FEMA | PULSE PLATFORM FOR UNDERSTANDING LIFELINE STABILIZATION OF THE ECONOMY

Office of Business, Industry, and Infrastructure Integration

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Next Update: December 23, 2020

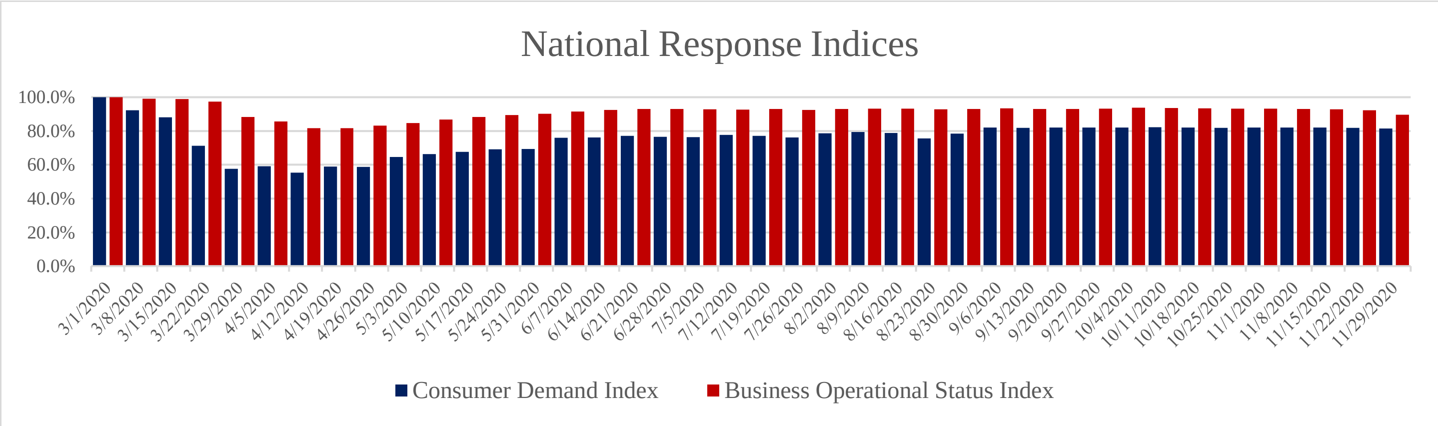
National COVID-19 Update

The Consumer Demand and Business Operational Status Indices offer multi-dimensional assessments of the demand and operational status at the business level relative to their pre-COVID baselines in early March 2020. They show the most complete weekly estimates of the fundamentals of the American economy. The formulas behind the indices were updated on September 11, 2020. As a result of this and weekly revisions, historical values may differ from previous reports.

As depicted in the chart below, the National Consumer Demand Index saw insubstantial decay of **-0.4%** from November 15th to November 29th, falling to **81.6%**. The National Business Operational Status Index saw its largest decrease since April 2020 due to the Thanksgiving holiday, dropping to **89.7%** after a decline of **-3.3%**.

Current Trends

1. National Consumer Demand saw insubstantial decay while Business Operational Status fell by -3.3% across the nation due predominantly to the effects of Thanksgiving.
2. **Florida (2.4%)** saw the greatest increase in Consumer Demand, as it recovered from Hurricane Eta, while western states were rocked by spikes in COVID cases.
3. Firms in the **Educational Services** and **Accommodation and Food Services** industries saw the greatest decreases in Business Operational Status and Consumer Demand, respectively, due to the holiday, but we expect those effects to be temporary.
4. Early PPP data indicate sizeable direct effects of the program, with the more nuanced and difficult to measure indirect effects likely to be massive.



State-by-State Recovery

As shown in the maps below, the Consumer Demand Index increased in five states and territories, saw insubstantial change of less than 1% in 33, and decreased in 15. **Florida (2.4%)** saw the largest increase, as it recovered from the effects of Tropical Storm Eta. **New Mexico (-6.2%)** saw the largest decrease after a spike in COVID cases, which led the state to reimpose a statewide lockdown on November 13th. **Washington (-4.3%)**, **Oregon (-4.1%)**, **Colorado (-2.4%)**, **Vermont (-2.2%)**, and **California (-2.0%)** similarly experienced decreases in Consumer Demand in the wake of the imposition of significant restrictions following an increase in COVID cases.

