



# Economic Update

## N.A.B.E Webinar

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*The views expressed here are our own and do not necessarily reflect the views of the Federal Reserve Bank of Chicago, the Federal Open Market Committee (FOMC) or the Federal Reserve System.*

# Overview

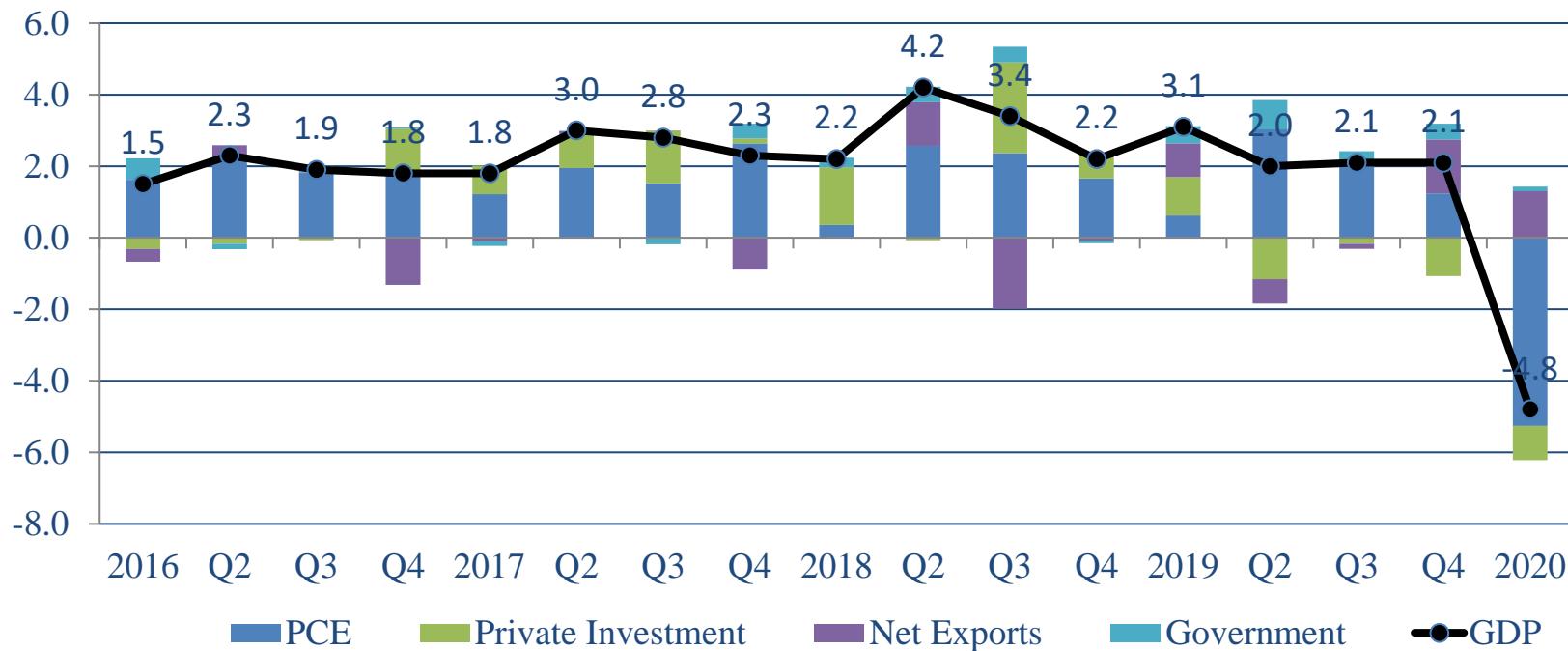
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- **Real GDP for the U.S. fell 4.8% in Q1 2020 and a SAAR Basis, the largest quarterly decline since Q4 2018 with declines in Personal Consumption Expenditures and Private Domestic Investment being somewhat offset by contributions from Net Exports and Government Consumption and Investment.**
- **University of Michigan's April release of its Index of Consumer Sentiment had its largest single month decline since October 2008 falling to its lowest level since November 2011 on fears of a worsening economy.**
- **Business fixed investment declined 5.6% in Q1 2020 with nonresidential investment falling 8.6%, its largest decline since Q2 2009, while residential investment increased 21.0% on a SAAR basis.**
- **The U.S. trade deficit fell by \$83 billion as imports declined 15.3% while exports declined just 8.7%**
- **Labor markets suffer their largest declines in history as over 26 million workers filed unemployment claims in just five weeks and inflation remains below the Fed's target of 2.0%.**

# U.S. Real GDP

## Contribution to Percent Change - Q/Q at SAAR, \$2012

Percent



### Contributions Q1 2020

-5.26%

-0.96%

1.30%

0.13%

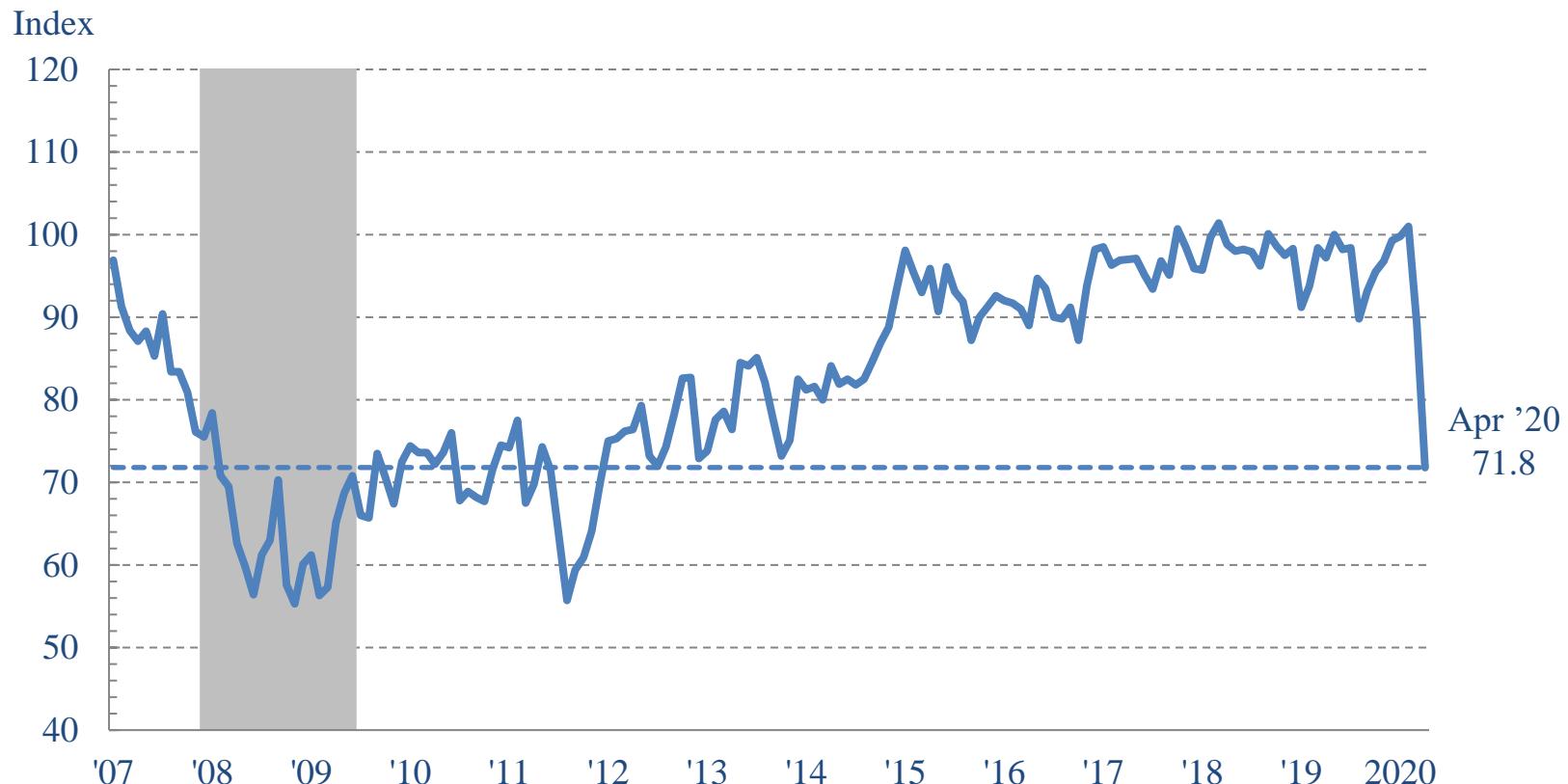
-4.8%

Note: Contributions by sector may not sum to total due to rounding errors.

Source: U.S. Bureau of Economic Analysis.

# Consumer Sentiment

## University of Michigan



Source: Thomson Reuters / University of Michigan

# Real Disposable Personal Income

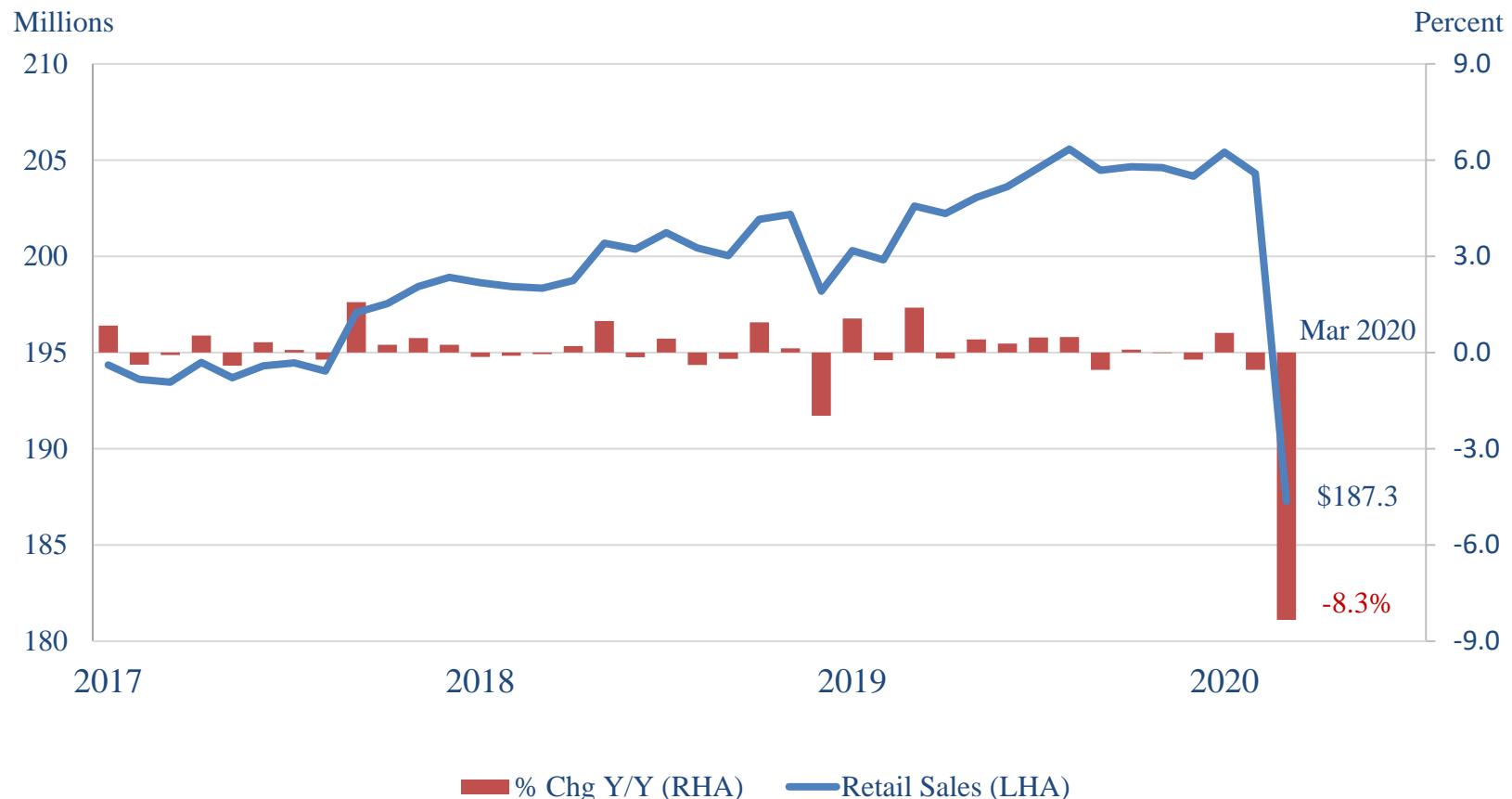
In Billions of Chained 2012 Dollars - Percent Change Yr./Yr.



Source: Bureau of Economic Analysis.

