Analysis

A Mid-April Update to Regional COVID-19 Exposure

Broader vulnerabilities replace finance in index, but the most exposed economies remain the same.

Adam Kamins | 4/16/20, 3:53 PM EST

Download tables on the economic exposure to COVID-19 by state and metro area

- Even states that have remained open will be unable to escape the toll of the current recession.
- The most vulnerable places remain the same, with New York City still on top.
- The new vulnerability score has pushed a handful of poor, southern areas higher on the list.

The economic toll of COVID-19 on the U.S. shows no signs of relenting, and there remains nowhere to hide. While different regions are thinking very differently their near-term plans, even those states that have managed to remain open will be unable to escape the toll of the current recession; some of those states, most recently South Dakota, are experiencing outbreaks of their own that may eventually force them into lockdown as well.

Even as divergent policy approaches lead to varying degrees of pain, there is simply no avoiding the economic toll associated with reduced demand for goods and services now that over 20 million Americans are receiving unemployment checks. And while state and local leaders' decisions will play an outsize role in determining the trajectory for various economies, structural characteristics remain the key to understanding how severely COVID-19 will affect various states and metro areas.

With that in mind, the regional COVID-19 exposure scores that have guided our forecasts since early March have once again been updated to better reflect recent developments. This involves three changes to the index.

Financial services category less relevant

The most significant adjustment was the removal of the financial services category. While steep declines on Wall Street put finance hubs in harm's way in March, a partial rebound in equity markets and an aggressive monetary policy response have made this category far less relevant. Therefore, the securities industry share of employment and investment income percentage are no longer being considered.

In their place are two measures that are intended to capture the vulnerability of both businesses and individuals. The first is the poverty rate for each state and metro area. As the pandemic has progressed, increasing attention has been rightfully paid to the fact that minority and less affluent communities have been hit especially hard.

Though much research is still to be done, the simplest explanation is that those who live in marginalized communities are more likely to find themselves in harm's way because they cannot work from home and must engage in risky activities such as riding public transportation. Further, although Medicaid provides healthcare access to some of those in poverty, the overall rate is still a useful proxy for a lack of healthcare access, increasing the odds of the virus spreading.

Small-business workers more vulnerable

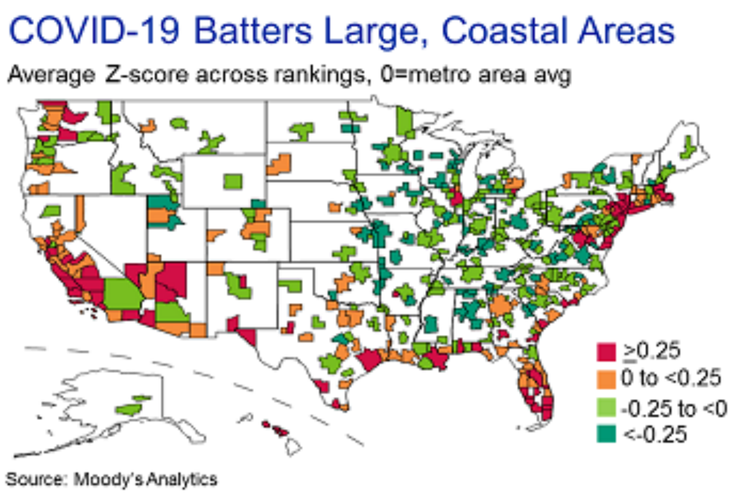
The second measure examined was the share of workers employed by small businesses, defined as those with 500 employees or fewer. Nearly half of Americans are employed by a firm that fits this criteria, but the distribution across states and metro areas is an important measuring stick. Small businesses are generally more vulnerable in a downturn, and that may be even more pronounced during this recession with so many firms shut down completely. Combine this with the fact that the Paycheck Protection Program ran out of funding this week, and the vulnerability is even more pronounced.

Because these categories have taken on such acute importance, the weight associated with them was increased to 15% from the 10% weight assigned to finance. In order to offset this increase, the trade and travel category weight was dropped from 20% to 15%. While that category still matters a great deal, it means less as new cases are almost entirely the result of community transmission within the U.S.

Infection rate updated

Lastly, the infection rate—a key component of the exposure to virus category—has been updated to incorporate data through April 14-15. This does not materially change the top of the list, but a number of smaller metro areas have moved up on the list, reflecting a large increase in cases that in some cases can be traced to a specific town or facility. In addition, numerous metro areas that are just a bit outside the New York City epicenter—including New Haven CT, Allentown PA, and Ocean City NJ—have seen a significant increase in incidence as well.

As for the overall rankings, the most vulnerable places remain the same, with New York City still on top but with a lower Z-score than it had in the previous rankings, reflecting the reduced impact of finance. Finance hubs that have not experienced a major outbreak, meanwhile, have moved noticeably lower. These include Wilmington DE, Jacksonville FL, Minneapolis MN, and Des Moines IA. A number of smaller Wisconsin metro areas have also shifted to the bottom of the list, reflecting some of the nation's lowest poverty rates alongside minimal COVID-19 prevalence and an almost nonexistent tourism industry.



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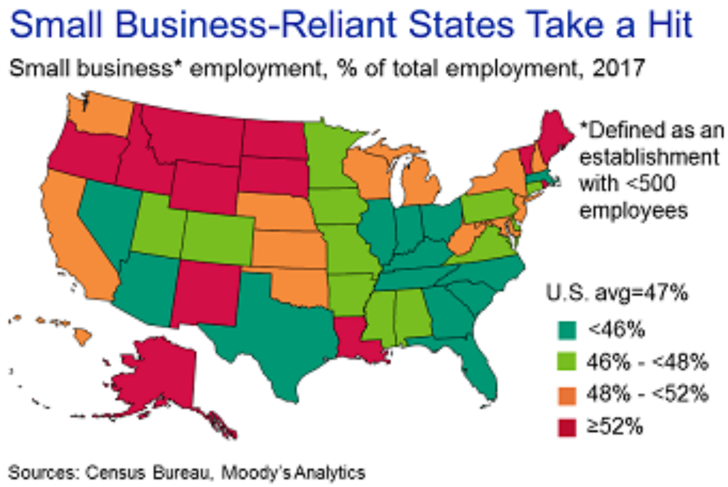
Meanwhile, the new vulnerability score has pushed a handful of poor, southern areas higher on the list. These include Laredo and McAllen TX as well as Valdosta GA. Small business reliance, meanwhile, may cause additional pain for small tourism hubs such as the Jersey Shore and California's Wine Country, along with a number of smaller northern states.



However, Silicon Valley and large tourism centers such as Orlando FL and Las Vegas actually look a tad better now than they did, as employers like Disney World and large hotels on the Strip will ultimately stay afloat despite an expected flood of short-term furloughs.