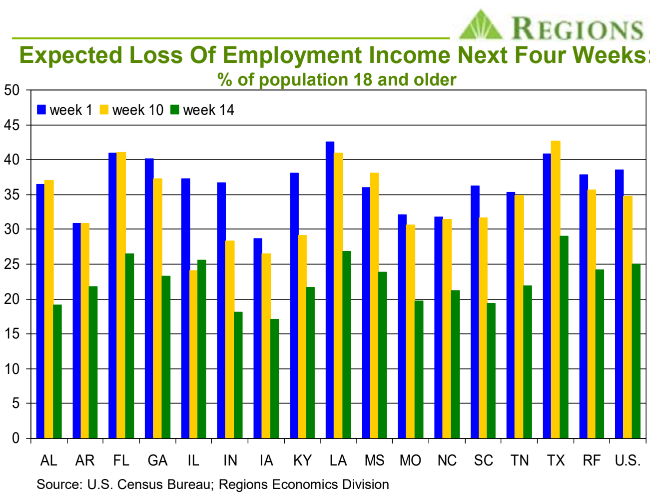
ECONOMIC UPDATE
REGIONS
September 25, 2020

Household Pulse Survey: Regions Footprint

The U.S. Census Bureau has launched Phase Two 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 began on August 19, but rather than the weekly frequency during Phase One, the Phase Two survey periods will be ten-day periods and Census will release results every other week. Overall, the point 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. As with the counterpart *Small Business Pulse Survey*, Phase Two of the *Household Pulse Survey* includes some new questions while some of the Phase One questions have been adapted to better capture the economic and financial impacts of the pandemic and the efforts to stem its spread. These now bi-weekly updates will summarize what we think to be some of the more notable elements of the results. The most recent surveys were conducted over the September 2-September 14 period.

Though remaining quite real for a significant share of the population, the fear of job losses has become much less prominent over the past several weeks. As of the most recent survey period, 24.2 percent of the 18-and-over population within the Regions footprint expected to experience a loss of employment-based income over the coming four-week period, compared to 25.0 percent for the U.S. as a whole. The chart to the side compares the "week 14" results (keep in mind the month-long break between the two phases of the survey) with those of the initial week of the survey and week 10 of the survey. If you recall from our earlier summaries, fears of job losses eased over the first several weeks of Phase One of the survey, but then began to increase along with the sharp upturn in COVID-19 cases that began in late-June and carried through July. As such, week 10 of the survey marked the height of these "second wave" fears, and in some states, such as Florida and Texas, in which the upturn in COVID-19 cases was more severe, week 10 marked the peak of expected losses of employment-based income over the life of the pulse survey.



To reiterate a point we made in earlier summaries, the loss of employment-based income could come in the form of a complete loss, i.e., the loss of a job, or a partial loss, i.e., having the numbers of hours worked cut. A third possibility is that someone could keep their job and continue to work their usual number of hours but have their pay cut, which would also fall into the Census Bureau's definition of a loss of employment-based income. The diminishing fear of disruptions to employment/income tracked in the *Household Pulse Survey* comes in the context of the economy having to a large degree opened back up, with over 10 million jobs having been added over the past four months and the unemployment rate having declined sharply from the 14.7 percent peak seen in April. Still, given that the number of weekly initial claims for Unemployment Insurance remains roughly four times higher than the pre-pandemic run rate and several large corporations have announced plans for job cuts, it is understandable that significant numbers of people continue to fear either losing their job or having their hours/pay cut. If we are correct in our view that progress in the labor market recovery will be much harder to come by going forward than has been the case over the past four months, it could be that the percentage of respondents expecting a loss of employment-based income either stops falling or increases modestly in the weeks ahead.

The second phase of the *Household Pulse Survey* includes questions on household spending designed to gauge how and to what extent spending patterns have changed during the pandemic. These questions are in addition to the questions carried over from the initial phase of the survey pertaining to how households have been funding their expenditures. In the latest survey period, a total of 22.805 million people within the Regions footprint and 56.736 million nationally report having used funds from the Economic Impact Payments (EIP) provided by the CARES Act to help finance spending over the most recent seven-day period. Of the people within the Regions footprint still using EIP funds to help finance spending in the latest survey period, 9.99 million were not working. Both numbers – the total number and the number not working – have declined since Census first began asking this question in week 7 of the initial phase of the survey, but nonetheless remain higher than we would have thought to be the case when the funds were first distributed. This points to households having built up at least somewhat of a cushion in the form of increased savings thanks to the assistance provided

