

2019 King County Economic and Revenue Forecast

Presentation to the King County Forecast Council

Presented on:
July 19th, 2019

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Overview

The U.S. economic expansion has reached 121 months

In 2019:1Q the economy grew 3.1% (2.9% in 2018)

Employment growth (avg. +170K/month YTD in 2019)

Continue to expect employment growth in 2019-2020 but at slower pace

Unemployment likely to drop, CPI inflation also to slow

King County economy also continues to grow

Employment growth at slower pace (+2.3% YTD in 2019)

Current construction boom continues though some signs of slower growth

Residential real estate market slowed considerably in 2018

Leading indicators are mixed

Risks/uncertainty; more balanced

Trade and tariffs, U.S. government, global slowdown

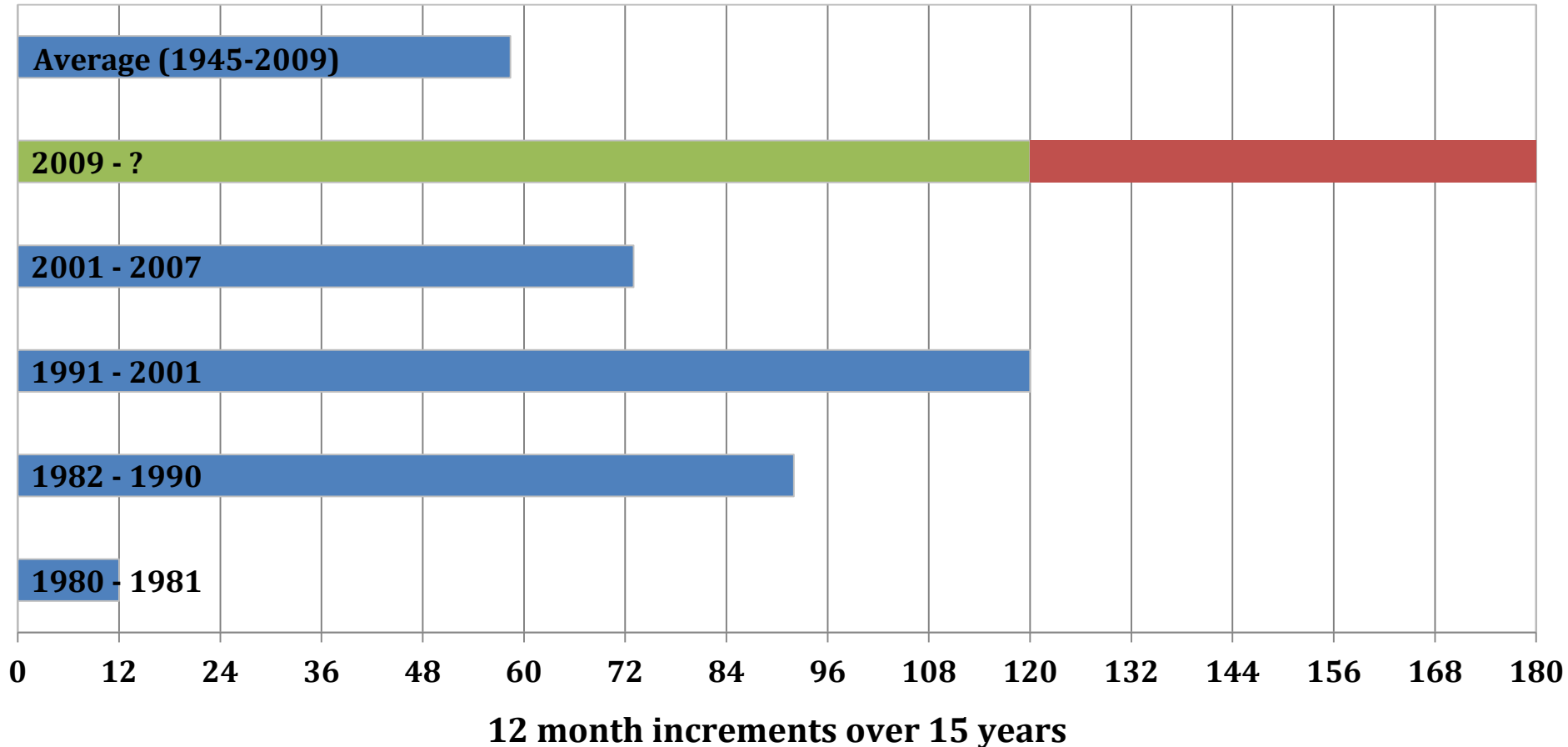
The current expansion just exceeded ten years...a new record this month



US Economic Expansions

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

Source: Bureau of Economic Analysis, Global Insight



The U.S. economy continues to produce jobs...



Job Openings

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



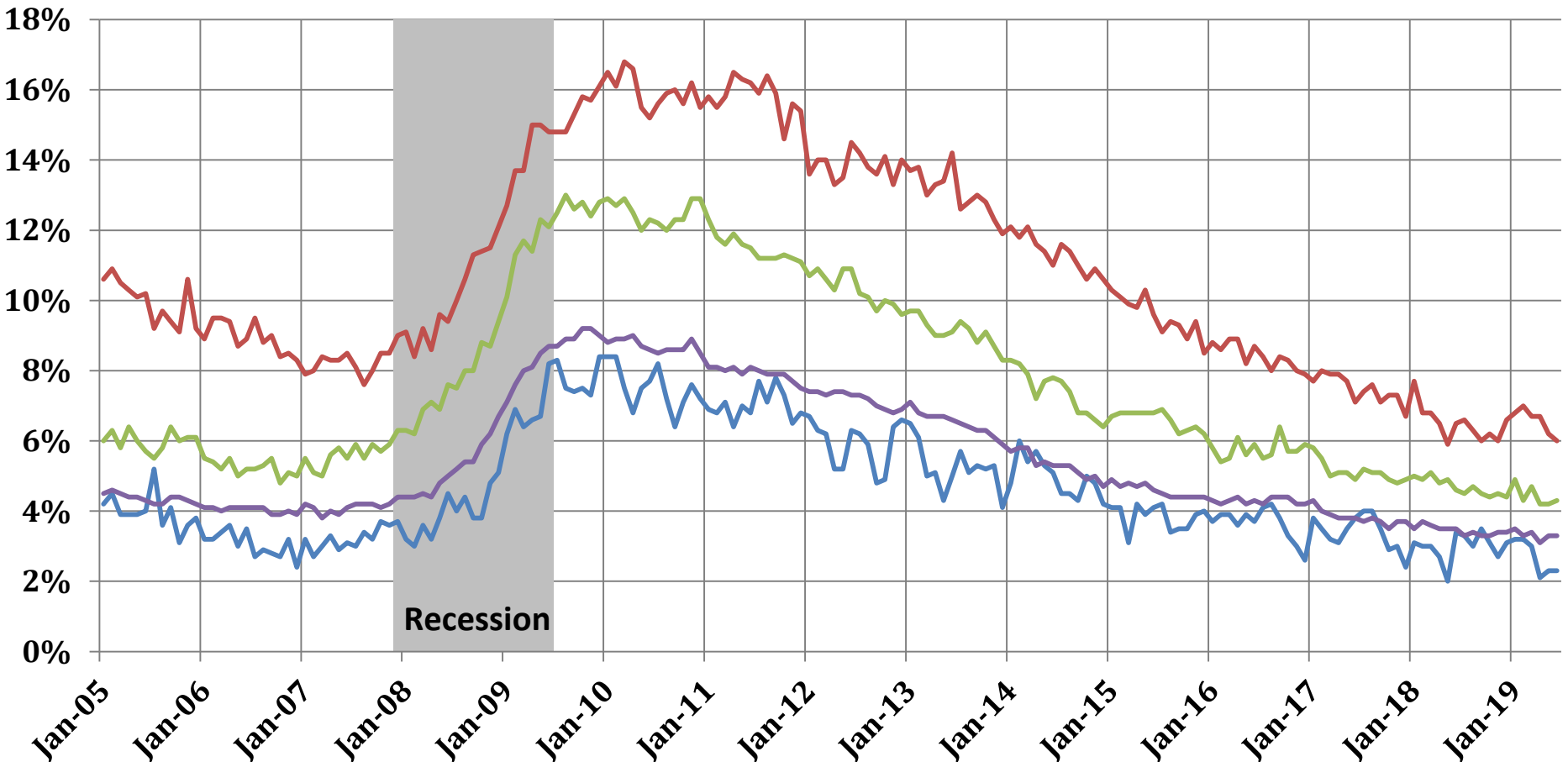
...And that means lots of people are working



