

Washington State COVID-19 Economic Impacts & Recovery

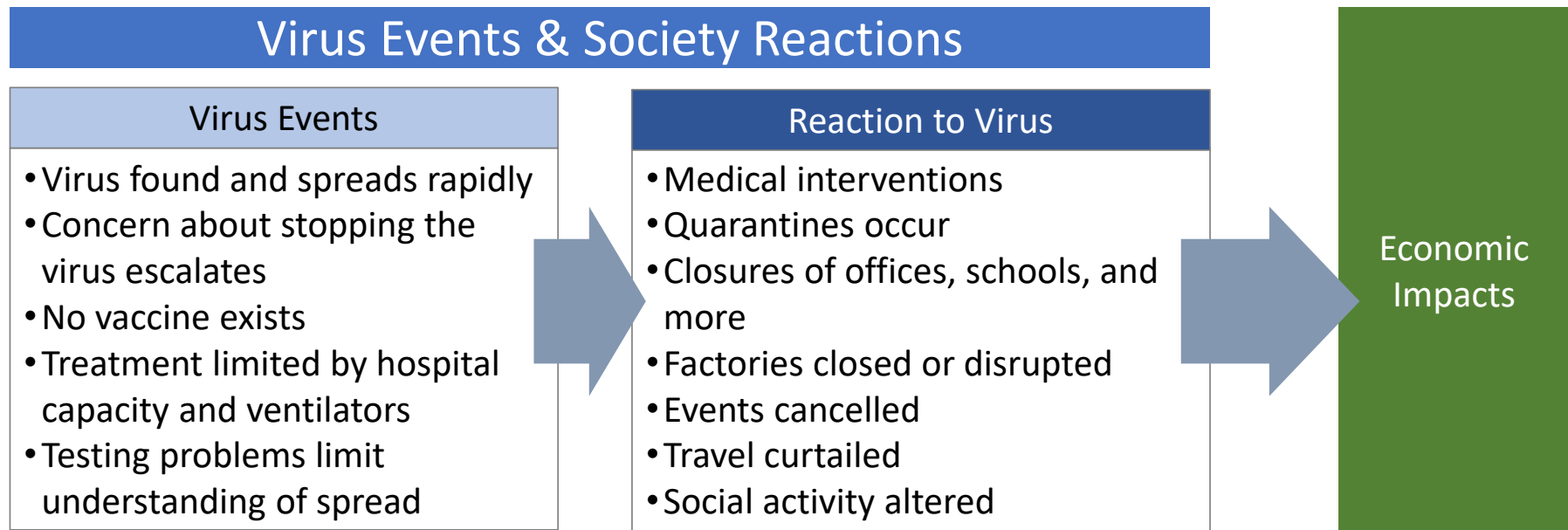
