The Great Viral Recession
(Getting Tired of This Yet?)

NACMSW Webinar
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Chris Kuehl – Managing Director
Armada Corporate Intelligence
Is it Starting to Leave?
Figure 1. How the COVID-19 pandemic affects the components of aggregate demand

**Declining consumption**
- Restrictions on movement such as social distancing and lockdowns
- Poor expectation of future income for gig economy and informal sector
- Erosion of wealth due to a fall in the value of assets such as stocks

**Declining investment**
- Uncertainty discourages forward-looking decisions
- Poor expectations of future profitability of investment spending

**Increasing government expenditure**
- Expansionary fiscal policy
- Increases in health care expenditure

**Declining net exports**
- Disruption in supply chain for exports
- Border closure to nonessential trade
- Limited markets for exports due to fall in global demand
First the Peak and Then Decline?

When will the pandemic peak?

New modeling by University of Washington scientists suggests hospitalizations for COVID-19 will generally peak in mid-April, but the timing is likely to vary by state. The analysis is helping hospitals around the country prepare.

Source: IHME COVID-19 Projections

EMILY M. ENG / THE SEATTLE TIMES
Possible Timetable?

Earliest date after which social distancing may be possible with containment strategies that include testing, contact tracing, isolation, and limiting gathering size.
Some Numbers – Accurate Thus Far

- **COVID 19 Cases Worldwide** – 2,499,546
- **Deaths worldwide** – 171,338
- **96% of cases judged to be minor** – no hospitalization
- **US Statistics**
  - Deaths – 42,518
  - Deaths per one million – 128 (Spain is 455)
  - Serious condition – 13,951
  - Tests – 4,027,367
  - Tests per million – 12,187
  - Recoveries – 72,389
  - Active Cases – 678,01
  - Number of people out of work – 25 million
Trajectories

Country by country: how coronavirus case trajectories compare
Cumulative number of confirmed cases, by number of days since 100th case

- China had 74,556 cases at 32 days
- US
- Spain
- Germany
- Italy
- France
- Iran
- UK
- Korea
- Japan
- Singapore
- Hong Kong

Cases double every day
Every 2 days
Every 3 days
Every week
Every month

Source: FT analysis of Johns Hopkins University, CSSE; Worldometers; FT research. Data updated March 24, 19:00 GMT. © FT

FT graphic: John Burn-Murdock / @burnmurdock

Growth of Infection

The graphs show the cumulative number of cases over the number of days since the 100th case for different countries. The countries include the US, Italy, S. Korea, Singapore, Hong Kong, NY, and CA. The graphs illustrate the exponential increase in cases, with some regions reaching higher cumulative numbers compared to others.
The Trade Off

Legend
- New cases without containment policies (high death toll).
- New cases with containment policies (fewer deaths)

Economic: Recession curves
- Without containment policies (death toll high, recession shallow).
- With containment policies; without economic rescue package (death toll low, recession severe and persistent).
- With containment policies; with economic rescue package (death toll low, recession minimized).

Infographic inspired by Gourinchas (2020)
Ending the “Lockdown Recession”

- Likely to be some version of a four phase approach
  - Open up other retailers
  - Open up restaurants and service establishments
  - Open up opportunities for conferences and meetings
  - Open up large public gatherings

- New Protocols
  - Mandatory health checks – taking temperatures and asking health questions
  - Continued efforts at social isolation – minimizing contact
  - Heavy emphasis on personal hygiene and attention to personal health
Some Do and Some Don’t
Less of an Issue in Middle

MAP 1

Counties by number of confirmed COVID-19 cases
March 29, 2020

Confirmed COVID-19 cases
- 1 - 500
- 500 - 1,000
- 1,000 - 2,000
- 2,000 - 33,768

NOTE: CASES WHOSE SPECIFIC COUNTY LOCATION IS UNKNOWN ARE NOT SHOWN.

