

# U.S. and Regional Economic Conditions

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## Outlook themes

- Recently having strong fundamentals, the U.S. economy is now experiencing broad-based challenges due to COVID-19
- Unemployment has risen quickly and in several sectors that were key sources of job growth over the past year
- Financial markets have exhibited volatility, though Fed interventions have mitigated stress in several markets
- Inflation pressures are likely to be muted in the near term

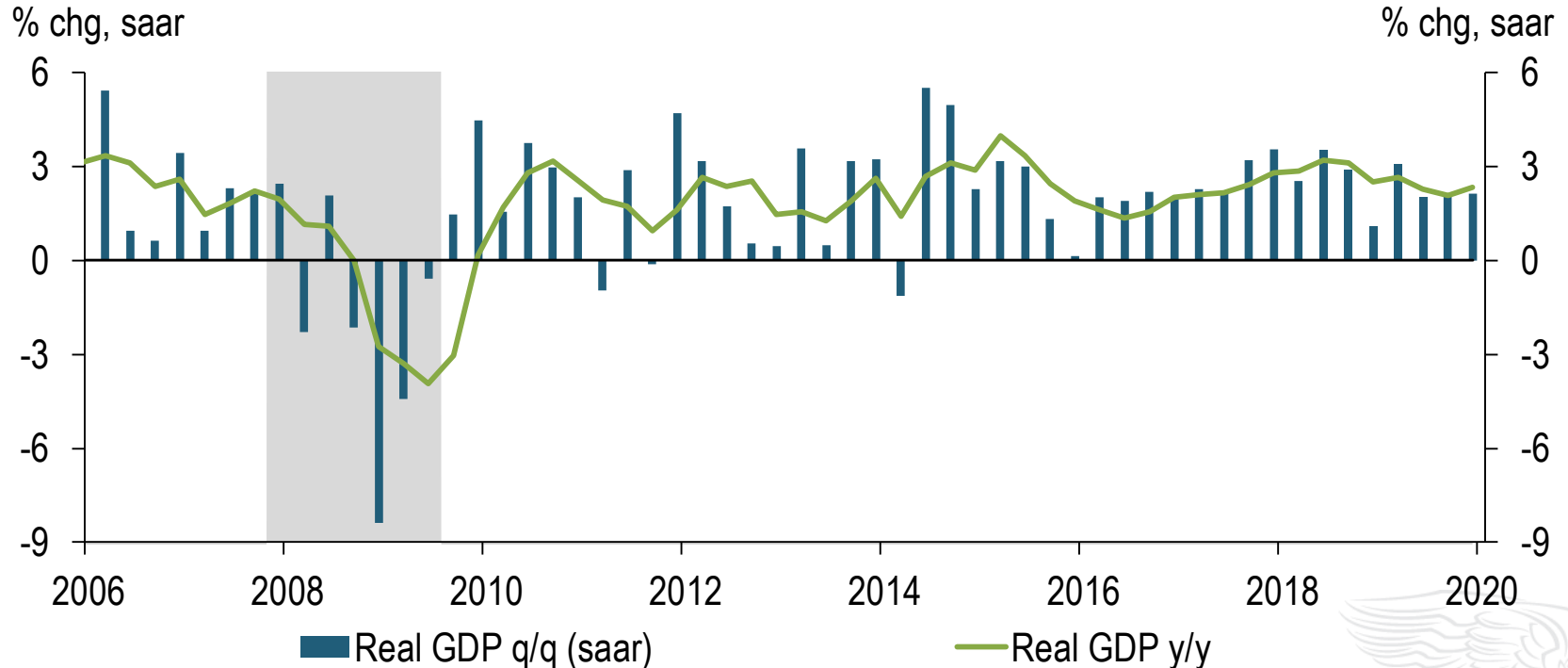


# Federal Reserve actions in response to COVID-19

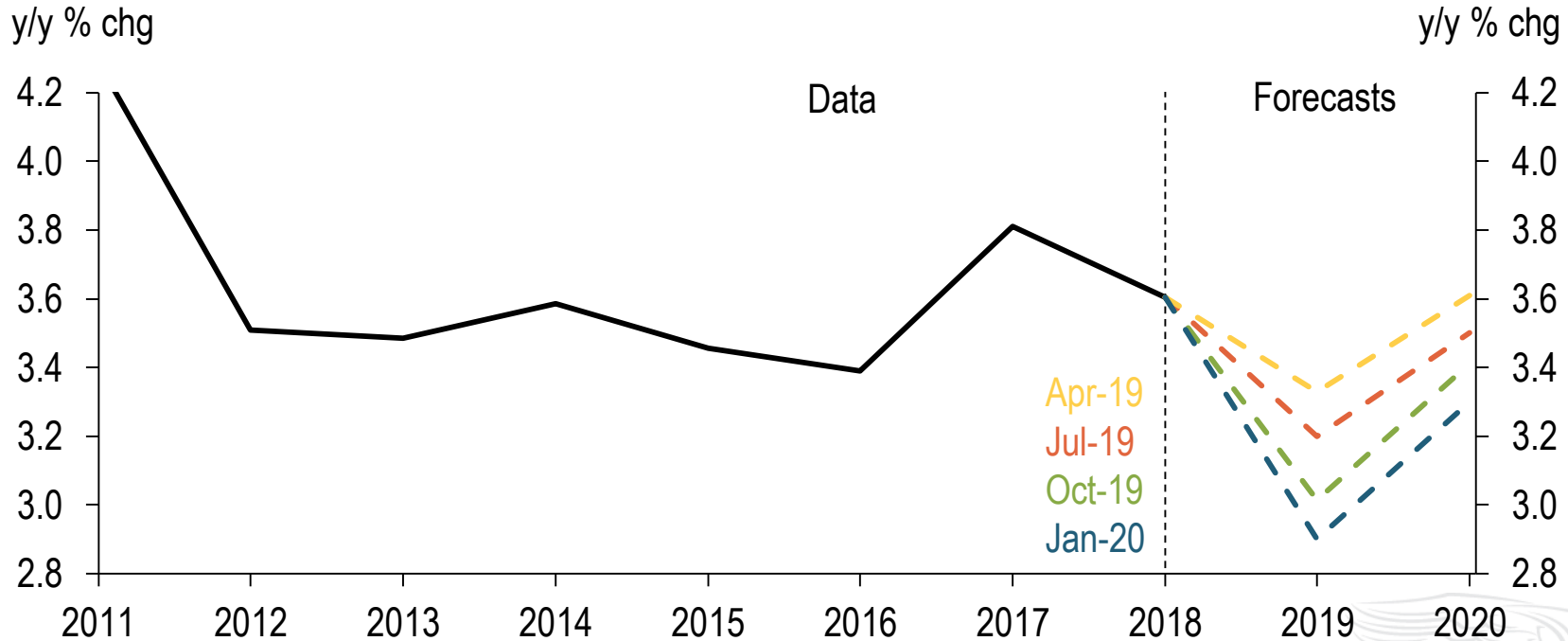
- The target range of the federal funds rate is now 0.0 to 0.25 percent, with forward guidance to maintain rates until confident economy is on track
- Board issued guidance to encourage financial institutions to be flexible with borrowers affected by coronavirus
- Established facilities to support flow of credit to U.S. businesses, municipalities, households and abroad
- Purchases of Treasuries and MBS to support smooth market functioning



