

Research Recovery & Reskill

WEBINAR
SERIES



UCF

Rosen College of
Hospitality Management

UNIVERSITY OF CENTRAL FLORIDA

Financial Implications of Crisis: Understanding the Impact



UCF

**Research
Recovery
& Reskill**

**WEBINAR
SERIES**

ucf | Rosen College of
Hospitality Management
UNIVERSITY OF CENTRAL FLORIDA



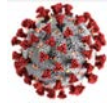
Dr. Jorge Ridderstaat
Assistant Professor
jorge.ridderstaat@ucf.edu



UCF

Presentation structure

I. COVID-19 in brief



II. Economic repercussions



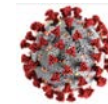
III. Financial ramifications



IV. Wrap-up and discussions



I COVID-19 in brief



I COVID-19 in brief

Table: Comparing pandemics

	COVID-19 (SARS-CoV-2)	Spanish Flu 1918-1919 (H1N1)
Worldwide deaths	About 634 thousand	About 50 million
Worldwide infections	About 15.5 million	About 500 million
US deaths	About 144 thousand	About 675 thousand
US infections	About 4 million	About 25% of population (25+ million)
Note???....	Virus (H1N1) continued to circulate seasonally for 38 years

- The proportions of the COVID-19 pandemic are smaller than the Spanish Flu of 1918-1919.
- Detections and health treatments are much better now than about a century ago.
- It is not inconceivable that the COVID-19 virus will continue to persist in the years to come.

Source:

- Centers for Disease Control, <https://www.cdc.gov/flu/pandemic-resources/1918-commemoration/1918-pandemic-history.htm>, retrieved on July 15, 2020.
- John Hopkins University & Medicine Coronavirus Resource Center, <https://coronavirus.jhu.edu/map.html>, retrieved on July 24, 2020.
- National Archives and Records Administration, <https://www.archives.gov/exhibits/influenza-epidemic/>, retrieved on July 15, 2020.

I COVID-19 in brief

Share in the number of infections Top 10 countries			
		%	Cumm %
1 United States	4,039,523	26.0%	26.0%
2 Brazil	2,287,475	14.7%	40.7%
3 India	1,288,108	8.3%	49.0%
4 Russia	799,499	5.1%	54.2%
5 South Africa	408,052	2.6%	56.8%
6 Peru	371,096	2.4%	59.2%
7 Mexico	370,712	2.4%	61.6%
8 Chile	338,759	2.2%	63.7%
9 United Kingdom	298,731	1.9%	65.7%
10 Iran	286,731	1.8%	67.5%
Total	15,537,513		

Share in the number of deaths Top 10 countries			
		%	Cumm %
1 United States	144,308	22.8%	22.8%
2 Brazil	84,082	13.3%	36.0%
3 United Kingdom	45,639	7.2%	43.2%
4 Mexico	41,908	6.6%	49.8%
5 Italy	35,092	5.5%	55.4%
6 India	30,601	4.8%	60.2%
7 France	30,185	4.8%	64.9%
8 Spain	28,429	4.5%	69.4%
9 Peru	17,654	2.8%	72.2%
10 Iran	15,289	2.4%	74.6%
Total	634,069		

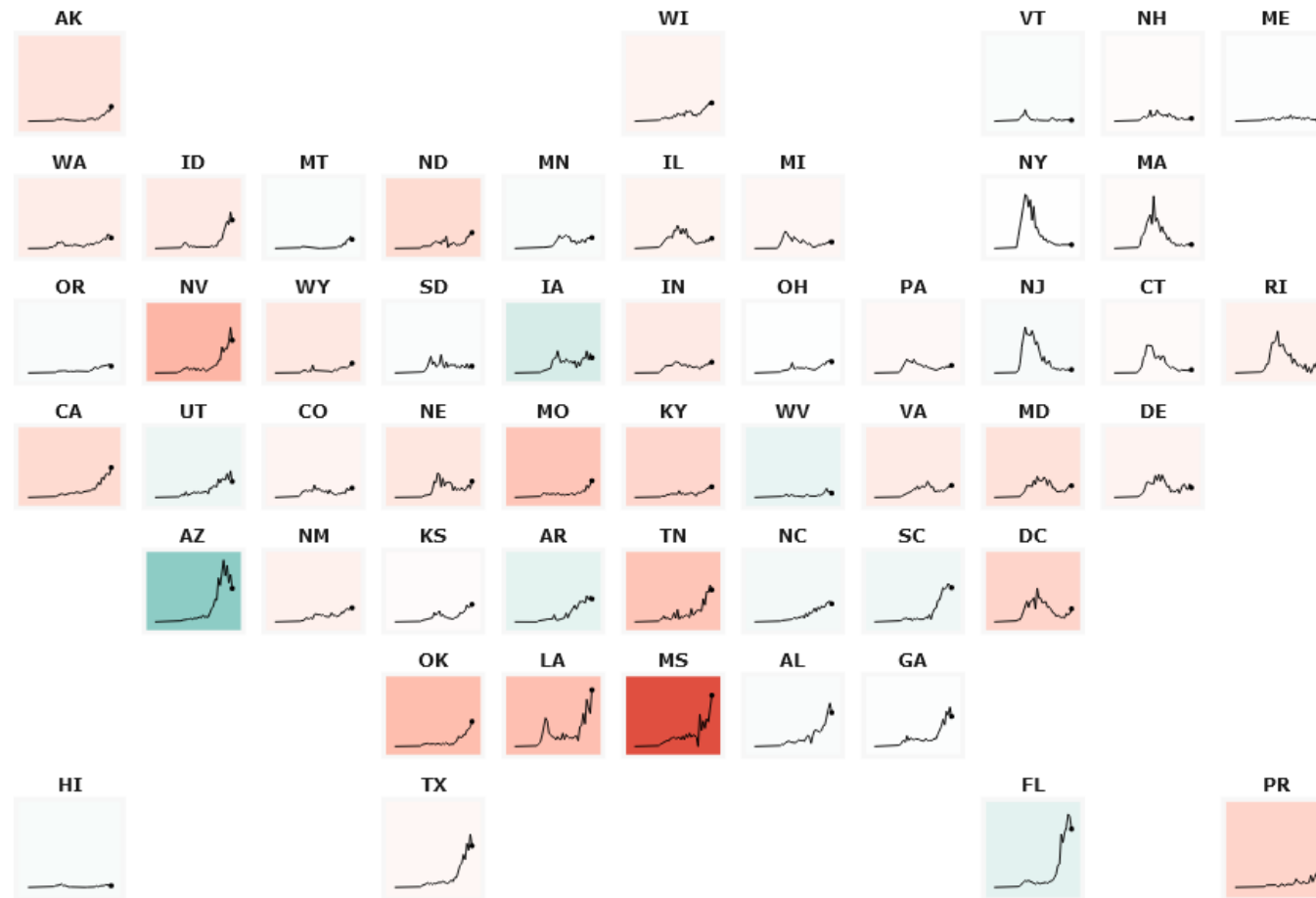
- Ten countries account for about 68% of all infections, and for about 75% of all deaths worldwide.
- The US accounts for about one-quarter of the global infections and deaths.
- The infection statistics could be affected by the number of tests conducted in each country. The US has a test rate of about 155 thousand per one million inhabitant. In Brazil, this is about 23 thousand for each one million inhabitant.

