

CIO Special Report

April 26, 2020



Georgia is the Next Sweden | Implications for the US and Its Markets as States Reopen

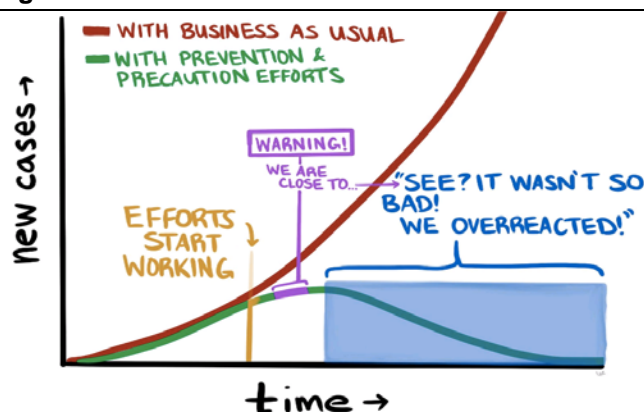
David Bailin, Chief Investment Officer
With a contribution from Malcolm Spittler

Overconfidence is a dangerous thing when it comes to pandemics and mountain climbing. Unfortunately, the confident route taken by the Country of Sweden and the State of Georgia may lead them to an unhappy place.

Unlike almost all of Western Europe, Sweden has left its schools, gyms, cafes, bars and restaurants open during the pandemic. Anders Tegnell, the country's epidemiologist, instructed Sweden's citizens to adopt social distancing and to take individual responsibility for their actions rather than adopting a countrywide lockdown. This differs from its neighbors Norway and Denmark. Sweden has advantages favoring this strategy given that more of its people already work from home than anywhere else in Europe and that internet access is uniformly fast. This helps Sweden's workforce stay productive away from offices.

The State of Georgia imposed a statewide lockdown on April 3rd and it has been effective. Now, Governor Brian Kemp is reopening the state quickly. Over the next two weeks, Kemp will allow hair and nail salons, tattoo parlors, restaurants, gyms and bowling alleys to resume operations. As we have previously written ([CIO Strategy Bulletin: The COVID Tug of War](#)), active testing, tracking, adequate personal protective equipment (PPE) and the maintenance of social distancing are necessary to ensure the spread of disease remains limited. It appears Georgia hasn't sufficiently ensured these tests, capabilities and PPE are in place.

Figure 1: Paradoxical Reactions When the Pandemic Slows Down



Source: peterattia.com, What's Wrong With the Models, April 20, 2020

Where Georgia Is Now

The purpose of the lockdowns across the US and Europe was clear: flatten the curve to mitigate the spread of the disease and avoid overwhelming hospitals and ICUs. And it has worked. On the other hand, there is now a policy backlash (noted in **Figure 1** above). Given the huge economic cost of the shutdowns, when the results are less dire than the projected worst-case outcomes, people can assume that the very bad outcomes were never possible. Hence, some now believe “We overreacted!” Brian Kemp is one of them.

But in spite of the Governor's confidence, there are facts that suggest Georgia is not ready to reopen relative to other states. Looking at state-by-state data in the US, we see the following:

- Georgia's health department data has shown an *increase* in new confirmed cases of COVID-19 over the past two weeks.
 - Less than 1 percent of Georgians have been tested, compared to almost 4 percent of residents in New York and Louisiana.
 - Georgia's 19 percent positive test result rate is the eighth-highest in the nation.
 - Georgia ranks 19th in share of adults with lung disease and 15th in heart disease. 13 percent of Georgia's population has diabetes.
 - 16 percent of Georgians are uninsured, the fourth-highest rate in the nation.
- Georgia has the fourth-highest share of workers receiving unemployment benefits.

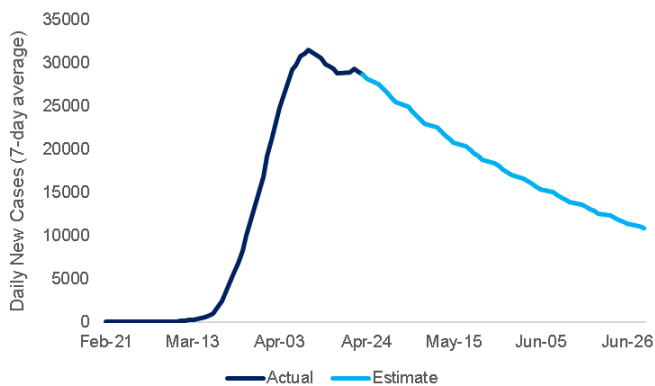
(Source for all data above: NY Times, Why Georgia Isn't Ready to Reopen, in Charts, April 24, 2020.)

