



Date: Friday, April 24, 2020

RE: “From Relief to Restart?” (summary of third-party economic research and perspectives to foster communication with business and economic development stakeholders during the COVID19 crisis.)

Key Takeaways

- **Global:** South Korean GDP (considered as leading indicator for global economy) shrinks 1.4% in Q1.
- **U.S.:** 16 states released plans to reopen as national unemployment claims climbed to 26M+. [CBO says U.S. deficit to reach \\$3.7T](#). According to new research, [72% of Americans under stay-at-home orders](#) expect to reach breaking point (>25% already experiencing “drastically negative” effects).
- **Ohio:** Nearly 2,000 Ohio manufacturers signed up for Ohio Manufacturing Alliance’s [Repurposing Project](#). World-scale petrochemical complex in Ohio remains a top priority for the [PTTGC America-Daelim Chemical USA partnership](#).

Global

The [South Korean](#) economy shrank 1.4% in Q1, the [worst GDP growth since 2008](#), and is preparing for its third wave of [coronavirus relief with a \\$32.4B](#) fund. The total size of their stimulus now reaches nearly \$110B. Japan revealed a \$1T stimulus package earlier this week but [Reuters reports](#) that many feel it was “too little too late.” [Japan](#) also ups its travel alert for Russia and 13 other nations. The [global economy](#) hits a record collapse of business activity. [Spain](#) may lose up to 80% of its tourism revenue in 2020 due to the coronavirus. The sector accounts for 12% of Spain’s GDP and provides 13% of the country’s jobs.

[IHS Markit's](#) Purchasing Managers Index for the U.S. fell to 27.4 in April from 40.9 in March - the lowest in data dating back to October 2009. In the eurozone, the index dropped to 13.5 in April from 29.7 in March, a record low for data going back to July 1998. The lowest level reached in the wake of the global financial crisis was 36.2 in February 2009. In the U.K., the composite PMI fell to 12.9, a record low, from 36.0 in March. Japan’s composite measure also hit a record low of 27.8. The surveys suggest the drop in the services-sector activity is unprecedented in the history of the surveys, even in the wake of the global financial crisis. Manufacturing activity is also contracting though not quite as severely.

[Toyota](#) in the U.S. and Canada will slowly restart production beginning May 4. It will also be [halving Japanese production](#) in May due to lack of foreign demand. The company notes that it may slash production in June by 40% as well, and it may have difficulty meeting its output of 3M vehicles necessary to maintaining manufacturing capabilities and jobs. [Nissan](#) stated that they foresee sales remaining flat at 5M units per year and will be focusing on streamlining operations rather than expansion. [Renault and Hyundai](#) both announced big decreases in Q1 profits and warned of further disruption.

[The recent rise in stocks](#) amid the global effects of a ‘dying economy’ has left many analysts baffled. So far, half the stock market’s fall has been erased since late February. Many analysts claim the global efforts to soothe the financial system, including \$14T in global stimulus funding, have been the trigger. Others say that a further and steeper decline in the future may occur.

U.S.

Sixteen states have released “[formal reopening plans](#)” to lift coronavirus restrictions. [Unemployment claims](#) reach 26.4M. The Treasury Department and the IRS released state-by-state figures for [Economic Impact Payments](#), with 88 million individuals receiving payments worth nearly \$158B in the first three weeks, as 3.4M payments (\$6.3B in value) went to Ohio. [North Carolina](#) extends its stay at home order to May 8. Trump signs a [\\$484 billion bill](#) to further aid small businesses and hospitals. [OSHA](#) releases guidance for preparing workplaces for COVID-19.



S&P reports that some lenders could increase their balance sheets by as much as 25% due to the PPP. They note that thus far seven companies now have received applications totaling more than 25% of their portfolios and 30 have more than 10%. [Banks](#) continue to struggle to meet this demand. States may begin to struggle to [pay unemployment claims](#), and according to a survey, about three-quarters of [small business owners](#) (almost all employer businesses) have submitted an application for a PPP loan as of April 17, but only about one-in-five (20%) of submitted applications have been fully processed with funds deposited in the borrower’s account.

[Wall Street](#) analysts expect a ‘muted impact’ from COVID-19 for the utilities sector as a decline in consumption and a mild winter may affect earnings, but not enough to change outlooks as other sectors are doing. [U.S. orders](#) for durable goods declined by 14.4% in March due to slumping demand due to the coronavirus and oil prices. The decrease was led by declines in commercial aircraft due to cancelled orders for Boeing airplanes. S&P reports that 38 companies have withdrawn or revised their financial guidance since April 16 and 138 since the start of the COVID-19 pandemic.

[The United Auto Workers](#) believes an early-May reopening of plants is too risky and that the scientific data is not conclusive that it is safe for their members to return to the workplace. This may throw a wrench in plans for manufacturers looking to reopen in early-May. [Tyson Foods](#) closed its third facility after a rash of coronavirus outbreaks. Thus far two pork plants, and one beef plant are closed indefinitely, and at least eight major U.S. meat facilities have seen halts in the space of a few weeks. An executive with Archer Financial Services notes: “Meat shortages will be occurring two weeks from now in the retail outlets.”

Ohio

Starting April 24, [Ohio will start the process](#) of paying out unemployment benefits to 1099 (contract) workers, and self-employed. [Dr. Weir from The Ohio State University](#) reminds Ohioans that “risk can never be zero” referring to opening the state, and encourages individuals and institutions to engage in mitigation of transmission of the virus through various measures, from regular cleaning, improved indoor air quality mechanisms. The [Ohio Chapter of the American Academy of Pediatrics](#) is encouraging families to maintain routine pediatric appointments during the COVID-19 pandemic.

The [Ohio Repurposing Project](#) by the Ohio Manufacturing Alliance have nearly 2,000 manufacturers signed up. [L Brands](#) filed a lawsuit against Sycamore Partners to have them complete the purchase of the controlling stake in Victoria’s Secret stating the terms excluded the PE firm from using the coronavirus as a reason to back out.

Positive Company-Specific News	Negative Company-Specific News
<ul style="list-style-type: none"> - Cooper Tire will begin the process of reopening production at its manufacturing facilities in the U.S. next week. - Kroger is expanding its drive-through coronavirus testing to nine additional sites with two being in Ohio. - Ascend Innovations announced a partnership for The Center of Health Affairs in Cleveland aimed at providing innovation and delivery of service solutions impacting healthcare across Ohio and beyond. - J.M. Smucker Company provided a business update exceeding previous guidance for net sales, adjusted earnings, and free cash flow. - Navistar Springfield will resume production April 27. 	<ul style="list-style-type: none"> - Huntington Bank reported net income for Q1 2020 was down 87% year-over-year, and that earnings per share fell 91%. The company noted that results were impacted by elevated credit provisioning. The company further removed its 2020 guidance. - Marathon Petroleum expects losses before charges of up to \$250M for Q1 2020 due in large part to a \$7.8B write-down on a sharp fall in fuel demand. - JC Penney is seeking up to \$1B in bankruptcy funding that would continue the company’s operations through the bankruptcy process. Their stock has tumbled 75% YTD. - Cincinnati’s National Flag Company shut down last month and laid off 21 workers.

Resources



- Ohio Department of Health's COVID-19 Website: www.coronavirus.ohio.gov
- JobsOhio's resource portal remains available at: <https://www.jobsohio.com/covid-19-resources/>

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