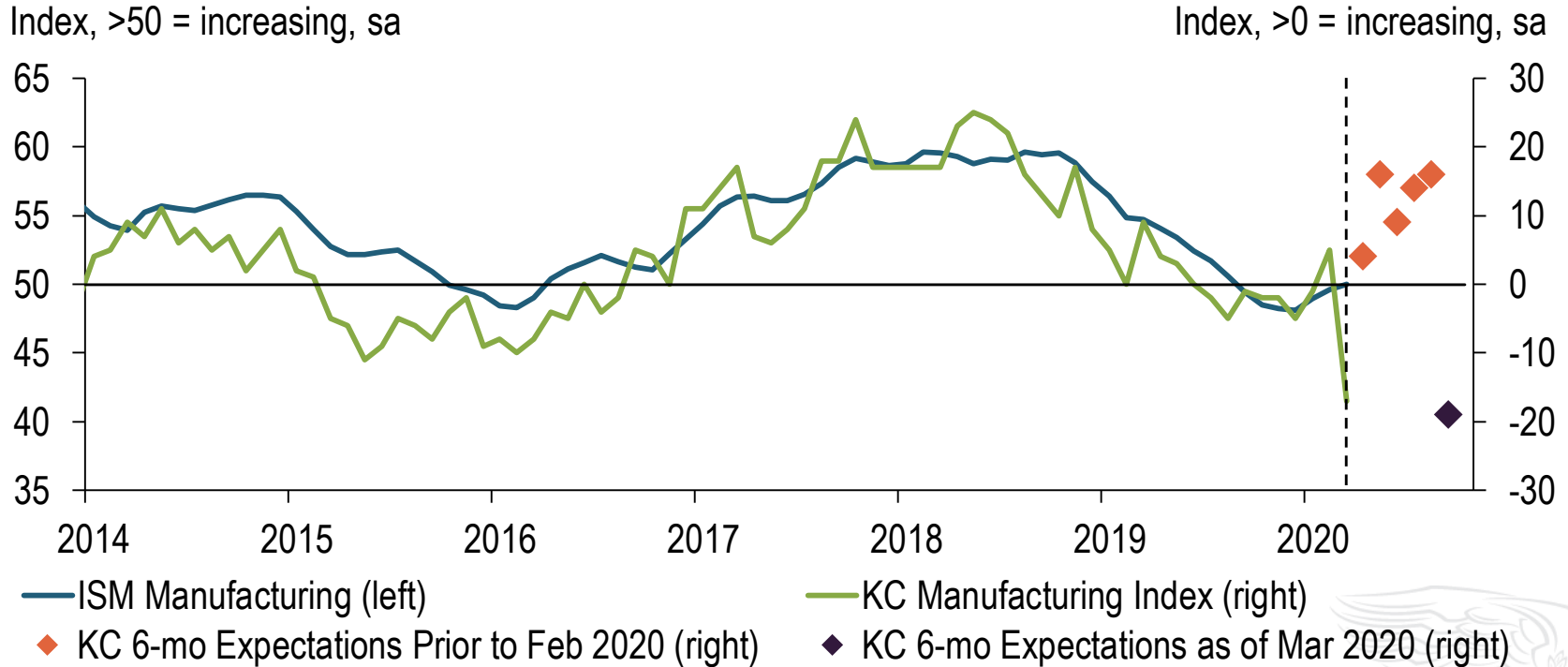
# The U.S. economy entered the COVID-19 crisis with strong fundamentals and above trend growth



