

2024 King County Economic and Revenue Forecast

Presentation to the King County Forecast Council

Presented on:
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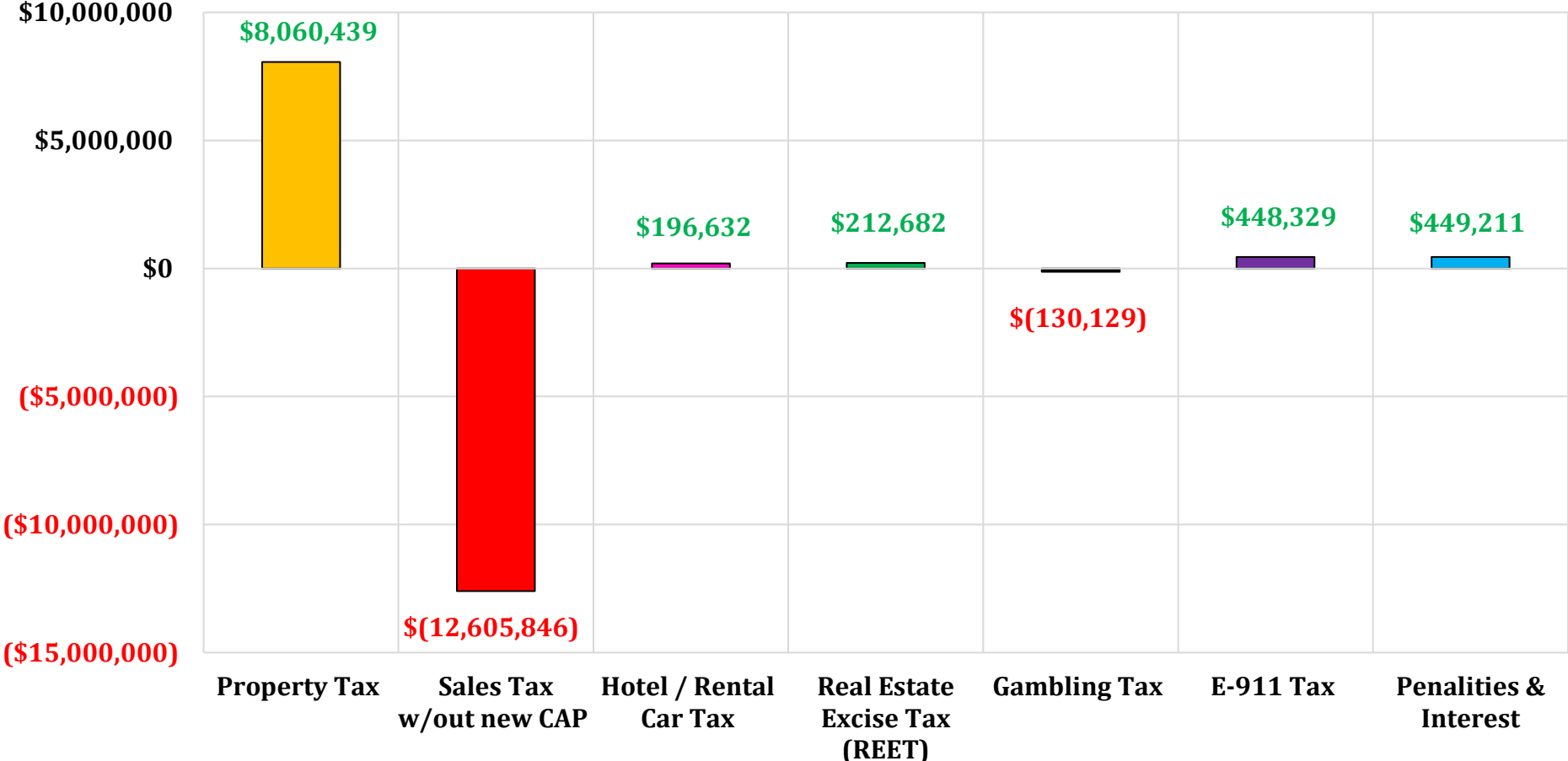
How some revenues changed between the August 2023 and March 2024 forecast



A Mixed Bag Forecast: Property Tax ↑ Sales Tax ↓

Incremental Change of Select Revenues from the March 2024 Forecast

Source: OEFA



Three New Forecasts

We have added the following forecasts to our packet:

1. Cultural Access Program Sales Tax
2. State Shared Cannabis Excise Tax
3. Recorded Documents Revenue -in addition to the # of Docs

Changes in Annexation Assumptions

March 2024 and August 2023 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:

	<u>March 2024</u>	<u>August 2023</u>
-North Highline	(01-01-29)	(01-01-27)
-Renton West Hill	(01-01-29)	(01-01-28)
-Fairwood	(01-01-30)	(01-01-29)
-East Renton	(01-01-30)	(01-01-29)
-N. Federal Way/Lakeland South	(01-01-30)	(01-01-29)

Key Statistics Used In Forecast Models

Statistic	US	WA	King Co/Seattle
Interest Rates	✓		
Inflation	✓		✓
Employment (by Industry sectors)	✓	✓	✓
Unemployment Rate	✓	✓	✓
Real Gross Domestic Product	✓		
WA Disposable Personal Income		✓	
Retail Fuel Prices	✓		✓
WA Taxable Sales (by Industry sectors)		✓	
Housing Starts (single family, multi-family)	✓	✓	✓
Residential permit values			✓
Home Prices	✓		✓

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
- Risks: Ukraine & Middle East wars, geopolitics, high 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%)
- WA state had an average unemployment rate of 4% in 2023, which is lowest in decades; Seattle MSA had an unemployment rate of 3.2% in 2023
- Interest rate projections show slower decline in 2024 than previous expectations
- 2023-2024 growth will be slow, unemployment will rise, inflation will slow

KC economy should continue to grow but at a slower pace

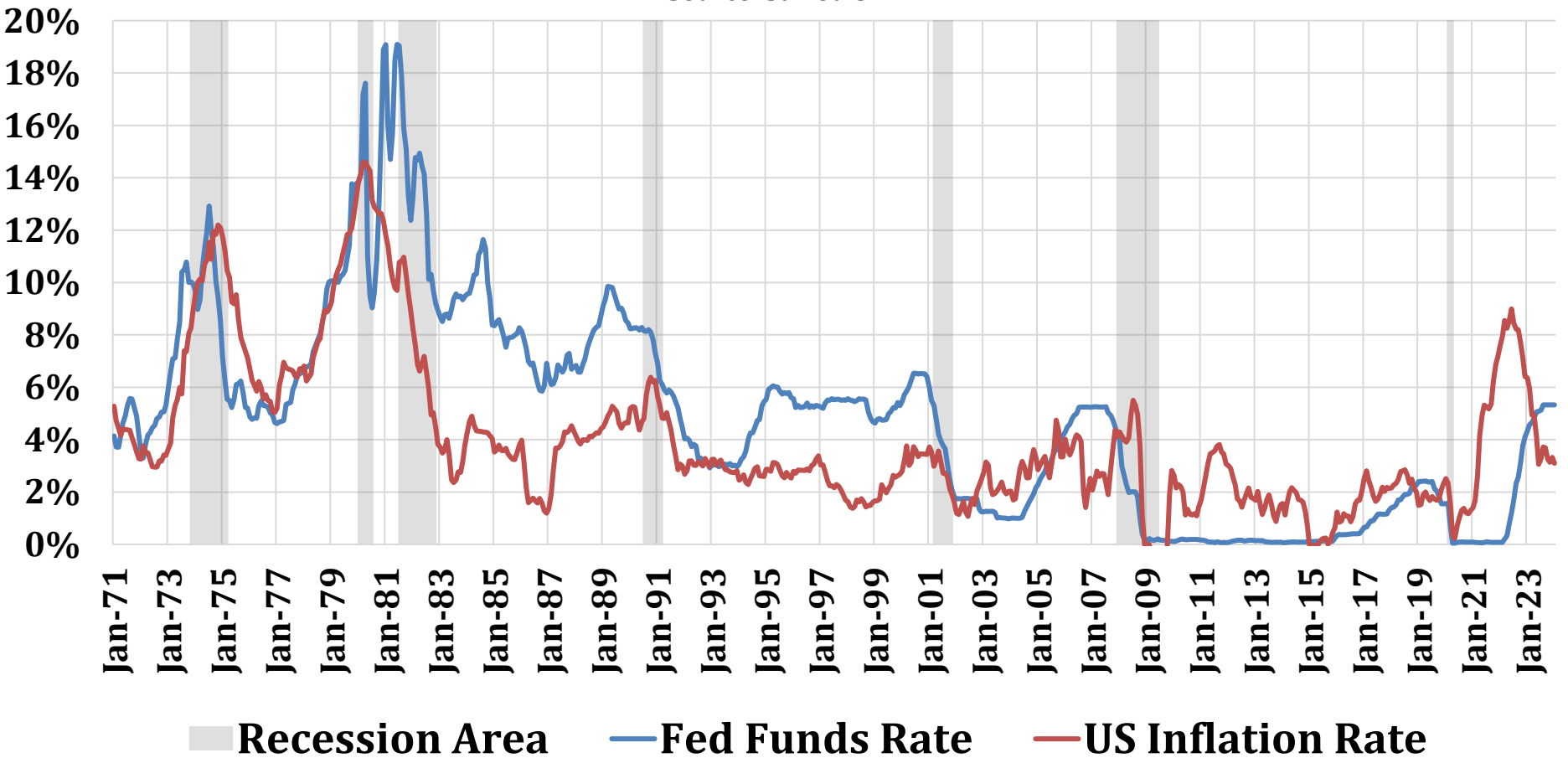
- Seattle MSA employment is up about 25K jobs in 2023 relative to a year ago
- Employment growth but slower taxable sales
- KC home prices hit a low in Q2 2023 but have been slowly recovering
- Risks/struggles remain; rent inflation, high interest rates remain

