



# ECONPULSE

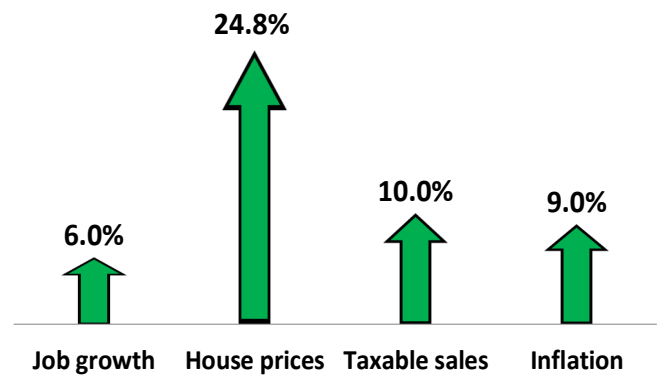
A QUARTERLY LOOK AT THE KING COUNTY ECONOMY  
 KING COUNTY OFFICE OF ECONOMIC AND FINANCIAL ANALYSIS

SECOND QUARTER 2022

## SUMMARY

- King County employment increased 6.0% in the second quarter of 2022 compared to the second quarter of 2021.
- Home prices increased 24.8% compared with the second quarter of 2021.
- Taxable sales increased 9.3% in April and May compared to the same period of 2021.
- The inflation rate was 9.0% in the second quarter of 2022, as calculated as the average of April and June inflation figures.

**King County Key Economic Indicators**  
 (Q2 2022 growth compared to Q2 2021)



## DETAIL

Employment in King County continued to grow, increasing 6.0% year over year in the first quarter. The fastest growth occurred in the leisure and hospitality sector, which added 25,600 jobs in the second quarter of 2022. Professional and business services also continued to grow solidly, adding 23,600 jobs. Total finally reached pre-pandemic levels in June 2022, with preliminary estimates of 1.488 million total employment in King County. Signs of a labor shortage persist, with 52,440 new job postings in June and a supply of only 9,136 job seekers, according to the Washington State Employment Security Department estimates.

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

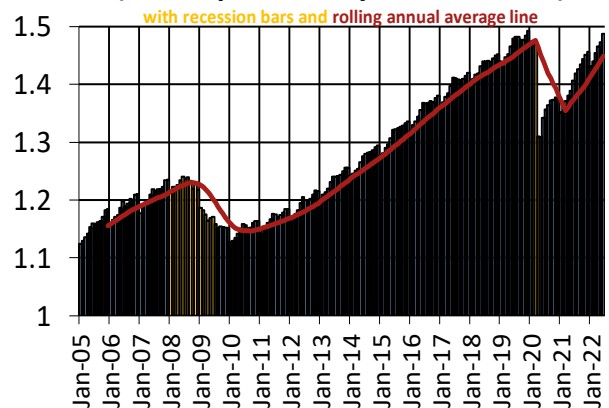


Fig. 1 Non-Farm Employment in King County (Source: WA ESD)

The unemployment rate for King County increased slightly, but remains low at 2.7% in June while national unemployment stood at 3.6%. Initial claims for unemployment insurance continue to be very low, with only 3,655 new filings in June.

**DETAIL (CONT.)**

**Seattle House Prices**  
(Case Shiller index, Jan-2000=100)

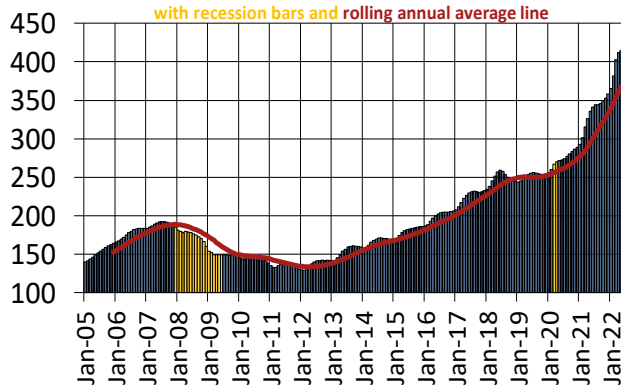


Fig. 2 Seattle Case-Shiller Index (Source: S&P)

The Case-Shiller housing index for the Seattle area increased 24.8% year-over-year in April and May. Sales volumes have slowed and inventory has increased, likely an effect of higher interest rates. The average sales price in King County is now over \$1 million.

