

ECONOMIC OUTLOOK

RECOVERY FROM VIRAL RECESSION HAS STARTED, BUT HOW STRONG?

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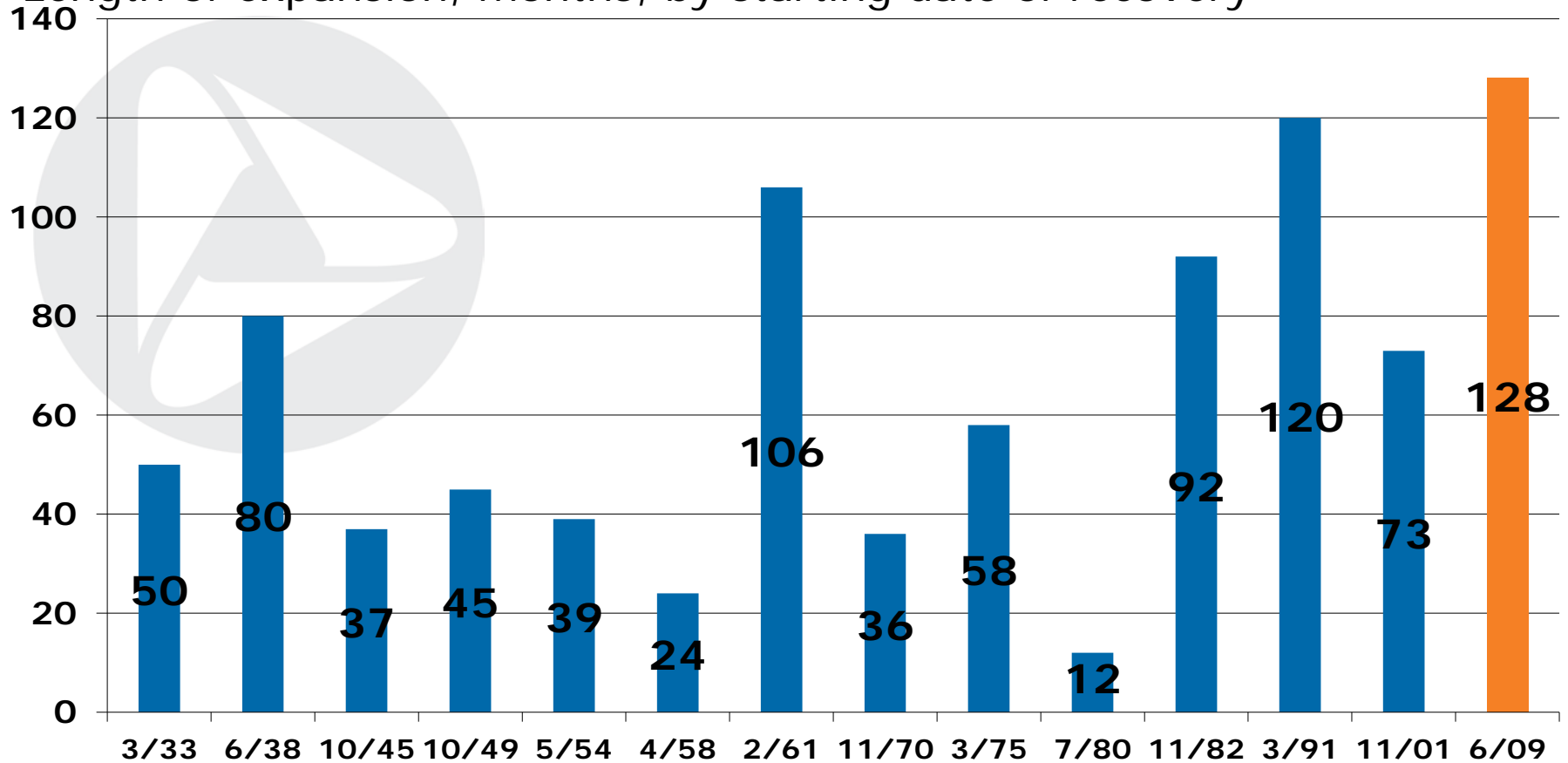
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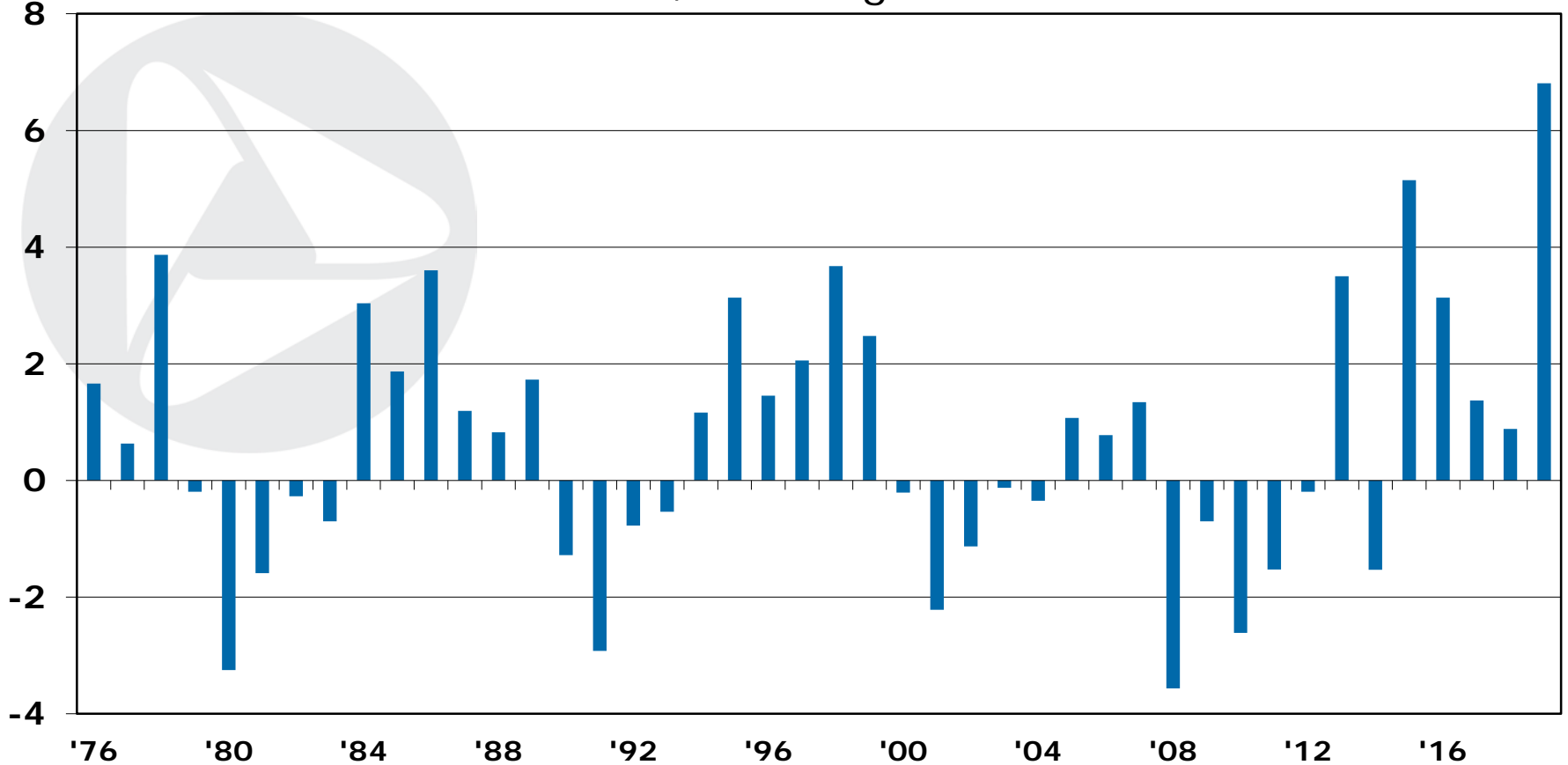
THE LONGEST U.S. EXPANSION IS NOW OFFICIALLY HISTORY

