



ECONPULSE

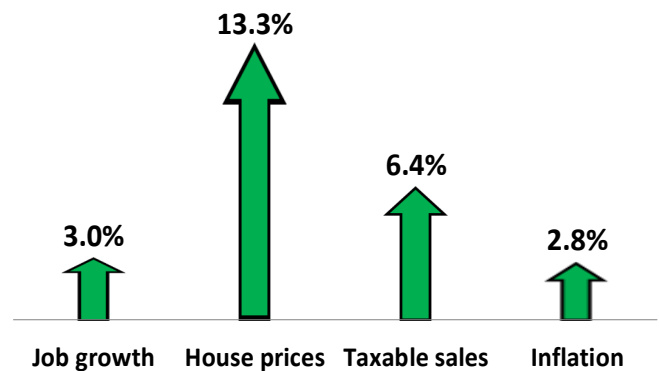
A QUARTERLY LOOK AT THE KING COUNTY ECONOMY
 KING COUNTY OFFICE OF ECONOMIC AND FINANCIAL ANALYSIS

THIRD QUARTER 2017

SUMMARY

- King County employment growth slowed slightly to 3.0% in the third quarter of 2017 relative to 2016, with strong growth in information, government, and trade, transportation, and utilities jobs.
- Home prices increased by 13.3% compared with the third quarter of 2016.
- Taxable sales growth increased, rising 6.4% in July and August.
- Inflation slowed a bit, up 2.8% in August.

King County Key Economic Indicators
 (Q3 2017 growth compared to Q3 2016)



DETAIL

King County employment in all sectors increased in the third quarter, with the lone exception being small losses in nursing and residential care jobs. The greatest number of jobs were added in the third quarter in trade, transportation, and utilities (9,300 new jobs), government (6,700 new jobs), and information (6,500 new jobs) relative to the third quarter of 2016. Software developers continue to be the most in demand position in King County, based on new jobs posted online. A deeper look at the continued strong jobs growth in the area and its impact on wages can be found in this quarter's Focus section, beginning on page 4.

King County Total Employment
 (monthly non-farm jobs, in millions)

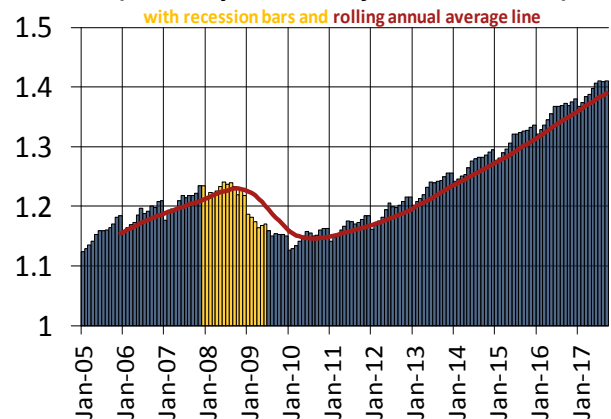


Fig. 1 Non-Farm Employment in King County (Source: WA ESD)

The unemployment rate for King County ticked up slightly during the third quarter, rising to 3.9% in September, which matches the unemployment rate a year prior. Initial claims for unemployment insurance continue to set record lows, down to 4,512 in September.

DETAIL (CONT.)

Seattle House Prices
(Case Shiller index, Jan-2000=100)
with recession bars and rolling annual average line

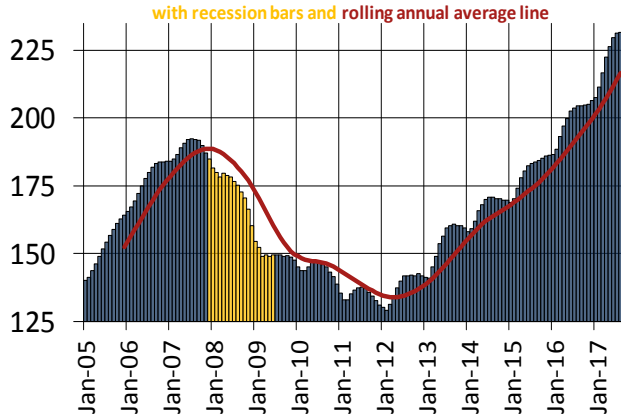


Fig. 2 Seattle Case-Shiller Index (Source: S&P)

The Seattle area housing market has been the hottest in the country for a full year with prices increasing 13.3% year over year in the third quarter. The average sales price for a home in King County edged up to over \$700,000 in August, before settling at about \$690,000 for the third quarter.