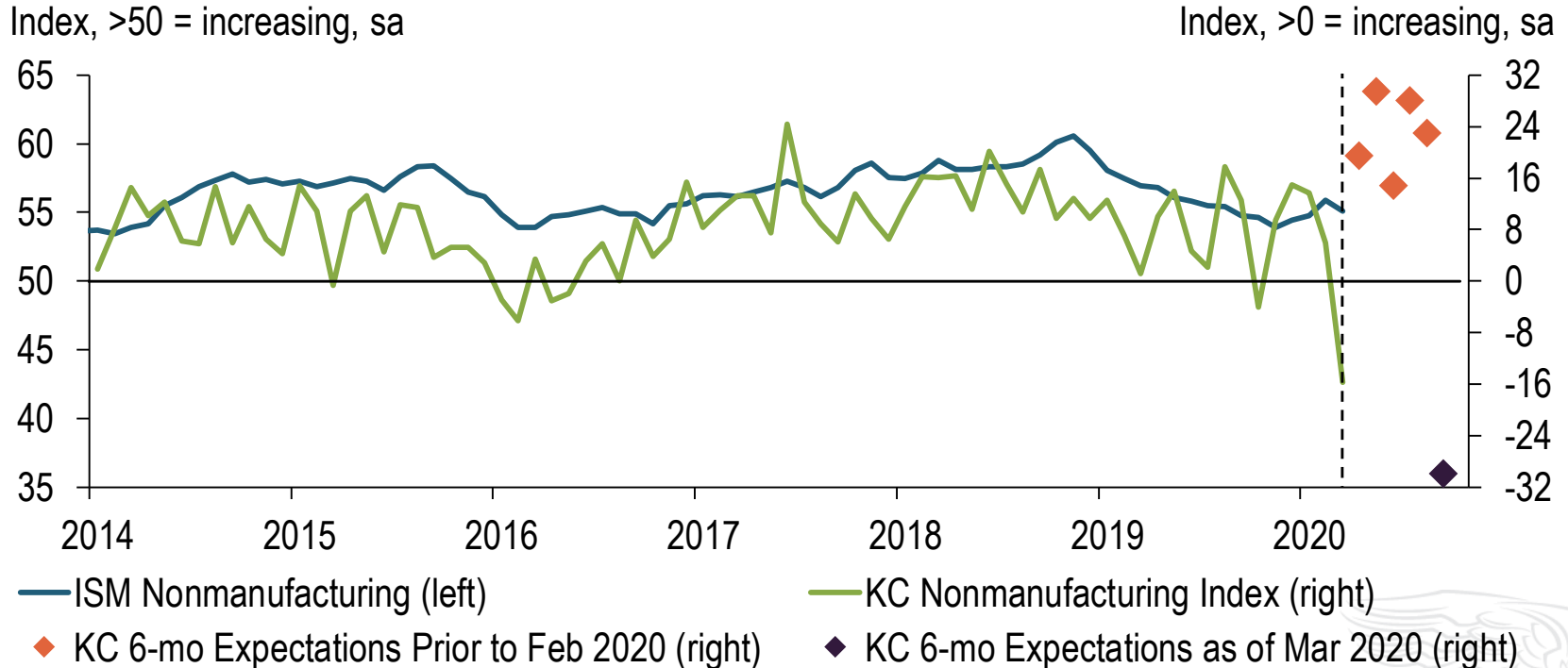
# Global growth, however, lost momentum and gained uncertainty before the COVID-19 began to disrupt economic activity



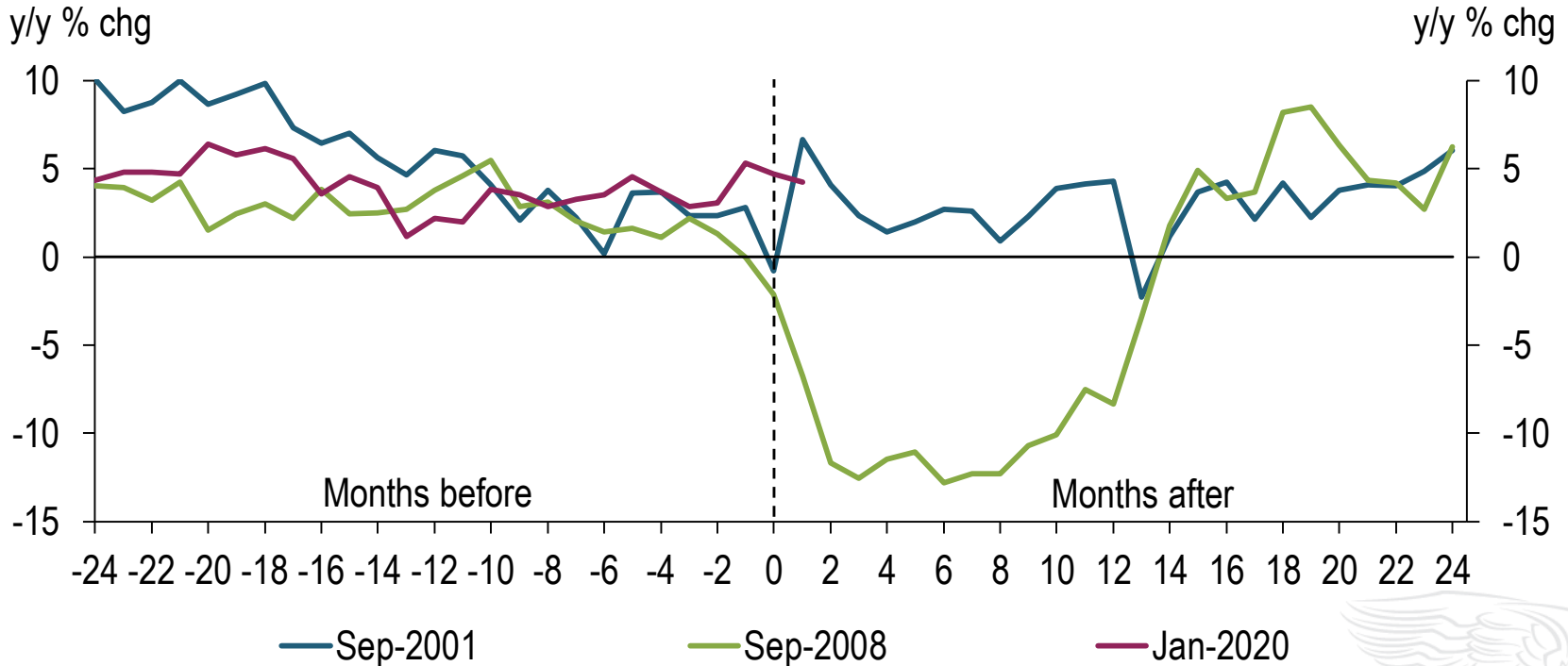
# Manufacturing activity stalled abruptly in March, and businesses report low expectations for the next 6 months



