



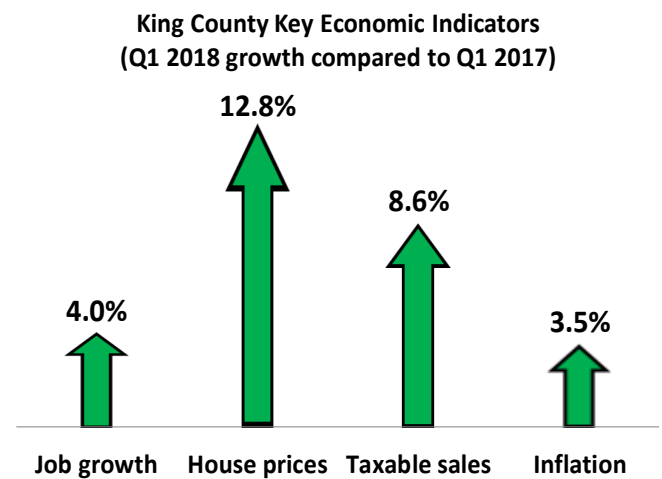
# ECONPULSE

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

FIRST QUARTER 2018

## SUMMARY

- King County employment growth was 4.0% in the first quarter of 2018 relative to 2017, with strong growth in construction, leisure, education, and trade, transportation, and utilities jobs.
- Home prices increased by 12.8% compared with the first quarter of 2017.
- Taxable sales growth increased, rising 8.6% in January and February.
- Inflation increased to 3.5% in February.



## DETAIL

King County employment increased in all sectors in the first quarter, with the exception of a small drop in nursing and residential care jobs and in manufacturing jobs. The trade, transportation, and utilities sector added 15,300 jobs in the first quarter. Professional and business services also had strong growth, adding 8,500 jobs in the first quarter. Amazon remains the employer with the highest number of job openings in the period between December 2017 and March 2018 with 4,775 openings. However, in the same period a year prior, they had nearly double the number of job openings, reflecting a hiring slowdown in the past year.

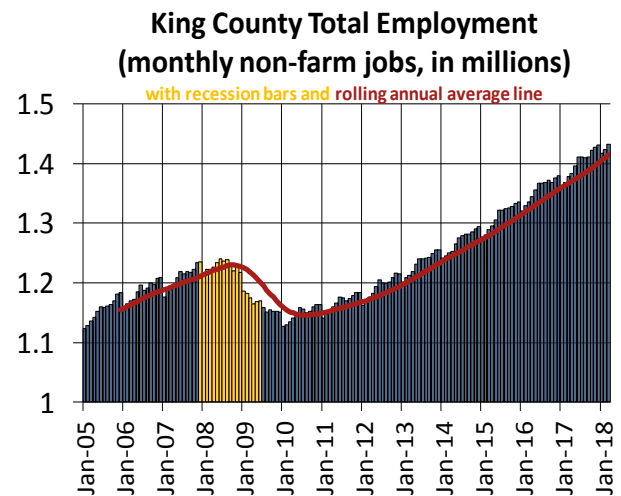


Fig. 1 Non-Farm Employment in King County (Source: WA ESD)

The unemployment rate for King County decreased again to 3.4% in March. Initial claims for unemployment insurance remain near historical lows, at 4,611 new claims in March.

**DETAIL (CONT.)**

**Seattle House Prices**  
(Case Shiller index, Jan-2000=100)  
with recession bars and rolling annual average line

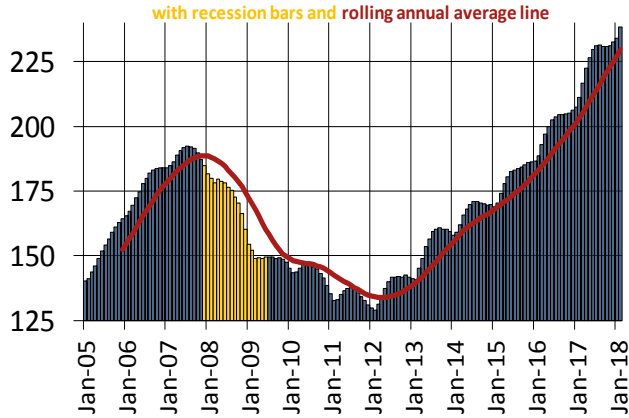


Fig. 2 Seattle Case-Shiller Index (Source: S&P)

Seattle continues to have the nation’s hottest housing market, with prices increasing 12.8% in the first quarter. The average sales price for a home in King County was \$740,509 in March.