Length of expansion, months, by starting date of recovery



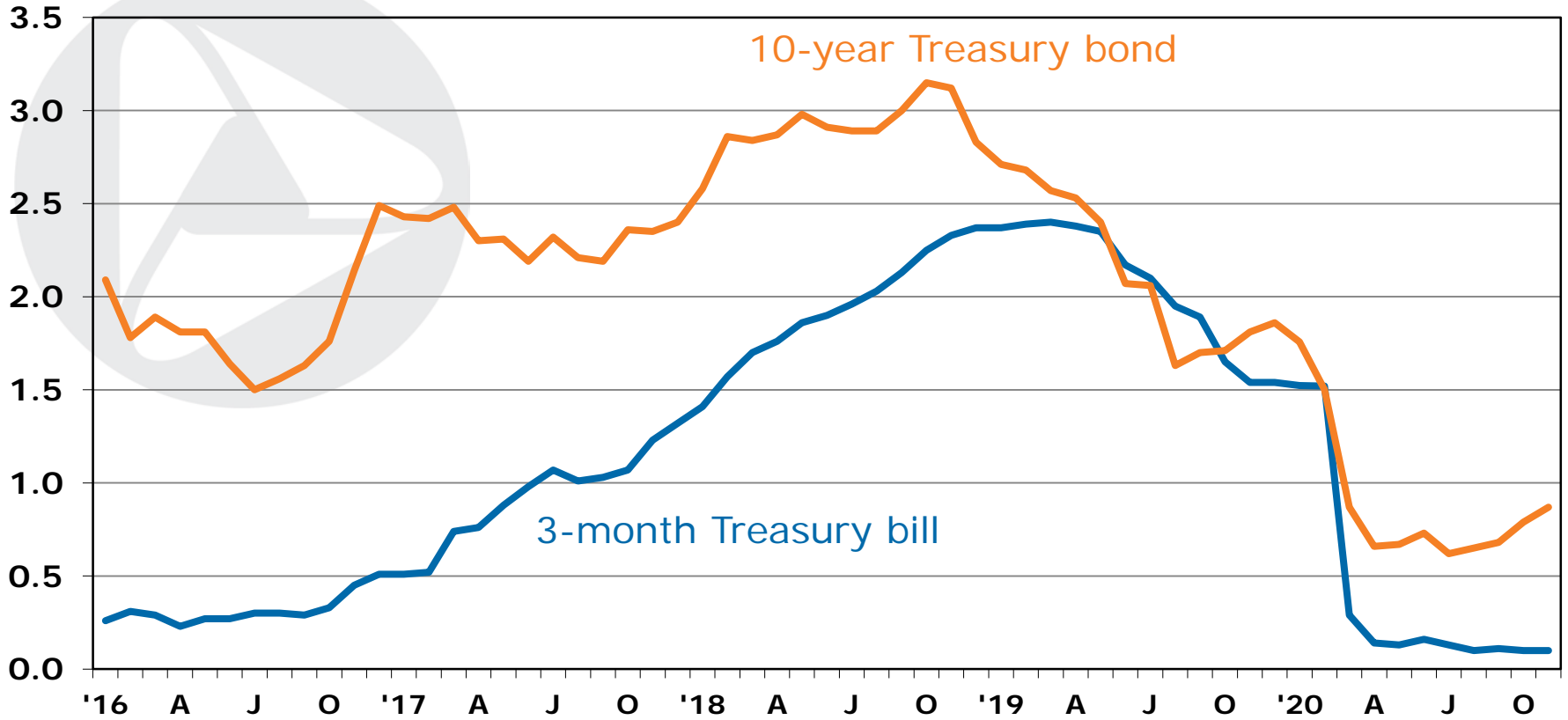
2019 WAS ESPECIALLY GOOD FOR INCOMES

Real median household income, % change

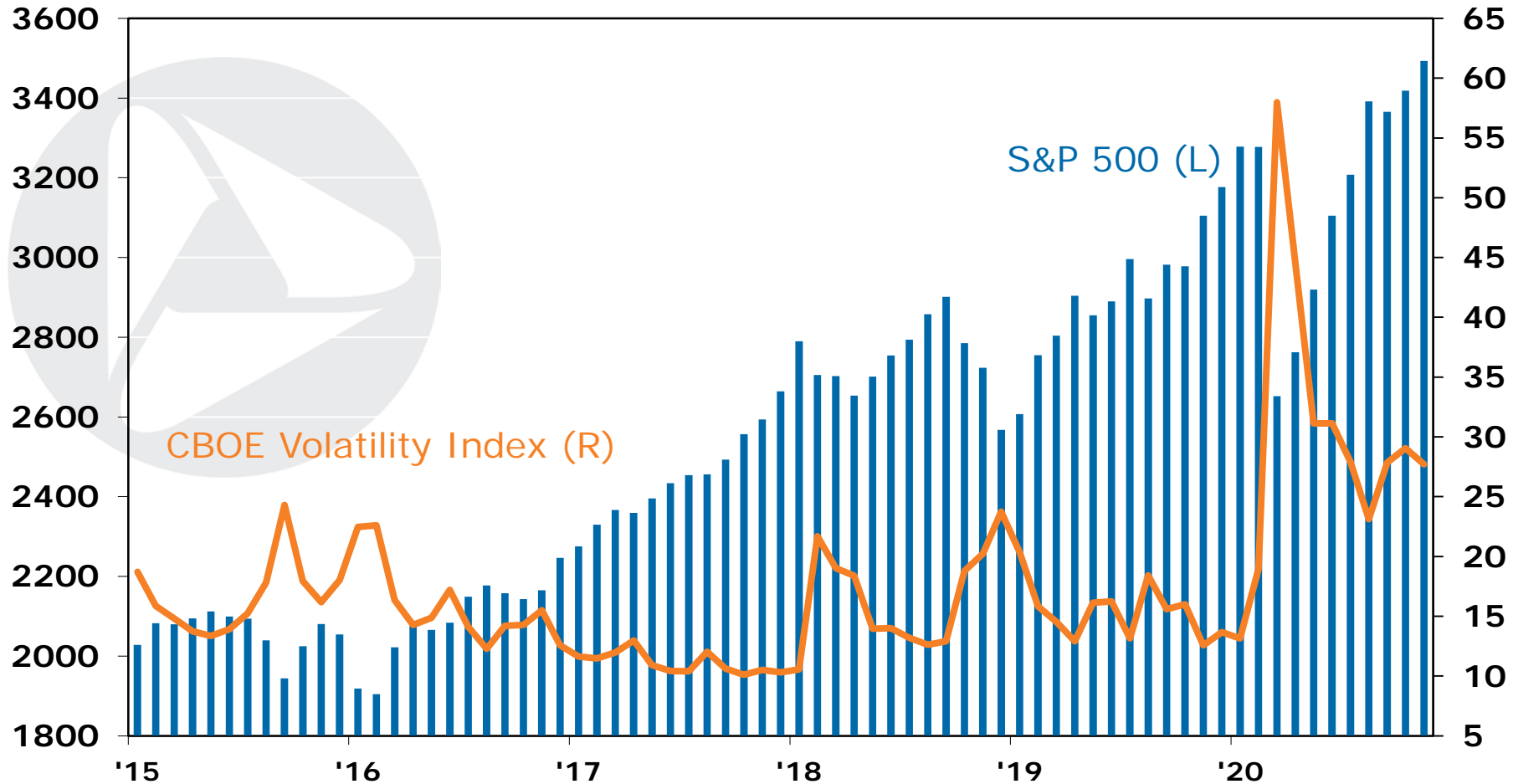


TWO EMERGENCY FED RATE CUTS, LONG-TERM RATES AT RECORD LOWS...

Interest rate, %



...AND STOCKS ARE ANTICIPATING RECOVERY



WITH ABOUT HALF OF U.S. ECONOMY AT RISK...

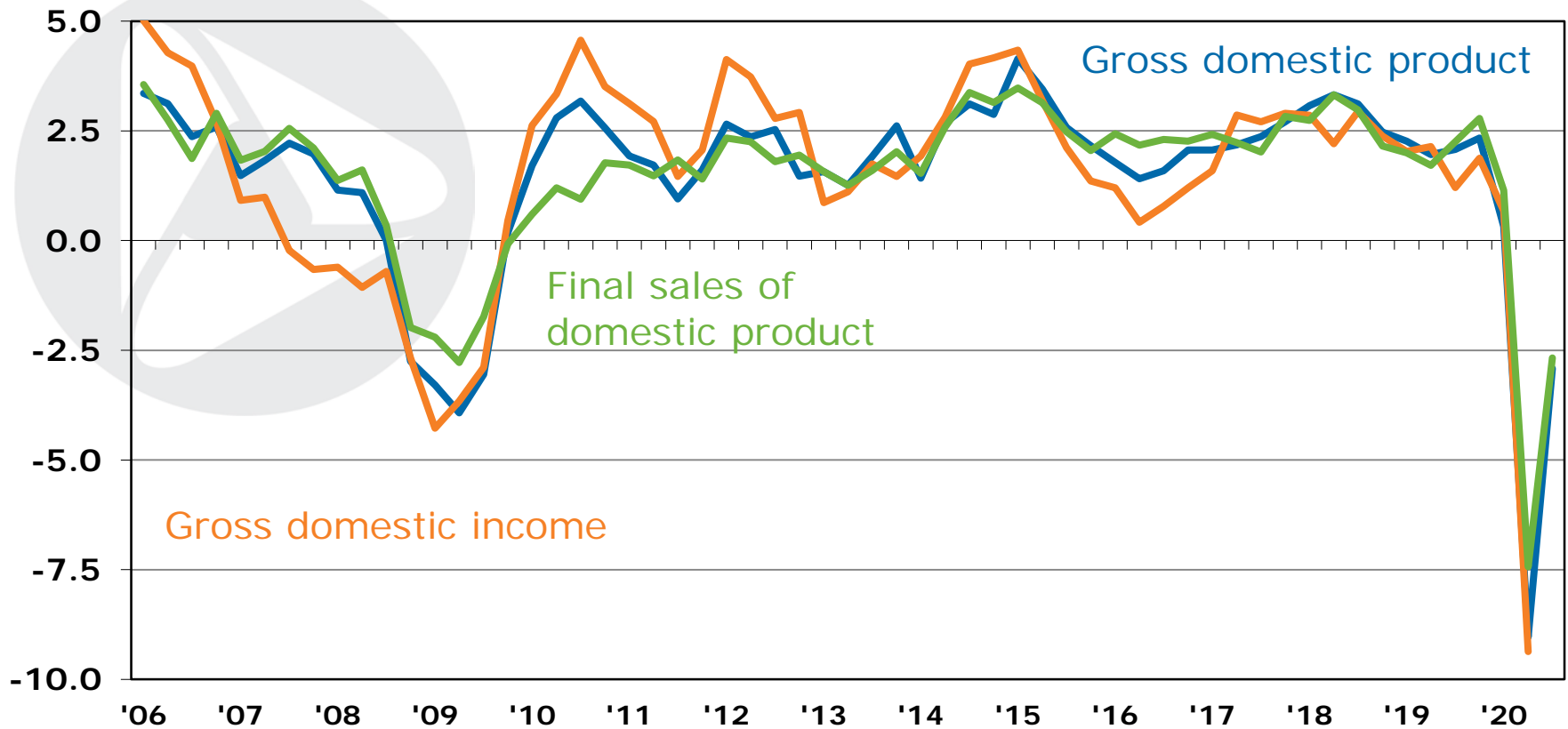
Share of US GDP, 2019. Imports excluded (15% of GDP).

- Government (17%)
- Consumer nondurables (14%)
- Consumer healthcare, housing, utilities (21%)
- All other consumer services (24%)
- Consumer durables (7%)
- Private investment (18%)
- Exports (12%)



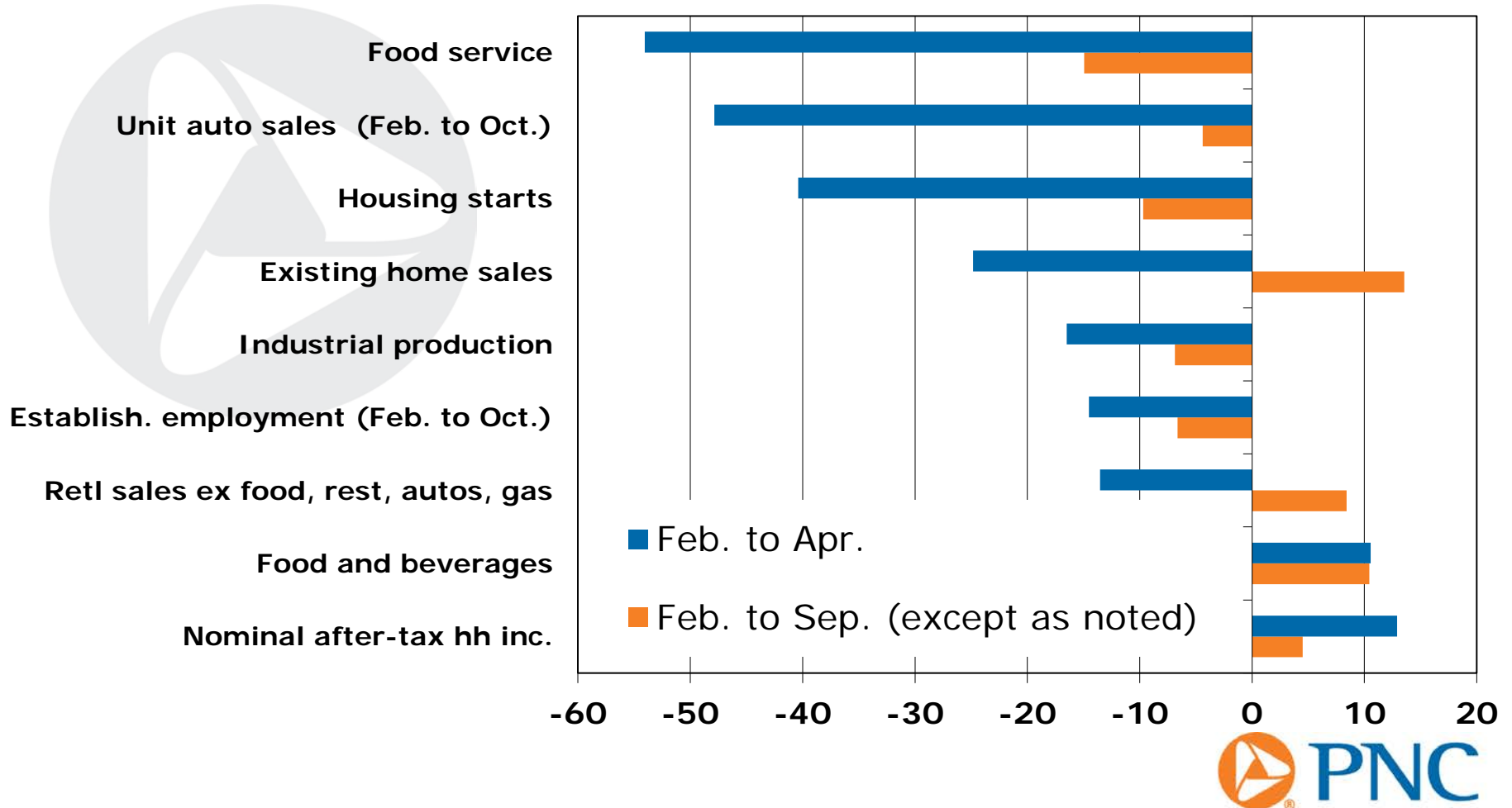
...ECONOMY CONTRACTS MORE THAN TEN PERCENT IN FIRST HALF OF 2020, THEN REBOUNDS...

