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Hard-hit by Covid-19:

Which Americans Are More Likely to Bounce Back Financially,
and Which Ones Might be Knocked-Out?

Presented by Ana H. Kent

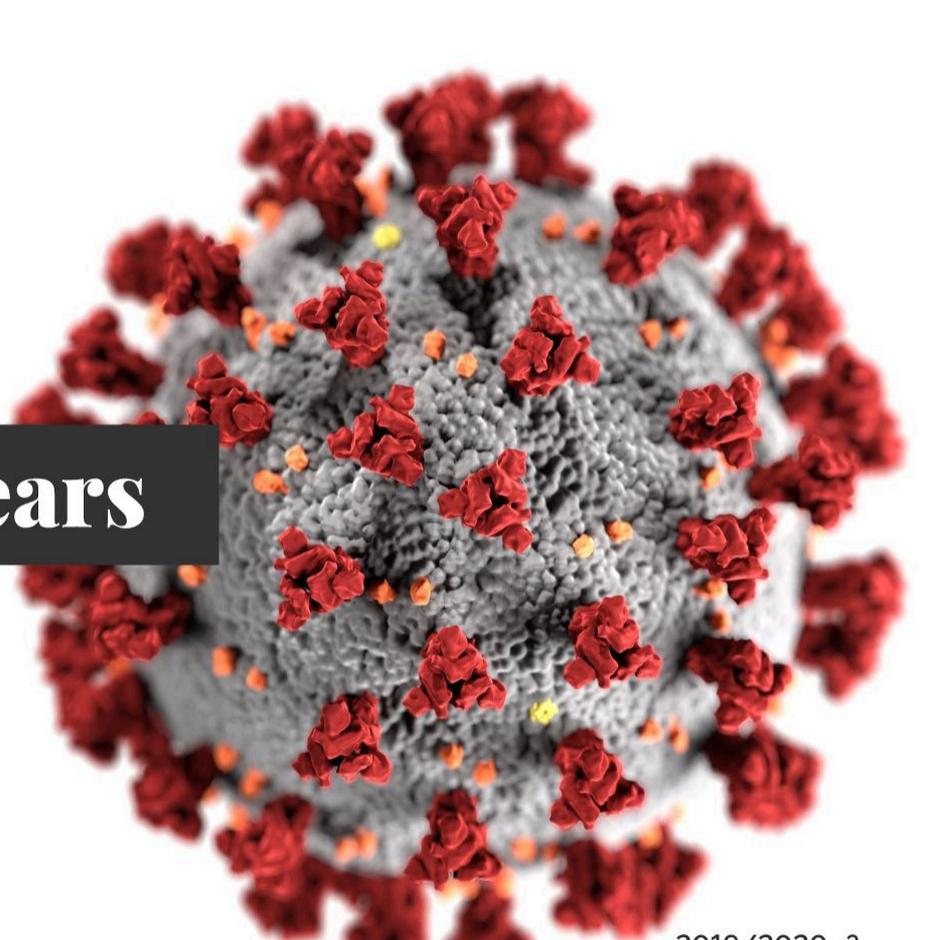
Policy Analyst for the Center for Household Financial Stability at the Federal Reserve Bank of St. Louis

May 14, 2020

These views are my own and not necessarily the views of the Federal Reserve Bank of St. Louis, the Federal Reserve System, or the Board of Governors.



