

2018 King County Economic and Revenue Forecast

Presentation to the King County Forecast Council

Presented on:
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Overview

The U.S. economic expansion continues (108 months)

2018:1Q=+2%, tracking higher in 2Q (~+4%)

Strong employment growth (avg. +215K/month in 2018 YTD)

Continue to expect employment growth in 2018-2019

Unemployment likely to drop, inflation on the rise

King County economy also continues to grow

Strong employment growth (+3.2% in 2018 YTD)

Continued population growth-added 36,500 people in KC in 2017-2018

Continued construction boom driving employment and commerce

Leading indicators mostly positive

Biggest risk/uncertainty; U.S. govt. & trade

Trade and tariffs are front and center

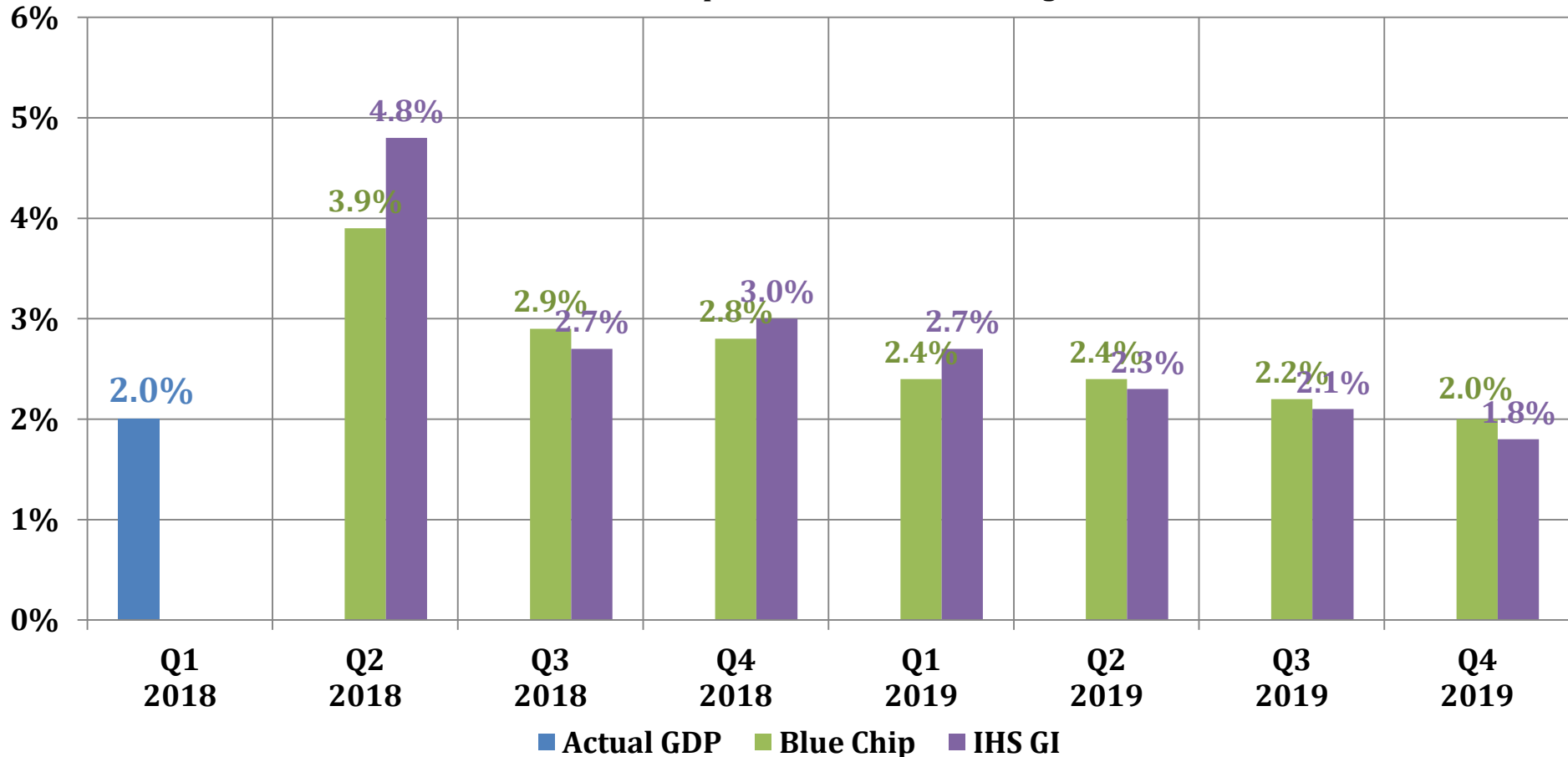
The U.S. economic growth forecast to continue to look good



U.S. Real GDP Growth Forecast

Actuals Q1 2018, Forecast Q2 2018- Q4 2019

Source: Blue Chip Indicators, IHS Global Insight



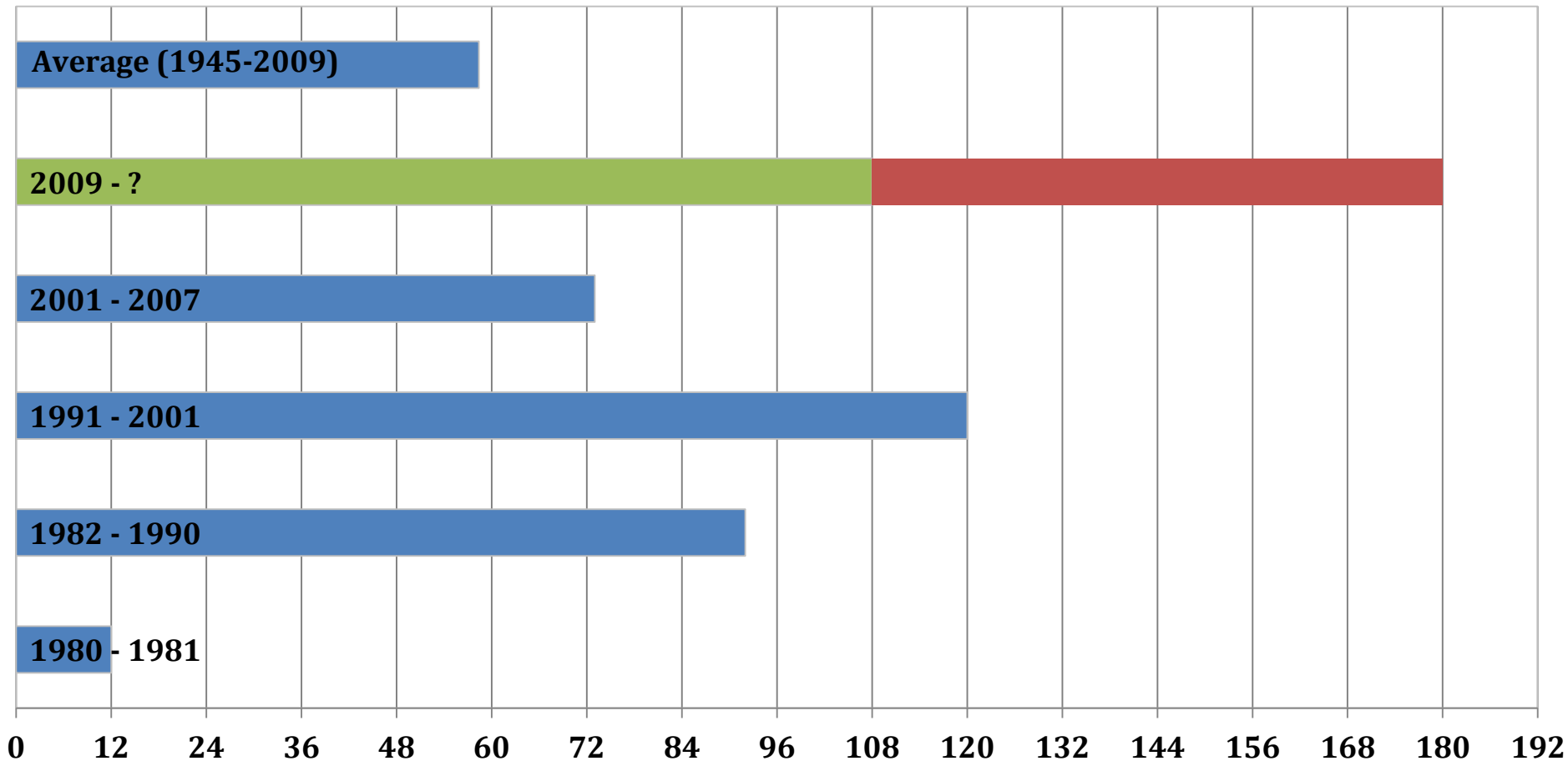
The current expansion is over nine years...and closing in on the record



US Economic Expansions

In months, **Actual (bar)**, **Forecast (bar)**

Source: Bureau of Economic Analysis



The U.S. jobs machine continues too...