April 9, 2020



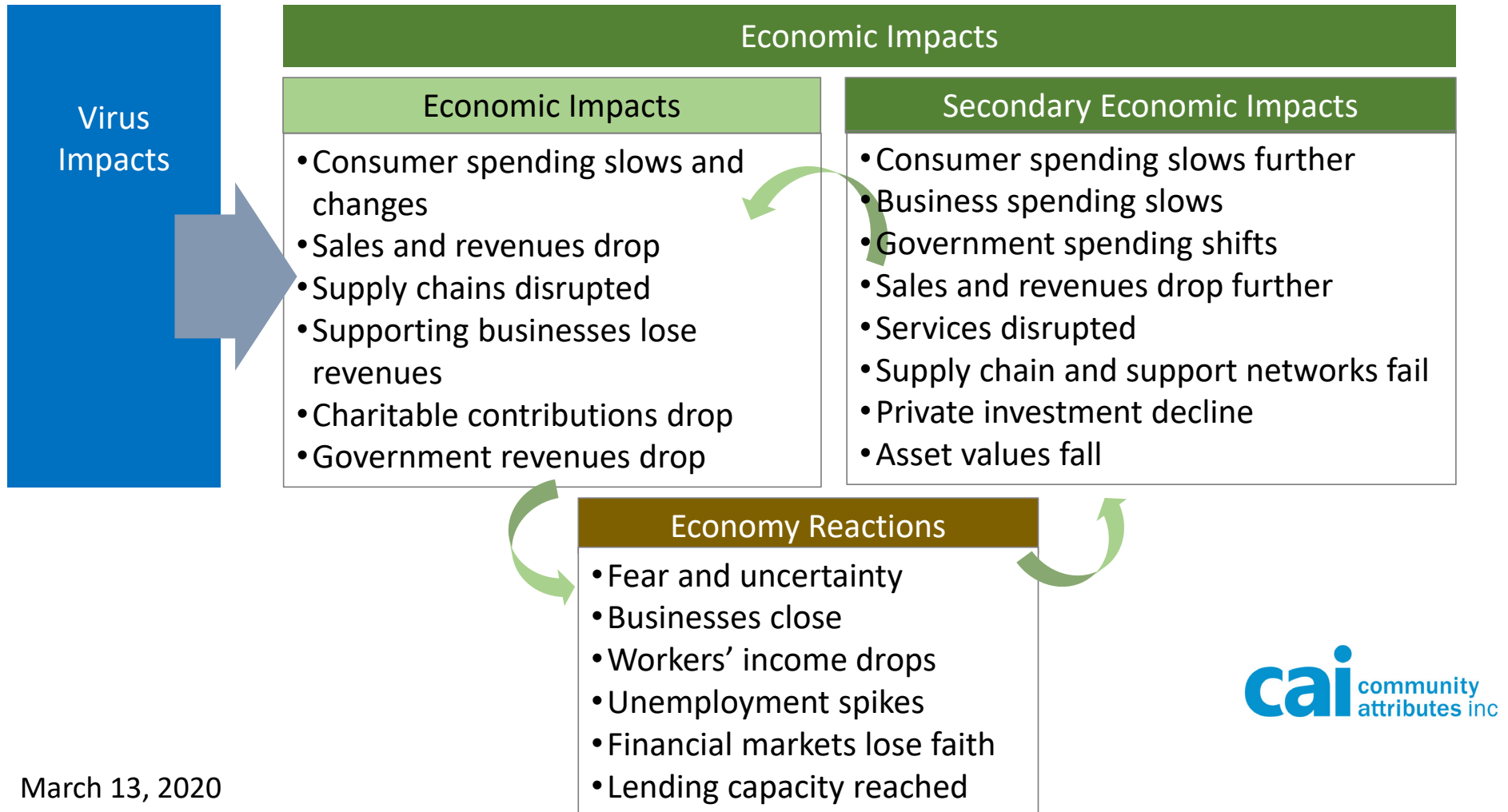
Washington's Source for Employee Benefits



