



**Economic Update and Considerations  
Sonoma County Board of Supervisors  
April 28, 2020**

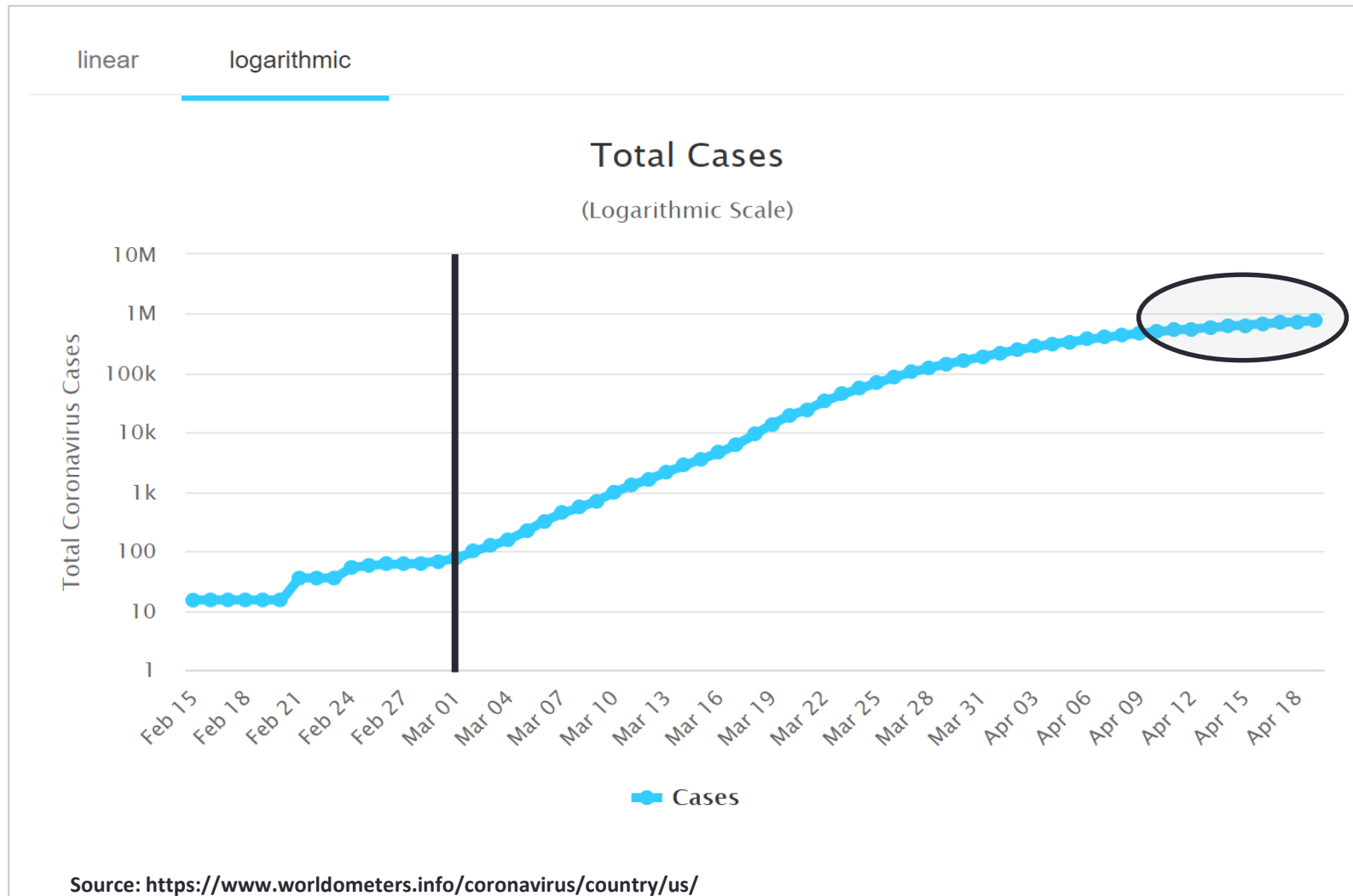
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# Agenda

- COVID-19
  - Watching the number of cases/social policy evolution
  - The economy and jobs: where are we?
- California and Considerations: jobs at risk
- Sonoma County and Business: like 2009 again?
  - On jobs watch locally: what jobs are at risk?
  - On housing market watch: will housing smoothly come out of this?
- What to watch: expanding to watch for signs of social policy changes and warnings about the data

