

2024 King County Economic and Revenue Forecast

Presentation to the King County Forecast Council

Presented on:
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Dave Reich
Office of Economic and Financial Analysis



Overview

Growth continues for the U.S. economy

- The economy has been growing about 2% in the first half of 2023
- Inflation has been trending down as the Federal Reserve raises rates
- The employment market has slowed somewhat but still strong
- Risks: Covid, Ukraine war, geopolitics, government shutdown

Argument for a “soft-landing” gaining adherents

- Many economists still believe we’ll see recession in next 12 months (WSJ P=54%)
- Inflation is easing on rate hikes but still has a ways to go
- We added 1.7M workers so far in 2023, but have seen some moderation
- House prices hit a low this winter but have been increasing of late
- GDP up around 2% in 2023:1H but expected to slow in 2H
- 2023-2024 growth will be slow, unemployment will rise, inflation will slow

KC economy should continue to grow but at a slower pace

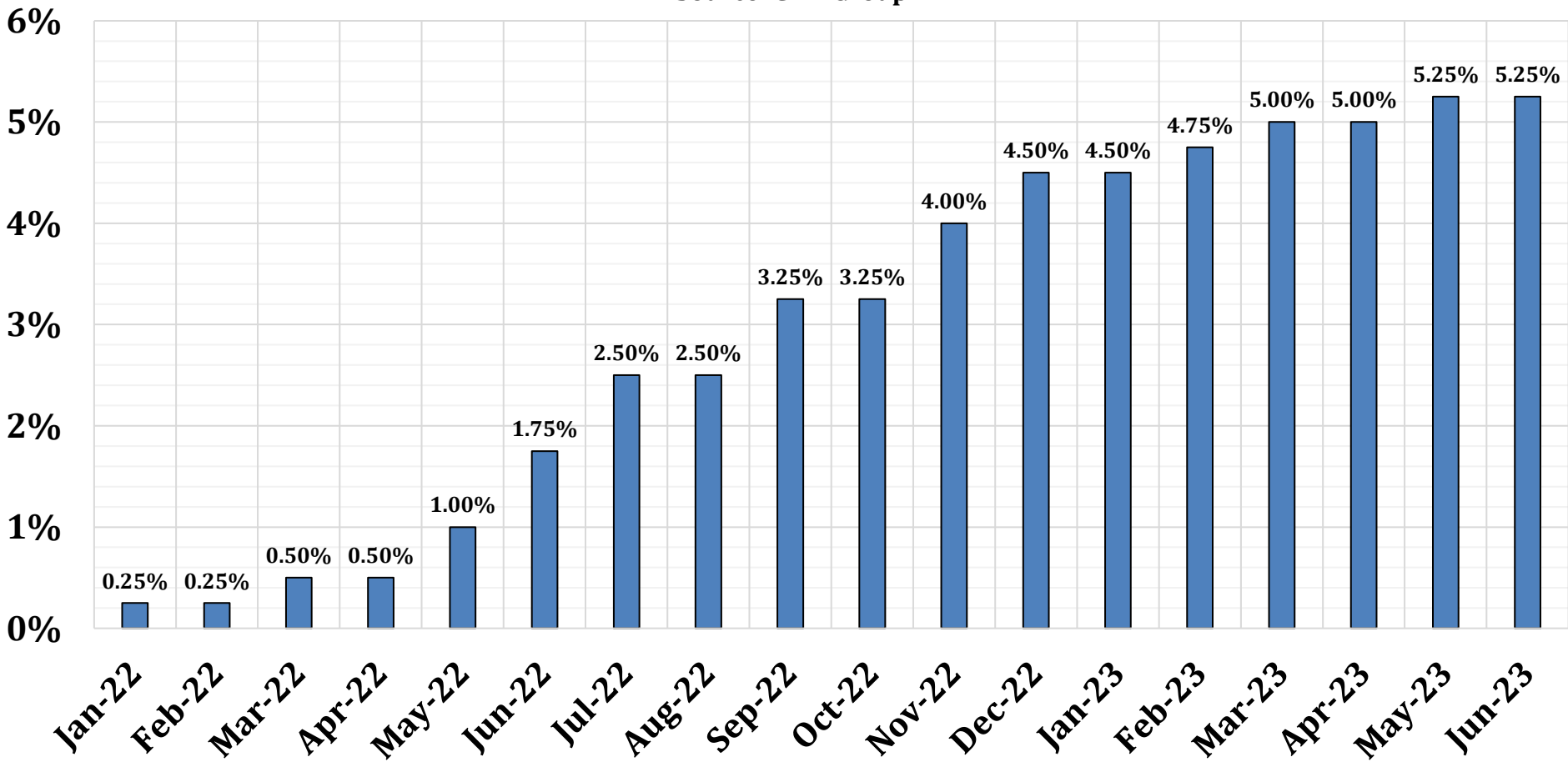
- We’ve added about 35K jobs in May 2023 relative to a year ago (U=3.2%)
- Employment growth slowing, House prices have bottomed, slower taxable sales
- Elevated risk of a recession which would mean even slower/negative growth
- Risks/struggles remain; virus, downtown, homelessness/drugs, WFH

The Fed said they would raise rates... ...and they did



Combating Inflation with Rate Increases

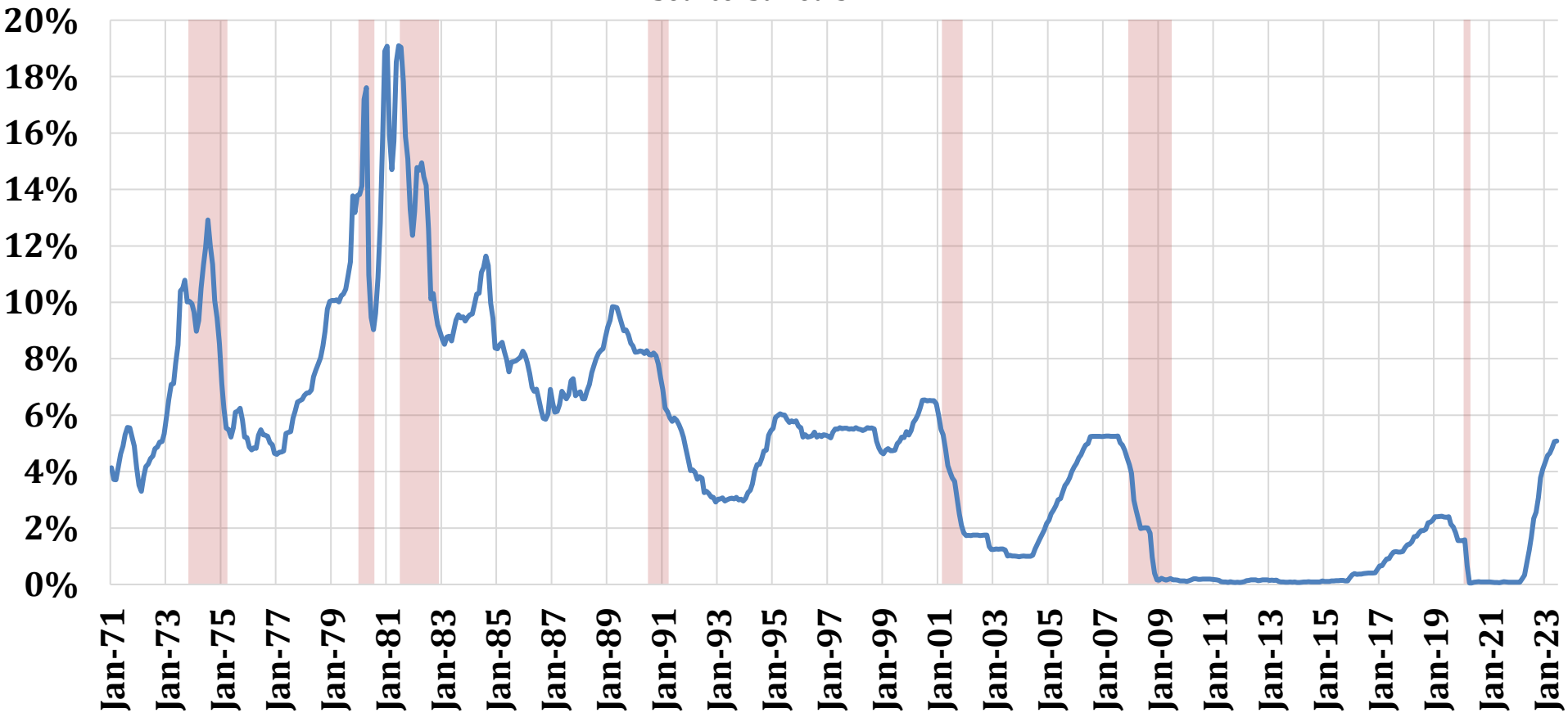
Fed Funds Upper Rate Bound by Month; Current Target Rate=5.0-5.25
Source: CME Group



The rate increases in 2022-2023 have been at a pace not seen for years.



