



ECONPULSE

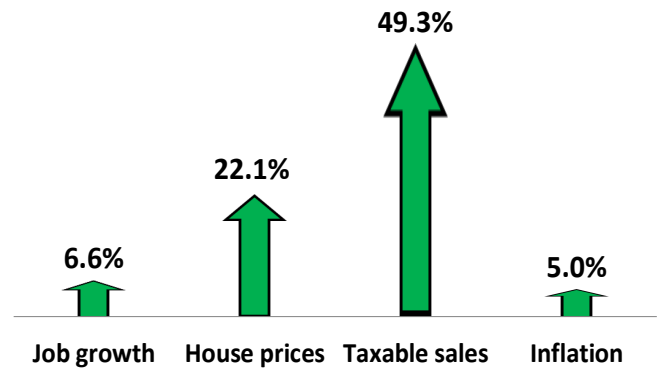
A QUARTERLY LOOK AT THE KING COUNTY ECONOMY
 KING COUNTY OFFICE OF ECONOMIC AND FINANCIAL ANALYSIS

SECOND QUARTER 2021

SUMMARY

- King County employment increased 6.6% in the second quarter of 2021 compared to the second quarter of 2020.
- Home prices increased 22.1% compared with the second quarter of 2020.
- Taxable sales increased 49.3% in April and May compared to the same period of 2020.
- The inflation rate was 5.0% in the second quarter of 2021.

King County Key Economic Indicators
 (Q2 2021 growth compared to Q2 2020)



DETAIL

King County employment continued its steady recovery in the second quarter of 2021, increasing 6.6% compared to the year prior. Employment levels in industries severely affected by the COVID-19 pandemic such as entertainment, food service, and accommodations led the way, as the leisure and hospitality sector collectively gained 24,200 jobs in the second quarter of 2021, a 29.1% increase over the devastating second quarter of 2020. Construction jobs also increased, adding 12,900 jobs for an 18.2% increase over 2020.

The unemployment rate for King County improved to 5.2% in June, while national unemployment stood at 5.9%. Initial claims for unemployment insurance fell considerably in the second quarter, and were down to 6,981 new claims in the month of June. Continuing unemployment claims have decreased each month of 2021 and were down to 19,990 claims in June.

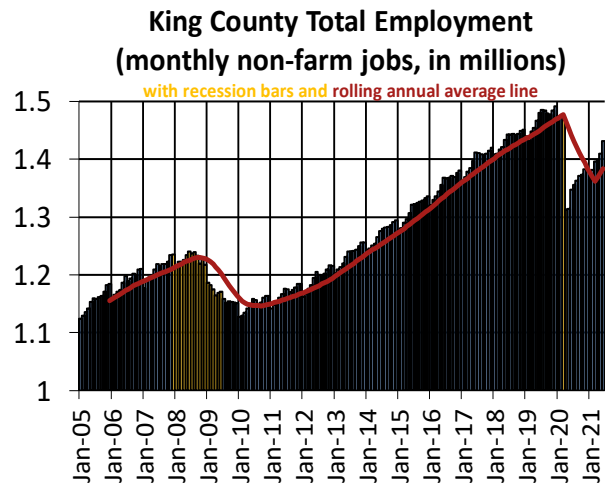


Fig. 1 Non-Farm Employment in King County (Source: WA ESD)

DETAIL (CONT.)

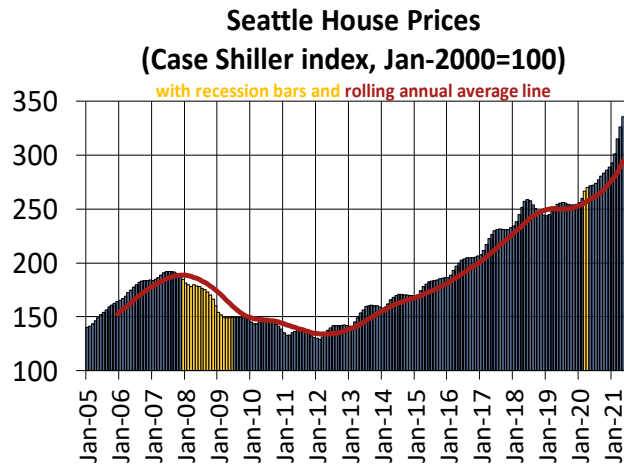


Fig. 2 Seattle Case-Shiller Index (Source: S&P)

The King County real estate market continued to experience historic gains. The Case-Shiller housing index for the Seattle area increased 22.1% year-over-year and the number of closings in the second quarter of 2021 was 62.1% higher than the second quarter of 2020.