# Real Advanced Retail Sales

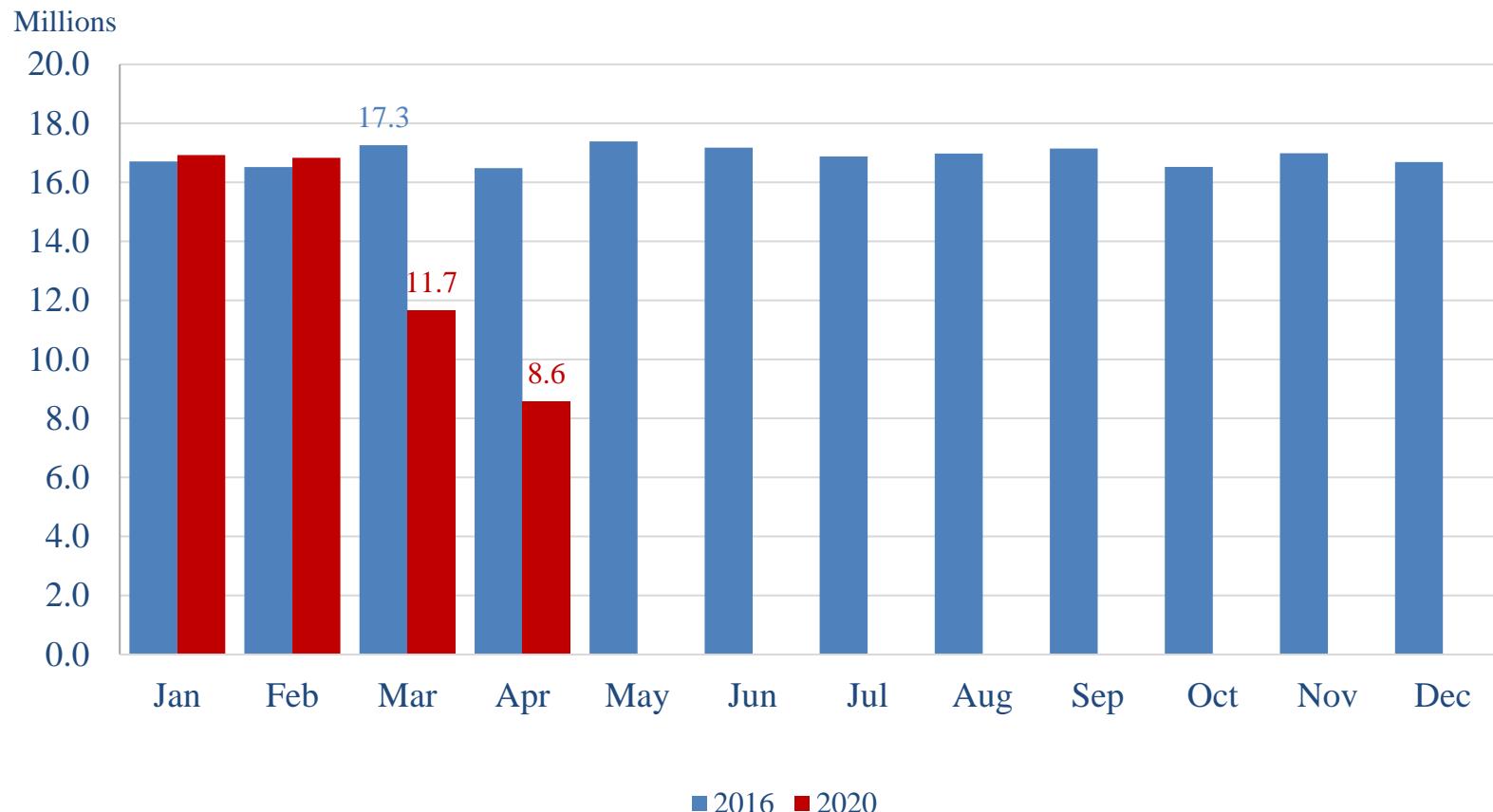
In Millions of Dollars and Percent Change M/M



Source: FRB St. Louis

# U.S. Light Vehicle Sales

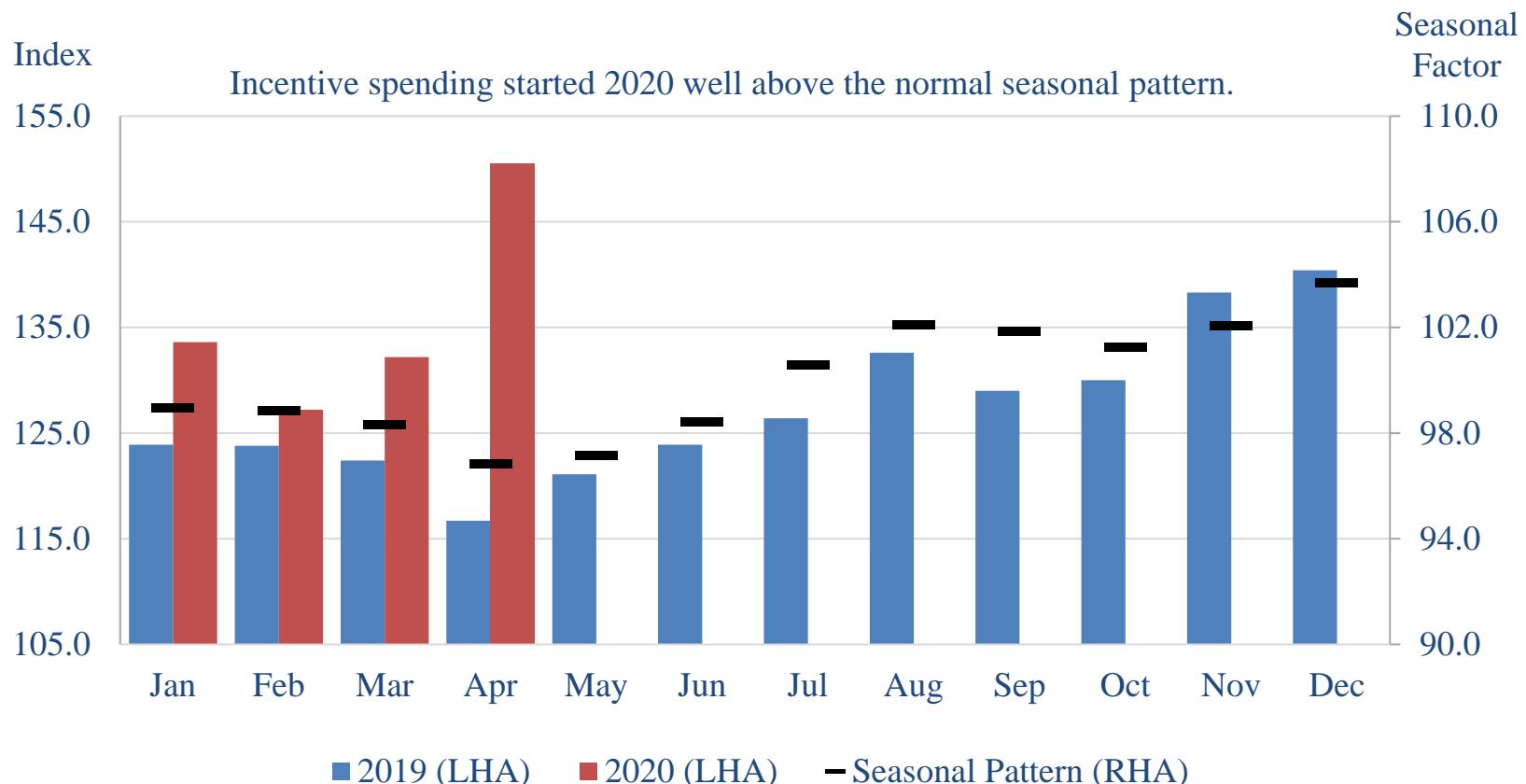
In Millions of Units - SAAR



Source: Standard & Poor's and Haver Analytics

# Real Incentive Spend

Index – 2012 = 100\* & Seasonal Pattern

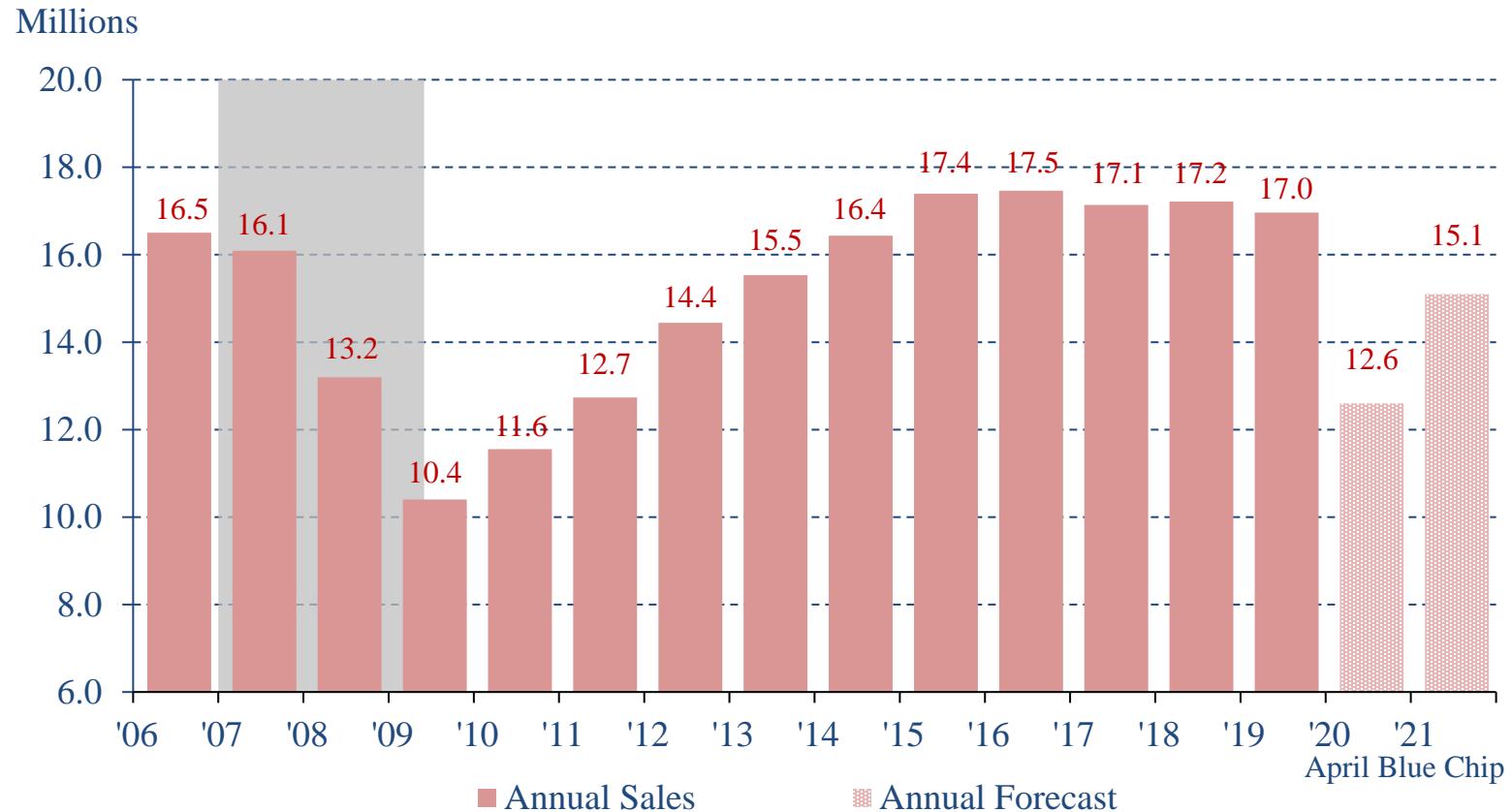


\* Incentive spend inflation adjusted using average new vehicle price.

Source: Author's Calculations using J.D. Power and FOMC data.

# U.S. Light Vehicle Sales

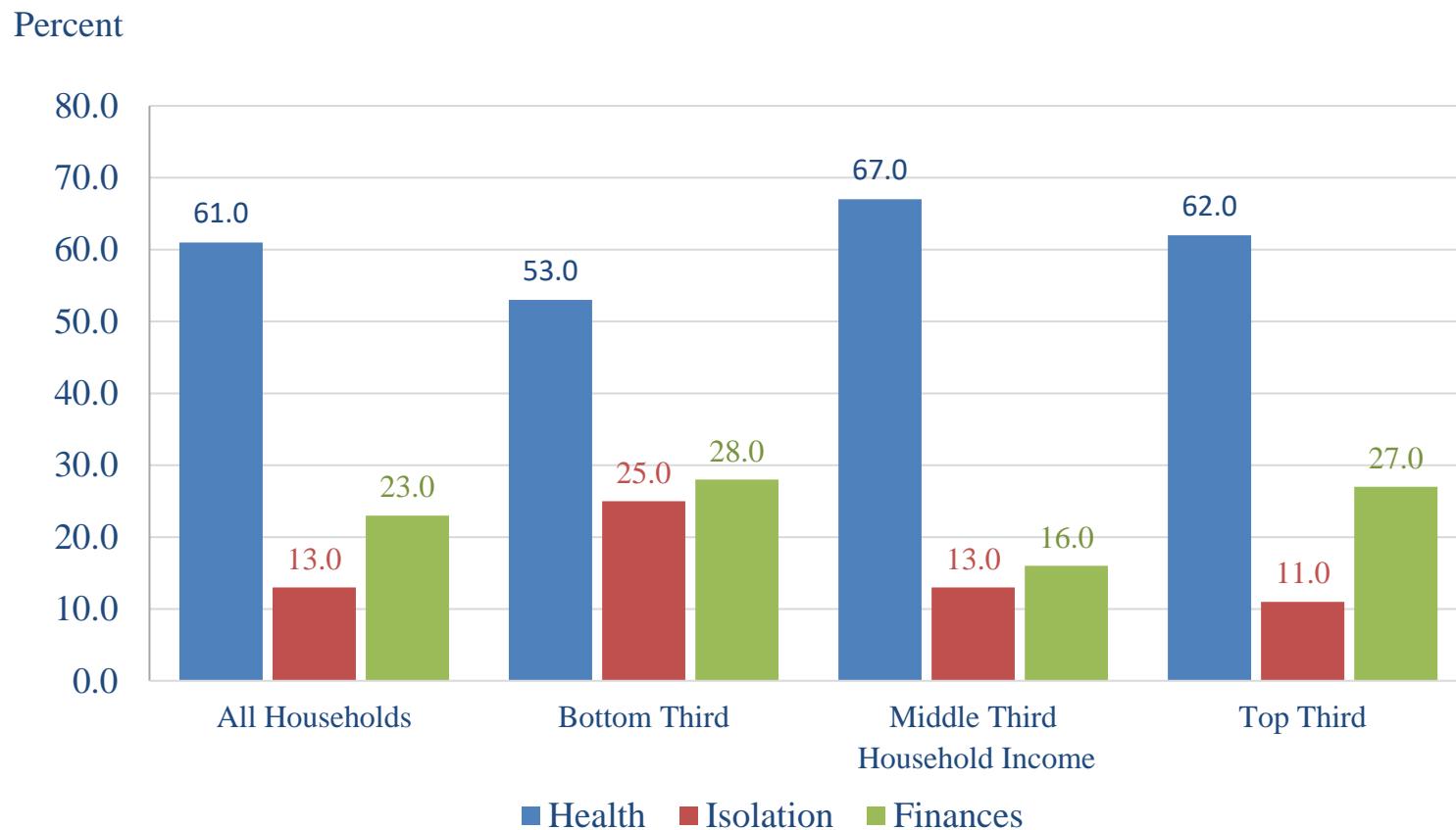
Millions of Units



Source: WardsAuto Intelligence, BEA, and April 10, 2020 Blue Chip Consensus Forecast

