

ADDITIONAL MEETING MATERIALS

FORECAST COUNCIL MEETING

August 28, 2024

2024 King County Economic and Revenue Forecast

Presentation to the King County Forecast Council

Presented on:
August 28th, 2024

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Office of Economic and Financial Analysis

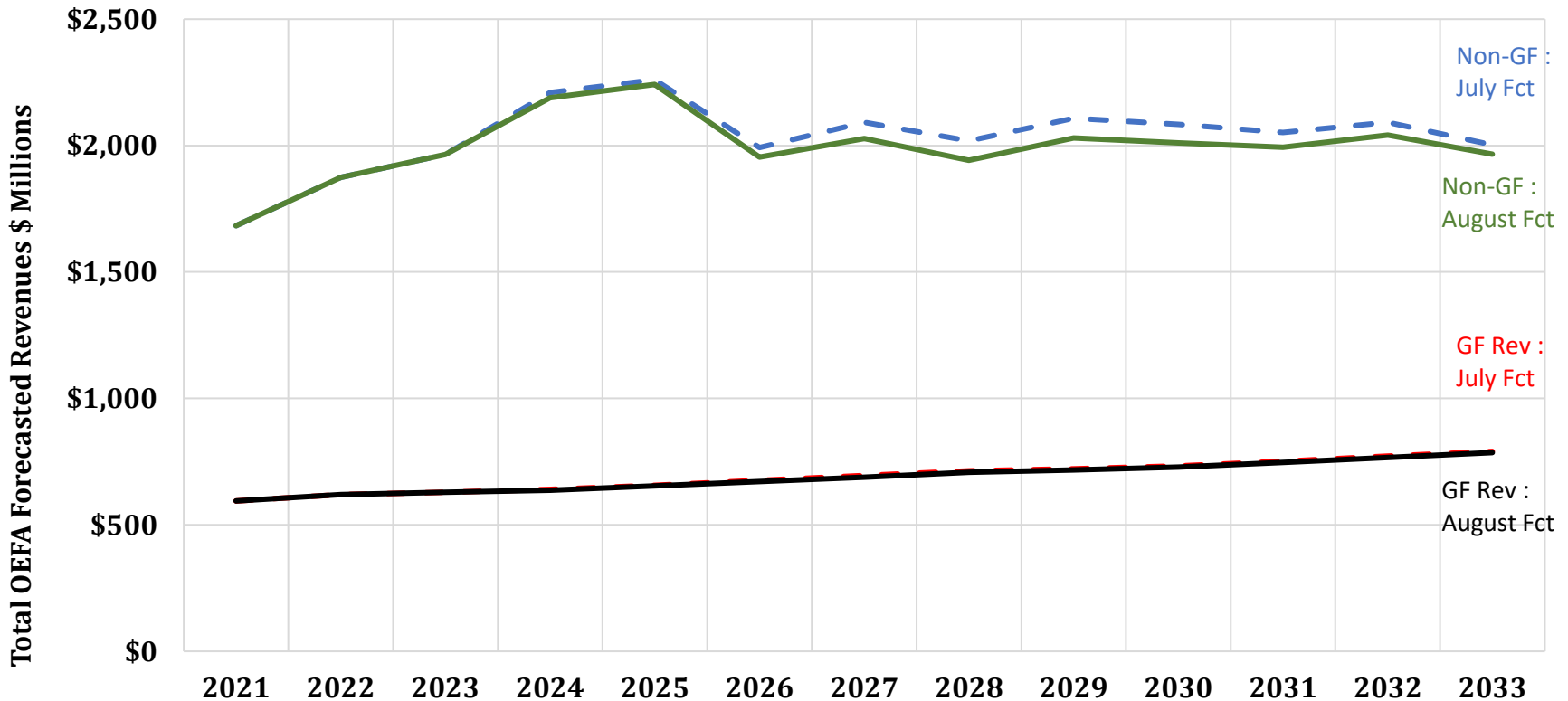


Comparison OEFA Forecasted Revenues August versus July 2024 Forecasts - General Fund (GF) and Non-GF Revenues



**Non-GF and GF Revenue Forecast Comparison -
August Forecast Below July**

Source: OEFA



Overall Changes in August Compared to July 2024 Forecasts – Direction & General Fund (GF) Impacts

