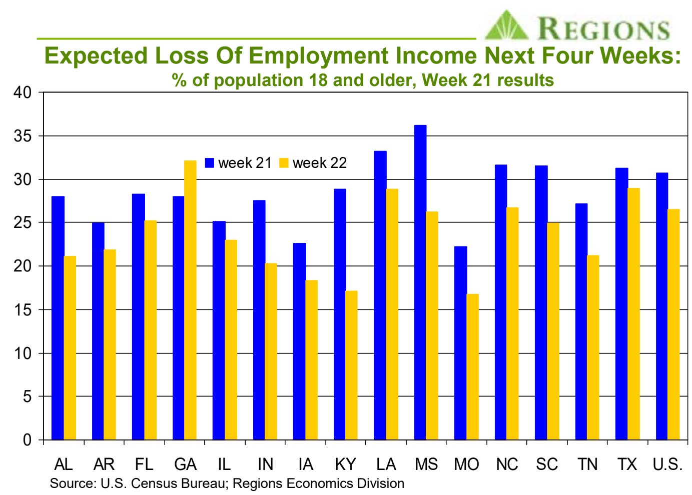
ECONOMIC UPDATE

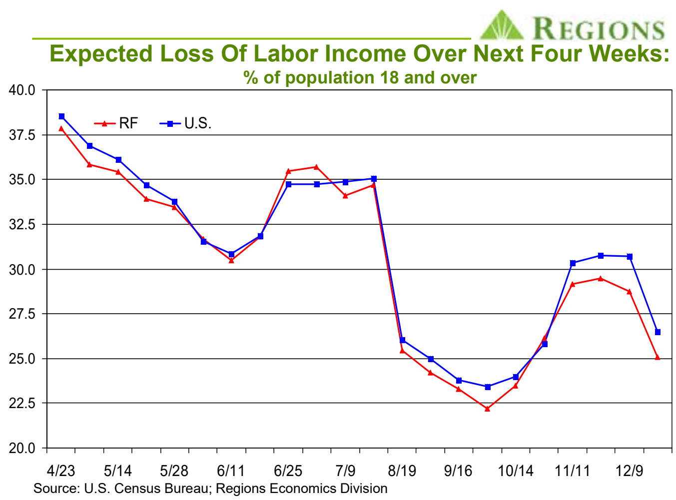
REGIONS

February 9, 2021

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 March, though there have been breaks in the survey during Phase Three. 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 January 6 through January 18.





As seen in the above charts, the degree of stress over the loss of employment-based income eased considerably between weeks 21 and 22 of the survey, though Georgia stands out as the exception within the Regions footprint. Keep in mind that survey "weeks" do not coincide with calendar weeks, such that week 21 of the survey ended December 21 and week 22 ended on January 18. Also keep in mind that Phase Three of the *Household Pulse Survey* has largely coincided with the surge in COVID-19 cases that began around mid-November and began to subside around mid-January, which helps account for the decline in the share of respondents expecting to lose some or all of their employment-based income. The second chart above is interesting in that it shows the spikes in stress over the loss of employment-based income that coincided with the surges in cases seen this summer and late-fall. Note, however, that the successive peaks in the share of those expecting a loss of employment-based income have been less pronounced and the peaks have been well below the shares seen in the first weeks of the *Household Pulse Survey* , when the economy was largely shut down. While the policy response, in terms of limitations on economic and social activity, has been less sweeping than the response seen in the early stages of the pandemic, it could be that with vaccines now being distributed people are less fearful of the potential economic impacts of upturns in cases. Still, even with the declines in the shares of respondents expecting a loss of employment-based income, this still amounts to over 25.1 million people within the Regions footprint and over 66.0 million people nationally as of the latest survey period.

From the early phases of the pandemic, it has been clear that economic and social activity would not begin to normalize until there was an effective vaccine ready for widespread distribution. Though many people left it at that, we considered a widely available vaccine as a necessary but not sufficient condition for normalization, and laid out we laid out three questions that we saw as critical in determining when economic and social activity would begin to normalize: 1) how many people would be willing to take the vaccine; 2) when would policy makers feel confident enough to lift any remaining restrictions on economic and social activity; and 3) when would people feel confident enough to return to activity that would have been considered normal prior to the pandemic. Based on some of the economic forecasts we've seen showing a jump in economic activity in Q2 2021, it seems as though some analysts assume the answer to our second and third questions is "immediately," which we think is a bit ambitious. And, based on the early efforts at distributing vaccines