Generationally high rates of inflation led to the rate increases of 2022-2023



Fed Funds Rate & US Inflation

With economic contraction shaded in gray
Source: St. Louis FRED

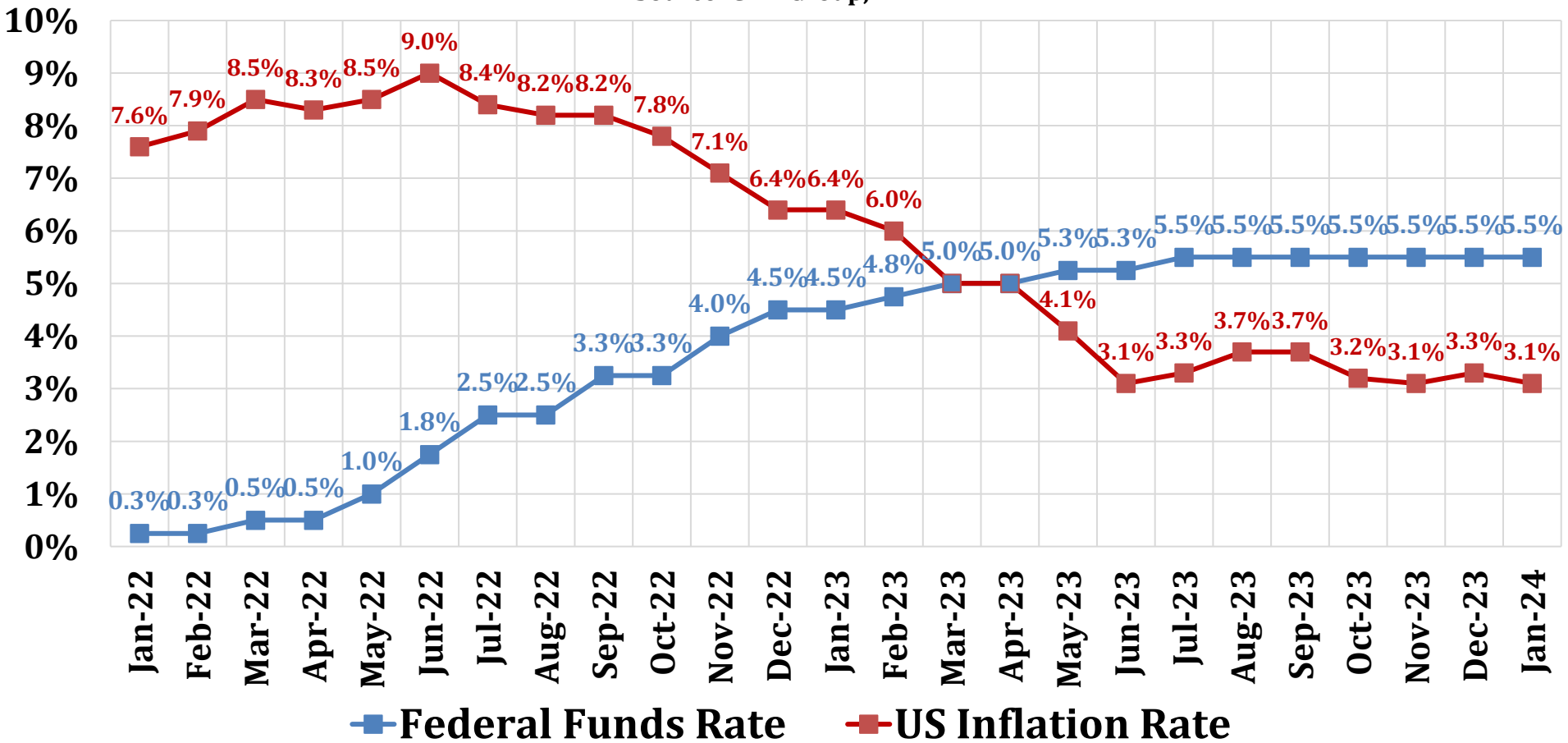


The rate of inflation has dropped in half throughout 2023



Combating Inflation with Rate Increases

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

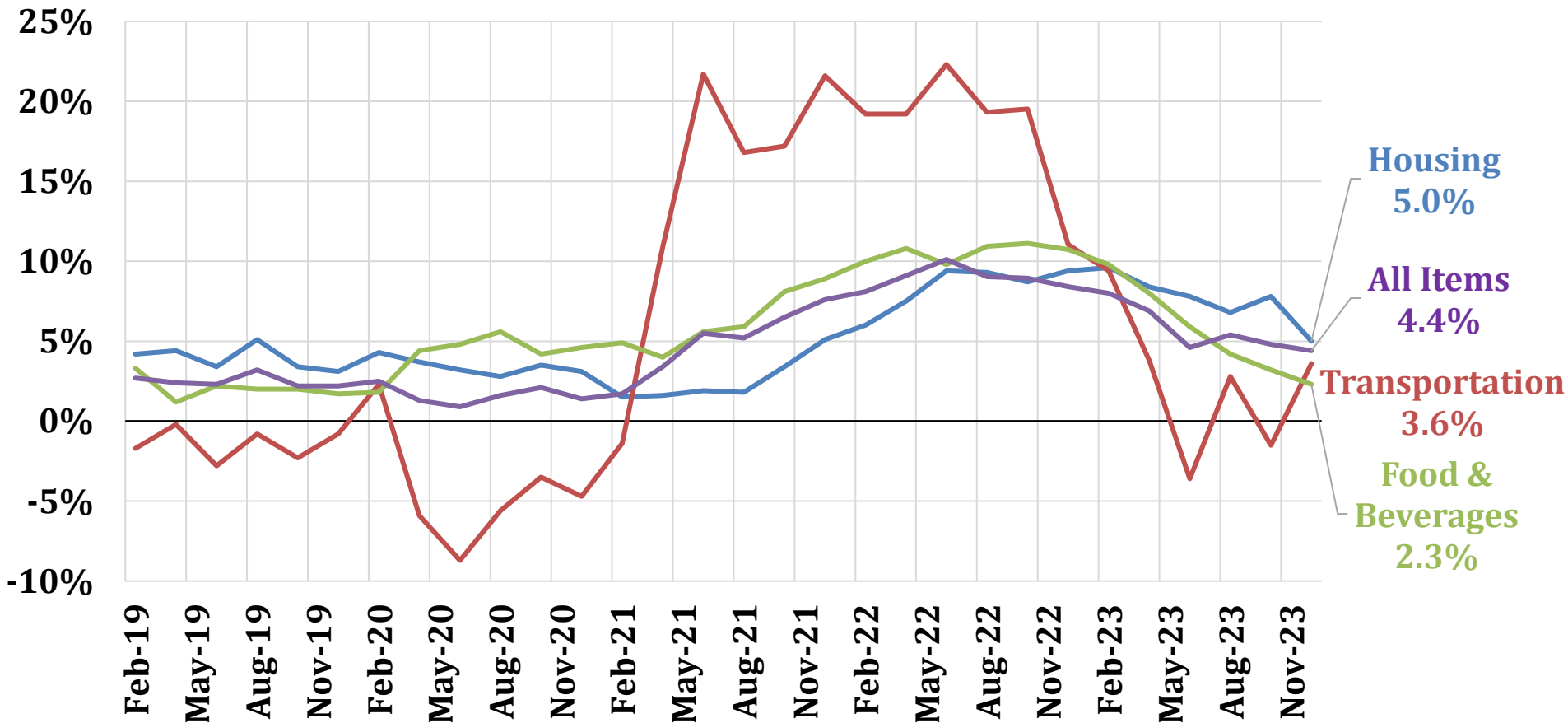


Local inflation below 5%. Stubbornly high housing, food & beverage inflation moderating.