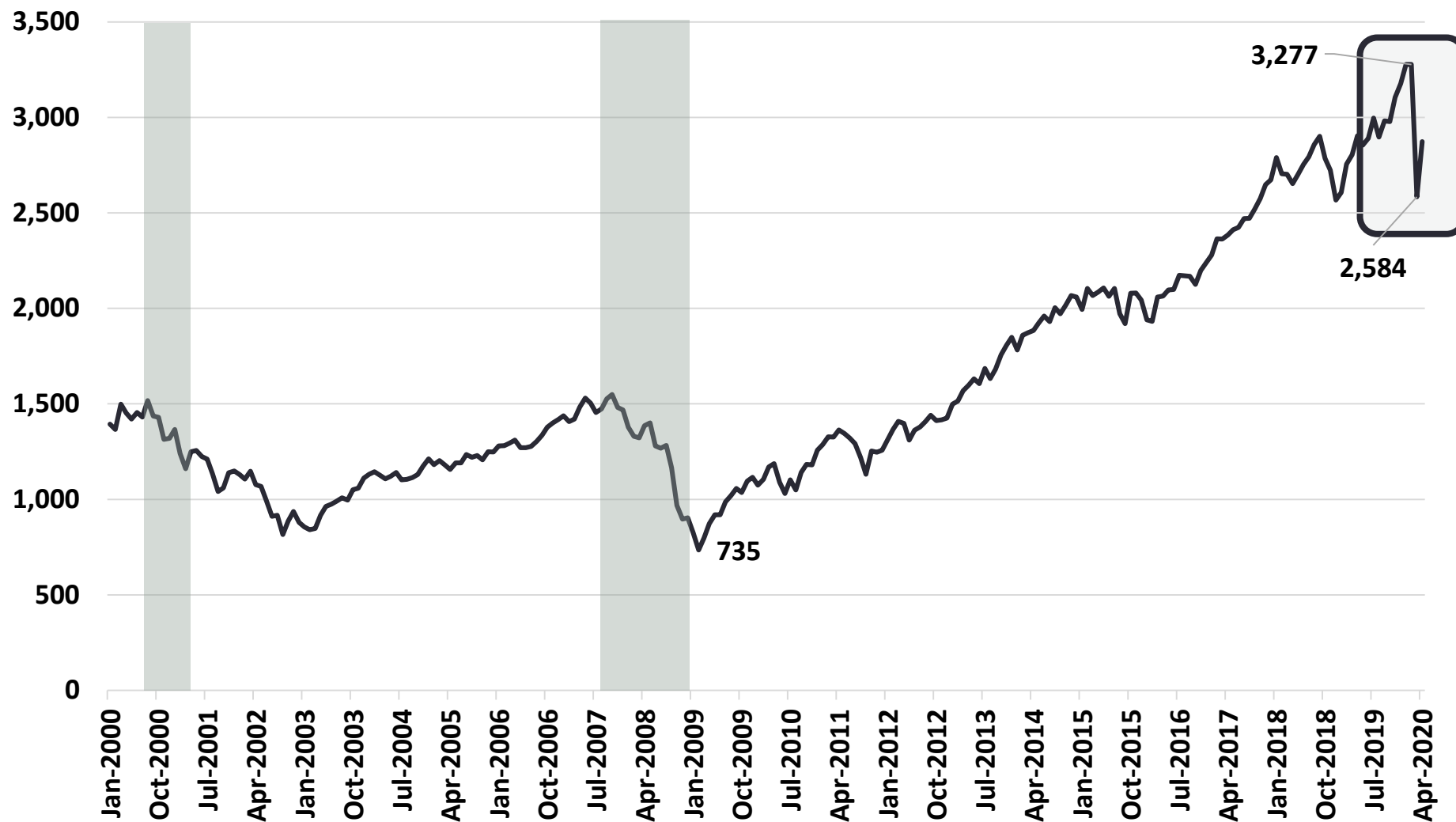
# Case tracking, as of April 20, 2020

## Total Coronavirus Cases in the United States

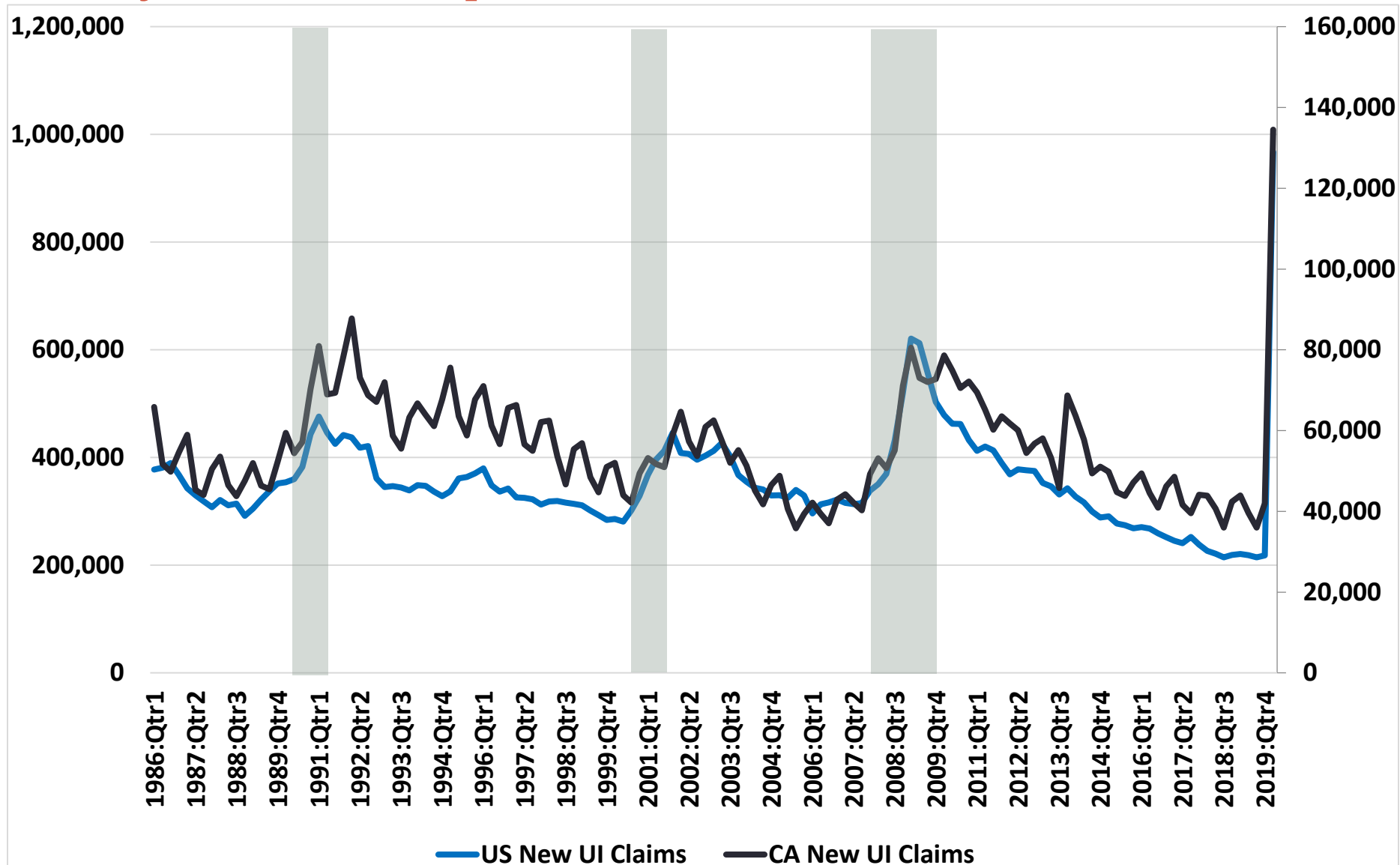


# Equity Markets, S&P 500 (Index)

(Shaded Area = Recession), Jan 2000 to April 20, 2020

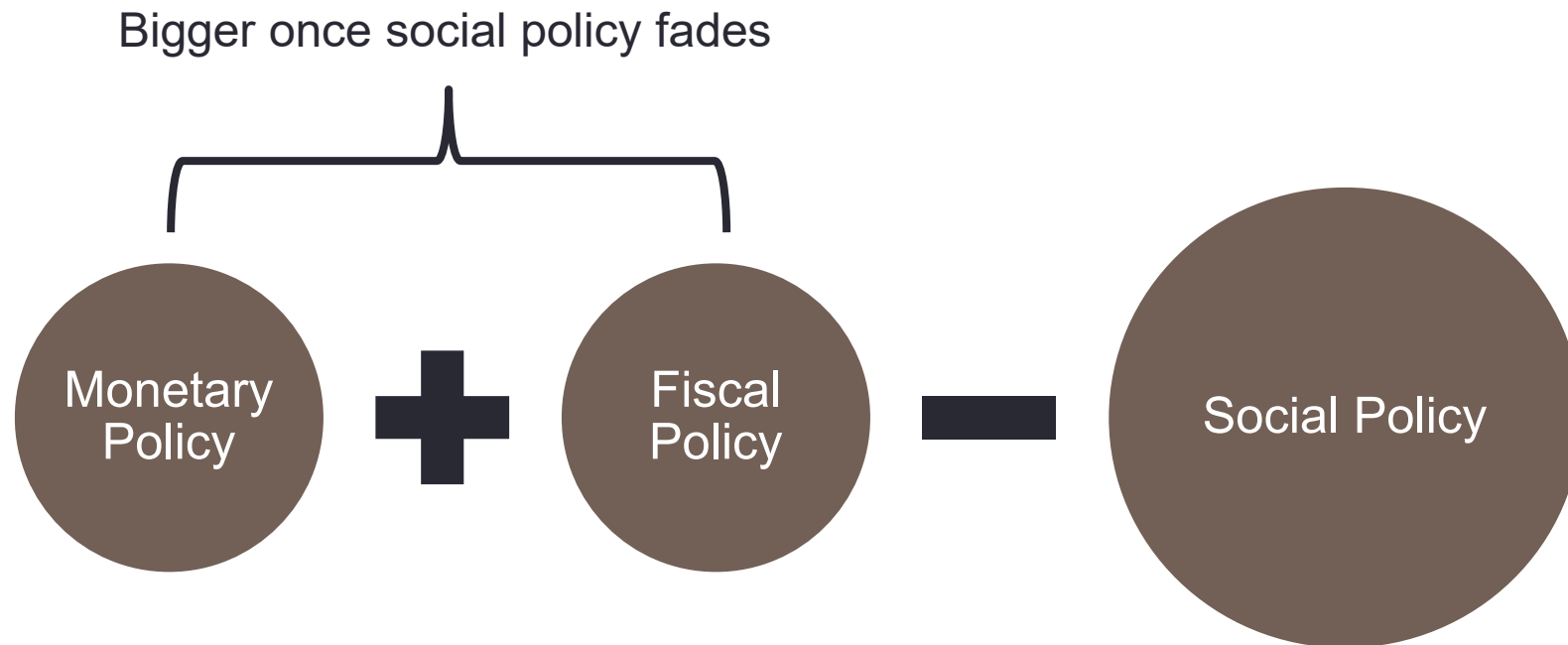


# Initial Claims for Unemployment Ins, Qtr Averages of Weekly Data, 1986-April 2020, Number of Workers





# Reactions: A Tale of Three Policies



# Fiscal Policy:

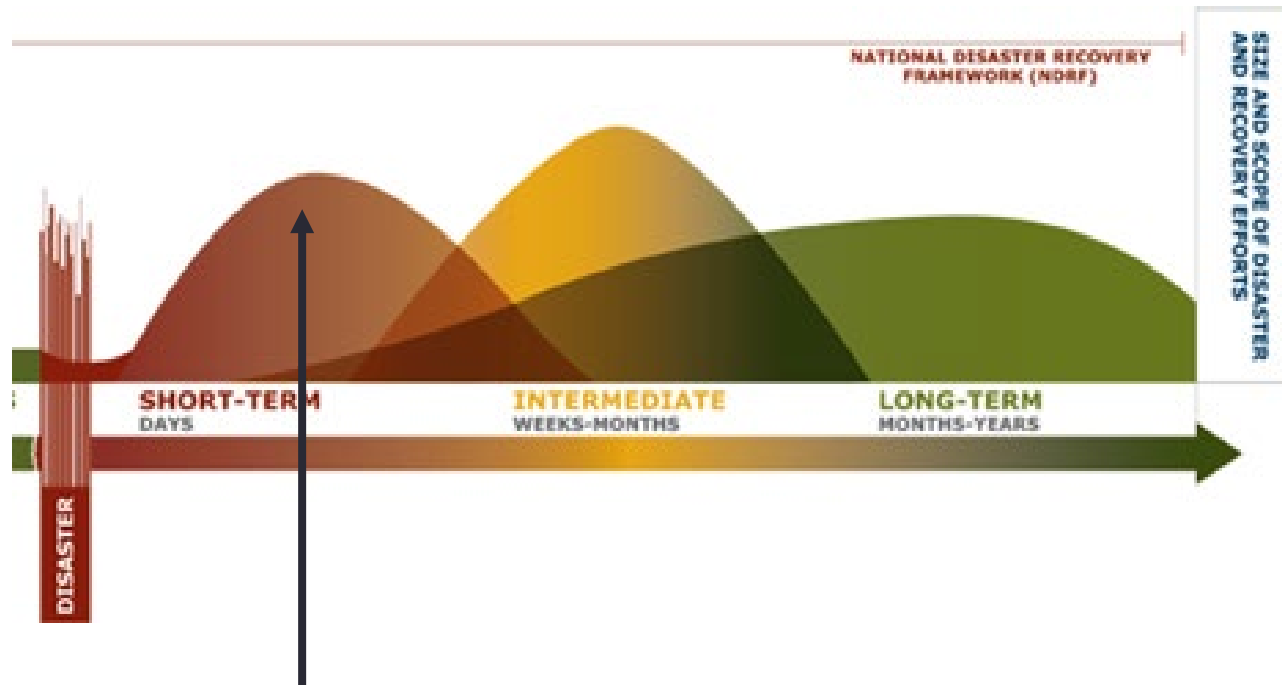
## Federal Stimulus and Workers

- Eligibility to self-employed/gig workers for UI
- Extends eligibility for health and job loss for UI
- Pandemic Unemployment Assistance
  - **May make retention and re-hire tricky for lower-wage workers**
- Business “loans” available to indirectly help workers
  - Payroll Protection Program = PPP from SBA
- Hundreds of Billions to public sector also
  - May help offset expenses **and** lost revenues, goes quick.



# Depth and Duration

Think of this as a general, natural disaster



# Data Check in

- We are still early in the economic data releases and they are historically “noisy” (March 12 cut-off)
- April 16: Sonoma County had 15.6x the number of UI Claims from February in the month of March (24,486 vs. 1,564 in Feb 2020)
  - Max in one month in 2010 was 10,260
  - CA saw a 10x increase in March overall
- April 17: Sonoma County reported 1,400 more residents unemployed in March 2020 versus February 2020
  - Workers at Sonoma County employers, 2,700 more than March 2019
  - Sonoma County residents with jobs, 3,000 fewer than March 2019