Job Openings

In thousands, seasonally adjusted from January 2001 to Present
Source: BLS



The average U.S. household is doing well...household wealth to income hits new high



Net Worth as a % of Disposable Income

Household Net Worth/Personal Income, 1960-2018

Source: FRED

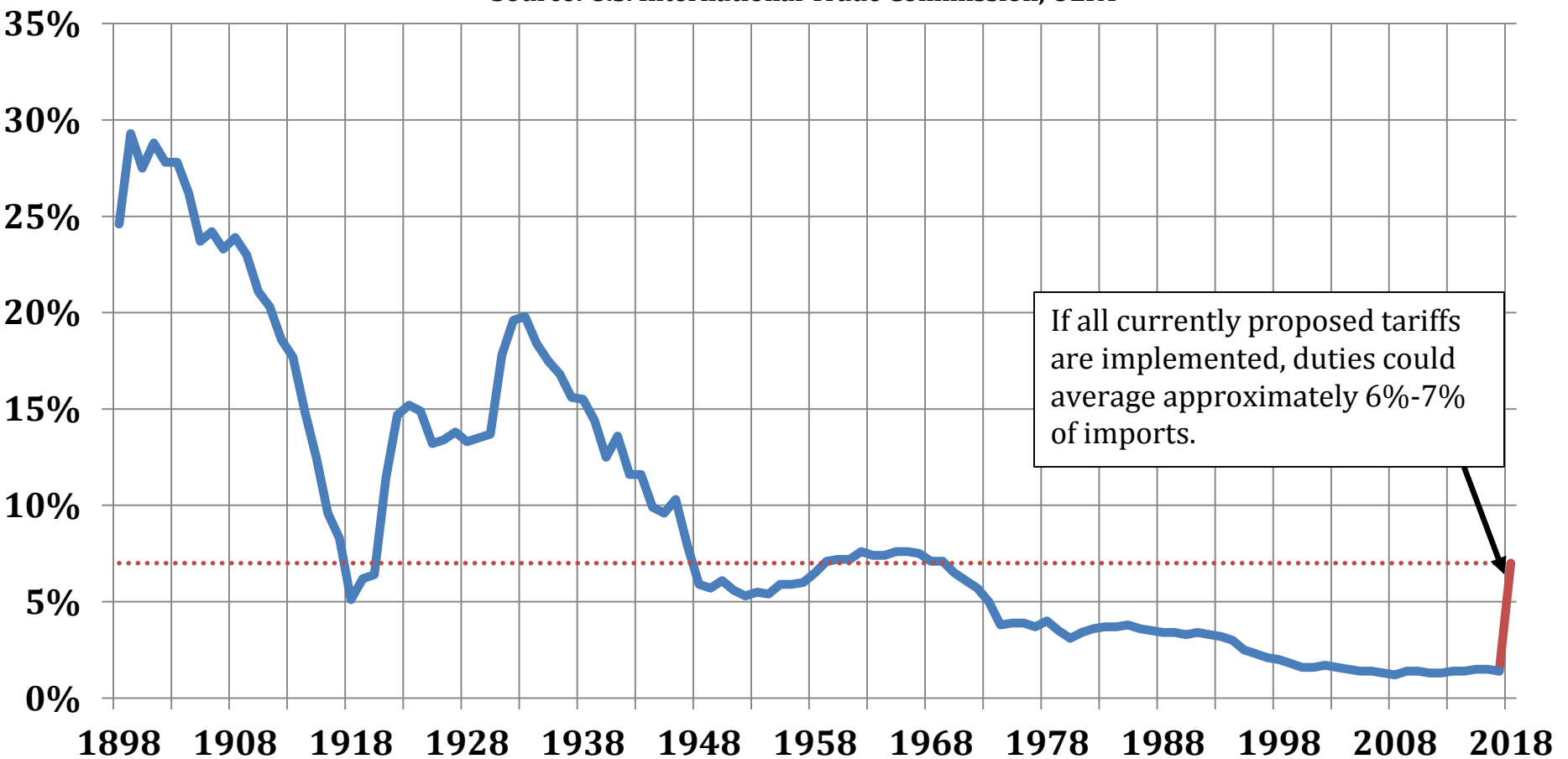


Tariffs cloud the global growth picture...return to the 1960s?



Import Tariffs

Duties Collected/Total Imports, 1898-2017 Actual, 2018 Forecast
Source: U.S. International Trade Commission, OEFA

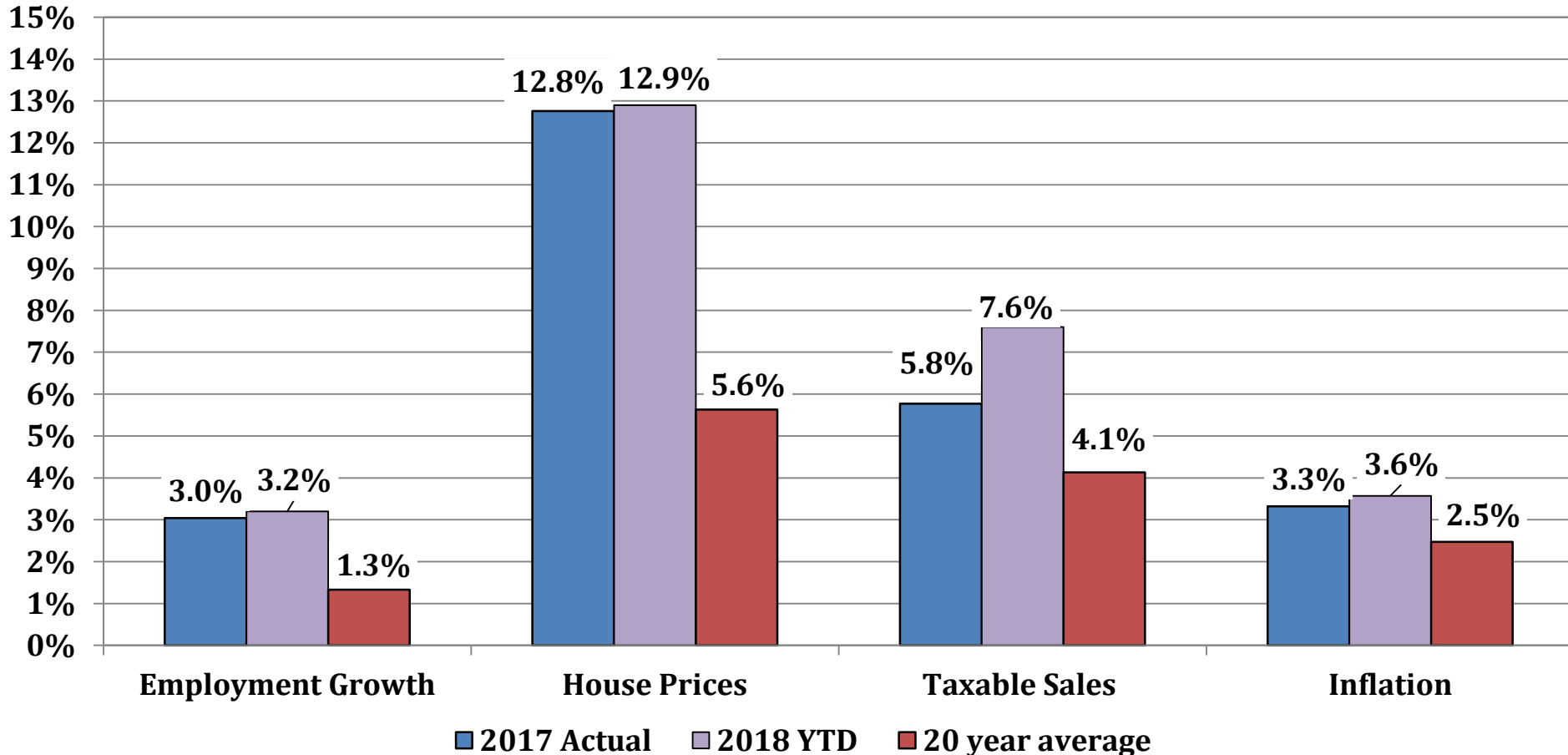


The King County indicators were strong in 2017 and are holding up thus far in 2018



King County Economic Indicators

2017 actuals and 2018 YTD vs. 20 year average
Source: PSEF, Case-Shiller, WA DOR, BLS