Single-family permitting was down slightly in the second quarter but multi-family permitting increased significantly. Costs of multi-family permitting also increased quickly, although at a rate slower than the number of units permitted.

**King County Residential Permit Values**  
(new, privately-owned, in millions \$)

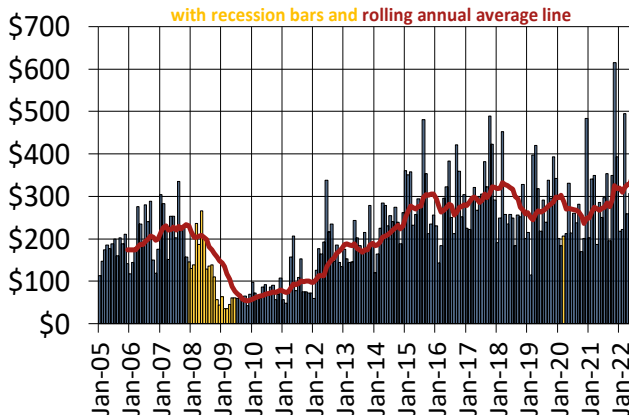


Fig. 3 Value of King County Residential Permits (Source: U.S. Census Bureau)

Taxable retail sales continued to grow in the second quarter of 2022, although at slightly slower rates than the two previous quarters. Food service, accommodation, and entertainment continues to experience the strongest growth, with an increase of 42.7% in the second quarter of 2022.

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

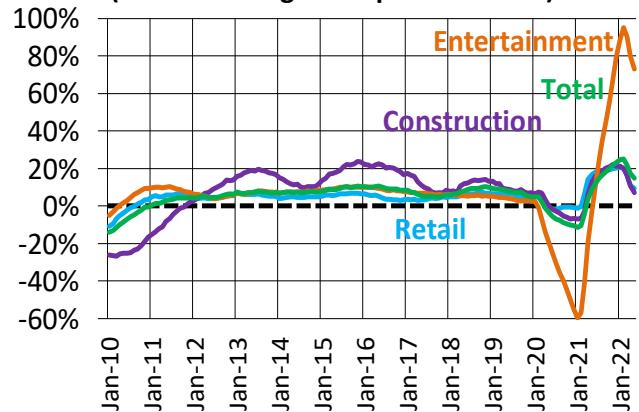


Fig. 4 Taxable Sales Growth in King County (12 month avg) (Source: WA DOR)

Inflation increased 9.5% in June as measured by the CPI-W for Seattle. Year-over year energy prices were up 31.5% in June, largely driven by the 48.4% increase in gasoline prices, and food increased 10.3%. Prices in all categories increased, except for apparel. The national inflation rate was 9.8% in June.

**Seattle Inflation**  
(CPI-W, annually adjusted)

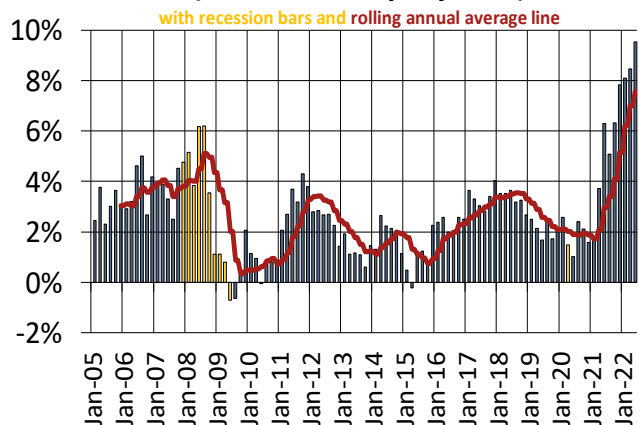


Fig. 5 Seattle Consumer Price Index (Source: BLS)

