



ECONPULSE

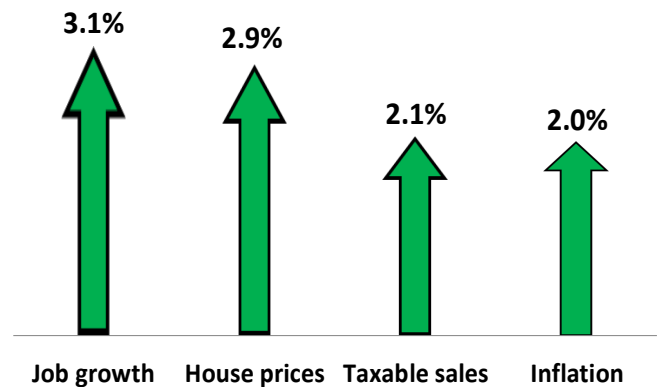
A QUARTERLY LOOK AT THE KING COUNTY ECONOMY
KING COUNTY OFFICE OF ECONOMIC AND FINANCIAL ANALYSIS

FOURTH QUARTER 2019

SUMMARY

- King County employment grew 3.1% in the fourth quarter of 2019 relative to 2018, with continuing strong growth in information jobs.
- Home prices increased 2.9% compared with the fourth quarter of 2018.
- Taxable sales rose a mere 2.1% in October and November.
- The inflation rate was 2.0% in December.

**King County Key Economic Indicators
(Q4 2019 growth compared to Q4 2018)**



DETAIL

King County employment increased in all sectors with the exception of nursing and residential care facilities and government in the fourth quarter of 2019 compared to 2018. The information sector added 11,800 jobs, an increase of 10.4% over the fourth quarter of 2018. New job postings continue to be down year over year, with 7.4% fewer new job postings in the fourth quarter of 2019 than in 2018. Amazon returned to the top of the list of employers with open job listings in King County, with over 10,000 jobs posted between September and December of 2019.

The unemployment rate for King County hit a historic low of 2.1% in December while the national rate stood at 3.5%. Initial claims for unemployment insurance continue increasing, up 6.7% in the fourth quarter compared to the year prior.

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

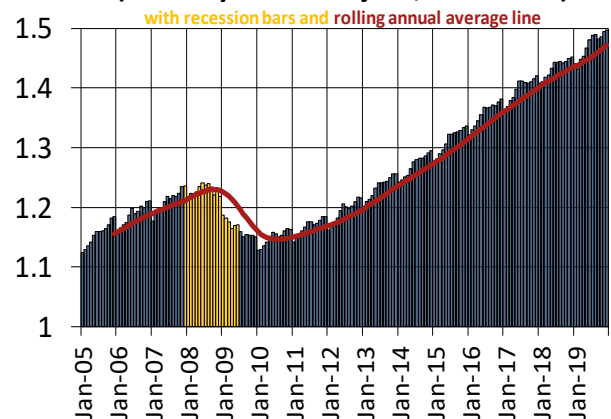


Fig. 1 Non-Farm Employment in King County (Source: WA ESD)

DETAIL (CONT.)

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

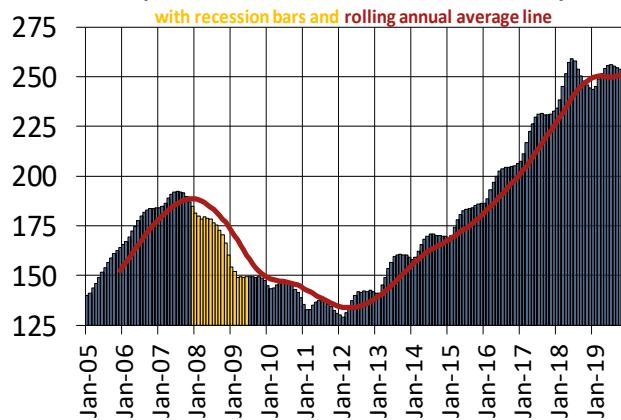


Fig. 2 Seattle Case-Shiller Index (Source: S&P)

Seattle-area house prices began increasing again, after decreasing in the summer, with the Case-Shiller index up 3.25% year over year in November (the most recent month available).

Fourth quarter residential permitting continued to follow the trend of a decline in single-family permitting (-3.8% in Q4) and a large increase in multi-family permitting (+33.4% in Q4.) For all of the 2019, single-family permitting was down 12.7% compared to 2018, while multi-family permitting increased 33.9%.

