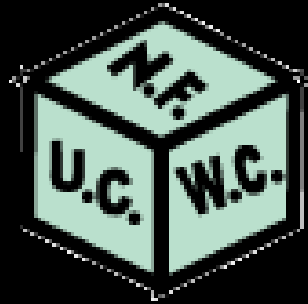


October 20, 2021



Presented to



An Economy at the Crossroads

Presented
by
Dr. Matthew Will

Overview



- Introductions

- Lockdown Data

- The Recovery

- The Public Policy Headwind

- Simple Solutions



Introductions



Dr. Matthew Will
Associate Professor of Finance
Director of External Relations



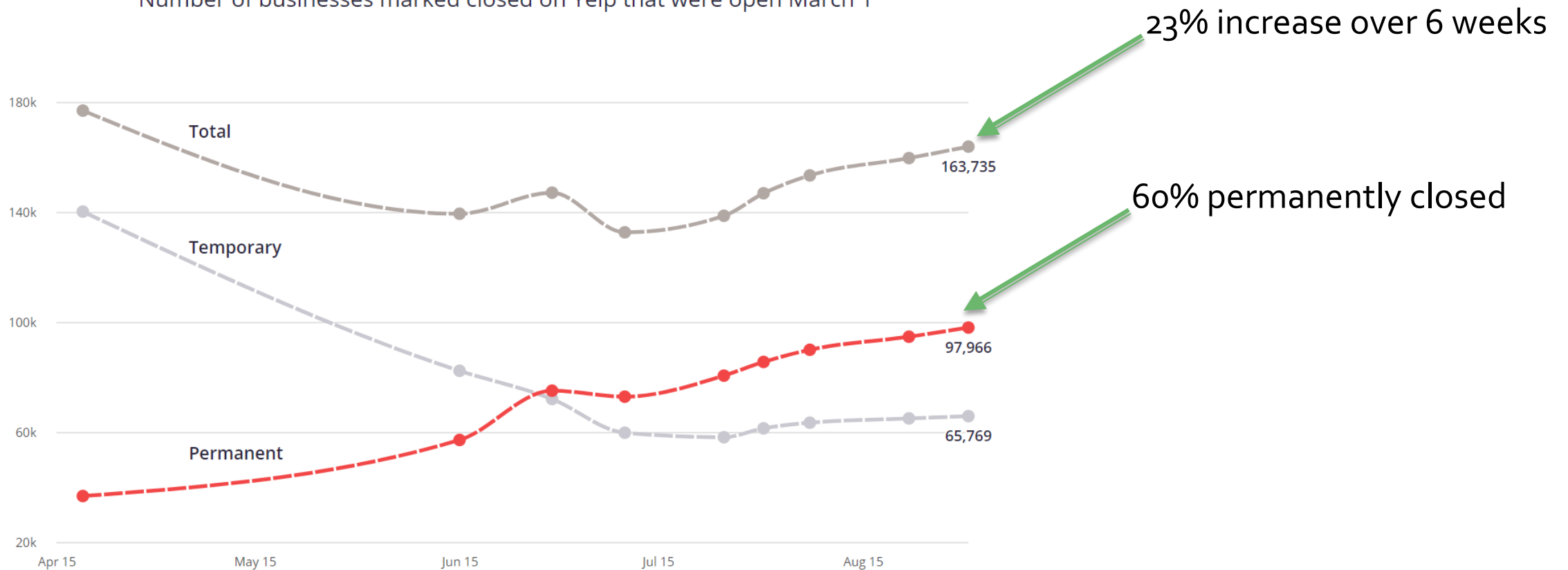
Lockdown Data



Business Closures - 2020

Business Closures Continue to Increase Nationally

Number of businesses marked closed on Yelp that were open March 1



Source: <https://www.yelpeconomiccoverage.com/business-closures-update-sep-2020>

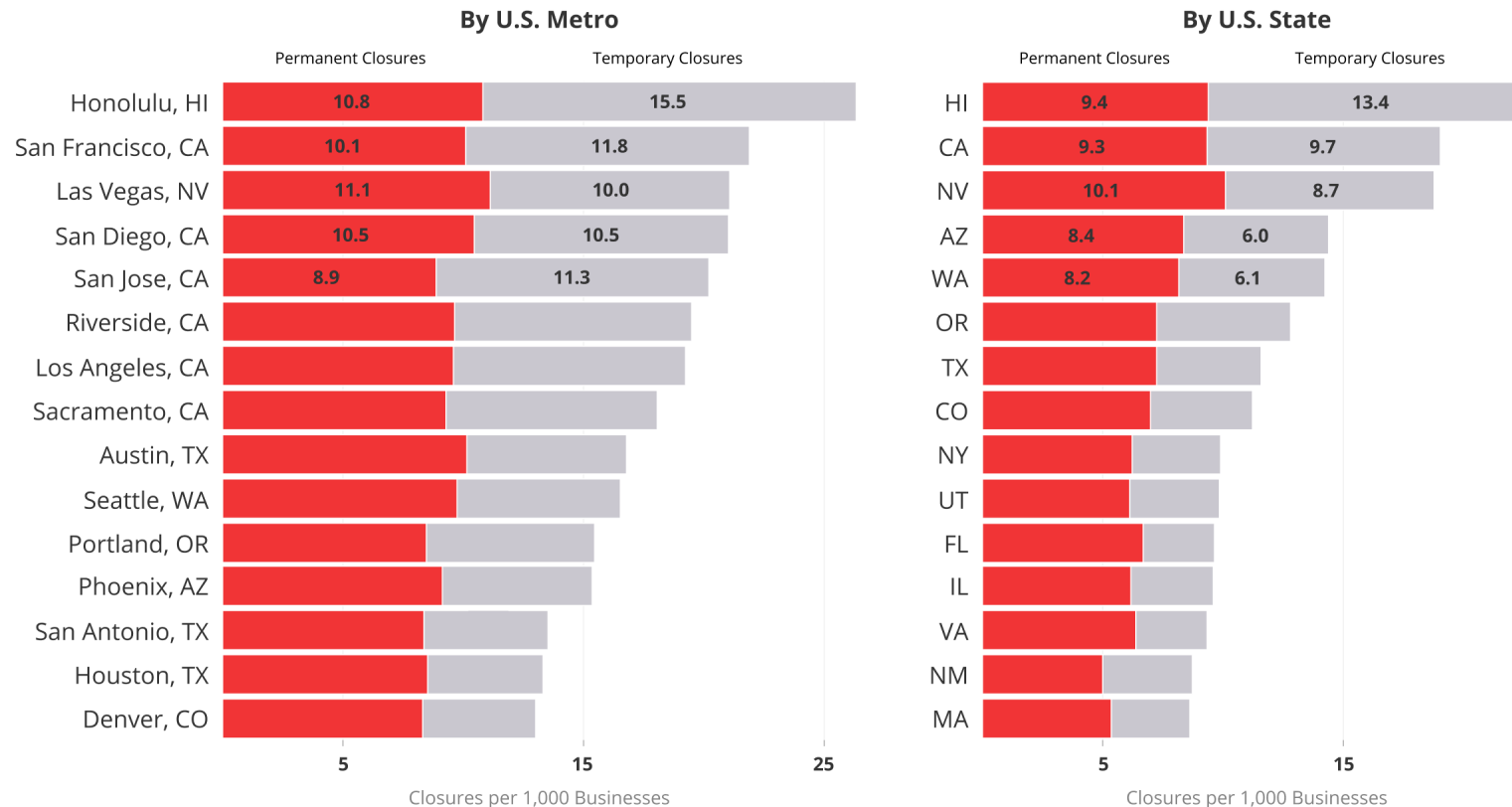
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Business Closures (by geography) - 2020

Where are Businesses Closing at the Highest Rate?

Geographic areas with the highest closure rate* per 1,000 businesses since March 1



Business Closures (by sector) - 2020

BUSINESS TYPES IMPACTED BY PANDEMIC CLOSURES PER 1,000 ON YELP



source: Yelp Data August 31

Source: <https://www.yelpeconomiccoverage.com/business-closures-update-sep-2020>

Source Graphic: <https://www.cnbc.com/2020/09/16/yelp-data-shows-60percent-of-business-closures-due-to-the-coronavirus-pandemic-are-now-permanent.html>



Business Closures (hardest hit) - 2020



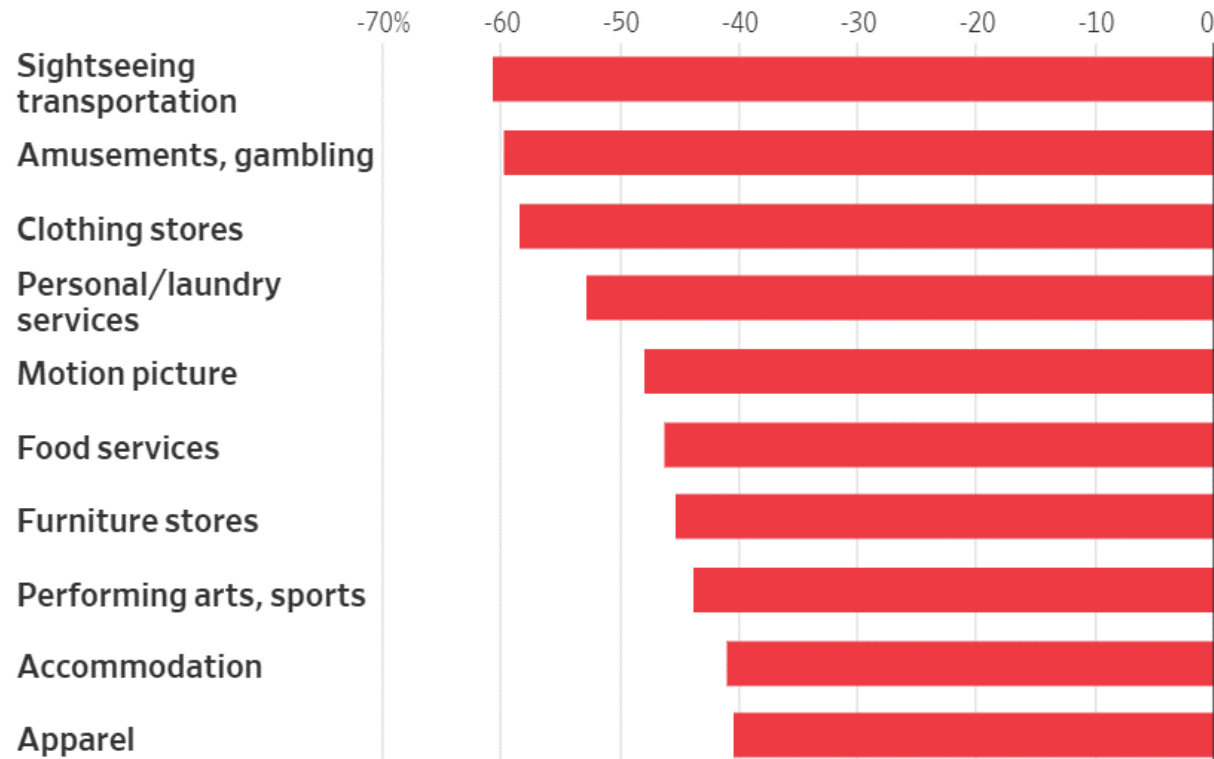
Source: <https://www.yelpeconomiccoverage.com/business-closures-update-sep-2020>

