



Subject: The Coronavirus Recession  
From: Richard Curtin, Director

July 24, 2020

The coronavirus recession is unlike any past economic downturn. While it shares some broadly similar characteristics, such as steep declines in employment and incomes, its most unique feature is that the recession cannot be reversed solely by economic policies. To be sure, financial relief to millions of households has eased the economic pain, but without a vaccine or effective treatment for covid-19, the economic crisis will not end. How much has the coronavirus altered the lives and economic behavior of households? Is their main concern the threat to their family's health, do they find the required social isolation the most onerous, or does the impact on their personal finances pose the greatest threat? These questions were included in the April survey with the expectation that these concerns would shift along with changes in the incidence of infections and deaths. Although the incidence of the virus has changed dramatically across the nation, consumers' perceptions of the threats posed by the coronavirus have remained remarkably constant from April to July. Regulations designed to slow the virus spread must take into account the health threats as well as the cumulative emotional and economic costs. It is likely these costs will be incurred for another six months to a year, at best. In order to effectively reduce all of these costs, regulations are needed that aim at substantial but not perfect compliance, replacing the current all-or-nothing partisan views.

When asked to assess the overall impact on their lives, 45% of all consumers reported that their lives had changed a great deal due to the coronavirus, while just 20% reported little or no change. Note that those who reported a greater impact of the coronavirus reported a Sentiment Index value consistent with a recession, while those who reported little or no impact of the coronavirus on their lives had a Sentiment Index value consistent with economic expansion. Differences in educational attainment had the largest effect on the perceived impact of the coronavirus, with those who expressed little or no impact falling from 31% among the least educated to just 10% among the most educated. Differences in household income are related to education, although the relationship between the top and bottom income fifths was more attenuated. No systematic trends were recorded across age subgroups. Note that Northeast residents voiced the greatest impact on their lives, perhaps indicating that more successful countermeasures by state and local governments were associated with greater disruptions of daily lives.

The top concern associated with the pandemic was the perceived threat to their family's health, reported by 60%. The required social isolation and the personal financial impact were each mentioned as the top concern by 20% of households. Note that the Sentiment Index was lowest among those whose top concern was health, and the Sentiment Index was highest among those who thought the required social isolation was the most onerous consequence. The proportion of consumers who identified the health threat as their most important concern rose along with the age of the respondent, and the impact on the household's personal finances declined as people aged, especially after retirement. The personal financial consequences of the pandemic, however, showed no systematic relationship with the level of household income, reported by 22% in the top and bottom income fifths. The same weak relationship with education was found, with the health threat somewhat higher for those with the college education and concerns for personal finances slightly lower than those with less formal education.

**Impact of the Coronavirus on Daily Lives and Top Potential Threats, April to July 2020**

	How Much Has Life Changed Due to Coronavirus				Top Pandemic Concern			
	Great Deal	Somewhat	Little/None	Total	Health Threat	Social Isolation	Personal Finances	Total
<b>All</b>	45%	35%	20%	100%	60%	20%	20%	100%
Index of Consumer Sentiment	64.3	78.3	87.9		70.1	83.1	73.8	
<b>Income</b>								
Bottom 20%	40	34	26	100	56	22	22	100
Second 20%	47	33	20	100	58	20	22	100
Third 20%	42	35	23	100	61	21	18	100
Fourth 20%	46	37	17	100	62	20	18	100
Top 20%	51	38	11	100	59	19	22	100
<b>Age</b>								
18 - 24	43	34	23	100	52	25	23	100
25 - 34	43	37	20	100	60	16	24	100
35 - 44	46	38	16	100	54	23	23	100
45 - 54	53	32	15	100	60	18	22	100
55 - 64	46	34	20	100	62	18	20	100
65 or older	42	36	22	100	63	23	14	100
<b>Education</b>								
High School or less	39	30	31	100	57	22	21	100
Some College	44	33	23	100	56	20	24	100
College Degree	43	41	16	100	63	19	18	100
Graduate Studies	54	36	10	100	61	22	17	100
<b>Region</b>								
West	45	36	19	100	58	22	20	100
Midwest	44	36	20	100	56	21	23	100
Northeast	51	33	16	100	64	18	18	100
South	44	35	21	100	61	20	19	100