

The COVID-19 Recession:  
Economic Fallout and Prospects for Recovery

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April 24, 2020

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- failure to rollout widespread testing, tracing
- holes in social safety net, health care provision

# THE UNFOLDING COVID-19 RECESSION

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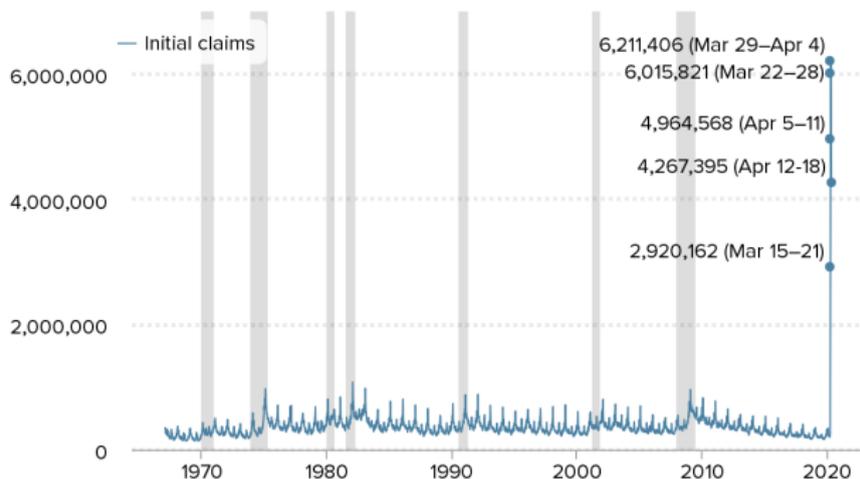
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- The U.S. labor market's rate of collapse is unprecedented

