Using Opportunity Insights' Economic Tracker to Examine the Uneven Impacts of the Coronavirus Pandemic

Opportunity Insights' Economic Tracker is a tool developed to measure a number of indicators related to economic activity during the pandemic. The Economic Tracker compares data from 2020 and early 2021 to a reference period before the coronavirus pandemic began to affect the U.S. economy, January 4th – 31st, 2020.

Employment and Income Data

The Economic Tracker reported private employment in New Hampshire was 7.1 percent lower on December 5th, 2020 than it had been in the reference period. (For comparison, New Hampshire Employment Security's Current Employment Statistics (CES) program estimated that private employment decreased 4.5 percent from January 2020 to December 2020. CES estimates are based on the week that includes the 12th of the month).[1]

To compare employment outcomes for workers with different earnings levels, workers were also categorized into low, middle, and high wage groups. Low wage workers, who earned less than $27,000 in 2019, represented the lowest 25 percent of earners. High wage workers, representing the top 25 percent of earners, earned $60,000 or more in 2019, and all workers earning between $27,000 and $60,000 were considered middle wage.[2]

There were large differences in outcomes between different wage groups. During the early months of the pandemic, employment did not decrease as much for high wage workers as it did for other workers, and employment returned to pre-pandemic levels by late May. By December 5th, employment for high wage workers was higher than in the reference period by 1.4 percent.

The recovery was not as strong for middle wage workers. Employment reached a peak 0.7 percent below the reference period during September. Employment decreased starting in late September, and by December 5th, it was 3.0 percent lower than the reference period.