Fed Funds Rate
With economic contraction shaded in red
Source: St. Louis FRED



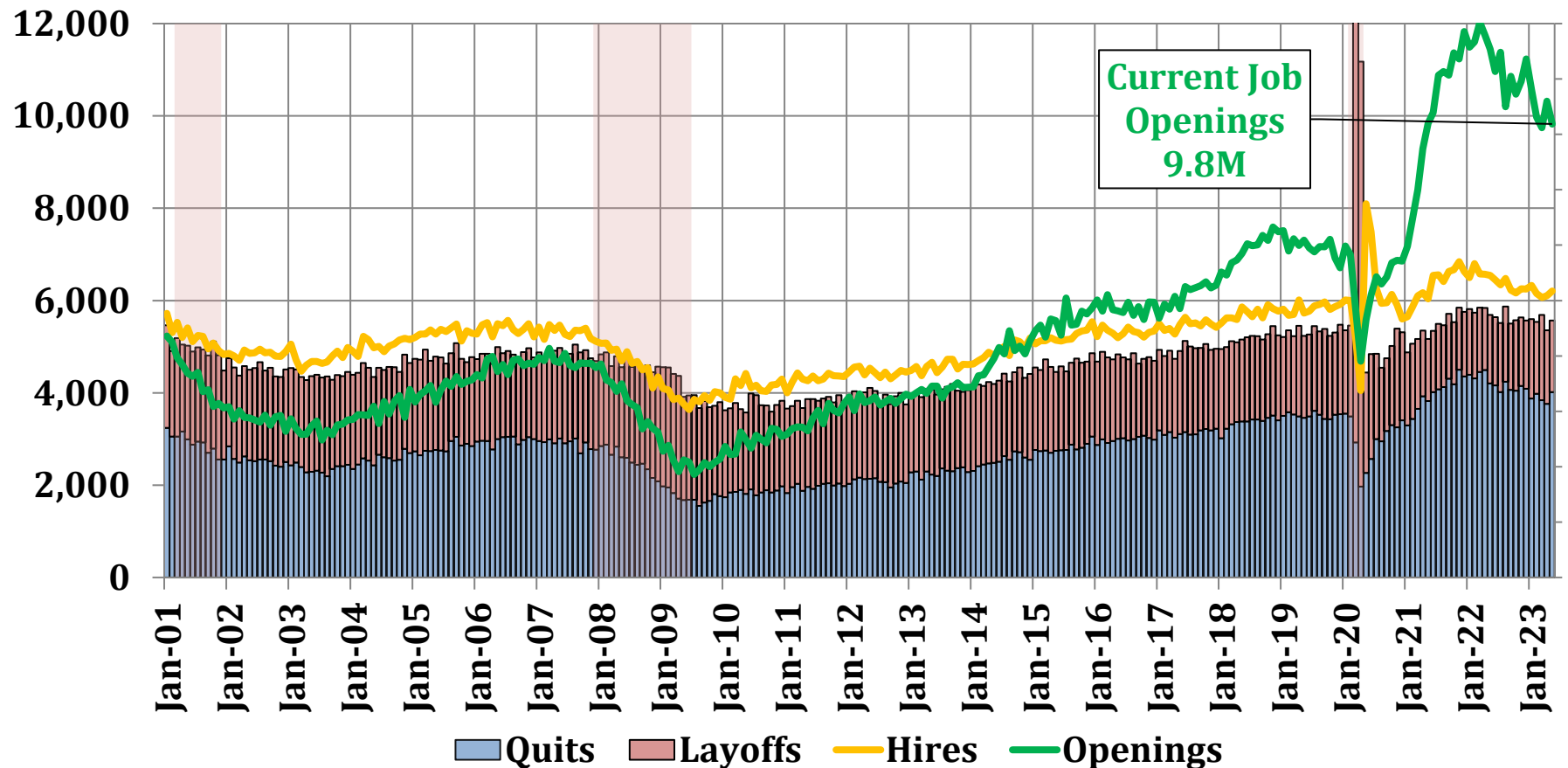
Job openings are still elevated but slowing



Hires and Separations: 9.8 Million Open Jobs

Job Openings and Labor Turnover Survey, SA (in thousands); January 2001-Present

Source: BLS



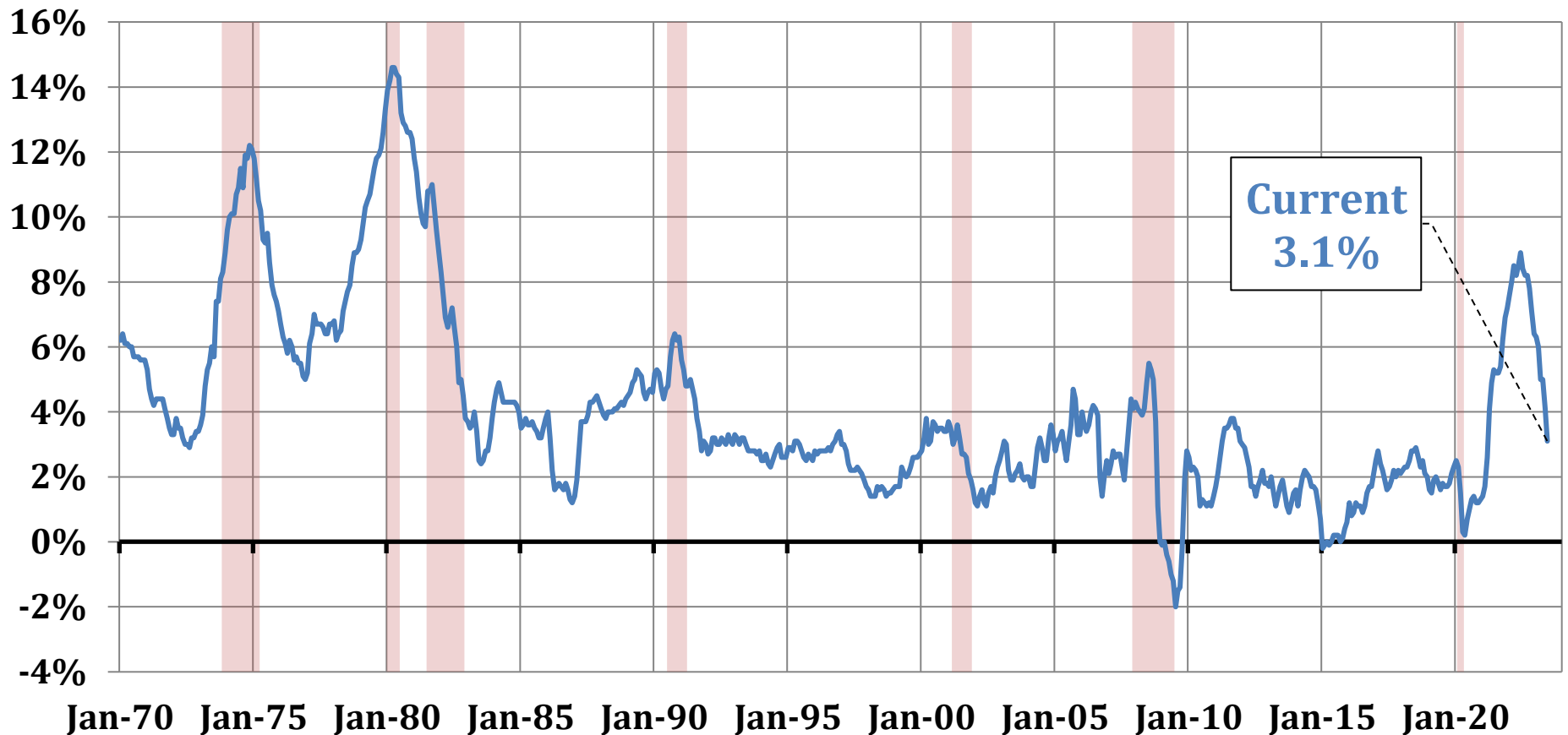
Inflation has slowed significantly but core components are still elevated