# Restoring Consumer Confidence

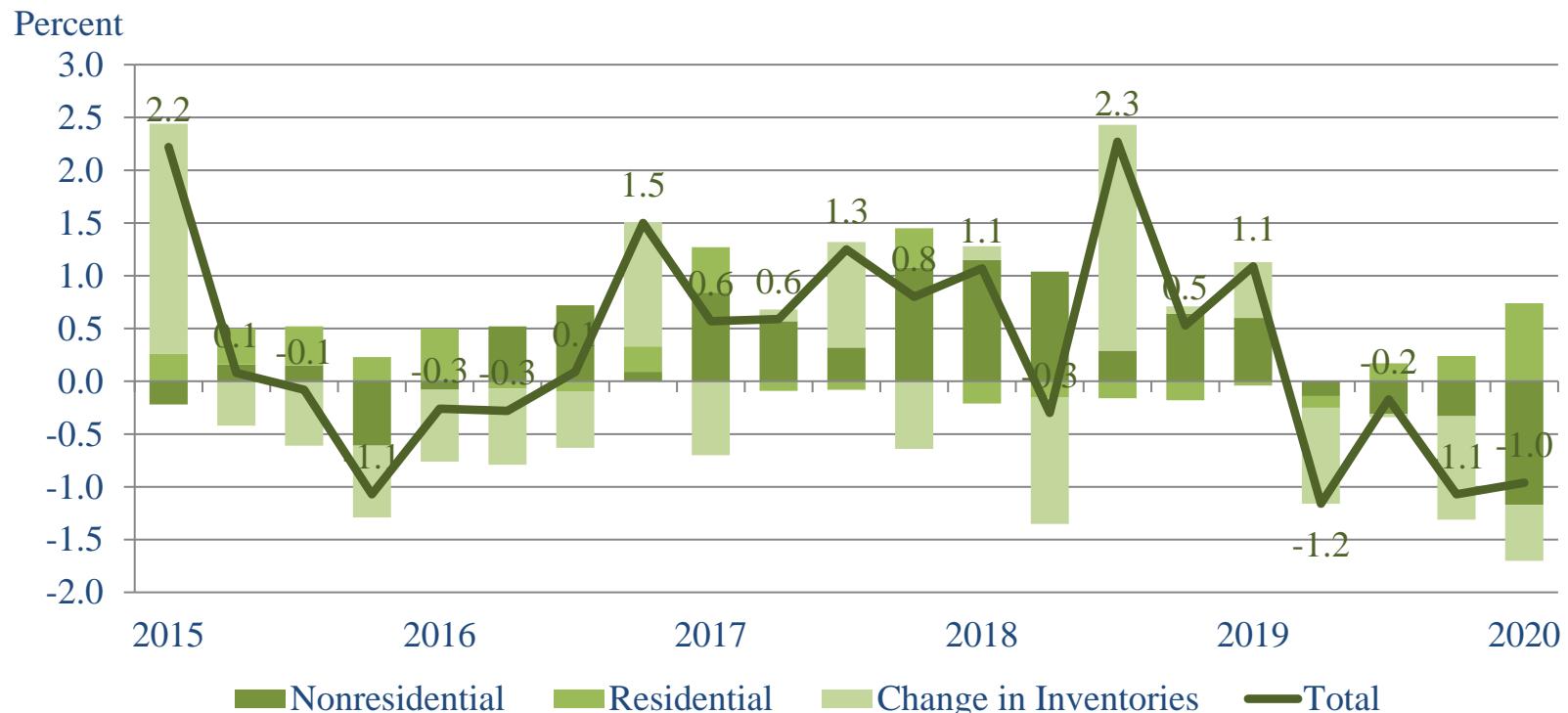
University of Michigan



Source: Thomson Reuters / University of Michigan

# Real Gross Private Domestic Investment

Contribution to Percent Change to GDP - Q/Q at SAAR, \$2012



Contributions Q2 2019

-1.17%

0.74%

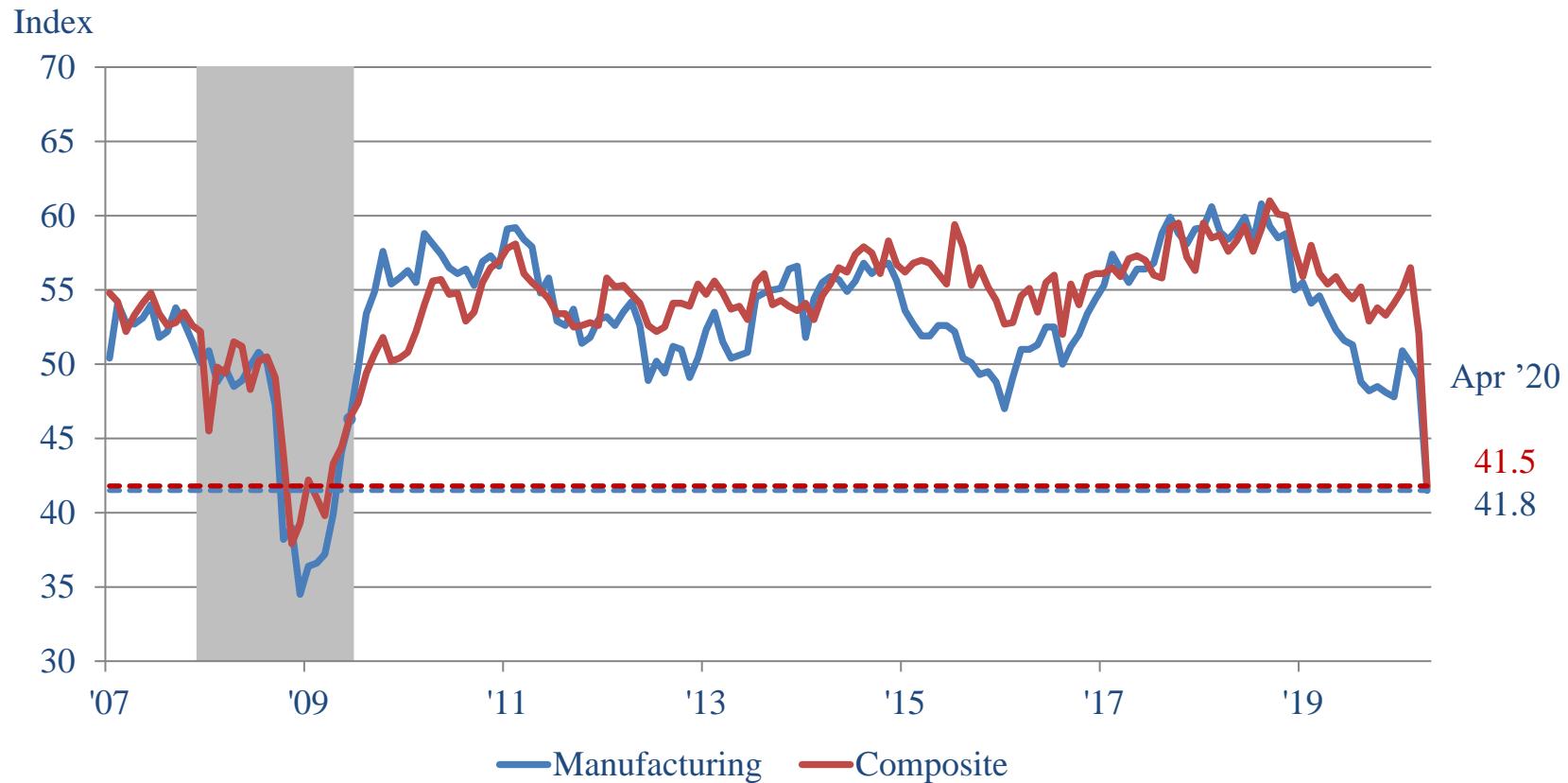
-0.53%

-0.96%

Source: U.S. Bureau of Economic Analysis

# Purchasing Managers Index

## ISM Manufacturing and Composite Indexes



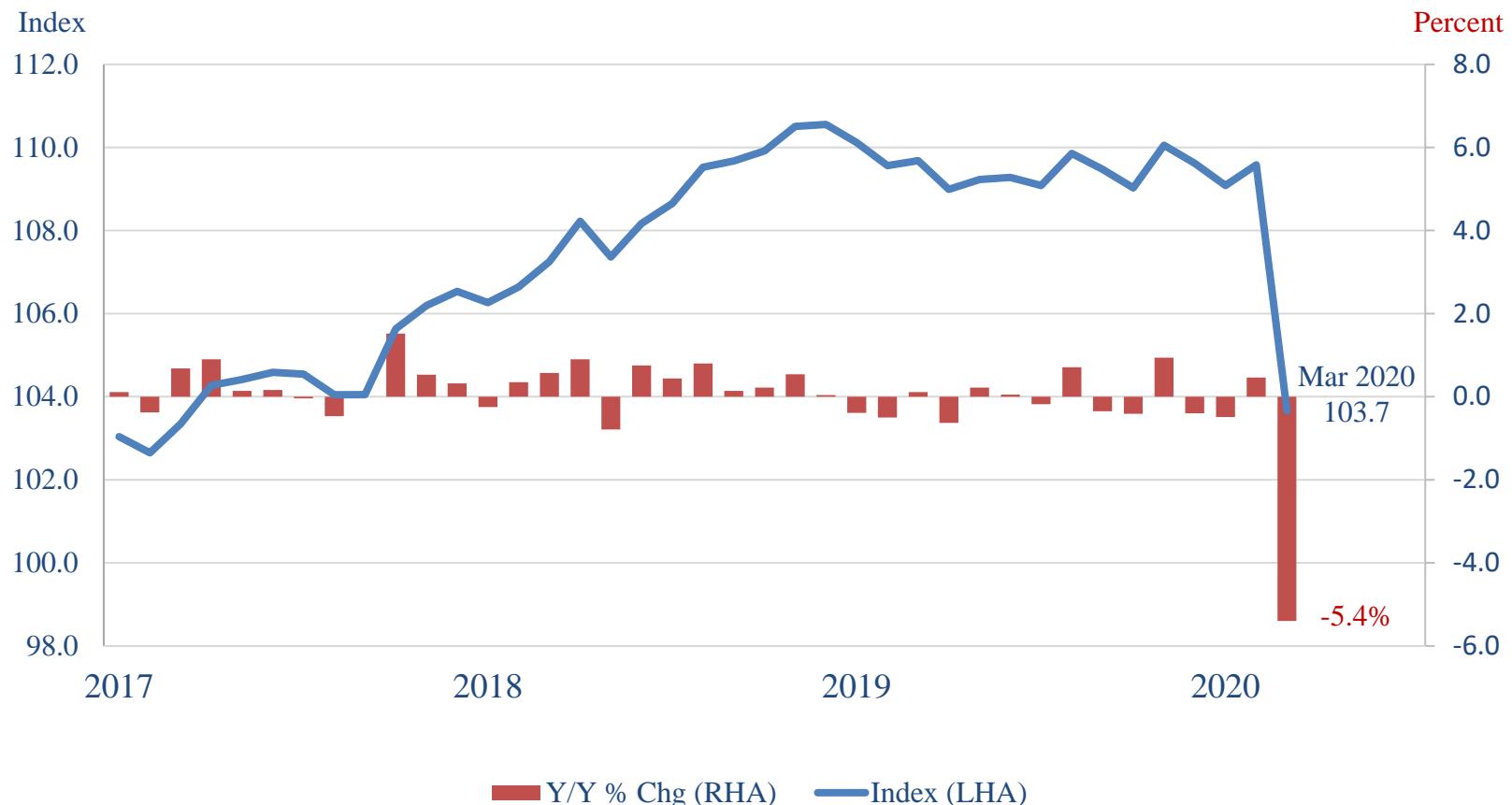
Note:

ISM Manufacturing and Composite Index value greater than 50 means expansion.

Source: Institute for Supply Management, Richmond Federal Reserve, and Haver Analytics.

