

Biden's economy shows strength, but recovery is far from complete

Businesses are rebounding, hunger is decreasing and the stock market is breaking records, but recovery will still be slow as many Americans remain jobless

By Heather Long and Andrew Van Dam
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SEWARD, Alaska — Bixler McClure's whale-watching tours in this popular port south of Anchorage are nearly sold out for June and July. He's had so many emails and phone calls begging him for a spot that he recently hired another captain and ordered a third boat. This big expansion of his small business, Seward Ocean Excursions, would have been unthinkable this time last year, when tourism evaporated and he nearly sold a boat to keep the business afloat.

"The word on the street in Seward from hotels and Airbnbs is it's going to be a wild summer," McClure said. "Airbnb nightly rentals are literally full for all of July. This has never happened this early."

The surge in bookings for flights, hotels and even boat tours like McClure's is the latest sign an economic rebound has taken hold. The durability of this rebound, though, is difficult to measure. The coming spending tsunami is expected to lift the U.S. economy to its fastest growth rate since at least the early 1980s, but it's unclear how long it will last.

As President Biden approaches his 100th day in office, he confronts a much different economy than the one that existed when he was sworn in. Hiring is picking up rapidly after backsliding in December. Hunger is decreasing. The number of families behind on rent fell by more than 2 million in March. The widely tracked S&P 500 stock market index has notched at least 21 records since Biden took office, the most seen by any president in his first 100 days since John F. Kennedy. And business optimism is rebounding in both the manufacturing and service sectors, albeit from low levels.

Economists have long predicted that growth will accelerate as the coronavirus comes under control, regardless of who is in the White House, though the Biden administration has put a distinctive spin on the government's role in the recovery. The president's signature spending initiatives, such as a \$2 trillion infrastructure plan, are still taking shape and, if passed, are not likely to take effect until after the initial rebound. But at the same time, Biden's team prioritized vaccinations and worked quickly with Congress to enact a \$1.9 trillion stimulus package to provide ample support to the economy. Both of these moves have already had a tangible impact.

McClure, who doesn't like to get political, described the economic shift like this: "There is more optimism now. I'll put it that way."

The White House is quick to emphasize the recovery is still a work in progress and has been deeply unequal. Wealthier Americans tend to be doing better during the recovery, and many remain concerned about the unevenness of the recovery as Black, Hispanic and Asian American communities continue to suffer deeper job and business losses. Black women, for example, have experienced almost twice the job losses (8.3 percent) as their White counterparts (4.7 percent) since the pandemic began. And the White House has faced criticism that it's been slow to dispense some aid.

Biden has spoken of creating an economy that doesn't just return the United States to where it was pre-pandemic but also offers more opportunities to all, including workers of color, women and those without college degrees.

Whether Biden ultimately achieves these more ambitious goals remains to be seen, but the foundation appears set for a boom year that should bring back millions of jobs, grow the economy considerably and ease the burden of Americans living in poverty.

"My message to the American people is this: Help is here. Opportunity is coming. And at long last, there's hope for so many families — so many families. Credit for this progress belongs not to me but to the American people," Biden said earlier this month.

Stimulus steps in

The stimulus package, known as the American Rescue Plan, which passed with only Democratic votes in Congress, has triggered a noticeable rise in spending. Economists are raising their forecasts for how robust the economy will be in the coming months.

Before the election, in October, forecasters expected the economy to grow by 3.9 percent in 2021, according to a survey of 50 economists by Wolters Kluwer's Blue Chip Economic Indicators. By April, the consensus estimate had jumped to 6.3 percent. Many Wall Street economists predict an even faster rate of growth.

Goldman Sachs now forecasts a stunning 8 percent, which would be the U.S. economy's strongest year since 1951.

“It's really the stimulus that's made the difference in the economic recovery,” said Nela Richardson, chief economist at payroll processor ADP. “We're going to celebrate a lot of good economic data,” she added. “And I think Wall Street is going to pretend that they did it all themselves. But we know that the stimulus checks ... really made a difference.”

The third quarter (July through September) is especially telling. Before the election, forecasters anticipated 3.7 percent growth at an annualized rate. Now, that has risen to 7.5 percent after the stimulus passed and the vaccine rollout accelerated, prompting Biden to vow the nation will be “closer to normal” by the July Fourth holiday.

Pandemic's challenge

Getting the nation across the threshold for herd immunity remains a key challenge for the Biden administration.

“Yes, business activity is accelerating in the U.S. and this has certainly increased the demand for more workers. But make no mistake, 2021 will be a delicate transition year,” **Bernard Baumohl, chief economist at the Economic Outlook Group**, wrote in a note to clients. “We believe the recovery will be nothing like any previous business cycle.”

For more than a year now, Federal Reserve Chair Jerome H. Powell has said the path of the economy will depend on the path of the pandemic. Cases have dropped from their winter peaks and at least a quarter of Americans are fully vaccinated, but many remain vulnerable to the deadly novel coronavirus. Dangerous variants continue to pop up in places such as Michigan and California. In some parts of the country, widespread vaccine skepticism threatens to stall progress.