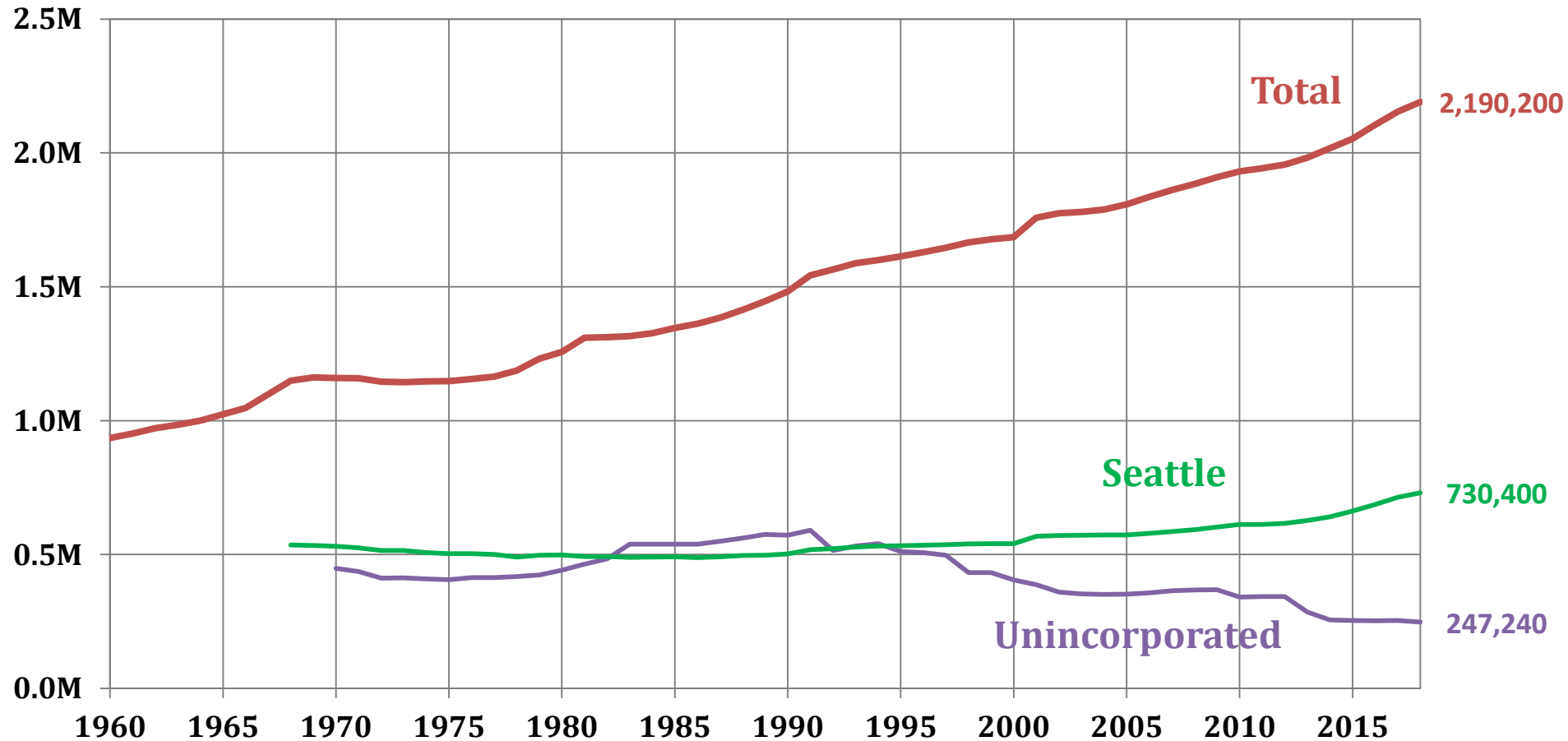
We've seen rapid population growth in King County of late but really a continuation of a long-term trend



Population in King County (1960-Present)

Population Growth: **KC Total**, **KC Unincorporated** & **Seattle**

Source: OFM



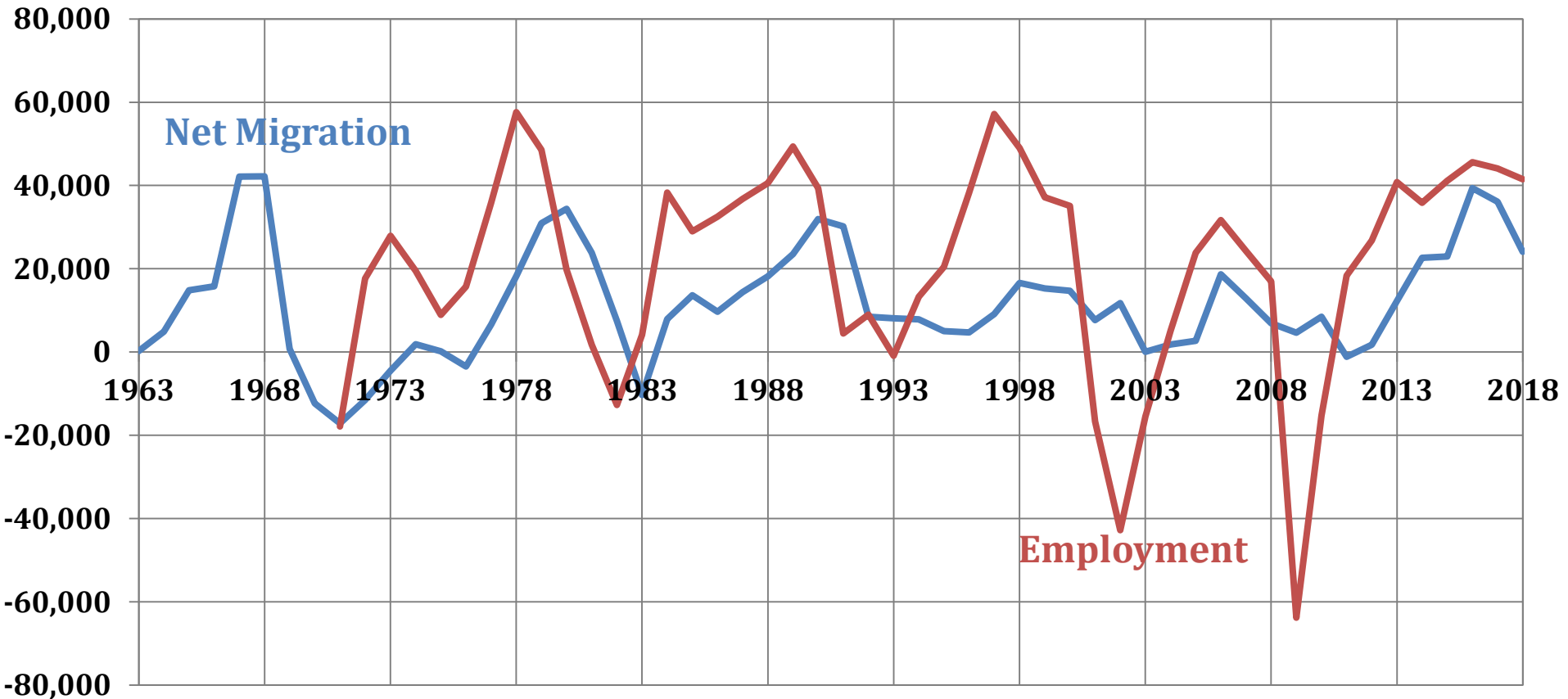
Population growth ebbs and flows with the labor market



