

THE FEDERAL RESERVE'S PANDEMIC RESPONSE

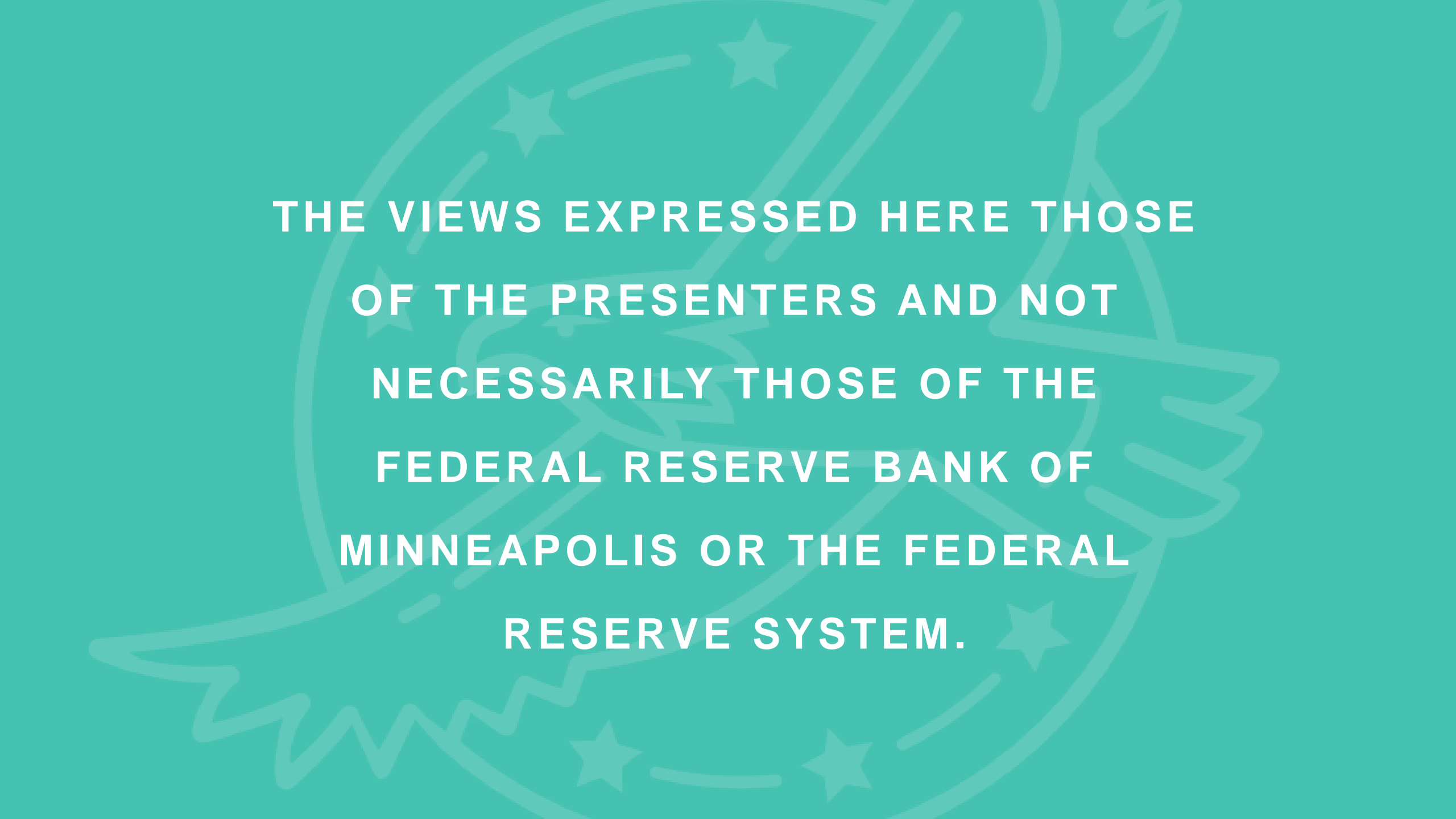
June 30, 2020

Joe Mahon

Regional Outreach Director



FEDERAL RESERVE BANK
OF MINNEAPOLIS



**THE VIEWS EXPRESSED HERE THOSE
OF THE PRESENTERS AND NOT
NECESSARILY THOSE OF THE
FEDERAL RESERVE BANK OF
MINNEAPOLIS OR THE FEDERAL
RESERVE SYSTEM.**



Pandemic response

- Federal Reserve's emergency lending authority
- COVID-19 liquidity programs
- Monetary policy



FED'S EMERGENCY LENDING AUTHORITY

FEDERAL RESERVE ACT, SECTION 13(3)

In unusual and exigent circumstances, the Board of Governors of the Federal Reserve System, by the affirmative vote of not less than five members, **may authorize any Federal reserve bank**, during such periods as the said board may determine, at rates established in accordance with the provisions of section 14, subdivision (d), of this Act, **to discount for any participant** in any program or facility **with broad-based eligibility, notes, drafts, and bills of exchange** when such notes, drafts, and bills of exchange are indorsed or otherwise secured to the satisfaction of the Federal Reserve bank: *Provided*, That before discounting any such note, draft, or bill of exchange, the Federal reserve bank shall obtain **evidence that such participant** in any program or facility with broad-based eligibility **is unable to secure adequate credit** accommodations from other banking institutions. All such discounts for any participant in any program or facility with broad-based eligibility shall be subject to such limitations, restrictions, and regulations as the Board of Governors of the Federal Reserve System may prescribe.



COVID-19 LIQUIDITY PROGRAMS

NEW LIQUIDITY PROGRAMS

- Paycheck Protection Program Liquidity Facility
- Main Street Lending Program
- Municipal Liquidity Facility
- And the rest... (TALF, CPFF, MMLF, etc.)



PAYCHECK PROTECTION PROGRAM LIQUIDITY FACILITY

- PPP: Part of CARES Act, provides short-term (forgivable) loans to businesses to keep employees on payroll
 - Funded by Congress, administered through Small Business Administration
- PPPLF intended to serve as a financial backstop for the program
- Fed won't lend directly to businesses; extends credit to institutions that make PPP loans, taking the loans as collateral



MAIN STREET LENDING PROGRAM

- Partnership with the U.S. Treasury, making loans to businesses through eligible lenders
- Qualifications: Under 15,000 employees or \$5 billion in revenues, didn't get PPP loans or need additional credit, in good financial standing prior to pandemic
- Five-year loans, deferred principal for two years, deferred interest for one year

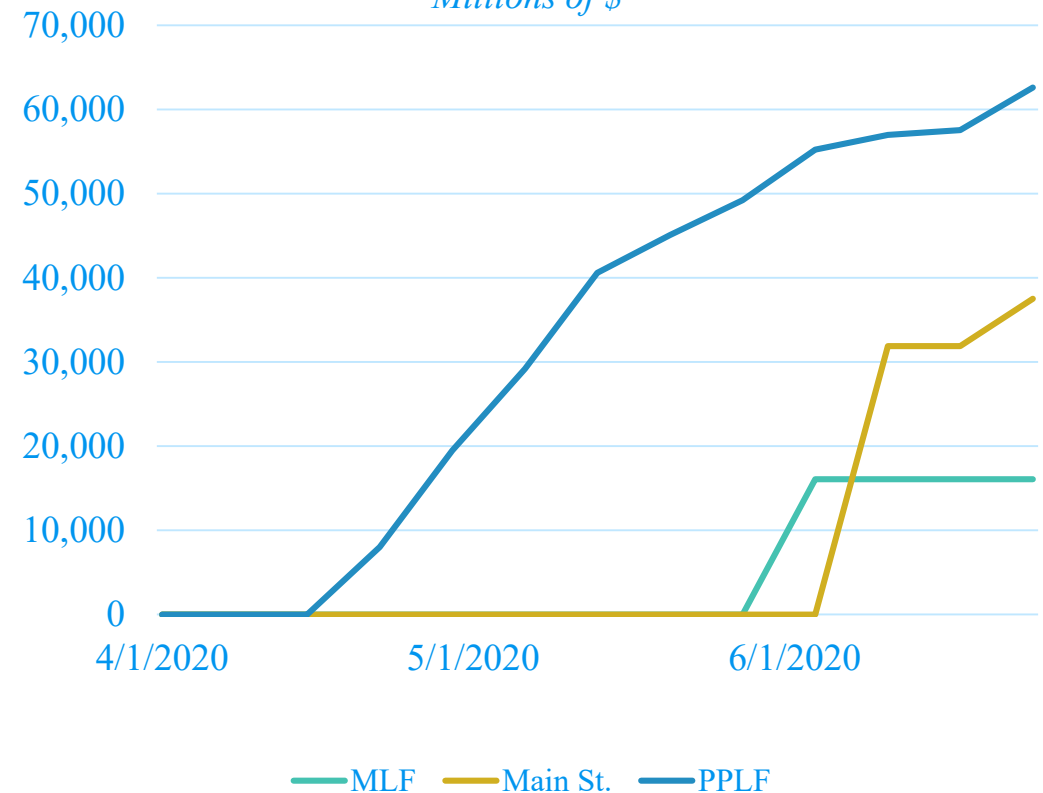


COVID-19 LIQUIDITY PROGRAMS

MUNICIPAL LIQUIDITY FACILITY

- Partnership with Treasury
- To support state and local government
- Up to \$500 billion in lending to help manage cash flow stresses

Net liquidity facility lending
Millions of \$

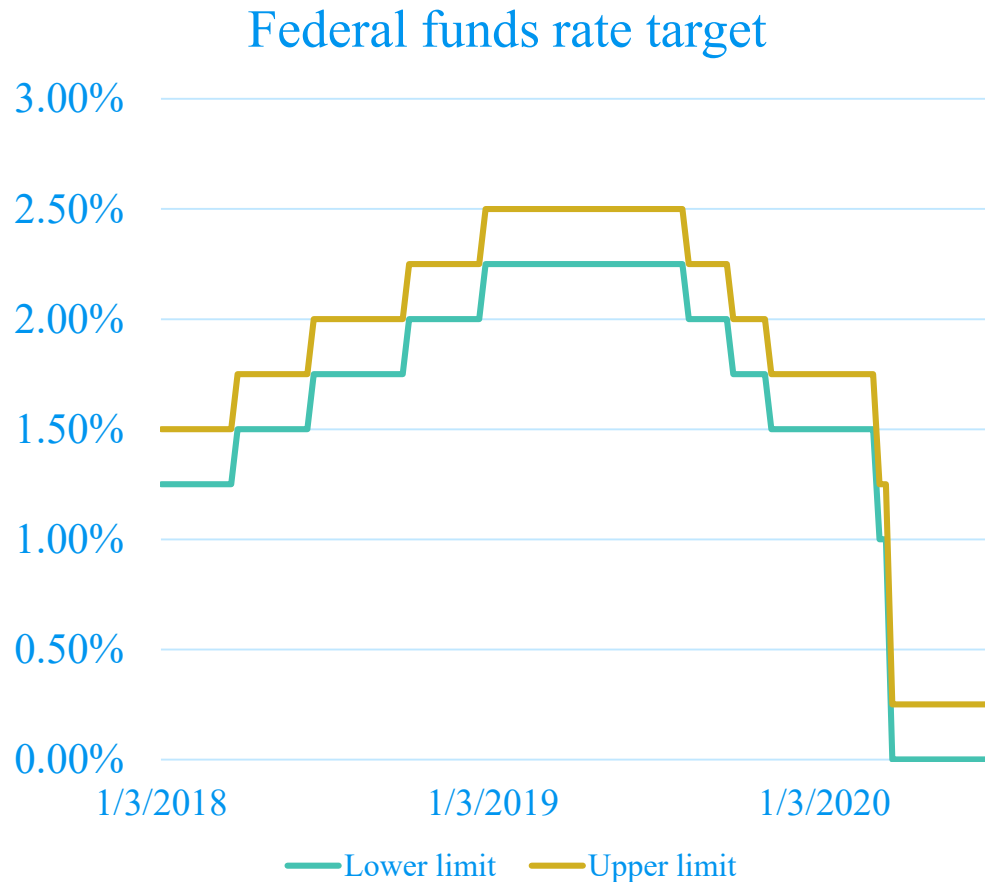


Source: Federal Reserve Board of Governors



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LOWERING INTEREST RATES TO SUPPORT ECONOMY



- Decisive action to lower interest rates at outset of lockdown
- Additional asset purchases (Treasury, MBS) to put further pressure on rates
- Forward guidance: FOMC “*expects to maintain this target range until it is confident that the economy has weathered recent events and is on track to achieve its maximum employment and price stability goals.*”



