

THE CORONACONOMY

THE NEW NORMAL?

*what does **REMI** say?*

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Agenda



- Overview
- Methodology for regional forecasting and policy analysis
- Widening Inequalities

COVID Changes Everthing



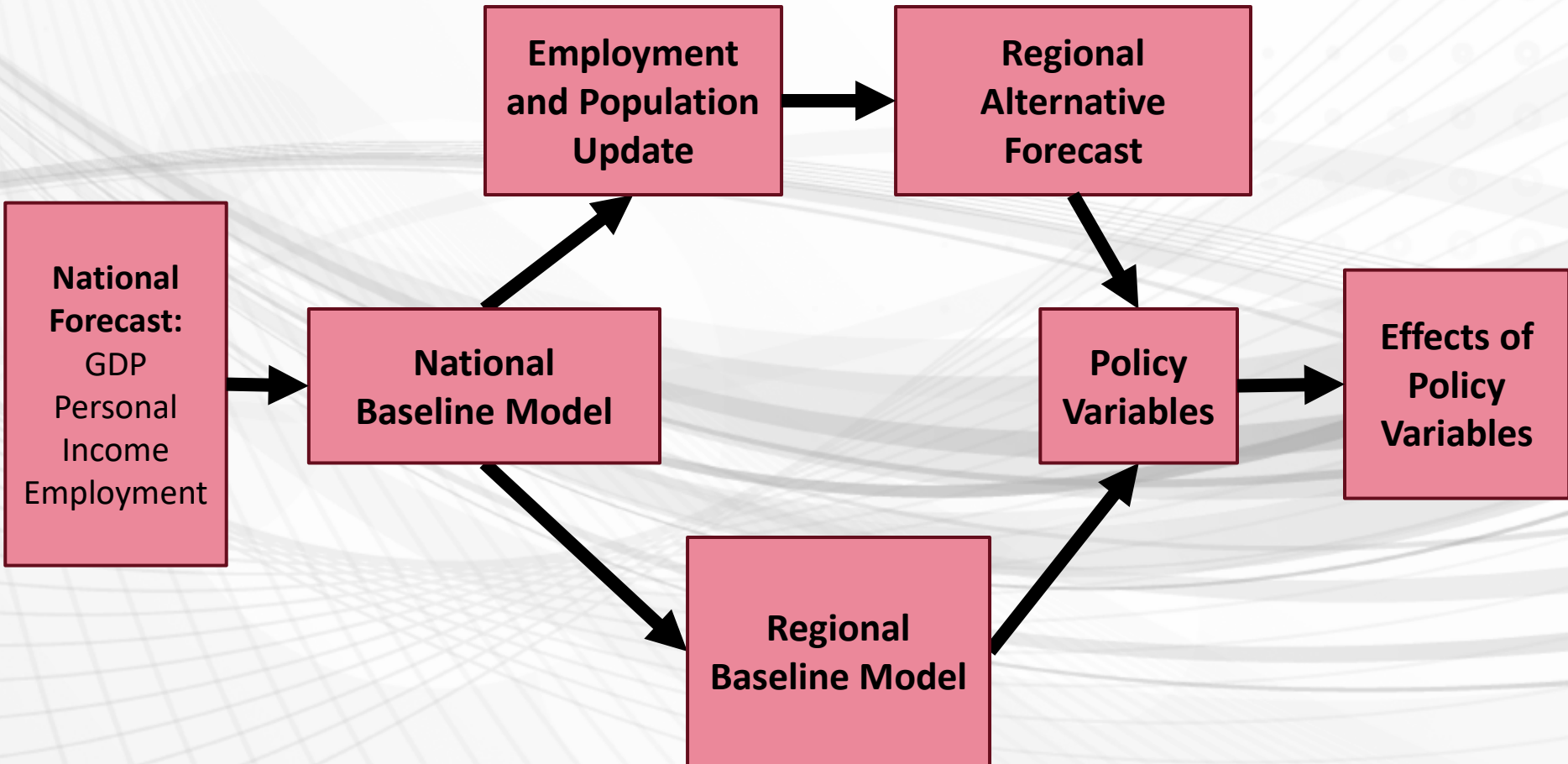
- Fiscal and Monetary: CARES Act and Federal Reserve
- Political: Authority of the state; demonstrations; national election
- Uncertainty: short, medium and long-term policies needs to take place under potential scenarios
- The longer the economy remains “socially distanced,” the more likely that “short-term” changes become permanent
- Dramatic disruptions in real estate, transportation, energy, tourism and services

How to Prepare?



