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Economics Group

Many of the Fastest Growing Areas Take a Hit from COVID-19

The COVID-19 outbreak has been particularly virulent on the West Coast. Washington and California account for more than one-third of the nation’s confirmed cases, with the bulk of cases occurring in major metro areas.

Coronavirus Hits Some of the Fastest Growing Economies

Assessing the economic impact of the COVID-19 outbreak is extremely difficult because conditions are changing so quickly. The first known U.S. case was detected in Washington state from a person that had flown back to Seattle from Wuhan, China, the global epicenter of the virus. The first known U.S. death also occurred in that state, while the first believed community transmission occurred in California. Washington and California have accounted for a disproportionate share of the early cases and currently account for more than one-third of the nation’s confirmed cases. While much of the rest of the nation has only recently begun to deal with increased handwashing, social distancing, working remote and shuttered businesses, these have been a reality in Seattle for a few weeks now.

The speed at which Seattle’s economy has turned is astonishing. Seattle had been one of the strongest economies in the country throughout much of this decade, led by stalwarts such as Amazon, Microsoft, Starbucks, Costco, Boeing and a whole host of tech companies. Private sector employment in King County, which is home to Seattle, grew 3.3% this past year, with the bulk of that increase coming from the tech sector. The unemployment rate has fallen to just 2.6%. Real GDP grew at a 6.1% annual rate from 2015 to 2018, which is the strongest gain among the nation’s largest counties and more than two and half times faster than the nation. The economy has slowed considerably. The extent of the slowdown may not become apparent in the jobs and income data for another couple of months, however. With the labor market so tight for so long, many employers may opt to reduce hours rather than let workers go. Many smaller businesses, however, do not have the resources to withstand a prolonged slump and a few have already shut down.

The San Francisco Bay area is another economic hot spot that has seen economic conditions abruptly slow amid the COVID-19 outbreak. Santa Clara County and San Francisco saw a spike in confirmed cases and were among the first areas to see widespread closures and cancellations. Most major employers have urged employees to work from home and business and leisure travel to the region has declined considerably amid a rash of conference cancellations. The downturn comes after years of torrid economic gains, with real GDP rising at a 7.9% annual rate from 2015 to 2018 in Santa Clara County and 6.8% in San Francisco and San Mateo counties.

With closings and cancellations now spreading across the nation, the impact may fall heaviest on areas most dependent upon travel and leisure, where lost business is difficult to recoup. Orlando, Las Vegas and Hawaii are three large areas likely to be disproportionately impacted, but many others will see losses as households cut back on travel, dining and entertainment.

Source: U.S. Department of Labor and Wells Fargo Securities
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