

2019 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 has reached 116 months

In 2018 the economy grew 2.9% (preliminary)

Strong employment growth (avg. +220K/month in 2018)

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

Solid employment growth (+3.0% in 2018)

Current construction boom continues though lower level of permits

Residential real estate market slowed considerably in 2018:2H

Leading indicators are mixed

Risks/uncertainty; more balanced

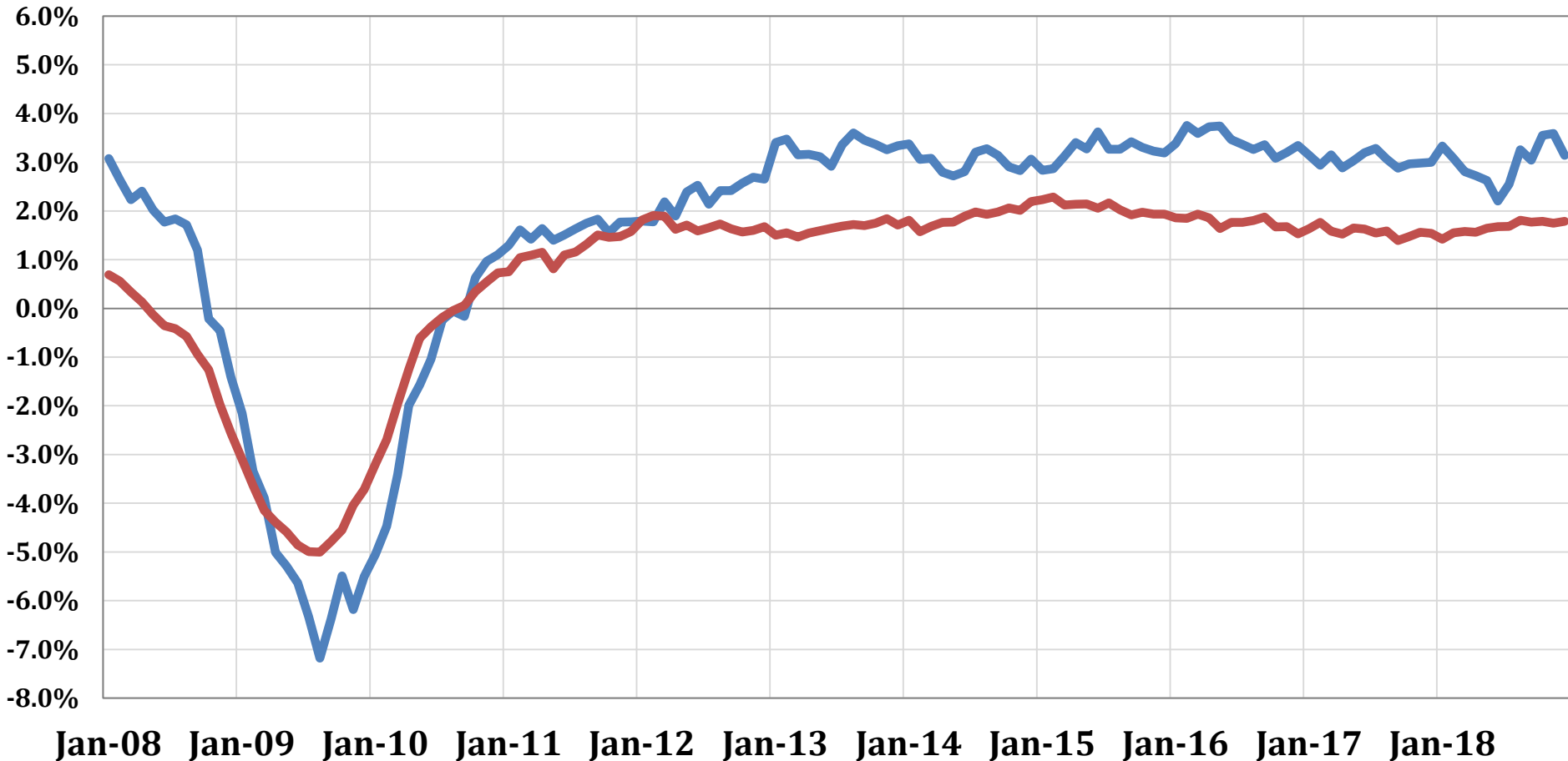
Trade and tariffs, U.S. government, global slowdown

Continued strong employment growth in the U.S. but even stronger growth in KC



U.S. and KC Annual Employment Growth Rate

King County and U.S. Year-Over-Year Growth by Month
Source: BLS and WA ESD



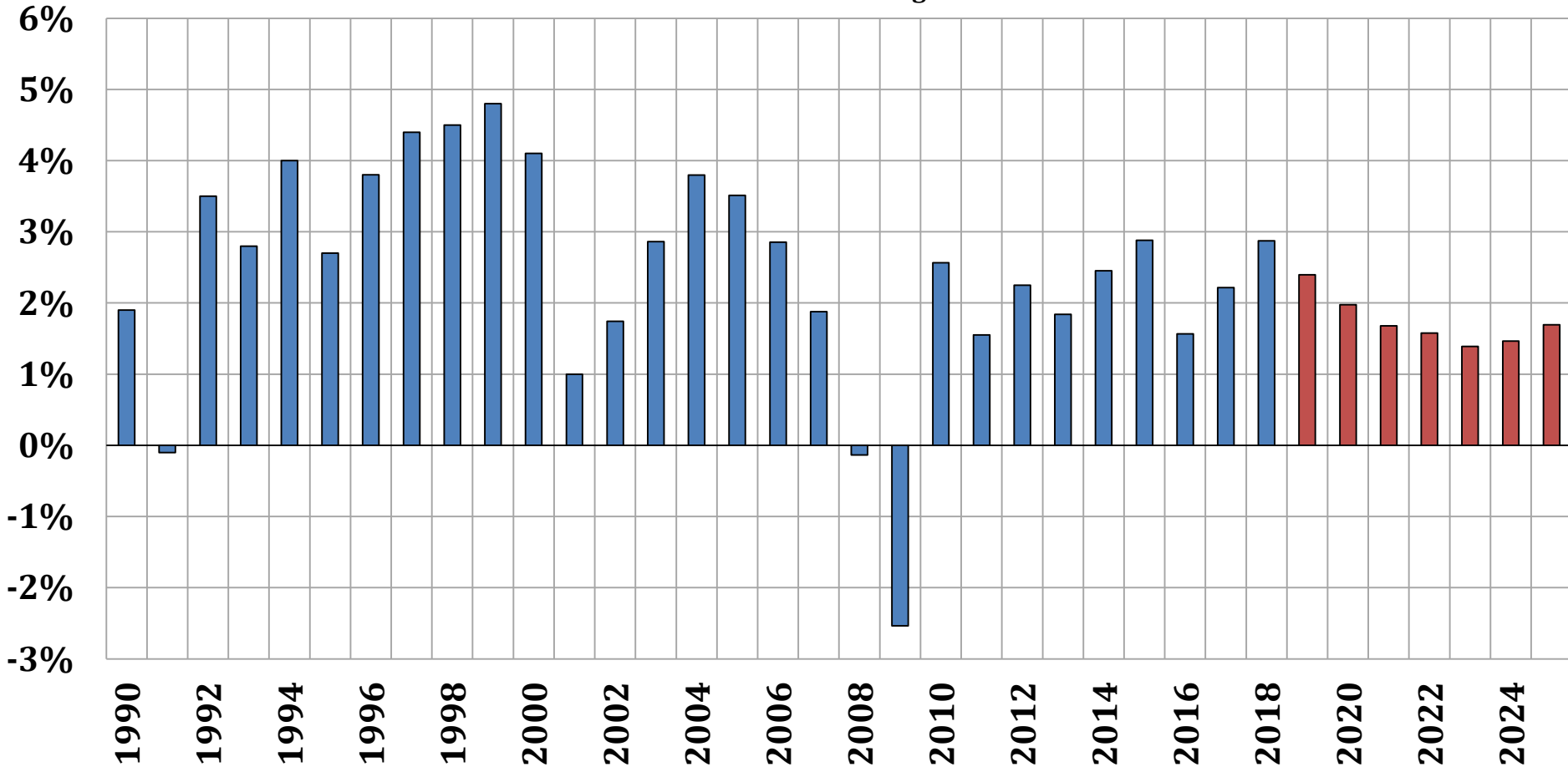
The U.S economy has been growing for nine years but at a historically slow rate (and slower growth is likely ahead)



