Resurging virus could throw burgeoning economic recovery off its rails

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The nascent economic recovery that had started to sprout across the nation as businesses reopened following COVID-19-mandated closures, has been thrown a major curveball as new cases of the virus have surged. According to an analysis released today by the UC Riverside School of Business Center for Economic Forecasting and Development, jobs, income, public revenue, and other indicators are likely to recover more slowly than the Center originally anticipated due to the resurgence of the virus in locations across the U.S., including Southern California and the Inland Empire.

"We always knew that controlling the virus was central to the economic recovery so it's truly gut wrenching to watch a new wave of cases trigger this step back in the re-opening of businesses and other public places," said Taner Osman, Research Manager at the Center for Economic Forecasting and one of the report's authors.

"Returning to normalcy in terms of employment, the supply chain, and consumer demand is directly tied to controlling the spread of the virus; it is a primary factor in determining the speed of the economic recovery."

According to the analysis, the recovery that was somewhat underway in May, after huge losses in April, was occurring more slowly in California than in the nation as a whole. However, this is not due to any structural issue but may be attributed to other states opening more quickly than California and possibly that residents were more cautious here than in other locations. The Center for Forecasting does not expect California to regain all its lost jobs until the end of 2021.

Key Findings:

- U.S. Industry Fallout: Some sectors in the United States have been hit much harder than others. Despite the addition of 1.2 million jobs in May (the latest numbers available), the Leisure and Hospitality sector has lost 6.3 million jobs in the nation since March, accounting for roughly 37% of all jobs lost. Moreover, with the resurgence, the recent gains may be lost or significantly reduced.
- U.S. Stimulus Pressure: Disposable personal income fell 4.9% in

May, but consumption increased 8.2%, driven by stimulus checks and unemployment benefits. The Federal stimulus measures expire at the end of July, however, and that will undoubtedly act as a headwind for the economy.
- California "Temporary" Job Loss: About 75% of workers who have been laid off in California say they are temporarily unemployed, and the hope has been that most will return to their jobs as businesses reopen. However, the recent resurgence of the virus will most certainly slow that return.
- California Public Sector Strain: The strain on public budgets from revenue losses will inevitably lead to job losses in the Government sector.
- Inland Empire: The response to the pandemic has taken a significant toll on employment in the Inland Empire (down -12% as of May), however the region has performed slightly better than Orange County (-15%), Los Angeles County (-13%), and the state as a whole (-13%). The Inland Empire labor market is not expected to fully recover until the second half of 2021.
- Inland Empire Logistics A Winner: The Logistics sector, a longtime driver of growth in the Inland Empire, is the only major sector to have expanded in the region on a year-over-year basis (3.6%, or 2,600 jobs) since stay-at-home orders began. The sector has benefited from a consumer shift to online spending.

The new Inland Empire Regional Intelligence Report examines how the United States, California, and the Inland Empire have been affected by the VOVID-19 pandemic, including how these regions will recover, the damage that has been caused, and the reaction by consumers and the public.

More information: Inland Empire Regional Intelligence Report: ucreconomicforecast.org/wp-con … RIR_Q2_July_2020.pdf

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