



ECONPULSE

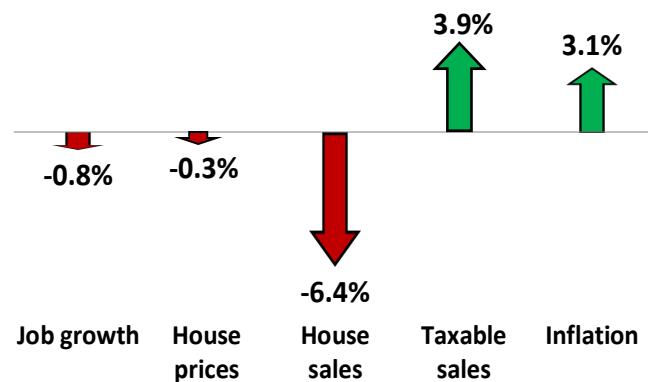
A QUARTERLY LOOK AT THE KING COUNTY ECONOMY
KING COUNTY OFFICE OF ECONOMIC AND FINANCIAL ANALYSIS

FOURTH QUARTER 2025

SUMMARY

- King County employment decreased 0.8% in the fourth quarter of 2025 compared to the year prior.
- Home prices decreased 0.3% in the fourth quarter of 2025 compared to the same time period in 2024.
- The number of sales on the multiple listing service (MLS) in King County decreased 6.4% in the fourth quarter year-over-year ('oy').
- Taxable sales were up 3.9% year-over-year in the fourth quarter of 2025 compared to third quarter 2024.
- The local inflation rate for December 2025 was 3.1%.

King County Key Economic Indicators
(Q4 2025 growth compared to Q4 2024)



DETAIL

Total employment growth in King County fell slightly in the fourth quarter of 2025 compared to the year prior, with 12,400 fewer jobs for a 0.8% decrease. Sectors with declining employment for the quarter include information (-4,300 jobs, -3.3%), construction (-1,700 jobs, -2.3%), professional and business services (-6,900 jobs, -2.2%), government (-3,300 jobs, -1.7%), and trade, transportation, and utilities (-2,700 jobs, -1.2%). Growing sectors include manufacturing (+2,400 jobs, +2.7%), education and health services (+4,900 jobs, +2.4%), financial activities (+500 jobs, +0.7%), and arts, entertainment, and recreation (+1,400 jobs, +5.3%).

The preliminary unemployment rate in December for King County was 4.9%, while the US unemployment rate stood at 4.4%. Initial claims for unemployment insurance in King County is tough to parse on a quarterly basis for the fourth quarter, as the fourth quarter of 2024 included the October 2024 Boeing strike. Initial claims for the month of December 2025 numbered 5,714, which is 6.3% higher than December 2024.

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

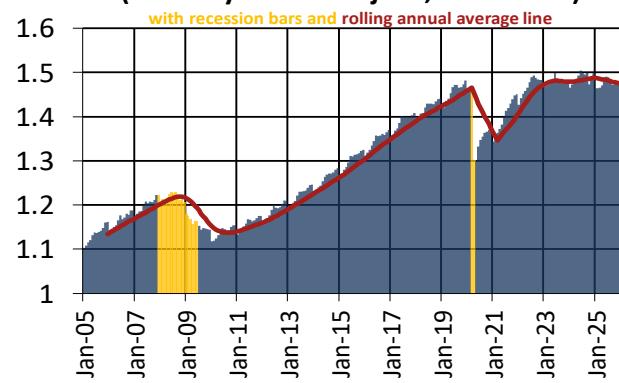


Fig. 1 Non-Farm Employment in King County (Source: WA ESD)

DETAIL (CONT.)

