

Research Briefing | US

Recovery Tracker declines as pandemic rages on

Economists

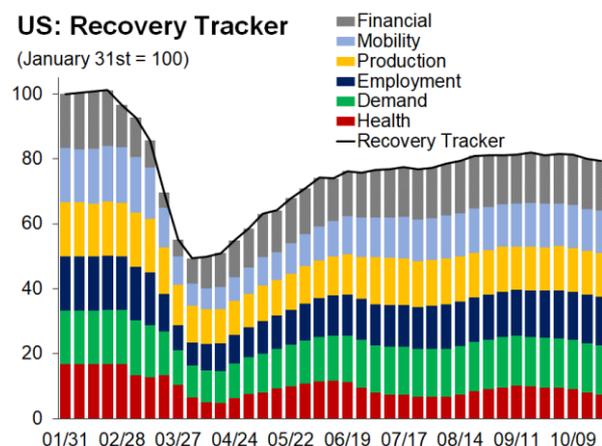
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- The US Recovery Tracker posted its third consecutive decline in the week ended Oct. 23, falling 0.6ppts to 79.4. The dangerous cocktail of surging Covid infections and fading fiscal support led to a visible slowdown in economic activity in October, with the tracker falling to its lowest level in 10 weeks.
- The recovery picture as the US election neared reflected a rapidly deteriorating health situation that's weighing on mobility, while slower employment gains proved insufficient to offset the lapse in fiscal aid. That's keeping demand in check, which is largely flat over the past six weeks. With pre-election volatility leading to tighter financial conditions and production cooling, the Recovery Tracker headed in the wrong direction in late October.
- Subnational conditions deteriorated broadly, with 41 State Recovery Trackers declining. Health conditions worsened again across all regions, leading to widespread drops in activity and employment. Conditions in most of the largest state economies weakened, led by Georgia, Michigan, Illinois, California, and Pennsylvania. Florida, New York, and Texas held steady.
- The economy is sending distressing signals to policymakers, but it's uncertain whether significant fiscal support will arrive before year-end, particularly with post-election policy gridlock likely in Washington, DC.
- While our November baseline assumes a \$1.5tn fiscal relief bill will be passed around year-end, a likely Republican Senate would prevent a possible President Biden's ambitious agenda from being fully implemented. With economic momentum slowing as the year-end nears, we forecast real GDP growth averaging about 3.6% in 2021, compared with the 3.7% in our October baseline.
- *We invite you to use the interactive [Power BI](#) dashboard on our website.*

Figure 1: Virus surge weighs on our Recovery Tracker for a third consecutive week



Our Recovery Tracker fell 0.6ppts to 79.4 in the week ended Oct 23. It hasn't advanced since Oct. 2, and the possibility of renewed lockdowns is feeding into business uncertainty and fragile consumer sentiment.

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National Recovery Tracker

The US Recovery Tracker fell 0.6ppts to 79.4 in the week ended Oct. 23 (**Figure 2**), its third consecutive decline as the health situation steadily worsened.

Health (-4.1ppts to 44) deteriorated to its lowest level in 10 weeks with new Covid cases per million, test positivity, and ICU utilization all surging for a third straight week.

Production (-0.5ppts to 80.3) slowed as new business applications and small-business openings cooled. **Financial (-0.9ppts to 92.3)** markets slid as coronavirus cases and political uncertainty surged ahead of the election.

Mobility (+1.2ppts to 78.5) advanced as gasoline demand reached 96% of its January level and air traffic firmed, but transit ridership fell as rising cases restrained commuting.

Demand (+0.4ppts to 91.6) saw a modest rise on a jump in hotel occupancy, while discretionary spending at restaurants and recreational activities dipped slightly. **Employment (+0.4ppts to 89.9)** continued its subdued growth as initial jobless claims declined again while job postings and temporary employment rose. Still, the number of employees working is down 21% relative to January.

State Recovery Trackers

Our **SRTs** indicate that conditions worsened on a broader basis in the third full week of October (**Figure 3**), with 41 states registering lower readings. Nationally, health conditions deteriorated further, activity and employment weakened, while mobility improved modestly.

The Midwest led the way lower again (-4.2ppts to 74.7). Conditions weakened across the health, mobility, activity, and employment dimensions in the latest week. Conditions deteriorated further in Michigan and Illinois.

The South dropped more (-2.3ppts to 79.5). The health situation worsened while activity and employment also lost ground, though mobility rose. Georgia's SRT fell while Florida's was unchanged.

The Pacific declined for a second week (-2.1ppts to 74.5). California lost further ground in its recovery, led lower by a worsening health situation.

The Southwest and Mountains followed not far behind (-1.1ppts to 79.9). Regional conditions worsened again across all dimensions. Texas' SRT held steady.

The Northeast weakened (-0.4ppts to 82.6). Mobility, activity, and employment worsened. New York's SRT was flat while Pennsylvania's lost more ground on the week.

Figure 2: Health tracker drags down the headline Recovery Index

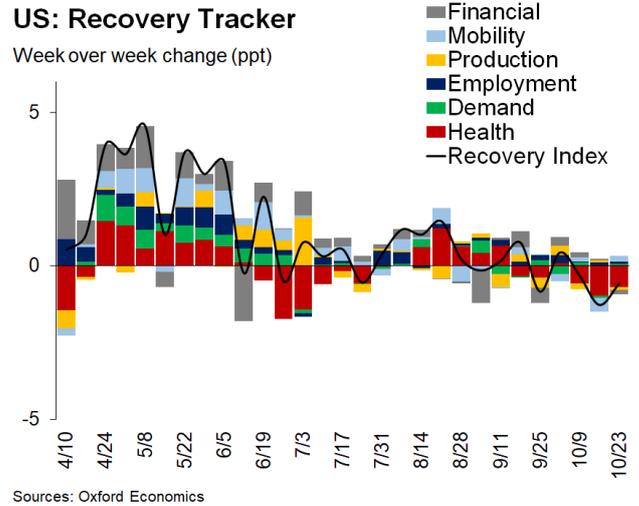


Figure 3: Conditions worsened in all regions in the third full week of October

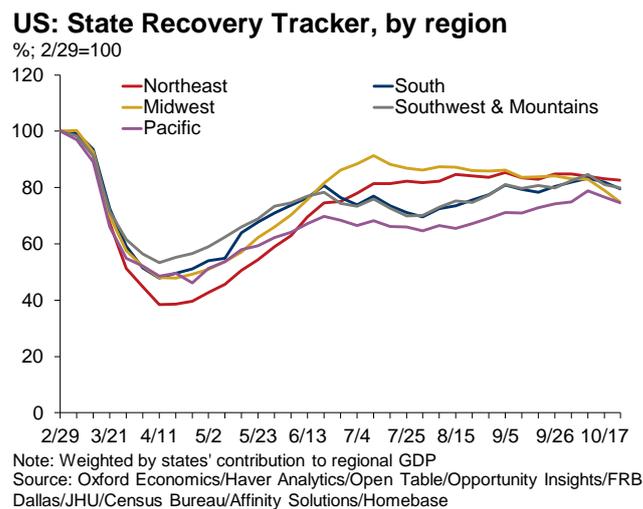


Figure 4: Virus reproduction rates are still running high, likely to weigh on activity

