



**Federal Reserve Bank of New York  
33 Liberty Street, New York, NY 10045**

**Second District Advisory Council**

**Thursday, March 5, 2020**

**AGENDA**

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- |                         |  |
|-------------------------|--|
| 10:30 a.m. – 10:40 a.m. | Welcome Remarks, John Williams, President & CEO<br>Committee Protocols, Claire Kramer Mills, AVP |
| 10:40 a.m. – 10:55 a.m. | National Economy Update, David Lucca, VP   |
| 10:55 a.m. – 11:10 a.m. | International Update, Matthew Higgins, VP  |
| 11:10 a.m. – 11:40 a.m. | Facilitated Discussion, Claire Kramer Mills, AVP   |
| 11:40 a.m. – 11:45 a.m. | Concluding Remarks, John Williams, President & CEO   |



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**ATTENDEE LIST**

**SDAC Advisory Members**

Donnel Baird  
Founder & CEO  
BlocPower

Melanie Littlejohn  
VP NY Customer & Community Engagement  
National Grid

Jaswinder Chadha  
President & CEO  
Axtria, Inc.

Steve Priest  
EVP & CFO  
JetBlue Airways Corp.

Michellene Davis  
EVP, Chief Corporate Affairs Officer  
RWJBarnabas Health

Anthony E. Shorris  
John Weinberg/Goldman Sachs Visiting Scholar &  
Senior Advisor  
Princeton University, McKinsey & Company

Lynn Marie Finn  
President & CEO  
Broadleaf Results

Federico Stubbe, Jr.  
President  
PRISA Group

Sarah LaFleur  
Founder & CEO  
M.M.LaFleur

**Federal Reserve Bank of New York**

John Williams  
Michael Strine  
Jack Gutt  
David Erickson  
Rosanne Notaro  
David Lucca  
Matthew Higgins  
Jaison Abel  
Claire Kramer Mills  
Tony Davis  
Edison Reyes  
Rebecca Landau

President & CEO  
First Vice President  
EVP, Communications & Outreach  
SVP, Outreach & Education  
VP, Legal  
VP, Research & Statistics  
VP, Research & Statistics  
AVP, Research & Statistics  
AVP, Outreach & Education  
Officer, Outreach & Education  
Associate, Outreach & Education  
Senior Analyst, Outreach & Education



FEDERAL RESERVE BANK *of* NEW YORK

# U.S. Economic Conditions

David Lucca

March 2, 2020

The views expressed here are those of the presenter and do not necessarily represent those of the Federal Reserve Bank of New York or the Federal Reserve System.

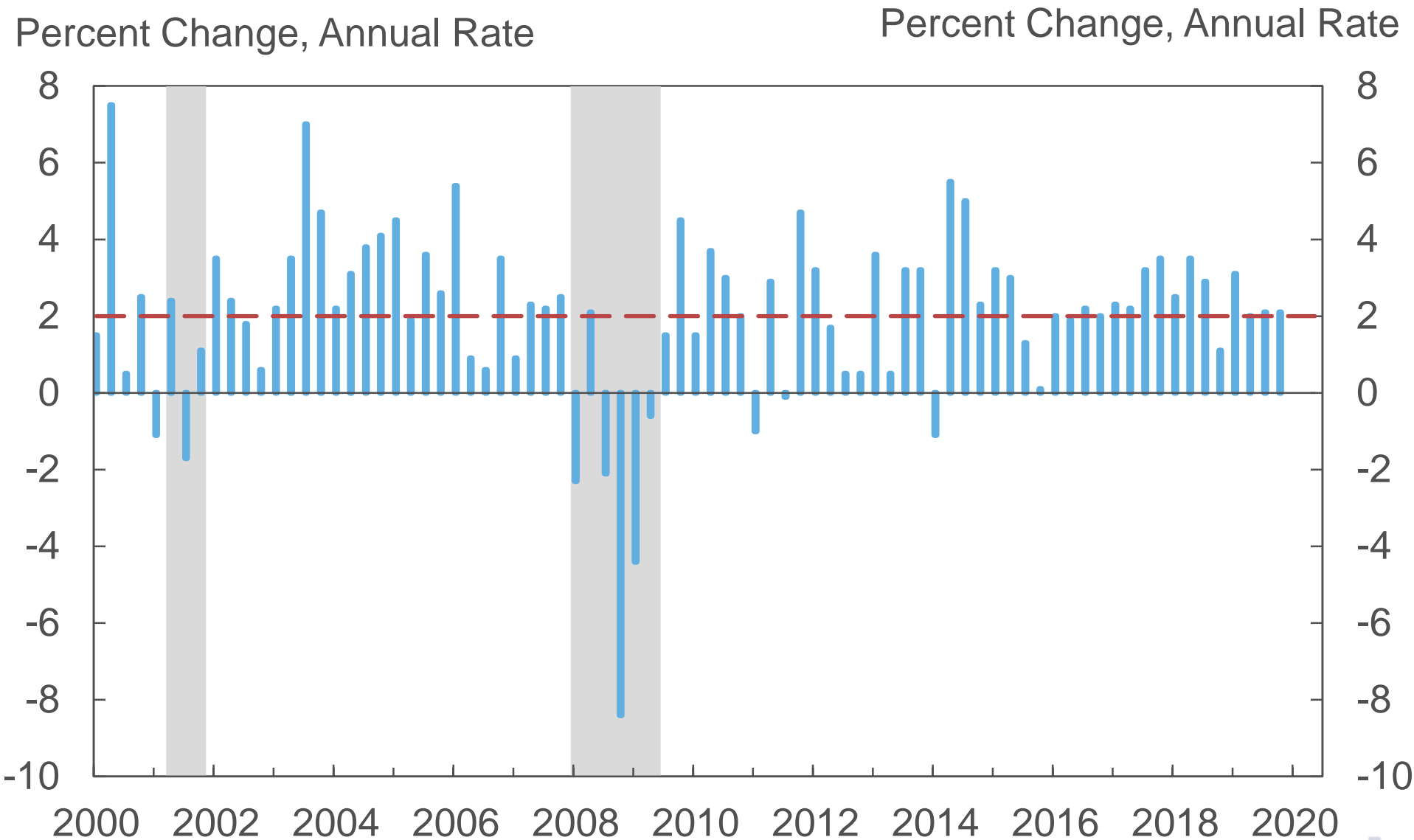


# Overview

- Real GDP grew 2.1% (annual rate) in 2019:Q4:
  - Growth in personal consumption expenditure moderated, residential investment picked up but business investment declined for the third quarter in a row.
- Labor market remained strong in January; inflationary pressures remained muted.
- Significant uncertainty stemming from increased confirmed cases of the new coronavirus disease (COVID-19) outside China.



