

2023 King County Economic and Revenue Forecast

Presentation to the King County Forecast Council

Presented on:
March 9th, 2023

Dave Reich
Office of Economic and Financial Analysis



Overview

U.S. economy is growing slowly for now

- Inflation likely peaked in summer 2022 but is still elevated
- Federal Reserve is committed to getting it back to around 2% = rates going up!
- Many still believe we'll see a recession in next 12 months
- Risks: Covid, Ukraine war, geopolitics, debt limit

Economically, Covid was still very present in 2022

- High inflation prompted the Federal Reserve to raise interest rates a lot!
- We added 4.8M jobs which is huge, but have many more openings
- Where are the workers?
- Crazy house price growth followed by a return to earth
- GDP down in 1H but expanded nicely in 2H, overall about normal (+2.1%)
- 2023 growth will be slow, unemployment will rise, inflation will slow

KC economy should continue growth but at a slower pace in 2023-2024

- KC surpassed pre-pandemic employment in 2022, faces headwinds (layoffs)
- Slower rate of employment growth, real estate drops, slower taxable sales
- Elevated risk of a recession which would mean even slower/negative growth
- Risks/struggles remain; virus, downtown, social problems, WFH

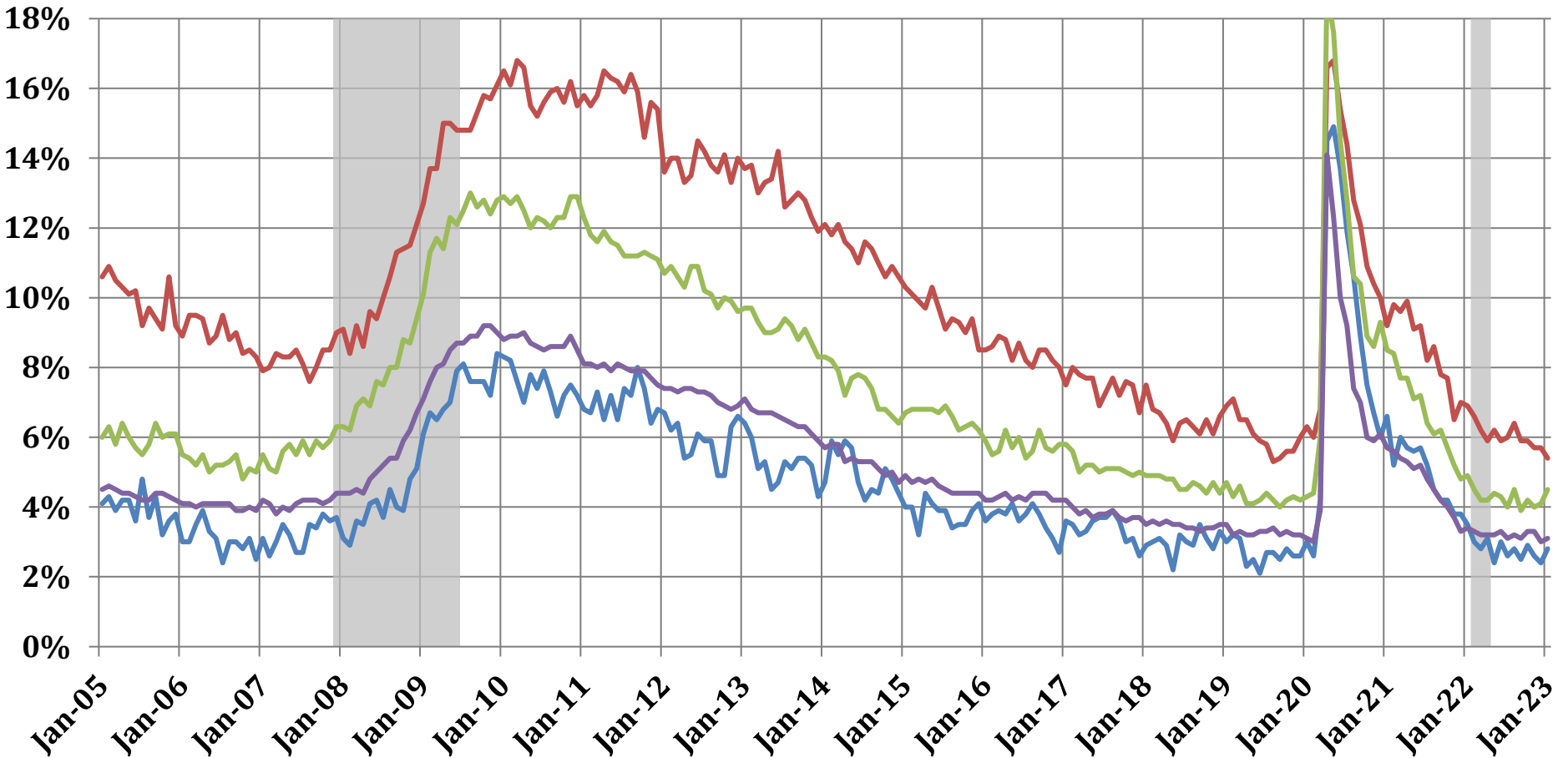
Unemployment is the lowest it's been in 50 years...and job openings are very high



