



ECONPULSE

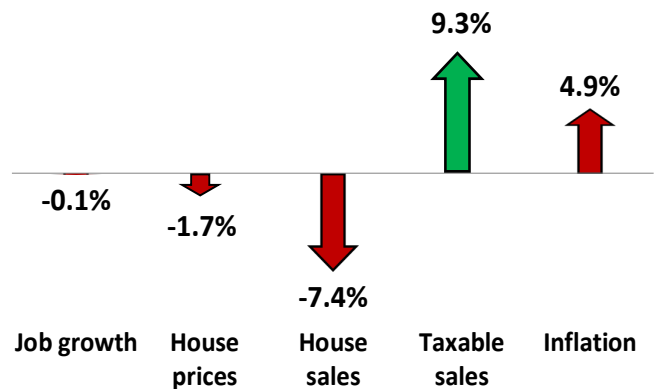
A QUARTERLY LOOK AT THE KING COUNTY ECONOMY
 KING COUNTY OFFICE OF ECONOMIC AND FINANCIAL ANALYSIS

FIRST QUARTER 2026

SUMMARY

- King County employment decreased 0.1% in the first quarter of 2026 compared to the first quarter of 2025.
- Home prices decreased 1.7% compared with the first quarter of 2025.
- The number of sales on the multiple listing service (MLS) in King County decreased 7.4% in the first quarter year-over-year ('yoy').
- Taxable sales were up 9.3% year-over-year in the first quarter of 2026 compared to first quarter 2025.
- The local inflation rate for April 2026 was 4.9%.

King County Key Economic Indicators
 (Q1 2026 growth compared to Q1 2025)



DETAIL

Employment in King County decreased slightly in the first quarter of 2026, shedding 1,500 jobs for a 0.1% decline. Sectors that added jobs include educational and health services (+2,600 jobs, or 1.3% growth), professional and business services (+1,500 jobs, 0.5% growth), and information (+300 jobs, +0.3 growth). Job declines were observed in a mix of sectors, including finance (-1,700 jobs or -2.3% growth), construction (-1,600 jobs, -2.3% growth), manufacturing (-1,100 jobs, -1.2% growth), and leisure and hospitality (-900 jobs, -0.7% growth). The government sector shed 800 jobs total, mixed between losses in federal (-1,700 jobs) and state (-1,400 jobs) government employment, and gains in local (+2,300 jobs) government employment.

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

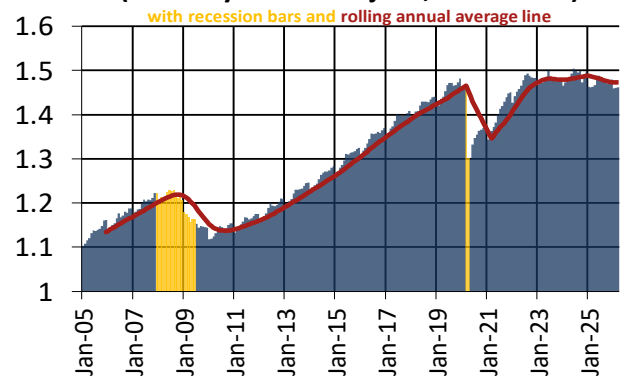


Fig. 1 Non-Farm Employment in King County (Source: WA ESD)

The unemployment rate in King County increased slightly in the first quarter of 2026 relative to 2025, up to 4.8% in March. Initial claims for unemployment insurance declined in the first quarter compared to the year prior, with 16,892 total initial claims, 4.9% fewer than the same time period in 2025.

DETAIL (CONT.)

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

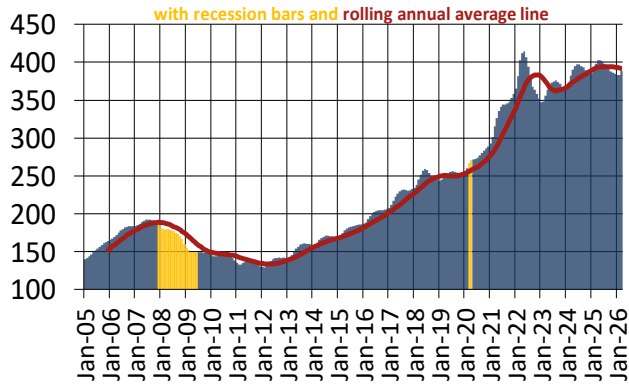


Fig. 2 Seattle Case-Shiller Index (Source: S&P)

Seattle area home prices began declining in August 2025 and that decline continued into the first quarter of 2026, with prices 1.7% lower according to the Case-Shiller Index. Sales activity decreased in what is typically the slowest quarter of the year, with 7.4% fewer closed home sales than in the first quarter of 2025.