# Industrial Production - Total

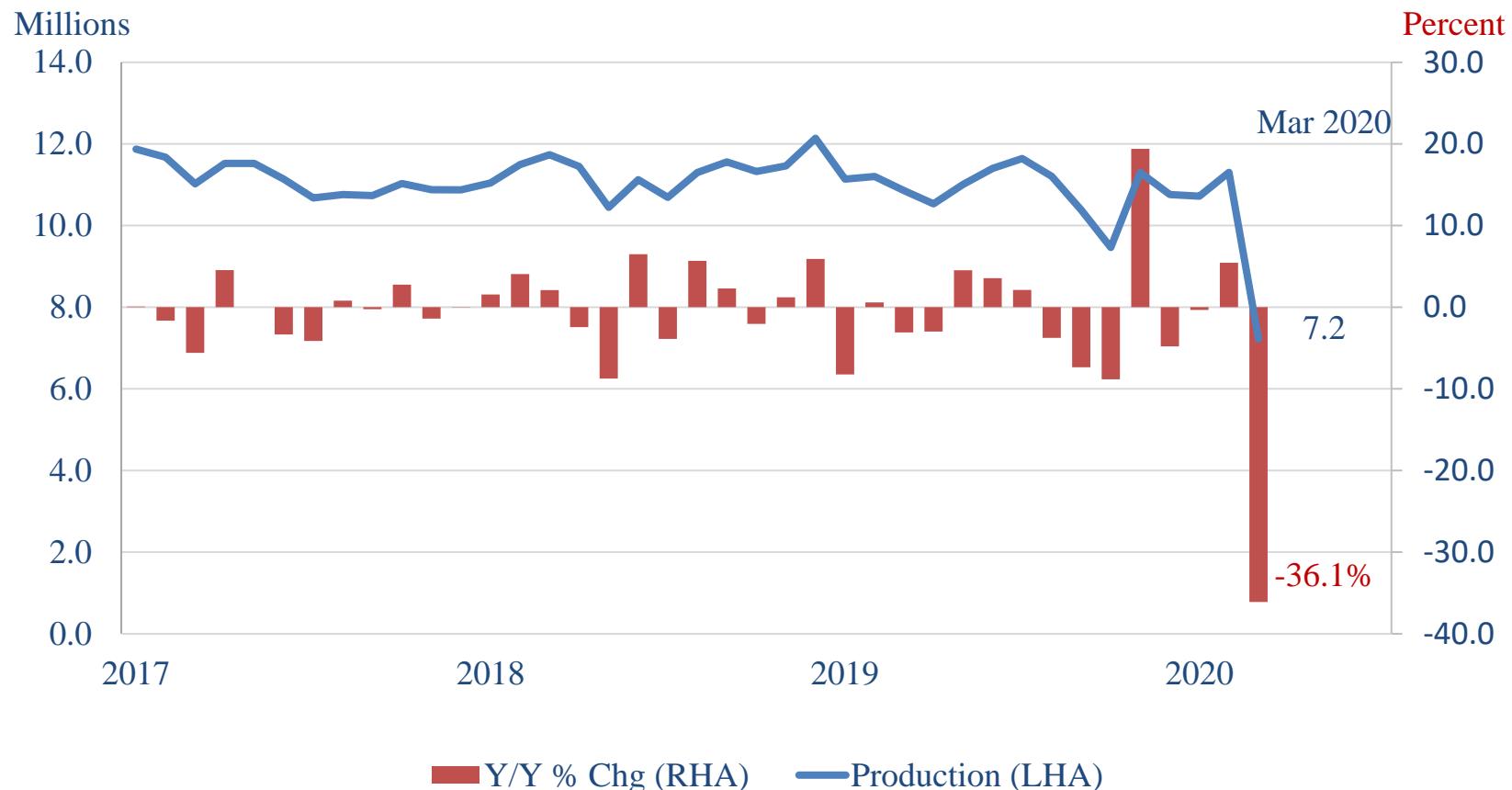
Index 2012 = 100 & Percent Change M/M



Source: Federal Reserve Board

# Industrial Production - Automotive

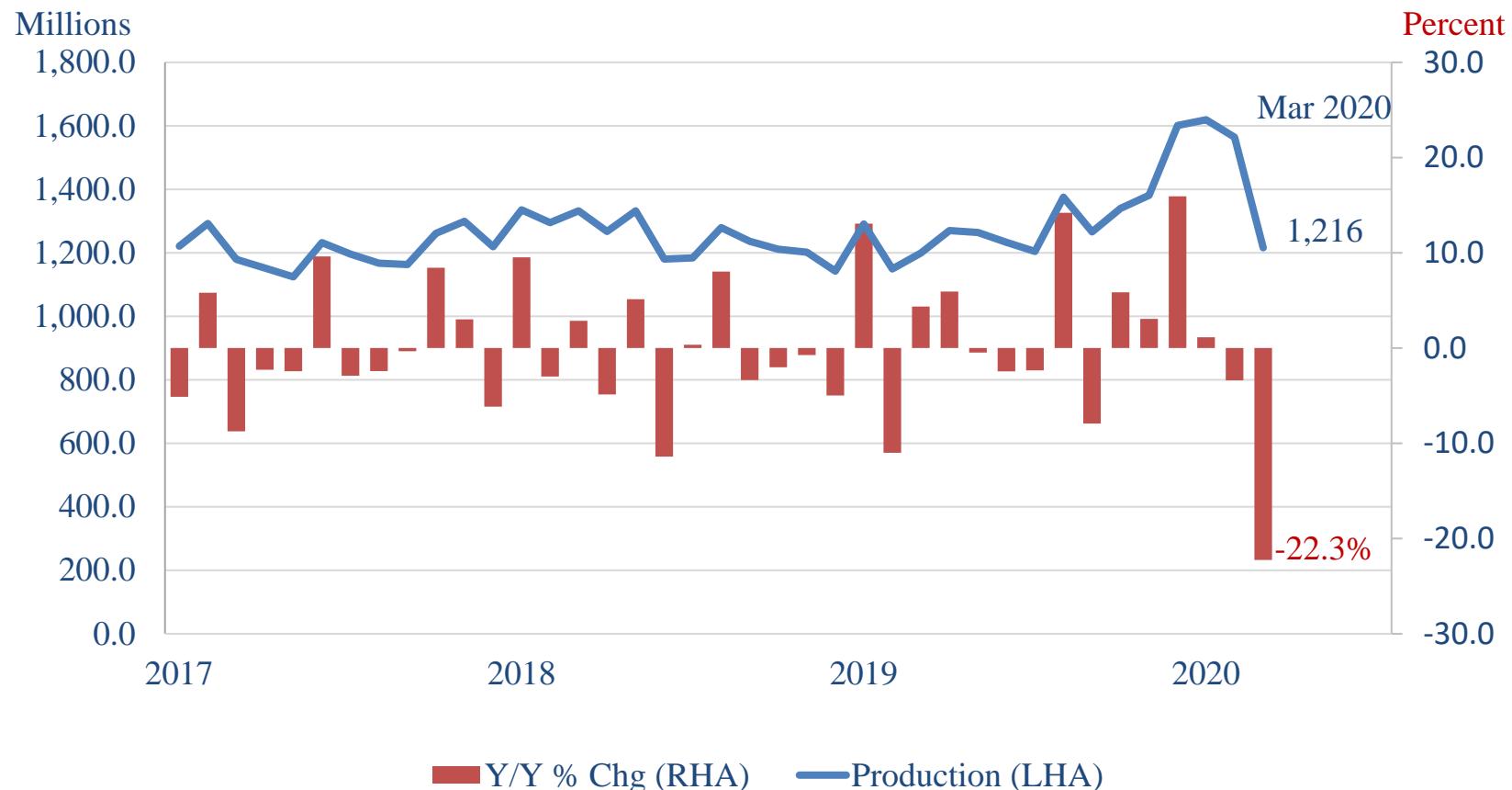
## Millions of Units – SAAR & Percent Change M/M



Source: Federal Reserve Board

# Housing Starts

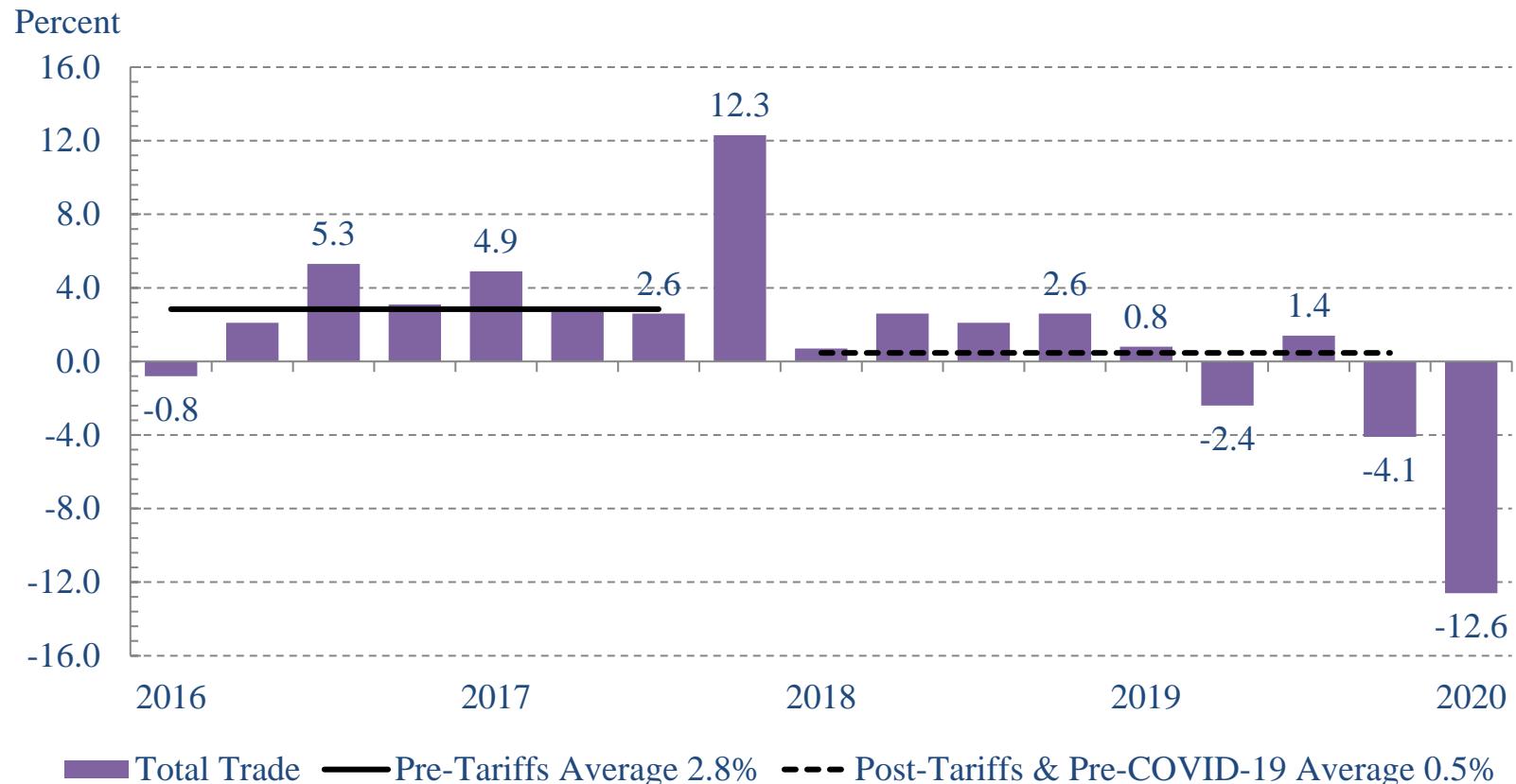
## Thousands of Units – SAAR & Percent Change M/M



Source: U.S. Census Bureau

# Total Real Trade - Imports and Exports

Percent Change Q/Q – SAAR

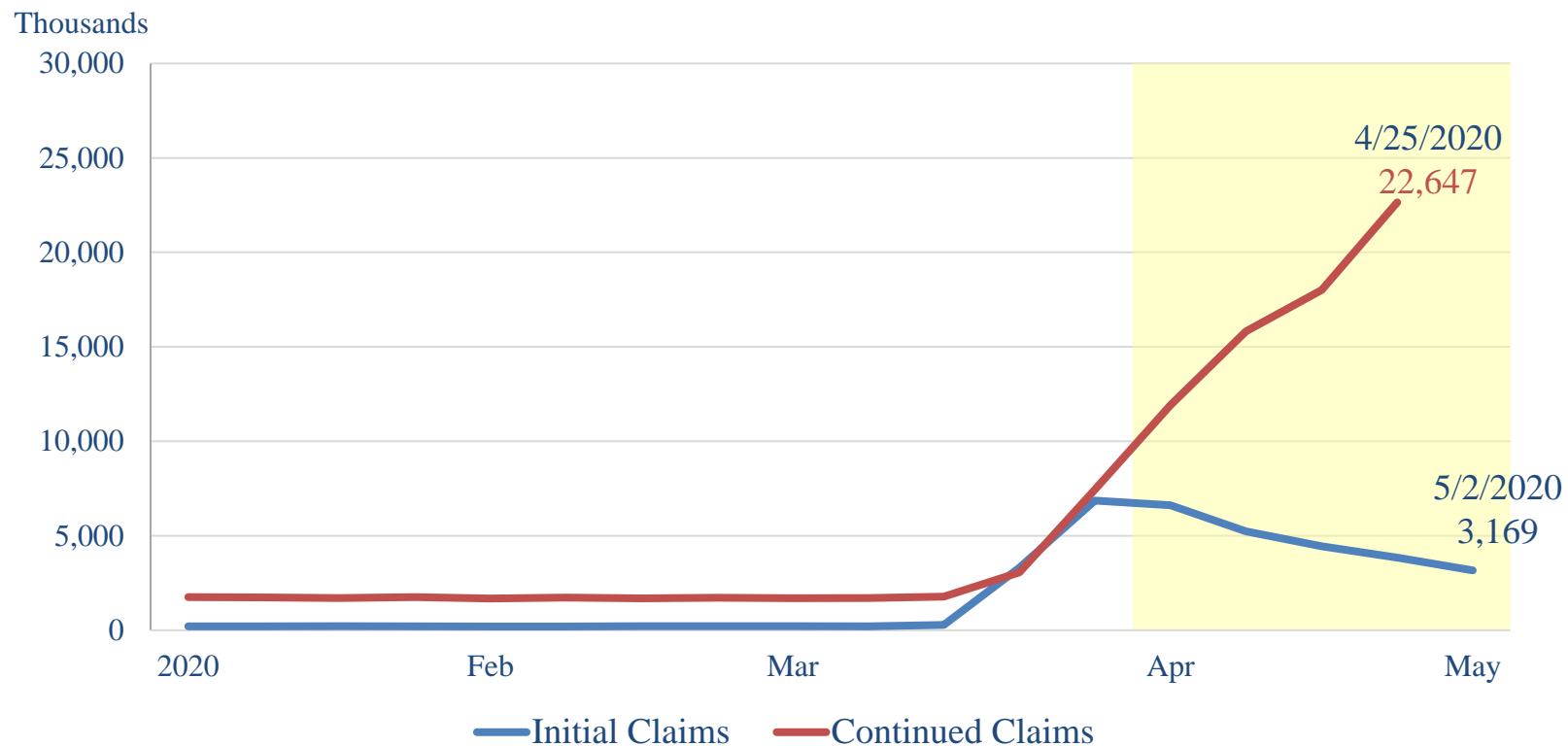


Note: Exports of \$2479.5 (-\$5.4) minus Imports of \$3,96.9 (-\$140.2) equals Net Exports of -\$817.4 (+\$83.3) in billions of \$2012.