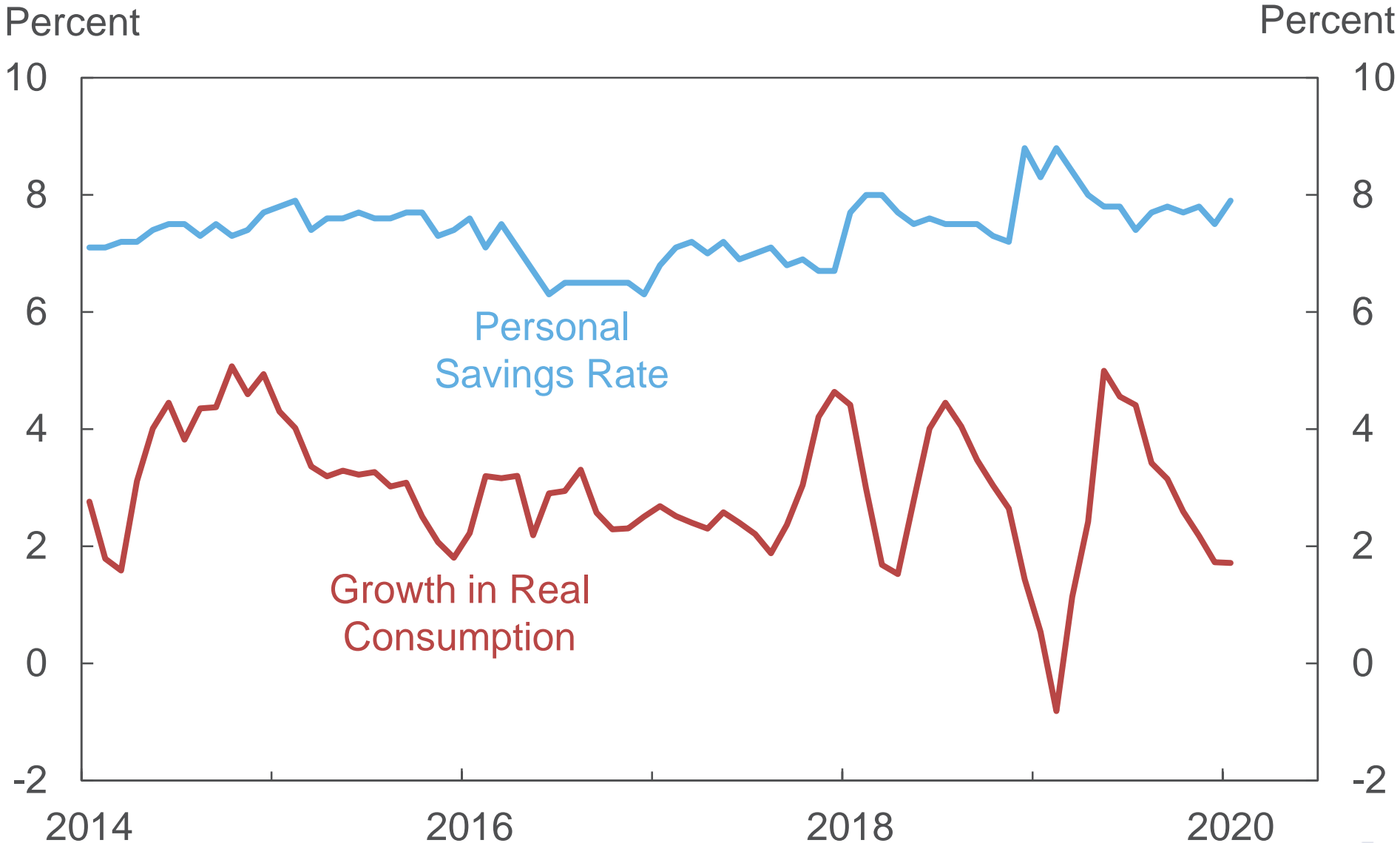
# Real GDP Growth Fluctuating Around 2%



Note: Data through 2019:Q4. Shading shows NBER recessions. Source: BEA.

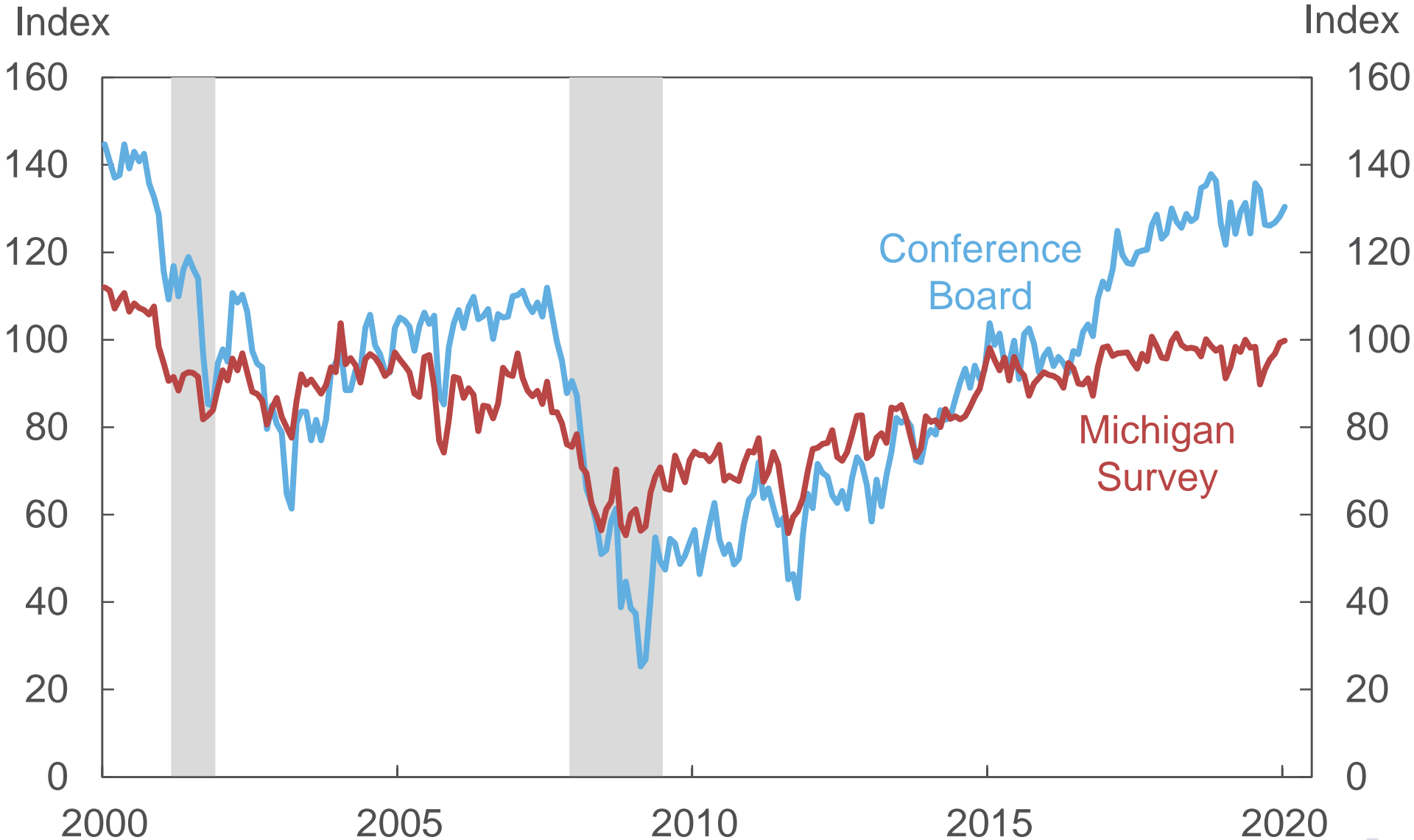


# Consumer Spending Moderated



Note: Data through January 2020. Annualized consumption growth from three-month average level over three month prior. Savings rate as percent of disposable income. Source: BEA. <sup>4</sup>