Source Graphic: <https://www.cnbc.com/2020/09/16/yelp-data-shows-60percent-of-business-closures-due-to-the-coronavirus-pandemic-are-now-permanent.html>



Unemployment Impact – March/April 2020

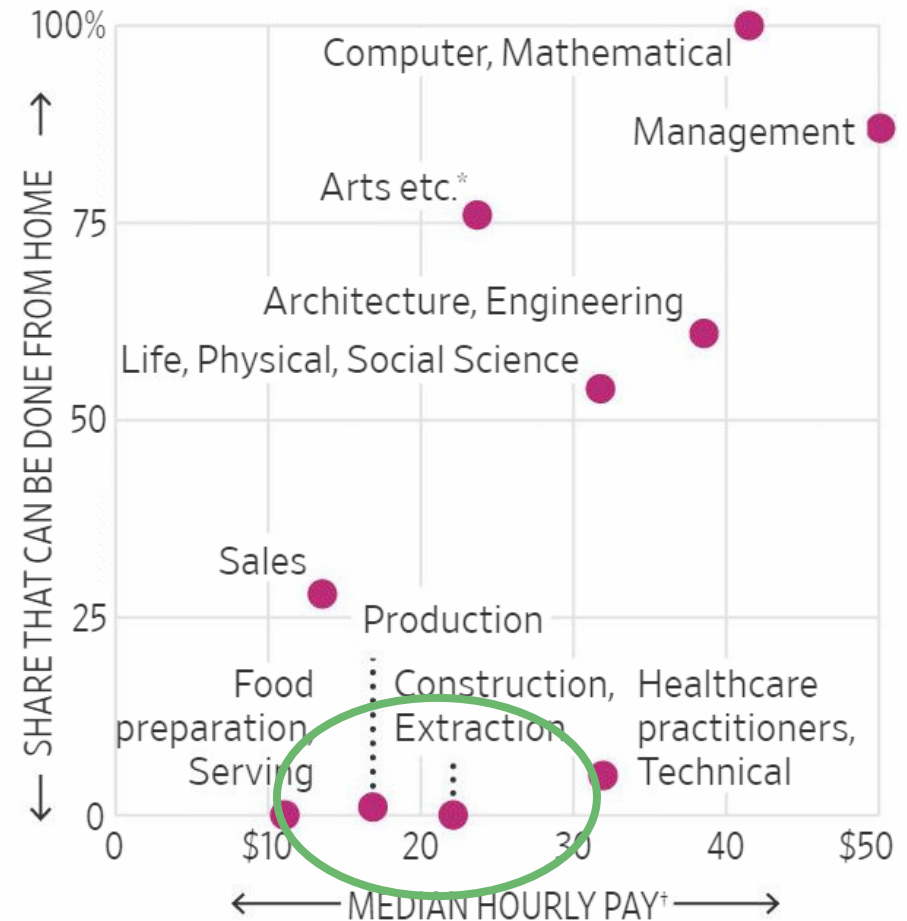
Percent change in jobs, March to April



Source: Wall Street Journal

The Telework Divide

Occupations by teleworking potential and pay



Lockdown Impact on Indianapolis Airlines

A.S.K.
(North America)

- 54.3 billion – *before* (dropped to 5.4 bil)
- **27.2 billion** – *after* (airline estimates)

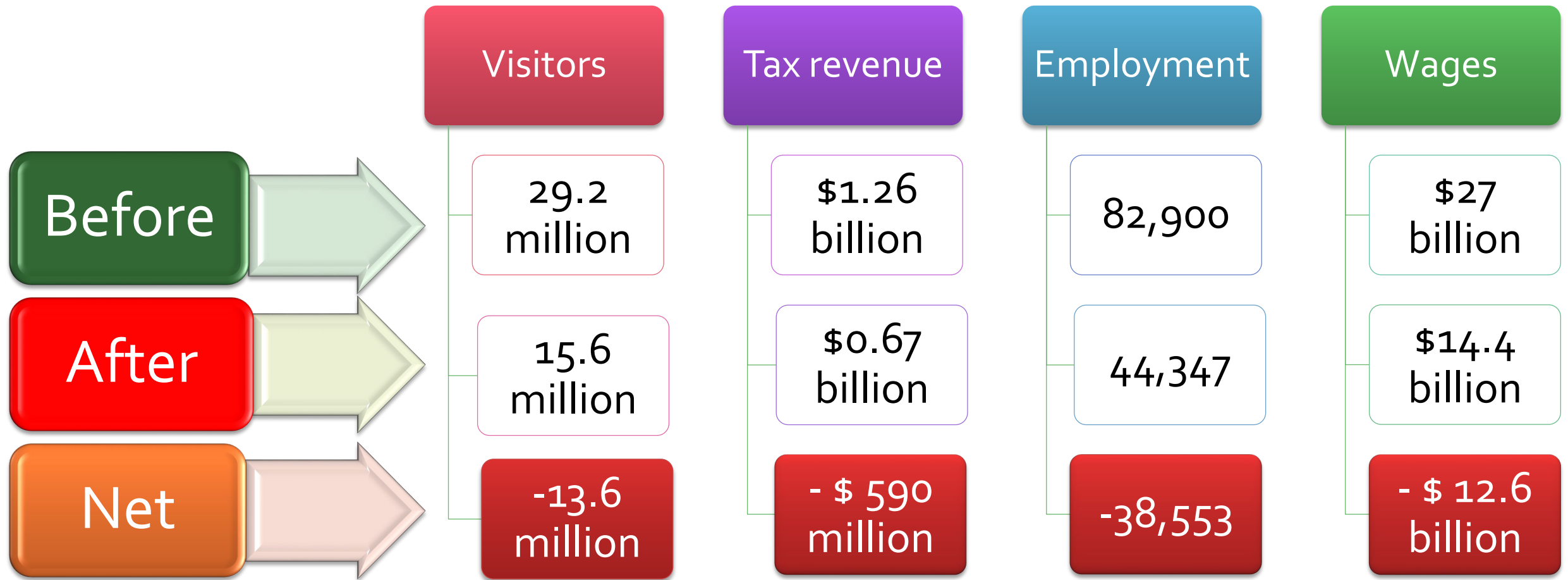
Load factor

- 83 % - *before* (dropped to 27 %) (72 < BE < 79)
- **44 %** - *after* (max capacity & BI load factor)

Indy Airline
Passengers

- 4.76 million - *before*
- **2.55 million** – *after* (assumes recovery)

Lockdown Impact on Indianapolis Tourism



After Source: Source: Bloomberg Intelligence, IAA and Based on forecasted airline traffic
Before Source: <https://www.visitindy.com/indianapolis-tourism>

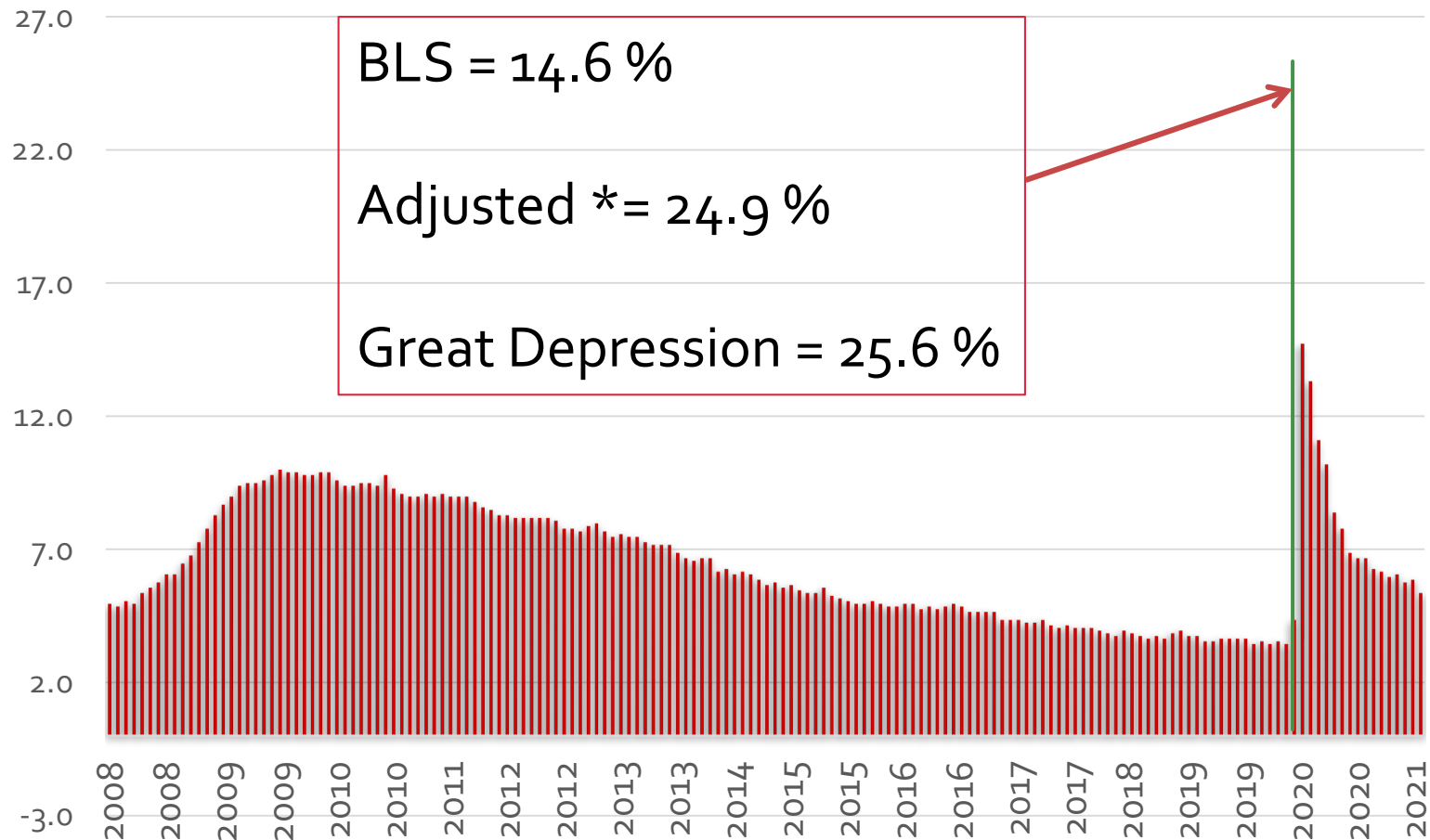


Indiana Tourism Impact

- Indiana Gross State Product
 - \$ 377 Billion - Total
 - \$ 9.6 billion – Tourism
 - 2.5 % of GSP



Unemployment Rate (September 2021)