The number of new single- and multi-family permits were both up slightly in the third quarter relative to a year prior. The cost of construction for multi-family housing, however, jumped significantly, suggesting that units being built are on the higher end.

King County Permit Values
(new, privately-owned, in millions \$)
with recession bars and rolling annual average line

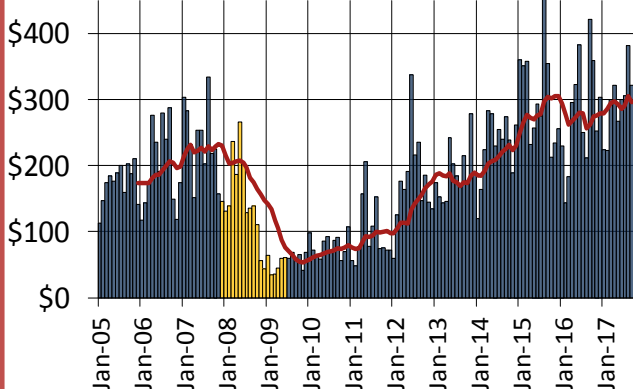


Fig. 3 Value of King County Permits (Source: U.S. Census Bureau)

Taxable retail sales reversed four quarters of slowing growth, growing 6.4% in July and August. Growth was positive in retail, construction, and services, particularly in professional, scientific, and technical services.

Taxable Sales Growth
(annual average of top four sectors)

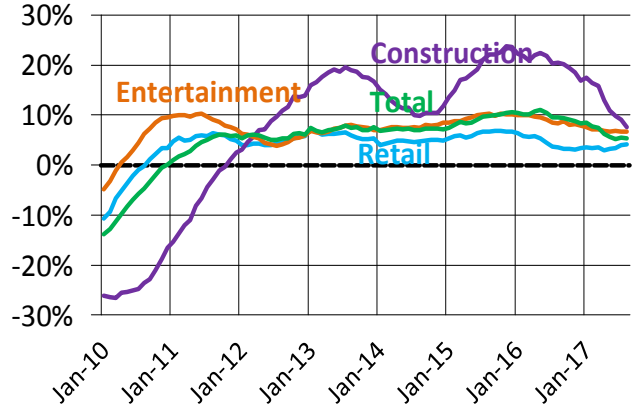


Fig. 4 Taxable Sales Growth in King County (12 month avg)
(Source: WA DOR)

Inflation rose 2.8% in August, as measured by the CPI-W for Seattle. Rising housing costs and higher fuel costs drove much of the increase.

Seattle Inflation
(CPI-W, annually adjusted)
with recession bars and rolling annual average line

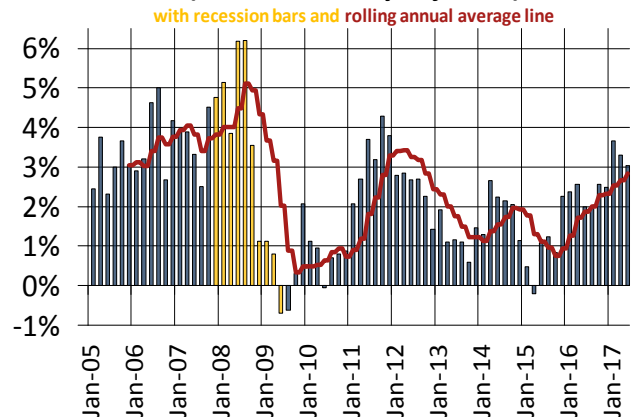


Fig. 5 Seattle Consumer Price Index (Source: BLS)

