



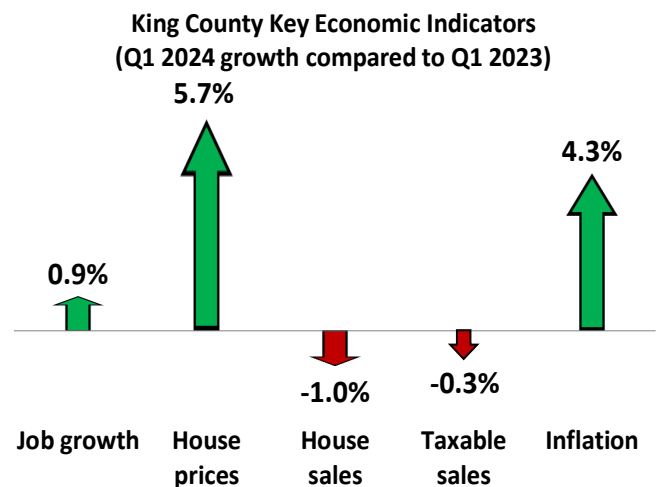
ECONPULSE

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

FIRST QUARTER 2024

SUMMARY

- King County employment increased 0.9% in the first quarter of 2024 compared to the first quarter of 2023.
- Home prices increased 5.7% compared with the first quarter of 2023. The number of sales on the multiple listing service (MLS) in King County declined by 1% in first quarter of 2024 compared to last year's first quarter.
- Taxable sales were flat, with a -0.35% year-over-year (yoy) change in the first quarter of 2024 compared to first quarter 2023.
- For the first quarter of 2024, the yoy inflation rate was 4.3% compared to a year ago in 2023 when the



DETAIL

Employment in King County grew by 0.9% in the first quarter of 2024, adding 13,866 jobs. All service sectors combined added 11,700 jobs, 0.9% growth yoy. The government sector grew at 6% year-over-year with 10,266 jobs added, of which 6,100 were local government jobs. Education and health services added the most private sector jobs at 7,233, leisure and hospitality added 4,666, and transportation, warehousing, and utilities added 1,233 jobs in the first quarter of 2024. Other industry sectors saw contractions in employment, such as professional and business service (down 3,433 jobs), information (down 7,567 jobs), and construction (down 4,267 jobs). King County employment continued its flat growth during the first quarter, growing 0.9% which matches the 2023 annual growth rate in non-farm employment.

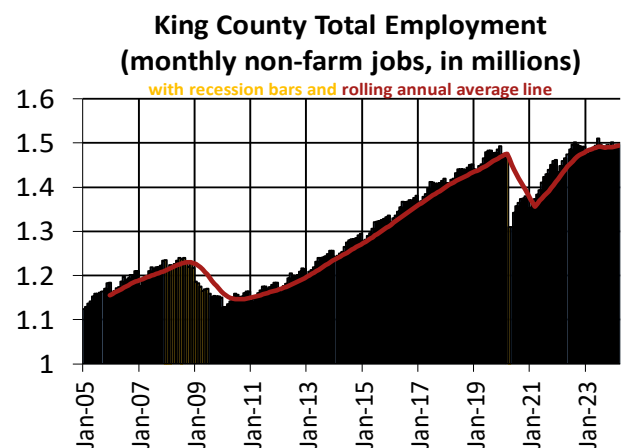


Fig. 1 Non-Farm Employment in King County (Source: WA ESD)

The unemployment rate in King County has increased in the first quarter of 2024 to average 4.2%, a 16% increase from the 3.6% average seen in the fourth quarter of 2023. Initial claims for unemployment insurance were higher year-over-year but 0.8% in the first quarter of 2024 compared to 2023, but remain relatively low, with total new filings of 15,589 in the first quarter.

DETAIL (CONT.)

