

Unlocked PC Premium Content: Coronavirus – economic recovery

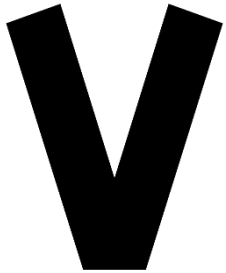
A summary of developments pertaining to the eventual
“reopening” of the US economy

May 20, 2020

Producer

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Recessions generally fall into four different categories



V-shaped

- **Characterization:** economy sees a steep drop, quickly bottoms out, and then turns around and immediately gets better
- **Examples:** 1990-1991, 2001; both recessions lasted less than a year



U-shaped

- **Characterization:** economic decline starts off slightly slower and then bottoms out for an extended period of time before turning around and getting better
- **Examples:** 1971-1978; this recession saw high unemployment and inflation last for years



L-shaped

- **Characterization:** economy sees a steep decline and fails to recover; an L-shaped recession is the worst possible outcome
- **Examples:** Japan's "lost decade" starting in the early 1990's



W-shaped

- **Characterization:** starts like a V-shaped recession, but ends up seeing economic decline again because initial signs of recovery were false; sometimes referred to as a "double-dip recession" because economy bottoms out twice before finally recovering
- **Examples:** 1980-1982

Summary of CBO's preliminary projections made in April 2020

Deficit

\$3.7 trillion deficit in 2020 and average annual deficit of \$2.1 trillion in 2021

- Sharp increase in the deficit comes from far lower revenues and significantly more noninterest spending

Debt

Publically held debt is set be around 101 percent of GDP by end of FY2020 and 108 percent by the end of FY2021

Interest rates

Treasury security interest rates are projected to remain low through 2021, with 3-month Treasury bill interest rates estimated to stay around 0.1 percent and interested rates on 10-year notes being predicted to slowly rise from 0.6 percent (their current level) to 0.7 percent in 2021

Economy

GDP to shrink by 5.6 percent for 2020 and grow by 2.8 percent in 2021

- GDP is set to grow at an average annualized rate of 17 percent for the second half of 2020, though will see a large contraction in Q2

Note:

- These projections are “subject to **enormous uncertainty**”
- CBO models assume that social distancing will continue through the month of June and also account for the possibility that the pandemic will reemerge

Summary of CBO's preliminary projections made in April 2020

	<i>2020</i> →				<i>Annual</i> →	
	Q1	Q2	Q3	Q4	2020	2021
Real GDP (% change from previous quarter)	-0.9	-11.8	5.4	2.5	n.a.	n.a.
Real GDP (% change, annualized rate)	-3.5	-39.6	23.5	10.5	-5.6	2.8
GDP (trillions of USD)	21.6	19.1	20.1	20.7	20.4	21.3
Unemployment rate (%)	3.8	14.0	16.0	11.7	11.4	10.1
Interest rate on 3-month T-bill (%)	1.1	0.1	0.1	0.1	0.4	0.1
Interest rate on 1-year T-notes (%)	1.4	0.6	0.7	0.7	0.8	0.7

💡 Real GDP at the end of 2021 is projected to be 6.7 percent less than what CBO projected in its January 2020 economic outlook

💡 T=treasury

Two leading teams of experts currently offer roadmaps for recovery

Both have released reports for their proposed plans



National coronavirus response: A road map to reopening | *American Enterprise Institute*

Led by: Former FDA Commissioner Scott Gottlieb

States should only relax restrictions after newly reported case numbers have dropped for 14 days in a row



A National and State Plan To End the Coronavirus Crisis | *Center for American Progress*

Led by: Oncologist, Obama advisor, and key contributor to the ACA, Ezekiel Emanuel

Stay-at-home orders should be extended until (at least) May 20, 2020, and states should follow the plan's roadmap even if the federal government does not implement it

Both teams agree that before the US can loosen up social distancing guidelines it must:

- Urgently ramp up its testing capacity
- Have the ability to conduct thorough and immediate contact tracing
- Ensure that hospitals have enough supplies to serve patients

