

2020 King County Economic and Revenue Forecast

Presentation to the King County Forecast Council

Presented on:
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Overview

The Covid-19 pandemic continues to impact the entire globe

- Over 20 million cases globally, 5.5M in the U.S.
- All countries/economies are balancing health risk and economic activity
- All are waiting on a vaccine (by one count over 160 in various trials)

The King County economy contracted and has partially recovered

- Stay at home order in effect in late March/April/May
- KC unemployment peaked at 14.9% but is now back to 9.2%
- Uneven recovery (construction employment at pre-Covid levels, leisure and hospitality still down nearly 50%)
- Government intervention is significant (federal, state and local)
- Residential real estate market holding up (very low inventory)

Risks/uncertainty; Covid-19

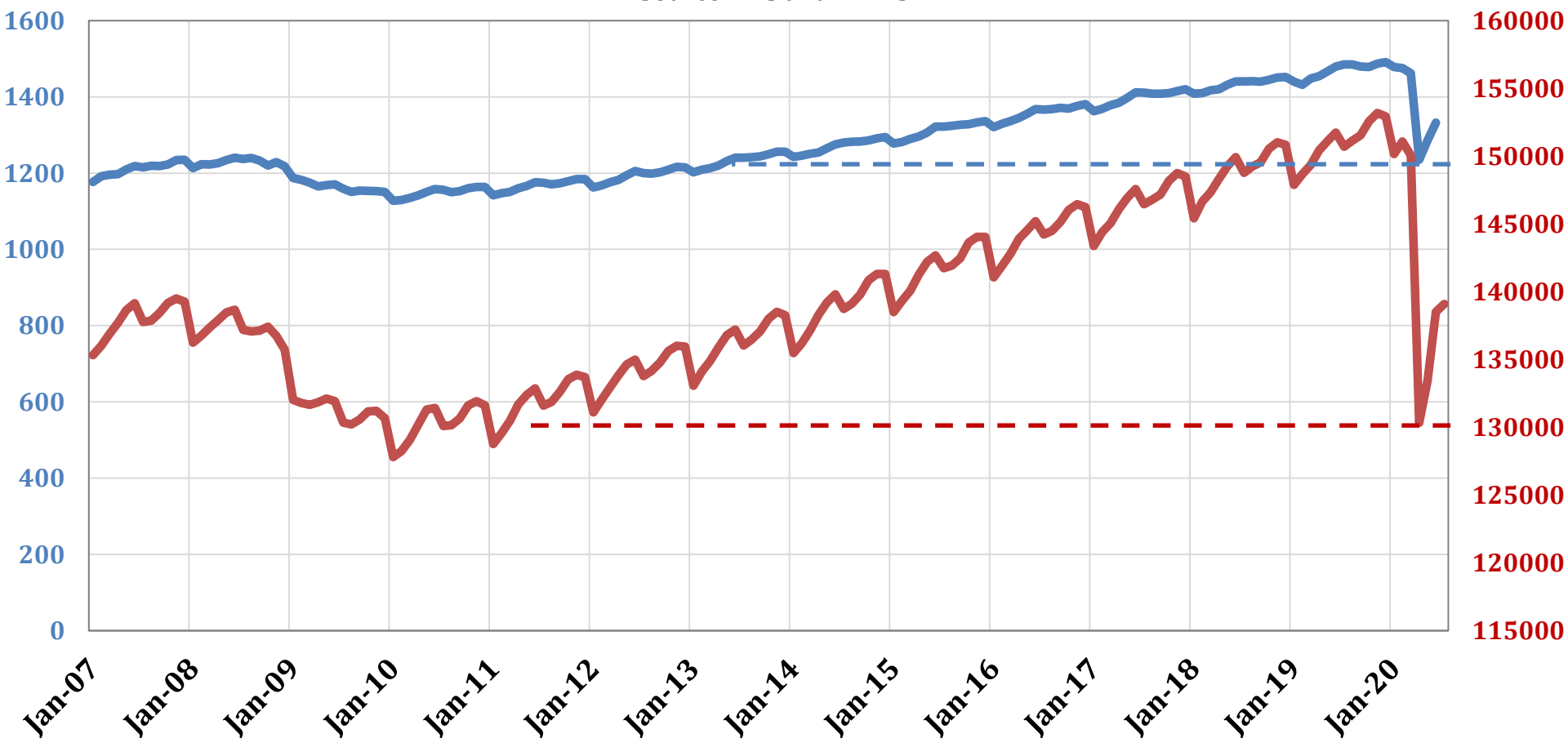
- Virus/vaccine path driving much decision-making
- Secondary; U.S. election, trade

Nearly ten years worth of job growth given up in just a few months-but some of that has recovered



