



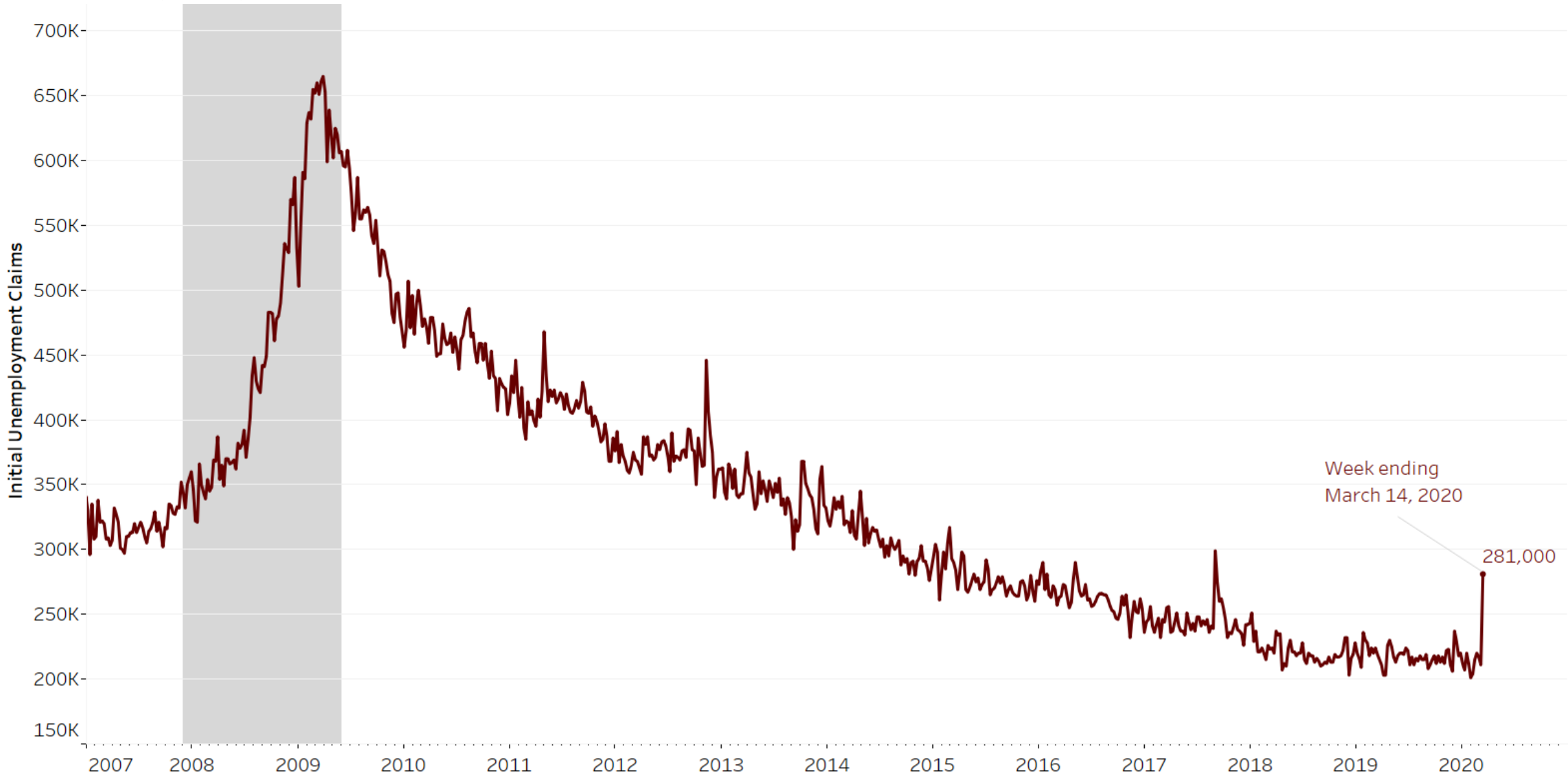
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Coronavirus and the Economy

A Presentation by the Private Enterprise Research
Center at Texas A&M University

Dennis Jansen, Director, and Andrew Rettenmaier, Executive Associate Director

Unemployment Insurance – Initial Claims in the U.S.



