Economy: National Perspective

Daan Struyven
Senior Economist, Goldman Sachs
US Activity Is Picking up as Reopening Gets Underway
China Has Seen a Quick (Though Uneven) Recovery

*Based on equity analysts’ channel checks and may not cover all aspects of the economy

Fiscal Easing Largely Offsets the Income Hit…

Total Disposable Personal Income, GS Forecast

% change, relative to 2019Q4 DPI

Billions of dollars (SAAR)

Payments to Individuals
Middle Class Tax Relief
Pass-through Limitation Easing
Labor Income, After Tax
Unemployment Insurance Benefits
Proprietor Income
Dividend Income
Interest and Rental Income
Other Transfers
Total DPI

Source: Goldman Sachs Global Investment Research
A Quick Reopening Rebound Then a Gradual Recovery

* Other includes intellectual property products investment, net exports of services, government, and agriculture.

** Impact of private income losses net of the fiscal offset on spending.

Downside Risk 1: Permanent Job Losses and Bankruptcy

Downside Risk 2: US Lags Europe in Virus Control

Source: JHU CSSE. Goldman Sachs Global Investment Research.

Disclosure Appendix

Reg AC

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Economy: Local Perspective

Ryan Ratcliff, PhD
Associate Professor of Economics
University of San Diego

What to Expect in SD?

- US job losses suggest that SD high tech and DoD will see smaller losses (-5% in one month small?)
- While US Durable Mfg. saw big job losses, SD specific outlook (Med Devices, Defense, Telcom) may be better.
- The importance of health care in SD may be a surprising trouble spot based on US numbers.
- Hard to overstate the catastrophe for tourism, leisure, and allied industries...
Resiliency & Recovery: Private Sector

- Y axis based on Chicago study of occupations that can work remotely. If we think in bands..
- 23% of SD GDP is high tech, high wage sectors also have high flexibility of working arrangements.
- 32% is very difficult to do remotely, so the transition to a “new normal” means a longer disruption.
- A lot of what’s in the middle is gov’t and real estate (not shown).

Q&A with Economic Panelists
Industry Perspective
Tourism

Kerri Verbeke Kapich
Chief Operations Officer
San Diego Tourism Authority

COVID-19 Impact on Tourism
Update as of May 14, 2020
Travelers to San Diego County in 2019
Spent $11.6 Billion at San Diego Businesses

30% Generated by
Travelers Here for
Meetings and
Conventions

$3.5
Billion

/ $8.1
Billion

70% Generated by
Travelers Here for
Leisure, Friends and
Family, and Other
Purposes

Source: CIC Research, San Diego County Visitor Profile Study

Travelers to San Diego County in 2019
Generated $855 Million in Tax Revenues

$329 Million
TOT

$273 Million
Sales Taxes

$252 Million
Property Taxes

Source: CIC Research, San Diego County Visitor Profile Study
COVID-19 IMPACT ON SAN DIEGO TOURISM

The full extent of COVID-19’s impact on San Diego tourism is still unfolding:

• Travel restrictions and “shelter in place” emergency measures that began in March have severely impacted all sectors of tourism economy, with closures and limited operations in place. Timing of phases and re-openings not known.
• Group and citywide cancellations started in late Spring and have been continuing into early Summer
• 6+ month impact on the travel industry projected


What’s at Stake… Our Regional Economy

In 2019, the Tourism Industry Contributed:

• $19.2B Regional Impact
• $11.6B Annual Visitor Spending
• 17.72 Million Hotel Room Nights Sold
• 68% of Regional Impact Driven by Hotel Visitors
• 70% of Visitor Dollars are Spent at Non-Lodging Businesses
• $855M in Total Taxes Generated by Visitors
  • $329M in County TOT in FY 2019
• 200,000 San Diegans employed (1 in 8)
California Tourism Forecast
April 24, 2020 Tourism Economics Report

Assumptions

1. Economy
   • Prior to COVID - Recession Started
   • Since COVID
     • Unemployment shoots above 15% in Q2
     • Substantial stimulus enacted