U.S. and KC Annual Employment

King County and U.S. Employment (in thousands) by Month
Source: BLS and WA ESD



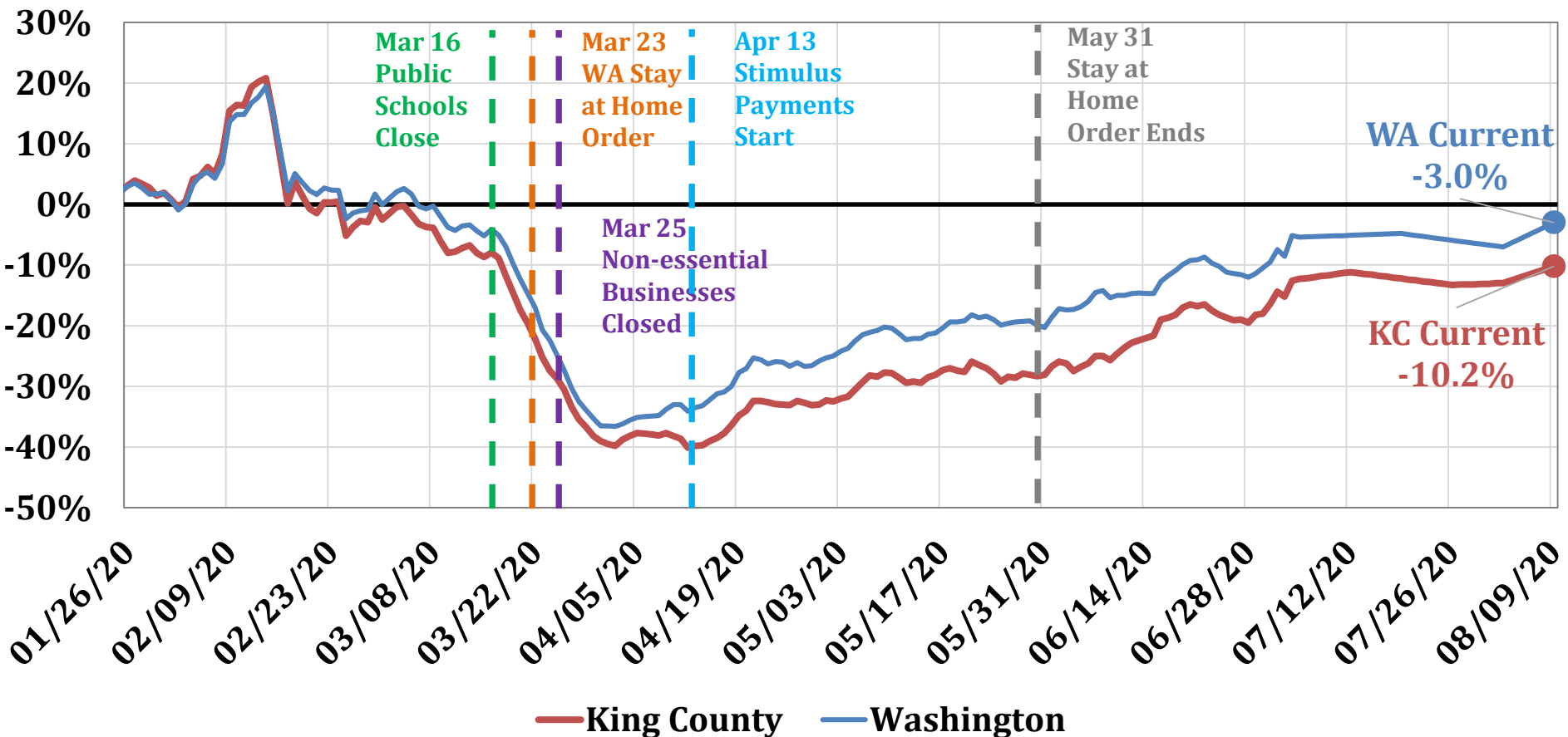
Consumer spending has recovered significantly from the low in April



