



# COVID-19 Infects the U.S. Economy

By Thomas F. Siems, Ph.D.  
CSBS Sr Economist & Director of Research



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CSBS Economic Insights Webcast  
April 7, 2020

# COVID-19 Infects the U.S. Economy



**How/When did COVID-19 Infect the U.S. Economy?**



**Are We in a Recession?**



**What's Being Done to Help the Economy?**



**When will this End?**

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# A Quick Look Back to late 2019



## Dealing with Uncertainty: Where's the Economy Headed?

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CSBS Board of Directors Meeting  
Scottsdale, AZ  
December 2-5, 2019



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## Dealing with Uncertainty: Where's the Economy Headed?



The Economy Today



Upside Risks



Downside Risks



Risk Management (Banks and Monetary Policy)



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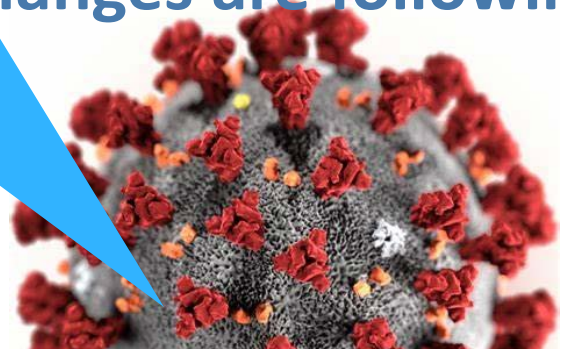
## In Conclusion...

FROM THE CSBS SCOTTSDALE MEETING,  
DECEMBER 2019

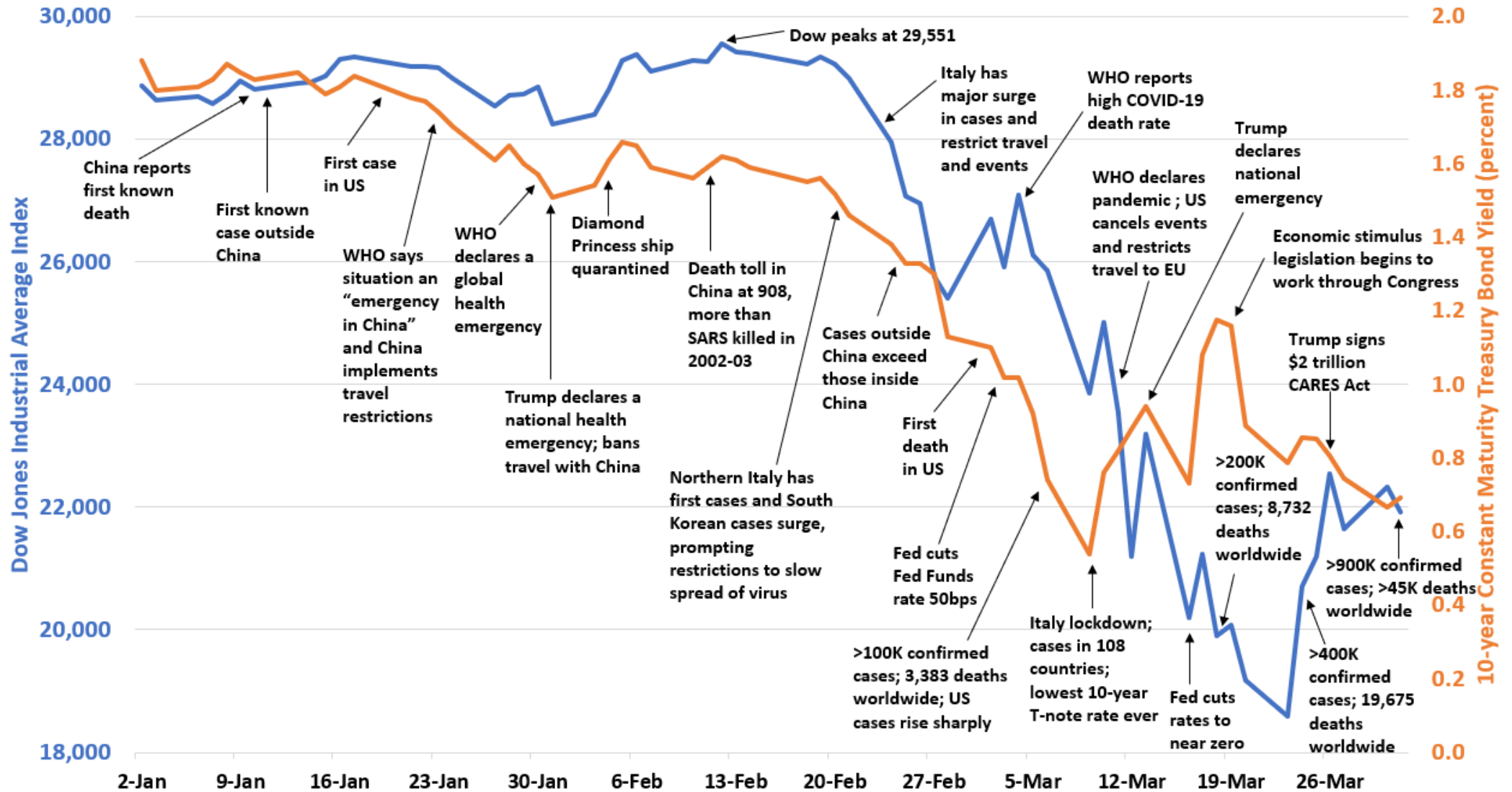
- **US Economy growing moderately**
  - **GDP ~2.0%; Unemployment ~3.6%; Inflation ~1.9%; wages rising ~3.0%**
- **Recession Ahead?**
  - **Manufacturing weaker; Labor quality/trade/global concerns; Yield curve flat; Depends on consumers, confidence, and BOBs**
- **Banking**
  - **Consolidation continues; Banks appear to be in good shape**
- **The Fed**
  - **Dual mandate success; Interest rate changes are following market expectations**

# In Conclusion, FROM THE CSBS SCOTTSDALE MEETING, DECEMBER 2019

- US Economy growing slowly
  - GDP ~2.0%; Unemployment ~3.6%; Inflation ~1.9%; wages rising ~3.0%
- **Recession Ahead?**
  - Manufacturing weak; Inequality/trade/global concerns; Yield curve flat; Depends on confidence, and **BOBs**
- Banking
  - Consolidation continues; Banks appear to be in good shape
- The Fed
  - Dual mandate success; Interest rate changes are following market expectations



## Stock and Bond Market Indicators as COVID-19 Hits the USA





# COVID-19 Infects the U.S. Economy



**How/When did COVID-19 Infect the U.S. Economy?**



**Are We in a Recession?**



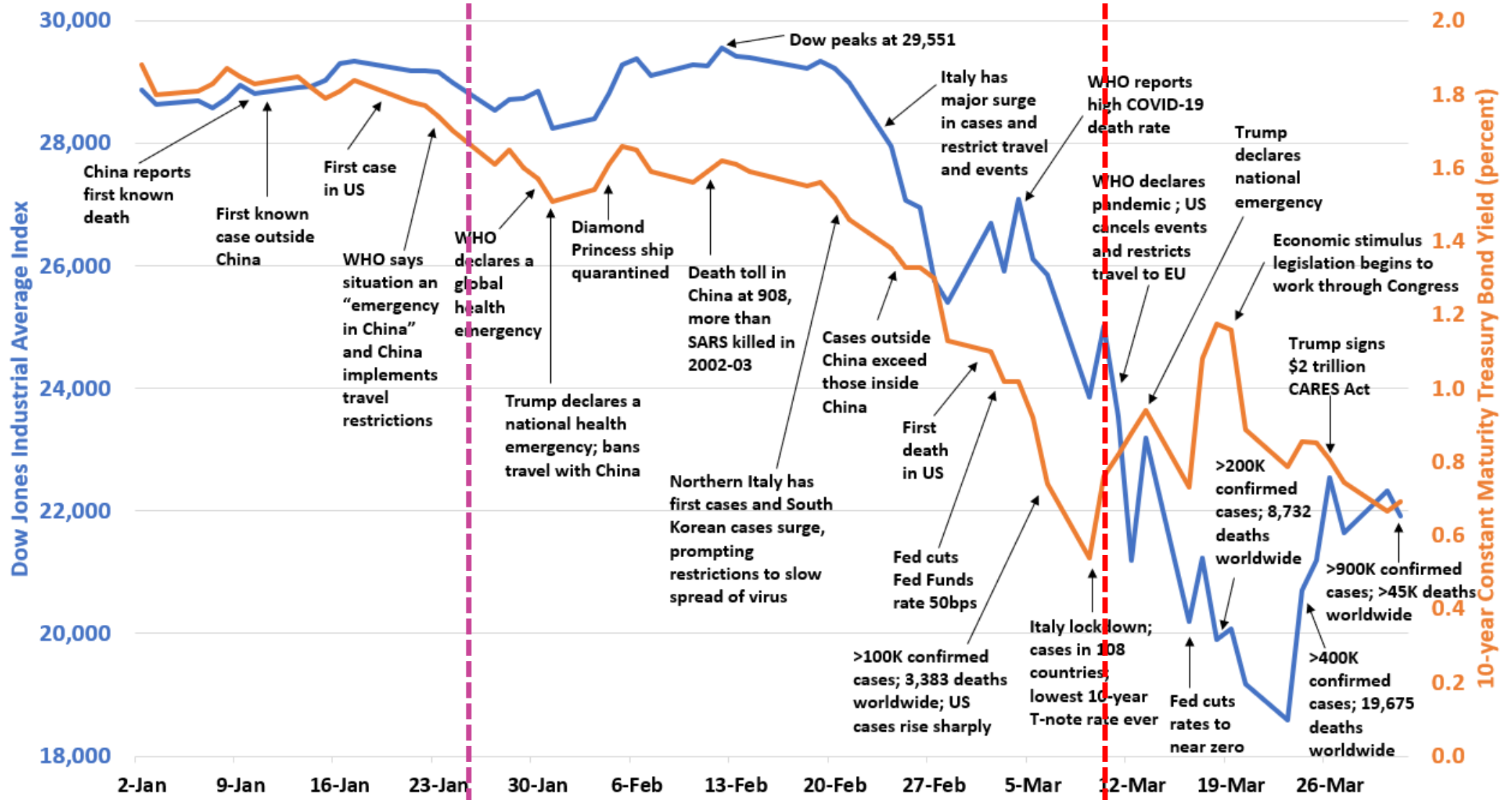
**What's Being Done to Help the Economy?**



**When will this End?**



## Stock and Bond Market Indicators as COVID-19 Hits the USA

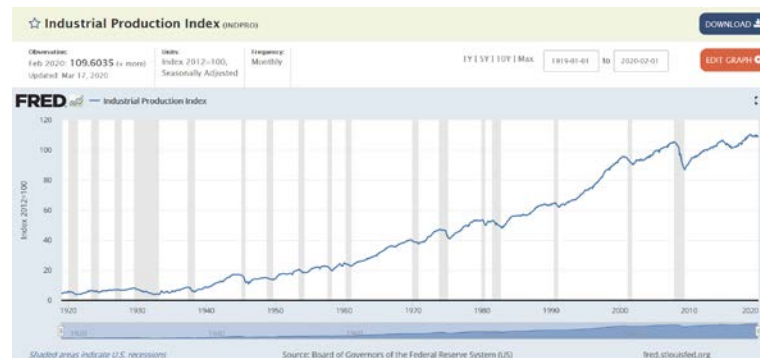
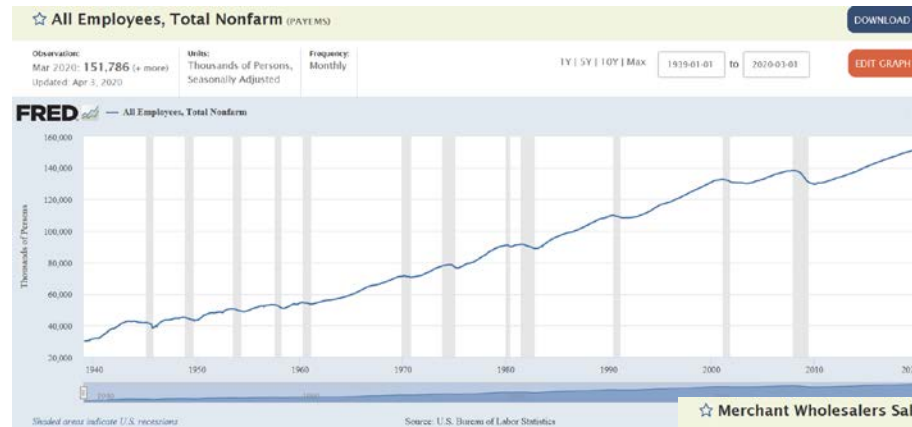


Shanghai Disney Closed

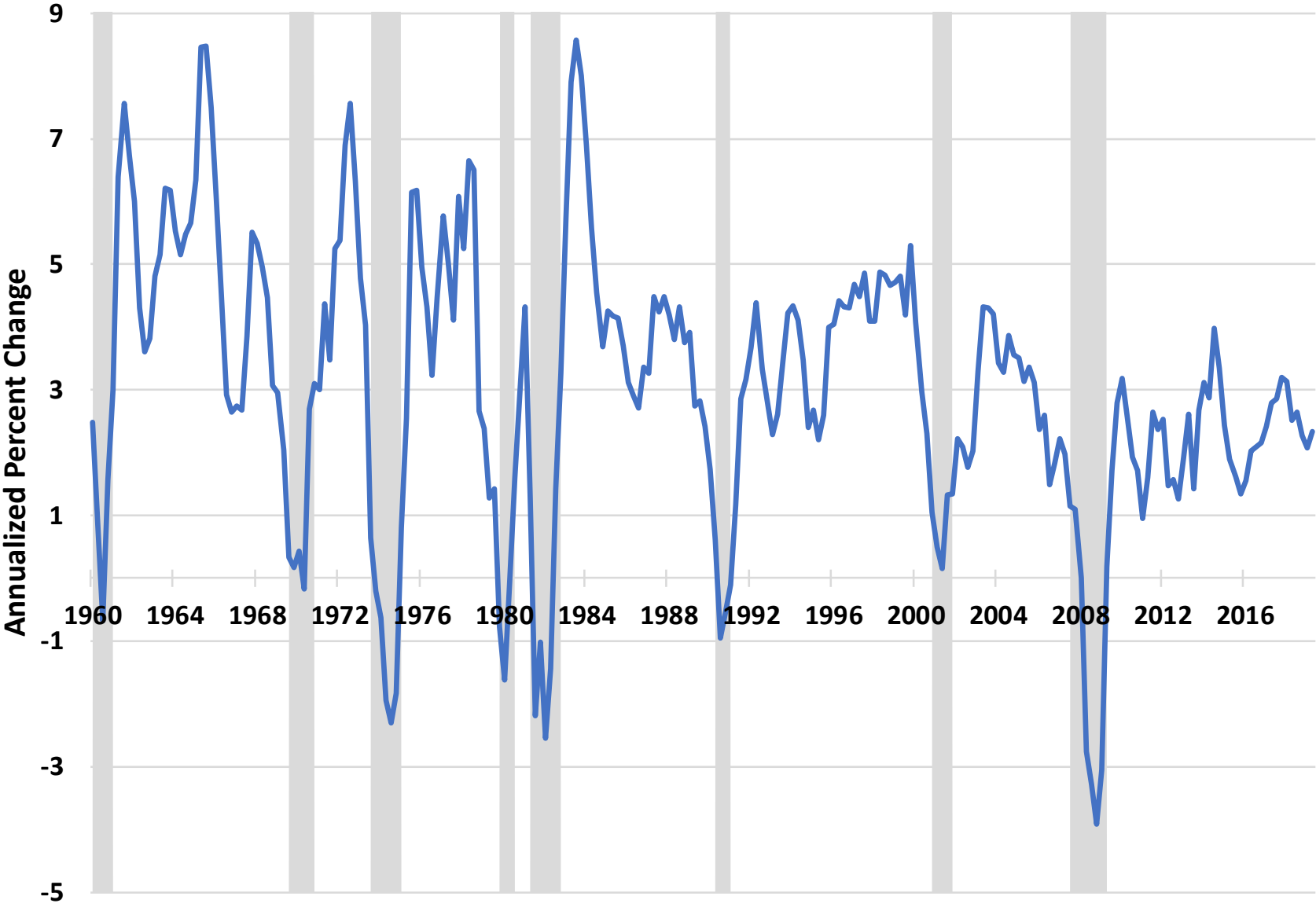
March Madness Cancelled: US Recession Begins

