



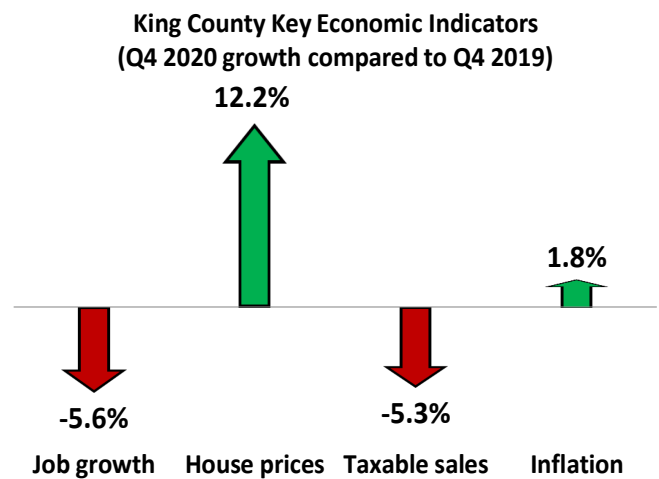
# ECONPULSE

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

FOURTH QUARTER 2020

## SUMMARY

- King County employment fell 5.6% in the fourth quarter of 2020 as the effects of the COVID-19 crisis continued.
- Home prices increased 12.2% compared with the fourth quarter of 2019.
- Taxable sales declined 5.3% in October and November compared to the same period of 2019.
- The inflation rate was 1.8% in the fourth quarter of 2020.



## DETAIL

King County employment continued to recover in the fourth from the second quarter lows, but remains below 2019 levels. Total employment was down 5.6%, with the steepest decline in the leisure and hospitality sector which has lost 48,500 jobs since the fourth quarter of 2019. A few sectors added jobs in the fourth quarter, of which the largest increases came from construction adding 3,900 jobs and information adding 6,300 jobs.

The unemployment rate for King County decreased in October and November, before increasing again in December as a new round of COVID closures took place. The unemployment rate for December was 6.8%, little changed from September and significantly higher than the 2.5% rate in December of 2019. Initial claims for

unemployment insurance were 16,702 for the month of December, which, while one of the lower amounts in recent months, is still three times the rate of new claims as December 2019. In December 2020, there were 52,702 continuing claims for unemployment insurance.

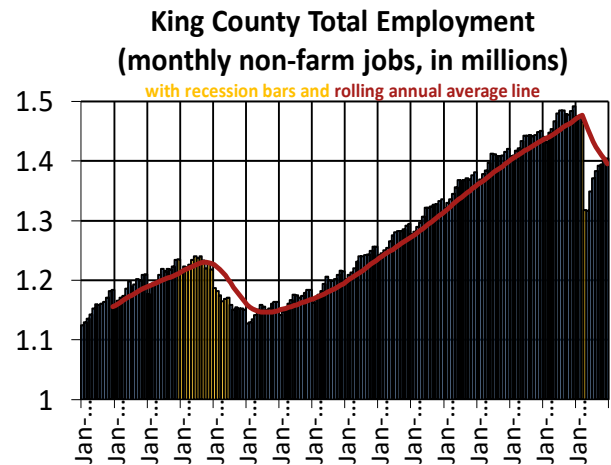


Fig. 1 Non-Farm Employment in King County (Source: WA ESD)

**DETAIL (CONT.)**

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

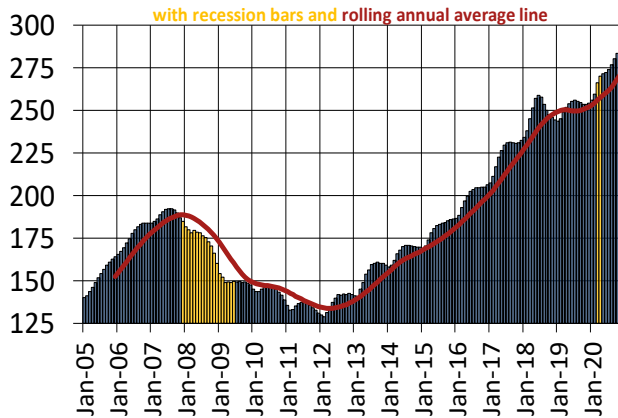


Fig. 2 Seattle Case-Shiller Index (Source: S&P)

The King County real estate market continued to be among the hottest in the country. The Case-Shiller index increased 12.7% in November year over year, and the number of closed sales for the fourth quarter of 2020 was more than 30% higher than the fourth quarter of 2019.