U.S. Inflation

National CPI-U Seasonally Adjusted YOY% Growth; January 1970-Present

Source: FRED

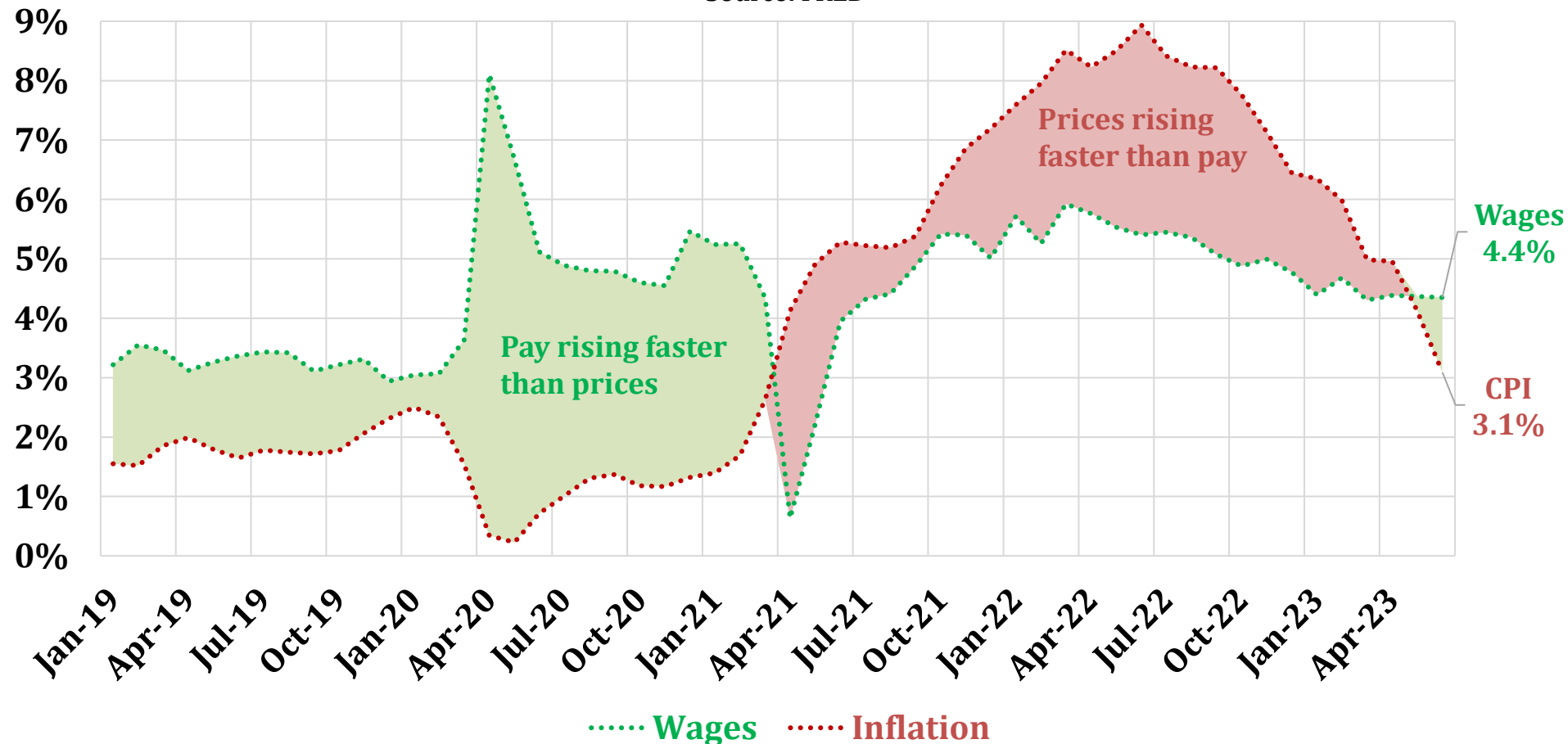


Worker misery letting up after two years of real wage decline



Wage Growth vs Inflation

US CPI-U Growth vs US Total Private Avg Hourly Earnings Growth; January 2019-Present
Source: FRED



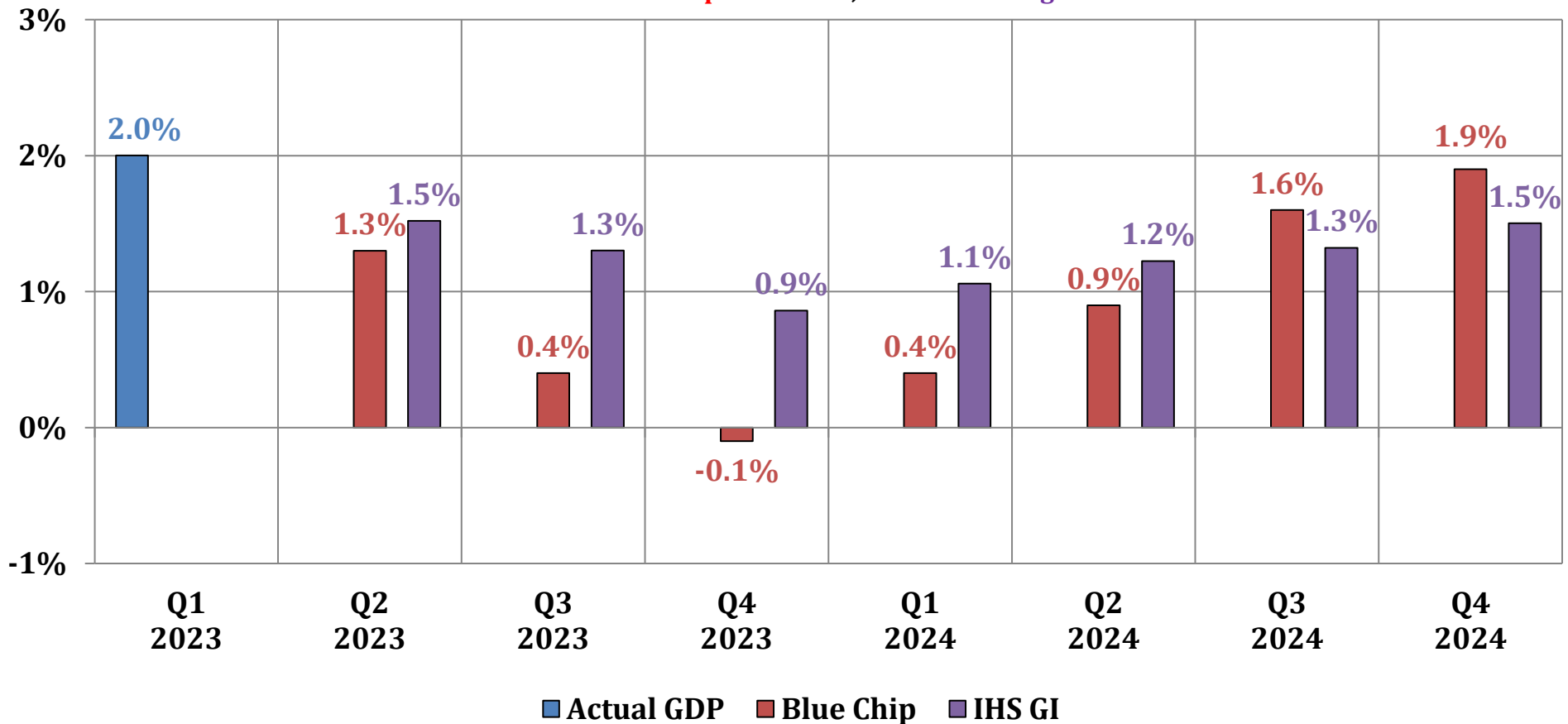
In general, forecasts have improved since March, but still elevated likelihood of a recession in next 12 months.



U.S. Real GDP Growth Forecast

Actuals Q1 2023, Forecast Q2 2023-Q4 2024

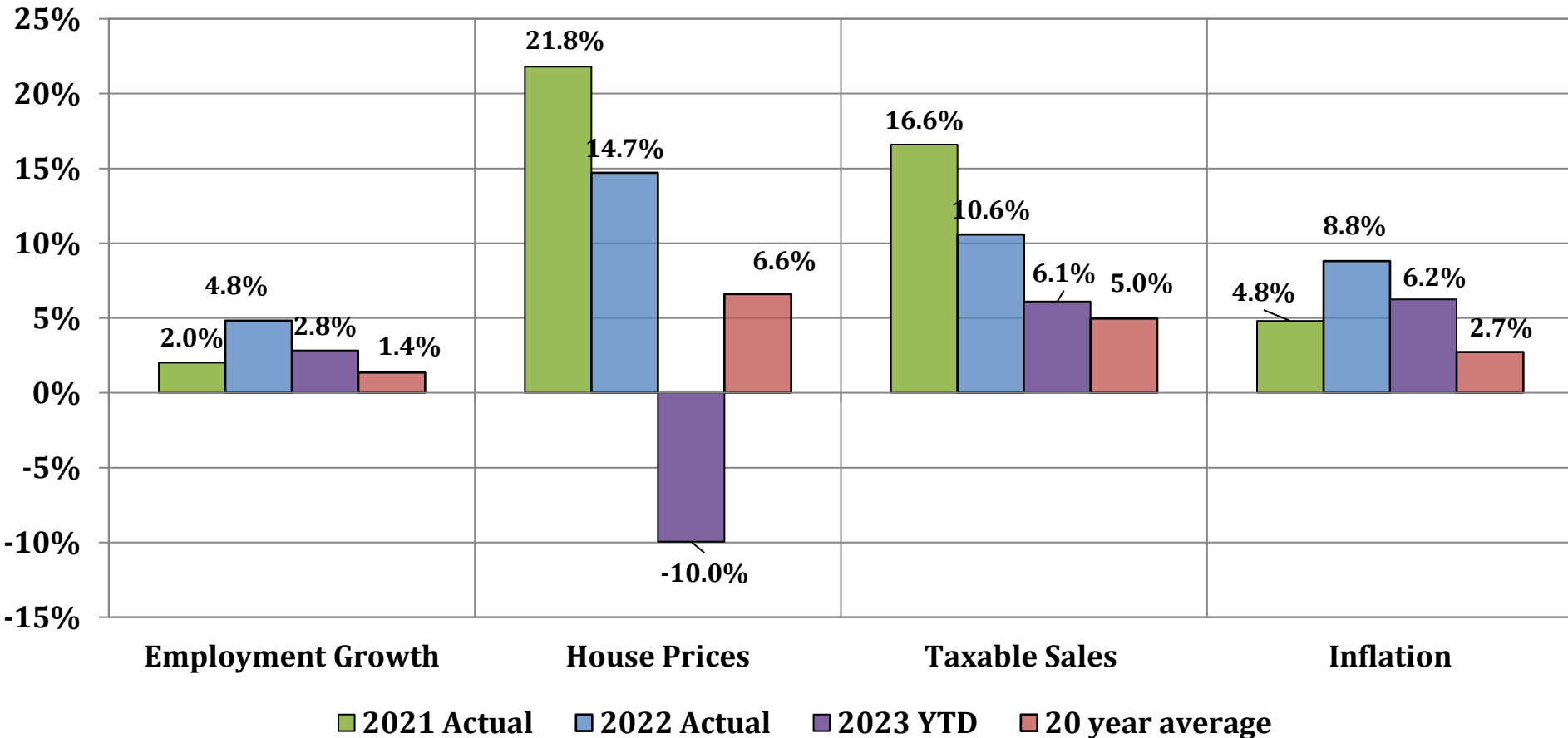
Source: **Blue Chip Indicators**, **IHS Global Insight**