Total Spending by All Consumers

Year-over-Year Change in Spending in WA and KC

Source: Opportunity Insights, based on card transactions from Affinity Solutions

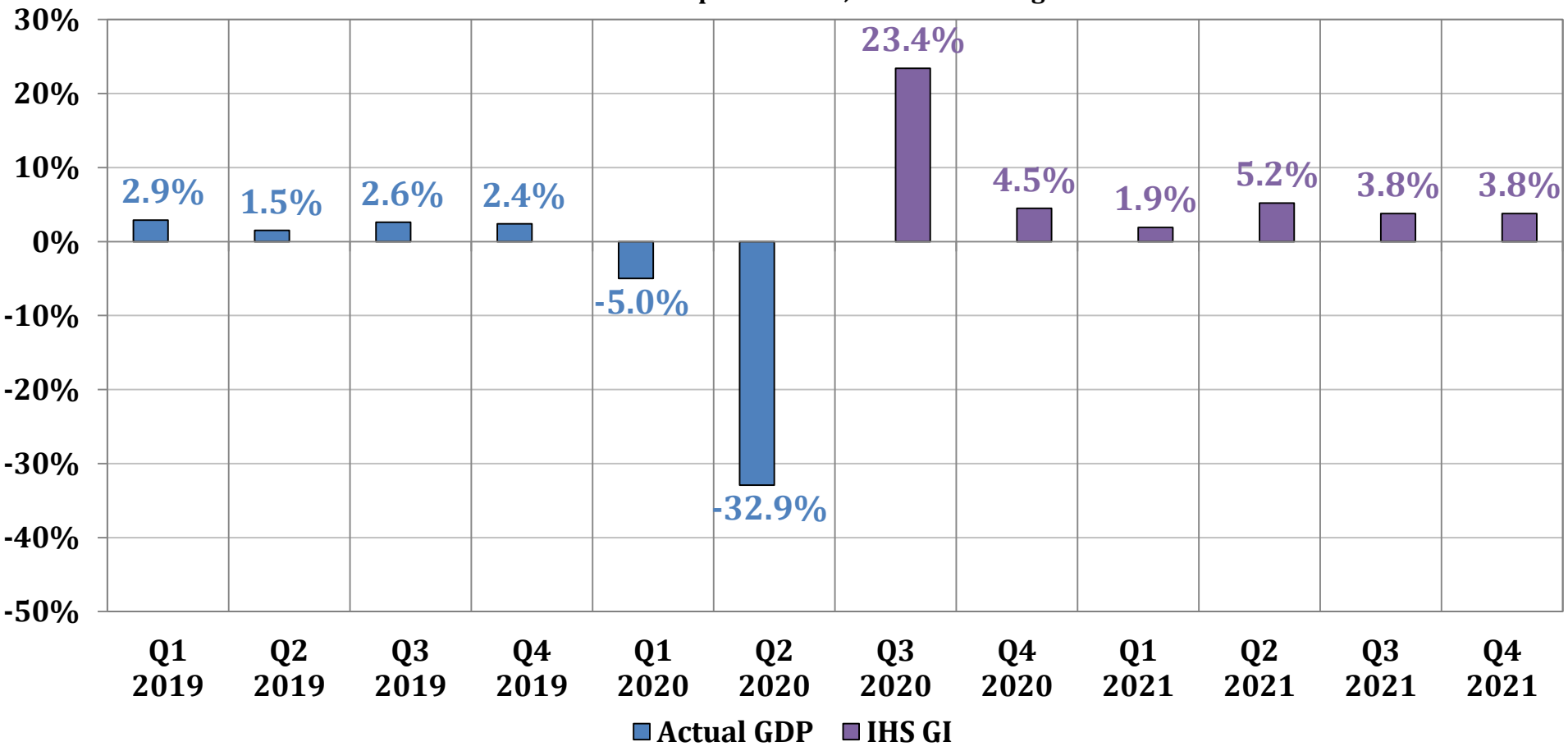


The U.S. economy contracted massively in 2020:2Q but is likely expanding again now



U.S. Real GDP Growth Forecast

Actuals 2019-Q2 2020, Forecast Q3 2020-Q4 2021
Source: Blue Chip Indicators, IHS Global Insight



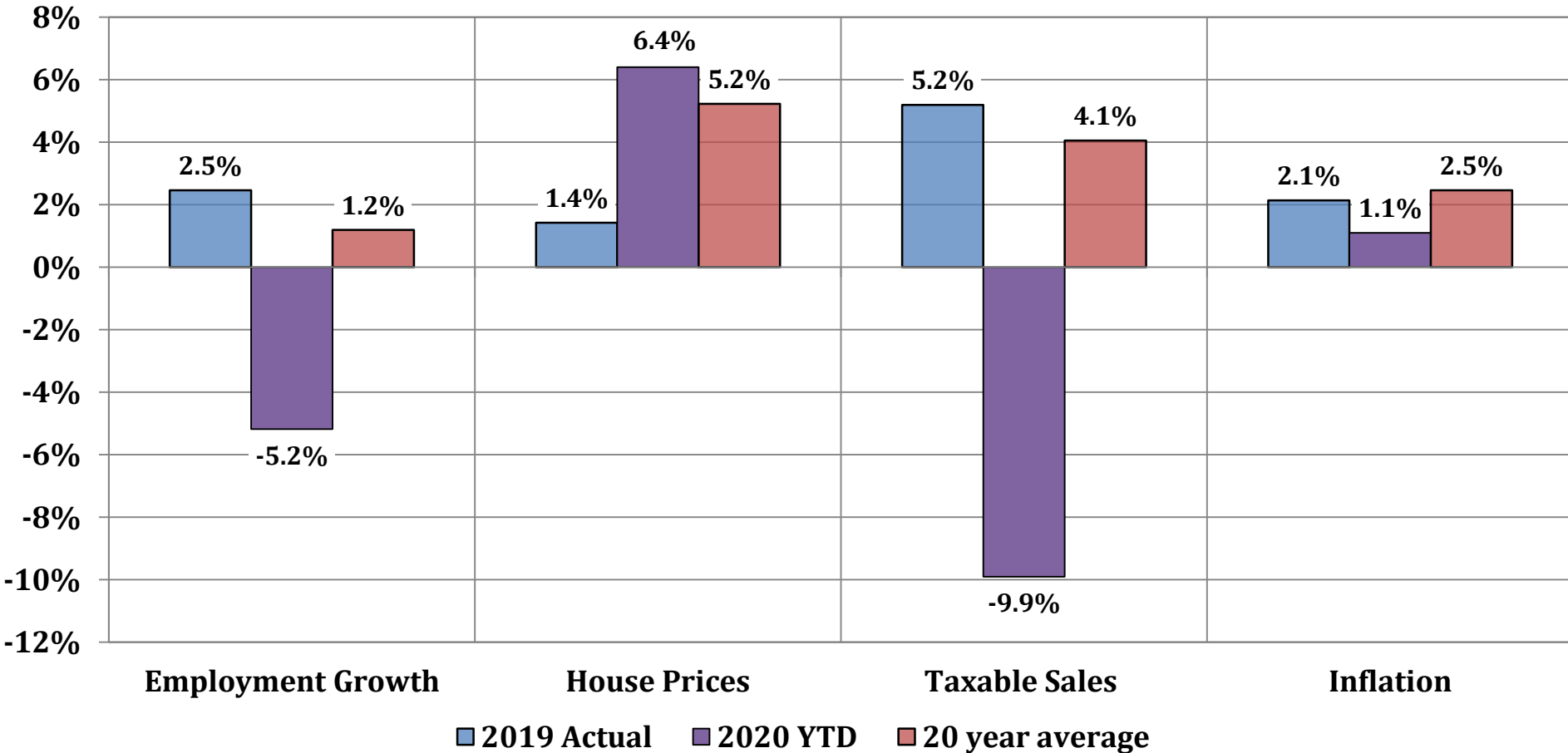
King County indicators showing the impacts of Covid-19