Source:

- John Hopkins University & Medicine Coronavirus Resource Center, <https://coronavirus.jhu.edu/map.html>, retrieved on July 24, 2020.
- Presenters' calculations.

I COVID-19 in brief

Daily New Cases per 100k people. Data shown from 1/22/20 to 7/22/20.



- ❑ Florida so far has had the highest daily number of new cases per 100 thousand people (July 12: 12,761).
- ❑ New York had the second highest daily number of new cases per 100 thousand people (April 9: 10,824).

Source:

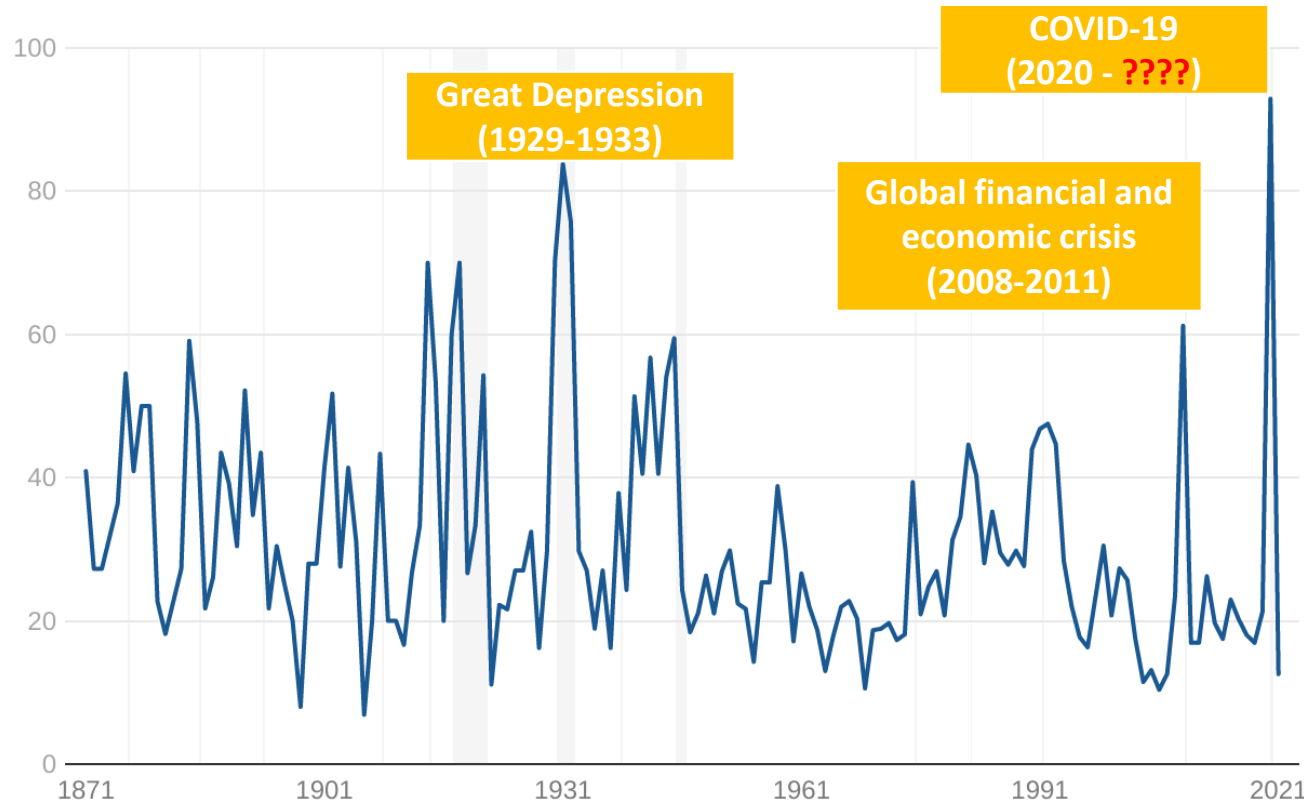
- <https://coronavirus.jhu.edu/data/new-cases-50-states>.

III Economic repercussions

Economic repercussions

Most countries are expected to face recessions in 2020

Share of economies in recession, 1871-2021



The proportion of economies with an annual contraction in per capita GDP. Shaded areas refer to global recessions. Data for 2020-21 are forecasts.

Source: World Bank

- ❑ The economic consequences of the COVID-19 pandemic seems to become “A crisis like no other....” (IMF, 2020).
- ❑ We are dealing with three waves of crises at the same time, i.e., a health, a financial, and an economic crisis.

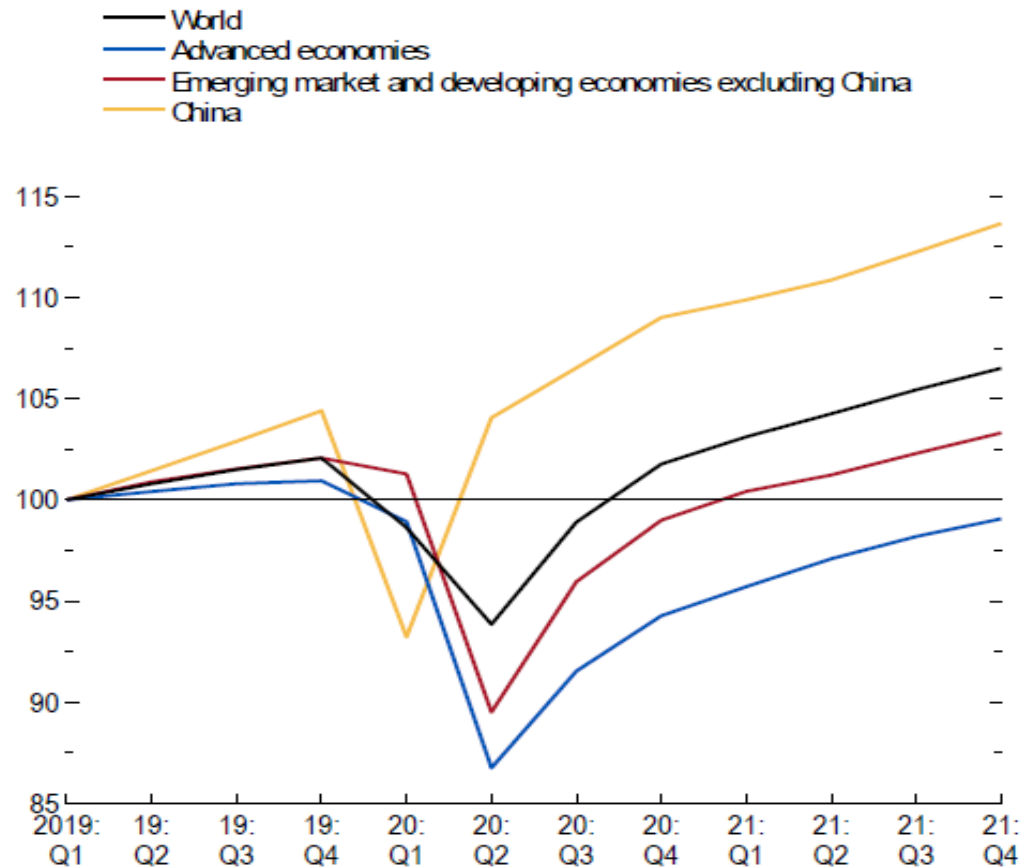
Sources:

- International Monetary Fund (2020). World Economic Outlook Update: A crisis like no other, and uncertain recover, retrieved on July 14, 2020.
- World Bank: <https://img.datawrapper.de/GaU0c/full.png>



Economic repercussions

Figure 1. Quarterly World GDP
(2019:Q1 = 100)



Source: IMF staff estimates.

- ❑ So far the projections by the International Monetary Fund indicate that the second quarter is, generally, likely to be the bedrock of economic activity, vis-à-vis conditions in the first quarter of 2019.
- ❑ The anticipation is that the recovery will be V-shaped but gradual, with the advanced economies taking the longest time.

Sources:

- International Monetary Fund (2020). World Economic Outlook Update: A crisis like no other, and uncertain recover, retrieved on July 14, 2020.

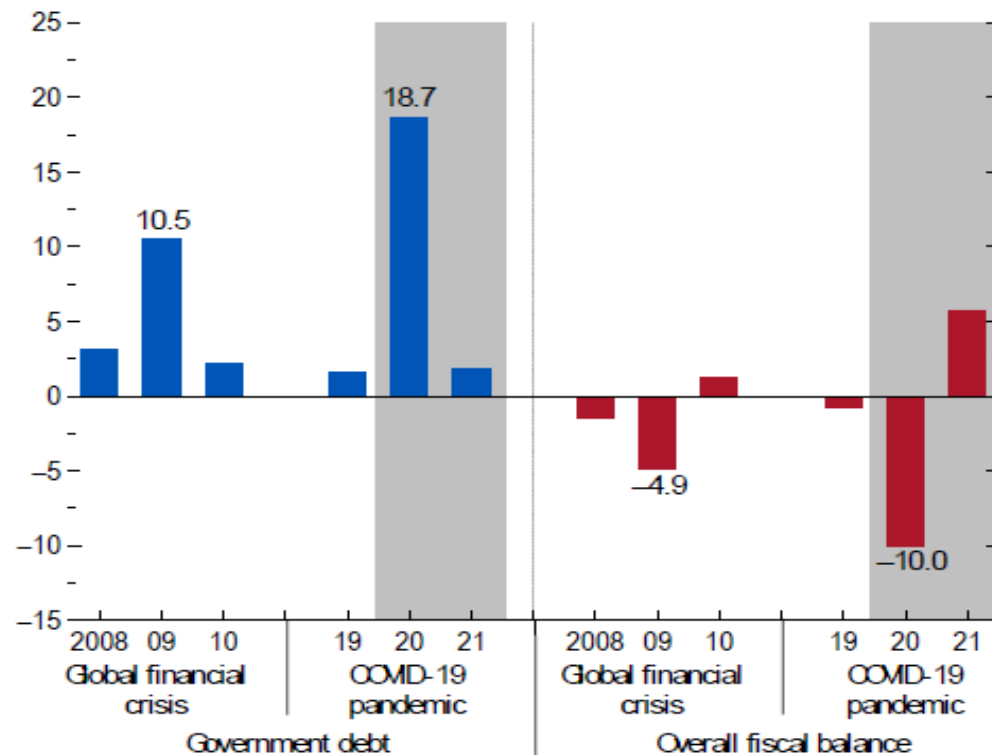


Economic repercussions

Annex Figure 2. Change in Global Government Debt and Overall Fiscal Balance

(Percent of GDP)

Government debt and deficits are set to rise globally, more so than during 2008–10 following the global financial crisis.



Source: IMF staff estimates.

- ❑ The COVID-19 pandemic is expected to increase global government debt by about 18.7% of GDP (compared to 2019), much higher than during the Global Financial Crisis.
- ❑ Also, fiscal deficit is expected to increase by to about 10 percent of GDP (compared to 2019), slightly more than double than at the time of the Global Financial Crisis.

