

# COVID-19 & The Economy: An Update

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Sidebar Conference

February 23, 2021

# Disclaimer

The views and opinions expressed in this presentation are solely those of the presenter and do not necessarily reflect the views of the Georgia Institute of Technology, the Board of Regents, the State of Georgia, or the Governor's COVID-19 Taskforce.

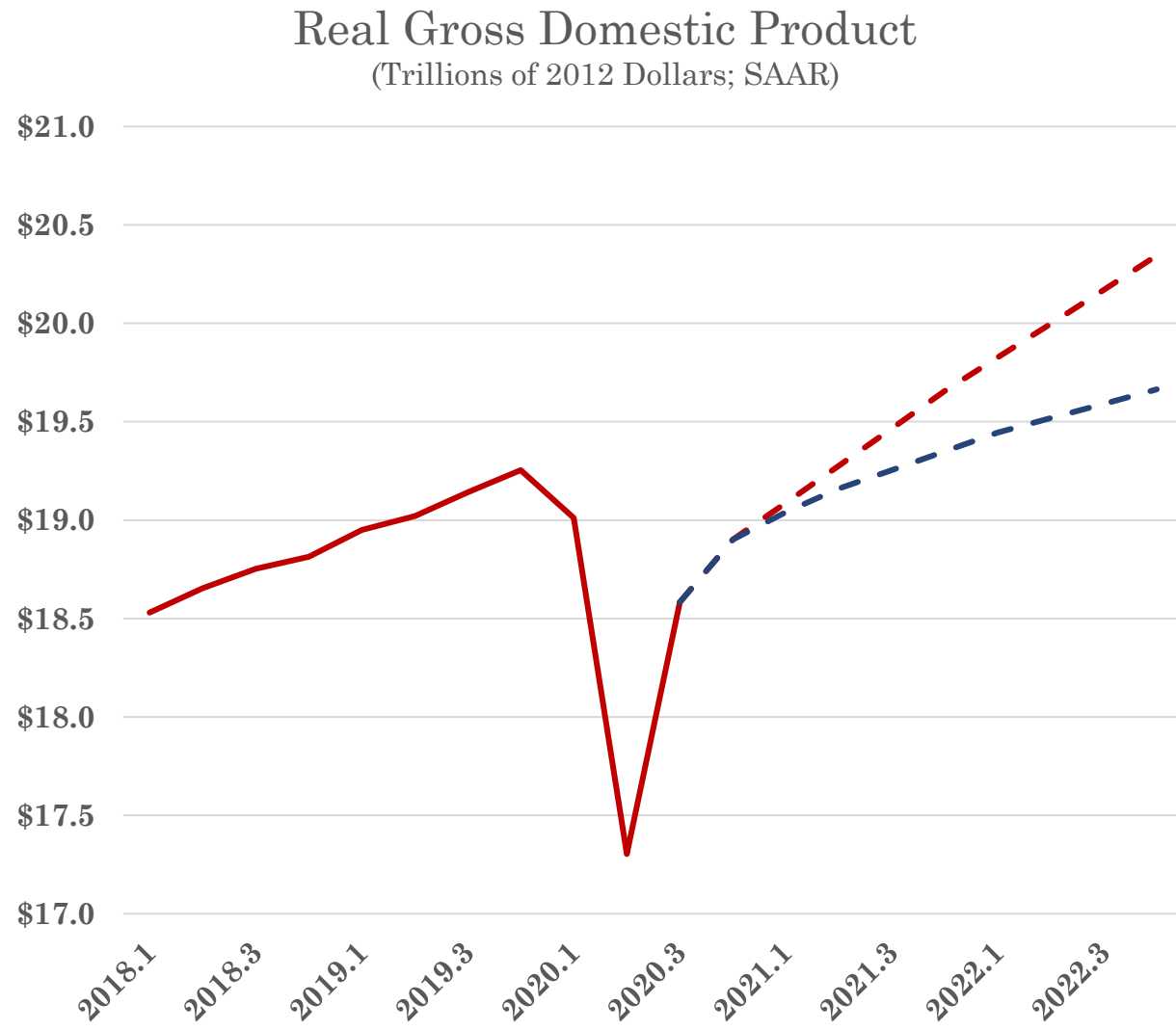
# Two Competing Scenarios....

- Optimistic...
  - Characteristics
    - Effective control of virus spread
    - Effective policy interventions
  - Economic results:
    - “V”-shaped recovery
    - Brief shutdown
    - Fewer bankruptcies
    - Pent-up demand drives spending
    - Business & consumer confidence are quickly restored.
    - Annual GDP decline of 4.0%
    - Back to pre-COVID levels in 1Q '21
- Realistic...
  - Characteristics:
    - Effective control but regional resurgence
    - Partially effective policy interventions
  - Economic results:
    - Policy responses partially offset
      - S-T damage with L-T consequences
    - Significant business closures/failures
    - Wide-spread, sustained job losses and weak consumer spending
    - GDP decline...
      - 40% in 2Q '20
      - 10% for the year
    - Service sector decline persists
    - Back to pre-COVID levels in early '23

# What Has Happened? Some of Both.....

- Optimistic...
  - Characteristics
    - ~~Effective control of virus spread~~
    - ~~Effective policy interventions~~
  - Economic results:
    - "V"-shaped recovery
    - Brief shutdown
    - Fewer bankruptcies?
    - Pent-up demand drives spending
    - Business & consumer confidence are quickly restored.
    - Annual GDP decline of 4.0%
    - ~~Back to pre-COVID levels in 1Q '21~~
- Realistic...
  - Characteristics:
    - Effective control but regional resurgence
    - Partially effective policy interventions
  - Economic results:
    - Policy responses partially offset
      - S-T damage with L-T consequences
    - Significant business closures/failures?
    - ~~Wide spread, sustained job losses and weak consumer spending~~
    - GDP decline...
      - ~~40% in 2Q '20 (only 31.4%)~~
      - 10% for the year
    - Service sector decline persists?
    - Back to pre-COVID levels in early '23 (late '21)

“V”-Shaped  
Recovery?



# High-Density Service Sectors Have Lost the Most Jobs

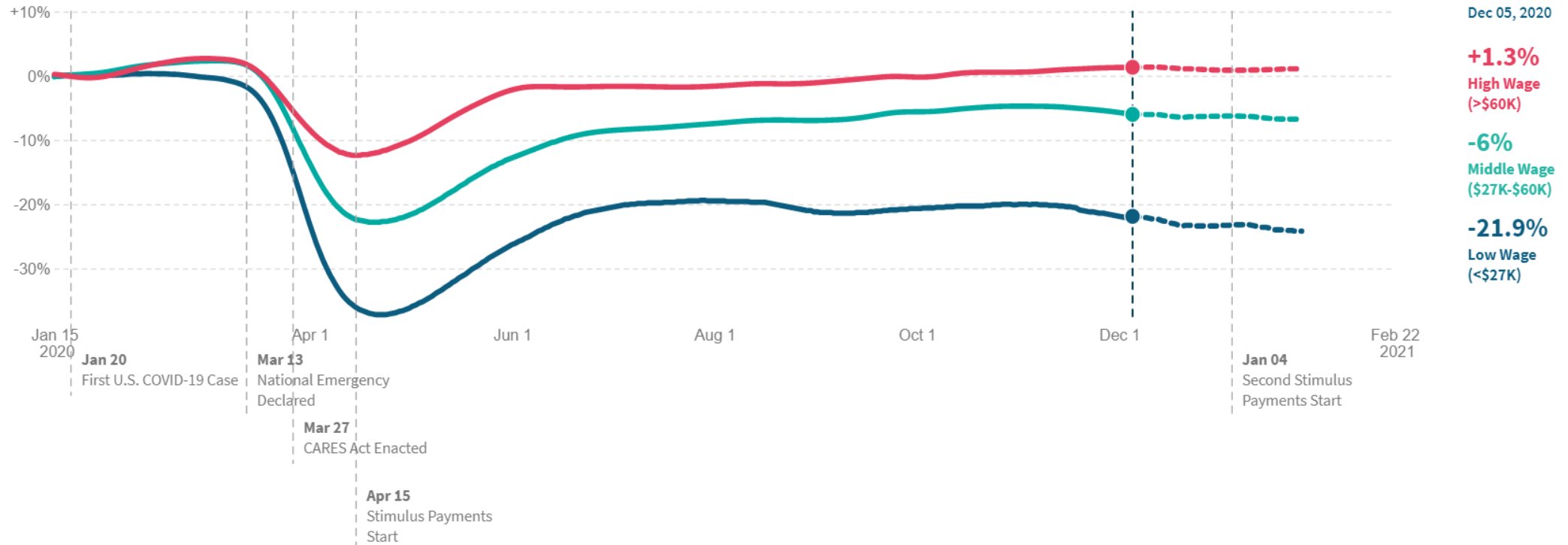
U.S. Private Nonfarm Payroll Employment by Sector				
	<u>Total Payrolls as of February 2020</u>		<u>Change in Payroll as of December 2020</u>	
	Millions	% of Total	Millions	% of Total
Total	130	100.0%	-8.50	100.0%
Leisure & Hospitality	17	13.0%	-3.91	46.0%
Health Care	21	16.0%	-0.84	9.9%
Professional Services	22	16.6%	-0.86	10.1%
Retail Trade & Transportation	20	15.5%	-0.59	6.9%
Education	4	3.0%	-0.45	5.3%
Manufacturing	13	9.9%	-0.54	6.4%
Wholesale Trade	6	4.6%	-0.25	3.0%
Construction	8	5.9%	-0.23	2.7%
Others	20	15.5%	-0.83	9.7%

78% of the job losses are in COVID-19-sensitive sectors

# United States

## Percent Change in Employment\*

In the United States, as of December 05, 2020, employment rates among workers in the bottom wage quartile decreased by 21.9% compared to January 2020 (not seasonally adjusted).