Seattle Inflation: Food, Transportation, and Housing

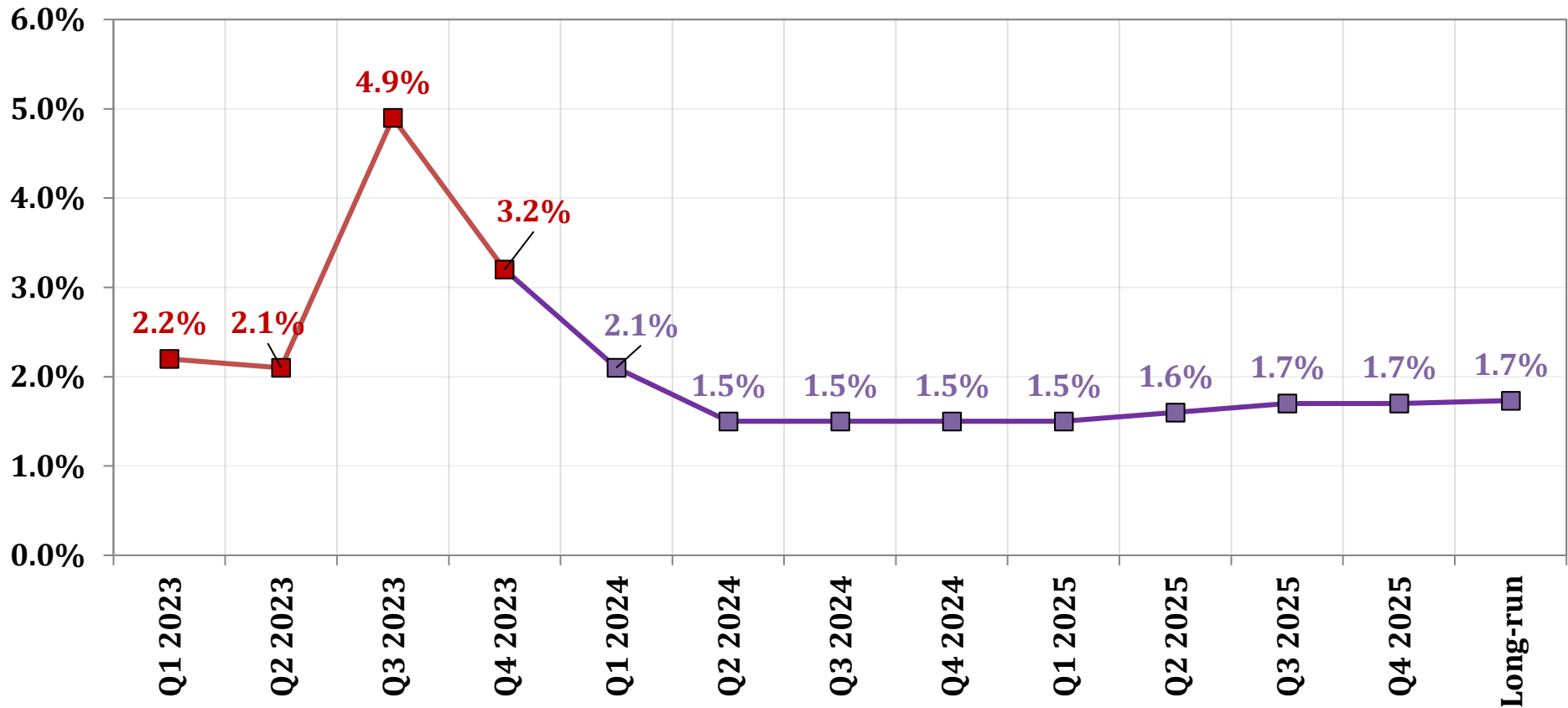
YOY Growth in STB CPI-U for Food, Housing, Transportation and Total in Seattle Area
Source: Bureau of Labor Statistics



GDP growth at the end of 2023 has Exceeded Expectations



U.S. Real GDP Growth Forecast
CCARoC-SAAR; with **Actuals** & **Baseline** February 2024 Forecasts
Source: IHS Global Insight