Source: New York Times
Yuck is the Official Descriptor

Combined Index Monthly Change (seasonally adjusted)

<table>
<thead>
<tr>
<th>Index</th>
<th>Apr '19</th>
<th>May '19</th>
<th>Jun '19</th>
<th>Jul '19</th>
<th>Aug '19</th>
<th>Sep '19</th>
<th>Oct '19</th>
<th>Nov '19</th>
<th>Dec '19</th>
<th>Jan '20</th>
<th>Feb '20</th>
<th>Mar '20</th>
<th>Apr '20</th>
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<tbody>
<tr>
<td>+/-</td>
<td>0.5</td>
<td>1.6</td>
<td>-0.7</td>
<td>-1.6</td>
<td>1.8</td>
<td>-1.2</td>
<td>0.5</td>
<td>0.9</td>
<td>-0.9</td>
<td>1.8</td>
<td>-0.3</td>
<td>-7.2</td>
<td>-8.3</td>
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</table>
CMI Conclusions

• Most dramatic decline has been in the favorable factors.
• Sales have all but vanished.
• Slow pays are the first to show strain in the unfavorable categories.
• There has not been time for the other unfavorable categories to show reaction but they will.
Not Too Bad in March

U.S. Nonresidential Construction Starts
Construction starts in March were healthy

Nonresidential Building Starts
(Square Feet, Millions)

- Commercial
- Institutional
- Manufacturing
Impact and Longevity

Degree of near-term (2020) COVID-19 impact

High impact

Moderate short-term impact and quick recovery
- Education
- Manufacturing

High short-term impact and potential for slow recovery
- Hotels

Low impact

Limited short-term impact and quick recovery
- Data centers
- Healthcare
- Warehouses

Moderate impact and uncertain recovery
- Offices

Length/duration of industry impact

No impact beyond 2020

Long-term impact beyond 2020
Global Trade Impact
Job Market Woes

Unemployment Insurance Initial Claims, Seasonally Adjusted

SOURCE: Department of Labor. Data is seasonally adjusted.
## Service Sector Hit Hard

### Categories That Are Falling

<table>
<thead>
<tr>
<th>Category</th>
<th>% Decrease</th>
<th>Graph</th>
</tr>
</thead>
<tbody>
<tr>
<td>Breweries</td>
<td>-71%</td>
<td><img src="image1" alt="Graph" /></td>
</tr>
<tr>
<td>Bridal Stores</td>
<td>-66%</td>
<td><img src="image2" alt="Graph" /></td>
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<tr>
<td>Sewing &amp; Alterations</td>
<td>-65%</td>
<td><img src="image3" alt="Graph" /></td>
</tr>
<tr>
<td>Shopping Centers</td>
<td>-61%</td>
<td><img src="image4" alt="Graph" /></td>
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<tr>
<td>Women's Clothing</td>
<td>-55%</td>
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<tr>
<td>Reflexology</td>
<td>-49%</td>
<td><img src="image6" alt="Graph" /></td>
</tr>
<tr>
<td>Tours</td>
<td>-49%</td>
<td><img src="image7" alt="Graph" /></td>
</tr>
<tr>
<td>Breakfast &amp; Brunch</td>
<td>-44%</td>
<td><img src="image8" alt="Graph" /></td>
</tr>
<tr>
<td>Thrift Stores</td>
<td>-43%</td>
<td><img src="image9" alt="Graph" /></td>
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<tr>
<td>Hot Pot</td>
<td>-42%</td>
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<tr>
<td>Massage Therapy</td>
<td>-37%</td>
<td><img src="image11" alt="Graph" /></td>
</tr>
<tr>
<td>Summer Camps</td>
<td>-37%</td>
<td><img src="image12" alt="Graph" /></td>
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<tr>
<td>Yoga</td>
<td>-35%</td>
<td><img src="image13" alt="Graph" /></td>
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<tr>
<td>Day Spas</td>
<td>-25%</td>
<td><img src="image14" alt="Graph" /></td>
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<tr>
<td>Financial Advising</td>
<td>-20%</td>
<td><img src="image15" alt="Graph" /></td>
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</tbody>
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Hospitality Impact

- Last 7 Days - All Hotels Daily Occ%
- Last 4 Weeks - All Hotels Weekly Occ%
- Daily Occ% - All Hotels
- Daily YOY Occ% Trend (Same Store)
- Weekly YOY RevPAR Trend (Same Store)
- Occ% - Hotels At 0%, Below 10%, Below 30%
Housing Impact

