

U.S. Economic Conditions

April 2, 2020 – Colorado Bankers Association

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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



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

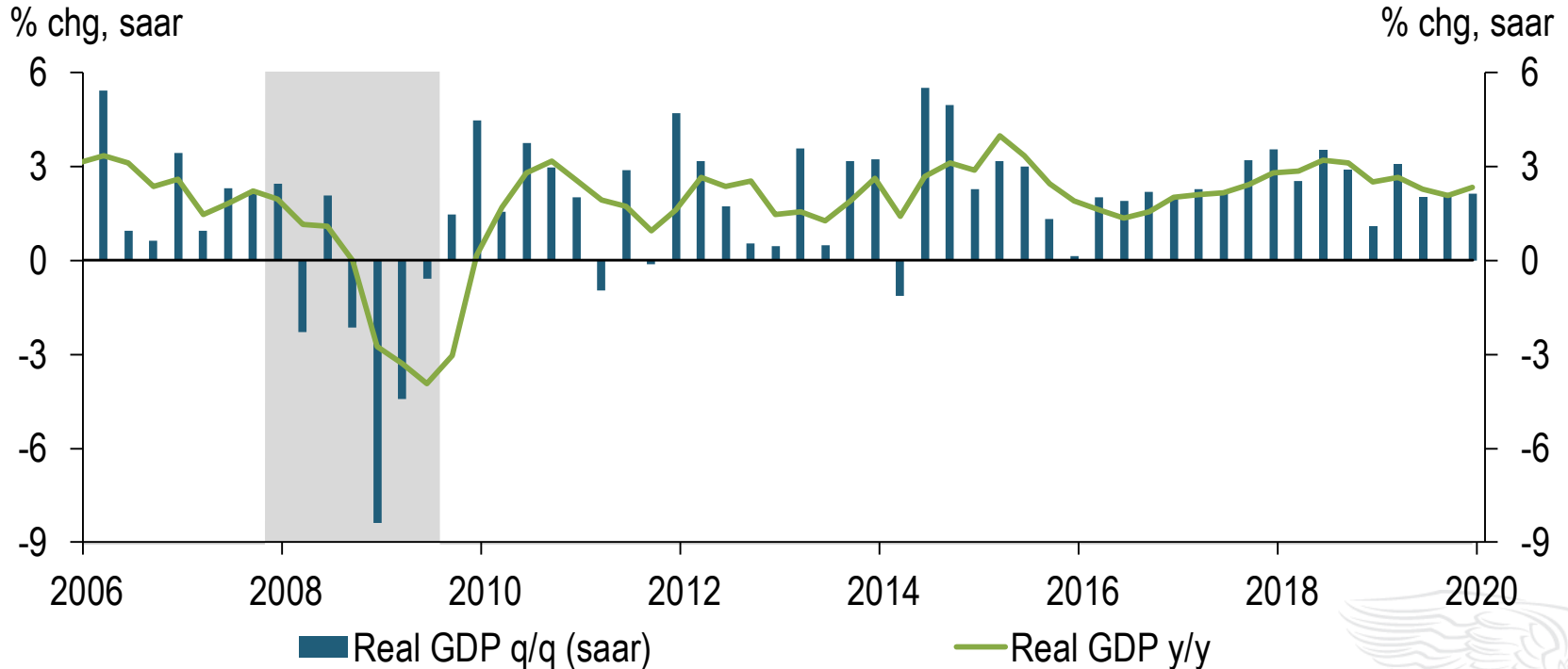


Federal Reserve actions in response to COVID-19

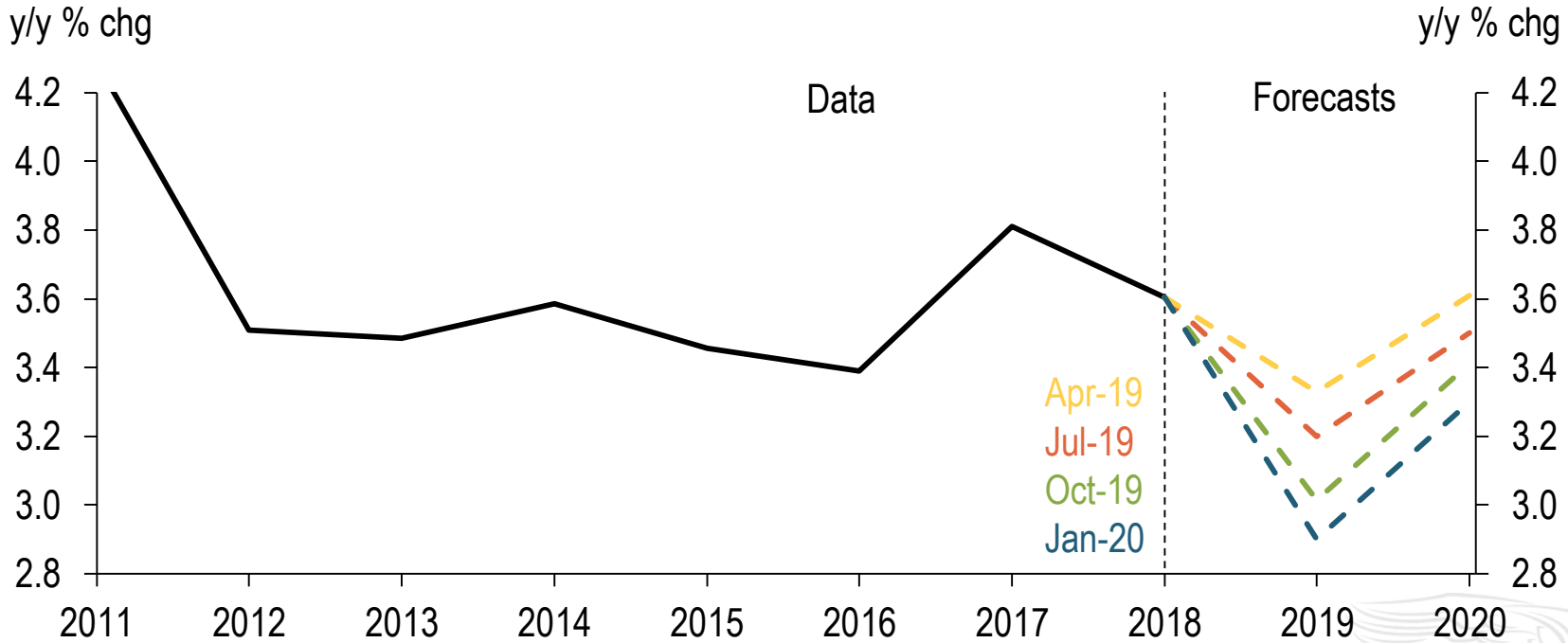
- The target range of the federal funds rate is now 0.0 to 0.25 percent, with forward guidance to maintain rates until confident economy is on track
- Board issued guidance to encourage financial institutions to be flexible with borrowers affected by coronavirus
- Established facilities to support flow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