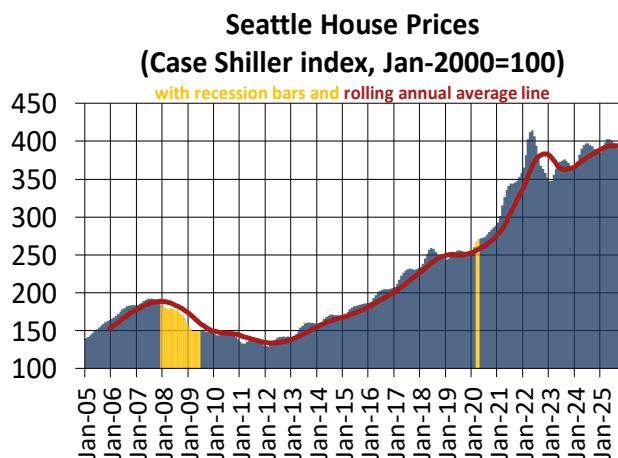


Fig. 2 Seattle Case-Shiller Index (Source: S&P)

Seattle area home prices decreased slightly in the fourth quarter of 2025 compared to 2024, down 0.3%. Sales activity also declined, with 6.4% fewer closed sales in the fourth quarter of 2025. Thirty year mortgage rates declined again to 6.19% in December.

The federal government shutdown last fall continues to delay the release of residential permitting data. For the month of October, the number of single-family permits decreased 14.4% compared to the prior October, while multi-family permits increased 31.7%. Overall, residential permitting has been very sluggish in 2025. For the year through October, there were 6,534 total residential permits, a 21% decrease from the first ten months of 2025.

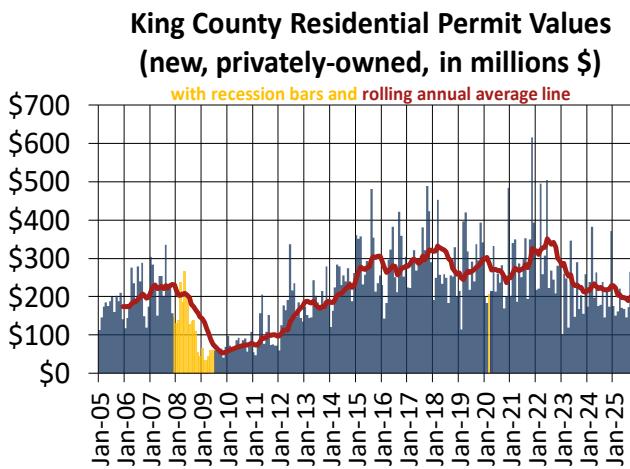


Fig. 3 Value of King County Residential Permits
(Source: U.S. Census Bureau)

Taxable sales were up 3.9% in the fourth quarter compared to a year ago. For the second consecutive quarter, construction was the only category that declined, down 2.4% relative to the same time period in 2024. Retail and wholesale increased 1.7%. Sales in the food service, accommodation, and entertainment sectors were up 0.9%. The catch-all category of “other,” which is comprised of sectors as varied as manufacturing, information, professional services, and education, was up 12.5% year-over-year.

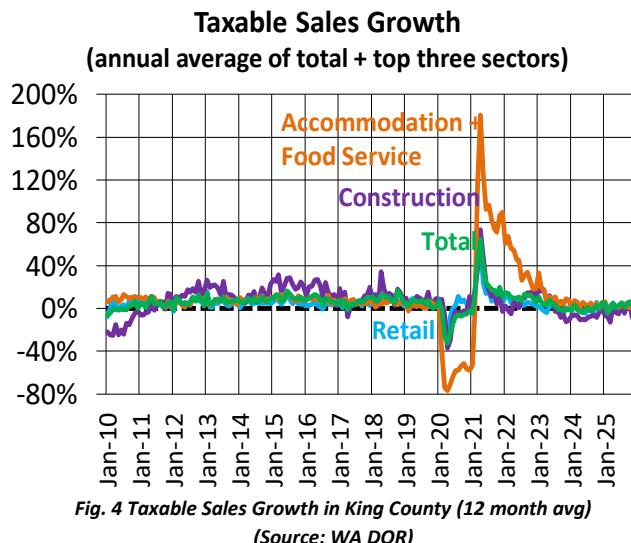


Fig. 4 Taxable Sales Growth in King County (12 month avg)
(Source: WA DOR)

Inflation increased in December, up to 3.1% as measured by the CPI-U for Seattle. Nearly all indexes all increased in December, with the exception of a small portion of the food at home index as well as new and used cars. National CPI-U was 2.68% in December.

