COVID-19 and the economy

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department of economics, ucsb
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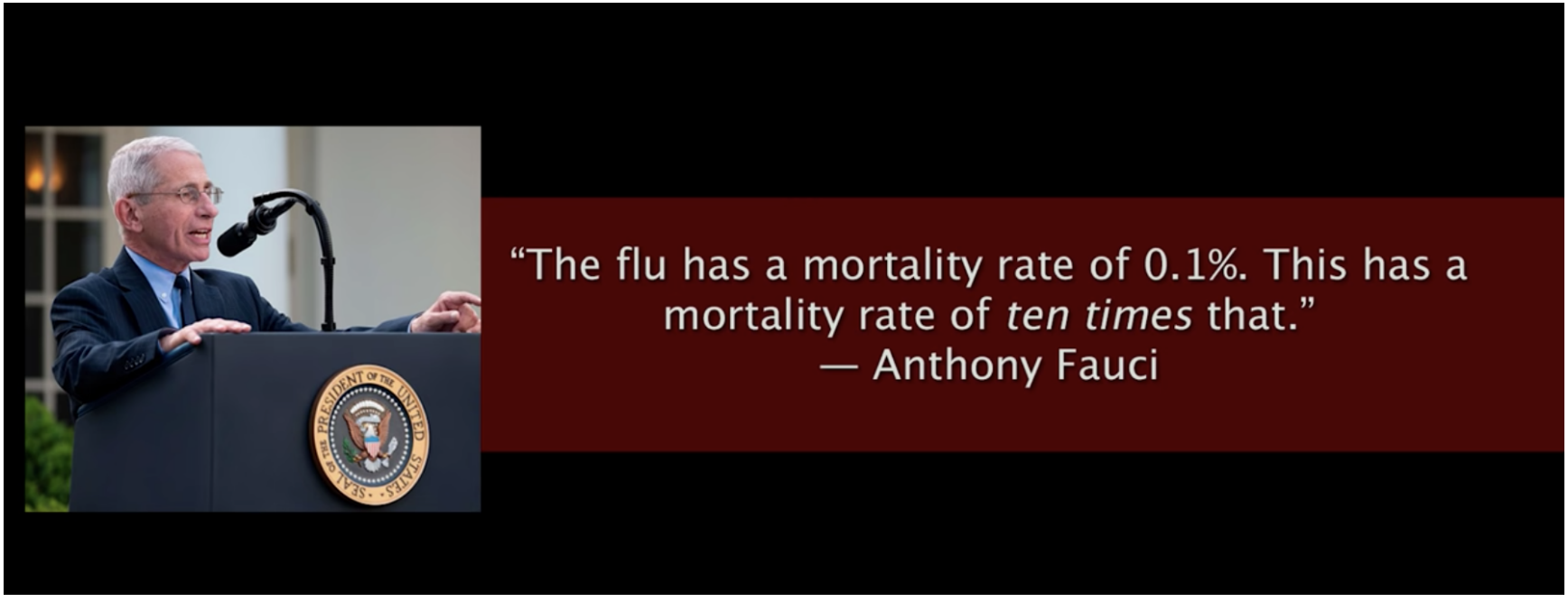
how little we know, how much we have forgotten

- hong kong
- woodstock

state of the world

- how little we know
  - understanding the Coronavirus and COVID-19
  - understanding the economics
- making decisions from "best guesses"
- LA test results from 2 weeks ago
  - 250,000-500,000 have had the infection
- where is the flour and toilet paper
  - price gouging?? a later discussion

the science


"The flu has a mortality rate of 0.1%. This has a mortality rate of *ten times* that."
— Anthony Fauci

the science: this now controversial

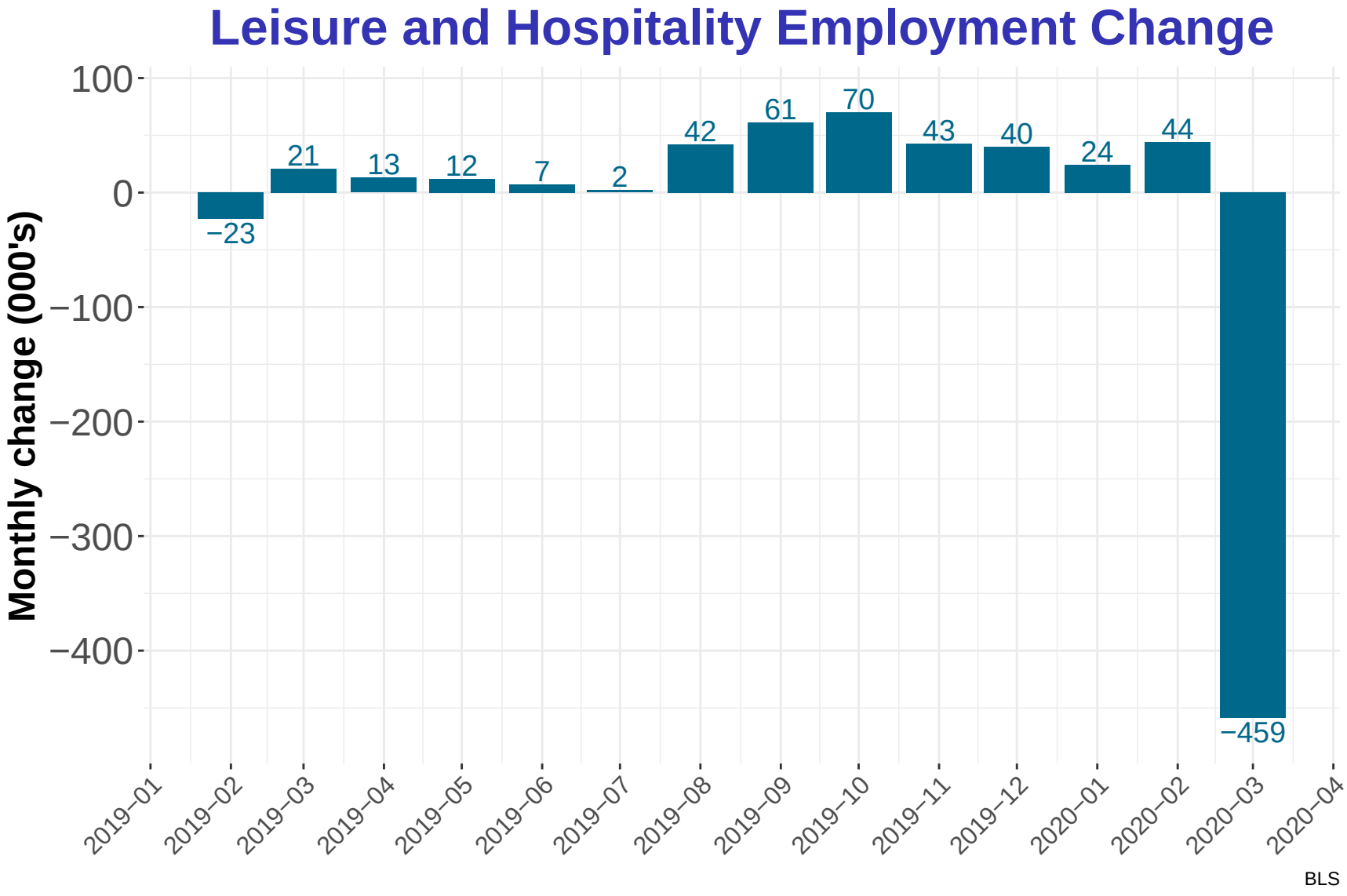
Dr. Jay Bhattacharya, MD, PhD, Stanford University
Professor of Medicine
Senior Fellow at the Freeman Spogli Institute for International Studies
Senior Fellow at the Stanford Institute for Economic Policy Research
Professor by Courtesy of Economics
Director of the Program on Medical Outcomes
Director of the Center on the Demography and Economics of Health and Aging

