

# 2017 King County Economic and Revenue Forecast

Presentation to the King County Forecast Council

Presented on:  
March 10<sup>th</sup>, 2017

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# Overview

## Despite volatility, 2016 came in close to forecast

The U.S. economy grew 1.6% (preliminary) in 2016

Volatility -1,000 point reduction in the DJIA in first 5 days, Brexit, U.S. elections

Job adds around 180K/month

Reached full employment

Fed raises FF rate target in December 2016

## 2017 looks to be broadly similar

Forecast is for similar growth (2% - 2.5%)

Inflation likely to pick up

Unemployment may fall a little further

Housing market continues growth

## Biggest risk/uncertainty; the other Washington

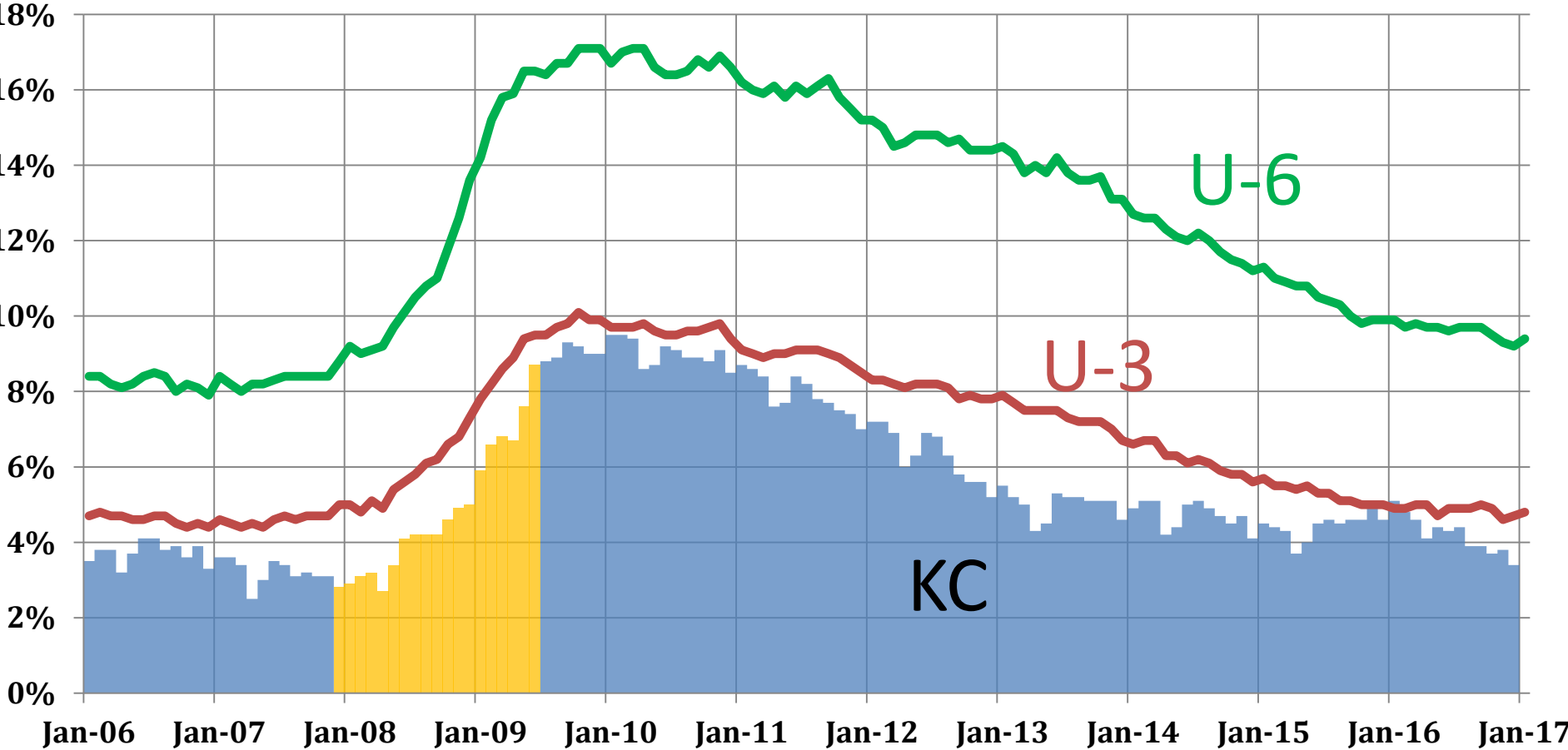
# Unemployment continues to fall and is near the “natural rate”...



## Unemployment Rates: U.S. & King County

Recession (bar), King County (bar), U.S. U3 (line), U.S. U6 (line)

