

# Cast Away



By: Anirban Basu  
Sage Policy Group, Inc.

On Behalf of  
Fidelity National Title Insurance  
Company

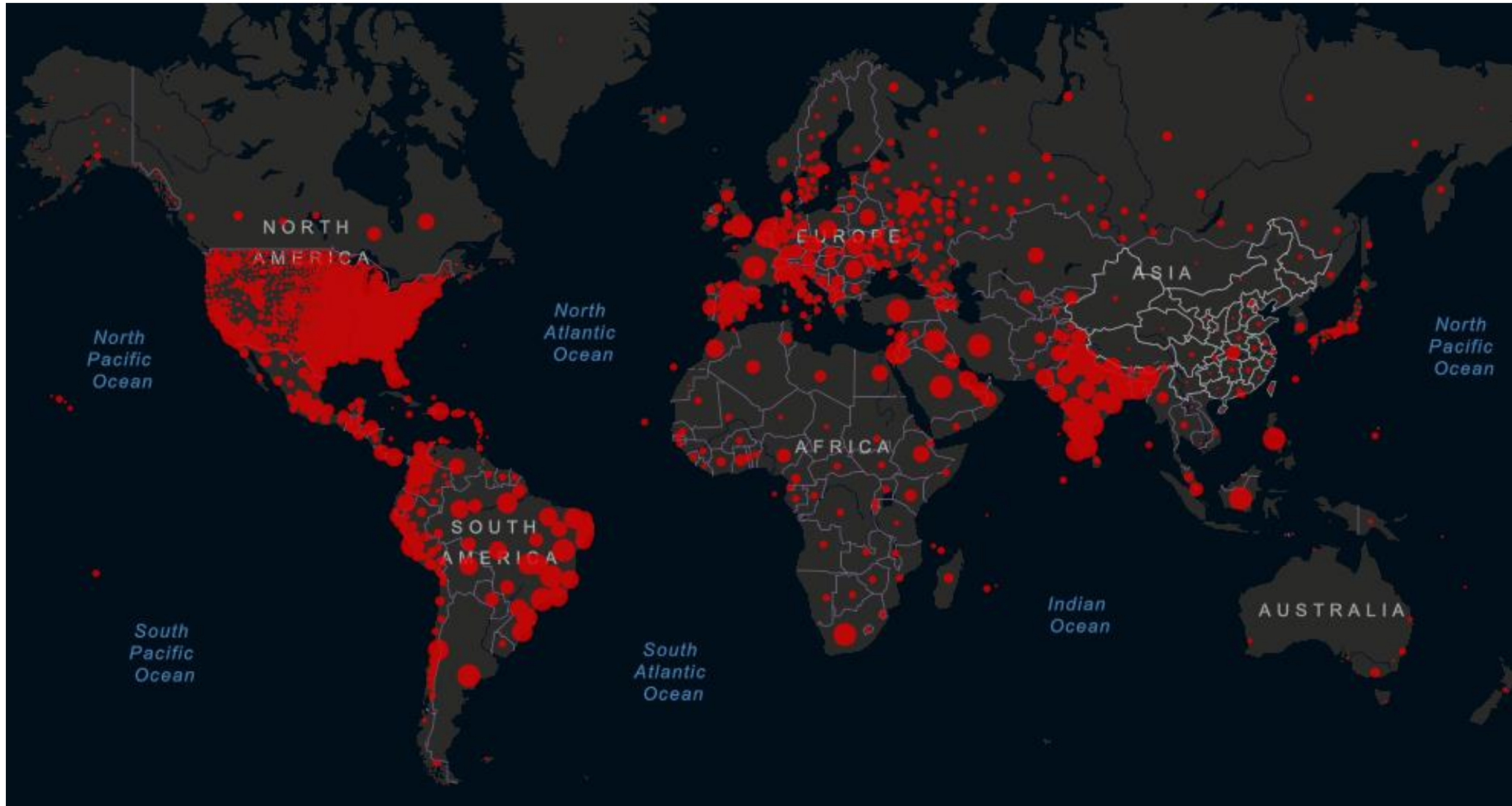
October 20<sup>th</sup>, 2020

COVID- 19 Economic Update & Economic  
Implications of the Upcoming Election

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

# Coronavirus COVID-19 Global Cumulative Confirmed Cases

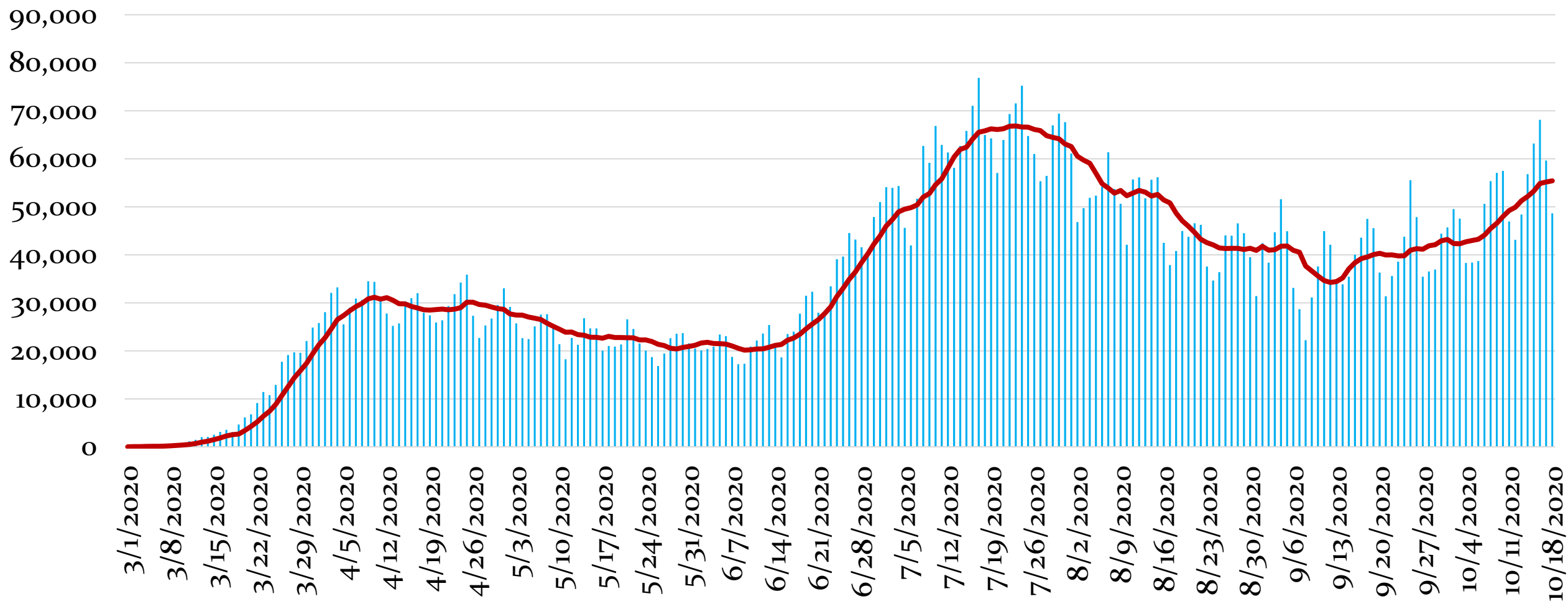
*As of 10/18/2020*



Total Confirmed: 40,112,870 | Total Deaths: 1,114,715

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

■ Daily Cases    — 7-Day Average



# Sleepless in America: 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%

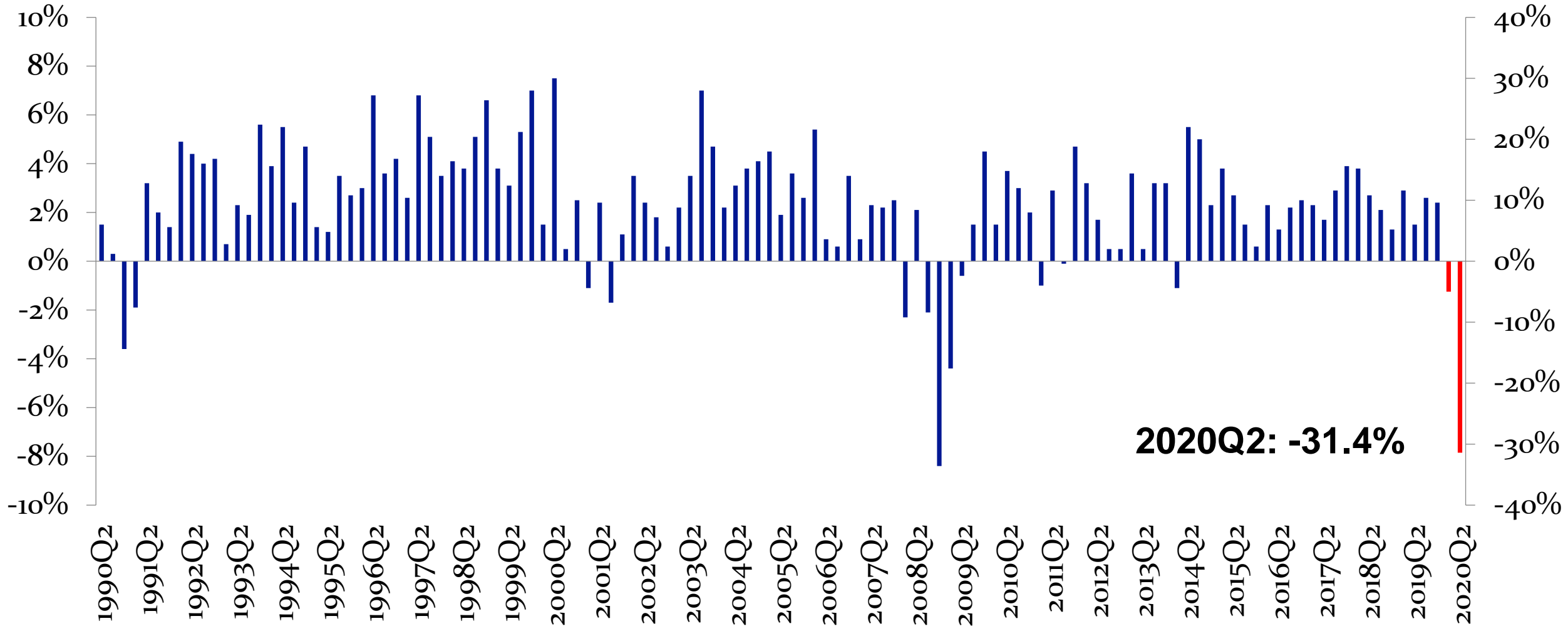
# Gross Domestic Product

1990Q2 through 2020Q2\*

1990-2019

% Change from Preceding Period (SAAR)

