Finding **Opportunity** in Northeast Ohio's Economy

COVID-19 RECOVERY PROJECTIONS

As the coronavirus pandemic continues to affect economies around the world, Team NEO takes a look at Moody's Analytics to project how Northeast Ohio will be impacted by GDP and employment through 2025, and potential opportunities that will emerge out of the crisis. While the projections in this report are subject to ongoing and perhaps significant adjustments, they are intended to help inform the community about a rapidly changing economic situation.

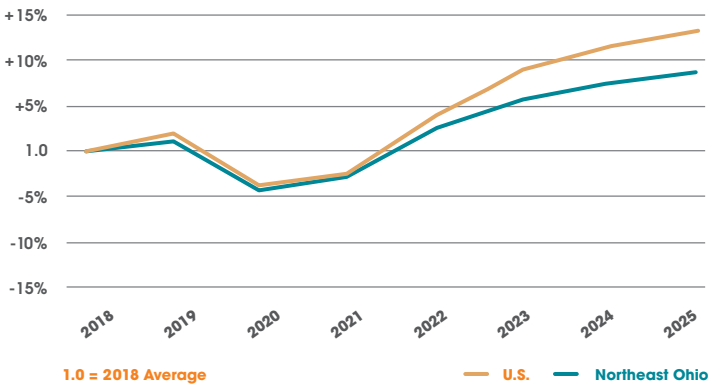
Quarterly Economic Review
JUNE 2020

Team NEO | JobsOhio

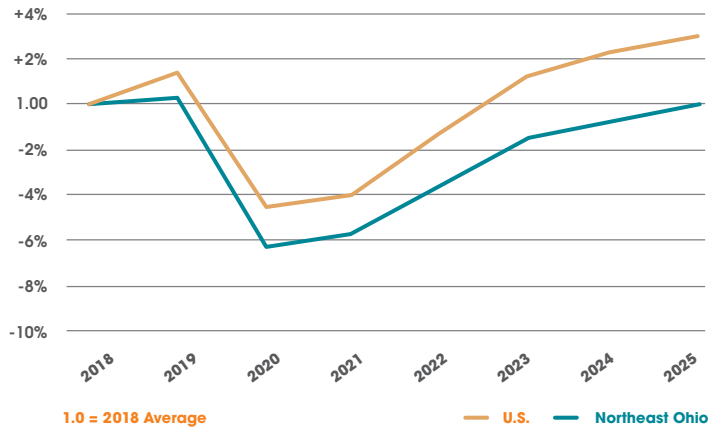
The impacts of COVID-19 on our national and regional economy are far-reaching. The extent of their influence will depend in large part on the ultimate duration of the crisis, the timing and strategy for reopening the economy, and the economy's capacity for resilience. In the short term, the nation remains in a health crisis, and necessary policy decisions are likely to continue causing disruptions and collateral macroeconomic impacts.

When does the recovery begin? With a deep understanding of how Northeast Ohio's economic performance has historically correlated to that of the nation as a whole, Team NEO has calculated the projections in this report based on June annualized national and local projections of employment and GDP from Moody's Analytics. While these projections are subject to change due to the fluidity of circumstances, they do provide a frame of reference for this moment in time.