# NBER Recession Definition

--- "a significant decline in economic activity spread across the market, lasting more than a few months, normally visible in real GDP, real income, employment, industrial production, and wholesale-retail sales"

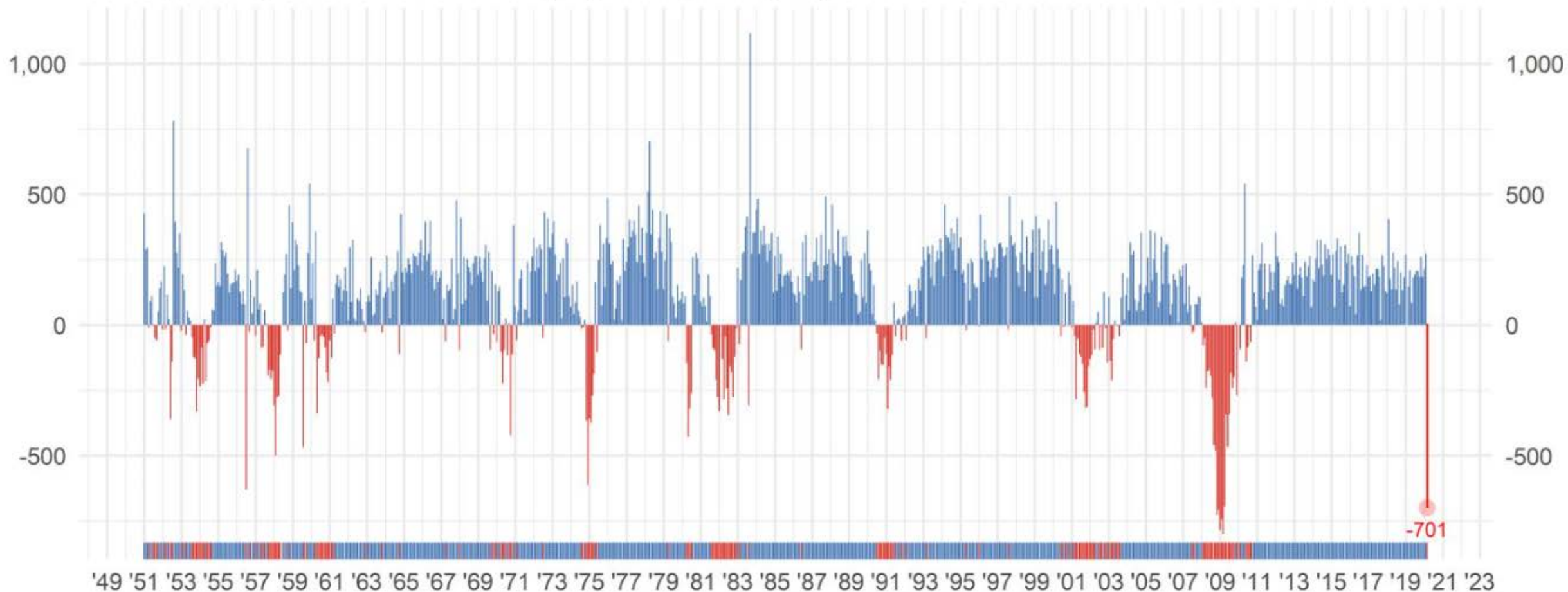


# U.S. GDP Growth



# Payroll employment growth goes negative

Monthly change in U.S. nonfarm employment (1000s, SA)

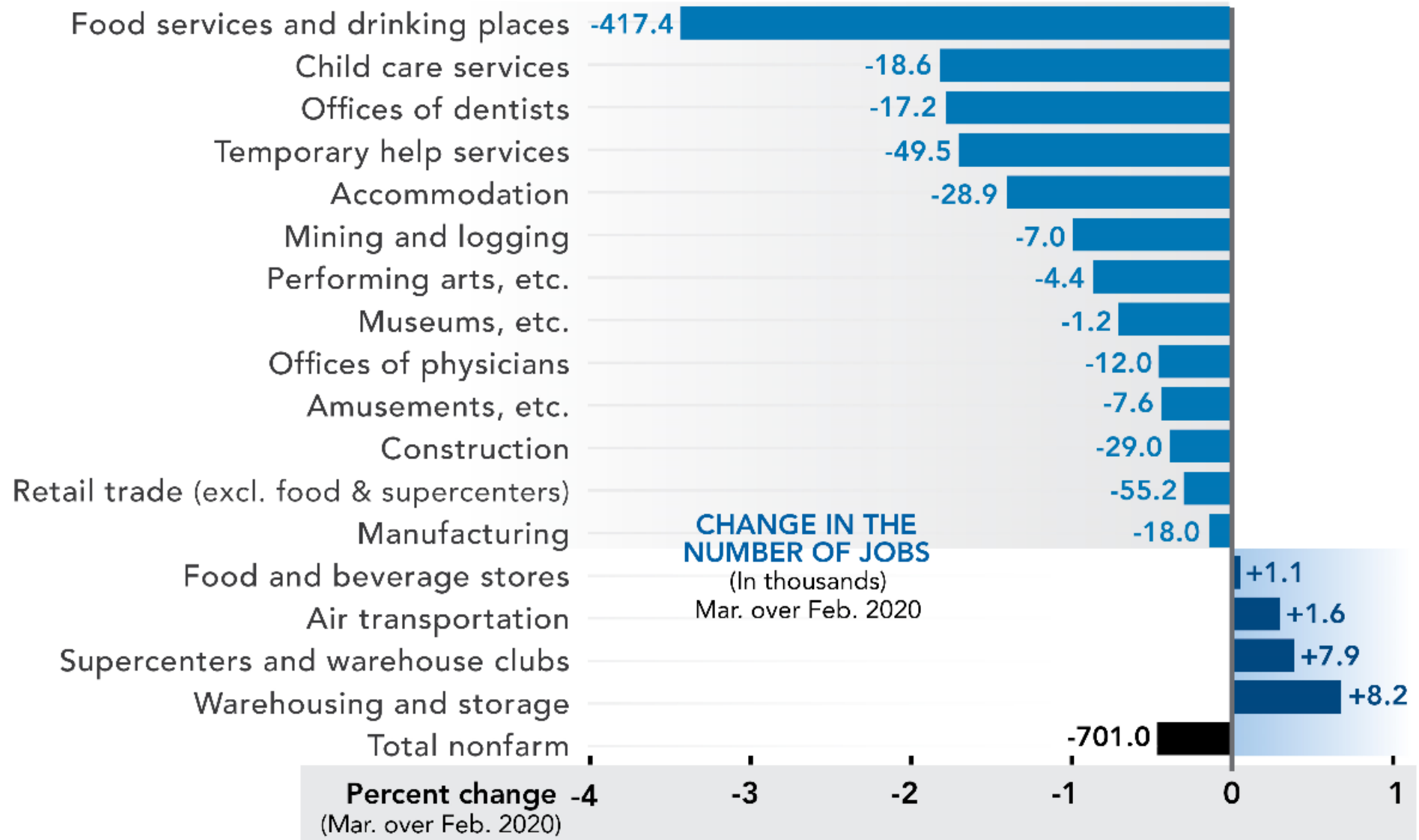


@lenkier Source: U.S. Bureau of Labor Statistics, blue (red) ticks indicate months when job growth was positive (negative)