# Service sectors and other non-manufacturing activity also declined sharply upon shelter-in-place directives

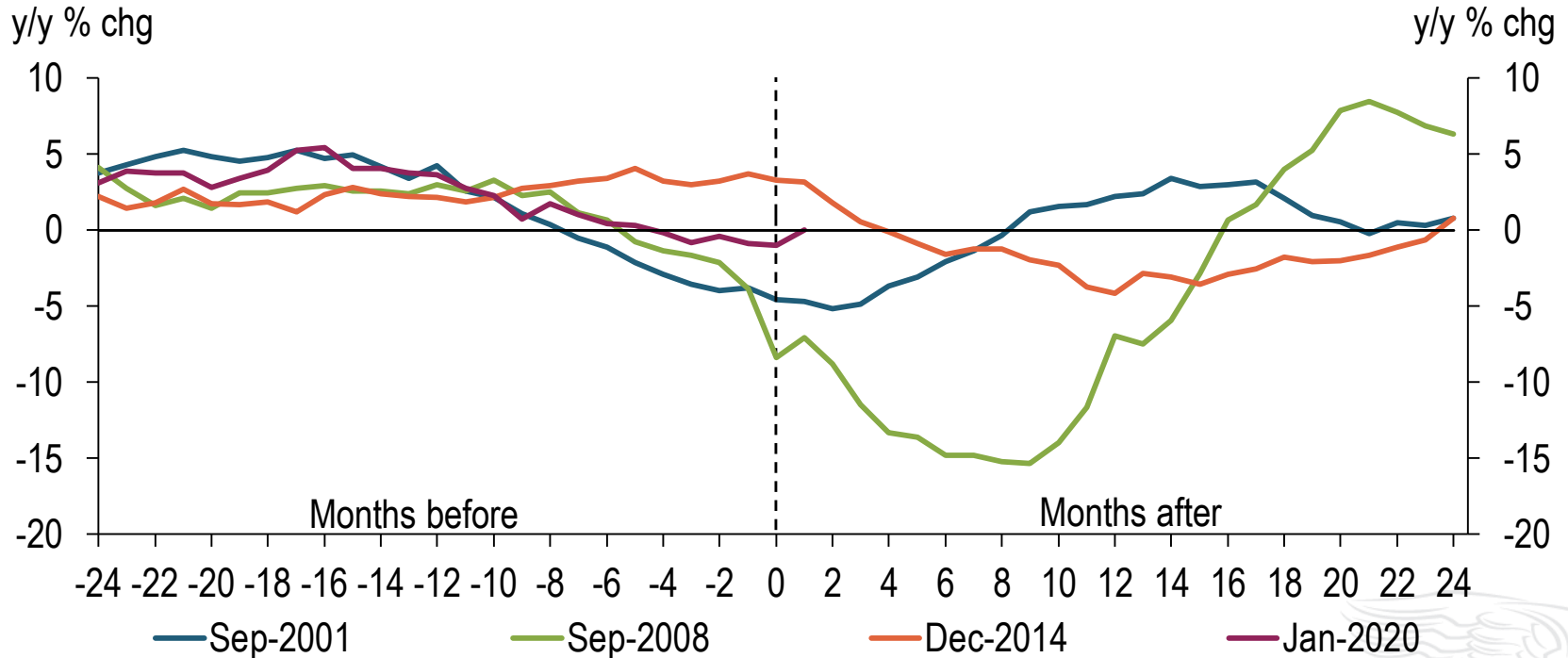


# Retail sales growth and consumption have recovered relatively quickly