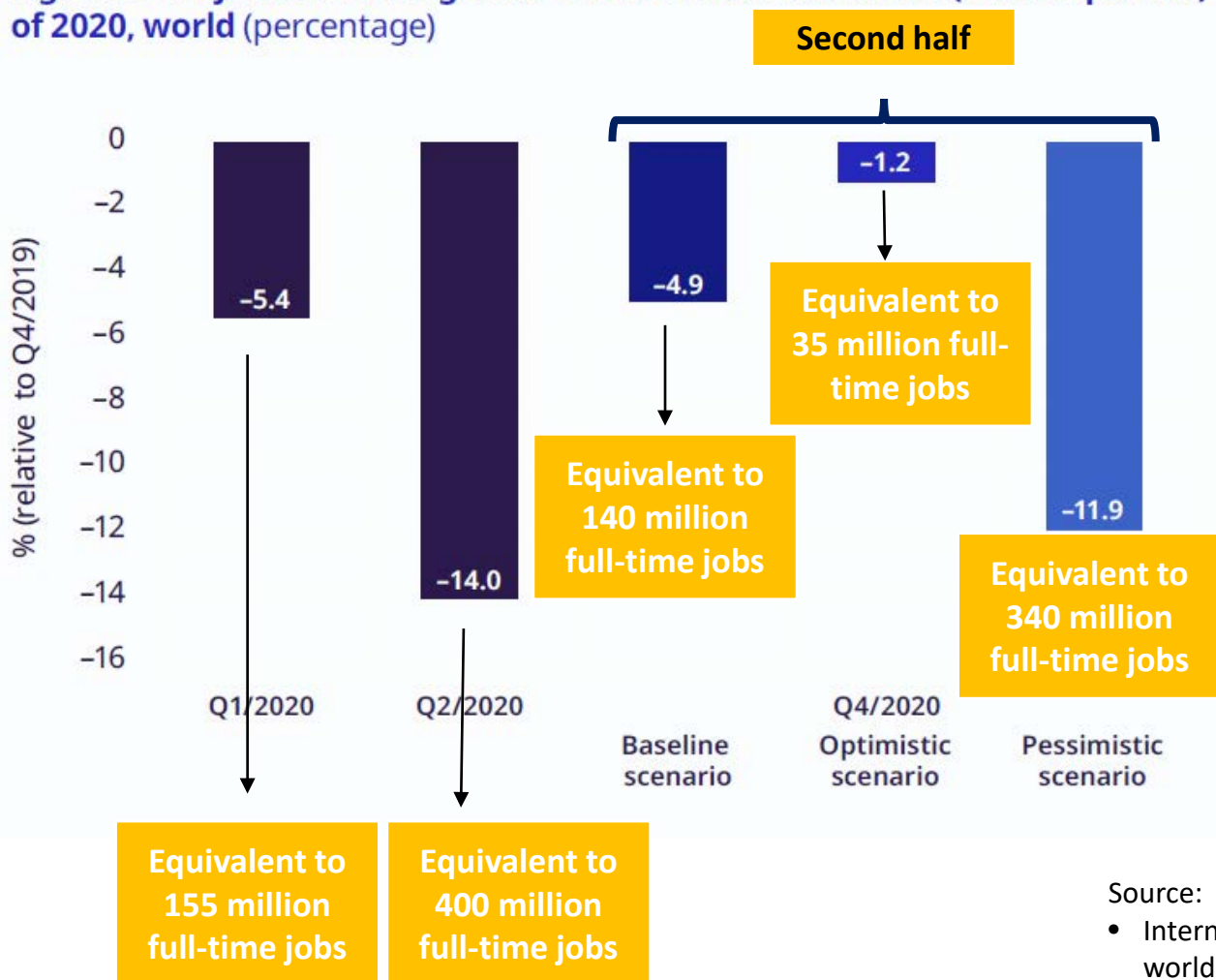
Sources:

- International Monetary Fund (2020). World Economic Outlook Update: A crisis like no other, and uncertain recover, retrieved on July 14, 2020.



Economic repercussions

Figure 7. Projected working-hour losses in the second half (fourth quarter) of 2020, world (percentage)



- ❑ The International Labor Organization estimates that globally, the number of working hours losses compared to the fourth quarter of 2019 was about 155 full-time jobs.
- ❑ Conditions worsened in the second quarter of 2020, with an estimated 400 full-time jobs lost globally.
- ❑ Projections for the second half of 2020 vary between 35 million – 340 million job losses, depending on which scenario is the most likely outcome.

Source:

- International Labor Organization (2020), ILO Monitor: COVID-19 and the world of work. Fifth edition. Retrieved on July 18, 2020.

Economic repercussions

Table 1. Overview of the World Economic Outlook Projections

(Percent change, unless noted otherwise)

	Year over Year			
	2018	2019	Projections	
			2020	2021
World Output	3.6	2.9	-4.9	5.4
Advanced Economies	2.2	1.7	-8.0	4.8
United States	2.9	2.3	-8.0	4.5
Euro Area	1.9	1.3	-10.2	6.0
Germany	1.5	0.6	-7.8	5.4
France	1.8	1.5	-12.5	7.3
Italy	0.8	0.3	-12.8	6.3
Spain	2.4	2.0	-12.8	6.3
Japan	0.3	0.7	-5.8	2.4
United Kingdom	1.3	1.4	-10.2	6.3
Canada	2.0	1.7	-8.4	4.9

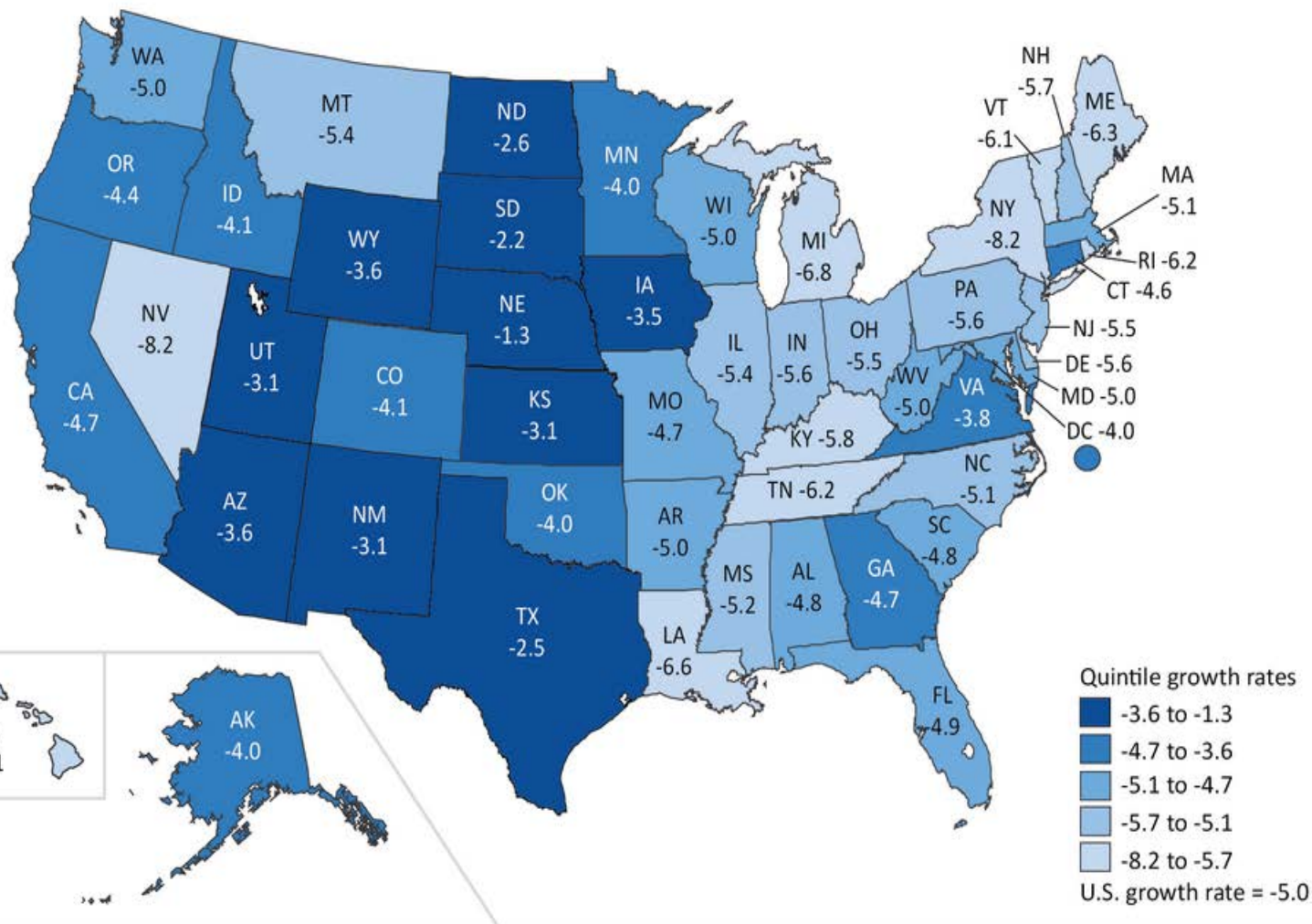
- ❑ The US economy is expected to contract by 8 percent in 2020, but rebound in 2021, according to the International Monetary Fund.
- ❑ Yet, despite the expected strong growth next year, it would likely take longer than 2021 before the US economy (and that of the other advanced economies) could reach 2019 levels.

