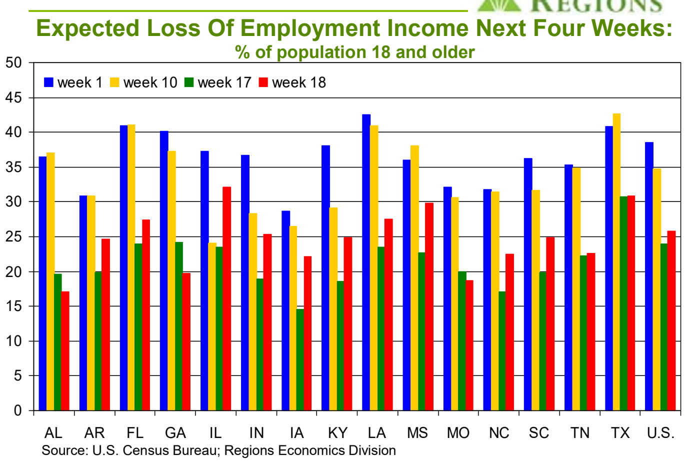
ECONOMIC UPDATE

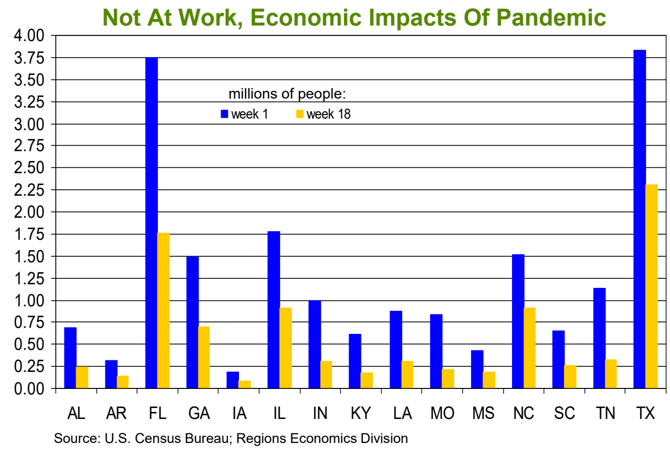
REGIONS

November 23, 2020

Household Pulse Survey: Regions Footprint

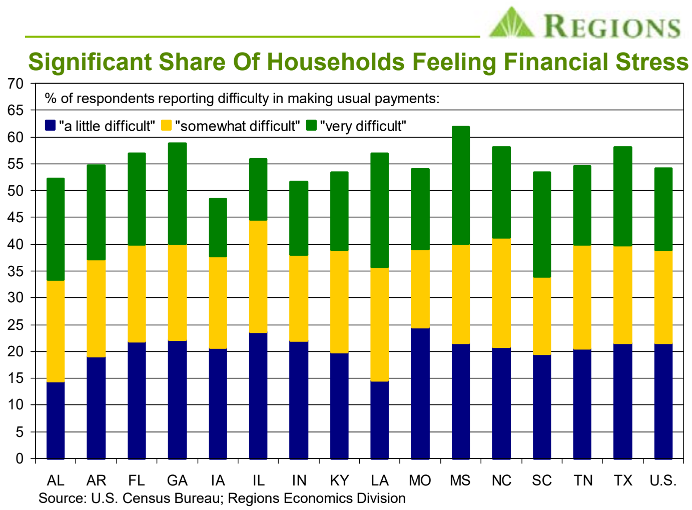
The U.S. Census Bureau has launched Phase Three of its *Household Pulse Survey*, designed to measure the experiences of U.S. households during the COVID-19 pandemic. Phase One of the survey ran from April 23 through July 21 and was conducted on a weekly basis; Phase Two ran from August 19 through October 26 and the survey shifted from a weekly survey period to a bi-weekly survey period. Phase Three of the survey picks up in late-October and is scheduled to run through December 21. The purpose of the *Household Pulse Survey* remains the same – respondents are asked a host of questions to assess the impact of the COVID-19 virus and the efforts to stem its spread. Questions cover the loss of employment income, expected loss of employment income, food scarcity, delayed medical care, housing insecurity, spending patterns, and K-12 educational changes. Over the life of the survey, some of the questions have been adapted to better capture the economic and financial impacts of the pandemic and the efforts to stem its spread. As we have done over the life of the survey, we will produce updates summarizing what we think to be some of the more notable elements of the results, with a focus on the states within the Regions footprint. The most recent surveys were conducted from October 28 through November 9.

