# ECONOMIC UPDATE
**March 6, 2020**

## Quote of the week

"Economists have a really hard time saying over 50 percent probability of recession. I assure you, almost every economist out there is thinking over 50 percent probability."

—Mark Zandi, Chief Economist at Moody's Analytics

## What you need to know

- Citing a "material change" in economic conditions due to the COVID-19 outbreak, the Federal Reserve cut the target federal funds rate by half a percentage point to a range of 1 to 1.25 percent after an emergency meeting Tuesday. This was the largest rate cut since the financial crisis. The rate cut, combined with three previous cuts that likely were intended to counteract damage done by the president's trade war, will leave Federal Reserve with little room to cut rates to fight the next recession.

- The manufacturing sector barely expanded in February, reflecting disruptions in supply chains caused by the coronavirus outbreak.

- Ten-year treasury yields fell below 1 percent to a record low this week, reflecting a strongly inverted yield curve—a predictor of recession.

- The BLS reported that the economy added 273,000 nonfarm jobs in February and that the unemployment rate was 3.5 percent. The manufacturing sector shed 5,000 jobs so far in 2020, a number that is likely to grow among the expected supply shocks from coronavirus. Average hourly earnings rose 3 percent over the last year—a modest gain given a tight labor market.

## Happening the week of March 9, 2020

- *Tuesday:* NFIB releases its Small Business Optimism Index.

- *Wednesday:* BLS Releases the February Consumer Price Index. Treasury releases its monthly statement on the budget.

- *Thursday:* BLS releases the Producer Price Index for February.

- *Friday:* BLS releases Import and Export Price Indexes, and the University of Michigan releases its Consumer Sentiment Index.

## Good reads

- "[The Census Bureau Wasn't Counting on the Coronavirus](#)," *CityLab*, 3/4/2020

- "[The Coronavirus Could Hit the U.S. Harder Than Other Countries](#)," *The Washington Post* 3/2/2020

- "[Women's Unpaid Labor is Worth $10,900,000,000,000](#)," *The New York Times* 3/5/2020

## Chart of the week

In the last few months, the U.S. labor market has tightened further, continuing a multiyear trend of falling unemployment and an increasing employment-to-population ratio. However, evidence suggests that the economy may not be at full employment.

For example, the labor force participation rate has remained low by historical standards, which suggests that the headline unemployment rate, which does not account for people outside the labor force, may not be the best measure of overall labor market health.

**While the Employment-to-Population Ratio Has Nearly Recovered Since the Great Recession, Labor Force Participation Still Lags**
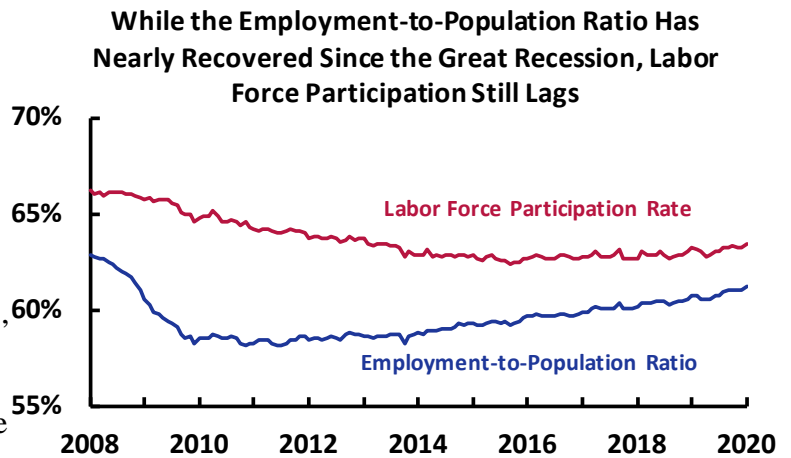


Source: Haver Analytics, JEC Democratic Staff Calculations

## New research and reports

- A new study finds that [30 percent of the wage gap between married men and women with children](#) can be attributed to the fact that women allocate more time to household care and subsequently miss more work than men do during peak hours of the day.

- Brookings outlined seven different scenarios for the economic impact of COVID-19, finding that "[even a contained outbreak could significantly impact the global economy in the short run](#)."

- For those looking to escape dark news about the coronavirus with some March Madness, [a new research paper finds that the 'hot hand' effect](#) (the idea that a basketball player making consecutive shots increases their chance of making the next shot) applies slightly for free throws, but it does apply to field goal attempts (regular two-point shots).

## Selected JEC resources

- *[Key Points About the Economy](#)*

- *[The Economic Benefits of Birth Control and Access to Family Planning](#)*

- *[The Economic State of Black America in 2020](#)*

- *[50 State Economic Snapshot](#)*

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