Source:

- International Monetary Fund (2020). World Economic Outlook Update: A crisis like no other, and uncertain recover, retrieved on July 14, 2020.

Economic repercussions

Percent Change in Real GDP by State, 2019:Q4–2020:Q1



- ❑ Overall, the US economy contracted by 5% in the first quarter of 2020, vis-à-vis the fourth quarter of 2019.
- ❑ Tourist states such as New York, Florida, California, and Hawaii were already hard-hit in the first quarter, and the expectations are that the situation could worsen in the second quarter when the lock-down got momentum.

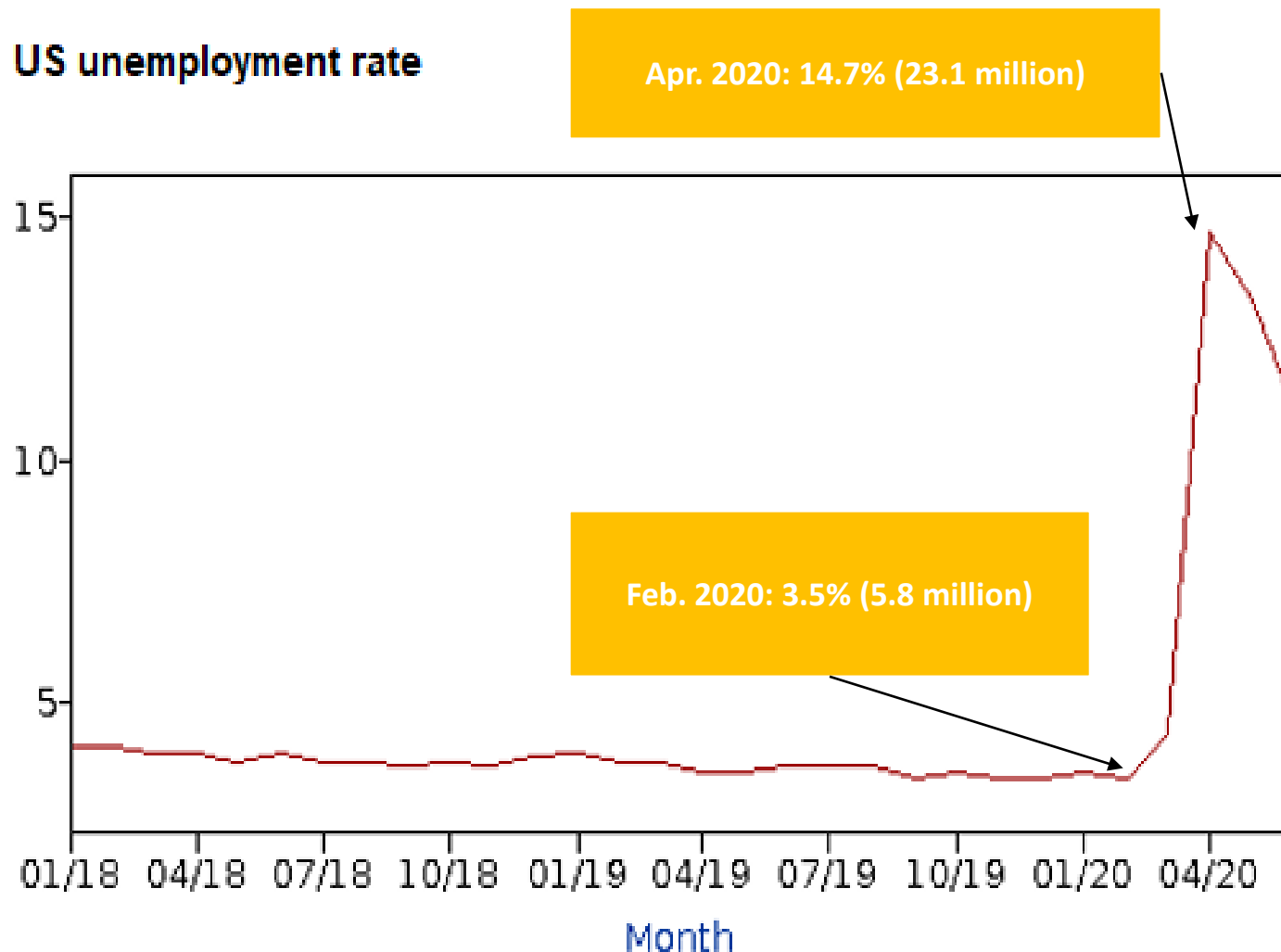
Source:

- US Bureau of Economic Analysis (https://www.bea.gov/system/files/qgdp_state0720.png), retrieved on July 19, 2020.



Economic repercussions

US unemployment rate



- ❑ Unemployment peaked at 14.7% in April 2020, equivalent to 23.1 million jobs).
- ❑ Unemployment receded with the reopening of many states, but there were still almost 18 million persons unemployed in June 2020.

