COVID Impacts & Economic Climate Measures

Presented to House Innovation, Technology and Economic Development Committee

Steve Lerch
Executive Director

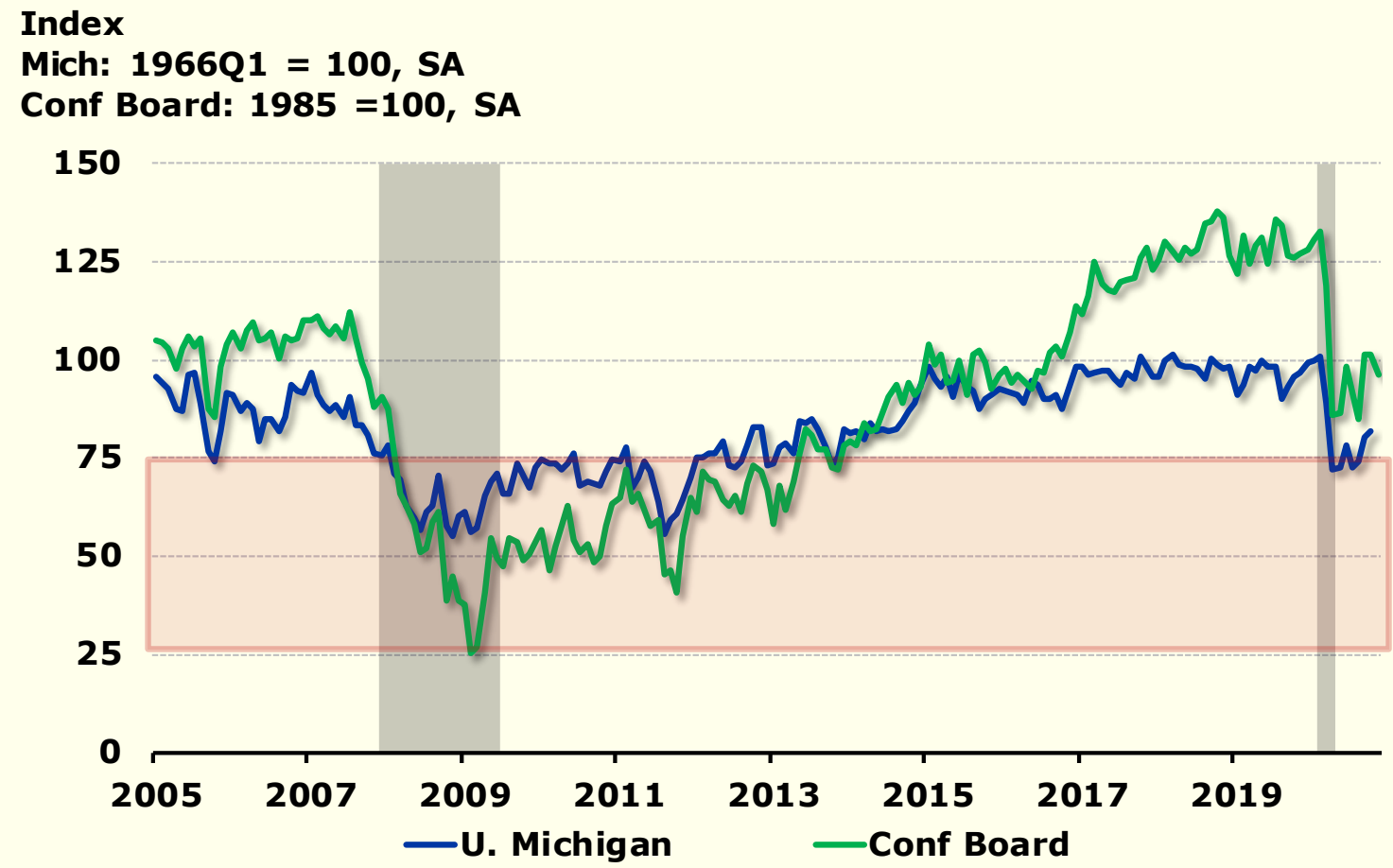
December 1, 2020

WASHINGTON STATE
ECONOMIC AND REVENUE FORECAST COUNCIL

Economic Impacts of COVID-19

House ITED Committee
December 1, 2020

Consumer confidence remains well below pre-pandemic levels



Sources: University of Michigan, data through Oct. 2020; Conference Board, data through Nov. 2020