<u>Key Forecasts</u>	<u>Direction of Change Since July</u>	<u>Impact on GF (2024)</u>	<u>Impact on GF (2025)</u>
Assessed Value	↔		
New Construction - Assessed Value	↔		
Taxable Sales	↓		
Inflation - US	↓		
Inflation - Seattle	↔		
Retail Gas and Wholesale Fuel Prices	↓		
Investment Pool Rate of Return	↔		
Property Tax	↓		+0.04M
Sales Tax	↓	-\$3.5M	-\$2.4M
Hotel/Rental Car Tax	↓		
Real Estate Excise Tax (REET)	↔		
Gambling Tax	↓	-\$0.15M	-\$0.23M
E-911 Tax	↓		
Penalties & Interest	↔		
Cannabis Excise Tax King County Forecast Council	↔ August 28, 2024		4
Recorded Documents Fees	↑		

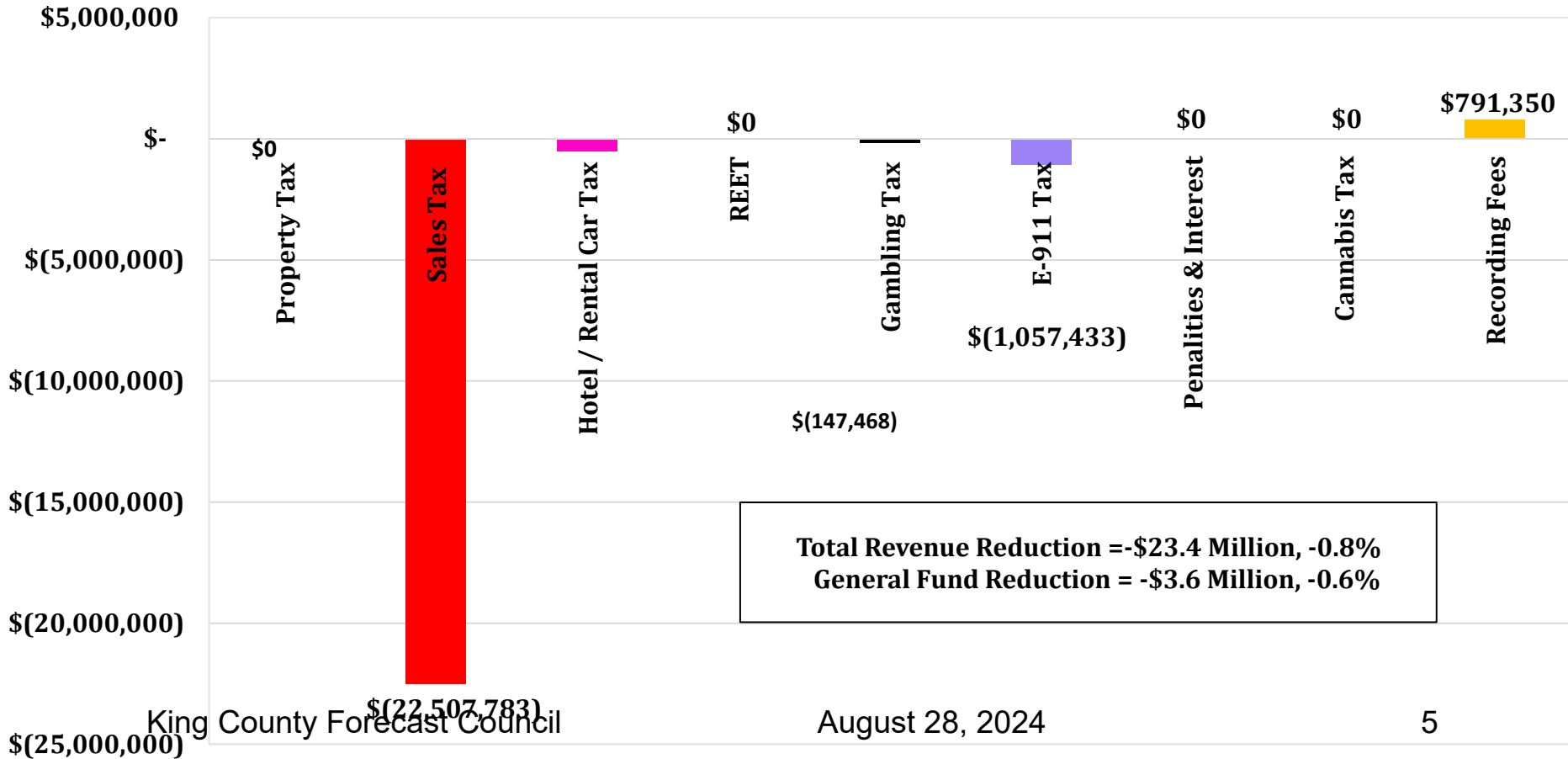
How some 2024 revenues changed between the August and July forecasts



