



# ECONPULSE

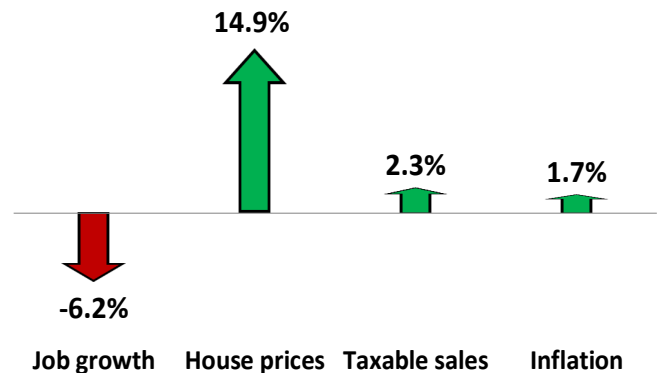
A QUARTERLY LOOK AT THE KING COUNTY ECONOMY  
 KING COUNTY OFFICE OF ECONOMIC AND FINANCIAL ANALYSIS

FIRST QUARTER 2021

## SUMMARY

- King County employment fell 6.2% in the first quarter of 2021 compared to the first three months of 2020.
- Home prices increased 14.9% compared with the first quarter of 2020.
- Taxable sales increased 2.3% in January and February compared to the same period of 2020.
- The inflation rate was 1.7% in the first quarter of 2021.

**King County Key Economic Indicators**  
 (Q1 2021 growth compared to Q1 2020)



## DETAIL

The King County employment recovery continued in the first quarter, but remains well below pre-pandemic levels. Total employment was down 6.2%, with the leisure and hospitality sector down 36.7% in the first quarter of 2021 compared to 2020. The information sector was largely untouched by the pandemic job losses and experienced modest growth in the first quarter, with 5,700 jobs added. Construction has recovered from steep losses in 2020, adding 2,300 jobs in the first quarter and bringing it back to better than pre-pandemic levels.

The unemployment rate for King County improved to 5.4% in March. The national unemployment rate was 6.0%. Initial claims for unemployment insurance

remain higher than pre-pandemic levels, but were down to 10,902 claims in March 2021, a huge improvement over the 116,077 claims in March 2020. Continuing claims dropped in each month of the first quarter, with 36,545 claims in the month of March.

**King County Total Employment**  
 (monthly non-farm jobs, in millions)

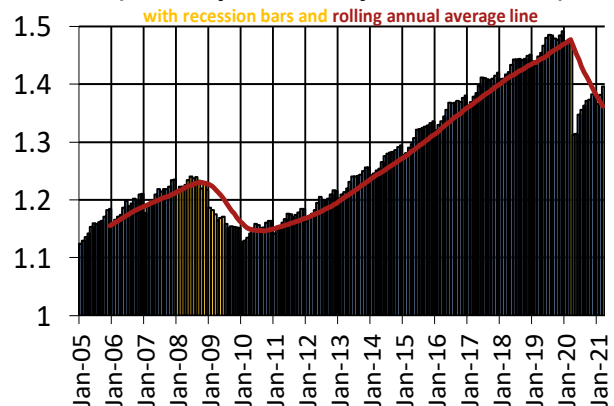


Fig. 1 Non-Farm Employment in King County (Source: WA ESD)

**DETAIL (CONT.)**

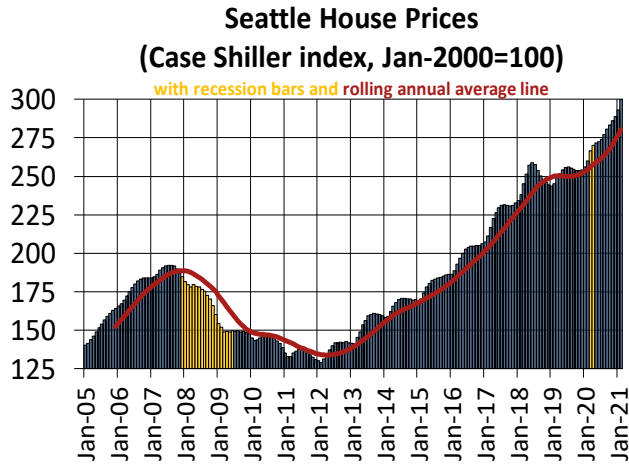


Fig. 2 Seattle Case-Shiller Index (Source: S&P)

The King County real estate market remained very hot. The Case-Shiller housing index for the Seattle area increased 14.9% year-over-year and the number of closings in the first quarter of 2021 was 18.3% higher than the first quarter of 2020.

