Washington State COVID-19 Economic Impacts & Recovery

April 9, 2020
## COVID-19 Societal Reactions and Economic Impacts

### Virus Events & Society Reactions

<table>
<thead>
<tr>
<th>Virus Events</th>
<th>Reaction to Virus</th>
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<td>• Virus found and spreads rapidly</td>
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<tr>
<td>• Concern about stopping the virus escalates</td>
<td>• Quarantines occur</td>
</tr>
<tr>
<td>• No vaccine exists</td>
<td>• Closures of offices, schools, and more</td>
</tr>
<tr>
<td>• Treatment limited by hospital capacity and ventilators</td>
<td>• Factories closed or disrupted</td>
</tr>
<tr>
<td>• Testing problems limit understanding of spread</td>
<td>• Events cancelled</td>
</tr>
<tr>
<td></td>
<td>• Travel curtailed</td>
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<td></td>
<td>• Social activity altered</td>
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### Economic Impacts

March 13, 2020
### COVID-19 Societal Reactions and Economic Impacts

#### Economic Impacts
- Consumer spending slows and changes
- Sales and revenues drop
- Supply chains disrupted
- Supporting businesses lose revenues
- Charitable contributions drop
- Government revenues drop

#### Secondary Economic Impacts
- Consumer spending slows further
- Business spending slows
- Government spending shifts
- Sales and revenues drop further
- Services disrupted
- Supply chain and support networks fail
- Private investment decline
- Asset values fall

#### Economy Reactions
- Fear and uncertainty
- Businesses close
- Workers’ income drops
- Unemployment spikes
- Financial markets lose faith
- Lending capacity reached

March 13, 2020
Immediate Impacts: Loss of Revenues, Wages, Jobs

Businesses closed, some will not recover

- Service and retail workers
  - Hospitality
  - Retail
  - Restaurants, Bars
  - Entertainment
- Events
- Travel Industry

- Independent, gig economy workers
- Construction
- Entertainment industries
- All sectors, economy wide affected
U.S. Macro Impacts

Economy wide concerns
- Asset values fall, predatory victims
- Businesses will not be able to pay rent and workers
- Many businesses cannot recover
- Critical supply chains fail irrecoverably in some places

Annualized Growth Projections, 2020 Q2

<table>
<thead>
<tr>
<th>Source</th>
<th>2020 Q2</th>
</tr>
</thead>
<tbody>
<tr>
<td>JP Morgan Chase (3/20)</td>
<td>-24.0%</td>
</tr>
<tr>
<td>Morgan Stanley (4/3)</td>
<td>-37.9%</td>
</tr>
<tr>
<td>Goldman Sachs (3/31)</td>
<td>-35.0%</td>
</tr>
<tr>
<td>Federal Reserve Bank of St. Louis (3/22)</td>
<td>-50.0%</td>
</tr>
<tr>
<td>Bank of America (3/22)</td>
<td>-25.0%</td>
</tr>
<tr>
<td>Average</td>
<td>-34.4%</td>
</tr>
</tbody>
</table>
Washington Unemployment Claims

Statewide unemployment more than 16% and rising rapidly.

Statewide Unemployment

Initial claims for two weeks ending 3/21 and 3/28

<table>
<thead>
<tr>
<th>Sector</th>
<th>Initial Claims</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer Facing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accomodation and Food Services</td>
<td>64,670</td>
<td>22%</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>30,700</td>
<td>11%</td>
</tr>
<tr>
<td>Arts, Entertainment, and Recreation</td>
<td>13,000</td>
<td>4%</td>
</tr>
<tr>
<td><strong>Total Consumer Facing</strong></td>
<td><strong>108,370</strong></td>
<td><strong>37%</strong></td>
</tr>
<tr>
<td>Healthcare and Social Assistance</td>
<td>39,170</td>
<td>13%</td>
</tr>
<tr>
<td>Construction</td>
<td>33,230</td>
<td>11%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>19,240</td>
<td>7%</td>
</tr>
<tr>
<td>Other Services</td>
<td>18,510</td>
<td>6%</td>
</tr>
<tr>
<td>Admin. Support, Waste Management Services</td>
<td>12,150</td>
<td>4%</td>
</tr>
<tr>
<td>Educational Services</td>
<td>9,260</td>
<td>3%</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>7,160</td>
<td>2%</td>
</tr>
<tr>
<td>Professional, Scientific, and Technical Services</td>
<td>6,440</td>
<td>2%</td>
</tr>
<tr>
<td>Transportation and Warehousing</td>
<td>5,570</td>
<td>2%</td>
</tr>
<tr>
<td>Real Estate, Rental, and Leasing</td>
<td>4,050</td>
<td>1.4%</td>
</tr>
<tr>
<td>Information</td>
<td>2,870</td>
<td>1.0%</td>
</tr>
<tr>
<td>Agriculture, Forestry, Fishing, and Hunting</td>
<td>2,270</td>
<td>0.8%</td>
</tr>
<tr>
<td>Public Administration</td>
<td>1,680</td>
<td>0.6%</td>
</tr>
<tr>
<td>Finance and Insurance</td>
<td>1,520</td>
<td>0.5%</td>
</tr>
<tr>
<td>Management of Companies and Enterprises</td>
<td>210</td>
<td>0.1%</td>
</tr>
<tr>
<td>Mining</td>
<td>200</td>
<td>0.1%</td>
</tr>
<tr>
<td>Utilities</td>
<td>130</td>
<td>0.0%</td>
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<tr>
<td><strong>Not Available</strong></td>
<td><strong>18,520</strong></td>
<td><strong>6%</strong></td>
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Workers in Consumer-Facing Industries, King County, Snohomish, and Pierce County, Q3 2019