Deborah Dicks Maxwell, a community leader and retired public health social worker in Wilmington, N.C., said that activity was picking up in the coastal city's crucial tourism sector but that vaccine hesitancy has slowed the recovery.

Like most Southern states, vaccination rates in North Carolina lag well behind the national average, and fear of the virus continues to limit tourism work.

“People really need to vaccinate,” Dicks Maxwell said. “It's tourist time here, so we have people coming from everywhere. ... If they're coming to condos or beach houses, guess who has to clean them up? Your local populace.”

Some positive indicators

In perhaps the most telling sign of improvement since Biden took office, there's been a noticeable decline in the number of American households who say they are behind on rent or did not have enough to eat in the past week.

Hunger soared during the pandemic, with many Americans visiting food banks for the first time and struggling to pay their bills, especially in the fall and winter when unemployment payments were reduced. As recently as December, 1 in 7 adults said they sometimes or often did not have enough to eat, according to a U.S. Census Bureau survey conducted every couple of weeks during the pandemic. That has now fallen to 1 in 11 — the lowest level recorded since the survey began in April.

It's a similar story for renters. Nearly 1 in 5 renters were behind this winter, the Census Bureau survey showed. That has now fallen slightly to 1 in 7 renters. Congress has enacted nearly \$50 billion in aid to try to help renters, but much of that money flows through state and local government agencies that are struggling to set up processes to distribute it all.

The recent \$1,400 stimulus payments that have gone out to roughly 160 million Americans have provided an immediate cash infusion to help pay rent and buy food until other forms of aid come through.

Amy Berrios, a mom in Camden, N.J., is among those who says her “fridge is full again” and her bills are all paid after she received the stimulus via direct deposit in March. Berrios, her disabled husband and her 3-year-old daughter all qualified, giving the family a \$4,200 financial boost.

“I used the stimulus for the utilities. And I just got stuff for my daughter. And food and stuff like that,” said Berrios, who works part-time at a grocery store. “I also put \$1,000 into savings.”

Berrios said her family was always able to pay their bills before the pandemic. But when the crisis hit, life became a nightmare. Her hours were reduced at the grocery store. They fell behind on rent. They received their first electric shut-off notice, and she spent many weeks “choosing between paying for food and paying bills.” She credits the latest stimulus, which delivered the one-time payment as well as an additional \$300 a week in unemployment benefits with helping them catch up. She still gets some unemployment money because her hours were cut so severely.

Still, Berrios says, the biggest help of all would be going full-time again.

Still a sticking point: Jobs

The United States added 916,000 jobs in March, the biggest jump in hiring in seven months. An uptick in hiring is a signal that businesses are confident enough about the future to add more employees.

But about 8.5 million people who lost work during the pandemic still have not been hired back or found a new job. The jobs recovery is only about 60 percent done. One of the most worrying signs? More than 4 million Americans have now been looking for work for more than six months. Historically, the long-term

unemployed have struggled to find new jobs. Their earnings, and their careers, will be set back for years.

Economic growth, measured through the gross domestic product, is likely to recover to pre-pandemic levels by June, said Joseph LaVorgna, chief U.S. economist at Natixis who served on President Donald Trump's National Economic Council. But the job market rebound has not been as swift.

"GDP has come back. This is an incredible achievement considering many forecasters did not anticipate this happening until late 2022. Unfortunately, the labor market is still lagging," LaVorgna said.

Economists anticipate more months of strong job growth to come as businesses see more customers returning. Job sites such as ZipRecruiter and Indeed say job postings are jumping. Companies are competing to get their ads in front of as many workers as possible as hiring ramps back up.

Elle Zernia recently opened Mermaid Grotto Cafe in Seward, Alaska, and was able to find staff quickly, but she says the \$12-an-hour jobs at Captain Jack's Seafood Locker have remained unfilled as the many seasonal workers who normally come to Alaska in the summer haven't seemed to be coming this year after learning that the large cruise ships weren't going to be running. The economy is improving, but it isn't close to being back to normal.

"I'm having a terrible time finding people who want to work and process fish," Zernia said. "I have had many people tell me they can make more money on unemployment than at a job."

In March, the University of Michigan Consumer Sentiment Index hit its highest level in a year, as consumers expect the economy to be much improved a year from now. Still, it remains about 15 percent below the highs it set at the apex of the last expansion, and it will be widely watched as an indicator of when consumers will open up their wallets once more.

On the Alaska coast, boat tour operator McClure is worried about only one thing: whether the new boat he ordered for the busy summer season will actually arrive in June.

Shipping delays and supply chain glitches are fast becoming the biggest problems in the economy, driving up prices and holding back growth. McClure has held off selling tickets on the new boat yet, but he's eager to start as soon as it arrives.

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