The trend of increased single-family permitting continued in the fourth quarter of 2020, with 11.4% more units permitted. Multi-family permitting was again down very sharply, with 44% fewer units permitted than in the fourth quarter of 2019. Multi-family permitting ended the year down 27.9% from 2019.

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

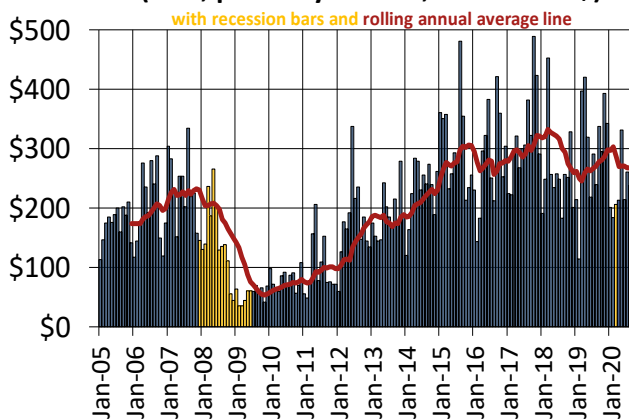


Fig. 3 Value of King County Residential Permits (Source: U.S. Census Bureau)

Taxable retail sales declined 5.3% in October and November. Food service, accommodation, and entertainment sales continue to be the most impacted, declining 48.5% from the same time period in 2019.

**Taxable Sales Growth**  
(annual average of top four sectors)

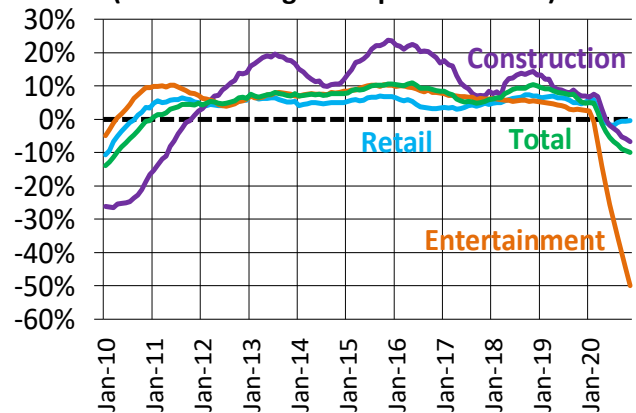


Fig. 4 Taxable Sales Growth in King County (12 month avg) (Source: WA DOR)

Inflation increased 1.8% in the fourth quarter as measured by the CPI-W for Seattle. Food and housing prices increased while energy prices declined. The national inflation rate was 1.3%.

**Seattle Inflation**  
(CPI-W, annually adjusted)

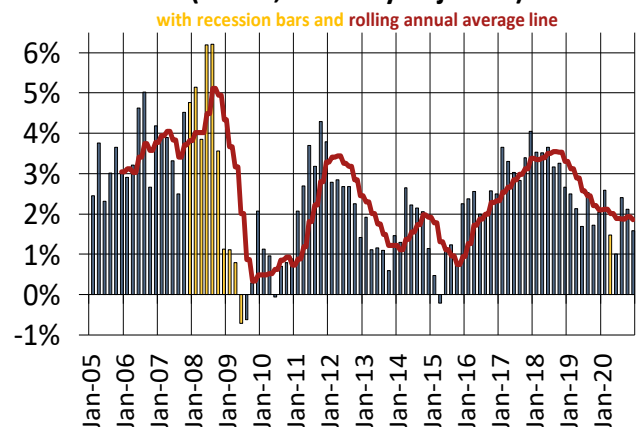


Fig. 5 Seattle Consumer Price Index (Source: BLS)

