

# Coronavirus Crisis

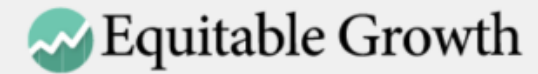
**Claudia Sahm**

Director of Macroeconomic Policy  
Washington Center for Equitable Growth

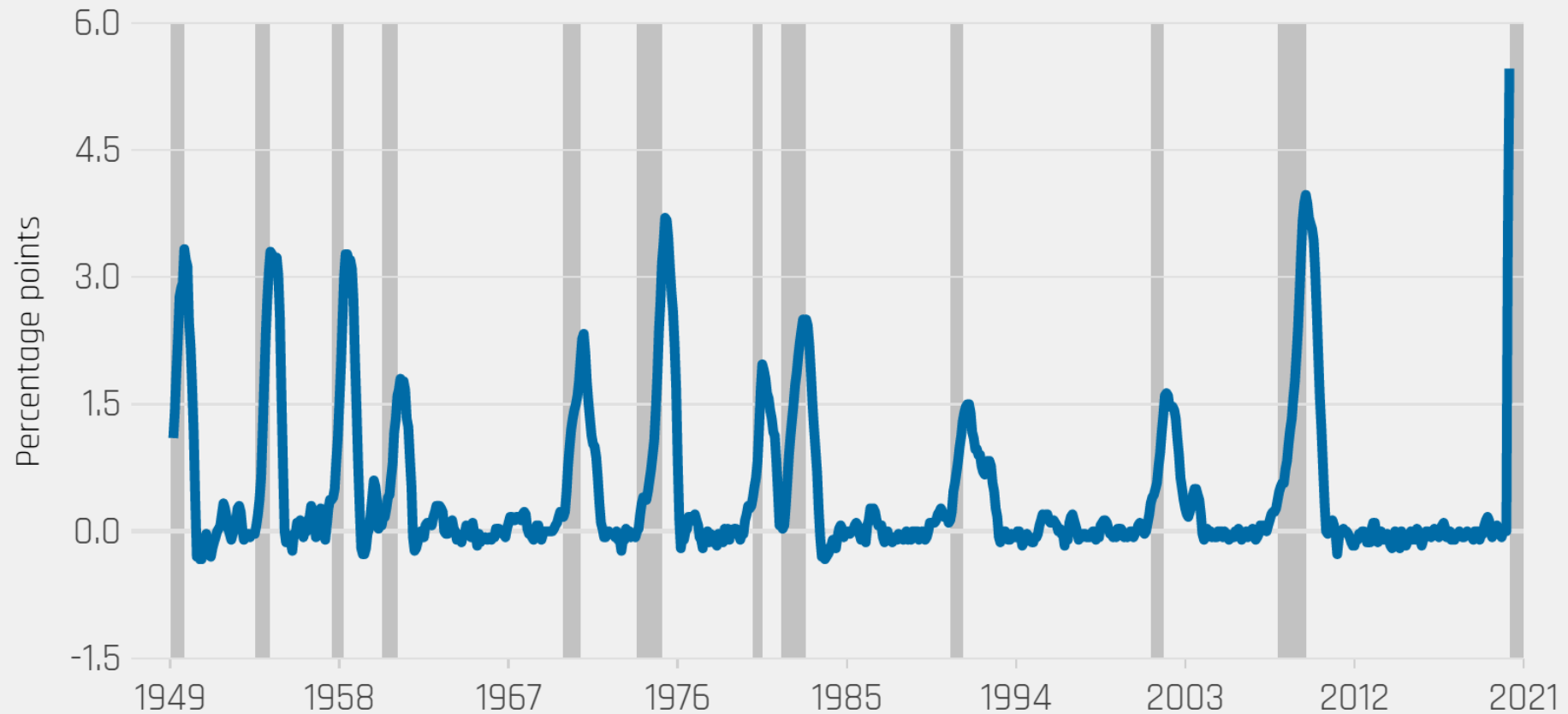
April 27, 2020

# Unemployment currently over 20%, could rise further

## US economy is in a severe recession



Sahm Rule using changes in the unemployment rate




Source: Federal Reserve Economic Data, <https://fred.stlouisfed.org/series/SAHMCURRENT>