Changes in Employment and Population

King County **Net Migration & Employment**

Source: OFM, Puget Sound Economic Forecaster



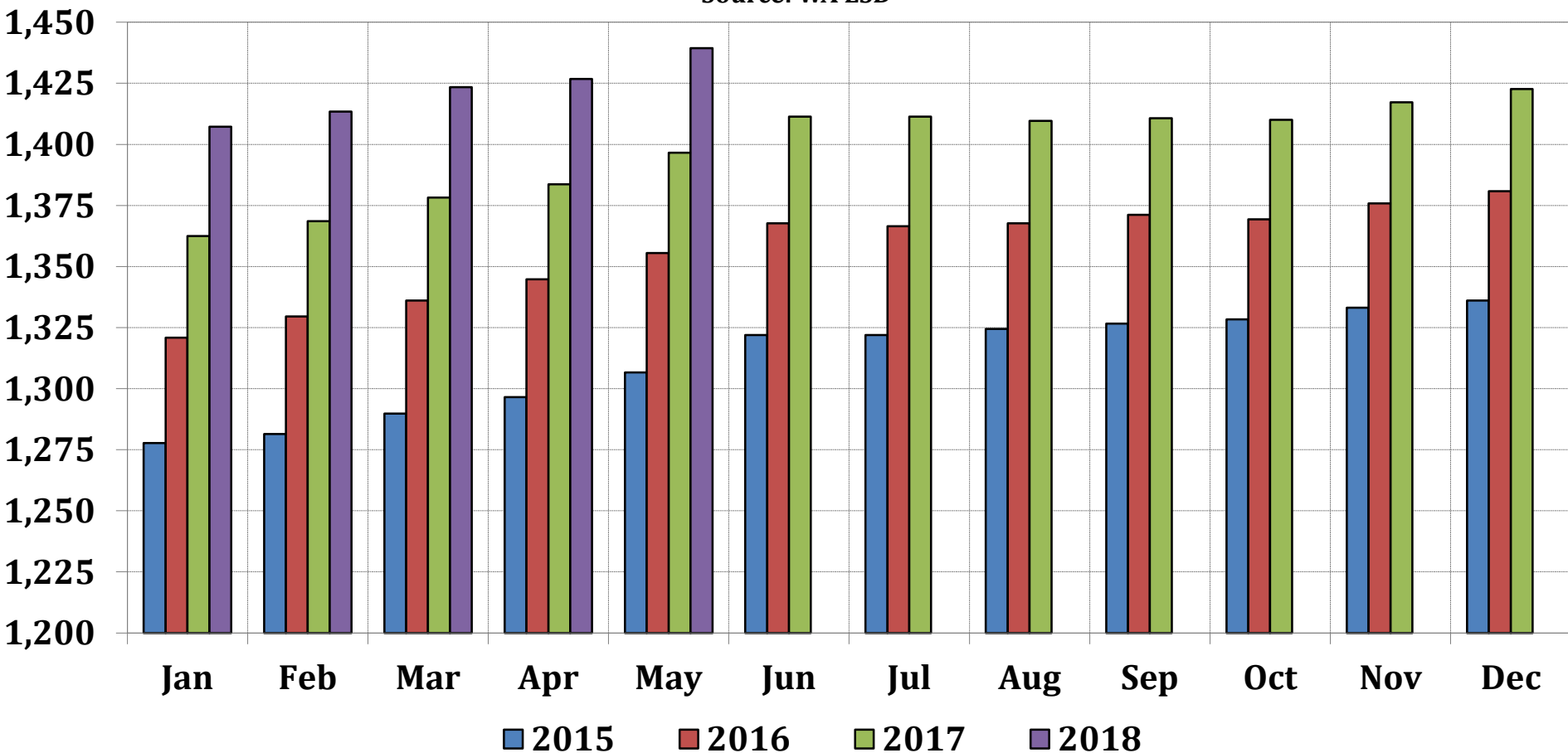
Job growth remains strong throughout King County



King County Total Non-Farm Employment

Monthly job totals (in thousands), January 2015 to Present

Source: WA ESD



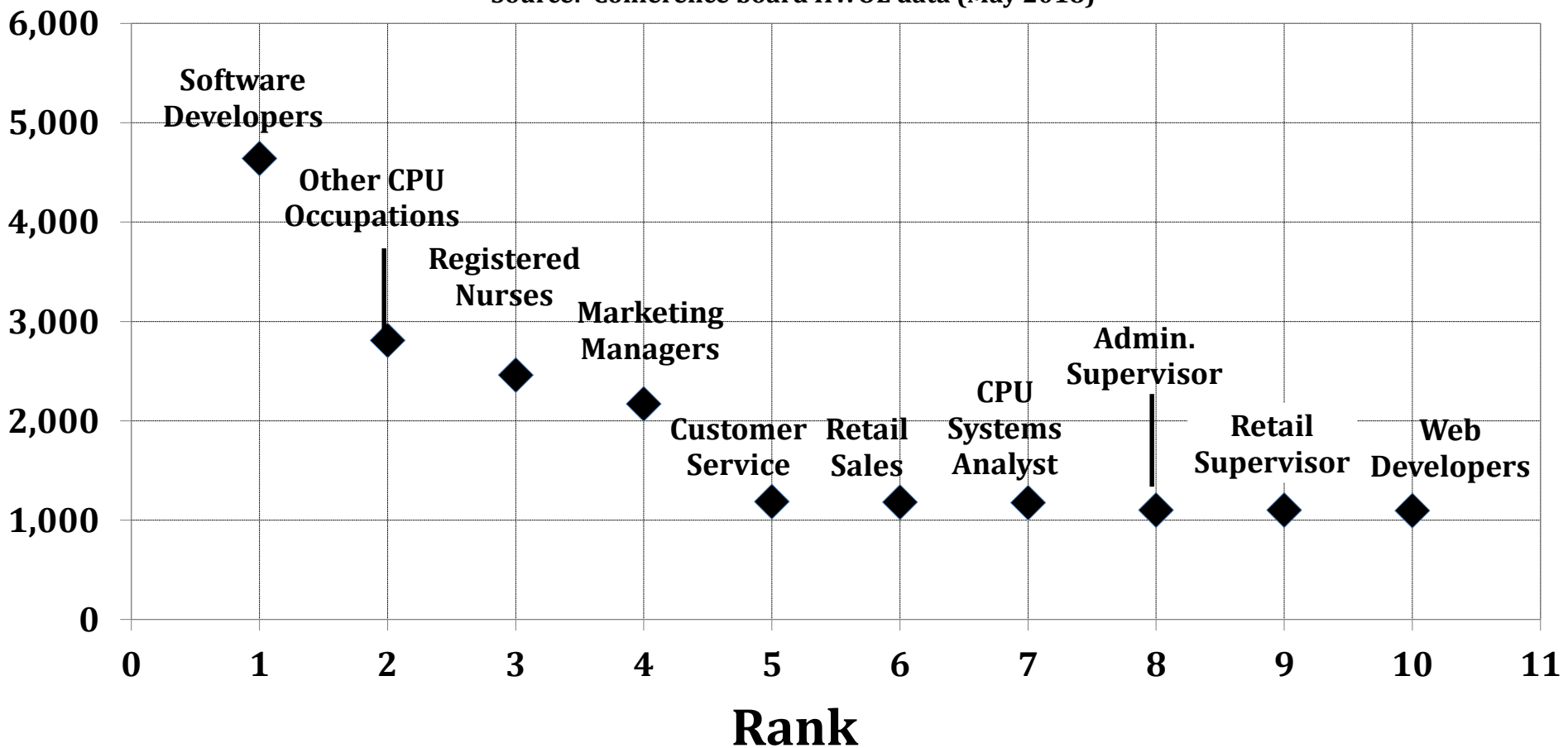
Occupational growth in King County continues to be dominated by IT



Top-ten online wanted ads by position

Number of online ads by position and rank by position

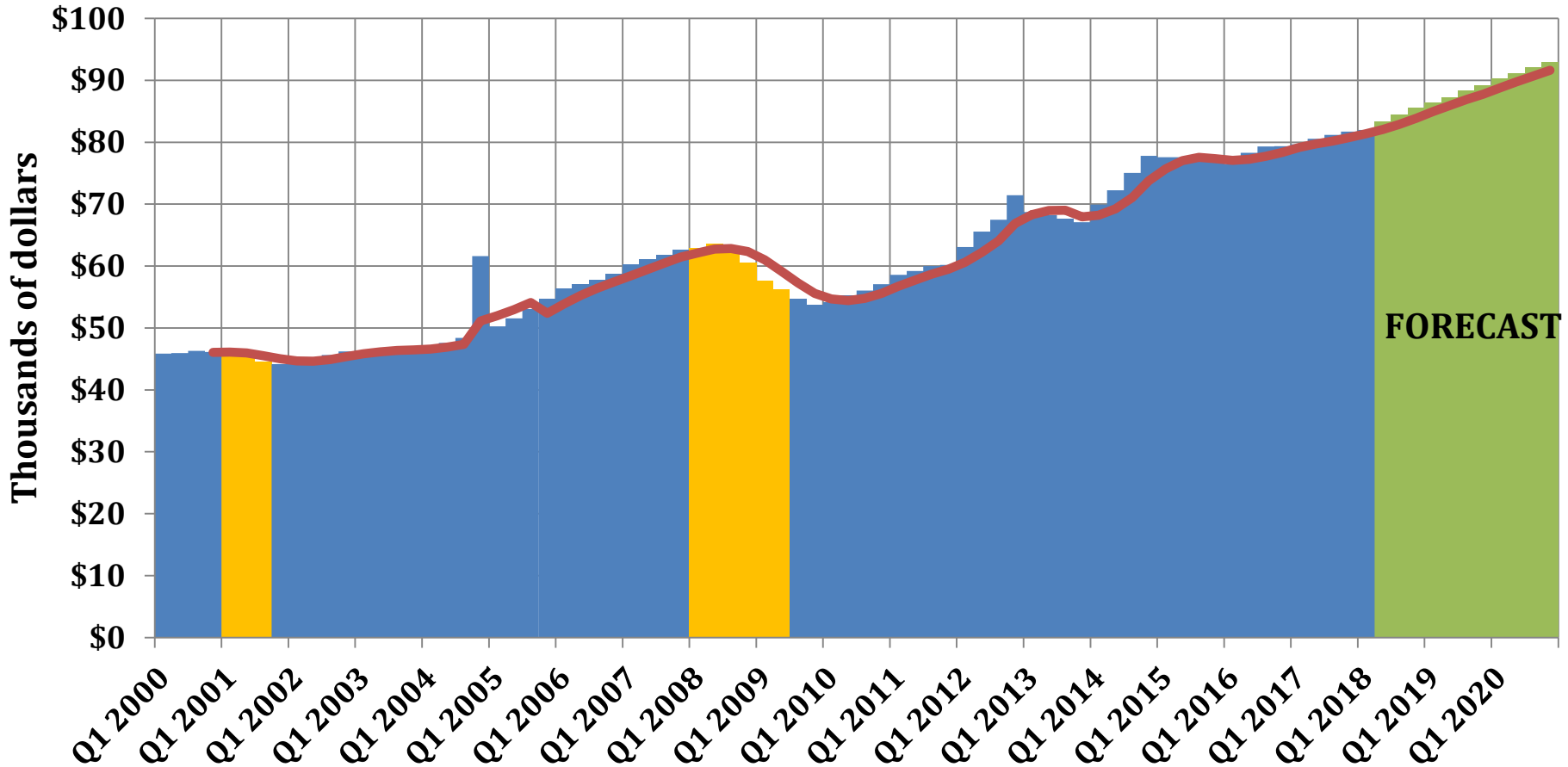
Source: Conference board HWOL data (May 2018)



