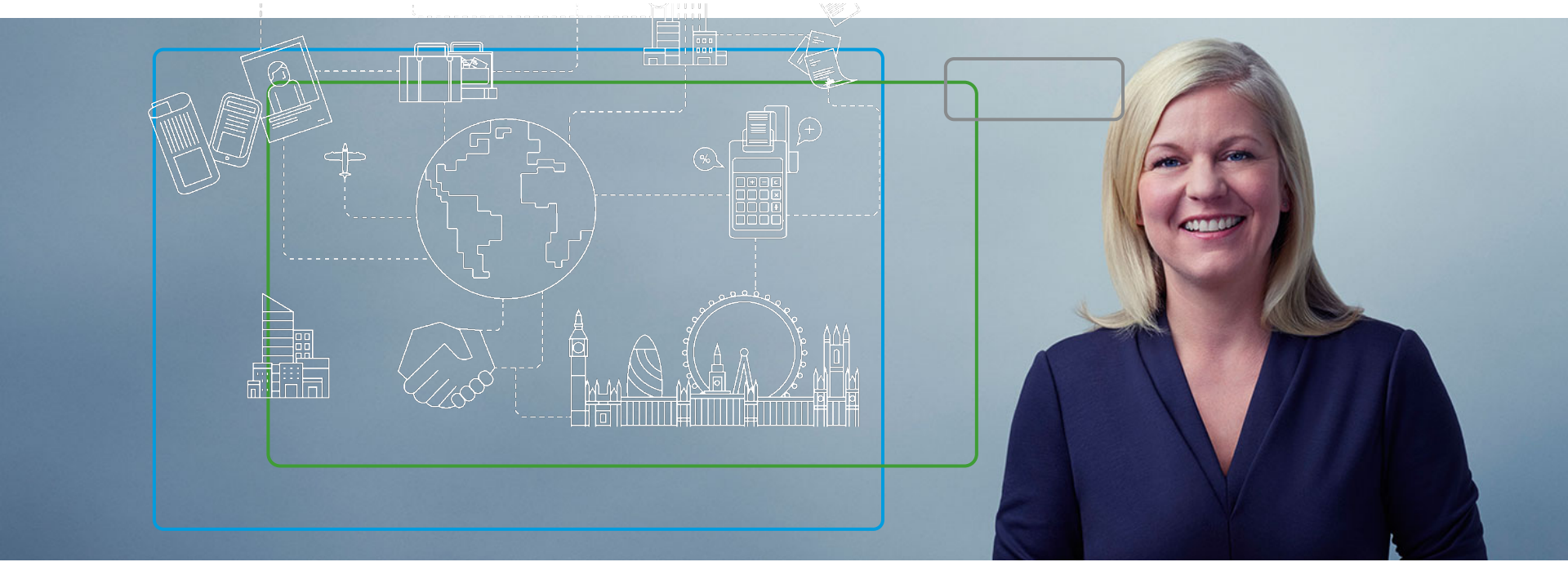

# MID-YEAR ECONOMIC UPDATE

21 July 2020

RSM

# Pandemic economics, recession and beyond

## US economy free fall has ended

- Supply, demand and financial shocks
- Depression like shocks, no Depression
- Household consumption levelled off around June 24
- US economy is in recession that should last 3 quarters

## Policy response

- Robust fiscal and monetary policy response
- Main Street Lending Programme
- Until there is a vaccine there will be no meaningful recovery

## Shape of recovery

- Nike™ shaped Swoosh recovery
- Elongated and frustrating in some industries
- Housing and Auto manufacturing to lead
- Large firms pickup activity US Q3, RSM Q2
- Mid-market picks up US Q4, RSM Q3
- Real damage to household spending

Source: RSM US LLP

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# Pandemic economics, recession and beyond

Source: RSM US LLP

## US employment

- Mass unemployment: 52 million experienced some form of unemployment & loss of income, 11.1% unemployment, 18% under employment, 10% is optimal outcome by end of 2020

## US savings rate at 23.2%

- Upper income earners: pull back spending by 10.8%
- Low income earners: pull back spending by 1.9%

## Government Transfers key to propping up economy

- Implies long period of fiscal aid will be necessary
- Fiscal cliff coming in July 2020

## Inflation

- Disinflation/deflation in the near to medium term

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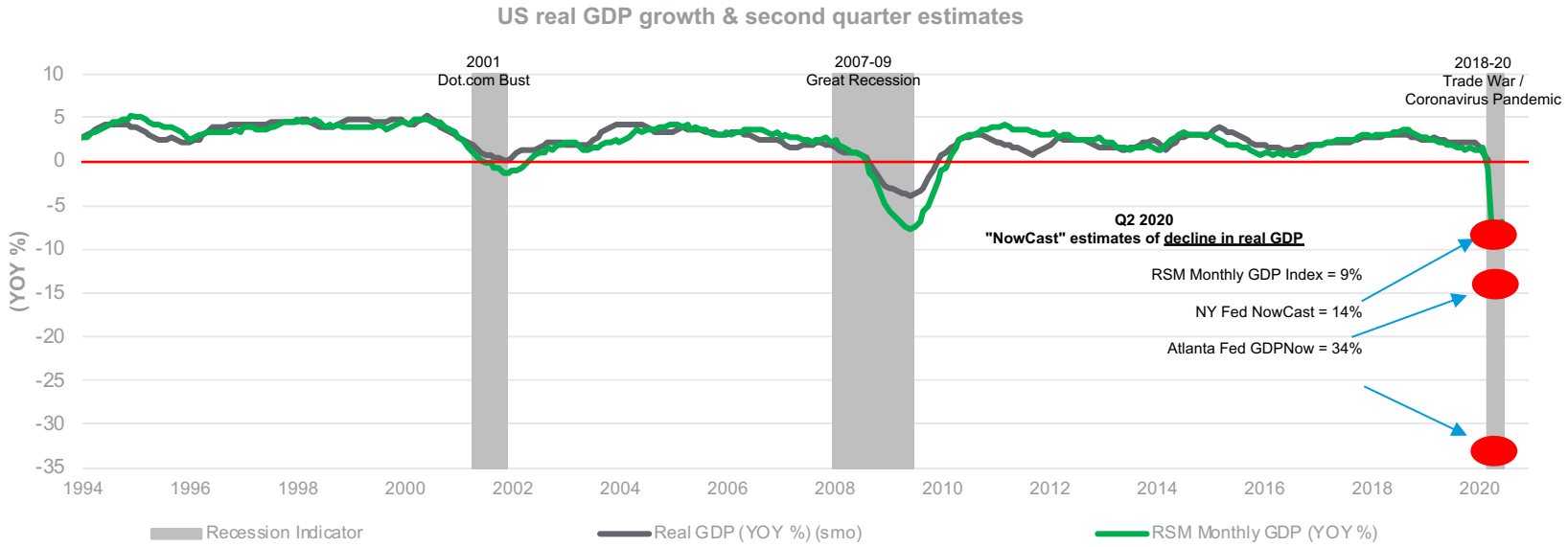
# No Vaccine, No Recovery: Q2'20 GDP Forecast

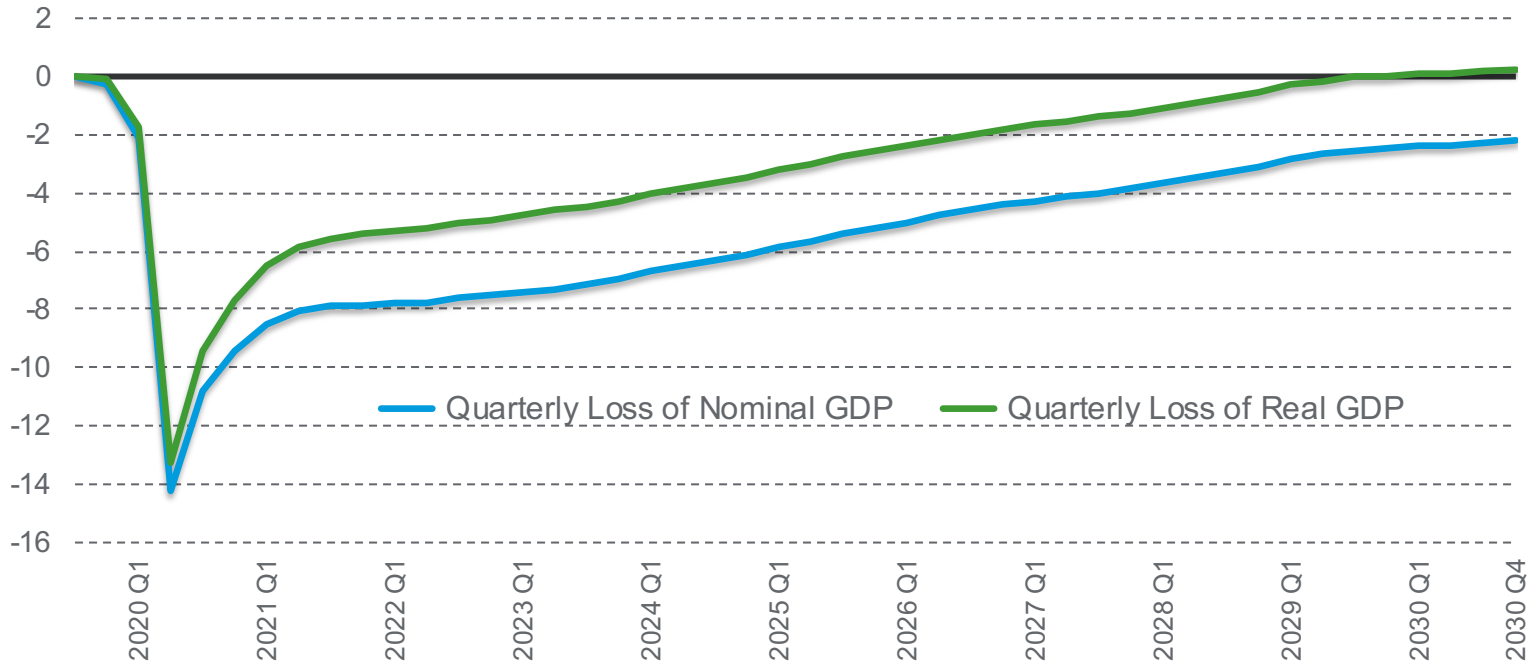



Source: BEA; NBER; Bloomberg; RSM US

Source: Congressional Budgetary Office

# Percentage difference in nominal and real GDP

## Between Congressional Budgetary Office's May 2020 and January 2020 projections

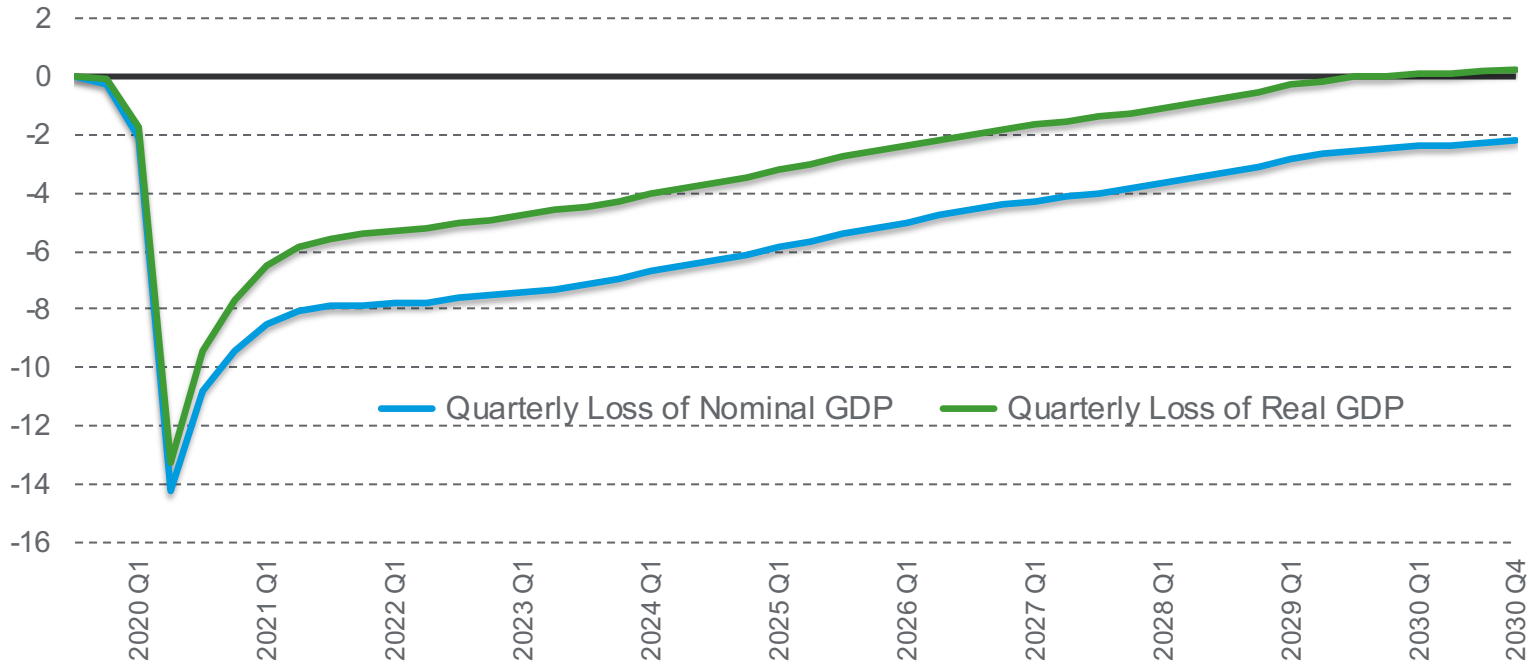



Source: Congressional Budgetary Office

RSM

# Percentage difference in nominal and real GDP

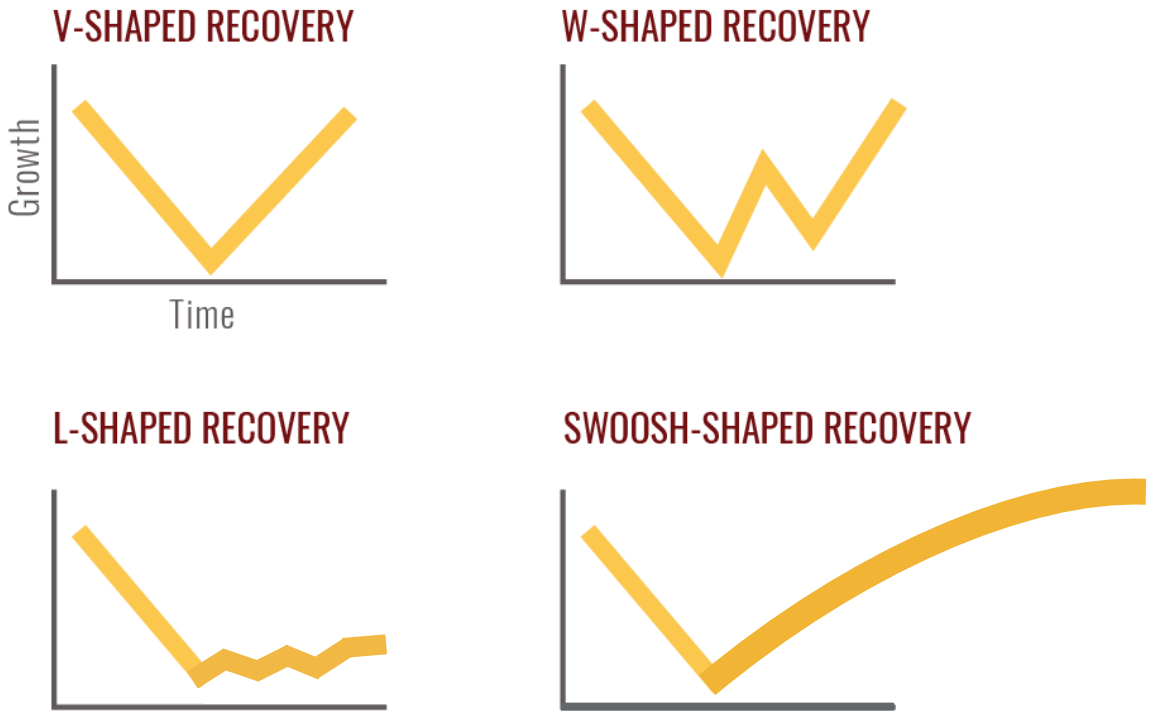
## Between Congressional Budgetary Office's May 2020 and January 2020 projections