BLS = 14.6 %

Adjusted * = 24.9 %

Great Depression = 25.6 %

Unemployed at Peak

7.1 mil = Existing

33.5 mil = New claims

40.6 mil = Total *

163 mil = Labor force *

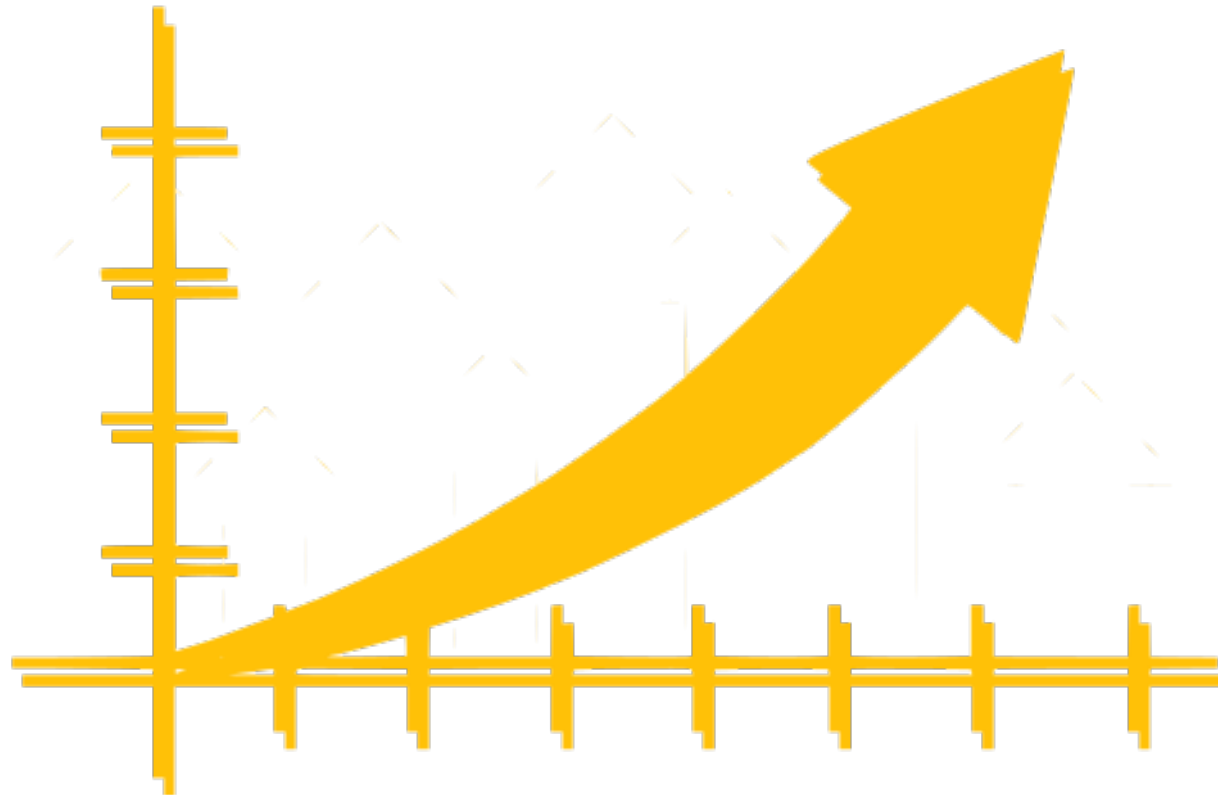
4.8 % = September

Source: BLS and Fortune estimates

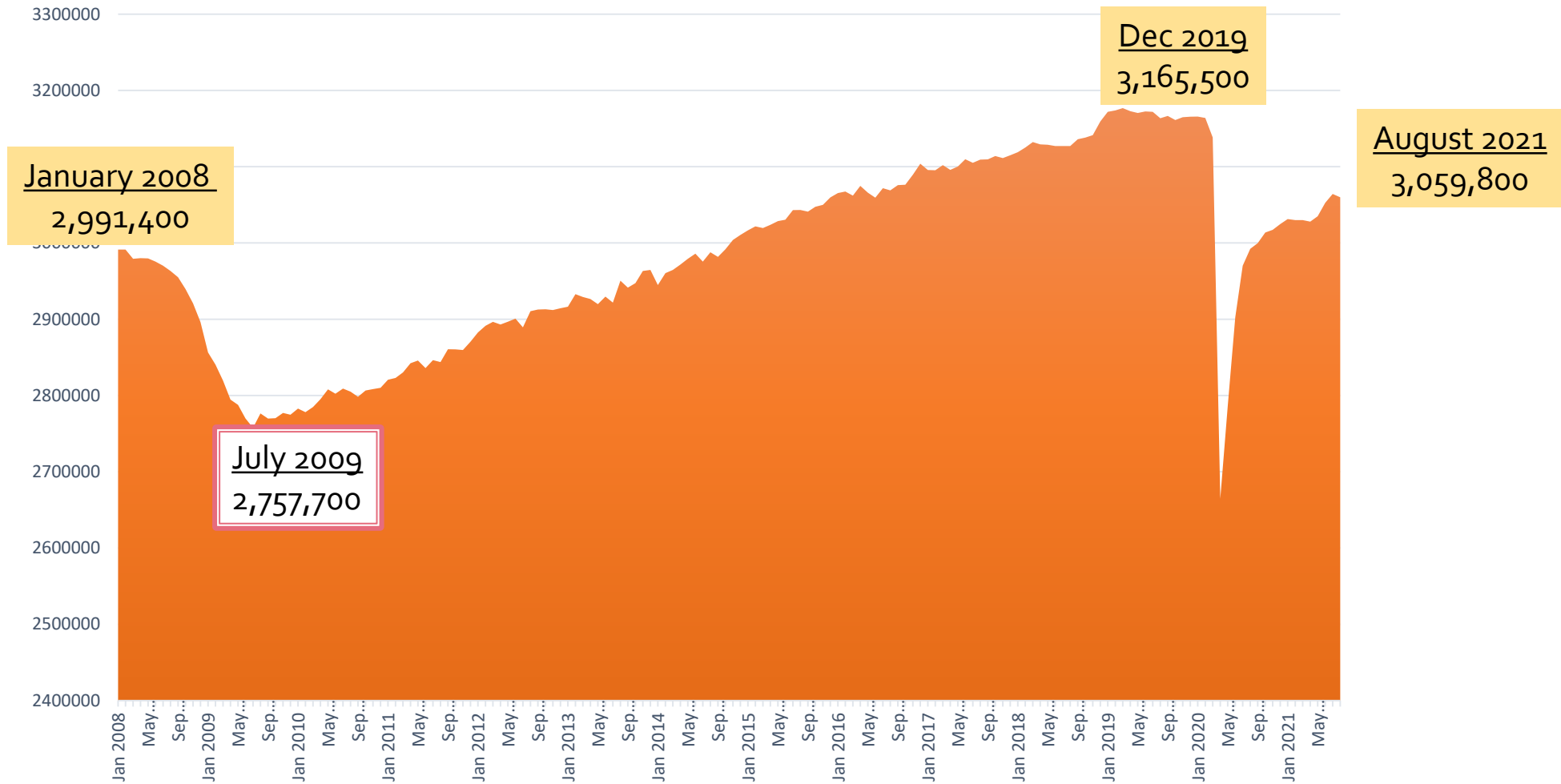
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The Recovery