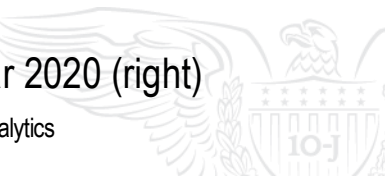
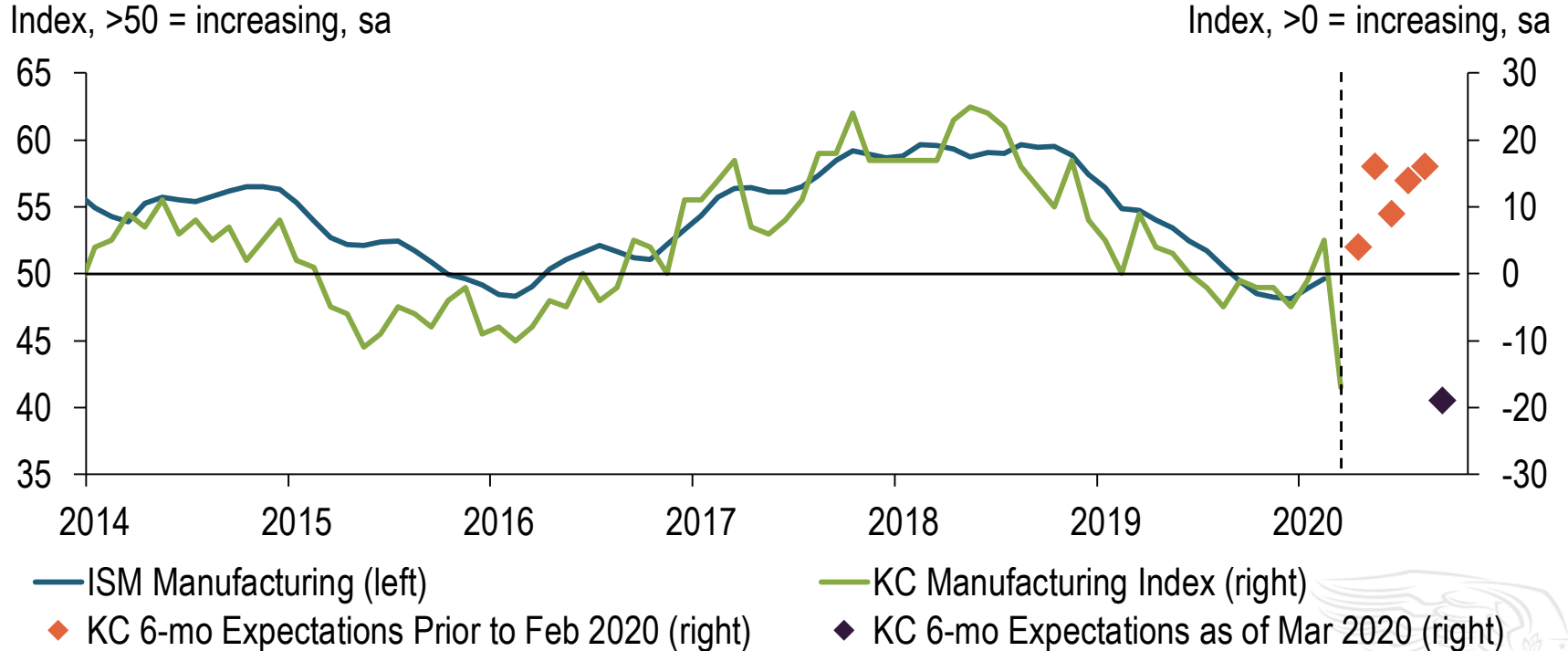
The U.S. economy entered the COVID-19 crisis with strong fundamentals and above trend growth