Mortgage rates in the first quarter of 2026 were lower than the first quarter of 2025, but are beginning to trend back upwards. The average rate for a 30 year mortgage started at 6.10% in January before increasing to 6.33% in April.

Single-family residential permitting was up 2.9%, but the value of these permits was down 1.3% year-over-year. Multi-family permitting was up by 98.3% and the permit value up 70% in the first quarter of 2026 over an unusually slow first quarter of 2025.

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

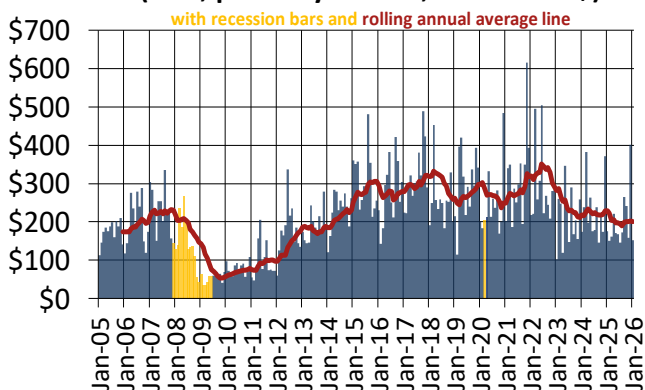


Fig. 3 Value of King County Residential Permits (Source: U.S. Census Bureau)

Taxable sales were up 9.3% in the first quarter compared to a year ago. The sizable increase this quarter is primarily due to the expanded retail sales tax base as a result of 2025 legislation ESSB 5814. Construction declined 3.3% relative to the same time period in 2025. Retail and wholesale increased 4.1%. Sales in the food service, accommodation, and entertainment sectors were up 3.2%. The catch-all category of “other,” which is comprised of sectors as varied as manufacturing, information, professional services, and education, was up 27.1% year-over-year.

Taxable Sales
(Total Monthly Sales, in billions \$)

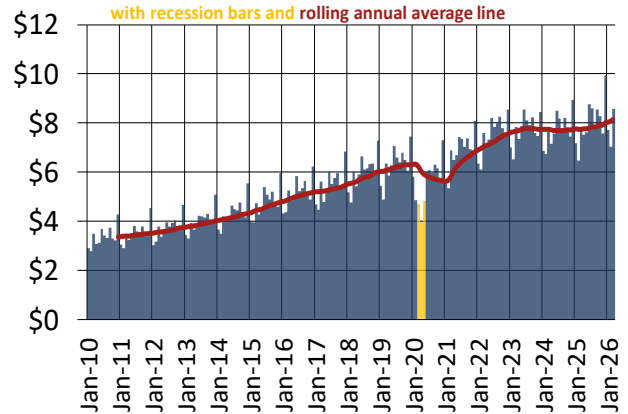


Fig. 4 Taxable Sales Growth in King County (12 month avg) (Source: WA DOR)

Inflation continued to climb in the first quarter of 2026, up to 4.9% as measured by the CPI-U for Seattle in April. Energy prices rose 23.7% year-over-year, while food and housing prices each increased 3.8% over the year. National CPI-U was 3.8% in April.

