



ECONPULSE

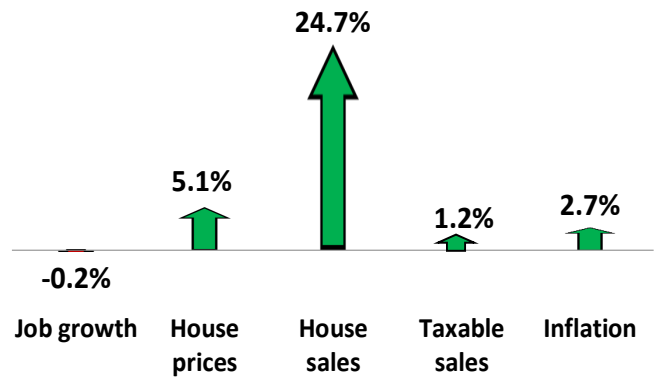
A QUARTERLY LOOK AT THE KING COUNTY ECONOMY
 KING COUNTY OFFICE OF ECONOMIC AND FINANCIAL ANALYSIS

FOURTH QUARTER 2024

SUMMARY

- King County employment decreased 0.2% in the fourth quarter of 2024 compared to the fourth quarter of 2023.
- Home prices increased 5.1% compared with the fourth quarter of 2023.
- The number of sales on the multiple listing service (MLS) in King County increased 24.7% in the fourth quarter year-over-year ('yoy').
- Taxable sales were up 1.2% year-over-year in the fourth quarter of 2024 compared to fourth quarter 2023.
- The local inflation rate for December 2024 was 2.7%.

King County Key Economic Indicators
 (Q4 2024 growth compared to Q4 2023)



DETAIL

Employment in King County fell 0.2% in the fourth quarter year-over-year, shedding 2,300 jobs. Growth was mixed among sectors, with the largest gains coming from the government sector (+18,400 jobs, a 10.8% increase) driven largely by hiring within the state's public higher education system. Other sectors experiencing growth were trade, transportation, and utilities (+1,800 jobs, a 0.8% increase) and educational and health services (+12,300 jobs, a 6.3% increase). Declining sectors included manufacturing (-11,900 jobs, a 12.7% decrease), which is largely attributable to the Boeing strike that lasted from September 13th until November 4th. Leisure and hospitality jobs also decreased in the fourth quarter (-7,500 jobs, a 5.2% decrease).

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

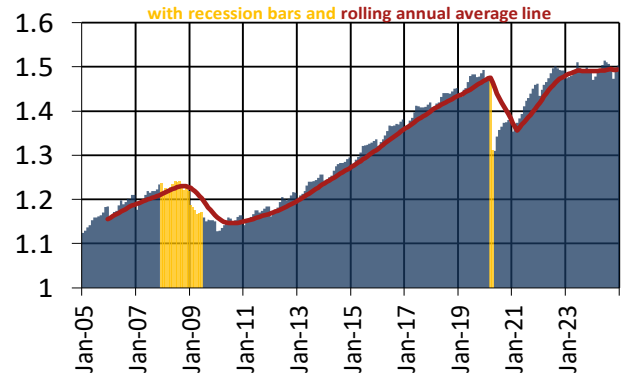


Fig. 1 Non-Farm Employment in King County (Source: WA ESD)

The unemployment rate in King County declined again in the fourth quarter, falling to 3.0% in December, the lowest rate since December 2022. Initial claims for unemployment insurance were up significantly in the fourth quarter due to the Boeing strike that led to a spike in initial claims in October. With the strike ending in November, initial claims returned to levels in line with figures from November and December of 2023.

DETAIL (CONT.)