Source: U.S. Bureau of Economic Analysis

# Initial Unemployment Claims

## Weekly Claims and Continued Claims, In Thousands



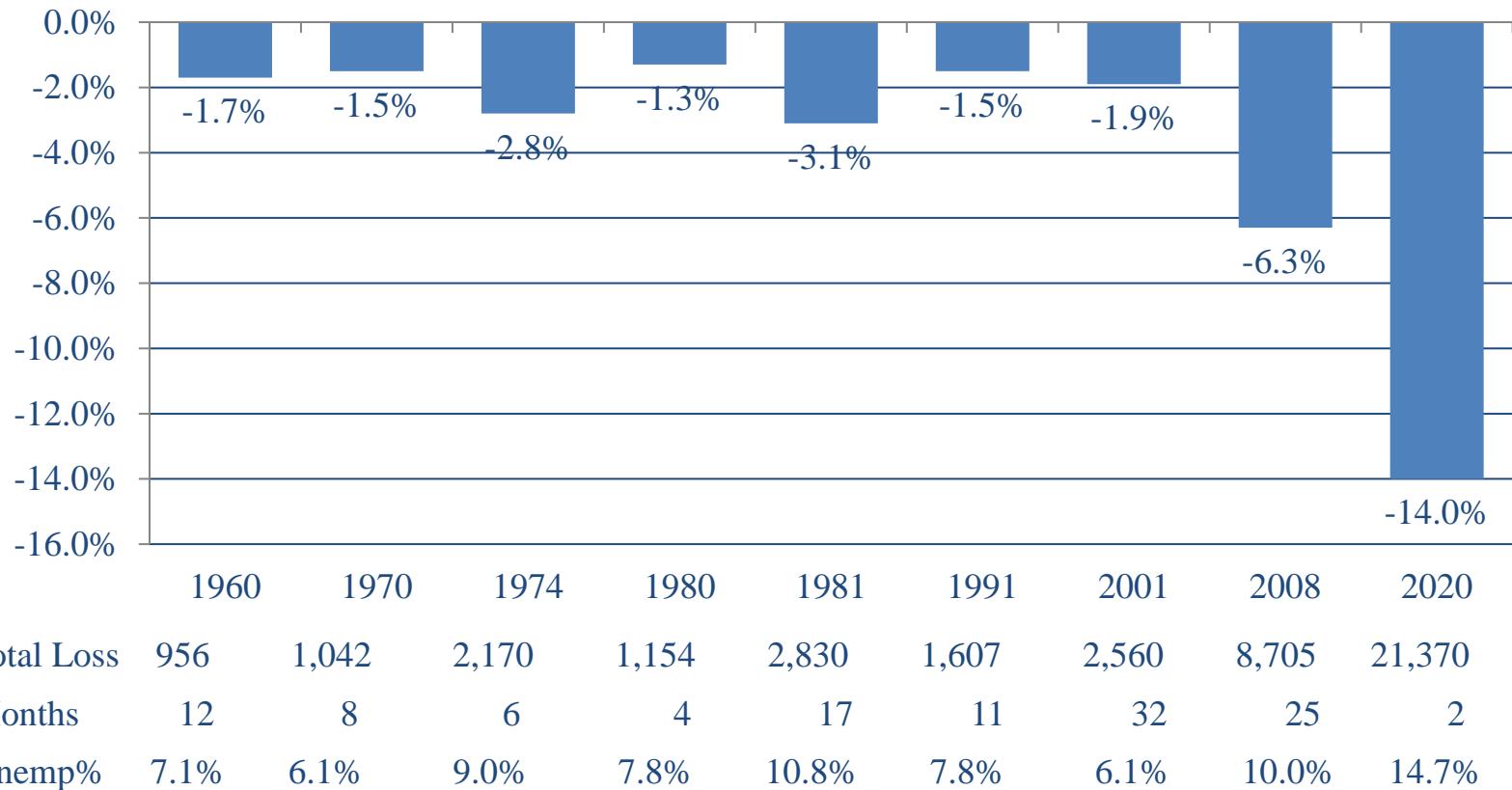
Note: Since the end of March, 23.3 million workers have filed for unemployment with over 20.0 million filing in the month of April.

Source: U.S. Labor and Training Administration

# U.S. Nonfarm Payrolls

## Percent Change and Job Loss in Thousands from Previous Peak

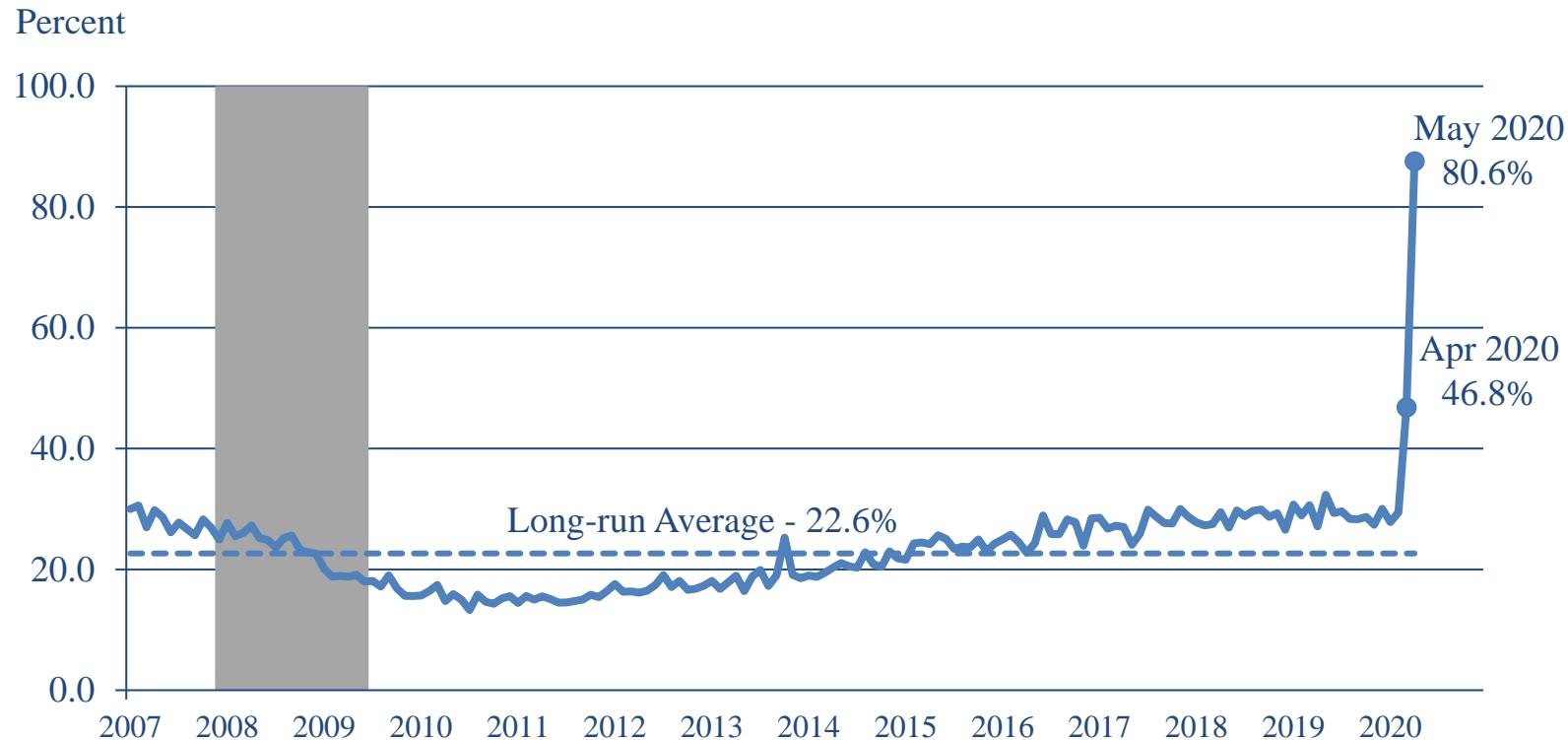
Percent



Source: U.S. Department of Labor: Bureau of Labor Statistics and Haver Analytics

# Lob Losers on Temporary Layoff

## Percent of Total Job Losers



Note: Data from monthly household survey.

Source: U.S. Department of Labor: Bureau of Labor Statistics and Haver Analytics

# Permanent Job Losers

## In Thousands of Workers



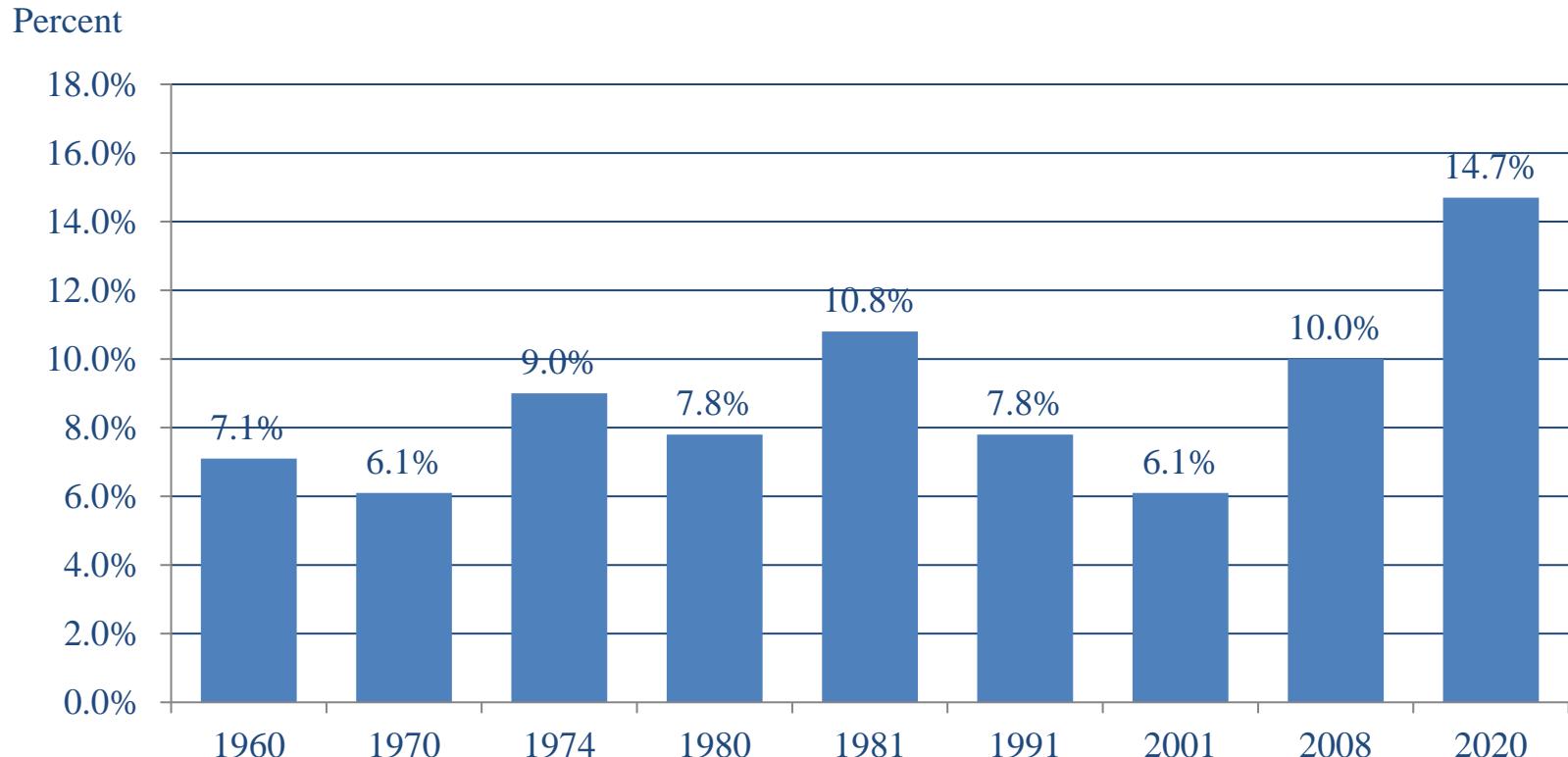
Note: Data from monthly household survey.

Source: U.S. Department of Labor: Bureau of Labor Statistics and Haver Analytics

# U.S. Unemployment Rate

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## Pervious Peaks and Current In Percent

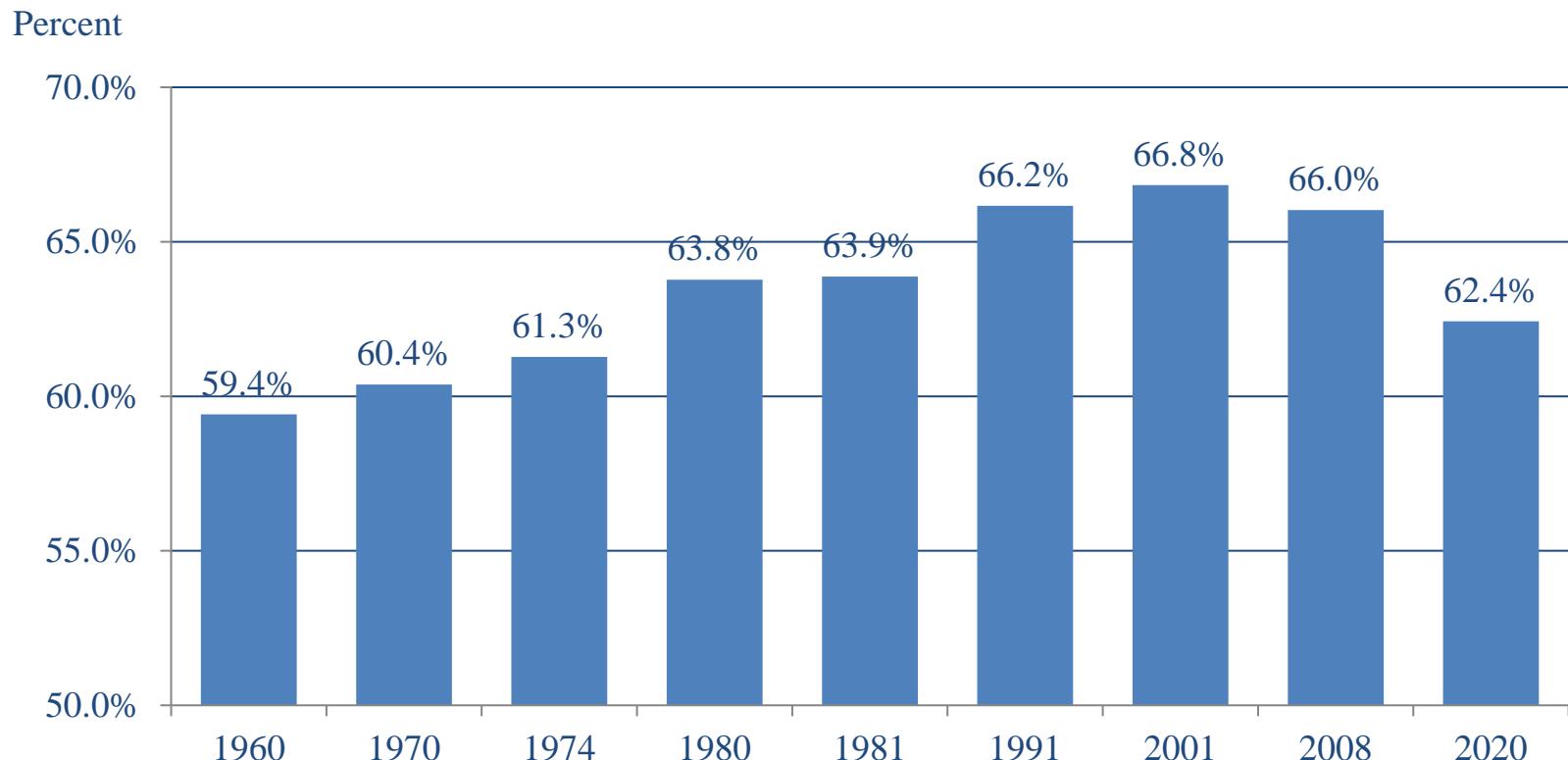


Source: U.S. Department of Labor: Bureau of Labor Statistics

# U.S. Participation Rate

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## Annual Average In Percent

