



ECONOMIC UPDATE

March 27, 2020

Quote of the week

“When it comes to this lending, we’re not going to run out of ammunition. That doesn’t happen.”
—[Federal Reserve Chairman Jerome Powell](#)

What you need to know

- [Over 1,200 Americans have died](#) from COVID-19 and the United States now has the highest number of confirmed cases in the world.
- [Nearly 3.3 million people filed for unemployment insurance last week](#). This is nearly five times more new claims than the worst single week of the Great Recession and it suggests that the unemployment rate may have jumped 2 percentage points in less than 7 days.
- A distinguished group of economists and business leaders, including former members of both Democratic and Republican administrations, signed a public letter highlighting the need to address this crisis, first and foremost, as the public health crisis that it is. “[Saving lives and saving the economy are not in conflict right now](#); we will hasten the return to robust economic activity by taking steps to stem the spread of the virus and save lives.”
- In an interview on NBC, Federal Reserve Chair Jerome Powell said that [the “first order of business” in building back the economy will be to address the virus itself](#). “The virus is going to dictate the timetable here.”
- After hurtling into bear territory last week, stocks began moving upward in anticipation of a fiscal stimulus, regaining some of the recent losses. The [S&P 500 had its strongest 3-day run since 1933 this week](#), rising 17 percent from its Monday afternoon low by Thursday evening. However, it remains down nearly 19 percent YTD.

Happening the week of March 30, 2020

- *Tuesday*: ISM releases the results of its March [Chicago PMI Survey](#). The Conference Board releases its March [Consumer Confidence Index](#).
- *Wednesday*: ADP Releases its [March Employment Report](#) (usually a helpful precursor to the ‘Jobs Day’ numbers on Friday), ISM releases its [March manufacturing index](#), Markit releases [March manufacturing PMI](#), and the BEA releases March [motor vehicle sales](#).
- *Thursday*: The Department of Labor Releases [Weekly Jobless Claims](#).
- *Friday*: Jobs Day. The BLS releases [the March unemployment rate](#), nonfarm payrolls, and average hourly earnings. ISM releases its March [nonmanufacturing index](#) and Markit releases its [March Services PMI](#).

Good reads

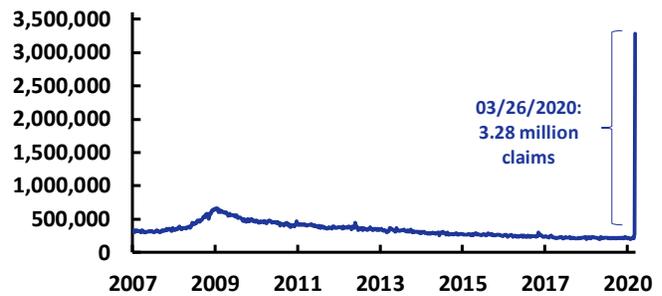
- [“More Than 3 Million Americans Lost Their Jobs Last Week. See Your State.”](#) *New York Times* 3/26/2020
- [“Our Internet Isn’t Ready for Coronavirus,”](#) *New York Times* 3/17/2020
- [“Dr. Fauci Doughnuts Are Selling Like Hotcakes at Donuts Delite,”](#) *Rochester Democrat and Chronicle*, 3/26/2020

Chart of the week

The Department of Labor reported Thursday that nearly 3.3 million people filed for unemployment insurance last week, vastly exceeding the 665,000 new claims during the worst week of the Great Recession.

Analysis finds that [unemployment may have jumped two percentage points in less than seven days](#) and could reach 10 percent or higher this spring. The St. Louis Fed reports that it could exceed 30 percent in the second quarter.

Initial Claims for Unemployment Insurance
Number of Initial Claims, Seasonally Adjusted



Source: Department of Labor

New research and reports

- Economists studying the 1918 Influenza find that, [while pandemics depress the economy, public health interventions do not](#). “[C]ities that intervened earlier and more aggressively do not perform worse and, if anything, grow faster after the pandemic is over. Our findings thus indicate that [non-pharmaceutical interventions] not only lower mortality; they also mitigate the adverse economic consequences of a pandemic.”
- Researchers at the St. Louis Federal Reserve studied the potential effects of five different fiscal stimuli in response to the coronavirus, and found that [“UI benefits are the most effective tool to stabilize income for borrowers, who are the hardest hit.”](#)
- The Joint Economic Committee’s new issue brief, [‘What “Blue Collar Boom”?’](#), shows that manufacturing had fallen into a slump before the coronavirus outbreak, with output contracting in 3 of 4 quarters in 2019, and that the current crisis is likely to accelerate that downward trend.

Selected JEC resources

- [March Macroeconomic Dashboard](#)
- [Cutting Payroll Taxes is an Ineffective Way to Counter the Economic Damage of the Coronavirus](#)

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