



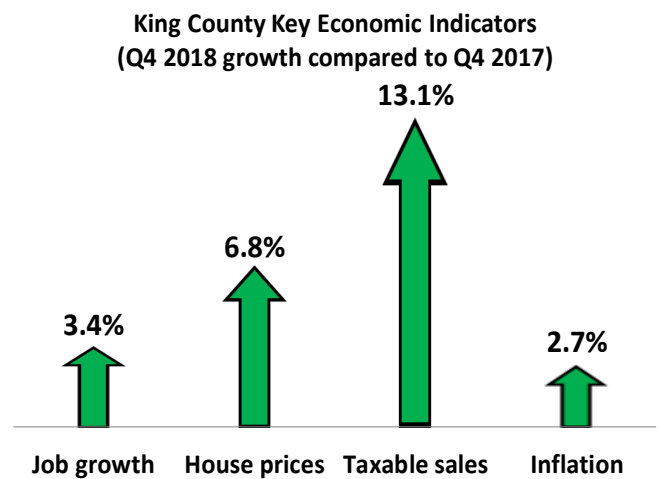
ECONPULSE

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

FOURTH QUARTER 2018

SUMMARY

- King County employment grew at 3.4% in the fourth quarter of 2018 relative to 2017, with strong growth in information, professional and business services, and trade, transportation, and utilities jobs.
- Home prices increased by 6.8% compared with the fourth quarter of 2017.
- Taxable sales rose 13.1% in October and November.
- The inflation rate was 2.7% in December.



DETAIL

King County experienced solid employment growth in most sectors in the fourth quarter of 2018. Sectors experiencing declines include nursing and residential care and government. Information jobs showed the fastest growth, adding 9,600 jobs in the fourth quarter. New job postings overall continue to be down year over year, with 9.6% fewer jobs posted in the fourth quarter of 2018 than the fourth quarter of 2017. Amazon remains the most active company in terms of hiring, with 8,697 online job postings between September and December of 2018. Health care providers such as Providence Health, PeaceHealth, and Kaiser Permanente were also very active, posting an increasing number of jobs relative to 2017.

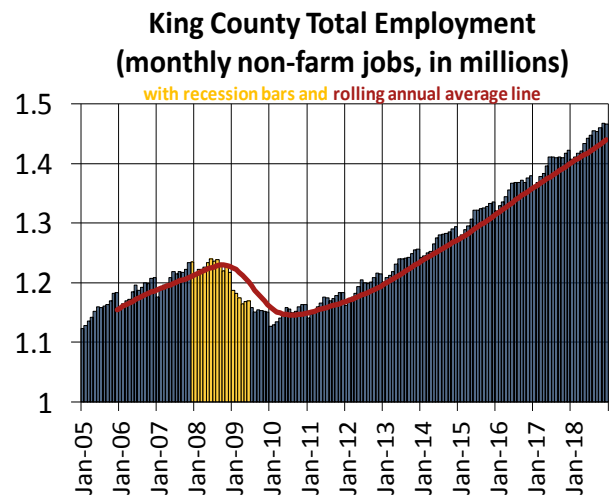


Fig. 1 Non-Farm Employment in King County (Source: WA ESD)

The unemployment rate for King County fell to 3.3% in December while the national rate increased slightly to 3.9%. Initial claims for unemployment insurance were low at 5,115 in December, although this represents a slight increase from a year prior.

DETAIL (CONT.)

Seattle House Prices
(Case Shiller index, Jan-2000=100)

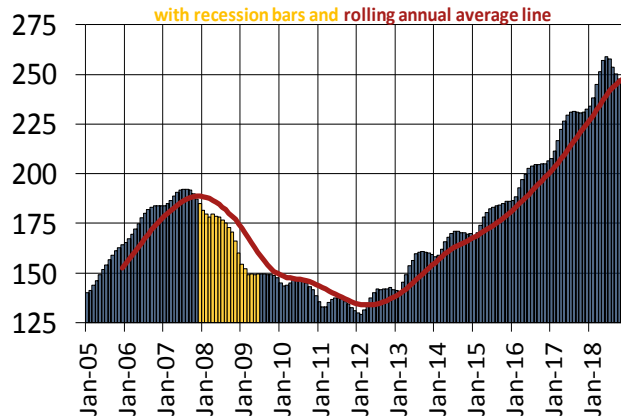


Fig. 2 Seattle Case-Shiller Index (Source: S&P)

The Seattle-area housing market continues to cool down a bit, with prices increasing 6.8%. Sales activity slowed considerably, down 18.9% in the fourth quarter compared to 2017.

