

# The Economy: COVID Depression is now the COVID Recession

National Conference of State Legislatures  
Economic Development Roundtable

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Professor of Economic Development  
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**THE OHIO STATE UNIVERSITY**

John Glenn College of Public Affairs  
Ohio Manufacturing Institute

# Today looks like W

1. How long will this last?
2. Recent macroeconomic performance
3. Sectoral view
4. Headwinds
5. Long term fiscal concerns



# What's your letter: V U W K L ?

Today, it looks like W

## Sources of economic uncertainty

Pandemic Round 2 in Europe; U.S. Round 1 never ends

Winter COVID and the Flu

Election and macroeconomic policy

Consumer spending and the income distribution

Bankruptcies, foreclosures, and liquidity

## The real drivers of recovery

Masks, sanitation, and Thanksgiving dinner

Vaccines will be “supply constrained” through early fall 2021—which is optimistic

Vaccine take-up rate is a question



# Vaccine Horse Race

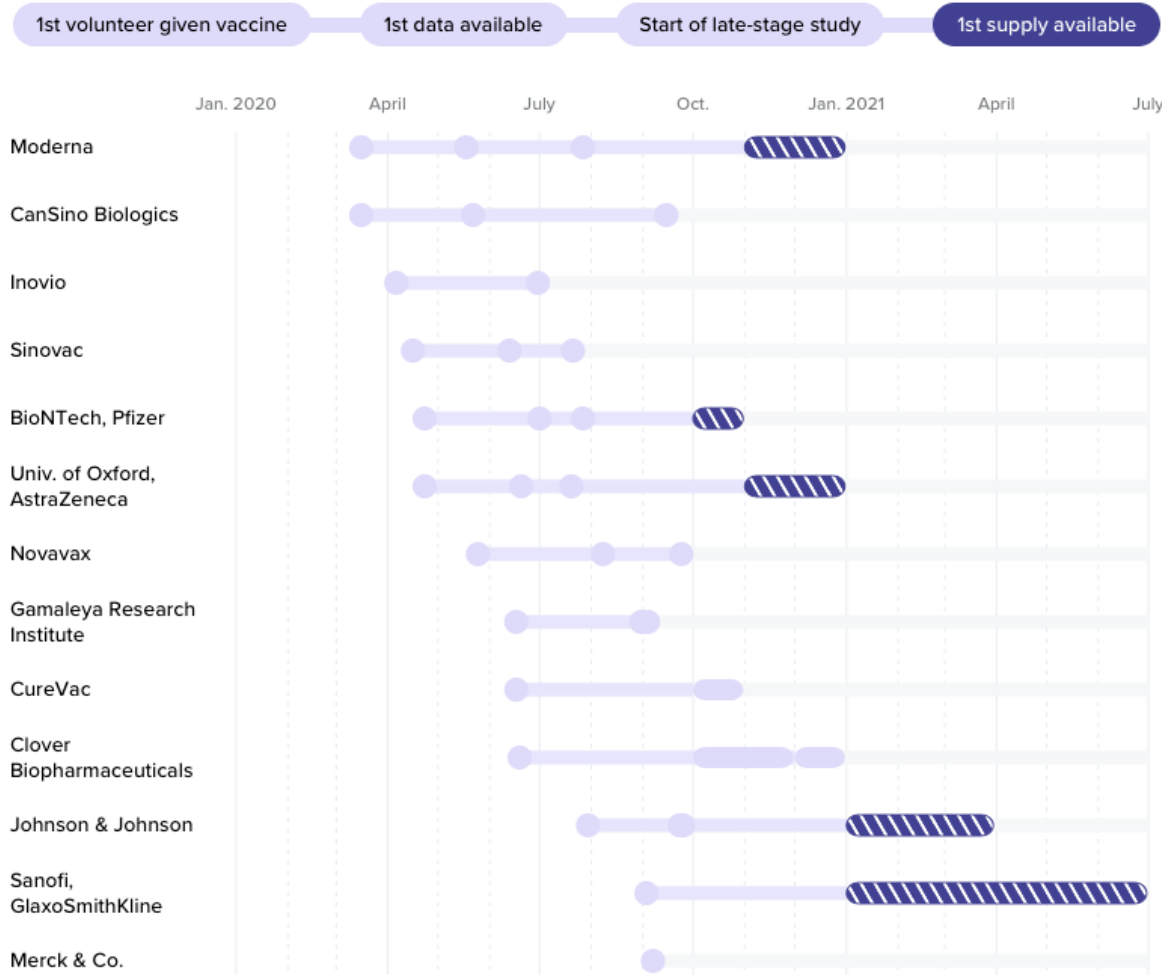
Doing the addition to find the pivot?