U-3 Unemployment Rate by Race/Ethnicity

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

Source: Bureau of Labor Statistics



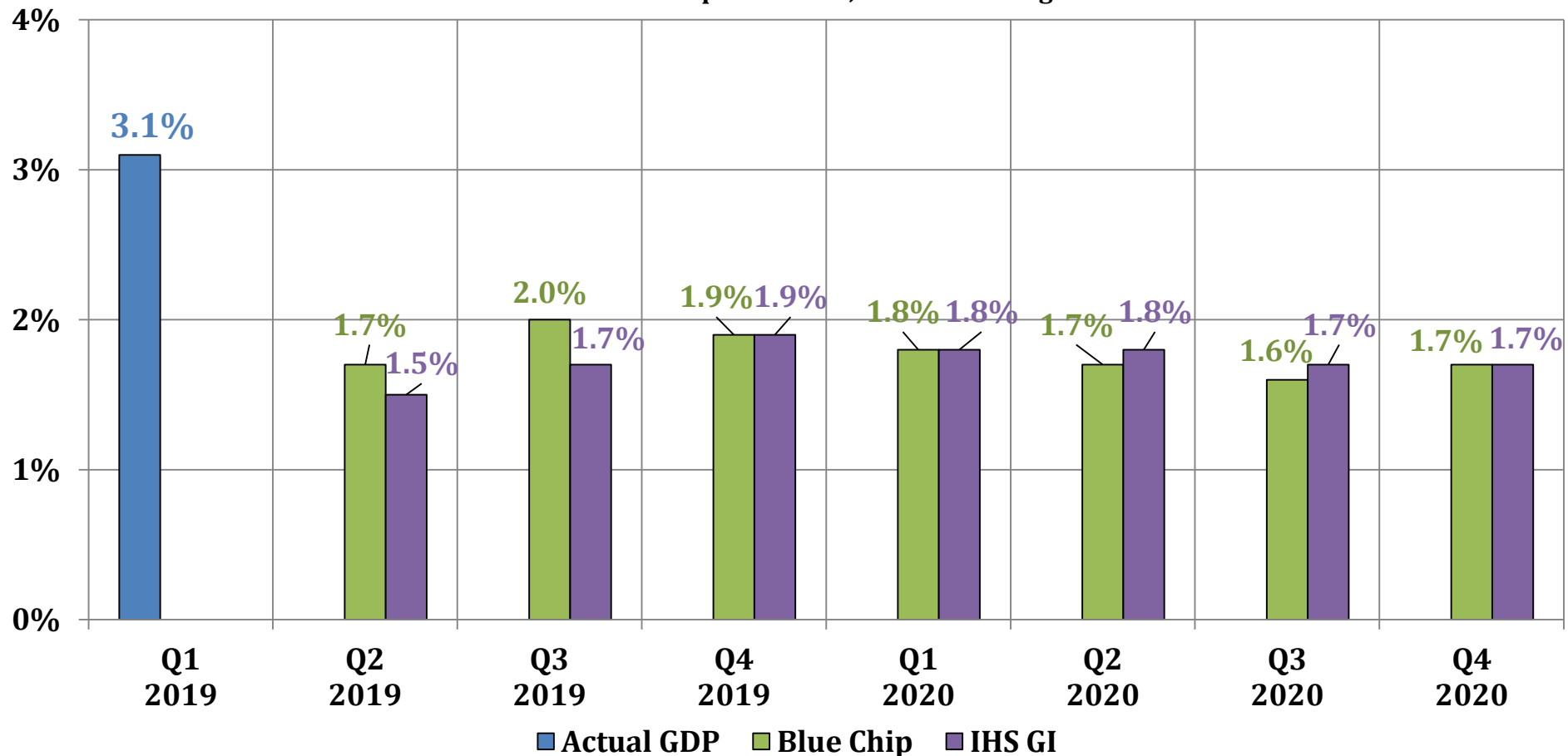
The U.S. economy is forecast to continue to grow in the near-term



U.S. Real GDP Growth Forecast

Actuals Q1 2019, Forecast Q2 2019- Q4 2020

Source: Blue Chip Indicators, IHS Global Insight



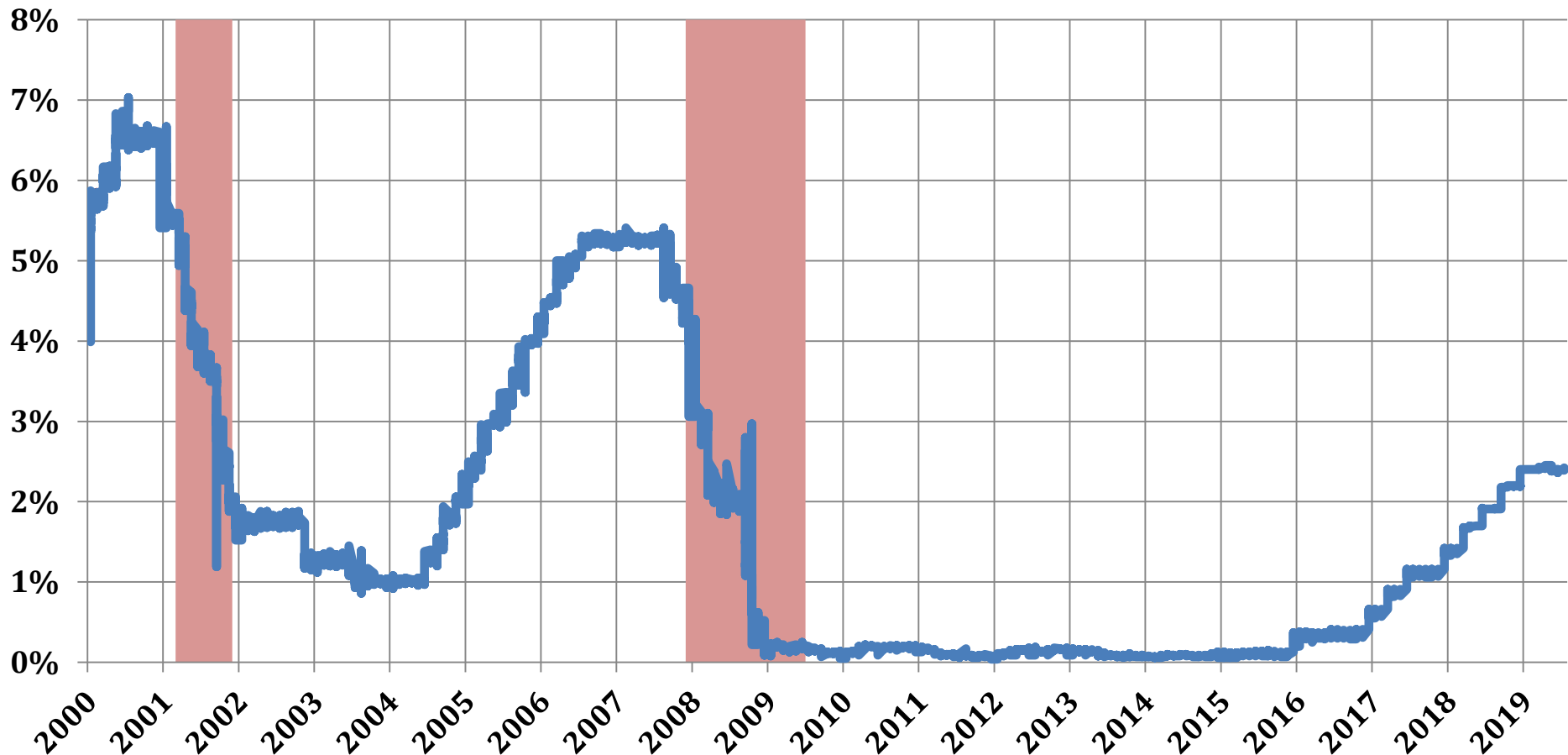
The FED outlook has changed from rate rises to rate cuts very recently.