\*Change in employment rates (not seasonally adjusted), indexed to January 4-31, 2020. This series is based on payroll data from Paychex and Intuit, worker-level data on employment and earnings from Earnin, and timesheet data from Kronos. The dotted line in the low-wage series is a prediction of employment rates based on Kronos data.

last updated: February 19, 2021 next update expected: February 26, 2021

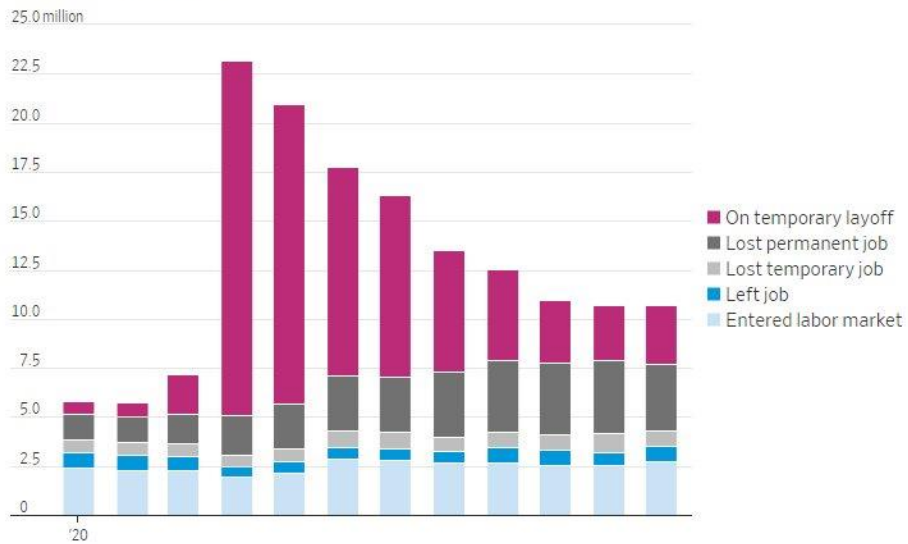
visit [tracktherecovery.org](https://tracktherecovery.org) to explore

# Job Losses in 2020 Were Worst Since 1939, With Hispanics, Blacks, Teenagers Among Hardest Hit

Steep losses in leisure and hospitality drove up unemployment across groups already disproportionately affected by economic impact of coronavirus

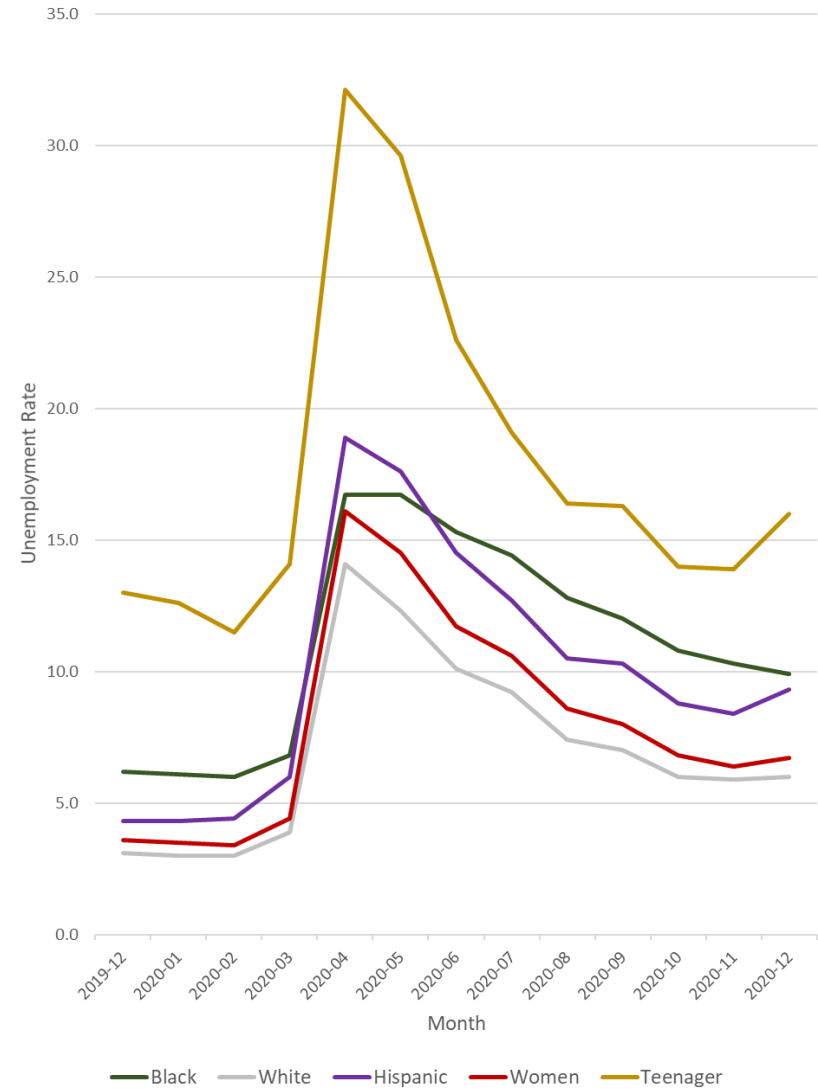
“Job Losses in 2020 Were Worst Since 1939, With Hispanics Blacks, Teenagers Among Hardest Hit”

Unemployment by reason



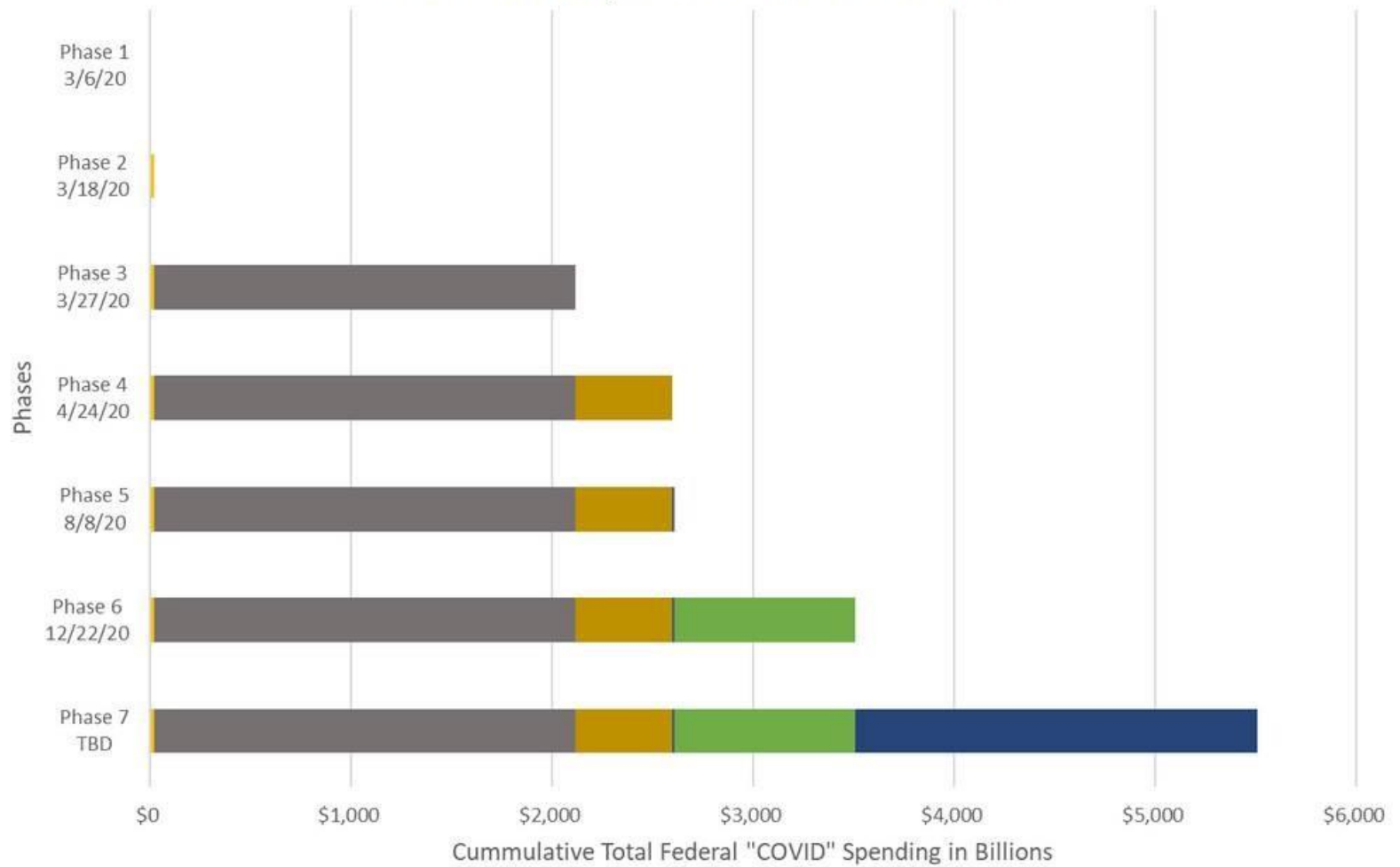
Note: Seasonally adjusted  
Source: Labor Department

