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## **Pandemic Impacts: Understanding GroundView demographics in the Context of COVID-19**

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### **Abstract**

You are receiving this communication because you are a current user of GroundView. We want to provide you with some current demographic context to consider when using this product.

**Pandemic Impacts** provides a quick read of “need to know” news nuggets to help our clients navigate evolving consumer market trends during these pandemic times and beyond.

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### **1. Household Incomes Spiked in 2019! Really?**

The Census Bureau reported a record jump in US median household income from \$64,324 (2018) to \$68,703 (2019) -- up 6.8 percent in inflation-controlled real dollars. Never prone to a take number at face value, bureau statisticians dug into the unexpected change. They measure income via the Current Population Survey, March Supplement (CPS ASEC). Respondents are asked about their prior year's income. Since the March 2020 survey occurred during the coronavirus shut-down, researchers suspected non-response bias. Sure enough, higher-income households responded more to the detailed survey this year, unlike in prior years, while lower-income households were less likely to respond at all. The bottom line, when controlling for non-response bias, median household income rose to only \$66,790 or 2.8 percent lower than the

published number. Still, the 2018-to-2019 increase in household income (up 3.8 percent) was higher than usual, reflecting the strong economy before the pandemic-related recession.

**Sources:** Census Bureau, “Income, Poverty, and Health Insurance Coverage in the United States: 2019.”, Jonathan Rothbaum and Adam Bee, “Coronavirus Affects Surveys, Too: Nonresponse Bias During the Pandemic in the CPS ASEC,” (Census Bureau Working Paper, SEHSD WP2020-10)

## 2. Education Reimagined

Few households are unaffected by the pandemic-induced challenges to our educational systems. Parents are juggling jobs and kids’ K-12 schooling, teachers are managing new technologies and newer levels of stress, and kids themselves are yearning for fun and interaction with each other. Even grandparents are zooming to the rescue. The pandemic has exposed not only the inequalities of school facilities and segregation but also the radical inequalities of home life between inner-city youth and their suburban counterparts. The differential contexts of remote, technology-dependent, and home-based learning are exacerbating existing achievement gaps. McKinsey & Company has highlighted all of these issues and offered solutions in its thorough examination of the long-term impacts of COVID-19 on children and our educational systems.

Some college and university students, on the other hand, have taken matters into their own hands. Having outgrown living with their parents and not being welcome at their dormitories, they are giving remote learning new meaning. For example, a few Princeton freshmen settled into a large house in Chapel Hill, North Carolina, home to the University of North Carolina. Some Dartmouth students rented beach homes on Cape Cod for the semester. Grinnell College students left small-town Grinnell, Iowa, to settle in rented digs in Salt Lake City, calling it a “collab house.” Canadian students from the University of Ottawa headed for Ireland, zooming back into their courses from the Emerald Isle. Others hit the road, literally, by renting RV’s limited only by the quality of their Wi-Fi signal. Home and student life may never be the same. More importantly, the contrast between schooling (going to school) and learning (education) is now forever highlighted.

**Sources:** McKinsey & Company, “Reimagining a More Equitable and Resilient K-12 Educational System;” New York Times, “Where’s College? Anywhere You Want,” Sunday, August 30, 2020.

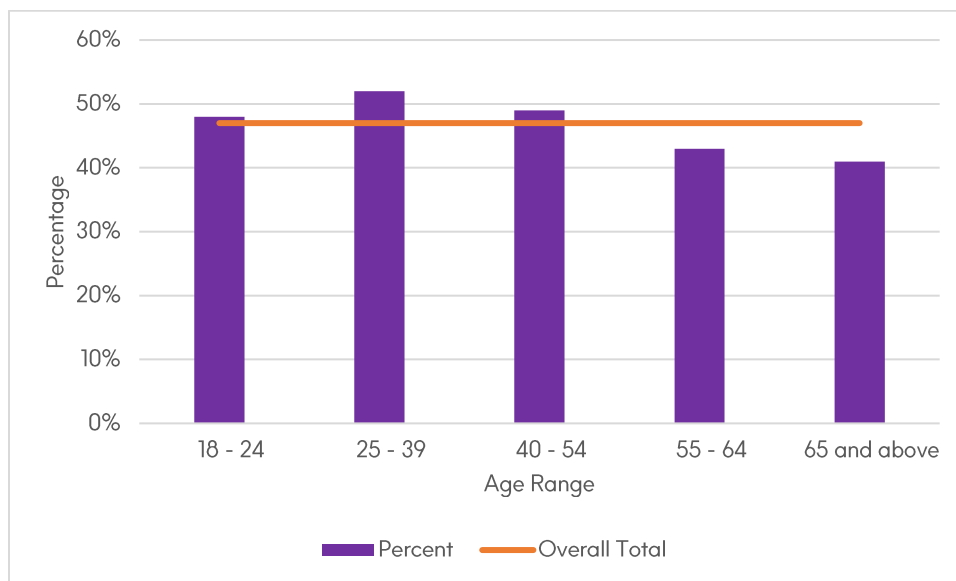
## 3. Income and Wealth Adjustments

Behavioral economics teaches us that people use many layers of reasoning to inform their consumer decisions. In the face of a pandemic, those layers may deepen and reorient survival strategies. Italian economists Jappelli and Pistaferri explored how consumers adjust their wealth goals based on shocks to their current income stream. The US Federal Reserve Board’s triennial Survey of Consumer Finances confirms that most US households lack a “safety net” of resources sufficient to weather even a small financial storm. However, for those who can maintain a rainy-day wealth fund, according to Jappelli and Pistaferri, savings goals are adjusted about one-to-one to shocks to current income streams. For example, if income is cut by 30 percent, rainy-day fund targets are reset downward by 30 percent. Actual financial behavior, in contrast to goal setting, suggests that it takes about three and a half years to replenish emergency funds. Not surprisingly, it takes the wealthy less time than the less-wealthy to get back to square one.

