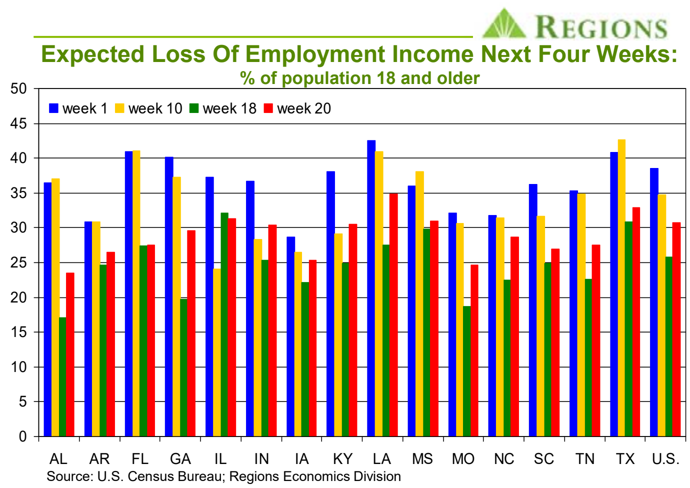
ECONOMIC UPDATE

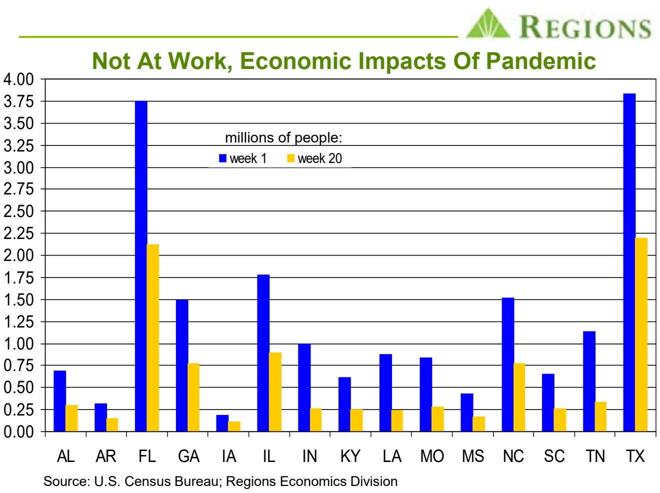
REGIONS

December 28, 2020

Household Pulse Survey: Regions Footprint

The U.S. Census Bureau's *Household Pulse Survey* is 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 frequency. Phase Three picked up in late-October and is scheduled to run through December. 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, and our regular updates summarize 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 November 25 through December 7.





Phase Three of the *Household Pulse Survey* has largely coincided with the ongoing surge in COVID-19 cases that has seen several state and local governments impose new restrictions on economic and social activity. As might be expected, survey results show a rising degree of financial stress over recent weeks. Between week 18 of the survey, conducted in late-October prior to the surge in cases, and week 20, which concluded December 7, there was an increase in the percentage of respondents who anticipated a loss of employment-based income in the coming four-week period. Nationally, that share rose from 25.8 percent in week 18 to 30.8 percent in week 20, while across the Regions footprint that share rose from 26.1 percent to 29.5 percent. As seen in the first chart above, Alabama, Georgia, Kentucky, Louisiana, Missouri, and North Carolina saw particularly large increases in the number of people anticipating a loss of employment-based income. 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. The results of the *Household Pulse Survey* are consistent with those of the *Small Business Pulse Survey*, which over recent weeks has shown meaningful increases in the percentage of small businesses reporting declines in the number of employees and/or the number of aggregate hours worked. 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 between weeks 18 and 20 is nonetheless noteworthy. Moreover, should case counts spike even further in the post-holiday period, as many fear will be the case, there are likely to be further increases in the number of people expressing concern over job and income prospects. It cannot escape notice that the current spike in cases and rising concern over job and income prospects come amid continued encouraging developments on the vaccine front.

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 has risen sharply over the past few survey periods. As of week 20 of the survey, there were 9.121 million people across the Regions footprint 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. At the same time, the number of people across the footprint reporting that they were employed during the survey period has declined over the past few survey periods.