THE COVID ECONOMY IN THE NINTH DISTRICT

June 30, 2020

Ron Wirtz

Regional Outreach Director



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OF MINNEAPOLIS

TODAY'S TALK

- **The data challenge**
- **Getting a pulse via surveys**
 - **Generally speaking: Very poor conditions**
 - **Less bad in some sectors/places**
- **Workforce effects not evenly distributed**
- **New measures for COVID economy**
- **Interactive survey (interspersed)**



LOGIN FOR INTERACTIVE SURVEY

- ***Step 1: Get your phone***
- ***Step 2: Send text to 22333***
- ***Step 3: Text the word minneapolis***
- ***Step 4: Hit 'send'; watch for message***
- ***Step 5: Stay in text mode for survey***



Practice question: How would you categorize yourself?

Private business owner

Employed in private business

Employed in government

Employed in nonprofit

Unemployed

Student

Retired; voluntarily not in labor force



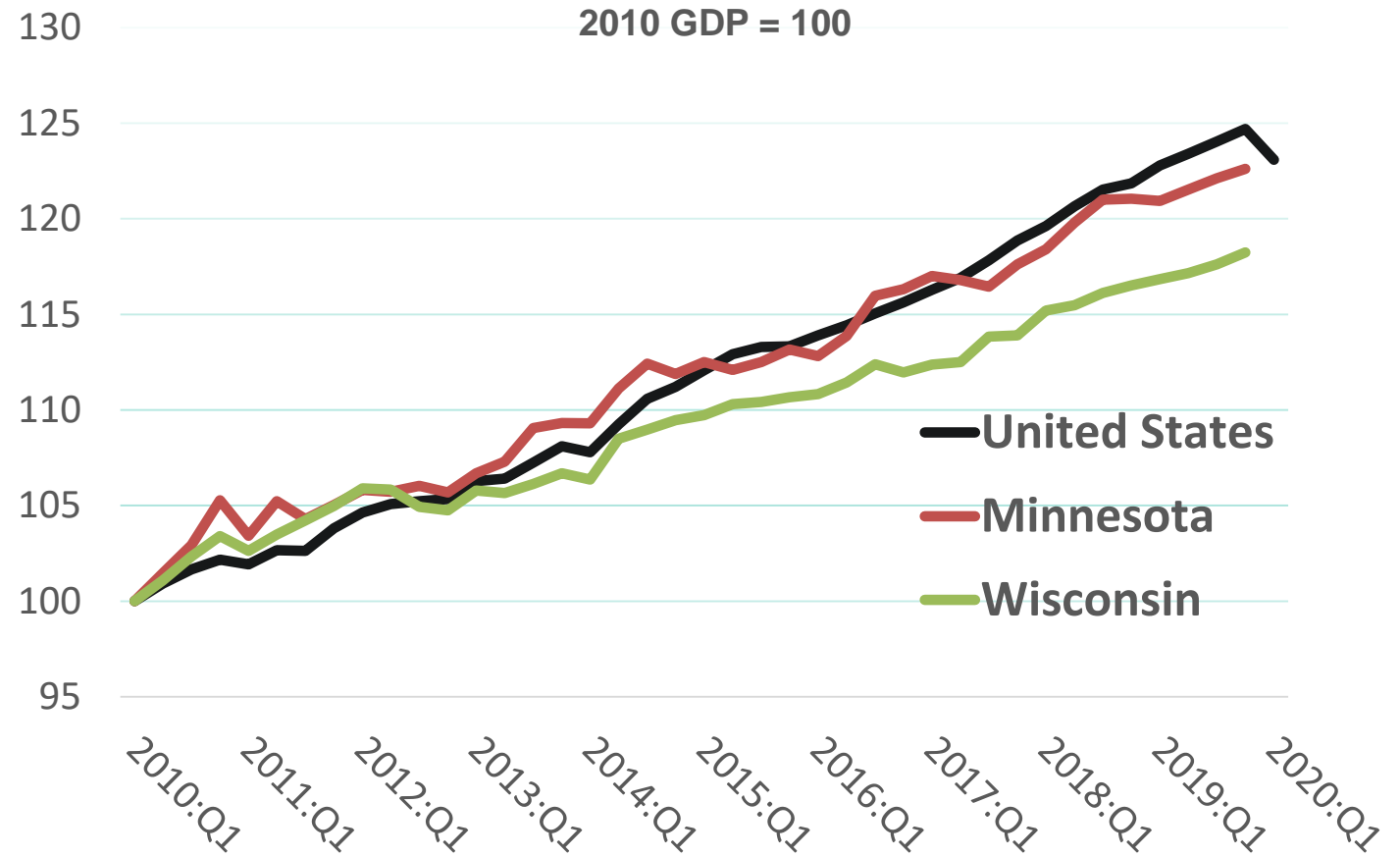
**THE DATA CHALLENGE OF A
COVID ECONOMY**

FIRST, A STEP BACK IN DATA TIME ...

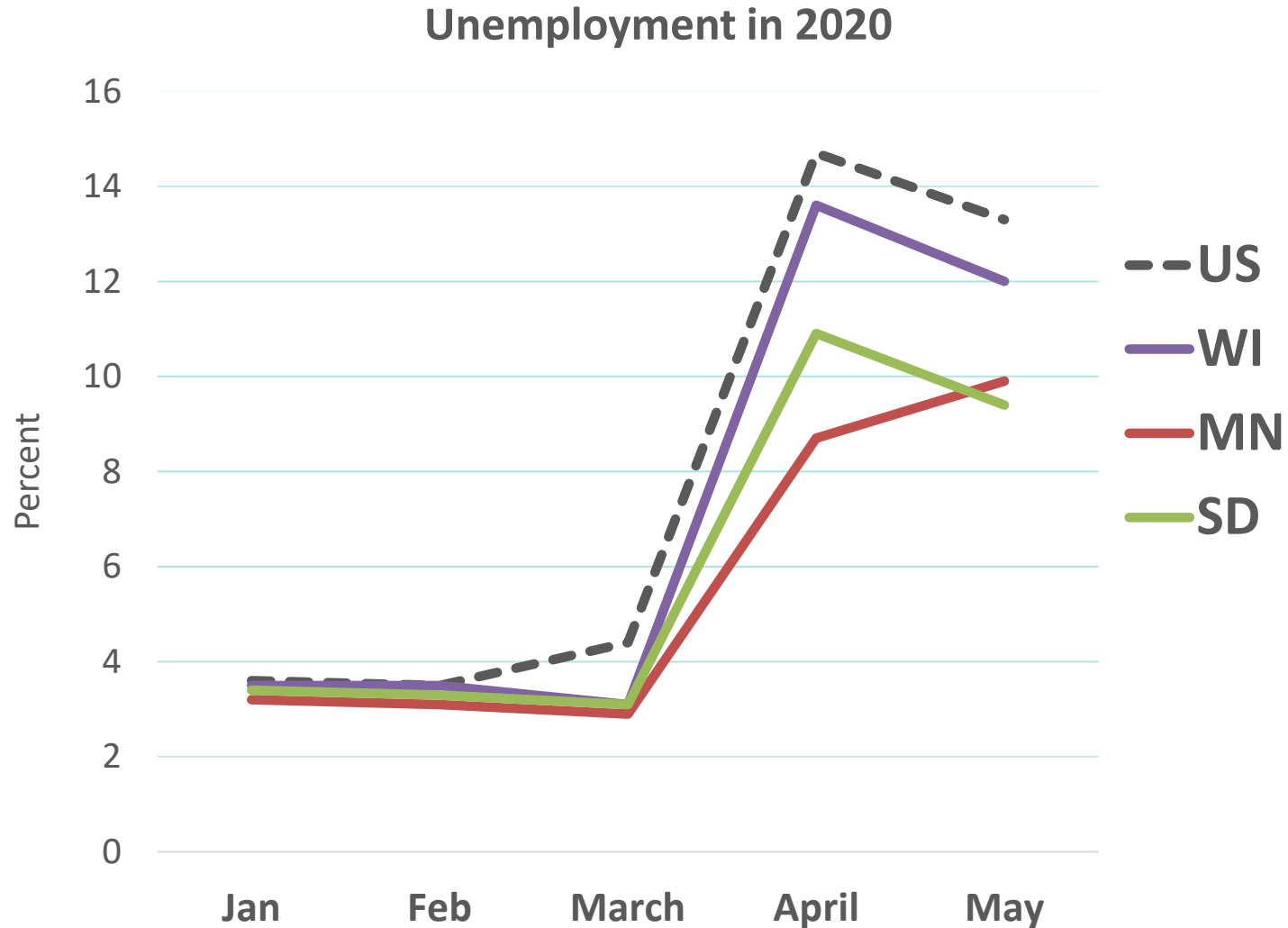
The most meaningful measure we have for economic growth terribly outdated

The most recent GDP figures for states are **SIX MONTHS OLD**

The good ol' data days Growth index: Gross domestic product



UNEMPLOYMENT



- In **ONE MONTH**, unemployment reached or exceeded Great Recession levels
- May mixed: Reduced unemployment in many places, but a rise in Minnesota
- No new jobless data until mid-July



THE COVID DATA CHALLENGE

- Speed of pandemic = need for real-time information
- Most macro data time-lagged; less COVID-relevant
- How to start filling the gap? **Outreach + new data!**
 - Regional Outreach: 9 surveys since mid-March; almost 7,000 business responses, 20,000 comments
 - Center for Indian Country Development: Surveys of tribal governments and tribal enterprises
 - Community Development & Engagement: CDFI outreach
 - Opportunity & Inclusive Growth Institute: Nationwide consumer survey



GENERAL BUSINESS SURVEY: MAY

- **All Ninth District states; 1,100 responses**
 - Snapshot (only) of general conditions
- **Many ways to splice data on who's impacted, and to what degree**
- **Firm traits:**
 - **State**
 - **Sector**
 - **Size**
 - **Ownership**