U-3 Unemployment Rate by Race/Ethnicity

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

Source: Bureau of Labor Statistics

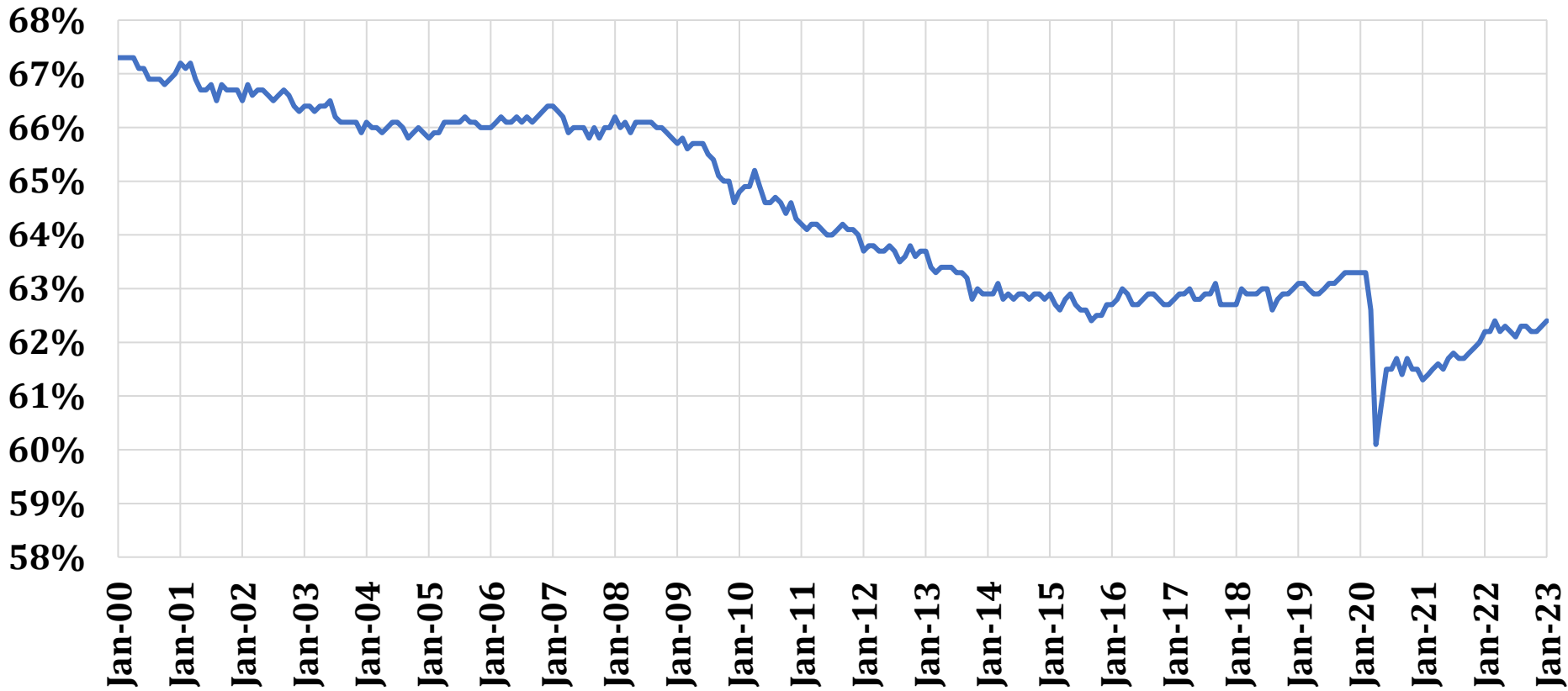


Where are the workers?...retirements, deaths, low immigration, other



Labor Force Participation Rate

Monthly Percentage of Population Working or Looking for Work; January 2000-Current
Source: FRED