# 24+ Million Unemployment Claims in 5 Weeks

## Weekly initial unemployment insurance claims

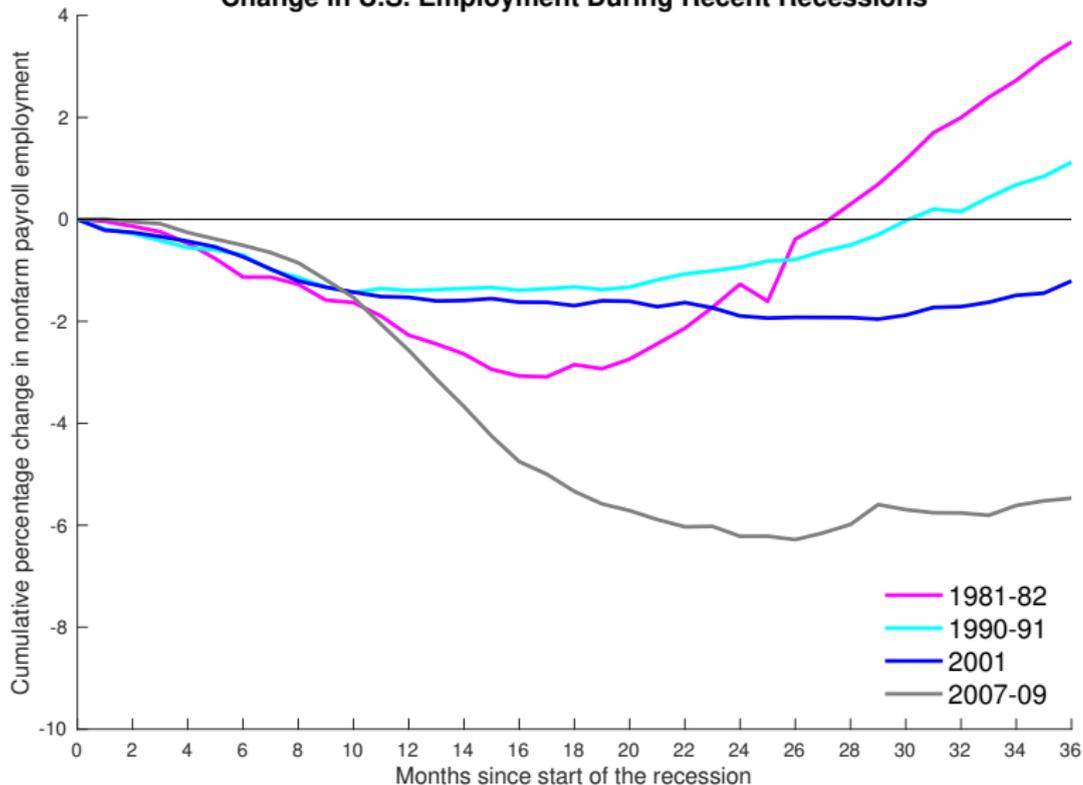
Not seasonally adjusted, 1967–present



**Note:** Due to the scale of the chart and rapid increase in initial unemployment insurance (UI) claims, the initial UI claims for the last five weeks appear to align vertically

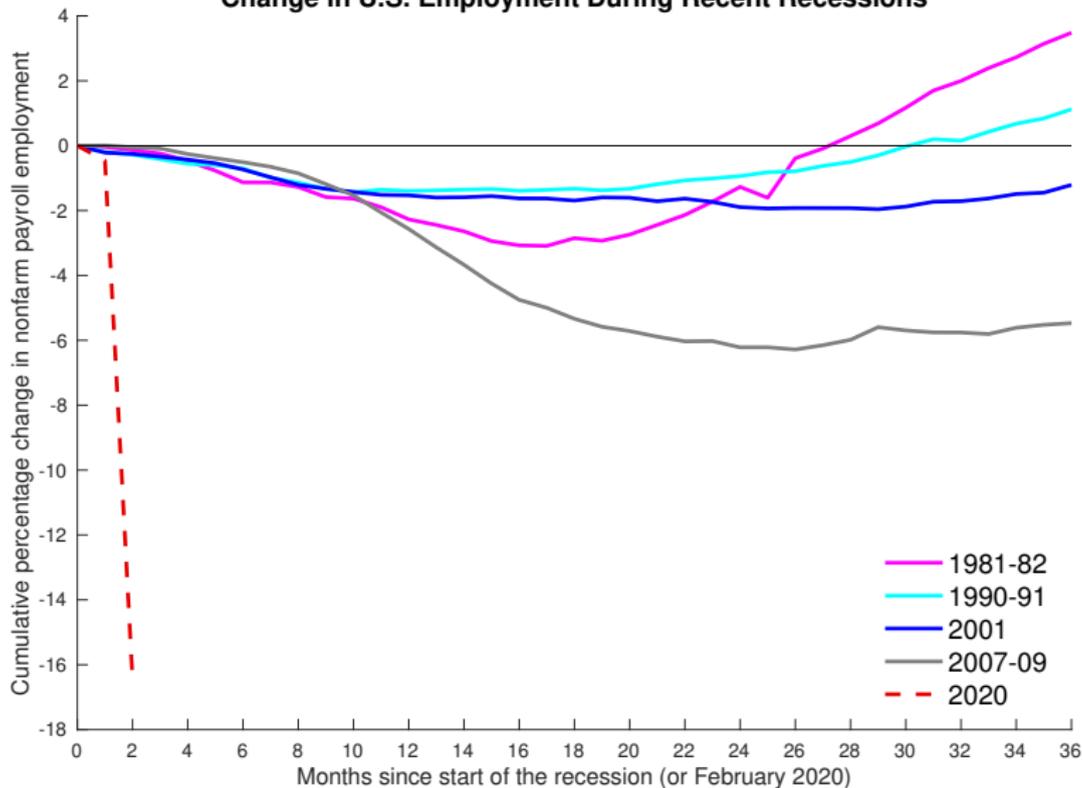
**Source:** U.S. Employment and Training Administration, Initial Claims [ICSA], retrieved from Department of Labor (DOL); <https://www.dol.gov/ui/data.pdf> & <https://oui.doleta.gov/unemploy/claims.asp>, April 23, 2020