Indiana Employment

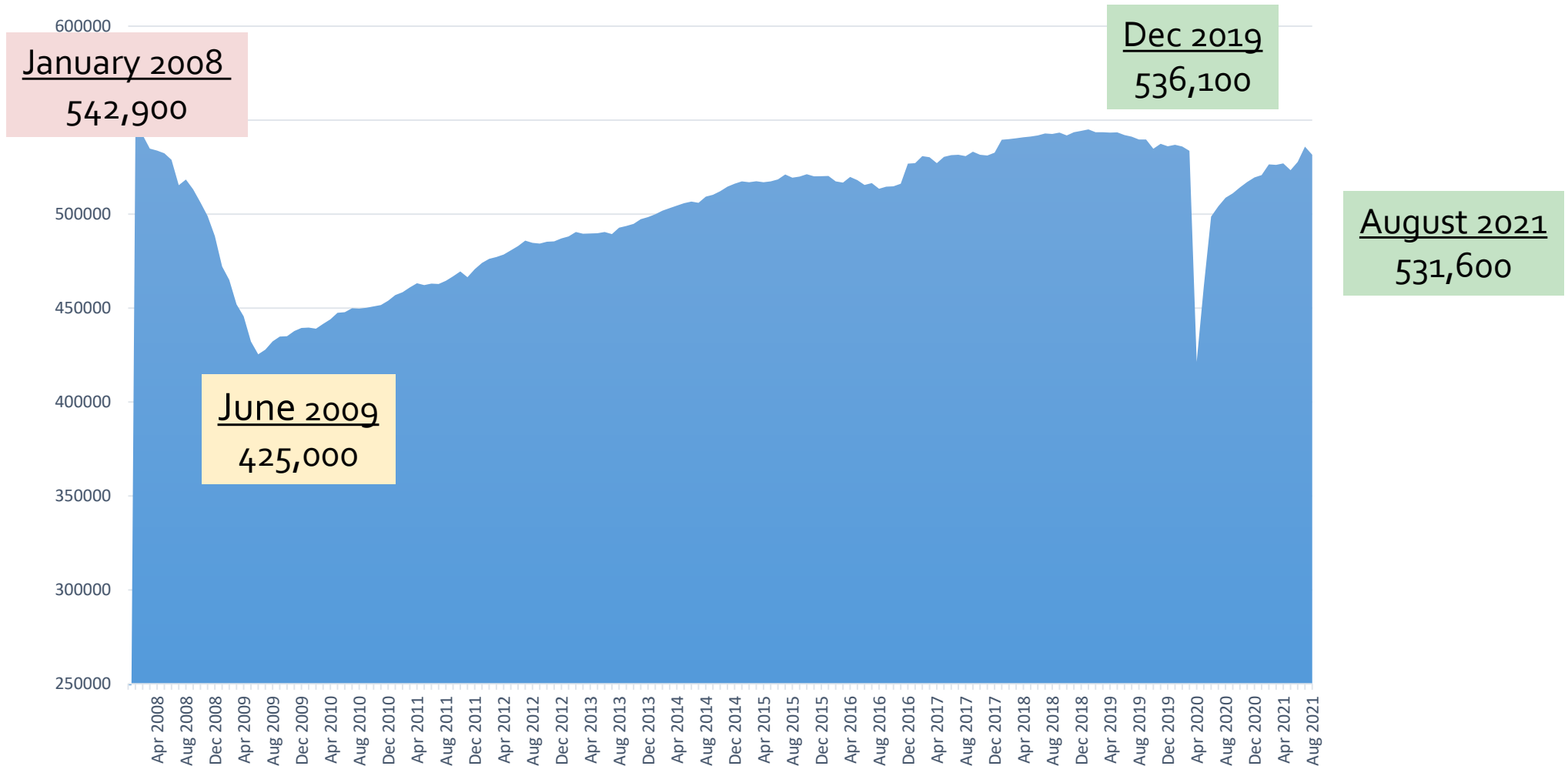


Source: <http://www.hoosierdata.in.gov/>

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Indiana Manufacturing Jobs

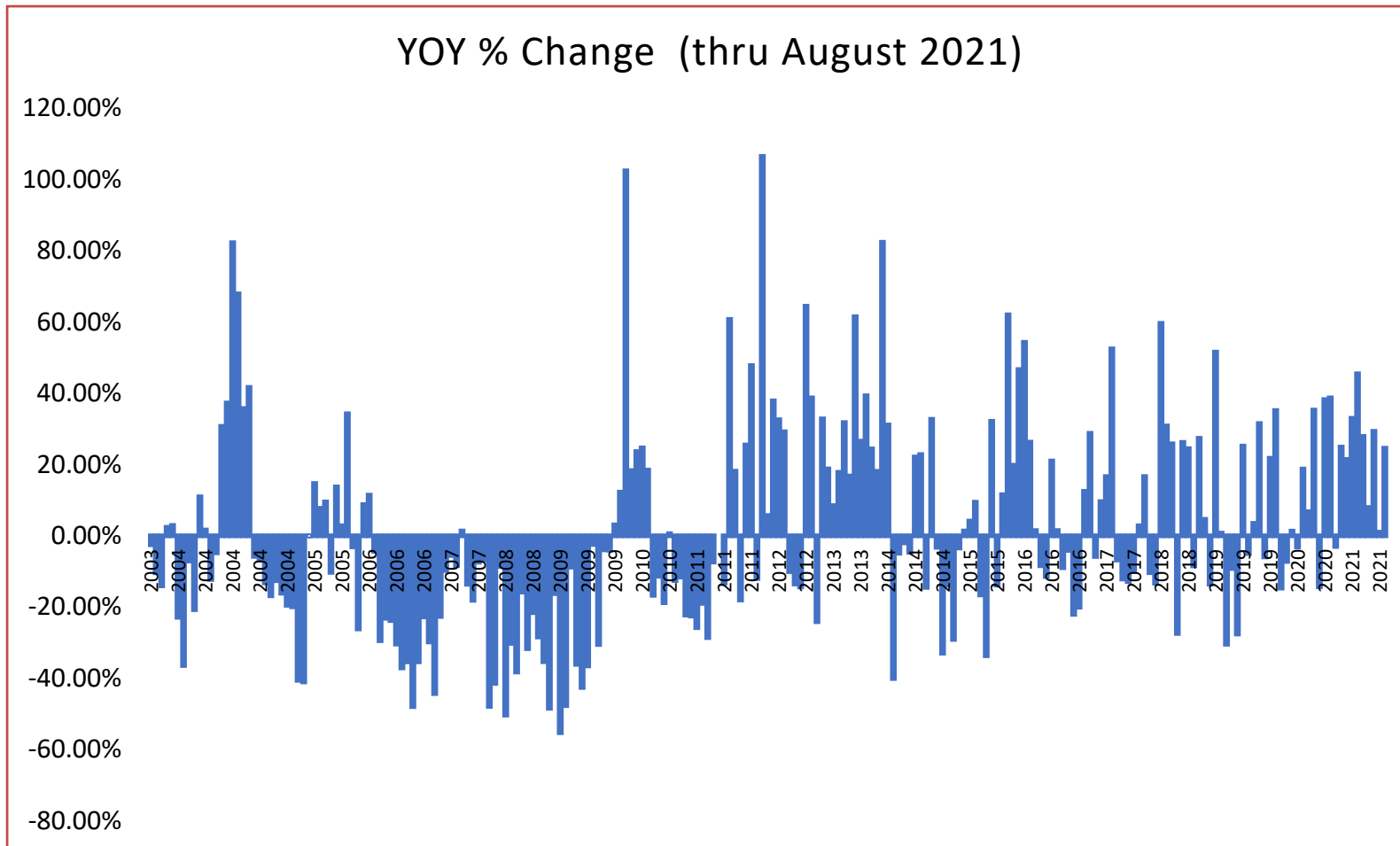


Source: <http://www.hoosierdata.in.gov/>

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Indiana Residential Building Permits



Source: <http://www.hoosierdata.in.gov/>

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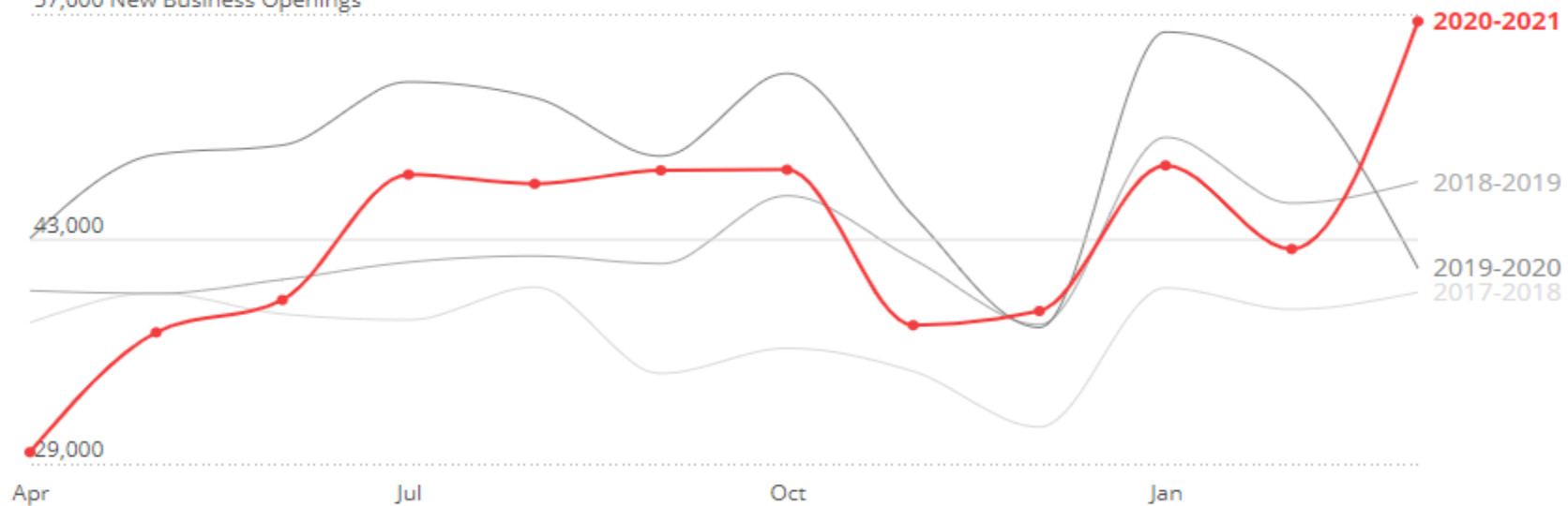
New Business Openings (thru March 2021)

New Business Openings Spike in Q1 Across Categories

Business openings by month, Apr 2020 – Mar 2021

Overall

57,000 New Business Openings



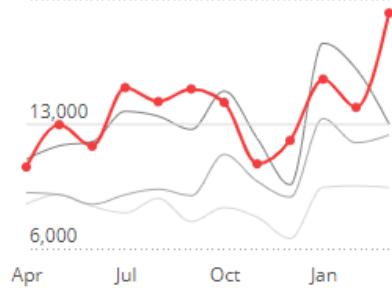
Source: <https://www.yelpeconomiccoverage.com/yea-q1-2021.html>



New Business Openings (thru March 2021)

