

Coronavirus - COVID-19

Monitoring the situation internationally - USA

June 12, 2020

This report provides DI's members with a selection of information on essential developments related to the Corona crisis in the US. As for now, reports are also available on the situation in China, United Kingdom, Germany, France and Sweden. For comments and further information about the situation in the US please contact: Louis Funder, US General Manager, +1 202 813 2276, lfk@di.dk

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Situation Summary

The Federal Reserve expects the US economy will shrink by 6.5 pct. this year due to the impact of COVID-19 according to their projections put forward on 10 June. At the same time the FED predicted that the unemployment rate will drop to around 9.3 pct. by the end of the year from a current level around 13,5 pct.

In total four relief packages have been adopted, totaling the collective relief to \$3,000 billion. In addition, the US Federal Reserve has set up loan programs to provide \$2,300 billion in economic support to companies. The relief and support plans are important steps in attempt to stabilize the situation and rescuing a distressed business community. A new relief package is expected over the summer.

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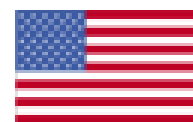
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All US states have started a reopening with different speed and effect. DI's American sister organization, US Chamber of Commerce, has developed [this](#) reopening guide on a state-to-state level.

While COVID-19 cases have declined, several experts predict the #blacklivesmatter protests will increase the number of infected cases due to the amount of people gathered without maintaining the recommended social distance.

Macroeconomic Development



USA

In the following is an overview of key indicators for a few main markets for Danish companies. The figures provide an indication of the direction in which the economies are moving during the Corona Pandemic. The figures are the most frequently updated macro indicators and are comparable across the chosen countries. The indicators cover both consumers and companies.

Oxford Economics has made a forecast for the economic growth after the spread of the Corona virus in Europe¹.

Real growth in GDP in 2020					
	January	February	March	April	May
World	2,5	2,3	0,0	-2,8	-5,1
US	1,7	1,6	-0,2	-4,1	-6,1
China	6,0	5,4	1,0	-0,2	0,8
Eurozonen	1,0	0,8	-2,2	-5,1	-7,8
- France	1,2	0,9	-3,1	-5,3	-9,8
- Germany	0,7	0,5	-2,1	-3,9	-6,1
- Sweden	1,2	1,0	-1,9	-4,7	-3,6
UK	1,0	1,0	-1,4	-5,1	-8,3

¹ Oxford Economics, March 2020

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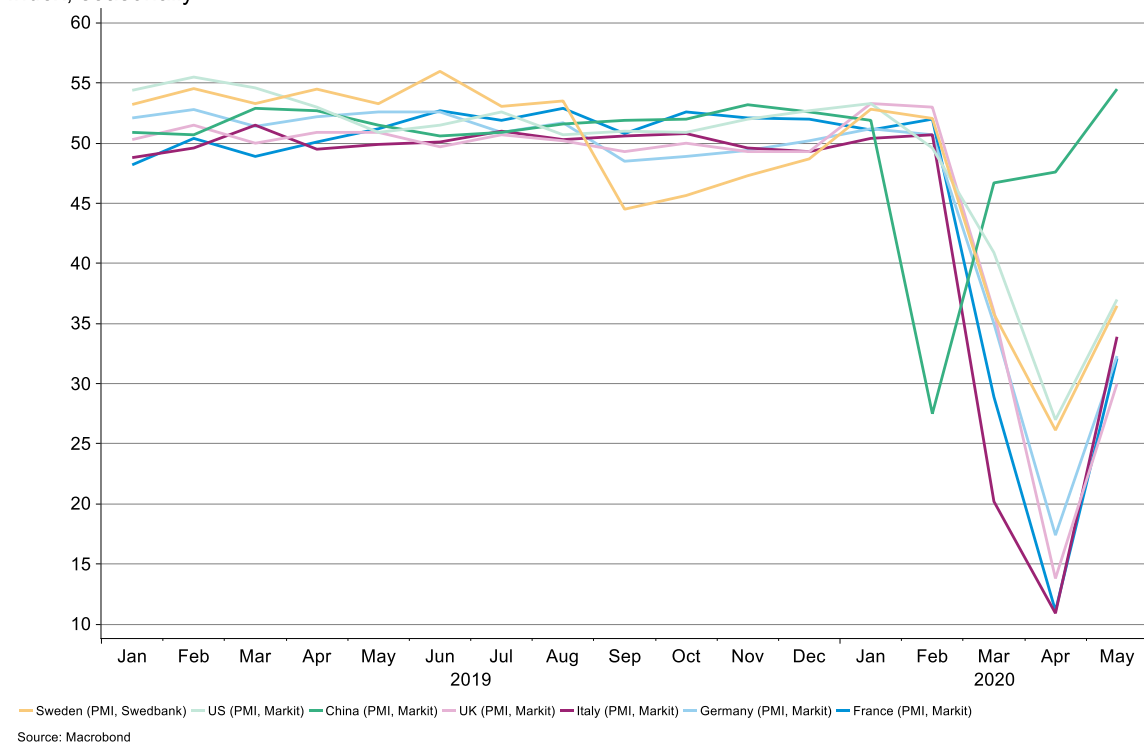