the economics

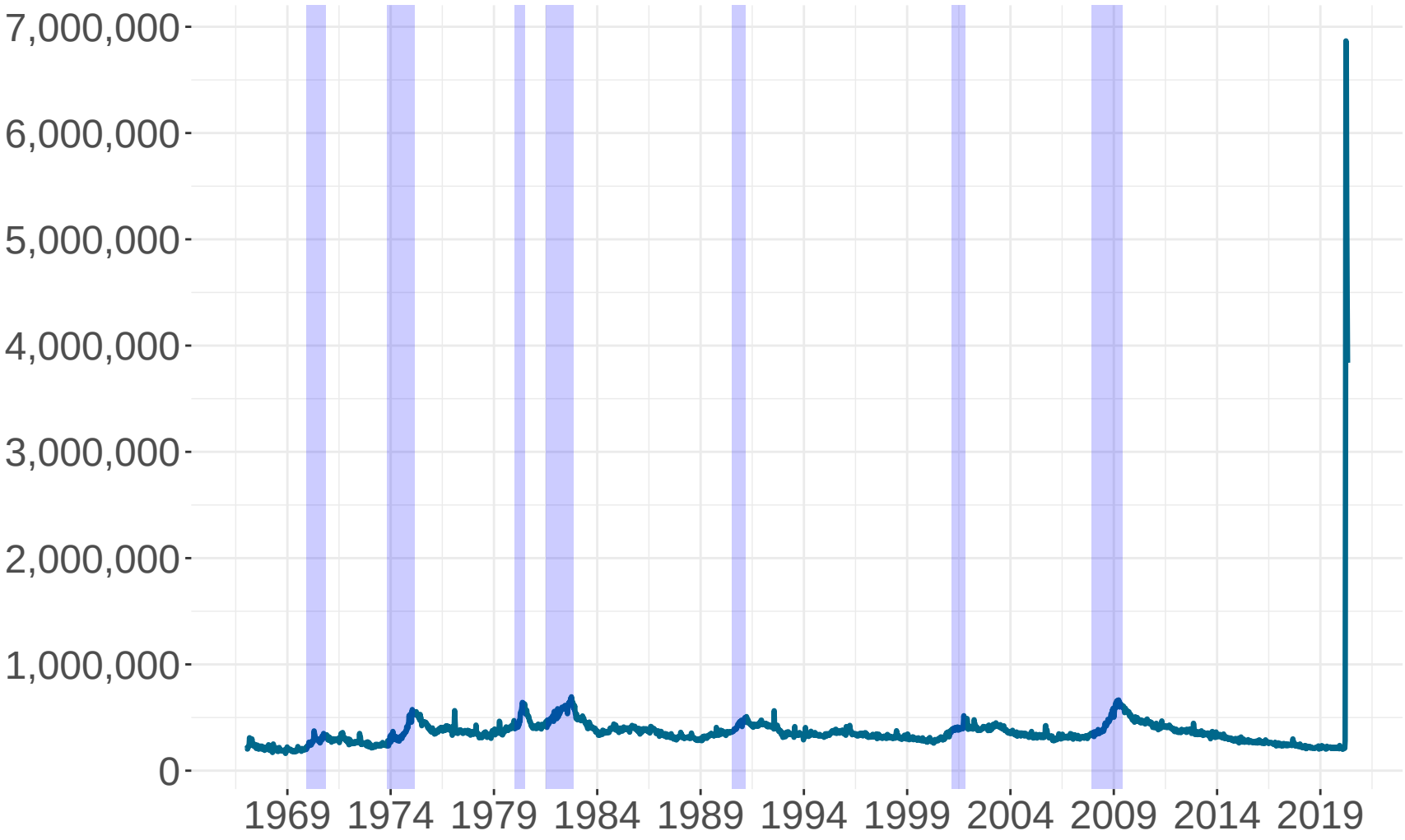
- treasury: borrowing $3 trillion in Q2
  - more than 5 times quarterly borrowing in GR
- April year over year treasury receipts: -78%

the economics

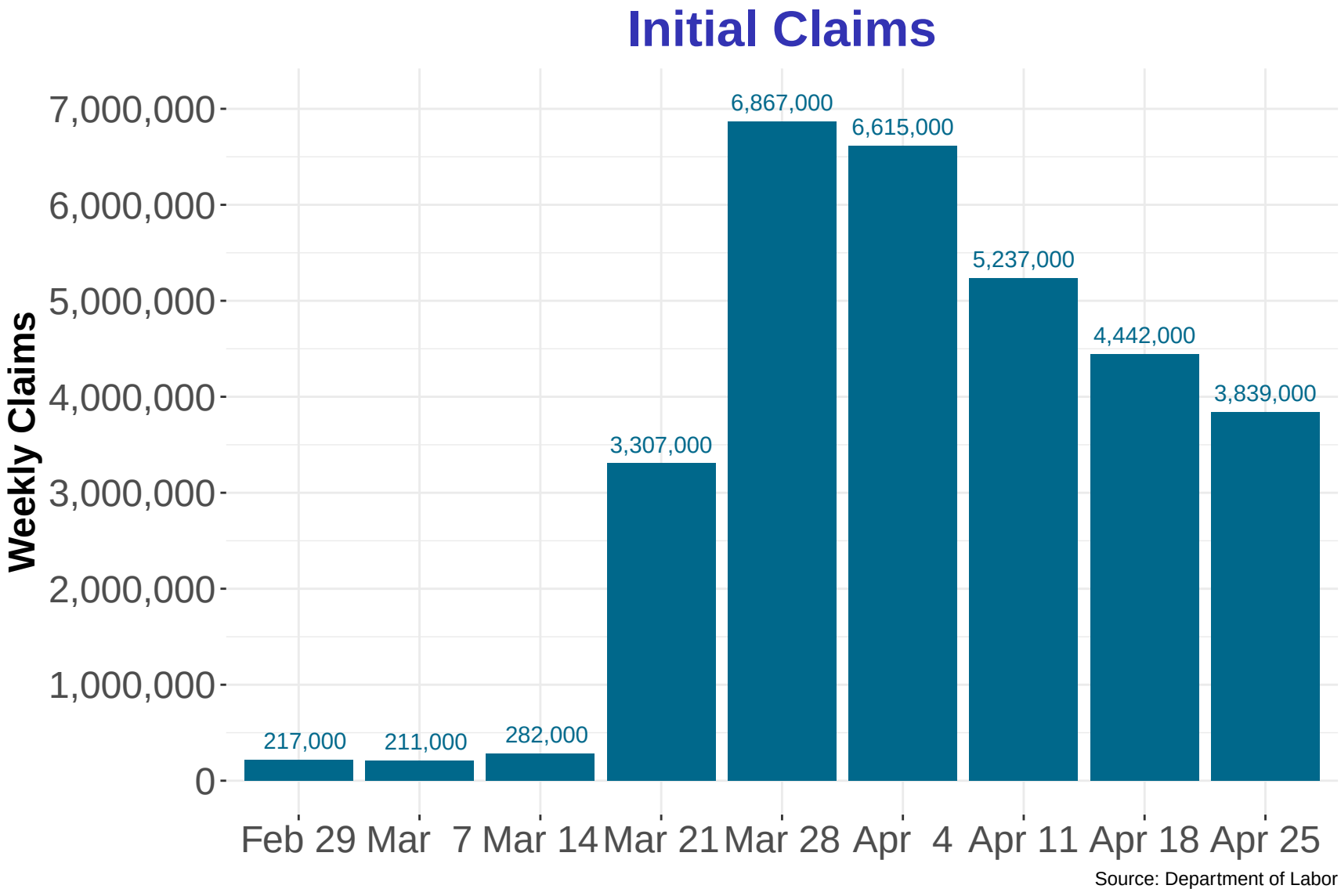
- forecasts are all over the map
  - Economic Policy Institute: 19.8M lost jobs
  - St. Louis Fed: 47M lost jobs
    - btw, estimated unemployment rate: 10%-40%
  - as of Feb. 1, 2020: 5.8M unemployed
- already have seen unprecedented effects
- some industries hit harder that others
- from national to local, sectoral differences