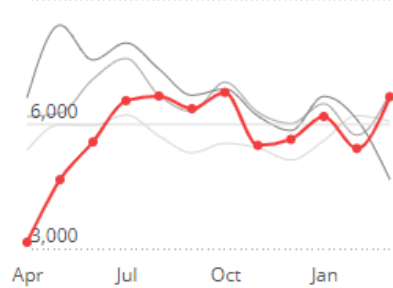
Home Services

20,000 New Business Openings



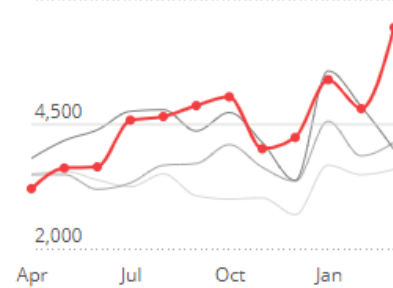
Restaurants and Food

9,000 New Business Openings



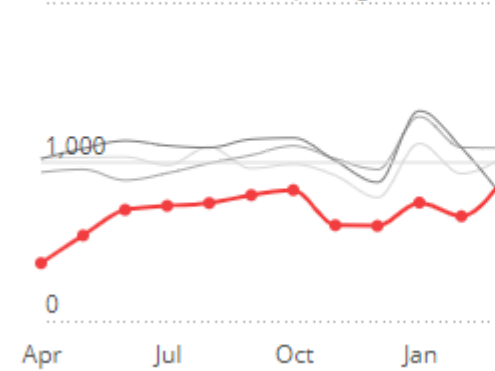
Local Services

7,000 New Business Openings



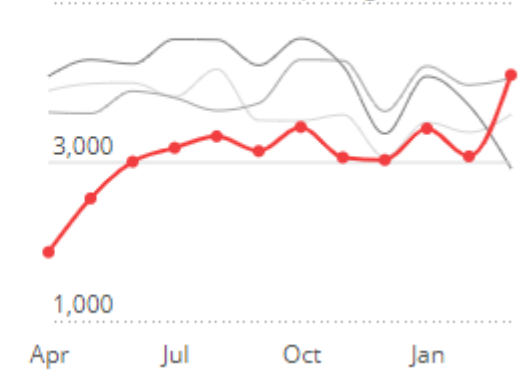
Fitness

2,000 New Business Openings



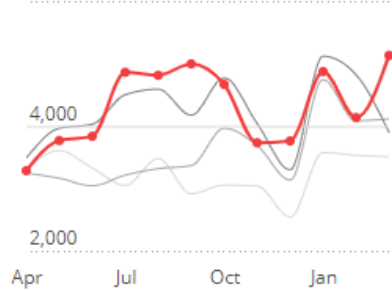
Retail and Shopping

5,000 New Business Openings



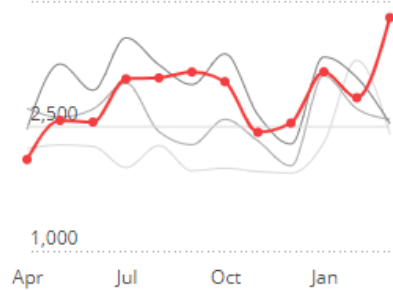
Professional Services

6,000 New Business Openings



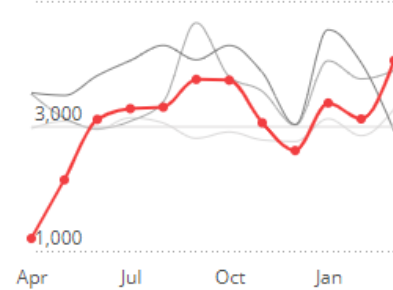
Automotive Services

4,000 New Business Openings



Beauty

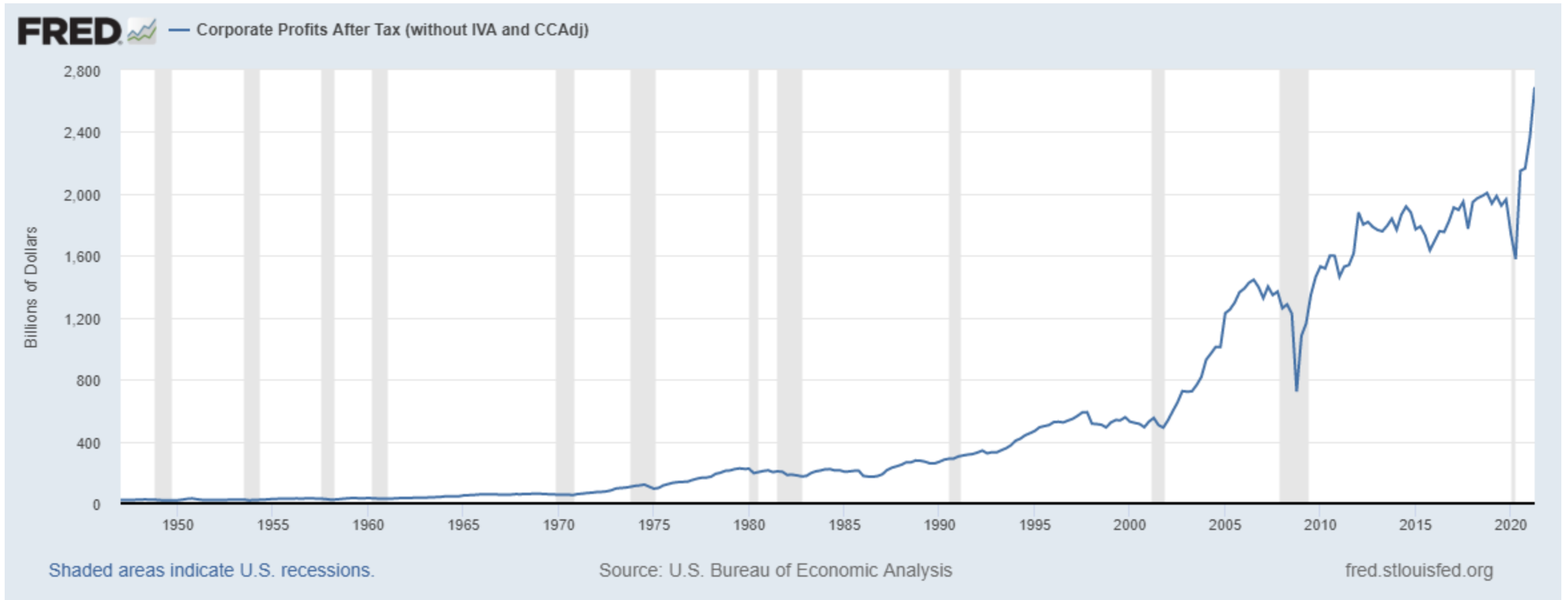
5,000 New Business Openings



Source: <https://www.yelpeconomicaverage.com/yea-q1-2021.html>



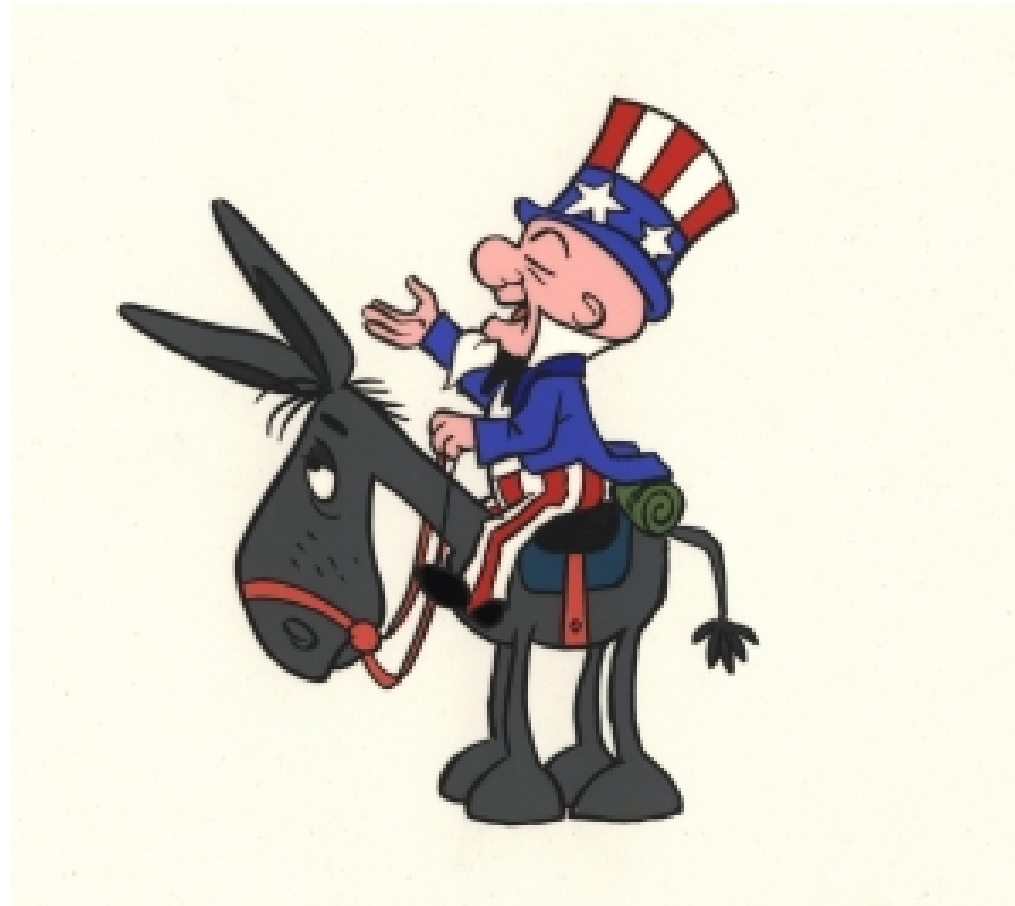
Corporate Profits



Updated September 2021



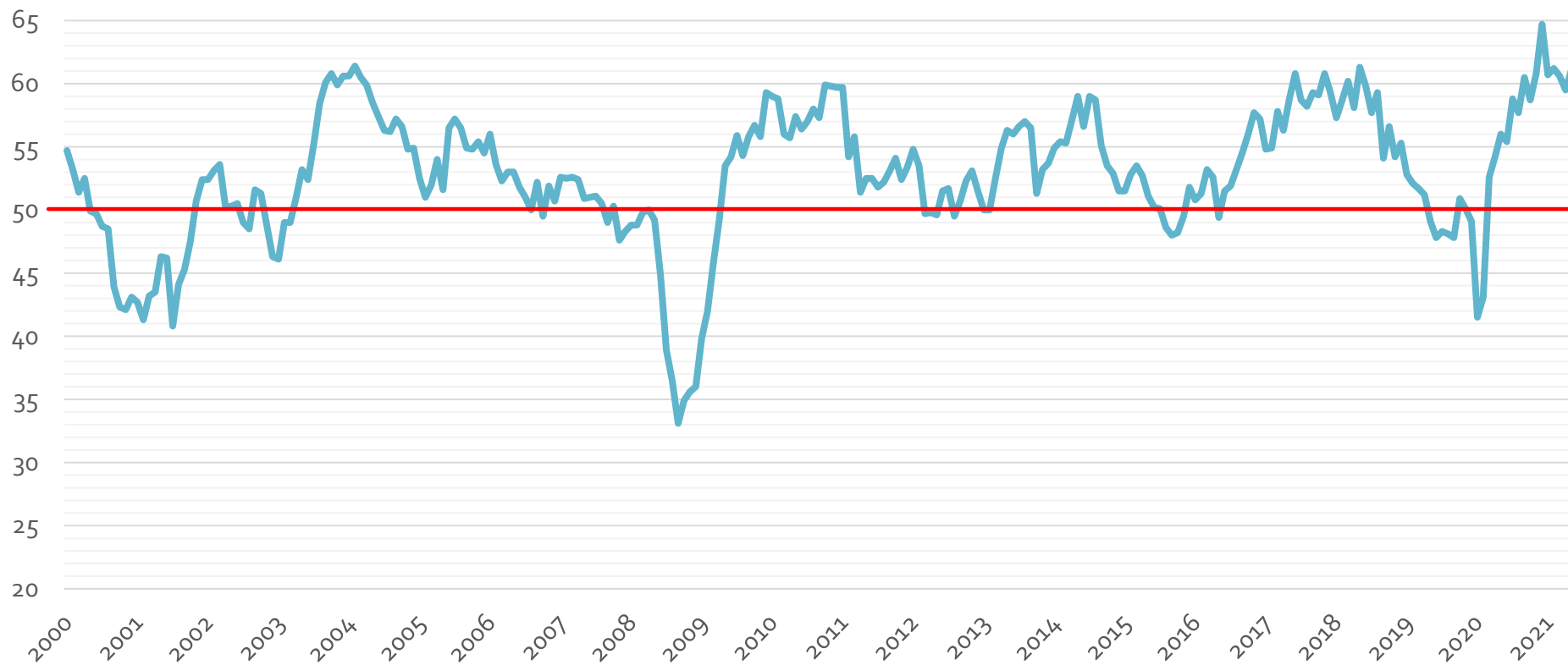
The Public Policy Headwind



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ISM PMI Index (thru September 2021)



61.1

Source: <https://www.instituteforsupplymanagement.org/ismreport/mfgrob.cfm?SSO=1>



ISM PMI Report (September 2021)

SEPTEMBER 2021

■ PMI	61.1
■ <i>New orders</i>	66.7
■ <u><i>Employment</i></u>	<u>50.2</u>
■ Deliveries	73.4
■ <i>Inventories</i>	31.7
■ <i>Backlog</i>	64.8
■ <i>Prices</i>	81.2

