

# Washington State COVID-19 Economic Impacts & Recovery

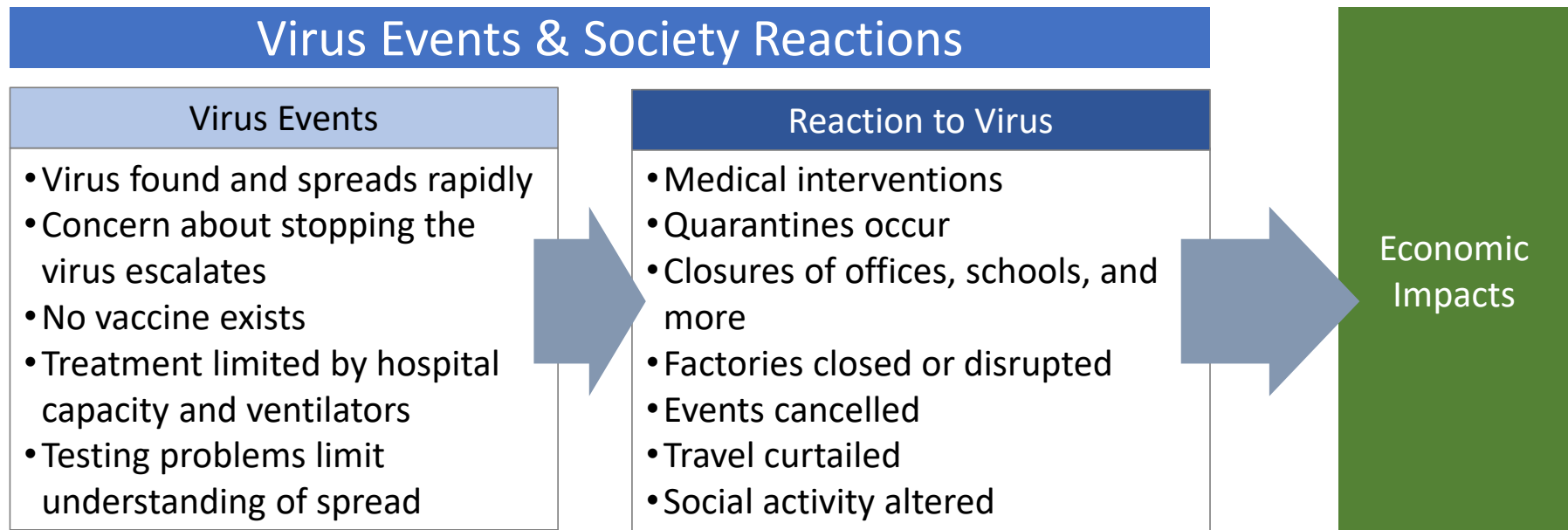
April 9, 2020



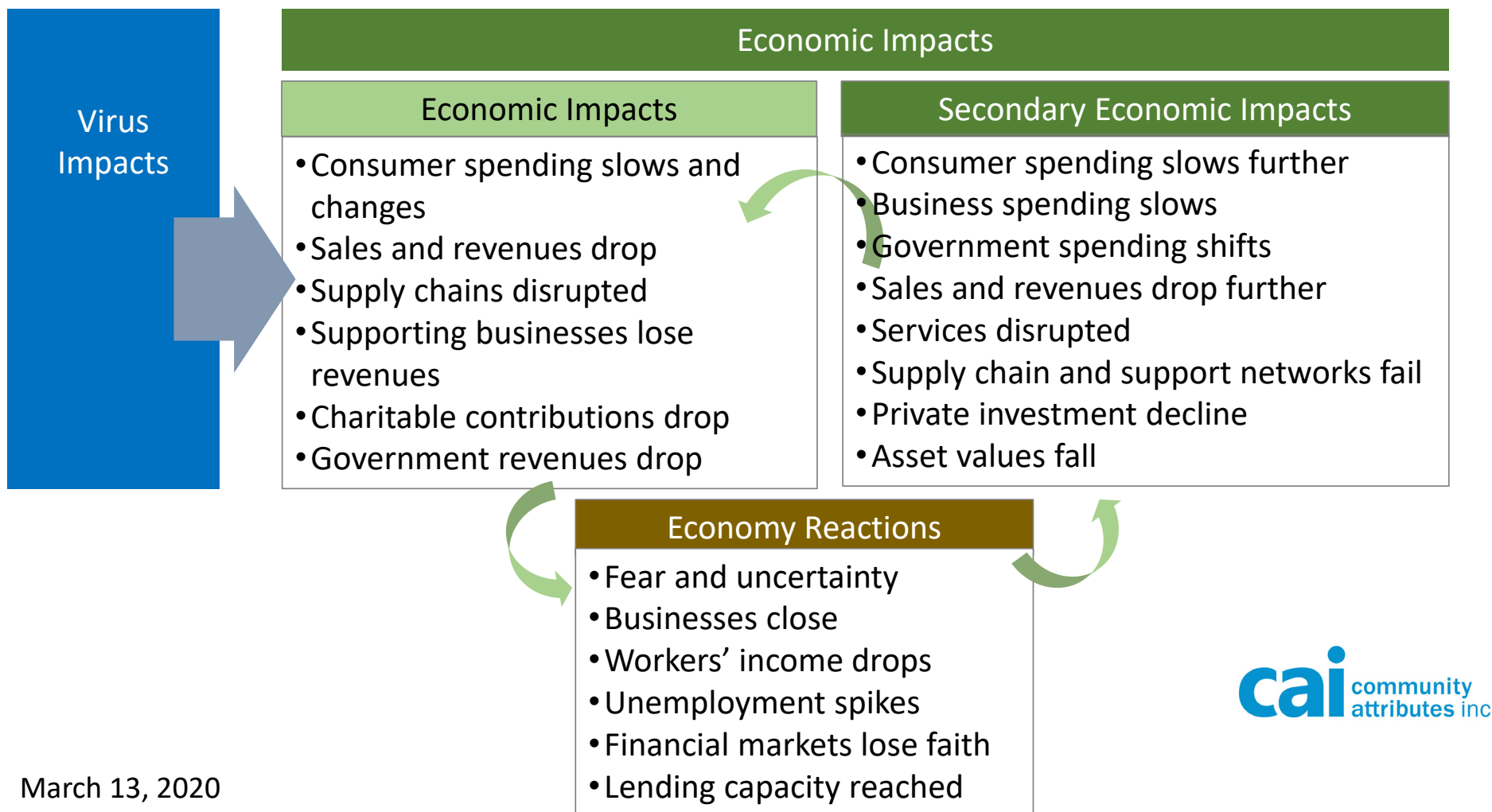
Washington's Source for Employee Benefits



## COVID-19 Societal Reactions and Economic Impacts



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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

