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COVID-19 IMPACTS ON THE SAN DIEGO REGIONAL ECONOMY

Six-Months of Economic Analysis Since Statewide Stay Home Order Began

COVID-19 ECONOMIC IMPACT

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October 15, 2020
COVID-19 Impacts on the San Diego Regional Economy

COVID-19 Impacts by the Numbers[1]:

- **$12.4 billion** in expected loss for Gross Regional Product in 2020

- **$4.8 billion** in estimated wages lost in the first six months of the COVID-19 pandemic

- **176,000** workers unemployed due to COVID-19 impacts in the San Diego region

- **23%** fewer lower income earning employees (under $27,000 annually) employed at the end of July, compared to March

- **80%** of job loss due to COVID-19 was in the Tourist, Retail, and Education sectors

- **1 in 5** female employees who lost their jobs were in the Education sector

- **2 in 3** young workers (ages 16 to 24) who lost their jobs were in the Tourism sector

- **50%** of Hispanic workers who lost their jobs were in the Tourism sector

[1] The data presented here are forecasts and estimates based on the most current and robust information available at the time of this report. Because definitive data on jobs and wage trends typically lag months and even years behind events, estimates are used that combine data from a variety of sources, as described in the source notes for each figure. As is the case with all forecasts and estimates, there is a degree of uncertainty which is confounded with a greater number of unknowns. The estimated figures presented here are based on this information, as well as the knowledge and expertise of the economic staff at SANDAG and outside experts when possible.

SUMMARY

After a decade of expansion, the San Diego regional economy saw a downturn due to the COVID-19 pandemic, which resulted in an official U.S. recession. Six months into the pandemic and subsequent economic disruption, many in the San Diego region have experienced some sort of hardship; however, as SANDAG has noted in recent publications, some groups have been disproportionately affected, including females, minorities, lower-income earners, and younger employees.

In 2019, the San Diego region's Gross Regional Product (GRP) was $265 billion. Current forecasts estimate that the economy will contract 4.7% ($12.4 billion) in 2020. This almost erases the economic gains of the previous two years. Forecasts produced pre-COVID had estimated 2.0% annual growth for 2020, so the setback to the economy is closer to 7.0%. If the expected increase of 4.2% currently forecast in 2021 is realized, this would bring the region almost back to the 2019 GRP number.

With an estimated 176,000 workers still unemployed due to COVID-19 in the San Diego region, lower-income workers are more likely to be out of work as this pandemic continues, compared to middle- and high-income workers. In addition, three sectors were disproportionately represented among employment sectors hardest hit: Tourism, Retail, and Education. Across these sectors, an estimated 141,000 employees (80% of those unemployed in the region) lost an estimated $3 billion in wages (representing 63% of all lost wages in the region). Additional disparities include females being more likely to experience a job loss in the Education sector, and younger workers and those who identified as Hispanic being more likely to lose jobs in the Tourism sector.

The information presented here is shared for facilitating a regional discussion as it pertains to the economic situation of the region six months into the pandemic. The data are forecasts and estimates based on the most current independent sources available at the time of this report. It is important when interpreting these numbers to note that these are estimates and may change as additional data and information become available.

This report is researched, written, and updated by SANDAG Data Science Department. For more information, contact Public Information Officer Jessica Gonzales at (619) 699-1950.

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SAN DIEGO GROSS REGIONAL PRODUCT

Gross Regional Product (GRP) is a monetary measure of the market value of all final goods and services produced in the region in a period of time. Although it is not a perfect measure of economic prosperity, increasing GRP is a sign of an economy's strength with a negative GRP indicating an economic weakness. GRP is one of several measures that economists use to estimate the size of regional economies.

The region's economy is expected to contract 4.7% in calendar year 2020, compared to 2019. In 2019, GRP was $265 billion with 2020 GRP estimated to be down by $12.4 billion.

