



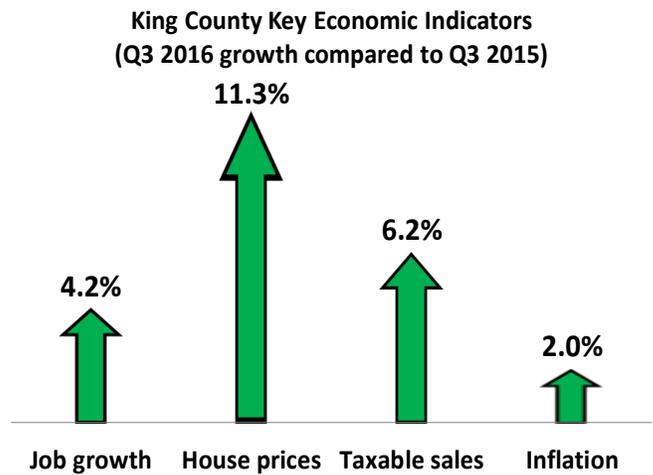
ECONPULSE

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

THIRD QUARTER 2016

SUMMARY

- King County employment grew by 4.2% in the third quarter of 2016 relative to a year ago, with notable growth in construction and information jobs
- Home prices increased by 11.3% since third quarter 2015, driven by continued low supply
- Taxable sales growth slowed in King County, increasing 6.2% in July and August from a year prior.
- Inflation increased, up 2.0% in August.



DETAIL

King County job growth continued to be strong, with 4.2% growth in the third quarter compared to 2015. Construction jobs displayed solid growth for yet another quarter, adding 7,100 jobs since September 2015, a 10.3% increase. Other industries with notable gains include trade, transportation, and utilities (11,100 jobs, 4.5% increase), information (7,200 jobs added, 7.8% increase), and professional and business services (9,900 jobs, 4.5% increase).

The unemployment rate for King County was 4% in September, compared to 5% nationwide. Initial claims for unemployment insurance were down to 5,540, their lowest point since September 2007.

There were 36,040 new job postings online in King County in September. Amazon alone had 10,829 job listings between June and September. The most in demand positions were technology-related, with software developers and other computer occupations topping the list of occupations advertised online.

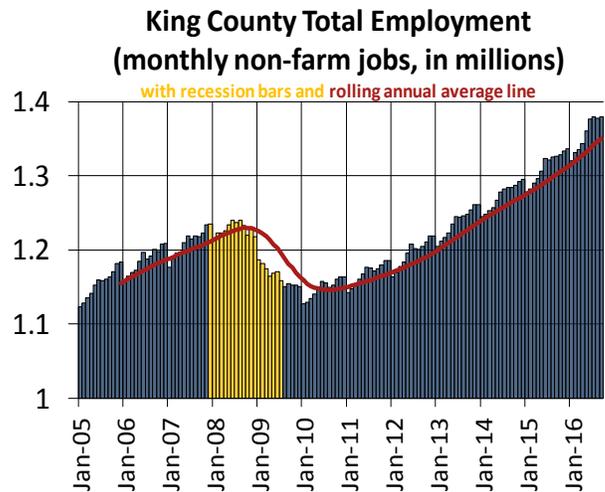


Fig. 1 Non-Farm Employment in King County (Source: WA ESD)

DETAIL (CONT.)

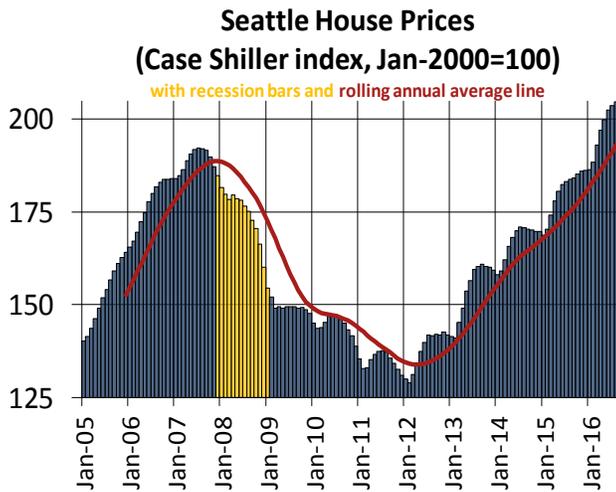


Fig. 2 Seattle Case-Shiller Index (Source: S&P)

