



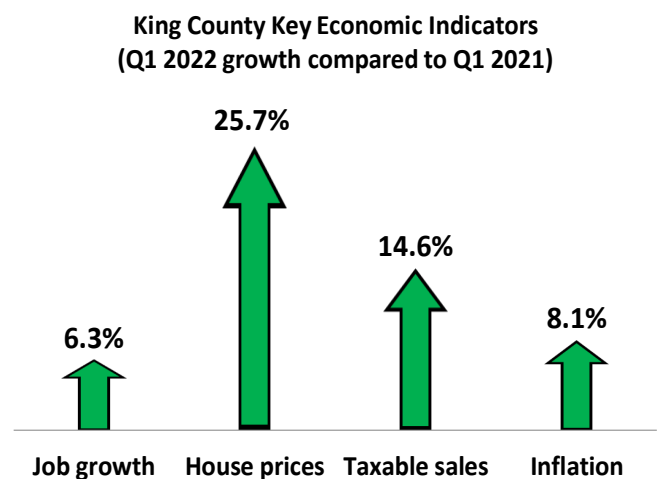
# ECONPULSE

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

FIRST QUARTER 2022

## SUMMARY

- King County employment increased 6.3% in the first quarter of 2022 compared to the first quarter of 2021.
- Home prices increased 25.7% compared with the first quarter of 2021.
- Taxable sales increased 14.6% in January and February compared to the same period of 2021.
- The inflation rate was 8.1% in the first quarter of 2022.



## DETAIL

Employment in King County continued to grow strongly, increasing 6.3% year over year in the first quarter. The leisure and hospitality sector continues to experience huge gains, with 31,100 more jobs in the first quarter of 2022 than in 2021. Other strong gaining sectors include information (+10,700 jobs) and professional and business services (+18,300 jobs). Total employment continues to fall short of pre-pandemic levels, with deficits in sectors as varied as manufacturing, government, education, and hospitality. Sectors that have experienced a full recovery and/or overall gains include information, finance, professional services, and retail.

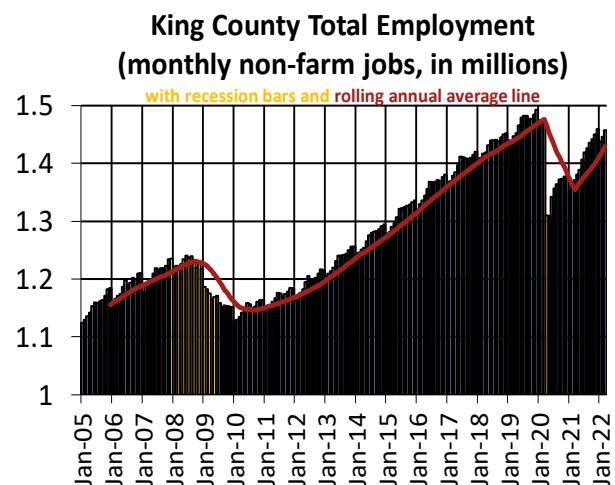


Fig. 1 Non-Farm Employment in King County (Source: WA ESD)

The unemployment rate for King County continued to fall, down to 2.5% in March, while national unemployment stood at 3.6%. Initial claims for unemployment insurance are down to historically low levels, with only 3,405 filings in March. The employment supply and demand data from the Washington State Employment Security Department shows a large gap between the supply of workers seeking employment in King County (12,692 workers in March) and the total job postings (104,872 postings in March).

## DETAIL (CONT.)

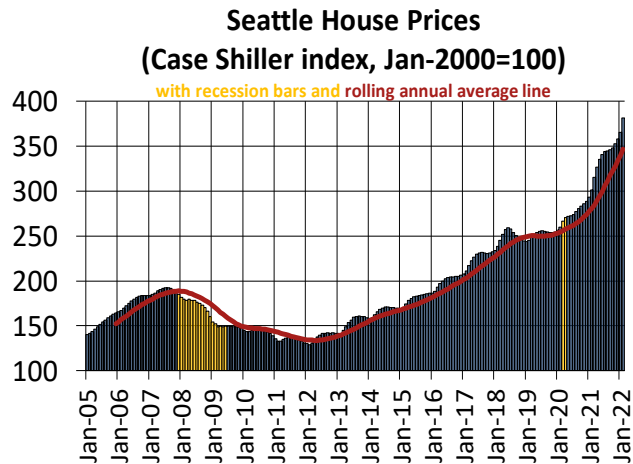


Fig. 2 Seattle Case-Shiller Index (Source: S&P)

The Case-Shiller housing index for the Seattle area increased 25.7% year-over-year in January and February. Higher interest rates do not seem to be affecting prices, as supply continues to be very tight. The average sales price in King County topped \$1 million in March of 2022.