Every state and territory saw at least a **-1.9%** decrease in Business Operational Status from November 15th to November 29th because of the Thanksgiving Holiday. Additional decreases were present in states like **Oregon (-6.7%)**, **Colorado (-6.5%)**, **Michigan (-5.8%)**, **New Mexico (-5.2%)**, **Minnesota (-5.2%),** and **Washington (-4.6%)** due to the implementation of further business restrictions during or shortly before the period of reference.

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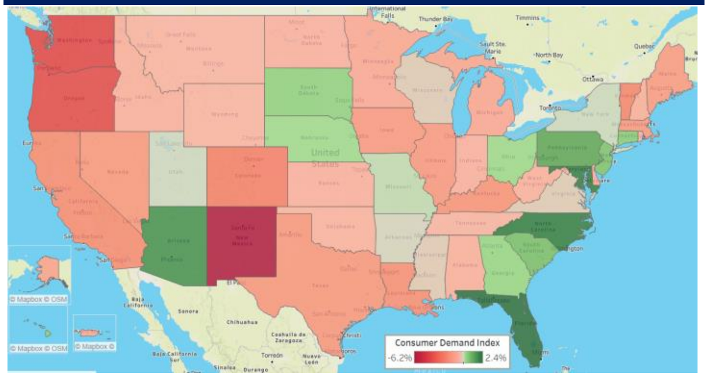
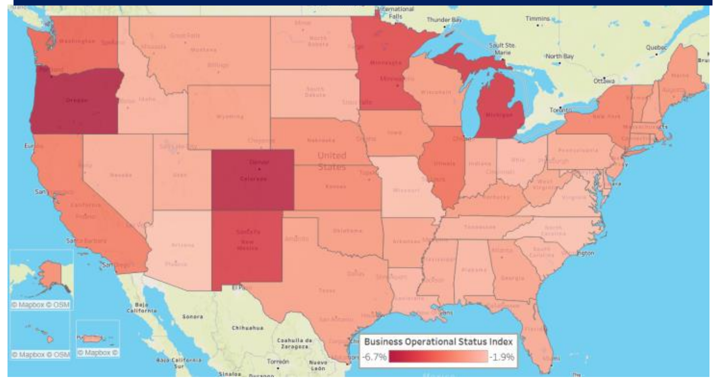
2-Week Change in Consumer Demand (November 29, 2020)