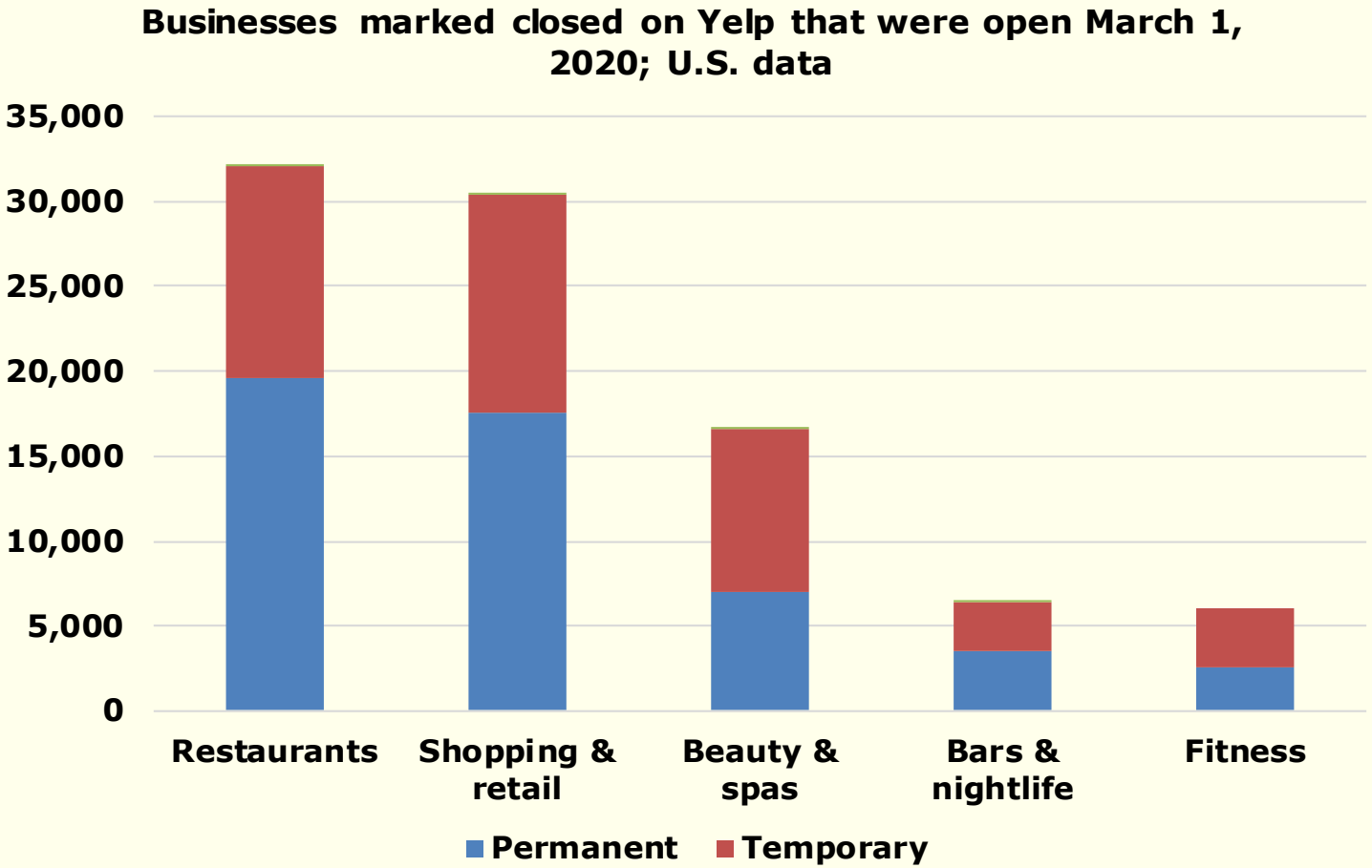
Restaurants, retail businesses hardest hit by downturn

Closure rates per 1,000 businesses:

25.8 pizza restaurants;