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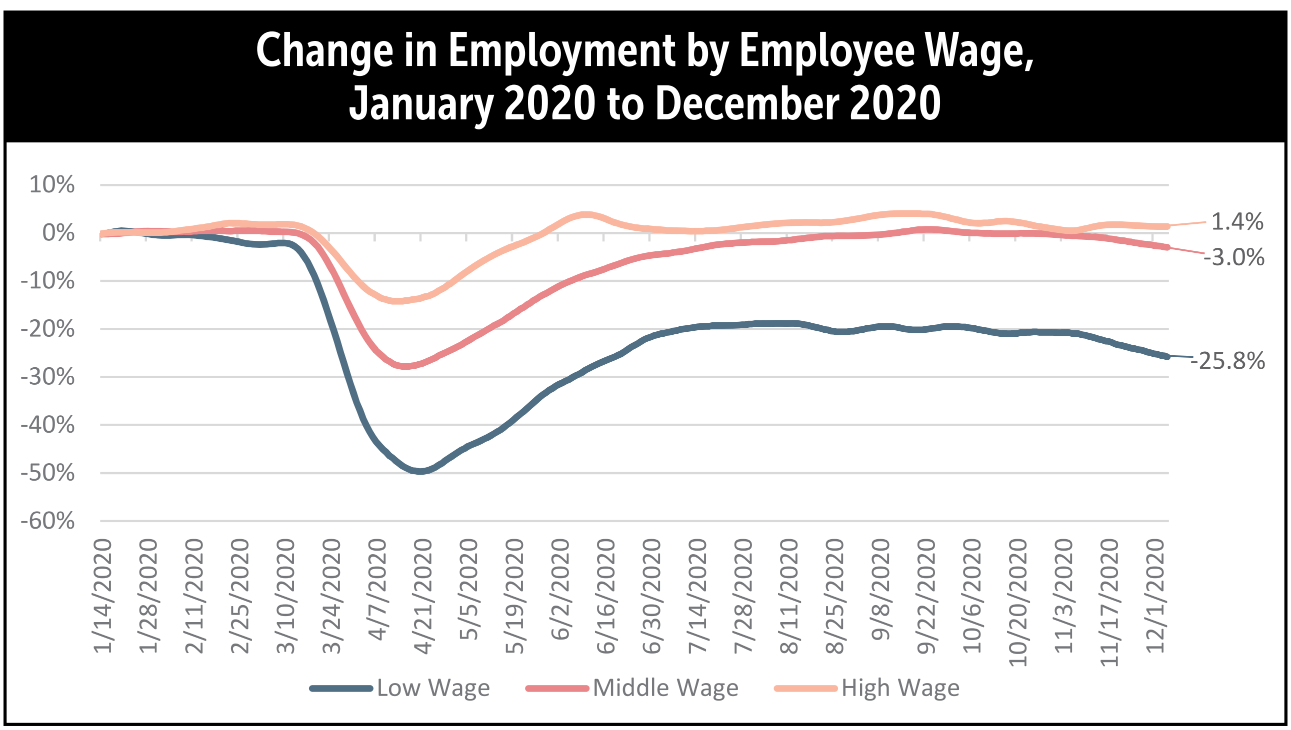
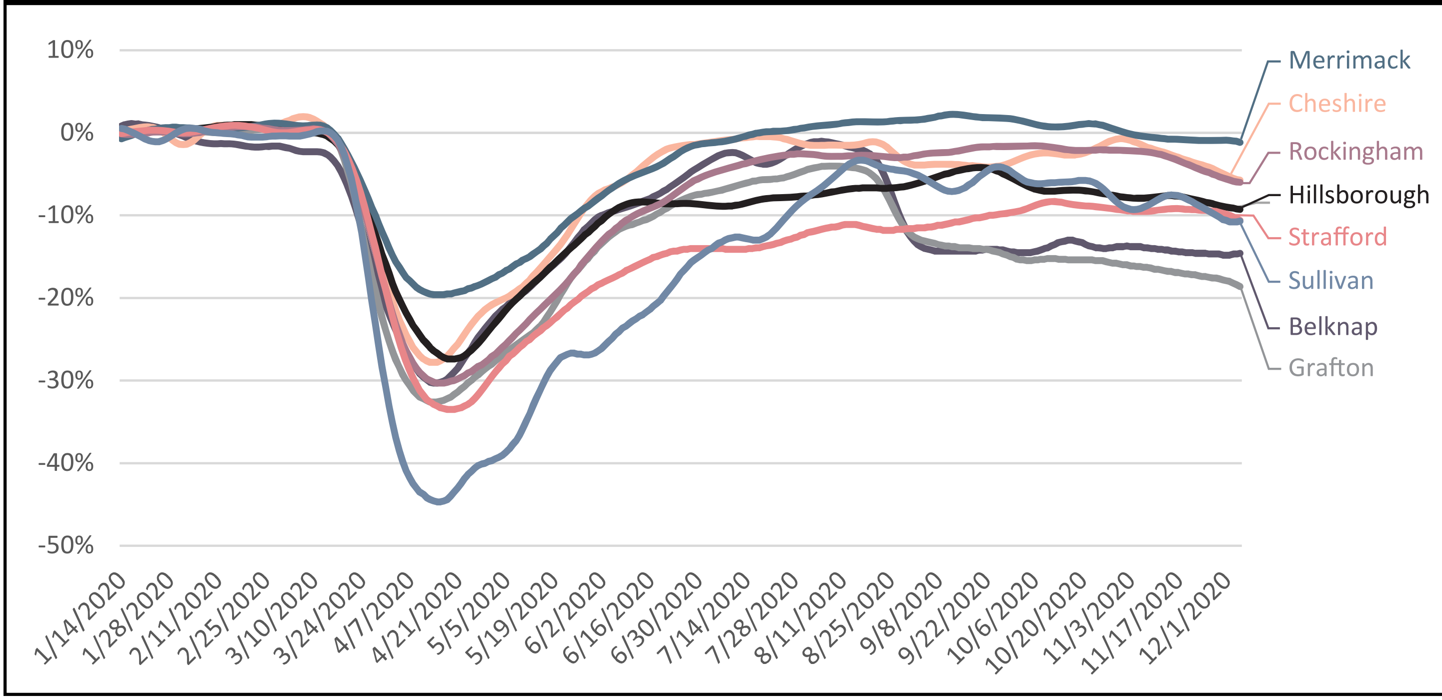


Source: Opportunity Insights Economic Tracker

1 Employment data from the Employment Tracker are not adjusted for seasonal employment variations. Seasonal factors generally cause employment in New Hampshire to be higher in December than in January.
2 Wage quartiles are based on 2019 national wage data from a number of private payroll and financial management firms. Since average earnings in New Hampshire are higher than in the U.S., these percentages likely do not represent the top and bottom 25 percent of earnings among New Hampshire workers

Employment by County



Source: Opportunity Insights Economic Tracker

Employment for low wage workers was affected most by the pandemic; it declined 50 percent during the early months of the pandemic, and reached its highest point in mid-August, still 19 percent lower than during the reference period. Since August, employment for low wage workers has trended downward, falling 25.8 percent below the reference period by December 5th.