Single-family permitting grew 6.2% in the first quarter of 2021. Multi-family permitting bounced back significantly from the lows of 2020, with 81% more units permitted in the first three months of 2021 compared to the year prior.

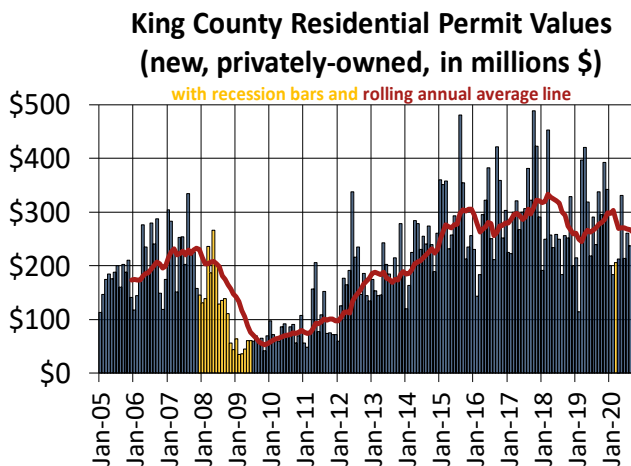


Fig. 3 Value of King County Residential Permits (Source: U.S. Census Bureau)

Taxable retail sales increased 2.2% in January and February. Food service, accommodation, and entertainment sales remain considerably below from their pre-pandemic levels, down 32.6% in the first two months of 2021.

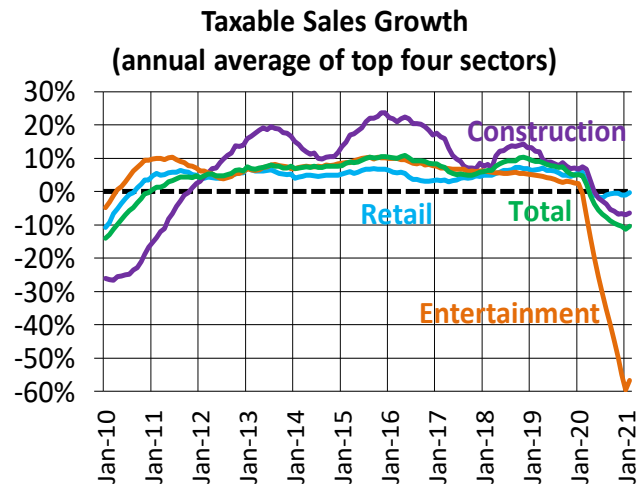


Fig. 4 Taxable Sales Growth in King County (12 month avg) (Source: WA DOR)

Inflation increased 1.7% in the first quarter as measured by the CPI-W for Seattle. Food and housing prices increased, while energy prices declined slightly. The national inflation rate was 3.0% in March.

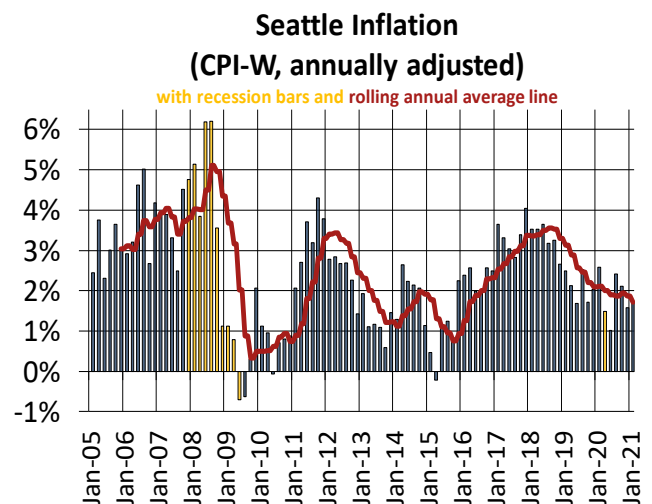


Fig. 5 Seattle Consumer Price Index (Source: BLS)