Leisure and Hospitality Employment Change
Monthly change (000's)
100
0
−100
−200
−300
−400
−23
21
13
12
7
2
42
61
70
43
40
24
44
−459
2019−01
2019−02
2019−03
2019−04
2019−05
2019−06
2019−07
2019−08
2019−09
2019−10
2019−11
2019−12
2020−01
2020−02
2020−03
2020−04
BLS

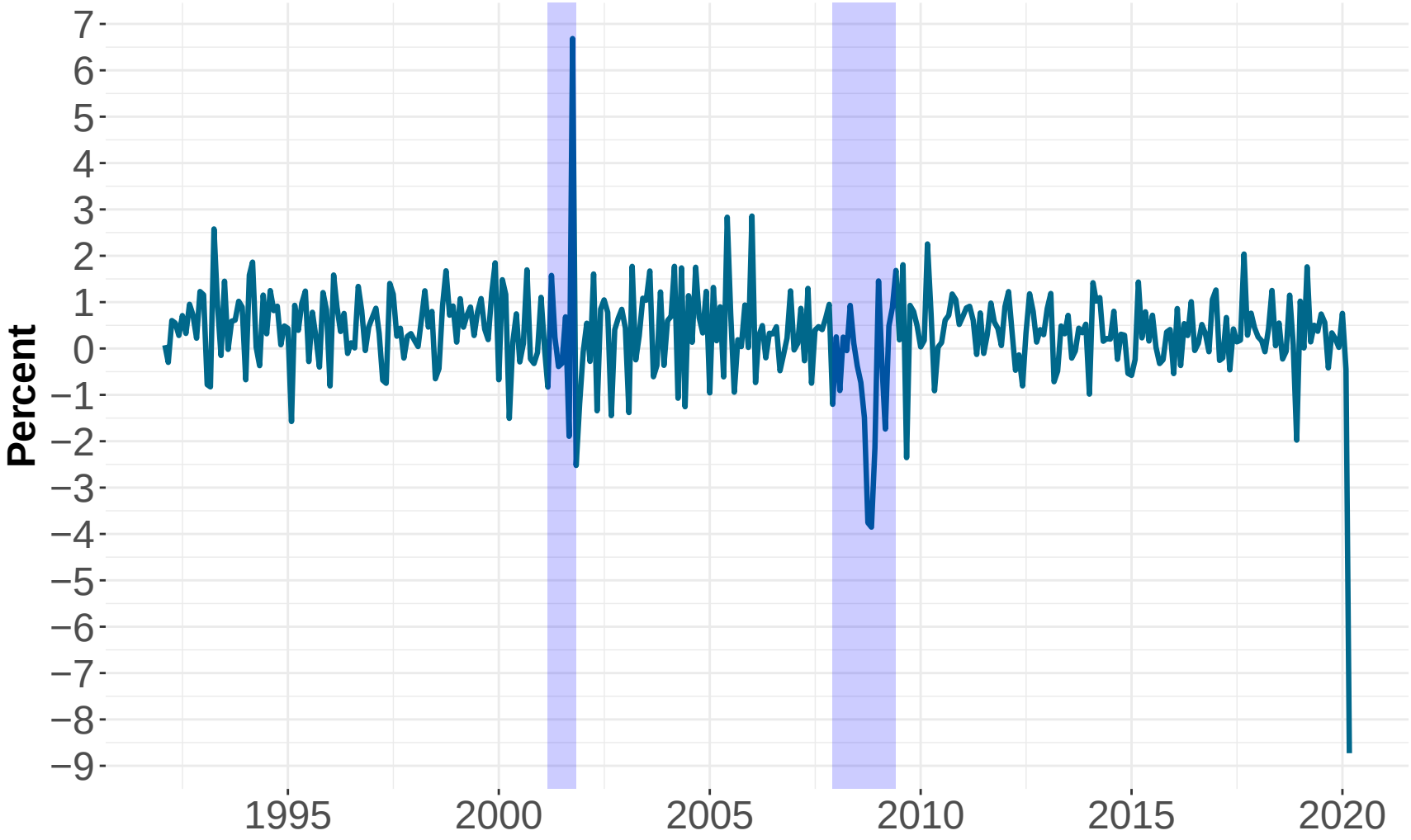
Initial Claims



Source: BLS


Initial Claims
Weekly Claims
7,000,000
6,000,000
5,000,000
4,000,000
3,000,000
2,000,000
1,000,000
0
217,000
211,000
282,000
3,307,000
6,867,000
6,615,000
5,237,000
4,442,000
3,839,000
Feb 29
Mar 7
Mar 14
Mar 21
Mar 28
Apr 4
Apr 11
Apr 18
Apr 25
Source: Department of Labor

