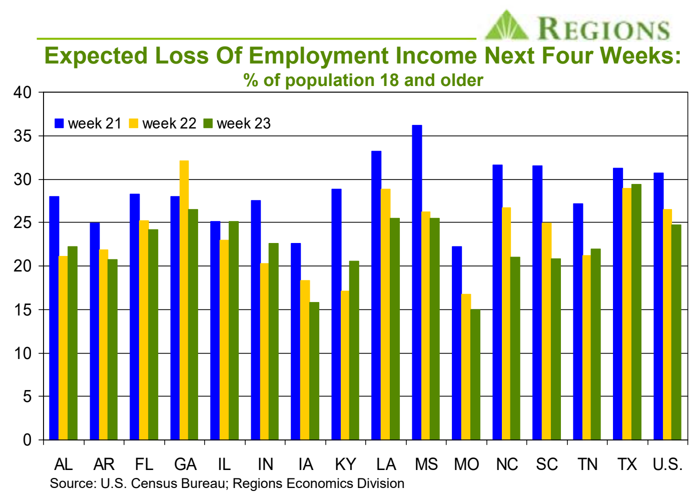
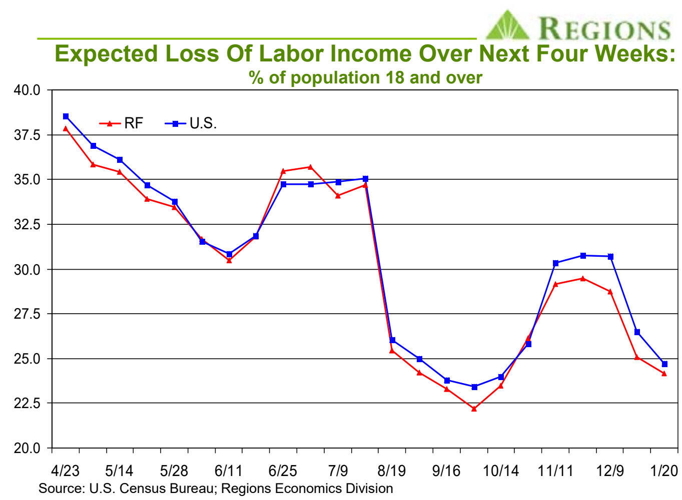
ECONOMIC UPDATE
REGIONS
February 16, 2021

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 20 through February 1.





As seen in the above charts, though down from week 20 of the survey, which was the peak coinciding with the most recent spike in COVID-19 cases, several states saw the degree of stress over the loss of employment-based income tick higher in week 23 of the survey. Nationally, 24.7 percent of the 18-and-over population anticipated a loss, either full or partial, of employment-based income over the coming four-week period, down from 26.5 percent in week 22. Within the Regions footprint, 24.2 percent of respondents anticipated a loss of employment-based income over the coming four-week period, down from 26.5 percent in week 22 and the recent peak of 30.8 percent in week 20. Still, Alabama, Illinois, Indiana, Kentucky, Tennessee, and Texas all saw increases in week 23. Though by the end of the most recent survey period the recent spike in COVID-19 case counts had begun to subside, there were still effects being felt in the labor market – the January labor market data point to a meaningful pullback in hiring on the part of firms – which likely weighed on respondents' expectations of their own prospects. Even with the declines in the shares of respondents expecting a loss of employment-based income, this still amounts to 24.183 million people within the Regions footprint and 61.577 million people nationally as of the latest survey period.

As of week 23 of the survey, which again spans January 20 through February 1, 12.0 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 12.2 percent. At the same time, however, in most states there are significant shares of the 18-and-over population who report they do not intend to be vaccinated. Nationally, as of week 23 of the survey, 19.2 percent of respondents reported they either probably would not or definitely would not be vaccinated, compared to 22.5 percent within the Regions footprint. As we noted in our summary of the week 22 results, with it still being fairly early in the process, we'd expect that with each successive installment of the *Household Pulse Survey*, the shares of respondents reporting they either had been or planned to be vaccinated would rise while the shares of respondents reporting they had not been or did not plan to be vaccinated would fall. Both were true between weeks 22 and 23, as indicated in the following charts. That said, we'd caution against putting too much emphasis on the raw numbers and focus more on the trend. In any given survey, estimates based on subpopulations of the data, for instance,