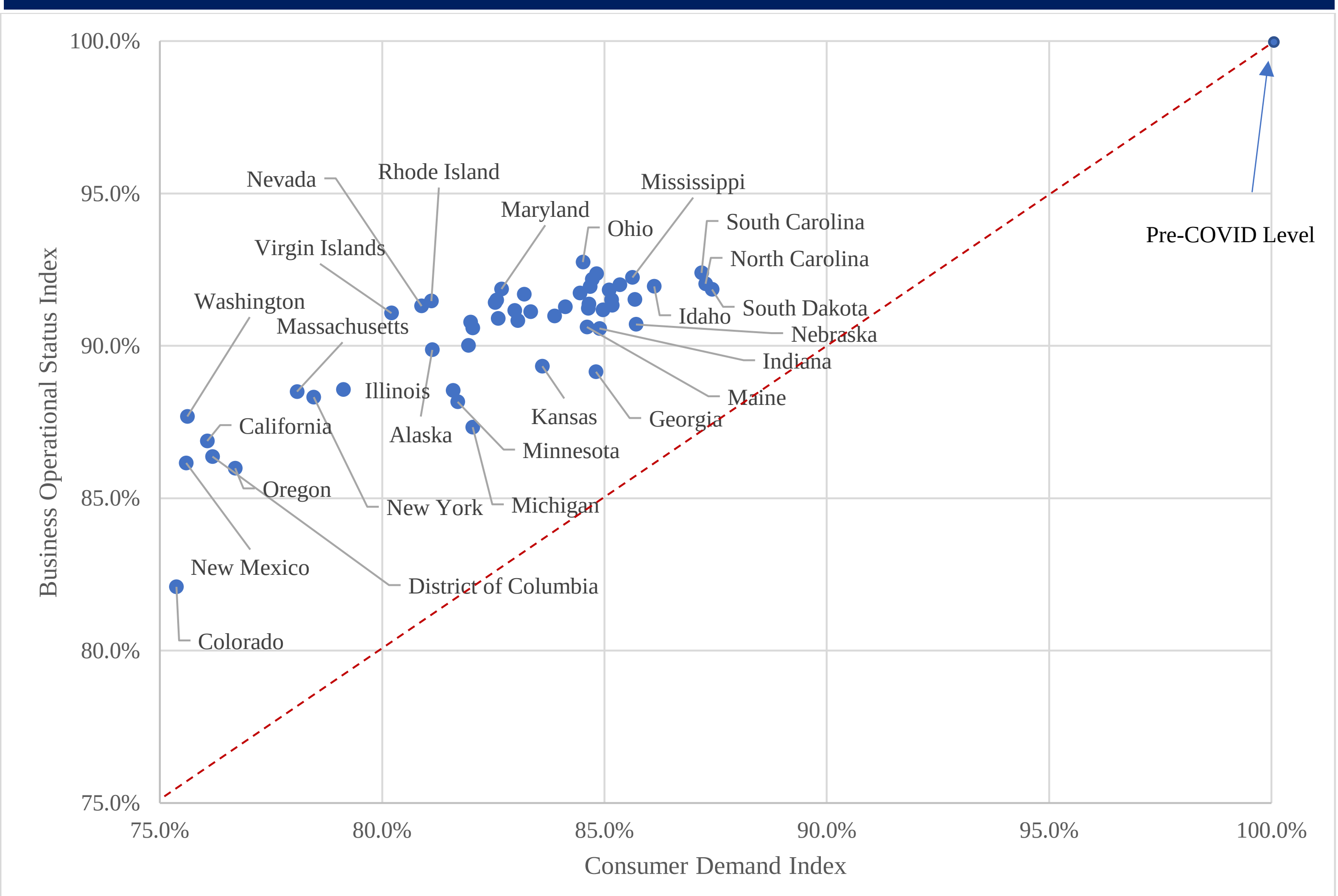


2-Week Change in Business Operational Status (November 29, 2020)



During periods of sustained recovery, the Consumer Demand Index and Business Operational Status Index are expected to move toward parity, which is represented on the plot below by the red dotted line. This may occur either because of Business Operational Status decreasing to meet Consumer Demand, Consumer Demand increasing to meet Business Operational Status, or some combination of the two. In the first two weeks of November the average difference between the two indices decreased by **2.8%**, declining to **8.1%**; the drop was due predominantly to downward convergence in Business Operational Status. However, we expect most of this effect to be a temporary effect of the holiday week.

Consumer Demand and Business Operational Status Index Comparison by State As of 11/29/2020