Wide and deeply negative impact, but also variation across these groups

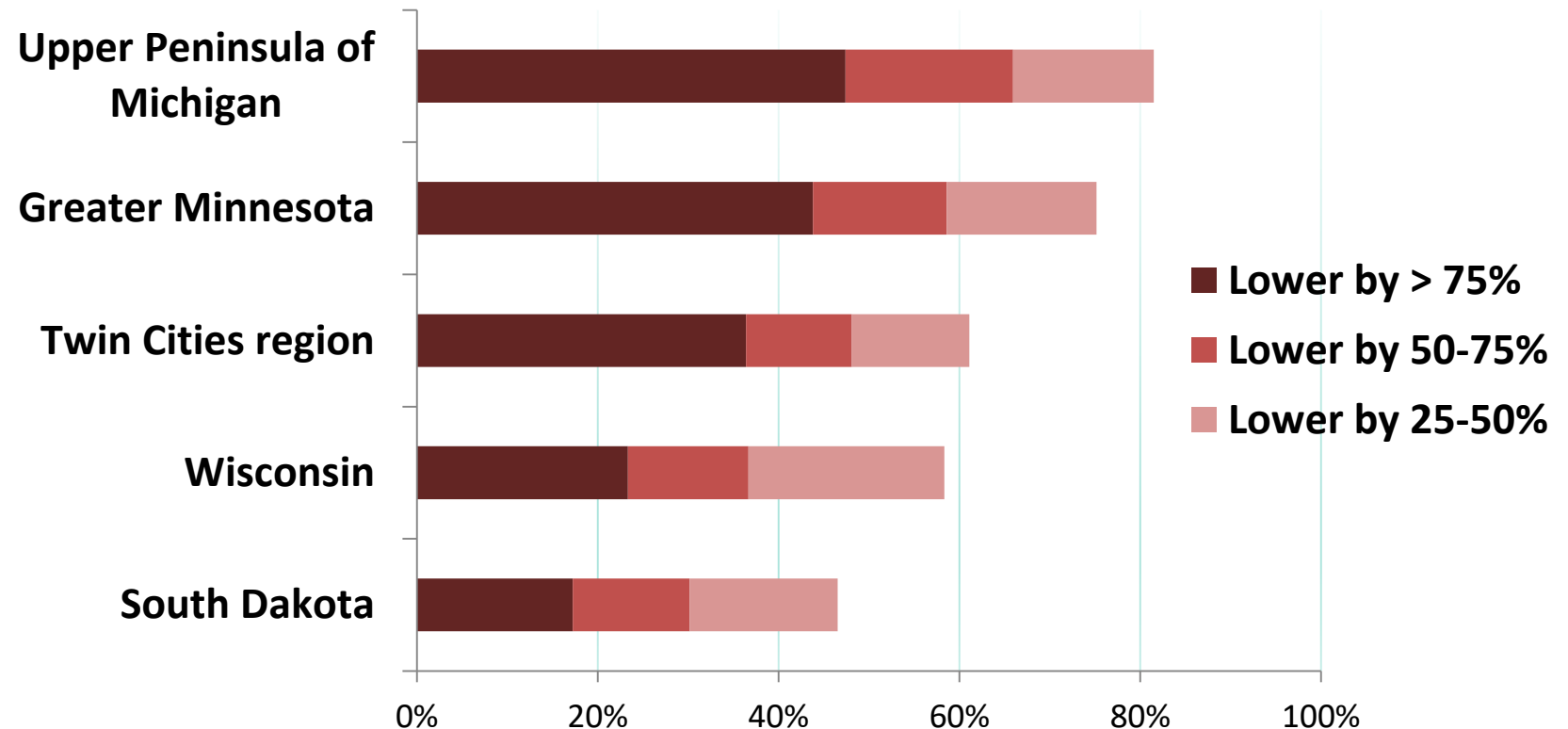


COVID IMPACT: REVENUE BY STATE/REGION

Businesses have been devastated everywhere, but to differing degrees

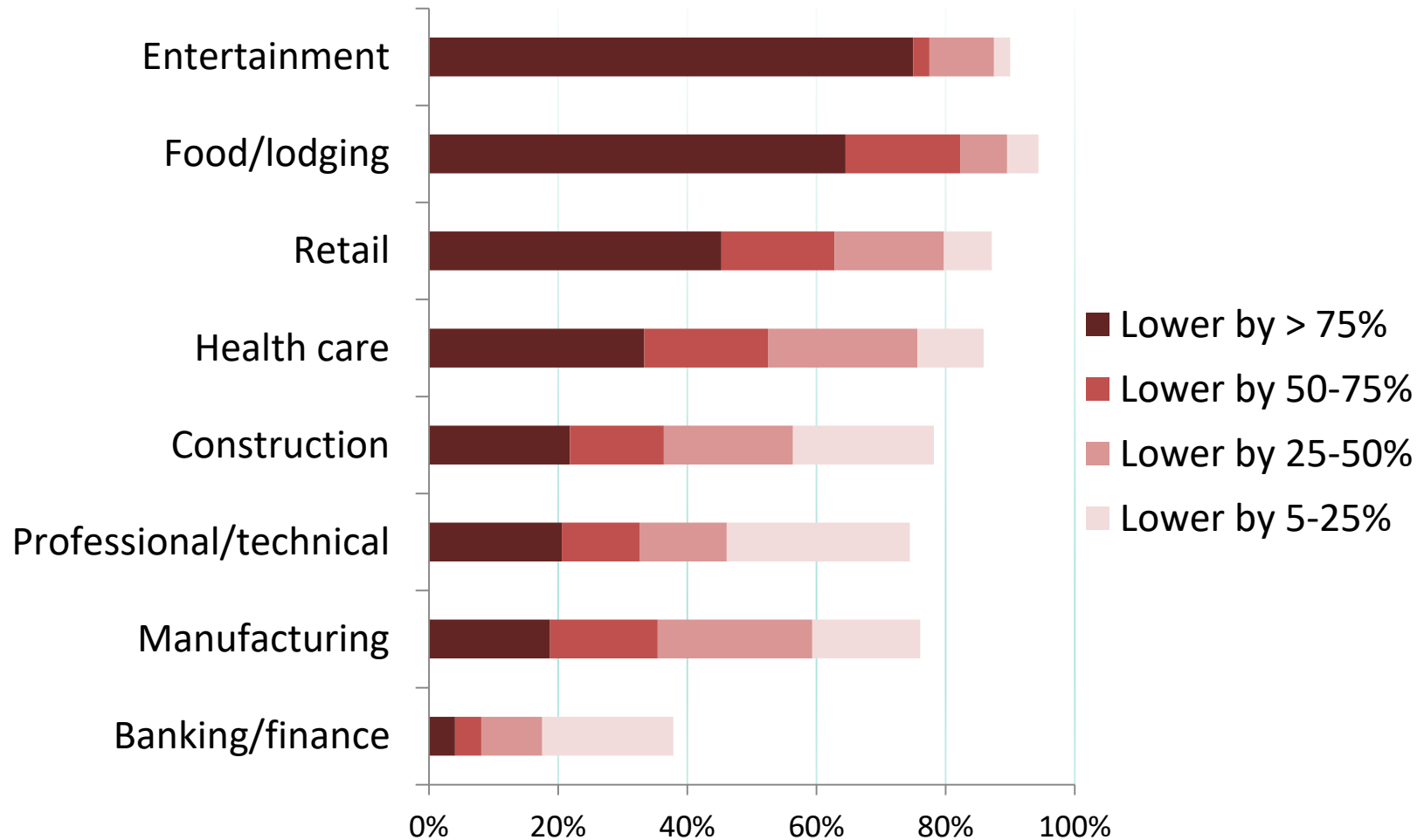
- Geography matters due to state-level business restrictions
- **BUT** it matters less than this chart suggests

Sales/revenue in April 2020 compared with April 2019 levels



COVID IMPACT: BY SECTOR

April 2020 revenue compared with April 2019



Sector matters: All sectors hurt, but consumer businesses (crowds, face-to-face interaction) have been hit the hardest

South Dakota's lower impact comes (in part) on having higher % of respondents from manufacturing and banking



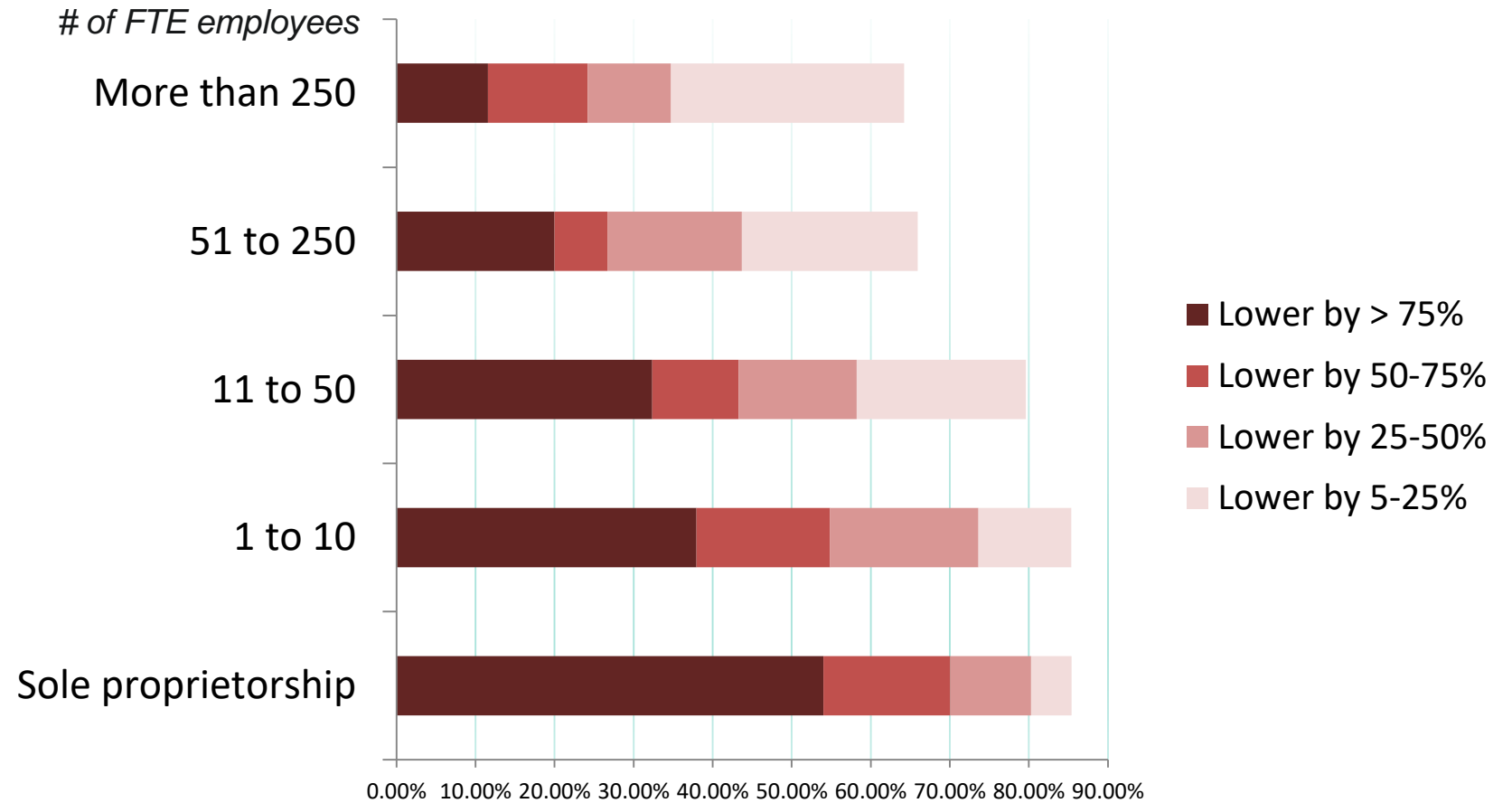
COVID IMPACT: BY FIRM SIZE

Size matters

Sole proprietors:
70% have seen
revenues cut in half,
or worse.