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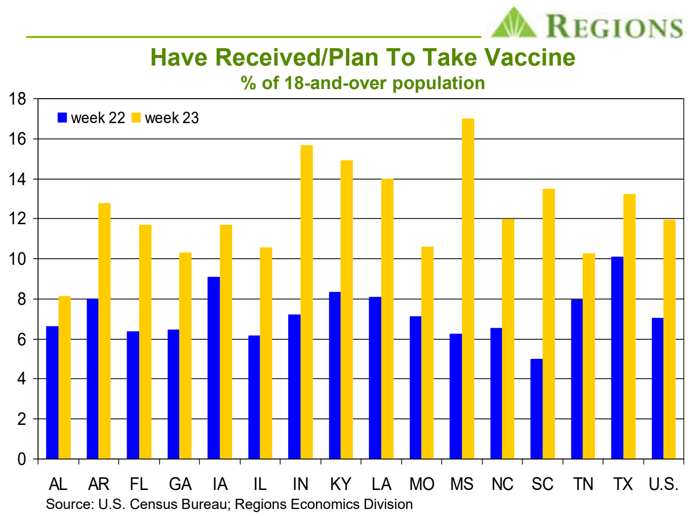
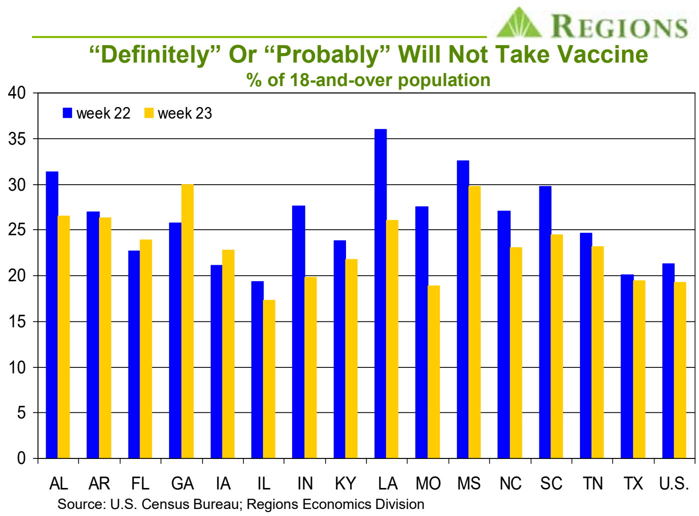
those stating they do not plan to be vaccinated, will tend to be more volatile from one survey period to the next than is true of estimates based on the total survey population, and estimates based on smaller sample sizes tend to come with larger standard errors. Note that in week 22, 6.2 percent of the 18-and-over population in Mississippi reported either having been or planning to be vaccinated, the second lowest share within the Regions footprint. In week 23, however, that share had jumped to 17.0 percent, the highest share in the footprint, and the data show a similar outsized increase in Indiana. The question is framed in a manner that does not allow for a distinction between "have been" or "plan to be" vaccinated, so we do not know which response is driving the change in the overall total in any given state in any given week. Still, increases of this size in these two states in just one week stand out and go to our point about putting more stock in the trend than in the absolute number reported in any given survey period.