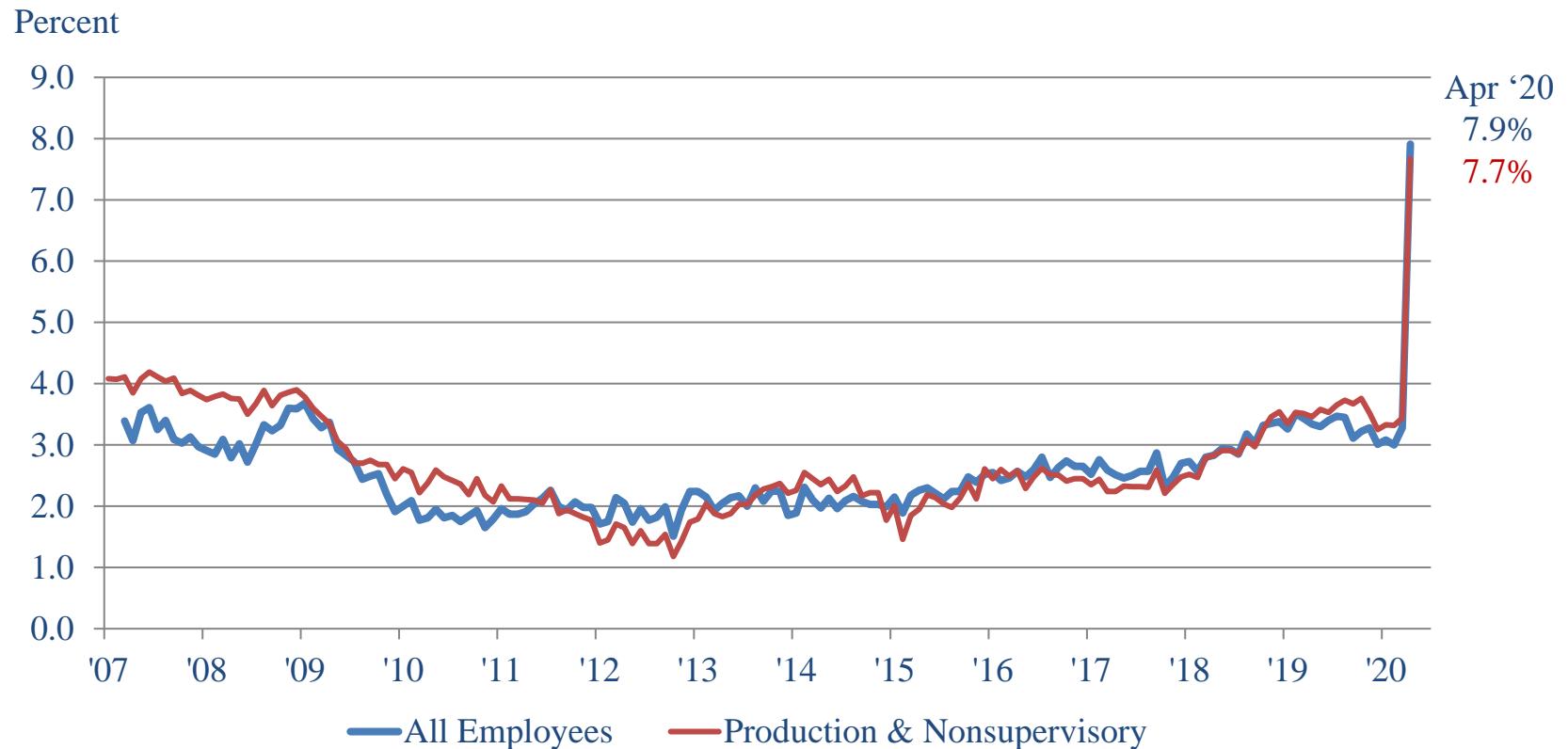


Note: Since January 2020 the labor forces has declined by 8,125,000 workers and the participation rate has fallen to 60.2%.

Source: Author's Calculations using Bureau of Labor Statistics and Haver Analytics data.

# Average Hourly Earnings – Private Employees

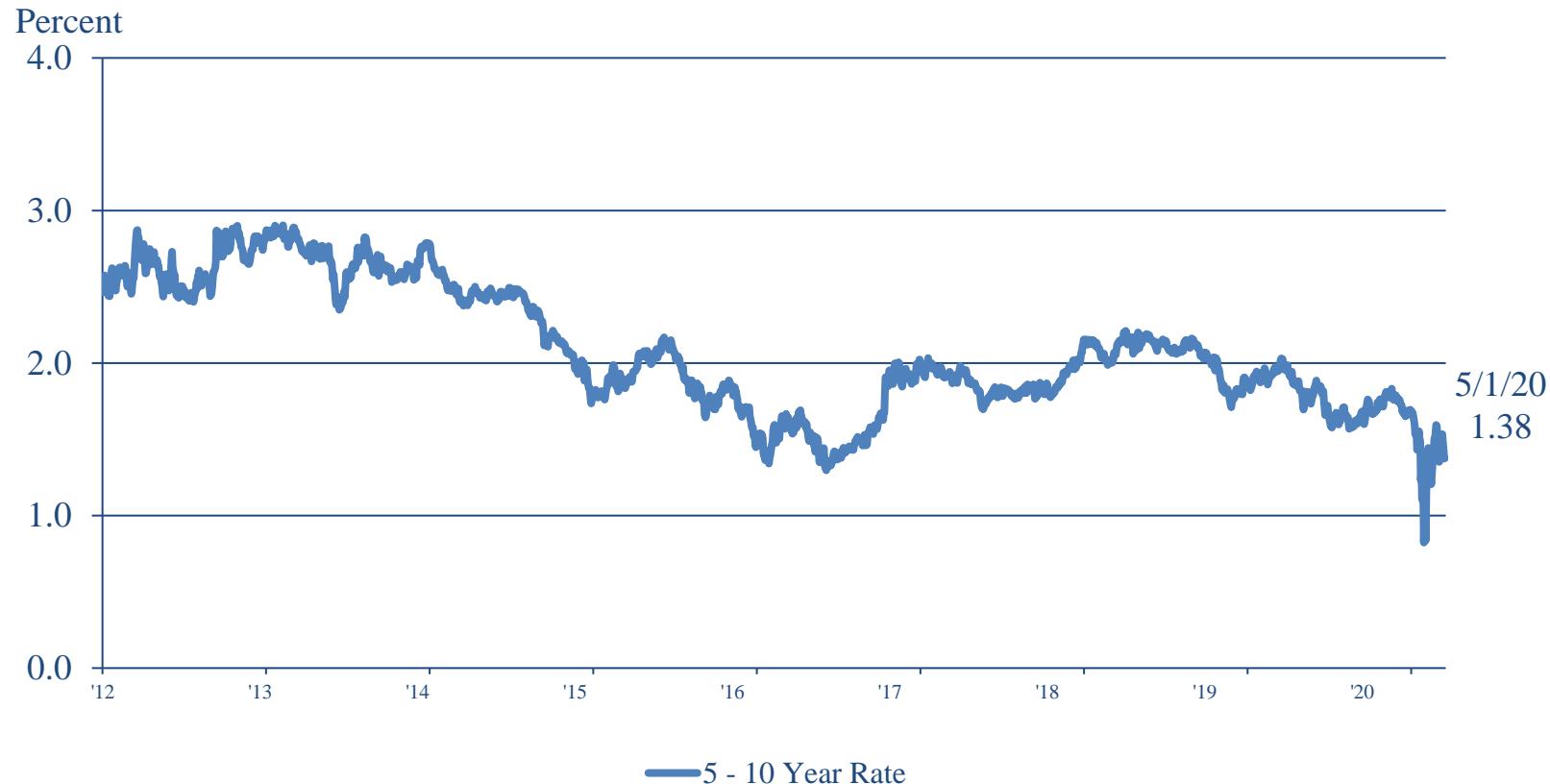
## Percent Change Year / Year



Source: U.S. Department of Labor: Bureau of Labor Statistics

# Inflation Expectations

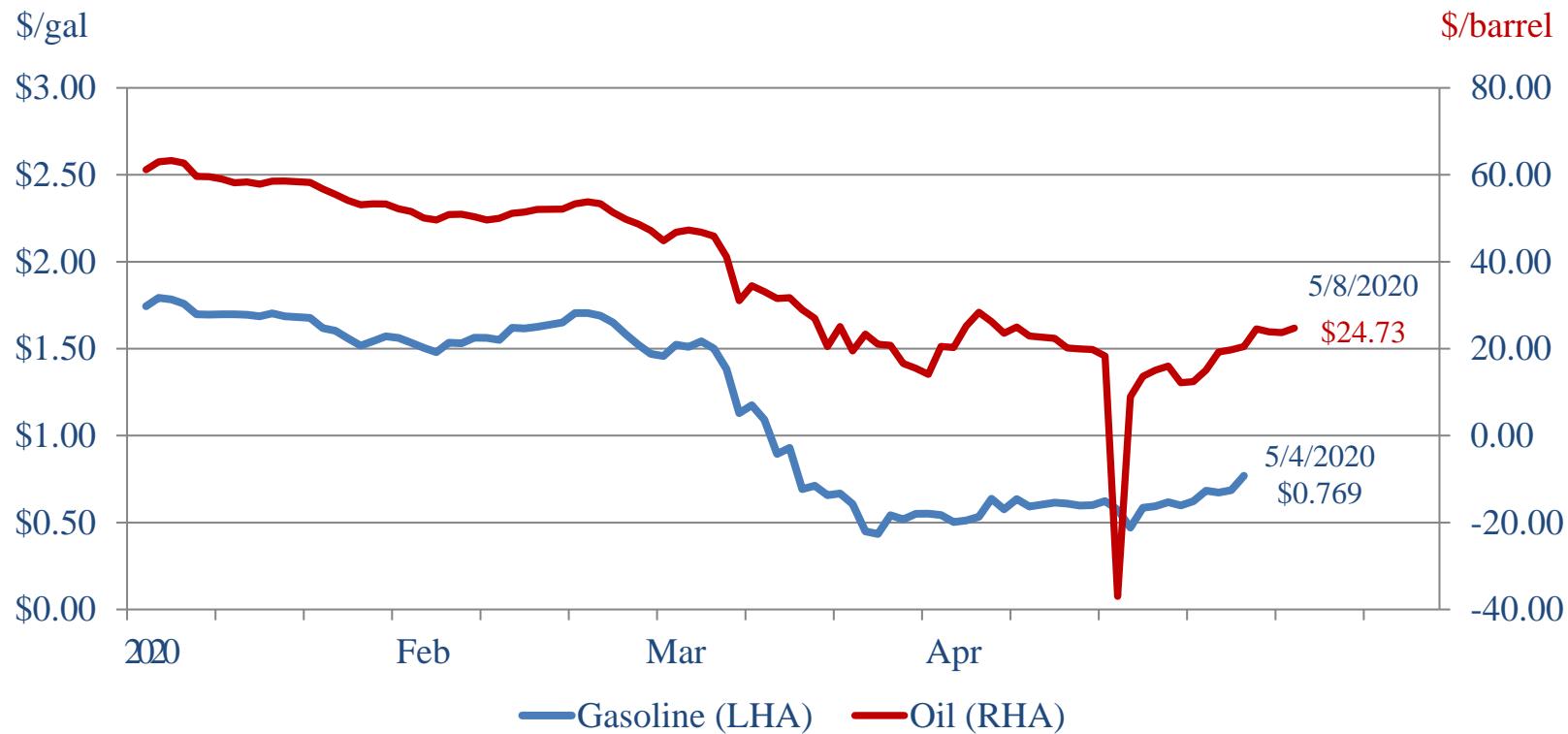
## TIPS 5-10 Year Inflation Compensation



Source: Survey of Consumers – University of Michigan and Federal Reserve Board

# U.S. Gasoline and Crude Oil Prices

## Unleaded Regular & WTI Spot Price – In Current Dollars



New York Harbor Conventional Gasoline Regular Spot Price FOB (US\$/Gal)  
Cushing OK WTI Spot Price FOB (US\$ per Barrel)