Week ending
March 14, 2020

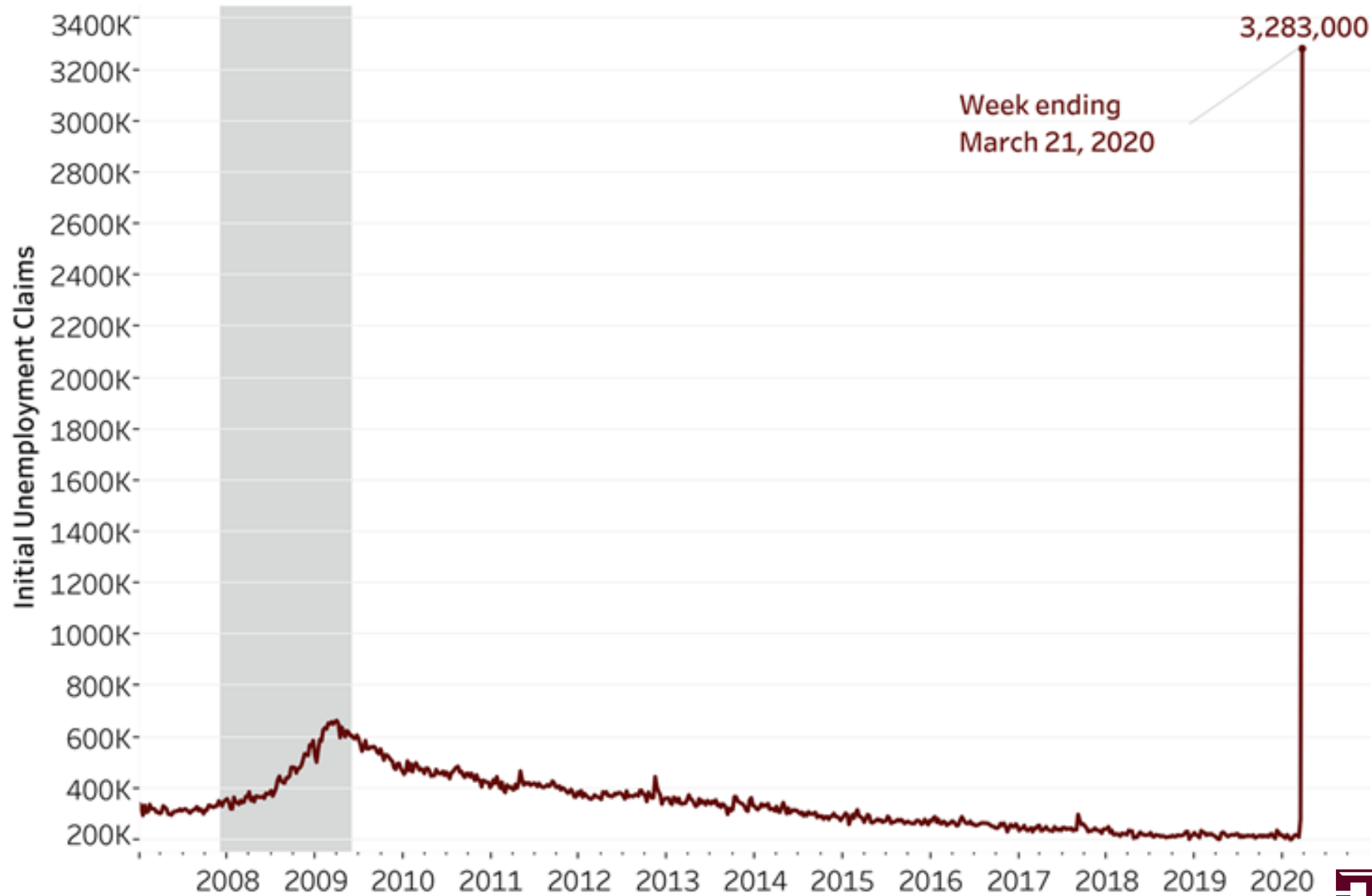
281,000

Seasonally Adjusted Initial Unemployment Claims. Last reported data point: 3/14/2020 (weekly). Source: U.S. Department of Labor



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Unemployment Insurance – Initial Claims in the U.S.

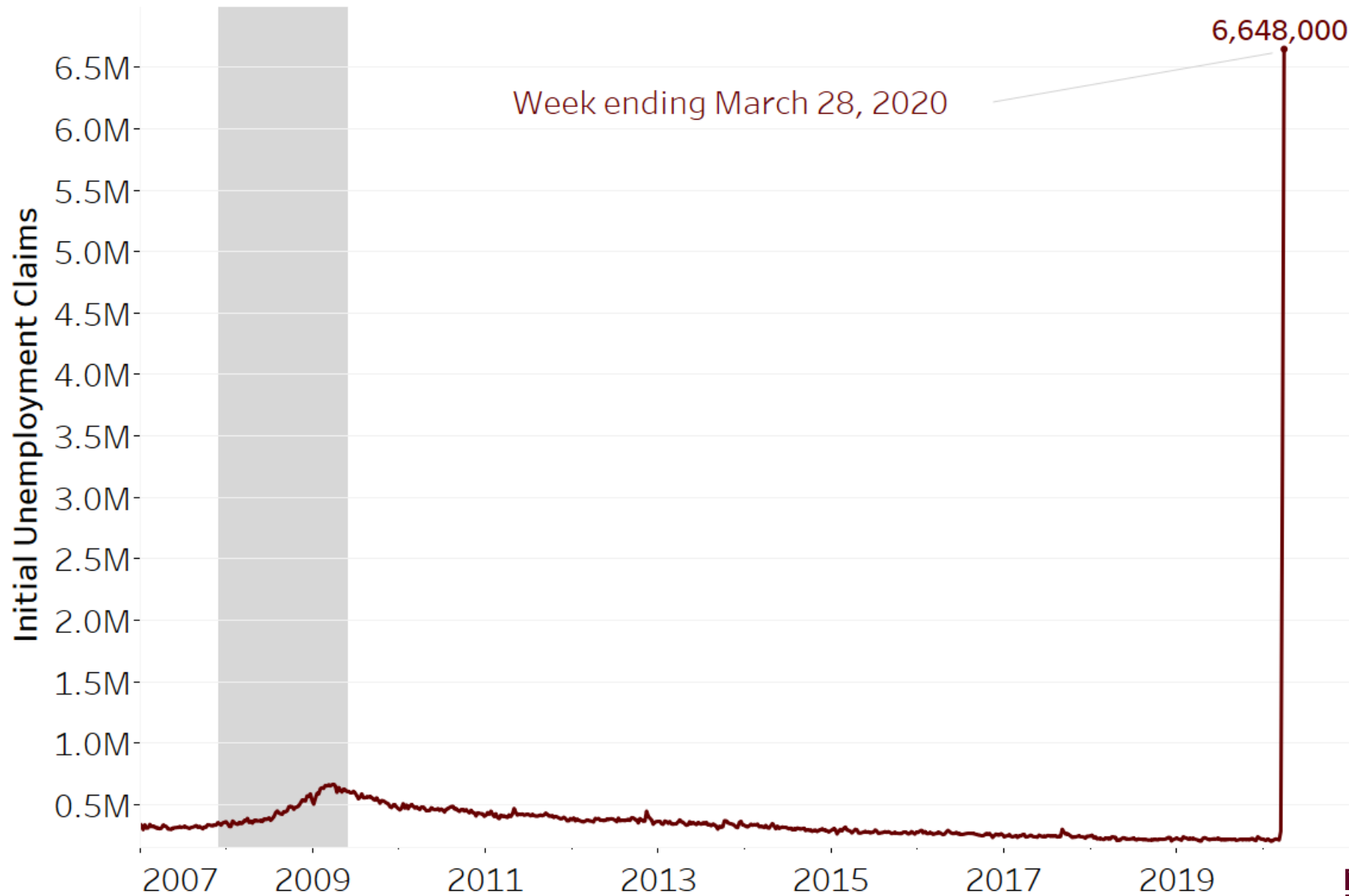


Seasonally Adjusted Initial Unemployment Claims. Last reported data point: 3/21/2020 (weekly). Source: U.S. Department of Labor



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Unemployment Insurance – Initial Claims in the U.S.

