

Research Briefing | US

Recovery Tracker plunged on the eve of the elections

Economists

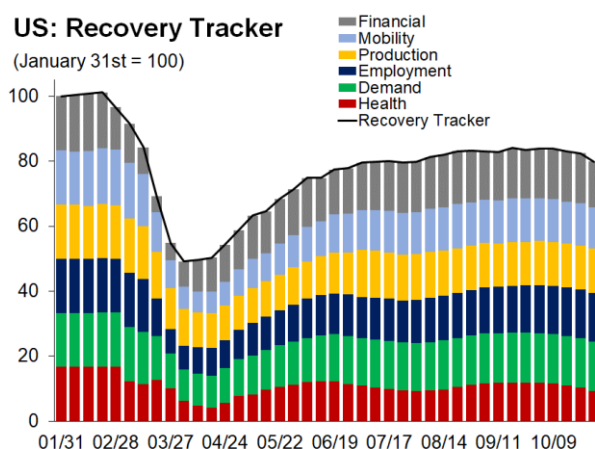
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- The US Recovery Tracker is reeling. On the eve of the US elections, the tracker registered its largest weekly fall since April 3, its longest stretch of consecutive weekly declines since March, and its lowest reading since July. With Covid-19 infections, hospitalizations, and deaths surging, and financial market volatility rapidly rising, the tracker fell 2.6pts to 79.9 in the week ended Oct. 30.
- The weeks leading up to Election Day saw a visible weakening in the economy as virus infections weighed on markets and mobility. While employment momentum remained marginally positive, demand has seemingly stalled.
- Subnational conditions are slumping across virtually all states, with 48 State Recovery Trackers falling. Worsening health conditions across all regions are dragging mobility, activity, and employment lower. Conditions in most of the large states deteriorated, led by Michigan and Illinois as the virus ravages the Midwest.
- Looking ahead, as the health situation rapidly worsens and economic momentum slows, we forecast GDP growth averaging 3.6% in 2021, compared with last month's forecast of 3.7%. Even with good news on vaccine developments, we stress that a broad-based health solution won't be available for at least another six months. Hence, while forward-looking markets may rejoice, this is certainly no time to celebrate.
- While our November baseline assumes a \$1tn fiscal relief bill will be passed around year-end, a likely Republican Senate will keep President-elect Biden's ambitious agenda from being fully implemented. Increased policy certainty, trade multilateralism, and a pro-immigration stance should benefit the economy, but they're unlikely to drastically change the near-term growth trajectory.
- We invite you to use the interactive [Power BI](#) dashboard on our website.

Figure 1: Virus surge and election uncertainty pushed the tracker lower for a fourth consecutive week



Sources: Oxford Economics

Our Recovery Tracker fell 2.6pts to 79.9 in the week ended Oct 30.

Four consecutive declines do not bode well for an economy operating without much fiscal support and facing record levels of Covid infections.

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National Recovery Tracker

The US Recovery Tracker fell 2.6pts to 79.9 in the week ended Oct. 30 (**Figure 2**), its fourth consecutive decline and the largest week-over-week contraction in six months.

Financial (-8.4ppts to 83.9) conditions saw a spike in volatility leading up the US elections, as equities plunged and Treasury yields climbed to their highest since June.

Health (-6ppts to 56.1) deteriorated for a fourth straight week as new Covid cases per million eclipsed its record high in July amid rising positivity rates and hospitalizations.

Mobility (-1.5ppts to 77) was limited in the last week of October as commercial air traffic, transit ridership, and gasoline demand declined in unison. **Demand (-1.1ppts to 90.4)** weakened as consumers pulled back on credit and debit card spending and housing, partially offset by stronger restaurant and hotel activity.

Production (+0.9ppts to 81.2) advanced as steel and gasoline output ticked up, business applications increased, and small-business openings rose. **Employment (+0.7ppts to 90.6)** rose for the 11th straight week and has climbed above 90 for the first time since the onset of the recession in early March.

