

2024 King County Economic and Revenue Forecast

Presentation to the King County Forecast Council

Presented on:
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Lizbeth Martin-Mahar
Office of Economic and Financial Analysis

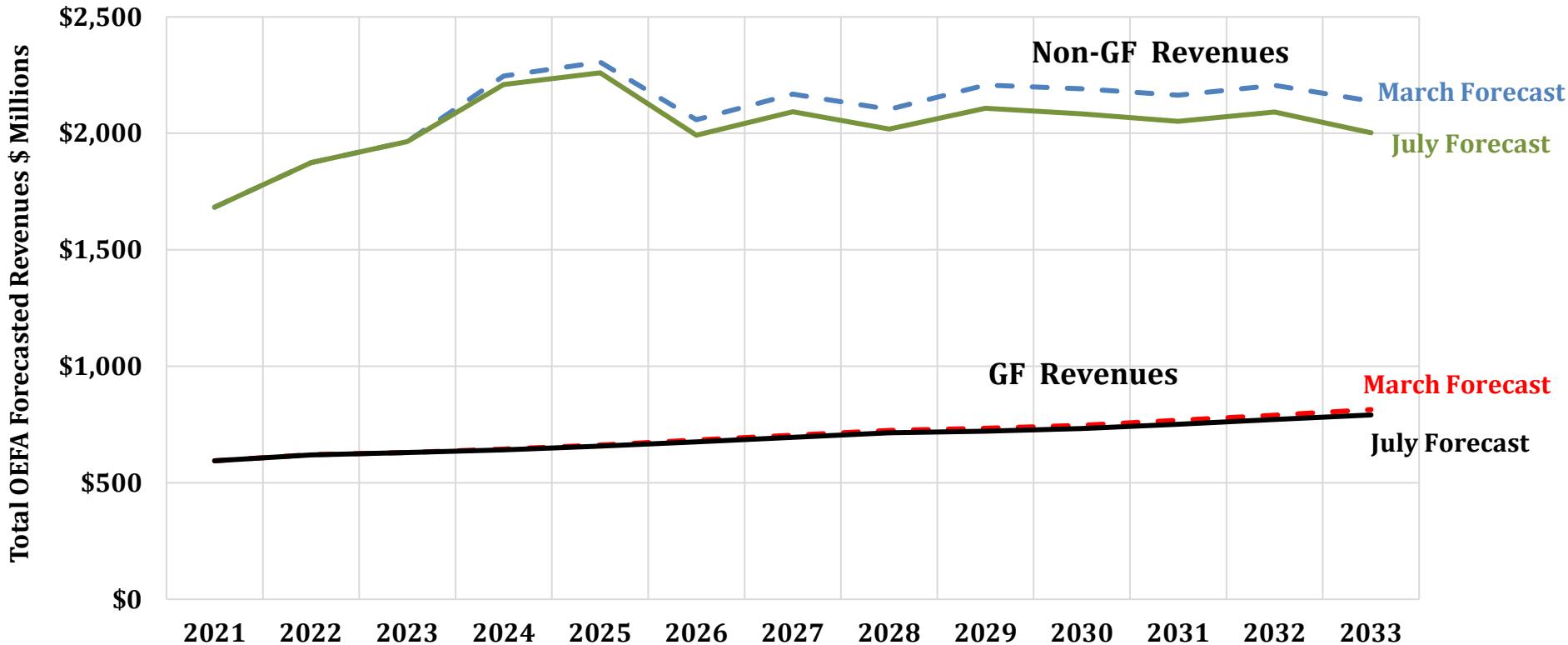


Comparison OEFA Forecasted Revenues July versus March 2024 Forecasts – General Fund (GF) and Non-GF Revenues



Non-GF and GF Revenue Forecast Comparison

March 2024 Forecast (dashed) and July 2024 Forecast (solid), in millions \$
Source: OEFA



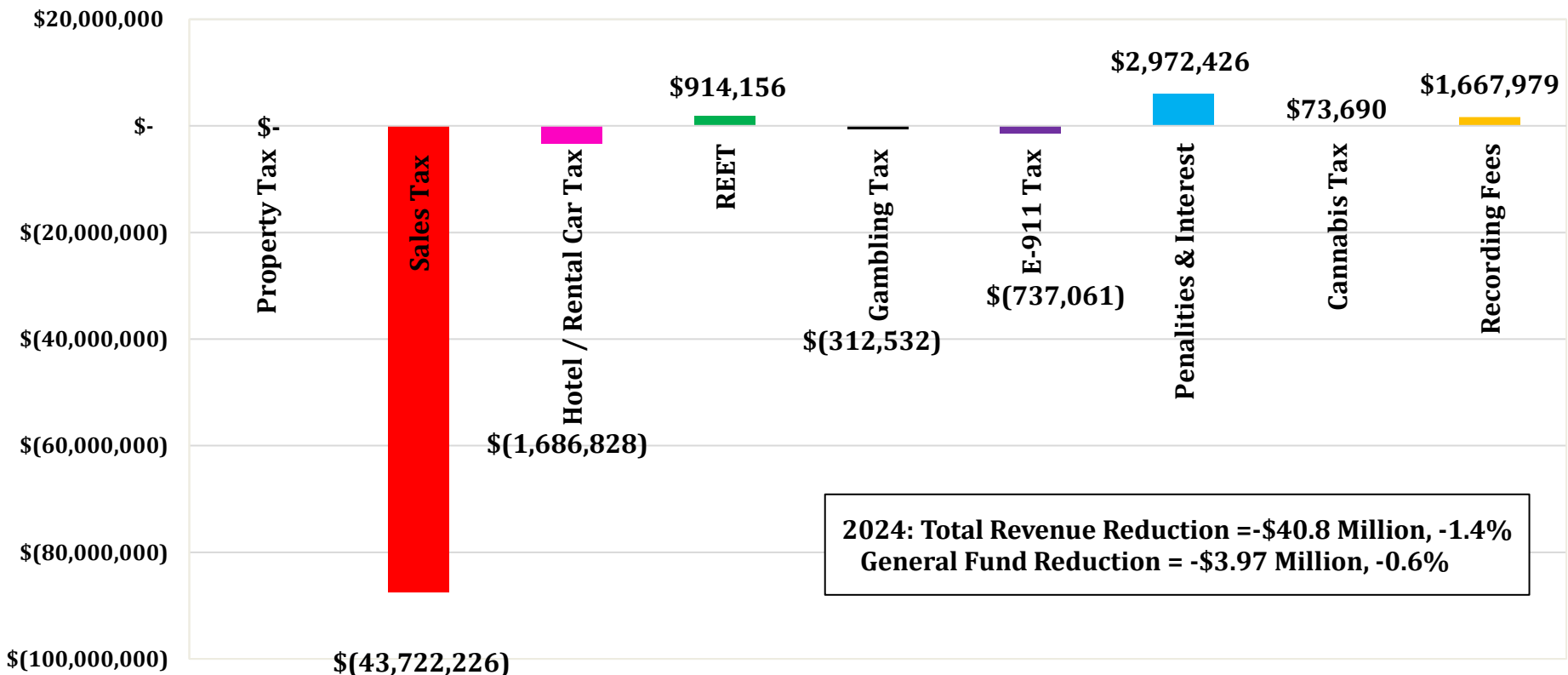
How some 2024 revenues changed between the March and July 2024 forecast



Weaker Overall Revenue (-1.4%): Sales Tax

Incremental Change of Select Revenues from March 2024 Forecast

Source: OEFA



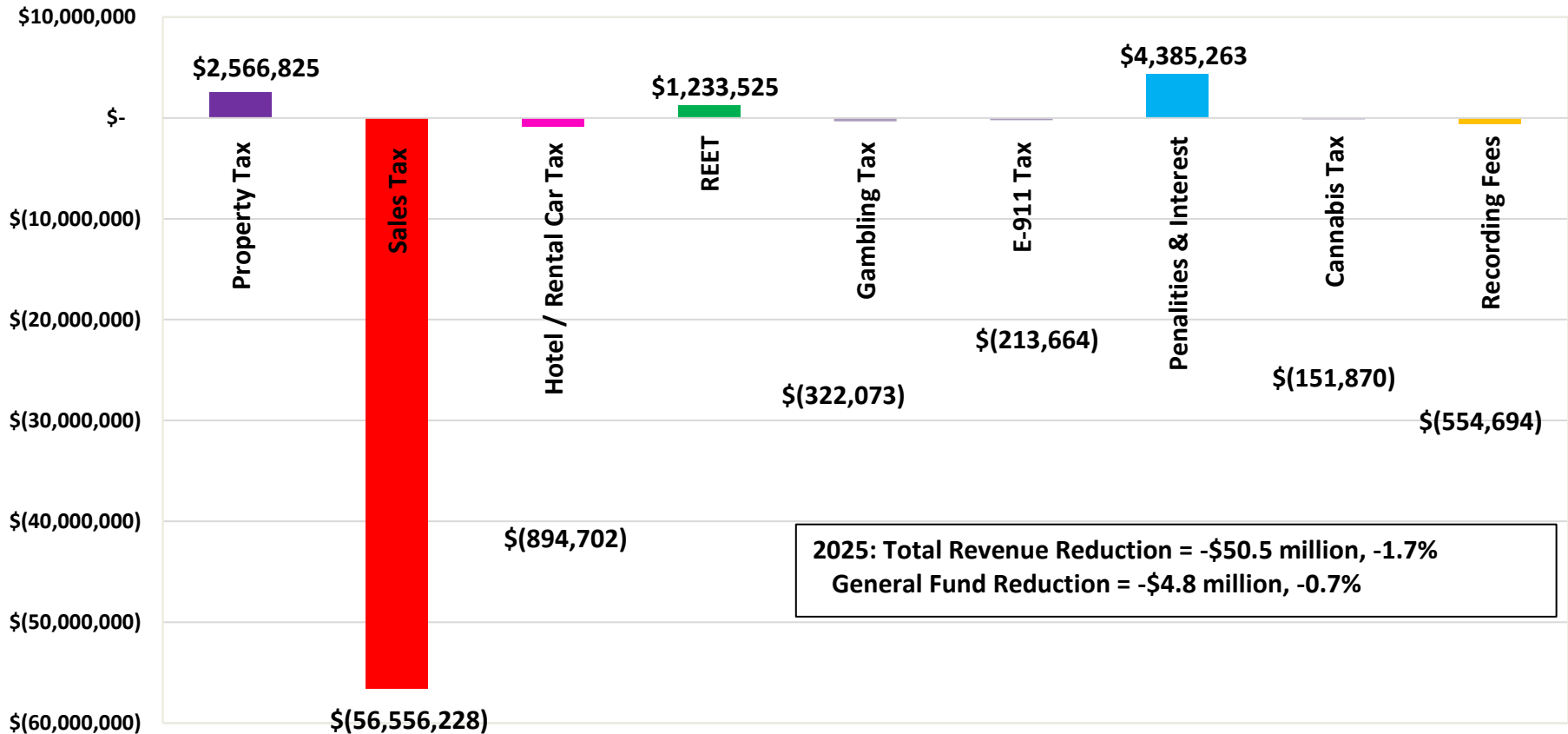
How some 2025 Revenues changed between the March and July 2024 forecast



Weaker Overall Revenue: (-1.7%) Sales Tax

Incremental Change of Select Revenues from March 2024 Forecast

Source: OEFA



Overview

Growth continues for the U.S. economy

- US real GDP grew 2.5% in 2023 which was up from the 1.9% growth last year
- Inflation has been trending down as the Federal Reserve raises rates
- Inflation has been exceeding some predictions
- The employment market is still growing with high job openings above prior years, but it is slowing
- Risks: Ukraine & Middle East wars, high inflation & interest rates remain