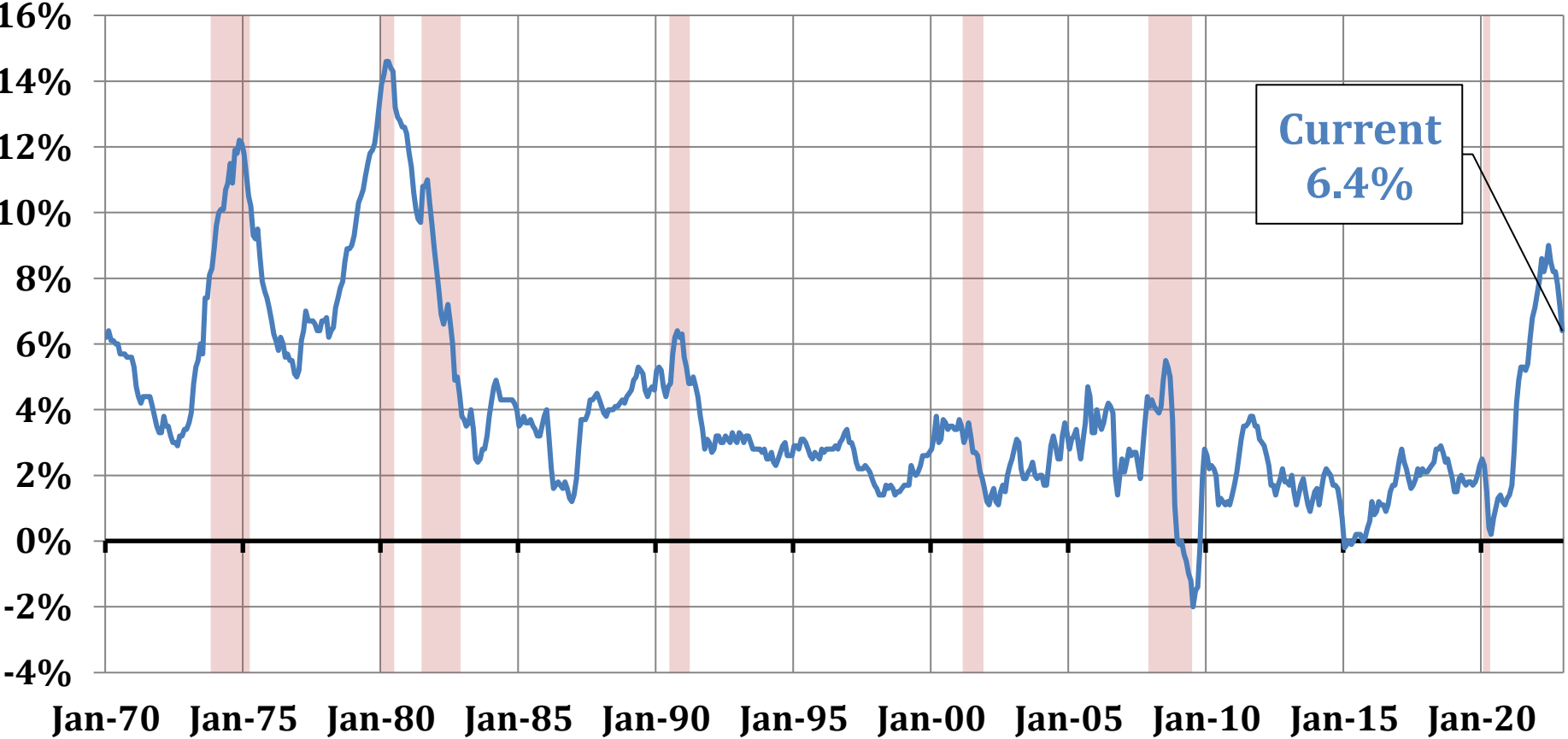


Inflation peaked over the summer and is falling but is still elevated



U.S. Inflation

National CPI-U YOY% Growth; January 1970-Present
Source: FRED

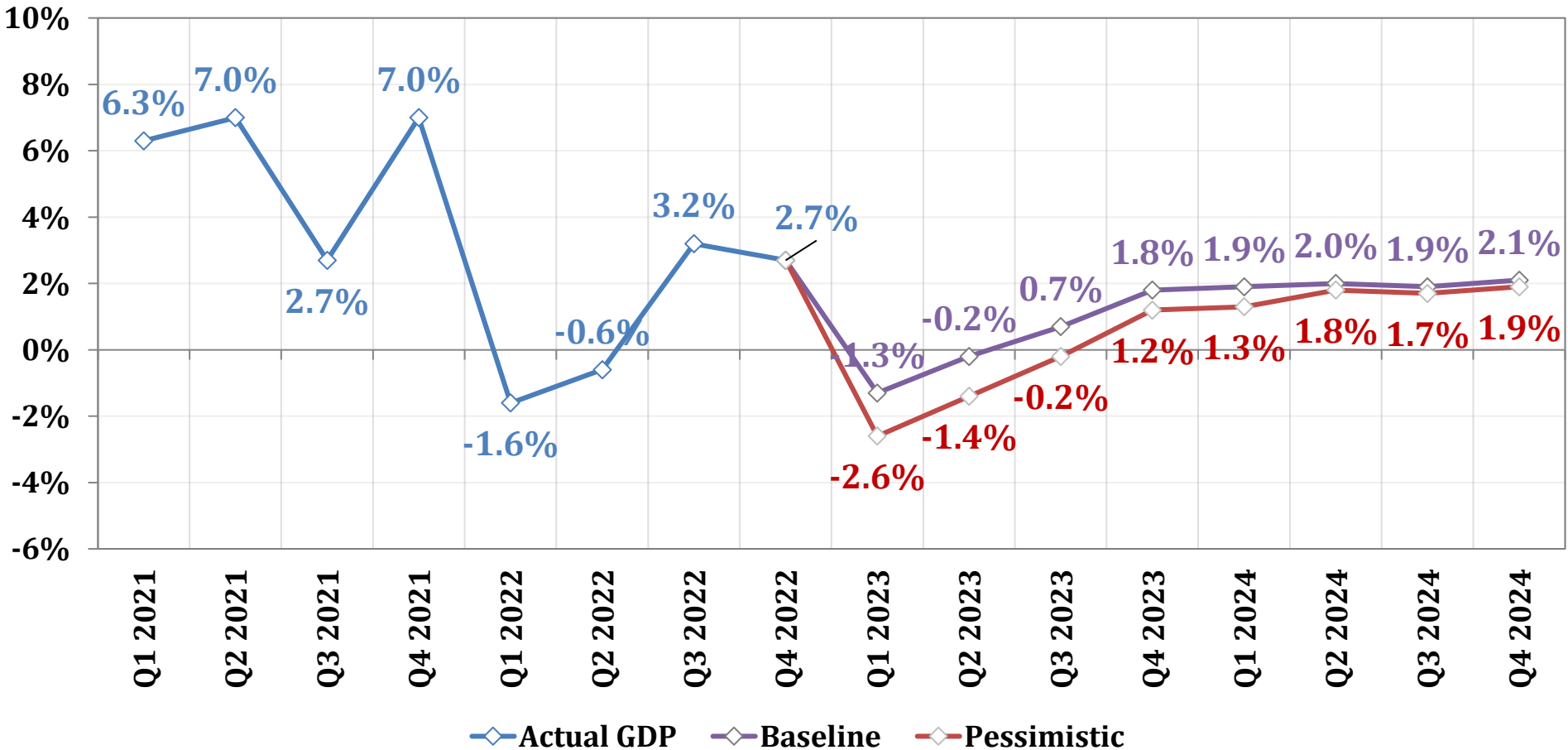


The Federal Reserve has been trying to slow the economy which increases the likelihood of a recession



U.S. Real GDP Growth Forecast

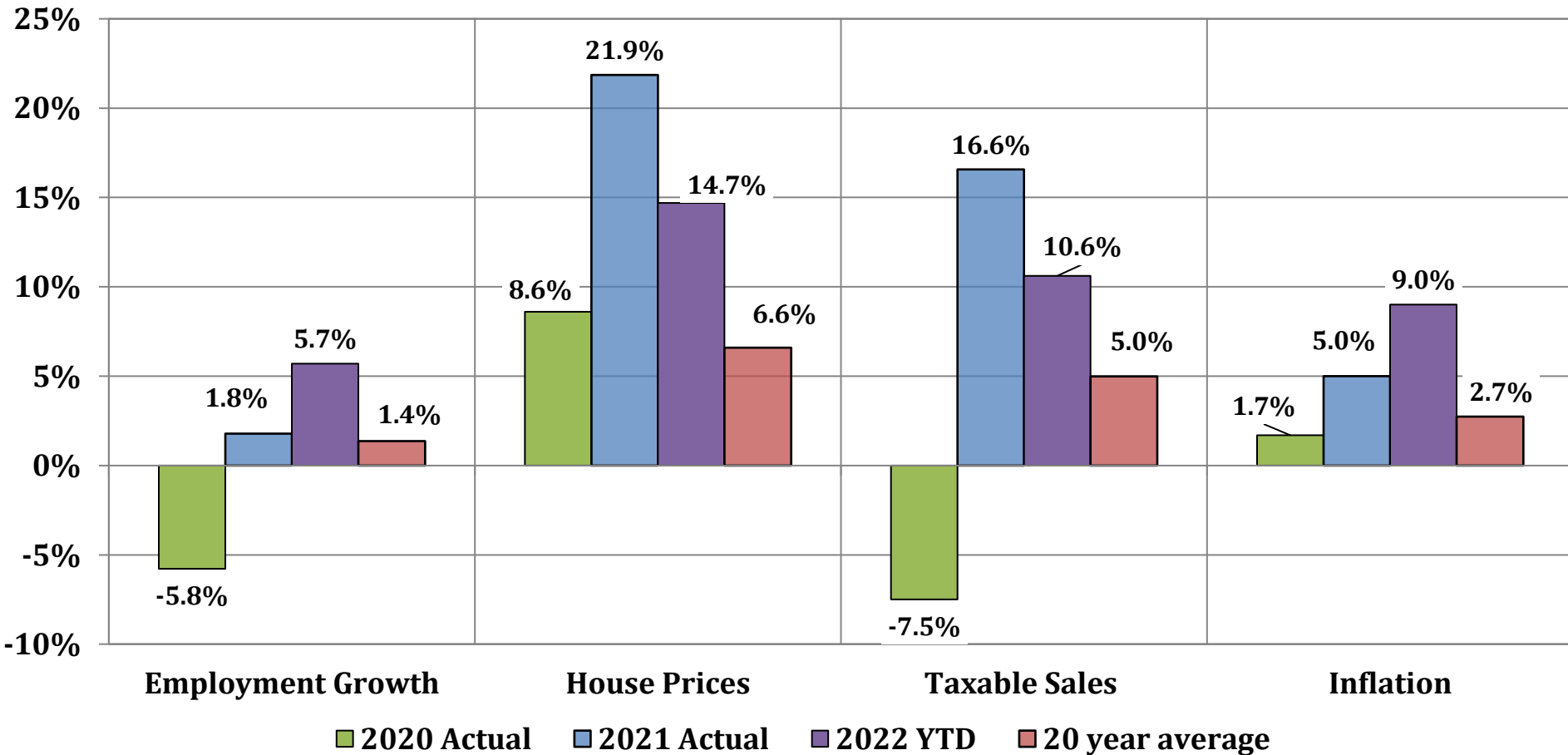
SAAR; with **Baseline** and **Pessimistic** Forecasts
Source: Blue Chip Indicators, IHS Global Insight



King County indicators show the impact of Covid and the recovery



King County Economic Indicators
2019-2021 Actuals & 2022 Actuals YTD & 20 Year Average
Source: PSEF, Case-Shiller, WA DOR, BLS