King County indicators showing slowing economy



King County Economic Indicators
 2021-2022 Actuals & 2023 Actuals YTD & 20 Year Average
 Source: PSEF, Case-Shiller, WA DOR, BLS



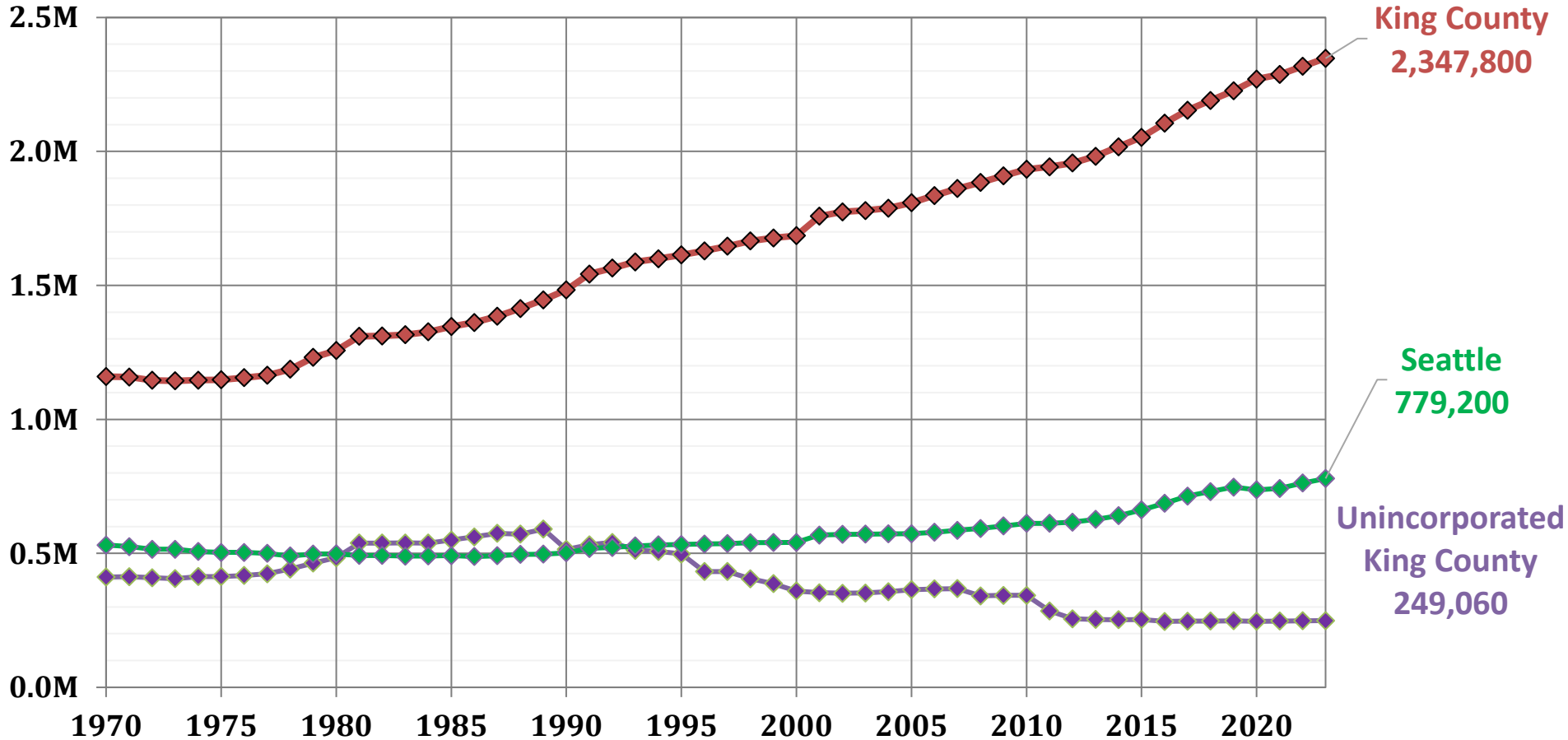
WA OFM released updated population estimates for 2023-KC grew by about 30K people from 2022 to 2023



Population in King County (1970-Present)

Population Growth: **KC Total**, **KC Unincorporated** & **Seattle**

Source: OFM



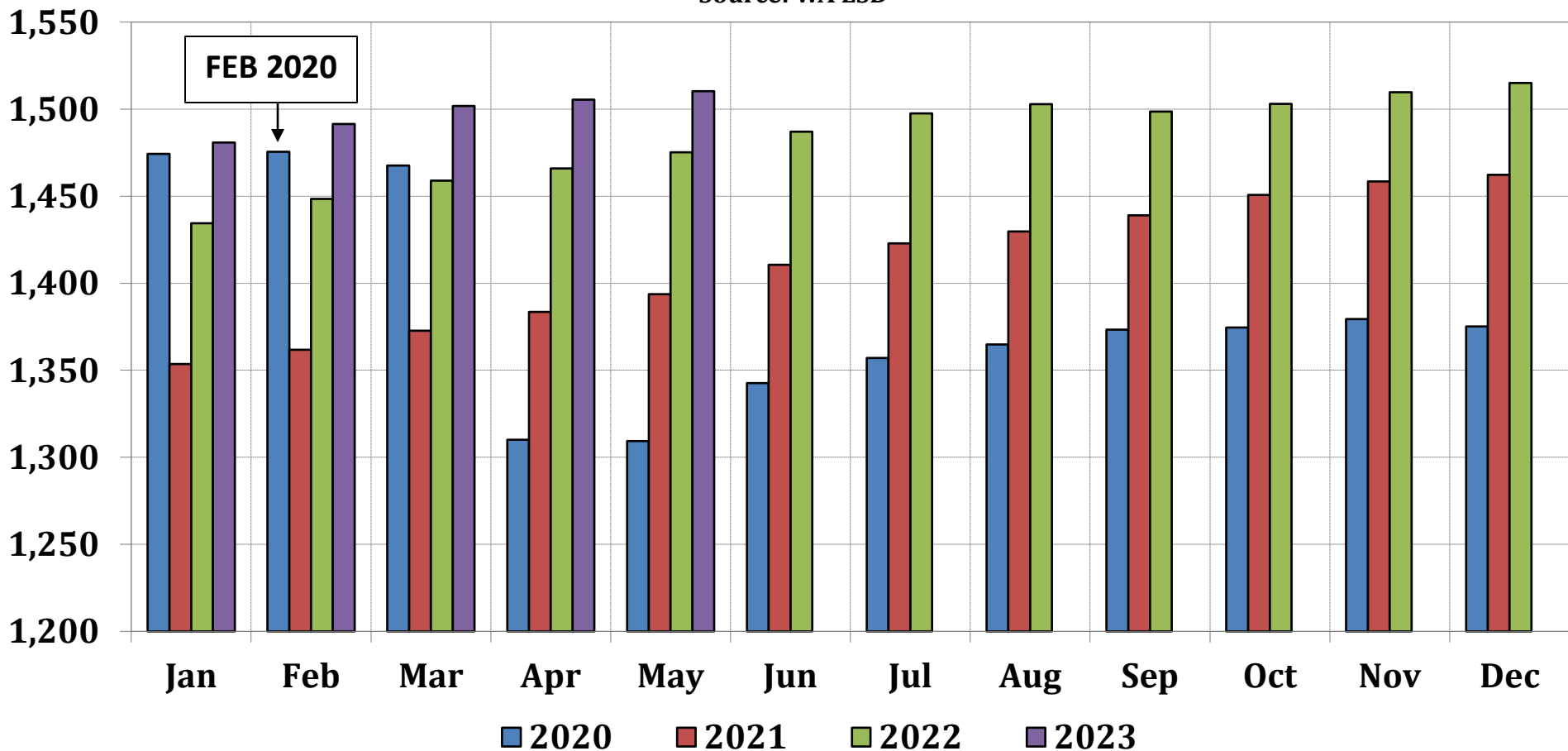
Employment has more than recovered from the pandemic overall...