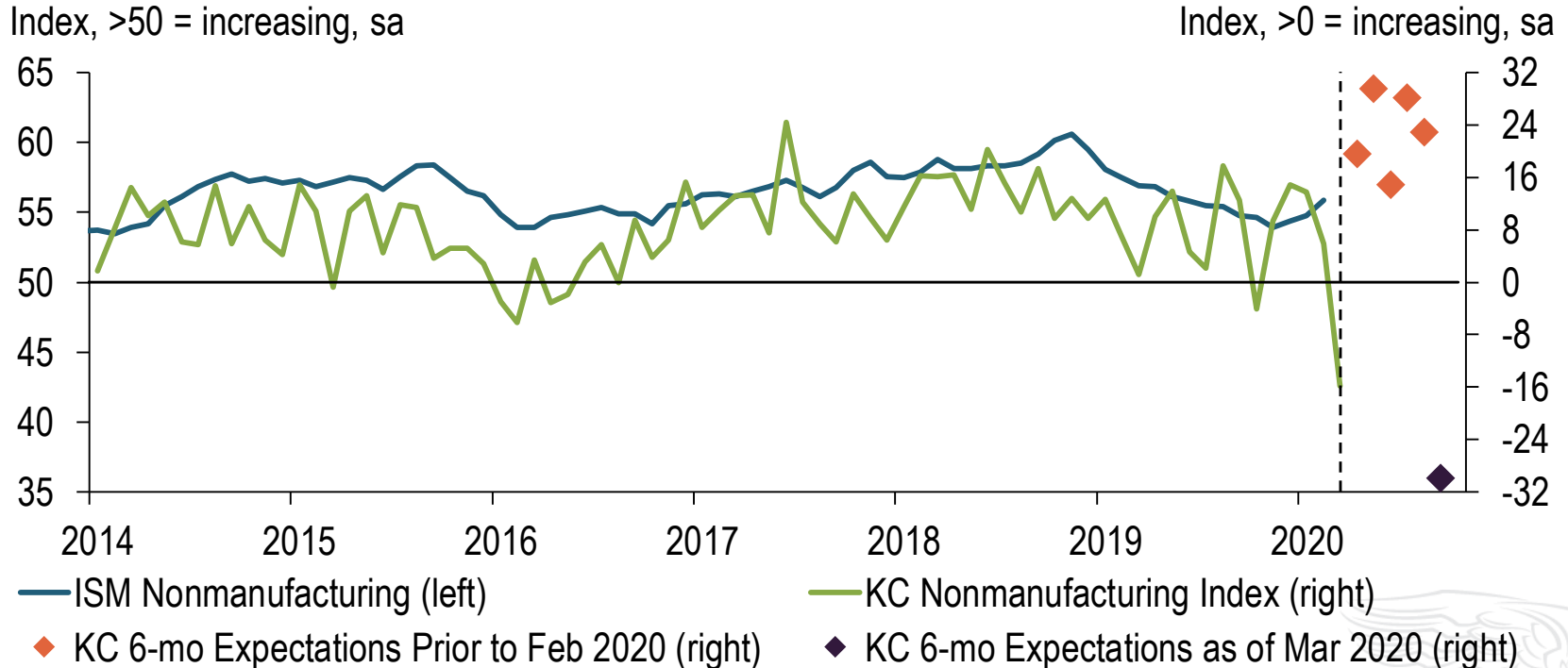
Global growth had lost momentum and gained uncertainty before the COVID-19 began to disrupt economic activity



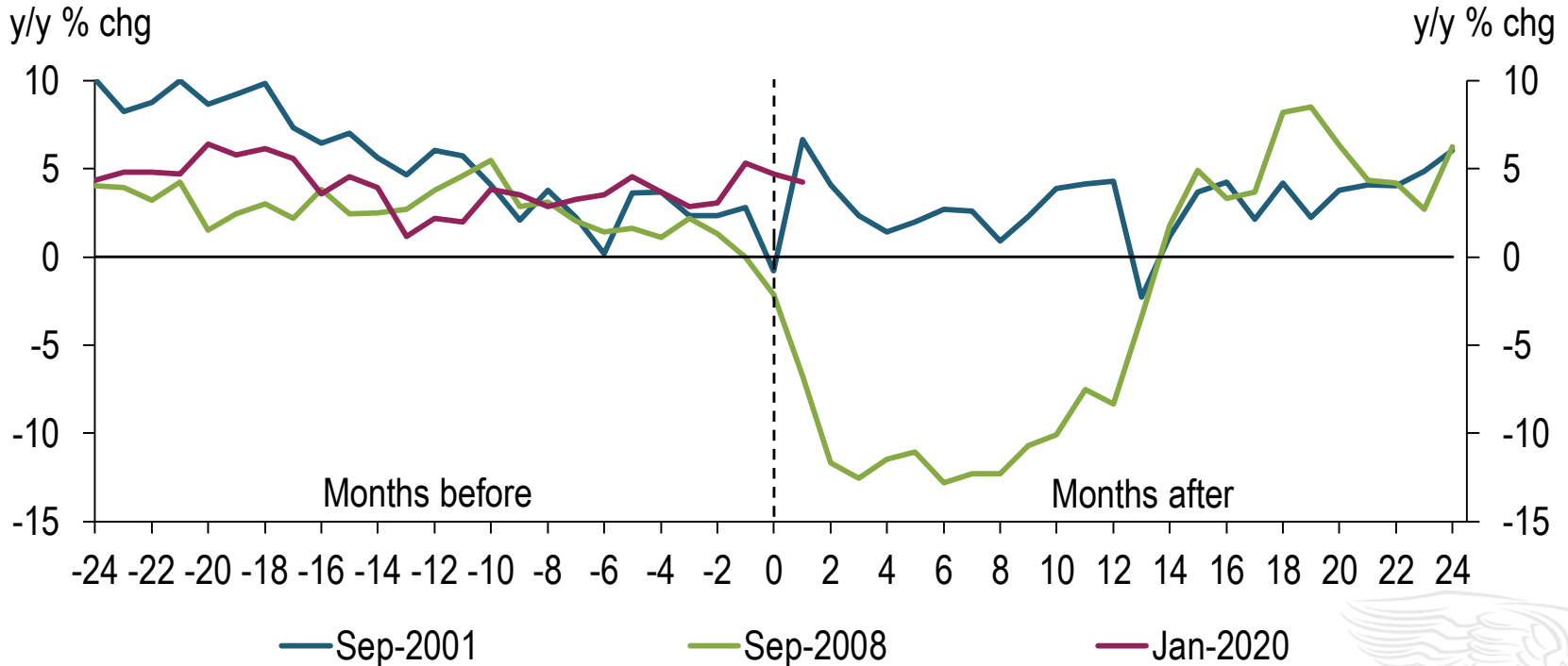
Manufacturing activity stalled abruptly in March, and businesses report low expectations for the next 6 months