Advance Retail Sales, Percent Change



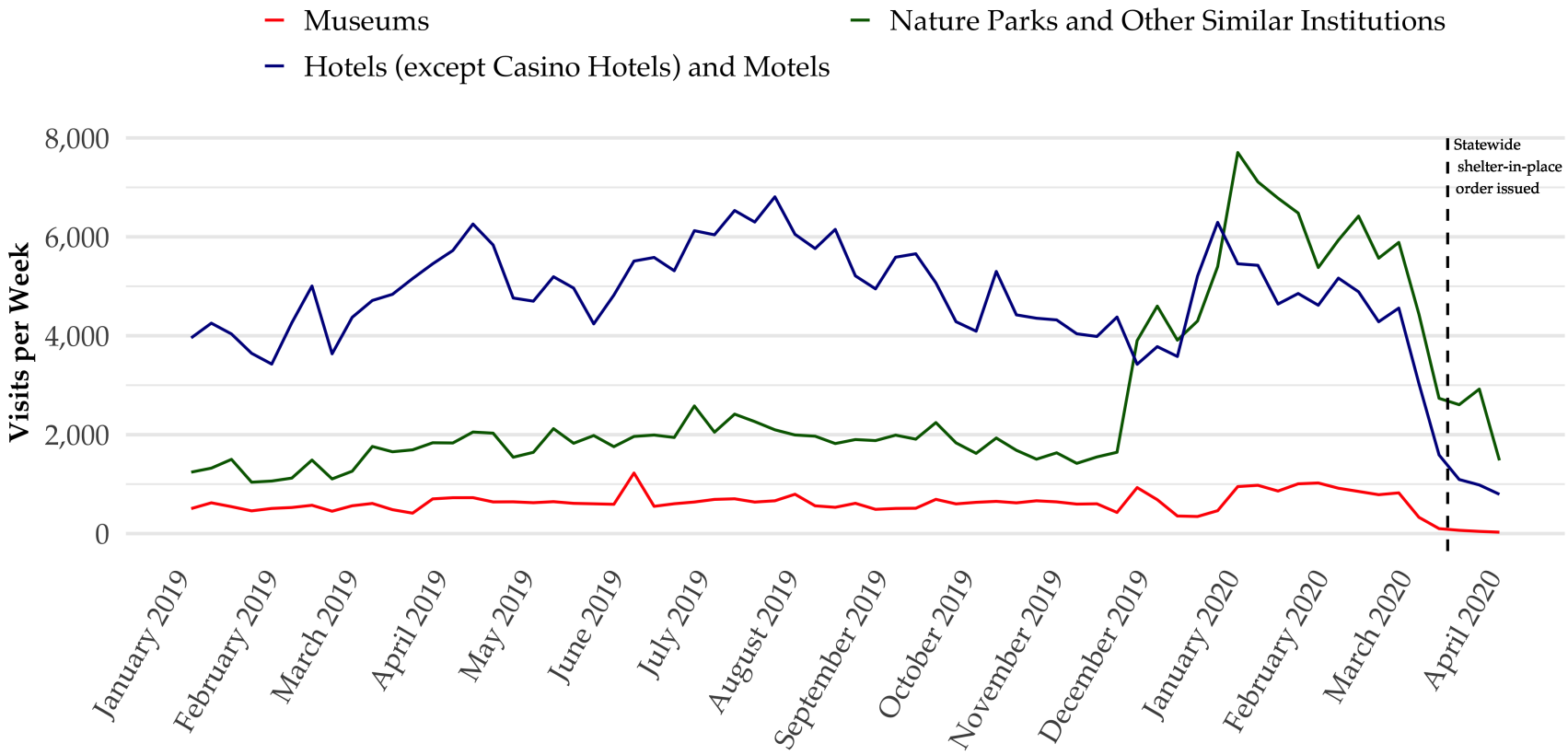
Source: US Census Bureau

- following slides from SafeGraph
- based on foot traffic from smartphones

nuclear fallout

Visits per Week by Establishment Type

Santa Barbara City



Data Source: SafeGraph, a data company that aggregates anonymized location data from numerous applications in order to provide insights about physical places.

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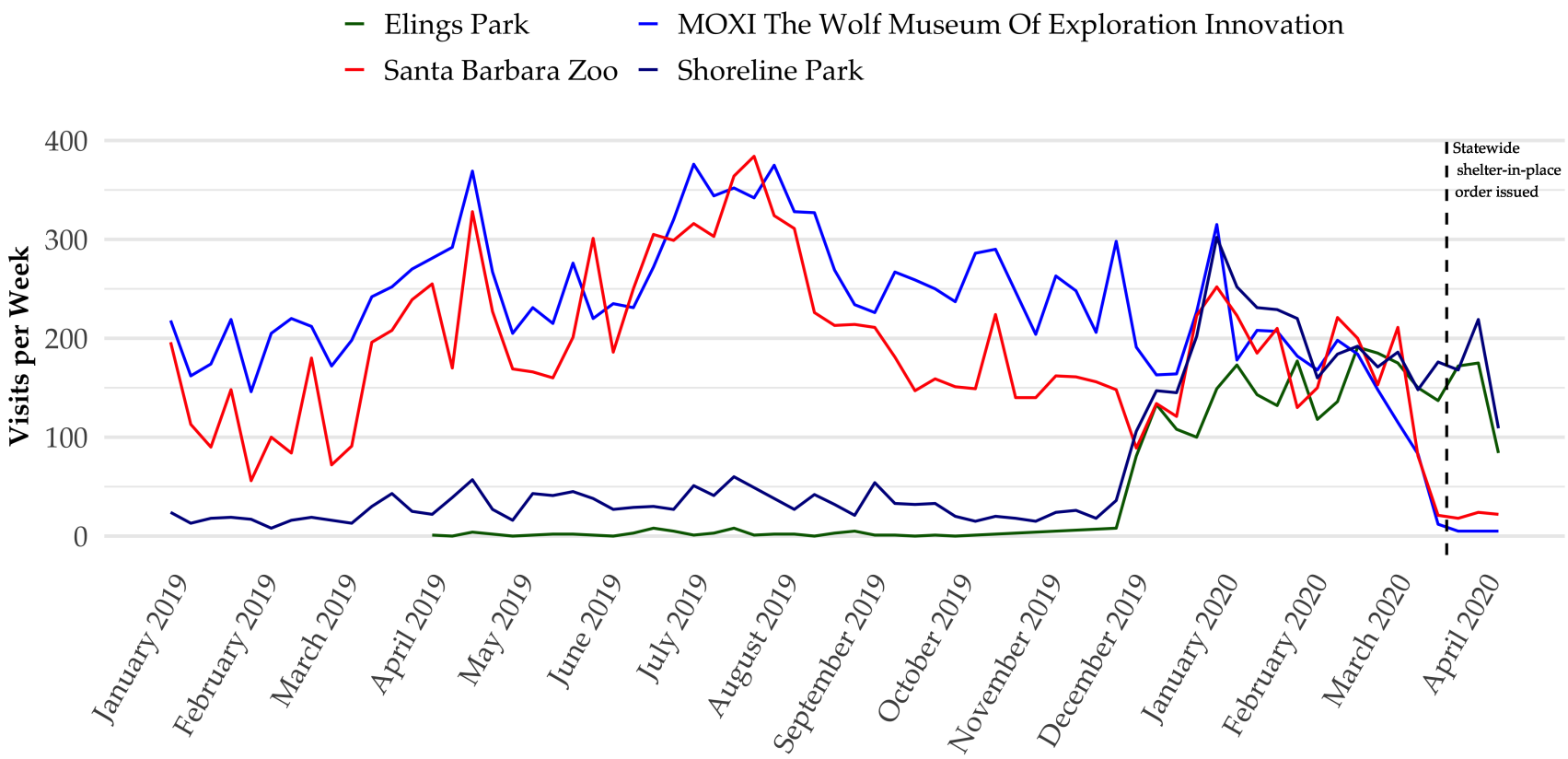