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

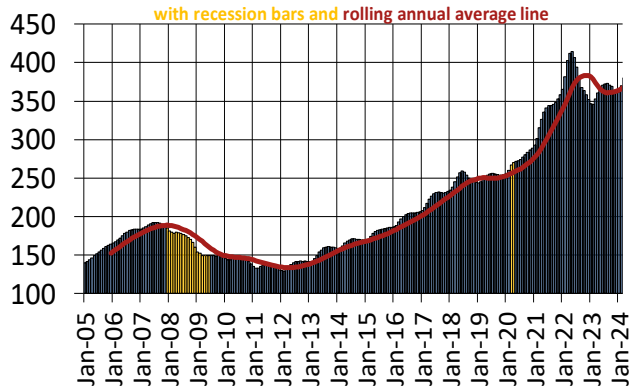


Fig. 2 Seattle Case-Shiller Index (Source: S&P)

Seattle area home prices were up again the first quarter of 2024 by 13.6% compared to the same time period in 2023. Sales activity in the first quarter was slightly lower than last year’s first quarter, with a 1% decline year-over-year, but this was a sharp improvement over fourth quarter 2023 when the number of sales declined 11.5% from the 2022. Home buyers still face a low inventory of homes and higher interest rates.

Single-family permitting increased 10.7% in the first quarter of 2024 and the value of those permits increased nearly 25% from the year prior. Multi-family permitting has rebounded a bit in the first quarter, with 3.6% growth in the number of permits and 33% growth in the value of those permits relative to the first quarter of 2023.

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

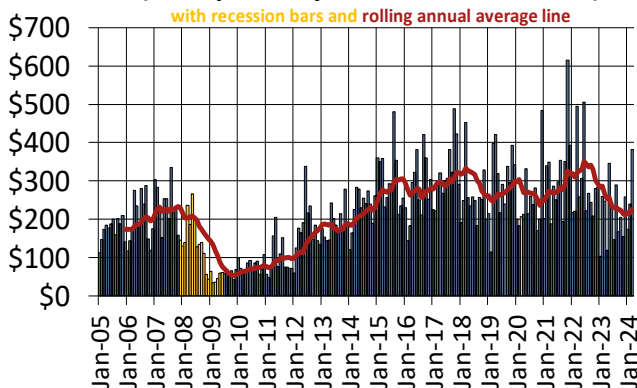


Fig. 3 Value of King County Residential Permits (Source: U.S. Census Bureau)

Taxable sales were down 0.35% in the first quarter of 2024. Construction and retail/wholesale trade declined 6.6% and 0.5% year-over-year, respectively, which is an improvement over negative growth of 9.5% and 2% in the fourth quarter of 2023. King County construction of buildings was down 10% in the first quarter, while heavy and civil engineering increased 12%. The restaurant and accommodations sectors grew 4.7% in the first quarter compared to the year prior.

Taxable Sales Growth
(annual average of top four sectors)

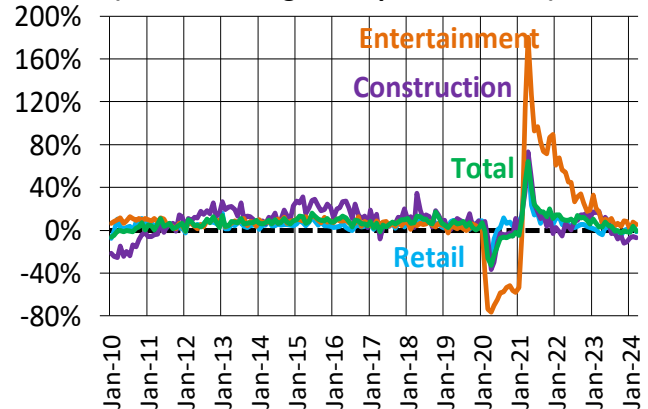


Fig. 4 Taxable Sales Growth in King County (12 month avg) (Source: WA DOR)

Inflation in the first quarter of 2024 stood at 4.3%, equal to the fourth quarter of 2023 as measured by the CPI-U for Seattle. Food, housing, energy, medical care, and services all increased year-over-year. The CPI-W for Seattle was nearly the same for February 2024 at 4.2%. National CPI-U was 3.5% in March and 3.4% in April.