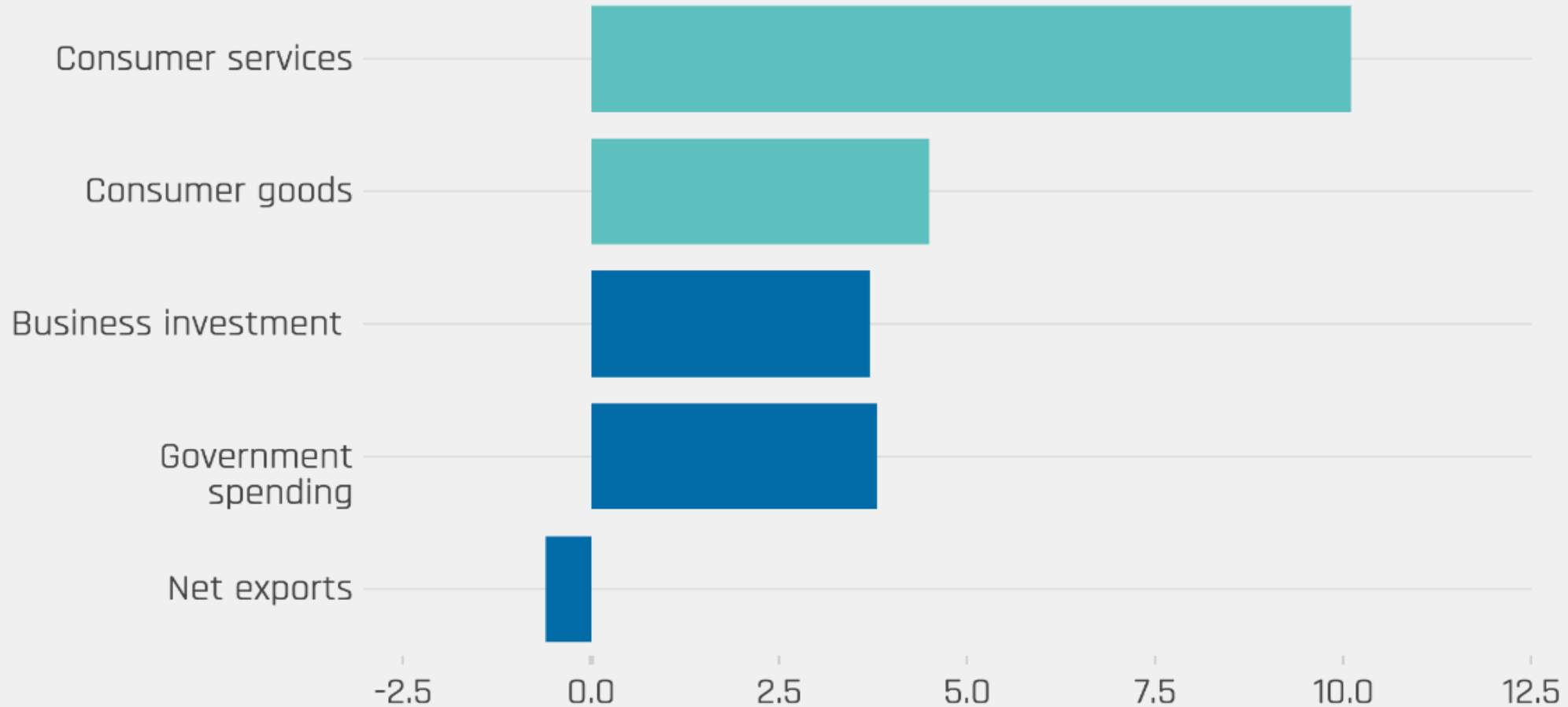
Note: Shaded areas are NBER recessions, except 2020 is Sahm's calculations. Sahm rule: change in 3-month moving average of unemployment rate relative to its low over prior 12 months above 0.5 percentage is in a recession.