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# Vaccine horse race



Current projections assume clinical development succeeds and progresses on time, neither of which are certain to happen.

Nami Sumida/BioPharma Dive

Notes on the lead horses:

Oxford-AstraZeneca: testing resumed 10/23

Moderna (RNA): Phase 3 underway

Pfizer-BioNTech (RNA): Late stage data late fall 2020, post-election announcement

Johnson & Johnson: single-shot, Phase 3 start 9/23; 10/12 pause;

Sanofi-Glaxo: Phase 3 expected early 2021



# Vaccines ready when?



## 5 takeaways from the FDA's closely watched coronavirus vaccine meeting

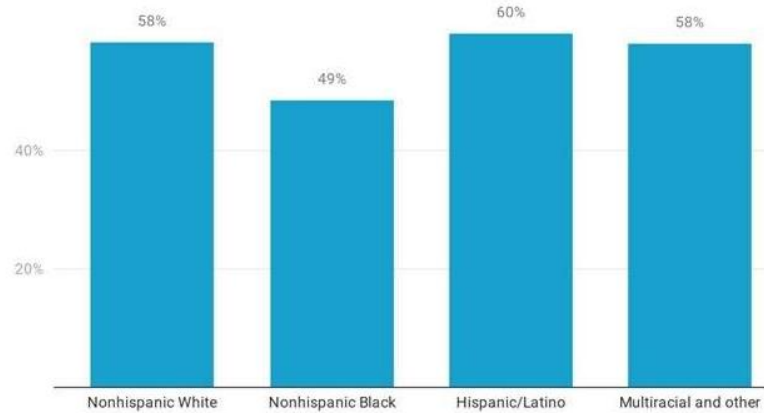
October 24, 2020; <https://www.biopharmadive.com/news/fda-coronavirus-vaccine-advisory-meeting-takeaways/587665/>

- 1. Some experts were reassured** by the FDA's standards: Vaccine developers seeking an EUA will need to meet the same efficacy standards as they would to win a full approval. And, before granting an EUA, the FDA will require a median of at least two months of safety follow-up. Other committee members were skeptical of current phase 3 trials
- 2. Others, not so much:** Some experts on the panel, however, questioned the clinical trial goals companies are using, and debated whether the two-month safety requirement for emergency clearance is sufficient.
- 3. Keeping vaccines cold will be a challenge:** New type of vaccine being developed need deep freeze. Shipping containers & dry ice said to keep vaccines for 15 days
- 4. Plans are in place to ensure people receive their second shot** Pfizer and BioNTech's as well as Moderna's vaccines are given as two shots several weeks apart
- 5. Mistrust of government is a major concern:**
  - May Pew Research Center found 72% of surveyed Americans would "definitely" or "probably" get a vaccine; September, 51%
  - Harris October Poll 58%, of respondents would get a vaccine as soon as it's made available; 43% of Black respondents said they would.
  - Regan-Udall Foundation listening sessions with healthcare and retail workers, as well as minority group members, concerns spanned general distrust of the healthcare system about the speed of development & being used as a "guinea pig."



