

MARKET STRATEGY VIEWPOINT

Covid Economics

August 26, 2020

Given the volatility we have been witnessing in the most widely-followed economic data series, we have been scouting more niche information in order to get a better grasp of underlying conditions.

This report details some of the national, state, and metro-Pittsburgh data to which we have been paying attention.

“Second Wave” Dissipating

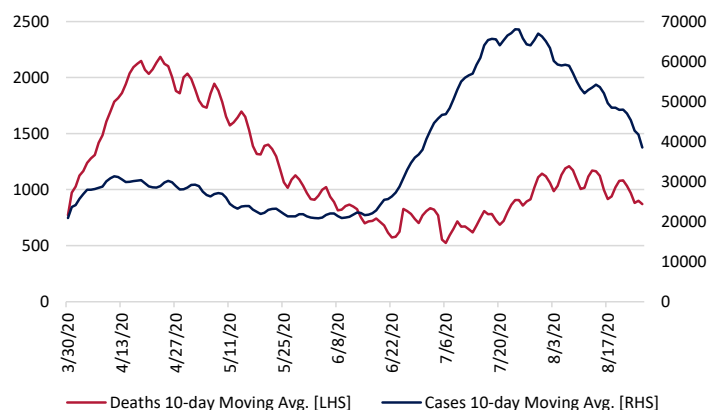
The most recent and hopefully final round of Covid-19 case increases served to put a dent into what was indeed a budding economic recovery. The prevailing conditions have had a negative impact on a host of economic data as state governors re-imposed economic restrictions. The start and stop of economic activity has caused material volatility with a host of data series and made economic conditions even harder to predict.

In attempt to get a closer look at “on-the-ground” economic activity and make better sense of the variations in the more widely-followed data series, we have been looking at more niche data for better insight. Some of that data we show in this report with the hope of uncovering some clues as to what is evolving in different corners of the economy.

First, we begin with the data series that has been effecting all others and that is Covid-19 daily cases and deaths. The “second wave” of cases is clearly evident, although the increase in deaths was indeed more subdued. The latter tells us that perhaps physicians know more about combatting the disease and are now utilizing more effective therapies. In recent weeks, the number of cases and deaths has again taken a positive turn. Prevailing social restrictions and more widespread mask utilization may have helped bend the curve once again. However, as some schools go back in session there is a fear cases could spike for a third time.

Figure 1: Covid-19 U.S. Daily Cases and Deaths - 10-day Moving Average

Source: Johns Hopkins, Bloomberg



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“On-the-Ground” Data Reaccelerating

Interestingly, we can see the correlation daily case increases and the renewed dissipation in several “on-the-ground” data series we show in this report. Given the variation in state-by-state Covid-19 policies, the renewed restrictions caused broad U.S. data to plateau or decelerate. Metro regions, such as Pittsburgh, may have recognized more of a start-stop effect, depending on the severity of re-imposed state limitations.

We believe there is some pent-up U.S. consumer demand that absent Covid-19 could make for fairly robust economic conditions. We in part draw that conclusion from the sharp rebound in consumer confidence witnessed in April-June (Figure 2), and the dramatic recovery we were seeing across multiple economic data series prior to the imposition of the second wave of shutdowns. However, that demand has been capped and confidence has been so-far reversed by state-imposed curbs in economic activity. Now that the number of daily cases has begun to subside again, we are seeing second-wave reacceleration of activity in Pittsburgh and across the country.

U.S. consumer confidence has followed the wave of state-by-state shutdowns and likely the major city unrest we have been witnessing.

Figure 2: U.S. Consumer Confidence

Source: Conference Board

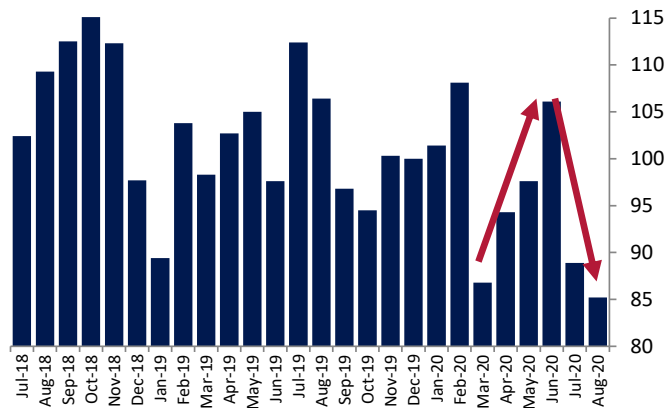
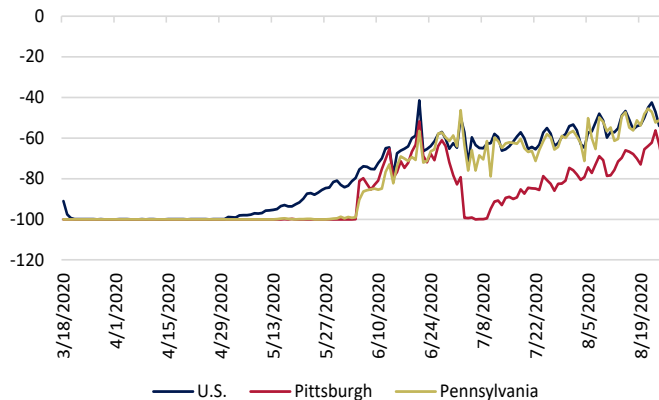