Daily Effective Fed Funds Rate

With economic contraction shaded in red

Source: St. Louis FRED

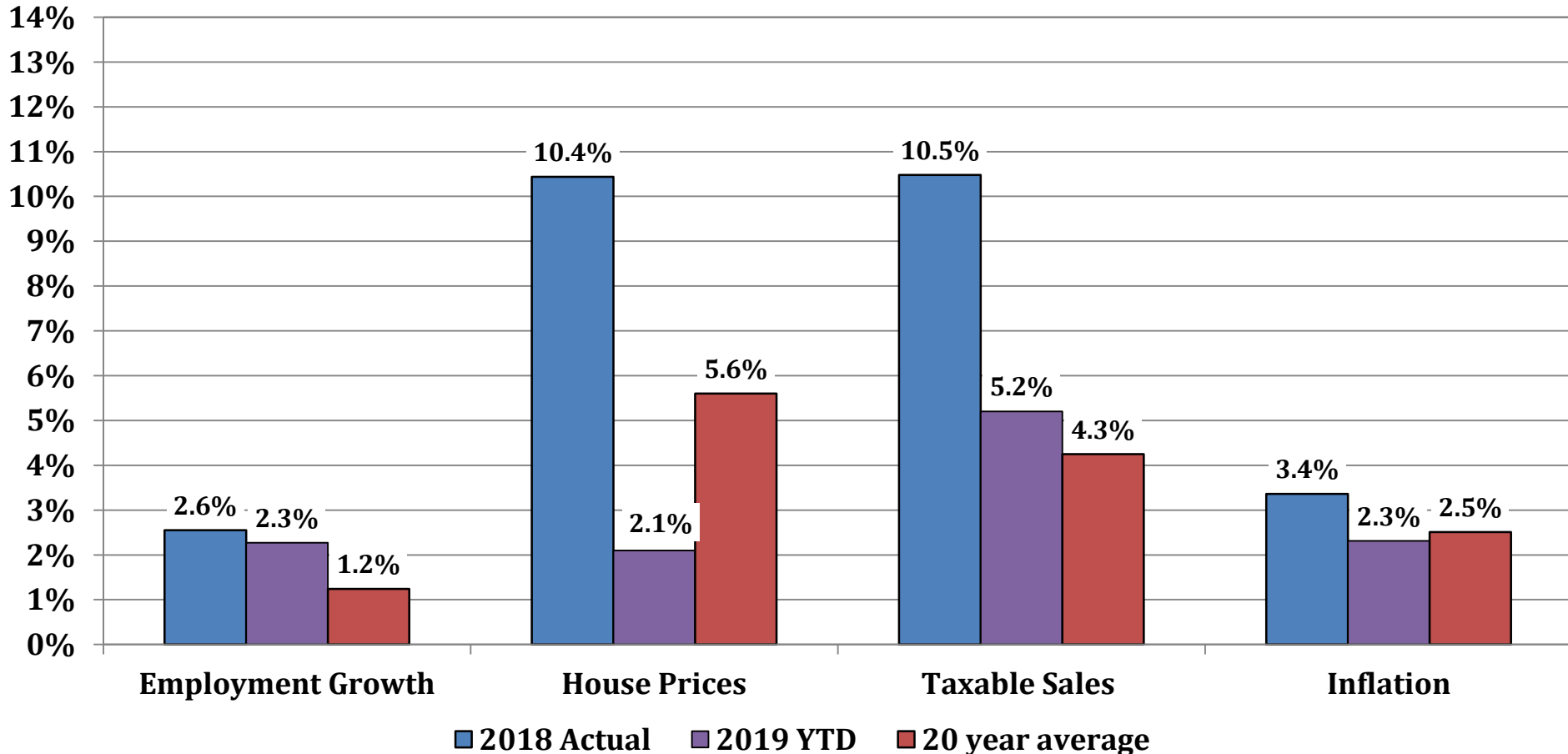


King County's economy showed solid growth in 2018 but slowed in the second half and so far in 2019



