



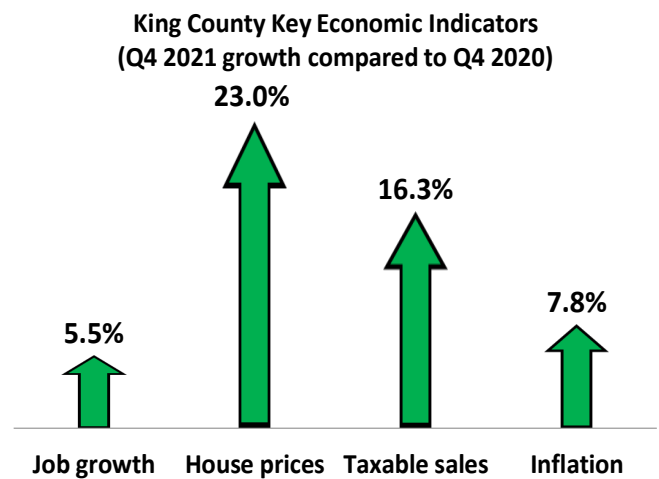
# ECONPULSE

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

FOURTH QUARTER 2021

## SUMMARY

- King County employment increased 5.5% in the fourth quarter of 2021 compared to the fourth quarter of 2020.
- Home prices increased 23% compared with the fourth quarter of 2020.
- Taxable sales increased 16.3% in October and November compared to the same period of 2020.
- The inflation rate was 7.8% in the fourth quarter of 2021.



## DETAIL

The employment recovery in King County continued in the fourth quarter, adding 5.5% more jobs compared to the fourth quarter of 2020. Sectors experiencing the fastest growth were those still recovering from the steep losses of 2020, such as leisure and hospitality which grew 30.6% in the fourth quarter. The recovery is not yet complete, however, as there were 35,700 fewer jobs in December of 2021 than in December 2019. Nearly all sectors are employing fewer people in 2021 than prior to the pandemic (December 2019). Exceptions to this are the information sector (+17,000 jobs since December 2019) and professional and business services (+8,200 jobs).

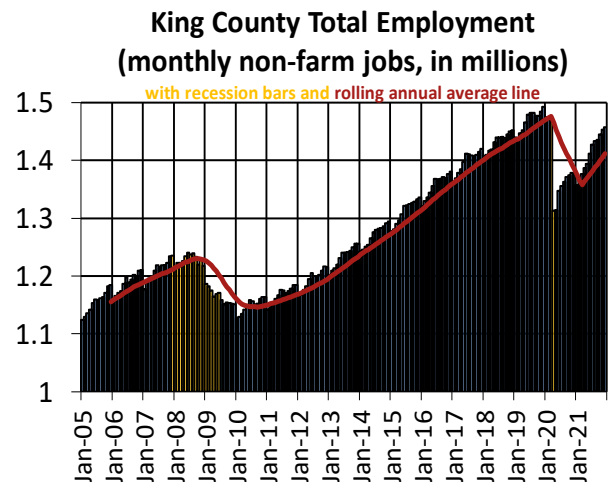


Fig. 1 Non-Farm Employment in King County (Source: WA ESD)

The unemployment rate for King County improved to 3.2% in December, while national unemployment stood at 3.9%. Initial claims for unemployment insurance are back to normal, pre-pandemic levels with 4,668 new filings in December. Continuing claims for unemployment were also back to pre-pandemic levels with 13,442 claims in December.

**DETAIL (CONT.)**

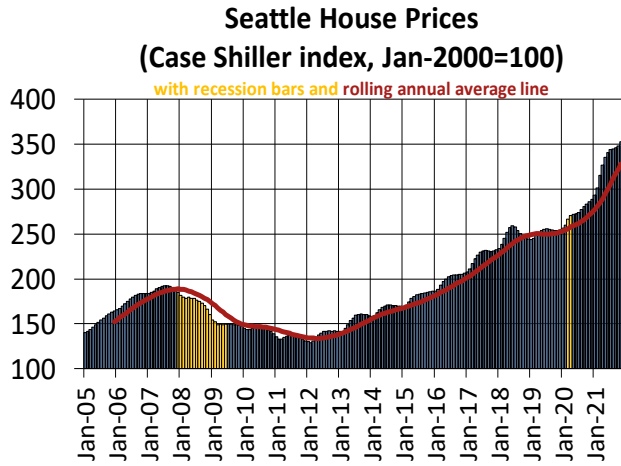


Fig. 2 Seattle Case-Shiller Index (Source: S&P)

The King County real estate market continues to be very hot. The Case-Shiller housing index for the Seattle area increased 23% year-over-year in October and November. Inventory continued to decline, putting upward pressure on prices. The average sales price in King County was \$951,899 in the fourth quarter.