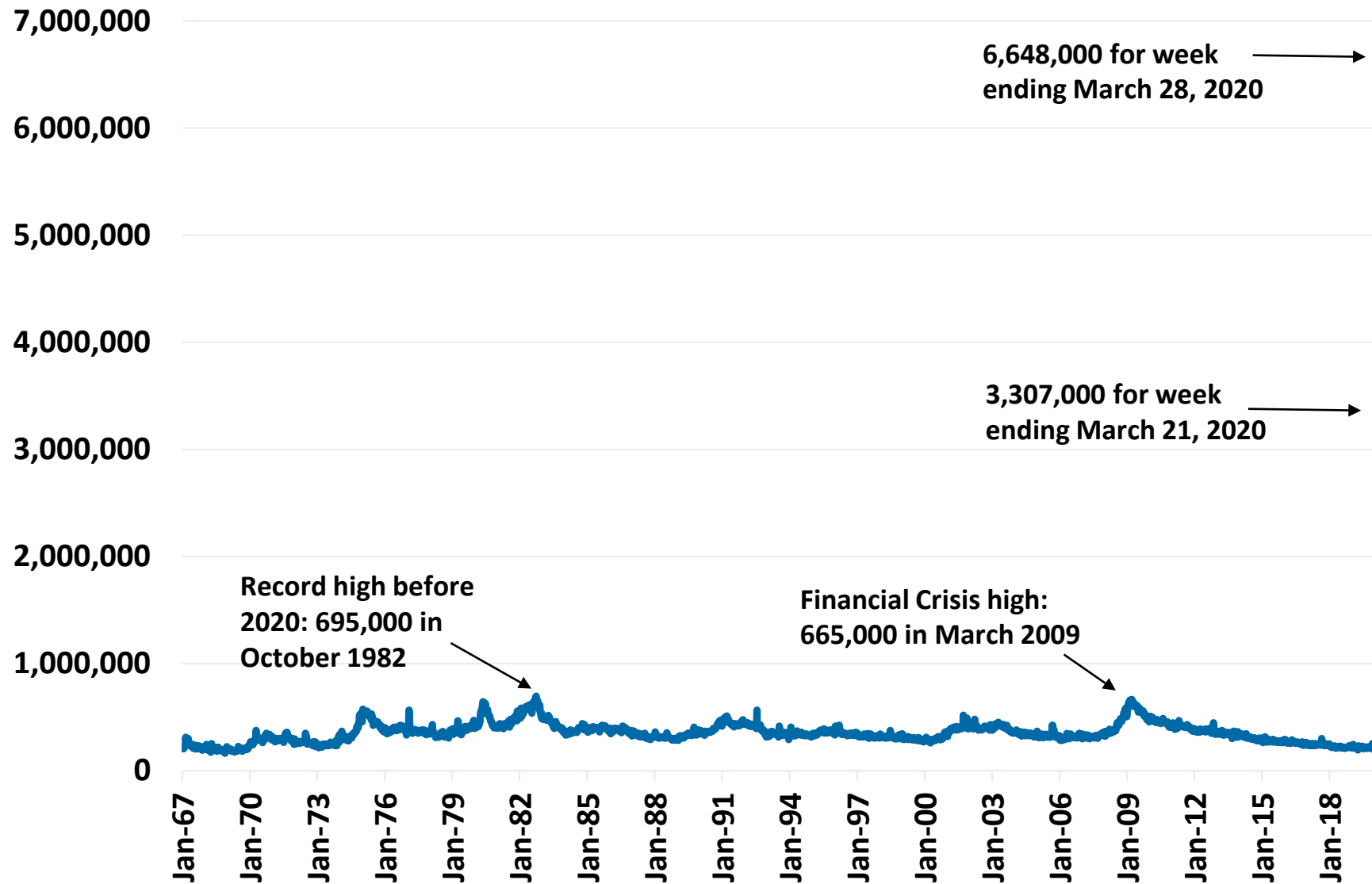




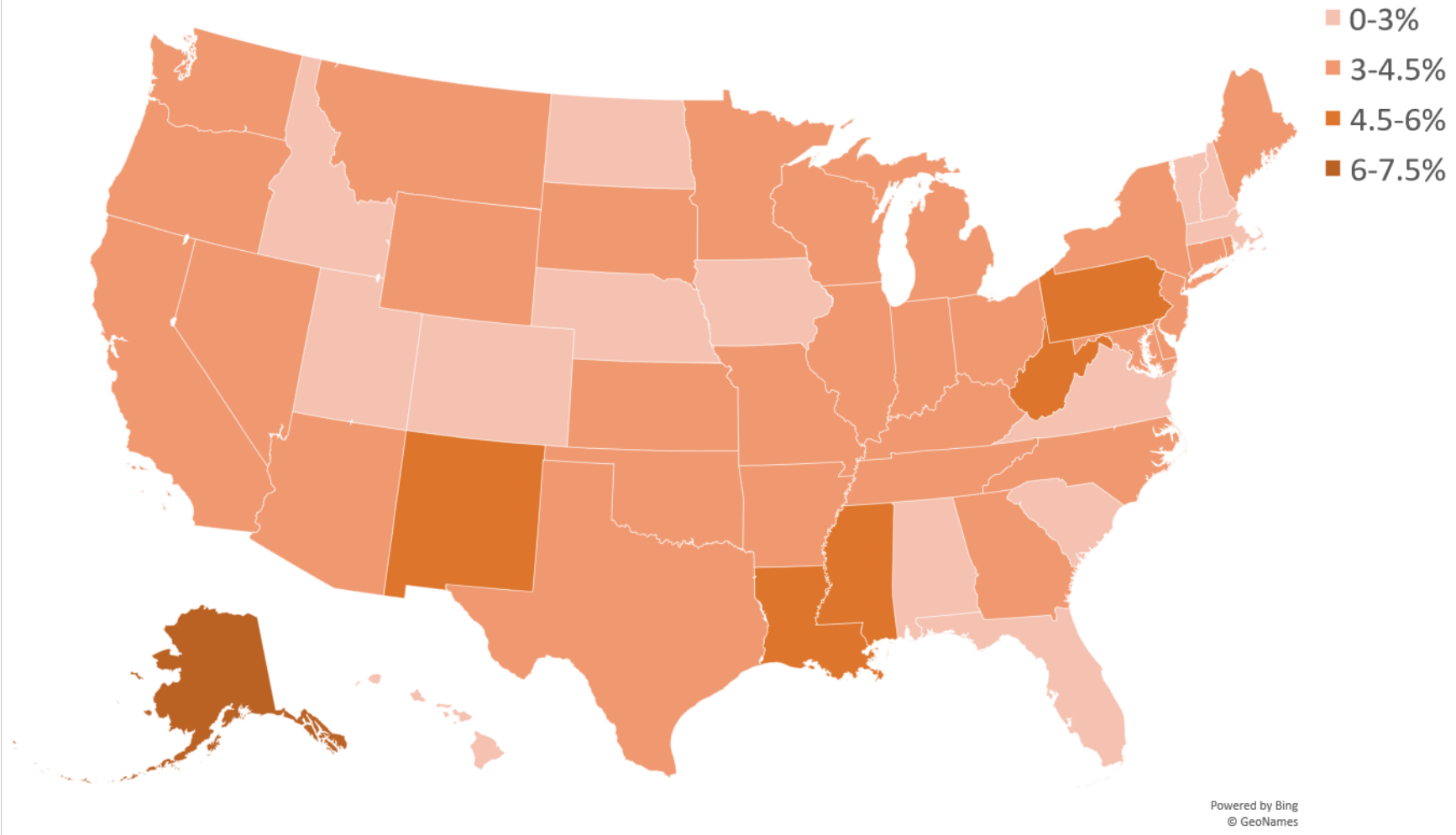
## 60 PERCENT OF JOB LOSSES FROM ONE INDUSTRY: FOOD AND DRINK



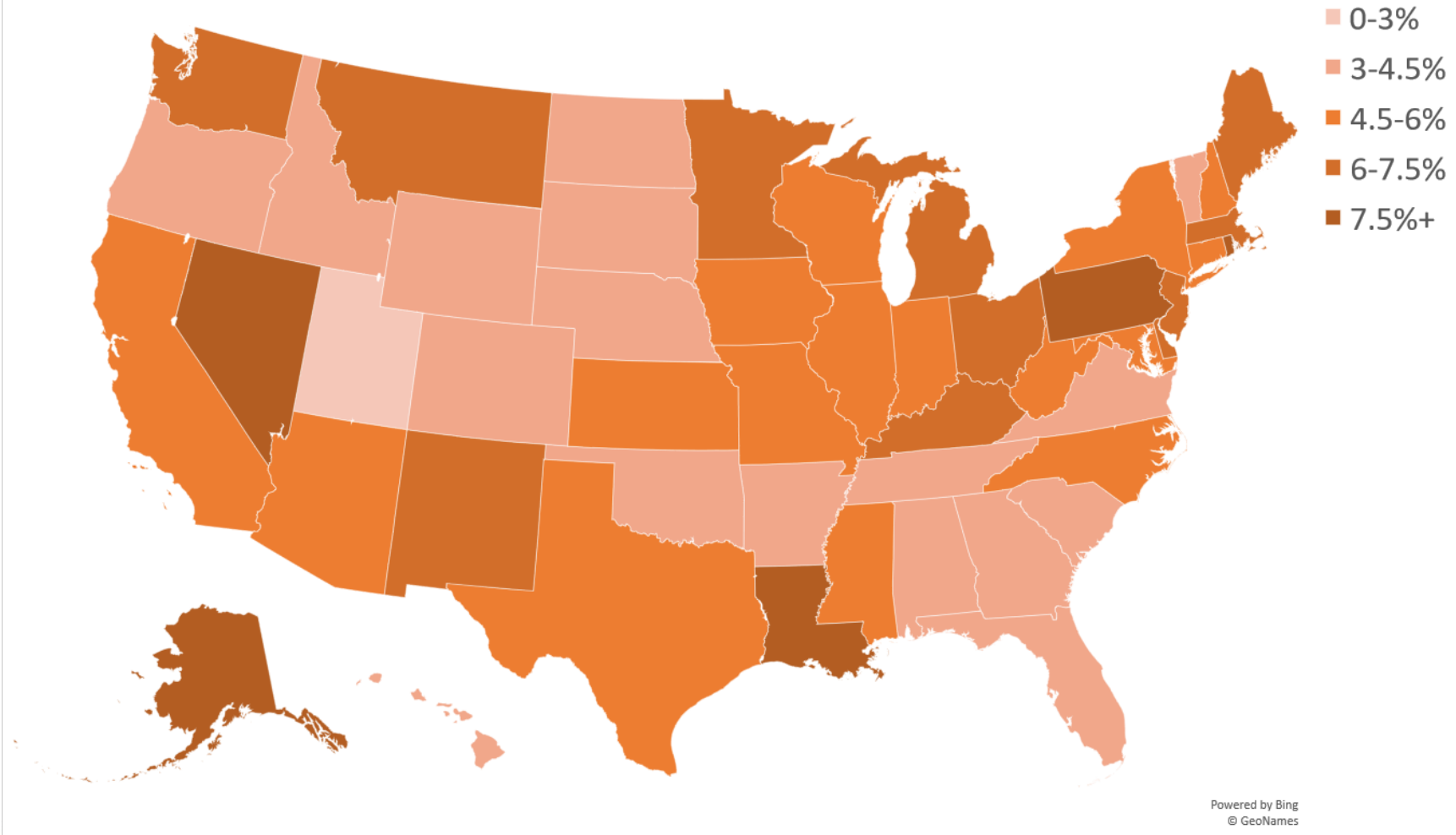
# Unemployment Insurance Weekly Claims



## State-Level Unemployment Rates in January 2020 (Before COVID-19 Concern)

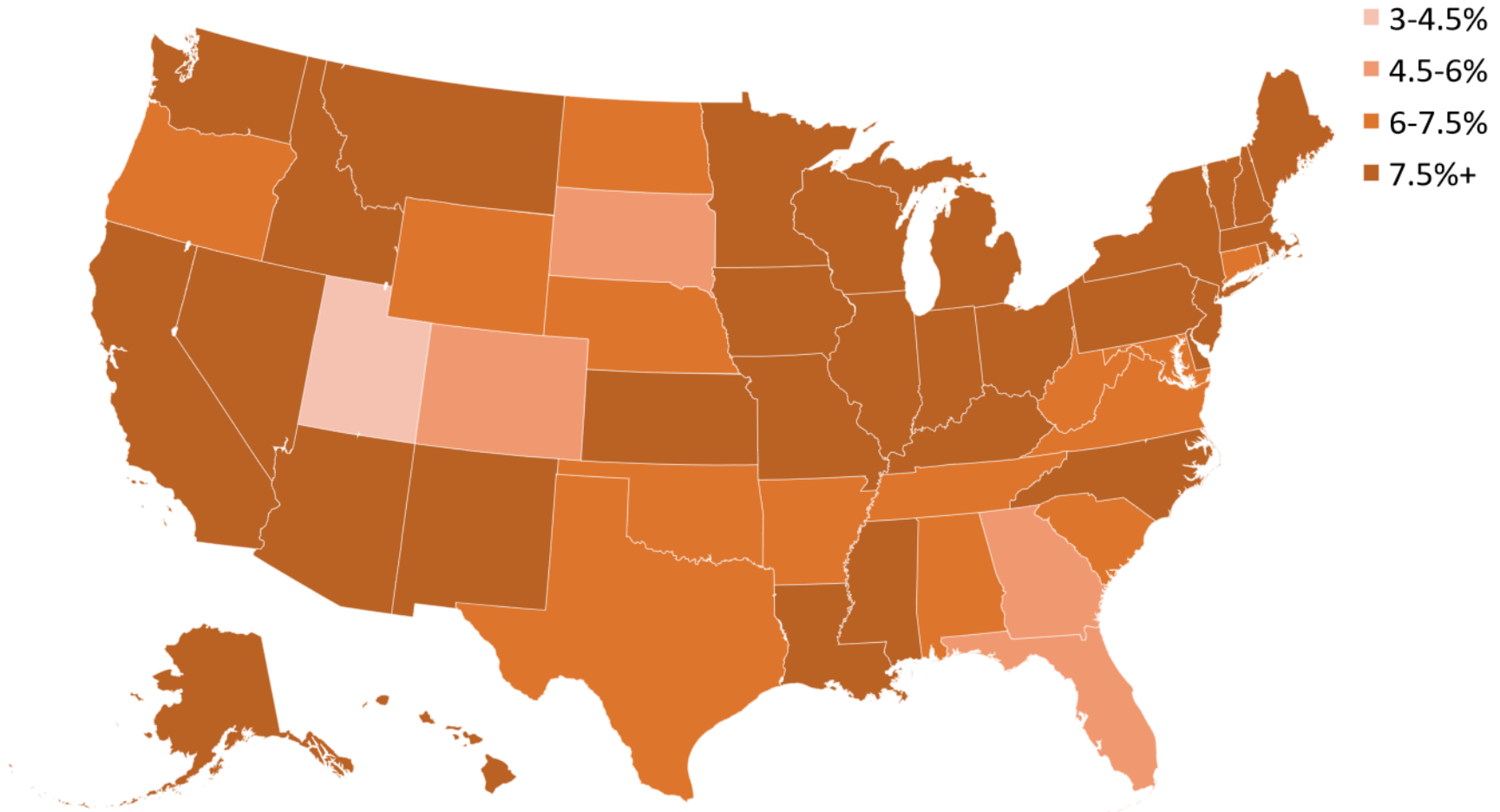


## State-Level Unemployment Rates Projected Using March 21, 2020 Initial Claims Data (After COVID-19 Market Impact)

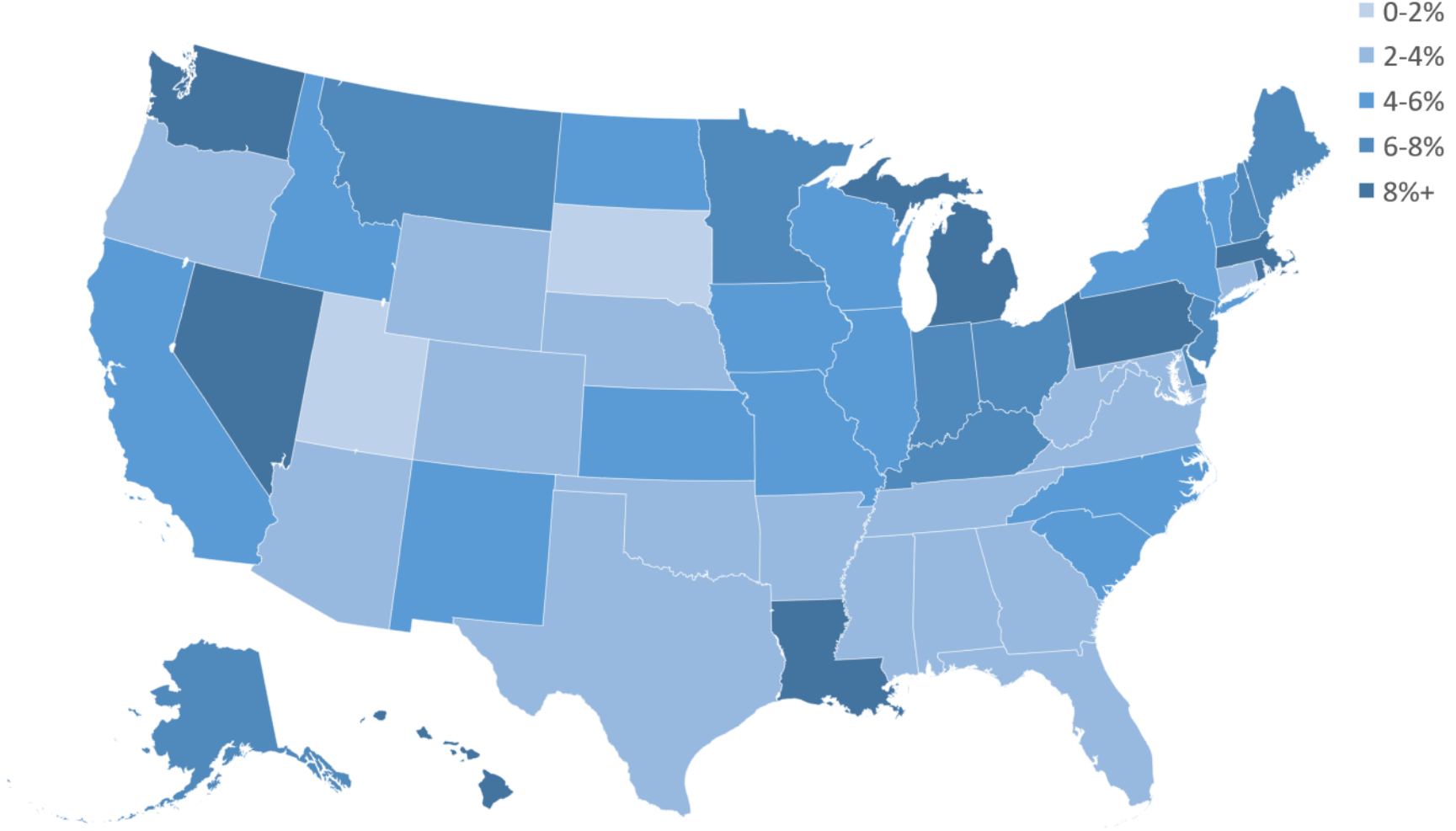




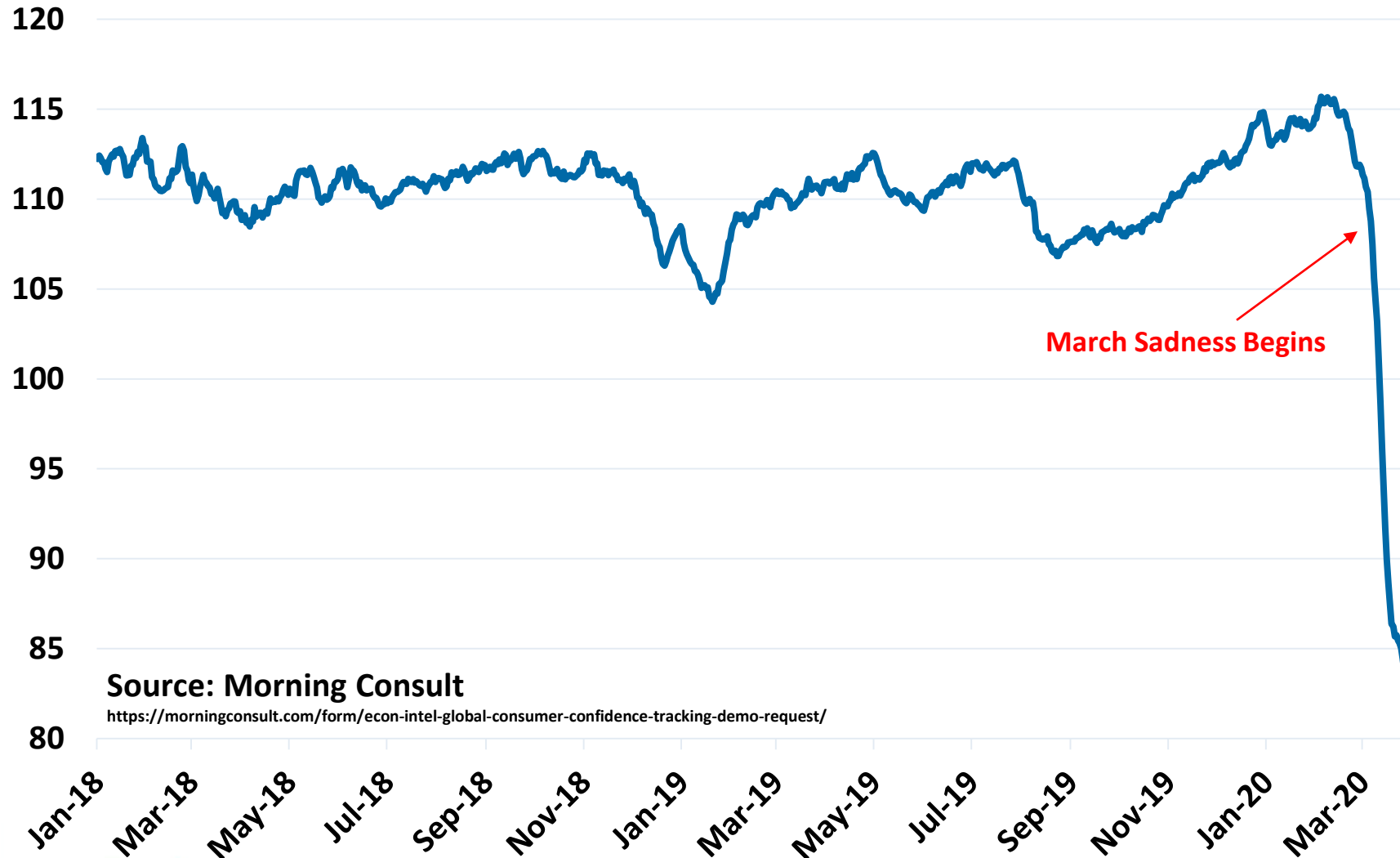
# State-Level Unemployment Rates Projected Using March 28, 2020 Initial Claims Data (After COVID-19 Market Impact)



