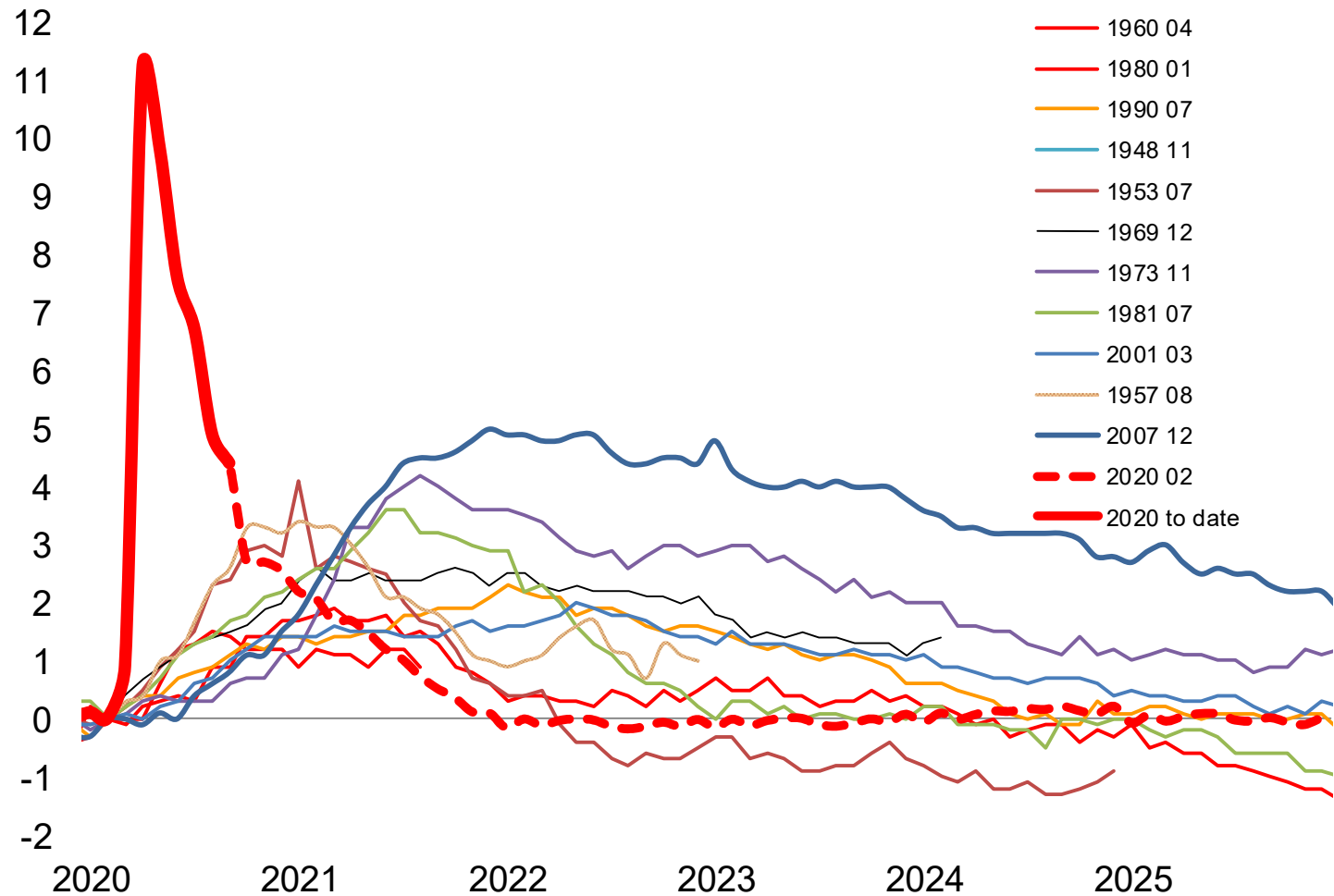# Navigating the Covid-19 Unnatural Disaster

Chicagoland Apartment Association

October 8, 2020

Following the Script of a Natural Disaster

Deviation of the unemployment rate from the business cycle low point (percentage points)

Legend:
- 1960 04
- 1980 01
- 1990 07
- 1948 11
- 1953 07
- 1969 12
- 1973 11
- 1981 07
- 2001 03
- 1957 08
- 2007 12
- 2020 02
- 2020 to date

Note: The unemployment low point of each cycle is lined up to February 2020.
Sources: Haver Analytics; U.S. Department of Labor. Updated through September 2020.

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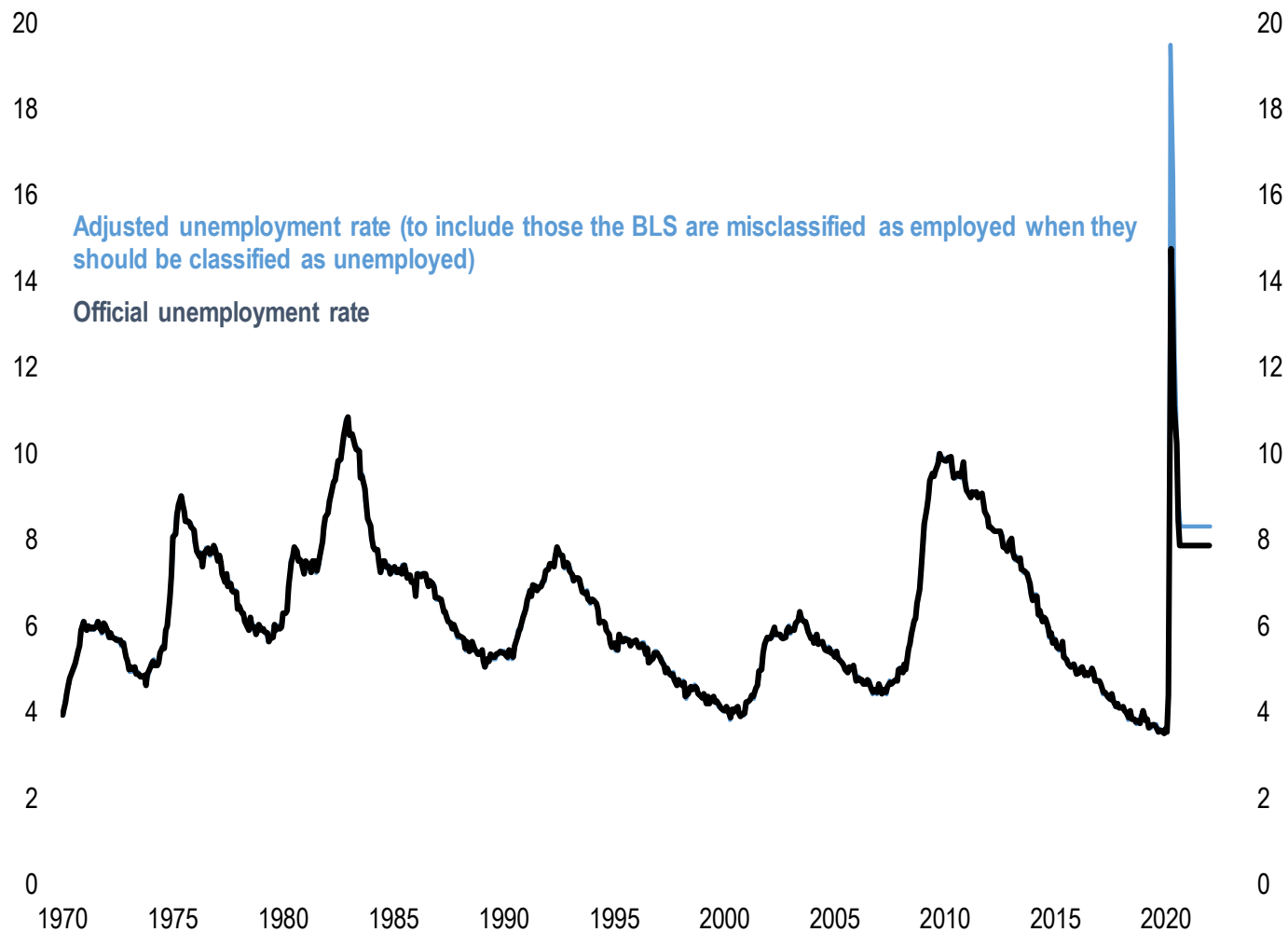J.P.Morgan

