14 presentation, “ [The State of the COVID-19 Crisis in the U.S.](https://www.stlouisfed.org/from-the-president/speeches-and-presentations/2020/the-state-of-the-covid-19-crisis)”)

- **July 17, 2020**. Article. "The State of the COVID-19 Crisis in the U.S.," Federal Reserve Bank of St. Louis *Regional Economist*, Third Quarter 2020.

  The State of the COVID-19 Crisis in the U.S.

  As the COVID-19 pandemic spread throughout the U.S. during early spring, public-health concerns led to a partial economic shutdown. Not surprisingly, this shutdown has been reflected in macroeconomic data—for example, we saw a record surge in the unemployment rate for April. Following the initial shock period, macroeconomic news has been stronger than expected in May and June.This column is based on my remarks given July 14, 2020, “ [The State of the COVID-19 Crisis in the U.S.](https://www.stlouisfed.org/from-the-president/speeches-and-presentations/2020/the-state-of-the-covid-19-crisis),” during an Economic Club of New York webinar.

  Progress in managing the health crisis has been substantial, but COVID-19 has proved to be more persistent than many had expected back in March and April. However, the experience during the second quarter of 2020 suggests that simple risk mitigation measures may be used to effectively manage the disease going forward.

  This suggests a base case in which the macroeconomy will continue to build on its momentum from May and June in the second half of 2020. Things could change, however, given the volatility of the virus situation. Tremendous uncertainty still exists in the U.S. economy, and the downside risk remains substantial. We need better execution of a granular, risk-based health policy, which will be critical to keep the economy out of depression.

  Upside Surprise for the Macroeconomy
  Given the macroeconomic news for May and June, April may prove to be the lowest point of the crisis. The Citigroup Economic Surprise Index, for example, indicates substantial upside surprise in recent data releases.

Employment in particular has rebounded more rapidly than expected. After the previous unemployment peak in October 2009, the unemployment rate declined by only 1.2 percentage points after two years. In the current situation, the unemployment rate (after adjusting for misclassification of workers) declined by 7.2 percentage points in just two months following its peak in April.In April, for instance, the official unemployment rate was 14.7%. The Bureau of Labor Statistics reported that some additional workers should have been categorized as unemployed on temporary layoff, which would have raised the unemployment rate to 19.5%. The behavior of employment reinforces the fact that the current shock is very different from previous shocks to the economy.

One way the current shock is different is that many layoffs are viewed as temporary. The share of unemployed workers who describe themselves as being on temporary layoff is typically around 10% to 15%, but today it is about 60% (after reaching 78% in April). In addition, this share has moved in tandem with the official unemployment rate in recent months.

A back-of-the-envelope calculation suggests that there is room for a substantial decline in the official unemployment rate in the months ahead. In particular, if all of the unemployed identifying as being on temporary layoff are simply recalled in the next six months and nothing else changes, the official unemployment rate would decline to a shocking 4.5%. If this category instead returns to a normal value of 1 million workers and nothing else changes, the official unemployment rate would still decline to 5.1%. If large declines in unemployment occur during the upcoming months, my expectation is that the actual path will be uneven.

A final comment about the upside surprise for the economy relates to upward revisions to GDP growth estimates. While the second quarter is projected to show substantial contraction—the worst quarter of all time in terms of U.S. economic growth—forecasts have nevertheless become less negative in recent weeks. This shows once again that the news for May and June has been quite good compared with what was previously expected.

Successes in Health Policy

There have been successes in the health policy response to the pandemic.

Current projections of fatalities in the U.S. are much lower than initial projections. As bad as the pandemic has been, it has not been anywhere close to the worst fears at the onset of the pandemic. Daily fatalities in the U.S. have declined about 70% from the peak level in April, according to data from the University of Washington's Institute for Health Metrics and Evaluation as of July 7. However, COVID-19 is proving to be a persistent threat, and continuing risk mitigation is required to keep the disease under control.

A lesson from the second quarter is that work from home has proved to be a viable and powerful strategy for many businesses. In addition, the second-quarter results seem to show that essential retail services—such as grocery stores and large retailers like Walmart and IKEA—can be provided with low risk, as long as simple precautions are taken.