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

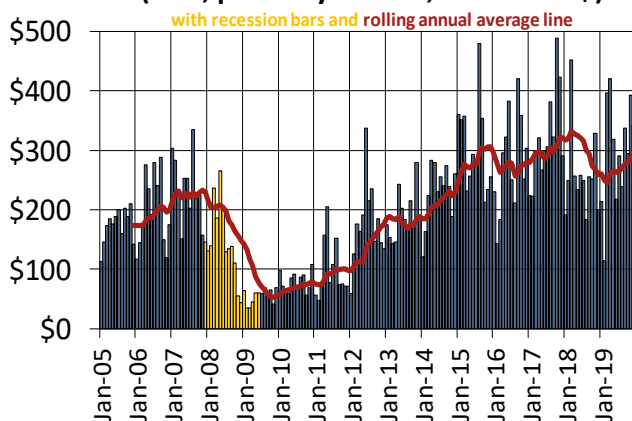


Fig. 3 Value of King County Residential Permits (Source: U.S. Census Bureau)

Taxable retail sales grew slightly in the fourth quarter, up 2.1%. Growth was relatively slow due to weak retail growth and slower sales in the information sector.

Taxable Sales Growth
(annual average of top four sectors)

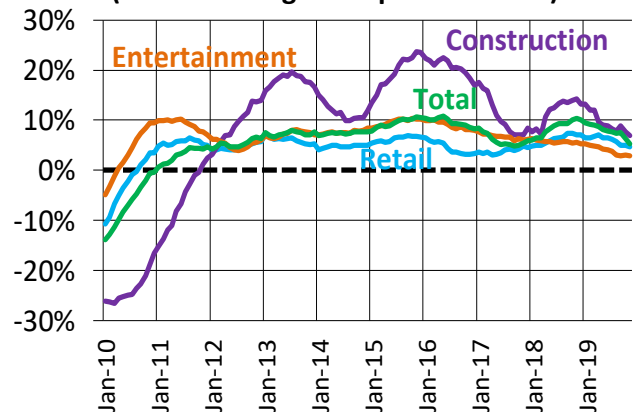


Fig. 4 Taxable Sales Growth in King County (12 month avg) (Source: WA DOR)

Inflation increased in the third quarter, at 2.0% in December as measured by the CPI-W for Seattle. Increases in prices in shelter and recreation drove the increase. The national inflation rate was 2.3%.

Seattle Inflation
(CPI-W, annually adjusted)

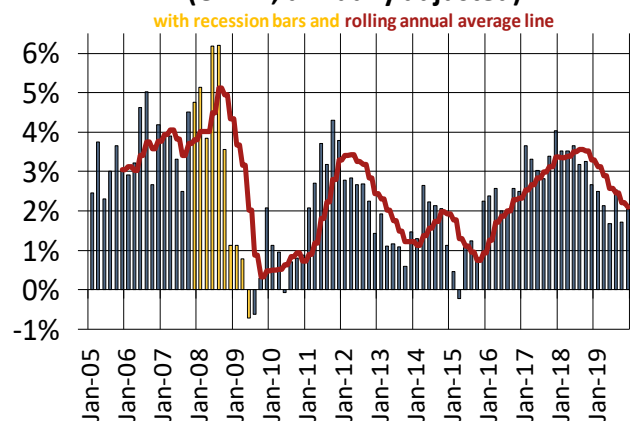


Fig. 5 Seattle Consumer Price Index (Source: BLS)

THE NUMBERS

King County Employment (in thousands)

NAICS Industry	2019:4Q	2018:4Q	Absolute change	% Change
Total Nonfarm	1,492.4	1,448.1	44.2	3.1%
Total Private	1,314.8	1,269.9	44.9	3.5%
Goods Producing	187.8	185.2	2.6	1.4%
Construction	81.7	79.9	1.8	2.3%
Manufacturing	105.6	104.8	0.8	0.8%
Service Providing	1,304.6	1,262.9	41.7	3.3%
Trade, Transportation, and Utilities	287.0	278.8	8.2	2.9%
Information	125.5	113.7	11.8	10.4%
Financial Activities	75.7	73.4	2.3	3.1%
Professional and Business Services	242.1	236.7	5.4	2.3%
Educational and Health Services	193.6	188.1	5.5	2.9%
Educational Services	31.9	31.0	1.0	3.1%
Ambulatory Health Care Services	64.2	62.2	2.0	3.2%
Hospitals	32.5	31.7	0.8	2.4%
Nursing and Residential Care Facilities	19.7	20.1	-0.4	-2.0%
Social Assistance	45.3	43.2	2.1	4.9%
Leisure and Hospitality	149.4	144.4	5.0	3.5%
Arts, Entertainment, and Recreation	27.7	26.0	1.6	6.3%
Accommodation	16.2	15.9	0.3	1.7%
Food Services and Drinking Places	105.6	102.5	3.1	3.0%
Other Services	53.5	49.4	4.1	8.2%
Government	177.6	178.3	-0.7	-0.4%

