

Alliance for Workforce Development: Butte County

Economic Update with Robert Eyer, PhD

May 7, 2020 Webinar



Robert Eyer, PhD

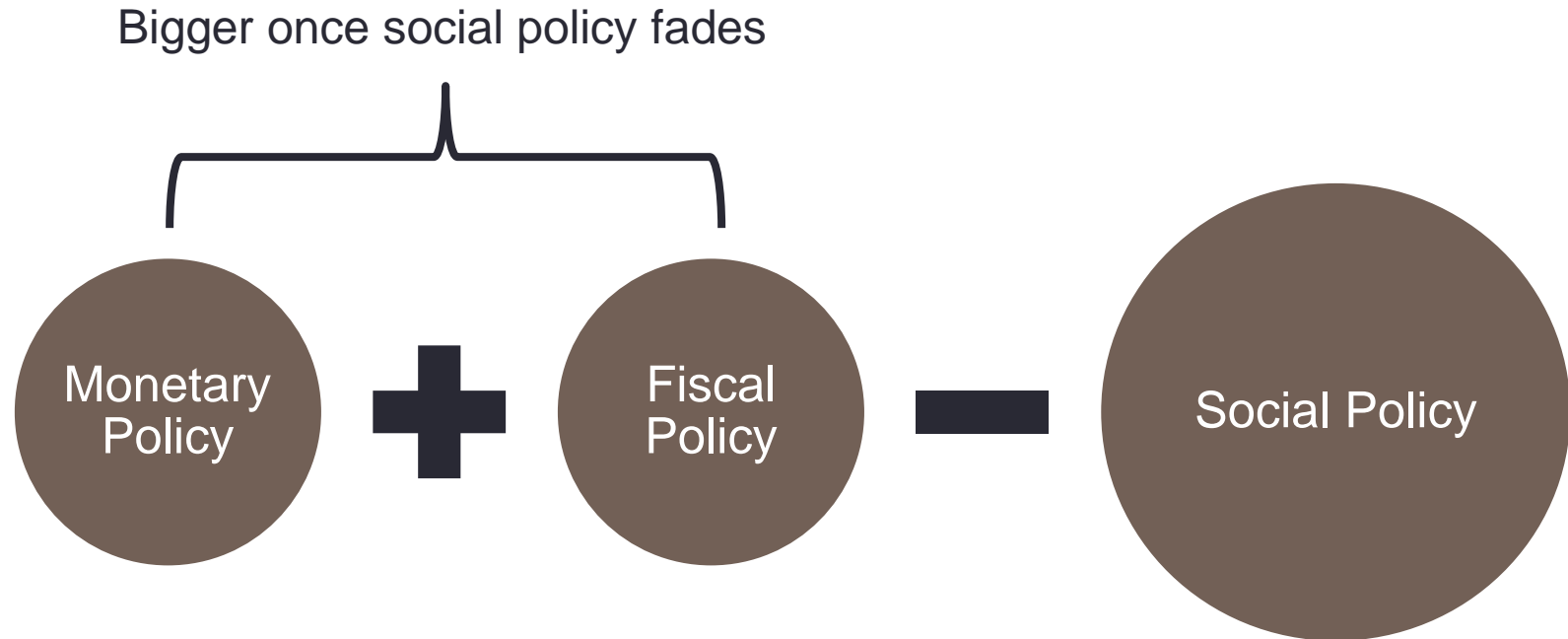
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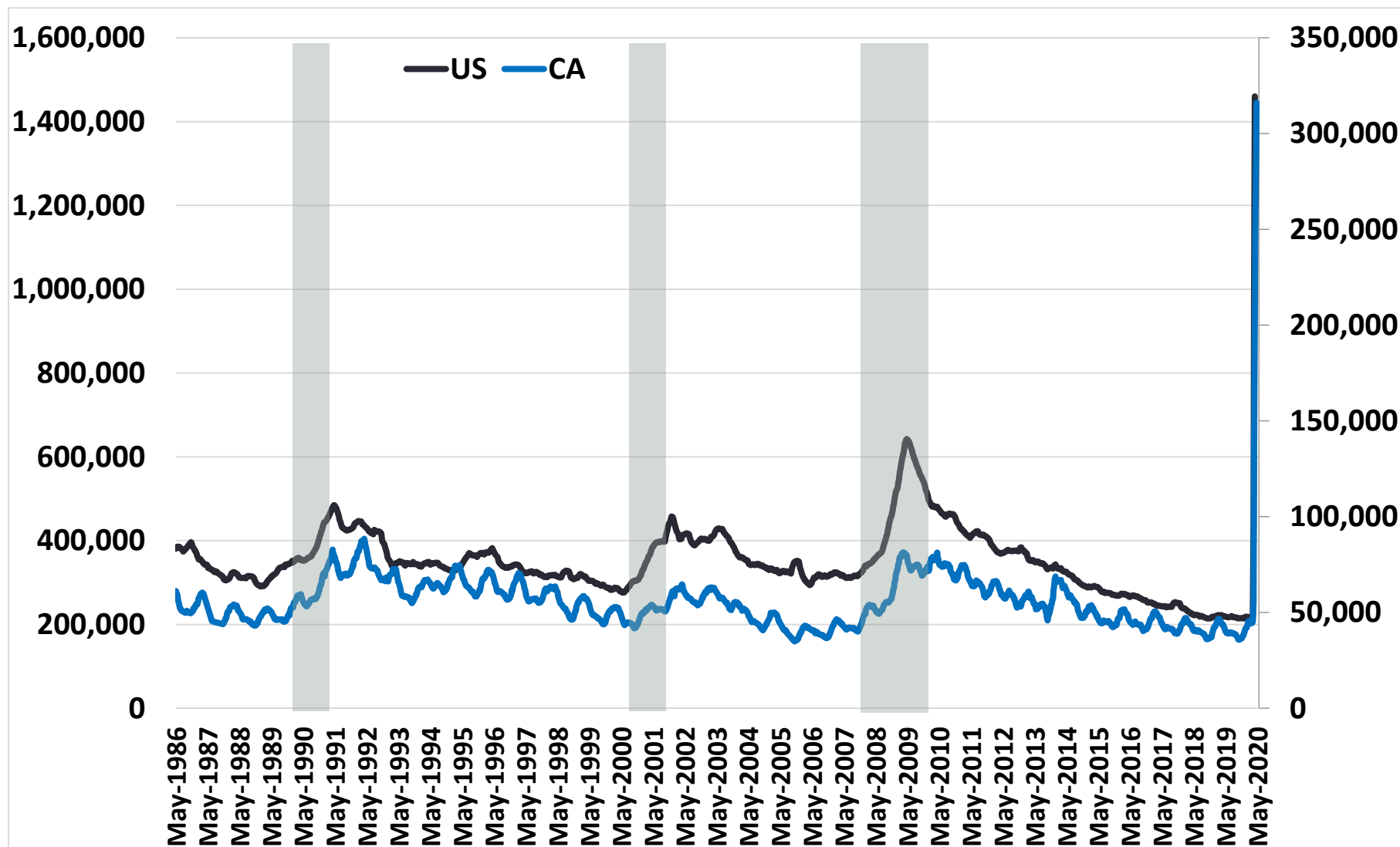
Agenda