COVID-19 Societal Reactions and Economic Impacts



COVID-19 Societal Reactions and Economic Impacts



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

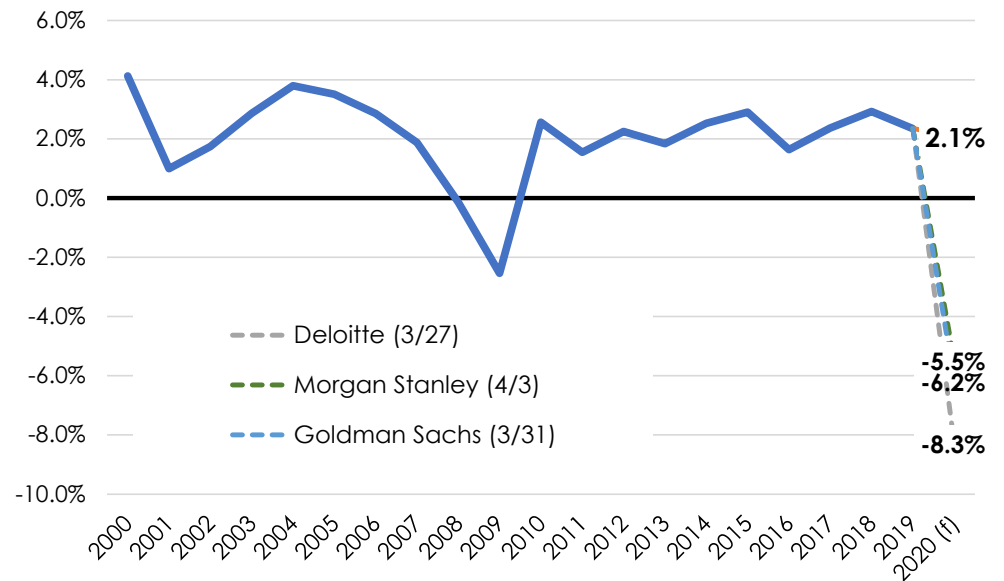
Economy wide concerns

- 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

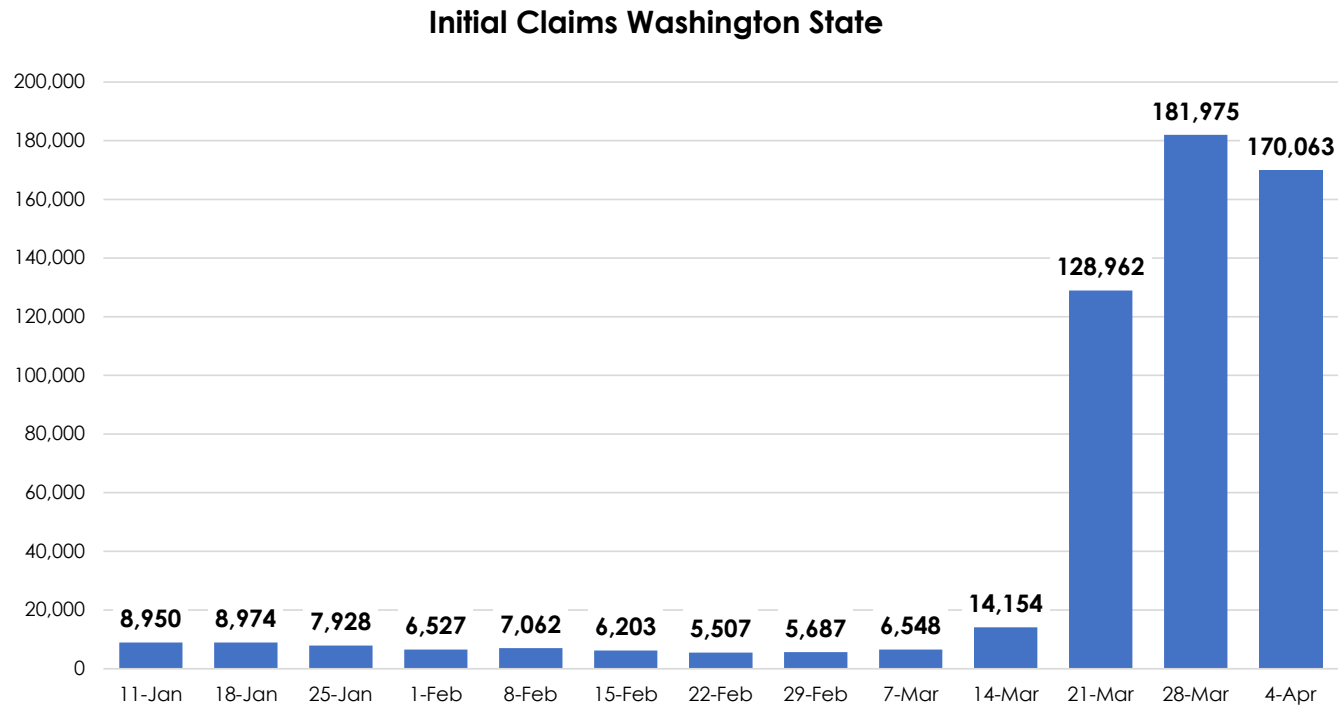
Source	2020 Q2
JP Morgan Chase (3/20)	-24.0%
Morgan Stanley (4/3)	-37.9%
Goldman Sachs (3/31)	-35.0%
Federal Reserve Bank of St. Louis (3/22)	-50.0%
Bank of America (3/22)	-25.0%
Average	-34.4%

Real GDP Growth and Projected



Washington Unemployment Claims

Statewide unemployment more than 16% and rising rapidly.