King County Total Non-Farm Employment

Monthly job totals (in thousands), January 2015 to Present

Source: WA ESD



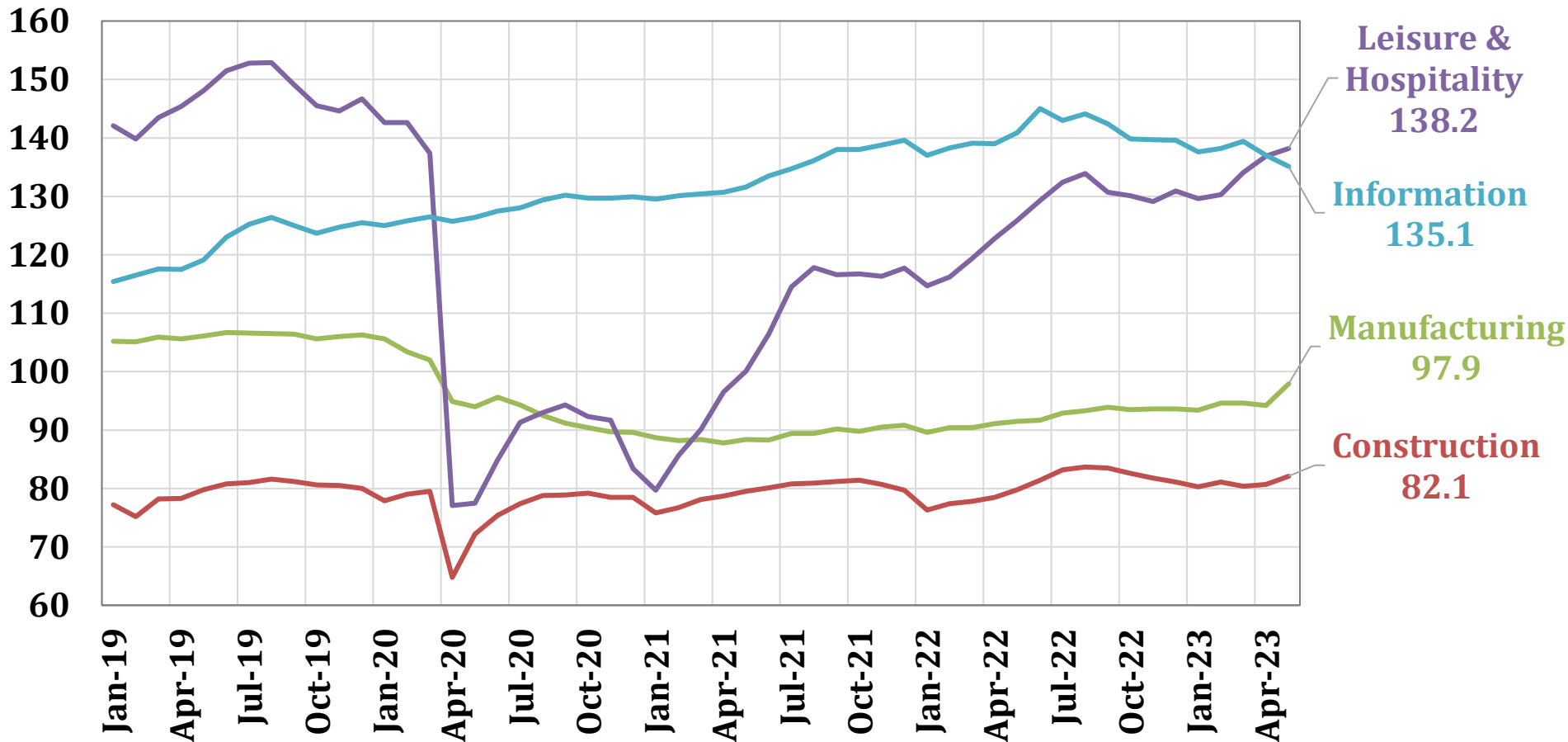
...but sectors like leisure and manufacturing are not back to pre-Covid levels.



King County Employment by Sector

Monthly employment in thousands; Jan. 2019-Current

Source: WA ESD

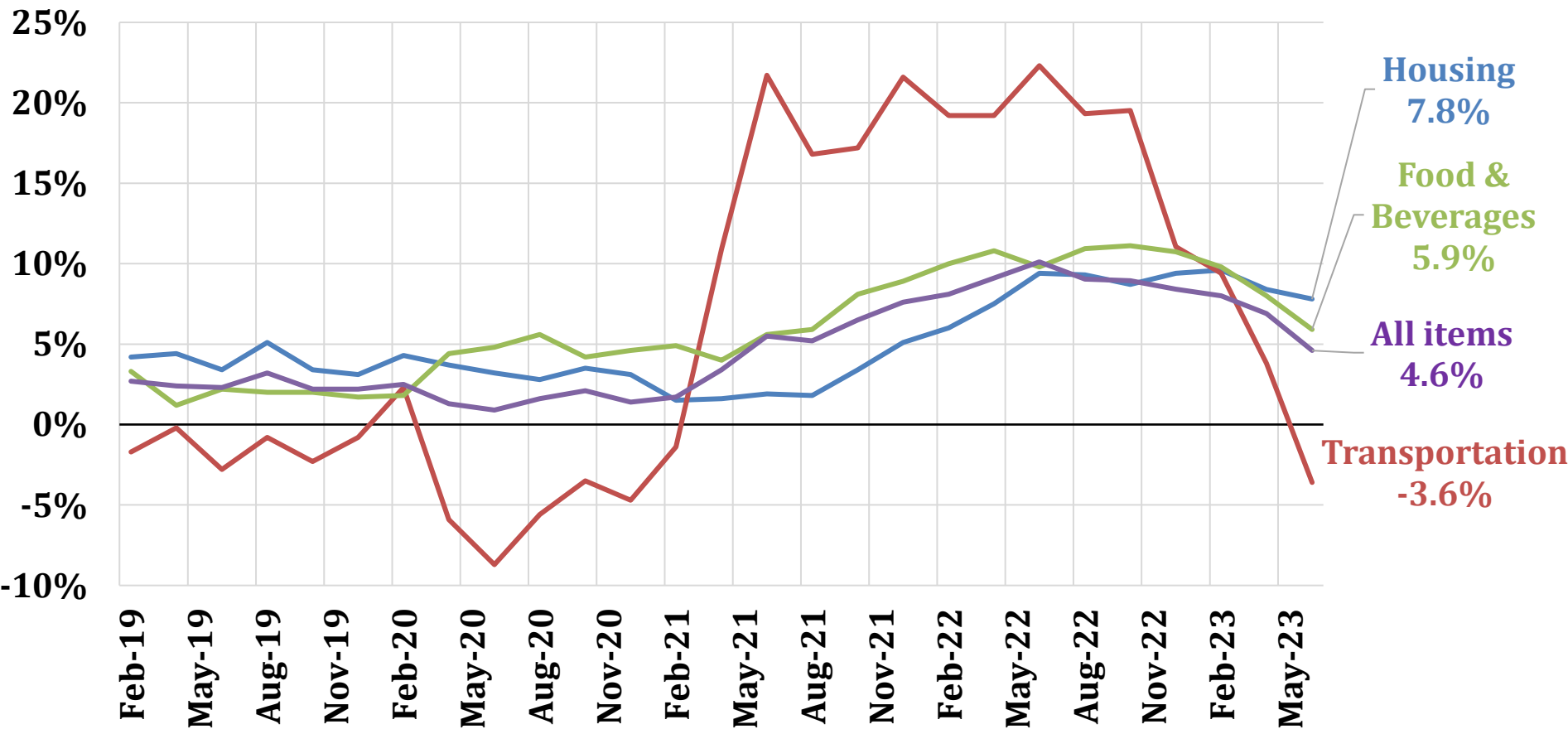


Local inflation fell below 5% in June, that's improvement but housing inflation still high



Seattle Inflation: Food, Transportation, and Housing

Year-over-year Growth in STB CPI-U for Food, Housing, Transportation and Total in Seattle Area
 Source: Bureau of Labor Statistics



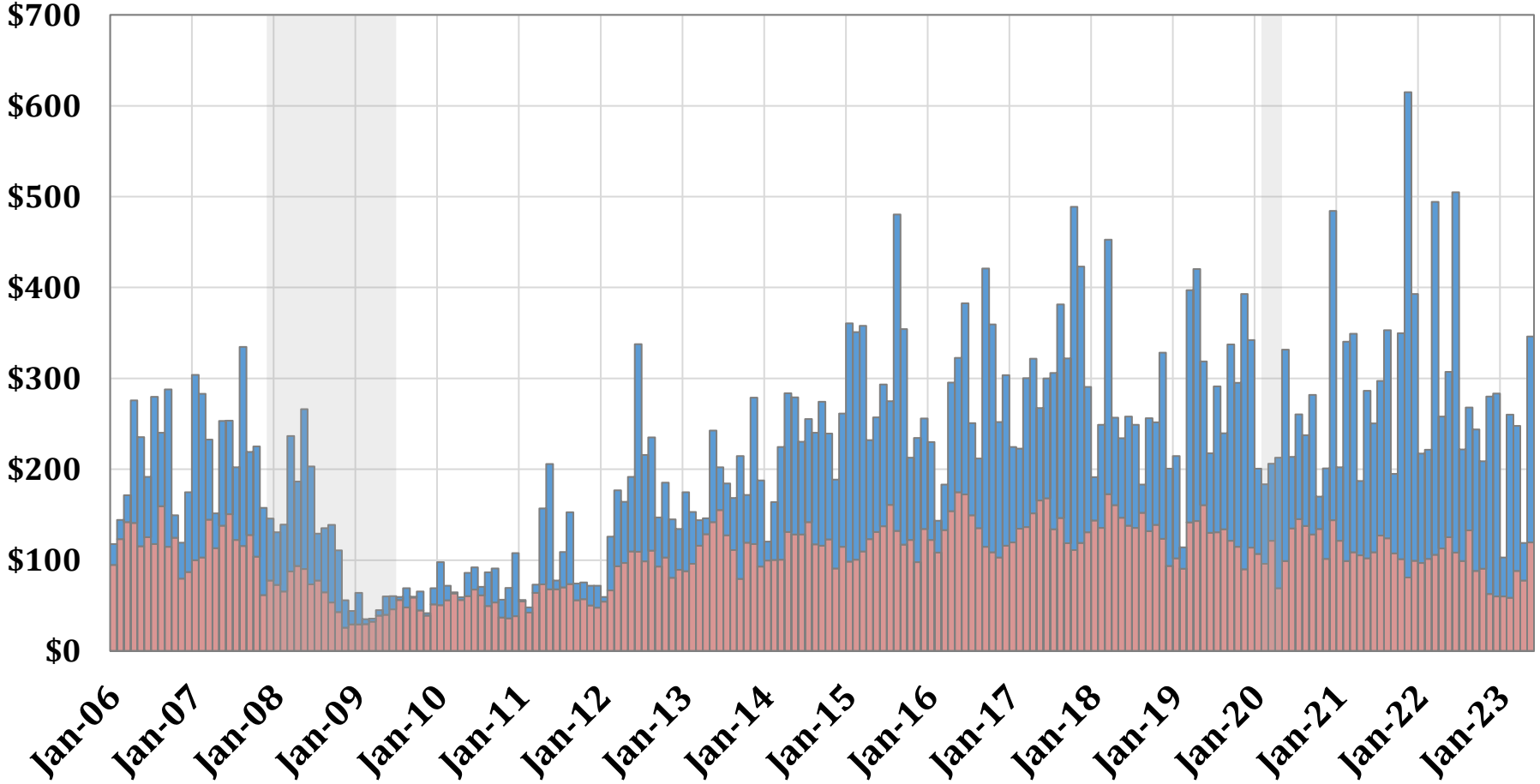
Single and multi-family residential permitting slowed in 2022 and 2023 so far