In short, Georgia's population remains particularly vulnerable.

The US and Italy, Sweden and Georgia

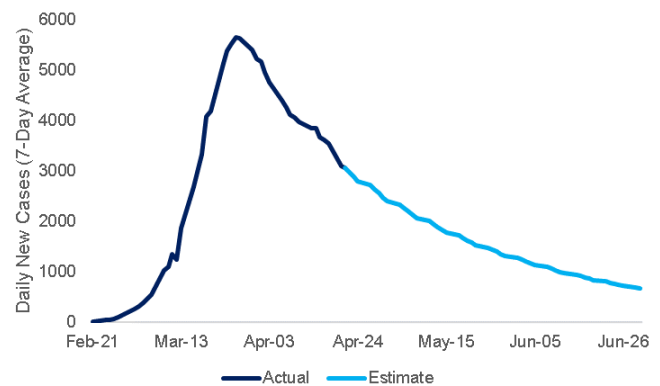
As the charts below show (**Figures 2 and 3**), the curve has flattened in the US and Italy.

Figure 2. The US COVID-19 Curve is Becoming Flatter



Source: Johns Hopkins (4/23/2020); Citi Private Bank forward estimate

Figure 3. Italy's COVID-19 Curve Has Flattened



Source: Johns Hopkins (4/23/2020); Citi Private Bank forward estimate.

All forecasts are expressions of opinion and are subject to change without notice and are not intended to be guarantees of future events.

In contrast, Sweden has suffered a higher incidence and mortality rate relative to the United States and the State of Georgia (**Figure 4**). The results appear as one would expect, given the approach each country/state has taken in managing the COVID-19 pandemic.

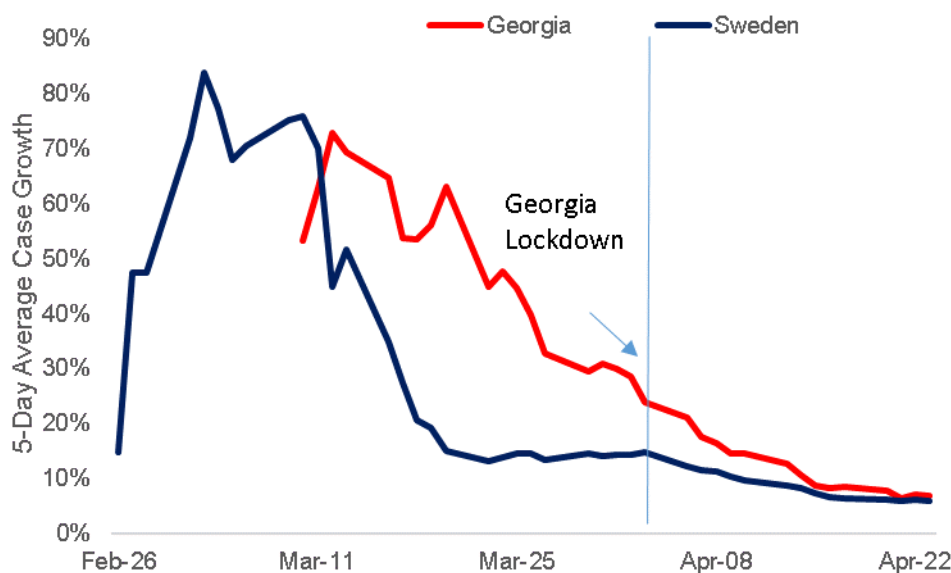
Figure 4: COVID-19 Incidence and Mortality Data

	State of Georgia	Sweden	United States
Cases	21,214	16,755	869,170
Deaths	848	2,021	49,954
Mortality	4%	12%	6%
Deaths/100K	8.0	19.6	15.3

Source: Johns Hopkins University Covid Status Report - April 24, 2020

When you look at the growth of COVID-19 cases given the implementation of lockdowns in Georgia and the absence of a similar policy in Sweden, the case growth data suggest that Georgia has been no more effective than Sweden in limiting the spread of the virus.

Figure 5: 5-day case growth: Georgia vs. Sweden



Source: Johns Hopkins, April 23, 2020.

Georgia's reduction in case growth has come after considerable effort and compliance on the part of its citizens (**Figure 6**). When one compares the behaviors of Sweden's citizen and Georgia's, based on Google's real-time location tracking of individual behavior for six locations, it is clear that the more drastic declines in business activity in Georgia has proven effective, but not more so than Sweden's strategy. (You can also see that Swedish citizens are enjoying much more recreation and spending slightly more time at home.)