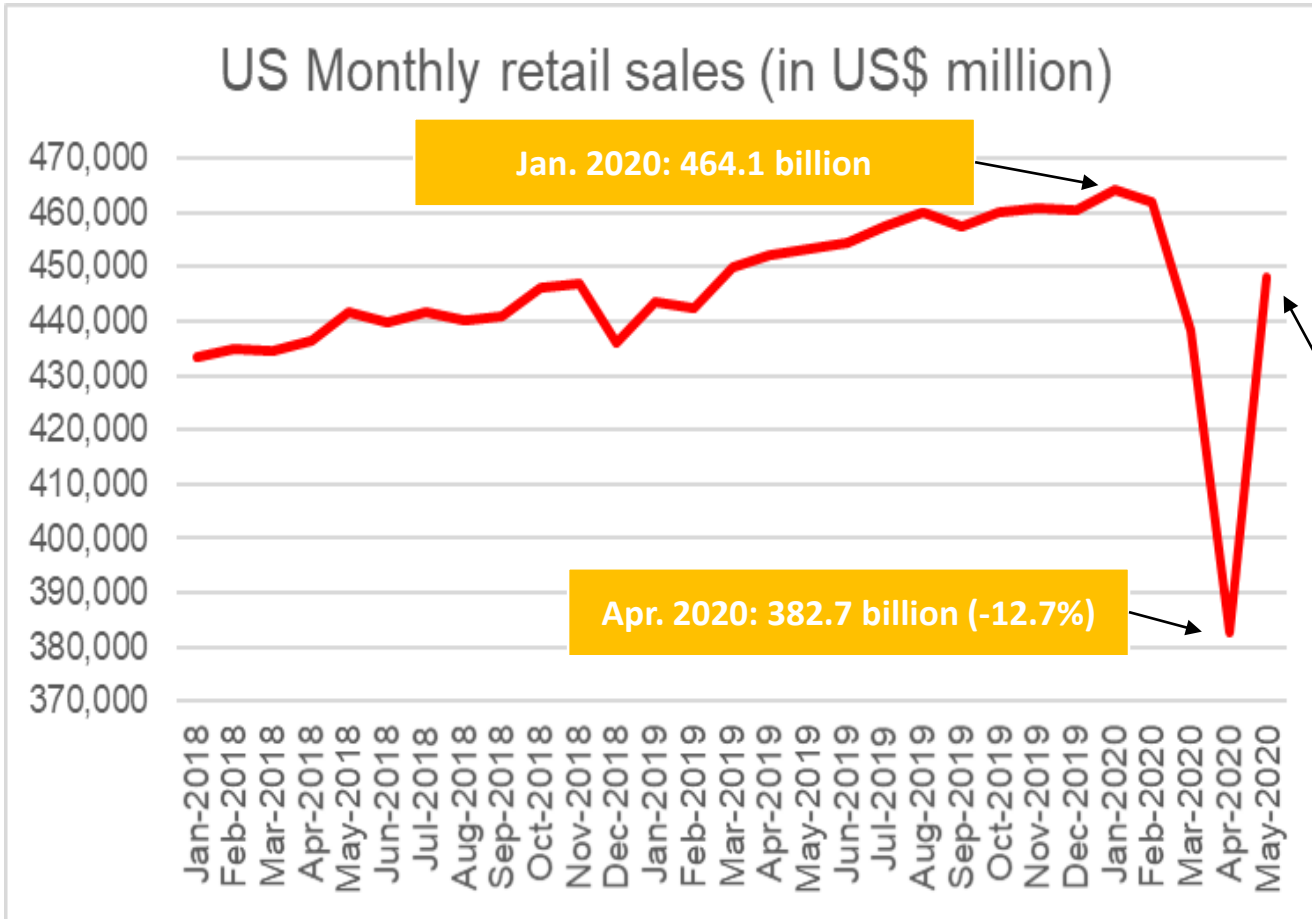
Jun. 2020: 11.1% (17.8 million)

Source:

- US Bureau of Labor Statistics, retrieved on July 19, 2020.



Economic repercussions



- ❑ Retail sales contracted by 12.7% in April, but rebounded somewhat in May.
- ❑ Sales levels are still trailing January 2020 outcomes by almost US\$ 16 billion.

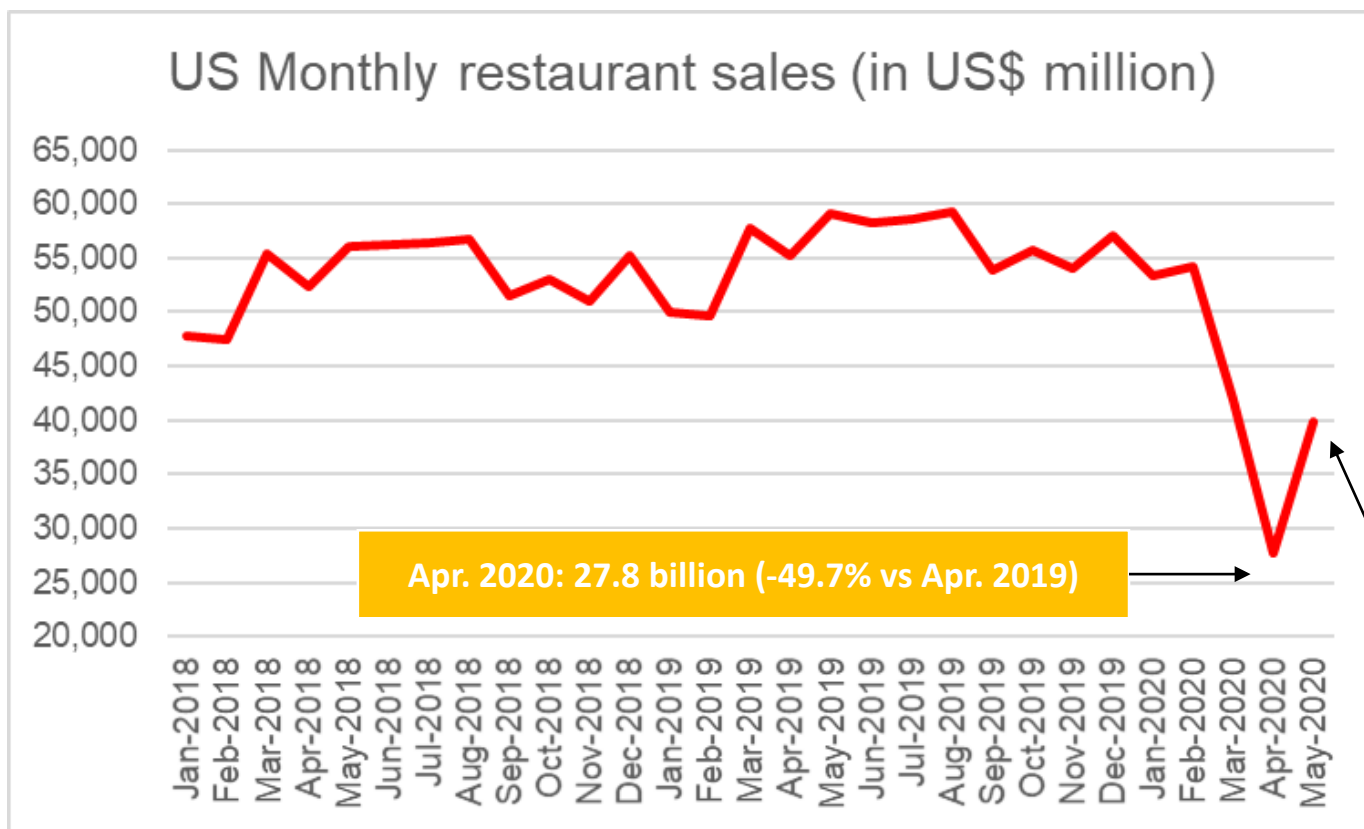
May 2020: 448.2 billion (17.1%)

Seasonally adjusted

Source:

- US Bureau of Census, www.census.gov, retrieved on July 19, 2020.