2020



2020Q2: -31.4%

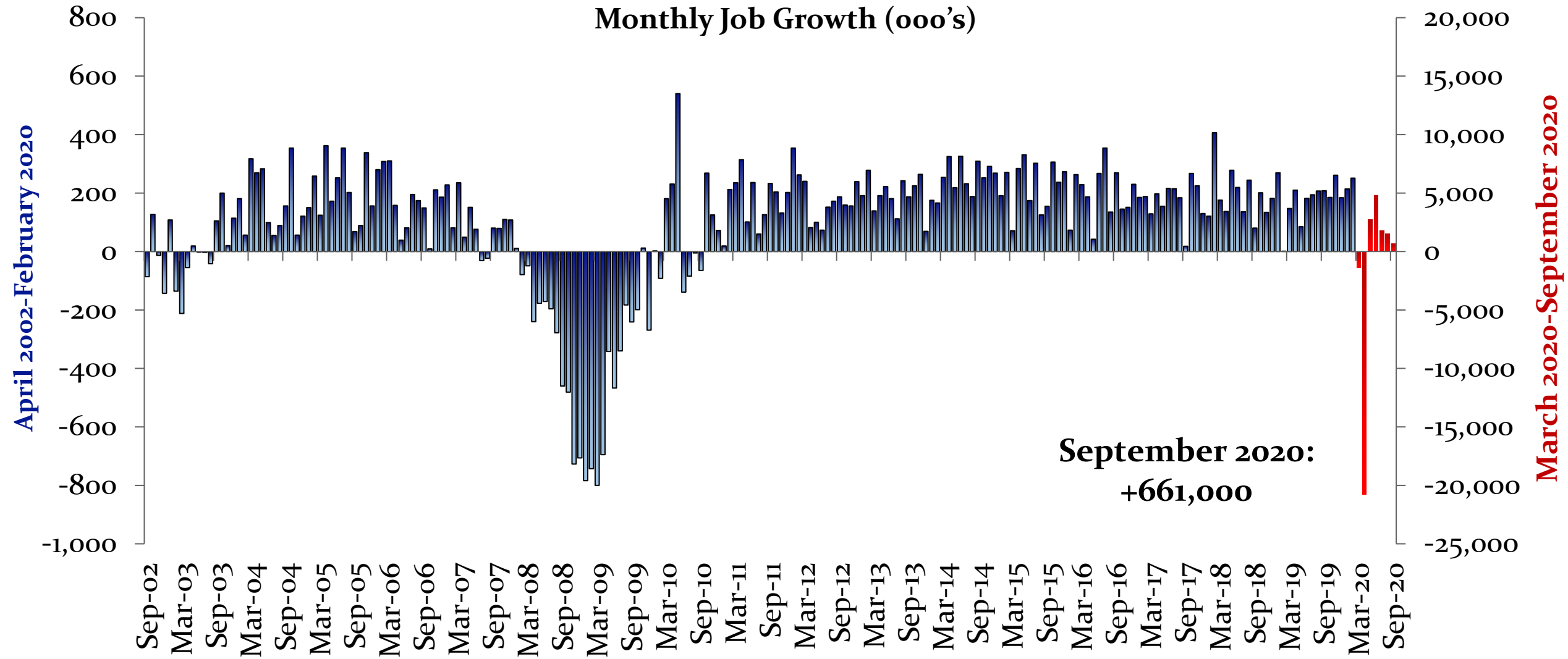


Big!

TOM HANKS  
**BIG**



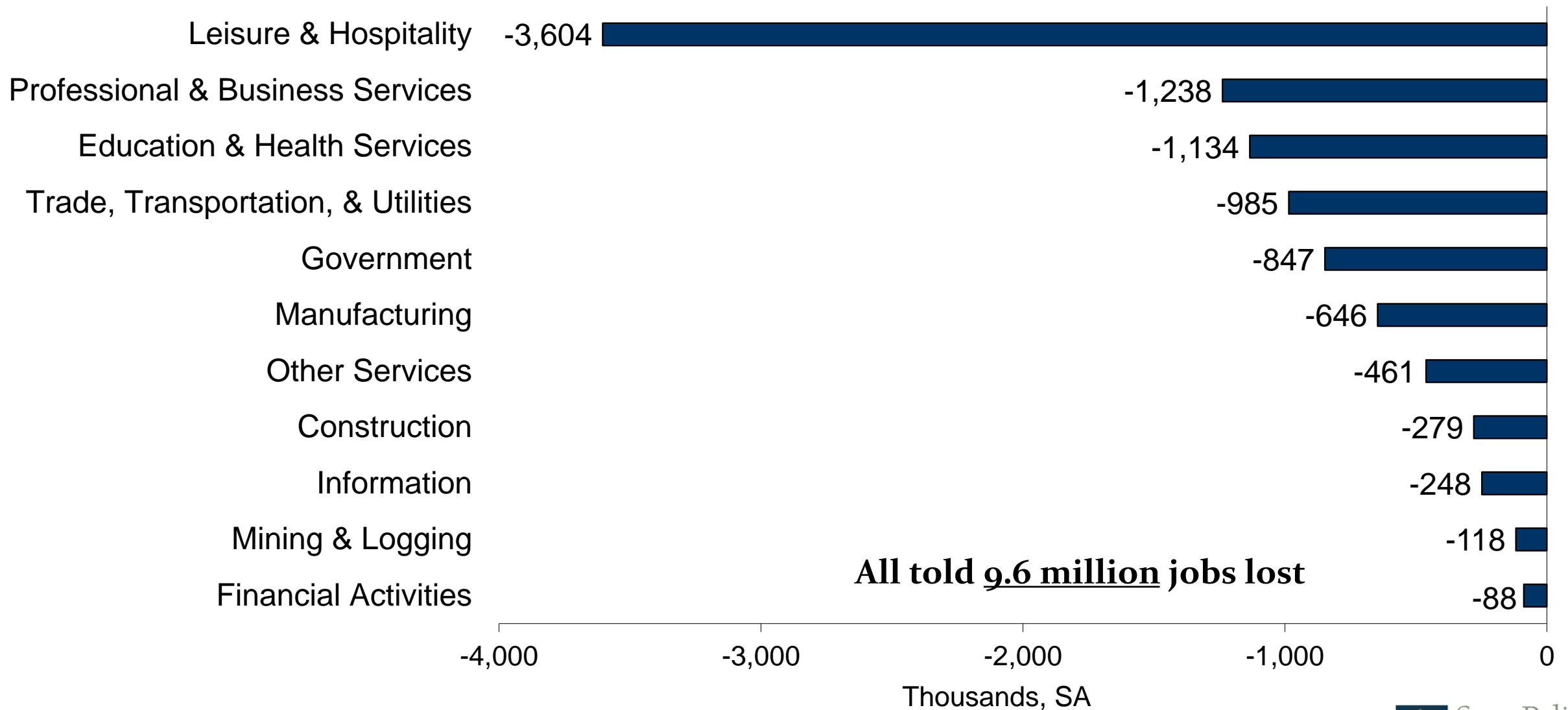
# Net Change in U.S. Jobs, September 2002 – September 2020





# National Nonfarm Employment

*by Industry Sector, September 2019 v. September 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
			20	Orlando-Kissimmee-Sanford, FL	-9.5
9	St. Louis, MO-IL	-5.9	22	Los Angeles-Long Beach-Anaheim, CA	-9.6
10	Baltimore-Columbia-Towson, MD	-6.3	23	Detroit-Warren-Dearborn, MI	-9.8
11	Charlotte-Concord-Gastonia, NC-SC	-6.7	24	San Francisco-Oakland-Hayward, CA	-10.6
11	Minneapolis-St. Paul-Bloomington, MN-WI	-6.7	25	New York-Newark-Jersey City, NY-NJ-PA	-10.8

