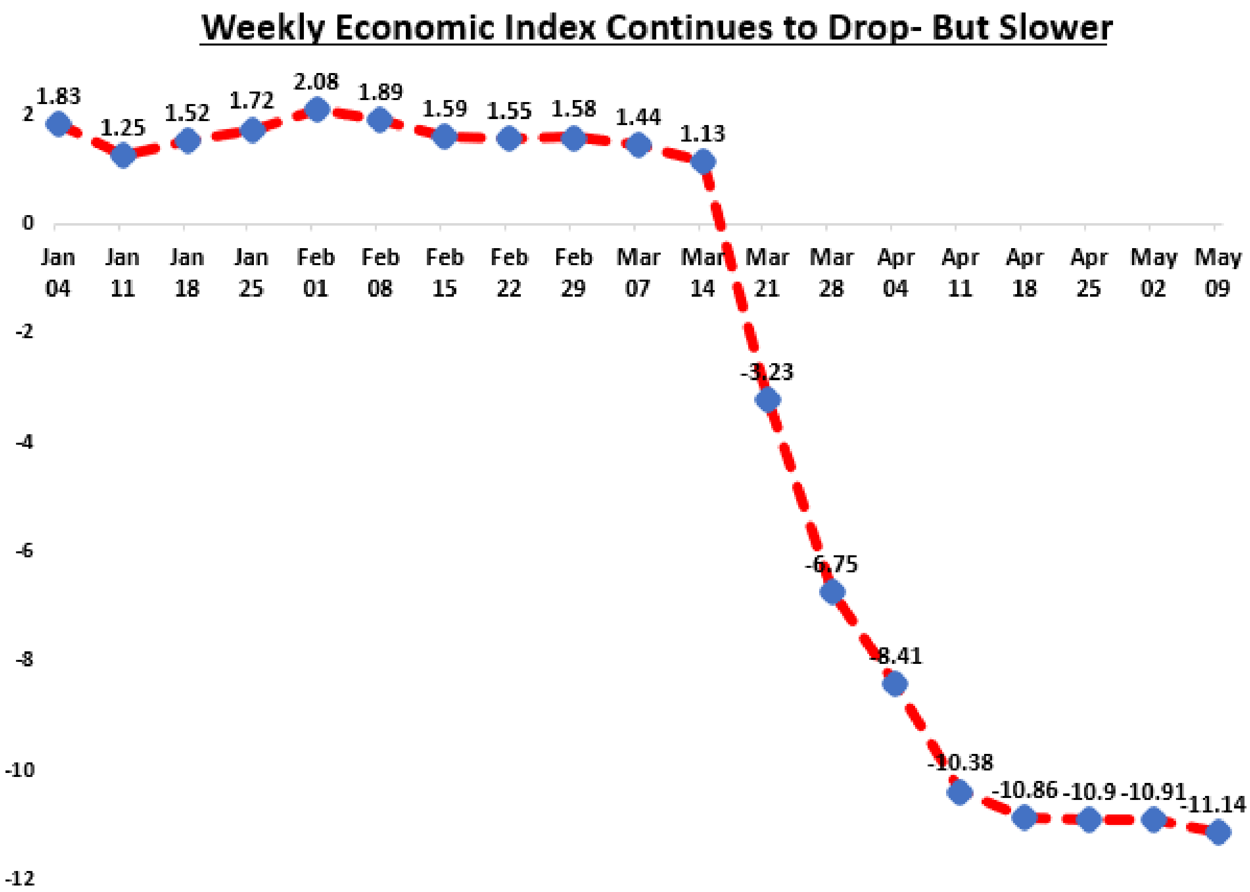
Is the Worst of the Economic Fallout Behind Us– Or Is it Yet to Come?

There is a lull in major economic data for a few days, so this is a good time to look at what some real-time measures are saying about the state of the economy right now. For this analysis we've been tracking the Weekly Economic Index (WEI) created by a group of economists from Harvard, the New York Fed, and Dallas Fed.

The WEI is an index of 10 data series: same-store sales, consumer confidence, new unemployment claims, continued unemployment claims, income tax withholdings, railroad traffic, staffing levels, steel production, fuel sales, and electricity usage.

The WEI has been falling rapidly since late February. As of May 9 (the latest data available) the WEI stood at -11.1. On February 29 it was at 1.6.

