COVID-19’s Economic Impact Situation Update

Through May 5:
- **3,517,345** confirmed cases and **243,401** deaths globally.
- **1,171,510** confirmed cases and **68,279** deaths in the US.

Source: World Health Organization, US Centers for Disease Control and Prevention
COVID-19’s Economic Impact
States Beginning to Reopen

- Partially reopened as of May 6
- Partial reopening to begin soon
- Lockdown/stay at home orders remain in effect

Source: National Governors Association, news reports
COVID-19’s Economic Impact
What We Can Learn From South Korea

South Korea Mortality Rates From COVID-19 and Past Flu Seasons

Mortality rate = \frac{\text{virus-related deaths}}{\text{number of infected}}

Average US mortality from the common flu: 0.12%

Source: South Korea Ministry of Health and Welfare
COVID-19’s Economic Impact
What We Can Learn From South Korea

COVID-19 Mortality Rate in South Korea by Age

Source: South Korea Ministry of Health and Welfare
COVID-19’s Economic Impact
How South Korea Compares to Other Countries

Hospital Beds Per 1,000 People (2018 or latest available)

Population Age Distribution in South Korea and Italy

Source: Organisation for Economic Co-operation and Development, United Nations
COVID-19’s Economic Impact
How Do Pandemics and Epidemics End?

1. The virus mutates and becomes less lethal.
2. Effective vaccines or treatments are discovered.
3. The population acquires “herd immunity.”
COVID-19’s Economic Impact
Virus Mutations

Source: nextstrain.org/GISAID
COVID-19’s Economic Impact
How Close Is Herd Immunity?

Through May 5, COVID-19 has resulted in 13,724 confirmed deaths in New York City.

Assuming a mortality rate of 0.8%, 1.7 million New Yorkers have been infected — or roughly 20% of the population.

Source: New York City Health Department
COVID-19’s Economic Impact
How Eliminating Containment Will Affect COVID-19 Deaths in New York City

COVID-19’s Economic Impact
US Stock Market Volatility

CBOE S&P 100 Volatility Index (VIX)

Source: Cboe Global Markets
COVID-19’s Economic Impact
How Americans Manage Their Savings

US Personal Savings Rate, 1980 to Present

Source: Federal Reserve Bank of St. Louis/US Bureau of Economic Analysis
COVID-19’s Economic Impact
Oil Prices and Consumer Spending at Gas Stations Falling

Source: US Bureau of Economic Analysis, US Energy Information Administration
COVID-19’s Economic Impact
The US Is the World’s Leading Oil Producer

Global Oil Production by Country, 2019

- United States: 29%
- Saudi Arabia: 12%
- Russia: 19%
- Canada: 11%
- China: 5%
- Iraq: 5%
- United Arab Emirates: 5%
- Brazil: 5%
- Iran: 4%
- Kuwait: 4%
- Other: 3%

Source: US Energy Information Administration
COVID-19’s Economic Impact
Significant Risk for People, Businesses, and Economies

Who’s at Risk?
- Households in countries with high debt and weak safety nets.
- Businesses with:
  - High fixed costs (operational leverage).
  - High debt.

Financial systems are better capitalized than in 2008, but are not capable of withstanding the shock caused by the pandemic.

Weekly Unemployment Insurance Claims, Seasonally Adjusted (thousands)

Source: US Department of Labor
COVID-19’s Economic Impact
US Economic Indicators

Nonfinancial Corporate Debt as Percentage of GDP

Household Debt as Percentage of Disposable Income

St. Louis Fed Financial Stress Index

"Can't pay rent" Search Interest

Source: Federal Reserve Board of Governors, Federal Reserve Bank of St. Louis, Google
COVID-19’s Economic Impact
Federal Reserve System Assets

Source: Federal Reserve Bank of Cleveland
COVID-19’s Economic Impact
The Pandemic’s Effect on the Restaurant Industry

Seated Restaurant Diners, Year-Over-Year Percentage Change

Source: OpenTable
COVID-19’s Economic Impact
Effects on Individual Industries

Demand by Industry
▼ Airlines.
▼ Restaurants.
▼ Hotels.
▼ Car rental services.
▼ Movie theaters.
▼ Durable goods.

▲ Health care.
▲ E-commerce.
▲ Groceries.
▲ General merchandise.

Source: SafeGraph
COVID-19’s Economic Impact
Power Consumption Has Fallen Dramatically

Electricity Usage Changes (first two weeks in February vs. week ending April 4):

- ▼ Down 23% in Italy.
- ▼ Down 15% in Spain.
- ▼ Down 8% in France.
- ▼ Down 8% in the US.
- ▼ Down 7% in Portugal.
- ▼ Down 7% in the UK.
- ▼ Down 5% in Germany.
- ▲ Up 3% in Sweden.