## THE NUMBERS

### King County Employment (in thousands)

NAICS Industry	2020:4Q	2019:4Q	Absolute change	% Change
Total Nonfarm	1,401.1	1,484.8	-83.7	-5.6%
Total Private	1,232.2	1,307.9	-75.7	-5.8%
Goods Producing	176.1	186.7	-10.7	-5.7%
Construction	83.9	80.1	3.9	4.8%
Manufacturing	91.7	106.1	-14.4	-13.6%
Service Providing	1,225.0	1,298.0	-73.0	-5.6%
Trade, Transportation, and Utilities	283.0	287.3	-4.3	-1.5%
Information	130.4	124.1	6.3	5.1%
Financial Activities	74.0	75.6	-1.6	-2.1%
Professional and Business Services	246.6	243.7	2.9	1.2%
Educational and Health Services	180.0	192.3	-12.2	-6.4%
Educational Services	25.8	31.6	-5.8	-18.4%
Ambulatory Health Care Services	59.4	63.5	-4.1	-6.5%
Hospitals	29.5	32.5	-3.0	-9.1%
Nursing and Residential Care Facilities	19.3	20.0	-0.7	-3.3%
Social Assistance	46.1	44.8	1.3	2.9%
Leisure and Hospitality	96.8	145.3	-48.5	-33.4%
Arts, Entertainment, and Recreation	13.2	26.5	-13.3	-50.1%
Accommodation	8.0	16.1	-8.1	-50.4%
Food Services and Drinking Places	75.6	102.7	-27.1	-26.4%
Other Services	45.2	52.9	-7.7	-14.5%
Government	168.9	176.9	-7.9	-4.5%

### Other King County Economic Indicators

	2020:Q4	2019:Q4	% Change
<b>Real Estate</b>			
Single Family Permits (No. of units)	956	858	11.4%
Single Family Permits (\$000)	\$ 379,481	\$ 318,409	19.2%
Multi-Family Permits (No. of units)	2,560	4,603	-44.4%
Multi-Family Permits (\$000)	\$ 475,370	\$ 711,555	-33.2%
Avg. sales price (NW Multiple Listing Service)	\$ 846,947	\$ 747,632	13.3%
Number of sales (NW Multiple Listing Service)	10,051	7,683	30.8%
<b>Taxable Retail Sales (\$B, Oct-Nov)</b>	\$ 11.88	\$ 12.55	-5.3%
Retail/Wholesale	\$ 5.14	\$ 4.89	5.0%
Construction/Real Estate	\$ 3.99	\$ 4.00	-0.4%
Food Service, Accommodation, Entertainment	\$ 0.97	\$ 1.88	-48.5%
Other	\$ 1.78	\$ 1.77	0.8%
<b>Inflation (December)</b>			
CPI-W (Seattle-Tacoma-Bellevue)	279.31	274.95	1.6%

## KING COUNTY INDEX OF LEADING INDICATORS

The King County Index of Leading Indicators rose again in the fourth quarter after the sharp decline in the second quarter of 2020.

The directions of the indicators were quite mixed over the quarter, both month to month for individual indicators and among the eight indicators that comprise the index. In a year continually described as “unprecedented” or “unpredictable,” this should come as no surprise. As much as we would love for the data to point our way out of this, even the most consistent of leading indicators is struggling to find a direction.

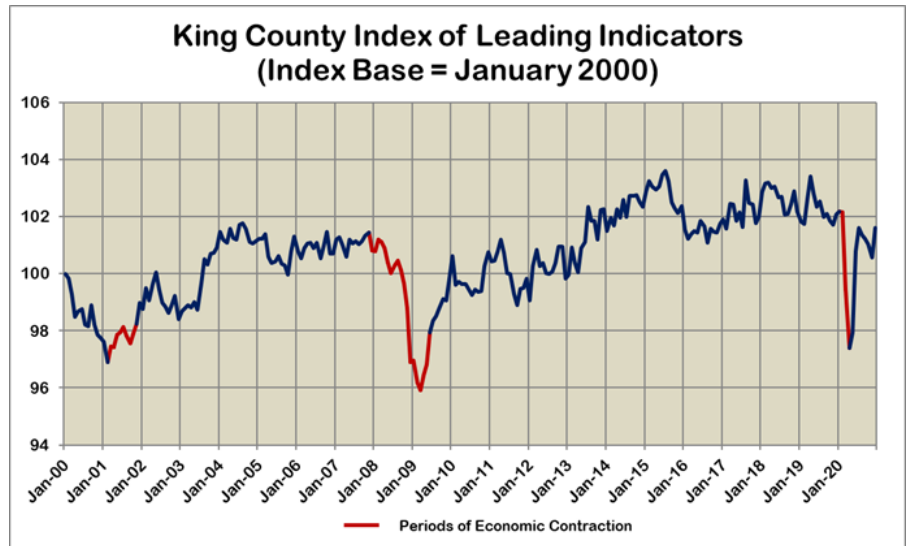


Fig 6 King County Index of Leading Indicators (Source: KC OEFA)

As a note to Figure 6, the National Bureau of Economic Research (“NBER”) identified March as the first month of an economic contraction but has not yet determined if that period has ended. While NBER has not definitely noted the month of the trough, the point at which the economy turns around back to expansion, we feel comfortable including April as a contraction month for the purposes of our analysis.