Projected Change in GDP: NEO vs. U.S.: 2018 - 2025



Projected Change in Employment: NEO vs. U.S.: 2018 - 2025

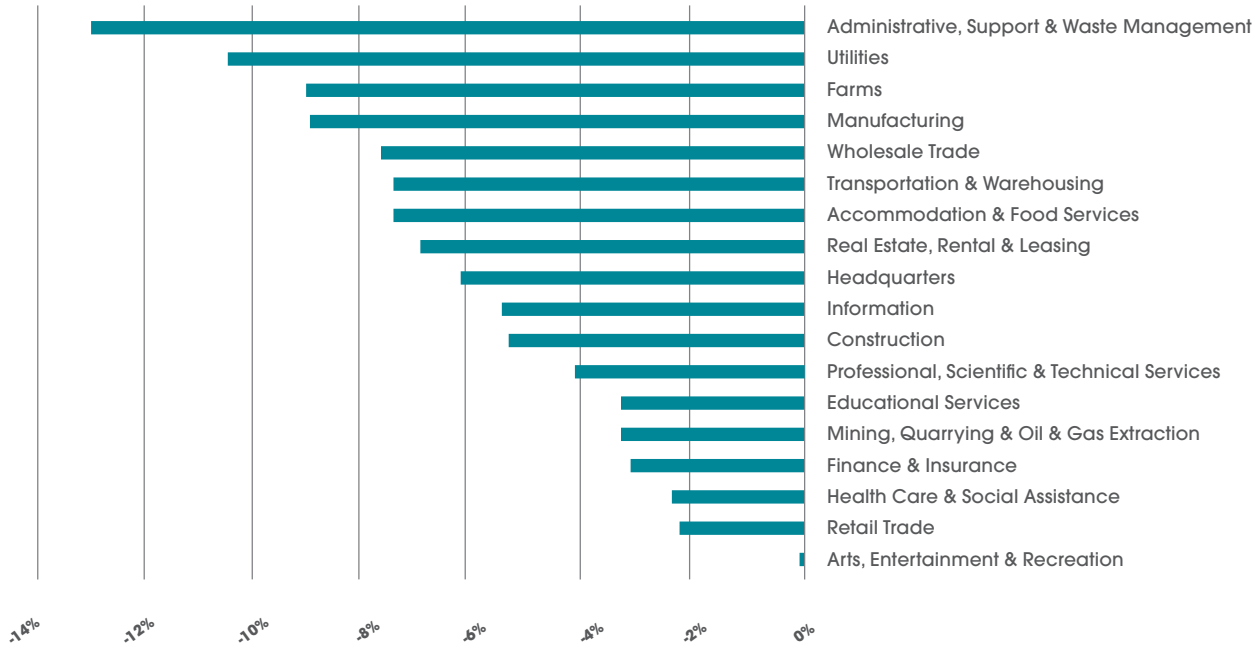


GDP Projected to Recover by 2022, Total Employment by 2025

GDP is projected to recover a little faster than employment. After projected losses in 2020 and 2021 for both the U.S. and Northeast Ohio, a rebound is expected in 2022, with U.S. GDP 5% higher, and Northeast Ohio 3% higher, than in 2018. By 2025, these projections increase to 14% above 2018 GDP for the U.S. and 9% above 2018 GDP for Northeast Ohio.

While 2019 total employment averaged 2.072 million workers in Northeast Ohio, remaining relatively flat from the 2018 average of 2.064 million, the U.S. rose about 1% over this same time period. Both Northeast Ohio and the U.S. are projected to see dips in employment through 2022. The U.S. is expected to recover by 2023, while Northeast Ohio is projected to be back to 2018/19 employment numbers by 2025.

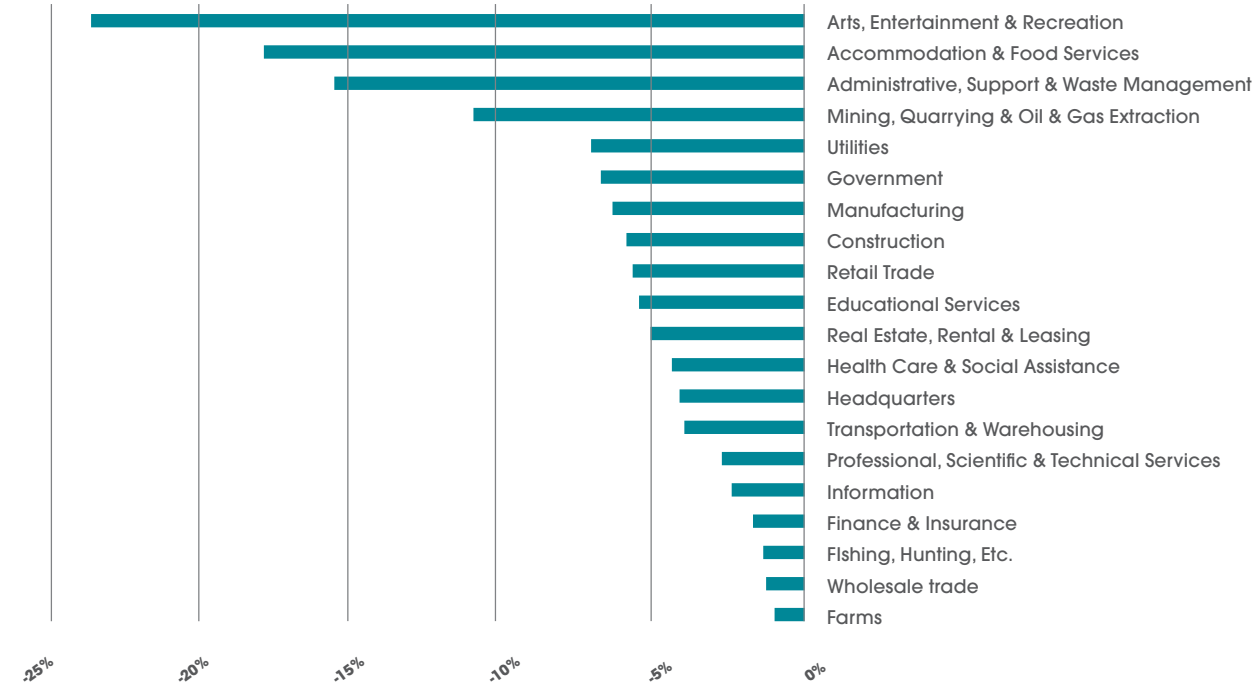
Projected Change in Northeast Ohio GDP: 2020



