



MORNING BRIEFING

August 26, 2020

The Pandemic & American Demography

Check out the accompanying [chart collection](#).

(1) Counting cases. (2) More births than deaths. (3) But births are falling, while deaths are rising. (4) COVID-19 baby bust? (5) Past health and economic crises led to fewer births. (6) More challenging than ever to find childcare. (7) Calculating excess deaths from the virus. (8) Pre-existing strains combined with financial ones likely to boost divorces. (9) Postponing getting hitched. (10) Home, sweet home. (11) Pandemic has been a boon for booming housing industry. (12) Housing-related retail sales getting a big boost too. (13) Moving to greener pastures.

US Demography: 'Til Death Do Us Part. During pandemics, there seems to be more time to think about the meaning of life. Doing so is only natural when coronavirus case and death counts are updated daily by the news media, which stand at 24.0 million and 820,230 worldwide as of yesterday afternoon. The US has had the highest number of cases (5.9 million) and deaths (181,822) of any country so far, according to the [Coronavirus Worldometer](#).

Meanwhile, life goes on, as do deaths. Over the past 12 months through March, 3.1 million babies were born in the US, well above the 2.4 million deaths over the same period ([Fig. 1](#)). However, the number of births was the lowest since spring 1987, while the number of deaths was a record high. The difference between the number of births and deaths of 0.7 million was the lowest on record going back to 1973 ([Fig. 2](#)). This figure may be poised to go lower still as the pandemic raises death counts and the financial effects of associated lockdowns coupled with health concerns lower birth rates.

It will be interesting to see how the pandemic affects births and deaths in the US in coming months and years, and what the economic impacts will be. Let's consider some of the possible consequences of the pandemic on both, as well as other demographic developments:

(1) *Births.* The pandemic could lower the number of births by half a million babies over the next year, according to a June 15 Brookings [report](#). When the pandemic lockdowns occurred, there was some speculation that the result would be a baby boom, as young couples shut in

together are bound to make babies. But this reasoning doesn't stand up against historical statistics during periods of economic uncertainty and health crises, the authors argue.

On the contrary, the researchers see the lockdown-provoked economic uncertainty causing couples to delay plans for more kids, with the result that some women will have fewer children over their lifetimes; that's based on statistics from before and after the previous Great Recession. "In 2007, the birth rate was 69.1 births per 1,000 women ages 15 to 44; in 2012, the rate was 63.0 births per 1,000 women. That nine percent drop meant roughly 400,000 fewer births," the researchers show. They also find, based on an analysis of state-level data during the Great Recession, that a 1ppt increase in unemployment reduces the birth rate by 1.4%. During the 1918 Spanish flu, large spikes in mortality were matched by large declines in births, they observe. Each wave of the Spanish flu correlated with birth-rate declines of roughly 21 births per 1,000 population, or 12.5%. By the way, the fertility rate dropped to a new record low of 58.2 during 2019 ([Fig. 3](#)).

Although the researchers don't mention this, anecdotal evidence suggests that the challenges of parenting seem more daunting in recent times. Many are questioning how they could possibly manage more children without the help of childcare systems they once relied upon, which in many communities have vanished during the pandemic. Even before the pandemic, many Millennials of child-bearing age were on the fence about having more children, with some deciding to delay childrearing and some deciding not to have children, period. Now, lots of parents of school-age children are hard-pressed to juggle their day jobs and remote schooling for their current children as the pandemic continues to spread. That's often without the social support networks they knew before the pandemic given the need to socially distance, especially from vulnerable grandparents. And parents who are unable to work from home while their kids are required to learn from there face stark choices indeed.

(2) *Deaths*. Skeptics may say that many of the deaths attributed to COVID-19 likely would have occurred without it, as the disease is most deadly for the elderly and infirm. Others say that the virus-related deaths may be offset by decreases in deaths from causes such as car accidents, given that people don't leave their houses as much during the pandemic. But data show that the number of deaths in the US so far this year through July is 8%-12% higher than would have been expected had the coronavirus pandemic never happened, [observed The Conversation](#), an independent news source. Excess deaths are calculated as actual deaths over estimated deaths in the absence of the pandemic using historical data from the Centers for Disease Control and Prevention (CDC).