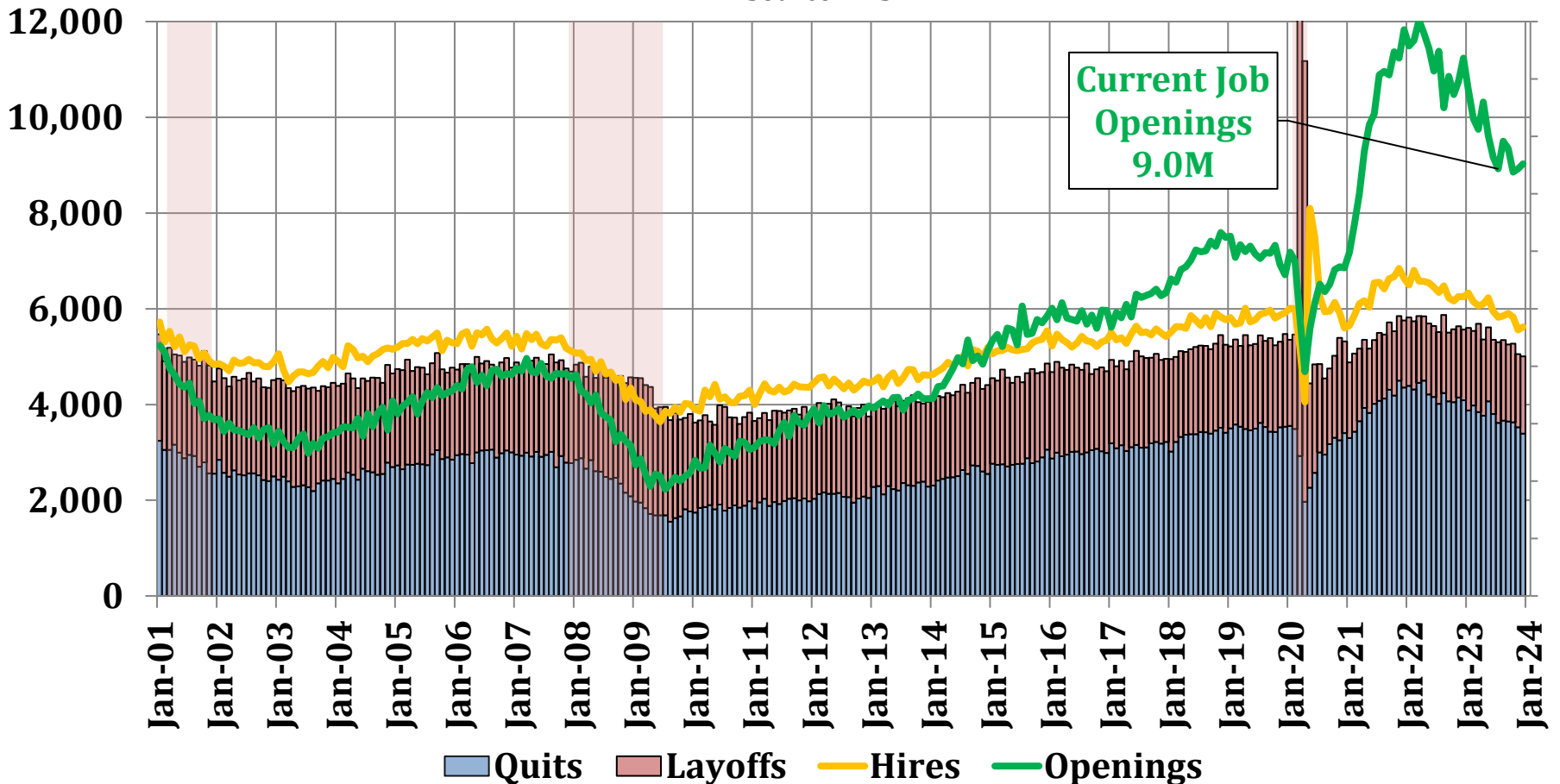


1.5 million job openings closed in 2023



Hires and Separations: 9.0 Million Open Jobs

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

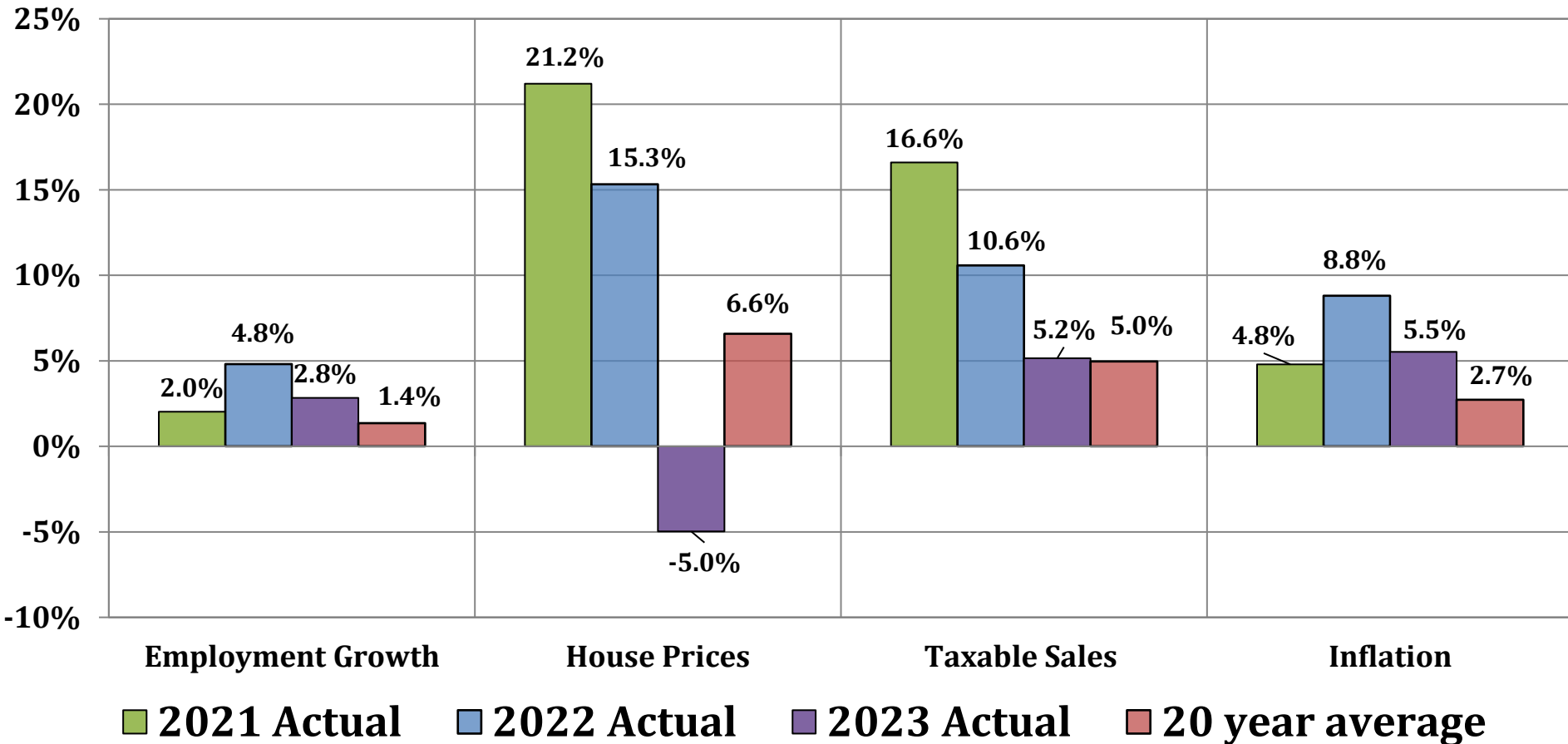


Employment and Taxable Sales ebbed in 2023; House Prices Fell



King County Economic Indicators

2021-2023 Actuals & 20 Year Average
Source: PSEF, Case-Shiller, WA DOR, BLS

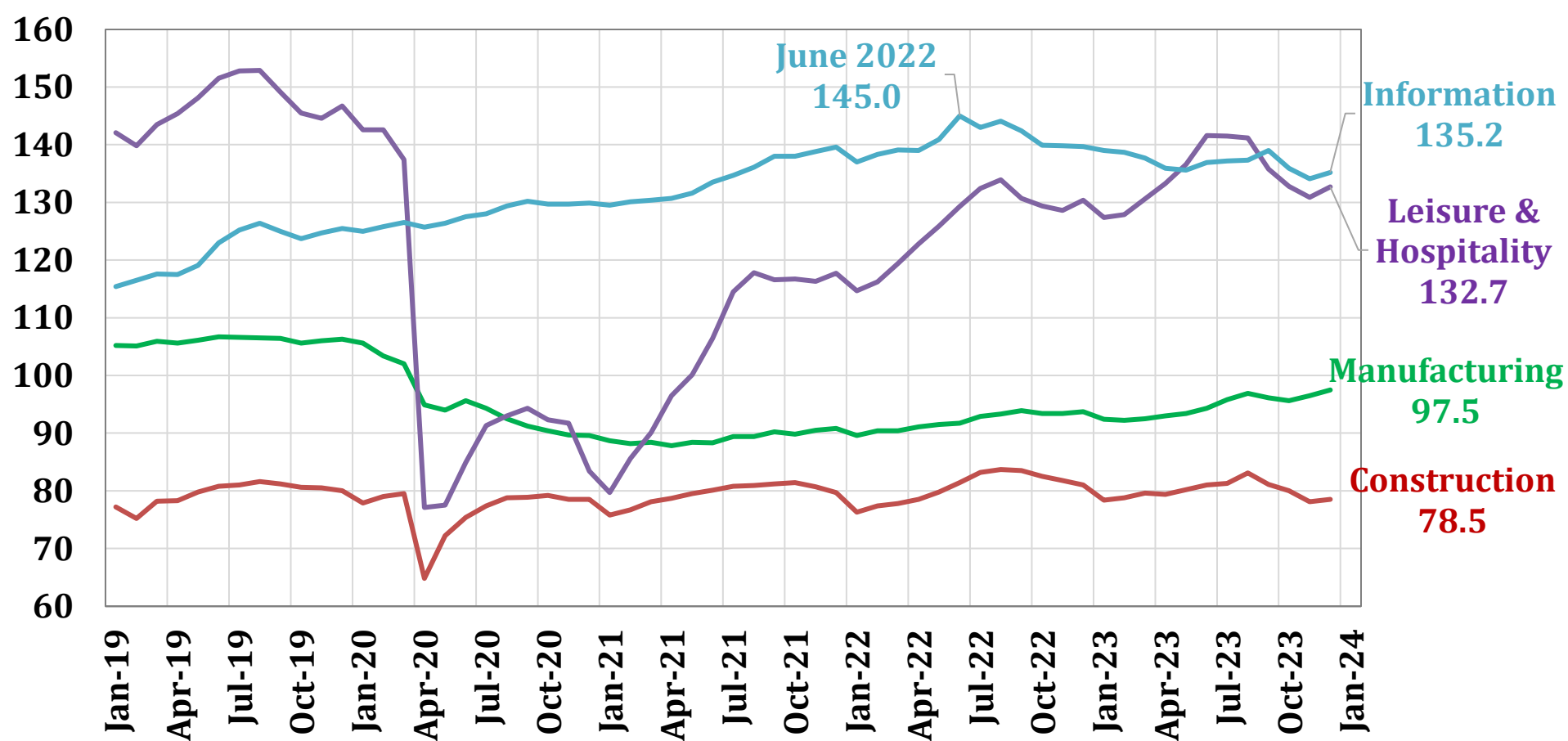


Hospitality and manufacturing are not back to pre-Covid levels. Big tech continues to shed jobs.