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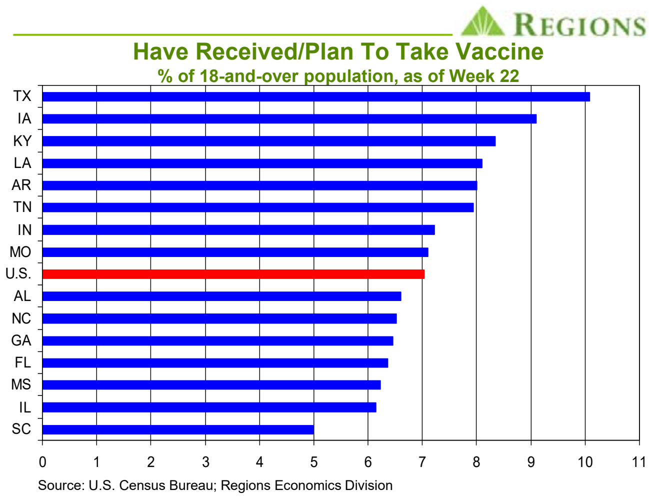
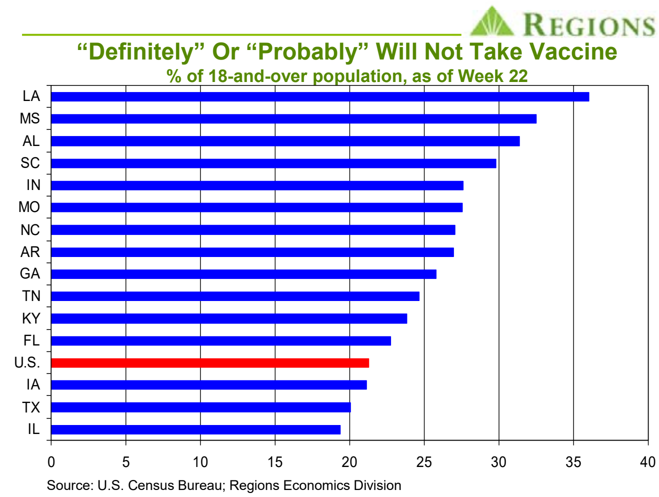
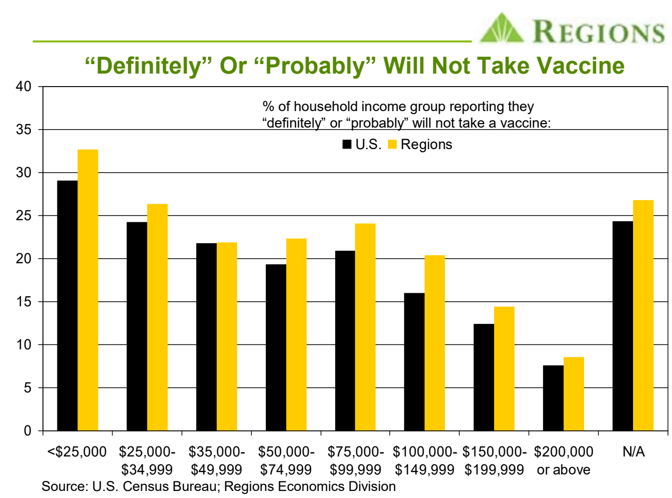
on a widespread basis, it appears that the distribution timelines incorporated into these forecasts are also on the ambitious side. The timelines we've assumed have from the start been more conservative, and we remain comfortable with our assumptions based on early distribution efforts, which range from smooth in some places to little more than semi-organized chaos in other places. But, as there are vaccines being distributed, Census has incorporated some new questions along these lines in the *Household Pulse Survey*.





As of week 22 of the survey, which again spans January 6-18, 7.0 percent of the 18-and-over population of the U.S. had either received all required doses of a vaccine or had received the initial dose and planned to receive the remaining dose, while within the Regions footprint this share was 7.5 percent, with the well above-average share in Texas helping to offset the below-average share in Florida and pull up the overall share. Note that the share of those having been fully or partially vaccinated have risen in subsequent weeks; data from the Centers for Disease Control and Prevention put the national share at 9.7 percent of the total population as of the first week of February, and the share will no doubt be higher in the next installment of the *Household Pulse Survey*. Still, at the same time there are in most states significant shares of the 18-and-over population who report they do not intend to be vaccinated. Nationally, as of week 22 of the survey, 21.3 percent of respondents reported they either probably would not or definitely would not be vaccinated, compared to 26.2 percent within the Regions footprint. Granted, it is still early in the process, and while it is clear that the number of people who have been or plan to be vaccinated will rise in the weeks and months ahead, whether there will be meaningful declines as time goes by in the number of people who do not intend to be vaccinated remains to be seen.

