

5-2020

From Economic Slowdown to Recession

Iryna Demko

Cleveland State University, i.demko@csuohio.edu

Iryna V. Lendel

Cleveland State University, i.lendel@csuohio.edu

Merissa Piazza

Cleveland State University, m.c.piazza83@csuohio.edu

Follow this and additional works at: https://engagedscholarship.csuohio.edu/urban_facpub



Part of the [Urban Studies and Planning Commons](#)

How does access to this work benefit you? Let us know!

Repository Citation

Demko, Iryna; Lendel, Iryna V.; and Piazza, Merissa, "From Economic Slowdown to Recession" (2020). *All Maxine Goodman Levin School of Urban Affairs Publications*. 0 1 2 3 1660.

https://engagedscholarship.csuohio.edu/urban_facpub/1660

This Report is brought to you for free and open access by the Maxine Goodman Levin School of Urban Affairs at EngagedScholarship@CSU. It has been accepted for inclusion in All Maxine Goodman Levin School of Urban Affairs Publications by an authorized administrator of EngagedScholarship@CSU. For more information, please contact library.es@csuohio.edu.



Levin.

The Maxine Goodman Levin
College of Urban Affairs

FROM ECONOMIC SLOWDOWN TO RECESSION

The most recent recession, known as the “Great Recession,” began in December 2007 and ended in June 2009.¹ The recession affected the entire U.S., but its impacts were not uniform. Unfortunately, Ohio was a primary example of the recession’s iniquities as the recession lasted five months longer here compared to the rest of the nation.² Now, with the COVID-19 pandemic, we face further uncertainty and another recession with economic activity contracting “sharply and abruptly” across the entire U.S.³ This research brief examines the state of the economy in the U.S. and Northeast Ohio⁴ pre-pandemic (2019) and provides an analysis of the immediate impacts of social distancing measures and mandated closures in 2020.

2019 Economic Slowdown

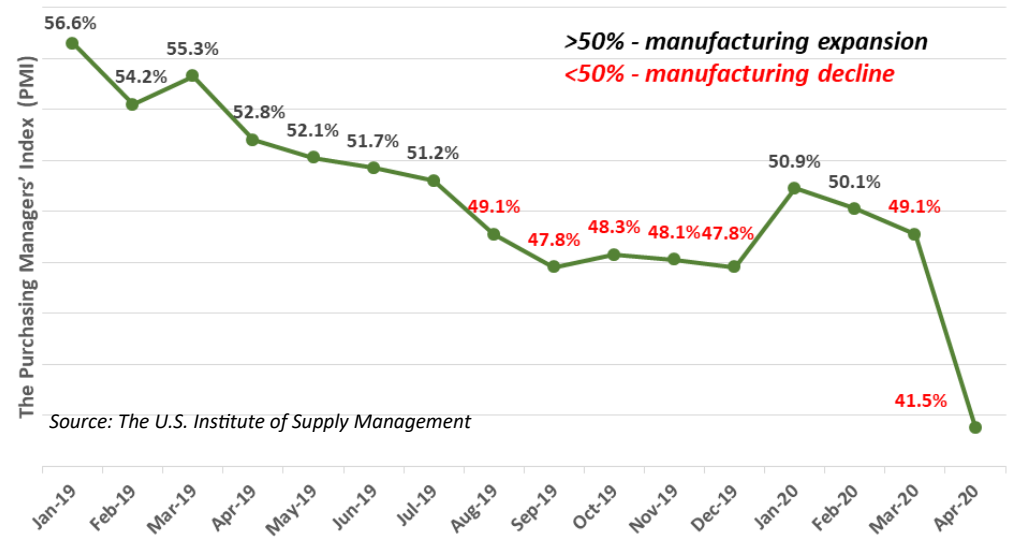
When an economy faces a recession, sales and revenues decrease for businesses, causing a decline in growth. As companies struggle with less cash and revenue, they first try to reduce costs through hiring freezes, lowering wages, and/or layoffs, resulting in employment declines. Last year (2019) marked a significant slowdown in statewide employment growth. From 2010 to 2018, Ohio added an average of 58,500 jobs each year; in 2019, employment increased significantly less by only 8,200 jobs.⁵ This decline indicates that businesses were hiring fewer people, and economic growth was already slowing.