## KING COUNTY FORECAST

The U.S. economy was hit hard by the Coronavirus pandemic and contracted by a massive 31.4% (seasonally adjusted annual rate or SAAR) in the second quarter of 2020. However, much of the economy came roaring back in the third quarter with growth at 33.4% (SAAR). The third quarter expansion reflected the re-opening of many state economies but also the social distancing, masks and hand washing requirements necessitated by the virus. Some industries have not recovered much at all particularly hospitality, much brick and mortar retail and entertainment. The manufacturing and construction sectors were able to get back to work quickly using temperature checks, distancing, and face masks. The Covid-19 pandemic impacts were also lessened through the work of the Federal Reserve and the federal government. The Federal Reserve immediately cut interest rates when the pandemic first became known and then rapidly initiated various market backstopping tools to ensure liquidity. Congress rolled out multiple phases of fiscal support including the “CARES Act” and the “Paycheck Protection Program and the Health Care Enhancement Act” in April. Further negotiation led to another round of support enacted in December 2020. Overall, the national economy appears to be expanding in the fourth quarter despite a resurging virus.

Individual states within the U.S. have had very different experiences based on individual behaviors and decisions around social distancing, masks, and the extent to which the economies continue to operate. In Washington, the “Safe Start” plan went into effect on May 30, 2020 with counties opening at different rates based on five criteria used to judge the status of the virus. King County entered Phase 2 in June which allowed much economic activity but also restricted large gatherings and the operation of much retail activity. However, a resurgent virus forced a rollback in November and reduced activity including dining, gyms, and other indoor activities. The economic shutdown from late March through May had a huge effect on the local economy with March and April taxable sales down 22% and 32% respectively. Since that time, many indicators have improved dramatically with taxable sales in October coming in down only about 5.5%. Unemployment has dropped from a high of 14.9% in April to 4.3% in October.

Though there is significant uncertainty about the path of the national economy, most forecasters are calling for a continued expansion in the fourth quarter of 2020 and in 2021-2022. The biggest source of uncertainty continues to be the public health piece as states try to acquire and distribute vaccines and balance the opening of their economies with acceptable infection rates. Moreover, social distancing measures and other requirements will continue to change economic behaviors likely until the vaccines are widely distributed and indicators show the virus is receding. In general, most forecasters note that some of the more severe impacts that occurred in the second quarter of 2020 are unlikely to be fully reversed even by 2021.

Forecasting the future of the County’s economy also continues to be very uncertain. King County had been expanding vigorously for years coming into 2020 and experienced a massive contraction with significant job losses and reductions in taxable sales, real estate activity and other indicators in the first half of the year. The employment impacts due to Covid-19 were massive with the county losing almost 150,000 jobs in April (WA ESD revised data). These job losses were widespread across industries but some industries like construction, information and professional and business services are now at or above the levels in 2019. However, employment growth for high contact industries like entertainment, food service and hotels, has been lacking. As of October, leisure and hospitality employment is 31% below a year prior.

## KING COUNTY FORECAST (CONT.)

The forecast for these industries will largely depend on the path of the virus, the rate of vaccinations, virus mutations and individual responses to a more open economy.

Taxable retail sales averaged 7.9% annual growth for the 2014-2019 period reflecting the strength of the local economy and policy changes like extending the sales tax to bottled water and remote sellers. When the pandemic hit, we saw a large reduction in taxable sales, but this has largely recovered with taxable sales now coming in 5% to 10% below 2019 levels. Some sectors such as on-line retail and box stores are actually above 2019 levels reflecting individual responses to the pandemic whereas other sectors are still down drastically. We are likely to continue to see enormous reductions in hospitality industry sales as the virus' impacts continue until people are vaccinated.

The local housing market has been amazingly strong in 2020. Sales took a massive dip during March and April of 2020 as real estate showings and listings were impacted by the pandemic, but activity rebounded significantly in the second half with some price growth measures in the double digits. This was largely pandemic driven as new long-term rules about work from home, desire for more space and very low interest rates encouraged buyers. At the same time, the inventory of listed homes remained near historic lows. The Case Shiller index is up 7.2% (through September) and the Multiple Listing Service indicates that average sales prices in King County are approaching \$800,000 in 2020. Transactions have rebounded significantly as well.