King County Economic Indicators

2018 Actuals & 2019 YTD & 20 Year Average
Source: PSEF, Case-Shiller, WA DOR, BLS



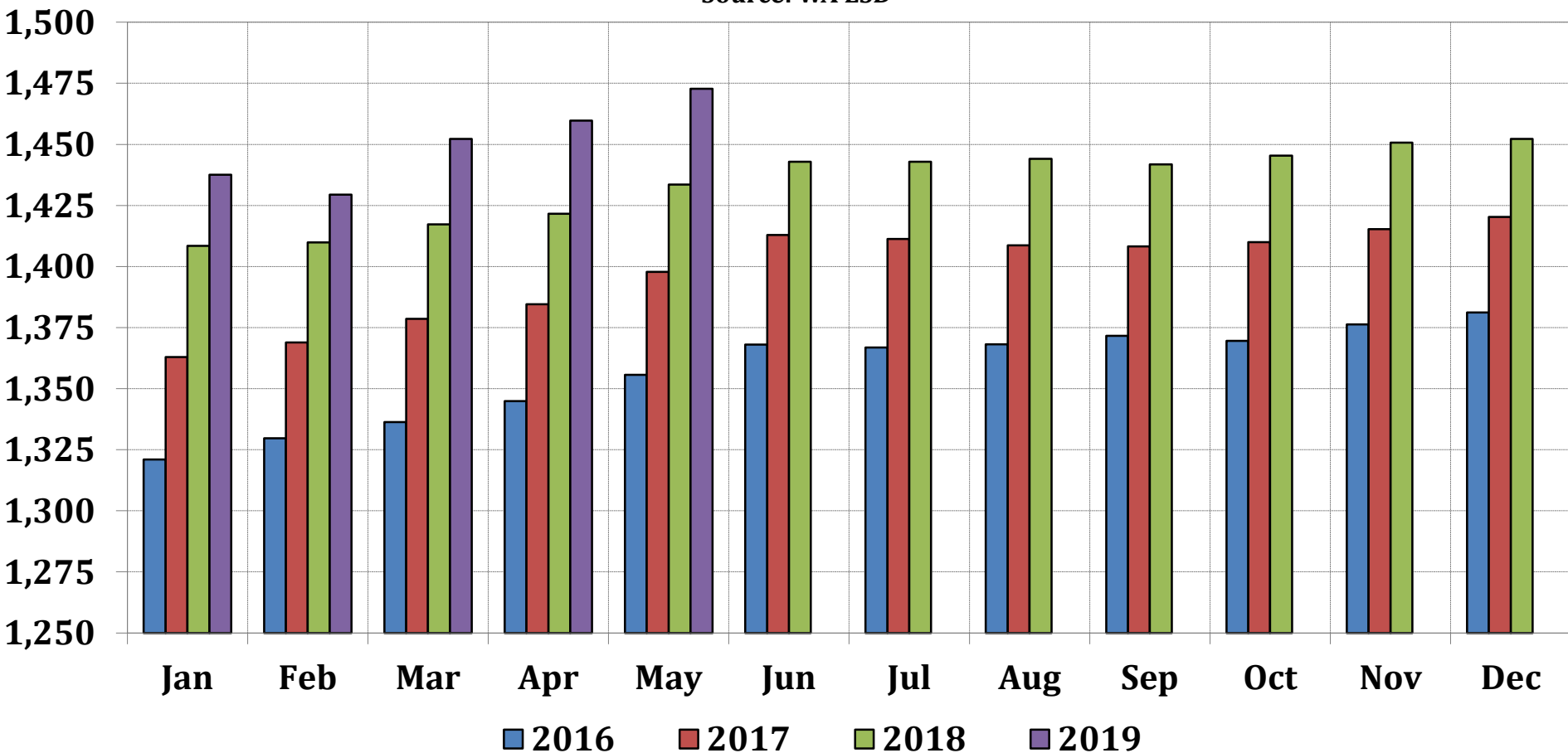
Job growth continues in King County



King County Total Non-Farm Employment

Monthly job totals (in thousands), January 2016 to Present

Source: WA ESD

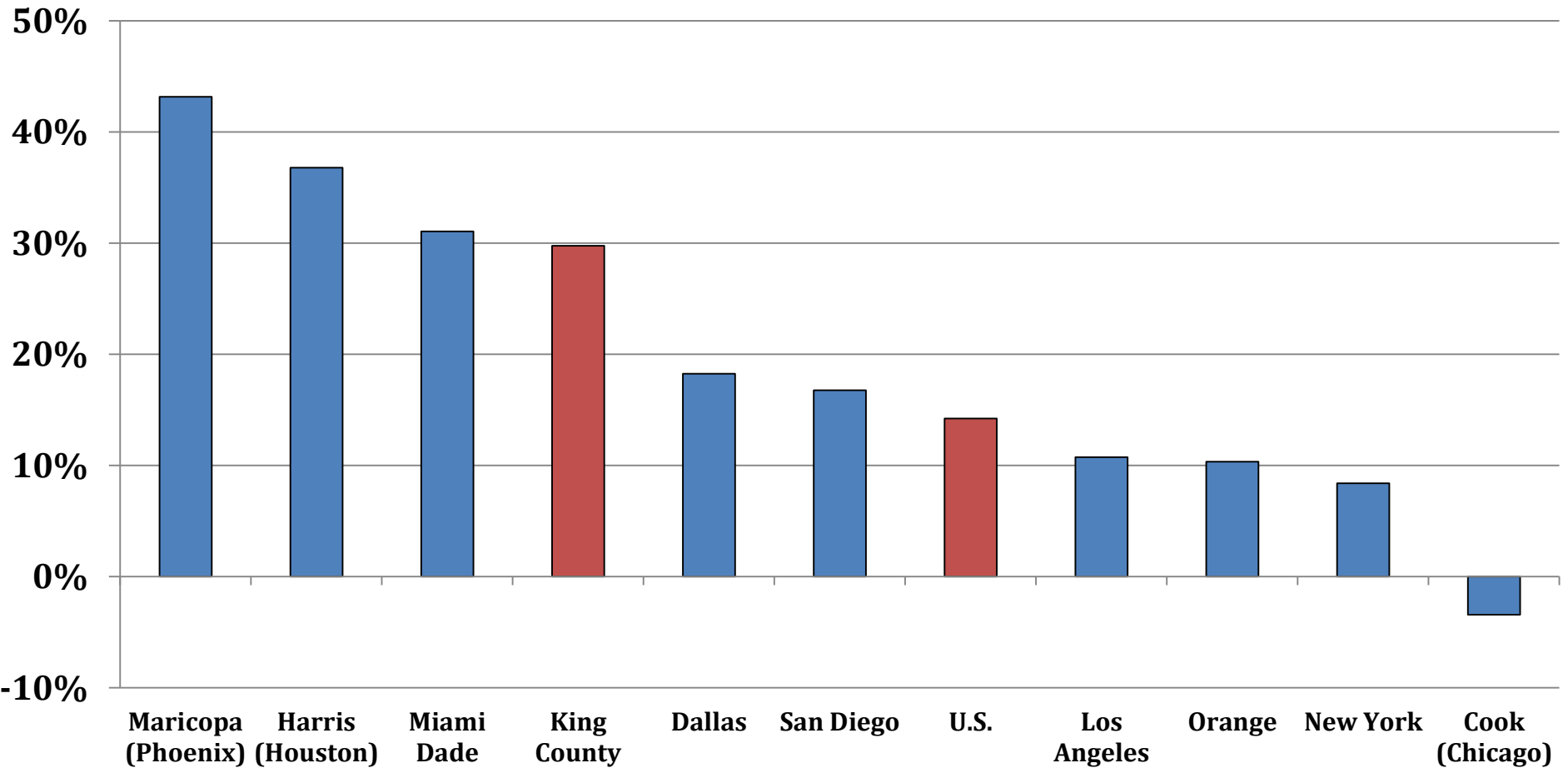


King County employment growth has been stronger than many of our peer counties

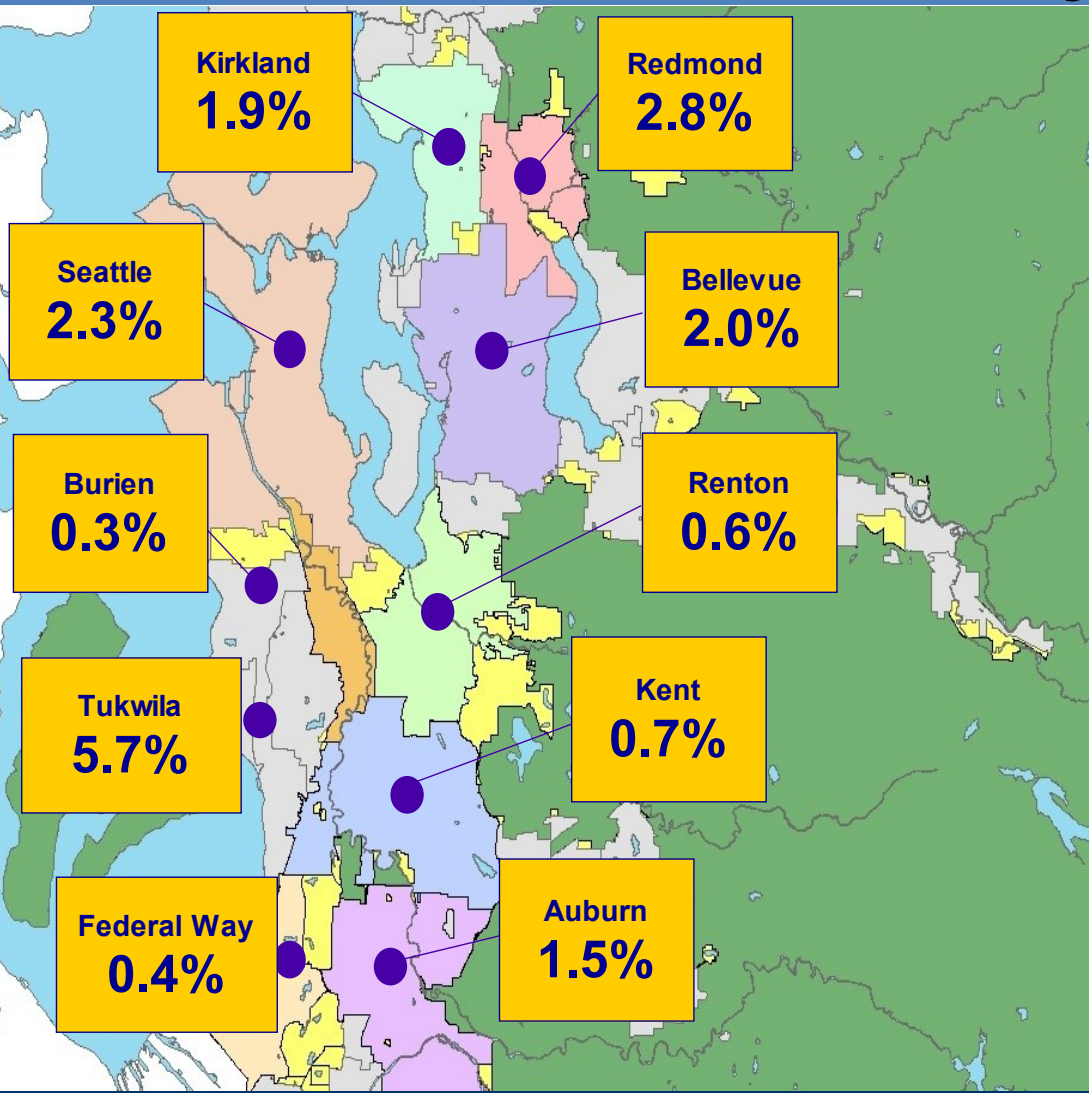


Employment Growth - 2000 to 2019

US, King County and Peer Counties
Source: BLS-LAUS, (May 2000 to May 2019)



King County's population grew 1.6% in 2018-2019 but growth varied around the County



April 1, 2019 population estimates for select KC cities

- 88,940 - Kirkland
- 747,300 - Seattle
- 52,000 - Burien
- 20,930 - Tukwila
- 97,840 - Federal Way
- 65,860 - Redmond
- 145,300 - Bellevue
- 104,700 - Renton
- 129,800 - Kent
- 71,740 - Auburn

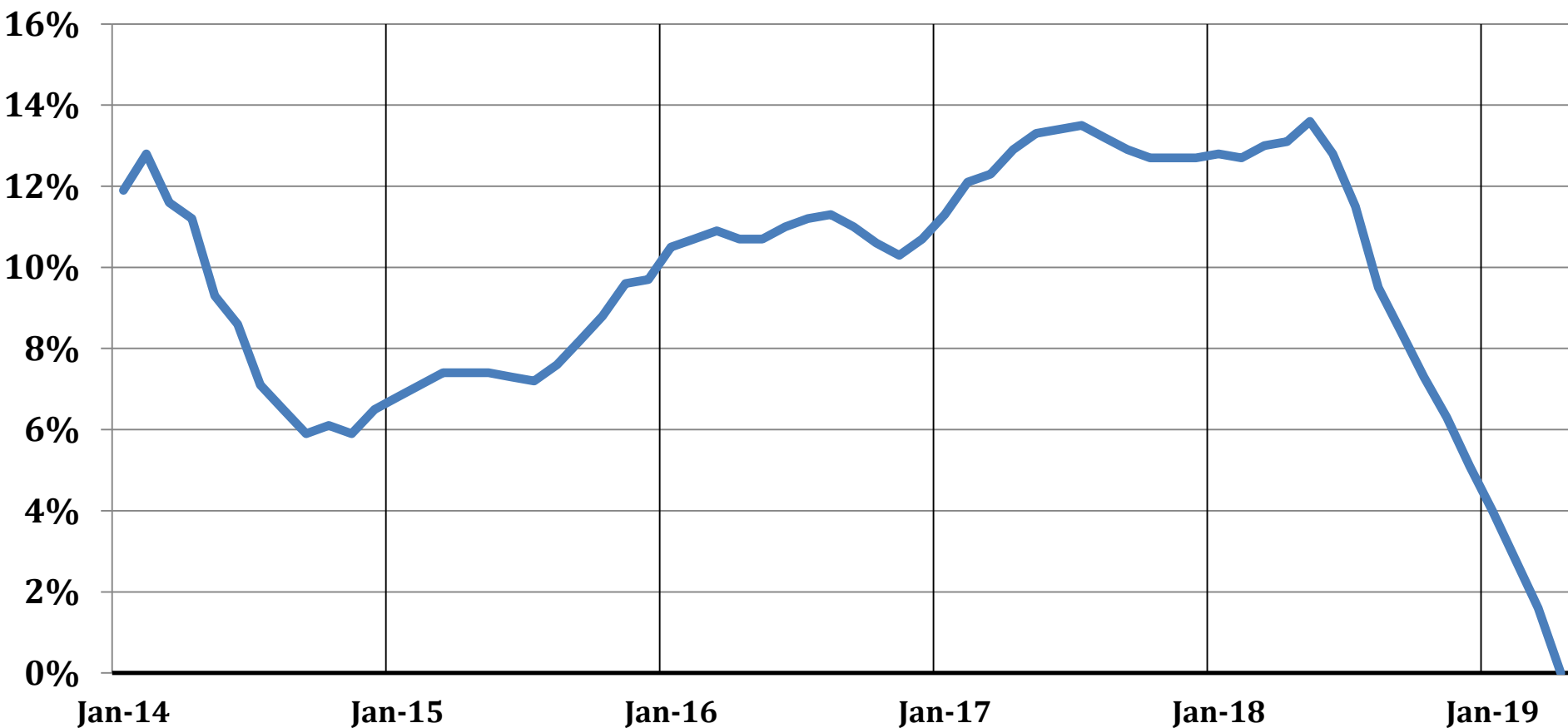
Seattle house price growth slowed in 2018 and has stopped in 2019



