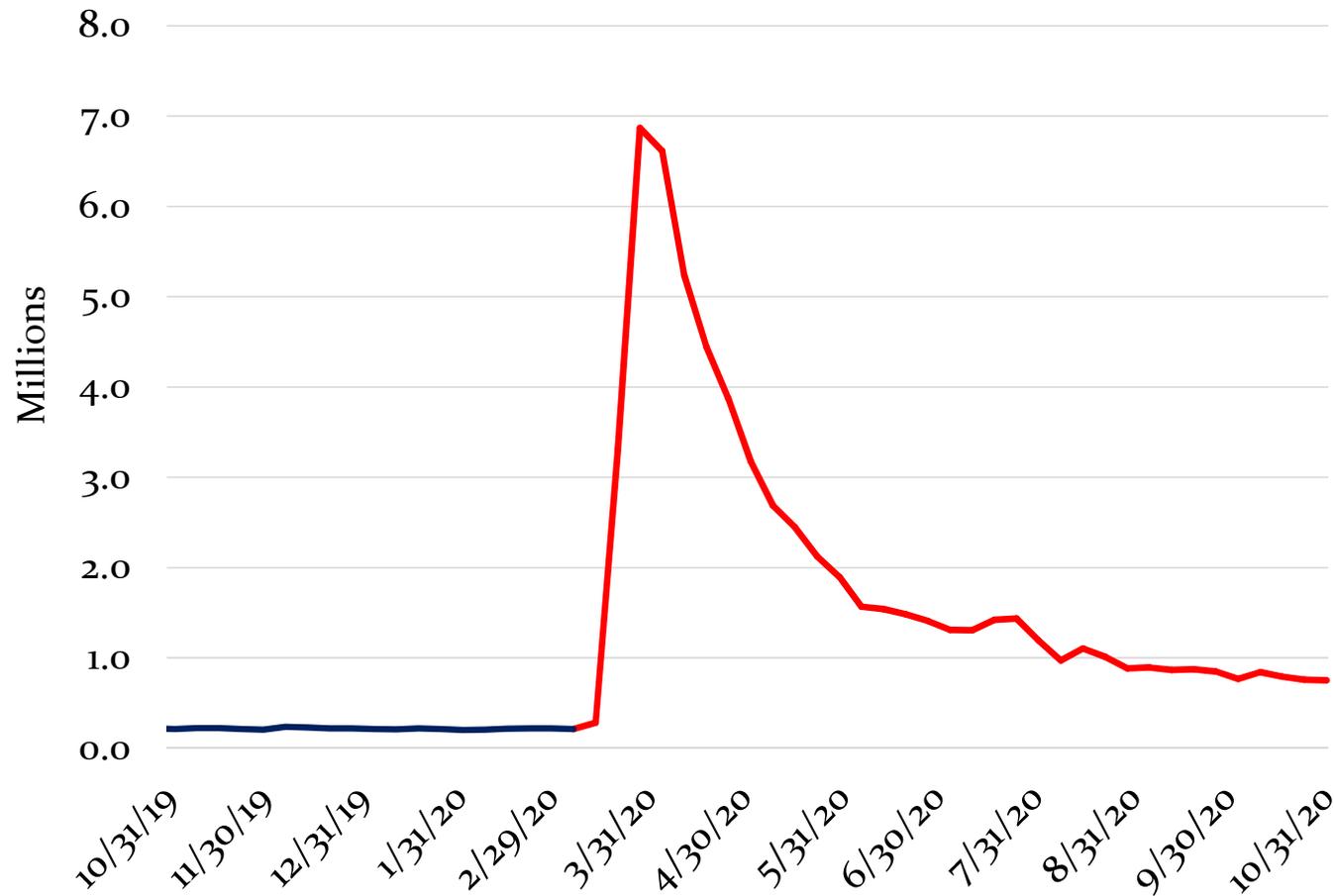
Sullied



A Supply Shock of a Caliber Unknown in Modern Times

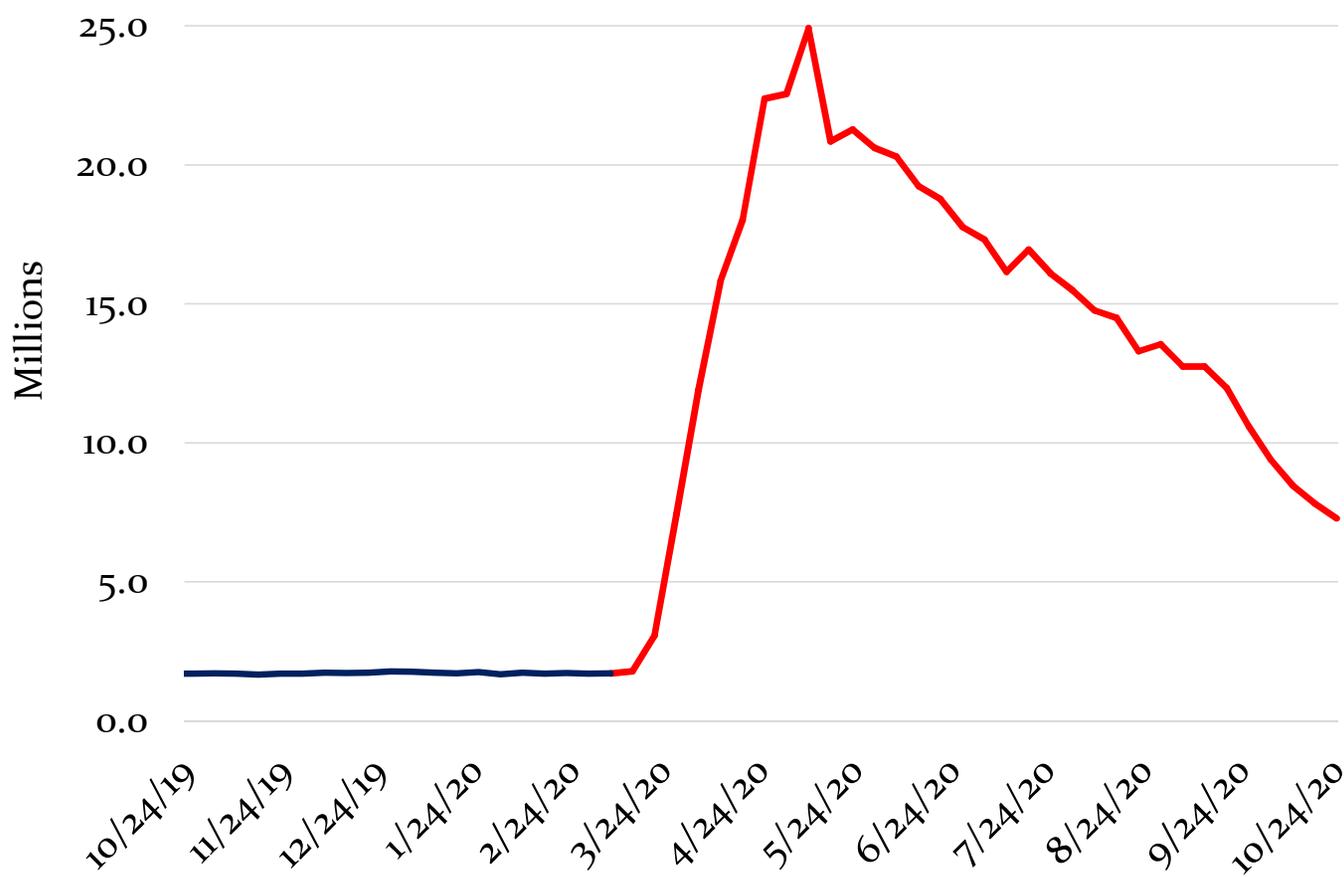


U.S. Unemployment Insurance Initial Weekly Claims, 2019–2020



- During the week ending October 31st, the advance figure for seasonally adjusted initial claims was **751,000**, a decrease of 7,000 from the previous week.
- But that's not the whole story . . .

