The Tale of Two Recoveries
Forecast by Spencer Cohen, PhD, Principal, High Peak Strategy LLC

On Friday, February 25, 2022, Spencer Cohen, PhD of High Peak Strategy LLC presented a forecast of economic data at the OneEastside Economic Outlook Summit. It was a tale of two economic recoveries, with some sectors of the economy, including technology, making a robust recovery from the impact of the COVID-19 pandemic, but a slower recovery with continued challenges for others, including the eastside’s small business community.

Key takeaways –
- While statewide, jobs were lost during the pandemic, the eastside’s total number of jobs grew, in large part because of robust growth of jobs in the tech sector.
- Inflation, affordable housing, supply chain issues and staffing remain ongoing challenges
- Eastside small businesses, especially restaurants, retail, and personal services, continue to struggle, especially as many of the tech workers who were their loyal customers before the pandemic, remain hybrid or fully remote workers.
- The eastside tech sector will continue to drive growth, with the area becoming the fastest growing tech hub in the country.

Nationally and internationally, in 2021 China grew by 8.1%, the US economy grew by about 5.7%, and in 2022, is expected grow at about 4%, largely recovering much of the economic output lost during the pandemic. Cohen observes that by 2030, China may approach or surpass the US as the largest economy in the world. China remains an important trade partner to Washington state, as well as especially critical market for tech companies that are based on the eastside.

Unemployment is one of the indicators of two recoveries. Unemployment has fallen from a peak of about 15%, down to about 4%. But Cohen observes there is a significant gap, for BIPOC job seekers and individuals lacking a bachelor’s degrees, who continue to experience higher unemployment.

Inflation also remains a concern. Cohen observes that inflation has been rattling markets, eroding household purchasing power, and has raised worries about the long-term impacts on the economy. Across all measures, there have been historic high increases in inflation, the highest since the early 1980s. Inflation could dampen growth and the recovery potentially. Cohen links the rise of inflation to two factors – a tight labor market and unresolved supply chain issues.
Supply chain issues were reflected in that 77% of ports globally during the pandemic have experienced some degree of backlog and abnormally long times for turnaround of container traffic. And was compounded by a shortage of truck drivers once goods were off loaded. “There was a delicate balance that was already in place before the pandemic, that really created a lot of stress and disruptions and delays in the supply chain.” In addition to transportation, supply chain issues were impacted by changes in consumer behavior including a shift to purchasing more physical goods via ecommerce.

These challenges impacted the Pacific Northwest and East King County specifically. “So many of our businesses here are import intensive, they really depend on the availability of imported components and goods in their manufacturing process. And that’s particularly true with aerospace, food and beverage processing, and various other kinds of advanced manufacturing, that really can be a drag on growth.”

As part of a tale of two recoveries, Cohen observed the difference between the growth seen in the tech sector on the eastside vs. employment statewide. During the pandemic, “Washington state employment contracted by about 5.3%, while the tech sector grew by 8%. And so many of those tech sector jobs were on the eastside, and they're playing a big role. Tech continues to drive growth. Between 2018 and 2021, the eastside became the fastest growing tech hub nationally. This has impacted the eastside’s population growth and the availability of affordable housing and the rapid rise of commercial leasing rents.

And while tech recovers rapidly, many eastside small businesses continue to struggle. Cohen sees continued challenges ahead. Without affordable housing, small businesses will continue to struggle to find workers who cannot afford to live near where they work. And if tech companies continue to support hybrid and fully remote workers, the eastside small businesses that catered to those workers will be greatly impacted. So many businesses, especially minority owned ethnic businesses, relied on that daily foot traffic.

And the pandemic may have created lasting shifts in consumer preferences that will have long term consequences observes Cohen. “Before the pandemic, there was a very sudden increase in ecommerce sales. And that’s likely to stay as people become increasingly comfortable with ordering a larger share of their basket of goods through ecommerce platforms and not going to stores as much.”

The eastside’s arts and culture sector and nonprofit sectors could also be impacted. “These organizations will be challenged to think about ways to leverage new technology to deliver at least part of what they do to their consumer or constituent base.”