Small Businesses Bore the Brunt

Nonfarm payrolls (number)

Employment at small business establishments (number)

Solid blue line is nonfarm payrolls (left scale)

Employment at small businesses according to Homebase (right scale)
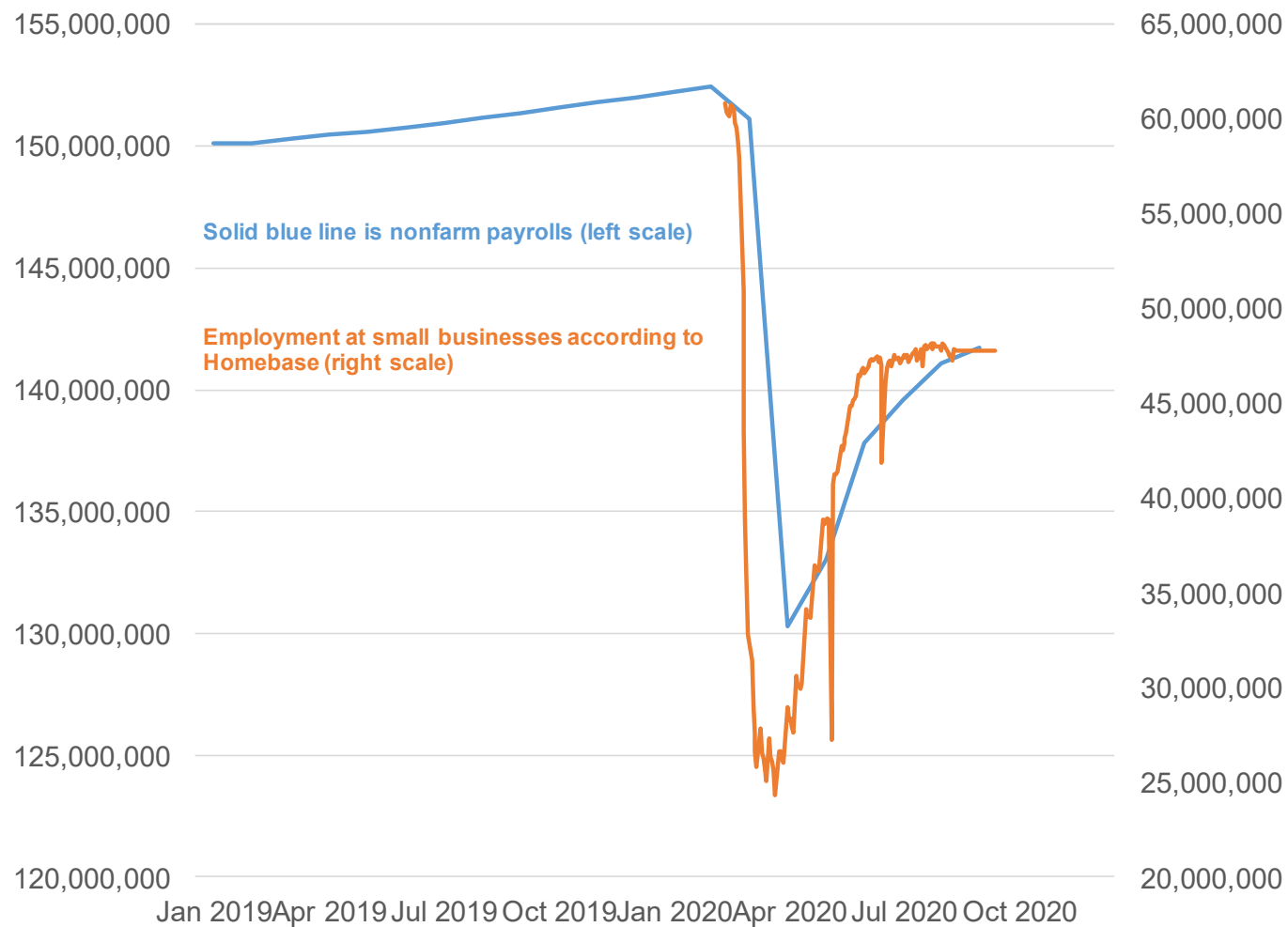
Sources: Haver Analytics; U.S. Department of Labor; Homebase. Updated through September 2020 (employment) and September 4, 2020 (Homebase)
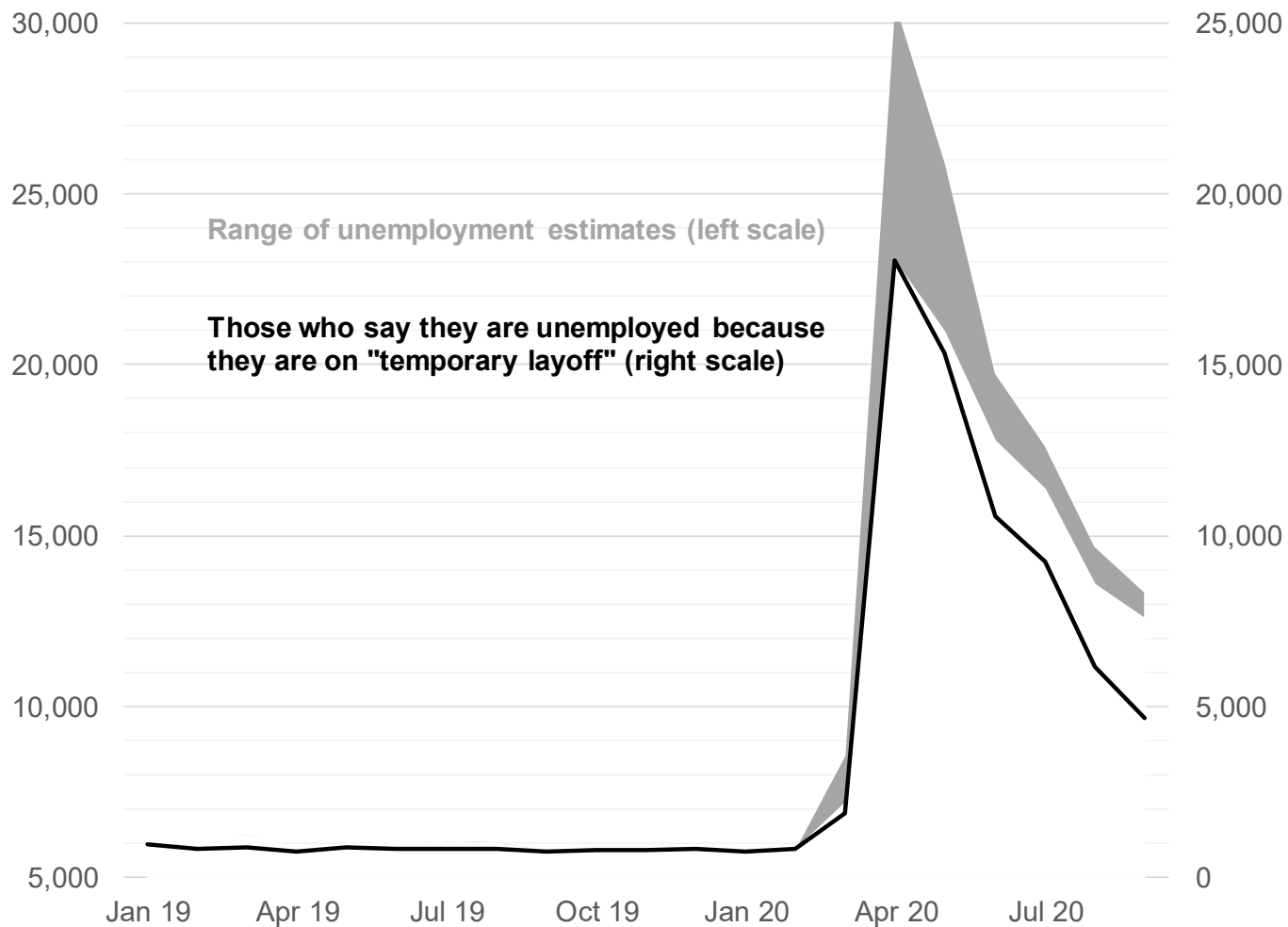
But Jobs Are Only Half the Story

