

THE CURRENT STATE OF THE UPPER PENINSULA ECONOMY

May 28, 2020

Ron Wirtz

Regional Outreach Director



FEDERAL RESERVE BANK
OF MINNEAPOLIS



FIRST, A THANK YOU

- Speed of pandemic has made real-time information critical
- Conducted seven surveys since mid-March, including three that partnered with InvestUP, which got very high U.P. response rates
- Roughly 6,500 responses from businesses, roughly 900 from the U.P.
- Close to 20,000 open comments





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.





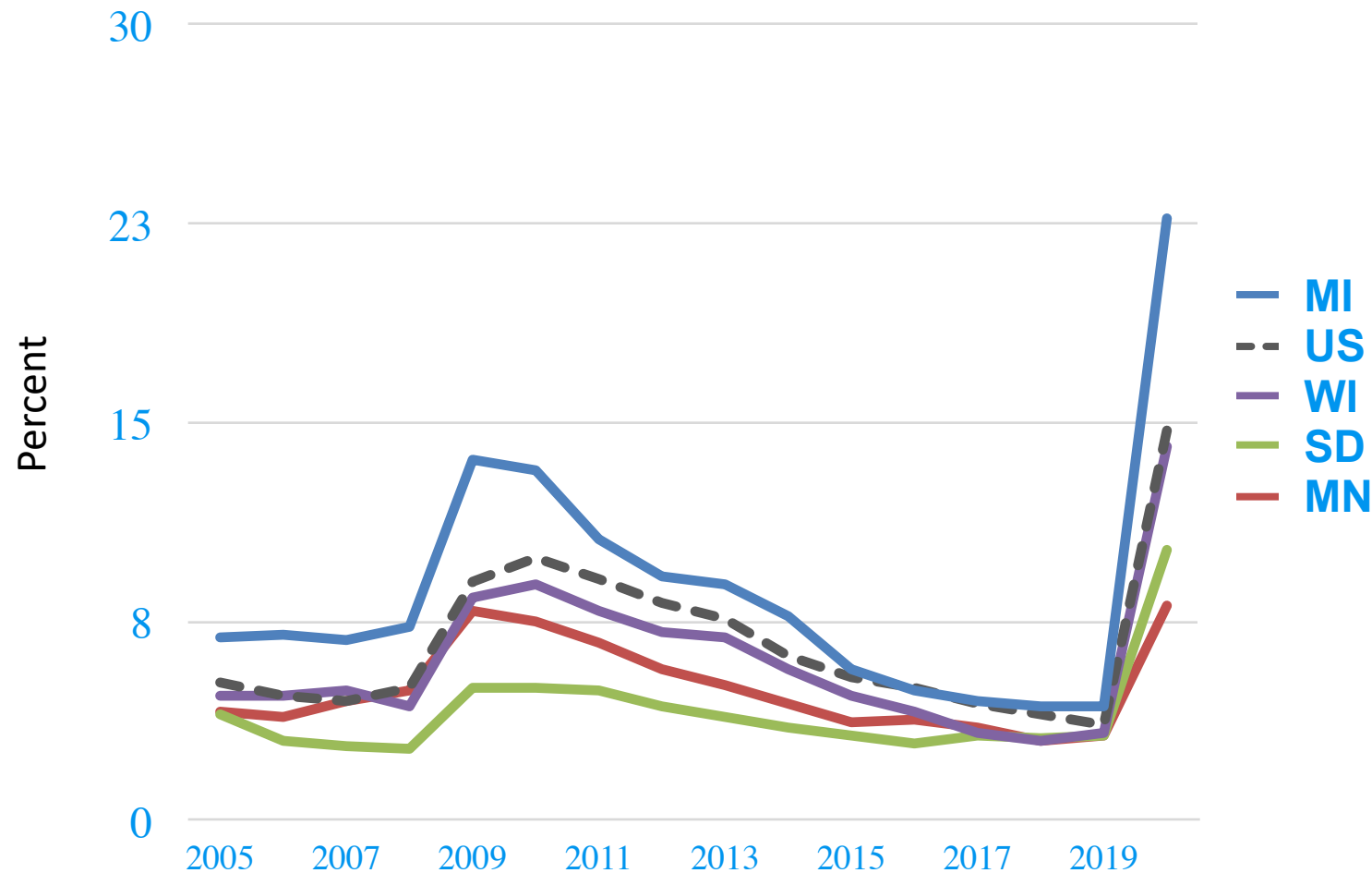
ECONOMIC THEMES

- Quick take on COVID job shock
- May 2020 survey of businesses
 - Generally speaking: Bad
 - Less bad in some sectors/places
- What lies ahead?



UNEMPLOYMENT

Unemployment (April of each year)



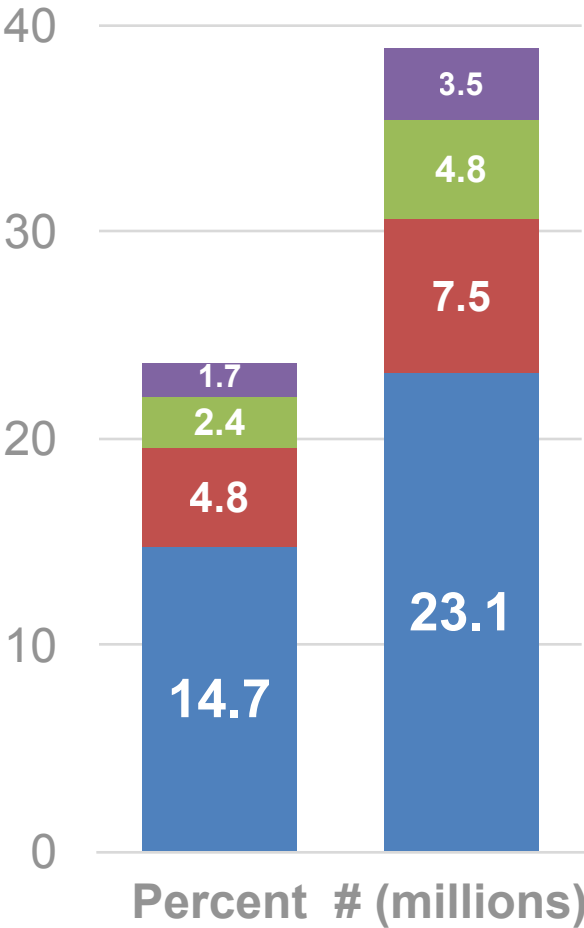
In ONE MONTH, unemployment levels reached or exceeded Great Recession levels

Variation – especially in Minnesota's case – suggests some anomalies or differences in 'spot' measurement