Employment trends varied by county. As of December 5th, employment changes since the reference period ranged from a decrease of 18.6 percent in Grafton County, to a decrease of just 1.2 percent in Merrimack County. Middle wage employment in Grafton County was 18.2 percent lower than in the reference period, well below the statewide average. By contrast, employment for middle wage workers in Merrimack County was 1.4 percent higher than during the reference period.

Although employment overall in Grafton County decreased more than any county, employment for high wage workers increased 7.8 percent over the reference period, a larger increase than any other county. Rockingham and Merrimack counties also saw large increases in employment for high wage workers, 5.6 and 5.4 percent, respectively.[3]

Consumer Spending Trends

The Economic Tracker also measures consumer spending patterns, based on credit and debit card transaction data. Consumer spending data is reported in daily increments, which results in large fluctuations in the data. This analysis uses a 7-day rolling average to reduce daily fluctuations.

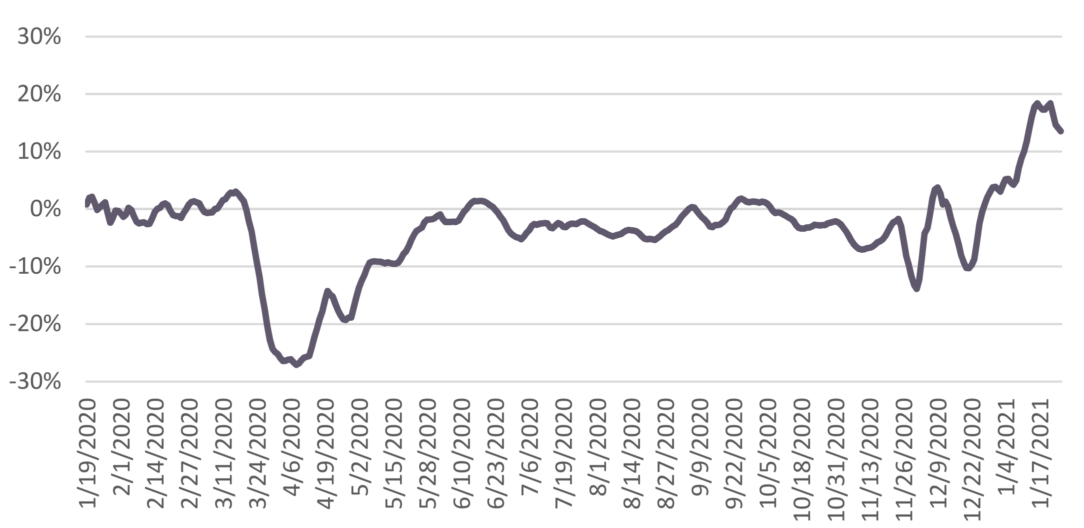
By late March, when the pandemic and efforts to prevent its spread first reached New Hampshire, overall consumer spending fell 27 percent below spending during the reference period. Spending increased through April and May, and between June and October, consumer spending returned to levels near those of the reference period, ranging from six percent below reference period spending to two percent above reference period spending. Spending fell in November and early December, although starting in the last week of December, consumer spending surpassed spending levels during the reference period.

Changes to consumer spending did not affect all industries equally. *Grocery and food store* spending was above reference period spending throughout the pandemic, including 54 percent above the reference period in March. *Retail trade* spending was also higher than reference period spending, except for a few weeks in late March and early April.[4]

Spending on *arts, entertainment and recreation*, *transportation and warehousing*, and *accommodation and food services* all fell sharply when the pandemic began, and remained well below reference period spending levels throughout 2020 and early 2021.

3 Total employment was not available for Coös and Carroll counties. Data were not available at all income levels for all counties.
4 The *grocery and food store* subsector is part of the *retail trade* sector, but in these data, they are reported separately.

Percent Change in Total Consumer Spending



Source: Opportunity Insights Economic Tracker

Consumer spending data was also categorized as high, middle, or low income, determined by the ZIP code of the spender, and by the U.S. Census Bureau's median household income data. Consumer spending for residents of middle income areas saw the smallest decreases in spending. For most of the period between May and October, spending by residents of middle income areas was higher than spending during the reference period. As total consumer spending increased in late December 2020 and January 2021, the increase in spending by residents of middle income areas remained higher than the increase in spending by residents of high or low income areas.