2. Disease
   • Unknown duration and extent
   • Stay-at-home orders concentrated March – June
   • Disease mgmt. policies in place through 2020
   • Gradual Improving context for travel beginning in July

3. Travel Impact and Recovery
   • Hotel Revenue
     • March down 58%, and Q2 down 80%
     • Q3 moderate recovery begins
     • Slow leisure travel
     • Weak business travel
     • Small groups events permitted, low attendance
     • International travel down 64%
   • Upside Factors for California
     • Large proportion of regional drive travel which will resume faster than air travel
     • Q4 is expected to be relatively strong, but will depend on lingering effects of recession and risk aversion among travelers
San Diego County Hotel Performance
Normal Times 70-80%; Post COVID 20-30%

SAN DIEGO COUNTY Tourism Sector Employment Prior to Pandemic

<table>
<thead>
<tr>
<th>Leisure &amp; Hospitality</th>
<th>March 2020 Employment Prelim</th>
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<tbody>
<tr>
<td>Food Services and Drinking Places</td>
<td>137,500</td>
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<td>Accommodations</td>
<td>31,500</td>
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<tr>
<td>Arts, Entertainment, and Recreation</td>
<td>29,700</td>
</tr>
<tr>
<td>Total</td>
<td>198,700</td>
</tr>
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</table>

Does not include Retail and Transportation categories generated by tourism

Source: State of CA EDD
Job Losses Depend Upon Speed of Recovery

SUMMARY TABLE
Comparison of monthly baseline and mitigated downturn scenarios in terms of jobs losses

Forecast summary: Comparison of baseline and scenario travel-related jobs impacts in California, 2020
(thousands)

<table>
<thead>
<tr>
<th></th>
<th>Jan-20</th>
<th>Feb-20</th>
<th>Mar-20</th>
<th>Apr-20</th>
<th>May-20</th>
<th>Jun-20</th>
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<td>68</td>
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<td>613</td>
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<td>163</td>
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Source: Tourism Economics

Temporary job losses relative to average 1.2 million employment in 2019
(precent change from 2019)

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<td>12%</td>
<td>12%</td>
<td>14%</td>
<td>11%</td>
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<td>0%</td>
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<td>0%</td>
<td>0%</td>
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<td>2%</td>
<td>1%</td>
<td>0%</td>
<td>0%</td>
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</tr>
</tbody>
</table>

Source: Tourism Economics

San Diego Tourism Resources at Connect.SanDiego.Org

Open Source Corporate Blog:
Re-opening guidelines and plans by industry sectors
Financial resources for businesses and employees impacted by coronavirus
Industry Perspective
Technology Innovation

Kevin Carroll
Executive Director
Tech San Diego

Industry Perspective
Healthcare

Dimitrios Alexiou
President/CEO
Hospital Association of San Diego & Imperial Counties
Snapshot

Statewide:
• Over 400 hospitals
• $268 Billion in economic output

Regionally:
• 33 hospitals
• Over 8,500 total licensed beds
• Over 1 million emergency department visits annually

Health System Workforce

<table>
<thead>
<tr>
<th>Organization</th>
<th>Total Local Employees</th>
<th>Full-Time</th>
<th>Part-Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sharp HealthCare</td>
<td>18,870</td>
<td>12,587</td>
<td>6,183</td>
</tr>
<tr>
<td>Scripps Health</td>
<td>14,941</td>
<td>12,153</td>
<td>2,788</td>
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<tr>
<td>Kaiser Permanente</td>
<td>9,630</td>
<td>5,318</td>
<td>4,312</td>
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<tr>
<td>UC San Diego Health</td>
<td>8,932</td>
<td>8,104</td>
<td>828</td>
</tr>
<tr>
<td>Rady Children’s Hospital – San Diego</td>
<td>5,541</td>
<td>4,007</td>
<td>1,534</td>
</tr>
<tr>
<td>Palomar Health</td>
<td>4,200</td>
<td>*</td>
<td>*</td>
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<tr>
<td>VA San Diego Healthcare System</td>
<td>3,735</td>
<td>3,250</td>
<td>485</td>
</tr>
<tr>
<td>Tri-City Medical Center</td>
<td>2,177</td>
<td>1,518</td>
<td>659</td>
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</tbody>
</table>