King County Economic Indicators

2019 Actuals & 2020 YTD & 20 Year Average

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



King County employment has recovered in some sectors but not in others



2019 Average Employment, April 2020, & June 2020

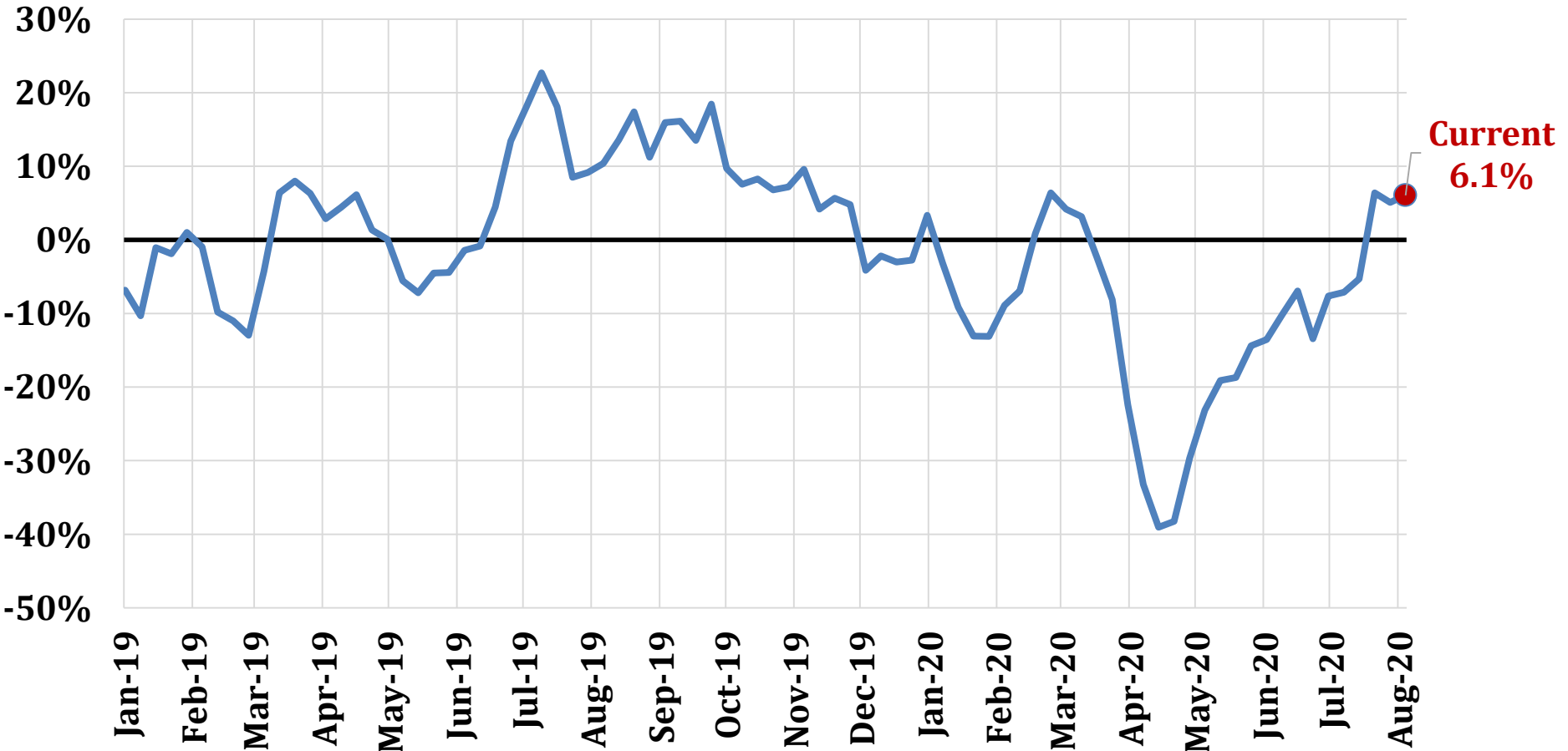
King County Jobs by Major Sector in thousands,
Source: WA ESD

**NAICS Industry (numbers in thousands)	2019 Average	April	June	Apr-June Change
Total Nonfarm	1469.0	1235.0	1332.5	97.5
Construction	79.6	45.4	81.2	35.8
Manufacturing	106.4	92.1	94.8	2.7
Trade, Transportation, and Utilities	281.4	252.9	266.4	13.5
Information	121.5	124.7	122.1	-2.6
Financial Activities	75.3	71.7	75.0	3.3
Professional and Business Services	239.0	224.3	231.2	6.9
Educational and Health Services	189.9	164.2	173.5	9.3
Leisure and Hospitality	147.1	50.0	77.2	27.2
Other Services	52.8	35.5	42.1	7.1
Government	175.5	173.8	168.5	-5.3