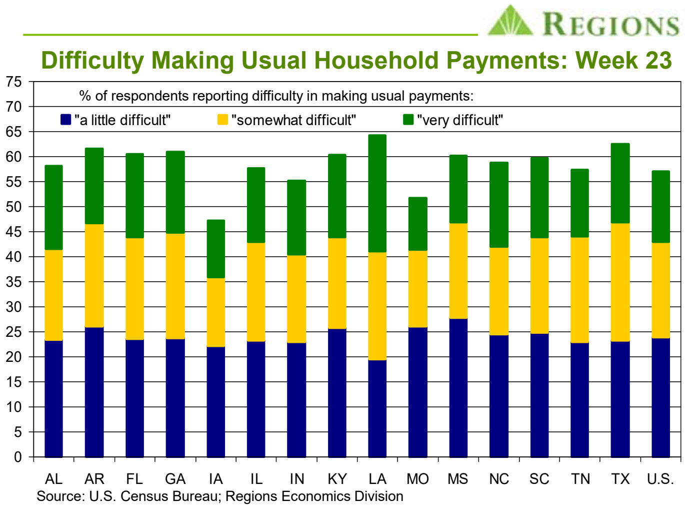


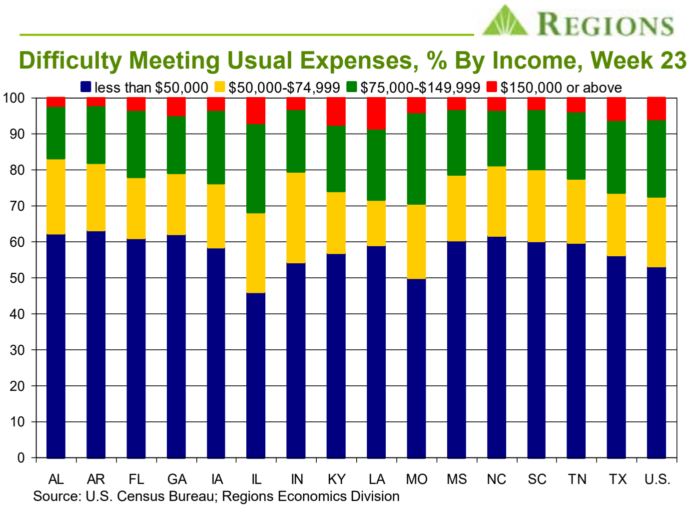
It is worth noting that of those respondents who have not yet been vaccinated, over 70 percent, within the footprint and nationally, report they will either "probably" or "definitely be vaccinated, suggesting that availability is still the primary constraint on larger shares of the population being vaccinated. That said, 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 the point we made in our discussion of the week 22 results about the potential for greater acceptance of the vaccines as time goes on, the shares of those indicating they do not plan to be vaccinated who expressed concerns over potential side effects or stating they were waiting to see if the vaccines prove safe did not change between weeks 22 and 23; the week 23 data show 52.0 percent were concerned with side effects, and 43.2 percent were waiting for more information. And, of those not planning to be vaccinated, 34.2 percent report they do not trust the vaccines, and 28.0 percent report they do not trust the government, each little changed from week 22.

The week 23 results show an increase in the share 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, 57.0 percent of respondents reported that making their usual household payments was either a little, somewhat, or very difficult, which translates into 142.121 million people, up from 138.885 million people in week 22. Within the Regions footprint, 59.4 percent of respondents reported some degree of difficulty in making their usual payments, which translates into 59.454 million people, up from 57.734 million people in week 22. Within the Regions footprint, there were increases in each difficulty bucket – "a little," "somewhat," and "very" – between weeks 22 and 23, while nationally there increases in the first two and a slight decline in the third. At 64.3 percent, Louisiana had the highest share reporting some difficulty in making their usual payments amongst the in-footprint states, followed by Texas at 62.5 percent, with Arkansas, Florida, Kentucky, and Mississippi topping 60 percent. Conversely, 47.2 percent of respondents in Iowa reported some degree of difficulty in making their usual payments, easily the lowest share within the footprint.

