Assessing Economic Conditions in the Pandemic

November 18, 2020 – Denver Association of Business Economists

Nicholas Sly
Assistant Vice President, Economist and Denver Branch Executive

The views herein are those of the presenter and do not necessarily reflect those of the Federal Reserve Bank of Kansas City or the Federal Reserve System.
The service sector is experiencing an unprecedented level — and an outsized proportion — of job loss

Sources: Bureau of Labor Statistics, Haver Analytics
Note: Figures for 2020 reflect job losses between February and April
The Federal Reserve acted swiftly to provide relief and support recovery, along side other fiscal programs.

**Monetary Policy:**
- Cut policy rate to near zero.
- Forward guidance

**Actions to Improve Market Functioning:**
- Open Market Purchases
- Eased access to discount window.
- Primary Dealer Credit Facility (PDCF)
- Money Market Mutual Fund Liquidity Facility (MMLF)
- Commercial Paper Funding Facility (CPFF)
- Expanded Foreign Central Bank Swap Lines

**Actions to Encourage Bank Lending:**
- Dropped reserve requirements to zero.
- Temporary adjustment to regulations.

**Actions to Support the Flow of Credit:**
- PPP Loan Facility (PPPLF)
- Term Asset-Backed Security Loan Facility (TALF)
- Corporate Credit Facilities (CCF)
- Municipal Liquidity Facility (MLF)
- Main Street Lending Facility

**Actions to Support Payments:**
- Cash delivery volumes spiked
- Treasury services support fiscal relief payments
A range of policy actions has supported household financial conditions

Early Delinquency Rates by Loan Type

Sources: Federal Reserve Bank of New York Consumer Credit Panel/Equifax, NBER
Note: Grey bars represent recession shading
A substantial share of households used economic stimulus payments to meet their housing expenses in the initial months of the pandemic.
Risks to the outlook

- Persistent high unemployment can lead to lasting damage to the economy if workers lose key workplace skills

- Persistent declines in labor demand or ongoing difficulties returning to work safely may reduce workers’ ability or willingness to participate in the labor force
A large number of jobs were lost this year in occupations that require substantial amounts of on-the-job training.
Labor force participation declined nationwide during the first half of the year, and declined more in states with greater service sector employment.

Sources: Sly and Greene (2020), Bureau of Labor Statistics, Haver Analytics

Note: Individual data points correspond to U.S. states. Change in state LFPR is measured between February and April.