## THE NUMBERS

### King County Employment (in thousands)

NAICS Industry	2021:1Q	2020:1Q	Absolute change	% Change
Total Nonfarm	1,381.2	1,472.7	-91.6	-6.2%
Total Private	1,213.9	1,292.8	-79.0	-6.1%
Goods Producing	171.5	183.0	-11.5	-6.3%
Construction	81.1	78.8	2.3	2.9%
Manufacturing	89.9	103.7	-13.8	-13.3%
Service Providing	1,209.7	1,289.7	-80.0	-6.2%
Trade, Transportation, and Utilities	280.2	283.1	-2.9	-1.0%
Information	131.5	125.8	5.7	4.5%
Financial Activities	71.7	73.8	-2.2	-2.9%
Professional and Business Services	239.0	242.0	-3.0	-1.2%
Educational and Health Services	184.6	190.1	-5.5	-2.9%
Educational Services	28.8	32.9	-4.0	-12.3%
Ambulatory Health Care Services	59.7	62.0	-2.3	-3.7%
Hospitals	29.4	30.1	-0.7	-2.2%
Nursing and Residential Care Facilities	18.7	20.1	-1.4	-7.0%
Social Assistance	47.9	45.0	2.9	6.4%
Leisure and Hospitality	89.2	140.9	-51.7	-36.7%
Arts, Entertainment, and Recreation	14.7	26.8	-12.1	-45.0%
Accommodation	6.9	15.5	-8.6	-55.6%
Food Services and Drinking Places	67.5	98.5	-31.0	-31.4%
Other Services	46.2	54.1	-7.9	-14.5%
Government	167.3	179.9	-12.6	-7.0%

### Other King County Economic Indicators

	2021:Q1	2020:Q1	% Change
<b>Real Estate</b>			
Single Family Permits (No. of units)	857	807	6.2%
Single Family Permits (\$000)	\$ 328,853	\$ 324,134	1.5%
Multi-Family Permits (No. of units)	3,659	2,021	81.0%
Multi-Family Permits (\$000)	\$ 562,846	\$ 265,906	111.7%
Avg. sales price (NW Multiple Listing Service)	\$ 851,322	\$ 738,086	15.3%
Number of sales (NW Multiple Listing Service)	7,108	6,006	18.3%
<b>Taxable Retail Sales (\$B, Jan-Feb)</b>	\$ 10.87	\$ 10.63	2.2%
Retail/Wholesale	\$ 4.61	\$ 4.25	8.5%
Construction/Real Estate	\$ 3.59	\$ 3.39	5.8%
Food Service, Accommodation, Entertainment	\$ 0.91	\$ 1.35	-32.6%
Other	\$ 1.76	\$ 1.64	7.2%
<b>Inflation (February)</b>			
CPI-W (Seattle-Tacoma-Bellevue)	282.80	278.08	1.7%

## KING COUNTY INDEX OF LEADING INDICATORS

The King County Index of Leading Indicators rose substantially in the first quarter of 2021. After months of mixed readings and uncertainty, nearly all of the indicators moved in a positive direction, pushing the index to a new high in Q1.

Comparing the first quarter of 2021 to that of 2020 presents a unique challenge, as the first two months of 2020 were largely normal before March, when the initial shock of COVID began to appear in the leading indicators. However, it is undeniable that the employment picture is improving in King County, with the

initial unemployment claims and help wanted ads indicators accounting for the largest portions of the increase in the Index. The yield spread also increased considerably, as long-term interest rates rose.

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.