U.S. Unemployment Insurance Continuing Claims, 2019–2020

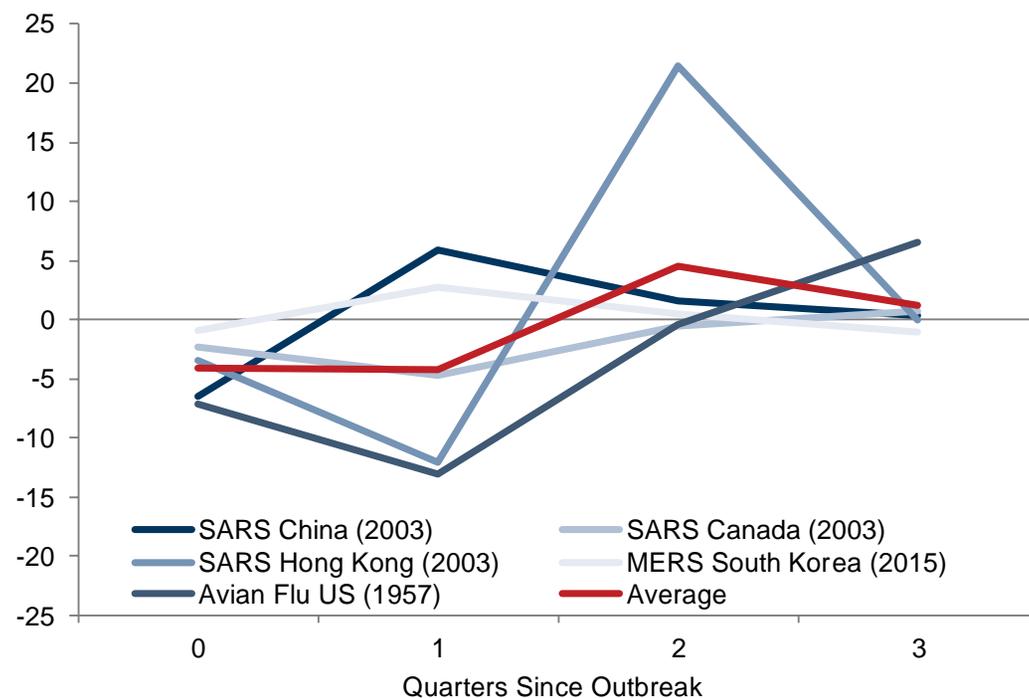


- During the week ending October 24th, the advance figure for seasonally adjusted insured unemployment was **7,285,000**, a decrease of 538,000 from the previous week.
- Continuing claims remain at the highest levels in the history of the seasonally adjusted series.

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



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.

Where the Election Stands

- Cal Cunningham, the Democratic Senatorial candidate in North Carolina, conceded
- Senator Thom Tillis' reelection gives Republicans 50 senators
- Runoff races in Georgia will determine who has control of the Senate
- Incumbent David Perdue (R) faces challenger Jon Ossoff (D)
- Incumbent Kelly Loeffler (R) faces challenger Raphael Warnock (D) in the runoff for the special election for Georgia's other senate seat
- The most recent poll—by right-leaning Remington Research Group—shows Loeffler with a 49% to 48% lead and Perdue with a 50% to 46% lead