KC personal income per capita also at new high



King County Personal Income Per Capita
In thousands \$, **Recession (bar)**, **Actual (bar)**, **Annual rolling average (line)**
Source: KC Forecast Model



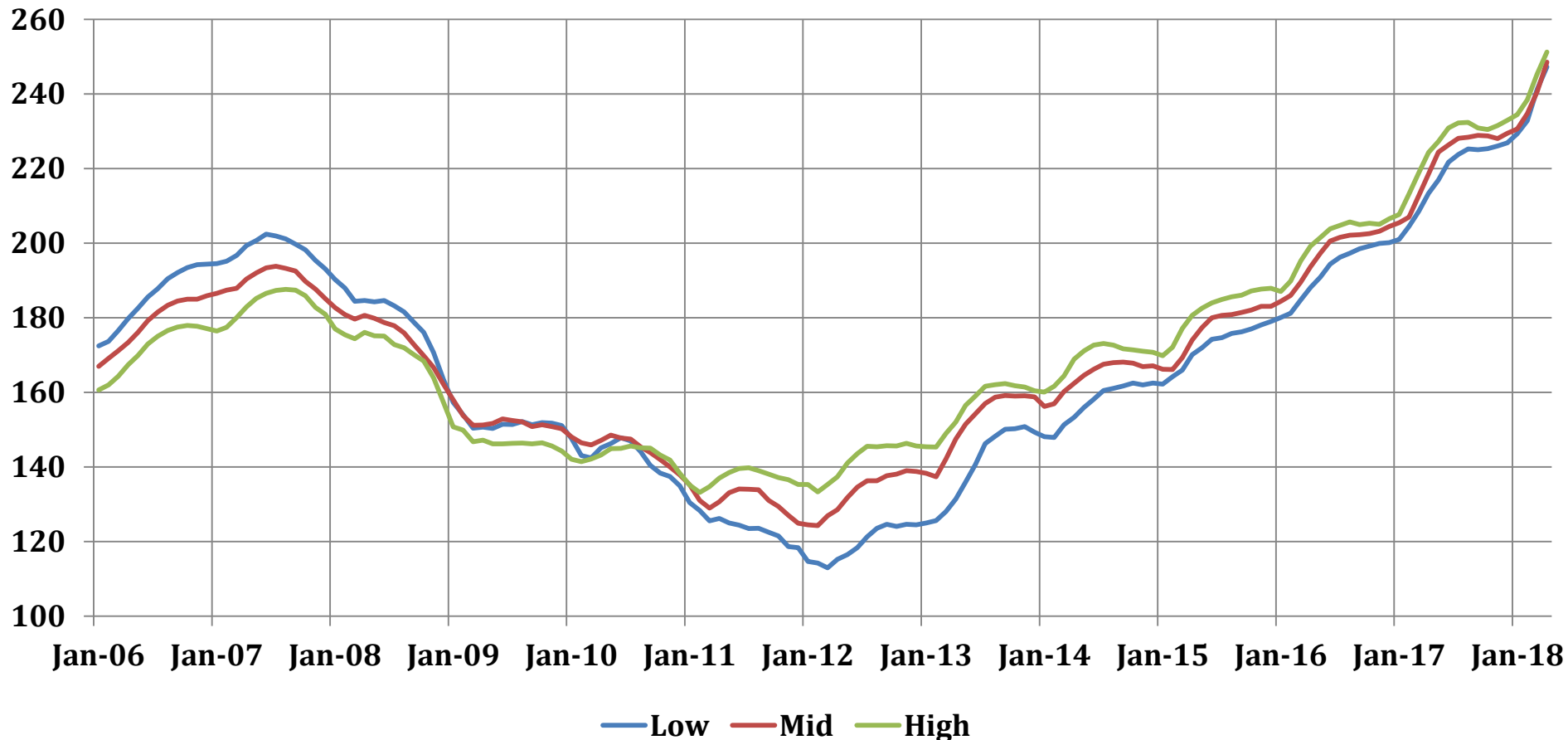
Seattle area home prices are up sharply and have converged of late



Tiered Seattle Case-Shiller Index

Low (Under \$400k), Mid (\$400k-\$600k), High (Above \$600k)