Seattle House Price Growth

Growth Rate, January 2014 - April 2019

Source: Case-Shiller Index



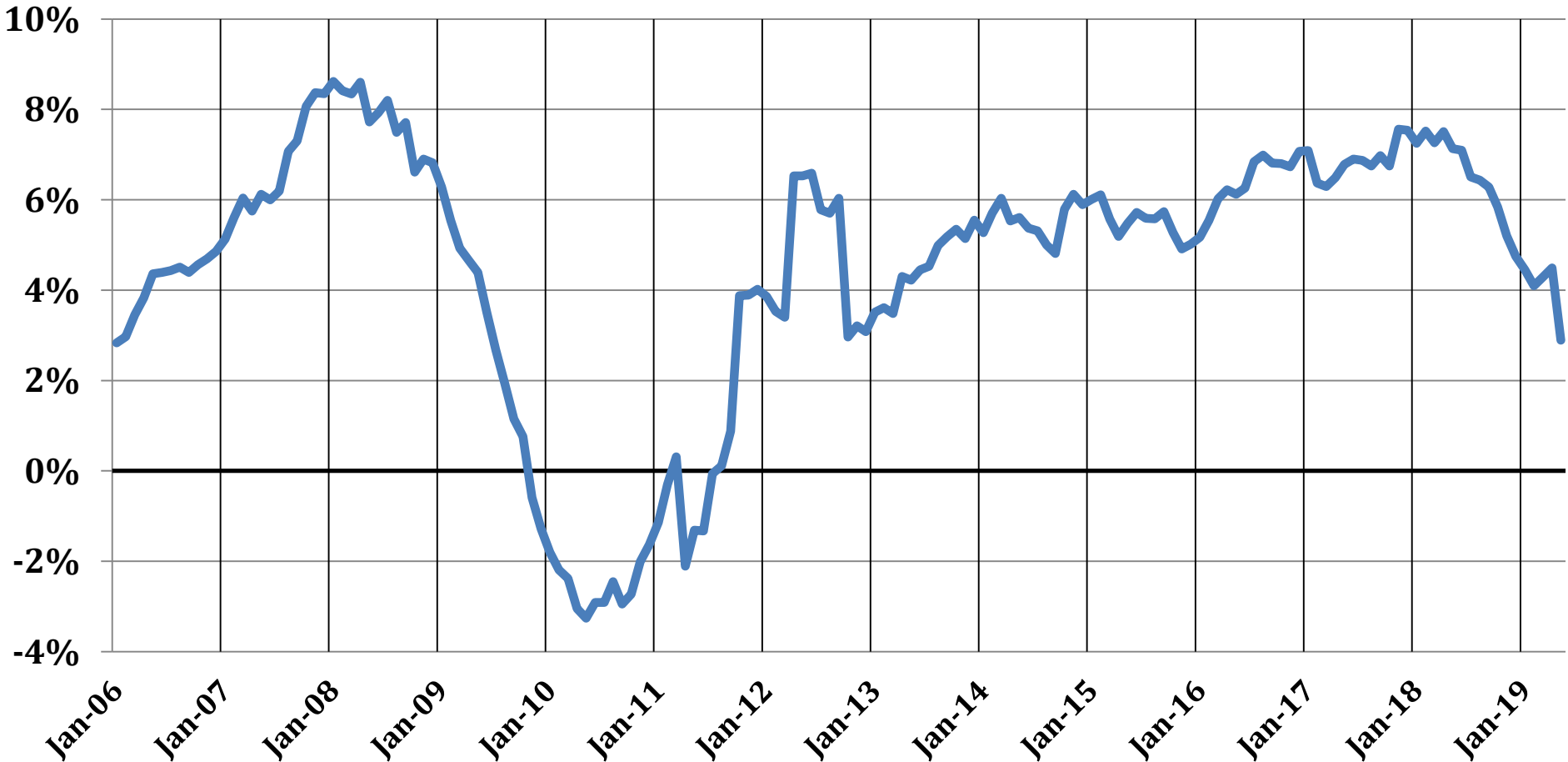
Rent growth also slowed in 2018 and so far in 2019



Seattle Rent of Primary Residence Growth

Growth Rate, January 2006 - May 2019

Source: BLS



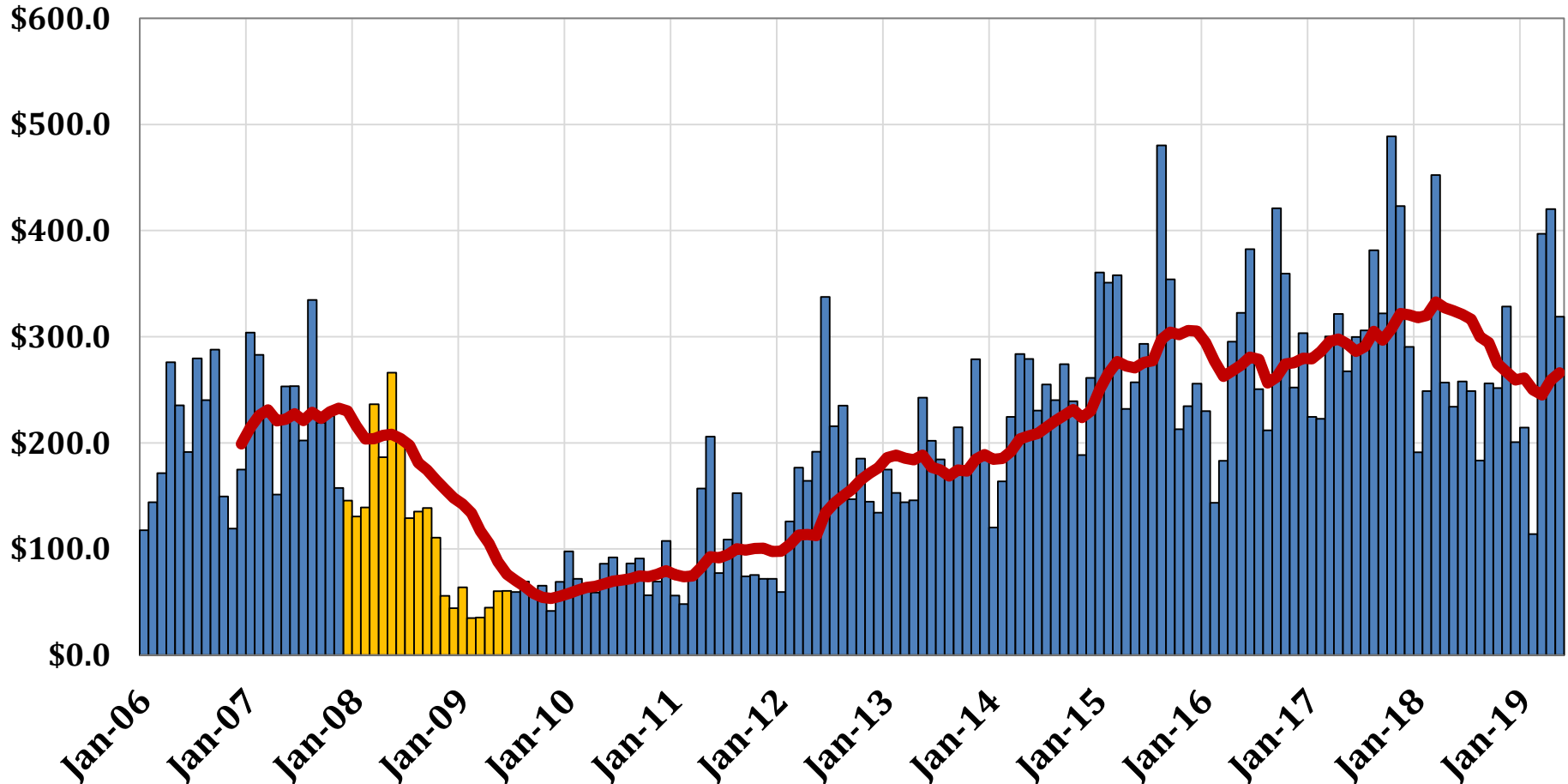
Construction has been a big factor in the local expansion but is likely to slow



King County Residential Permit Values

Monthly Value of All Permits from Jan. 2006-May 2019 with **Rolling Annual Avg.**

