



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

**Second District Advisory Council
Via WebEx Conference
Tuesday, July 14, 2020**

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

Hugh Johnston
Vice Chairman & CFO
PepsiCo

Federal Reserve Bank of New York

John Williams
Michael Strine
Jack Gutt
David Erickson
Andrew Haughwout
Rosanne Notaro
David Lucca
Matthew Higgins
Jaison Abel
Claire Kramer Mills
Jason Bram
Tony Davis
Edison Reyes

President & CEO
First Vice President
EVP, Communications & Outreach
SVP, Outreach & Education
SVP, Research & Statistics
VP, Legal
VP, Research & Statistics
VP, Research & Statistics
AVP, Research & Statistics
AVP, Outreach & Education
Officer, Research & Statistics
Officer, Outreach & Education
Associate, Outreach & Education



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U.S. Economic Conditions

David Lucca
July 2020

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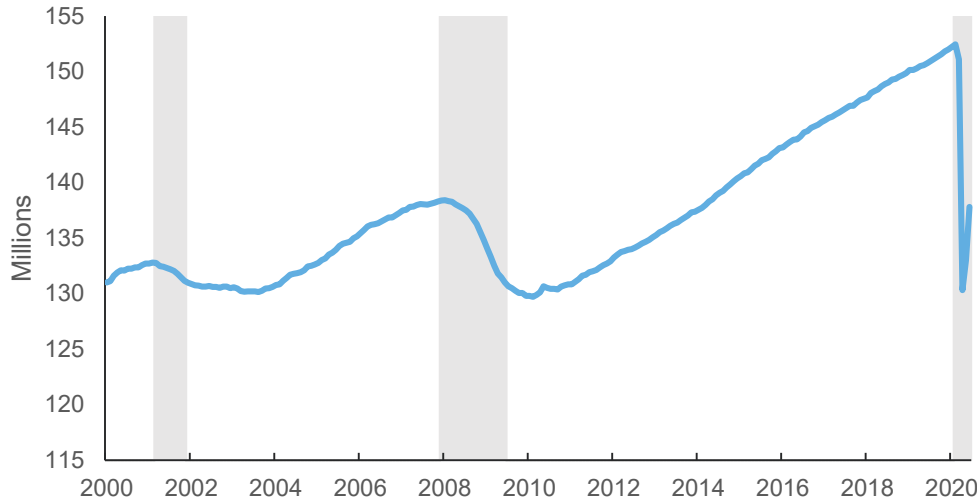
Overview

- 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



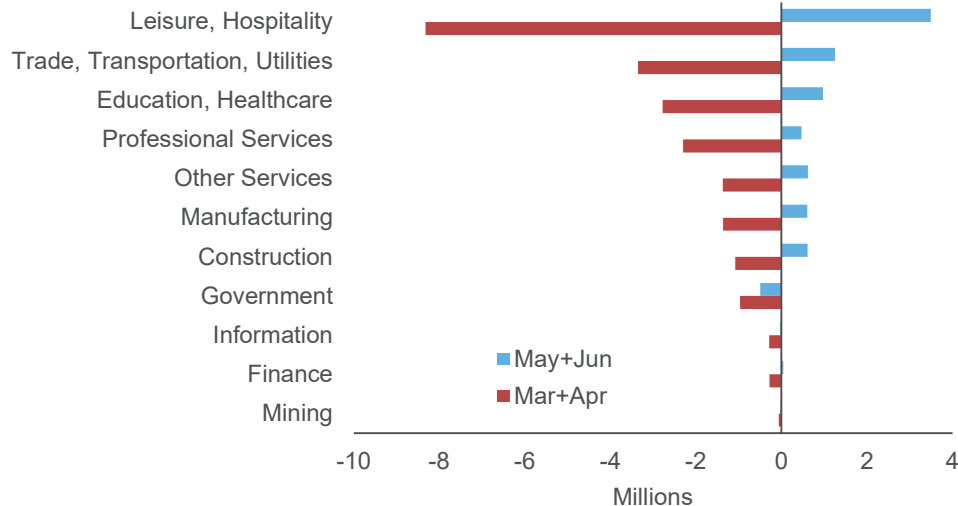
Payroll employment rebounded in April and May

Total nonfarm payroll employment



- 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

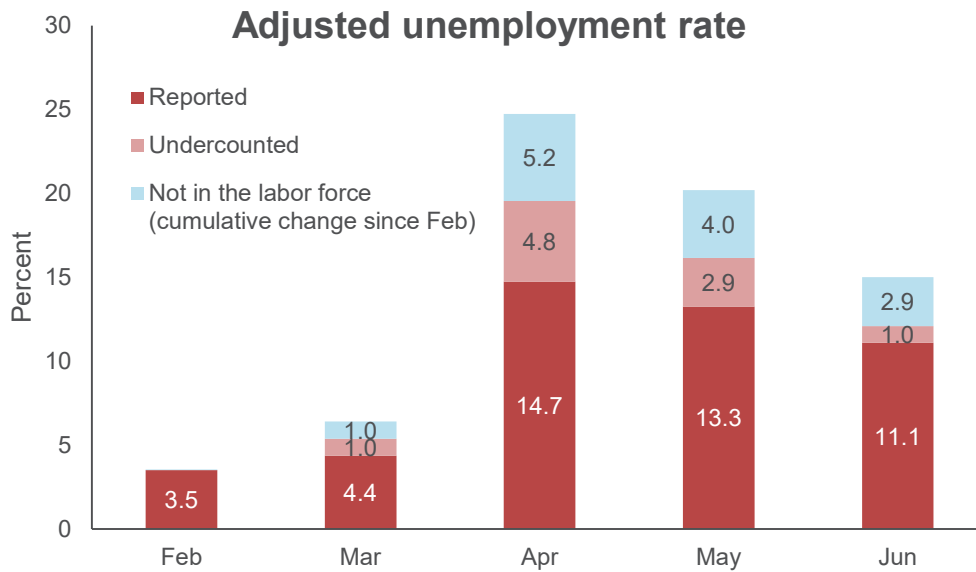
Change in payroll employment by industry