President Trump released Guidelines for Opening Up America Again (1/2)

These guidelines consist of a three-phase approach allowing individual states to reopen “one step at a time” (as opposed to all at once)



Before states can begin the process, the plan recommends that states meet the following gating criteria:

- Decreasing trend of influenza-like illnesses reported in a two-week period *and* a decreasing trend of coronavirus-like cases reported within a two week period
- Decreasing trend of reported cases within a two week period *or* a decreasing trend of positive tests (as a portion of total tests) within a two week period
- Hospitals can treat all patients without resorting to crisis care *and* the state has a “robust testing program in place for at-risk healthcare workers, including emerging antibody testing”



The guidelines also list various “core state preparedness responsibilities,” including:

- The ability to conduct quick and effective testing and contact tracing
- The ability to ensure adequate healthcare system capacity; specifically, making PPE and other equipment quickly available and being able to handle ICU surges
- Having various plans in place, including plans pertaining to the safety of essential workers, social distancing and face covering protocols, and the mitigation of rebounds

President Trump released Guidelines for Opening Up America Again (2/2)

Phase 1

Low-risk individuals should continue following social distancing protocols, minimize all non-essential travel, and avoid gatherings of 10+ people

Employers should continue to encourage telework and – if possible – return to work in phases; employers should close common areas, minimize non-essential travel, and “strongly consider” making necessary accommodations for vulnerable employees

Schools remain closed if currently closed; **large venues** may reopen under strict social distancing measures; **elective surgeries** may resume on an outpatient basis; **gyms** may reopen under strict social distancing + sanitizing measures; **bars** remain closed

Phase 2

Low-risk individuals should continue following social distancing protocols and avoid gatherings of 50+ people; non-essential travel may resume

Employers should continue to encourage telework when it is possible and feasible; keep common areas closed or “enforce moderate social distancing protocols;” and continue to “strongly consider” making necessary accommodations for vulnerable employees

Schools can reopen; **large venues** may operate under moderate social distancing measures; **gyms** may remain open under strict social distancing + sanitizing measures; **bars** may open if operating with “diminished standing-room occupancy”

Phase 3

Low-risk individuals should “consider minimizing time spent in crowded environments”; vulnerable individuals “can resume public interactions” but should observe social distancing protocols