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

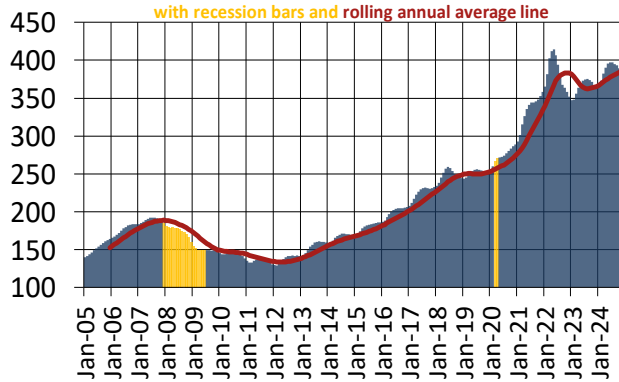


Fig. 2 Seattle Case-Shiller Index (Source: S&P)

Seattle area home prices rose again in the fourth quarter, up 5.1% relative to 2023. Sales activity increased significantly in the fourth quarter compared to the prior year. Sales in the fourth quarter of 2023 were historically weak as 30-year mortgage rates climbed to an average of 7.29% for that quarter. Rates dropped to 6.63% in the fourth quarter of 2024, leading to stronger sales activity. However, the quarterly rate obscures a volatile quarter for mortgage rates; in the weeks prior to Election Day, rates dropped down to an average of 6.43% and then spiked to an average of 6.76% post-election. Rates remain quite high in the first weeks of 2025.

Single-family permitting decreased and multi-family permitting increased in the fourth quarter of 2024 compared to 2023. For the full year 2024, single family permitting was nearly the same as 2023 (2,374 units in 2023 vs 2,369 units in 2024) while multi-family permitting was down 3.1% compared to 2023 (7,415 units in 2023 vs 7,186 units in 2024).

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

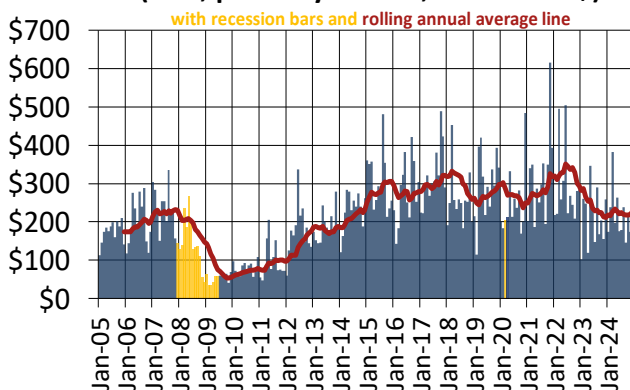


Fig. 3 Value of King County Residential Permits (Source: U.S. Census Bureau)

Taxable sales were up 1.2% in October and November. Construction continued to decline, down 5.5% relative to the same time period in 2023. Retail and wholesale sales increased 2.1% from the combination of a very strong October and a mildly weak November. Accommodation and food service continued to trend positively, up 4% for October and November relative to the year prior.

Taxable Sales Growth
(annual average of total + top three sectors)

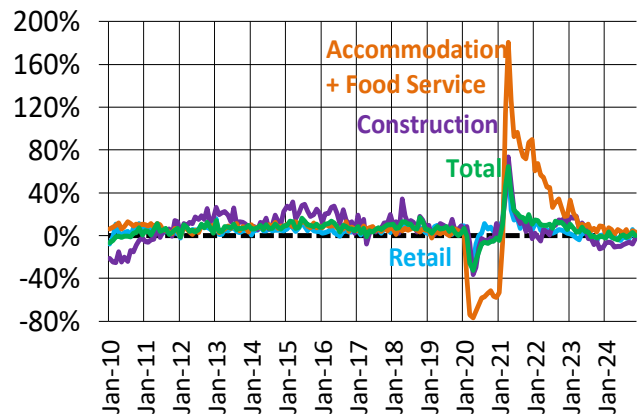


Fig. 4 Taxable Sales Growth in King County (12 month avg) (Source: WA DOR)

Inflation continued to ease in the fourth quarter of 2024, down to 2.7% as measured by the CPI-U for Seattle in December. For the year, food, housing, and energy prices were all up, slightly offset by declines in apparel and education prices. National CPI-U was 2.9% in December. Annual inflation for the Seattle area was 3.6% for 2024, compared to 3.2% nationally.