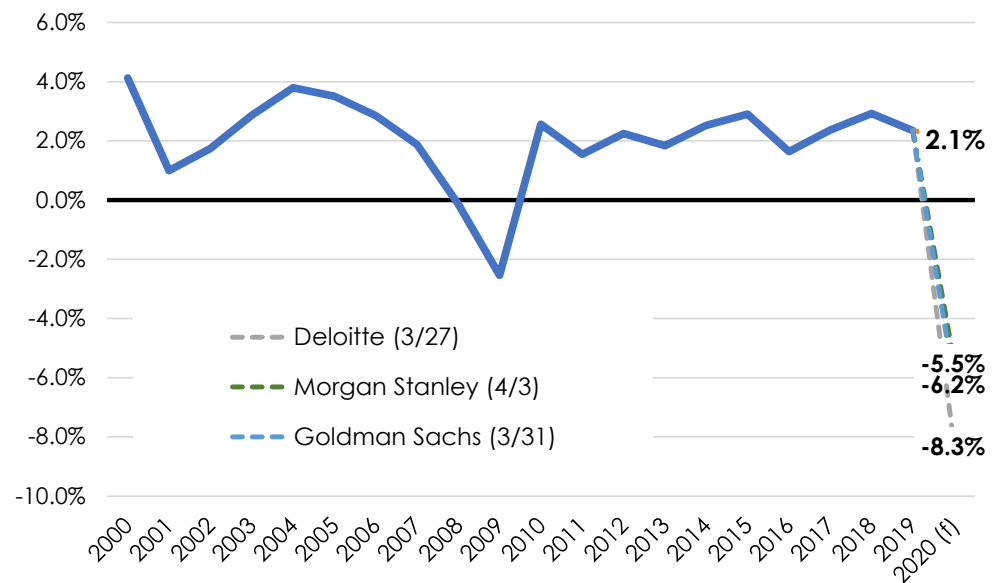
## Economy wide concerns

- 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

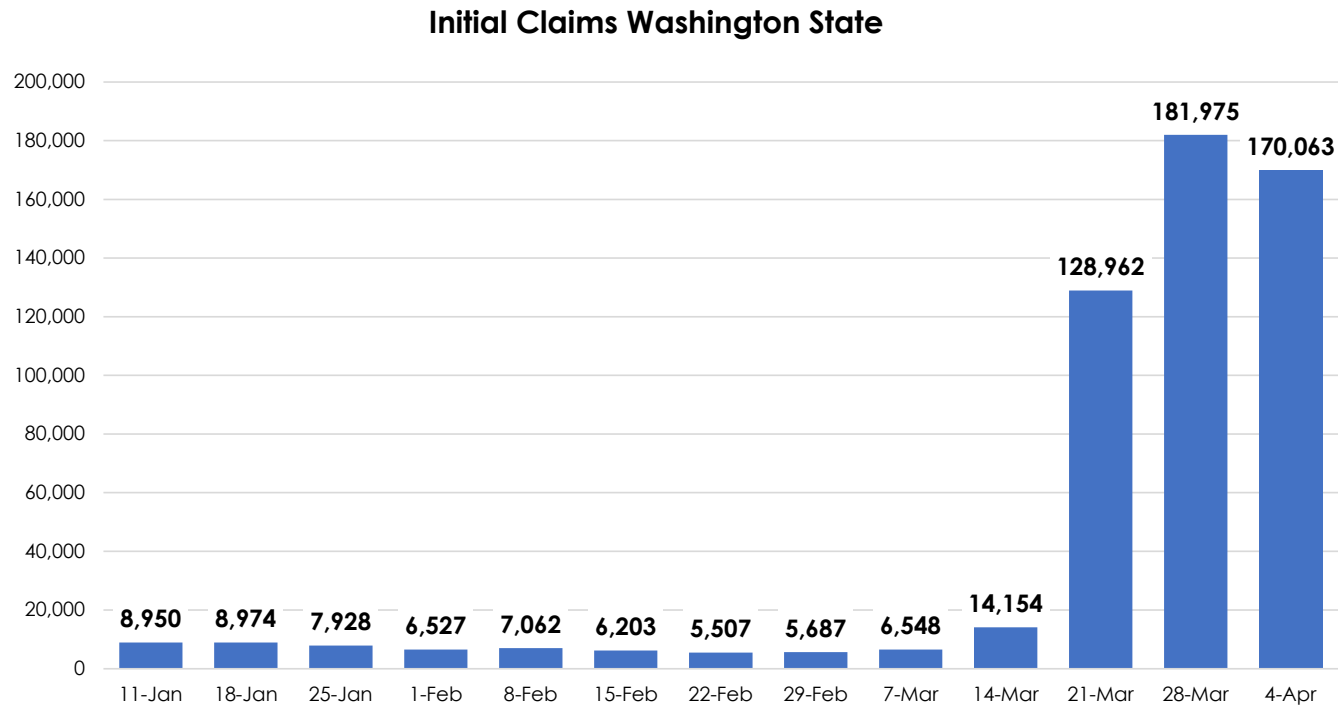
Source	2020 Q2
JP Morgan Chase (3/20)	-24.0%
Morgan Stanley (4/3)	-37.9%
Goldman Sachs (3/31)	-35.0%
Federal Reserve Bank of St. Louis (3/22)	-50.0%
Bank of America (3/22)	-25.0%
<b>Average</b>	<b>-34.4%</b>