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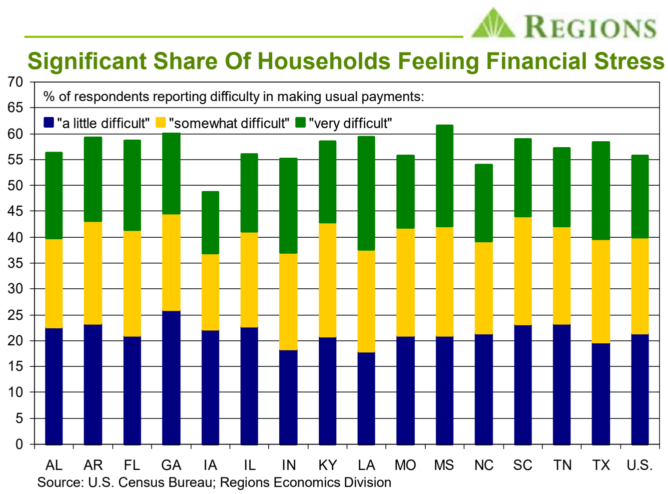
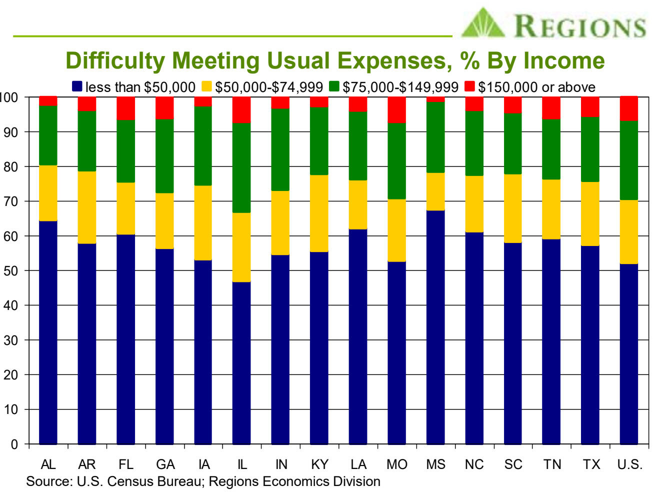
As the *Household Pulse Survey* is so new and the data are not seasonally adjusted, there is no straightforward mapping between the survey data and the regular economic data such as the BLS's monthly employment reports. Still, the deterioration in the employment detail from the *Household Pulse Survey* is consistent with the deterioration in other labor market indicators, such as initial claims for unemployment insurance and consumers' assessments of labor market conditions as reported in the Conference Board's monthly survey of consumer confidence (a reliable indicator of changes in the unemployment rate). The body of available evidence suggests a weak December employment report (to be released January 6), to the point that a decline in nonfarm employment and/or a tick up in the unemployment rate cannot be ruled out. Based on the Census Bureau's surveys of households and small businesses, the detail on hours worked in the December employment report will also bear watching. A seemingly minor change of one-tenth of an hour in the average length of the workweek can have a profound impact on aggregate wage and salary earnings, the largest single component of personal income. That the Census surveys suggest a shorter average workweek suggests the weakness seen in personal income over the past two months could continue until the surge in COVID-19 cases abates.