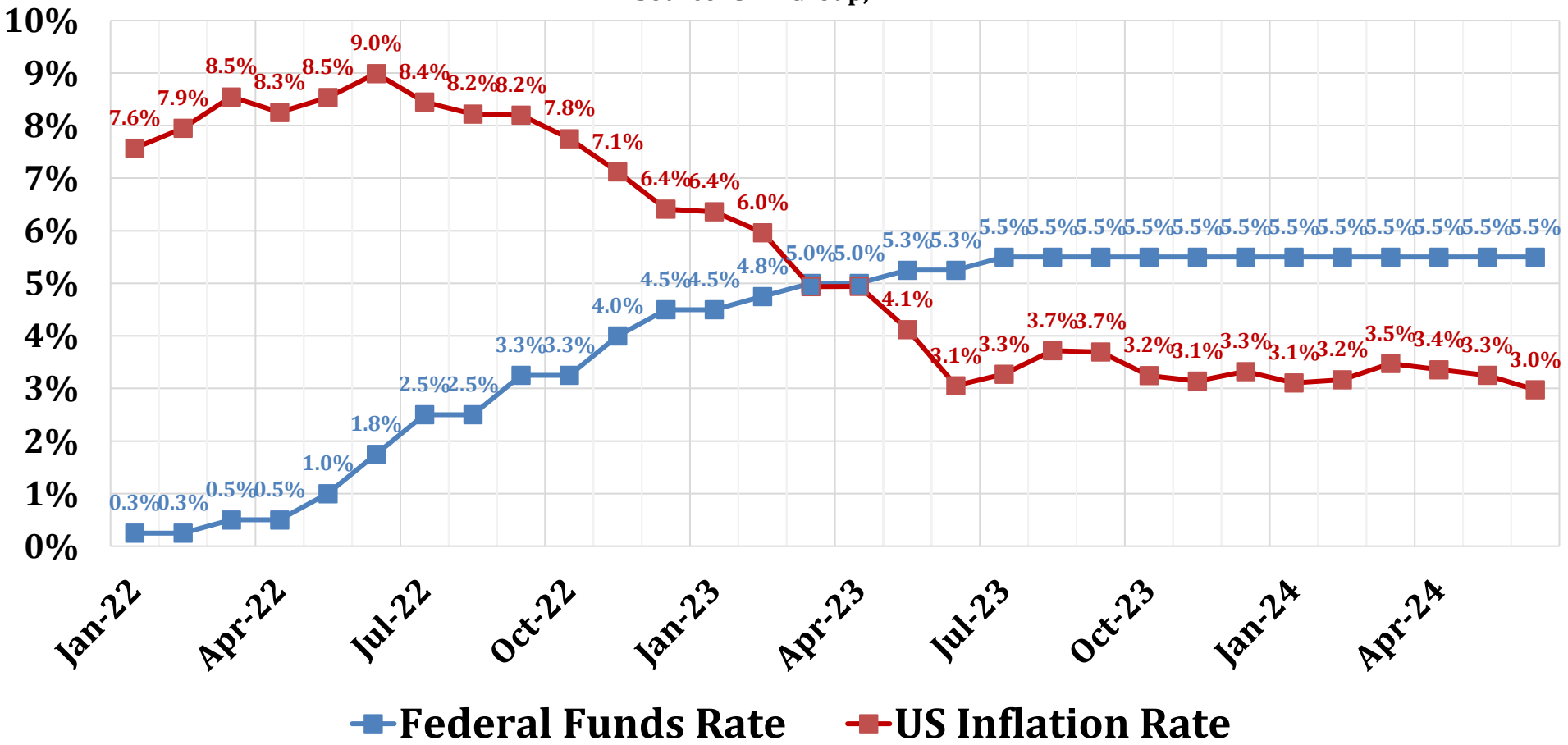
On track for a “soft-landing” in Economy

- Inflation is stabilized at 3% but higher than Fed target (core inflation at 2%)
- Seattle Inflation has been higher than US and it fell a lot in June to below 4%
- WA state had an average unemployment rate of 4% in 2023, and in KC it has been inching upward in the first months of 2024 to 4.7% - labor market is not as HOT
- Interest rate projections are showing a slower decline in 2024 than prior fcts
- 2024 growth will be slow, unemployment will rise, inflation will slow

US rate of inflation has remained steady at 3% in first half 2024



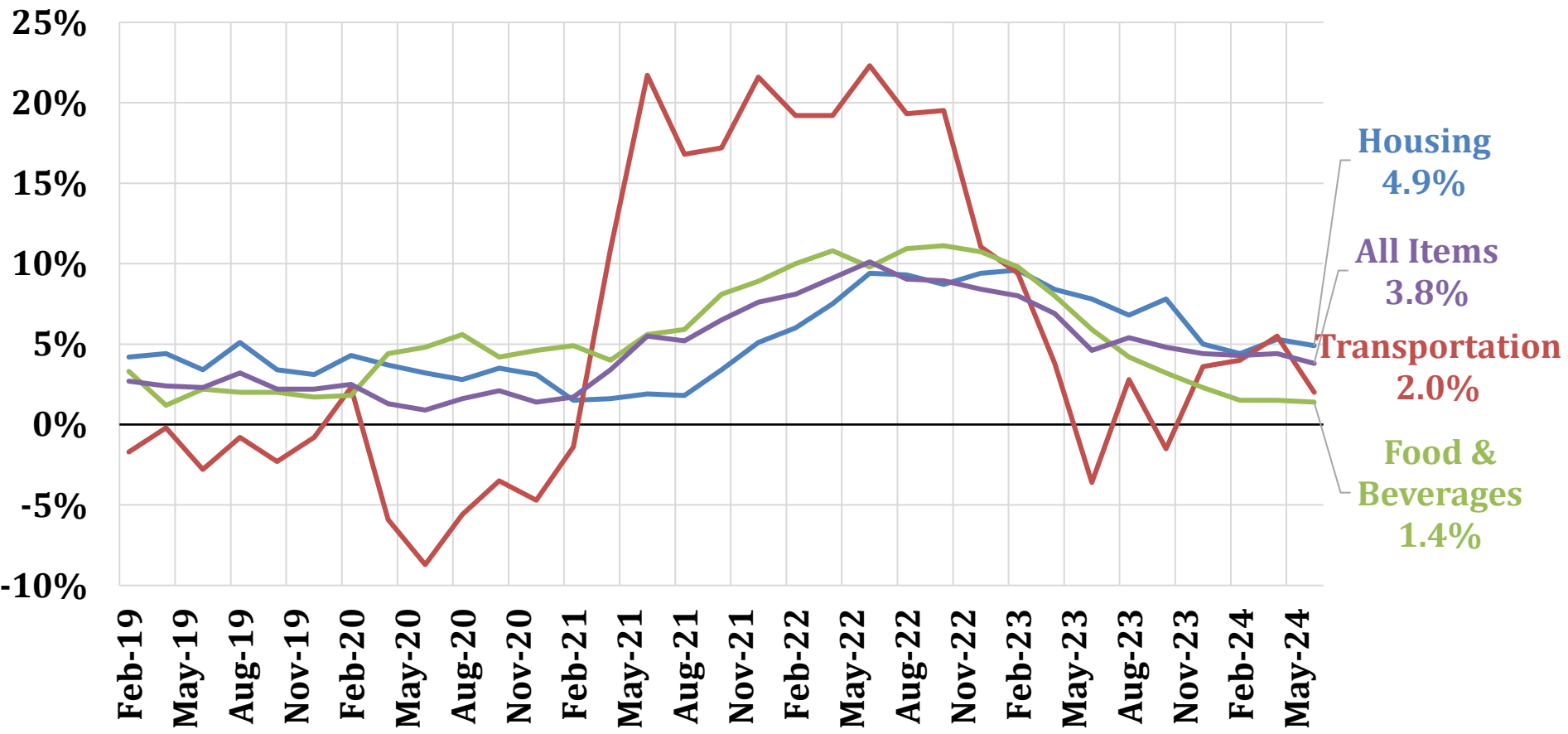
Combating Inflation with Rate Increases
Fed Funds Upper Rate Bound by Month; Current Target Rate=5.25-5.50
Source: CME Group, FRED



Local inflation just below 4%. Stubbornly high inflation easing for some components



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



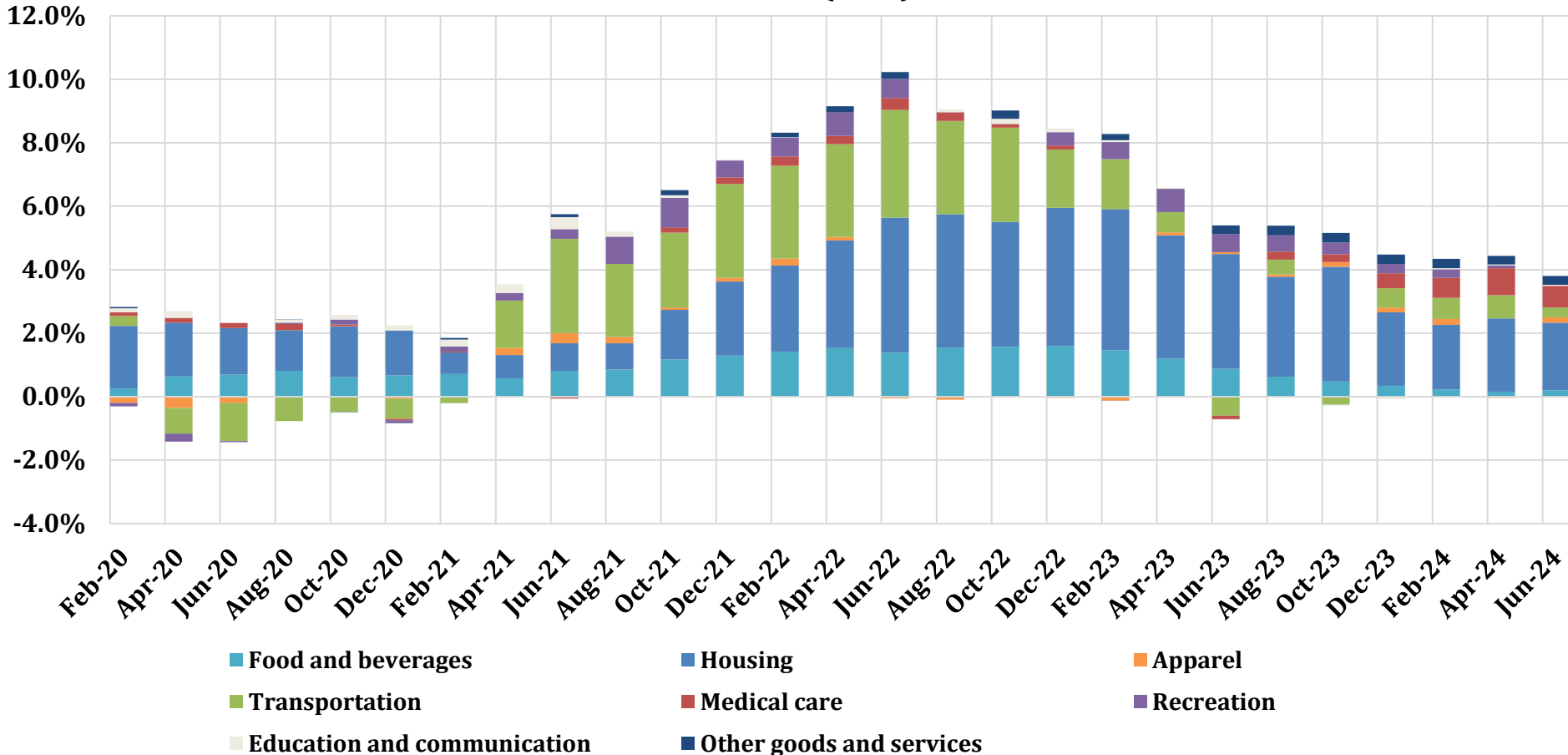
Local Inflation Components: Housing the primary contributor to the headline rate



Local Inflation Rate by Component

Bi-monthly inflation rate for STB CPI-U

Source: BLS (FRED)