While supply constraints have long been a factor driving up housing prices in King County, some relief may be on the way. Both single- and multi-family residential permitting were up in the first quarter of 2018, with 1,174 new single family units and 3,086 new multi-family units permitted, increases of 18.6% and 22.8% over 2017, respectively.

**King County Residential Permit Values**  
(new, privately-owned, in millions \$)  
with recession bars and rolling annual average line

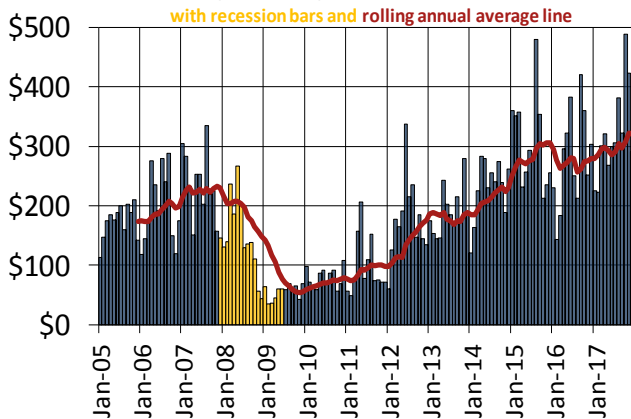


Fig. 3 Value of King County Residential Permits (Source: U.S. Census Bureau)

Taxable retail sales growth increased again, up 8.6% in January and February, with strong activity in construction and wholesale.

**Taxable Sales Growth**  
(annual average of top four sectors)

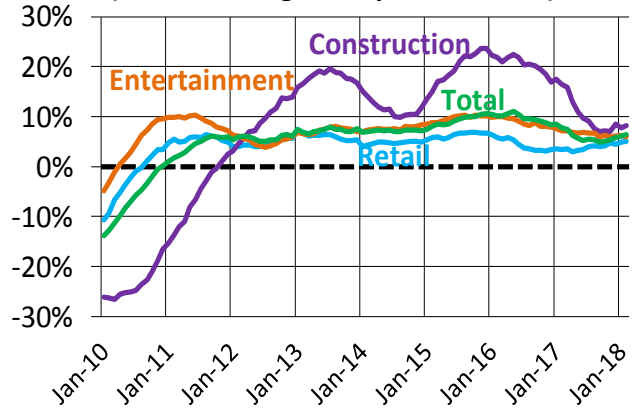


Fig. 4 Taxable Sales Growth in King County (12 month avg) (Source: WA DOR)

Inflation rose 3.5% in February, as measured by the CPI-W for Seattle, with increases in housing costs continuing to drive inflation growth. National inflation stood at 2.4% in March.

**Seattle Inflation**  
(CPI-W, annually adjusted)  
with recession bars and rolling annual average line

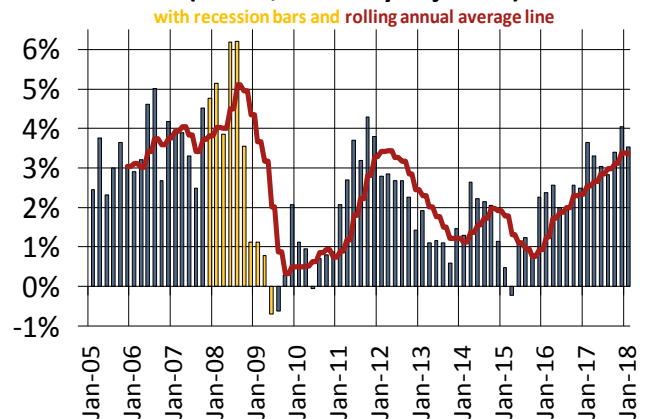


Fig. 5 Seattle Consumer Price Index (Source: BLS)