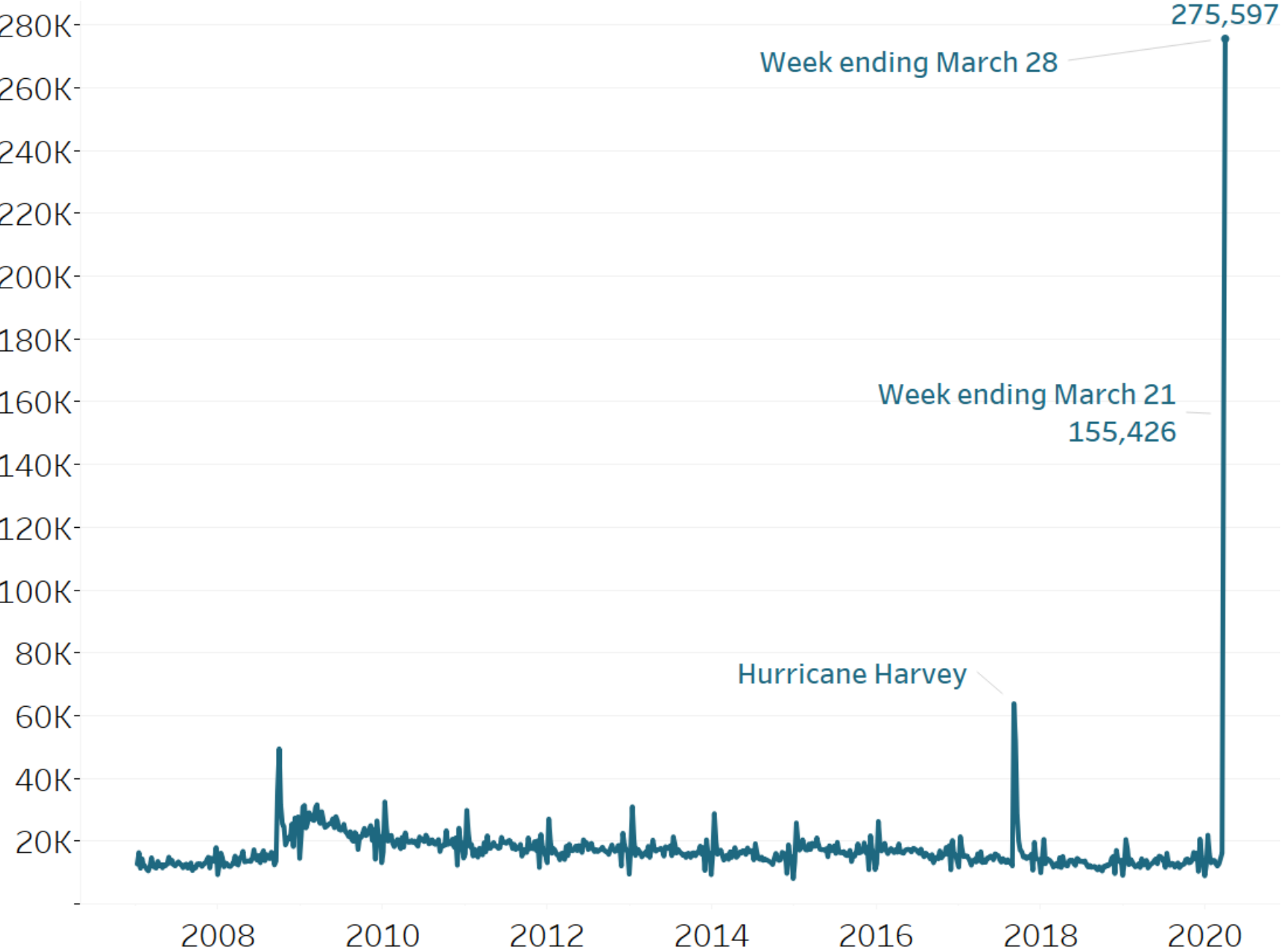


Seasonally Adjusted Initial Unemployment Claims. Last reported data point: 3/28/2020 (weekly). Source: U.S. Department of Labor



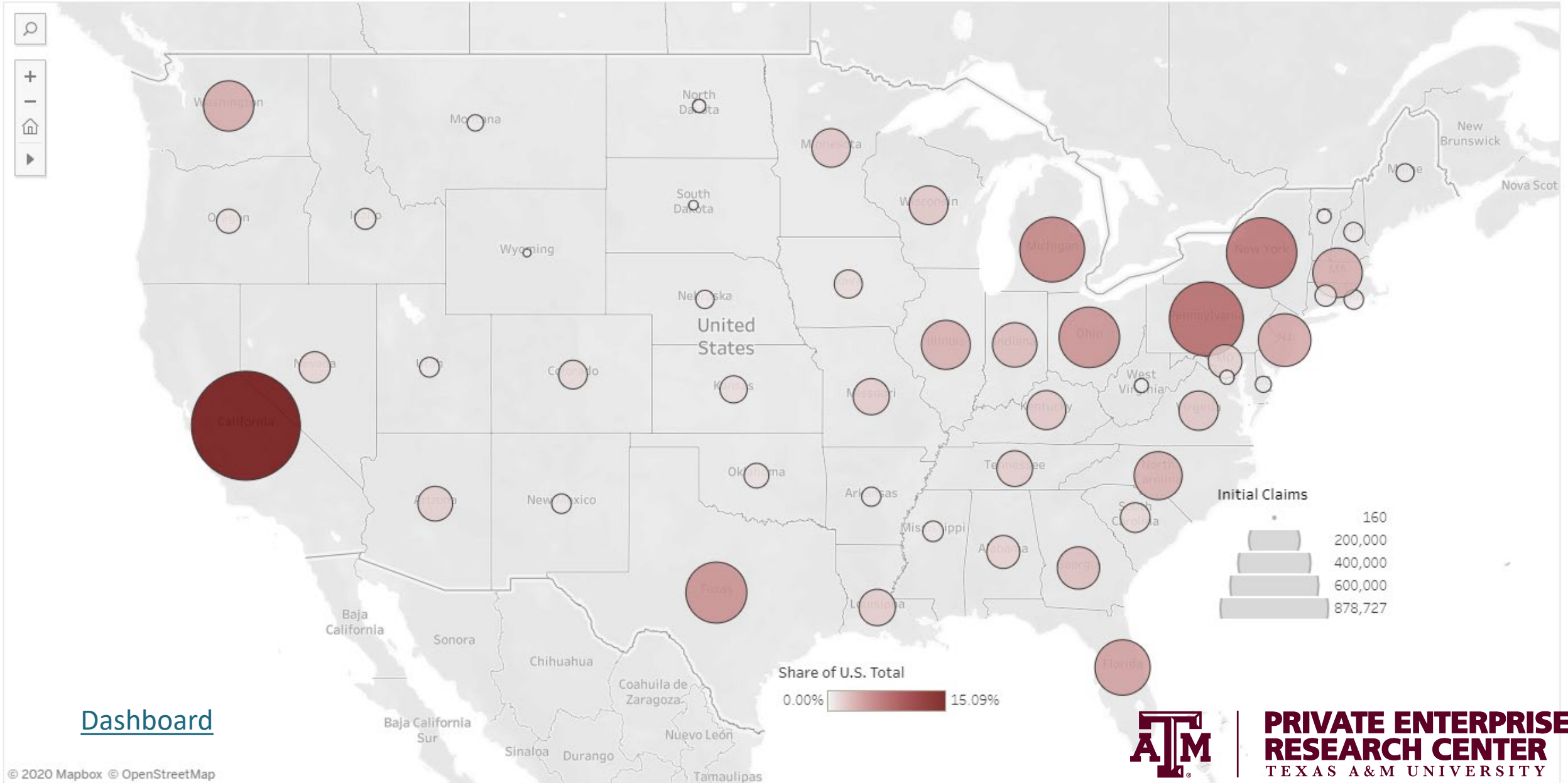
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Unemployment Insurance – Initial Claims in Texas