THE NUMBERS

King County Employment (in thousands)

NAICS Industry	2017:3Q	2016:3Q	Absolute change	% Change
Total Nonfarm	1,410.1	1,369.6	40.5	3.0%
Total Private	1,229.9	1,196.1	33.8	2.8%
Goods Producing	181.3	179.6	1.7	1.0%
Construction	74.6	73.2	1.5	2.0%
Manufacturing	106.2	105.9	0.3	0.3%
Service Providing	1,228.7	1,190.0	38.8	3.3%
Trade, Transportation, and Utilities	268.0	258.7	9.3	3.6%
Information	105.1	98.6	6.5	6.6%
Financial Activities	72.4	72.0	0.4	0.5%
Professional and Business Services	230.3	224.9	5.4	2.4%
Educational and Health Services	177.3	172.6	4.7	2.7%
Educational Services	26.5	25.5	1.0	4.1%
Ambulatory Health Care Services	59.5	57.7	1.9	3.2%
Hospitals	29.8	29.4	0.4	1.5%
Nursing and Residential Care Facilities	20.8	20.9	-0.1	-0.5%
Social Assistance	40.5	39.2	1.4	3.5%
Leisure and Hospitality	144.2	141.2	3.0	2.1%
Arts, Entertainment, and Recreation	28.6	27.5	1.1	4.1%
Accommodation	14.9	14.3	0.6	4.4%
Food Services and Drinking Places	100.6	99.4	1.2	1.2%
Other Services	51.3	48.5	2.8	5.7%
Government	180.2	173.5	6.7	3.9%

Other King County Economic Indicators

	2017:Q3	2016:Q3	% Change
Real Estate			
Single Family Permits (No. of units)	1,065	1,027	3.7%
Single Family Permits (\$000)	\$ 398,907	\$ 399,304	-0.1%
Multi-Family Permits (No. of units)	3,490	3,486	0.1%
Multi-Family Permits (\$000)	\$ 610,461	\$ 484,235	26.1%
Avg. sales price (NW Multiple Listing Service)	\$ 689,376	\$ 606,256	13.7%
Number of sales (NW Multiple Listing Service)	10,295	10,618	-3.0%
Taxable Retail Sales (\$B, July-August)	\$ 11.27	\$ 10.58	6.4%
Retail/Wholesale	\$ 4.53	\$ 4.28	5.9%
Construction/Real Estate	\$ 3.22	\$ 3.01	6.9%
Food Service, Accommodation, Entertainment	\$ 1.99	\$ 1.89	5.2%
Other	\$ 1.53	\$ 1.41	8.7%
Inflation (August)			
CPI-W (Seattle-Tacoma-Bremerton)	259.53	252.39	2.8%

FOCUS: WAGES IN THE SEATTLE-BELLEVUE-EVERETT METRO AREA

With construction cranes ubiquitous on our skyline and local housing prices making national headlines, the strong economy in and around King County can be credited to our booming employment market. According to the Bureau of Labor Statistics’ Occupational Employment Statistics for the Seattle-Bellevue-Everett metro division, total employment has grown from 1.33 million in 2001 to 1.59 million in 2016, an increase of 19% even though the time period includes two recessions. In the time period since the recovery from the Great Recession began in 2010, total employment has grown 18%. As employment has increased, so, too, have