• Approximately 70,000 jobs
• $4 billion in salaries, wages and benefits
### Health Systems Turning Up the Dimmer Switch

#### Challenges
- PPEs
- Testing supplies
- Childcare

#### Priorities
- Deferred care
- Urgent elective procedures
- Maintaining capacity in case of future surges

#### Concerns
- Increasing number of COVID-19 cases as economy re-opens
- Increasing number of patients on Medi-Cal or unable to afford coverage
- Preparing for potential 2nd wave this fall concurrent with flu season

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### Flattening Curve, Not Flattened Curve

#### Hospitalized COVID-19 Patients

<table>
<thead>
<tr>
<th>California Patient Statistics</th>
<th>San Diego Patient Statistics</th>
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</thead>
<tbody>
<tr>
<td><strong>Positive COVID-19 Patients</strong></td>
<td><strong>Positive COVID-19 Patients</strong></td>
</tr>
<tr>
<td>3,301</td>
<td>334</td>
</tr>
<tr>
<td>+17</td>
<td>-5</td>
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<tr>
<td>+0.5%</td>
<td>-1.5%</td>
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<table>
<thead>
<tr>
<th><strong>Suspected COVID-19 Patients</strong></th>
<th><strong>Suspected COVID-19 Patients</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>1,244</td>
<td>51</td>
</tr>
<tr>
<td>-16</td>
<td>-10</td>
</tr>
<tr>
<td>-1.3%</td>
<td>-16.4%</td>
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</table>

<table>
<thead>
<tr>
<th><strong>ICU Positive COVID-19 Patients</strong></th>
<th><strong>ICU Positive COVID-19 Patients</strong></th>
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<tbody>
<tr>
<td>1,075</td>
<td>132</td>
</tr>
<tr>
<td>-3</td>
<td>+1</td>
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<td>-0.3%</td>
<td>+0.8%</td>
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<table>
<thead>
<tr>
<th><strong>ICU Suspected COVID-19 Patients</strong></th>
<th><strong>ICU Suspected COVID-19 Patients</strong></th>
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</thead>
<tbody>
<tr>
<td>239</td>
<td>10</td>
</tr>
<tr>
<td>-32</td>
<td>-3</td>
</tr>
<tr>
<td>-11.8%</td>
<td>-23.1%</td>
</tr>
</tbody>
</table>

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Source: [https://data.chhs.ca.gov/](https://data.chhs.ca.gov/)
Regional Testing Strategy Continues to Evolve

The need and capacity for testing continues to evolve. The most common and reliable testing (PCR) is only accurate for a point in time.

Hospitals and health systems are focused on testing patients and employees.

On average, hospitals conduct approximately 2,500 PCR tests per day. The average number of total tests conducted in San Diego County over the past few days was approximately 2,900.

The State of California recently opened 3 testing sites in San Diego. Those sites are conducting 600-800 tests per day. Statewide, California is now averaging about 35,000 tests a day with a goal of reaching at least 60,000 tests per day.

High Level of Uncertainty in the Short-Term

# of COVID-19 hospitalizations not yet decreasing

Situation at the border continues to evolve

Imperial County has disproportionately high number of COVID-19 patients

Hospitals expect a resurgence of COVID-19 cases in the fall, concurrent with flu season

Widespread testing will be key to understanding next steps

Economic pressures on hospitals will continue in the short term
Industry Perspective
Manufacturing

Barbara Wight
Chief Financial Officer
Taylor Guitars

Industry Perspective
Real Estate

Borre Winckel
President & CEO
Building Industry Association
Q&A with Industry Panelists