Residents of high income zip codes reduced spending in March 2020, primarily on services that required in-person interactions. The decline in spending by high income consumers was primarily driven by health concerns, not by a lack of income or purchasing power.[5] Spending by residents of low income areas fell more than other income groups, with spending early in the pandemic falling to less than 50 percent of spending during the reference period. Spending decreased again during November and early December, before increasing dramatically at the end of the year.

Increases in consumer spending, particularly for residents of low wage areas, were associated with additional government benefits. The Lost Wages Assistance program paid unemployed workers an additional $300 per week for up to five weeks, with most benefits paid in September. The Federal Pandemic Unemployment Compensation program was reinstated in January 2021, which also paid an additional $300 per week in unemployment benefits. An additional Economic Impact Payment of up to $600 per family member was paid to households earning less than $75,000 per single resident ($150,000 per household) in early 2021. These benefits coincided with increases in spending by residents of low income areas.

How Have Small Businesses Been Affected by the Pandemic?

The Economic Tracker uses two indicators to measure the impact of the pandemic on small businesses: revenue and openings.[6] The small business revenue measure, like the consumer spending measure, uses credit card transaction data, but based on the location of the business, rather than the consumer. The small business openings data considers businesses open if it had any credit card transactions in the previous three days, and closed if they do not.

For most of 2020, small business revenue in New Hampshire was lower than revenue during the reference period by roughly 20 and 30 percent. Revenues decreased most for businesses located in high income areas. As of February 4th 2021, revenues for businesses located in high income areas were 47 percent below revenues during the reference period. Small businesses located in middle income areas saw revenue decline 18 percent, while revenues for small businesses located in low income areas declined three percent.

The number of small businesses open in New Hampshire fell nearly 50 percent in April, and remained between 20 and 30 percent below openings during the reference period for the second half of 2020 and early 2021. *Leisure and hospitality* businesses were more affected than businesses in other industry supersectors, with the number of small businesses open typically 35 to 40 percent lower than the reference period. Small businesses in *trade, transportation and utilities* were more likely to be open; in February 2021, the number of small businesses open was roughly ten percent lower than in the reference period.

5 Raj Chetty, et. al., *The Economic Impacts of COVID-19: Evidence from a New Public Database Built Using Private Sector Data*, pg. 2. https://opportunityinsights.org/wp-content/uploads/2020/05/tracker_paper.pdf.
6 Small business classifications are based on thresholds defined by the U.S. Small Business Administration. Thresholds vary by NAICS code, between fewer than 500 employees and fewer than 1,500 employees. For some industries, revenue is used to determine small business status instead of employment.

Summary

Dividing trends into high, medium and low earnings/income categories highlights how uneven the effects of the pandemic have been. High wage workers suffered relatively few effects to employment, particularly in the second half of 2020. Although employment for high wage workers was not affected as much as employment for workers earning lower wages, spending by residents of high wage areas (high wage workers and residents of high wage areas measure two different populations, but there is presumably overlap between these groups) decreased more than spending by residents of lower income areas, primarily due to a reduction in discretionary spending.

The change in spending habits for residents of high income areas was largely driven by health and safety concerns, not by a loss of income. These residents are generally waiting for the end of the pandemic to return to previous consumer confidence and spending habits.[7]