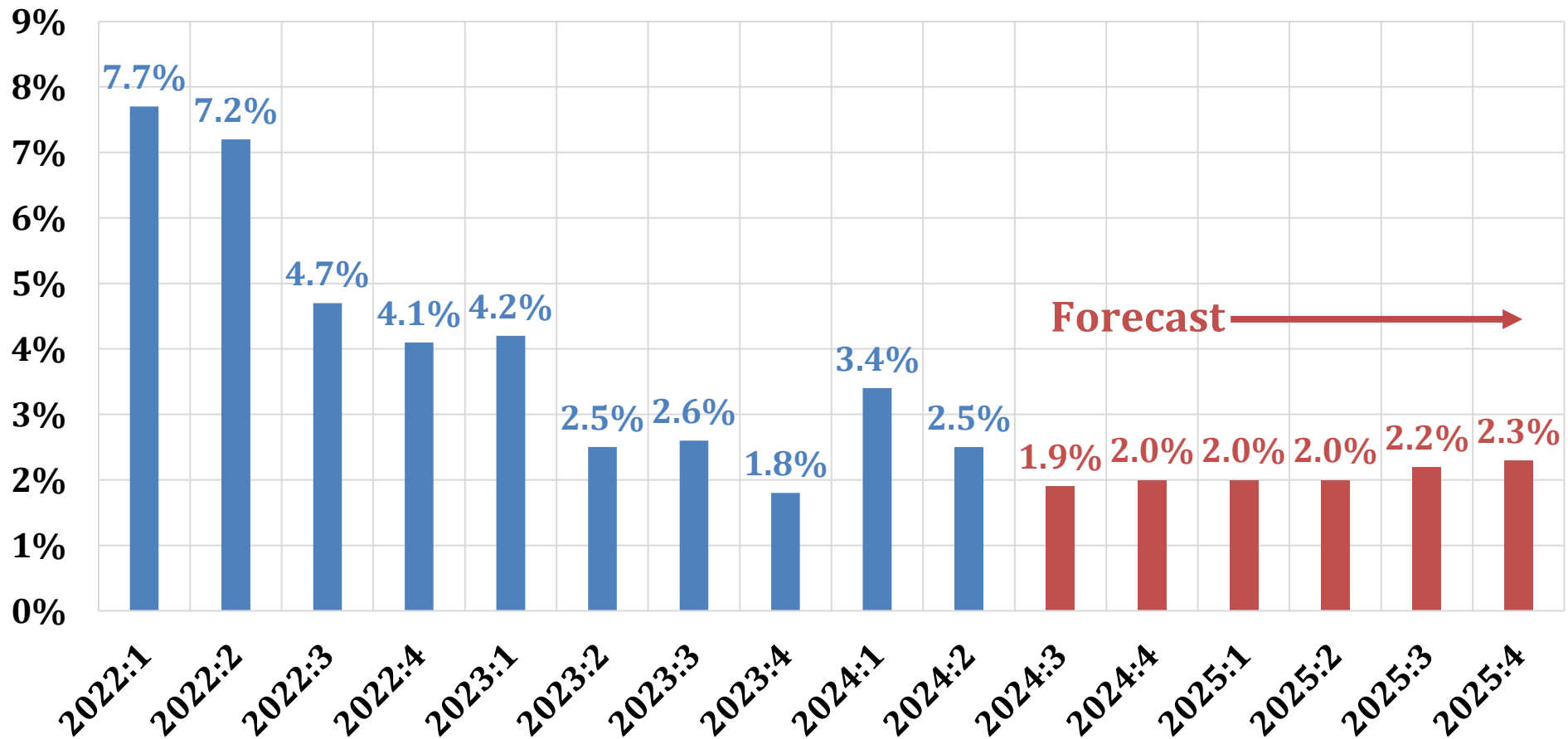


National inflation should fall to Fed. Target of 2% by Second Half of 2024.



Personal Consumption Expenditures

Chain-type Price Index, Compounded Annual Rate of Change, Seasonally Adjusted
Source: FRED, IHS Global Insight



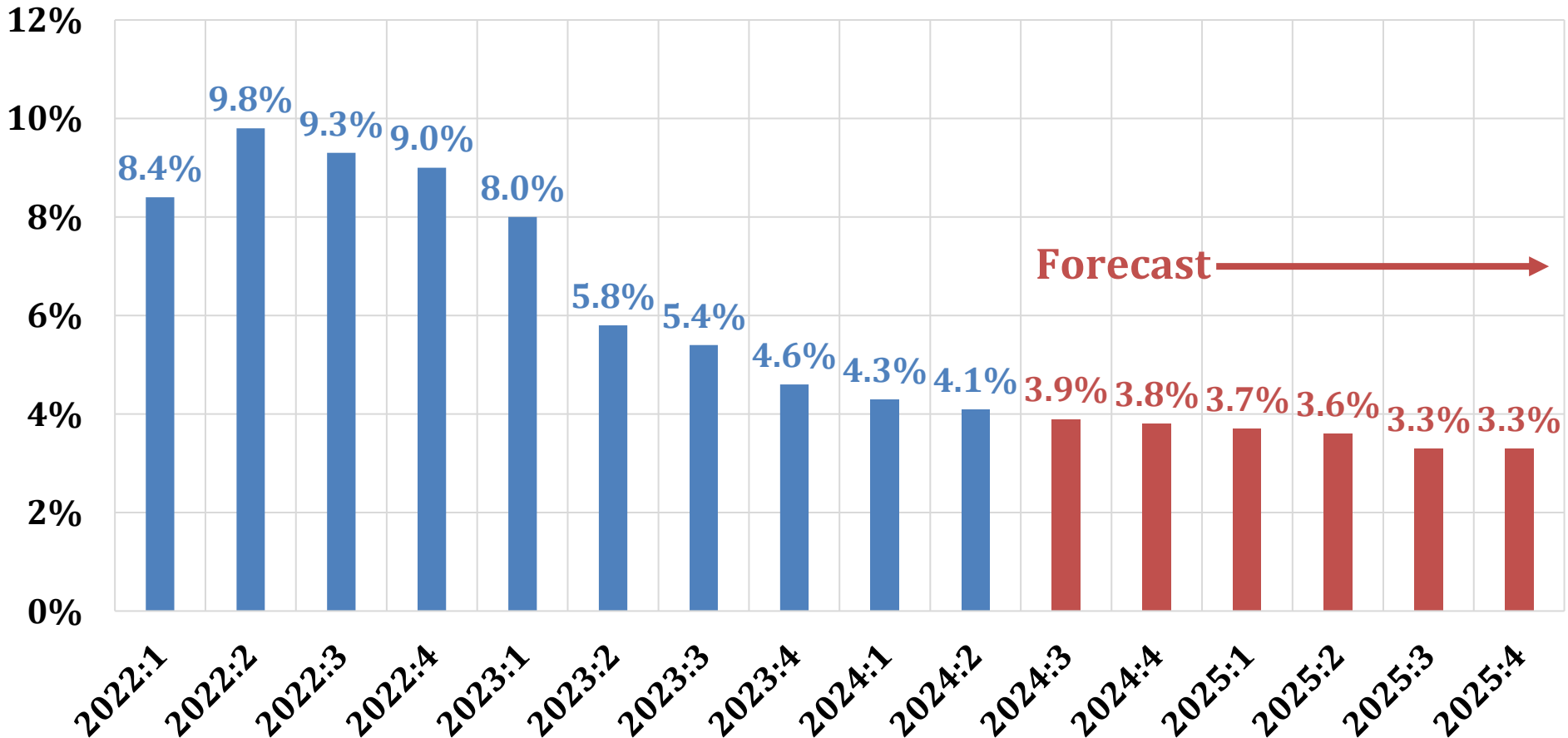
Seattle inflation is higher than the National rate but falling.



Seattle Inflation Forecast

YOY Growth in STB CPI-U for Seattle Area

Source: Bureau of Labor Statistics, OEFA Q1:2024 Forecast



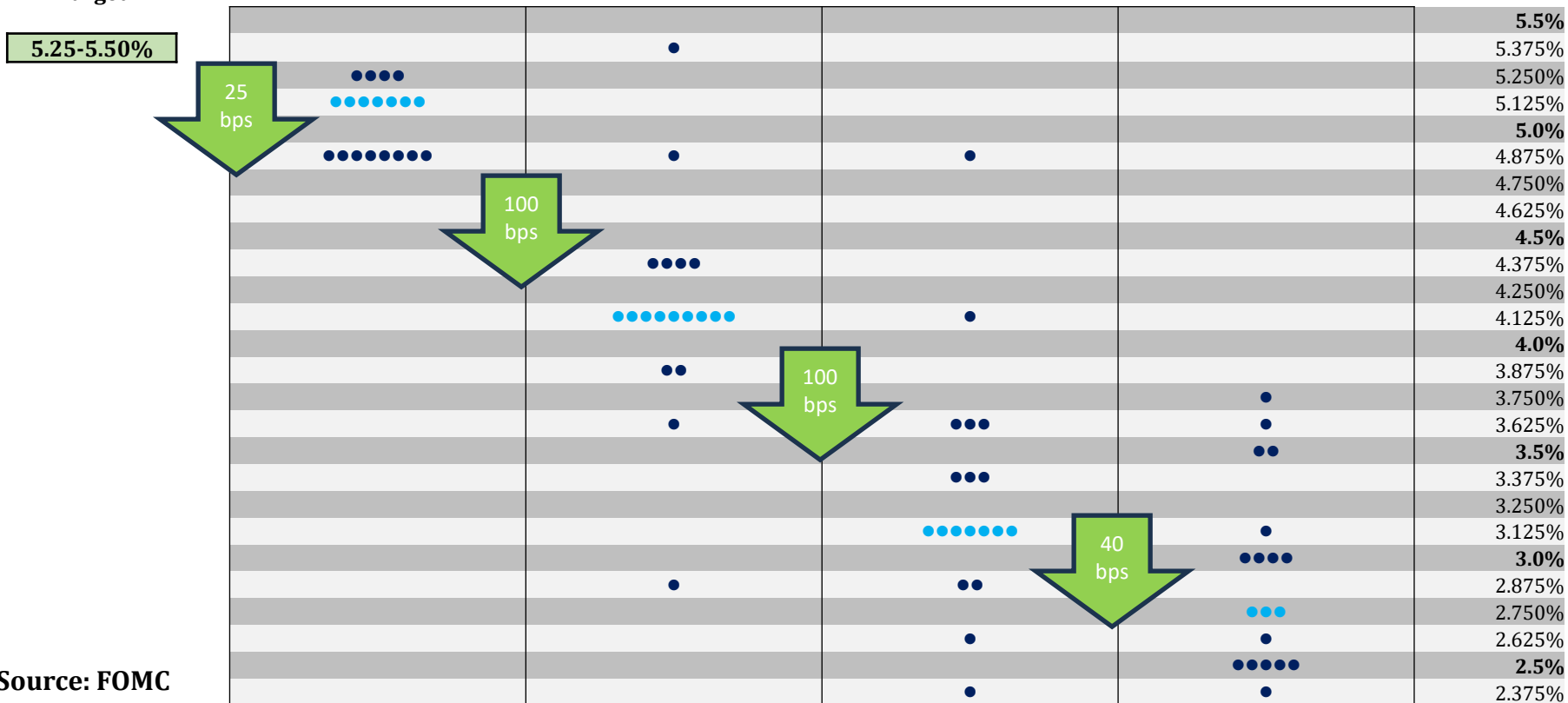
The Federal Reserve expects rates to decline slowly the next few years

The Fed's "Dot Plot"

June 2024

June 12, 2024
Fed Funds
Target

Year-end 2024	Year-end 2025	Year-end 2026	Longer Run
Median: 5.1%	Median: 4.1%	Median: 3.1%	Median: 2.8%