Washington State Employment Security Department, April 9, 2020.

Statewide Unemployment

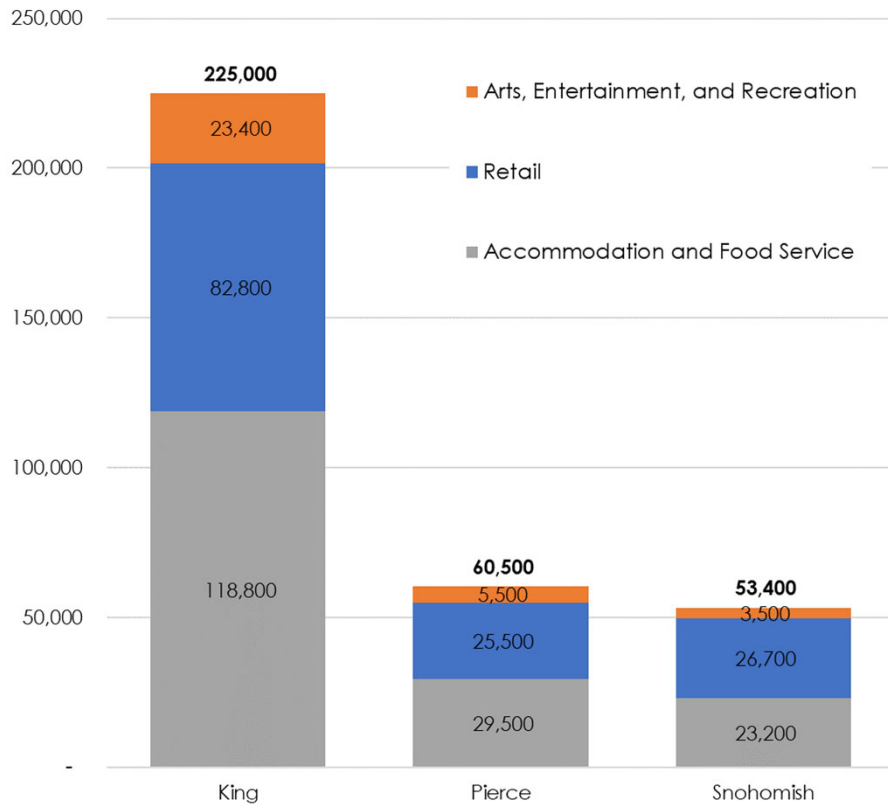
**Initial claims for two weeks
ending 3/21 and 3/28**

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

Washington State Employment Security Department, March 28, 2020.

Corona Virus Impacts on Seattle 2020 – Community
Attributes Inc.

Workers in Consumer-Facing Industries, King County, Snohomish, and Pierce County, Q3 2019



Source: Washington State Employment Security Department, 2020.

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)