Unemployment (percent of the labor force)

Adjusted unemployment rate (to include those the BLS are misclassified as employed when they should be classified as unemployed)

Official unemployment rate

Sources: Haver Analytics; U.S. Department of Labor. Updated through September 2020.

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Most Furloughs Were/Are Temporary

Unemployment and "temporary layoff" (thousands)

Range of unemployment estimates (left scale)

Those who say they are unemployed because they are on "temporary layoff" (right scale)

Sources: Haver Analytics, U.S. Department of Labor. Updated through September 2020.

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PPP Was a Big Help and …

How Many Jobs (Actual Number) Does a $673 Billion ($349 billion + $310 billion) [1] PPP Program Protect for Eight Weeks? [2]

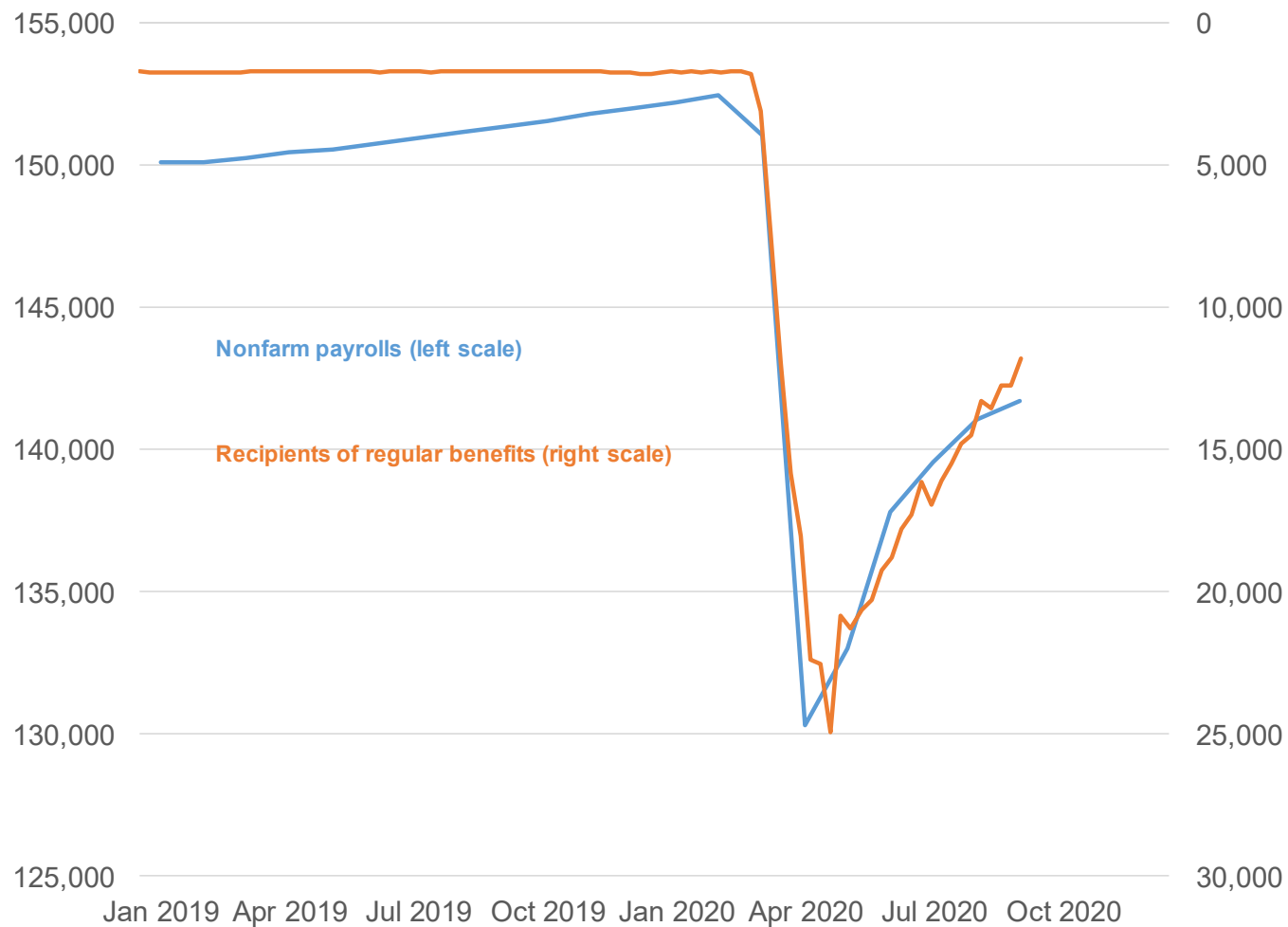|		Number of People Potentially Covered
Phase 1, March 27, 2020 (SBA Opens for Applications on April 3) (First Wave Exhausted by April 16)	$349 billion	30,000,000
Phase 2, April 24, 2020	$310 billion	26,647,564
EIDL Support	$10 billion EIDL $60 billion EIDL	
Memo:		
$521 billion disbursed ($38.5 billion cancelled or returned)		16,650,000
$132 billion still available		9,997,564

