ECONPULSE

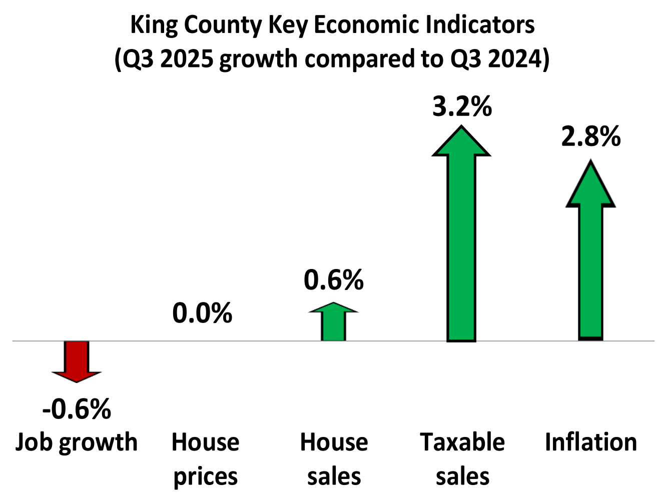
A QUARTERLY LOOK AT THE KING COUNTY ECONOMY

KING COUNTY OFFICE OF ECONOMIC AND FINANCIAL ANALYSIS

THIRD QUARTER 2025

SUMMARY

- King County employment decreased 0.6% in July and August of 2025 compared to the year prior.
- Home prices were unchanged in July and August 2025 compared to the same time period in 2024.
- The number of sales on the multiple listing service (MLS) in King County increased 0.6% in the third quarter year-over-year (’yoy’).
- Taxable sales were up 3.2% year-over-year in the third quarter of 2025 compared to third quarter 2024.
- The local inflation rate for August 2025 was 2.8%.



DETAIL

The federal government shutdown prevented the release of employment data from September 2025, the final month of the third quarter. In July and August, employment growth in King County fell slightly compared to the year prior, with 9,700 fewer jobs for a 0.6% decrease. The bulk of the decline was concentrated in service providing sectors such as professional and business services (down 13,200 jobs, -4.2%), trade, transportation, and utilities (down 5,100 jobs, -2.2%), and information (-3,100 jobs, 2.3%). The strongest growing sectors were leisure and hospitality (up 5,300 jobs, 3.7%), health care and social assistance (up 5,100 jobs, 3.1%), and private educational services (up 2,100 jobs, 6.7%).

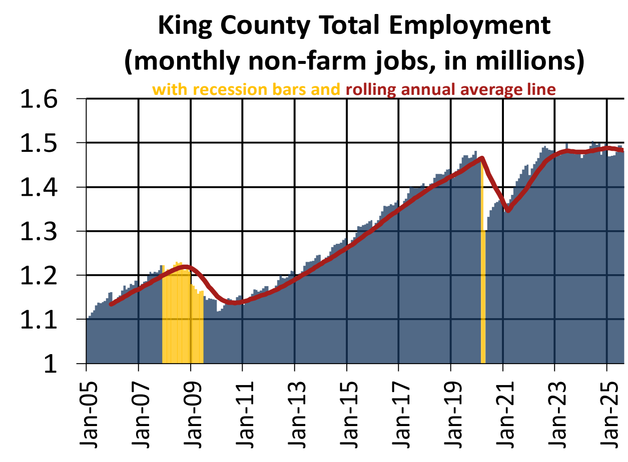


Fig. 1 Non-Farm Employment in King County (Source: WA ESD)

The latest available unemployment rate in King County was 4.5% in August, slightly higher than the US unemployment rate of 4.3% in August. Initial claims for unemployment insurance in King County increased again in the third quarter, with 15,649 claims filed, an 11% increase over the same time period in 2024.

DETAIL (CONT.)

