

***TBLC COVID-19 MEDIA CALL:
SOME TEXAS BUSINESS LEADERS NOT OPTIMISTIC
ABOUT RECOVERY UNTIL 2021**

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**Those hoping for a “V” recovery will likely be disappointed
and the housing market may be headed for especially
hard times.**

As the COVID-19 pandemic plays out globally, business leaders here in Texas are closely monitoring data and trying to determine what the economy in this state will truly look like once the problem ends or subsides.

The **Texas Business Leadership Council** on Wednesday held a conference call with reporters to talk about what they're seeing across a broad range of issues including housing, oil and gas, and testing for the virus itself.

The discussion included **Gay Gaddis, Chair of the TBLC; Paula Gold-Williams, CEO of CPS Energy in San Antonio; Jason Schenker, President of Prestige Economics; Nick Serafy, President of Proficiency Testing Services; Justin Yancy, President of TBLC.**

Schenker offered a thumbnail sketch of unemployment and economic activity pointing out that last month's employment report did not show the effects of the pandemic. He anticipates that real unemployment is closer to 9% since the March report does not reflect the approximately 10 million jobs lost in Texas. He predicted the April data, available in May, will likely show “dueling narratives”: a bad employment picture from April and, hopefully, a pandemic recovery.

Nationwide, **Schenker** estimated that about 35 million jobs have been lost, primarily in the service sector, and that does not count companies still operating and still laying off employees.

Schenker also presented a rather bleak picture for economic recovery which he doesn't expect until 2021. Following mild GDP growth in the first quarter, he expects the second and third quarters to be in negative territory. It may be optimistic, but he expects the fourth quarter to show signs of improvement.

But those hoping for a “V” recovery are likely going to be disappointed.

The oil situation was also outlined by **Schenker.**

He said there were three big factors each pushing down oil prices about \$10 a barrel: The economic slowdown in China,

the OPEC+ situation where the Saudis and Russians are not in agreement, and elevated concern around COVID-19.

Schenker expects gasoline demand to stay down, especially if people cancel or avoid vacations to beaches, resorts and amusement parks. Summer is of course usually a time when oil consumption increases in the US. That market may be severely depressed. Saying “oil is bought and not sold,” **Schenker** expects oil by the barrel to stay in the high \$20s and low \$30s for the short term, eventually drifting back to the high \$30s.

The housing market appears to be headed to some hard times, according to **Schenker.**

With interest rates at historic lows, the credit market has really tightened. Based on personal experience, he stated that re-financing was very restrictive. The requirements overall have significantly increased and requirements for proof of financial ability have risen significantly. He predicts that three factors will affect housing post-COVID-19: The mortgage payment deferrals may cause an increase in housing sales by people “dumping” their homes; the universe of buyers will be reduced by tight credit; and investors will be “spooked.”

Gold-Williams, the CPS Energy CEO, said the overall demand for electricity had not dropped but had shifted to residential. Consumption is normally moderate in the spring due to the mild weather so it is really hard to tell if consumption of electricity will decrease substantially.

Gold-Williams expects an increase in the need to approve installment plans for customers, saying that those agreeing to payments plans will not have late fees. Of course, since the City of San Antonio owns CPS Energy, its revenues will influence the city budget. **Gold-Williams** said that for now it is very difficult to anticipate effects over the longer term.

Serafy, of Proficiency Testing Services, presented a less than rosy picture of testing for the virus that causes COVID-19.

While testing is ramping up, it is still lagging, he said.

Some of that is due not to the lack of tests, but the lack of materials such as swabs. There is work being done on serology tests to determine who may have already had the disease. The tests from China have a higher error rate than tests being developed in the United States. **Serafy** mentioned that some have speculated there may be as many as 5 strains of the virus circulating, which could explain the varying degrees of illness. While some of the curves appear to be flattening, **Serafy** believes Texas could still not have the full picture due lack of testing capability. He expects more reliable Texas numbers over the next two to three days.