



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

Second District Advisory Council

Thursday, May 21, 2020

AGENDA

- | | |
|-----------------------|--|
| 3:00 p.m. – 3:10 p.m. | Welcome and Update, John Williams, President & CEO |
| 3:10 p.m. – 3:20 p.m. | National Economy Update, David Lucca, VP |
| 3:20 p.m. – 3:35 p.m. | Q & A with President Williams and David Lucca |
| 3:35 p.m. – 4:10 p.m. | Facilitated Discussion, Claire Kramer Mills, AVP |
| 4:10 p.m. – 4:15 p.m. | Concluding Remarks, John Williams, President & CEO |



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ATTENDEE LIST - TELECONFERENCE

SDAC Advisory Members

Donnel Baird
Founder & CEO
BlocPower

Hugh Johnston
Vice Chairman & CFO
PepsiCo

Adenah Bayoh
Founder
Adenah Bayoh & Companies

Sarah LaFleur
Founder & CEO
M.M.LaFleur

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
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



FEDERAL RESERVE BANK *of* NEW YORK

U.S. Economic Conditions

David Lucca
May 19, 2020

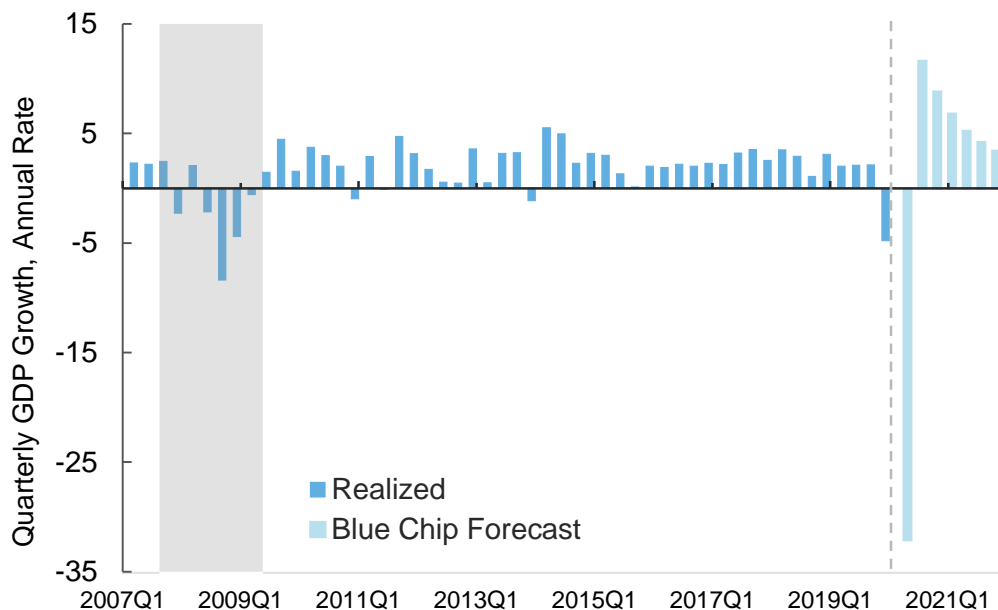
The views expressed here are those of the presenter and do not necessarily represent those of the Federal Reserve Bank of New York or the Federal Reserve System.