Using this measure, SANDAG monitors nine national economic forecasts,[2] which provide insights into the depth and severity of this pandemic-induced recession. Using these nine national forecasts, SANDAG produces "consensus forecasts" that are used to validate SANDAG forecasts for the San Diego region. Prior to the pandemic, these forecasts showed an expected moderate and steady growth rate of 2.0% in 2020 and 2.0% in 2021.

In June, as data from the early part of the pandemic became available, the forecast was revised to a 7.8% GRP decrease in 2020. This is 9.8% lower than economists believed the economy would be in the pre-COVID forecast. The June consensus forecast also projected a rebound in 2021 of 4.1%, which would be less than half of the loss that had been expected in 2020. With programs injecting trillions of dollars into the national economy, the most recent forecasts released in September show a less negative economic impact resulting from COVID-19 restrictions. The updated forecast estimated a 4.7% decrease in GRP, which represented a downward revision of 6.7% below what was expected for 2020 in the pre-COVID forecast. The September forecasts estimated an increase of 4.2% in 2021, essentially erasing most the GRP loss from 2020.

Figure 1 compares the three forecasts: pre-COVID, June and September 2020. In response to the pandemic, unprecedented amounts of state and federal aid in the form of stimulus dollars have been distributed directly to those who have experienced job loss and has flowed into the national, state, and local economies. However, even with these stimulus dollars, it is estimated that the GRP for the San Diego region will contract by $12.4 billion in 2020 (from the $265 billion in 2019).

Figure 1: San Diego GRP Forecasts - Pre-COVID, June and September 2020

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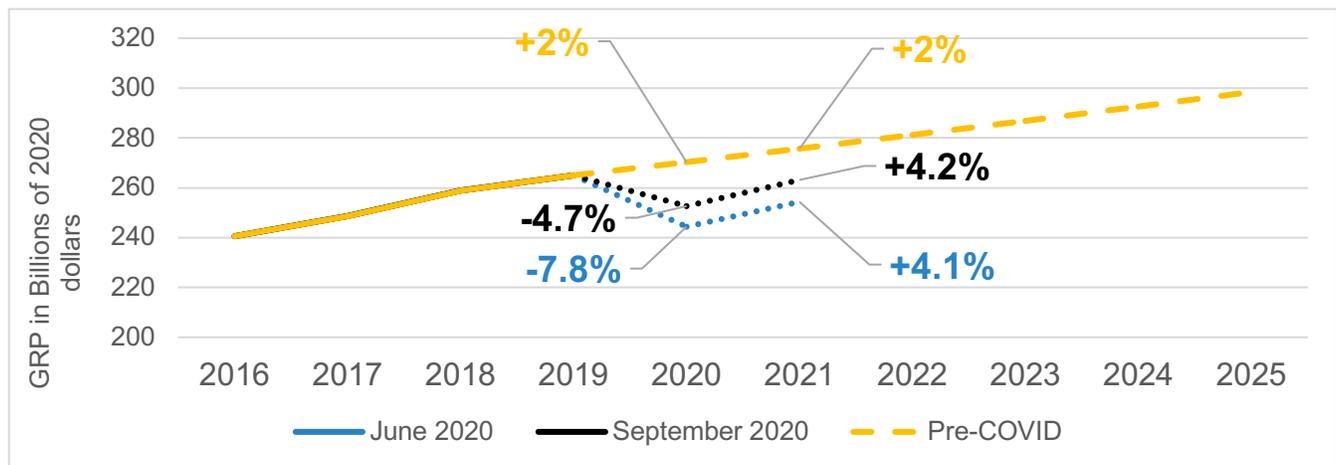
[2] These nine forecasts include: Deloitte, IHS Markit, OECD, U.S. Federal Reserve, Oxford Economics Forecasting, Wells Fargo, Conference Board, Moody's, and Goldman Sachs.

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JOB LOSS BY INCOME CATEGORY (EARNINGS)

Prior to the pandemic, the unemployment rate in the San Diego region was 3.1%, with just over 50,000 unemployed workers. After peaking at around 25% in mid-May with more than 400,000 out of work, the unemployment rate in the San Diego region is estimated to be holding steady between 14% and 17% for the last couple of months.