- Largest gains in May-Jun for sectors that experienced steepest declines in Mar-Apr
- Employment of state and local government have not recovered

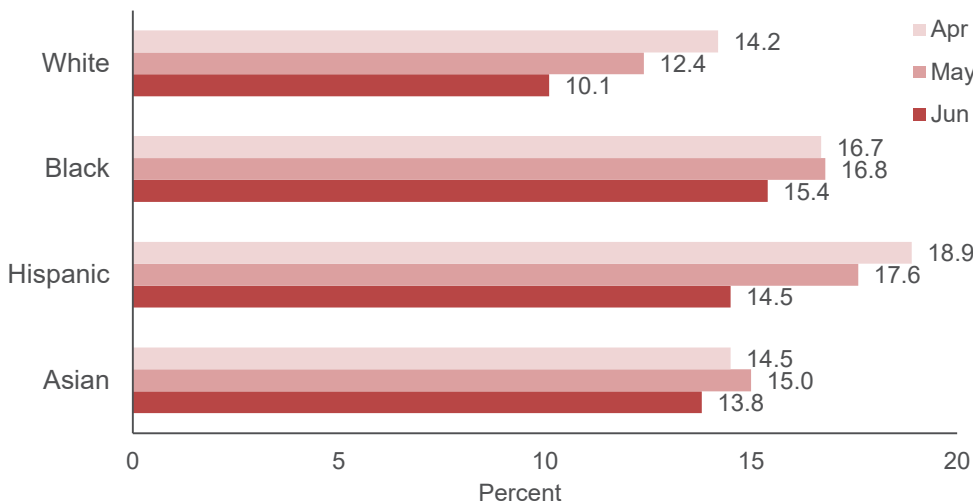


Unemployment rate declined from the April peak



- 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

Unemployment rate by race and ethnicity

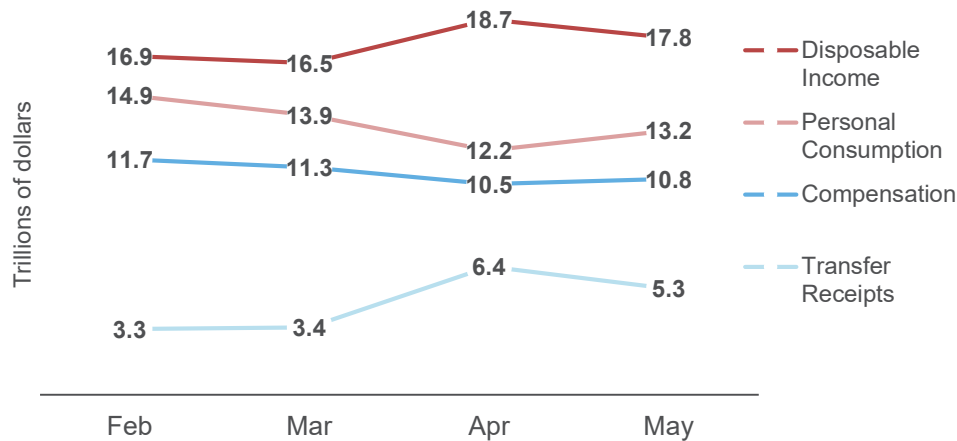


- Participation rate also recovered 40% of the Apr decline
- Broader employment gains across racial groups in Jun; employment for minorities still lags

