

MINNESOTA'S COVID ECONOMY

September 29, 2020

Ron Wirtz

Regional Outreach Director



FEDERAL RESERVE BANK
OF MINNEAPOLIS

DISCLAIMER

The views expressed here are the presenter's and not necessarily those of the Federal Reserve Bank of Minneapolis or the Federal Reserve System.





TODAY'S TALK ON THE COVID ECONOMY

- **Who's affected, and to what extent**
 - **Surveys: General business & construction**
 - **Workforce**
 - **Consumer sentiment and COVID**
 - **Include interactive survey**
- *Going to keep things moving = focus on the macro*



OVERALL TREND: RECENT AND FUTURE REVENUE

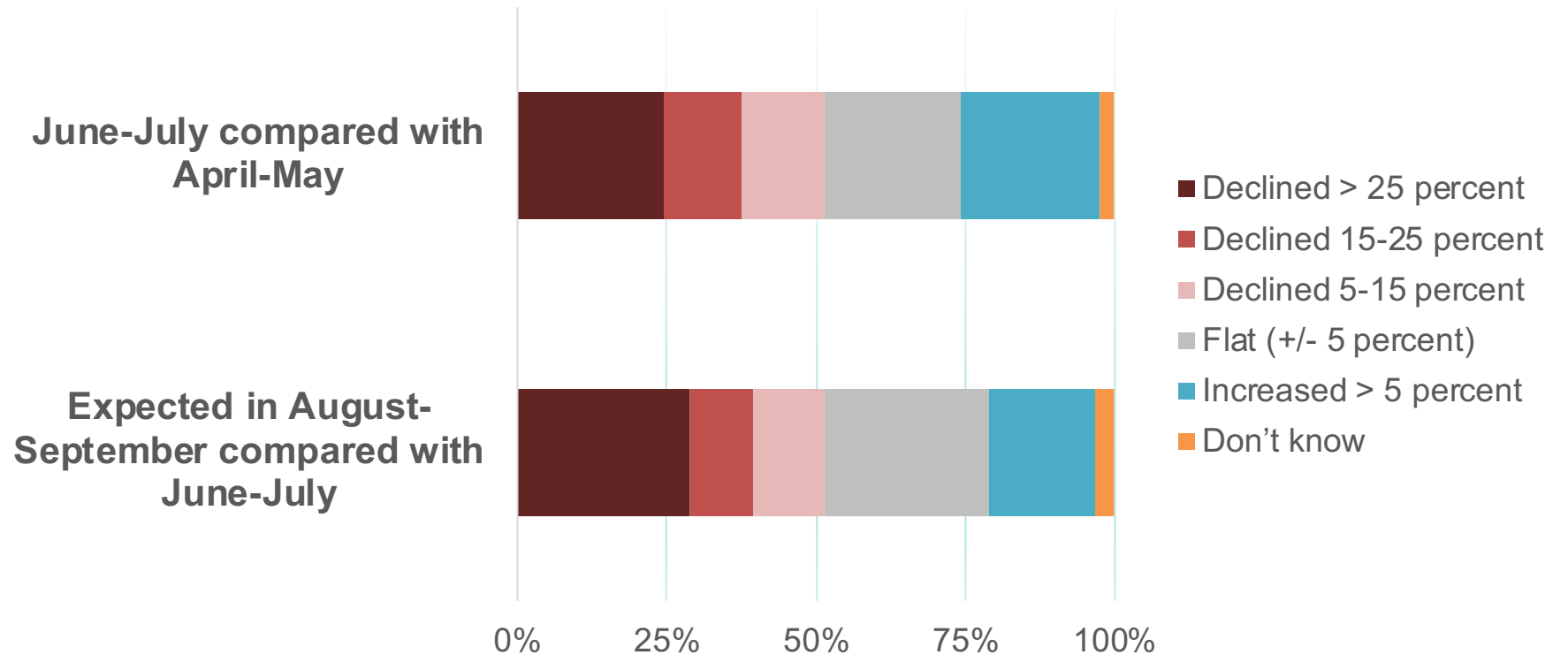
General business survey

All Ninth District states (1,100+ responses)

Please estimate COVID's effect on average sales/revenue at your firm, and future expectations

