



The Regional Outlook San Francisco

Spring 2021

As the pandemic took its economic toll on San Francisco last March, the media adopted a despondent tone almost immediately. Endless anecdotes about the vacant nature of the city and the waves of workers leaving *en masse* left many wondering when, if ever, San Francisco would make a comeback. But the outlook for the rest of 2021 is positive. New COVID-19 cases continue to plummet, and as of March 1, according to Mayor London Breed's Twitter account, one in five San Franciscans have received a coronavirus vaccine. These trends, combined with the reopening of hotels and outdoor dining in the city, mean that San Francisco's economy will gather pace as 2021 progresses, even if first quarter metrics appear sluggish.

San Francisco In Transition?

Few metro areas in the United States have been as economically battered by the pandemic as San Francisco. In March and April 2020, roughly 195,000 jobs were lost – over 16% of all jobs in the region. While these losses were expected to be temporary, as of December 2020 only 69,300 jobs (35.6%) have returned. This means there are now 10.4% fewer jobs in San Francisco than there were before the pandemic – a worse figure than the state, which reports 8.0% fewer jobs. The region's unemployment rate has since fallen from a May peak of 12.3% to 7.4%, higher than the South Bay (7.0%), but lower than the East Bay (9.3%), and the state (9.0%). Nonetheless, December was the first month since May that San Francisco metro reported a month-to-month increase in the unemployment rate, yet another sign of a stalled recovery.

Employment gains were minimal across all industries in San Francisco's struggling labor market. The largest gains in December were in the Professional/Business sector, which added around 2,200 jobs. This was followed by Information, which added around 560 jobs, and Finance and Insurance, which added 240 jobs. The Accommodation and Food sector remains the least-recovered industry in the metro. Almost a year after the onset of the pandemic, job losses in this sector account for roughly 41% of all payroll job losses, and jobs in this sector still stand at 39.9% below their February 2020 peak. The Arts and Entertainment sector is also struggling, with payroll employment numbers at 32% of their peak. However, job losses in this sector accounted for only 5.6% of all payroll job losses in the region.

Employment by Industry, San Francisco (MD)

Industry	Dec-2020 (000s)	Feb-20 to Dec-20		Dec-19 to Dec-20	
		Growth (%)	Change (000s)	Growth (%)	Change (000s)
Total Nonfarm	1,073	-10.4%	-125.2	-9.9%	-118.1
Real Estate	24	3.7%	0.9	2.4%	0.6
Finance and Insurance	65	1.6%	1.0	2.4%	1.5
Professional/Business	294	-2.7%	-8.0	-1.2%	-3.6
Education/Health	140	-6.5%	-9.7	-5.7%	-8.4
Retail Trade	72	-7.7%	-6.0	-7.5%	-5.8
Manufacturing	36	-7.9%	-3.1	-8.3%	-3.2
Construction	39	-8.5%	-3.6	-9.0%	-3.9
Information	92	-8.8%	-8.9	-8.8%	-8.9
Government	120	-9.2%	-12.1	-8.8%	-11.7
Wholesale Trade	22	-14.6%	-3.8	-15.1%	-3.9
Transport, Warehouse, Util.	43	-15.1%	-7.6	-15.6%	-7.9
Other Services	35	-15.8%	-6.5	-15.5%	-6.4
Arts and Entertainment	15	-32.4%	-7.0	-30.8%	-6.5
Accommodation and Food	77	-39.9%	-50.8	-39.6%	-50.2

Source: California Employment Development Department (EDD). Analysis by Beacon Economics.

Small Businesses In San Francisco Struggle To Reopen

Of all major metros in California, San Francisco has consistently ranked the worst in small business closures as a result of the pandemic. As of February 2021, data from Opportunity Insights suggests a 50.5% drop in open small businesses compared to pre-pandemic levels, much worse than California as a whole (-35.4%), and the United States (-34.2%). (Note: 'small business' is defined as those with annual revenues and/or employees below thresholds set by the Small Business Administration. These vary across industries.) The drop in San Francisco has been consistently the worst in California. At its best, in mid-October, San Francisco reported a 40% drop in open small businesses relative to pre-pandemic levels – far worse than the lows reported in the East Bay (-28.6%), the South Bay (-32.2%), and California overall (-23.2%).

The Leisure and Hospitality industry in San Francisco remains the worst in terms of closures. The most recent data suggests a 66.7% drop in San Francisco's Leisure and Hospitality small businesses compared to a year ago, much worse than either California (-50%), or the United



States (-52.3%). Additionally, while the best-recovered small businesses in San Francisco are those in Professional and Business Services (-30.4% change), even figures for this industry are still below figures for the state (-23%) and the nation (-24.3%). How long these impacts will ultimately play out depends on how many businesses make work-from-home a permanent fixture of their operations.

Total revenues in San Francisco's Leisure and Hospitality sector have taken a similarly drastic downturn, with the latest data indicating an 83.4% drop compared to pre-pandemic levels, much worse than either California or the United States, which both reported revenue falls of 63%. As of February 2021, no other industry comes close to this level of revenue drop-off. Revenues in Transportation have fallen only 36.5% relative to pre-pandemic levels, while those in Professional Services, and Education/Health have fallen 23.3% and 64%, respectively.