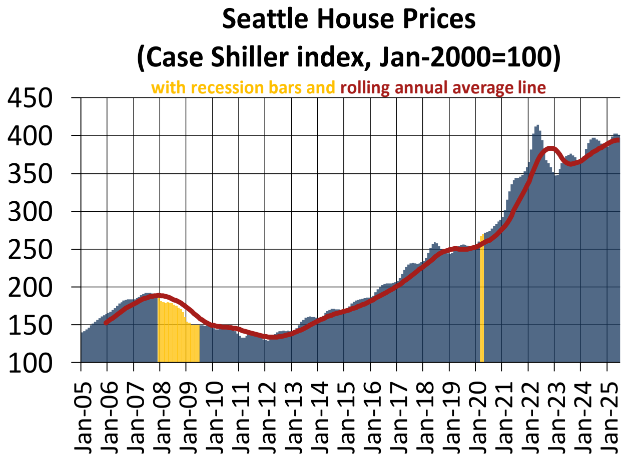


Fig. 2 Seattle Case-Shiller Index (Source: S&P)

Seattle area home prices did not change between the third quarter of 2025 compared to 2024. Sales activity increased very slightly, with 0.6% more closed sales in the third quarter of 2025. Mortgage rates declined to 6.35% in September.

The federal government shutdown delayed the release of September residential permitting data. For the months of July and August, residential permitting declined from the same time period in 2024, with the number of single family permits down 13.2% and multi-family permits down 36.6%. 2025 continues to be a very slow year for residential permitting. At the end of August 2025, only 4,269 units had been permitted compared to 6,836 units in the first eight months of 2024, which equates to 37.6% fewer new residential housing units.

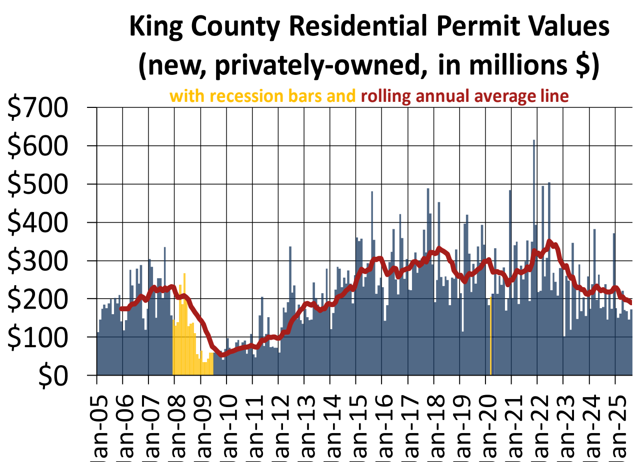


Fig. 3 Value of King County Residential Permits (Source: U.S. Census Bureau)

Taxable sales were up 3.2% in the third quarter compared to a year ago. Construction was the only category that declined, down 0.3% relative to the same time period in 2024. Retail and wholesale increased 4.1%. Sales in the food service, accommodation, and entertainment sectors were up 4.3%. The catch-all category of "other," which is comprised of sectors as varied as manufacturing, information, professional services, and education, was up 4.1% year-over-year.

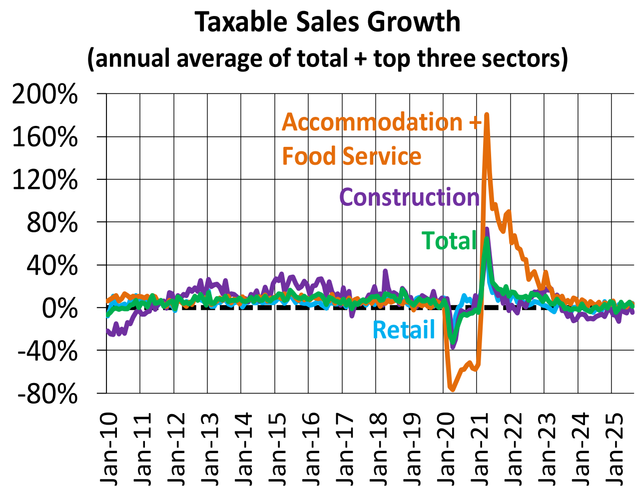


Fig. 4 Taxable Sales Growth in King County (12 month avg) (Source: WA DOR)

Inflation increased, up to 2.8% as measured by the CPI-U for Seattle in August. Nearly all indexes all increased in August relative to the prior year, with the exceptions of alcoholic beverages and recreation. National CPI-U was 2.9% in August and 3% in September.

