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1. May Unemployment Report

The employment situation report for May was released today. In a surprisingly upbeat report, the headline unemployment rate (which is to some degree responsive to the situation of “gig” workers, contractors, and the self-employed) fell from 14.7 percent in April to 13.3 percent in May. The number of unemployed persons fell from 23.1 million to 21.0 million. The number of persons on temporary layoff declined by 2.7 million, indicating that workers are being recalled, which may be, in part, due to the Payroll Protection Program that might have incented firms to call layoffs back. The number who reported having permanently lost their jobs increased, however, from about 2.0 to 2.3 million. The number of part-time workers increased from 19.1 million to 20.7 million. The “U-6” alternative measure of unemployment, which includes involuntary part-time and discouraged workers, declined from 22.8 percent to 21.2 percent.

The employer survey showed an increase of 2.5 million jobs, again indicating recalls of previously laid-off workers. That indication is emphasized by an increase in employment in the leisure and hospitality industry of 1.2 million, or almost half of the total increase in jobs. Construction employment increased by another 464,000. Education and health employment increased by 424,000 (it had dropped by 2.6 million in April). Retail employment grew by 368,000. Against all of these (and other, smaller) increases in industrial categories, employment in government dropped by 585,000, on top of a plunge of 963,000 in April.
The posture of the economy at this time is unprecedented. Many economic forecasters, including the team here at The Conference Board, are thinking in terms of alternative scenarios of economic outcomes, rather than a single likely outlook. In the near term – over the next few months – it does appear likely to prove that the economy hit bottom in April, that is, in the current (second) quarter of the year – and this month’s employment report strongly reflects such a picture.

The economic drop has been so precipitous that numbers for economic output will show a relatively sharp rebound at first. The uncertainty lies in how the economy recovers after that initial sharp bounce (with additional uncertainty as to the behavior of the pandemic now, as the economy reopens, and in the Fall, as conditions become more hospitable for a rebound of the virus.)

Looking through this enormous uncertainty, it does appear that the most favorable likely outcome would be for economic output by the end of this year to approach the level from which it fell at the beginning, which would leave a significant drop in GDP over the year as a whole. That relatively optimistic scenario would leave considerable unemployment at year-end. Conditions in the job market next year will depend upon the ongoing rate of economic growth, and the CED Ad-Hoc Committee on the Economic Impact of Covid-19 will focus on economic policies for and beyond the reopening to address that prime concern.

2. **US CONGRESS**

**Paycheck Protection Program Update**

On Wednesday, the Senate passed the Paycheck Protection Program (PPP) Flexibility Act of 2020 by voice vote to modify the terms of the small business loan forgiveness program originally enacted in the CARES Act in March. The Small Business Administration will now extend the period in which businesses can spend PPP funds eligible for forgiveness from eight to 24 weeks, and allow businesses that receive their loans later in the process to spend the funds by the end of the year rather than by June 30. Additionally, the minimum share of funds that must be spent on payroll in order to qualify for forgiveness was reduced from 75 percent to 60 percent and the repayment period for loan monies not forgiven was extended from two years to five years. Eligible businesses interested in securing a PPP have until June 30 to apply. The PPP program has issued roughly $510 billion in loans through the end of May from a total appropriation of roughly $660 billion. In recent weeks, very few businesses have newly applied for remaining PPP funding.

According to the Wall Street Journal, nearly 70%, $1.2 trillion of the $1.6 trillion in direct financial aid that Congress provide 9 weeks ago, has been distributed. Congress has passed four pieces of emergency legislation authorizing about $3.3 trillion in new spending and tax breaks.
Next COVID Relief Package

Senate Republicans say that another coronavirus relief package is anticipated to be proposed within the coming weeks. However, Republican lawmakers have made it clear they will not support more enhanced unemployment benefits. The White House and Senate Republicans share concerns about workers who would continue to earn more from the UI benefits than they do working. The administration is weighing reducing the payments to $250 to $300 a week during the second half of the year, officials said.

Senate Majority Leader Mitch McConnell has also highlighted liability protection for businesses as another central issue for Republicans. As of May 15th, according to analysis based on a case tracker by the Hunton Andrews Kurth law firm, court records show that 45 coronavirus-related lawsuits that were personal injury or medical malpractice cases against a business have been filed. 28 of those were against Princess Cruise Lines. The rest were against three other cruise lines, two meat processing companies, Walmart Inc., a senior living facility operator, two care centers, a hospital and a doctor’s group. A lawsuit was filed against Amazon this past week by three employees.

