



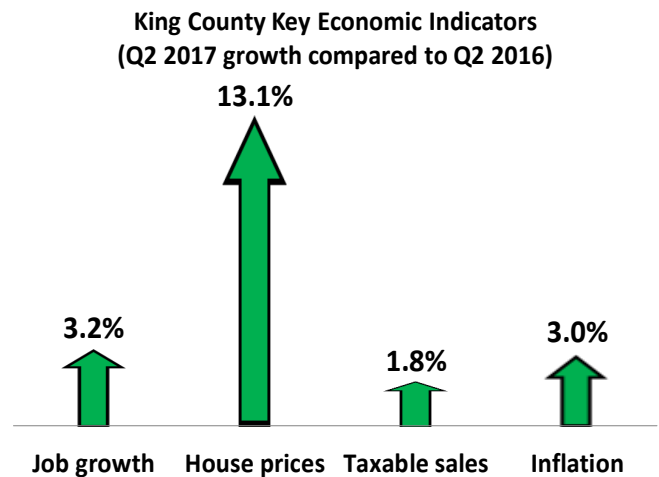
# ECONPULSE

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

SECOND QUARTER 2017

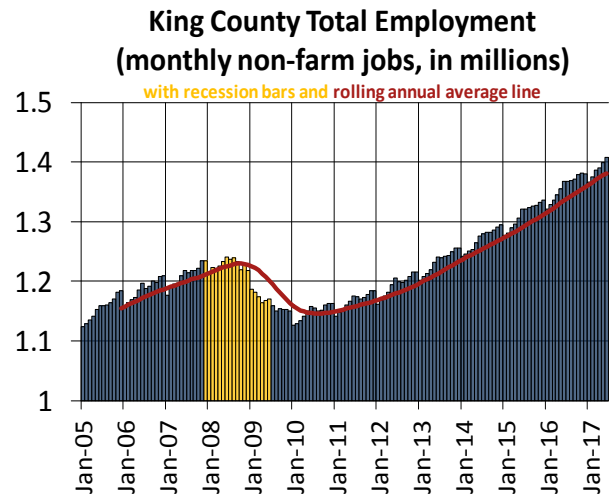
## SUMMARY

- King County employment growth slowed to 3.2% in the second quarter of 2017 relative to 2016, with growth in construction, information, and trade, transportation, and utilities jobs.
- Home prices increased by 13.1% since the second quarter of 2016
- Taxable sales growth slowed for the fourth straight quarter, increasing only 1.8% in April and May from a year prior.
- Inflation increased, up 3.0% in June.



## DETAIL

King County employment grew in all sectors in the second quarter, with the exception of manufacturing employment, which experienced yet another quarter of decline. The top two sectors in job adds were trade, transportation, and utilities, which added 12,200 jobs in the second quarter compared to a year prior, and information, which added 6,100 jobs in the same time period. Manufacturing continues to shed jobs, declining by 2,500 jobs. The bulk of the losses came from the aerospace industry, which makes up more than half of the King County manufacturing sector.



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

The unemployment rate for King County dropped to a near-record low of 2.8% in April before increasing to 3.7% in June. Initial claims for unemployment insurance fell to a 20-year low of 4,796 claims in May. For more detail on the current unemployment situation in King County, please see our Focus section beginning on page 4.

**DETAIL (CONT.)**

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

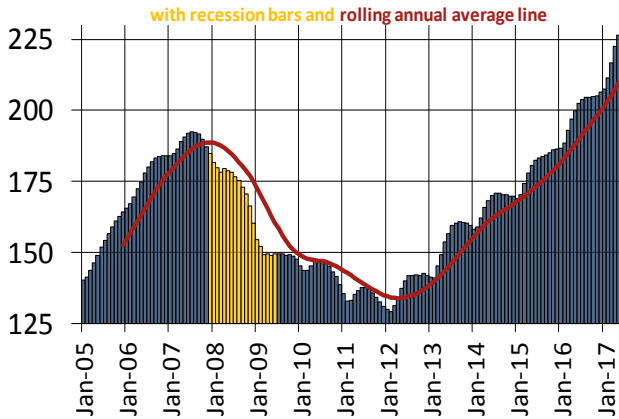


Fig. 2 Seattle Case-Shiller Index (Source: S&P)

The Seattle area housing market remained the hottest in the country in the second quarter, with prices increasing 13.1% year over year. Inventory, which is a measure of the number of homes currently for sale divided by the average number of homes sold per month, is less than one month and the market remains very tight for buyers throughout King County.