Source: Congressional Budgetary Office

RSM

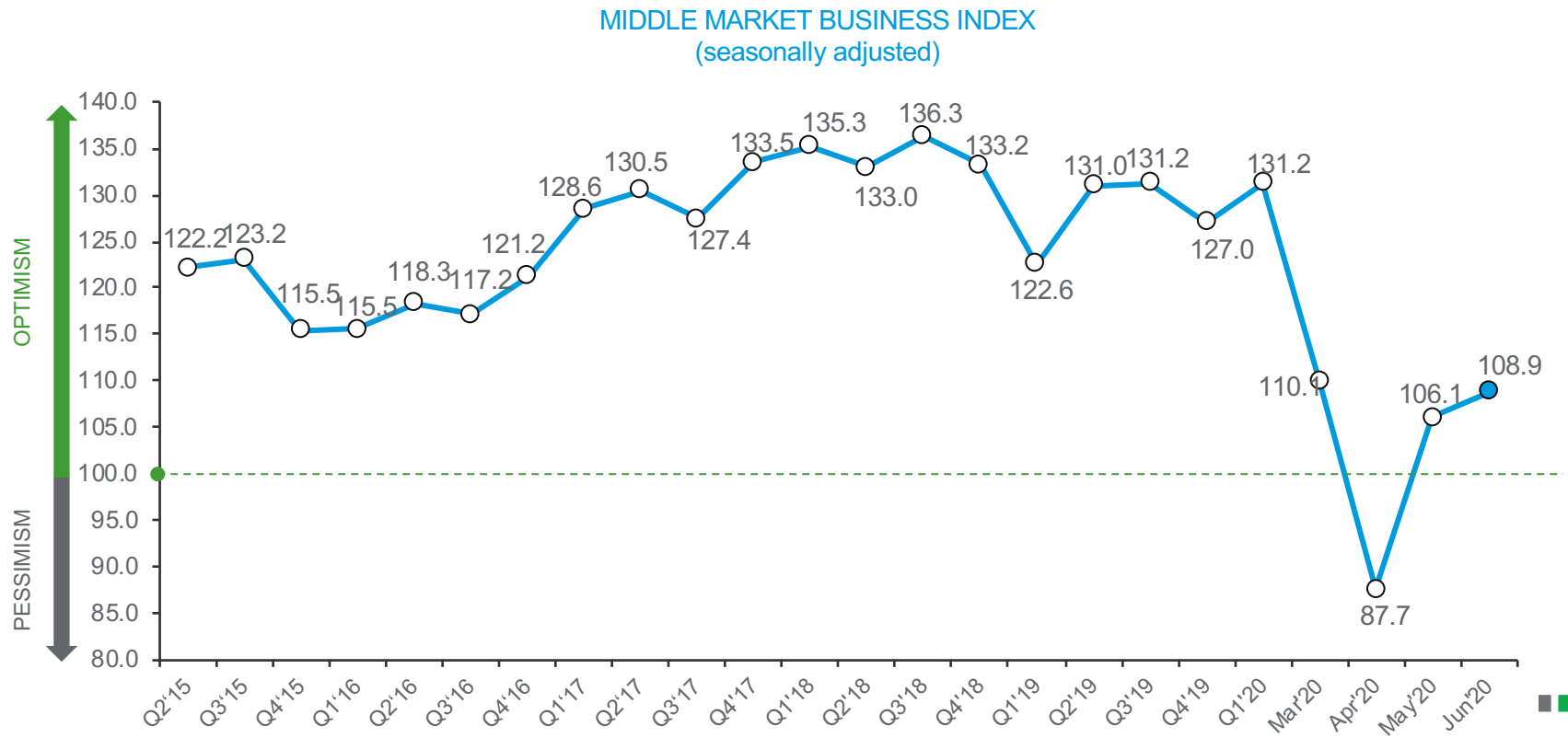
# Possible economic recovery scenarios




Source: World Economic Forum/RSM US

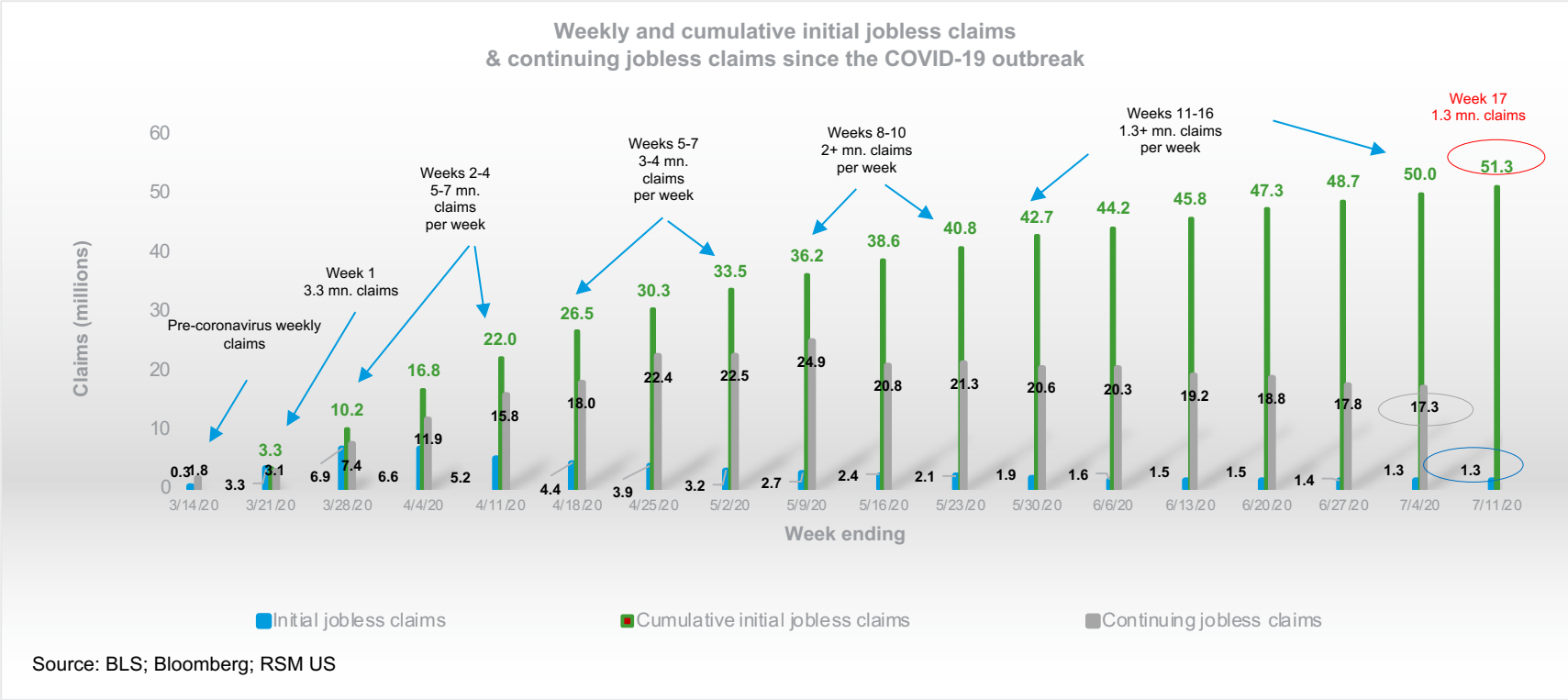
RSM

## The RSM US Middle Market Business Index in June is statistically higher compared to May.




RSM

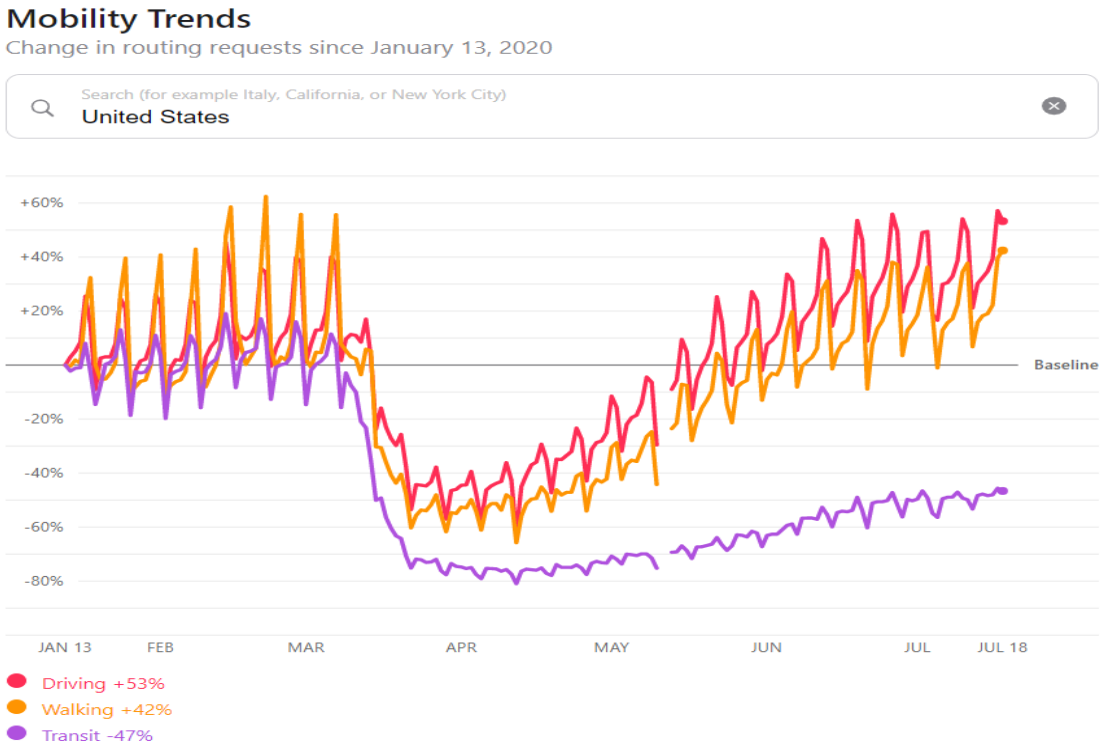
# Labor market catastrophe




Source: BLS; Bloomberg; RSM US

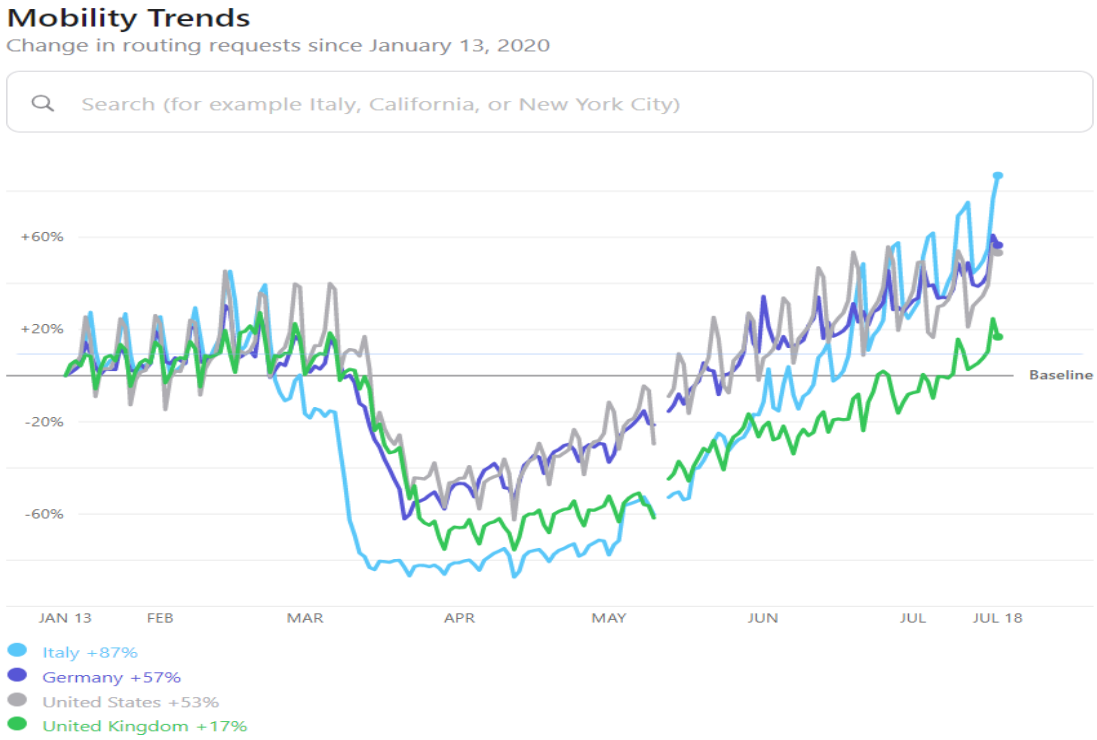
Source: World Economic Forum/RSM US

# Mobility trends the U.S.



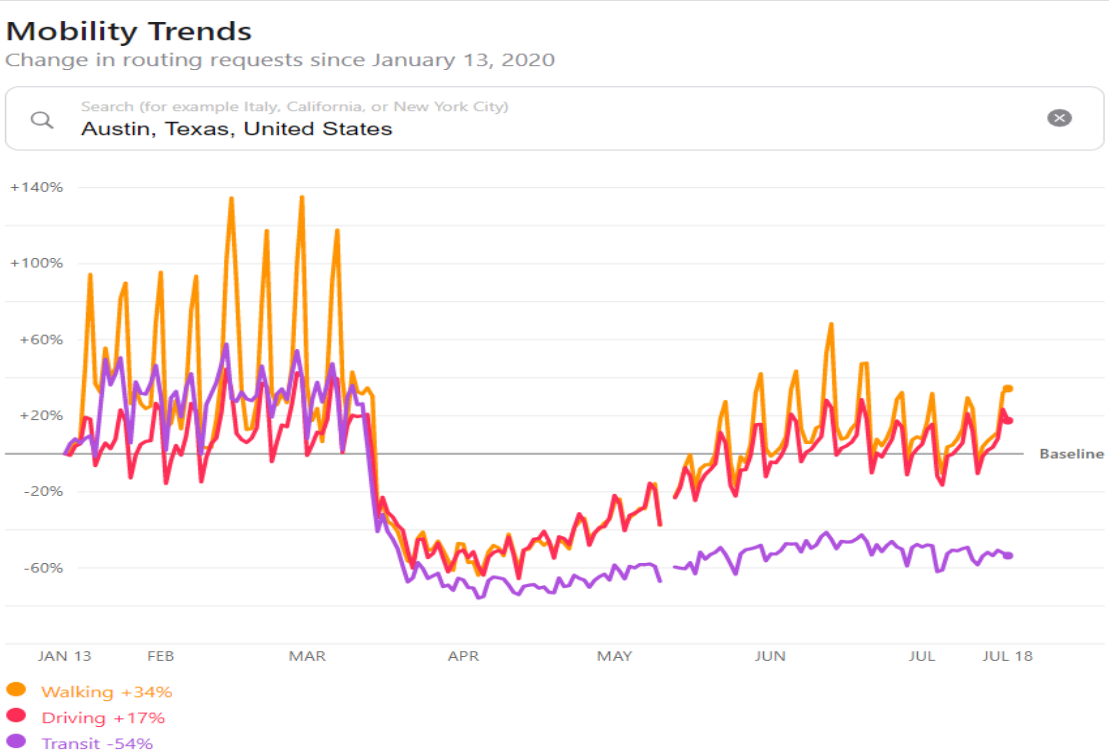

Source: Apple Mobility

# Global Mobility Trends




Source: Apple Mobility

# Mobility Trends in Austin

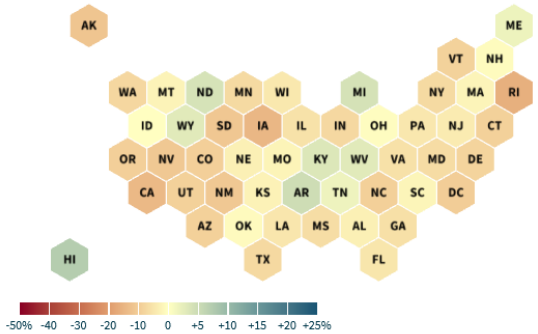



Source: Apple Mobility

RSM

# Consumer Spending

## Percent Change in All Consumer Spending




**Total**

- (●) Total

**Industry**

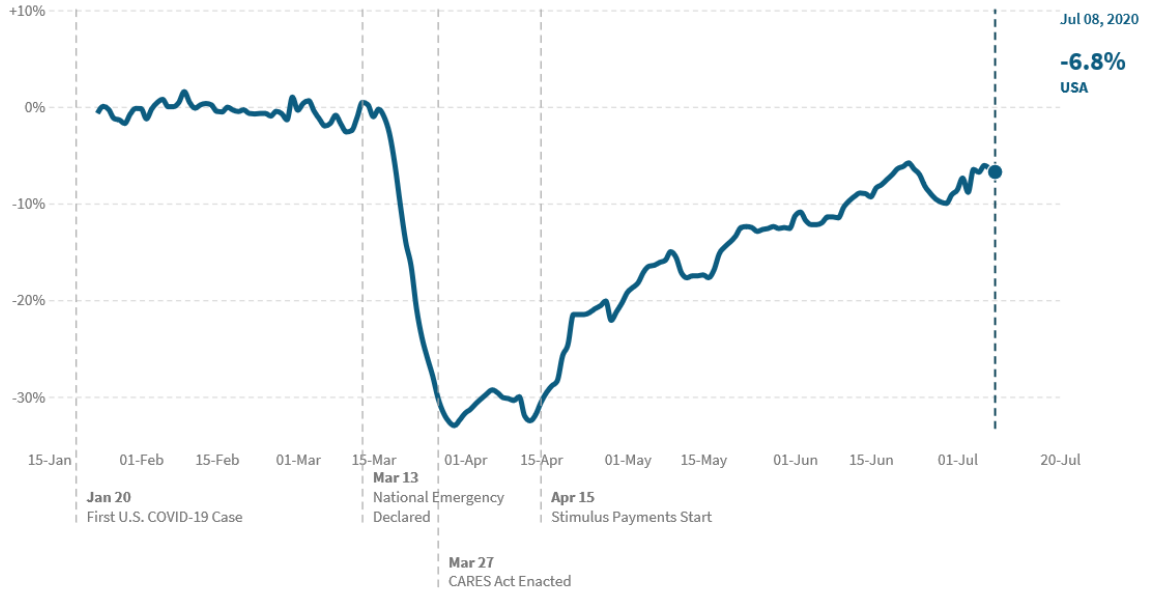
- ( ) Apparel & Gen. Mer…
- ( ) Entertainment & Rec.
- ( ) Grocery
- ( ) Health Care
- ( ) Restaurants & Hotels
- ( ) Transportation

**Consumer ZIP Income**

- ( ) High Income
- ( ) Middle Income
- ( ) Low Income