from previous adverse shocks

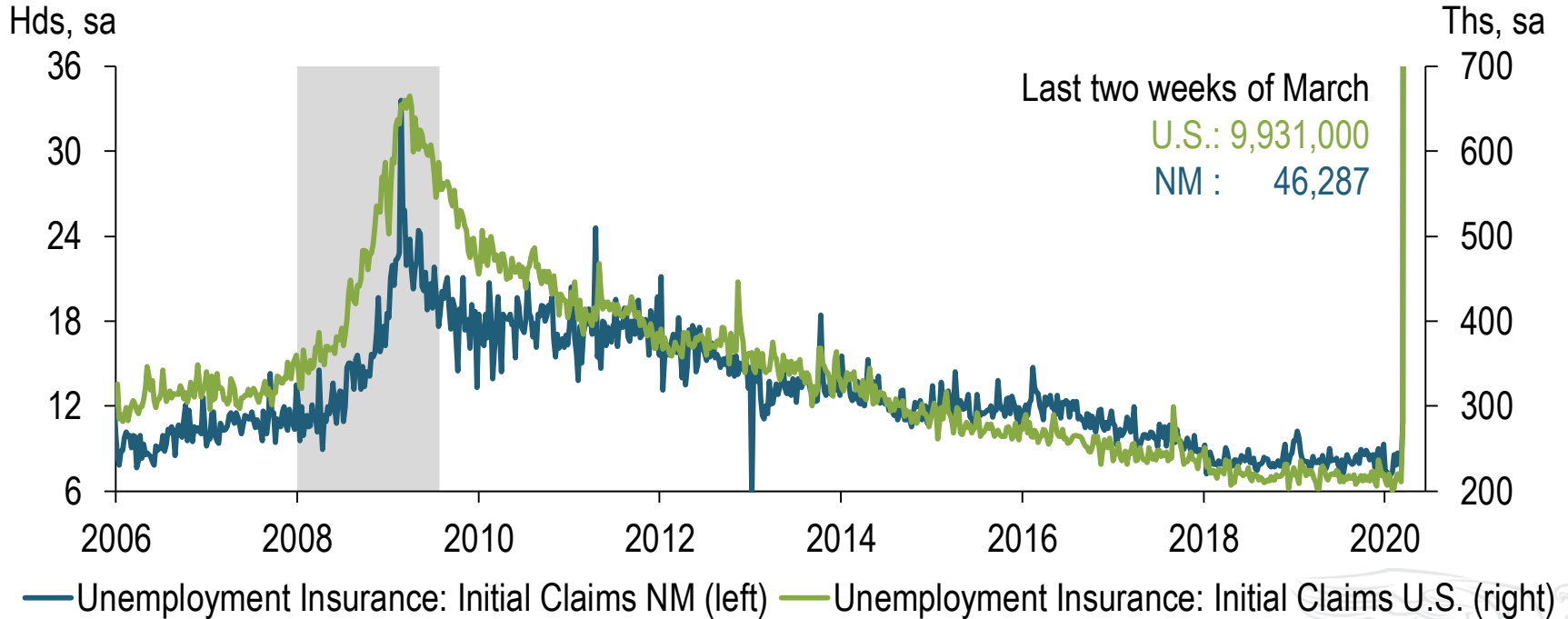




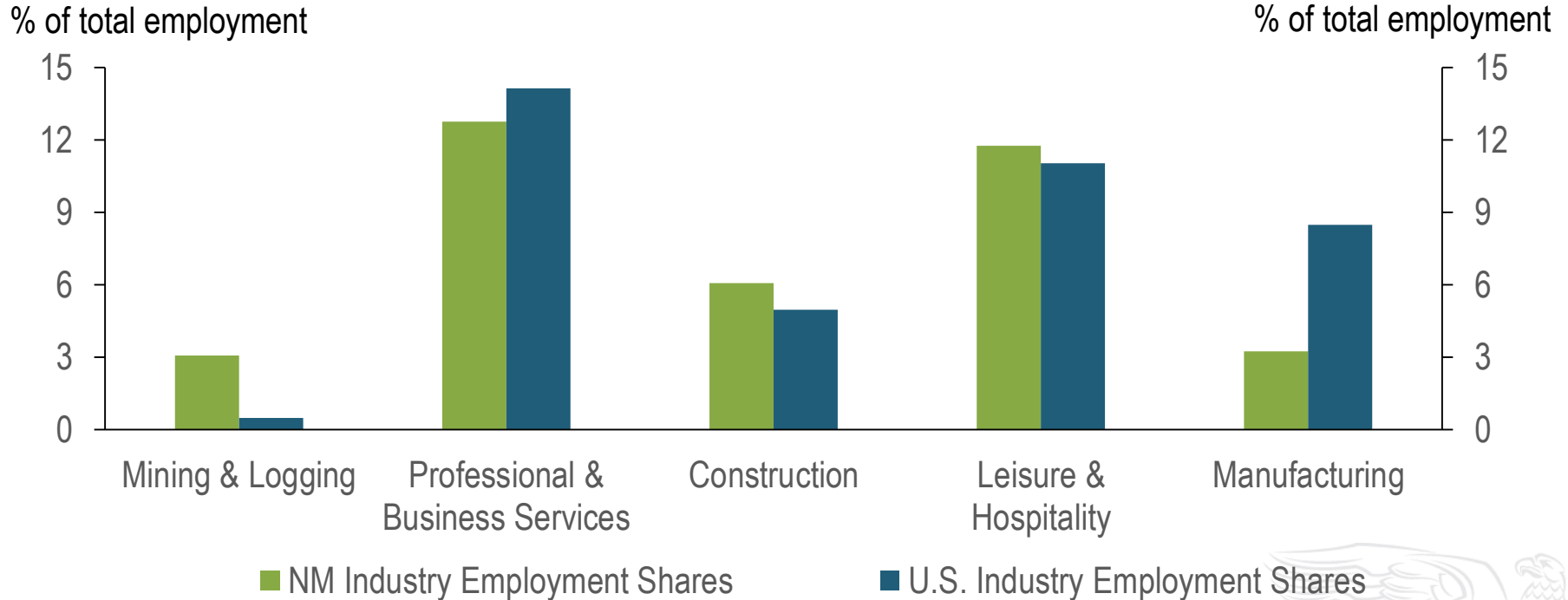
# U.S industrial production exhibits longer cycles typically, and so recovery is likely to be relatively slower