Minorities, Women, Teenagers Hardest Hit



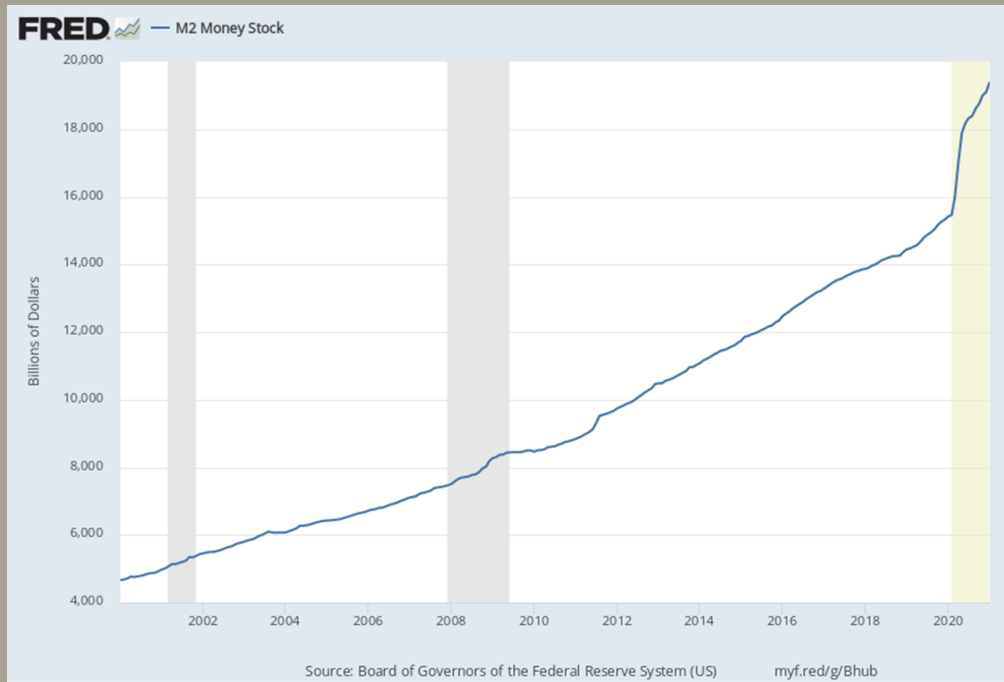


# \$5 Trillion, Here We Come!

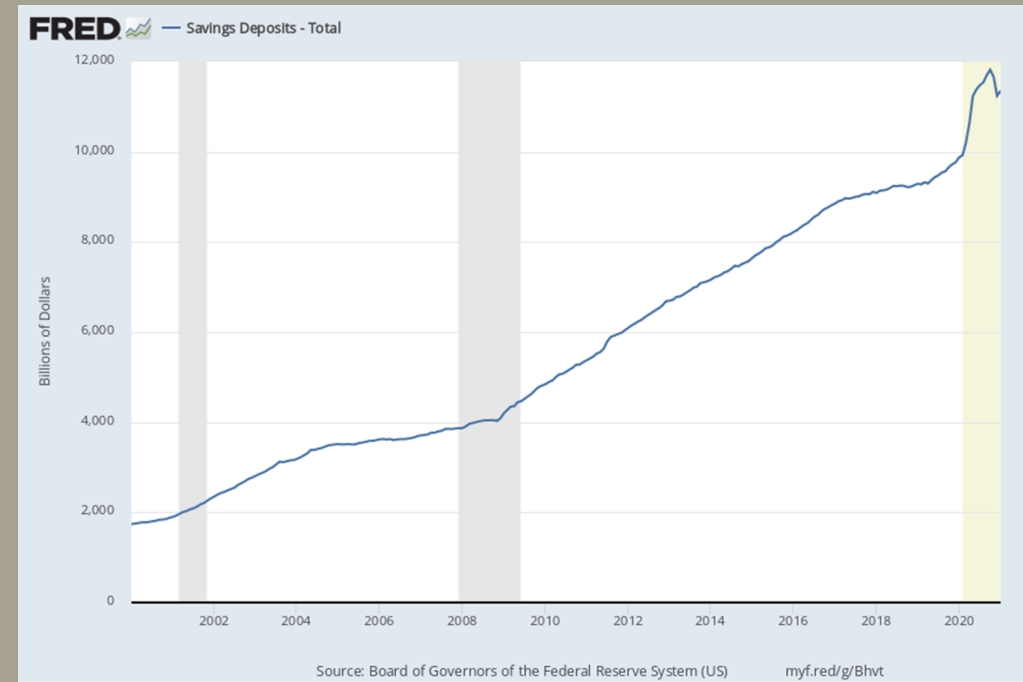


■ \$7 Billion ■ \$17 Billion ■ \$2,090 Billion ■ \$483 Billion ■ \$10 Billion ■ \$900 Billion ■ \$2,000 Billion