Economic repercussions



- ❑ Before the COVID-19 pandemic, US restaurant sales used to vary between US\$ 47.5 – US\$ 59.3 billion.
- ❑ However, restaurant sales contracted by almost 50% in April 2020 (vis-à-vis April 2019), only to pickup somewhat a month later. Yet, restaurant sales remain sluggish.

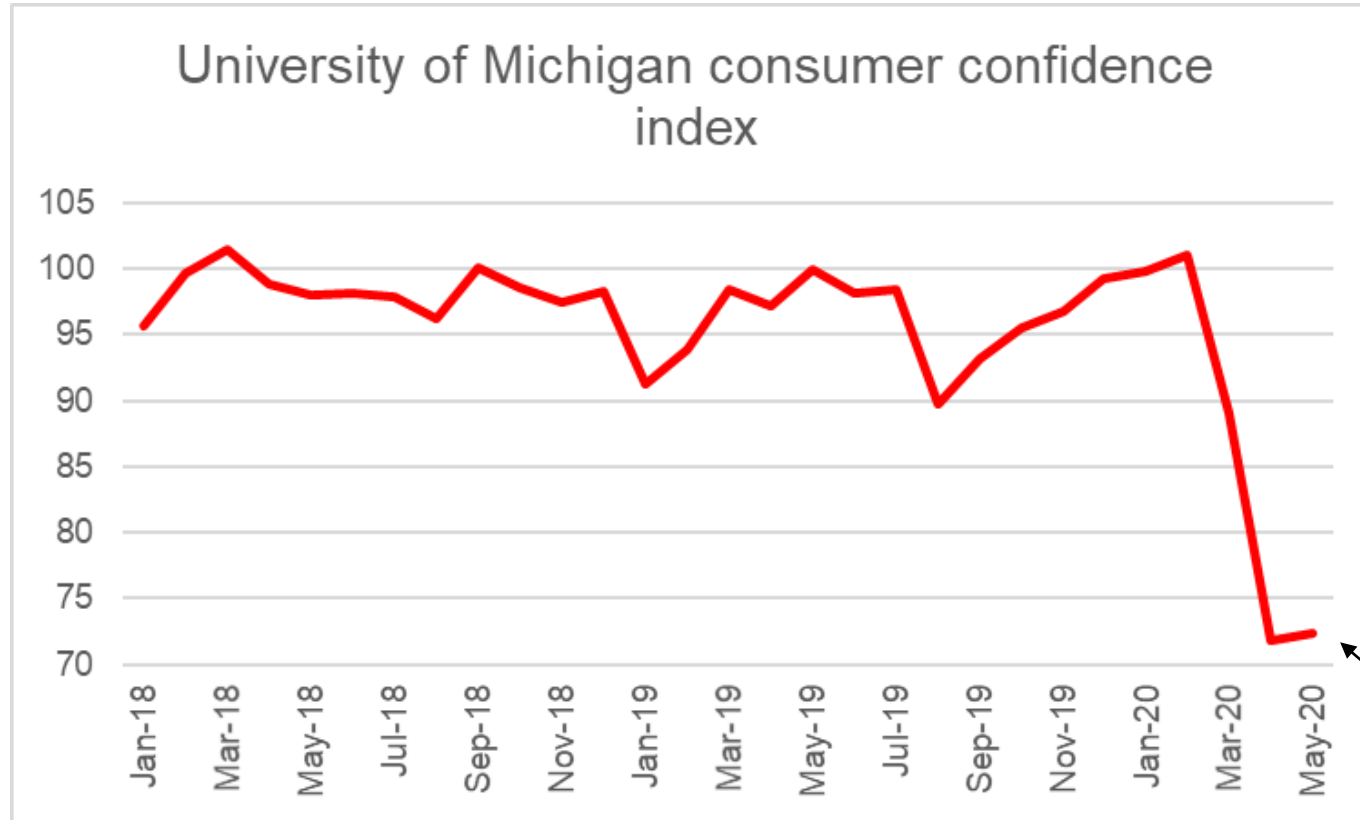
May 2020: 39.9 billion (-32.5% vs May 2019)

Not seasonally adjusted

Source:

- US Bureau of Census, www.census.gov, retrieved on July 19, 2020.

Economic repercussions



- Consumers' sentiment is quite pessimistic at the moment.
- The readings for May and June 2020 are quite low, but not the lowest in historical terms (early 1980s).
- Recovery of consumers' confidence seems to require time, possibly beyond the recovery from the crisis, as consumers may want to delay consumption to see first "which way the wind will blow".

Apr. 2020: 39.9 billion (-32.5% vs May 2019)

Not seasonally adjusted

Source:

- University of Michigan (<https://data.sca.isr.umich.edu/charts.php>), retrieved on July 19, 2020.