2024 Weaker Overall Revenue: Sales Tax -0.8%

Incremental Change of Select Revenues from July 2024 Forecast

Source: OEFA



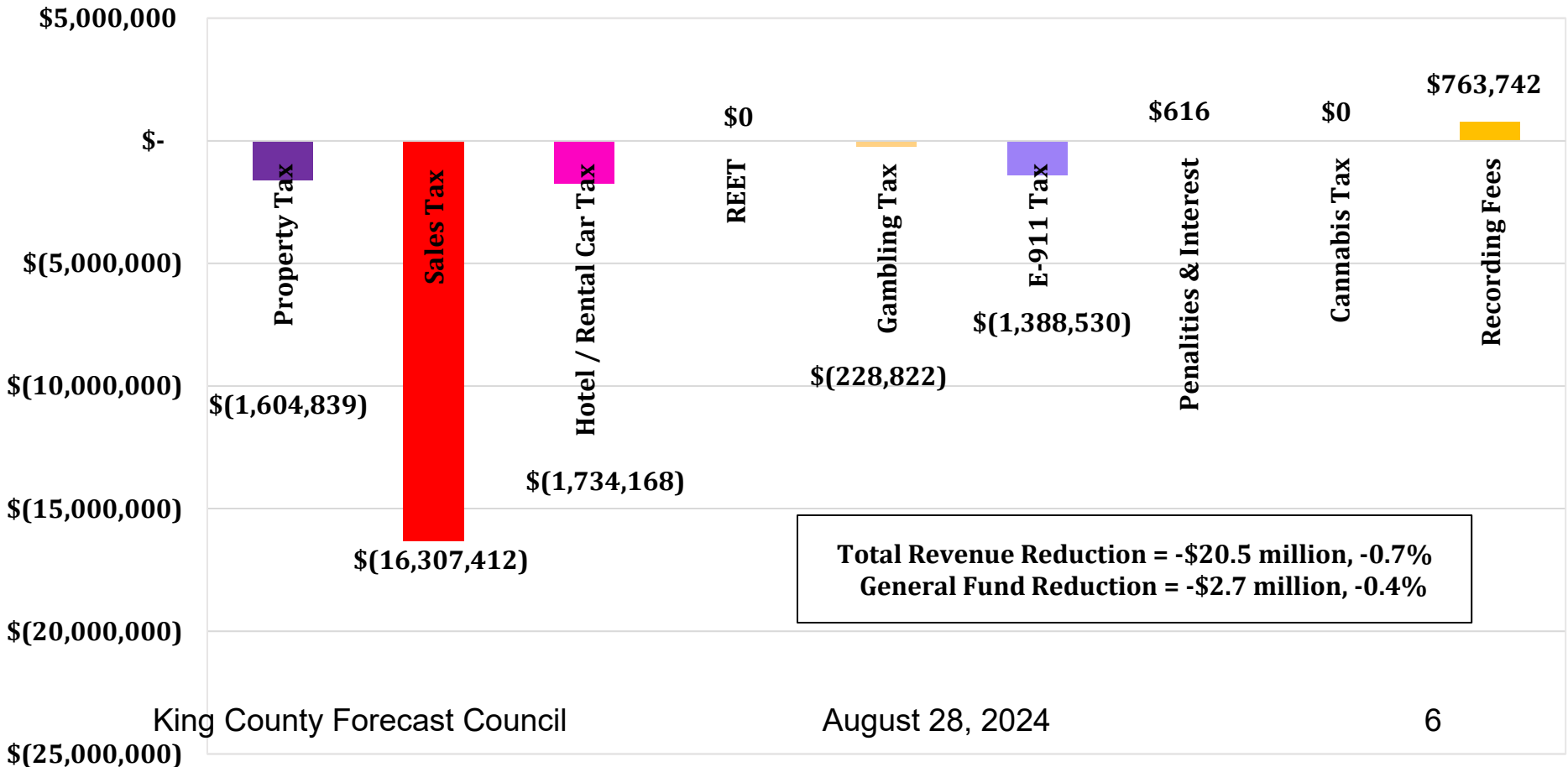
How some 2025 Revenues changed between the August and July forecasts