Source: Bureau of Labor Statistics



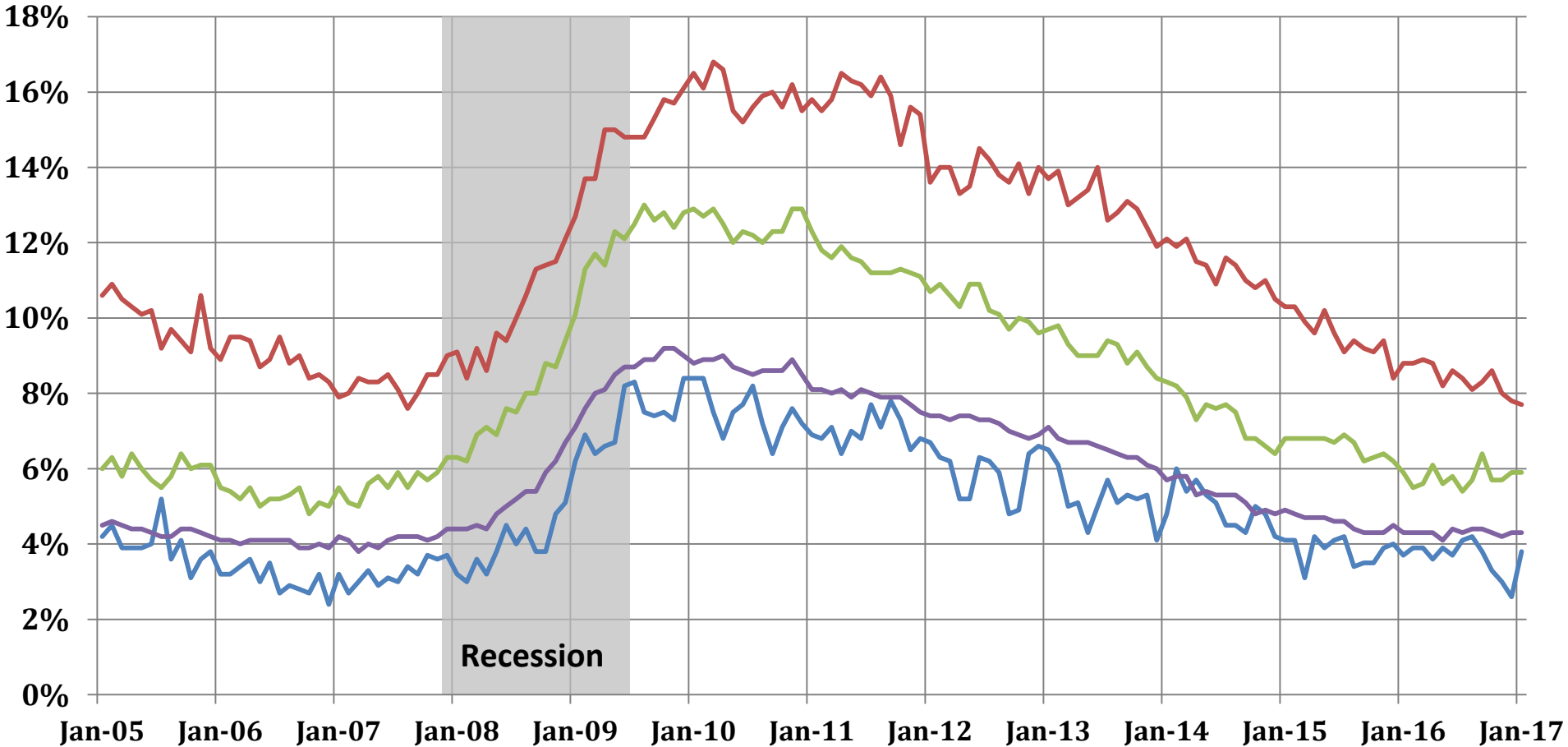
# ...But it remains elevated for some



## U-3 Unemployment Rate by Race/Ethnicity

Black or African American, Asian, Hispanic or Latino, White

Source: Bureau of Labor Statistics

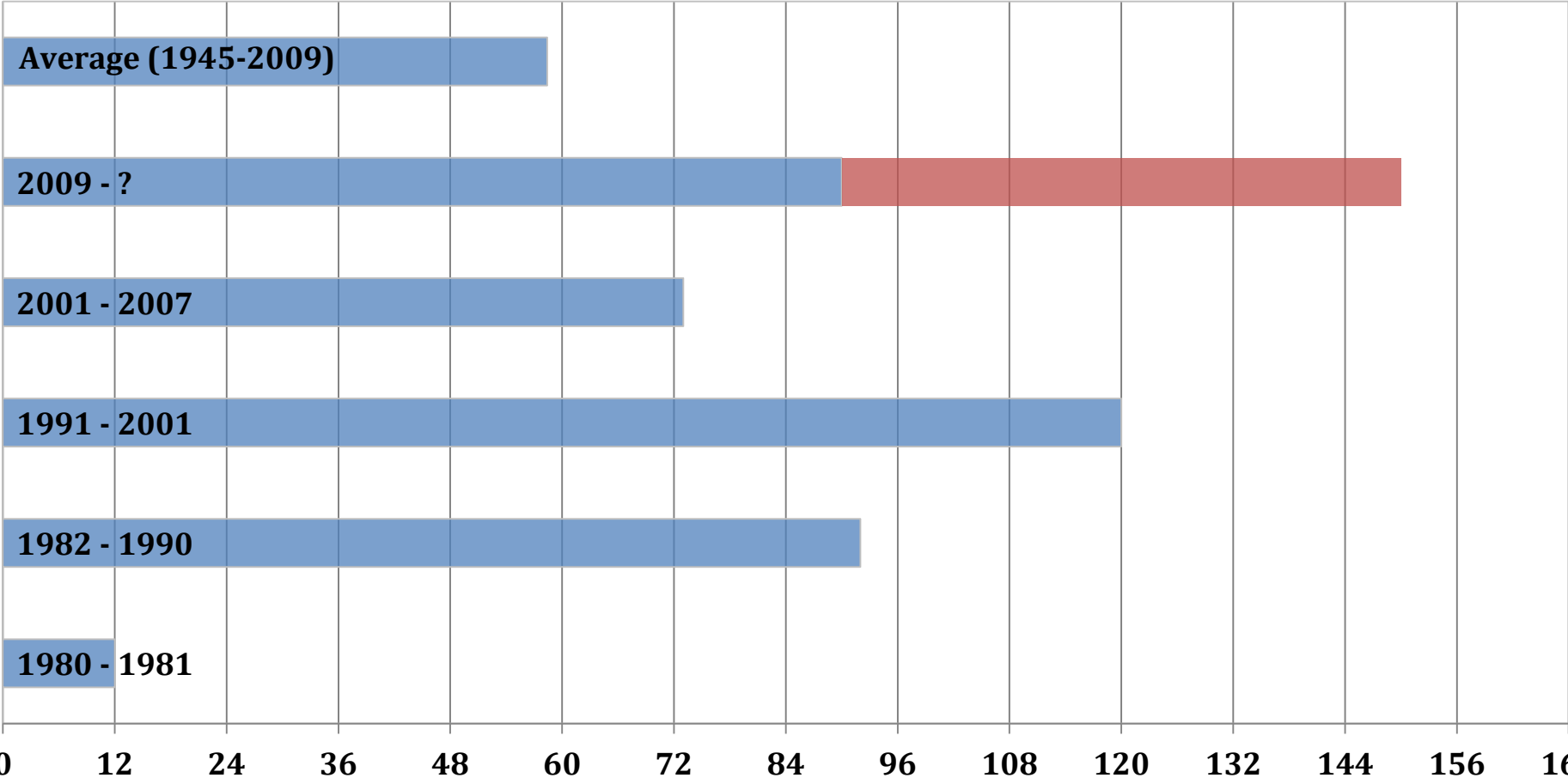


# Good employment growth and an economy expanding since 2009



## US Economic Expansions

In months, **Actual (bar)**, **Forecast (bar)**  
Source: Bureau of Economic Analysis



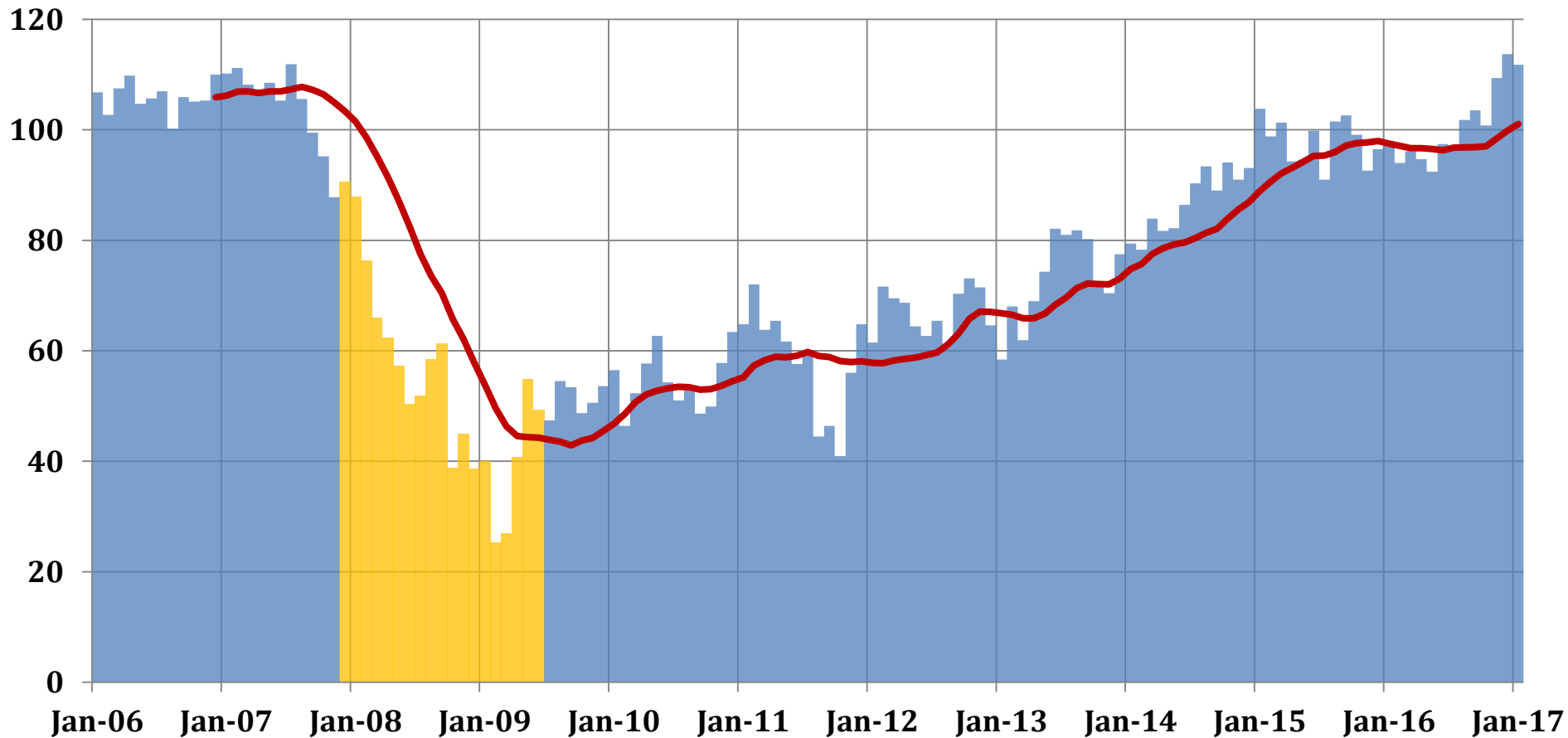
# Consumers continue to feel good about the economy