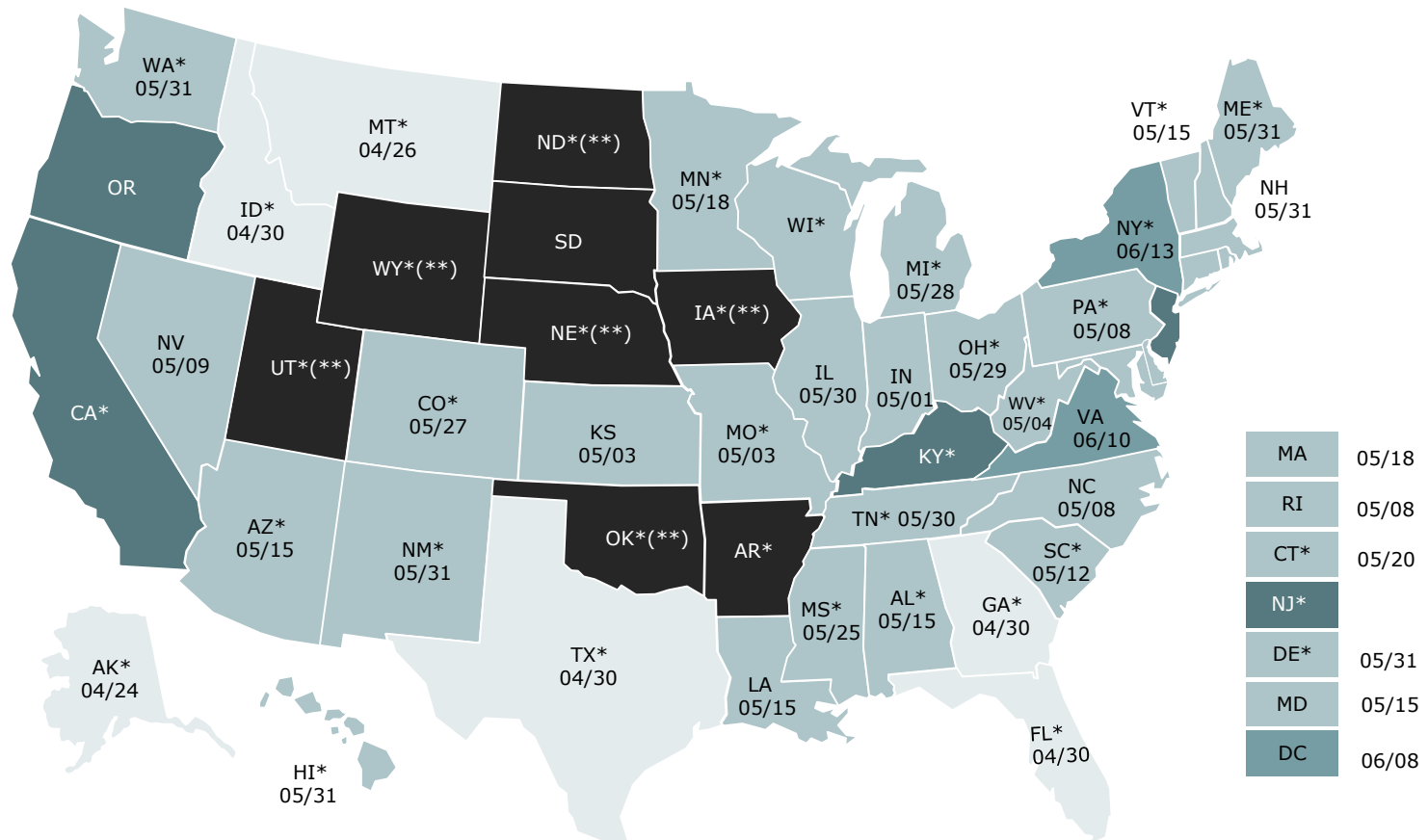
Employers may resume unrestricted staffing of their worksites

Large venues may operate under limited social distancing measures; **gyms** may remain open under standard sanitizing measures; **bars** may operate with “increased standing room occupancy;” **senior care facility + hospital visits** may resume with observance of proper hygiene protocols

When state shelter-in-place orders and stay-at-home advisories expire

AS OF MAY 20, 2020, CNN

April
 May
 June
 No set end date
 No statewide shelter-in-place order or stay-at-home advisory



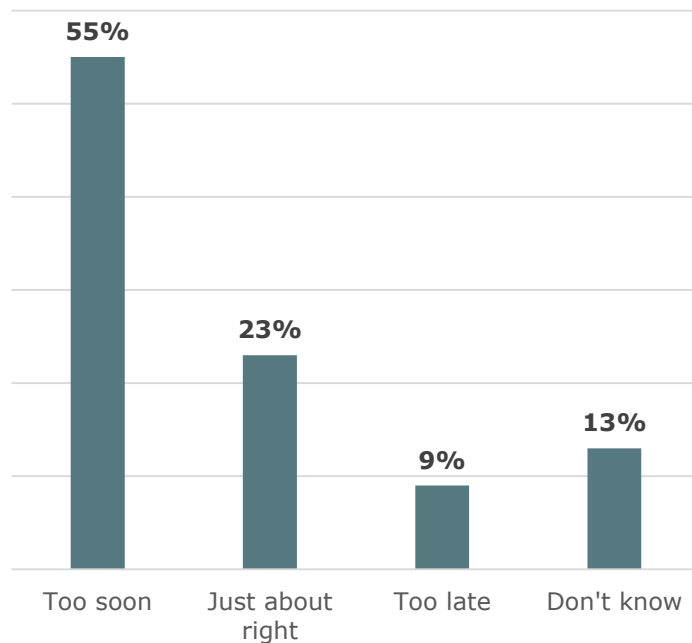
*State has allowed or plans to allow certain non-essential businesses to open early