Real GDP Growth Rate

Actual and Forecast, 1990-2025

Source: IHS Global Insight



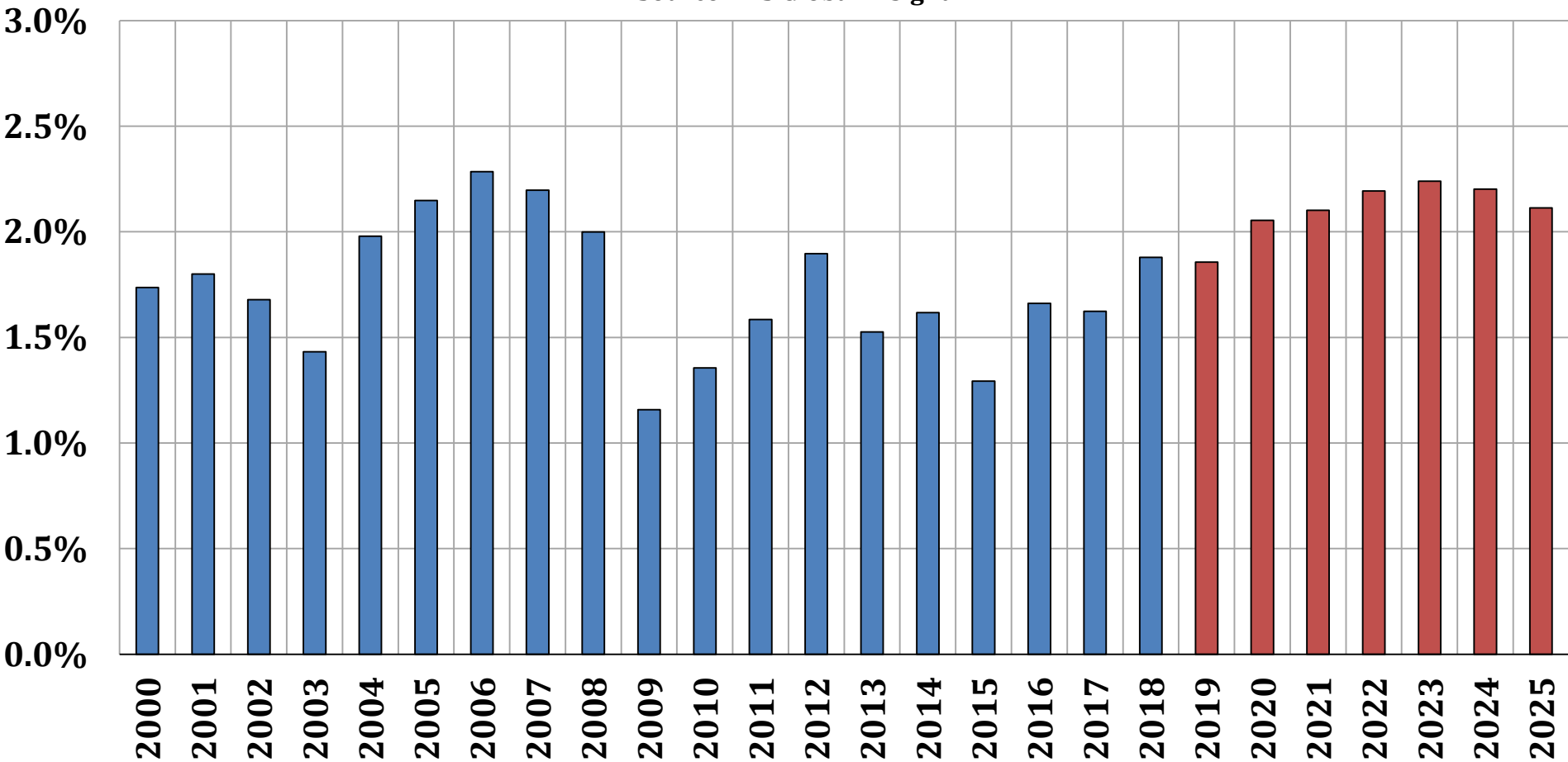
Inflation has been low despite unemployment being at a 50-year low



Core PCE Index of Inflation

Actual and Forecast, 2000-2025

Source: IHS Global Insight



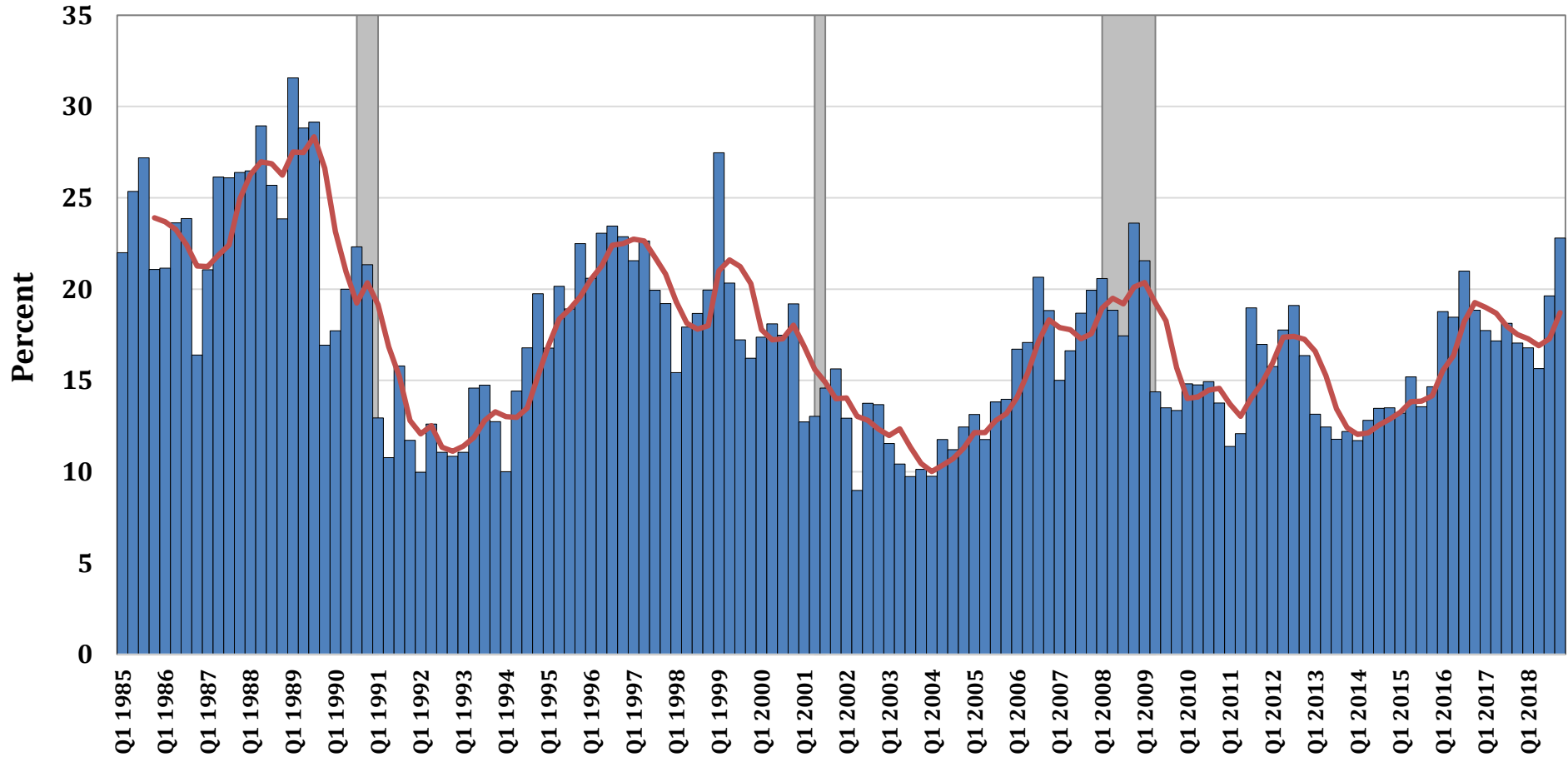
Some measures of recession risk are elevated but historical recession causes do not appear to be threatening



Average Probability of Decline in Real GDP in One Year

Survey of Professional Forecasters with **Rolling Annual Average**

Source: Federal Reserve of Philadelphia



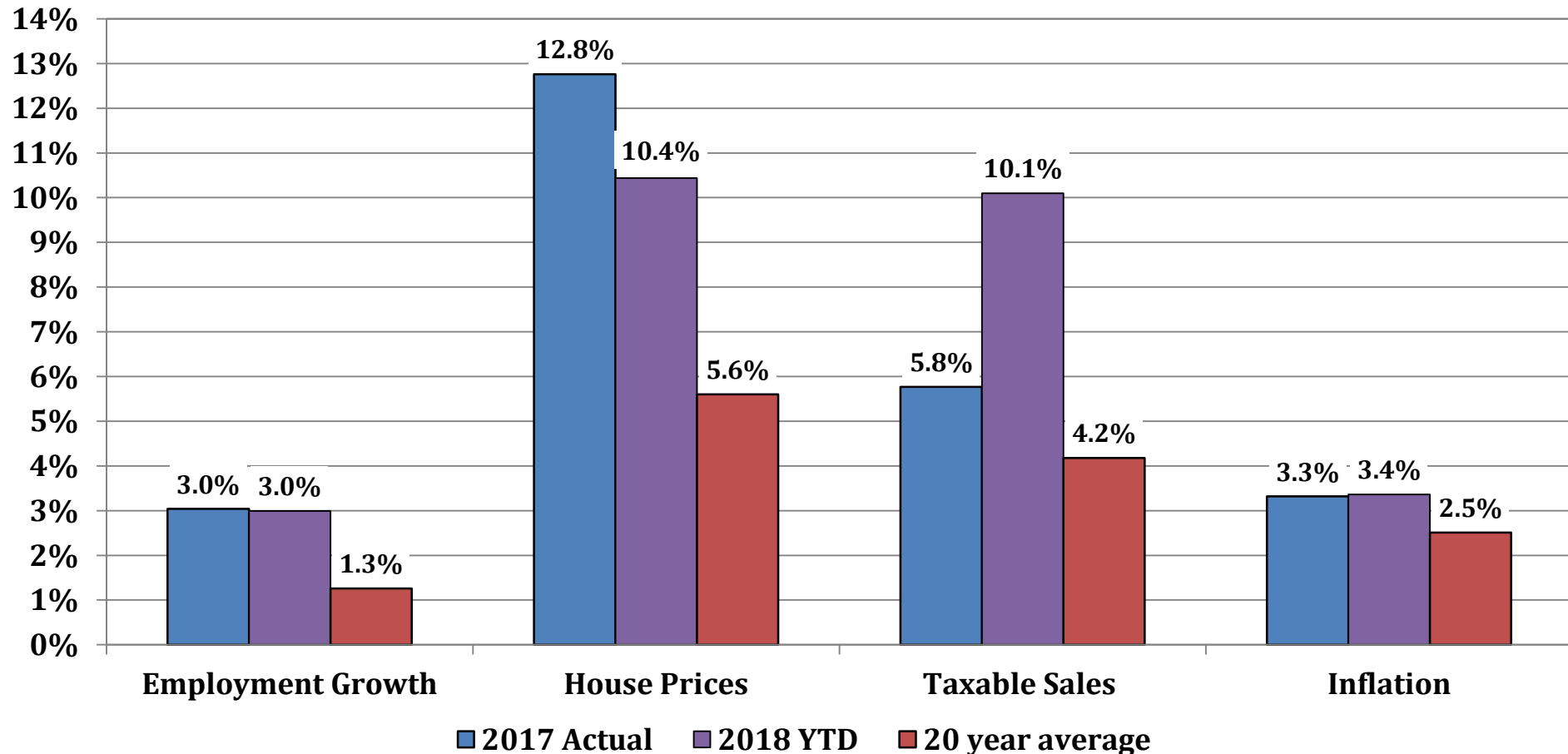
2018 was another year of growth for King County's economy