2025 Weaker Overall Revenue: Sales Tax -0.7%

Incremental Change of Select Revenues from July 2024 Forecast

Source: OEFA



Overview

Growth continues for the U.S. economy

- US real GDP grew 3.1% in 2024 – 2nd Qtr growth which was higher than Q1
- Inflation has been trending down and anticipate the Federal Reserve will lower interest rates by end of year
- The US unemployment rate has ticked up recently to 4.3% in July
- Risks: Ukraine & Middle East wars, high inflation & interest rates remaining

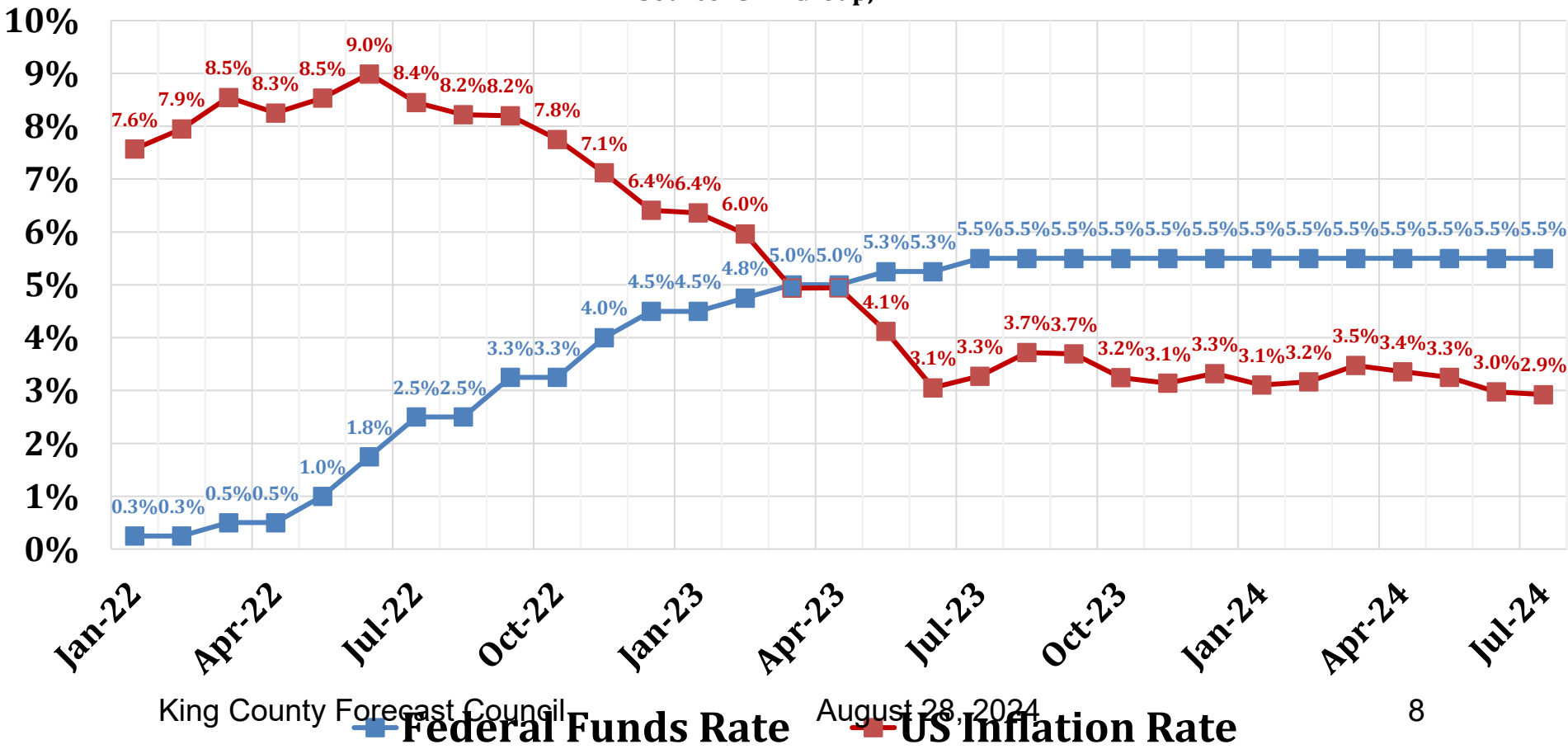
Hopeful for a “soft-landing” in Economy

- KC employment growth so far in 2024 has been minimal but positive
- KC average unemployment rate has still been inching upward in the first half of 2024 with average of 4.2% (June value = 4.8%)
- 2024 growth will be slow, unemployment will rise, inflation will slow
- WA taxable sales have not been keeping up with last year so projecting negative growth overall for 2024