## THE NUMBERS

### King County Employment (in thousands)

| NAICS Industry                          | 2018:1Q | 2017:1Q | Absolute change | % Change |
|---|---------|---------|-----------------|----------|
| Total Nonfarm                           | 1,424.8 | 1,369.8 | 55.0            | 4.0%     |
| Total Private                           | 1,240.7 | 1,188.0 | 52.7            | 4.4%     |
| Goods Producing                         | 180.3   | 175.0   | 5.3             | 3.0%     |
| Construction                            | 78.1    | 71.7    | 6.4             | 8.9%     |
| Manufacturing                           | 101.7   | 102.8   | -1.1            | -1.1%    |
| Service Providing                       | 1,244.4 | 1,194.7 | 49.7            | 4.2%     |
| Trade, Transportation, and Utilities    | 275.5   | 260.2   | 15.3            | 5.9%     |
| Information                             | 105.5   | 100.0   | 5.5             | 5.5%     |
| Financial Activities                    | 72.5    | 69.7    | 2.7             | 3.9%     |
| Professional and Business Services      | 231.9   | 223.4   | 8.5             | 3.8%     |
| Educational and Health Services         | 184.4   | 177.5   | 6.9             | 3.9%     |
| Educational Services                    | 30.9    | 28.9    | 2.0             | 6.9%     |
| Ambulatory Health Care Services         | 60.3    | 59.0    | 1.3             | 2.2%     |
| Hospitals                               | 30.5    | 29.8    | 0.7             | 2.5%     |
| Nursing and Residential Care Facilities | 20.1    | 20.3    | -0.2            | -0.8%    |
| Social Assistance                       | 42.6    | 39.6    | 3.1             | 7.8%     |
| Leisure and Hospitality                 | 142.4   | 134.6   | 7.8             | 5.8%     |
| Arts, Entertainment, and Recreation     | 28.0    | 25.2    | 2.8             | 11.2%    |
| Accommodation                           | 14.0    | 13.7    | 0.3             | 2.2%     |
| Food Services and Drinking Places       | 100.4   | 95.8    | 4.6             | 4.8%     |
| Other Services                          | 48.2    | 47.6    | 0.6             | 1.3%     |
| Government                              | 184.0   | 181.8   | 2.3             | 1.2%     |

### Other King County Economic Indicators

|   | 2018:Q1    | 2017:Q1    | % Change |
|---|------------|------------|----------|
| <b>Real Estate</b>                                  |            |            |          |
| Single Family Permits (No. of units)                | 1,174      | 990        | 18.6%    |
| Single Family Permits (\$000)                       | \$ 451,661 | \$ 390,515 | 15.7%    |
| Multi-Family Permits (No. of units)                 | 3,086      | 2,514      | 22.8%    |
| Multi-Family Permits (\$000)                        | \$ 440,896 | \$ 356,880 | 23.5%    |
| Avg. sales price (NW Multiple Listing Service)      | \$ 715,496 | \$ 630,148 | 13.5%    |
| Number of sales (NW Multiple Listing Service)       | 5,978      | 6,503      | -8.1%    |
| <b>Taxable Retail Sales (\$B, January-February)</b> | \$ 9.93    | \$ 9.15    | 8.6%     |
| Retail/Wholesale                                    | \$ 3.94    | \$ 3.63    | 8.6%     |
| Construction/Real Estate                            | \$ 2.97    | \$ 2.57    | 15.4%    |
| Food Service, Accommodation, Entertainment          | \$ 1.55    | \$ 1.50    | 3.3%     |
| Other   | \$ 1.47    | \$ 1.44    | 1.9%     |
| <b>Inflation (February)</b>                         |            |            |          |
| CPI-W (Seattle-Tacoma-Bellevue)                     | 264.48     | 255.47     | 3.5%     |

## KING COUNTY INDEX OF LEADING INDICATORS

In the first quarter of 2018, the King County Index of Leading Indicators was up slightly on a seasonally adjusted basis, rising 0.67 over the quarter. Only two indicators decreased over that period of time: initial claims for unemployment insurance and the Institute for Supply Management’s Northwest purchasing managers index. The remaining indicators all increased in the first quarter, with the largest increases in King County residential permitting (as described on page 2) and online help wanted advertisements.

Despite slowing hiring from Amazon in the first quarter of 2018, the number of new job postings in King County has remained strong. As shown in Figure 7, job postings have remained around or above 30,000 new job postings per month for quite some time. While the number of open jobs is weighted heavily toward tech industry positions, the state Employment Security Department labor supply and demand report shows job openings spanning all sectors.