Seattle Inflation
(CPI-U, annually adjusted)

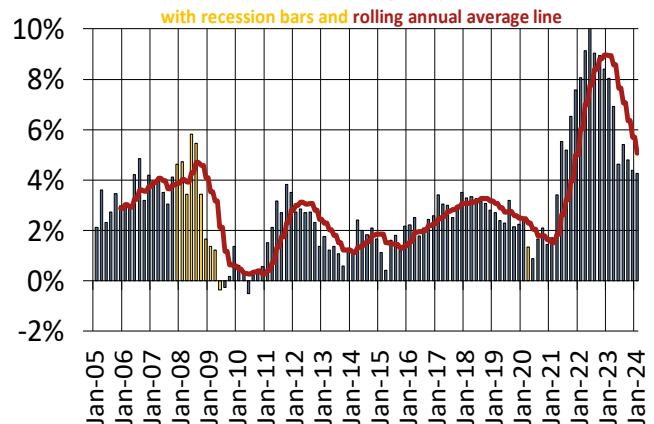


Fig. 5 Seattle Consumer Price Index (Source: BLS)

THE NUMBERS

King County Employment (in thousands)

NAICS Industry	2024:1Q	2023:1Q	Absolute change	% Change
Total Nonfarm	1,490.9	1,477.0	13.9	0.9%
Total Private	1,311.7	1,308.1	3.6	0.3%
Goods Producing	173.7	171.5	2.2	1.3%
Construction	74.2	78.5	-4.3	-5.4%
Manufacturing	99.0	92.5	6.5	7.0%
Service Providing	1,317.2	1,305.5	11.7	0.9%
Trade, Transportation, and Utilities	236.1	235.0	1.0	0.4%
Information	69.6	72.8	-3.3	-4.5%
Financial Activities	73.1	74.7	-1.6	-2.1%
Professional and Business Services	314.0	317.4	-3.4	-1.1%
Educational and Health Services	200.7	193.5	7.2	3.7%
Educational Services	36.0	34.0	2.0	5.9%
Ambulatory Health Care Services	64.9	62.5	2.4	3.9%
Hospitals	30.8	30.1	0.8	2.5%
Nursing and Residential Care Facilities	19.5	18.1	1.4	7.7%
Social Assistance	49.5	48.8	0.6	1.3%
Leisure and Hospitality	133.3	128.7	4.7	3.6%
Arts, Entertainment, and Recreation	26.0	24.0	2.0	8.3%
Accommodation	13.4	12.4	1.0	8.1%
Food Services and Drinking Places	94.0	92.2	1.8	1.9%
Other Services	49.8	48.8	1.1	2.2%
Government	179.2	169.0	10.3	6.1%

Other King County Economic Indicators

	2024:Q1	2023:Q1	% Change
Real Estate			
Single Family Permits (No. of units)	527	476	10.7%
Single Family Permits (\$000)	\$ 257,525	\$ 206,399	24.8%
Multi-Family Permits (No. of units)	2,583	2,494	3.6%
Multi-Family Permits (\$000)	\$ 536,866	\$ 404,118	32.8%
Average sales price (NW Multiple Listing Service)	\$ 1,178,813	\$ 1,038,072	13.6%
Number of sales (NW Multiple Listing Service)	4,365	4,407	-1.0%
Taxable Retail Sales (\$B, Jan-Mar)	\$ 21.36	\$ 21.44	-0.3%
Retail/Wholesale	\$ 8.29	\$ 8.33	-0.5%
Construction	\$ 4.59	\$ 4.91	-6.6%
Food Service, Accommodation, Entertainment	\$ 2.11	\$ 2.01	4.7%
Other	\$ 6.38	\$ 6.18	3.2%
Inflation (February)			
CPI-U (Seattle-Tacoma-Bellevue)	349.29	334.99	4.3%