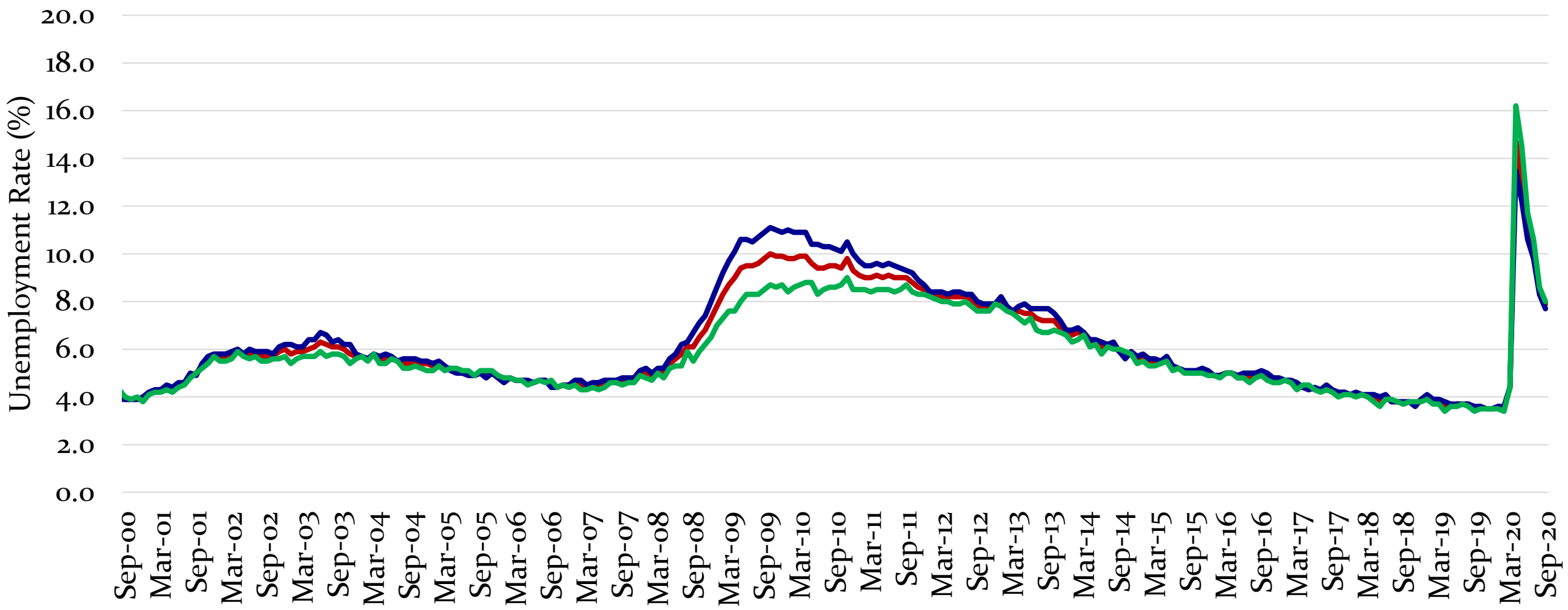
***U.S. Year-over-year Percent Change***

***August: -6.7% September: -6.4%***

# You've Got Males

## U.S. Unemployment Rate, September 2000 – September 2020

— Total Unemployment — Men — Women



# Unemployment Rates, 25 Largest Metros (NSA)

August 2020

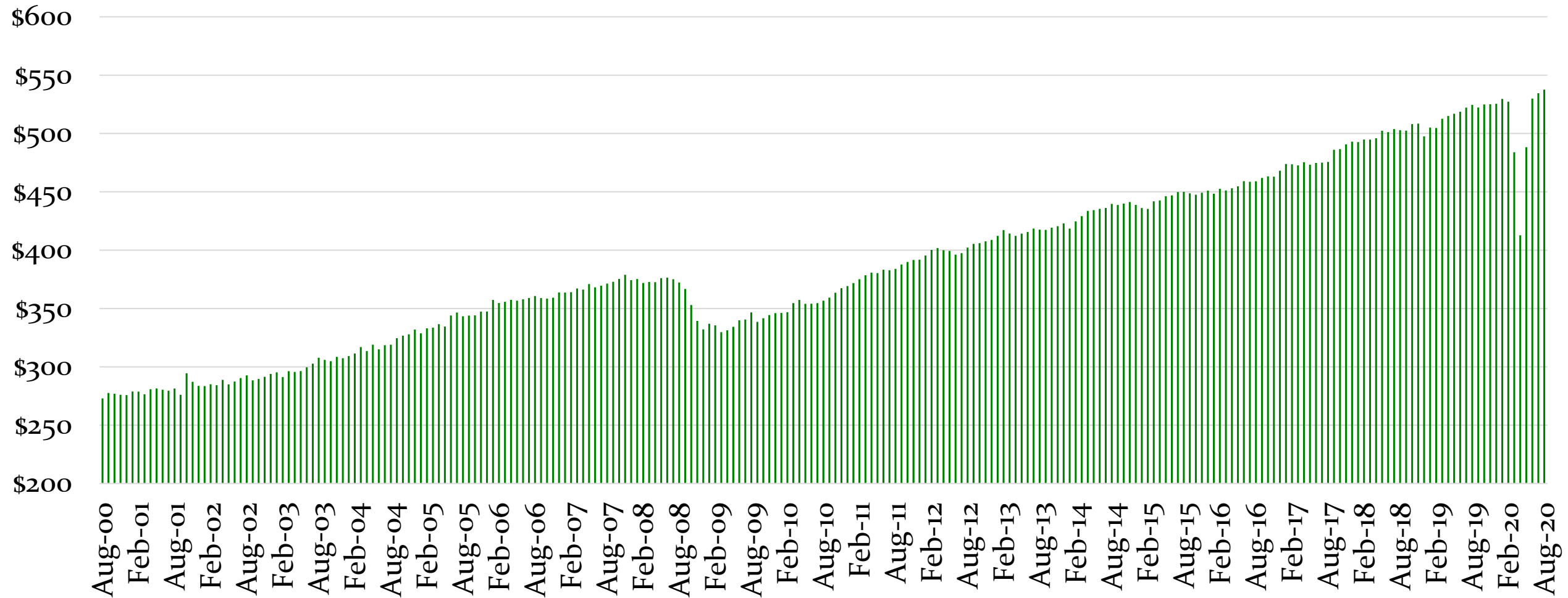
Rank	MSA	%	Rank	MSA	%
1	Phoenix-Mesa-Scottsdale, AZ	5.9	13	Houston-The Woodlands-Sugar Land, TX	8.1
2	Atlanta-Sandy Springs-Roswell, GA	6.3	14	Portland-Vancouver-Hillsboro, OR-WA	8.4
2	Dallas-Fort Worth-Arlington, TX	6.3	15	Miami-Fort Lauderdale-West Palm Beach, FL	8.5
4	San Antonio-New Braunfels, TX	6.6	16	San Francisco-Oakland-Hayward, CA	9.0
5	Baltimore-Columbia-Towson, MD	6.8	17	San Diego-Carlsbad, CA	9.9
5	Tampa-St. Petersburg-Clearwater, FL	6.8	18	Detroit-Warren-Dearborn, MI	10.2
7	Washington-Arlington-Alexandria, DC-VA-MD-WV	6.9	19	Boston-Cambridge-Nashua, MA-NH	10.8
			20	Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	10.9
8	Denver-Aurora-Lakewood, CO	7.0	21	Orlando-Kissimmee-Sanford, FL	11.0
9	Charlotte-Concord-Gastonia, NC-SC	7.2	21	Riverside-San Bernardino-Ontario, CA	11.0
10	Minneapolis-St. Paul-Bloomington, MN-WI	7.9	23	Chicago-Naperville-Elgin, IL-IN-WI	11.7
10	Seattle-Tacoma-Bellevue, WA	7.9	24	New York-Newark-Jersey City, NY-NJ-PA	13.0
10	St. Louis, MO-IL	7.9	25	Los Angeles-Long Beach-Anaheim, CA	15.0

## U.S. Unemployment Rate

**August: 8.4%**    **September: 7.9%**

# U.S. Retail Sales, August 2000 – August 2020

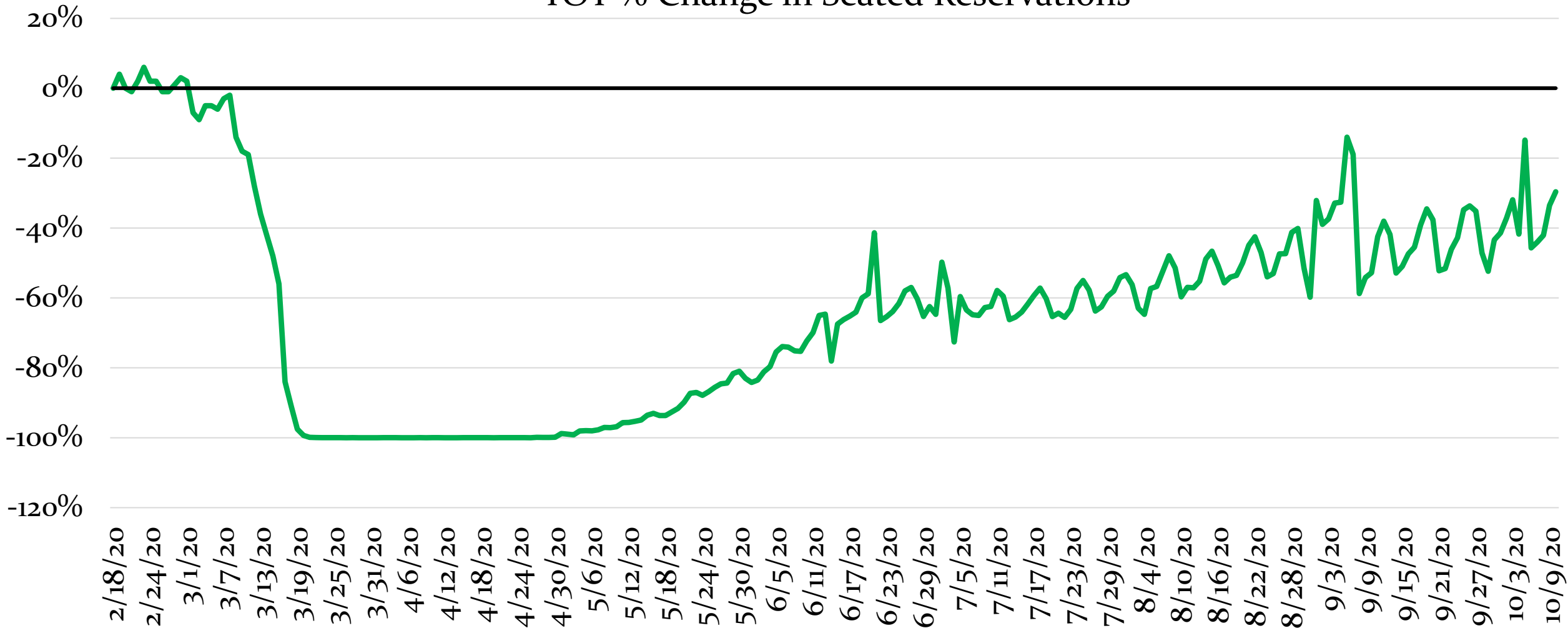
Retail Sales (\$Billions)