While the size and content of the follow-on bill remains undetermined, last month the House approved a $3.5 trillion bill that includes additional safety-net spending, another round of payments for Americans and roughly $1 trillion in aid to state and local governments.

3. Economic Projections
Last Friday, the Office of Management and Budget announced that for the first time since at least the 1970s, the Administration would not publish a summer update of its annual economic and deficit forecast (which had been issued with the budget in February). This mid-year update is required by law to be submitted to Congress before July 16.

The Congressional Budget Office said Monday it could take nearly a decade for the U.S. economy to fully recover from the pandemic and related shutdowns. Earlier in May, the Congressional Budget Office released interim economic projections for 2020 and 2021 forecasting real GDP to remain below end of 2019 levels and for unemployment to continue to remain elevated (at 8.6 percent) through the end of 2021. The CBO expanded that forecast to show that the severity of the economic shock could depress growth for far longer. The new estimate said that over the 2020-2030 period, total GDP output could be $15.7 trillion lower than CBO had been projecting as recently as January. That would equal 5.3% of lost GDP over the coming decade.

The Administration’s next economic and budgetary forecast is expected to be released with the President’s Budget on the first Monday of February next year.
4. **Vaccines and Treatments**

Dr. Anthony Fauci said that the US should have 100 million doses of a vaccine by the end of the year. He was referring to the Moderna candidate, which is the most advanced at this time, entering Phase 2 trials. There is hope for progress to the final stage of Phase 3 trials by mid-summer. Trials in Phase 3 test the efficacy of the vaccine. Plans are underway to produce the vaccine even before the Phase 3 trials prove successful – a so-called “big bet” intended to avoid delays in availability. Of course, if the trials should prove unsuccessful, the production process will have been wasted, and for that matter might have delayed a later candidate that might have greater efficacy.

Merck announced that it will gain exclusive worldwide rights to develop and commercialize an undisclosed vaccine using Australian biotech company Vaxxas’ proprietary patch technology.

There is enormous hope for the development of a vaccine, and there have been enthusiastic statements of optimism from the researchers involved. Experts have expressed cautious optimism, but have noted that the novel coronavirus has proved different from others in the past, and that past efforts have taken longer than the 12 to 18 months that many predict today. Among the uncertainties in the current effort have been the ability of the human body to develop immunity, and the duration of immunity that will result from either an actual infection or a vaccine. Some vaccines for prior pathogens have needed multiple doses (a “booster”) or even repeat inoculation each year. There are pathogens for which no successful vaccine has ever been developed, and so the ultimate outcome in this instance cannot be known.

Meanwhile, Eli Lilly and Company has begun human trials of an antibody therapy. This is a different line of research than that which identified moderate efficacy for the pre-existing drug remdesivir. Other drugs that had been developed for other uses are being explored for use against Covid-19, but the Lilly drug is the product of new research aimed explicitly at the novel coronavirus.

And, the medical journal Lancet published a statement by the authors of the study on hydroxychloroquine saying that the could no longer vouch for the validity of the data that concluded the drug was dangerous for hospitalized COVID-19 patients.

5. **Reopening: The States**

The *New York Times* reports that 16 states (plus Puerto Rico) are showing increasing numbers of Covid-19 cases. Some of these have had essentially continuous upward trends, while some (such as Texas, Florida and Washington) had made apparent progress but have had increasing caseloads over recent days. Florida has reported a three day increase in Covid-19 cases as it puts itself in play to possibly host the Republican National Convention. Another 15 states have discernable downward trends. Virtually all of those are down from pronounced peaks (New York, New Jersey, Connecticut and Pennsylvania are examples). The national count shows a painfully slow downward trend. The case count is an imperfect indicator, because a greater number of cases can be driven by more comprehensive testing as well as symptomatic people
arriving at hospital emergency rooms. And though the national caseload was driven by major metropolitan areas (such as New York City), important hotspots have developed in the vicinities of prisons and in food processing plants in more rural areas.

According to a report released this week by the Centers for Medicare and Medicaid Services (CMS) about 1 in 4 US COVID-19 deaths—nearly—26,000 occurred in nursing homes.

A Yahoo Finance Review of jobless claims data from the Labor Department shows that Rhode Island, Vermont, and Michigan have seen the strongest early signs of bottoming out to the return to normal. Those three states plus Montana and Idaho have all seen their average weekly jobless claims number fall by 75% or more. Ohio, West Virginia, Utah, Pennsylvania and Indiana are also in the top ten of states that are showing the largest drop in average weekly unemployment. On the other end of the spectrum, the pandemic hit Nevada’s workforce harder than any other state.

