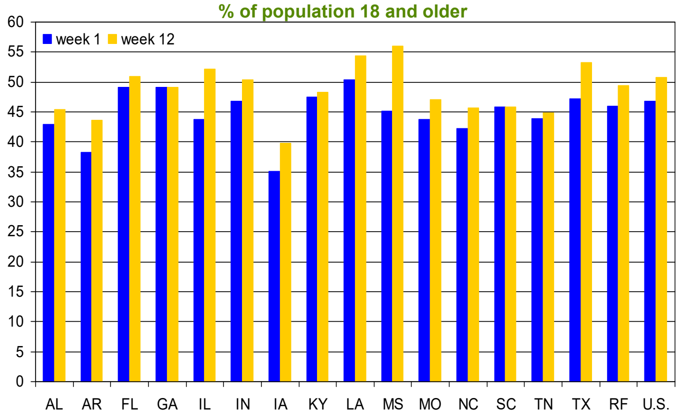
ECONOMIC UPDATE
REGIONS
July 30, 2020

Household Pulse Survey: Regions Footprint

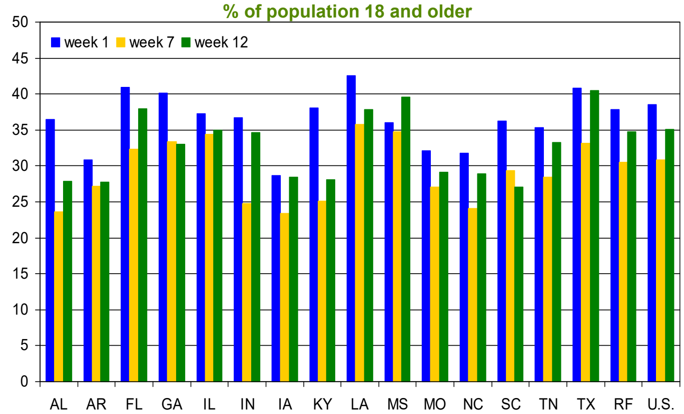
The U.S. Census Bureau has released the latest weekly installment of its *Household Pulse Survey*, designed to measure the experiences of U.S. households during the COVID-19 pandemic. Census is conducting weekly surveys, which began on April 23, 2020, asking respondents a host of questions to assess 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 July 16-July 21 period.

Experienced Loss Of Employment Income Since March 13:
% of population 18 and older



Source: U.S. Census Bureau; Regions Economics Division

Expected Loss Of Employment Income Next Four Weeks:
% of population 18 and older



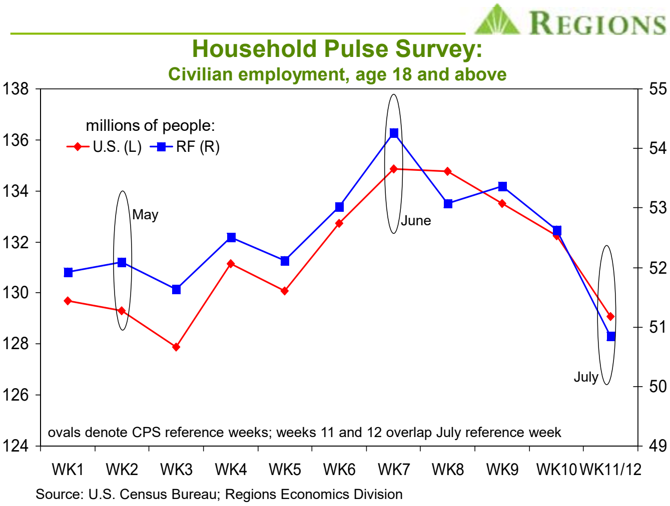
Source: U.S. Census Bureau; Regions Economics Division

The results of the most recent survey period extend the disturbing pattern seen over the past few weeks, i.e., further deterioration in the details pertaining to employment and income security. As of the most recent survey period, 50.79 percent of the 18-and-older population nationally had experienced a loss of employment-based income since March 13, while for the Regions footprint this share was 49.40 percent. As we've noted, the loss of employment-based income could be total, in the case of a job loss, or partial, in the case of reduced hours. Our first chart above compares the share for each in-footprint state and the U.S. as of week 12 of the survey with the shares as of week 1. Note that Georgia and South Carolina are the only states in which the incidence of the loss of employment-based income was not higher in week 12 than in week 1, but in Florida, Illinois, Indiana, Louisiana, Mississippi, and Texas, over 50 percent of the 18-and-older population reported a loss of employment-based income as of week 12.