KING COUNTY FORECAST

The U.S. economy grew by 1.3% in the first quarter of 2024, yoy, a notable decline from the 3.4% growth in the fourth quarter of 2023. Last year, US real GDP increased 2.5% in 2023 from 2022, with the goods producing sectors growing at 2% and the services producing sectors growing at 2.3%. This same trend has continued in the first quarter of 2024. The first quarter growth was due to goods-producing industries increased 1.9%, services-producing industries increased 2.6% and government increased 3.7%. This increase in real gross domestic product (GDP) in the first quarter 2024 primarily reflects increases in consumer spending, fixed investment and state and local government spending. The consumer spending in services was seen in increases in health care as well as financial services and insurance.

King County total employment has fully recovered from the Covid recession. Total employment reached a seasonal peak of 1.51 million in June 2023. This top line recovery masks changes by industry, however, as losses in leisure and hospitality, government, and other services are not back to pre-Covid levels. Employment growth has been focused on construction, manufacturing, education, and the ongoing recovery of the leisure and hospitality sector. Even with notable reductions in the information sector of late, industry employment is still 13% above the pre-pandemic level in January 2019. Construction employment has been creeping back up to the pre-pandemic level and is only 0.7% below the pre-pandemic January 2019 employment level. Leisure and hospitality and manufacturing are both industries that are still below the pre-pandemic level by 5.2 and 3.6% respectively by March 2024.

Both US and Washington State labor markets remain strong. The number of job openings in Washington State remains elevated, with 172,000 openings versus 103,000 hires in the state in March 2024. The difference between the State job opening rate and the hire rates has grown a little during the first quarter 2024 from 1.3% in January to 1.7% difference by March. This unmet demand for workers has continued to put upward pressure on wages and has been a significant factor in inflation remaining above the national rate by more than 1% in first quarter 2024. National CPI was 3.5% in March and 3.4% in April which is down significantly from the peak in June 2022 of 9% but remains about the same as the end of 2023 at 3.3%. The current national inflation rate is still above the Federal Reserve target rate of 2%. The Federal Reserve increased interest rates 11 times between March 2022 and July 2023 to combat high rates of inflation. By the end of 2023, most economists anticipated federal funds rate reductions in the second half of 2024. Unfortunately, headline inflation has not sufficiently dropped and the consensus among economists is that the Federal Reserve will leave interest rates untouched until December 2024. The Federal Reserve has stated its desire to see several months of lower inflation before they begin lowering rates.

Forecasts for the U.S. economy continue to show slow growth with inflation coming down a little towards the second half or last quarter of 2024. Inflation forecasts are raised to reflect the belief that inflation will take time to correct. Most forecasts are calling for a slowdown in the labor market as the current imbalance between labor demand and supply has pushed wages up faster than is consistent with the Federal Reserve's 2% inflation goal. As such, we are likely to see a slowdown in employment growth in the second half of 2024 and 2025. In 2023, the state employment grew at 2.3% and King County employment grew by 0.9%. The state employment is projected to grow at 1.9% in 2024 and 0.9% in 2025. King County's current projections for employment growth are slightly lower than the state at 0.7% each year from 2024 and 2025. In the next two years, an increase in the unemployment rate in King County, state and US is anticipated reflecting

KING COUNTY FORECAST (CONT.)

the slowing labor market and economy.

Mortgage rates have remained high in the beginning of 2024, currently at around 6.8% for a 30-year fixed rate mortgage. The 30-year fixed rate mortgage interest rates are expected to drop down to 6.1% a year from now in first quarter 2025. They will continue to fall more in 2025 down to 5.3% by first quarter 2026 and down again to 5% by first quarter 2027. Even with the higher interest rates, Seattle home price growth was positive by the end of 2023. Now in the first quarter of 2024, Seattle average home prices grew another 5.7% from a year ago.