Unemployment Insurance - Initial Claims by State for Week Ending March 28, 2020

(Not Seasonally Adjusted)



[Dashboard](#)

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(*) State reported Estimates for California and Pennsylvania. Source: Department of Labor; April 2, 2020 News Release.

by Carlos Navarro

What may happen over the next few months?

If employment in the Leisure and Hospitality industries declines 50%:

- the U.S. unemployment rate will increase from **3.6% to 8.9%**
- the number of unemployed will increase by **8.4 million** workers

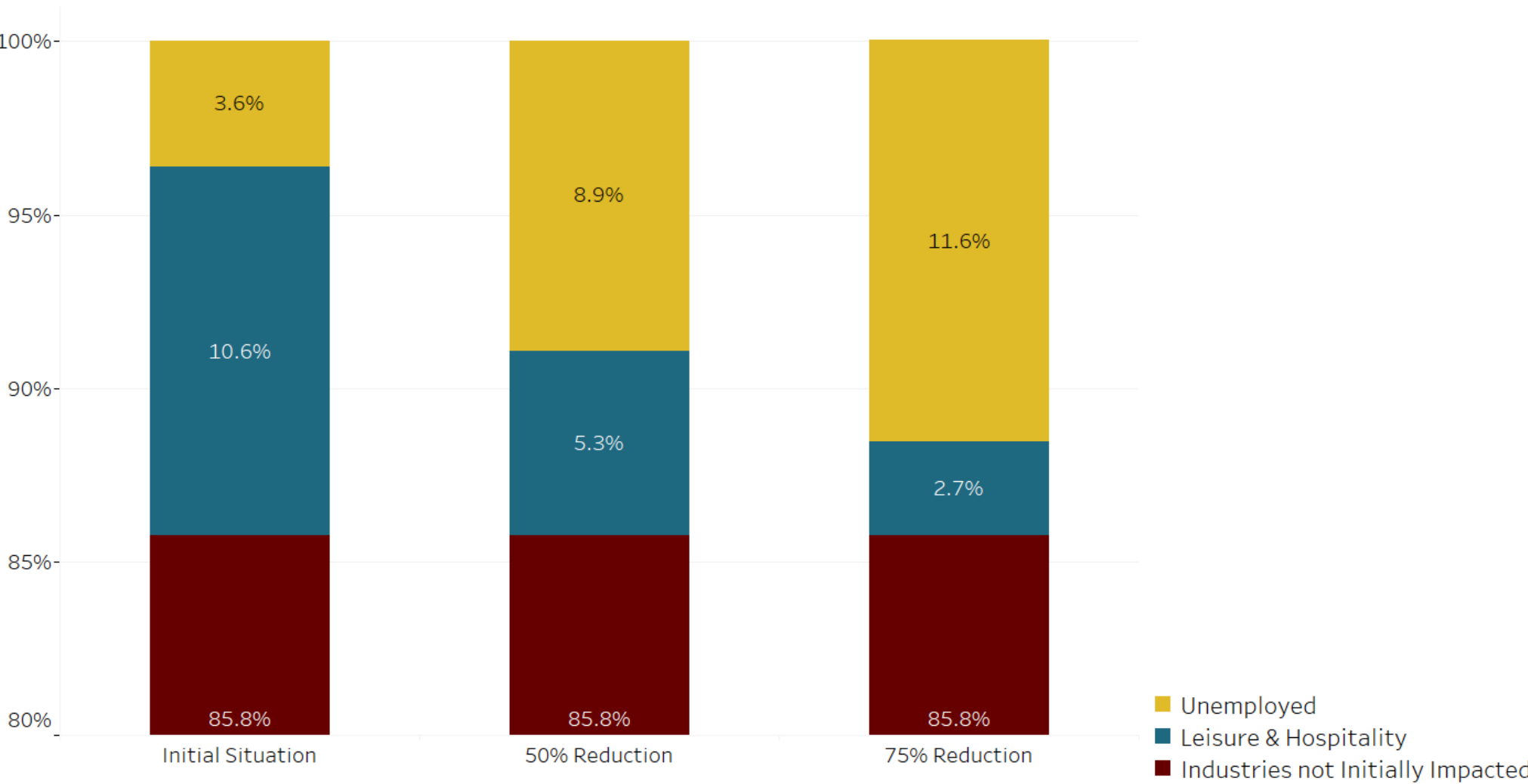
If employment in the Leisure and Hospitality industries declines 75%:

- the U.S. unemployment rate will increase from **3.6% to 11.6%**
- the number of unemployed will increase by **12.7 million** workers



Estimated Industry Employment Shares in the U.S.