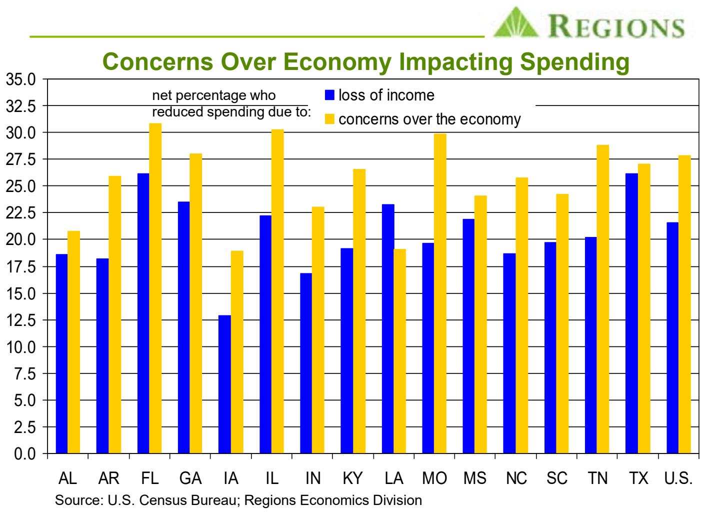




The latest survey period coincides with the recent spike in COVID-19 cases that has seen several state and local governments impose new restrictions on economic and social activity. As we have noted, though not nearly as stringent as those seen in the early phases of the pandemic, these new restrictions can still have an impact on the economy, particularly if the spike in COVID-19 cases leads to wavering consumer and business confidence. To that point, week 18 of the *Household Pulse Survey* saw a notable increase in the share of respondents expecting a loss of employment-based income over the coming four-week period. Recall that a loss of employment-based income could be total, with the loss of a job, or partial, with cuts in hours worked and/or wages As seen in the first chart above, Alabama, Georgia, and Missouri were the only in-footprint states in which the share of respondents expecting a loss of employment-based income fell between weeks 17 and 18 (week 17 covered October 14-26), with Illinois, Iowa, Mississippi, and Kentucky seeing the largest increases. Nationally, 25.8 percent of respondents expected to experience a loss of employment-based income, up from 23.9 percent in week 17, while within the Regions footprint the share rose to 26.1 percent in week 18 from 23.5 percent in week 17. Though still below the survey peaks – which came in the initial week of the survey and during the upturn in cases seen this summer – the increase in week 18 is nonetheless noteworthy, and it will not be surprising to see higher shares of respondents expressing concern over job and income prospects until this wave of new cases subsides. It cannot escape notice that the current spike in cases and renewed fears over the loss of employment/income come amid encouraging news on a vaccine against COVID-19.

The latest survey results also show a more immediate effect of the spike in COVID-19 cases, which is a meaningful increase in the number of respondents reporting they are not at work due to direct economic effects of the pandemic. Again, though still well short of the peaks seen in the initial survey period, the number of those displaced from the labor market by the economic effects of the pandemic rose between weeks 17 and 18 of the survey. Nationally, in week 18 there were 20.818 million people who reported not being at work as a result of a reduction in their employer's level of business, having been laid off or put on furlough, their employer having temporarily shut down, or their employer having gone out of business. This is an increase of roughly 1.5 million people over the week 17 survey period. Within the Regions footprint, there were 8.813 million people not at work in week 18 for one of these reasons, up from 7.758 million in the week 17 survey period. The largest increases came in North Carolina, Georgia, Florida, and Texas. As with the rising share of those anticipating a loss of employment-based income, it will not be surprising if the number of those displaced from the labor market by the economic effects of the pandemic rises further over coming survey periods should the spike in cases persist.



