



# ECONPULSE

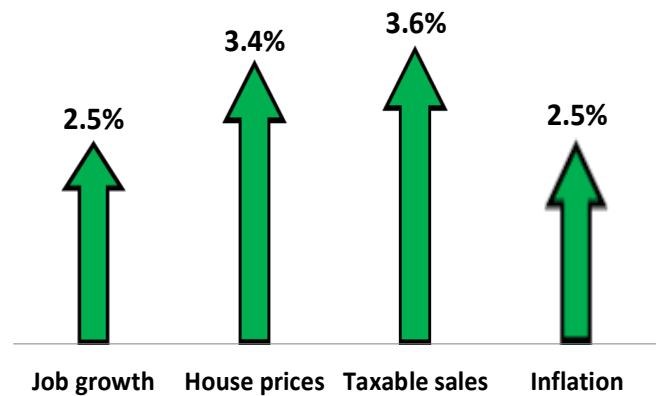
A QUARTERLY LOOK AT THE KING COUNTY ECONOMY  
 KING COUNTY OFFICE OF ECONOMIC AND FINANCIAL ANALYSIS

FIRST QUARTER 2019

## SUMMARY

- King County employment grew 2.5% in the first quarter of 2019 relative to 2018, with strong growth in information, social assistance and construction jobs.
- Home prices increased by 3.4% compared with the first quarter of 2018.
- Taxable sales rose 3.6% in January and February.
- The inflation rate was 2.5% in February.

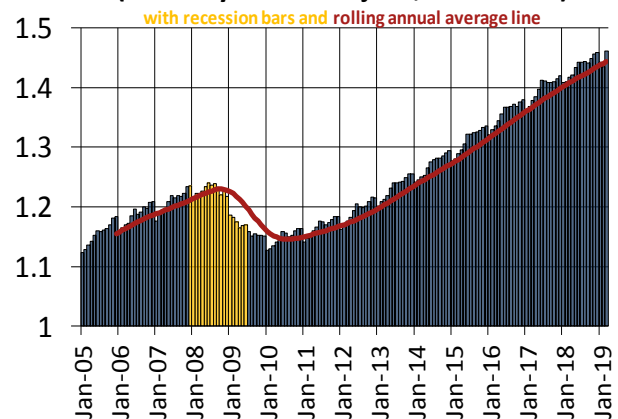
**King County Key Economic Indicators**  
 (Q1 2019 growth compared to Q1 2018)



## DETAIL

Employment in King County grew in most sectors in the first quarter of 2019. Nursing and residential care jobs declined very slightly, while the Employment Security Department reported that the government sector lost 6,600 jobs. Social assistance added 5,200 jobs, a 12.3% increase over the prior year. Around 6,900 new information jobs were added as well. Amazon, Providence Health, and the University of Washington were the most active in hiring in the first quarter, based on online job postings. However, new job postings overall were down considerably in the first quarter, compared to the previous year. According to the Conference Board Online figures, 75,786 new jobs were posted in King County in the first three months of 2019, a 16.4% decline from 2018.

**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 was 3.6% in March while the national rate was 3.8%. Initial claims for unemployment insurance remain quite low, with 4,594 new claims in March of 2019.

**DETAIL (CONT.)**

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

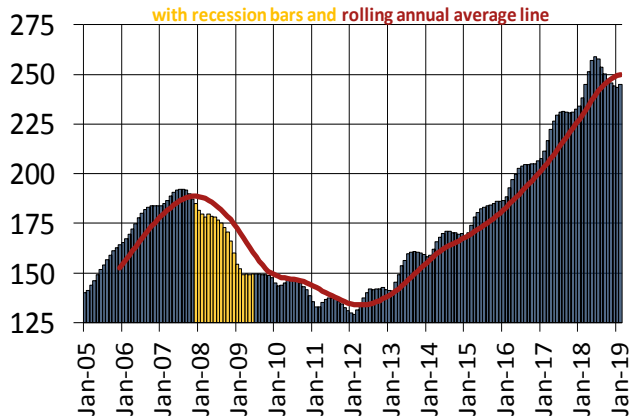


Fig. 2 Seattle Case-Shiller Index (Source: S&P)

Seattle-area house prices increased by 3.4% in the first quarter of 2019, continuing a slowing trend that began last year. The number of home sales also slowed, declining 5.3%.