Pending sales in Seattle bottomed out in April and resumed growth in August



New Pending Sales in Seattle
Year-over-Year Growth in Pending Sales in Seattle
Source: Zillow



August 2020 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	(01-01-24)
-Renton West Hill	(01-01-25)
-Fairwood	(01-01-26)
-Renton East Hill	(01-01-27)
-East Federal Way	(01-01-28)

Countywide Assessed Value Forecast

Tax Year	Value	Annual Growth	% Change from June 2020 Forecast	\$ Change from June 2020 Forecast
2018	\$534,662,434,753	13.41%	0.00%	\$0
2019	\$606,623,698,131	13.46%	0.00%	\$0
2020	\$642,490,492,044	5.91%	0.00%	\$0
2021	\$656,325,256,128	2.15%	-0.12%	(\$782,408,368)
2022	\$642,856,288,507	-2.05%	2.95%	\$18,397,674,141
2023	\$665,032,254,159	3.45%	2.82%	\$18,265,580,676
2024	\$688,603,101,309	3.54%	2.53%	\$16,968,954,209
2025	\$723,314,864,772	5.04%	2.94%	\$20,659,459,473
2026	\$757,843,480,416	4.77%	3.34%	\$24,478,346,758
2027	\$795,928,534,798	5.03%	3.73%	\$28,606,200,231
2028	\$832,825,401,774	4.64%	3.83%	\$30,705,346,320
2029	\$874,931,673,917	5.06%	4.49%	\$37,610,558,843

Unincorporated Area Assessed Value Forecast

Tax Year	Value	Annual Growth	% Change from June 2020 Forecast	\$ Change from June 2020 Forecast
2018	\$43,501,122,097	11.41%	0.00%	\$0
2019	\$48,607,292,257	11.74%	0.00%	\$0
2020	\$50,973,173,419	4.87%	0.00%	\$0
2021	\$51,573,294,763	1.18%	-0.05%	(\$24,424,113)
2022	\$52,542,674,720	1.88%	0.37%	\$194,979,611
2023	\$54,222,337,136	3.20%	0.16%	\$87,473,752
2024	\$53,404,820,655	-1.51%	1.21%	\$636,663,199
2025	\$52,721,352,809	-1.28%	2.31%	\$1,191,210,852
2026	\$49,864,753,498	-5.42%	2.88%	\$1,394,792,104
2027	\$50,518,758,952	1.31%	4.46%	\$2,159,204,530
2028	\$49,398,496,430	-2.22%	6.25%	\$2,904,686,054
2029	\$51,123,373,524	3.49%	7.34%	\$3,494,231,326