For largest firms,
25% have seen
revenues cut in half

April 2020 revenues compared with April 2019

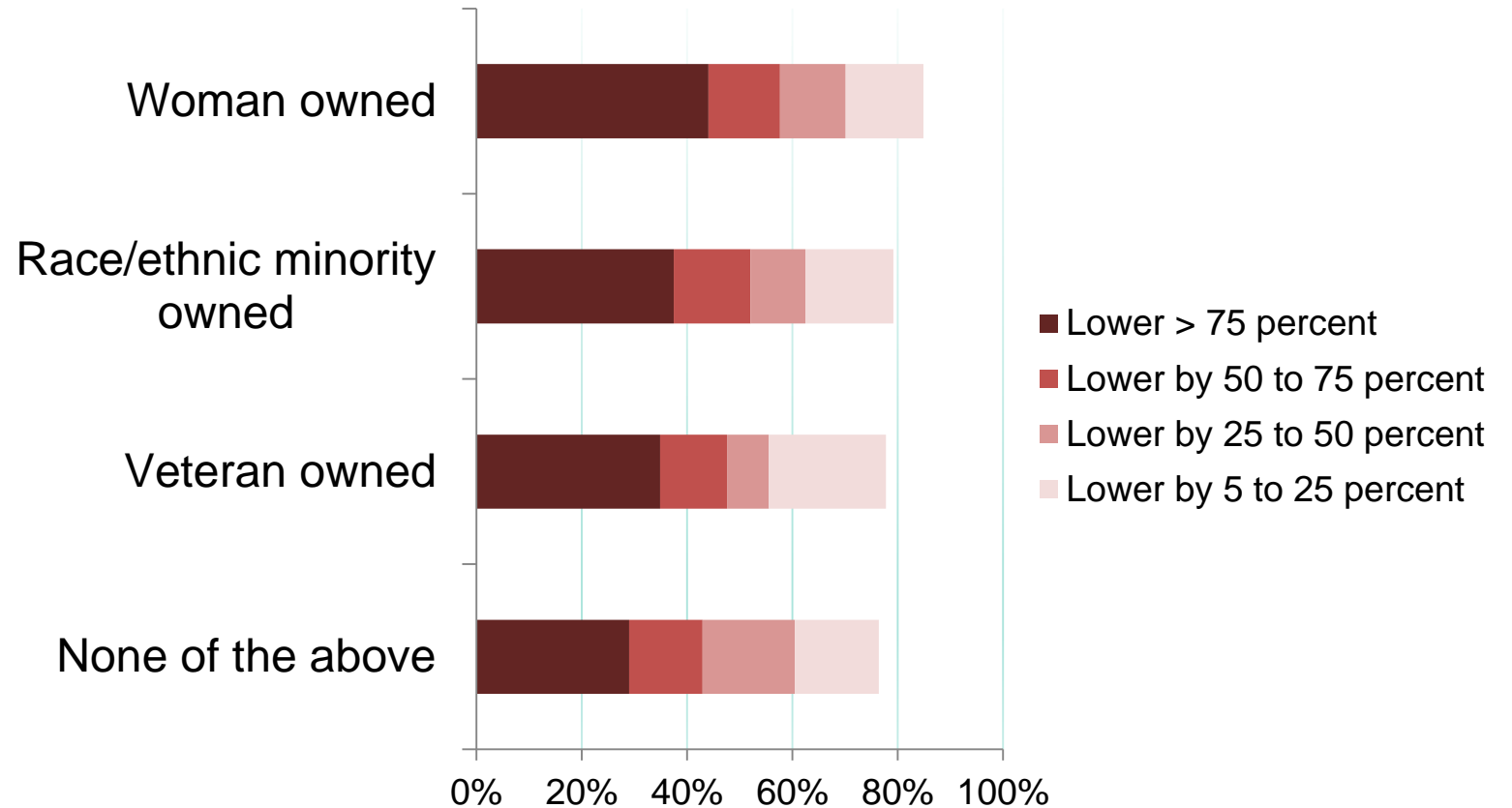


COVID IMPACT BY OWNERSHIP

May survey:

- ‘Disadvantaged’ firms saw greater negative impacts on revenue
- However these firms also: 1) tend to be smaller; and 2) tend to be in harder-hit sectors (food/lodging, entertain. & retail)

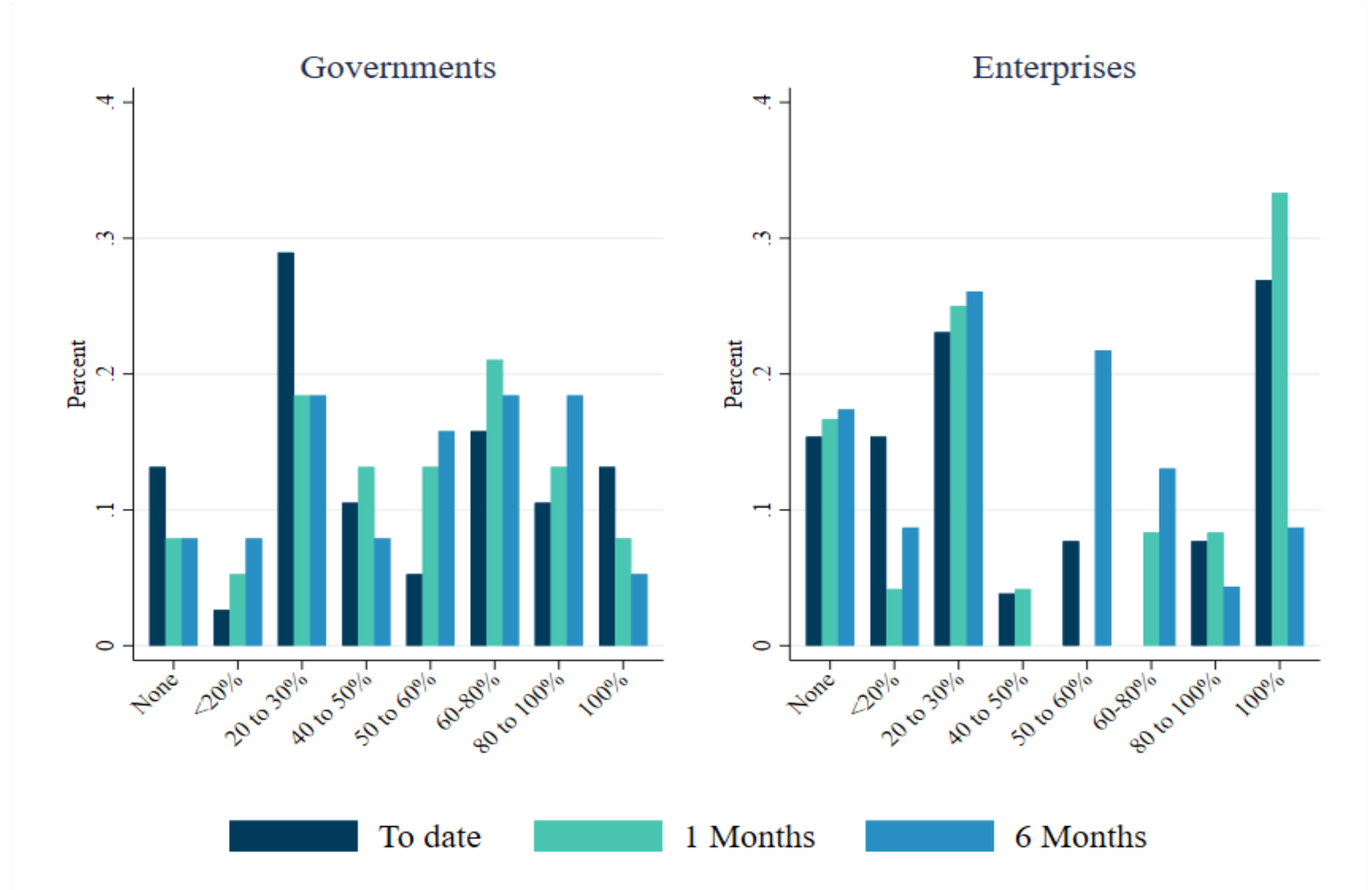
Sales/revenue in April 2020 compared with April 2019 levels



CICD: TRIBAL GOVERNMENTS AND ENTERPRISES

Percentage decline in revenue (April)

- CICD surveys have found large, negative impacts on revenue and workforce among both tribal governments and tribal enterprises
- Minneapolis Fed also gauging impacts among local governments and K-12 school districts in July