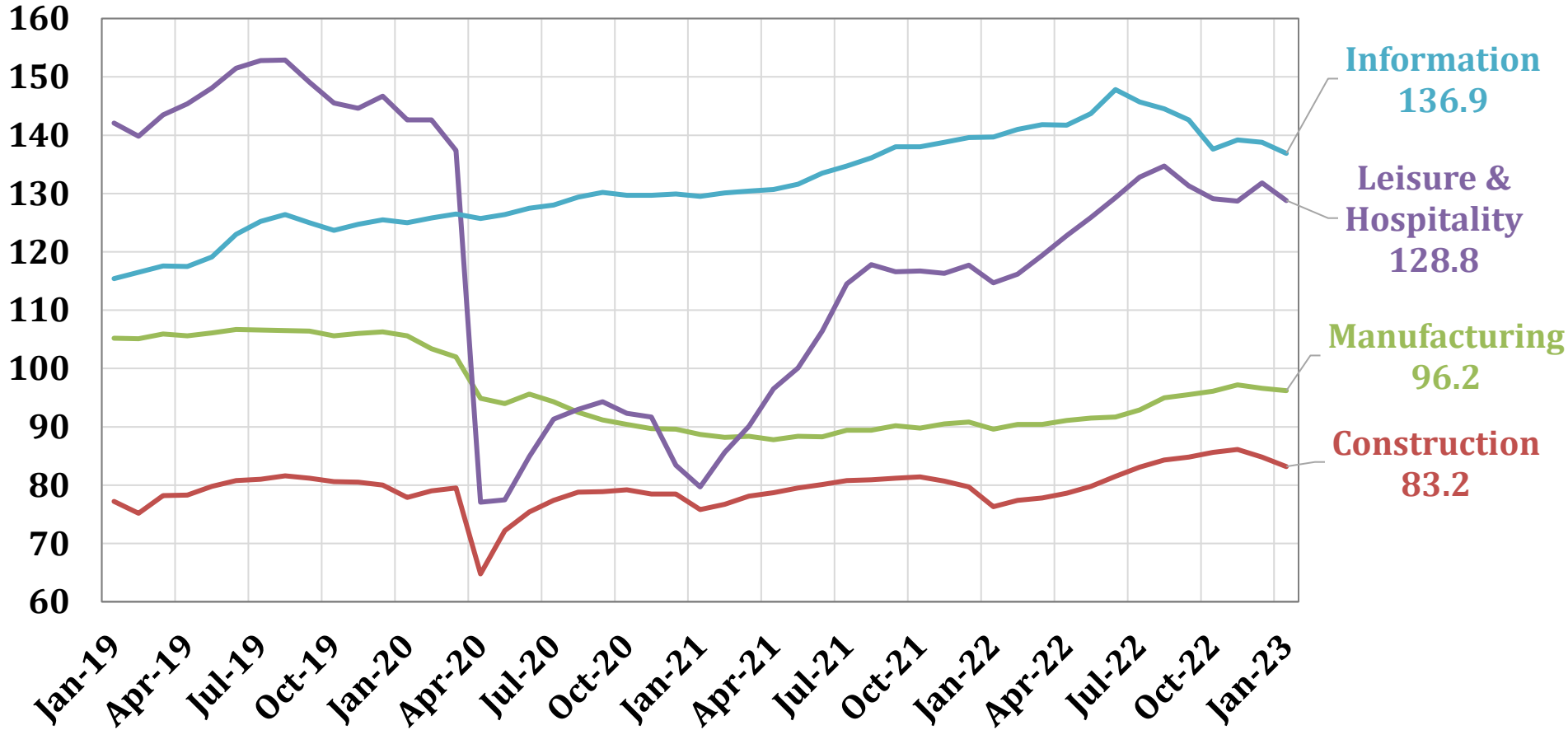


King County employment recovery continues but impacted by worker shortages/reduced demand