The trade war significantly stalled economic growth in 2019. The Federal Reserve Bank of Cleveland reported persistent trade-related uncertainties with economic implications in Ohio

and parts of neighboring states (Pennsylvania, Kentucky, and West Virginia).⁶ Shipping activity continued to fall due to freight volumes declining in the manufacturing sector and structural changes in transpacific shipping supply chains. Tariffs increased costs for manufacturers, and, in turn, manufacturing companies passed these costs on to consumers. Additionally, agriculture was not impervious to tariffs, especially soybeans, Ohio’s largest agricultural export product. The 25% tariff on soybeans imposed by China in the summer of 2018 resulted in 60% soybean export declines.⁷

Many economists look to the manufacturing sector as a key indicator of the economy’s overall health due to a significant supply chain and employment support for other regional companies. After California and Texas, Ohio is the third-largest manufacturing state, yielding \$112 billion in economic output and employing more than 700,000 workers in 2019.⁸

Figure 1. National Manufacturing Trends, January 2019 to April 2020



¹ According to the National Bureau of Economic Research.

² The economic recession in Ohio lasted from February 2008 through January 2010. Gjerde, K. P., Prescott, P., & Rice, J. (2019). The impact of state fiscal policy on states’ resilience entering the Great Recession. *Journal of Regional Analysis & Policy*, 49(1), 13-30.

³ Federal Reserve District. (2020, April 15). National summary. *The Beige Book*.

⁴ Northeast Ohio is defined as an 18-county area that includes Ashland, Ashtabula, Columbiana, Cuyahoga, Erie, Geauga, Huron, Lake, Lorain, Mahoning, Medina, Portage, Richland, Stark, Summit, Trumbull, Tuscarawas, and Wayne counties.

⁵ Authors’ calculation based on BLS data on State and Area Employment, Hours, and Earnings (Series ID: SMS390000000000000001)

⁶ Federal Reserve Bank of Cleveland. (2019, October 16). *The Beige Book*.

⁷ Soybeans exports declined from 29.9 million tons to 13.4 million tons. As demand lowered, the price in Ohio dropped by almost a dollar, from \$9.62 per bushel to \$8.69. Source: Export Grain Inspection, 2018 and 2019. Federal Grain Inspection Services Yearly Export Grain Totals. The last marketing year represents a period from September 1, 2017, through August 31, 2018.

⁸ In 2019, manufacturing industries accounted for 16% of Ohio’s output, which is 5% higher than the national share. Last year, manufacturers in Ohio employed 12% of the state workforce, 4% more than in the U.S.



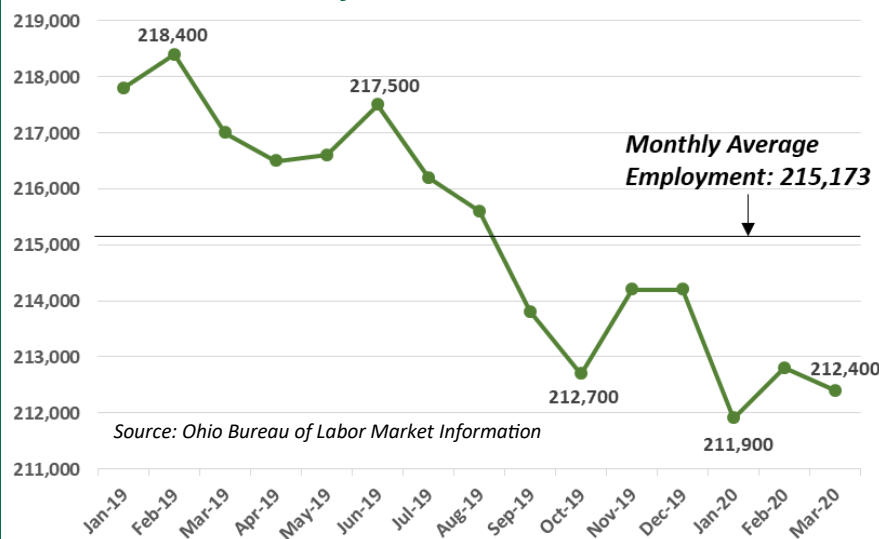
Levin.

