



# ECONPULSE

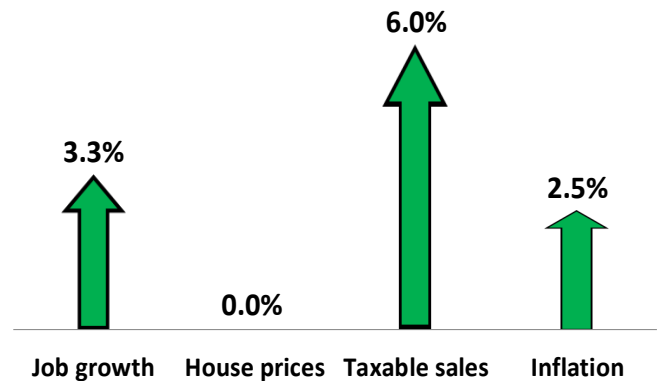
A QUARTERLY LOOK AT THE KING COUNTY ECONOMY  
 KING COUNTY OFFICE OF ECONOMIC AND FINANCIAL ANALYSIS

THIRD QUARTER 2019

## SUMMARY

- King County employment grew 3.3% in the third quarter of 2019 relative to 2018, with notable growth in both manufacturing and information jobs.
- Home prices were unchanged compared with the third quarter of 2018.
- Taxable sales rose 6.0% in July and August.
- The inflation rate was 2.5% in August.

**King County Key Economic Indicators**  
 (Q3 2019 growth compared to Q3 2018)



## DETAIL

King County employment increased in all sectors in the third quarter of 2019 compared to 2018. Strong growth occurred in the information sector, which added 9,800 jobs, and the manufacturing sector, which added 5,900 jobs. Other strong sectors include financial activities and educational and health services. New job postings continue to be down year over year, with 12.4% fewer new job postings in the third quarter of 2019 than in 2018.

The unemployment rate for King County was 3.0% in September, compared to 3.5% nationally. Initial claims for unemployment insurance continue increasing a bit each month, up 3.9% in the third quarter relative to the year prior.

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

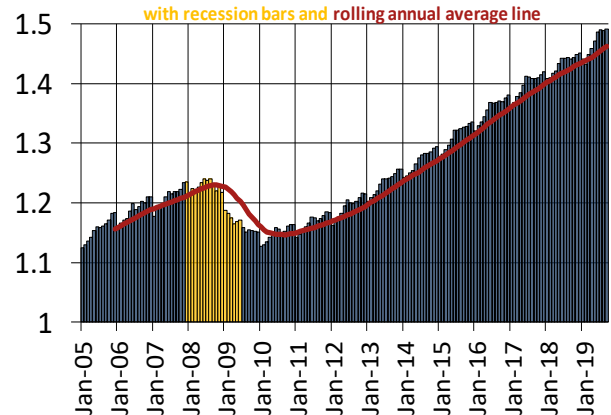


Fig. 1 Non-Farm Employment in King County (Source: WA ESD)

**DETAIL (CONT.)**

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

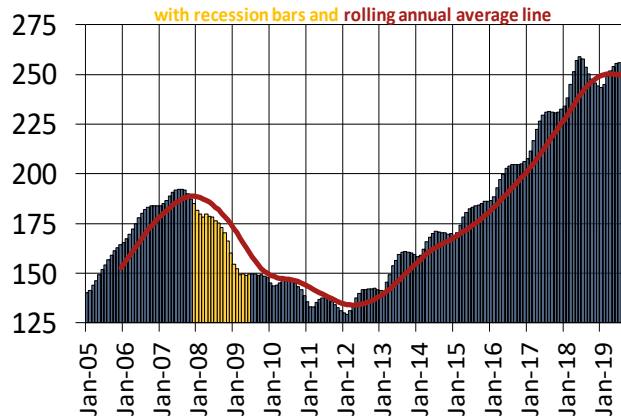


Fig. 2 Seattle Case-Shiller Index (Source: S&P)

Seattle-area house prices experienced zero growth in the third quarter of 2019. The chart above illustrates well how the month-to-month shifts in home prices have averaged out to a plateau over the last year.

Multi-family permitting continued to increase significantly, up 88.5% in the third quarter and 34% year to date. Single-family permitting declined again, and is down 15% year to date. Total permits overall are up 18.7% year to date, with 12,940 total units permitted in 2019 through 3Q.