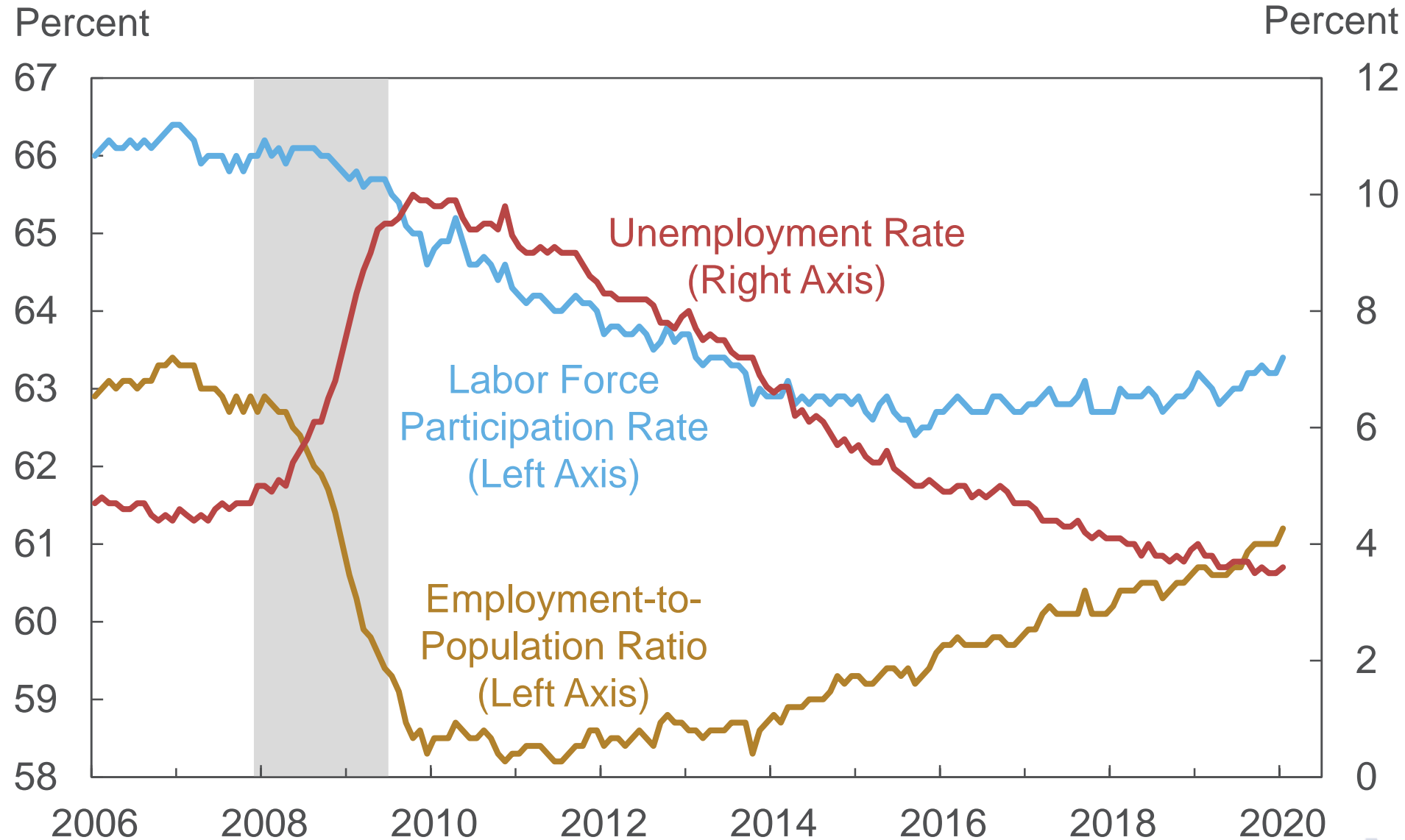
# Consumer Confidence Remained High



Note: Data through February 2020. Shading shows NBER recessions. Source: The Conference Board, University of Michigan.



# Labor Market Remained Strong



Note: Data through January 2020. Shading shows NBER recessions. Source: BLS.