- COVID-19:
 - Data reveals coming: initially bad numbers
 - Still watching jobs and connections to re-opening
- Data on Jobs and Recovery
 - Re-opening concerns: what to consider
 - Construction: a way out, need to partner
 - What do the forecasts look like?
- What to watch: Jobs data and capacity
 - Business losses the next shoe to drop
 - Policy attempting to preserve capacity

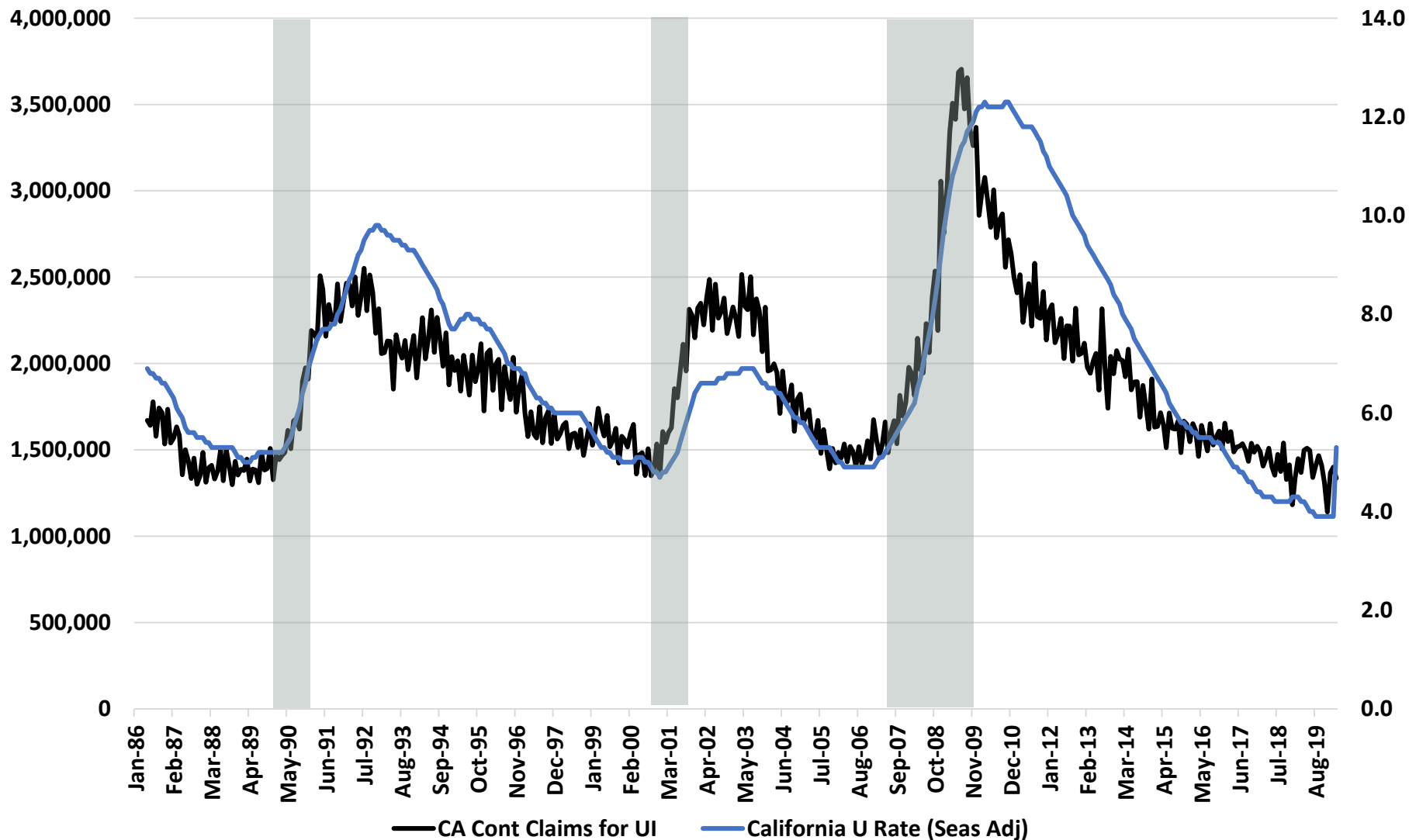
Reactions: A Tale of Three Policies



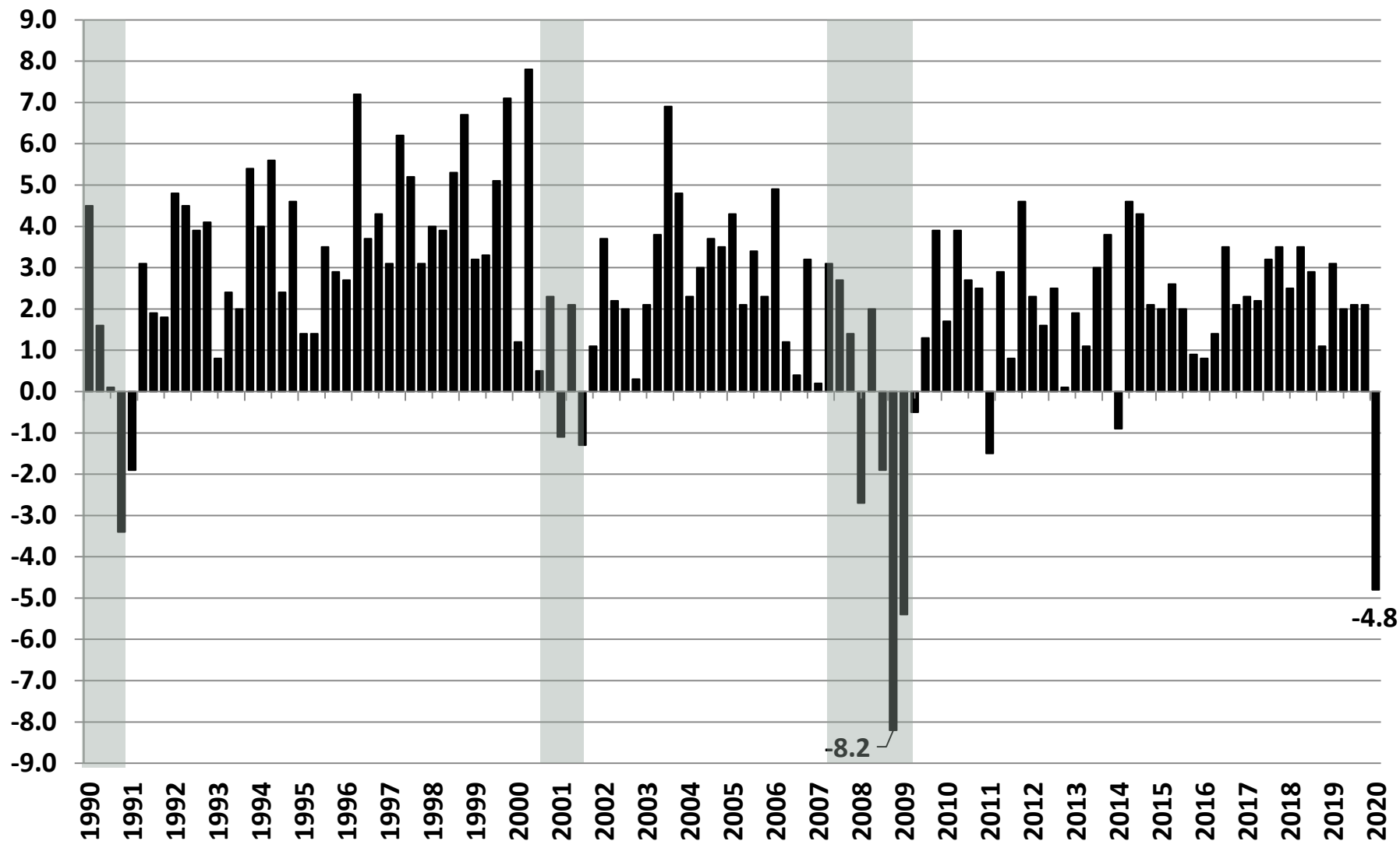
Initial Claims for Unemployment Ins, Qtr Averages of Weekly Data, 1986-April 2020, Number of Workers