There are clear differences in the degree of willingness to be vaccinated, at least as reported by survey respondents, across age, education, and income levels. For instance, younger respondents are less willing to be vaccinated, which could reflect higher confidence in their ability to either avoid the virus altogether or to avoid the most severe effects of the virus. While Census provides a comprehensive list of reasons provided by those indicating they do not anticipate being vaccinated, there are no demographic cuts. To our point above about the potential for greater acceptance of the vaccines, 50 percent of those indicating they do not plan to be vaccinated expressed concern over possible side effects and 43.2 percent said they planned to wait and see if the vaccines prove safe (respondents can offer more than one reason for not intending to be vaccinated). It is reasonable to expect that these numbers will decline as time goes by and there is broader distribution of the vaccines. At the same time, however, 32.9 percent of those indicating they do not plan to be vaccinated state they do not trust the vaccines, and 27.6 percent report they do not trust the government.



Just as there was a decline in the share of respondents expecting a loss of employment-based income between weeks 21 and 22 of the survey, there was also a decline in the number of respondents reporting at least some degree of difficulty in making "usual" household payments, which include but are not limited to areas such as housing, food, clothing, transportation, and medical care. Nationally, 55.7 percent of respondents reported that making their usual household payments was either a little, somewhat, or very difficult, which translates into 138.885 million people, down by roughly 3.5 million people from week 21. Within the Regions footprint, the decline was much more modest; 57.734 million people reported some degree of difficulty in making their usual payments in week 22, which is

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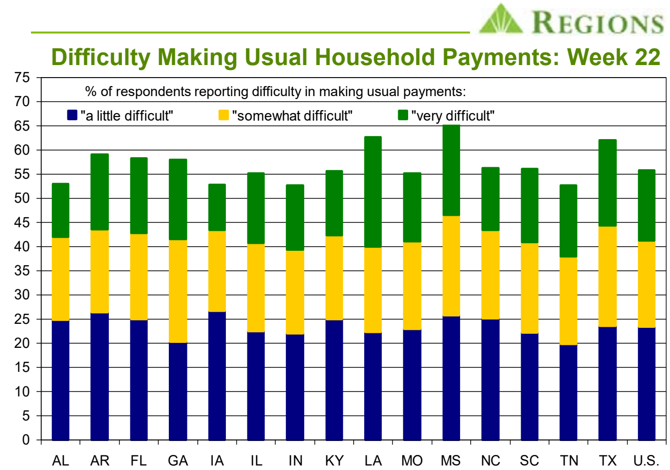
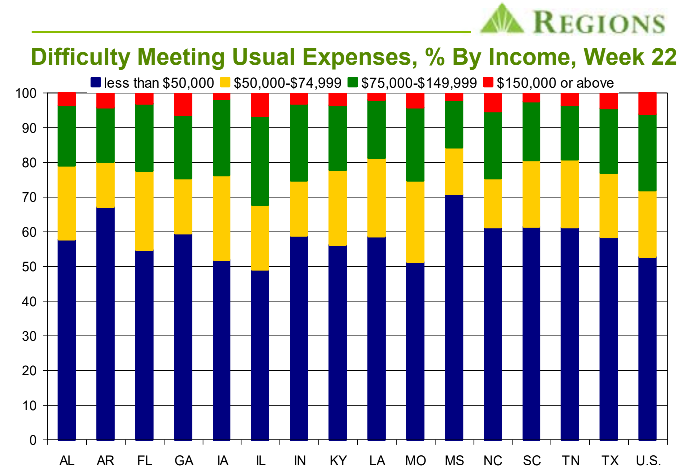
388,120 fewer people than reported difficulty in week 21 of the survey. The week 22 total reflects 57.7 percent of the 18-and-over population within the Regions footprint. As would be expected, those reporting at least some degree of difficulty in making their usual household payments are heavily concentrated amongst the lowest household income buckets, as the second chart below shows.