# Projected Increase in State-Level Unemployment Rates (Between January 2020 and March 2020)



# Daily Index of Consumer Sentiment (7-day moving average)



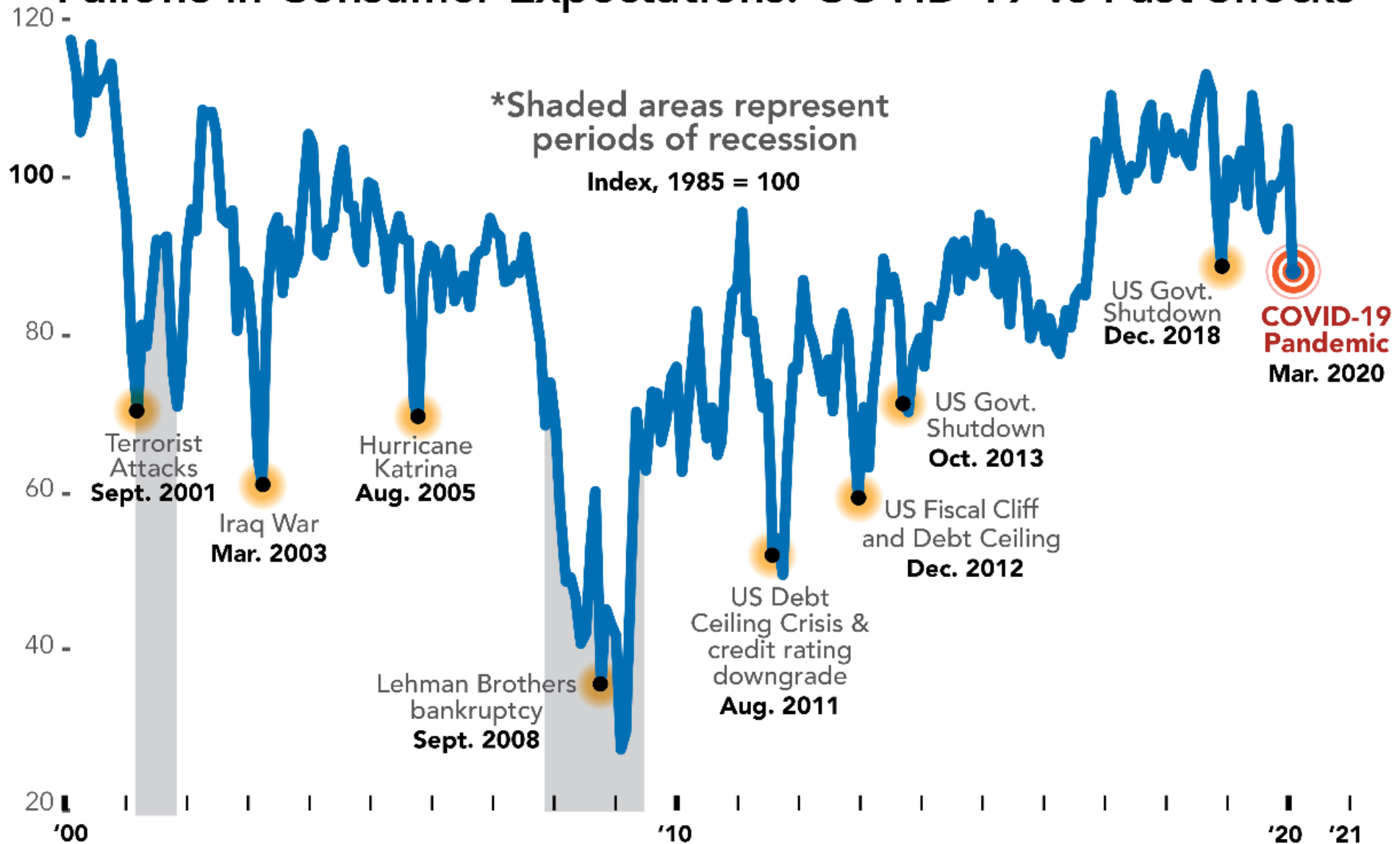
Source: Morning Consult

<https://morningconsult.com/form/econ-intel-global-consumer-confidence-tracking-demo-request/>



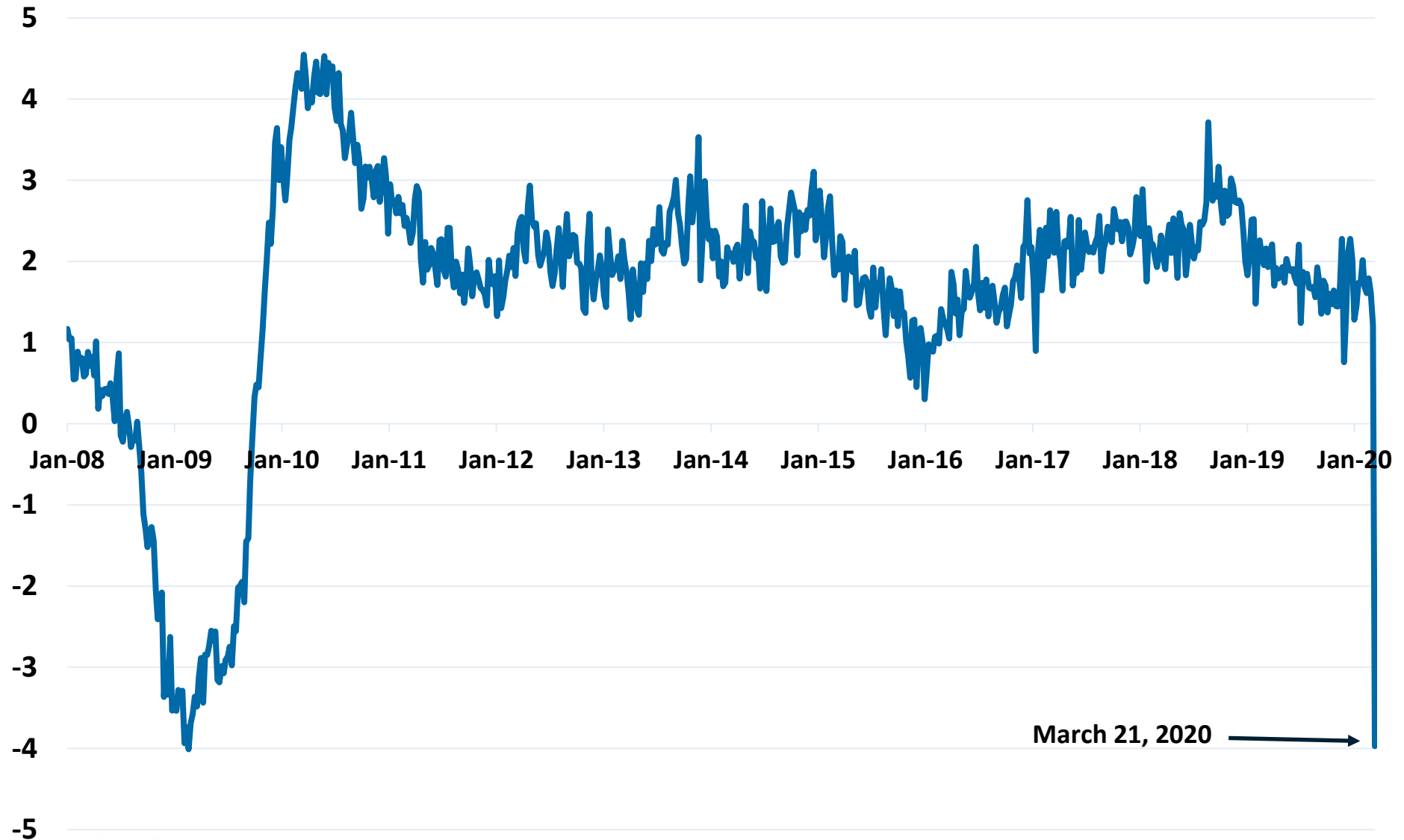
# Consumer Confidence Survey®

## Falloffs in Consumer Expectations: COVID-19 vs Past Shocks





# Weekly Economic Index



March 21, 2020 →

## Data Series Employed in the WEI

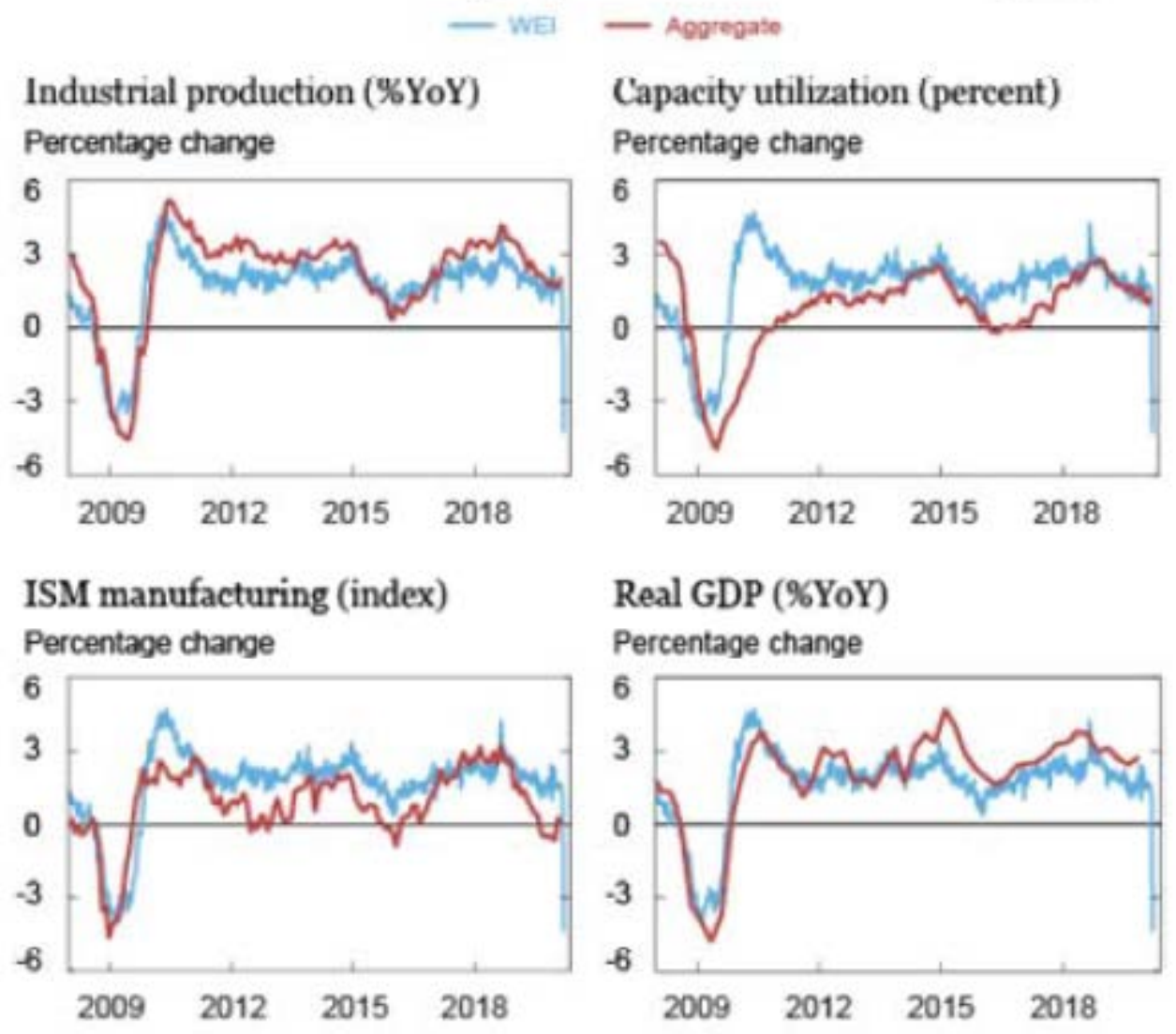
	Description
Redbook Research: Same-store retail sales average	Measures year-over-year same-store sales growth for around 9,000 general merchandise stores in the United States
Unemployment insurance: Initial claims, state programs	Reports the number of people making new unemployment insurance claims from state unemployment offices
American Staffing Association Staffing Index	Tracks temporary and contract employment with data coming from a large panel of staffing companies
Rasmussen Consumer Index	Constructed with a daily survey of 1,500 American adults using questions about personal finances and the economy more broadly
Raw steel production	Estimates the weekly production of raw steel from domestic producers
Electric utility output: United States ex. Hawaii and Alaska	Measures electricity output for the United States excluding Alaska and Hawaii
U.S. fuel sales to end users	Estimates gasoline, diesel, and jet fuel sales to retailers and end users

Source: Lewis, Mertens and Stock, “Monitoring Real Activity in Real Time: The Weekly Economic Index,” Federal Reserve Bank of New York Liberty Street Economics, March 30, 2020



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## The WEI Provides a Timely Signal of Macroeconomic Aggregates

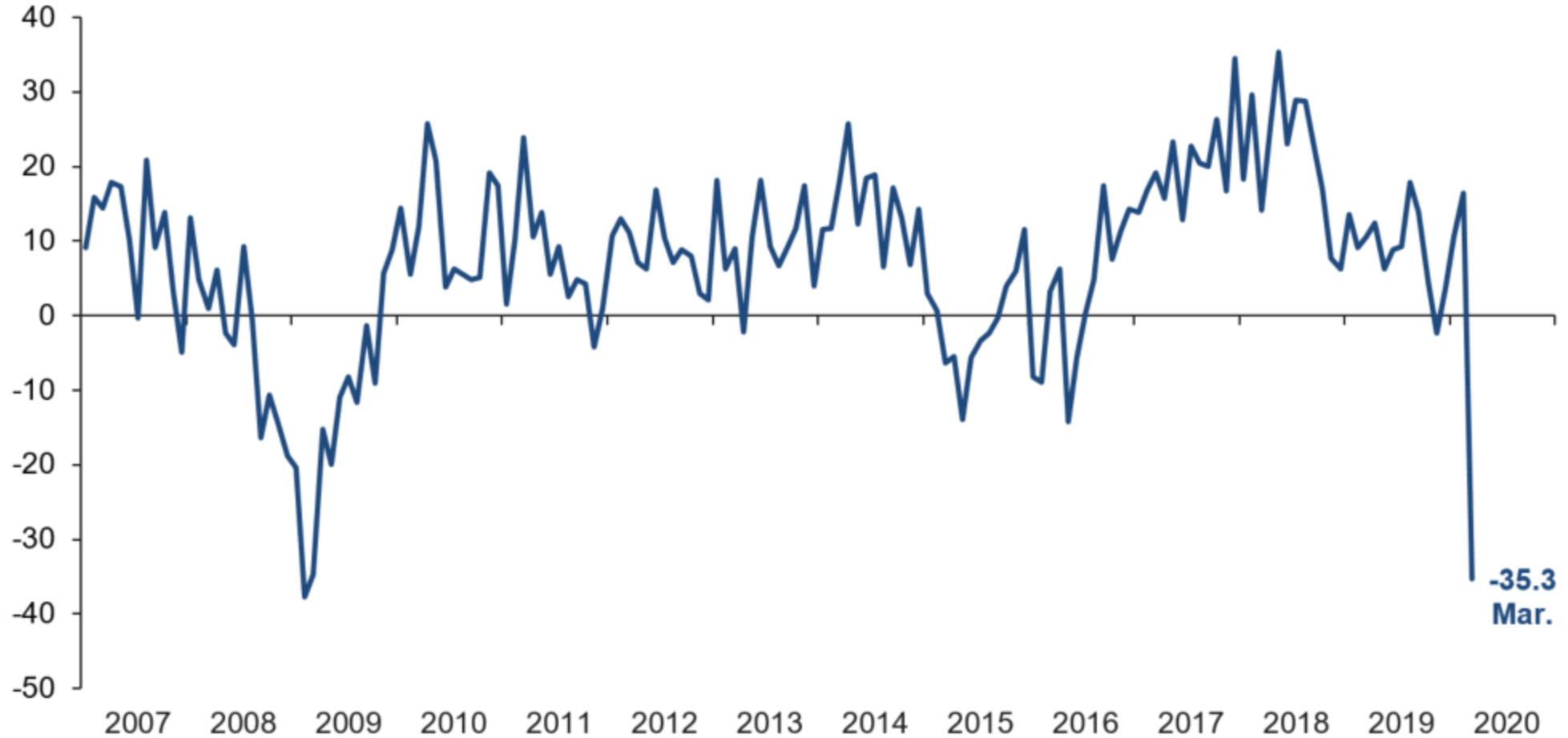


Source: Authors' calculations.

