Federal Reserve Bank of New York
33 Liberty Street, New York, NY 10045

Second District Advisory Council

Thursday, May 21, 2020

AGENDA

3:00 p.m. – 3:10 p.m. Welcome and Update, John Williams, President & CEO
3:10 p.m. – 3:20 p.m. National Economy Update, David Lucca, VP
3:20 p.m. – 3:35 p.m. Q & A with President Williams and David Lucca
3:35 p.m. – 4:10 p.m. Facilitated Discussion, Claire Kramer Mills, AVP
4:10 p.m. – 4:15 p.m. Concluding Remarks, John Williams, President & CEO
SDAC Advisory Members

Donnel Baird  Hugh Johnston
Founder & CEO  Vice Chairman & CFO
BlocPower  PepsiCo

Adenah Bayoh  Sarah LaFleur
Founder  Founder & CEO
Adenah Bayoh & Companies  M.M.LaFleur

Jaswinder Chadha  Steve Priest
President & CEO  EVP & CFO
Axtria, Inc.  JetBlue Airways Corp.

Michellene Davis  Jonathan F.P. Rose
EVP, Chief Corporate Affairs Officer  President
RWJBarnabas Health  Jonathan Rose Companies

Kevin Ellis  Anthony E. Shorris
CEO  John Weinberg/Goldman Sachs Visiting Scholar &
Cayuga Milk Ingredients  Senior Advisor

Lynne Marie Finn  Federico Stubbe, Jr.
President & CEO  President
Broadleaf Results  PRISA Group

Federal Reserve Bank of New York

John Williams  President & CEO
Michael Strine  First Vice President
Jack Gutt  EVP, Communications & Outreach
David Erickson  SVP, Outreach & Education
Andrew Haughwout  SVP, Research & Statistics
Rosanne Notaro  VP, Legal
David Lucca  VP, Research & Statistics
Matthew Higgins  VP, Research & Statistics
Jaison Abel  AVP, Research & Statistics
Claire Kramer Mills  AVP, Outreach & Education
Jason Bram  Officer, Research & Statistics
Tony Davis  Officer, Outreach & Education
Edison Reyes  Associate, Outreach & Education
The views expressed here are those of the presenter and do not necessarily represent those of the Federal Reserve Bank of New York or the Federal Reserve System.
Overview

- The coronavirus outbreak has taken a devastating human and economic toll in just over two months.

- Real GDP declined 4.8% (annual rate) in Q1:
  - The consensus forecast from a panel of professional forecasters suggests that real GDP will plummet more than 30% in Q2.

- The April employment report showed a dramatic deterioration in labor market conditions.

- Preliminary indicators for May suggest some pick-up in activity but sector and geographic-specific.
  - Path of future activity is uncertain and dependent on the evolution of the epidemic.
Consensus forecast from the Blue Chip panel of professional forecasters sees a sharp decline in real GDP in 2020:Q2.

Rebound in economic activity is gradual and reaches the 2019:Q4 peak level only after 2021.

Source: BEA; Blue Chip Economic Indicators
Dramatic Deterioration in the Labor Market in April

- Nonfarm employment declined 20.5 million

- Decline led by service sector industries more exposed to social distancing and stay-at-home orders

- Declines in the government sector concentrated at the state and local level

Source: BLS
Unemployment Rate Understates True Deterioration

- Unemployment rate jumped to 14.7% in April from 4.4% in March

- In addition, 5% of the labor force was absent from work due to business closures but not classified as unemployed

- The labor force participation rate dropped 2.5% to 60.2%

- The employment-to-population ratio dropped 8.7% to a record-low 51.3%

Source: NBER; BLS.
Sharper Job Losses Among More Vulnerable Workers

- Sharpest job losses for minorities, women and less educated workers

Unemployment Rate by Selected Demographic

- Overall
- Black
- Hispanic
- Women
- Less than HS, 25+ Years Old
- HS Diploma and No College, 25+ Years Old

The vast majority of job losers deemed to be on temporary layoff (received a date to return to work or expect recall within 6 months)

Source: BLS
Uncertain Recovery: Sector/Geographic Dependence

- Sharper decline in April economic activity in the region
- May activity in the region’s service sector still contracting but less in manufacturing
- Economic activity at small businesses only partially related to the imposition and removal of stay-at-home orders
- Recovery will depend on the evolution of the epidemic

Source: ISM; Federal Reserve; Homebase
Unprecedented Monetary and Fiscal Stimulus

- The FOMC cut the target for the federal funds rate to (effectively) zero in March
- Sharp expansion in the size of the Federal Reserve’s balance sheet
- New Federal Reserve 13(3) facilities
- Unprecedented federal fiscal support mostly as transfers to businesses and household

Source: Federal Reserve; Congressional Budget Office