Real, % change year ago



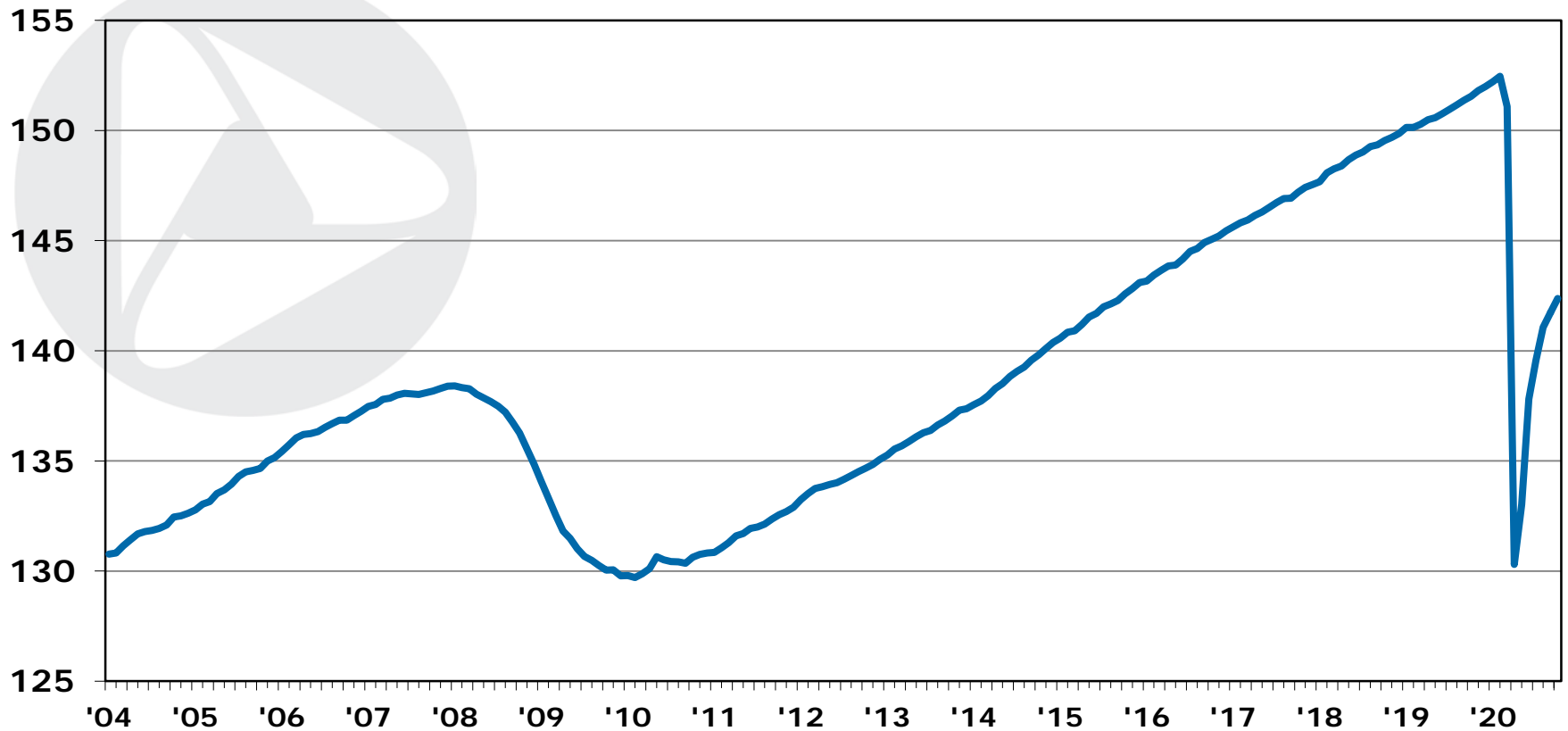
...WITH A BIG IMPROVEMENT SINCE APRIL

% change



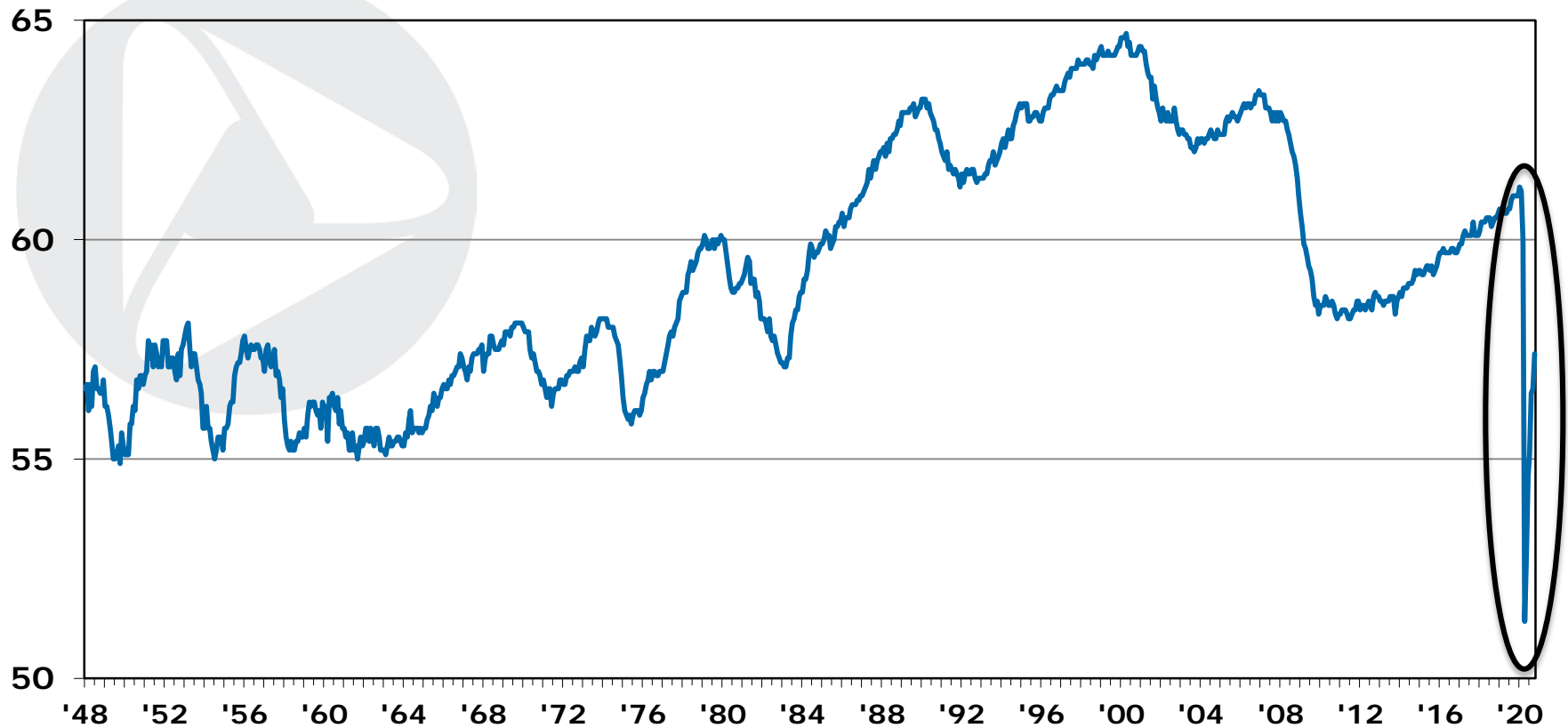
EVEN WITH 12 MILLION JOBS ADDED IN MAY-OCTOBER, FIVE YEARS OF GAINS WIPED OUT...