King County Economic Indicators

2017 Actuals & 2018 YTD & 20 Year Average

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



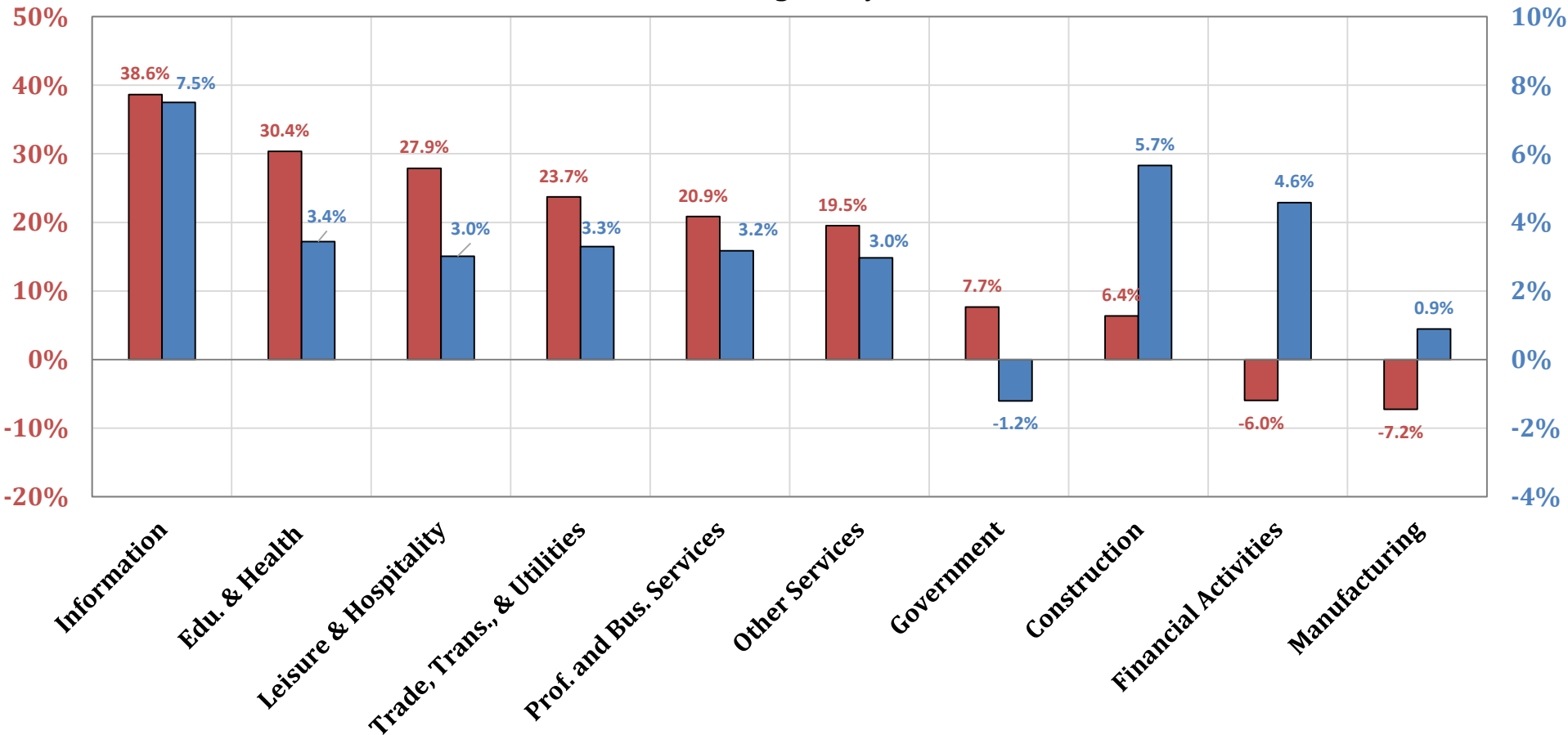
The information sector had the fastest employment growth in 2018 and in the last ten years



KC Employment Near and Long Term Growth

2018 Growth and 10 Year Growth

Source: King County ESD



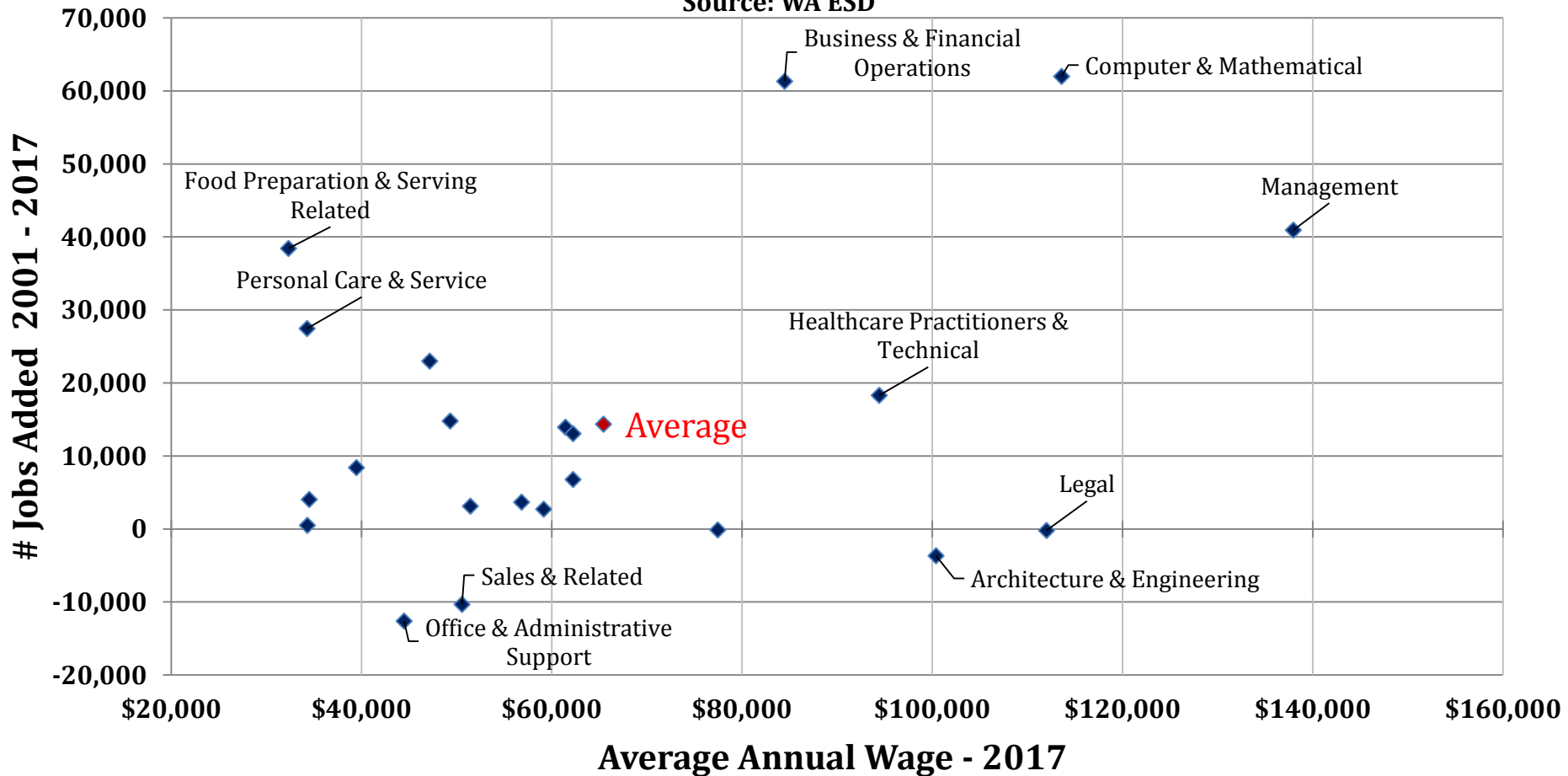
KC occupational growth has tended to be at the ends of the income spectrum