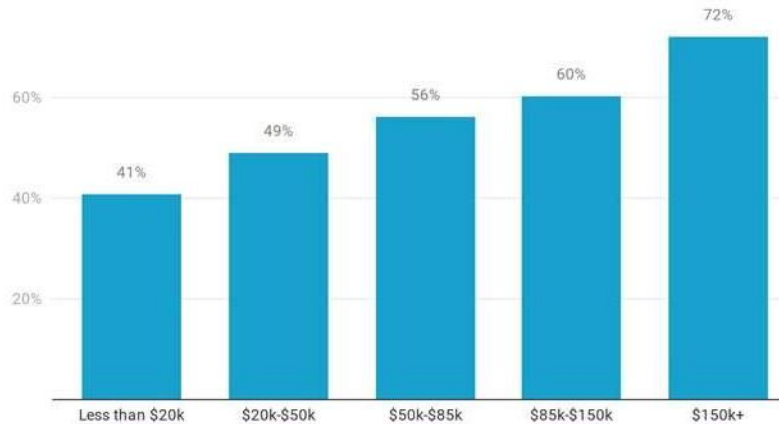
# Tufts University Poll May-June 2020 on vaccine accept

### Willingness to Vaccinate by Race/Ethnicity



Source: Tufts University Research Group on Equity in Health, Wealth and Civic Engagement

### Willingness to Vaccinate by Household Income



Source: Tufts University's Research Group on Equity in Health, Wealth and Civic Engagement

## Compare distrust with exposure and incidence

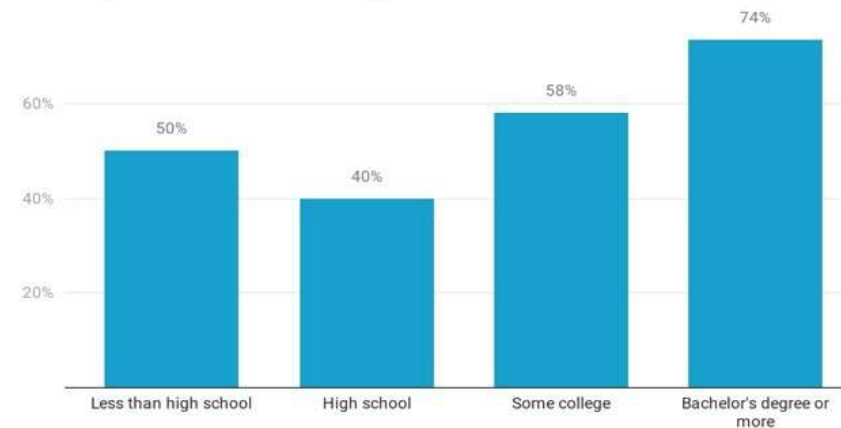
White, Hispanic, & other: 58% to 60%  
African-American: 49%

Household income

- \$150,000+: 72%
- \$20K - \$50K: 49%
- Less than \$20K: 41%

Education: High school graduates: 40%

### Willingness to Vaccinate by Education



Source: Tufts University's Research Group on Equity in Health, Wealth and Civic Engagemen



Phase 3 data availability, Three RNA vaccines in Phase 3 trials in the U.S., 11 in Phase 3 globally  
Optimistic FDA guess is availability mid-summer 2021 20M-30M doses of vaccines that will require 2 shots

- 10—15M people inoculated out of 331M or between 3% and 4.5% of the population
- The CDC estimated:
  - 20M health care workers,
  - up to 80M essential workers, and
  - 53M people older than 65
  - Total of 133M people (count health care as essential workers) with likely double counting that is 35% to 40% of the population
  - Herd immunity is often placed at 70-80% coverage. That is between 232M to 265M people
- Single shot, traditionally manufactured, vaccines by Johnson & Johnson and Novavax close to starting Phase 3 trials
- A guess is that the population will not be covered until **late fall 2021 to early spring 2022**
- **That is when the economic recovery can start with current behaviors in place**