In **the United States**, as of July 08 2020, total spending by all consumers decreased by **6.8%** compared to January 2020.

DOWNLOAD CHART

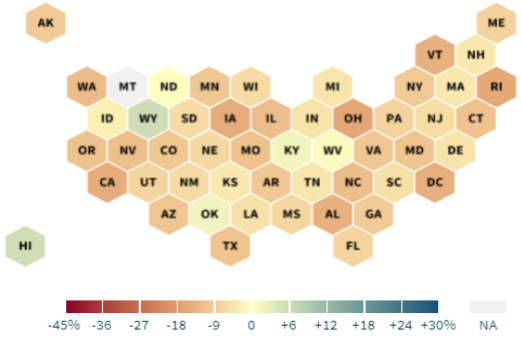



Source: Apple Mobility

RSM

# Income and Spending

## Percent Change in All Consumer Spending




**Total**

- Total

**Industry**

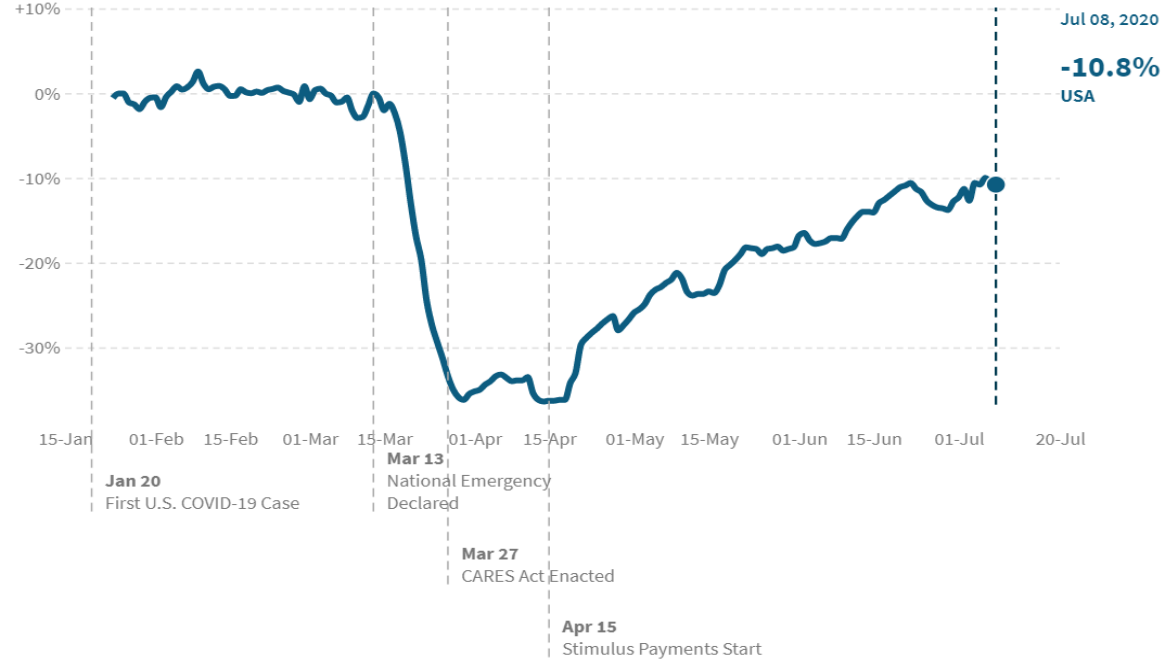
- Apparel & Ge…
- Entertainme…
- Grocery
- Health Care
- Restaurants …
- Transportation

**Consumer ZIP I...**

- High Income
- Middle Income
- Low Income

In **the United States**, as of July 08 2020, total spending by high-income consumers decreased by **10.8%** compared to January 2020.

DOWNLOAD CHART

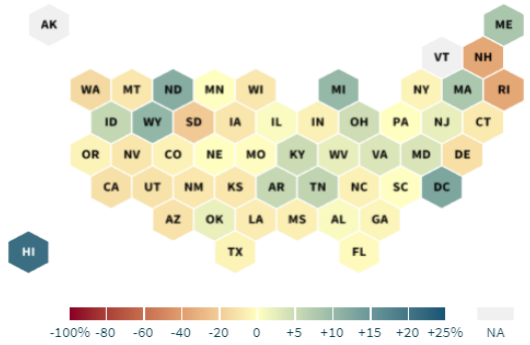



Source: Apple Mobility

RSM

# Income and Spending

## Percent Change in All Consumer Spending




**Total**

- Total

**Industry**

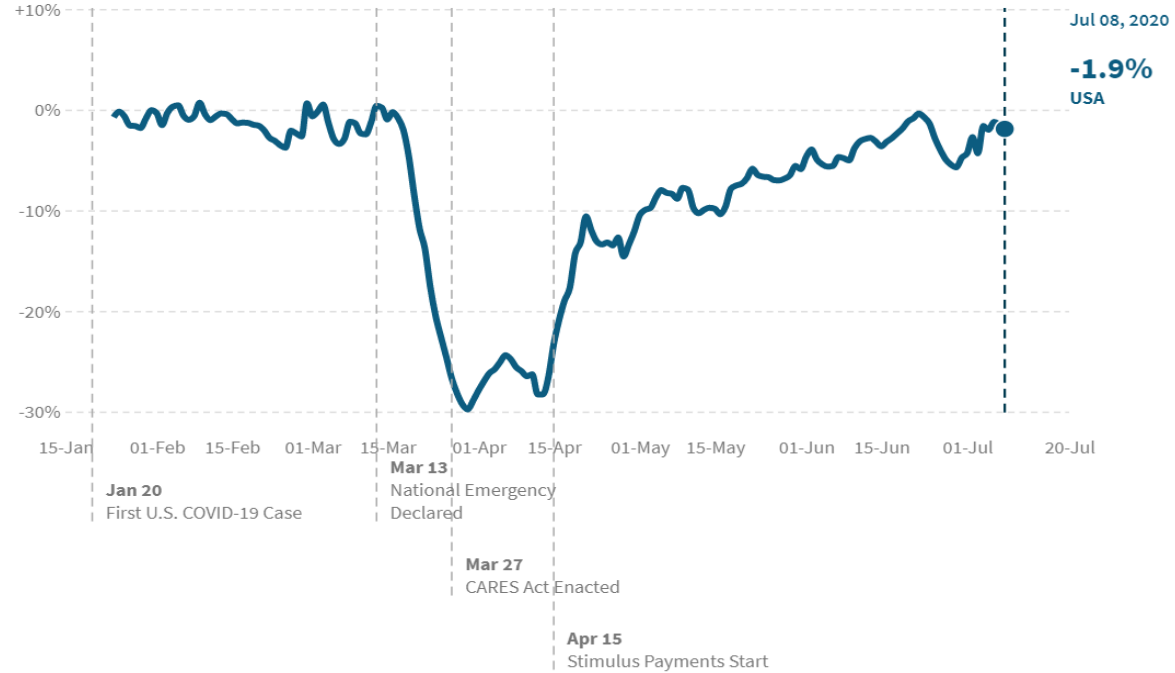
- Apparel & Ge…
- Entertainme…
- Grocery
- Health Care
- Restaurants …
- Transportation

**Consumer ZIP I…**

- High Income
- Middle Income
- **Low Income**

In **the United States**, as of July 08 2020, total spending by low-income consumers decreased by **1.9%** compared to January 2020.