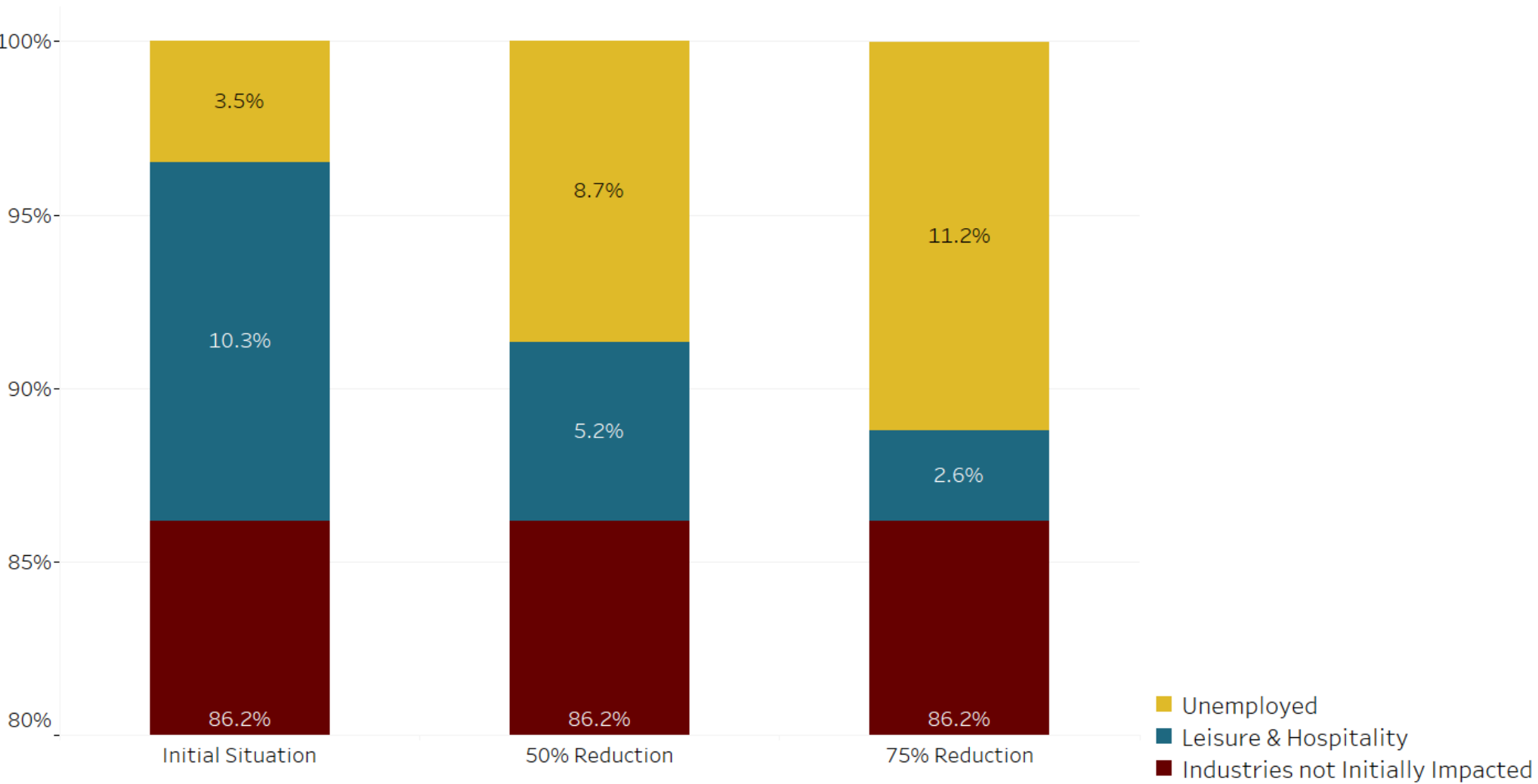
Response to a 50% and a 75% reduction in employment in Leisure & Hospitality Industries



Source: Bureau of Labor Statistics; January 2020.

Estimated Industry Employment Shares in Texas

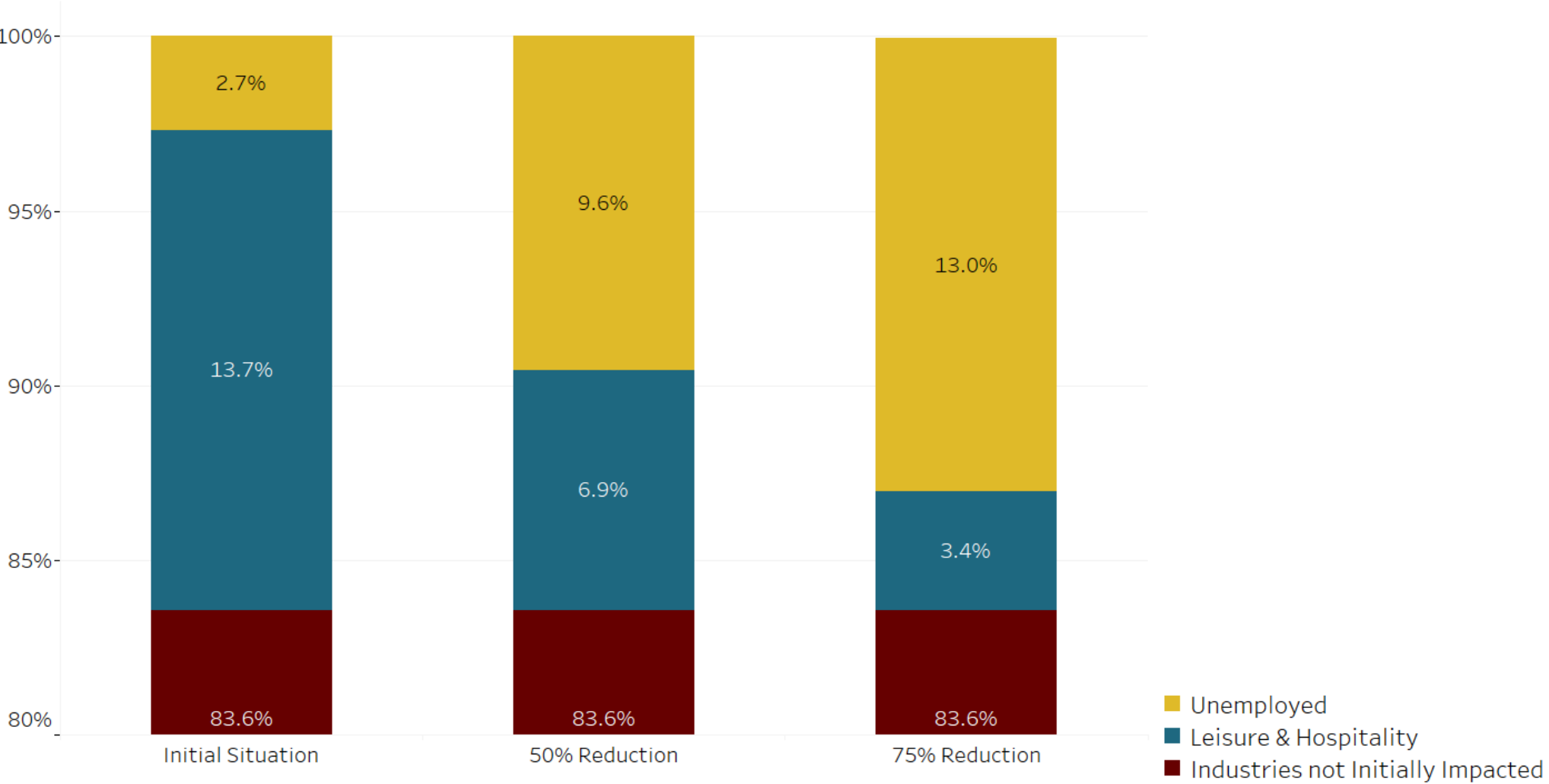
Response to a 50% and a 75% reduction in employment in Leisure & Hospitality Industries