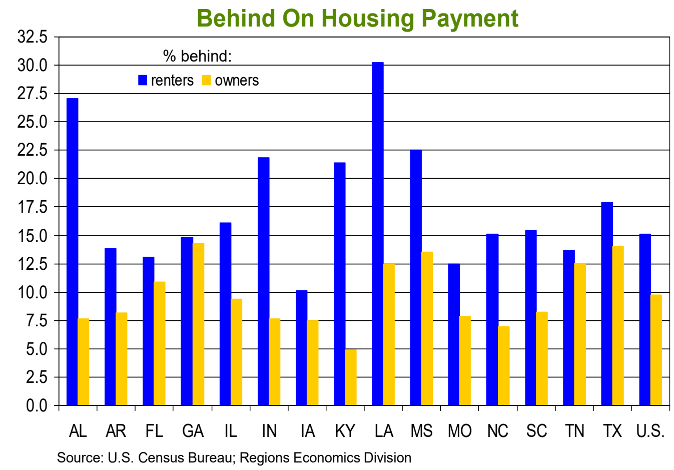


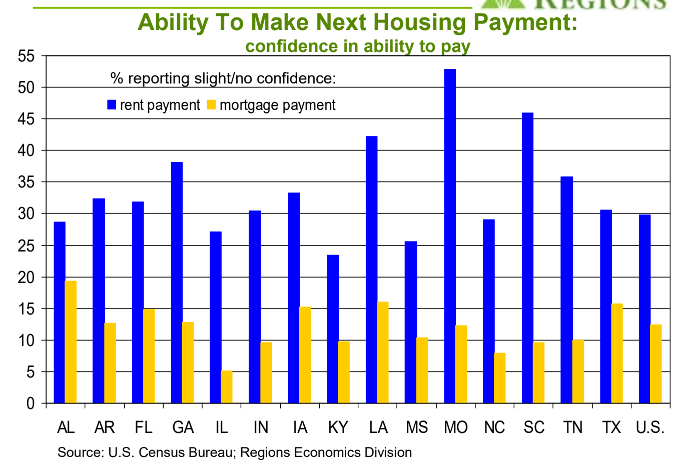
The latest survey results show a further increase in the degree of financial stress. Nationally, in week 18 there were 134.727 million people reporting some degree of difficulty in making "usual" payments, which include but are not limited to areas such as housing, food, clothing, transportation, and medical care. This is up from the number reporting such difficulties in week 17 of the survey and is equivalent to 54.1 percent of the 18-and-over population. Within the Regions footprint, week 18 saw 56.233 million people report some degree of difficulty in making their usual payments, which is equivalent to 56.2 percent of the 18-and-over population. As we've noted in prior updates, the obvious caveat here is that we have no pre-pandemic benchmark; in other words, prior to the pandemic there would have been some segment of the population having difficulty making usual expenditures, so we do not know what shares of the numbers cited above reflect financial stress brought about by the pandemic. Nonetheless, it is not plausible to argue that those pre-pandemic benchmarks would be as high as the figures reported in the *Household Pulse Survey*, and it is telling that the number of those reporting difficulty in making their usual payments rose between the two most recent survey periods.

That is also true of the number of respondents reporting they had curbed spending due to concerns over the potential loss of income and/or concerns over the course of the economy. The second chart above shows net shares of the 18-and-over population who have cut spending due to worries about a decline in income and/or worries about the course of the economy (the net share accounts for the shares, albeit very, very small shares, of people reporting they had increased spending due to either an increase in income or greater confidence in the economy). The number of those having curbed spending due to these concerns rose, nationally and within the Regions footprint, between weeks 17 and 18 of the survey. On the whole, the *Household Pulse Survey* indicates a meaningful, and rising, degree of financial stress, nationally and within the Regions footprint, which is impacting household spending.

