



Date: Friday, June 19, 2020

RE: “What Shape Will The Recovery Take?” (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:** IMF is expected to lower its global gross domestic output growth rate in 2020.
- **U.S.:** Fed launched Main Street Lending Program and started to buy individual corporate bonds. A “[Tidal Wave](#)” of bankruptcies may be coming.
- **Ohio:** Despite challenging conditions, JobsOhio has announced a significant number of successful new investment [projects across the state since May 1](#).

Global

[IMF Chief Economist](#) said this week that the organization was “very likely” to revise downwards its already pessimistic forecast for a 3% contraction in global gross domestic output in 2020. The economist noted that while there were signs of recovery that new waves of infections and re-imposed lockdown measures still posed risks. She also cited a divergence in financial markets from the real economy which could “portend greater volatility and potentially sharp corrections.”

A [European Central Bank study showed](#) that “short-term work” initiatives that allowed European companies to temporarily cut working hours in periods of economic stress with government paying the lost wages allowed households to be shielded from a majority of income losses during the brunt of COVID-19. Without such arrangements, labor income would have fallen 22% compared to the actual 7%. [Reports of industrial output in the Euro zone](#) show that April coronavirus lockdowns halted activity for much of the region with 17.1% monthly drops in production, and a 28% year-over-year drop. Europe [reopening its borders](#), but not yet to Americans. [Nearly 80M people](#) were displaced from their homes at the end of 2019, which is nearly double what it was 10 years ago, according to the UN refugee agency.

U.S.

First-time claims for unemployment insurance totaled [1.5M last week](#) (well above the 1.3M expected), as weekly jobless claims stayed above 1M for the 13th consecutive week. [U.S. retail sales surged 17.7%](#) in May from previous month, well above the 8% forecast. The Fed’s highly anticipated [Main Street Lending Program](#) has launched, which will encourage banks to lend to struggling companies by taking the majority of the potentially risky loans off their balance sheets. The Federal Reserve also said this Monday it will start [buying individual corporate bonds](#), on top of ETFs it already is purchasing.

[White House economic adviser Larry Kudlow](#) said the U.S. economy is now in a “recovery phase” after saying last week that the economy appeared to be bottoming out. [Cleveland Fed President Loretta Mester](#) said the economy will take a long time to recover and the Federal Reserve will have to maintain very easy monetary policy into 2023 to assist the healing process. The [Fannie Mae Economic and Strategic Research Group](#) now expects second quarter 2020 real GDP to fall 37% annualized and full-year 2020 GDP of negative 5.4%. A gauge of [manufacturing in New York State](#) jumped in June by the most in records back to 2001, adding to signs of economic stability - though not necessarily growth - as states reopen from coronavirus lockdowns.

[JPMorgan Chase](#) will bump up its trading personnel in the New York Headquarters from 20% to 50% beginning next week after implementing new COVID-19 related precautions. [General Motors CEO, Mary Barra](#), said the manufacturer expects to be back to the 2020 equivalent of full production in the U.S. by the end of the month. [Delta plans to add 1,000 flights](#) in July and August but remain cautious on post-summer travel. Subway announced that its North America franchisees will hire [50,000 workers](#) as the restaurant industry looks to recover.



[New data from TransUnion](#) shows that across all lines of credit (auto, credit card, mortgage, personal loan) percentage of accounts in hardship has increased considerably since the beginning of lockdowns, and over the previous year. Currently [Fitch anticipates a 20% decline in global retail sales](#) for auto manufacturers in 2020 followed by a 15% increase in 2021. This comes after [the historic drop in U.S. sales earlier this year](#) when total sales fell from 17.2M units in February to 9M in April. Sales have since ticked back up, registering a large increase for May at 12.5M units.

Ohio

Ohioans filed [32,788 initial jobless claims](#) last week. [Governor DeWine announced the state requested \\$3.1B](#) from the U.S. Department of Labor in order to meet Ohio’s unemployment obligations due to COVID-19, joining [eight other states](#) who have already made a similar request. [Ohio has not seen a surge](#) in COVID-19 cases since reopening. [JobsOhio](#) unveiled the names of 13 minority-owned businesses in Stark County that will participate in ELITE, a business support and development program from the London Stock Exchange Group.

[Nearly one in four](#) Ohioans is skipping meals or uncertain if there is enough food for the family as the food insecurity rates reached 23%, according to Census Household Pulse Survey. A [new a report by the Brookings Institute shows](#) that regional public universities (RPUS), of which Ohio has a large concentration, are particularly vulnerable to the COVID-19 economic downturn. These universities, which often anchor smaller cities and communities, historically have provided economic resilience and above-average employment growth, but due to declining enrollment and stagnant revenues are now facing risks.

<i>Positive Company-Specific News</i>	<i>Negative Company-Specific News</i>
<ul style="list-style-type: none"> - Veeam Software announced new software available based on Amazon’s AWS platform that will allow them to achieve AWS Storage Competency partner status. - Progressive Corp. reported earnings per share of \$1.62 for April 2020 rising 96% year-over-year. So far, the company’s shares have risen 3.5% on the year compared to a nearly 25% industry decline. - Kroger posted their Q1 financials for 2020 reporting earnings of \$1.21B up from \$772M from 2019. The company also stated that same store sales, excluding fuel, grew 19.1%, and digital sales increased 92% - The Cleveland Clinic landed at #4 in U.S. News’ 2020 hospital rankings along with three top three finishes in specialty rankings. - Duke Energy announced additional assistance for customers who are suffering financial hardship due to COVID-19. The company also donated \$6M for COVID relief efforts in several states incl. Ohio. - Solvay, a polymer-specialist company, has partnered with Paragon, a medical supplies company to create a special shield for health care workers. 	<ul style="list-style-type: none"> - Ohio Gov. DeWine said it is unlikely the Pro Football Hall of Fame will be able to have its game and enshrinement ceremony with fans present during the coronavirus pandemic. - The Western and Southern tennis tournament is heading to New York City. And with it, tens of millions of dollars for the local economy. - Alliance Data will be delisted from the S&P 500 and placed in the S&P MidCap 400 after recent market capitalization losses. The company also fell 66 spots in the 2020 Fortune rankings compared to their 2019 placement. - Marathon Petroleum is delaying its plan to spin-off its Speedway gas stations into an independent entity due to “weak market scenario in the context of COVID-19”. - AT&T announced it would be closing 250 stores and cutting 3,400 technician and clerical staff along with 1,300 store workers. This is roughly a 2% reduction in global head count for the company. - Hilltop Basic Resources announced it would be relocating its headquarters to Covington, Kentucky. This will relocate 20 jobs and \$3.3M in investment. - The Dole Fresh Vegetables plant in Springfield reported 200 positive tests for COVID-19 after over 800 of its workers were tested.

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/>