Lower-income workers have been among those most likely to lose their jobs and after over four months, to remain unemployed, compared to middle- and high-income workers.

However, as Figure 2 shows, the pandemic has had a disproportionate effect on lower-income workers (annual income under $27,000), with these individuals experiencing greater losses immediately following the stay home order and less recovery through the end of July. As of July 29, 2020, there were 23.3% fewer people employed in the lowest income category.

In comparison, high earners (more than $60,000) had more opportunities to go back to work (.8% decrease in jobs at the end of July). For all practical purposes, employment in high wage jobs is back to where it was before the stay home order began. For middle-income wage earners (those earning between $27,000 and $60,000), there was an 8.5% decrease in employment. Additional data suggest that job postings (a measure of job market health) for positions requiring extensive education (such as those in the Innovation sector) are down 15% since mid-March, compared to available jobs that require minimal education, which are down nearly 30%.[3]
This supports the hypothesis that the pandemic-induced recession not only hit the lower-income populations the hardest but that it will take those longer to recover.

Figure 2: Percent Change in Employment by Income Category in the San Diego Region
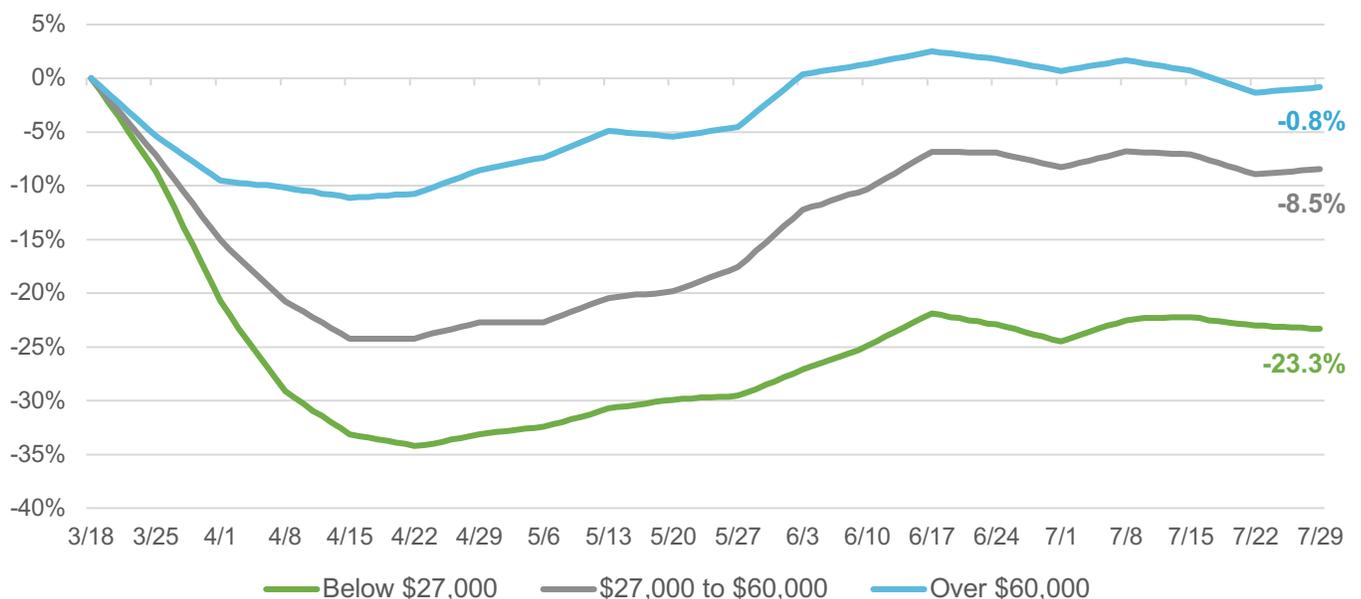
Source: Estimates based on data from Opportunity Insights Economic Tracker based on research from Raj Chetty, John N. Friedman, Nathaniel Hendren, Michael Stepner, and the Opportunity Insights Team tracktherecovery.org/.