Source: S&P Dow Jones Indices



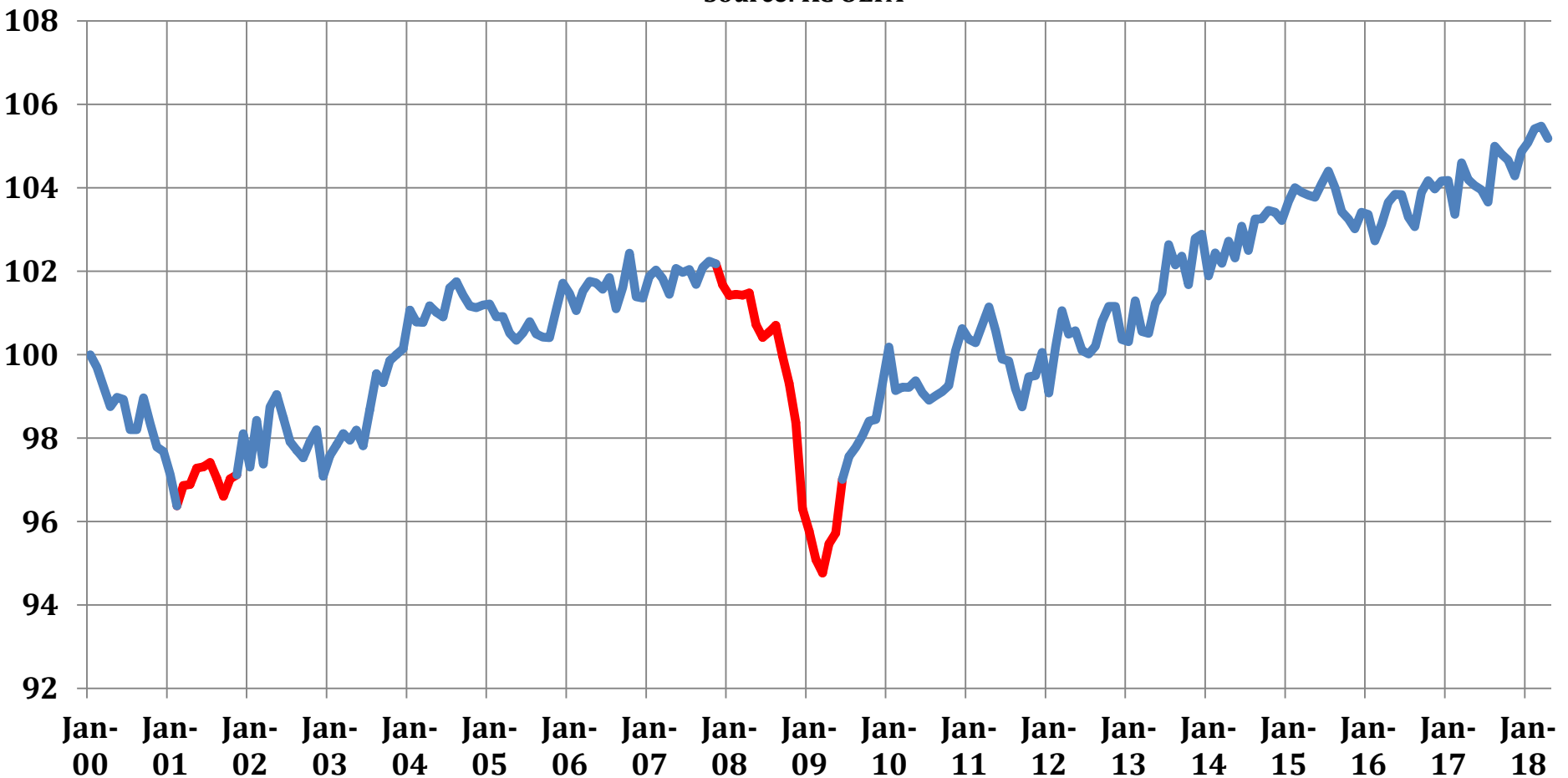
Local economic signals still solid



King County Index of Leading Indicators

July 2005=100, with economic contraction highlighted in red

Source: KC OEFA



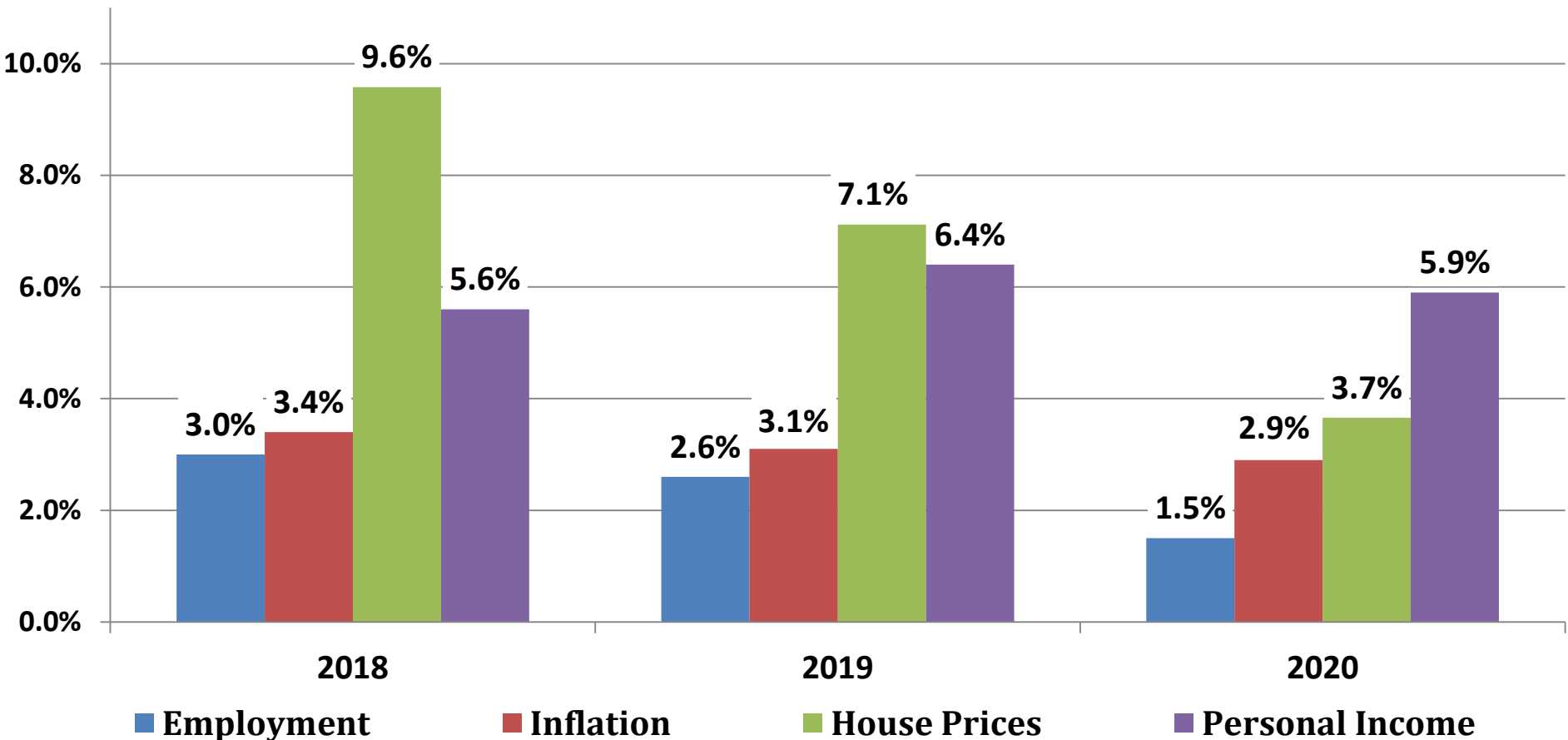
The KC forecast for 2018-2020 calls for growth but at a reduced pace



Employment, Inflation, Housing & Income

Forecast 2018-2020

Source: Q2 2018 King County Forecast Model



July 2018 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)	(01-01-21)
-North Highline (Remainder)	(01-01-21)
-West Hill	(01-01-23)
-East Federal Way	(01-01-23)

Countywide Assessed Value Forecast

Tax Year	Value	Annual Growth	% Change from March 2018 Forecast	\$ Change from March 2018 Forecast
2016	\$426,335,605,836	9.85%	0.00%	\$0
2017	\$471,456,288,020	10.58%	0.00%	\$0
2018	\$534,662,434,753	13.41%	0.00%	\$0
2019	\$594,371,420,436	11.17%	0.47%	\$2,768,341,668
2020	\$643,251,296,092	8.22%	2.03%	\$12,784,976,487
2021	\$683,472,885,070	6.25%	2.23%	\$14,930,495,381
2022	\$719,296,747,766	5.24%	2.51%	\$17,623,196,177
2023	\$746,915,701,927	3.84%	1.89%	\$13,857,811,983
2024	\$777,218,340,124	4.06%	1.82%	\$13,888,130,919
2025	\$812,826,260,370	4.58%	1.54%	\$12,294,304,281
2026	\$844,272,863,701	3.87%	1.34%	\$11,203,293,125
2027	\$877,188,513,227	3.90%	1.31%	\$11,374,499,887

Unincorporated Area Assessed Value Forecast

Tax Year	Value	Annual Growth	% Change from March 2018 Forecast	\$ Change from March 2018 Forecast
2016	\$36,633,108,444	1.53%	0.00%	\$0
2017	\$39,044,967,515	6.58%	0.00%	\$0
2018	\$43,501,122,097	11.41%	0.00%	\$0
2019	\$47,825,835,490	9.94%	2.24%	\$1,049,882,827
2020	\$50,894,600,756	6.42%	2.40%	\$1,190,846,162
2021	\$51,415,166,203	1.02%	2.21%	\$1,111,486,253
2022	\$53,789,933,692	4.62%	2.46%	\$1,290,770,789
2023	\$50,029,754,821	-6.99%	1.58%	\$777,006,899
2024	\$51,701,765,763	3.34%	1.50%	\$762,189,984
2025	\$53,813,174,684	4.08%	1.15%	\$612,561,651
2026	\$55,422,635,006	2.99%	0.78%	\$431,403,881
2027	\$57,028,429,149	2.90%	0.55%	\$314,179,924

New Construction Forecast

Tax Year	Value	Annual Growth	% Change from March 2018 Forecast	\$ Change from March 2018 Forecast
2016	\$6,111,997,054	22.37%	0.00%	\$0
2017	\$8,438,451,607	38.06%	0.00%	\$0
2018	\$9,789,738,887	16.01%	0.00%	\$0
2019	\$10,390,563,983	6.14%	7.81%	\$752,816,891
2020	\$9,680,282,486	-6.84%	6.12%	\$557,878,169
2021	\$8,718,721,717	-9.93%	7.46%	\$605,433,553
2022	\$8,640,419,483	-0.90%	5.33%	\$436,884,714
2023	\$8,665,151,014	0.29%	2.57%	\$217,268,998
2024	\$8,940,303,965	3.18%	-0.93%	(\$83,920,361)
2025	\$9,243,801,336	3.39%	-3.43%	(\$328,136,235)
2026	\$9,422,919,840	1.94%	-5.00%	(\$495,815,124)
2027	\$9,969,224,693	5.80%	-0.99%	(\$99,312,979)

