ISSUE: No. 7

DATE: April 23, 2020

Period: April 12, 2020 to April 18, 2020

The Governor’s Stay Home, Stay Healthy order continues to be in effect with the following restrictions:

-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

The Governor held a prime time address on March 21, 2020 where he outlined a plan for opening the economy acknowledging that infections and Covid-19 will continue and there will be a balance needed between infection rates, hospital capacity and economic and social activity. One could think of it as maximizing human interaction/economic activity subject to an acceptable level of infections and mortality. The Governor’s plan uses science and is data driven and involves at least the following:

1. Testing, with a goal of 20,000-30,000 per day (current pace is about 4,500/day). This level of testing presumably ensures we have a reasonable measurement of who’s getting Covid-19 and can make sure they are treated and quarantined but is currently stymied by a lack of test kits (supplies) nationally.
2. Contact tracing-this is an intensive process to identify those who’ve been in contact with someone who tests positive for Covid-19. The Governor is assembling a team at this time and indicates a force of about 1,500 will be ready by the second week of May and will be used as a “Rapid Response Team” to quickly identify and isolate people that may be carrying the virus.
3. Continued data analysis to track the level of new infections and to ensure our health care system has current and future capacity
4. Proper protective equipment for all our healthcare workers (and others)
5. The Governor noted that workplaces and places we congregate will be different “until we have a vaccine” using continued social distance measures, teleworking tools, screenings, protective equipment, intensified cleaning and sterilization and spacing requirements.

The Governor continued to use his “dial” metaphor that implies a phased opening of the economy and he indicated that many of the restrictions will not be lifted by May 4. He noted that the first likely activities to be allowed would be elective surgeries, outdoor recreation and some construction. This all suggests that not only will some activity not be allowed for a while longer, but even the activity this is allowed will be conducted differently. General principles have been developed and are listed in “Washington’s Recovery Plan” at the Governor’s website but include social distancing, innovate, test and adjust approaches, and developing best practices. Employers may increasingly rely on testing at work. This likely will mean many businesses like restaurants, theatres, etc. will operate below pre-Covid capacity going forward and it is also likely that large events like concerts, sports, etc. will not be allowed for quite a while. This also means lower revenues, lower incomes, lower taxes and generally a slower economic recovery.

An example of this is Boeing’s announcement last week that it would resume production this week. This return to work is affecting about 27,000 Boeing employees in Puget Sound (MarketWatch, 4-23-20) but the company intends to use staggered shifts, face-covering requirements, and other social-distancing measures. Health checks at the beginning of every shift will be conducted and voluntary temperature checks are available. Reduced demand for airplanes will likely help Boeing implement these measures but it will also likely slow productivity at some level.

Construction is still largely shut down though the Governor noted an agreement had been reached with the industry and labor that would allow some to return to work, although no details were provided. Nearly 15,000 initial claims have been filed by King County construction workers in the last three weeks and so getting some of those people back to work is important. It’s also a significant component of the economy that touches many others industries like manufacturing, transportation, and management and technical services. One economic measure we see is taxable sales which we receive based on six-digit codes (NAICS codes). Two coded activities; New Single-Family Housing Construction and Commercial and Institutional Building Construction were responsible for $10.4 billion (13.5%) of all King County taxable sales in 2019.

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 last week that continue to show the impact on travel and tourism. Essential businesses like grocery stores have implemented many social distancing measures like “lane” markers in aisles and cleaning and sanitizing carts, restricting the number of people in stores and others.

We received our first county-level employment numbers for March from ESD for King County. The data indicated employment growth of about 1.5% in March although the unemployment rate rose to 5.4%. As mentioned last time, the conflicting directions 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.

National forecasts for the unemployment rate are currently in the 10%-15% range in the coming months, but forecasting the unemployment rate is tricky due to the way it is measured and the difficulty in predicting what people will do. The unemployment rate is determined by dividing the number of people who are out of work (who want to work) by the labor force which is the sum of people working and those not working who say they want to work. So if someone loses a job but isn’t looking for work they are not counted as unemployed. At the national level, it is estimated that 60% of those that left employment in March transitioned out of the work force (Goldman Sachs, 4-15-20) and therefore were not counted in the official unemployment number. Therefore the unemployment rate looks less bad than if they had all stayed in the workforce.