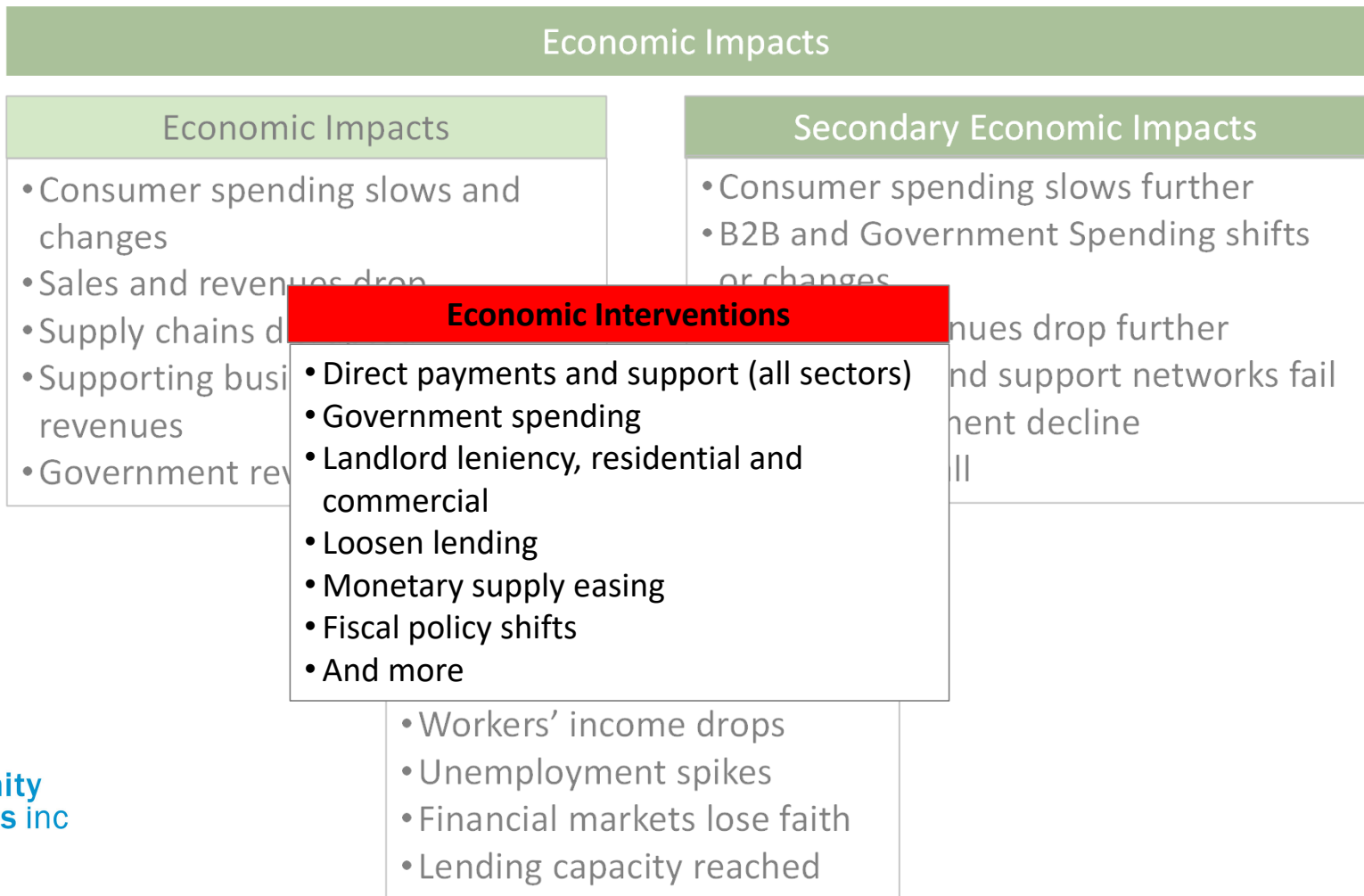
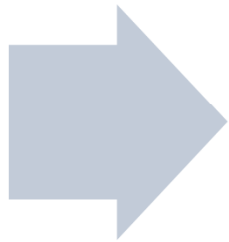
- Roughly half is customer facing (\$15 Billion)
- \$3 Billion in taxable sales from restaurants and bars in 2019 alone