## Money Supply

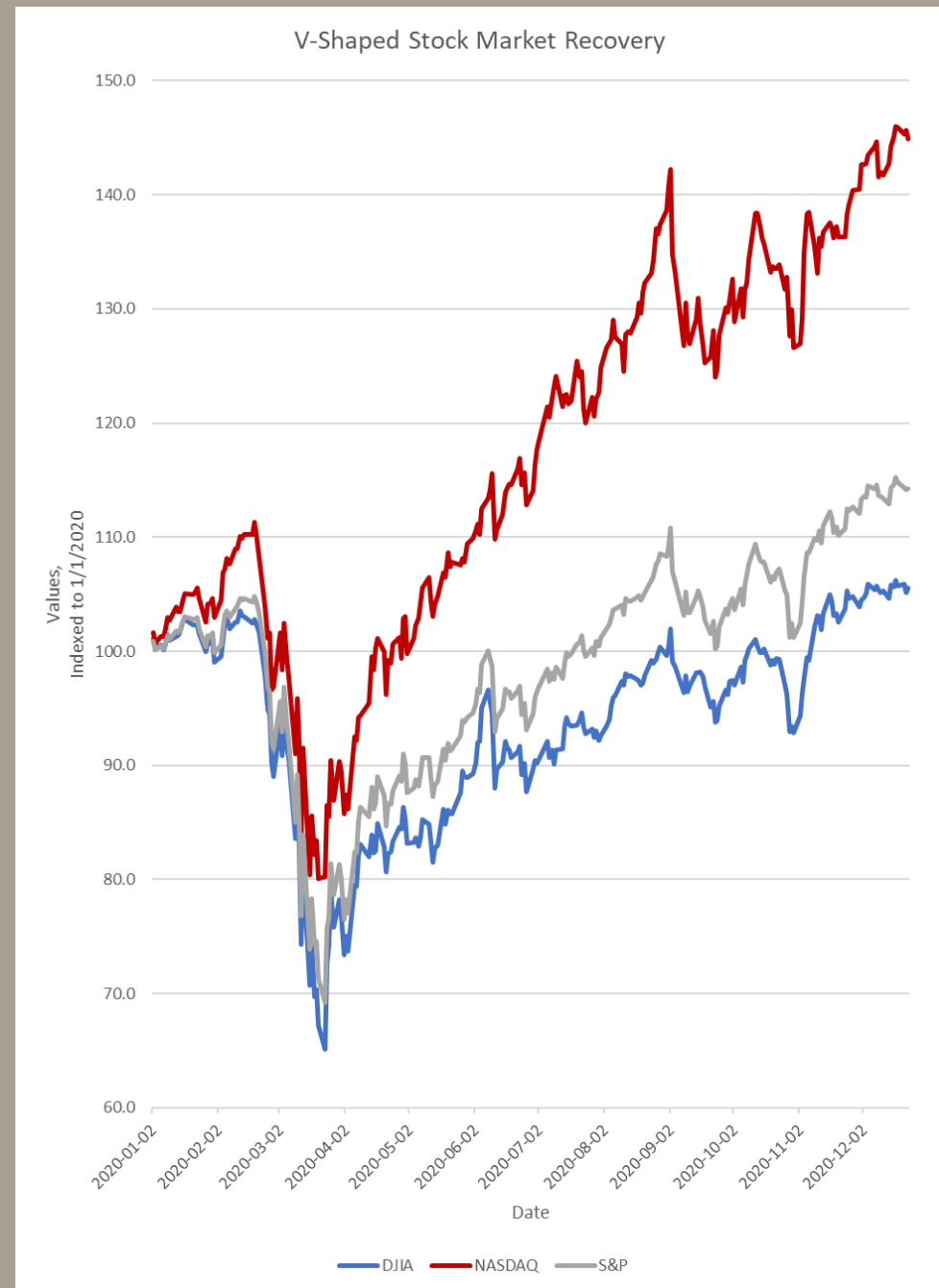


## Savings Deposits



Households are Sitting on  
Excess Income and Savings

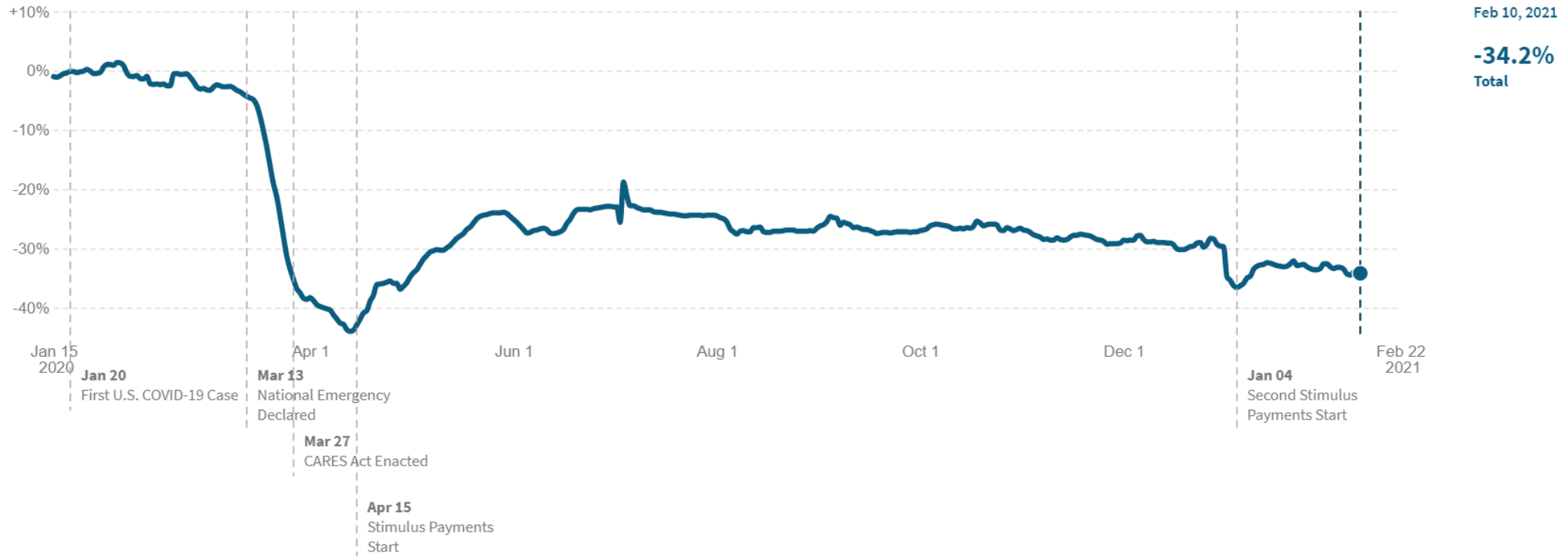
# Another “V”-Shaped Recovery...



# United States

## Percent Change in Number of Small Businesses Open\*

In the United States, as of February 10, 2021, the number of small businesses open decreased by 34.2% compared to January 2020.



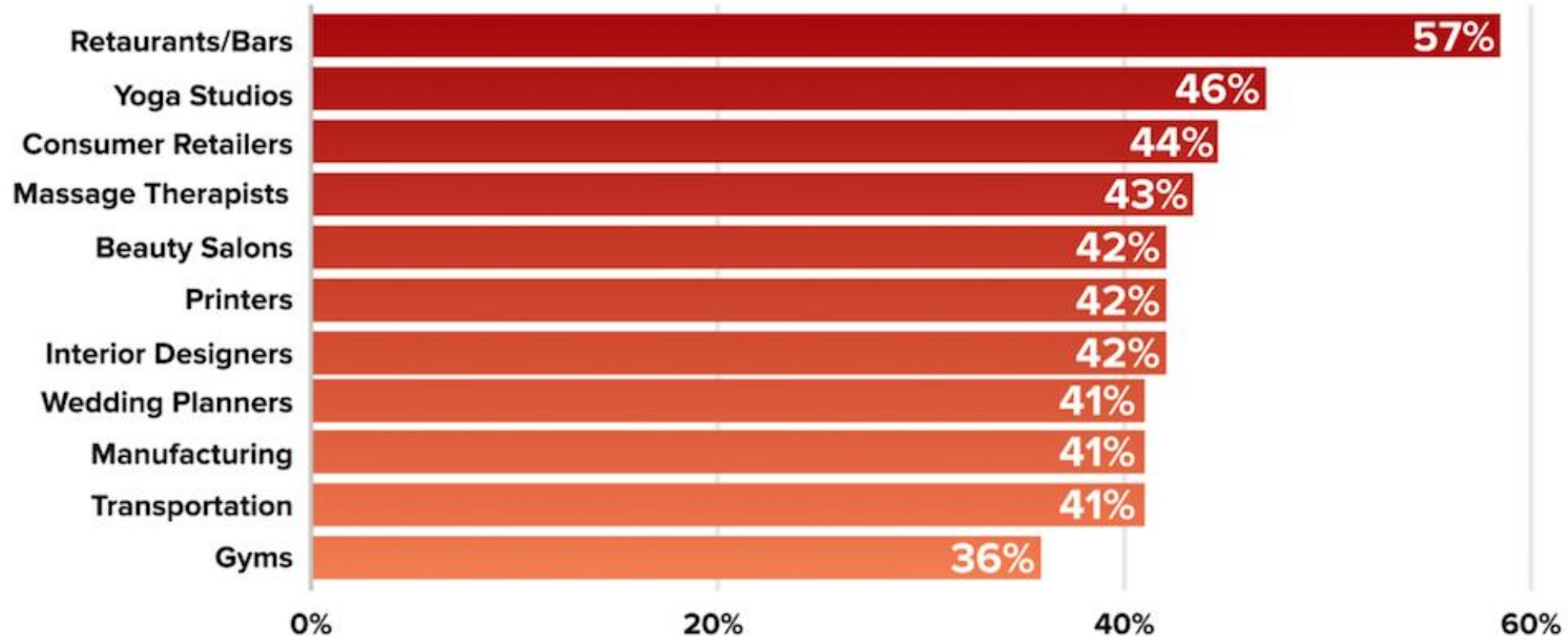
\*Change in small businesses open (defined as having financial transaction activity), indexed to January 4-31 2020 and seasonally adjusted. This series is based on data from Womply.

last updated: February 19, 2021 next update expected: February 26, 2021

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# Alignable Poll: 33% Of SMBs Couldn't Pay January Rent