Single-family permitting slowed in the second quarter, declining 0.4% over 2020. Multi-family permitting declined significantly, down 27.8% compared to the year prior.

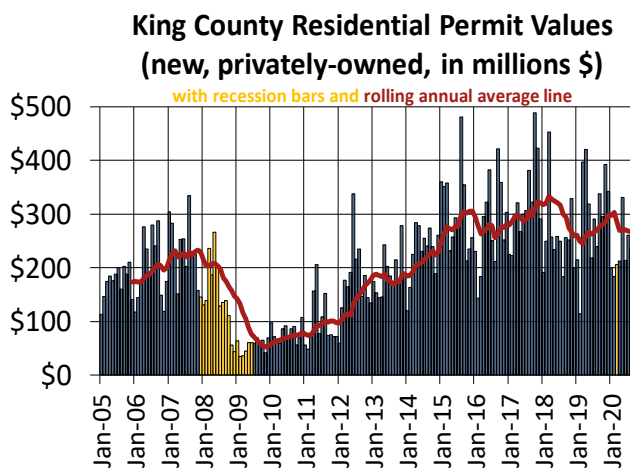


Fig. 3 Value of King County Residential Permits (Source: U.S. Census Bureau)

Taxable retail sales jumped 49.3% in April and May. Food service, accommodation, and entertainment sales increased significantly, clawing back some of the pandemic losses by growing 128.1% compared to the dismal second quarter of 2020.

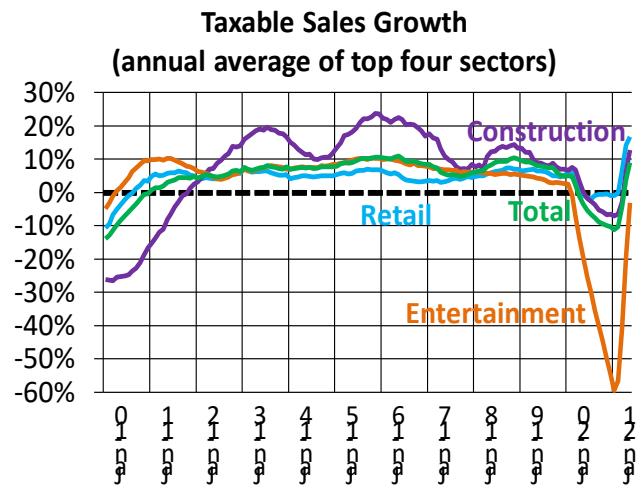


Fig. 4 Taxable Sales Growth in King County (12 month avg) (Source: WA DOR)

Inflation increased 5% in the second quarter, with a 6.3% increase in the month of June as measured by the CPI-W for Seattle. The increase was driven by rising costs in cars, food, and gasoline. The national inflation rate was 6.1% in June.

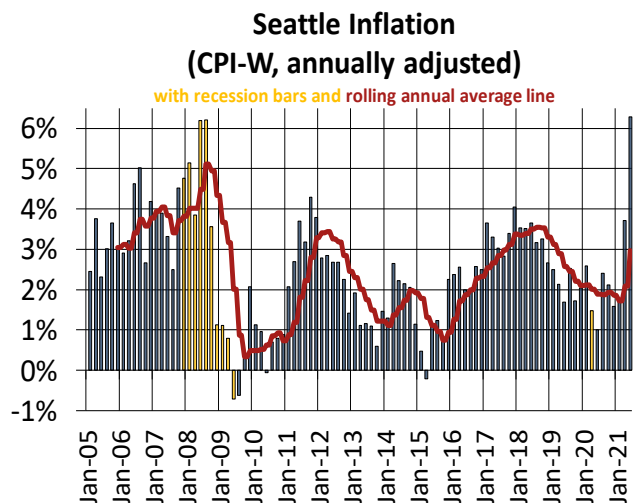


Fig. 5 Seattle Consumer Price Index (Source: BLS)

THE NUMBERS

King County Employment (in thousands)