Seattle Inflation
(CPI-U, annually adjusted)

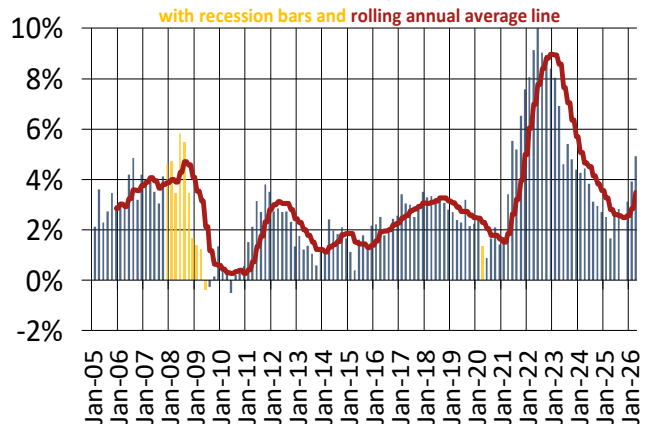


Fig. 5 Seattle Consumer Price Index (Source: BLS)

THE NUMBERS

King County Employment (in thousands)

| NAICS Industry | 2026:1Q | 2025:1Q | Absolute change | % Change |
|---|---------|---------|-----------------|----------|
| Total Nonfarm | 1,460.8 | 1,462.3 | -1.5 | -0.1% |
| Total Private | 1,270.7 | 1,271.4 | -0.7 | -0.1% |
| Goods Producing | 160.1 | 162.8 | -2.7 | -1.7% |
| Construction | 68.1 | 69.7 | -1.6 | -2.3% |
| Manufacturing | 91.6 | 92.7 | -1.1 | -1.2% |
| Service Providing | 1,300.7 | 1,299.5 | 1.2 | 0.1% |
| Trade, Transportation, and Utilities | 221.6 | 221.5 | 0.0 | 0.0% |
| Information | 125.5 | 125.2 | 0.3 | 0.3% |
| Financial Activities | 71.2 | 72.9 | -1.7 | -2.3% |
| Professional and Business Services | 304.5 | 303.0 | 1.5 | 0.5% |
| Educational and Health Services | 204.9 | 202.3 | 2.6 | 1.3% |
| Private Educational Services | 35.3 | 36.0 | -0.6 | -1.8% |
| Health Care and Social Assistance | 169.6 | 166.4 | 3.2 | 1.9% |
| Ambulatory Health Care Services | 65.9 | 63.9 | 2.0 | 3.1% |
| Hospitals | 31.1 | 31.4 | -0.3 | -1.0% |
| Nursing and Residential Care Facilities | 21.0 | 20.6 | 0.4 | 1.9% |
| Social Assistance | 51.6 | 50.4 | 1.2 | 2.3% |
| Leisure and Hospitality | 132.3 | 133.3 | -0.9 | -0.7% |
| Arts, Entertainment, and Recreation | 27.3 | 26.5 | 0.8 | 2.9% |
| Accommodation | 13.8 | 13.4 | 0.4 | 3.0% |
| Food services and drinking places | 91.2 | 93.3 | -2.1 | -2.2% |
| Other Services | 48.4 | 48.3 | 0.2 | 0.3% |
| Government | 190.0 | 190.9 | -0.8 | -0.4% |
| Federal Government | 17.2 | 18.9 | -1.7 | -9.2% |
| State Government | 59.4 | 60.9 | -1.4 | -2.4% |
| Local Government | 113.4 | 111.1 | 2.3 | 2.1% |

Other King County Economic Indicators

| | 2026:Q1 | 2025:Q1 | % Change |
|---|--------------|--------------|----------|
| Real Estate | | | |
| Single Family Permits (No. of units) (Jan-Mar) | 637 | 619 | 2.9% |
| Single Family Permits (\$000) (Jan-Mar) | \$ 303,065 | \$ 307,159 | -1.3% |
| Multi-Family Permits (No. of units) (Jan-Mar) | 1,826 | 921 | 98.3% |
| Multi-Family Permits (\$000) (Jan-Mar) | \$ 307,707 | \$ 180,496 | 70.5% |
| Average sales price (NW Multiple Listing Service) | \$ 1,052,638 | \$ 1,071,686 | -1.8% |
| Number of sales (NW Multiple Listing Service) | 4,341 | 4,688 | -7.4% |
| Taxable Retail Sales (\$B, Jan-Mar) | \$ 23.32 | \$ 21.33 | 9.3% |
| Retail/Wholesale | \$ 7.24 | \$ 6.96 | 4.1% |
| Construction | \$ 4.03 | \$ 4.17 | -3.3% |
| Food Service, Accommodation, Entertainment | \$ 2.20 | \$ 2.14 | 3.2% |
| Other | \$ 8.45 | \$ 6.65 | 27.1% |
| Inflation (April) | | | |
| CPI-U (Seattle-Tacoma-Bellevue) | 377.09 | 359.40 | 4.9% |