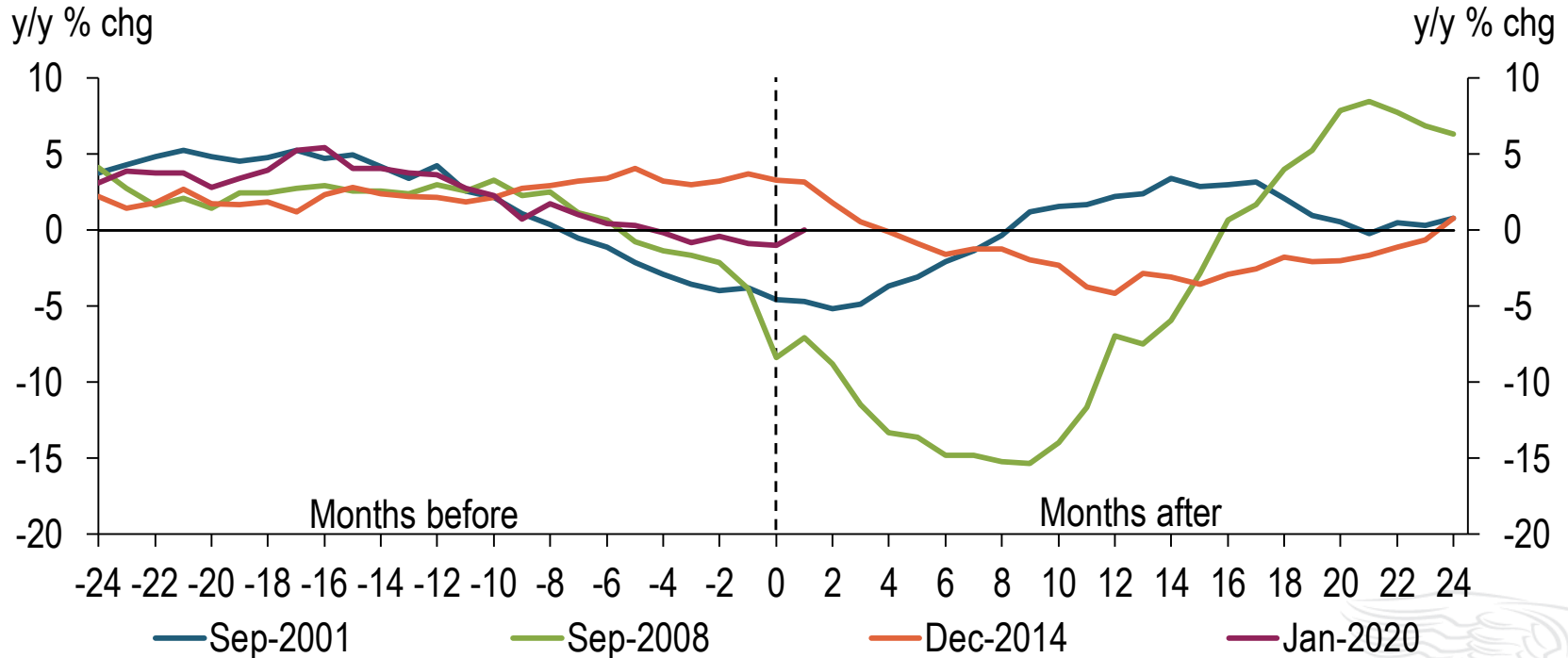
Service sectors and other non-manufacturing activity also declined sharply upon shelter-in-place directives



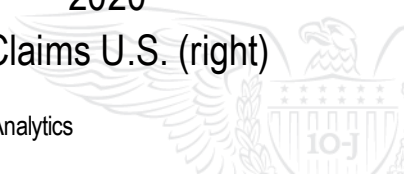
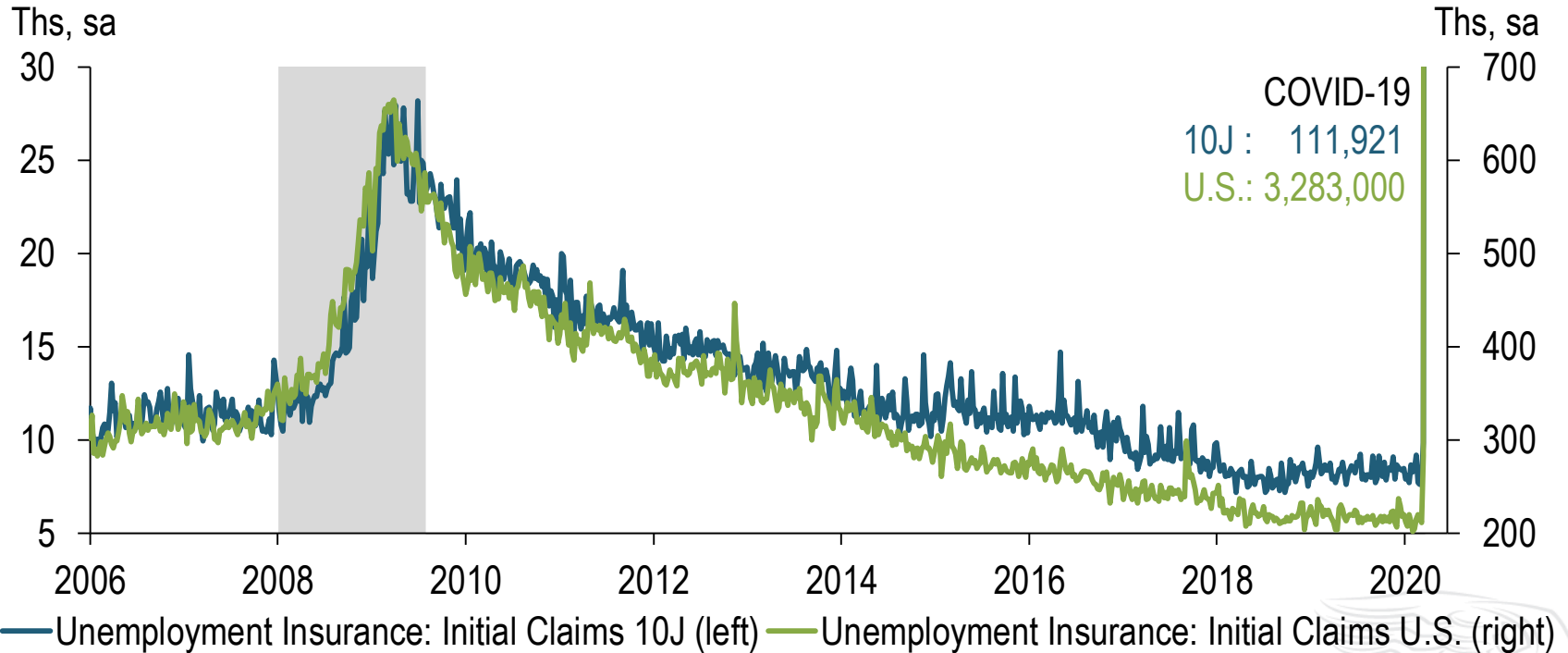
Retail sales growth and consumption have recovered relatively quickly from previous adverse shocks