Permitting was quite slow in the first quarter, with single-family permitting down 12% compared to 1Q2021. Higher construction costs are evident in the multi-family permitting figures; the number of units permitted in the first quarter was down 14% year-over-year, but the total cost was up 11.7%.

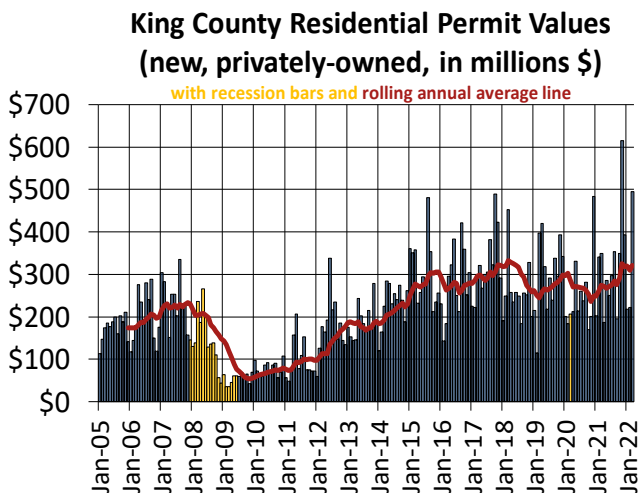


Fig. 3 Value of King County Residential Permits (Source: U.S. Census Bureau)

Taxable retail sales growth maintained the trends we have seen over the past few quarters: increased sales overall (+14.6%), with food service, accommodation, and entertainment leading the way as those sectors continue to recover from the acute losses of the early pandemic period.

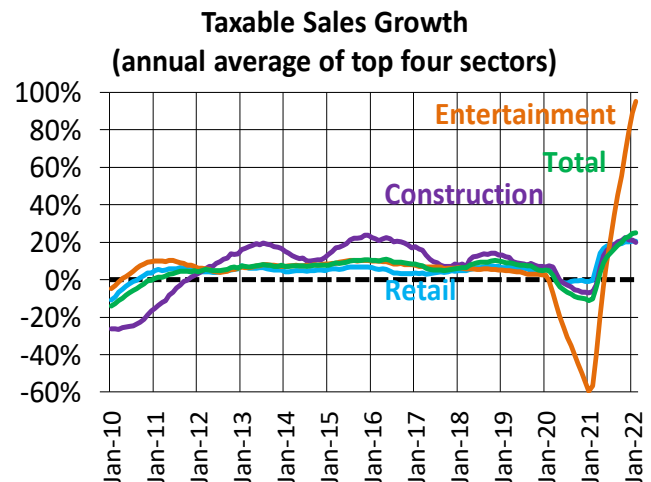


Fig. 4 Taxable Sales Growth in King County (12 month avg) (Source: WA DOR)

Inflation increased 8.1% in February as measured by the CPI-W for Seattle. Rising inflation in recent months continues to be driven by transportation (+19.2% year-over-year), housing (+6%), and food and beverages (+10%). The national inflation rate was 8.6% in February.

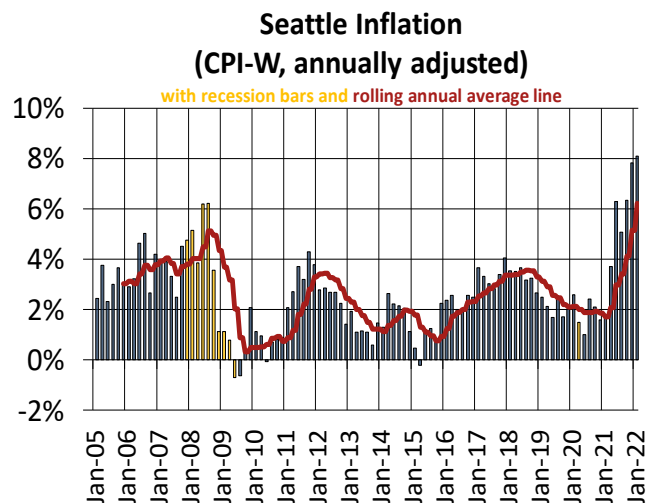


Fig. 5 Seattle Consumer Price Index (Source: BLS)