King County Employment by Sector

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



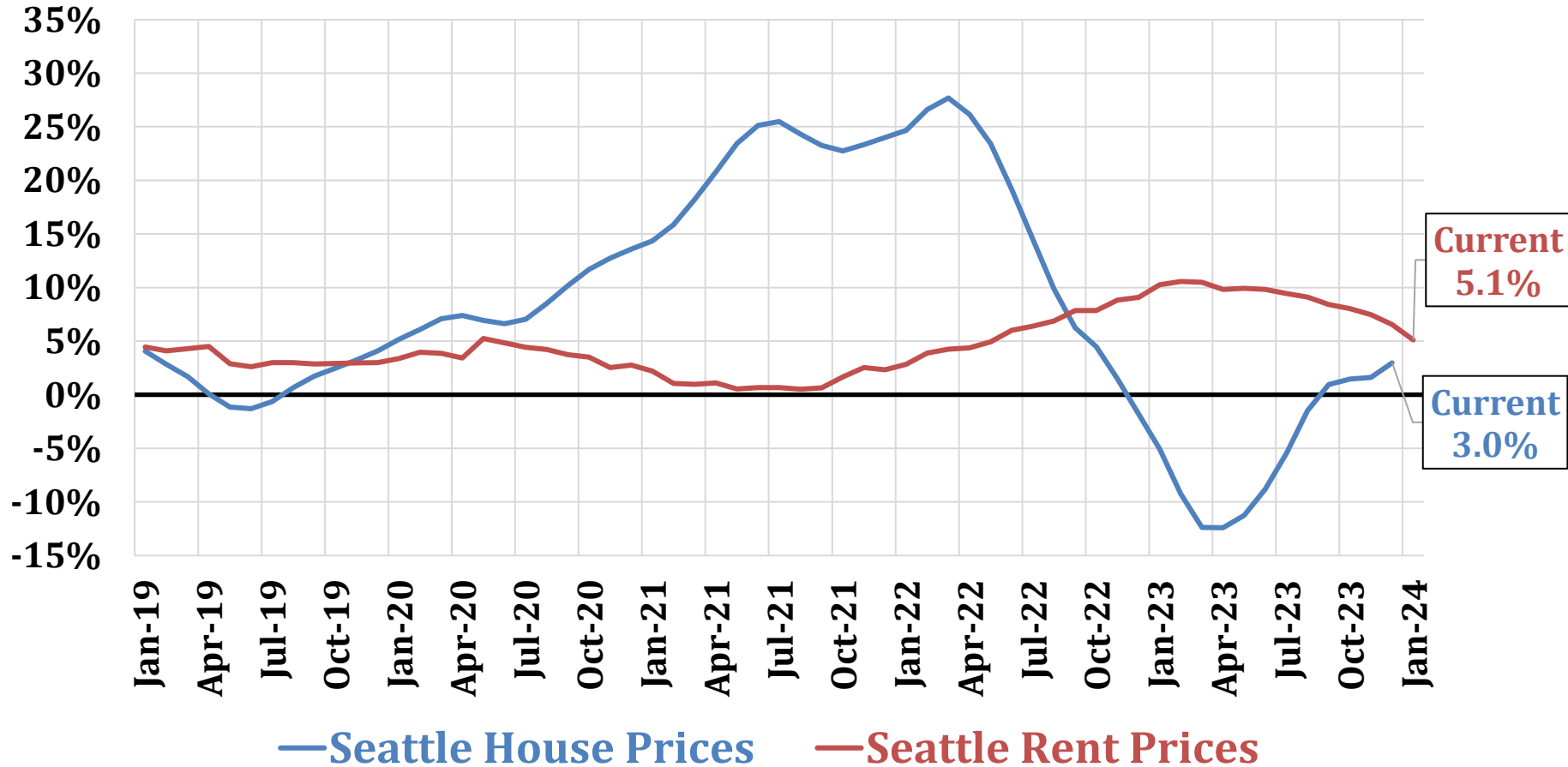
House price growth bottomed in Spring 2023 and rent growth is slowing



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



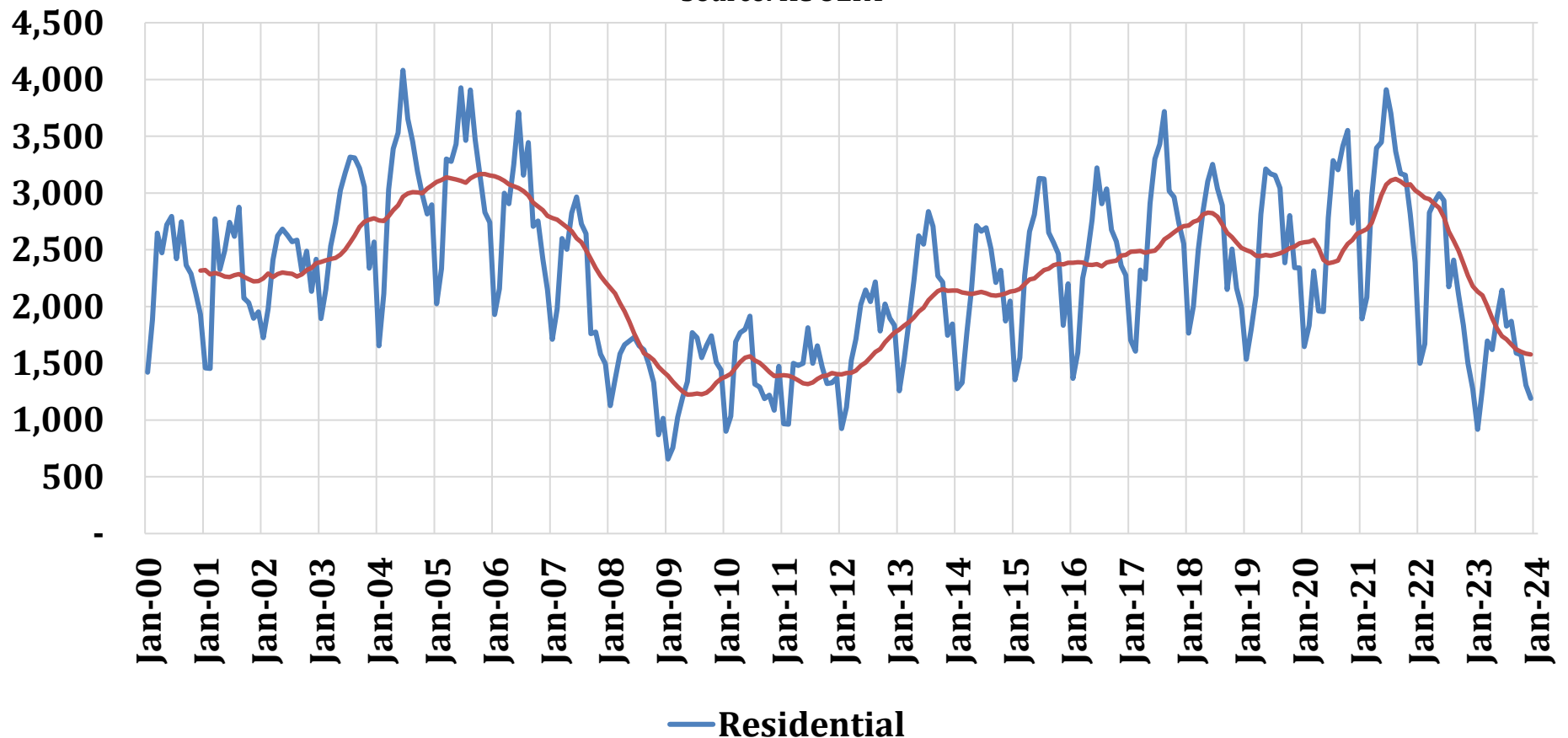
KC Residential Trends Are Down - Lower prices and reduced transactions