Source: Bureau of Labor Statistics; December 2019.

Estimated Industry Employment Shares in College Station-Bryan

Response to a 50% and a 75% reduction in employment in Leisure & Hospitality Industries



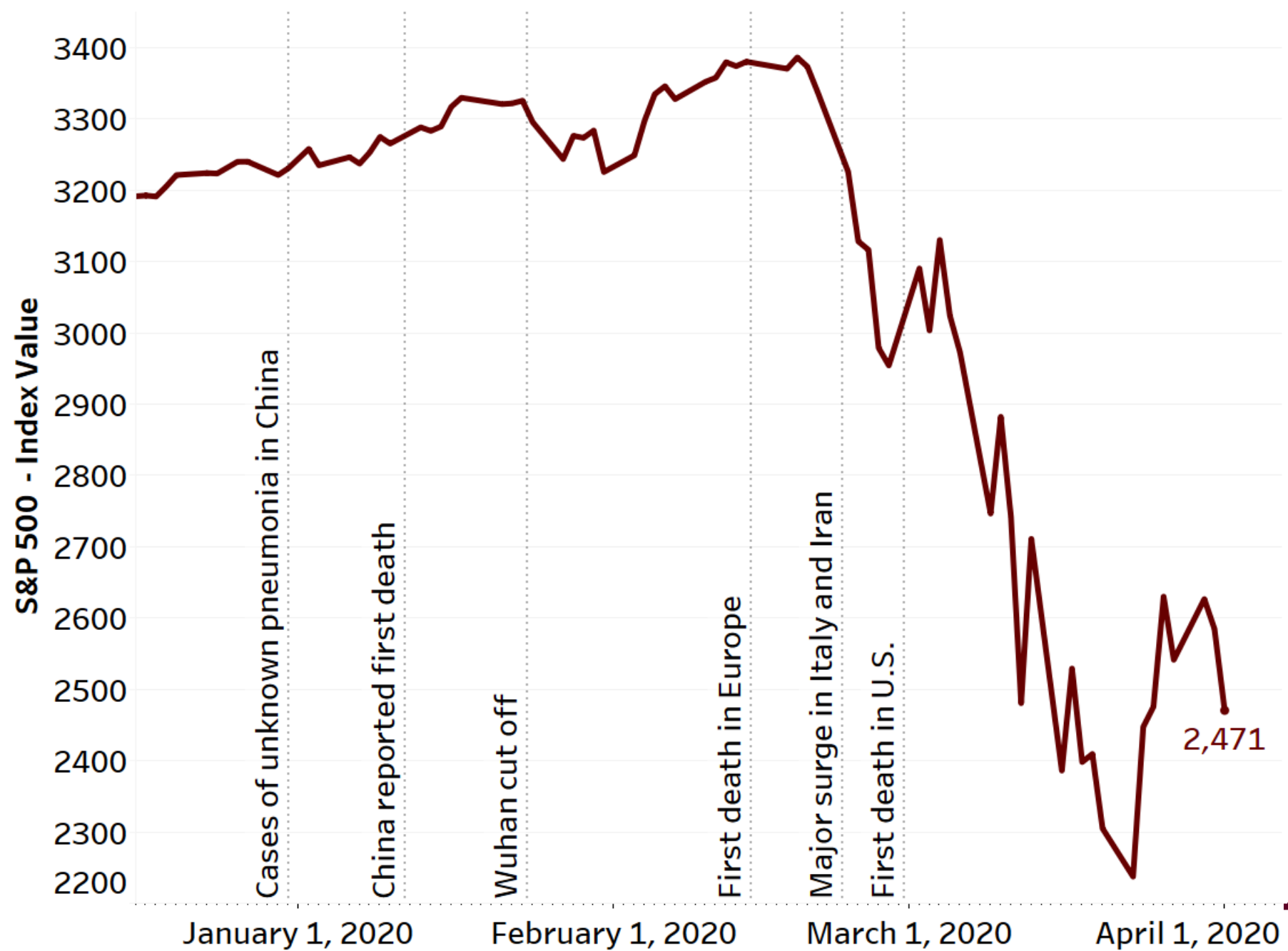
Source: Bureau of Labor Statistics; January 2020.

When will the official unemployment rate data become available?