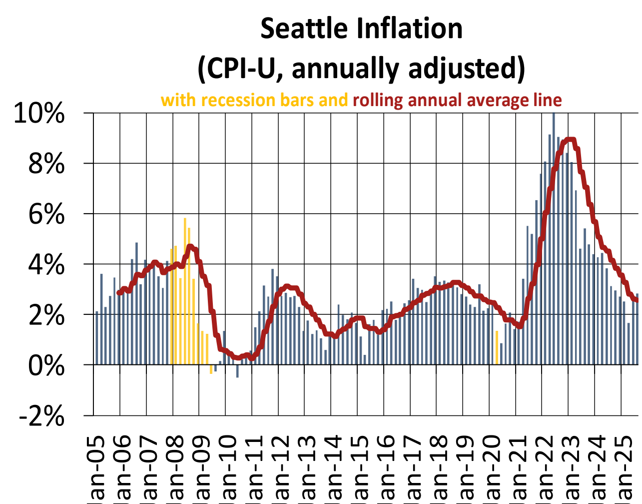


Fig. 5 Seattle Consumer Price Index (Source: BLS)

THE NUMBERS

King County Employment (in thousands)

NAICS Industry	2025:3Q	2024:3Q	Absolute change	% Change
Total Nonfarm	1,488.1	1,497.8	-9.7	-0.6%
Total Private	1,309.2	1,315.3	-6.2	-0.5%
Goods Producing	170.7	169.5	1.2	0.7%
Construction	74.9	74.7	0.2	0.3%
Manufacturing	95.4	94.4	1.0	1.1%
Service Providing	1,317.4	1,328.3	-10.9	-0.8%
Trade, Transportation, and Utilities	224.5	229.6	-5.1	-2.2%
Information	128.9	132.0	-3.1	-2.3%
Financial Activities	73.7	74.3	-0.6	-0.9%
Professional and Business Services	303.6	316.8	-13.2	-4.2%
Educational and Health Services	204.4	197.2	7.2	3.7%
Private Educational Services	33.3	31.2	2.1	6.7%
Health Care and Social Assistance	171.1	166.0	5.1	3.1%
Ambulatory Health Care Services	65.8	65.1	0.7	1.1%
Hospitals	32.0	31.1	0.9	2.9%
Nursing and Residential Care Facilities	21.2	20.0	1.2	6.0%
Social Assistance	52.1	49.8	2.3	4.6%
Leisure and Hospitality	150.0	144.7	5.3	3.7%
Arts, Entertainment, and Recreation	32.4	30.4	2.0	6.6%
Accommodation	14.7	14.1	0.5	3.9%
Food services and drinking places	103.0	100.2	2.8	2.7%
Other Services	52.1	49.5	2.6	5.3%
Government	178.9	182.5	-3.5	-1.9%
Federal Government	18.4	19.1	-0.7	-3.4%
State Government	51.6	55.3	-3.8	-6.8%
Local Government	109.0	108.1	0.8	0.8%

Other King County Economic Indicators

	2025:Q3	2024:Q3	% Change
Real Estate			
Single Family Permits (No. of units) (Jul-Aug)	420	484	-13.2%
Single Family Permits ($000) (Jul-Aug)	$ 212,612	$ 233,409	-8.9%
Multi-Family Permits (No. of units) (Jul-Aug)	638	1,007	-36.6%
Multi-Family Permits ($000) (Jul-Aug)	$ 106,065	$ 182,724	-42.0%
Average sales price (NW Multiple Listing Service)	$ 1,123,122	$ 1,118,928	0.4%
Number of sales (NW Multiple Listing Service)	6,321	6,283	0.6%
Taxable Retail Sales ($B, Jul-Aug)	$ 16.45	$ 15.94	3.2%
Retail/Wholesale	$ 6.30	$ 6.05	4.1%
Construction	$ 3.23	$ 3.24	-0.3%
Food Service, Accommodation, Entertainment	$ 1.99	$ 1.91	4.3%
Other	$ 4.93	$ 4.74	4.1%
Inflation (August)			
CPI-U (Seattle-Tacoma-Bellevue)	365.21	355.18	2.8%

King County Economic Forecast

The U.S. economy began 2025 on a weak note, with GDP contracting by 0.6 percent in the first quarter. This decline was largely the result of a surge in imports ahead of anticipated second-quarter tariffs, combined with reduced federal spending. By contrast, the second quarter showed a strong rebound, with GDP expanding by 3.8 percent. The improvement reflected a slowdown in imports and stronger consumer spending, although investment declined. Net exports rose by 4.8 percent, while government expenditure slipped slightly by 0.01 percent, driven mainly by a 0.35 percent reduction in federal nondefense spending. Consumer momentum strengthened, with personal spending rising from 0.4 percent in the first quarter to 1.7 percent in the second. Goods consumption increased by 0.47 percent, and services consumption rose by 1.2 percent. The release of third-quarter GDP data has been delayed.