KING COUNTY FORECAST

The U.S. economy ended 2025 on a weak note, with GDP growing by only 0.5 percent in the fourth quarter mainly due to the 43-day federal government shutdown. Modest growth continued in the first quarter of 2026 at 1.6 percent, which was lower than earlier expectations. Consumer spending grew by nearly 1 percent, which was driven almost entirely by services (0.86 percent), while spending on goods barely budged (0.09 percent). In the first quarter of 2026, gross private domestic investment contributed 1.2 percentage points to the annualized percent change in real GDP, reflecting expanding AI-related investment that continues to support U.S. economic activity. Government consumption expenditure contributed 0.73 percent to the headline rate and imports increased more than exports, causing net exports to decline by 1.25 percent. Taken together, AI's influence on GDP is mixed. Stronger private investment tied to AI boosts growth, while increased demand for imported electronic components (essential for AI development) reduces GDP through a widening trade deficit. These counteracting forces highlight the complex and evolving role of AI in shaping U.S. economic performance.

King County's labor market remained soft in 2025, with employment declining by 1 percent to an average of 1.473 million jobs. In the first quarter of 2026, employment averaged 1.461 million, representing a slight 0.1 percent year-over-year decline. Job performance varied across industries. Service-providing employment continued to edge down by 0.2 percent year-to-date, although several sectors posted gains, including transportation and warehousing, arts and recreation, ambulatory health care, nursing and residential care, social assistance, education and health services, professional and technical services, other services, and local government. Within services, the largest percentage decline in early 2026 occurred in federal government employment, which fell 9 percent. All goods-producing sectors contracted between the first quarters of 2025 and 2026. Construction employment fell 2.3 percent, manufacturing declined 1.3 percent, and retail and wholesale trade continued to weaken, down 1.6 percent and 3 percent respectively. These declines reflect, in part, the large layoffs announced by Amazon after the first quarter of last year. Looking ahead, King County employment is projected to decline by 0.3 percent in 2026 before stabilizing. Growth is expected to improve modestly to 0.2 percent in 2027 and 0.4 percent in 2028.

The statewide job market weakened in 2025 and remained soft in 2026, with performance varying by region. In early 2026, job postings in January and February were down 3 percent and 4 percent from the prior year. By March and April, postings had risen above year-ago levels, reaching 162,077 in April. Overall, statewide job postings declined 1 percent in the first quarter. At the same time, the supply of workers increased. During the first quarter, the statewide labor supply was 4 percent higher than a year earlier. By April, the number of available workers declined to 76,038, but the gap between postings and supply reached 86,039, which represents a 25 percent increase from the previous year.

KING COUNTY FORECAST (CONT.)

In King County, the pattern differed. The year began with 58,906 openings and a labor supply of 24,882 workers, leaving 34,024 positions unfilled, a 22 percent decline from January 2025. By April, openings had increased 20 percent to 70,731, while hires fell 12 percent to 21,925. This widened the gap to 48,806, a 43 percent increase. In the first quarter of 2026 postings in King County declined 8 percent and labor supply increased 6 percent, resulting in a 14 percent reduction in unfilled positions. By April, King County continued to account for about 44 percent of all statewide postings. Its share of statewide hires rose from 25 percent in January to 29 percent in April, while its share of the statewide workforce gap fell from 86 percent in January to 57 percent in April. These trends show a significant decline in job postings and unfilled positions in King County as 2026 began, even as statewide labor supply continued to rise.