# U.S. Restaurant Reservations (Seated Diners)

*YOY % Change, February 2020 – October 2020*

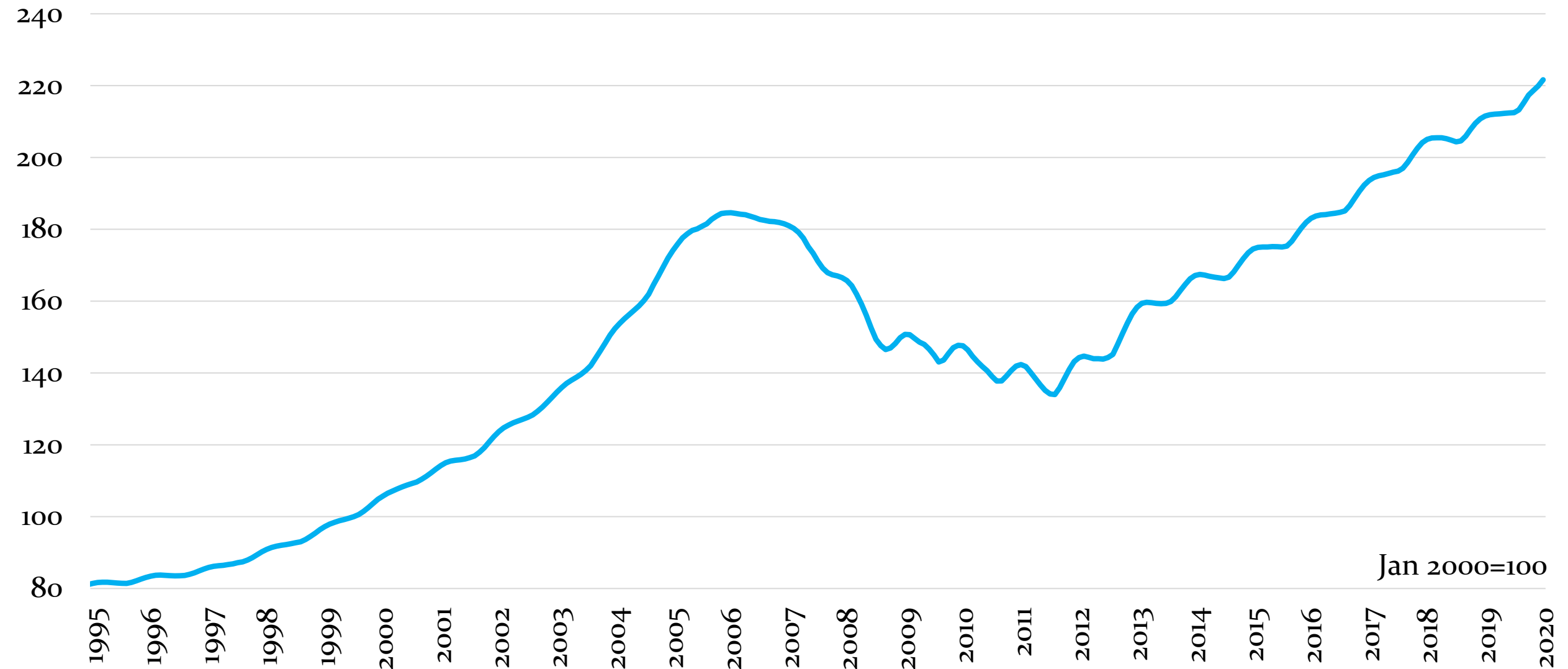
## YOY % Change in Seated Reservations





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

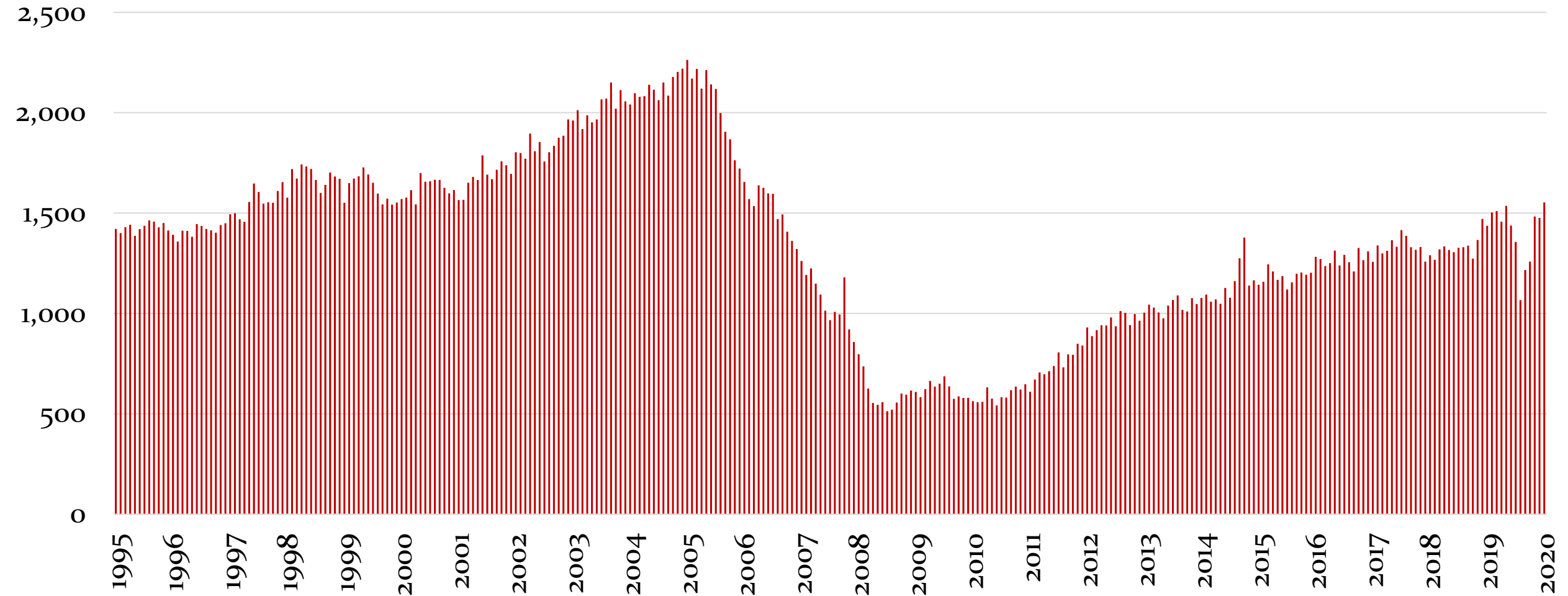
*July 1995 – July 2020*



# U.S. Residential Building Permits

*September 1995 – September 2020*

Building Permits (oos of Units)