King County had 24,461 initial claims this week which is still very elevated but down from the peak. Claims in manufacturing, construction, retail and accommodations were all down compared to last week. The Employment Security Department (ESD) released demographic information tied to initial claims for King County this week. Initial claims roughly matched county population totals for gender and race but not for age and education. People 18-34 represent about 27% of the county population but filed about 43% of the initial claims. People with some college education or less make up about half the population but filed over two-thirds of the claims.

National data is reflecting some of the impacts in March. This week we got March existing home sales figures indicating existing home sales were down 8.5% in March to a seasonally adjusted annualized rate of 5.27 million although they were 0.8% higher than the same period in 2019. Housing starts also declined by 22.3% in March (month over month or “mom”) and building permits were down about 6.8% (mom). Washington state driver’s license transfers for March yielded the lowest value since the data started being tracked in 2012, suggesting migration slowed a lot to Washington in March. February taxable sales also came in and were down 0.6% year on year likely reflecting deferrals allowed by DOR for February taxes. We compared business identification codes (UBI) and found unique codes were down nearly 12% from last year. We are currently assessing the likely impact to taxable sales.

Fewer anecdotes are coming in now as most activity is 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 announced it will begin production again the week of 4-19-20 (ST, 4-16-20)

•Paccar reported Paccar's quarterly sales also slid 20 percent to $5.16 billion from $6.49 billion in the first quarter of 2019, (PSBJ, 4-21-20)

•CDB aviation had agreements with Boeing for a total of 99 737 Max jets. It terminated 29 of those, leaving a total of 70 remaining aircraft on order. (PSBJ, 4-21-20)

•Hexcel lays off 128 in Kent (PSBJ, 4-22-20)

Construction

•Construction Roundtable sends letter to Governor Inslee identifying how construction can be done while maintaining social distancing (PSBJ, 4-17-20)

Retail

•Kemper Freeman expects the Bellevue Collection will re-open June 1, 2020 (PSBJ, 4-21-20)

Hotels

•Seven hotels in downtown Seattle are closed through 5/31 and one in Bellevue through 6/18/20 (Visit Seattle , 4-16-20)

•During 2020, Kidder Mathews is projecting that the RevPAR in affected markets will decline by an average of 40% to 50% from the levels recorded in 2019. Barring a resurgence of the virus, most hotels will show strong improvement in 2021 and should fully recover by 2022. (Kidder Mathews, 2020:1Q)

Restaurants

•N/A

Tourism

•Longswood International survey of traveler’s found 85% are changing travel plans in the next 6 months (Visit Seattle, 4-16-20)

•Transport Canada has suspended cruises through Canadian waters until July 1. (Visit Seattle, 4-16-20)

Daily passengers departing Sea-Tac down 95% compared with same period last year (Port of Seattle, 4-22-20)

Airlines/Trade

•[Air Canada](https://www.bizjournals.com/profile/company/org_ch_90917e02e5df8f6cd7db20443f3edc8b) on Tuesday said it will temporarily suspend all scheduled flight services to Seattle and Portland later this week until the third week of May. (PSBJ, 4-21-20)

Real Estate

•N/A

Employment

•Recent WARN notices for Pacific Northwest Ballet (733, temporary), Oki Development (416 temporary), Prospect International Airport Services (125, temp), LMS aerospace (74, temp), PSF Mechanical (124, temp), Leggett and Platt (50, temp) (PSBJ 4-16-20)

State/Municipal Governments

•2,100 U.S. cities anticipate major budget shortfalls this year according to the National League of Cities/U.S. Conference of Mayors (MSN, 4/14/20)

Other

•UW to receive $39.7M in CARES Act funding (PSBJ, 4-16-20)

•Gates Foundation announces $150M grant to fund Covid-19 vaccine (PSBJ, 4-16-20)

•42% of 13,000 workers surveyed were drinking during work hours (ST, 4-22-20)

•Governor announces a 7 week extension prohibiting residential evictions and some commercial evictions and a ban on rent increases (ST, 4-16-20)