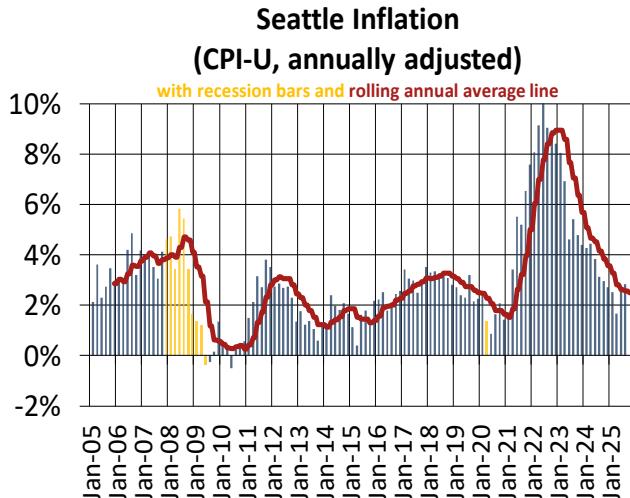


Fig. 5 Seattle Consumer Price Index (Source: BLS)

THE NUMBERS

King County Employment (in thousands)

NAICS Industry	2025:4Q	2024:4Q	Absolute change	% Change
Total Nonfarm	1,475.0	1,487.4	-12.4	-0.8%
Total Private	1,287.9	1,297.0	-9.1	-0.7%
Goods Producing	162.9	162.2	0.7	0.4%
Construction	71.2	72.9	-1.7	-2.3%
Manufacturing	91.3	88.9	2.4	2.7%
Service Providing	1,312.2	1,325.2	-13.1	-1.0%
Trade, Transportation, and Utilities	227.2	229.9	-2.7	-1.2%
Information	124.1	128.4	-4.3	-3.3%
Financial Activities	73.8	73.3	0.5	0.7%
Professional and Business Services	305.1	312.0	-6.9	-2.2%
Educational and Health Services	207.6	202.7	4.9	2.4%
Private Educational Services	35.9	35.0	0.9	2.6%
Health Care and Social Assistance	171.7	167.7	4.0	2.4%
Ambulatory Health Care Services	66.9	65.5	1.4	2.1%
Hospitals	31.6	31.4	0.2	0.6%
Nursing and Residential Care Facilities	21.4	20.3	1.1	5.4%
Social Assistance	51.8	50.4	1.4	2.7%
Leisure and Hospitality	137.7	137.8	-0.1	-0.1%
Arts, Entertainment, and Recreation	28.5	27.0	1.4	5.3%
Accommodation	14.1	13.8	0.3	1.9%
Food services and drinking places	95.1	96.9	-1.8	-1.9%
Other Services	47.2	48.7	-1.6	-3.2%
Government	187.1	190.4	-3.3	-1.7%
Federal Government	17.6	19.0	-1.4	-7.2%
State Government	56.9	60.3	-3.5	-5.7%
Local Government	112.7	111.1	1.5	1.4%

Other King County Economic Indicators

	2025:Q4	2024:Q4	% Change
Real Estate			
Single Family Permits (No. of units) (Oct)	171	191	-10.5%
Single Family Permits (\$000) (Oct)	\$ 76,655	\$ 89,573	-14.4%
Multi-Family Permits (No. of units) (Oct)	1,053	696	51.3%
Multi-Family Permits (\$000) (Oct)	\$ 165,442	\$ 125,607	31.7%
Average sales price (NW Multiple Listing Service)	\$ 1,087,690	\$ 1,073,944	1.3%
Number of sales (NW Multiple Listing Service)	5,339	5,707	-6.4%
Taxable Retail Sales (\$B, Jul-Aug)	\$ 15.85	\$ 15.25	3.9%
Retail/Wholesale	\$ 6.13	\$ 6.03	1.7%
Construction	\$ 3.11	\$ 3.19	-2.4%
Food Service, Accommodation, Entertainment	\$ 1.60	\$ 1.58	0.9%
Other	\$ 5.01	\$ 4.45	12.5%
Inflation (December)			
CPI-U (Seattle-Tacoma-Bellevue)	365.45	354.36	3.1%