Housing prices continued to rise as tight supply persisted through the busy summer months, with the Case-Shiller Home Price Index showing an 11.3% increase in the Seattle area in the third quarter. The average sale price for homes in King County was over \$600,000 in the third quarter according to the Northwest Multiple Listing Service.

Permit data indicate that tight supply may remain. Permits for both single- and multi-family units were down in the third quarter compared to the previous year. Despite a strong second quarter for permitting, 2016 is still well off the pace of 2015 for new housing unit permits.

Taxable retail sales grew solidly in July and August, albeit at slower rates than in the previous quarter. Construction sales were up 17.6% and restaurants and hotels increased 6.1% year-over-year.

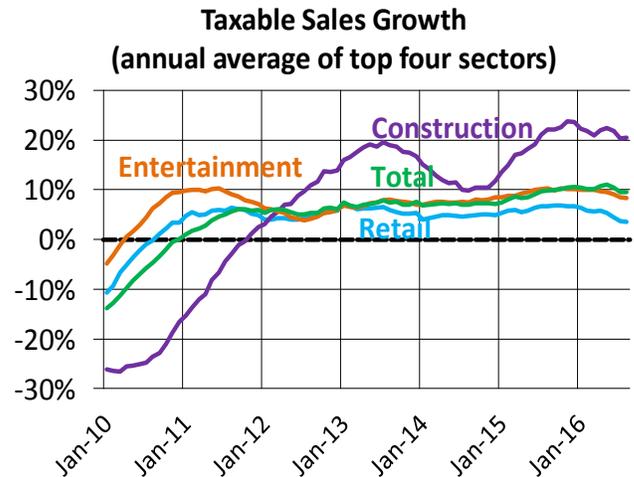


Fig. 4 Taxable Sales Growth in King County (12 month avg) (Source: WA DOR)

Inflation rose in August compared to the prior year with a 2% increase in the CPI-W for Seattle. Price increases in shelter and medical services were slightly offset by declines in transportation, gasoline and fuel prices.

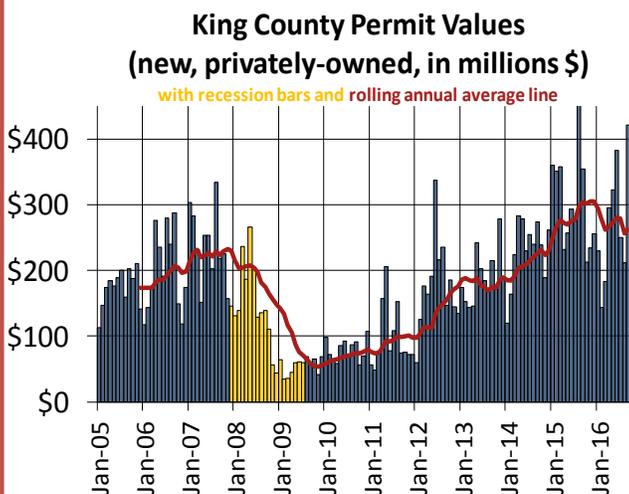


Fig. 3 Value of King County Permits (Source: U.S. Census Bureau)

