



Date: Friday, May 15, 2020

RE: “Globalization May Be Fundamentally Reshaped” (summary of third-party economic research and perspectives to foster communication with business and economic development stakeholders during the COVID-19 crisis.)

Key Takeaways

- **Global:** The COVID-19 pandemic will shrink the world economy by 3.2% this year, the sharpest contraction since the Great Depression in the 1930s.
- **U.S.:** The unemployment rate reached 14.7% in April and the Federal Reserve said [nearly 40% of people in households making under \\$40,000 a year lost their jobs](#). Economists see Georgia’s [reopening as ‘Bellwether’](#) for nation.
- **Ohio:** Reopening timelines for daycare, day camps, BMVs, campgrounds, and gyms and fitness centers was announced on Thursday, as part of the [Responsible RestartOhio plan](#).

Global

The [United Nations forecasts](#) a decline in the world economy by 3.2% in 2020, and decline in economic output by \$8.5T over the next two years, wiping out gains from the last 4 years. [Spain experienced a rise in its daily coronavirus death toll](#) Thursday to its highest in a week as authorities warned that a second wave of the outbreak. [In Asia, Hong Kong, South Korea, and China](#) are facing resurgences in the virus. [Economist Intelligence Unit \(EIU\)](#) predicted the pandemic will reverse globalization by accelerating a move toward regional supply chains.

[Intel and Taiwan Semiconductor Manufacturing Company](#) are talking to the Trump administration about building new semiconductor plants in the U.S. amid concern about relying on suppliers in Asia. [Hyatt Hotels](#) will lay off 1,300 worldwide. The hospitality and accommodation industry [lost 7.7M jobs or 47%](#) of total jobs in the U.S. thus far. Car manufacturers are taking heavy losses - [Honda](#) plunged to a 5.6B yen (\$51.9M) operating loss in the latest quarter amid slumping sales; Toyota revised its forecast for FY2021 to include an operating income [plummet of 79.5%](#) and announced it will cut [North American output by 29%](#) through October.

U.S.

According to the [CDC](#), the U.S. has experienced 1.4M COVID-19 cases and nearly 84,000 deaths. Combined with [Congressional and Treasury Department](#) actions, the relief/liquidity programs amount to nearly 25% of expected 2020 real U.S. GDP. The [Federal Reserve](#) will start its corporate bond program amid a boom in debt issuance while its [balance sheet](#) spiked to \$6.5T this year, from less than \$4T at the end of 2019. [Fed Chairman Powell](#) says that the Federal Reserve is not considering negative interest rates. Another federal [stimulus package](#) may be voted on as soon as May 15.

[Employers cut an unprecedented 20.5M jobs in April](#), tripling the unemployment rate to 14.7%, the highest since the Great Depression. [No major industry sector was spared from business shutdowns](#), furloughs and layoffs - with restaurants (-5,491,300), retailers (-2,106,900), healthcare (-1,436,300), government (-980,000), and construction (-975,000) the hardest hit. According to a [survey from Main Street America](#), at least 7.5M small businesses might not come back. One-quarter of American restaurants won’t reopen, [OpenTable says](#). Coronavirus job losses are impacting everyone, [but women are taking a harder hit than men](#). The [labor force participation rate](#) fell to 60.2% from 62.7%.

California unemployment could peak near 25% with 4.6M claims filed so far, Governor Newsom said. The [District of Columbia](#) extended its stay at home order through June 8, while [Wisconsin’s Supreme Court](#) struck down the extension of its order, meant to run through May 26. Dallas County in Texas launched a new [color-coded alert system](#) to help residents better understand what level of risk they are taking when venturing out in public. The State of Washington is ready to [launch contact tracing program](#). [States including Rhode Island,](#)



[Kansas and New York](#) are turning to tech companies including AWS and Google to manage systems to handle an unprecedented rise in unemployment claims triggered by the coronavirus pandemic.

Based on [Visa and Mastercard earnings reports](#), total global card spending in April was 20% to 25% lower year over year, with in-store transactions down 40% to 45%. [J.C. Penney](#) seeks \$450M to enable a possible bankruptcy filing and is considering closing 200 stores. [Many banks](#) are considering closing branches. [A National Restaurant Association report](#) shows nearly 6M restaurant jobs lost as of April 12 – effectively erasing three decades of job growth. S&P lowered its credit ratings of every U.S. passenger airline as [Airlines for America](#) shows a 766% increase in idled aircraft, 93% decrease in passenger volumes, and 74% decrease in departures. [Analysis of 2 million patient encounters](#) reveals U.S. hospitals are losing \$60B per month and uninsured patients are up 114% during the COVID-19 pandemic.

Ohio

The reopening of outdoor dining and personal care services will be allowed on May 15, and dining in and campgrounds on May 21. BMVs, gyms, fitness centers recreation centers, sports leagues and pools will be allowed to open on May 22. [Daycare centers will be allowed](#) to reopen on May 31. Mass events such as concerts and professional sports are still on hold. [Ohio posted income tax revenues in April](#) nearly 51% below estimates, data from the Ohio Office of Budget and Management show. The data also showed a 57% drop in auto sales tax receipts and a 14% drop other revenues, resulting in an \$867.5M shortfall. Analyses by JobsOhio shows that Ohio’s [round 1](#) share of the Small Business Association’s Paycheck Protection Program was #7 among states in both number of approved loans and approved dollars but has fallen to #11 in [round 2 approvals](#).

[Dayton-area Hospitals received \\$114M](#) in HHS funding to offset losses and expenses caused by COVID-19, as part of the CARES Act. [Medicaid enrollment](#) increased by 140,000 in April and now covers 1 in 4 Ohioans, roughly 3M individuals. The [General Mills Totino’s pizza factory in Wellston](#) has continued to operate around the clock. [Kroger](#) will end bonus “hero” pay for workers in mid-May. [Cincinnati Bell](#) approves its acquisition by Macquarie Infrastructure Partners.

Positive Company-Specific News	Negative Company-Specific News
<ul style="list-style-type: none"> - Columbus Collaboratory is rebranding to Covail to reflect its nationwide expansion. - Czech billionaire Daniel Kretinsky took a stake in Macy’s Inc. and plans to engage management on ways to improve. - Cardinal Health beat its estimated adjusted earnings per share by 13.3% on strong growth in pharmaceutical and medical segments. - The Kroger Co. has hired more than 100,000 workers in the past eight weeks including those from hardest-hit sectors like restaurants, hotels, and food service distributors. - General Mills gave a strong outlook for its fiscal Q4 and full-year to reflect “stronger than anticipated” at-home food demand. Its at-home channel represented about 85% of the company’s sales. - Progressive posted a 14.7% year-over-year increase in private auto direct premiums written which was highest among top 20 insurers. - Whitehall company, Priority Designs, is developing PPE that they are donating to medical teams and first responders. - Steris PLC reported quarterly revenue increases of 7%, and adjusted net income increases of 16% while beating estimates on life sciences and healthcare specialty services growth. 	<ul style="list-style-type: none"> - Cleveland-Cliffs reported a net loss of \$48.6M in Q1 2020. Long-term debt was up 109% year-over-year. - ArcelorMittal will launch a \$2B offering of common shares and convertible subordinated notes to cut debt and built resilience. - Wendy’s is dealing with beef shortages at roughly 18% of its U.S. stores. Their stock has fallen 13% in 2020. - L Brands’ Les Wexner stepped down as CEO, becoming Chairman Emeritus. This comes as the company experiences turbulence with Sycamore Partners backing out its deal to acquire Victoria’s Secret. - Murray Energy bankruptcy status in jeopardy.

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/>

###