KING COUNTY ECONOMIC FORECAST

The fourth quarter 2025 growth for the US economy is not finalized yet but according to the Federal Reserve Bank of Atlanta it projects 3.7 percent. 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 and in the third quarter GDP growth was even stronger at 4.4 percent. The improvement reflected a slowdown in imports and stronger consumer spending, although investment declined. Net exports rose by 4.8 and 1.6 percent in second and third quarters, while fixed investment dropped to -2.66 and 0.03 percent in second and third quarters. Consumer momentum strengthened, with personal spending rising from 0.4 percent in the first quarter to 1.7 percent in the second and 2.3 percent in third quarter. Goods consumption increased by 0.64 percent, and services consumption rose by 1.7 percent in the third quarter.

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 December 2025, average employment stood at 1.476 million, representing a 1.4 percent decrease from December 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. The third and fourth quarter employment numbers continued to fall at 1.48 million and 1.475 million which represents a decline year-over-year of 1.2 and 0.8 percent respectively. For the entire year, employment averaged 1.475 million, down 0.85 percent compared to last year.

Employment change by industry has been uneven. Service-providing employment declined by 0.8 percent for the year, although industries such as accommodation, arts, entertainment and recreation, nursing and residential care, social assistance, education and health care, legal services and local government posted gains. The largest decline on a percentage basis in 2025 was the warehousing and storage employment which declined 22.5 percent or about 2,700 jobs, reflecting in part the large layoffs announced by Amazon this year. Goods-producing sectors fell by 1.3 percent in 2025. Construction dropped by 1.9 percent, with building construction employment down the most, 5.6 percent but heavy and civil engineering construction is up 3.1 percent compared to last year. Manufacturing contracted by 0.9 percent, while retail and wholesale trade continued to weaken, with employment down 0.5 percent and 3.8 percent respectively. Looking ahead, King County employment is expected to decline by 0.5 percent in 2026. Growth is projected to stabilize at 0.2 percent in 2027 and 0.6 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 the end of the year, openings had increased a little to 145,141 while hires fell 7 percent to 86,958, widening the gap to 58,183 positions, an 18 percent increase since January. Compared to December 2024, job postings were down 3 percent, while supply was down 2 percent. In King County, the workforce gap began the year with 66,514 openings and 22,870 hires, leaving 43,644 positions unfilled.

KING COUNTY ECONOMIC FORECAST (CONT.)

By the end of the year, openings had fallen 5 percent to 63,087, as hires fell 1 percent to 22,630, decreasing the gap 7 percent to 40,457. Compared to a year earlier, postings declined by 11 percent and supply increased by 2 percent. By December, King County portion all statewide openings declined from 47 to 43 percent while the hires accounted for 26 percent of total from 25% in January and the workplace gap declined as a portion of the statewide gap from 89 percent at the start of the year to 70 percent of gap by end of year. This data reveals the sizable decline in job postings and hires throughout 2025 for King County.

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 and now 2.7 percent in 2025 (missing October data). In December 2025, the inflation rate for all items was 3.1 percent year-over-year, while all items less food and energy (local core inflation) were at 2.7 percent growth. Good prices increased faster than services. The food index rose 4.4 percent, motor fuel rose 2.7 percent, housing prices climbed 2.9 percent, household furnishing and operations rose 5.7 percent and apparel rose 5.9 percent. Some of these increases can be linked to goods with tariff costs like the food index, household furnishing and apparel. Some services prices rose as well like medical care rose 5.3 percent and recreation rose 4.3 percent. Looking forward, new tariffs on imported goods are expected to push prices up further. Inflation is projected to average 3.6 percent in 2026, 3.9 percent in 2027, and about 3 percent in subsequent years.

