

# 2022 King County Economic and Revenue Forecast

Presentation to the King County Forecast Council

Presented on:  
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## Overview

### **The Covid-19 pandemic still dominates the economic picture**

- Approximately 400 million cases globally, 79 million in the U.S.
- All countries/economies balancing health risk and economic activity
- 2021 saw vaccine deployment, variants (Delta, Omicron)
- Outbreaks continue (Hong Kong, South Korea, NZ)
- New risk; Ukraine

### **Economically, 2021 was a remarkable year**

- Economic growth of 5.7%; fastest since the 1980s
- 6.7M jobs added and >10M jobs open; most ever
- Inflation at 7.5%; highest since the 1980s
- Federal spending relative to GDP; 2<sup>nd</sup> highest since WW II (after 2020)
- Home prices up 18.8%-highest since data started (34 years)

### **KC economy should continue recovery in 2022**

- U.S. economy to grow over 3%, KC to be back to pre-pandemic employment
- Local firms doing better, re-opening happening, tourism likely to recover
- Risks remain; virus variants, Ukraine

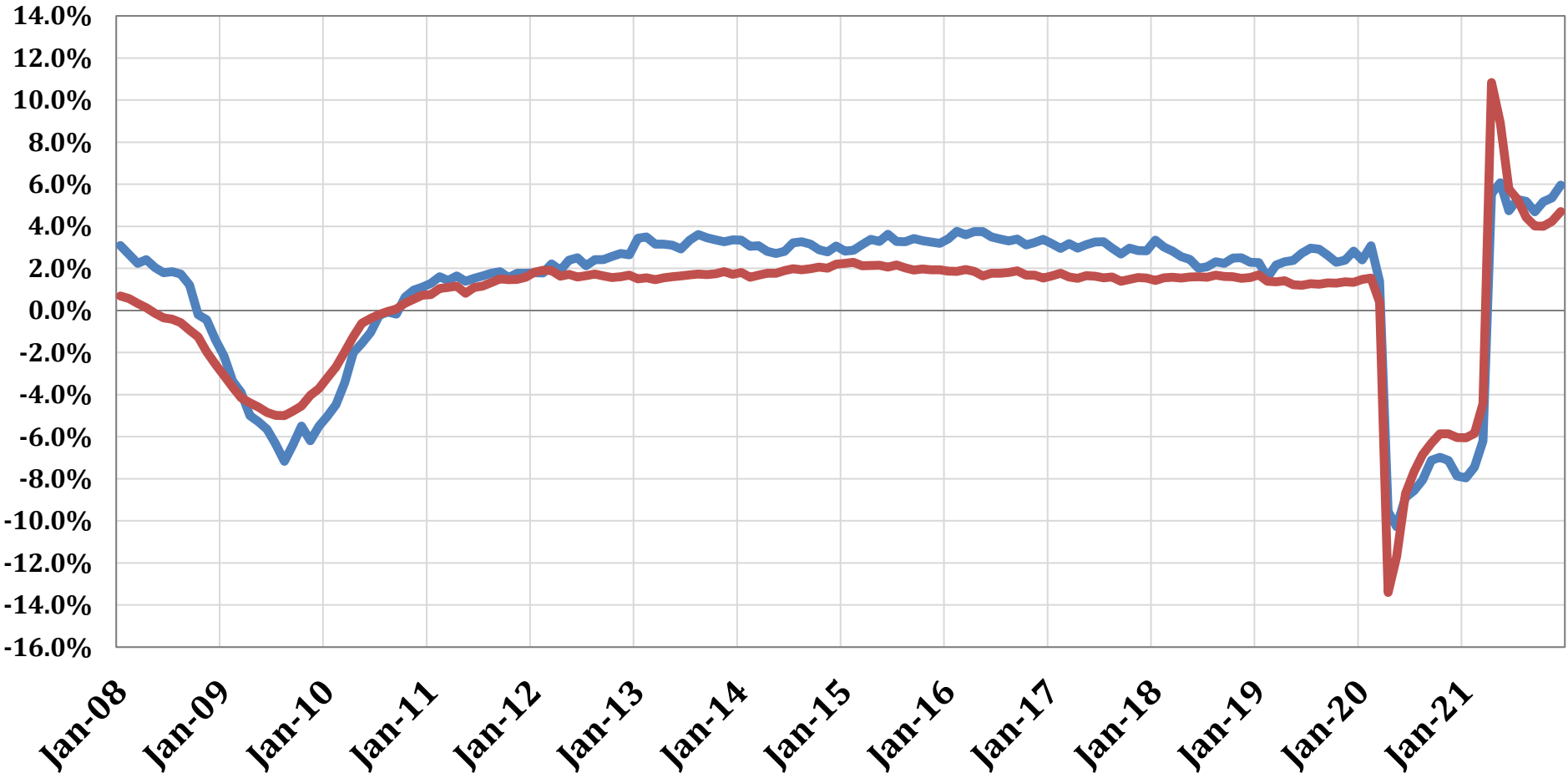
# Labor markets have come back strongly after contracting massively at the onset of the pandemic