Employment Growth and Wages by Occupation

Seattle-Bellevue-Everett Metro Area

Source: WA ESD



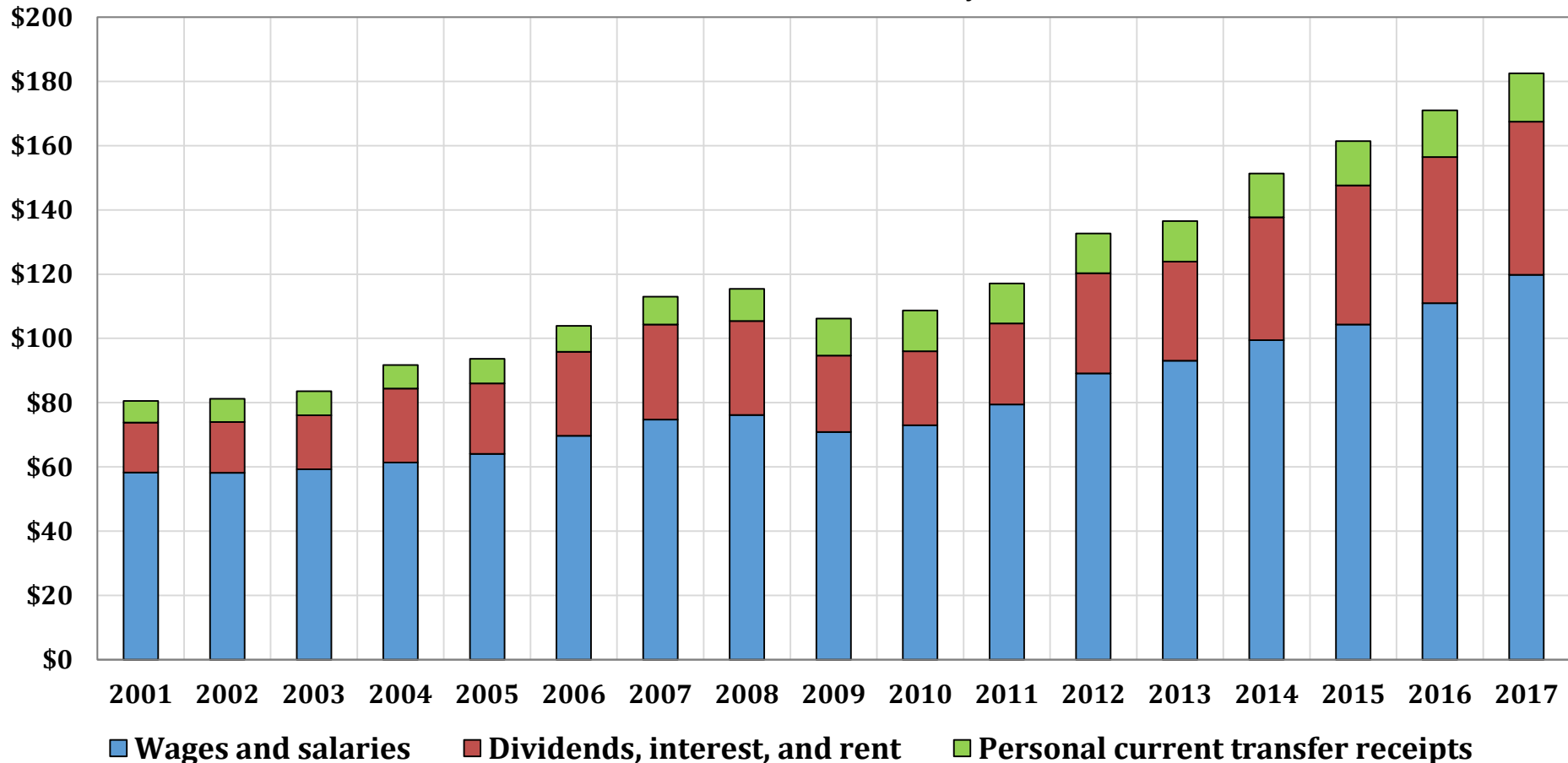
KC personal income has more than doubled since 2000...



KC Personal Income by Component

Wages, Other Income, and Gov. Transfers

Source: Bureau of Economic Analysis



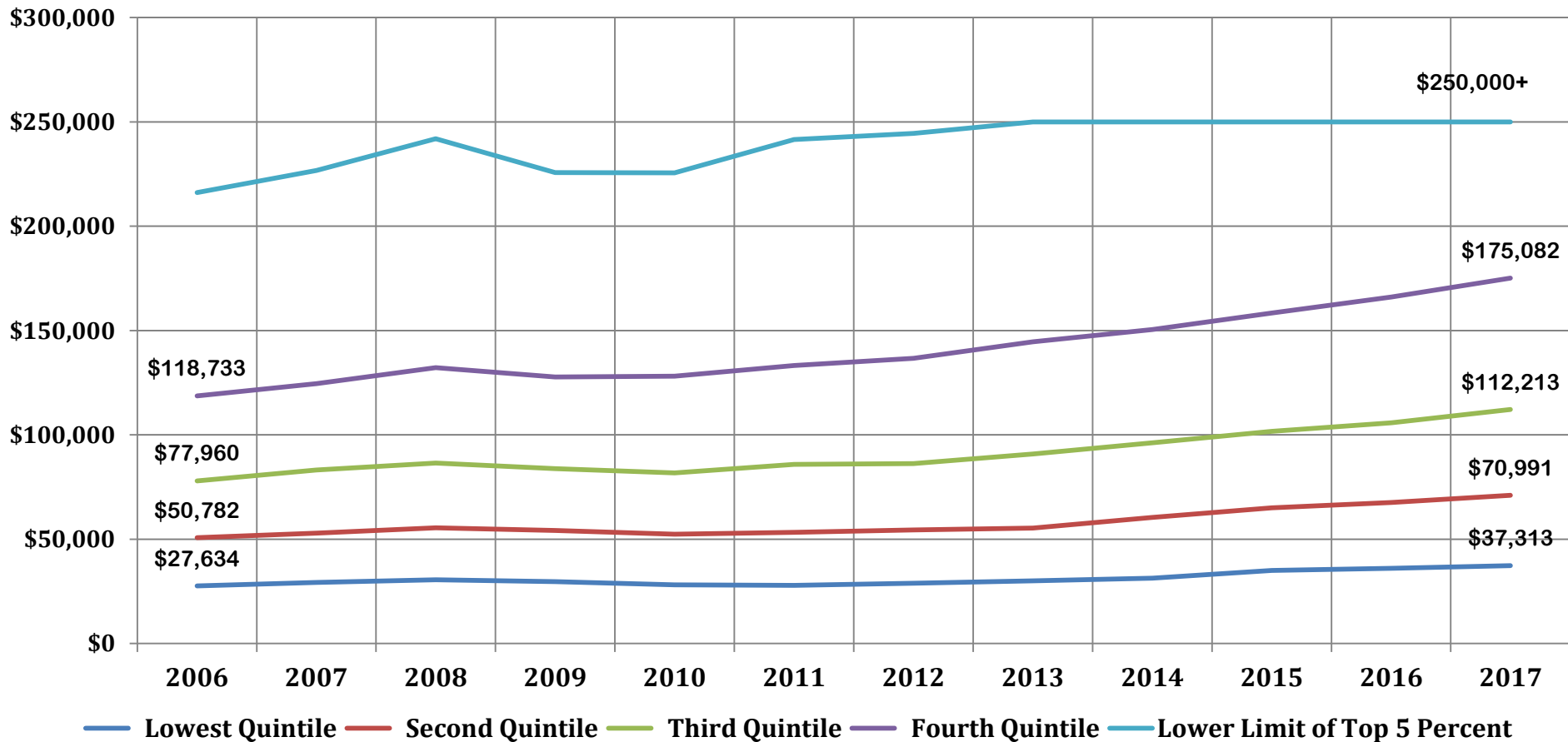
... and household incomes in all quintiles have seen growth of late