Overview

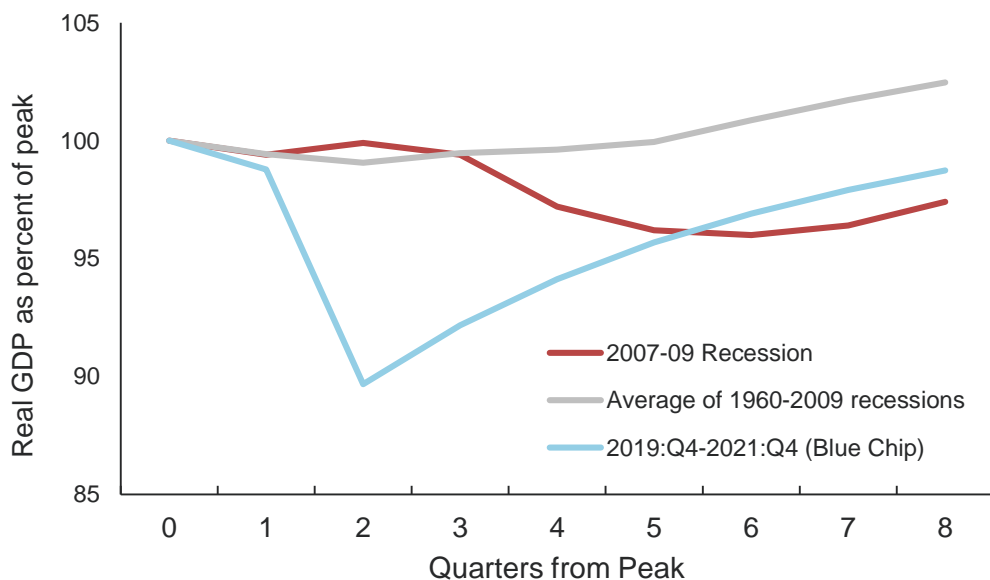
- The coronavirus outbreak has taken a devastating human and economic toll in just over two months
- Real GDP declined 4.8% (annual rate) in Q1
 - The consensus forecast from a panel of professional forecasters suggests that real GDP will plummet more than 30% in Q2
- The April employment report showed a dramatic deterioration in labor market conditions
- Preliminary indicators for May suggest some pick-up in activity but sector and geographic-specific.
 - Path of future activity is uncertain and dependent on the evolution of the epidemic.



Sharp Decline in Q2 Real GDP, Gradual Rebound



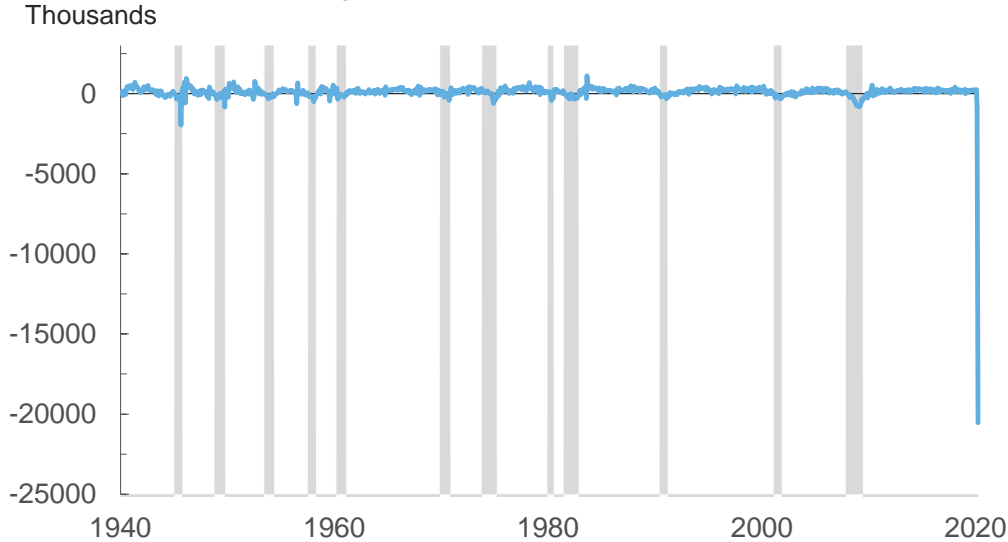
- Consensus forecast from the Blue Chip panel of professional forecasters sees a sharp decline in real GDP in 2020:Q2



- Rebound in economic activity is gradual and reaches the 2019:Q4 peak level only after 2021

