

Coronavirus Crisis

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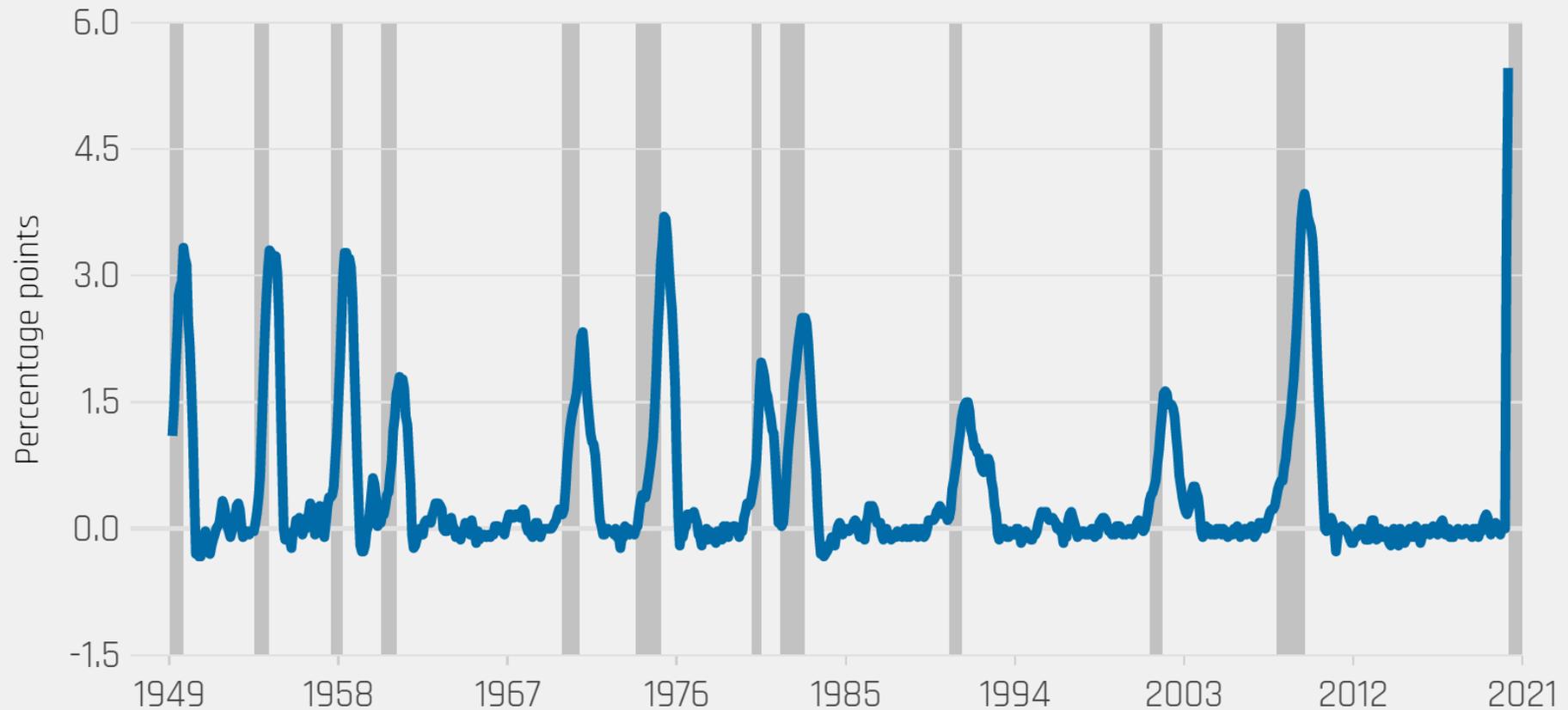
April 27, 2020