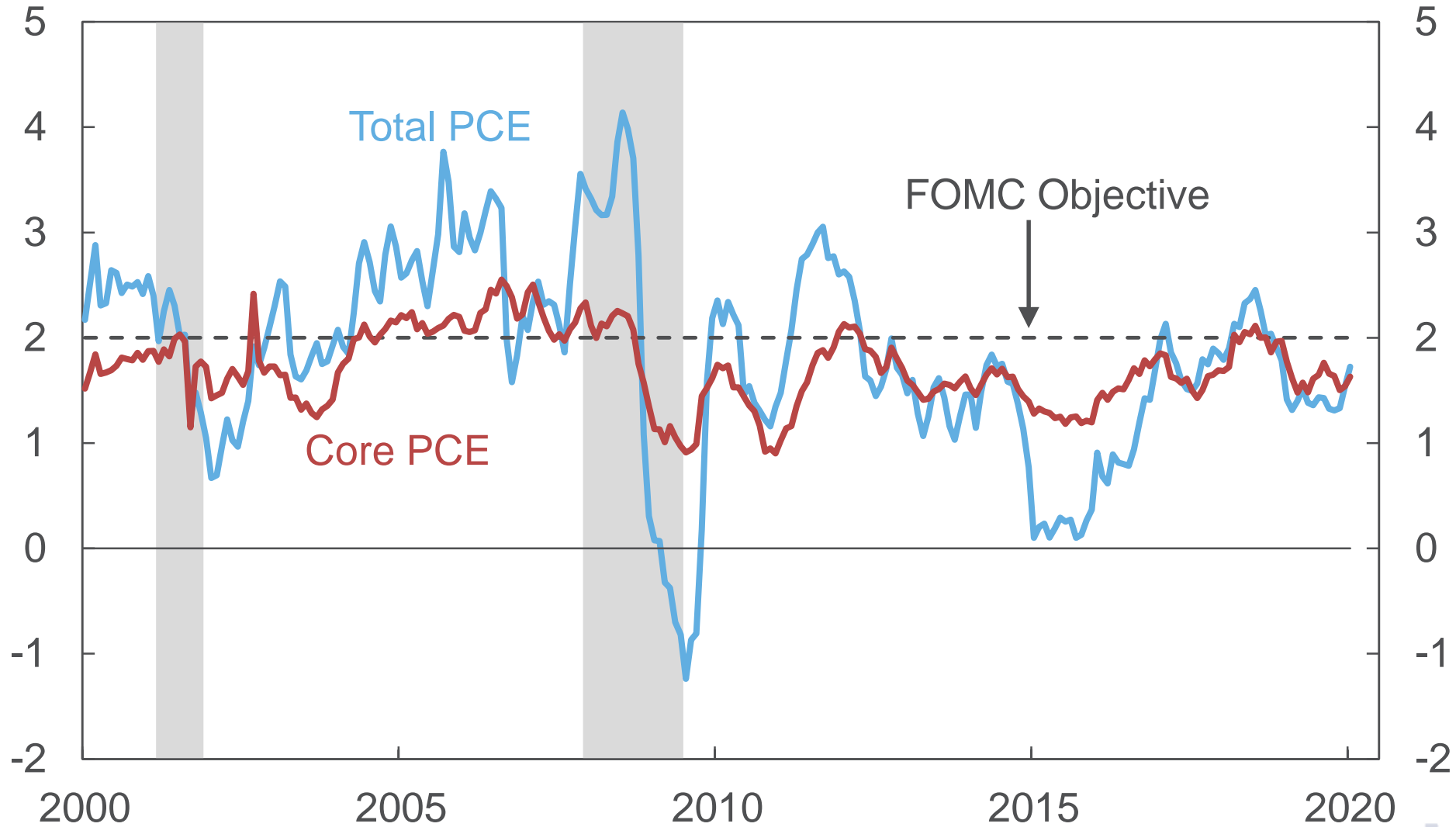




# PCE Inflation Remained Muted

12 Month Percent Change

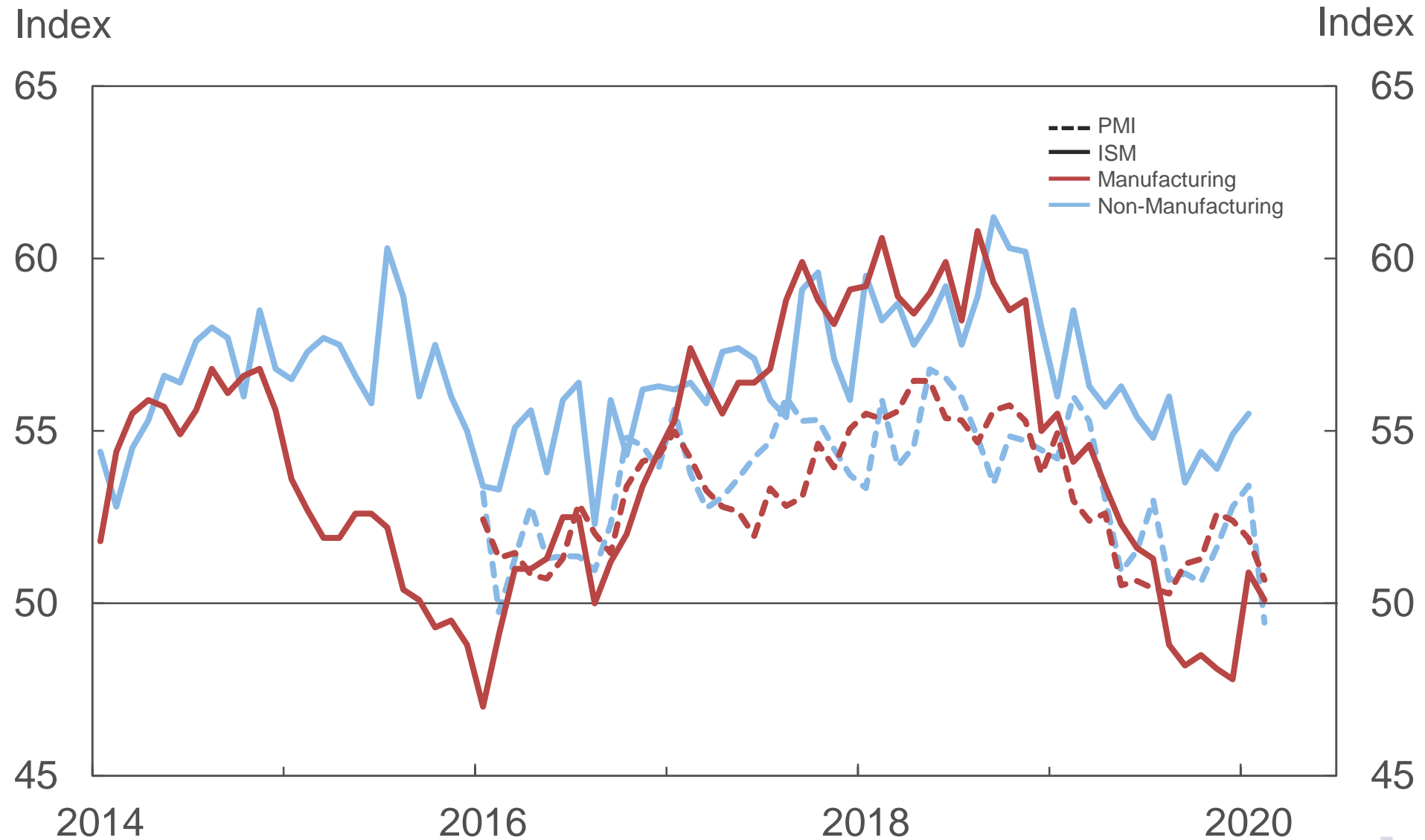
12 Month Percent Change



Note: Data through January 2020. Shading shows NBER recessions. Source: BEA.