Source: FOMC

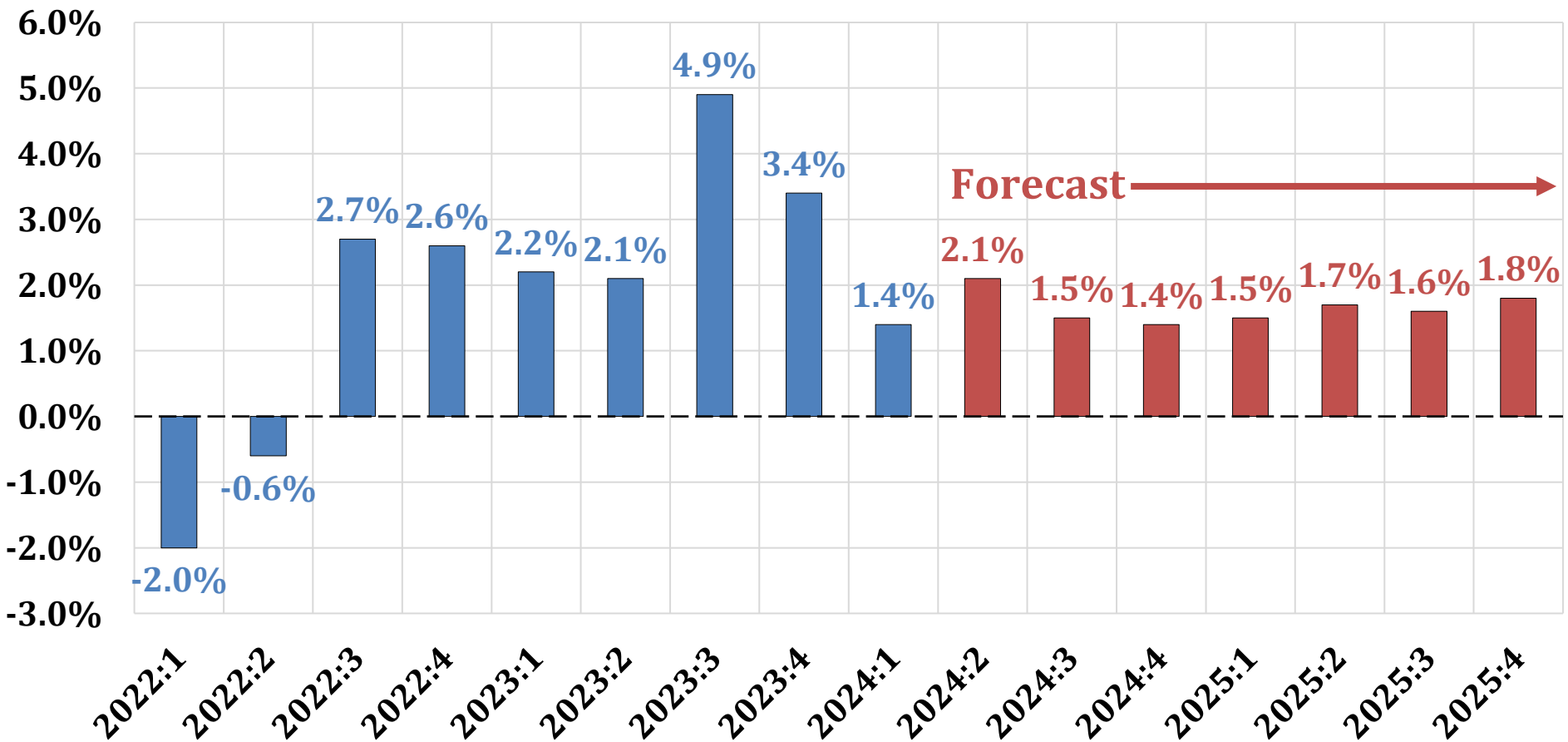
GDP growth was weak in Q1 2024, but expected to rise in the Q2



U.S. Real GDP Growth Forecast

Seasonally Adjusted CCARoCh; with Actuals & Baseline July 2024 Forecasts

Source: IHS Global Insight

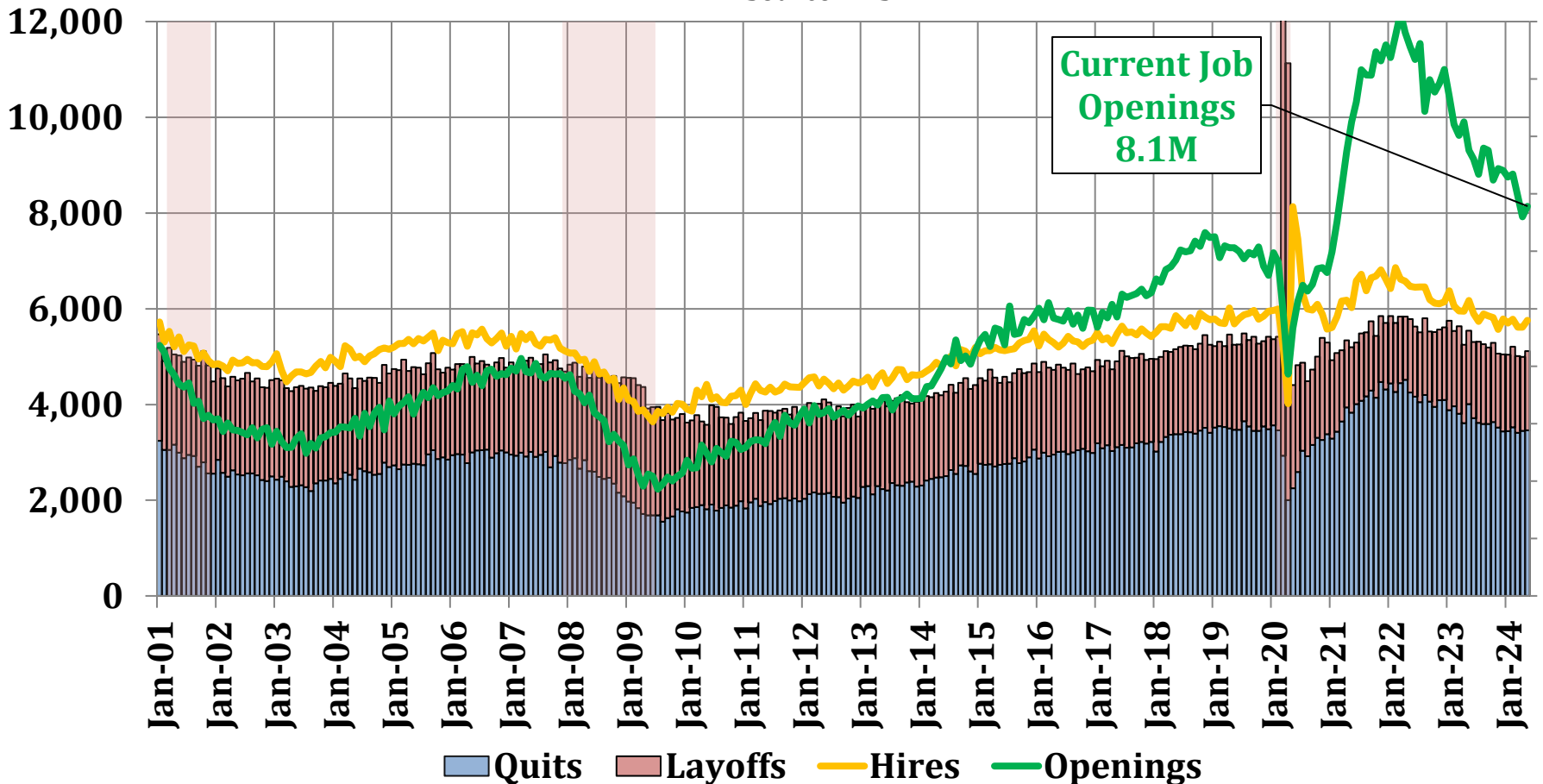


1.2 million job openings closed in the last 12 months



Hires and Separations: 8.0 Million Open Jobs

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

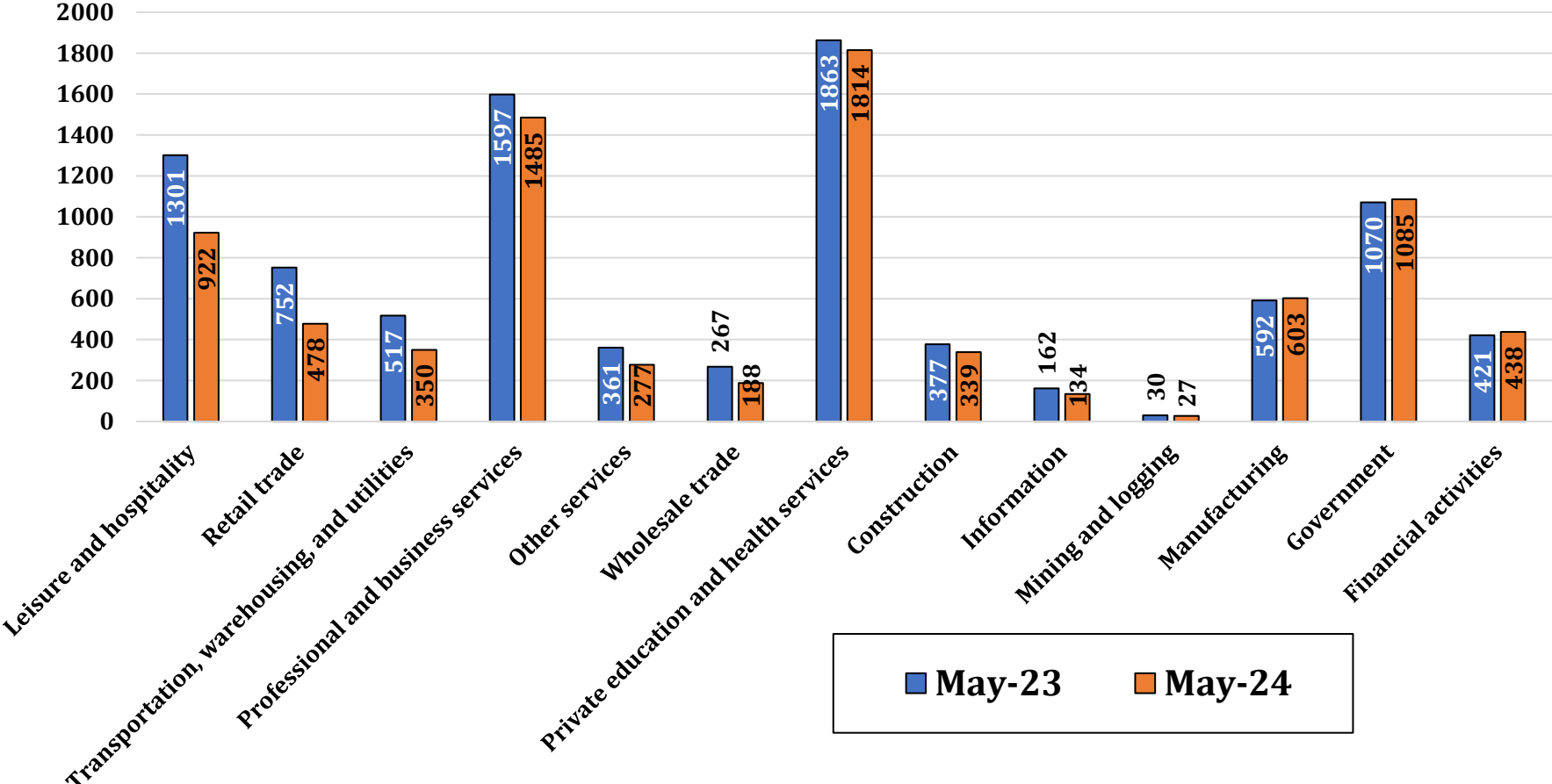


Far fewer job openings in lower wage industries such as retail & hospitality



U.S. Job Openings by Industry

May 2023 vs May 2024; In thousands of jobs; Grouped by Largest Decline →
Source: BLS