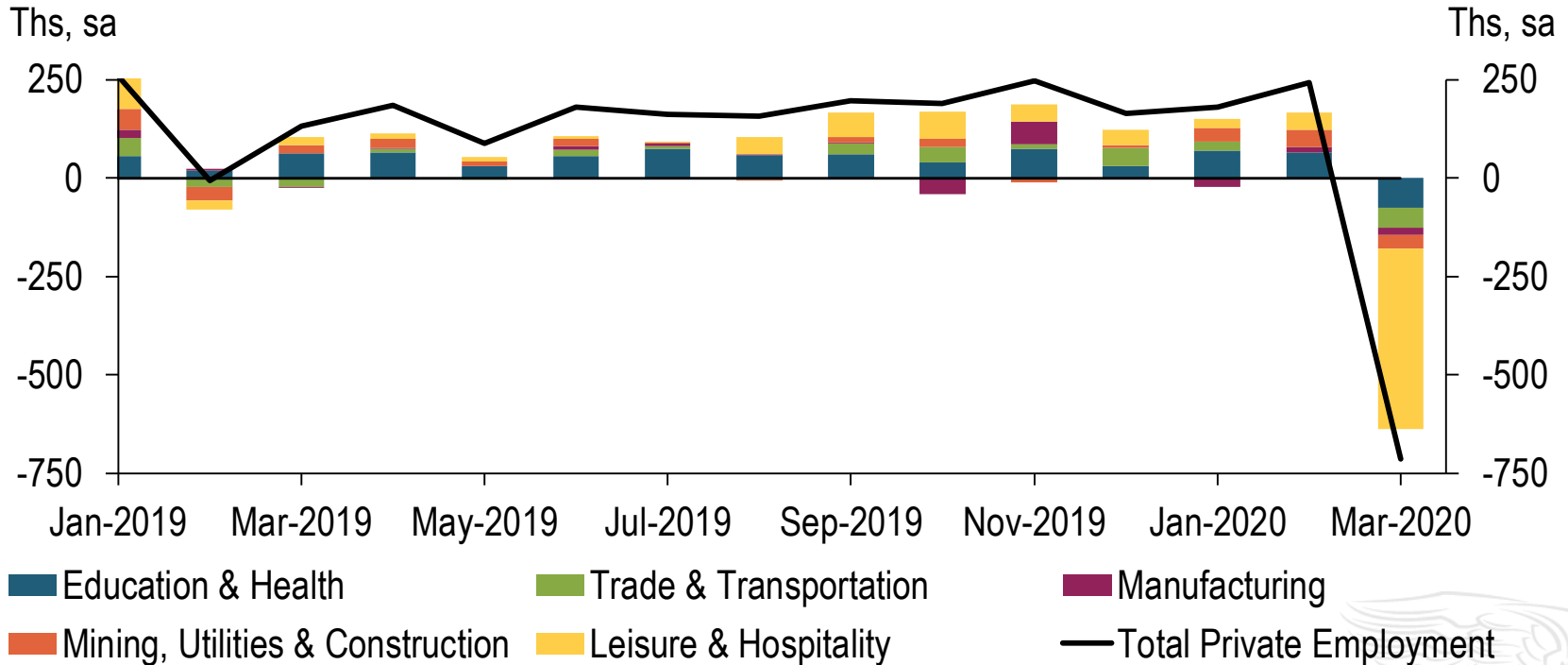
# Jobless claims at the end of March increased by an unprecedented amount both nationally and in New Mexico



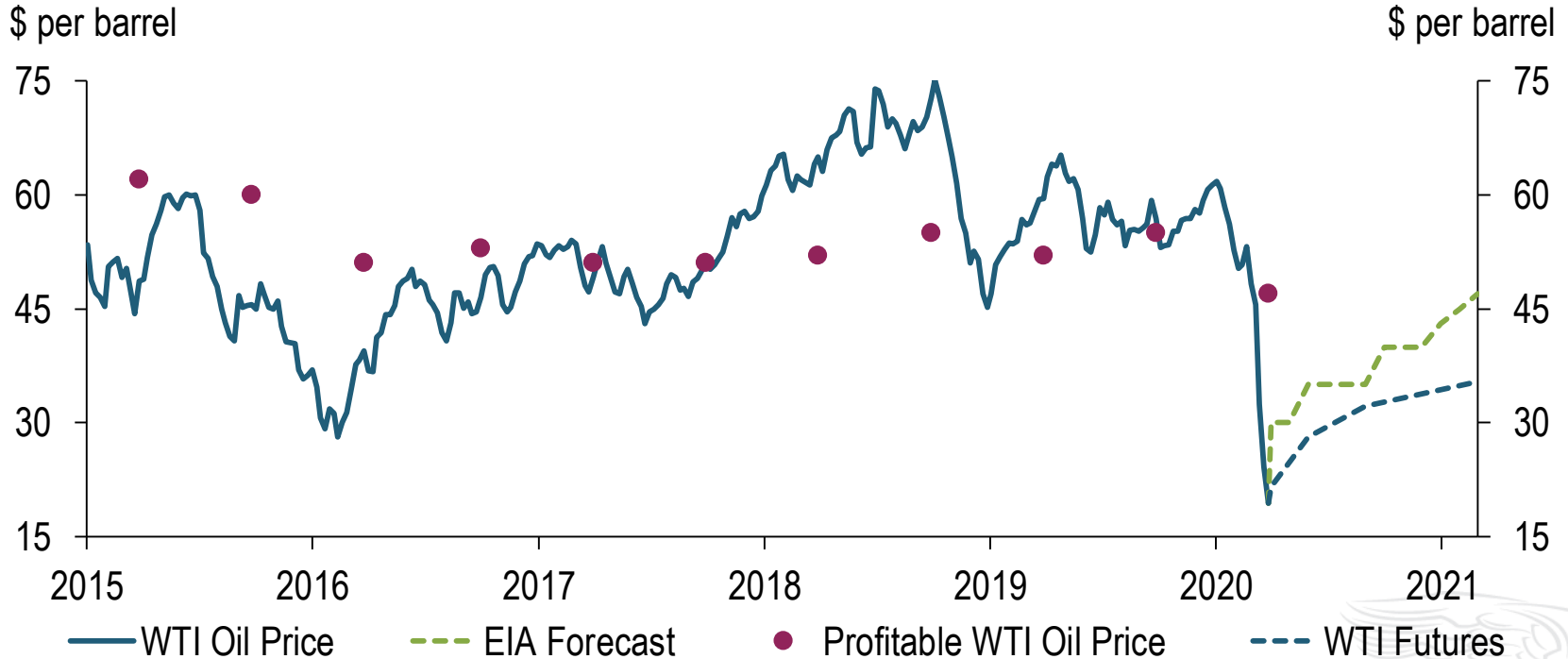
# Employment in New Mexico is more concentrated in sectors most adversely affected by COVID-19 than whole of U.S.