Single-family permitting continues to be slow, decreasing 23.5% compared to the fourth quarter of 2020. Multi-family permitting continues to grow at a rapid pace, with 135.6% more units permitted in the fourth quarter of 2021 compared to a year prior.

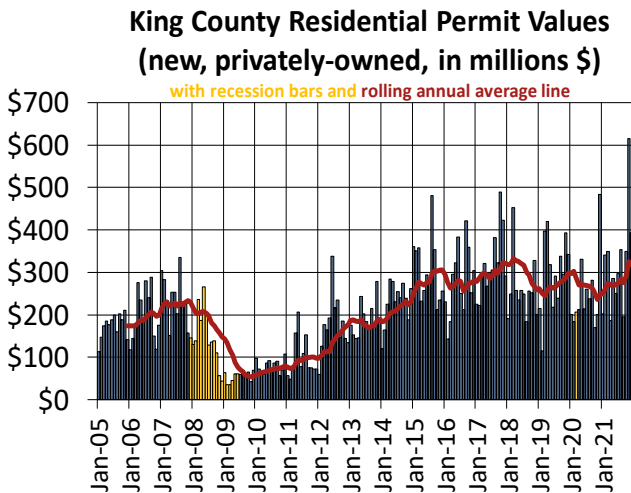


Fig. 3 Value of King County Residential Permits (Source: U.S. Census Bureau)

Taxable retail sales growth continued in the fourth quarter. Food service, accommodation, and entertainment sales continued to grow very quickly, increasing by 64.7% in October and November. Overall, taxable retail sales were up 16.3% over 2020.

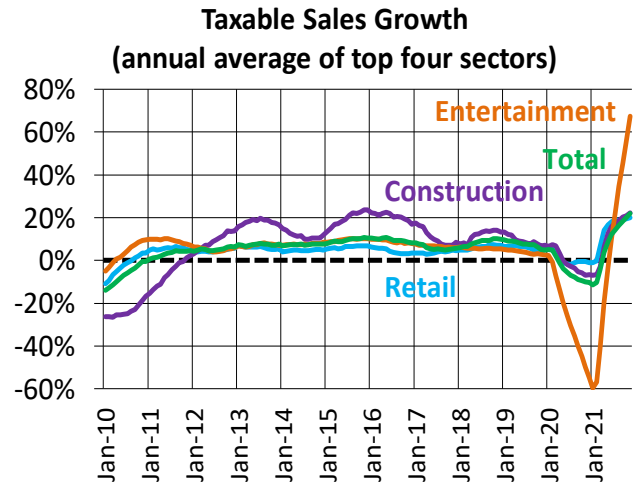


Fig. 4 Taxable Sales Growth in King County (12 month avg) (Source: WA DOR)

Inflation increased 7.8% in December as measured by the CPI-W for Seattle. Rising inflation in recent months continues to be driven by transportation (+24.4% year-over-year), housing (+5.1%), and food and beverages (+8.1%). The national inflation rate was also 7.8% in December.

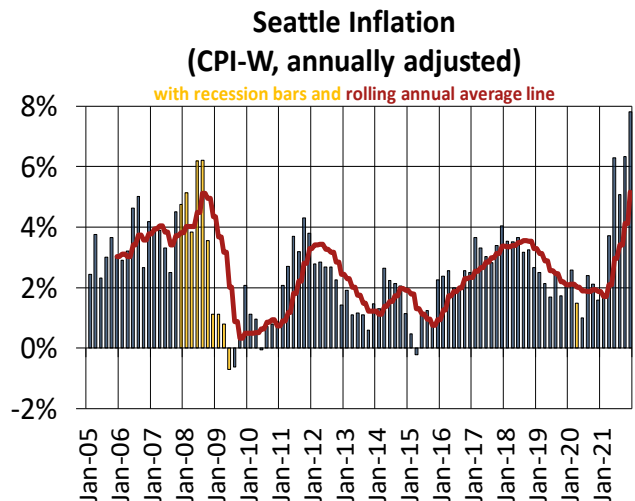


Fig. 5 Seattle Consumer Price Index (Source: BLS)

