



Q&A:

# Cristian deRitis

Moody's Analytics

By Jim Davis

## Housing could spur the nation's recovery from a crisis

**E**very crisis is unique and the dynamics at play in each is different. That's true of the coronavirus pandemic – the nightmare scenario of a health care emergency accompanied by entire industries shutting down globally.

Still, this traumatic event is more akin to what occurred after Sept. 11, 2001, rather than the Great Recession where the pain lingered over years, said Cristian deRitis, deputy chief economist at Moody's Analytics. DeRitis said he isn't looking to underplay the gravity of the moment or the struggle to come, but he believes the economy will improve once the crisis is contained.

"Our expectation is that the trajectory for the economy will follow much more closely to what we might expect after a natural disaster or 9-11 in terms of the immediate hit to the economy followed by various stimulus responses that lead us to have some growth," deRitis said.

DeRitis spoke with *Scotsman Guide* about the coronavirus, its impact on the U.S. economy and housing market, and what he expects will happen to lead the nation's recovery.

### What does the pandemic mean for the overall economy?

The first half of the year is certainly going to be – I can't even think of the appropriate word to say. It's going to be one of the roughest half years in our history.

If we assume that the impact of the virus does clear and we contain the spread within this second quarter, the amount of stimulus that has been injected into the economy is significant. The outlook beyond the first two quarters is actually much, much brighter.

### What does it mean for the housing industry?

The housing industry is going to contract along with everything else. Housing does have a lot of service-industry aspect to it. If people are sheltered in place at their homes, or if they're told to isolate themselves, that means they're not going to be out shopping for homes.

On top of that, just the overall mood, the sentiment is certainly one of a retreat. So, consumers, households are in lockdown mode in terms of their finances as well. They're going to wait and see what happens with the virus itself.

### What about refinances?

The [interest] rates are projected to stay low for an extended period of time. The Federal Reserve has indicated that it's going to take a very dovish stance. I should think demand for refinancing should remain strong for the foreseeable future. To the extent that some of this refinance activity is done in person, that's going to be an impediment to some of that activity. We might have some delay, but we expect refinancing volume to continue at least for the next quarter and probably throughout much of the year.

### Could housing bring us out of this downturn?

Absolutely. There is significant pent-up demand. We do believe that on the other side of the coronavirus crisis, housing and home construction particularly will be the engine of growth. It has been in all previous recession cycles with the exception of the Great Recession.

### What types of sectors could perform well in this environment?

Clearly, consumer food-store purchases are accelerated. People are stocking up, even hoarding. Online delivery services are doing well with the orders to shelter in place. Health care obviously has lots of demand and will be receiving lots of funding from the government, researching cures and vaccines.

On the other side of this, [in regard to] construction and housing, I do expect that to spill over to reenergize the small businesses and financial services. Housing is great because it is local, first of all. You can't import a lot of what goes into a house. It just touches so many local services [such as] utilities, furniture, carpet installation.

### Are there any silver linings?

I think we have knowledge and science here to figure out how to control the spread. It's just a question of timing and equipment and resources. We can figure this out. If it was an unknown, that would be much scarier. We have some idea of the steps that we need to take.

### Any other thoughts about this issue?

Given the low interest rates, the low oil prices, all that fiscal stimulus, all the monetary-policy injection, under normal circumstances any one of those would cause an economy to skyrocket. If we can get through – assuming we get through this – there's a lot of upside on the other end once people's confidence is restored. People will be shopping for homes and cars and everything else. I have no doubt about that. ●

**Cristian deRitis** is deputy chief economist at Moody's Analytics, specializing in the impact of the economy on housing, credit, public policy and other areas. Before joining Moody's Analytics, deRitis worked for Fannie Mae. He holds a Ph.D. in economics from Johns Hopkins University and is a certified business economist. DeRitis is named on two U.S. patents for credit-modeling techniques and speaks regularly at Moody's Analytics and industry events.



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