12 Years

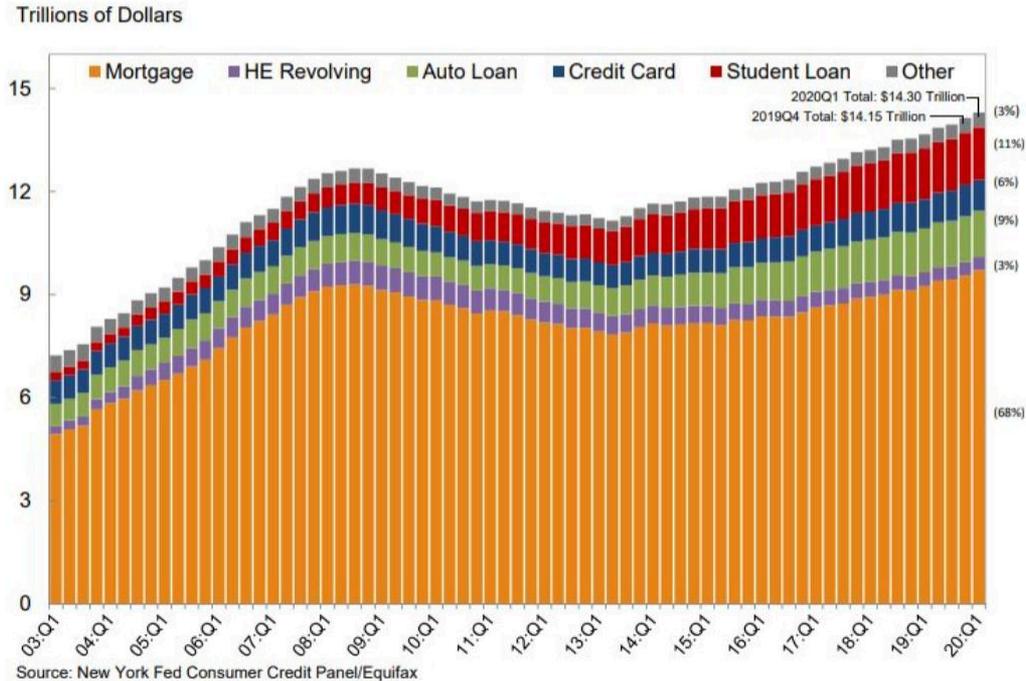


2007-2009

2019/2020- ?

U.S. Consumer Debt

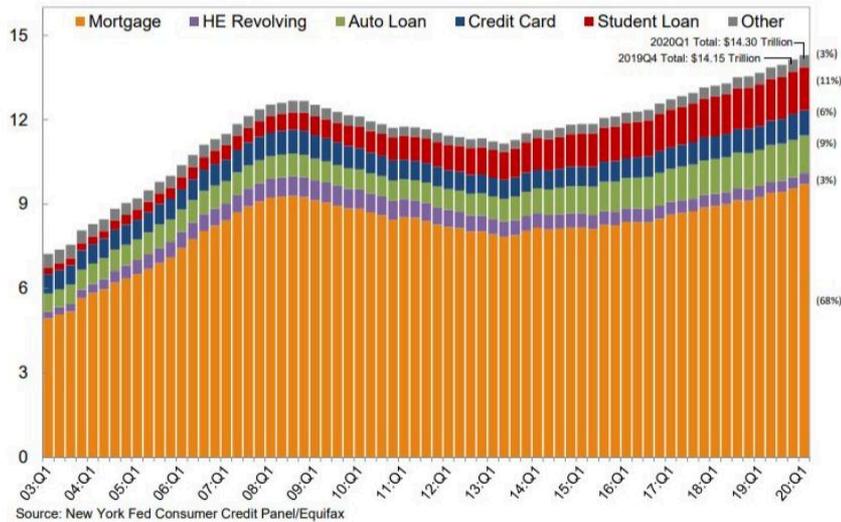
Consumer debt at it's peak?...



U.S. Consumer Debt

Consumer debt at it's peak?...

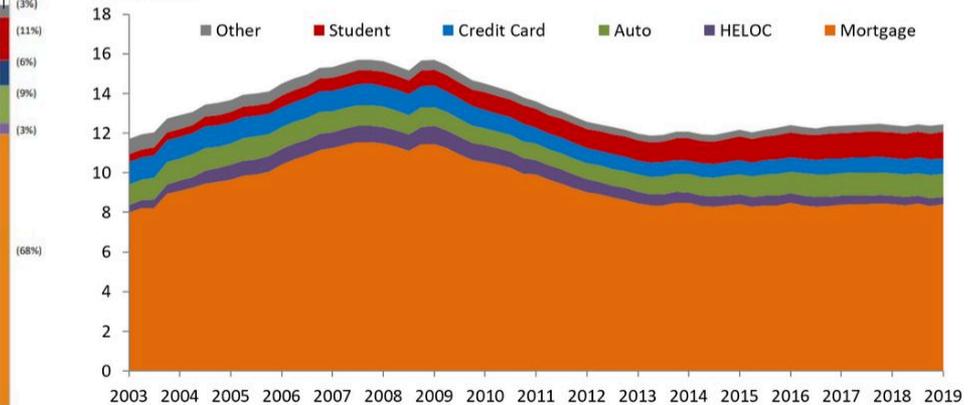
Trillions of Dollars



Not so after adjusting for inflation and population.