Establishment employment, mil

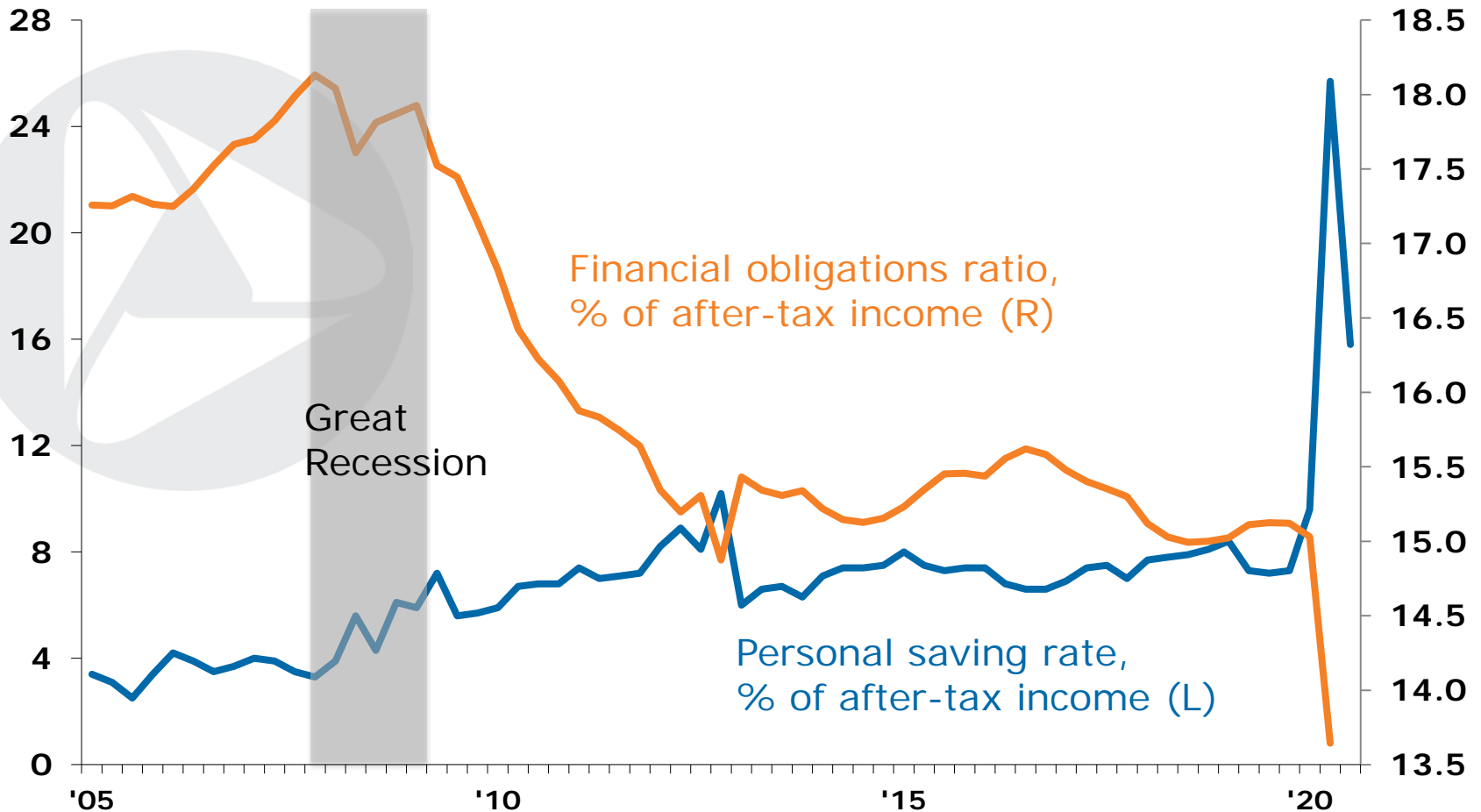


...WITH ONLY 57 PERCENT OF ADULTS NOW WORKING

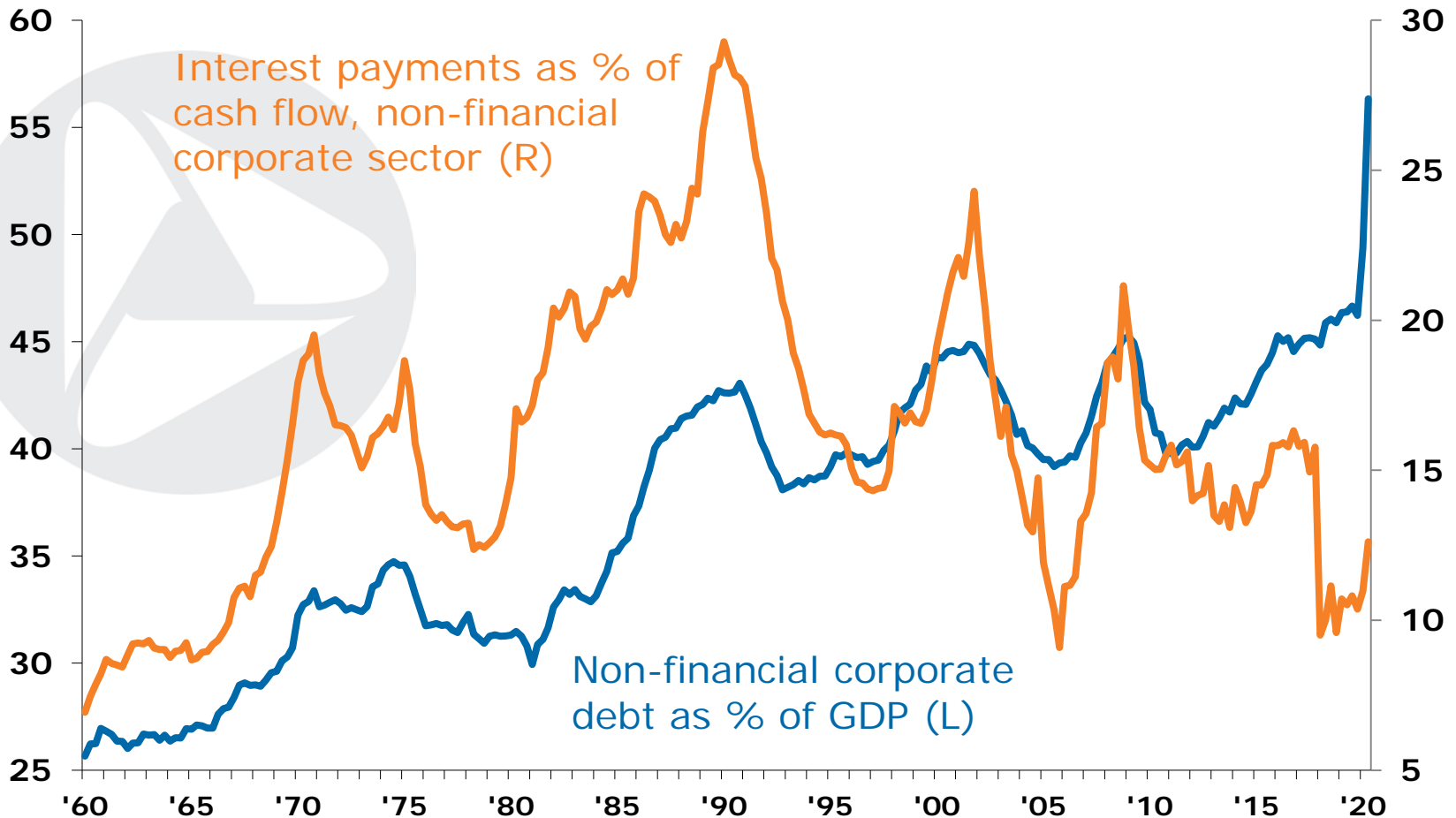
Employment-to-population ratio, %



CONSUMERS IN MUCH BETTER SHAPE THAN HEADING INTO GREAT RECESSION...

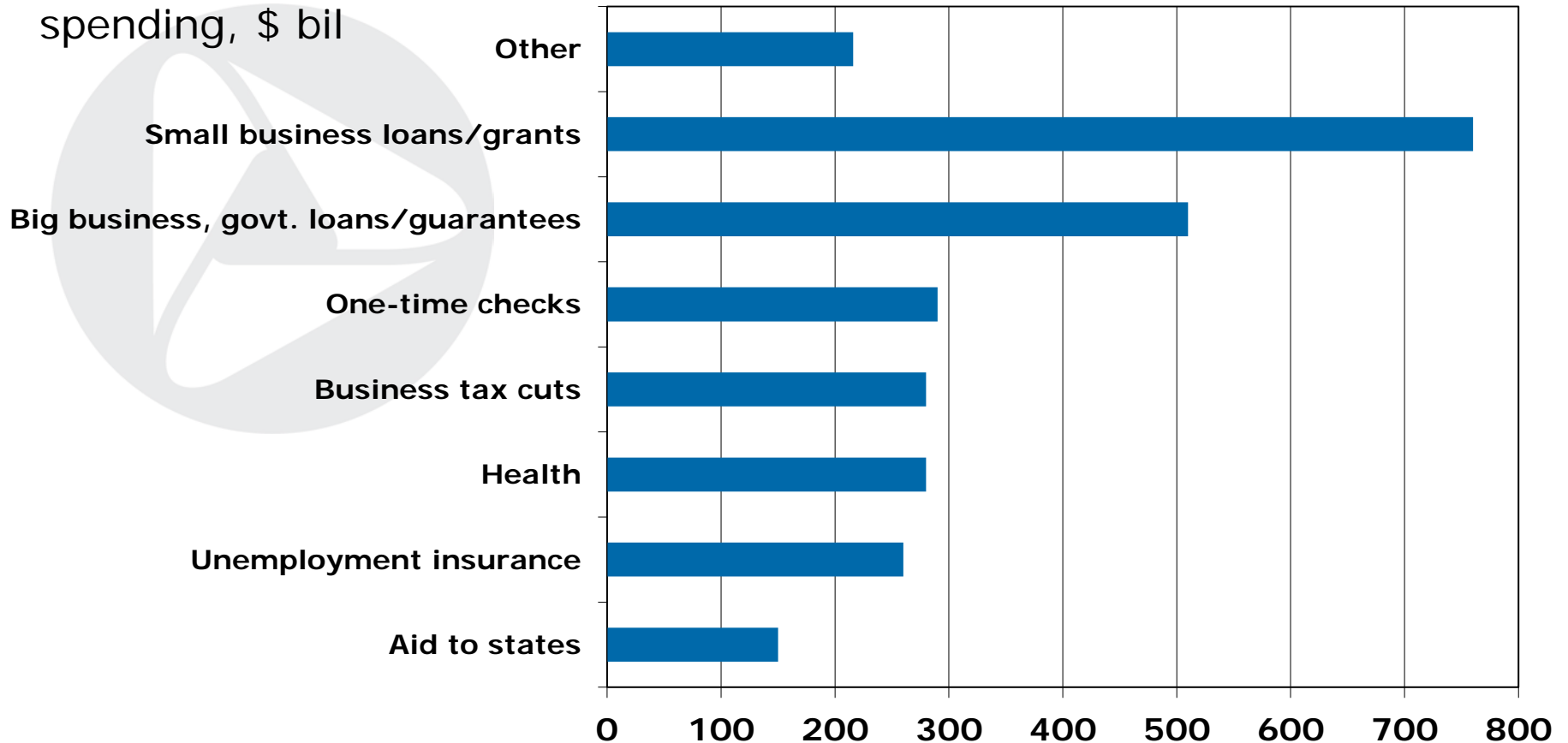


...BUT BUSINESS DEBT IS MORE OF A CONCERN



MORE THAN \$2 TRILLION IN STIMULUS SO FAR...

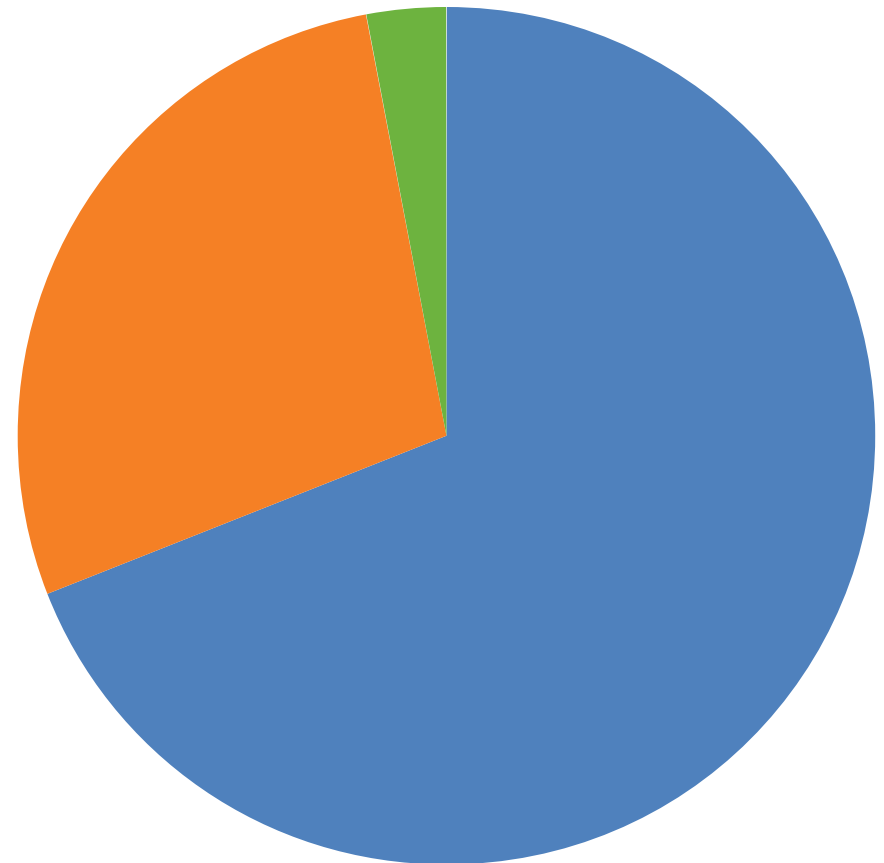
CARES, Paycheck Protection Program and Health Care Enhancement Acts spending, \$ bil



...AND PAYCHECK PROTECTION PROGRAM HAS BEEN VERY IMPORTANT

Small, mid-size firms that have applied for PPP or plan to do so in future

- Extremely important (69%)
- Somewhat important (28%)
- Not important (3%)



BUSINESSES NEED ANOTHER POLICY BOOST...

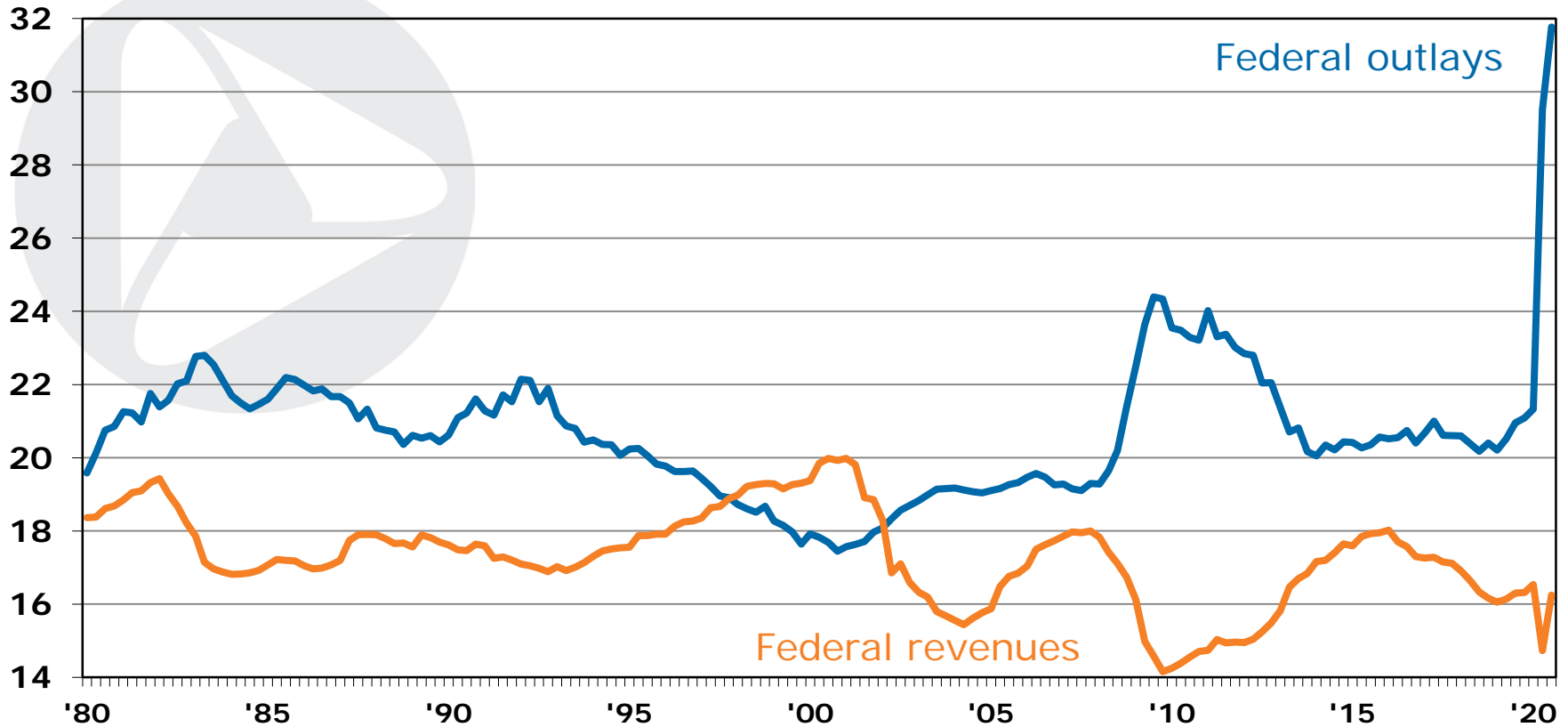
Importance of additional stimulus funding to small, mid-size firms