[1] Not including $60 billion in the CARES 2 Act added to the SBA's Economic Injury Disaster Loan Program.
That accommodates 7,000,000 requests.
[3] Assumes that a borrower is eligible for 2½ times the average monthly payroll cost of an employee.

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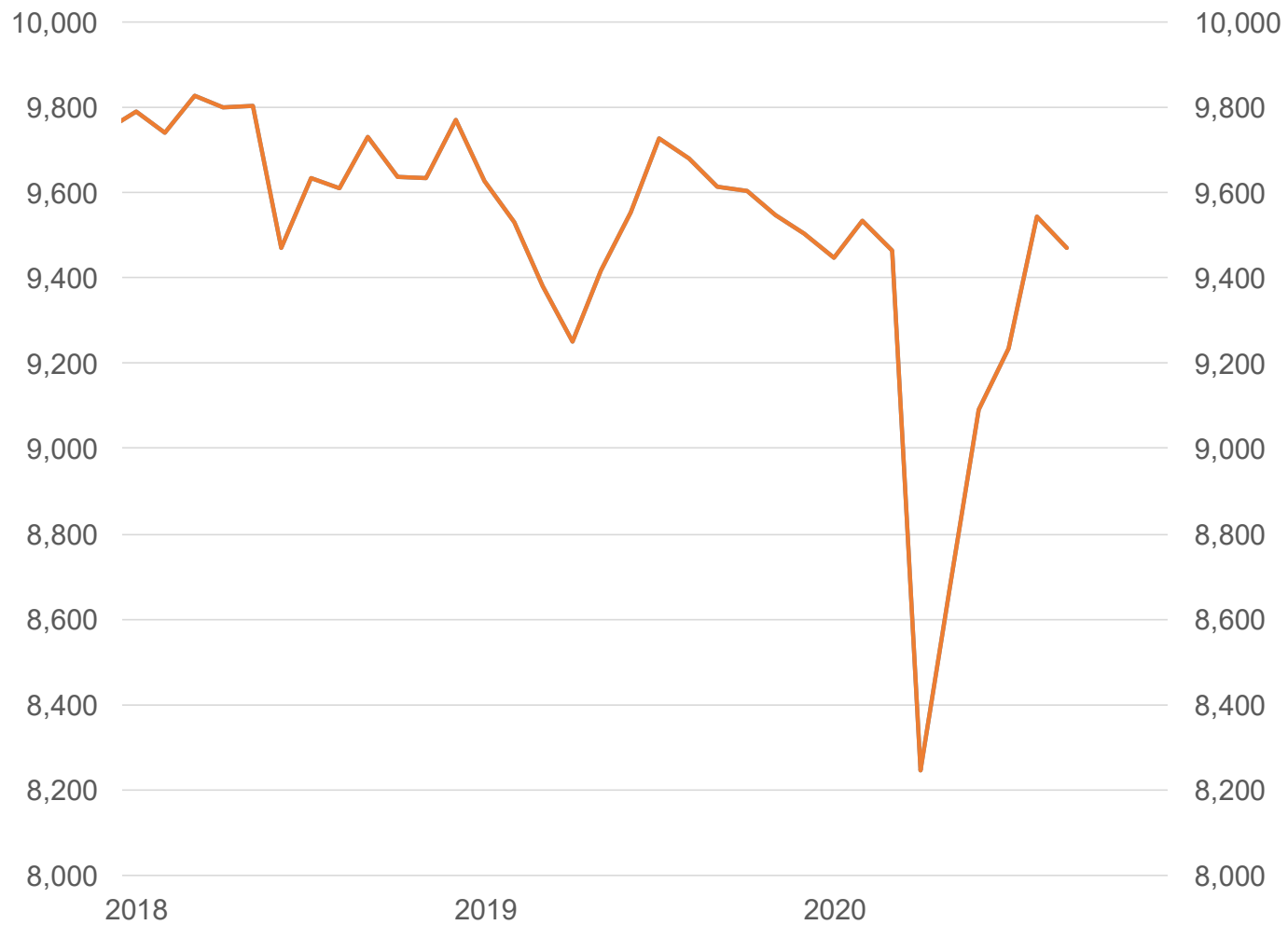
… Put Folks Back on the Books

Nonfarm payrolls (thousands)   Recipients of regular state UI program benefits (thousands)

Nonfarm payrolls (left scale)

Recipients of regular benefits (right scale)

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Self Employment Is Back

Self-employment (thousands)

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Income Transfers ("Paid Leave") …

The Consumer Is Ready to Roll (billions of dollars annualized)

Disposable Personal Income (left scale)

Saving (right scale)

Consumption (left scale)

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Real GDP (billions of chained 2012 dollars)

Real GDP (thick black line), potential real GDP (thin dashed line) and projected real GDP (thin black line), left scale