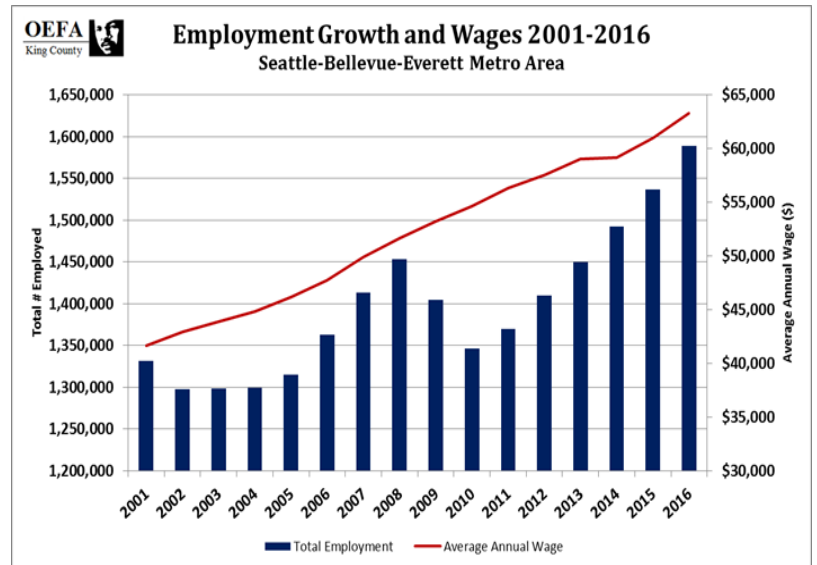


Fig. 6 Metro Area Employment & Wages (Source: WA ESD; BLS)

wages. The average annual wage in the metropolitan area has grown from \$41,620 in 2001 to \$63,300 in 2016, an increase of 10.8% after inflation. However, even a quick glance at detailed employment numbers reveals that many of the new jobs are in high-paying sectors. To uncover how much of the recent wage growth is being shared down the pay scale, we must dig a bit deeper.

Fortunately for us, the available statistics are broken out to a significant level of detail. One can discover the average annual wage for the fourteen metal-refining furnace operators in the Seattle-Bellevue-Everett metro area as easily as that of the 45,504 software developers. Detailed employment and wage data is available for 840 different detailed occupations, with every employee categorized into a standard occupational code, or “SOC”. Occupations are then combined to create 461 broad occupations, 97 minor groups, and 23 major groups. As fun as it is to dig through 840 different occupations and their wages, our analysis will primarily focus at the SOC major group level, with the different categories listed in Figure 7. The different occupational categories employ a widely ranging number of workers, with the largest in the Seattle-Bellevue-Everett area, office and administrative support, employing 218,740 people in 2016. At the other end of the spectrum, farming, forestry, and fishing employ only 2,430 people in the area.

Standard Occupational Classification Major Groups	
11-0000	Management
13-0000	Business & Financial Operations
15-0000	Computer & Mathematical
17-0000	Architecture & Engineering
19-0000	Life, Physical, & Social Science
21-0000	Community & Social Services
23-0000	Legal
25-0000	Education, Training, & Library
27-0000	Arts, Design, Entertainment, Sports, & Media
29-0000	Healthcare Practitioners & Technical
31-0000	Healthcare Support
33-0000	Protective Service
35-0000	Food Preparation & Serving Related
37-0000	Building & Grounds Cleaning & Maintenance
39-0000	Personal Care & Service
41-0000	Sales & Related
43-0000	Office & Administrative Support
45-0000	Farming, Fishing, & Forestry
47-0000	Construction & Extraction
49-0000	Installation, Maintenance, & Repair
51-0000	Production
53-0000	Transportation & Material Moving
55-0000	Military Specific

Fig. 7 Standard Occupation Codes (Source: Bureau of Labor Statistics)

FOCUS: WAGES (CONT.)

Among the top ten occupational categories, which account for 75% of total employment in the Seattle-Bellevue-Everett metro area, gains in average annual wage between 2001 and 2016 ranged from 30% to 63%. The largest percentage gains were in management and computer and mathematical occupations, which remain the highest paid. The slowest growth occurred in sales and related occupations, as well as office and administrative support. Additionally, the gap between the highest wage earners and the lowest is widening. In 2001, the lowest earning category, food preparation, made 23.5% of a management professional’s salary, while in 2016 they now make 22.1%.