## Consumer Confidence Index

with recession bars and rolling annual average line

Source: The Conference Board



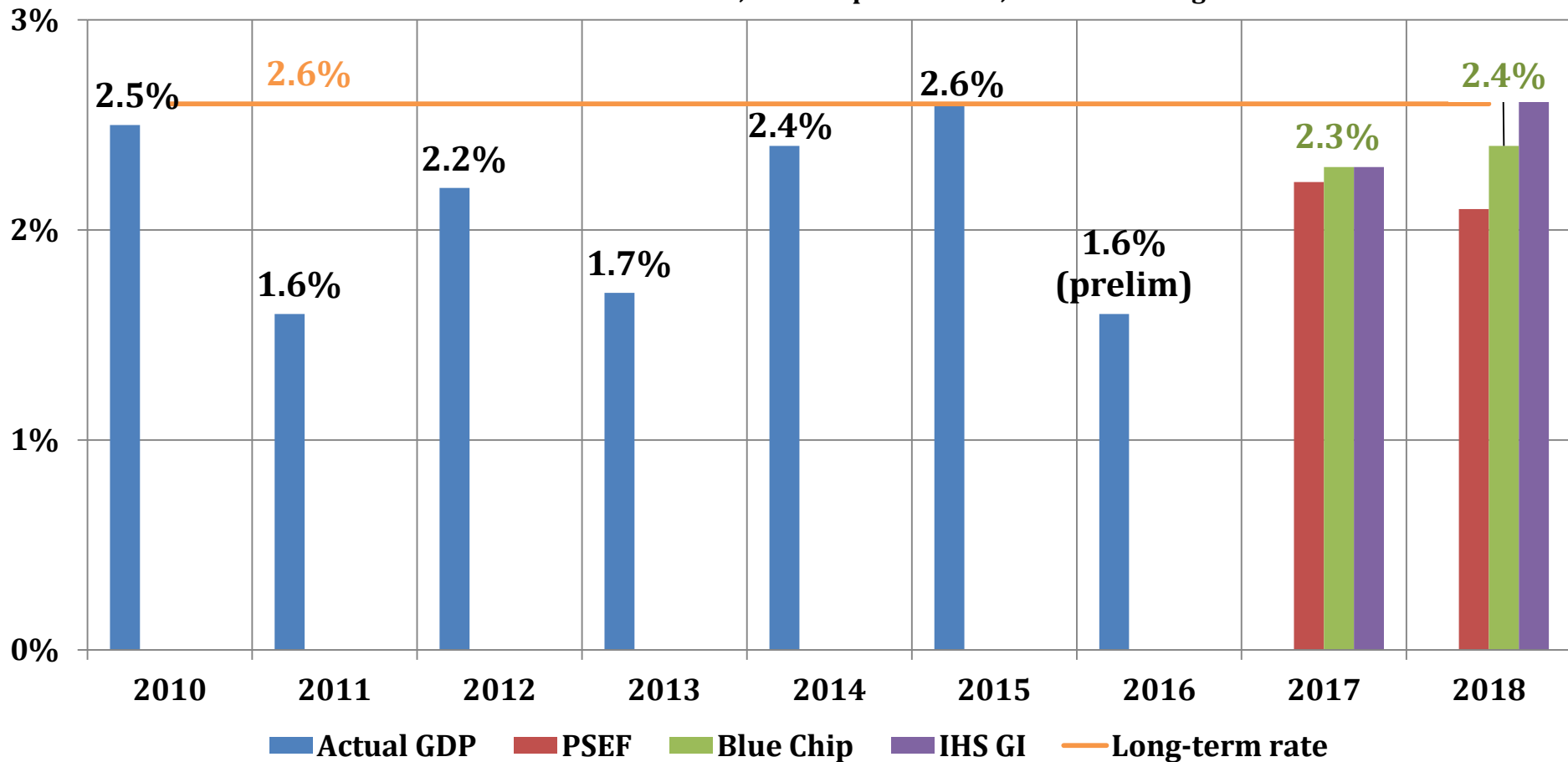
# The forecast is for continued economic growth



## U.S. Real GDP Actuals and Forecast

Actuals 2010-2016, Forecast 2017-2018

Source: PS Economic Forecaster, Blue Chip Indicators, IHS Global Insight



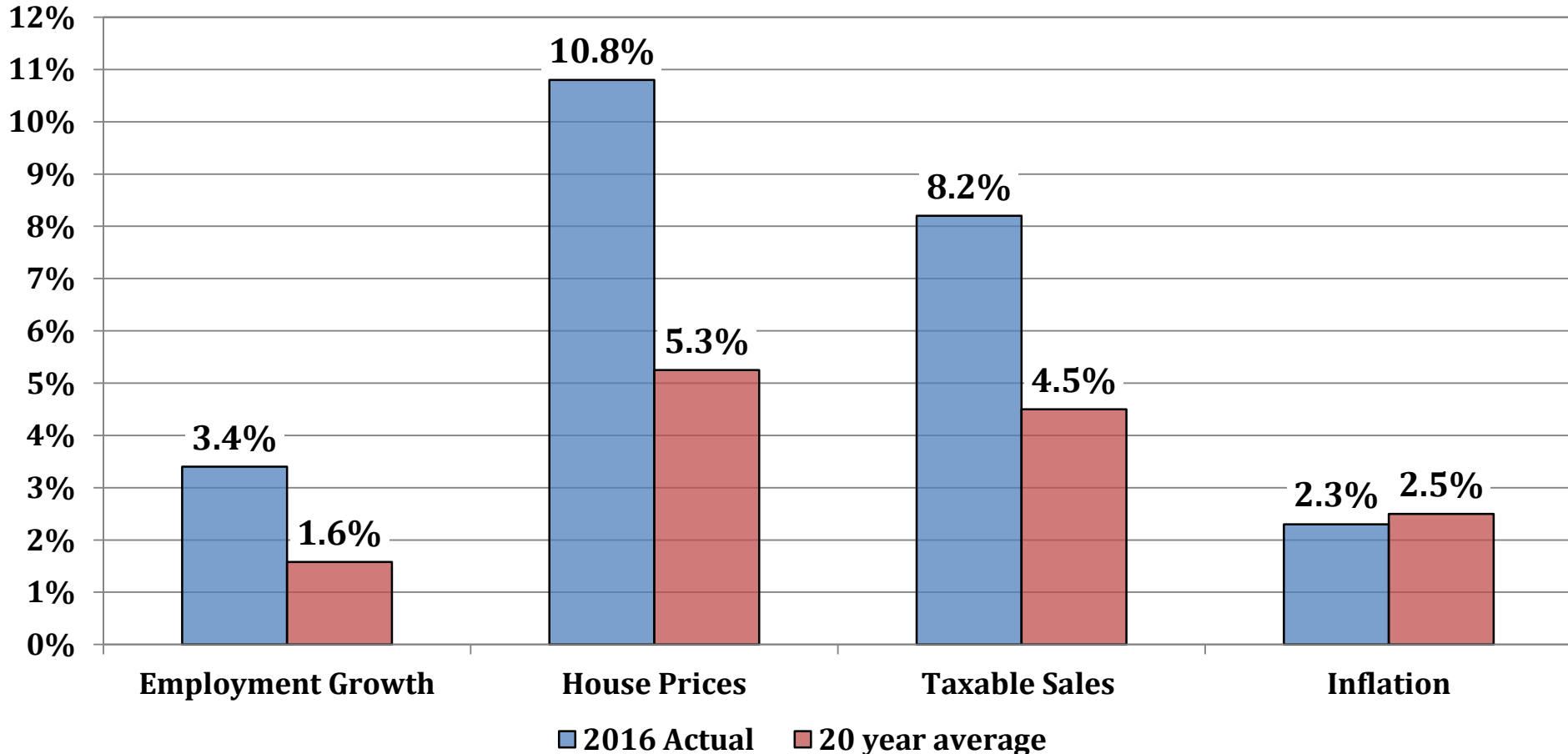
# King County's economy continued to grow in 2016



## King County Economic Indicators

2016 actuals vs. 20 year average

Source: PSEF, Case-Shiller, WA DOR, BLS





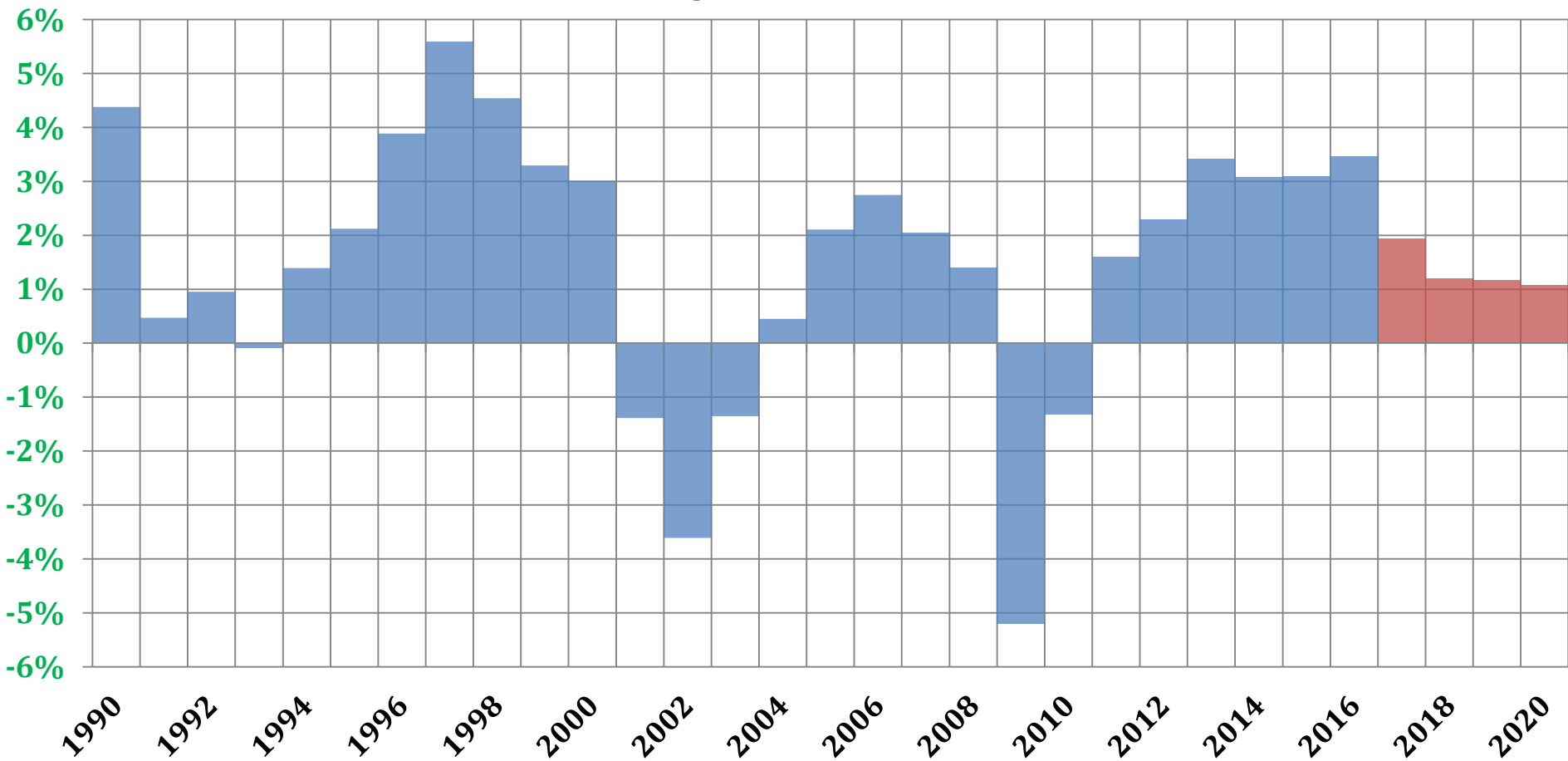
# Local job growth continues with more likely to come