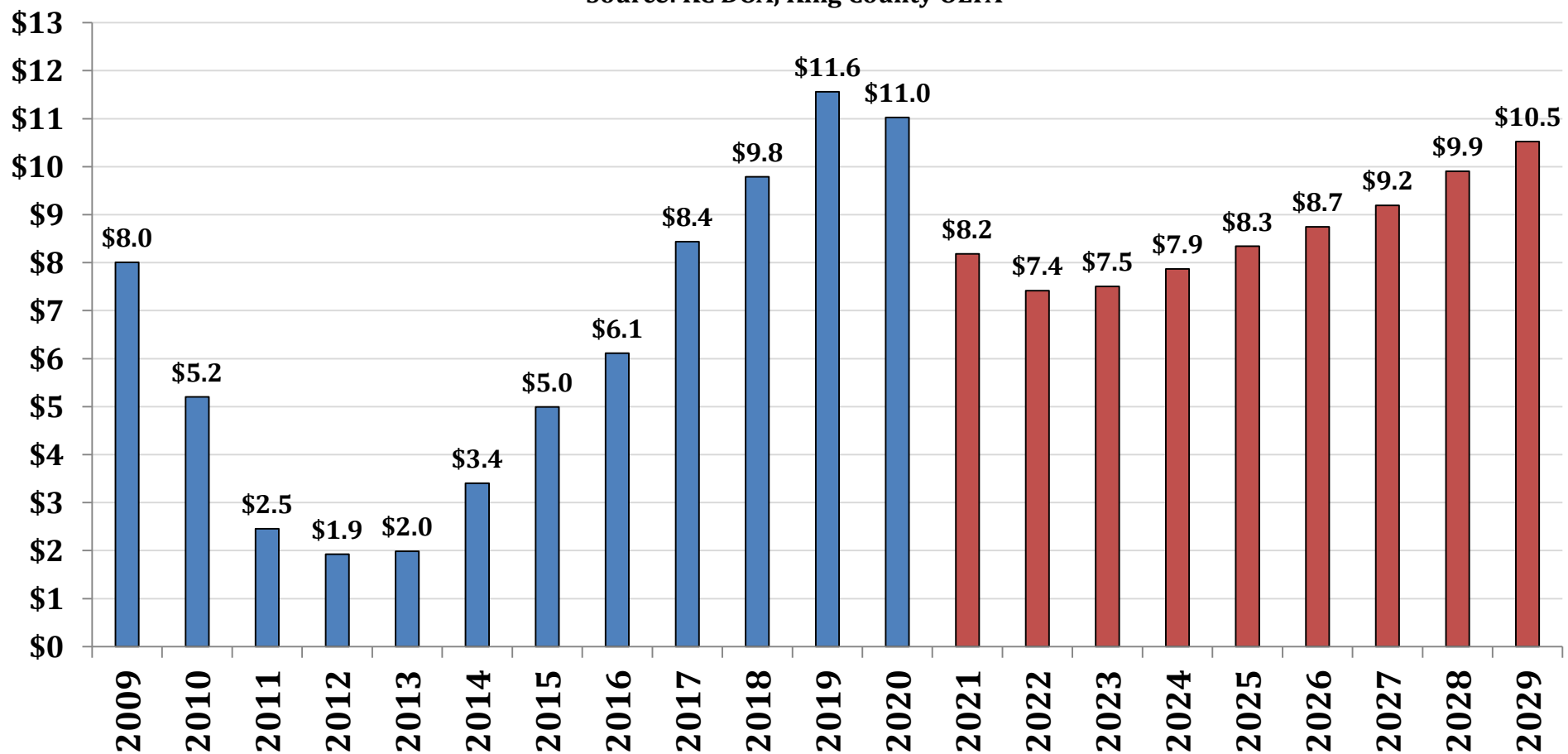
New Construction Forecast



King County New Construction Forecast

In billions \$, with Actuals and Forecast bars

Source: KC DOA, King County OEFA



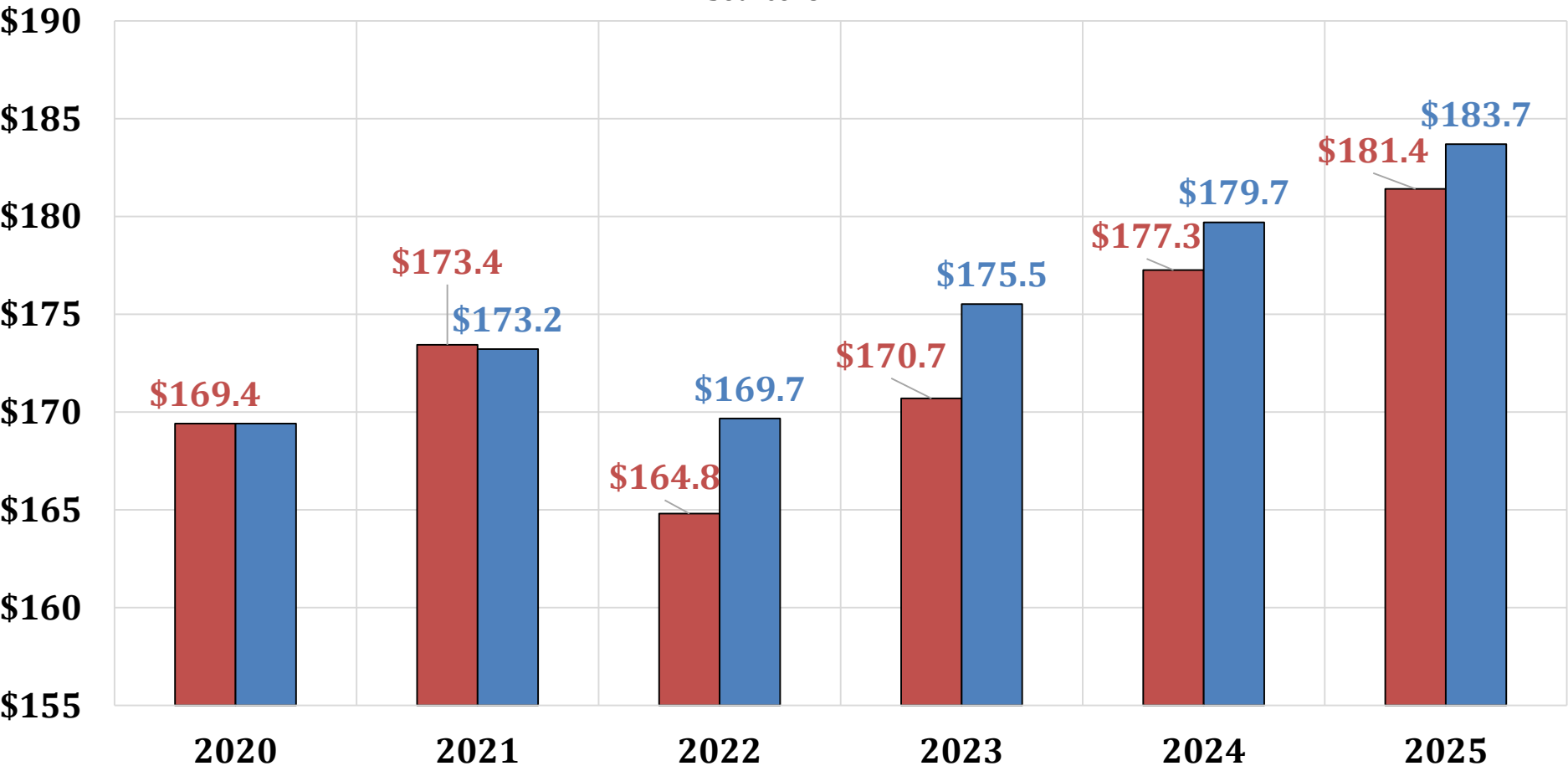
EMS property tax revenues look better than June due to higher AV forecast