## THE NUMBERS

### King County Employment (in thousands)

NAICS Industry	2022:1Q	2021:1Q	Absolute change	% Change
Total Nonfarm	1,447.3	1,361.0	86.3	6.3%
Total Private	1,276.9	1,192.3	84.6	7.1%
Goods Producing	170.2	165.7	4.5	2.7%
Construction	78.6	76.9	1.7	2.3%
Manufacturing	91.2	88.4	2.7	3.1%
Service Providing	1,277.1	1,195.3	81.8	6.8%
Trade, Transportation, and Utilities	286.9	277.4	9.5	3.4%
Information	141.0	130.3	10.7	8.2%
Financial Activities	76.5	72.4	4.1	5.7%
Professional and Business Services	255.2	236.8	18.3	7.7%
Educational and Health Services	185.6	180.9	4.7	2.6%
Educational Services	32.2	28.6	3.5	12.3%
Ambulatory Health Care Services	62.2	60.2	2.0	3.3%
Hospitals	28.7	29.7	-1.0	-3.3%
Nursing and Residential Care Facilities	17.5	18.0	-0.5	-3.0%
Social Assistance	45.0	44.4	0.6	1.4%
Leisure and Hospitality	116.2	85.1	31.1	36.5%
Arts, Entertainment, and Recreation	19.9	15.7	4.3	27.2%
Accommodation	9.8	6.1	3.8	62.1%
Food Services and Drinking Places	86.5	63.4	23.1	36.4%
Other Services	45.3	43.6	1.7	3.9%
Government	170.4	168.7	1.7	1.0%

### Other King County Economic Indicators

	2022:Q1	2021:Q1	% Change
<b>Real Estate</b>			
Single Family Permits (No. of units)	754	857	-12.0%
Single Family Permits (\$000)	\$ 304,022	\$ 328,853	-7.6%
Multi-Family Permits (No. of units)	3,146	3,659	-14.0%
Multi-Family Permits (\$000)	\$ 628,855	\$ 562,846	11.7%
Avg. sales price (NW Multiple Listing Service)	\$ 976,123	\$ 851,322	14.7%
Number of sales (NW Multiple Listing Service)	6,206	7,108	-12.7%
<b>Taxable Retail Sales (\$B, Jan-Feb)</b>	\$ 12.45	\$ 10.87	14.6%
Retail/Wholesale	\$ 5.24	\$ 4.61	13.6%
Construction/Real Estate	\$ 3.69	\$ 3.59	3.0%
Food Service, Accommodation, Entertainment	\$ 1.40	\$ 0.91	53.5%
Other	\$ 2.13	\$ 1.76	21.1%
<b>Inflation (February)</b>			
CPI-W (Seattle-Tacoma-Bellevue)	305.70	282.80	8.1%

## KING COUNTY INDEX OF LEADING INDICATORS

The King County Index of Leading Indicators increased in the first quarter of 2022. Local indicators moved largely in a positive direction, with initial claims for unemployment insurance, new business incorporation, help wanted ads, and residential permits all increasing, while durable goods decreased. National indicators were mixed, with the yield spread increasing and both the manufacturing index and consumer sentiment trending negative.

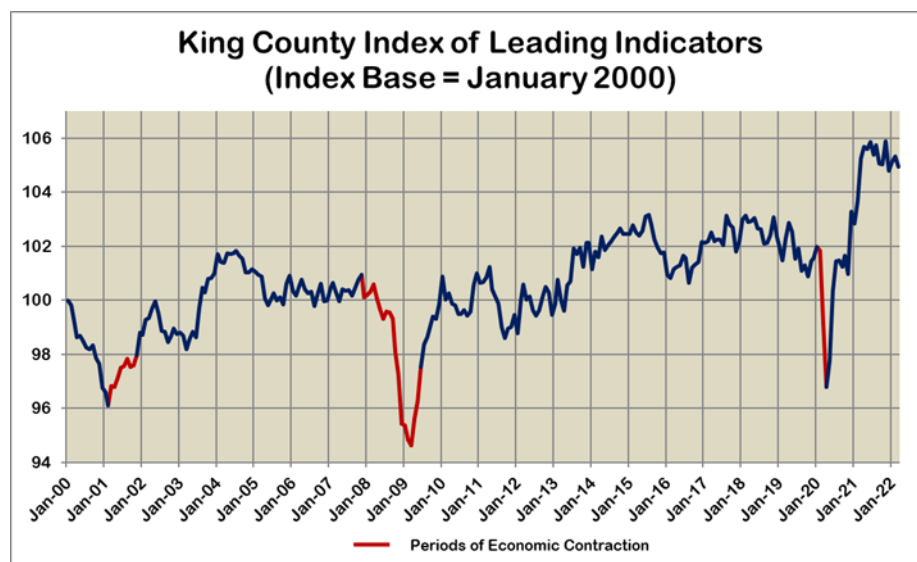


Fig 6 King County Index of Leading Indicators (Source: KC OEFA)