## King County Annual Employment Growth

With Actuals and Forecast bars

Source: Puget Sound Economic Forecaster



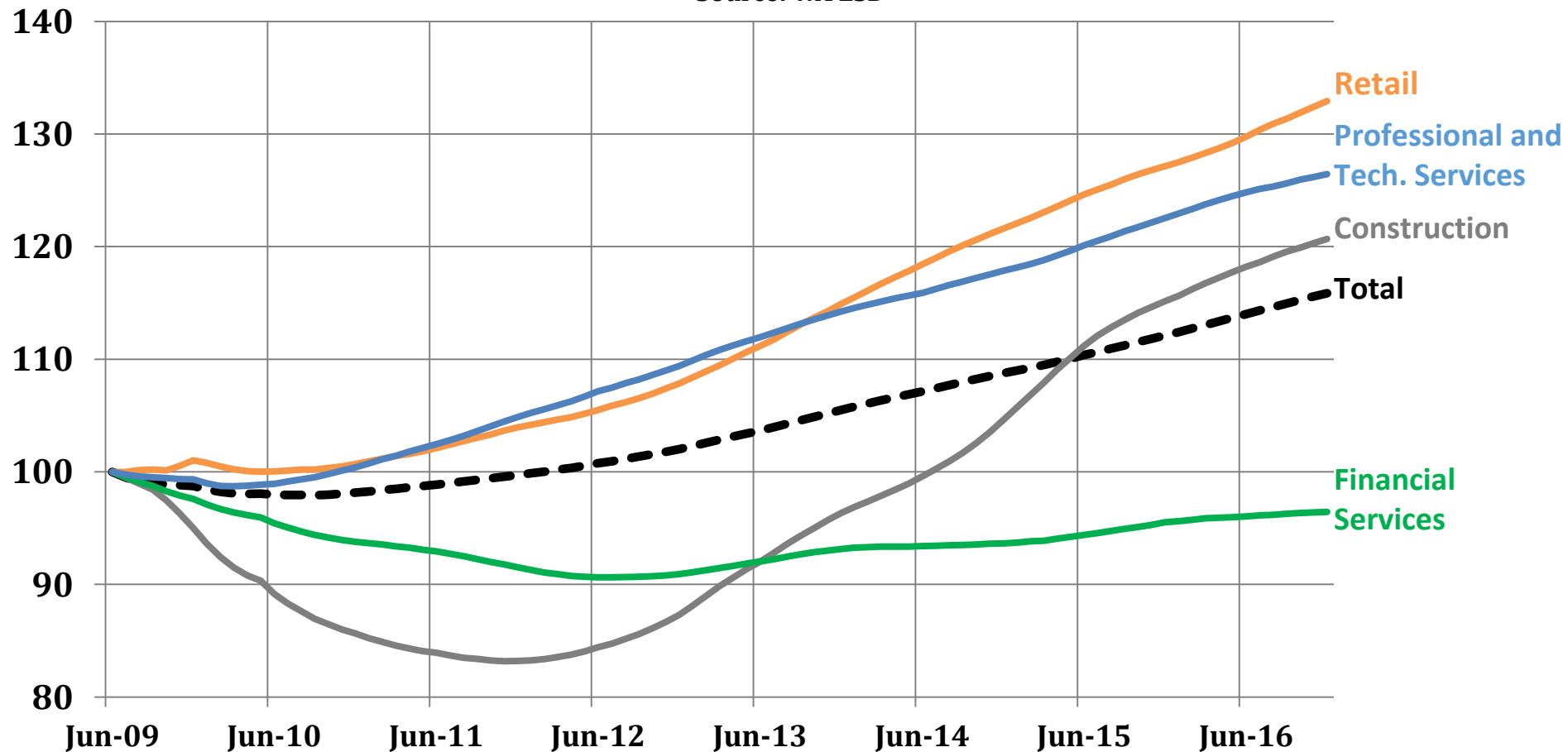
# Since the recession ended, employment growth by industry has been variable