Purchasing Managers' Index

The PMI index is a survey asking senior executives at private sector companies. The manufacturing companies are asked on their view on output, new orders, employment, future activity, etc. and services companies on business activity, employment, new business².

Purchasing Managers' Index

Index, seasonally



Consumer Confidence

The consumer confidence is a survey among consumers asking their view on both the current and future general economic situation and the household financial situation. Combined with a question on their current purchase on larger goods. It provides information on optimism among consumers which has an effect on the house consumption³.

² Further information on PMI: <https://ihsmarkit.com/products/pmi.html>

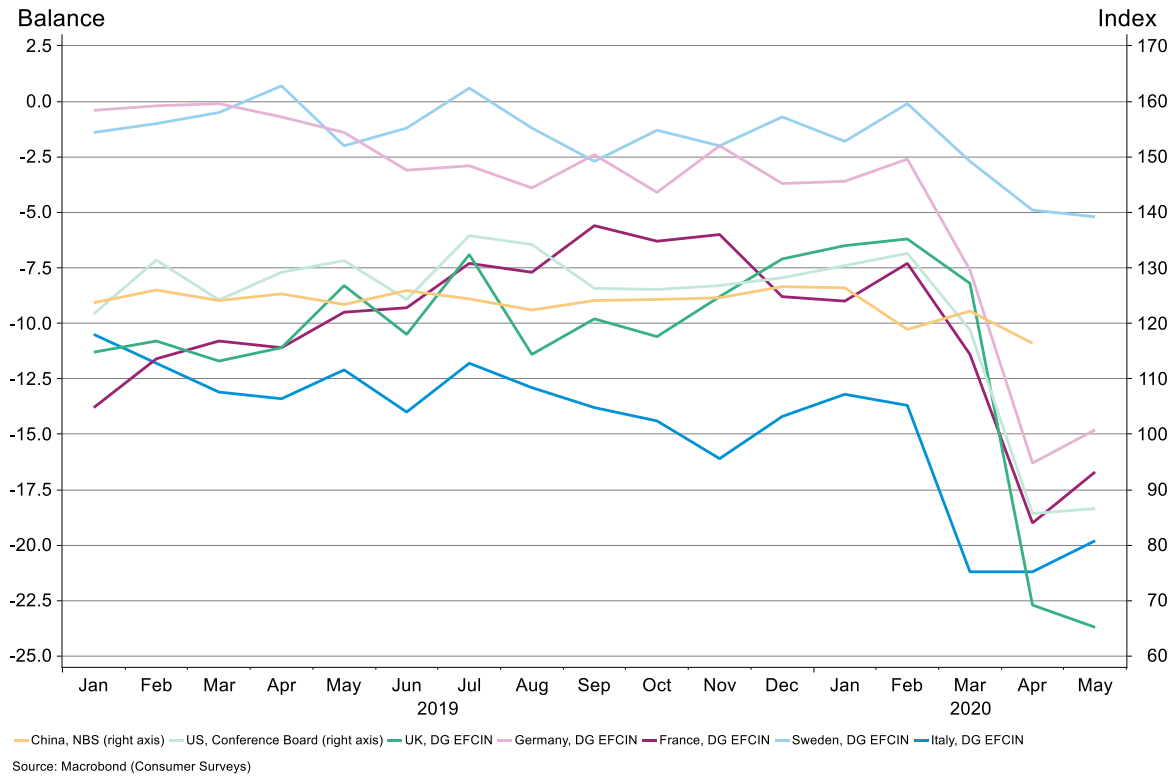
³ Macrobond, March 2020

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Consumer confidence



International Stock Markets

The movement in the stock market indexes provides information regarding the investor view of the future expected income of companies. We look at the indexes for most traded stocks (the larger companies) in the main countries⁴.