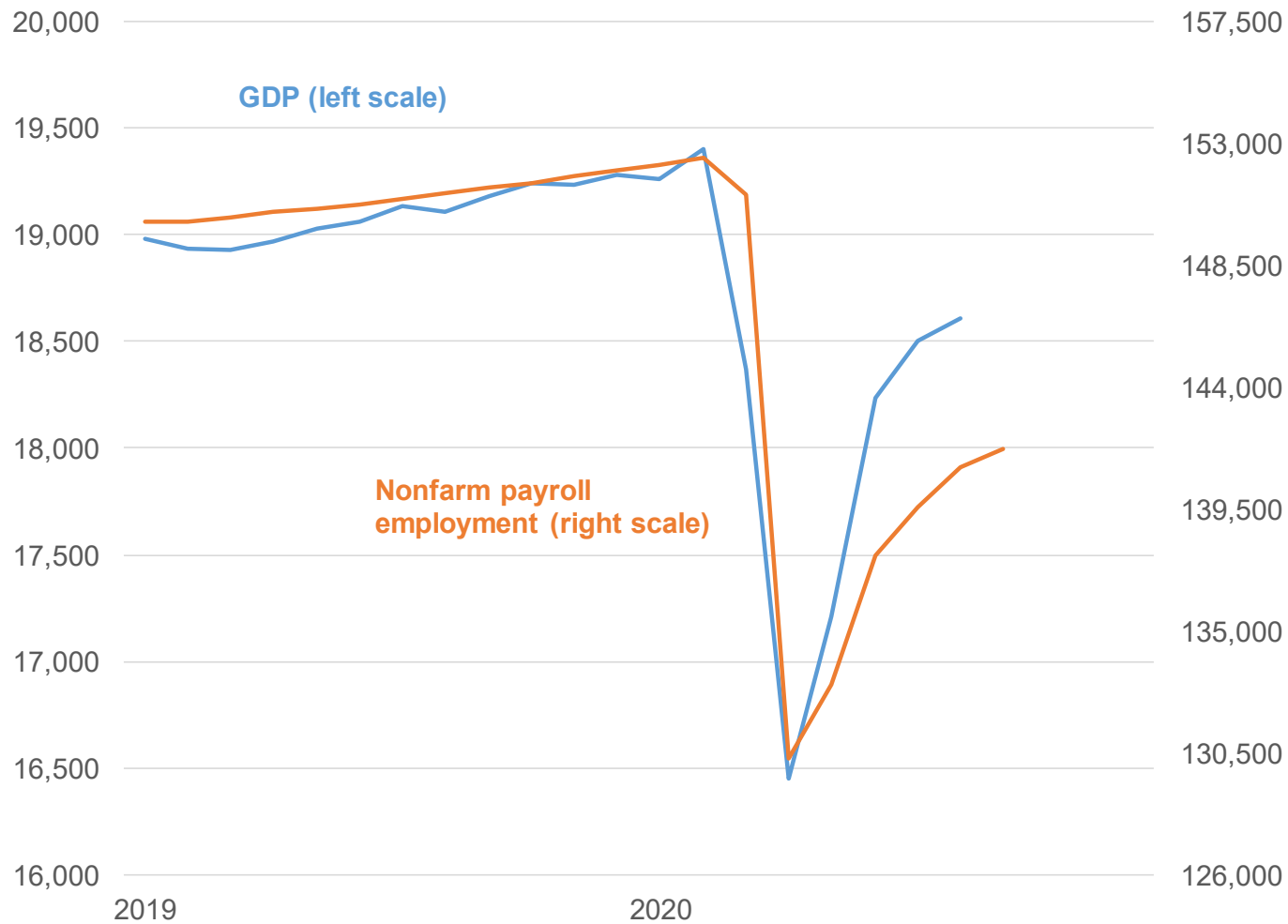**Ratio of actual real GDP to potential real GDP, right scale**
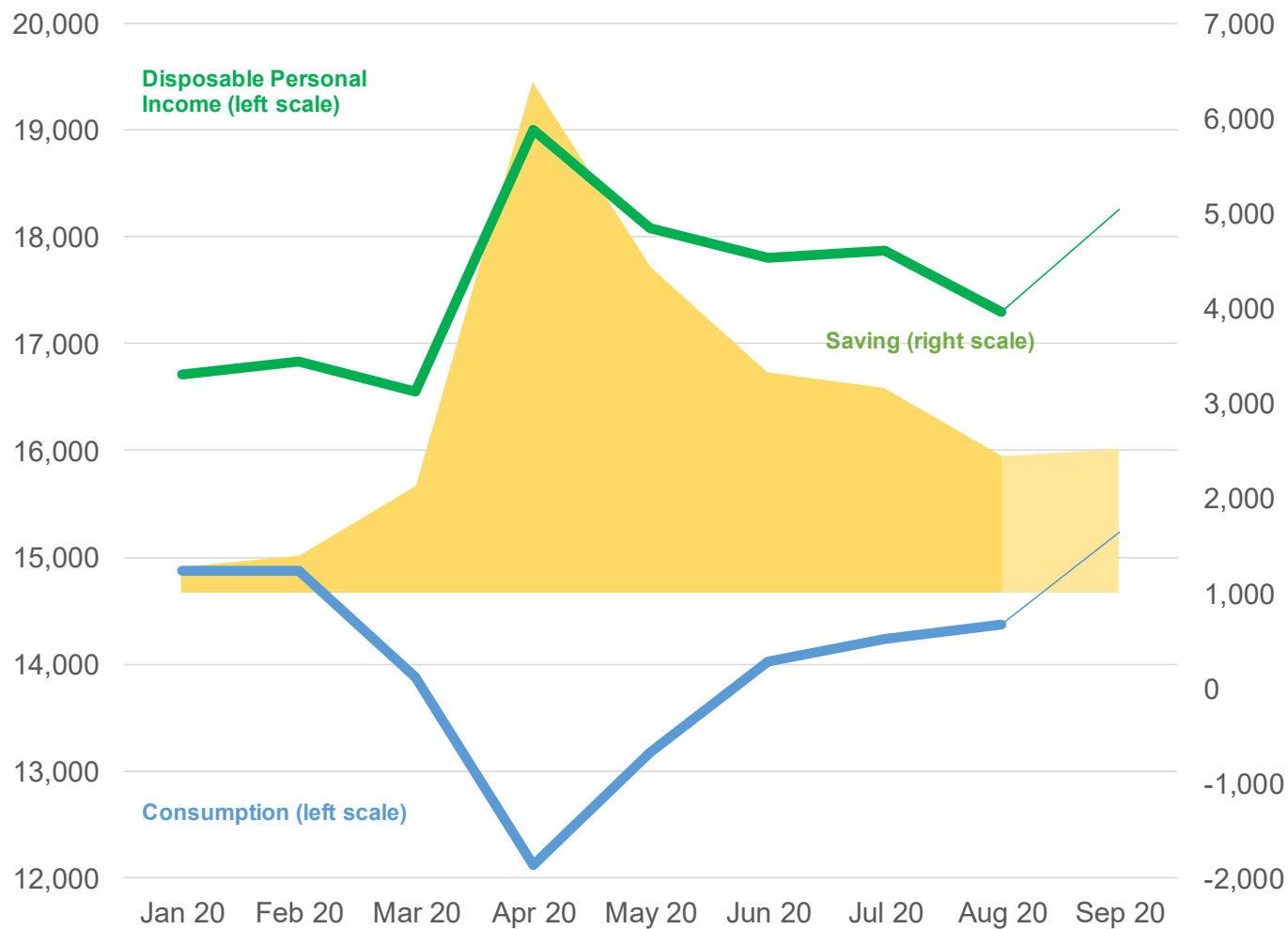
Sources: Haver Analytics; IHS Market. Updated through August 2020.