1. Use an expertly-made national forecast of the economy, accounting for monetary/fiscal policies and international trade (RSQE, IHS, GS, Moody's, CBO)
2. Create a regional (i.e. state-level) “top-down” simulation driven by the US forecast
3. Experts in a particular regional economy can tweak the naïve forecast with a “bottom-up” approach, accounting for previously unknown factors

Model Outline

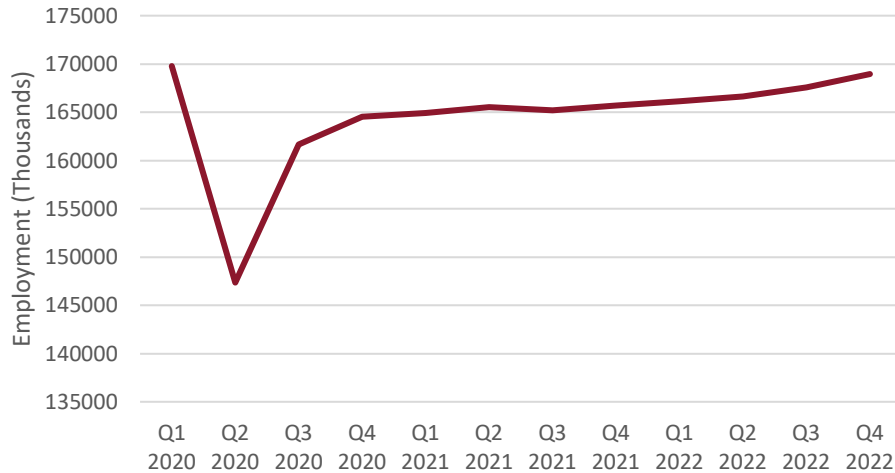


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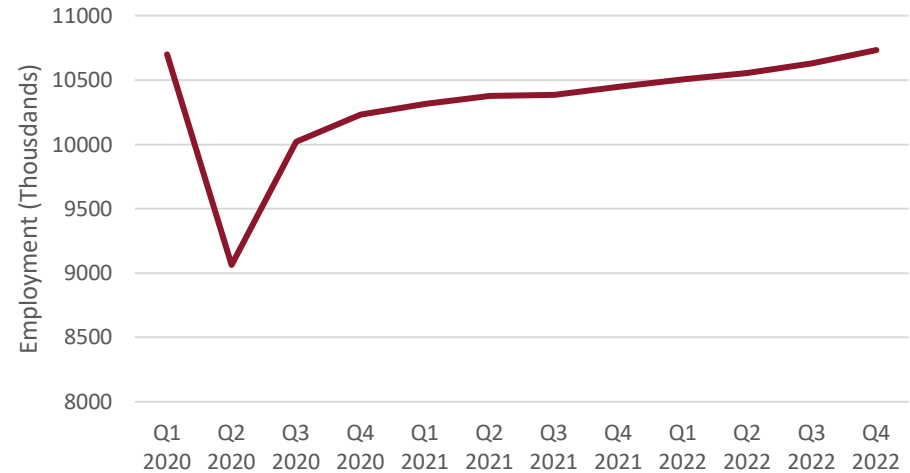
Short-Term Employment



National Employment (Quarterly)



Florida Employment (Quarterly)



Source: REMI IQ+ with national forecast

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Widening Gaps



- The virus has exacerbated racial inequalities in the US
- People of color (POC) are less likely to hold jobs that can operate remotely
 - ▣ Impact 1: POC are more likely to be laid off from the pandemic¹
 - ▣ Impact 2: POC are also more likely to hold high-risk in-person jobs deemed “essential”²
- Women are overrepresented in “social interaction” sectors that make up much of the job losses³
- Women are also more likely to assume responsibility for childcare as schools close/go remote
- Wealth inequality: asset prices remain stable/rising with a simultaneous downward pressure on wages

Modeling Methodology



- A. Economic Shift (demand side)
 1. Industry employment forecast or scenario
 2. Translate into effect on occupations using NAIC/SOC
 3. Translate into effects by race/sex using occupational composition data (IPUMS)
- B. Demographic shift (supply side)
 - Labor force participation rates: 1.7% below February but -2.1% for women 25-54, -5% for black women, -4% for Hispanic women, and -2% for white women
 - Labor force productivity: lower investment in education, more use of capital
 - $GDP = \text{Total employed labor force} \times (\text{Output/Worker})$
 - Hysteresis effect: decline in labor force is difficult to reverse