NAICS Industry	2021:2Q	2020:2Q	Absolute change	% Change
Total Nonfarm	1,413.1	1,325.5	87.6	6.6%
Total Private	1,243.7	1,154.3	89.3	7.7%
Goods Producing	173.1	166.1	7.0	4.2%
Construction	83.5	70.6	12.9	18.2%
Manufacturing	89.2	95.1	-5.9	-6.2%
Service Providing	1,240.0	1,159.4	80.6	7.0%
Trade, Transportation, and Utilities	285.7	260.7	24.9	9.6%
Information	132.0	126.9	5.0	4.0%
Financial Activities	73.2	71.7	1.5	2.1%
Professional and Business Services	237.3	229.1	8.2	3.6%
Educational and Health Services	186.9	172.9	14.0	8.1%
Educational Services	29.8	26.5	3.3	12.5%
Ambulatory Health Care Services	60.9	55.0	5.9	10.7%
Hospitals	29.1	29.5	-0.4	-1.4%
Nursing and Residential Care Facilities	18.4	18.8	-0.4	-2.1%
Social Assistance	48.6	43.0	5.6	13.1%
Leisure and Hospitality	107.1	83.0	24.2	29.1%
Arts, Entertainment, and Recreation	20.6	13.1	7.5	57.1%
Accommodation	8.5	7.2	1.3	18.0%
Food Services and Drinking Places	78.0	62.6	15.3	24.5%
Other Services	48.4	44.0	4.5	10.2%
Government	169.4	171.1	-1.7	-1.0%

Other King County Economic Indicators

	2021:Q2	2020:Q2	% Change
Real Estate			
Single Family Permits (No. of units)	787	790	-0.4%
Single Family Permits (\$000)	\$ 315,919	\$ 302,848	4.3%
Multi-Family Permits (No. of units)	2,259	3,129	-27.8%
Multi-Family Permits (\$000)	\$ 407,805	\$ 455,031	-10.4%
Avg. sales price (NW Multiple Listing Service)	\$ 958,076	\$ 773,210	23.9%
Number of sales (NW Multiple Listing Service)	11,097	6,844	62.1%
Taxable Retail Sales (\$B, Apr-May)	\$ 13.11	\$ 8.78	49.3%
Retail/Wholesale	\$ 5.57	\$ 3.98	40.1%
Construction/Real Estate	\$ 4.12	\$ 2.68	53.8%
Food Service, Accommodation, Entertainment	\$ 1.34	\$ 0.59	128.1%
Other	\$ 2.08	\$ 1.54	34.9%
Inflation (June)			
CPI-W (Seattle-Tacoma-Bellevue)	293.61	276.24	6.3%

KING COUNTY INDEX OF LEADING INDICATORS

The King County Index of Leading Indicators continued to rise in the second quarter, as most indicators trended in a positive direction. The Index was most significantly impacted by the continuing strong growth in employment and the resulting drop in initial claims for unemployment insurance. Consumer sentiment was also very strong in the second quarter as, at least from April through June, consumers were beginning to feel optimistic about the direction of the pandemic recovery. We'll see if we are able to maintain that optimism heading into the third quarter; it appears "uncertainty" may become the keyword once again.

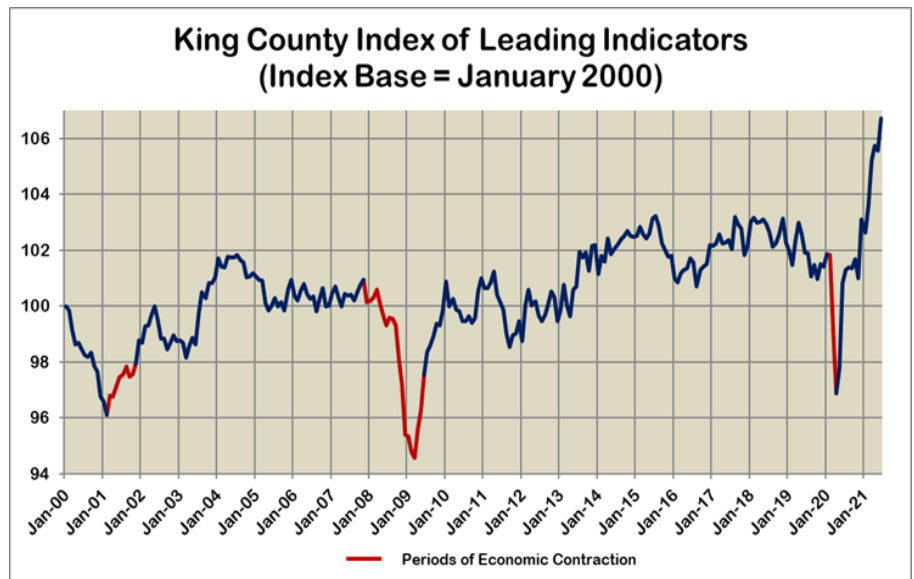


Fig 6 King County Index of Leading Indicators (Source: KC OEFA)

As a note to Figure 6, the National Bureau of Economic Research ("NBER") identified March as the first month of an economic contraction but has not yet determined if that period has ended. While NBER has not definitely noted the month of the trough, the point at which the economy turns around back to expansion, we feel comfortable including April 2020 as a contraction month for the purposes of our analysis.

