



ECONOMIC OVERVIEW - Q3 2020

After steady employment gains throughout the summer, hiring slowed sharply in September and may indicate the economic recovery is stalling. Employers added 661,000 jobs in September, according to the Labor Department, making the total of replaced jobs lost in the pandemic at 11.4 million, from the 22 million jobs lost in March and April. Other signs of slowing include a drop in household income and smaller gains in consumer spending, the economy's main driver.

Business spending, which typically comprises about 30 percent of U.S. GDP, was running nearly 14 percent below 2019 levels by May, according to data firm Cortera, which collects details on spending from millions of companies.

The unemployment rate fell to 7.9 percent in September, down from 8.4 percent in August. The largest payroll gains occurred in leisure-hospitality, retail and healthcare sectors – the hardest hit at the beginning of shelter-in-place. School re-openings are expected to put more people back to work,

However, large corporate layoffs are sweeping across the U.S. Walt Disney Co. announced 28,000 permanent job layoffs, while American Airlines Group Inc. and United Airlines Holdings Inc. will now proceed with more than 32,000 job cuts after lawmakers were unable to agree to a broad coronavirus-relief package. Online business directory Yelp reported that as of Sept. 15, 60 percent of the businesses it tracks – nearly 100,000, mostly small businesses like restaurants and stores, had no plans to reopen.

On the upside, third quarter GDP came in at a 23.9 percent annual rate, a good bounce, yet not enough so far to offset the calamitous drop of 31.4 percent in the second quarter, which followed a 5 percent decline of GDP in the first quarter.

Arizona, meanwhile, added 62,900 jobs in May and 73,800 in June, according to a Aug. 28 third-quarter outlook report published by the Economic and Business Research Center on Arizona. August was a big month for employment in the state, with 80,000 workers getting their jobs back. That dropped the unemployment rate a whopping 4.8 percentage points. By the end of August, Arizona's unemployment rate was 5.9 percent – one of the lowest in the nation, according to the Bureau of Labor Statistics. The state's unemployment rate peaked in April, at 12.6 percent. By comparison, Florida's unemployment rate was 7.4 percent and California's the fifth highest in the nation, at 11.4 percent in August.