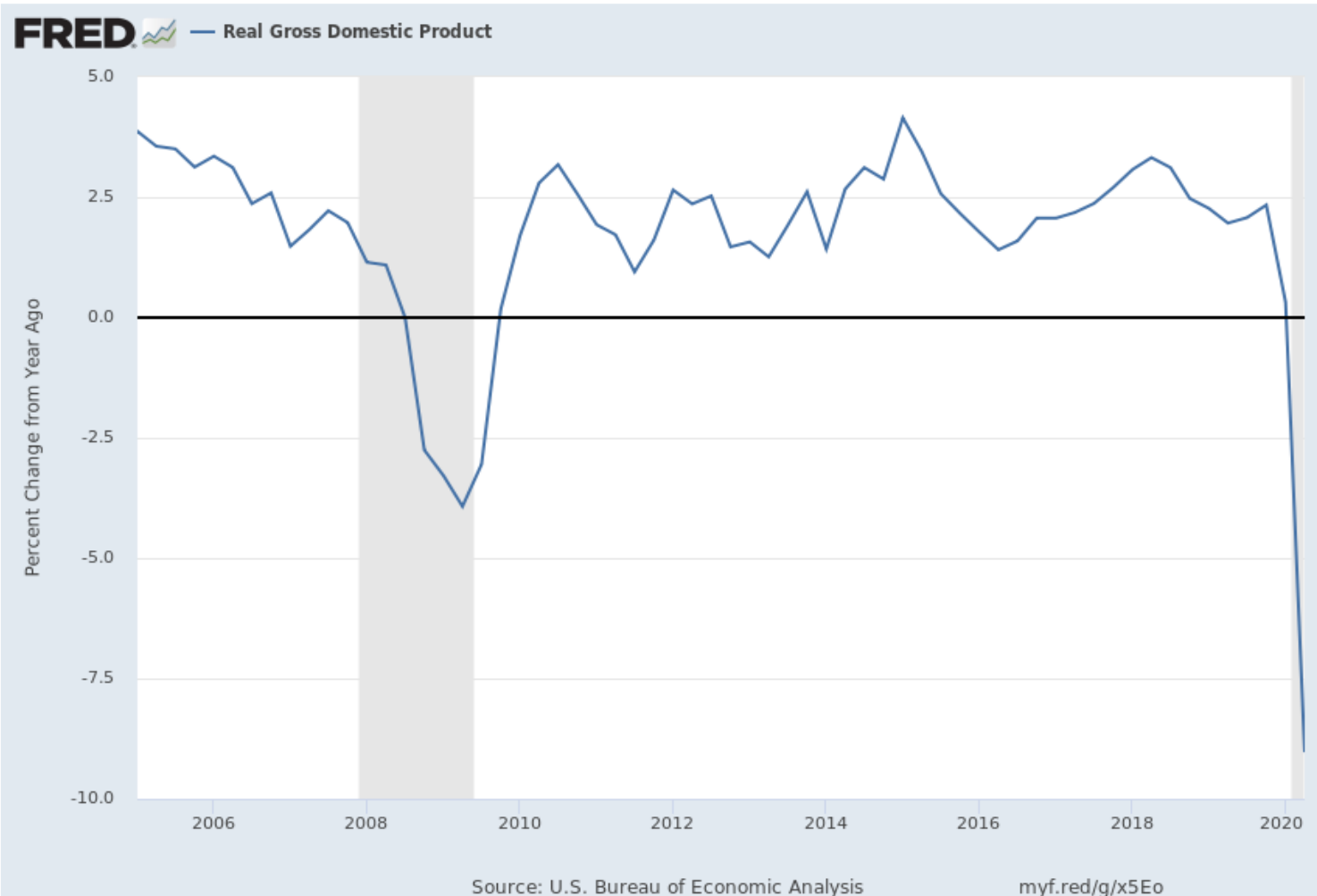
# Macroeconomy



# This is ugly: Real GDP

12-month percent change in real GDP, quarterly data

3<sup>rd</sup> quarter GDP early estimate is due October 29



Percent change from 12 months earlier

2009(2) April-June 2009: -3.90%

2019 (4) October-December 2019: 2.33%

2020(1) January-March,2020: 0.32%

2020(2) April – June 2020 -9.03%

Great Recession:

14 Quarters to recover pre-crash GDP (3.5 years)

# Biggest dollar losers

## Second quarter of 2019 to second quarter of 2020

Nearly 68.7% GDP loss is in personal consumption expenditures on services

Industries sent to the sidelines by COVID-19

Visitors services and restaurants: 47.8%

Health care: 24.3%

Nonresidential Fixed Investment

Transportation equipment 7.4%

Industrial equipment 1.3%

Nonfarm inventories 20.2%

12 Month Change in Real GDP (\$ billions)

Industry	12-month change GDP
Health care	-439.4
Food services and accommodations	-381.9
Recreation services	-289.7
Other services	-210.2
Transportation services	-193.3
Gasoline and other energy goods	-156.6
Clothing and footwear	-116.6
Other durable goods	-51.5
Motor vehicles and parts	-40.3
Furnishings and durable household equipment	-5.4
Financial services and insurance	13.3
Recreational goods and vehicles	39.4
Other nondurable goods	61.0
Housing and utilities	112.3
Food and beverages purchased for off-premises consumption	113.7
Final consumption expenditures of nonprofit institutions serving households	145.1



# Biggest percentage losers

## Second quarter of 2019 to second quarter of 2020

Recreation services lost half of its GDP value

Gasoline and energy goods down by 45%

Transportation services and food services and hotels off by 40%

Health care off by 18%

Transportation equipment for industry down by 43%

Who grew

Nonprofits that serve households by 33%--this is not a good thing

Grocery stores and take out food by 11%

Recreational goods and RVs by 9.1%

Sector or Industry	12 month percent change
<b>Gross domestic product (GDP)</b>	-8.5%
<b>Personal consumption expenditures</b>	-9.7%
<b>Goods</b>	-3.5%
<b>Services</b>	-12.5%
Recreation services	-50.0%
Gasoline and other energy goods	-45.4%
Transportation services	-40.3%
Food services and accommodations	-38.3%
Clothing and footwear	-28.8%
Other durable goods	-23.3%
Health care	-18.0%
Other services	-17.4%
Motor vehicles and parts	-7.7%
Furnishings and durable household equipment	-1.5%
Financial services and insurance	1.1%
Housing and utilities	4.2%
Other nondurable goods	5.0%
Recreational goods and vehicles	9.1%
Food and beverages purchased for off-premises consumption	11.1%
Final consumption expenditures of nonprofit institutions serving households	33.2%
<b>Gross private domestic investment</b>	-16.3%
<b>Fixed investment</b>	-7.0%
Nonresidential	-8.5%
Structures	-10.1%
Equipment	-15.0%
Information processing equipment	0.7%
Industrial equipment	-8.8%
Transportation equipment	-43.1%
Other equipment	-11.9%
Intellectual property products	0.7%
Software	3.3%
Research and development	-0.2%
Entertainment, literary, and artistic originals	-5.9%
Residential	-1.9%
<b>Change in private inventories</b>	-662.0%
Farm	-96.2%
Nonfarm	-534.1%