III Financial ramifications

**Research
Recovery
& Reskill**

**WEBINAR
SERIES**

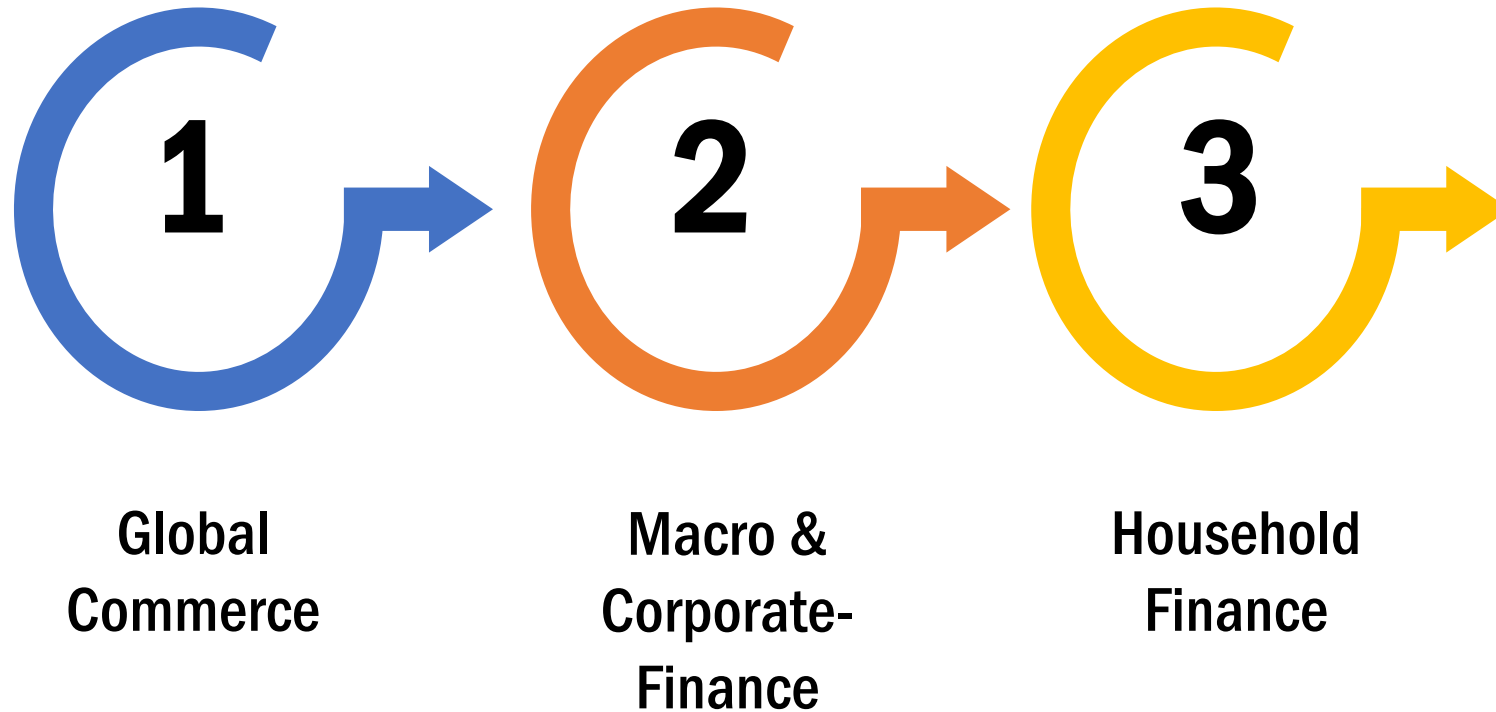
ucf | Rosen College of
Hospitality Management
UNIVERSITY OF CENTRAL FLORIDA



Dr. Murat Kizildag
Associate Professor
murat.kizildag@ucf.edu



Consequences on:



Global Commerce: Issues

An Unprecedented Collapse in:

- Output (Supply-Chain)
- Trade Volume & Exports
- FID Flow
- International Travel
- Energy Supplies
 - Supply Glut
 - Logistic Capabilities
 - \$37.63/br on April 20th.
 - 0 buyers in future contracts



Global Commerce: Actions

The latest global financial inclusion & responses yield:

- Supply-Chain Continuity**
- Trade Synergy Programs (FTZ, FTA, etc.)**
- Shared-Information Transparency**
- Government Bailouts for Public Interests**
- Interconnected support through global financial system**
- Global Value Chains**

Macro & Corporate Finance:

Shock Waves & Disruptions on:

- ❑ Yields & Capital Markets
- ❑ Hard-hit Industries, Employment & Job Vulnerability
 - ❑ Nearly 30M unemployment claims
 - ❑ 59M jobs at risk
- ❑ Company Values & Earnings
 - ❑ Liquidity Stress
 - ❑ Liabilities & Access to Credit
 - ❑ Probability of Default
 - ❑ Massacre in Earnings & Margins

[Lets see](#)

Risk Mitigation (Government):

- QE
- Fiscal Stimuli
- Asset Purchases
- Relief Funds (PPP)
- Interest Rates
- Delayed payments on Loan Balances
- Guarantees in non-financial risk areas:
 - Trade routes
 - Access to risk governance

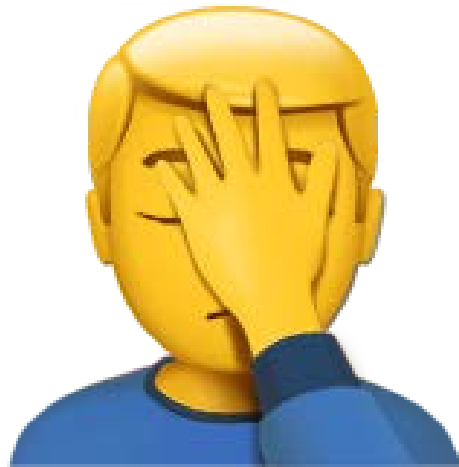
Risk Mitigation (Firms):

- De-investment, Capital Allocations, & Liquidity Planning
- Hedging for FX
- Buybacks
- LIBOR replacement (SOFRs, RFRs, etc.)
- Value Proposition: shifting from price to value
- Consumer & Employee Advocacy (*safety, sanitation, tests*)
- Shrink to Grow & Flexible Operating Models
 - COGS reduction
 - Cash release
 - Balance staff capacity
 - Flexible productivity infrastructure

Household Finance

The paradox...

**Stop Spending!!! BUT you also
need to spend**



IV Wrap-up and discussions

IV Wrap-up and Discussions

Future Economic Outlook lies on:

- Trade Agreements USMCA, WTO, U.S.-UK&EU, U.S.-China, U.S.-Japan
- Tariffs on Essential Commodities and Services
- Global Commerce & Logistics, Energy Infrastructure.
- The upcoming U.S. Presidential Election.
- Consumer Spending & Travel Patterns
- Monetary and Fiscal Policy Choices



Thank you. Questions?

Dr. Murat Kizildag
Associate Professor
murat.kizildag@ucf.edu



Dr. Jorge Ridderstaat
Assistant Professor
jorge.ridderstaat@ucf.edu



Research Recovery & Reskill

WEBINAR
SERIES



 | Rosen College of
Hospitality Management
UNIVERSITY OF CENTRAL FLORIDA

Additional Reskill resources:

Degree programs

<https://hospitality.ucf.edu/degree-programs/>

Graduate certificates:

[Hospitality and Tourism Technologies
Graduate Certificate](#)

[Destination Marketing & Management
Graduate Certificate](#)

[Event Management Graduate Certificate](#)

Webinar #7:

Personal Branding Strategies in an Adverse Business Environment

Presented by:

Mr. Michael “Doc” Terry

Assoc. Instructor, UCF Rosen College

Friday, Aug. 7, 2020 | 2:00 p.m. EST