## King County Employment Growth Index

Index July 2009=100

Source: WA ESD

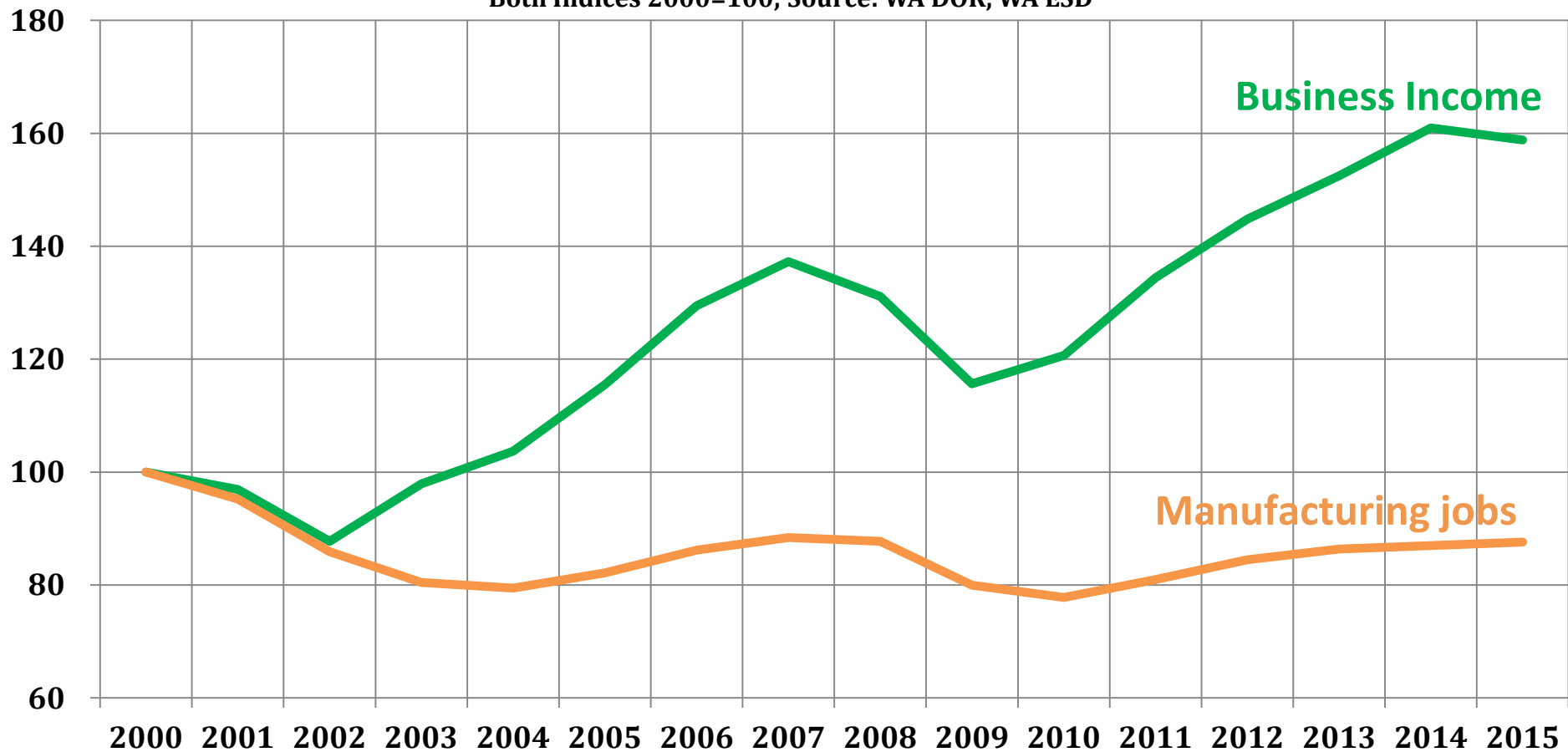


# Manufacturing in Washington: doing more with less



## WA Real Manuf. Business Income vs WA Manuf. Employment (Indices)

Both Indices 2000=100; Source: WA DOR, WA ESD



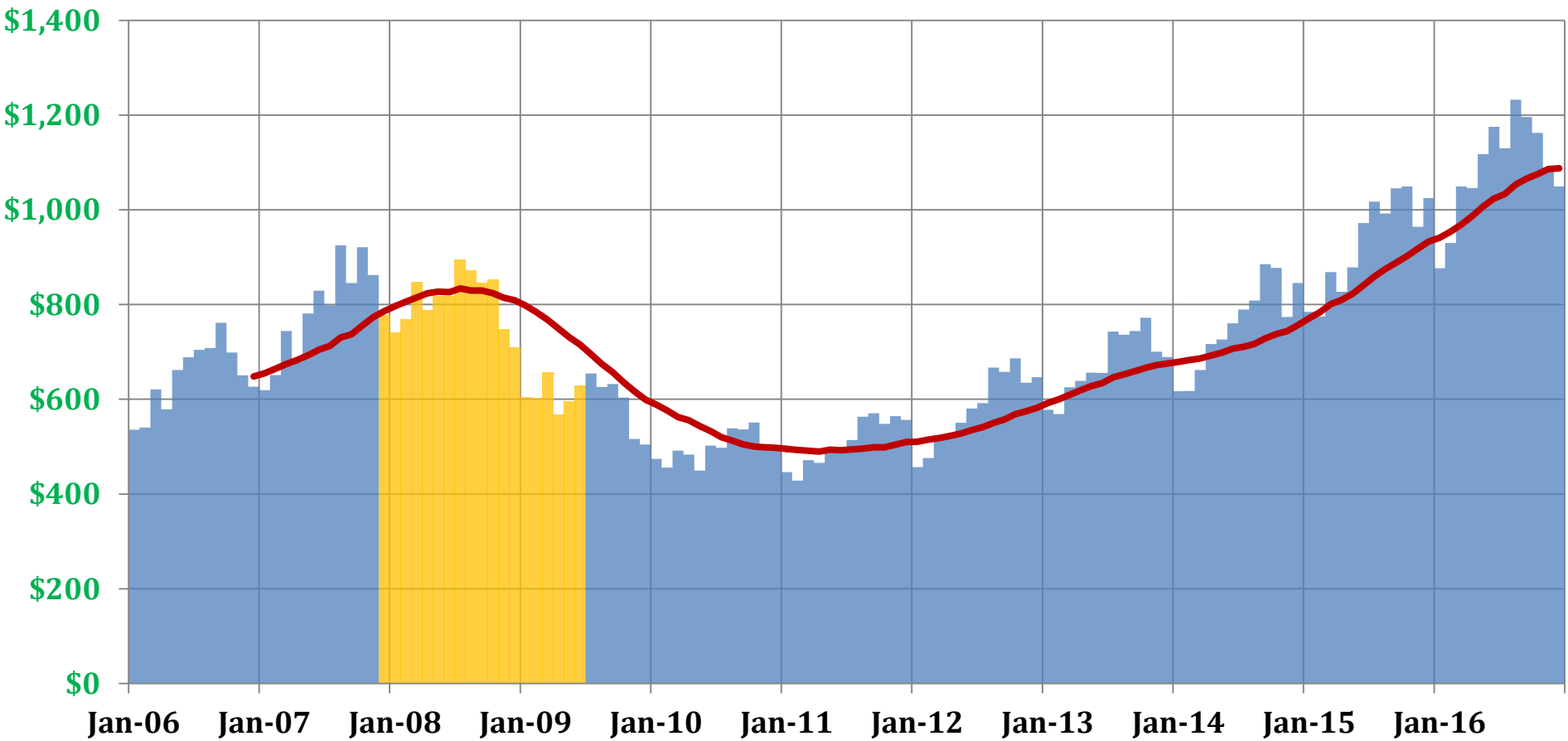
# The construction boom continues-but for how much longer?



## King County Construction Taxable Sales

In millions \$, with recession bars and rolling annual average line

Source: KC OEFA Sales Tax Database, NAICS 23



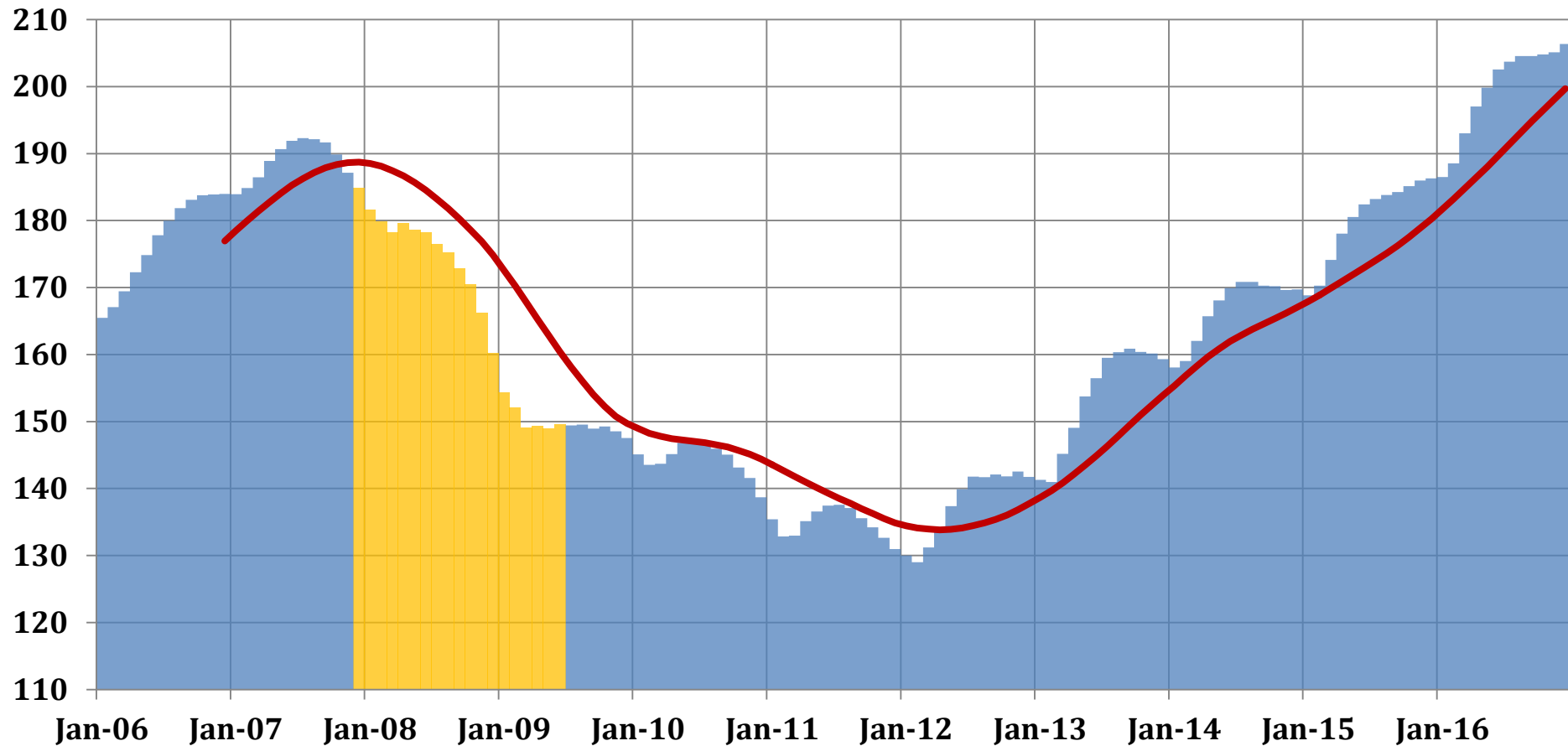
# Seattle area home prices reach new highs



