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The Governor’s Stay Home, Stay Healthy order continues to be in effect but some have turned to thoughts about re-opening the economy as the rate of infection appears to be slowing. We know the following restrictions exist:

-Stay Home, Stay Healthy in effect until May 4

-Ban on non-critical medical and dental procedures through May 18

-School closures through June 19

This week the Governor announced Washington would be coordinating closely with Oregon and California on plans to re-open the economy. The governor said we will use health outcomes based on science in any plan.In a news conference yesterday, the Governor indicated we will be opening the economy in phases and it “…will not be a light switch, on and off, it will be a dial”. This reflects the fact that opening the economy means more interaction and likely an increase in infections and so we will be in a balancing act that will involve more testing, likely some sort of contact tracing program, and continued distancing measures that might vary based on infection rates until either enough people get infected that the virus can’t spread more (i.e. herd immunity) or we have a vaccine which appears to be a year or more out. All of this suggests we will not be back to pre-covid normal for a while. As a tangible example, a recent Sound Cities memo indicates many communities have already cancelled some or all summer festivals like 4th of July celebrations or local theme festivals (Sound Cities Association, 4-15-20).

Last week Airbus announced it would cut its production rate by about 35% compared with 2019 levels. A recent analysis (Business Insider, 4-15-20) suggested Boeing will follow suit when it gets back to production again by reducing the rate for the 787 Dreamliner. A big uncertainty is when the 737 Max will be able to fly and the analysis assumed it would be 2020:3Q. With about 400 finished planes currently parked, any re-start of production is likely to be at low rates. Boeing did re-open production of the K-46 tanker and the P-8 subchaser and called back about 2,500 workers this week but lower production rates suggest we may see longer term employment impacts.

Otherwise, the economy continues to be largely shuttered. Construction activity continues to be mostly stopped unless it “furthers a public purpose”, or is related to emergency repairs. Per media reports, work continues on the Key Arena remodel and the Washington State Convention Center expansion. Sound Transit had suspended all work on its projects but reports this week indicate they are continuing work on a limited number of projects.

Non-essential physical retail locations continue to be closed under the state’s orders. Many retailers have furloughed or laid off workers. Visit Seattle released new numbers at the end of last week that continue to show the impact on travel and tourism. One survey noted that 65.3% of people surveyed indicated they had cancelled a trip although 53.1% indicate they still had plans to travel in the fall. Thirteen city-wide Seattle conventions have either cancelled or postponed through June and about 7,500 hotel rooms are currently “unavailable”. Hotel revenues continue to track about 90% below last year for most hotels (Sea-Tac area hotels are down about 70%).

Increasing strains are also being felt by the State and local governments. The Washington OFM recently sent a letter to agency heads, statewide elected officials and higher education leaders to begin looking for ways to save money this biennium and to start considering how to manage further reductions in budget if required by reduced revenues. More King County cities are also looking at how to manage increased expenditures related to covid service needs and reduced revenues associated with lower retail sales and business taxes. There is some hope the HR 6467 introduced in the U.S. House will provide some relief.

We received our first employment numbers for March from ESD for King and Snohomish counties together (we get the county level data next week). The data indicated growth of about 1.6% in employment in March. The unemployment values did show the beginning of the impacts of covid with unemployment rising from 2.5% in February to 5.5% in March. The conflicting direction of these values likely reflects the fact that they are derived from two different surveys; one measures people by where they live (unemployment) and one measures jobs by where they are located (employment) and the early timing of the survey in March. The April values are likely to be far more indicative of the state of the labor market.

Other indicators for last week continued to show the impact of the massive drop in revenues and business that is now leading to furloughs and unemployment. The numbers for the week ending 4/11/20 saw initial claims in King County of 39,796 which is an enormous increase but actually about 16% lower than last week. Manufacturing claims rose a lot this week supporting anecdotal information of layoffs at aerospace suppliers and Boeing.

National data is now reflecting some of the impacts in March. Last week we received the March employment numbers that showed some impact although it was limited due to the surveys occurring relatively early in March. The University of Michigan consumer sentiment survey fell significantly last week. This week the National Association of Home Builders (NAHB) released their builders sentiment survey which changed from 72 in March to 30 in April, a significant drop for builders. March retail sales figures also came in down 8.7% from February, 2020 and reflecting large declines in auto (-25.6%) and gas station sales (-17.2%) but an increase in core retail sales (ex-autos, gasoline, and building materials) of 1.7%. Components of the report were weak with large declines in clothing (-50.5%), furniture (-26.8%), food services (-26.5%), and sporting goods (-23.3%) offset by increases in food and beverage purchases (+25.6%), general merchandise (+6.4%), and health and personal care (+4.3%) spending.

The International Monetary Fund (IMF) released an updated forecast this week and now predicts that the global economy will experience the worst recession since the Great Depression. It indicates that the U.S. economy will contract about 5.9% in 2020 vs. 4.2% during the 2007-2009 recession.

Fewer anecdotes coming in this week as most things are shuttered and the impacts have been highlighted previously. Those listed continue to show the drastic reduction in demand and now the consequent layoffs and furloughs locally.



**Anecdotal by Industry**

Manufacturing

•Boeing will do a limited re-start for military planes and Moses Lake and is calling back 2,500 employees (PSBJ, 4-10-20)

Construction

•N/A

Retail

•Earnest national spending data week ending 4/8/20; online grocers +146% (yoy), restaurant spend “improved” to -30% (yoy), online home furnishings +55% (yoy), online home improvements (+78% yoy) (Earnest, 4-15-20)

•Costco E-commerce up nearly 50% in March (PSBJ, 4-15-20)

Hotels

•Revenues down 70%-90% on average (Visit Seattle, 4-9-20)

Restaurants

•Mod Pizza expects the impacts of covid to affect their business for one to two years (PSBJ, 4-15-20)

Tourism

•Daily passengers departing Sea-Tac down 94% compared with same period last year (Port of Seattle, 4-15-20)

Airlines/Trade

•Container volumes down 21.6% yoy in March at Seattle and Tacoma ports (Port of Seattle, 4-15-20)

Real Estate

•A 20% drop in daily new listings in early April (PSBJ, 4-9-20)

•Moody’s says sales will fall 25% below targets this year (PSBJ, 4-9-20)

•MF housing council says 69% of renters paid by April 5 vs. 82% a year prior (PSBJ, 4-9-20)

Employment

•N/A

State/Municipal Governments

•WA OFM memo to agency heads and higher education leaders asked for searches into how to reduce expenditures via items like reducing or delaying programs and identifying ways to reduce budgets which may be required in the future (OFM Director Schumacher, 4-14-20)

Other

•Healthpoint Dental Centers losing $1M/month they are closed (PSBJ, 4-8-20)