Corona Recovery Update – Focus USA

Of our selected real-time indicators for the US, only the increased number of mortgage applications points to an improvement in the US housing market; here, the significant fall in interest rates is probably having a positive effect. The German government has extended the global travel warning until 14 June and launched a second aid package. In China, state companies are apparently recovering better than private ones, according to the Purchasing Managers’ Indices for April published today.

USA: less bad than feared

As we have already done in our ‘Corona Recovery Update - Focus Germany’ on Tuesday, we have also selected several indicators for the USA that give a quasi real-time impression of where the US economy stands.

1. Steel production (last value 25 April)

US steel production did not fall significantly until the end of March. After dropping by about a third, it has not fallen significantly in the last two weeks. However, it is too early to decide whether this is more than just a pause in a downward trend.

2. Rail freight (last value 25 April)

The chemical industry is a supplier of many others sectors. The transport of chemicals by rail is therefore a good economic indicator. The trend here has been downwards until recently.
3. Mortgage applications (last value: 24 April)

The housing market plays a central role in the US economy. After a temporary slump, applications for mortgage loans for the purchase of residential property have recently increased again. Here, the marked declines in interest rates are probably having a positive effect.

4. TSA traveler throughput (last value 28 April)

Total traveler throughput at the checkpoints of the Transportation Security Administration has been at 110-120 thousand per day recently. This compares with readings of 2-2.5 million on a typical day in 2019. Thus, travel is down to roughly 5% of normal and does not yet show signs of increasing again.
Overall, our indicators paint a mixed picture of the current state of the US economy. We view this as a positive sign, though. Given the severe restrictions on public life, it would not have been surprising if the indicators had shown a more pronounced downward trend.

**Global new infections**

- In the USA, slightly fewer new infections have been reported in the last two days. The 7-day average is no longer rising (see chart 5).

- In Europe, the number of new infections continues to decline steadily. In Germany the 7-day average has fallen to just under 1,600 (see chart 6). This puts it back at the level of 20 March. In Italy and Spain, an average of about 2,300 people per day have become infected in the last 7 days.
Germany - second aid package and opening of restaurants

The German government has extended the worldwide travel warning until 14 June and launched a second aid package to cushion the consequences of the corona pandemic:

- Short-time work compensation is to be paid for a longer period and temporarily increased to up to 80% of the last net wage. Persons with children will receive up to 87%, instead of the previous 60% and 67%, respectively. More than 700,000 companies have already registered short-time work with the Federal Employment Agency. According to the decision, unemployment benefits will also be available for longer.

- Corona tests are to be significantly expanded. In addition, tests even for persons without symptoms are to be made possible which shall be paid by health insurance companies.

- In future, doctors and laboratories will have to report not only suspected cases, confirmed cases and deaths but also negative test results and recovered cases.

- Employees in nursing care for the elderly are to receive a tax-free salary bonus of 1,500 euros for their special burden caused by the Corona crisis, two thirds of which is to be financed by the nursing care insurance funds. One third is to be provided by the states and employers.

With a three-stage plan, the federal states of North Rhine-Westphalia, Baden-Württemberg and Lower Saxony want to gradually revive tourism, gastronomy and the hotel industry:

- Phase 1: The opening with touristic outdoor offers such as zoos, amusement parks and climbing gardens shall be introduced from 7 May.

- Phase 2: Restaurants, holiday apartments and hotels shall follow from 11 May - initially with restrictions.

- Phase 3: From 25 May, overnight tourism should be possible again without restrictions.

China: Uneven PMIs

- While the official PMI continued to stay in the expansionary territory in April, the private Caixin PMI unexpectedly fell to below 50 in the month, illustrating an uneven performance among the industrial firms (chart 7). Particularly in the official manufacturing PMI, the export orders sub-index plunged to 33.5 from 46.4 in March, with the same trend seen in Caixin PMI as well, clearly illustrating the strong external headwinds due to global lockdown.

- Passenger car sales declined by 1.6% y/y from 1-25 April, somewhat better than expected, according to China Passenger Car Association. The CPCA initially projected an 8% drop for April.

- The municipalities of Beijing and Tianjin, as well as neighbouring Hebei province, lowered their COVID-19 emergency response level to level II from level I starting at midnight on today, which means people could travel more freely. Flight bookings surged yesterday.
Chart 7: China - Private firms underperformed

China: Official and private Caixin manufacturing PMI

Source: Bloomberg, Commerzbank Research