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JOB AND WAGE LOSS BY KEY ECONOMIC SECTOR

Six months into the pandemic, an additional 176,000 workers experienced job loss. Job loss affected three of the region's economic sectors (Tourism, Retail, and Education) disproportionately. An estimated 4 in 5 (80%) unemployed workers were employed in these three sectors prior to the pandemic (Figure 3). These sectors represent approximately one-third (37%) of the region's jobs pre-COVID.

During the first six months of the pandemic, tourism, retail, and education represented 80% of jobs lost in 2020 and 63% of lost wages.

The current recession is unique and the sectors most impacted are not typical. In past recessions, high levels of job loss were seen as a result of an economic downturn. The sectors most impacted now are high-contact and close-proximity occupations. As a result of the health crisis and subsequent shutdowns, businesses in these sectors have suffered the greatest job losses.
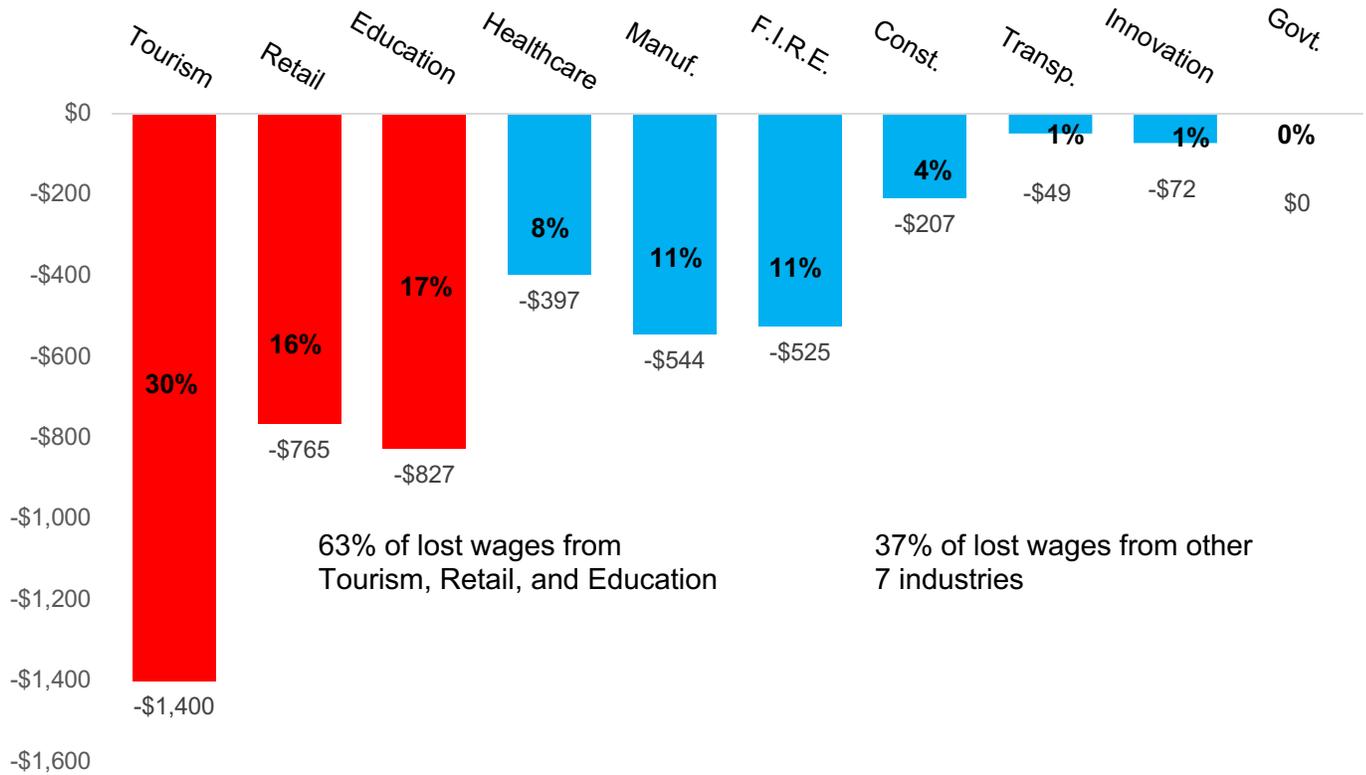
Figure 3: Estimated Job Loss in the San Diego Region by Employment Sector August 2019 to August 2020
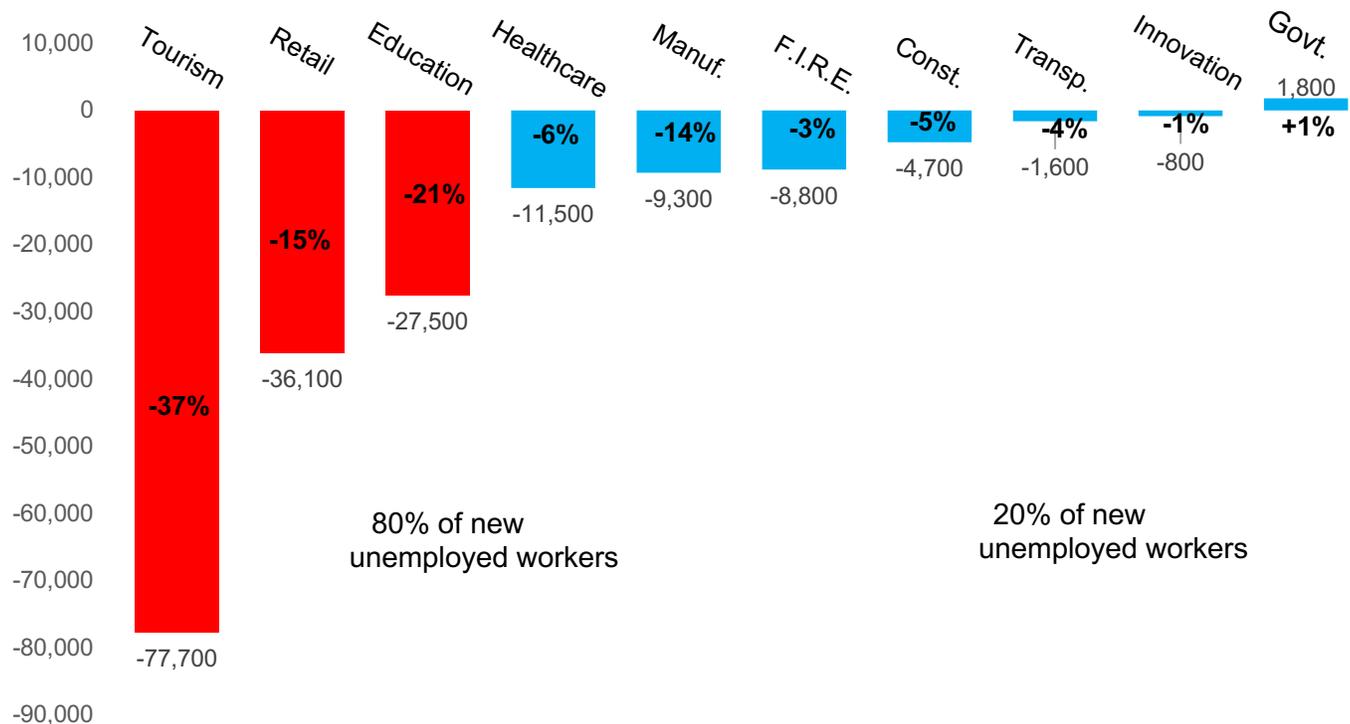
Source: SANDAG estimates using August 2019 and August 2020 Employment Development Department Industry employment Release date September 18, 2020; and Applied Geographic Solutions, Inc., Thousand Oaks, California, Weekly Release September 14, 2020. Note: Does not include uniformed service military employment.