King County Residential Transactions

Monthly Residential Transactions with **Rolling Annual Average**

Source: KC OEFA



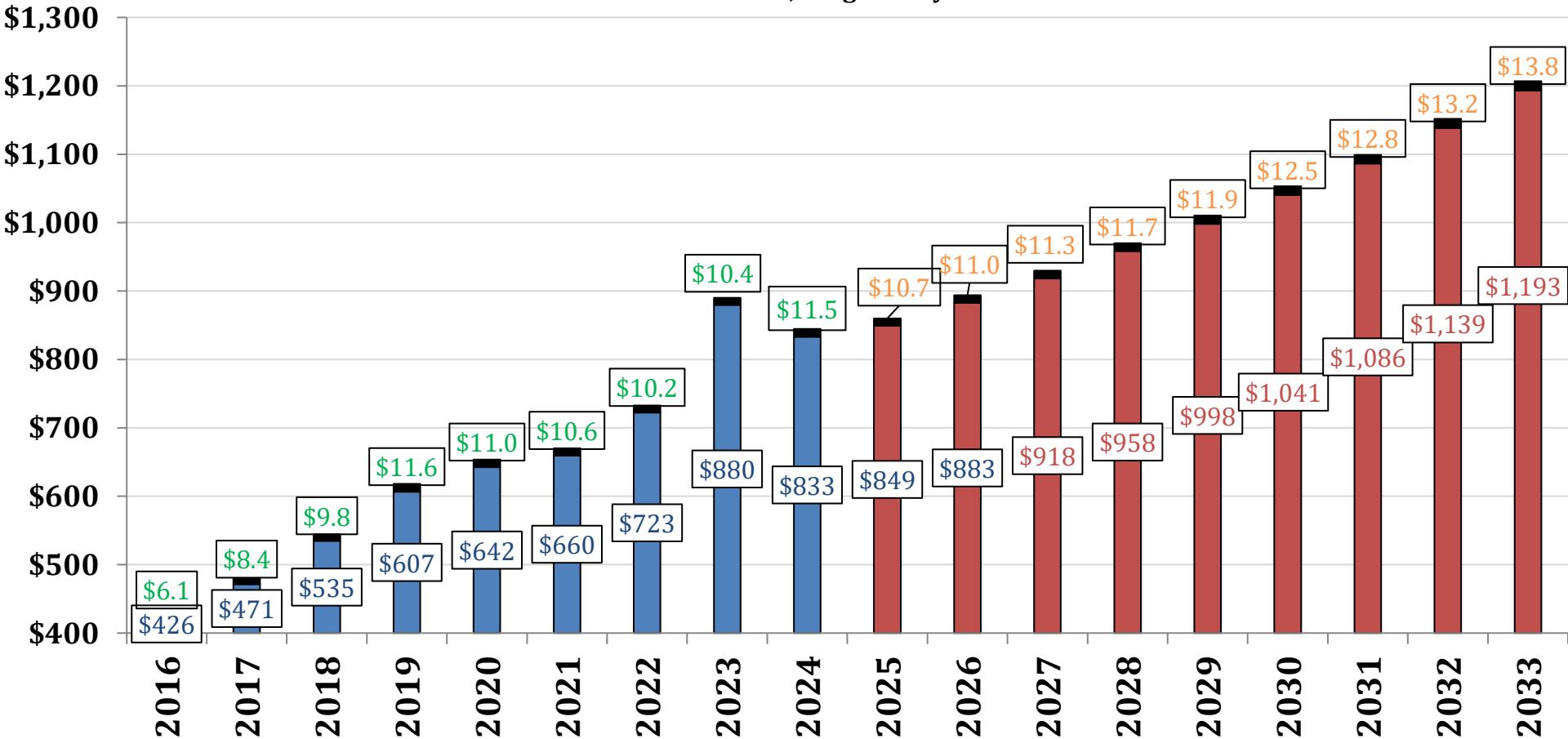
Assessed Value & New Construction Forecast



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 August 2023 Forecast	\$ Change from August 2023 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%	0.96%	\$7,905,493,872
2025	\$849,326,907,016	1.96%	-0.22%	(\$1,887,118,987)
2026	\$882,856,682,900	3.95%	-0.62%	(\$5,527,850,303)
2027	\$918,460,797,135	4.03%	-1.65%	(\$15,443,421,136)
2028	\$958,369,483,476	4.35%	-2.52%	(\$24,765,869,686)
2029	\$998,400,540,072	4.18%	-3.55%	(\$36,784,793,640)
2030	\$1,040,684,397,262	4.24%	-4.07%	(\$44,198,848,468)
2031	\$1,086,361,963,394	4.39%	-5.01%	(\$57,357,409,109)
2032	\$1,138,582,343,144	4.81%	-5.77%	(\$69,664,026,908)
2033	\$1,193,085,925,422	4.79%	new	new

Countywide New Construction Assessed Value Forecast

Tax Year	Value	Annual Growth	% Change from August 2023 Forecast	\$ Change from August 2023 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%	17.90%	\$1,742,419,970
2025	\$10,691,972,290	-6.82%	13.58%	\$1,278,347,086
2026	\$10,997,913,165	2.86%	9.90%	\$990,472,623
2027	\$11,318,639,202	2.92%	8.22%	\$859,660,394
2028	\$11,669,565,864	3.10%	6.31%	\$692,388,008
2029	\$11,927,113,098	2.21%	3.78%	\$434,600,494
2030	\$12,535,206,677	5.10%	4.54%	\$543,977,044
2031	\$12,822,875,691	2.29%	2.08%	\$261,560,821
2032	\$13,242,492,412	3.27%	-0.20%	(\$26,094,770)
2033	\$13,770,908,089	3.99%	new	new

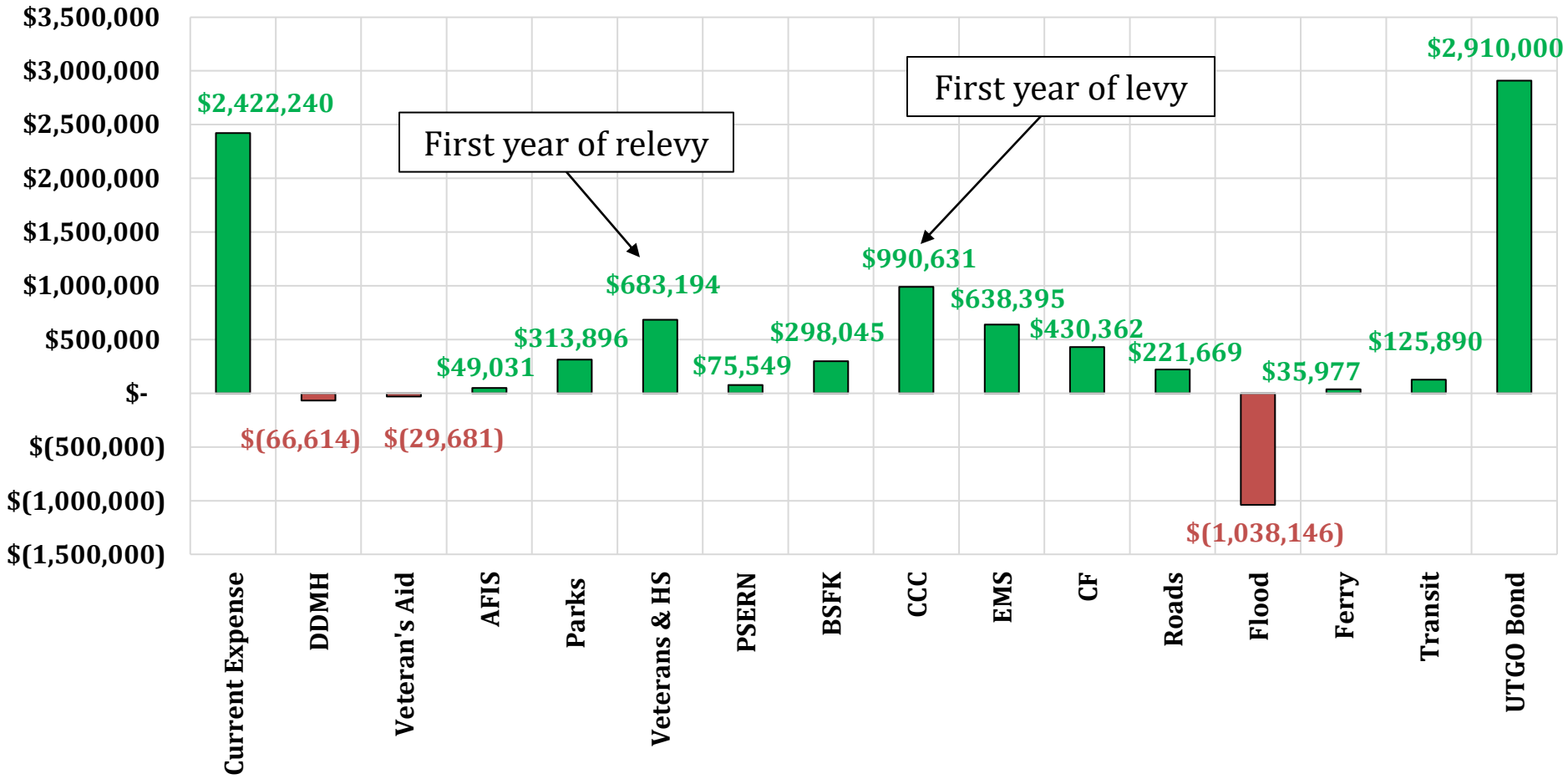
The 2024 outlook improved for most of the property tax levies