⁴ Macrobond, March 2020

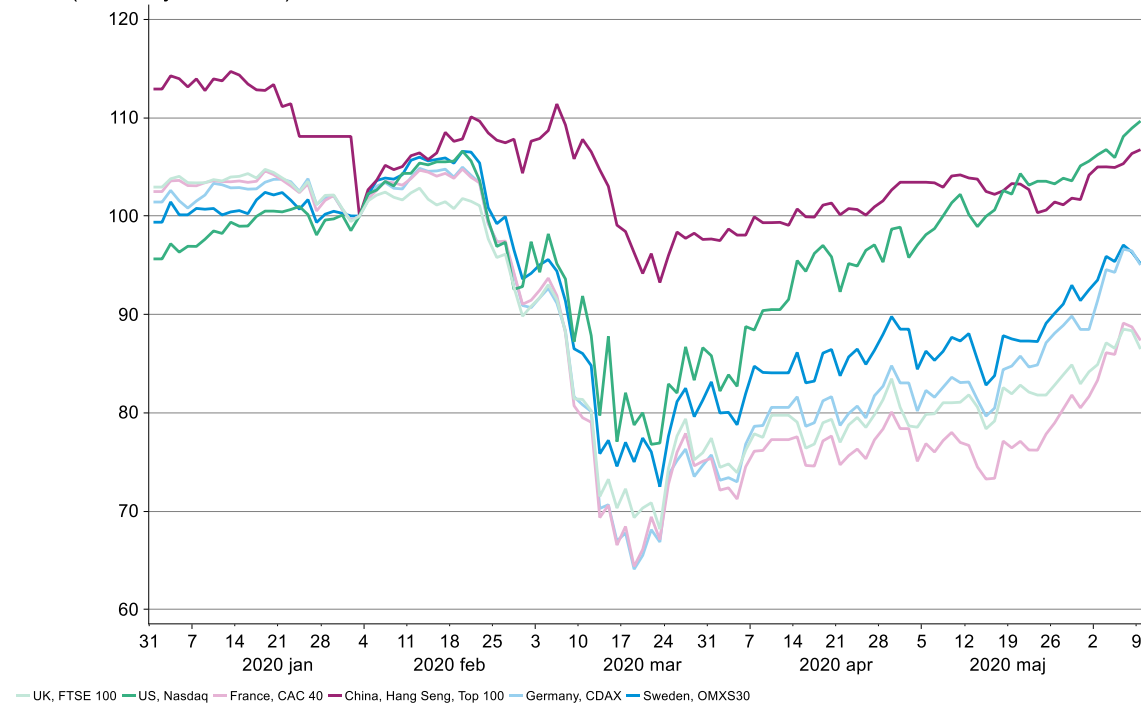
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International stock index

Index (February 3rd = 100)



Source: Macrobond

Operational Restrictions

- Foreign nationals who have visited one of these countries in the past 14 days may not enter the United States: European Schengen Area, China, Iran, United Kingdom, Republic of Ireland and Brazil. It is still unclear when restrictions will soften.
- President Trump has issued a Presidential Proclamation titled *Suspending Entry of Immigrants Who Present Risk to the US Labor Market During the Economic Recovery Following the COVID-19 Outbreak*, that suspends entry of certain new immigrants who do not already have an approved immigrant visa. The proclamation does not currently impact applicants for adjustment of status or nonimmigrants such as students, H-1B workers, visitors for business or pleasure, etc. The initial effective period is 60 days starting 11:59 p.m. eastern daylight time on April 23, 2020. Read [NAFSA's summary](#).

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- Rumors are saying that a new executive order that would bar the entry of L-1, H-1B, H-2B and J-1 non-immigrants for a period of several months is on the way (tbc).
- Goods are not directly restricted to the US However, US Customs and Border Protection issued a release on March 31 concerning drawback processing during the Corona pandemic.
- Furthermore, the US entry ban imposes indirect restrictions on trade in both goods and services between the US and EU countries. Thus, about half of the goods trade between the US and the EU is transported by air, and a significant proportion of these are passenger aircraft. With the entry ban, passenger air traffic has been significantly reduced, which otherwise affects the part of the trade that must thus be transported via other types of transport.
- The Federal Government has created the Supply Chain Stabilization Task Force. The Task Force's primary objective is to create effective and stable supply chains for critical resources, including masks and medicine. However, the task force is also investigating supply chain stabilization in other market verticals. Read their latest report here.
- The US Center for Disease Control and Prevention are implementing enhanced health screenings to detect travelers with fever or cough.
- The Federal Government does not have the authority to demand people to stay at home. Instead each State Government can make its own restrictions and guidelines.
- In addition, it should be noted, there are no changes to redundancies.

