

***TBLC COVID-19 MEDIA CALL:
WITH UNEMPLOYMENT AT HISTORIC HIGHS, A
RECOVERY IS LIKELY TWO YEARS AWAY**

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The consensus among economists is this isn't the time to worry about public debt and government should spend whatever it takes to get people comfortable spending money again since about 70% of the economy is based on people "buying stuff"

This morning's news of Texas unemployment at 12.8 percent is nowhere near the end of the bad economic news, per experts.

At a biweekly Zoom conference of the **Texas Business Leadership Council**, economist **Jason Schenker** warned that the US economy will most likely not reach December 2019 levels until the middle of 2022. **Schenker** also reported that US unemployment is really about 25.8% with Texas unemployment about 17.3%.

Joining **Schenker**, President of Prestige Economics, on that conference were **Gay Gaddis**, Chair of TBLC; **Nick Serafy**, President of Proficiency Testing Services; **Rex Gore**, President of Professional Janitorial Services; and **Justin Yancy**, President of **TBLC**.

Schenker also mentioned that although initial jobless claims were declining, they were "still really big." US initial claims declined to 2.4 million last week from the previous 9-week average of 3.4 million. The nine weeks prior to that saw an average of 220,000 initial claims a week. Texas new jobless claims have averaged about 231,000 a week over the last nine weeks, while the nine weeks prior to that saw an average of 13,000 new claims a week.

He continues to predict a negative GDP of about 20% in the second quarter of 2020, with the GDP returning to positive territory in the third quarter. But, remember, these are annualized numbers. A rising GDP in the third quarter relates to the negative growth we have already experienced, hence the prediction that the US will not fully recover until the middle of 2022.

Schenker also commented on inflation saying that April saw a big drop in "core inflation," excluding food and energy.

The consensus among economists, according to **Schenker**, is that this is not the time to worry about public debt: government should spend whatever it takes to get people comfortable spending money again since about 70% of

the economy is based on people "buying stuff." He said the federal government must jumpstart demand to "trigger an organic revival."

He still predicts that the housing market will take a hit due to a variety of factors including tight credit, crisis selling and potential defaults and foreclosures. Texas may not be as hard hit as areas relying on tourism or where housing costs are very high.

In related news, Associated Builders and Contractors' chief economist, Anirban Basu, reported this week that "most (nonresidential) construction segments will experience decline, including office, lodging and retail segments." He also commented on the negative effect on nonresidential construction due to financial pressure facing state and local government budgets. Basu says "the economic recovery...would be quite different for the nonresidential construction industry compared to previous recessions."

Also on the conference, **Rex Gore** of Professional Janitorial Services said his business is near full employment because his customer base elected to retain services even while mostly unoccupied.

As office buildings slowly reopen, his employees have been used for frequent sanitation of "touch points" which he described as surfaces such as door handles and elevator buttons. Responding to a question about "high tech" cleaning such as the use of ultraviolet light, **Gore** said they had looked into it but had concluded it was not practical due to the number of times one has to reposition UV lights to sanitize a single hospital room.

Nick Serafy of Proficiency Testing Services spoke to a need for overarching federal guidance on testing.

Remarking that testing had been left up to the states, **Serafy** asserted that standardized protocols are needed to deal with the variability of testing systems.

In response to questions, **Schenker** reiterated that gasoline prices could still spike temporarily as we resume economic activity. Since some refineries have curtailed production due to lack of demand, sudden increases in demand could result in sudden, but temporary, increases in price. He also applied this same analysis to airline tickets since many airlines have curtailed flights. If demand rises suddenly, according to Schenker, prices could also rise suddenly.

A note of caution: all predictions are based on what we know now. Any increase in COVID-19 infections that causes a reversal of business openings would set the economy back even more.