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

COVID-19 Societal Reactions and Economic Impacts



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

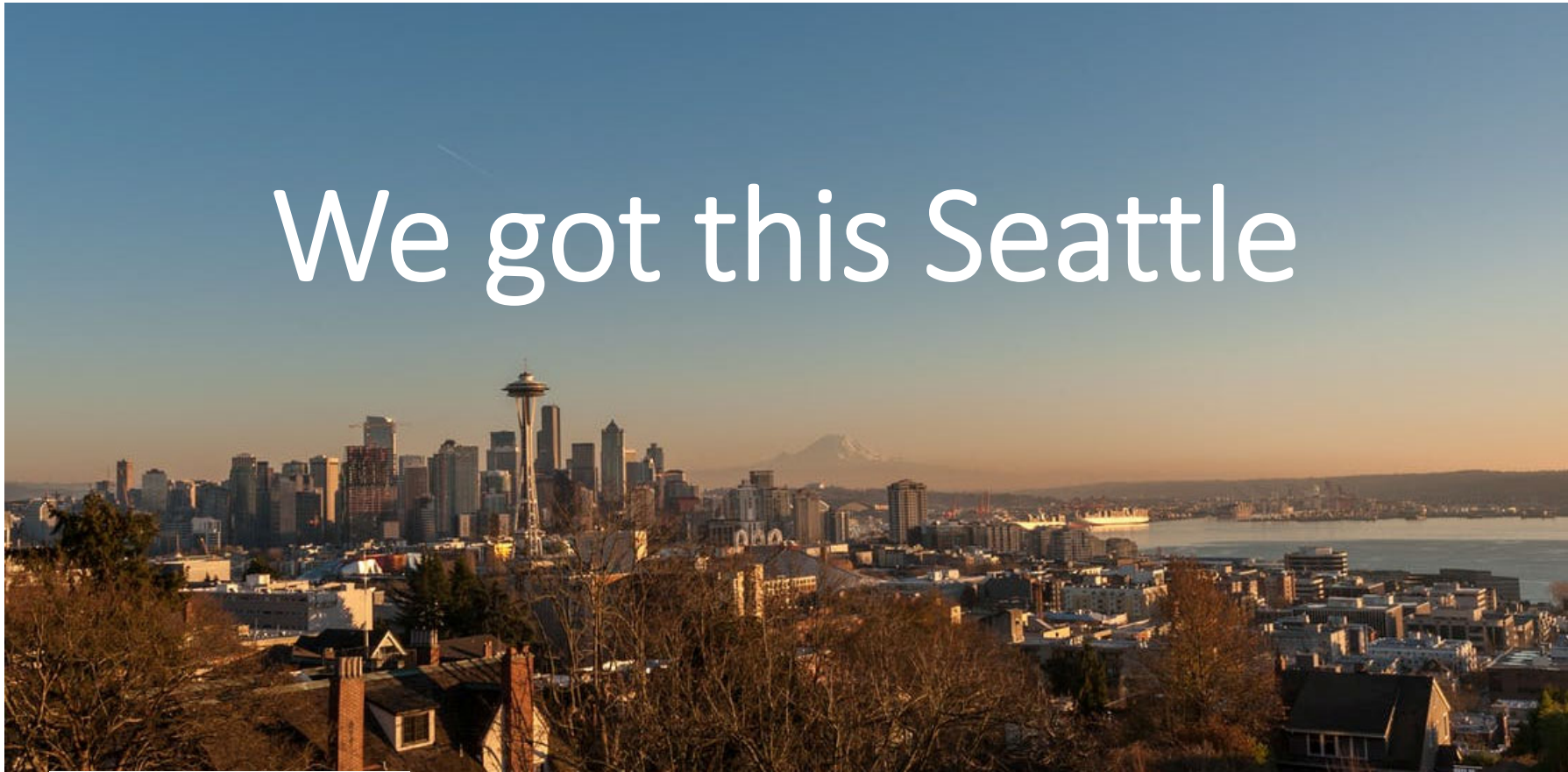
Nationwide challenges