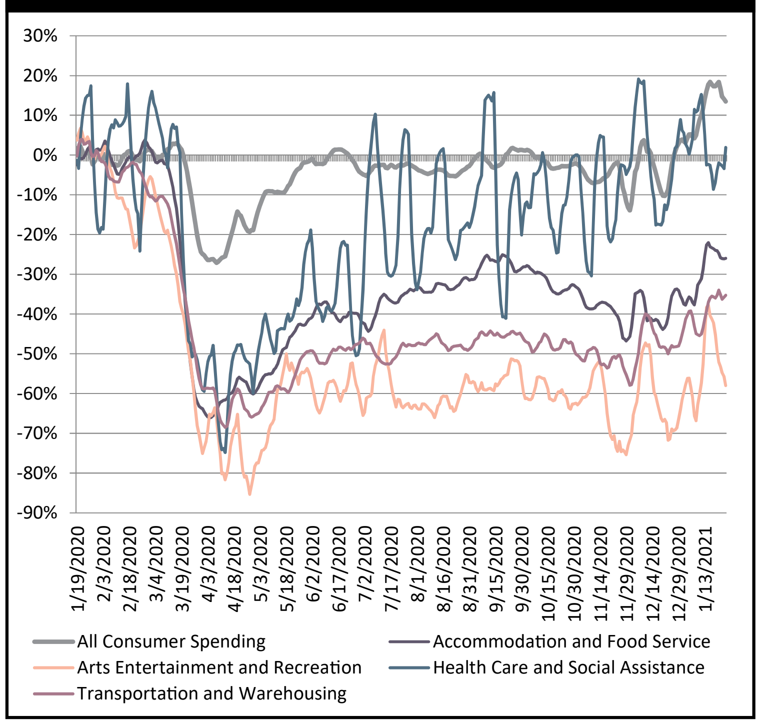
Workers, particularly low wage workers, who have been either unemployed or out of the labor force for much of the last year face challenges to reemployment. Many low wage jobs may never return, as business closures, along with long-term trends towards automation and outsourcing, may eliminate these jobs permanently. In particular, employment in *retail trade*, which had declined for three years prior to the pandemic, is unlikely to return to 2019 employment levels. While there will be opportunities for employment, the pandemic will likely result in a significant reallocation of labor from one occupation or industry to another. For many workers who lost their job during the pandemic, retraining for a new occupation will be needed.

– Greg David

Percent Change in Consumer Spending by Industry, Pt. 1

Source: Opportunity Insights Economic Tracker

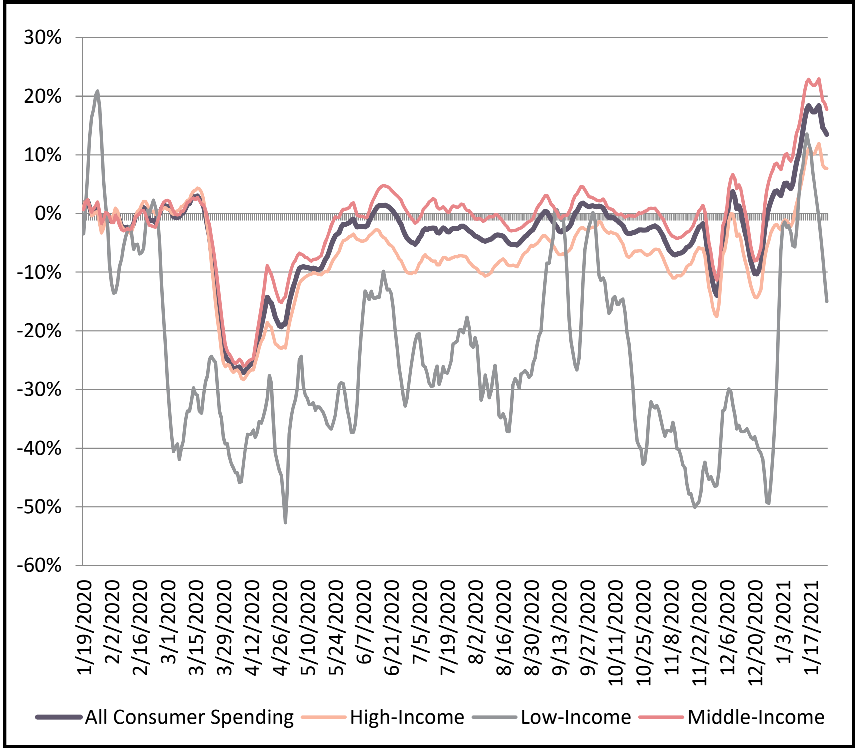
Percent Change in Consumer Spending by Industry, Pt. 2



Source: Opportunity Insights Economic Tracker

7 Raj Chetty, et. al., *The Economic Impacts of COVID-19: Evidence from a New Public Database Built Using Private Sector Data*, pg. 5. https://opportunityinsights.org/wp-content/uploads/2020/05/tracker_paper.pdf.

7-Day Rolling Average of Consumer Spending by Income Level



Source: Opportunity Insights Economic Tracker

Small Business Openings by Sector

Source: Opportunity Insights Economic Tracker