KING COUNTY FORECAST

It was good to close out 2020; such a terrible year of suffering for so many. Output contracted massively in the 2nd quarter and then came roaring back in the 3rd and 4th quarters but overall, the U.S. economy was still dealing with the impacts of a pandemic, together with a tumultuous national election near year end. On the bright side, several vaccines received approval for distribution to the general public in December which provided some optimism for 2021. So far, in the first half of 2021, the U.S. economy has been recovering solidly driven by the rapid roll out of vaccines and continued fiscal support provided by the American Rescue Plan Act (ARP) which was signed into law in March, 2021. The ARP provided \$1,400 checks for every eligible person and expanded unemployment benefits for many. This support, along with the high household savings rate and elevated asset markets are likely providing the strong basis for the growth we are seeing now. The Bureau of Economic Analysis (BEA) reported that the U.S. economy grew 6.4% in the first quarter of 2021 (seasonally adjusted annual rate or SAAR). The second quarter is likely to be even stronger although we also are experiencing some headwinds due virus mutations and vaccine hesitancy.

Individual states in the U.S. continue to have very different Covid-19 experiences based on individual behaviors and decisions around social distancing, masks, and the extent to which the economies continue to operate. All of Washington moved into Phase 3 of re-opening in March which allowed for looser restrictions (particularly for indoor spaces like restaurants) and everybody 16 and older became eligible for the vaccine on April 15, 2021. The state is on track to mostly fully re-open on June 30, 2021 which is likely to significantly improve economic performance particularly for some of the hardest hit industries.

Overall, optimism continues to be high for the U.S. economy for 2021. The vaccine roll-out and fiscal support has provided conditions for economic improvement and many of the indicators for the second quarter suggest we are seeing elevated spending. Travel is returning and individuals are enjoying getting back to a life resembling pre-Covid. Most economic forecasts now expect 2021 economic growth to be over 6%. Risks are still elevated however as virus variants and resistance to vaccinations make it less clear how soon the virus will be managed. For now, some social distancing measures and other requirements will continue to be in place and impact near-term economic behaviors. Another risk is elevated inflation. Recent values have been in the 4-5% range year over year which is higher than we've seen for years. Most economists believe these are largely transitory and related to the pandemic but some are worried that the fiscal support and household savings and wealth are driving excessive spending which will lead to sustained inflation.

As for the county economy, things continue to improve although subject to the same risks as above. A majority of county residents are fully vaccinated now which should help keep the county re-opening on track and resistance to the vaccine seems to be lower in King County than in other parts of the country. We are now seeing the re-opening of many businesses and a resurgence of activities like dining out and brick and mortar shopping. King County experienced massive impacts in 2020 with significant job losses and reductions in taxable sales, real estate activity and other indicators in the first half of the year. The county lost nearly 150,000 jobs in April 2020, across most industrial sectors. Through May 2021, we have added about 80,000-90,000 jobs back and are down about 60,000-70,000 from pre-Covid. Most of these jobs are in high contact industries like leisure and hospitality that should come back as these businesses return.

KING COUNTY FORECAST (CONT.)

Taxable retail sales have been strong in King County averaging 7.9% annual growth for the 2014-2019 period. The impacts from the pandemic were swift and massive with huge reductions in taxable sales in 2020:2Q. As the year continued, we saw recovery in some sectors while others, such as food service and accommodation lagged behind. By the third and fourth quarters, taxable sales had recovered much ground and were coming in 90 -100 percent of 2019 levels. So far in 2021, we have seen a very significant expansion in sales starting in February and continuing through April 2021. For those months, taxable values exceeded the same months in 2019 by 8%-10%. This has been led by very strong retail sales numbers together with strong construction values. We expect the vigorous recovery to continue throughout 2021 and in to 2022.

The local housing market was very strong in 2020. Sales took a large dip during March and April of 2020 (sales were down 28% in 2020:2Q) as real estate showings and listings were impacted by the pandemic, but activity rebounded significantly in the second half of the year with some price growth measures in double digits. This was at least partly pandemic driven as new long-term rules about work from home along with very low interest rates encouraged buyers. At the same time, the inventory of listed homes remained near historic lows. So far in 2021, the turbo-charged market continues with the Case Shiller index up over 15% most months and the Multiple Listing Service indicating that average sales prices in King County are now over \$960,000. The number of transactions has rebounded significantly as well.