King County Residential Permit Values

Monthly Value of All Permits (in mil\$) Jan. 2006-Current for **Single-Unit** & **Multi-Unit**

Source: Census Bureau



Cruising out of Seattle continues to be popular and has local economic impact



Port of Seattle Cruise Operations

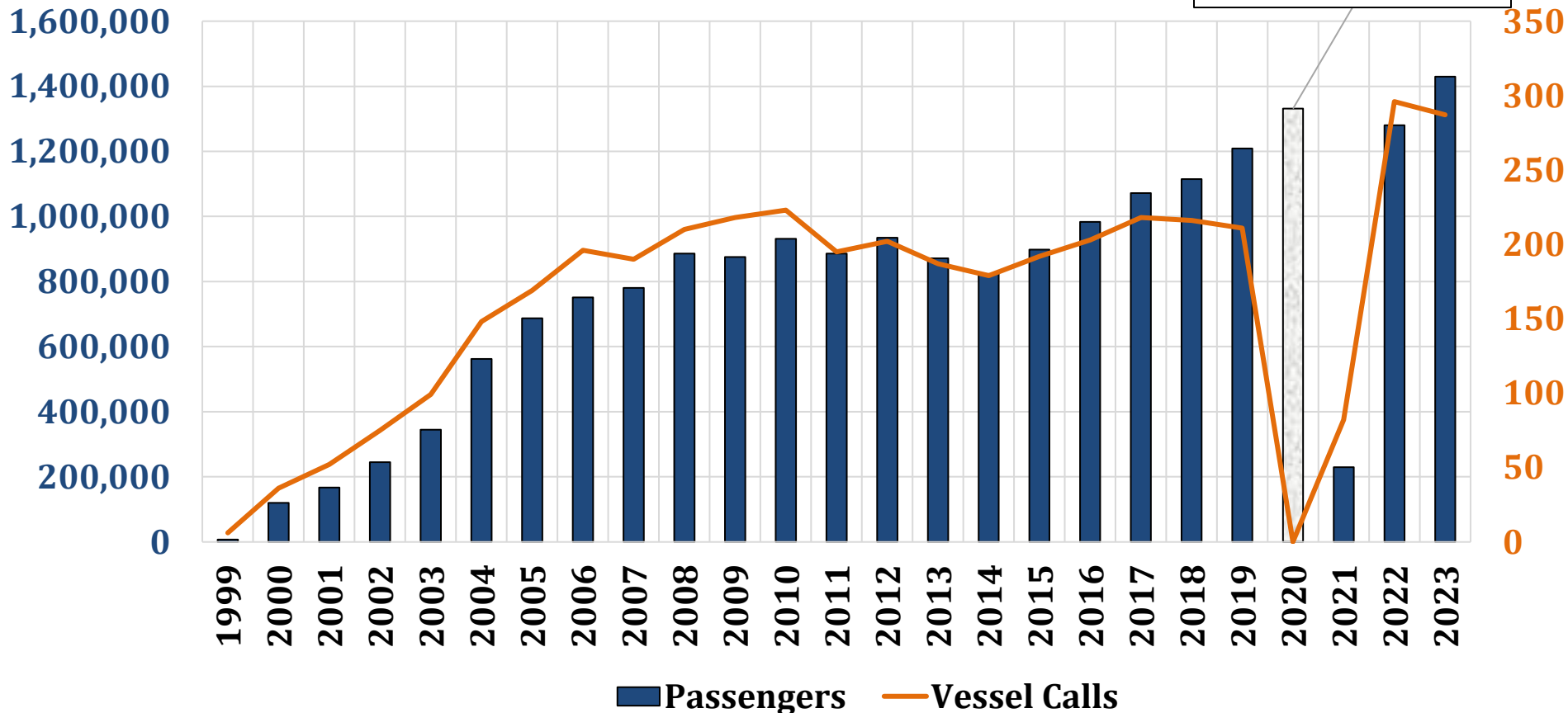
Total Passengers and Vessel Calls: 1999-2023

Source: portseattle.org

Pre-covid Estimate

1,331,260

223



July 2023 Revenue Forecasts

Assumptions:

(1) 65% Confidence Level – 65% chance revenues will come in higher than forecasted (lower for inflation/price forecasts)

(2) All potential annexation areas are assumed to occur on schedule:

-North Highline	(01-01-27)
-Renton West Hill	(01-01-28)
-Fairwood	(01-01-29)
-East Renton	(01-01-29)
-N. Federal Way/Lakeland South	(01-01-29)

Countywide Assessed Value Forecast

Tax Year	Value	Annual Growth	% Change from March 2023 Forecast	% Change from March 2023 Forecast
2021	\$659,534,881,337	2.65%	0.00%	\$0
2022	\$722,527,903,972	9.55%	0.00%	\$0
2023	\$879,895,419,279	21.78%	0.00%	\$0
2024	\$816,274,824,796	-7.23%	-3.38%	(\$28,567,238,146)
2025	\$842,717,113,620	3.24%	-0.46%	(\$3,901,435,562)
2026	\$879,725,083,953	4.39%	0.31%	\$2,746,005,896
2027	\$922,694,847,437	4.88%	0.38%	\$3,518,877,291
2028	\$971,167,246,678	5.25%	0.37%	\$3,597,924,721
2029	\$1,021,884,664,691	5.22%	0.34%	\$3,418,663,774
2030	\$1,079,786,964,485	5.67%	0.66%	\$7,107,708,494
2031	\$1,132,789,956,127	4.91%	0.66%	\$7,434,116,227
2032	\$1,192,901,418,471	5.31%	0.81%	\$9,605,884,869