Residential permitting data for the first quarter of 2019 showed sharp declines in both multi- and single-family permitting compared to the same period in 2018. The number of new units permitted declined 26.1% for single-family and 20.9% for multi-family units, but the severe weather in February was likely a factor.

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

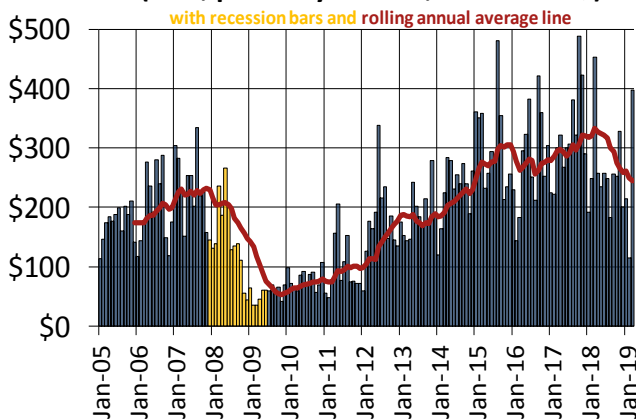


Fig. 3 Value of King County Residential Permits (Source: U.S. Census Bureau)

Taxable retail sales growth slowed, increasing 3.6% in January and February. Wholesale taxable sales declined 7.2% over that time period.

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

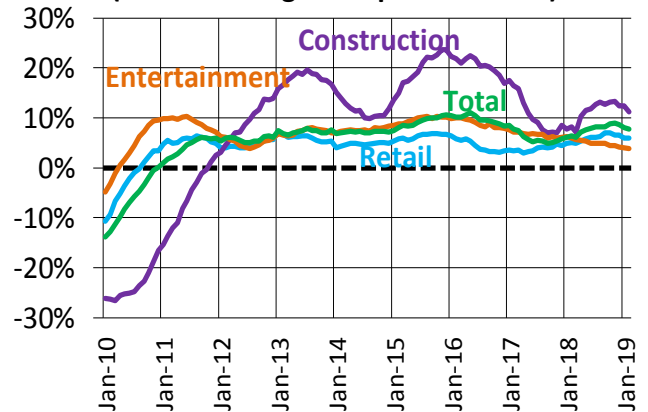


Fig. 4 Taxable Sales Growth in King County (12 month avg) (Source: WA DOR)

Inflation continued to slow, at 2.5% in February as measured by the CPI-W for Seattle. Lower energy prices contributed to the decline. The national inflation rate was 1.3%.

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

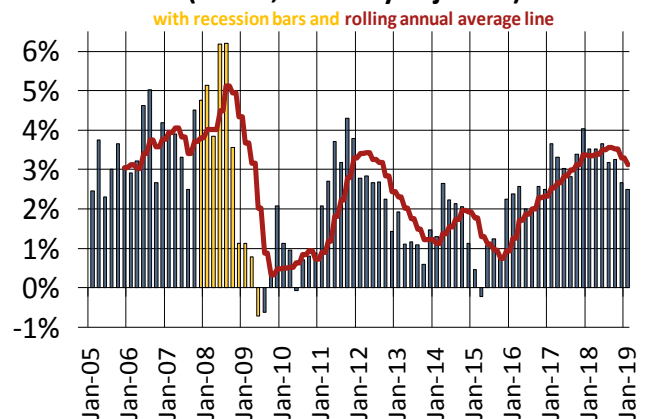


Fig. 5 Seattle Consumer Price Index (Source: BLS)

## THE NUMBERS

### King County Employment (in thousands)

NAICS Industry	2019:1Q	2018:1Q	Absolute change	% Change
Total Nonfarm	1,446.5	1,411.9	34.6	2.5%
Total Private	1,271.3	1,230.1	41.2	3.3%
Goods Producing	186.6	177.7	8.9	5.0%
Construction	79.7	75.3	4.4	5.9%
Manufacturing	106.4	101.9	4.5	4.4%
Service Providing	1,259.9	1,234.1	25.7	2.1%
Trade, Transportation, and Utilities	276.3	272.3	4.0	1.5%
Information	112.3	105.3	6.9	6.6%
Financial Activities	74.9	72.7	2.2	3.0%
Professional and Business Services	233.3	229.3	4.0	1.8%
Educational and Health Services	192.1	184.9	7.2	3.9%
Educational Services	31.5	31.2	0.3	1.0%
Ambulatory Health Care Services	61.8	60.8	0.9	1.5%
Hospitals	31.6	30.7	0.9	2.9%
Nursing and Residential Care Facilities	20.1	20.2	-0.1	-0.3%
Social Assistance	47.2	42.0	5.2	12.3%
Leisure and Hospitality	146.0	139.8	6.2	4.4%
Arts, Entertainment, and Recreation	28.4	25.7	2.7	10.5%
Accommodation	14.8	14.5	0.3	2.1%
Food Services and Drinking Places	102.9	99.8	3.1	3.1%
Other Services	49.8	48.0	1.8	3.8%
Government	175.2	181.8	-6.6	-3.6%