As we look forward, all indicators suggest 2021 should be a year of significant growth although in some cases we will not be back to the levels reached prior to 2020. The massive employment losses in April 2020 in King County have been partially reversed but we are still down about 70,000 jobs from February of 2020. The speed of the recovery going forward will depend on how quickly we can get people vaccinated and how comfortable they feel returning to pre-pandemic behaviors like going out to eat and traveling. It also depends on virus metrics as a surge in cases or virus variants could force a rollback. The forecast presented assumes we will be able to manage opening the economy and assumes most people are vaccinated by summer of 2021. It also assumes continued social distancing requirements in limited circumstances through much of the rest of the year and a sluggish return of consumer demand in high contact industries.

We expect the local economy to expand in 2021 after a very significant contraction in 2020, the effects of which will continue into 2021 and 2022. Table 1 indicates the most recent forecast. Population growth should continue but likely at a reduced pace of growth in the 1.0 to 1.4 percent range with around 25,000 to 30,000 additional people living in King County in each of 2021 and 2022. Employment growth finished up 2.5% in 2019 but contracted over 5.0% in 2020 which is the most significant reduction in employment in any year since the data started being collected. Employment during the Great Recession fell 6.4% but over a two-year period. Employment should get back to 2019 levels by 2022. Inflation was 1.5% in 2020 but is likely to pick up the pace in 2021 particularly in 2021:2Q as the low base effects from 2020 and supply chain disruptions move through, but much of the effect should moderate as the year goes on. 2022 inflation might also be somewhat elevated. We also expect the pace of housing permits to be similar to recent years reflecting continuing demand for housing but less growth than the boom period of 2015-2019. Single-family housing prices are likely to continue to increase over 2021-2022. Taxable sales are likely to exhibit very strong growth in 2021 after contracting 7.7% in 2020. Assuming the economy will be able to remain open, we expect taxable sales to grow over 11% percent in 2021 and be above 2019 levels.

King County Forecast - June 2021					
	2019	2020	2021	2022	2023
King County-Level					
Population (thous.)	2,235.0	2,269.7	2,302.0	2,326.0	2,351.9
Employment (thous.)	1,467.6	1,385.9	1,420.5	1,477.9	1,500.5
Unemployment Rate (%)	2.6	7.5	5.3	4.8	4.5
Personal Income (mil \$)	213,956.7	228,113.3	241,872.5	242,771.7	252,718.1
Housing Permits	18,296	14,307	16,030	15,555	13,874
House Transactions (Residential)	30,353	31,670	34,323	32,939	29,041
House Prices (avg.)	749,526	826,131	908,040	963,159	1,012,775
Seattle FHFA Index	359.6	378.3	410.2	430.1	443.5
Seattle CPI-U	278.6	282.9	291.0	298.0	305.1
Taxable Retail Sales (mil \$)	76,486.2	70,600.0	78,779.0	83,468.1	87,067.4
King County Employment - Detail (thousands)					
Natural Resources	0.5	0.5	0.5	0.5	0.5
Construction	79.5	76.8	81.0	80.2	81.2
Manufacturing	106.0	95.7	91.8	89.6	88.9
Subtotal (Goods Employment)	186.0	173.0	173.3	170.3	170.5
Trade, Transportation and Utilities	280.9	276.0	287.7	293.7	293.9
Information	121.6	127.9	133.4	140.2	145.2
Financial Services	75.3	72.5	72.8	72.1	71.1
Professional and Business Services	238.8	234.7	239.2	253.8	267.1
Other Services	389.6	330.1	343.7	375.8	378.7
Government	175.4	171.7	170.4	172.0	174.0
Subtotal (Services Employment)	1,281.6	1,212.9	1,247.2	1,307.6	1,329.9
Total Employment	1,467.6	1,385.9	1,420.5	1,477.9	1,500.5
Annual Growth					
Population	1.6%	1.6%	1.4%	1.0%	1.1%
Employment	2.5%	-5.6%	2.5%	4.0%	1.5%
Personal Income	5.3%	6.6%	6.0%	0.4%	4.1%
Inflation	2.8%	1.5%	2.9%	2.4%	2.4%
Taxable Retail Sales	5.2%	-7.7%	11.6%	6.0%	4.3%

Table 1: King County Forecast (Source: KC OEFA)

The Office of Economic and Financial Analysis operates as an independent agency of King County, and provides economic and financial analysis and forecasting to support county operations and planning and the people of King County.

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