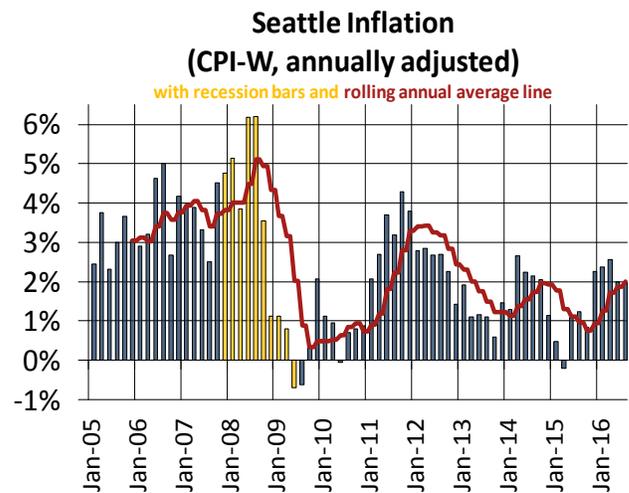


Fig. 5 Seattle Consumer Price Index (Source: BLS)

THE NUMBERS

King County Employment (in thousands)

NAICS Industry	2016:3Q	2015:3Q	Absolute change	% Change
Total Nonfarm	1,379.0	1,324.0	55.0	4.2%
Total Private	1,206.2	1,154.1	52.1	4.5%
Goods Producing	182.5	177.0	5.5	3.1%
Construction	75.7	68.6	7.1	10.3%
Manufacturing	106.2	107.8	-1.6	-1.5%
Service Providing	1,196.5	1,147.0	49.4	4.3%
Trade, Transportation, and Utilities	258.7	247.6	11.1	4.5%
Information	98.6	91.4	7.2	7.8%
Financial Activities	72.2	70.9	1.2	1.7%
Professional and Business Services	229.1	219.2	9.9	4.5%
Educational and Health Services	172.4	165.1	7.3	4.4%
Educational Services	25.6	24.2	1.4	5.8%
Ambulatory Health Care Services	57.6	55.0	2.6	4.8%
Hospitals	29.4	27.8	1.6	5.9%
Nursing and Residential Care Facilities	21.4	20.6	0.8	3.9%
Social Assistance	38.4	37.6	0.9	2.3%
Leisure and Hospitality	141.8	135.2	6.5	4.8%
Arts, Entertainment, and Recreation	28.2	26.3	1.9	7.2%
Accommodation	13.5	13.7	-0.2	-1.2%
Food Services and Drinking Places	99.9	95.2	4.7	4.9%
Other Services	50.9	47.5	3.4	7.1%
Government	172.8	170.0	2.8	1.7%

Other King County Economic Indicators

	2016:Q3	2015:Q3	% Change
Real Estate			
Single Family Permits (No. of units)	1,027	1,064	-3.5%
Single Family Permits (\$000)	\$ 399,304	\$ 410,058	-2.6%
Multi-Family Permits (No. of units)	3,486	4,150	-16.0%
Multi-Family Permits (\$000)	\$ 484,235	\$ 699,234	-30.7%
Avg. sales price (NW Multiple Listing Service)	\$ 606,256	\$ 545,102	11.2%
Number of sales (NW Multiple Listing Service)	10,618	10,167	4.4%
Taxable Retail Sales (\$B, July-August)	\$ 10.58	\$ 9.97	6.2%
Retail/Wholesale	\$ 4.28	\$ 4.24	1.0%
Construction/Real Estate	\$ 3.01	\$ 2.69	11.7%
Food Service, Accommodation, Entertainment	\$ 1.89	\$ 1.79	5.4%
Other	\$ 1.41	\$ 1.25	12.8%
Inflation (August)			
CPI-W (Seattle-Tacoma-Bremerton)	252.39	247.50	2.0%

FOCUS: I-1433 AND MINIMUM WAGE LAWS

On November 8th, the voters of Washington State will be asked to consider raising the statewide minimum wage by approving Initiative 1433. With the federal minimum wage stuck at \$7.25 per hour since 2009, proponents of I-733 are joining others in states and cities across the United States that are passing their own laws to raise their local minimum wages above the federal limit. Locally, the cities of Seattle and SeaTac have passed legislation to raise the minimum wage to \$15 per hour. Los Angeles, San Francisco, Washington D.C., and the states of California and New York have also recently passed laws to gradually raise their minimum wages to \$15 per hour. Twenty-nine states plus Washington D.C. already pay minimum wages higher than the federal level, and many are exploring raising it further.