Unemployment currently over 20%, could rise further

US economy is in a severe recession



Sahm Rule using changes in the unemployment rate



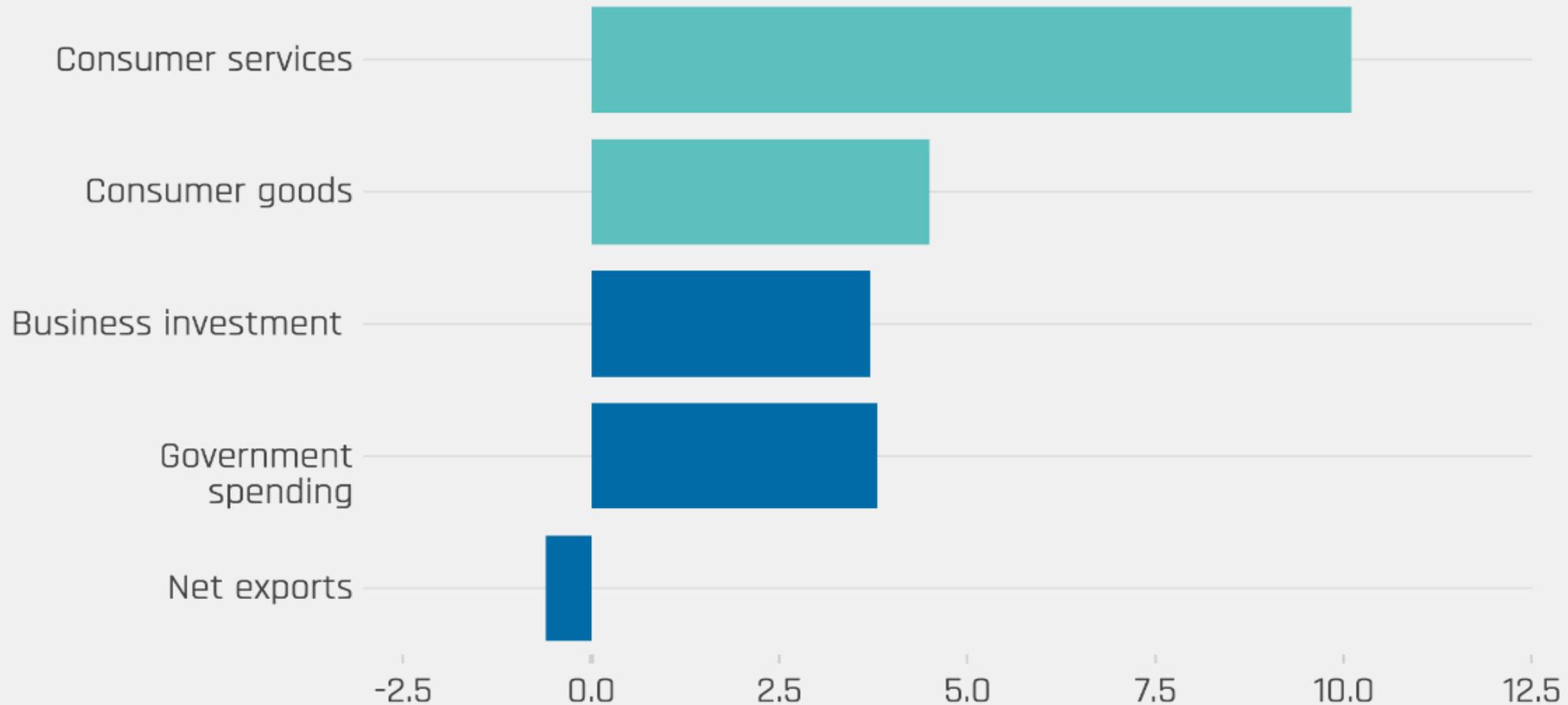
Source: Federal Reserve Economic Data, <https://fred.stlouisfed.org/series/SAHMCURRENT>

Note: Shaded areas are NBER recessions, except 2020 is Sahm's calculations. Sahm rule: change in 3-month moving average of unemployment rate relative to its low over prior 12 months above 0.5 percentage is in a recession.