King County's labor market remained soft through the first half of 2025. Employment peaked at 1.504 million in June 2024 but has since declined. By August 2025, average employment stood at 1.482 million, representing a 0.9 percent decrease from August 2024. In the first quarter of 2025, employment averaged 1.470 million, a 0.2 percent year-over-year decline. The second quarter showed modest improvement, with employment rising to 1.481 million, though this still reflected a 0.76 percent annual loss. For the first eight months of 2025, employment averaged 1.478 million, down 0.5 percent compared to the same period last year.

Employment change by industry has been uneven. Service-providing employment has declined by 0.6 percent year-to-date, although industries such as accommodations and food services, nursing and residential care, leisure and hospitality, education and health care, other services, and nondurable goods manufacturing posted gains. Goods-producing sectors fell by 0.3 percent year-to-date. Construction dropped by 0.6 percent, with building construction employment down the most, averaging a 4 percent decline in the first eight months of 2025 compared to last year. Manufacturing contracted by 0.1 percent, while retail and wholesale trade continued to weaken, with employment down 0.8 percent and 3.5 percent respectively. Looking ahead, King County employment is expected to decline by 0.8 percent for the remainder of 2025, followed by a smaller decline of 0.4 percent in 2026. Growth is projected to stabilize at 0.7 percent in 2027 and 0.9 percent in 2028.

The statewide job market has also weakened, though trends vary across regions. At the start of 2025, Washington reported 142,383 job openings and 93,227 hires, leaving a workforce gap of 49,156 positions. By October, openings had risen to 153,873 while hires fell to 66,146, widening the gap to 87,727 positions, a 78 percent increase since January. Compared to October 2024, job postings were down 5 percent, and supply was down 12 percent. In King County, the workforce gap began the year with 66,514 openings and 22,870 hires, leaving 43,644 positions unfilled. By October, openings had edged up to 67,276, but hires fell to 21,059, increasing the gap to 46,217. Compared to a year earlier, postings declined by 11 percent and supply by 10 percent. King County currently accounts for 44 percent of statewide job openings but only 32 percent of hires, down from 47 percent of openings at the start of the year.

KING COUNTY ECONOMIC FORECAST (CONT.)

Local inflation continues to ease from the highs of 2022. The Seattle CPI-U fell from 5.9 percent in 2023 to 3.6 percent in 2024. In 2025, inflation has been relatively flat, rising slightly from 2.7 percent in December 2024 to 2.8 percent in August 2025. Recent inflation data has been delayed. In August, the inflation rate excluding food and energy increased 2.6 percent year-over-year. The food index rose 3.5 percent, energy increased 7.3 percent, and motor fuel rose 4 percent. Housing prices climbed 2.5 percent, apparel rose 6.9 percent, medical care increased 3.3 percent, and recreation declined 1 percent. Looking forward, new tariffs on imported goods are expected to push prices higher. Inflation is projected to average 2.8 percent in 2025, 3.9 percent in 2026, and about 3.2 percent in subsequent years.

The Federal Reserve began easing monetary policy in late 2024, cutting rates in September, November, and December to bring the federal funds rate down to a range of 4.25 to 4.5 percent. In 2025, the Fed cut rates again in September and October by 0.25 percentage points each, lowering the target range to 3.75 to 4 percent. It remains uncertain whether another cut will occur in December, as signals are mixed and new data is limited.

Mortgage rates remained elevated at the start of 2025, with the 30-year fixed rate reaching 7 percent in January. Rates have since declined in response to Fed cuts, falling to 6.3 percent by November 2025. High borrowing costs have slowed Seattle's housing market. Home prices rose 6.1 percent in 2024 but growth moderated in 2025. The Case-Shiller Home Price Index showed a 4.8 percent increase in the first quarter, 1.9 percent in the second quarter, and minimal growth of 0.04 percent in the first two months of the third quarter compared to last year.