## U.S. and KC Annual Employment Growth Rate

King County and U.S. Year-Over-Year Growth by Month

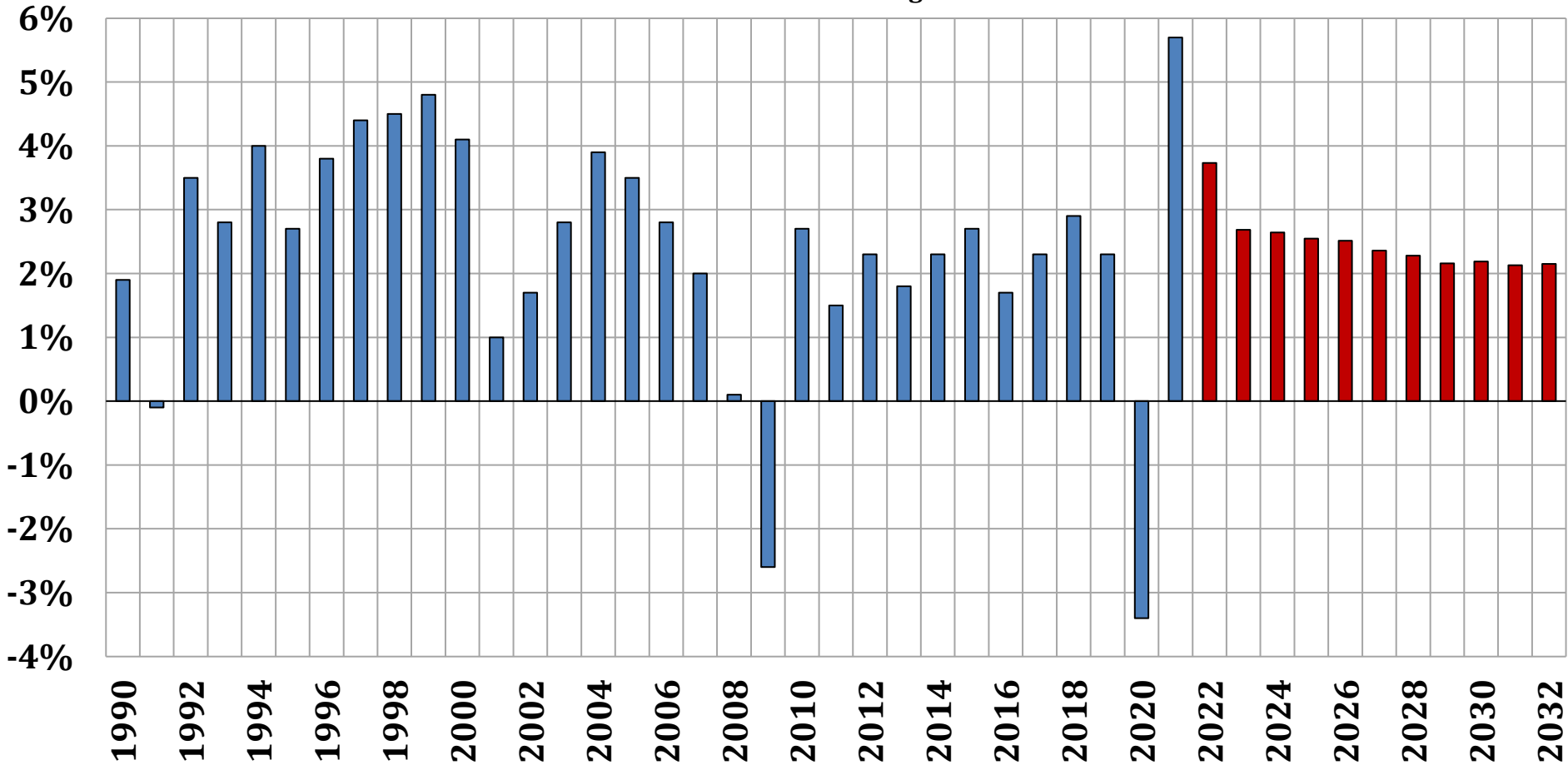
Source: BLS and WA ESD



# The U.S economy grew at an historic rate in 2021 but is expected to grow slower in future years



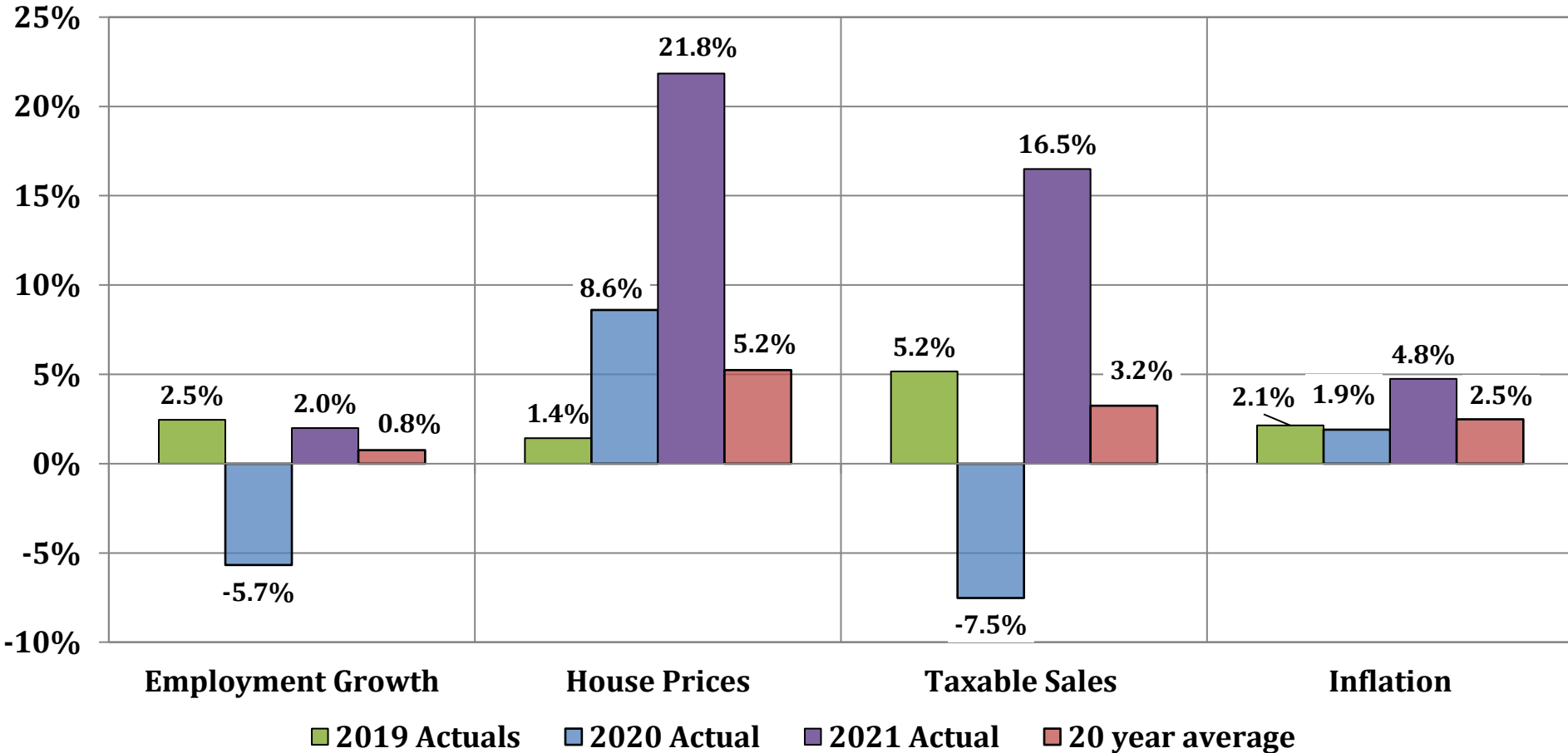
**Real GDP Growth Rate**  
Actual and Forecast, 1990-2032  
Source: IHS Global Insight



# King County indicators showed the recovery from the impacts of Covid-19 in 2021



**King County Economic Indicators**  
 2019 Actuals, 2020 Actuals & 2021 Actuals & 20 Year Average  
 Source: PSEF, Case-Shiller, WA DOR, BLS