Household Income Quintile Upper Limits

King County Income Comparison 2006-2017

Source: Census Bureau



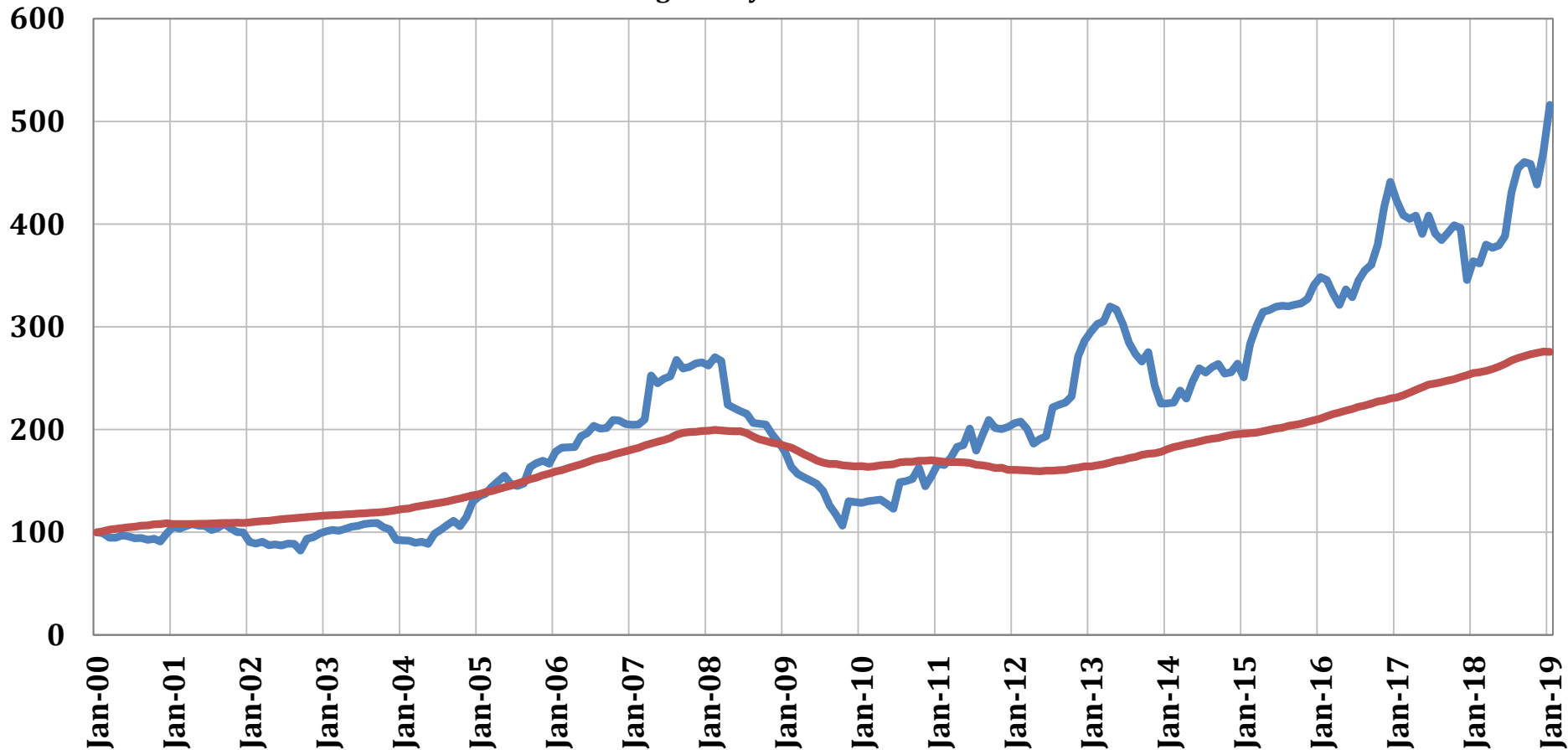
Real estate prices continued to climb in 2018 though residential growth slowed



King County Monthly Real Estate Sales Index

Index 2000=100; Rolling Annual Average of Commercial and Residential Sales

Source: King County Records and OEFA DB

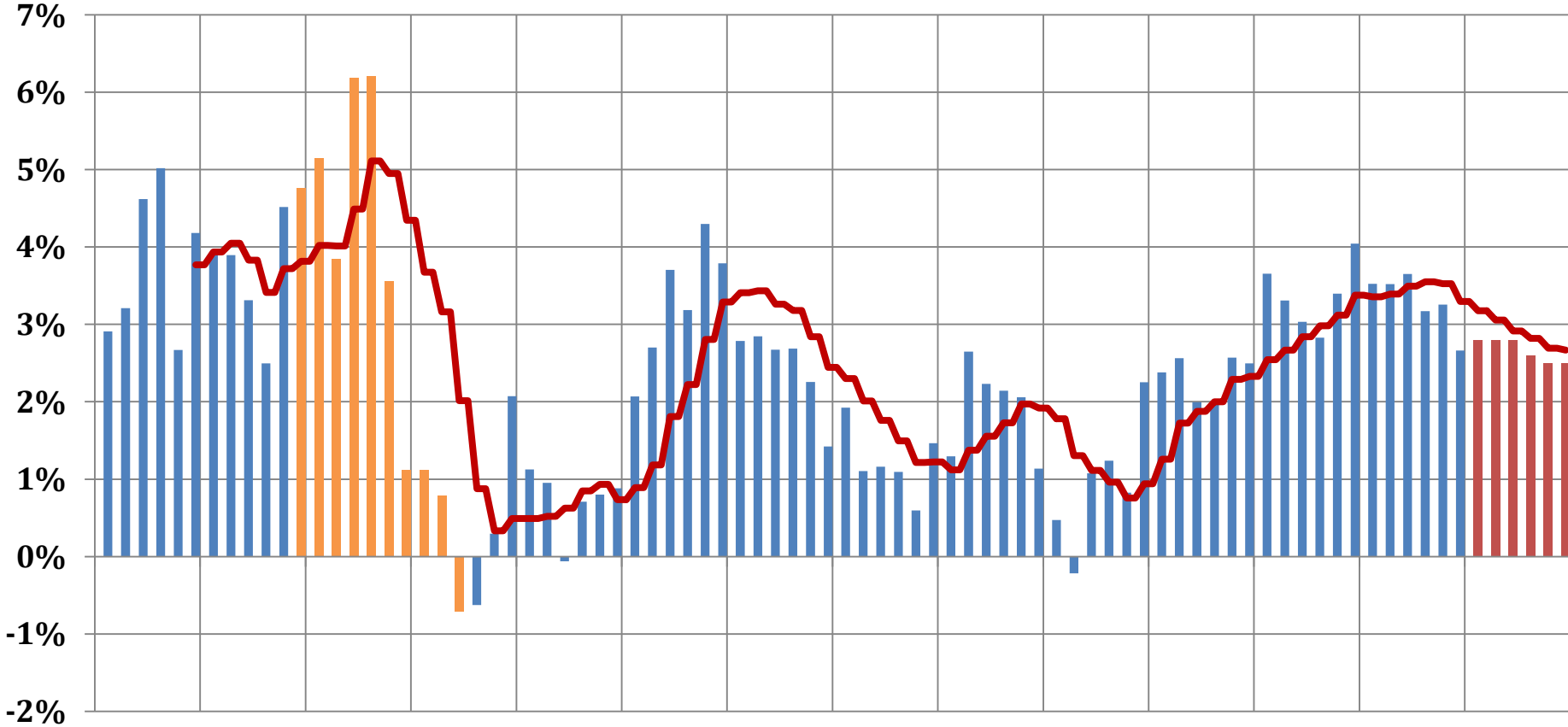


Local inflation peaked in 2018



Seattle CPI-W Annual Inflation

Actual [bar], Recession, [bar] & Forecast [bar] with Rolling Annual Average [line]
Source: Bureau of Labor Statistics



Jan-06 Jan-07 Jan-08 Jan-09 Jan-10 Jan-11 Jan-12 Jan-13 Jan-14 Jan-15 Jan-16 Jan-17 Jan-18 Jan-19

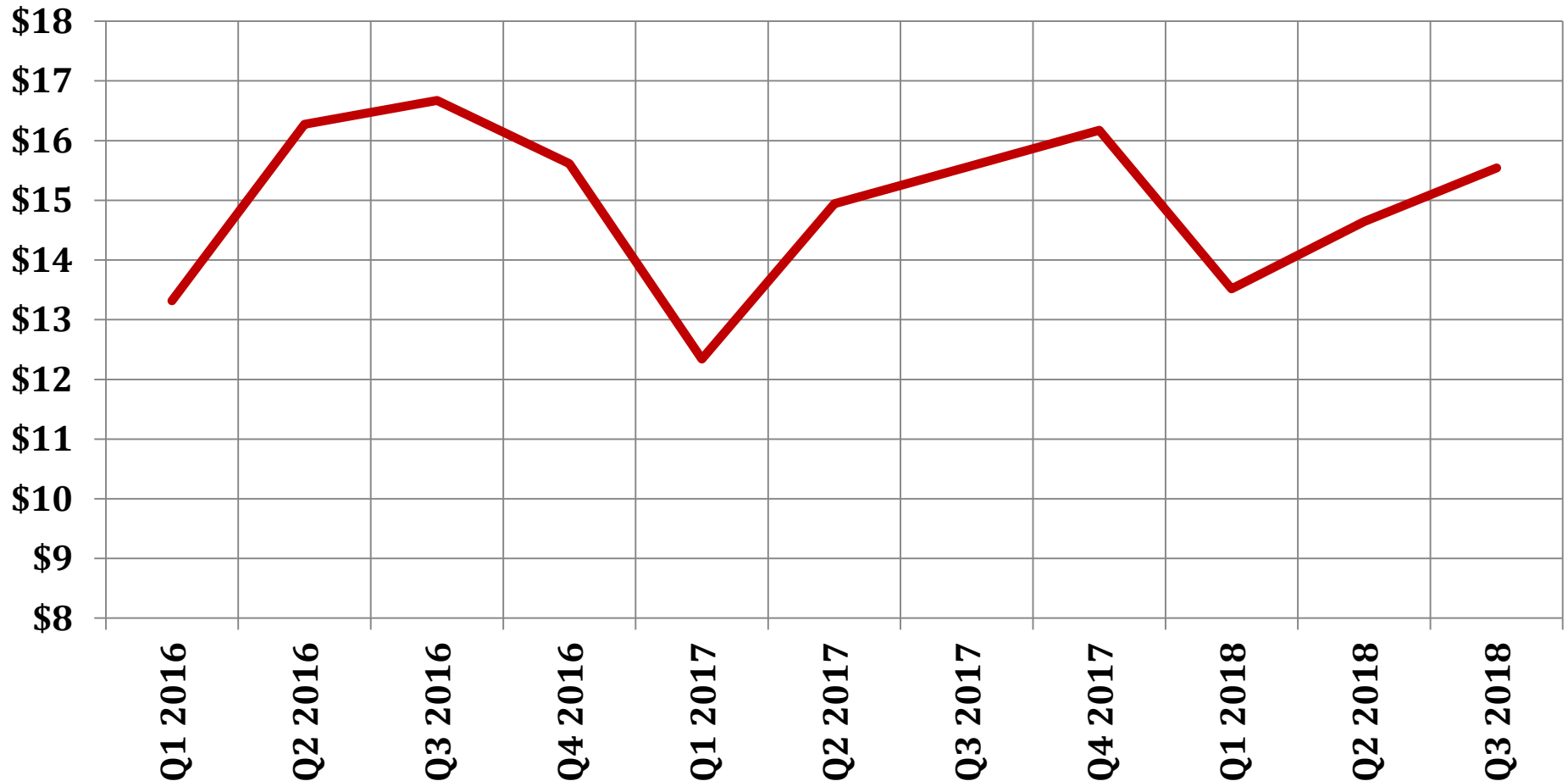
Local export activity does not show trade impacts thus far



