AGENDA

10:30 a.m. – 10:35 a.m.  Welcome Remarks, John Williams, President & CEO
10:35 a.m. – 10:45 a.m.  National Economy Update, David Lucca, VP
10:45 a.m. – 10:55 a.m.  Regional Economy Update, Jason Bram, Officer
10:55 a.m. – 11:15 a.m.  Member Q&A with President Williams and Economists
11:15 a.m. – 12:20 p.m.  Facilitated Discussion, Claire Kramer Mills, AVP
12:20 p.m. – 12:30 p.m.  Concluding Remarks, John Williams, President & CEO
Federal Reserve Bank of New York
Second District Advisory Council
Tuesday, July 14, 2020

Attendee List – WebEx Conference

SDAC Advisory Members

Donnel Baird
Founder & CEO
BlocPower

Sarah LaFleur
Founder & CEO
M.M.LaFleur

Adenah Bayoh
Founder
Adenah Bayoh & Companies

Melanie Littlejohn
VP NY Customer and Community Engagement
National Grid

Jaswinder Chadha
President & CEO
Axtria, Inc.

Steve Priest
EVP & CFO
JetBlue Airways Corp.

Michellene Davis
EVP, Chief Corporate Affairs Officer
RWJBarnabas Health

Jonathan F.P. Rose
President
Jonathan Rose Companies

Kevin Ellis
CEO
Cayuga Milk Ingredients

Anthony E. Shorris
John Weinberg/Goldman Sachs Visiting Scholar &
Senior Advisor
Princeton University, McKinsey & Company

Lynne Marie Finn
President & CEO
Broadleaf Results

Federico Stubbe, Jr.
President
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
AVP, Research & Statistics

Jaison Abel
AVP, Outreach & Education

Claire Kramer Mills
Officer, Research & Statistics

Jason Bram
Officer, Outreach & Education

Tony Davis
Associate, Outreach & Education

Edison Reyes
Overview

- The economy entered an NBER-dated recession in February

- The pace of economic activity rebounded in May and early-June as businesses reopened and COVID-19 infections plateaued nationally

- Pickup in labor market and fiscal transfers supported households’ income and consumption

- High-frequency economic indicators suggest that the pace of economic recovery stalled since mid-June as infections rose
Payroll employment rebounded in April and May

- Nonfarm payrolls rose 2.7m and 4.8m in May and Jun
- Gains retraced a third of the Mar-Apr declines; employment level remains 15m below Feb peak
- Largest gains in May-Jun for sectors that experienced steepest declines in Mar-Apr
- Employment of state and local government have not recovered

Source: BLS
Unemployment rate declined from the April peak

- Reported unemployment rate fell from 14.7% in Apr to 11.1% in Jun
- Survey includes misclassified “out-of-work” workers
  - Undercount at 1% in Jun
  - Adjusted unemployment rate fell from ~20% in Apr to about ~12% in Jun
- Participation rate also recovered 40% of the Apr decline
- Broader employment gains across racial groups in Jun; employment for minorities still lags

Source: BLS
Consumption rebounding; ISM suggest expansion

- Job losses led to steep declines in compensation
- But disposable income rose thanks to fiscal transfers, supporting consumption
- Both the manufacturing and nonmanufacturing economic diffusion ISM indices suggest that the economic contraction ended in May
Recent rise in COVID-19 infections

- New confirmed cases rising broadly though mostly in high-prevalence states (new confirmed cases/population on Jul 8)
  - Cases in NY, NJ, CT still declining

- Except for LA, high prevalence states less affected in April and reopened earlier; but not an exact relation

New confirmed cases by prevalence (as of July 7)

- High-prevalence states (50% of US pop)
- Low-prevalence states (50% of US pop)
- NY, NJ, CT

Prevalence of new confirmed cases per million, 7-day averages

- States that reopened before May 1
- States that reopened from May 1-May 15
- States that reopened after May 15

High-prevalence: AL, AR, AZ, CA, DE, FL, GA, IA, ID, KS, LA, MS, NC, NM, NV, OK, SC, TN, TX, UT; Source: Johns Hopkins, NY Times
High-frequency indicators suggest recovery stalled

- Hours worked at small businesses stalled or declined in late Jun
  - Note: Jul 4th effect

- Hours at small businesses in high-prevalence states declined but flattening elsewhere

- Similar picture from other high-frequency indicators such as restaurant reservations

Source: Homebase, OpenTable
Preview

• Trends in the severity of the COVID outbreak across the District.

• Trends in the pandemic’s fallout on the economy.

• How this pandemic is more comparable to past natural disasters than to typical recessions.

• Looking ahead.
The Coronavirus Shock

Daily New Cases Per Capita, 7-Day Average

Dropoff and Recovery in Consumer Spending

Percent Change in Total Spending, Indexed to January 2020

-50% -40% -30% -20% -10% 0% 10%

Source: Opportunity Insights Economic Tracker and Affinity Solutions.
Severe Job Loss in the NY-NNJ Region
Percent Decline from Pre-Pandemic Levels, Feb-May 2020

- Job Loss On Par with Nation (10%-15%)
- Job Loss Worse than Nation (15%-17.5%)
- Job Loss Much Worse than Nation (17.5%-20%)

Source: U.S. Bureau of Labor Statistics and Moody’s Economy.com; data are early benchmarked by FRBNY staff.
The Pandemic Resembles a Natural Disaster

Indexes of Total Employment, Seasonally Adjusted

Source: U.S. Bureau of Labor Statistics and Moody's Economy.com; data are early benchmarked by New York Fed staff.
Job Losses by Sector
Change in Employment by Sector

Source: U.S. Bureau of Labor Statistics and Moody’s Economy.com; some data are early benchmarked by New York Fed staff.
Historic Plunge in Regional Business Activity

New York Fed Regional Business Surveys, Current Conditions

Diffusion Index

Empire State Manufacturing Survey

Business Leaders Survey (Service Sector)

Shading indicates NBER recessions

Source: Federal Reserve Bank of New York.
Businesses Expect Conditions to Improve

New York Fed Regional Business Surveys, Future Conditions

Source: Federal Reserve Bank of New York.
Summary

• Economic conditions across the District have been mixed, but clearly weak, since the outbreak of the pandemic.

• The outbreak initially hit the tri-state region harder than any other part of the U.S., whereas Puerto Rico and the USVI have seen much less virus spread.

• Not surprisingly, New York City’s economy sustained a steeper decline than the rest of the region or the U.S.—both in terms of employment and consumer spending.

• The magnitude and suddenness of this economic downturn make it more comparable to a natural disaster—specifically Hurricane Katrina in New Orleans—than a typical recession.

• Many of the job losses have been viewed as temporary layoffs or furloughs, and businesses have grown more optimistic about the near-term outlook and have begun to rehire.