Source: Census Bureau



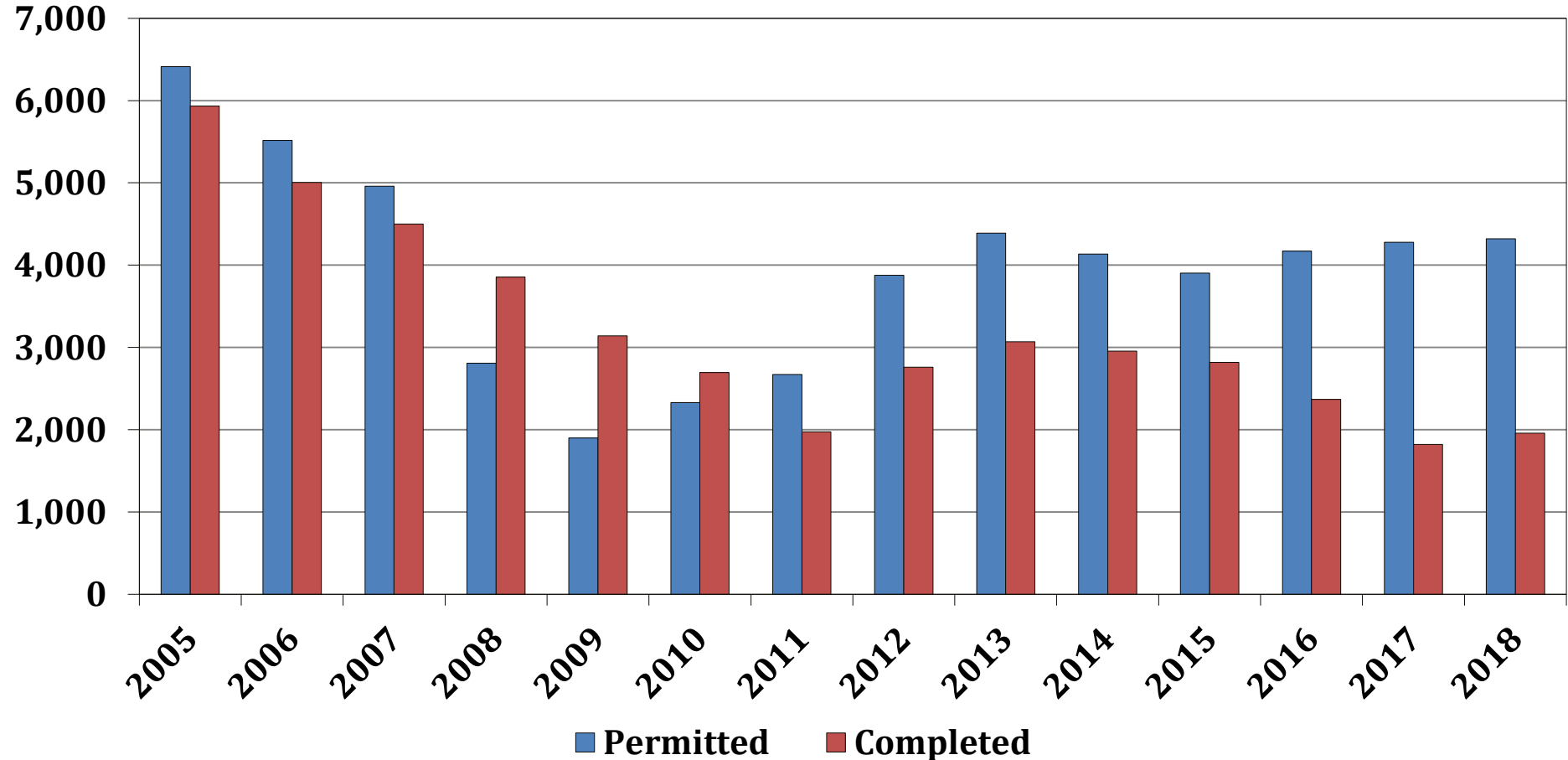
SF permitting/completion levels fell during the recession and have not recovered



Single Family Home Permits and Completions

January 2005 to December 2018

Source: KC Assessor's tables & the Census Bureau



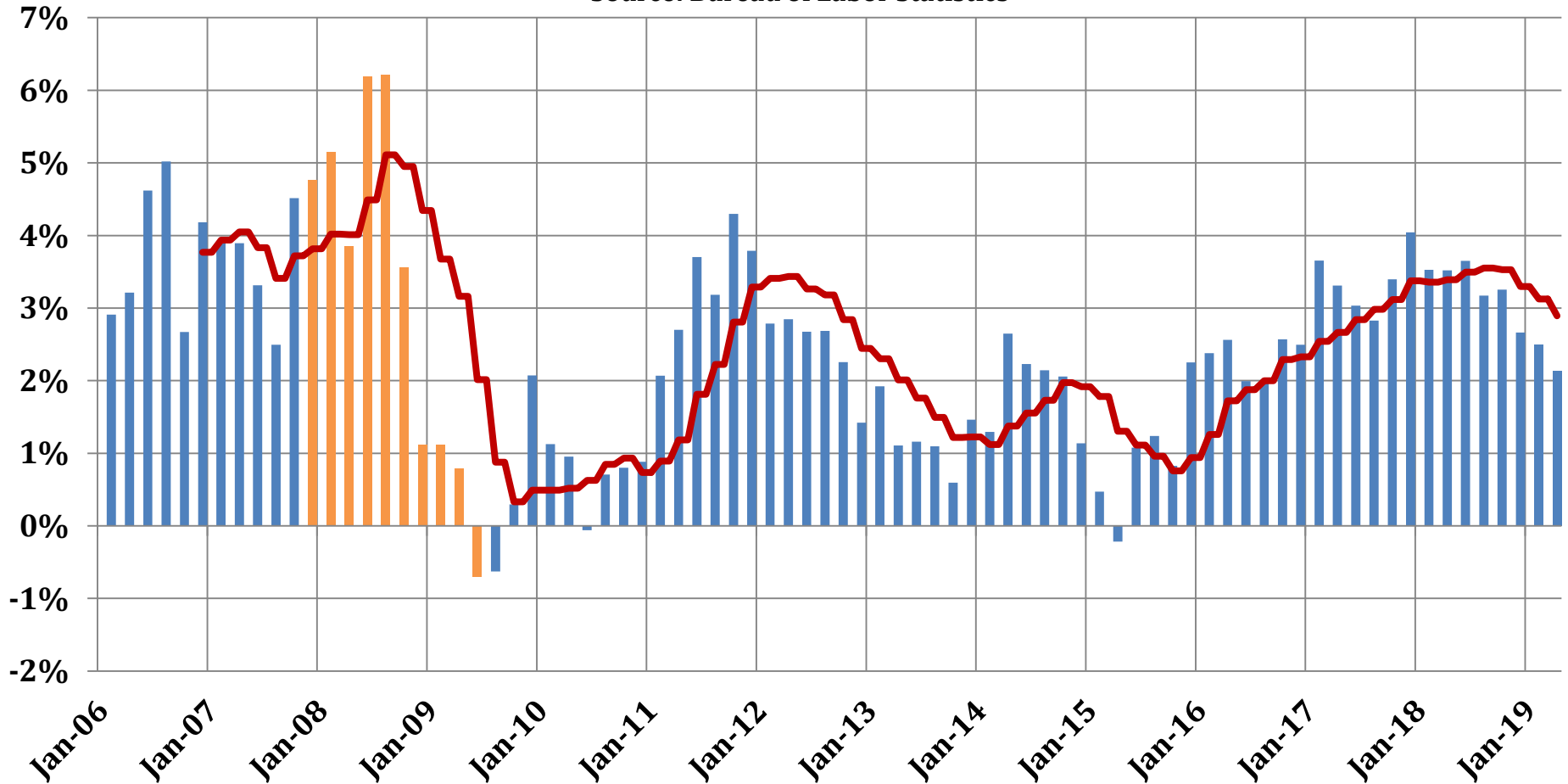
Local inflation continues to moderate in 2019



Seattle CPI-W Annual Inflation

Actual [bar], Recession, [bar] with Rolling Annual Average [line]