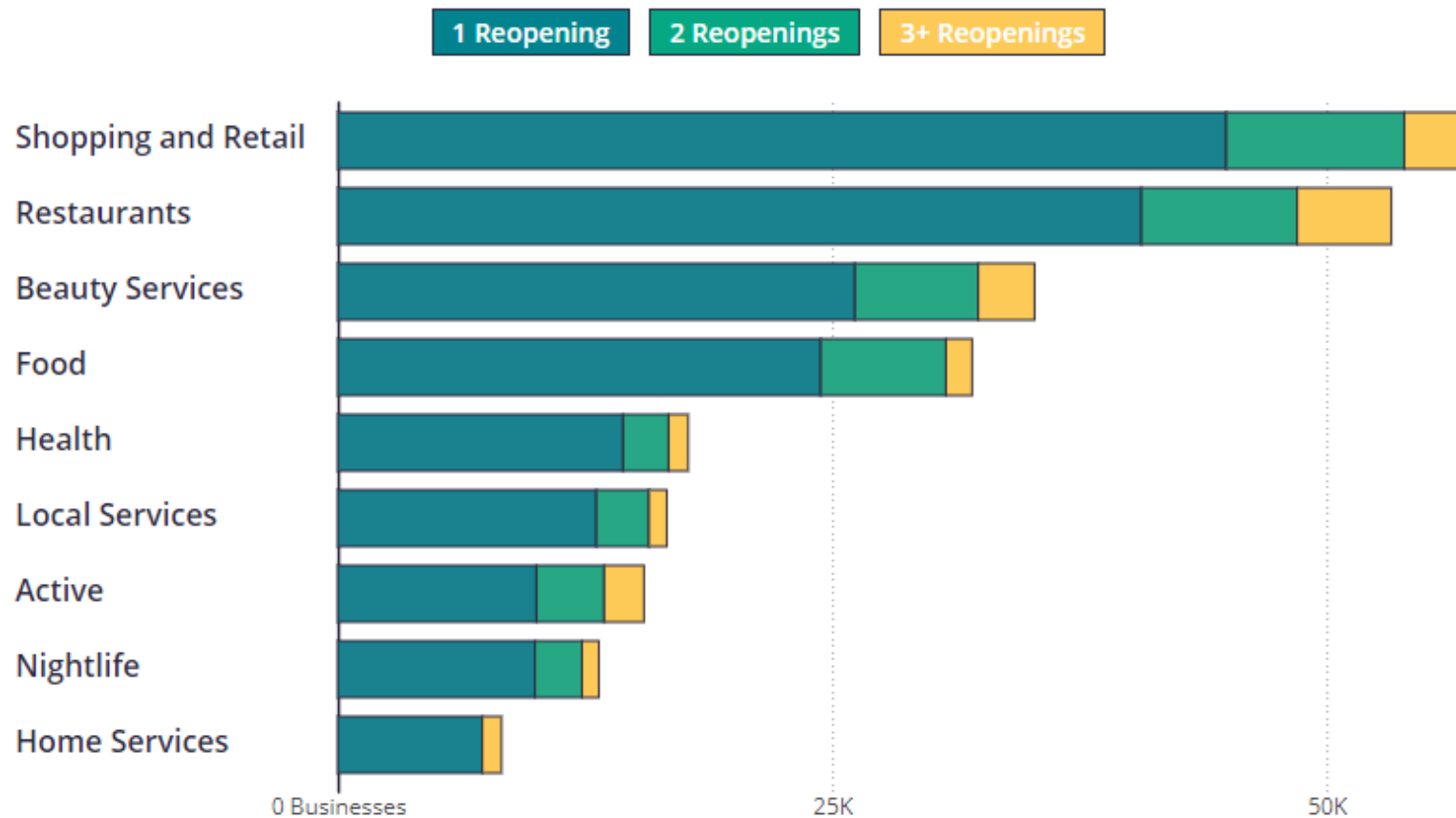
JANUARY 2020

■ PMI	50.9
■ <i>New orders</i>	52.0
■ <u><i>Employment</i></u>	<u>46.6</u>
■ Deliveries	52.9
■ Inventories	43.8
■ <i>Backlog</i>	45.7
■ <i>Prices</i>	53.3



Business Re-Openings (thru Dec 2020)

Number of businesses on Yelp that reopened* one or multiple times, by category



Source: <https://www.yelpeconomiccoverage.com/yea-q4-2020.html>



Q1 New Business Report (thru March 2021)

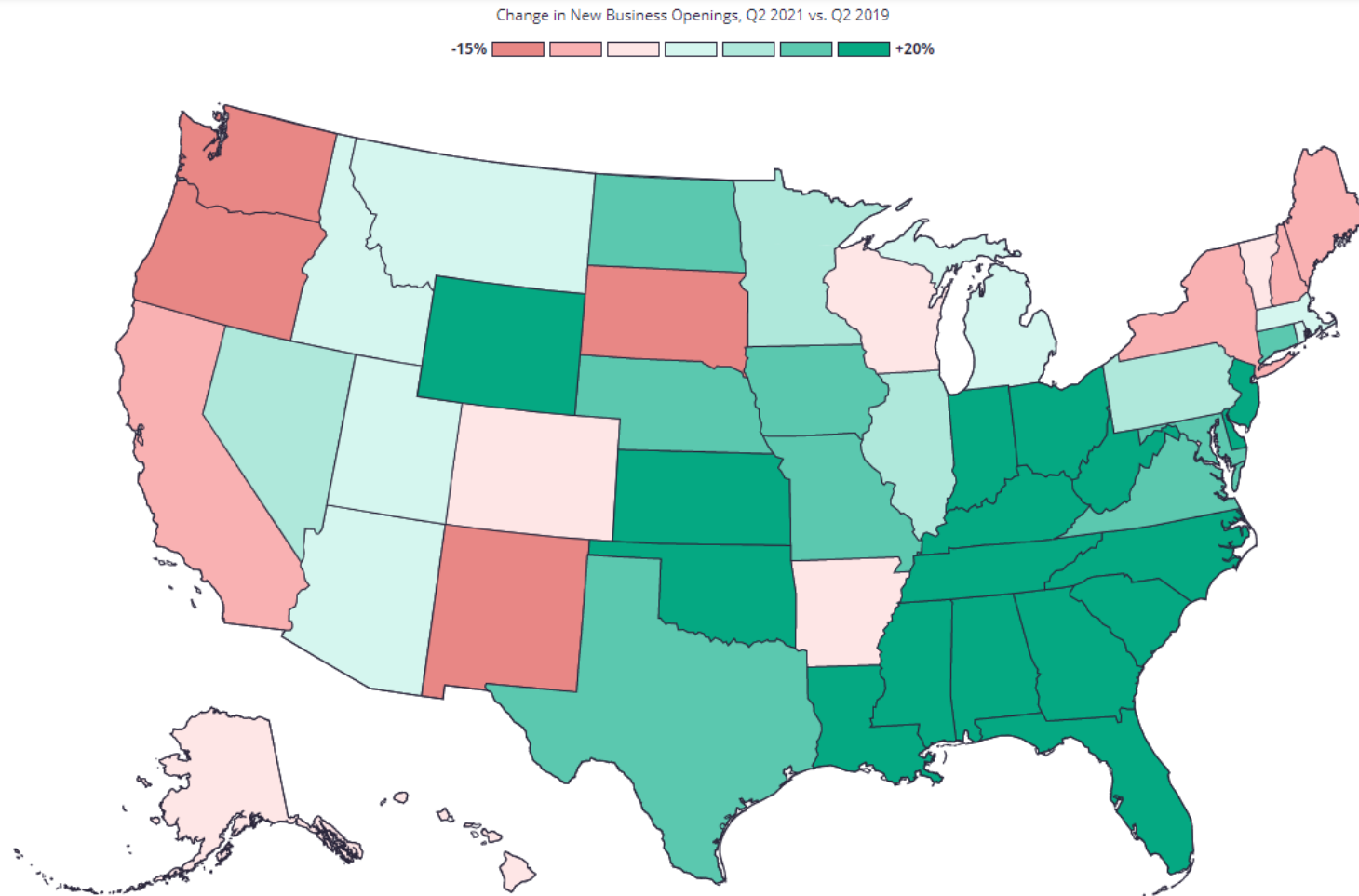
New Business Openings Increase in States with Decreased Pandemic Restrictions

While many states and counties still enforced COVID-19 restrictions throughout Q1, others eased guidelines or lifted restrictions completely. Nearly every state in the U.S. saw an increase in new openings in Q1 2021, compared to Q4 2020. States with the largest increase in new openings in Q1 compared to Q4 were Mississippi (979 openings, up 39% QoQ), Alabama (1,921 openings, up 35%), Maine (450 openings, up 32%), South Carolina (2,493 openings, up 31%), and Michigan (3,557 openings, up 30%). Each of these states experienced easing of pandemic restrictions, such as allowing indoor dining at 50% or more capacity, and reducing limits on mass gatherings throughout March. The largest counts of openings in the quarter tend to be in larger and more heavily populated states, including California (22,157 openings), Texas (14,860 openings), Florida (14,793 openings), and New York (7,080 openings).

Source: <https://www.yelpeconomiccoverage.com/yea-q1-2021.html>



New Business Report (Q2 2021)



These are the 10 states with the lowest partial vaccination rates in the U.S.:

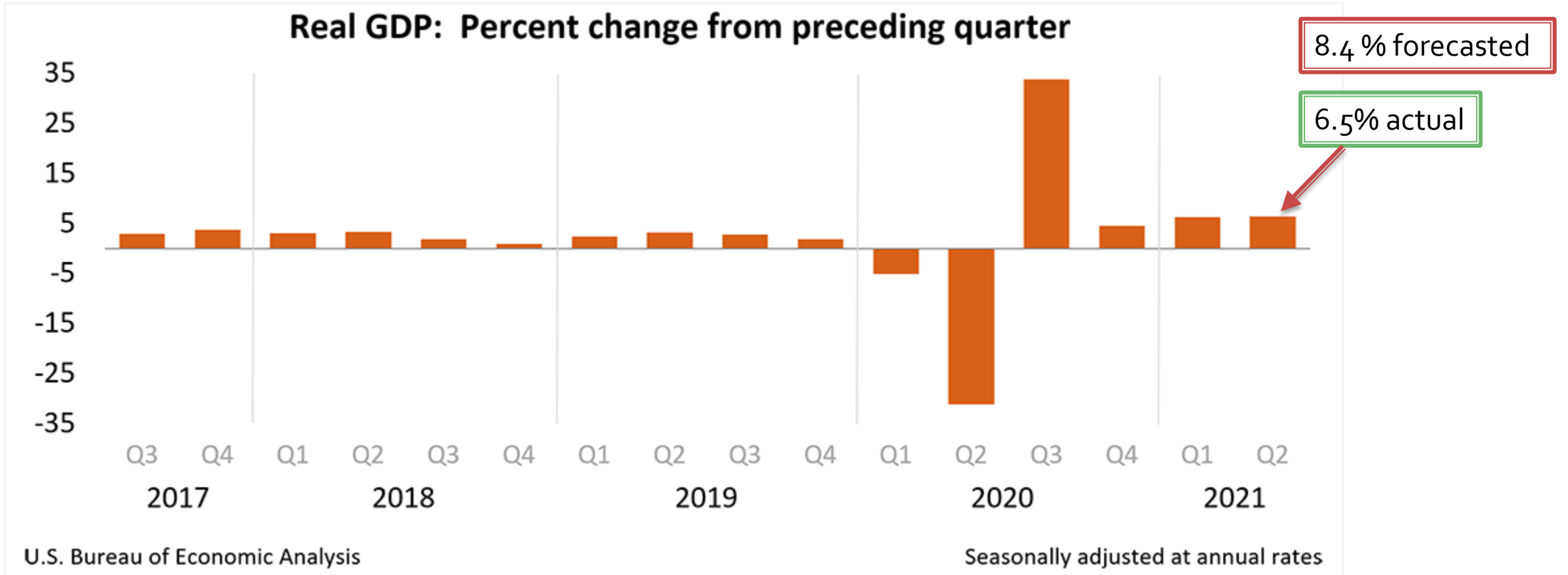
1. Idaho (47%)
2. West Virginia (48%)
3. Wyoming (49%)
4. Mississippi (50%)
5. North Dakota (51%)
6. Louisiana (52%)
7. Indiana (53%)
8. Alabama (53%)
9. Tennessee (53%)
10. Ohio (55%)

Source: <https://www.yelpeconomiccoverage.com/yea-q2-2021.html>

Source: <https://www.usnews.com/news/best-states/articles/these-states-have-the-lowest-covid-19-vaccination-rates>



GDP Data – Q2 2021



<https://www.bea.gov/data/gdp/gross-domestic-product>



GDP Data – Q2 2021 (missed target)

Drivers of GDP Growth

- Personal Spending
 - 69% of total GDP figure
 - Historical average 63.2%
- Personal Savings
 - \$1.97 trillion
 - Prior Qtr \$4.1 trillion

Drags on GDP

- Private investment
 - Down 3.5%
- Rate of Growth in Govt Spending
 - 5.0% slow down