EMS June and August Forecasts

In millions \$, **June Forecast** and **August Forecast**

Source: OEFA



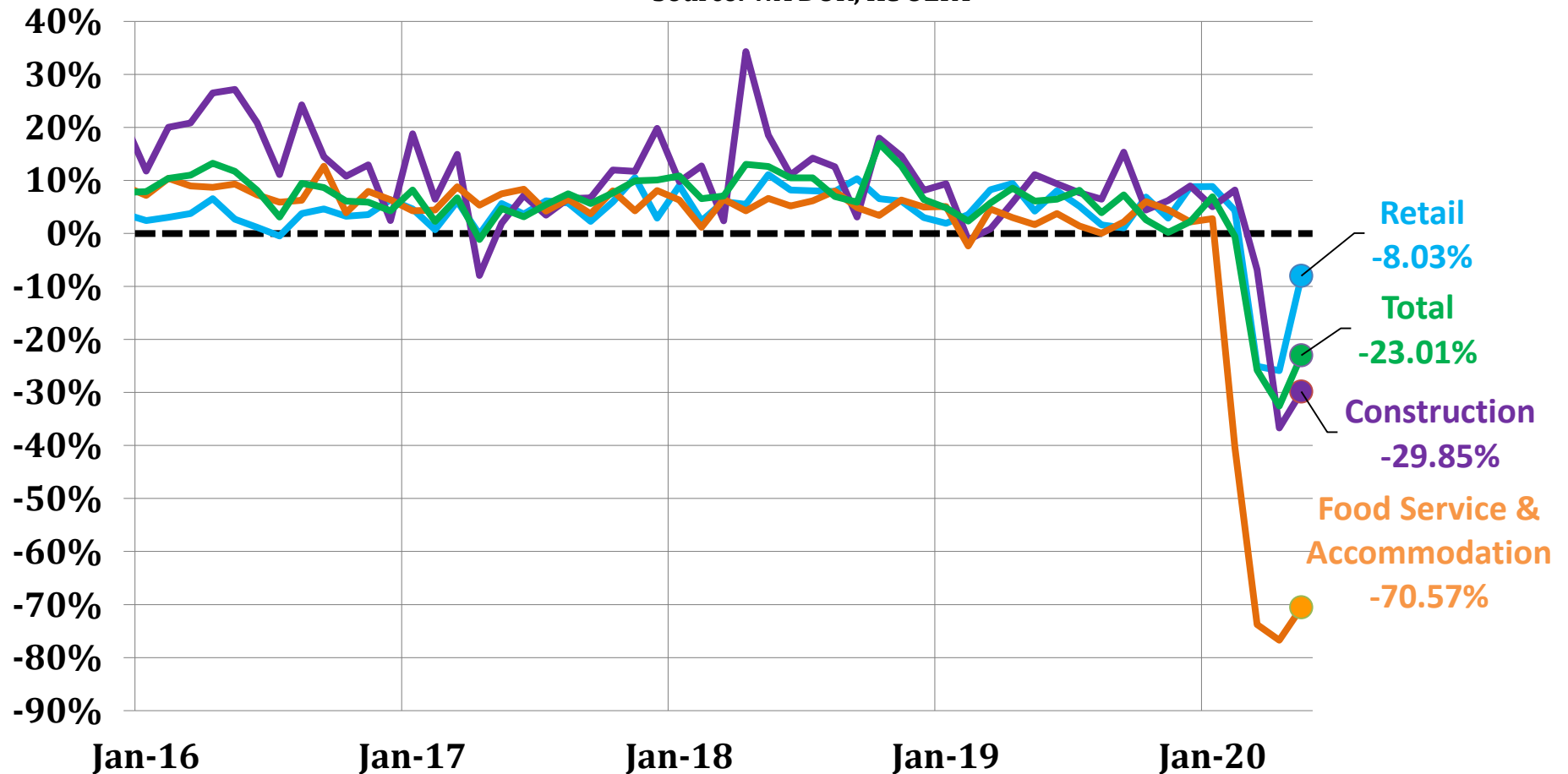
Taxable sales dropped precipitously in Mar/Apr but were less bad in May 2020



Taxable Sales Growth

Monthly growth rates of taxable sales for select sectors

Source: WA DOR, KC OEFA



King County Taxable Sales Forecast

Tax Year	Value	Annual Growth	% Change from June 2020 Forecast	\$ Change from June 2020 Forecast
2018	\$72,726,583,626	10.48%	0.00%	\$0
2019	\$76,486,164,464	5.17%	-0.02%	(\$13,835,536)
2020	\$65,233,424,773	-14.71%	21.86%	\$11,700,811,079
2021	\$69,096,437,902	5.92%	6.89%	\$4,452,860,151
2022	\$73,974,337,075	7.06%	4.08%	\$2,899,277,349
2023	\$78,279,107,193	5.82%	3.41%	\$2,583,229,764
2024	\$81,138,511,305	3.65%	3.33%	\$2,611,482,887
2025	\$84,086,695,230	3.63%	2.73%	\$2,233,821,782
2026	\$87,647,377,921	4.23%	2.97%	\$2,526,133,164
2027	\$91,329,108,902	4.20%	2.45%	\$2,185,135,482
2028	\$94,859,823,374	3.87%	3.00%	\$2,764,756,952
2029	\$98,844,813,967	4.20%	3.31%	\$3,162,773,324