Note: The data series for industrial production, capacity utilization, and ISM manufacturing are rescaled.

# Texas Manufacturing Outlook Survey Production Index

Index, seasonally adjusted

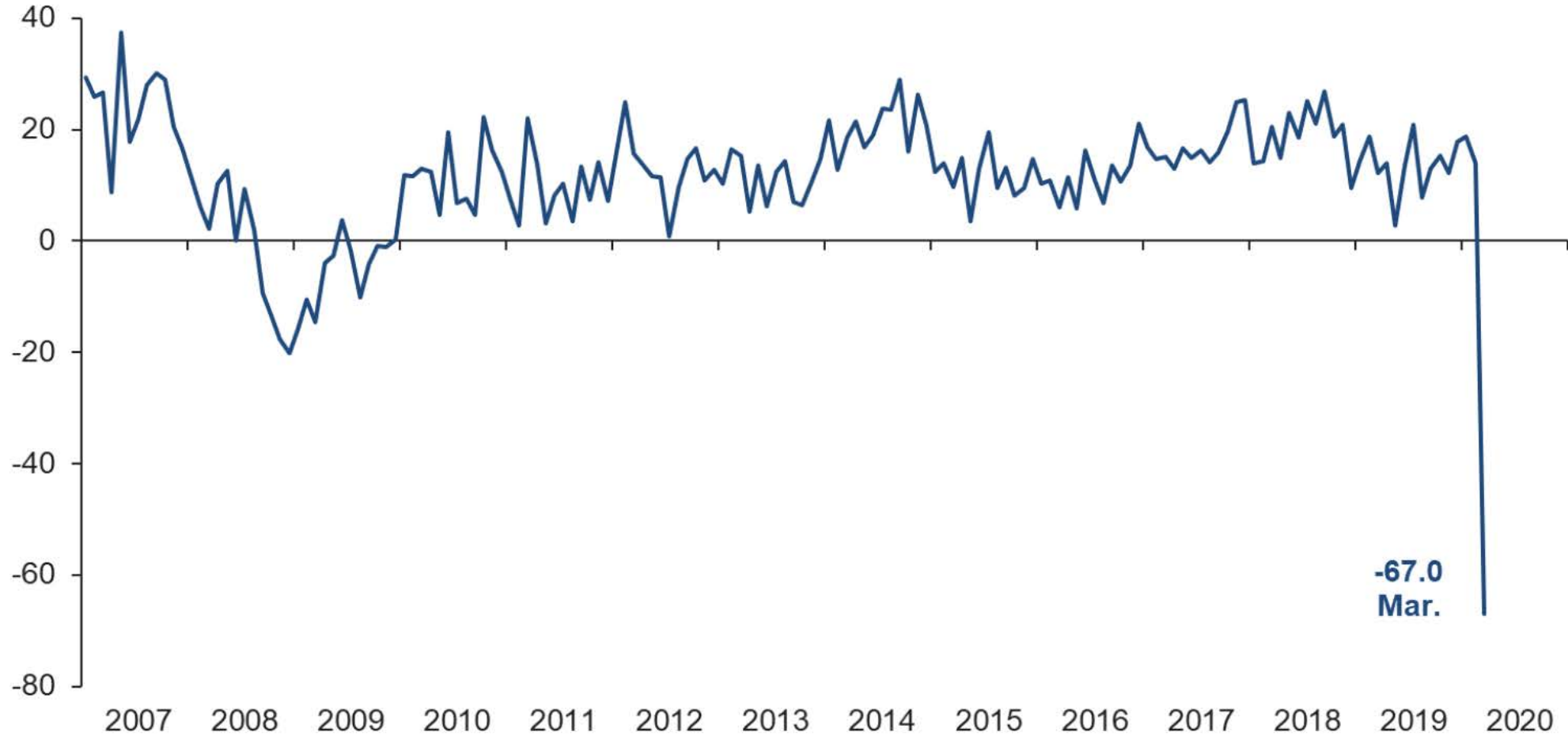


Federal Reserve Bank of Dallas



# Texas Service Sector Outlook Survey Revenue Index

Index, seasonally adjusted



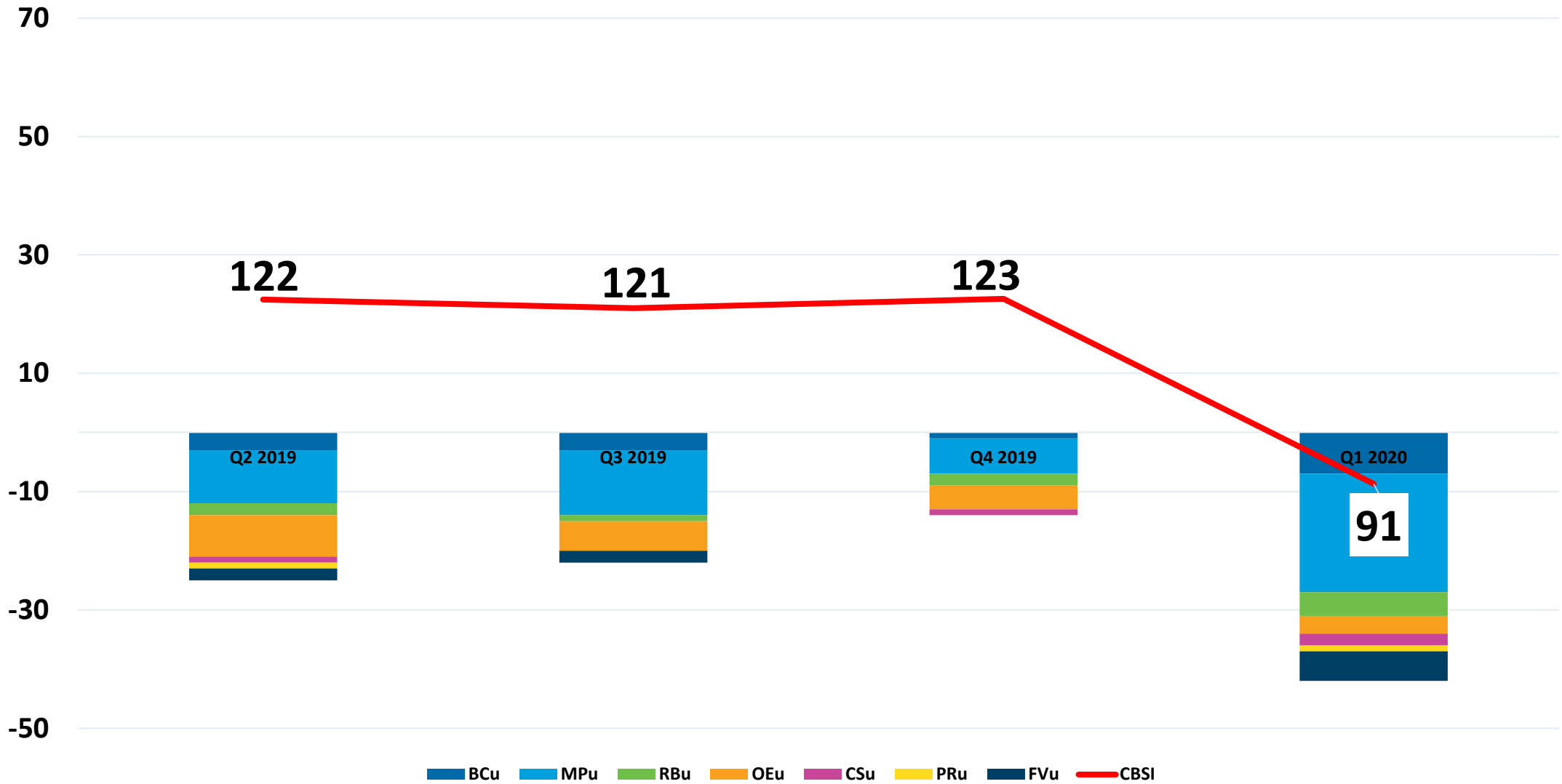
**-67.0**  
**Mar.**

Federal Reserve Bank of Dallas

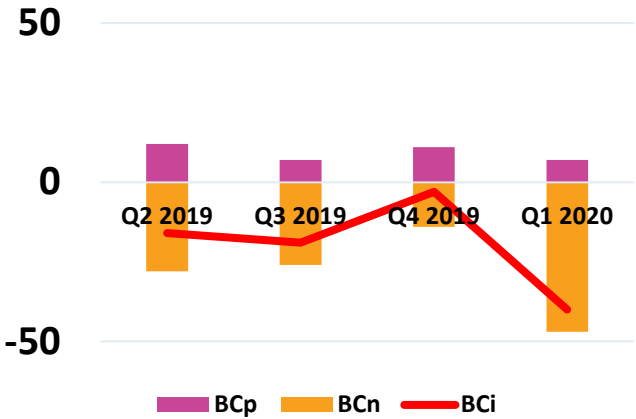




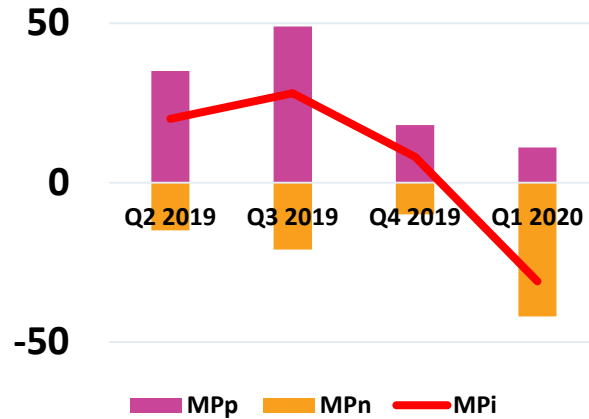
# CBSI and Uncertainty



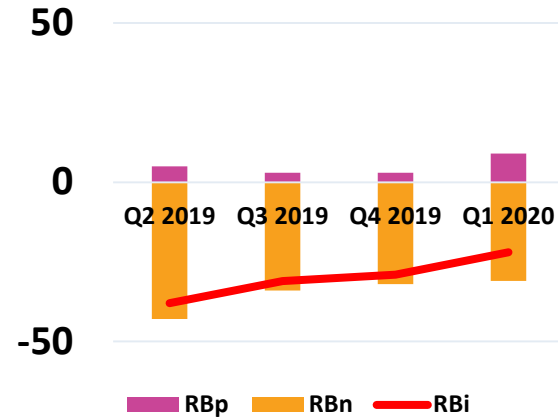
### Business Conditions



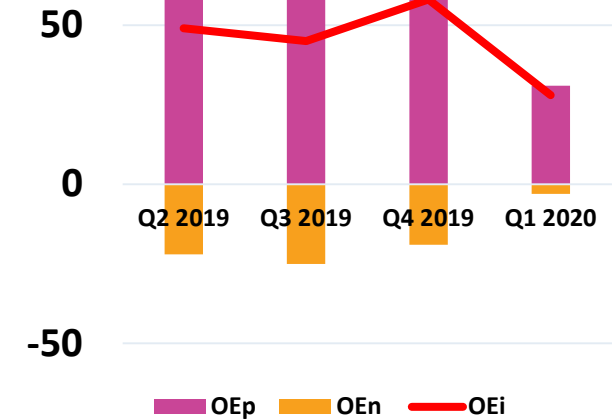
### Monetary Policy



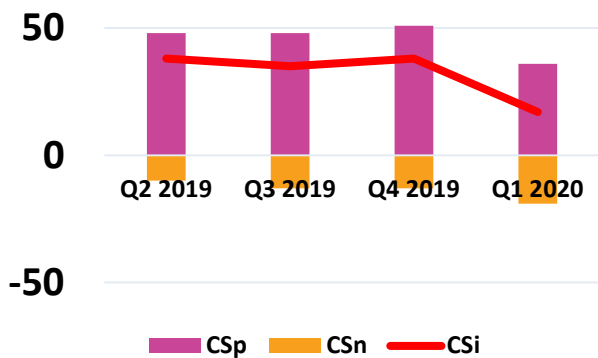
### Regulatory Burden



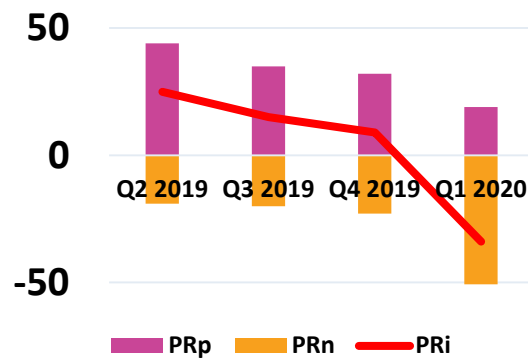
### Operations Expansion



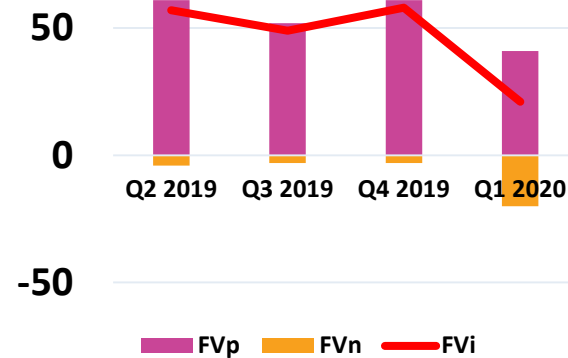
### Capital Spending



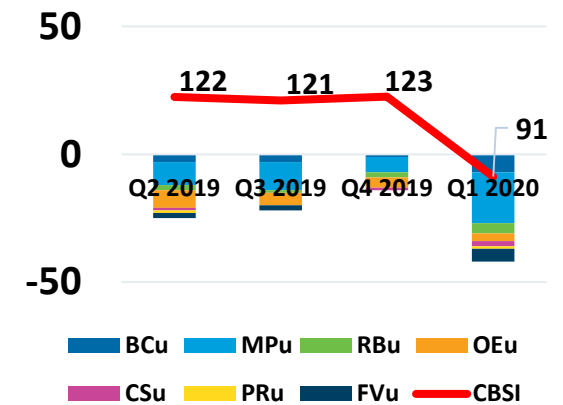
