DIVISION OF AGRICULTURE
RESEARCH & EXTENSION
University of Arkansas System

COVID-19 Impacts on Arkansas' Agricultural and Rural Economies

UPDATE:
November *Personal Income and Outlays* Report

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On the day before Thanksgiving, the U.S. Department of Commerce, Bureau of Economic Analysis released its monthly update on personal income and expenditures through the month of October. The report was a bit of a good news/bad news event. Personal income was down in October by 0.65% compared to September. September's personal income estimate was also revised down slightly from last month's original estimate. The market had anticipated basically flat personal income in October.

The good news is that private sector compensation continued to rise in October, posting about a 1% gain over the prior month. This was the sixth consecutive month of wage growth following sharp declines in March and April. Private industry wages and salaries in October exceeded their January level for the first time since the beginning of the pandemic.

Government wages declined by about half a percentage point. The report attributed this decline largely to the planned scaling back of temporary and intermittent employees brought on for the decennial census.

Despite the lower government wages, the Government sector continues to loom large in these personal income reports through a variety of transfer programs. Acknowledging that fact, BEA is providing supplemental information on the impact of specific pandemic-related programs on the various categories of personal income.

Government social benefits declined rather sharply in October, dropping by more than 6%. The bulk of this decline was due to the rapid tailing off of payments under the Lost Wage Supplemental Payment program administered by the Federal Emergency Management Agency. Changes in other individual transfer payment programs were relatively minor.

The big move in personal income in October came from proprietors' income; and government programs were a major factor here, as well. Non-farm proprietors' income actually fell by almost 3% from September to October – the first month-to-month decline since April. This was largely the result of a sharp reduction in payments under the Small Business Administration's Paycheck Protection Program (PPP). This was not a surprise, since the application period for that program ended back in early August.

It appears that the non-PPP component of non-farm proprietor's income actually rose modestly in October compared to the prior month. It will be interesting to see if this trend continues in November, with a resurgence of COVID cases in many areas leading to restrictions on businesses and likely some erosion in consumer confidence.

Farm proprietors' income was up sharply – over 100% in October compared to September. A caveat related to BEA's reporting conventions is definitely in order here. In its Personal Income reports (as with BEA's Gross Domestic Product reports), BEA reports monthly income figures that are seasonally adjusted at annual rates. That is, they report a figure for annual income if that month's level of income continued through the whole year. That methodology makes comparisons across seasons and across years more consistent and suits BEA's purposes in these reports very well, but it can be a bit misleading in the present situation.

Pretty much all of the increase in farm proprietor income in October was due to payments received under the second round of the Coronavirus Food Assistance Program (CFAP2). Those payments will, by program definition, be temporary, with disbursements likely to be virtually complete before the end of the year. Annualizing October incomes will thus inflate income estimates by overstating the ultimate impact of CFAP2. Suffice it to say, though, that these payments certainly did contribute to higher farm proprietors' income over the past month. Signup for the program began on Sept. 21, with payments beginning to go out shortly thereafter. USDA does not provide a monthly breakdown of CFAP payments; however, in a press release from Oct. 26, USDA indicated that about $7 billion had been paid out in the program at that point. This is about half of the $14 billion that USDA made available under the program.

A more thorough and accurate assessment of annual farm income expectations for 2020 will be available on Dec. 2, when the USDA Economic Research Service (ERS) updates its farm income estimates. This should provide a more direct estimate of the contribution of Coronavirus relief programs – both CFAP1 and CFAP2 – to farm incomes in 2020.

Personal consumption expenditures (PCE) increased in October, rising by about half a percentage point from the previous month. This is the sixth consecutive month of increasing PCE but the smallest rate of increase in that six-month period. While the rate of recovery in spending has slowed, with several categories of spending actually flat or a bit lower in October, PCEs still have yet to eclipse their January (pre-pandemic) level.