ISSUE: No. 9

DATE: May 7, 2020

Period: April 26, 2020 to May 2, 2020

The Governor extended the Stay Home, Stay Healthy order through 5/31/20 and also extended many previous proclamations through the same date. He also outlined a four phase approach to re-opening the economy that involves gradually increasing economic activity as outlined in the table below. Phase 1 started on May 5 and allows landscaping, car sales, pet walking, the opening of curbside retail and the opening of the state parks. The Governor was clear that each phase will last at least (“at least,…..at least”) three weeks and that the current disease rates are too high for the next phase and so there will have to be improvement over the next three weeks for Phase 2 to be implemented. Otherwise the Governor continues to describe a slow and phased re-opening with the following elements:

1. Monitoring Covid-19 disease activity using data analysis to track the level of new infections and to ensure our health care system has current and future capacity.
2. Testing, with a goal of several times the current pace of about 4,500/day.
3. Contact tracing-an intensive process to identify those who’ve been in contact with someone who tests positive for Covid-19.
4. Protection of vulnerable populations.
5. Health system readiness including proper protective equipment for all our healthcare workers (and others).
6. Use of social distancing tools “until we have a vaccine” including teleworking tools, screenings, protective equipment, intensified cleaning and sterilization and spacing requirements.

The economic impacts in the coming months will continue to include how fast consumer demand returns and how social distancing measures impact the economy. It will likely vary by industry and some might see a quick rebound in consumer demand but social distancing means there will not be as large a rebound in revenues since capacity will be reduced in some sectors (e.g. restaurants)

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

|  |  |  |
| --- | --- | --- |
| 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 on existing facilities | 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 |
| 5/3/20 | Phase 1 of Re-opening Starts:Essential businesses openState parks openFollowing activities allowed:landscaping and lawn care vehicle/vessel salespet walkingretail (curb-side)car washes | Phase 1 started 5/5/20 and will last at least three weeks. Only essential travel allowed. |
| ? | Phase 2-activities allowed:Everything in phase 1 plus;Restaurants to 50% capacity table size no larger than 5All manufacturing openNew constructionIn home/domestic servicesRetail (w/restrictions)Real estateOffice based businessesSalons/barbers | Earliest possible date for Phase 2 is 5/26/20 and it will last for at least three weeks. Limited non-essential travel near home allowed and socializing with up to 5 people.-All goods production (resources, construction and manufacturing) in operation (~180K jobs)-Majority of services operating |
| ? | Phase 3-activities allowed:Everything in phase 2 plus;Restaurants to 75% capacity table size no larger than 10Bars <25% capacityIndoor gyms (<50% capacity) Movie theatres(<50% capacity)Government (telework encouraged)Libraries/museumsAll other business activities except nightclubs and events with more than 50 people | Earliest possible date for Phase 3 is 6/16/20 and it will last for at least three weeks. Non-essential travel allowed and socializing with up to 50 people. |
| ? | Phase 4-activities allowed:Everything in phase 3 plus;Nightclubs/concert venuesLarge sporting events, Unrestricted staffing but continue social distancing and good hygiene | Earliest possible date for Phase 4 is 7/7/20. All non-essential travel allowed. |

In other news, Boeing raised $25 billion in a debt issuance this week that some analysts feel will allow them to make it through the current situation and position them well for whenever the 737 Max gets to fly again (ST, 5-1-20). Time will tell what the long-run impact on suppliers will be from the announced production reductions. Last year there were about 40,000 jobs related to aerospace manufacturing in King County and 105,000 manufacturing jobs total countywide. Orders for heavy duty trucks reached the lowest level on record in April (WSJ, 5-5-20) which is bad news for truck manufacturers like Paccar.

The construction industry should be at least partially back to work but there is not much press coverage on this so far. The industry employs about 80,000 in King County. Initial claims fell a little last week relative to the week prior.

Amazon announced this week that some employees will be allowed to work from home though early October. Microsoft Corp. also told employees Monday that when restrictions lift, working from home will remain optional through October. Microsoft has more than 55,000 employees statewide, mostly based at the company’s Redmond campus. The policy will apply to all employees except those whose roles require them to be onsite. Other companies and perhaps some governments will likely follow their lead and the net effect will be extended impacts particularly to central business districts in Seattle and Bellevue along with lighter traffic and transit volumes. Some bedroom communities might continue to experience some spike in economic activity as they did in the early part of the shutdown.

The Northwest Multiple Listing Service published the April real estate sales values yesterday. In general sales fell but prices were up year over year. Broker commentary suggested that the increased prices reflect at least partly a holdover from March as many closed sales in April went under contract in March. Throughout the county, closed sales were down 20%-30% but prices were up between zero and ten percent. Price growth was higher in the south county where real estate has been stronger recently. The county also received June REET data that showed a similar trend with countywide transactions down over 30%, but single family residential and condo prices up 4.4% and 6.4% respectively. The Puget Sound Business Journal indicated that home-buying demand — defined as the number of customers reaching out to Redfin agents — is down just 15% from pre-Covid levels (PSBJ, 5-6-20). The brokerage has seen some increases in new homes hitting the market and home sales since all-time lows in early April. Seattle-based Zillow Group is also seeing new listings and pending sales increasing slightly.

King County had 31,549 initial claims this week which was a decrease over last week. Claims were down in manufacturing, construction, retail and accommodations. About 9,180 claims were listed as “unknown” industry.

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 4/22/20; online grocers +96% (yoy), Home Improvement (+71% total, +161% online (yoy)), restaurant spend improved to -13% (yoy) (Earnest, 4-30-20)

•Starbucks to begin opening stores next week and hopes to have 90% open by mid-June (CNN, 4-29-20)

•Nordstrom Inc. said Tuesday it will permanently close 16 of its 116 full-line stores. (PSBJ, 5-6-20)

Hotels

•N/A

Restaurants

•N/A

Tourism

•A total of 16 citywide conventions previously booked at the Washington State Convention Center have now cancelled, representing 94,188 contracted hotel room nights and $111.8 million in lost economic impact. (Visit Seattle 5-1-20)

•CDC no sail order for cruise ships in effect until at least July 24, 2020 (Visit Seattle, 5-1-20)

•Passengers departing from Seattle-Tacoma International Airport (SEA) are down 92% in the past week compared to the same period last year (Port of Seattle, 5-6-20)

•Holland America Line and Princess Cruises have decided to cancel the Seattle-Alaska cruise season in 2020 (Port of Seattle, 5-6-20)

Airlines/Trade

•Alaska Air Group said Tuesday it has permanently parked 12 older Airbus jets and more than 5,000 of its employees have voluntarily taken short-term leave (PSBJ, 5-5-20)

Real Estate

•Seattle City Council votes to extend the eviction moratorium for six months after the eviction moratorium ends (ST, 5-5-20)

•A survey of Washington Multifamily Housing Association members found that nearly 10.6% of tenants statewide did not pay April rent, up from 2.5% in March. Representatives of 831 properties with about 141,700 apartment homes statewide answered the survey. (PSBJ, 5-5-20)

Employment

•N/A

State/Municipal Governments

•N/A

Other

•N/A