Seattle Inflation
(CPI-U, annually adjusted)

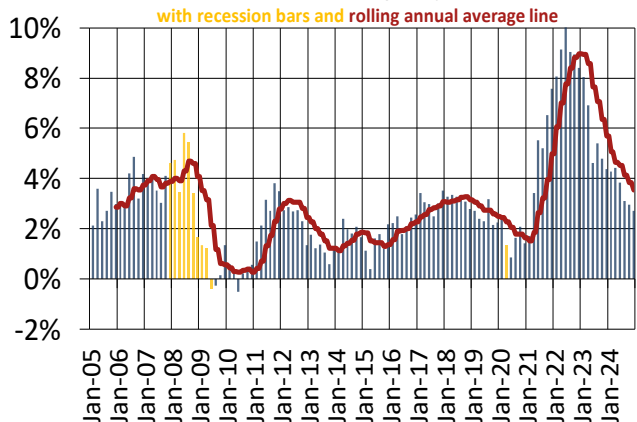


Fig. 5 Seattle Consumer Price Index (Source: BLS)

THE NUMBERS

King County Employment (in thousands)

NAICS Industry	2024:4Q	2023:4Q	Absolute change	% Change
Total Nonfarm	1,490.8	1,493.1	-2.3	-0.2%
Total Private	1,302.0	1,322.6	-20.7	-1.6%
Goods Producing	158.1	174.4	-16.4	-9.4%
Construction	75.9	80.2	-4.3	-5.4%
Manufacturing	81.8	93.7	-11.9	-12.7%
Service Providing	1,332.7	1,318.7	14.1	1.1%
Trade, Transportation, and Utilities	237.2	235.4	1.8	0.8%
Information	68.3	71.5	-3.2	-4.5%
Financial Activities	72.4	75.0	-2.6	-3.5%
Professional and Business Services	315.1	316.6	-1.6	-0.5%
Educational and Health Services	206.7	194.5	12.3	6.3%
Educational Services	38.2	32.9	5.3	16.1%
Ambulatory Health Care Services	66.9	63.7	3.2	5.1%
Hospitals	31.4	30.3	1.1	3.5%
Nursing and Residential Care Facilities	20.5	18.9	1.5	8.1%
Social Assistance	49.8	48.6	1.2	2.4%
Leisure and Hospitality	134.8	142.3	-7.5	-5.2%
Arts, Entertainment, and Recreation	28.0	28.9	-0.9	-3.1%
Accommodation	13.4	13.8	-0.3	-2.4%
Food Services and Drinking Places	93.4	99.6	-6.2	-6.2%
Other Services	47.8	49.3	-1.4	-2.9%
Government	188.8	170.5	18.4	10.8%

Other King County Economic Indicators

	2024:Q4	2023:Q4	% Change
Real Estate			
Single Family Permits (No. of units)	519	647	-19.8%
Single Family Permits (\$000)	\$ 259,025	\$ 323,289	-19.9%
Multi-Family Permits (No. of units)	2,753	2,136	28.9%
Multi-Family Permits (\$000)	\$ 500,449	\$ 294,422	70.0%
Average sales price (NW Multiple Listing Service)	\$ 1,073,944	\$ 1,010,678	6.3%
Number of sales (NW Multiple Listing Service)	5,707	4,578	24.7%
Taxable Retail Sales (\$B, Oct-Nov)	\$ 15.25	\$ 15.07	1.2%
Retail/Wholesale	\$ 6.03	\$ 5.91	2.1%
Construction	\$ 3.19	\$ 3.37	-5.5%
Food Service, Accommodation, Entertainment	\$ 1.58	\$ 1.52	4.0%
Other	\$ 4.45	\$ 4.27	4.2%
Inflation (December)			
CPI-U (Seattle-Tacoma-Bellevue)	354.35	344.98	2.7%