Figure 6: Google COVID-19 Community Mobility Report

Attribute	State of Georgia	Sweden
Retail and Recreation	-74%	-18%
Grocery and Pharmacy	-40%	-3%
Parks	-28%	56%
Transit Stations	-64%	-36%
Work Stations	-73%	-32%
Residential	28%	11%

Source: Google, as of April 17, 2020

Georgia v. Sweden: A True Test Case

Georgia and Sweden present a unique test case for policy-makers (see **Figure 7**). They are remarkably similar in population, per capital income, GDP and hospital capacity. They also have major differences. Georgia has a large minority population, people live more closely together, there are greater levels of obesity, more people live in each household and their citizens have a lower life expectancy. In short, from a health perspective Georgia is far more vulnerable. However, Sweden is older on average and has a greater population over 65.

Figure 7: State of Georgia vs Country of Sweden - stats

Attribute	State of Georgia	Sweden
Population	10.6 million	10.3 million
Capital	Atlanta	Stockholm
Population of Capital SMSA	5.6 million	2.4 million
Airport Pass/Day (12/19)	290,323	58,387
Mass Transit Use/Day	432,000	1.2 million
Race: White/Black/Other	59.7%/30.5%/9.8%	89.1%/1.5%/9.4%
Per Capital Income	\$55,679	\$54,000
Density	71/km2	25/km2
GDP	\$529 billion (2019)	\$528 billion (2019)
Persons per Household	2.7	2.2
Life Expectancy	77.7	82.1
Hospital Bed Density	2.4 beds/1000	2.4 beds/1000
Obesity Rate	32.5%	20.6%
Median Age	37	41
Percent Population Over 65	13.5%	20.0%

Sources: Wikipedia, CIA World Factbook, worldometers.com; census.gov; worldpopulation.com; itsmarta.com; visitsweden.com as of April 24, 2020.

Georgia is the Next Sweden

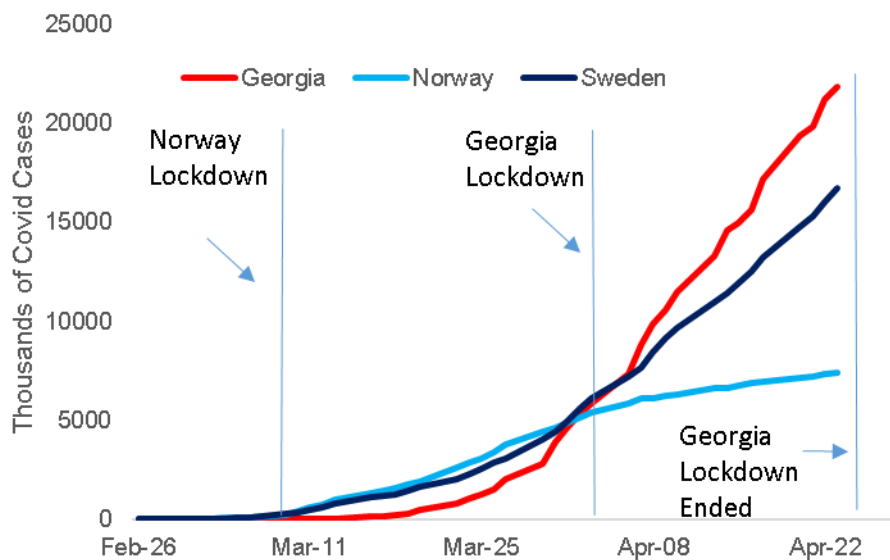
As Georgia reopens, we will be able to compare the future spread of COVID-19 relative to Sweden's. This test case will be a leading indicator for the US in several ways. To the extent that Georgia does not experience a significant increase in cases, it would support the more aggressive economic views of the Trump administration and others who think the health policy response has been too costly.

Our analysis of the data suggests, however, that Georgia is likely to face significant challenges – ones that the remainder of the US that opens early may also face. Using baseline COVID-19 incidence data from the State of New York's antibody tests, the mortality rate of all infected persons (the tested plus projected antibody-positive population) in New York State is 1% -- similar to the WHO's assessment of the mortality associated with this virus. Working backwards, based on Georgia's current 892 deaths (as of April 24th), there are about 89,000 infections across the state. Therefore, Georgia's official confirmed cases value of 22,147 (as of April 24th) appears to have identified 1 in 4 cases.