Total Real Consumer Debt, by Type, United States

Trillions 2018 \$



SOURCE: Federal Reserve Bank of NY/ Equifax Consumer Credit Panel, and Bureau of Economic Analysis.

“Wealth inequality in America has grown tremendously... to the point where the top 10% of families... own 77% of the wealth pie. The bottom half... own only 1% of the pie.”

Demographic Wealth Inequality

Advantaged/Disadvantaged Group

For every \$1 in wealth that the advantaged family has at the median,
the typical disadvantaged family has...

White/Black Gap

10 cents



White/Hispanic Gap

13 cents



Terminal Bachelor's Degree/
Terminal High School Degree

28 cents



Boomer family (65-75 years old)/
Millennial family (25-35 years old)

8 cents



Groups Particularly At-Risk Financially



Young



Blacks and Hispanics

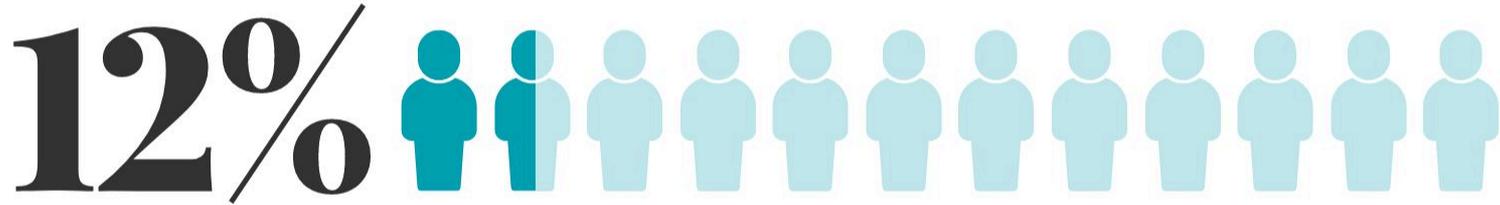


Less than a Bachelor's