### Profitability



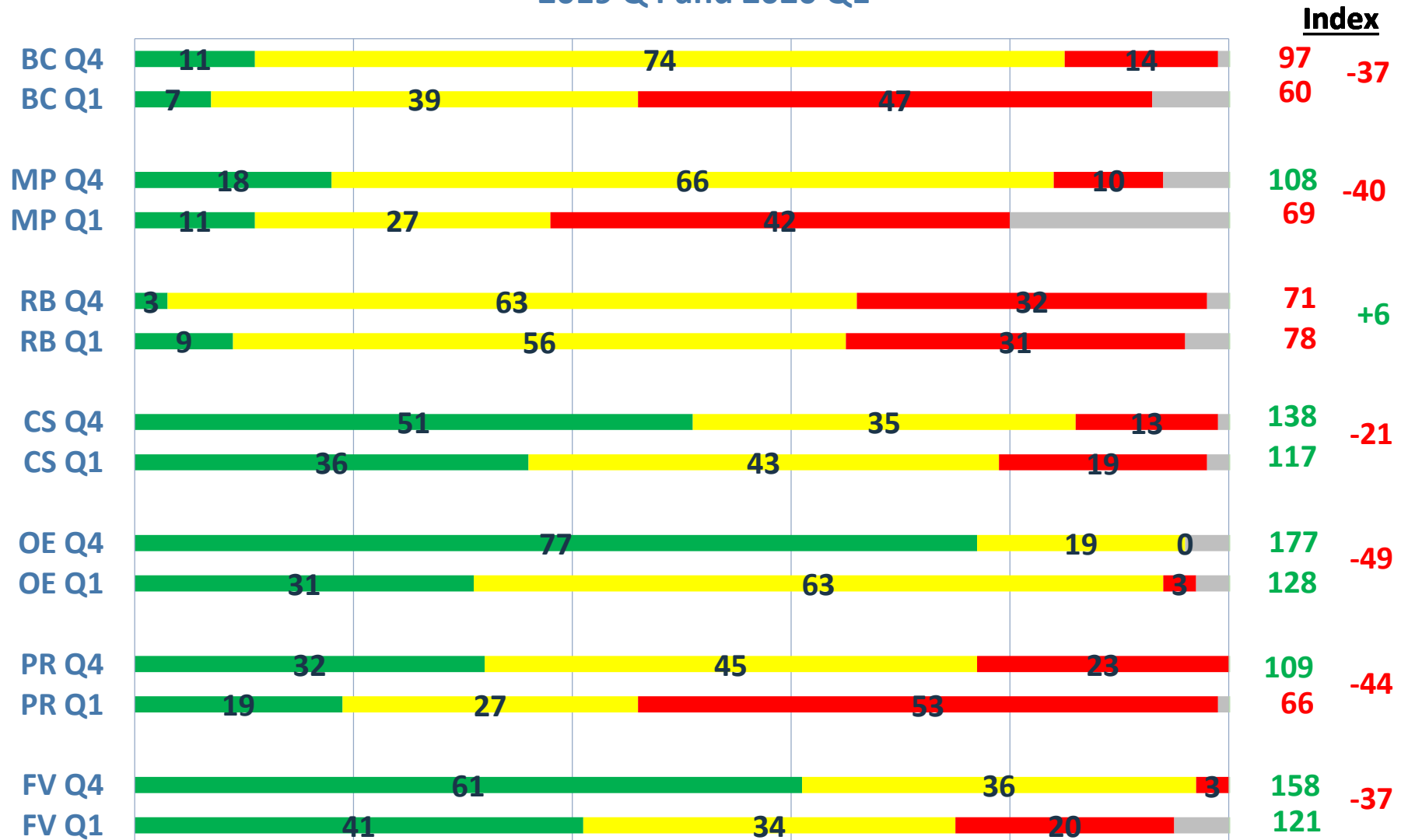
### Franchise Value



### CBSI & Uncertainty



## Community Bank Sentiment Index 2019 Q4 and 2020 Q1

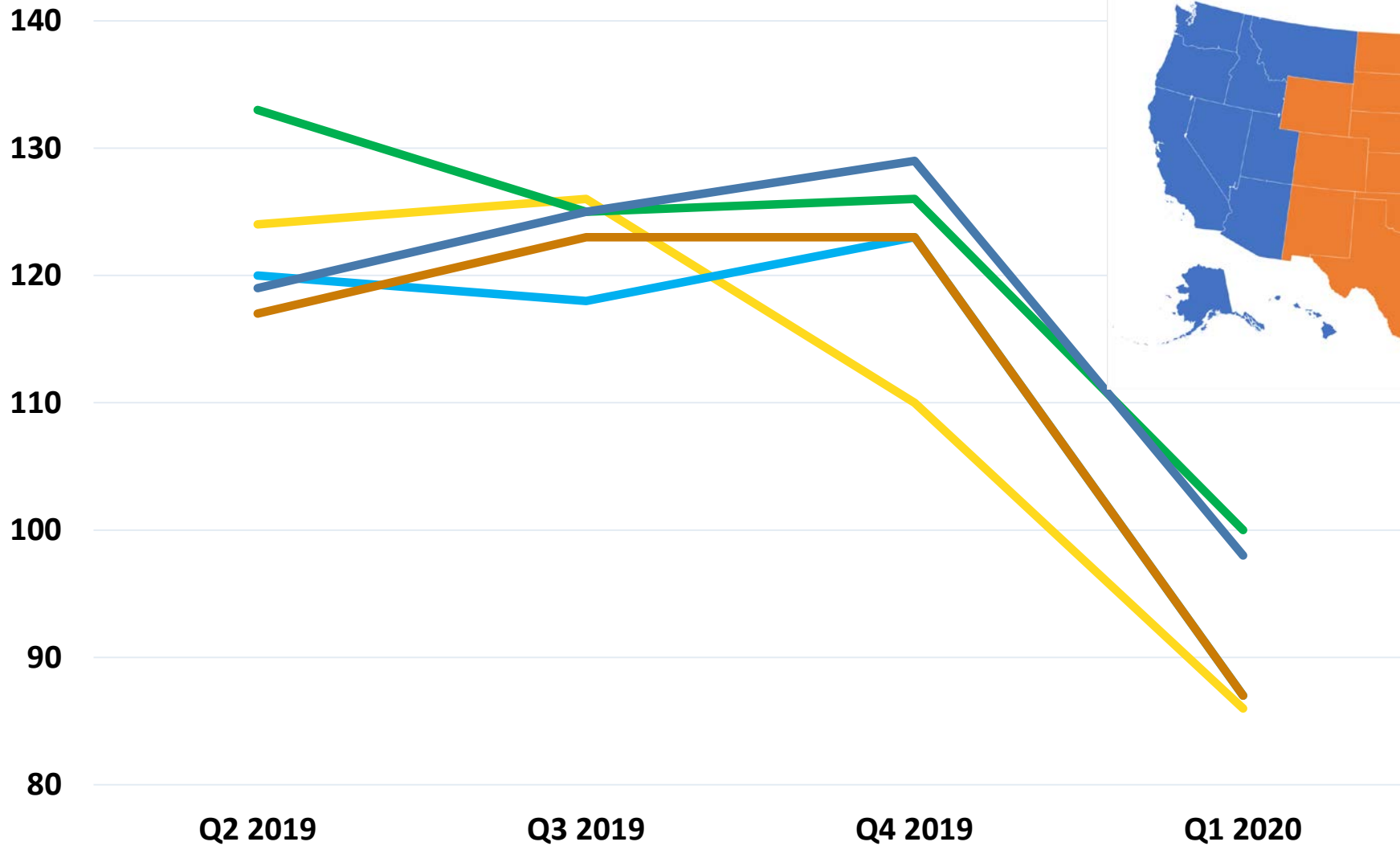


Data Source: CSBS

www.csbs.org / @csbsnews ■ Positive ■ Neutral ■ Negative ■ Uncertain

CBSI Q4:	123	-32
CBSI Q1:	91	

# CBSI by CSBS District

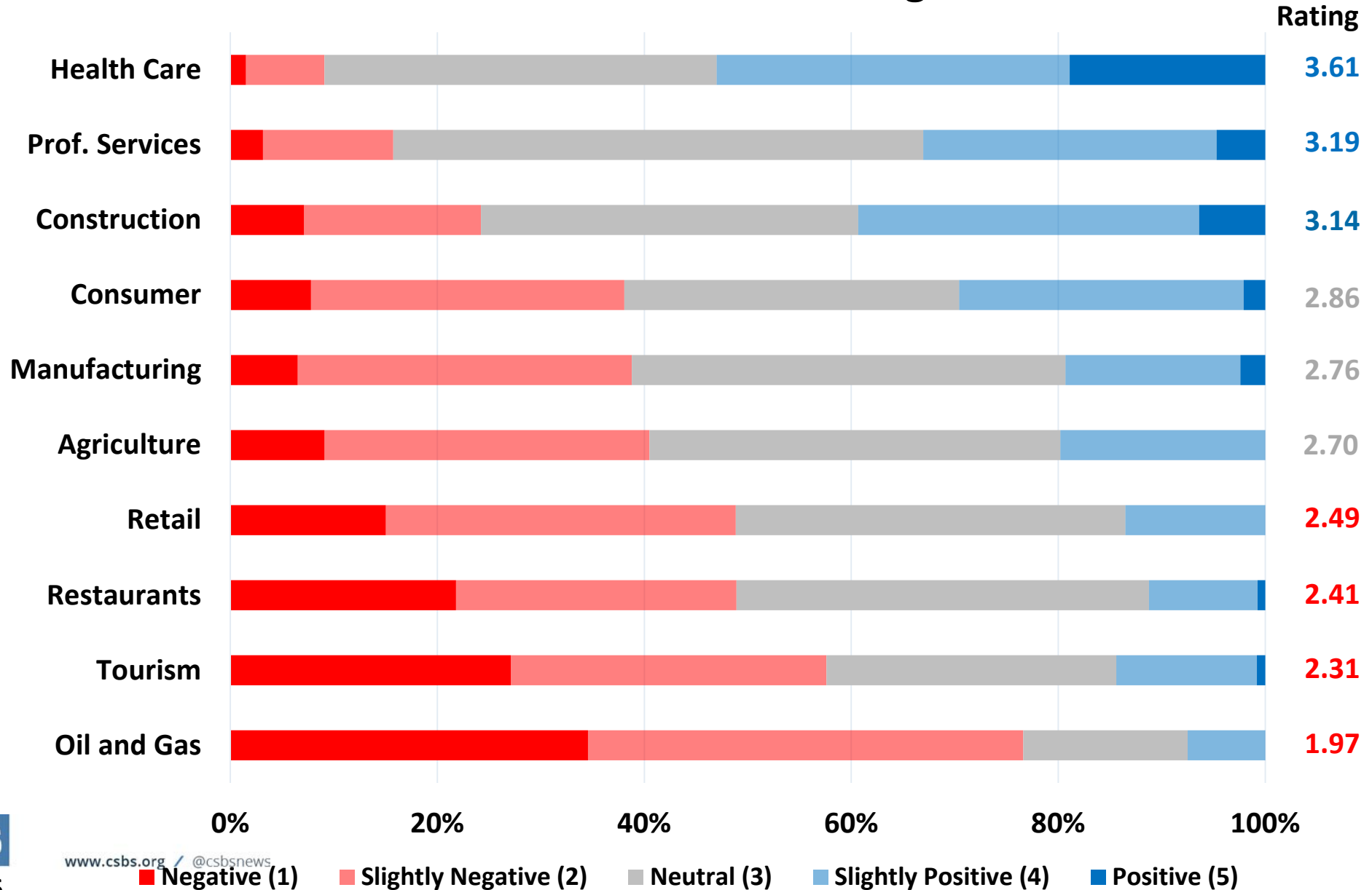


Data Source: CSBS

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— Northeast — Midwest — South — Great Plains — West

# CBSI: Outlook for Economic Segments



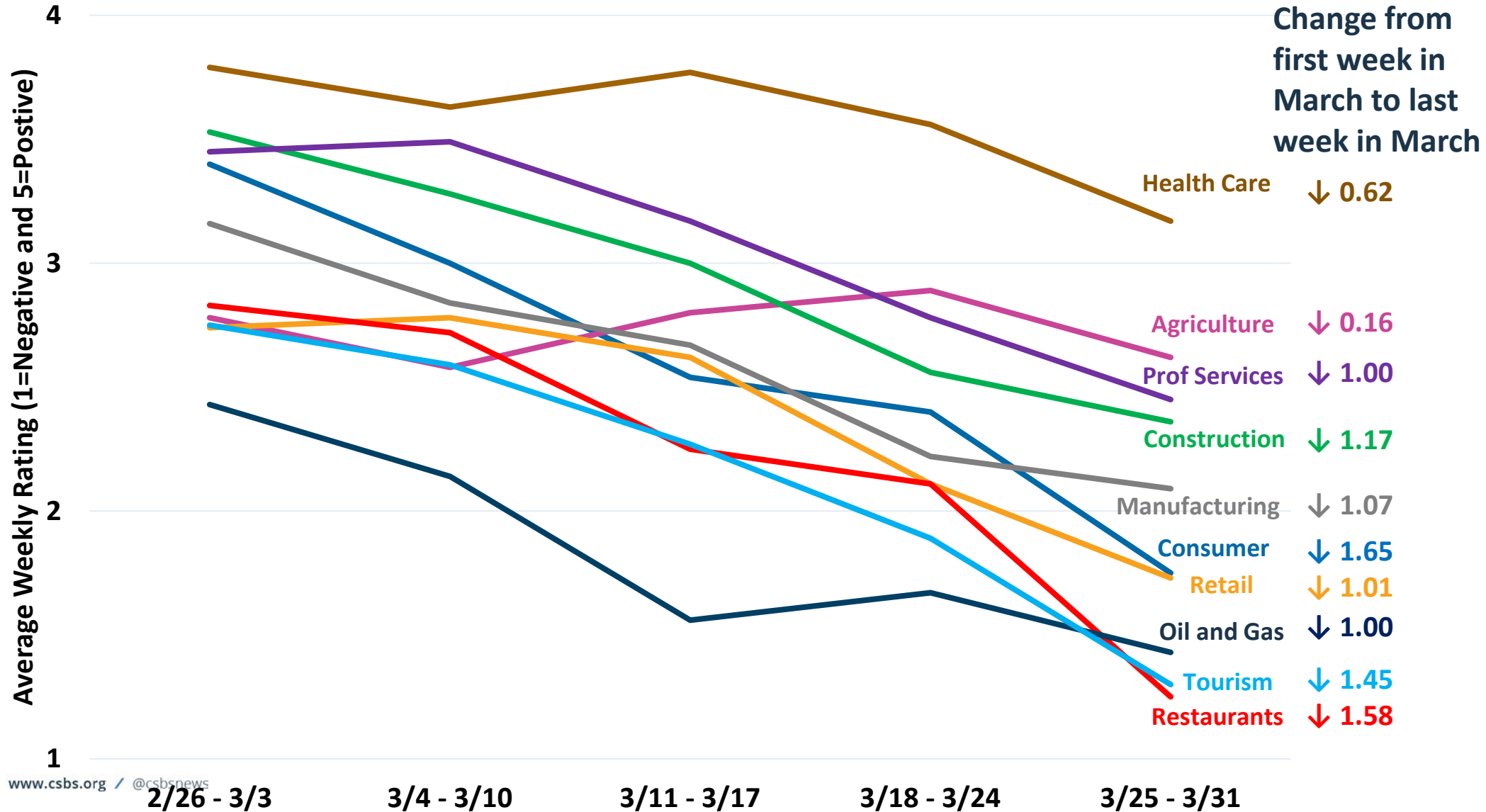
Data Source: CSBS

[www.csbs.org](http://www.csbs.org) / @csbsnews



# Bankers' Outlook on Sector Performance Declined During March

Source: CSBS Community Bank Sentiment Index (CBSI) for Q1 2020



Data Source: CSBS

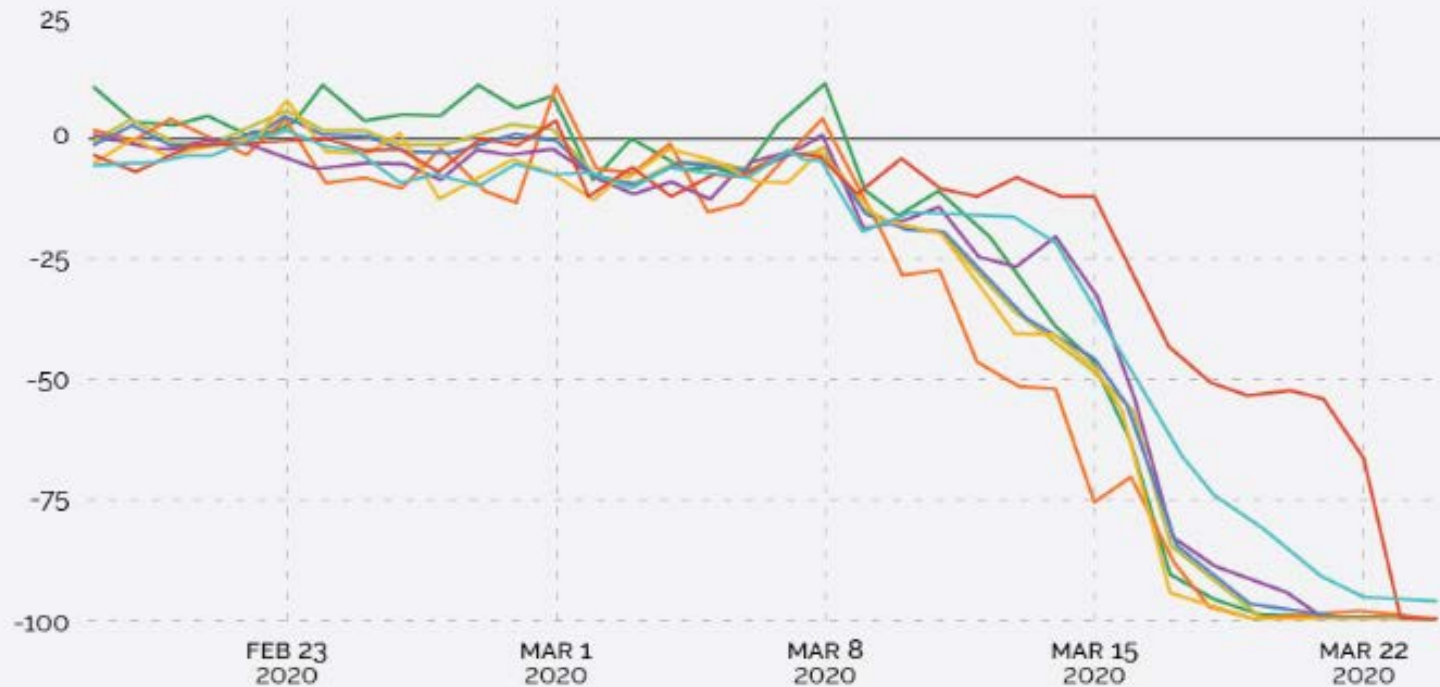


## GLOBALLY

Discretionary consumer spending has dropped in many areas as a result of social distancing or lockdown measures.