# \$15 trillion US consumers spend annually is at risk

## Trillion dollars

GDP in 2019

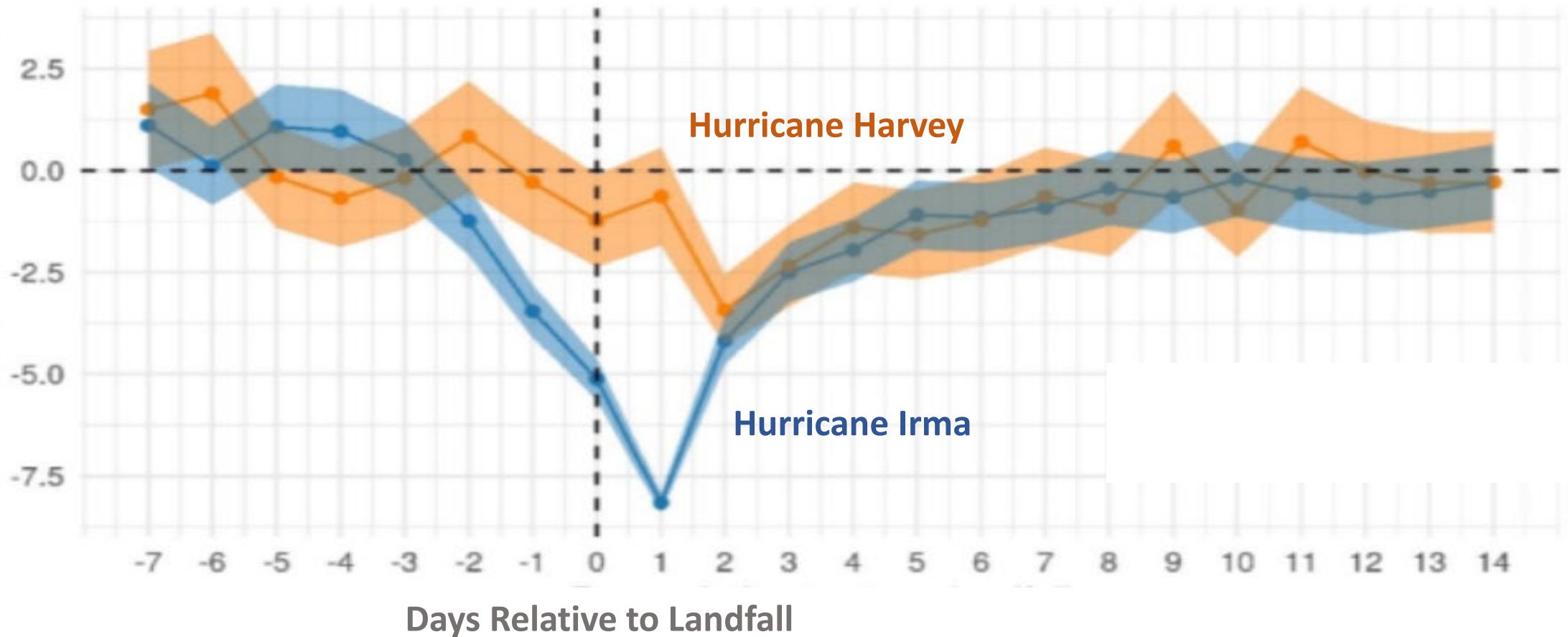
 Equitable Growth



Source: Bureau of Economic Analysis

# Coronavirus recession: category-5 hurricane, entire country in eye of the storm for two months

## Decline in national, daily retail sales



# **Actions from Washington DC - Congress**

## **Congress passed:**

- \$8.3 billion on March 6 – public health
- \$100 billion on 18 – free testing for uninsured; more Medicaid, food stamps, and jobless benefits; 2 weeks of paid family and sick leave
- \$2.2 trillion on March 27 – rebates; extra \$600 per week jobless benefits; small business loans, corporate grants, public health
- \$484 million on April 23 - Small business, public health

## **Congress needs to pass:**

- Direct aid to state and local governments
- Commitment to more relief, if needed
- Commitment to continue relief until economy recovers

# **Actions from Washington DC – Federal Reserve (I)**

## **Federal Reserve did (in March):**

- Inject \$1.5 trillion until Treasury market on March 12
- Cut rates to zero; buy \$500 billion into Treasuries and \$300 billion in mortgages on March 15 – wide-ranging stabilization
- Launched Commercial Paper Lending Facility and Primary Dealer Credit Facility, with 13(3) emergency authorization from U.S. Treasury Department on March 17
- Launched Money Market Mutual Fund Lending Facility on March 19
- Accelerate plans from March 15 to buy \$500 billion in Treasuries
- Accept municipal debt as collateral in Money Market Mutual Fund Lending Facility
- Launched Lending Facility for Foreign Banks

# **Actions from Washington DC – Federal Reserve (2)**

## **Federal Reserve did (in April):**

- Launched \$600 billion Main Street Lending Program (for Mid-Sized Businesses) on April 9
- Launched \$500 billion Municipal Bond Lending Facilities on April 9
- Expanded support to corporate debt including junk bonds on April 9

## **Fed needs to:**

- Expand the cities and counties in Municipal Bond Lending Facility
- Do whatever it takes