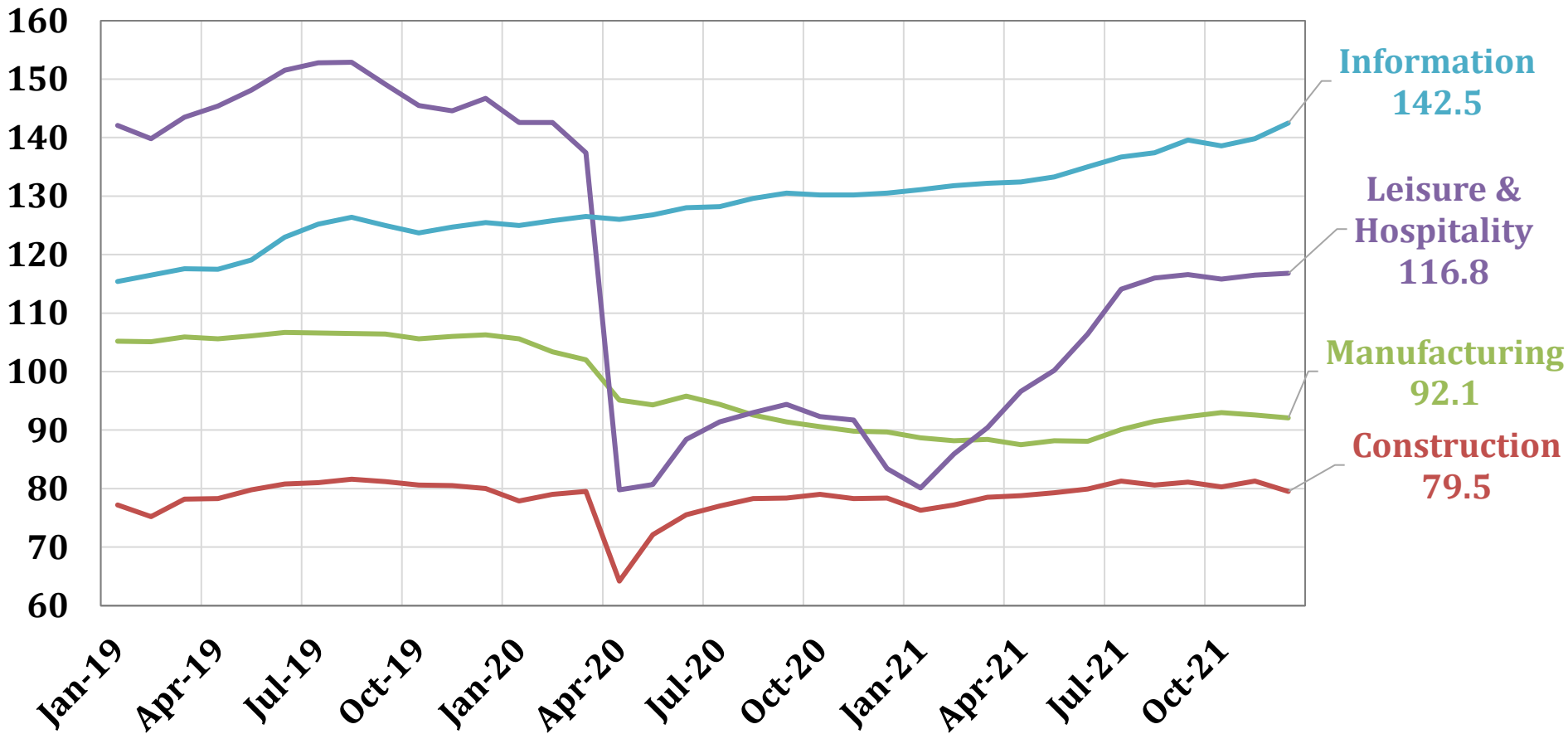


# King County employment experience has varied by industry



## King County Employment by Sector

Monthly employment in thousands; Jan. 2019-Current  
Source: WA ESD

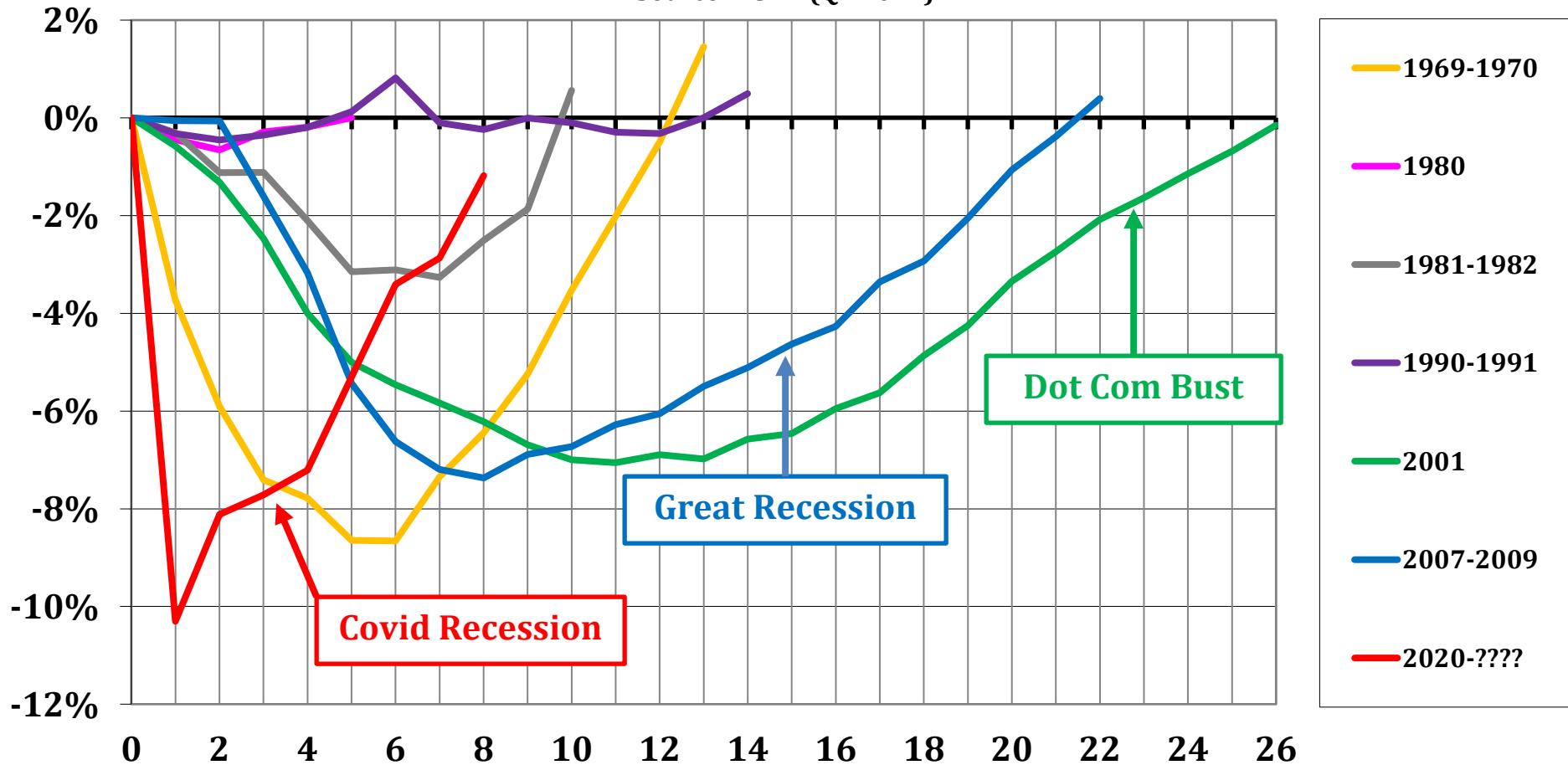


# The Covid recession was the most severe we've seen but will likely be short



## Quarters Needed to Return to Growth by Recession

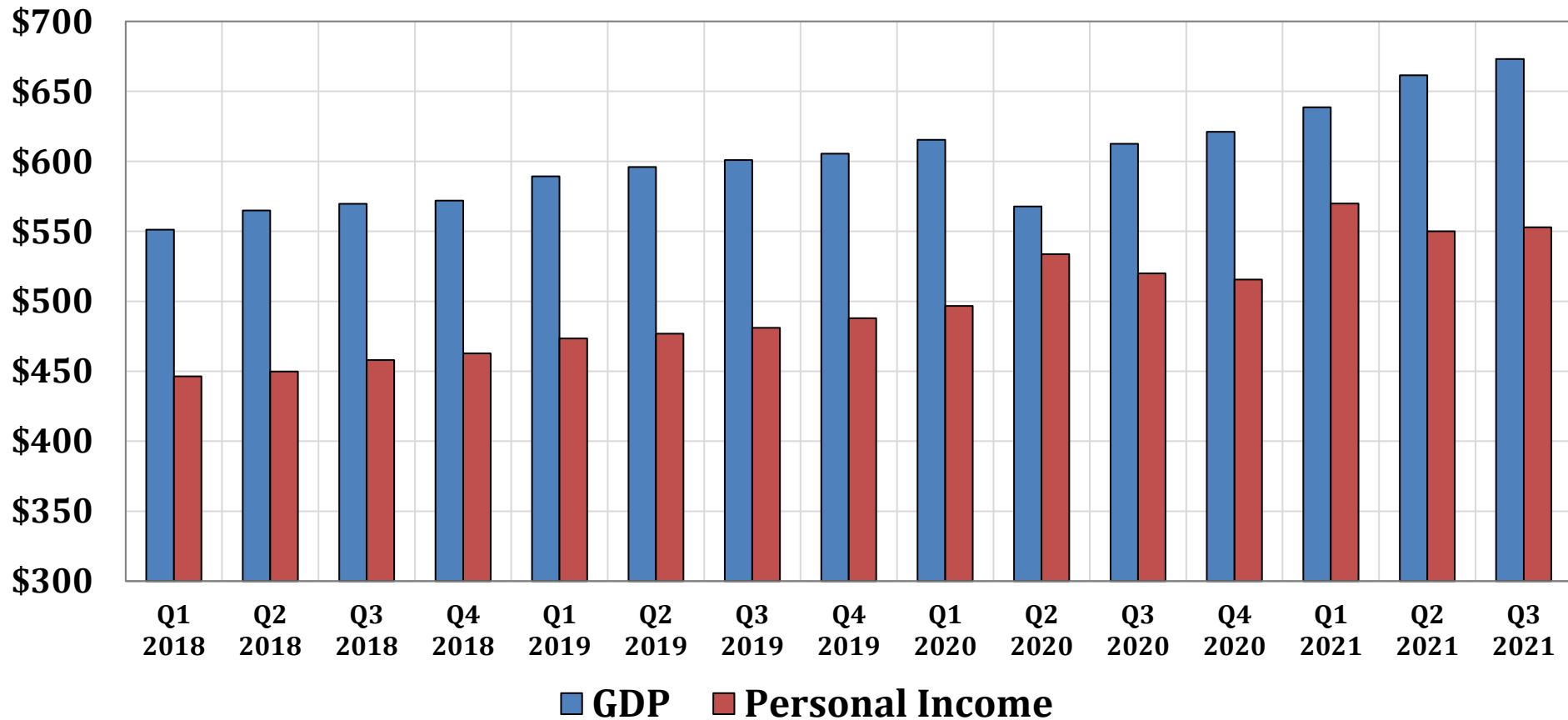