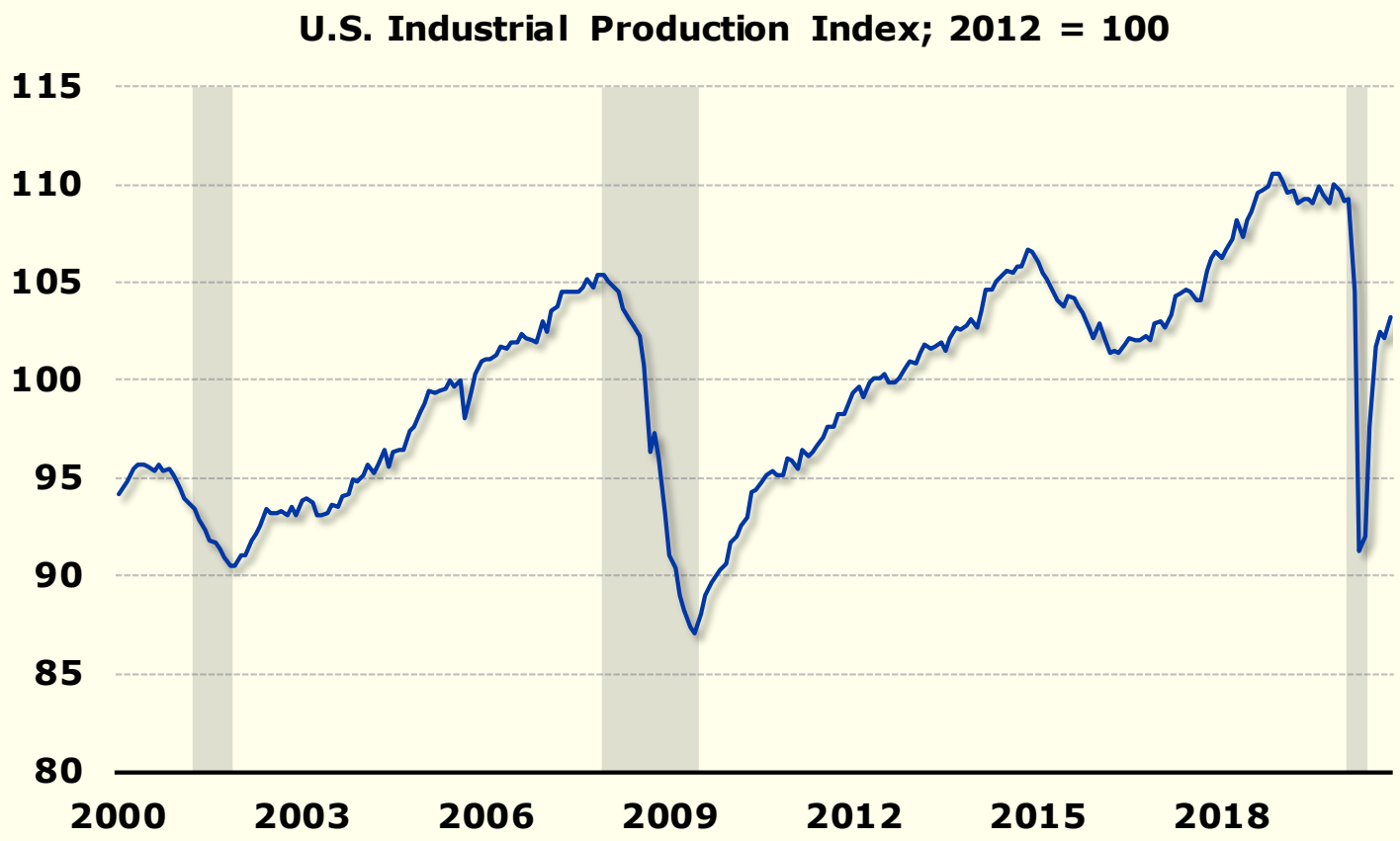
56 burger restaurants;