2024 Property Tax Increments from New Forecast

Change in 2024 Forecast Value from August 2023 to March 2024 Forecast

Source: OEFA



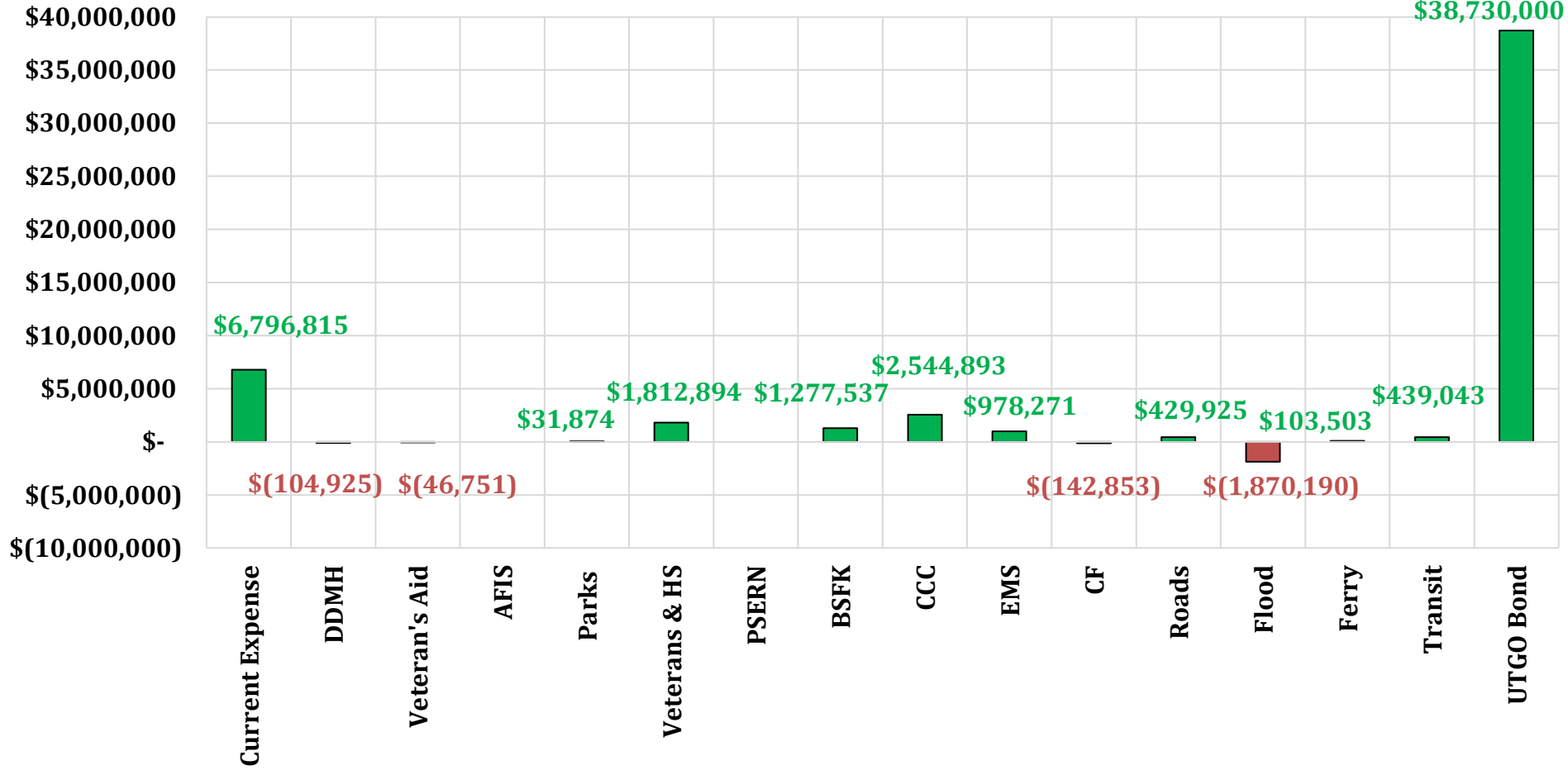
Mostly positive changes for our property tax levies in 2025 & 2026



2025-26 Property Tax Increments from New Forecast

Change in 2025-26 Forecast Value from August 2023 to March 2024 Forecast

Source: OEFA



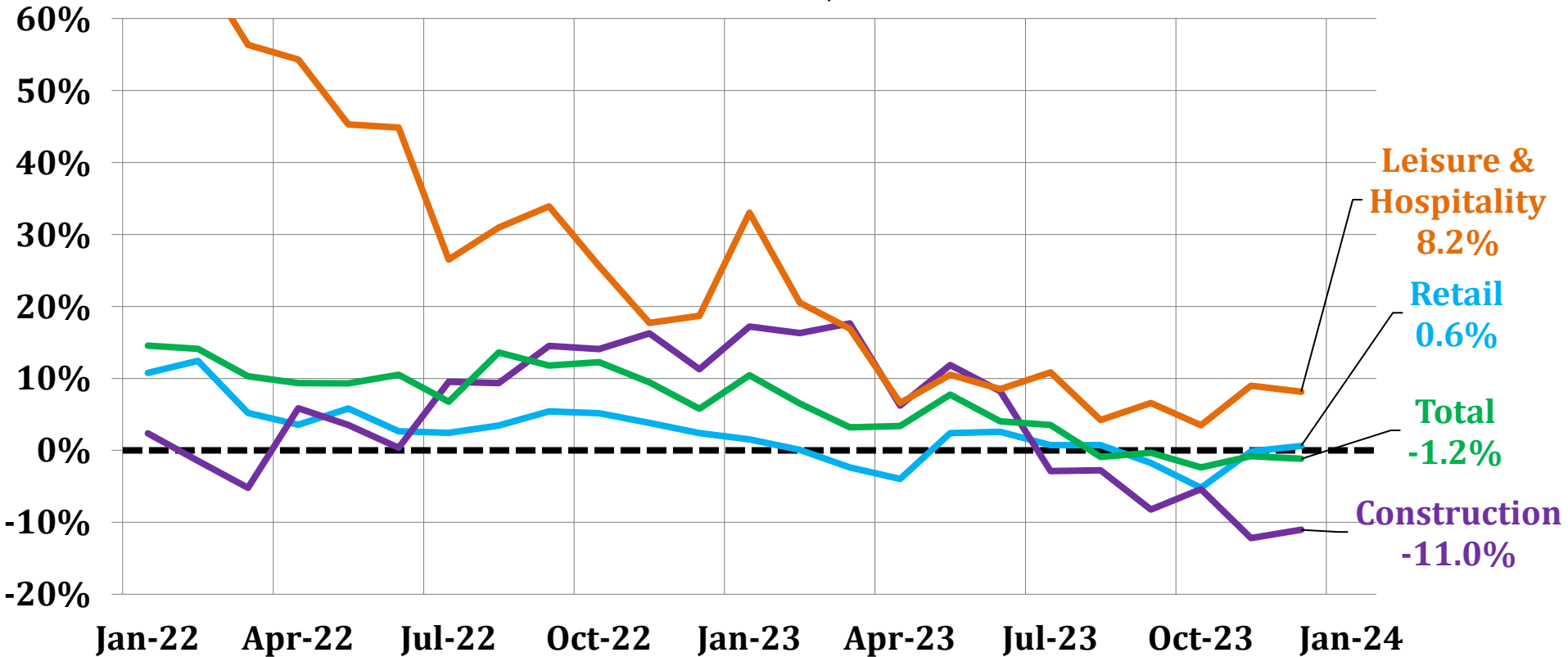
Taxable sales limped along in the 2nd half of 2023. Construction sales growth has declined significantly.