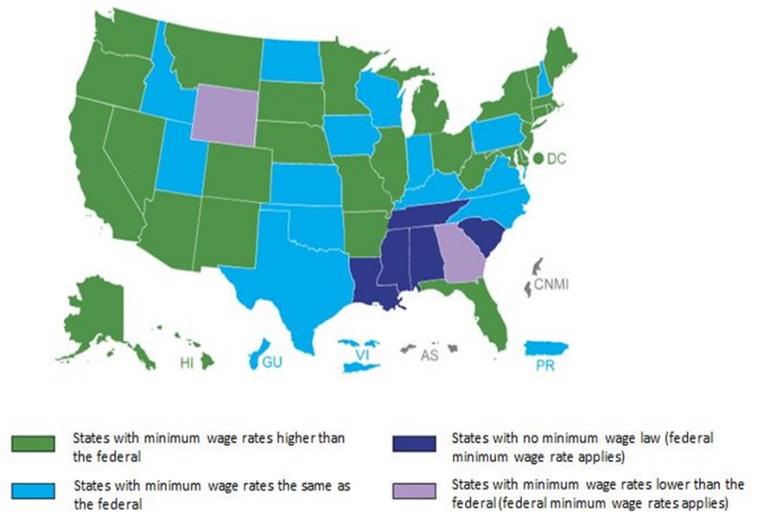


Fig. 6 Minimum Wage Levels by State (Source: US Dept of Labor)

Though Washington State pays a state-wide minimum wage near the highest for states in the U.S. (California and New York laws are raising wages incrementally), I-1433 would raise it even higher. The current (2016) minimum wage in Washington is \$9.47 per hour and is adjusted each year based on cost of living increases as measured by the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W). I-1433 seeks to raise the statewide minimum wage to \$11 per hour in 2017, \$11.50 in 2018, \$12.00 in 2019, \$13.50 in 2020, and adjust annually thereafter based on cost of living changes.

Minimum wage laws have been a topic of economic analysis for many years with proponents citing beneficial income impacts and reduced employee turnover and opponents highlighting job losses and impacts on low-skilled workers. Unfortunately, the empirical research has not yielded a consensus on the impacts. One thing likely to be true for I-1433, is that it would impact communities across Washington to different degrees since wages and living costs vary across the state. A way to examine the relative impact of minimum wage laws on purchasing power is to look at a metric called Regional Price Parity¹. Regional price parities (“RPP”) measure the differences in the prices of goods and services in various states and metropolitan areas, expressed as a percentage of the overall national price level.

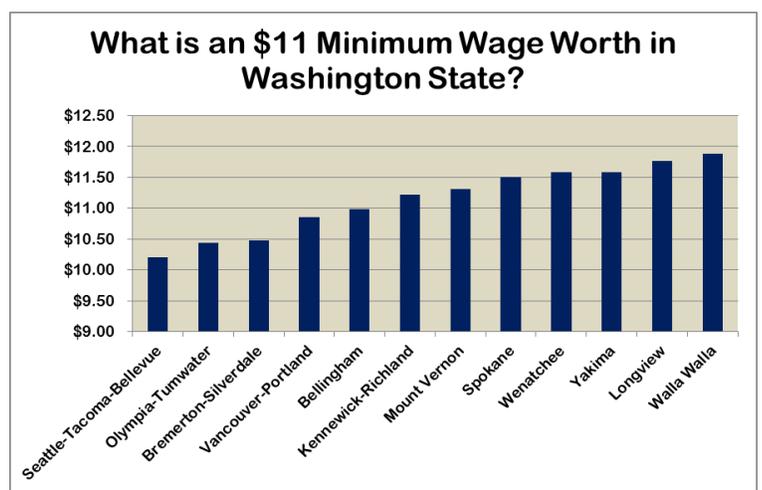


Fig. 7 Minimum Wage Adjusted for RPP (Source: US Dept of Commerce)

