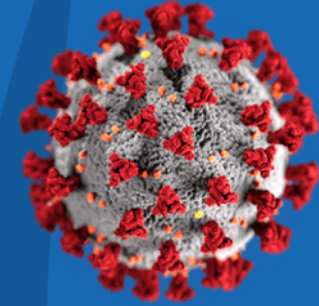




The Economic Impact of COVID-19



Presented by:
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Texas A&M University

The Issue

- Unexpected “black swan” events have disrupted our lives & our economy.
 - COVID-19
 - Oil price war
 - Ongoing trade war



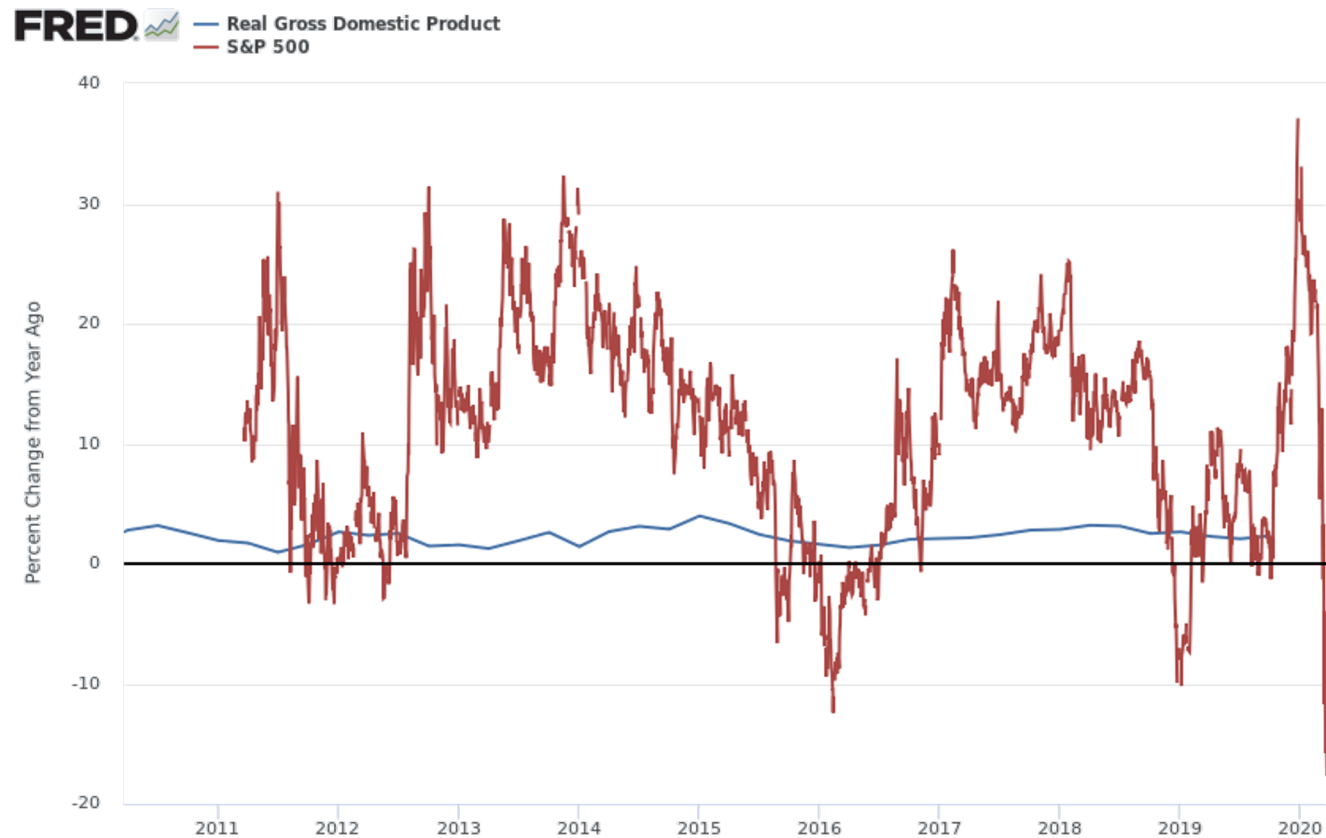
TOPICS

- What was the state of the economy BEFORE the outbreak?
- What impacts has COVID-19 had to date?
- How has my recession forecast changed?
- How long will the downturn last?
- What can you expect and plan for?
- Have you been at work on your contingency plan?
- What else should you be doing?

What was the state of the economy BEFORE the outbreak?