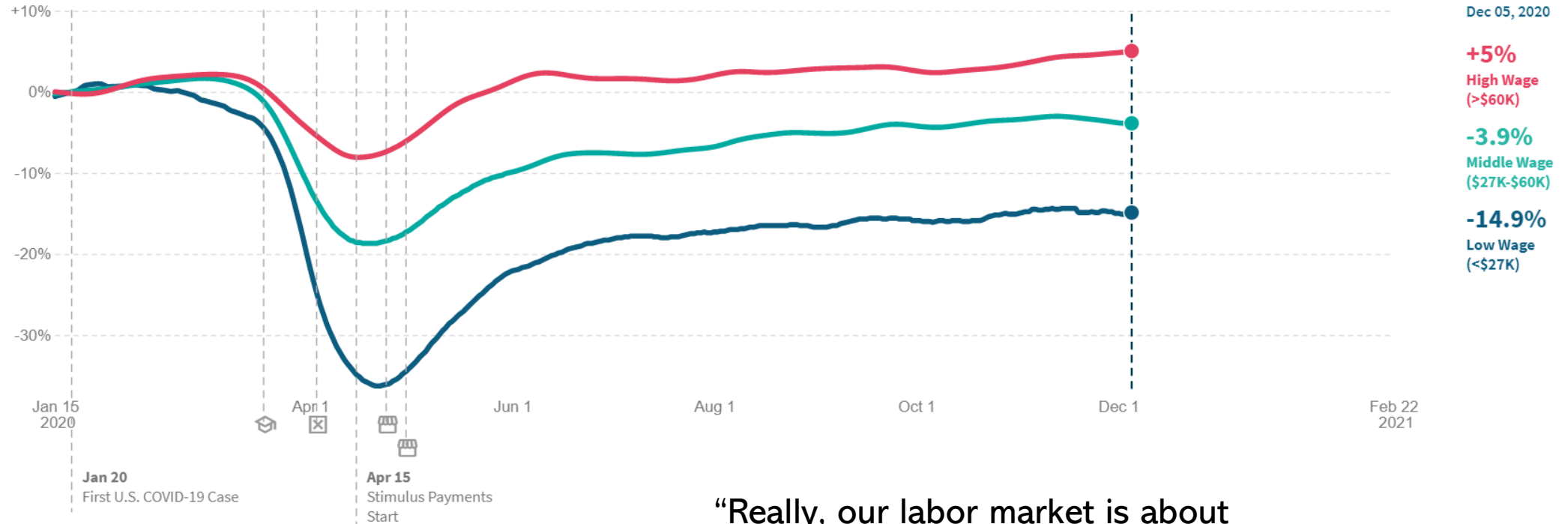
Restaurants/Bars, Yoga Studios, Retailers, & Massage Therapists Struggle The Most



# State of Georgia

## Percent Change in Employment\*

In **Georgia**, as of **December 05 2020**, employment rates among workers in the bottom wage quartile **decreased** by **14.9%** compared to January 2020 (not seasonally adjusted).

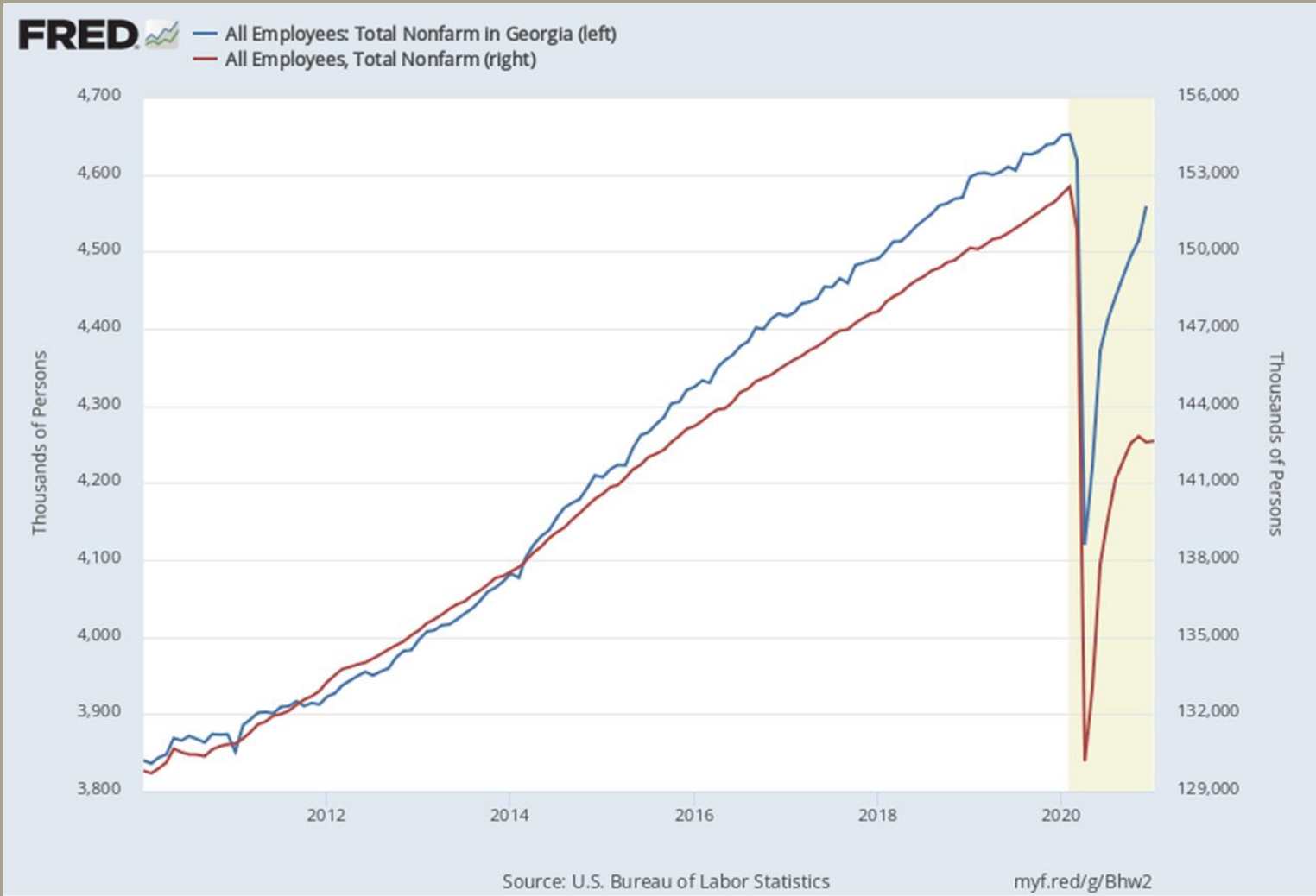


\*Change in employment rates (not seasonally adjusted), indexed to January 4-31, 2020. This series is based on payroll data from Paychex and Intuit, worker-level data on employment and earnings from Earnin, and timesheet data from Kronos. The dotted line in the low-wage series is a prediction of employment rates based on Kronos data.

last updated: **February 19, 2021** next update expected: **February 26, 2021**

“Really, our labor market is about as fully recovered as it can be until the pandemic is over.”  
– State Economist Jeffrey Dorfman

visit [tracktherecovery.org](https://tracktherecovery.org) to explore

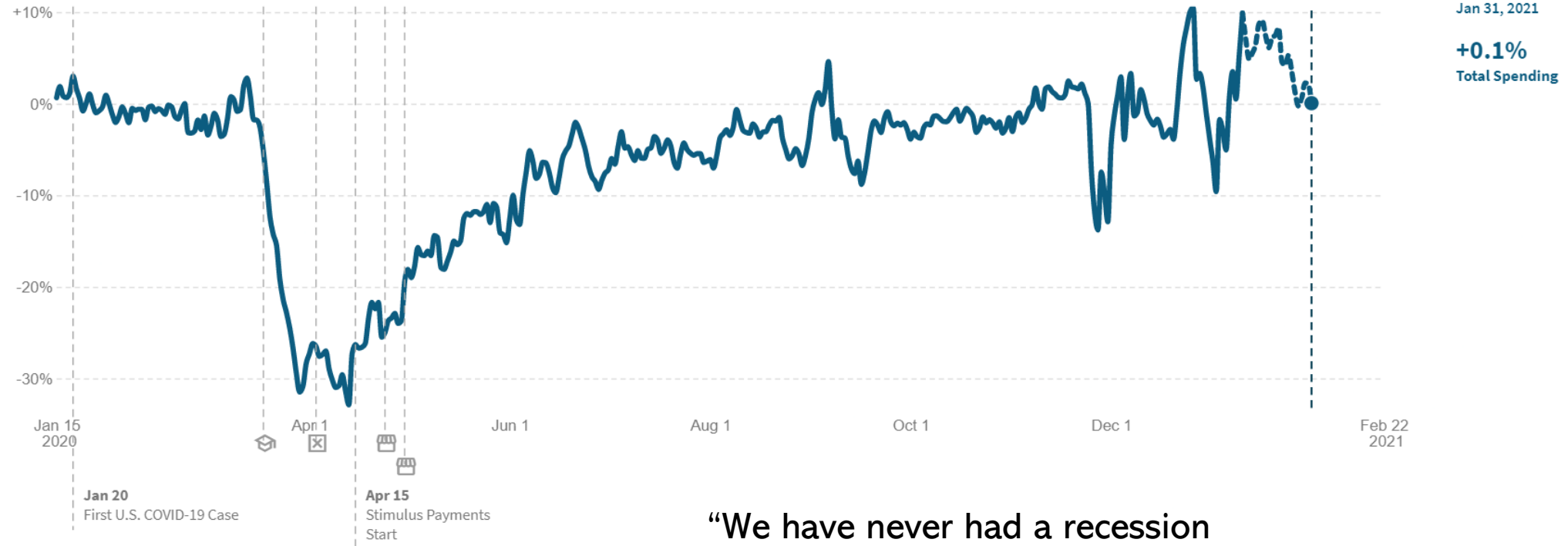


**Georgia Employment is Recovering Much Better than the U.S.**

# State of Georgia

## Percent Change in All Consumer Spending\*

In Georgia, as of **January 31 2021**, total spending by all consumers **increased** by **0.1%** compared to January 2020.