¹ US Department of Commerce Bureau of Economic Analysis - http://www.bea.gov/newsreleases/regional/rpp/rpp_newsrelease.htm

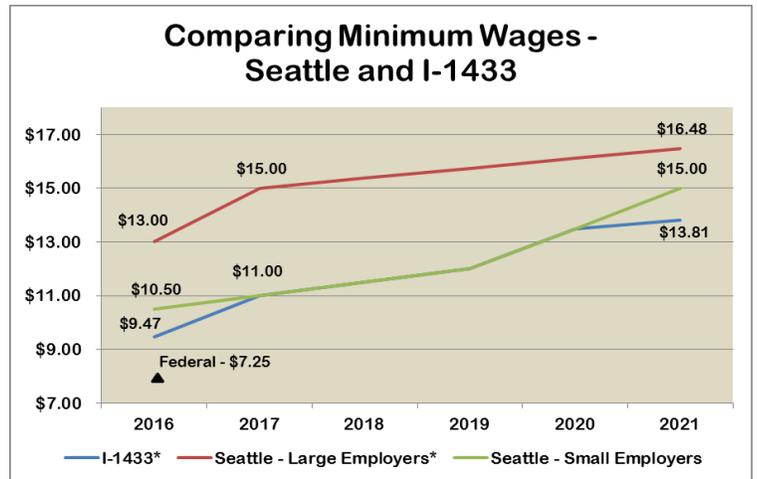
FOCUS: I-1433 AND MINIMUM WAGE LAWS (CONT.)

For example, the RPP for the Seattle-Tacoma-Bellevue metropolitan area for 2014 was 107.8, indicating that prices of goods and services in the Seattle area were 7.8% higher than the overall national price level. The range of RPP in Washington runs from a high of 107.8 in Seattle to 92.6 in Walla Walla. Metropolitan areas in Washington have a cost of goods and services about 5% higher than the national price level (RPP = 104.7), while rural areas are around 5% lower (RPP = 95.1). Taken in terms of the purchasing power of the minimum wage, an \$11 minimum wage is worth \$10.51 in the metropolitan areas and \$11.57 in rural areas of Washington. Figure 7 shows the impact for selected areas within Washington.

Another important aspect to consider when evaluating the impact of I-1433 across Washington is to consider the number of minimum wage jobs in each area. Rural communities and those east of the Cascade mountains have a higher proportion of jobs that pay minimum wage compared to urban areas and communities on the west side of the state. More than 6% of jobs in Douglas, Franklin, Grant, Yakima, Adams, and Okanogan counties pay minimum wage, while only 1.5% of King County jobs pay minimum wage. However, given the relatively large size of the King County economy, even that 1.5% equates to a significant number of people who would be impacted by the passage of I-1433.

Speaking of King County, what else can we say about the local impacts of I-1433? Though I-1433 would apply to all businesses in the state, the law would not affect most businesses in the City of Seattle and some in the City of SeaTac, as their minimum wage standard matches or exceeds that proposed in I-1433. The Seattle law sets different wage rates based on the size of the employer and allows a slower rate of increase for small employers, employers offering medical benefits, and for employees who earn tips as part of their compensation. But as Figure 8 shows, even small employers in the City of Seattle will meet or exceed the requirements of I-1433.

According to available data from the Washington State Employment Security Department (ESD), 21,901 workers in King County were paid less than \$10 per hour in 2015. An additional 58,644 workers made between \$10 and \$12 per hour.