- Extremely important (55%)
- Somewhat important (22%)
- Not important (27%)
- Don't know/refused (18%)



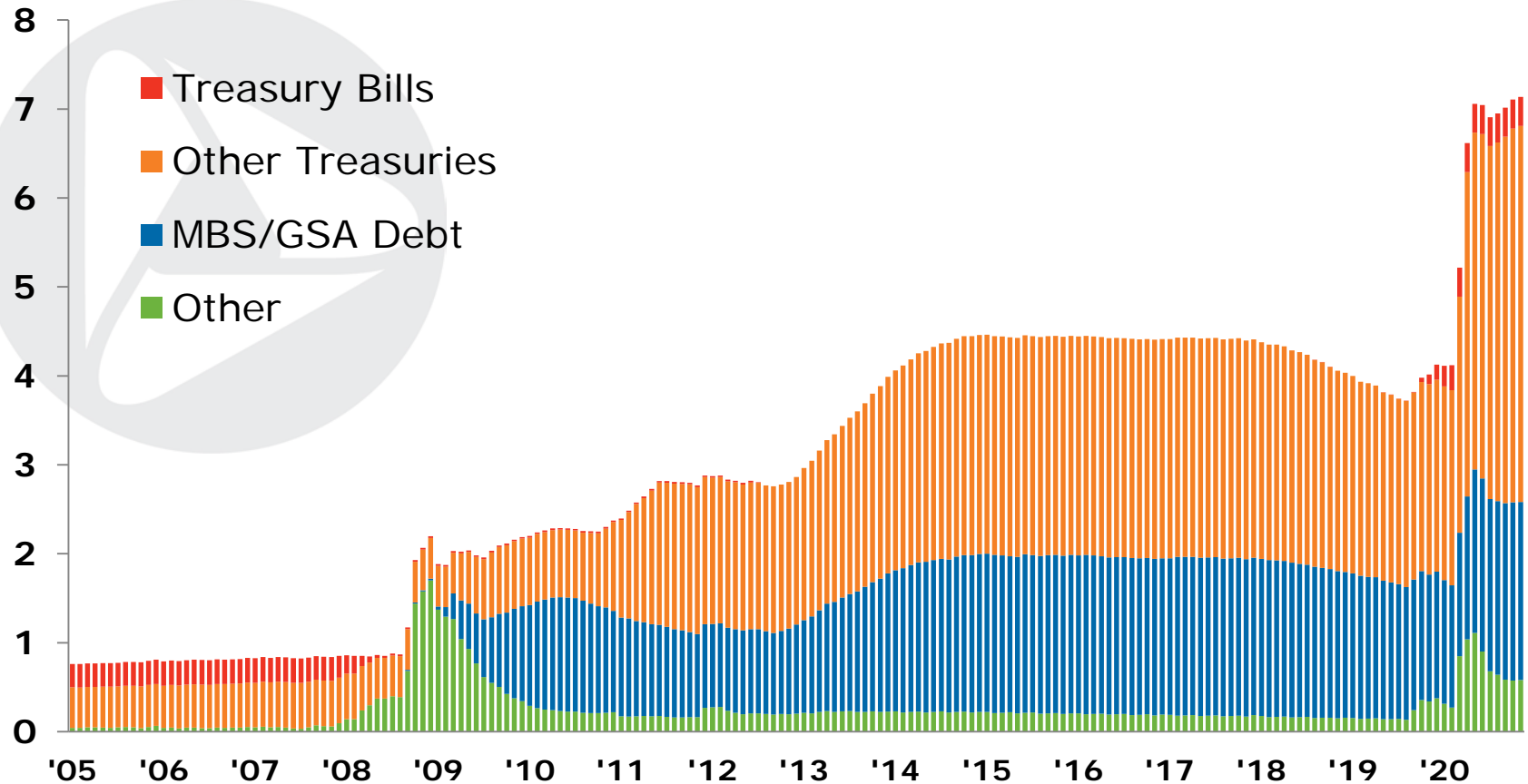
...AND WORRY ABOUT THE BUDGET DEFICIT LATER

4-quarter moving average, % of GDP



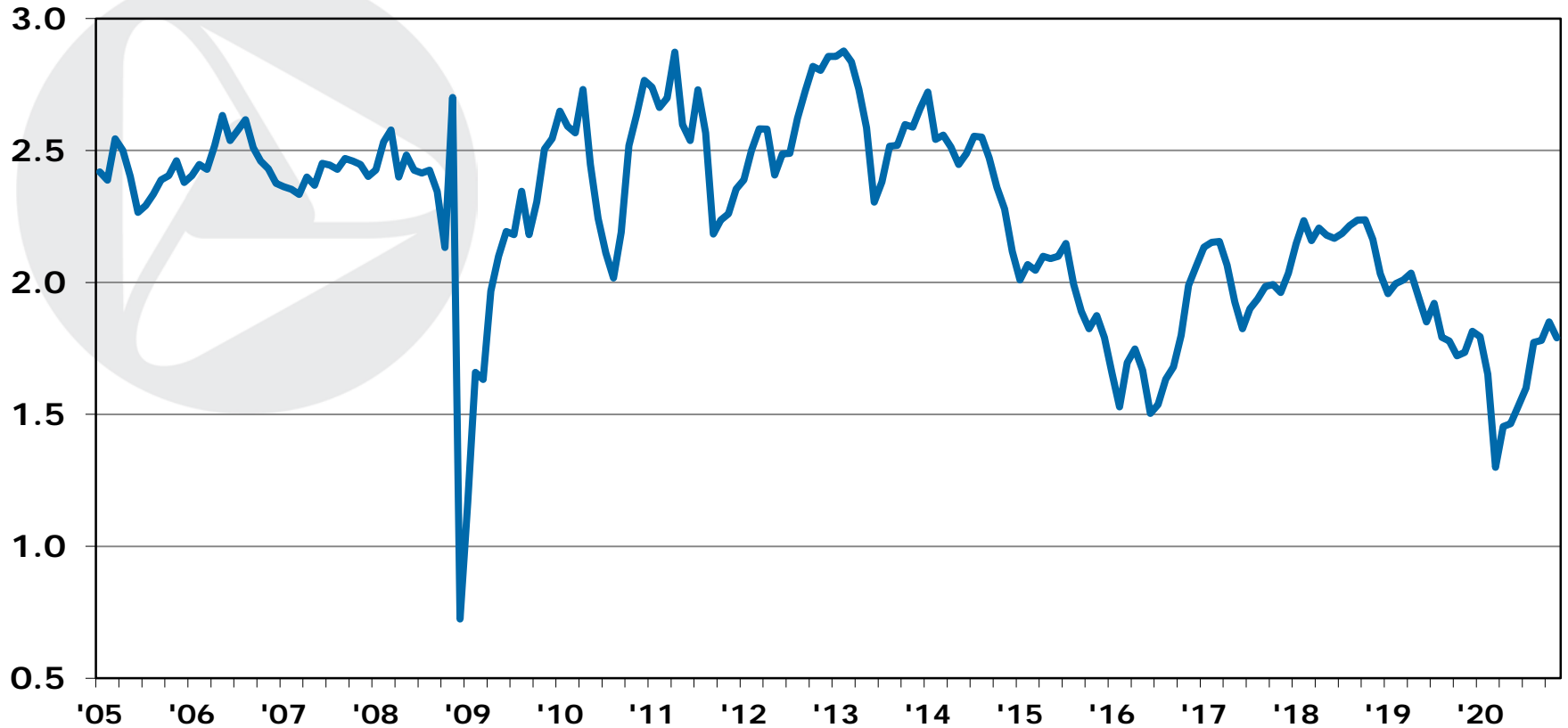
FED HAS PULLED OUT ALL OF THE STOPS...

Federal Reserve assets, \$ tril



...AND WANTS HIGHER INFLATION

5-year, 5-year forward inflation expectations, %



WHAT I'M PRETTY SURE ABOUT

- Very steep recession
- Recovery has started
- Unemployment rate peaked at 14.7 percent
- Inflation will remain low
- Structural shifts
 - Retail, supply chains, commercial real estate



WHAT I'M LESS SURE ABOUT

- Shape of recovery
 - V, U, Checkmark, Swoosh, W?
- How effective PPP, MSLP are, how many business failures
- Future stimulus
- How quickly unemployment rate falls
- Longer-run impact on growth
- Housing market impact



WHAT MATTERS

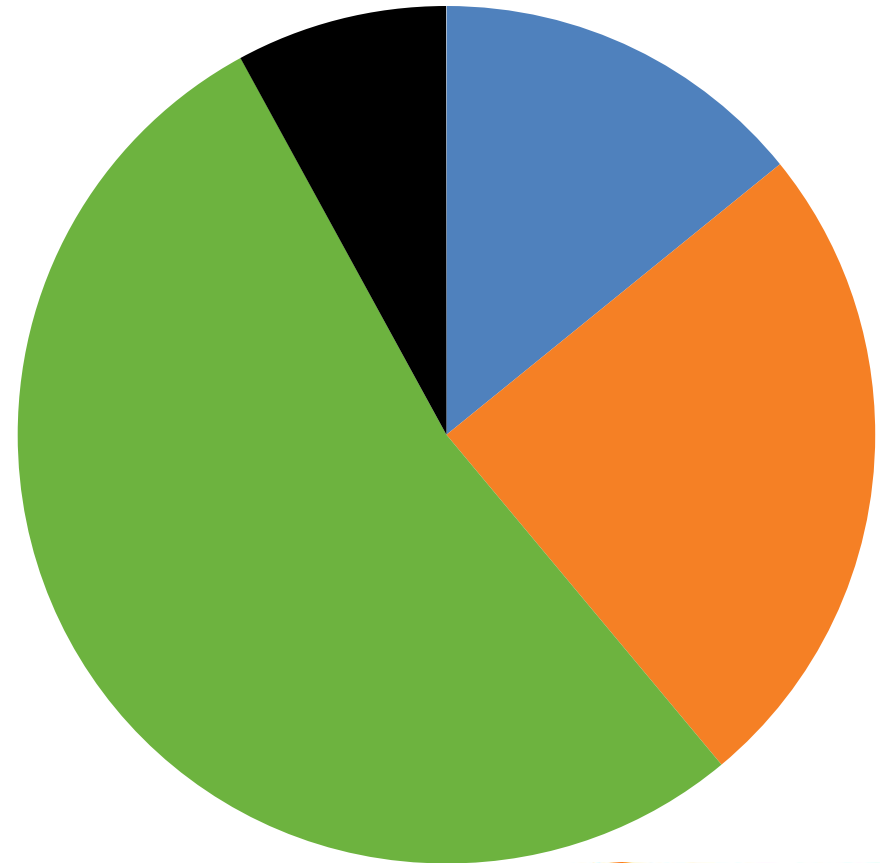
- Public health response
 - If we don't get this right, not much else matters
- How much more stimulus
 - Go big or go home
- Business assistance