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

The U.S. economy grew solidly in the fourth quarter of 2021 after a relatively weak third quarter despite the Omicron variant surging in December and leading some people to pull back from economic activities. Overall growth was 6.9% for the quarter which was a more similar growth rate to what the U.S. economy experienced in the first half of 2021. So far in 2022, Omicron has surged and appears to have led to a slowdown in economic activity. However, the Omicron surge now appears to be slowing and policies on masking, etc. are also pulling back. At the same time, we are continuing to see significant inflation in the U.S. February CPI inflation was nearly 8% which is the highest inflation we've seen in decades. This high inflation reflects a combination of the supply chain issues that have been with us now for nearly a year, together with elevated demand for goods driven by the pandemic, the fiscal support provided during 2020 and 2021 and the elevated savings of households. It is also appearing in the historically tight labor markets with record job openings and competition for workers pushing wage growth up to levels not seen in many years. This high inflation and very tight labor market has led to a significant change in perspective at the Federal Reserve and now most expect the Fed to undertake multiple rounds of rate increases in the coming months in an effort to get the policy rate closer to a neutral level. The Russian invasion of Ukraine has only added to the inflationary factors via its own impacts on supply chain and especially commodities prices.

Overall, most economic forecasts for the U.S. economy continue to forecast growth for 2022-2023, though the change in the policy rate path does raise the likelihood of a potential slowdown. The challenge for the Federal Reserve will be raising the rate enough to slow down new job adds without leading to significant layoffs and a recession. The Federal Reserve raised the policy rate in March by 0.25%. Most forecasters are calling for between four and seven more rate increases this year. However, 2022 should be a year of growth, albeit slower than what we had in 2021. Inflation forecasts are very elevated, but it is likely that we should peak sometime in the first half of 2022 with inflation easing in the second half of the year though it will likely continue to be somewhat elevated. Employment growth should continue in the near-term reflecting the strong labor demand and unemployment is likely to remain near historic lows as long as Fed tightening doesn't lead to lay-offs. Interest rates are climbing which likely means a slowdown in interest rate sensitive industries like housing and so price growth should slow from the record levels in 2021.

The county economy continued a relatively strong recovery in 2021 and so far in 2022. Covid continues to be a risk factor, as it does globally, but over 85% of county residents five and over are fully vaccinated now which should help keep any new elevated case counts to be more of an inconvenience than life threatening or requiring hospitalization. Businesses are now re-opening and mask mandates have been repealed in most cases. Supply chain issues continue to be an issue in King County as it is globally. This has made it difficult for some stores to get inventory and difficulty in getting employees has made it hard for some stores to keep regular hours. Overall, King County job levels are currently down about 30,000 jobs relative to the same month pre-Covid. By comparison, the county lost nearly 150,000 jobs in April 2020, across many economic sectors. Most of the remaining jobs that have not returned are in high contact industries like leisure and hospitality that should come back as these sectors recover.

One of the most significant challenges in 2021 in King County (and globally) was the rapid increase in inflation that occurred over the year and has continued so far into 2022. It was expected that we'd see higher inflation in the first half of the year due to base effects associated with the low values in 2020 and expected

## KING COUNTY FORECAST (CONT.)

elevated demand as the economy re-opened but as 2021 progressed it became clear that inflation was much more entrenched and widespread than thought. This rapid inflation is forcing some consumers and businesses to change purchasing behaviors and adapt in other ways and will likely continue to be a factor in 2022 and beyond.

Taxable retail sales recovered significantly in 2021. Overall, taxable sales were up over 7% above 2019 levels and over 16% above 2020 levels. This was led by very strong retail sales numbers together with strong construction values. We expect this to continue in 2022 although the current concrete delivery driver strike may weigh on construction taxable sales in the near-term.

The local housing market experienced double-digit gains in prices in 2021. The suburban areas in particular have seen rapid price appreciation, but the entire county has experienced very strong demand and limited inventory. This has been 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 has remained near historic lows. Inventory in King County in February 2022 was half a month. Through most of 2021 and into 2022, the turbo-charged market has continued with the Case Shiller index up over 20% in recent months and the Multiple Listing Service indicating that the average sales price in King County is near \$950,000.