The Maxine Goodman Levin
College of Urban Affairs

CLEVELAND STATE UNIVERSITY
CENTER FOR ECONOMIC DEVELOPMENT

THE GEORGE GUND
FOUNDATION

Figure 2. Manufacturing Employment in NEO Metro Areas, January 2019 to March 2020

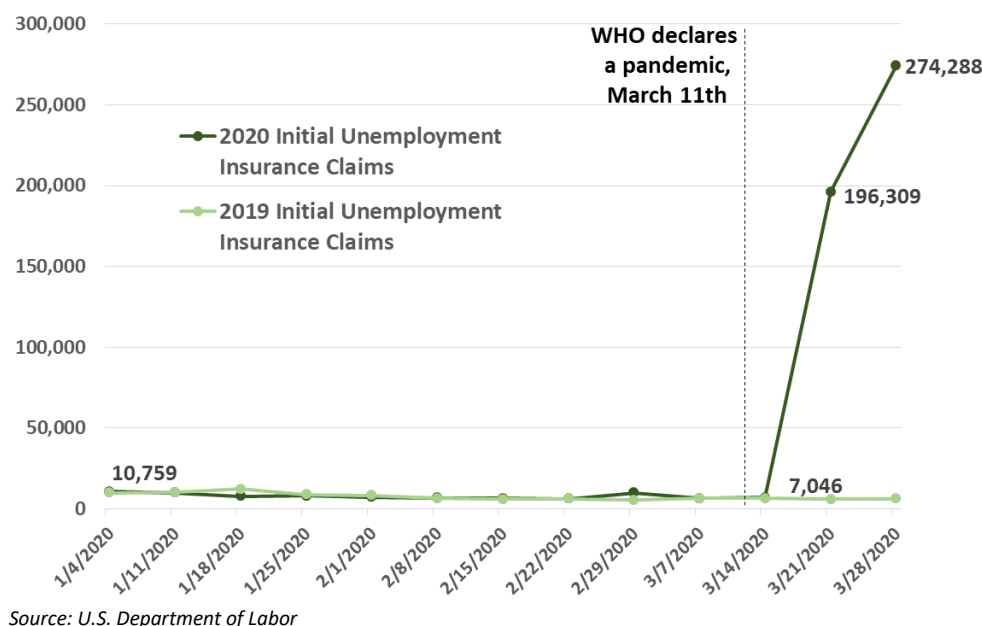


The Purchasing Managers' Index (PMI) is a monthly indicator of the economic health of the manufacturing sector covering five core areas: production, employment, inventories, new orders, and supplier deliveries. An index value above 50% indicates expansion, whereas a value below 50% indicates a decline. Figure 1 shows the national contraction of economic activity in the manufacturing sector in the second half of 2019, and in March and April of 2020. From April 2019 to April 2020, four metro areas in Northeast Ohio lost 4,600 manufacturing jobs (Figure 2).⁹

Spike in Unemployment

Twelve days after the World Health Organization (WHO) declared COVID-19 a pandemic, Ohio Governor Mike DeWine announced that the state would be under a "Stay at Home" order. Effective March 23rd, the order required all but essential businesses to operate in the state, ceasing all other activities.¹⁰ From this, initial unemployment claims rose 274,288 for the week ending on March 28th, representing an increase of 268,091 from a year ago and 77,979 from the prior week (Figure 3). More than 1 million workers in Ohio have filed for first-time unemployment benefits since mid-March.

