COUNTY OF NAPA
THE ECONOMY 2020: WHAT’S NEXT?

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Overview

• COVID-19:
  • Still watching jobs and connections to re-opening
  • Napa: exposure on low occupancy in hotel and tourism flow

• Data on Jobs and Recovery: Since April 2019
  • As of June 5, US Unemployment in May 13.3%, 17.7 million jobs lost
  • U Rate down from 14.7% in April, 20.5 million out of work
  • U-6 down from 22.8% to 21.2% (part-time and marginally employed)

• Re-opening concerns: what to consider
  • Tourism season: will cases also rise and force change?

• What do the forecasts look like?
• What to watch: jobs, housing and COVID-19 cases
A Tale of Three Policies

Bigger once social policy fades

Monetary Policy + Fiscal Policy = Social Policy
Weekly Claims: Have we already peaked? Feb – May 2020

Source: Federal Reserve and EFA
US U Rate (%), Jan 1990 to May 2020, % of Labor Force

Source: BLS and EFA
US U Rate (%), Jan 2018 to May 2020, % of Labor Force

Source: BLS and EFA
US Continued UI Claims, Weeks on UI, Jan 2020 – May 2020, Seasonally Adjusted

Source: BLS and EFA
US Real GDP Growth, SAAR, % Change, 1990-2020 Q1

Source: Bureau of Economic Analysis and EFA
Average Hours Worked, March 2007 – May 2020, US, % Change from Previous Year
Jobs Lost (% Change from Previous Year),
US, April and May 2020, Selected Industries

Source: Bureau of Labor Statistics and EFA
## Median Forecasts for Selected Variables in the Current and Previous Surveys

<table>
<thead>
<tr>
<th></th>
<th>Real GDP (%)</th>
<th>Unemployment Rate (%)</th>
<th>Payrolls (000s/month)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Previous</td>
<td>New</td>
<td>Previous</td>
</tr>
<tr>
<td>Quarterly data:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2020:Q2</td>
<td>2.1</td>
<td>-32.2</td>
<td>3.5</td>
</tr>
<tr>
<td>2020:Q3</td>
<td>2.0</td>
<td>10.6</td>
<td>3.5</td>
</tr>
<tr>
<td>2020:Q4</td>
<td>2.1</td>
<td>6.5</td>
<td>3.6</td>
</tr>
<tr>
<td>2021:Q1</td>
<td>2.2</td>
<td>6.8</td>
<td>3.6</td>
</tr>
<tr>
<td>2021:Q2</td>
<td>N.A.</td>
<td>4.1</td>
<td>N.A.</td>
</tr>
<tr>
<td>Annual data (projections are based on annual-average levels):</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2020</td>
<td>2.0</td>
<td>-5.6</td>
<td>3.6</td>
</tr>
<tr>
<td>2021</td>
<td>2.0</td>
<td>3.1</td>
<td>3.6</td>
</tr>
<tr>
<td>2022</td>
<td>2.0</td>
<td>4.1</td>
<td>3.7</td>
</tr>
<tr>
<td>2023</td>
<td>2.0</td>
<td>2.2</td>
<td>3.9</td>
</tr>
</tbody>
</table>
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
Depth and Duration
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
Napa Valley and California: Brief Overview
Forecasts for California and Reality Checks

- Wide disparity in forecasts: lack of data does not help
- CA Dept of Finance
  - No full recovery until at least 2024, maybe 2026
  - 4 million out of work by end of Q3 2020
  - 20% unemployment by end of year, peak at 24.3%
  - Slow movement back to baseline
- Initial results: April 2020, May 2020 to be slightly worse
  - 16.1% unemployment
  - 2.975 million jobs lost, 2.225 million on unemployment since April 2019
California Department of Finance, California, Unemployment Rate, 1998 to 2023, Jan/May 2020

Source: California Department of Finance
CA Dept of Finance, California, Quarterly Employment, 1998 to 2023, Jan/May 2020, Thousands of Workers

Source: California Department of Finance
Industry Changes, CA Dept of Finance Forecast, Compared to 2019 Q4, 2020-2023

