ISSUE: No. 3

DATE: March 26, 2020

Period: March 15, 2020 to March 21, 2020

The Covid-19 crisis continued to escalate in Washington in the third week prompting Governor Inslee (3/23/20) to institute a “Stay Home, Stay Healthy” order that requires all Washington residents to stay home unless they are conducting essential business or taking a break to go outside for exercise or to garden. The order is in effect for at least two weeks.

It is hoped this measure will be enough to slow the spread of the virus. Of course this also ramps up the likely economic impact which is currently spreading from tourism and travel related industries to all industries. Manufacturing has now ceased at many local companies including Boeing and Paccar. Boeing employees are being paid for the two week closure but other companies, such as several Boeing suppliers, are instituting furloughs and lay-offs. It was hoped construction activity could continue through this but anecdotes note the difficulty of trying to keep a six foot buffer between workers. As of 3/24, work at the state convention center expansion project was still going, but on 3/25 the Governor issued additional guidance indicating that most construction is not authorized.

All the anecdotes we’ve received on retail have indicated huge reductions in revenue and, as of Wednesday, non-essential businesses are closed. Revenues at the hotels that were still open up to that point were down about 90% (see the anecdotes section). Restaurants that remain open are open for takeout only.

The real estate industry had shown only relatively small impacts through last week and is trying to move much of its activity to virtual tours and online but Zillow indicated buyer traffic was down about 20% and with the Governor’s order, realtors are not allowed to conduct physical tours. Pending sales are likely considered part of the financial services section of the essential business list assuming the title and escrow companies are still open for business according to the local realtor association.

Indicators for the week showed the impact of the massive drop in revenues and business that is now leading to furloughs and unemployment. King County claims were up 450% the prior week and this week they were up over 3,300%. Detail provided at the state level indicate huge layoffs in accommodation and food service and others. Transportation indicators continued to show the impact of people staying home with transit volumes down 60%-80%.

National indicators for the week mostly reflected February data. National unemployment claims went up by over 1,000% also showing the impact on labor markets. Several national economic forecasts came out in the last week. All now show the U.S. economy in recession in 2020 but differ on the length of the recession. A few weeks ago, many were talking about a “V” shaped contraction where the economy shuts down for a period and then bounces back quickly to business as usual. The new forecasts are more “hockey-stick” shaped now where the impacts last beyond 2020 and reflecting the widespread disruption in the economy.

Governments at all level continue to respond. The Federal Reserve has cut the federal funds rate 150 basis points and now is rolling out new or renewed policy instruments to ensure financial markets can continue to function. Congress is near approval of a $2 trillion stimulus bill that will include payments to some, loans to small and large businesses and expanded unemployment benefits. Washington state has expanded unemployment insurance and the Department of Revenue announced on 3/23 that businesses will be granted an extension for paying taxes of 60 days for monthly returns (applied to February, 2020 and March 2020 returns at this time). Many local governments are also offering tax extensions, loans and grants, and information collection and dissemination on other assistance.

B.C. (Before Covid-19) data came in this week. January countywide taxable sales were up 6.9% yoy, a solid start to what will be a terrible 2020. We were expecting a solid month in February (leap year, five weekends, measured relative to Feb. 2019’s snowmaggedon) but it is unclear how many will take advantage of the tax extension above which will delay reporting of those sales and revenue until later.

Anecdotal information continues to be made available by you (thanks!) and via media outlets and largely continues to show the drastic reduction in demand for hospitality related work but also the spread to other industries and the impact of the stay home order.



**Anecdotal by Industry**

Manufacturing

•Boeing shuts down all plants (Seattle Times 3-24-20)

•Boeing requests $60B in funds, CEO Calhoun salary=zero, slashes dividend (PSBJ, 3-20-20)

•Paccar closes plants in Kirkland and Renton (Puget Sound Business Journal (PSBJ), 3-25-20)

•Skills aerospace supplier in Auburn laying off 80%-90% of workers (Seattle Times 3-24-20)

Construction

•GLY construction has stopped all operations (PSBJ, 3-24-20)

Retail

•All non-essential retail stores now closed in Washington State

•Revenues down 30% at Seattle businesses (Gravity Payments CEO Dan Price tweet, 3-18-20)

•Edmunds.com forecasts a 35% reduction (yoy) in U.S. car sales in March (Edmunds.com, 3-25-20)

Hotels

•Temporary closures at the Four Seasons Seattle, the Sorrento, The Thompson, Inn at the Market (Visit Seattle, 3-25-20)

•Revenue drops week of March 15-21: Seattle downtown (-91.9%), Bellevue (-93.2%), King County (-83.6%) (Visit Seattle 3-25-20)

•The occupancy rate in Seattle downtown hit 6.8% on 3/19/20 (Visit Seattle, 3-25-20)

•Conferences lost or potentially lost (postponed) by the WSCC approaches 70,000 people through June

Restaurants

•Open table reports diner traffic down 40%-90% nationally year over year (Goldman-Sachs, 3-23-20)

Tourism

•Port of Seattle has delayed the start of the 2020 cruises season until the end of the public health emergency (Port of Seattle, 3-25-20)

•Most attractions are closed (e.g. Space Needle, Pacific Science Center, Woodland Park, Village Theatre, etc.

•TSA checkpoint @ Sea-Tac down 80%+ in recent days (Port of Seattle, 3-24-20)

Airlines/Trade

•Container traffic at Seattle/Tacoma ports down about 11.5% (yoy) for first 2 months (Port of Seattle, 3-25-20)

Real Estate

•Zillow suspends home buying (PSBJ, 3-24-20)

•48% of realtors said home buyer interest has “decreased” (Assoc. of Realtors, 3-19-20)

Other

•51% of U.S. small business can only manage 0-3 months under current situation (Goldman Sachs, 3-24-20)

•PCC markets hires 70 employees and sales are up 50% yoy (PSBJ, 3-24-20)

•Service linen in Renton announces layoffs of over 100 (Letter to Renton Mayor, 3-20-20)

•Some areas reporting strong food related sales like Queen Anne and forecasting taxable sales holding up due to people working from home and online sales (e.g. Sammamish)