Figure 3. Unemployment Insurance Claims in Ohio



Furthermore, the mandatory closing of many businesses and activities continues to impact the growing number of unemployment claims. The **Worker Adjustment and Retraining Notification Act** (WARN) notices reported layoff numbers due to businesses closing. Northeast Ohio accounted for 40%, or 9,363 out of 23,454, of all layoffs in Ohio recorded through the WARN notices (Table 1). The majority of corresponding layoffs cite the COVID-19 pandemic as the cause and are specified as temporary, assuming workers will be called back once their business reopens.

In Northeast Ohio, the most affected industries are auto manufacturing, entertainment and arts, accommodation, and food service (Table 1). From the WARN notices, we can see that **JACK Entertainment** reported the largest layoff numbers, letting go of 1,561 employees. Additionally, the **Rock & Roll Hall of Fame** in Cleveland temporarily laid off 108 people. Meanwhile, **U.S. Steel** reported the largest non-coronavirus related mass layoff, idling two tubular plants in both Texas and Ohio along with the temporary closing of its Lorain facility, resulting in 250 unemployed people. **Ultra Premium Services LLC**, the Trumbull County pipe company, notified its 121 employees that the company would temporarily cease operations due to the unanticipated international oil-price conflict and sudden, drastic drop in oil prices.

⁹ Ohio Bureau of Labor Market Information data for the Cleveland-Elyria MSA, Akron MSA, Youngstown-Warren-Boardman MSA, and Canton-Massillon MSA.

¹⁰ Including, but not limited to, locations with zoos, fairs, funplexes, arcades, museums, carnivals, aquariums, playgrounds, water parks, theme parks, bowling alleys, amusement rides, amusement parks, children's play centers, movie and other theaters, concert and music halls, and country clubs or social clubs.

Table 1. WARN Notices Layoffs in NEO and Ohio by Industry

Sector	NEO WARN Layoffs Notices		Ohio WARN Layoff Notices	
	Number of Affected Jobs	Percentage of Total	Number of Affected Jobs	Percentage of Total
Manufacturing	3,204	34%	7,646	33%
Arts, Entertainment, and Recreation	1,669	18%	1,561	7%
Accommodation and Food Services	1,607	17%	5,632	24%
Retail Trade	969	10%	2,003	9%
Health Care and Social Assistance	703	8%	1,115	5%
Information	557	6%	1,797	8%
Business Support Services	283	3%	861	4%
Transportation and Warehousing	229	2%	710	3%
Educational Services	83	1%	182	1%
Finance and Insurance	56	1%	184	1%
Construction	3	0.03%	8	8%
Other Industries	-	0%	1,755	7%
Total Number of Jobs	9,363		23,454	

Source: Ohio Department of Job and Family Services for the period 1/6/2020 to 4/13/2020