\*Change in average consumer credit and debit card spending, indexed to January 4-31, 2020 and seasonally adjusted. The dashed segment of the line is provisional data, which may be subject to non-negligible revisions as newer data is posted. This series is based on data from Affinity Solutions.

last updated: February 19, 2021 next update expected: February 24, 2021

“We have never had a recession before when people had more money to spend.”  
– State Economist Jeffrey Dorfman

visit [tracktherecovery.org](https://tracktherecovery.org) to explore



# State Revenue Outlook

- Through the first half of the fiscal year, collections are **up \$722 million, or 6.1%**
- Individual income tax collections – **up 10%**
- Gross sales tax collections – **up 6%**
- Corporate income tax collections – **up 20.2%**
- Tobacco tax collections – **up 10.7%**
- Alcoholic beverage tax collections – **up 12.7%**
- Car tag, title and fees – **up 2.2%**
- Hotel, motel fees – **down 29.3%**

## The Back-to-Normal Index

The pandemic economy is far from normal. So Moody's Analytics and CNN Business have partnered to create a proprietary Back-to-Normal Index, comprised of 37 national and seven state-level indicators. The index ranges from zero, representing no economic activity, to 100%, representing the economy returning to its pre-pandemic level in March.

United States

81%



The economy in the United States is operating at 81% of where it was in early March.

New coronavirus cases in the last 7 days

1,448,721

Number of states with improved Index since last week

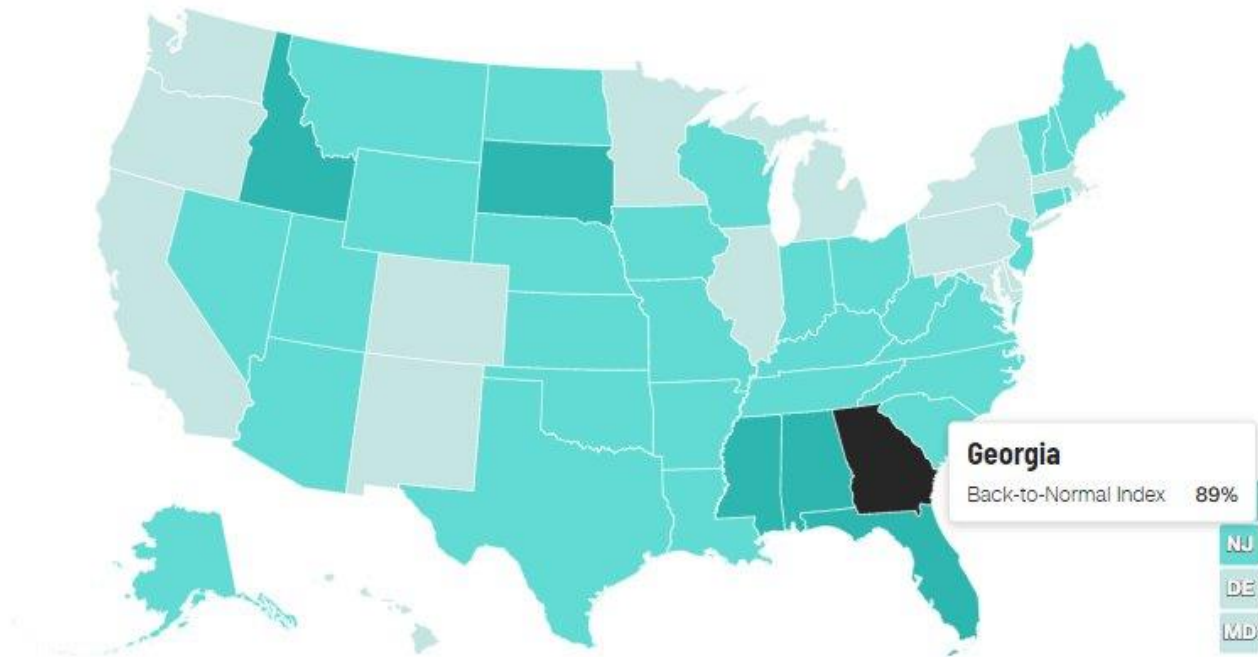
51

[Learn how](#) we created the Back-to-Normal Index

Source: [Moody's Analytics](#), [JHU CSSE COVID-19 Data](#)

Percent of the way back to normal (100%=normal):

● Less than 60% ● 60% to 69% ● 70% to 79% ● 80% to 89% ● 90% to 99% ● 100% or more



Georgia

Back-to-Normal Index 89%

NJ

DE

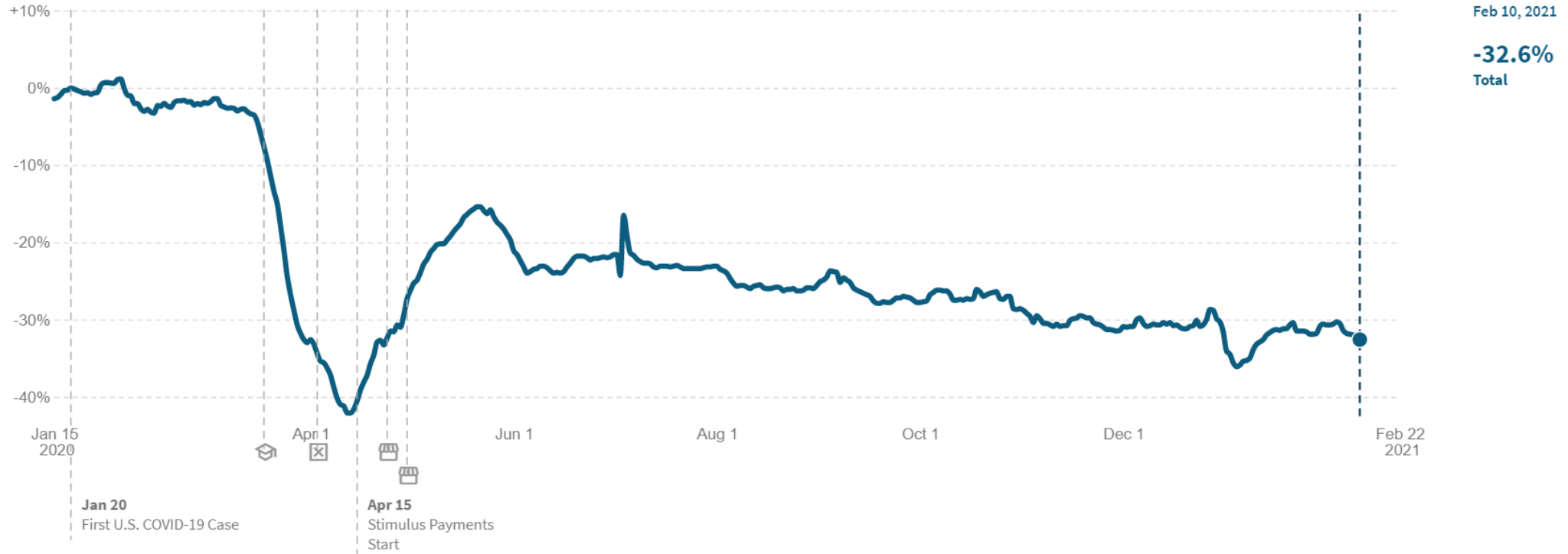
MD

Data as of January 15, 2021

# State of Georgia

## Percent Change in Number of Small Businesses Open\*

In Georgia, as of February 10, 2021, the number of small businesses open decreased by 32.6% compared to January 2020.



\*Change in small businesses open (defined as having financial transaction activity), indexed to January 4-31 2020 and seasonally adjusted. This series is based on data from Womply.

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# How will things change?