Seattle Metro Area Exports

In Billions \$, from Q1 2016 to Q3 2018

Source: Census Bureau



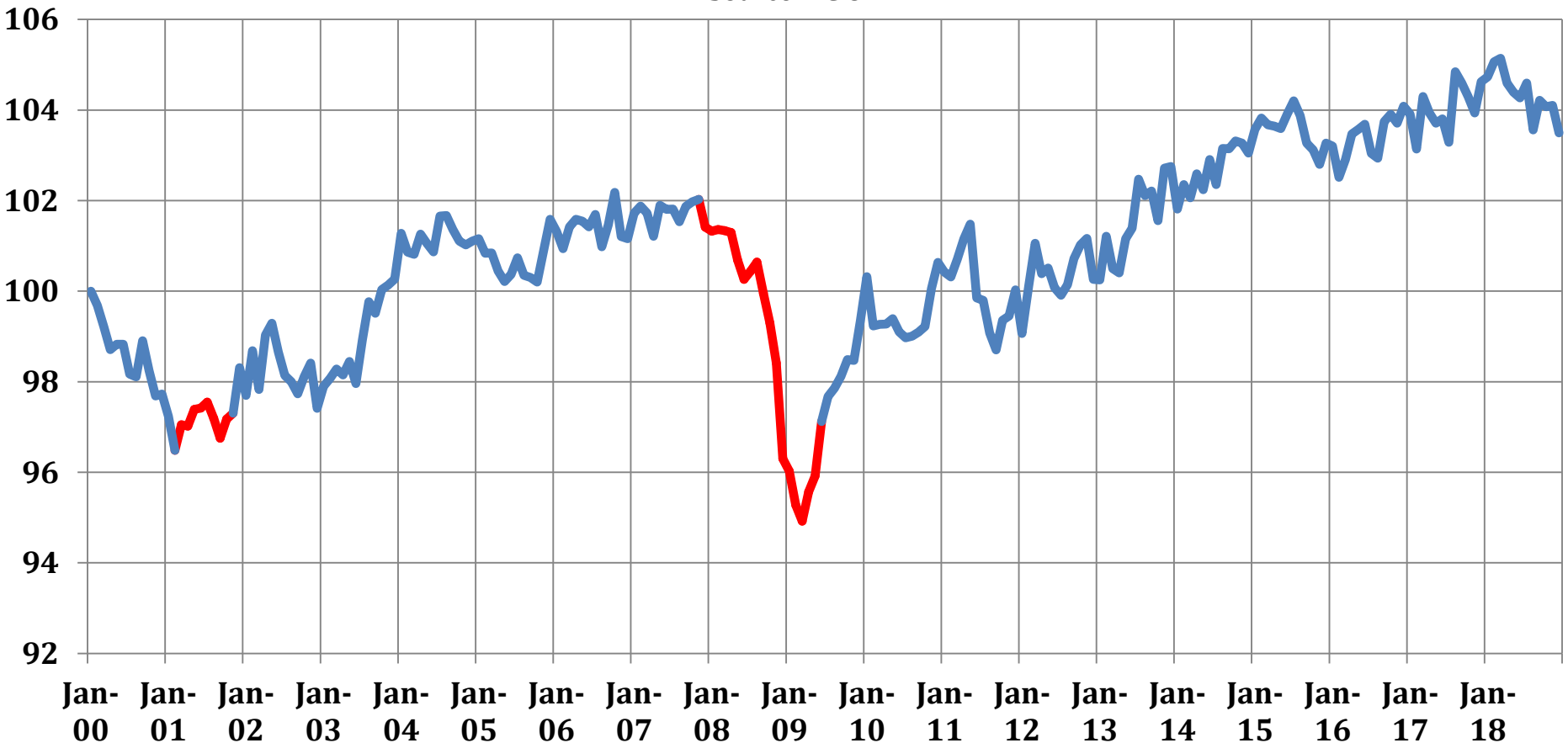
Local economic indicators are mixed



King County Index of Leading Indicators

Jan 2000=100, with economic contraction highlighted in red

Source: KC OEFA



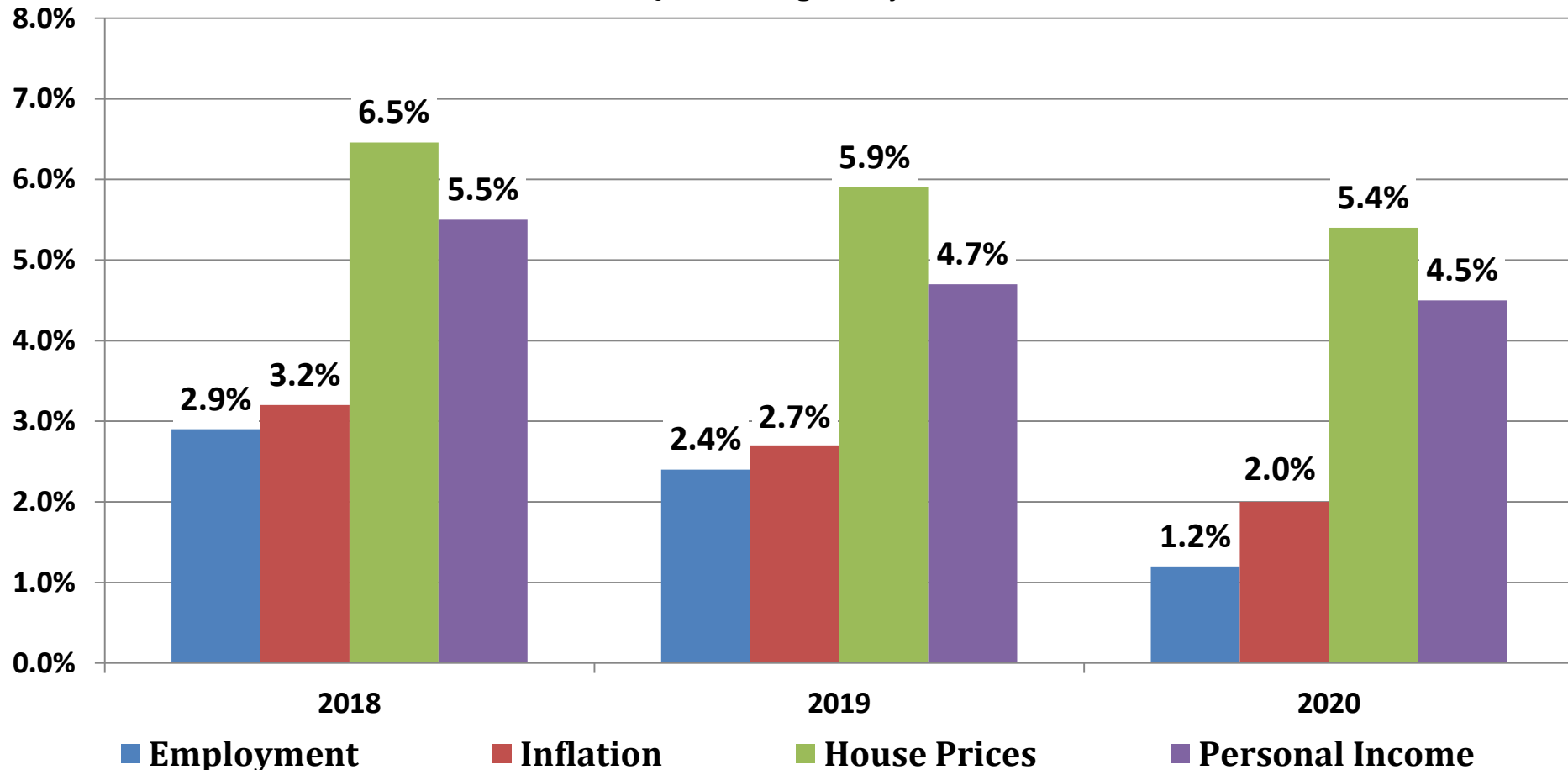
The KC forecast for 2019-2020 calls for continued growth



Employment, Inflation, Housing & Income

Forecast 2018-2020

Source: Q4 2018 King County Forecast Model



March 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) | (01-01-22) |
| -North Highline (Remainder) | (01-01-22) |
| -West Hill | (01-01-25) |
| -East Federal Way | (01-01-25) |

Countywide Assessed Value Forecast

Tax Year	Value	Annual Growth	% Change from August 2018 Forecast	\$ Change from August 2018 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%	1.48%	\$8,863,180,071
2020	\$658,806,660,673	8.60%	1.98%	\$12,803,111,500
2021	\$696,153,417,658	5.67%	1.69%	\$11,557,381,755
2022	\$715,297,374,065	2.75%	-0.59%	(\$4,232,232,097)
2023	\$754,539,976,047	5.49%	0.98%	\$7,328,464,816
2024	\$791,817,509,062	4.94%	1.76%	\$13,731,445,534
2025	\$834,898,974,933	5.44%	2.52%	\$20,561,163,449
2026	\$878,714,796,240	5.25%	4.03%	\$34,003,663,533
2027	\$921,756,965,370	4.90%	4.99%	\$43,847,604,939
2028	\$966,284,825,998	4.83%	new	new