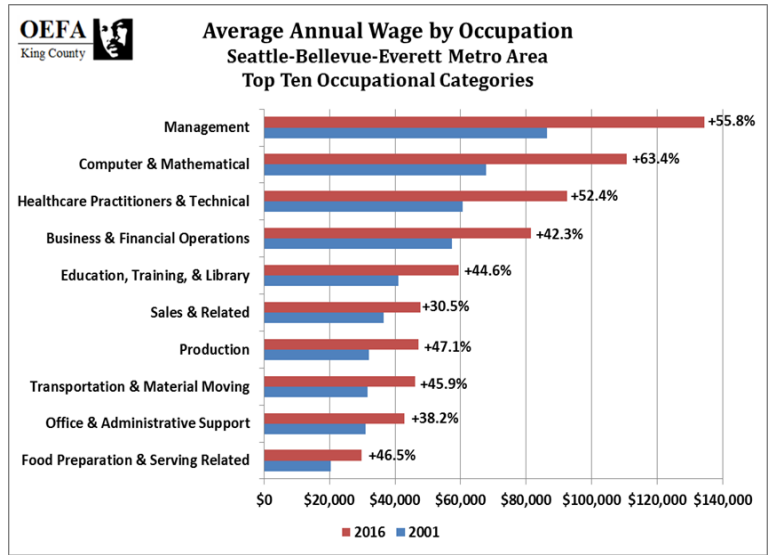


Fig. 8 Metro Area Average Annual Wages (Source: WA ESD; BLS)

Combining the wage growth data with the jobs growth by occupation data in Figure 9 below, we can see that much of the employment growth in the Seattle-Bellevue-Everett metro area has been concentrated within the higher-wage earning industries such as management, technology, and finance. Of the 260,000 new jobs created between 2001 and 2016, 145,000 of them are within those three categories, accounting for 56.5% of the growth. Also growing rapidly is the lowest-earning occupation category – food preparation and serving. The growth in lower paying employment explains at least in part the difference in growth between the average annual wage and the median annual wage. The average annual wage has grown 52% since 2001 to \$63,300, pulled steadily upward by the faster wage growth among high paying jobs. Meanwhile the median wage, or the point at which half of all workers earn more and half earn less, is now \$49,200, having grown 41% since 2001.

A more positive bit of data for the lower wage earners is that since the implementation of minimum wage laws in Seattle, wage growth has picked up. The three lowest earning occupation categories had annualized wage growth slower than the overall average between 2001 and 2014, ranging from -0.2% to 2.2% growth per year compared to the average annual growth overall of 2.7%. In 2015, when wage laws were implemented in the city of Seattle, wages grew 6.3% for food service positions, 4% for building and grounds cleaning and maintenance, and 6.3% for personal care, while overall wages grew 3.2%.

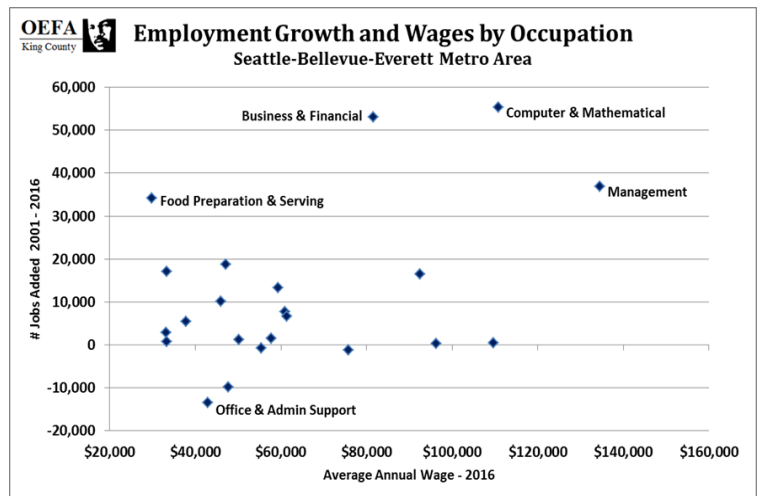


Fig. 9 Employment Growth & Wages by Industry (Source: WA ESD; BLS)

The Office of Economic and Financial Analysis operates as an independent agency of King County, and provides economic and financial analysis and forecasting to support county operations and planning and the people of King County.

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