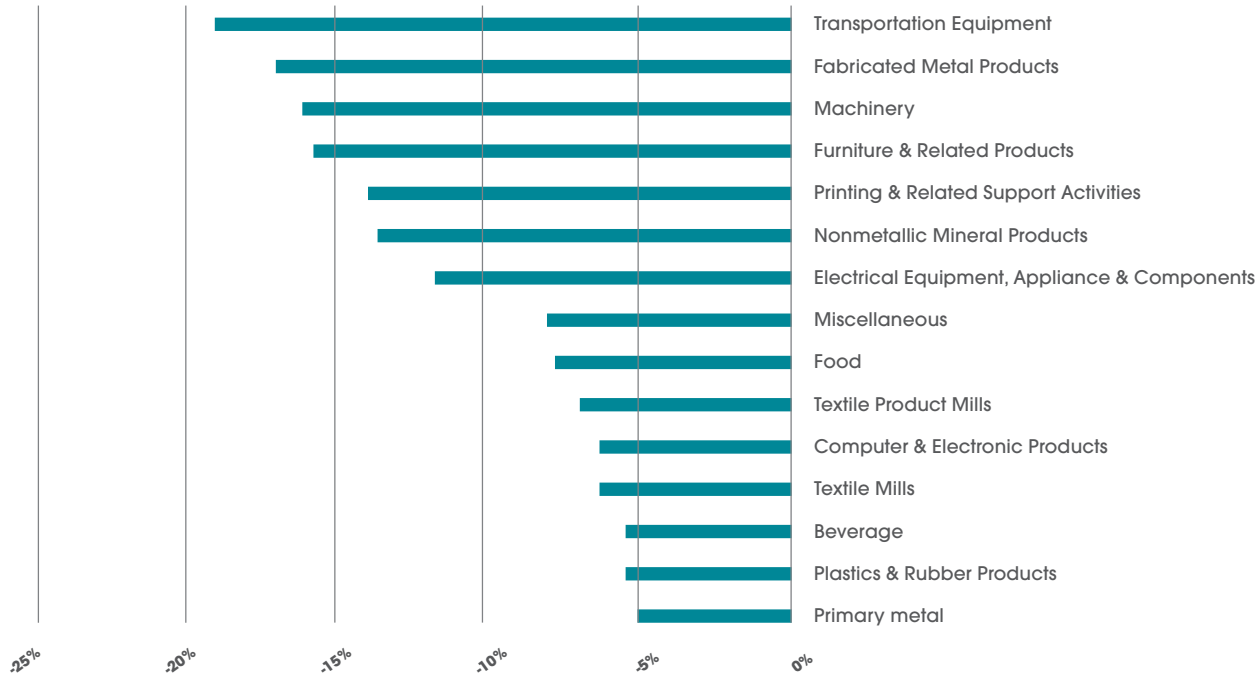
Driver Industries Impacted by Pandemic in GDP and Employment

Many driver industries will be impacted by supply chain disruptions and lowered product demand, resulting in projected dips in GDP and employment. For 2020, projected year-over-year losses include a 9.1% drop in manufacturing GDP, to $40.0 million, and a 5.7% loss in employment, to 252,000 workers. Similarly, headquarters GDP is projected to drop 6.1%, to $8.7 million, and employment 4.2%, to 48,000 workers. Health care GDP is likely to be less impacted, with projections pointing to a 2.4% dip, to $22.8 million. Projections for health care employment forecast a 4.4% loss, to 305,000 workers.