Single- and multi-family permitting were both down in the second quarter relative to 2016. However, 2017 overall has seen increased permitting activity, with a significant number of multi-family projects in the pipeline.

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

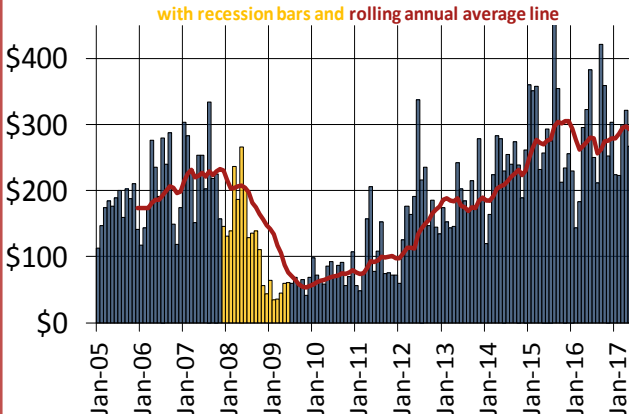


Fig. 3 Value of King County Permits (Source: U.S. Census Bureau)

Taxable retail sales continue to experience slowing growth. Total taxable sales grew 1.8% in April and May, buoyed by retail, restaurant, and hotel spending. However, construction was flat and wholesale taxable sales were down from 2016 levels.

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

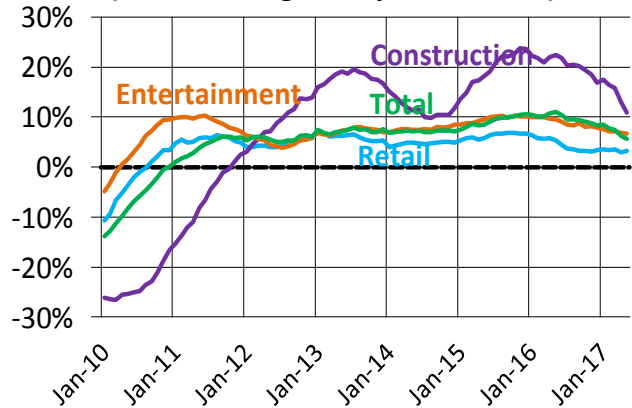


Fig. 4 Taxable Sales Growth in King County (12 month avg)  
(Source: WA DOR)

Inflation rose 3.0% in June, as measured by the CPI-W for Seattle. Continued increases in housing and transportation costs contributed significantly.

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

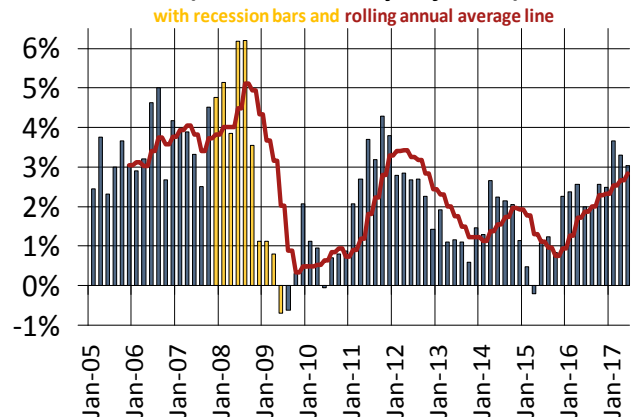


Fig. 5 Seattle Consumer Price Index (Source: BLS)