DOWNLOAD CHART

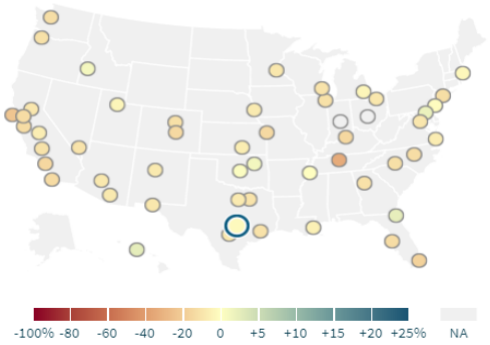



Source: Apple Mobility

RSM

# Consumer Spending

## Percent Change in All Consumer Spending




**Total**

- Total

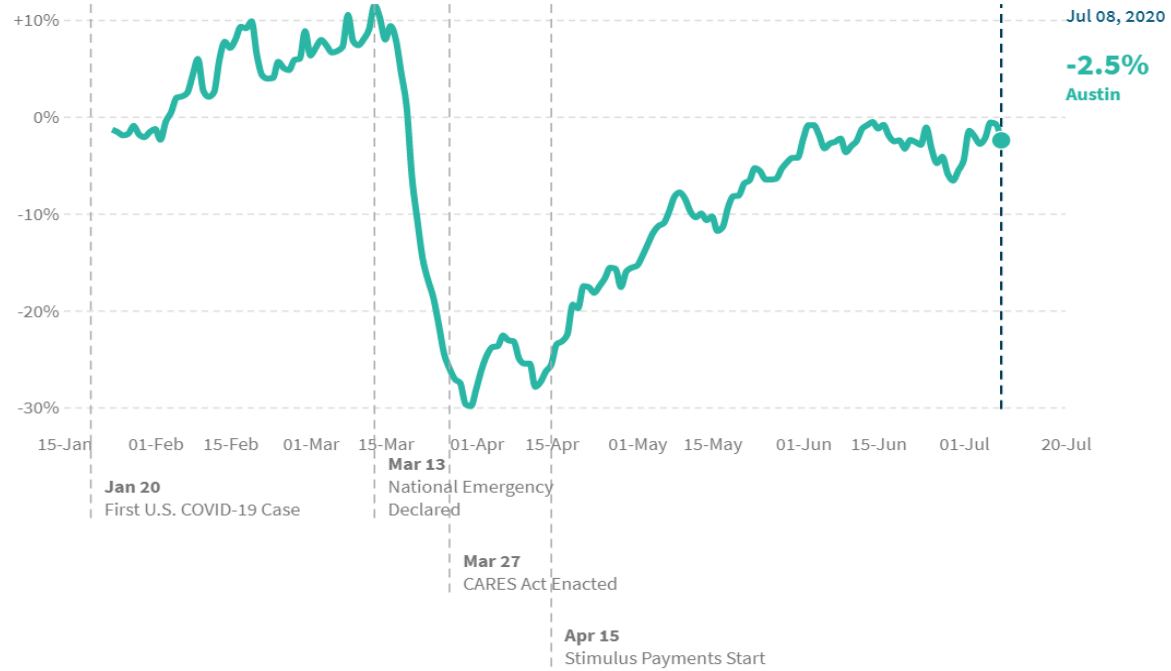
**Industry**

- Apparel & Ge…
- Entertainme…
- Grocery
- Health Care
- Restaurants …
- Transportation

**Consumer ZIP I...**

In **Austin**, as of July 08 2020, total spending by all consumers decreased by **2.5%** compared to January 2020.

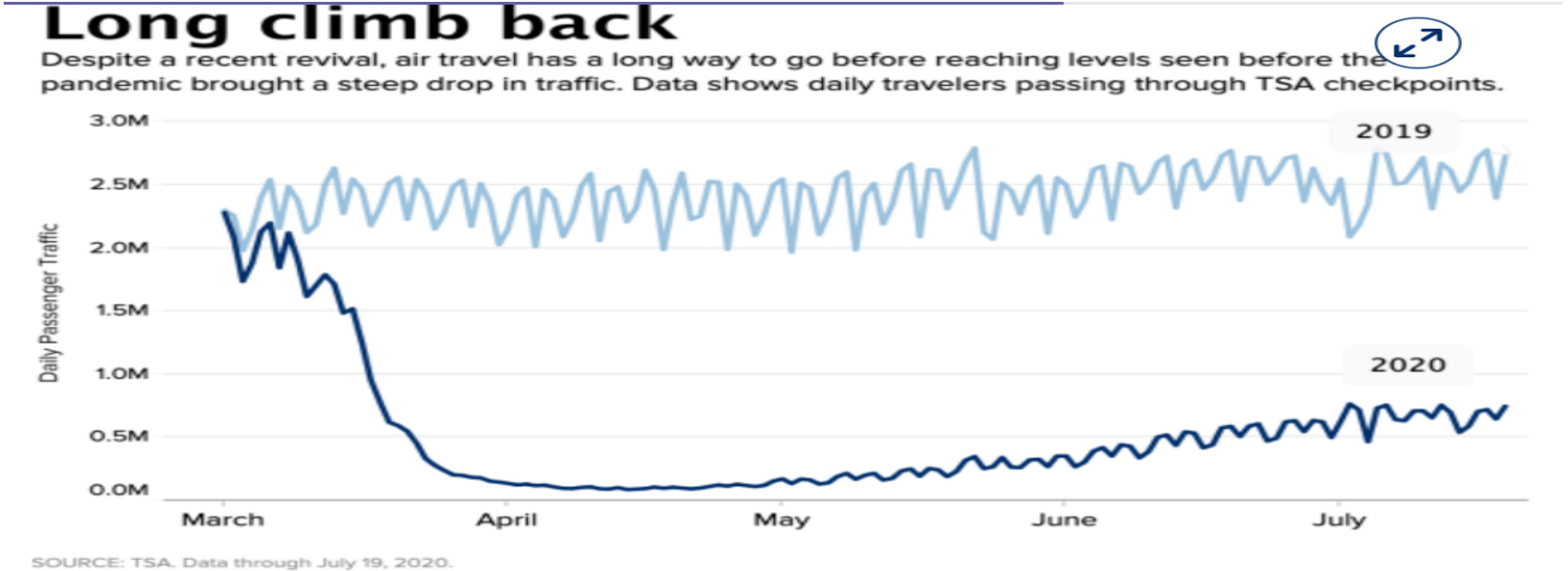
DOWNLOAD CHART




Source: Apple Mobility

RSM

# Impacts on domestic air travel: weekly flight frequency




Source: Statista, OAG

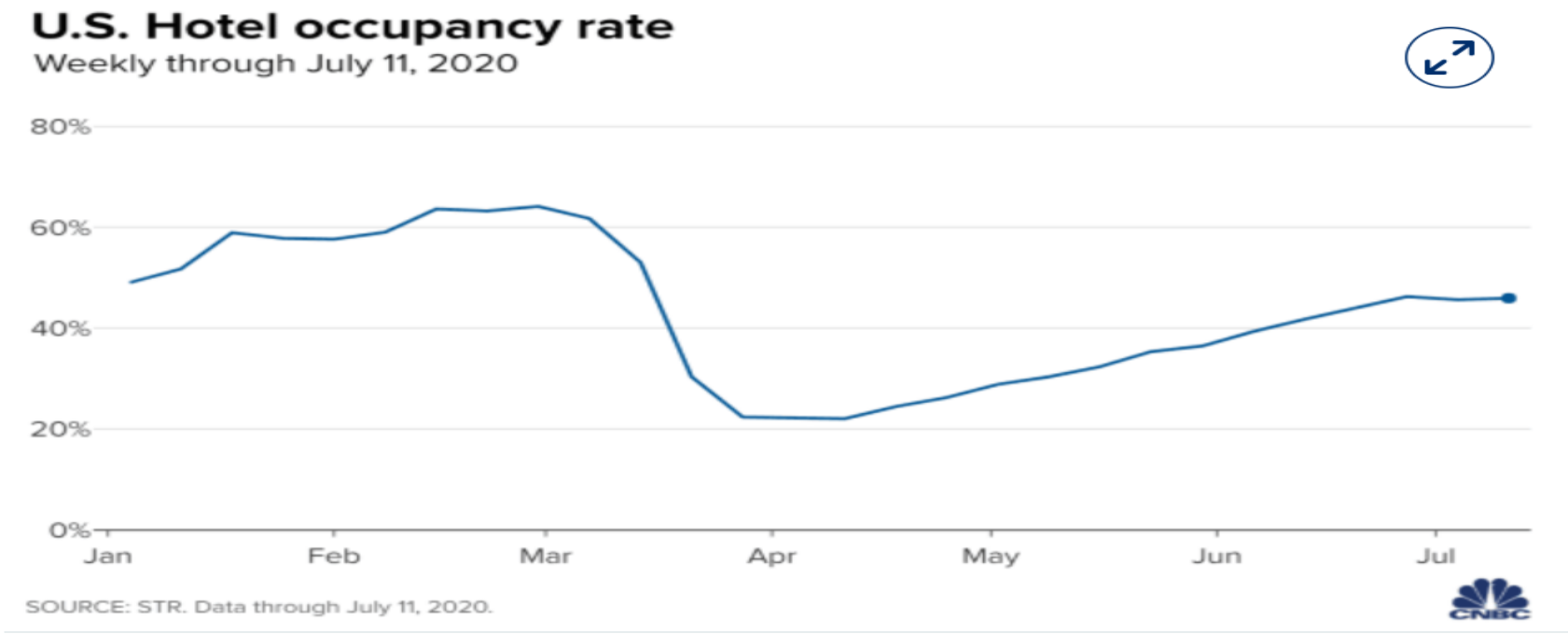
# United States dinner reservations

## Year on year change in seated diners at restaurants on the OpenTable network

Note: Data through July 18, 2020. Only states or cities with 50+ restaurants in the sample are included

Source: OpenTable, RSM US

# US hotel occupancy rate

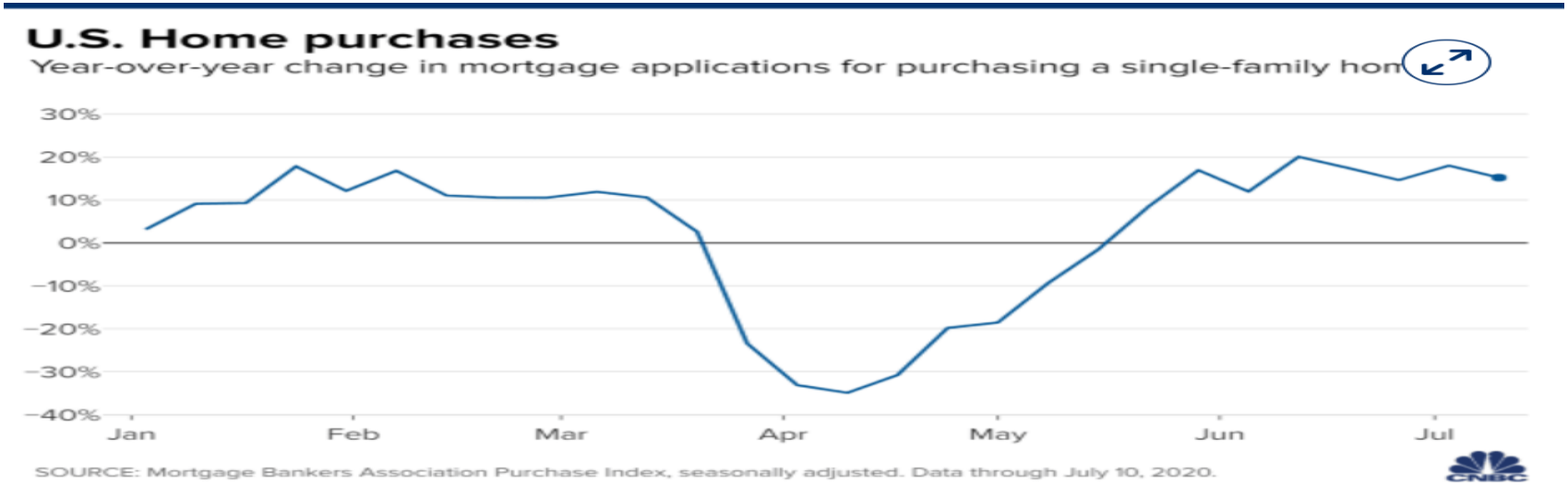



Source: STR

RSM

# US home purchases

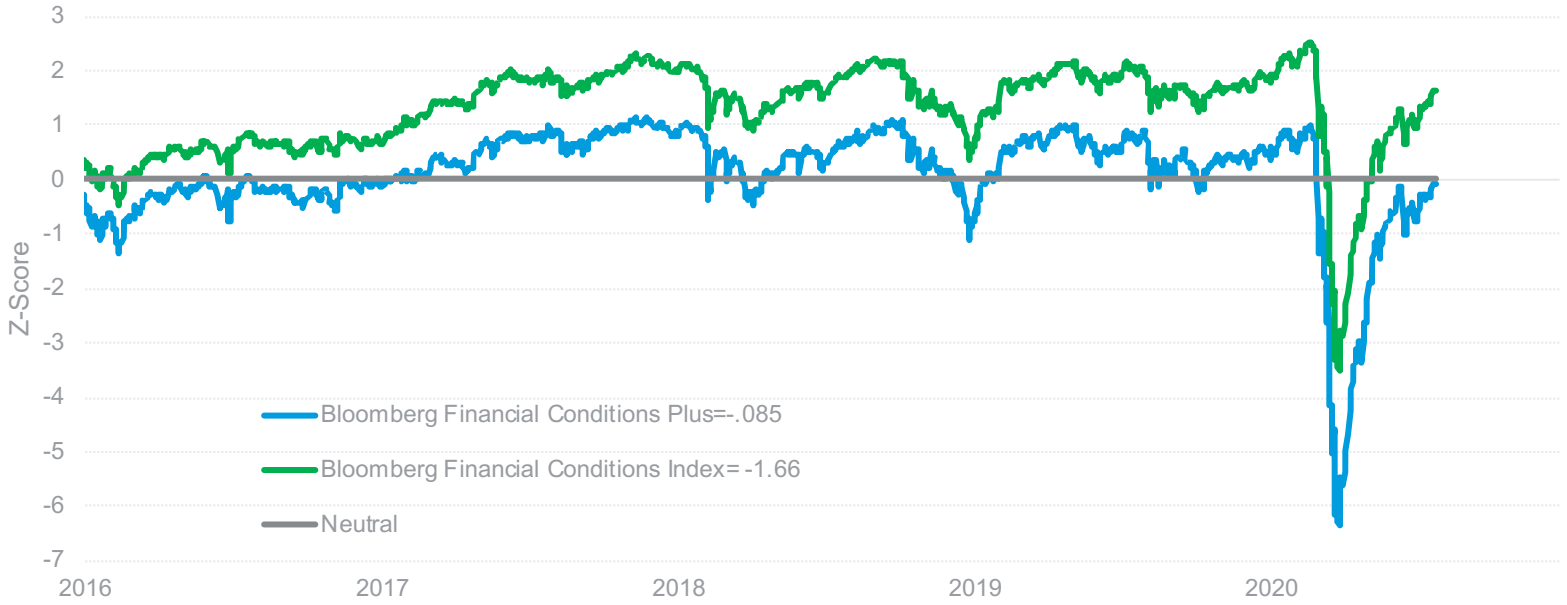
## Year over year change in mortgage applications for purchasing a single-family home