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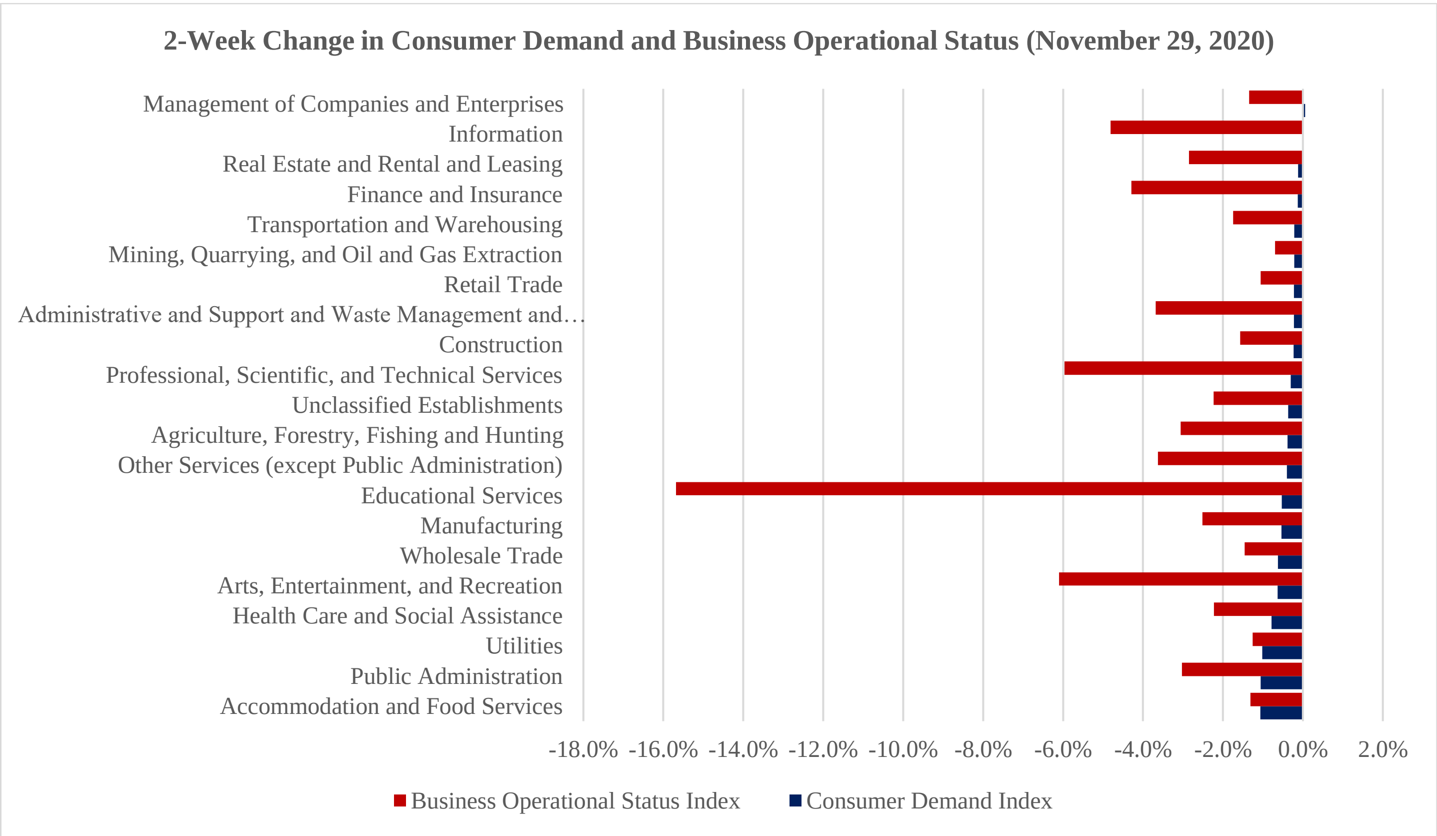
Current Change in Consumer Demand Index and Business Operational Status by Industry

In the last half of November 2020, three industries recorded decreases in Consumer Demand, with 18 seeing insubstantial change of less than 1%. Decreases were largest in **Accommodation and Food Services (-1.1%)**, as people stayed home to prepare for Thanksgiving. Public Administration (-1.1%) and Utilities (-1.0%) similarly saw decreases driven by reduced demand for licensing and regulatory services, and power during the holiday season.

Every industry but **Mining, Quarrying, Oil and Gas Extraction (-0.7%)** observed significant decreases in Business Operational Status**. Educational Services (-15.7%)** fell the most, as schools closed for Thanksgiving, with a small percentage of the decrease likely associated with some states' schools transitioning to remote learning due to increased cases of COVID. **Arts, Entertainment, and Recreation (-6.1%)** saw the second largest decrease; these industries continue to bear the most extreme effects of COVID, with Consumer Demand continuing to average less than half **(43.5%)** of its pre-COVID level.



Partial Effectiveness of the Payroll Protection Program

At the end of March 2020, the Small Business Administration began to administer one of the largest lending and disbursement programs in the history of the country. With the recent release of the remainder of the data on companies receiving PPP data, we are finally able to take our first look at the effectiveness of a program that loaned out **$525,012,201,124** to **5,212,128** businesses. The charts below track the Business Operational Status and inactivity of firms receiving PPP loans by loan group and risk level. As shown, early evidence is indicative of a widely successful program.