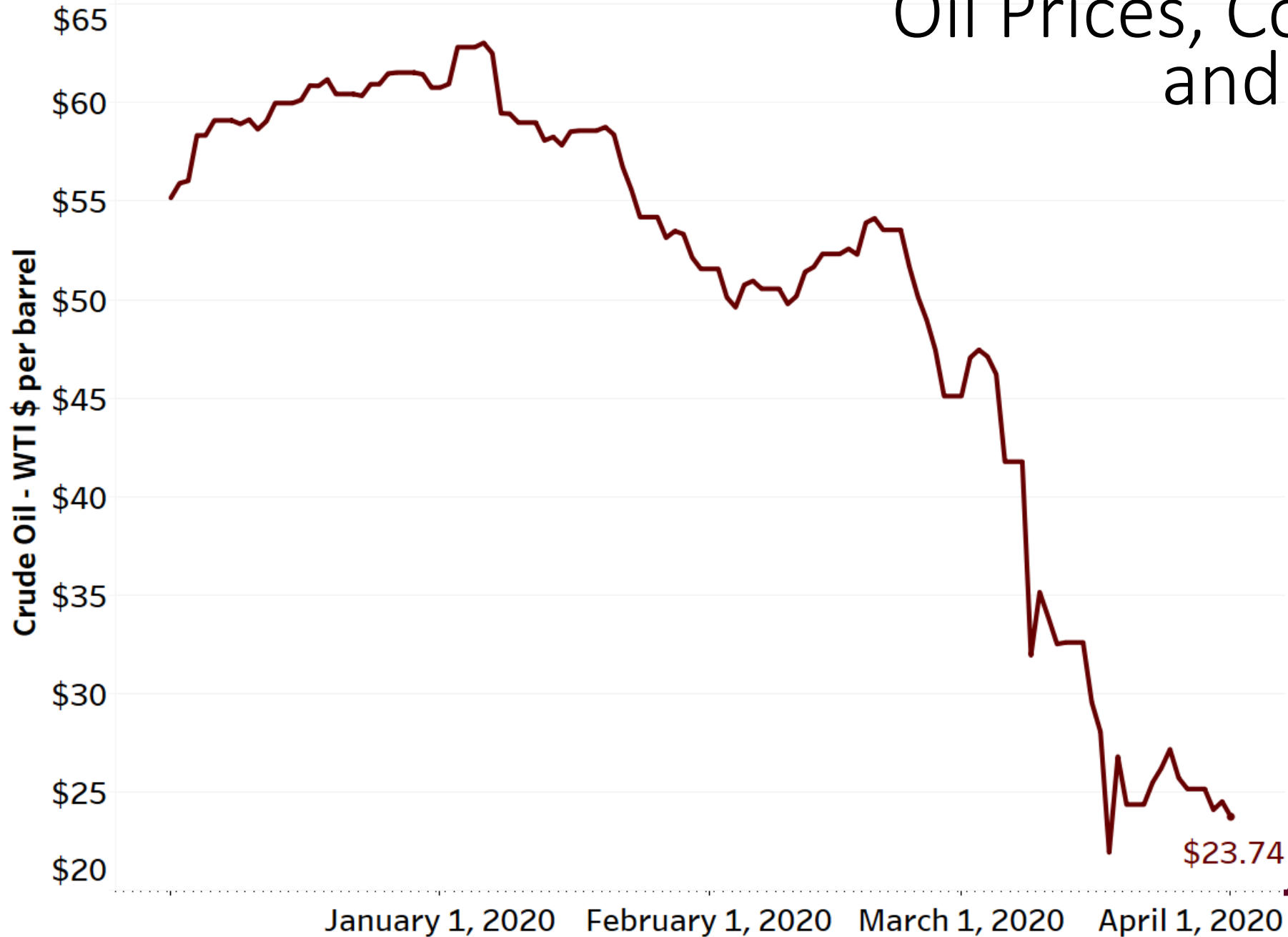
Calendar Month	National Data	State Data	City Data
March 2020	April 03	April 17	April 29
April 2020	May 08	May 22	June 03



S&P 500 Index and Key COVID-19 Dates



Oil Prices, Covid-19, OPEC, and Texas



\$23.74



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Oil Prices, Covid-19, OPEC, and Texas

- Supply of oil is high as OPEC failed to reach agreement on production.
 - Russia and Saudi Arabia are both producing at high levels.
 - USA has high production levels as well.
- Demand for oil has plummeted.
 - Response to Covid-19 has reduced use. Think air travel, recreational car travel, even commuting. Also lower demand for chemicals and plastics.
- Result is a price collapse.
 - Currently under \$25/barrel
 - Big issue – where to put it all?
 - Storage capacity expected to be exhausted in Q3. Negative oil prices?