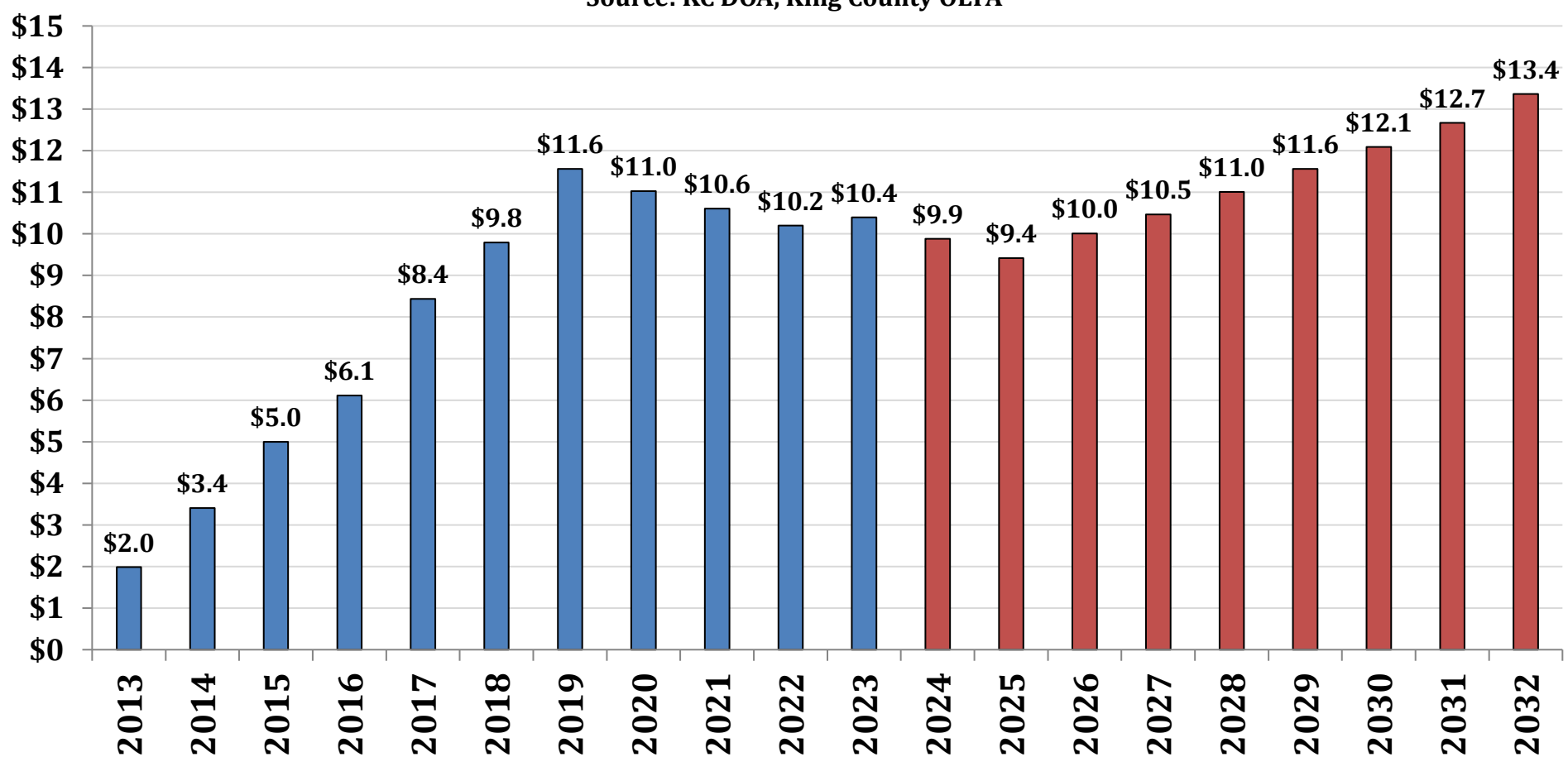
New Construction Forecast



King County New Construction Forecast

In billions \$, with Actuals and Forecast bars

Source: KC DOA, King County OEFA



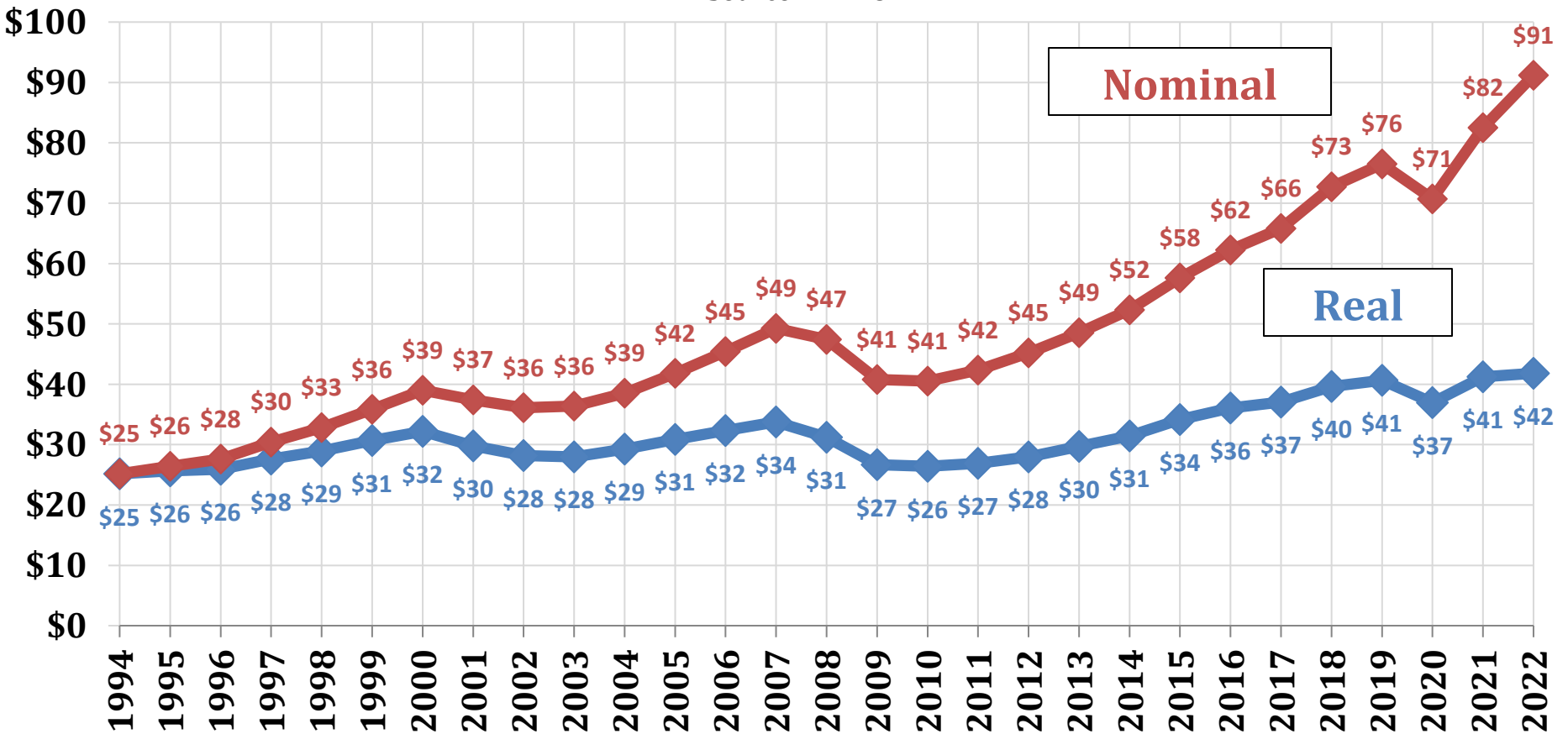
Taxable sales have grown in double digits since Covid



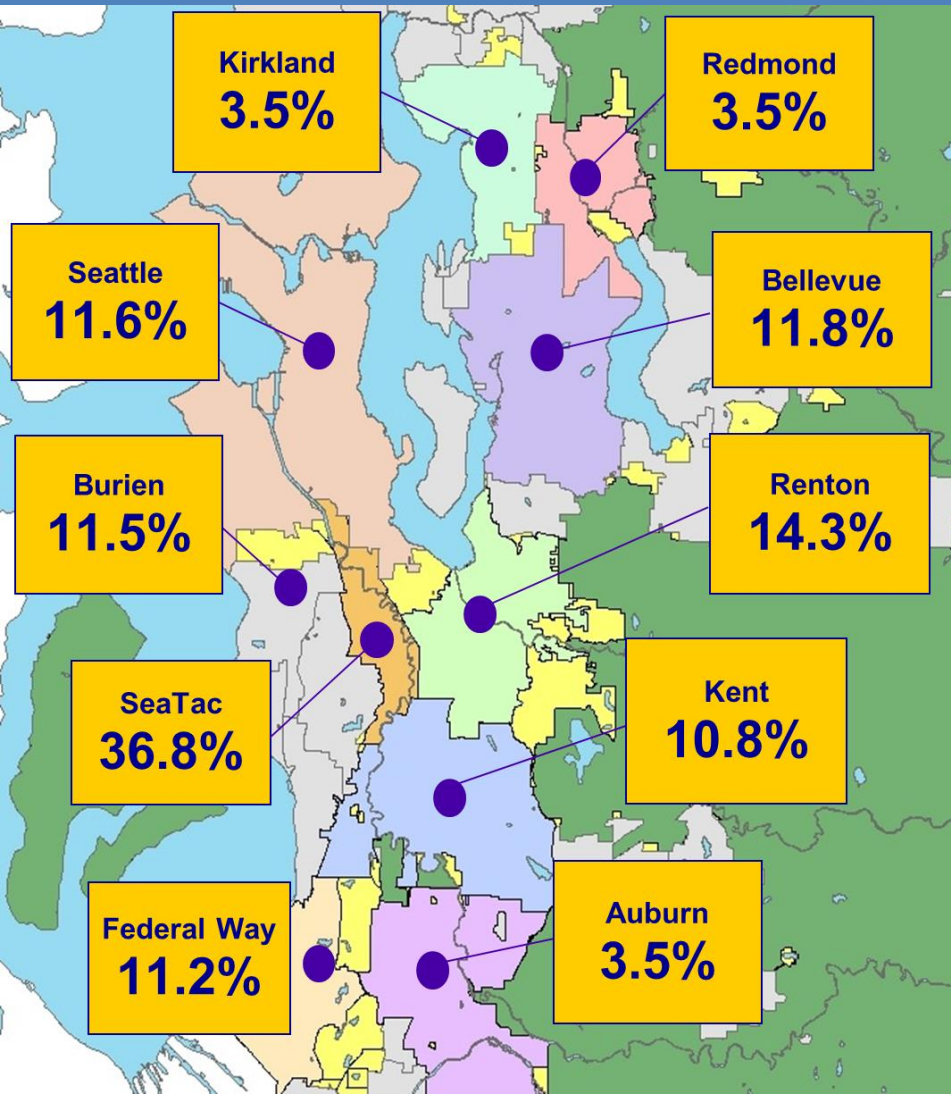
Nominal & Real Taxable Sales

Nominal (line) & Real (line)