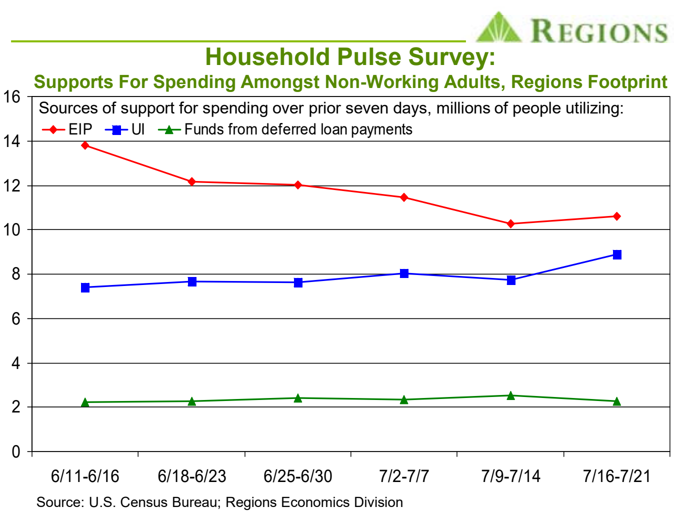
The second chart above shows the percentage of the 18-and-over population reporting they expected to experience a loss (which, again, could be full or partial) of employment-based income over the coming four-week period. Both nationally and for the Regions footprint, the share rose in week 12, with Florida, Illinois, and Indiana seeing the largest increases. To our point about the deterioration in the survey results over the past few weeks, with the exceptions of Georgia and South Carolina, the share expecting a loss of employment-based income in the most recent survey period was above that seen in week 7, which proved to be the low-point in the life of the survey, both nationally and for the Regions footprint as a whole. As noted in the summary of last week's data, the share of those expecting a loss of employment-based income over the coming four-week period has risen across all income groups since week 7 of the survey, but remains more highly concentrated amongst those with household incomes below $50,000.

In the summary of last week's data, we noted the stark deterioration in employment as reported in the *Household Pulse Survey*. Again, each week respondents are asked if they worked for pay or profit over the prior seven-day period, and the share reporting they had done so had fallen significantly since week 7 of the survey. Nationally and for the Regions footprint, that decline was stemmed in week 12 of the survey, as the number of respondents reporting they had worked over the prior seven-day period increased. Within the footprint, however, it was very much of a mixed bag, with employment falling in Alabama, Illinois, Indiana, Iowa, Louisiana, Mississippi, and Tennessee in week 12. Note that there is no industry breakdown of employment reported in the Household Pulse Survey, so we cannot draw any conclusions on an industry level, but the significant decline in the number of people reporting they had worked relative to week 7 of the survey period certainly merits attention.

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



The chart to the side shows the level of employment, nationally and for the Regions footprint, as reported in each week of the *Household Pulse Survey*. Those weeks highlighted with an oval correspond to the reference weeks for the household and establishment surveys from which the data contained in the monthly employment reports are obtained. Note that weeks 11 and 12 of the *Household Pulse Survey* overlapped the July reference week, so the chart takes the average of the level of employment reported in those two weeks of the survey. Though the link between employment as reported in the Census survey and as reported in the BLS data on household and establishment employment is not direct, one can make a compelling argument that the data from the Household Pulse Survey presaged what were stronger than expected increases in household and payroll employment in June. Between the May and June reference weeks, civilian employment as reported in the Census survey rose by 5.55 million nationally and by 2.18 million within the Regions footprint and, as noted above, the June employment report showed larger than expected gains in both household and establishment employment. But, relative to the June reference week, the *Household Pulse Survey* shows material declines in the number of people reporting being employed over the prior 7-day period, both nationally (down by 5.782 million) and within the Regions footprint (down by 3.433 million). This helps account for why we expect the BLS to report a smaller increase in nonfarm employment in July than the 4.800 million-job increase (pending revision) seen in June – the July employment report will be released on August 7.