State Recovery Trackers

Our **SRTs** signal that conditions deteriorated across most of the country (**Figure 3**), with 48 states registering lower readings. Overall, the health situation worsened, leading to further declines in mobility, activity, and employment.

The Midwest recorded the sharpest drop (-5.7ppts to 72.9). The health situation stood at its worst since the crisis began, and mobility, activity, and employment remained on a weakening trend. Michigan's and Illinois' SRTs recorded their sharpest weekly declines since the pandemic's onset.

The Southwest and Mountains followed close behind (-5.5ppts to 76.1). All dimensions of the regional SRTs deteriorated for a second consecutive week. Texas' SRT fell 5 points to its lowest reading since late September.

The Northeast gave up more ground (-5.2ppts to 79.1). Conditions broadly weakened across all dimensions. New York's SRT fell to its lowest since early July, and Pennsylvania's declined to its where it stood in early June.

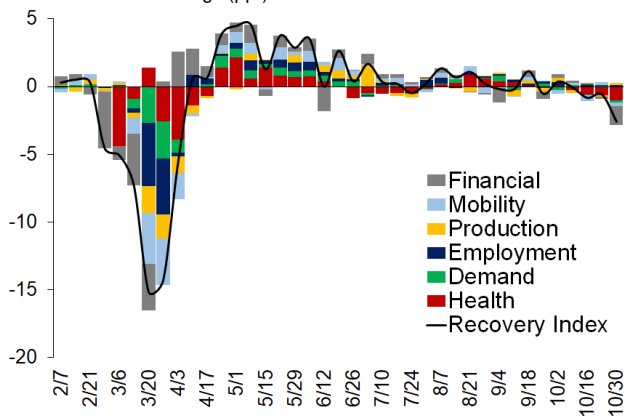
The South dropped further (-2.4ppts to 78.2). Dynamics were similar to other regions. Florida's SRT fell, but Georgia's surprisingly rose.

The Pacific declined for a second week (-1.5ppts to 74). California recorded a modest 1ppt decline in its SRT.

Figure 2: Health and financial deterioration led to the largest contraction since April

US: Recovery Tracker

Week over week change (ppt)

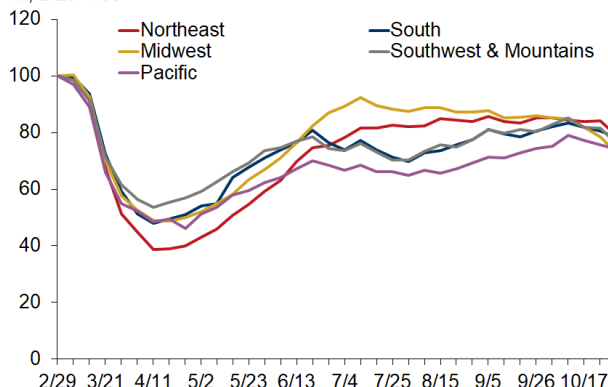


Sources: Oxford Economics

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

US: State Recovery Tracker, by region

%; 2/29=100



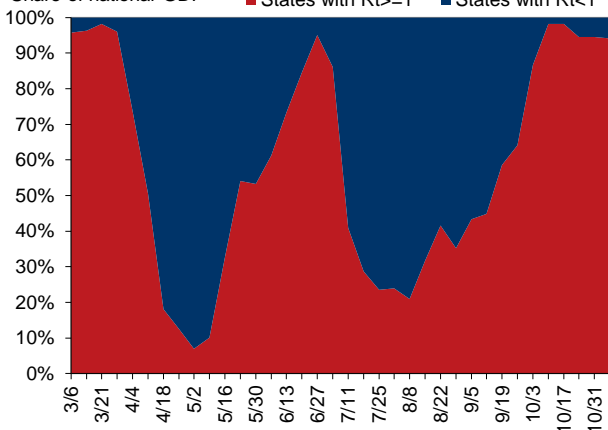
Note: Weighted by states' contribution to regional GDP