Quarterly Employment Change from Base Quarter  
Source: KCFM (Q4 2021)



# WA state personal income has surged due to transfers...



**WA State: GDP vs Personal Income**  
PI & GDP: in billions \$, SA at annual rates, current-dollar  
Source: Bureau of Economic Analysis





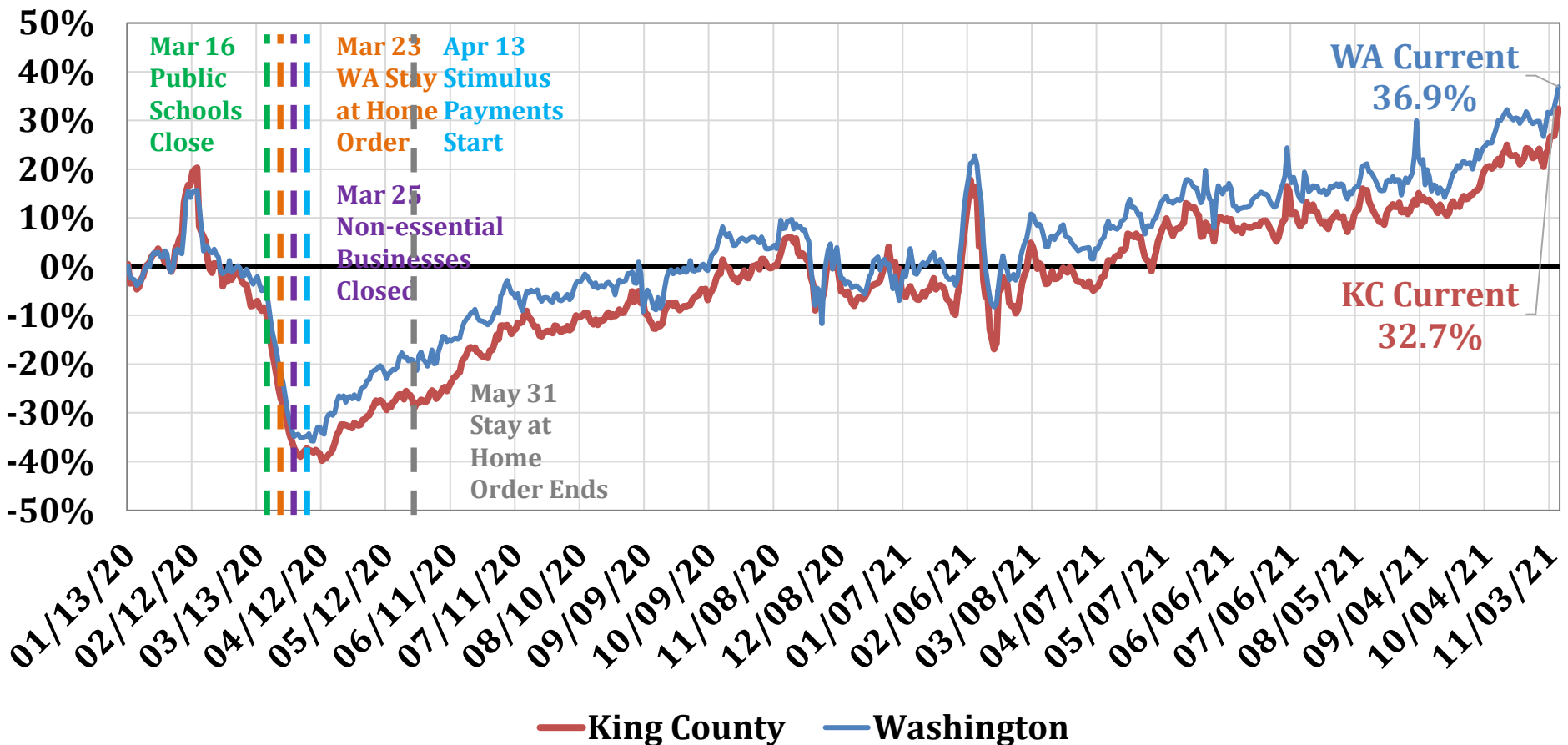
# ...and this has likely enhanced consumer spending