## THE NUMBERS

## King County Employment (in thousands)

NAICS Industry	2021:4Q	2020:4Q	Absolute change	% Change
Total Nonfarm	1,452.0	1,376.5	75.6	5.5%
Total Private	1,279.1	1,208.2	70.9	5.9%
Goods Producing	173.3	169.1	4.2	2.5%
Construction	80.4	78.6	1.8	2.3%
Manufacturing	92.6	90.0	2.5	2.8%
Service Providing	1,278.7	1,207.3	71.4	5.9%
Trade, Transportation, and Utilities	285.2	284.7	0.5	0.2%
Information	140.3	130.3	10.0	7.7%
Financial Activities	75.5	72.6	2.9	4.0%
Professional and Business Services	252.0	234.3	17.7	7.6%
Educational and Health Services	187.8	181.1	6.7	3.7%
Educational Services	31.5	27.3	4.2	15.4%
Ambulatory Health Care Services	62.1	60.4	1.8	2.9%
Hospitals	29.8	29.7	0.2	0.6%
Nursing and Residential Care Facilities	18.1	19.0	-0.9	-4.6%
Social Assistance	46.2	44.8	1.5	3.3%
Leisure and Hospitality	116.4	89.1	27.2	30.6%
Arts, Entertainment, and Recreation	21.2	15.0	6.1	40.8%
Accommodation	8.9	6.8	2.1	31.0%
Food Services and Drinking Places	86.3	67.3	19.0	28.2%
Other Services	48.6	46.9	1.7	3.7%
Government	172.9	168.3	4.6	2.8%

## Other King County Economic Indicators

	2021:Q4	2020:Q4	% Change
<b>Real Estate</b>			
Single Family Permits (No. of units)	731	956	-23.5%
Single Family Permits (\$000)	\$ 281,285	\$ 379,481	-25.9%
Multi-Family Permits (No. of units)	6,032	2,560	135.6%
Multi-Family Permits (\$000)	\$ 1,076,326	\$ 475,370	126.4%
Avg. sales price (NW Multiple Listing Service)	\$ 951,899	\$ 846,947	12.4%
Number of sales (NW Multiple Listing Service)	9,073	10,051	-9.7%
<b>Taxable Retail Sales (\$B, Oct-Nov)</b>	\$ 13.81	\$ 11.88	16.3%
Retail/Wholesale	\$ 5.82	\$ 5.14	13.3%
Construction/Real Estate	\$ 4.38	\$ 3.99	9.9%
Food Service, Accommodation, Entertainment	\$ 1.60	\$ 0.97	64.7%
Other	\$ 2.01	\$ 1.78	12.8%
<b>Inflation (December)</b>			
CPI-W (Seattle-Tacoma-Bellevue)	301.14	279.31	7.8%

## KING COUNTY INDEX OF LEADING INDICATORS

The King County Index of Leading Indicators increased in the fourth quarter, capping off a positive yet volatile 2021. The indicators were mixed for the quarter, and the overall indicator bounced from negative to positive back to negative again month-to-month. Consumer sentiment has moved in a negative direction each month for the last half of 2021. Local indicators were buoyed by the strong employment recovery over 2021, but national indicators remained mixed throughout the year.