Other King County Economic Indicators

	2019:Q4	2018:Q4	% Change
Real Estate			
Single Family Permits (No. of units)	858	892	-3.8%
Single Family Permits (\$000)	\$ 318,409	\$ 355,806	-10.5%
Multi-Family Permits (No. of units)	4,603	3,451	33.4%
Multi-Family Permits (\$000)	\$ 711,555	\$ 424,911	67.5%
Avg. sales price (NW Multiple Listing Service)	\$ 747,632	\$ 723,013	3.4%
Number of sales (NW Multiple Listing Service)	7,683	7,033	9.2%
Taxable Retail Sales (\$B, Oct-Nov)	\$ 12.55	\$ 12.29	2.1%
Retail/Wholesale	\$ 4.89	\$ 4.74	3.1%
Construction/Real Estate	\$ 4.00	\$ 3.82	4.8%
Food Service, Accommodation, Entertainment	\$ 1.88	\$ 1.79	5.5%
Other	\$ 1.77	\$ 1.94	-9.0%
Inflation (December)			
CPI-W (Seattle-Tacoma-Bellevue)	274.95	269.47	2.0%

KING COUNTY INDEX OF LEADING INDICATORS

The King County Index of Leading Indicators decreased in the fourth quarter of 2019, for the third straight quarter. Individual indicators were mixed, with manufacturing, durable goods, and new business incorporation indices moving negatively while all others increased.

In 2019, the index decreased 0.18, while in 2018 it declined 1.57. As seen in Figure 6, the Index changed only slightly in each of the last few months. The early months of 2019 looked quite dramatic, largely due to the major snow event in February. However, the year closed out rather quietly, with the index little changed from month to month or in the totality of the year.

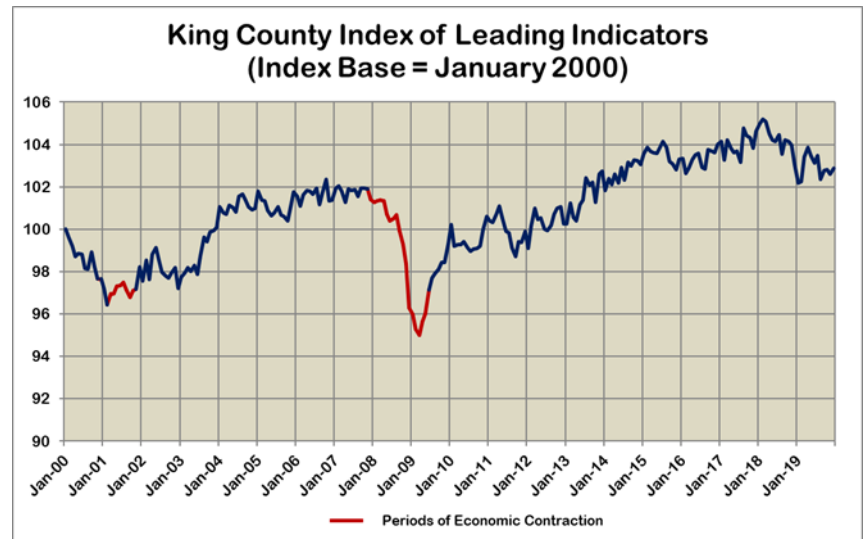


Fig 6 King County Index of Leading Indicators (Source: KC OEFA)

KING COUNTY FORECAST

The U.S. economy grew at an annual rate of 2.1% in the third quarter of 2019 (second estimate) continuing to reflect the slower growth in 2019 (2nd quarter grew at 2.0%). The third quarter growth is closer to the typical growth of most of the post-recession period where growth has averaged about 2.3%. This reduced pace of growth was broadly expected as global growth indicators during the middle part of 2019 indicated the global and national economies were slowing from the more rapid growth the world economy saw in 2018. The U.S. job market continued to be strong with job ads averaging over 200,000 per month in the third quarter of 2019 and an unemployment rate at 3.5% in November 2019. Job openings continued to be plentiful with over 7 million unfilled jobs. Wage growth picked up some and is up about 3.5% year on year through October, 2019 according to the Atlanta Fed wage growth tracker. National inflation has been modest so far in 2019 with the headline CPI tracking under 2% for the first ten months of 2019.