## THE NUMBERS

### King County Employment (in thousands)

NAICS Industry	2022:2Q	2021:2Q	Absolute change	% Change
Total Nonfarm	1,476.0	1,392.2	83.8	6.0%
Total Private	1,309.3	1,221.2	88.1	7.2%
Goods Producing	174.3	167.3	6.9	4.1%
Construction	81.1	79.1	2.0	2.5%
Manufacturing	92.8	87.8	5.0	5.7%
Service Providing	1,301.7	1,224.9	76.8	6.3%
Trade, Transportation, and Utilities	286.7	276.9	9.7	3.5%
Information	142.4	132.1	10.3	7.8%
Financial Activities	77.7	73.2	4.5	6.1%
Professional and Business Services	266.1	242.5	23.6	9.7%
Educational and Health Services	188.7	183.4	5.3	2.9%
Educational Services	32.5	29.7	2.9	9.7%
Ambulatory Health Care Services	61.7	61.3	0.4	0.6%
Hospitals	29.1	29.7	-0.7	-2.2%
Nursing and Residential Care Facilities	17.0	18.0	-1.0	-5.5%
Social Assistance	48.4	44.6	3.8	8.5%
Leisure and Hospitality	126.5	101.0	25.6	25.3%
Arts, Entertainment, and Recreation	23.4	19.0	4.4	22.9%
Accommodation	11.0	7.6	3.5	45.8%
Food Services and Drinking Places	92.1	74.4	17.7	23.7%
Other Services	47.0	44.8	2.2	4.9%
Government	166.7	171.0	-4.4	-2.6%

### Other King County Economic Indicators

	2022:Q2	2021:Q2	% Change
<b>Real Estate</b>			
Single Family Permits (No. of units)	763	787	-3.0%
Single Family Permits (\$000)	\$ 346,189	\$ 315,919	9.6%
Multi-Family Permits (No. of units)	4,764	2,259	110.9%
Multi-Family Permits (\$000)	\$ 723,980	\$ 407,805	77.5%
Avg. sales price (NW Multiple Listing Service)	\$ 1,099,093	\$ 958,076	14.7%
Number of sales (NW Multiple Listing Service)	9,484	11,097	-14.5%
<b>Taxable Retail Sales (\$B, Apr-May)</b>	\$ 14.41	\$ 13.11	10.0%
Retail/Wholesale	\$ 5.92	\$ 5.57	6.2%
Construction/Real Estate	\$ 4.36	\$ 4.12	6.0%
Food Service, Accommodation, Entertainment	\$ 1.91	\$ 1.34	42.7%
Other	\$ 2.22	\$ 2.08	6.8%
<b>Inflation (June)</b>			
CPI-W (Seattle-Tacoma-Bellevue)	321.63	293.61	9.5%

## KING COUNTY INDEX OF LEADING INDICATORS

The King County Index of Leading Indicators moved in a negative direction in the second quarter of 2022. While the quarter started out mixed, by June every indicator had turned sharply negative, with the lone exception of local permitting. Initial claims for unemployment and consumer sentiment had the biggest negative impact on the indicator. June 2022 represents the third largest single month decline in the indicator since January 2000, “bested” only by March and April of 2020, months now identified by the National Bureau of Economic Research (‘NBER’) as part of the recession related to the COVID-19 outbreak.