Residential permitting data available through November of 2018 showed increases in single family permitting and sharp declines in multi-family permitting compared to the same period in 2017. Data for December is not available at this time due to the Federal government shutdown.

King County Residential Permit Values
(new, privately-owned, in millions \$)

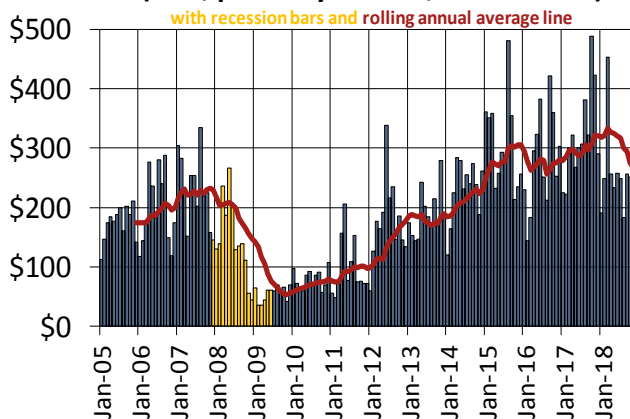


Fig. 3 Value of King County Residential Permits (Source: U.S. Census Bureau)

Taxable retail sales experienced robust growth, increasing 13.1% in October and November. Construction taxable sales increased 15.7% compared to the same time period in 2017.

Taxable Sales Growth
(annual average of top four sectors)

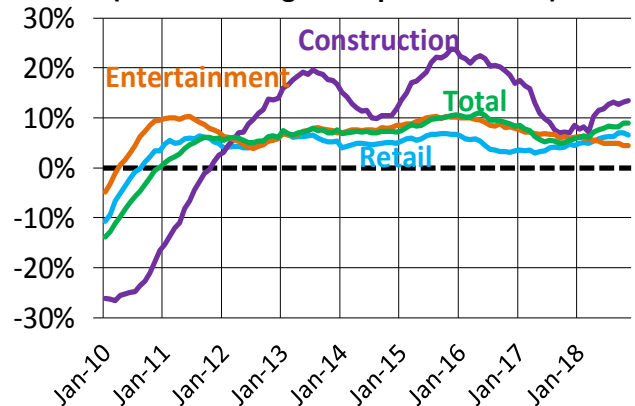


Fig. 4 Taxable Sales Growth in King County (12 month avg) (Source: WA DOR)

Inflation continued to slow, rising 2.7% in December as measured by the CPI-W for Seattle. National inflation also slowed, rising 1.9% in December. Declining fuel prices offset increases in housing costs.

Seattle Inflation
(CPI-W, annually adjusted)

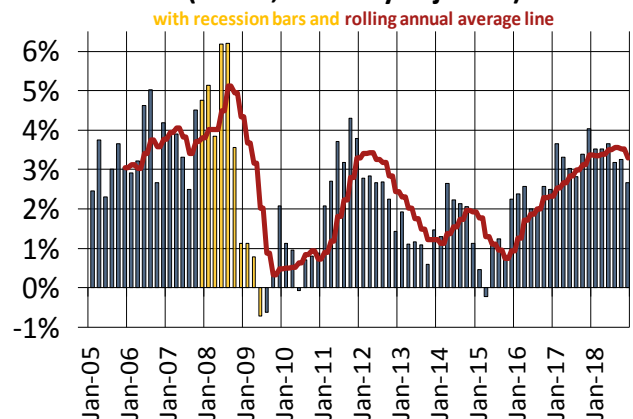


Fig. 5 Seattle Consumer Price Index (Source: BLS)