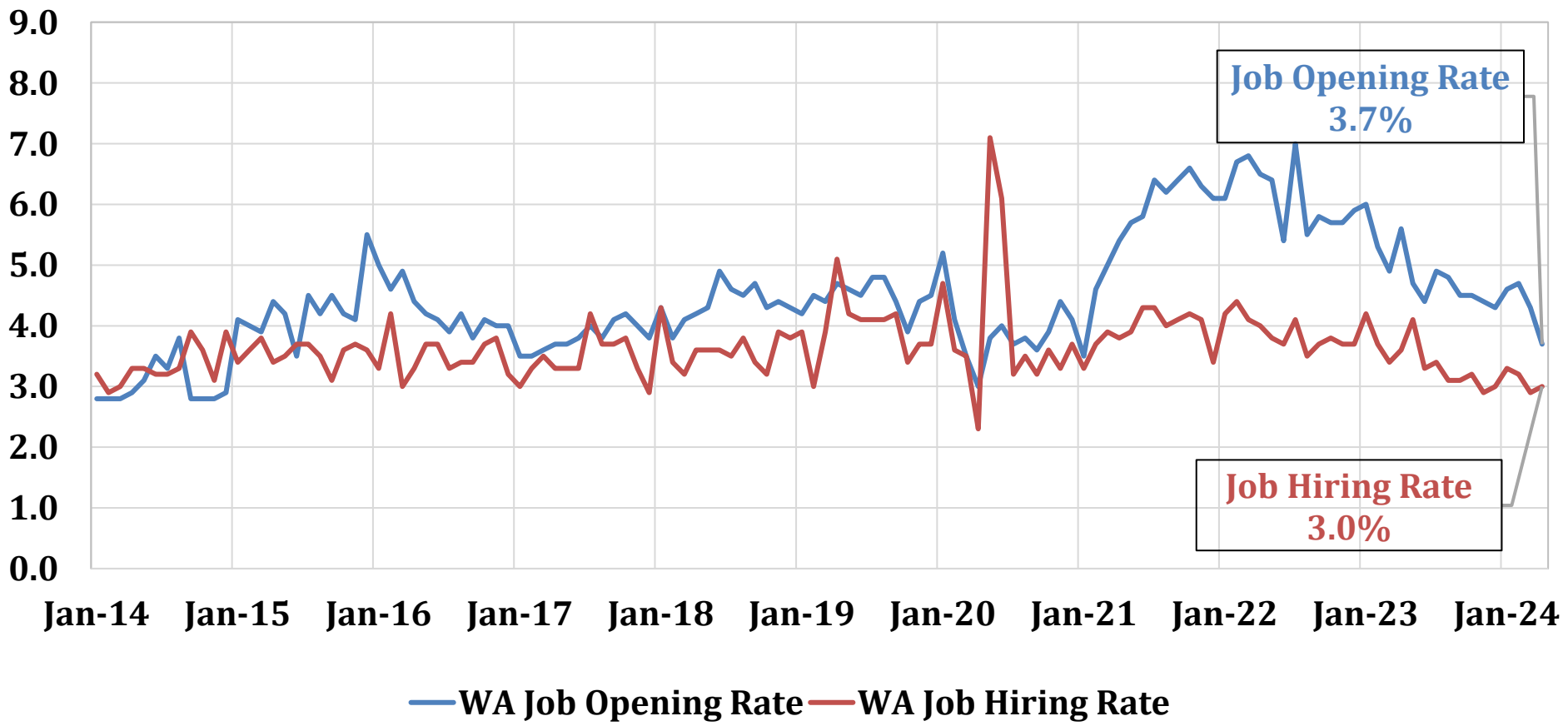


The gap between openings and hirings is narrowing in WA state



Washington Job Opening and Hiring Rates

Seasonally Adjusted Job Openings and Hiring Rate in WA State
Source: BLS



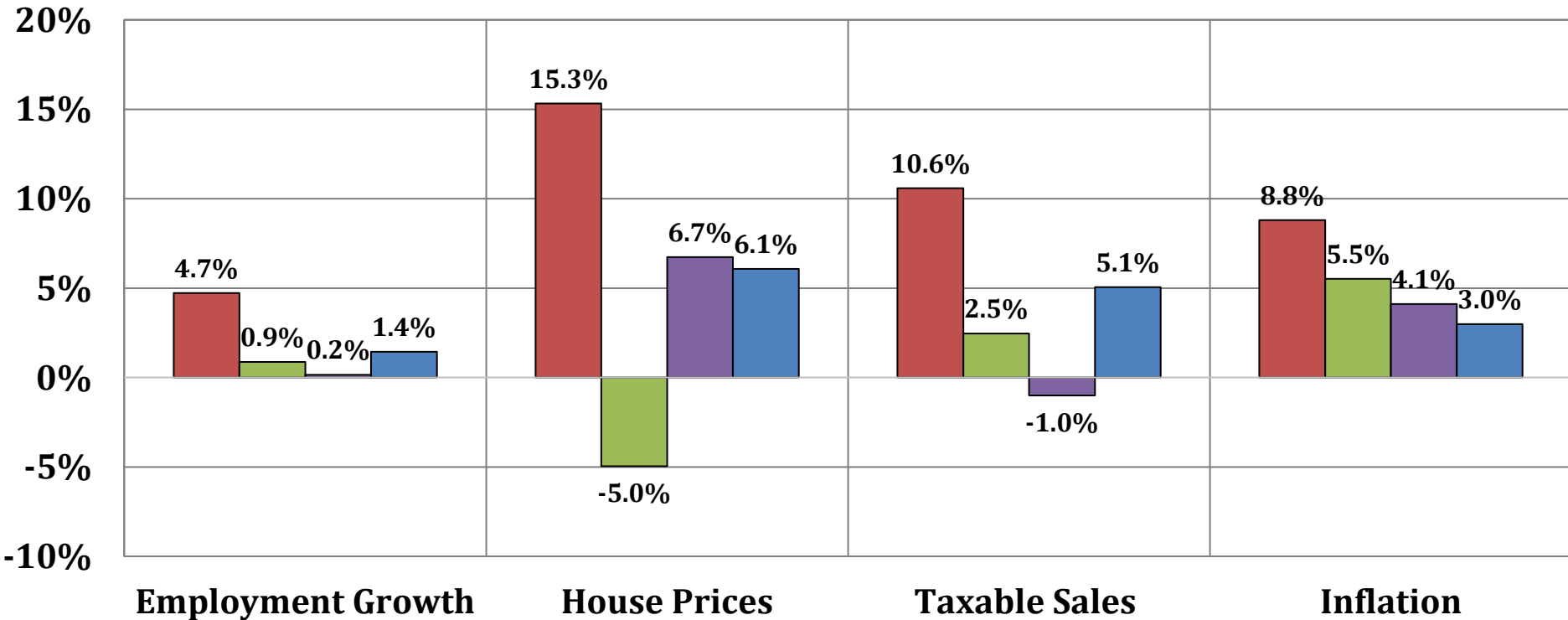
Taxable Sales are running cold; House Prices up nearly 7%



King County Economic Indicators

2022-2024 Actuals & 20 Year Average

Source: WA ESD, Case-Shiller, WA DOR, BLS



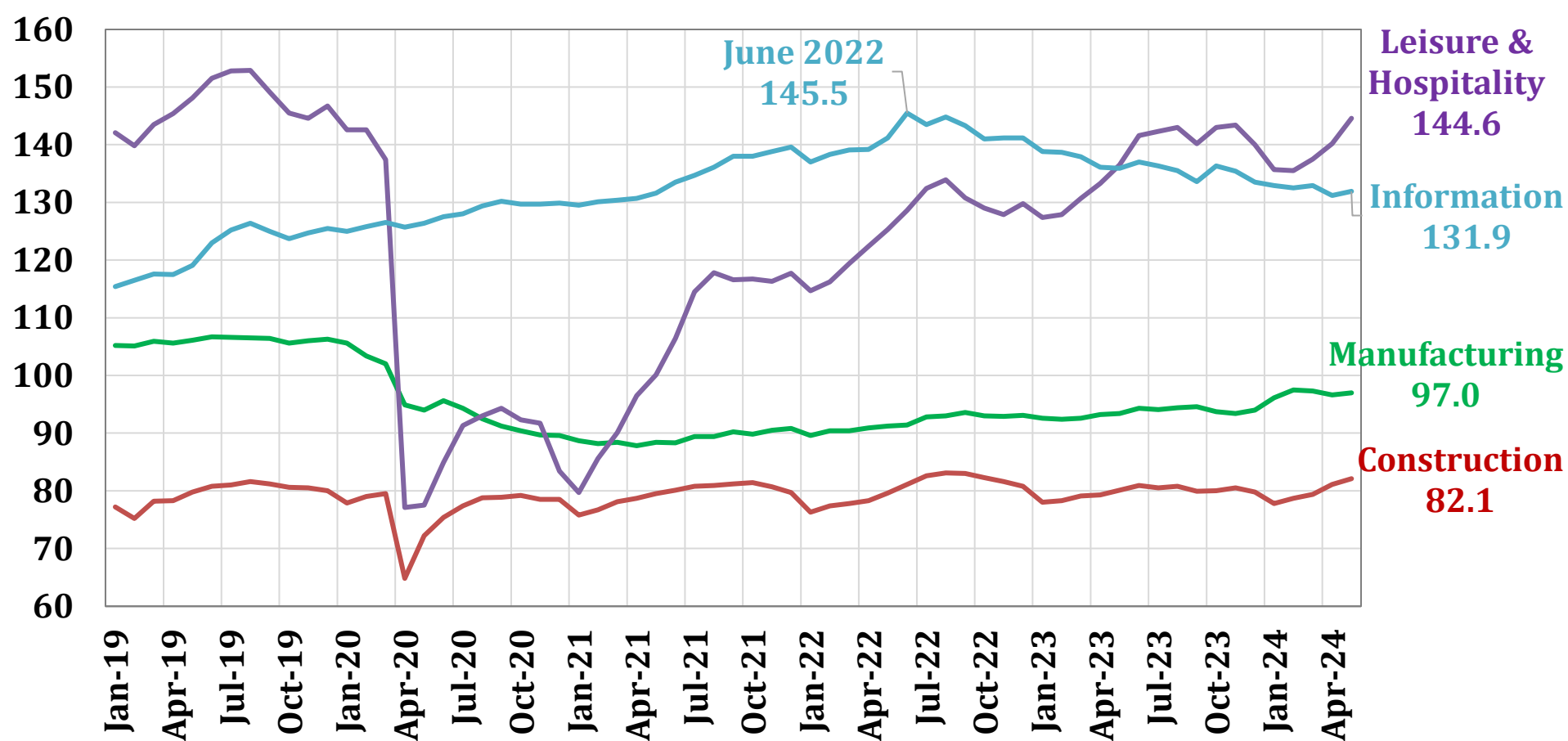
■ 2022 Actual
 ■ 2023 Actual
 ■ 2024 YTD
 ■ 20 year average

Hospitality and Manufacturing are not back to pre-Covid levels. Big tech continues to shed jobs.