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

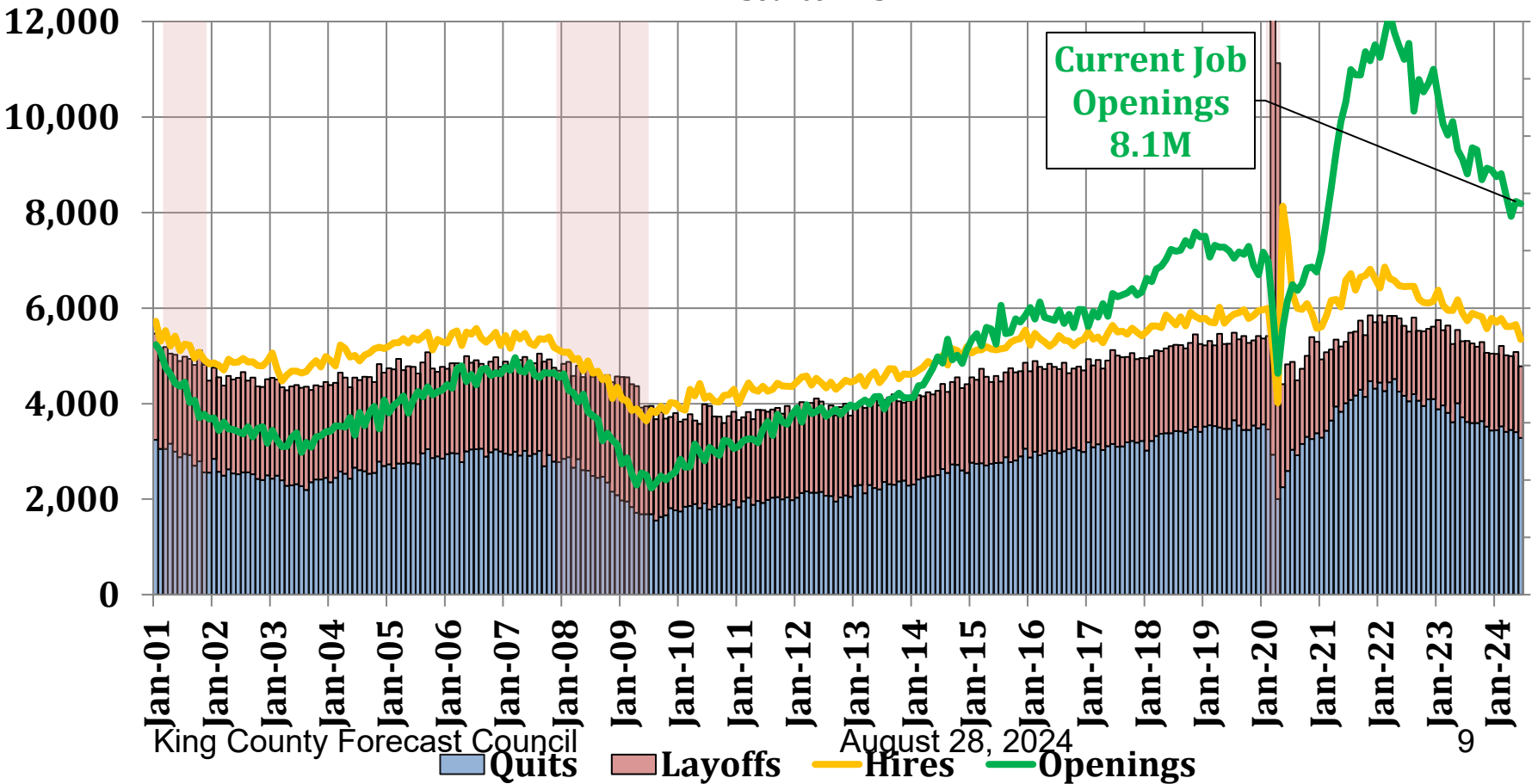


1.2 million job openings closed in the last 12 months



Hires and Separations: 8.1 Million Open Jobs