### Other King County Economic Indicators

	2019:Q1	2018:Q1	% Change
<b>Real Estate</b>			
Single Family Permits (No. of units)	853	1,174	-27.3%
Single Family Permits (\$000)	\$ 333,754	\$ 451,661	-26.1%
Multi-Family Permits (No. of units)	2,440	3,086	-20.9%
Multi-Family Permits (\$000)	\$ 391,789	\$ 440,896	-11.1%
Avg. sales price (NW Multiple Listing Service)	\$ 710,293	\$ 715,496	-0.7%
Number of sales (NW Multiple Listing Service)	5,660	5,978	-5.3%
<b>Taxable Retail Sales (\$B, January-February)</b>	\$ 10.29	\$ 9.93	3.6%
Retail/Wholesale	\$ 3.98	\$ 3.94	1.0%
Construction/Real Estate	\$ 3.11	\$ 2.97	4.7%
Food Service, Accommodation, Entertainment	\$ 1.57	\$ 1.55	1.3%
Other	\$ 1.63	\$ 1.47	11.2%
<b>Inflation (February)</b>			
CPI-W (Seattle-Tacoma-Bellevue)	271.08	264.48	2.5%

## KING COUNTY INDEX OF LEADING INDICATORS

The King County Index of Leading Indicators increased slightly in the first quarter of 2019, after three straight quarters of decline. Although the interest rate yield spread continued to decrease, and thus push the index downward, this impact was mitigated by increases in both durable goods orders and new business incorporations on a seasonally adjusted basis.

As seen in Figure 6, the Index peaked in February 2018 and has since trended downward, primarily due to the consistently decreasing yield spread.

This trend continued into the first two months of 2019, exacerbated by the federal government shutdown in January and the local snowstorm in February. In addition to the lower yield spread, new job postings and residential permits were also down in the first two months of the quarter. In March, many indicators rebounded, which was enough to mitigate the declines in January and February, and bring the overall index in a positive direction for the quarter overall.

The Index continues to give mixed signals. The trends in yield spread, local job postings, and permitting indicate slowing growth in the economy; in particular, the very flat yield curve we are seeing now has historically been highly correlated with recessions. However, consumer sentiment and manufacturing activity remain strongly positive.

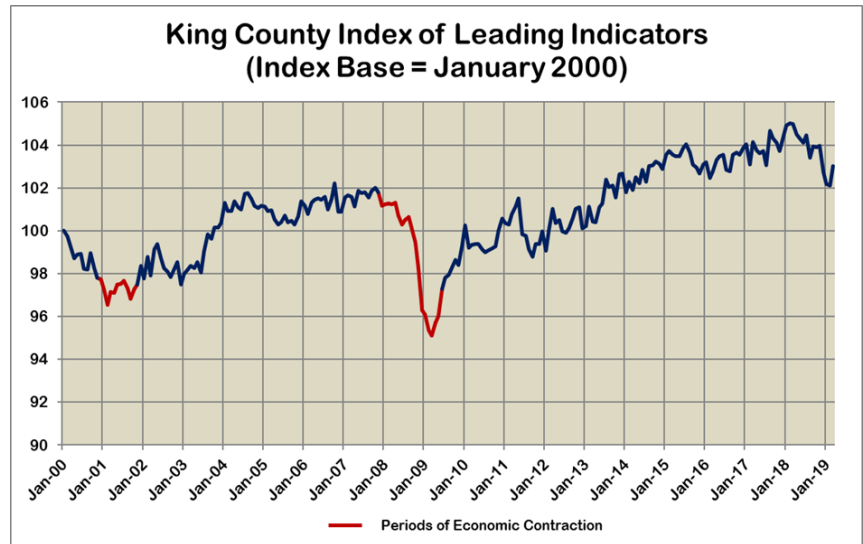


Fig 6 King County Index of Leading Indicators (Source: KC OEFA)