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SANDAG estimates nearly $4.8 billion in lost wages among newly unemployed workers in the region amid the pandemic. As Figure 4 shows, employees in the Tourism sector lost $1.4 billion in wages (30% of total wages lost in the region), employees in Retail lost $765 million in wages (16% of total wages lost), and employees in Education lost $827 million in wages (17% of the total wages lost). These three sectors represent nearly two-thirds (63%) of the lost wages by workers experiencing job loss due to the pandemic.

Figure 4: Estimated Wage Loss (in Millions) in the San Diego Region by Employment Sector August 2019 to August 2020

63% of lost wages from Tourism, Retail, and Education

37% of lost wages from other 7 industries

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JOB LOSS IN TOURISM

Prior to COVID-19, the Tourism sector represented 13% of the San Diego economy, employing more than 200,000 workers. Visitor spending supports the regional economy with tourism contributing an estimated $11.6 billion to the economy annually[4].

After six months of COVID-19 impacts and consumer behavior changes, employment in the tourism sector continued to see a decrease of 37%, with nearly 77,700 newly unemployed workers. To date, $1.4 billion in wages have been lost in this sector.

Additional analysis revealed that younger workers (between the ages of 16 and 24) and Hispanics are among those most impacted by the job losses in the tourism sector.

Specifically, of the approximately 35,400 younger workers who experienced job loss in the past six months, an estimated 2 in 3 (67%) were employed in tourism.

When comparing ethnicity, 1 in 2 (50%) of the approximately 64,800 Hispanic individuals who experienced job loss post-COVID were estimated to be employed in this sector.

Pre-COVID
- 13% of regional employment
- 202,500 jobs

COVID-19 Impact
(first six months)
- 77,700 total jobs lost
- 37% job loss in sector
- $1.4 billion in lost wages

Job Losses
- Female = 37,000
- Youth (16-24) = 23,800
- Black = 2,700
- Hispanic = 32,300

JOB LOSS IN RETAIL

Pre-COVID
- 15% of regional employment
- 245,400 jobs

COVID-19 Impact
(first six months)
- 36,100 total jobs lost
- 15% job loss in sector
- $765 million in lost wages

Job Losses
- Female = 18,100
- Youth (16-24) = 6,100
- Black = 1,300
- Hispanic = 13,800

After six months of COVID-19 impacts and changes in consumer behavior, employment in Retail was down by 15%, with an estimated 36,100 workers losing their jobs. Amid the pandemic and consumer behavioral changes, an estimated $765 million in wages have been lost by people employed in the Retail sector.

Online shopping has become a necessity during the height of the pandemic and a large percentage of Retail sales have shifted online through e-commerce as consumers have become more comfortable shopping online in the past six months.

An estimated 1 in every 5 employees across the spectrum of gender and race/ethnicity in the Retail sector experienced job loss during the pandemic.

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[4] sandiego.org/about/industry-research.aspx

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JOB LOSS IN EDUCATION

Pre-COVID

- 9% of regional employment
- 144,000 jobs

COVID-19 Impact
(first six months)

- 27,500 total jobs lost
- 21% job loss in sector
- $827 million in lost wages

Job Losses

- Female = 18,800
- Youth (16-24) = 2,800
- Black = 1,400
- Hispanic = 7,600

In the first six months of the pandemic, employment in the Education sector was down 21%, with approximately 27,500 jobs lost. During the first six months of the pandemic, $827 million in wages have been lost by workers employed in this sector. Occupations that have been most greatly affected include education support professionals such as teacher's aides and other support staff.

Those most affected in the Education sector were females. Of the 89,100 females who have become unemployed post-COVID, an estimated 1 in 5 (21%) were working in the Education sector, compared to 10% for males.

An estimated 1 in 5 (21%) Black individuals who lost a job post-COVID worked in education, compared to 12% of Hispanic individuals who experienced job loss.

DATA SCIENCE AND ANALYTICS AT SANDAG

As the regional leader in economic analysis, the SANDAG Data Science and Analytics team uses complex, descriptive, and predictive data to inform and support policy decisions that promote economic, social, and environmental prosperity in the San Diego region. The team works to provide critical information for policy makers and elected officials to make intelligent investments for the San Diego region.

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