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 August 2023 Forecast	\$ Change from August 2023 Forecast
2022	\$91,168,764,291	10.51%	0.00%	\$0
2023	\$93,174,477,110	2.20%	-1.61%	(\$1,528,154,211)
2024	\$96,890,656,769	3.99%	-1.08%	(\$1,061,695,679)
2025	\$101,097,802,884	4.34%	-1.16%	(\$1,186,646,709)
2026	\$106,776,054,356	5.62%	-0.51%	(\$552,153,333)
2027	\$111,842,760,245	4.75%	-0.57%	(\$644,289,085)
2028	\$116,715,984,229	4.36%	-0.70%	(\$823,155,792)
2029	\$122,019,944,274	4.54%	-0.98%	(\$1,212,968,873)
2030	\$128,039,737,633	4.93%	-0.63%	(\$806,242,646)
2031	\$133,278,976,052	4.09%	-1.55%	(\$2,104,264,173)
2032	\$139,040,496,398	4.32%	-2.28%	(\$3,245,900,444)
2033	\$145,282,917,787	4.49%	new	new

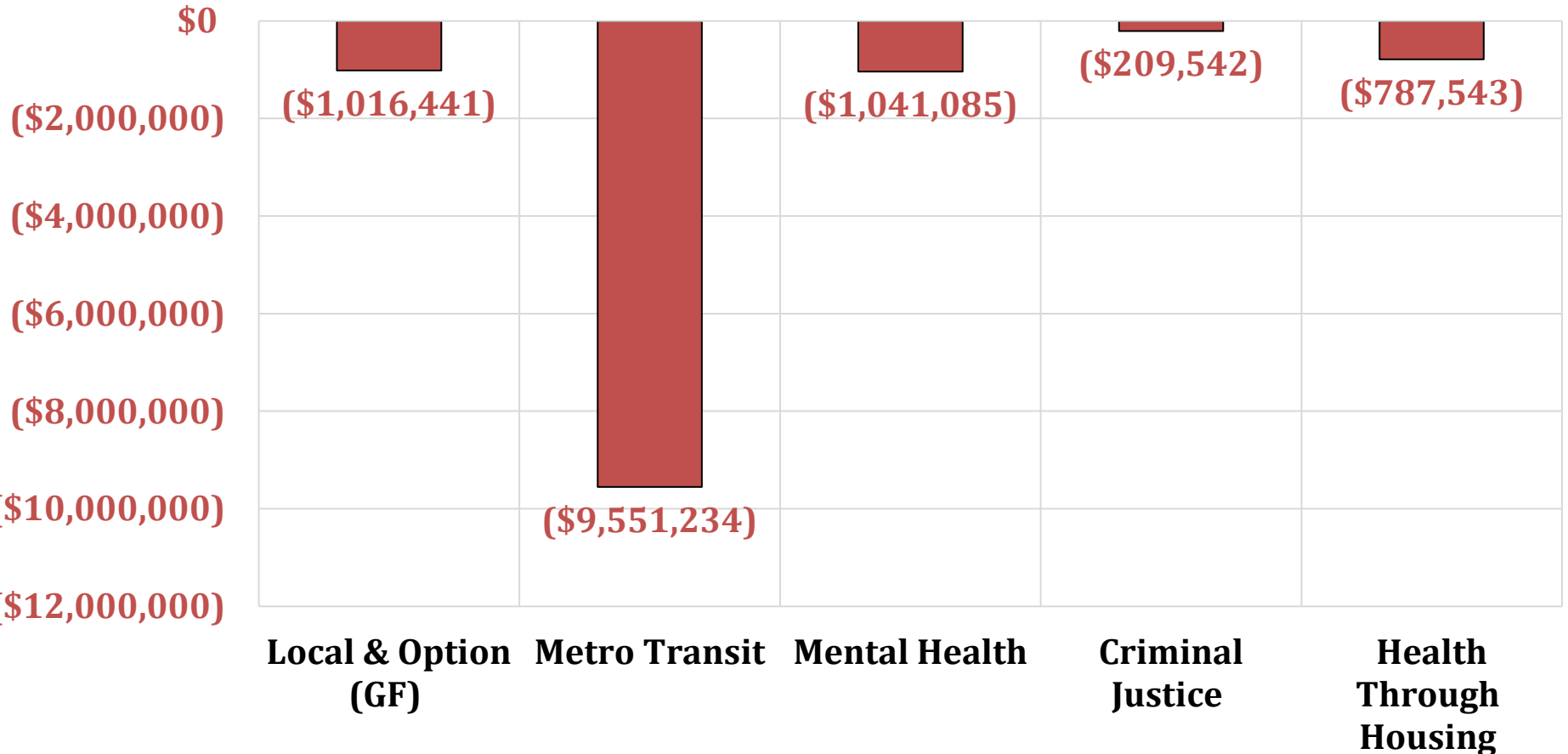
A lower 2024 taxable sales forecast means lower sales tax revenues



2024 Sales Tax Increments from New Forecast

Change in 2024 Forecast Value from August 2023 to March 2024 Forecast

Source: OEFA



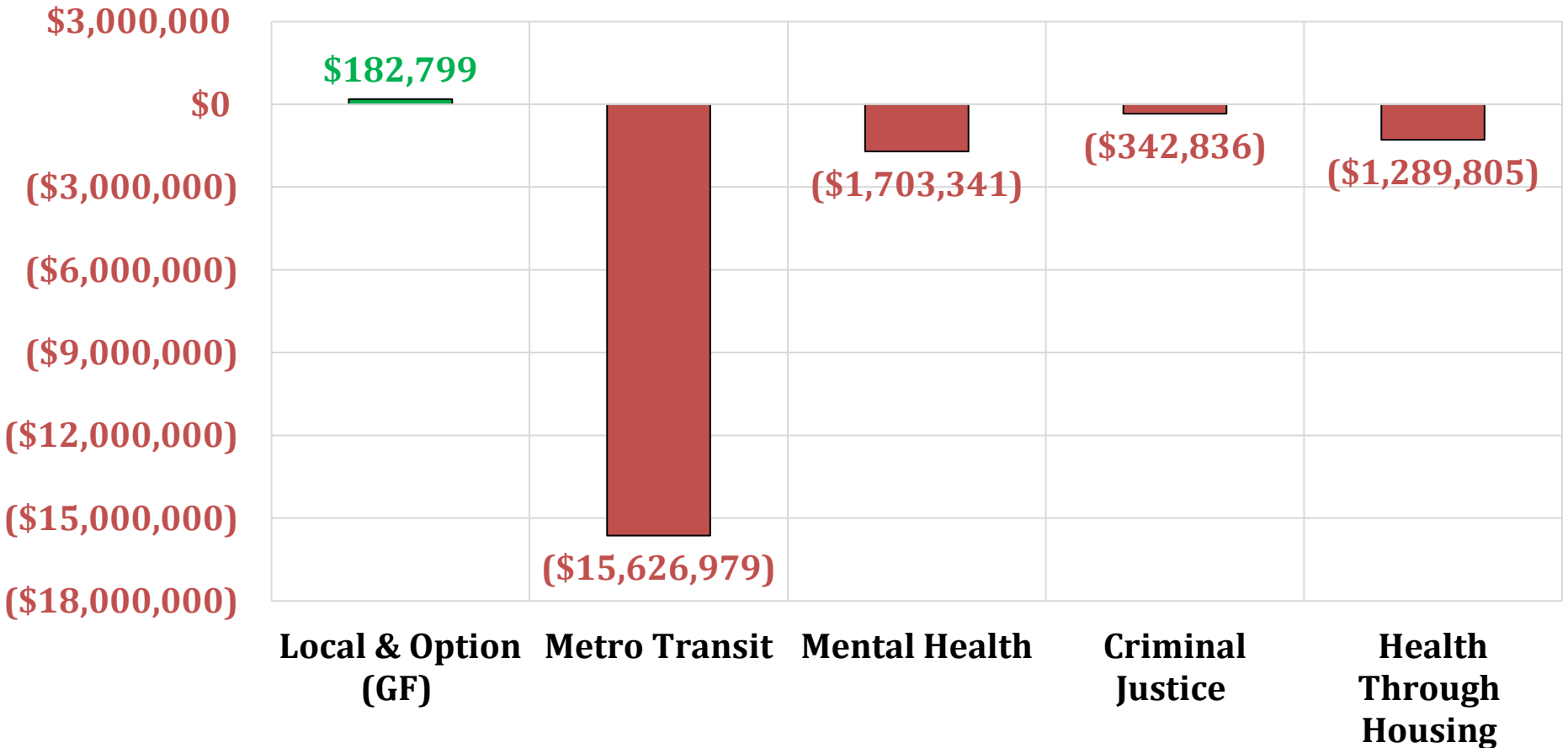
Similar incremental drops are expected for 2025 & 2026



2025-26 Sales Tax Increments from New Forecast

Change in 2025-26 Forecast Value from August 2023 to March 2024 Forecast

Source: OEFA



King County
Office of Economic and Financial Analysis

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