Source: Bureau of Labor Statistics



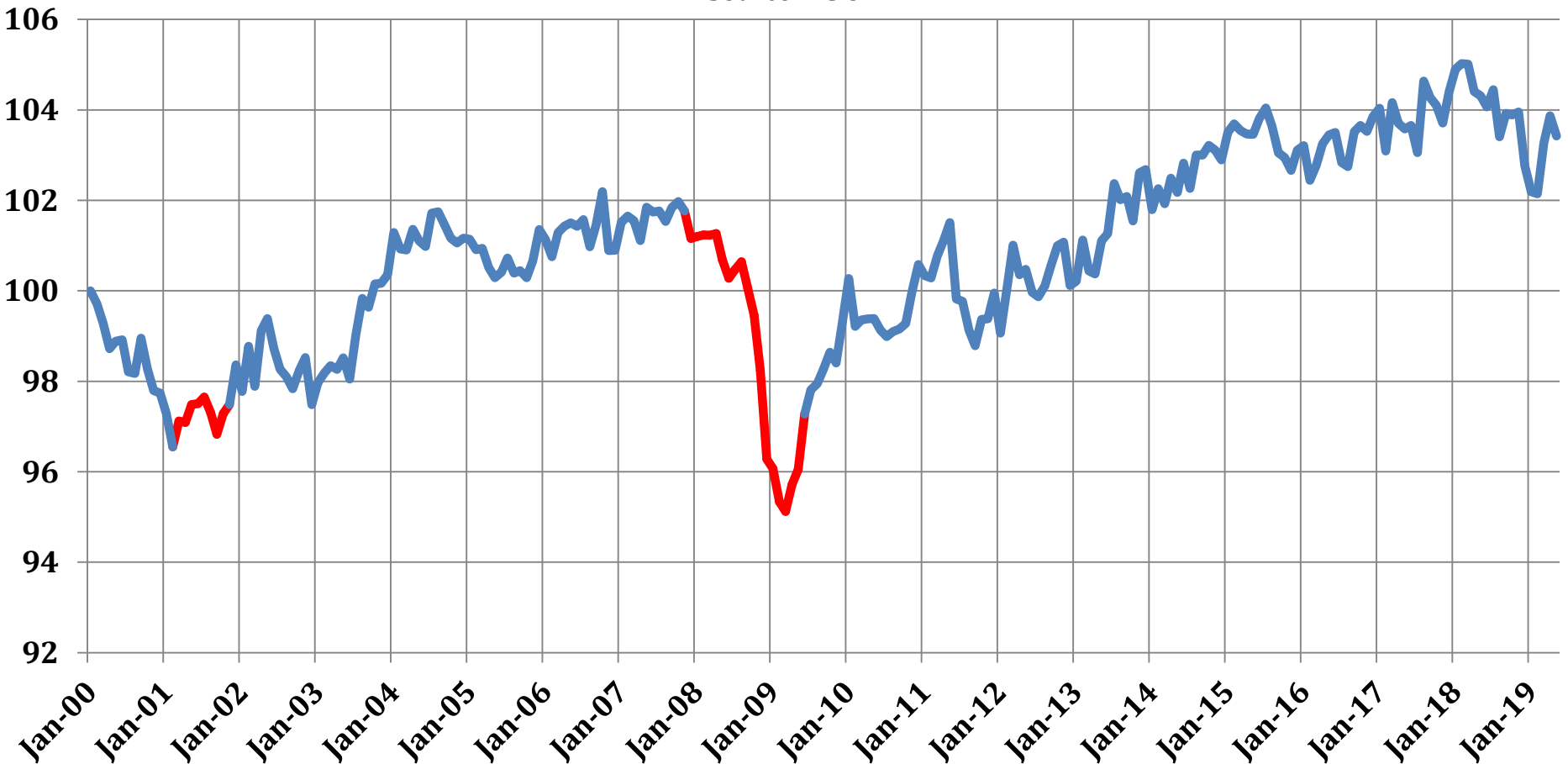
Local economic indicators are mixed



King County Index of Leading Indicators

Jan 2000=100, with economic contraction highlighted in red

Source: KC OEFA



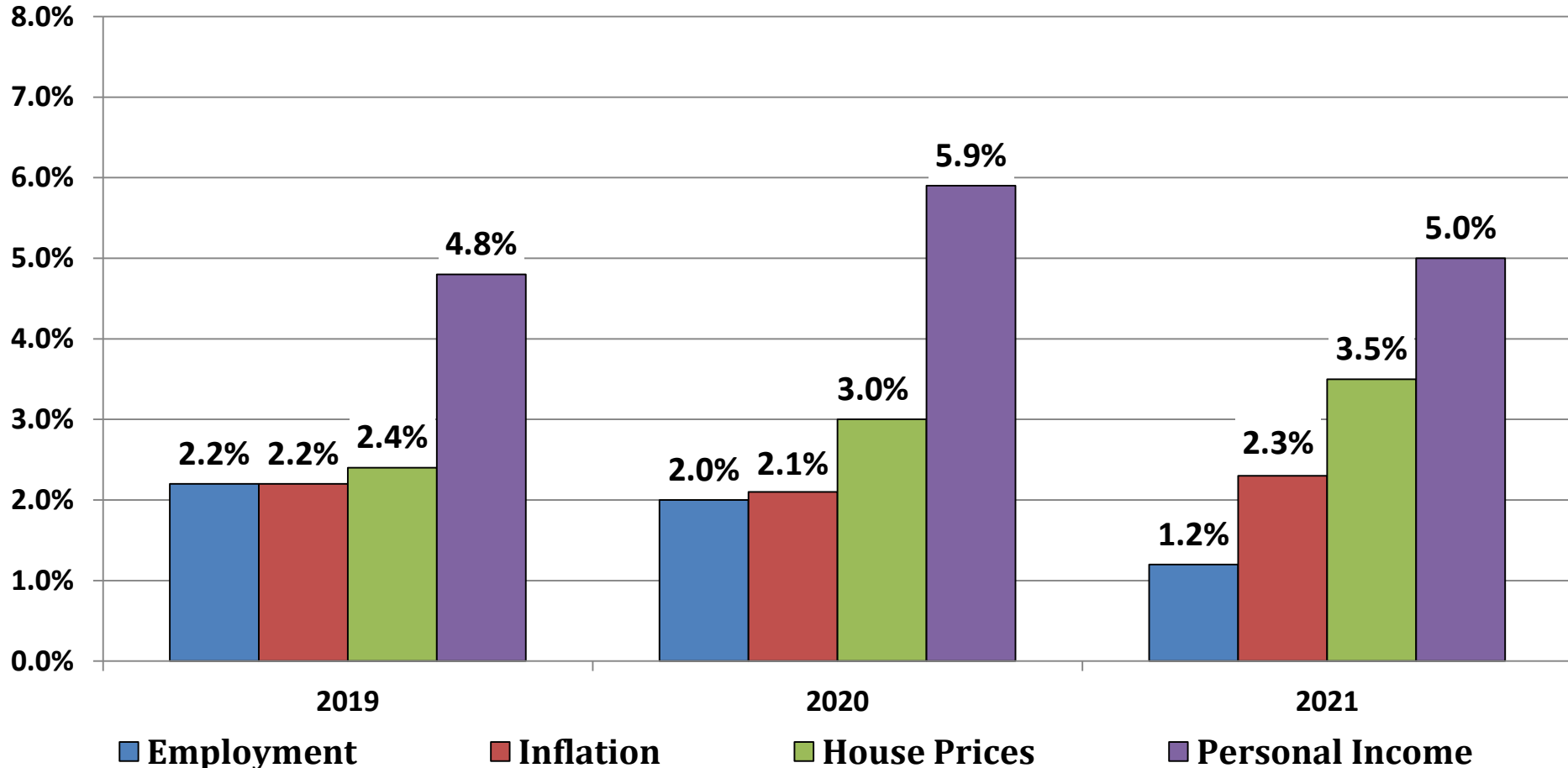
The KC forecast for 2019-2020 calls for continued growth



Employment, Inflation, Housing & Income

Forecast 2019-2021

Source: Q2 2019 King County Forecast Model



July 2019 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)	(01-01-23)
-North Highline (Remainder)	(01-01-23)
-West Hill	(01-01-25)
-East Federal Way	(01-01-25)

Countywide Assessed Value Forecast

Tax Year	Value	Annual Growth	% Change from March 2019 Forecast	\$ Change from March 2019 Forecast
2017	\$471,456,288,020	10.58%	0.00%	\$0
2018	\$534,662,434,753	13.41%	0.00%	\$0
2019	\$606,623,698,131	13.46%	0.00%	\$0
2020	\$638,372,914,860	5.23%	-3.10%	(\$20,433,745,812)
2021	\$656,617,649,738	2.86%	-5.68%	(\$39,535,767,920)
2022	\$676,581,673,277	3.04%	-5.41%	(\$38,715,700,789)
2023	\$712,971,983,959	5.38%	-5.51%	(\$41,567,992,088)
2024	\$748,673,719,616	5.01%	-5.45%	(\$43,143,789,446)
2025	\$783,295,065,656	4.62%	-6.18%	(\$51,603,909,276)
2026	\$817,070,738,810	4.31%	-7.02%	(\$61,644,057,430)
2027	\$856,076,506,491	4.77%	-7.13%	(\$65,680,458,879)
2028	\$896,139,716,473	4.68%	-7.26%	(\$70,145,109,526)

Unincorporated Area Assessed Value Forecast

Tax Year	Value	Annual Growth	% Change from March 2019 Forecast	\$ Change from March 2019 Forecast
2017	\$39,044,967,515	6.58%	0.00%	\$0
2018	\$43,501,122,097	11.41%	0.00%	\$0
2019	\$48,607,292,257	11.74%	0.00%	\$0
2020	\$50,560,938,862	4.02%	-4.34%	(\$2,293,967,084)
2021	\$51,898,291,486	2.65%	-6.06%	(\$3,346,603,733)
2022	\$52,836,076,481	1.81%	-0.92%	(\$490,404,520)
2023	\$52,910,869,061	0.14%	-3.91%	(\$2,152,334,851)
2024	\$55,435,941,605	4.77%	-3.47%	(\$1,993,037,700)
2025	\$52,004,093,028	-6.19%	-4.08%	(\$2,209,229,975)
2026	\$54,030,842,107	3.90%	-4.81%	(\$2,732,157,292)
2027	\$56,347,077,988	4.29%	-4.74%	(\$2,802,344,035)
2028	\$58,688,612,964	4.16%	-4.68%	(\$2,878,863,231)