## Change in U.S. Employment During Recent Recessions



Source: Bureau of Labor Statistics

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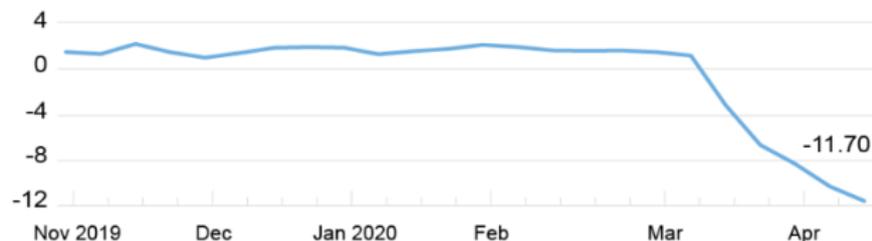


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# Leading Economic Indicators Shows Steep Contraction

## WEI over Recent Months

Percent (GDP growth units)



## WEI, 2008-Present

Percent (GDP growth units)



Source: Authors' calculations based on data from Haver Analytics, Redbook Research, Rasmussen Reports, the American Association of Railroads, and Booth Financial Consulting.

**April 23, 2020: Update**

*Source: Federal Reserve Bank of New York*

## ECONOMIC POLICY RESPONSES, RECENT AND PENDING

# The Fed Responds More Aggressively Than in '07-09

Lowering short- and long-term interest rates:

- Emergency rate cut: -0.5ppt to 1-1.25% (3/3/20)
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Investor of last resort (4/9/20):

- Buying up to \$600bn in bank loans to businesses
- Up to \$500bn in municipal debt from state/local govt
- Up to \$750bn in corporate bonds

# Scaling Up Our Fiscal Response

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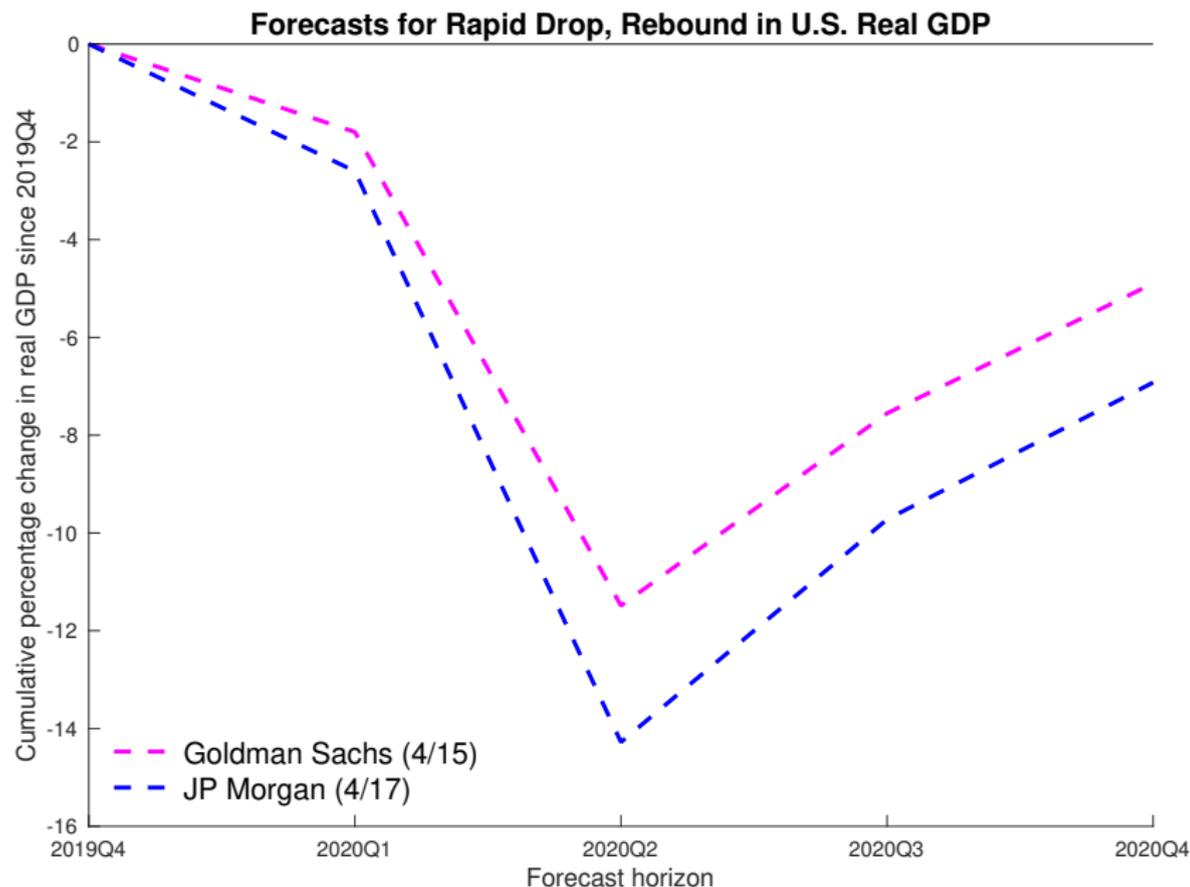
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  - **\$2.3tn (10.6% GDP)**: lifelines to households (checks, Pandemic Unemployment Assistance), businesses (Paycheck Protection Program, grants, loans, tax write-offs), state/municipal/tribal governments (grants), hospitals and health agencies (funding)