King County Local and Option Sales Tax Forecast

Tax Year	Value	Annual Growth	% Change from June 2020 Forecast	\$ Change from June 2020 Forecast
2018	\$131,938,849	11.23%	0.00%	\$0
2019	\$137,639,197	4.32%	0.00%	\$0
2020	\$121,736,019	-11.55%	22.38%	\$22,261,357
2021	\$126,011,091	3.51%	8.16%	\$9,507,814
2022	\$134,271,966	6.56%	4.82%	\$6,177,612
2023	\$141,413,728	5.32%	3.66%	\$4,991,548
2024	\$142,599,545	0.84%	3.09%	\$4,268,002
2025	\$145,740,897	2.20%	2.24%	\$3,196,871
2026	\$149,852,553	2.82%	2.23%	\$3,275,119
2027	\$154,904,641	3.37%	1.58%	\$2,405,640
2028	\$158,406,586	2.26%	1.84%	\$2,860,405
2029	\$165,061,129	4.20%	2.14%	\$3,456,641

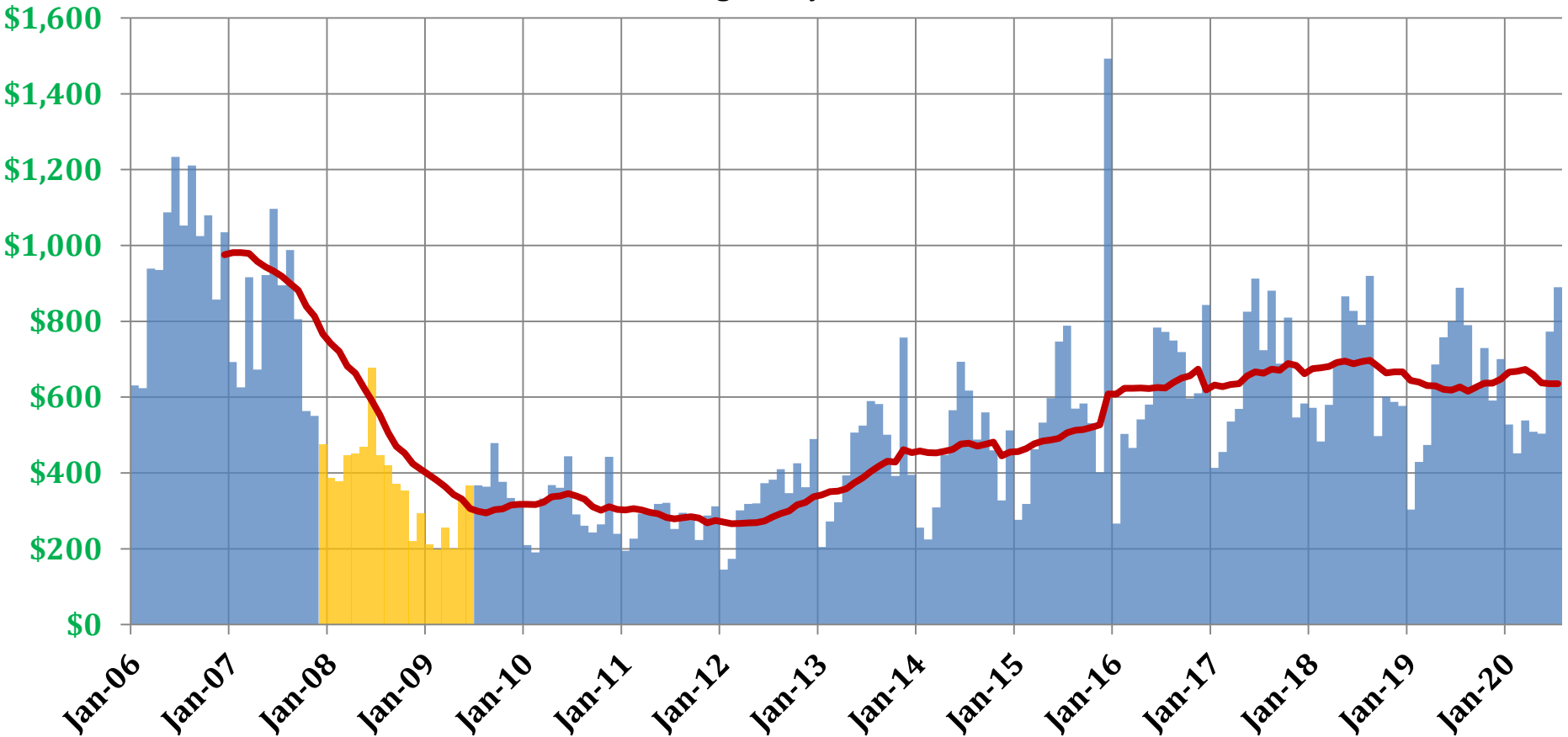
King County REET slowed April-June and is likely to be lower in 2020



King County Real Estate Excise Tax

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

Source: King County Recorder's Office



King County
Office of Economic and Financial Analysis

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