All Negative Indicators



Unemployment Rates

Midwest Unemployment Rates

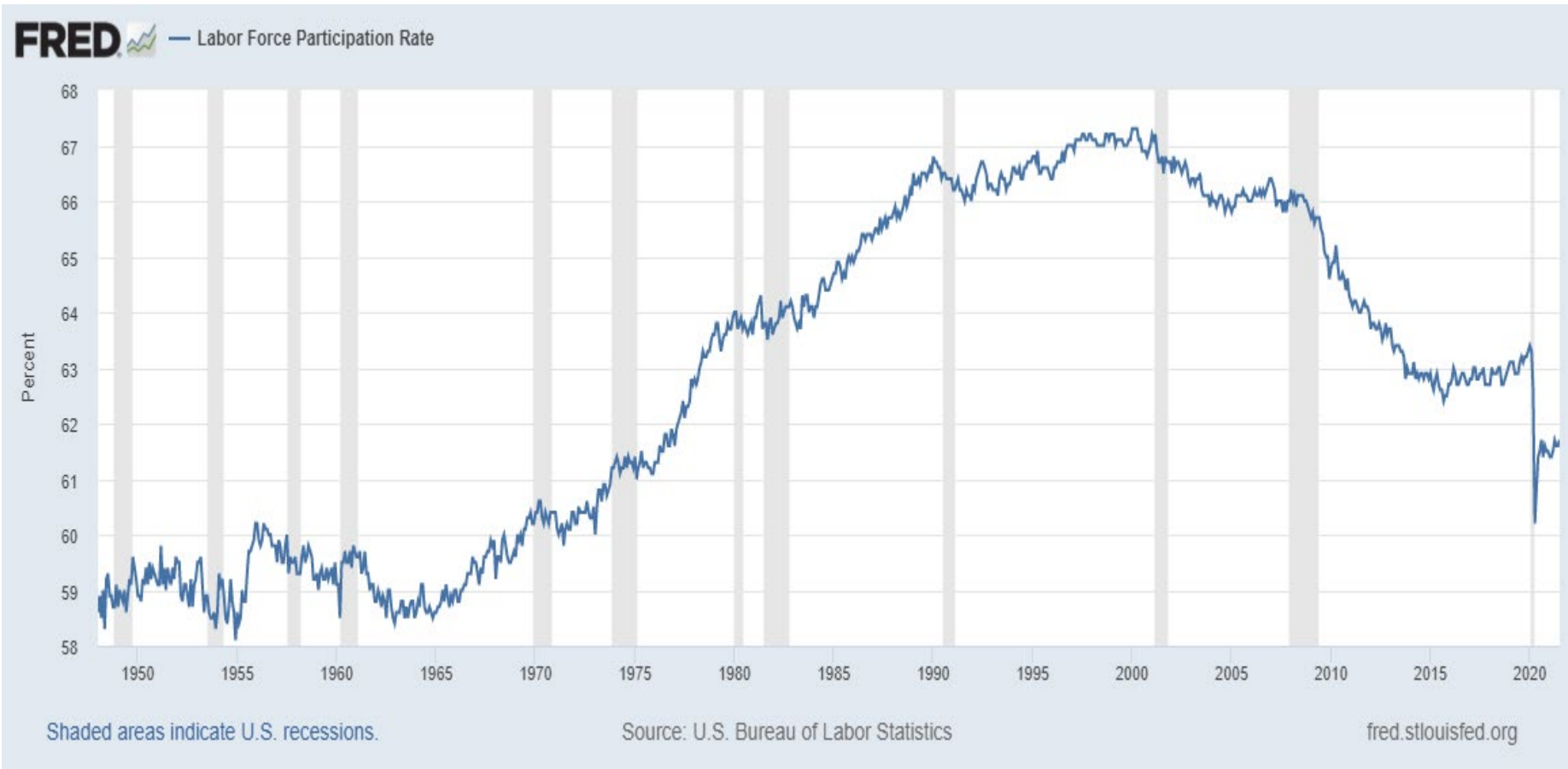
Aug 2021 Sept 2020 Dec 2019

	Aug 2021	Sept 2020	Dec 2019
Indiana	4.1	6.2	3.2
USA	5.2	7.9	3.5
Major lockdown → Illinois	7.0	11.0	3.7
Kentucky	4.3	7.5	4.3
Major lockdown → Michigan	4.7	8.7	3.9
Ohio	5.4	8.9	4.2

Source: BLS



Labor Participation Rates



61.6
vs
63.3

Pay to
“not play”

6 million
fewer people
in the work
force



Unemployment Rates

Lowest Unemployment Rates August 2021

Lowest Lockdown Protocols

10.7 mil job openings

7.7 mil officially unemployed

Aug 2021

Indiana	4.1
USA	5.2
Nebraska	2.2
Utah	2.6
South Dakota	2.9
New Hampshire	2.9

Source: BLS



Supply Chain Disruption

- Longer term inflation (Powell)
 - Shipping costs + 400%
- Container ship personnel
- Los Angeles Port delays
 - Fully Open Mon-Thr
 - 3+ weeks minimum wait
 - 62 ships waiting (10/7/21)
- Supply Chain Labor shortage
 - Railways, trucking, long shoreman, port workers, & warehousing



Cause: Govt policy

- Import Regulation
- Enhanced benefits
- Federal Safety Regulations



Simple Solutions



Economic Barriers

- Problem: Material shortages
- Solutions:
 - Reduce import regulation & tariffs
 - Expand public land leases (oil)
 - Allow travel and trade



- Problem: Labor shortages
- Solutions:
 - Reduce transfer payments
 - End enhanced benefits:
 - Federal
 - California rent assistance
 - 309,000 applicants (9/30/21)
 - \$5.2 billion budget



Scrap \$3.5 Trillion + Others

Biden Plan

- Increase taxes
 - Corporate, Personal, Inheritance, Reverse deductions (ie. 64% NYC marginal rate)
- Fiscal stimulus
 - Forgive student loans (\$10k)
 - Increase social program payments
- Expand corporate regulations
- Loans to small businesses
- Federal economic shut down
- Biden-Care via “public option”

Analysis of Plan

- Hoover Institute 2030 (compared to CBO data for 2030)
 - Income reduction of \$6500 per household
 - GDP drop \$2.6 trillion....
 - Consumption drop of \$1.5 trillion
 - 4.9 million fewer jobs

Source: <https://www.hoover.org/research/analysis-vice-president-bidens-economic-agenda-long-run-impacts>

Source: Congressional Budget Office



Less Lockdowns and Restrictions

Stanford Department of Medicine Study

- *"While small benefits cannot be excluded, we do not find significant benefits on case growth of more restrictive NPIs."*
- Peer reviewed rigorous research
- Sweden and South Korea: Statistical similar contagion as other countries
- Some mandatory lockdowns (i.e. France) had higher contagion
- Lower contagion than 30% of sample

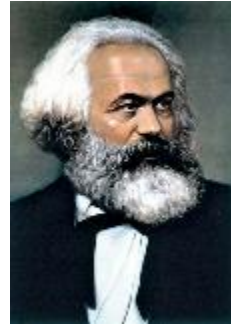


Source: <https://onlinelibrary.wiley.com/doi/epdf/10.1111/eci.13484>



Expand Free Market Economy

Team Karl



Karl
Marx

vs.



Adam
Smith

Team Adam



Vladimir
Lenin



Mao
Zedong



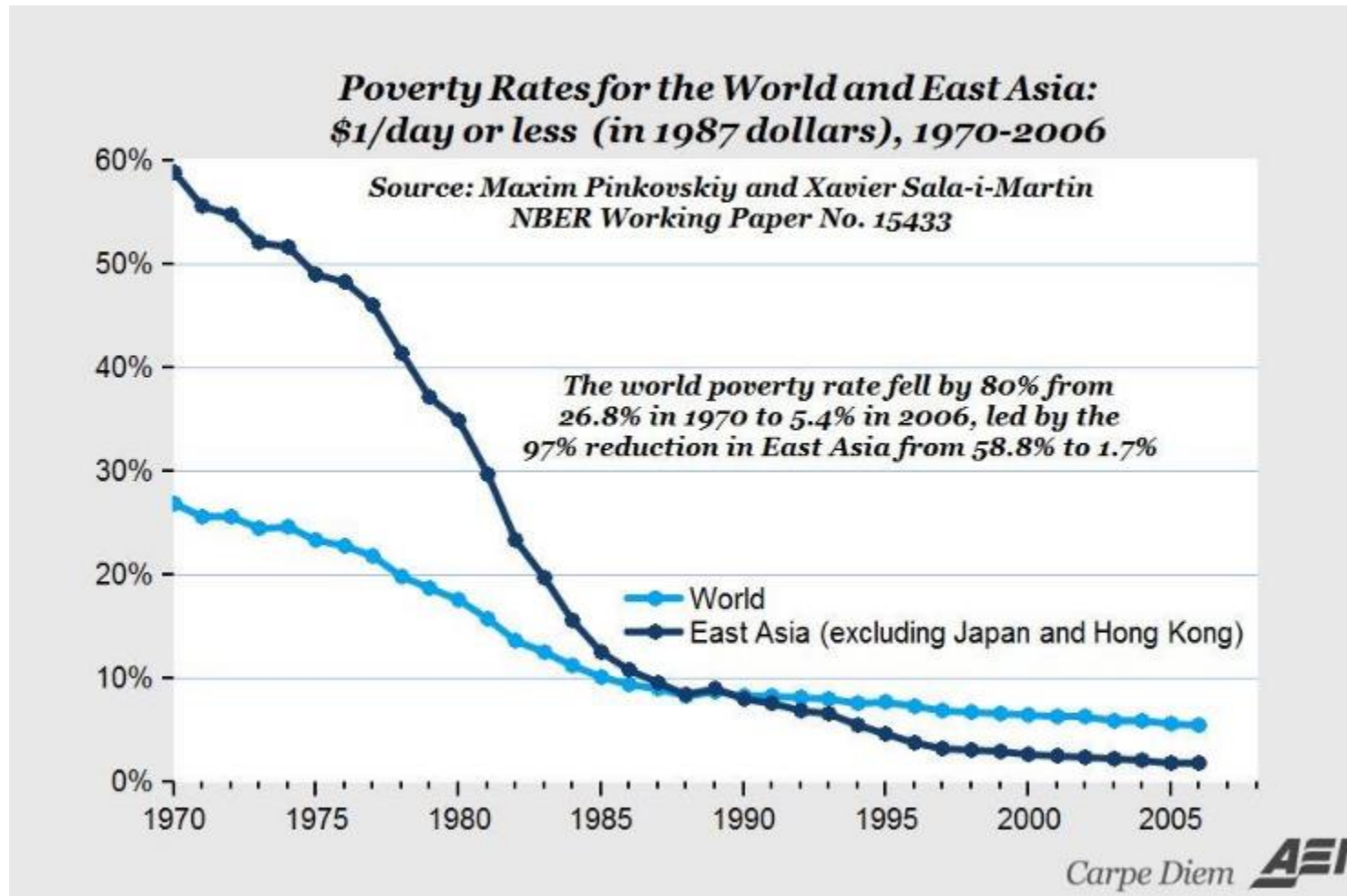
Joseph
Schumpeter



Milton
Friedman



Capitalism Success



Source: <https://www.aei.org/wp-content/uploads/2015/07/worldpoverty.jpg>

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Top 10 Wealthiest Countries

Country	Wealth per Capita	Wealth Ranking	Economic Freedom Rank	
			Low = Capitalism High = Socialism	Absolute Score
Switzerland	\$ 530,244	1	4	81.9
Australia	\$ 411,060	2	5	80.9
United States	\$ 403,974	3	12	76.8
* Belgium	\$ 313,045	4	48	67.3
* Norway	\$ 291,103	5	26	73.0
New Zealand	\$ 289,798	6	3	84.4
Canada	\$ 288,263	7	8	77.7
Denmark	\$ 286,712	8	14	76.7
Singapore	\$ 283,118	9	2	89.4
* France	\$ 280,580	10	71	63.8

