Economic Update

Nate Kauffman – Omaha Branch Executive
April 8, 2020
COVID-19 cases have continued to increase, but the pace may be slowing in some locations.

**Global COVID-19 Cases**

**Regional COVID-19 Cases**

Sources: The COVID Tracking Project, Johns Hopkins University.
Equity markets are up slightly, but well below peak. Ag and energy prices remain weak.

**Stock Market Index & Volatility**

![Graph showing S&P 500 and VIX indices]

**Commodity Prices**

![Bar chart showing percentage change of commodity prices]

Sources: Yahoo Finance, barchart.com, Haver Analytics.
Demand and supply factors have both weighed on ag commodity prices.

U.S. Ethanol Production and Ag Exports

U.S. Corn & Soybean Production

 Sources: EIA, USDA.
Even before COVID-19, an expectation of a further reduction in liquidity was a concern in ag finance.

Sources: USDA, Federal Reserve Bank of Kansas City.
Prior to the crisis, job growth had been steady. But unemployment has spiked recently.

**Job Growth**

**State Unemployment Rates**

Sources: BLS, Department of Labor, Haver Analytics.
A number of programs have been implemented in response to COVID-19.

Monetary Policy Actions

- March 3: 50 bps emergency rate cut
- March 15: Fed Funds rate cut to zero, enhances currency swap lines, eliminates reserve requirements
- March 17: commercial paper credit facility and primary dealer credit facility created
- March 18: money market mutual fund liquidity facility created
- March 23: asset purchases, primary market and secondary market corporate credit facilities, term asset-backed securities loan facility
- April 6: announces small business lending facility via the Paycheck Protection Program

Fiscal Policy (CARES Act Provisions)

- Cash payments - $1,200 to individuals and $500 per child. (Phase outs apply.)
- Unemployment payments increased by $600 per week
- Paycheck Protection Program (PPP) for businesses with 500 or fewer employees – offered through SBA
- Assistance to airlines
- Public health provisions
- Aid to state and local governments

Sources: Board of Governors, NPR.
As a result of Fed actions, the balance sheet has begun to grow again.

Federal Reserve Balance Sheet

Current Balance Sheet Allocations

Source: Federal Reserve Bank of St. Louis.
Concluding Thoughts

• Much of the near-term economic outlook is dependent on the trajectory of COVID-19.
• The economic shock is likely to have some persistence, but uncertainty about timing is extremely high.
• No economic sector has been unaffected, but some more than others.
• Agriculture had been in a prolonged downturn prior to the crisis. The effects of COVID-19 are likely to pressure further.