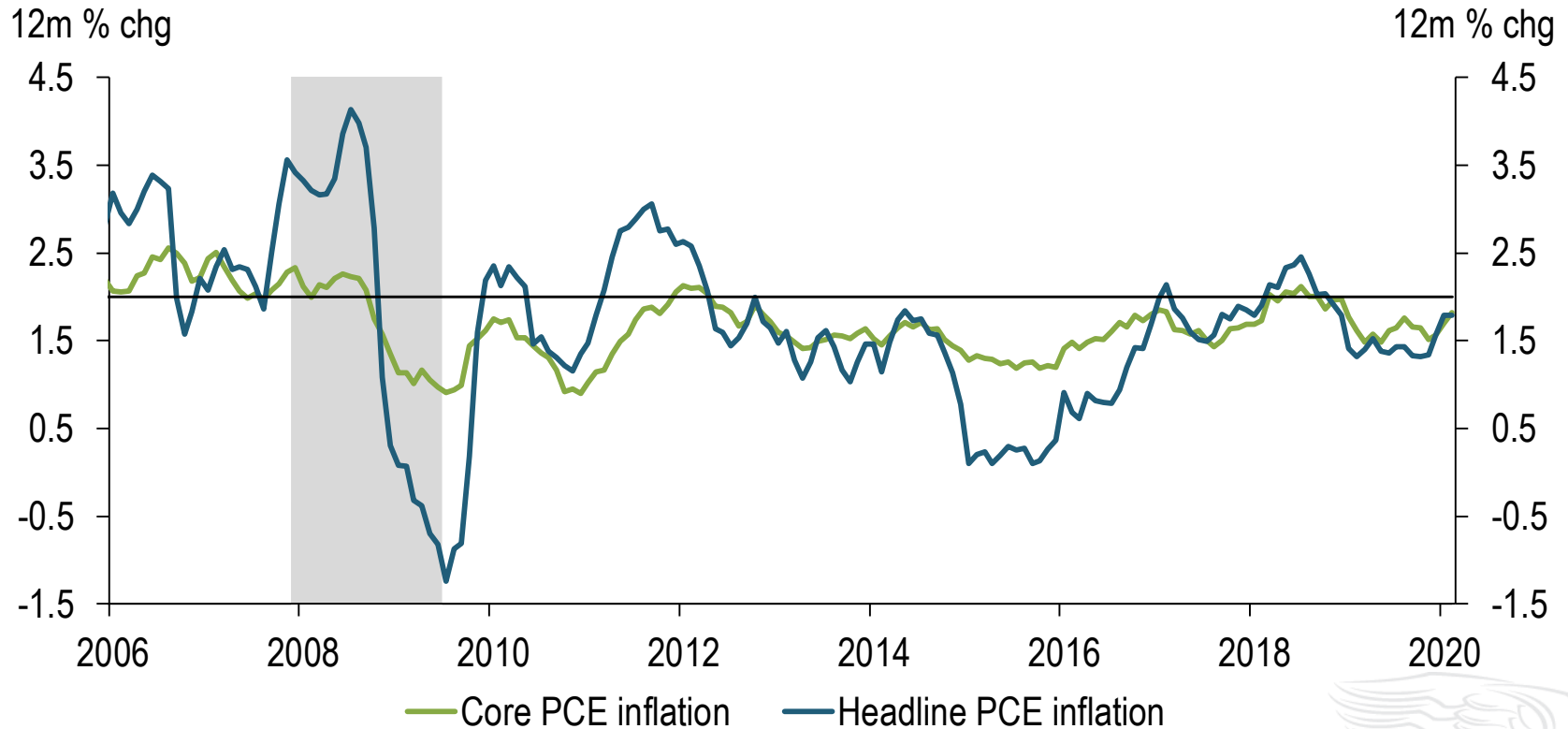
# For the U.S., much of recent job growth was supported by sectors that now face significant challenges