Unincorporated Area Assessed Value Forecast

Tax Year	Value	Annual Growth	% Change from August 2018 Forecast	\$ Change from August 2018 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%	1.60%	\$764,610,582
2020	\$52,854,905,947	8.74%	3.75%	\$1,908,526,448
2021	\$55,244,895,219	4.52%	7.73%	\$3,963,039,965
2022	\$53,326,481,001	-3.47%	-0.52%	(\$276,106,665)
2023	\$55,063,203,912	3.26%	10.38%	\$5,176,180,807
2024	\$57,428,979,305	4.30%	11.24%	\$5,803,088,150
2025	\$54,213,323,003	-5.60%	0.76%	\$408,517,913
2026	\$56,762,999,399	4.70%	2.59%	\$1,432,445,898
2027	\$59,149,422,023	4.20%	3.80%	\$2,167,697,962
2028	\$61,567,476,195	4.09%	new	new

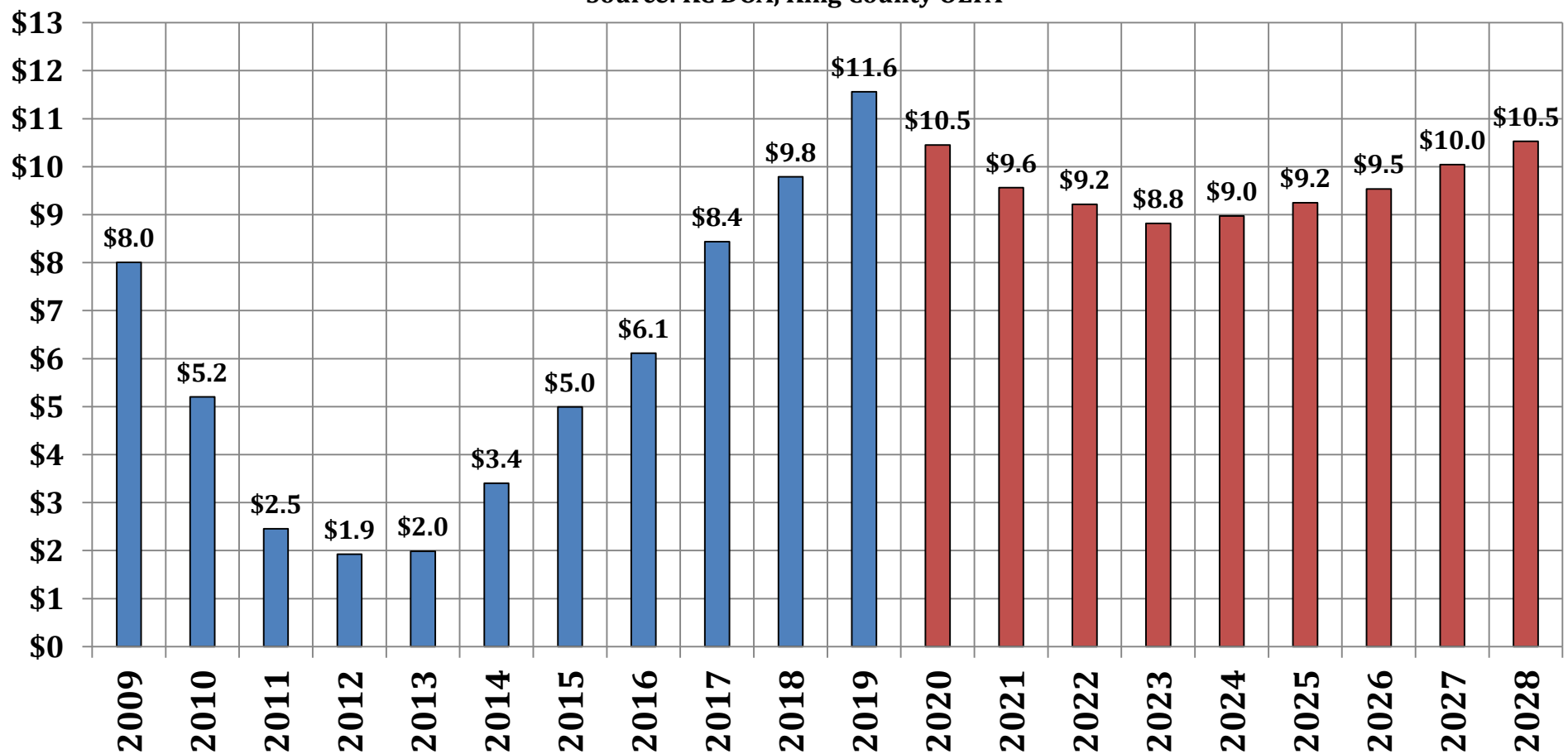
New Construction Forecast



King County New Construction Forecast

In billions \$, with Actuals and Forecast bars

Source: KC DOA, King County OEFA



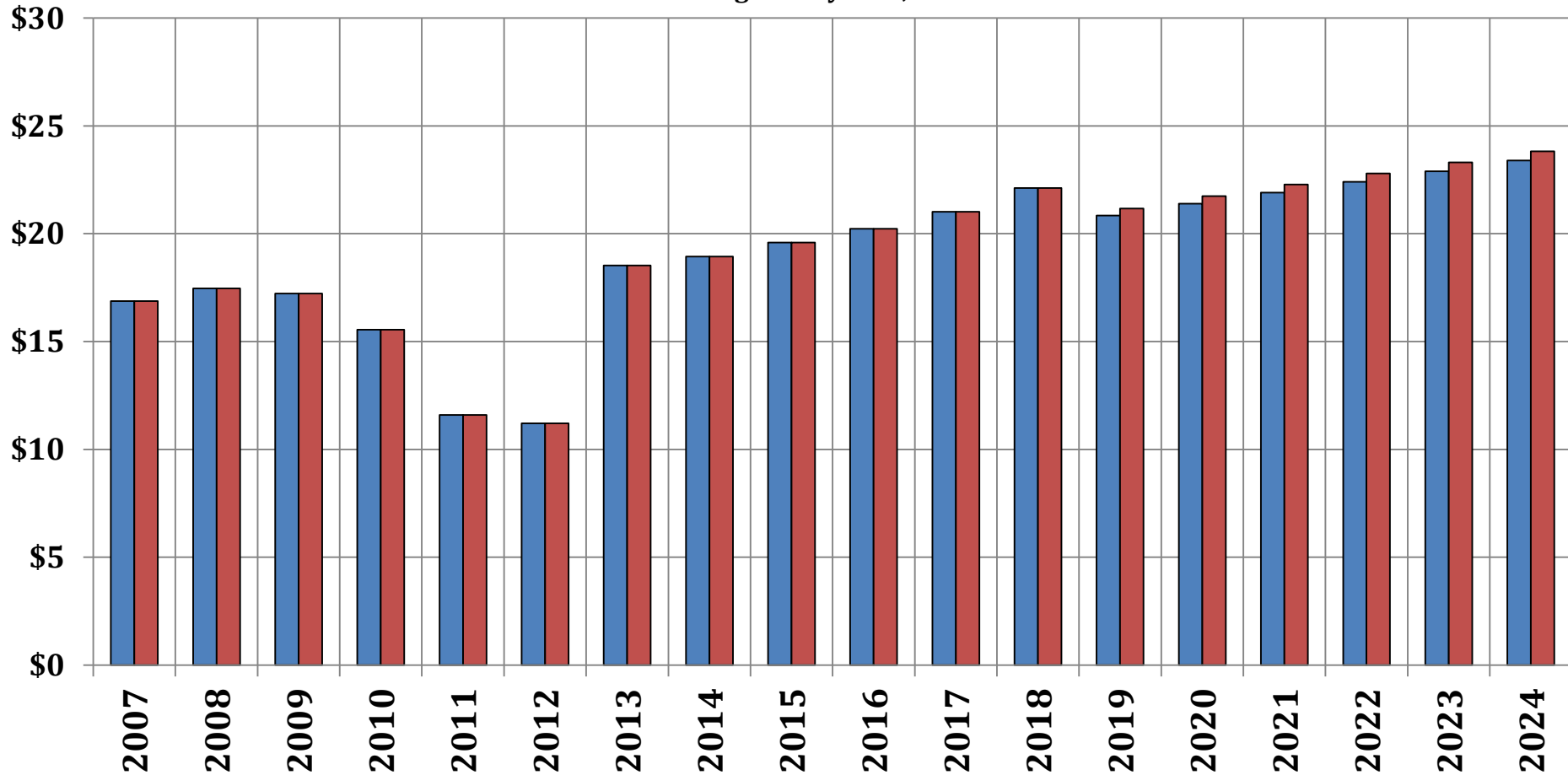
Most property tax levies growing at 1% + new construction-voter approved lid lifts are growing faster in some cases



