March 27, 2020

Crisis Update

The economy is currently experiencing the impact of a sudden stop of economic activity. While we will continue issuing our usual monthly reports as data allows (some local level data will be delayed as a result of the widespread shutdowns), we will also be issuing data updates during this crisis period. Although many traditional leading indicators will provide a preview of the direction of the economy, they are still released with a lag. Consequently, until recently incoming data largely reports pre-virus trends. Only this week have we begun to see data that has caught up to the reality on the ground.

Initial unemployment claims revealed the speed and depth of the current economic contraction. U.S. initial unemployment claims skyrocketed to 3.28 million for the week ending March 21, a surge that dwarfs the peak level of initial claims 665,000 reached in 2009 during the last recession. Processed claims in Oregon also eclipsed the worst numbers of the last recession, rising to 22,824 during the same period but this number understates the degree of the deterioration in the labor market; the Oregon Employment Department reported 76,500 claims had been filed, overwhelming the ability to quickly process claims (a challenge reported throughout the nation).

The initial claims data is consistent with the expected substantial contraction of activity that follows the shuttering of many parts of the economy. The path of the economy will depend upon the evolution of the virus, the timeliness with which we can move toward more normal economic activity, and the degree of help from fiscal stimulus to support the economy in the near-term and limit the spread of long-term damage.