

MACRO STRATEGY

# State of the States — E pluribus unum

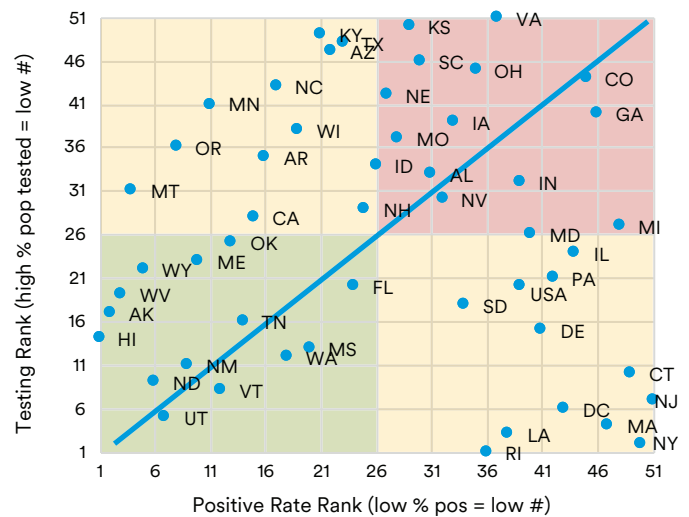
One of the key questions facing the United States is how and when to reopen economies that were shut. While every day that a state is shut increases the financial hardship of its citizens and may impact the future ability of the state to reopen, reopening too soon could result in an extended second period of a shut down. Data on testing—volume of tests and the percentage of tests that are positive—suggest some states may be closer to reopening than others. Unfortunately, those states represent a smaller fraction of overall GDP than do states that may have further to go. However, they may still provide a guide for other states to follow.

Ranking the states and the District of Columbia using two crude measures—the percentage of tests done as a percentage of the population and the percentage of those tests that were positive, we can see some states appear to have a better grasp of how widespread the virus is in their states and, as a result, are potentially better able to manage a reopening sooner.

The following chart shows the states ranked 1-51 with lower scores showing a higher level of testing (vertical axis) and a lower rate of positive tests (horizontal axis). For example, New York has a high rate of per capita testing (good) but also a very high positive test rate (bad). Generally speaking, states towards the lower left have outperformed the other states in these metrics since the crisis began. However, it is important to note that just because a state is doing relatively well, that does not mean they are doing well on an absolute basis and vice versa. For example, Utah is outpacing the cumulative testing rate seen in South Korea (2.4% versus 1.1%) but is still seeing a higher percentage of positive tests than has South Korea (roughly 4.5% versus under 2%).<sup>1</sup> There is significant nuance to interpreting the data that cannot be captured using just two measures.

Global data shows different efforts with similar positive results—South Korea's performance would place it in the upper right of the green quadrant, yet they are frequently cited as a country that has been handling this crisis well (that said, they may need fewer tests given contact tracing efforts, etc.). Other countries cited as having done good work containing the virus, would actually show up on the extreme upper left while others would be at the bottom left. As a whole, the U.S. has been performing on average about as well as Pennsylvania or South Dakota (the U.S. is not ranked with the states but overlaps, i.e., it can share a ranking with a state). In short, there is no one best approach and a state in the red may be able to open effectively just as a state in the green may not. Nevertheless, these rough measures may prove helpful in gauging how fast the overall U.S. economy can open.

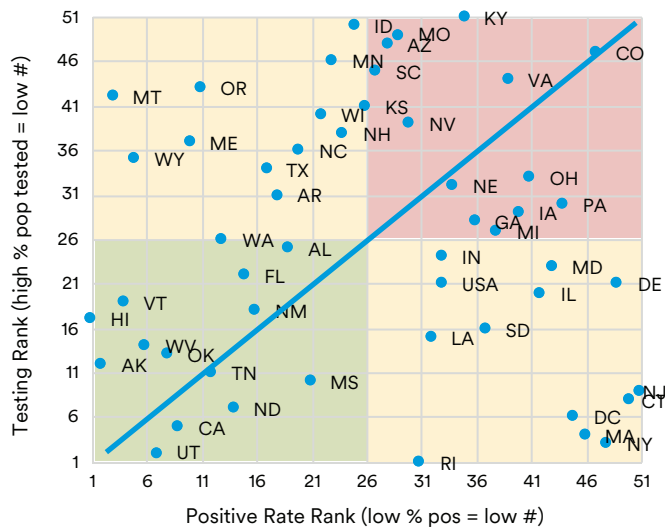
### State of the States – Cumulative



Source: The Covid Tracking Project, an aggregator of state Covid data and MetLife Investment Management. Cumulative, as of April 22, 2020.

Unfortunately, according to the U.S. Bureau of Economic Analysis, the states in the green quadrant within the cumulative performance chart represented 14.9% of U.S. GDP at the end of 2019. Those in red represented 24.3%. Caution is warranted in interpreting the data as some GDP represented by states in the green quadrant may be skewed toward sectors most impacted by shut downs. Also, because the chart above is cumulative, it captures any early missteps and does not necessarily reflect where states are now. To see where states are now we looked at the most recent week (April 15 – 22) and re-ran the rankings for the two metrics above.

## State of the States – Current Week



Source: The Covid Tracking Project, an aggregator of state Covid data and MetLife Investment Management. As of April 22, 2020 compared to April 15, 2020.

Interestingly, the data shows states in the green quadrant now account for 27.3% of U.S. GDP, a significant improvement versus the cumulative measure but the states shown in the red quadrant only account for 25.5% of U.S. GDP. This improvement is largely a result of California migrating towards the bottom left. The U.S. as a whole improved slightly as it is migrating slightly toward the green zone. That said, a few days of data may not be truly representative as the data is prone to temporary data quality or reporting issues.

## What does it all mean?

The charts are rough indications of how easy or hard it will be for some states to open relative to others. That said, using Utah as an example again, we can see that Utah is doing well on testing (between April 15-22 they tested 0.9% of the state population) and their rate of positive tests is well below the World Health Organization's threshold of 10% positive (the rate at which you are more likely to be picking up all cases)<sup>2,3</sup>, coming in near 3%. Utah would appear to have a higher chance of a successful reopening than would a state that is testing at less than a third of the pace and still seeing 25% positive test results.

While the best outcome would be for the U.S. to move into the green quadrant, we should remember that it is likely to get there sooner if states are able to see who is doing best and, when possible, replicate the actions being taken by those states. E pluribus unum.

## Endnotes

- 1 Ourworldindata.org, The Covid Tracking Project, an aggregator of state Covid data
- 2 The Covid Tracking Project, an aggregator of state Covid data
- 3 NPR.org

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