<table>
<thead>
<tr>
<th>Industry</th>
<th>2020 Q4</th>
<th>2021 Q4</th>
<th>2022 Q4</th>
<th>2023 Q4</th>
<th>2019 Q4 % of total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Construction</td>
<td>-17.6%</td>
<td>-27.7%</td>
<td>-19.2%</td>
<td>-13.9%</td>
<td>5.1%</td>
</tr>
<tr>
<td>Machinery, Computers and Transportation</td>
<td>-22.8%</td>
<td>-16.3%</td>
<td>-15.8%</td>
<td>-10.3%</td>
<td>4.5%</td>
</tr>
<tr>
<td>Food, Textiles and Other Manufacturing</td>
<td>-7.8%</td>
<td>-6.2%</td>
<td>-5.2%</td>
<td>-2.3%</td>
<td>3.0%</td>
</tr>
<tr>
<td>Retail Trade</td>
<td>-32.0%</td>
<td>-23.6%</td>
<td>-22.4%</td>
<td>-15.0%</td>
<td>9.5%</td>
</tr>
<tr>
<td>Wholesale Trade and Utilities</td>
<td>-29.7%</td>
<td>-21.2%</td>
<td>-18.7%</td>
<td>-8.6%</td>
<td>4.2%</td>
</tr>
<tr>
<td>Transport and Warehousing</td>
<td>-1.8%</td>
<td>2.9%</td>
<td>8.1%</td>
<td>15.0%</td>
<td>3.7%</td>
</tr>
<tr>
<td>Information</td>
<td>-9.0%</td>
<td>-3.0%</td>
<td>2.9%</td>
<td>9.4%</td>
<td>3.4%</td>
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<tr>
<td>Financial Activities</td>
<td>-9.8%</td>
<td>-7.0%</td>
<td>-6.0%</td>
<td>-2.0%</td>
<td>4.5%</td>
</tr>
<tr>
<td>Professional, Scientific, Tech Services &amp; Mgt.</td>
<td>-8.9%</td>
<td>-4.5%</td>
<td>-1.9%</td>
<td>1.8%</td>
<td>9.2%</td>
</tr>
<tr>
<td>Administrative, Waste Mgt and Remediation</td>
<td>-42.6%</td>
<td>-33.6%</td>
<td>-30.9%</td>
<td>-26.8%</td>
<td>6.5%</td>
</tr>
<tr>
<td>Educational Services</td>
<td>-4.0%</td>
<td>0.1%</td>
<td>3.6%</td>
<td>9.1%</td>
<td>2.2%</td>
</tr>
<tr>
<td>Health Services</td>
<td>5.3%</td>
<td>6.3%</td>
<td>7.5%</td>
<td>9.0%</td>
<td>13.9%</td>
</tr>
<tr>
<td>Leisure and Hospitality</td>
<td>-46.9%</td>
<td>-35.5%</td>
<td>-33.9%</td>
<td>-27.8%</td>
<td>11.7%</td>
</tr>
<tr>
<td>Other Services</td>
<td>-46.3%</td>
<td>-34.5%</td>
<td>-34.0%</td>
<td>-27.6%</td>
<td>3.6%</td>
</tr>
<tr>
<td>Government</td>
<td>0.3%</td>
<td>0.5%</td>
<td>1.4%</td>
<td>1.9%</td>
<td>15.0%</td>
</tr>
</tbody>
</table>
April 2020, Changes in Labor Force Variables
California and Napa County

<table>
<thead>
<tr>
<th>Labor Force Variables</th>
<th>California Employees</th>
<th>% Change</th>
<th>Napa Employees</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Civilian Labor Force</td>
<td>(719,500)</td>
<td>-3.7%</td>
<td>100</td>
<td>0.1%</td>
</tr>
<tr>
<td>Civilian Employment</td>
<td>(2,975,000)</td>
<td>-16.1%</td>
<td>-9,400</td>
<td>-13.3%</td>
</tr>
<tr>
<td>Civilian Unemployment</td>
<td>2,255,400</td>
<td>16.1%</td>
<td>9,600</td>
<td>15.9%</td>
</tr>
</tbody>
</table>

These data are for the residents of Napa County

Source: California EDD and EFA
Jobs Changes, April 2019-April 2020, % Change, Selected Industries, CA and North Bay

- Total Nonfarm
- Construction
- Manufacturing
- Wholesale Trade
- Retail Trade
- Transport, Warehouse, Util
- Information
- Financial Activities
- Professional Services
- Educ & Health
- Hotels, Restaurants, Bars
- Other Services
- Government

CA  Marin  Sonoma  Napa  Solano
Initial Claims through April 2020, % of Labor Force in March 2020 (Possible U Rates), unemployed in selected counties

Source: California EDD and EFA
Economic Development Triage

- Initial turn still in the shadow cast
- Tourism: Napa Valley and Summer 2020?
  - Local hotels to rely on state and regional audience
  - Movement of people likely to be very competitive
- Downtowns: across region, Napa County specifically
  - Local retailers and restaurants: tied to flow of people
  - Local retailers and restaurants: tied to residential income
- Housing and Commercial Construction
- Multiplier impacts of local businesses and wages: thinking local when you shop
Median Home Prices, Jan 1996 to April 2020, Current $
Median Listing Price, July 2016 – May 2020, Current $, Napa, Sonoma and CA

Source: Realtor.com and FRED (St Louis FED)
Population Growth, 2012-2020, % Change from Previous Year, Napa, Sonoma and CA

Source: California Department of Finance
Housing Units Growth, 2012-2020, % Change from Previous Year, Napa, Sonoma and CA

Source: California Department of Finance
Housing Forecast, April 2020, Zillow™ Research, % Change for the coming year to April 2021, Median Home Price Growth

Source: Zillow™ Research
So What for Napa County?

- Wine Industry, multiple layers
  - Off-premise up generally due to shelter in place
  - On-premise down, overall down
  - Big concern: coming harvest for labor and contracts and demand as inventories build up

- Tourism, tied and not tied to wineries
  - Restaurants slowly re-opening: how will demand play out?
  - Hotels: need flow and we may see a lot from Bay Area just to get out
  - Re-infection a big issue, Lassen County as a cautionary tale

- Housing markets: will there be a change that is like 2008, 2009, 2010?

- North Valley and South Valley dichotomy
  - Economic development challenges likely large for City of Napa and American Canyon
  - Both need to consider more economic diversity

- Opportunities: health care services and manufacturing
The Future from Related Angles
Labor

Source: Google Images
Land: the debates to come
Public Sector

Source: Google Images
What to Watch

• Labor market changes: need to avoid business losses
  • Need to open well and not re-infect: flow of outsiders tricky
  • Need tourism season in Napa County to play out
  • Need to conserve businesses and support them once open
• Housing market movements: where will local residents go?
• Policy: the lift is coming... but
  • How well will business adapt?
  • What businesses will survive?
  • Will the wine industry be structurally affected in Napa?
  • Will hotels and restaurants and retail be structurally affected in Napa?
Thanks!

Questions?

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