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

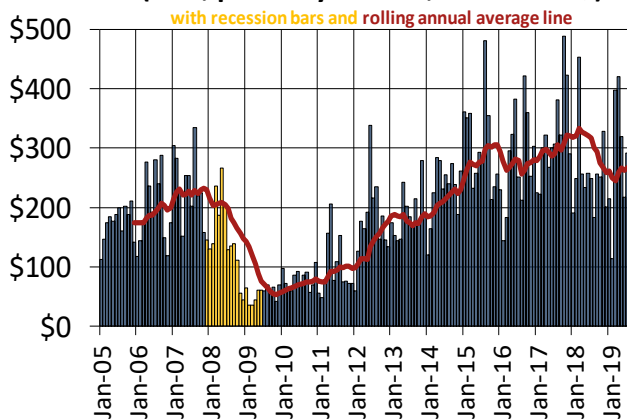


Fig. 3 Value of King County Residential Permits (Source: U.S. Census Bureau)

Taxable retail sales experienced solid growth in the third quarter, increasing 6%. Growth continued to be strong in construction and retail taxable sales.

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

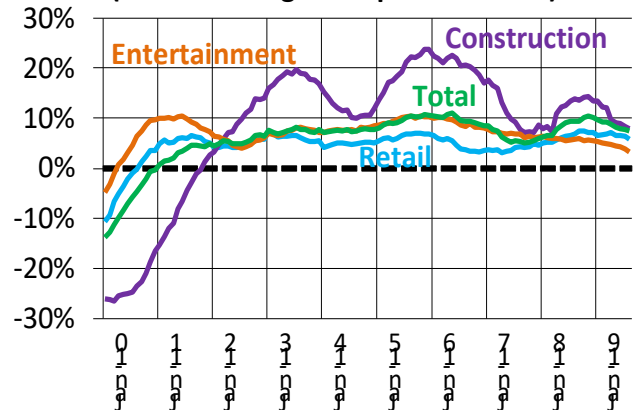


Fig. 4 Taxable Sales Growth in King County (12 month avg) (Source: WA DOR)

Inflation increased in the third quarter, at 2.5% in August as measured by the CPI-W for Seattle. While energy prices continued to decrease, increased housing costs drove the overall increase. The national inflation rate was 1.5%.

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

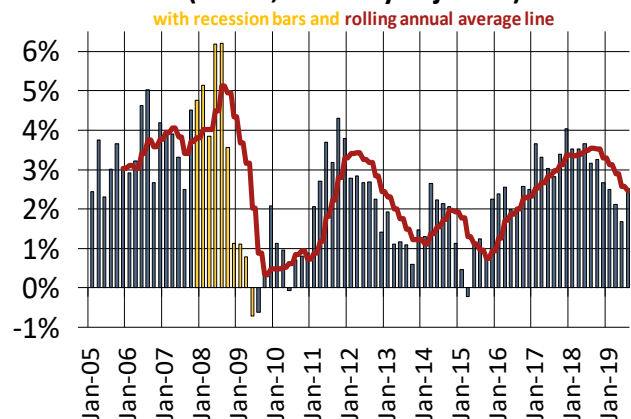


Fig. 5 Seattle Consumer Price Index (Source: BLS)

## THE NUMBERS

### King County Employment (in thousands)

NAICS Industry	2019:3Q	2018:3Q	Absolute change	% Change
Total Nonfarm	1,490.2	1,442.9	47.3	3.3%
Total Private	1,317.0	1,270.6	46.4	3.6%
Goods Producing	191.7	184.3	7.4	4.0%
Construction	81.4	80.0	1.4	1.7%
Manufacturing	109.7	103.8	5.9	5.7%
Service Providing	1,298.5	1,258.6	39.9	3.2%
Trade, Transportation, and Utilities	280.8	277.0	3.8	1.4%
Information	123.9	114.1	9.8	8.6%
Financial Activities	78.2	74.4	3.8	5.2%
Professional and Business Services	245.7	236.6	9.1	3.8%
Educational and Health Services	190.0	184.0	6.0	3.3%
Educational Services	29.4	28.2	1.2	4.3%
Ambulatory Health Care Services	63.8	61.5	2.3	3.8%
Hospitals	32.4	31.2	1.2	3.9%
Nursing and Residential Care Facilities	20.8	19.9	0.9	4.3%
Social Assistance	43.6	43.2	0.4	0.9%
Leisure and Hospitality	153.2	150.1	3.1	2.1%
Arts, Entertainment, and Recreation	29.9	29.6	0.3	0.9%
Accommodation	16.9	15.6	1.3	8.4%
Food Services and Drinking Places	106.5	104.9	1.6	1.5%
Other Services	53.4	50.1	3.3	6.7%
Government	173.2	172.3	0.9	0.5%