# Decisions on Re-Opening: Costs/Benefits

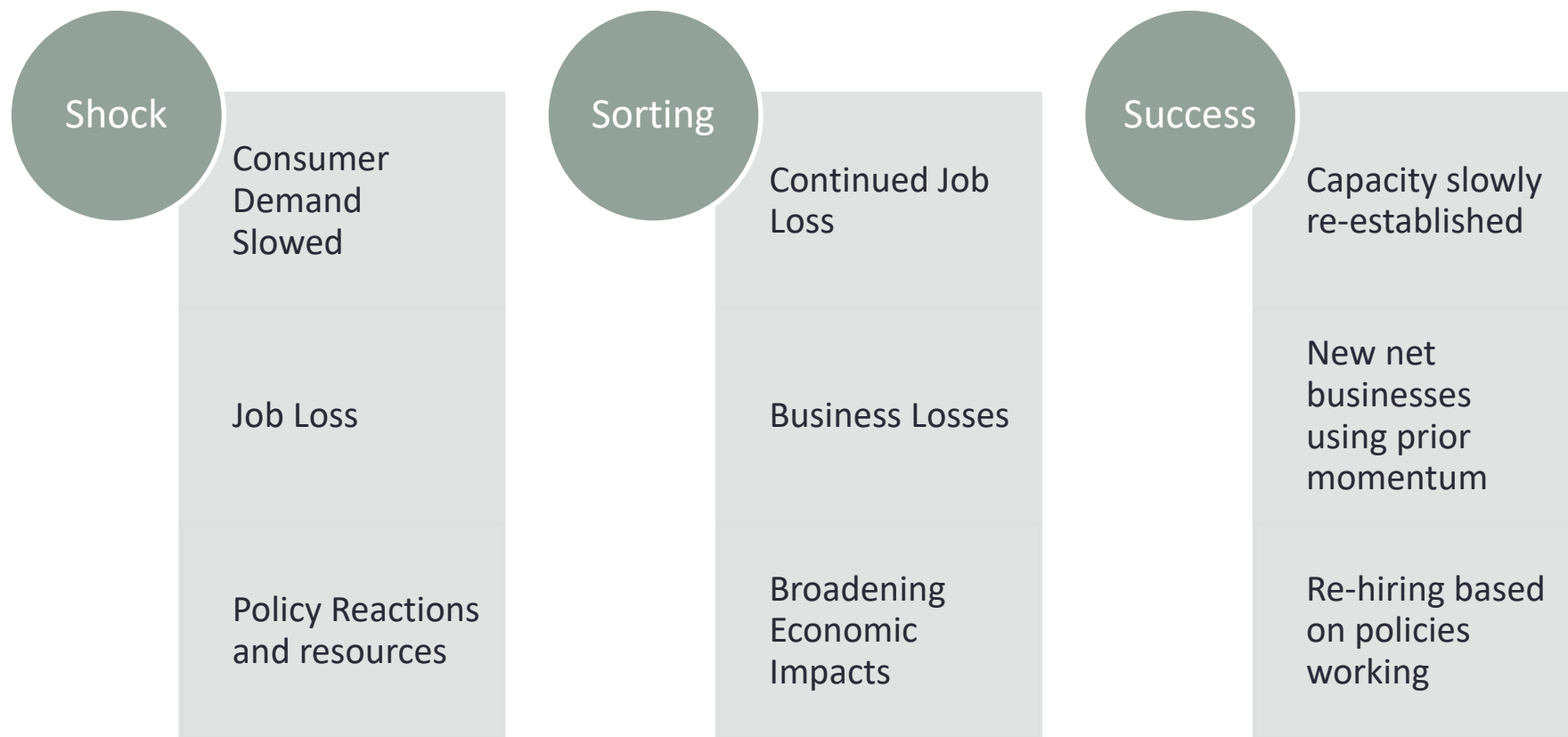
## Costs

- Short-term
  - Risk of re-infection, health care system overload
- Medium-term
  - Shut down again, more economic impacts
- Long-term
  - Change in the cost of doing business, probably for some time

## Benefits

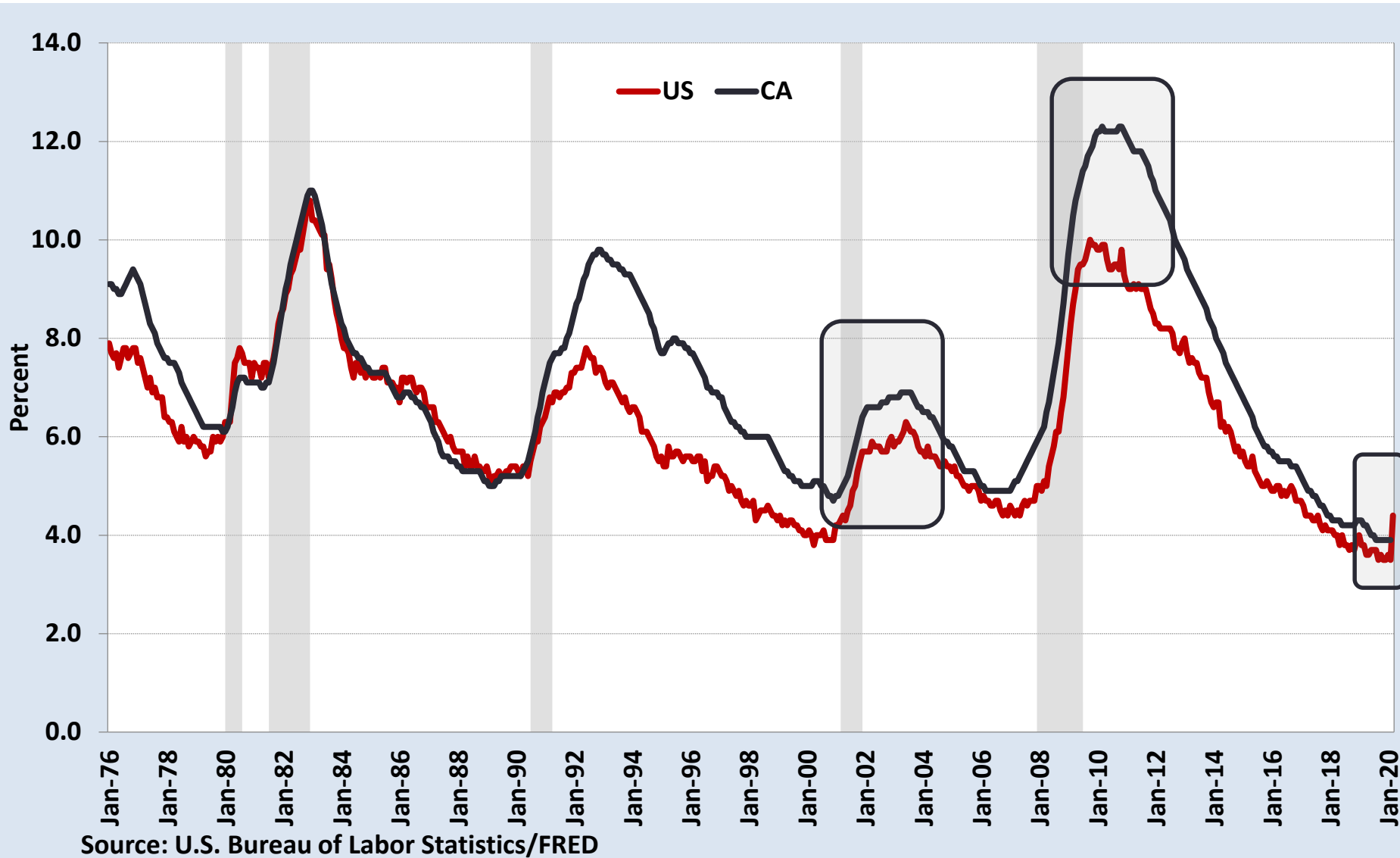
- Short-term
  - Jobs and spending start
  - Tax revenue flowing
- Medium-term
  - Bet on no return, continue to move toward baseline
- Long-term
  - Adaptation and innovation help reduce the long-term costs