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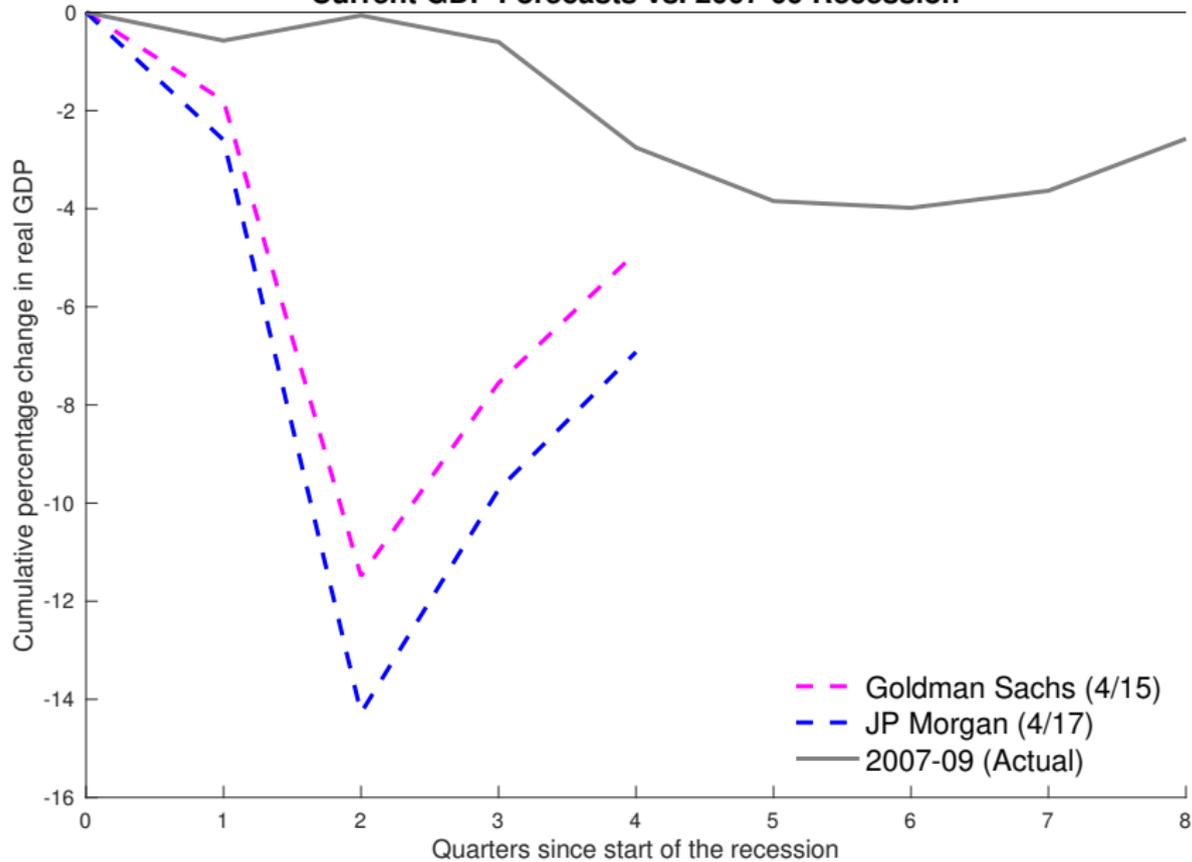
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- 4, 5, ... TBD (?)
  - **\$484bn! (2.2% GDP)**: expansion of Paycheck Protection Program, hospital funding, widespread testing and tracing
  - **\$500bn? (2.3% GDP?)**: grants to state/municipal governments?