New York City: Governor Cuomo announcement that New York would be reopening businesses on June 8, in anticipated to bring 400,000 workers back to work. More than 30,000 construction sites are expected to reopen on Monday. The New York transit system has been preparing for that return with a number of measures. It has seen a 90 percent drop in ridership during the stay at home orders. Prior to the pandemic, daily weekly ridership was about 8 million in the greater New York area, including 50 percent of the city’s population. In preparation for reopening, The MTA installed new, no-touch payment scanners in half its subway stations to help prevent some contact, and is asking City Hall for 60 miles of priority bus lanes in the Bronx, Brooklyn and on Staten Island. The MTA is increasing service to decrease the numbers of ridership and using police to enforce mask wearing.

6. Spotlight On Reopening: India

India’s first case of the novel coronavirus was reported on January 30, and as of June 3, the Ministry of Health and Family Welfare has confirmed a total of 101,497 active cases, 100,302 recoveries, and 5,815 deaths. On March 14, scientists at the National Institute of Virology isolated a strain of the novel coronavirus, making India the fifth country to successfully obtain a pure sample of the virus. The Indian Council of Medical Research (ICMR) stated that the isolation of the virus would accelerate the development of drugs, vaccines and testing kits in the country. Currently, the country’s deaths relative to the total number of people diagnosed (the Case Fatality Rate) is at 2.80 percent, which is less than the global CFR of 6.13 percent. However, on June 3, India’s total number of COVID-19 cases rose above 200,000 with 8,909 new coronavirus cases – its largest increase in a single day. While India has tested over 3.8 million people so far, experts have voiced concerns that the country hasn’t seen the peak of new daily infections, and may do so only in late July.
By January 21, India had begun applying protective measures to combat the spread of the virus by carrying out thermal screening of passengers arriving from China at seven airports, which was subsequently expanded to twenty airports by the end of the month. Towards the end of February, airport screenings were also extended to passengers arriving from countries other than China. The Indian government, on March 3, stopped issuing new visas and revoked previously issued visas for the nationals of Italy, Iran, South Korea, and Japan. Thereafter, it extended these measures to European, Gulf and additional Asian countries. By March 13, all visas (except for a few special cases) were suspended and Indian citizens returning from countries affected by COVID-19 countries were asked to quarantine for a period of fourteen days.

By mid-March, the Central and State governments, along with ministries such as Defence, Railways, Labour, Aviation and Tourism, were working together to set up additional quarantine and treatment facilities across the country. Further, the Ministry of Textiles, the Department of Pharmaceuticals, and the Ministry of Consumer Affairs, Food and Public Distribution were asked to ensure the availability of protective medical materials, essential medicines, and other essential goods. It was estimated that India had around 40,000 ventilators (8,432 of which were...
within the public sector). Various Indian firms, including private auto firms, the Indian Space Research Organization (ISRO), the Defence Research and Development Organization (DRDO), etc., began innovating and repurposing their production lines to manufacture general PPEs, full body suits and ventilators, in addition to designing low-cost, mobile medical equipment. India began producing around 200,000 PPE kits and 250,000 N95 masks (from zero) per day in May, rising to become the world’s second largest producer of PPE body coveralls. The Ministry of Science & Technology announced on June 3 that researchers have developed a low-cost ventilator that could be mass-produced by the country to aid in the fight against COVID-19. The Ministry of Electronics and Information Technology launched a smart phone app called “Aarogya Setu” to help curb the spread of the virus in the country by using contact tracing.

India’s Prime Minister, Narendra Modi, placed the (globally second most populous) country’s 1.3 billion population under the world’s biggest nation-wide lockdown, starting March 25 for a period of 21 days to help block the spread of the virus. The announcement of strict lockdown restrictions gave Indians only about four hours to prepare before it went into effect, leading to millions of migrant workers stranded in cities. This resulted in some walking hundreds of kilometers (due to the suspension of bus and train services) towards their villages with little to no protective gear such as face masks. Human suffering aside, test results for such migrants revealed several worrying clusters tracked to laborers returning to rural areas.

The strict lockdown was further extended into “lockdown 2.0” (with a conditional relaxation in areas where the spread was contained) until May 3, then subsequently into “lockdown 3.0” until May 17 with the introduction of containment zones, and then, a “lockdown 4.0” until May 31 nation-wide.

The Ministry of Home Affairs, on May 30, announced an economic focused “Unlock 1” that would allow a phased restarting of services from June 8 in non-containment zones, but added that the lockdown would remain ongoing until June 30 in containment zones. Although bus services and metro systems are still to be suspended, under the “Unlock” phase, railway services mostly resumed running – allowing for inter-state travel (which had been mostly impossible during the lockdown), domestic flights were made operational, and restaurants, shopping malls, and places of worship began reopening.