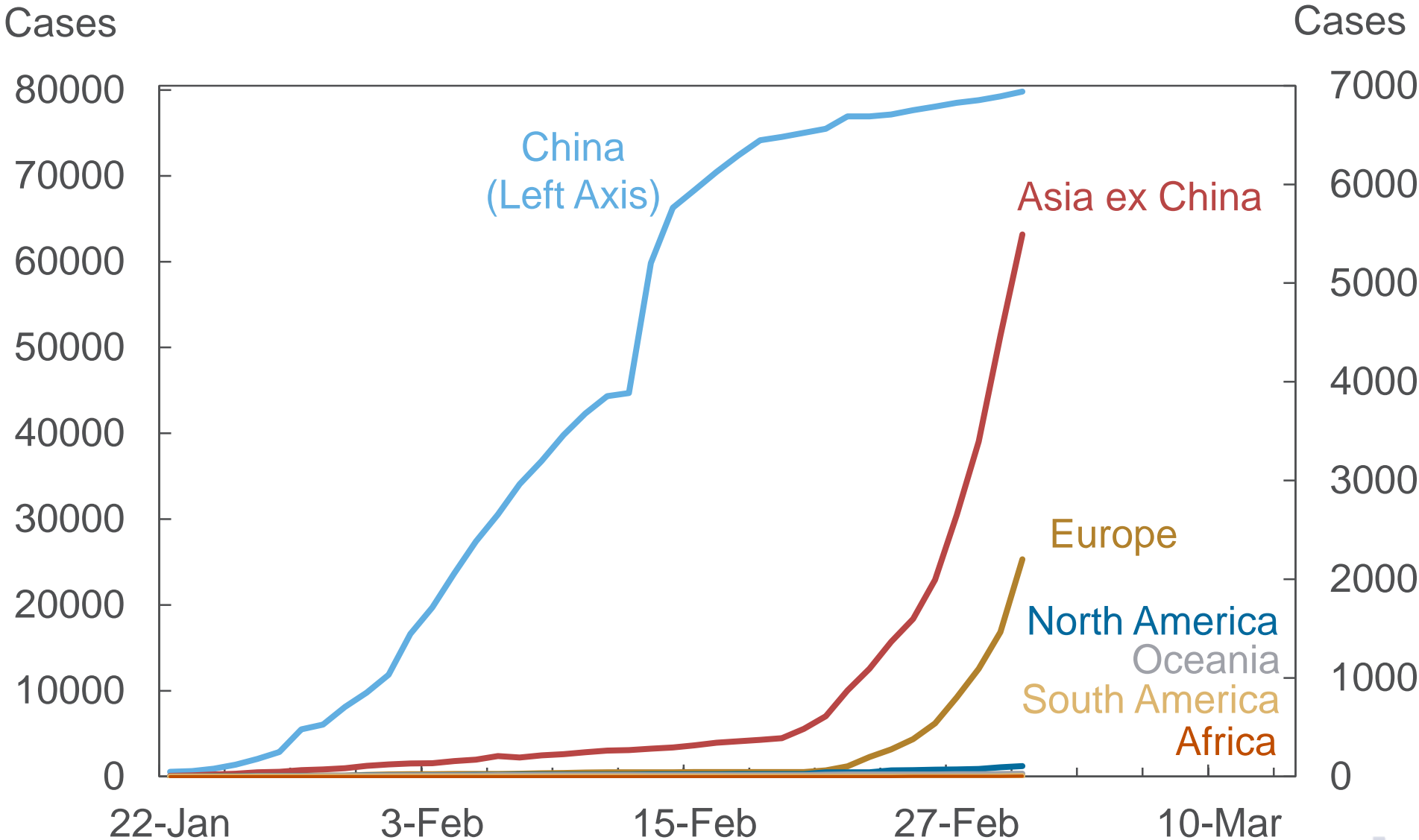
# National Business Activity Moderated



Note: Data through February 2020 except for ISM non-manufacturing. PMI non-manufacturing is flash estimate. Source: IHS Markit and Institute for Supply Management.



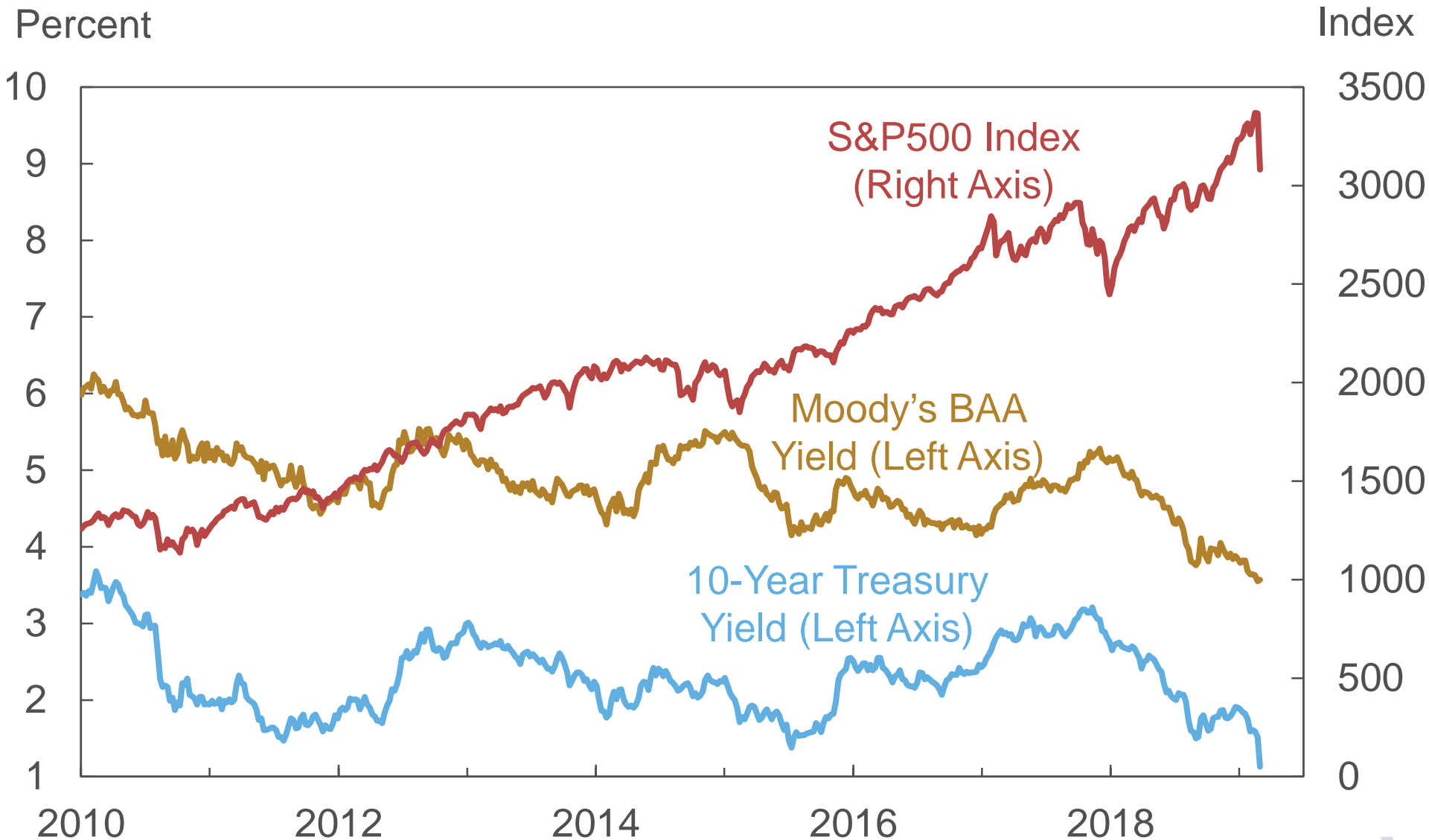
# Increased COVID-19 Cases Outside China



Note: Confirmed cases through March 1. Except for China and rest of Asia, cases on the right axis. Source: Johns Hopkins CSSE.



# Sharp Movements in Financial Conditions



Note: Data through February 28. Source: Federal Reserve Board, Financial Times.





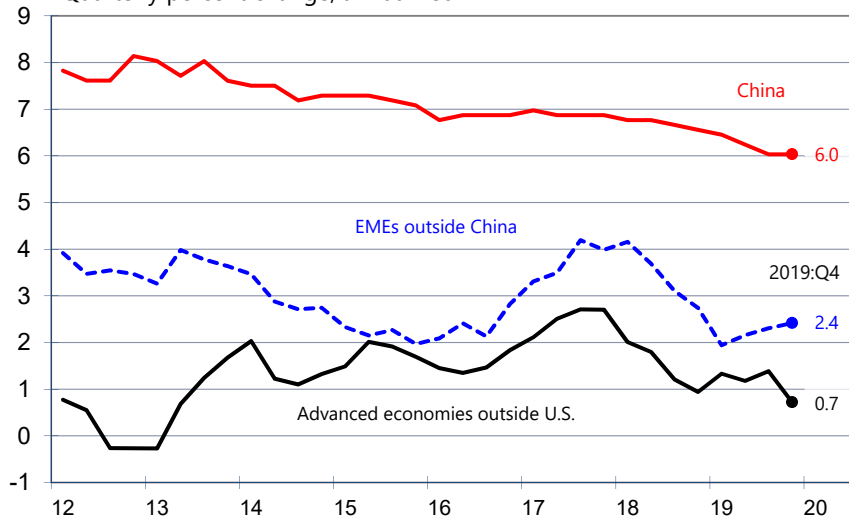
### Roadmap

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- Global business conditions before the COVID-19 outbreak
- Economic impact of outbreak in China
- Early economic echoes outside China
- Lessons from prior global pandemics