Note: Data through July 10, 2020

Source: Mortgage Bankers Association Purchase Index

# Financial shock

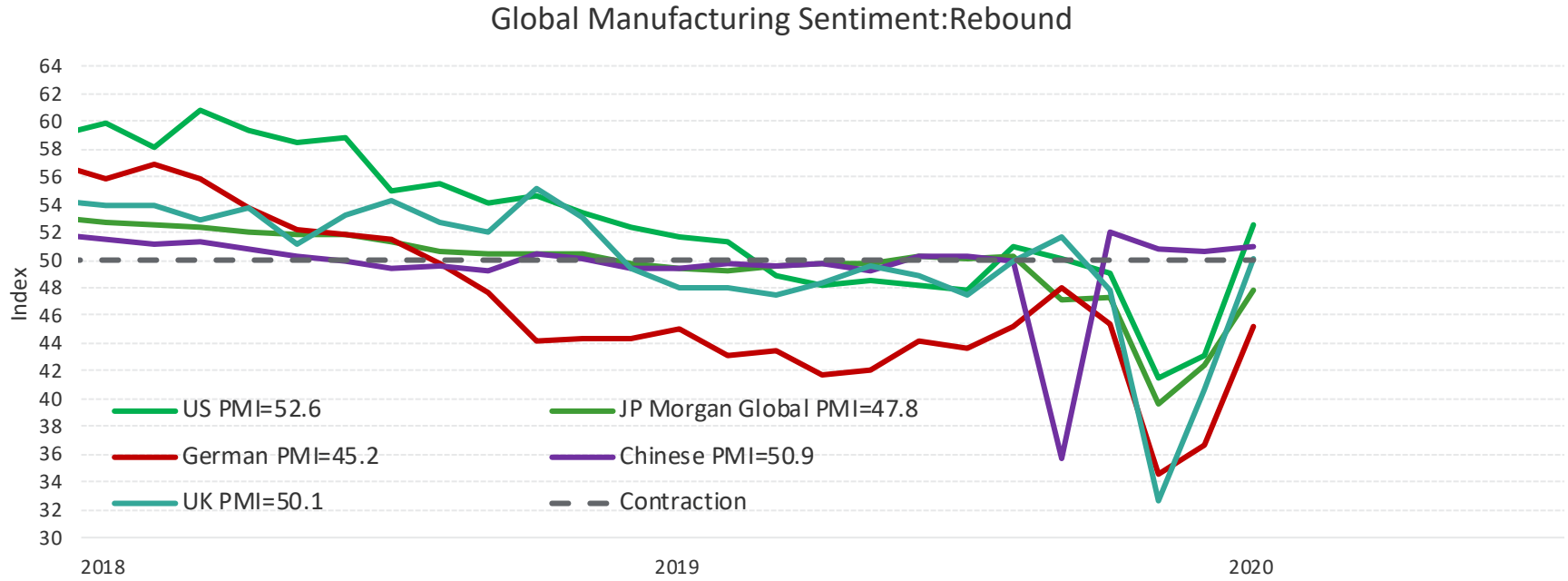



Source: RSM US, Bloomberg

Source: Bloomberg

RSM

# Global manufacturing sentiment: rebound




Source: RSM US, Bloomberg



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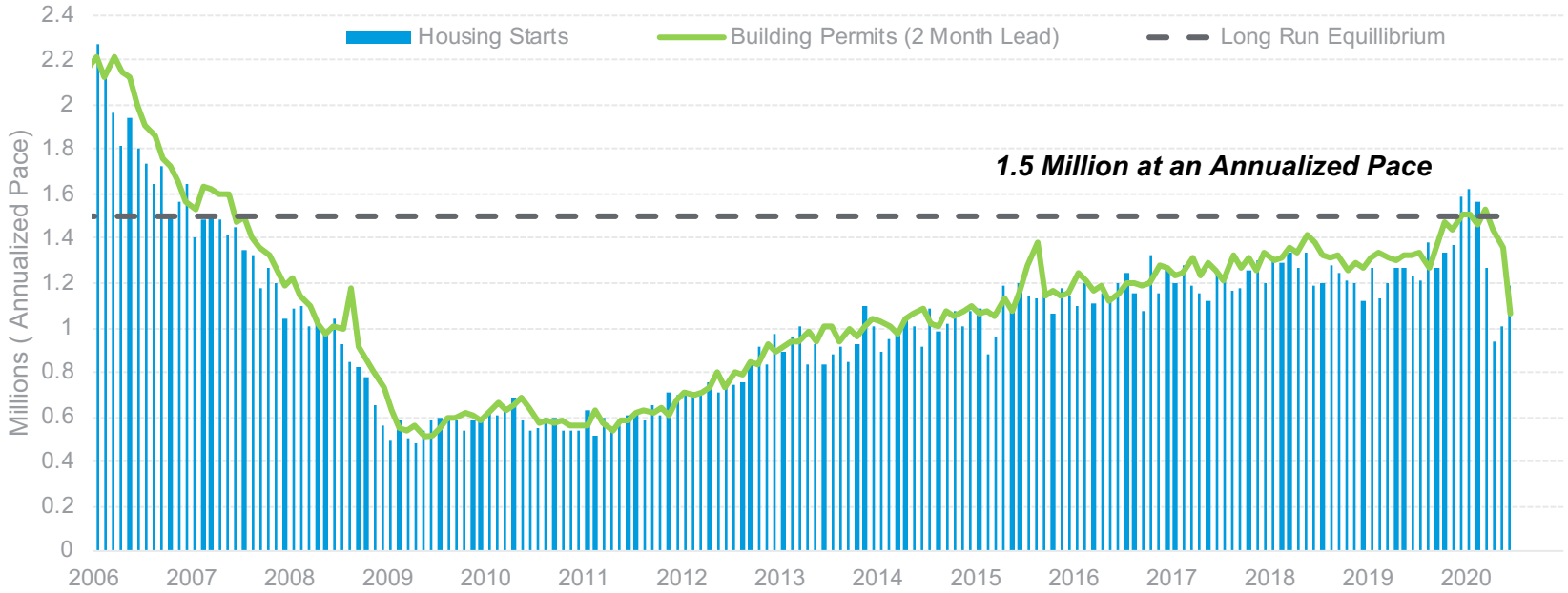
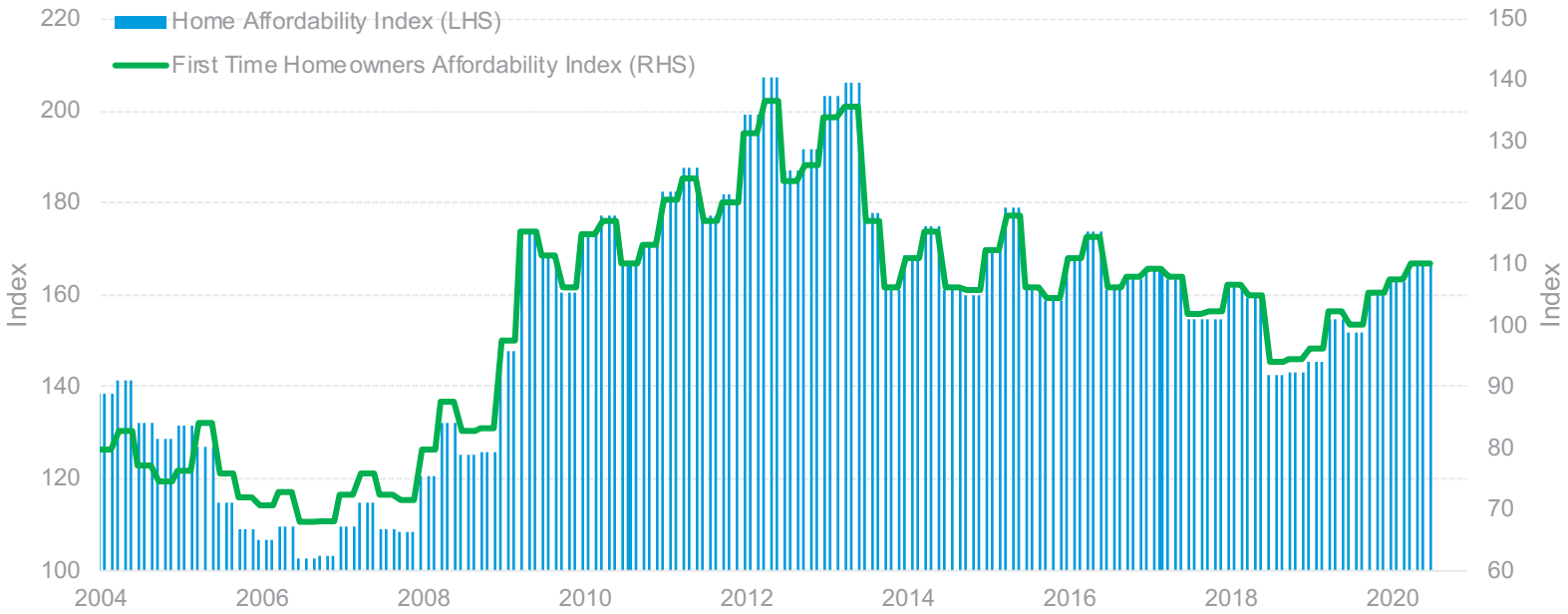
# Housing Led Recovery




Source: RSM US, Bloomberg

# Housing Led Recovery: Improved Affordability




Source: Bloomberg, RSM US

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# Fiscal policy response: 11.4% of GDP

## Phase 1
## US$8.5 billion

- Medical
- Scientific
- R&D
- SBA Catastrophe Fund

## Phase 2
## US$105 billion

- Unemployment insurance
- Sick leave

## Phase 3
## US$2.2 trillion

- Made up of:
- £500bn cash payout to individuals
- $350bn in small business loans
- $425bn bailout for industry
- $454bn backstop for the Fed

## Phase 4
## US$484 billion

- PPP
- EDIL
- Small business
- Hospitals
- Testing R&D

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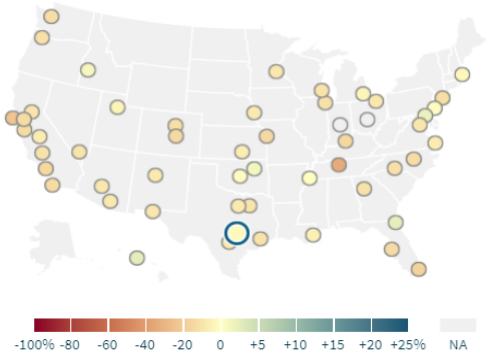
# Bridge to the new economy

# Austin Economic Data: Consumer Spending

## Percent Change in All Consumer Spending




**Total**

- Total

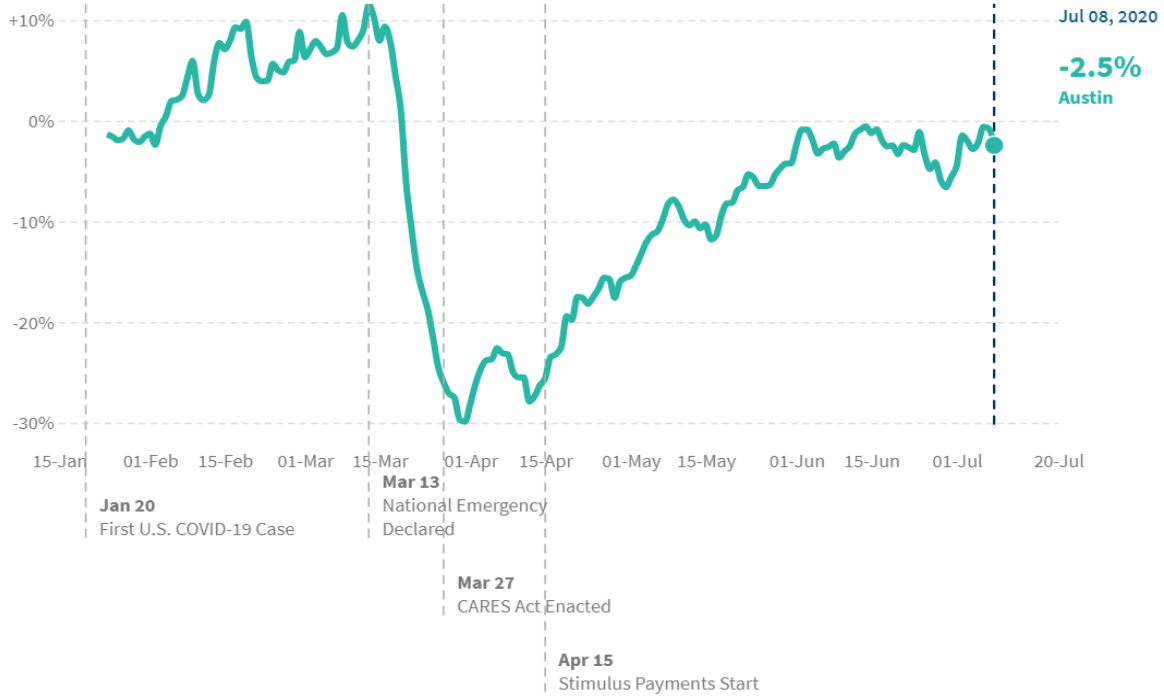
**Industry**

- Apparel & Ge…
- Entertainme…
- Grocery
- Health Care
- Restaurants …
- Transportation

**Consumer ZIP I…**

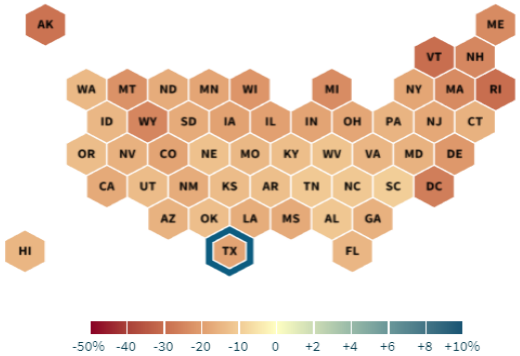
In **Austin**, as of July 08 2020, total spending by all consumers decreased by **2.5%** compared to January 2020.