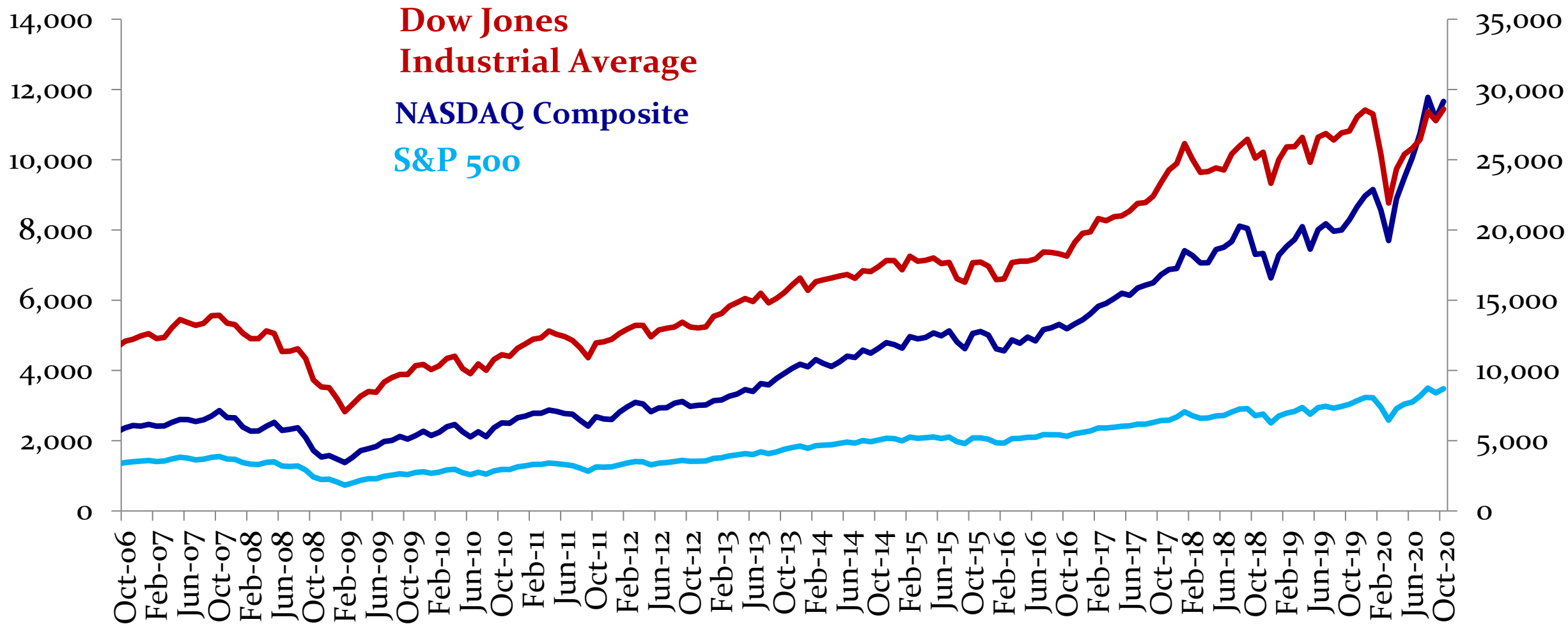


# U.S. Stock Markets

October 2006 – October 2020\*

NASDAQ/S&P

Dow Jones



\*Week ending 10/19/2020

# The Money Pit

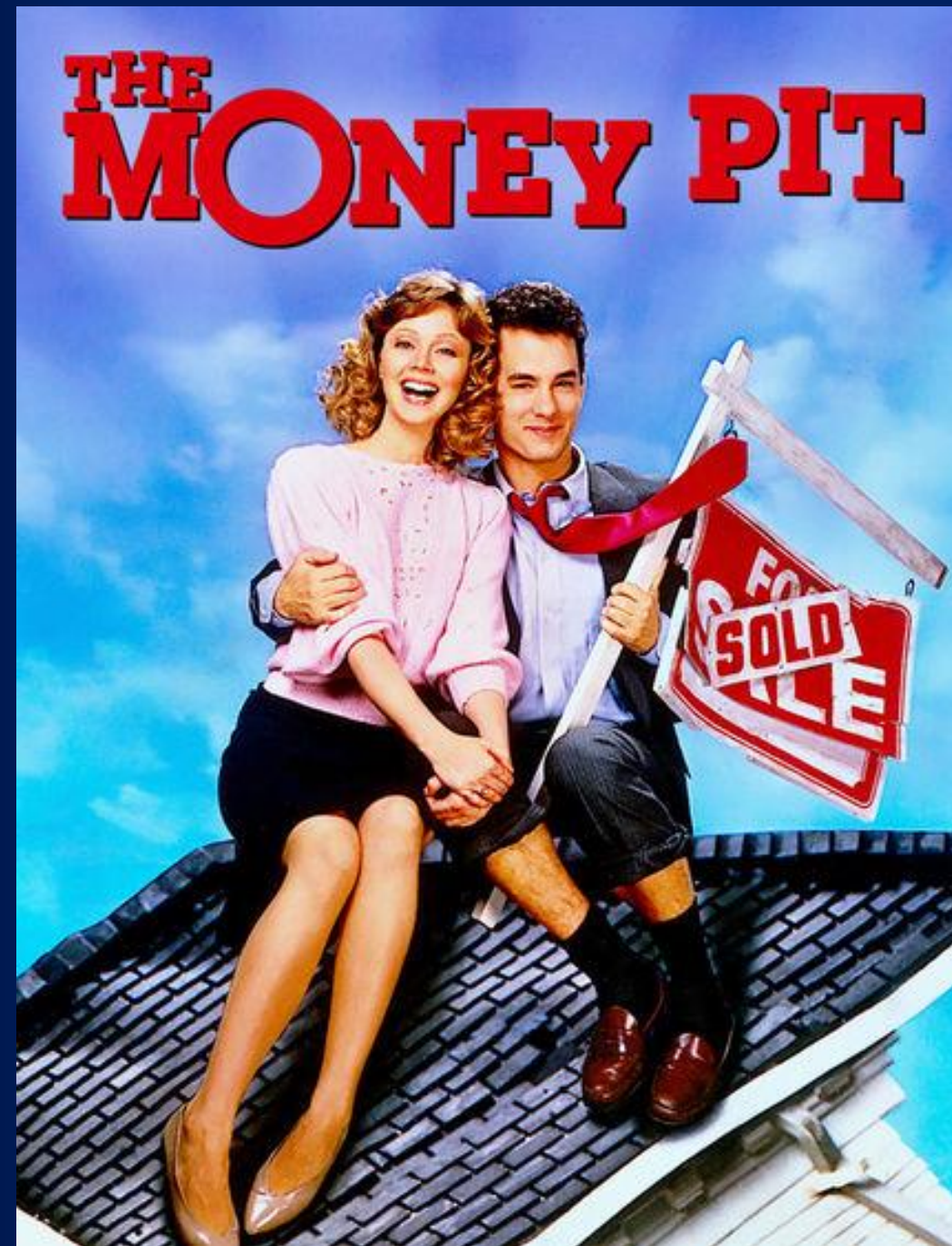
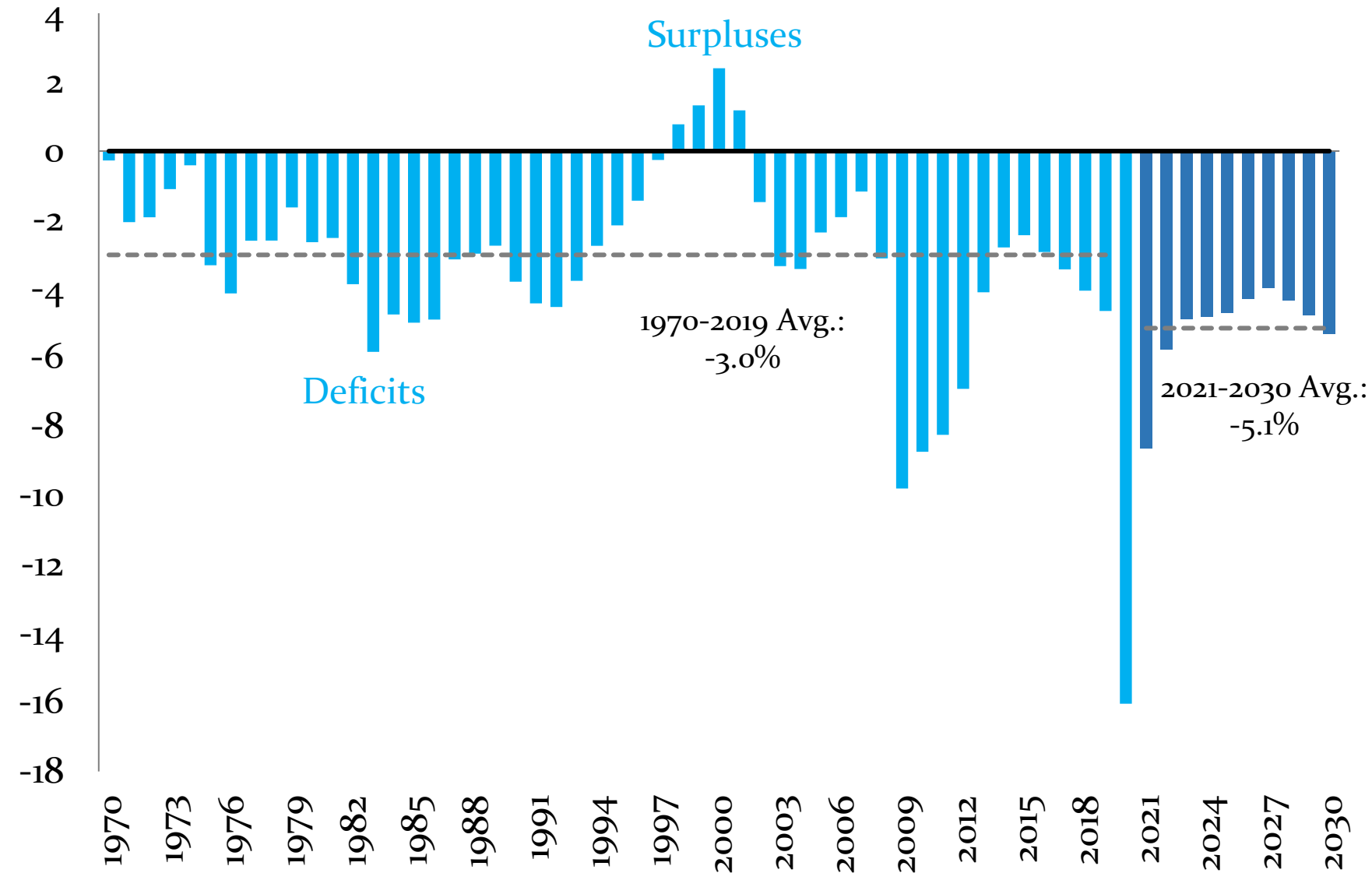