## 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

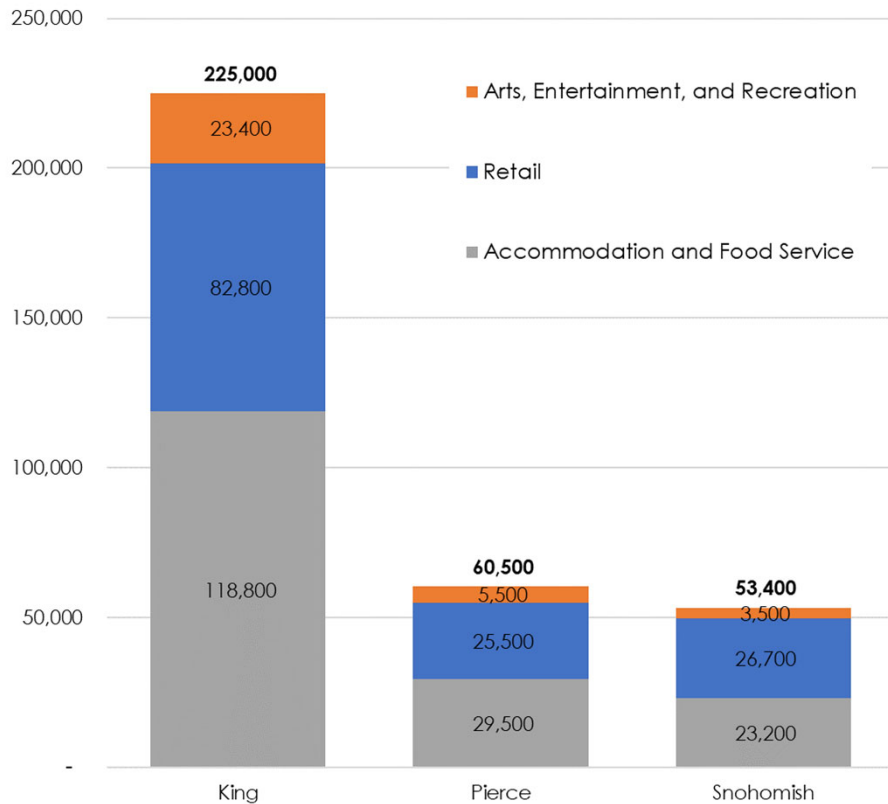
**Initial claims for two weeks  
ending 3/21 and 3/28**

<b>Sector</b>	<b>Initial Claims</b>	<b>%</b>
<b>Consumer Facing</b>		
Accommodation and Food Services	64,670	22%
Retail Trade	30,700	11%
Arts, Entertainment, and Recreation	13,000	4%
<b>Total Consumer Facing</b>	<b>108,370</b>	<b>37%</b>
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)