Source: Energy Information Administration and Haver Analytics

# Light Sweet Crude Oil Futures

## WTI, Cushing, OK - 1st Expiring to 2-year Contract Settlement

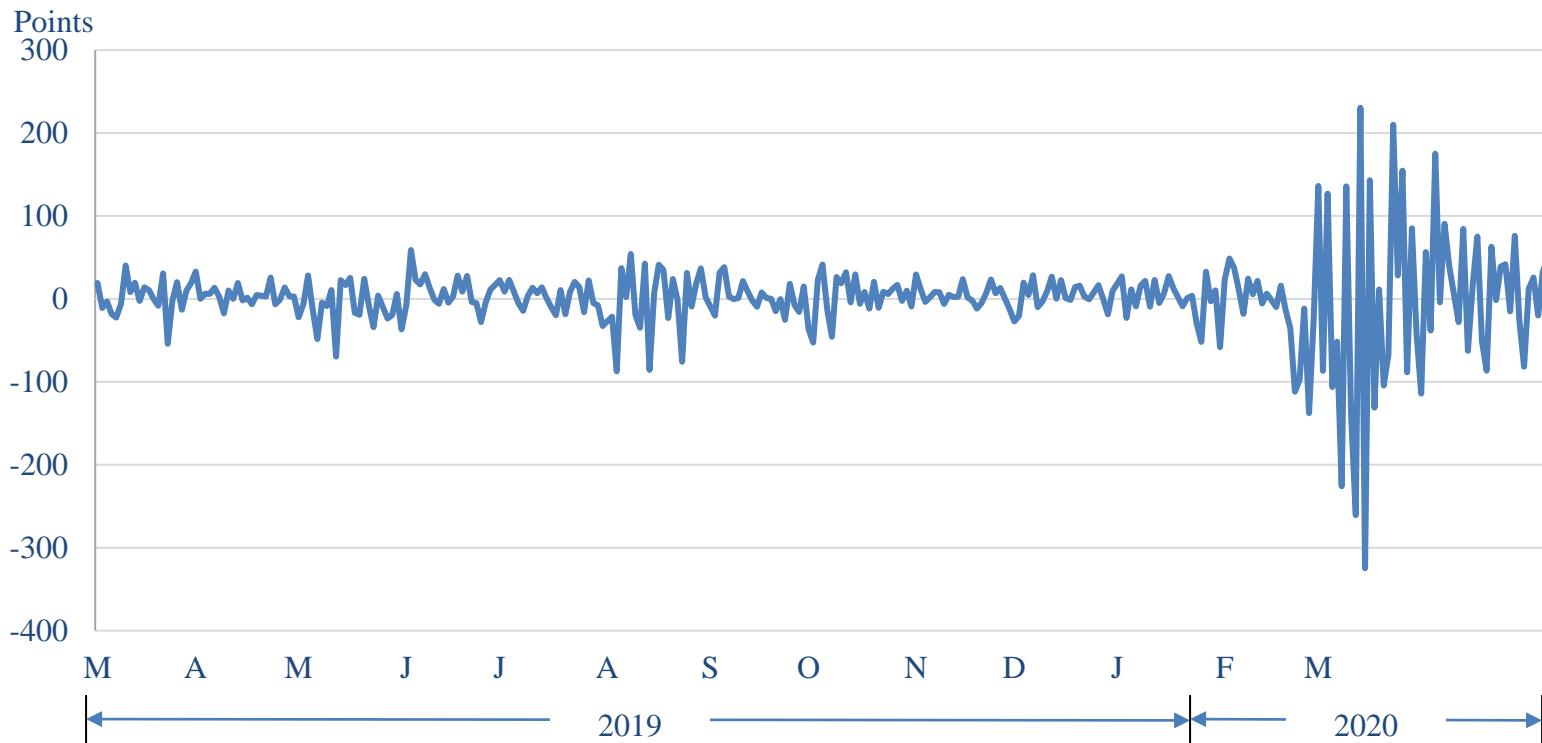


Note: On April 20, 2020 the 1<sup>st</sup> expiring futures fell to -\$37.63.

Source: Chicago Mercantile Exchange and Haver Analytics.

# Stock Market Volatility

## S&P 500 Daily Change – Mar 1, 2019 to May 8, 2020

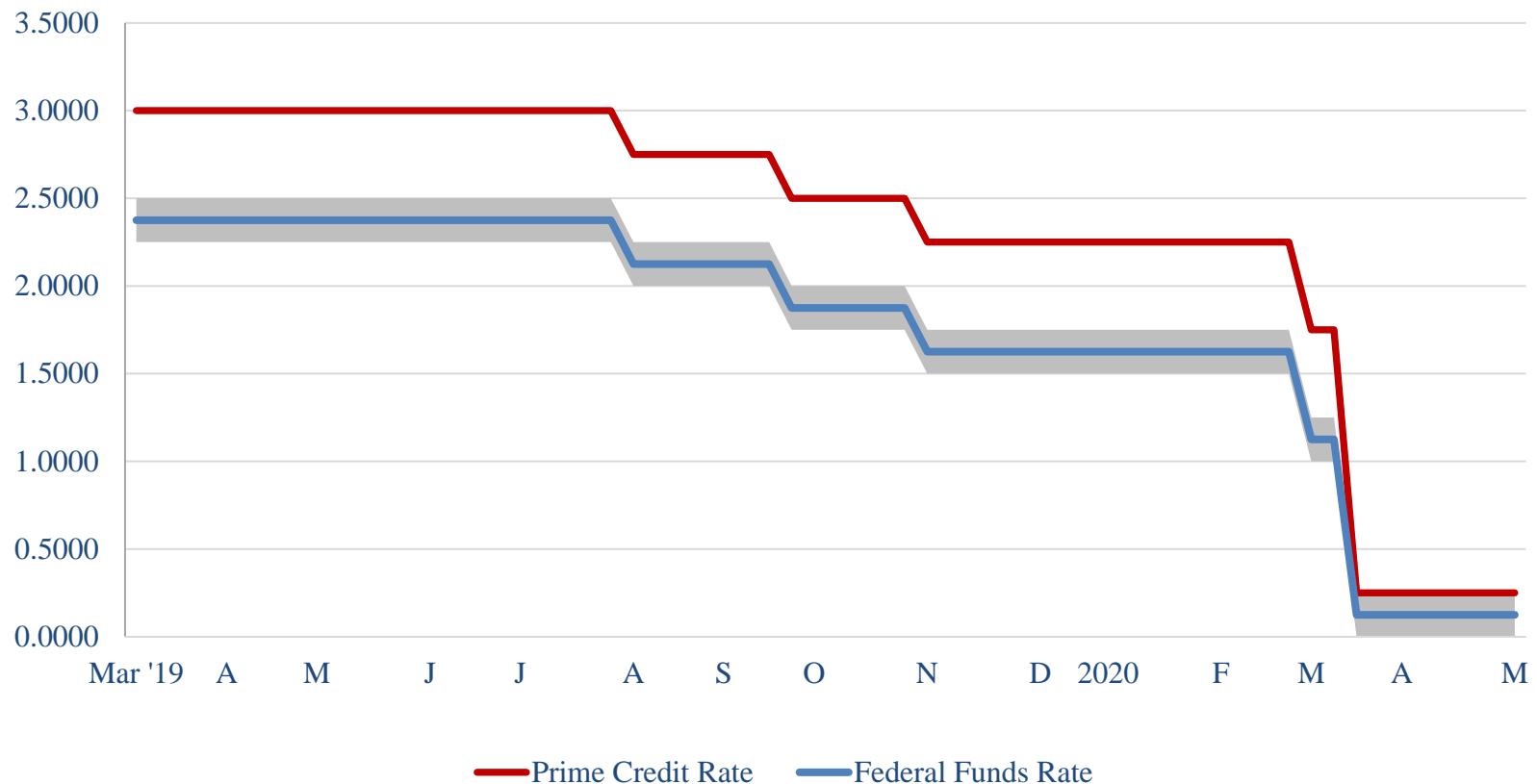


Note: Since March, the Fed has traded over \$4.5 trillion in securities and lowered overnight rates to near zero.

Source: Standard & Poor's and Haver Analytics

# Federal Funds & Prime Credit Rates

Mar 6, 2019 to May 8, 2020



Source: Federal Reserve and Haver Analytics

# Support for Business, Households & Local Government

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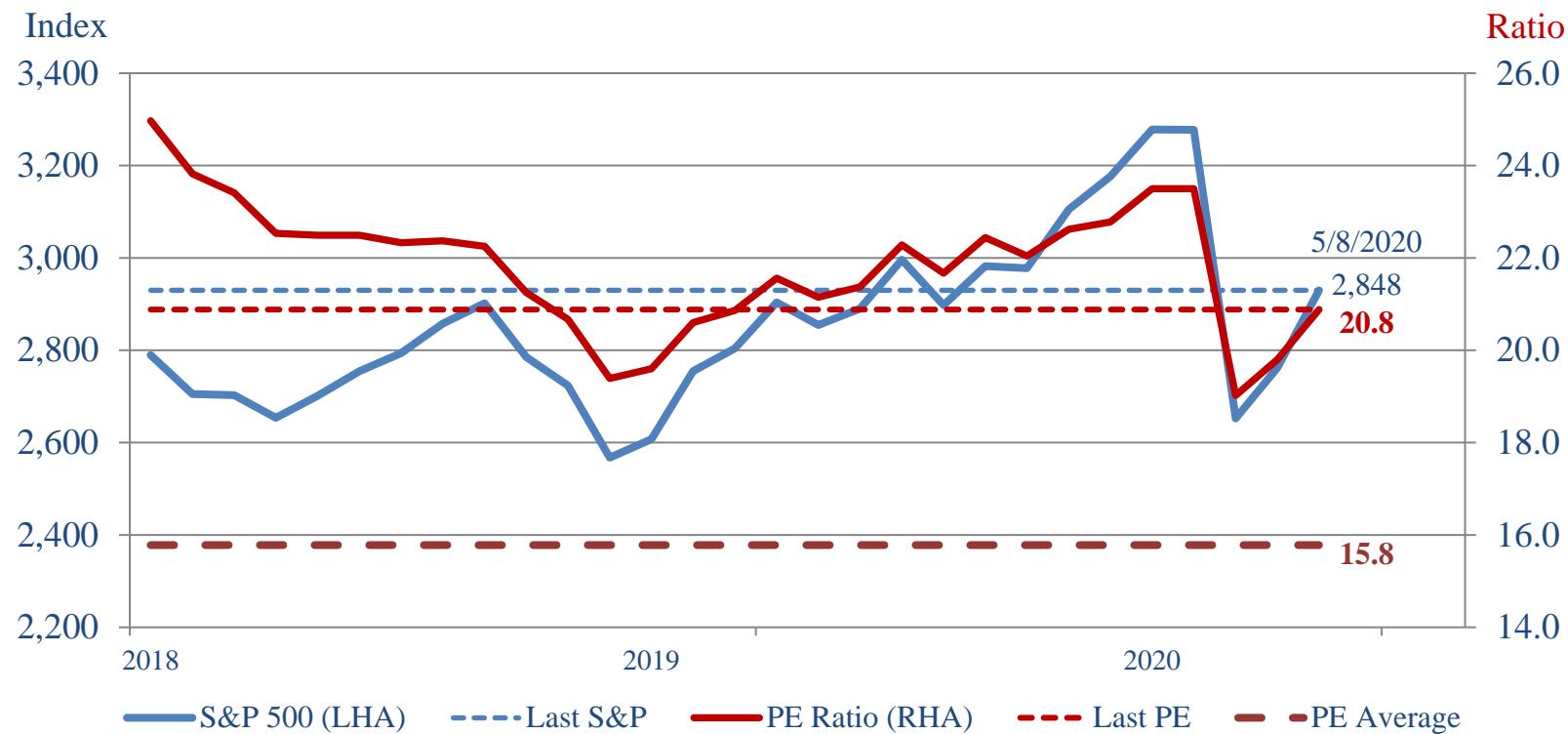
The Board announced facilities to support the flow of credit

- **Establishment of Commercial Paper Funding Facility (CPFF), Money Market Mutual Fund Liquidity Facility (MMLF), and Primary Dealer Credit Facility (PDCF)**
- **Expanded central bank liquidity swap line to foreign central banks**
- **Lowered the bank's reserve requirements to zero**
- **Offered guidance to banks to be flexible with customers experiencing financial challenges**
- **Issued statements encouraging the use of intraday overdraft credit at the Federal Reserve**

Source: Federal Reserve

# S&P 500 Composite

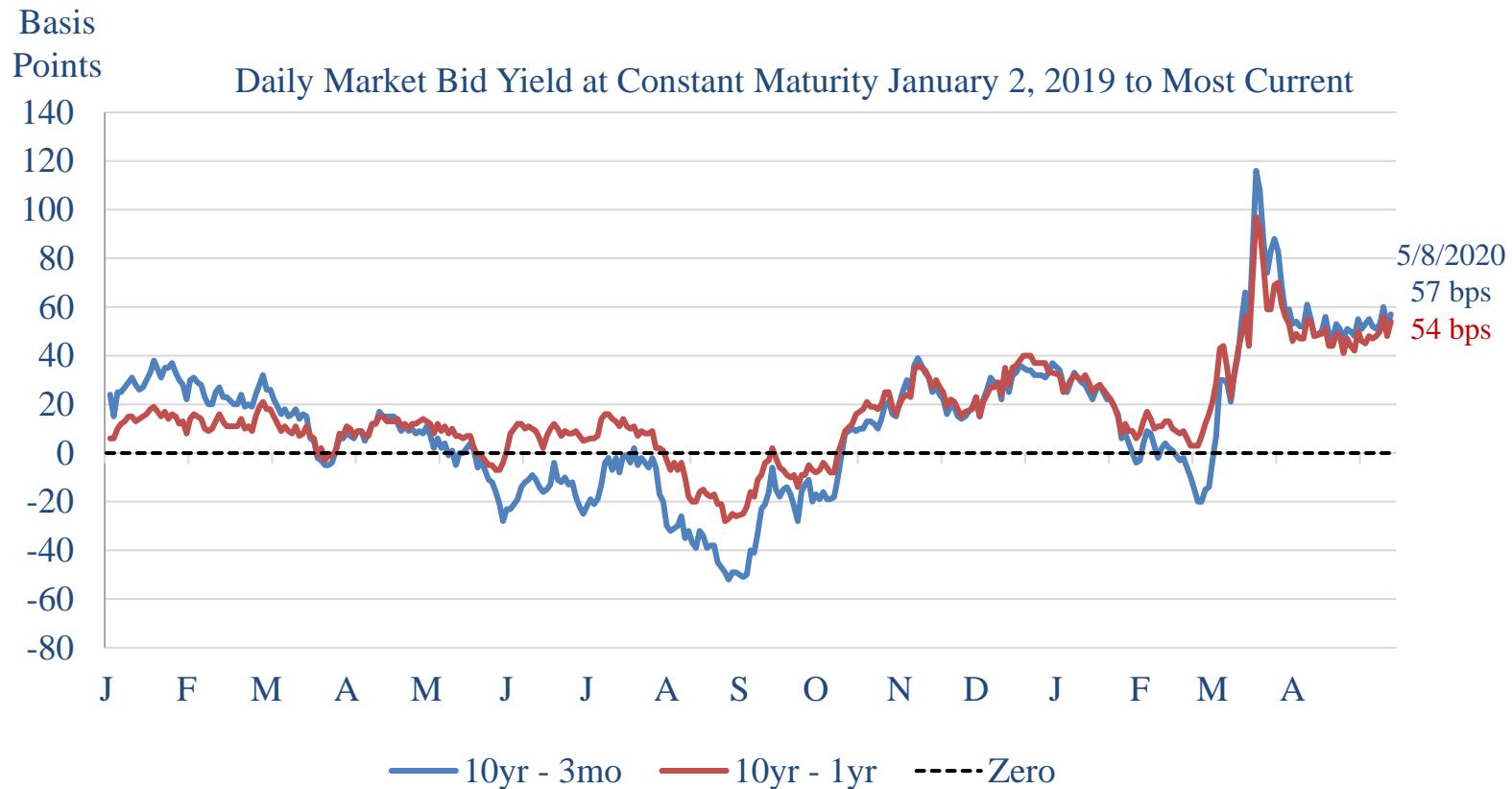
## Monthly Average Composite and PE Ratio



Source: Haver Analytics data taken from the Wall Street Journal and Coindesk.