THE NUMBERS

King County Employment (in thousands)

NAICS Industry	2018:4Q	2017:4Q	Absolute change	% Change
Total Nonfarm	1,464.9	1,416.3	48.6	3.4%
Total Private	1,285.5	1,233.2	52.3	4.2%
Goods Producing	188.1	178.5	9.6	5.4%
Construction	81.4	75.6	5.8	7.7%
Manufacturing	106.2	102.4	3.8	3.7%
Service Providing	1,276.8	1,237.8	39.0	3.2%
Trade, Transportation, and Utilities	285.0	276.2	8.8	3.2%
Information	114.2	104.5	9.6	9.2%
Financial Activities	75.3	71.7	3.6	5.1%
Professional and Business Services	237.6	230.2	7.5	3.2%
Educational and Health Services	188.8	183.1	5.7	3.1%
Educational Services	32.0	29.9	2.1	6.9%
Ambulatory Health Care Services	61.7	60.6	1.1	1.9%
Hospitals	31.5	30.3	1.2	4.0%
Nursing and Residential Care Facilities	20.1	20.4	-0.3	-1.3%
Social Assistance	43.6	41.9	1.7	4.0%
Leisure and Hospitality	145.1	140.0	5.2	3.7%
Arts, Entertainment, and Recreation	26.5	24.8	1.7	6.7%
Accommodation	15.0	14.6	0.4	2.7%
Food Services and Drinking Places	103.7	100.6	3.1	3.1%
Other Services	51.4	49.1	2.3	4.7%
Government	179.3	183.1	-3.8	-2.1%

Other King County Economic Indicators

	2018:Q4	2017:Q4	% Change
Real Estate			
Single Family Permits (No. of units) (Oct-Nov)	662	603	9.8%
Single Family Permits (\$000) (Oct-Nov)	\$ 262,213	\$ 230,030	14.0%
Multi-Family Permits (No. of units) (Oct-Nov)	2,233	3,810	-41.4%
Multi-Family Permits (\$000) (Oct-Nov)	\$ 317,900	\$ 681,928	-53.4%
Avg. sales price (NW Multiple Listing Service)	\$ 723,013	\$ 684,989	5.6%
Number of sales (NW Multiple Listing Service)	7,033	8,676	-18.9%
Taxable Retail Sales (\$B, October-November)	\$ 12.19	\$ 10.78	13.1%
Retail/Wholesale	\$ 4.71	\$ 4.43	6.3%
Construction/Real Estate	\$ 3.80	\$ 3.16	20.1%
Food Service, Accommodation, Entertainment	\$ 1.76	\$ 1.71	3.0%
Other	\$ 1.92	\$ 1.47	30.7%
Inflation (December)			
CPI-W (Seattle-Tacoma-Bellevue)	269.47	262.49	2.7%

KING COUNTY INDEX OF LEADING INDICATORS

The King County Index of Leading Indicators (“ILI”) relies in part on data provided by the Federal government. The government shutdown has resulted in long delays in the availability of data, so unfortunately we are not able to provide a current Index of Leading Indicators. Please check the OEFA website for the latest ILI - <https://www.kingcounty.gov/independent/forecasting.aspx>. We will update it as soon as possible.

KING COUNTY FORECAST

The final estimate of U.S. economic growth for the third quarter of 2018 came in at +3.4% which reflects another solid quarter after the second quarter came in up 4.2% in inflation-adjusted terms. This is strong growth and an increase over what we've seen most of the post-recession period where growth has averaged about 2.3%. This likely reflected the strong underlying fundamentals of the economy together with a boost from the tax changes that went into effect in 2018. However, data from the later part of 2018 suggested that the global and national economies were slowing somewhat. The job market has continued to be strong too, with job ads averaging over 220,000 per month in 2018 and an unemployment rate reaching 3.7% before rising to 3.9% due to greater labor force participation. Job openings continued to reach new records with almost 7 million unfilled jobs. Wage growth has picked up some throughout 2018 and inflation has also picked up with the headline CPI measure varying between 2.2% and 2.7% in the last few months.