24.2 women's clothing stores; 31.3 men's clothing stores



Source: Yelp Local Economic Impact Report; data March 1 – August 31 2020

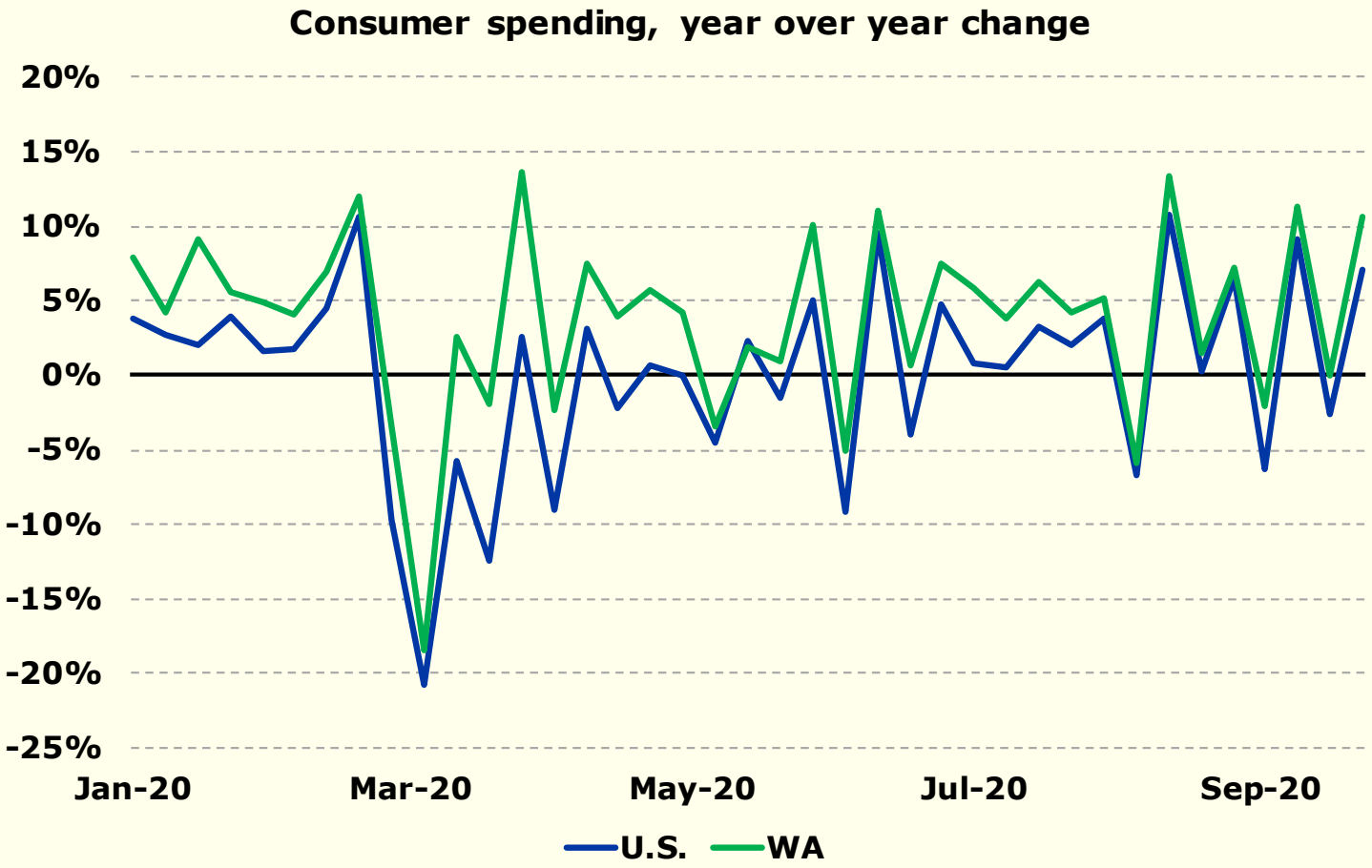
U.S. industrial production improved in October but is still 5.3% below its year-ago level