## THE NUMBERS

### King County Employment (in thousands)

NAICS Industry	2017:2Q	2016:2Q	Absolute change	% Change
Total Nonfarm	1,399.0	1,355.8	43.2	3.2%
Total Private	1,214.4	1,175.5	38.9	3.3%
Goods Producing	178.1	176.9	1.3	0.7%
Construction	74.0	70.2	3.8	5.4%
Manufacturing	103.6	106.1	-2.5	-2.4%
Service Providing	1,220.8	1,178.9	41.9	3.6%
Trade, Transportation, and Utilities	263.9	251.7	12.2	4.8%
Information	100.6	94.5	6.1	6.5%
Financial Activities	73.1	70.4	2.7	3.8%
Professional and Business Services	227.7	222.2	5.5	2.5%
Educational and Health Services	179.8	174.4	5.3	3.1%
Educational Services	28.0	28.1	-0.1	-0.2%
Ambulatory Health Care Services	58.7	56.7	2.1	3.6%
Hospitals	29.9	29.1	0.8	2.9%
Nursing and Residential Care Facilities	21.2	20.7	0.5	2.4%
Social Assistance	42.0	40.0	2.0	5.1%
Leisure and Hospitality	141.3	136.8	4.5	3.3%
Arts, Entertainment, and Recreation	27.6	26.1	1.6	6.0%
Accommodation	14.6	13.9	0.7	5.0%
Food Services and Drinking Places	99.1	96.8	2.3	2.4%
Other Services	49.8	48.6	1.2	2.4%
Government	184.6	180.3	4.3	2.4%

### Other King County Economic Indicators

	2017:Q2	2016:Q2	% Change
<b>Real Estate</b>			
Single Family Permits (No. of units)	1,276	1,290	-1.1%
Single Family Permits (\$000)	\$ 484,977	\$ 500,962	-3.2%
Multi-Family Permits (No. of units)	3,079	3,651	-15.7%
Multi-Family Permits (\$000)	\$ 403,748	\$ 499,586	-19.2%
Avg. sales price (NW Multiple Listing Service)	\$ 681,387	\$ 592,801	14.9%
Number of sales (NW Multiple Listing Service)	9,673	9,928	-2.6%
<b>Taxable Retail Sales (\$B, April-May)</b>	\$ 10.02	\$ 9.84	1.8%
Retail/Wholesale	\$ 4.14	\$ 4.10	0.9%
Construction/Real Estate	\$ 2.75	\$ 2.74	0.2%
Food Service, Accommodation, Entertainment	\$ 1.75	\$ 1.65	6.0%
Other	\$ 1.39	\$ 1.35	2.9%
<b>Inflation (June)</b>			
CPI-W (Seattle-Tacoma-Bremerton)	259.49	251.85	3.0%

## FOCUS: UNEMPLOYMENT IN KING COUNTY

As King County has recovered from the Great Recession, a key component of the strength and durability of the recovery is strong employment growth. As shown as the shaded grey bars in Figure 6, each recession is marked by a significant drop in employment, followed by a period of recovery. The most recent recession led to the loss of about 75,000 jobs in King County, with the low point occurring in January 2010. Fortunately, employment levels bounced back relatively quickly, reaching pre-recession levels by 2013 and growing rapidly ever since. There are now over 140,000 more jobs in King County than the low point in 2010, an increase of 11.7%.