Inflation remained above 4% during the first quarter of 2024 for King County. The Seattle CPI-U inflation forecast is anticipated to average 4% for the first three quarters of 2024 and then begin to fall a little by the last quarter of this year to 3.8%, yoy. Then, by the end of 2025, Seattle inflation is anticipated to decline to 3.3% and slowly decline to 3% rate by beginning of 2030. Most forecasts call for headline national CPI to be about 3% in 2024.

The first quarter 2024 saw total taxable sales down by 0.3% with manufacturing, construction and wholesale / retail sales being down year-over-year. We expect slow growth throughout the remaining quarters of 2024 at 0.8% annual average growth. We anticipate taxable sales growth to pick up to 2.4% annual growth in 2025 and 3.3% in 2025 growing to 3.8% beginning in 2027.

Local home prices seesawed during 2022 and 2023, but achieved positive yoy growth beginning in September 2023 and continuing through the first quarter of 2024. The Seattle Case-Shiller index fell grew 6.4% in the first quarter of 2024. Beginning in September 2023, the home price index started to turn positive for monthly growth showing signs that the bottom of the housing price fall was over. Every month since then, the Seattle housing price index has increased from the prior year's month index and this trend has continued now for more than 6 months. The Northwest Multiple Listing Service for King County average home sales price in March 2024 was about \$1,246,520, up 13% from that same month a year ago and the 2024 first quarter's average home price was also up 13% from the same quarter in 2023. In addition, the number of closed sales on the MLS in the first quarter of 2024 was down yoy 0.9% but that is an improvement over 2023 when closed sales declined -24% relative to the prior year. Elevated mortgage rates (6.8% average in 2023 and first quarter 2024) will continue to be a major headwind on the housing market. The inventory of listed homes in King County, which is influenced by the current mortgage rates, fell year-over-year for most of 2023 but turned positive by December 2023. December 2023 housing inventory for King County was low at 1.7 months in December but has declined further to just 1 month in April 2024. The average months of inventory in the first quarter of 2024 was a meager 1.27 months. This low amount of housing has contributed to higher home prices in King County in recent months. Significant increases to inventory are unlikely as many homeowners re-financed during the Covid recession and have locked in very low mortgage rates and thus are unlikely to move unless they must, or interest rates drop to lower levels.

We expect the pace of housing permits to continue to be slow in 2024 relative to past years reflecting the higher inflation and interest rates for most of the year. Total housing permits after a dismal decline year-over-year of 35.5% in 2023 is expected to be down 14%, year-over-year. In 2025, housing permits are expected to bounce back with 14% annual growth.

KING COUNTY FORECAST (CONT.)

Single-family housing prices bottomed in the winter months of 2023 and have begun to climb again in 2024 and we have seen a nearly 6% growth in the first quarter of 2024 and anticipate a 5.5% annual growth for 2024. The growth anticipated in 2025 is 6.5% due to reductions in interest rates and inventory growth. The long-term annual growth rate forecast for local home prices is expected to be a modest 3% per year.

Taxable sales grew over 10% in 2022 but slowed in 2023 with a tepid 2.4% growth rate for the year. We expect taxable sales to plod along in 2024, with a growth rate of 0.8% and 2.8% growth in 2025. In the long-term, taxable sales annual growth is forecast to be a little above 3%.

Overall, we expect continued growth in King County, as seen in 2023, and into 2024 though at a slowing pace. Table 1 indicates the most recent economic forecast with actuals through first quarter 2024. Population growth should continue at a little less than last forecast for 2024 and 2025 at 0.7% per year and then in the out years' population is anticipated to grow at a little less than 1.0% per year in King County.

KING COUNTY FORECAST (CONT.)

