ECONOMIC UPDATE

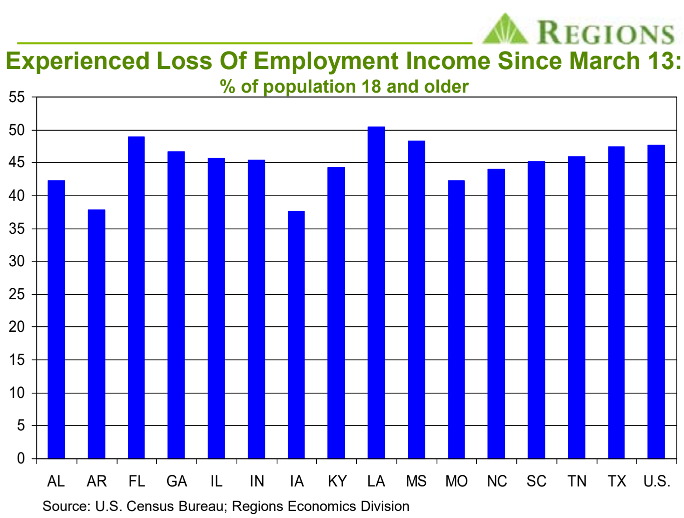
REGIONS

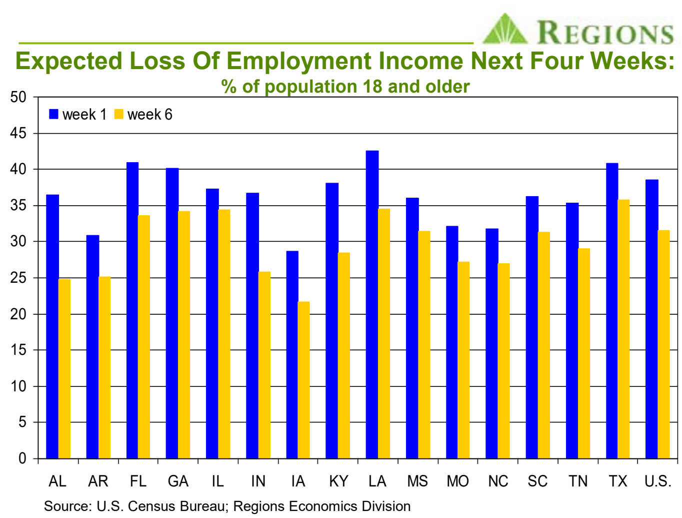
June 17, 2020

Household Pulse Survey: Regions Footprint

The U.S. Census Bureau has released the latest weekly installment of its *Household Pulse Survey*, a new survey designed to measure the experiences of U.S. households during the COVID-19 pandemic. Census is conducting weekly surveys, which began on April 23, 2020, asking respondents a host of questions to assess the impact of the shutdown of a wide swath of economic activity stemming from 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, and K-12 educational changes. The most recent surveys were conducted over the June 4-June 9 period.

Over the most recent survey period, 47.6 percent of the 18-and-over population reported a loss of employment-based income since March 13. For the Regions footprint as a whole, the share was 46.2 percent. The June 4-June 9 period is the sixth survey period, and over the entire survey period, 47.6 percent nationally and 46.1 percent within the Regions footprint reported a loss of employment-based income. Note that a loss of employment-based income could include the loss of a job, having weekly hours cut back, having wages/salaries reduced, or a combination of the latter two. Census does not provide data on the extent – full or partial – degree of income loss, though the data on nonfarm employment and the data on claims for Unemployment Insurance strongly suggest job losses are the primary cause of the loss of employment-based income. It should also be noted that, while the survey asks about the loss of employment income, it does not account for the various forms of aid that have been provided in response to the crisis, such as the Economic Impact Payments (EIP) and the supplemental Unemployment Insurance (UI) benefits being paid by the federal government, and various food assistance programs. While studies show roughly two-thirds of those who have lost a job are seeing meaningfully higher cash flows from UI benefits – their state-level payment combined with the supplemental $600 per week being paid by the federal government – this is transitory, as the supplemental payments are now scheduled to expire on July 31.

