



## Basis Points – June 2, 2022

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### Above the Fold

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#### Mixed Data Out of China Shows Economic Slump Could Ease

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China's economy declined again in May, marking three straight months of an economic downturn. The rate at which it declined, however, was less than that of April, giving some economists a little hope that the downturn could be starting to ease. Even with that promising data, there are still quite a few skeptics citing the zero-tolerance COVID-19 policy enforced by the Chinese government as the biggest handicap for an economic revival. Shanghai had been locked down for nearly two months, grinding economic activity to a halt. But other large cities, like Beijing and Tianjin, are less restricted in terms of the virus. The manufacturing purchasing managers index in

China rose to 49.6 in May — up from a two-year low of 47.4 in April — surpassing the expectations of economists polled by The Wall Street Journal. Services and construction, another indicator of activity, also rose to 47.8 in May from a paltry 41.9 in April. Readings under 50 indicate that China is still experiencing contraction rather than expansion.

The real turning point will come when COVID-19 restrictions are loosened, according to Ting Lu, chief economist at Nomura in Hong Kong. Beijing predicted growth of 5.5%, but many economists are less than hopeful that China will come anywhere close to that number. The Chinese government plans to combat the contraction with a number of government subsidies and stimulus packages. China's finance ministry has begun urging local governments to accelerate borrowing plans to finance new projects. These local governments have issued 1.85 trillion yuan, or \$278 billion, in special-purpose bonds by the end of May, taking up 54% of the purposed quota for 2022. Even with the increase in government stimulus money, economists still aren't holding their breath. The prospect of another lockdown looms over the country as they have struggled to gain control of the rapidly spreading Omicron variant. The Chinese government has strict criteria regarding how the money can be spent, meaning that local governments may have trouble spending the money they already have, according to Craig Botham, chief China economist for Pantheon Macroeconomics.

## Three Things

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### Airlines See More Cancellations

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One of the top travel weekends of the year, Memorial Day weekend was rough for travelers due to a number of cancellations on Friday and Saturday. Sunday saw a slightly better situation, but the hundreds of cancelled flights earlier in the weekend made it difficult for anyone to take it as a win. Delta Airlines alone cancelled 9% of their scheduled flights on Saturday — 254 cancellations — delaying 530 flights. On Sunday, Delta cancellations dropped to 159 flights or 6% of their schedule. While it was an improvement, it was a small victory for the Atlanta-based airline. With airfare prices continuing to climb (and continued staffing shortages), Delta and other airlines are also cutting back flight schedules in the coming months to better prepare for any more potential disruptions.

### Salesforce Results Show Healthy Business Demand

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Salesforce Inc. showed a surprising 24% increase in Q1 revenue, giving analysts and economists some peace of mind about the demand for the business software. Much like many tech companies, Salesforce stock has been dropping all year. But after-hours trading on Tuesday saw a 7% rise following the Q1 results being released. "Our customers are still investing in digital

technology,” says Salesforce Co-Chief Executive Bret Taylor. Pulling in \$7.41 billion in revenue was up from the \$5.96 billion in the same quarter last year. Moving forward, the company is planning on being more conscious of their spending with shifts in hiring plans, similar to their software rival, Microsoft, who has also announced slowing their hiring rates in the coming months.

## **Will the New iPhone Be “Always On”?**

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The new Apple iPhone 14 Pro and Pro Max could finally include an Always-On display that Apple customers have been waiting for. The feature will be similar to the Android feature that has been included for many years. Utilizing lower frame rates and brightness settings will allow the phone to display limited information, such as time and date and notification icons, while the phone is locked. It is expected that the feature will work in a similar way to the Apple Watch Series 5 and up. Tech analysts predict that the phone will make use of a low-temperature polycrystalline oxide (LTPO) display to help enable the feature.

## **In the Know**

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### **A Critical Day for Civil Rights**

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On June 2, 1964, President Lyndon B. Johnson signed the Civil Rights Act into effect, following the iconic Brown v. Board of Education decision in 1954, and the Civil Rights Movement led by Dr. Martin Luther King Jr. and many others. The Supreme Court ruled that racial segregation was unconstitutional, spurring many heated debates in Senate and Congress concerning the Act. After Dr. King’s historic “I Have a Dream” speech in 1963, and President John F. Kennedy’s assassination in November of that same year, Johnson vowed to follow through on JFK’s campaign promises to reform civil rights in America. The signing of the Civil Rights Act was televised in the East Room of the White House using 75 pens, each of which were given out to prominent activists as part of tradition. The first pen was given to Dr. King, and he stated that it would forever be one of his most prized possessions.

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