# A crisis unfolding and then repaired

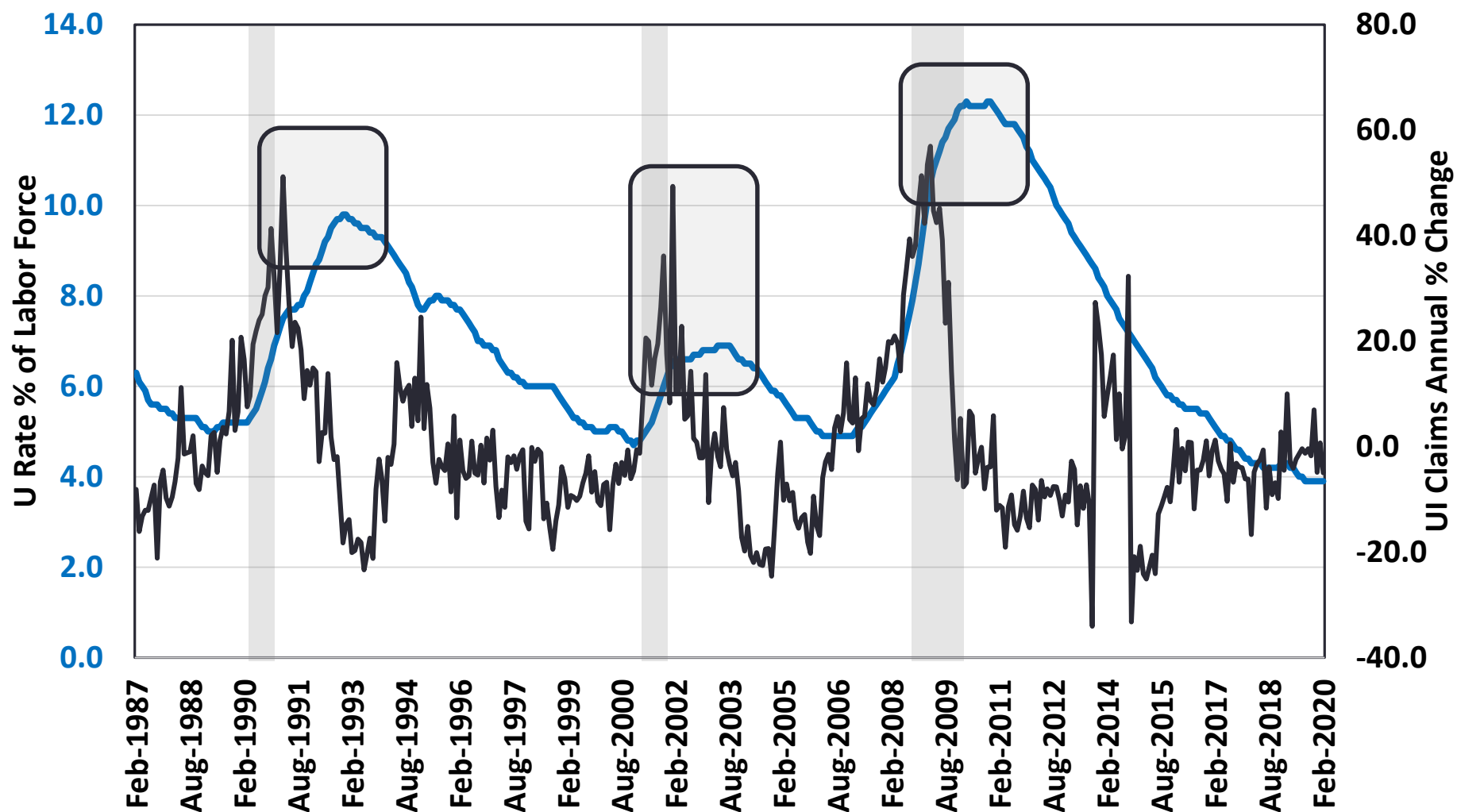


**The sequence to avoid:  
Labor losses, then business losses, then more job losses,  
then housing**

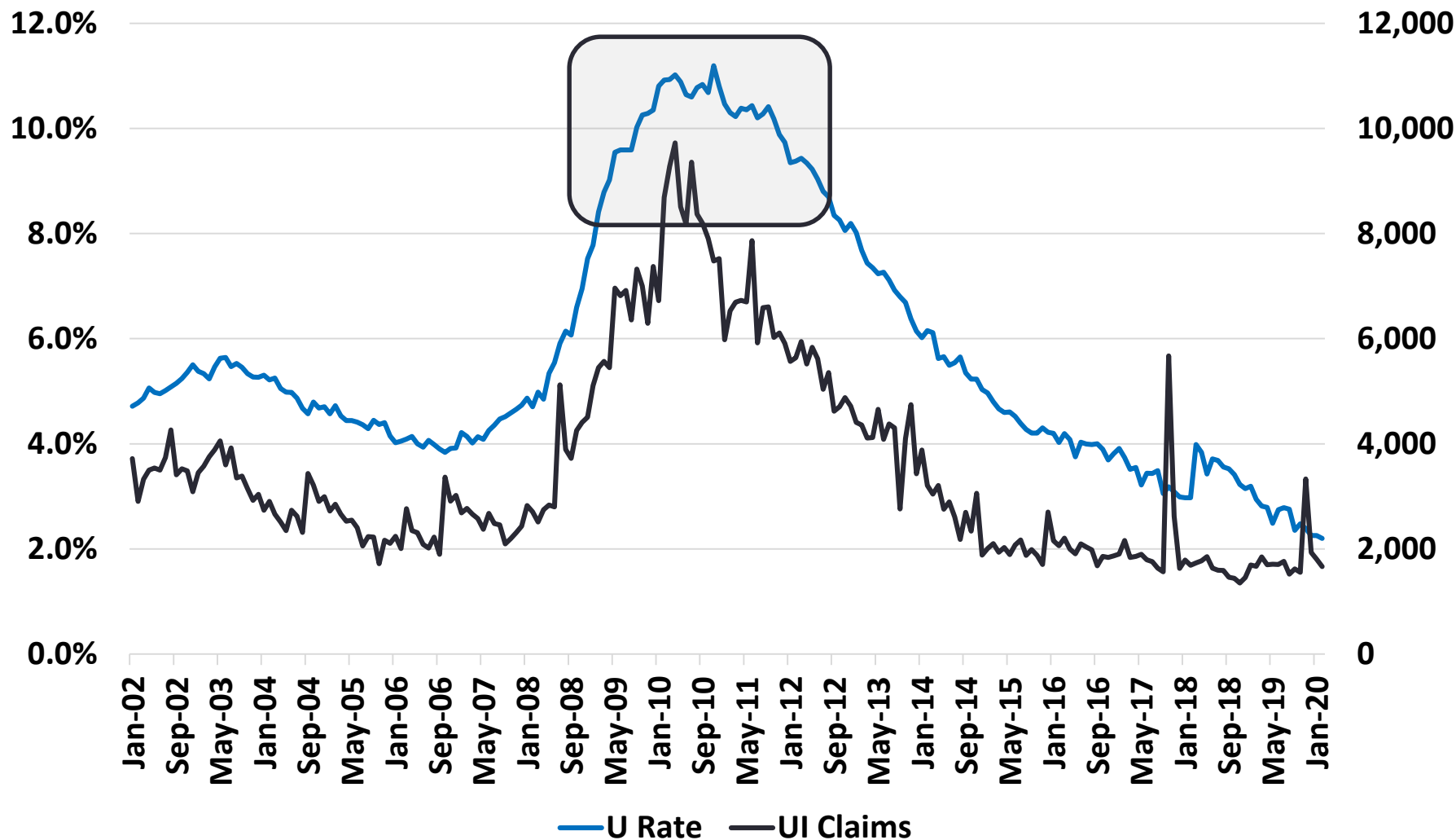
# Unemployment Rates, Jan 1976 – Feb/March 2020 Monthly, US and CA, % of Labor Force



# California UI Claims and U Rate, Feb 1987- Feb 2020, Peak to Peak, 20-24 months



## Sonoma County U Rate (%) and UI Claims (Number), Jan 2002- Feb 2020, Peak to Peak, 8 months (1 Case)





# Factors of vulnerability

- **Essential business, businesses close to customers ok for now, still likely down generally**
- Travel and hotels: subsequent economic impacts
- Airports: smaller airports may be ok due to smaller commitments to fixed costs
- Health care shifts depends on specialty: not all good
  - Surgeries and outpatient work slow, outpatient demand down
- Government: admin leave and potential furloughs
- Worker side: Low-wage jobs main vulnerable
  - UI does not solve hunger or rent