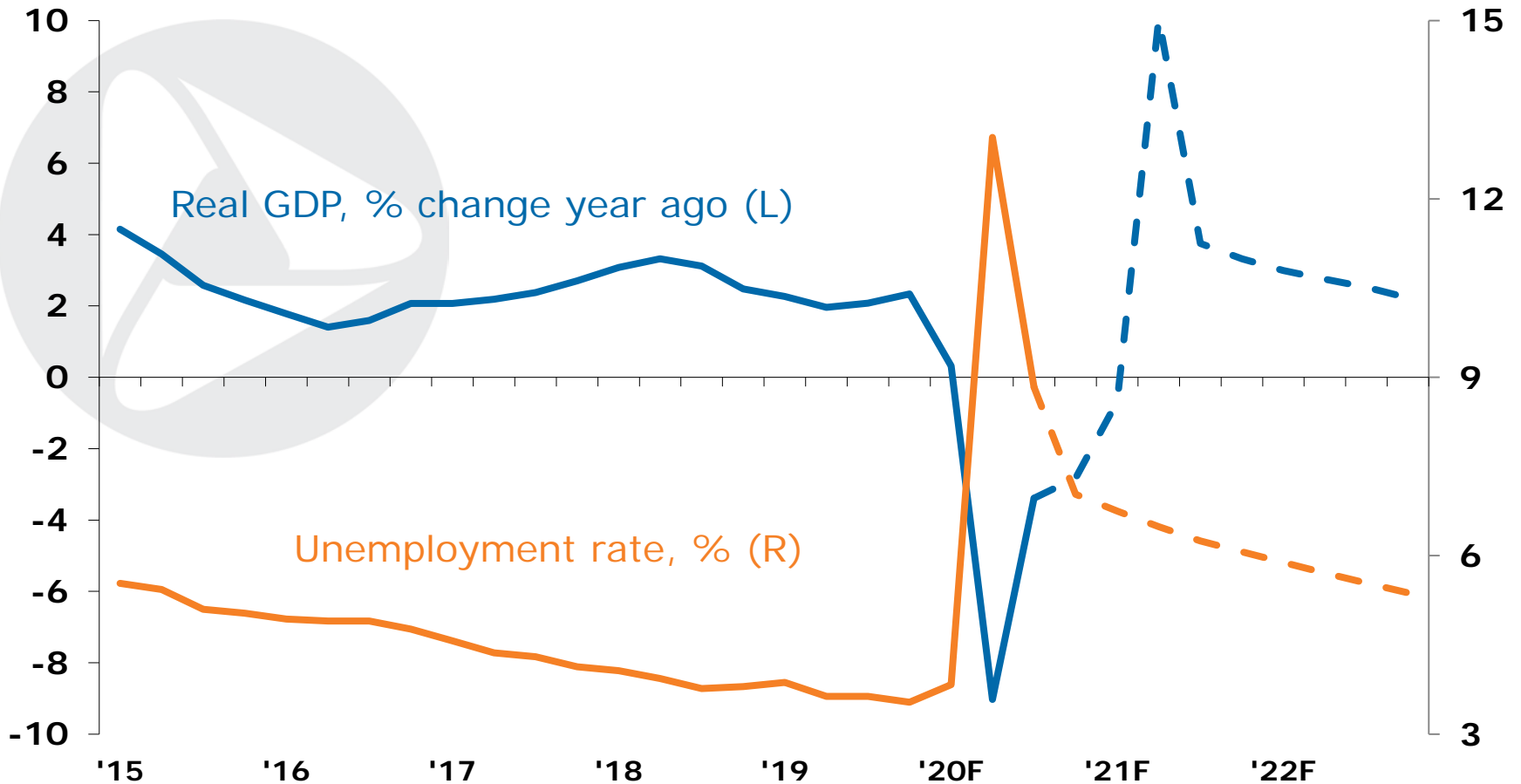
ONE-THIRD OF SMALL, MID-SIZE BUSINESSES STILL AT RISK

How long small, mid-size firms can continue to operate under current conditions

- Less than six months (16%)
- Six months to one year (16%)
- More than one year (60%)
- Don't know/refused (9%)

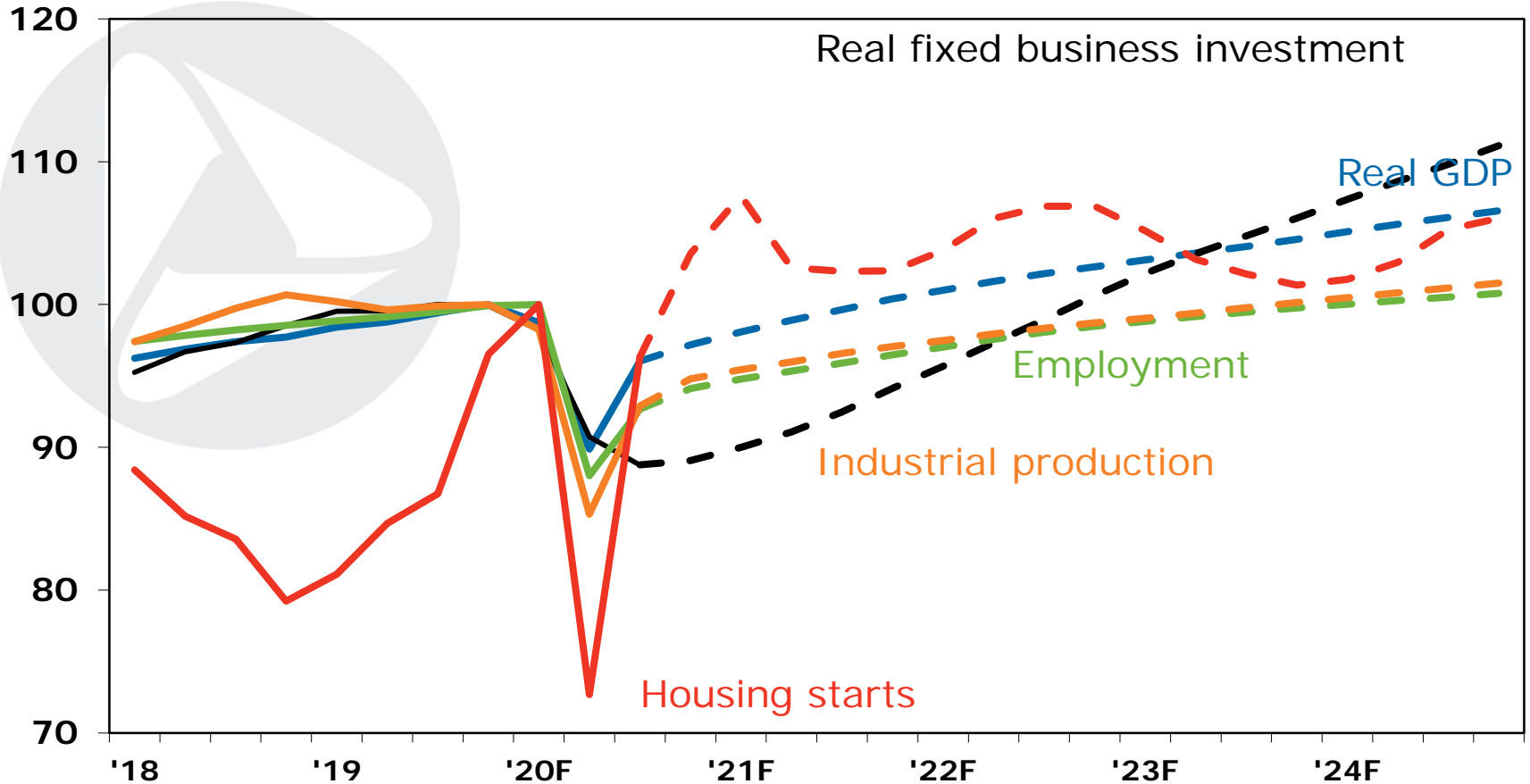


INTENSE BUT SHORT RECESSION, WITH RISKS TO THE DOWNSIDE...



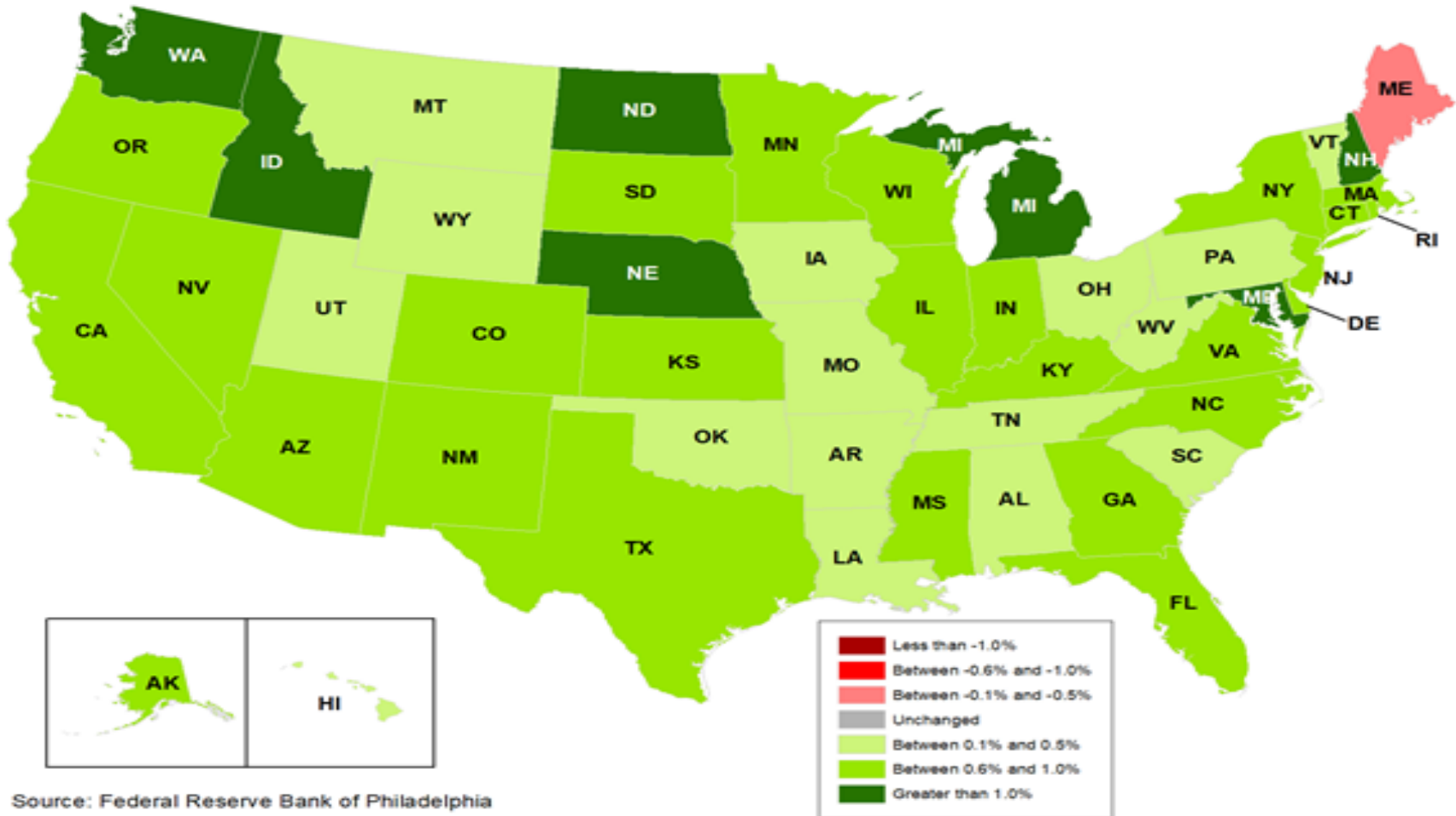
...AND A LONG TIME TO MAKE UP LOST GROUND

Index, pre-recession peak=100



SOLID CONDITIONS IN EARLY 2020...