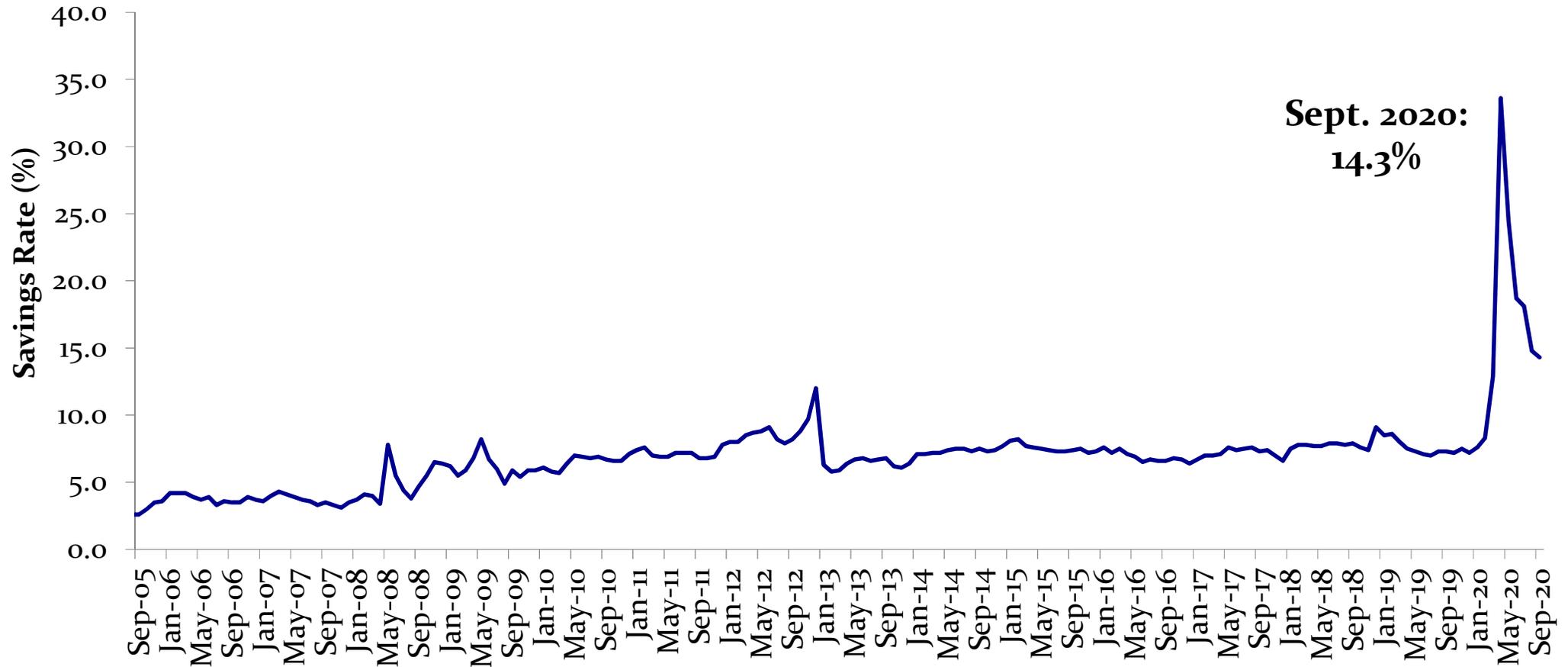
The GOP usually gains ground in Georgia runoffs

Shift in vote margin and percentage change in turnout from the general election to the runoff for statewide races in Georgia

YEAR	OFFICE	MARGIN		CHANGE	
		GENERAL	RUNOFF	TURNOUT	MARGIN
1992	U.S. Senate	D+1.6	R+1.3	-44%	R+2.9
1992	Public Service Commissioner	R+0.7	R+13.6	-43	R+12.9
1998	Public Service Commissioner*	D+15.8	D+31.4	-91	D+15.6
2006	Public Service Commissioner	D+2.6	R+4.4	-89	R+7.0
2008	U.S. Senate	R+2.9	R+14.9	-43	R+12.0
2008	Public Service Commissioner	D+0.6	R+13.0	-44	R+13.7
2018	Secretary of State	R+0.4	R+3.8	-62	R+3.4
2018	Public Service Commissioner	R+2.1	R+3.5	-62	R+1.4

U.S. Saving Rate, September 2005 – September 2020

(Savings as Percentage of Personal Disposable Income)



Sept. 2020:
14.3%

Source: Bureau of Economic Analysis

A Beautiful Day in the Neighborhood

- 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-October 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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