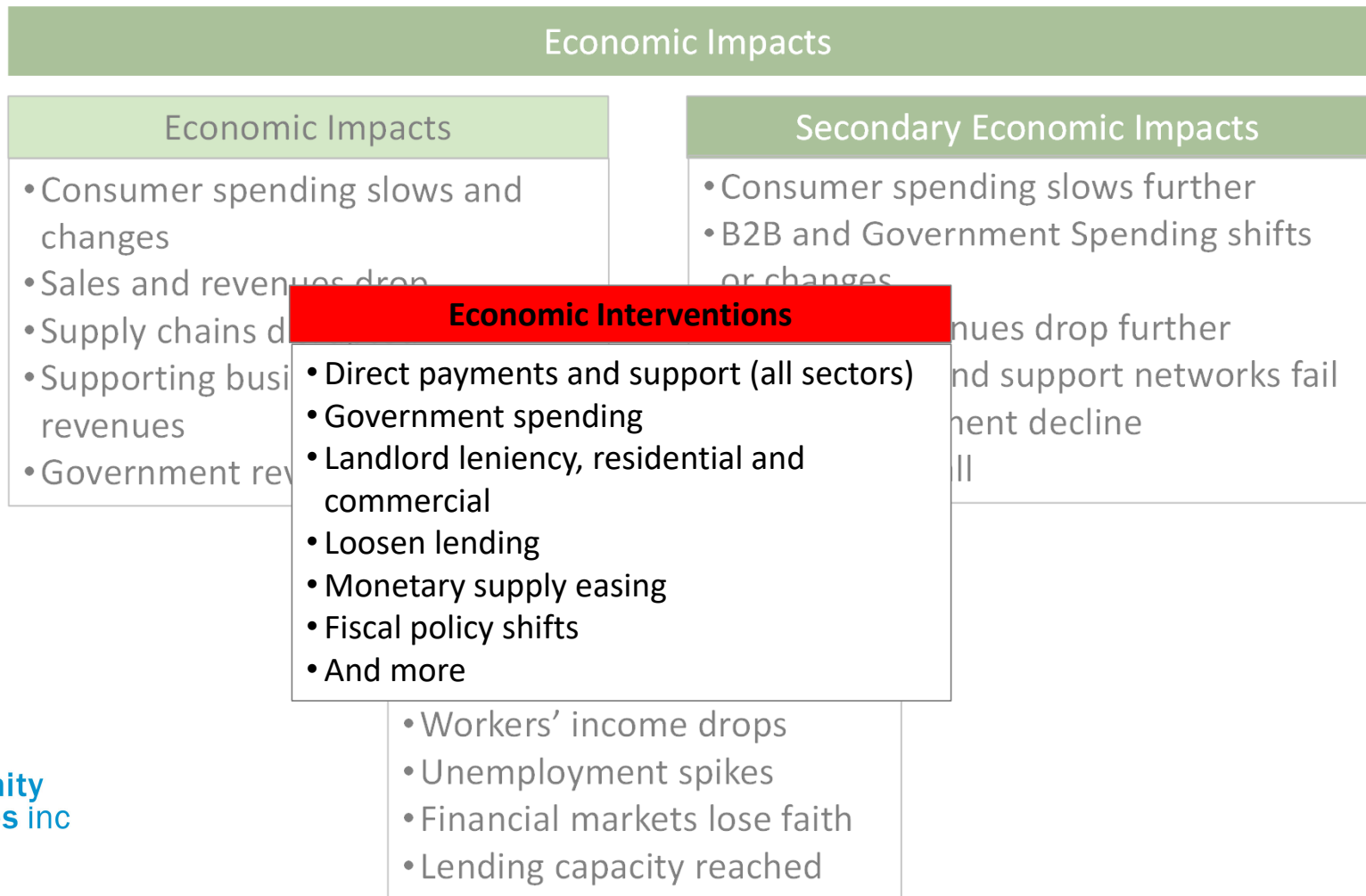
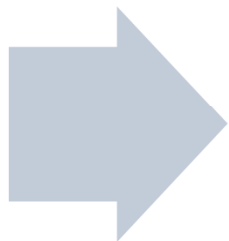
- Roughly half is customer facing (\$15 Billion)
- \$3 Billion in taxable sales from restaurants and bars in 2019 alone