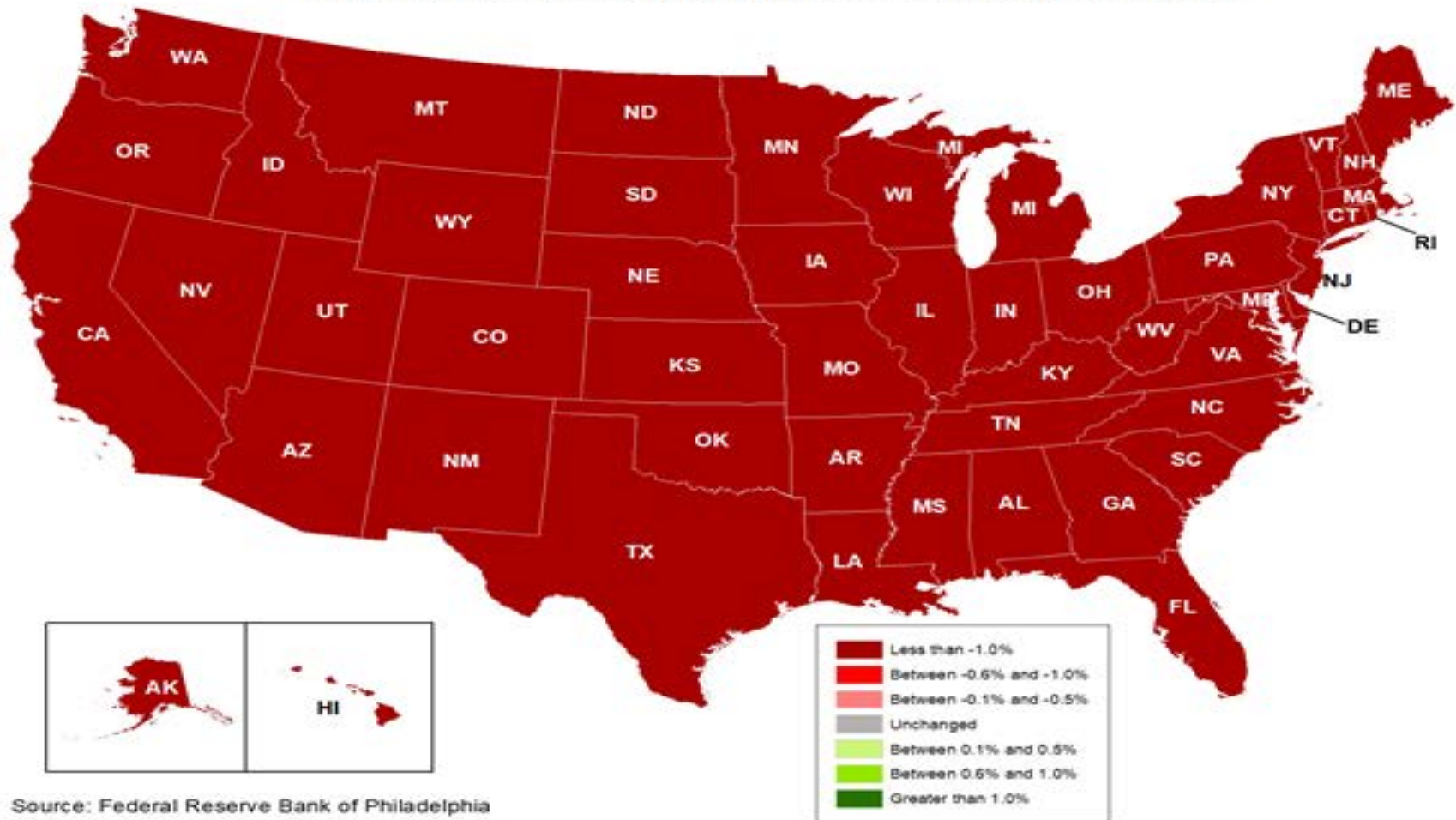
February 2020 State Coincident Indexes: Three-Month Change



Source: Federal Reserve Bank of Philadelphia

...AND THEN THINGS WERE BAD ALL OVER...

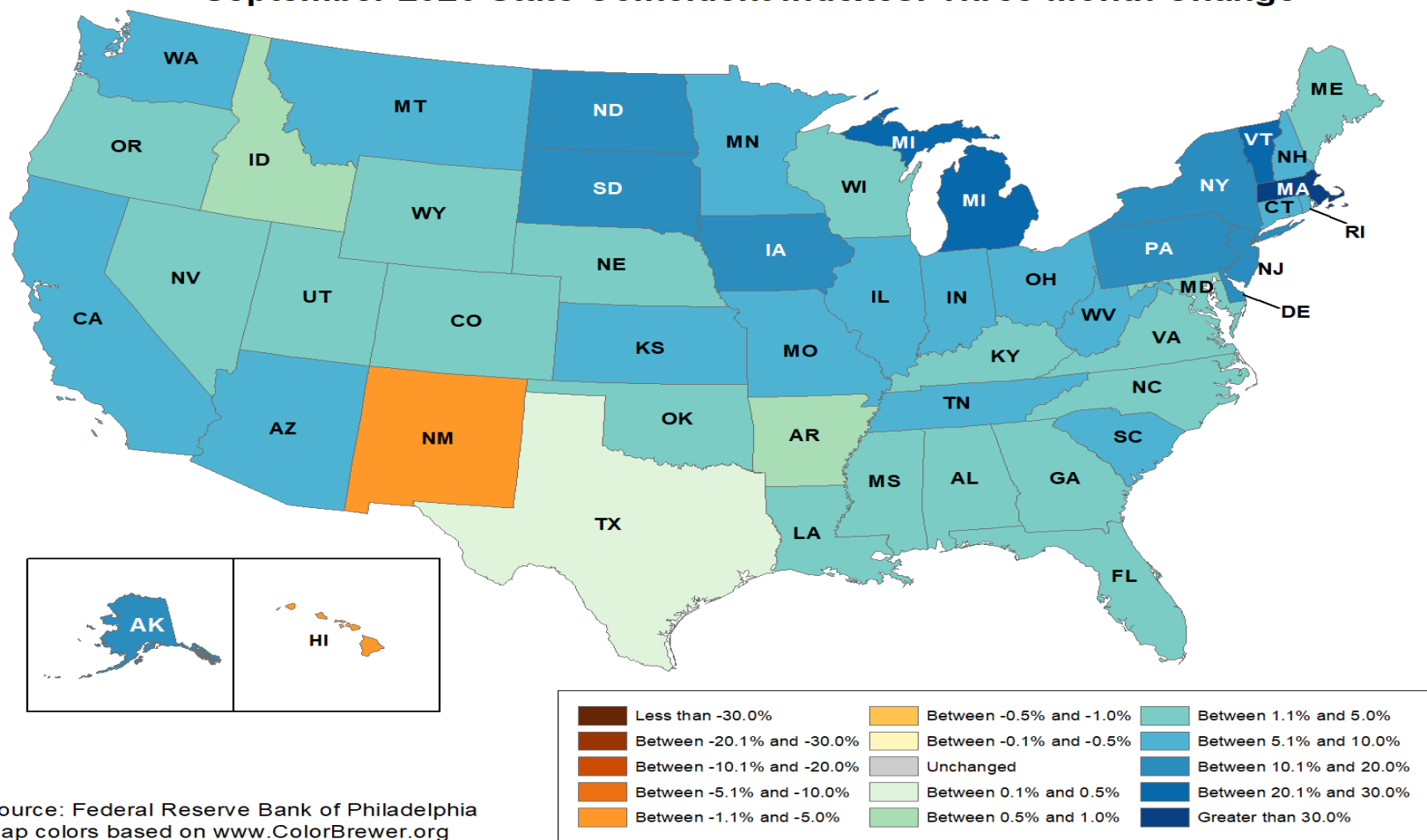
May 2020 State Coincident Indexes: Three-Month Change



Source: Federal Reserve Bank of Philadelphia

...BUT MOST STATES ARE LOOKING BETTER NOW

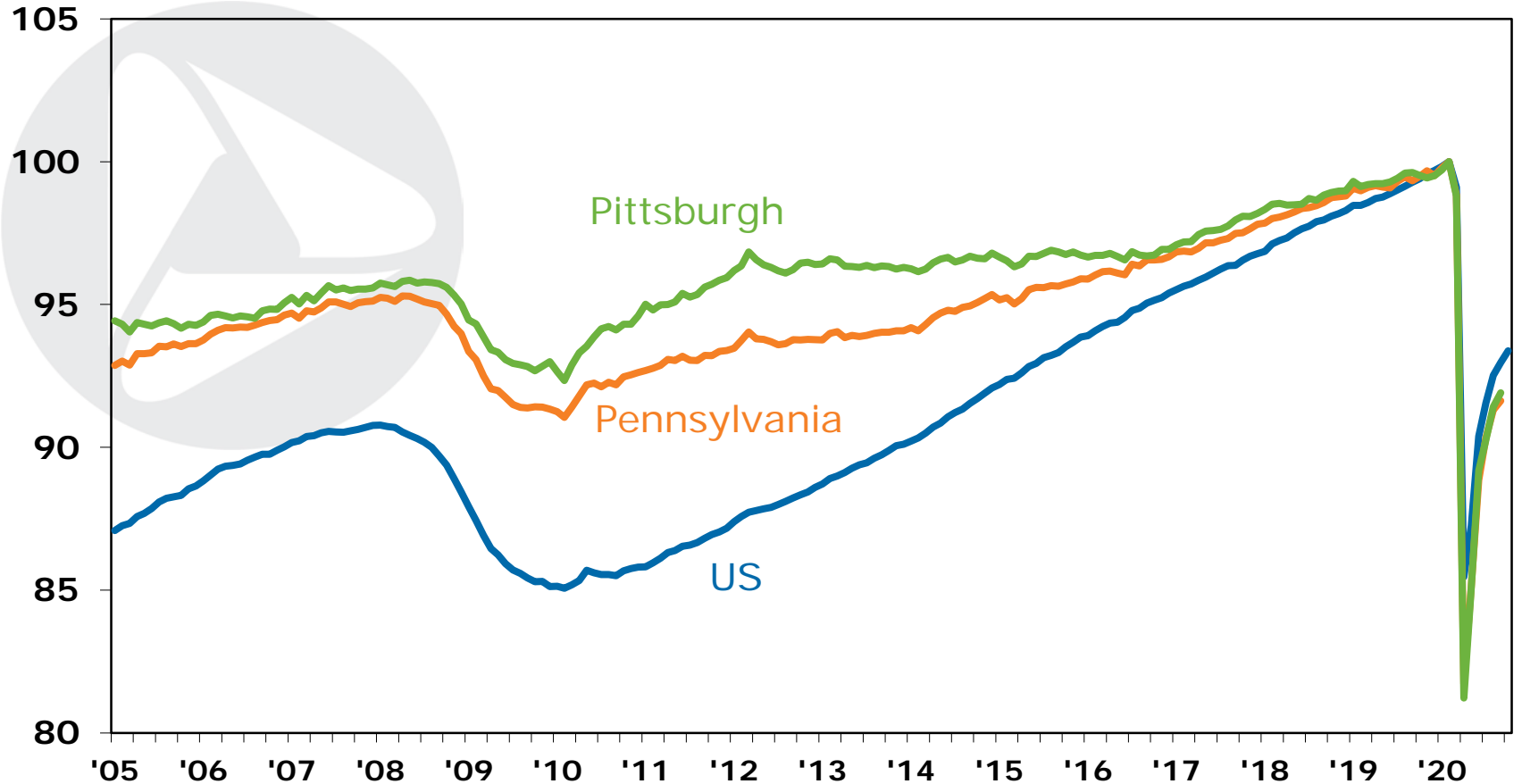
September 2020 State Coincident Indexes: Three-Month Change



Source: Federal Reserve Bank of Philadelphia
 Map colors based on www.ColorBrewer.org