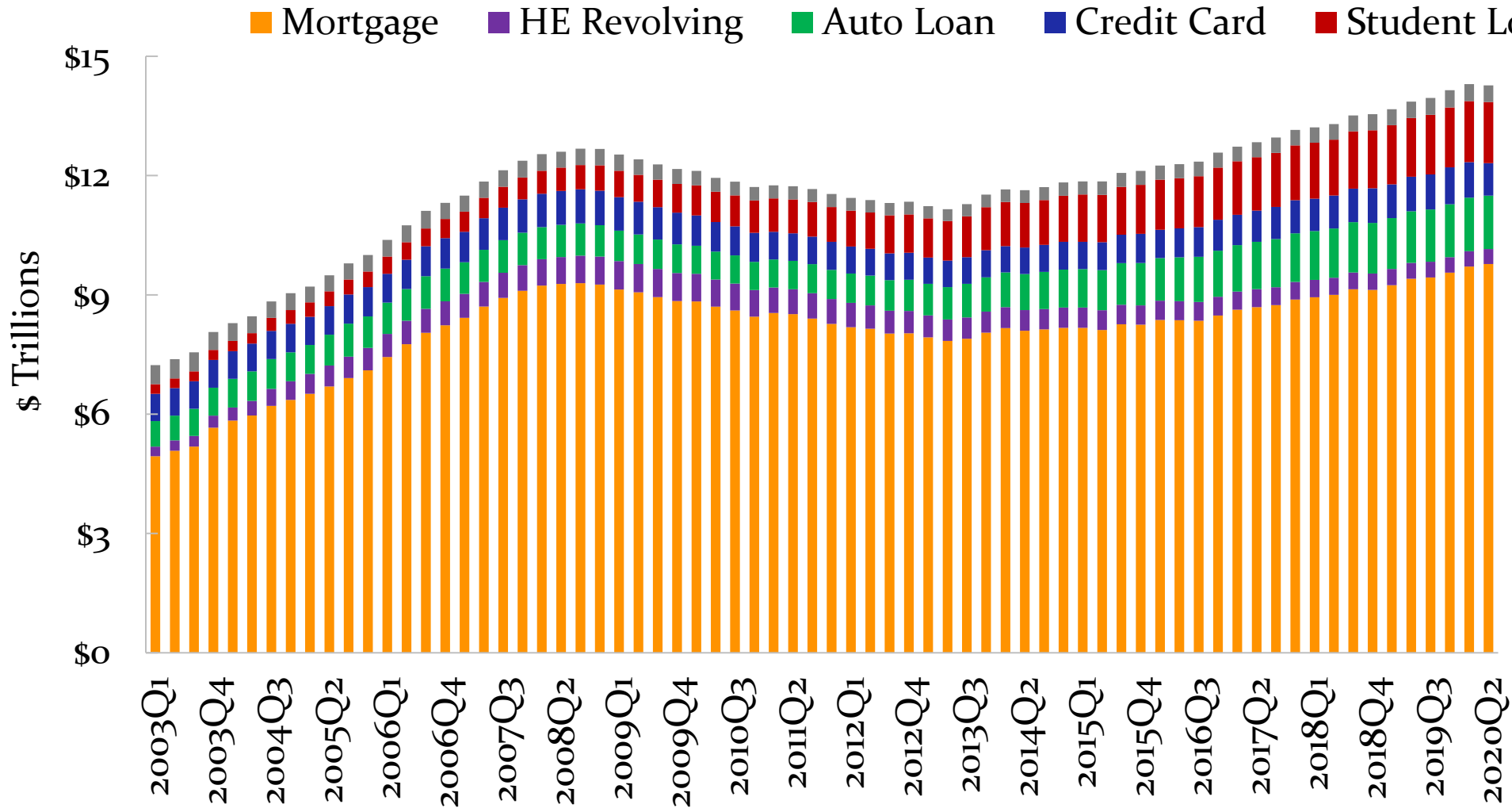
Photo: Universal Pictures

# 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.

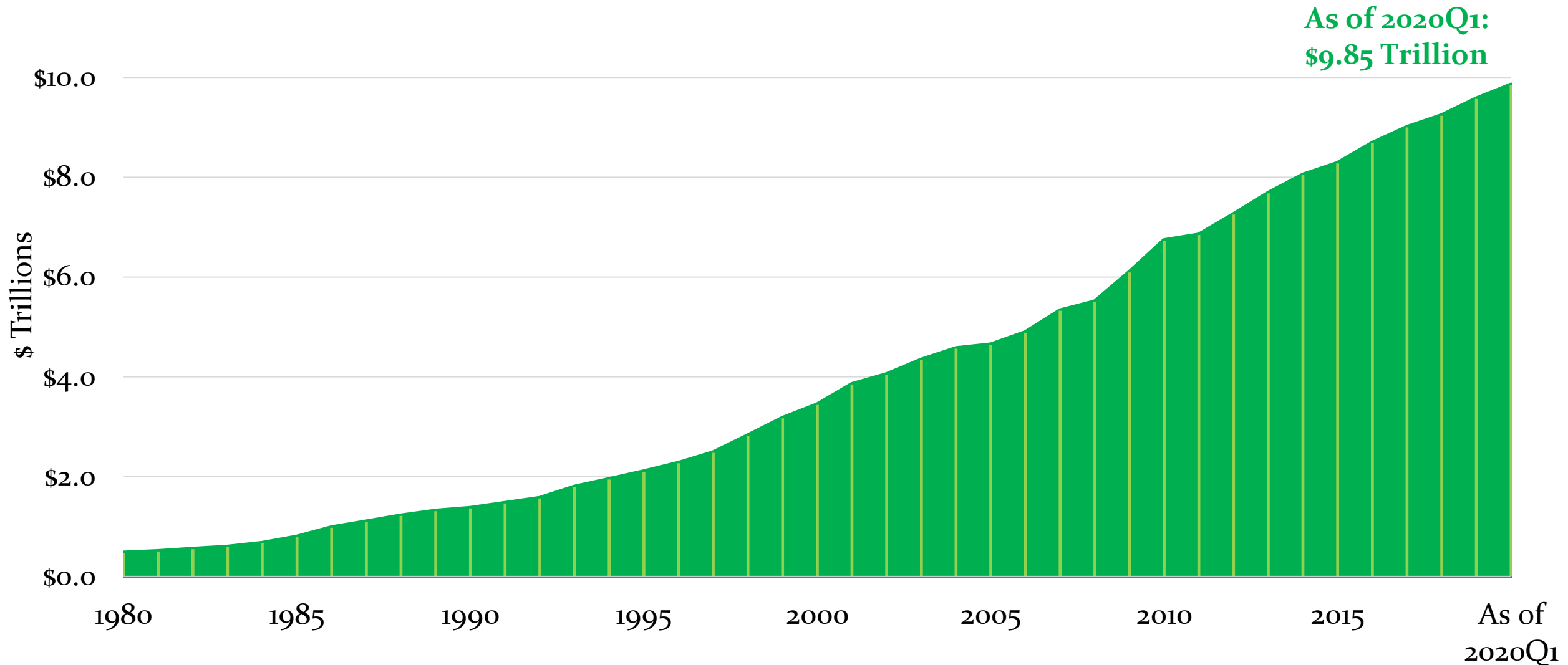
# Total U.S. Household Debt, 2003 – 2020



- 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.



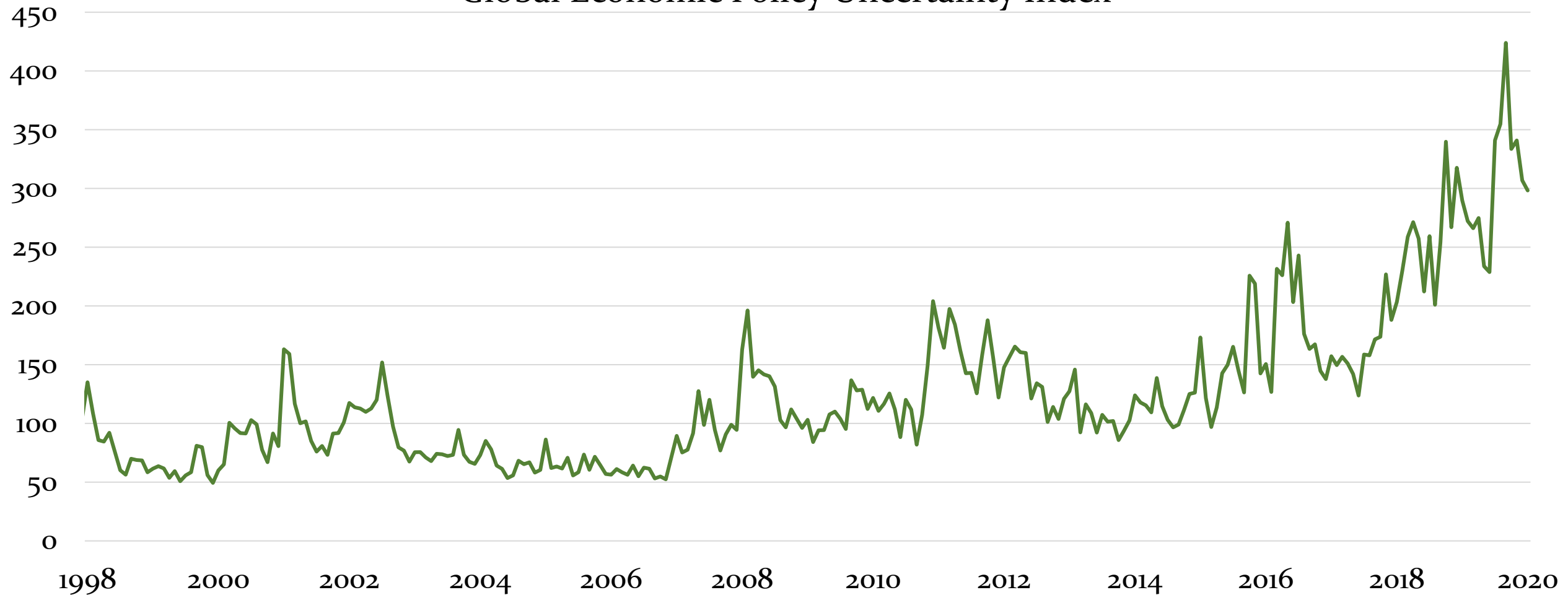
# U.S. Corporate Bond Debt Outstanding, 1980 – 2020