Housing inventory in King County has expanded, influenced in part by mortgage rates. Inventory stood at 1.9 months in the fourth quarter of 2024 and began 2025 at 1.8 months. It rose to 2.3 months in the second quarter and 2.8 months in the third quarter. Greater supply has limited price appreciation, while transactions have slowed. Transactions grew 1.5 percent in the first quarter but fell 1.8 percent in the second and 4.4 percent in the third. A decline of 1.6 percent is projected for the full year, followed by average annual growth of 4 percent thereafter. Housing permit activity has fallen sharply compared to 2024, with declines of 50 percent, 41 percent, and 21 percent in the first three quarters of 2025. Overall, permits are projected to drop 41.6 percent for the year.

Taxable sales declined slightly by 0.02 percent in 2024, reflecting weakness in manufacturing, construction, wholesale, and retail. The first nine months of 2025 show modest growth of 2 percent, with full-year growth expected at 2.2 percent with a slight boost from new legislation passed in 2025 expanding the retail sales tax base. In 2026, sales are expected to benefit significantly from new legislation, ESSB 5814, which expands the retail sales tax base in King County as well as additional gains from World Cup events, raising taxable sales projections to 8 percent growth. Beyond 2026, taxable sales are expected to grow at an average annual rate of 3 percent. Population growth is projected to remain steady at 0.9 percent in 2025 and in subsequent years.

KING COUNTY ECONOMIC FORECAST (CONT.)

King County Forecast - Third Quarter 2025	2024	2025	2026	2027	2028
King County-Level					
Population (thous.)	2,382.4	2,404.4	2,426.6	2,448.9	2,471.1
Employment (thous.)	1,488.5	1,477.1	1,471.5	1,478.6	1,491.9
Unemployment Rate (%)	4.1	4.2	4.4	4.0	4.0
Personal Income (mil $)	293,287.9	301,786.4	310,044.5	322,094.5	331,314.8
Housing Permits	10,651	6,217	6,832	7,477	8,007
House Transactions (Residential)	20,812	20,479	21,392	22,856	24,435
House Prices (avg.)	1,192,982	1,209,746	1,280,357	1,364,504	1,447,502
Seattle FHFA Index	545.1	550.5	560.6	571.7	585.8
Seattle CPI-U	353.4	363.3	377.6	388.7	399.9
Taxable Retail Sales (mil $)	93,400.6	95,418.2	103,171.7	105,674.8	108,402.9
King County Employment - Detail (thousands)					
Natural Resources	0.5	0.5	0.5	0.5	0.5
Construction	73.4	71.3	77.3	79.6	81.6
Manufacturing	92.8	91.9	92.1	92.2	92.5
Subtotal (Goods Employment)	**166.7**	**163.7**	**169.9**	**172.3**	**174.6**
Trade, Transportation and Utilities	228.7	225.3	214.5	206.8	200.3
Information	129.6	127.7	125.8	126.6	127.7
Financial Services	73.6	72.7	71.9	72.1	72.7
Professional and Business Services	313.2	311.8	308.7	309.8	312.4
Other Services	389.8	391.6	398.2	407.0	419.3
Government	187.0	184.3	182.5	184.0	184.9
Subtotal (Services Employment)	**1,321.9**	**1,313.4**	**1,301.6**	**1,306.4**	**1,317.3**
Total Employment	**1,488.5**	**1,477.1**	**1,471.5**	**1,478.6**	**1,491.9**
Annual Growth					
Population	1.1%	0.9%	0.9%	0.9%	0.9%
Employment	0.6%	-0.8%	-0.4%	0.5%	0.9%
Personal Income	5.6%	2.9%	2.7%	3.9%	2.9%
Inflation	3.6%	2.8%	3.9%	2.9%	2.9%
Taxable Retail Sales	0.0%	2.2%	8.1%	2.4%	2.6%

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.