Roughly half
seeing negative
revenue trend

Respondents
nervous about
the near-term
future



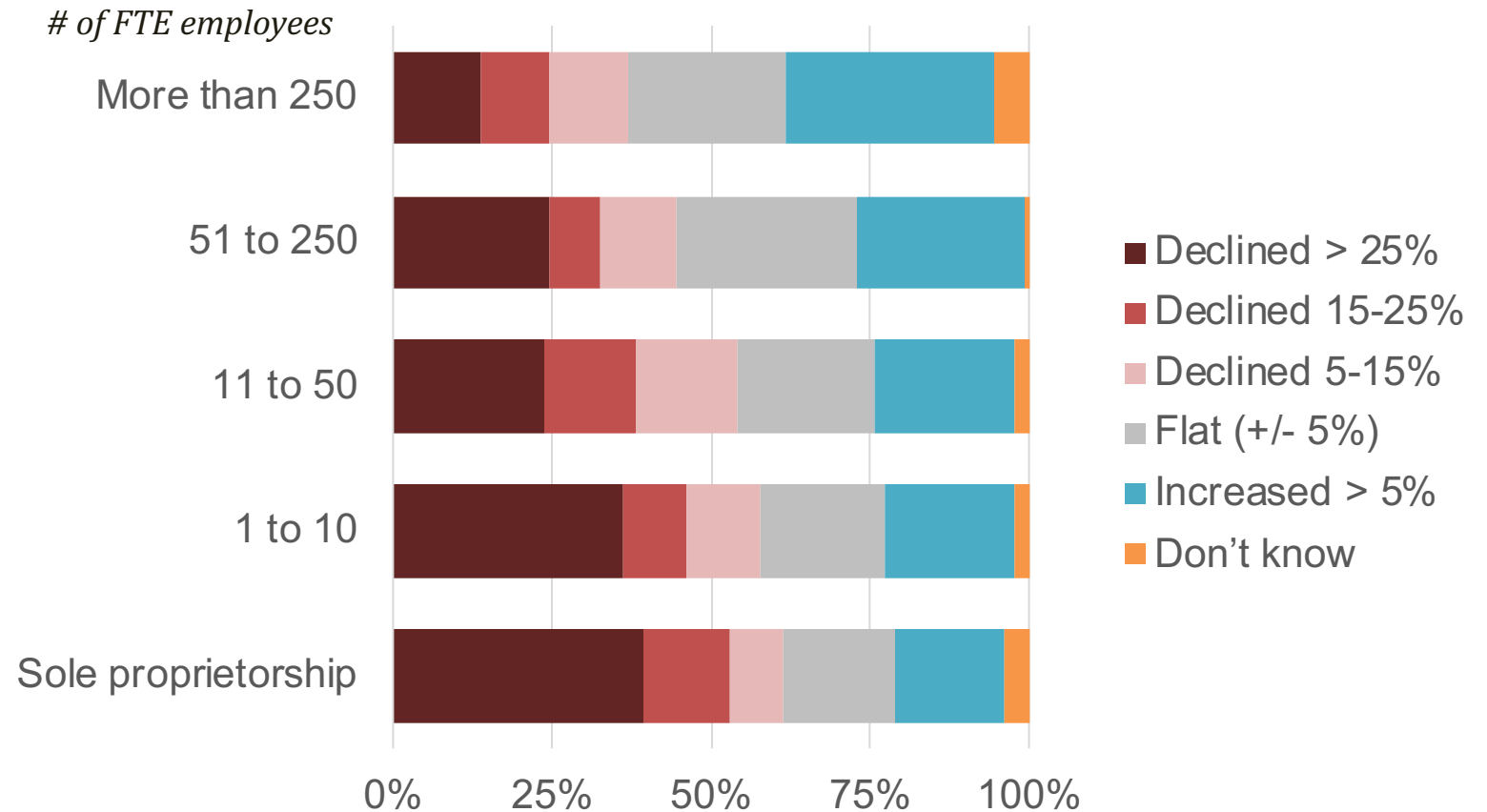
COVID IMPACT: BY FIRM SIZE

Size matters

Sole proprietors and small firms more likely to see revenue decline

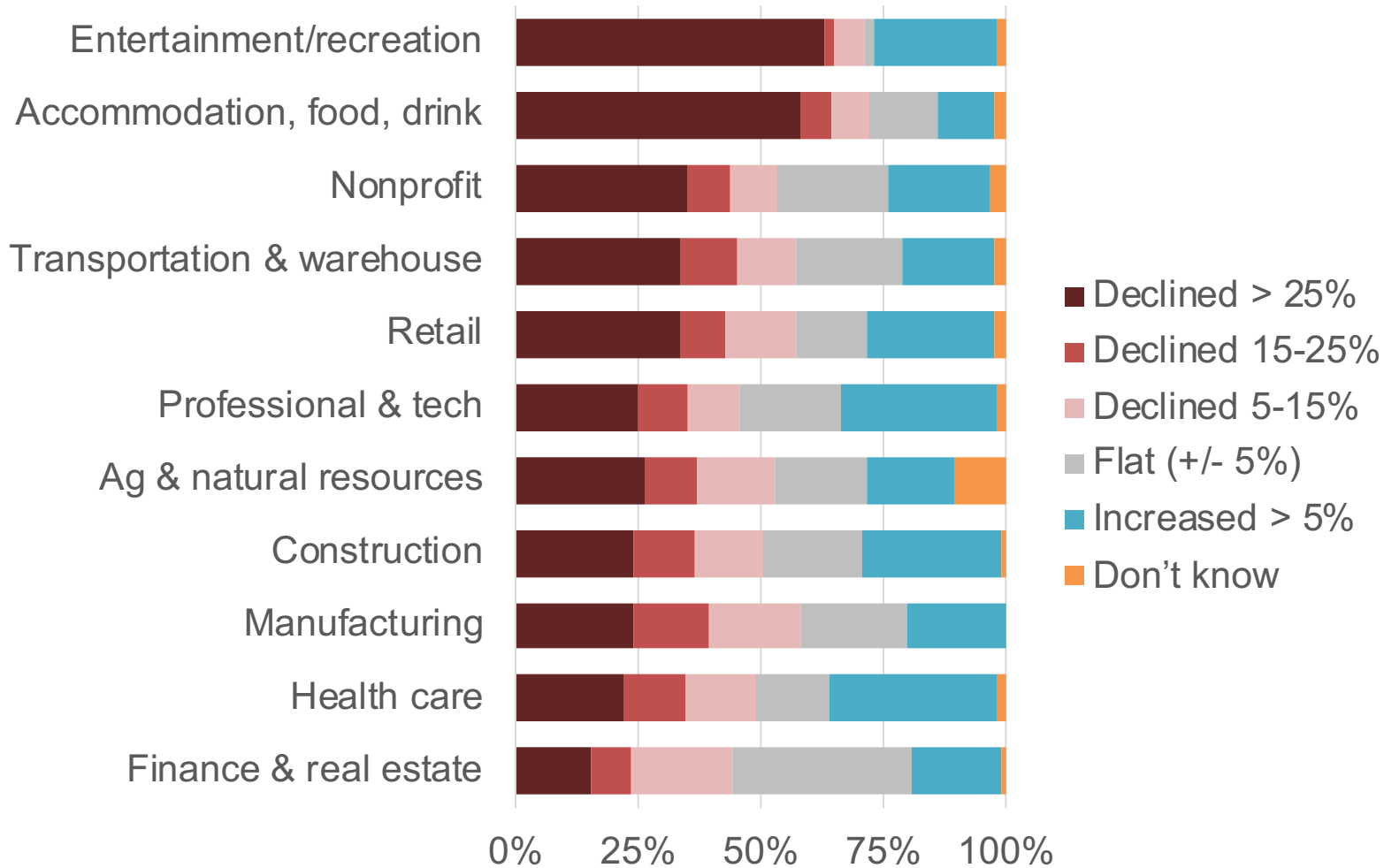
Also taking the brunt of wage cuts

Revenues by firm size June-July compared with April-May



COVID IMPACT: BY SECTOR

Revenue by sector