The Federal Reserve began easing monetary policy in late 2024 and continued in 2025. In 2025, the Fed cut rates in September, October and December by 0.25 percentage points each, lowering the target range to 3.5 to 3.75 percent. The Fed maintained the federal funds rate in January 2026, and it remains uncertain how many cuts if any will occur in 2026. Most economists think the number of cuts will be 2 or 3 this year but it depends on the performance of the economy as the year progresses. The current chairman of the Federal Reserve will leave by the end of May 2026.

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 6.1 percent by February 2026. High borrowing costs have slowed Seattle's housing market. Home prices rose 6.1 percent in 2024, but growth moderated in 2025. The Seattle Case-Shiller Home Price Index showed a 1.7 percent increase during the first 3 quarters of 2025 compared to 2024.

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. Finally, by the end of the year the housing inventory was 2.6 months. Greater supply has limited price appreciation, while transactions have slowed. 2025 Residential house transactions in King County declined year-over-year by 0.4 percent. Housing permit activity has fallen sharply compared to 2024, with declines of 50 percent, 25 percent, and 3 percent growth in the first three quarters of 2025. For the first 10 months in 2025, housing permits have fallen 28 percent from a year ago. Overall, permits are projected to drop 22 percent for the year.

KING COUNTY ECONOMIC FORECAST (CONT.)

Taxable sales declined slightly by 0.02 percent in 2024, reflecting weakness in manufacturing, construction, wholesale, and retail. The first eleven months of 2025 show modest growth of 2.5 percent, with full-year growth expected at 1.9 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. King County personal income was raised as a new actual \$301,128 million for 2024 was released and revisions in history were added. In 2024 the growth in personal income was nearly 7 percent and, in the future, personal income growth is projected to average a little more than 4 percent. Population growth is projected to remain steady at 0.9 percent in 2025 and in subsequent years.

King County Forecast - Fourth 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	1,476.6	1,468.9	1,471.4	1,479.8
Unemployment Rate (%)	4.1	4.4	5.1	4.8	4.5
Personal Income (mil \$)	301,147.7	315,210.3	330,551.5	348,545.6	363,513.4
Housing Permits	10,651	8,251	8,949	9,352	9,821
House Transactions (Residential)	20,798	20,695	22,036	23,001	23,995
House Prices (avg.)	1,192,982	1,208,480	1,272,476	1,345,018	1,428,498
Seattle FHFA Index	545.1	555.2	582.4	605.4	627.3
Seattle CPI-U	353.5	362.9	375.8	390.5	403.4
Taxable Retail Sales (mil \$)	93,400.6	95,212.3	102,917.0	104,976.3	107,147.8
King County Employment - Detail (thousands)					
Natural Resources	0.4	0.4	0.4	0.4	0.4
Construction	73.2	71.8	73.3	77.3	80.2
Manufacturing	92.8	92.0	92.1	92.2	92.5
Subtotal (Goods Employment)	166.5	164.2	165.8	169.9	173.1
Trade, Transportation and Utilities	228.7	220.3	210.4	201.9	194.7
Information	129.6	124.4	122.9	123.1	123.6
Financial Services	73.5	73.3	72.8	72.7	73.0
Professional and Business Services	313.1	305.1	303.1	302.7	303.9
Other Services	390.0	400.9	408.8	416.4	426.1
Government	187.0	188.3	185.1	184.7	185.4
Subtotal (Services Employment)	1,321.9	1,312.3	1,303.1	1,301.5	1,306.7
Total Employment	1,488.5	1,476.6	1,468.9	1,471.4	1,479.8
Annual Growth					
Population	1.1%	0.9%	0.9%	0.9%	0.9%
Employment	0.6%	-0.8%	-0.5%	0.2%	0.6%
Personal Income	6.9%	4.7%	4.9%	5.4%	4.3%
Inflation	3.6%	2.7%	3.6%	3.9%	3.3%
Taxable Retail Sales	0.0%	1.9%	8.1%	2.0%	2.1%

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. OFEA 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 2025 and recent months have indicated a rising trend since October. During 2025, the index hit its low point in the year in February 2025 and hit its peak in June and bounced around slightly lower from that point for the rest of the year. The index ended at 102.05 in December 2025, which was little less than 1 percent below where it started the year. Examining the components of the ILI is helpful in gaining insight into how the overall index was trending.