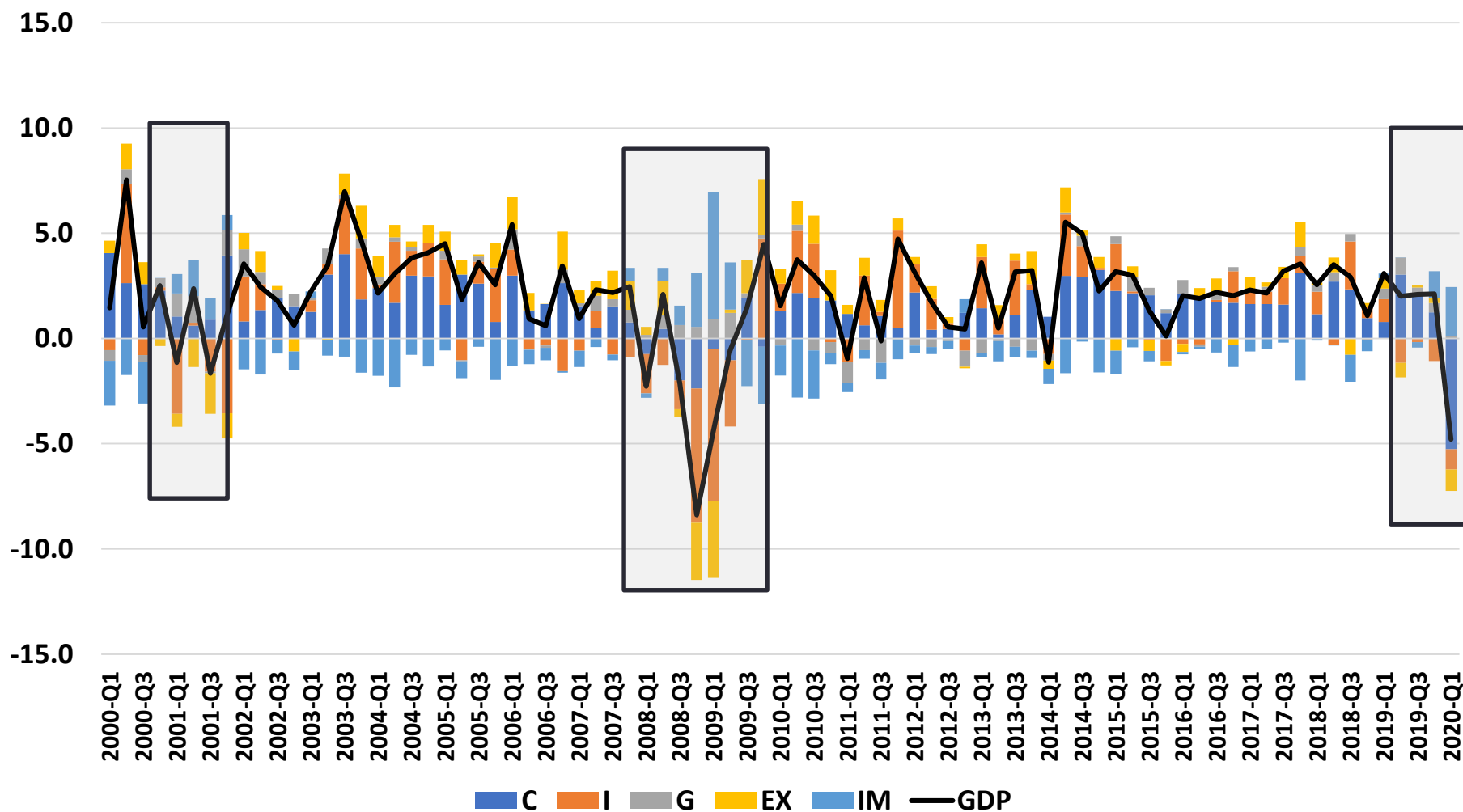
CA Cont. Claims for Unemployment Ins, Qtr Averages of Weekly Data, 1986-April 2020, Number of Workers