## Global growth was sluggish ahead of virus outbreak

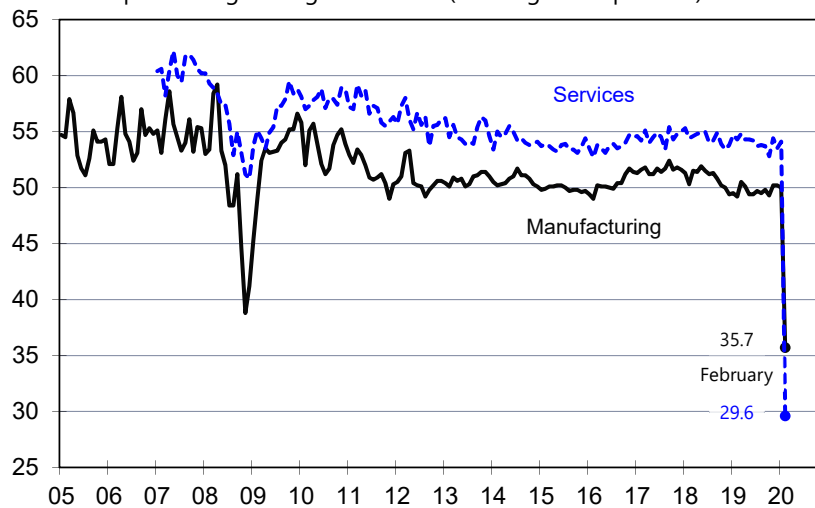
Quarterly percent change, annualized



Source: national sources, staff calculations. AE series is a GDP-weighted average for the euro area, Japan, UK, the Nordic countries, Switzerland and Australia. EME ex. China series is a GDP-weighted average for 24 countries.

## Chinese surveys show plunge in activity

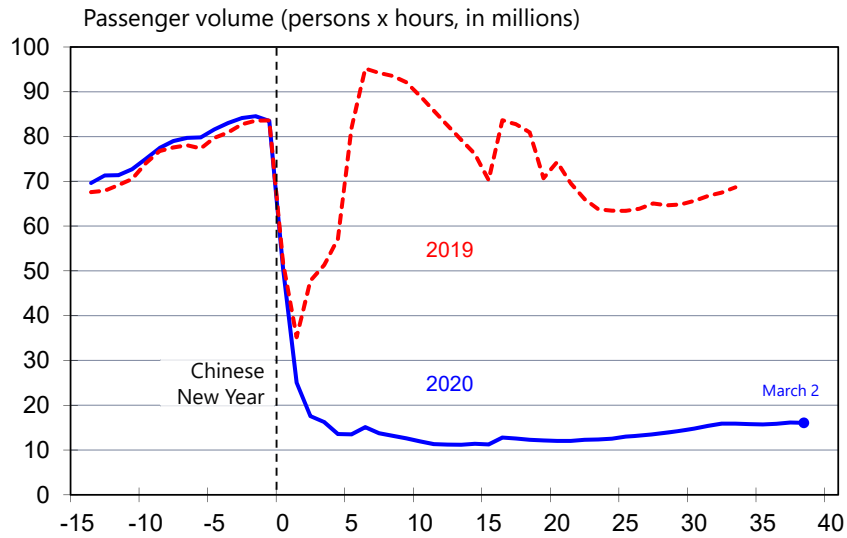
NBS purchasing managers' indexes (> 50 signals expansion)



Source: China Federation of Logistics and Purchasing.

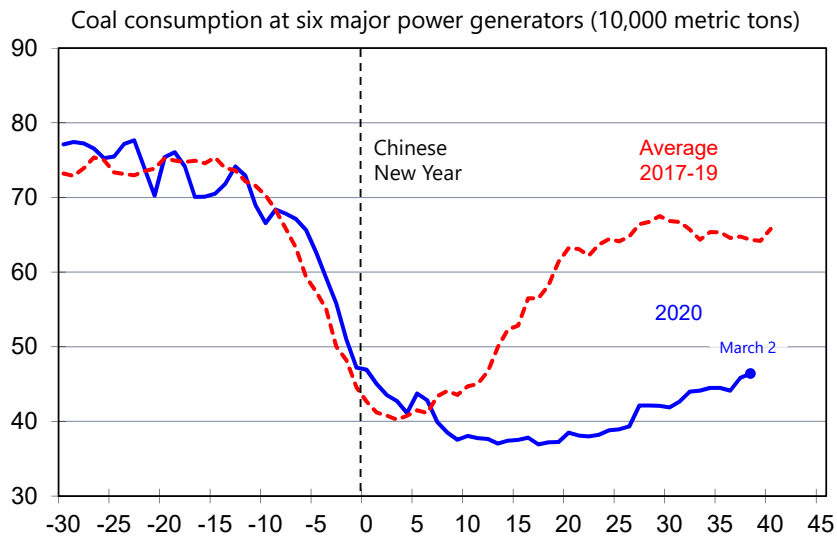


### Chinese daily indicators show little rebound in activity

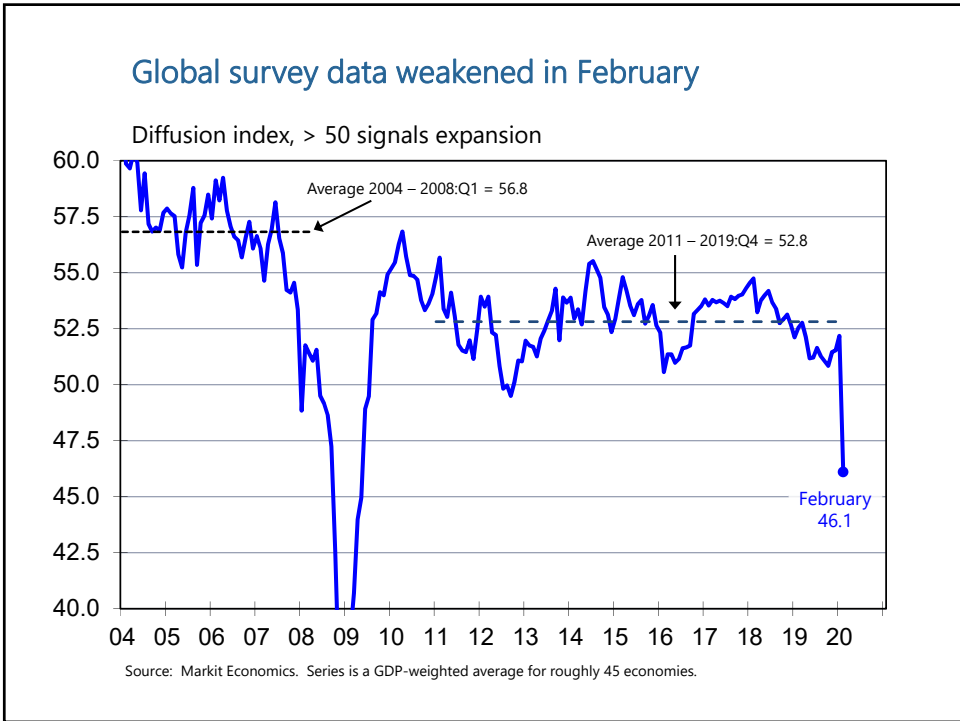
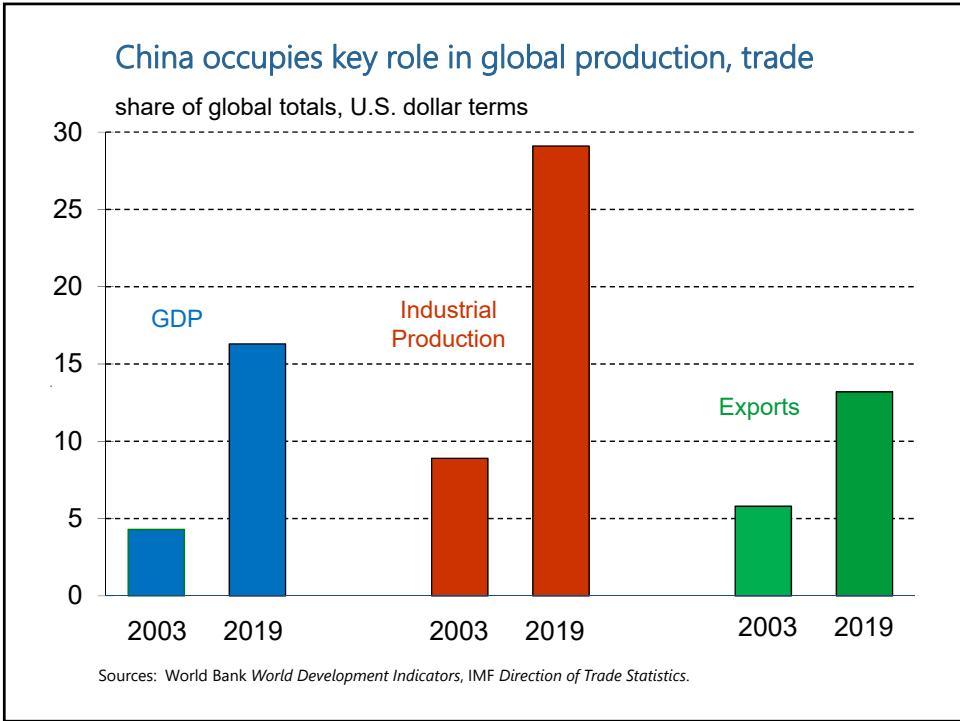