## PROSPECTS FOR RECOVERY AND DOWNSIDE RISKS

# To 'V' or Not to 'V'? The Drop in GDP



## Current GDP Forecasts vs. 2007-09 Recession



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5. Federal lifelines severed b/c concerns about rising debt

# CONCLUSION

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4. Political stars aligned for better fiscal response than 2007-09

## Wrapping Up...

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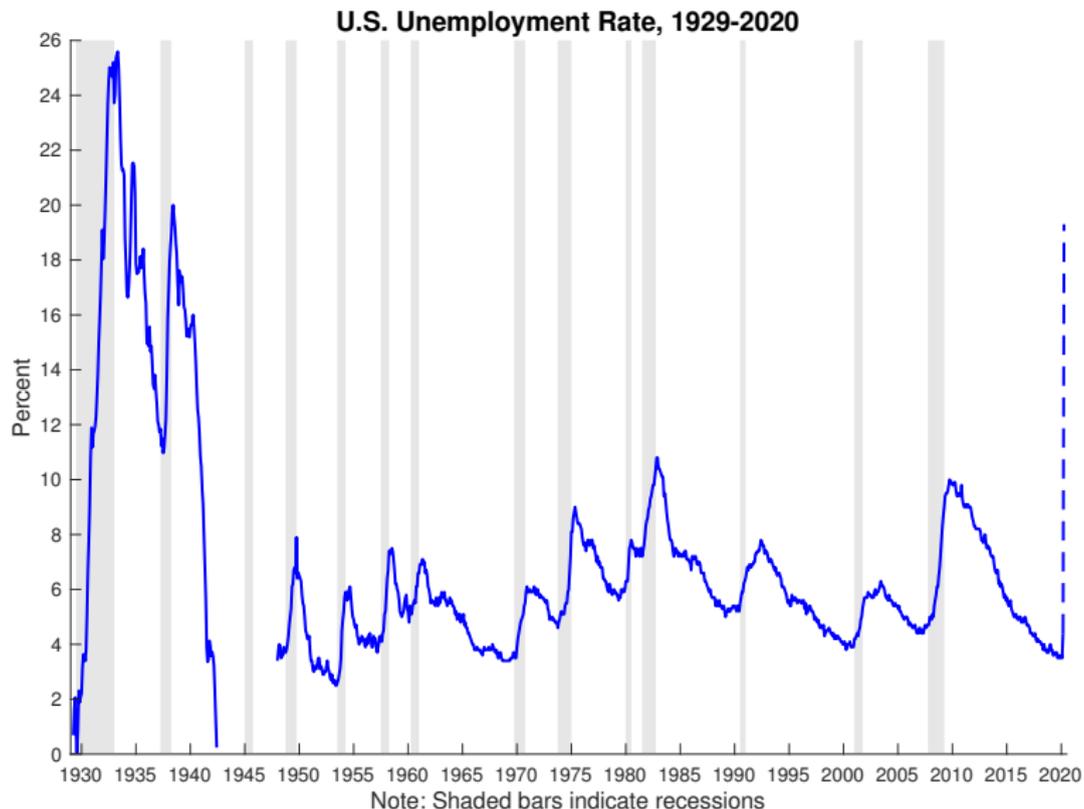
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And I look forward to your questions...

# Returning to Depression-era Unemployment Rates



Sources: National Bureau of Economic Research, Bureau of Labor Statistics