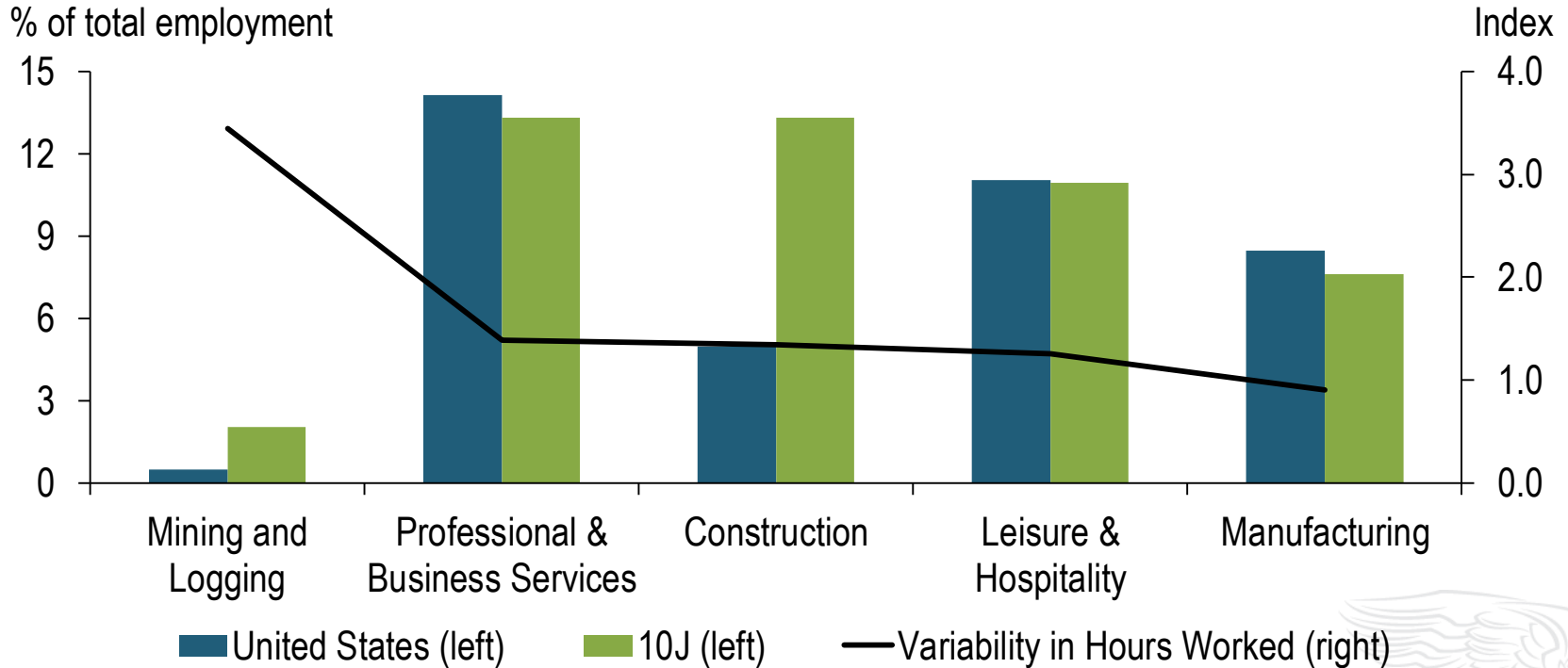
U.S industrial production exhibits longer cycles typically, and so recovery is likely to be relatively slower



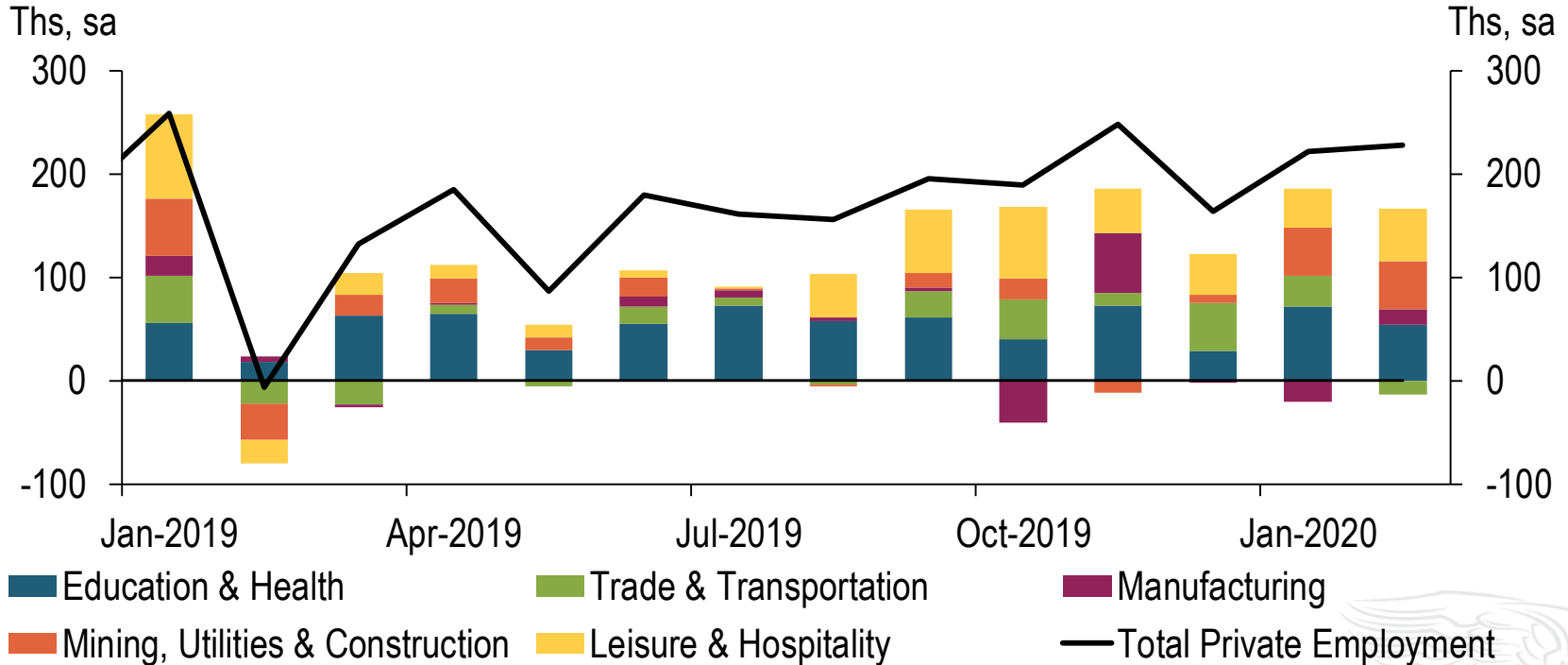
Jobless claims for a single week in March increased by an unprecedented amount in the District and nationally