Sources: Wind, Ministry of Transportation, UBS. Index includes rail, highway, waterway and air transport. Day 1 of Chinese New Year is Jan. 25 in 2020, and various dates in prior years.

### Daily coal consumption reflects factory shutdowns

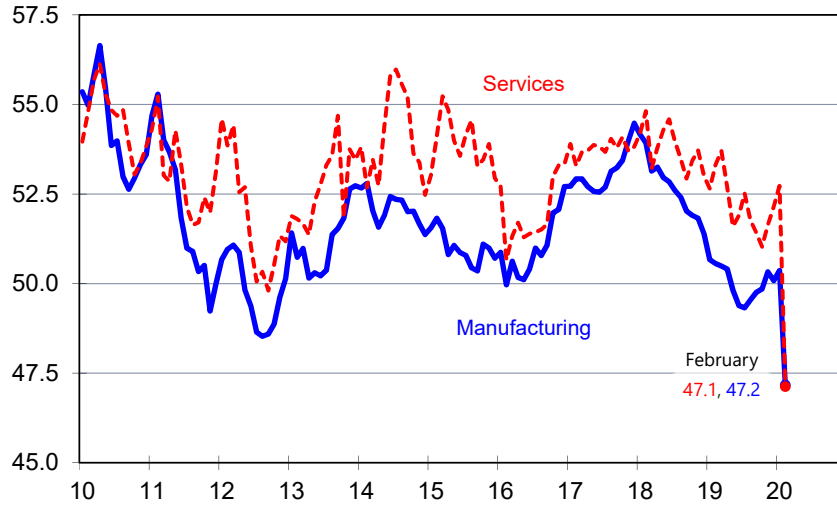


Source: Wind, Standard Chartered. Day 1 of Chinese New Year is Jan. 25 in 2020, and various dates in prior years.



## Manufacturing and services both contracted

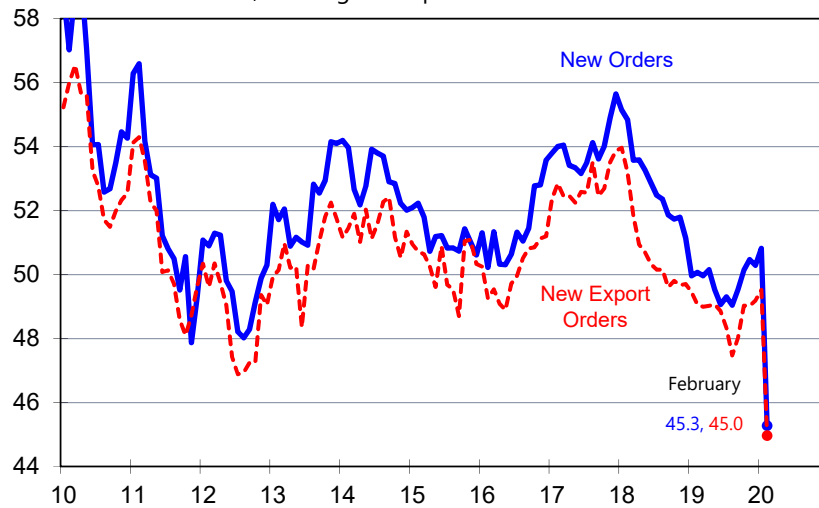
Diffusion indexes, > 50 signals expansion



Source: Markit Economics.

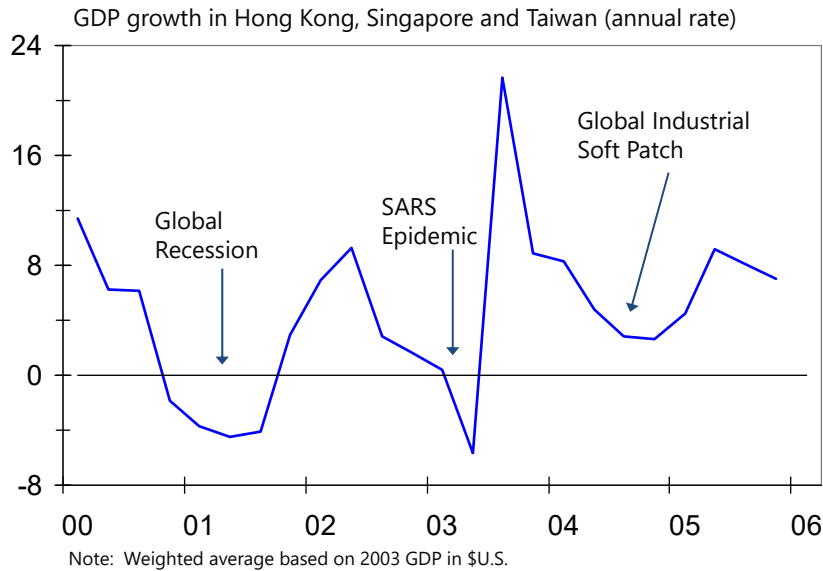
## Manufacturing new orders point to further weakness

Diffusion indexes, > 50 signals expansion



Source: Markit Economics, JPMorgan.