### Seated Diners at Restaurants

% change from same day of the week a year before

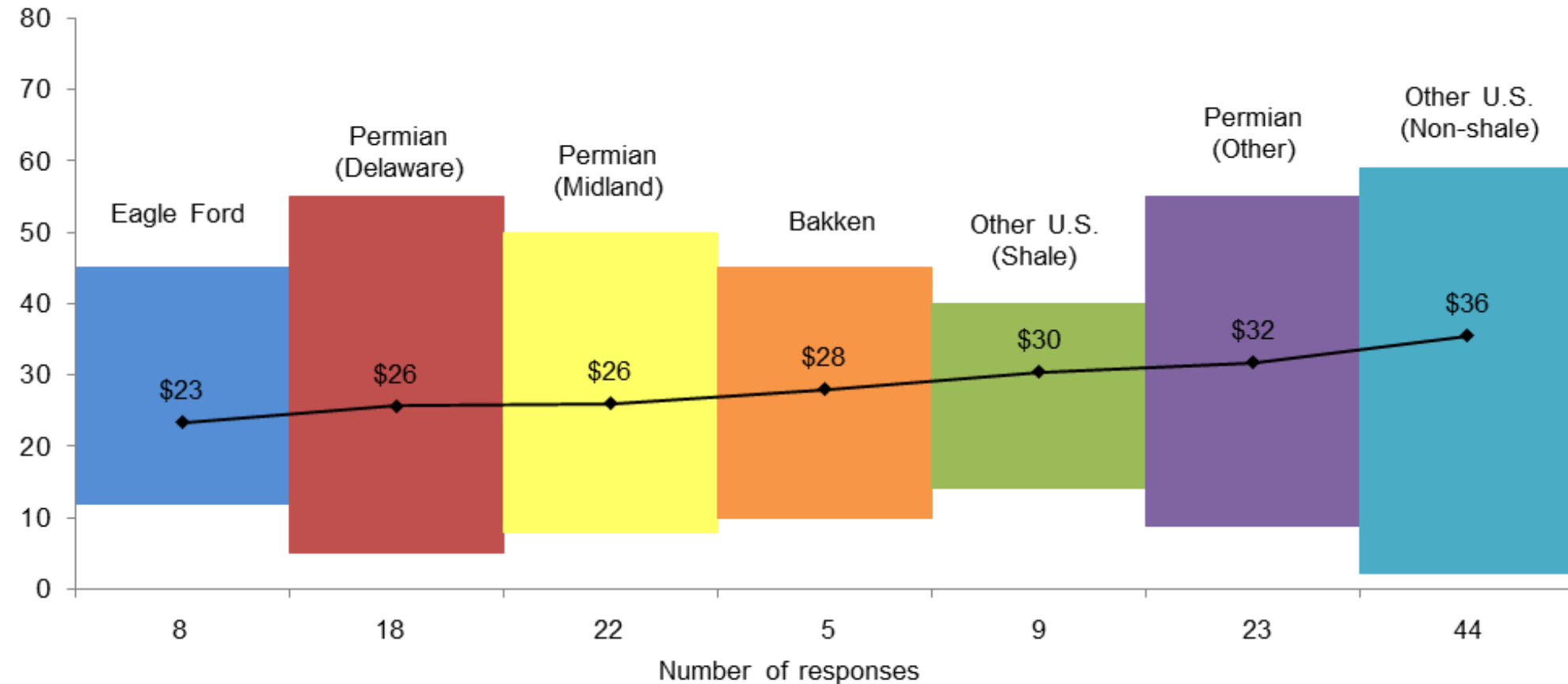


Source: OpenTable



**In the top two areas in which your firm is active:  
What WTI oil price does your firm need to cover operating expenses for existing wells?**

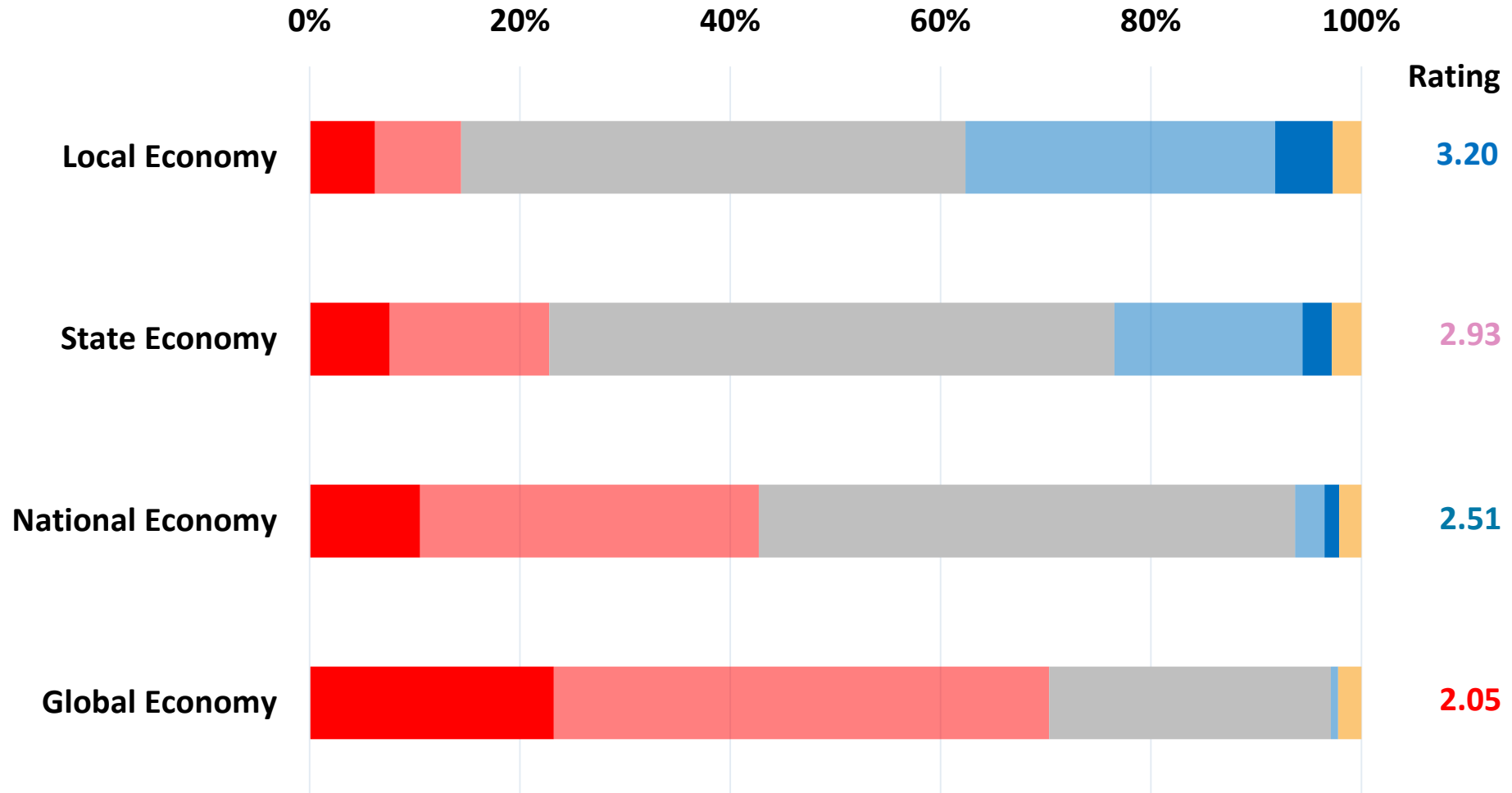
Dollars per barrel



NOTES: Lines show the mean, and bars show the range of responses. Executives from 95 exploration and production firms answered this question during the survey collection period, March 11-19, 2020.

SOURCE: Federal Reserve Bank of Dallas.

# CBSI: Expected Impact from Coronavirus Outbreak on...



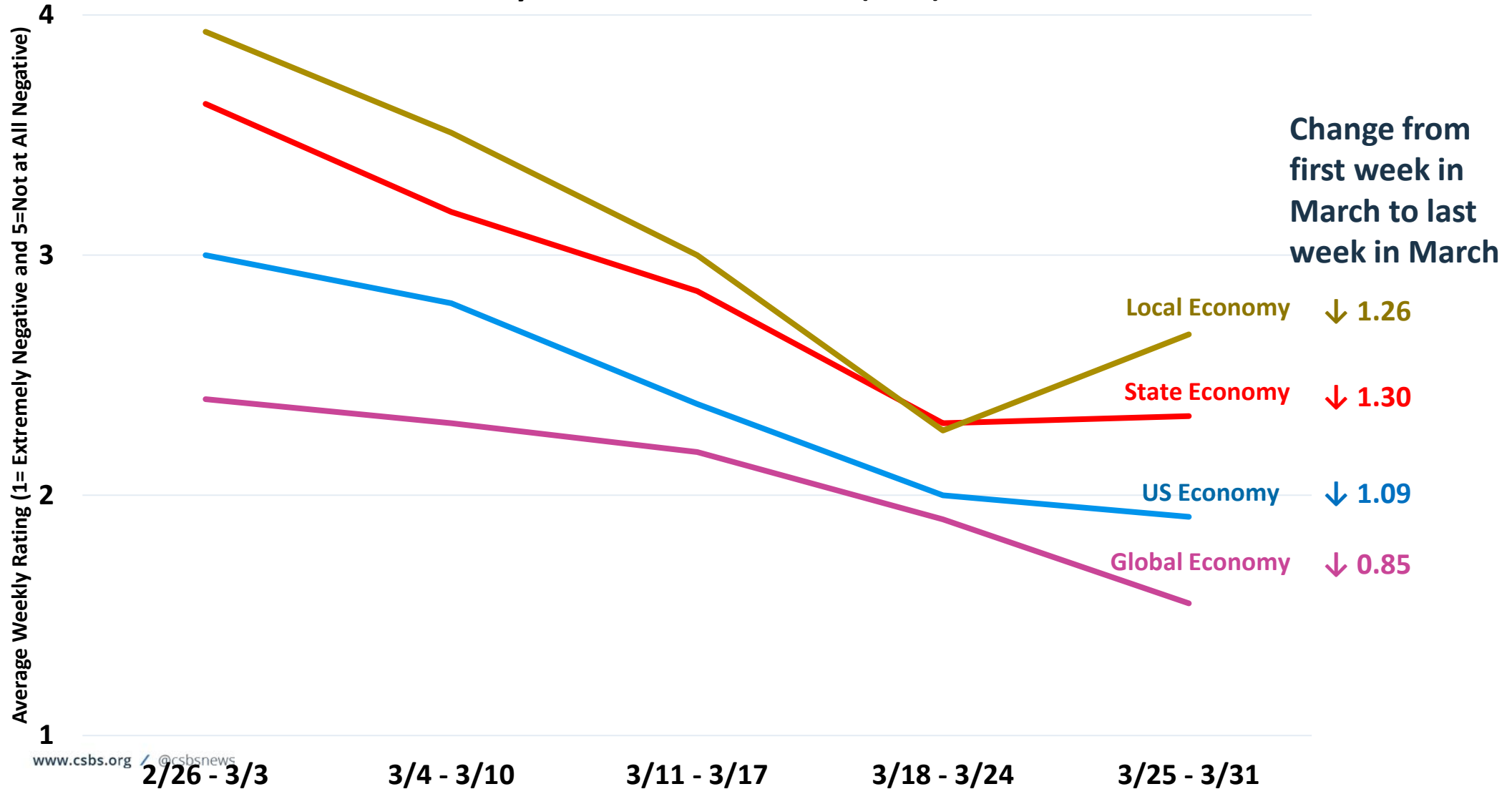
Data Source: CSBS

[www.csbs.org](http://www.csbs.org) / [@csbsnews](https://twitter.com/csbsnews)

■ Extremely Negative (1)  
 ■ Very Negative (2)  
 ■ Somewhat Negative (3)  
 ■ Not So Negative (4)  
 ■ Not at All Negative (5)  
 ■ Unsure

# Bankers' Outlook on COVID19's Impact on Economic Activity Declined During March

Source: CSBS Community Bank Sentiment Index (CBSI) for Q1 2020



Data Source: CSBS



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How/When did COVID-19 Infect the U.S. Economy?



Are We in a Recession?

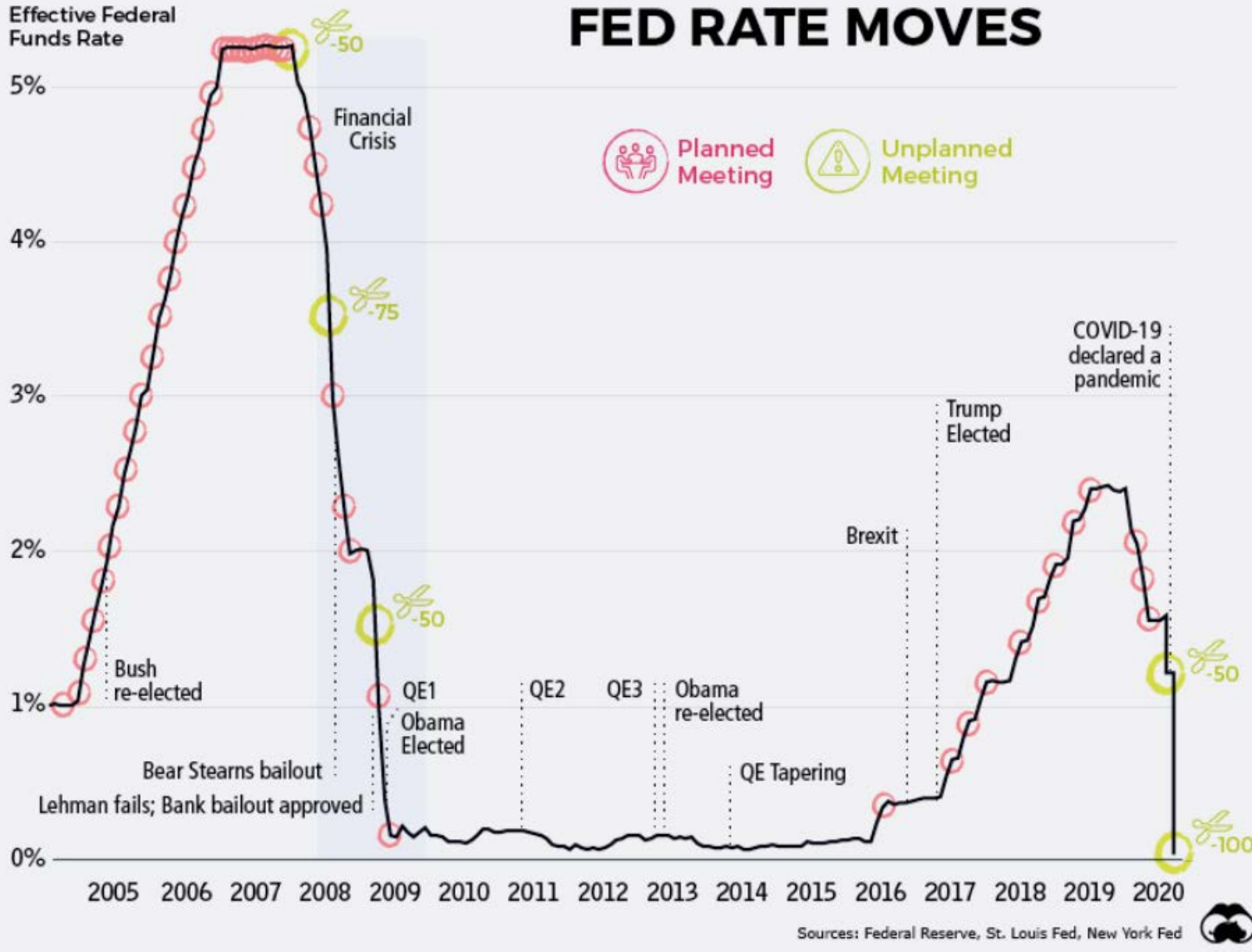


What's Being Done to Help the Economy?



