



Date: Friday, May 8, 2020

RE: “Economic Restart in Focus” (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 Bank of England predicted a 30% drop in output for the first half of 2020.
- **U.S.:** Weekly jobless claims totaled 3.2M, bringing the [seven-week tally to 33.5M](#). Morgan Stanley sees U.S. pre-crisis output returning in eight quarters.
- **Ohio:** The next phase of the [Responsible RestartOhio](#) plan was announced today as it relates to restaurants, bars, and personal care services.

Global

[Pfizer and BioNTech SE](#) announced the first participants have been dosed in the U.S. in the Phase 1/2 clinical trial for the BNT162 vaccine program to prevent COVID-19 as part of a global development program. [The International Energy Agency](#) says carbon emissions are expected to fall almost 8% as energy demand will fall 6% - 7x the decline after the 2008 global financial crisis. [The National Oceanic and Atmospheric Administration](#) announced it would begin researching “the impact of reduced vehicle traffic, air travel, shipping, manufacturing and other activities on Earth’s atmosphere and oceans.” [Italian car registrations](#) fell 97% in April. [Russia](#) will soon ease its national lockdown despite a steady growth in coronavirus cases.

[Eurozone private-sector activity](#) remained at an all-time low in April. The Composite Output Index came in at 13.6 in April compared to 29.7 in March – below 50 indicates contraction. [Boris Johnson](#) said the UK would “advance with maximum caution” to avoid risking a “second peak” of coronavirus infections. [The Bank of England](#) predicted a 30% drop in output for the first half of 2020, its deepest recession since 1706 (300+ years). British-based [online grocer Ocado](#), with its robot automated customer fulfillment center, called one of the most sophisticated and automated on the planet, had sales soar by over 40% year-on-year in the second quarter.

U.S.

The Federal Reserve issued new research entitled, “[The Unemployment Cost of COVID-19: How High and How Long?](#),” a paper which estimates that the unemployment rate could peak in May at about 16% but gradually decline thereafter and end the year at 7.5%.

Stay-at-home restrictions in 24 counties in [Pennsylvania](#) will be lifted next week. [Minnesota](#) projects a \$2.4B budget deficit. [California](#) borrowed \$348M from the federal government to continue to pay out unemployment claims after receiving approval for up to \$10B in funds (the first state to do this). The nation saw 3,169,000 initial [unemployment claims](#) for the week of May 2 and the advance seasonally adjusted insured unemployment rate was 15.5% for the week ending April 25, an increase of 3.1% from the previous week's unrevised rate. [Morgan Stanley](#)'s chief economist sees U.S. pre-crisis output returning in eight quarters.

U.S. [household debt](#) rose by 1.1% and the [U.S. budget deficit](#) may quadruple this year to almost \$4T. [U.S. international trade in goods and services](#) for March 2020 was at a deficit of \$44.4B from \$39.8B in February. Business sector [labor productivity](#) decreased 2.5% in the first quarter of 2020, as output decreased 6.2% and hours worked decreased 3.8%. The SBA said lenders made 2.2M loans worth over \$175B during the second round of the [Paycheck Protection Program](#), for an average loan size of roughly \$79,000. Loans of \$50,000 and under was nearly 71% of all second-round loans.

[U.S. corporates](#) added roughly \$252B of revolving credit drawdowns to their accounts as they look to increase liquidity. The consumer discretionary industry accounted for 46% of the drawdown with automobile manufacturers accounting for 27% of its total. The [U.S. Postal Service's](#) revenue fell \$666M short of projected estimates in the first five weeks after the pandemic brought lockdowns, leading USPS executives to ask Congress



for \$75B in grants and loans. The frequency of [claims across the U.S.](#) decreased 43% for bodily injury and 47% for physical damage between March 1 and mid-April year-over-year.

[Airbnb](#) cut 25% of its workforce while [Uber cut 3,700 and Lyft cut 900](#) employees. [Airline passenger totals](#) are down 95% from a year ago and not expected to return to 2019 numbers for three years as [airlines burn through \\$10B](#) a month. [GE Aviation](#) cutting 13,000 jobs permanently, at 25% of its workforce. [GEICO](#), generated historically strong underwriting profit for the quarter, and expects claims frequency to fall 25-50%. Industrywide, analysts estimate [U.S. auto sales](#) fell more than 50% last month over the prior year and that the selling pace was its lowest on record since at least 1979. [Tyson Foods](#), the world’s second biggest meat producer, posted financial misses for Q1 and warned lower productivity and higher costs would continue.

Ohio

With retail businesses permitted to reopen next week on May 12, [approximately 89% of the private economy](#) will be allowed to be open at that time. Thereafter, personal services businesses can reopen on May 15 and restaurants and bars will be reopening for outside dining on May 15 and inside dining on May 21. Gov. DeWine said Tuesday the state will [cut nearly \\$775M in spending](#) to offset the loss of tax revenue stemming from the COVID-19 crisis. [Ohio asked to borrow up to \\$3.1B](#) to shore up unemployment fund.

Kroger will provide [free COVID-19 testing](#) to its frontline workers and announced [an agreement with Impossible Foods](#) to be sold in more than 1,700 stores as meat shortages nationwide loom. Ohio colleges and universities have been scrambling to balance budgets as effects of the pandemic take hold. The [president of the Inter-University Council of Ohio](#) stated that COVID-19 has cost Ohio’s public universities \$290-\$310M this fiscal year as they struggle with a combined \$171M in refunds, and costs associated with ramping up online learning.

<i>Positive Company-Specific News</i>	<i>Negative Company-Specific News</i>
<ul style="list-style-type: none"> - Meijer laying groundwork for \$160M project north of Dayton. - RB Sigma Medical Supply received a shipment containing 3M PPE products from China which it will be selling directly from Mentor. - Scotts Miracle-Gro announced company-wide sales increased 16% in its fiscal second quarter. Company also surpassed estimates with an EPS of \$4.50. - Lancaster Colony posted net sales increase of 1.1% despite foodservice operating income down 46%. - Central Federal Corporation announced Q1 2020 results including a 19% increase in net income. - Midwest USA Chinese Chamber of Commerce donated 1,000 protective facemasks to Wright State. - Cedar Fair outlined measures including capacity limiting, social distancing requirements, virtual queuing, cashless transactions and enhanced cleaning. Company will take 2-3 weeks to implement these steps once the green light is given to reopen. - Athens County Industrial Park Receives \$2.9M Site Development Grant from JobsOhio 	<ul style="list-style-type: none"> - AEP shut down the last unit at its Conesville coal plant a month ahead of schedule on May 31. - Cincinnati Financial posted a \$1.36B investment loss attributed to stock market volatility resulting in a \$1.2B loss for the quarter. - Henry Schein announced it was cutting jobs, trimming work hours, and suspending its 401k match to manage costs during COVID-19. Their CEO noted that “practically everyone in the company has had their compensation affected”. - L Brands and Sycamore Partners agreed to call off the sale of the latter’s purchase of Victoria’s Secret, averting a future legal battle over the cancellation of the sale. L Brands’ stock fell 11% on the news. - Washington Prime received notice of noncompliance from the NYSE for failing to keep stock average closing price above \$1. - Marathon Petroleum reported revenue decline of 15.8% year-over-year. - The Andersons experienced a 169% increase in losses as COVID-19 affected travel and reduced gasoline, corn, and ethanol demand.

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/>