

***TBLC COVID-19 MEDIA CALL:
BUSINESS GROUP CAUTIONS TEXAS HAS NOT SEEN
THE WORST ECONOMIC NUMBERS YET**

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Quorum Report
May 6, 2020

**The state may not see economic numbers like the fourth
quarter of 2019 until 2022, and that assumes there isn't a
second wave of the virus**

Sobering news from the economic front was presented this morning on a biweekly media call held by the [Texas Business Leadership Council](#).

[Jason Schenker](#), President of Prestige Economics, said to expect the upcoming unemployment rate announcement for Texas to rise over the short term. March figures released last month showed the US unemployment rate at 4.4% and the Texas rate at 4.7%. Expect the April rates which will be released soon to be more like 17.4% nationally and 10.5% in Texas, he said.

Current national rates could be as high as 21.2% as of May 2, with Texas at 17.4%. Schenker pointed out that services were leading unemployment and would lag during any recovery.

Other people on that call included [Gay Gaddis](#), Chair of TBLC; [Nick Serafy](#), President of Proficiency Testing Services; [Gerry Schwebel](#), Executive Vice President of IBC Bank; and [Justin Yancy](#), President of TBLC.

[Schenker](#) also reported that March nondurable goods purchases were up as would be expected. His gross domestic product (GDP) predictions, based on an annualized 4.8% reduction in the first quarter of 2020, are an annualized 18.6% drop in the second quarter and an annualized 9% increase in the third quarter. He cautions that we might not see numbers like the fourth quarter of 2019 until sometime in 2022.

And, those predictions are based on successfully avoiding a second wave of the virus. He said that if a second wave happens, all bets are off.

[Schenker](#) offered some more insight including the prediction that the recovery for airlines may depend more on when customers have confidence in flight schedules than safety concerns. Further, he still predicts a potential spike in gasoline prices when demand starts back due to the throttling of production at refineries.

[Schenker](#) also reinforced his concerns over the housing market.

At least some media have recently reported a potential housing boom because of record low interest rates. What

those reports don't consider, he said, is that lower rates mean a tightening of credit which affects entry level buying. There will likely also be some people who avoided paying mortgage payments for several months who will be selling into an uncertain market. While some markets, like Austin, may be more resilient, he sees markets in "industry cities" such as Houston and Midland-Odessa particularly hard hit.

[Schenker](#) also cautioned that oil prices could once again be negatively affected in the near future if producers seek to lock in prices when profits appear to be sufficient, pointing out that businesses "never go broke making a profit." What that means is if the profit margin is sufficient for some producers, those producers may seek long term contracts to "lock in" that price. That could have some negative effect on oil prices increasing.

[Schwebel](#) of IBC Bank noted that commercial traffic drives commerce since everything gets there by "truck, train, ship or plane." Northbound traffic from Mexico at the Port of Laredo is down as much as 25%, according to [Schwebel](#). He also pointed out that 29 of the 48 or so border crossings from Mexico are in Texas. He mentioned that the only bright side of this current situation is that truckers are finally getting the recognition they deserve

[Serafy](#) of Proficiency Testing Services cautioned that while testing was increasing, it is still not sufficient.

He pointed to recent reports that President Donald Trump was planning to disband the coronavirus task force, personal protective equipment (PPE) was still in short supply and there was not yet a vaccine. Part of [Serafy's](#) concern is that historically, federal agencies tend to "work in silos" which could negatively impact agency to agency communication and cooperation. Subsequent reports are that the task force will continue indefinitely and, from Trump's own tweet, be focused on "SAFETY & OPENING UP THE COUNTRY."

[Serafy](#) also mentioned that the discovery of multiple strains of the virus that causes COVID-19 made things more challenging for vaccine development and antibody testing. He rather emphatically challenged the assertions that flattening the curve only spreads inevitable deaths out over a longer period of time. [Serafy](#) said that buying time does reduce deaths because it buys time to develop therapeutic drugs and vaccines. [Serafy](#) also emphasized that a patient being diagnosed today has a better chance of survival than 2 months ago.

In closing, [Serafy](#) further emphasized that masks and social distancing have been helpful, but he cautioned that antibody tests are a better public health tracking tool than a diagnostic tool because of limitations in the value of a negative result. The timing of the test could be critical because a person could have had COVID-19 and tested negative simply because that person had not produced sufficient antibodies yet, [Serafy](#) said.