## Growth in EMEs followed see-saw pattern during SARS



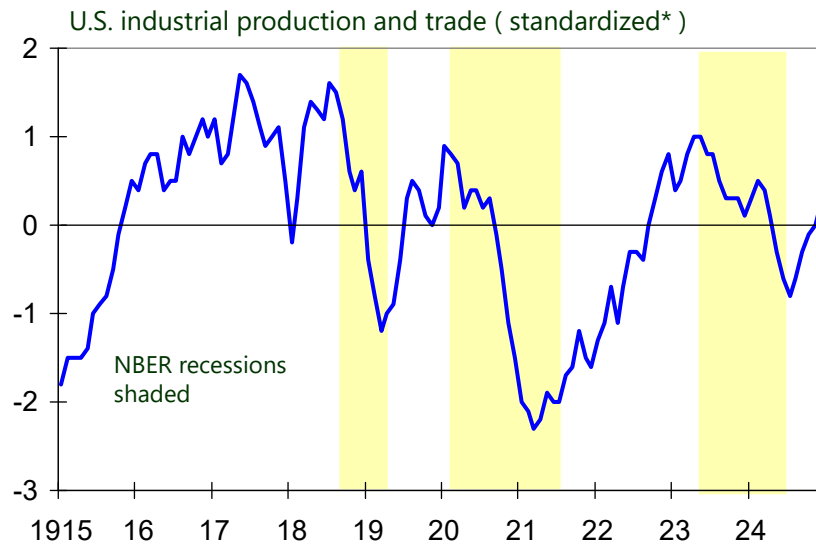
## Hospitality and transport saw the sharpest swings

### Hong Kong, Singapore and Taiwan, Selected GDP Components ( percent change, SAAR )

	2003:Q1	2003:Q2	2003:Q3
Goods Producing	-4.1	-6.8	20.8
Trade	1.1	-11.6	29.4
Hotels, Restaurants <sup>1/</sup>	-1.7	-41.7	119.5
Transport & Comm.	13.4	-19.2	34.5
Financial Services <sup>1/</sup>	-8.3	20.0	25.7

<sup>1/</sup> Singapore and Taiwan. Sources: Local statistical agencies, via Haver Analytics. Individual country percent changes weighted by 2003 \$U.S. GDP.

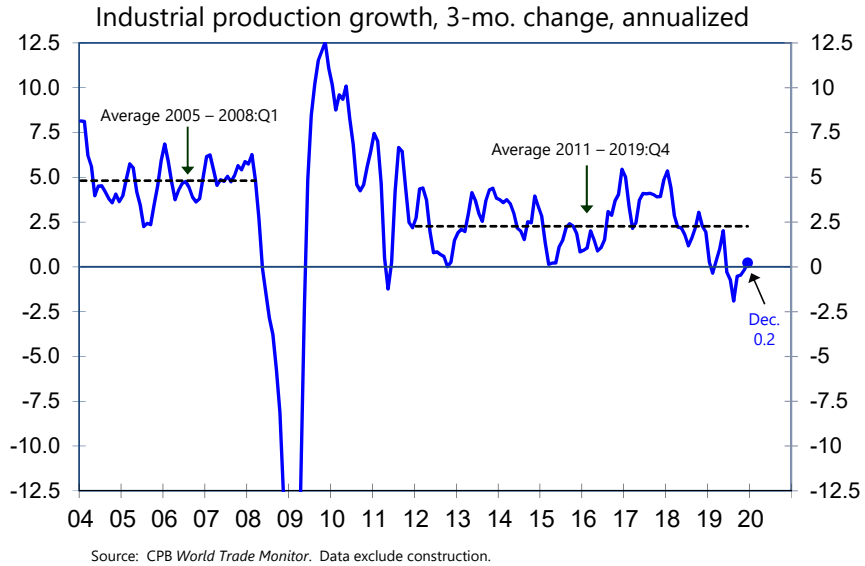
## U.S. economy slumped during 1918-19 pandemic



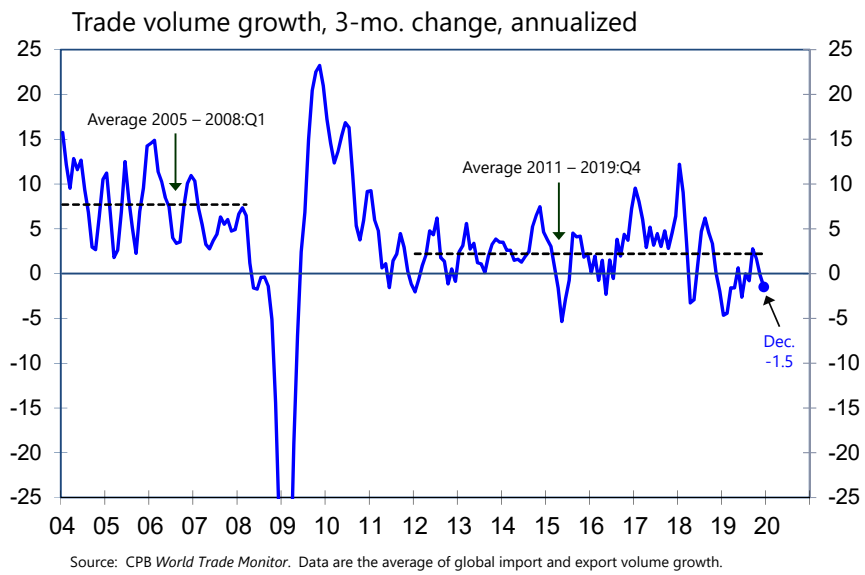
Source: NBER *Macroeconomic History Database*. \* Series shows normalized deviations from average activity levels (mean = 0.0, STD = 1.0).

## Reference Charts

## Global industrial activity has slumped since mid-2018

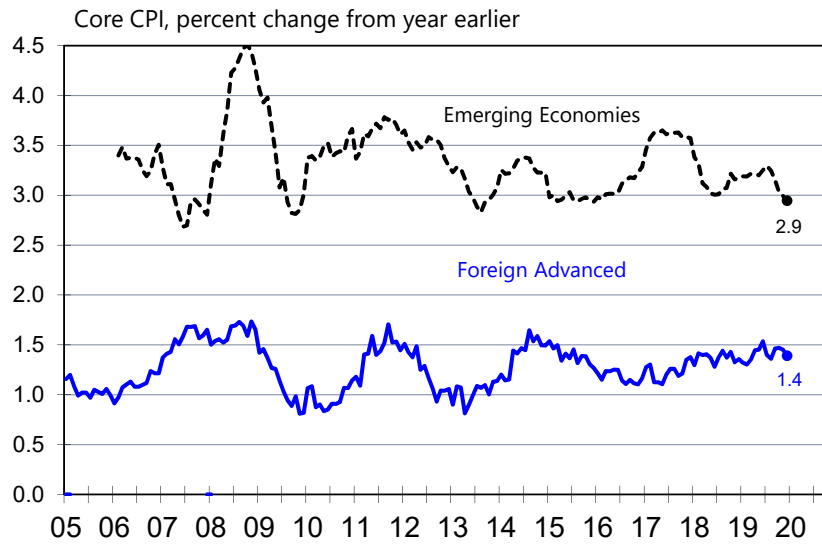


## Trade growth has also slumped





## Core inflation has been low and stable worldwide



Source: Federal Reserve Bank of Dallas. Core CPI excludes food (or fresh food) and energy. Series are GDP-weighted averages.