# Share of 12-month loss in GDP

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Sector	Share of 12 month change in GDP
<b>Personal consumption expenditures</b>	77.4%
<b>Goods</b>	8.6%
Durable goods	3.2%
Nondurable goods	5.4%
<b>Services</b>	68.7%
<b>Industries</b>	
Transportation services, recreation, hotels, & restaurants	47.8%
Health care	24.3%
Gasoline and other energy goods	8.7%
Clothing and footwear	6.4%
Housing and utilities	-6.2%
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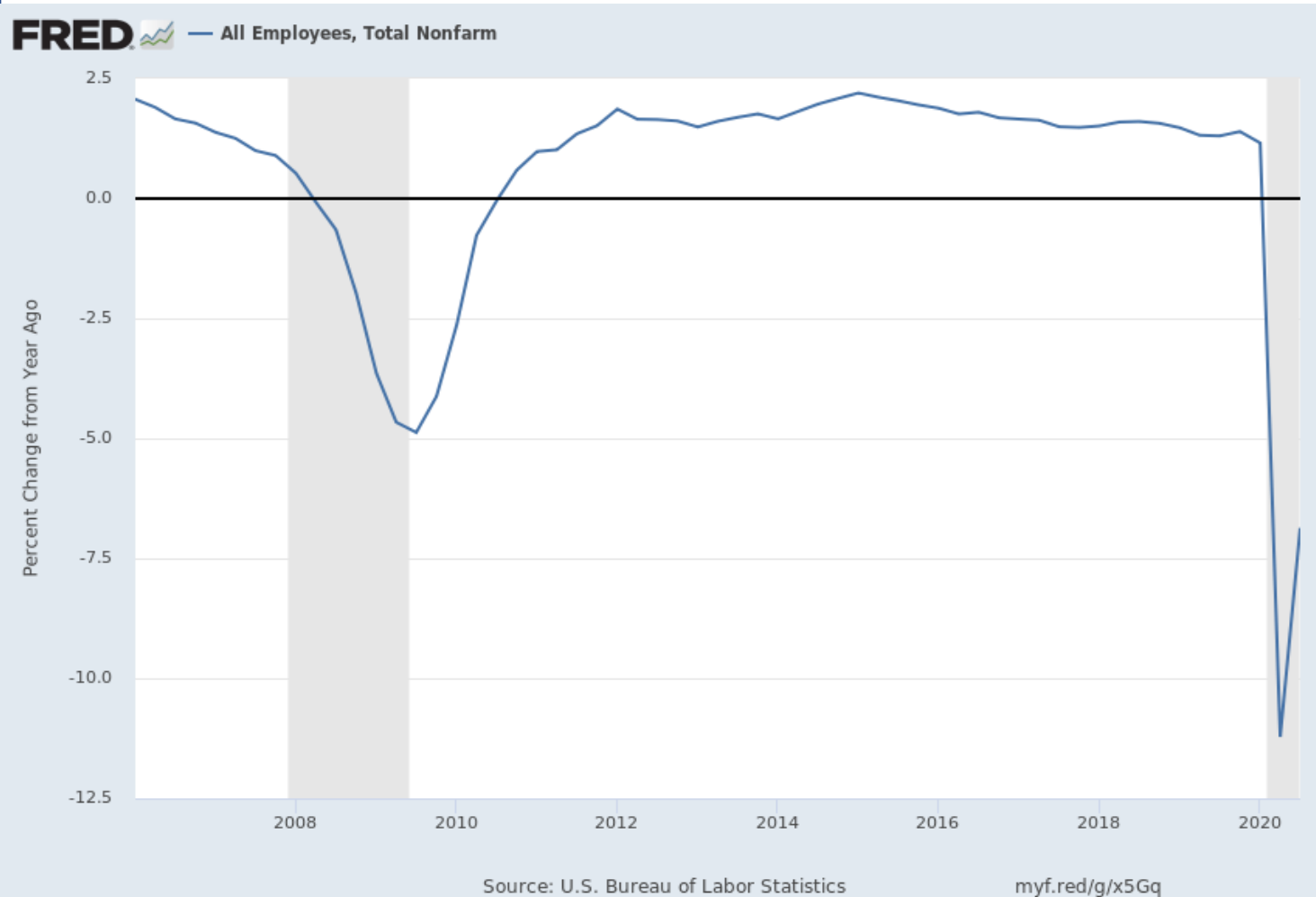
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# This is ugly: 12-month percent change in non-farm employment, quarterly data