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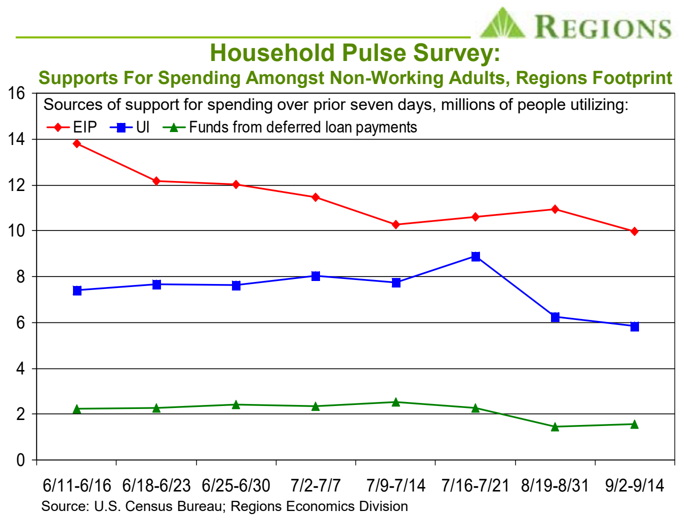
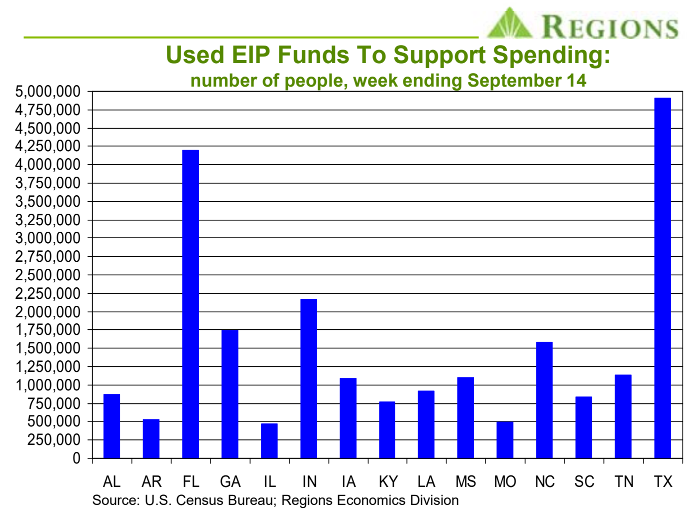
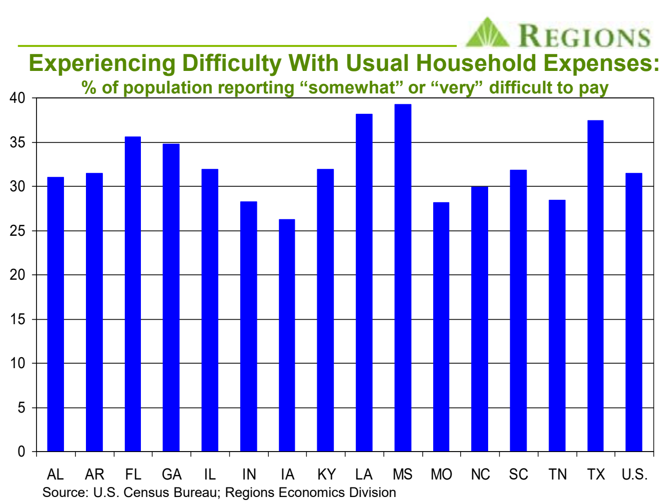
by the CARES Act, though the survey does not provide the details necessary to quantify the size of any such cushions. In addition to the EIP funds, those who lost jobs during the pandemic and were drawing the supplemental Unemployment Insurance (UI) benefits provided by the CARES Act were for a time realizing higher cash flows than was the case when they were working, and the survey data suggests they were very judicious in deploying these funds. But, with the supplemental UI benefits having expired at the end of July, it is only a matter of time before savings are depleted, particularly amongst lower income households who prior to receiving this assistance were less likely to have a meaningful degree of savings built up. So, these questions will be particularly relevant over coming weeks given the hit to household cash flows.





The first chart above shows some of the ways people within the Regions footprint have been financing their spending – note that the sample here is limited to those who are not employed. This particular question from the pulse survey does not distinguish between the various reasons people are not working (unemployed, retired, in school, . . .) but the number of those utilizing Unemployment Insurance (UI) benefits to help fund spending (shown with the blue line) is indicative of the extent to which those displaced from the labor market are relying on assistance for their day-to-day needs. Note that the number of people within the footprint receiving UI benefits as of mid-September was about seven times higher than the pre-pandemic run rate. The decline in the number of those using UI benefits to help fund spending could reflect individuals having returned to work or having exhausted their UI benefits – the weekly UI claims data do not make this distinction. While we know the number of people who are not employed and are drawing on Economic Impact Payment (EIP) funds to help finance spending, we do not know the level of remaining EIP funds, but with the amount of weekly UI benefits now lower and with more people exhausting regular UI benefits, pressures on cash flows figure to intensify over coming weeks, particularly to the extent that people in this situation are at or near the end of loan deferral periods. The second chart above shows the total number of people in each in-footprint state (regardless of employment status) reporting they are still drawing on EIP funds to help finance spending. Obviously, the total populations of the individual states vary greatly, so it is no surprise that Florida and Texas have more people drawing on EIP funds. What is interesting, however, is that when expressed as a percentage of total population, that figure is notably similar across the states; in the latest survey period, 22.8 percent of the 18-and-over population within the Regions footprint reported drawing on EIP funds, matching the share for the U.S. as a whole, with little variation across the in-footprint states.