- 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



cai community
attributes inc

April 9, 2020

 Business
Health Trust

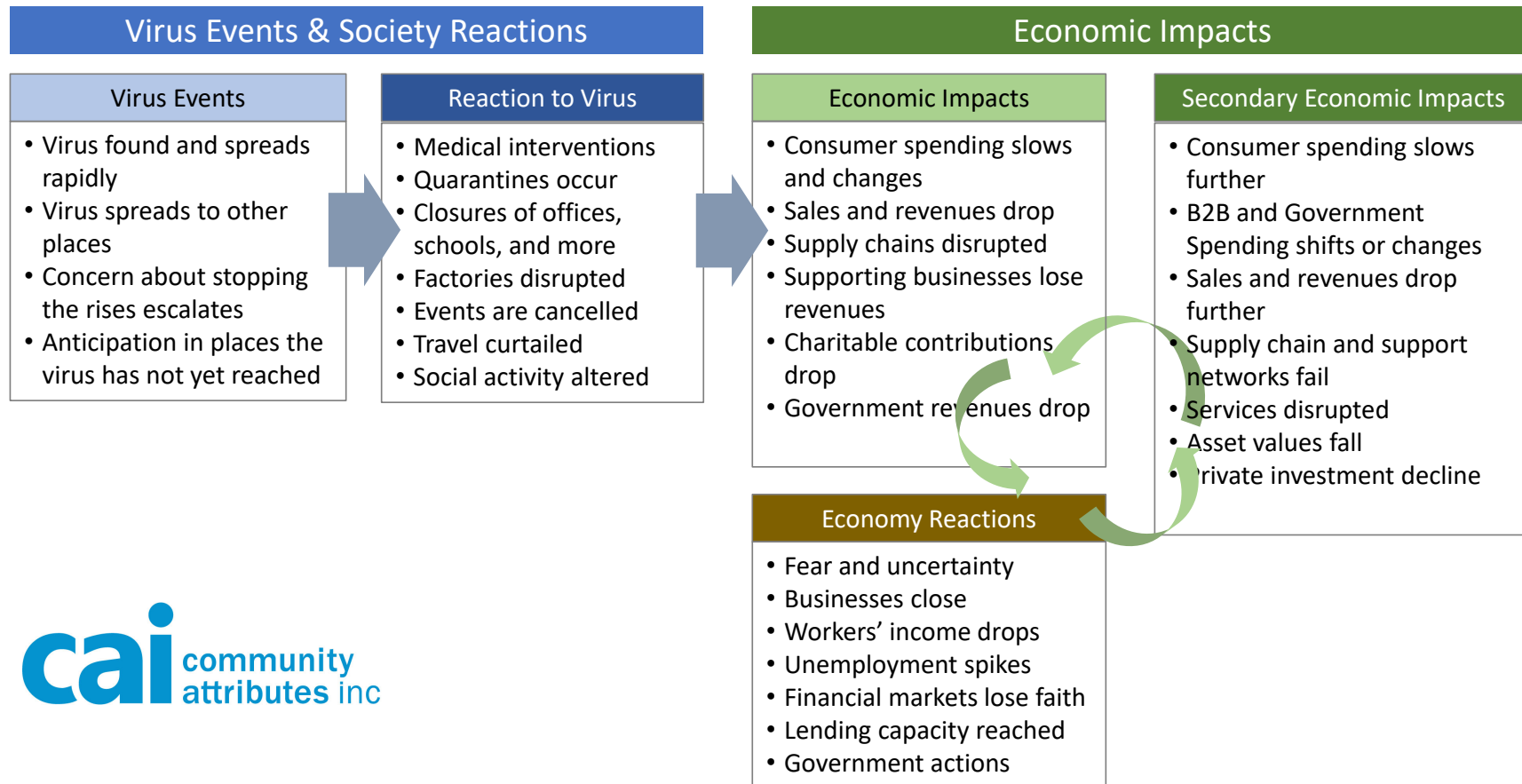
Washington's Source for Employee Benefits