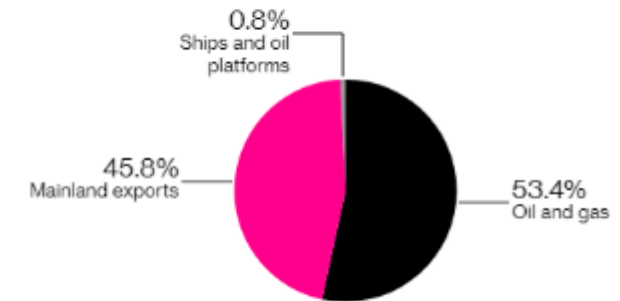
Average Capitalism Score

Top 20 wealthiest countries = 21.3

Bottom 20 poorest countries = 14.2

Crude Dependence

Oil and gas account for more than half of Norway's exports



Source: Statistics Norway
Note: 2018 figures

Source: <https://www.credit-suisse.com/about-us/en/reports-research/global-wealth-report/tables.html>

Source: <https://www.heritage.org/index/download>

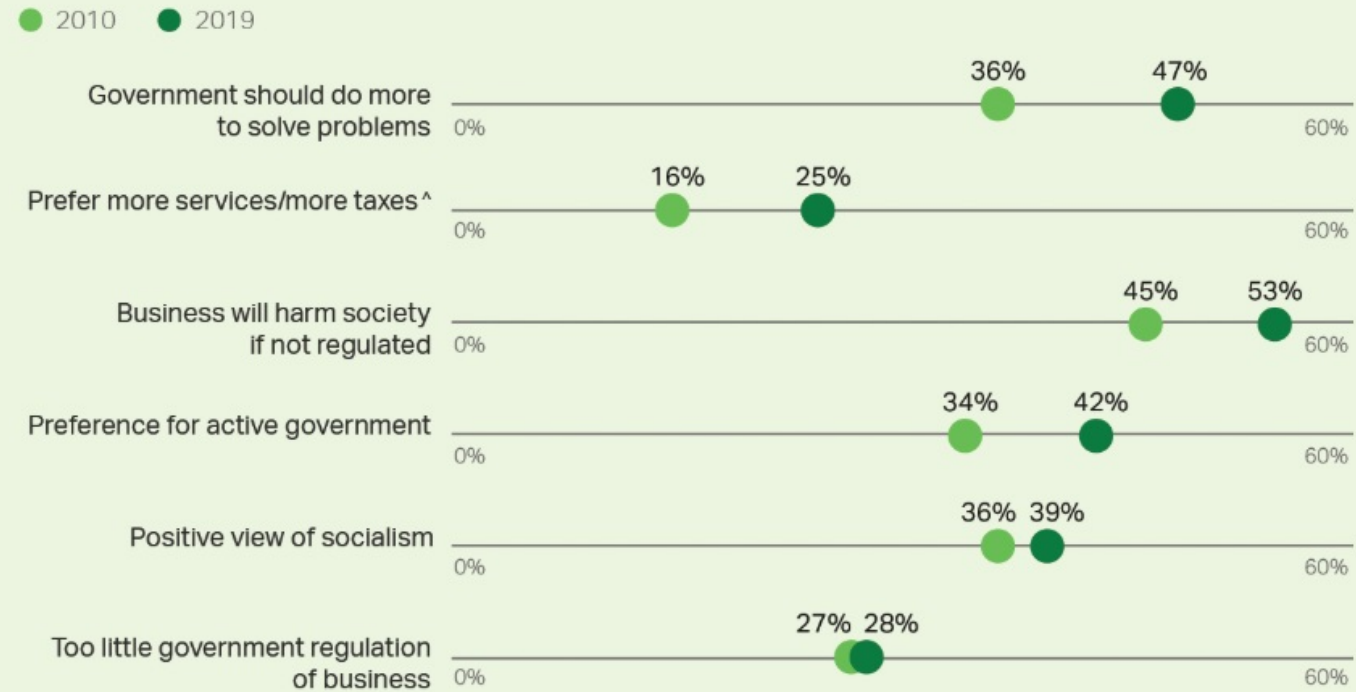
Source: <https://www.bloomberg.com/news/articles/2019-04-08/norway-is-walking-away-from-billions-of-barrels-of-oil-and-gas>



Socialism Attitudes

Americans' Pro-Government, Pro-Socialism Positions

Items listed according to percentage-point change since 2010

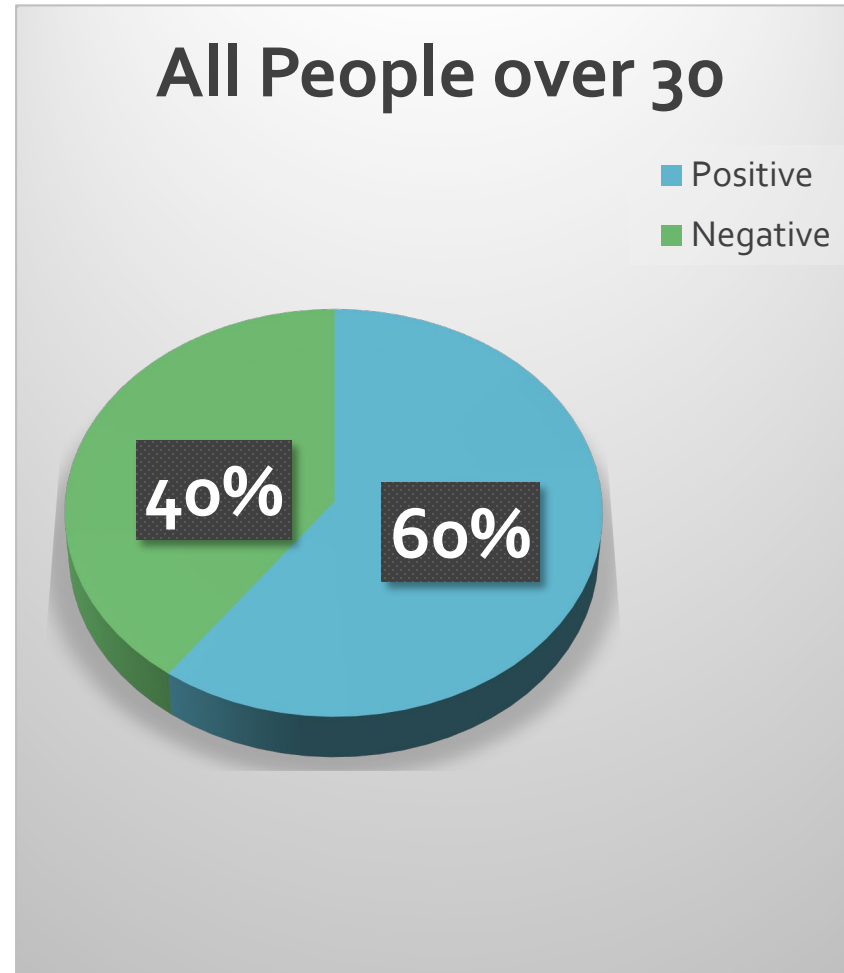
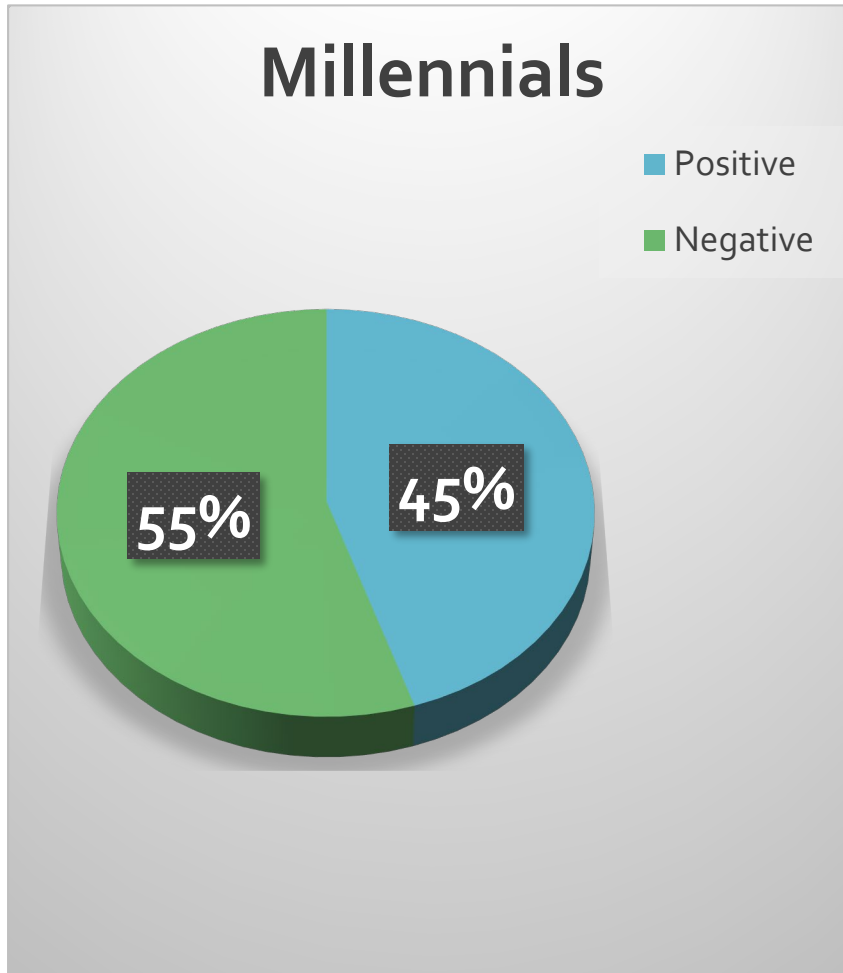


[^] This item was not asked in 2010; 2011 data are used for 2010.

GALLUP



View of Capitalism



Movements Towards Centralized Govt Control

- ❑ Greece 2011
 - ✓ 50% haircut on Greek debt to creditors
- ❑ Cyprus 2012-13
 - ✓ 47.5% bank deposit levy
- ❑ Greece 2015
 - ✓ EU Bailout in lieu of 50% haircut
- ❑ Venezuela



Sources:

<https://business.financialpost.com/news/economy/cyprus-tax-levy>

<https://www.usatoday.com/story/money/business/2013/07/29/bank-of-cyprus-depositors-lose-savings/2595837/>

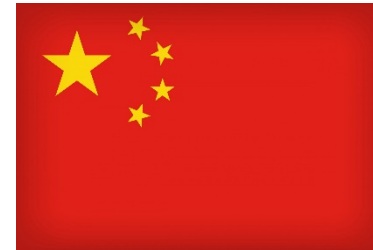


The China Bubble - Example

- Stock Market
- Real Estate
- GDP
- Inflation
- Currency manipulation
- Environment



Evergrande Group & China



- Real Estate
- Massive construction
- Perpetual credit
- No short selling
- Vacancies
- GDP
- Inflation
- Currency manipulation
- Environment

Market dropped 800 points in 30 minutes



Chinese Real Estate



Chinese Real Estate



Chinese Real Estate



Chinese Real Estate



Chinese Real Estate



Chinese Real Estate

- Population = 1.4 billion
- Vacant Units = 60 million
- Housing for 210 million people



Wrap Up & Questions

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