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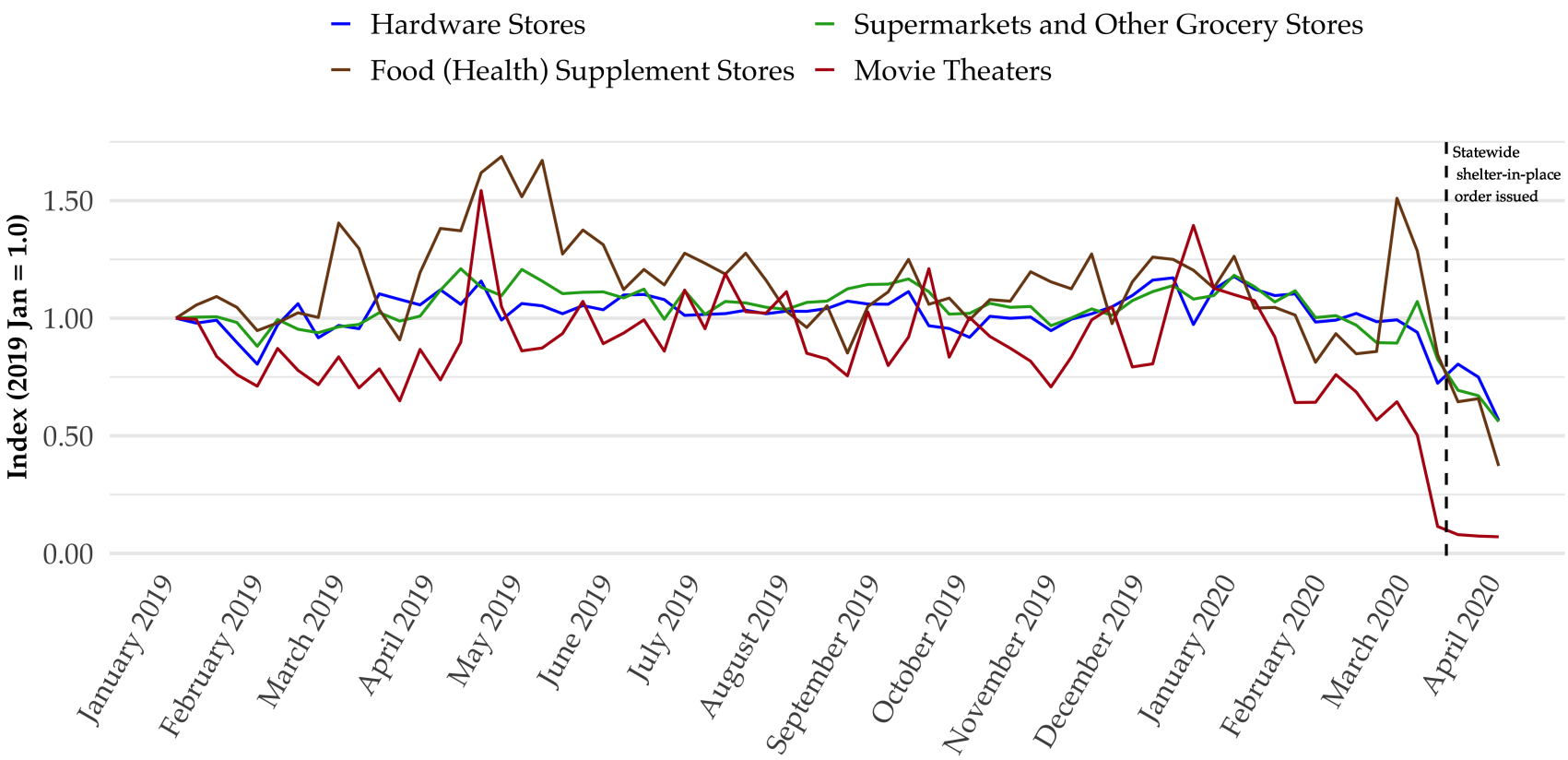

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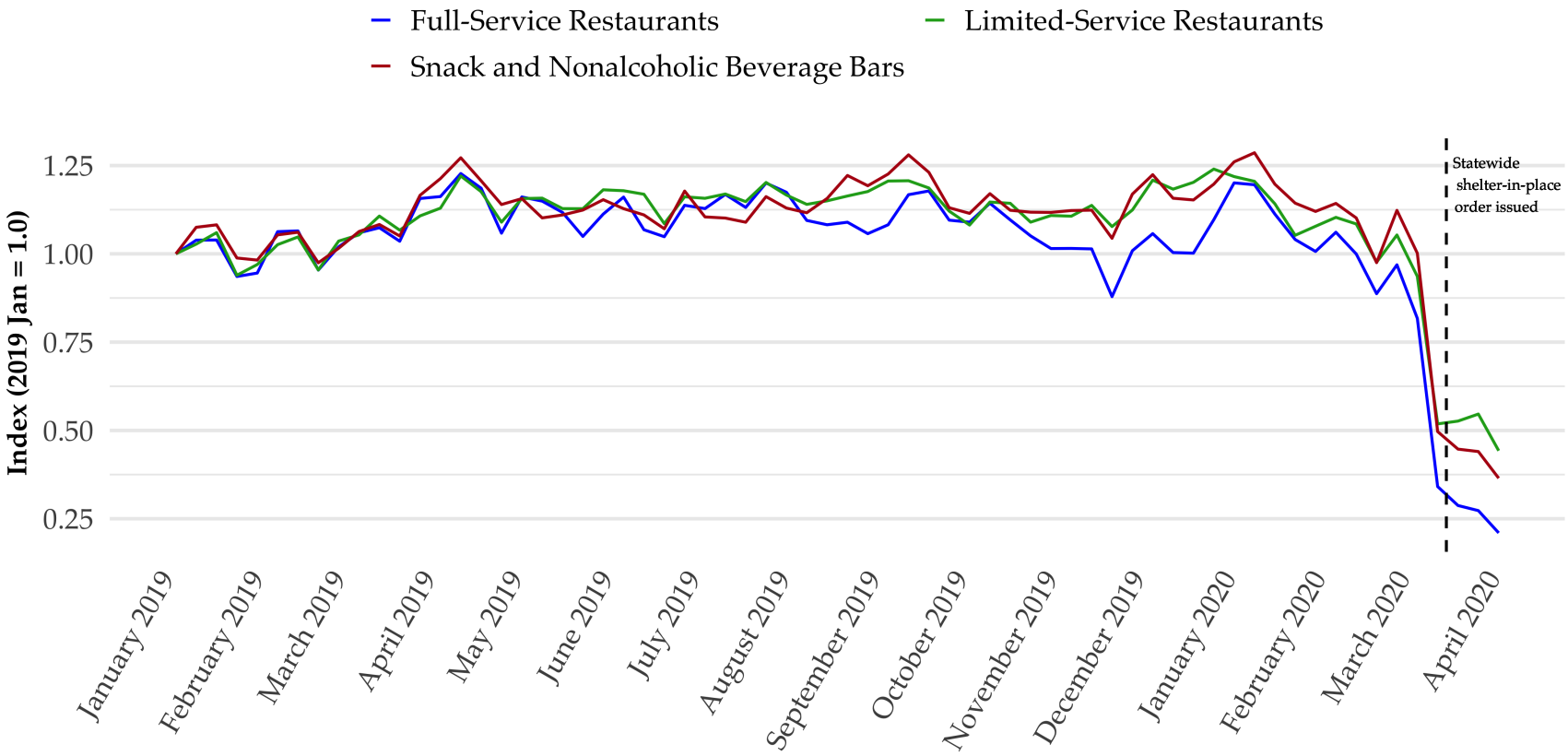