The 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 September 2025 and recent months have indicated a declining trend from the last September overall leading indicator index. During 2024, the index hit its low point in the year in July 2024 and hit its peak in December, the last month of the year. In 2025, the index started to decline at the beginning of the year and bounced back in June to around the same level as it started the year and then it started to fall again until it was at its lowest point of the year in September.

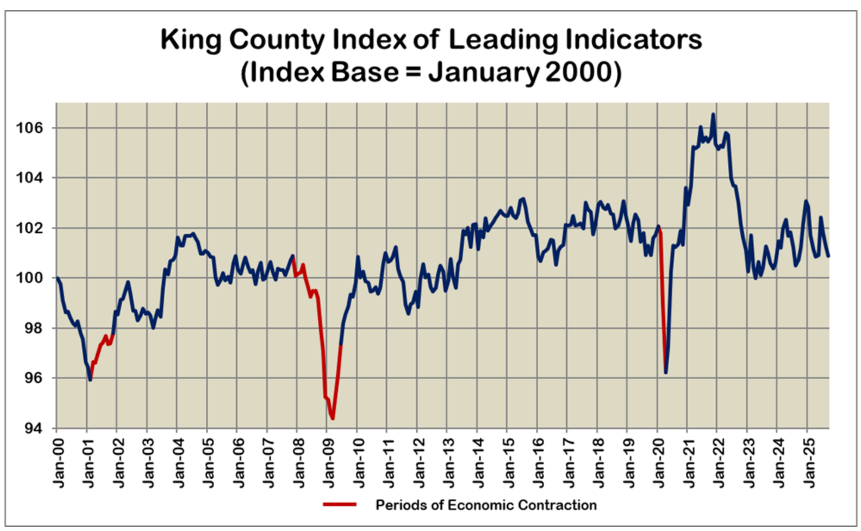


Fig. 6 King County Index of Leading Indicators (Source: OEFA)

KING COUNTY INDEX OF LEADING INDICATORS (CONT.)

Examining the components of the ILI is helpful in gaining insight into how the overall index is trending. For September 2025, all the components of the overall index were negative except for three components. The two positive drivers were national component manufacturing index as well local component residential housing permits. The initial UI claims were also positive but having higher UI claims is a negative component on the index. The other negative components which lowered the index in September were lower durable goods sales, help wanted ads, new businesses, consumer sentiment and yield spread.

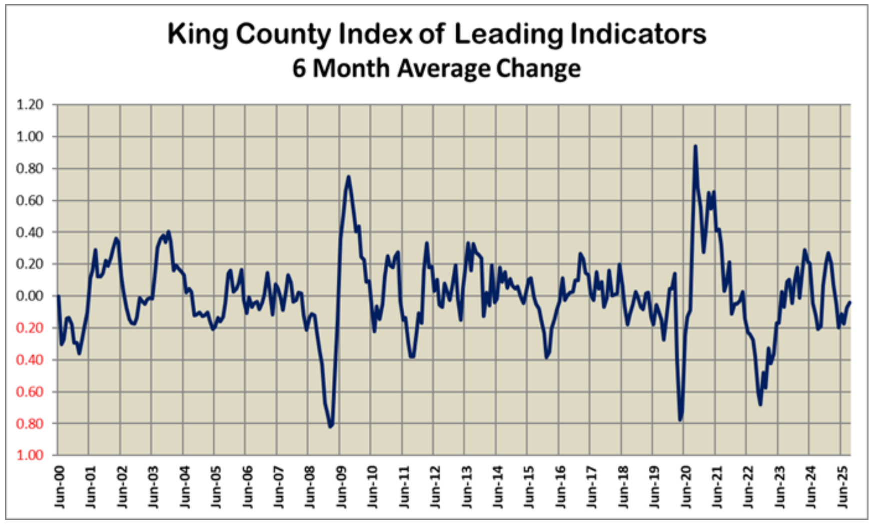


Fig. 7 King County Index of Leading Indicators—6mo Average Change

(Source: OEFA)

The chart on the following page comparing the components of the ILI reveals that for each component the change in the six-month average was typically less than the single month September index except for Washington new businesses as the 6-month average was more negative than in September. The recent trend in taxable sales has been worsening in durable goods sales in the past month versus the past 6 months and this is also true of US consumer sentiment which has dropped again in September which is seen in the overall ILI results. In 2025, the most recent month and the 6-month average residential permits showed small growth. For the 6-month average index, most components were negative except for the residential permits, ISM manufacturing index and UI claims. Having a small decline in UI claims for the 6-month average is a good thing, but it shows a turning point because the most recent month of UI claims show 7.5% growth. The biggest negative component contributing the most to the big decline in the overall index is the decline in consumer sentiment which has declined significantly in the last month. This has contributed to the King County overall average index being negative consistently for the last three months indicating downward momentum in the local economy. Even though the index is declining, it is not down enough to signal a pending recession.