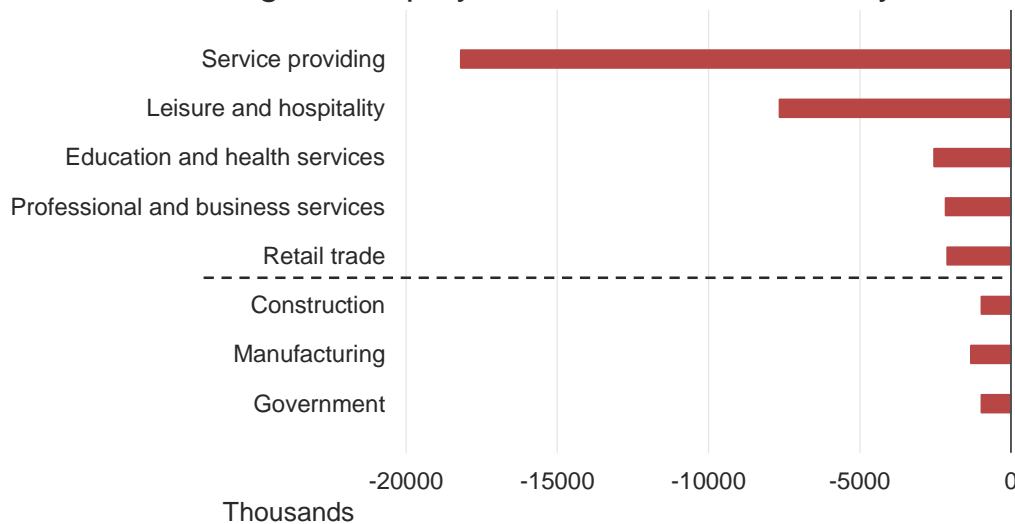
Dramatic Deterioration in the Labor Market in April

Change in Total Nonfarm Employment



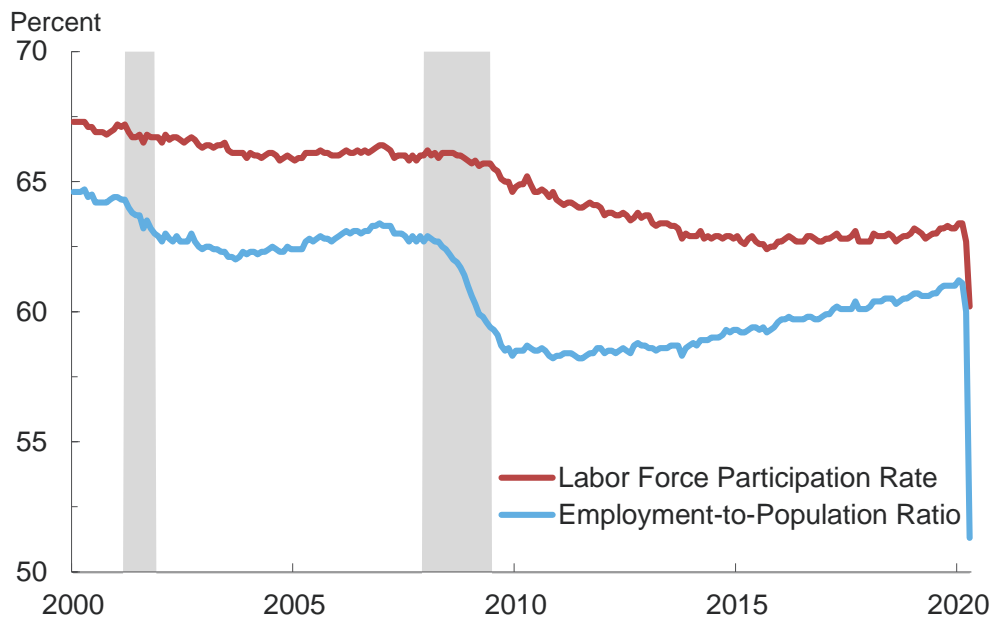
- Nonfarm employment declined 20.5 million

Change in Employment in Selected Industry



- Decline led by service sector industries more exposed to social distancing and stay-at-home orders
- Declines in the government sector concentrated at the state and local level