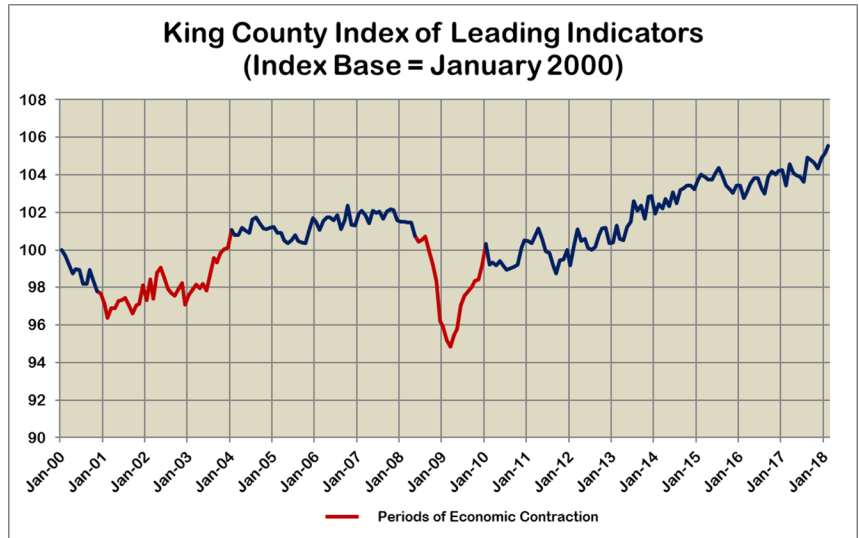


Fig. 6 King County Index of Leading Indicators (Source: KC OEFA)



Fig. 7 Help Wanted Online Advertisements (Source: WA ESD)

## KING COUNTY FORECAST

The King County economy experienced another strong year of economic growth in 2017. The level of employment grew 3.3% over 2016 resulting in about 44,000 additional jobs in King County based on available data from the Washington Employment Security Department. This completes the seventh consecutive year of employment growth in King County and ties the 1994-2000 period as the longest period of employment growth since 1990. Industry growth was led by trade, transportation and utilities (+5.8%) and information (+6.8%). The information sector growth was driven by growth at Microsoft and other software publishers, by data hosting firm growth and by growth at marquee firms like Facebook, Google and Amazon.

Amazon continued its rapid pace of hiring and growth affecting both the information and trade sectors. For the first time ever in 2017, the number of people employed in the information sector in King County exceeded the number in manufacturing.

Taxable sales continued to grow in 2017 but at the slowest pace since 2011 (+5.4%). This reflected continued growth in retail but a slowdown in the growth of construction taxable sales which has been growing at double digit rates. Overall construction activity appears to still be strong however as measured by construction taxable sales and by building permits. Residential building permits finished up about 16% in 2017 (reflecting over 20,000 units) and are up so far in 2018 (through March). Inflation has been picking up lately with anecdotal evidence of high construction costs and local CPI measures exceeding 3% in 2017.

The momentum from a strong 2017 is carrying over into 2018 and the U.S. economy continues to show strength. National hiring the last six months has averaged about 210,000 per month (despite a disappointing March 2018 value of 103,000). Overall, the U.S. economy has created over 18 million jobs since the end of the recession. The forecasts continue to be solid too. Unemployment has now reached 4.1% and some forecasters are calling for it to drop below 3.8% this year which would yield the lowest level in over 50 years. The U.S. tax law changes enacted at the end of 2017 are expected to provide a positive impulse to the

| King County Forecast - March 2018                  |                |                |                |                |
|--|----------------|----------------|----------------|----------------|
|  | 2017           | 2018           | 2019           | 2020           |
| <b>King County-Level</b>                           |                |                |                |                |
| Population (thous.)                                | 2,164.0        | 2,202.8        | 2,241.6        | 2,271.1        |
| Employment (thous.)                                | 1,401.3        | 1,443.1        | 1,480.1        | 1,502.2        |
| Unemployment Rate (%)                              | 3.7            | 3.7            | 3.6            | 3.8            |
| Personal Income (mil \$)                           | 174,799.3      | 183,273.7      | 191,661.0      | 202,680.5      |
| Housing Permits                                    | 18,402         | 16,093         | 16,043         | 14,608         |
| House Transactions (Residential)                   | 33,499         | 33,081         | 32,091         | 31,673         |
| House Prices (avg.)                                | 697,832        | 766,247        | 813,797        | 847,716        |
| Seattle FHFA Index                                 | 325.5          | 364.0          | 377.7          | 389.4          |
| Seattle CPI-U                                      | 262.7          | 271.8          | 280.5          | 287.7          |
| Taxable Retail Sales (mil \$)                      | 65,600.0       | 70,527.6       | 74,094.9       | 76,247.5       |
| <b>King County Employment - Detail (thousands)</b> |                |                |                |                |
| Natural Resources                                  | 0.6            | 0.6            | 0.6            | 0.6            |
| Construction                                       | 75.1           | 79.9           | 81.1           | 82.9           |
| Manufacturing                                      | 102.9          | 101.4          | 100.3          | 99.4           |
| <b>Subtotal (Goods Employment)</b>                 | <b>178.6</b>   | <b>181.9</b>   | <b>181.9</b>   | <b>182.9</b>   |
| Trade, Transportation and Utilities                | 269.5          | 281.3          | 286.4          | 287.1          |
| Information  | 103.0          | 108.0          | 112.1          | 114.3          |
| Financial Services                                 | 71.2           | 73.2           | 72.6           | 72.1           |
| Professional and Business Services                 | 228.2          | 235.6          | 247.1          | 256.6          |
| Other Services                                     | 369.0          | 379.1          | 392.0          | 398.1          |
| Government   | 181.9          | 184.1          | 187.8          | 191.1          |
| <b>Subtotal (Services Employment)</b>              | <b>1,222.8</b> | <b>1,261.2</b> | <b>1,298.1</b> | <b>1,319.3</b> |
| <b>Total Employment</b>                            | <b>1,401.3</b> | <b>1,443.1</b> | <b>1,480.1</b> | <b>1,502.2</b> |
| <b>Annual Growth</b>                               |                |                |                |                |
| Population   | 2.2%           | 1.8%           | 1.8%           | 1.3%           |
| Employment   | 3.3%           | 3.0%           | 2.6%           | 1.5%           |
| Personal Income                                    | 5.3%           | 4.8%           | 4.6%           | 5.7%           |
| Inflation  | 3.0%           | 3.5%           | 3.2%           | 2.5%           |
| Taxable Retail Sales                               | 5.4%           | 7.5%           | 5.1%           | 2.9%           |