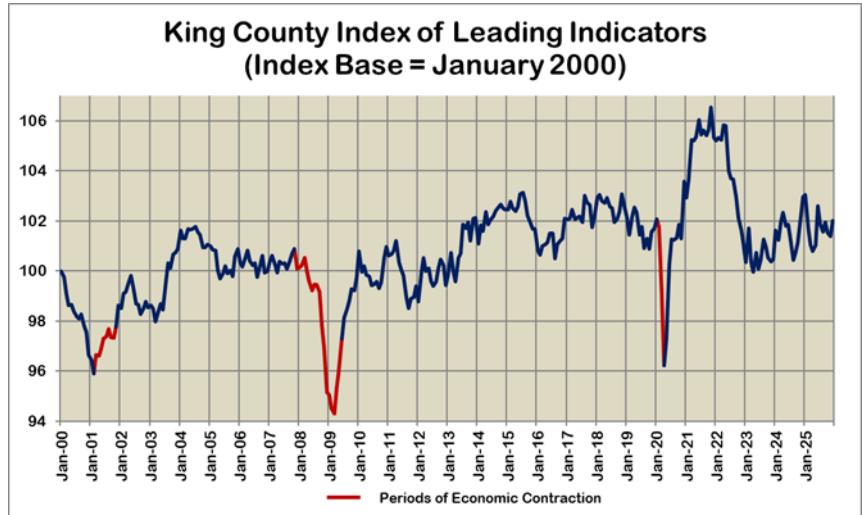


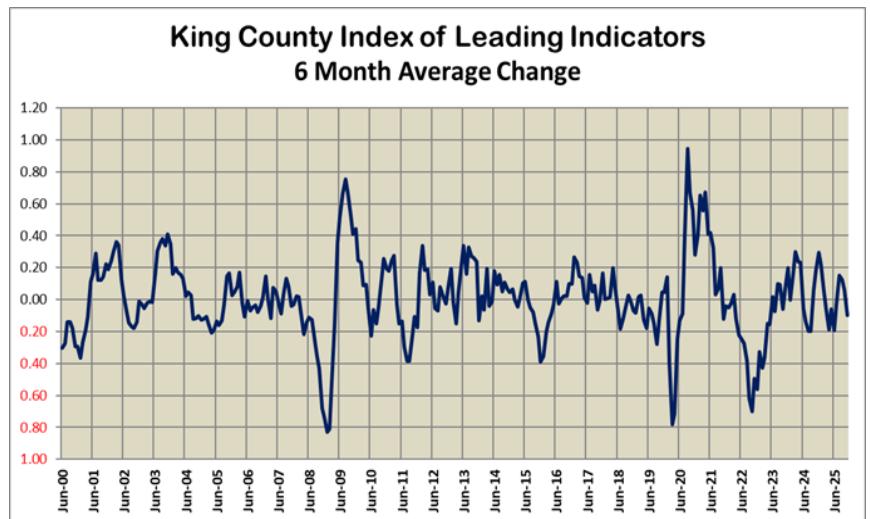
Fig. 6 King County Index of Leading Indicators (Source: OFEA)

KING COUNTY INDEX OF LEADING INDICATORS (CONT.)

For December 2025, all the components of the overall index were positive except for three components. The positive drivers were the yield spread, residential permits, durable goods, help wanted ads, and WA new businesses. The negative drivers were national consumer sentiment, ISM manufactures index, and the local initial UI claims. The yield spread in 2025 has seen the largest movement upward. The initial UI claims were only slightly lower which is a positive element since having higher UI claims is a drag on the index.

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 national US consumer sentiment and ISM manufacturers index. The recent trend in taxable sales has been improving so durable goods sales in December were positive versus the past 6 months which were negative. This is also true of US consumer sentiment which dropped again in December by more than the 6-month average. For December, the biggest positive component contributing the most to the big rise in the overall index was the growth in yield spread. This has contributed to the King County overall average index being on the rise recently.