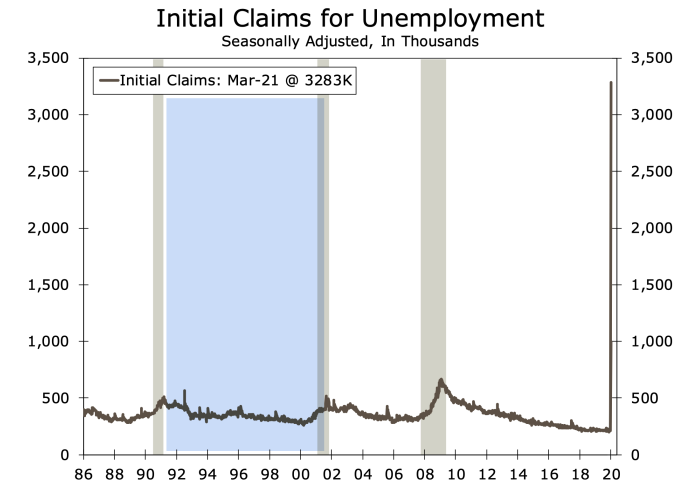
- 128 months
- Housing was peaking
- Inflation was in check
- Consumption steady
- Job growth slowing

Remember, stock market performance does not equal economic performance.

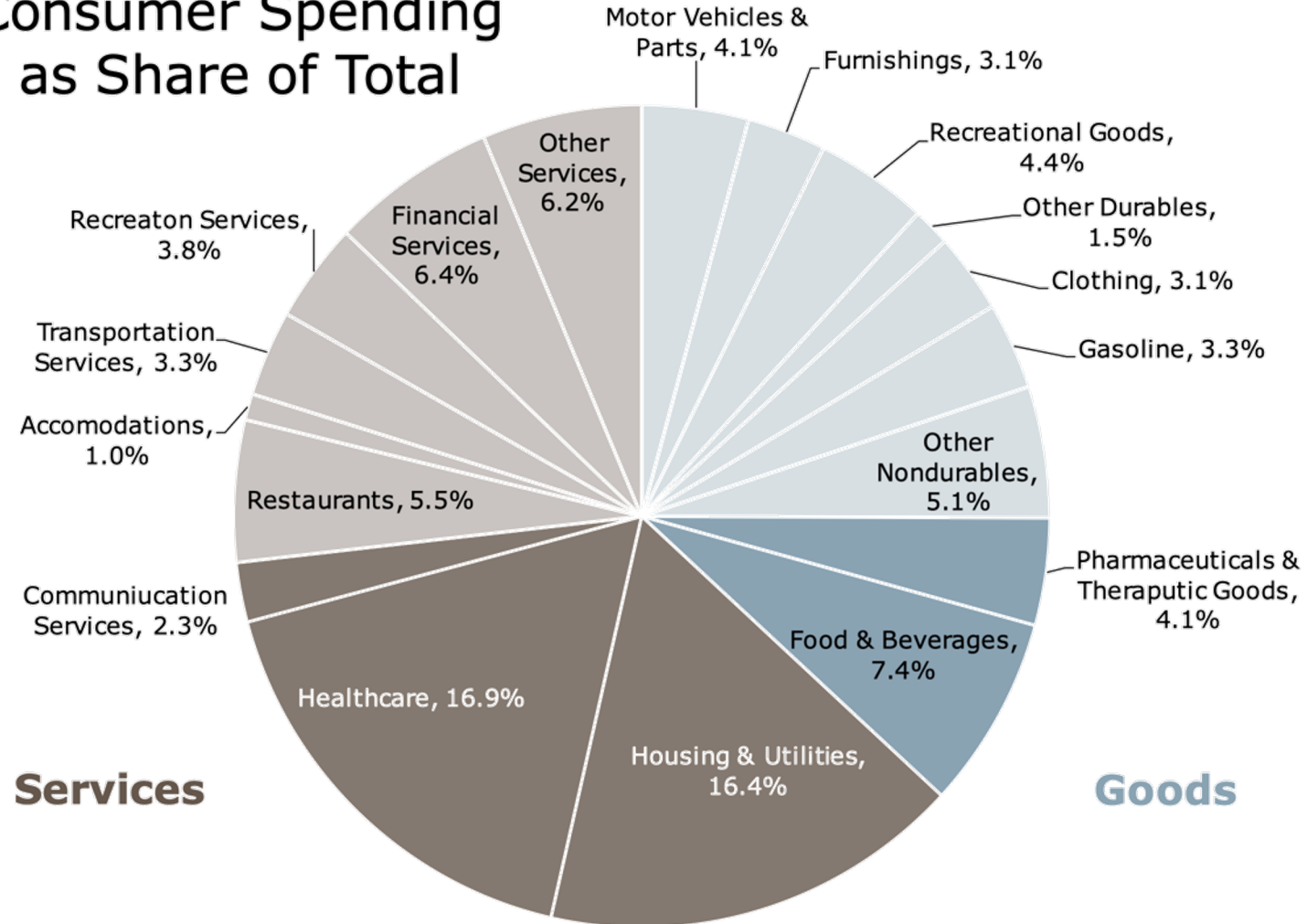


What impacts has COVID-19 had to date?