King County Employment by Sector

Monthly employment in thousands; Jan. 2019-Current
Source: WA ESD

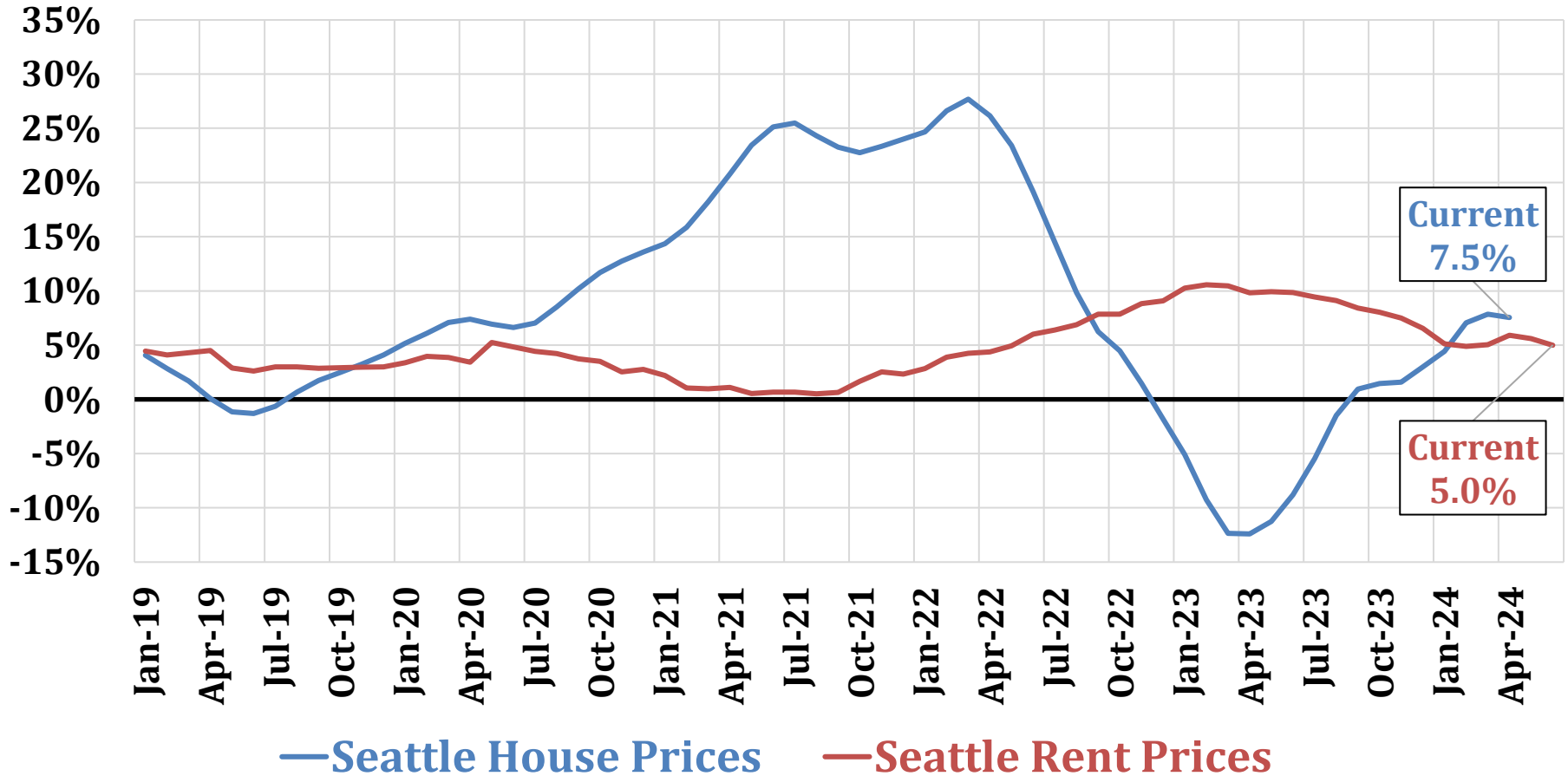


House price growth bottomed in Spring 2023 and rent growth is slowing



Seattle House Price Growth & Rent Price Growth

Monthly year-over-year growth in House and Rental Prices; Jan 2019-Current
Source: Case-Shiller Index and BLS



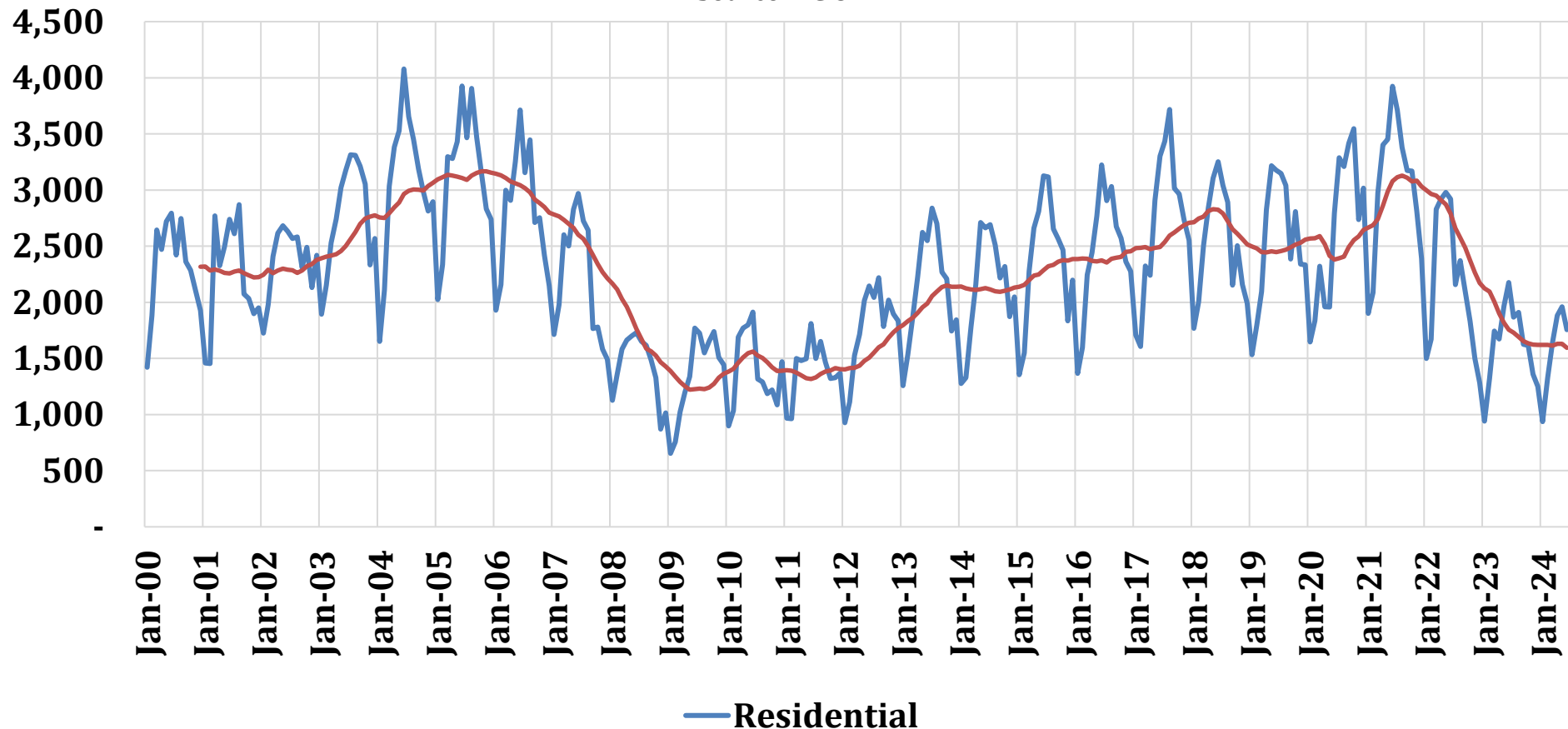
Higher mortgage rates have led to fewer residential transactions



King County Residential Transactions

Monthly Residential Transactions with Rolling Annual Average

Source: KC OEFA



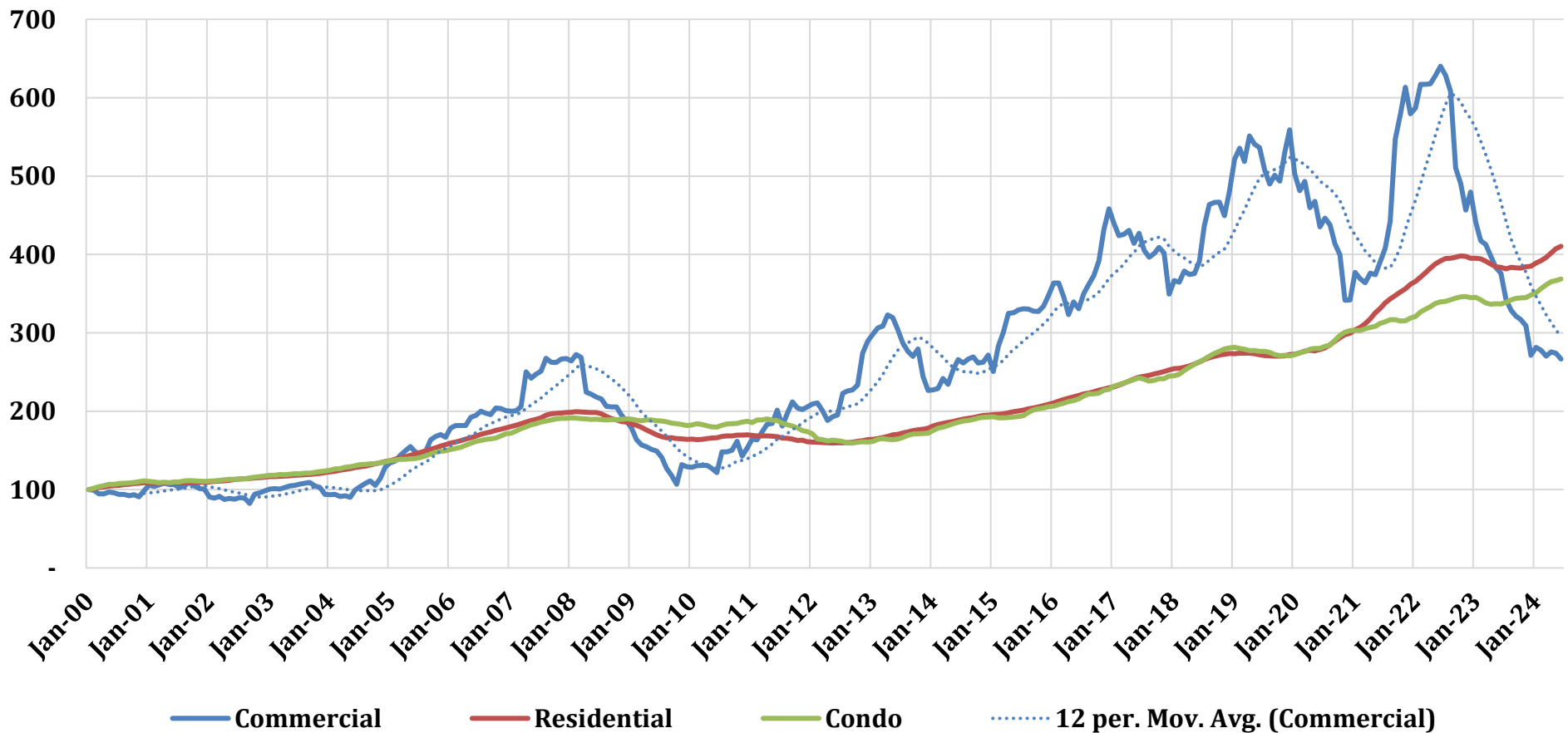
The commercial real estate sector faces major headwinds