Unemployment rate: Official and unofficial

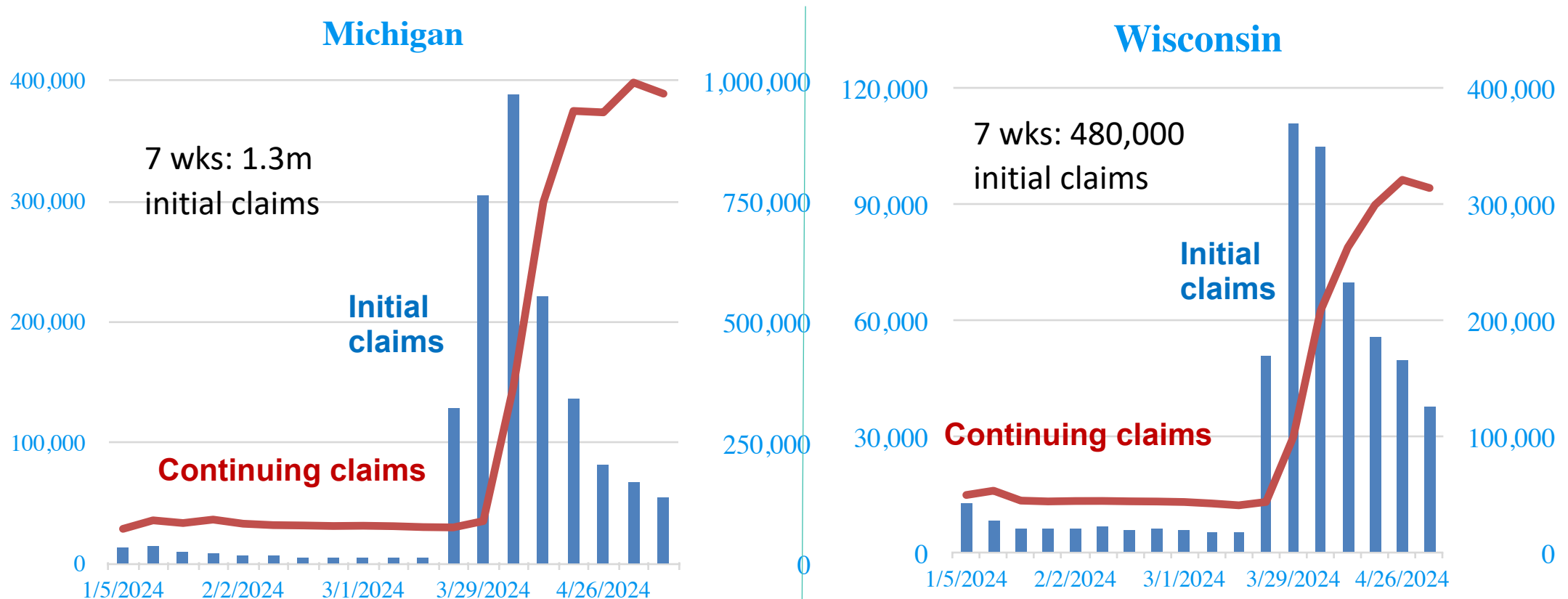


- Not in labor force, but do not want to work
- Not in labor force, not looking, but available
- Technically employed but not at work
- Official rate

Source: Current Population Survey, April 12, 2020

UNEMPLOYMENT INSURANCE CLAIMS

- Initial claims not a great measure of unemployment
- Continuing claims have skyrocketed also, but not at same rate
- Suggests: many who file are not receiving benefits for variety of reasons



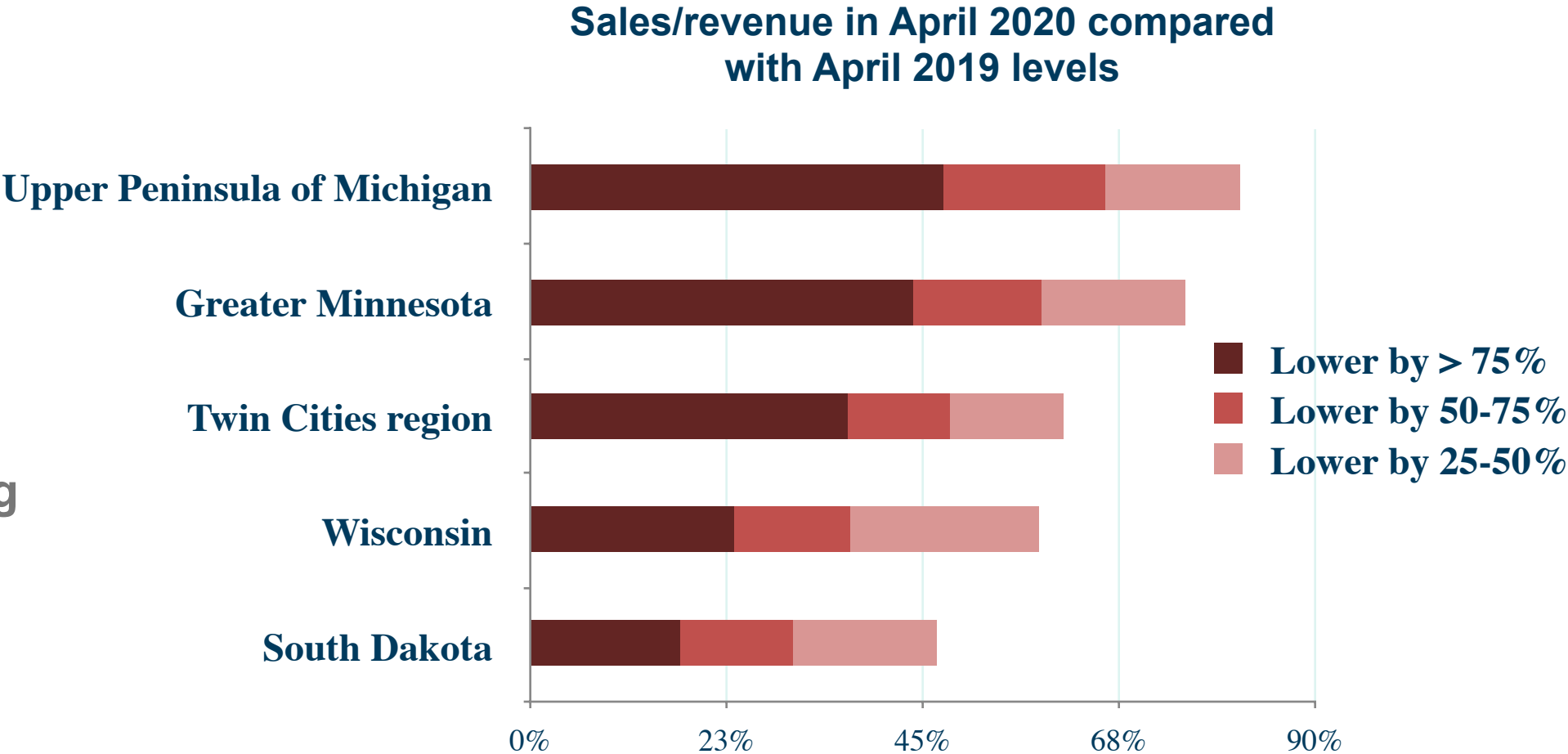
MAY 2020 SURVEY

- **1,100 respondents across Ninth District**
- **Many ways to splice data on who's impacted, and to what degree**
- **Firm demographics**
 - **State**
 - **Sector**
 - **Size**