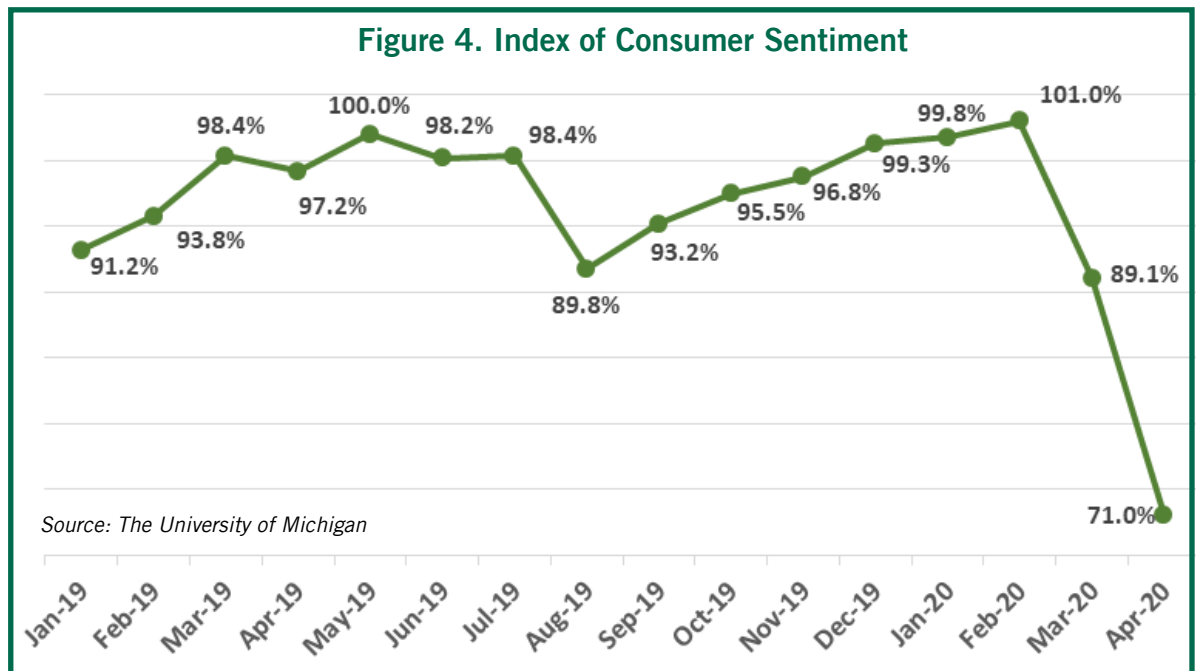
Due to the disruption the COVID-19 pandemic caused to the aerospace and travel industries, **TransDigm Group Inc.**, a producer of aerospace components headquartered in Cleveland, announced a 15% cut in its workforce, or 2,745 out of 18,300 employees.¹¹ **Goodyear Tire & Rubber Co.**, with 2,400 employees in Akron, temporarily furloughed employees and closed manufacturing plants as demand for their products evaporated.¹² While one might expect high demand for healthcare workers during this time, **Summa Health** in Akron, **Aultman Health** and **Mercy Medical Center** in Canton, and **Ashtabula County Medical Center** furloughed at least 760 employees as a result of suspending elective surgeries and procedures.¹³

Decline in Consumer Spending

Consumer spending accounts for the majority of GDP growth in the U.S., fueling all sectors of the national economy. Consumer confidence is one indicator derived from consumer surveys, which gauges participants' optimism about the economy's health by assessing their confidence regarding future income and, consequently, their spending (**Index of Consumer Sentiment**).¹⁴ In turn, if the index goes up compared to the previous month, consumers should be willing to spend more money and vice versa. In early April 2020, this index

plunged 18.1 index-points compared to March, representing the largest monthly decline ever recorded in the history of the series (Figure 4). This sharp decline indicates that consumers are significantly tightening their budgets and not spending their earnings or savings.

Figure 4. Index of Consumer Sentiment



¹¹ Kilgore, T. (2020, April). TransDigm to cut 15% of its workforce, representing roughly 2,750 employees. *MarketWatch*

¹² Mackinnon, J. (2020, April). Goodyear CEO says 'shared sacrifice' will carry tire maker, rest of world through coronavirus pandemic. *CantonRep.com*

¹³ Paavola, A. (2020, April). 157 hospitals furloughing workers in response to COVID-19. *Becker's Hospital CFO Report*.

¹⁴ Survey of Consumers Retrieved from <http://www.sca.isr.umich.edu/>

Opportunities in the Region

The COVID-19 pandemic has caused a sharp increase in a demand for Personal Protective Equipment (PPE) used by health care workers, first respondents, and essential employees to help fight the virus. Several companies in Northeast Ohio are working to increase the supply of in-demand PPE. For example, **JoAnn Fabrics and Crafts**, a crafts and fabrics retailer based in Hudson of Summit County, set a goal to donate 100 million masks locally.¹⁵ **Little Tikes**, manufacturer of children's toys, with headquarters and manufacturing located in Hudson, have joined the initiative to produce up to one million face shields.¹⁶ Meanwhile, **Steris**, an infection prevention producer and services provider in Lake County, received FDA authorization to produce a decontamination solution for respiratory masks.¹⁷ **Invacare Corporation**, a medical equipment provider in Lorain County, is adding shifts to satisfy an enormous demand for its oxygen concentrators and medical beds.¹⁸ A new Cleveland company called **SecondBreath LLC** received federal approval to produce ventilators for coronavirus patients.¹⁹ Also, **ROE Dental Laboratory** in Cleveland has the capacity to produce 10,000 to 20,000 of swabs per day needed to support diagnostic testing in Ohio.²⁰ **GOJO**, the maker of hand hygiene products in Akron, Ohio, have been operating around the clock since January to meet the high demand for hand sanitizer worldwide.²¹