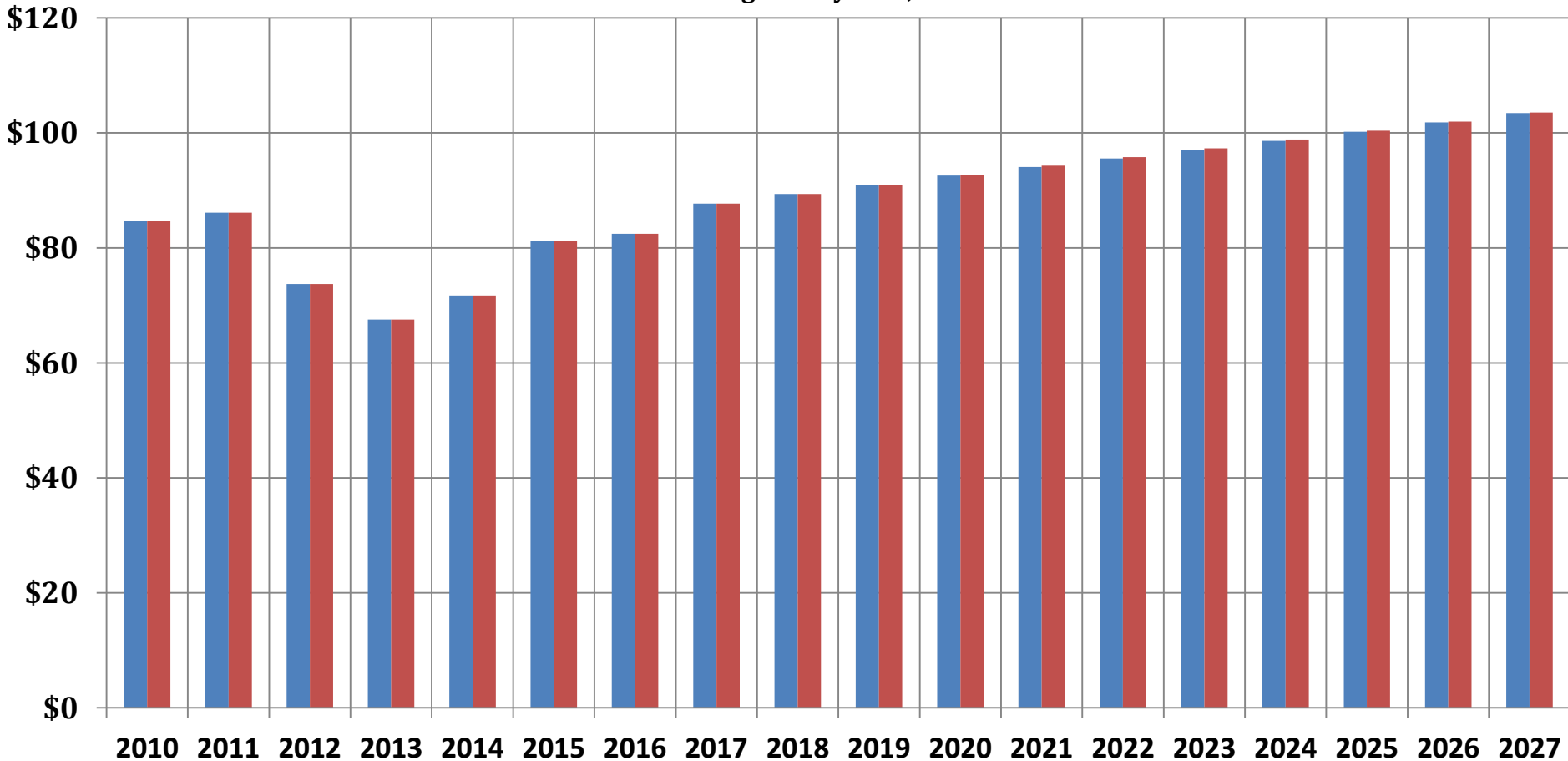
Roads levy growth now limited by 1% plus new construction and annexations



UAL/Roads Property Tax Revenue Forecast

March 2018 Forecast, July 2018 Forecast

Source: King County DOA, OEFA



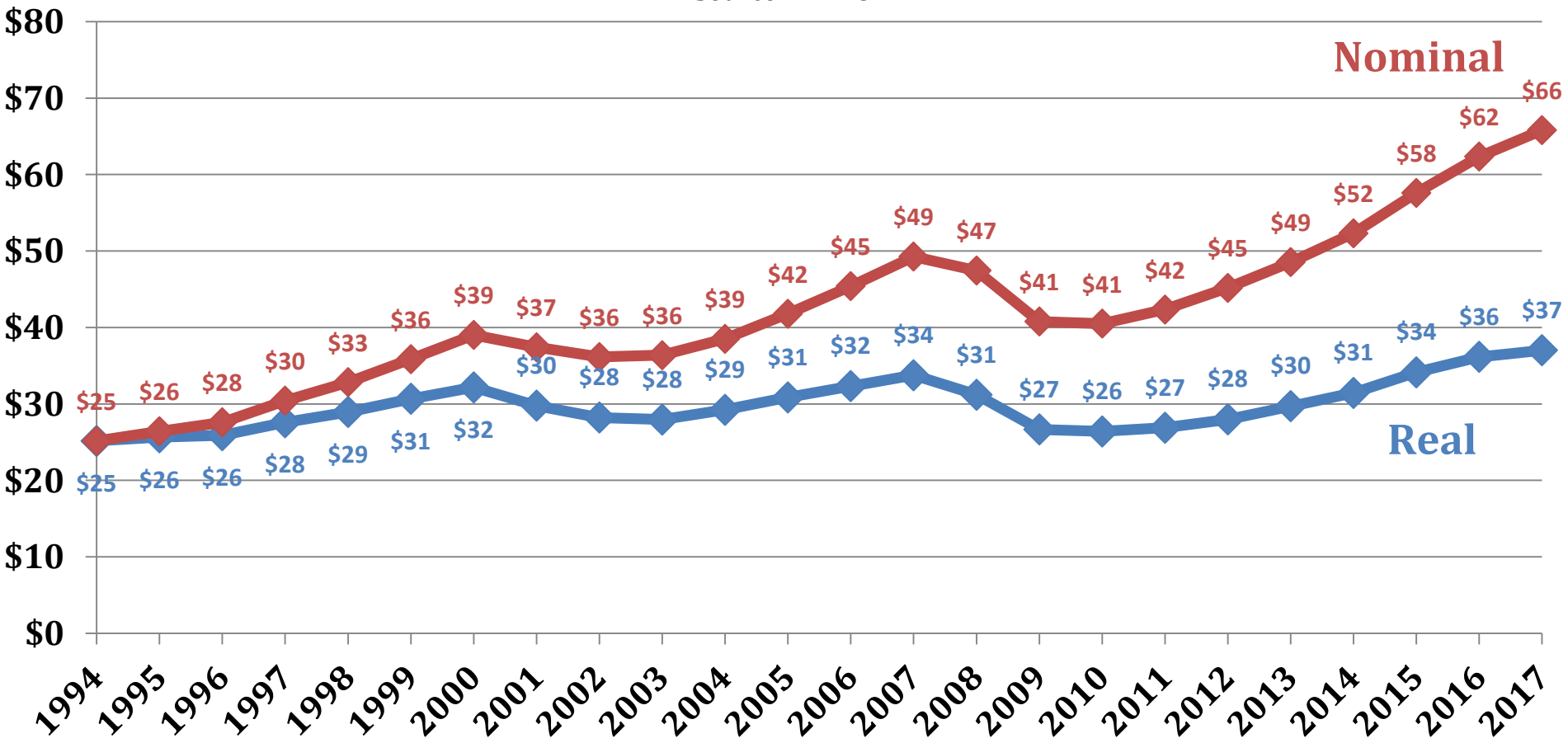
Taxable sales reached new real (inflation adj.) high in 2015 and continue to grow