## 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

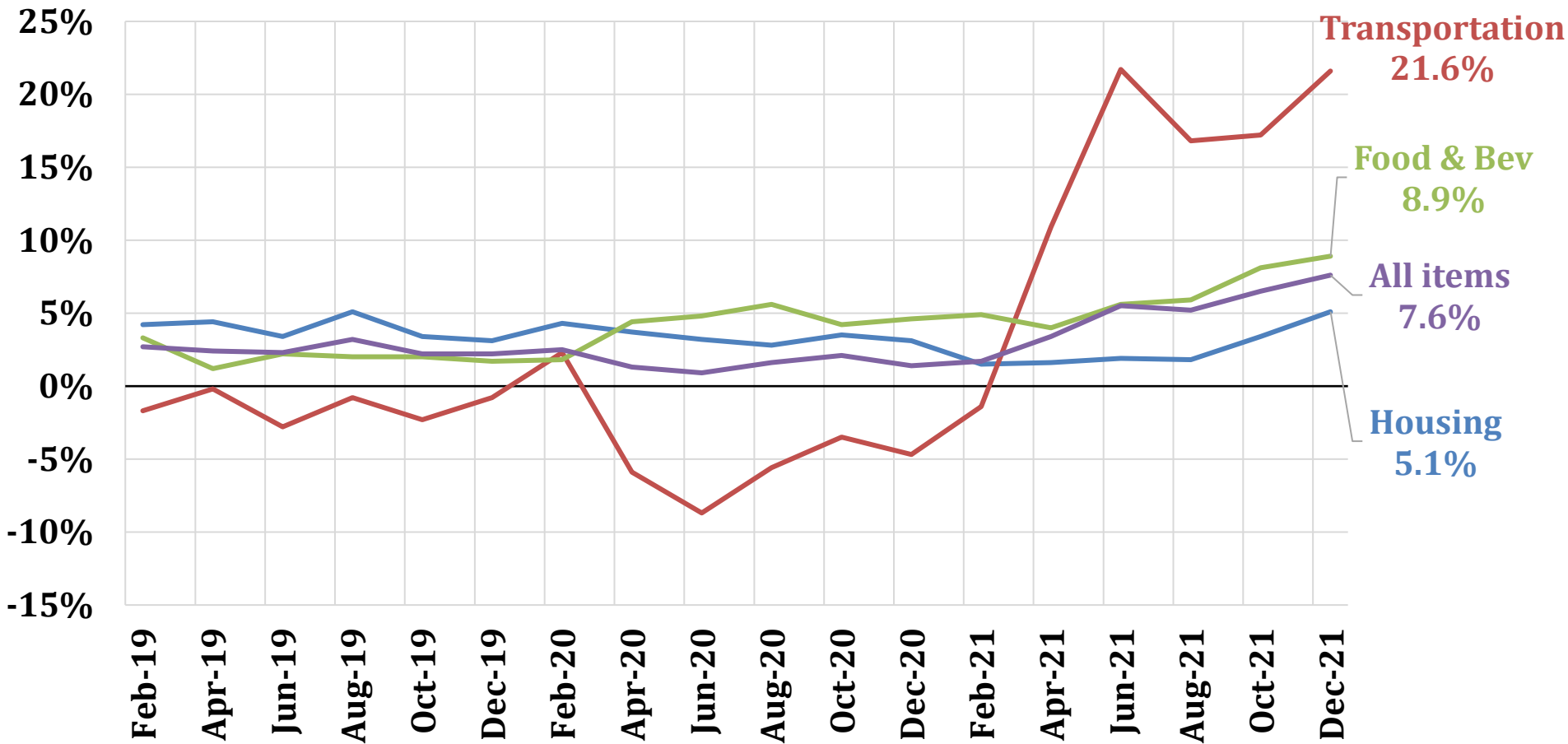


# Inflation ignited in 2021 driven by strong demand and supply disruptions



## Seattle Inflation: Food, Transportation, and Housing

Year-over-year Growth in STB CPI-U for Food, Housing, and Transportation in Seattle Area  
Source: Bureau of Labor Statistics



# Already low supply of homes for sale in King County worsened in 2021



## King County Real Estate Inventory

Months of Inventory, January 2006-Present

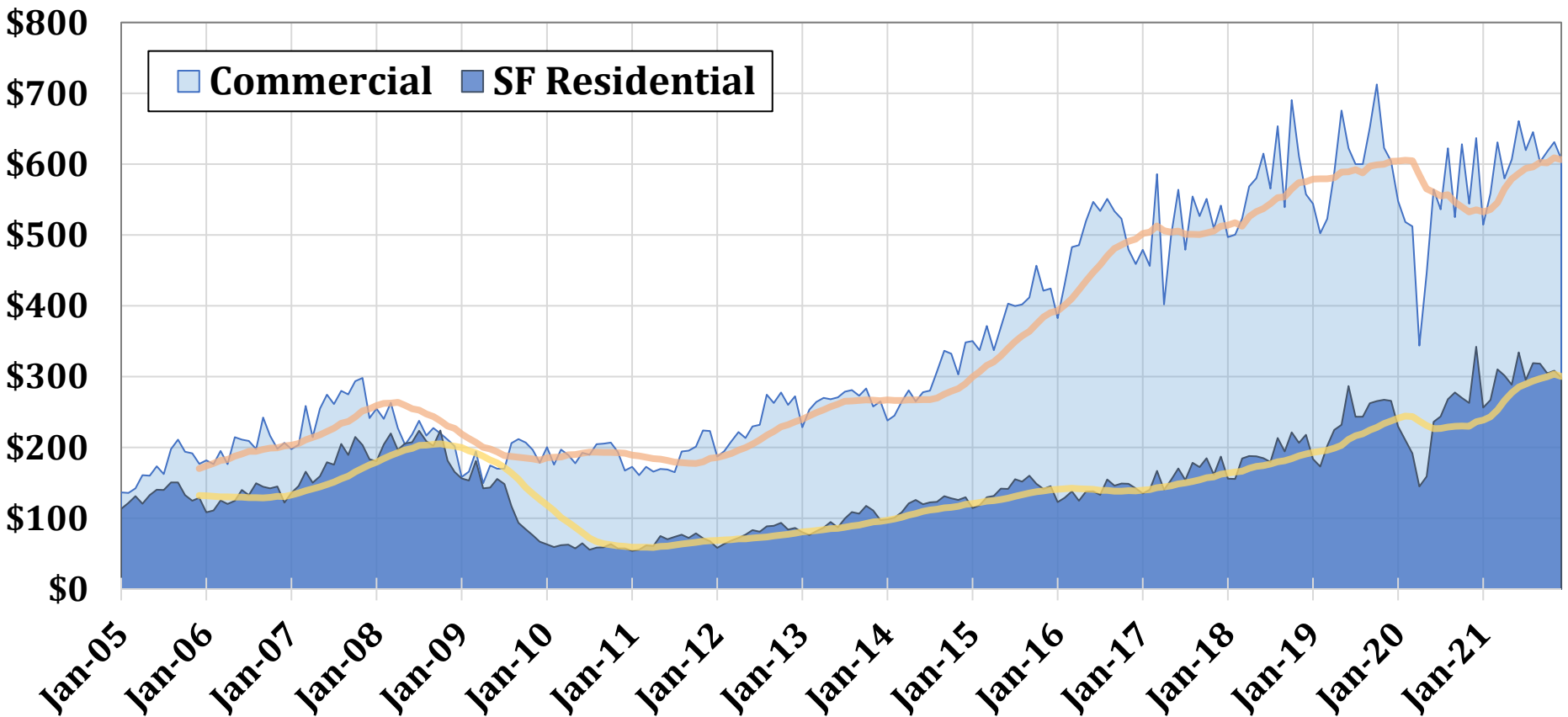
Source: NWMLS



# Construction has held up despite a global pandemic, high input prices, labor shortages and strikes



**KC Comm. & SF Res. Construction Taxable Sales**  
Commercial and SF Residential Taxable Sales (in millions \$) Jan. 2005-Current  
Source: OEFA Sales Tax DB