COVID-19 could be the third-leading cause of death in the US this year behind only cancer and heart disease, CDC statisticians [told](#) CNN. Indeed, COVID-19 is on track to kill hundreds of thousands of Americans, up there with the country's top 10 causes of death in 2018: heart disease (655,381), cancer (599,274), unintentional injury (167,127), chronic lower respiratory disease (159,486), stroke (147,810), Alzheimer's disease (122,019), diabetes (84,946), flu and pneumonia (59,120), nephritis (51,386), and suicide (48,344).

From 2017 to 2018, however, age-adjusted death rates [decreased](#) for six of the 10 leading causes of death and increased for only two. The overall age-adjusted death rate decreased, and the leading causes of death did not change. In fact, during the 20th century, the US experienced an unprecedented decline in mortality “thanks to improvements in public health, medical advances, and behavioral changes,” as a 2016 *Penn Wharton* [brief](#) demonstrated in a chart. In other words, the recent pre-pandemic rise in deaths to record levels is more likely due to a combination of population growth and population aging. Nevertheless, the pandemic has resulted in—and may continue to result in—more excess deaths until effective treatments and vaccines are found and widely used.

(3) *Marriage & divorce*. COVID-19 may be leading to a marital crisis for couples with pre-existing relational strains. Even without the virus to worry about, financial stress has been a long-time leading cause of divorce. Combine a new job loss or income loss with being cooped up together for months and the continued loss of face-to-face social support networks due to the virus, and the result is too nasty a cocktail for many married couples to stomach, whether they started out on solid footing or not.

That's not to mention that the pandemic has forced many married couples with children to rearrange household duties and reverse caregiving roles. So it's no surprise that there are [signs](#) of higher divorce rates and relational strain during the pandemic. Globally, domestic violence has [increased](#). However, any increase in US divorces runs counter to the current trend. Since August 2007 until the latest data through March, the number of divorces has been on the decline ([Fig. 4](#)).

In large part, that may be because the number of marriages has declined over the same timeframe. Even prior to the pandemic, many young people were [getting married](#) later in life, after hitting educational or career milestones, and many were cohabitating with their partner before marriage. In other words, many young people waited to become more professionally

established and personally confident in their potential for long-term compatibility with a partner before getting hitched.

(4) *Renters & homeowners.* The homeownership rate jumped from 65.3% during Q1 to a cyclical high of 67.9% during Q2. Some of the increase may be explained away by changes in the data collection due to the pandemic, but likely not all of it, as we discussed in our August 5 [Morning Briefing](#). The increase in the rate was evident across all age groups, but particularly pronounced for the age cohorts under 35 and 35-44 ([Fig. 5](#)).

In that commentary, we explored how the “virus-related lockdowns may have caused many 30-somethings to value home life more than before the pandemic. And with work-at-home arrangements and historically low mortgage rates facilitating moves from cramped city apartments into the ‘burbs,’ Millennials’ leap into the traditional trappings of adulthood is accelerating. At the same time, many Baby Boomers are opting to stay put in their existing homes for now, tightening the supply of available homes for Millennials.”

We also discussed a brewing perfect storm in the rental segment of the housing market: Not only are renters increasingly cost burdened by rising rents and other costs of living, but many have lost jobs and/or income during the pandemic, and federal legislative actions supporting renters and preventing evictions have expired. Indeed, many low-income workers living in rental units are on the brink of eviction.

US Housing: Suburban Housing Boom. The pandemic clearly has triggered a suburban housing boom as a result of de-urbanization. Contributing to the boom are low mortgage interest rates, which dropped to a record-low 2.88% for a 30-year fixed mortgage during the August 6 week ([Fig. 6](#)). Rates were just below 5.0% during mid-2018. Mortgage applications have rebounded along with home sales since both series bottomed during the spring ([Fig. 7](#)). Sales of new plus existing single-family homes jumped to 6.18 million units (saar) during July, the best pace since December 2006!

The homebuying stampede has depleted the inventory of homes for sale. A 4.0 months’ supply of new home inventory was available as of the latest data through July ([Fig. 8](#)). Single-family existing homes dropped to only a 3.1 months’ supply last month ([Fig. 9](#)).

Higher demand for housing tends to boost demand for home improvements and furnishings. Already, a pronounced V-shaped recovery has occurred in retail sales for furniture and home

furnishing stores ([Fig. 10](#)). Likewise, retail sales of building materials and garden equipment have shot through the roof in recent months to new record highs ([Fig. 11](#)). New suburbanites are also boosting the demand for cars.