Consumer Facing Sectors Hit Hardest

- 336,000 workers in consumer facing industries in King, Pierce, Snohomish counties.
Travel & Tourism Impacts

Travel
• Major airlines reduced flights by 70%
• Business travel represents more than 30% of all travel in and out of SeaTac (summer survey, likely much higher)
• Conferences, sales trips, meetings, interviews, recruitment, all disrupted

Tourism
• The fourth largest industry in Washington
• 188,000 workers statewide
• $24.4 billion in annual spending
• $2.1 million in state and local taxes
• Occupancy rates down by half and falling
• Decrease in hotel revenues, from 20% for SeaTac hotels to 50% for Seattle Center and South Lake Union hotels
• Cruise lines are pausing operations
• Destination venues closed
• Decline in tourists from China
Global Supply Chain

Local Supply Chain Impacts

- Critical components missing for manufacturers
- Global export hubs of intermediate goods shut down
- Seafood and food products cannot ship their products to markets
- Contracts jeopardized (*force majeure*)
- Loss of export markets and hit to Small and Medium businesses with less cash reserves, both in the U.S. and overseas among suppliers.
- Global trade down by 32% in 2020 (WTO)

China

- 16% of the global economy (2018)
- 28% of global growth
- Washington’s largest trading partner
- “Decoupling” and push to diversify supply chains away from China
- More than one-third of import containers handled at NWSA from China
Fiscal concerns

- Local and state revenues fall
  - Business revenues fall
  - Consumer and transaction spending fall (sales, excise taxes)
  - Lodging tax revenue lost
  - Property tax limitations
  - Construction slows (property tax driver)

- Government expenditures increase

- Budget challenges ahead

In 2019, Seattle had $30 Billion in total taxable retail sales in 2019 (all sectors)
  - Roughly half is customer facing ($15 Billion)
  - $3 Billion in taxable sales from restaurants and bars in 2019 alone
  - 20% loss of consumer facing retail would lose $3 Billion in Taxable Retail Sales in Seattle (at least $30 million in tax revenue)
Equity concerns, locally, globally

• Social distancing is a privilege
  — Remote work not an option for many
  — Childcare challenges exacerbated

• Underserved communities, developing countries least served with treatment capacity

• Strength of food distribution networks mirror affluence, by nation
## Economic Impacts

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## Secondary Economic Impacts

- Consumer spending slows further
- B2B and Government Spending shifts or changes
- Sales and revenues drop further
- Supply chain and support networks fail
- Private investment declines
- Asset values fall

## Economic Interventions

- Direct payments and support (all sectors)
- Government spending
- Landlord leniency, residential and commercial
- Loosen lending
- Monetary supply easing
- Fiscal policy shifts
- And more

- Workers’ income drops
- Unemployment spikes
- Financial markets lose faith
- Lending capacity reached
What does recovery look like

• Questions about re-starting businesses
  – Some can start back up
  – Demand for restaurants, services may be weaker than before
  – Supply chains more difficult to get back to full speed

• Federal packages will help
  – $2 Trillion equal to 5% of GDP
  – 2020 GDP projections range -6% to -8% for 2020
  – Heavy debt load ensues

• Questions about consumers
  • What does consumer confidence look like?
  • What will a reduced wealth affect mean?
  • What about home sales?
  • Will consumers alter consumption behavior?
  • Uncertainty about second or third wave of virus until vaccine available, ~18 months out
Public Health *is* Economic Resilience

Pandemic Realizations

- Need to support underfunded public health activities:
  - Disease surveillance
  - Epidemiology
  - Laboratory capacity
  - All-hazards preparedness and response
  - Community partnership development

- Need to support health-care practices that had to postpone elective medical interventions and decrease office visits

Nationwide challenges

- High healthcare spending (18% of GDP)
- High uninsured rate and high out-of-pocket costs
- Medical capacity constraints
- Health-care access fragility
  - Unemployment risk
  - Hidden costs of deferred care
- Testing delays and deficiencies
- Equipment and treatment deficiencies
Acceleration of Change & New Productivity

• Public health, resilience recognized as an economic imperative
• Increased investments in life sciences
• Changes to food production and delivery
• Increase in small batch manufacturing, locally
• Distribution systems invest more in last-mile infrastructure

• Uptake of online tools
• More investment in remote office platforms
• Accelerated reliance on e-commerce for sales
• Rapid expansion of telemedicine in the healthcare sector
We got this Seattle
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- **Government actions**
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