**Figure 5**

Residential architecture firms expect COVID-19-related revenue losses to accelerate in April

% of residential firms projecting estimated loss in revenue in March and April 2020 due to issues related to the COVID-19 outbreak

<table>
<thead>
<tr>
<th>March 2020</th>
<th>15%</th>
<th>11%</th>
<th>22%</th>
<th>22%</th>
<th>30%</th>
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</thead>
<tbody>
<tr>
<td>Average estimated March decline: 15%</td>
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<table>
<thead>
<tr>
<th>April 2020</th>
<th>8%</th>
<th>8%</th>
<th>14%</th>
<th>26%</th>
<th>43%</th>
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<tbody>
<tr>
<td>Average estimated April decline: 19%</td>
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Data from survey conducted of AIA custom residential architecture firm leaders from March 23-30, 2020
Mostly Downs

Conversion Growth or Decline Due to Covid-19

- Advertising
- Agriculture
- Construction
- Ecommerce
- Education
- Energy
- Finance
- Food
- Healthcare
- Insurance
- Manufacturing
- Media
- Pharma
- Real Estate
- Retail
- Software
- Technology
- Telecom
- Transportation
- Travel
Demand is Still Biggest Issue

Global Oil Demand Growth Forecast for 2020

Source: International Energy Agency
Optimistic IMF

IMF Expects Swift Recovery After COVID-19 Contraction

Global GDP growth forecasts before and during the COVID-19 pandemic

- World Economic Outlook, January 2020
- World Economic Outlook, April 2020

Source: International Monetary Fund

statista
Asian Recovery

Asia’s real GDP growth forecast (In percent)

2019 2020 2021

China  -5  -10
Malaysia  5  4
Indonesia  10  6
Philippines  0  1
ASEAN  0  0
India*  0  0
Vietnam  -5  -5
Thailand  -10  -8
South Korea  -5  -4
Japan  0  0
Singapore  0  0

2020, 2021 forecast as of April 15, 2020
*Based on fiscal year, from April 1 through March 31

Source: IMF
Recovery Depends on Timing

Contraction and recovery differ strongly across COVID-19 scenarios

(Level of GDP US)

Supply and Demand

Top 10 fastest growing e-commerce product categories
March 2020 vs March 2019

1. DISPOSABLE GLOVES: 670%
2. BREAD MACHINES: 652%
3. COUGH MEDICINE: 535%
4. SOUPS: 397%
5. RICE & DRIED GRAINS: 386%
6. PACKAGED FOODS: 377%
7. FRUIT CUPS: 326%
8. WEIGHTS: 217%
9. MILK & CREAM: 207%
10. DISH WASHING SUPPLIES: 275%

Other fast-growing categories

- Grocery delivery platform Instacart has seen a 150% increase in recent weeks, as well as a 13% increase in basket size.
- The World Health Organization initially announced that anti-inflammatory drugs could make COVID-19 worse, before later changing its stance claiming there is insufficient evidence to back this up.
- Walmart, Amazon and Target announced they are close to selling out, due to people panic buying.

Top 10 fastest declining e-commerce product categories

Source: Stackline, Amazon, Business Insider, Euro news, CNBC

1. LUGGAGE: 77%
2. BRIEFCASES: 77%
3. CAMERAS: 64%
4. MEN'S SWIMWEAR: 64%
5. BRIDAL WEAR: 63%
6. WOMEN'S SWIMWEAR: 62%
7. MEN'S CLASSIC WEAR: 59%
8. WOMEN'S CLASSIC WEAR: 59%
9. RASH GUARDS: 59%
10. GYM BAGS: 27%

Other fast-declining categories

- Apparel sales were already slumping even before travel and event plans were canceled by the COVID-19 outbreak. January was the worst month in apparel sales since the Financial Crisis in 2009.
- As small businesses around North America remain shuttered, sale of items like signage and supplies have seen a steep drop in sales.
Life has Altered

THIS IS SUE. SUE IS 31 YEARS OLD.

SUE HAS BEEN HOMESCHOOLING HER 4 KIDS FOR THE LAST WEEK.

MY PRECIOUS!
You KNOW You Want More

- chris.kuehl@armadaci.com
- (816) 304-3017

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