**State has no shelter-in-place order or stay-at-at-home advisory but has closed non-essential businesses

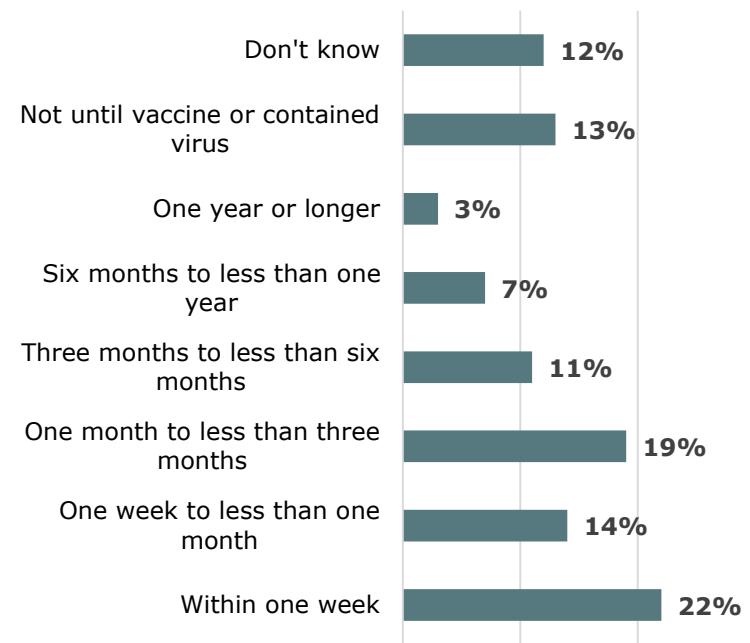
Most Americans believe it is too soon to reopen the economy

Bankrate's Opening the Economy Survey, May 5-6, 2020

Question: Do you think it is too soon, too late, or about the right time to reopen businesses?



Question: If businesses opened in your area on or before Memorial Day with added safety measures, how long do you think it will be before you are comfortable visiting them?