King County Employment by Sector

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

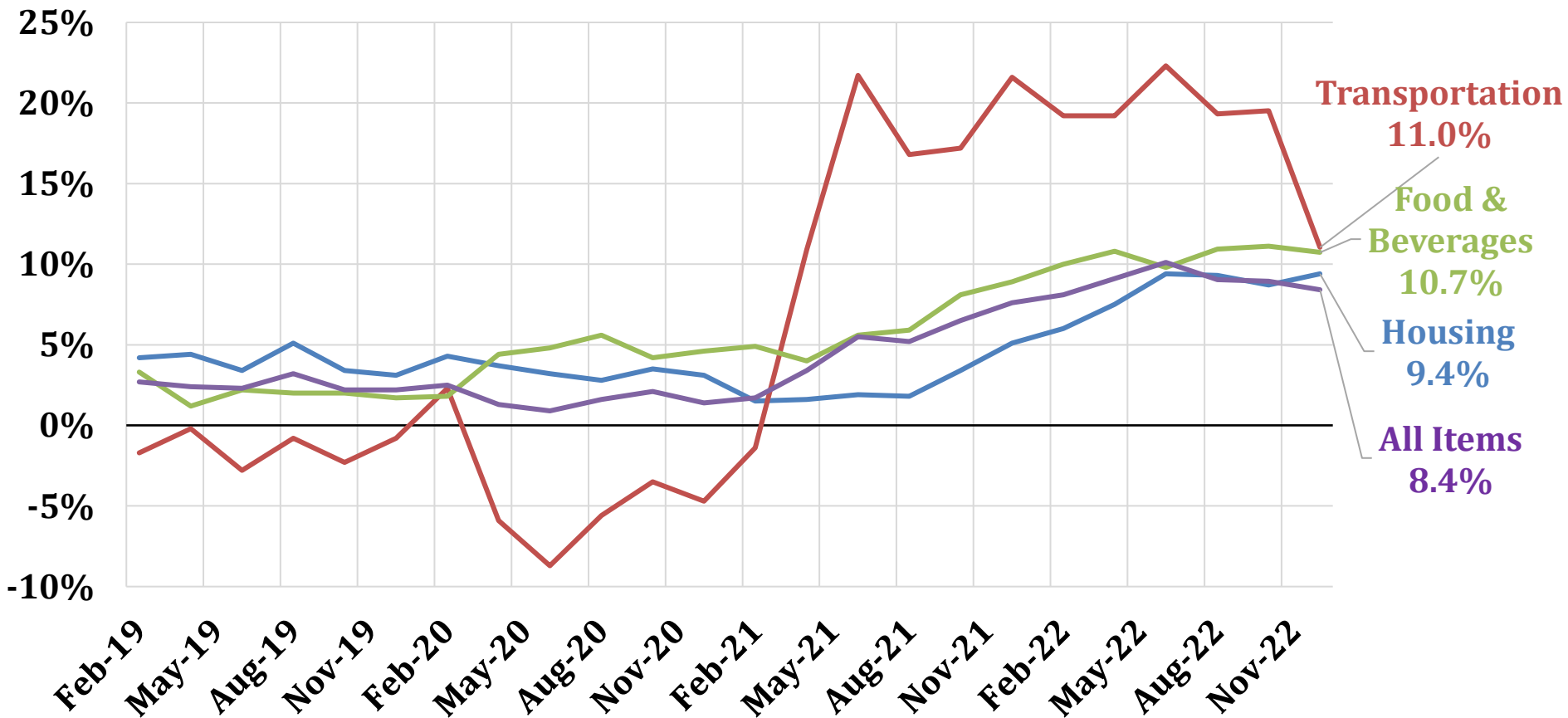


Local inflation peaked in 2022- looking for continued moderation



Seattle Inflation: Food, Transportation, and Housing

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

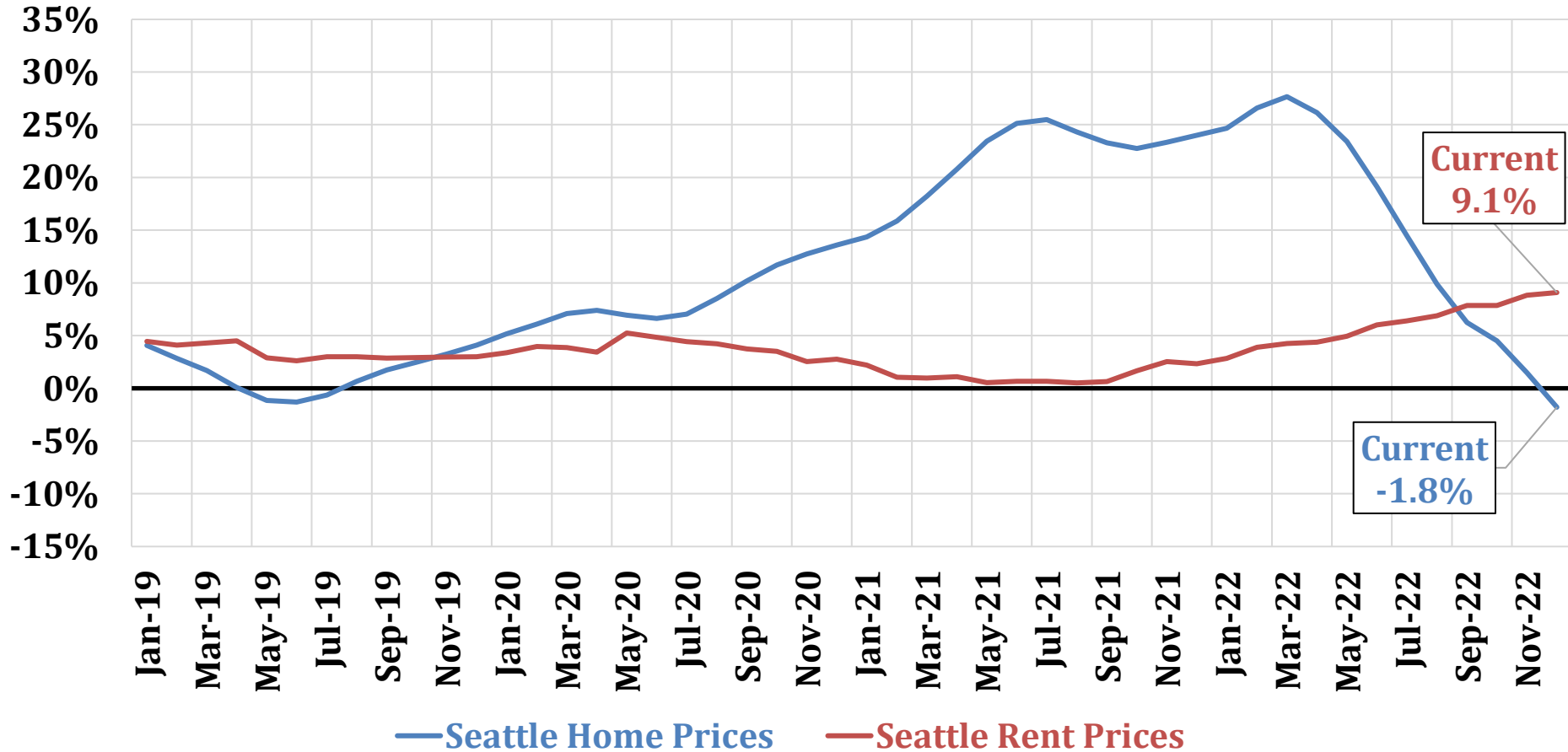


House price growth peaked in spring 2022 and rents are likely to peak in 2023



Seattle House Price Growth & Rent Price Growth

Monthly year-over-year growth in House and Rental Prices; Jan 2019-Current
Source: Case-Shiller Index and BLS



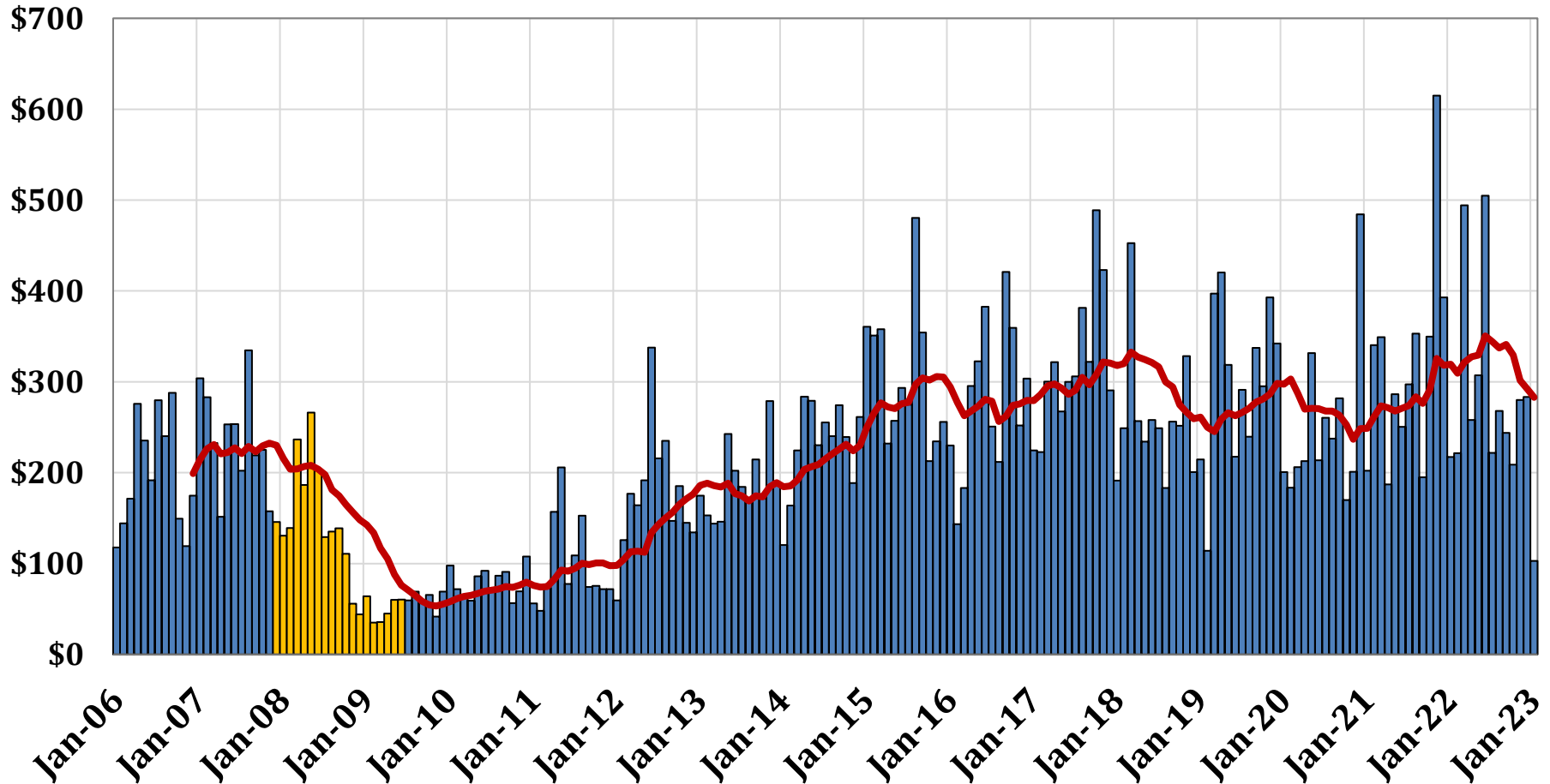
Single and multi-family residential permitting slowed in 2022



King County Residential Permit Values

Monthly Value of All Permits (in mil\$) Jan. 2006-Current with **Rolling Annual Avg.**

Source: Census Bureau



Seattle and Bellevue commercial permit values have slowed somewhat



Seattle & Bellevue Commercial Permit Values
In millions \$; Annual Rolling Average of Permit Values in Seattle & Bellevue
Source: City of Seattle & Bellevue Permit DB