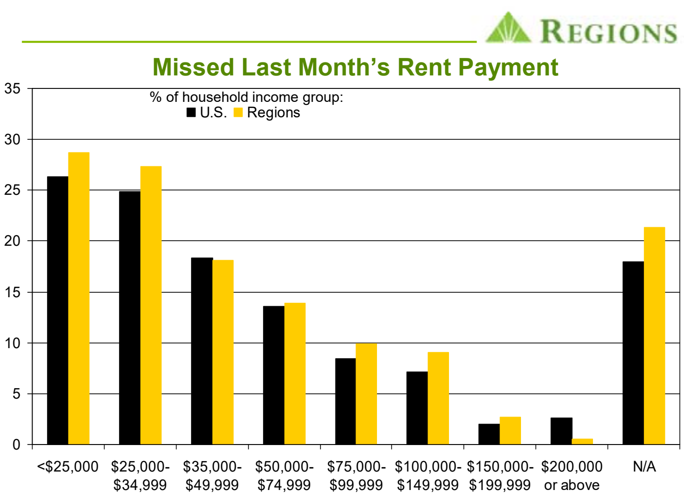
On top of the deterioration in the employment situation and elevated concerns over the loss of employment-based income, the looming decline in cash flow for many households is an additional source of stress. The end of July brings the expiration of the supplemental Unemployment Insurance (UI) benefits that were part of the CARES Act. These additional $600 per week in benefits being paid by the federal government come on top of regular state-level payments, and while the regular state-level payments will continue, those generally account for no more than one-half of an individual's prior wage earnings, so cash flows of those receiving the supplemental UI benefits will take an immediate hit. Still, it is highly likely that at least some portion of these supplemental UI benefits have been saved, providing a buffer against any drop in household cash flows. That is clearly the case with the Economic Impact Payments (EIP) that were also part of the CARES Act. The EIP were payments of up to $1,200 per individual and up to $3,400 for a family of four, the vast majority of which were delivered in April, the remainder in May. The *Household Pulse Survey* queries respondents on how they have funded their spending over the most recent seven-day period, which could include regular income sources, credit cards, money from saving/sales of assets, UI benefits, EIP funds, and money saved from deferred loan payments, with respondents selecting all that apply. The chart above focuses on a subset of the respondents, specifically, those who were not employed at the time they replied to the survey.

As the chart shows, in the most recent survey period, 10.620 million people within the Regions footprint (who, again, were not employed) used funds from the EIP to facilitate spending over the prior seven-day period, up slightly from the prior survey period. Note that this question was first asked in week 7 of the survey, so the chart shows each available observation. In keeping with the declines in employment over the prior few weeks, the number of those relying on UI benefits to facilitate spending increased sharply in week 12, rising to 8.904 million from 7.741 million in week 11. Note that in week 7 of the survey (which took place in mid-June) just under 14 million people within the Regions footprint had used EIP funds over the prior seven-day period. While the common perception seemed to be that the EIP would be spent almost as soon as it got into the hands of the recipients, the *Household Pulse Survey* data suggest otherwise, specifically, that at least some portion of the EIP funds were saved and have subsequently been utilized to facilitate spending.