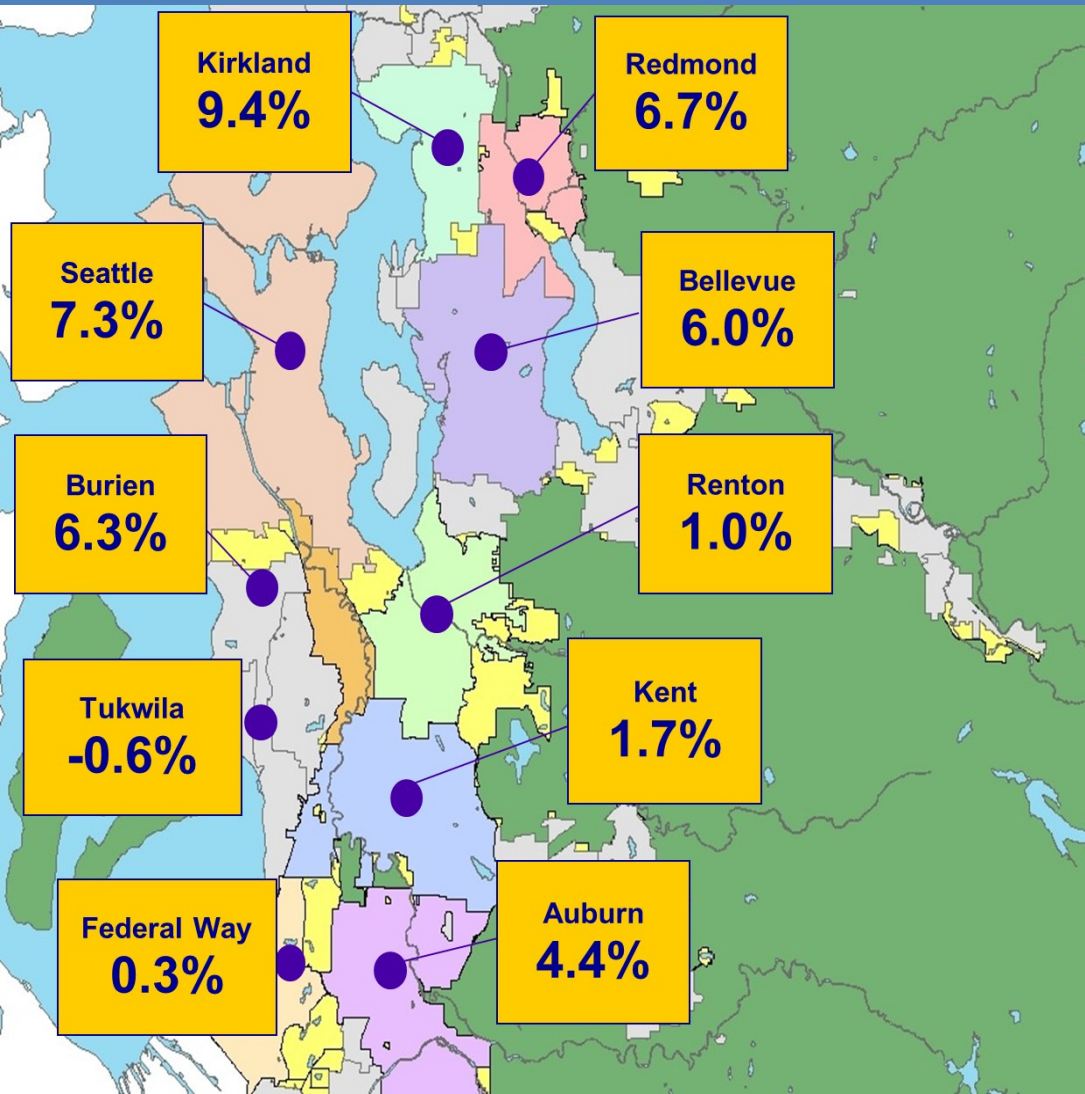
Nominal & Real Taxable Sales

Nominal (line) & Real (line)

Source: WA DOR



Taxable sales growth was variable around the County in 2017



2017 Taxable Sales from select KC cities

- Strong growth in the north and east
- South growing slowly (or contracting!)

King County Taxable Sales Forecast

Tax Year	Value	Annual Growth	% Change from March 2018 Forecast	\$ Change from March 2018 Forecast
2016	\$62,234,630,017	8.02%	0.00%	\$0
2017	\$65,826,124,662	5.77%	0.34%	\$226,124,662
2018	\$70,507,215,073	7.11%	2.20%	\$1,516,875,236
2019	\$73,174,354,127	3.78%	3.29%	\$2,331,805,355
2020	\$74,633,006,298	1.99%	3.12%	\$2,260,397,528
2021	\$77,397,356,819	3.70%	2.79%	\$2,099,259,589
2022	\$80,606,998,841	4.15%	3.40%	\$2,651,129,770
2023	\$83,097,666,055	3.09%	2.88%	\$2,322,616,048
2024	\$86,364,555,984	3.93%	2.81%	\$2,359,809,242
2025	\$90,605,708,579	4.91%	3.77%	\$3,290,182,972
2026	\$93,910,129,060	3.65%	4.30%	\$3,873,292,934
2027	\$97,347,409,580	3.66%	4.70%	\$4,372,275,860

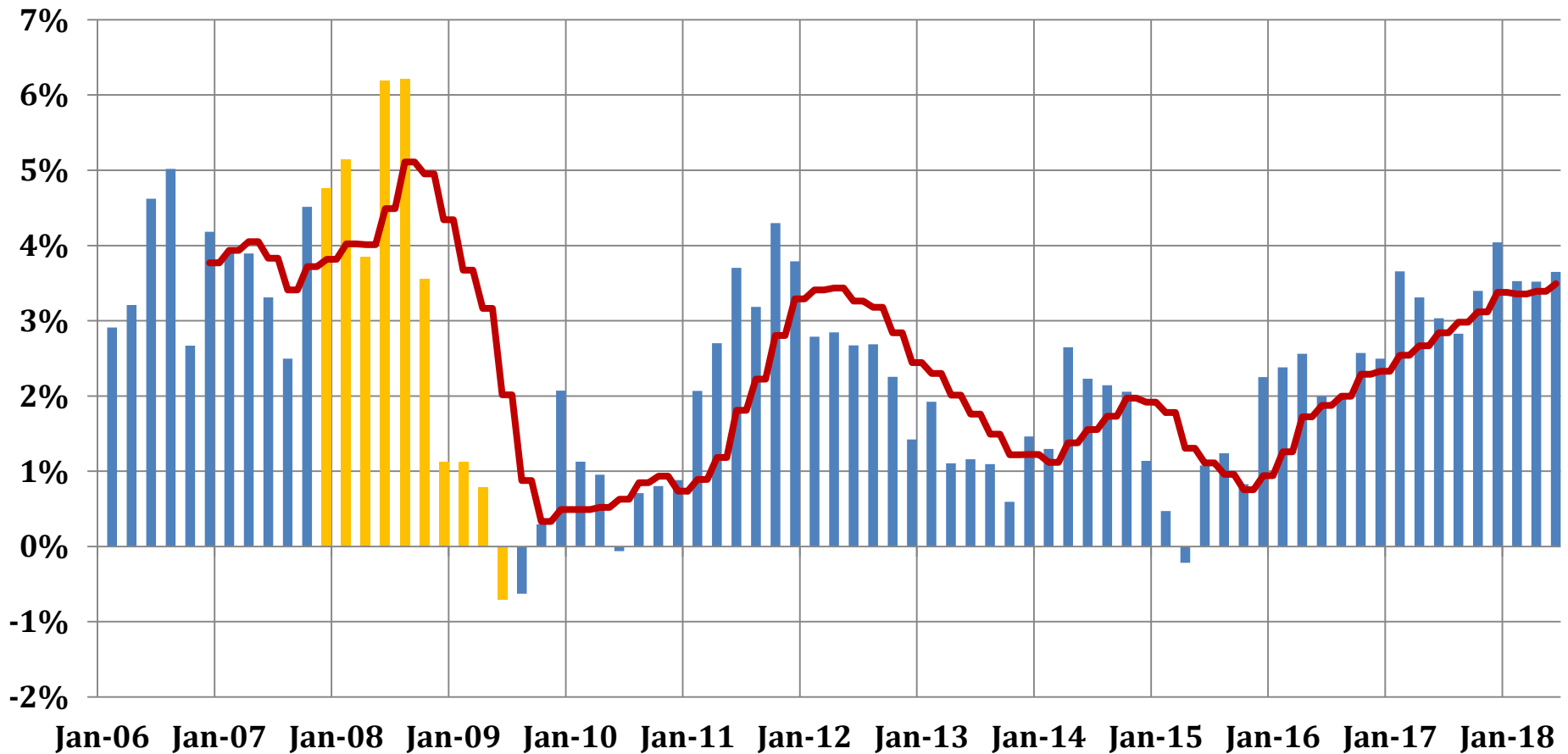
King County Local and Optional Sales Tax Forecast

Tax Year	Value	Annual Growth	% Change from March 2018 Forecast	\$ Change from March 2018 Forecast
2016	\$112,704,886	7.63%	0.00%	\$0
2017	\$118,621,546	5.25%	0.02%	\$26,540
2018	\$128,572,484	8.39%	1.73%	\$2,188,755
2019	\$131,808,570	2.52%	0.73%	\$951,336
2020	\$134,436,033	1.99%	0.14%	\$193,701
2021	\$136,285,676	1.38%	-0.43%	(\$589,072)
2022	\$141,937,397	4.15%	0.00%	\$909
2023	\$142,865,233	0.65%	-0.67%	(\$958,546)
2024	\$148,481,816	3.93%	-0.73%	(\$1,091,163)
2025	\$155,773,396	4.91%	0.21%	\$326,847
2026	\$161,454,504	3.65%	0.78%	\$1,246,543
2027	\$167,364,030	3.66%	1.17%	\$1,927,780

Local inflation continues to increase in 2018



Seattle CPI-W Annual Inflation
with recession bars and rolling annual average line
Source: Bureau of Labor Statistics



King County
Office of Economic and Financial Analysis

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