



Overview of Economic and Trade Impacts to COVID-19

This resource was prepared by non-partisan legislative staff to provide an overview of laws concerning emergency powers by highlighting key roles, laws and referencing some court decisions. This analysis may not be comprehensive and should not be taken as an authoritative interpretation or legal advice.

Overview

As of March 31, 2020, there is little month over month data to assess the economic impacts of COVID-19 and economic conditions continue to change daily. It will be mid-April before monthly data is available for March. Furthermore, the impact of new tariffs on US goods by China make it difficult to isolate the impact of the COVID-19 pandemic on trade. Having said that, there are materials to help frame how to describe what is happening to the economy, how the government and the Federal Reserve are responding to the crisis and resources that measure the impact of COVID-19 on the economy. This document will be updated periodically as economic conditions warrant changes and information becomes available.

The State of the Economy

A [synopsis](#) of the current economic situation has been provided by Michelle Seitz, Chairman and CEO of Russell Investments in Seattle, which compares current events to the Great Recession:

The crisis of 2008-09 was a financial crisis stemming from significant structural impairments in a globally complex interconnected system—this is a global health crisis. It is causing financial market upheaval given the uncertainty of its impact on our global economy. Thankfully, our financial system is far healthier today than in 2008. What governments and central banks are doing now, on an increasingly coordinated basis, is necessary to ensure that a negative feedback loop of financial structural impairments do not amplify the economic and human impact.

The stock market hit an all-time high on February 19, 2020. Sixteen days later, speculation related to COVID-19 led the stock market into a bear market (a 20 percent lower market value than the all-time high). One of the unprecedented characteristics of this current market is volatility. In the securities markets, where the sale of both stocks and bonds takes place, volatility is often associated with big swings in either direction. For example, when the stock market rises and falls more than one percent over a sustained period, it is called a "volatile" market. The Chicago Board Options Exchange Market Volatility Index (VIX) measures the volatility of the stock markets, and in the month since the COVID-19 crisis took hold in the US has been [the most volatile month](#) since the measure was created in 1990.

Washington large cap companies are mostly down since the pandemic has taken hold. Large cap companies are those that are large in terms of total market capitalization (i.e. Microsoft, Amazon, Starbucks, etc.) and are part of the Standard & Poors 500 index.

A real-time spreadsheet that shows how large cap companies in Washington state have performed to date, as well as links to news specific to each company, can be found [here](#).

Boeing is of interest to the Washington state economy. As of March 26, 2020, Boeing has lost over 50 percent of its value over the past year- some of that due to the coronavirus, and some of that due to the grounding of the 737 MAX. Boeing is the largest employer in the state of Washington with over [69,830](#) employees as of 2019. The company suspended production operations for two weeks in the state of Washington beginning on March 25.

On Thursday, March 26th, the US Labor Department reported that a record 3.3 million Americans [applied for unemployment](#) the previous week. In Washington state, there were [14,846](#) claims filed with the Employment Security Department (ESD) during that period, with call volumes to ESD up 1000 percent. Washington state unemployment figures are updated on a monthly basis [here](#).

Coordinated Federal Stimulus and Federal Reserve Actions

A number of economic [experts](#) have advocated for a coordinated response to the pandemic. The Federal Reserve (Fed) has [responded](#) by cutting interest rates to near zero, giving companies and individuals access to interest free (or close to it) cash. The Fed also purchased an additional \$500M in treasury bills and \$200M in mortgage securities to support smooth functioning in the US Treasury and mortgage backed securities market. A current summary of what's in the bill may be found [here](#).

Trade Impacts in Washington State

There are two significant factors impacting trade: the COVID-19 pandemic and the tariff war with China. In the short term, it is worth noting the following points:

- The Northwest Seaport Alliance's total container volume for February 2020 was 260,932 units, [which is a 3.1% year-over-year decrease](#). Full exports increased 4.5% while full imports dropped by 8%. In addition to the coronavirus, tariffs also played a part in the drop, according to an Alliance press release.
- Passenger traffic at SEA Airport was down 68% as of March 17. An average of 50,000 passengers moved through security checkpoints this time last year. As of March 2020, the airport has an average 16,000 passengers moving through per day.
- The US border with Canada closed on March 18. Canada is Washington's second most important trade partner. Canada relies on the US for approximately 75 percent of its exports.

For information on the on-going trade dispute with China, a great resource is the [Peterson Institute for International Economics website](#). It traces where the tariffs were prior to the current dispute through current day.