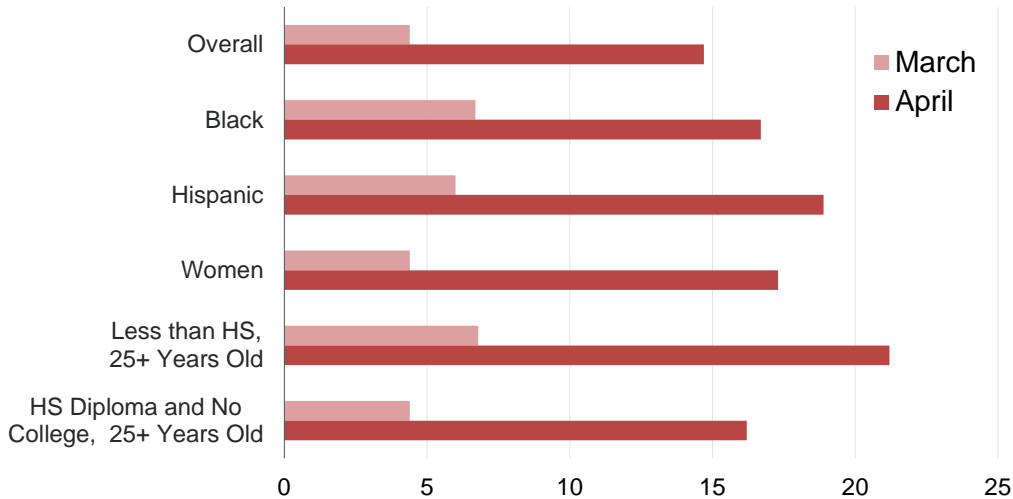
Unemployment Rate Understates True Deterioration



- Unemployment rate jumped to 14.7% in April from 4.4% in March
- In addition, 5% of the labor force was absent from work due to business closures but not classified as unemployed
- The labor force participation rate dropped 2.5% to 60.2%
- The employment-to-population ratio dropped 8.7% to a record-low 51.3%

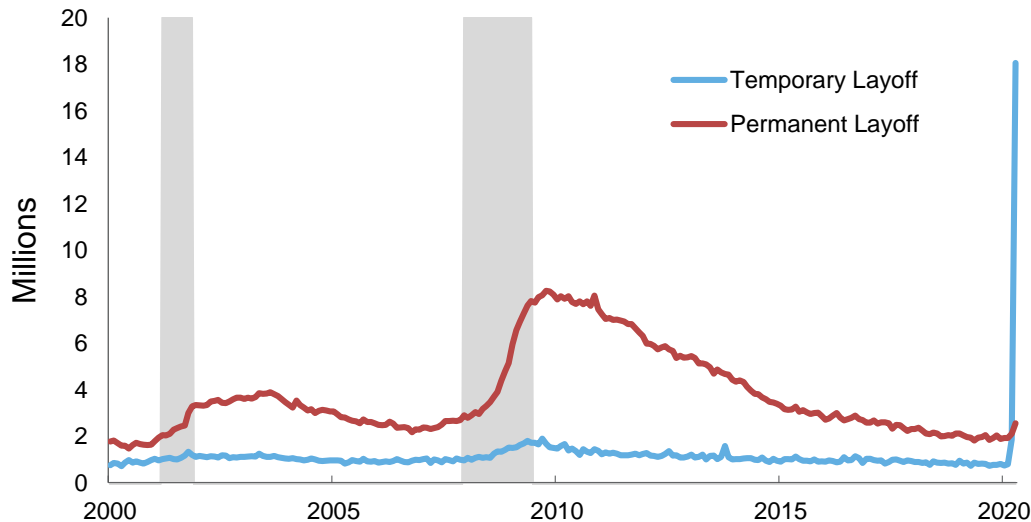
Sharper Job Losses Among More Vulnerable Workers

