Date: Friday, May 29, 2020

RE: “Global Recession Bottoming Out?” (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**: Global economy could take a $82T hit in a worst-case scenario from COVID-19. In case of speedy recovery, an “optimistic loss” of $3.3T is likely.
- **U.S.**: Moody’s Analytics forecasts that the economy could take years to rebound. Cleveland Fed’s Mester says it’s hard to imagine quick V-shaped recovery.
- **Ohio**: Ohio entities (Plum Brook Station, Glenn Research Center, Goodyear) play key role in SpaceX launch.

**Global**

Fitch Ratings revised global GDP growth forecast in 2020 down from -3.9% to -4.6%, and predicted the global recession is close to reaching its trough. The United Nations World Tourism Organization predicts a 70% drop in global tourism for 2020. The European Union proposed a $2T stimulus package as figures show ongoing impacts from the pandemic including a record 23% increase in joblessness in France. Consumer and industry confidence throughout Europe regained about a fifth of the record losses suffered in March and April. Retail sales fell 31.6% in Spain during April, the fastest decline on record, and sales by German non-financial businesses also dropped by a record 13.8% in the same period. China’s legislature has approved a proposal to impose a highly contentious national security law in Hong Kong.

Global auto sales recorded a mixed bag in April as U.S. and Europe recorded steep declines as stay-at-home orders persisted, but China had sales rise for the first time in nearly two years as their country began emerging from the pandemic. Overall, U.S. vehicle sales dropped 46.6% year-over-year while sales fell 78.3% in Europe and rose 4.4% in China. Nissan and Renault have paused their merger plans to focus on cost cutting and production cutbacks.

**U.S.**

The nation has lost over 100,000 lives to the coronavirus. Unemployment claims, which have passed 40M since March, begin to ease. The House passed a bill to go to the senate to allow companies seeking loan forgiveness to use a smaller share of the money on payroll, among other changes. The Federal Reserve published its latest Beige Book and pointed out the outlook remained highly uncertain and most contacts were pessimistic about the potential pace of recovery. According to Moody’s Analytics, the economy could take years to rebound as it faces longer-term challenges from the sharpest downturn in history.

Marriott sees revenue down 75% plus as the coronavirus has hit its business worse than 9/11 and the Great Recession combined. The Transportation Security Administration has changed its procedures in response to COVID-19. Both American Airlines and United have stated this week they will be reducing management and support staff by 30%. U.S. domestic airlines have begun to see minor recovery from steep falls in departures and passengers as the brunt of COVID-19 impacts may be ending. Domestic flights, which averaged 85 to 100 passengers in the first 2 months of 2020 have risen back up to roughly 40 passengers from a low of around 10. Despite small signs of recovery 4 domestic and 12 international airlines have already ceased operations or restructured.

Fallout from COVID-19 hitting the housing market as existing homes fell 17.8% month-to-month and were 17.2% lower year-over-year in April. The drop in closings is the largest one-month decline since July 2010 when several federal stimulus measures from the Great Recession expired. Accelerated e-commerce adoption and higher inventory levels have the potential to generate 400 MSF or more of additional U.S. logistics real
estate demand. As social distancing increases the need for broadband expansions, there may be delays in spending $16B to make improvements based on a lack of accurate data from the FCC.

The U.S. Energy Information Administration is forecasting lower U.S. natural gas consumption in 2020 by about 3.4B cubic feet per day, compared with 2019. This is attributed to warmer weather in Q1 2020, and will equal a 3.7% decrease in residential sectors, and 6.9% decrease in commercial. In oil, declines extended after an industry report showed U.S. crude inventories swelled for the first time in three weeks. Despite this the commodity is still up 70% through May. EIA showed 2019 U.S. renewable energy consumption surpassed coal use for the first time in over 130 years after coal consumption fell 15% from 2018.

Ohio

Unemployment for April was 16.8% while other state unemployment rates range from 7.9% in Connecticut to 28.2% in Nevada with the national rate at 14.7%. County unemployment rates in Ohio ranged from 6.5% to 30.1%. About 1.3M Ohioans filed unemployment claims in the past 10 weeks. The Ohio Department of Jobs and Family Services has paid out more than $3.1B in unemployment compensation to more than 644,000 claimants in the last 10 weeks. The state is implementing a plan to treat coronavirus at nursing homes, and announced a reopening plan for amusement parks, museums and zoos will be addressed next week. The map of testing sites statewide is now available. Ohio manufacturing employment hit an historic low in April. Despite the difficult labor market, LinkedIn announced Ohio’s three biggest cities are among the top 10 best cities to launch a career (Cleveland #3, Cincinnati #4, Columbus #9).

GE will selling its Lighting Business, which employs 700, to Savant Systems, and will remain in Cleveland. Cleveland’ developer, Harbor Bay is building the country’s tallest wooden. The Greater Cleveland Automobile Dealers Association expects to see a slow pattern of recovery for Northeast Ohio auto sales after falling 36% year-over-year for April. Amazon announced two new solar energy projects in Ohio (200 MW and an 80 MW).

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<th>Positive Company-Specific News</th>
<th>Negative Company-Specific News</th>
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<td>- Cincinnati Children’s may be at the forefront of testing for a drug that can dramatically reverse respiratory inflammation in COVID-19 patients after a successful model from a transgenic mouse. The hospital also unveiled six COVID-specific research projects that have received nearly half a million dollars in internal funding.</td>
<td>- Belmont County PTT Global Chemical company cracker plant has been delayed.</td>
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<td>- Meridien Bioscience, of Cincinnati will supply reagents for the manufacturing of tens of millions of COVID-19 antibody tests per month moving forward.</td>
<td>- Progressive Insurance’s premium growth slowed to combined ratios not seen since 2010. This, after a $506M rebate in April which added nearly 14% to its expense ratio.</td>
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<td>- CVS Pharmacy is opening 34 drive-thru COVID-19 testing locations across Ohio with 15 in Northeast Ohio. CVS’ goal is process 1.5M tests per month.</td>
<td>- Macy’s rating was downgraded by Fitch and Moody’s this week as COVID-19 impacts have lowered the company’s financials and forced increased borrowing. This comes as the company announced an additional $1.1B round of bonds.</td>
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<td>- Wayne HealthCare, an independent hospital north of Dayton, will begin offering walk-in COVID-19 antibody testing with no appointment or physician order necessary.</td>
<td>- L Brands will close 50 Bath &amp; Body Works locations across the country with a nearly $1B decrease in net sales from the same period of 2019.</td>
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<td>- Cedar Fair announced a number of new technology and mobile initiatives to increase safety at its amusement parks including online reservations, mobile ordering, and enhanced cashless payment methods.</td>
<td>- Rex American Resources Corp saw revenue and profit tumble with ethanol pricing and corn supply shortages.</td>
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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/