June-July compared with April-May



Sector matters

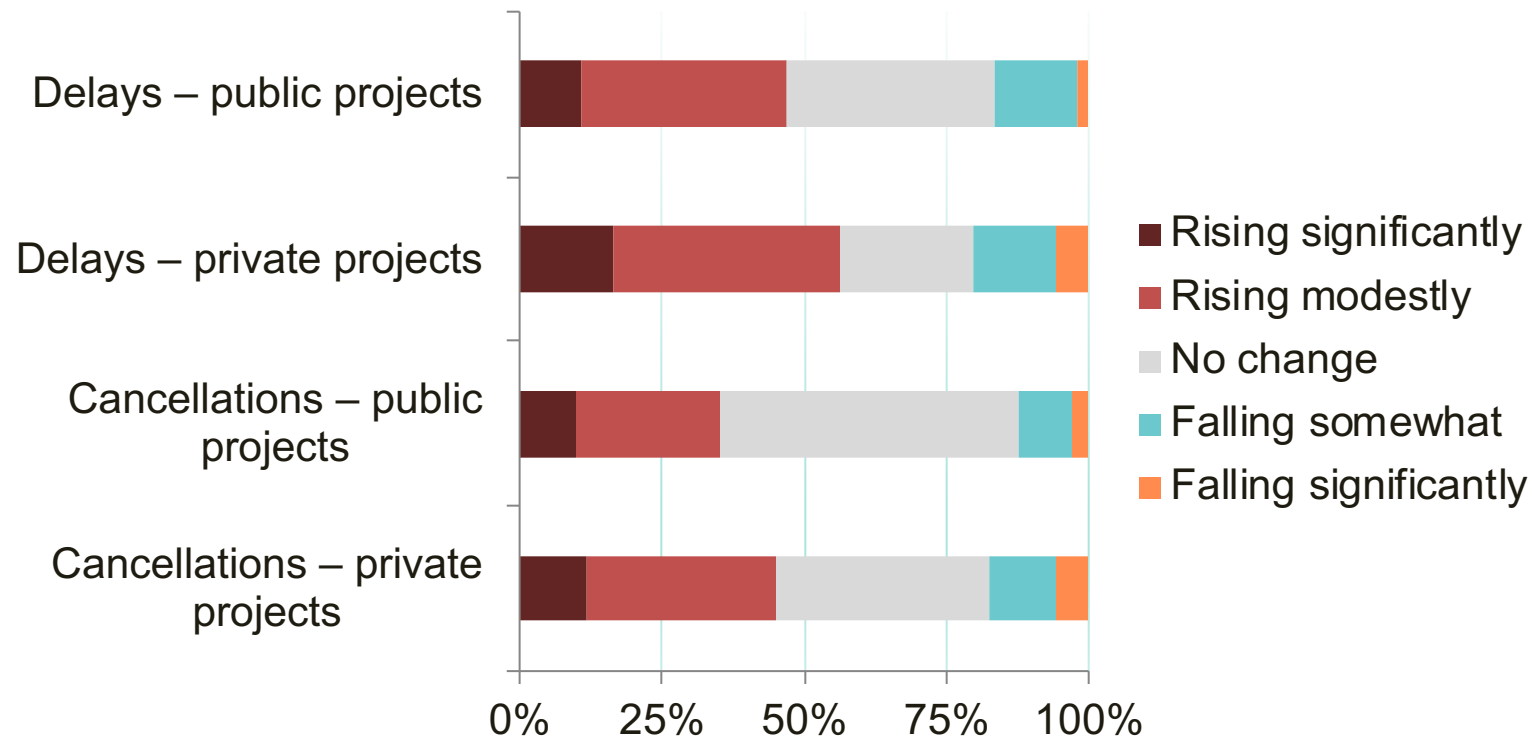
All sectors have been hurt, but entertainment, accommodation & eat/drinking firms bearing the biggest burden



CONSTRUCTION SURVEY: DELAYS AND CANCELLATIONS

Construction sector survey All Ninth District states (600+ responses)

Compared with May levels, what are you seeing in project delays or cancellations?



Cancellations and delays stem from:

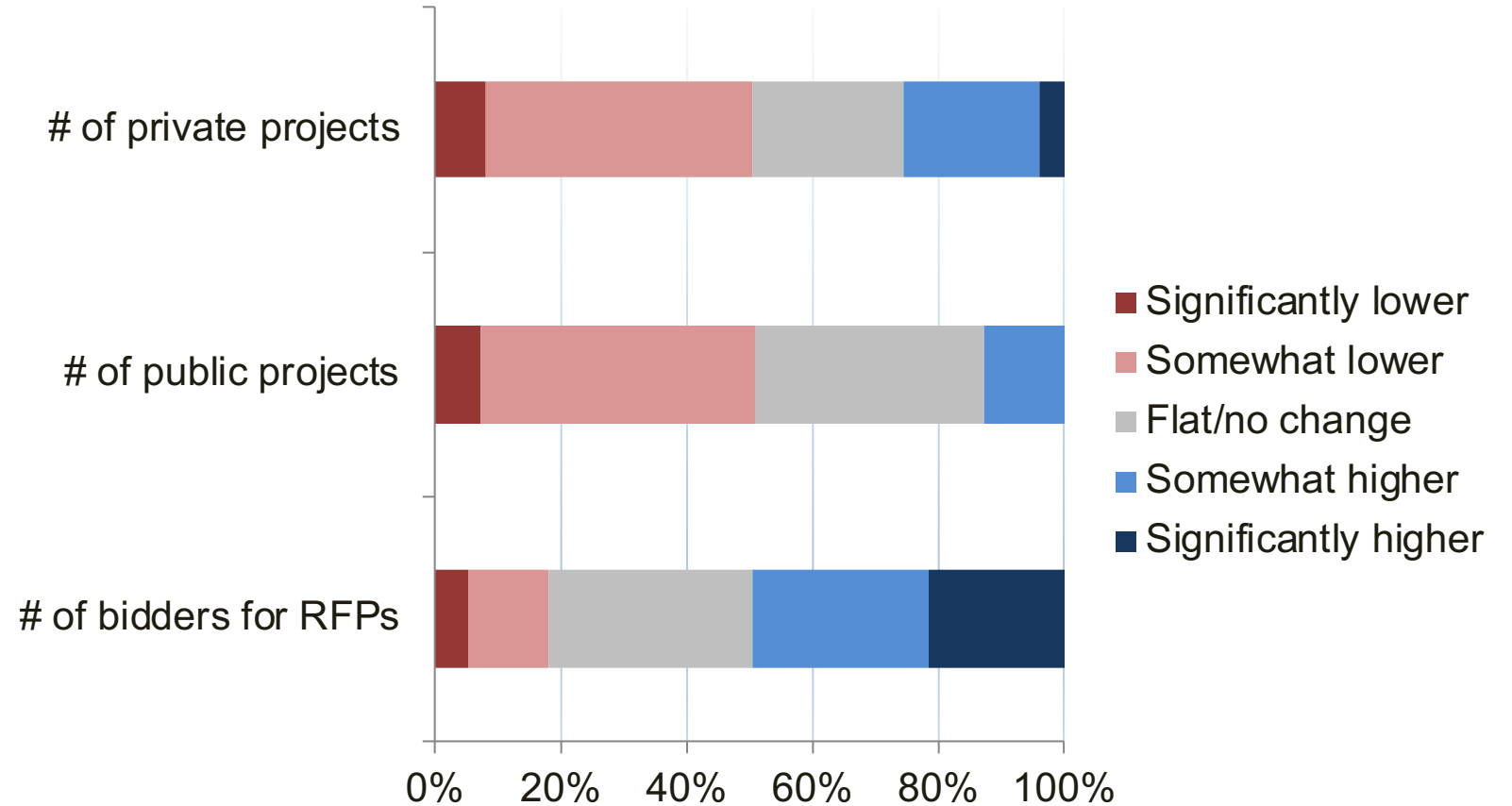
- Buyer nervousness due to virus and its economic spillovers
- Supply chain problems



REQUEST FOR PROPOSALS (RFP)

Please describe July RFP activity compared with May levels

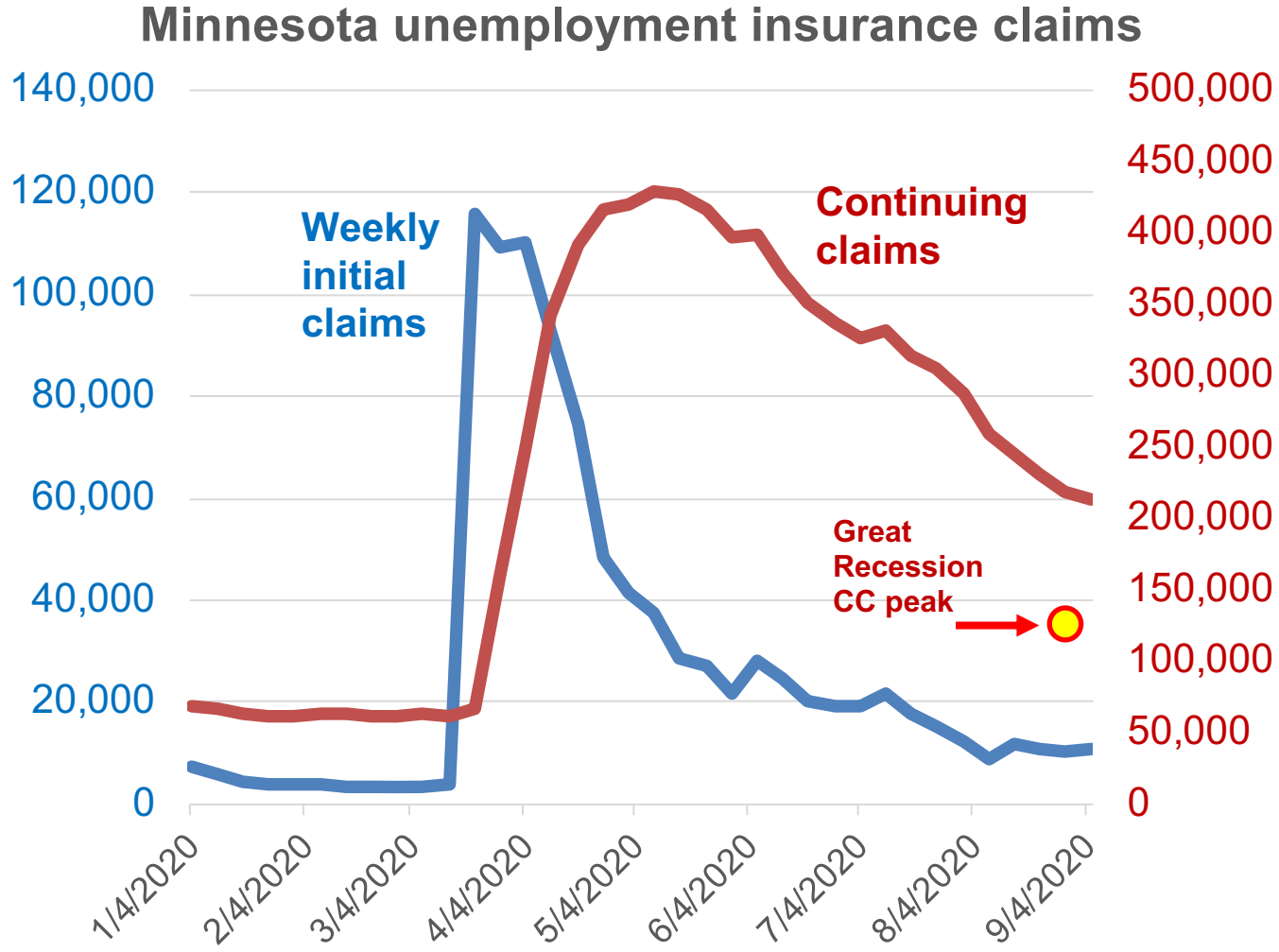
Request for proposals falling industry-wide
Firms also seeing more competitors for remaining RFPs



A large, faint, light teal outline of an eagle with its wings spread, set against a solid teal background. The eagle's head is turned to the left. There are several five-pointed stars scattered around the eagle's body. In the top left corner, there is a small, dark teal horizontal bar.