## Consumer

- Move toward the home
  - Gyms, restaurants, shopping, theater.
- New tactics to re-engage consumers to brick & mortar



## Employer/Employee

- Telework
- Business travel
- Commercial real estate



## Government

- Push away from globalization
- New regulatory environment

**The new post-COVID economy**

1. Biden Administration  
Proposed Middle-Class Tax  
Increase & Other Fiscal  
Policies
2. Inflation
3. Psychology - Virus Fear

# Major Threats to the Economic Outlook

# “Trump” Tax Rates

## Individual Taxpayers

If Taxable Income Is Between:	The Tax Due Is:
0 - \$9,525	10% of taxable income
\$9,526 - \$38,700	\$952.50 + 12% of the amount over \$9,525
\$38,701 - \$82,500	\$4,453.50 + 22% of the amount over \$38,700
\$82,501 - \$157,500	\$14,089.50 + 24% of the amount over \$82,500
\$157,501 - \$200,000	\$32,089.50 + 32% of the amount over \$157,500
\$200,001 - \$500,000	\$45,689.50 + 35% of the amount over \$200,000
\$500,001 +	\$150,689.50 + 37% of the amount over \$500,000

## Married Individuals Filing Joint Returns and Surviving Spouses

If Taxable Income Is Between:	The Tax Due Is:
0 - \$19,050	10% of taxable income
\$19,051 - \$77,400	\$1,905 + 12% of the amount over \$19,050
\$77,401 - \$165,000	\$8,907 + 22% of the amount over \$77,400
\$165,001 - \$315,000	\$28,179 + 24% of the amount over \$165,000
\$315,001 - \$400,000	\$64,179 + 32% of the amount over \$315,000
\$400,001 - \$600,000	\$91,379 + 35% of the amount over \$400,000
\$600,001 +	\$161,379 + 37% of the amount over \$600,000

# Biden Tax Proposal

(Pre 2018 rates)

## Individual Taxpayers

If Taxable Income Is Between:	The Tax Due Is:
0 - \$9,325	10% of taxable income
\$9,326 - \$37,950	\$932.50 + 15% of the amount over \$9,325
\$37,951 - \$91,900	\$5,226.25 + 25% of the amount over \$37,950
\$91,901 - \$191,650	\$18,713.75 + 28% of the amount over \$91,900
\$191,651 - \$416,700	\$46,643.75 + 33% of the amount over \$191,650
\$416,701 - \$418,400	\$120,910.25 + 35% of the amount over \$416,700
\$418,401 +	\$121,505.25 + 39.6% of the amount over \$418,400

## Married Individuals Filing Joint Returns and Surviving Spouses

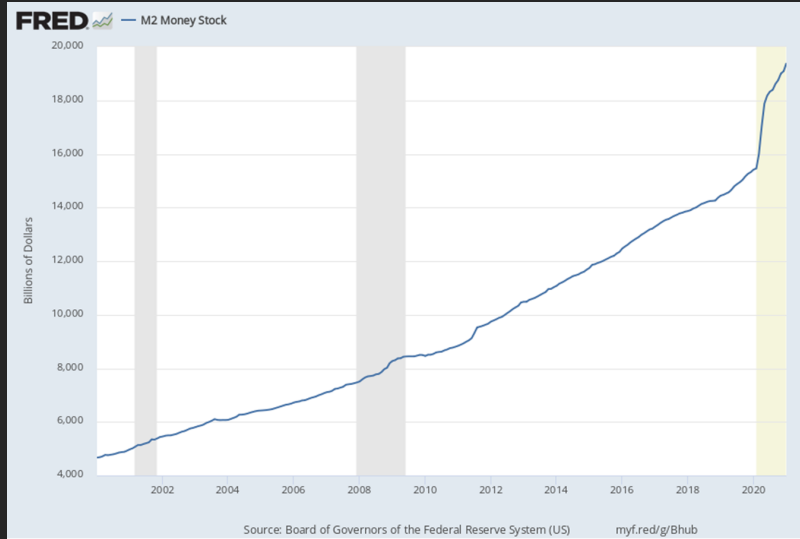
If Taxable Income Is Between:	The Tax Due Is:
0 - \$18,650	10% of taxable income
\$18,651 - \$75,900	\$1,865 + 15% of the amount over \$18,650
\$75,901 - \$153,100	\$10,452.50 + 25% of the amount over \$75,900
\$153,101 - \$233,350	\$29,752.50 + 28% of the amount over \$153,100
\$233,351 - \$416,700	\$52,222.50 + 33% of the amount over \$233,350
\$416,701 - \$470,700	\$112,728 + 35% of the amount over \$416,700
\$470,701 +	\$131,628 + 39.6% of the amount over \$470,700

- Inflation is a condition of continually rising price level
- “Inflation is always and everywhere a monetary phenomenon.” – Milton Friedman
- Inflation isn't just about how many dollars are being printed. It's about where those dollars go and how fast they are moving through the system.
- Something else to consider: When it comes to changes in the money supply, debt acts like a sponge.