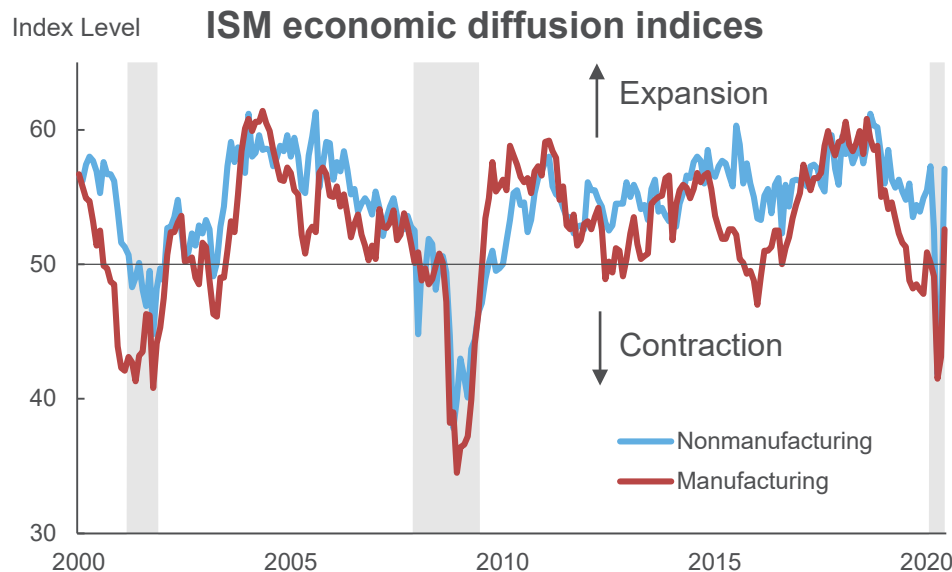


Consumption rebounding; ISM suggest expansion

Household income and consumption

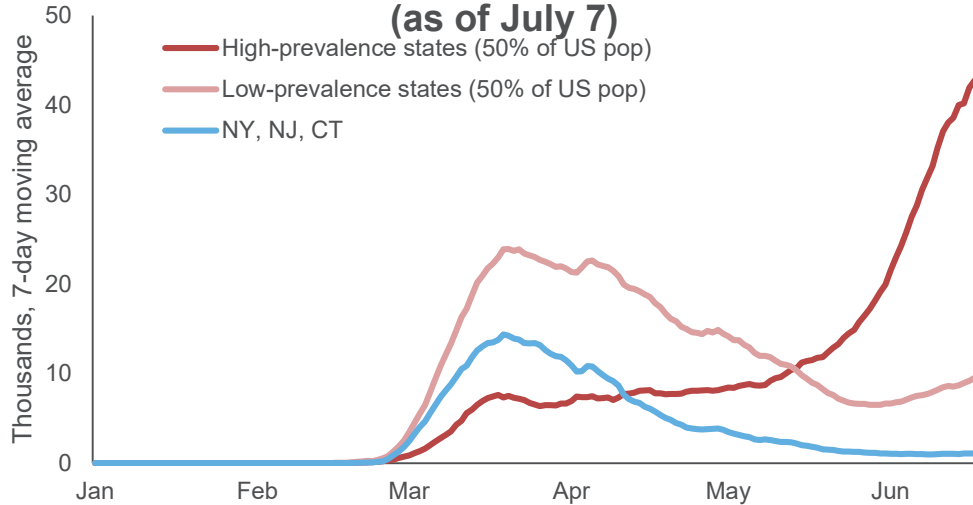


- Job losses led to steep declines in compensation
- But disposable income rose thanks to fiscal transfers, supporting consumption
- Both the manufacturing and nonmanufacturing economic diffusion ISM indices suggest that the economic contraction ended in May



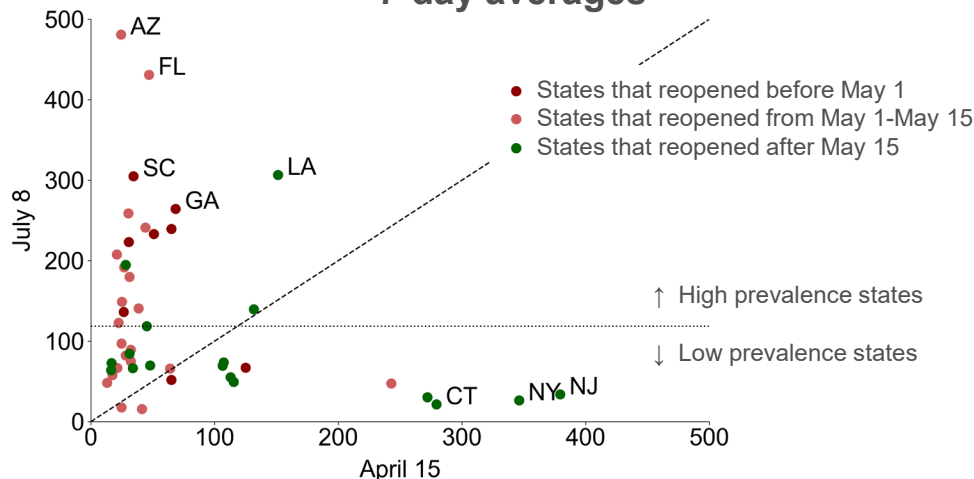
Recent rise in COVID-19 infections

**New confirmed cases by prevalence
(as of July 7)**



- 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

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



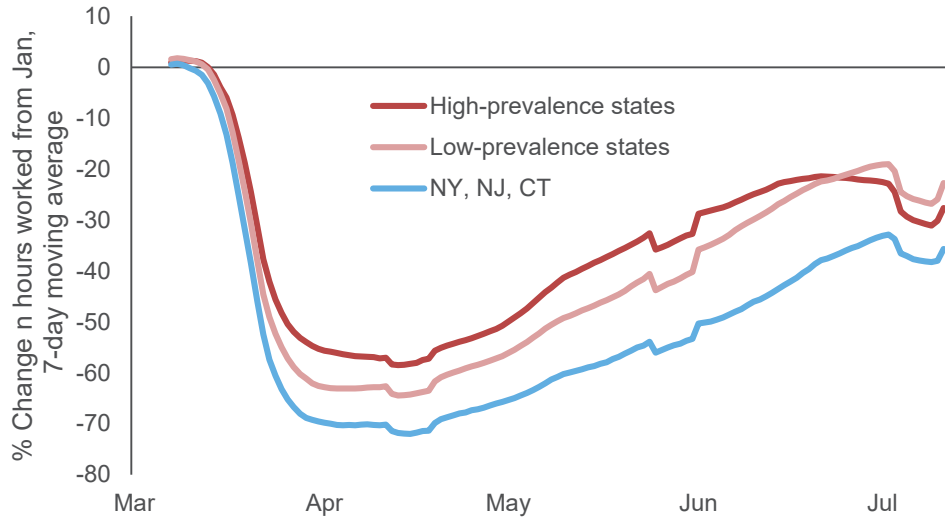
- Except for LA, high prevalence states less affected in April and reopened earlier; but not an exact relation

