Date: Friday, March 13

RE: **"**Unchartered Territory" (summary of third-party economic research and perspectives to foster communication with business and economic development stakeholders during the COVID19 crisis.)

Global

According to the Organization for Economic Co-operation and Development (OECD), global growth was weak but stabilizing until the coronavirus COVID-19 hit. Restrictions on movement of people, goods and services, and containment measures such as factory closures have cut manufacturing and domestic demand sharply in China and elsewhere. The impact on the rest of the world through business travel and tourism, supply chains, commodities and lower confidence is growing.

U.S.

In the U.S., the economy was strong and even accelerating through February 2020 (ISM Composite the highest since February 2019, employment growth of 270,000 for 2 consecutive months). However, conditions have shifted and deteriorated rapidly as illustrated by financial markets. As of March 12, the S&P is down 23% since the day after dozens of cases of COVID were disclosed (January 1, 2020) in Wuhan, China, and down 25% since the 52-week high (February 19, 2020).

According to Moody's, the U.S. economy may contract in all four quarters of 2020 in a pandemic scenario, with real GDP falling by approximately 1.5% peak to trough and the unemployment rate rising by 1.75%. In such scenario, the struggling manufacturing, transportation, agriculture and energy industries are hit hard, but so too are the travel and tourism industries and construction trades. There may be significant layoffs across nearly all industries, with healthcare and government being the notable exceptions. Anecdotal reports suggest that early coronavirus-related jobs cuts appear to have mostly affected younger, entry-level employees and 'gig' workers.

COVID-19 is a negative short-run supply shock because of the significant disruptions to global supply chains. The plunge in China's manufacturing Purchasing Managers Index (PMI) and drop in South Korea's imports from China in February all indicate significant supply chain issues.

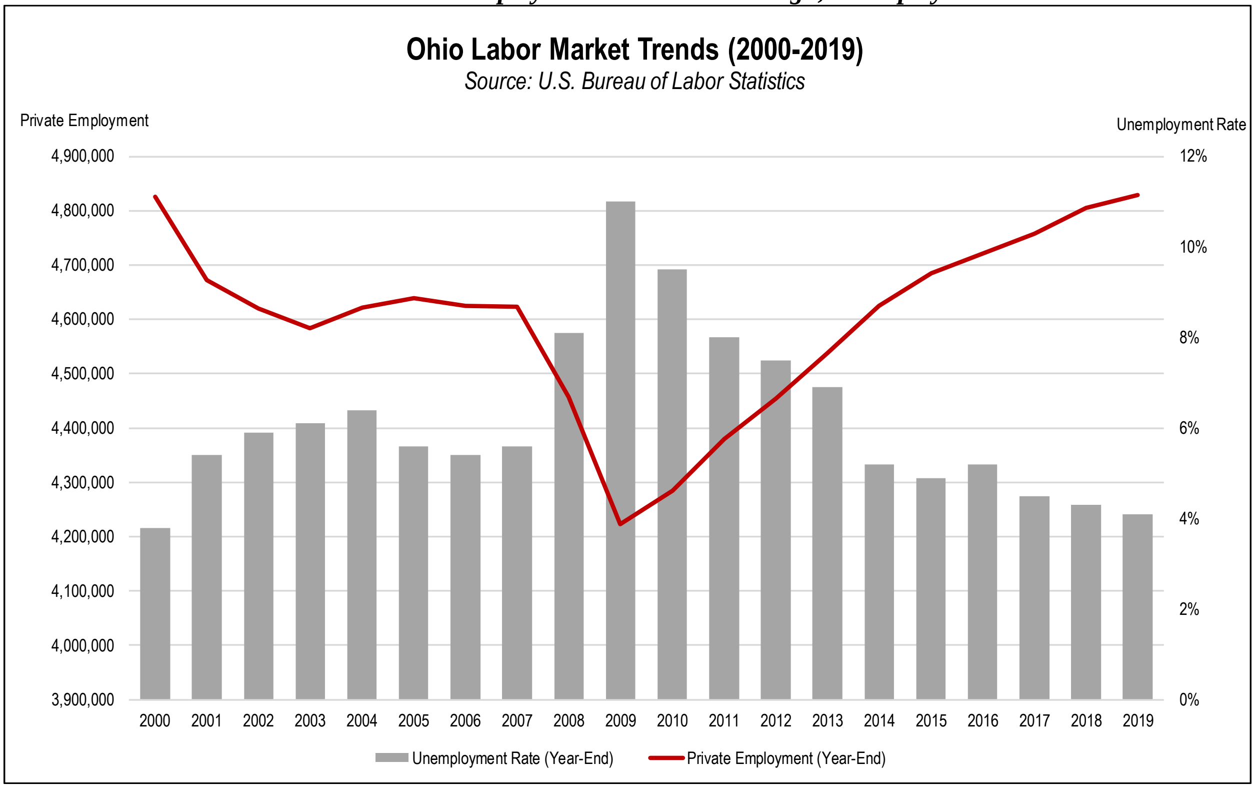
On the supply side, the impact of supply chain issues is already visible in the U.S., including in the anecdotes of Institute for Supply Management (ISM) surveys and Federal Reserve's latest Beige Book. For example, a respondent in computer and electronic products noted the coronavirus was "wreaking havoc" on the electronics industry. It has caused longer lead times, constraints, and increased pricing.