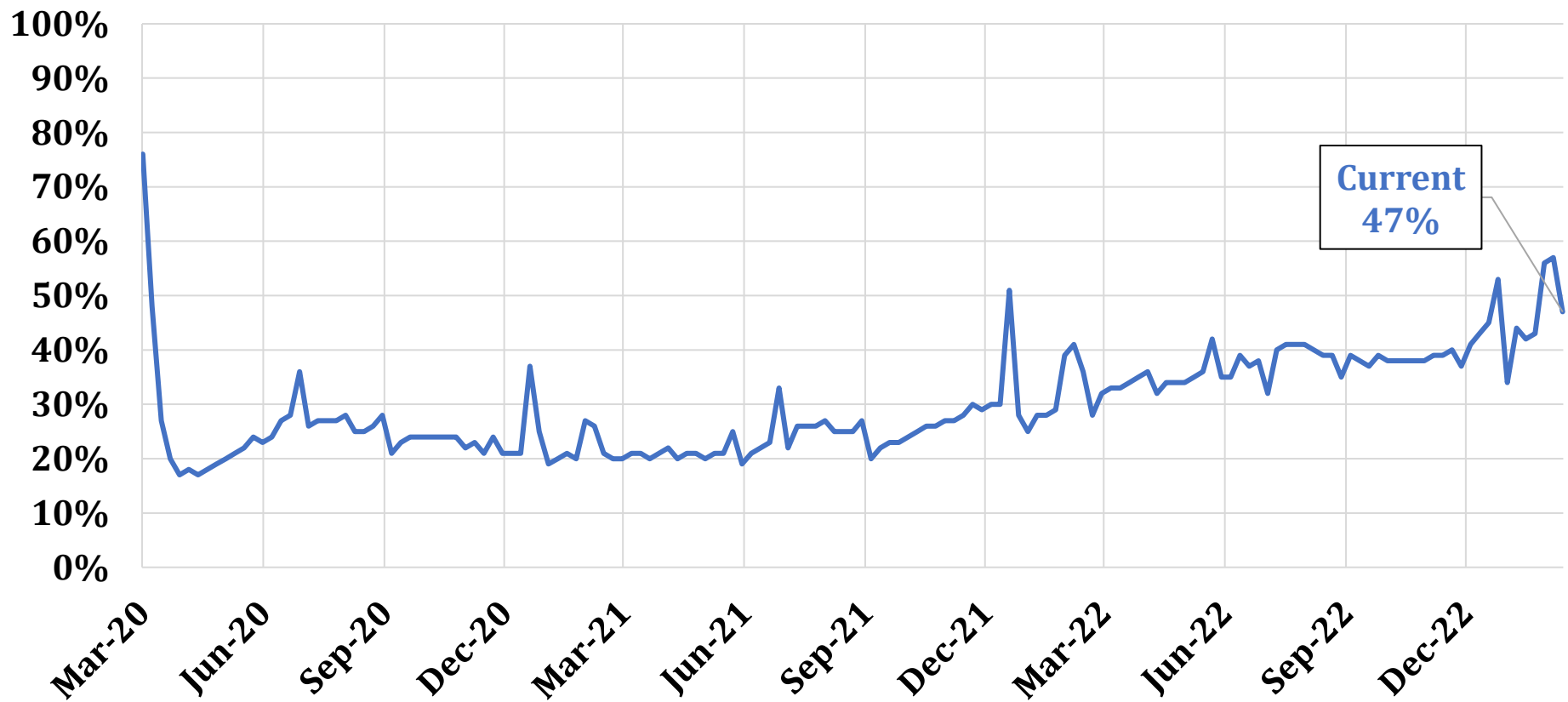


Downtown Seattle office recovery continues to be slow



Share of Office Workers Visiting Downtown

Estimated Weekly Percentage Compared to Same Week of 2019; March 2020-Current
Source: Downtown Seattle Association



March 2023 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	(01-01-27)
-Renton West Hill	(01-01-28)
-Fairwood	(01-01-29)
-Renton East Hill	(01-01-29)
-N. Federal Way/Lakeland South	(01-01-29)

Countywide Assessed Value Forecast

Tax Year	Value	Annual Growth	% Change from August 2022 Forecast	% Change from August 2022 Forecast
2021	\$659,534,881,337	2.65%	0.00%	\$0
2022	\$722,527,903,972	9.55%	0.00%	\$0
2023	\$879,895,419,279	21.78%	3.63%	\$30,861,173,285
2024	\$844,842,062,941	-3.98%	-3.11%	(\$27,107,096,702)
2025	\$846,618,549,182	0.21%	-7.35%	(\$67,196,692,178)
2026	\$876,979,078,058	3.59%	-8.76%	(\$84,155,446,518)
2027	\$919,175,970,146	4.81%	-9.13%	(\$92,343,600,980)
2028	\$967,569,321,957	5.26%	-9.25%	(\$98,634,599,862)
2029	\$1,018,466,000,917	5.26%	-9.27%	(\$104,039,517,086)
2030	\$1,072,679,255,991	5.32%	-9.50%	(\$112,646,230,295)
2031	\$1,125,355,839,900	4.91%	-9.69%	(\$120,721,658,950)
2032	\$1,183,295,533,601	5.15%	new	new