US GDP Q1 2020, 1st Estimate, SAAR

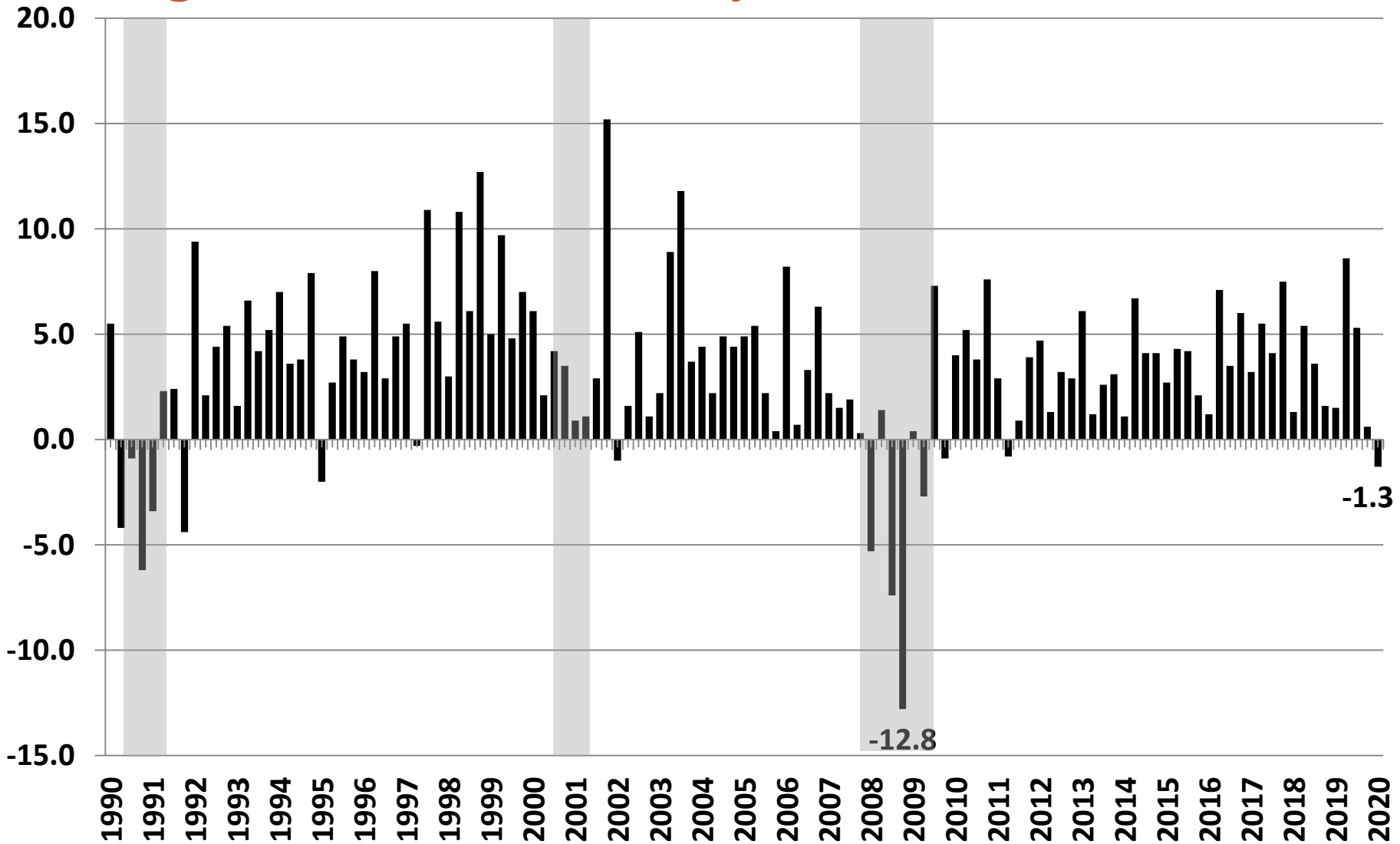


GDP Contribution by Major Variable, 2000-2020 Quarterly, US, % Change SAAR



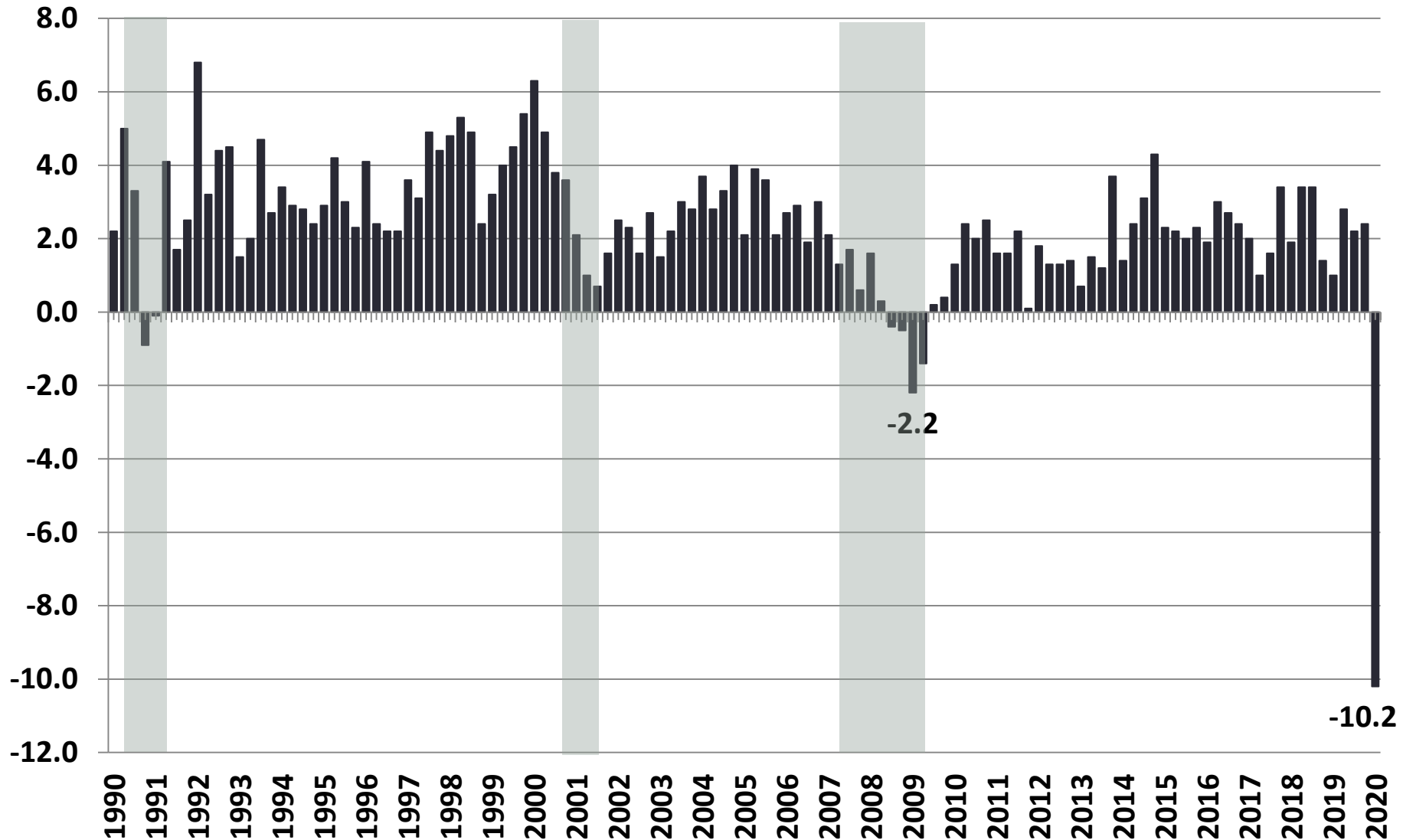
Goods Consumption, US

% Change, 1990 – 2020, Quarterly



Services Consumption, US

% Change, 1990 – 2020, Quarterly



Depth and Duration

National Assoc of Business Economists, April 2020



	Real Gross Domestic Product % change, annual rate			Civilian Unemployment Rate %, quarterly average		
	Full Sample Median	Five Lowest	Five Highest	Full Sample Median	Five Lowest	Five Highest
Q1-20	-2.4	-7.7	1.0	3.8a	—	—
Q2-20	-26.5	-50.0	-1.0	12.0	6.4	20.0
Q3-20	2.0	-12.6	20.7	10.5	5.9	17.3
Q4-20	5.8	0.0	23.6	9.5	4.5	18.0
Q1-21	6.0	2.1	15.7	8.0	4.1	15.0
Q2-21	4.5	2.1	13.1	7.4	4.0	13.4
Q3-21	3.8	2.0	8.0	6.6	3.9	12.0
Q4-21	2.9	1.1	6.3	6.0	3.7	10.4

a = actual

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 repeat of virus, continue toward baseline
- Long-term
 - Adaptation and innovation help reduce the long-term costs

