ISSUE: No. 8

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Period: April 19, 2020 to April 25, 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

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

-School closures through June 19

The Governor announced yesterday that he will extend the stay home order and we are likely to get details and a date tomorrow. He also indicated he will provide more details on how the state will be re-opened.

The Governor announced new rules on Friday, April 24 that will allow existing construction projects to restart “low risk” work activity if certain health and safety requirements are met. Low risk is defined as “only those work activities that do not require workers to be closer than six-feet together.” It is unclear how much activity this actually represents but it will certainly be welcome. In order to restart construction, contractors will be required to meet a host of COVID-19 health and safety requirements including social distancing, covid-19 control plans, designated site supervisors to monitor site and employee health, safety training, and others.

On Monday, the Governor also announced that the state will also allow partial opening of outdoor recreation on May 5, including day use at state parks and state lands, fishing, hunting and playing golf. Yesterday, the Governor clarified what elective surgeries could now move forward. So careful steps, but at least we are now moving toward opening the economy. The following table will track changes going forward:

**Significant King County Covid-19 Economic Events**

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| --- | --- | --- |
| Week | Item | Notes |
| 3/22/20 | Governor announces stay home order-people to stay home, non-essential businesses to close | Essential workers: healthcare, emergency services, public works, food/ag, energy, transport/logistics, communications/IT, others (hotels, construction, rental cars), critical manufacturing, financial services, chemical |
| 4/19/20 | Governor allows re-start of low-risk construction | Must have a plan, social distance and monitor employees |
| 4/26/20 | Governor eases outdoor recreation and elective surgery requirements | State parks/lands open for day use, golf open, Some surgeries get the go ahead |

Otherwise the Governor continues to describe a slow and phased re-opening with the following elements:

1. Testing, with a goal of 20,000-30,000 per day (current pace is about 4,500/day).
2. Contact tracing-this is an intensive process to identify those who’ve been in contact with someone who tests positive for Covid-19.
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. Use of social distancing tools “until we have a vaccine” including teleworking tools, screenings, protective equipment, intensified cleaning and sterilization and spacing requirements.

Looking forward to the economic impacts it’s hard not to focus on the two-fold drivers that include how fast consumer demand will come back and how social distancing measures will impact the economy. It appears to vary by industry as some might see a quick rebound in consumer demand but social distancing means there will not be as large a rebound in revenues.

Manufacturing news tended to be centered around Boeing this week. Boeing released first quarter results that showed much lower sales and a large increase in debt. Employment impacts may be a bigger deal as the company is looking to reduce the workforce by 16,000 through voluntary buyouts, natural attrition and layoffs. Given that these are disproportionately supposed to come from commercial and global services they are likely to hit hard here and will impact local suppliers as well. Paccar’s website still only indicates production is shut down until 4/20/20 but I assume they would have provided notification if they were starting production again.

The construction industry should be at least partially back to work soon. There is not much press coverage on this so far, but the industry employs about 80,000 in King County so hopefully some of those people can get back to work soon on existing projects. Initial claims fell a little last week relative to the week prior.

Service employment is continuing to be impacted. About 150,000 people are employed in Leisure and Hospitality and it is likely a large percentage have been laid off (about 46K claims have been filed in the last six weeks). The information sector has been a very important part of growth in employment since the end of the Great Recession in King County and it slowed from over 7% year on year growth in the 2019:4Q to exactly 7% in 2020:1Q with March growth of 5.9%. The biggest player in the sector is Microsoft and as of this morning they were advertising for about 1,933 jobs in the Seattle area. Amazon, the third leg of the large private company stool was advertising for 10,756 jobs in “Greater Seattle”.

We are still tracking the impact on real estate. We don’t have new local data but the national pending home sales data came out this week and indicated a 20.8% drop in March (mom) and a 14.5% drop year over year. The sales dropped in all four parts of the country and tend to lead existing home sales. We certainly expect the number of sales to fall this year as we are seeing reduced demand and fewer people are posting their homes and both are likely leading to reduced activity. These two forces work in opposite directions in terms of prices (reduced demand puts downward pressure on prices but reduced supply puts upward pressure on prices) and price impacts harder to predict.

King County had 40,088 initial claims this week which was an increase over last week. Claims were down in manufacturing and construction but increased in retail and accommodations. About 16,500 claims were listed as “unknown” industry so not sure what the story is there.

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

•N/A

Construction

•N/A

Retail

• Earnest national spending data week ending 4/15/20; general merchandise and grocers +11% (yoy), online grocers +141% (yoy), delivery aggregator +86% (yoy), restaurant spend “improved” to -28% (yoy) (Earnest, 4-23-20)

•A survey of eastside auto dealers the week of 4/20/20 indicates that new/used car sales volumes are between 10%-25% of typical monthly volumes pre-Covid

Hotels

•N/A

Restaurants

•N/A

Tourism

•“We expect it will take two to three years for travel to return to 2019 levels and an additional few years beyond that for the industry’s long-term trend growth to return,” Boeing CEO Calhoun, (ST, 4-28-20)

•National weekly travel spending fell to $2.9 billion last week—15% of the $19.8 billion during the first week of March (Visit Seattle, 4-23-20)

•Longswood International survey of traveler’s found 82% are changing travel plans in the next 6 months (Visit Seattle, 4-23-20)

•Lost convention attendance from June-October at the WSCC is 10,400 attendees (Visit Seattle, 4-23-20)

•Google and Blackbaud cancel conferences in the City of Seattle worth an estimated $10M to the region’s economy (PSBJ (4-24-20)

•Passengers departing from Seattle-Tacoma International Airport (SEA) are down 94% in the first three weeks of April compared to the same period last year. (Port of Seattle, 4-29-20)

Airlines/Trade

•N/A

Real Estate

•N/A

Employment

•N/A

State/Municipal Governments

•City of Redmond cancels all summer events (SCA, 4-24-20)

Other

•Toilet paper sales in Canada up 241% during the Covid crisis (CTV News, 4-18-20)

•Of 2,821 business respondents to a PSBJ survey on 4/20 and 4/21, 33% had laid off more than 75% of their staff (PSBJ, 4/25/20)

•Seattle Mayor Jenny Durkan issued an emergency order Friday afternoon that caps third-party delivery app commissions at 15% (PSBJ, 4-27-20)

•For weekdays for the week of 4/20 to 4/24, preliminary ridership loss on Sound Transit was 87%. (ST, 4-29-20)

•Zillow CEO Barton announced that employees will be allowed to work from home for the rest of the year regardless of whether businesses are allowed to re-open (KUOW, 4-29-20)