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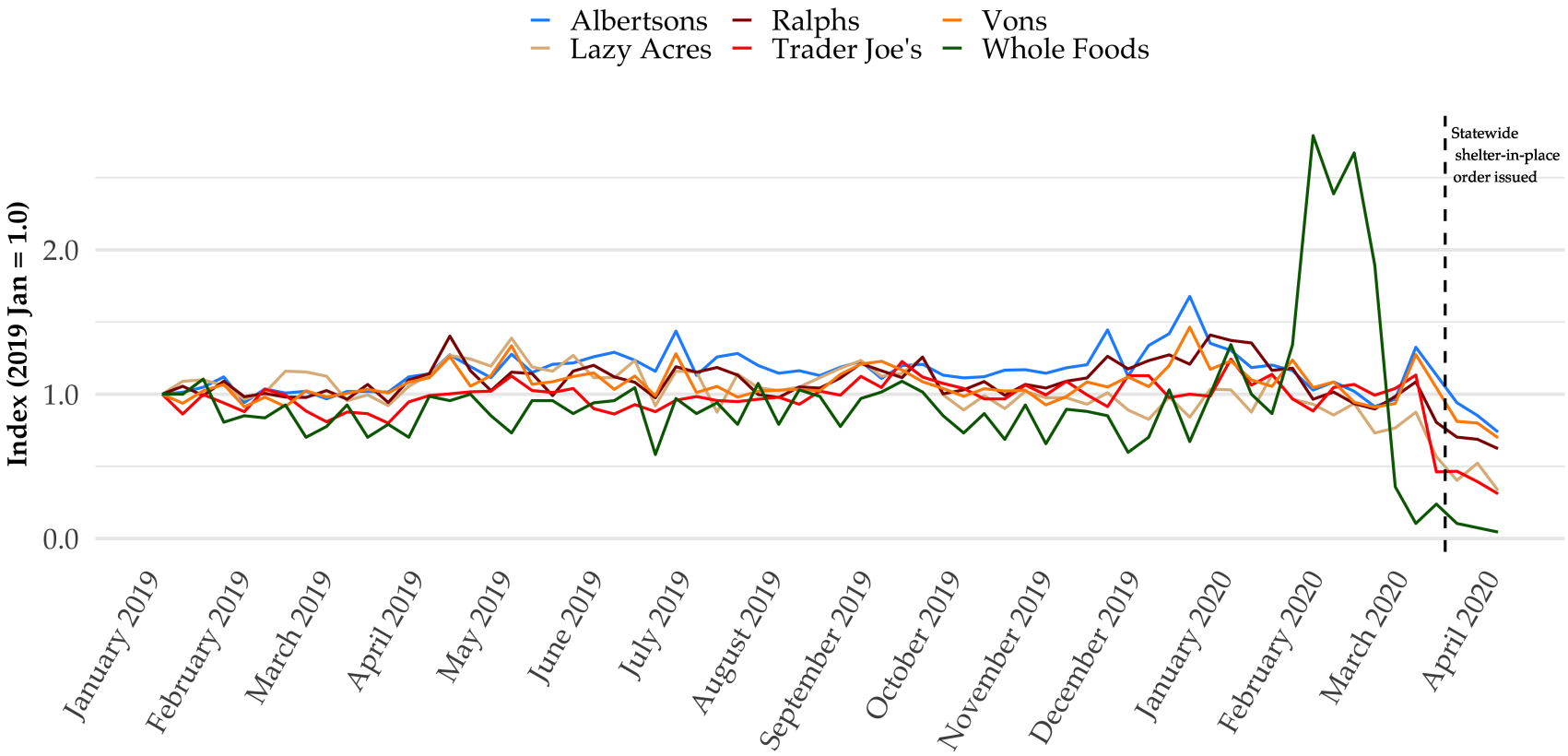

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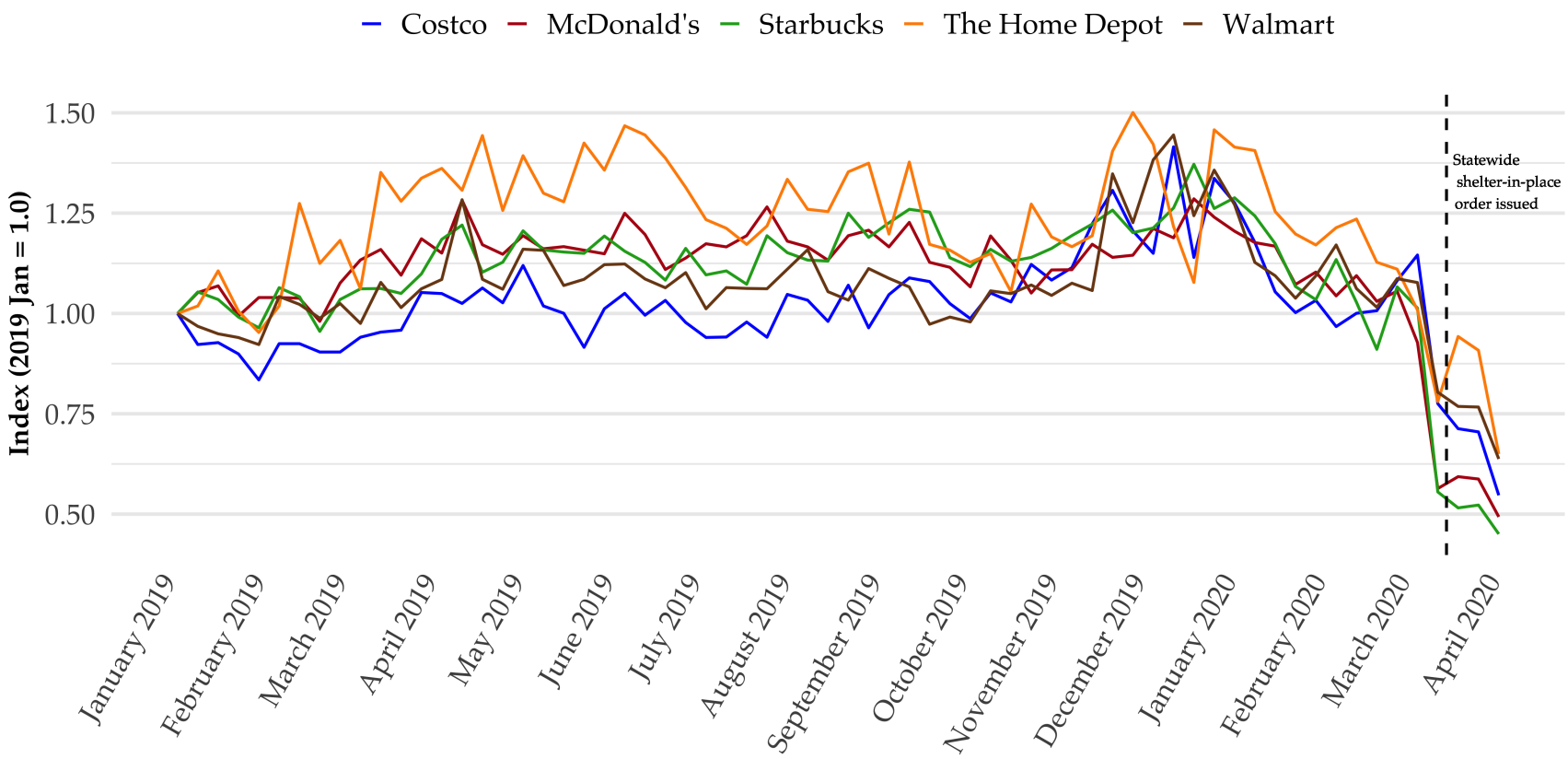