Factors of vulnerability across CA

- For the medium- to long-term
- Biggest: Airlines/travel and hotels: subsequent economic impacts
- Health care shifts depends on specialty: not all good
- Government: admin leave and potential furloughs
- Worker side: Low-wage jobs main vulnerable
 - UI does not solve hunger or rent
- Rural California was vulnerable already, but rural on this one may be good

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

Workforce Development Opportunities

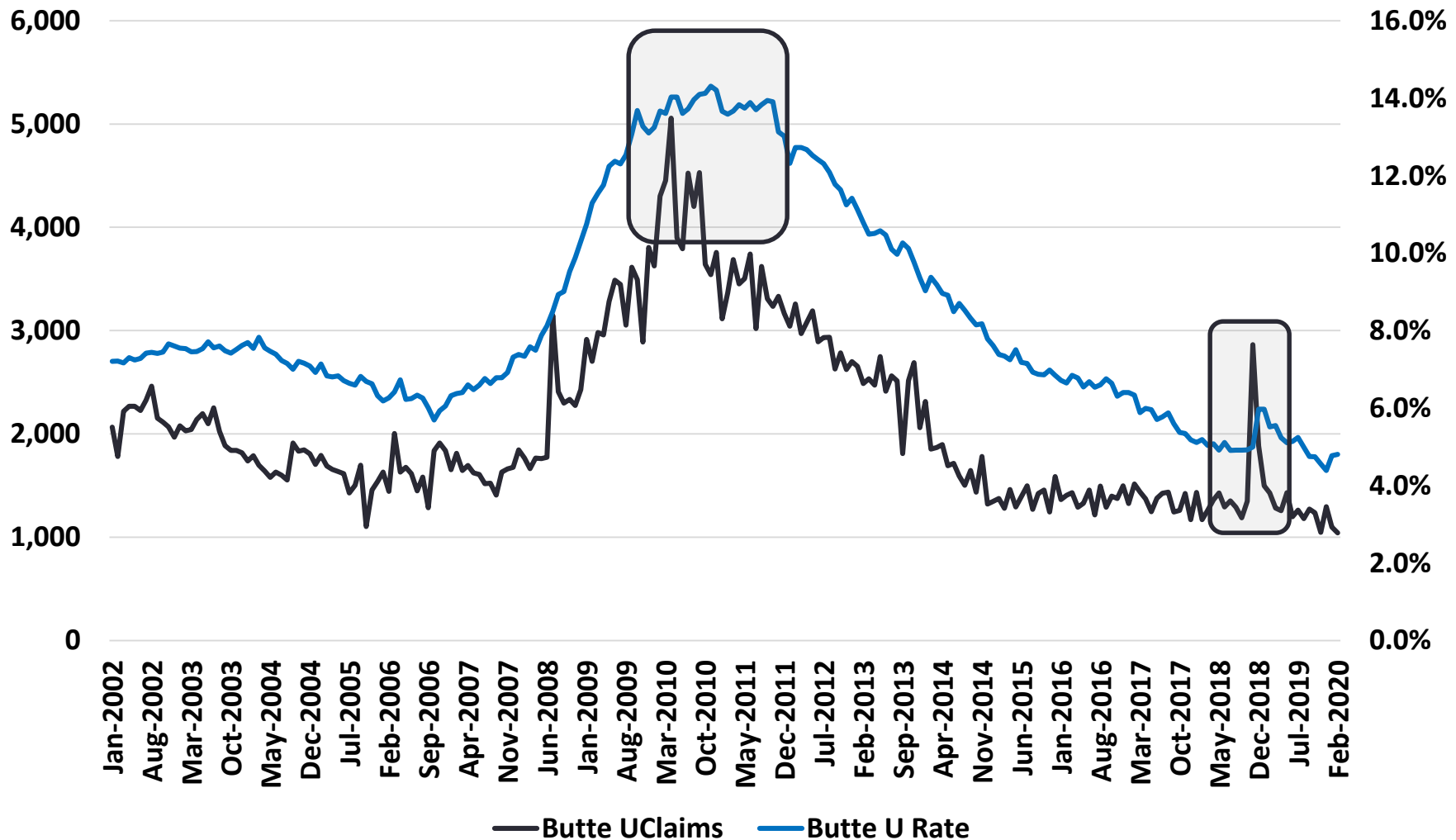


Goal: Upskilling

Vendor: Community Colleges

Example: Biotech and Michigan

Butte County, UI Claims (Workers) and U Rate (%), Jan 2002 – Feb 2020, Peak to Peak, 12 months (1 case)



March 2020, Changes in Labor Force Variables California and Butte County



Labor Force Variables	California Employees	% Change	Butte Employees	% Change
Civilian Labor Force	(175,200)	-0.9%	(1,600)	-1.6%
Civilian Employment	(395,800)	-2.1%	(2,100)	-2.2%
Civilian Unemployment	220,600	25.5%	500	8.1%

**These data are for the
residents of Butte County**

Jobs at Butte County Employers, March 2020, Compared to March 2019 and California