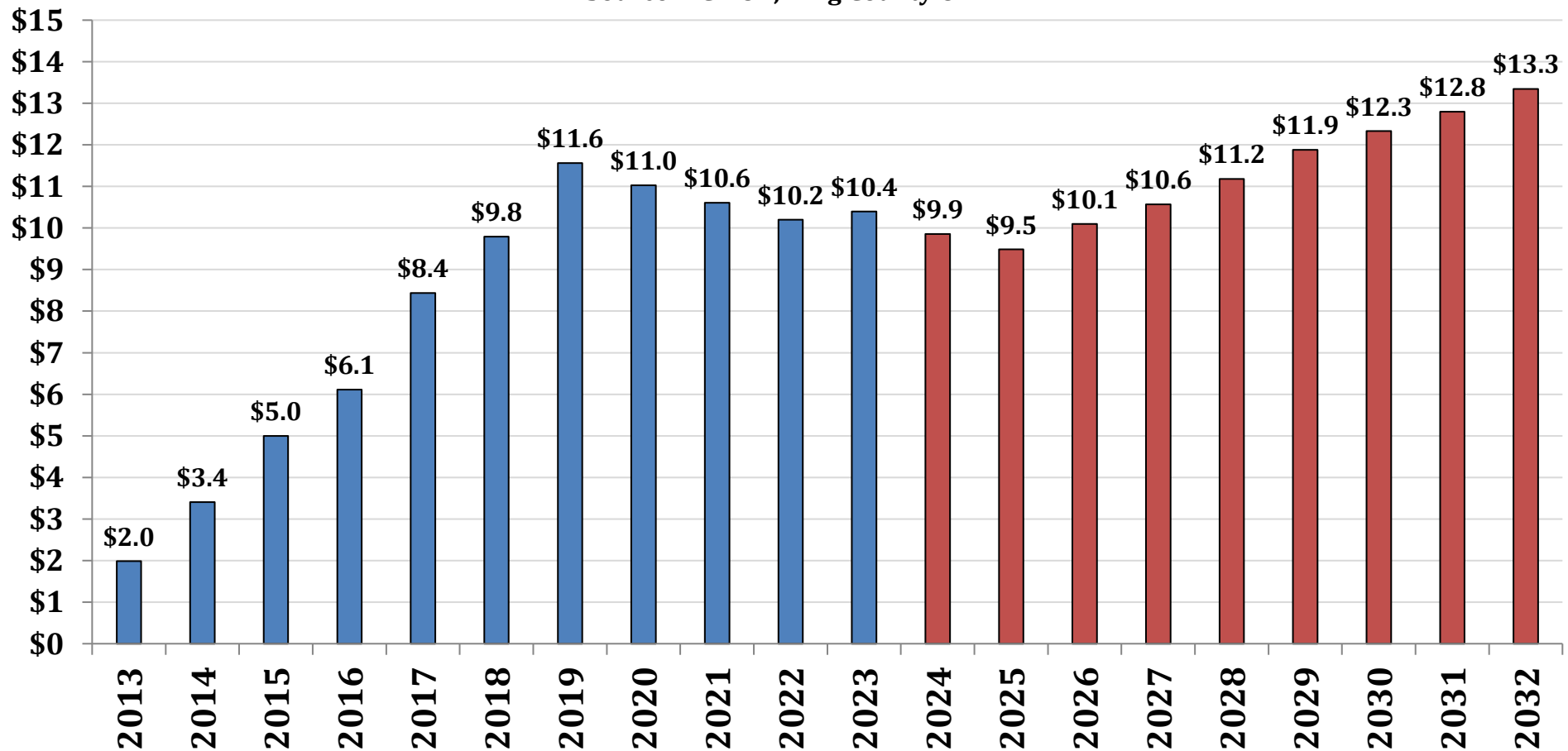
New Construction Forecast



King County New Construction Forecast

In billions \$, with Actuals and Forecast bars

Source: KC DOA, King County OEFA



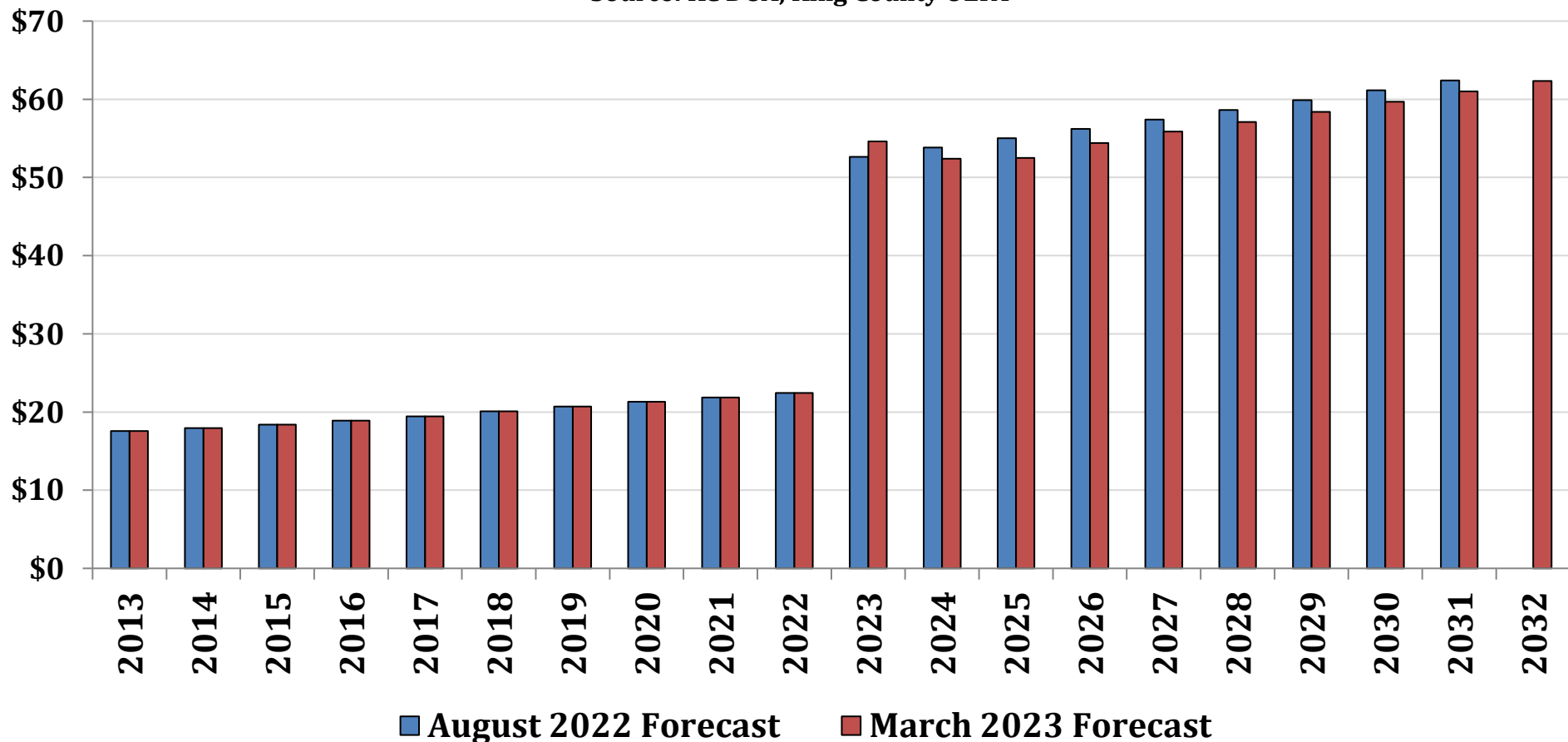
Most property tax levies saw small changes in the updated forecast