Though at times overlooked, the ability to make monthly housing payments is a significant, and of late growing, concern for large numbers of homeowners and renters. Renters express a greater degree of concern, which likely reflects a few factors. First, the median household income of renters is significantly below that of homeowners, so any disruption, whether realized or feared, in household income is more likely to impact renters to a greater degree than homeowners. This is particularly true given that job losses tied to the pandemic and the efforts to stem its spread have fallen much more heavily amongst lower-skill, lower-earnings occupations, and those in these industry groups are more likely to be renters than owners. Additionally, many of those behind on mortgage payments will still be benefitting from forbearances which, in most cases, will not expire until next spring. While renters have been protected against eviction by moratoriums, in many cases those moratoriums will expire at year-end 2020, meaning that eviction is a much more immediate possibility for those unable to come to terms with their landlords on unpaid rent.

As of week 18 of the *Household Pulse Survey*, there were 15.001 million renters with little or no confidence in their ability to make their next monthly rent payment, which is up from 14.450 million in week 17. Within the Regions footprint, there were 6.200 million renters in week 18 with little or no confidence in their ability to make their next monthly rent payment, which is up from 5.837 million in week 17. The week 18 numbers translate into 29.8 percent of renters nationally and 32.6 percent within the Regions footprint who have little or no confidence in their ability to make their next rent payment. As of week 18 of the survey, there were 9.918 million renters, or, 18.3 percent of all renters, who were behind on their rent payments, while within the Regions footprint there were 3.747 million renters, or, 19.7 percent of all renters, who were behind on their rent payments. Of those behind on their rent payments, over 40 percent, nationally and within the footprint, reported it was either "somewhat" or "very" likely that they would be evicted at some point in the next two months. The eviction moratorium issued by the Centers for Disease Control and Prevention (CDC), which temporarily stops landlords from evicting tenants provided the occupant claims financial hardship caused by the pandemic, ends on December 31, meaning that on January 1 significant numbers of renters will be liable for unpaid rent payments. There are currently two states (California and Kansas) and a handful of local governments who have extended this moratorium but, for the most part, December 31 is the deadline fast approaching renters behind on their rent. It is important to keep in mind that on the other end of every missed rent payment is a landlord who has taken a hit to their cashflow. One could argue that even after the eviction moratorium(s) expire, landlords have incentive to work with tenants to avoid the costs associated with eviction and securing another tenant, but that still leaves them with impaired cash flows for some time into the future.





As noted above, the situation is not as bleak for homeowners but, again, the protections for those behind on mortgage payments will in most cases extend further than those in place for renters. This could be why the share of homeowners behind on mortgage payments who fear facing foreclosure over the coming two months is generally lower than the share of renters behind on rent payments who fear eviction. As of week 18 of the survey, there were 8.769 million homeowners with a mortgage, or, 10.1 percent of the total, who were behind on their monthly payment. Within the footprint, there were 3.432 million homeowners with a mortgage, or, 10.0 percent of the total, who were behind on their monthly payment. Of those behind on their payment, just over 15 percent nationally and just over 15 percent within the footprint thought it either "somewhat" or "very" likely they would face foreclosure within the coming two months. While lower than the shares of renters in the same predicament, it should be noted that these numbers were higher in week 18 of the survey than was the case in week 17. Additionally, it could be that as we approach next spring, fear of foreclosure will become more pronounced, though further healing of the labor market and the broader economy figure to mitigate the degree of missed housing payments, for both owners and renters.

The results from week 18 of the *Household Pulse Survey* are consistent with other indicators showing the spike in COVID-19 cases is having an adverse impact on economic activity. The heightened degree of financial stress apparent in the survey results comes at a time of considerable uncertainty over whether, or when, there will be an additional round of financial assistance for households and small businesses. Given that there remain unresolved questions on the political front, including which party will control the U.S. Senate, it is looking more and more like nothing will be resolved on the question of additional financial aid until late-January. But, with a growing incidence of missed payments and the potential for significant disruption in the rental housing market at the turn of the year, it is reasonable to think that the degree of financial stress will intensify in the weeks ahead before it abates. The *Household Pulse Survey* will be a useful and timely gauge of whether, or to what extent, that proves to be the case.

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