# Yield Curve

## 10 Year Minus 1 Yr. and 3 Mo. Treasuries in Basis Points



Source: Board of Governors – Federal Reserve System

# National Financial Conditions Index

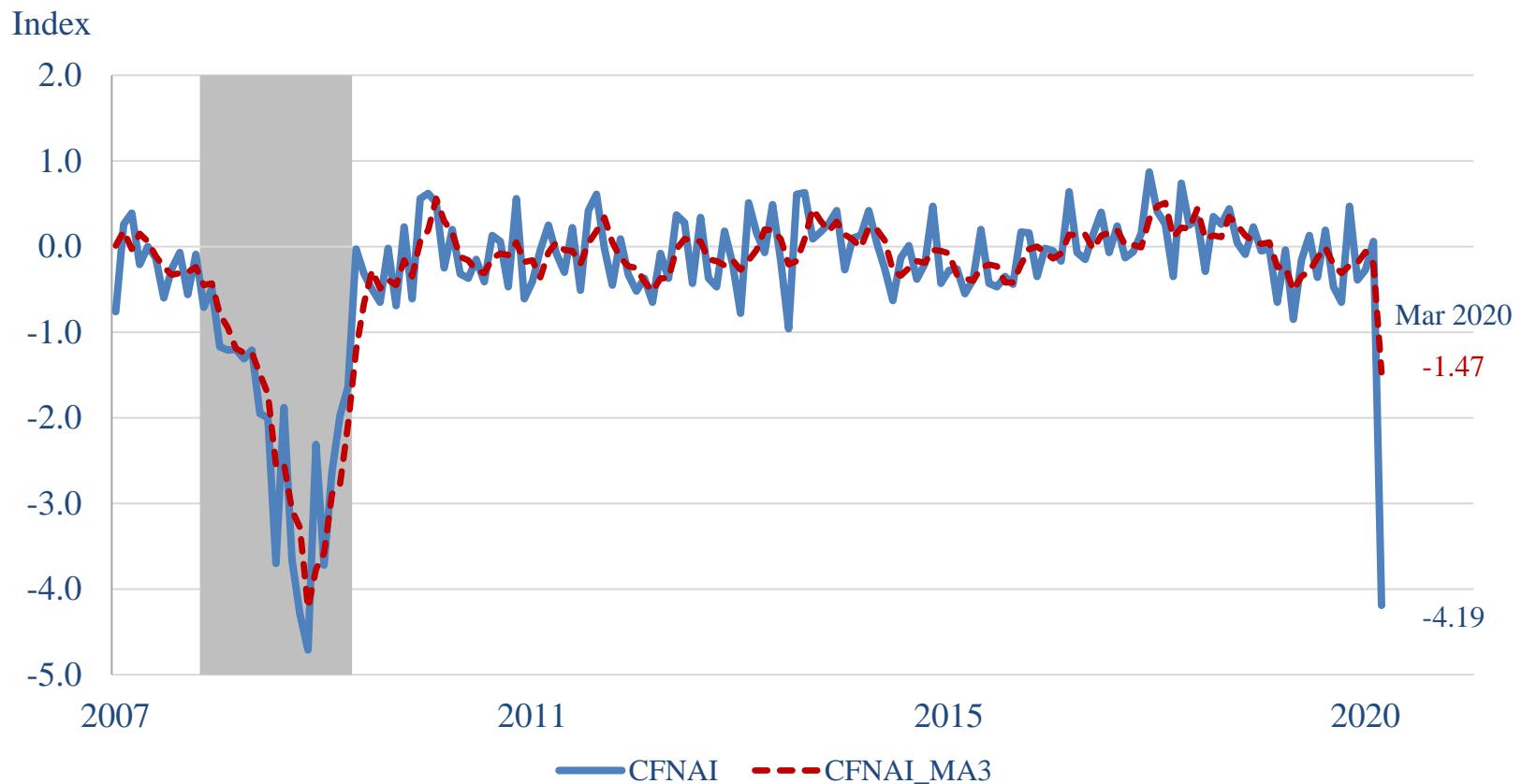
Federal Reserve Bank of Chicago, Positive = Tighter



Source: Federal Reserve Bank of Chicago

# Chicago Fed National Activity Index

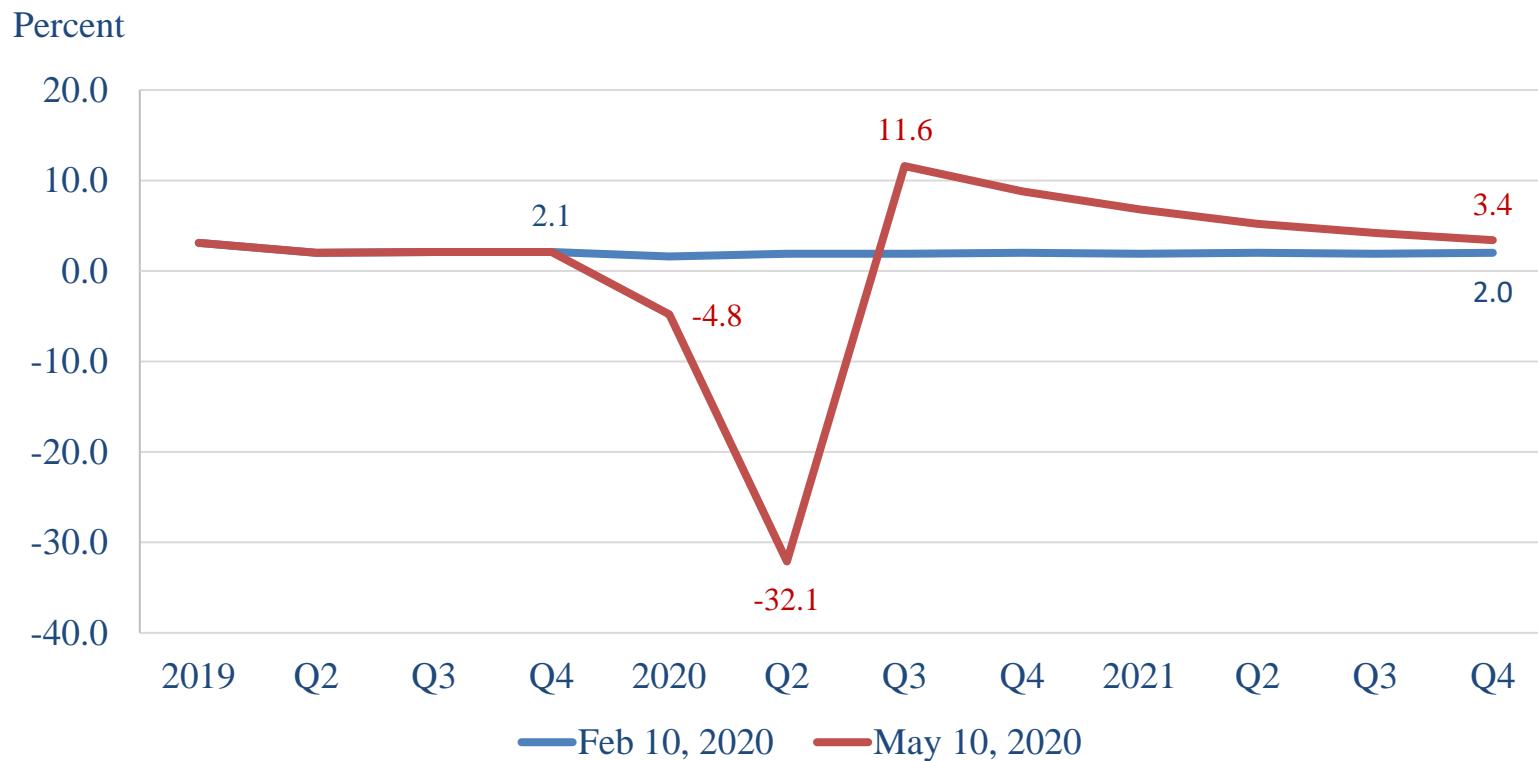
Federal Reserve Bank of Chicago



Source: Federal Reserve Bank of Chicago

# U.S. Real GDP – Blue Chip Forecast

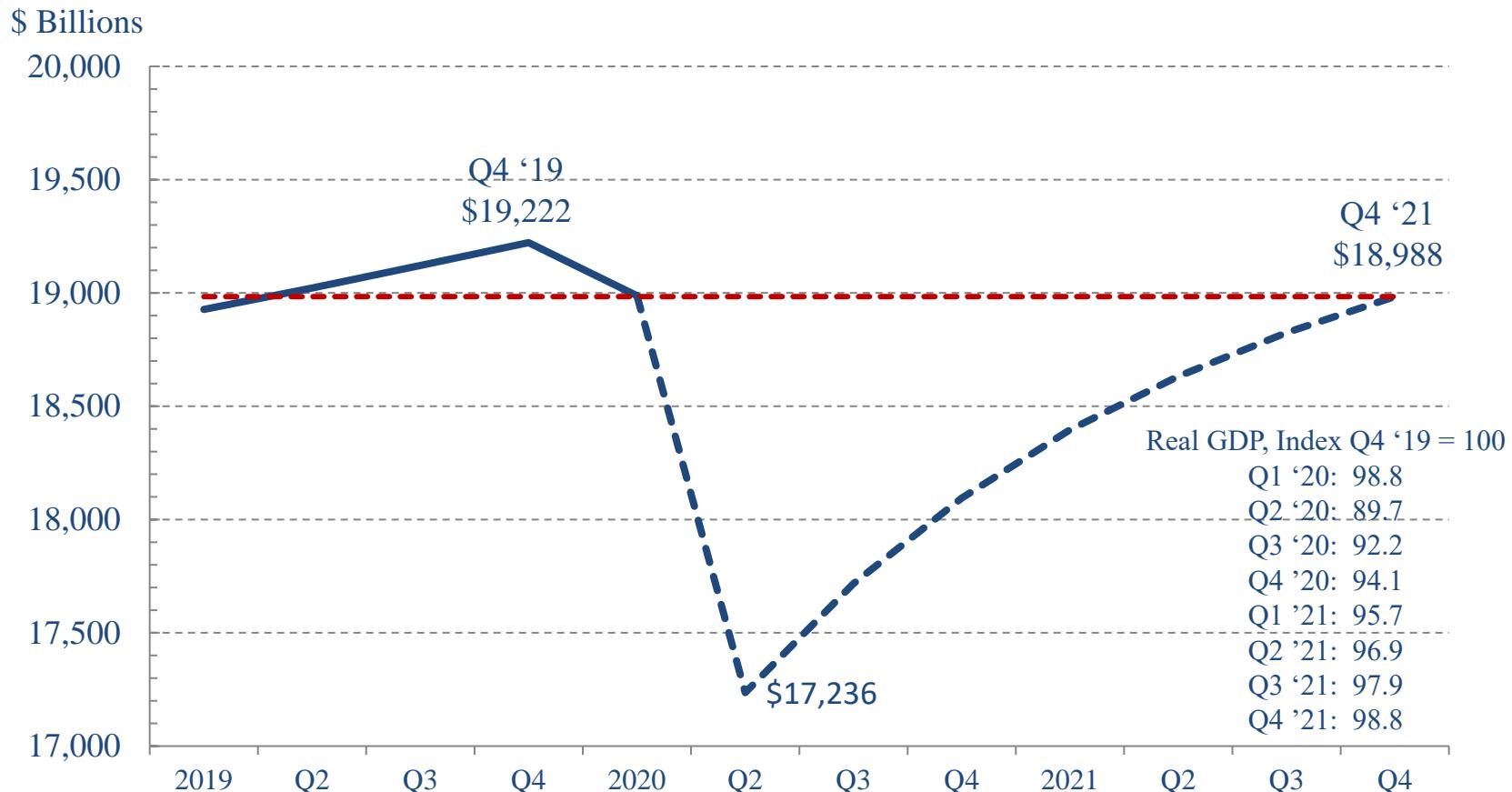
## Percent Change Q/Q - SAAR



Source: January 10, 2020 and April 10, 2020 Blue Chip Forecast

# U.S. Real GDP

Billions Chained \$2012



# Summary

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- **U.S. economic activity has suffered an unprecedented decline since the start of the COVID-19 pandemic.**
- **Labor markets are showing signs of extreme stress as companies cut workers and prepare for an extended period of lost revenue.**
- **The Federal Reserve has taken extreme actions, using its full range of tools to support the U.S. economy in an effort to promote maximum employment and price stability.**
- **With some states still experiencing day-to-day increases in COVID-19 cases, others are looking for ways to re-open their economies.**
- **However, concerns of a resurgence of the virus remain high, especially if states open their economies too soon without the appropriate amount of testing, contact tracing, isolation, and contact reduction.**

Source: Federal Reserve

Thank You!