- Supply chain disruptions
- Direct effects – unemployment
- Indirect effects – quarantines, closures, etc.
- Demand shocks -- consumption



Consumer Spending as Share of Total



*Dark shades represent resilient categories of consumer spending.

Source: U.S. Department of Commerce and Wells Fargo Securities

Now let's talk about the “R” word...

- Loose definition: Two back-to-back quarters of negative GDP growth.
- NBER definition: “A significant decline in economic activity...normally visible in real GDP, real income, employment, industrial production, and real wholesale-retail sales.”

**Remember what I said in my earlier talks
about when will the next recession start?**



This is what I was saying just ONE MONTH ago!

40% chance of
recession in 2020

80% chance of
recession in 2021

- Minimum financial sector risk
- NAI was still above -0.7
- 4-week unemp. claims < 400K
- Yield curve positive
- LEI slowing but growing
- Business investment was down



BUT...I also said that these are the things what could derail this outlook.

- Bubble bursting
- **Exogenous event (black swan)**
- Monetary policy gone awry
- **Trade war effects**
- **OPEC reneging on output deal**
- **Recession in China/Europe**



What do I think NOW about when will the next recession start?

Though the data through February do not bear this out, **we are likely already in recession.**



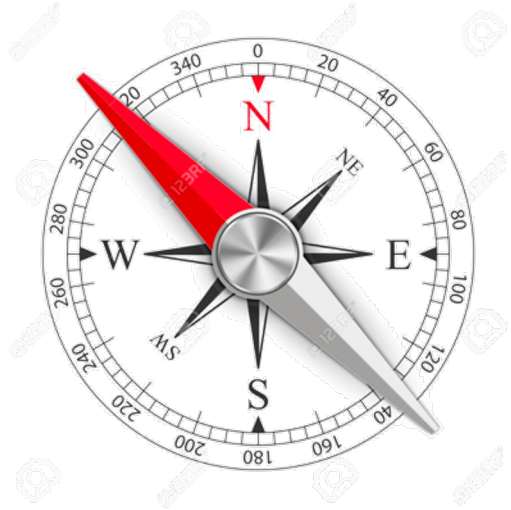
How long will the downturn last?

- Ends in 3 months?
- Seasonal, returns in Nov? (12 months)
- Persistent until herd immunity? (2 years)
- Until vaccine, treatment? (12-18 months)



The “shape” of the recovery depends entirely on COVID-19.

What can you expect and plan for?

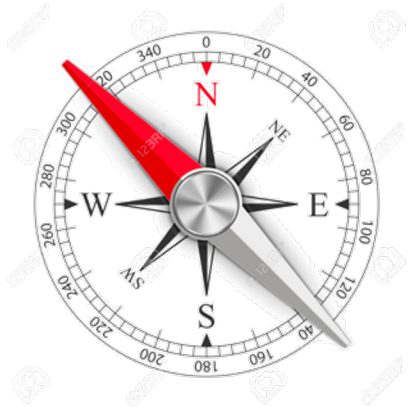


- Expect clusters of illness among your team.
- Identify susceptible critical functions.
- Identify supply chain risks.

Have you been at work on your contingency plan?



- How prepared am I for the next downturn?
- What predetermined strategies should I have in place?

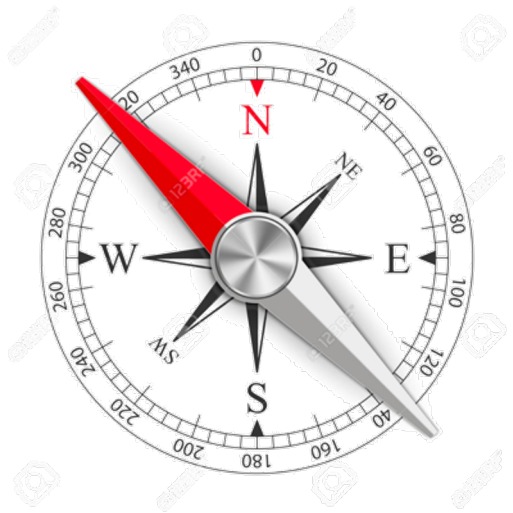


1. Leveraged properly
2. Working capital
3. Lean / efficient
4. Value proposition

Defer CAPEX
Defer maintenance
No dividends
Delayed tax date
Pay suppliers w/in terms
Full use of LOC
ST debt to LT debt

- You should have these already in place!