## Cities at Risk as Duration Rises

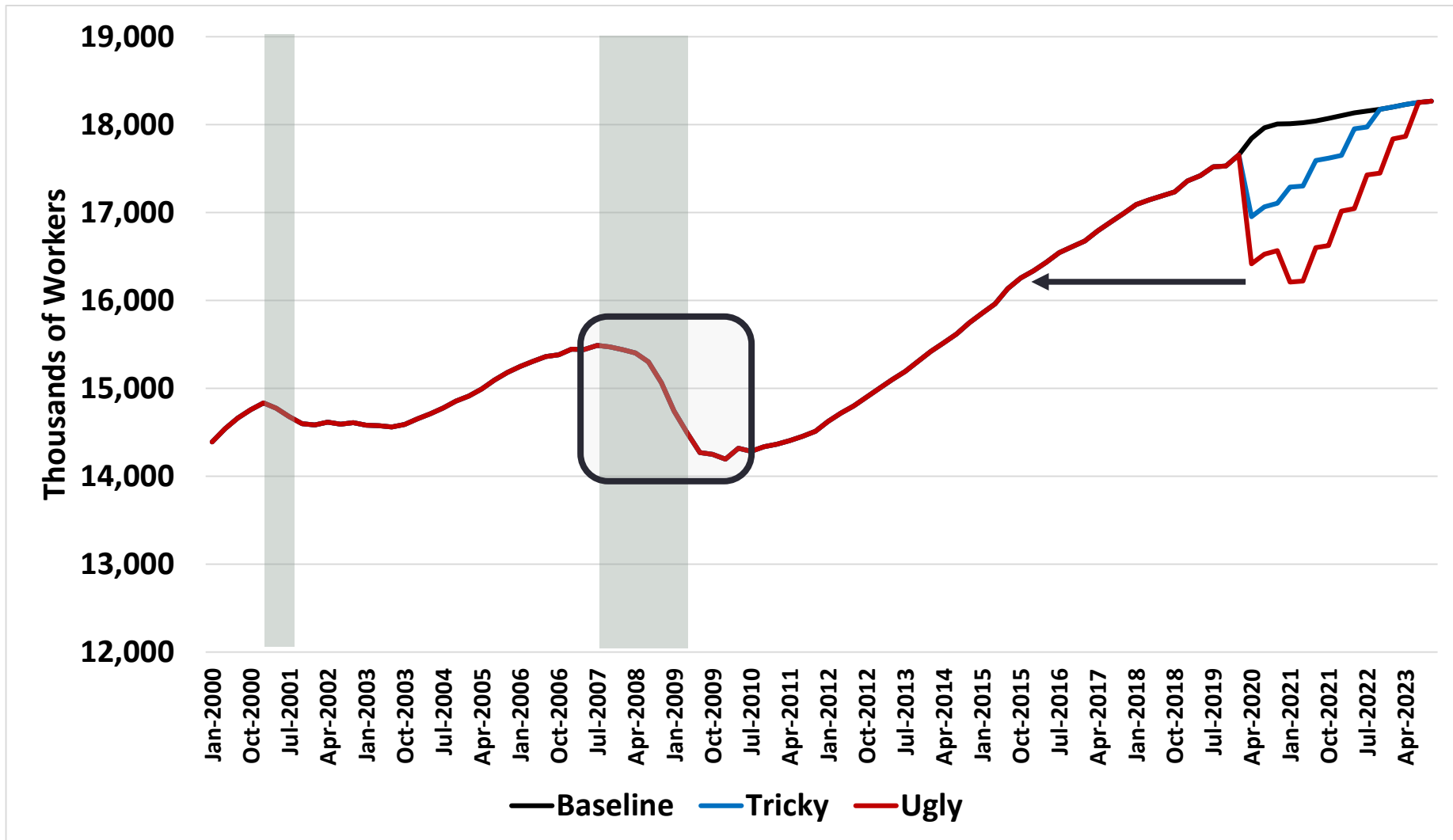
- Healdsburg, Town of Sonoma, Coastal Areas/Unincorporated County
  - Highest risk due to slant toward tourism
  - Wine industry gains likely a wash against tasting room sales
- Santa Rosa, Petaluma, Rohnert Park, Windsor
  - More economic balance, more workers at risk
  - More hotels and restaurants and retail
  - Graton shutdown
- Cotati, Sebastopol, Cloverdale
  - Risk there to smaller retailers and businesses, chains will likely remain
- None totally immune: general disaster

# Details: Potential Forecasts on Jobs

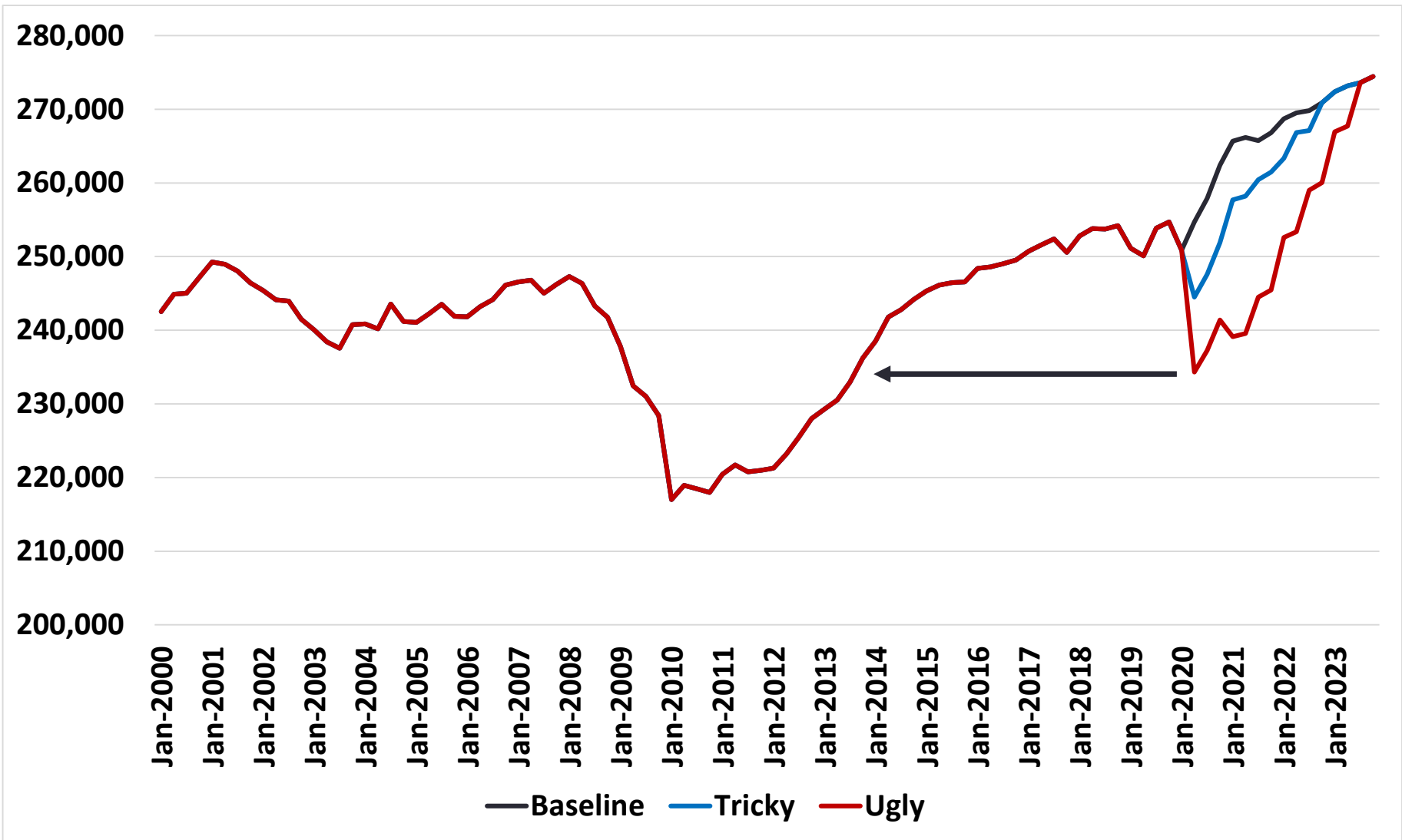
- Tricky Scenario
  - CA economy employs restrictive measures, timeframe relative short in economic time and impacts
  - Short recession, workers are furloughed or laid off, and then slowly rehired
  - Business losses do not create long-term capacity loss
- Ugly Scenario
  - Situation is general: jobs losses rise and move from seasonal to structural
  - Restart slow, especially in tourism/air travel
  - Some structural change: capacity loss in short-term
  - Businesses concerned about revenues and profits into 2021 and a second episode