KING COUNTY FORECAST

In 2024, the U.S. economy experienced notable growth with year-over-year (yoy) quarterly increases in GDP: 1.6% in Q1, 3.0% in Q2, 3.1% in Q3, and 2.3% in Q4. Overall, U.S. real GDP rose by 2.8% compared to 2023. In 2024, personal consumption expenditures increased by 1.87%, with the goods-producing sectors growing by 0.52% and services-producing sectors by 1.35%. Quarterly trends in 2024 showed strengthening growth as the year progressed. In the goods-producing industries, growth rates were: -0.25% in Q1, 0.63% in Q2, 1.18% in Q3, and 1.37% in Q4. The services-producing industries saw higher growth rates: 1.55% in Q1, 1.27% in Q2, 1.31% in Q3, and 1.45% in Q4. Government consumption showed gradual growth from 0.3% in Q1 to 0.86% in Q3, followed by a slight decline to 0.4% in Q4. National economic growth in 2024 was primarily fueled by increases in consumer spending, fixed investment, and state and local government spending. Consumer spending in services saw notable increases in health care, other services, and financial services and insurance.

King County's total employment has fully recovered from the Covid recession, reaching a seasonal peak of 1.514 million in June 2024. However, the headline recovery masks industry-specific changes, as employment losses in manufacturing, construction, leisure and hospitality, and other services have not returned to pre-Covid levels. Employment growth has been concentrated in state and local government, education and health services, management of companies, transportation, warehousing, and utilities. Despite recent reductions in the information sector, this industry was still 4.3% above its pre-pandemic level in December 2024 compared to December 2019. Construction employment has been gradually recovering but remained 6.6% below its pre-pandemic level as of December 2024 compared to December 2019. Leisure and hospitality and manufacturing were still 7.0% and 15.4% below their pre-pandemic levels, respectively, in December 2024.

Beginning on September 13, 2024, nearly 33,000 Boeing machinists went on strike, impacting the economies of King and Snohomish counties for 52 days. This resulted in slightly lower employment in the manufacturing sector in September and October. Consequently, the recent employment forecast for King County for 2024 has been revised to an average annual growth of 0.3%. The long-term annual growth in King County employment is anticipated to be 0.7% throughout the forecast horizon.

Both the U.S. and Washington state labor markets remain strong. In Washington state, job openings remained elevated with 163,000 openings compared to 112,000 hires, creating an unmet need of 51,000 in November 2024. The highest unmet need for jobs in Washington state in 2024 was 61,000 in March. As of November 2024, Seattle and King County had 78,569 job openings versus 22,324 hires, resulting in an unmet need of 56,245 workers. King County accounted for 47.6% of the state's total job openings but only 29% of the statewide hires. This unmet demand for workers in King County has continued to put upward pressure on wages.

Given the County's affluent workforce and expensive housing, it's no surprise that local inflation rates remained over 1% higher than the national average during the second and third quarters of 2024. However, the spread between national and local inflation narrowed by the end of the year. The Seattle CPI-U inflation rate for King County remained above 4% yoy during the first and second quarters of 2024 but declined to 3.1% in the third quarter and 2.8% in the fourth quarter. Overall, Seattle CPI-U inflation averaged 3.6% in 2024, compared to the national CPI-U inflation growth of 2.95%. Seattle's 2025 annual

KING COUNTY FORECAST (CONT.)

inflation forecast is projected to be 3.5% before gradually rising and maintaining an average of 3.6% for the remainder of the forecast horizon. It's worth noting that the national inflation rate remained below the local rate until December 2024, when the national inflation rate was 2.89% and Seattle's was 2.71%. The last time the national inflation rate exceeded Seattle's was in August 2021. Currently, most forecasts predict that the headline national inflation rate will average around 2.8% in 2025, 3.3% in 2026, and stay slightly above 2% on average for 2027 and beyond.

Beginning in September 2024, the Federal Reserve started lowering the federal funds rate. They reduced it by ½ percentage point in September and by ¼ percentage point each in November and December, bringing the federal funds rate to 4.25% - 4.5% by the end of 2024. Overall, the Federal Reserve decreased the federal funds rate by 1 percentage point in 2024. Future reductions in the federal funds rate in 2025 are not expected to be as frequent as in prior forecasts. Projections for 2025 now anticipate two ¼ percentage point reductions, resulting in a federal funds rate range of 3.75% - 4.0%.