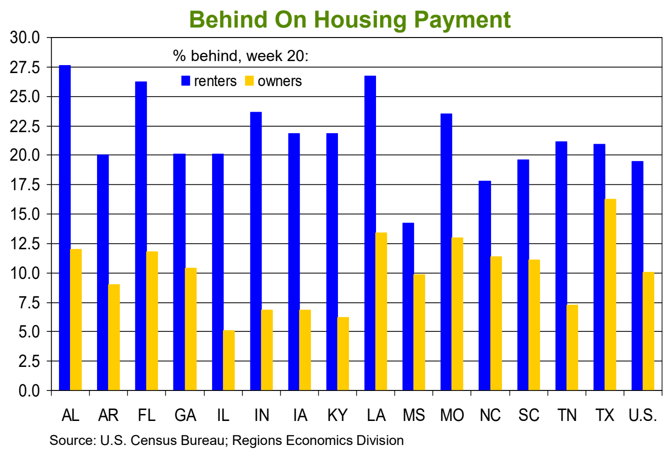


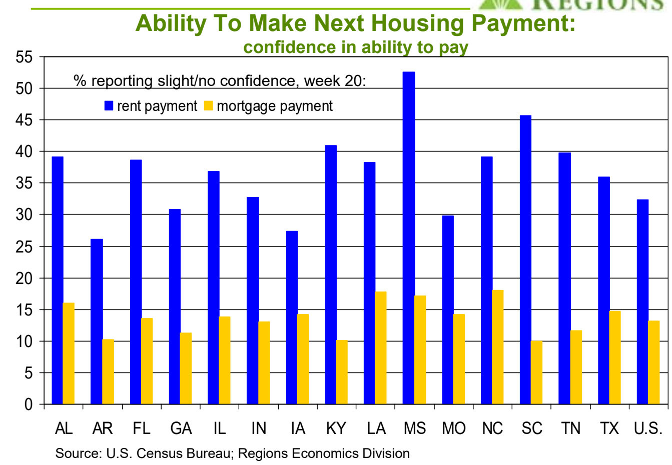


Any deterioration in wage and salary earnings would only add to what has been an increasing degree of financial stress over recent weeks. As of week 20 of the *Household Pulse Survey*, 55.6 percent of respondents nationwide reported some degree of difficulty in making "usual" payments, which include but are not limited to areas such as housing, food, clothing, transportation, and medical care. This translates into 138.972 million people, up by over 4 million people since week 18 of the survey. Within the Regions footprint, 57.495 million people, or 57.5 percent of the 18-and-over population, reported some degree of difficulty in making their usual payments, 1.26 million more than reported difficulty in week 18 of the survey. These increases have been accompanied by rising numbers of people reporting that they have cut back on spending due to worries about a decline in income and/or worries over the course of the economy.

As has often been pointed out, here and elsewhere, the economic effects of the pandemic and the efforts to stem its spread have fallen disproportionately on those on the lower end of the income distribution, and this point is illustrated in the second chart above. Of those reporting some degree of difficulty in making usual payments, over half reported household income of less than $50,000 (note that not all survey respondents reported household income). Within the Regions footprint, 57.5 percent of those reporting difficulty in making usual payments had household income of less than $50,000, with 5.1 percent of those reporting difficulty in making usual payments reporting household income of $150,000 or more. As we have discussed in earlier editions of this summary, there is no pre-pandemic benchmark for comparison, and even in normal times those on the lower end of the income distribution will feel a greater degree of financial stress. The point here, however, is that the degree of financial stress has increased, in some states significantly, over the past few weeks as the number of COVID-19 cases has spiked and there have been renewed restrictions on economic activity. It is also worth noting that, while still well below the overall average, the shares of higher-income households reporting at least some degree of financial stress have risen.

Another indication of rising financial stress is the rising share of those behind on monthly housing payments, either rent payments or mortgage payments. As of week 20 of the *Household Pulse Survey*, there were 10.468 million people nationwide and 4.408 million within the Regions footprint who reported being behind on rent payments, both numbers up significantly from week 18 of the survey and reflecting 19.5 percent and 21.8 percent, respectively, of those with a monthly rent payment. At the same time, there were 8.901 people (10.1 percent of those with a monthly mortgage payment) nationwide and 3.738 million people (10.9 percent of those with a monthly mortgage payment) within the Regions footprint who reported being behind on mortgage payments, again up significantly from week 18 of the survey. The number of people reporting either no confidence or only slight confidence in making their next housing payment has also risen over recent weeks. As of week 20 of the survey, of those with monthly rent payments 32.4 percent nationally and 36.8 percent within the Regions footprint expressed no or only slight confidence in their ability to make their next rent payment; while of those with a monthly mortgage payment, 13.2 percent nationally and 13.9 percent within the Regions footprint expressed no more than slight confidence in their ability to make their next payment. As the degree of confidence in the ability to make their next housing payment has fallen, the number of people expressing fear of eviction/foreclosure has risen over recent weeks. Again, the degree of stress around monthly housing payments is not as severe as was the case in the early phases of the pandemic, but nonetheless has been rising over the past few survey periods.





With the latest round of financial assistance to households and small businesses agreed to by Congress having now been signed into law, there is at least some additional help on the way, and this includes help for those behind on rent payments in addition to the extension of federally provided supplemental unemployment insurance benefits and $600 in Economic Impact Payments. With the prospect of an effective vaccine being widely available for distribution by late-spring/early-summer, this round of assistance was designed to be a bridge to that point. But, with current case counts already significantly elevated and the prospect of even higher counts in the weeks ahead, it seems unlikely that this bridge goes far enough, particularly for those who have been displaced from the labor market. The *Household Pulse Survey* will act as a useful gauge of whether, or to what extent that is the case.

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