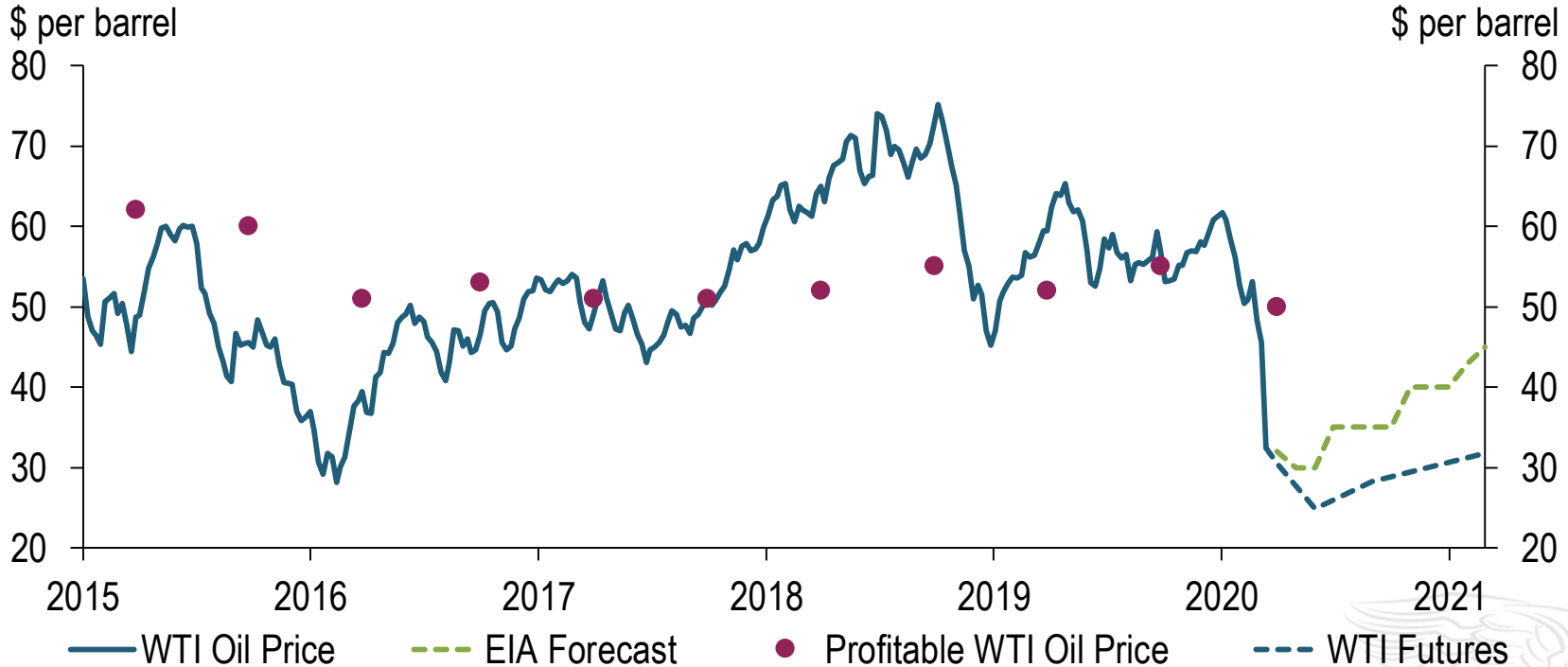
The Tenth District has a relatively high concentration employment in sectors sensitive to effects of COVID-19



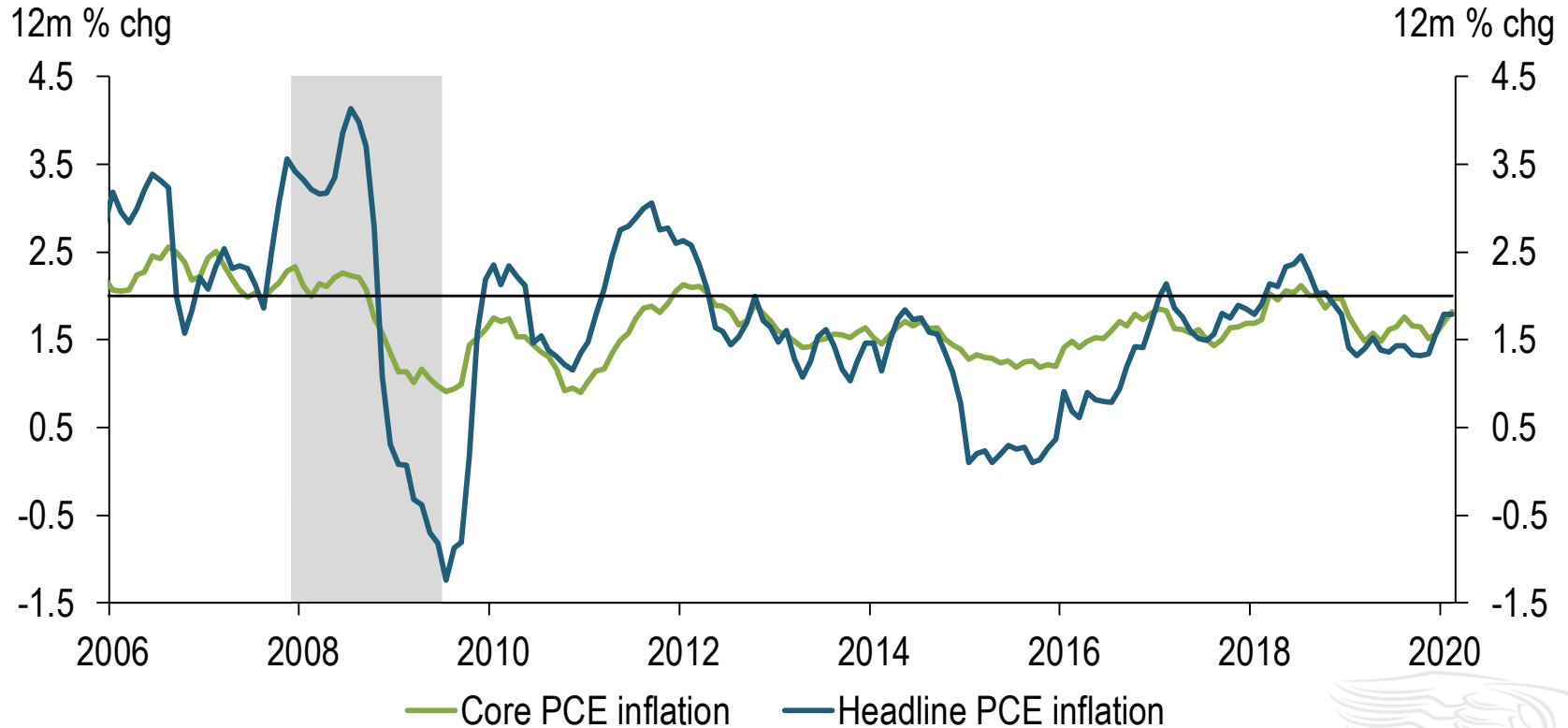
For the U.S., much of recent job growth was supported by sectors that now face significant challenges