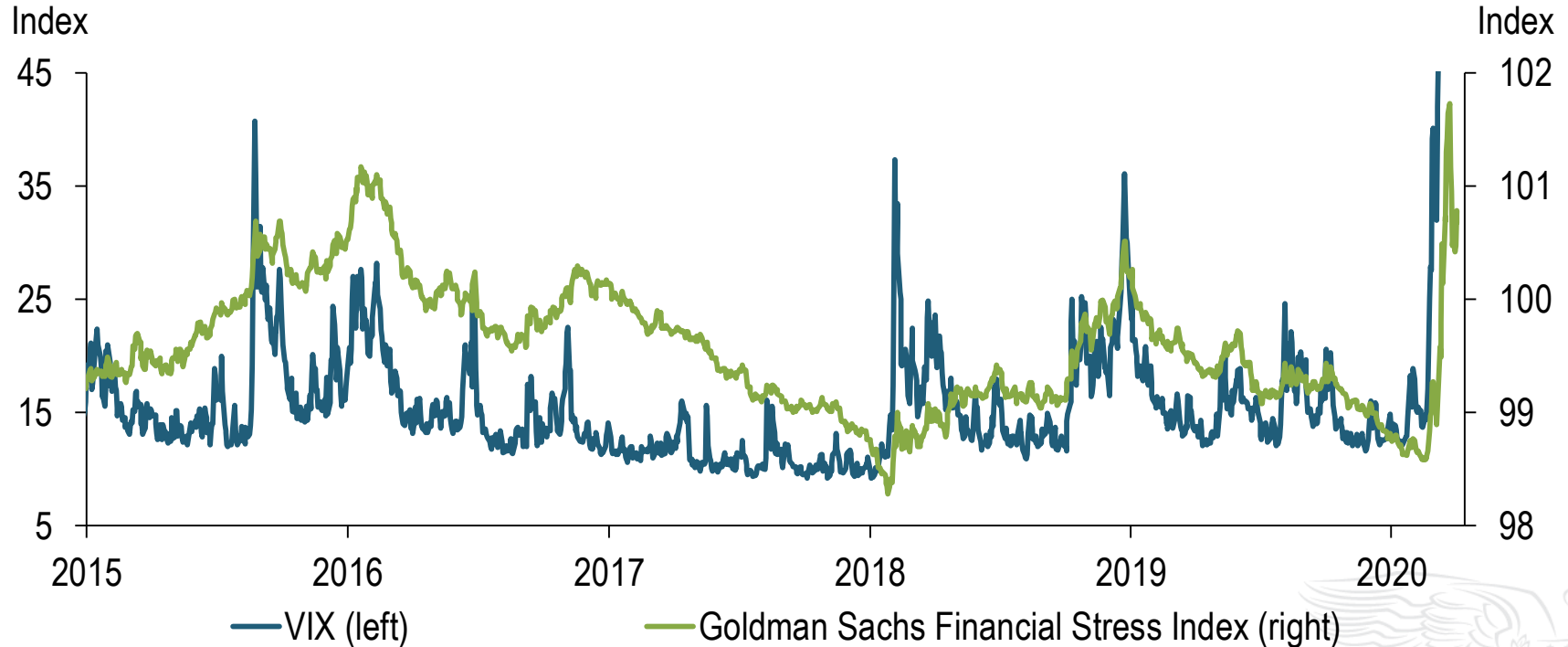
# Low energy prices pose substantial challenges both for sector-level employment and for overall inflation



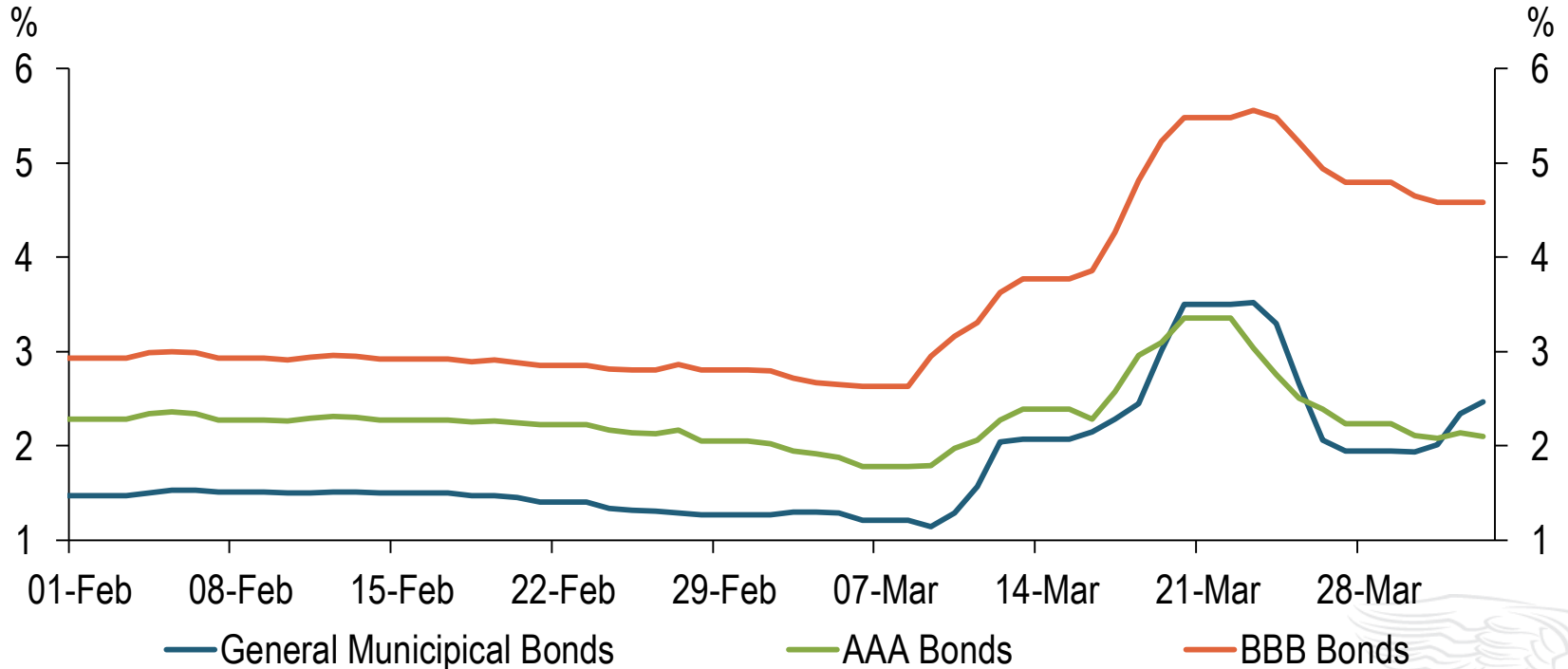
# Inflation is likely to remain subdued in the near term



# Recent financial stress prompted Fed interventions in to several financial markets



# Rates remain elevated broadly but diminished somewhat as the Fed increased its interventions into various markets



Sources: Bloomberg





# Looking forward

- Federal Reserve actions and recent fiscal policy are aimed at providing relief from temporary challenge related to COVID-19
- However, this shock is likely to have persistent effects that will inhibit growth over the near- to medium-term
- Strong initial economic conditions, signs of stable inflation expectations and swift policy responses should support recovery