AFIS Property Tax Revenue Forecast

In millions \$, August 2018 Forecast, March 2019 Forecast

Source: King County DOA, OEFA



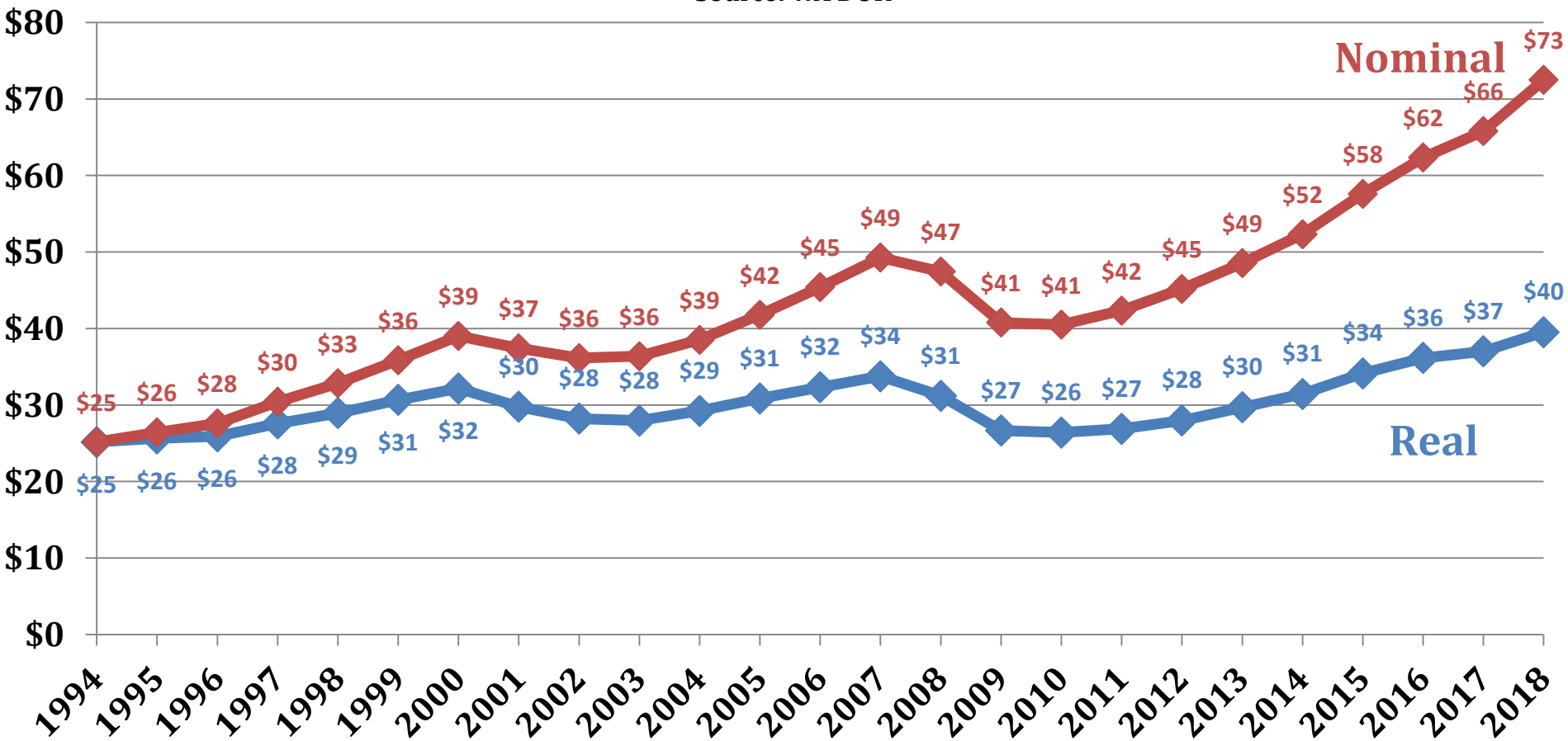
Taxable sales continue to reach new highs



Nominal & Real Taxable Sales

Nominal (line) & Real (line)

Source: WA DOR

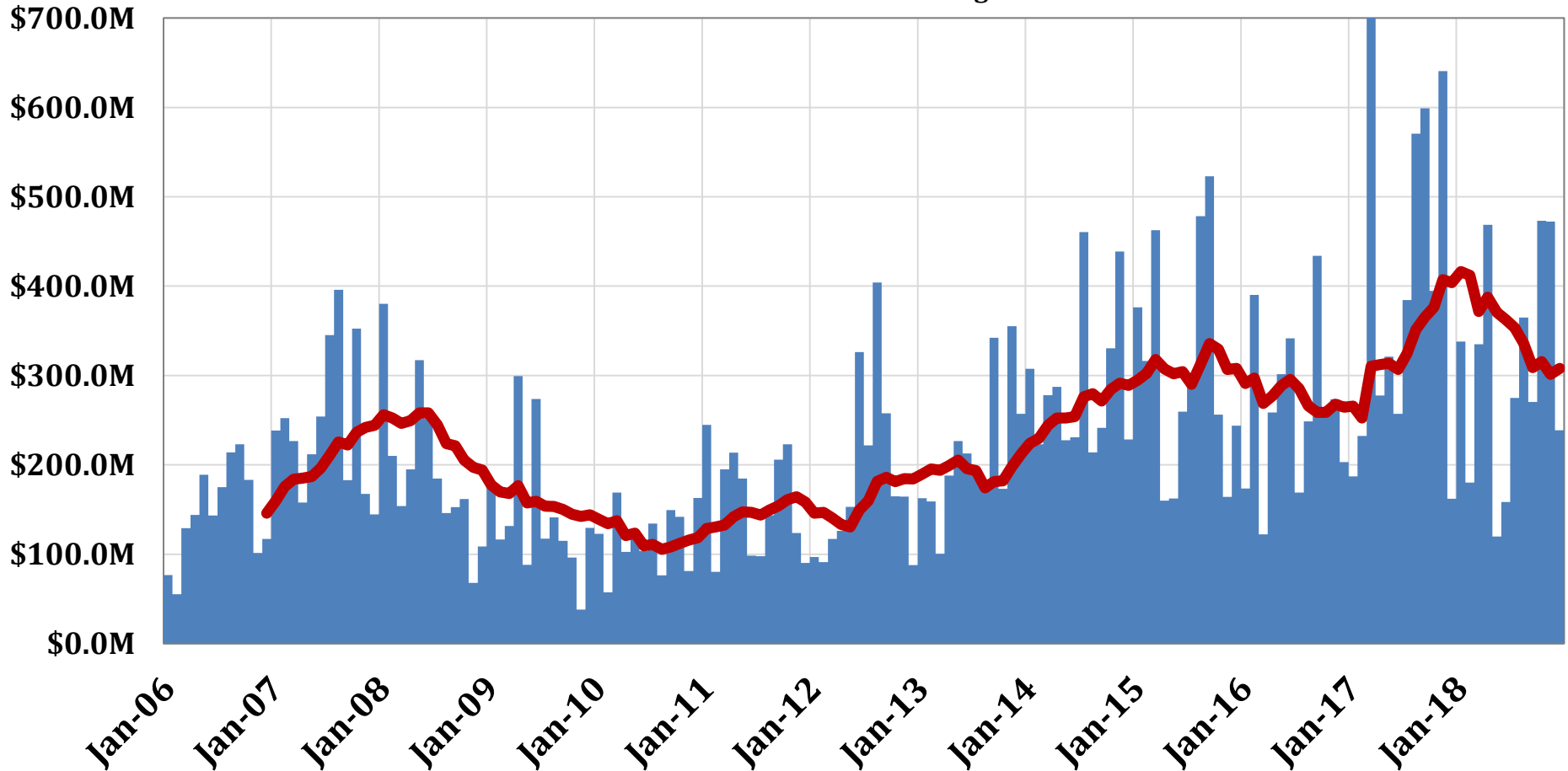


Construction taxable sales have been a big driver of sales tax growth but are likely to slow



Seattle Permit Value

Monthly Value of All Permits from January 2006-December 2018 with **Rolling Annual Avg.**
Source: Seattle Online Permitting DB



King County Taxable Sales Forecast

Tax Year	Value	Annual Growth	% Change from August 2018 Forecast	\$ Change from August 2018 Forecast
2017	\$65,826,124,662	5.77%	0.00%	\$0
2018	\$72,500,000,000	10.14%	2.39%	\$1,694,617,533
2019	\$74,992,508,347	3.44%	2.40%	\$1,759,141,262
2020	\$76,420,426,841	1.90%	2.45%	\$1,827,290,013
2021	\$79,255,996,890	3.71%	2.57%	\$1,985,792,104
2022	\$82,068,974,555	3.55%	1.99%	\$1,599,226,308
2023	\$85,403,834,141	4.06%	2.78%	\$2,308,732,018
2024	\$89,236,333,201	4.49%	3.16%	\$2,736,680,777
2025	\$92,413,673,885	3.56%	1.95%	\$1,771,241,655
2026	\$95,772,414,327	3.63%	2.02%	\$1,897,640,164
2027	\$99,577,972,314	3.97%	2.42%	\$2,352,308,152
2028	\$103,284,394,146	3.72%	new	new

King County Local and Optional Sales Tax Forecast

Tax Year	Value	Annual Growth	% Change from August 2018 Forecast	\$ Change from August 2018 Forecast
2017	\$118,621,546	5.25%	0.00%	\$0
2018	\$131,938,849	11.23%	0.85%	\$1,109,475
2019	\$136,138,897	3.18%	2.36%	\$3,135,545
2020	\$138,731,093	1.90%	3.09%	\$4,164,824
2021	\$143,878,692	3.71%	5.83%	\$7,931,645
2022	\$145,503,653	1.13%	2.77%	\$3,927,418
2023	\$151,416,171	4.06%	6.06%	\$8,657,870
2024	\$158,210,975	4.49%	6.46%	\$9,603,619
2025	\$159,809,870	1.01%	2.62%	\$4,085,173
2026	\$165,618,100	3.63%	2.69%	\$4,340,204
2027	\$172,199,006	3.97%	3.09%	\$5,164,244
2028	\$178,608,477	3.72%	new	new

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