When will this End?

# FED RATE MOVES

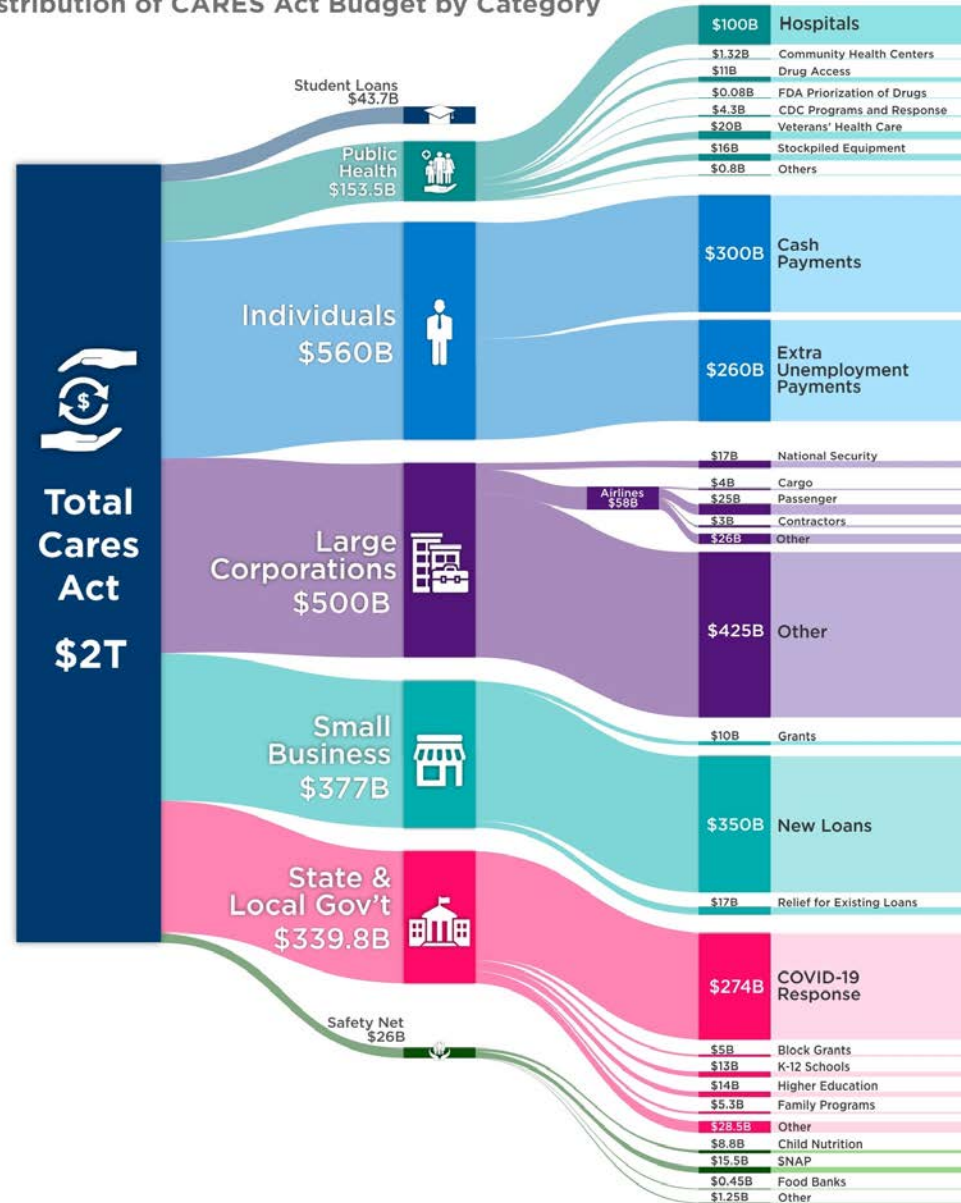


# Federal Reserve Interventions

- Lowered administered rates
- Quantitative easing
- Repo market injection
- Swap lines with other Central Banks
- Facilities to provide liquidity, credit and funding
  - **Commercial Paper, Primary Dealer, MMMF, State/Municipals, FIMA Repo**

# A Breakdown of Coronavirus' \$2T Economic Stimulus

## Distribution of CARES Act Budget by Category





# COVID-19 Infects the U.S. Economy



**How/When did COVID-19 Infect the U.S. Economy?**



**Are We in a Recession?**



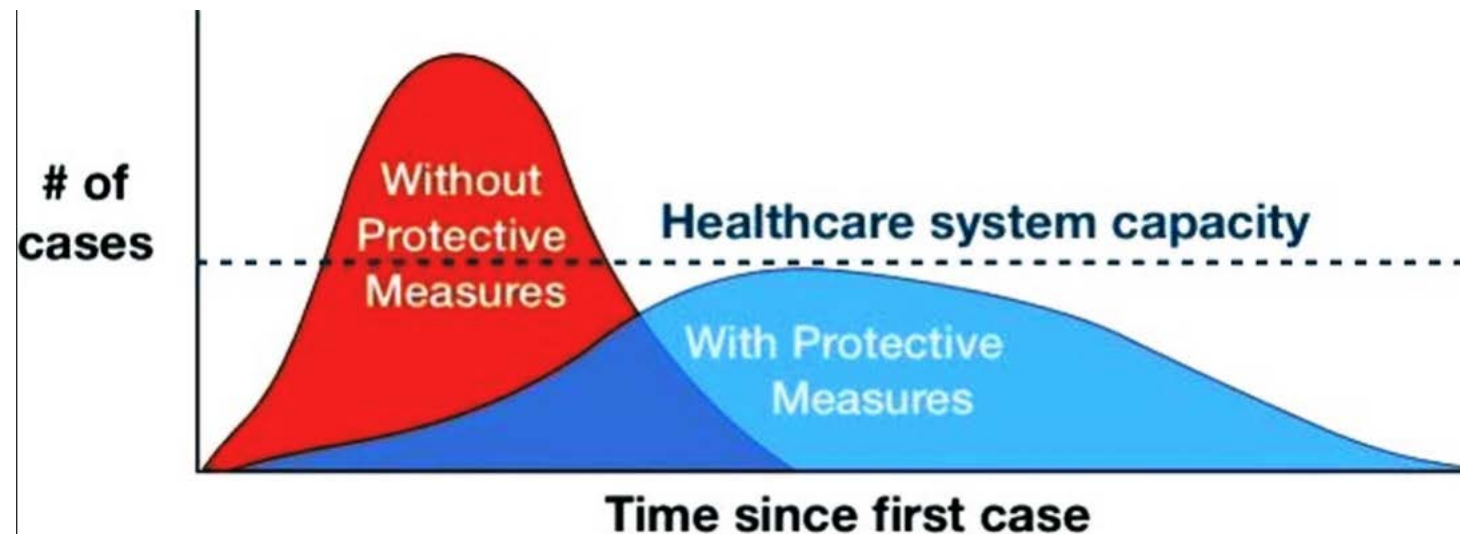
**What's Being Done to Help the Economy?**



**When will this End?**

# How/When Does the Pandemic End?

- **Herd Immunity**
- **Flatten the Curve**
- **Establish Protections**
- **Loosen Restrictions**
- **Rebuild/Remake**

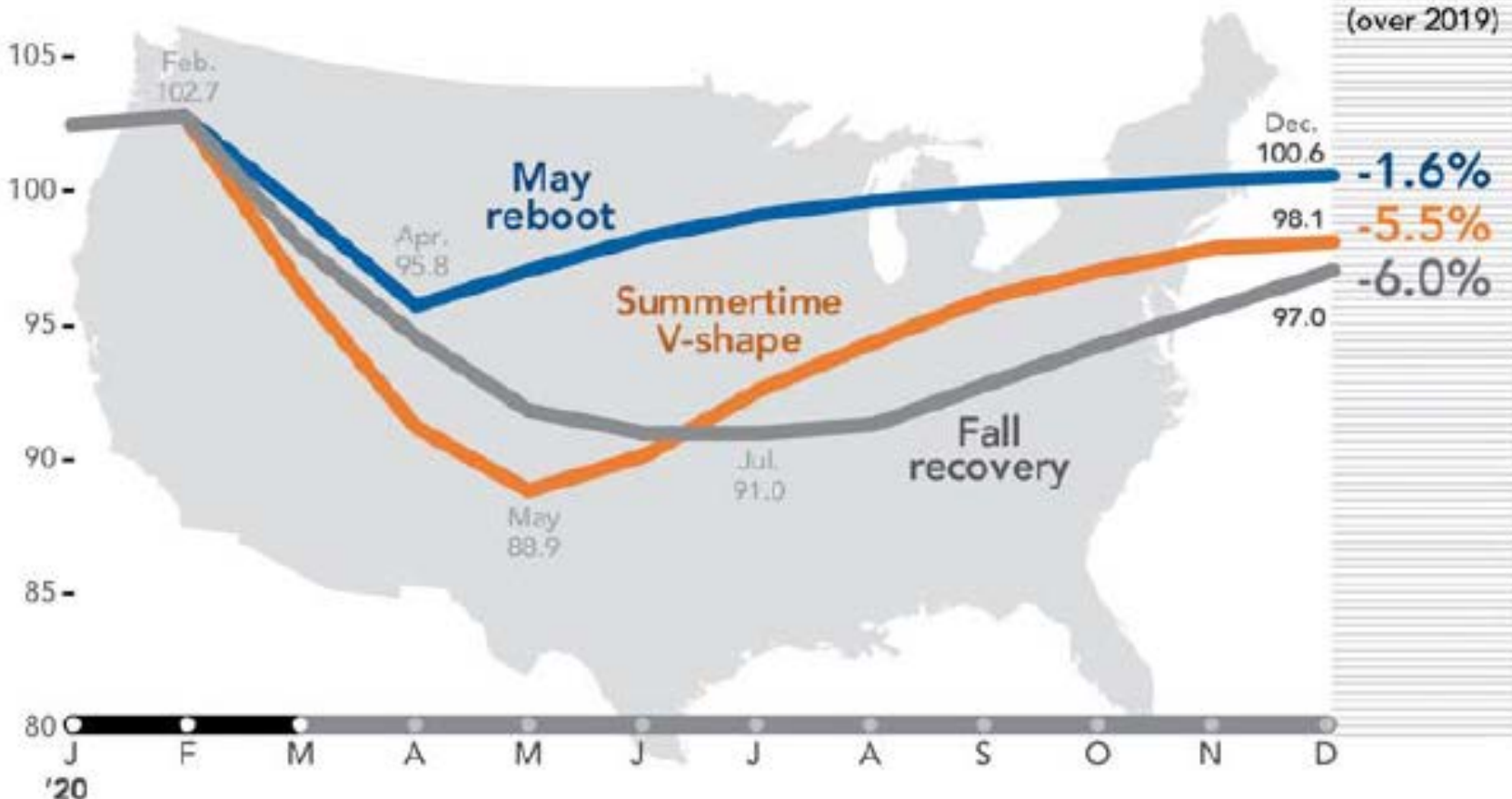


*Adapted from CDC / The Economist*

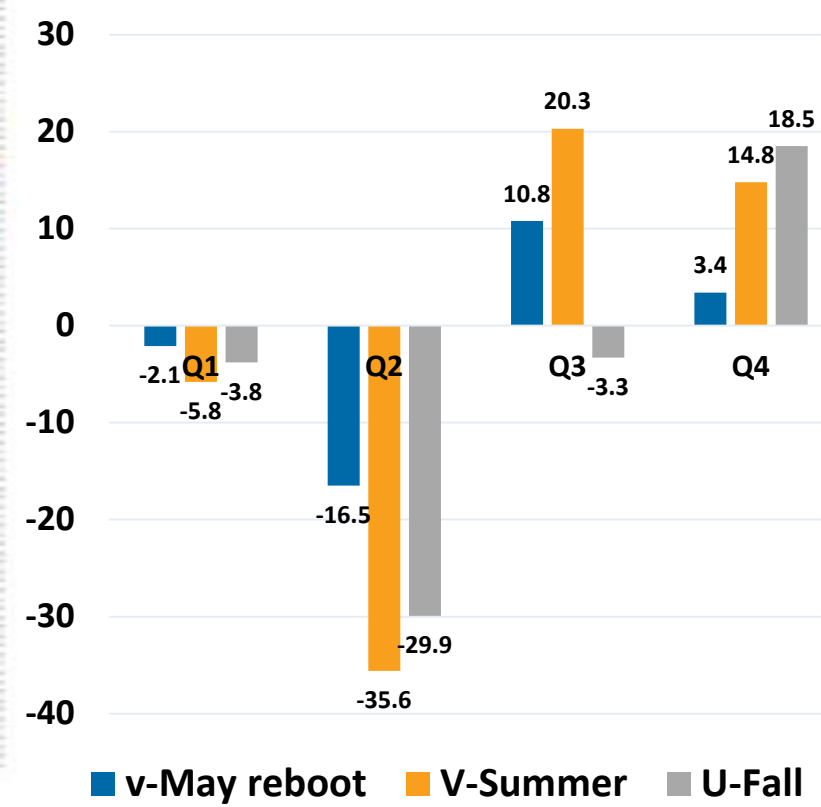
## Three Economic Scenarios (Conference Board)

- **v-Shaped Recovery (mild)...May reboot**
- **V-Shaped Recovery (modest)...Summertime comeback**
- **U-Shaped Recovery (severe)...Fall recovery (or beyond)**

# US Gross Domestic Product (Q3 2019=100)



## GDP Growth Scenarios, Annualized QoQ rates



www.conferenceboard.org



www.csbs.org / @csbsnews

Source: The Conference Board

	<u>v-May reboot</u>	<u>V-Summer</u>	<u>U-Fall</u>
Peak Cases	mid-April	May	June/July
2020 GDP	-1.6%	-5.5%	-6.0%
Peak Unemployment	8%	15%	15%



# Guide to the Great Unknown

- **Increased Personal Awareness**
- **The New Patriots**
- **Tech Disruption Alters Work and Play (again)**
- **Bigger Government**
- **Looking Inward**

Questions?