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But There's a Big Divide

Real GDP (billions of chained 2012 dollars)   Nonfarm payrolls (thousands)

GDP (left scale)

Nonfarm payroll
employment (right scale)

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Why Natural Disaster/Business Cycle Matters

NMHC Rent Payment Tracker									
	2019					**2020**			
Percentage of Rent Payments Made By:	**6th* of Month**	**13th of Month**	**20th of Month**	**27th of Month**	**End of Month**	**6th* of Month**	**13th of Month**	**20th of Month**	**27th of Month**	**End of Month**
April	82.9%	90.1%	93.3%	95.9%	97.7%	78.0%	85.0%	89.2%	91.7%	94.6%
May	81.7%	89.8%	93.0%	94.8%	96.6%	80.2%	87.7%	90.8%	93.3%	95.1%
June	81.6%	88.9%	92.2%	94.7%	96.0%	80.8%	89.0%	92.2%	94.2%	95.9%
July	79.7%	90.1%	93.4%	95.3%	96.6%	77.4%	87.6%	91.3%	93.3%	95.7%
August	81.2%	88.9%	92.1%	94.0%	95.8%	79.3%	86.9%	90.0%	92.1%	94.5%
September	81.2%	88.7%	91.8%	93.7%		76.4%	86.2%	90.1%	92.2%	

Data collected from between 11.1 - 11.5 million apartment units each month.

Methodology:

Data are collected weekly, with the first data collection happening the 1st through the 6th, and all data collections following will be cumulative. For example, the second collection will be the 1st through the 13th, the third will be the 1st through the 20th and so on for the remainder of each month.

When establishing the initial dates for the Rent Payment Tracker, NMHC wanted to track when rent was officially "late" and used the close of business on the 5th as that date. After consultation with property managers and data providers we were informed that a variety of dates are used to determine when rent is considered late, with some saying rent isn't late until as late as the 10th. In addition, those that use the 5th as their deadline reported that many people pay on the last day possible and that some of those payments aren't posted until the 6th. Based on this information, NMHC adjusted its methodology to make the close of business on the 6th the deadline for the first week. Moving this date also moved all other reporting dates by one day.

Partial payments are counted only once monthly, and the payment is captured in the first time period in which it occurs. For example, if an apartment household resident pays a quarter of their rent during the week of May 1, it would be captured in the first week. Subsequent payments that month would not be captured in the data to avoid double counting
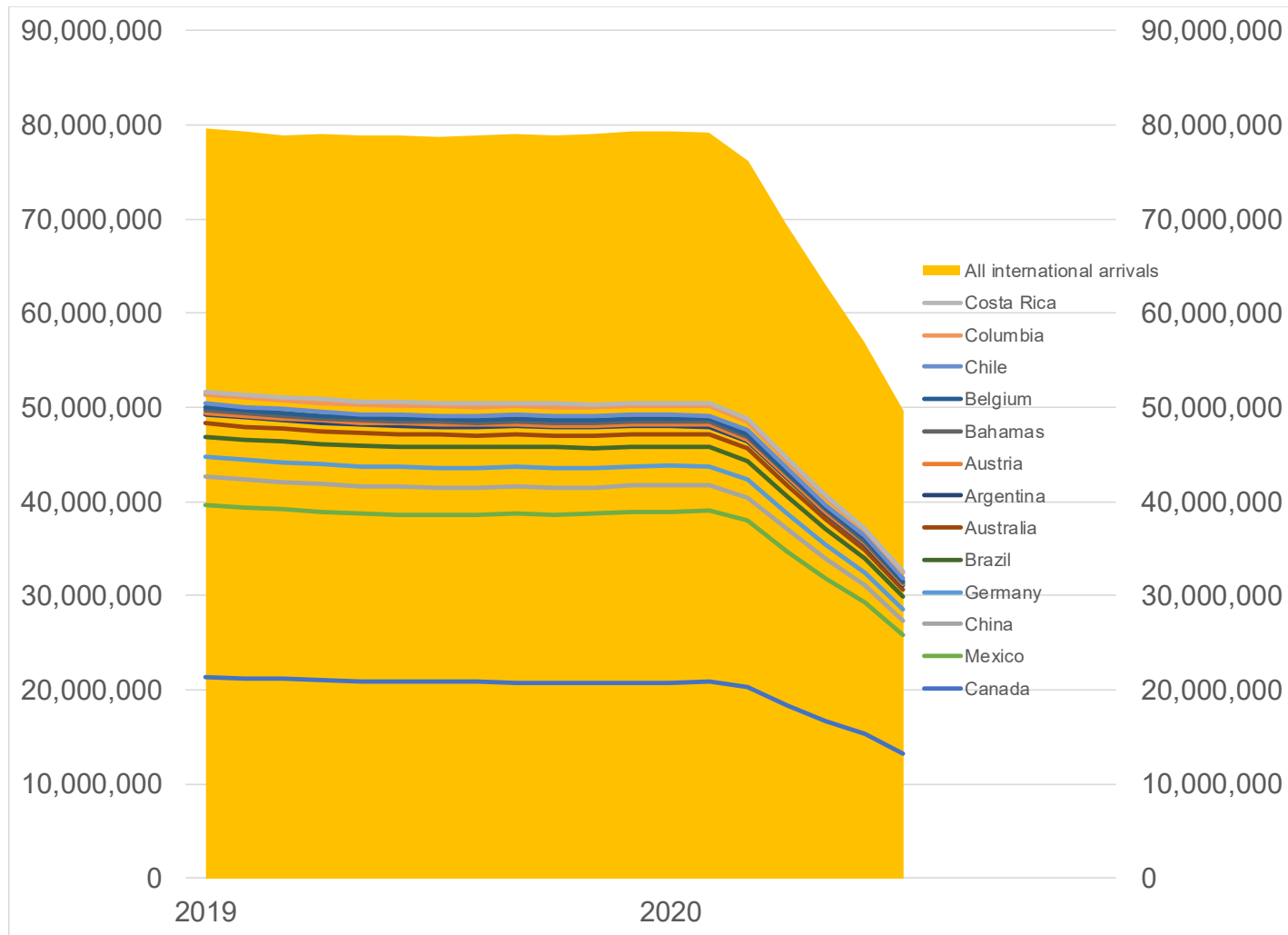
The percentages are based on the total occupied units, excluding vacant units, purpose-built student housing, privatized military housing, and subsidized affordable units. The number of total occupied units will change for many of the property management software (PMS) providers as new units are leased or units are vacated; as such, the total number of units in the dataset will fluctuate.