### Other King County Economic Indicators

	2019:Q3	2018:Q3	% Change
<b>Real Estate</b>			
Single Family Permits (No. of units)	995	1,065	-6.6%
Single Family Permits (\$000)	\$ 385,710	\$ 419,134	-8.0%
Multi-Family Permits (No. of units)	3,702	1,964	88.5%
Multi-Family Permits (\$000)	\$ 482,534	\$ 269,178	79.3%
Avg. sales price (NW Multiple Listing Service)	\$ 742,631	\$ 738,125	0.6%
Number of sales (NW Multiple Listing Service)	8,938	8,620	3.7%
<b>Taxable Retail Sales (\$B, July-August)</b>	\$ 12.98	\$ 12.24	6.0%
Retail/Wholesale	\$ 5.07	\$ 4.88	3.9%
Construction/Real Estate	\$ 4.02	\$ 3.72	8.1%
Food Service, Accommodation, Entertainment	\$ 2.17	\$ 2.11	2.9%
Other	\$ 1.71	\$ 1.52	12.5%
<b>Inflation (August)</b>			
CPI-W (Seattle-Tacoma-Bellevue)	274.52	267.76	2.5%

## KING COUNTY INDEX OF LEADING INDICATORS

The King County Index of Leading Indicators decreased in the third quarter of 2019. All indicators decreased on a seasonally adjusted basis, with the exception of county residential permits and state new business incorporations.

As seen in Figure 6, the Index continues to bounce around on a month to month basis, failing to find a consistent pattern. Individual indicators are mixed, but two indicators that have produced a consistent pattern are initial claims for unemployment insurance and the yield spread. Both have moved persistently negative for five straight quarters.

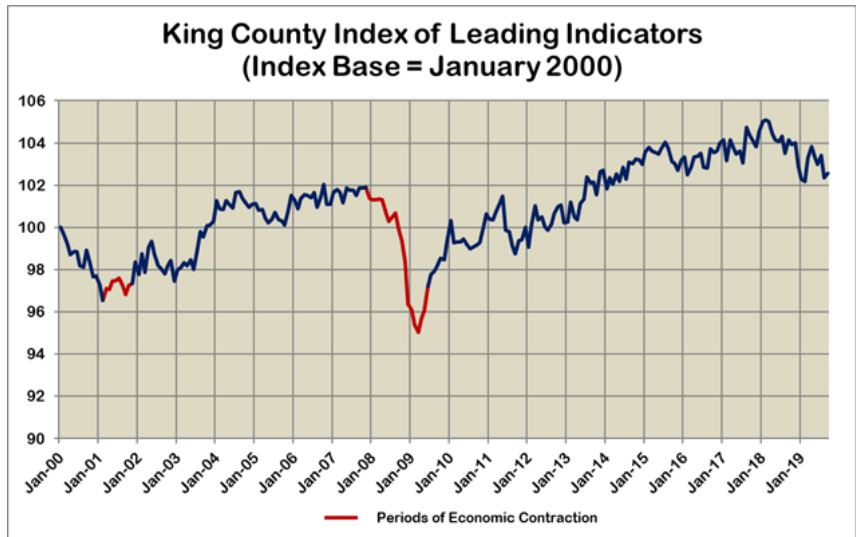


Fig 6 King County Index of Leading Indicators (Source: KC OEFA)

## KING COUNTY FORECAST

The U.S. economy grew at a 2.0% pace in the second quarter of 2019 reflecting slower growth than the first quarter when growth was 3.1%. The second quarter growth is closer to the typical growth of most of the post-recession period where growth has averaged about 2.3%. This slowdown was broadly expected as global growth indicators during the latter part of 2018 indicated the global and national economies were slowing from the more rapid growth the world economy saw in 2018. The U.S. job market continued to be strong with job ads averaging over 150,000 per month in the second quarter of 2019 and an unemployment rate at 3.7% in August 2019. Job openings continued to be plentiful with over 7.3 million unfilled jobs. Wage growth picked up some and is up about 3.7% year on year through August, 2019 according to the Atlanta Fed wage growth tracker. National inflation has been modest so far in 2019 with the headline CPI tracking under 2% for the first seven months of 2019.

King County's economy continued to grow in the first half of 2019. Employment growth averaged about 2.5% for the first seven months of 2019 based on preliminary values from the state employment department which is a little lower than the 2.7% growth seen in 2018. Industry growth in 2018 was led by Information (+6.7%), Construction (+5.0%) and Education and Health (+3.9%). Construction employment is still growing in King County up about 2.3% through July, 2019 and information employment is currently up 8.8%. Unemployment in the county has reached near record lows with values below 3% in some months and the July 2019 value at 3.1%.