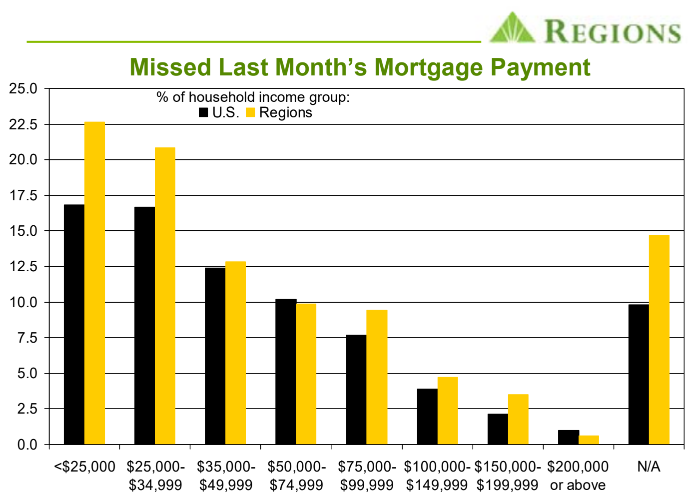
We make the same assumptions about the supplemental UI benefits, the point being that those who are unemployed have at least some cushion against the coming decline in cash flows as the supplemental UI benefits expire. As such, it follows that any adjustment to consumer spending will be more gradual than would be implied by the magnitude of the coming decline in household cash flows. The more important question, however, is whether this cushion will be large enough to last until these individuals are able to either return to their former jobs or find new jobs. That question becomes more pressing in light of the current impasse between the House and the

Senate regarding another round of pandemic-related assistance. Though it seems likely that another aid bill will pass, it is far from clear when that will be and what that bill will contain. While we expect another round of supplemental UI benefits to be part of any such bill, it seems unlikely that the level of supplemental UI benefits will match the $600 per week paid in the initial round. Thus, even should there be another aid package that includes another round of EIP, a decline in the amount of weekly supplemental UI benefits would make it a matter of how much of a hit to cash flows recipients will face, not whether they will experience a hit.

Another looming source of stress on household cash flows is the expiration of forbearance periods on various forms of household debt payments, including mortgage loans, auto loans, credit cards, and student loans. As seen in the preceding chart, over two million people within the Regions footprint who are not currently employed have relied on funds made available from deferred loan payments to help fund spending, a source of funding that will dry up as forbearance periods come to an end over coming weeks. Without more meaningful improvement in labor market conditions, many households will be facing difficult choices as to how to allocate whatever funds they have left, whether from remaining EIP funds or whatever saving they may have. As it is, in week 12 of the survey, a significant number of individuals reported they did not make their most recently scheduled rent/mortgage payment – 27.4 percent nationally and 32.2 percent within the Regions footprint. While the incidence of missed rent payments is more than double the incidence of missed mortgage payments, keep in mind that forbearance has been a much more readily available option for homeowners than for renters, with the percentage of owner occupied households in forbearance roughly four times the percentage of renter occupied households. We will note that, as the question is posed, there is a distinction between missed payments and forbearance, but it is possible, if not likely, that some of those in forbearance simply reported a missed payment rather than forbearance. The broader point, however, is that with stresses on household finances, particularly for lower-income households, unlikely to abate any time soon, it very much matters whether, and in what form, Congress provides additional aid to households.



Source: U.S. Census Bureau; Regions Economics Division



Source: U.S. Census Bureau; Regions Economics Division

It is also imperative that small business owners be provided with additional aid. With many either having exhausted funds from the Paycheck Protection Program (PPP) or nearing that point, coming weeks could see increasing numbers of small business failures in the absence of additional aid, whether that would be a new round of PPP or some other form. Unfortunately, with the untimely demise of the Census Bureau's *Small Business Pulse Survey*, we don't have ongoing reads on the degree of financial stress being felt by small business owners. We know from the last installment of the *Small Business Pulse Survey*, conducted between June 21 and June 27, that 59 percent of small business owners reported having cash on hand to cover less than two months of operation, and since that point the pace of the recovery has slowed as the number of COVID-19 cases has risen sharply. Whether due to imposed restrictions on activity, more pressing financial constraints on many households, or a diminished willingness on the part of consumers to engage in what in the past would have been considered "normal" activities (dining out, traveling, . . .), many small businesses are feeling more intense financial pressures. As such, there is clearly more work for Congress to do to help mitigate the economic and financial fallout from the pandemic.

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