Here's more on the impressive pandemic-related boom in the existing and new housing markets:

(1) *Existing home sales.* According to the National Association of Realtors (NAR), existing home sales, which are based on closings, soared 49.9% from the recent low during May through July to 5.86 million units (saar), the highest since December 2006. The Pending Home Sales Index, based on contract signings for existing homes, soared 16.6% m/m in June to the highest reading since February 2006 ([Fig. 12](#)).

(2) *Prices of existing homes.* The 12-month moving average of the median single-family existing home price was \$282,175 in July, up 6.2% y/y. On the same basis, the median price of new houses sold was \$325,175 in July, a 2.0% increase ([Fig. 13](#)). Prices are likely to be driven higher at a faster pace in coming months by inventory shortages for units across the board.

(3) *House starts and new home sales.* Sales of new single-family homes soared 58.1% during the three months through July to 901,000 units (saar) the highest pace since December 2006 ([Fig. 14](#)). As a result, homebuilders have been scrambling to meet demand. Single-family housing starts jumped 38.4% over the same three months to 940,000 units, still below the 1.034 million units during February.

(4) *Traffic.* The Housing Market Index compiled by the National Association of Homebuilders (NAHB) is a useful indicator of new home sales ([Fig. 15](#)). The NAHB index is highly correlated with the NAR's Pending Home Sales Index ([Fig. 16](#)). Both are higher now than they were just before the pandemic.

CALENDARS

US: Wed: Durable Goods Orders Headline & Ex Transportation 4.3%/2.0%, MBA Mortgage Applications, EIA Crude Oil Inventories, Jackson Hole Economic Policy Symposium.

Thurs: Real GDP -32.5%, GDP & PCE Core Price Indexes -2.0%/-1.1%, Corporate Profits, Initial & Continuous Jobless Claims 1.000m/14.450m, Kansas Fed Manufacturing Index, Pending Home Sales, EIA Natural Gas Storage, Jackson Hole Economic Policy

Symposium. (DailyFX estimates)

Global: **Wed:** France Consumer Confidence 94, Japan Leading & Coincident Indicators 85.0/76.4, Schnabel, Haldane. **Thurs:** Lane, Macklem. (DailyFX estimates)

US ECONOMIC INDICATORS

Consumer Confidence ([link](#)): Confidence sank to a six-year low this month, 47.8 points below its pre-pandemic peak. The Consumer Confidence Index (CCI) dropped for the second month in August, to 84.8, after spurting from 85.7 in April to 98.3 in June; it was at 132.6 in February. The present situation component of the CCI tumbled 11.7 points this month to 84.2, wiping away over 40% of the 27.5-point gain (to 95.9 from 68.4) from May to July. The expectations component deteriorated for the second month, falling 3.7 points m/m and 20.9 points over the two months through August, to 85.2, more than reversing the 19.3-point increase (to 106.0 from 86.8) from March through June. Consumers' assessment of present-day conditions deteriorated in August: The percentage of consumers claiming business conditions are good (to 16.4% from 17.5%) dipped a bit, while those claiming business conditions are bad (43.6 from 38.9) climbed, though was below May's 51.2% peak. Consumers' appraisal of the current job market was unfavorable. The percentage of consumers saying jobs are plentiful (to 21.5 from 22.3) fell, while the percentage claiming jobs are hard to get (25.2 from 20.1) rose. Consumers' short-term outlook worsened in August: The percentage of consumers expecting business conditions to get better (to 29.9 from 31.6) fell to a five-month low—dropping steadily from May's 42.5%, while those expecting business conditions to worsen (20.5 from 20.2) had a slight uptick; 49.6% expect things to remain the same. Consumers' outlook for employment showed those expecting more jobs (to 29.1 from 29.6) slipped to a five-month low, while those expecting fewer jobs (21.9 from 21.3) was at a 7.5-year high; 49.0% expected employment conditions to remain the same. Worth noting, those expecting more jobs has dropped steadily since reaching a record-high 41.2% in April. Lynn Franco, senior director of economic indicators at The Conference Board, warned: "Consumer spending has rebounded in recent months but increasing concerns amongst consumers about the economic outlook and their financial well-being will likely cause spending to cool in the months ahead."