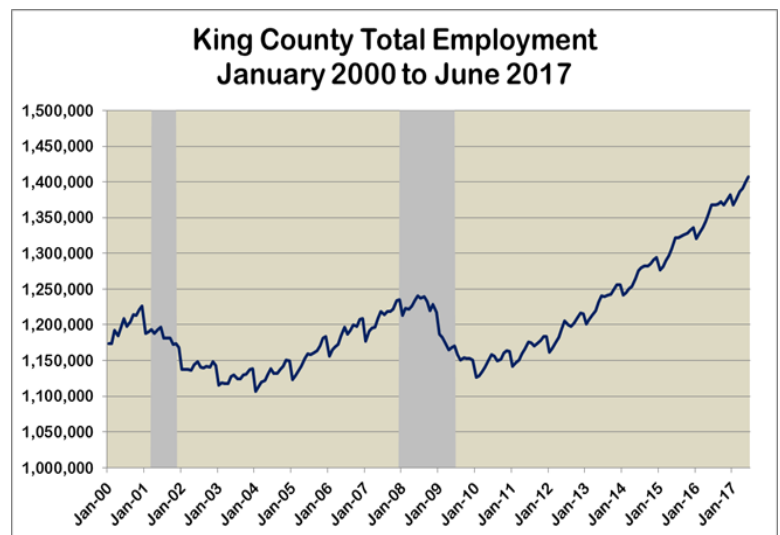


Fig. 6 KC Total Employment (Source: WA ESD)

The consistent growth in employment has led to historically low unemployment rates in King County. In April 2017, the unemployment rate dropped to 2.8%, the lowest rate since April 2008. Unemployment rates fluctuate seasonally, with busy hiring seasons around the holidays and through the spring and summer leading to swings in employment levels within the year. April is typically the month with the lowest unemployment; layoffs after the holiday season are complete and hiring begins for summer seasonal positions. The unemployment rate does not measure all persons out of work; rather, only those out of work and also actively seeking employment are counted in the most commonly referenced unemployment rate. According to the Washington State Department of Revenue, another element of low unemployment in April is that the number of job seekers declines in April before picking up again in May and June, as job seekers return to their search with the expectation of summer seasonal employment.

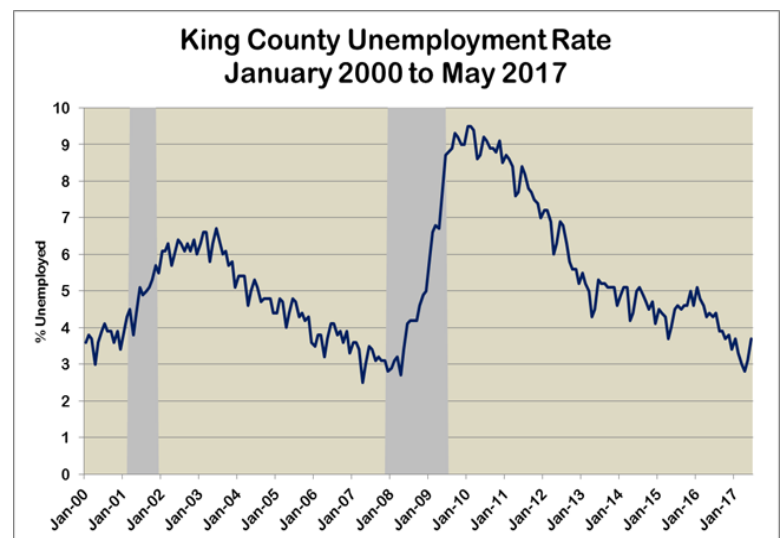


Fig. 7 KC Unemployment Rate (Source: Bureau of Labor Statistics)

Another measure of the strength of King County employment is the number of initial unemployment claims filed with the Washington State Employment Security Department (“ESD”). Initial claims are filed with ESD following a separation from an employer, where the individual is seeking to determine their eligibility for unemployment insurance. Initial claims are a useful leading indicator, in that they are an indication of where the employment market may be headed. Using data provided by ESD, we closely track

## FOCUS: UNEMPLOYMENT IN KING COUNTY (CONT.)

these claims and include it in our Index of Leading Indicators as we monitor the overall health of the King County economy and keep a watchful eye for signs of a slowdown. Recessions are not discovered and thus dated until the economy is well into a downturn. In the 2001 recession, initial unemployment claims began climbing in December 2000, which is a typical result of seasonal employment cycles. However, initial claims continued to increase on a year-over-year basis in the early months of 2001, indicating a sustained negative outlook for employment. Overall employment did not begin dropping until October 2001. A similar pattern emerged in the most recent recession, with initial unemployment claims picking up in June 2008, while overall employment levels did not show signs of weakness until late fall of 2008.