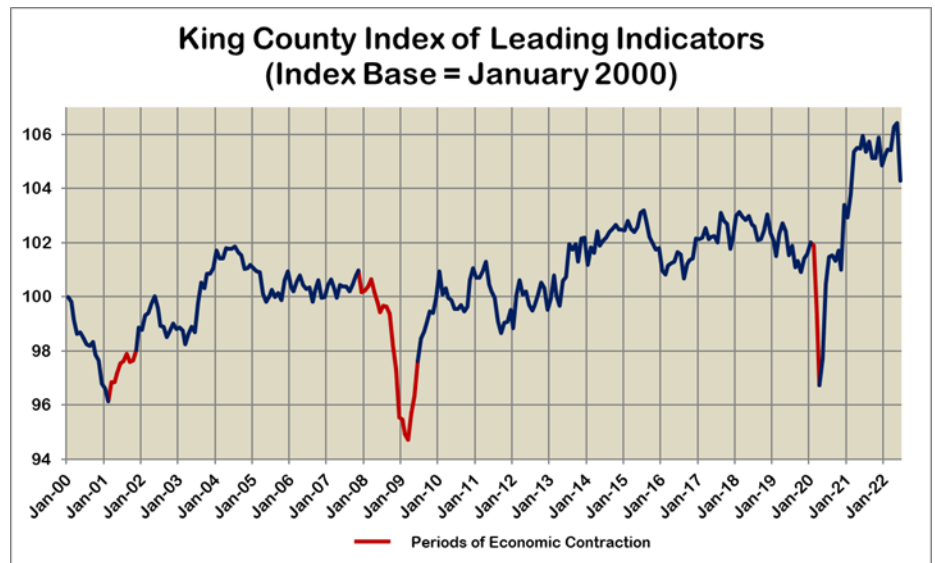


Fig 6 King County Index of Leading Indicators (Source: KC OEFA)

## KING COUNTY FORECAST

The U.S. economy contracted in the first quarter of 2022 after a strong fourth quarter in 2021, reflecting decreases in exports, federal government spending, private inventory investment, state and local government spending and a surge in imports (which subtracts from GDP). Overall, the economy shrank by 1.6% for the quarter. Much of this had to do with surging imports that likely reflect continued elevated goods consumption, strong equipment investment and Ukraine-driven front-loading of orders by firms anticipating shortages. At the same time, we are continuing to see significant inflation in the U.S. May CPI inflation was 8.6% year over year 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 over 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 evident in the historically tight labor markets with record job openings and competition for workers pushing wage growth up to very high levels. This high inflation and very tight labor market has led the Federal Reserve to raise the target federal funds rate significantly starting with a 0.25% increase in March and 0.75% increases in May and June so that the target rate range is now in the 1.5%-1.75% range. Most expect the Fed to continue to undertake additional rounds of rate increases in the coming months in an effort to get the inflation rate down from the currently elevated 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 slow growth for 2022-2023, though there is now a very elevated risk of the U.S. economy entering a recession in the near future as the Federal Reserve strives to re-balance the labor market and slow wage growth. 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 has already raised the policy rate in 2022 by 1.75% and most forecasters are calling for another 1% by the end of the year. Inflation forecasts are very elevated, but it is likely that we should peak by the third quarter of 2022 with inflation easing somewhat by year-end though it will likely continue to be elevated. Employment growth should continue in the near-term but at a slower rate than we've seen, and unemployment is likely to begin to tick up this year as higher interest rates begin to have an impact. Mortgage rates have climbed significantly which has already impacted the housing market and so price growth appears to be slowing significantly.

The county economy continues to recover so far in 2022. Covid continues to be a risk factor, as it does globally, but so far, even with increasing transmission from subvariants, hospitalizations have been reduced and deaths reduced even more. Most businesses that survived are now re-opened and masking is not required, though recommended in limited circumstances. 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 retail businesses to keep regular hours. Overall, King County employment is currently down about 2,500 jobs relative to February of 2020. That's a long way from the nearly 150,000 jobs lost in King County in April 2020. 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 continue to recover.

One of the most significant challenges in 2022 in King County (and globally) is the very elevated level of inflation. It was expected that we'd see higher inflation in the first half of 2021, but it continued to build and spread beyond the sectors likely impacted by Covid and continues to surge in 2022. This rapid inflation is

## KING COUNTY FORECAST (CONT.)

forcing some consumers and businesses to change purchasing behaviors and adapt in other ways and will likely continue to be a factor in 2023.

Taxable retail sales recovered significantly in 2021 and so far in 2022 they are up over 11% compared with 2021. This has been led by strong retail sales numbers together with recovering leisure and hospitality numbers. We expect this to continue as 2022 progresses but at a slower rate of growth.

The local housing market experienced double-digit gains in prices in 2021 and so far in 2022. 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. However, the recent run-up in mortgage rates will likely slow sales and the growth of prices. Inventory in King County in June 2022 is about 0.8 months. Growth in the Case Shiller index is up over 20% in recent months and the Multiple Listing Service indicates that the average sales price in King County is near \$1.1 million.