DOWNLOAD CHART



# Texas Economic Data: Small Business Open

## Percent Change in Number of Small Businesses Open




**Total**

- (●) Total

**Industry**

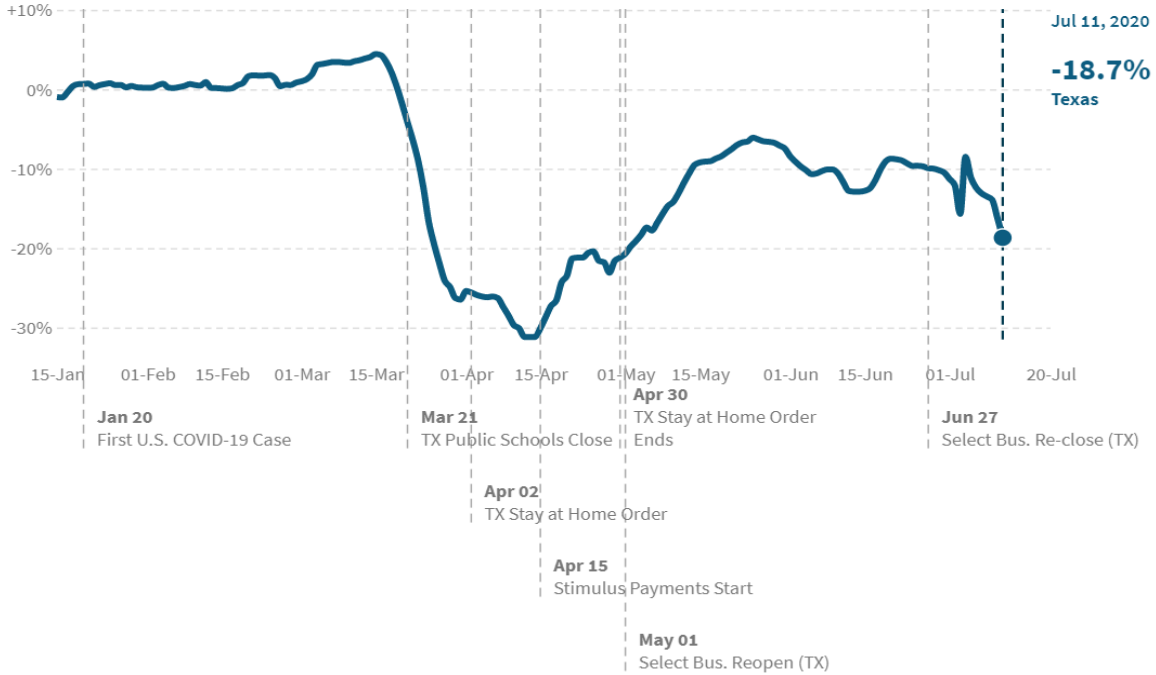
- ( ) Education & …
- ( ) Leisure & Hos…
- ( ) Professional …
- ( ) Retail & Trans…

**Bus. ZIP Income**

- ( ) High Income
- ( ) Middle Income
- ( ) Low Income

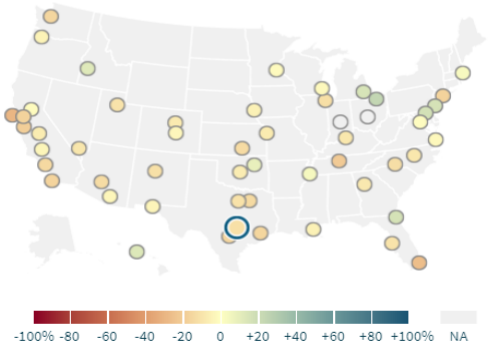
In **Texas**, as of July 11 2020, the number of small businesses open decreased by **18.7%** compared to January 2020.

DOWNLOAD CHART



# Austin Economic Data: Apparel Spending

## Percent Change in All Consumer Spending




**Total**

- Total

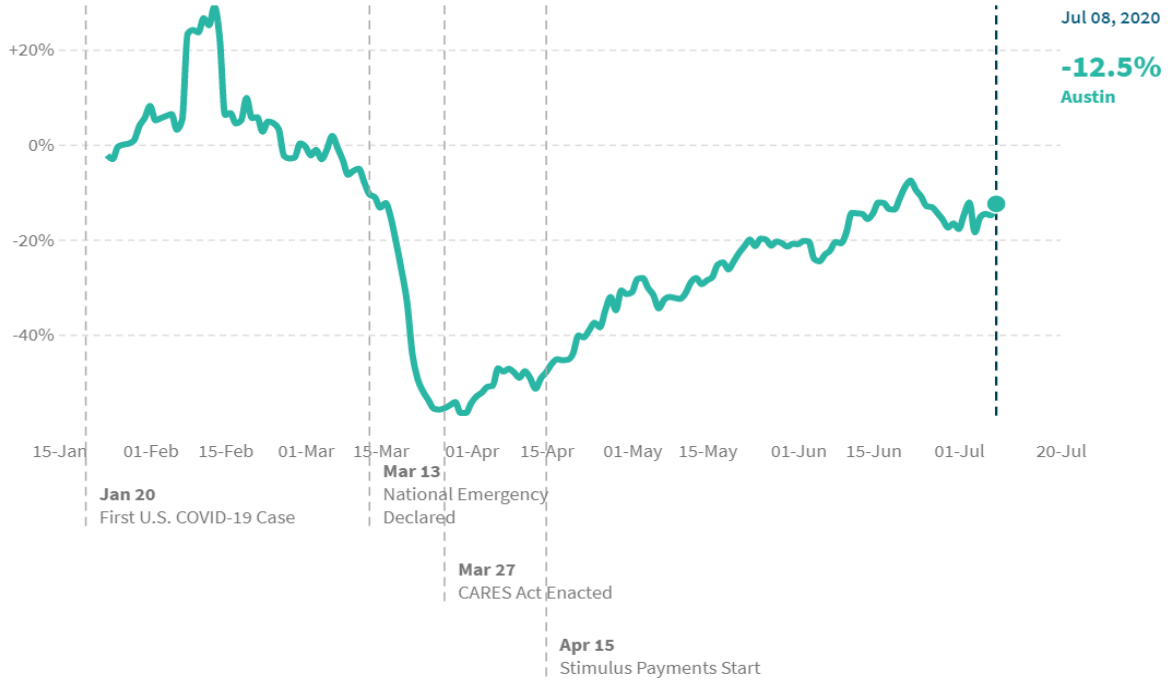
**Industry**

- Apparel & Gen. ...
- Entertainme...
- Grocery
- Health Care
- Restaurants ...
- Transportation

**Consumer ZIP I...**

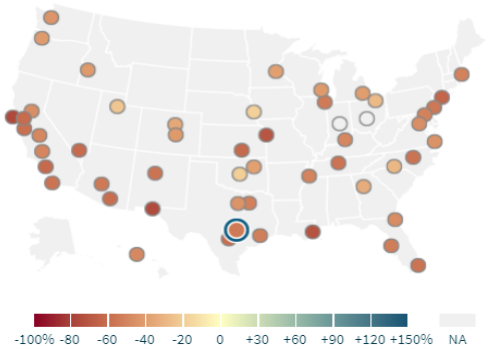
In **Austin**, as of July 08 2020, apparel and general merchandise spending by all consumers decreased by **12.5%** compared to January 2020.

DOWNLOAD CHART



# Austin Economic Data: Entertainment Spending

## Percent Change in All Consumer Spending




**Total**

- Total

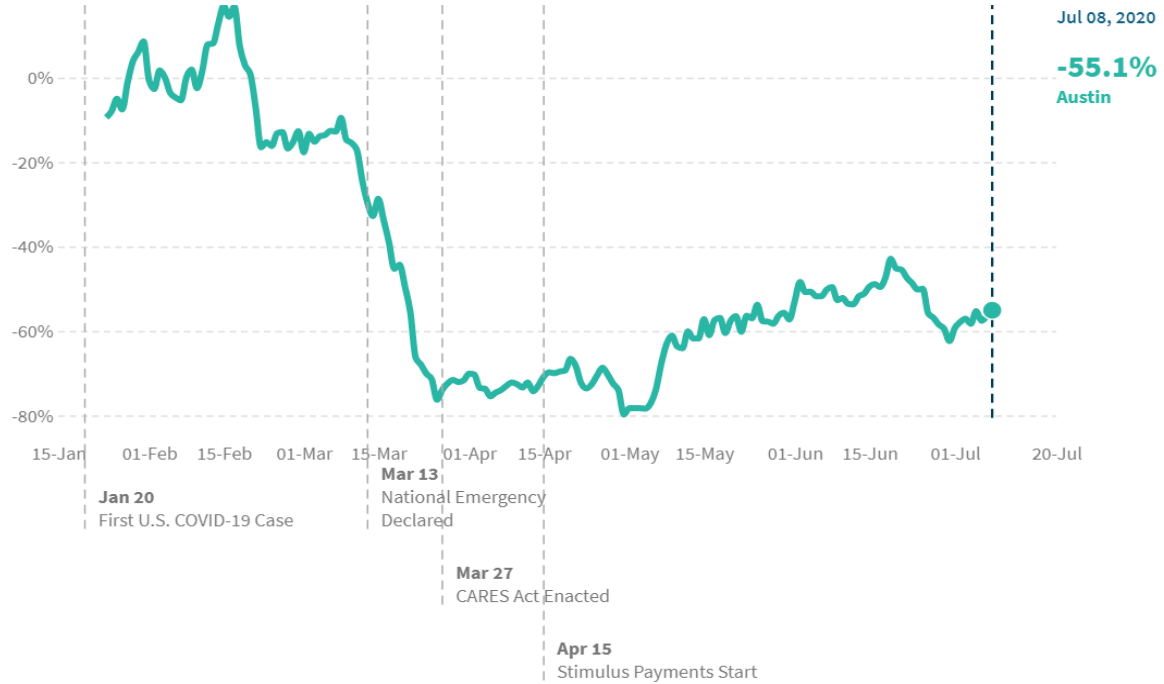
**Industry**

- Apparel & Ge…
- **Entertainment …**
- Grocery
- Health Care
- Restaurants …
- Transportation

**Consumer ZIP I…**

In **Austin**, as of July 08 2020, arts, entertainment, and recreation spending by all consumers decreased by **55.1%** compared to January 2020.

DOWNLOAD CHART

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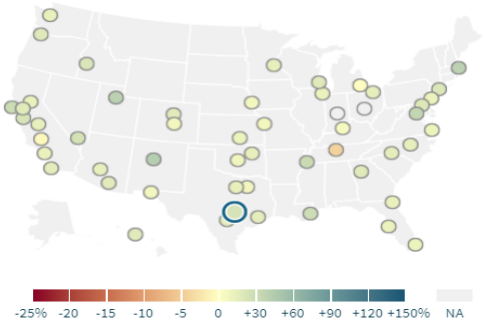
# Austin Economic Data: Grocery Spending

## Percent Change in All Consumer Spending




**Total**

- Total

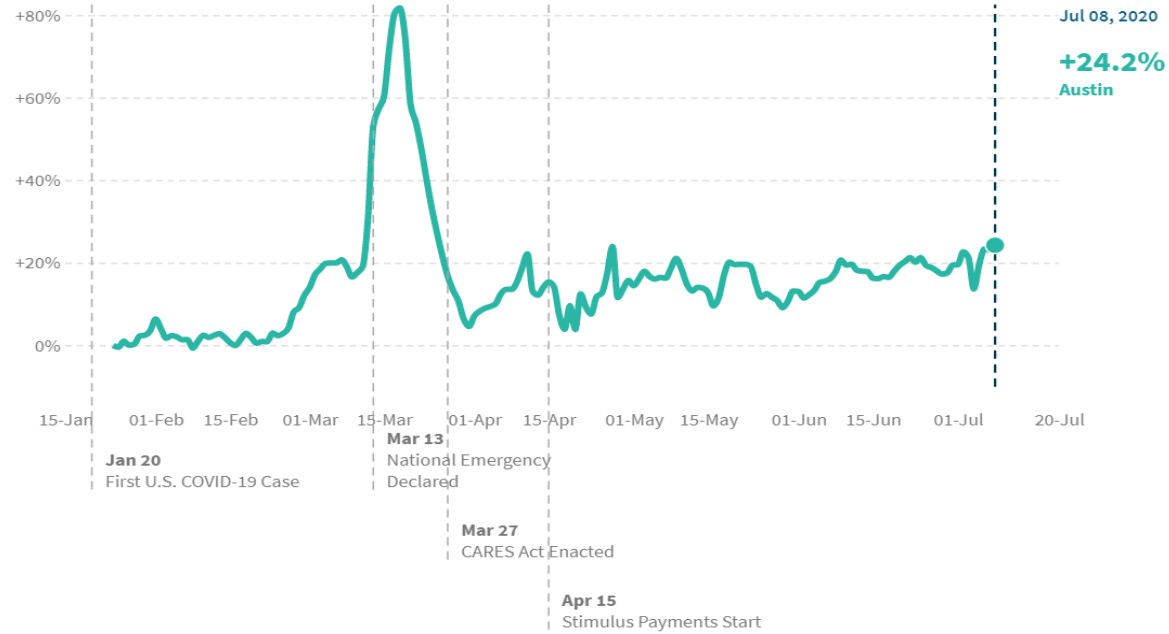
**Industry**

- Apparel & Ge…
- Entertainme…
- Grocery
- Health Care
- Restaurants …
- Transportation

**Consumer ZIP I...**

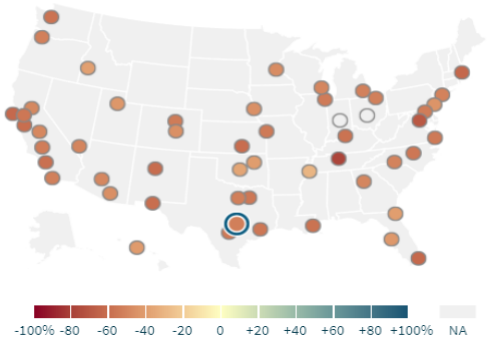
In **Austin**, as of July 08 2020, grocery spending by all consumers increased by **24.2%** compared to January 2020.