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



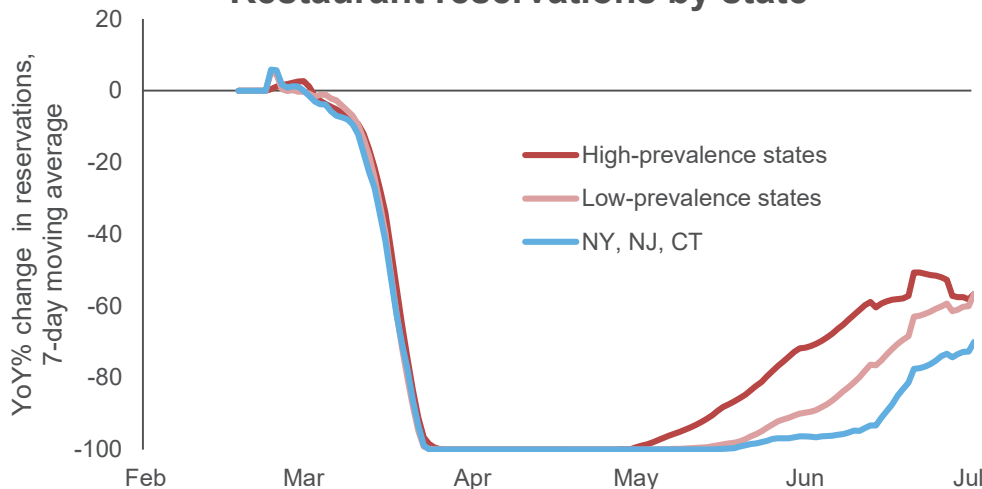
High-frequency indicators suggest recovery stalled

Hours worked at small businesses by state



- 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

Restaurant reservations by state



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





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Regional Economic Conditions

Jason Bram

Second District Advisory Council Meeting – July 14, 2020

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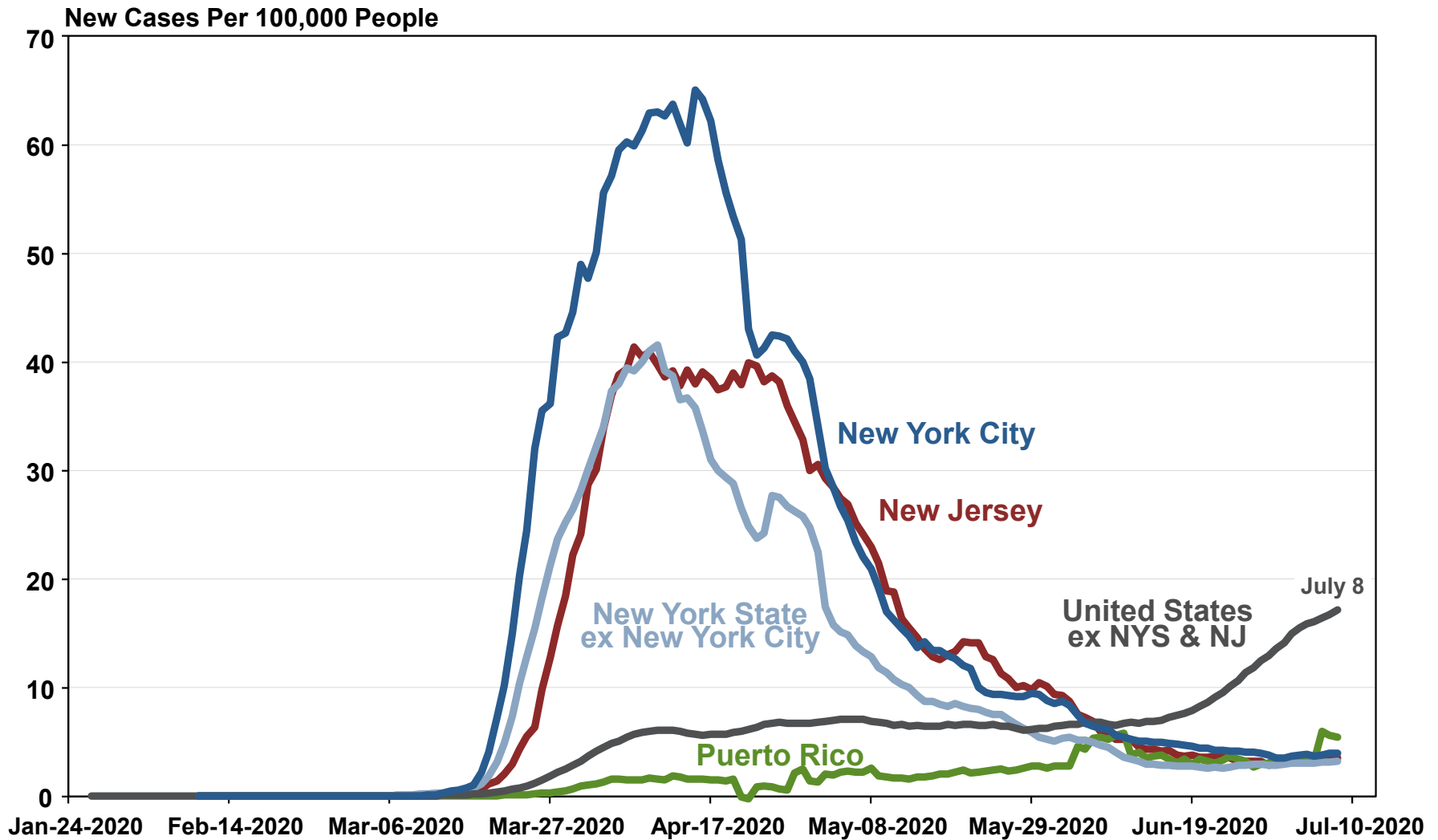
Preview

- 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.