For the 6-month average index, most components were negative except for the residential permits, WA new businesses and yield spread. Having a small decline in UI claims for the 6-month average is a good thing. The 6-month moving average has been on a downward trend since August 2025. The decline in the 6-month index has not reached the lows seen earlier this year in April and June.



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

KING COUNTY INDEX OF LEADING INDICATORS (CONT.)

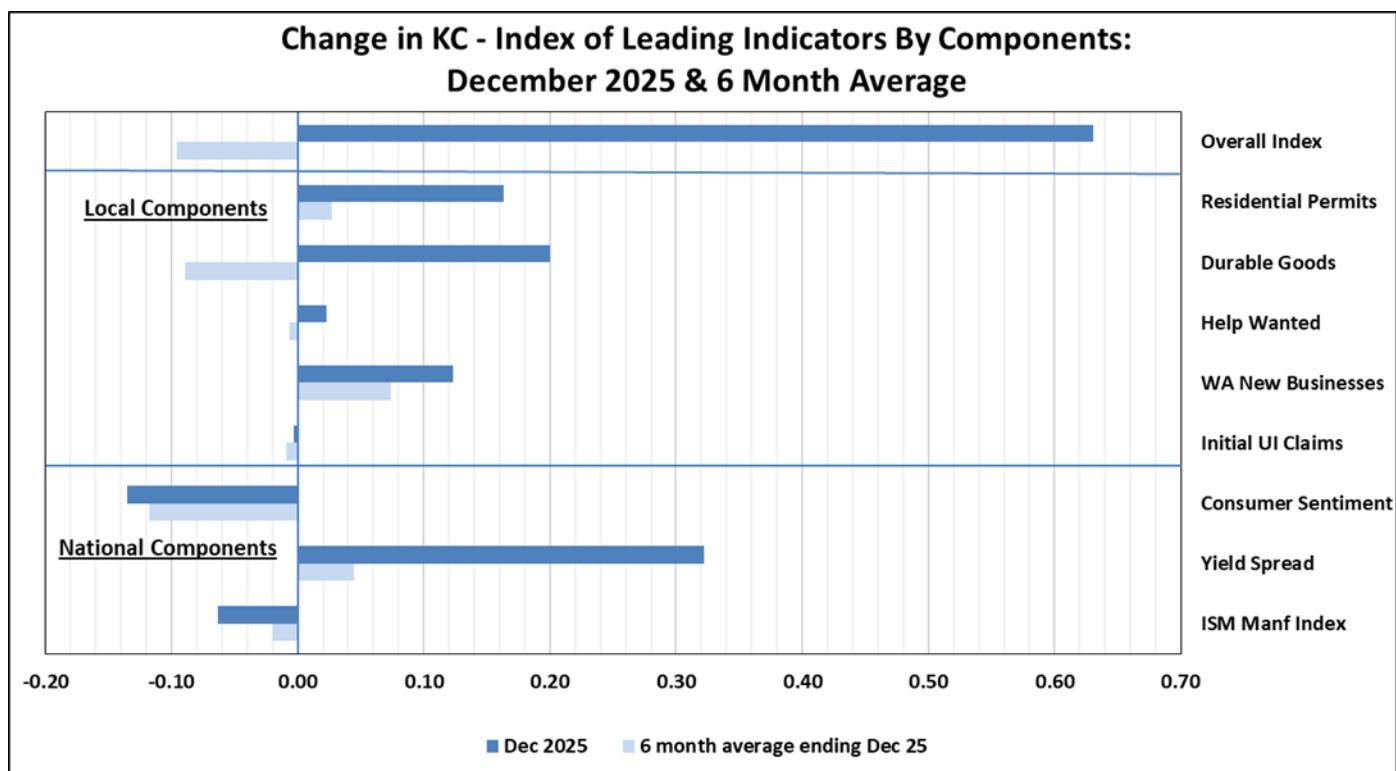


Fig. 8 KC-ILI Components of Change (Source: OEFA)

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.