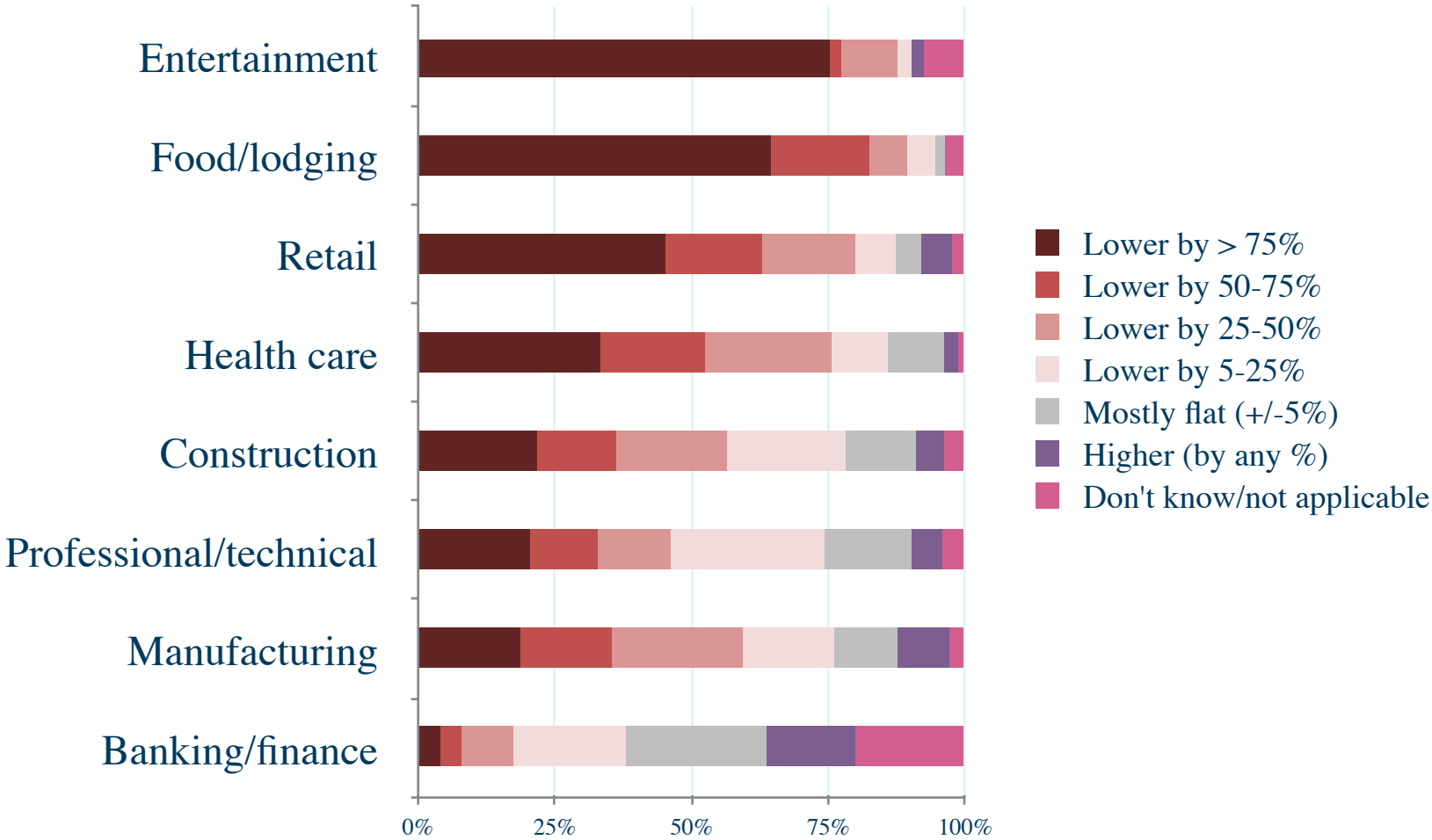
COVID IMPACT: REVENUE BY STATE/REGION

Businesses have been devastated everywhere, but to differing degrees



COVID IMPACT: BY SECTOR

April 2020 revenue compared
with April 2019



Consumer-intensive
businesses (crowds,
face-to-face
transactions) have
been hit the hardest

But EVERY sector
has been negatively
impacted

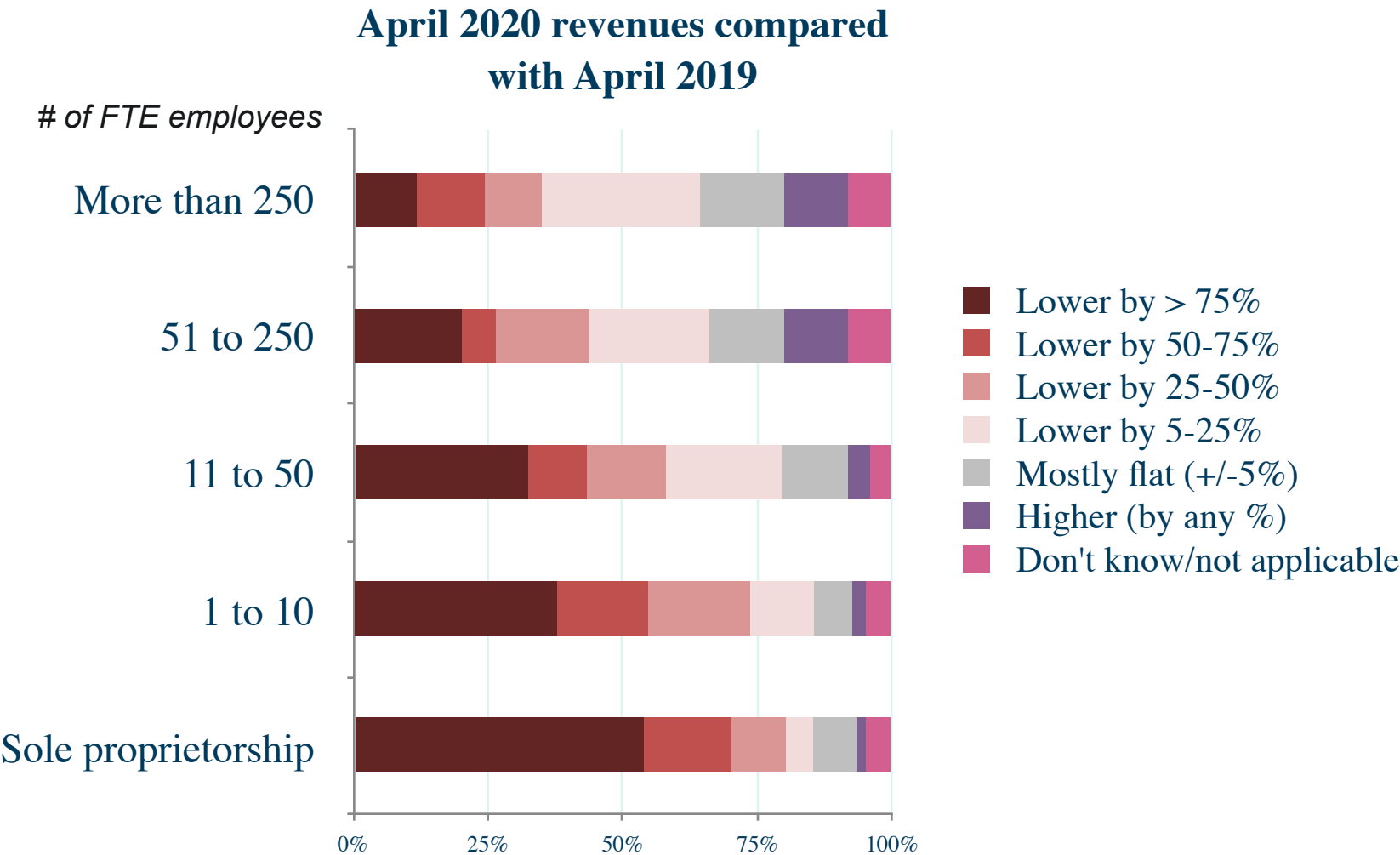


COVID IMPACT: BY FIRM SIZE

Size matters

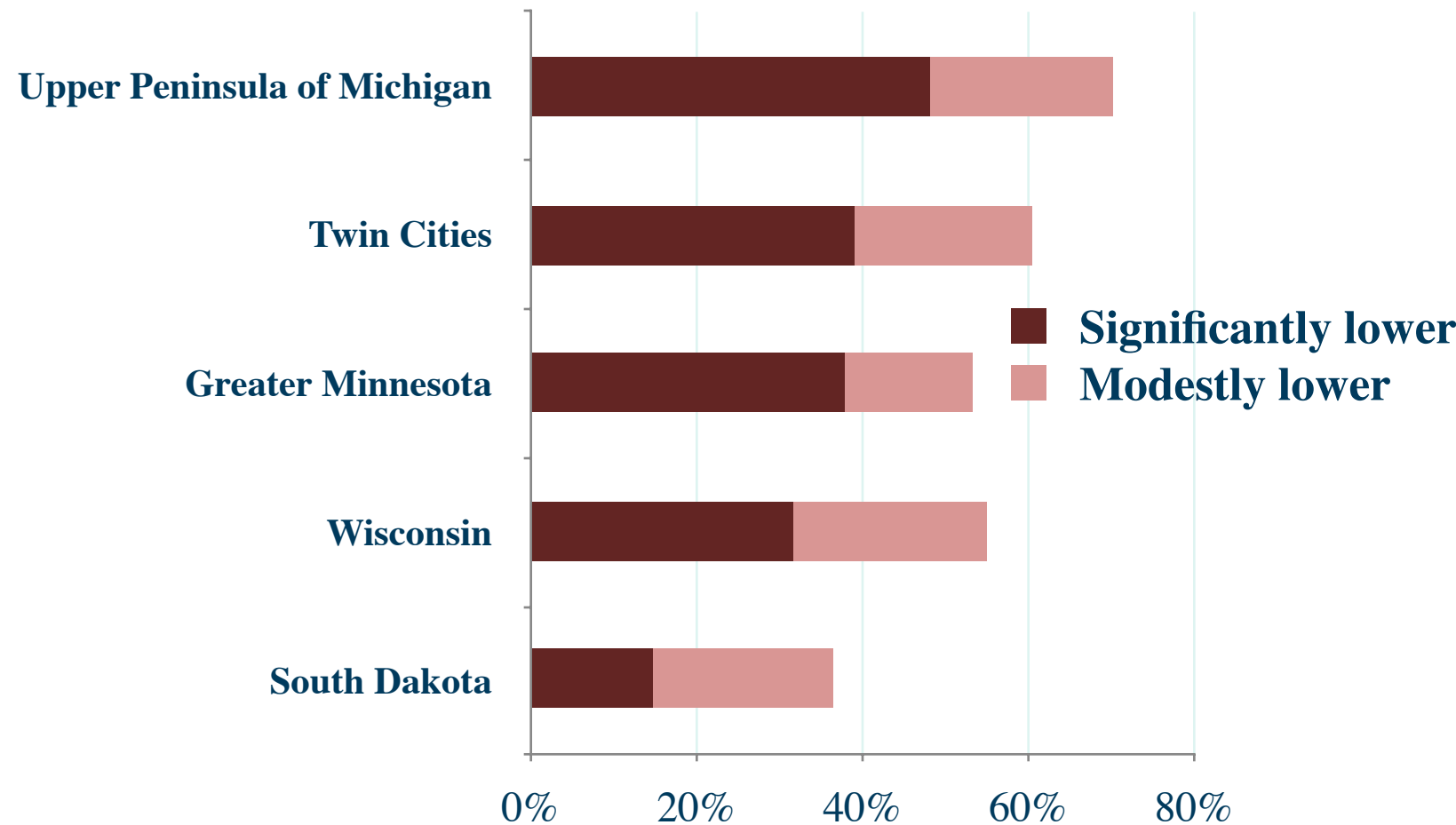
One-third of the largest firms have seen revenues drop by 25 percent or more