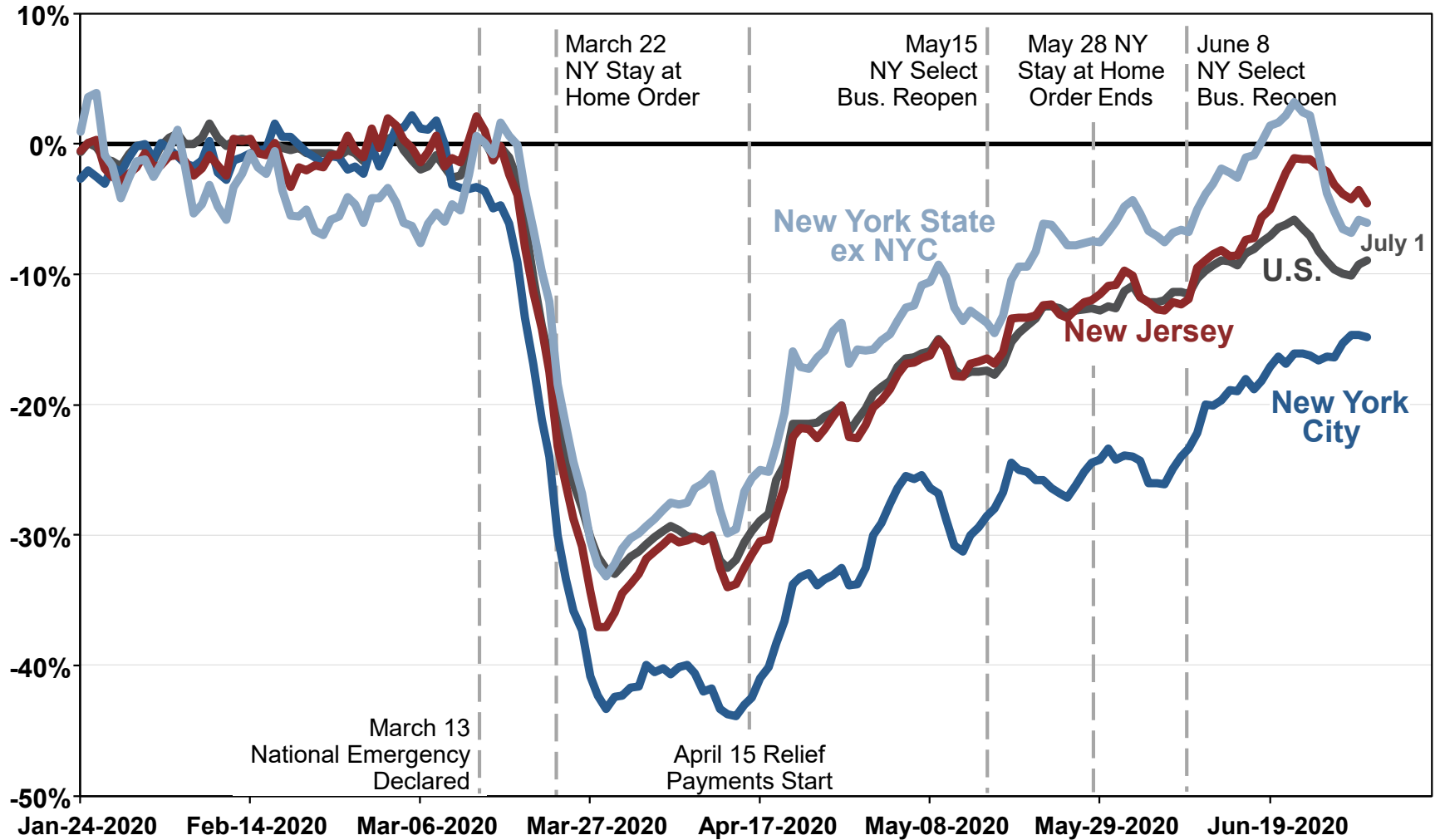
The Coronavirus Shock

Daily New Cases Per Capita, 7-Day Average



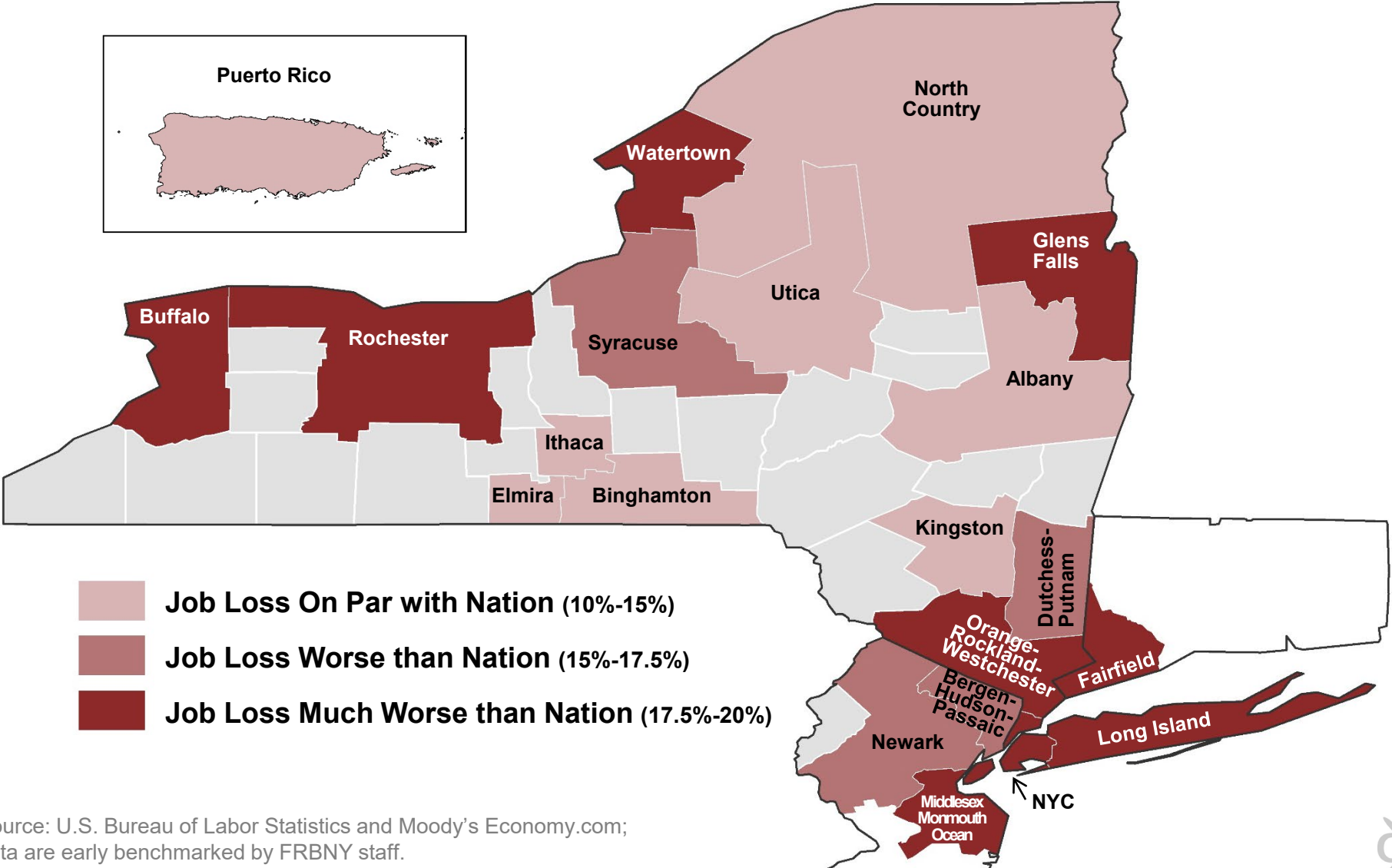
Dropoff and Recovery in Consumer Spending