King County's economy continued to grow in the fourth quarter. Employment growth averaged over 3.4% in the fourth quarter of 2018 based on preliminary values which is up from 2.9% growth in the third quarter. Overall employment continues to grow solidly (+3.0% year to date) and has only slowed modestly from prior years. Industry growth was led by Information (+9.2%), Construction (+7.7%), Transportation, Warehousing and Utilities (+6.0%) and Financial Activities (+5.1%). Unemployment in the county continues to stay in the 3% to 4% range with the December 2018 value at 3.3%.

Taxable retail sales have picked up a little this year with current month sales up over 9.0% through November. This increased growth was expected since the State extended taxable sales to bottled water and remote sellers beginning in January 2018. The Supreme Court's decision on Wayfair vs. South Dakota is expected to increase sales even more via higher compliance. Taxable sales strength has been showing up in retail (likely reflecting the remote sellers) and resurgent construction sales taxes which are up about 15% so far this year.

The local housing market has been experiencing rapidly increasing sales prices since 2012 and the Case-Shiller residential index has been growing in double digits for much of that period. However it has been slowing of late and the most recent value from November 2018 was up 6.3%. Year to date it is up 10.9% (See Fig 6).

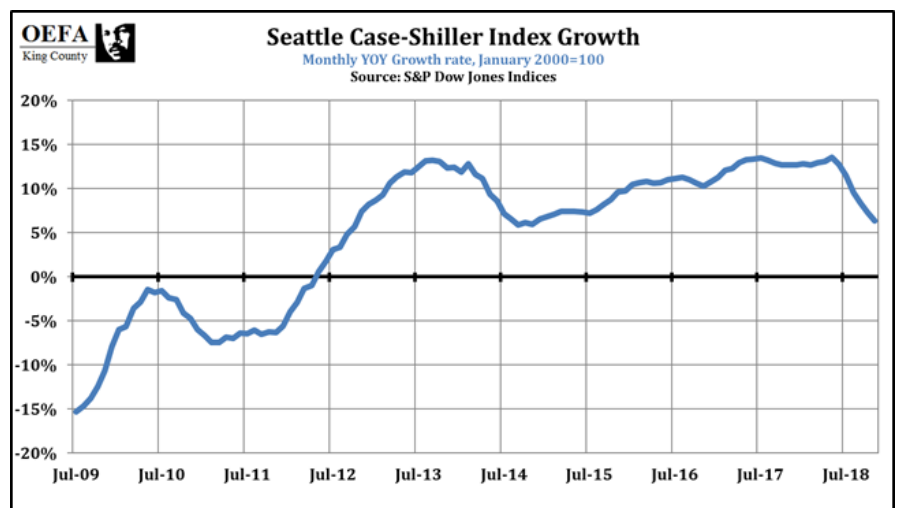


Fig. 6 Seattle Case-Shiller Index Growth (Source: S&P)

KING COUNTY FORECAST (CONT.)

This slower growth is likely due to both an increase in listings and reduced demand as higher interest rates make mortgages more expensive, a stronger dollar reduces the attraction of the area to foreign buyers and because such rapid price appreciation with much slower income growth has made housing much less affordable. Figure 7 shows one measure of U.S. housing affordability.