King County's economy continued to grow through the first ten months of 2019. Employment growth averaged about 2.5% through October of 2019 based on preliminary values from the state employment department which is a little lower than the 2.7% growth seen in 2018. Industry growth in 2019 has been led by Information (+10.1%) and other services (+7.7%). Construction employment is still growing in King County up about 2.4% through October, 2019. Unemployment in the county has reached near record lows with values below 3% in some months and the October 2019 value was 2.7%.

Taxable retail sales growth has averaged 8.4% annually for the last five years. This reflects both the strength of the local economy and policy changes made like extending the sales tax to bottled water and remote sellers. Construction sales tax growth has been particularly strong averaging over 14% growth per year since 2013 and reflecting the amount of building going on in the county. It is now almost 22% of countywide taxable sales annually. So far in 2019, the pace of sales tax growth has slowed as the impact from the 2018 tax law changes has moved through and due to slower construction taxable sales growth and the severe weather in February. Sales taxes through September 2019 are up about 6.4%.

The local housing market has cooled significantly since the double digit growth rates of the last few years. So far in 2019, prices were negative year on year May through July but have returned to positive growth in August and September. For the year, the Case Shiller index is up about 2.4%.

Besides a slower housing market, the local economy is showing other signs of a reduced pace of growth. Online new job postings have been slowing since 2017 and so far are down about 9.6% through October of 2019. This likely reflects a more sustainable level of job postings rather than the early signs of a recession. Single family building permits are down about 15% through October of 2019. Inflation has also slowed lately both reflecting the influence of the national slowdown in price growth and the slowdown in local housing and rents. The local CPI measures through October are tracking at around 2.1% annual growth.

We continue to expect the local economy to grow but at a reduced rate of growth going forward. Table 1 indicates the most recent forecast. Population growth should continue but likely in the 0.8% to 1.2% range with about 15,000 to 20,000 additional people living in King County in each of 2020 and 2021. Employment growth finished up 2.5% in 2018 and we expect it to be about the same in 2019. Inflation is likely to continue slowing in 2019 and 2020. We expect the pace of housing permits to finish up this year due to a resurgence in multi-family housing, and housing prices should continue to grow but at a much slower pace. Taxable sales growth is likely to be slower in 2019 as the pulse from the expanded tax base in 2018 passes and reflecting slower construction taxable sales growth in 2019-2020.

KING COUNTY FORECAST (CONT.)

King County Forecast - December 2019				
	2018	2019	2020	2021
King County-Level				
Population (thous.)	2,200.7	2,233.4	2,260.0	2,279.4
Employment (thous.)	1,433.9	1,469.5	1,499.6	1,523.8
Unemployment Rate (%)	3.5	3.1	3.1	3.2
Personal Income (mil \$)	201,962.2	216,210.3	230,200.5	239,537.2
Housing Permits	15,493	17,456	14,704	12,001
House Transactions (Residential)	30,242	29,985	28,918	28,088
House Prices (avg.)	754,496	743,723	760,395	783,091
Seattle FHFA Index	359.0	364.5	370.9	375.0
Seattle CPI-U	271.0	278.1	285.2	292.2
Taxable Retail Sales (mil \$)	72,726.6	76,442.3	79,105.0	82,313.0
King County Employment - Detail (thousands)				
Natural Resources	0.5	0.5	0.5	0.5
Construction	78.3	80.3	82.0	81.0
Manufacturing	103.3	107.2	105.9	104.2
Subtotal (Goods Employment)	182.1	188.1	188.4	185.7
Trade, Transportation and Utilities	275.3	279.1	278.8	275.2
Information	110.5	121.3	129.8	137.3
Financial Services	73.6	75.3	76.3	75.2
Professional and Business Services	233.8	239.7	249.8	258.1
Other Services	380.1	389.5	398.4	412.7
Government	178.5	176.5	178.1	179.6
Subtotal (Services Employment)	1,251.8	1,281.4	1,311.2	1,338.0
Total Employment	1,433.9	1,469.5	1,499.6	1,523.8
Annual Growth				
Population	1.7%	1.5%	1.2%	0.9%
Employment	2.5%	2.5%	2.0%	1.6%
Personal Income	8.4%	7.1%	6.5%	4.1%
Inflation	3.2%	2.6%	2.6%	2.5%
Taxable Retail Sales	10.5%	5.1%	3.5%	4.1%

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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