As we look forward, most indicators suggest that we should continue to experience economic growth in 2022 assuming we can keep virus variants in check, 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 mostly reversed but we are still down significantly from February of 2020. The speed of the recovery going forward will depend on virus variants and how comfortable people feel returning to pre-pandemic behaviors like going out to eat and traveling. Tourism is likely to be strong this year with nearly 300 cruise trips carrying 1.2 million people departing from Seattle and convention activity is likely to recover somewhat. One big question will be the speed of the recovery in downtown Seattle and how quickly and to what extent offices re-open. The forecast presented below assumes we will be able to manage the virus going forward, that our high rate of vaccination will help us navigate covid more easily and also assumes continued social distancing requirements in limited circumstances through at least some of 2022.

We expect the local economy to continue to expand in 2022 and 2023 after a significant recovery in 2021. Table 1 indicates the most recent forecast. Population growth should continue but likely at a reduced pace of growth of around 1.4 percent with around 30,000 to 35,000 additional people living in King County in each of 2022 and 2023. Employment growth finished up just under 2% in 2021 and should continue to grow at nearly a 5% rate of growth in 2022. Inflation was 1.5% in 2020 but surged in 2021 and reached over 8% in February 2022 (CPI) as the supply chain disruptions, very strong goods demand and omicron impacts took their toll. The war in Ukraine is likely to exacerbate inflation in the near-term and it is anticipated inflation will remain elevated throughout the year though the pace should moderate in the second half of the year and in 2023. We are forecasting Seattle CPI-U inflation of about 6.4% in 2022. We expect the pace of housing permits to be lower than 2021 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 in 2022 but at a slower pace than 2021. Taxable sales are likely to exhibit solid growth in 2022 with growth over 7%.



<b>King County Forecast - March 2022</b>					
	2020	2021	2022	2023	2024
<b>King County-Level</b>					
Population (thous.)	2,267.6	2,294.8	2,326.2	2,359.8	2,384.3
Employment (thous.)	1,383.1	1,407.6	1,474.9	1,507.9	1,520.7
Unemployment Rate (%)	7.8	4.3	3.4	3.9	4.3
Personal Income (mil \$)	225,611.3	241,568.1	246,345.0	257,784.4	271,564.7
Housing Permits	14,426	19,305	15,425	14,837	13,547
House Transactions (Residential)	31,855	36,473	31,533	29,174	27,953
House Prices (avg.)	822,897	996,346	1,044,763	1,092,092	1,145,734
Seattle FHFA Index	377.7	434.6	469.4	487.3	506.1
Seattle CPI-U	282.9	296.0	315.0	326.4	334.3
Taxable Retail Sales (mil \$)	70,728.7	82,366.0	88,205.0	93,004.0	98,340.4
<b>King County Employment - Detail (thousands)</b>					
Natural Resources	0.5	0.4	0.4	0.4	0.4
Construction	76.7	79.4	80.6	81.9	81.9
Manufacturing	95.3	88.9	91.1	92.0	90.9
<b>Subtotal (Goods Employment)</b>	<b>172.4</b>	<b>168.7</b>	<b>172.1</b>	<b>174.3</b>	<b>173.2</b>
Trade, Transportation and Utilities	276.5	282.6	291.4	296.7	297.3
Information	127.9	134.5	143.1	153.6	159.4
Financial Services	72.5	73.5	75.3	75.2	74.9
Professional and Business Services	234.6	245.7	257.1	269.3	277.8
Other Services	327.3	332.1	360.7	362.7	361.4
Government	171.9	170.6	175.2	176.0	176.8
<b>Subtotal (Services Employment)</b>	<b>1,210.6</b>	<b>1,238.9</b>	<b>1,302.8</b>	<b>1,333.5</b>	<b>1,347.5</b>
<b>Total Employment</b>	<b>1,383.1</b>	<b>1,407.6</b>	<b>1,474.9</b>	<b>1,507.9</b>	<b>1,520.7</b>
<b>Annual Growth</b>					
Population	1.4%	1.2%	1.4%	1.4%	1.0%
Employment	-5.8%	1.8%	4.8%	2.2%	0.9%
Personal Income	5.4%	7.1%	2.0%	4.6%	5.3%
Inflation	1.7%	4.6%	6.4%	3.6%	2.4%
Taxable Retail Sales	-7.5%	16.5%	7.1%	5.4%	5.7%

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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