\$15 trillion US consumers spend annually is at risk

Trillion dollars

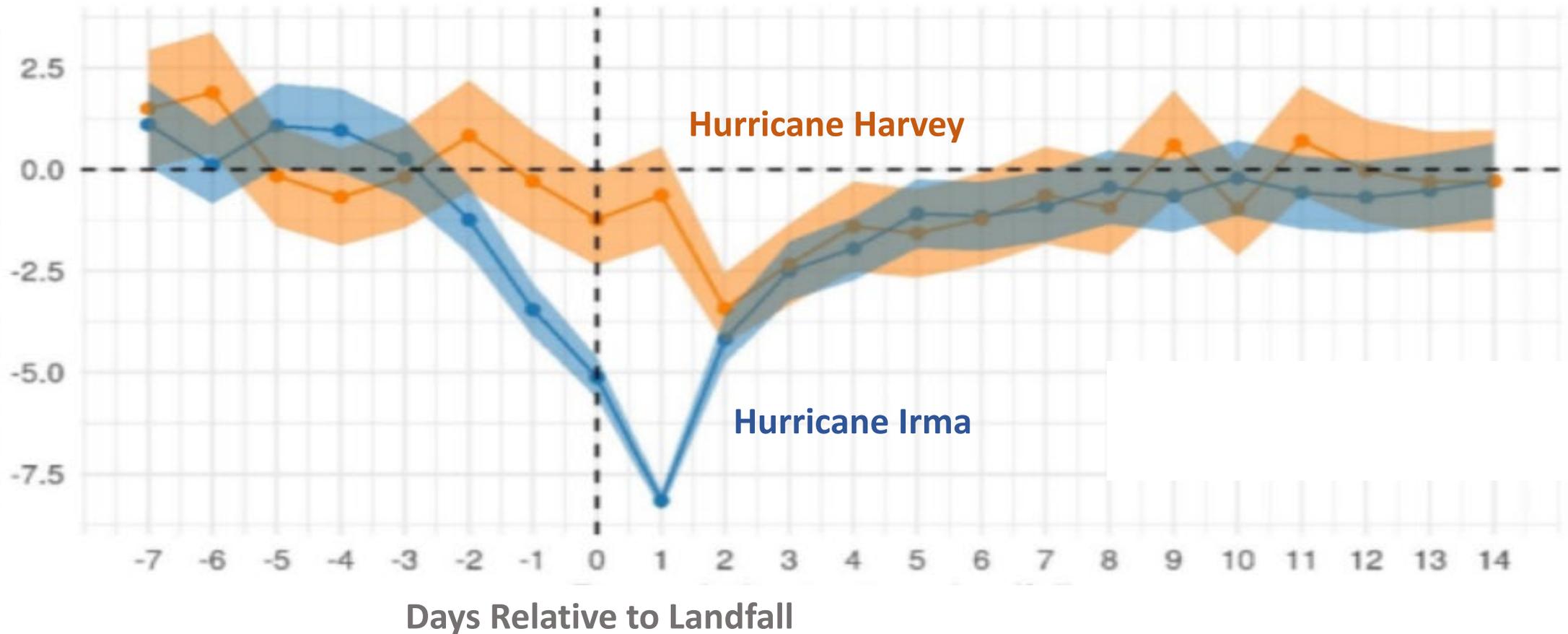
GDP in 2019



Source: Bureau of Economic Analysis

Coronavirus recession: category-5 hurricane, entire country in eye of the storm for two months

Decline in national, daily retail sales



Actions from Washington DC - Congress

Congress passed:

- \$8.3 billion on March 6 – public health
- \$100 billion on March 18 – free testing for uninsured; more Medicaid, food stamps, and jobless benefits; 2 weeks of paid family and sick leave
- \$2.2 trillion on March 27 – rebates; extra \$600 per week jobless benefits; small business loans, corporate grants, public health
- \$484 million on April 23 - Small business, public health

Congress needs to pass:

- Direct aid to state and local governments, grants not loans!
- Commitment to continue relief until economy recovers!!

Actions from Washington DC – Federal Reserve (I)

Federal Reserve did (in March):

- Inject \$1.5 trillion into Treasury market on March 12.
- Cut rates to zero; buy \$500 billion into Treasuries and \$300 billion in mortgages on March 15. Launched Commercial Paper Lending Facility and Primary Dealer Credit Facility, with 13(3) emergency authorization from U.S. Treasury Department on March 17.
- Launched Money Market Mutual Fund Lending Facility on March 19.
- Accelerate plans from March 15 to buy \$500 billion in Treasuries.
- Accept municipal debt as collateral in Money Market Mutual Fund Lending Facility on March X.
- Launched Term Asset-Backed Securities Loan Facility on March 23.
- Launched Lending Facility for Foreign Banks on March 31.

Actions from Washington DC – Federal Reserve (2)

Federal Reserve did (in April):

- Launched \$600 billion Main Street Lending Program (for mid-sized businesses) on April 9.
- Launched \$500 billion Municipal Bond Lending Facility on April 9.
- Expanded purchases of corporate debt to junk bonds on April 9.
- Expanded cities and counties eligible for Municipal Bond Lending Facility on April 28.

Fed needs to:

- Get loans out in the new Main Street Program and Municipal Bond Lending Facility.
- Do whatever it takes!!