Unemployment Rate by Selected Demographic



- Sharpest job losses for minorities, women and less educated workers

US Job Losers by Type

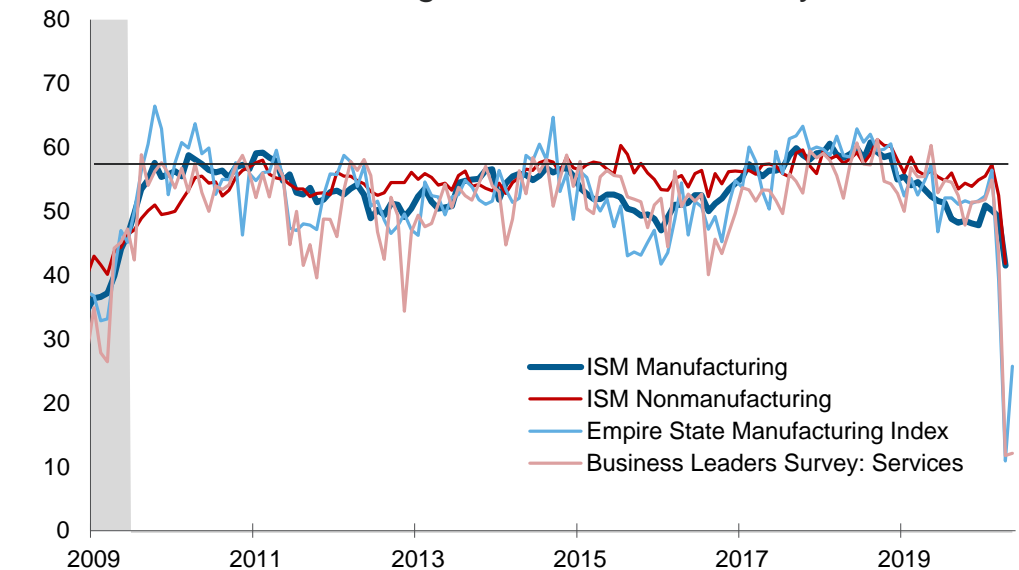


- The vast majority of job losers deemed to be on temporary layoff (received a date to return to work or expect recall within 6 months)



Uncertain Recovery: Sector/Geographic Dependence

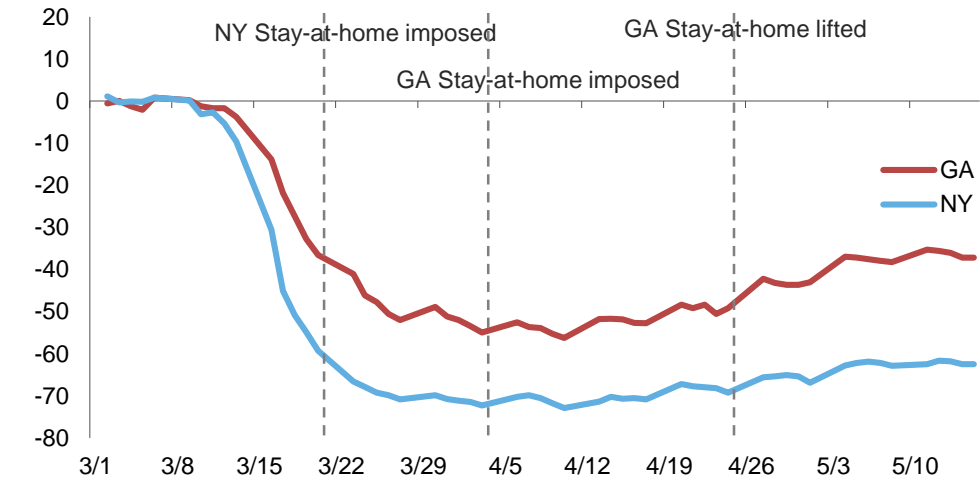
Index Level National and Regional Economic Activity Indices



Note: National indices through April; New York State indices through May

- Sharper decline in April economic activity in the region
- May activity in the region's service sector still contracting but less in manufacturing