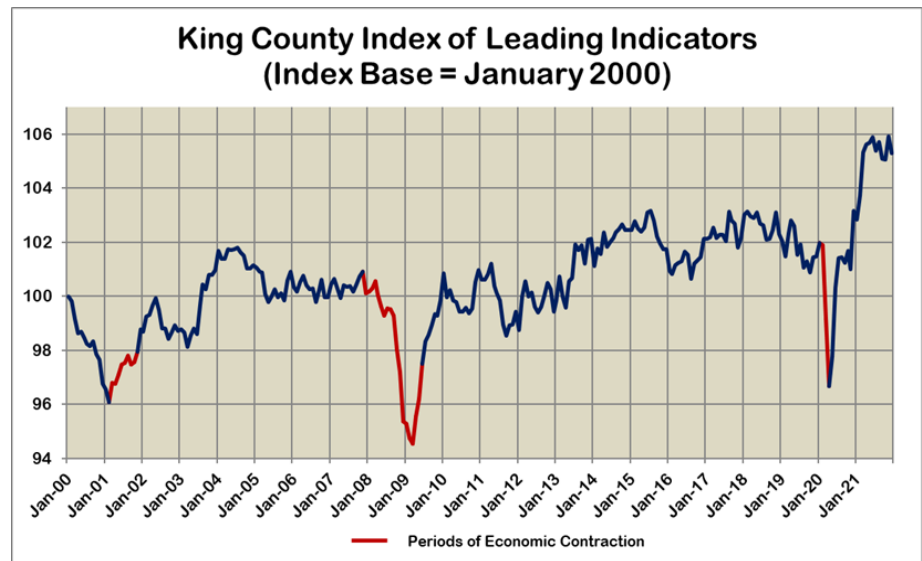


Fig 6 King County Index of Leading Indicators (Source: KC OEFA)

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 third quarter of 2021 corresponded with the spread of the Delta variant which caused a pullback in economic activity leading to a lower level in some economic variables such as GDP. However, the fourth quarter saw economic activity pick back up again as Delta receded, at least until December when the new Omicron variant became pervasive. Though it is less virulent than Delta, Omicron it is also far more transmissible which has led to a pullback in any activities involving people congregating such as dining and tourism. Overall, the recovery persisted at the end of 2021 as we continued to navigate new forms of Covid, disperse vaccines to kids and buoyed by the fading impulse provided by the American Rescue Plan Act.

2021:3Q growth ended up being 2.3% (saar) which was slower growth than had been experienced in the first half of the year and likely reflected the impacts of the Delta variant. In the first half of 2021, the U.S. economy grew at greater than a 6% pace. The fourth quarter will likely indicate more rapid growth as the economy rebounded from Delta. High frequency data has shown an acceleration in economic activity.

Individual states in the U.S. continue to have very different Covid-19 experiences based on individual behaviors and decisions around vaccinations, social distancing, masks, and the extent to which the economies continue to operate. Washington experienced very high infections in the third quarter and elevated deaths due to the delta variant, but the Omicron infection rate has dwarfed that. Fortunately, the death rate has not increased as fast but hospital utilization, particularly in acute care, continues to be high.

Overall, most economic forecasts for the U.S. economy are favorable but tempered with concern around higher inflation, supply chain issues and the path of monetary policy. An even bigger factor continues to be the path of the virus but there appears to be increasing willingness to treat it more as an endemic problem now, one that requires us to be vigilant but also doesn't stop all of our normal activities. It is unlikely we'll see economies shut down going forward unless a terrible new strain that is both highly transmissible and impactful to human health arises. For now, some social distancing measures and other requirements will continue to be in place and impact near-term economic behaviors. Forecasts for economic growth for 2022 for the U.S. economy are generally above 3% which is solid growth for the economy and includes a first quarter slowdown due to the Omicron variant. However, most forecasters have had to rapidly adjust their forecasts to reflect a very different inflation and interest rate environment. Prices have been growing very rapidly (over 6% yoy as measured by the CPI) and this has led to concern about the price impacts and what it means for monetary policy. The Fed has also rapidly changed its view on inflation and now most expect we'll see multiple rate increases in 2022. The supply chain problems that have been at least part of the reason for elevated inflation are likely to persist at least part way through 2022 and so inflation is not likely to be reduced until late in 2022.

As for the county economy, things continued to improve over 2020 although subject to the same conditions and risks listed above. Over 80% of county residents five and over are fully vaccinated now which should help keep the county re-opening on track and resistance to the vaccine appears to be lower in King County than in other parts of the country. The re-opening of many businesses and a resurgence of activities like dining out and brick and mortar shopping occurred in the spring and early summer months but then the Delta and Omicron variants had an impact and reduced both the consumers who wanted to shop and some of the employees who were out sick. In general, supply chain issues have made it difficult for some stores to get

## **KING COUNTY FORECAST (CONT.)**

inventory and employee absenteeism 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.

Taxable retail sales have recovered significantly so far in 2021. Through October 2021, we have seen a very significant expansion in sales and year to date, taxable sales are up over 7% above 2019 levels and even more over 2020 levels. This has been led by very strong retail sales numbers together with strong construction values. We expect the recovery to continue throughout 2022 and into 2023.