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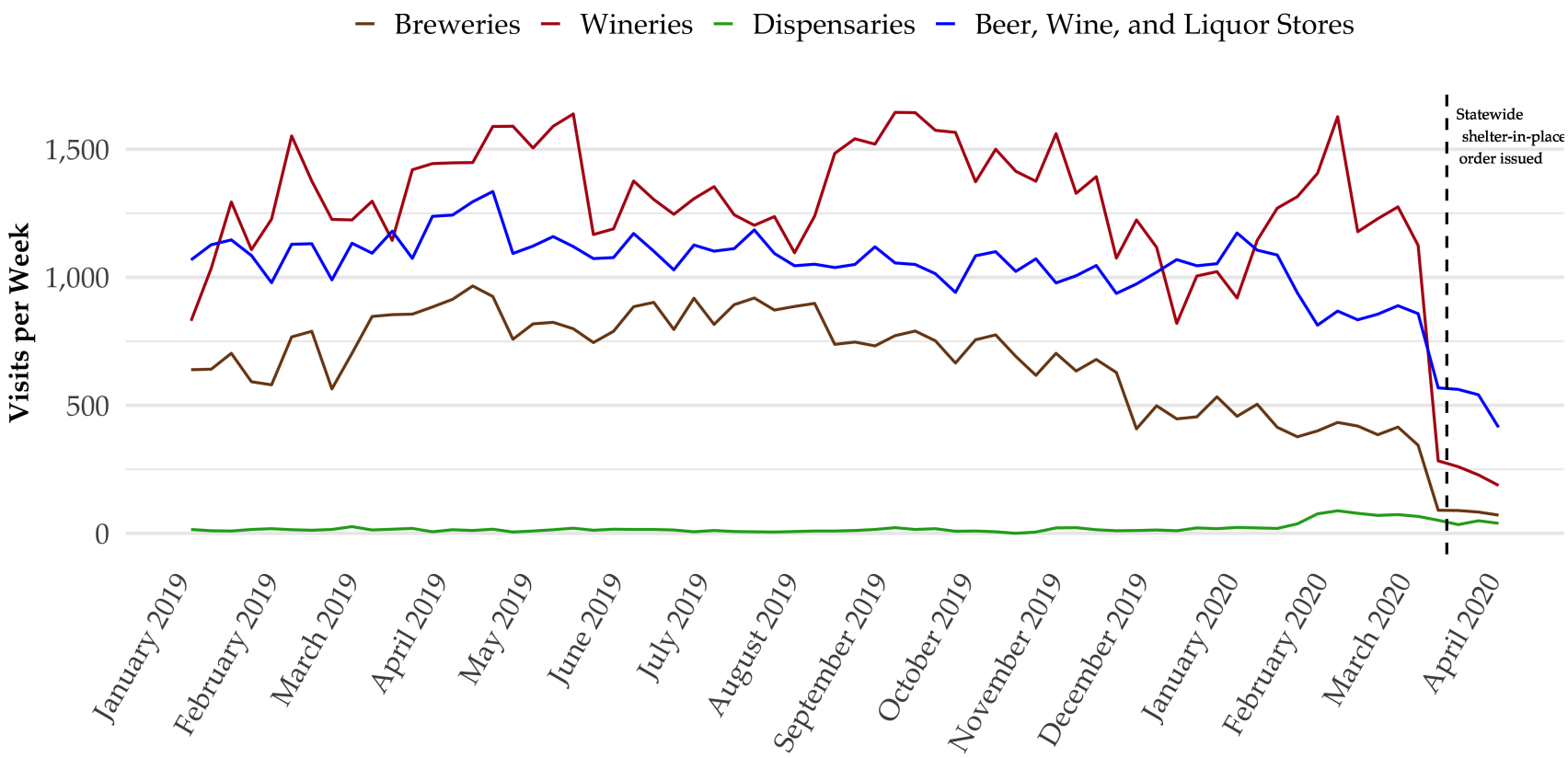

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some projections

- leisure and hospitality
- retail

Employment by Sector and Projected Losses

	Private	*L&H*	*Retail*	*Private Loss*	*L&H Loss*	*Retail Loss*
California	14,817,100	2,033,200	1,657,600	2,276,965	164,951	133,131
Santa Barbara	149,400	28,300	18,700	22,958	10,904	7,205
San Luis Obispo	96,400	19,900	13,900	14,813	7,667	5,355
Ventura	264,100	37,900	37,300	40,584	14,602	14,371

Parameters:		
	Reference Month =	Feb 2020
	Projected Aggregate Losses =	19.80M (EPI)
	Prviate vs. LHR Share Weight =	0.5