**Source:** Jappelli and Pistaferri (2020), “Permanent Income Shocks, Target Wealth, and the Wealth Gap,” a working paper of the Stanford Institute for Economic Policy Research.

#### 4. Online Buying Boom

Households are making more purchases online than before the pandemic. The Census Bureau’s Household Pulse survey captures weekly trends in consumer behavior. Online buying is up, but the trend does not apply equally to all households. Here’s the share of adults by age group who reported more online purchases:

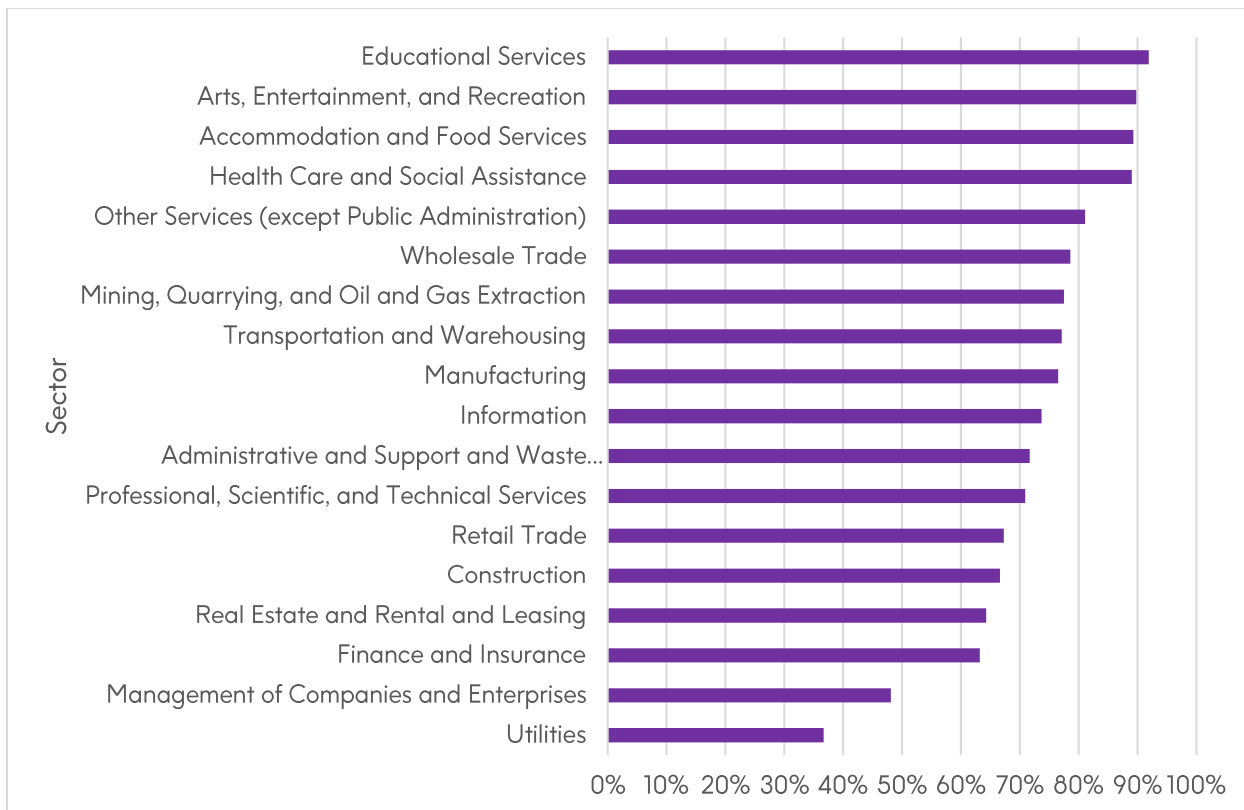


Nearly half of all adults increased their online spending. Those aged 25 to 39 increased online purchases by 52 percent. Two-in-five adults aged 65 and above increased their online spending during the pandemic so far.

**Source:** Census Bureau, Household Pulse Survey, week 13 (August).

#### 5. Business Climate Change

The COVID-19 Pandemic has had a broad impact. But the timing has varied by geography, with some states suffering earlier and others later. The pandemic impacts business sectors differentially. This chart below shows responses to the question: “Overall, how has this business been affected by the Coronavirus pandemic?” The chart ranks sectors by the percentage of businesses that have seen a “moderate” or “large impact” on their business.



Source: Census Bureau, Business Pulse Survey (August, 2020)

### Contact Information

If you would like technical assistance, please visit <https://support.precisely.com/>.



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