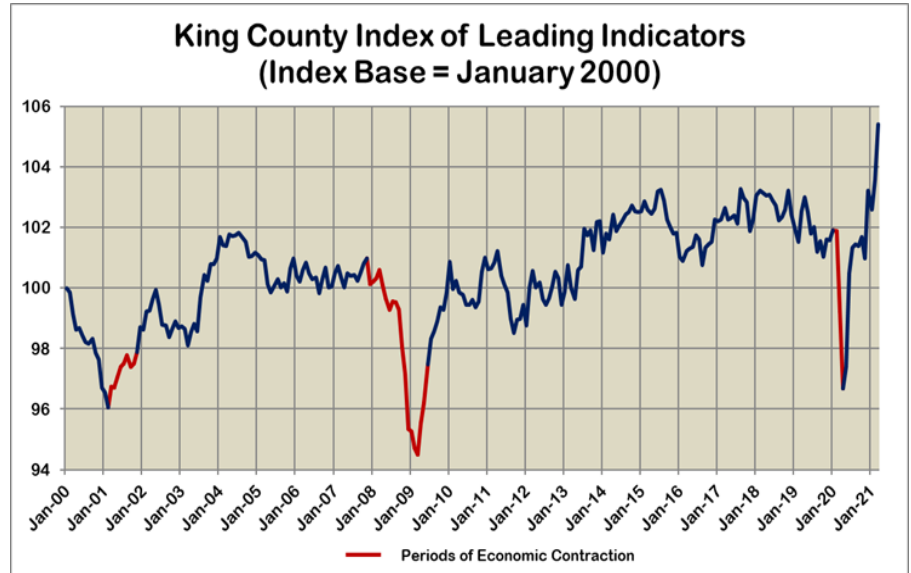


Fig 6 King County Index of Leading Indicators (Source: KC OEFA)

## KING COUNTY FORECAST

The U.S. economy was hit hard by the Coronavirus pandemic but rebounded massively in the third quarter of 2020 and continued that rebound in the fourth quarter though at a slower rate. The Bureau of Economic Analysis (BEA) reported that the U.S. economy grew 4.3% in the fourth quarter of 2020 (seasonally adjusted annual rate or SAAR). The fourth quarter expansion reflected the continued re-opening of many state economies but also the social distancing, masks and hand washing requirements necessitated by the virus. It also reflected a virus resurgence that began around October and challenged the capacity of medical facilities and led some states to roll back on plans for opening their economies. The virus continued to disproportionately impact some industries particularly hospitality, much brick and mortar retail and entertainment. Good news came near year-end as vaccine testing was completed and two were approved for use in mid-December. Additionally, a fourth phase of fiscal relief was approved by Congress totaling about \$900 billion which included distributing \$600 checks, and additional unemployment support and PPP loans. The Federal Reserve continued to support the economy through a plethora of programs and maintaining low rates and asset purchases.

Individual states within the U.S. have had very different experiences based on individual behaviors and decisions around social distancing, masks, and the extent to which the economies continue to operate. In Washington, the “Safe Start” plan went into effect on May 30, 2020 allowing a limited re-opening of the economy and King County entered Phase 2 in June which allowed additional economic activity but also restricted large gatherings and the operation of much retail activity. However, a resurgent virus forced a rollback in November and reduced activity including dining, gyms, and other indoor activities through most of the winter. In March 2021, the Governor announced that all counties would be moving to Phase 3 of re-opening which is likely to significantly improve economic performance particularly for some of the hardest hit industries.

Overall, optimism is high about the U.S. economy for 2021. The successful vaccines and the effort to encourage vaccinations should lead to increased economic activity over the year and some economists are now forecasting 2021 economic growth at over 5 percent. Risks are still elevated however as virus variants and resistance to vaccinations make it less clear how soon the virus will be managed and life can get back to normal. For now, social distancing measures and other requirements will continue to be in place and impact near-term economic behaviors.

Forecasting the future of the County’s economy also continues to be very uncertain. Though, recent virus metrics have been positive, leading to the Governor’s wider opening of the economy, there is always the possibility of a resurgence that would lead to a rollback later. 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 140,000 jobs in April 2020, across most industrial sectors. Many jobs came back quickly after the economy re-opened but as of February 2021, we are still down about 90,000 jobs. Many of these are in high contact industries like leisure and hospitality that likely won’t come back until people feel safe being out again.