Sources: Oxford Economics/Haver Analytics/Open Table/Opportunity Insights/FRB Dallas/JHU/Census Bureau/Affinity Solutions/Homebase

Figure 4: A worsening health situation raises "double dip" recession risks

US: Coronavirus reproduction rates

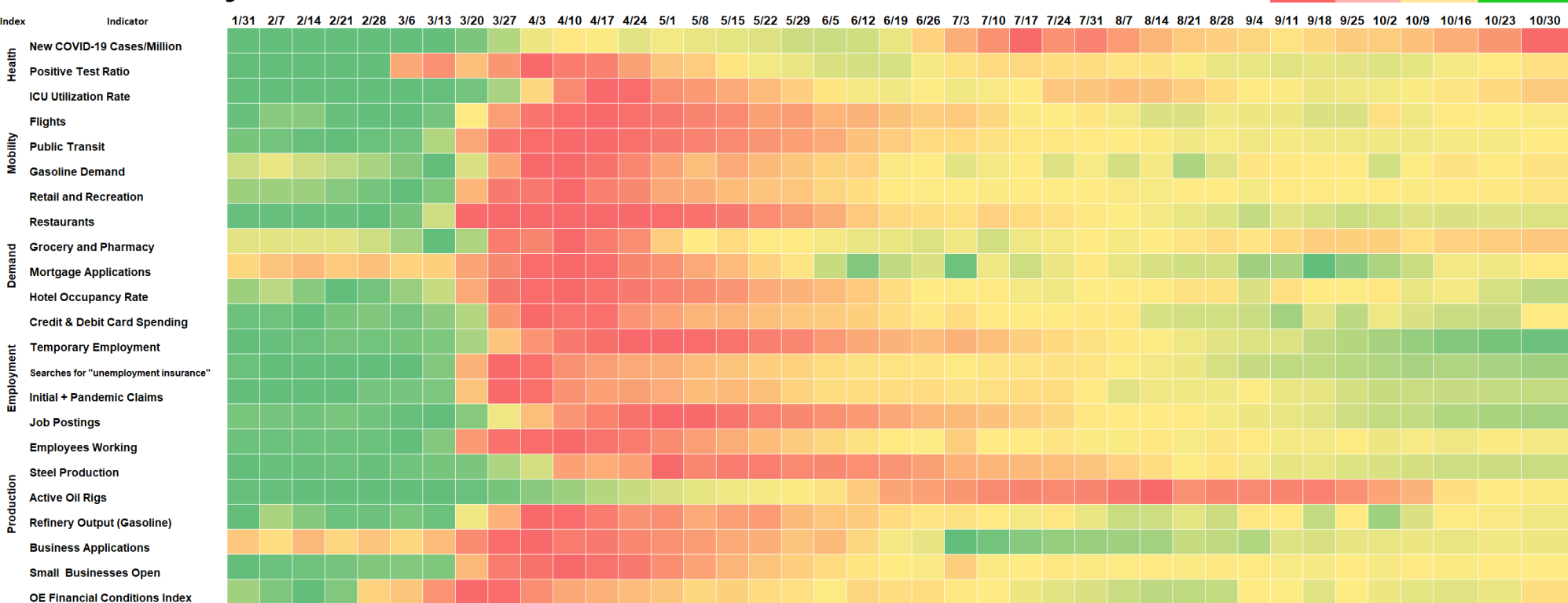
Share of national GDP



Source: Oxford Economics/rt.live

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US: Recovery Tracker



Sources: Oxford Economics/Apple/Baker Hughes/Burning Glass/COVID Tracking Project/EIA/FlightRadar24/Google Insights/Our World in Data/Safegraph/STR/University of Maryland /Haver Analytics/Homebase/OpenTable/Opportunity Insights