Mortgage rates remained high at the beginning of 2024, with a 30-year fixed rate mortgage around 6.8%. Rates peaked at 7.1% in May, then declined to a low of 6.2% in September. They rose again to 6.4% in October and 6.8% in November. By December, rates were nearly unchanged at 6.7%. In January 2025, rates increased to nearly 7%, despite the Federal Reserve dropping the federal funds rate by a full percentage point by the end of 2024. Seattle's housing market shrugged off the high mortgage interest rates of 2024. The Seattle Case-Shiller home price index grew by 6.7%, 7%, and 5.4% in the first, second, and third quarters of 2024, respectively. Since September 2023, the home price index has been positive yoy, indicating higher home prices compared to the same month the previous year. From December 2023 onwards, the index also showed positive month-over-month growth, signaling a strengthening housing market. However, since July 2024, the index has shown negative month-over-month growth, reflecting a slowdown in home price growth.

Countywide, average home prices grew 12.7% in 2024. The growth in residential home prices for 2025 is anticipated to be 4.6% due to stubbornly high mortgage interest rates. The long-term annual growth rate forecast for local home prices is 4.8% per year. Like our home price forecast, our forecast for real estate transactions is sensitive to mortgage interest rates. Previous forecasts anticipated lower mortgage interest rates in 2025, but as these rates continue to defy gravity, the forecast for real estate transactions has been lowered in the near-term. Housing transactions grew by 3.5% in 2024, and we now expect similar growth of 3.2% in 2025 with an average growth rate slightly above 3% for the rest of the forecast horizon.

In the third quarter of 2024, total taxable sales were down by 0.5% yoy, with declines in manufacturing, construction, and wholesale/retail sales. However, the first two months of the fourth quarter of 2024 grew 1.2% yoy. We expect taxable sales to decline by 0.6% in 2024 compared to the previous year. We anticipate taxable sales growth to pick up to 1.8% annually in 2025 and 2026. In the long term, taxable sales annual growth is forecasted to be slightly below 3.0%.

Population growth forecasts remain unchanged, with an anticipated 0.9% growth in 2025. In the subsequent years, the County's population is expected to grow slightly less than 1% per year. Table 1 provides the most recent economic forecast with actuals through the fourth quarter of 2024.

KING COUNTY FORECAST (CONT.)

King County Forecast - Fourth Quarter 2024					
	2023	2024	2025	2026	2027
King County-Level					
Population (thous.)	2,355.4	2,382.4	2,404.4	2,426.6	2,448.9
Employment (thous.)	1,491.2	1,496.4	1,506.7	1,516.9	1,527.6
Unemployment Rate (%)	3.3	4.2	3.7	3.5	3.5
Personal Income (mil \$)	274,431.0	282,409.6	300,739.2	312,522.2	325,954.5
Housing Permits	10,878	9,921	10,202	10,562	10,940
House Transactions (Residential)	19,447	20,133	20,771	21,564	22,246
House Prices (avg.)	1,056,505	1,190,436	1,244,893	1,305,816	1,372,013
Seattle FHFA Index	584.9	631.7	653.0	671.8	692.2
Seattle CPI-U	341.3	353.4	365.7	379.5	394.1
Taxable Retail Sales (mil \$)	93,418.7	92,855.4	94,522.6	96,252.7	98,096.5
King County Employment - Detail (thousands)					
Natural Resources	0.5	0.5	0.5	0.5	0.5
Construction	75.6	75.7	78.8	83.5	85.6
Manufacturing	97.4	91.5	89.7	89.3	89.2
Subtotal (Goods Employment)	173.5	167.6	169.0	173.3	175.3
Trade, Transportation and Utilities	236.8	237.6	237.7	238.7	240.3
Information	135.6	130.1	130.3	130.9	131.7
Financial Services	74.5	72.9	72.7	73.0	73.5
Professional and Business Services	317.0	314.7	316.3	317.6	319.7
Other Services	381.2	389.8	399.3	401.1	403.7
Government	172.6	183.7	181.4	182.2	183.4
Subtotal (Services Employment)	1,317.7	1,328.7	1,337.7	1,343.6	1,352.3
Total Employment	1,491.2	1,496.4	1,506.7	1,516.9	1,527.6
Annual Growth					
Population	1.3%	1.1%	0.9%	0.9%	0.9%
Employment	0.8%	0.3%	0.7%	0.7%	0.7%
Personal Income	6.4%	2.9%	6.5%	3.9%	4.3%
Inflation	5.9%	3.6%	3.5%	3.7%	3.9%
Taxable Retail Sales	2.5%	-0.6%	1.8%	1.8%	1.9%