Source: WA DOR



2022 taxable sales growth by select city



OFM Final Population for select cities (2023)

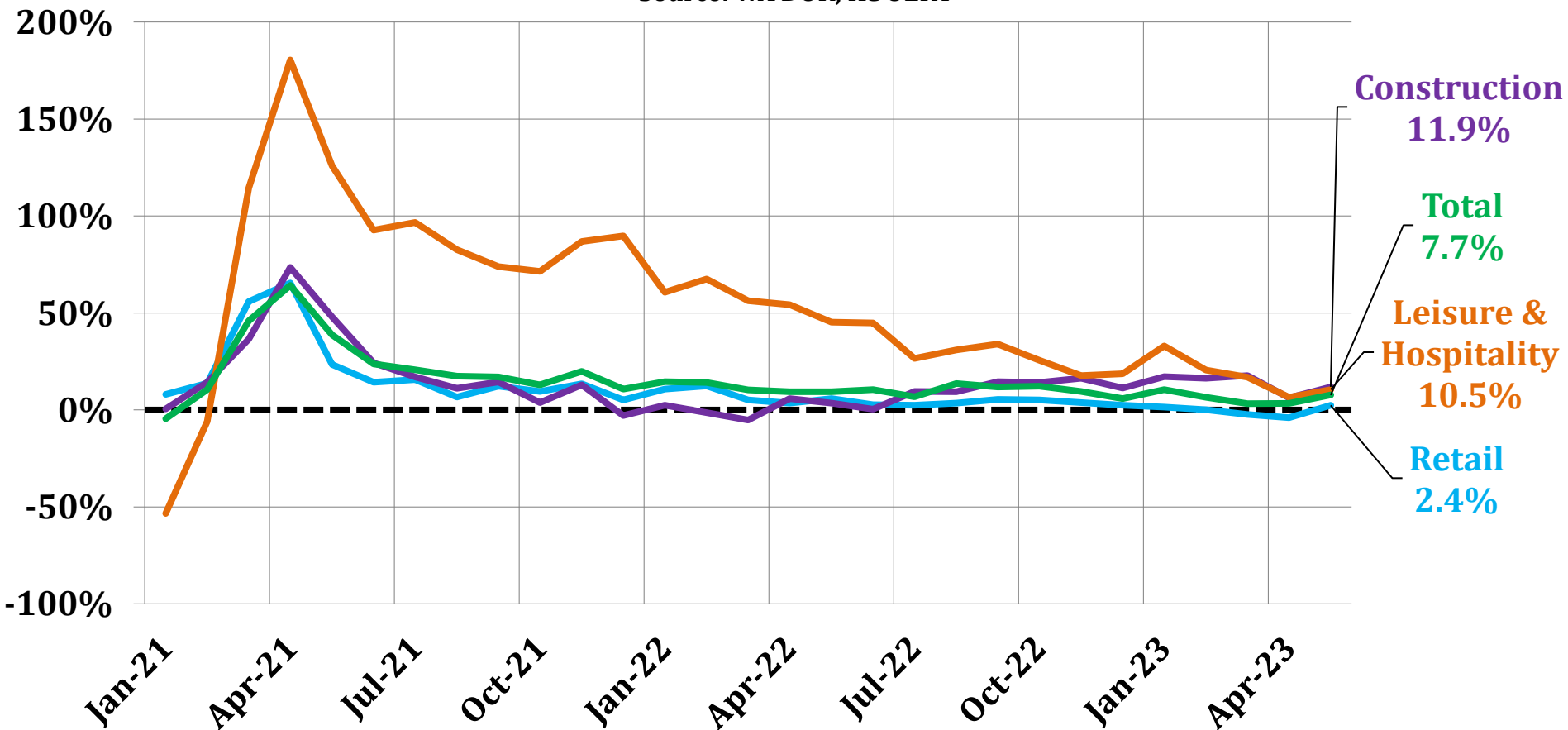
- 779,200 - Seattle
- 154,600 - Bellevue
- 139,100 - Kent
- 107,900 - Renton
- 102,000 - Federal Way
- 96,920 - Kirkland
- 78,760 - Auburn
- 77,490 - Redmond
- 52,560 - Burien
- 31,740 - Seatac

Source: WA DOR, WA OFM

Taxable sales continue to grow but have slowed of late



Taxable Sales Growth
YOY growth rates of taxable sales for select sectors
Source: WA DOR, KC OEFA



King County Taxable Sales Forecast

Tax Year	Value	Annual Growth	% Change from March 2023 Forecast	% Change from March 2023 Forecast
2021	\$82,495,306,590	16.64%	0.00%	\$0
2022	\$91,168,764,291	10.51%	-0.03%	(\$31,235,709)
2023	\$94,126,290,132	3.24%	-0.19%	(\$180,824,621)
2024	\$97,455,448,315	3.54%	-0.12%	(\$114,666,212)
2025	\$101,918,036,959	4.58%	-0.53%	(\$544,236,307)
2026	\$107,061,684,206	5.05%	-0.38%	(\$413,372,548)
2027	\$112,148,521,330	4.75%	0.05%	\$58,888,477
2028	\$117,250,249,952	4.55%	-0.46%	(\$542,592,139)
2029	\$123,141,175,092	5.02%	-0.10%	(\$128,978,329)
2030	\$128,895,567,875	4.67%	-0.20%	(\$261,513,188)
2031	\$135,637,955,493	5.23%	0.26%	\$346,278,946
2032	\$142,159,480,534	4.81%	0.27%	\$383,365,798

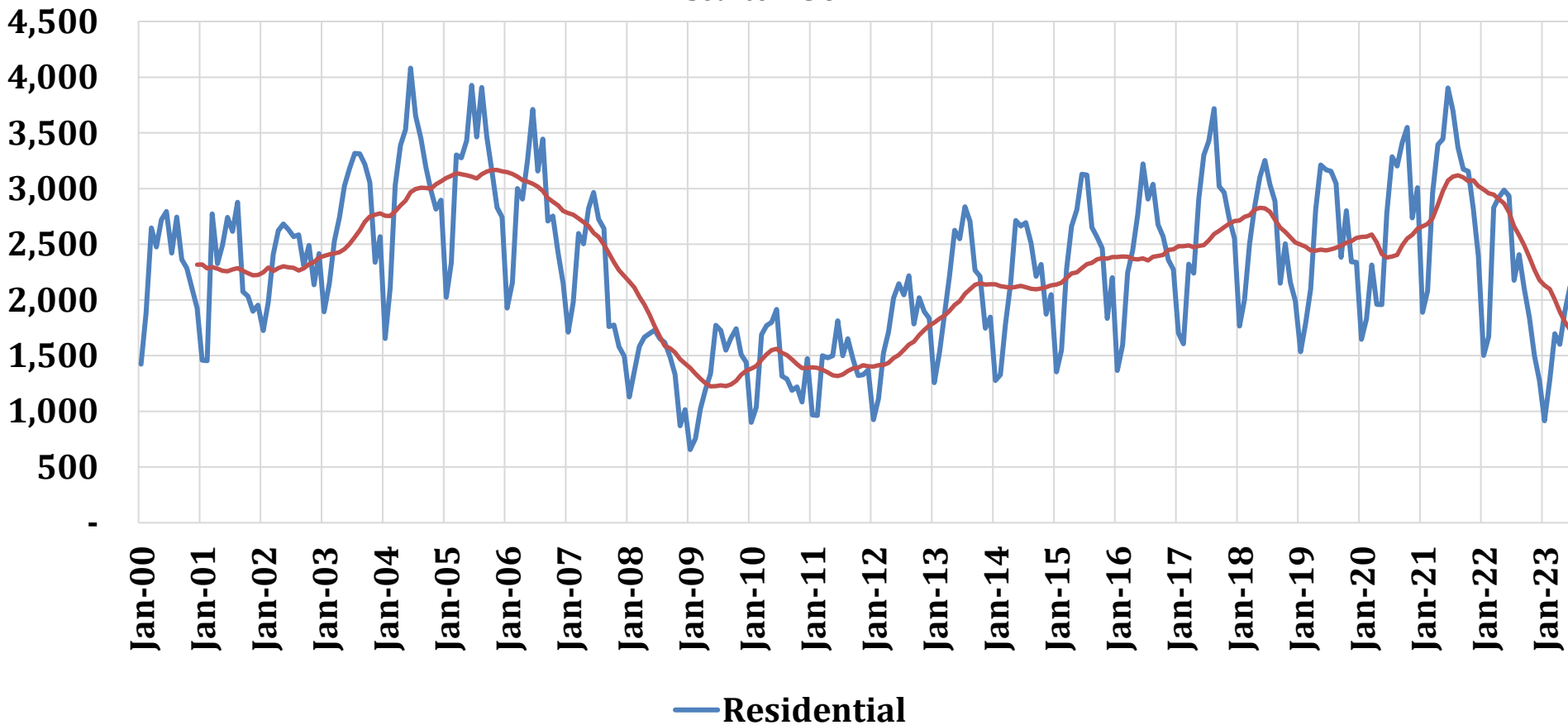
REIT revenues have been hit hard throughout KC via lower prices and reduced transactions



King County Residential Transactions

Monthly Residential Transactions with **Rolling Annual Average**

Source: KC OEFA



King County
Office of Economic and Financial Analysis

<http://www.kingcounty.gov/independent/forecasting.aspx>