## KING COUNTY FORECAST

The final estimate of U.S. economic growth for the fourth quarter of 2018 came in at +2.2% indicating slower growth after the third quarter came in up 3.4% in inflation-adjusted terms. This growth reflects a rate more typical of the post-recession period although overall growth for 2018 finished up 2.9% which was an increase over what we've seen most of the post-recession period. This accelerated growth had been expected due to favorable changes such as the tax changes implemented at the end of 2017 and the underlying momentum at the start of 2018. However, the growth during the latter part of 2018 suggested that the global and national economies were slowing somewhat. The job market continued to be strong with job ads averaging over 220,000 per month in 2018 and an unemployment rate reaching 3.7% in September and November 2018. Job openings reached new records with over 7.5 million unfilled jobs. Wage growth picked up some throughout 2018 and inflation also picked up mid-year before slowing in the second half with the headline CPI measure varying between 1.9% and 2.5% in the last few months of 2018.

King County's economy continued to grow in the first quarter of 2019. Employment growth averaged about 2.1% for the first two months of 2019 based on preliminary values which is down from the 2.8% growth in the fourth quarter of 2018. Overall employment grew 2.7% in 2018 and continues to grow but at a slower rate. Industry growth in 2018 was led by Information (+7.4%), Construction (+5.8%) and Education and Health (+3.8%). Unemployment in the county continues to stay in the 3% to 4% range with the January 2019 value at 3.7%.

Taxable retail sales picked up significantly in 2018 with current month sales likely up over 10% for the year (the final numbers will be available in the second quarter of 2019). This increased growth was expected since the State extended taxable sales to bottled water and remote sellers beginning in January 2018. The Supreme Court's mid-year decision on Wayfair vs. South Dakota likely increased sales even more via higher compliance. Taxable sales strength showed up in retail (likely reflecting the remote sellers) and resurgent construction sales taxes which were up about 12% in 2018. Sales taxes in January 2019 indicated slower growth but taxable sales can vary a lot month to month.

As noted last quarter, the local housing market which had experienced rapidly increasing sales prices began to slow in the second half of 2018. The Case Shiller index finished up 10.4% for 2018 but the January 2019 value was up 4% (See Fig 7).

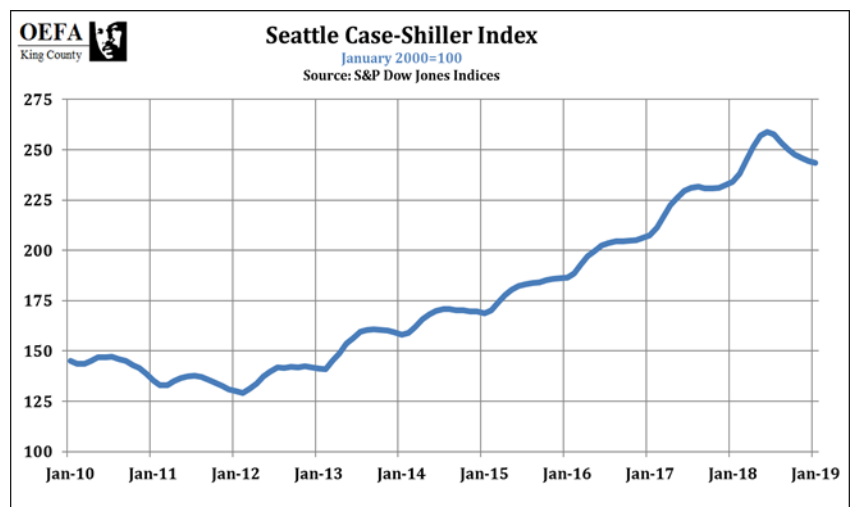


Fig. 7 Seattle Case-Shiller Index Growth (Source: S&P)

## KING COUNTY FORECAST (CONT.)

Besides housing, the local economy is showing a few other signs of a slower pace of growth. Online new job postings have been down in both 2017 and 2018 (see figure 8). This likely reflects a more sustainable level of job postings rather than the early signs of a recession.

Multi-family building permits were down over 20% in 2018. Multi-family construction has been a large part of the construction boom the region has been experiencing. 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 December local CPI measures dropped below 3% annual growth for the first time in over a year.