Sole proprietors are getting killed:
70% have seen revenues decline > 50%



COVID IMPACT: WORKERS

Staffing levels in April 2020
compared with April 2019

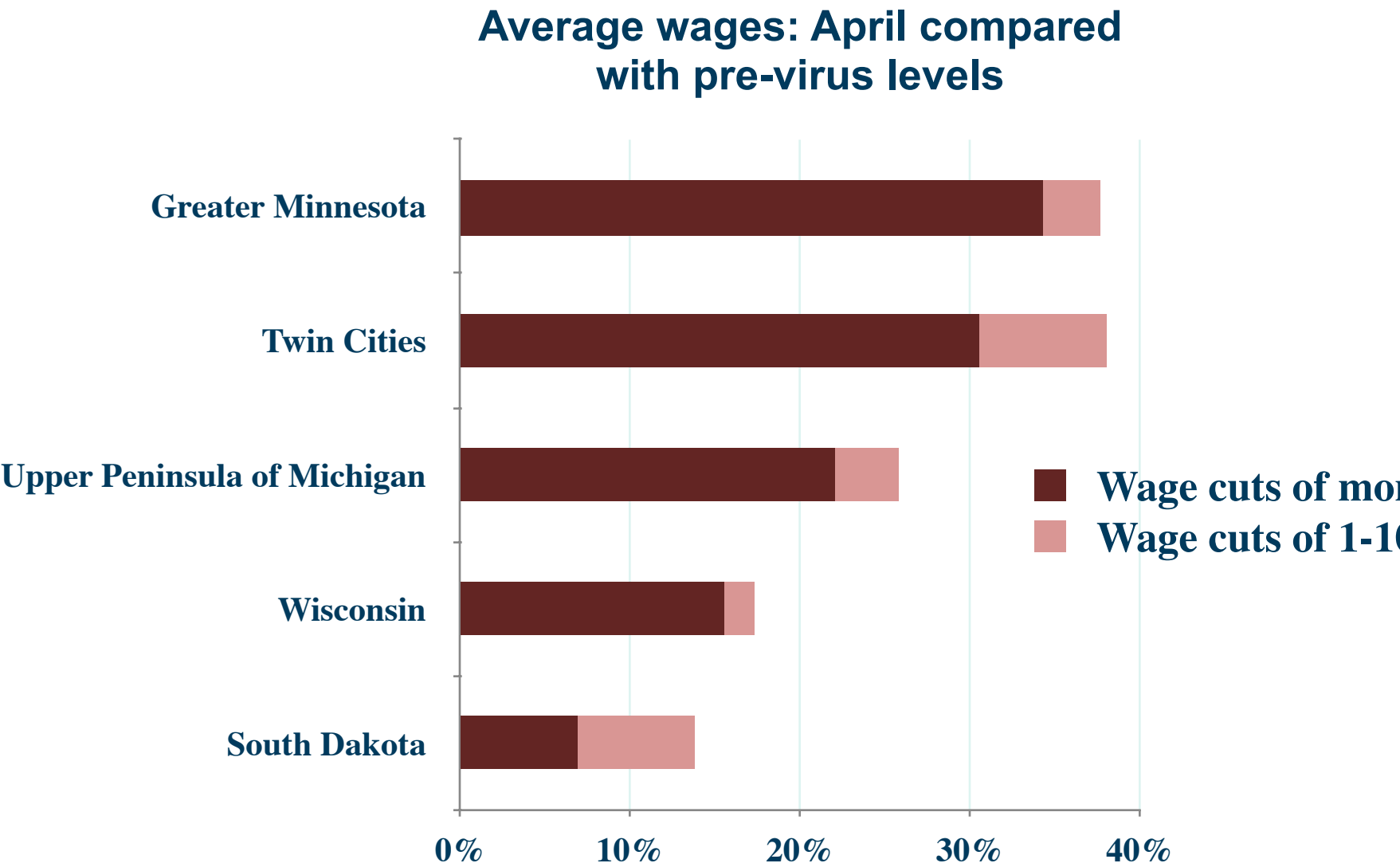


Lots of firms are
laying off or
furloughing at least
some workers

COVID IMPACT: WAGES

Even among those fortunate enough to remain employed, many are seeing wage cuts.

Wage cuts have tended to be more than 10 percent.



COVID IMPACT: RE-OPENING

When allowed, will
your firm return to
normal business
hours/regular
operations?

Some businesses
hope to scale up
operations relatively
quickly.

But removal of
shelter-in-place
rules does not mean
a quick return to
normal.