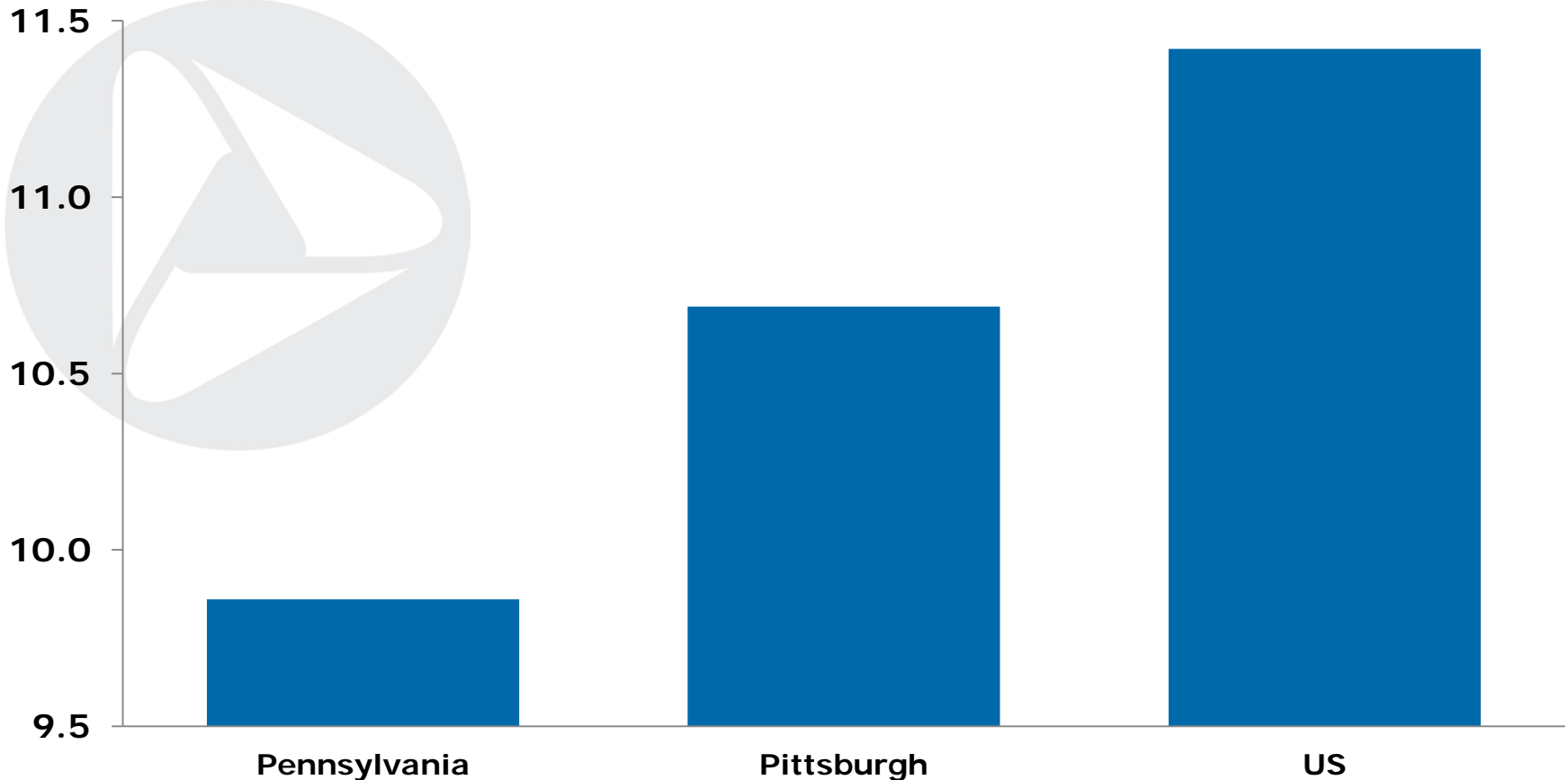
LARGER JOB LOSSES IN PITTSBURGH METRO AREA...

Employment, index, Feb. 2020=100



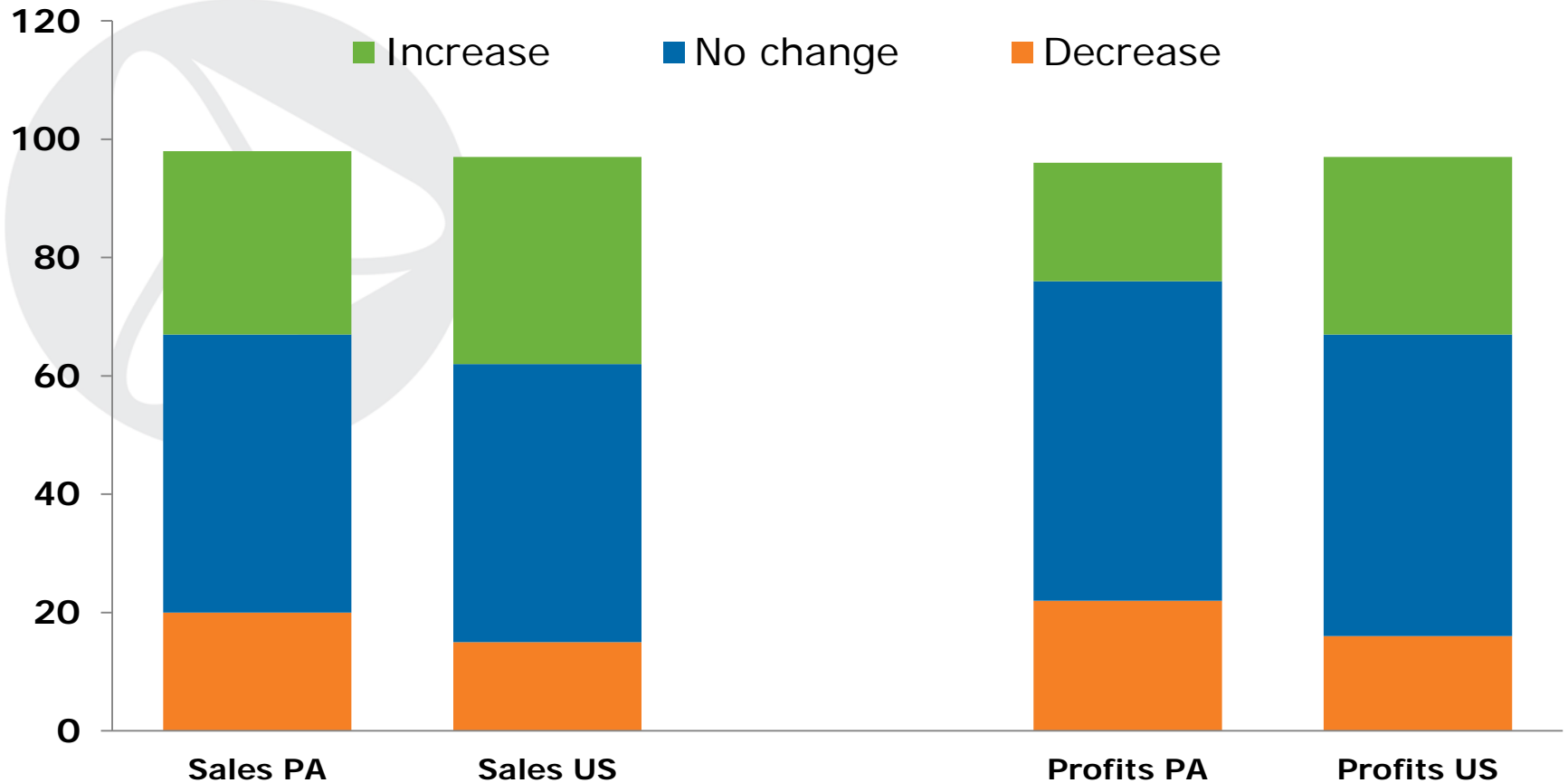
...BUT LESS EXPOSURE TO LONG-TERM RESTRUCTURING

% of employment in oil/gas, air transportation, leisure/hospitality, 2019



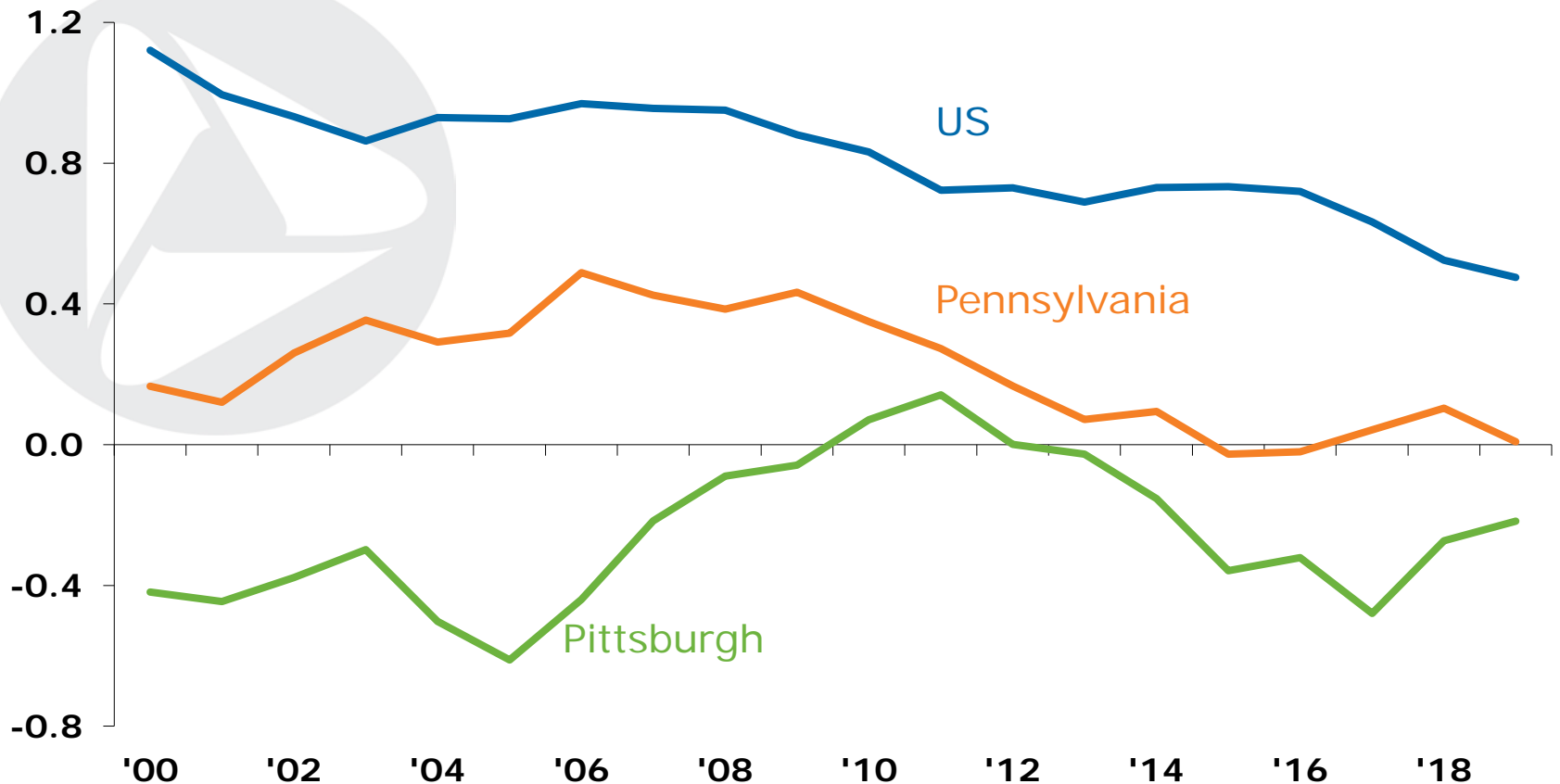
PENNSYLVANIA BUSINESSES LESS OPTIMISTIC

Expectations for next 6 months, % of respondents



DECLINING POPULATION REMAINS THE REGION'S BIGGEST CHALLENGE

Population, % change





Q&A

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