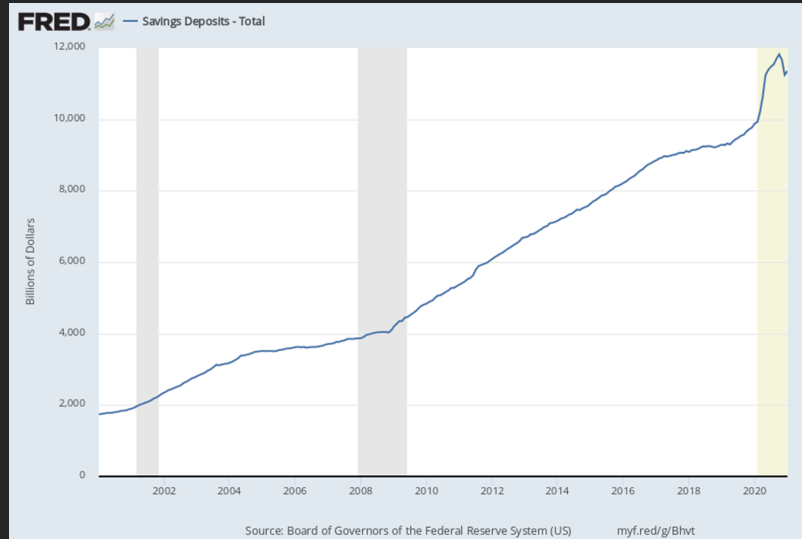
# Inflation and the Velocity of Money



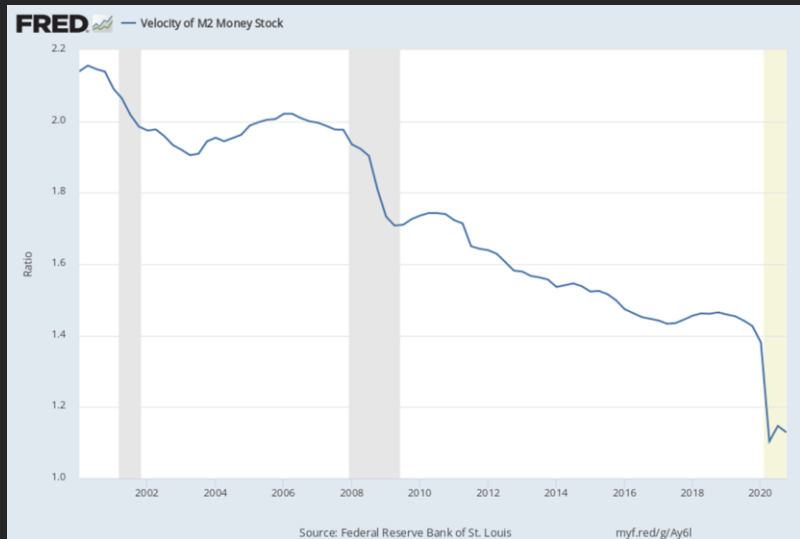
# Money Supply



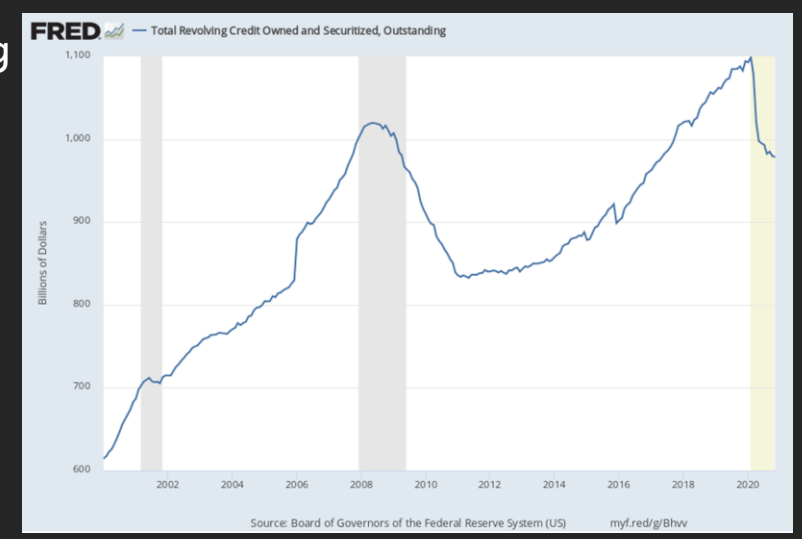
# Savings Deposits



# Money Velocity



# Revolving Credit



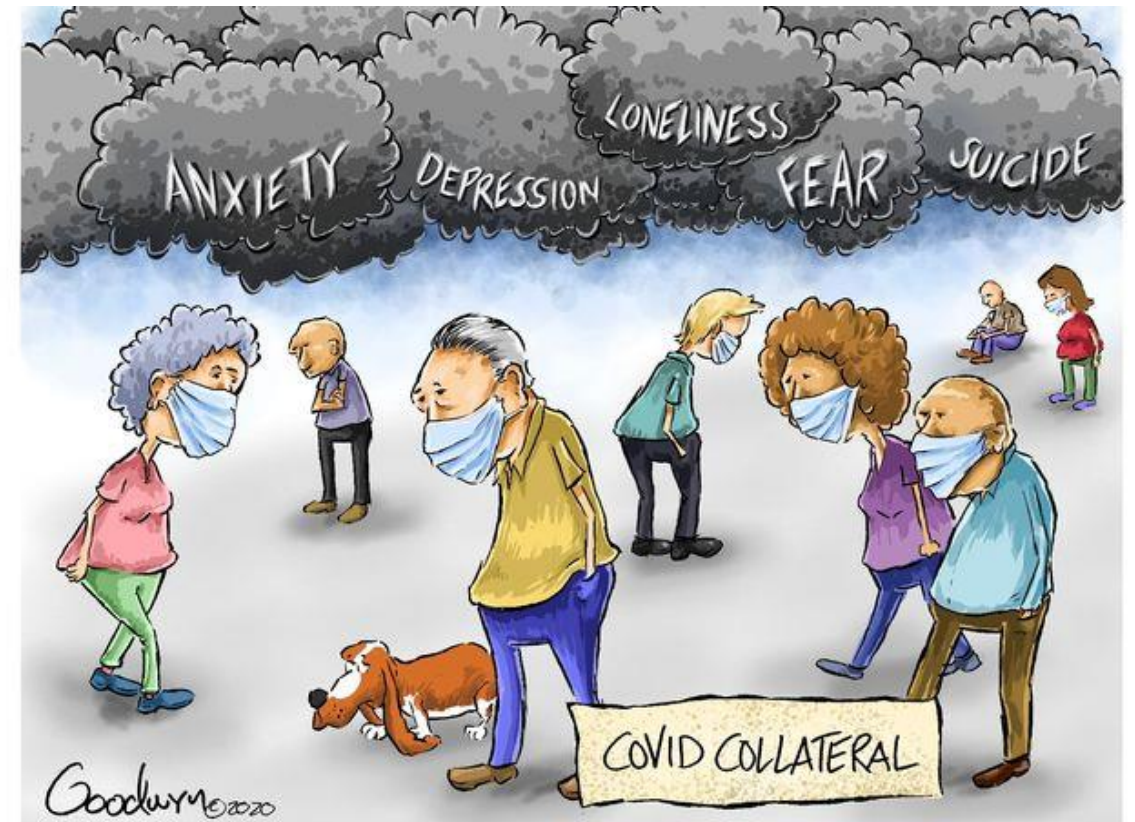


# We Simply Can NOT Lockdown the Economy Again.

## Unemployment During the Pandemic Expected to Cause 900,000 US Deaths, New Economic Study Finds

A new National Bureau for Economic Research paper projects 890,000 additional deaths may result over the next 15 years from actions taken to mitigate the spread of the coronavirus.

Tuesday, January 19, 2021



### New deaths attributed to Covid-19 in United Kingdom and Sweden

Seven-day rolling average of new deaths (per 100k)



Source: Financial Times analysis of data from the Johns Hopkins CSSE, the Covid Tracking Project, the World Health Organization, the UK Government coronavirus dashboard and the Swedish Public Health Agency. **FINANCIAL TIMES**  
Data updated February 17 2021 7.02pm GMT. Interactive version: [ft.com/covid19](https://www.ft.com/covid19)

*“Experience has shown that communities faced with epidemics or other adverse events respond best and with the least anxiety when the normal social functioning of the community is least disrupted.”*

INSTITUTE OF MEDICINE 2006.  
*MODELING COMMUNITY CONTAINMENT  
FOR PANDEMIC INFLUENZA*



# “Assessing Mandatory Stay-At-Home and Business Closure Effects on the Spread of COVID-19”

*“we find no clear, significant beneficial effect of “lockdowns” [mandatory stay-at-home and business closure orders] on case growth in ANY country.”*

*“...there is no evidence that more restrictive non-pharmaceutical interventions (“lockdowns”) contributed substantially to bending the curve of new cases in England, France, Germany, Iran, Italy, the Netherlands, Spain, or the United States...”*

*“...it is possible that stay-at-home orders may facilitate transmission if they increase person-to-person contact where transmission is efficient such as closed spaces.”*

*“...school closures may have very serious harms, estimated at an equivalent of 5.5 million life years for children in the U.S. during the spring closures alone.”*

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# The New York Times

January 24, 2021

## Surge of Student Suicides Pushes Las Vegas Schools to Reopen

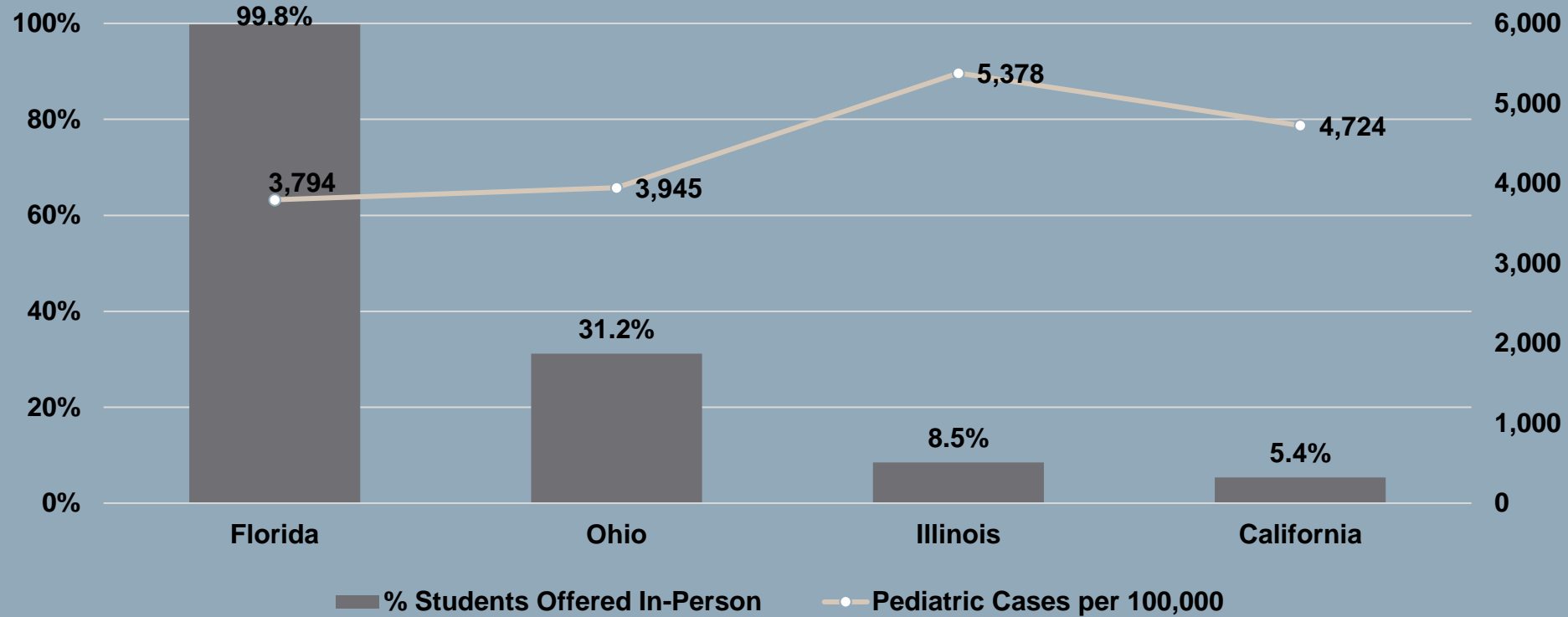
FINANCIAL TIMES

US teachers resist reopening schools  
despite European lessons

Data show return to classroom has had little impact on spread of  
Covid-19



# Percent of Students Offered In-Person Instruction & Rate of Pediatric Cases



*“Not everything should be destroyed by the health situation ... we must be vigilant, but not forget the educational and social imperatives, nor deviate from our two objectives: improving the educational level of each child and reducing inequalities.”*

- Jean-Michel Blanquer  
French Education Minister

# Summary.....

- The economy is experiencing a “V”-shaped recovery driven by consumer spending on durable goods which is, in turn, being driven by extensive fiscal and monetary stimulus.
- The durable-goods driven recovery will transition to a more services driven recovery in late '21.
- Job losses remain in COVID-sensitive sectors and likely will until the pandemic is over and/or vaccinations have reached a critical level. However, up to one-third of small businesses will likely never return.
- State and local revenues are holding up, again due to extensive stimulus. Longer term, commercial real estate values will be an issue for local governments.
- Threats to the economy include restrictive fiscal policy (tax increases, minimum wage, etc.), inflation, and continued “lockdown mentality.”

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