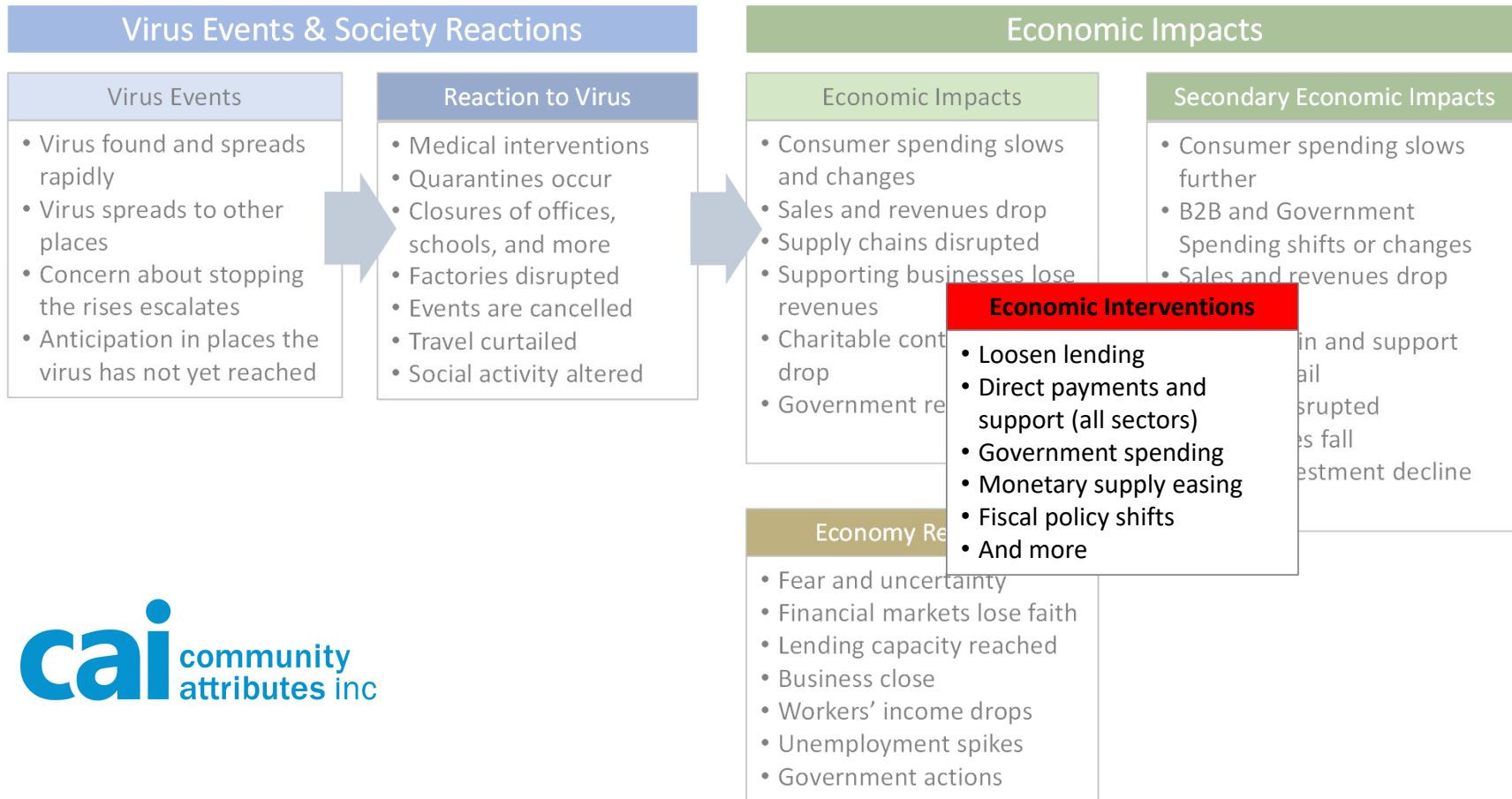
THE CHAMBER

seattle metropolitan chamber of commerce

COVID-19 Societal Reactions and Economic Impacts



COVID-19 Societal Reactions and Economic Impacts



March 13, 2020