Source: Economic Forecast Project

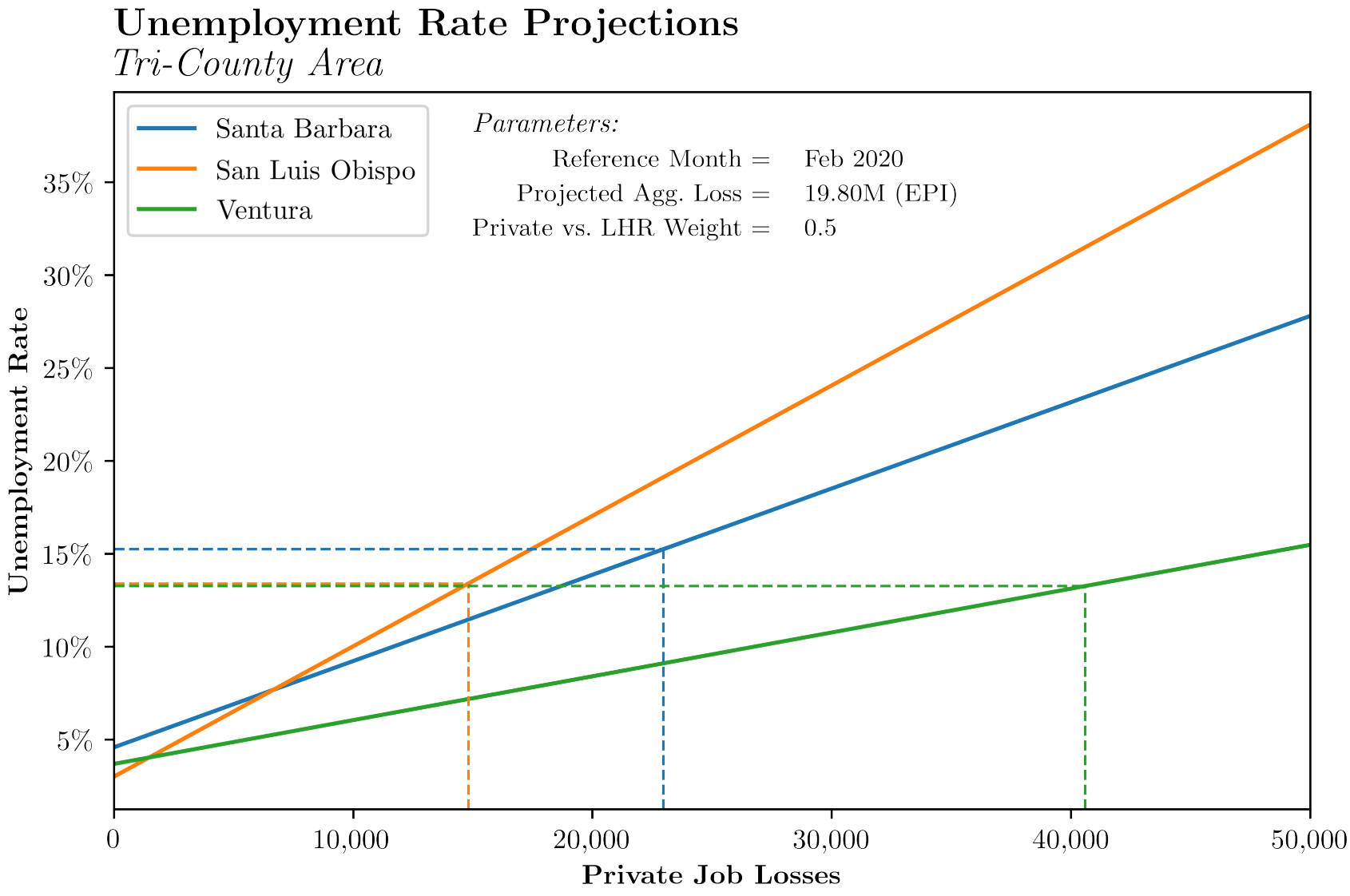
Employment by Sector and Projected Losses

	Private	*L&H*	*Retail*	*Private Loss*	*L&H Loss*	*Retail Loss*
California	14,817,100	2,033,200	1,657,600	5,404,917	391,552	316,018
Santa Barbara	149,400	28,300	18,700	54,497	25,883	17,103
San Luis Obispo	96,400	19,900	13,900	35,164	18,200	12,712
Ventura	264,100	37,900	37,300	96,337	34,663	34,114

Parameters:		
	Reference Month =	Feb 2020
	Projected Aggregate Losses =	47.00M (Stl Fed)
	Prviate vs. LHR Share Weight =	0.5

Source: Economic Forecast Project

- Feb. 2020: 7,900 unemployed, 3.7% unemp. rate



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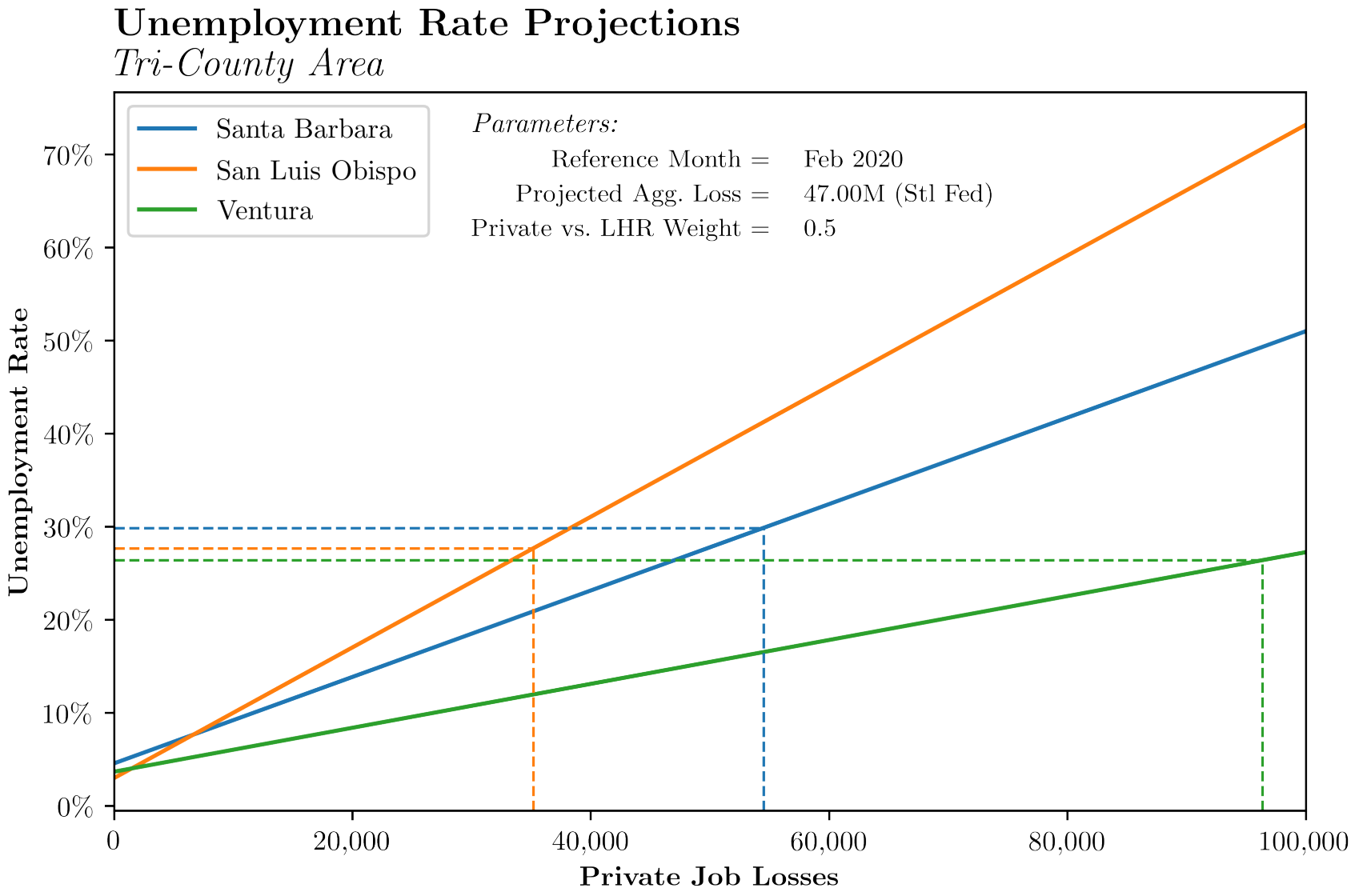

Source: Economic Forecast Project

labor markets during pandemics

- my website