Source: Federal Reserve; data through October 2020

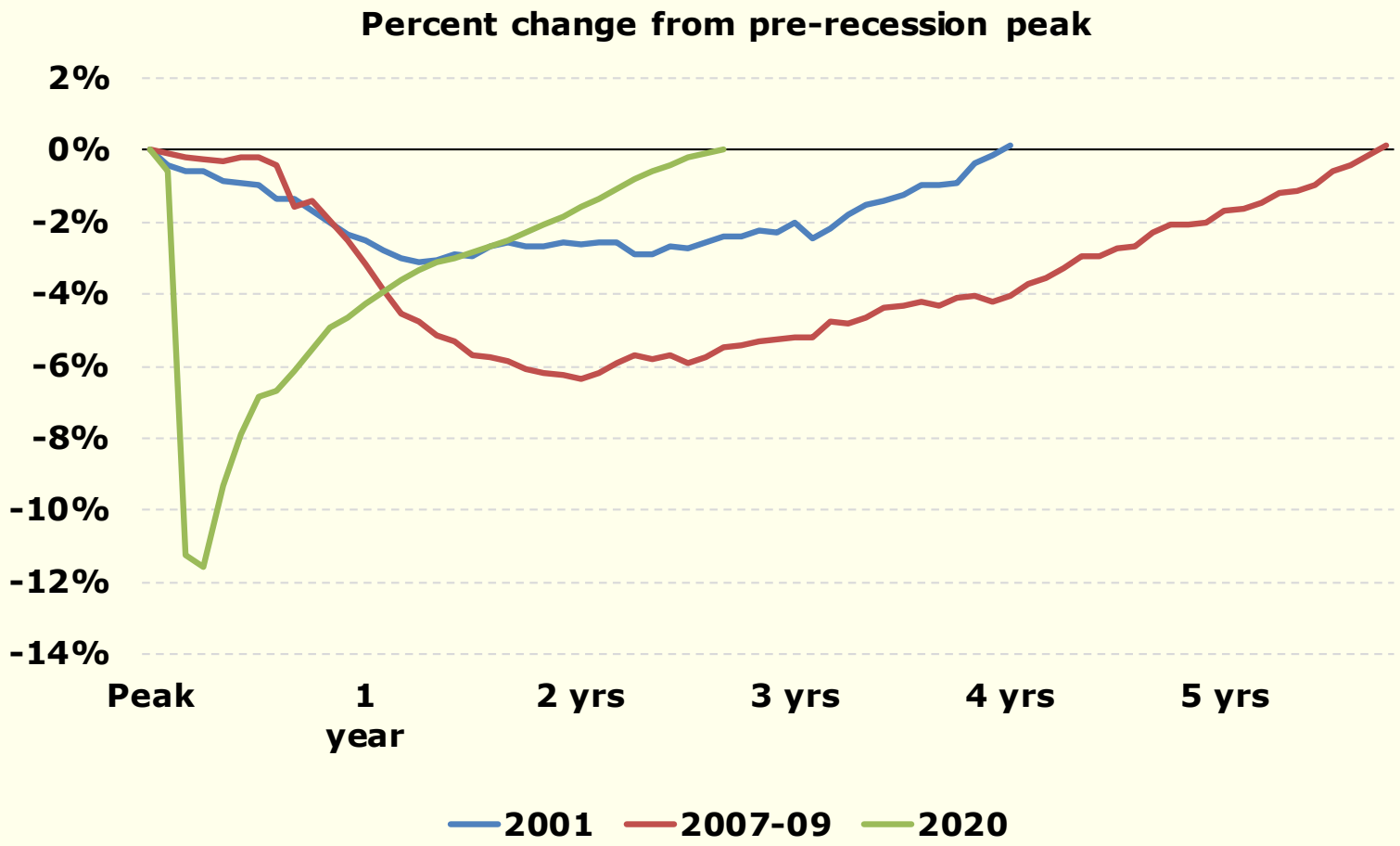
Since May, WA consumer spending has grown in all but four weeks on a year over year basis

Earnest Research tracks a subset of credit and debit card transactions for large national chain stores and businesses; does not include construction or auto sales.