On this basis, the decision to lift the lockdown seems premature. Georgia could have cut down on future infections a great deal by waiting 2 to 4 weeks longer. Instead, it appears likely that Georgia will see an acceleration of the disease and suffer wider infections across more of the state.

As **Figure 8** indicates, while Georgia's 5-day case growth has slowed, its cumulative number of confirmed COVID-19 cases is accelerating relative to Sweden's. We have included Norway because Sweden's neighbor also implemented an aggressive plan to limit its economy and issued stay-at-home orders. These were far more effective than Georgia's in large part due their time in place. Georgia's comparatively poor results could be due to the short period of its lockdown or be associated with many of the differences in demographics noted above. But regardless of the cause, as Georgia lifts its restrictions in an expedited fashion, one would expect to see further case growth.

Figure 8: Norway and Georgia's Lockdowns vs. Sweden's Policy: Case Data



Source: Johns Hopkins University as of April 24, 2020.

Implications for the United States and Markets

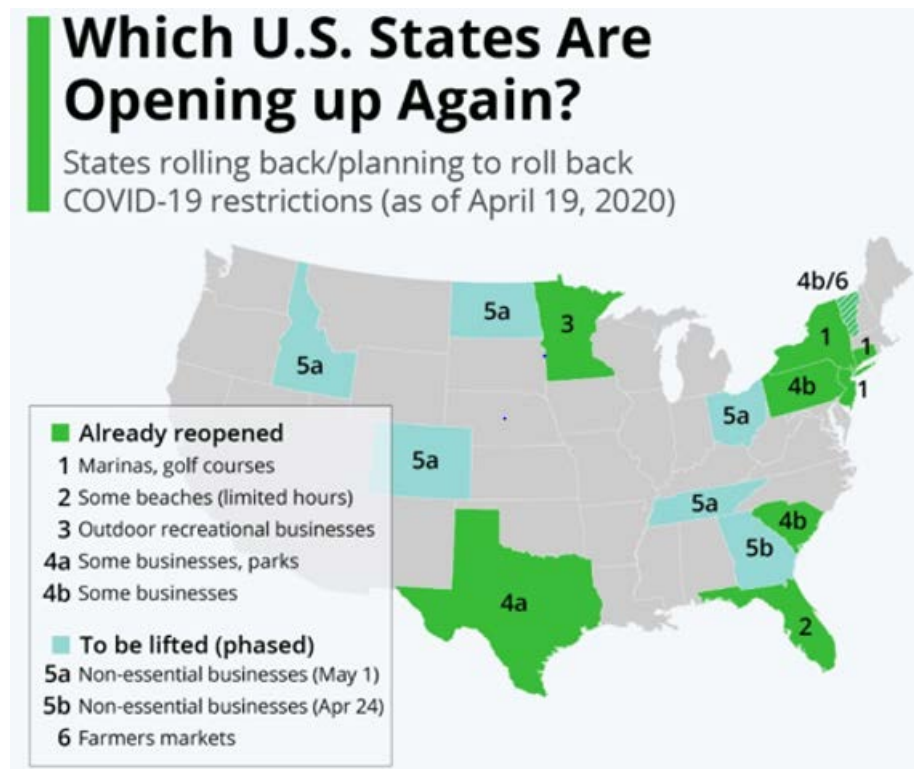
The great economic cost of shuttering US business and government is already apparent. The loss of 26 million jobs (as of this last week) and government interventions, fiscal costs of some \$3.5 trillion are without historical precedent in peacetime. So, the desire to reopen the US economy is understandable and magnified by Presidential politics as the election is just 192 days away.

However, it is our view that a substantial second wave of COVID-19 is much more likely if the United States does not pursue a consistent and gradual reopening of state economies. In the absence of uniform “reopening” standards, including consistent testing, routine tracking, greater PPE availability and the maintenance of social distancing, the second wave could be worse than the first.

The director of the Centers for Disease Control and Prevention, Robert Redfield warned similarly on April 21st that a second wave of the coronavirus could be worse than the one hitting the US now. He said, “There’s a possibility that the assault of the virus on our nation next winter will actually be even more difficult than the one we just went through. We’re going to have the flu epidemic and the coronavirus epidemic at the same time.”

This is why the future instances of COVID-19 in the State of Georgia will matter so much. As will the results from all states that follow **(Figure 9)** a similarly aggressive reopening stance in the absence of a coordinated national response. To the extent many states reopen prematurely, the second wave may hamper the economic recovery markets expect.

Figure 9: Which States Are Opening Up Again?



Sources: Statistica, USA Today, NPR, April 23 2020.

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