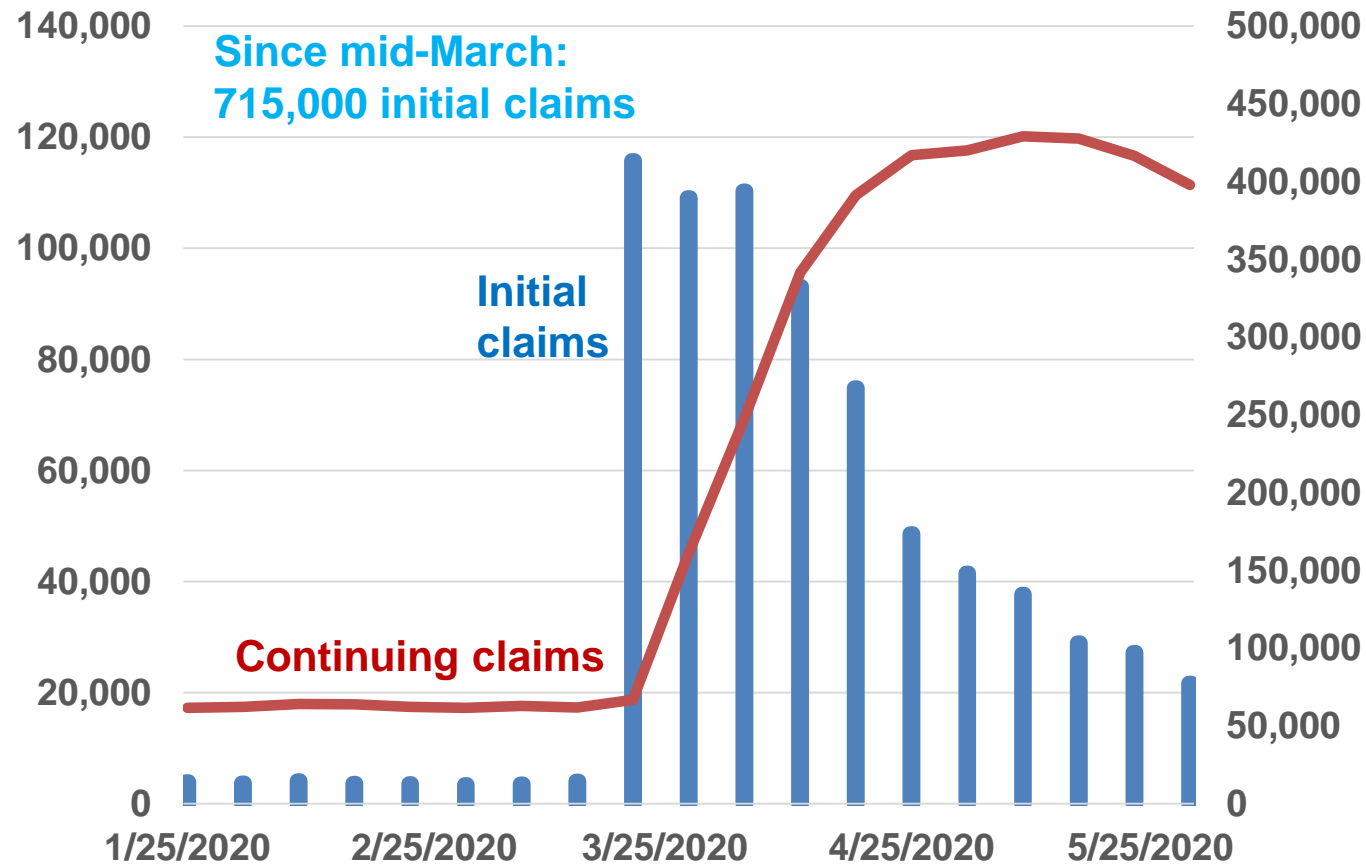




MINNESOTA'S WORKFORCE

UNEMPLOYMENT INSURANCE CLAIMS

MN initial and continuing UI claims

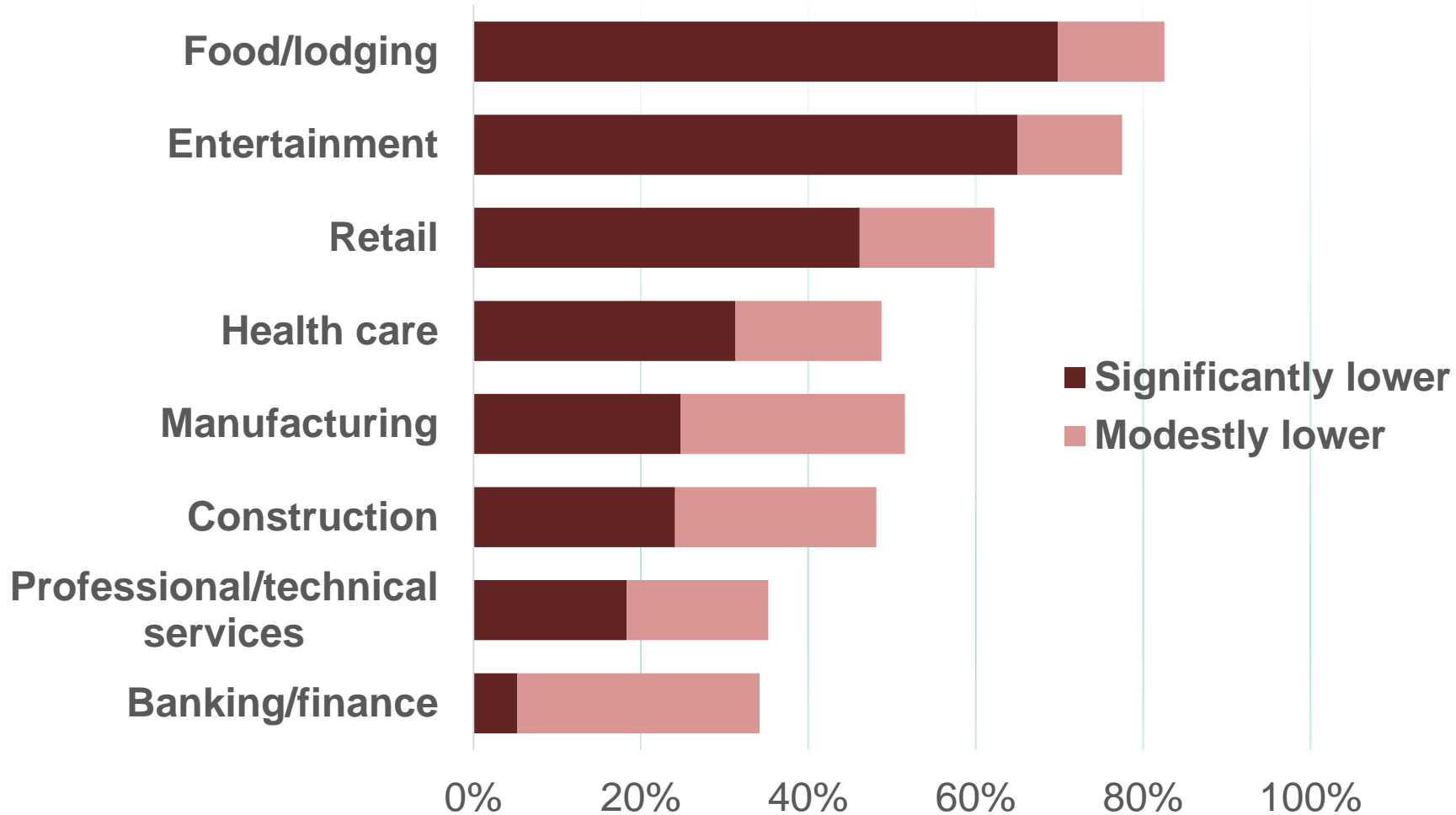


- Initial claims not a great measure of unemployment
- Continuing claims have skyrocketed also, but not at the same rate
- Suggests that many who file are not receiving benefits for variety of reasons



COVID IMPACT: WORKERS

Workforce: April 2020 levels compared with April 2019



Lots of layoffs, but workers in some sectors bearing a much bigger burden





**GRAB YOUR PHONE!
WHAT'S HAPPENED
RECENTLY WITH STAFFING
AND WAGES AT YOUR
COMPANY?**

How would you describe staffing activity at your workplace overall during the pandemic to date?

Trying to hire/add to staff (net) headcount

No changes; stable staffing levels

Net loss of workers

Don't know/not applicable

WAGES: What's happened to average wages at your place of employment since the onset of COVID-19?

Significant wage cuts
(including furloughs)

Modest wages cuts
(including furloughs)

Wage freeze/no change

Wage increase (any
amount)

Don't know/not
applicable/not working

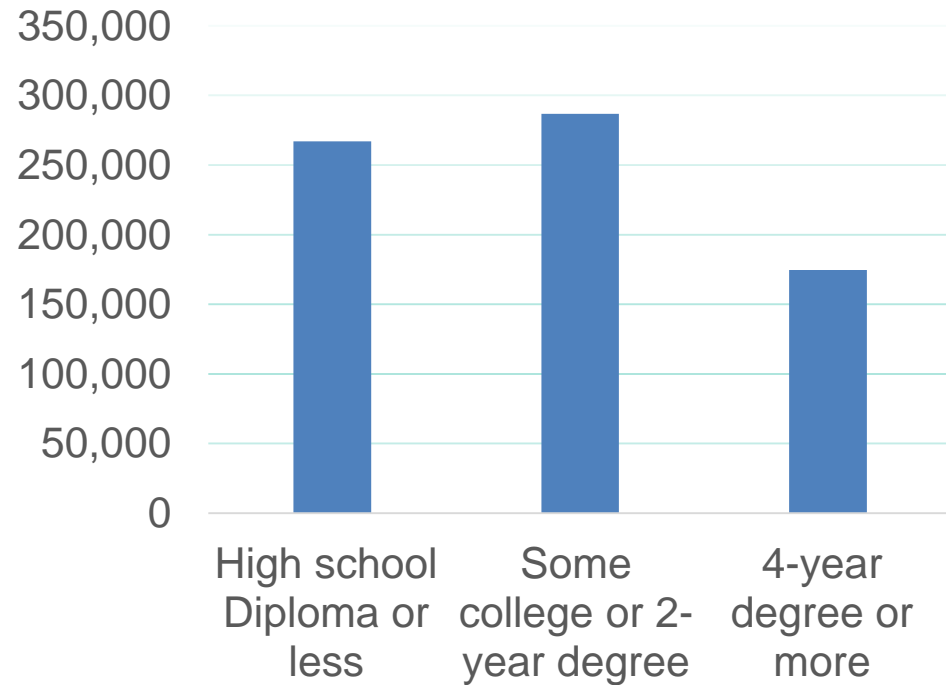


**MINNESOTA'S WORKFORCE:
WHO'S BEEN AFFECTED**

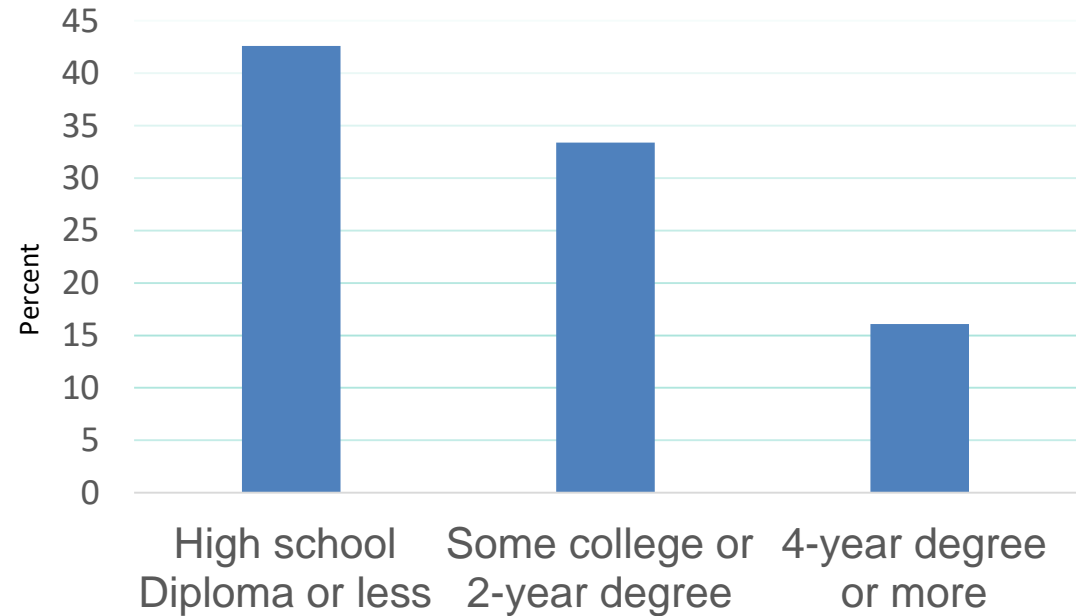
WHO'S AFFECTED BY COVID-LAYOFFS: EDUCATION