In the most recent survey period, 33.475 people, or, 33.5 percent of the 18-and-over population, within the Regions footprint reported that it was either "somewhat difficult" or "very difficult" to meet their usual expenses. "Usual" expenses include but are not limited to food, rent/mortgage payments, loan payments, or medical expenses. Nationally, 31.4 percent reported some degree of difficulty in making their usual expenses. As seen in the chart to the side, within the footprint, the degree of financial stress is the highest in Mississippi, Louisiana, and Texas. It comes as no surprise that the degree of financial stress is significantly greater amongst those in lower income buckets. For instance, amongst those with household incomes between $25,000 and $34,999, 47.5 percent nationally and 47.0 percent within the Regions footprint report some degree of difficulty in making their usual payments. To be sure, though the percentages will have almost surely been impacted, lower income households will have had more difficulty in making usual payments prior to the pandemic, but it is nonetheless worth noting the current degree of financial stress.

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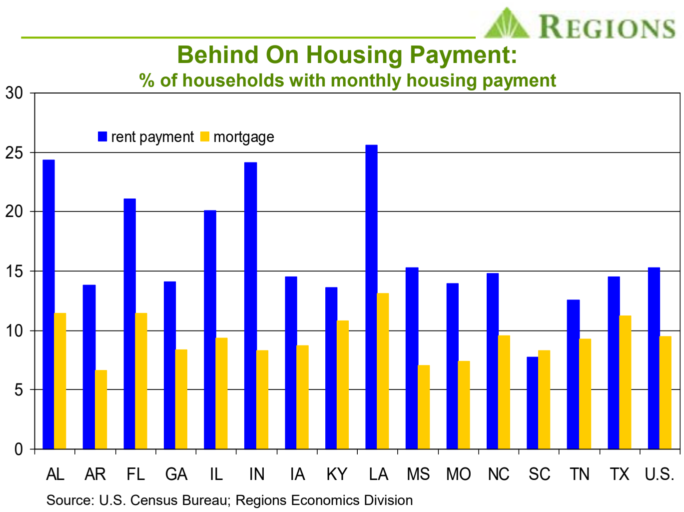
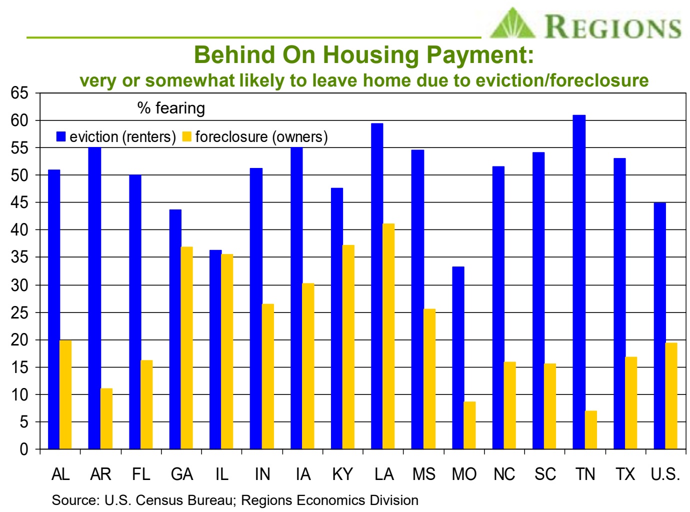
Concern over the ability to make housing payments has been an ongoing source of financial stress over the course of the *Household Pulse Survey*. To some extent, mortgage forbearance has alleviated the degree of stress amongst those in owner occupied units, while moratoria on eviction/foreclosure have had this same effect for both renters and owners. But, with various relief programs either having run their course or getting closer to doing so, the degree of stress can be expected to increase in the weeks ahead. Phase Two of the survey includes questions specifically for those not current on housing (rent or mortgage) payments, one of which asks the extent to which respondents fear having to leave their home over the coming two-month period due to eviction/foreclosure. The first chart below shows the share of respondents, by tenure, who are behind on housing payments, while the second chart shows the percentage replying that they are "somewhat likely" or "very likely" to have to leave their home for each in-footprint state and for the U.S. Again, the sample pool here is confined to those already behind on rent/mortgage payments. It is striking that, in most states and nationally, fears are more pronounced amongst renters than owners, which to some extent could reflect less uniform policies on missed payments and evictions amongst renters than those in place for owners (substitute "foreclosure" for "eviction"). That household income levels in renter occupied households tend to be significantly lower than in owner occupied households is likely also contributing to the higher degree of stress amongst renters over the consequences of missed housing payments.





What will be worth watching in the weeks ahead is whether the degree of financial stress, particularly the incidence of lapsed housing payments, begins to increase. This is especially the case given that many households, particularly lower income households, will be getting by with less income support than was the case in Phase One of the *Household Pulse Survey*, barring of course Congress and the Administration agreeing to an additional round of aid. If the degree of financial stress/incidence of lapsed housing payments amongst those in higher income groups begins to increase, that would be a sign that more "white collar" workers are being impacted by layoffs/job cuts, given that thus far it has been those in lower-skill, lower-earnings industry groups that have borne the brunt of job losses. These are some of the main elements of the *Household Pulse Survey* that we will be closely tracking in the weeks ahead.

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