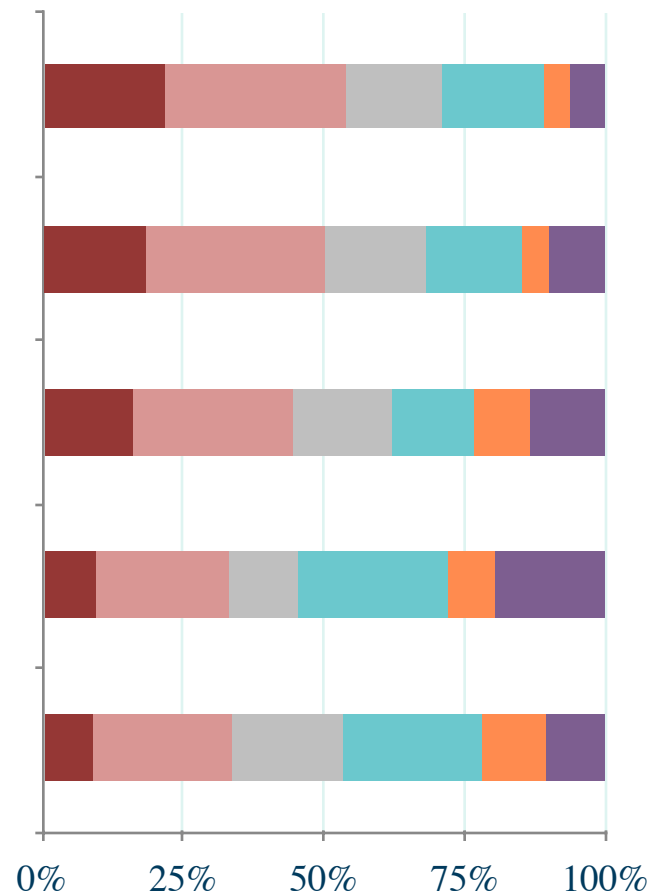
Upper Peninsula of Michigan

Wisconsin

Greater Minnesota

South Dakota

Twin Cities



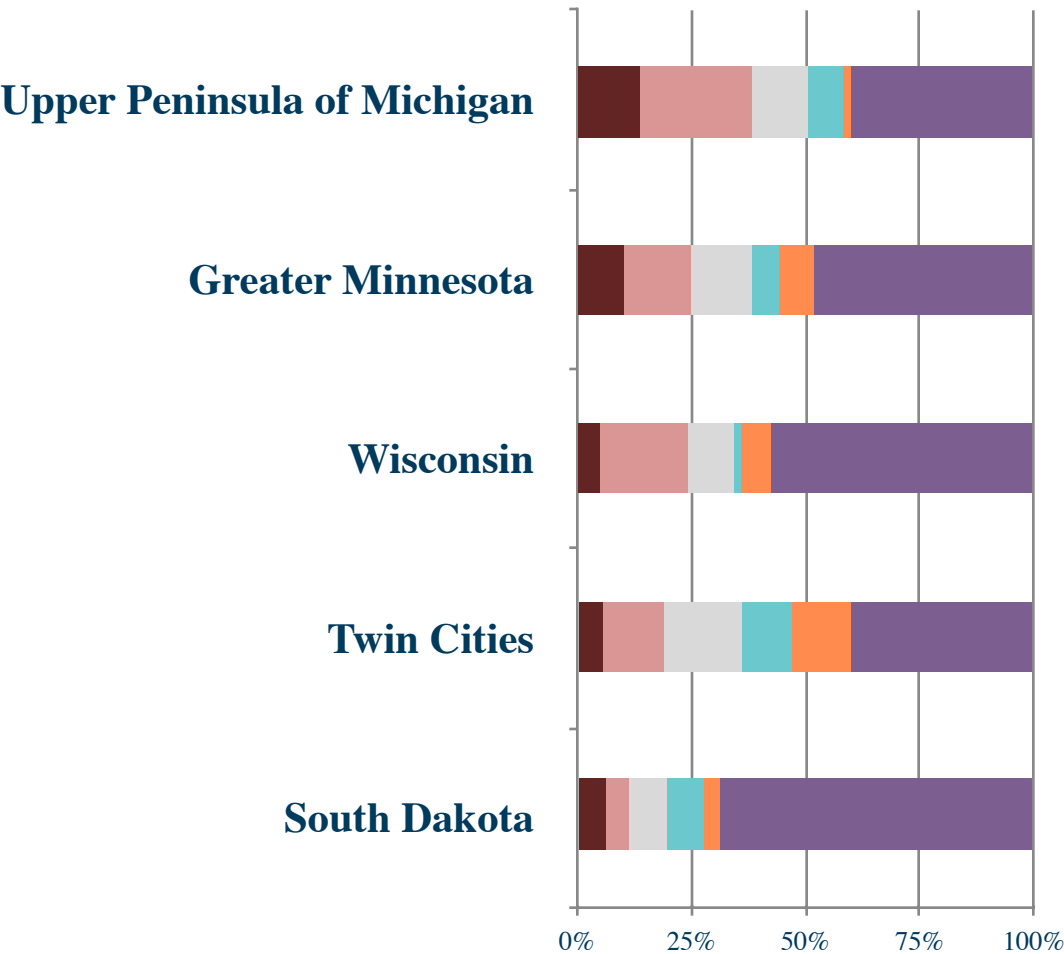
- Yes, immediately
- Yes, gradually over the coming weeks
- Not sure
- No immediate change or action expected
- No change or action expected over coming months
- Not applicable



FEDERAL RESERVE BANK OF MINNEAPOLIS

COVID IMPACT: REHIRING LABOR

Rehiring of laid off workers

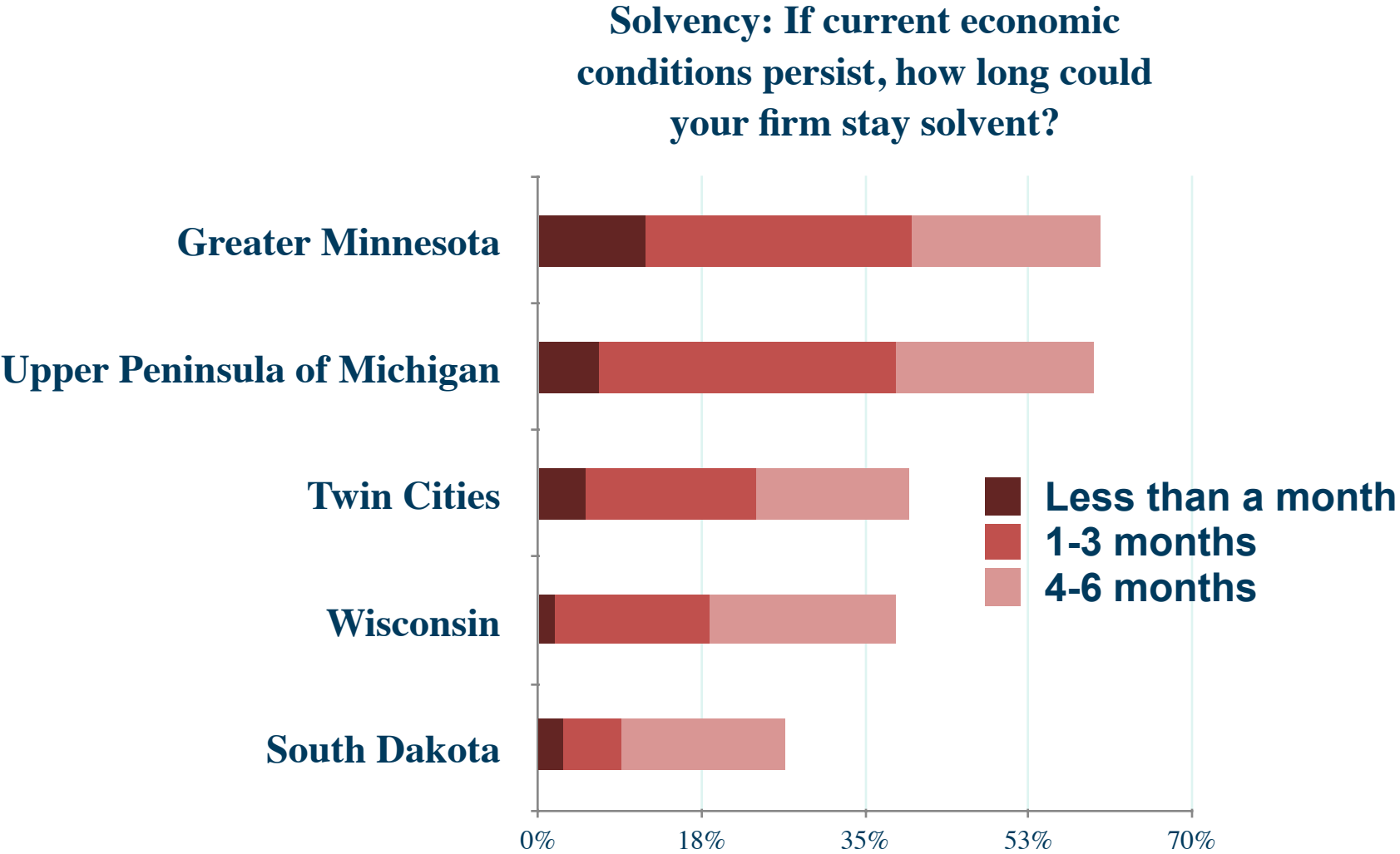


Half-empty or half-full?
Among firms that laid
off workers, about half
expect to rehire laid off
workers