Federal Relief Measures

The US Internal Revenue Service (IRS) advice for deducting COVID-19 costs from taxes (March 18, 2020)

- From March 18, The Treasury Department and the Internal Revenue Service are providing special payment relief to businesses in response to the COVID-19 Outbreak.
- The relief only applies for federal income tax.
- For C Corporations, income tax payment deadlines are being extended until July 15, 2020, for up to \$10 million of their 2019 tax due.
- Businesses must file Form 7004 to be applicable.

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- On March 31, the IRS released an advance version of Notice 2020-22 to provide penalty relief regarding employers' deposits of federal employment taxes—including deposits of withheld income taxes and employment taxes—that are reduced in anticipation of tax credits under the Federal Stimulus Package recently enacted to address the coronavirus pandemic. Businesses must file form 7200, Advance Payment of Employer Credits Due to COVID-19. See more [here](#). The IRS has also provided [draft versions of form 7200](#)
- IRS has also established a special section focused on steps to help taxpayers, businesses and others affected by the coronavirus. See more [here](#)

The Families First Coronavirus Response Act (March 18, 2020)

- The Act gives qualified workers two weeks of paid sick leave at full pay if they are ill, quarantined, or seeking diagnosis or preventive care for the coronavirus. Qualified workers can receive two weeks of paid sick leave at two-thirds pay if they are caring for sick family members.
- Companies receive a tax deduction equal to the full cost associated with the required payment of wages in the absence of employees who, as a result of COVID-19, are sick or who care for sick family members.
- Most workers at small and midsize companies and nonprofits can get the paid leave, as can government employees, if they've been employed at least 30 days. Companies with 500 or more employees are excluded.

Federal Reserve Injection (March 23, 2020)

- On March 23 the Federal Reserve promised unlimited purchases of US government debt and mortgage-backed securities as well as municipal and corporate bond buys.
- Supporting the flow of credit to employers, consumers, and businesses by establishing new programs that, taken together, will provide up to \$300 billion in new financing.
- Establishment of two facilities to support credit to large employers
- Establishment of a third facility, the Term Asset-Backed Securities Loan Facility (TALF), to support the flow of credit to consumers and businesses.

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- In addition to the steps above, the Federal Reserve also took the following measures

The Coronavirus Aid, Relief, and Economic Security (CARES) Act (March 27, 2020)

- Around \$2 trillion [\$2000 mia.] in the total plan
- \$500 billion fund for distressed industries
- Direct payments to Americans (based on income levels), unemployment benefits etc.
- Small businesses will get \$349 billion to keep making payroll while workers must stay home. Companies with 500 or fewer employees could tap up to \$10 million each in forgivable small business loans to keep paychecks flowing.
- Federally guaranteed loans will provide eight weeks of assistance for qualifying employers who maintain payroll. Those who meet requirements would have costs such as utilities, mortgage interest and rent forgiven.
- The Employee Retention Credit (tax measure) provides a tax deduction (equivalent to 50 % of salary expenses) to companies that have been temporarily shut down as a result of COVID-19-related regulatory provisions or have experienced a significant drop in revenue.
- Payroll taxes: The measure enables individuals to defer payment of their 2020 payroll taxes until 2021 and 2022.
- States and local governments will get \$150 billion, with \$8 billion set aside for tribal governments.
- Furthermore, the CARES Act introduced a number of additional, smaller measures aimed at supporting companies that already have loans with SBA or that are borrowing before September 27, 2020. These are SBA Express Bridge Loans and SBA Debt Relief. See more here.
- KPMG International has created a guideline for accounting and financial reporting relating to the CARES Act. See more here

Read the whole bill here

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Disaster Loan Program for Small Businesses (March 27, 2020)⁵