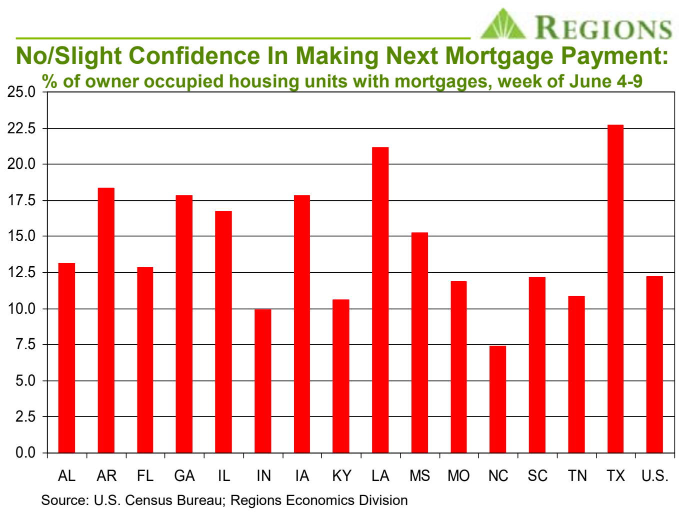


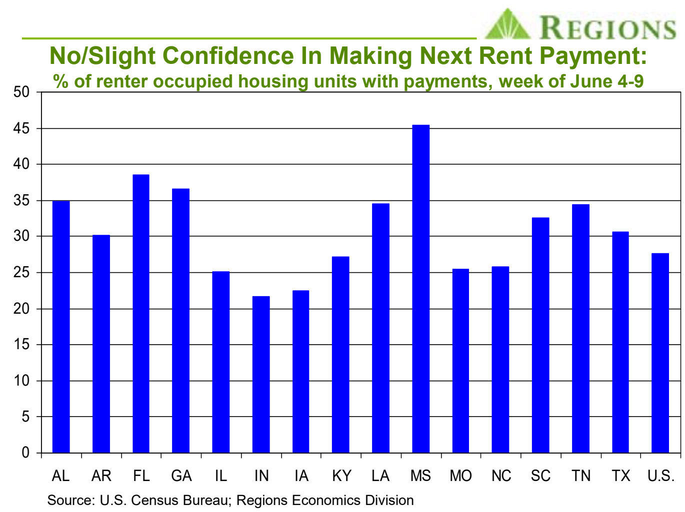


As we've noted in these weekly updates, the metric we're watching more closely is the share of the 18-and-over population who report that they expect to experience a loss of employment-based income (which, again, could be full or partial) over the coming four-week period. In the latest survey week, 31.5 percent of the 18-and-over U.S. population reported they expected a loss of employment-based income over the coming four weeks, compared with 31.7 percent within the Regions footprint. We attach importance to the decline in the shares expecting the loss of some or all of their employment-based income and, barring a "second wave" of the COVID-19 virus, would expect to see this share decline further over coming weeks as economic activity continues to come back online. As we've noted, however, feeling less anxious about one's job and income prospects is an important step, but is only the first step in consumers becoming more fully engaged in economic activity on the road back to "normal." Additionally, should people become increasingly concerned over what in some states are rising numbers of positive COVID-19 tests, even though some of this simply reflects the increased number of tests being done, they could in turn become increasingly worried that restrictions on economic activity will be put back in place, thus potentially putting their job/income at risk. As noted in previous updates, the incidence of actual or expected losses of employment-based income remain highly concentrated amongst those with household income levels below $50,000.

Regions Financial Corporation, 1900 5th Avenue North, 17th Floor, Birmingham, Alabama 35203
Richard F. Moody, Chief Economist • 205.264.7545 • richard.moody@regions.com

An additional line of questioning in the Household Pulse Survey concerns how much confidence respondents have in their ability to make their next scheduled mortgage or rent payment. As we discussed in last week's summary, anxiety over the ability to make one's next mortgage/rent payment is also highly concentrated amongst lower levels of household income. To be sure, this could well be an ongoing concern amongst lower-income households, economic downturn or not, or it could even be that those in higher-income households have become more anxious than would otherwise be the case.





Respondents are asked how much confidence they have in their ability to make their upcoming mortgage/rent payment, and the above charts show the combined shares of those expressing "no confidence" or "slight confidence" in their ability to do so. Note that these shares are expressed as a percentage of owner occupied households with mortgage payments (leaving out those who own their homes free and clear), or the percentage of renter occupied households with rent payments (leaving out those with no rent payments). Note that the share of renters expressing no/slight confidence in their ability to make their next payment is higher amongst renters than amongst owners, which is consistent with the distribution of job/income losses across income and skill levels. What we are unable to tell is whether, or to what extent, various aid programs such as the EIP or the supplemental Unemployment Insurance benefits are alleviating concerns over the ability to make housing payments. But, in the absence of these or similar programs, it would follow that the degree of anxiety over the ability to make housing payments would be greater, perhaps materially so. This helps to illustrate why many, us included, are concerned about the potential fallout from the looming decline in cash flows for households adversely impacted by the downturn associated with the COVID-19 virus if the various aid payments included in the CARES Act are not extended/repeated. The concern is there even without an additional round of layoffs. As such, it bears watching in the weeks ahead how policy makers will respond – some are taking what have been upside surprises in some of the recent data on employment and consumer spending as a sign that no further aid will be needed, while others argue still more needs to be done. Barring either another round of aid payments or a significant pick-up in the pace at which the labor market and the broader economy improve, it seems likely that the incidence of missed mortgage/rent payments will begin to increase by the end of this year's third quarter.

Regions Financial Corporation, 1900 5th Avenue North, 17th Floor, Birmingham, Alabama 35203
Richard F. Moody, Chief Economist • 205.264.7545 • richard.moody@regions.com