COVID IMPACT: SOLVENCY

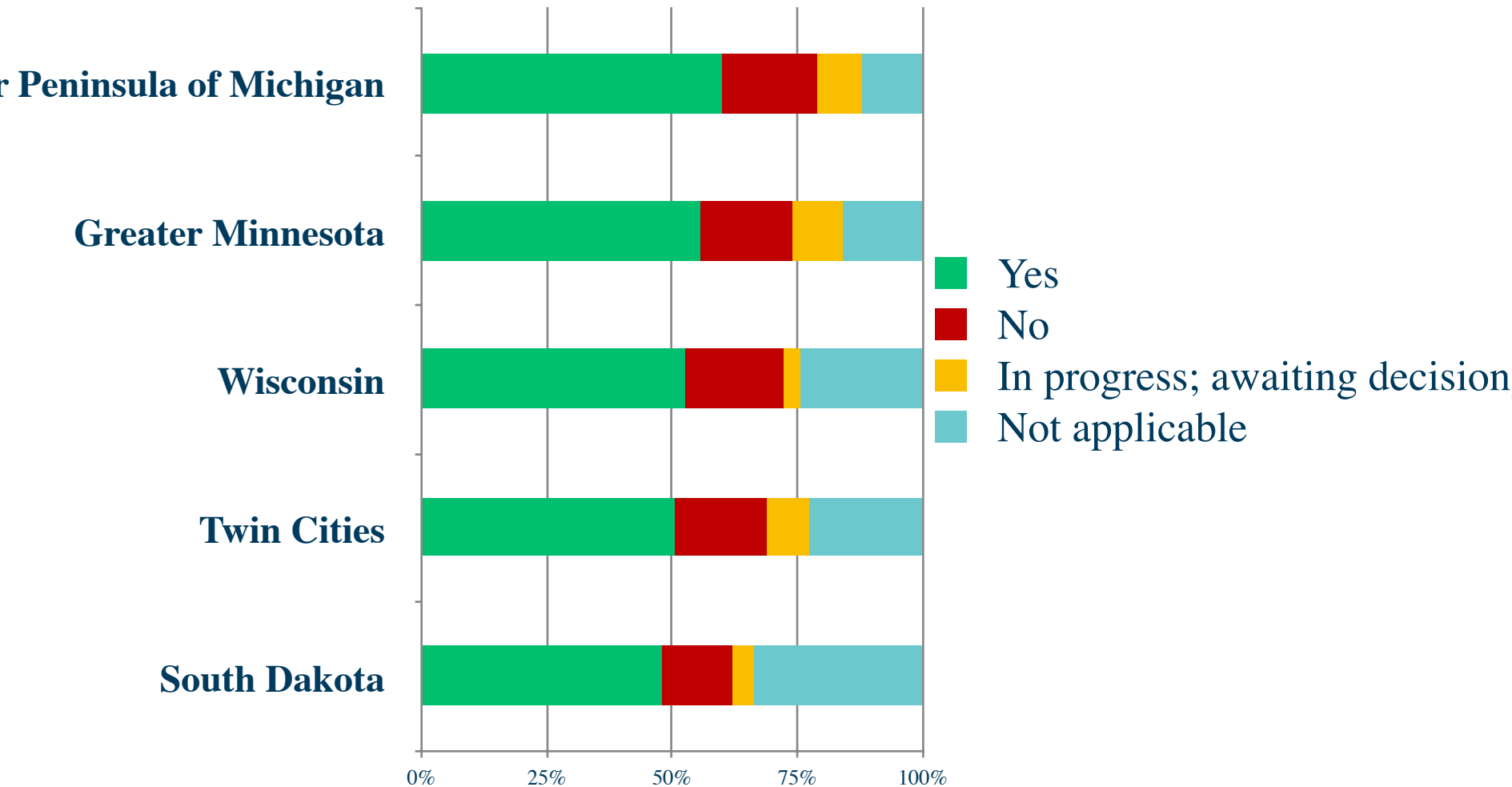
About one in four firms say they cannot survive more than 3 months

Small *improvement* from the same survey in early April



EMERGENCY AID

Have you received
emergency aid?

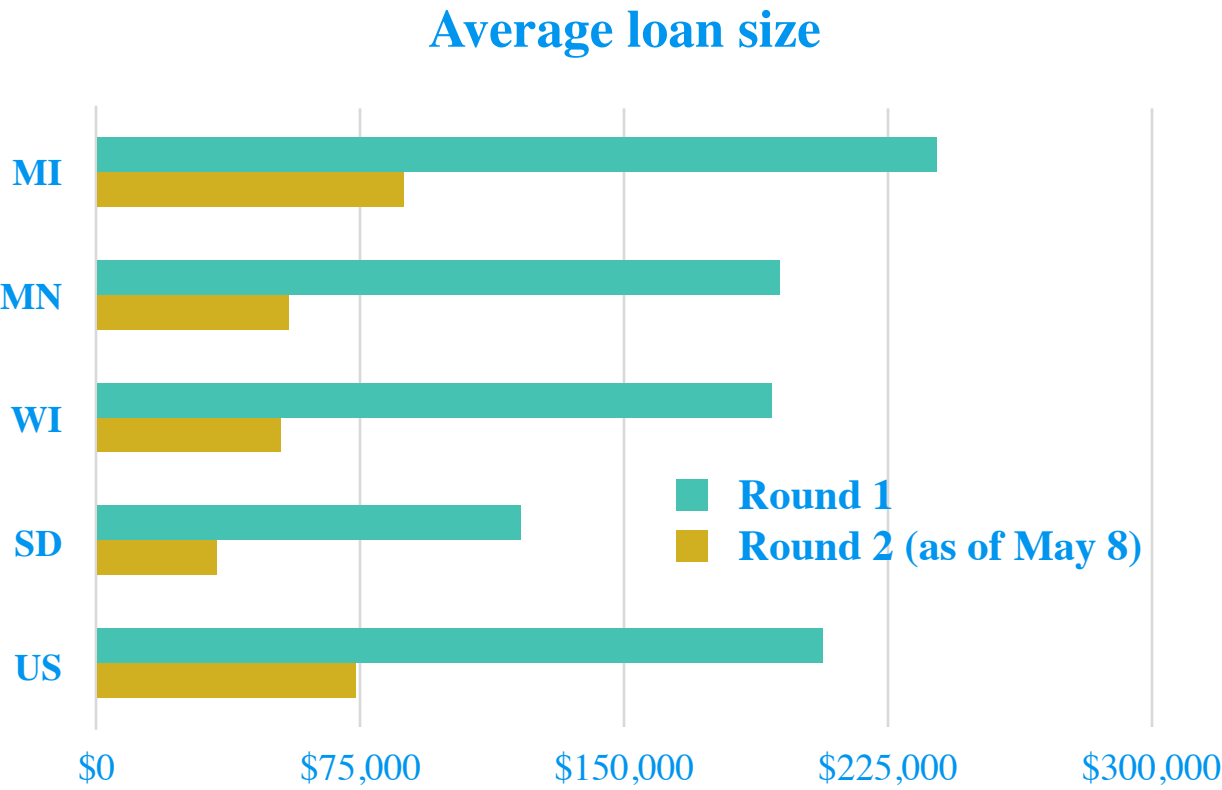
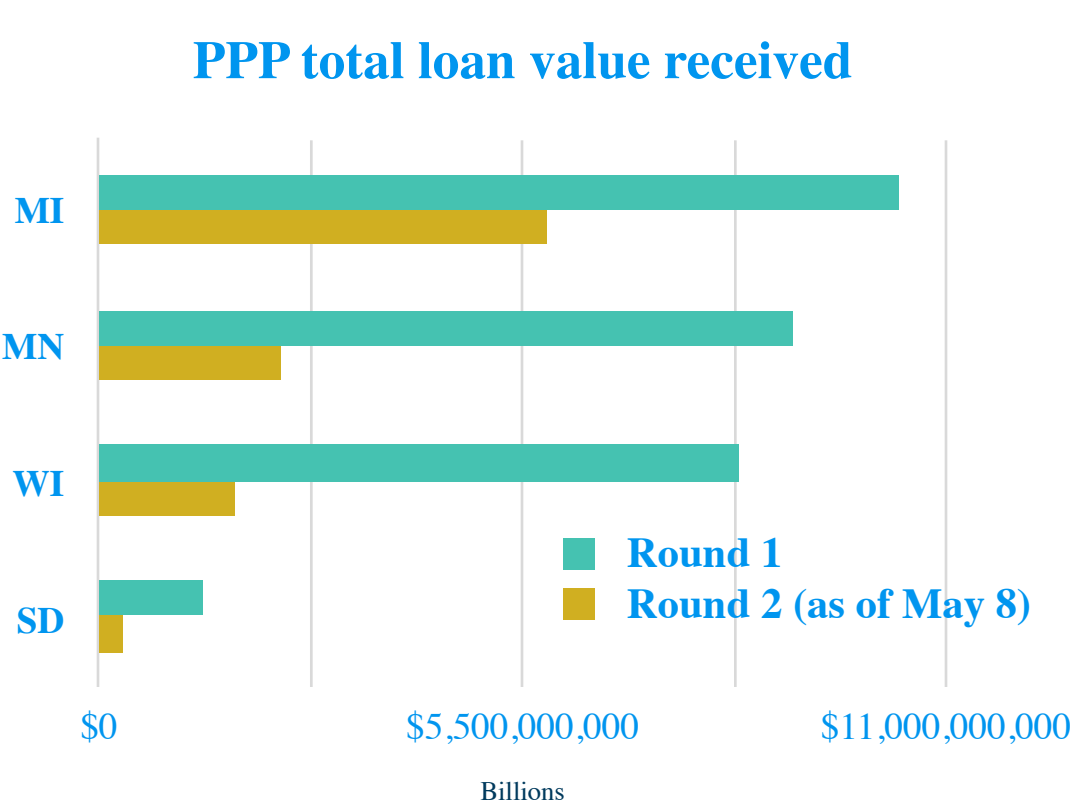