## KING COUNTY FORECAST (CONT.)

Taxable retail sales have been strong in King County averaging 7.9% annual growth for the 2014-2019 period reflecting both the strength of the local economy and policy changes like extending the sales tax to bottled water and remote sellers. 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. January 2021 taxable sales were about 5 percent below January 2020. Some sectors continue to show strength such as on-line retail and home improvement reflecting behaviors associated with the pandemic. We expect recovery to continue in 2021.

The local housing market was amazingly 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 largely pandemic driven as new long-term rules about work from home, desire for more space and very low interest rates encouraged buyers. At the same time, the inventory of listed homes remained near historic lows. The Case Shiller index was up 14.3% in January 2021 and the Multiple Listing Service indicates that average sales prices in King County are now over \$800,000. Transactions have 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 90,000 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 but also assumes vaccines won't be widespread until summer of 2021, continued social distancing requirements through much 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 1.1 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 1.7% in 2020 but is likely to pick up the pace in 2021-2022 to levels more typically expected of around 2 to 2.5 percent. 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 solid growth in 2021 after contracting over 8% in 2020. Assuming the economy will be able to remain open, we expect taxable sales to grow about 6 percent in 2021 and return to pre-Covid levels by 2022.



<b>King County Forecast - March 2021</b>					
	2019	2020	2021	2022	2023
<b>King County-Level</b>					
Population (thous.)	2,235.0	2,269.7	2,302.0	2,327.3	2,354.8
Employment (thous.)	1,467.6	1,385.9	1,421.3	1,472.6	1,513.4
Unemployment Rate (%)	2.6	7.6	5.3	4.8	4.5
Personal Income (mil \$)	213,956.7	228,384.0	239,426.3	245,385.1	253,843.5
Housing Permits	18,277	14,237	14,731	14,717	13,433
House Transactions (Residential)	30,379	31,716	31,694	31,867	29,503
House Prices (avg.)	749,399	826,241	867,497	913,378	953,357
Seattle FHFA Index	360.9	379.2	396.4	413.9	429.3
Seattle CPI-U	278.6	282.9	289.6	296.5	303.3
Taxable Retail Sales (mil \$)	76,486.2	70,250.0	74,485.7	79,344.6	83,806.1
<b>King County Employment - Detail (thousands)</b>					
Natural Resources	0.5	0.5	0.5	0.5	0.5
Construction	79.5	76.7	80.7	84.0	84.4
Manufacturing	106.0	95.7	91.5	91.6	90.7
<b>Subtotal (Goods Employment)</b>	<b>186.0</b>	<b>172.8</b>	<b>172.6</b>	<b>176.1</b>	<b>175.6</b>
Trade, Transportation and Utilities	280.9	276.2	285.2	291.1	290.3
Information	121.6	128.0	134.2	141.6	143.4
Financial Services	75.3	72.6	73.1	72.7	72.5
Professional and Business Services	238.9	234.9	242.9	252.7	265.4
Other Services	389.5	330.0	340.2	370.6	391.9
Government	175.4	171.3	173.1	167.9	174.2
<b>Subtotal (Services Employment)</b>	<b>1,281.6</b>	<b>1,213.1</b>	<b>1,248.7</b>	<b>1,296.5</b>	<b>1,337.8</b>
<b>Total Employment</b>	<b>1,467.6</b>	<b>1,385.9</b>	<b>1,421.3</b>	<b>1,472.6</b>	<b>1,513.4</b>
<b>Annual Growth</b>					
Population	1.6%	1.6%	1.4%	1.1%	1.2%
Employment	2.5%	-5.6%	2.6%	3.6%	2.8%
Personal Income	5.3%	6.7%	4.8%	2.5%	3.4%
Inflation	2.8%	1.5%	2.4%	2.4%	2.3%
Taxable Retail Sales	5.2%	-8.2%	6.0%	6.5%	5.6%

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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