# Uncertainty Across the Realm:

*Global Economic Policy Uncertainty Index, 1998 – 2020*

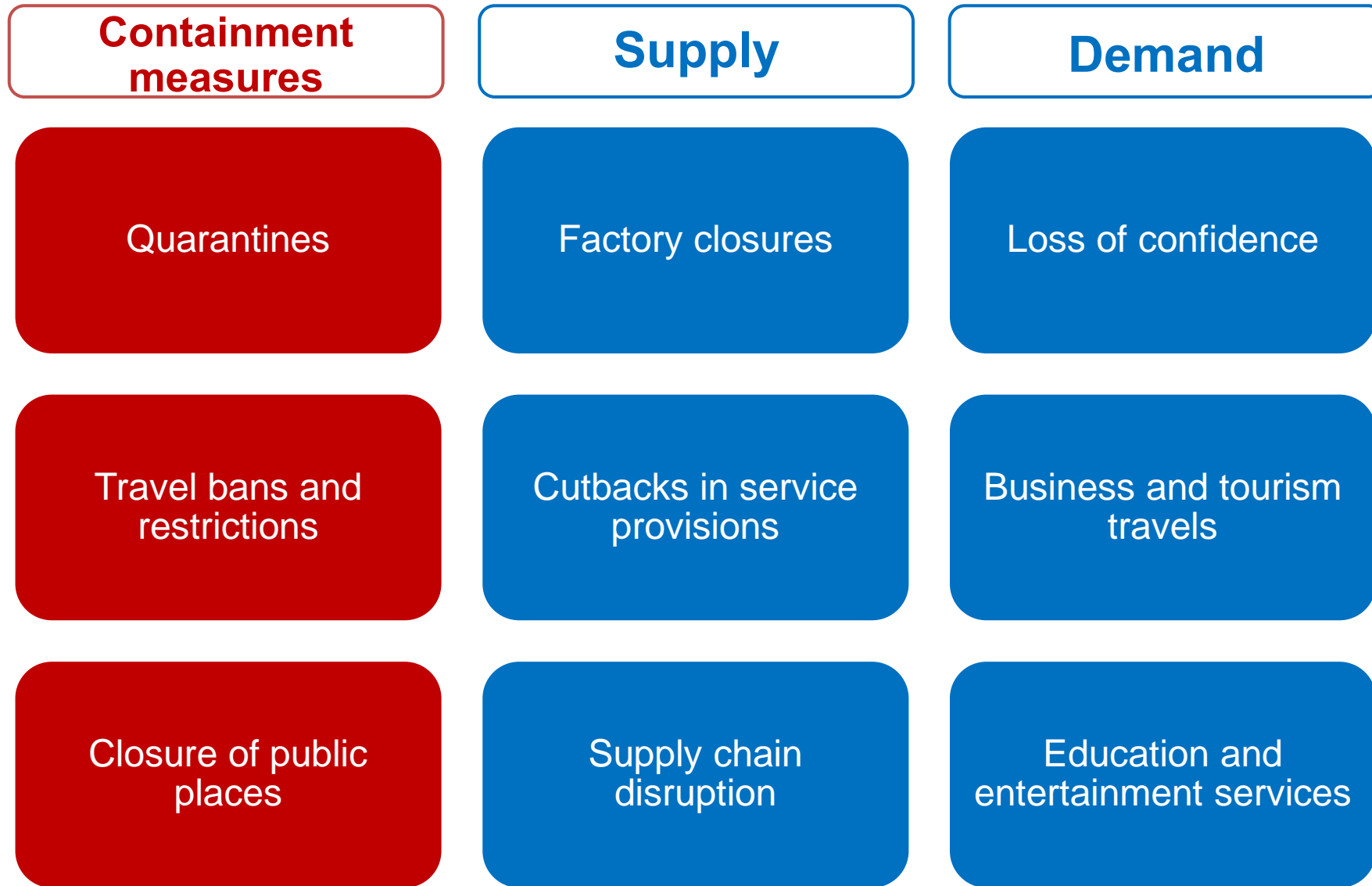
## Global Economic Policy Uncertainty Index



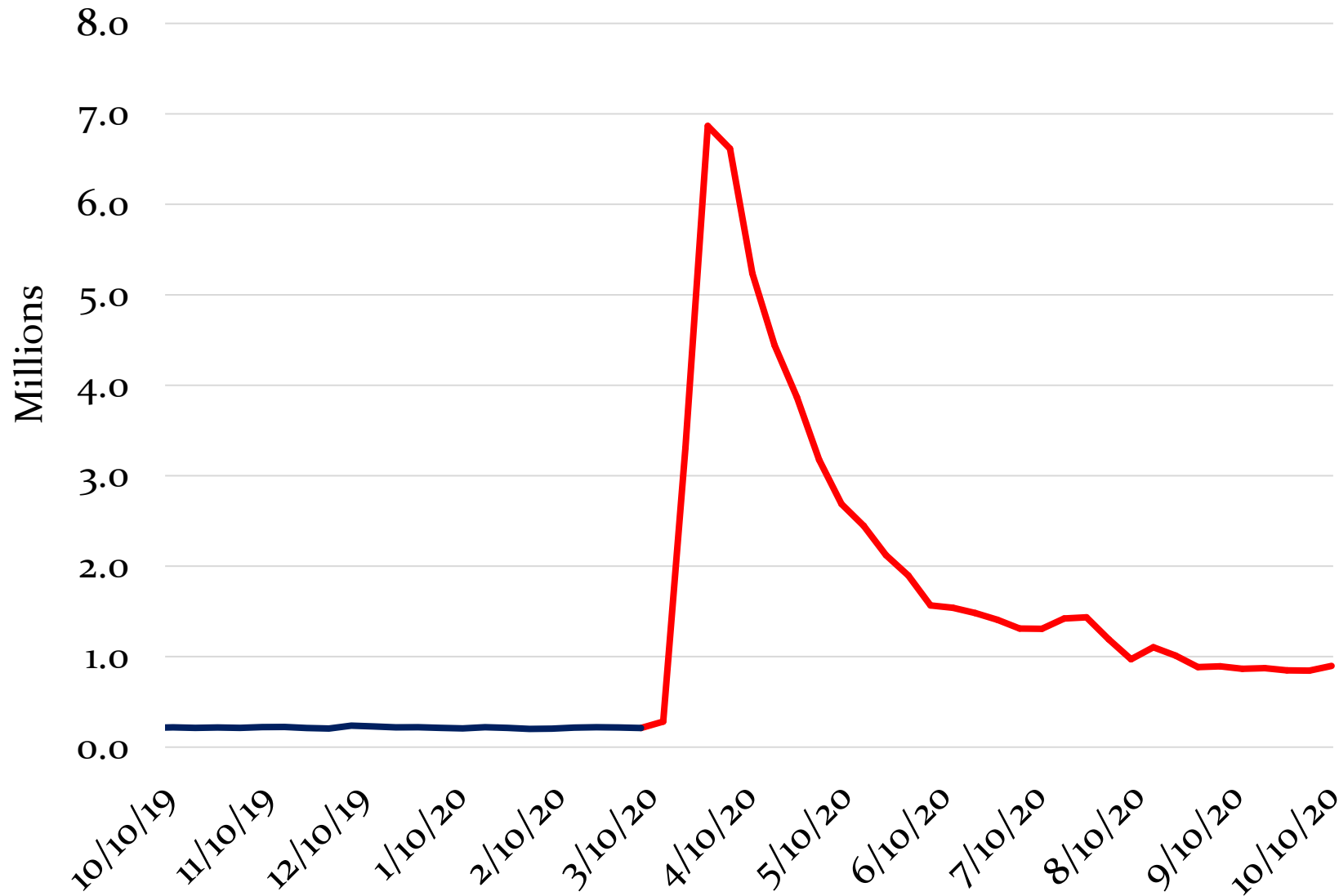
# Sullied



# A Supply Shock of a Caliber Unknown in Modern Times

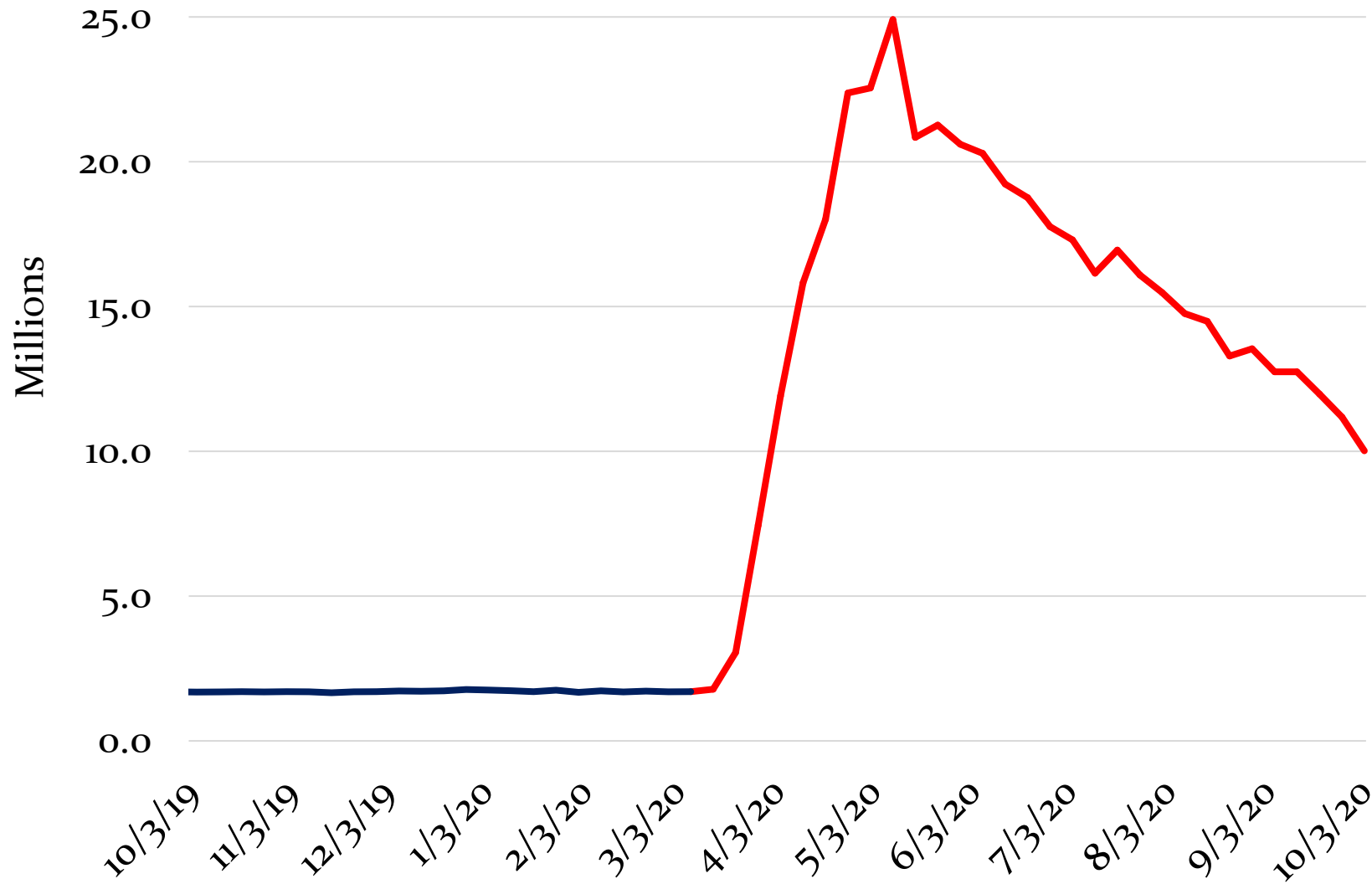


# U.S. Unemployment Insurance Initial Weekly Claims, 2019–2020



- During the week ending October 10<sup>th</sup>, the advance figure for seasonally adjusted initial claims was **898,000**, an increase of 53,000 from the previous week.
- But that's not the whole story . . .