# March 2022 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	(01-01-26)
-Renton West Hill	(01-01-26)
-Fairwood	(01-01-27)
-Renton East Hill	(01-01-28)
- N. Federal Way/Lakeland South	(01-01-28)

# Countywide Assessed Value Forecast

<b>Tax Year</b>	<b>Value</b>	<b>Annual Growth</b>	<b>% Change from August 2021 Forecast</b>	<b>\$ Change from August 2021 Forecast</b>
2020	\$642,490,492,044	5.91%	0.00%	\$0
2021	\$659,534,881,337	2.65%	0.00%	\$0
2022	\$722,527,903,972	9.55%	1.92%	\$13,640,095,569
2023	\$810,030,823,561	12.11%	8.42%	\$62,928,490,620
2024	\$867,089,671,676	7.04%	10.00%	\$78,831,467,768
2025	\$912,931,197,366	5.29%	10.60%	\$87,504,616,537
2026	\$962,300,397,314	5.41%	11.59%	\$99,976,866,815
2027	\$1,012,244,596,569	5.19%	12.30%	\$110,884,531,972
2028	\$1,068,280,674,930	5.54%	13.43%	\$126,458,655,831
2029	\$1,125,319,159,205	5.34%	14.08%	\$138,923,958,274
2030	\$1,187,479,964,943	5.52%	15.16%	\$156,281,372,440
2031	\$1,248,355,263,059	5.13%	new	new

# Unincorporated Area Assessed Value Forecast

<b>Tax Year</b>	<b>Value</b>	<b>Annual Growth</b>	<b>% Change from August 2021 Forecast</b>	<b>\$ Change from August 2021 Forecast</b>
2020	\$50,973,173,419	4.87%	0.00%	\$0
2021	\$51,792,407,263	1.61%	0.00%	\$0
2022	\$60,221,044,122	16.27%	3.19%	\$1,860,266,461
2023	\$69,188,721,480	14.89%	11.81%	\$7,308,928,481
2024	\$74,854,553,342	8.19%	21.92%	\$13,459,575,463
2025	\$78,855,348,786	5.34%	29.24%	\$17,840,301,461
2026	\$75,011,900,278	-4.87%	27.61%	\$16,229,129,951
2027	\$71,886,897,146	-4.17%	19.56%	\$11,758,347,117
2028	\$68,252,358,937	-5.06%	15.94%	\$9,383,116,934
2029	\$71,368,912,071	4.57%	14.98%	\$9,299,571,293
2030	\$74,854,747,580	4.88%	14.73%	\$9,609,111,409
2031	\$78,141,290,793	4.39%	new	new