The Seattle CPI-U measure of local inflation was 2.6 percent in 2025. In the first quarter of 2026, the local inflation rate jumped up to 3.9 percent for all items and by April 2026, the inflation rate increased even further to 4.9 percent compared to prior year. In examining the most recent April 2026 inflation report, the year-over-year results indicate that while all items saw a 4.9 percent growth, the energy index increased 23.7 percent, the food index increased 3.8 percent, and core inflation (all items less food and energy) rose 3.8 percent from April 2025. Overall commodities prices increased faster at 6.3 percent than services at 4.2 percent. Motor fuel rose the fastest of any good at 26.4 percent, apparel prices rose 14.6 percent, fruits and vegetables rose 8.3 percent, household furnishing and operations rose 7.4 percent, and housing prices climbed 3.8 percent. Some of these increases can be linked to goods with tariff costs or higher input prices of gas, diesel or oil prices like the food and energy indices, household furnishing and apparel. Some services prices rose as well like recreation rose 8.1 percent, tuition and school fees rose 3 percent and medical care rose 2.0 percent. Inflation is projected to average 4 percent in 2026, 3.9 percent in 2027, and about 3 percent in subsequent years.

The Federal Reserve eased monetary policy in 2025 by cutting the federal funds rate in September, October, and December, each time by 0.25 percentage points, which brought the target range down to 3.5 to 3.75 percent. Since the start of 2026, the Fed has held the rate steady. With inflation rising sharply due to unrest in the Middle East and the disruption of oil shipments through the Strait of Hormuz, it now appears unlikely that the Federal Reserve will lower rates in 2026. If inflation continues to accelerate, rate increases are more likely. According to the current CME FedWatch tool, there is more than a 50 percent probability of a rate hike by the end of 2026 and less than a 1 percent probability of a rate cut.

Mortgage rates for 30-year fixed rate mortgages began 2026 at a 6.1 percent average for January. Rates stayed at a little above 6 percent for the next two months but by April interest rates rose to an average of 6.3 percent and in May 2026, they averaged 6.4 percent. High borrowing costs have slowed Seattle's housing market. Home prices grew minimally in 2025 by 1.6 percent. Most recently, the Seattle Case-Shiller Home Price Index showed a decrease of 1.7 percent during the first 3 months of 2026 compared to 2025.

KING COUNTY FORECAST (CONT.)

Housing inventory in King County has been expanding, influenced in part by higher mortgage rates. Inventory measured 1.7 months in the first quarter of 2025 and has continued to rise since then. By the first quarter of 2026, inventory had increased 52 percent to 2.7 months. The larger supply of active listings has helped limit price appreciation, and transaction activity has slowed compared with a year earlier. Residential home sales in King County fell 1.3 percent in 2025 and declined another 2.6 percent in the first quarter of 2026 relative to the same period in 2025. Housing permit activity dropped sharply in 2025, falling 20 percent from 2024. In the first quarter of 2026, however, total housing permits rebounded with a 60 percent increase from a year earlier. For the full year, permits are projected to rise nearly 10 percent compared with 2025.

Taxable sales grew modestly in 2025, increasing 2.8 percent, helped in part by legislation enacted that year that expanded the retail sales tax base. In 2026, taxable sales are expected to receive a larger boost from ESSB 5814, which further broadens the retail sales tax base in King County. Additional spending associated with World Cup events also contributes to stronger projections, bringing expected taxable sales growth to 7 percent for the year. Beyond 2026, taxable sales are projected to grow at an average annual rate of 2.3 percent over the following two years. Our current forecast also incorporates the negative effects of ESSB 6346, the Millionaires' Income Tax, which repeals the expanded retail sales tax base and results in a projected 3.5 percent decline in taxable sales in 2029.

King County personal income projections have been revised upward following the release of new quarterly actuals for 2025. Personal income growth for King County is now estimated at 5.8 percent in 2025 and 5.1 percent in 2026, with long-term growth expected to average 5 percent annually. Population growth for 2025 and 2026 has also been adjusted slightly upward to reflect the latest county data.