*Note: These figures are as initially reported; these are calendar days, so the specific day of the week can have an affect on these reported figures, as leasing offices can have reduced hours or be closed on those days, creating potential delays for payment processing.

One More Big Hurdle to Clear …

Number of people arriving to the U.S. over the most recent 12 months

Legend:
- All international arrivals
- Costa Rica
- Columbia
- Chile
- Belgium
- Bahamas
- Austria
- Argentina
- Australia
- Brazil
- Germany
- China
- Mexico
- Canada

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… and It's More About Psychology

Number of passengers departing from the 10 busiest U.S. airports
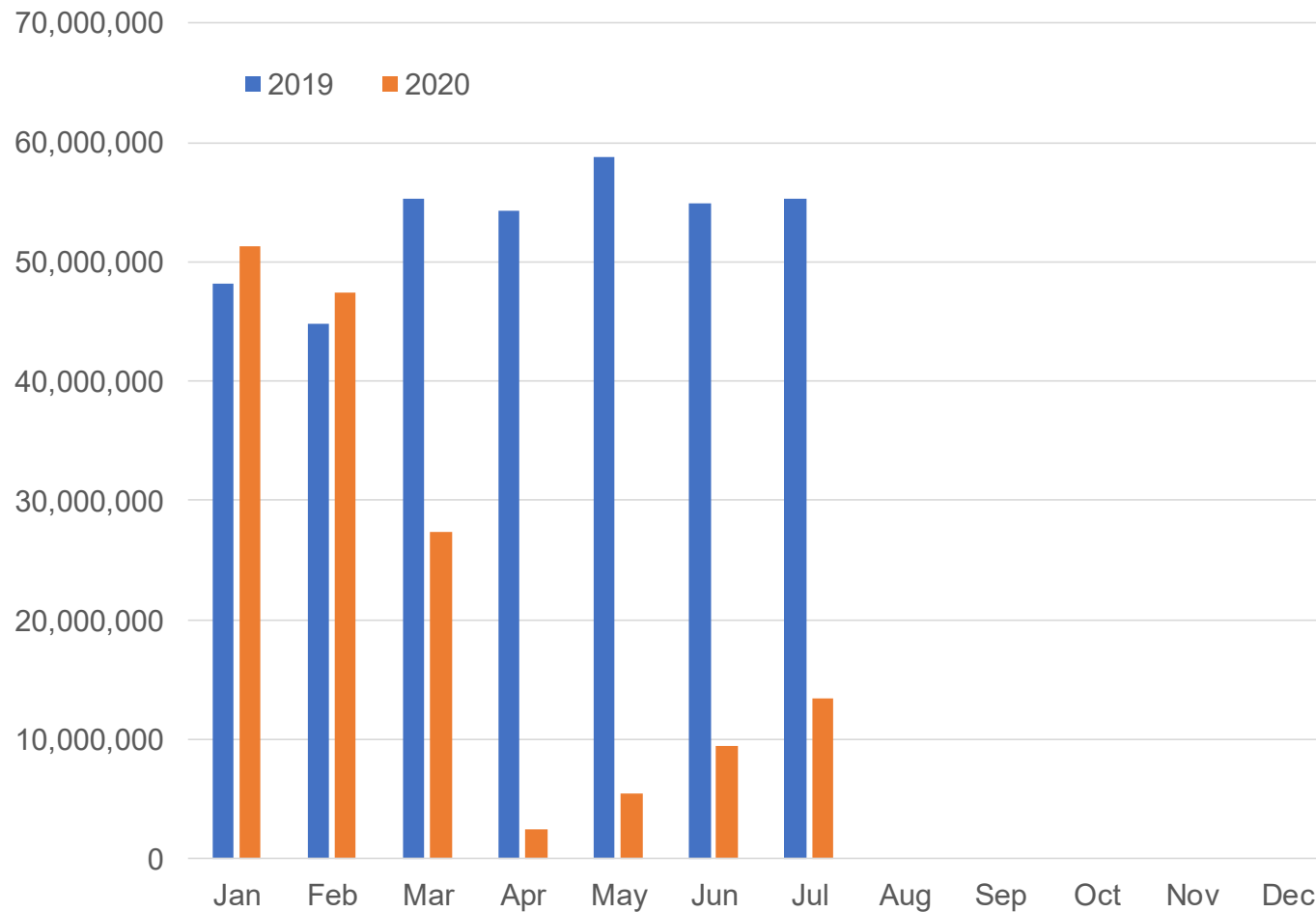
The Federal Reserve's Predictions

Unemployment rate (percent of the labor force)

Unemployment to date and forecast (black line)