Source: Steve Cicala, Early Economic Impacts of COVID-19 in Europe: A View from the Grid, University of Chicago, April 2020
COVID-19’s Economic Impact
Falling REIT Returns

Change in US Unlevered and Levered Values, February 21 to April 15

Source: Green Street Advisors
COVID-19’s Economic Impact
Why Government Intervention?

1. “Infection externality.”

2. Short-term solution: crude containment measures, such as lockdowns.

3. Medium-term solution: smart containment/large-scale testing and quarantining of infected individuals.
COVID-19’s Economic Impact
Modeling Economic Effects

Source: Eichenbaum, Martin, Sergio Rebelo and Mathias Trabandt, “The Macroeconomics of Testing and Quarantining,” Northwestern University, April 2020
COVID-19’s Economic Impact
The Pandemic’s Permanent Changes

• Remote work.
  – Decline in value of office buildings.

• E-commerce.
  – Further declines in value of retail space.

• Telemedicine.

• Video conferencing.

• Online teaching.

• Fintech replacing conventional banking.

• Automation and reshoring.
COVID-19’s Economic Impact
Hong Kong Hotel Occupancy During the SARS Epidemic

Hotel Occupancy in Hong Kong, December 2002 to August 2003

Source: Hong Kong Tourism Board
COVID-19's Economic Impact
An Uncertain Future
COVID-19’s Economic Impact
Future Decision-Making for States

• Governments need to balance economic priorities with public safety needs.

• Decisions will be made based on local levels of preparedness and potential vulnerabilities:
  – Equipment stockpiles.
  – Planning.
  – Testing kits.
  – Aging populations or those with underlying health conditions.

• Different approaches to reopening will highlight best practices and lessons learned.
  – This will inform responses in the event of a second COVID-19 wave.
COVID-19’s Economic Impact
A Whole of America Response

Preparedness at all levels of government is crucial.

Mitigation is in the hands of individuals, families, and communities.

Nonprofits are providing valuable resources to vulnerable populations.

The private sector’s lifesaving capabilities have never been more needed.
COVID-19’s Economic Impact
Looking Ahead

1. Governments will look for opportunities to learn lessons as they reopen.

2. Emergency managers will assume there will be a second COVID-19 wave.

3. Businesses should similarly learn lessons and prepare for additional restrictions in the future.
COVID-19’s Economic Impact
Priorities for Employers

Engage with empathy.
Focus on communication.
Start with the most appropriate return-to-work process and adjust/refine as needed.

Define who needs to return.
Be clear about which employees must return to work — and which ones do not.

Understand screening.
Evaluate screening options and choose the right one for your organization.
Take steps to maintain privacy and confidentiality.
COVID-19’s Economic Impact
How Employers Are Supporting Employees and Protecting Their Health

- 94% Implementing enhanced cleaning and disinfection.
- 74% Administering on-site temperature screening.
- 77% Providing face masks to employees.
- 85% Communicating reminders about mental health programs.

Source: Mercer Global COVID-19 Survey #4
COVID-19’s Economic Impact
Preparedness and Access to Care Differs by Geography

Metro vs. Non-Metro Health Resources and Challenges

- Total ICU beds: 77,643 (Metro), 7,605 (Non-Metro)
- ICU beds per 10,000 people:
  - Metro: 2.8
  - Non-Metro: 1.7
- Population 65+:
  - Metro: 15%
  - Non-Metro: 20%
- People under 65 with preexisting conditions:
  - Metro: 20%
  - Non-Metro: 26%

Source: Kaiser Family Foundation
Telemedicine can help address:

- Wariness of hospitals and doctors’ offices.
- Strains on health care systems.
- Employee anxiety.

Employees’ Willingness to Try Telemedicine

- Telemedicine for simple health issues: 77%
- Telemedicine for significant health issues, such as diabetes: 72%
- Virtual mental health counseling for anxiety, stress, mild depression: 69%

Source: Mercer Health on Demand Workers Survey
For the latest information and insights from Marsh about how to manage COVID-19's effects on your business, including our new briefing on how insurance and risk management strategies can help your organization maintain liquidity during challenging times, visit marsh.com/us/insights/research/pandemic-risk-hub.html.

Join us again on Wednesday, May 20, for more information and insights on how you can manage critical risks as the pandemic continues. Visit marsh.com to register.
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