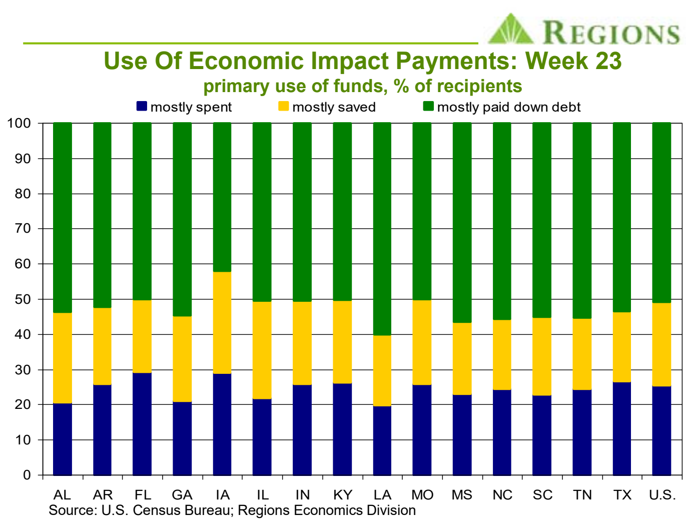
As would be expected, those reporting at least some degree of difficulty in making their usual household payments are heavily concentrated amongst the lowest household income buckets. Within the Regions footprint, those with household incomes of less than $50,000 accounted for 57.7 percent of those reporting some degree of difficulty in making their usual payments, while those with household incomes of $150,000 or more accounted for 4.7 percent; nationally, these shares were 53.3 percent and 5.8 percent, respectively. In Illinois and Missouri, those with household incomes of less than $50,000 accounted for less than half of all respondents reporting some difficulty in making their usual household payments, easily the lowest shares in the footprint, but at the same time those in the $75,000-$149,999 income bucket accounted for 24.8 percent of those in Illinois and 25.4 percent of those in Missouri reporting some degree of difficulty in making their usual payments – that share is 21.6 percent nationally. And, those with household incomes of $150,000 or more accounted for 8.4 percent of those reporting some degree of payment difficulty in Louisiana and 7.5 percent in

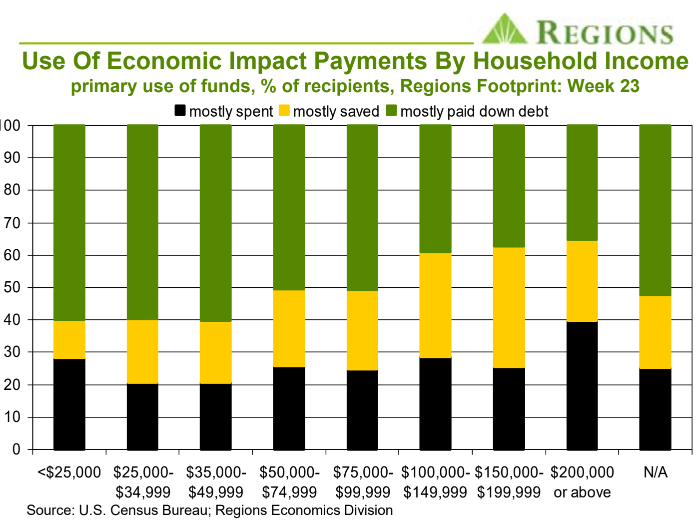
Kentucky, the highest such shares in the Regions footprint, with Illinois and Texas also seeing those in this income bucket account for an above-average share of overall payment difficulty.





Interestingly enough, the second round of Economic Impact Payments (EIP) – 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) which were distributed in January – seem not to have had much impact on the degree of payment stress. What stands out isn't so much that the share of respondents reporting some degree of payment difficulty rose between weeks 22 and 23 of the survey, but instead that the week 23 shares, nationally and within the footprint, were higher than the week 20 shares. Recall that week 20 coincided with the peak of the recent surge in COVID-19 cases and marked the recent peak of the degree of anxiety over a loss of employment-based income. It could be that the second round payments were not large enough to significantly alleviate the degree of payment stress, particularly amongst lower income households, but it could also be the case that the degree of payment difficulty would have been even higher in the absence of the second round of EIP.





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. Roughly 75 percent of respondents reported that the primary use of the EIP funds was either saving (52.5 percent) or paying down debt (22.3 percent), which matches the U.S. share though nationally the saved/paid down debt mix was slightly different. 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