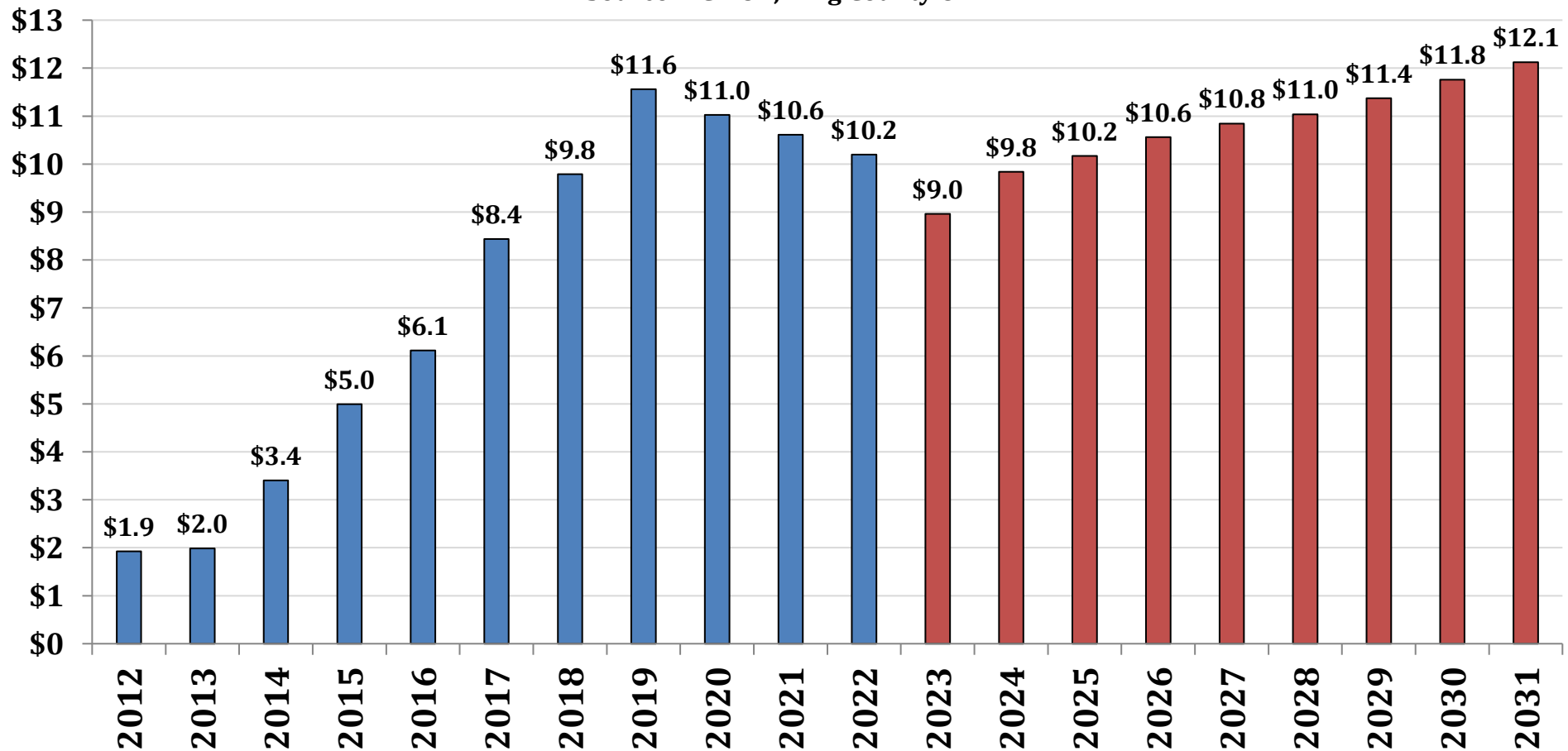
# New Construction Forecast



## King County New Construction Forecast

In billions \$, with Actuals and Forecast bars

Source: KC DOA, King County OEFA

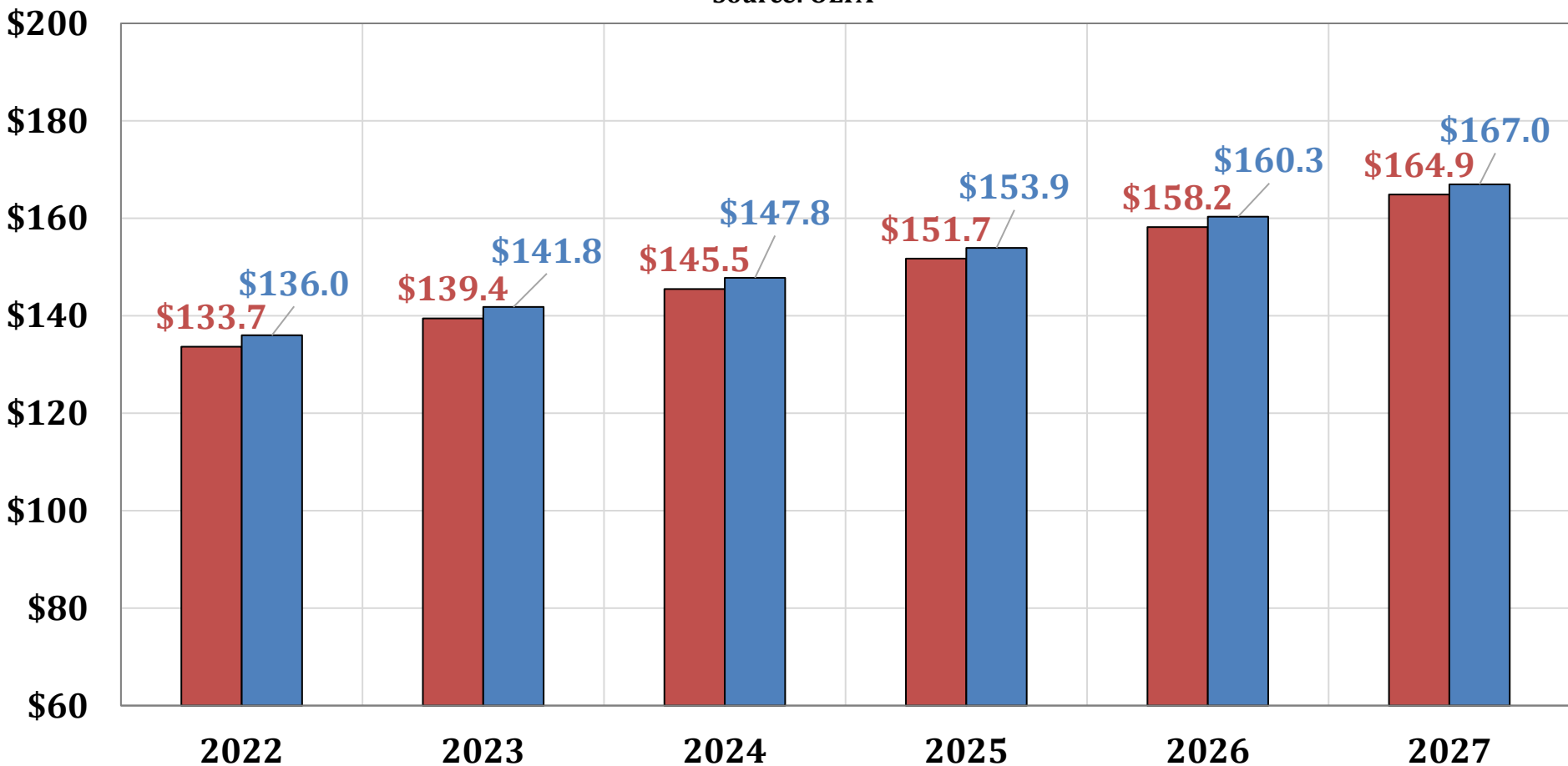




# BSK property tax revenues up due to higher AV in 2022



**BSK August and March Forecasts**  
In millions \$, **August 2021 Forecast** and **March 2022 Forecast**  
Source: OEFA

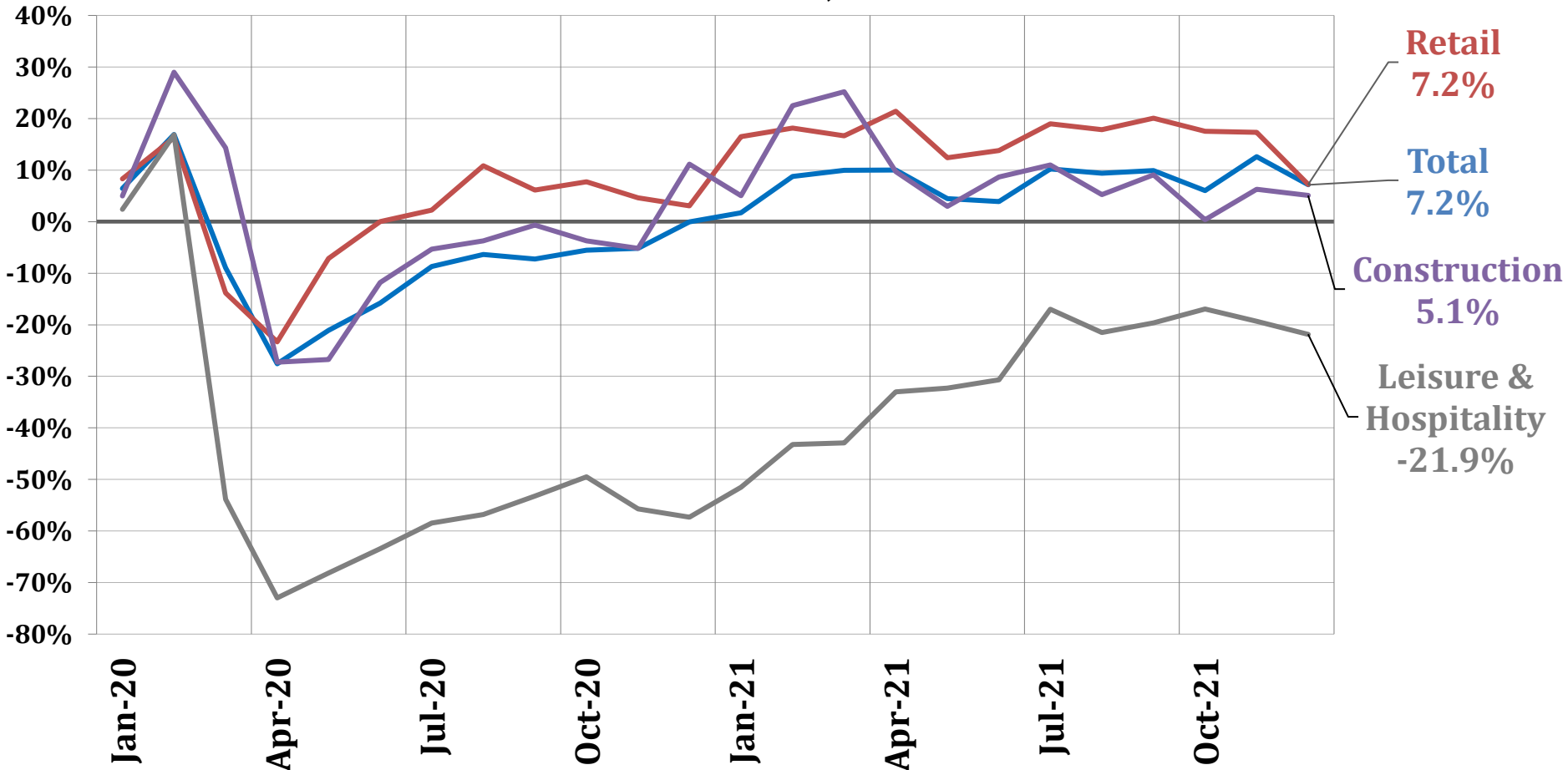


# Taxable sales overall are back but some sectors have not fully recovered



## Taxable Sales Growth

Monthly growth rates of taxable sales for select sectors relative to 2019 month  
Source: WA DOR, KC OEFA