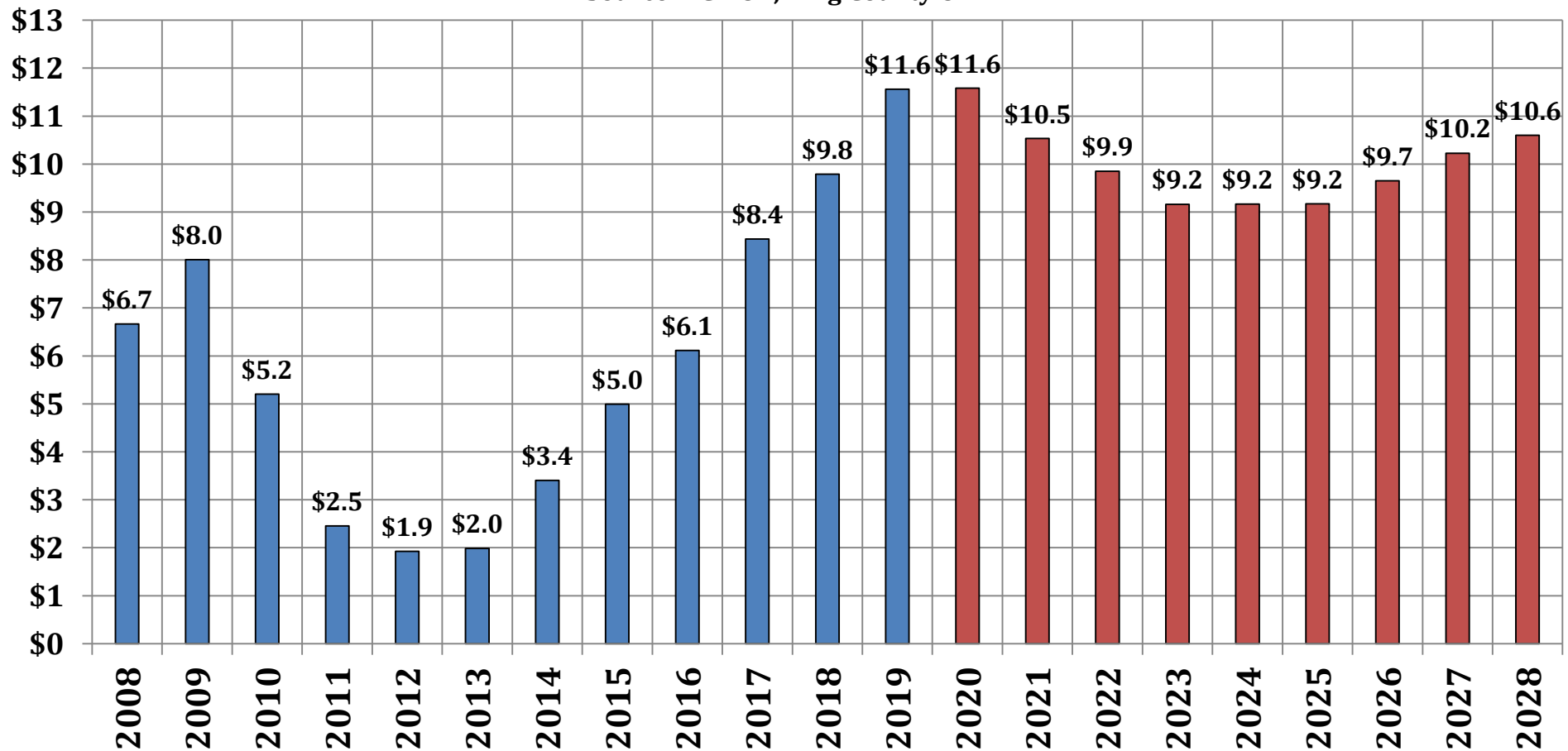
New Construction Forecast



King County New Construction Forecast

In billions \$, with Actuals and Forecast bars

Source: KC DOA, King County OEFA



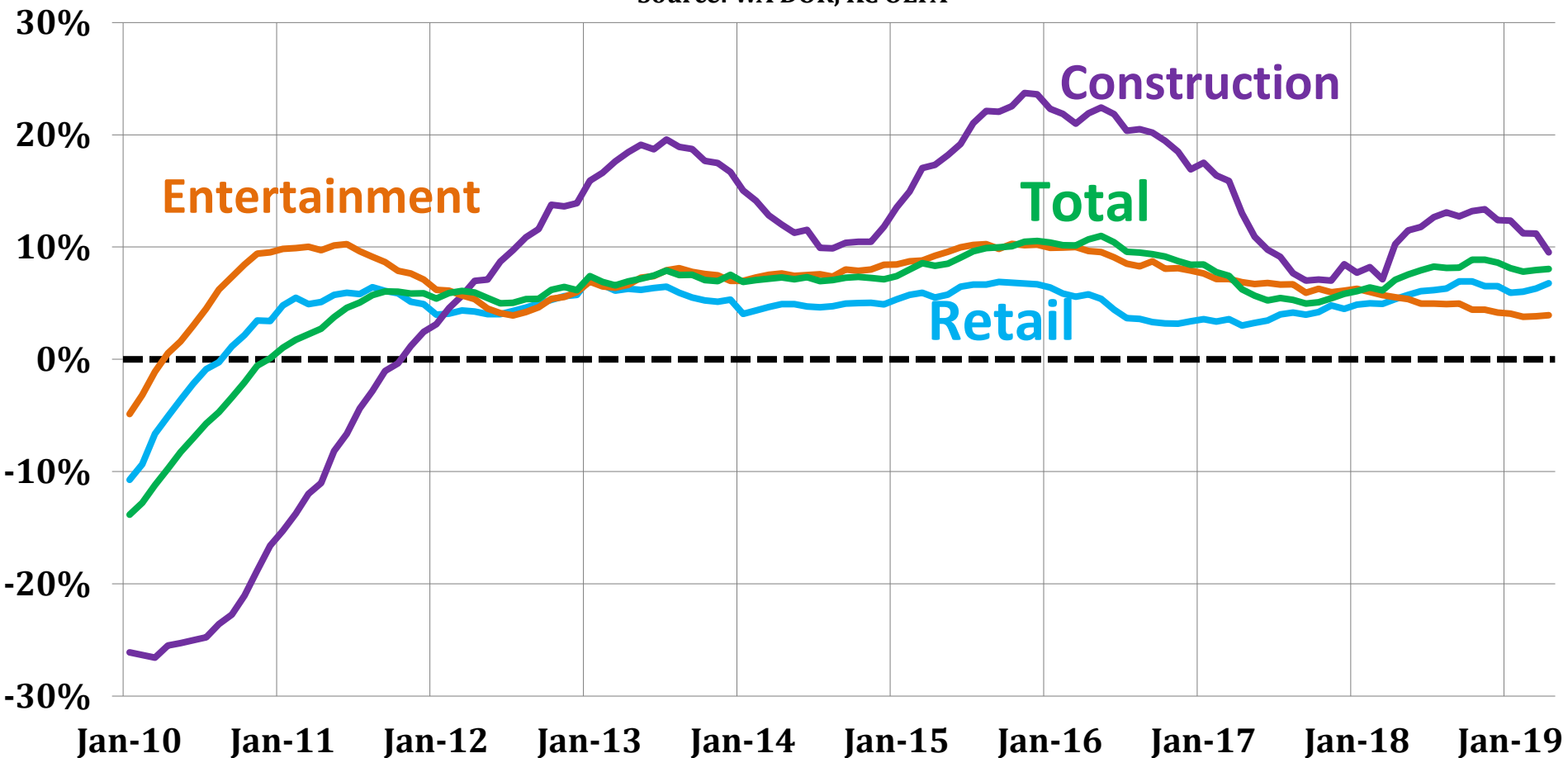
Taxable sales continue to grow but at a slower pace



Taxable Sales Growth

Annual rolling average of 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 March 2019 Forecast	\$ Change from March 2019 Forecast
2017	\$65,826,124,662	5.77%	0.00%	\$0
2018	\$72,726,583,626	10.48%	0.31%	\$226,583,626
2019	\$75,740,712,611	4.14%	1.00%	\$748,204,264
2020	\$77,193,372,834	1.92%	1.01%	\$772,945,994
2021	\$79,948,527,665	3.57%	0.87%	\$692,530,776
2022	\$82,713,678,511	3.46%	0.79%	\$644,703,955
2023	\$86,208,825,926	4.23%	0.94%	\$804,991,786
2024	\$90,460,160,952	4.93%	1.37%	\$1,223,827,751
2025	\$93,624,522,533	3.50%	1.31%	\$1,210,848,648
2026	\$96,875,498,911	3.47%	1.15%	\$1,103,084,584
2027	\$100,368,548,348	3.61%	0.79%	\$790,576,034
2028	\$104,168,415,878	3.79%	0.86%	\$884,021,732

King County Local and Optional Sales Tax Forecast

Tax Year	Value	Annual Growth	% Change from March 2019 Forecast	\$ Change from March 2019 Forecast
2017	\$118,621,546	5.25%	0.00%	\$0
2018	\$131,938,849	11.23%	0.00%	\$0
2019	\$137,478,141	4.20%	0.98%	\$1,339,244
2020	\$139,995,477	1.83%	0.91%	\$1,264,385
2021	\$144,992,140	3.57%	0.77%	\$1,113,448
2022	\$150,006,930	3.46%	3.09%	\$4,503,277
2023	\$152,710,241	1.80%	0.85%	\$1,294,070
2024	\$160,241,052	4.93%	1.28%	\$2,030,077
2025	\$161,783,631	0.96%	1.24%	\$1,973,761
2026	\$167,401,334	3.47%	1.08%	\$1,783,234
2027	\$173,437,340	3.61%	0.72%	\$1,238,334
2028	\$180,003,530	3.79%	0.78%	\$1,395,052

King County
Office of Economic and Financial Analysis

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