Women

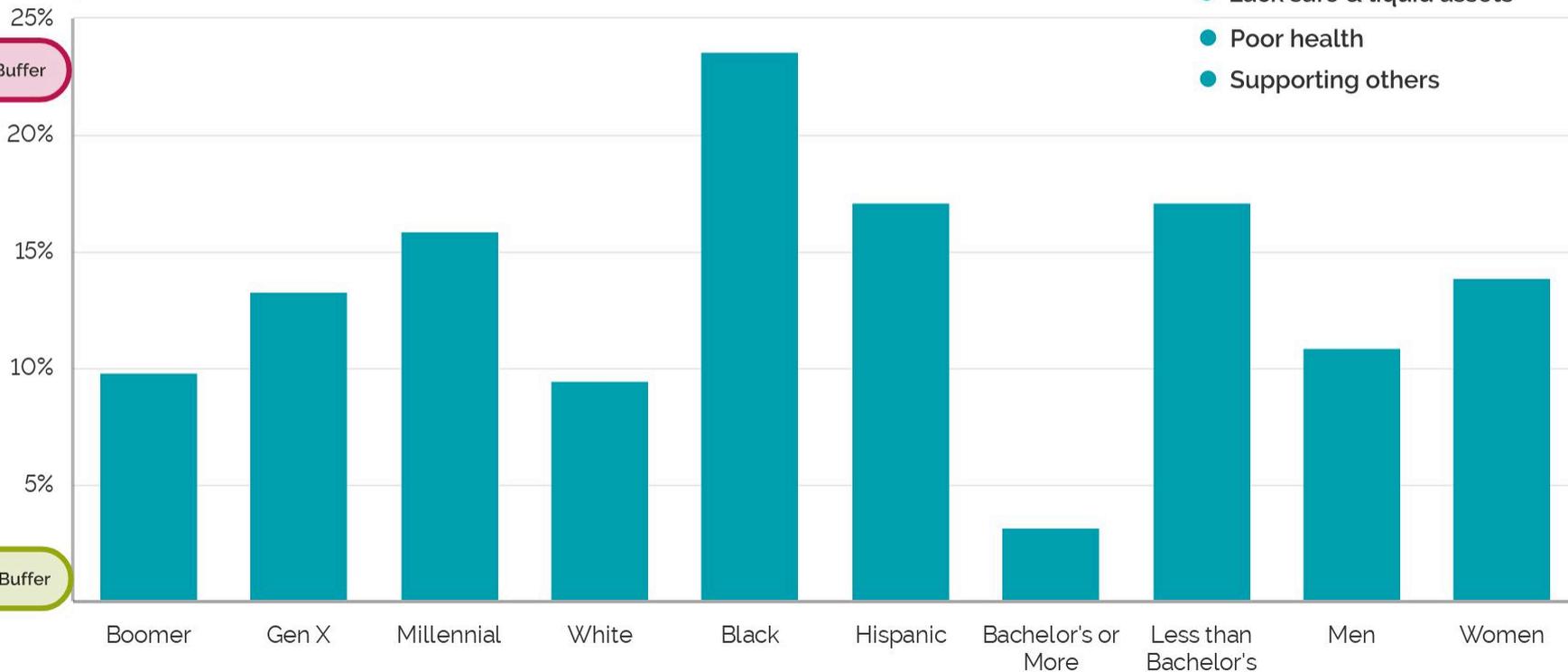
Lack of Liquidity



of Americans in 2018 wouldn't be able to handle a \$400 emergency expense.

Many Families Have Little to No Buffer

SHARE OF GROUP UNABLE TO HANDLE
\$400 EMERGENCY EXPENSE



SOURCE: SURVEY OF HOUSEHOLD ECONOMICS AND DECISIONMAKING, 2018

This can be catastrophic when paired with income loss

- **Hard-hit industries, April 2020**

Leisure and hospitality (39.3% unemployment rate)

“Other services” (e.g. personal and laundry services; 23.0)

Wholesale and retail trade (17.1)

Construction (16.6)

- **Harder-hit groups**

Gen Z

Hispanics

Those with less than a bachelor's degree

Women

Blacks

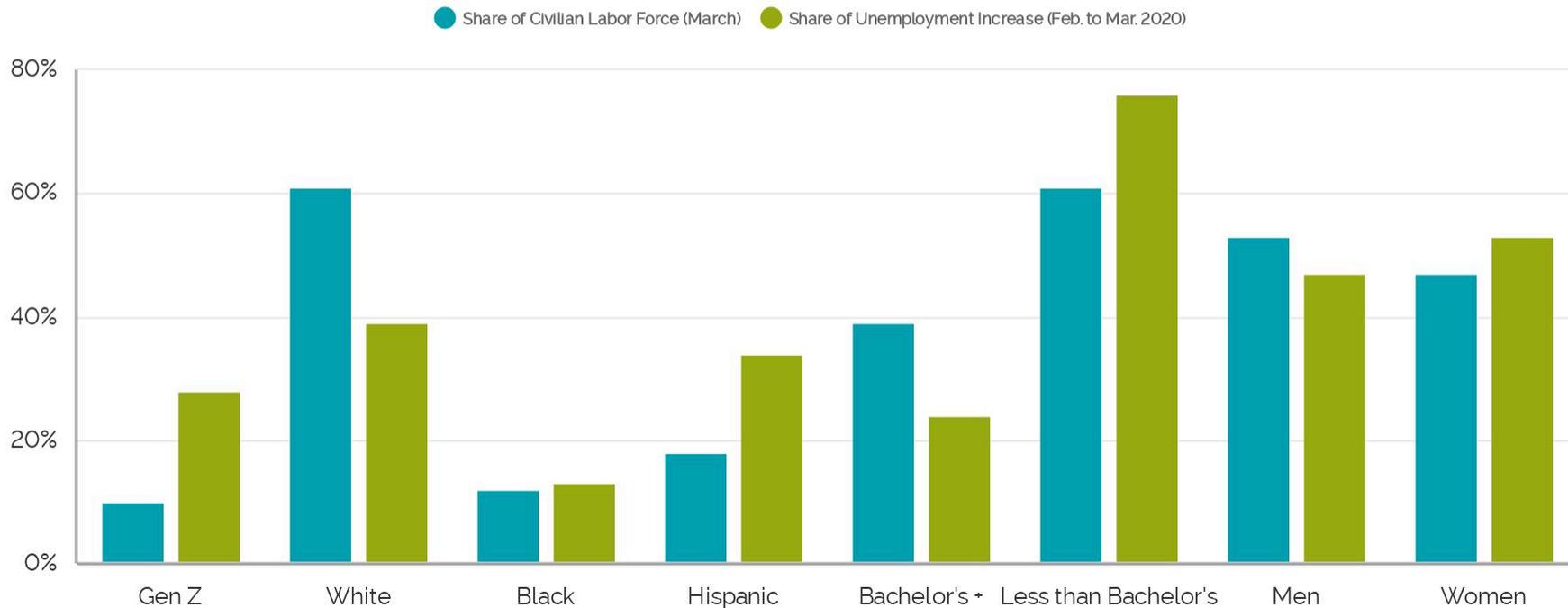


SOURCE: U.S. BUREAU OF LABOR STATISTICS AND IPUMS-CURRENT POPULATION SURVEY

The same vulnerable groups are the ones that have experienced disproportionate job loss