King County Conservation Futures Forecast

In millions \$, with **August 2022 Forecast** and **March 2023 Forecast**

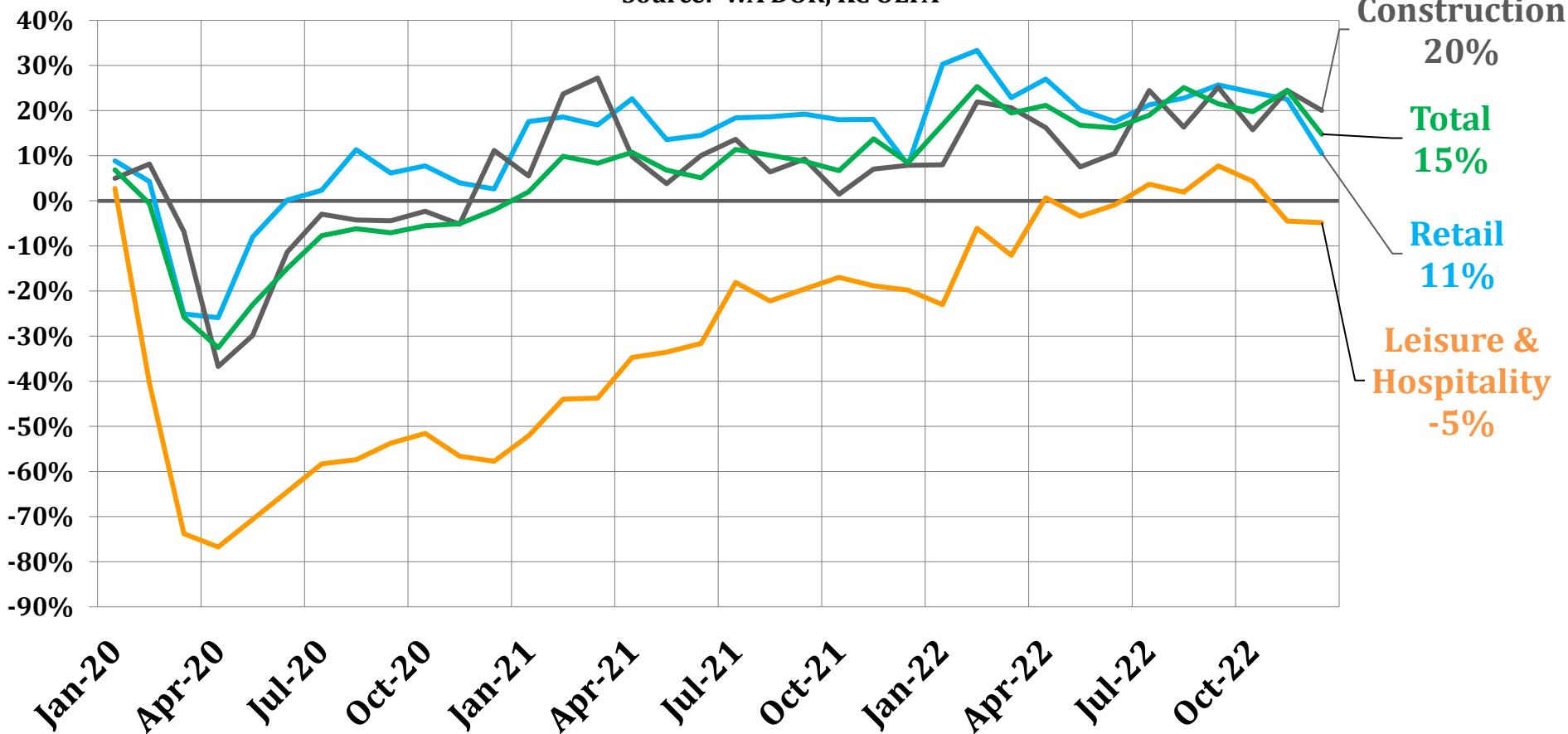
Source: KC DOA, King County OEFA



Leisure and Hospitality taxable sales reached pre-Covid levels in 2022



KC Taxable Sales Growth
Monthly growth rate relative to SAME MONTH IN 2019
Source: WA DOR, KC OEFA



King County Taxable Sales Forecast

Tax Year	Value	Annual Growth	% Change from August 2022 Forecast	% Change from August 2022 Forecast
2021	\$82,495,306,590	16.64%	0.00%	\$0
2022	\$91,200,000,000	10.55%	2.67%	\$2,368,398,462
2023	\$94,307,114,753	3.41%	2.42%	\$2,227,806,433
2024	\$97,570,114,526	3.46%	1.34%	\$1,291,668,276
2025	\$102,462,273,266	5.01%	1.80%	\$1,816,121,999
2026	\$107,475,056,755	4.89%	1.86%	\$1,967,046,586
2027	\$112,089,632,853	4.29%	1.95%	\$2,148,010,345
2028	\$117,792,842,090	5.09%	2.09%	\$2,409,784,480
2029	\$123,270,153,421	4.65%	2.30%	\$2,767,432,579
2030	\$129,157,081,063	4.78%	2.38%	\$3,004,023,124
2031	\$135,291,676,547	4.75%	2.77%	\$3,651,079,841
2032	\$141,776,114,736	4.79%	new	new

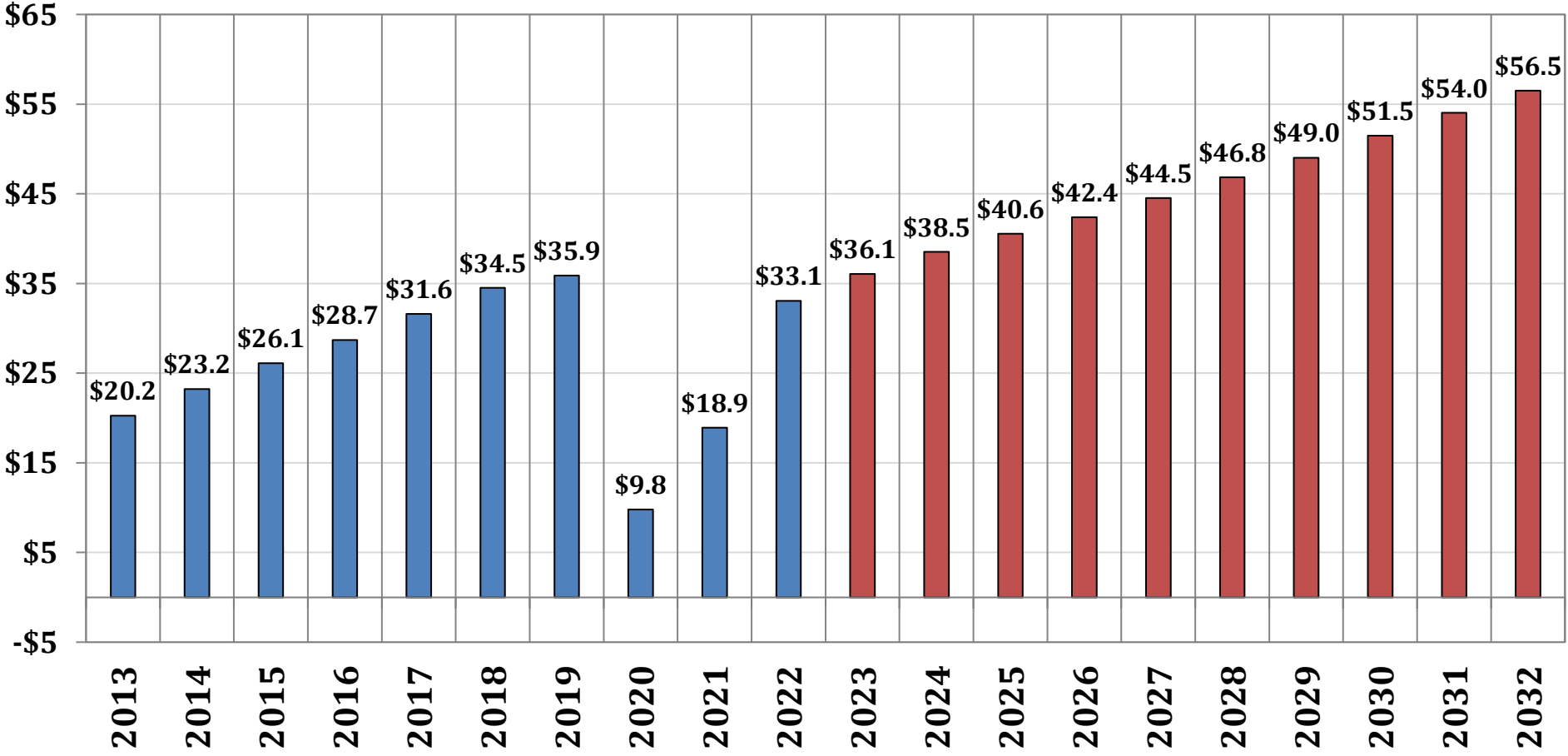
King County Local & Option Sales Tax Forecast

Tax Year	Value	Annual Growth	% Change from August 2022 Forecast	% Change from August 2022 Forecast
2021	\$155,146,050	17.46%	0.00%	\$0
2022	\$172,334,158	11.08%	3.93%	\$6,519,731
2023	\$176,084,586	2.18%	4.37%	\$7,369,318
2024	\$182,177,064	3.46%	3.76%	\$6,594,177
2025	\$188,179,521	3.29%	3.01%	\$5,495,132
2026	\$197,385,868	4.89%	7.52%	\$13,802,439
2027	\$200,473,416	1.56%	6.35%	\$11,970,222
2028	\$207,873,299	3.69%	7.69%	\$14,843,970
2029	\$209,890,691	0.97%	4.14%	\$8,348,745
2030	\$219,914,254	4.78%	4.23%	\$8,927,293
2031	\$230,359,558	4.75%	4.65%	\$10,238,849
2032	\$241,544,164	4.86%	new	new

King County hotel tax revenue likely to reach pre-Covid levels in 2023



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>