King County Forecast - First Quarter 2024					
	2023	2024	2025	2026	2027
King County-Level					
Population (thous.)	2,342.7	2,357.9	2,375.4	2,395.9	2,417.8
Employment (thous.)	1,491.2	1,501.2	1,511.6	1,522.7	1,534.5
Unemployment Rate (%)	3.3	4.4	4.4	4.3	4.3
Personal Income (mil \$)	270,119.3	277,061.6	285,380.9	295,377.0	307,192.1
Housing Permits	10,878	9,368	10,684	11,596	11,870
House Transactions (Residential)	19,734	18,297	20,441	24,227	26,889
House Prices (avg.)	1,048,958	1,106,145	1,178,066	1,219,394	1,263,382
Seattle FHFA Index	512.5	540.6	561.6	568.4	575.4
Seattle CPI-U	341.3	355.0	367.4	379.5	391.6
Taxable Retail Sales (mil \$)	93,174.5	93,900.5	96,507.2	100,170.0	104,387.2
King County Employment - Detail (thousands)					
Natural Resources	0.5	0.5	0.5	0.5	0.5
Construction	75.6	75.5	80.1	84.5	86.4
Manufacturing	97.4	99.6	99.6	97.8	97.6
Subtotal (Goods Employment)	173.5	175.6	180.2	182.8	184.4
Trade, Transportation and Utilities	276.9	277.0	276.7	277.3	277.7
Information	146.7	144.3	144.9	146.1	147.1
Financial Services	82.5	81.2	81.5	83.1	84.2
Professional and Business Services	276.2	278.5	282.7	281.9	281.0
Other Services	347.1	351.2	351.7	356.9	365.0
Government	188.2	193.3	193.8	194.6	195.1
Subtotal (Services Employment)	1,317.7	1,325.5	1,331.4	1,339.9	1,350.1
Total Employment	1,491.2	1,501.2	1,511.6	1,522.7	1,534.5
Annual Growth					
Population	0.9%	0.7%	0.7%	0.9%	0.9%
Employment	0.8%	0.7%	0.7%	0.7%	0.8%
Personal Income	4.7%	2.6%	3.0%	3.5%	4.0%
Inflation	5.9%	4.0%	3.5%	3.3%	3.2%
Taxable Retail Sales	2.2%	0.8%	2.8%	3.8%	4.2%

Table 1: King County Forecast (Source: KC OEFA)

KING COUNTY INDEX OF LEADING INDICATORS (ILI)

For nearly a decade, King County has produced an index of leading indicators to measure the state of the local economy, which we call the King County Index of Leading Indicators (“ILI”). The ILI provides two benefits: 1) it gives a month-to-month snapshot of the County’s current economic health, and 2) it can be used for determining the onset of an economic contraction. A rising indicator implies the economy is performing better (i.e., more jobs, more sales, more construction) while a falling indicator indicates the economy is slowing or contracting. The index was initially developed and set to 100 for January 2000 and includes the following items: King County online help wanted listings, Washington new business incorporations, Institute for Supply Management (ISM) purchasing manager’s index, U.S. consumer sentiment, King County durable goods sales, King County claims for unemployment insurance, King County residential building permits, and the U.S. treasury yield spread. The majority of the eight components in the index represent local conditions and utilize local data but three components utilize national data. All components are seasonally adjusted, weighted by their variability and then added together to determine the index value each month.

The county ILI has performed well describing general economic trends and has done reasonably well predicting the two recessions since 2000. In Figure 6 below, the line segments in red show the recessionary periods since January 2000. Like any indicator, there will be variance on a month-to-month basis: a big drop in a given month does not guarantee a recession, but sustained drops over a several month period have coincided with past recessions. OEFA also calculates the six-month moving average of the index. Most recently, in 2022 and 2023, there were concerns of a possible recession. High inflation coupled with rising interest rates brought on a period of uncertainty in the economy reflected in the falling ILI index and six-month average of the index until November 2022. Fortunately, the economy exhibited strong resilience and did not go into a recession and since November 2023, the six-month moving average of the index has been positive again.

OEFA recommends a two-part criterion for using the ILI as a leading indicator of recession which includes monitoring not only the six-month average of the index but also the yield curve between the 10-year and 3-month U.S. Treasury yield. the six-month moving average of the index has been positive again.