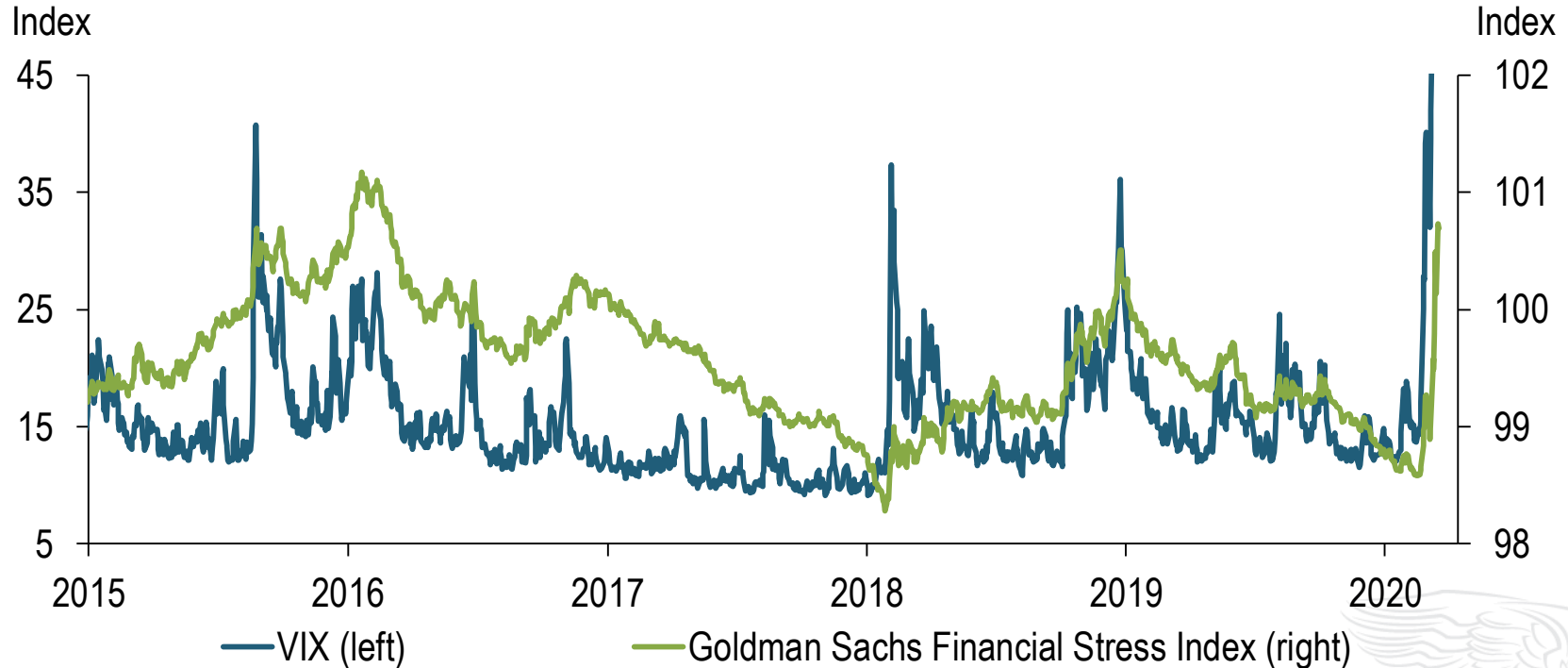
Low energy prices pose substantial challenges both for sector-level employment and for overall inflation