In our survey, three
of four firms that
applied for
emergency aid
received it

EMERGENCY AID: PAYROLL PROTECTION PROGRAM

PPP Round 1: Huge uptake, big \$\$

PPP Round 2: Strong demand, more focus on small-biz, smaller loans

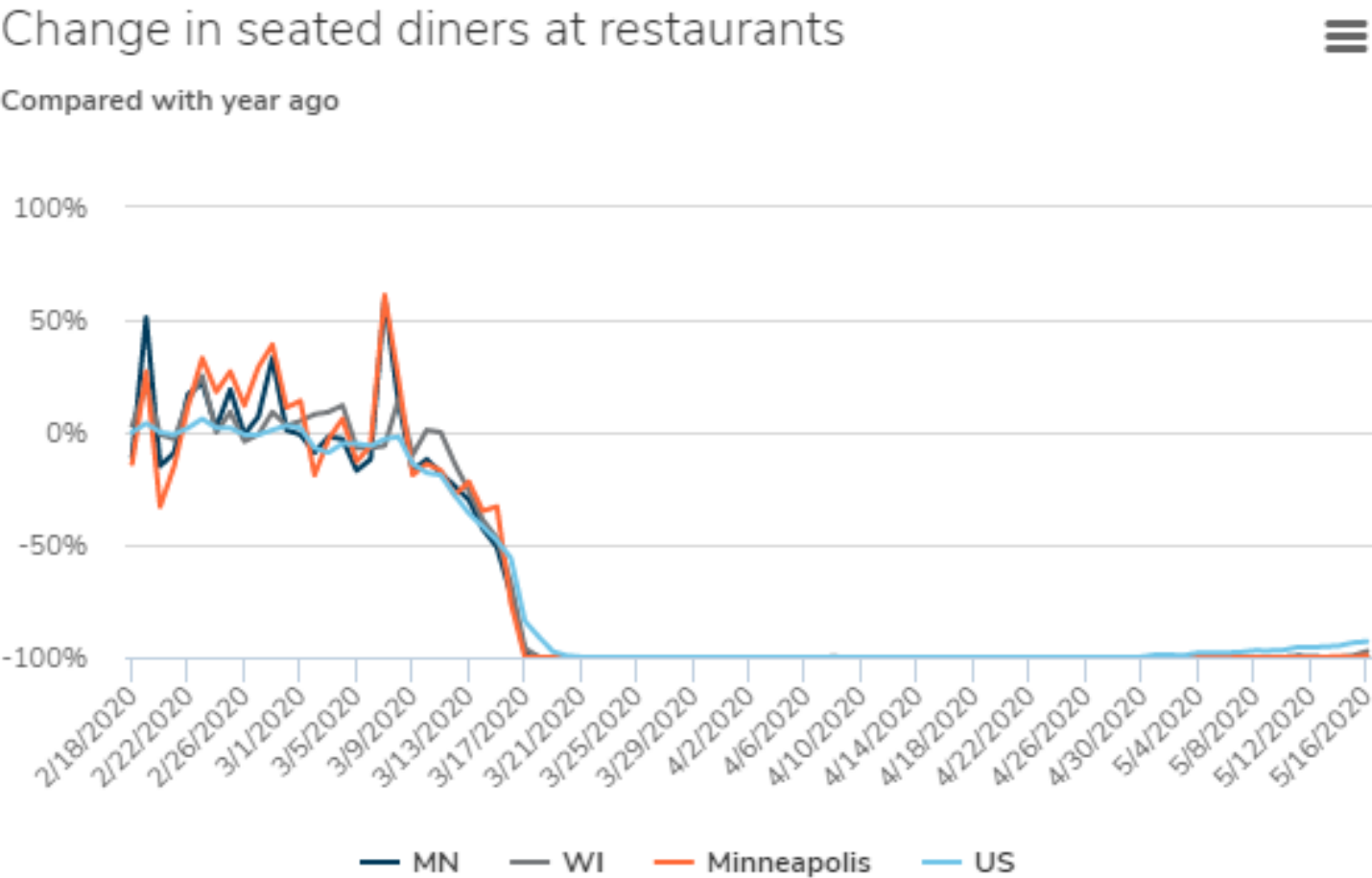




**SO WHERE TO FROM HERE?
FOR THE FED: FIND BETTER
REAL-TIME MEASURES OF
ACTIVITY**

LOOKING AHEAD: METRICS WORTH WATCHING

How do we track what went on last week, or even yesterday?

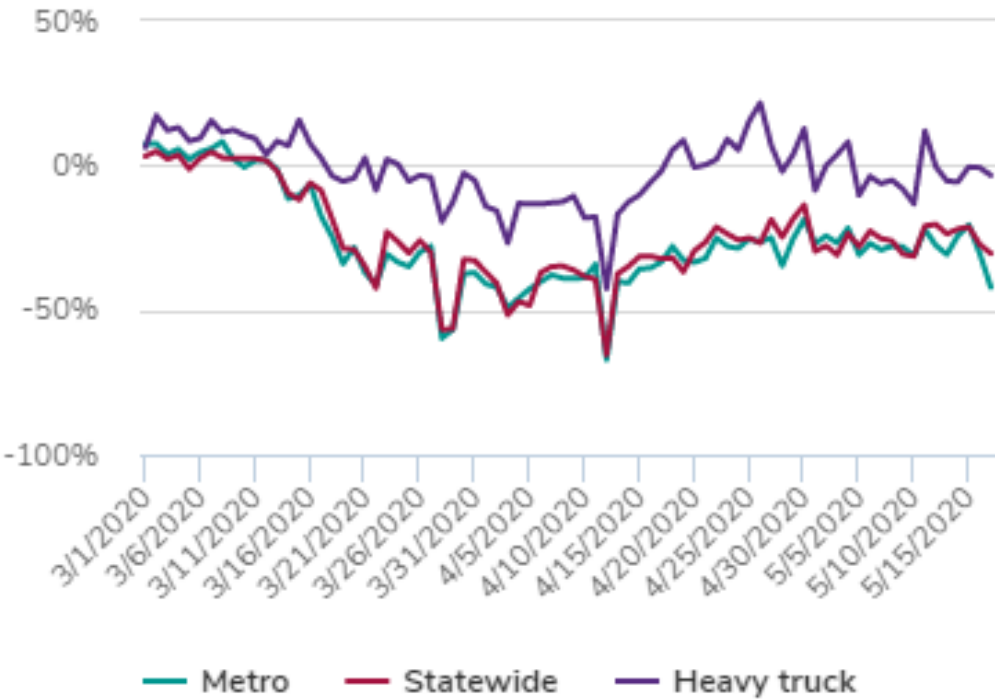


Source: OpenTable

REAL-TIME METRICS

Minnesota auto traffic volume

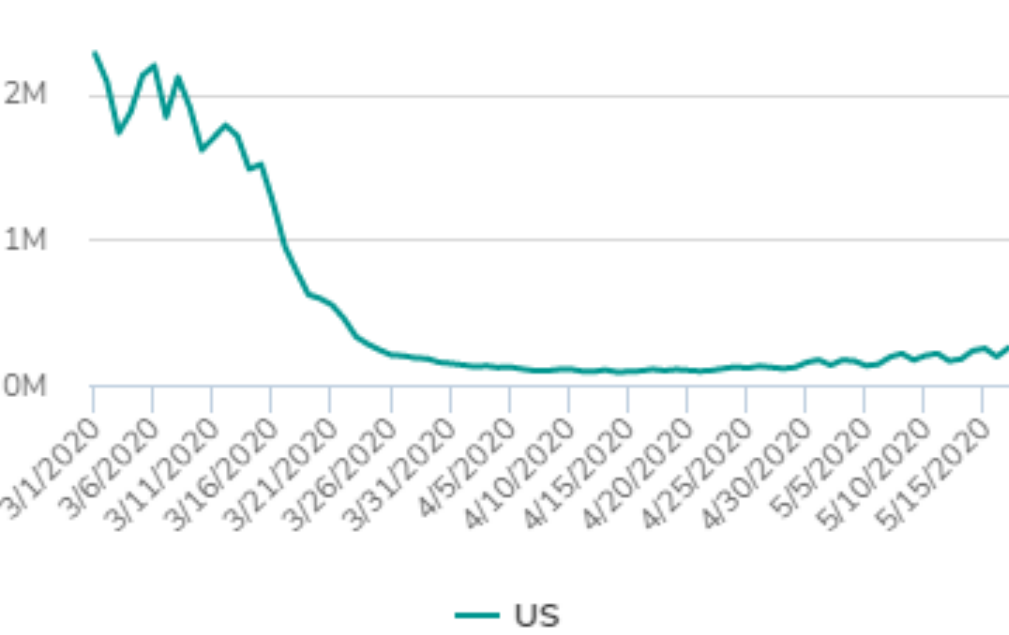
Compared with 2016-2019



Source: MnDOT

TSA checkpoint travel numbers (U.S.)