WORKFORCE

UNEMPLOYMENT INSURANCE CLAIMS



- **Since mid-March: about 950,000 initial claims**
- **But initial claims not a great measure of unemployment**
- **Continuing claims:**
 - **skyrocketed**
 - **Falling now**
 - **still way above Great Recession levels**

Source: U.S. Dept. of Labor

Last measure: September 5, 2020

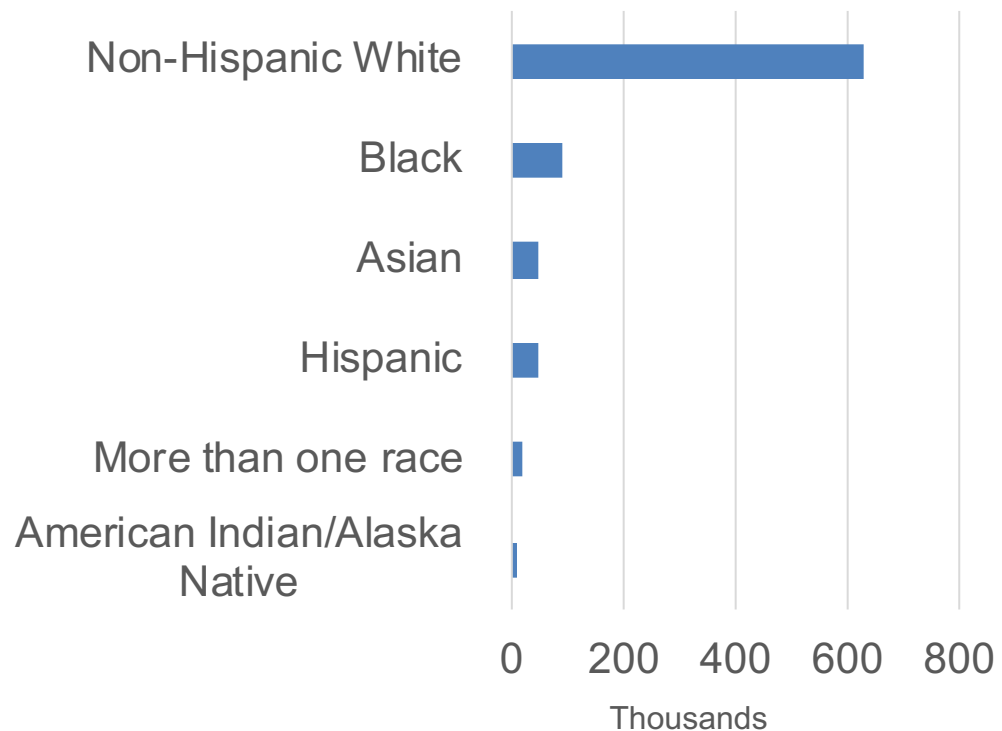


FEDERAL RESERVE BANK OF MINNEAPOLIS

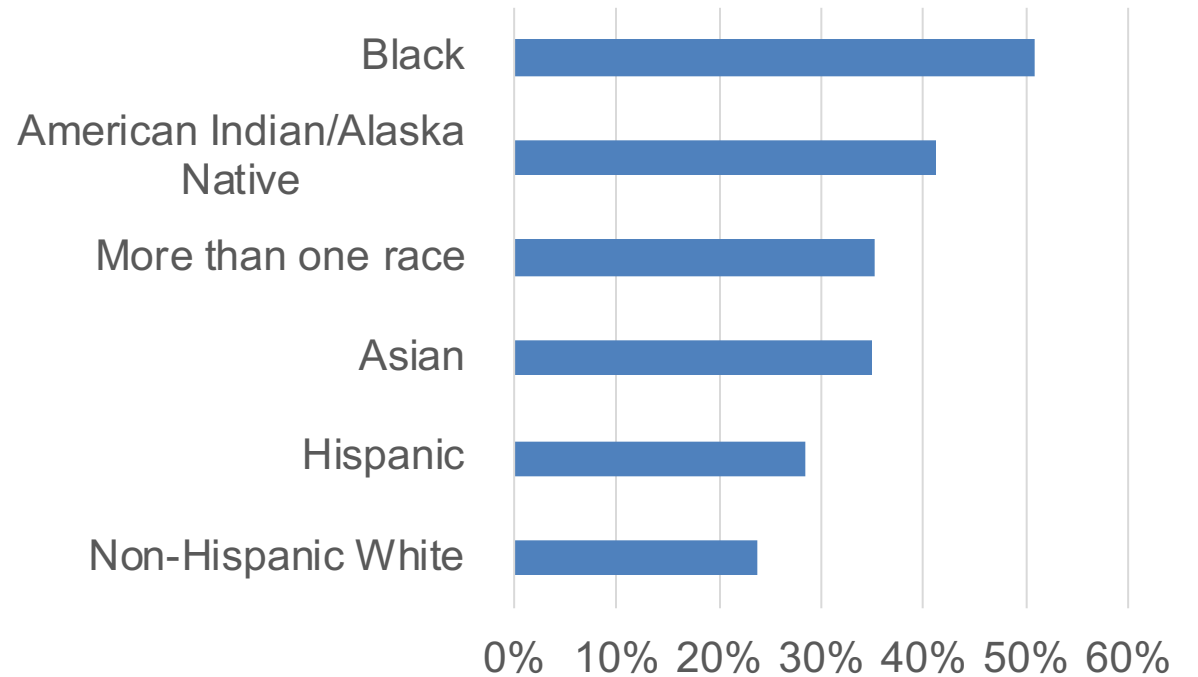
COVID-LAYOFFS BY RACE

Layoffs are disproportionate among ALL minority groups, but especially among Black and Native American workers