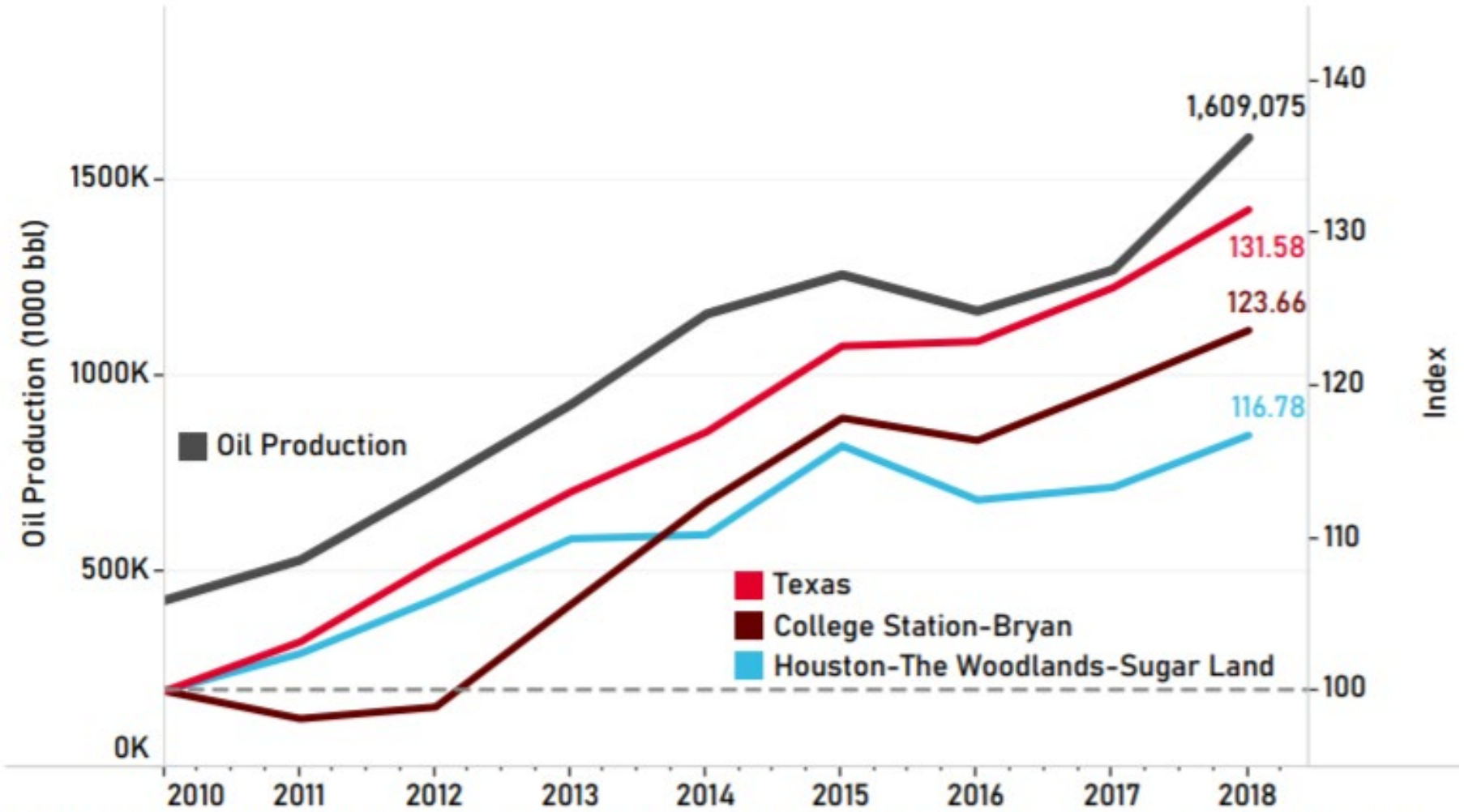
Oil Prices, Covid-19, OPEC, and Texas

- Texas Production?
 - Dallas Fed Survey of Oil Firms (data collected March 11-19)
 - Exploration and Production Firms: 45% expect to decrease employment
 - Oil and Gas Support Firms: 66% expect to decrease employment
 - 39% of firms said they would be insolvent within 2 years if oil prices were below \$40
 - 67% of firms have revised capital expenditures downward.
 - 78% of firms have revised downward their company outlook.



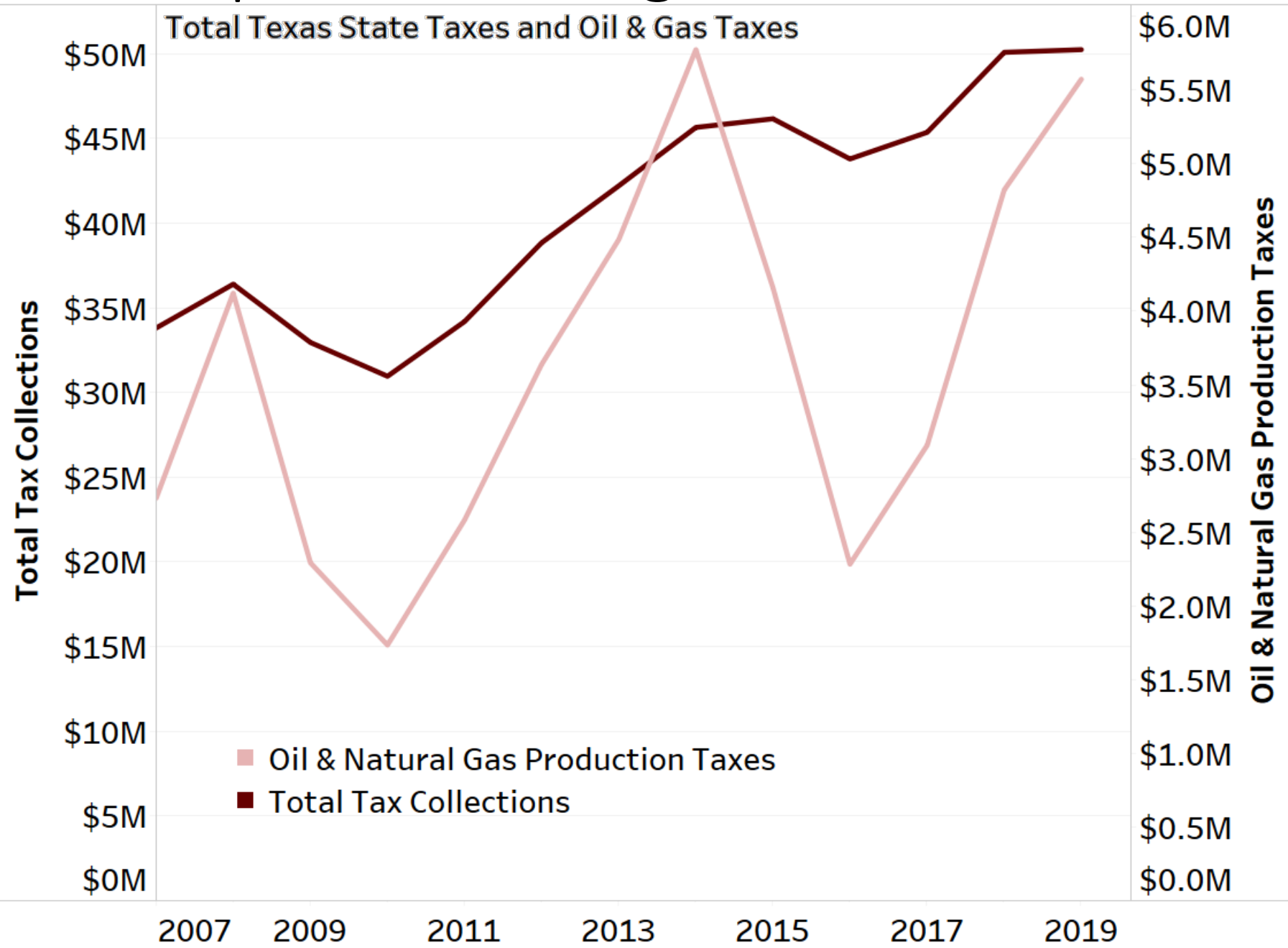
The Impact of Falling Oil Production on GDP

FIGURE 6. OIL PRODUCTION AND GDP



Last reported data point: 2018 (annual). Sources: GDP from the Bureau of Economic Analysis and Oil Production from Energy Information Agency .

Impact of Falling Oil Prices on State Revenues



State Revenue from Oil Production Tax

- 4.5% of Value of Oil Production (with some exceptions)
- Last year \$3.9 billion, 7.7% of all taxes (\$50.2 billion)
- This year was running at 8.2%
- A fall in oil prices from \$55 to \$20 is a 63% reduction in the value of oil production, a 5% cut in tax collections.



Statement by Texas Comptroller

“Comptroller Glenn Hegar briefed Texas House members on the state's economy and budget Sunday night, saying that while it was too soon for specific forecasts, both are expected to take potentially massive hits in the wake of the new coronavirus pandemic.”

Texas Tribune



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Economic Indicators of the College Station-Bryan MSA

- The April edition of *Economic Indicators* will be released on April 16th
- Dennis Jansen can be reached at dennisjansen@tamu.edu
- Andy Rettenmaier can be reached at a-rettenmaier@tamu.edu
- Economic Indicators are available at perc.tamu.edu or brazosvalleyedc.org