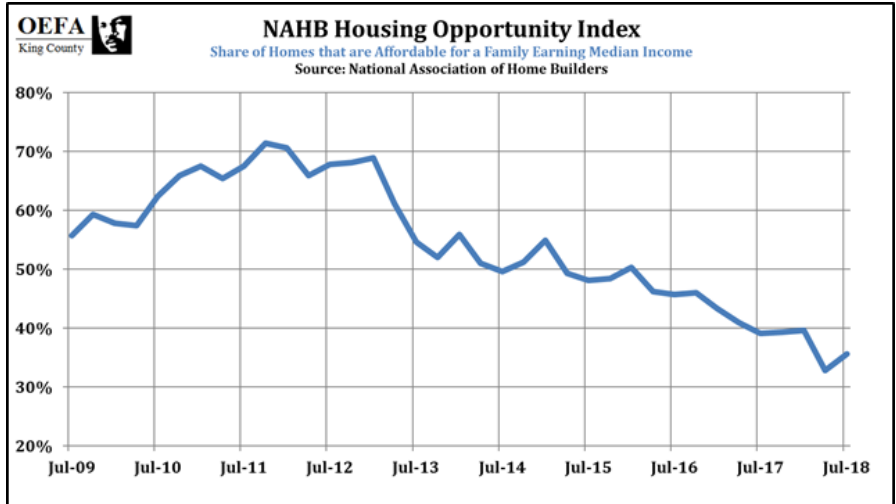


Fig. 7 NAHB Housing Opportunity Index (Source: NAHB)

Besides housing, the local economy is showing a few other signs of a slower pace of growth. Online help-wanted ads were down in 2017 and continue to be down in 2018. Multi-family building permits have also been down in 2018. Multi-family construction has been a large part of the construction boom the region has been experiencing. Inflation has slowed lately in conjunction with the slowdown in housing and rents and so the recent local CPI measures have been below 3% annual growth in the later part of 2018.

We expect the local economy to continue to grow but at a reduced rate of growth going forward. Table 1 on the following page shows the forecast with slower growth beginning for most items in 2018. Population growth should continue but likely in the 1% to 1.5% range with about 20,000 to 25,000 additional people living in King County in each of 2019 and 2020. Employment growth should finish strong at 2.9% in 2018 and then slow to about 2.4% in 2019. Inflation is likely to continue slowing in 2019. We expect the pace of housing permits to finish down this year, but housing prices will continue to grow, albeit at a slower pace. Taxable sales growth is likely to finish up for 2018 reflecting the changes to the tax base but we expect slower growth in 2019-2020 as construction growth slows.

KING COUNTY FORECAST (CONT.)

King County Forecast - December 2018				
	2017	2018	2019	2020
King County-Level				
Population (thous.)	2,164.1	2,197.5	2,222.1	2,244.3
Employment (thous.)	1,398.5	1,438.8	1,472.7	1,491.1
Unemployment Rate (%)	3.7	3.4	3.1	3.3
Personal Income (mil \$)	182,495.5	192,503.4	201,462.4	210,441.5
Housing Permits	18,163	14,722	13,702	12,620
House Transactions (Residential)	33,456	32,349	30,332	30,587
House Prices (avg.)	697,935	742,995	786,844	829,311
Seattle FHFA Index	324.8	367.1	388.2	398.2
Seattle CPI-U	262.7	271.1	278.6	284.1
Taxable Retail Sales (mil \$)	65,826.1	71,054.9	74,314.4	75,947.1
King County Employment - Detail (thousands)				
Natural Resources	0.5	0.5	0.5	0.5
Construction	74.4	77.9	78.5	78.9
Manufacturing	103.0	103.6	103.9	103.0
Subtotal (Goods Employment)	177.9	182.0	182.9	182.4
Trade, Transportation and Utilities	269.1	277.8	282.1	283.1
Information	102.9	109.4	113.3	115.6
Financial Services	71.0	74.1	74.3	73.5
Professional and Business Services	227.5	234.6	243.9	251.2
Other Services	368.6	380.1	389.9	396.4
Government	181.4	180.8	186.4	188.9
Subtotal (Services Employment)	1,220.5	1,256.7	1,289.8	1,308.7
Total Employment	1,398.5	1,438.8	1,472.7	1,491.1
Annual Growth				
Population	2.2%	1.5%	1.1%	1.0%
Employment	3.0%	2.9%	2.4%	1.2%
Personal Income	6.7%	5.5%	4.7%	4.5%
Inflation	3.0%	3.2%	2.7%	2.0%
Taxable Retail Sales	5.8%	7.9%	4.6%	2.2%

Table 1: King County Forecast (Source: KC OEFA)

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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