DOWNLOAD CHART



# Austin Economic Data: Transportation Spending

## Percent Change in All Consumer Spending




**Total**

- Total

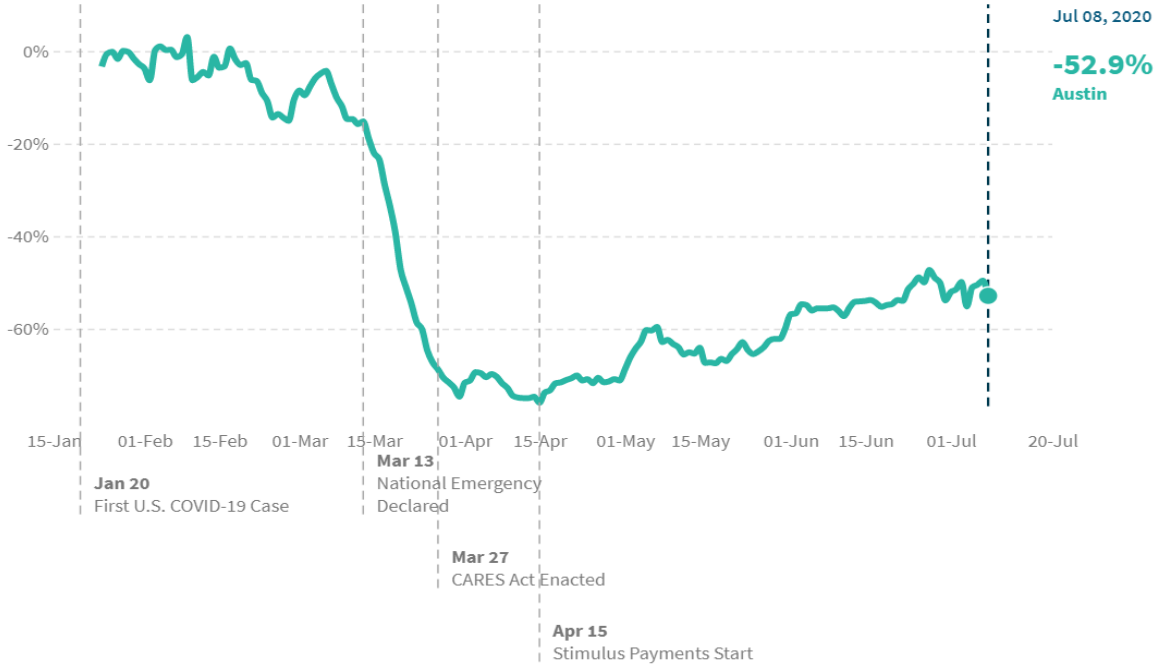
**Industry**

- Apparel & Ge…
- Entertainme…
- Grocery
- Health Care
- Restaurants …
- **Transportation**

**Consumer ZIP I…**

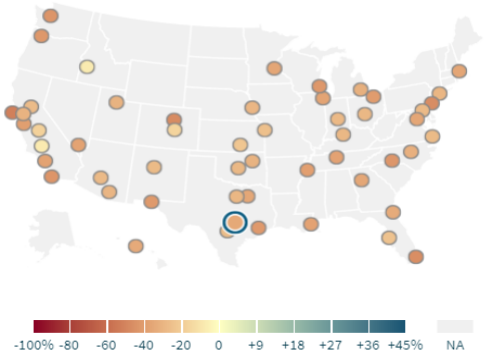
In **Austin**, as of July 08 2020, transportation spending by all consumers decreased by **52.9%** compared to January 2020.

DOWNLOAD CHART



# Austin Economic Data: Job Postings

## Percent Change in Job Postings




**Total**

- (●) Total

**Industry**

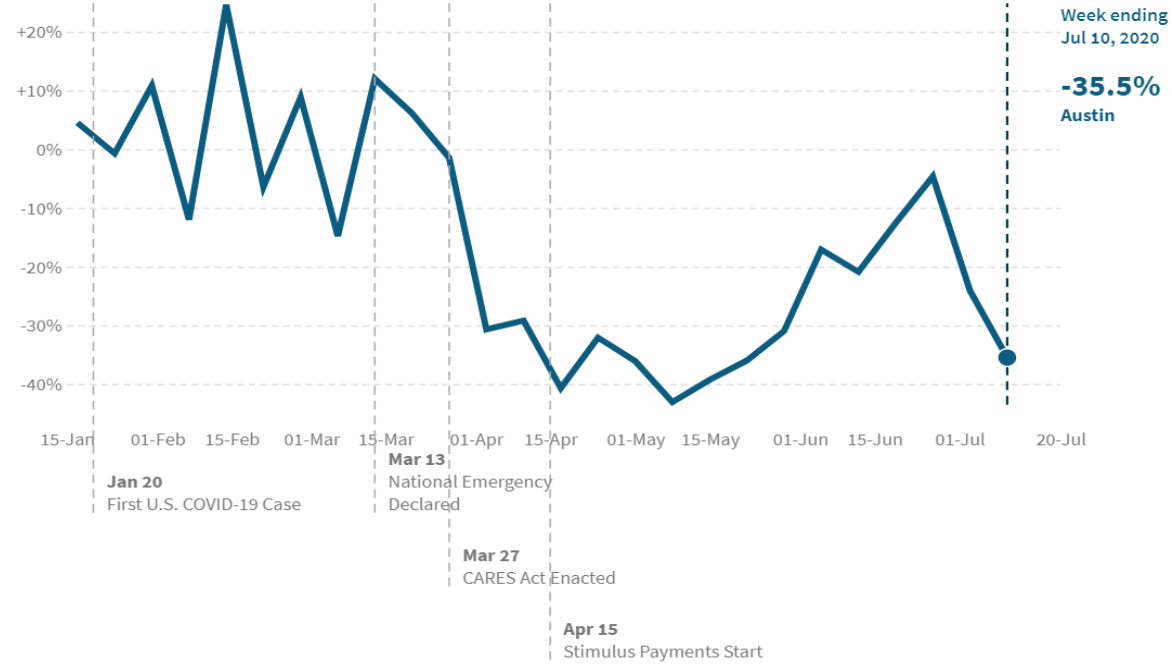
- ( ) Education & …
- ( ) Financial Acti…
- ( ) Leisure & Hos…
- ( ) Manufacturing
- ( ) Professional …

**Req'd Education**

- ( ) Minimal
- ( ) Some
- ( ) Moderate
- ( ) Considerable
- ( ) Extensive

In **Austin**, as of July 10 2020, total job postings decreased by **35.5%** compared to January 2020.

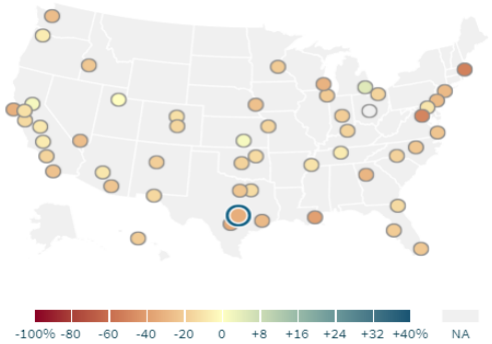
DOWNLOAD CHART



# Austin Economic Data: Small Business Revenue

## Percent Change in Small Business Revenue

*Visit Zip Code Map*




**Total**

- All

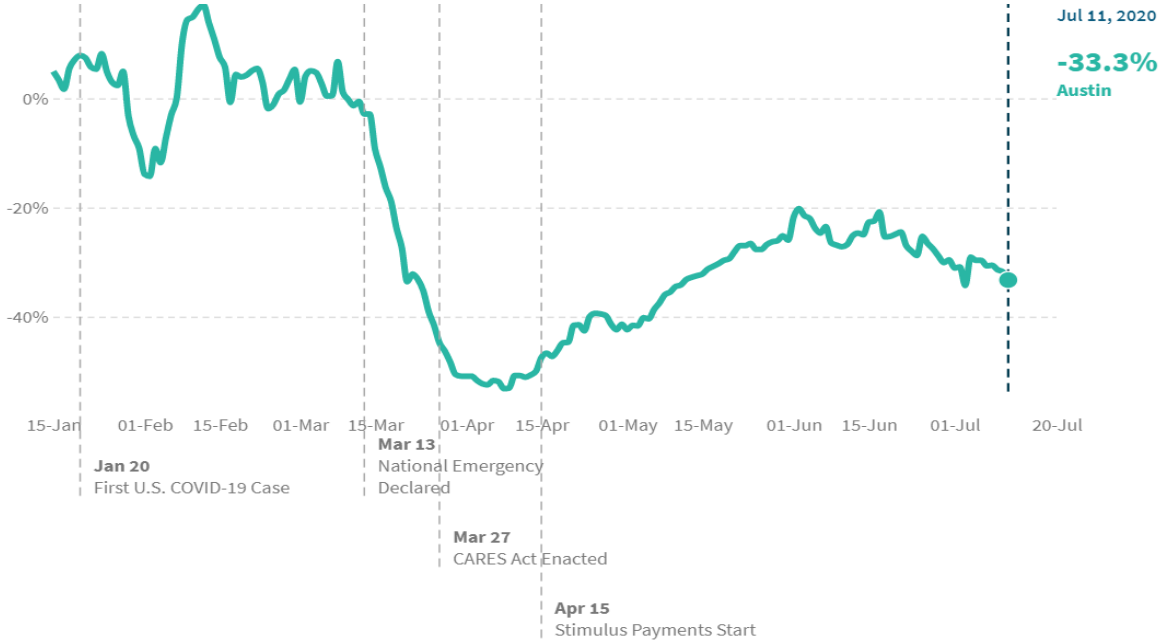
**Industry**

- Education & …
- Leisure & Hos…
- Professional …
- Retail & Trans…

**Bus. ZIP Income**

In **Austin**, as of July 11 2020, total small business revenue decreased by **33.3%** compared to January 2020.

DOWNLOAD CHART

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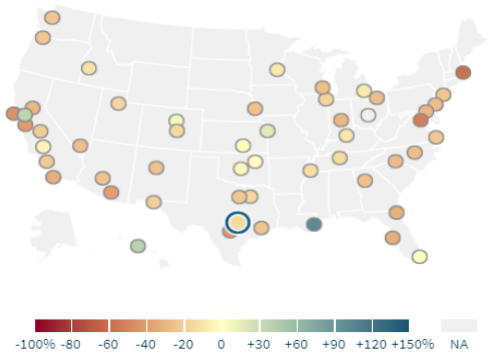
# Austin Economic Data: Small Business Revenue