King County Real Estate Index by Sector

Average Price per Sale by Sector; Indexed where 2000=100

Source: KC Recorder's Office / OEFA



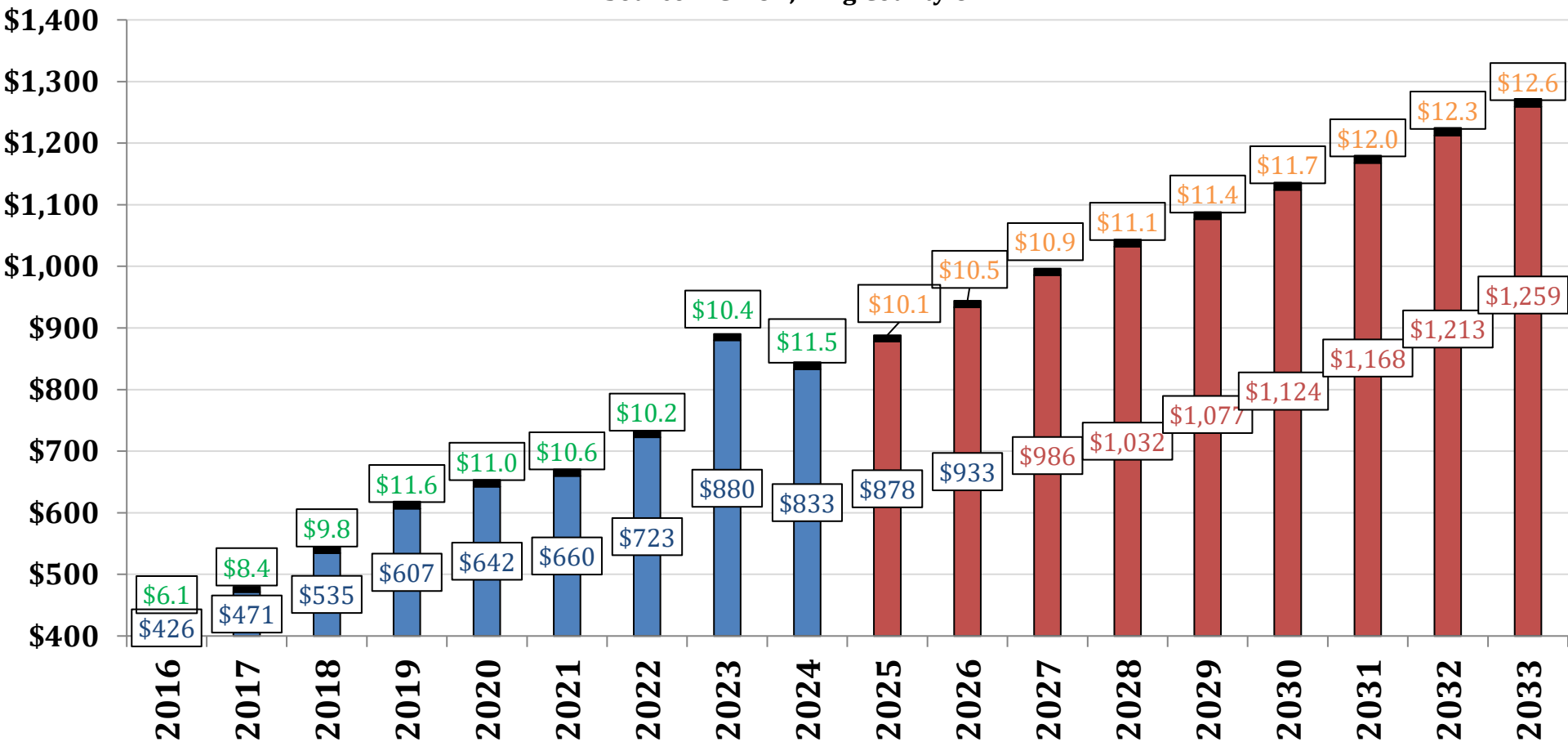
Assessed Value & New Construction Forecast



King County Assessed Value & New Construction Forecast

In billions \$, with AV Actuals/March 24 Forecast & NC Actuals/March 2024 Forecast

Source: KC DOA, King County OEFA



Countywide Assessed Value Forecast

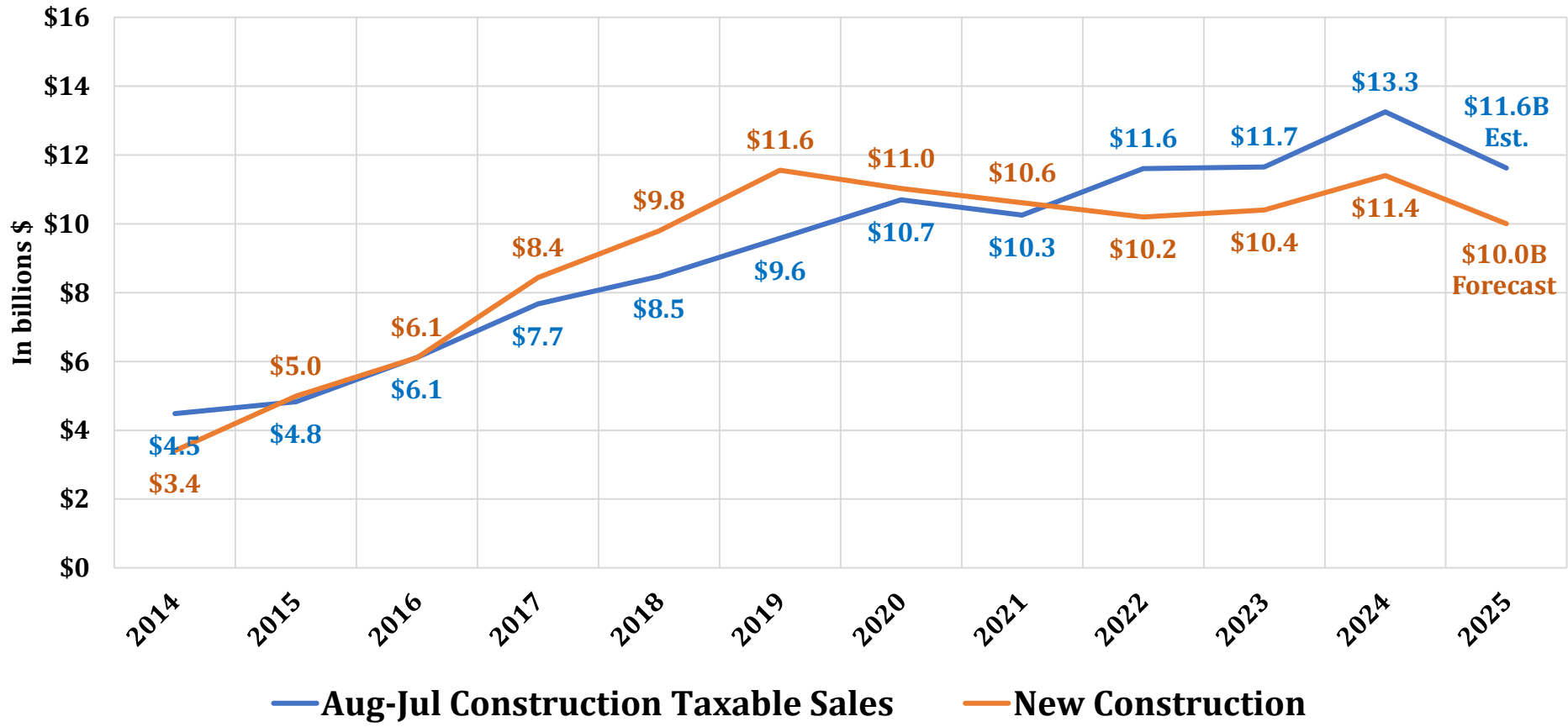
Tax Year	Value	Annual Growth	% Change from March 2024 Forecast	\$ Change from March 2024 Forecast
2022	\$722,527,903,972	9.55%	0.00%	\$0
2023	\$879,895,419,279	21.78%	0.00%	\$0
2024	\$833,036,264,378	-5.33%	0.00%	\$0
2025	\$877,881,405,202	5.38%	3.36%	\$28,554,498,186
2026	\$933,448,474,668	6.33%	5.73%	\$50,591,791,768
2027	\$985,639,169,263	5.59%	7.31%	\$67,178,372,128
2028	\$1,032,156,023,159	4.72%	7.70%	\$73,786,539,683
2029	\$1,076,569,848,180	4.30%	7.83%	\$78,169,308,107
2030	\$1,124,230,211,452	4.43%	8.03%	\$83,545,814,190
2031	\$1,167,742,824,550	3.87%	7.49%	\$81,380,861,156
2032	\$1,212,588,561,556	3.84%	6.50%	\$74,006,218,412
2033	\$1,259,159,998,554	3.84%	5.54%	\$66,074,073,132

Falling construction taxable sales indicate lower New Construction in 2025



Construction Taxable Sales vs New Construction

Prior-year August-July Construction Taxable Sales & New Construction Value, In billions \$
Source: OEFA



Countywide New Construction Forecast

Tax Year	Value	Annual Growth	% Change from March 2024 Forecast	\$ Change from March 2024 Forecast
2022	\$10,199,660,966	-3.87%	0.00%	\$0
2023	\$10,398,469,580	1.95%	0.00%	\$0
2024	\$11,474,964,152	10.35%	0.00%	\$0
2025	\$10,093,342,196	-12.04%	-5.60%	(\$598,630,094)
2026	\$10,534,956,931	4.38%	-4.21%	(\$462,956,233)
2027	\$10,869,171,032	3.17%	-3.97%	(\$449,468,170)
2028	\$11,126,112,810	2.36%	-4.66%	(\$543,453,054)
2029	\$11,407,868,245	2.53%	-4.35%	(\$519,244,853)
2030	\$11,676,996,534	2.36%	-6.85%	(\$858,210,143)
2031	\$11,983,299,368	2.62%	-6.55%	(\$839,576,323)
2032	\$12,311,940,398	2.74%	-7.03%	(\$930,552,014)
2033	\$12,643,381,726	2.69%	-8.19%	(\$1,127,526,363)

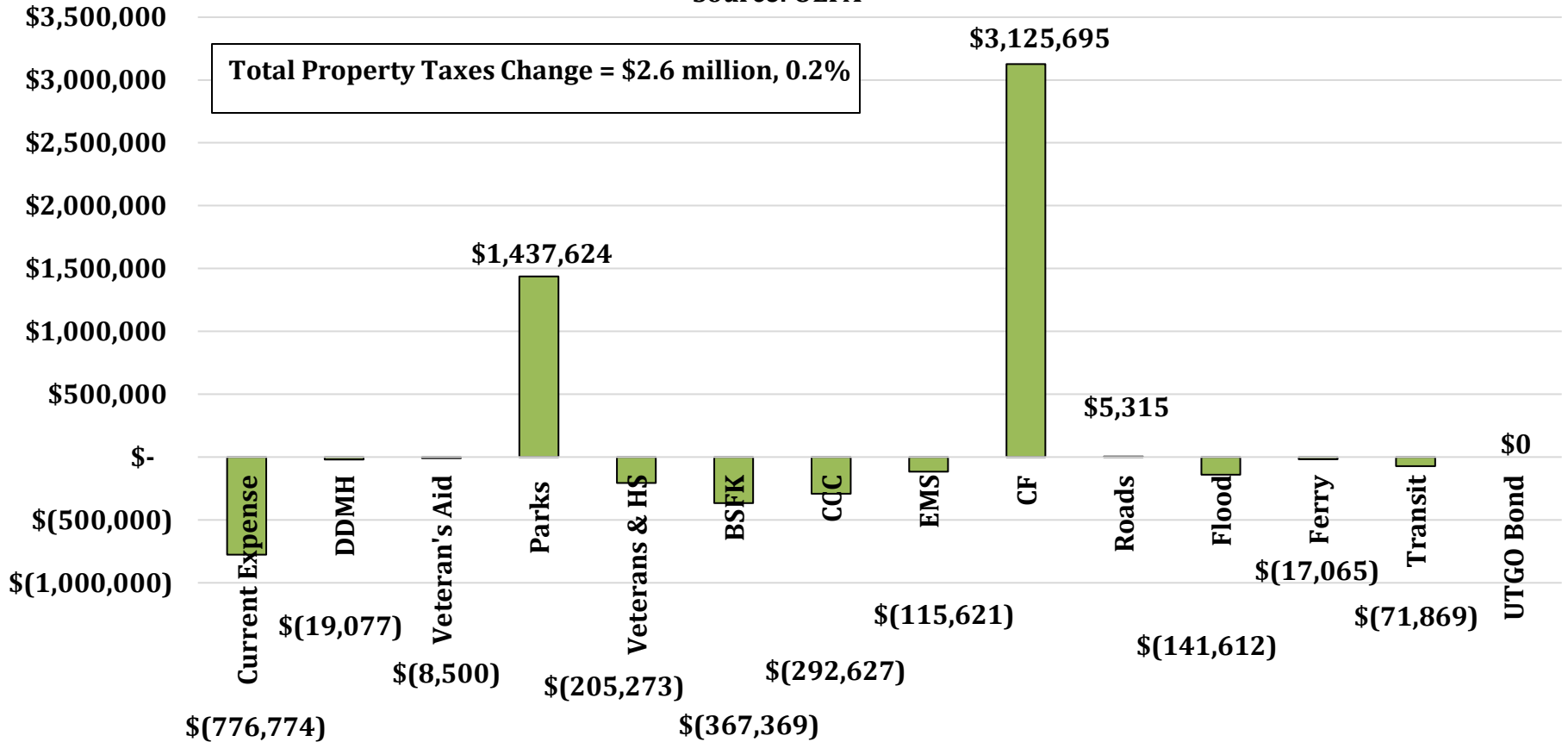
Overall Property Taxes Up \$2.6 Million in 2025