# Scenarios: Jobs in CA, 2000-23

## Thousands of Workers, Seas Adj



# Labor Market Scenarios, Sonoma County, 2000 – 2023, Number of Workers



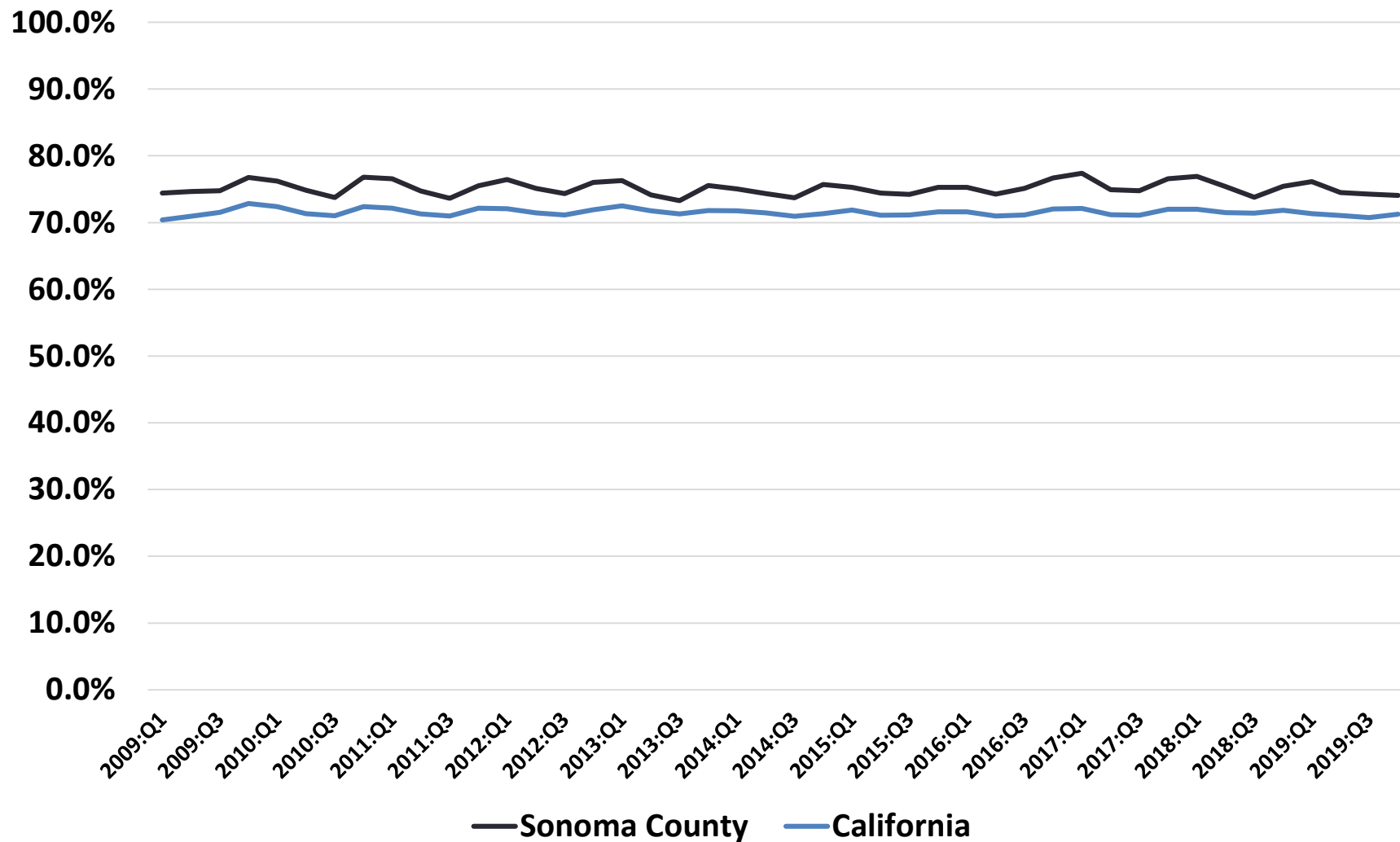
# Economic Development Triage

- Initial turn still in the shadow cast
- Tourism
  - Local hotels to rely on state and regional audience
  - Movement of people likely to be very competitive
- Downtowns
  - Local retailers and restaurants: tied to flow of people
  - Local retailers and restaurants: tied to residential income
- Housing and Commercial Construction
  - Support here has short-term benefits for jobs and income creation

# Municipal Concerns

- Taxable sales fall, including TOT
- Construction slowdown?
- Watching for property tax shock
- Costs on social assistance side likely to rise
  - Public safety and also unrest may come
- Unfunded liabilities becoming true liabilities?
  - Retirements, delays and equity markets