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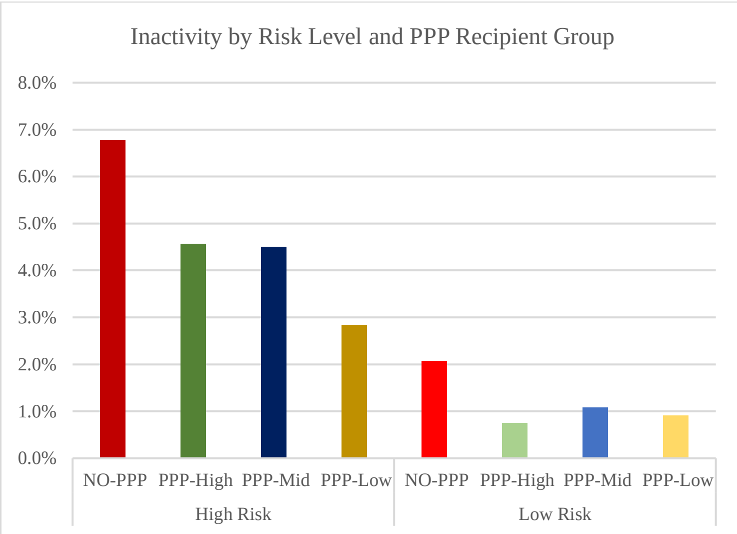

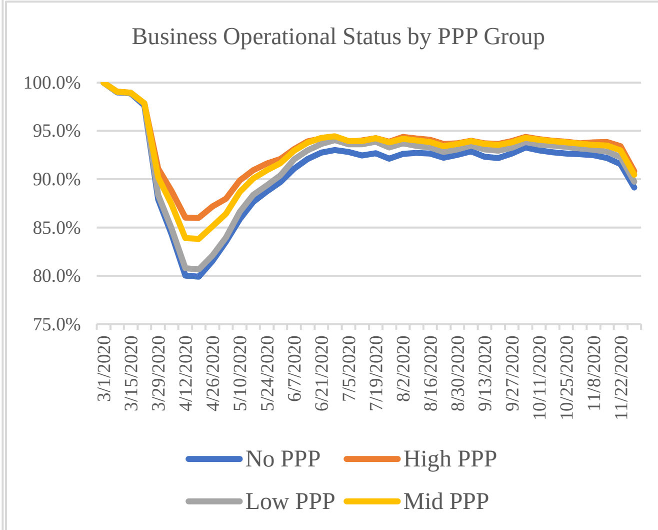

Since November 2019, **at least 587,296** businesses have gone inactive, 76% of which were firms that did not participate in the PPP program. While a full model of probability of inactivity is beyond the scope of this section, and the effects of the pandemic have by no means dissipated, there is ample evidence that the firms the PPP program reached were helped significantly.

Firms that did not receive PPP funding were more than twice as likely (**121.9%** more likely) to go inactive. While still significant, high-risk firms saw less of an effect, with the ones that did not receive PPP funds **103.9%** more likely to go inactive compared to a **123.7%** increase in the inactivity rate among low-risk firms that did not receive PPP loans. In the absence of the PPP program, a quick estimate indicates that an additional **35,535** firms would have gone inactive before November 2020, leaving **478,932** people without jobs.

This is without considering the effects of explicit purpose of the program, which was to mitigate damage caused by loss of income in the wake of the largest ever negative demand shock. In total, **44,621,050** people or **27.1%** of the U.S. labor force are employed by firms that received PPP loans, and continued payments to these people are required for these loans to be forgiven. Those protected paychecks, coupled with increased unemployment benefits and stimulus checks among other remediating measures, inarguably prevented even further erosion in demand and lowered inactivity across the board. Because the effect spread across the country simultaneously, it is difficult to estimate without careful instrumentation, which is also beyond the scope of this analysis, but we can be certain that the PPP program's impact was substantial.

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Key Takeaways

Business Operational Status fell around the country as a result of the Thanksgiving holiday, with added decreases in the states, particularly on the West Coast, that re-imposed restrictions and stay at home orders in the wake of rising COVID cases.

Educational Services saw the largest decrease in Business Operational Status due to the holiday, with **Accommodation and Food Services** seeing the largest reduction in Consumer Demand.

Direct effects of the Payroll Protection Program likely kept more than **35,000** firms (and their approximately **480,000** employees) from going out of business, with the indirect effects of the program certain to dwarf those numbers.

For more information, contact the Office of Business, Industry, and Infrastructure Integration at nbeoc@max.gov.