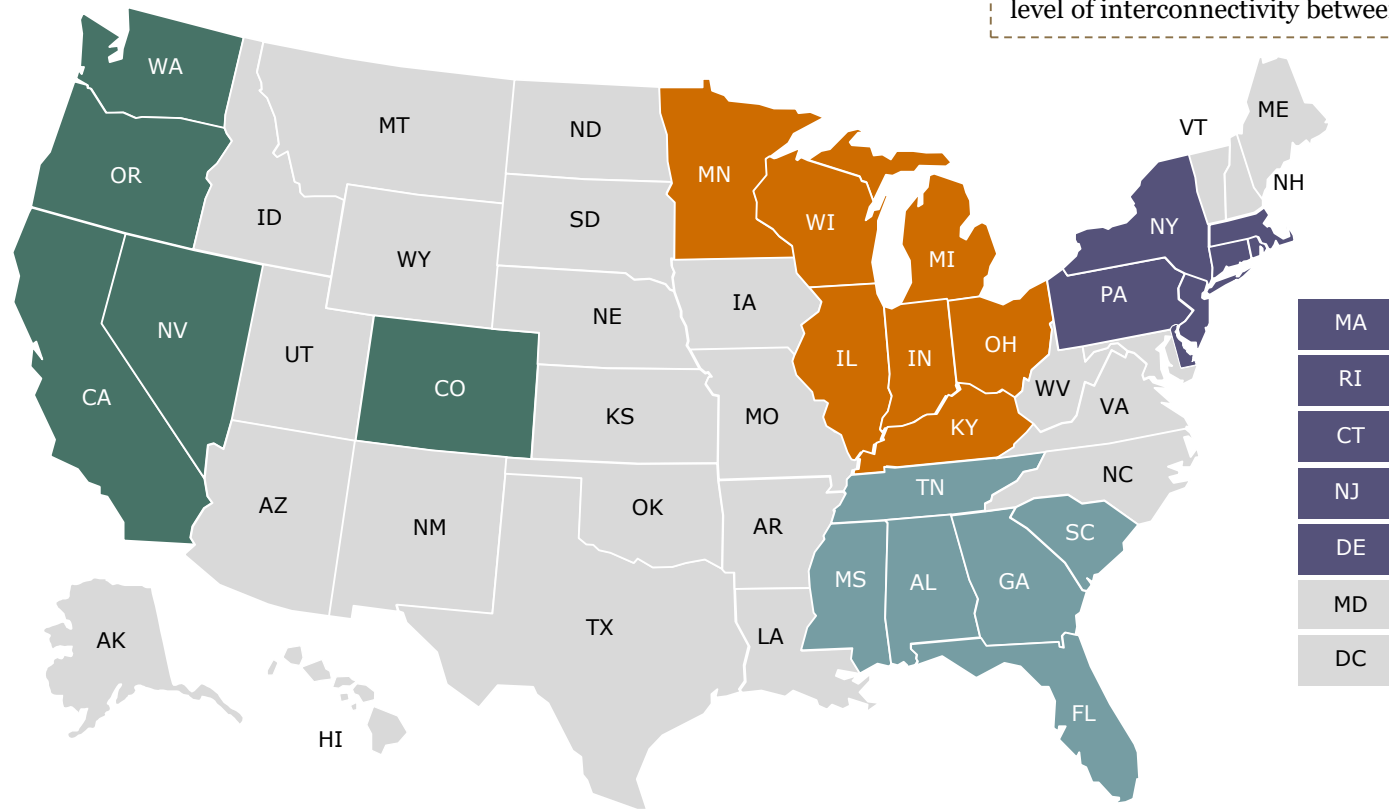


Sources: Bankrate.

Regional task forces on reopening the economy

■ Northeast region ■ Western region ■ Midwest region ■ Southern region*

Regional task forces will closely coordinate their plans to reopen their economies due to the high level of interconnectivity between the states



*Coalition has not been formally announced

Sources: Axios, MI Governor's Office, Politico, Ballotpedia.