Minor Change in Most Property Tax Levies

Incremental Change of Property Tax Levies from March 2024

Source: OEFA



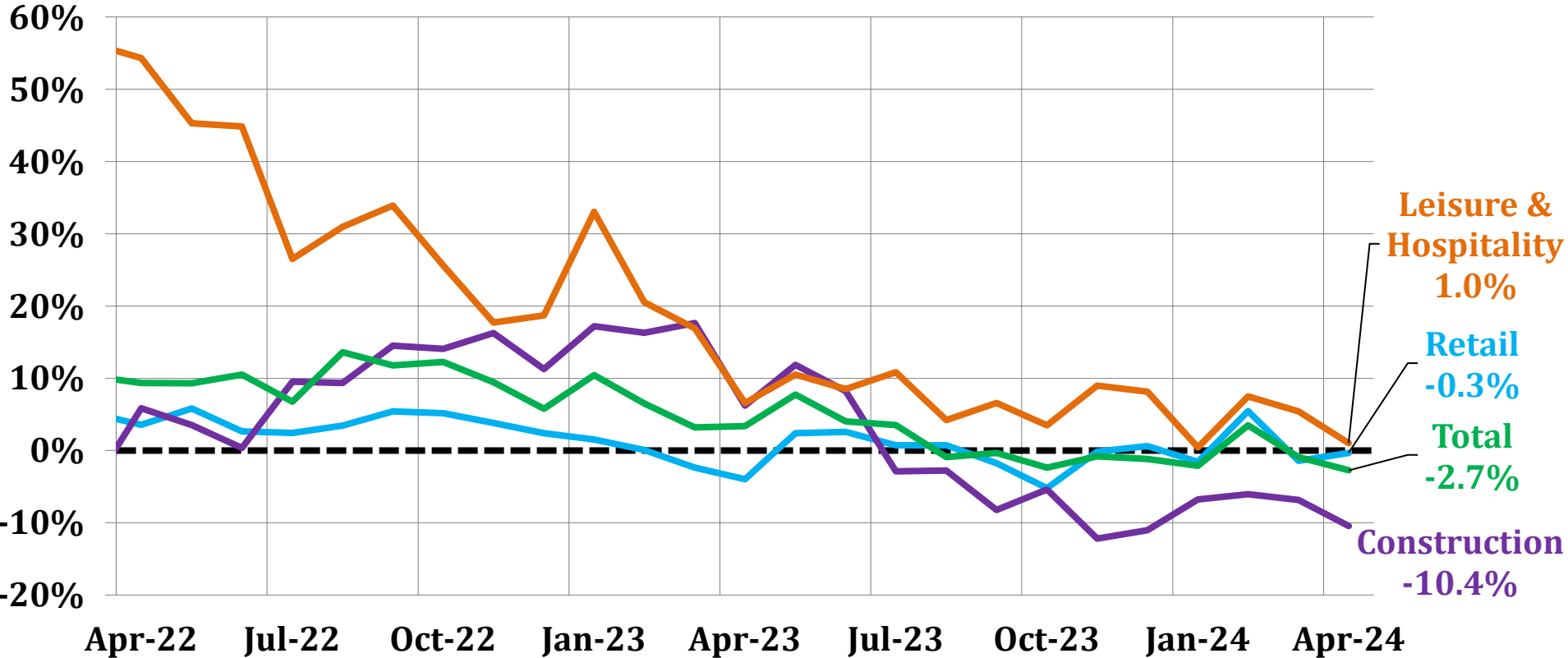
Taxable sales growth declined in Q1 2024. Construction sales down significantly.



King County 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 2024 Forecast	\$ Change from March 2024 Forecast
2022	\$91,168,764,291	10.51%	0.00%	\$0
2023	\$93,418,705,575	2.47%	0.26%	(\$244,228,465)
2024	\$93,664,007,339	0.26%	-3.33%	(\$3,226,649,430)
2025	\$96,986,924,657	3.55%	-4.07%	(\$4,110,878,227)
2026	\$105,829,079,141	4.45%	-5.13%	(\$5,476,393,282)
2027	\$111,842,760,245	4.47%	-5.38%	(\$6,013,681,103)
2028	\$109,998,202,272	3.94%	-5.76%	(\$6,717,781,957)
2029	\$114,326,712,615	3.94%	-6.30%	(\$7,693,231,659)
2030	\$119,749,096,875	4.74%	-6.48%	(\$8,290,640,758)
2031	\$123,986,006,201	3.54%	-6.97%	(\$9,292,969,851)
2032	\$129,413,911,958	4.38%	-6.92%	(\$9,626,584,440)
2033	\$133,495,721,094	3.15%	-8.11%	(\$11,787,196,692)

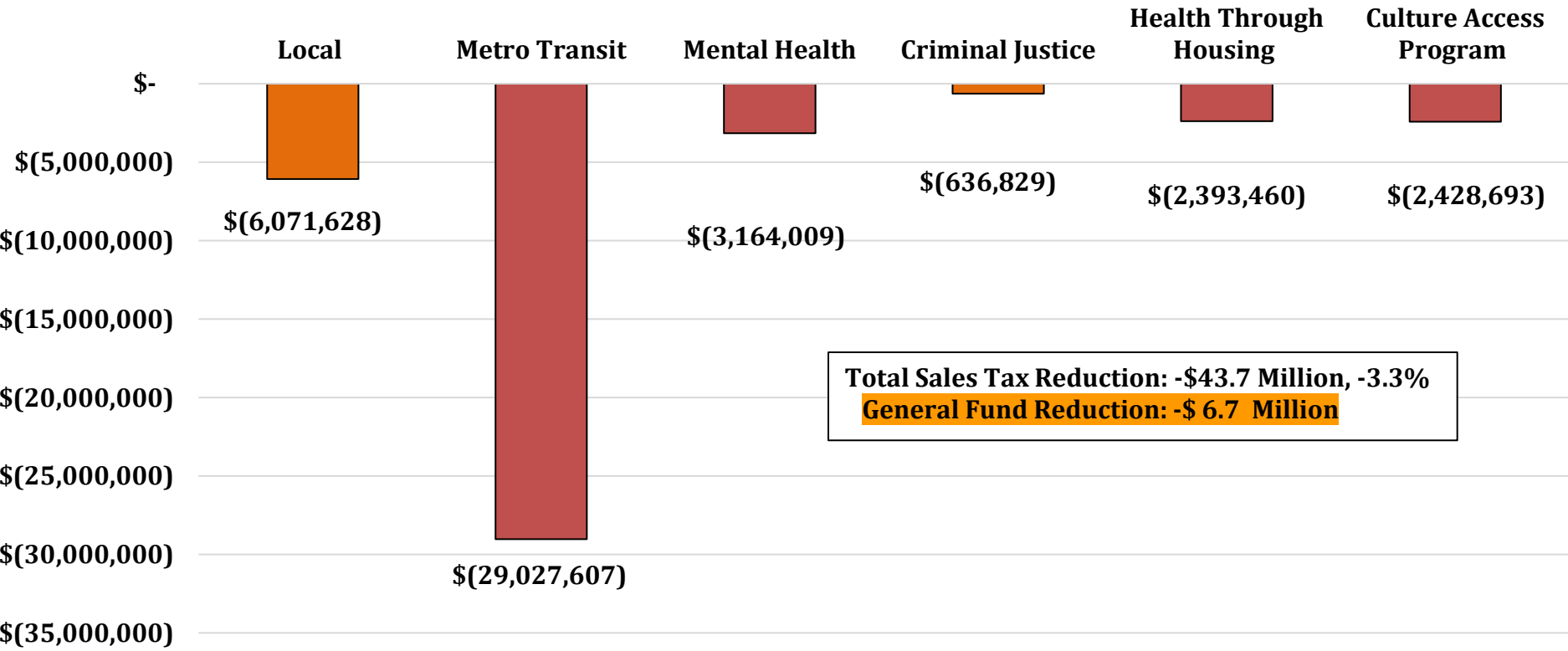
A lower 2024 taxable sales forecast means lower sales tax revenues



2024 Sales Tax Increments For July Forecast

Change in 2024 Sales Taxes from March to July 2024 Forecast

Source: OEFA



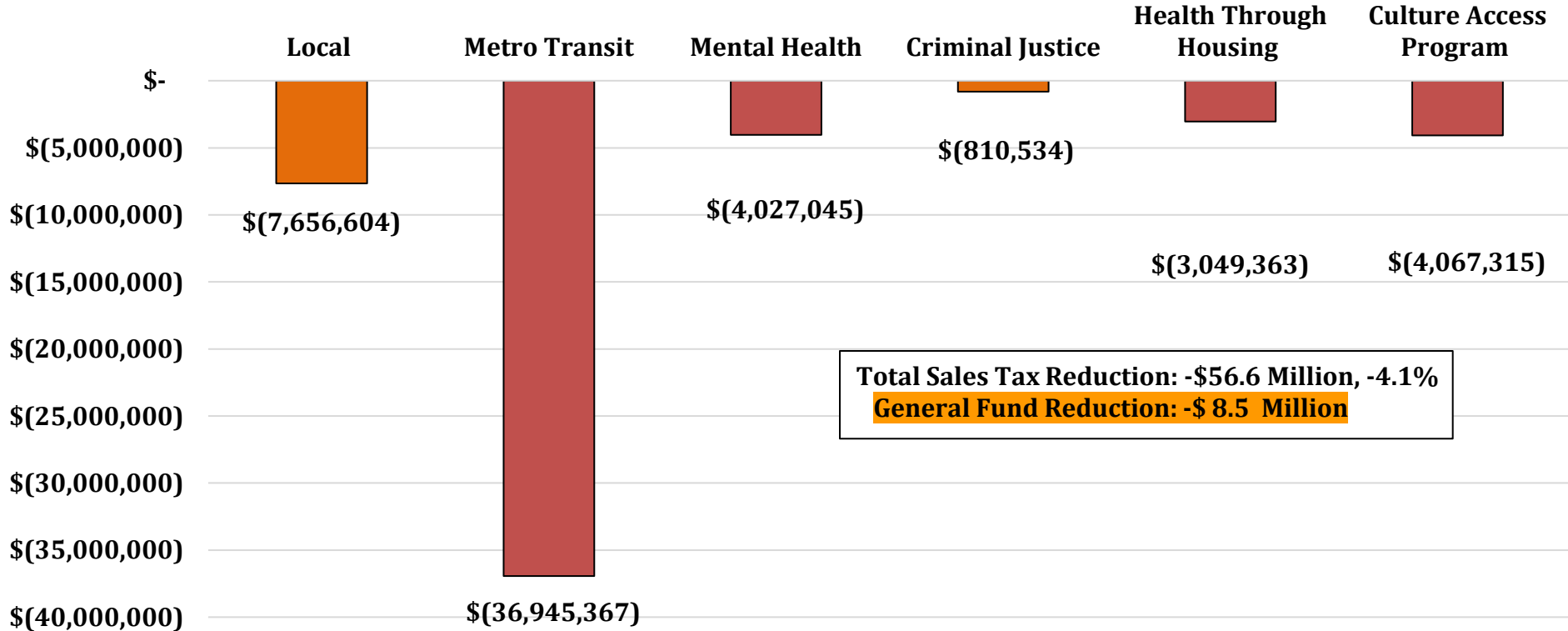
Similar incremental drops are expected for 2025



2025 Sales Tax Increments For July Forecast

Change in 2025 Sales Taxes from March to July 2024 Forecast

Source: OEFA



King County
Office of Economic and Financial Analysis

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