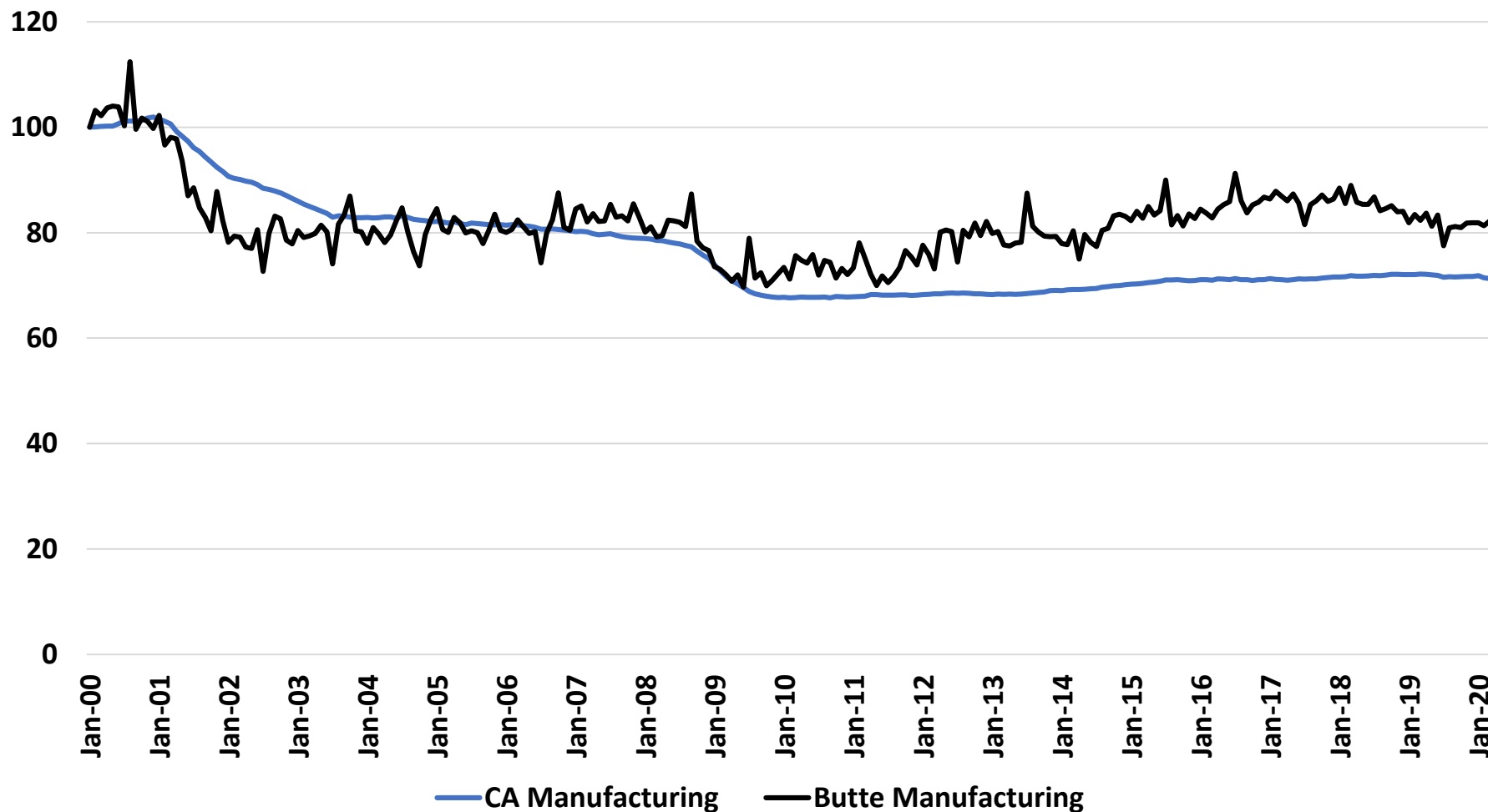


Labor Force Variables	California Employees	% Change	Butte Employees	% Change
Manufacturing	(14,900)	-1.1%	-	0.0%
Wholesale Trade	(6,600)	-1.0%	-	0.0%
Retail Trade	(11,300)	-0.7%	(400)	-3.7%
Transport, Warehouse & Utilities	31,800	4.7%	(100)	-6.3%
Information	28,700	5.1%	-	0.0%
Financial Activities	21,300	2.6%	-	0.0%
Professional & Business Services	29,800	1.1%	300	5.5%
Educational & Health Services	71,900	2.6%	(200)	-1.1%
Leisure & Hospitality	(43,500)	-2.2%	-	0.0%
Other Services	(6,900)	-1.2%	200	4.9%
State & Local Government	32,800	1.4%	100	0.6%

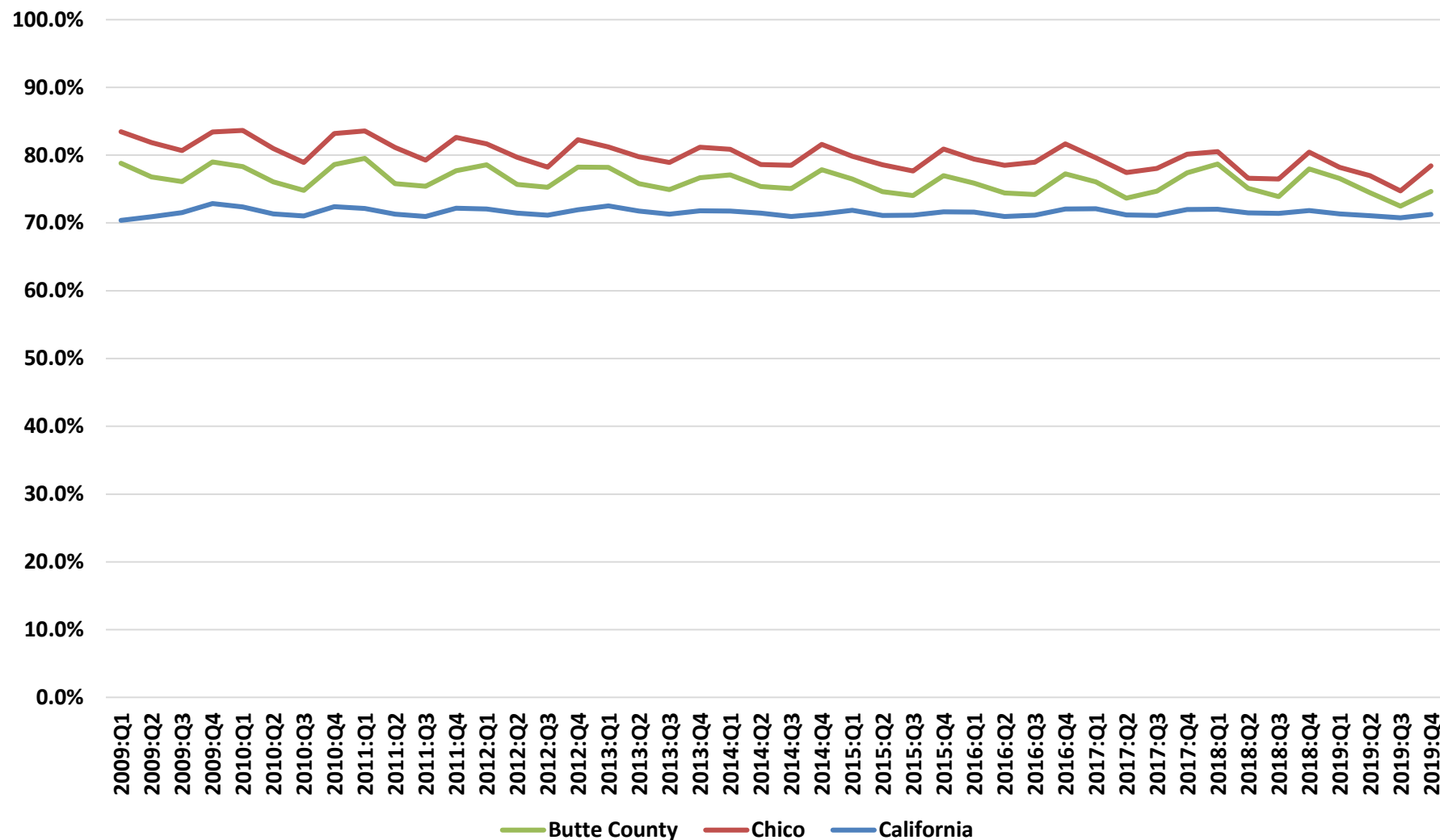
Butte County as a Special Case for Recovery