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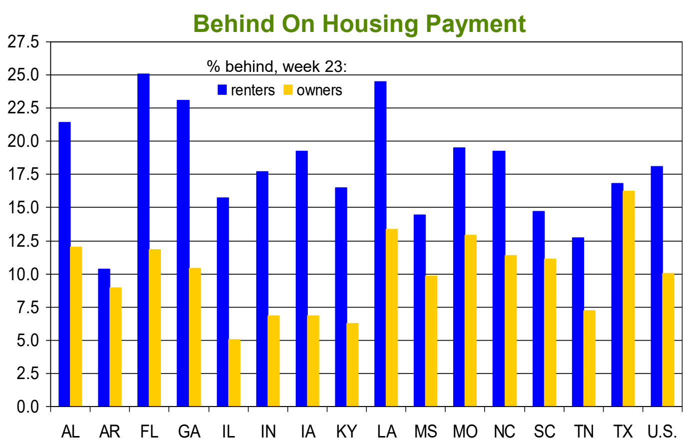
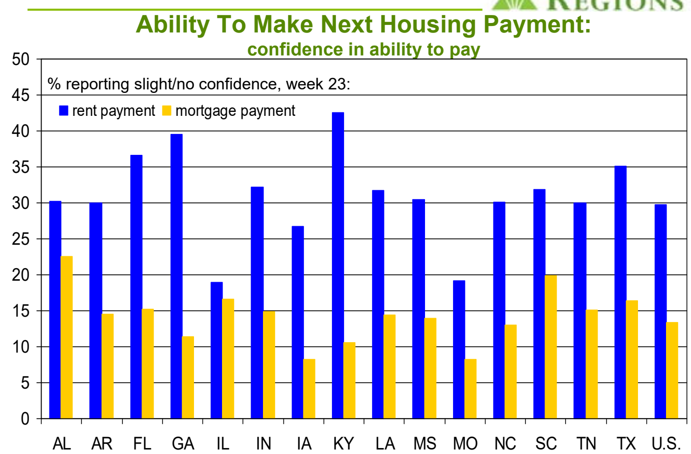
been likely to spend a greater share of the second round of EIP. But, as the second chart above shows, even for those in the lower household income buckets, spending was not the primary use of the funds. To clear up a point made in our discussion of the week 22 results, it is possible for those couples with household incomes above the $198,000 upper limit to receive some portion of the second round EIP contingent upon the number of dependents they claim, as was pointed out by an astute reader, even if in a not at all gentle manner. In our previous summary we had questioned how those in this income bucket could have received any round two EIP funds.

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."



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



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

One long-running source of financial stress during the pandemic for many households has been monthly housing payments, either rent or mortgage. The week 23 results show that, within the Regions footprint, 19.3 percent of those with monthly rent payments were behind on their payments while 10.7 percent of those with monthly mortgage payments were behind on their payments – the national shares were 18.1 percent and 10.1 percent, respectively. These shares are down from week 20 of the survey, but there are a few states – Georgia, Missouri, North Carolina in terms of rent payments, and Alabama, Illinois, Indiana, Kentucky Mississippi, South Carolina, Tennessee in terms of mortgage payments – in which the share of those behind on housing payments has increased. Perhaps more tellingly, the share of those expressing either no confidence or only slight confidence in their ability to meet their next monthly mortgage payment rose between weeks 20 and 23 of the survey, while the share of those expressing concern over their ability to make their next monthly rent payment fell. It could be that the looming expiration of mortgage forbearance periods is leading to increased anxiety over making mortgage payments, so these numbers will bear watching in coming installments of the survey. Still, the share of those expressing concern over their ability to make their next rent payment, though down over recent survey periods, remains significantly higher than those expressing concern over making their next mortgage payment. As we have discussed in this and other forums, job losses associated with the pandemic have been heavily concentrated amongst lower earning industry groups, with those working in these areas much more likely to be renters than homeowners. With leisure and hospitality services accounting for roughly 40 percent of the remaining gap in nonfarm employment – as of January down 9.892 jobs from the pre-pandemic peak – and still significant gaps in retail trade and health services, the elevated degree of stress over rent payments is understandable.

The surge in COVID-19 cases that began around mid-November and carried into early-2021 is abating and more state and local governments are taking additional steps toward reopening their economies. Coming weeks will likely see more state and local governments take more such steps, assuming more widespread distribution of vaccines. Coming installments of the *Household Pulse Survey* will be a useful guide to the progress being made on the economic and public health fronts in the weeks ahead and will also help clarify the potential economic impacts of further fiscal policy measures.

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