Source: Earnest Research COVID-19 tracker, data through week ending Oct. 11 2020

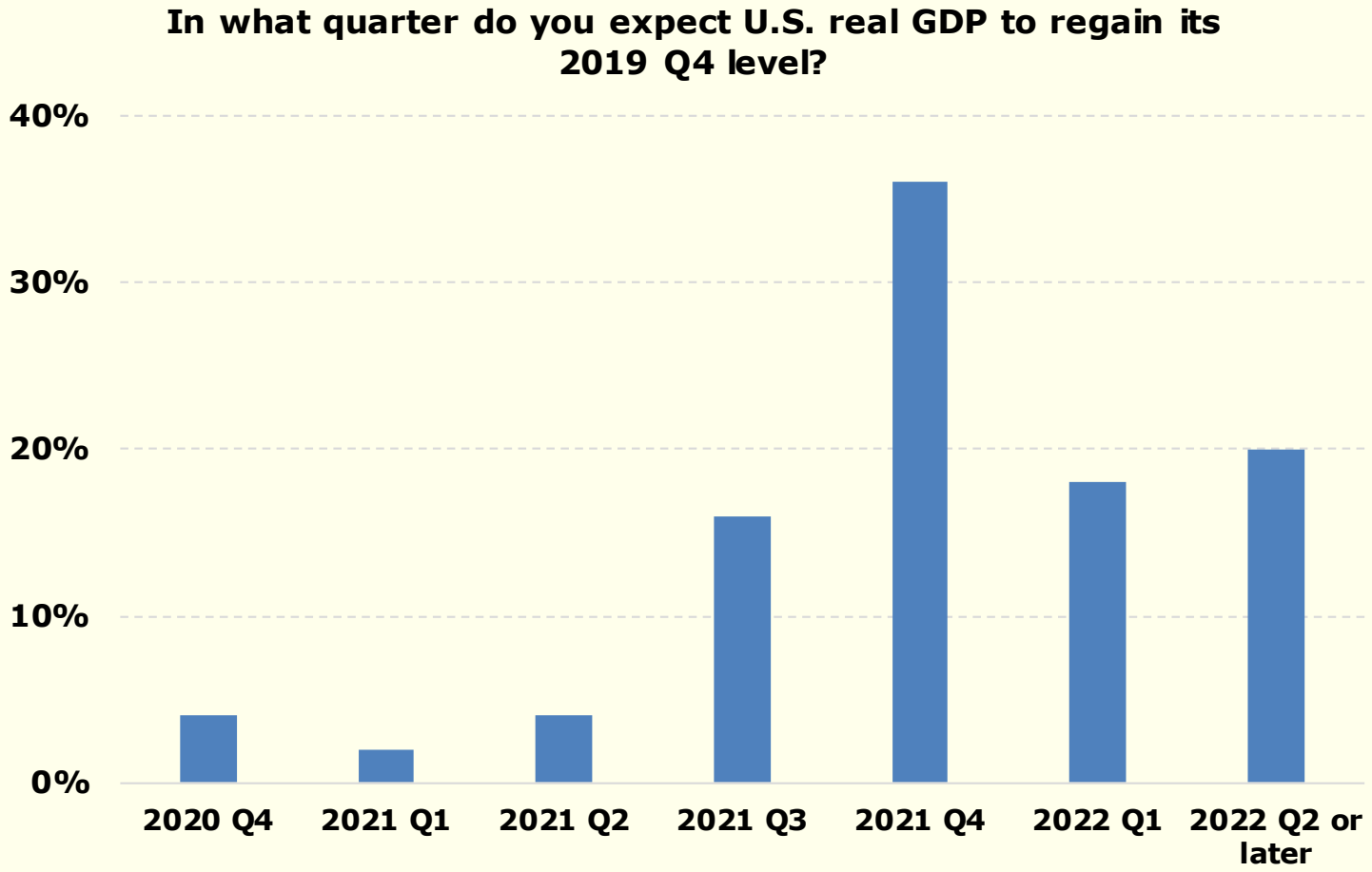
WA employment loss by recession



Source: WA Employment Security Dept., ERFC November 2020 preliminary forecast

Many economists do not expect GDP to return to its pre-pandemic level until late 2021 or 2022

The November ERFC forecast assumes GDP will return to pre-pandemic level in the 4th quarter of 2021.