KING COUNTY FORECAST (CONT.)

| King County Forecast - First Quarter 2026 | | | | | |
|--|----------------|----------------|----------------|----------------|----------------|
| | 2025 | 2026 | 2027 | 2028 | 2029 |
| King County-Level | | | | | |
| Population (thous.) | 2,416.5 | 2,439.9 | 2,462.4 | 2,484.6 | 2,506.6 |
| Employment (thous.) | 1,473.1 | 1,468.0 | 1,470.3 | 1,476.2 | 1,488.1 |
| Unemployment Rate (%) | 4.4 | 5.1 | 4.8 | 4.5 | 4.2 |
| Personal Income (mil \$) | 318,477.4 | 334,755.6 | 354,138.9 | 374,679.2 | 394,456.5 |
| Housing Permits | 8,505 | 9,347 | 9,927 | 10,332 | 10,640 |
| House Transactions (Residential) | 20,518 | 20,842 | 21,405 | 22,033 | 22,651 |
| House Prices (avg.) | 1,208,480 | 1,225,818 | 1,269,265 | 1,310,559 | 1,383,550 |
| Seattle FHFA Index | 553.9 | 562.5 | 585.1 | 603.6 | 628.0 |
| Seattle CPI-U | 362.6 | 377.1 | 391.8 | 405.9 | 419.0 |
| Taxable Retail Sales (mil \$) | 95,997.4 | 102,655.6 | 105,093.7 | 107,341.8 | 103,562.4 |
| King County Employment - Detail (thousands) | | | | | |
| Natural Resources | 0.4 | 0.4 | 0.4 | 0.4 | 0.4 |
| Construction | 70.4 | 70.0 | 75.4 | 79.3 | 81.7 |
| Manufacturing | 91.8 | 92.1 | 92.2 | 92.5 | 93.0 |
| Subtotal (Goods Employment) | 162.6 | 162.5 | 167.9 | 172.1 | 175.1 |
| Trade, Transportation and Utilities | 220.1 | 210.7 | 201.9 | 194.2 | 190.2 |
| Information | 124.5 | 123.2 | 123.2 | 123.4 | 124.4 |
| Financial Services | 73.2 | 72.9 | 72.7 | 72.8 | 73.3 |
| Professional and Business Services | 304.8 | 303.4 | 302.7 | 303.1 | 305.1 |
| Other Services | 398.3 | 353.7 | 193.2 | 181.3 | 177.2 |
| Government | 189.6 | 241.8 | 408.8 | 429.4 | 442.8 |
| Subtotal (Services Employment) | 1,310.5 | 1,305.6 | 1,302.4 | 1,304.1 | 1,313.0 |
| Total Employment | 1,473.1 | 1,468.0 | 1,470.3 | 1,476.2 | 1,488.1 |
| Annual Growth | | | | | |
| Population | 1.2% | 1.0% | 0.9% | 0.9% | 0.9% |
| Employment | -1.0% | -0.3% | 0.2% | 0.4% | 0.8% |
| Personal Income | 5.8% | 5.1% | 5.8% | 5.8% | 5.3% |
| Inflation | 2.6% | 4.0% | 3.9% | 3.6% | 3.2% |
| Taxable Retail Sales | 2.8% | 6.9% | 2.4% | 2.1% | -3.5% |

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

KING COUNTY INDEX OF LEADING INDICATORS

For nearly a decade, King County has produced an index of leading indicators to measure the state of the local economy, known as the County’s Index of Leading Indicators (ILI). The ILI provides two benefits: (1) it offers an understandable visual of the County’s current economic health and (2) it can be used for determining the onset of an economic contraction. For example, a rising indicator implies the economy is performing better (i.e., more jobs, more sales, more construction) and 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.

County ILI has performed well describing general economic trends and has done reasonably well predicting the two recessions since 2000. In the following chart of the KC-ILI, 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: big dips occurring in each month do not guarantee a recession, but sustained drops over a period of several months have coincided with past recessions. OFEA also calculates the six-month moving average of the index. Most recently, in 2022 and 2023, there were concerns about 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. 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 KC-ILI has been updated through March 2026. Last year, the index reached its high point in January and its low point in April, then fluctuated between those levels for the remainder of the year. The index began 2026 at 101.466, increased 1.1 percent in February, and then edged down 0.2 percent in March to 102.37. Examining the components of the index provides insight into these movements.