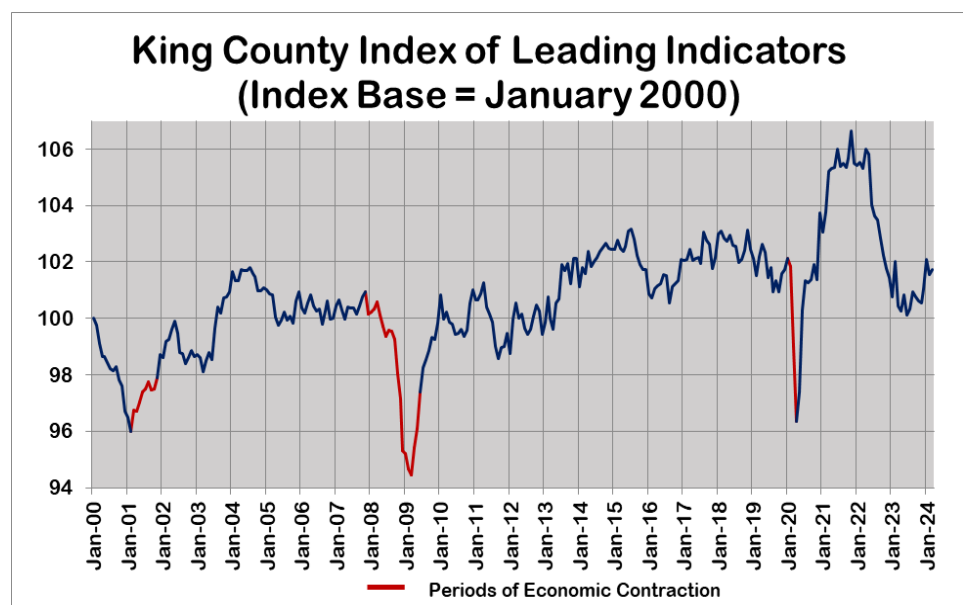


Fig. 6 King County Index of Leading Indicators (Source: OEFA)

KING COUNTY INDEX OF LEADING INDICATORS (CONT.)

The KC-ILI has been updated through March 2024 and the latest month had a slight uptick from February’s overall index. Examining the components of the ILI is helpful in gaining insight into how the overall index is trending. For March 2024, the positive drivers of the overall index being higher were national components like the manufacturing index and consumer sentiment and local components like help wanted ads being higher and residential permits being up from last month. The negative components which lowered the index was a slightly larger