Percent from January Hours Worked at Small Businesses



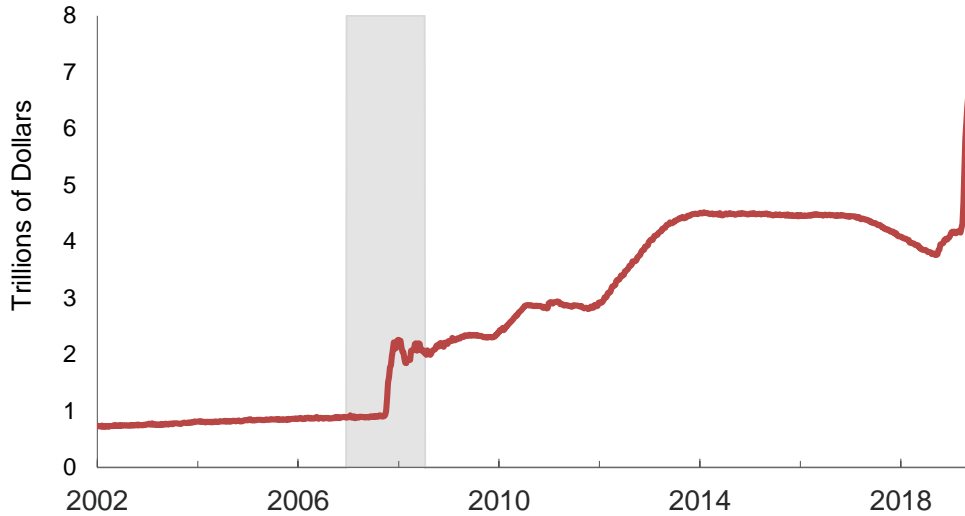
- Economic activity at small businesses only partially related to the imposition and removal of stay-at-home orders
- Recovery will depend on the evolution of the epidemic

Source: ISM; Federal Reserve; Homebase



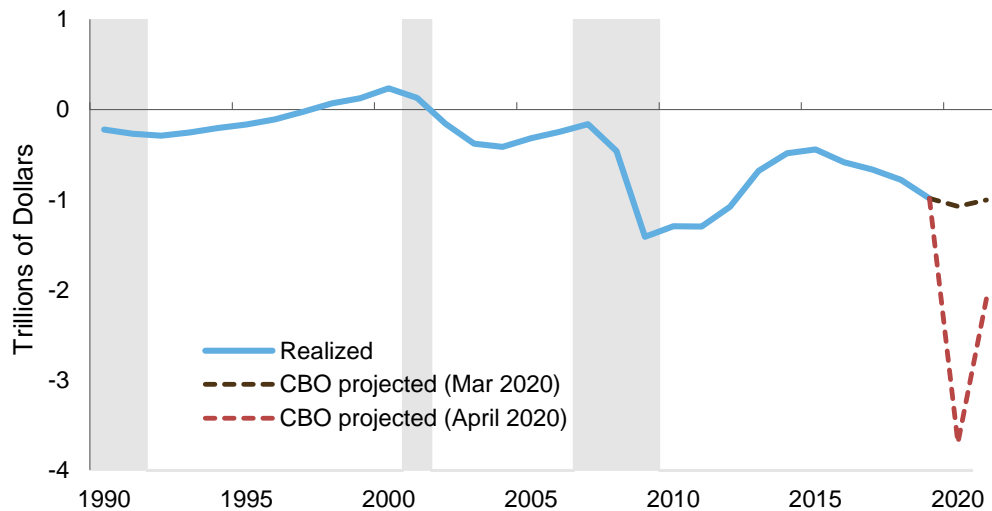
Unprecedented Monetary and Fiscal Stimulus

Federal Reserve Assets



- The FOMC cut the target for the federal funds rate to (effectively) zero in March
- Sharp expansion in the size of the Federal Reserve's balance sheet
- New Federal Reserve 13(3) facilities

Federal Budget



- Unprecedented federal fiscal support mostly as transfers to businesses and household