For the first two weeks in April, the healthcare sector accounted for the highest share of job postings in Northeast Ohio (42%, or 1,394 openings).²² **Cleveland Clinic** and **ATC Healthcare Services** have almost 500 job openings for physicians, pharmacists, registered nurses, medical assistants, and home care aides. One-third of all regional new job postings are coming from the wholesale sector, including **Amazon**. Amazon is primarily looking for fulfillment associates, delivery drivers, operations managers, and warehouse team members. Grocery and

drug stores (such as **Dollar Tree Inc.**, **Dollar General**, **Aldi**, **CVS**, **Walmart**, and **Target**) are hiring cashiers, team members, team leads, pharmacy technicians, and night stock team members, representing 456 open positions total. Furthermore, the manufacturing sector posted ads for 114 jobs in April. Finally, **J.M. Smucker Co.**, a food manufacturer in Wayne County, had 45 open positions. Among others, security and safety officers are in demand with 67 positions open across the region.

Nonetheless, current job openings in the region represent a small fraction of the total number of layoffs. As the economy reopens, some of these job openings will become obsolete as the economy realigns to a new normal. Therefore, government assistance to people, businesses, and communities is key to mitigating the negative economic consequences of forced business closings.

Final Thoughts

The increase in telecommuting, adherence to the "Stay at Home" Order, and early closing of businesses have led to a lower loss of lives from COVID-19 than initially projected, indicating that social distancing works. However, the economic impact of COVID-19 is a consequence that all people, businesses, governments, and organizations are still sorting out. The weakening economy in 2019 and mandatory closing order in 2020 may leave some businesses unable to reopen their doors.

As the economy gradually reopens, the workplace will look different due to continued social distancing measures, including masks, temperature checks, and frequent sanitizing. Morgan Stanley projects prolonged or intermittent social distancing may be necessary into 2022 to avoid overwhelming healthcare capacities and a resurgence of the pandemic.²³ Overall, the culmination of these events may cause a larger and longer slowdown, resulting in a lengthy recovery.

May 2020

¹⁵ JOANN. (2020, March 20). *JOANN Mobilizes Crafters Across the Nation to Help Protect Health Care Workers*. [Press Release].

¹⁶ Nethers, D. (2020, April). *Little Tikes shifts gears from toys to medical equipment*. FOX8.

¹⁷ Norton, S. (2020, April 10). *STERIS Announces Decontamination Solution for Respiratory Masks*. [Press Release]

¹⁸ Invacare. (2020, March 23). *Invacare Provides COVID-19 Business Update*. [Press Release]

¹⁹ Eaton, C. (2020, April 14). *New Cleveland company gets federal approval to produce ventilators during coronavirus pandemic*. Cleveland.com

²⁰ Kowalski, B.J. *COVID-19 NP Test Swabs from ROE Dental Laboratory*. YouTube Video.

²¹ GOJO. (2020, May 5). *GOJO Continues to Add Production Capacity to Support the Frontlines and the Reopening of Businesses and Public Places*. [Press Release]

²² Based on the data from the Greater Cleveland Partnership, Ohio Means Jobs and <https://jobsearch.ohio.gov> web-sites.

²³ Harrison, M. (2020, April 15). *After the coronavirus peak, what's next?* Morgan Stanley.

Please share your comments with Dr. Iryna Demko at i.demko@csuohio.edu

THIS PROJECT IS FUNDED BY SUPPORT PROVIDED BY
THE GEORGE GUND FOUNDATION