## Seattle Case-Shiller Index

with recession bars and rolling annual average line

Source: S&P Dow Jones Indices



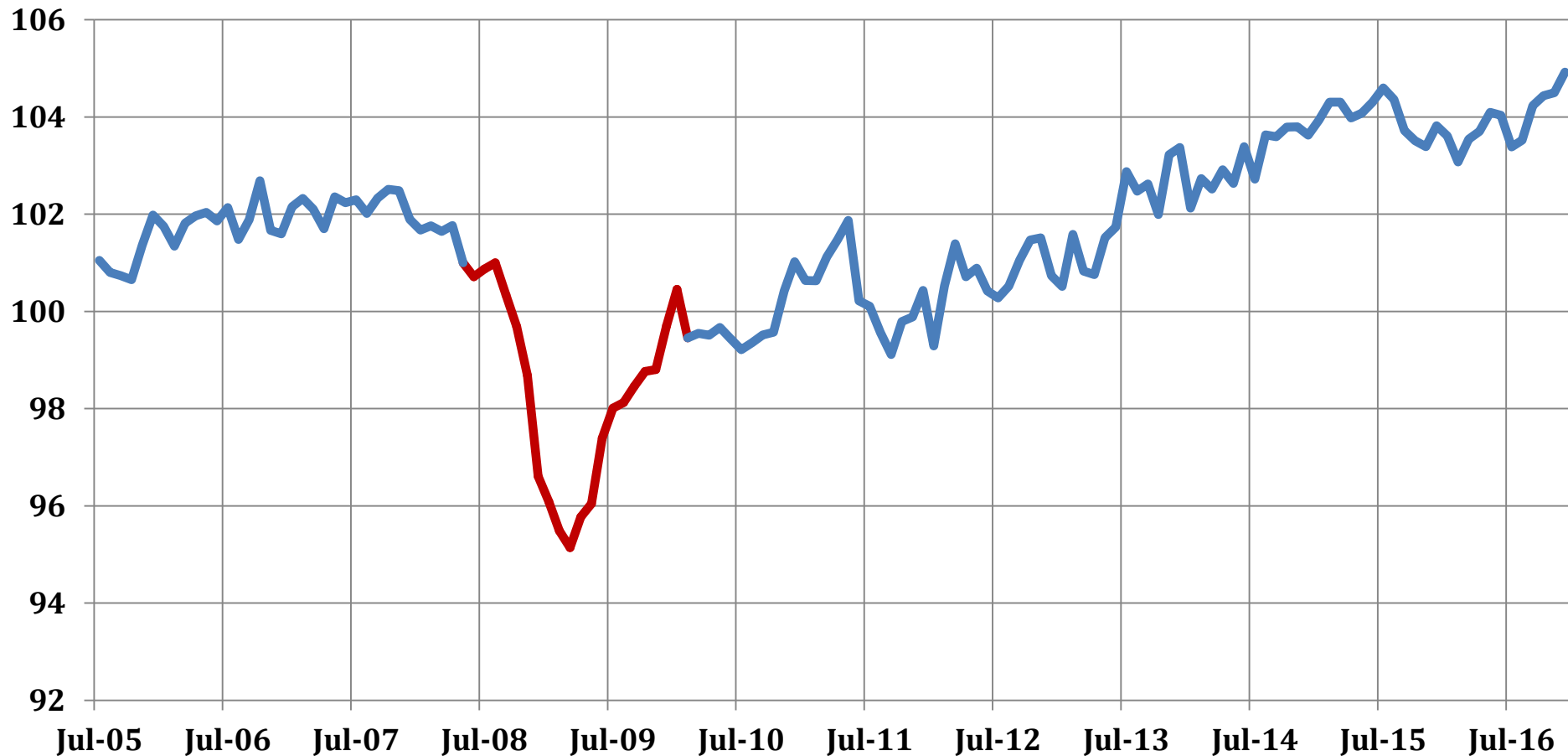
# Local economic signals plateaued but have strengthened recently



## King County Index of Leading Indicators

July 2005=100, with economic contraction highlighted in red

Source: KC OEFA



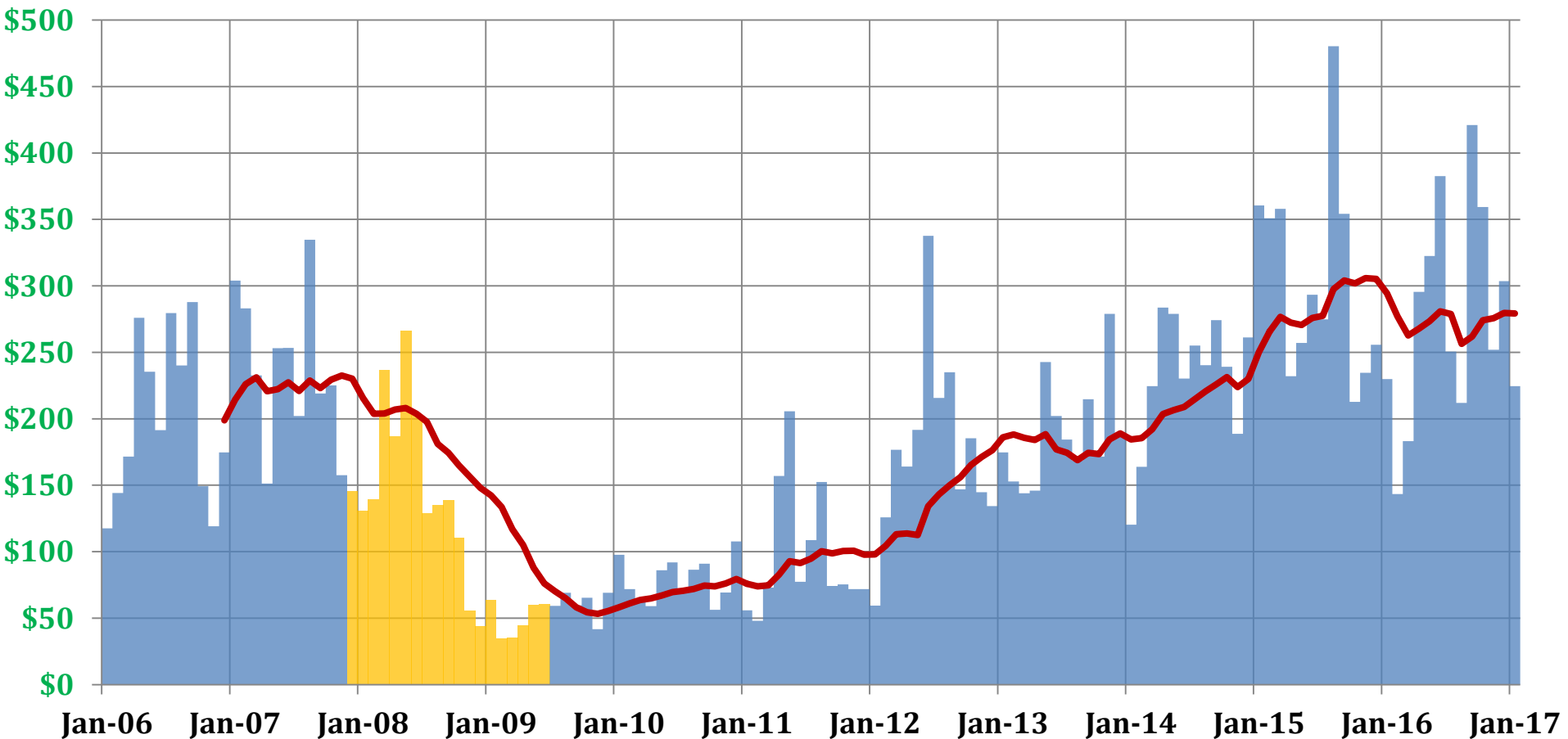
# New permits were down a little in 2016 after peaking in 2015



## King County New Privately Owned Permits

In millions \$, with recession bars and rolling annual average line

Source: Census Bureau



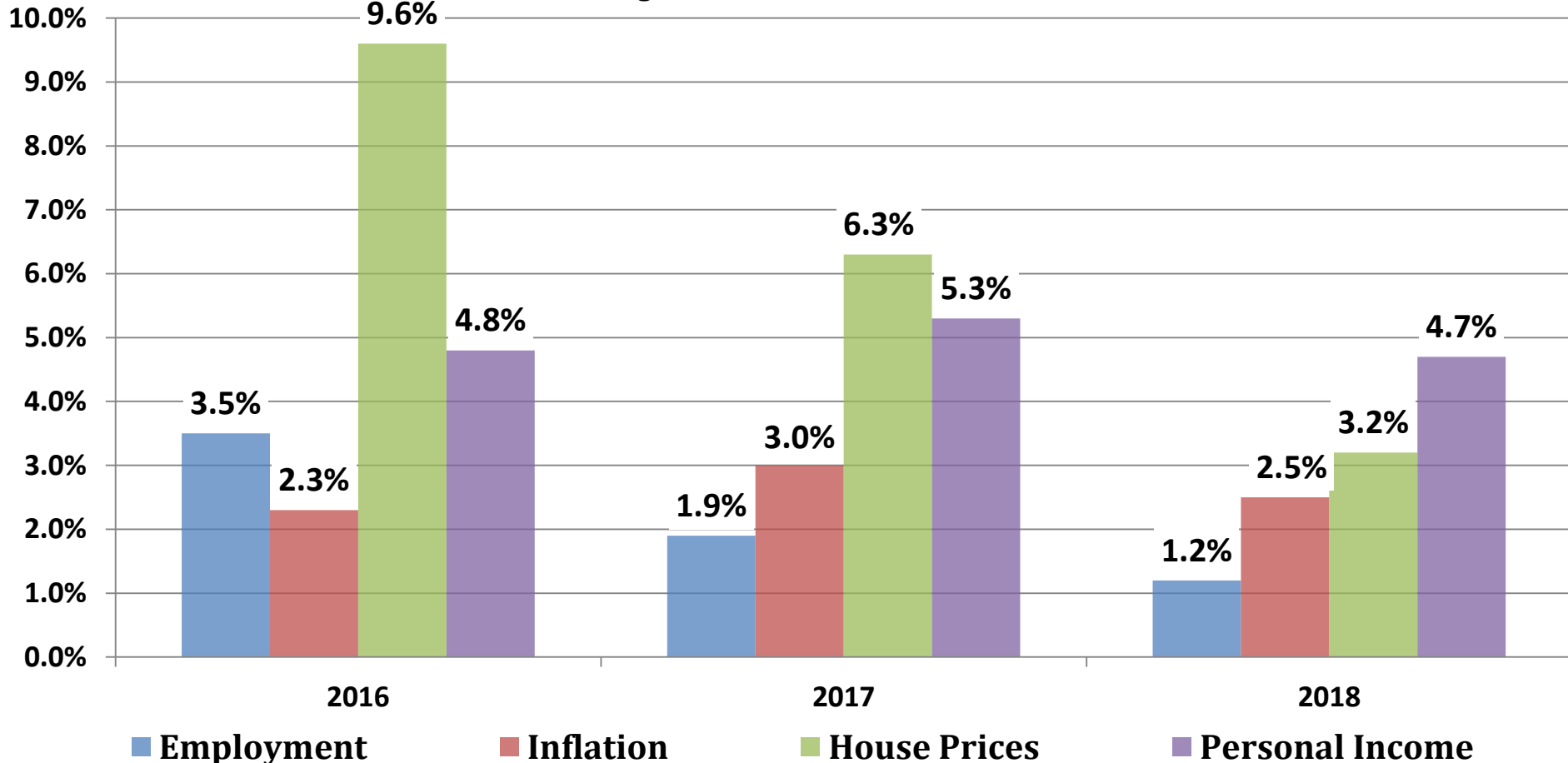
# But the forecast calls for continued growth in King County