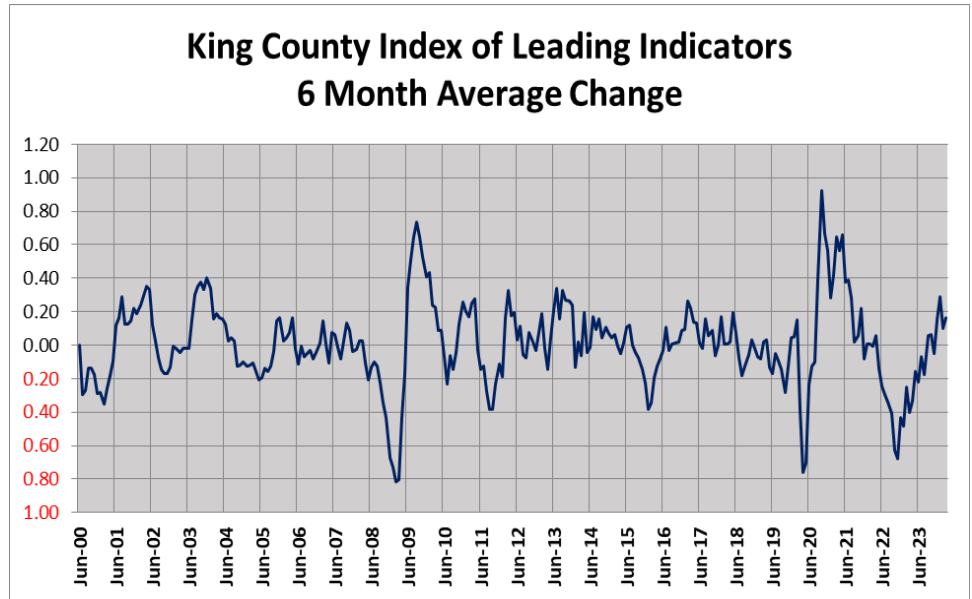


Fig. 7 King County Index of Leading Indicators—6mo Average Change (Source: OEFA)

negative yield spread, decline in new Washington businesses, lower durable goods sales and increase in King County initial unemployment claims. The chart comparing the components of the ILI reveals that for each component the change in the six-month average was in the same direction as the single month change in March just that the six-month average was generally showing smaller changes than the single month.

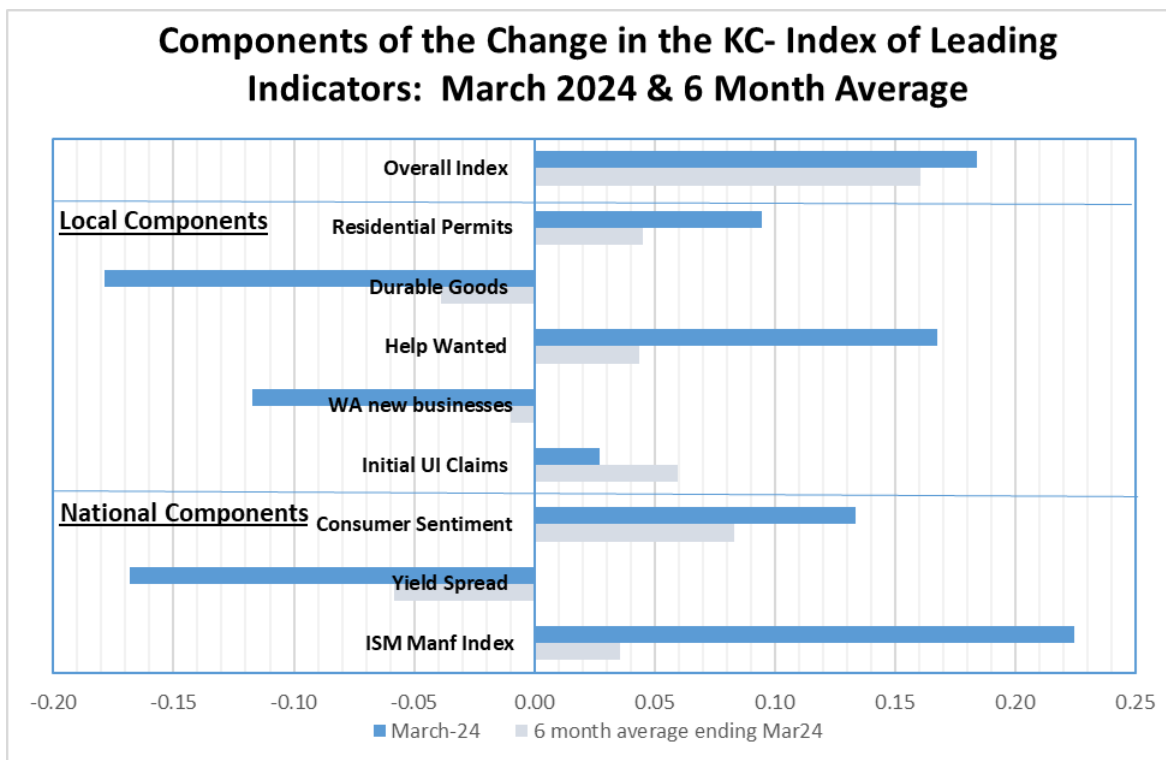


Fig. 8 KC-ILI Components of Change (Source: OEFA)

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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