Total traveler throughput



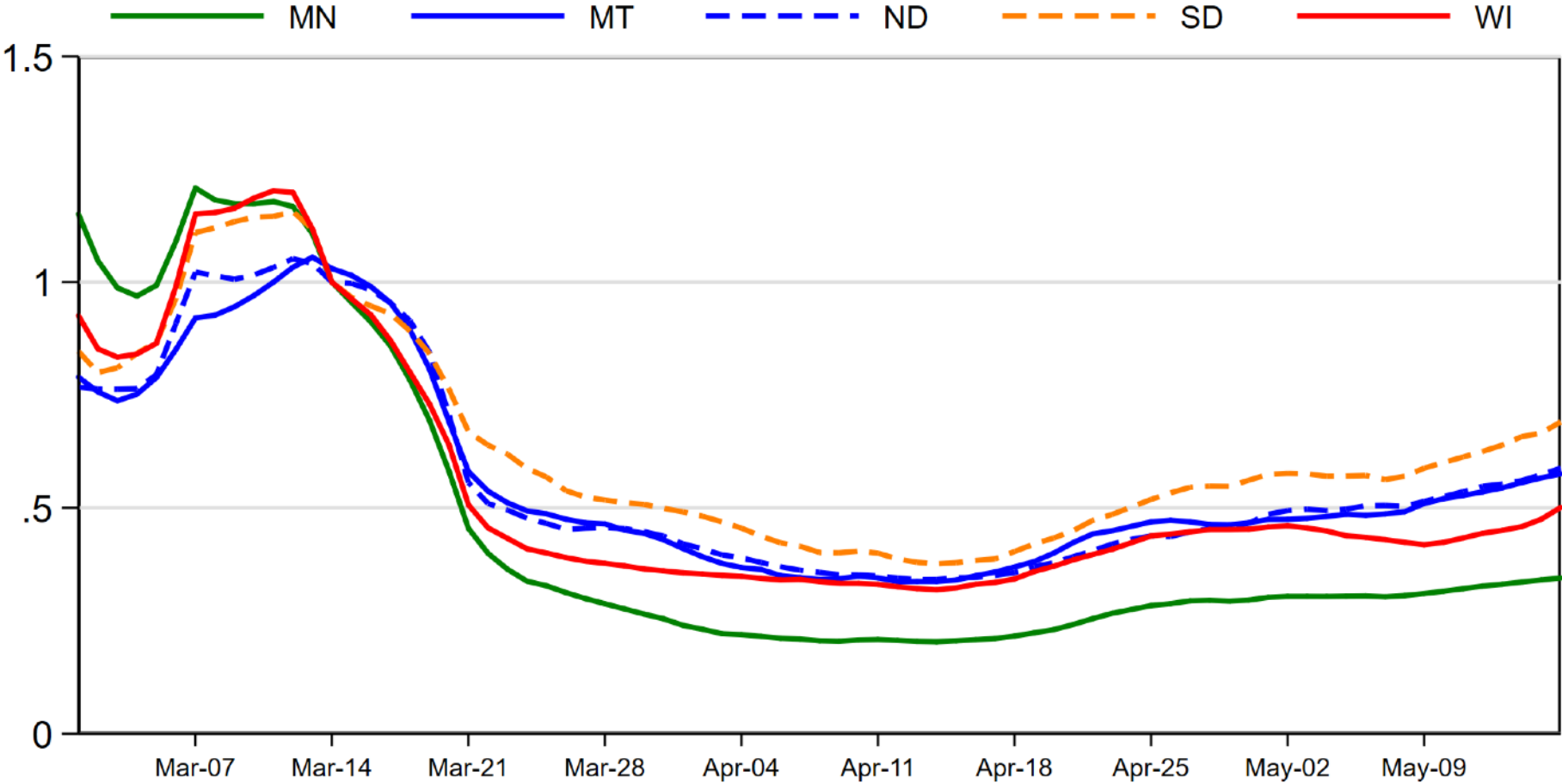
Source: TSA



FEDERAL RESERVE BANK OF MINNEAPOLIS

REAL-TIME METRICS: FOOT TRAFFIC/TRACKING

SAFEGRAPH FOOT TRAFFIC MOBILITY: HOTEL INDEX. 7-DAY ROLLING AVERAGE



Note: Baseline = median day-value between 2nd and 3rd Wednesday of March 2020
Source: SafeGraph





**NOW IT'S YOUR TURN
TO EDUCATE THE GROUP**



LOGIN FOR INTERACTIVE SURVEY

- ***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***



What is the biggest obstacle to faster economic activity, or some 'return to normal'?

State and local business
restrictions

Consumer confidence to engage
and spend

Worker willingness to return to
work

COVID vaccine or more universal
containment of virus

Start the presentation to see live content. For screen share software, share the entire screen. Get help at pollev.com/app



FEDERAL RESERVE BANK OF MINNEAPOLIS

What's your outlook for the next six months as it relates to your firm's solvency (simply staying in business)?

Very negative

Somewhat negative

Somewhat positive

Very positive

Unsure

Start the presentation to see live content. For screen share software, share the entire screen. Get help at pollev.com/app



FEDERAL RESERVE BANK OF MINNEAPOLIS

How has your current outlook changed over the last 4-6 weeks?

Much more positive today

Somewhat more positive today

No change

Somewhat more negative today

Much more negative today

Unsure

Start the presentation to see live content. For screen share software, share the entire screen. Get help at pollev.com/app



FEDERAL RESERVE BANK OF MINNEAPOLIS

If the state sees significant, accelerating new infections, what should the state do?

Nothing

Return to the previous shelter-in-place policies

Implement more targeted, place-based SIP restrictions on hotspots

Implement SIP restrictions for at-risk populations

Greatly expand testing and contact tracing

Combination of actions listed above

Don't know

Start the presentation to see live content. For screen share software, share the entire screen. Get help at pollev.com/app



FEDERAL RESERVE BANK OF MINNEAPOLIS

A stylized eagle logo in white and light blue on a dark blue background. The eagle is facing left, with its wings spread. Above the eagle's head are several stars. A line graph with a jagged line is superimposed on the eagle's body. A thick yellow diagonal line runs from the bottom left towards the top right, separating the logo area from the text area.

TAKE-AWAYS; LOOKING AHEAD

- COVID-19 has had a huge impact everywhere
- Some places/businesses hurt more than others
- Quick recovery appears unlikely, short of a vaccine breakthrough and ramp-up
- Gradual recovery more likely, driven by consumer confidence, which will be driven (+/-) by re-opening policies, and are being closely watched





THANK YOU!

FEEDBACK + QUESTIONS

Tell me how I did: Please rate the overall quality of this presentation (results will NOT be displayed)

Poor

Below average

Average

Good

Excellent

Start the presentation to see live content. For screen share software, share the entire screen. Get help at pollev.com/app



FEDERAL RESERVE BANK OF MINNEAPOLIS



THANK YOU!

SPEECH REFERRALS WELCOME!

TWITTER: @RONWIRTZ

@MINNEAPOLISFED

CONNECT VIA LINKEDIN

RON.WIRTZ@MPLS.FRB.ORG

THANK YOU! AND GOOD LUCK!