Manufacturing Jobs, Butte and CA

2000 to 2020, Index, Jan 2000 = 100, Seas Adj

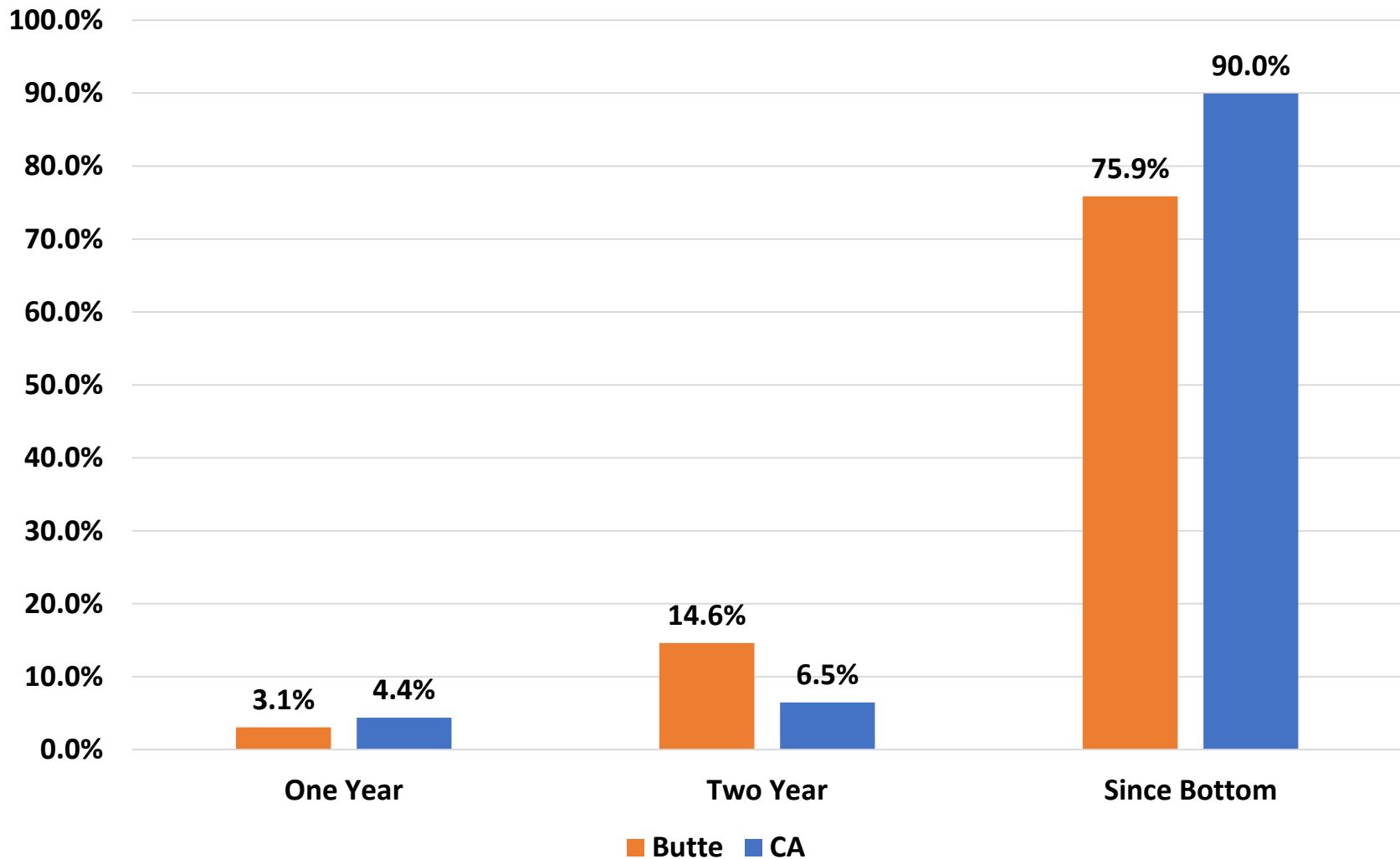


Taxable Sales Exposure, % Retail and Restaurants of Total Taxable Sales, 2009-2019



