

The search for a way to re-start economic activities continues in states across the US

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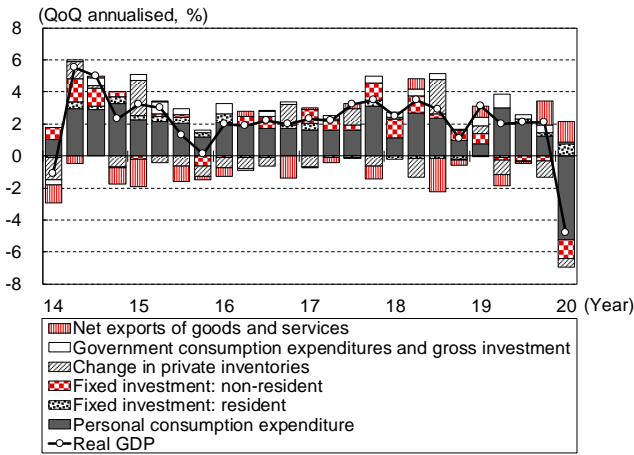
The real GDP growth rate (preliminary figure) for the January-March quarter was -4.8% QoQ annualised, dropping significantly from 2.1% QoQ annualised the previous quarter (Chart 1). It is thought that economic activities were generally normal until around the end of February when the first COVID-19 case of unknown origin was discovered, but there was a large impact on GDP growth from the decrease in personal consumption expenditure as states introduced restrictions on going outside between mid-March and the end of the month.

As efforts to prevent the spread of infection continue, President Trump announced guidelines for re-opening the economy on 16th April (Table 1). There has been growing criticism that the uniform approach and restrictions on going outside are inappropriate amid large disparity in the number of cases between states, particularly among Republican conservatives, who form the basis of support for President Trump. Despite the publishing of these guidelines, the criteria to satisfy before proceeding to a phased re-opening are not altogether clear and the decision to re-open has been entrusted to state governors. As a result, the difference in attitudes to re-starting economic activities is wrapped up in the political feud between the Republican and Democratic Parties. For example, there was a battle of words between Andrew Cuomo, New York State Governor (Democrat), who is cautious about re-starting economic activities, and President Trump over who has the authority to lift restrictions: state governors or the president. In addition, when residents of some states held demonstrations demanding their state government lift the restrictions on movement, President Trump declared his support for the demonstrations in Michigan, Minnesota and Virginia (all with Democrat governors) via social media.

That being said, the deterioration of the situation with regards to employment and consumption is unprecedented¹ in terms of both its speed and level, and even Governor Cuomo suggested the possibility of a partial reopening of the economy on 26th April. As the issue of not just preventing the spread of infection but also maintaining average citizens' livelihoods becomes more pressing with each passing day, questions are starting to be asked about states' abilities to find a way to get their economies back on their feet while also preventing the spread of COVID-19.

¹The total of initial jobless claims over the five weeks from 15th March to 18th April was 26,450,000: already around 70% of the total claims during the global financial crisis (over 78 weeks). In addition, retail sales fell by 8.7% month-on-month in March, which is their largest decrease on record.

Chart 1: Real GDP



Source: Department of Commerce, MUFG Bank Economic Research Office

Table 1: Guidelines for "Opening Up America Again" (3 Phases)

Criteria to satisfy before proceeding to phased comeback	
Symptoms	Downward trajectory of influenza-like illnesses and covid-like syndromic cases reported within a 14-day period
Cases	Downward trajectory of documented cases or of positive tests as a percent of total tests within a 14-day period
Hospitals	Treat all patients without crisis care and have a robust testing programme in place for at-risk healthcare workers
Phase 1	
Individuals	Maximise physical distance from others, avoid socialising in groups of more than 10 people, minimise non-essential travel
Employers	Encourage telework, close common areas, minimise non-essential travel
Specific types of employers	Schools and bars to remain closed, prohibit visits to senior living facilities and hospitals, gyms and large venues can operate under strict physical distancing protocols
Phase 2	
Individuals	Maximise physical distance from others, avoid social settings of more than 50 people, non-essential travel can resume
Employers	Encourage telework whenever possible and feasible with business operations, close common areas
Specific types of employers	Prohibit visits to senior care facilities and hospitals, re-open schools, gyms, bars and large venues may operate if they adhere to physical distancing protocols
Phase 3	
Individuals	Minimise time spent in crowded environments
Employers	Resume unrestricted staffing of worksites
Specific types of employers	Resume visits to senior care facilities and hospitals, gyms, bars and large venues may operate if they adhere to sanitation protocols

Source: White House, MUFG Bank Economic Research Office

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