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



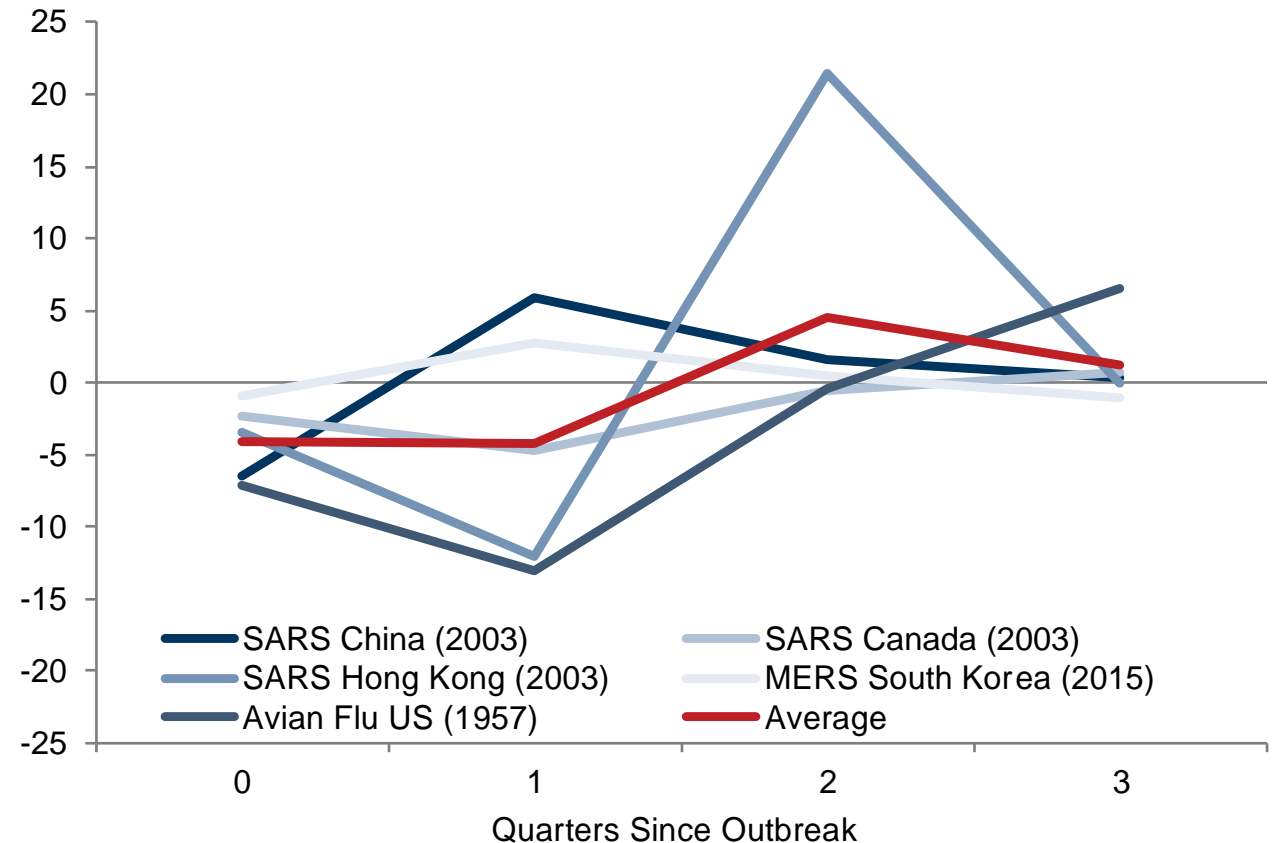
- During the week ending October 3<sup>rd</sup>, the advance figure for seasonally adjusted insured unemployment was **10,018,000**, a decrease of 1,165,000 from the previous week.
- Continuing claims remain at the highest levels in the history of the seasonally adjusted series.



# 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

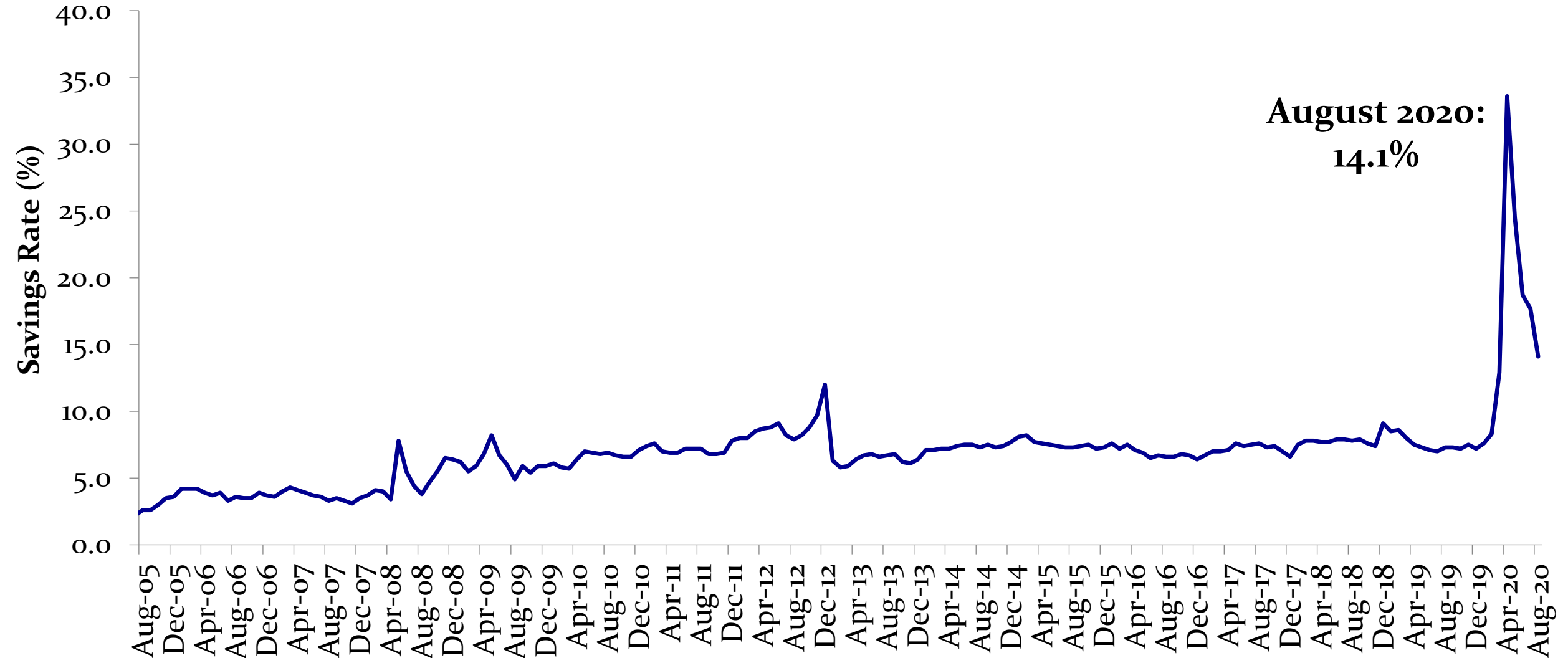


# The Cure is Just Oh, So Different: U.S. Government Legislative Actions

- **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.

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

*(Savings as Percentage of Personal Disposable Income)*



**August 2020:  
14.1%**

# 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.

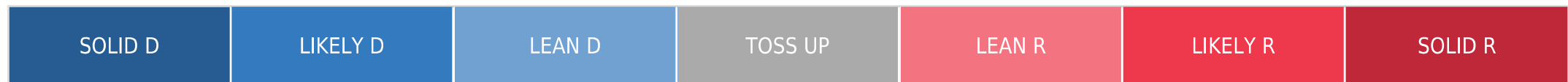
Trump won the 2016 election promising to put "America First," overturn what he said were unfair trade deals and force U.S. allies to pay more toward joint defense measures.

Other important differences in the candidates' stances exist with respect to race and criminal justice, immigration, and big tech...

# Likelihood of Democrats Taking Back the Senate

*Cook Political Report: 2020 Senate Race Ratings as of 10/7/2020*

- To win the Senate majority, Democrats need to net four seats total in November's election, or they need to net three and for Democrats to win back the White House, which would allow the vice president to cast tie-breaking votes.
- According to the Cook Political Report Senate Race Ratings as of 10/7/2020:
  - **Democrats:** Among 12 held seats, 10 are solidly democratic, 1 leans democratic, and one leans republican.
  - **Republicans:** Among 23 held seats, 10 are solidly republican, 3 are likely republican, 2 lean republican, 6 are toss-ups, and 2 lean democratic.



# 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-September has been increasingly soft...
- While recovery has begun, these remain treacherous times (obviously – we haven't earned an enduring v-shaped recovery).
- More stimulus is coming, but will it be on time?

# Thank You

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