Figure 3: Seated Diner Restaurant Reservations - % Chg. Year-over-Year

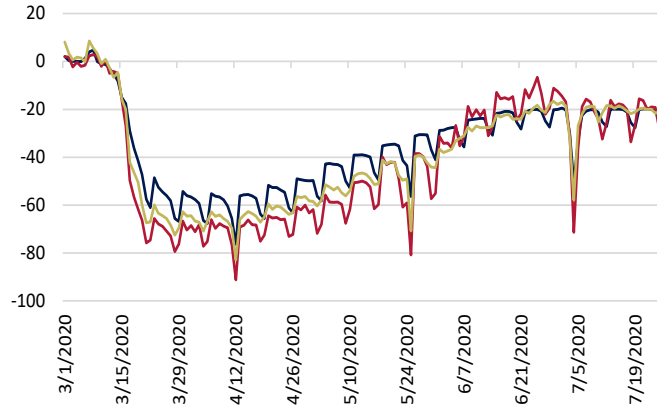
Source: OpenTable

It appears folks in Pittsburgh seem more risk-averse, although restaurant activity in the metro area has been recovering.



This coronavirus dataset is based on Homebase data for over 60,000 businesses and 1 million hourly employees active in the US in January 2020. The data primarily consists of restaurant, food & beverage, retail and services and are largely individually owned/operator-managed businesses.

Figure 4: Small Business Hours Worked - %Chg. Vs. January 2020 Median
Source: Homebase

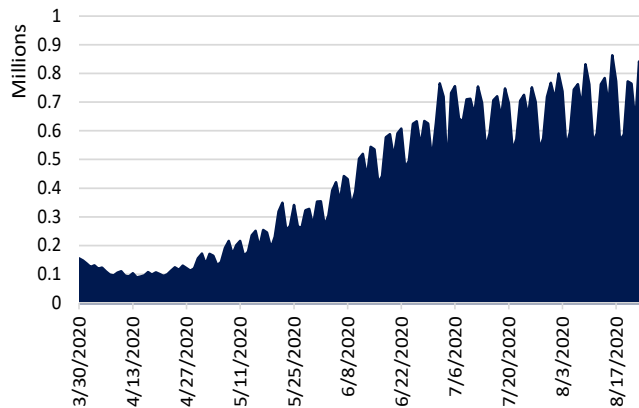


National Activity

The second round of Covid-related economic shutdowns has been less intrusive when looking at the U.S. as a whole. Niche activity indices we show in this report have plateaued as only some states retightened restrictions. As of today, with daily Covid-19 cases again falling, we are seeing some resumption of economic recovery activity that first began in May and June. We believe this improved activity could cause renewed improvement in the economic data series more widely followed by market participants.

Airline travel, while improved, remains dramatically curtailed. Normal TSA throughput is approximately 2.0—2.75 million passengers per day.

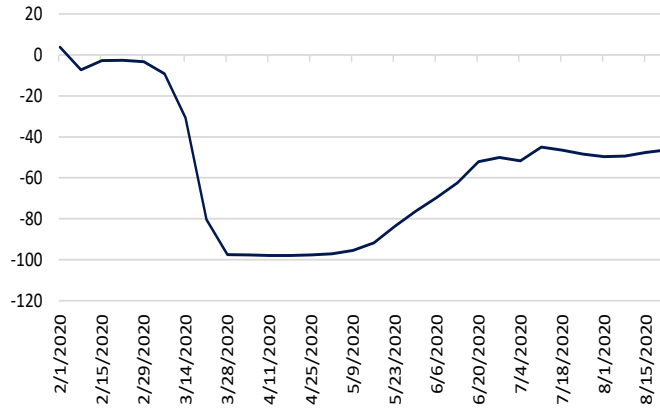
Figure 5: TSA - Daily U.S. Total Traveler Throughput
Source: Transportation Security Administration



This data may show consumers' increasing willingness to shop online. Retail traffic remains subdued.

Figure 6: Weekly North American Retail Traffic Index - % Chg. Year-over-Year

Source: Prodcio



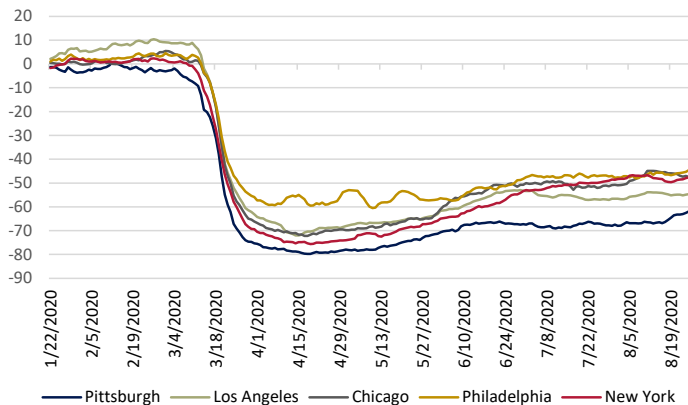
“Animal Spirits” on Simmer

We believe there could be a broad and sustained economic snap-back should Covid-19 cases stays tightly managed and/or when a vaccine is broadly distributed. We have already seen multiple signs that consumers (70% of the U.S. economy) seem willing to emerge from their homes and rekindle the economic “animal spirits”. However, this potential progression is likely to be offset by a sustained drag of small business problems/closings and a higher-than-normal unemployment rate. Both of which are expected to be an ongoing plague for the economy. The outcome may indeed lead to a recovery, but one that has a limited upside and a more measured trajectory than may otherwise be the case.

An indicator that many are still avoiding potentially crowded public places.

Figure 7: Public Transit Demand - % Chg. Year-over-Year

Source: Moovit



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