FOMC Range of Views

Median FOMC View

Likely Nairu
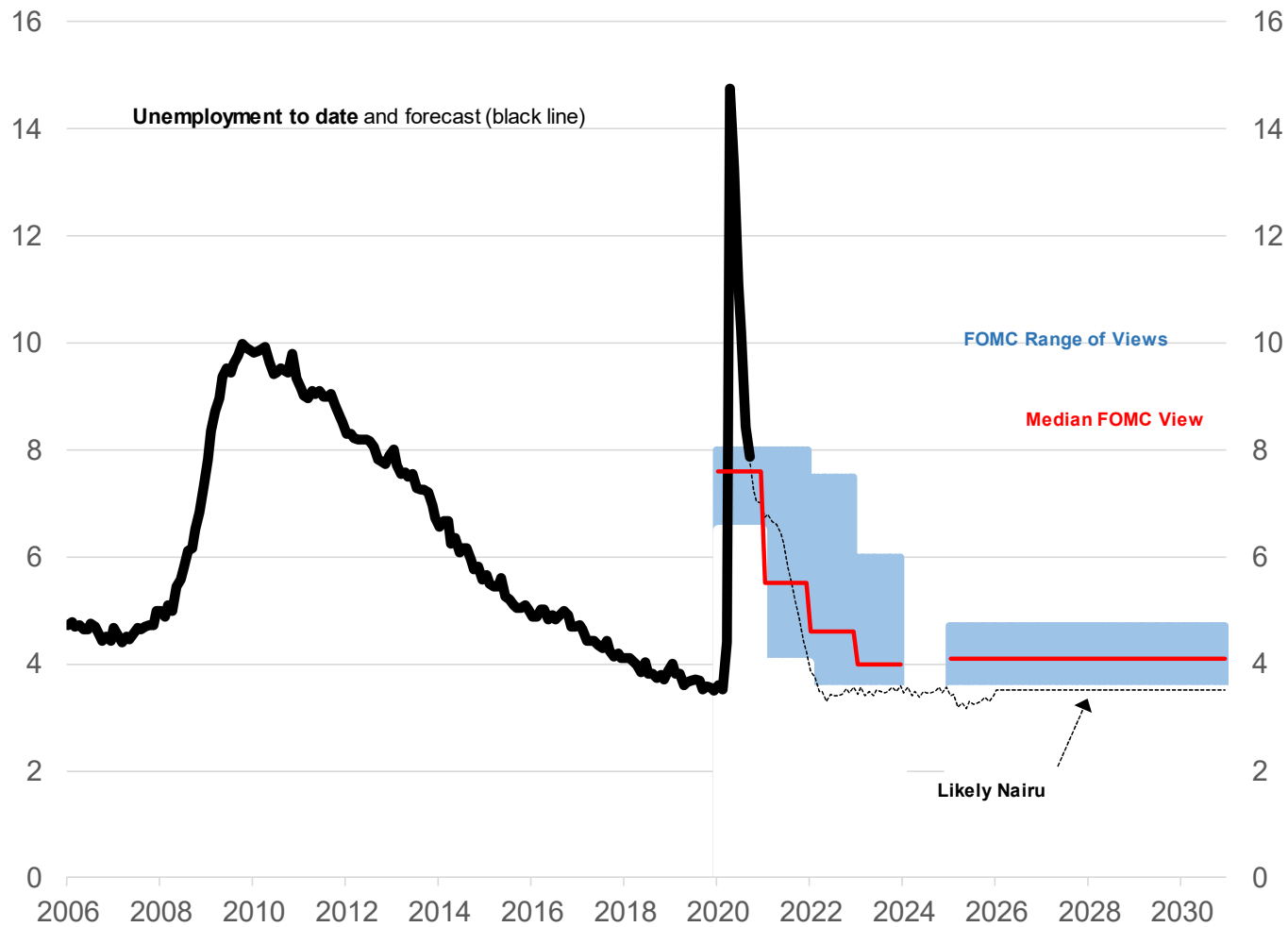
Sources: Haver Analytics; U.S. Department of Labor; Federal Reserve Board. Updated through September 2020 (unemployment) and September 16, 2020 (FOMC).

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Global GDP Road Map (CIB)

Real GDP	Annualized% change from the previous quarter						Percent change over the four quarters of each year					Steady State[1]
	2019 Q4	2020 Q1	Q2	Q3	Q4		2017	2018	2019	2020	2021	
Global	1.8	-10.1	-27.1	**28.7**	**6.5**		3.7	2.7	2.6	**-2.7**	**3.5**	
Global (PPP Basis)	2.3	-12.5	-19.2	**22.9**	**6.5**		3.8	3.0	2.9	**-1.9**	**4.1**	
Nafta	2.0	-5.2	-33.1	**34.2**	**3.3**		2.7	2.4	2.1	**-3.2**	**2.7**	
Canada	0.6	-8.2	-38.7	**44.5**	**5.5**		3.2	1.8	1.5	**-3.7**	**3.5**	2.0
Mexico	-2.3	-4.6	-52.7	**42.0**	**17.0**		1.8	1.2	-0.8	**-6.9**	**4.1**	2.5
United States	2.4	-5.0	-31.4	**33.0**	**2.5**		2.7	2.5	2.3	**-2.9**	**2.5**	1.8
Europe	1.0	-0.5	-48.1	**44.9**	**5.5**		3.2	1.3	1.5	**-5.8**	**2.7**	1.5
EU-28	0.4	0.4	-50.4	**48.0**	**5.7**		3.1	1.5	1.2	**-6.1**	**2.8**	1.5
France	-0.8	-21.5	-44.8	**90.0**	**3.0**		3.1	1.4	0.8	**-4.0**	**2.8**	1.5
Germany	-0.1	-7.8	-33.5	**45.0**	**5.0**		3.6	0.3	0.4	**-1.7**	**3.0**	1.5
Italy	-0.8	-20.3	-45.0	**14.0**	**2.4**		1.9	0.2	0.1	**-15.4**	**1.8**	1.5
Spain	1.7	-19.4	-54.3	**80.0**	**0.0**		3.1	2.3	1.7	**-9.8**	**3.1**	1.5
United Kingdom	0.0	-8.5	-59.8	**95.3**	**18.5**		1.6	1.4	1.1	**-3.9**	**2.6**	1.5
Asia	3.4	-21.3	-5.4	**18.2**	**9.9**		5.1	4.2	3.8	**-1.0**	**4.7**	
Japan	-7.0	-2.3	-28.1	**11.0**	**13.0**		2.6	-0.3	-0.7	**-3.1**	**2.5**	0.8
China	5.2	-40.0	46.0	**10.4**	**8.2**		6.7	6.3	5.9	**1.1**	**4.9**	7.5
India	3.5	2.7	-68.8	**99.0**	**20.0**		7.2	5.7	4.1	**-6.5**	**12.5**	6.0
Korea	5.4	-5.0	-12.0	**5.0**	**7.5**		2.9	3.2	2.4	**-1.5**	**3.2**	4.0
Taiwan	6.6	-4.1	-5.5	**9.2**	**5.0**		3.9	1.3	3.9	**1.0**	**2.8**	
Indonesia	4.8	-2.7	-25.0	**28.5**	**4.0**		5.1	5.2	4.9	**-0.6**	**4.6**	
Singapore	0.6	-3.1	-42.9	**40.0**	**2.0**		2.8	0.8	0.8	**-5.7**	**1.4**	
Hong Kong	**2.2**	-20.2	-72.2	**175.0**	**10.0**		2.0	4.9	1.3	**-9.5**	**3.7**	
Australia	2.2	-1.0	-25.2	**10.1**	**7.9**		2.4	2.2	2.3	**-3.2**	**3.3**	
Other	1.0	-2.9	-21.3	**21.7**	**5.9**		3.0	2.1	2.0	**-0.4**	**3.5**	
Brazil	2.2	-9.5	-33.5	**37.0**	**3.8**		2.4	0.8	1.6	**-3.8**	**1.3**	3.3

[1] Maximum growth rate when the economy is close to full employment.

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