Percent Change in Total Spending, Indexed to January 2020



Severe Job Loss in the NY-NNJ Region

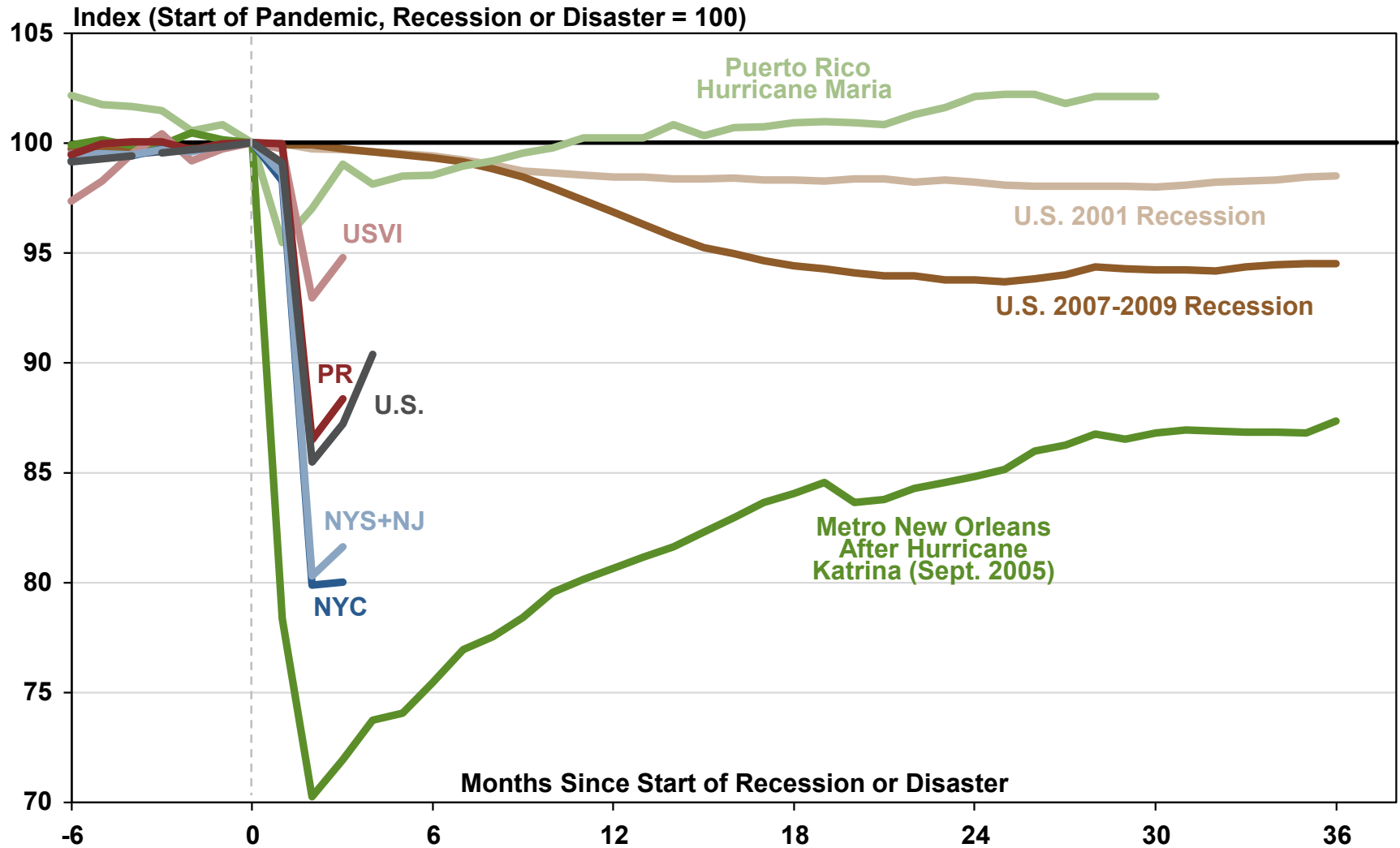
Percent Decline from Pre-Pandemic Levels, Feb-May 2020



Source: U.S. Bureau of Labor Statistics and Moody's Economy.com; data are early benchmarked by FRBNY staff.