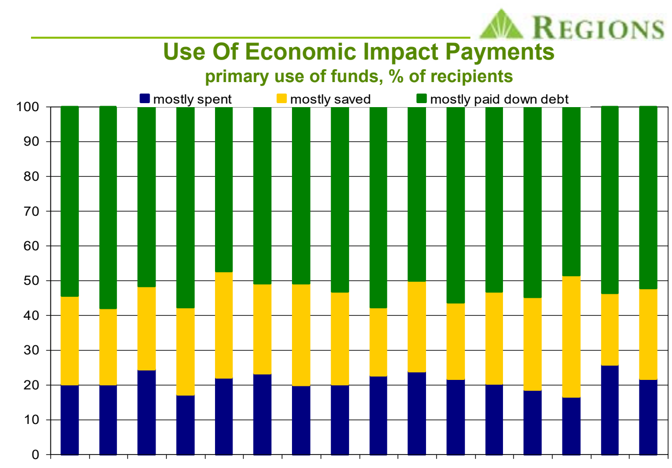


Source: U.S. Census Bureau; Regions Economics Division

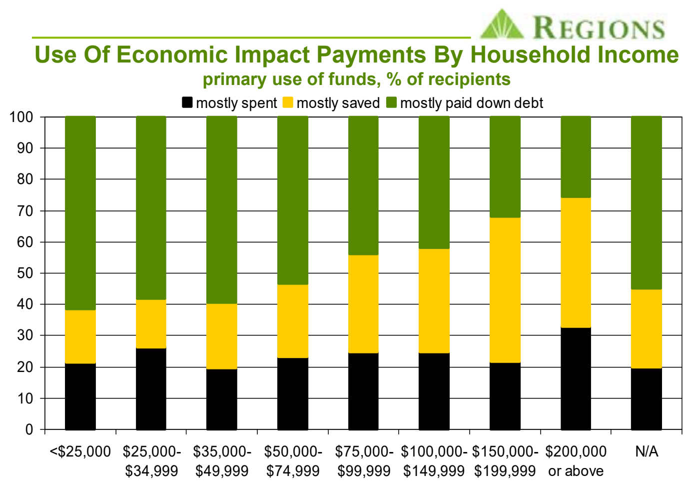


Source: U.S. Census Bureau; Regions Economics Division

The decline in the number of people reporting difficulty in making usual household payments likely reflects, at least in part, the second round of Economic Impact Payments (EIP). The Consolidated Appropriations Act which was signed into law on December 27, 2000 included direct payments of $600 for each qualified individual and each qualified dependent up to certain income limits – individuals making more than $99,000 and couples making more than $198,000 were not to have qualified. Week 22 of the survey includes questions pertaining to this round of EIP, specifically asking whether respondents or anyone in their household had received a payment over the most recent 7-day period. Note that this round of payments did not start hitting bank accounts until January 4, so those payments are what is reflected in the *Household Pulse Survey* data for week 22. Nationally, 144,890 million people (58.2 percent of the 18-and-over population) fell into this category, while within the Regions footprint there were 59.281 people (59.3 percent of the 18-and-over-population) who met this criterion.



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



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

Those who had received payments in the most recent 7-day period were asked how they utilized the funds. While any single recipient may have utilized the funds in more than one manner, the survey question asks for the main way in which the funds were used, and those results are broken down by state in the first chart above. It is not at all surprising to us that saving and/or paying down debt were the two primary uses. With a significantly elevated personal saving rate and much of the services sector still shut down – recall that spending on services accounts for roughly two-thirds of all consumer spending – and the first round of Economic Impact Payments made last spring having triggered a surge in spending on consumer durables, it would follow that this round of EIP would have had a much less powerful effect on spending. Granted, it is still early, and as time goes on more of these funds may, and likely will, be spent, but will not be fully spent. It would follow that those in lower income households, who are more likely to be feeling financial stress, would have been likely to spend a greater share of the second round of EIP. But, as the second chart above shows, even for those in the lower household income buckets, spending was not the primary use of the funds. One questionable aspect of the data, as seen in the second chart above, is that there are respondents who report household income of $200,000 or higher who also report having received EIP funds. The numbers are fairly small – 2.195 million people nationally and 537,742 within the Regions footprint – but still raise questions; either income was misreported or EIP were distributed to households who technically were not eligible.

Either way, the *Household Pulse Survey* data raise questions amid considerable discussion of "economic stimulus" and the increasing likelihood that most or all of the Biden Administration's $1.9 trillion American Rescue Plan will pass via the reconciliation process. We have from the start avoided using the term "stimulus" in the context of the financial aid that has, and which will be, sent to households and businesses, seeing it instead as support for the gaps in income created by the pandemic and the efforts to stem its spread. Moreover, as we've frequently noted, unless and until the services sector is fully opened and people are willing to go back to pre-pandemic activities, any boost to consumer spending will be less than the amount of financial payments made to households, with the rest either being saved, invested, or used to pay down debt. Not that there's anything wrong with saving, investing, or paying down debt; it's simply a matter of right-sizing expectations of the economic impact and understanding the channels through which those effects will play out. Finally, with the second round of EIP pushing an already elevated personal saving rate even higher, it begs the question of whether sending another round of (larger) payments will spark an immediate boost in spending or will simply provide further fuel for what already figures to be a significant burst in spending once the economy is fully open again. With an already elevated saving rate and highly accommodative financial conditions for households and businesses, were the pandemic to be eradicated tomorrow there would be a considerable burst of economic activity even without an additional dollar of "stimulus."

In terms of further fiscal policy support, "smaller and targeted" seems to have lost out to "large and broad." The underlying reality is that no "stimulus" plan that anyone could conjure up would be as effective and a more widespread and more widely accepted distribution of effective vaccines. With the *Household Pulse Survey* adapting to changes in conditions on the economic and public health front, it will be a useful guide in the weeks ahead to the progress being made on both fronts and a useful guide to the potential impacts of further fiscal policy measures.

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