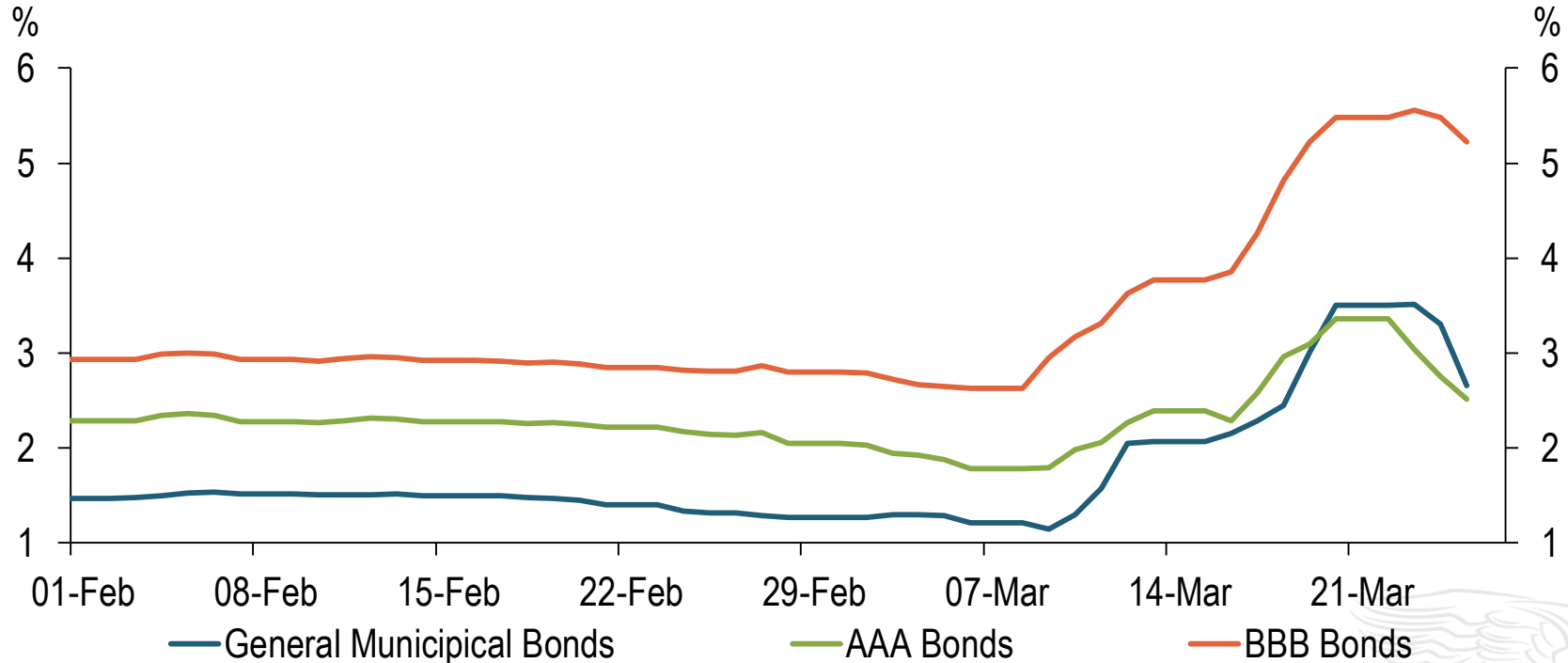
Inflation is likely to remain subdued in the near term



Recent financial stress prompted Fed interventions in to several financial markets



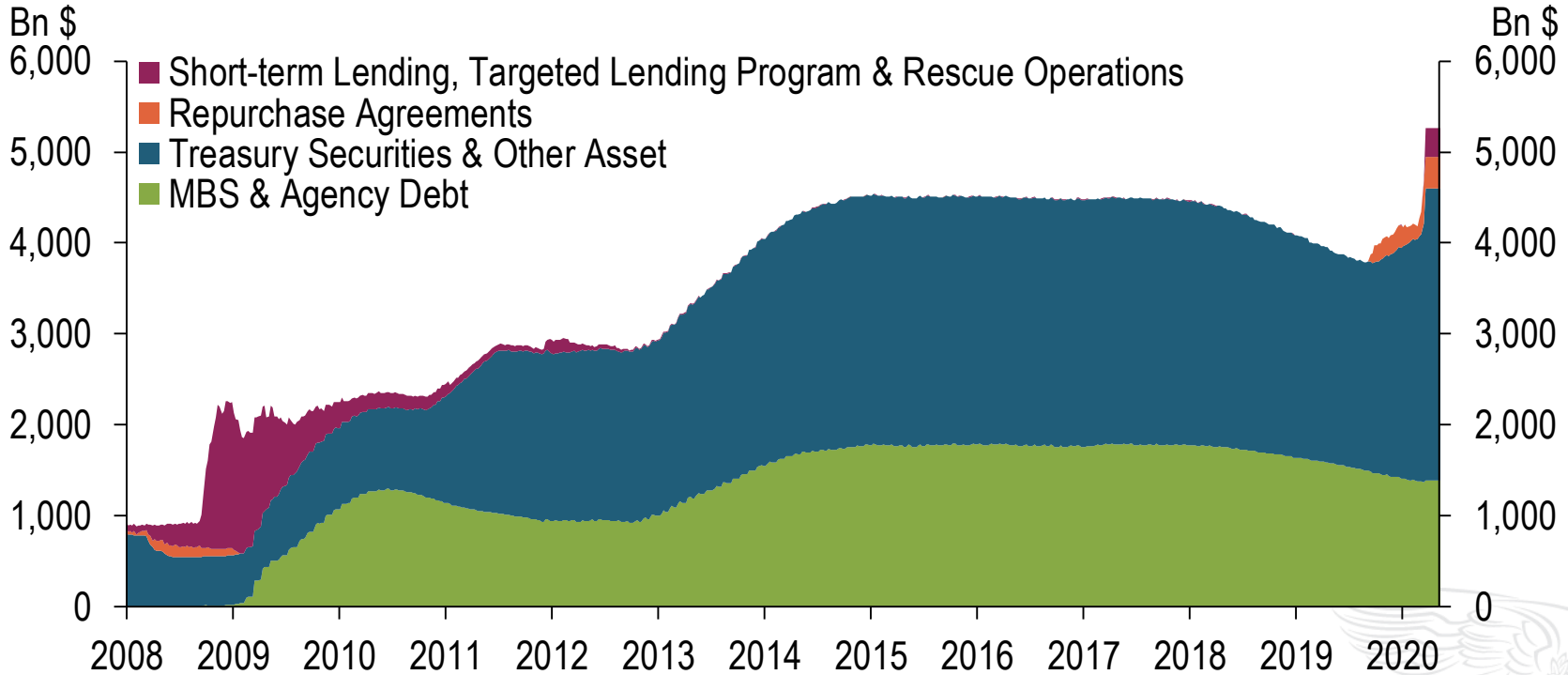
Rates remain elevated broadly but diminished somewhat as the Fed increased its interventions into various markets



Sources: Bloomberg



The interventions of the Federal Reserve have caused its balance sheet to grow above \$5 trillion



Sources: Federal Reserve Board, Haver Analytics



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