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

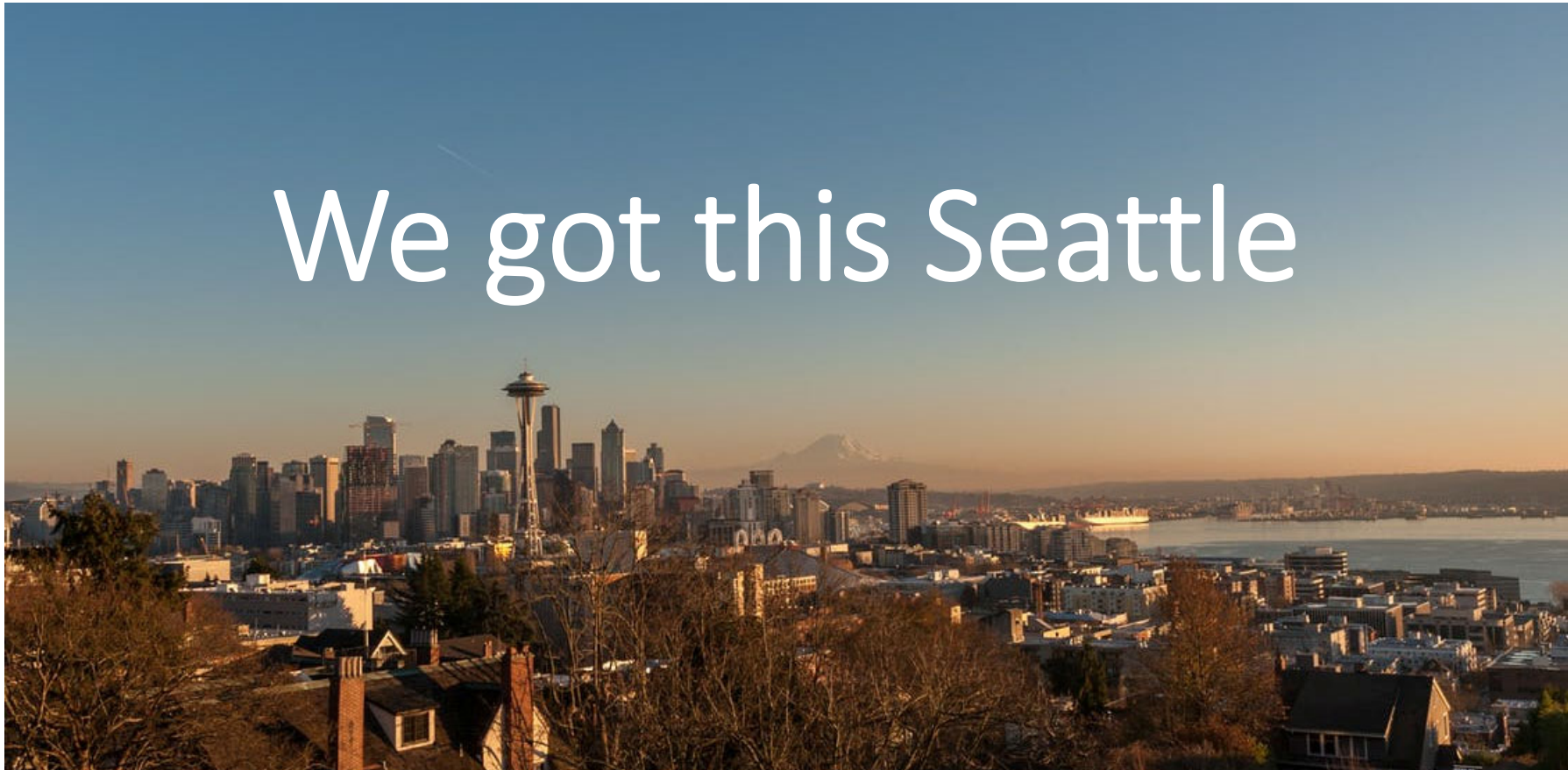
- High healthcare spending (18% of GDP)
- High uninsured rate and high out-of-pocket costs
- Medical capacity constraints
- Health-care access fragility
  - Unemployment risk
  - Hidden costs of deferred care
- Testing delays and deficiencies
- Equipment and treatment deficiencies