What else can you be doing?



- Documenting impacts (\$)
- Defer decisions (until further data)
- Build flexibility (labor, supplies, delivery)
- Offramp strategies
- Growth opportunities?

- Spread the “word” about the **health and well-being** benefits of **flowers** to citizens of all ethnicities, of all socioeconomic characteristics, in all economic conditions.

The screenshot shows the SAF (Society of American Florists) website. The header includes the SAF logo and a navigation menu with categories like Member Benefits, Events & Education, Resources, Advocacy, Industry News, and Nationwide Promotion. A banner for 'Limonium' by Ball is visible. The main content area is titled 'Health Benefits Research' and features a sidebar with 'Why Join SAF?' and a list of business types: Retail Florists, Growers, Wholesalers/Importers, Suppliers, Event Florists, and Researchers. The main text discusses the positive reactions of people to flowers and mentions research funded by the SAF PR Fund. Three studies are highlighted: 'Flowers & Stress Relief' (University of North Florida), 'The Emotional Impact of Flowers' (Rutgers University), and 'Home Ecology of Flowers' (Harvard University / Massachusetts General Hospital). Each study is accompanied by a small graphic: a woman smelling flowers, a brain diagram with flower icons, and three vases with flowers.

SAF
SOCIETY OF AMERICAN FLORISTS
Your Growth is Our Business

Member Benefits ▾ Events & Education ▾ Resources ▾ Advocacy ▾ Industry News ▾ Nationwide Promotion ▾ Join SAF 🔍

HOME > HEALTH BENEFITS RESEARCH

Health Benefits Research

Those who work in the floral industry every day see the positive reactions of people as they are exposed to flowers. In theory, our industry knows that flowers make people happy! Through the years, SAF has taken it a step further with groundbreaking research studies – in partnership with major universities and researchers in human emotion – that scientifically prove that flowers have a positive effect on our emotional well being. Having the *science* behind flowers gives us the ability to take this message to the media and consumers to share the good news about flower power.

SAF's university research projects are funded by the [SAF PR Fund](#).

Studies include:

Flowers & Stress Relief
Research from the University of North Florida shows that flowers reduce stress.

The Emotional Impact of Flowers
Rutgers University: A gift of flowers creates instant delight, and increases life satisfaction and enjoyment.

Home Ecology of Flowers
Harvard University / Massachusetts General Hospital: People feel more compassionate toward others, have

Updates on Federal Relief Efforts

- **President Trump has signed 2 bills into law so far.**

Coronavirus Preparedness and Response Supplemental Appropriations Act (H.R. 6074) -

Signed into law on March 6

- Provides emergency funding for federal agencies to respond to the coronavirus outbreak including funding for loans to support affected small businesses.

Families First Coronavirus Response Act (H.R. 6201) - Signed into law on March 18

- Expands job-protected leave for American workers; and, unemployment insurance programs, among other relief initiatives.
- **Coronavirus Emergency Leave** - Requires private sector employers with 50-500 workers to provide up to 12 weeks of leave under the FMLA for Coronavirus-related childcare or quarantine.
- **Emergency Sick Leave** - Private sector employers with <500 workers required to provide employees with paid sick time off for Coronavirus-related treatment and family care.
- **Employer/Self-Employed Tax Credits** - Creates payroll tax credits to offset the costs of the new leave requirements and established a refundable credit against the self-employment tax.
- **Unemployment Insurance Support** – Provides \$1B in emergency transfers to states to support UI

Federal Stimulus Legislation (Phase 3)

A domestic stimulus was passed by the Senate last night; House votes tomorrow (3/27/20).

Coronavirus Aid, Recovery, and Economic Security (CARES) Act

- Direct payments of \$1,200 to individuals making \$75,000 or less and \$2,400 to couples making \$150,000 or less, plus a \$500 per child bonus
- Boost to unemployment benefits
- Delay of tax filing date to July 15 from April 15
- Suspend federal student loan payments for six months, with no accruing interest
- Allow businesses to defer payments of the employer side of the Social Security payroll tax
- Loans to small businesses, can be forgiven if used for certain purposes, e.g. keeping workers on payroll
- Loans to businesses, states and municipalities adversely impacted by measures taken to combat COVID-19. Most loans will originate from a Federal Reserve lending facility and likely won't be forgiven.
- Gives depository institutions the option to temporarily delay measuring credit losses on financial instruments using the new Current Expected Credit Losses (CECL) accounting standard
- Supplemental appropriations for federal agencies/programs, hospitals, and state & local governments (e.g. hospitals & veterans' health care, FEMA)

Uncertainty



Your trade associations are already at work on your behalf.