As we look forward, all indicators suggest that the enormous contraction in economic activity is largely behind us and we are expanding again. The massive employment losses in April 2020 in King County have reversed with about 75,000 of those jobs being added back through October. The speed of the recovery going forward will depend on how successful we are suppressing the virus while simultaneously opening the economy. The forecast presented assumes we will be able to manage opening the economy but also assumes vaccines won't be widespread until summer of 2021, continued social distancing requirements through much of the year and a sluggish return of consumer demand in high contact industries.

We expect the local economy to expand in 2021 after a very significant contraction in 2020, the effects of which will continue in 2021 and 2022. Table 1 indicates the most recent forecast. Population growth should continue but likely at a reduced pace of growth in the 1.1% to 1.3% range with around 25,000 additional people living in King County in each of 2021 and 2022. Employment growth finished up 2.5% in 2019 but is expected to contract about 5.0% in 2020 which is the most significant reduction in employment in any year since the data started being collected. Employment during the Great Recession fell 6.4% but over a two-year period. Employment should get back to 2019 levels by 2022. Inflation is likely to finish around 1.5% in 2020 before picking up the pace in 2021-2022 to levels more typically expected of around 2.5%. We also expect the pace of housing permits to slow as builders pull back particularly in multi-family housing. Single-family housing prices are likely to increase over 2020-2022. Taxable sales are likely to exhibit a very significant reduction in 2020. However, assuming the economy will be able to remain open, we expect taxable sales to bounce back in 2021 growing about 6.6% and returning to pre-Covid levels by 2022.

<b>King County Forecast - December 2020</b>				
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
<b>King County-Level</b>				
Population (thous.)	2,236.8	2,268.3	2,297.3	2,321.5
Employment (thous.)	1,468.7	1,396.0	1,430.8	1,473.0
Unemployment Rate (%)	2.8	7.4	5.2	4.7
Personal Income (mil \$)	212,129.5	224,141.3	233,471.7	246,229.6
Housing Permits	18,312	14,104	13,552	12,162
House Transactions (Residential)	30,330	30,191	30,990	30,962
House Prices (avg.)	751,159	833,547	873,641	916,439
Seattle FHFA Index	362.4	378.9	398.5	409.4
Seattle CPI-U	278.6	283.4	290.5	297.8
Taxable Retail Sales (mil \$)	76,486.2	68,075.5	72,545.6	76,598.5
<b>King County Employment - Detail (thousands)</b>				
Natural Resources	0.5	0.4	0.4	0.4
Construction	79.5	78.1	76.4	78.4
Manufacturing	106.3	97.0	91.0	89.5
<b>Subtotal (Goods Employment)</b>	<b>186.4</b>	<b>175.5</b>	<b>167.8</b>	<b>168.3</b>
Trade, Transportation and Utilities	281.4	275.4	279.3	278.1
Information	121.5	128.1	135.8	140.6
Financial Services	75.3	73.1	74.7	75.6
Professional and Business Services	239.0	237.2	249.6	259.8
Other Services	389.7	333.4	350.4	375.4
Government	175.5	173.3	173.3	175.2
<b>Subtotal (Services Employment)</b>	<b>1,282.3</b>	<b>1,220.5</b>	<b>1,263.1</b>	<b>1,304.7</b>
<b>Total Employment</b>	<b>1,468.7</b>	<b>1,396.0</b>	<b>1,430.8</b>	<b>1,473.0</b>
<b>Annual Growth</b>				
Population	1.7%	1.4%	1.3%	1.1%
Employment	2.5%	-5.0%	2.5%	2.9%
Personal Income	5.0%	5.7%	4.2%	5.5%
Inflation	2.8%	1.7%	2.5%	2.5%
Taxable Retail Sales	5.2%	-11.0%	6.6%	5.6%

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.

King County Office of Economic and Financial Analysis  
 810 3rd Avenue CEN-FA-0890 Seattle, WA 98104  
 Phone: 206.477.3413 Email: david.reich@kingcounty.gov  
[www.kingcounty.gov/business/forecasting.aspx](http://www.kingcounty.gov/business/forecasting.aspx)