Projected Change in Northeast Ohio Employment by Sector: 2020



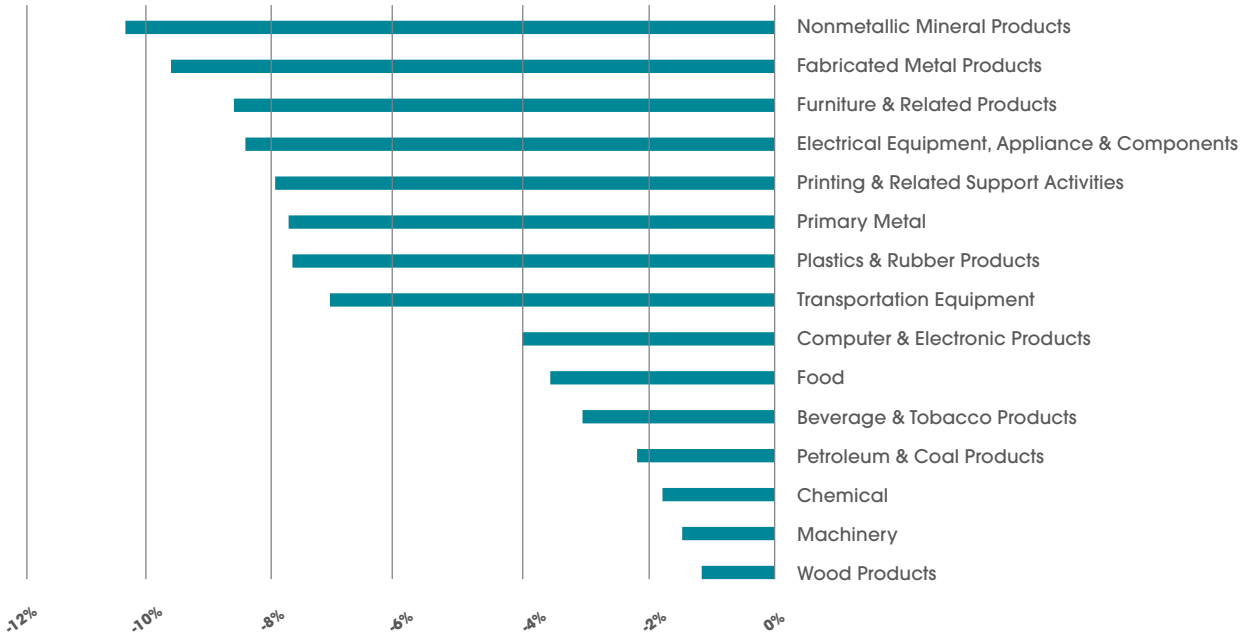
Projected Change in Northeast Ohio Manufacturing GDP: 2020



Traditional Manufacturing Sectors Projected To Be Hit Hardest in GDP and Employment

Traditional manufacturing such as transportation equipment (-19.5%), fabricated metal product (-16.9%), machinery (-15.9%) and furniture and related product (-15.8%) are projected to be impacted the most from 2019 to 2020. These sectors are also expected to experience employment drops, with year-over-year projections including decreases in nonmetallic mineral product (-10.3%), fabricated metal product (-9.6%), furniture and related product (-8.7%), and electrical equipment, appliance and component (-8.5%).

Projected Change in Northeast Ohio Manufacturing Employment: 2020



Team NEO and our economic development partners are here to help companies find solutions to navigate the next normal.

The challenges we face today can lead to opportunities tomorrow.

Additive Manufacturing Cluster of Ohio

smart MANUFACTURING CLUSTER OF NORTHEAST OHIO

Innovation: Manufacturing, in the short-term, will feel significant negative impacts from COVID-19. That could provide an opportunity, however, to have better and deeper conversations with regional manufacturers about adopting industry 4.0 innovations to ensure our manufacturing future is even brighter and more resilient.

aligning OPPORTUNITIES

Talent: For years, we have talked about the lack of available talent and mis-alignment with our key industry sectors. Unfortunately, due to COVID-19, we now have a significant number of people out of work. While understanding their short-term challenges, we should view this as an opportunity to think about how we strategically upskill and reskill workers to prepare them for the work-force of the future.