Table 1: March 2018 King County Economic Forecast (Source: KC OEFA)

## KING COUNTY FORECAST (CONT.)

economy such that economic growth should be closer to 2.5-2.8% in 2018 and 2019. Inflation at the national level is likely to be modest at around 2.3% for the next few years.

King County's economy is likely to continue to grow consistent with the recent past and the national economy. However, the local economy has also been growing at a rapid pace for many years which is unlikely to continue. Local housing prices are a good example. The average sales price in King County was about \$700,000 in 2017 up over 50%

from 2012. This growth has been driven by employment relocations for high income jobs, overseas investment and by supply constraints. However, it would be surprising if that pace were to continue in the next five years. That would only be likely if high income employment and population growth continued at the recent pace which is not anticipated. This is why the forecast for house price growth slows in coming years (see figure 8).

We expect the local economy to continue to grow but at a reduced pace of growth going forward. The challenging part is the timing of this slower growth. Table 1 shows the forecast with slower growth beginning for most elements in 2018. Population growth should continue but likely falling below 2% growth in 2018 with about 38,000 new people in each of 2018 and 2019. Employment growth should continue to be strong at 3% in 2018 and then slow to about 2.6% in 2019. Inflation is likely to accelerate in 2018 to levels not seen since before the great recession before beginning to slow. We expect the pace of housing permits to slow a bit starting this year, but housing prices will continue to grow, albeit at a slower pace.

Taxable sales growth is likely to pick up in 2018 reflecting the state legislature's decision to extend the sales tax to bottled water and the online sales of entities located outside the state. Overall we are expecting growth of about 7.5% in 2018 and then slowing growth after.

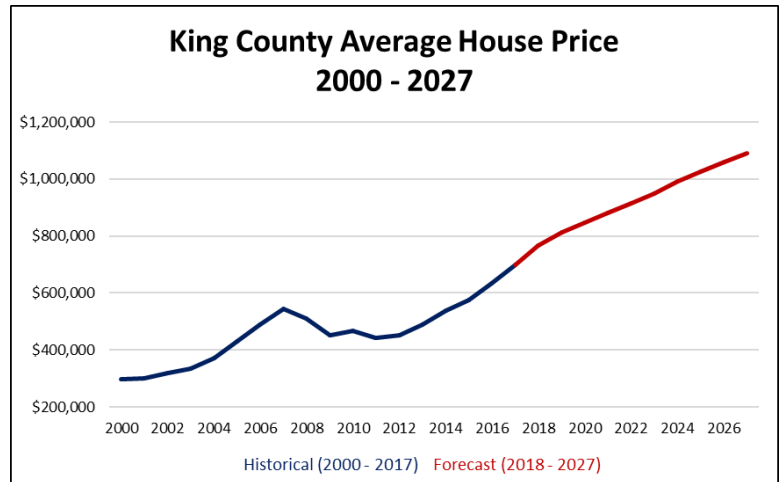


Fig. 8 King County Average House Price (Source: NWMLS/KC OEFA)

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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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