* Adjusted for estimated inflation (CPI-W): I-1433 beginning in 2021; Seattle large employers in 2018

Fig. 8 Minimum Wage Comparison (Source: City of Seattle and Raise Up WA)

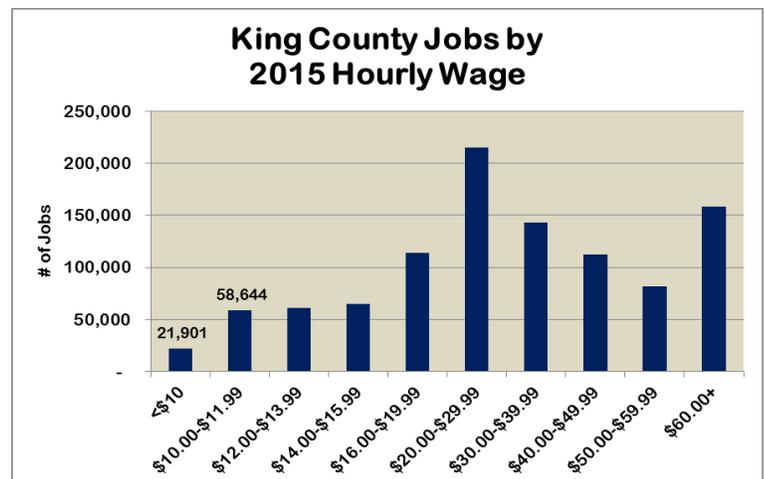


Fig. 9 King County Jobs by Hourly Wage (Source: WA DOR)

FOCUS: I-1433 AND MINIMUM WAGE LAWS (CONT.)

Some of these workers are likely minimum wage workers in the City of Seattle since the minimum wage in the City in 2015 was \$10 per hour for small employers. Since these workers will see their wages increase regardless of the outcome of I-1433, the minimum wage law would likely only affect a portion of these workers¹. Figure 9 shows the distribution of jobs in King County by hourly wage.

The wage increases from a higher minimum wage will be spread throughout the King County economy as low wage jobs exist in every industry. However, they are particularly concentrated in the retail, and accommodation and food service industries. The retail industry employs more workers than any other industry in King County, with 132,240 workers. Over 19,000 of these employees, or 15% of retail workers, earned less than \$12 per hour in 2015. The accommodation and food service industry counted 19% of its 104,248 workers as earning less than \$12 per hour in 2015.

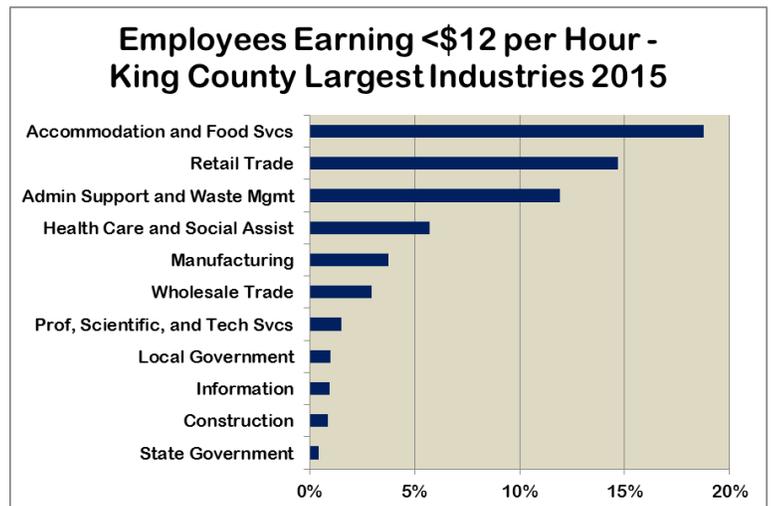


Fig. 10 King County Low Wage Earners by Industry (Source: WA DOR)

Thus these industries will likely be particularly

affected if I-1433 passes. Figure 10 indicates the top ten largest industries by employment in King County and the percentage of employees in each that made less than \$12 per hour in 2015.

I-1433 would have significant impacts in communities throughout Washington State. King County would see relatively small impacts in percentage terms but the initiative could still affect thousands of low wage individuals outside the City of Seattle. Voters will weigh-in November 8.

¹ University of Washington's Seattle Minimum Wage Study Team estimates that in 2015, 7,330 workers in Seattle earned less than \$10 per hour and 15,469 earned between \$10-11 per hour

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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