The local housing market has been very strong in 2021 with very significant price growth. The suburban areas have been growing significantly but the entire county has experienced very strong demand and limited inventory. This was 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. Through most of 2021, 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 now near \$950,000.

As we look forward, most indicators suggest that we should continue to experience significant 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 partially reversed but we are still down significantly from February of 2020. The speed of the recovery going forward will depend on virus variants, vaccinations and how comfortable people feel returning to pre-pandemic behaviors like going out to eat and traveling. The forecast presented 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 that means a sluggish return of consumer demand in high contact industries.

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 1.3 percent with around 30,000 additional people living in King County in each of 2022 and 2023. Employment growth likely finished up around 2% in 2021 after contracting over 5.0% in 2020. Employment should continue to recover at a faster pace in 2022 and a slower pace in 2023. Inflation was 1.5% in 2020 but has surged in 2021 to over 6% in October (CPI-W) as the supply chain disruptions, very strong goods demand and omicron impacts took their toll. It is anticipated inflation will remain elevated in the first half of the year and moderate over 2022 and 2023. We expect the pace of housing permits to be a little 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 likely at a slower pace than 2021. Taxable sales are likely to exhibit solid growth in 2022 with a forecast 5.8% growth rate.

<b>King County Forecast - December 2021</b>					
	2019	2020	2021	2022	2023
<b>King County-Level</b>					
Population (thous.)	2,235.1	2,269.3	2,300.5	2,330.1	2,358.6
Employment (thous.)	1,467.9	1,384.7	1,411.9	1,480.1	1,508.6
Unemployment Rate (%)	2.6	7.5	4.9	3.7	3.9
Personal Income (mil \$)	213,956.7	225,611.3	241,568.1	246,545.0	258,995.3
Housing Permits	18,281	14,234	17,204	16,072	13,326
House Transactions (Residential)	30,469	31,846	36,936	32,239	30,671
House Prices (avg.)	749,447	822,893	952,844	994,114	1,043,063
Seattle FHFA Index	359.1	378.1	433.8	463.0	489.3
Seattle CPI-U	278.6	282.9	295.4	306.4	314.8
Taxable Retail Sales (mil \$)	76,486.2	70,728.7	81,466.0	86,216.9	90,623.1
<b>King County Employment - Detail (thousands)</b>					
Natural Resources	0.5	0.5	0.4	0.4	0.4
Construction	79.5	76.5	79.6	80.8	82.0
Manufacturing	106.0	95.4	89.8	91.1	92.6
<b>Subtotal (Goods Employment)</b>	<b>186.0</b>	<b>172.3</b>	<b>169.8</b>	<b>172.3</b>	<b>175.0</b>
Trade, Transportation and Utilities	280.9	276.3	281.3	291.6	294.1
Information	121.6	128.1	135.3	141.2	150.3
Financial Services	75.3	72.5	74.3	77.5	77.8
Professional and Business Services	238.9	234.0	245.0	255.9	267.9
Other Services	389.6	329.6	336.3	369.7	369.1
Government	175.5	171.9	169.8	171.8	174.3
<b>Subtotal (Services Employment)</b>	<b>1,281.9</b>	<b>1,212.4</b>	<b>1,242.1</b>	<b>1,307.8</b>	<b>1,333.6</b>
<b>Total Employment</b>	<b>1,467.9</b>	<b>1,384.7</b>	<b>1,411.9</b>	<b>1,480.1</b>	<b>1,508.6</b>
<b>Annual Growth</b>					
Population	1.6%	1.5%	1.4%	1.3%	1.2%
Employment	2.5%	-5.7%	2.0%	4.8%	1.9%
Personal Income	5.3%	5.4%	7.1%	2.1%	5.0%
Inflation	2.8%	1.5%	4.4%	3.7%	2.8%
Taxable Retail Sales	5.2%	-7.5%	15.2%	5.8%	5.1%

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.

King County Office of Economic and Financial Analysis  
 201 S Jackson St, 3rd Floor Seattle, WA 98104  
 Phone: 206.477.3413 Email: david.reich@kingcounty.gov  
[www.kingcounty.gov/business/forecasting.aspx](http://www.kingcounty.gov/business/forecasting.aspx)