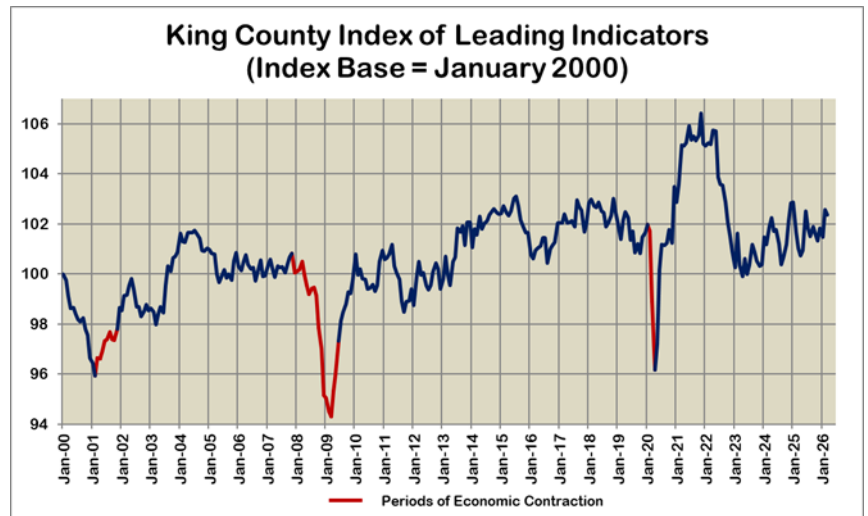


Fig. 6 King County Index of Leading Indicators (Source: OEFA)

KING COUNTY INDEX OF LEADING INDICATORS (CONT.)

In March 2026, the components were mixed, with four contributing negatively and three contributing positively. The positive contributors were the yield spread, Washington new business formations, and durable goods. The growth in durable goods is largely the result of legislation enacted in 2025 that expanded the sales tax base in King County. Without this policy change, wholesale durable goods activity would have been flat or negative, which would have pulled the overall index lower in the first quarter of 2026.

The negative contributors in March were residential housing permits, help-wanted ads, national consumer sentiment, and local initial unemployment insurance claims. Washington new business formations have shown strong upward movement for two consecutive months, and the yield spread has been trending upward throughout 2025 and 2026. Initial unemployment claims were only slightly lower, which is a positive sign because higher claims would have weighed more heavily on the index.

A comparison of the index components shows that for most categories, the change in the six-month average was smaller than the single-month change in March 2026. The exceptions were the national ISM manufacturing index and help-wanted ads. The recent improvement in taxable sales, driven by the expanded retail sales base, resulted in positive durable goods sales in March, compared with no change over the prior six months. The opposite pattern occurred for help-wanted ads, which fell 6 percent in March even though the six-month average remained slightly positive. For components such as U.S. consumer sentiment, the decline has persisted for more than six months, so the March value and the six-month average are nearly identical. Other components, such as the yield spread, have been rising for an extended period, making both the six-month average and the March reading positive, with the most recent data providing a stronger contribution to the overall index.

For the six-month average index, most components were positive, with the exceptions of residential permits, initial unemployment insurance claims, and consumer sentiment. A small decline in unemployment claims is a positive sign, since higher claims would weigh more heavily on the index. Both the six-month moving average and the current monthly index have been trending downward since the beginning of 2026. However, the decline in the six-month index has not fallen to the low point reached in April 2025.

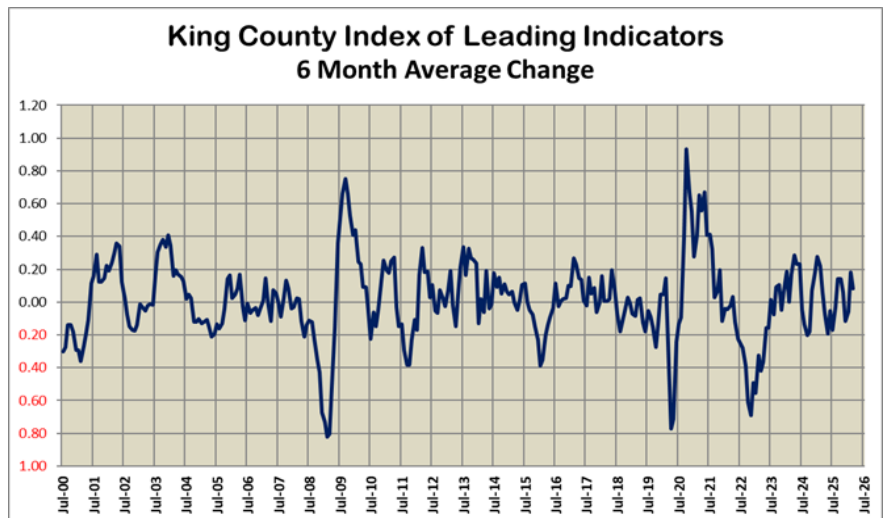


Fig. 7 King County Index of Leading Indicators—6mo Average Change
(Source: OEFA)

KING COUNTY INDEX OF LEADING INDICATORS (CONT.)