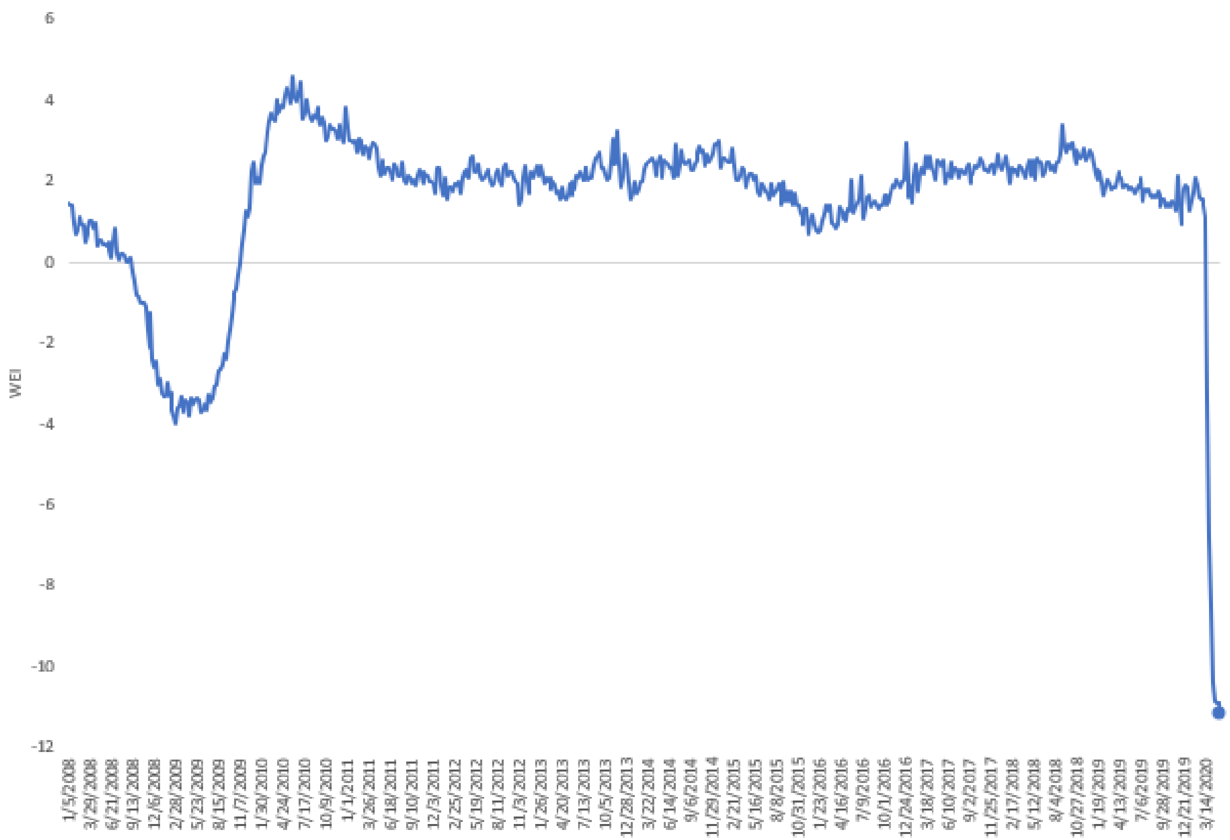


The hope is that the decline is over, and we are through the worst of the fallout. There is some evidence to that effect, but also cause for concern that the worst may not yet be behind us. The rate of decline had stopped for three weeks between April 18 and May 2 when the index stayed at -10.9, but last week it dipped again slightly.

It bears watching this week to see if the decline continues, or if last week was an outlier. The gradual reopening in several states should help.

To put the current drop in context, it is useful to compare it to the depths of the economic pain during the Great Recession (2007-2009). The lowest point in that recession was February 28, 2008 when the index was -4. The current -11.1 is almost three times as severe.

Weekly Economic Index Lower than any Point in Financial Crisis



We expect economic activity will rebound once state and local governments ease their stay-at-home orders. The question today is how fast will our recovery be once it starts? The WEI will be a good tool to measure this.

—Curtis Dubay, Senior Economist, U.S. Chamber of Commerce