On the demand side, the University of Michigan Survey of Consumers shows a March value at a 5-month low of 95.9, from 101.0 in February. This figure is well below the consensus estimate of economists polled before the publication, which was for an index reading of 98.0. The Conference Board Consumer Confidence Survey will be published on March 30. These data are considered a leading indicator of consumer spending, which accounts for the majority of GDP growth in the U.S.

Ohio

Ohio's economy (pre-coronavirus) was strong with private sector employment near historic highs and employment near a 20-year low, as illustrated in Exhibit A. Ohio had a positive leading indicator for the first half of 2020 from the Federal Reserve Bank of Philadelphia. Midwest consumer confidence was high in February at the onset of this event.

Pre-Coronavirus Environment: Ohio Employment Near Historic High, Unemployment Near 20-Year Low



According to the Ohio Bureau of Labor Market Information, Ohio nonfarm payroll employment decreased by 6,300 jobs in January 2020. Employment in goods-producing industries decreased by 900 jobs, reflecting declines in manufacturing (-1,700) and mining and logging (-100) that outweighed an increase in employment in construction (900). Employment in the private service-producing sector increased by 3,200 jobs, led by education and health services (5,200), leisure and hospitality (4,300), and trade, transportation, and utilities (1,900). Employment decreased in professional and business services (-6,900), financial services (-1,600), and information (-100). The Ohio unemployment rate was steady at 4.1% for the fifth straight month. The rate has been stable at 4.1% or 4.2% in each of the most recent twelve months. The number of unemployed increased by 1,000 people on the month but was down by 10,000 from a year ago. Ohio first-time jobless claims spiked in the week ending February 29 but normalized the following week.

On March 4, the Federal Reserve Bank of Cleveland reported for the prior six weeks manufacturing demand held steady in the Cleveland region, although some producers noted weaker demand because of the Boeing 737 Max production halt. Transportation firms continued to pare payrolls because of weak cargo volumes and increased operational efficiencies.

The Ohio Office of Budget and Management reported on March 10 that conditions for the fiscal year-to-date remained strong through February. GRF revenues were $397.6M (1.8%) above estimate. Tax revenues were $249.0M (1.6%) above estimate. More broadly, total non-federal revenues through February were $298.7M (1.9%) above estimate. Federal grants were $98.9M (1.4%) above estimate.

In a subsequent report, JobsOhio will examine company-level statements and data to further inform business and economic development discussions.

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