## Employment, Inflation, Housing & Income

Forecast 2016-2018

Source: Puget Sound Economic Forecaster Dec. 2016





# March Revenue Forecasts

## Assumptions:

(1) 65% Confidence Level – 65% chance revenues will come in higher than forecasted (lower for inflation/price forecasts)

(2) All potential annexation areas are assumed to occur on schedule:

-North Highline (Area Q/Sliver)	(01-01-19)
-North Highline (Remainder)	(01-01-20)
-West Hill	(01-01-21)
-East Federal Way	(01-01-21)

# Countywide Assessed Value Forecast

<b>Tax Year</b>	<b>Value</b>	<b>Annual Growth</b>	<b>% Change from August 2016 Forecast</b>	<b>\$ Change from August 2016 Forecast</b>
2015	\$388,118,855,592	13.94%	0.00%	\$0
2016	\$426,335,605,836	9.85%	0.00%	\$0
2017	\$471,456,288,020	10.58%	2.17%	\$10,032,856,651
2018	\$507,968,760,251	7.74%	3.85%	\$18,851,300,617
2019	\$534,217,824,074	5.17%	4.58%	\$23,399,769,661
2020	\$554,778,096,642	3.85%	3.84%	\$20,501,125,137
2021	\$578,813,088,535	4.33%	3.11%	\$17,462,326,105
2022	\$610,020,338,705	5.39%	2.83%	\$16,793,924,635
2023	\$641,239,915,829	5.12%	2.45%	\$15,325,186,775
2024	\$671,628,928,691	4.74%	1.74%	\$11,478,383,676
2025	\$705,237,880,651	5.00%	1.35%	\$9,413,990,524
2026	\$740,075,338,069	4.94%	new	new

# Unincorporated Assessed Value Forecast

Tax Year	Value	Annual Growth	% Change from August 2016 Forecast	\$ Change from August 2016 Forecast
2015	\$36,080,918,262	13.19%	0.00%	\$0
2016	\$36,633,108,444	1.53%	0.00%	\$0
2017	\$39,044,967,515	6.58%	0.04%	\$14,941,347
2018	\$41,321,763,796	5.83%	0.04%	\$16,799,408
2019	\$42,876,182,387	3.76%	0.09%	\$36,798,873
2020	\$43,851,377,278	2.27%	-1.71%	(\$760,643,570)
2021	\$43,289,261,967	-1.28%	6.79%	\$2,751,846,623
2022	\$40,930,705,082	-5.45%	-3.97%	(\$1,690,955,105)
2023	\$42,615,320,295	4.12%	-4.80%	(\$2,150,999,813)
2024	\$44,236,768,998	3.80%	-5.94%	(\$2,794,740,201)
2025	\$45,935,899,355	3.84%	-7.13%	(\$3,524,022,225)
2026	\$47,680,036,860	3.80%	new	new

# New Construction Forecast

<b>Tax Year</b>	<b>Value</b>	<b>Annual Growth</b>	<b>% Change from August 2016 Forecast</b>	<b>\$ Change from August 2016 Forecast</b>
2015	\$4,994,659,235	46.63%	0.00%	\$0
2016	\$6,111,997,054	22.37%	0.00%	\$0
2017	\$8,438,451,607	38.06%	30.02%	\$1,948,519,535
2018	\$7,928,193,230	-6.05%	19.38%	\$1,287,301,351
2019	\$7,645,996,365	-3.56%	12.89%	\$873,013,661
2020	\$7,155,531,074	-6.41%	6.04%	\$407,354,216
2021	\$7,080,997,304	-1.04%	4.73%	\$319,576,327
2022	\$7,247,113,422	2.35%	3.20%	\$224,823,160
2023	\$7,408,555,346	2.23%	2.05%	\$148,895,746
2024	\$7,687,971,379	3.77%	2.56%	\$191,850,518
2025	\$7,934,192,570	3.20%	1.95%	\$151,383,624
2026	\$8,217,253,700	3.57%	new	new

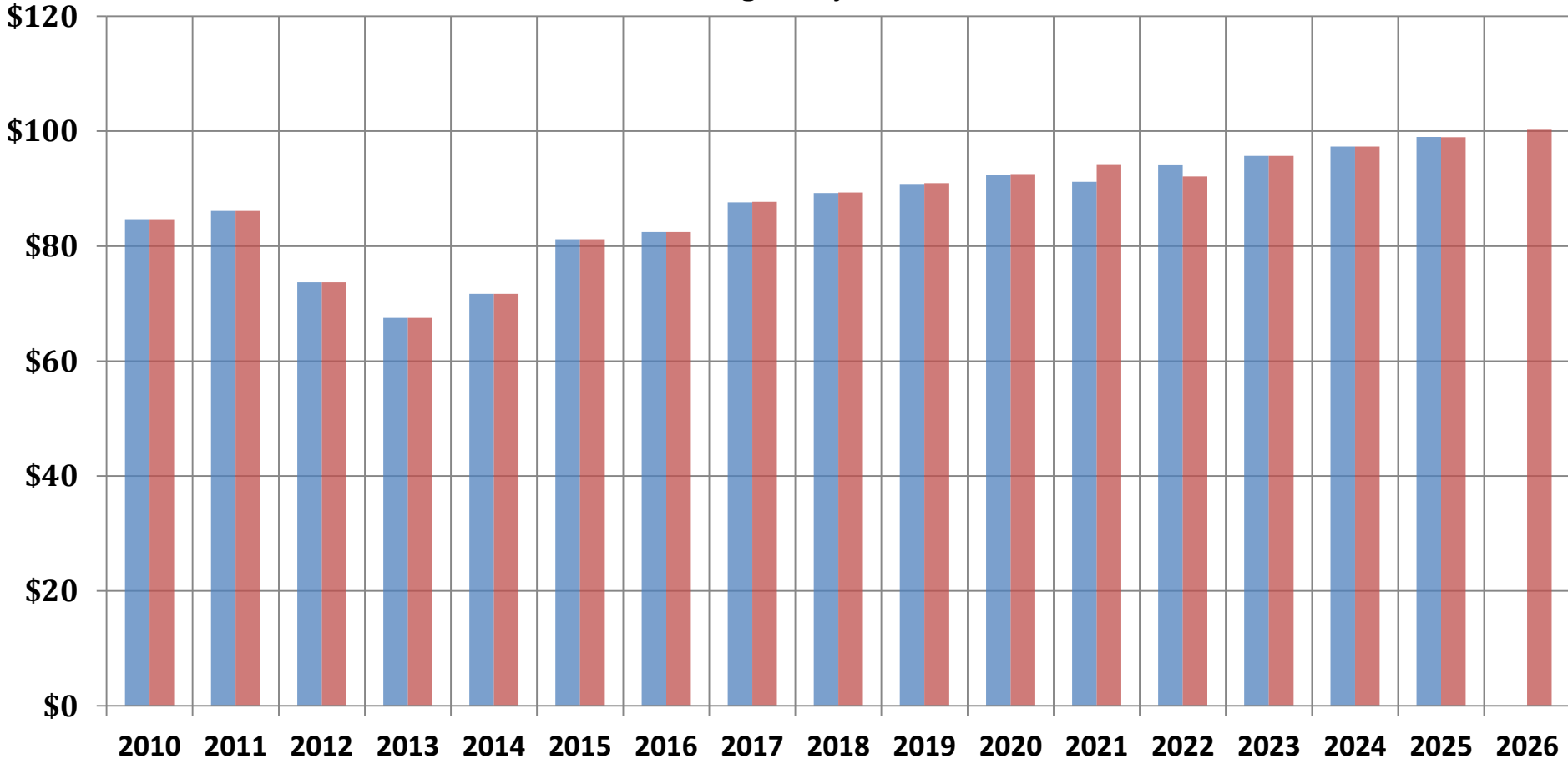
# Roads levy growth now limited by 1% plus new construction and annexations