Total claims (3/15 to 7/25)



UI claims, by race, as a share of total labor force for that race



Source: MN Dept. of Employment and Economic Development





**CONSUMER SENTIMENT,
THE VIRUS,
& ECONOMIC OUTLOOK**

LOGIN FOR INTERACTIVE SURVEY

- *Good survey requires participation*
- *Immediate, real-time results*

- *Step 1: Get your phone*

- *Step 2: Send text to 22333*

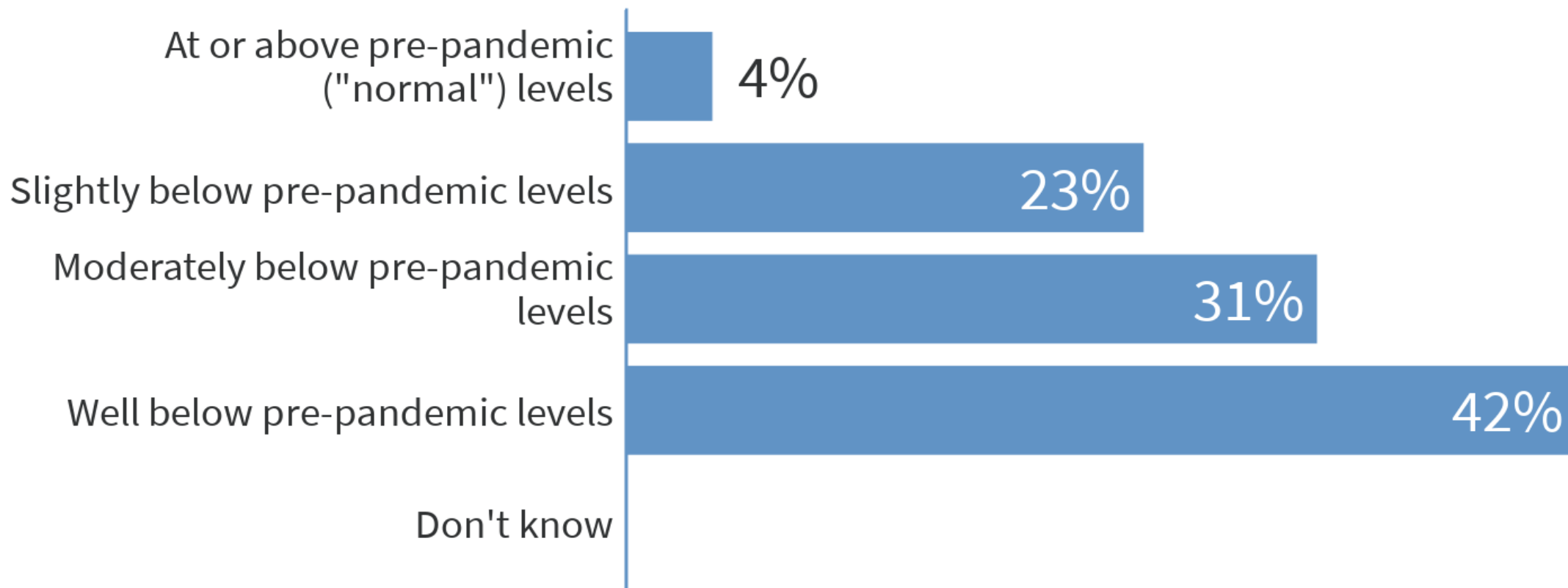
- *Step 3: Text the word minneapolis*

- *Step 4: Hit 'send'; watch for message*

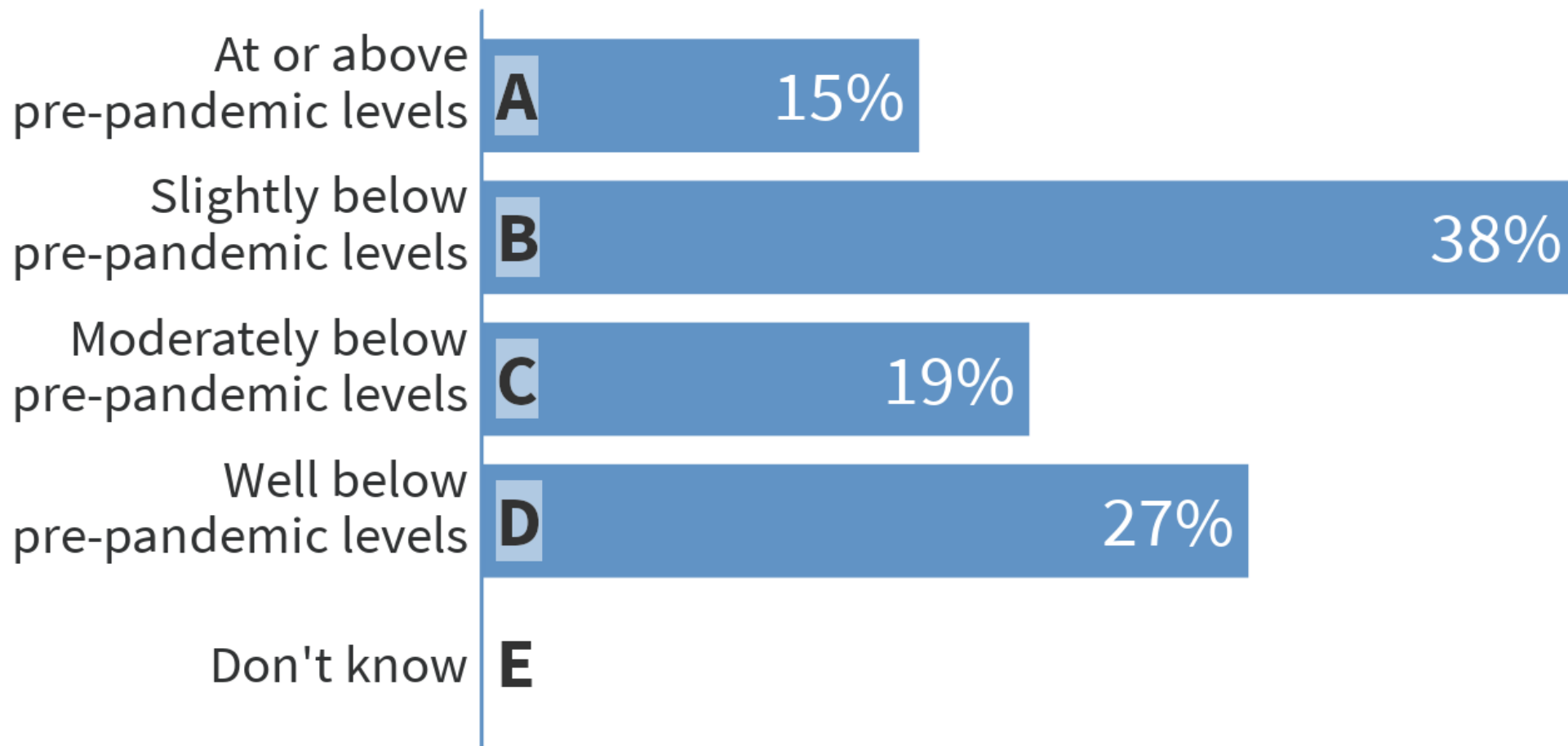
- *Step 5: Stay in text mode for survey*