# King County Taxable Sales Forecast

<b>Tax Year</b>	<b>Value</b>	<b>Annual Growth</b>	<b>% Change from August 2021 Forecast</b>	<b>\$ Change from August 2021 Forecast</b>
2020	\$70,728,682,615	-7.53%	0.00%	\$0
2021	\$82,400,000,000	16.50%	3.67%	\$2,917,023,964
2022	\$87,182,362,803	5.80%	3.76%	\$3,157,936,554
2023	\$91,376,935,836	4.81%	2.91%	\$2,581,255,204
2024	\$96,272,933,497	5.36%	2.76%	\$2,586,240,527
2025	\$100,877,822,803	4.78%	1.86%	\$1,838,121,450
2026	\$105,698,315,817	4.78%	1.99%	\$2,066,149,947
2027	\$111,626,287,818	5.61%	2.54%	\$2,760,708,782
2028	\$117,381,432,440	5.16%	2.64%	\$3,018,294,224
2029	\$122,963,925,462	4.76%	2.68%	\$3,214,861,919
2030	\$128,767,077,357	4.72%	2.00%	\$2,519,767,455
2031	\$134,683,058,276	4.59%	new	new

# King County Local and Option Sales Tax Forecast

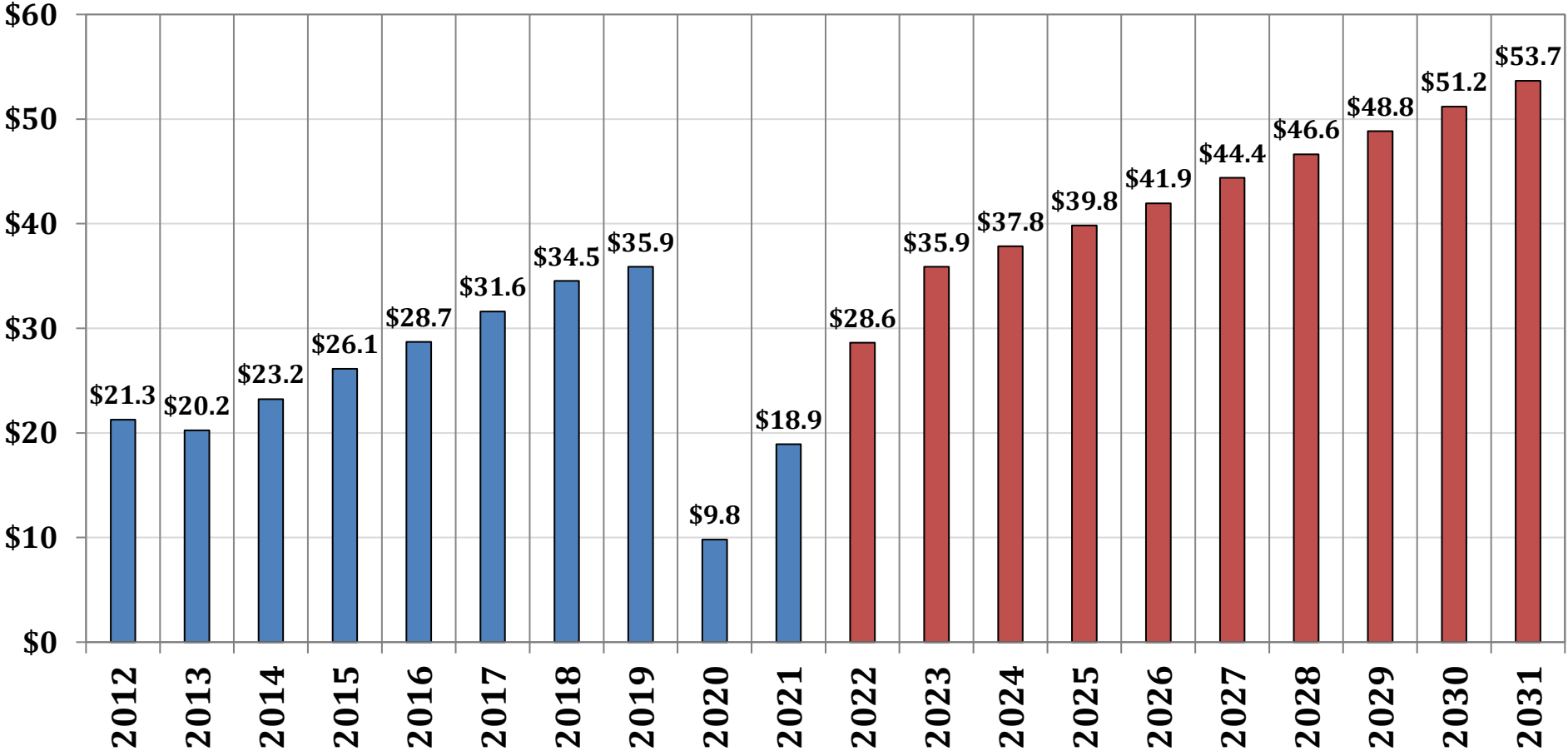
<b>Tax Year</b>	<b>Value</b>	<b>Annual Growth</b>	<b>% Change from August 2021 Forecast</b>	<b>\$ Change from August 2021 Forecast</b>
2020	\$132,079,220	-4.04%	0.00%	\$0
2021	\$155,146,050	17.46%	3.15%	\$4,735,232
2022	\$161,987,620	4.41%	3.76%	\$5,867,547
2023	\$165,859,693	2.39%	2.91%	\$4,685,276
2024	\$174,746,494	5.36%	5.75%	\$9,501,263
2025	\$183,104,900	4.78%	6.35%	\$10,925,453
2026	\$184,181,034	0.59%	3.70%	\$6,565,315
2027	\$191,969,338	4.23%	3.75%	\$6,938,371
2028	\$197,278,433	2.77%	3.15%	\$6,017,910
2029	\$207,668,030	5.27%	3.69%	\$7,397,743
2030	\$216,304,646	4.16%	2.45%	\$5,180,508
2031	\$227,042,835	4.96%	new	new

# King County started receiving the hotel tax again in 2021-seeing improvement



### KC Hotel Tax Forecast

In millions \$, with Actuals and Forecast bars  
Source: WA DOR, King County OEFA



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

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