## UAL/Roads Property Tax Revenue Forecast

August 2016 Forecast, March 2017 Forecast

Source: King County DOA, OEFA



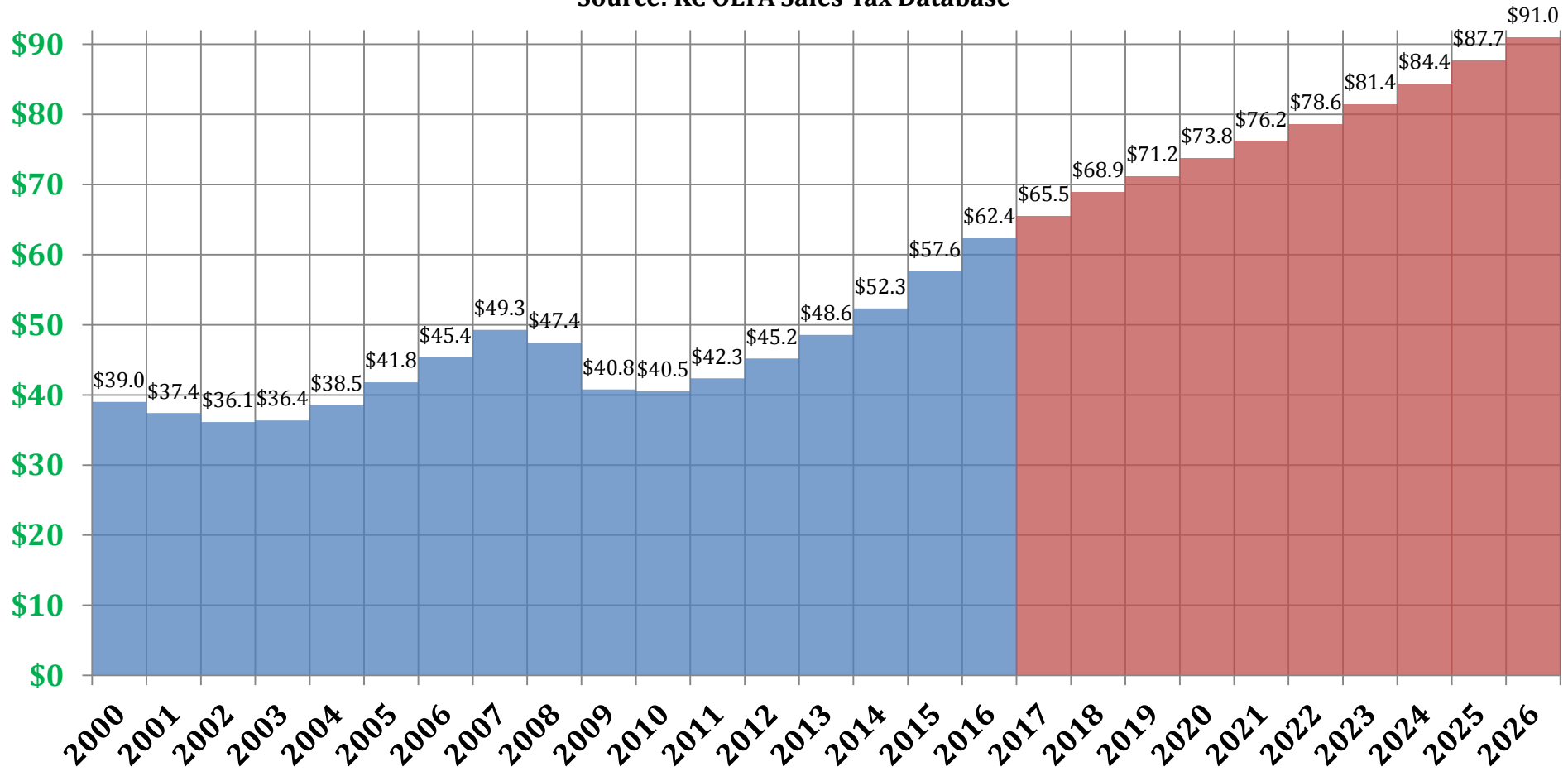
# King County Taxable Sales Forecast



## King County Sales Tax Taxbase

In billions \$, with Actuals and Forecast bars

Source: KC OEFA Sales Tax Database



# Local Option Forecast

<b>Tax Year</b>	<b>Value</b>	<b>Annual Growth</b>	<b>% Change from August 2016 Forecast</b>	<b>\$ Change from August 2016 Forecast</b>
2015	\$104,719,894	8.73%	0.00%	\$0
2016	\$112,744,280	7.66%	-1.58%	(\$1,805,416)
2017	\$118,904,893	5.46%	-1.15%	(\$1,381,147)
2018	\$125,100,218	5.21%	0.56%	\$695,192
2019	\$129,194,224	3.27%	0.40%	\$509,665
2020	\$130,314,602	0.87%	2.37%	\$3,019,836
2021	\$130,757,445	0.34%	-1.12%	(\$1,476,358)
2022	\$134,867,110	3.14%	-2.43%	(\$3,356,884)
2023	\$139,728,965	3.60%	-2.89%	(\$4,162,213)
2024	\$144,802,654	3.63%	-3.13%	(\$4,671,501)
2025	\$150,476,261	3.92%	-3.04%	(\$4,722,754)
2026	\$156,477,957	3.99%	new	new

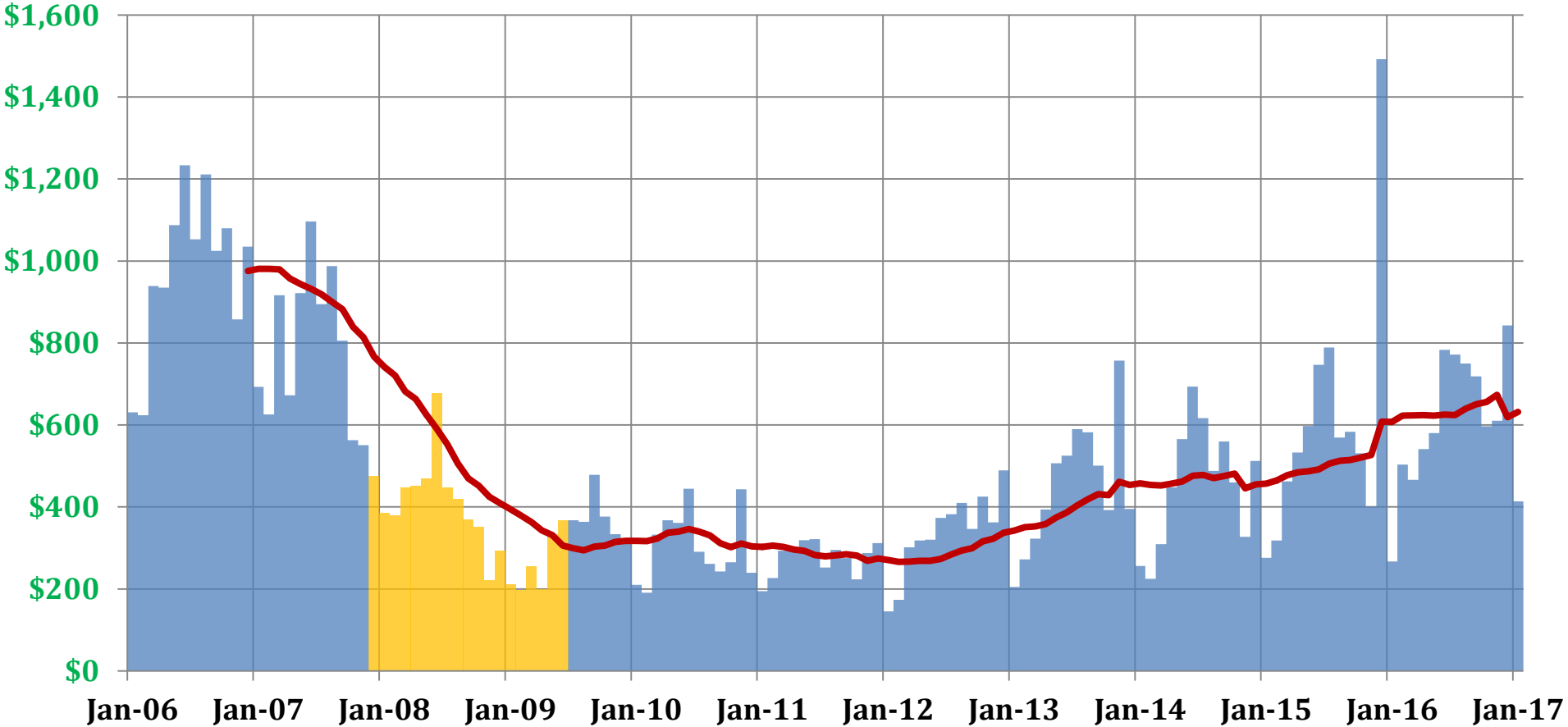
# King County REET continues to demonstrate underlying growth



## King County Real Estate Excise Tax

In thousands \$, with recession bars and rolling annual average line

Source: King County Financial Reports





**King County**  
**Office of Economic and Financial Analysis**

<http://www.kingcounty.gov/independent/forecasting.aspx>