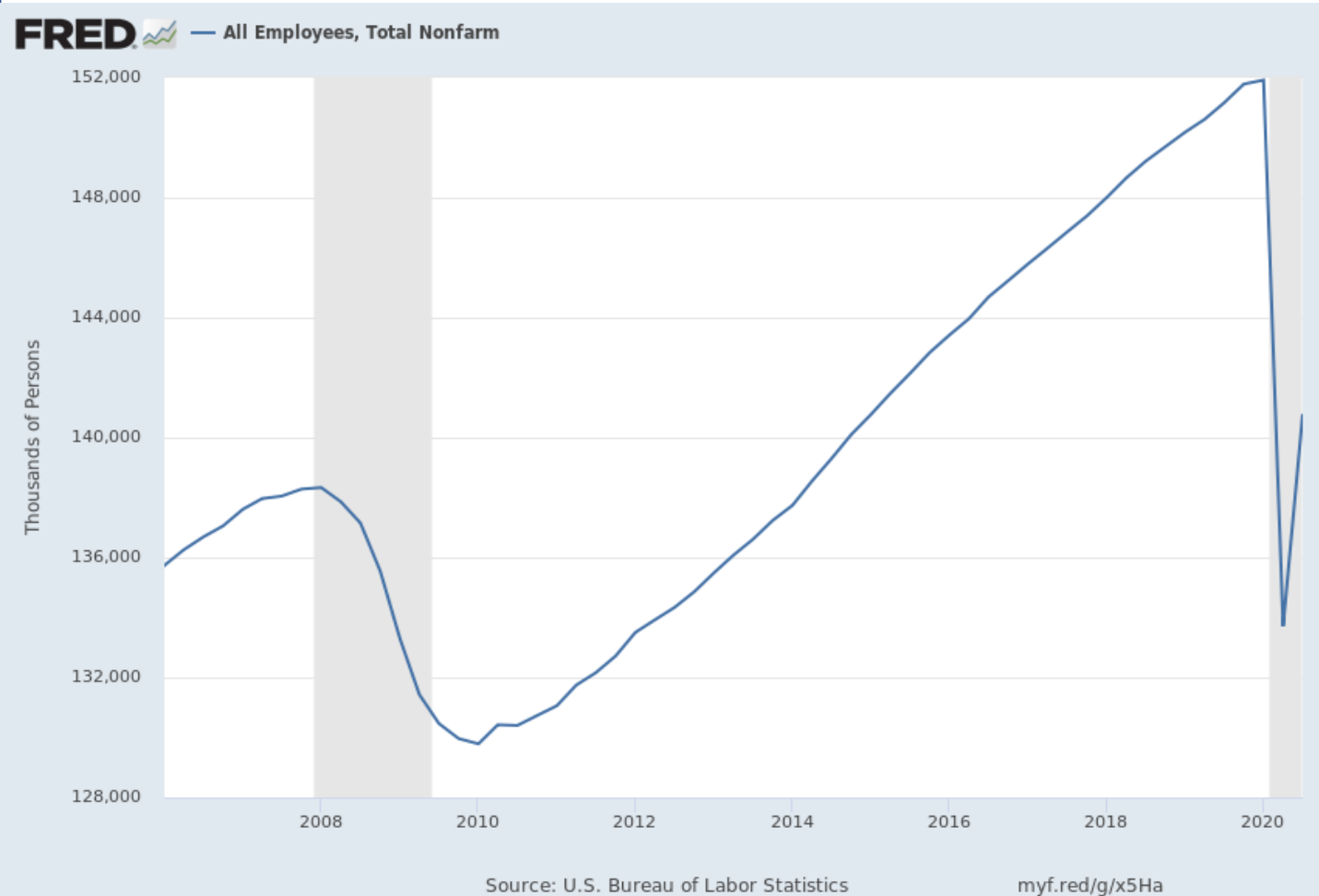


Percent change from 12 months earlier  
2009(2) April-June 2009: -4.87%  
2019 (4) October-December 2019: 1.39%  
2020(1) January-March, 2020: 1.15%  
2020(2) April – June 2020 -11.20%  
2020(3) July-September 2020. -6.86%

Great Recession:  
14 Quarters to recover pre-crash GDP (3.5 years)



# This is really ugly: Non-farm employment, quarterly data



## Employment Levels

2008(1) January-March 2008: 138.3M  
 2010 (1) January-March 2010: 129.8M bottom  
 2014(2) April-June 2020: 138.5M recovery

2020(1) January-March 2020: 151.9M  
 2020(2) April-June 2020: 133.7M  
 2020(3) July-September 2020: 140.8M

## Great Recession:

26 Quarters to recover pre-crash GDP (6.5 years)

# TREAT YOUR MASK LIKE UNDERWEAR



1. Do not touch or adjust (especially in public).
2. Do not borrow or lend.
3. Make sure fit is tight but comfortable.
4. Make sure it is CLEAN.
5. Wear the right side out.
6. If it is damp, change it.
7. Don't go COMMANDO!

Words that will get  
you through a  
pandemic

Thank You

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