CONSUMER ACTIVITY/MOBILITY: How would you describe your current public activity/mobility levels as a consumer? (How "out and about" are you?)



CONSUMER SPENDING: How would you describe your current spending levels as a consumer?





CONSUMERS & THE VIRUS

Minneapolis Fed President Neel Kashkari

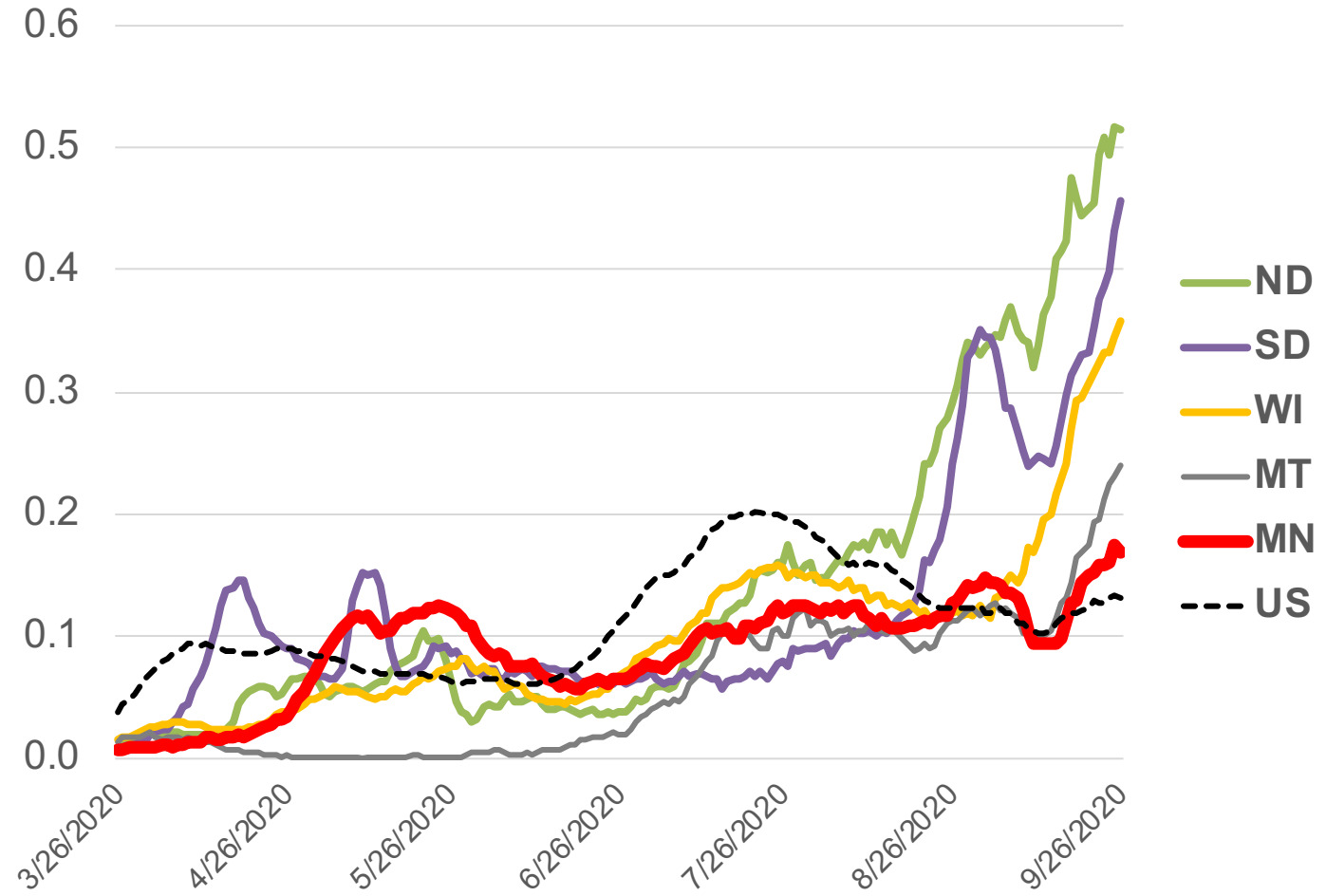
- Recovery likely will be consumer-driven, and that will be connected to infection and mortality trends
- Strong, lasting economic recovery and growth start with controlling the virus (at least until effective vaccine/treatment)