Employment, Labor Force, and GDP: 1% drop LFPR



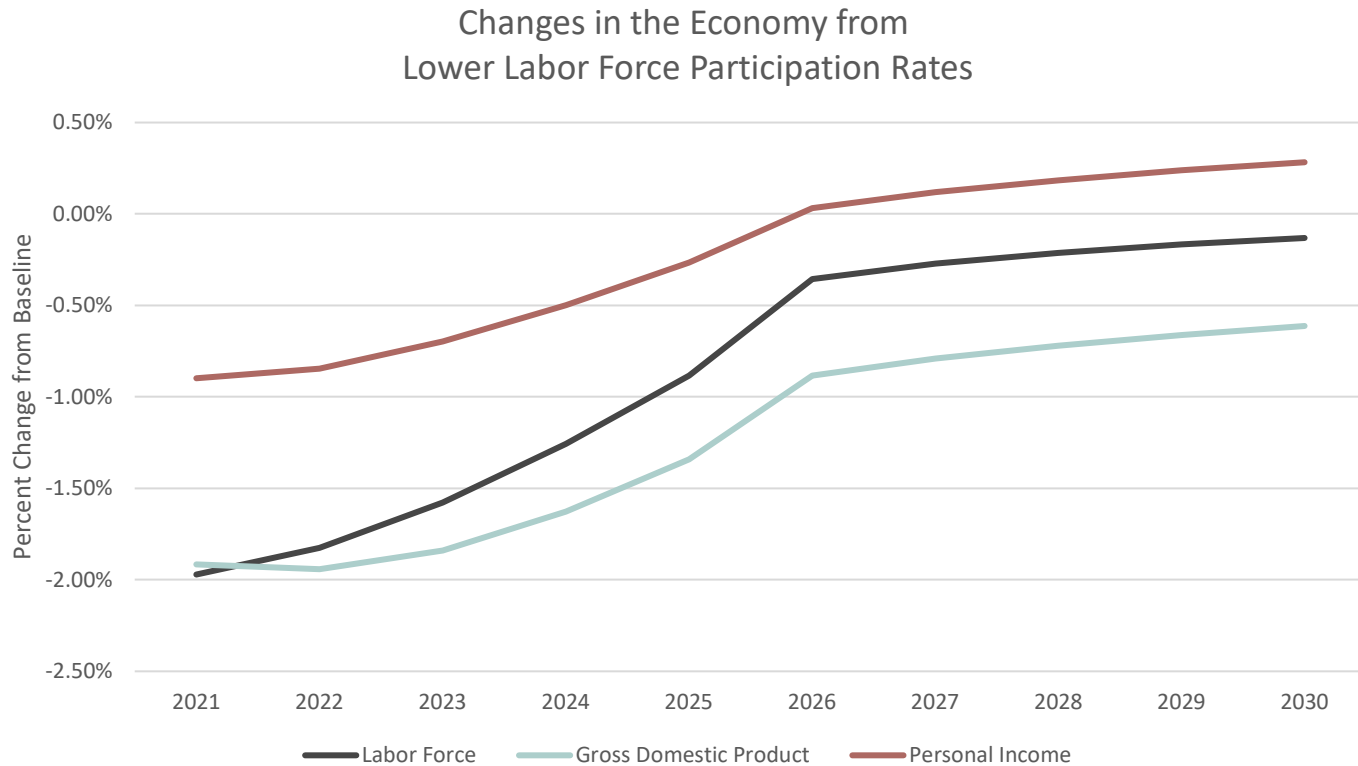
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Citations



1. Clement, Scott, and Tracy Jan. "Hispanics Are Almost Twice as Likely as Whites to Have Lost Their Jobs amid Pandemic, Poll Finds." *The Washington Post*, WP Company, 7 May 2020, www.washingtonpost.com/business/2020/05/06/layoffs-race-poll-coronavirus/.
2. Thorbecke, Catherine. "'Heroes or Hostages?': Communities of Color Bear the Burden of Essential Work in Coronavirus Crisis." *ABC News*, ABC News Network, 22 May 2020, abcnews.go.com/Business/heroes-hostages-communities-color-bear-burden-essential-work/story?id=70662472.
3. Madgavkar, Anu, et al. "COVID-19 and Gender Equality: Countering the Regressive Effects." *McKinsey & Company*, McKinsey & Company, 17 July 2020, www.mckinsey.com/featured-insights/future-of-work/covid-19-and-gender-equality-countering-the-regressive-effects.

Reducing the Labor Force



Source: REMI PI+ assuming a diminishing decrease in labor force participation rates from -1% to -0.25% from 2021 to 2025

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