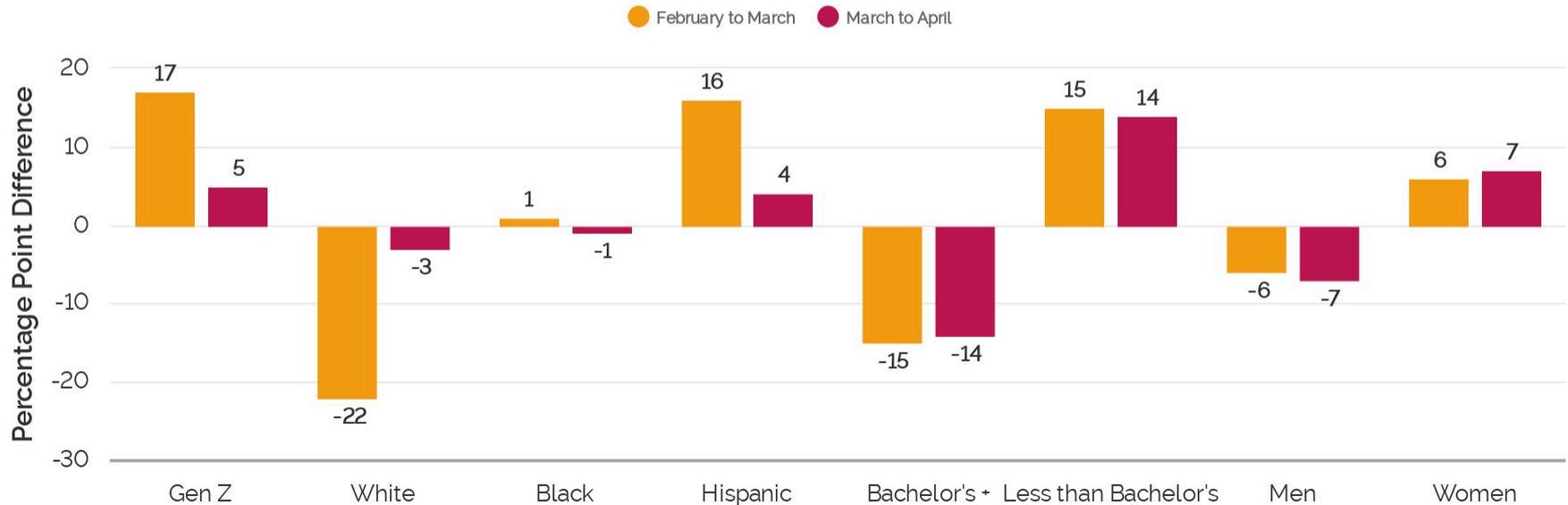
February to March 2020 Job Loss

Particularly Pronounced Among Gen Z, Hispanics, and Less-Educated



Less Educated Hit Particularly Hard in First and Second Rounds of Job Loss

Percentage Point Difference between Expected Unemployment Based on Civilian Labor Force Share in Earlier Month and Actual Share of Unemployment



More with Less



Many financially vulnerable individuals are living with and/or providing for children or others outside their household.

Final Thoughts

1 Many families and individuals were vulnerable before COVID-19 hit

2 COVID-19 uncovered existing disparities

3 In general, already vulnerable people suffered more from job loss

4 The full extent of COVID-19's financial impact is still to be determined



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Appendix: Demographic Vulnerability

Share of Demographic with Below Characteristic	All	Young (<40)	Black	Hispanic	Less than Bachelor's	Women
Renter (2018)	27.4	41.5	41.6	36.7	29.7	28.6
Negative Net Worth (2016)	11.0	22.9	19.0	11.4	11.4	*
Retirement Savings (2016)	52.1	45.8	34.0	30.8	40.3	*
Leisure & Hospitality Industry (Feb. 2020; Share of this industry)	100.0	66.2	13.6	23.7	80.4	50.8

* The Survey of Consumer Finances uses families as the unit of analysis.