Those affected by layoffs are disproportionately less educated

Initial unemployment claims, by education



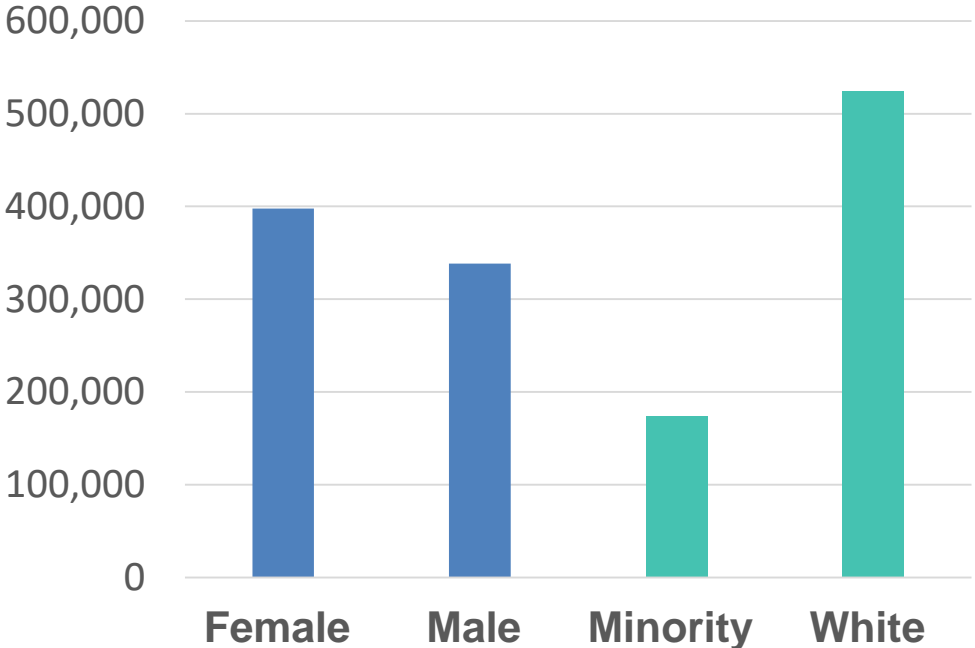
UI initial claims as a share of total labor force for that group



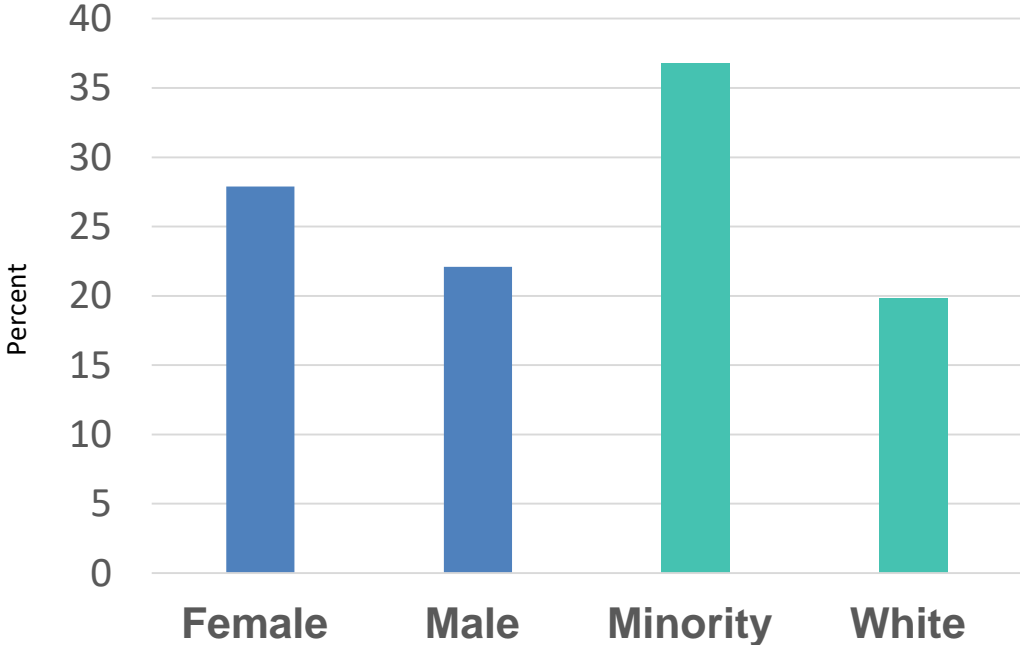
WHO'S AFFECTED BY COVID-LAYOFFS: RACE

Those affected by layoffs are disproportionately female and minority workers

Initial unemployment claims, by gender and race



UI initial claims as a share of total labor force for that group

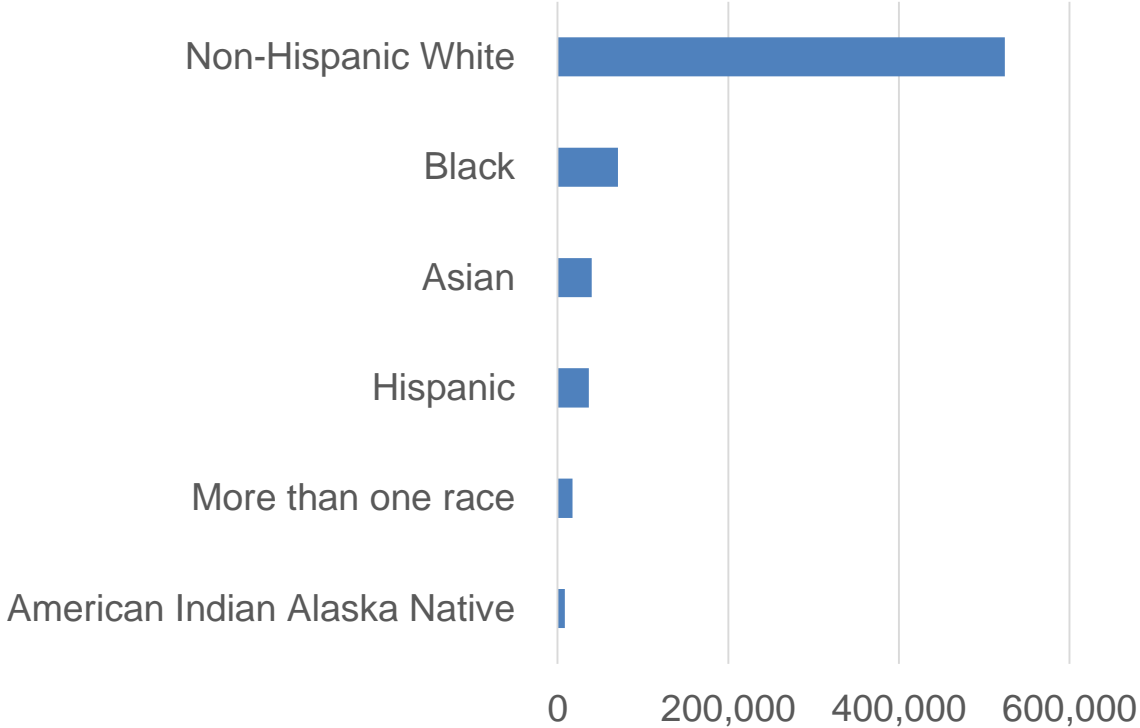


Source: MN Dept. of Employment and Economic Development

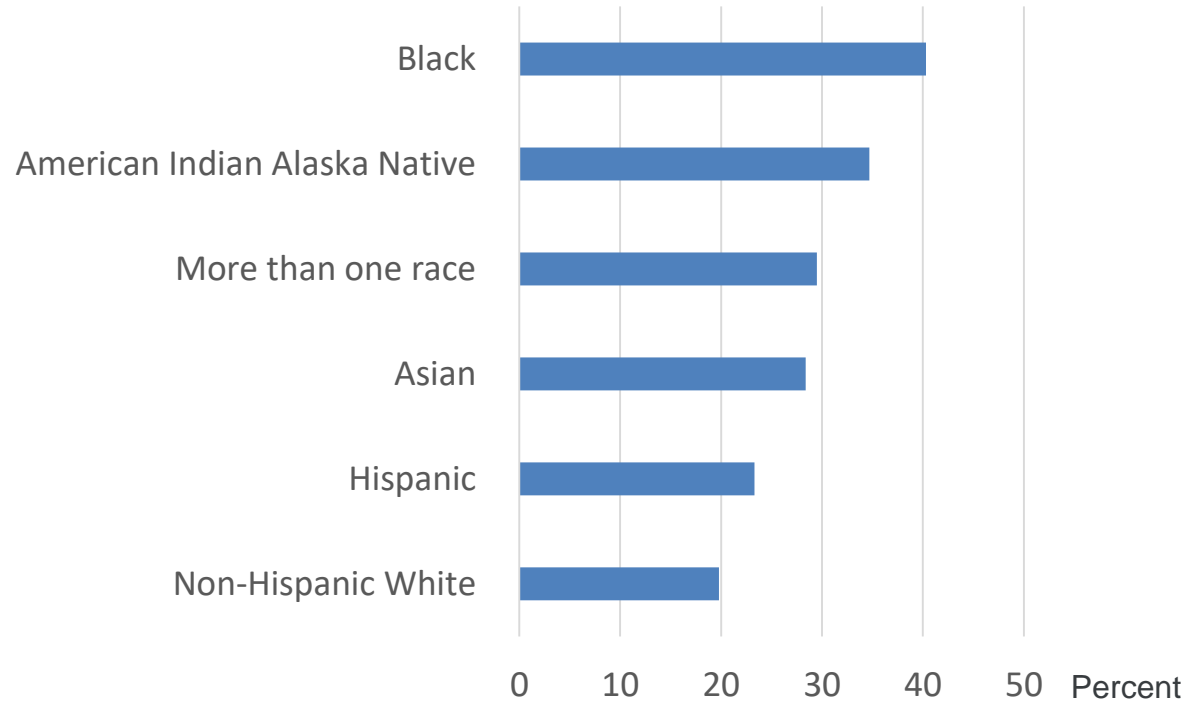
COVID-LAYOFFS BY RACE, CONT.

Layoffs are disproportionate among ALL minority groups, but especially among Black and Native American workers