KING COUNTY INDEX OF LEADING INDICATORS (CONT.)

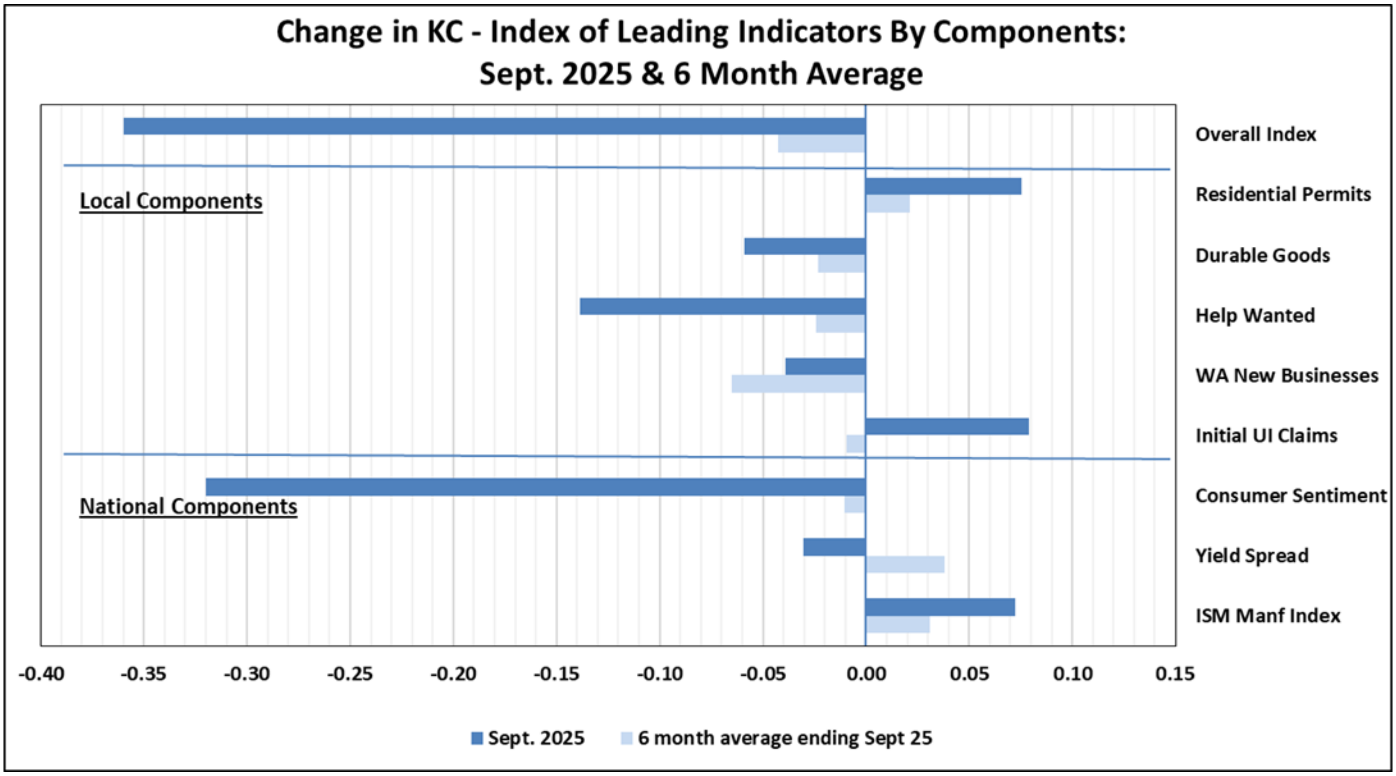


Fig. 8 KC-ILI Components of Change (Source: OEFA)

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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