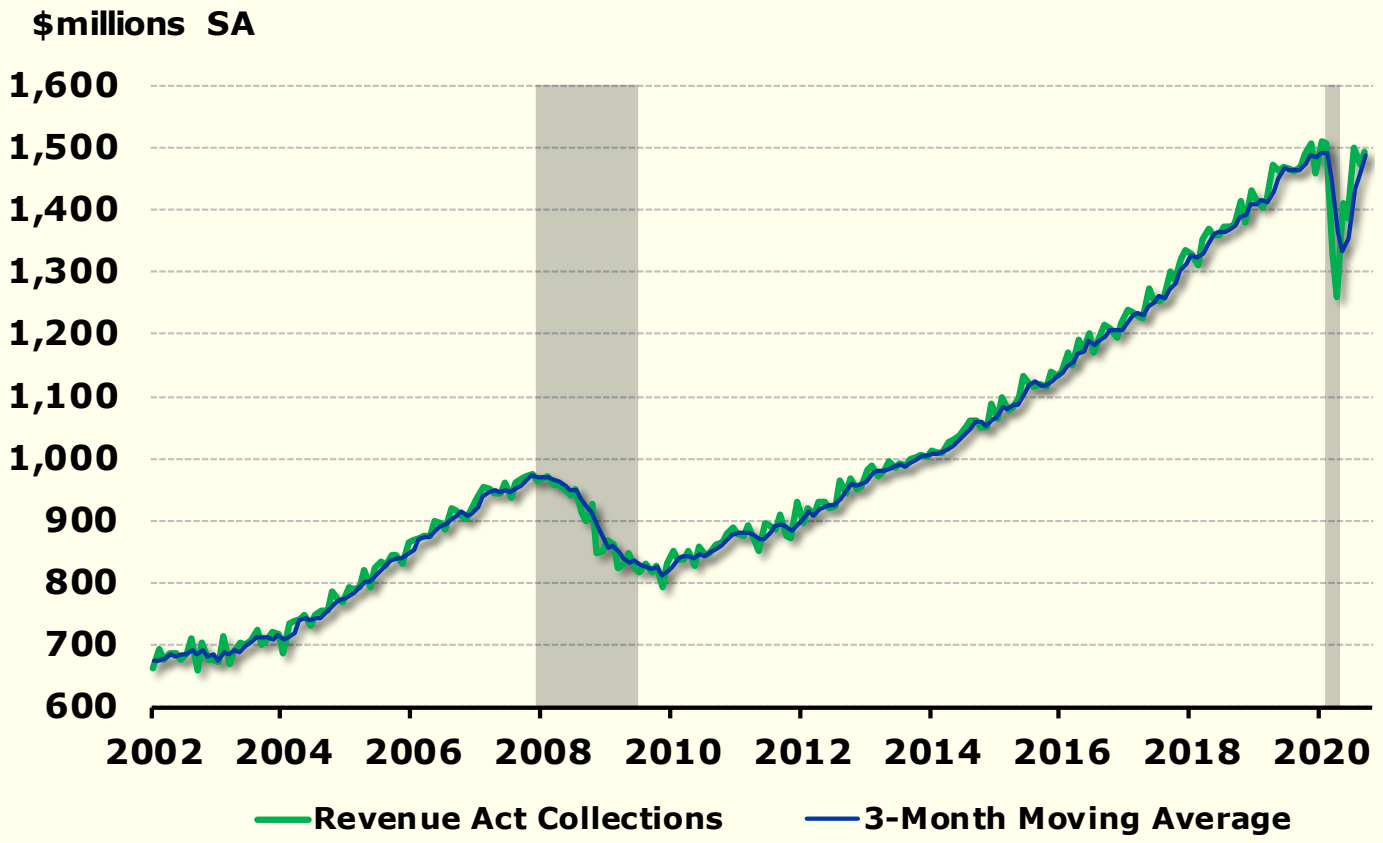


Source: Wall Street Journal, October 2020 Economic Forecasting Survey

Revenue Act collections increased year-over-year for the last three months

Adjusted Revenue Act receipts for September activity were up 3.6% YOY. Receipts for July and August activity were up 2.5% and 0.8% respectively.

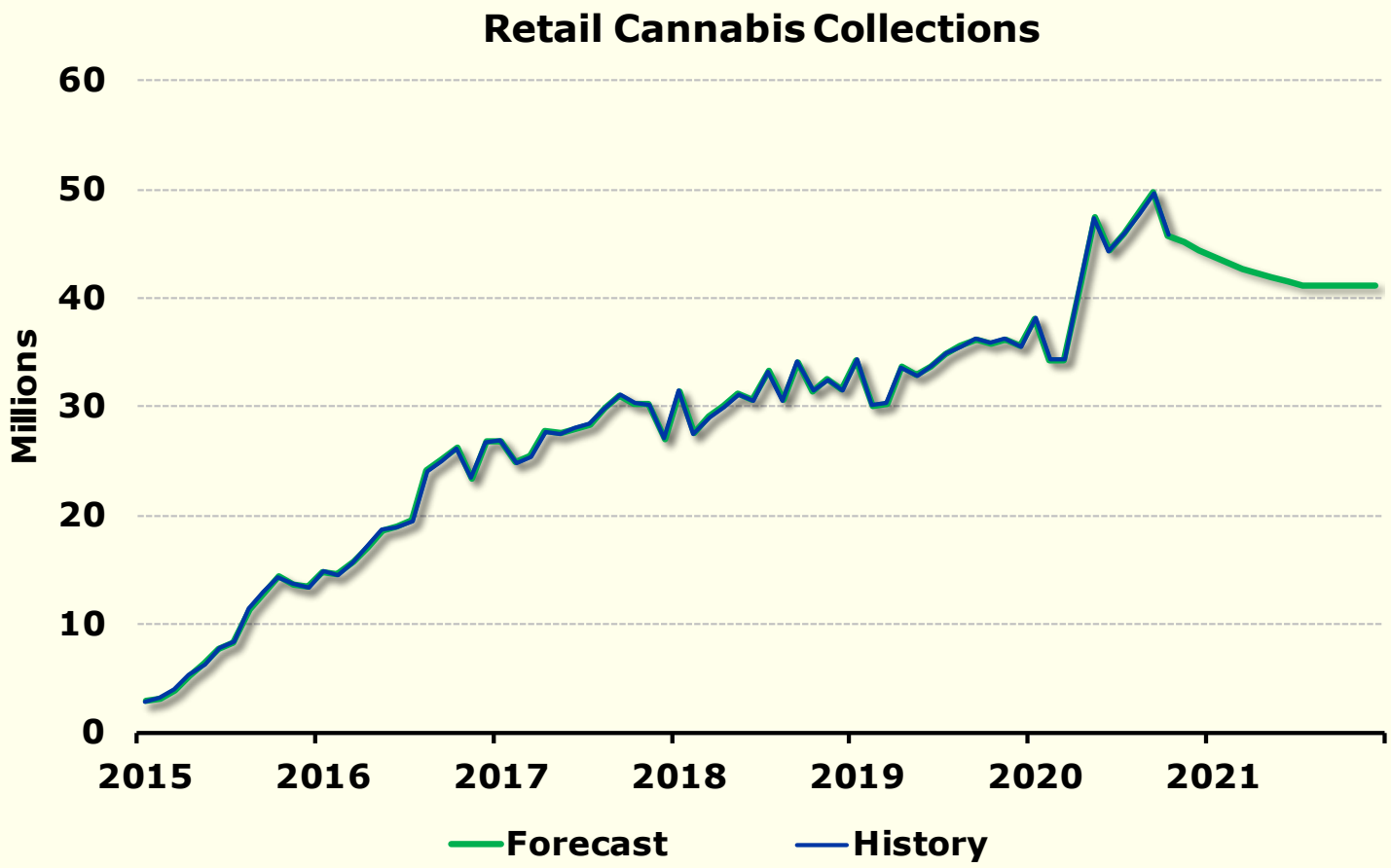
Receipts are forecasted to be flat YOY next month (October activity) but negative for the rest of Q4 activity and into early 2021.