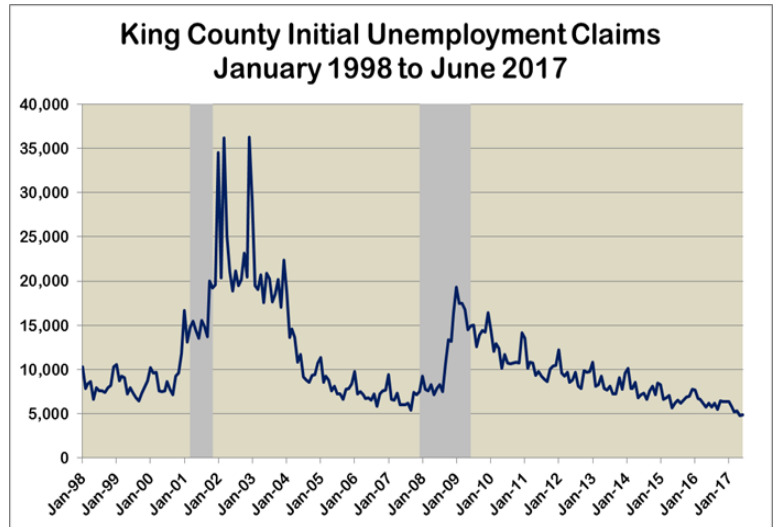


Fig. 8 KC Initial Unemployment Claims (Source: WA ESD)

Currently, the initial unemployment claims number continues to indicate a rosy outlook for King County employment. In May 2017, there were a mere 4,796 initial claims in King County. This is the lowest figure ever reached in data stretching back to January 1998. In contrast, the highest number recorded was 36,248 initial claims in December 2002. The figure has been trending consistently downward, indicating that King County workers are enjoying employment stability.

King County also enjoys an abundance of job openings. According to the Conference Board, in June 2017 there were 35,832 new jobs posted online for King County. With the number of unemployed workers in King County at 38,365 in May, one would hope there is a job out there for everyone. However, much of the employment demand in King County is concentrated in the tech sector, with most positions requiring a college degree (Figure 9). While King County is a very educated region, with 51.8% of the working age population holding a bachelor's degree or higher, the 22% of working age residents of King County with a high school diploma or less are left with fewer options and are overrepresented in unemployment figures. So while the sustained employment boom has broad-reaching positive implications for the King County economy, the evolving job market presents challenges for a significant number of King County residents.

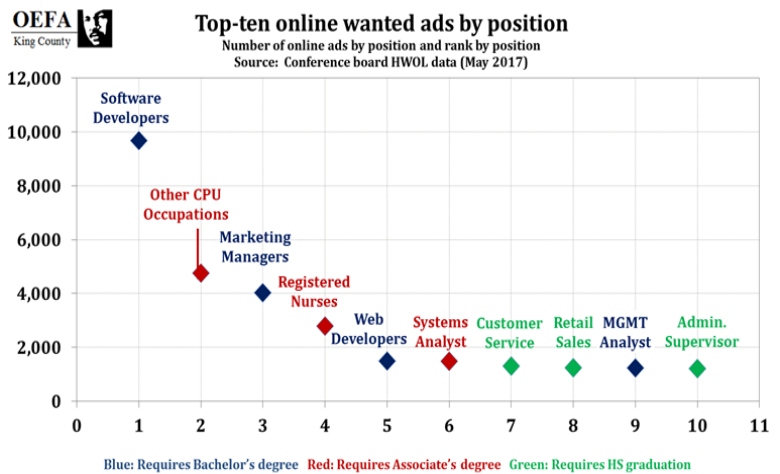


Fig. 9 Employer Demand (Source: Conference Board)

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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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