# 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

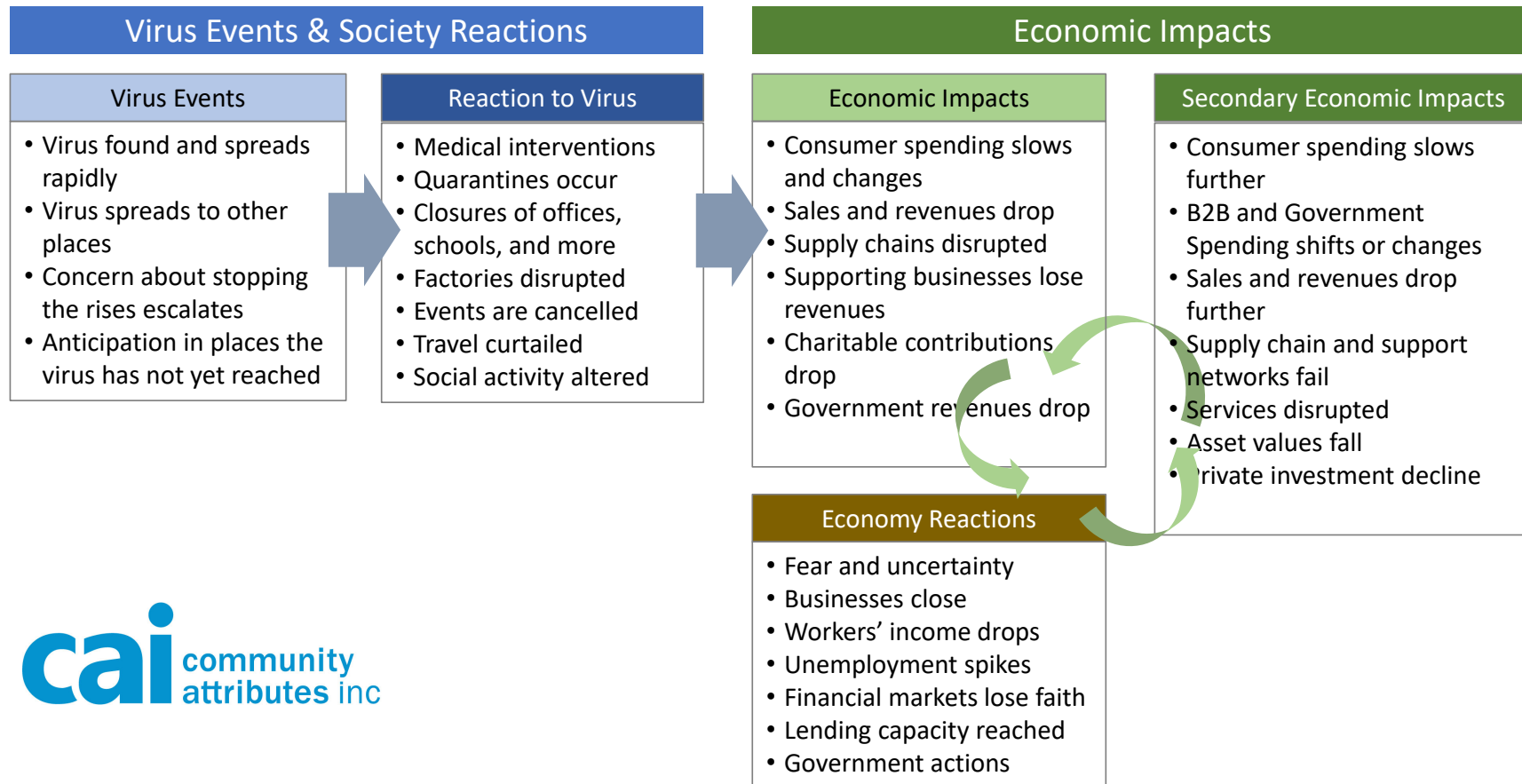
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