COVID TRENDS – NEW INFECTIONS

Minnesota better than peers, but all are rising

New infections/cases per thousand population

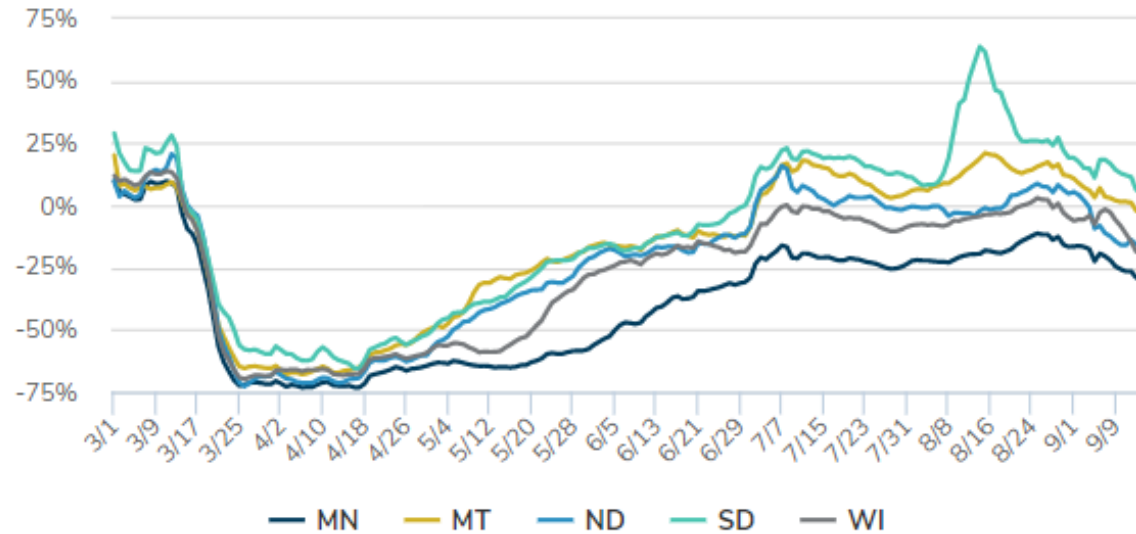


VIRUS AND ECONOMIC ACTIVITY

SafeGraph foot traffic mobility

Sit-down restaurants

YoY Percent, seven-day rolling average



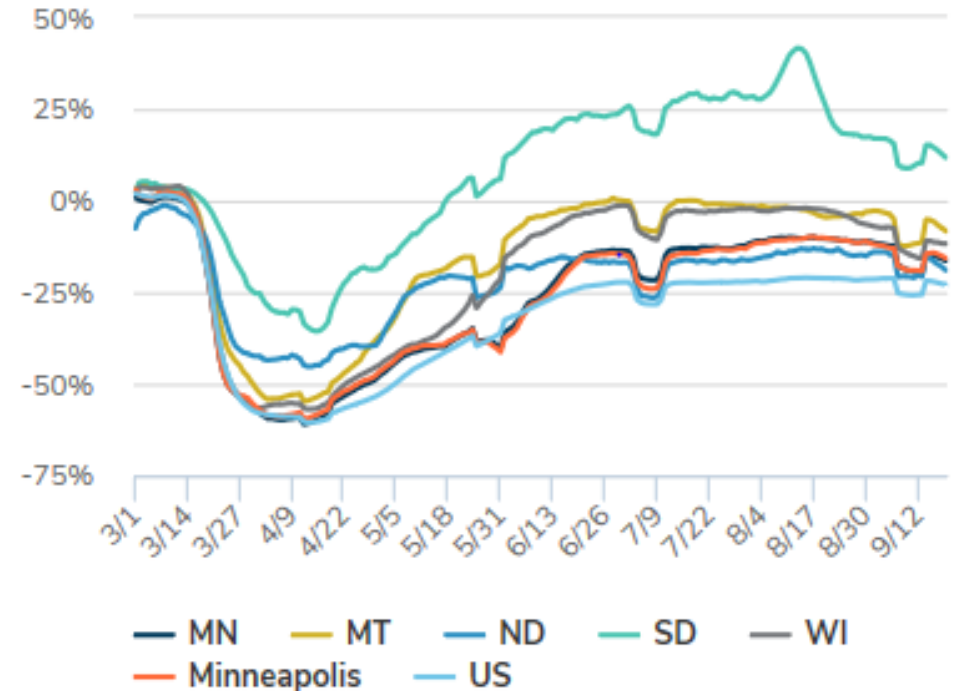
Note: Compared to same day and week in 2019
Source: SafeGraph

Filter by location type:

- Movie theaters
- Sit-down Restaurants
- Bars
- Malls
- Hotels

Change in small business employment

Compared with median number of hourly employees working Jan. 4-31, 2020, 7-day moving average



Source: Homebase



A FINAL NOTE

- Lots of debate about policy and its economic impact
- Consumers *as a group* have shown sensitivity to infection and death rates, and are changing behavior accordingly
 - Consumer spending = two-thirds of economy
 - Until there is wide availability of a vaccine, or game-changing new treatment, consumers (and economy) will be influenced (+/-) by the degree of control or containment (+/-) of the virus
- These health and economic trends will continue to be closely monitored by the Minneapolis Fed



THANK YOU! QUESTIONS?

SPEECH/WEBINAR REFERRALS WELCOME!

TWITTER: @RONWIRTZ

@MINNEAPOLISFED

CONNECT VIA LINKEDIN

RON.WIRTZ@MPLS.FRB.ORG

**THANK YOU. BEST WISHES TO ALL BUSINESSES,
ORGANIZATIONS & WORKERS**