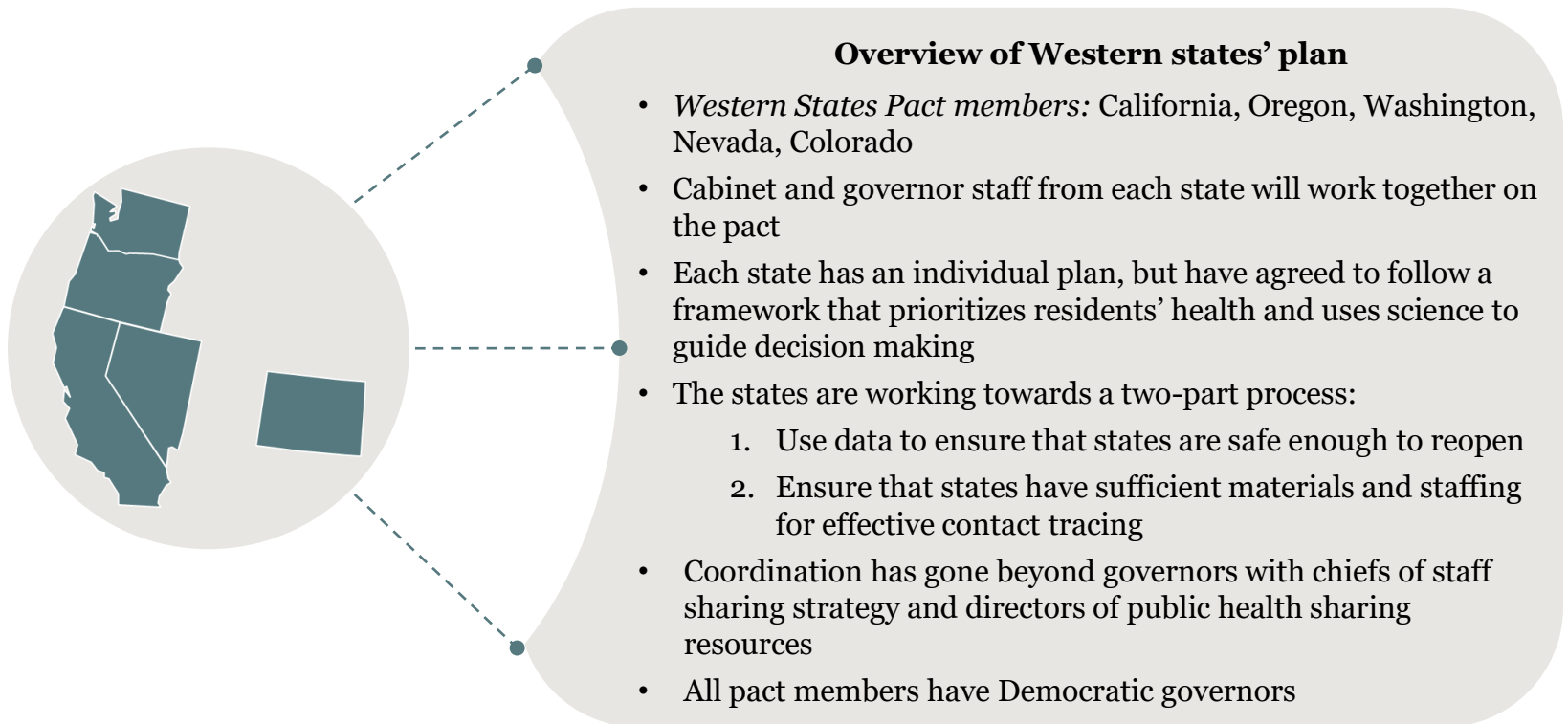
Regional overview: Northeastern states



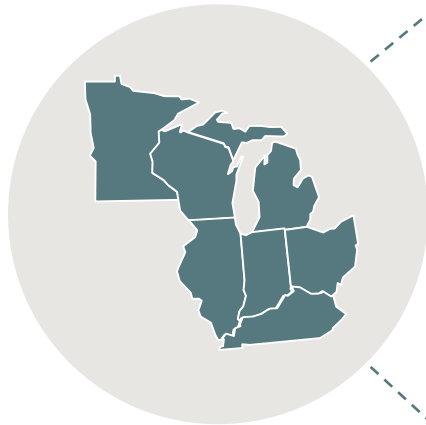
Overview of Northeastern states' plan

- *Participating states:* New York, New Jersey, Pennsylvania, Delaware, Rhode Island, Massachusetts, and Connecticut
- A task force to examine how to reopen the economy will include one health expert, one economic development expert, and one chief of staff from each state
- The group expects to lay out a plan for reopening the regional economy within weeks, though plans will be contingent on continued progress in disease containment
- Massachusetts governor Charlie Baker is the only Republican governor to join this coalition
- On May 15, New York Gov. Andrew Cuomo (D), Connecticut Gov. Ned Lamont (D), Delaware Gov. John Carney (D) and New Jersey Gov. Phil Murphy announced plans to reopen beaches with restrictions in place

Regional overview: Western states



Regional overview: Midwestern states



Overview of Midwestern states' coalition

- *Coalition members:* Michigan, Ohio, Wisconsin, Minnesota, Illinois, Indiana, and Kentucky
- The four factors to determine reopening are:
 1. Sustained control of new infection and hospitalization rates
 2. Improved testing and tracing capacity
 3. Sufficient health care capacity to respond to a disease resurgence
 4. Strong social distancing practices in the workplace
- Coalition includes governors from both parties
- States do not plan to reopen at the same time, but do intend to coordinate re-openings
- Multiple governors in the coalition—particularly Michigan's Gretchen Whitmer (D)—have faced resistance to efforts to limit public mobility

Regional overview: Southeastern states



Overview of Southeastern states' informal coalition

- *Coalition members:* Florida, Georgia, South Carolina, Tennessee, Alabama and Mississippi
- There has been no formal announcement or communication from leaders other than Florida governor Ron DeSantis
- Health experts worry that these states—which have lower rates of testing and higher rates of diabetes and obesity—will face a health crisis upon reopening
- The states moving forward with re-openings all have Republican governors