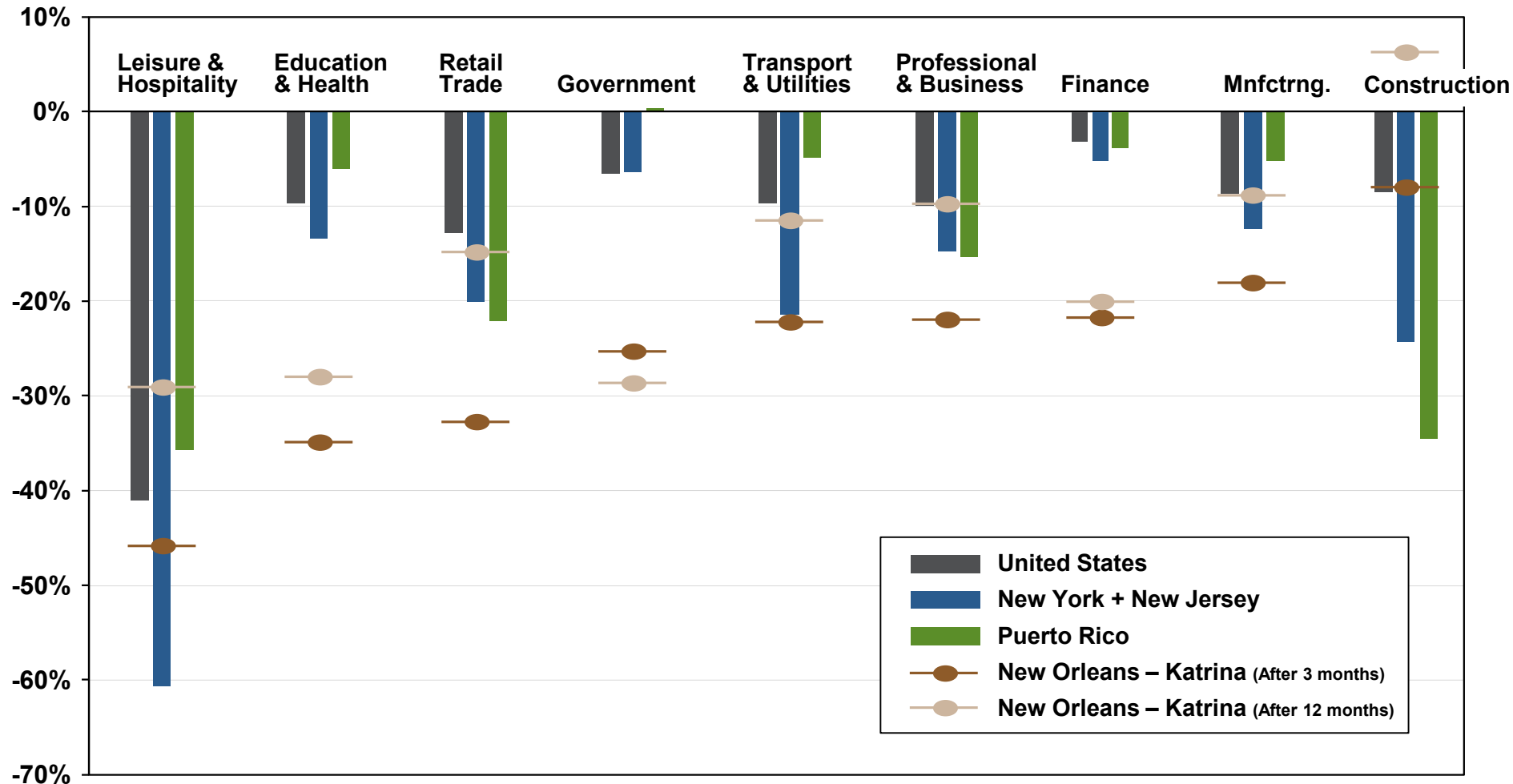
The Pandemic Resembles a Natural Disaster