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, 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. OEFA 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 December 2024 and recent months have indicated a rising upward 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. Examining the components of the ILI is helpful in gaining insight into how the overall index is trending. For December 2024, the positive drivers were national components like the non-negative yield spread and manufacturing index as well as most all local components like help wanted ads, residential

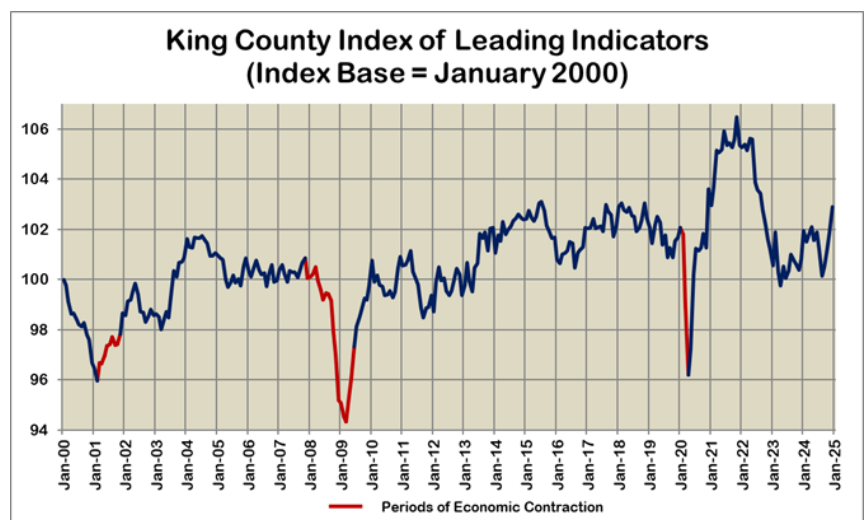


Fig. 6 King County Index of Leading Indicators (Source: OEFA)

KING COUNTY INDEX OF LEADING INDICATORS (CONT.)

housing permits, new Washington businesses rising and initial UI claims being lower. The negative components which lowered the index in December were lower durable goods sales and US consumer sentiment. The chart 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 December index except for durable goods sales as the 6-month average was more negative than in December. The recent trend in taxable sales has been

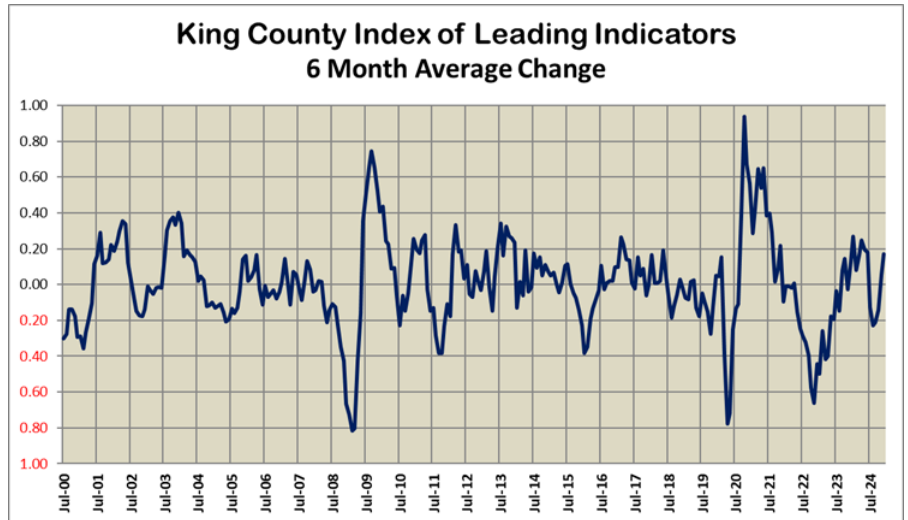


Fig. 7 King County Index of Leading Indicators—6mo Average Change (Source: OEFA)