Taxable retail sales growth has averaged 8.4% annually for the last five years. This reflects both the strength of the local economy and policy changes made like extending the sales tax to bottled water and remote sellers. Construction sales tax growth has been particularly strong averaging over 14% growth per year since 2013 and reflecting the amount of building going on in the county. It is now almost 22% of countywide taxable sales annually. So far in 2019, the pace of sales tax growth has slowed as the impact from the 2018 tax law changes has moved through and due to slower construction taxable sales growth and the severe weather in February. Sales taxes through July 2019 are up about 6.3%.

The local housing market has cooled significantly since the double digit growth rates of the last few years. So far in 2019, prices are down a little year on year but are no longer dropping rapidly. The Case Shiller index finished up 10.4% for 2018 but so far in 2019 the index is up about 0.7% as shown in the chart below (See Fig 7).

Besides a slower housing market, the local economy is showing other signs of a reduced pace of growth. Online new job postings have been slowing since 2017 and so far are down about 8.6% through July of 2019.



Fig. 7 Seattle Case-Shiller Index Growth (Source: S&P)

## KING COUNTY FORECAST (CONT.)

This likely reflects a more sustainable level of job postings rather than the early signs of a recession. Single family building permits are down about 16% through July of 2019. Inflation has also slowed lately both reflecting the influence of the national slowdown in price growth and the slowdown in local housing and rents. The local CPI measures through August are tracking at around 2.5% annual growth.

We continue to expect the local economy to grow but at a reduced rate of growth going forward. Table 1 indicates the most recent forecast. Population growth should continue but likely in the 0.8% to 1.2% range with about 15,000 to 20,000 additional people living in King County in each of 2020 and 2021. Employment growth finished up 2.6% in 2018 and we expect it to be about the same in 2019. Inflation is likely to continue slowing in 2019 and 2020. We expect the pace of housing permits to finish down this year, but housing prices should continue to grow but at a much slower pace. Taxable sales growth is likely to be slower in 2019 as the pulse from the expanded tax base in 2018 passes and reflecting slower construction taxable sales growth in 2019-2020.

<b>King County Forecast - September 2019</b>				
	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
<b>King County-Level</b>				
Population (thous.)	2,200.7	2,235.0	2,261.1	2,278.4
Employment (thous.)	1,434.0	1,471.3	1,501.1	1,514.9
Unemployment Rate (%)	3.5	3.1	3.1	3.2
Personal Income (mil \$)	194,153.7	206,751.4	218,857.4	230,361.3
Housing Permits	15,499	16,631	13,942	10,887
House Transactions (Residential)	30,079	27,651	28,743	28,448
House Prices (avg.)	756,958	747,398	757,129	780,059
Seattle FHFA Index	359.5	364.3	371.6	378.9
Seattle CPI-U	271.0	277.9	283.8	290.0
Taxable Retail Sales (mil \$)	72,726.6	76,460.4	79,060.5	82,993.6
<b>King County Employment - Detail (thousands)</b>				
Natural Resources	0.5	0.5	0.5	0.5
Construction	78.3	78.8	79.5	80.7
Manufacturing	103.3	106.7	104.9	103.4
<b>Subtotal (Goods Employment)</b>	<b>182.0</b>	<b>186.0</b>	<b>184.9</b>	<b>184.5</b>
Trade, Transportation and Utilities	275.3	279.7	278.7	275.8
Information	110.5	119.8	127.6	130.2
Financial Services	73.6	75.6	76.2	75.5
Professional and Business Services	233.8	241.3	254.2	263.0
Other Services	380.2	393.8	402.2	406.6
Government	178.5	175.0	177.3	179.2
<b>Subtotal (Services Employment)</b>	<b>1,252.0</b>	<b>1,285.3</b>	<b>1,316.2</b>	<b>1,330.4</b>
<b>Total Employment</b>	<b>1,434.0</b>	<b>1,471.3</b>	<b>1,501.1</b>	<b>1,514.9</b>
<b>Annual Growth</b>				
Population	1.7%	1.6%	1.2%	0.8%
Employment	2.6%	2.6%	2.0%	0.9%
Personal Income	6.4%	6.5%	5.9%	5.3%
Inflation	3.2%	2.6%	2.1%	2.2%
Taxable Retail Sales	10.5%	5.1%	3.4%	5.0%

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.

---

King County Office of Economic and Financial Analysis  
810 3rd Avenue CEN-FA-0890 Seattle, WA 98104  
Phone: 206.477.3413 Email: [david.reich@kingcounty.gov](mailto:david.reich@kingcounty.gov)  
[www.kingcounty.gov/business/forecasting.aspx](http://www.kingcounty.gov/business/forecasting.aspx)