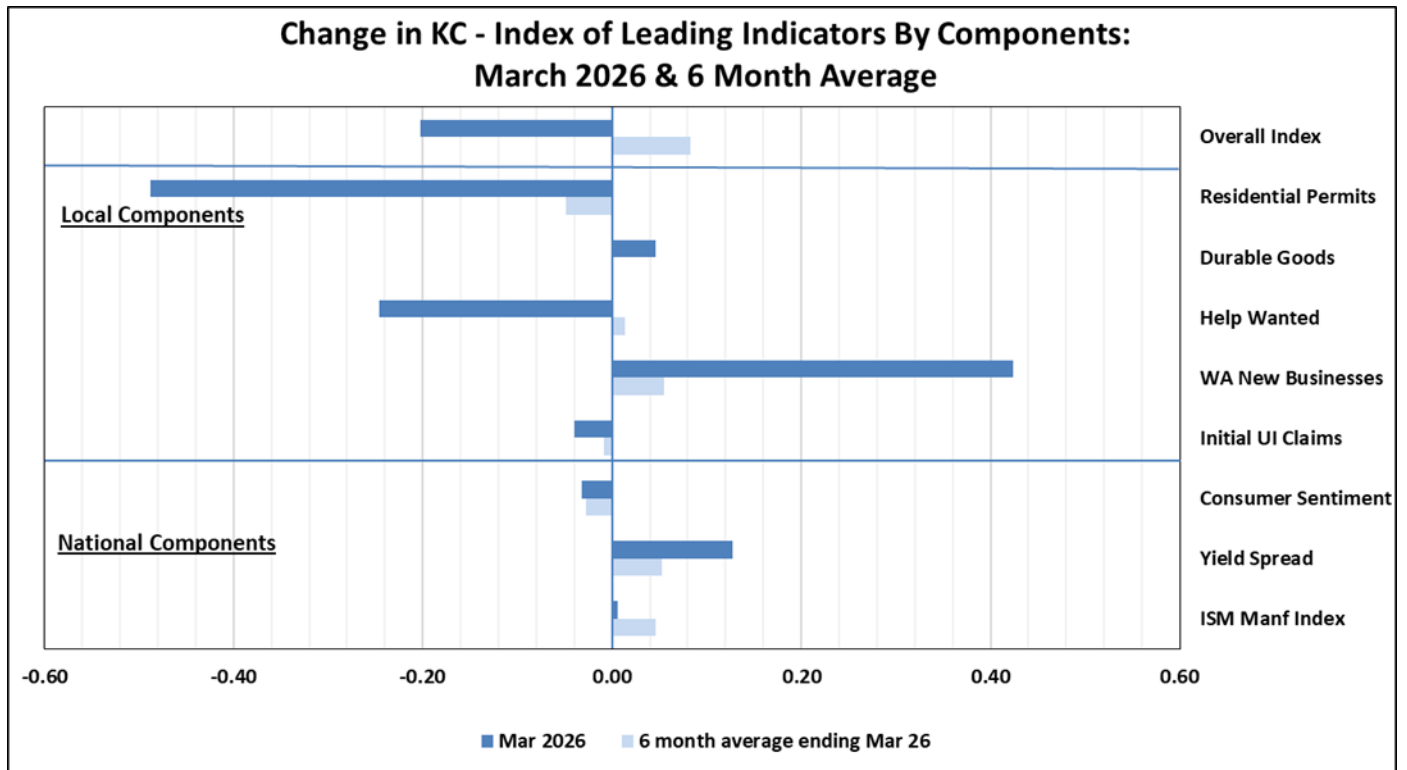


Fig. 8 KC-ILI Components of Change (Source: OEFA)

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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