Firms and other economic entities have strong incentives to restore revenue streams and deliver products and services safely. This suggests that during the third quarter many firms will adopt proven risk mitigation activities pioneered by the essential services industries in the second quarter. These include ubiquitous mask usage in contact situations as well as other simple procedures, such as more testing, using personal protective equipment, taking temperatures and asking people to stay home if they are sick. Adoption of these types of risk mitigation activities may bring the disease under control in the second half of 2020.

COVID-19: Mortality Risk Management

U.S. citizens face many types of mortality risk, including "accidental injury," which is the third largest cause of death in the U.S. Currently, COVID-19 deaths are approaching the number of deaths by accidental injury that is typically seen in a year.

Accidents of all types are associated with significant risk mitigation activities throughout society, including air bags, traffic regulations and fire codes, and deaths occur even with those mitigation strategies in place. While similar risk mitigation is not yet fully in place for COVID-19, ubiquitous masks and other simple measures, as outlined above, could provide important components of a risk mitigation strategy.

The second half of 2020 will be a period of continued learning and adaptation to the new mortality risk in the economy. Simple risk mitigation strategies hold the promise of delivering higher household incomes along with lower fatalities from COVID-19, thus improving along economic and health dimensions relative to the second quarter. My base case is that we will be able to accomplish this in the next six months and come back to a more normal U.S. economy, although downside risks do remain.

Endnotes
1. This column is based on my remarks given July 14, 2020, “ [The State of the COVID-19 Crisis in the U.S.](https://www.stlouisfed.org/from-the-president/speeches-and-presentations/2020/the-state-of-the-covid-19-crisis),” during an Economic Club of New York webinar.
2. In April, for instance, the official unemployment rate was 14.7%. The Bureau of Labor Statistics reported that some additional workers should have been categorized as unemployed on temporary layoff, which would have raised the unemployment rate to 19.5%.

- **July 14, 2020**. Presentation. "The State of the COVID-19 Crisis in the U.S.," The Economic Club of New York webinar.
Presentation (pdf)
(bullard_economic_club_new_york_14_july_2020pdf) | Press Release.

The State of the COVID-19 Crisis in the U.S.

July 14, 2020

[Presentation (pdf)](https://www.stlouisfed.org/-/media/project/frbstl/stlouisfed/files/pdfs/bullard/remarks/2020/bullard_economic_club_new_york_14_july_2020.pdf)| [Press

Release](https://www.stlouisfed.org/news-releases/2020/07/14/bullard-state-of-covid-19-crisis-in-us)

St. Louis Fed President James Bullard discussed the upside surprise for the U.S. macroeconomy in May and June during a webinar with the Economic Club of New York. He also noted that progress in managing the health crisis has been substantial, but COVID-19 has proven to be more persistent than many expected.

The second half of 2020 will be a period of continued learning and adaptation to the new mortality risk in the economy, he said. "Simple risk mitigation strategies, including ubiquitous masks, hold the promise of delivering higher household incomes along with lower fatalities from COVID-19, thus improving along both dimensions," he added.

However, Bullard cautioned, "The downside risk remains substantial, and better execution of a granular, risk-based health policy will be critical to keep the economy out of depression."

Having trouble with the video? [Watch it here.](https://www.youtube.com/watch?v=d22ZM8Vr2Uk&t=128s)

St. Louis Fed's Bullard Discusses the State of the COVID-19 Crisis in the U.S.

NEW YORK –Federal Reserve Bank of St. Louis President James Bullard presented " [The State of the COVID-19 Crisis in the U.S.](https://www.stlouisfed.org/-/media/project/frbstl/stlouisfed/files/pdfs/bullard/remarks/2020/bullard_economic_club_new_york_14_july_2020.pdf)" via webinar to the Economic Club of New York on Tuesday.

During his presentation, Bullard noted that macroeconomic news has been stronger than expected in May and June. He also noted that progress in managing the health crisis has been substantial, but COVID-19 has proven to be more persistent than many expected. However, the experience during the second quarter of 2020 suggests that simple risk mitigation measures, including ubiquitous masks, may be used to manage the disease effectively, he added.