New Home Sales ([link](#)): New single-family home sales (counted at the signing of a contract) soared to yet another new cyclical high in July, while builder confidence in August was back at its record high, as the housing sector appears immune to the pandemic. Sales jumped 13.9% in July and 58.1% the past three months to 901,000 units (saar)—the highest since the end of

2006. Sales were up 36.3% y/y, with sales in all four regions experiencing double-digit gains: Midwest (81.4% y/y), West (40.8), South (27.6), and Northeast (25.0). On a m/m basis, one region did see sales decline—the Northeast—but that was after a two-month surge of 136.4%. The number of new home sales on the market dwindled to a 28-month low of 299,000 units last month. NAHB's Housing Market Index (HMI) climbed 48 points during the four months through August (back up at its record high recorded in December 1998), after plunging a record 42 points in April alone to 30—the lowest builder confidence since mid-2012 and the first reading in negative territory (below 50) since mid-2014. All four measures of the HMI moved sharply off their lows: current sales (to 84 from 36 in April), future sales (78 from 36), and traffic of prospective buyers (65 from 13)—with the latter at a new record high.

Regional M-PMIs ([link](#)): Three Fed districts have now reported on manufacturing activity for August (New York, Philadelphia, and Richmond) and show the manufacturing sector continued to expand at a solid pace this month, led by the Richmond region. The composite index slipped to 13.0 this month after soaring from a record low of -62.9 in April to 17.1 by July. The Richmond (to 18.0 from 10.0) region showed growth accelerating this month, while Philadelphia's (17.2 from 24.1) showed a slower, though still robust, rate. In the meantime, growth in the New York (3.7 from 17.2) region weakened substantially. August's new orders measure followed a similar course, easing to 10.8, after jumping from a record low -66.4 in April to 15.3 in July. Billings accelerated in the Richmond (to 15.0 from 9.0) region, slowed in Philadelphia (19.0 from 23.0), and contracted slightly in New York (-1.7 from 13.9). Meanwhile, factories stepped up hiring, with the employment measure improving for the fourth straight month, from a record low -41.3 in April to a seven-month high of 9.5 this month; it had turned positive in July for the first time in five months. Richmond (to 17.0 from -3.0) manufacturers made an about-face this month—hiring for the first time since the start of the year. Philadelphia (to 9.0 from 20.1) manufacturers hired at half of July's pace, and New York (2.4 from 0.4) manufacturers' hiring remained around the breakeven point between contraction and expansion.

GLOBAL ECONOMIC INDICATORS

Germany Ifo Business Climate Index ([link](#)): “We’re not back to normal yet but things are improving,” Ifo President Clemens Fuest said in an interview on Bloomberg TV. “The recovery is more or less on track.” Germany's Ifo Business Climate Index rose for the fourth month in August, climbing 18.2 points over the period to 92.6. The index had plummeted 21.4 points during the two months through April to a record-low 74.4. The rebound is being driven by a

27.8-point surge in the expectations component during the four months ending August to a 21-month high of 97.5, more than recovering the 23.2-point plunge during the two months through April to a record-low 69.7. The present situation component increased for the third month, by a total of 9.0 points to 87.9 in August, after falling from 99.1 in January to 78.9 in May—which was the lowest since July 2009. By sector, the services' business climate index advanced for the fourth month, by a total of 41.9 points to +7.8—moving further into positive territory after crossing the breakeven point of zero in July for the first time since before the pandemic. Sentiment in the construction (to 0.0 from -17.8 in April), trade (-4.8 from -48.4), and manufacturing (-5.4 from -44.4) sectors all improved for the fourth month, with the former a step away from positive territory.

Contact us by [email](#) or call 480-664-1333.

Ed Yardeni, President & Chief Investment Strategist, 516-972-7683
Debbie Johnson, Chief Economist, 480-664-1333
Joe Abbott, Chief Quantitative Strategist, 732-497-5306
Melissa Tagg, Director of Research Projects & Operations, 516-782-9967
Mali Quintana, Senior Economist, 480-664-1333
Jackie Doherty, Contributing Editor, 917-328-6848
Valerie de la Rue, Director of Institutional Sales, 516-277-2432
Mary Fanslau, Manager of Client Services, 480-664-1333
Sandy Cohan, Senior Editor, 570-775-6823

Copyright (c) Yardeni Research, Inc. Please read complete [copyright and hedge clause](#).