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Sites: Quality sites, particularly those that are accessible to ***all*** members of Northeast Ohio, will be more important than ever. If we truly hope to be inclusive of diversity and change in our workforce, a focus on Job Hubs will be even more critical moving forward.

Coordinated Network: The way we call on companies has changed dramatically and will continue to change for the next few years. This means a major strategic pivot to the way we think about outreach. A well-coordinated network, focused on key issues like supply chain, onshoring, and M&A, is necessary to make sure we are having the most meaningful conversations that can drive impact.

Marketing: It will be more difficult to see the impacts of regional marketing in the short term, as many companies and potential investors operate in survival mode through the COVID-19 crisis. However, now is the time to grow our pipeline of prospects, assess and convey our region's ability to address the world's changing needs, and use big-picture thinking to generate interest and investment in Northeast Ohio, long term.

Critical Projects on the Horizon

At Team NEO, we conduct research and data analysis to inform local conversations and influence solutions. We remain committed to using our capabilities to confront the challenges faced by our region. In addition to publishing our Aligning Opportunities report, which looks at the supply/demand misalignment, Team NEO will release an in-depth report to focused on equity in Northeast Ohio's labor market.

> In Northeast Ohio, minorities were already disproportionately left out of the labor market. COVID-19 will only increase this gap. Addressing this will be a key component in our recovery.
>
> – JACOB DURITSKY
> Vice President, Strategy and Research, Team NEO

Data Sources

The data used for this report is Moody's Analytics based on April annualized national and local projections to employment and GDP. It is important to note that it is still VERY EARLY into the COVID-19 crisis, and as such, all projections are highly subject to change. Moody's preliminary estimates have already been significantly revised nationally. Fully calculated data on the true impact to employment and GDP at the local level could take 18-24 months to understand. Early projections are likely to be conservative, as nationally forecasted changes for 2020 pre-COVID data have not been fully analyzed at the local level.

About Team NEO

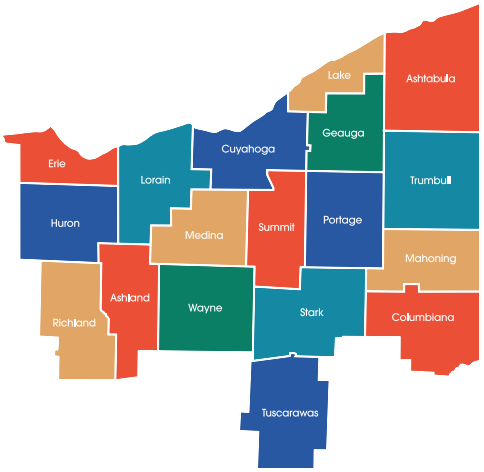
Team NEO is a private, nonprofit economic development organization accelerating business growth and job creation throughout the 18 counties of Northeast Ohio. As the designated JobsOhio Network Partner, we align and amplify local economic development efforts in Northeast Ohio's 18-county region; we conduct research and data analysis to inform local conversations and influence solutions; we market Northeast Ohio as a region; and we work to increase access to jobs, education and training for the region's 4.3 million people. For more information, visit teamneo.org.

Special thanks from Team NEO to our investors

For a complete list of funders, visit teamneo.org/investors. To join Team NEO as an investor partner and help drive the next wave of economic growth in our region, call Dawn Southard, Vice President, Investor Relations at 440.476.0476 or dsouthard@teamneo.org.

Economic development partners across 18 counties of Northeast Ohio

- Ashland Area Economic Development
- Columbiana County Port Authority
- Erie County Economic Development Corporation
- Geauga Growth Partnership, Inc.
- Greater Akron Chamber
- Greater Cleveland Partnership
- Growth Partnership for Ashtabula County
- Huron County Development Council
- Lake County Ohio Port & Economic Development Authority
- Medina County Economic Development Corporation
- Portage Development Board
- Richland Area Chamber & Economic Development
- Stark Economic Development Board, Inc.
- Tuscarawas Economic Development Corporation
- Youngstown/Warren Regional Chamber
- Wayne Economic Development Council



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