Indexes of Total Employment, Seasonally Adjusted



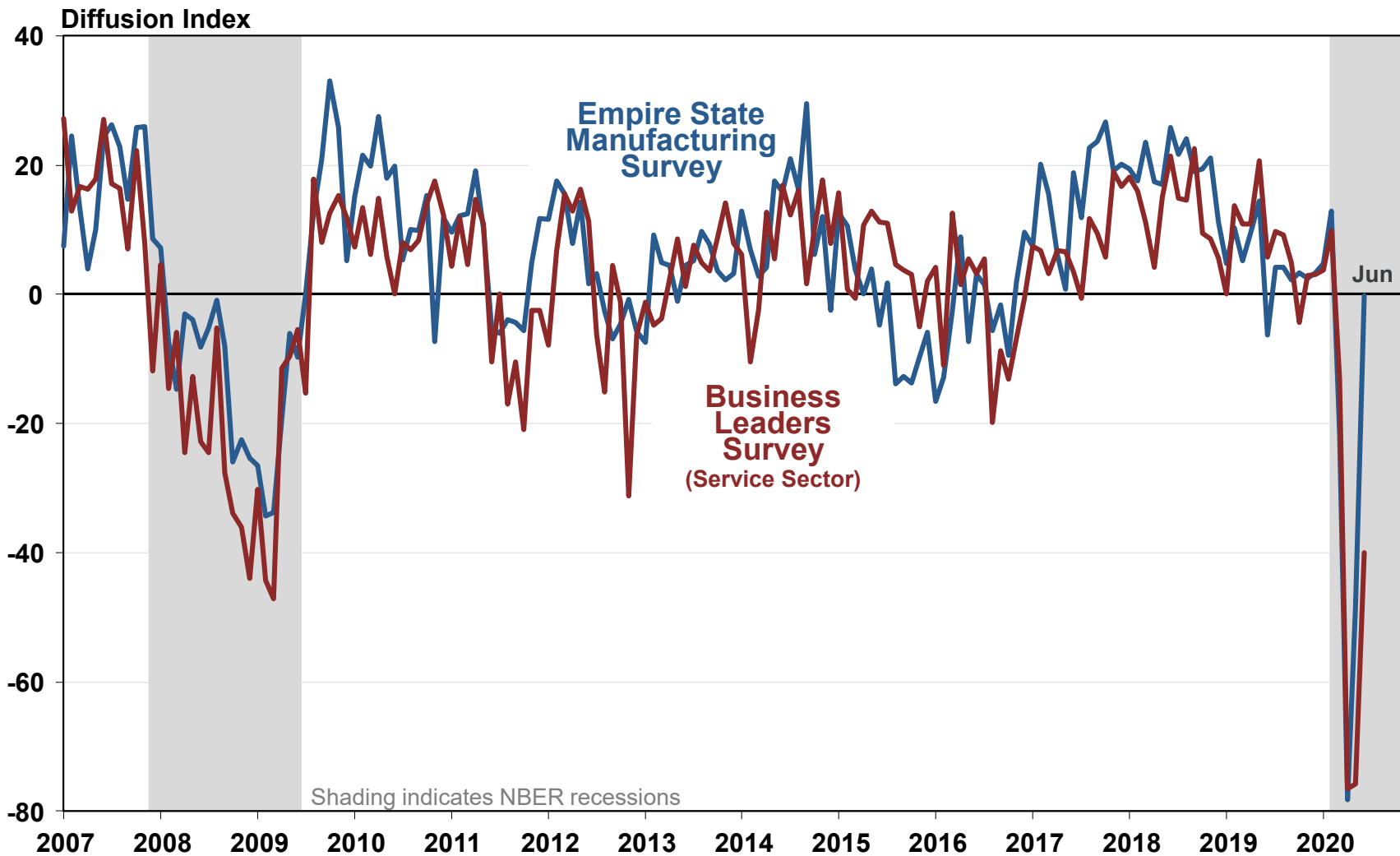
Job Losses by Sector

Change in Employment by Sector



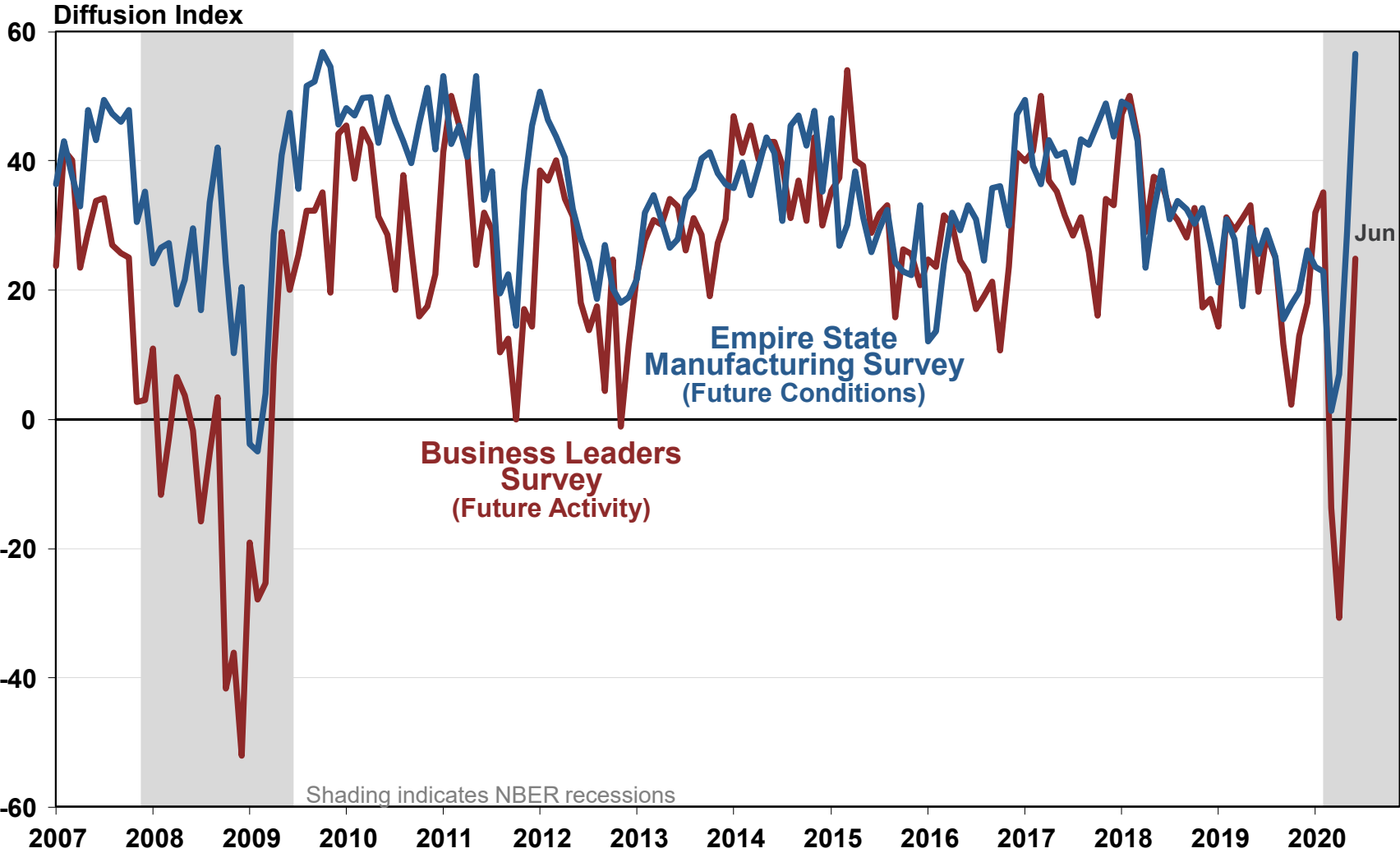
Historic Plunge in Regional Business Activity

New York Fed Regional Business Surveys, Current Conditions



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.