We expect the local economy to continue to grow but at a reduced rate of growth going forward. Table 1 shows the forecast with the slower growth beginning for most items in 2018. Population growth should continue but likely in the 1% to 1.5% range with about 20,000 to 30,000 additional people living in King County in each of 2019 and 2020. Employment growth finished up 2.7% in 2018 but is expected to slow to about 2.4% in 2019. Inflation is likely to continue slowing in 2019. We expect the pace of housing permits to finish down this year, but housing prices should continue to grow at a slow pace. Taxable sales growth is likely to slow in 2019 as the pulse from the expanded tax base in 2018 passes and reflecting slower construction taxable sales growth in 2019-2020.

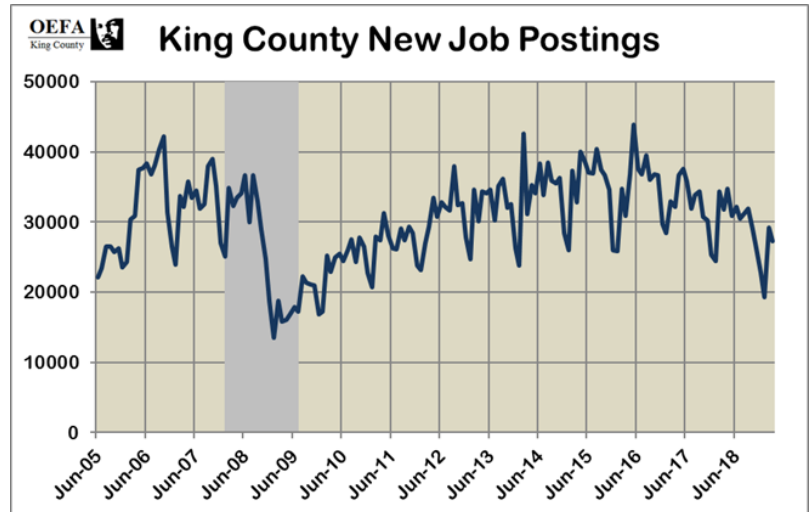


Fig. 8 King County New Online Job Listings (Source: Conference Board Online)

## KING COUNTY FORECAST (CONT.)

King County Forecast - March 2019				
	2018	2019	2020	2021
<b>King County-Level</b>				
Population (thous.)	2,197.5	2,226.5	2,248.7	2,268.2
Employment (thous.)	1,435.4	1,469.9	1,500.2	1,520.5
Unemployment Rate (%)	3.5	3.3	3.3	3.4
Personal Income (mil \$)	192,493.2	201,581.1	209,704.8	219,398.0
Housing Permits	15,475	13,814	10,633	11,481
House Transactions (Residential)	30,062	27,527	29,641	30,849
House Prices (avg.)	756,976	772,813	789,362	821,773
Seattle FHFA Index	360.0	373.8	382.0	394.7
Seattle CPI-U	271.0	277.4	283.1	289.2
Taxable Retail Sales (mil \$)	72,500.0	75,411.8	78,083.4	81,450.1
<b>King County Employment - Detail (thousands)</b>				
Natural Resources	0.5	0.5	0.5	0.5
Construction	78.6	81.2	81.3	82.2
Manufacturing	103.4	103.8	104.5	103.0
<b>Subtotal (Goods Employment)</b>	<b>182.5</b>	<b>185.5</b>	<b>186.3</b>	<b>185.7</b>
Trade, Transportation and Utilities	275.6	282.9	286.5	283.9
Information	110.5	116.6	120.8	122.3
Financial Services	73.9	75.3	76.8	75.9
Professional and Business Services	233.2	241.8	250.2	257.2
Other Services	381.4	390.8	400.6	415.5
Government	178.4	176.9	178.8	180.0
<b>Subtotal (Services Employment)</b>	<b>1,252.9</b>	<b>1,284.4</b>	<b>1,313.9</b>	<b>1,334.8</b>
<b>Total Employment</b>	<b>1,435.4</b>	<b>1,469.9</b>	<b>1,500.2</b>	<b>1,520.5</b>
<b>Annual Growth</b>				
Population	1.5%	1.3%	1.0%	0.9%
Employment	2.7%	2.4%	2.1%	1.4%
Personal Income	5.5%	4.7%	4.0%	4.6%
Inflation	3.2%	2.4%	2.1%	2.2%
Taxable Retail Sales	10.1%	4.0%	3.5%	4.3%

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  
[www.kingcounty.gov/business/forecasting.aspx](http://www.kingcounty.gov/business/forecasting.aspx)