Initial unemployment claims, by race



UI claims, by race, as a share of total labor force for that race



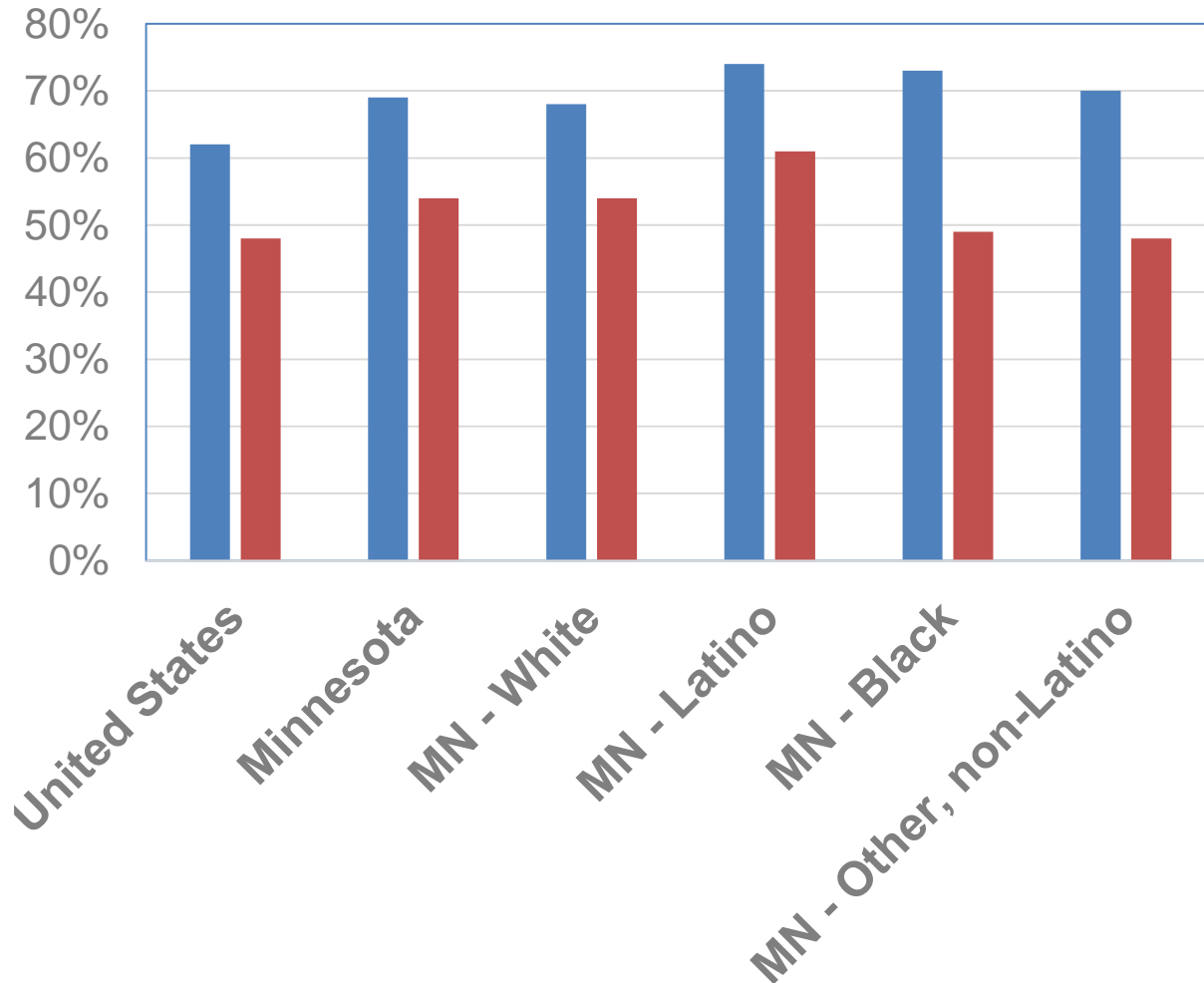
Source: MN Dept. of Employment and Economic Development



OPPORTUNITY & INCLUSIVE GROWTH INSTITUTE

Employment rate

■ Pre-COVID ■ April-May 2020



COVID impact survey

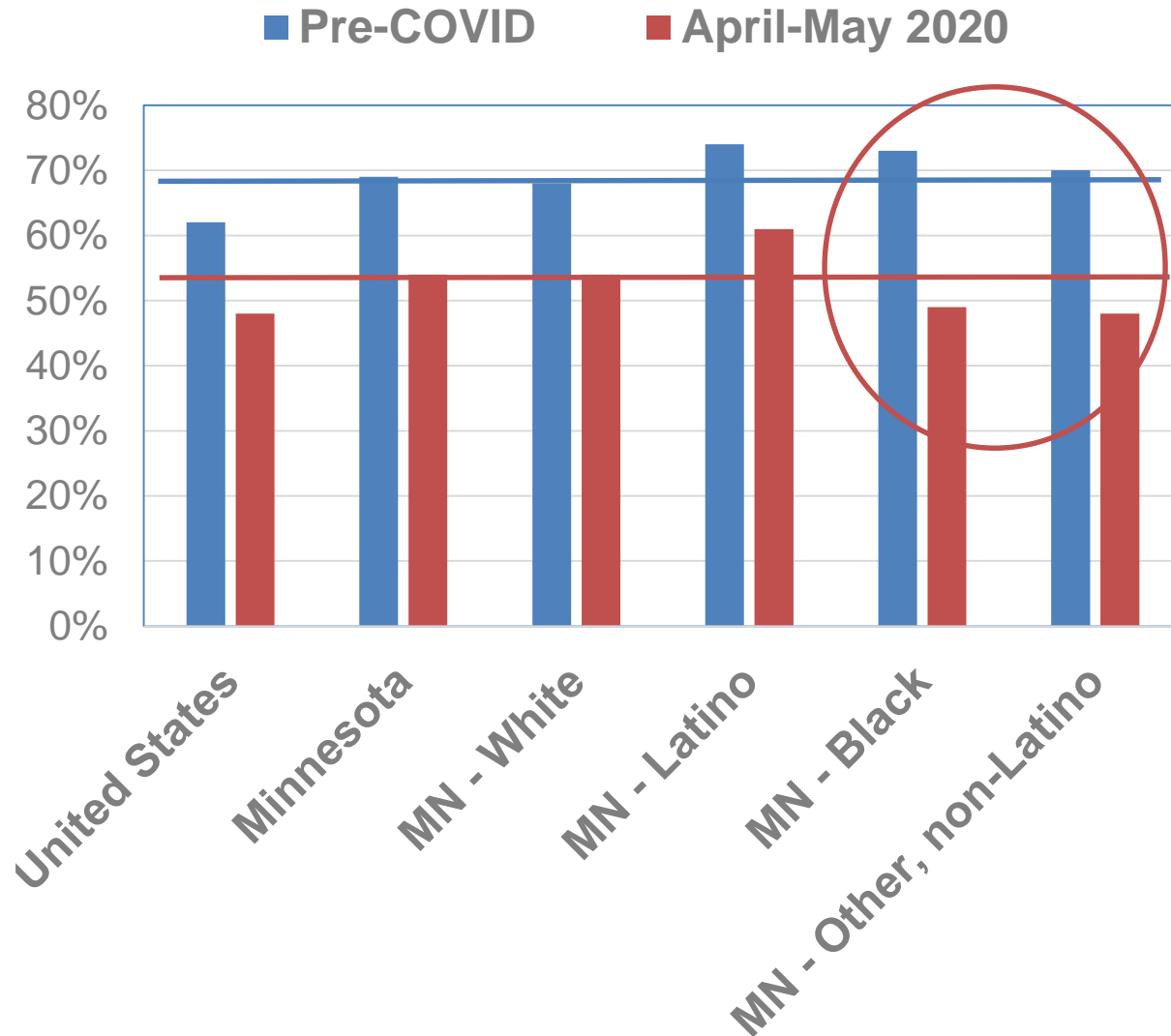
Minneapolis Fed partnering with the Data Foundation, Packard Foundation, Sloan Foundation, AP

“Decision-makers need clear information about the prevalence of coronavirus as well as its impacts on the American people and our society.”



OPPORTUNITY & INCLUSIVE GROWTH INSTITUTE

Employment rate



Black and other, non-Latino minority respondents:

- **Pre-COVID:** reported higher levels of employment than white respondents
- **During COVID:** notably lower employment rate





**MOVING FORWARD FOR THE
MINNEAPOLIS FED:
FILLING THE COVID DATA GAP**

- **MORE SURVEY WORK**
- **FIND BETTER REAL-TIME
MEASURES OF ECONOMIC
ACTIVITY**

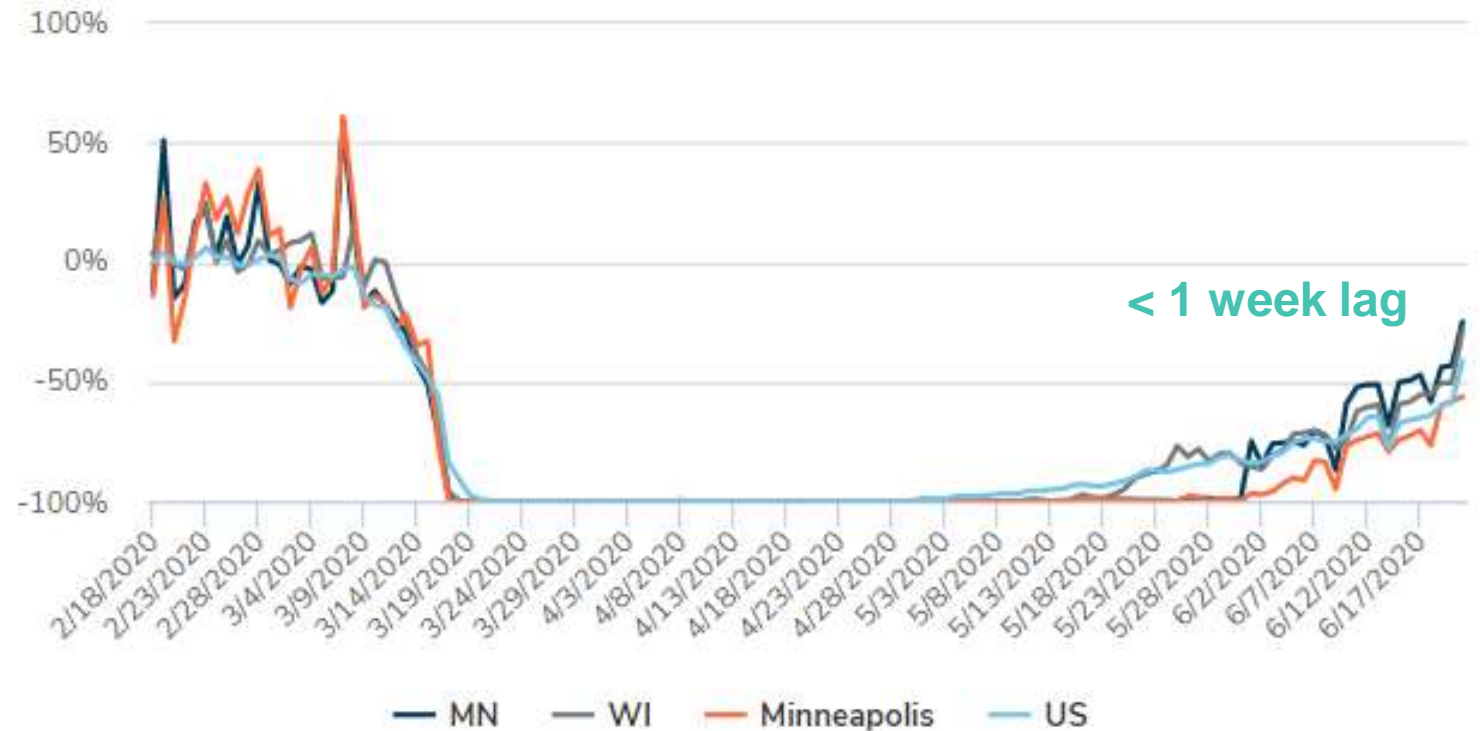
LOOKING AHEAD: REAL-TIME DATA

How do we track what went on last week, or even yesterday?