an improvement in sales in the last quarter of the year which is seen in the ILI results. In 2024, the 6-month average KC-ILI was positive for the first months but by July 2024, the six-month moving average of the index turned negative for four months but then it bounced back in the last two months of 2024. For the 6-month average index, all the components were positive except for the durable goods sales. Given those factors, the 6-month overall average index has turned positive again in the last two months indicating upward momentum in the local economy.

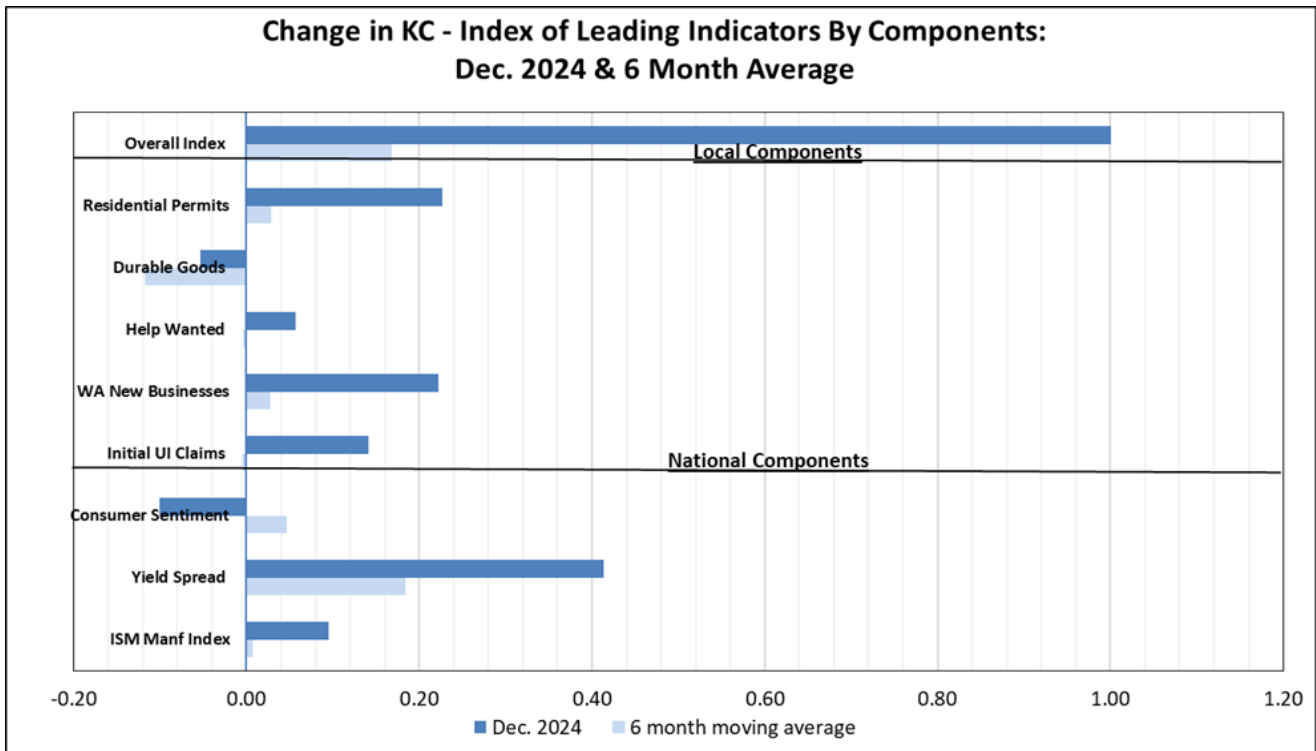


Fig. 8 KC-ILI Components of Change (Source: OEFA)

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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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