- The US Small Business Administration is offering designated states and territories low-interest federal disaster loans, named the **7(a) program**. The program does not currently have a limited time-frame.
- The 7(a) program delivers three types of loans: *Standard 7(a)* with up to \$5 million in loan, *7(a) Small Loan* with up to \$350,000, *SBA Express* with up to \$350,000, *Export Express* with up to \$500,000, *Export Working Capital* with up to \$5 million as well as *International trade* with up to \$5 million. The different types of loans are applicable to different businesses. For a full overview [see here](#)
- These loans may be used to pay fixed debts, payroll, accounts payable and other bills that can't be paid because of the disaster's impact.
- Several of the loans offer long-term repayments to keep payments affordable with a time-frame from 7 to 25 years.
- Small business owners in all the US are currently eligible to apply for a low-interest loan due to Coronavirus (COVID-19).
- Terms are determined on a case-by-case basis, based upon each borrower's ability to repay.

US Federal Reserve Injection – Main Street Lending Program No. 1 (April 9, 2020)

- On April 9 the Federal Reserve provided up to \$2.3 trillion in loans to support the economy.
- The action will bolster the effectiveness of the Small Business Administration's Paycheck Protection Program (the Disaster Loan Program for Small Businesses – see below) by supplying liquidity to participating financial institutions
- It will also ensure credit flows to small and mid-sized businesses with the purchase of up to \$600 billion in loans through the Main Street Lending Program.
- Increase the flow of credit to households and businesses through capital markets, by expanding the size and scope of three programs (PMCCF, SMCCF & TALF). The Federal Reserve will now support up to \$850 billion in credit

⁵ US Small Business Administration

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- In addition to the steps above, the Federal Reserve also took the following measures

Paycheck Protection Program and Health Care Enhancement Act (April 24, 2020)

- On April 24, President Donald Trump signed the fourth relief package into legislation. The latest relief package is valued at \$484 billion dollars, totaling the collective Federal Governmental support to companies to \$3,000 billion.
- An additional \$310 billion is allocated for the Paycheck Protection Program, which provides small businesses (fewer than 500 employees) loans that can be forgiven if used for wages, benefits, rent and utilities.
- From the Paycheck Protection Program, up to \$10 million can be borrowed per company to cover labor costs, interest, rent, etc. Companies that use a minimum of 75 % of the loan for payroll expenses and retaining its employees and totaling its payroll during the current crisis will have the entire loan abandoned. The loan has a maturity of two years. Applications are made via the company's usual bank connection.
- A new important step is that the Paycheck Protection Program is solely offered to companies with less than 500 employees, including employees in foreign entities. This means, a Danish company needs to have less than 500 employees in total, including USA, Denmark and other countries.
- A company with fewer than 500 employees who have experienced a direct drop in sales caused by COVID-19, can borrow up to \$2 million on favorable loan terms (will not be able to be repaid). Furthermore, the company can receive up to USD 10,000 of the loan as a lump sum that is not repayable. The Economic Injury Disaster Loan Program can be used to cover costs such as salaries, rent, debt and generally increased costs, caused by disruptions in supply chains.
- A company can apply for a loan under both Paycheck Protection Program and Economic Injury Disaster Loan Program, as long as you use the loans for different types of expenses
- The CARES Act provided \$75 billion in loans, loan guarantees, and financial assistance in favor of selected sectors, including airlines, carriers, and companies deemed critical to US national security.



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US Federal Reserve Injection – Main Street Lending Program No. 2 (April 30, 2020)

- On April 30 - based on the CARES Act - the Federal Reserve continued a series of temporary loan facilities
 - Loans can be granted to financially sound companies with up to 15,000 employees or revenue below \$5 billion.
 - The loans are granted through the company's ordinary bank connection, which can sell between 85% and 95% of the loan to the central bank facility, depending on the specific facility.
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Guides

- US Senate Finance Committee guidelines for addressing the employee retention credit provisions included in the stimulus package can be found [here](#)
 - US Chamber of Commerce guide and checklist to apply for emergency loans can be found [here](#)
 - US Senate Committee on Small Business & entrepreneurship guidelines for applying for the Paycheck Protection Program for Small Businesses can be found [here](#) or Department of the Treasury website [here](#)
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State and Local Relief Measures

Several States and Local Governments have created their own relief measures.

- KPMG International produces guidelines of State and Local Tax Extensions in response to COVID-19. The latest [guidance](#) is from May 27

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- For the latest updates on national guard activations, restricted travel and other state-specific resources and actions, see the [National Governors Association webpage](#).
- MultiState's tracker on how states and localities are responding to COVID-19 can be found [here](#)