The Ministry of Home Affairs has started relaxing visa regulations for selected foreign officials, and has allowed businessmen, healthcare professionals and engineers to visit India (with fresh visas), provided they have a letter of invitation from “a recognized and registered healthcare facility, registered pharmaceutical company or accredited university based in India.” An article by McKinsey on the reopening of the Indian economy states that, during India’s six week national lockdown, “its economy has functioned at 49 to 57 percent of its full activity level...
and (for India’s economy to function alongside COVID-19 for a prolonged period) a well-implemented, granular, dynamic, and locally driven lockdown- and restart-management capability while managing health risks is required.”

On March 24, the Prime Minister announced an aid package of 150 billion INR for the healthcare sector to be used for developing testing facilities, PPEs, ICUs, and ventilators, and for medical training. On May 12, India further announced an economic package of 20 trillion INR aimed at laborers, farmers, cottage industries, etc.. Prime Minister Modi stated that, “this package will work to bring about a self-reliant India,” while adding that the fiscal and monetary stimulus package is equivalent to about 10 percent of India's GDP.

Finance Minister Nirmala Sitharaman provided further details about the plan in a press conference held the following day, confirming that, among other stipulations, small businesses would be able to access collateral-free loans until the end of October to help “resume business activity and safeguard jobs.” She emphasized that, “the intention is to build local brands and make them world class... not about looking inwards or being isolationist... but being a confident India that contributes to the globe.”

India’s economy was struggling before the outbreak – with economic growth (approximately) reduced by half in the last three years, and unemployment at a forty-five year high of 6.1 percent in mid-2019. During the lockdown, approximately 140 million people are estimated to have lost their jobs while incomes were reduced for many more. The International Monetary Fund projects that India's economy will grow by just 1.9 percent this year. The pandemic has highlighted concerns for the future of India’s massive informal employment sector, an organized return of migrant laborers to urban cities, and the capability of small businesses to withstand the crisis, among other problems. These issues, along with the looming possibility of a second wave of the virus, will shape the availability of jobs in coming months.

COVID-19 World View

The novel COVID-19 coronavirus, which was first recorded in China towards the end of 2019, has spread all around the world, and has been declared a pandemic by the World Health Organization. According to the Center for Systems Science and Engineering (CSSE) at Johns Hopkins University, as of June 3, there were a total of 6,570,362 cases and 387,634 deaths confirmed globally. The United States has (so far) recorded the highest number of cases, and in addition the greatest number of COVID-19 related deaths in the world.
The world is still seeing a rise in the number of daily new infections, with a substantial portion of new cases being reported in South American countries, especially Brazil, followed by Peru and Chile. Concerns have been raised about a possible coronavirus-arbovirus syndemic in Latin American countries.

Many European countries, on the other hand, have begun reopening after weeks under lockdowns. France, Italy, Spain, and the UK, which were the worst hit in Europe, seem to have passed the peak, and are seeing a fall in the number of new cases (as well as deaths). France has allowed for restaurants and cafes to open, Germany has seen the reopening of schools with students self-testing periodically, and along with Belgium, and the Netherlands, etc., announced that as of June 15, travel warnings would be removed for most European countries. Russia imposed a “high alert” status for the whole country and asked people to take anti-coronavirus measures.

In the US, almost all the states have begun to loosen restrictions. While there is a decline in the number of new cases in many states, several states are still seeing a rise, leading to worry among health officials about further spread of the virus. Ongoing mass gatherings to protest against police brutality have led to further warnings from public health authorities about a possible resurgence, particularly among ethnic minorities.

India, Turkey, Iran, Saudi Arabia, and Pakistan were the highest affected countries in Asia. Media reports revealed the first COVID-19-related death recorded among about thirty affected Rohingya refugees in Bangladesh. India, although having reported its highest number of daily
new cases, began to ease lockdown measures beginning June 1. Nepal announced that the country’s nation-wide lockdown would be extended until June 14, and the suspension on international travel extended until June 30. South Korea announced the shutdown of schools (that had begun reopening) due to a rise in coronavirus clusters.

About half the global population has been under social distancing measures and other lockdown rules to help combat the spread of the novel coronavirus. These restrictions have made a massive impact on the world economy. The International Monetary Fund warned that the world may face the worst recession since the 1930s Great Depression. The pandemic has also caused concerns about global supply chains and possible food shortages, with the United Nations warning that the number of people suffering acute hunger could double. Unemployment all over the world has increased to unprecedented levels and many fear that some jobs and small businesses may never return.

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