



ECONOMIC UPDATE

April 3, 2020

Quote of the week

“I feel like the 2008 financial crisis was just a dry run for this.”

—[Kenneth S. Rogoff](#), Harvard economist

What you need to know

- There are now more than 1 million COVID-19 cases worldwide. The United States now has twice as many cases as any other country, over 243,000 compared to 115,000 in Italy and 112,000 in Spain as of Friday morning. At the latest count, [nearly 6,000 Americans have died in the pandemic](#)—more than twice the number killed on 9/11.
 - The Department of Labor reported that [more than 6.6 million people filed for new unemployment claims](#) last week, almost ten times the number during the worst single week of the Great Recession and double the previous week’s historic high of 3.3 million. Almost 10 million people have lost their jobs in only two weeks.
 - The Bureau of Labor Statistics reported this morning that the [unemployment rate for March was 4.4%](#)—however, this is based on payrolls in the first half of the month, before the coronavirus hit with full force. Recent new unemployment claims suggest that the unemployment rate may already have reached 8%. The Economic Policy Institute estimates that [20 million Americans will lose their jobs by July](#).
 - The Congressional Budget Office is forecasting that [GDP will decline at an annualized rate of more than 28%](#) and that the unemployment rate will exceed 10% in the second quarter.
 - In another effort to keep financial markets functioning, [the Fed announced it would give banks more flexibility in expanding their balance sheets](#), effectively lowering their capital requirements. The change will be in effect for one year. Many experts are concerned for the stability of the financial system if banks are no longer required to maintain capital buffers—especially if there is a push to make the rule-change permanent.
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Happening the week of April 6, 2020

- *Thursday*: The Department of Labor Releases [Weekly Jobless Claims](#) and the BLS releases the March [Producer Price Index](#). The University of Michigan releases its preliminary [Index of Consumer Expectations](#) for April.
- *Friday*: BLS releases the March [Consumer Price Index](#).

Good reads

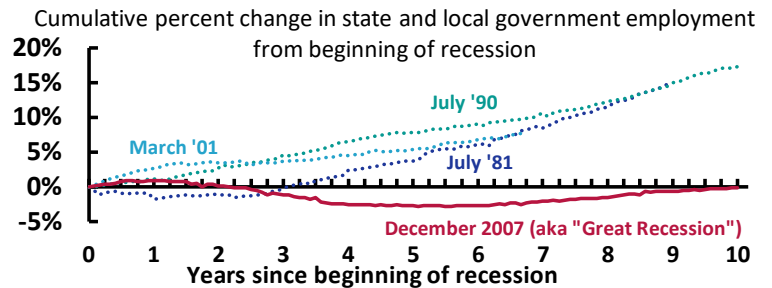
- [“Why the Global Recession Could Last a Long Time,”](#) *The New York Times*, 4/1/2020
- [“How the Pandemic Will End,”](#) *The Atlantic* 3/25/2020
- [“How Trump’s Impeachment Trial Foreshadowed His Handling of the Coronavirus Crisis,”](#) *Vox* 4/2/20

Chart of the week

State and local government budgets will be hard-pressed in their fight against the COVID-19 pandemic. While costs to state and local governments like emergency services, Medicaid and unemployment insurance skyrocket, tax revenues are dropping precipitously.

These pressures, combined with the fact that most states are forced to balance their budgets, mean that they may have to make severe budget cuts. If the federal government doesn’t provide massive assistance [it may substantially slow economic recovery](#).

State and Local Government Job Cuts Slowed Recovery from Great Recession



Source: U.S. Bureau of Labor Statistics and National Bureau of Economic Research
Note: Data continues until the beginning of the next recession or until ten years from the beginning of the previous recession

New research and reports

- Economists surveying hourly employees [gathered real-time data on the impact of COVID-19 on low-wage working families](#). Many participants report that their work hours have been slashed; they are suffering from anxiety and depression, and they haven’t yet received the help promised in recently-passed legislation.
- A similar poll from the Kaiser Foundation finds that [4 in 10 Americans report losing their jobs or work-related income due to the COVID-19 crisis](#), including more than half of part-time workers.
- *The New York Times* is [tracking coronavirus cases at the county level](#). One interesting finding is that “the tracking has shown how quickly a single known case can mushroom into an uncontrolled outbreak.”

Selected JEC resources

- [Massive Aid to State and Local Governments Needed to Slow Economic Damage](#)
- [Cutting Payroll Taxes is an Ineffective Way to Counter the Economic Damage of the Coronavirus](#)
- [A Second Giant Wave of Unemployment Claims Expected](#)
- [Equal Pay Day 2020](#)

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