* Adjusted for large one-time transactions, amnesty payments, reporting frequency change and deferred payments, current definition of Revenue Act

Source: DOR and ERFC; monthly data through September 2020 activity

Cannabis revenues have spiked since April



Source: ERFC November 2020 forecast; historical data through October 2020

State revenue* forecast comparison: February, September, November 2020

	$ millions	
	2019 - 21	**2021 - 23**
February	$52,690	$56,317
September	$50,361	$54,338
November	$50,995	$54,666
September - February	($2,329)	($1,979)
November - February	($1,695)	($1,651)

*Sum of forecasted revenue for General Fund-State, Education Legacy Trust, Washington Opportunities Pathway and Workforce Education Investment Accounts
Detail may not add to total due to rounding

Select Measures from 2019 Economic Climate Study

erfc.wa.gov/sites/default/files/public/documents/publications/climate2019.pdf

Innovation Drivers

Per Capita University R&D Spending:

University research & development expenditures per person

- 2017 rank among 50 states: 5th (WA: $235; US average: $229)
- 2013 – 2017 average rank among states: 5th

Interstate highway miles in poor condition:

Interstate miles with an International Roughness Index of 171 or higher

- 2017 rank among 50 states: 43rd (WA: 6.3%; US average: 3.3%)
- 2013 – 2017 average rank among states: 43rd

Note: all rankings from best (1st) to worst (50th) from a business perspective

Business Performance

State & Local Tax Collections per $1,000 Personal Income:

- 2016 rank among 50 states: 23rd (WA: $96.78; US average: $102.87)
- 2012 – 2016 average rank among states: 16th

Unemployment Insurance Costs:

Taxes as percent of total wages of covered employees:

- 2017 rank among 50 states: 34th (WA: $0.70; US average: $0.65)
- 2013 – 2017 average rank among states: 37th

Note: all rankings from best (1st) to worst (50th) from a business perspective

Economic Growth & Competitiveness

Total Average Hourly Wage:

- 2018 rank among 50 states: 4th (WA: $28.56; US average: $23.84)
- 2014 – 2018 average rank among states: 8th

Percent of Monthly Income Spent on Rent:

- 2017 rank among 50 states: 36th (WA: 17.3%; US average: 17.0%)
- 2013 – 2017 average rank among states: 34th

Note: all rankings from best (1st) to worst (50th) from a business perspective

Quality of Life

Property Crime Rate:

Property crimes per 100,000 people

- 2017 rank among 50 states: 46th (WA: 3,174; US average: 2,377)
- 2013 – 2017 average rank among states: 49th

Toxins released per square mile:

Includes toxic releases into air, water or ground

- 2017 rank among 50 states: 20th (WA: 447 pounds; US average: 1,043 pounds)
- 2013 – 2017 average rank among states: 19th

Note: all rankings from best (1st) to worst (50th) from a business perspective

Questions



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