**Minneapolis Fed
COVID-19
Dashboard**

minneapolisfed.org

Change in seated diners at restaurants
Compared with year ago



Source: OpenTable



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REAL-TIME DATA

Minnesota auto traffic volume

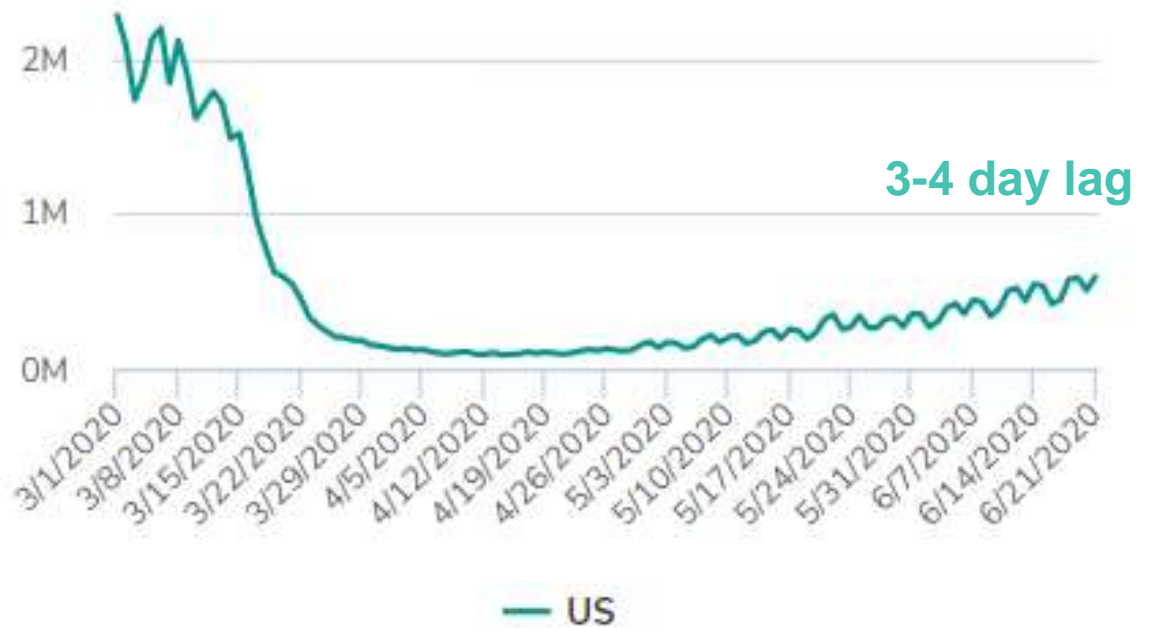
Compared with 2016-2019



Source: MnDOT

TSA checkpoint travel numbers (U.S.)

Total traveler throughput



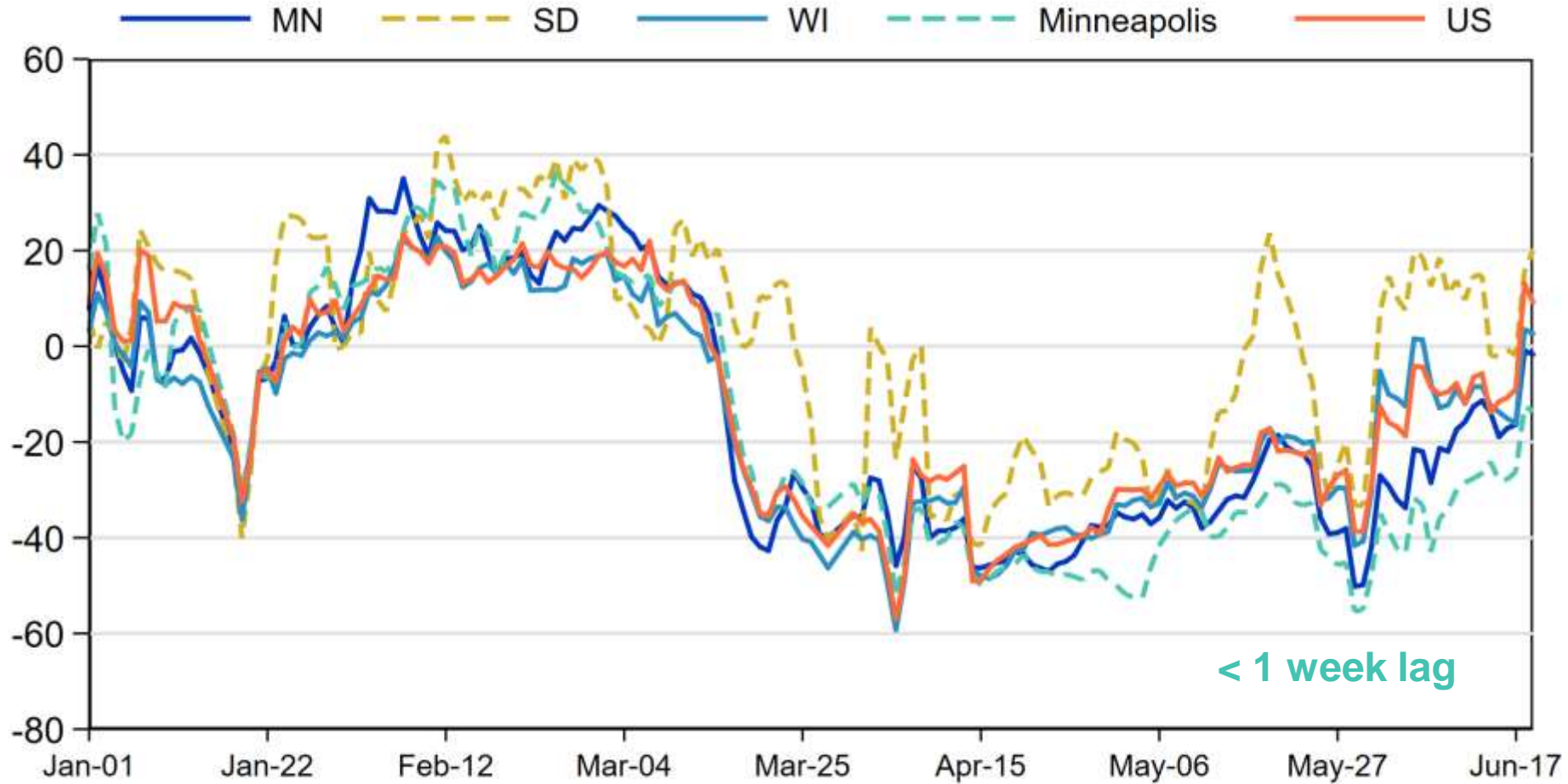
Source: TSA



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REAL TIME DATA

CHANGE IN UNIQUE JOB POSTINGS PERCENT, SEVEN-DAY ROLLING AVERAGE YOY



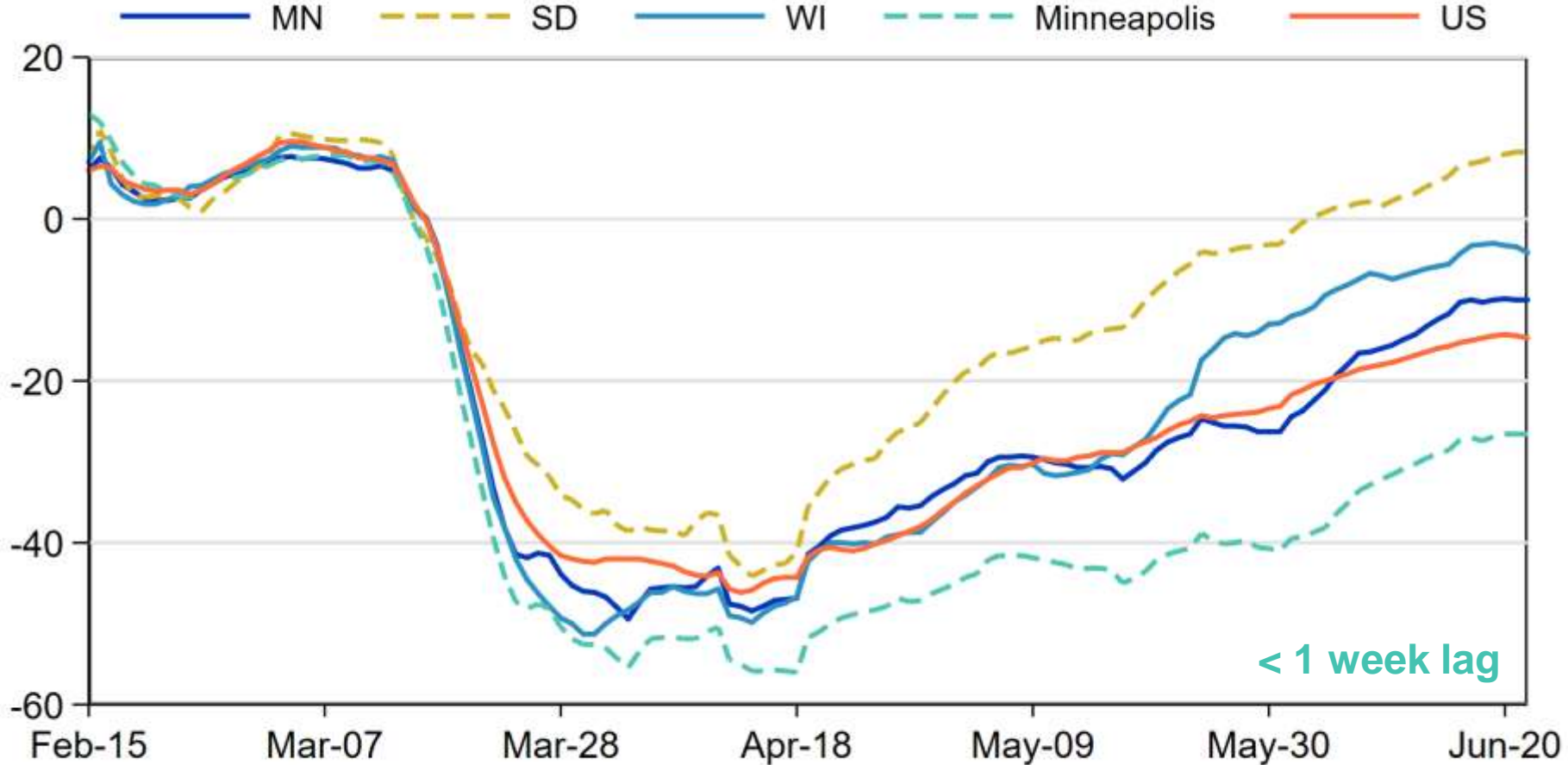
Source: Indeed



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REAL-TIME DATA

GOOGLE MOBILITY: RETAIL AND RECREATION PERCENT, SEVEN-DAY ROLLING AVERAGE



Note: Compared to median day-value from the 5-week period in January 3rd - February 6th, 2020
Source: Google Community Reports



**WHAT IS YOUR CURRENT
AND FUTURE SENTIMENT AS
A CONSUMER?**

CONSUMER SPENDING: How would you describe your current spending levels as a consumer?

Above pre-pandemic levels

Very close to
normal/pre-pandemic levels

Moderately below
pre-pandemic levels

Well below pre-pandemic
levels

Don't know

CONSUMER ACTIVITY/MOBILITY: How would you describe your current public activity/mobility levels as a consumer? (How "out and about" are you?)

Above pre-pandemic levels

Very close to
normal/pre-pandemic levels

Moderately below
pre-pandemic levels

Well below pre-pandemic levels

Don't know

OUTLOOK: What is your personal outlook on the economy through the end of 2020?

Very pessimistic

Somewhat pessimistic

Flat/neutral

Somewhat optimistic

Very optimistic

Don't know



LOOKING AHEAD

- COVID-19 has had a huge impact everywhere
- Quick recovery appears unlikely, short of a vaccine breakthrough and ramp-up
- Gradual recovery more likely, driven by consumer confidence, which will be driven (+/-) by health and economic trends being closely watched by the Minneapolis Fed



THANK YOU!

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