As we look forward, most indicators suggest that we will 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 and the speed of the recovery going forward will depend on virus variants and how comfortable people feel returning to pre-pandemic behaviors. Tourism continues to be strong this year with nearly 300 cruise trips carrying 1.2 million people departing from Seattle and convention activity is recovering. One continuing question is the speed of the recovery in downtown Seattle and how quickly and to what extent offices reopen. The forecast presented below assumes we will be able to manage the virus going forward and that our high rate of vaccination will help us navigate Covid more easily.

We expect the local economy to continue to expand in 2022 and 2023 though at a slower rate as we move through 2022 and into 2023. Table 1 indicates the most recent forecast. Population growth should continue at around 1.3 percent per year resulting in around 30,000 additional people living in King County in each of 2022 and 2023. Employment growth finished up 1.8% in 2021 and should continue to grow at nearly a 5% rate of growth in 2022 as leisure and hospitality recovers and other sectors like information continue to grow. This pace is likely to slow as we head into 2023 and the national labor market slows. Inflation was 1.5% in 2020 but surged in 2021 and reached over 8% in May 2022 (CPI) on supply chain disruptions and very strong goods demand. The war in Ukraine is also exacerbating inflation and it is anticipated inflation will remain elevated throughout the year though the pace should moderate by year-end and into 2023. 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 increase in 2022 but at a slower pace than 2021 as rising mortgage rates affect demand. Taxable sales are likely to exhibit solid growth in 2022 with growth over 7%.

<b>King County Forecast - 2022 June</b>					
	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
<b>King County-Level</b>					
Population (thous.)	2,267.6	2,294.8	2,325.2	2,355.8	2,382.2
Employment (thous.)	1,383.0	1,407.4	1,475.7	1,511.1	1,524.5
Unemployment Rate (%)	7.9	4.2	3.1	3.9	4.0
Personal Income (mil \$)	219,805.8	239,429.1	245,501.6	257,057.0	270,419.3
Housing Permits	14,396	19,154	16,233	16,051	13,974
House Transactions (Residential)	31,848	36,501	31,079	27,475	27,773
House Prices (avg.)	822,962	996,329	1,115,259	1,161,871	1,220,857
Seattle FHFA Index	377.7	434.6	470.9	488.9	506.2
Seattle CPI-U	282.9	296.0	317.5	329.1	337.4
Taxable Retail Sales (mil \$)	70,728.7	82,495.3	88,915.1	92,920.7	96,748.6
<b>King County Employment - Detail (thousands)</b>					
Natural Resources	0.5	0.4	0.4	0.4	0.4
Construction	76.7	79.3	80.1	81.3	82.7
Manufacturing	95.3	89.0	92.7	92.2	90.8
<b>Subtotal (Goods Employment)</b>	<b>172.4</b>	<b>168.7</b>	<b>173.2</b>	<b>173.9</b>	<b>173.9</b>
Trade, Transportation and Utilities	276.5	282.6	290.0	295.0	297.2
Information	127.9	134.2	142.7	152.9	158.7
Financial Services	72.5	73.5	77.0	77.8	77.8
Professional and Business Services	234.6	245.7	263.2	272.3	283.1
Other Services	327.2	332.9	361.5	369.4	363.9
Government	171.8	169.7	168.1	169.6	169.8
<b>Subtotal (Services Employment)</b>	<b>1,210.6</b>	<b>1,238.7</b>	<b>1,302.6</b>	<b>1,337.1</b>	<b>1,350.5</b>
<b>Total Employment</b>	<b>1,383.0</b>	<b>1,407.4</b>	<b>1,475.7</b>	<b>1,511.1</b>	<b>1,524.5</b>
<b>Annual Growth</b>					
Population	1.4%	1.2%	1.3%	1.3%	1.1%
Employment	-5.8%	1.8%	4.9%	2.4%	0.9%
Personal Income	6.2%	8.9%	2.5%	4.7%	5.2%
Inflation	1.7%	4.6%	7.3%	3.7%	2.5%
Taxable Retail Sales	-7.5%	16.6%	7.8%	4.5%	4.1%

*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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