

## WEEK IN REVIEW

FRIDAY, MAY 8TH 2020

- AS NUMEROUS COUNTRIES CONSIDER RE-OPENING industrial production, several are looking towards Germany for guidance on how to do so. Many factories in Germany remained opened as local authorities offered that option during the pandemic. Approximately 80% of them chose to remain operational albeit at a lower capacity, according to a recent survey conducted by the Institute for Economic Research, a Munich think tank. Despite the continuity of business in past weeks, the country has reported lower ratios of casualties relative to neighboring countries. Managers attribute this to implementation of strict safety rules early on, with unions and employees working in collaboration, along with regional governments quickly testing to trace chains of infection.
- CHINESE EXPORTS GREW IN APRIL, an unexpected turn during an economic slump that has stalled demand and disrupted global supply chains. This export figure was mainly caused by a clearing of backlogs of delayed orders from earlier this year. Southeast Asia, in surpassing the EU and US as China's largest export destination, offset the losses from their Western counterparts in this month's trade. Outbound shipments rose 3.5% YoY in April compared with a year earlier, better than the -6.6% decline from the prior month. Data from the General Administration of Customs surpassed the projected 18.8% year-over-year drop expected by economists polled by The Wall Street Journal. However, government officials warned about China's ability to maintain this strength considering declines in its EU and US trading counterparts.
- UBER CUT ROUGHLY 14% OF ITS WORKFORCE AND LYFT FOLLOWED SUIT with a cut of 17% of its staff, both in response to dramatic declines in demand for their businesses. As economic activity decayed to near zero, requests for transportation to offices, restaurants, and airports fell dramatically. In this week's announcement, Lyft reported resilient first-quarter earnings, which only incorporated a couple of weeks of the pandemic's impact. The company also indicated that ridership dropped by nearly 75% for the month of April.
- ACCORDING TO A NEW SURVEY FROM THE SOCIETY FOR HUMAN RESOURCE MANAGEMENT, 52% of small businesses expect to be out of operation if the economy remains shuttered for greater than six months. Among employees, hourly workers were hit hardest with 80% of those firms cutting positions, while 60% of surveyed businesses laid off salaried workers. A third of the companies polled by the advocacy group expected their payroll reductions to be permanent.
- AUTOMAKERS are struggling to move a large segment of their inventory given the dramatic slowdown in fleet sales. Fiat Chrysler Automobiles recently compiled a list of almost 30,000 vehicles that rental car companies will no longer purchase, and shopped them with other prospective customers. General Motors Co. is taking back cars that it agreed to sell to Hertz Global Holdings Inc., Avis Budget Group Inc. and Enterprise Holdings Inc. Hyundai Motor Co. also confirmed it has redirected some vehicles to its retailers that it originally planned to produce for fleet customers.

## THINKING AHEAD

The negative sentiment on the current economy remains pervasive. According to the Conference Board's consumer confidence survey, the percentage of respondents that claim their business conditions are 'good,' declined from 39.2% to 20.8%, those that claim that conditions as 'bad' increased from 11.7% to 45.2%. Unsurprisingly, perceptions about the job market also soured, where respondents that felt jobs were hard to get, increased from 13.8% to 33.4%.

The return of consumption depends in part on how quickly confidence recovers and upon how comfortable people feel about resuming their daily routines. Headlines suggest that the majority of people continue to be concerned about the spread of the virus. Moreover, a survey from CivicScience concludes that nearly one third of people would self-quarantine even if their state governments lifted stay-at home orders.

Nevertheless, the headlines report a wave of desire within our nation to reconnect and regroup. We're already seeing early signs of optimism as surveys also show an uptick in respondents who believe our current condition will improve within the next six months.

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