## Percent Change in Small Business Revenue

*Visit Zip Code Map*




**Total**

- All

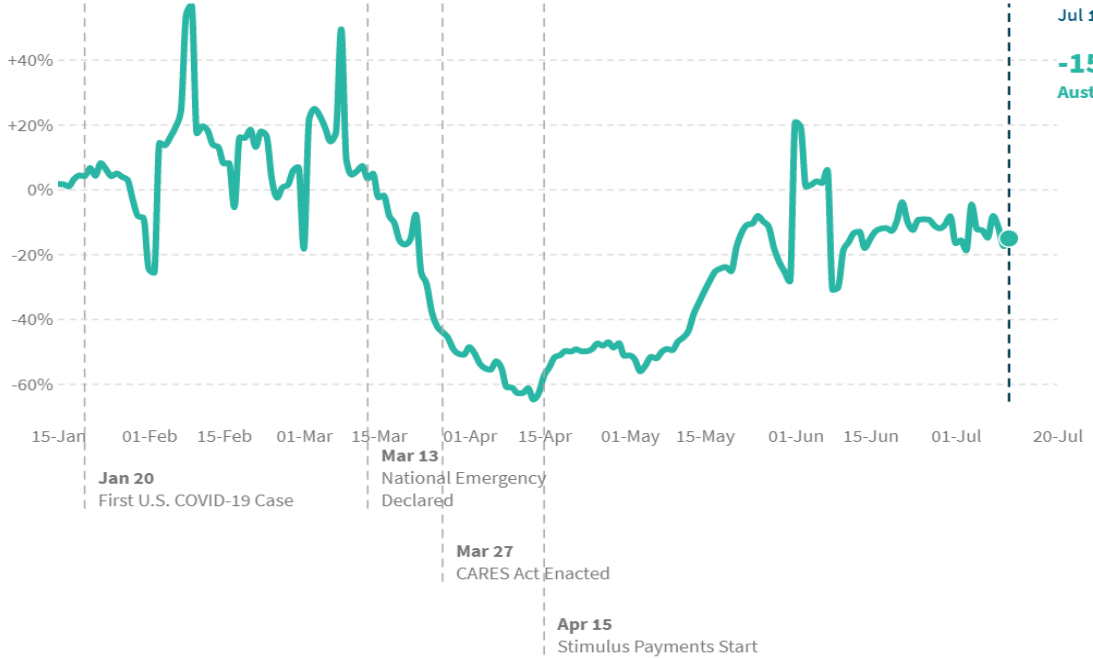
**Industry**

- Education & He…
- Leisure & Hos…
- Professional …
- Retail & Trans…

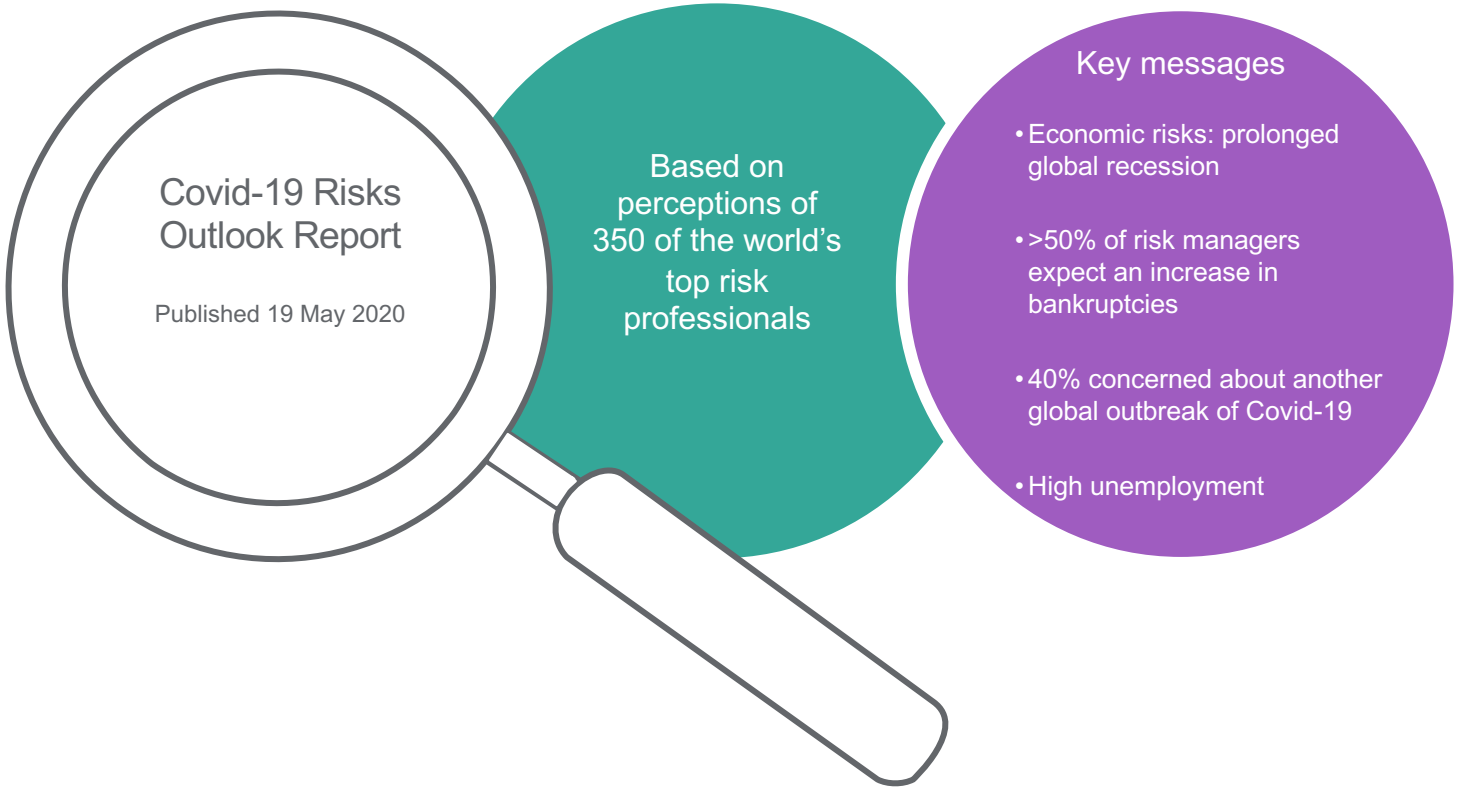
**Bus. ZIP Income**

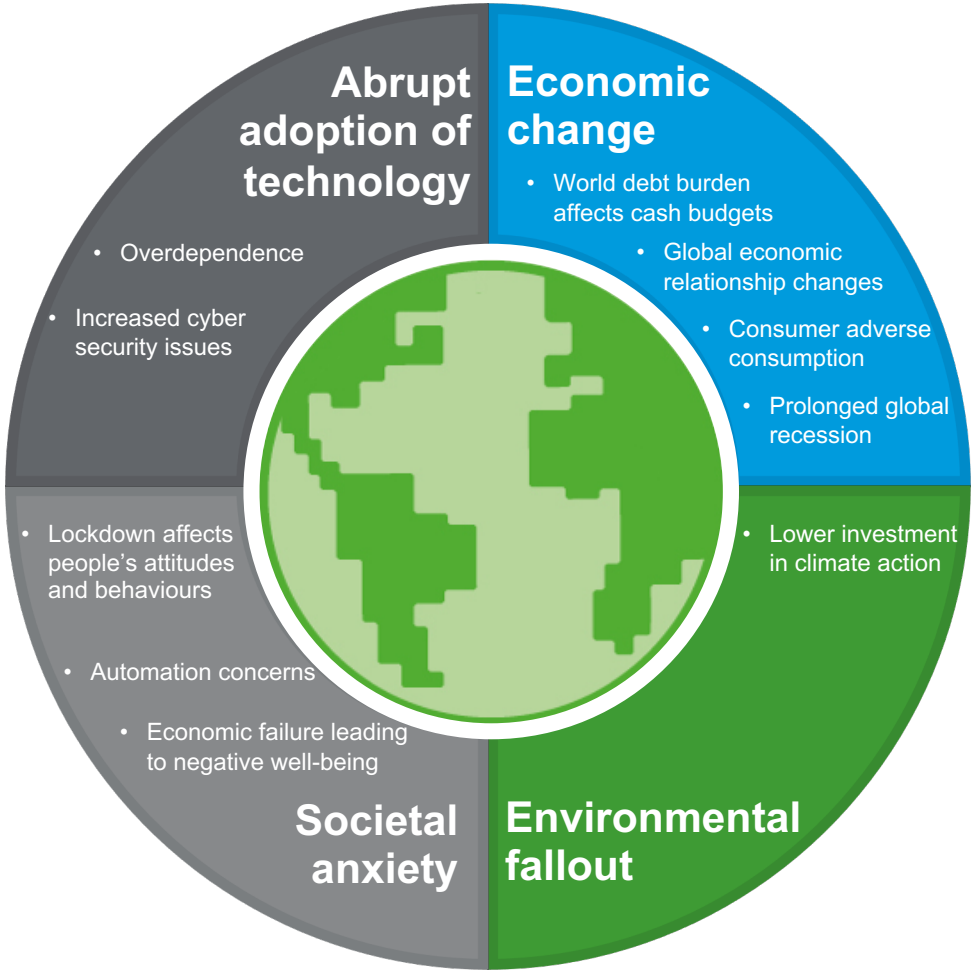
In **Austin**, as of July 11 2020, education and health services small business revenue decreased by **15.2%** compared to January 2020.

DOWNLOAD CHART



# World Economic Forum report






Source: World Economic Forum, May 2020

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# Most likely outcomes for the world

Source: World Economic Forum, May 2020

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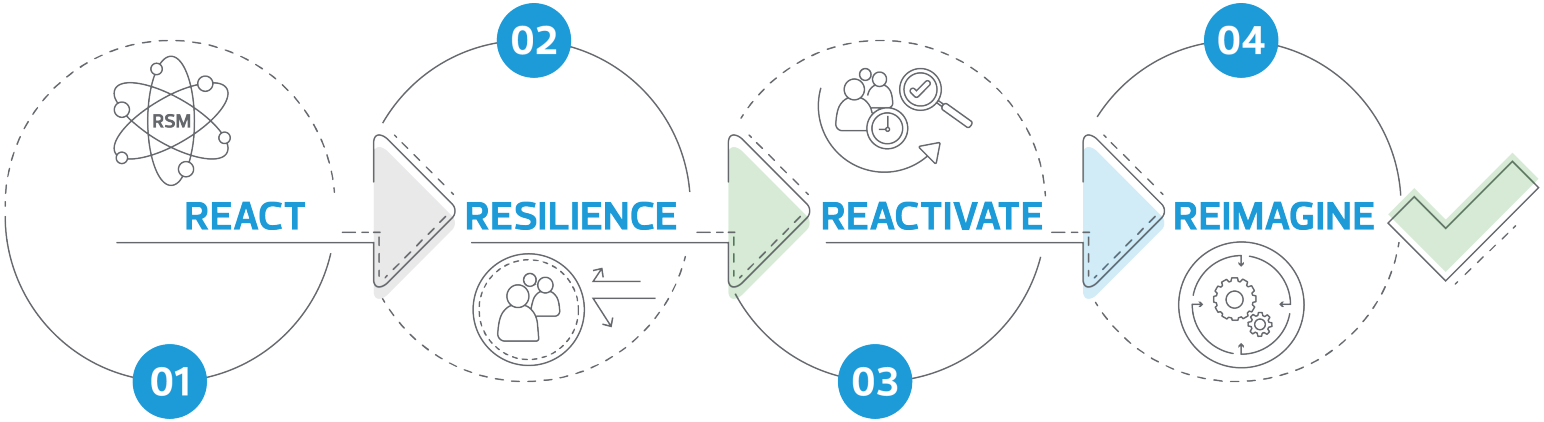

RSM
01
REACT
02
RESILIENCE
03
REACTIVATE
04
REIMAGINE

It is no coincidence that before the great depression we were using horses and carts and afterward we were a car-based society, this is what is happening now with AI and digital technologies.

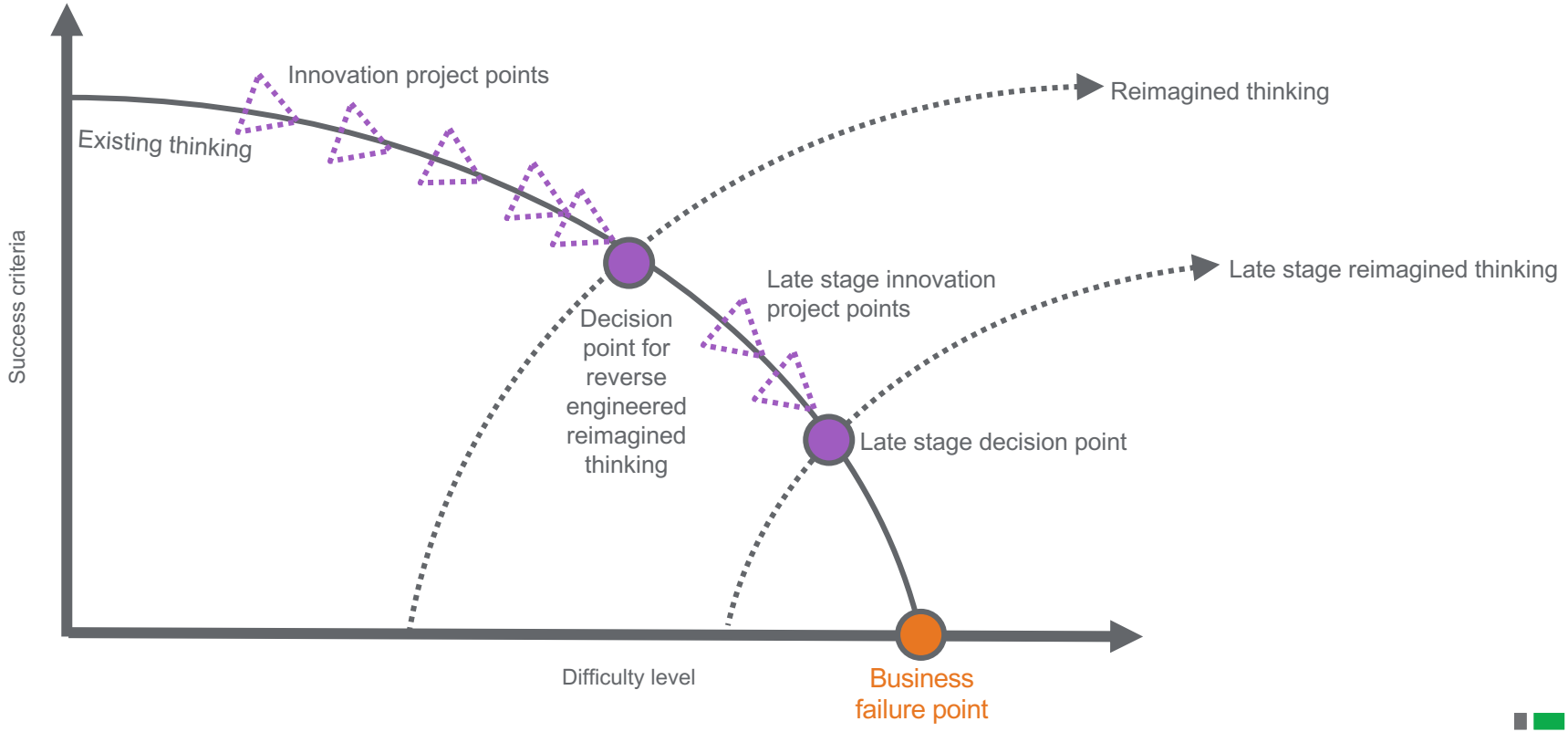
**Andres Borg**

Swedish former Minister of Finance

May 2020

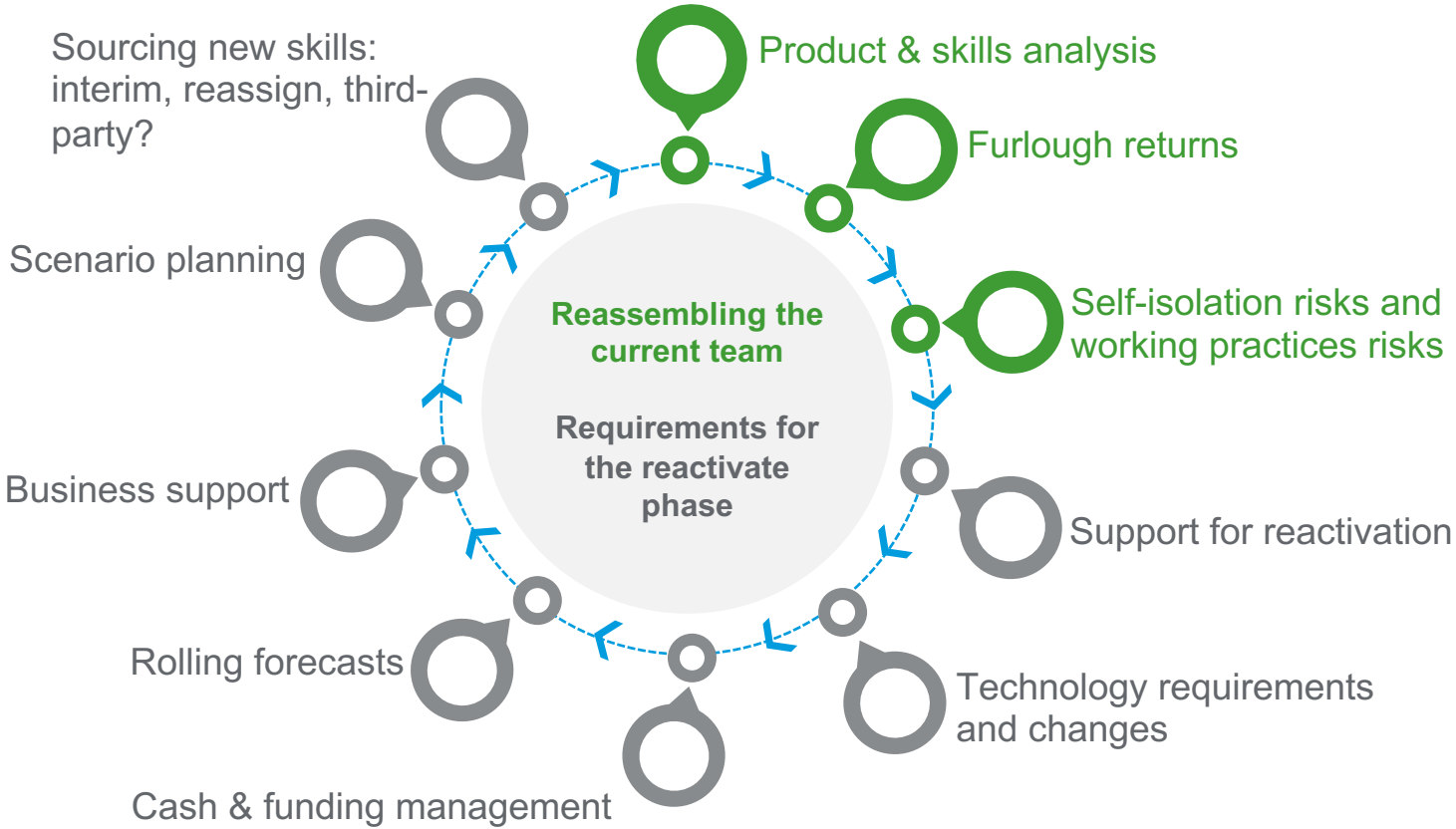
RSM

# Reimagined thinking




Source: Minds at Work, RSM UK

# Reactivate strategies – agile working




Source: RSM UK