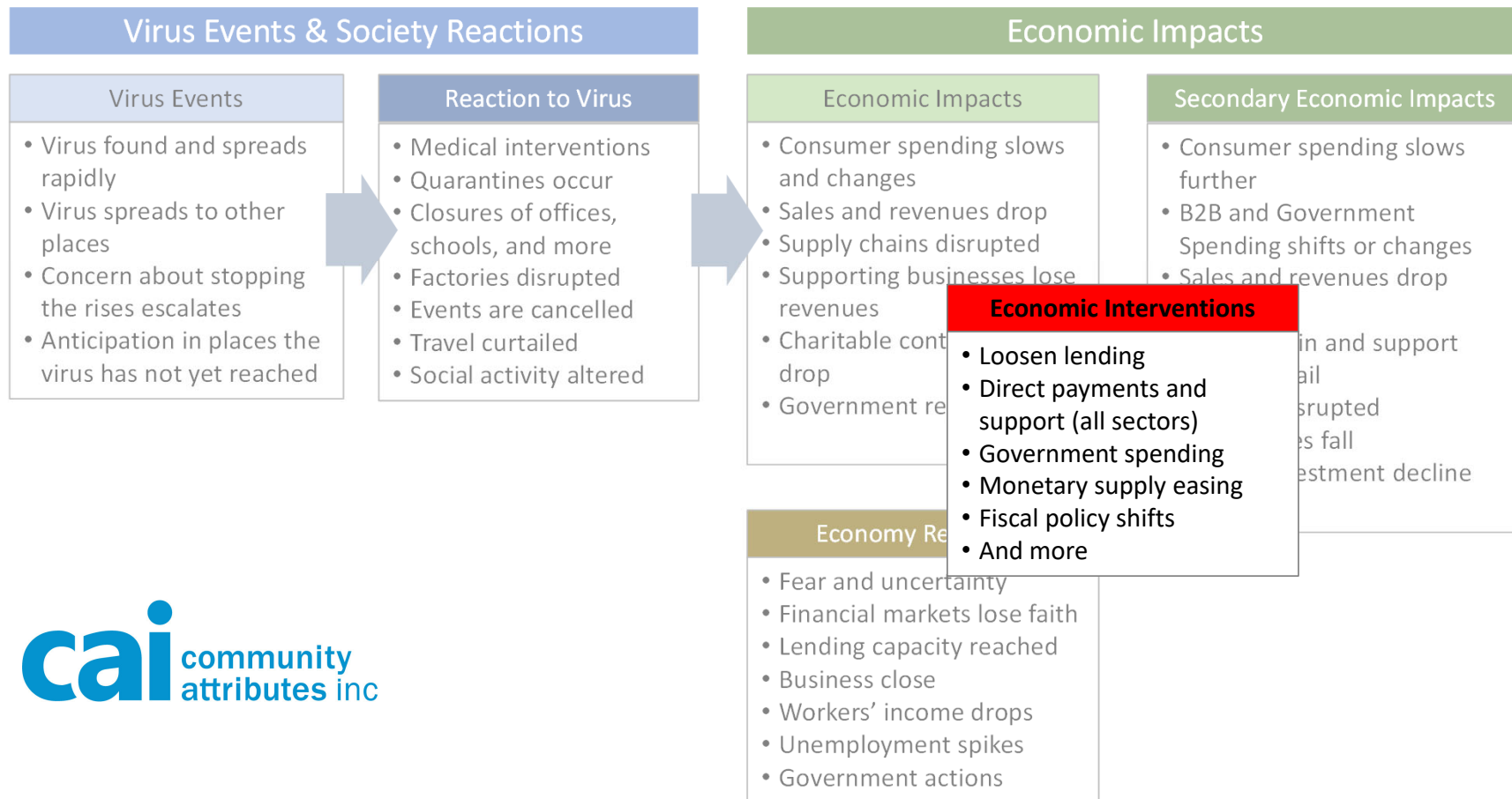
**THE CHAMBER**

seattle metropolitan chamber of commerce

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