“This suggests a base case in which the macroeconomy will continue to build on its momentum from May and June in the second half of 2020,” Bullard said. “The downside risk is nevertheless substantial, and better execution of a granular, risk-based health policy will be critical to keep the economy out of depression.”

Upside Surprise in May and June

The macroeconomic news for May and June seems to suggest that April will prove to be the lowest point of the crisis, Bullard noted. He pointed out that the Citi economic surprise index indicates substantial upward surprise in data releases for this time period, well beyond normal news variation.

Bullard also noted that employment has rebounded more rapidly than expected, which supports the idea that many layoffs were only temporary as firms adjusted to the pandemic.

“A back-of-the-envelope calculation suggests that there is room for a substantial decline in the official unemployment rate in the months ahead,” Bullard said.

In particular, he noted that if all of the unemployed who have identified as “on temporary layoff” are simply recalled in the next six months and nothing else changes, the official unemployment rate would decline to 4.5%. If this category instead returns to a normal value of 1 million workers and nothing else changes, the official unemployment rate would still decline to 5.1%, he added. “If this type of dynamic occurs in the months ahead, it is likely to be uneven,” he said.

Regarding GDP growth, Bullard pointed out that estimates for the second quarter have been revised upward. “While second-quarter growth is projected to show substantial contraction, forecasts have become less negative in recent weeks,” he said.

Successes in Health Policy

Bullard noted that current projections of fatalities in the U.S. are much lower than initial projections. He added that daily fatalities in the U.S. have declined about 70% from the peak level in April.

"COVID-19 is proving to be a persistent threat, so continuing risk mitigation is required to keep the disease under control," he said.

Bullard then talked about how firms have been learning to run a business in a pandemic. He noted that work from home has proven to be a viable and powerful strategy for many businesses. In addition, the second-quarter results seem to show that essential retail services can be provided with low risk, as long as simple precautions are taken, he said.

"Firms and other economic entities have strong incentives to restore revenue streams and deliver products and services safely," Bullard said. "This suggests that during the third quarter many firms will adopt proven risk mitigation activities pioneered by the essential services industries in the second quarter, including ubiquitous mask usage in contact situations."

COVID-19: Mortality Risk Management

Bullard noted that U.S. citizens face many types of mortality risk. Right now, COVID-19 deaths are approaching the typical annual total for accidental injury, which is the third largest cause of death, he said.

Accidents of all types are associated with significant risk mitigation activities, including air bags, traffic regulations and fire codes, he explained, and deaths occur even with those mitigation strategies in place. While similar risk mitigation is not yet fully in place for COVID-19, it appears that ubiquitous masks would provide one important component, he said.

"The second half of 2020 will be a period of continued learning and adaptation to the new mortality risk in the economy," Bullard concluded. "Simple risk mitigation strategies, including ubiquitous masks, hold the promise of delivering higher household incomes along with lower fatalities from COVID-19, thus improving along both dimensions."

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- **June 24, 2020**. Remarks. Bullard Discusses the Pandemic's Economic Impact and Racial Equity, Greater Louisville Inc. – The Metro Chamber of Commerce virtual event.

Bullard Discusses the Pandemic's Economic Impact and Racial Equity

June 24, 2020

St. Louis Fed President James Bullard discussed the COVID-19 pandemic and its impact on the economy during a virtual event hosted by Greater Louisville Inc. – The Metro Chamber of Commerce. He also spoke about the importance of an inclusive economy and promoting racial economic equity.

"A more inclusive economy is a stronger economy, and the work of the St. Louis Fed must help to root out institutional racism and other inequities that systematically create economic barriers," Bullard said.

He cited research from the St. Louis Fed's Center for Household Financial Stability, which has consistently found that Black families in the U.S. have about 10 cents for every dollar in wealth held by white families—a gap that has been virtually unchanged for at least three decades. The Center's research suggests that structural and historical factors continue to suppress the ability of Black Americans to accumulate wealth, Bullard noted.

"Accordingly, to promote racial economic equity, we as a nation must also consider structural or institutional responses," he said. "While the St. Louis Fed has undertaken significant research and initiatives on this front, our work must continue in earnest. It's welcome news that many organizations are doing the same."

Turning to the pandemic, Bullard noted that the primary economic impact