Home Prices Benchmarks: % Change from Mar 2020

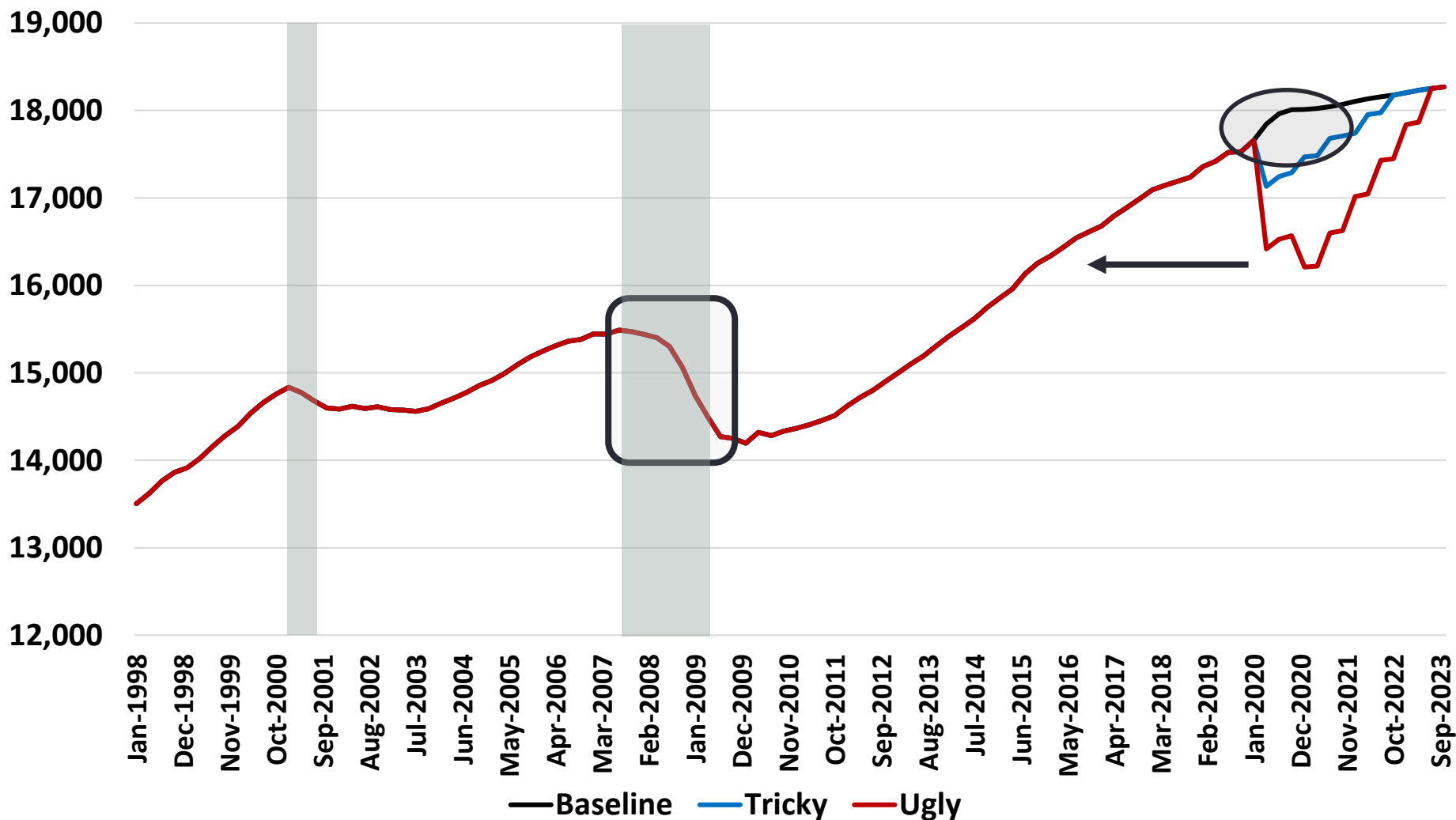
Butte Median Price = \$255,000 Mar 2020



Forecast Scenarios: Details

- Tricky Scenario
 - CA economy continues to hibernate until May 15 – June 1
 - Recession coming with workers furloughed, laid off
 - Assuming no repeat, and pace of economic life 90% or more pre-COVID 19, mid-2021 close to baseline
- Ugly Scenario: **rural CA may avoid this partially**
 - Situation is general: Job losses become businesses losses become jobs losses through economic impacts
 - Home prices begin to fall due to existing units rise and construction slows down
 - Restart slow, especially in tourism
 - Businesses concerned about revenues and profits into 2021 and a second episode

California Labor Markets, Forecasted Jobs, Quarterly Data to 2023, Thousands of Jobs



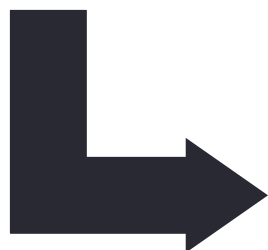
Municipal Concerns

- Taxable sales fall, compared to 2018 pre-fire?
 - Visitor flow reduction (Bed Tax/TOT basically a sales tax on hotel rooms)
 - General reduction in non-essential retail (consumer durables)
- Construction slowdown?
 - Slower rebuild, or will conditions (labor, materials, interest rates) accelerate rebuild?
- 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

To Avoid: Loss of Capacity

Job Loss

- First reaction
- Triggers other problem if no re-hiring



Business Losses

- May be at the same time as initial job losses
- Changes capacity

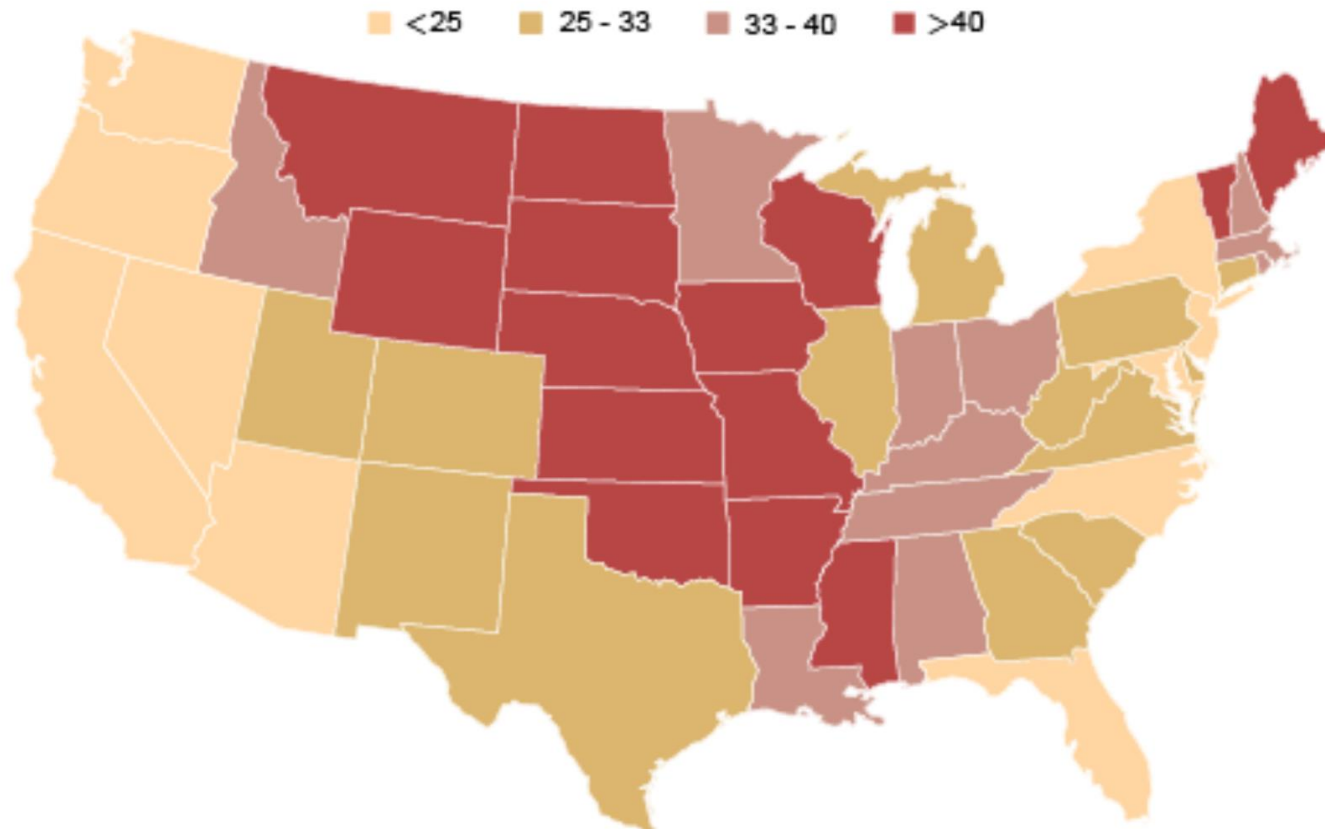


Further Job Loss and Labor Force Devolution

- Loss of capacity on both sides of market

Where has PPP Lending Gone?

Percentage of Small Businesses Receiving Loans



**Why the Midwest?
Community Banks and Credit Unions**

What to Watch

- Labor market changes: Numbers to be ugly
 - Initial claims for unemployment insurance
 - **Now at 30 million people in US in last six weeks**
 - **CA at 3.8 million people in last six weeks**
 - This is an additional shock for Butte County
- Epidemiology: getting closer?
 - General peak across US: **depth and duration**
- Policy: more social now than anything
 - **Will a repeat come soon?**
 - **Activity lift once corner turned, if turned well**



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