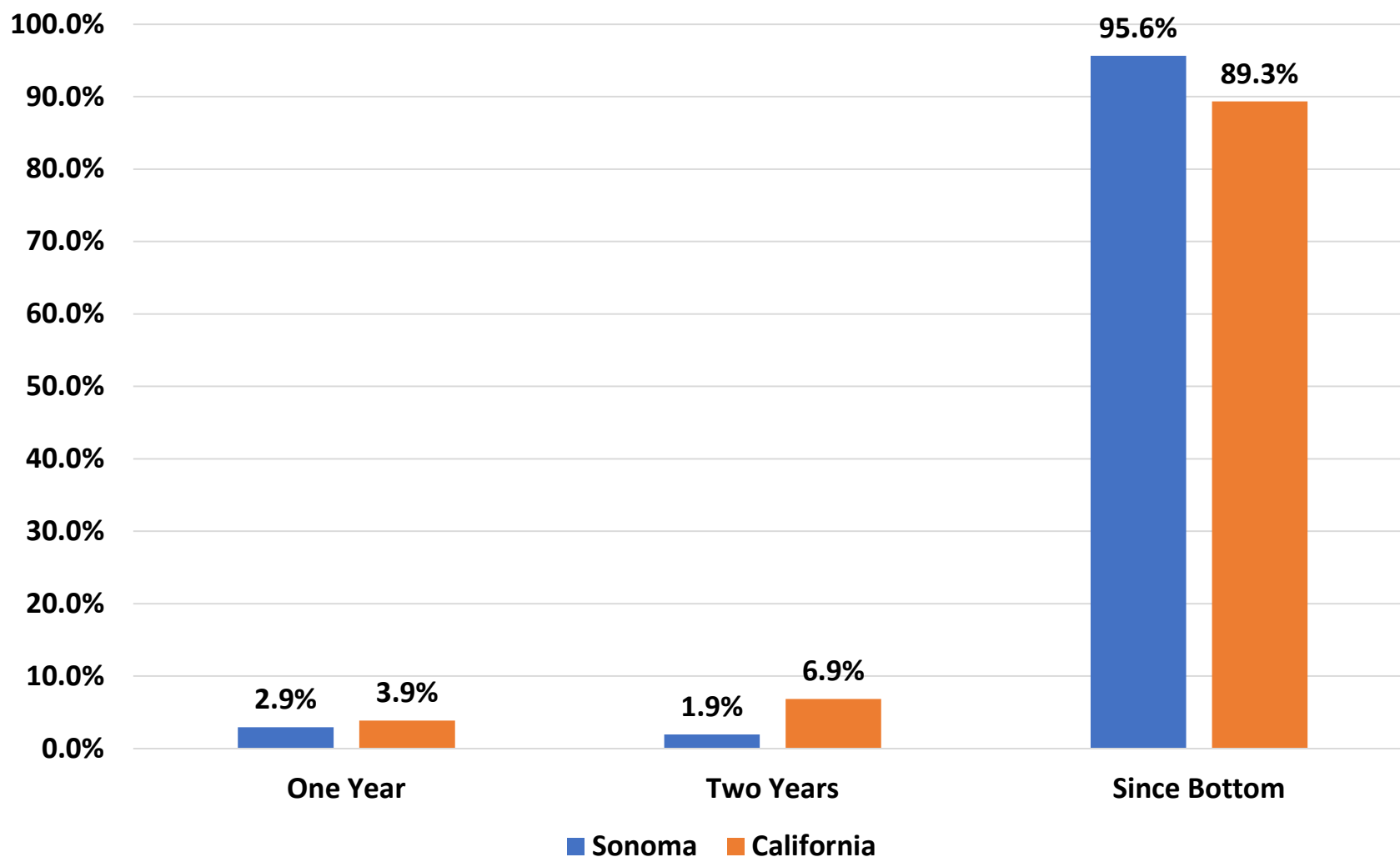
# Taxable Sales Exposure, Sonoma County, % Retail and Restaurants of Total Taxable Sales, 2009-2019



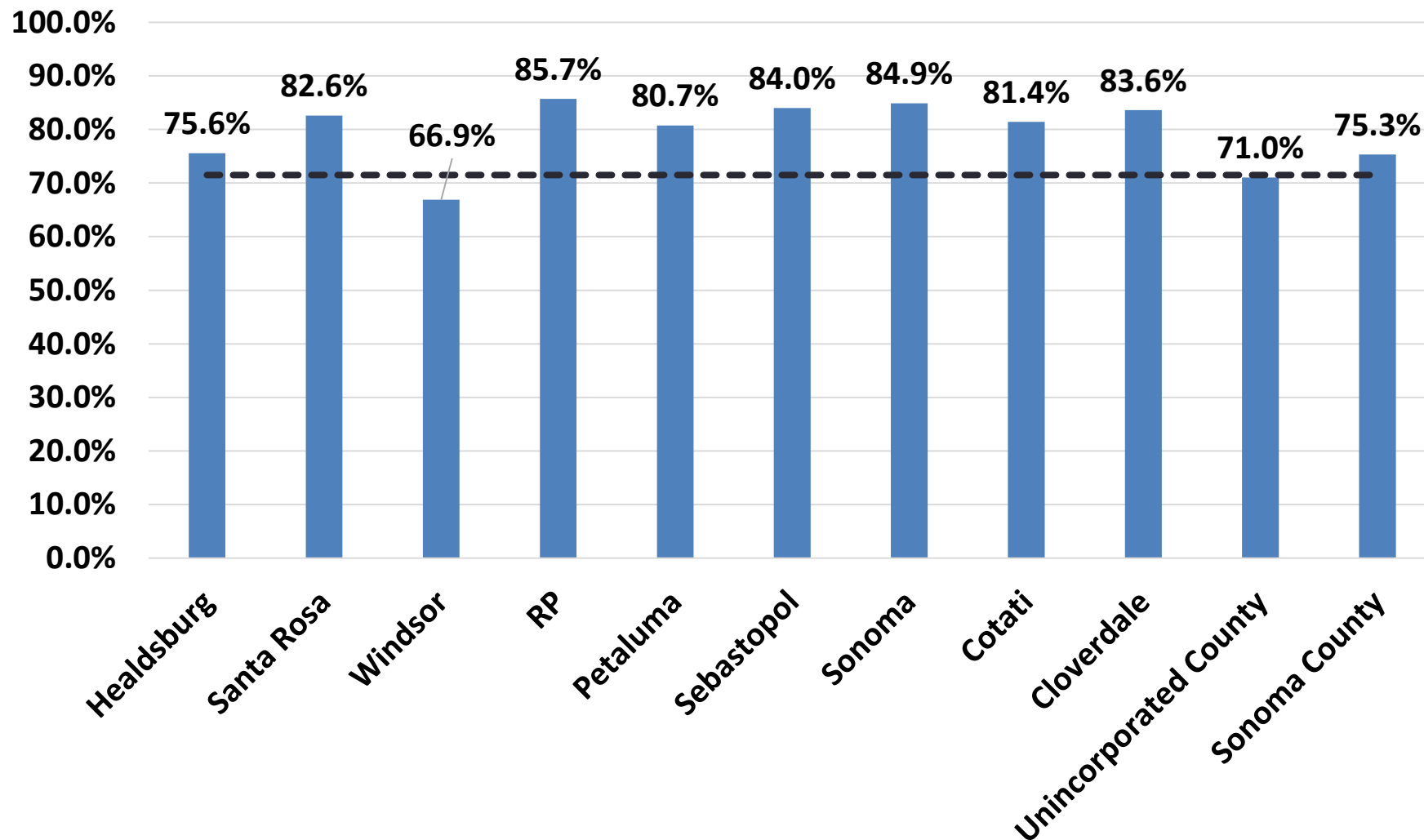


# Home Prices Benchmarks: % Change from Feb 2020

## Sonoma Median Price = \$655,000 for Feb 2020



## Inc and Uninc Retail and Restaurant Taxable Sales Risk vs. California (Dotted Line at 71.5%), 2016-2019 Average



# Short-term Indicators of Change

- Labor market changes
  - Initial claims for unemployment insurance:
    - **22 million people last four weeks in US (13-15% unemployment rate likely in April)**
    - **Approximately 2.8 million in CA (about the same U rate)**
  - Job openings
  - Average hours worked
- Epidemiology: what we need to see
  - Cases in US peak and also Italy
  - General peak across US: **duration and depth**
- Policy: more social now than anything

**Thanks!**  
**Questions?**  
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