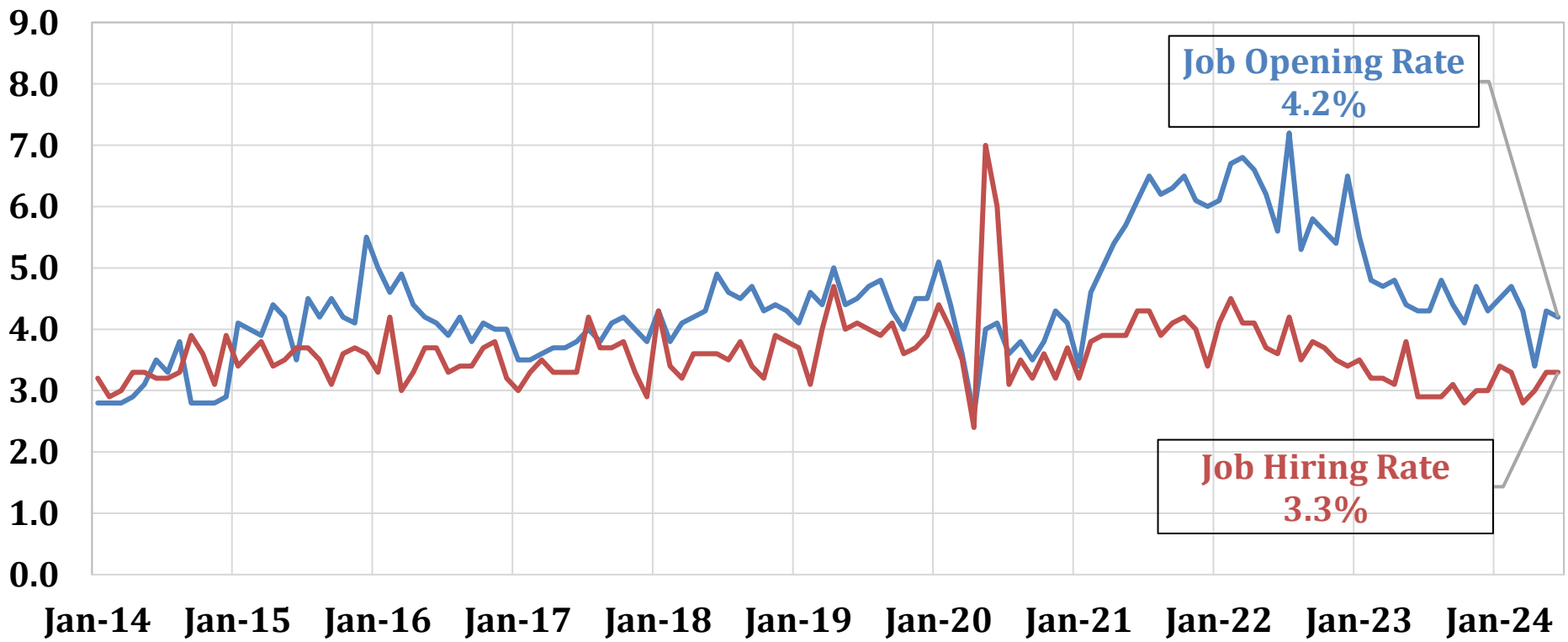
Job Openings and Labor Turnover Survey, SA (in thousands); January 2001-Present
Source: BLS



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



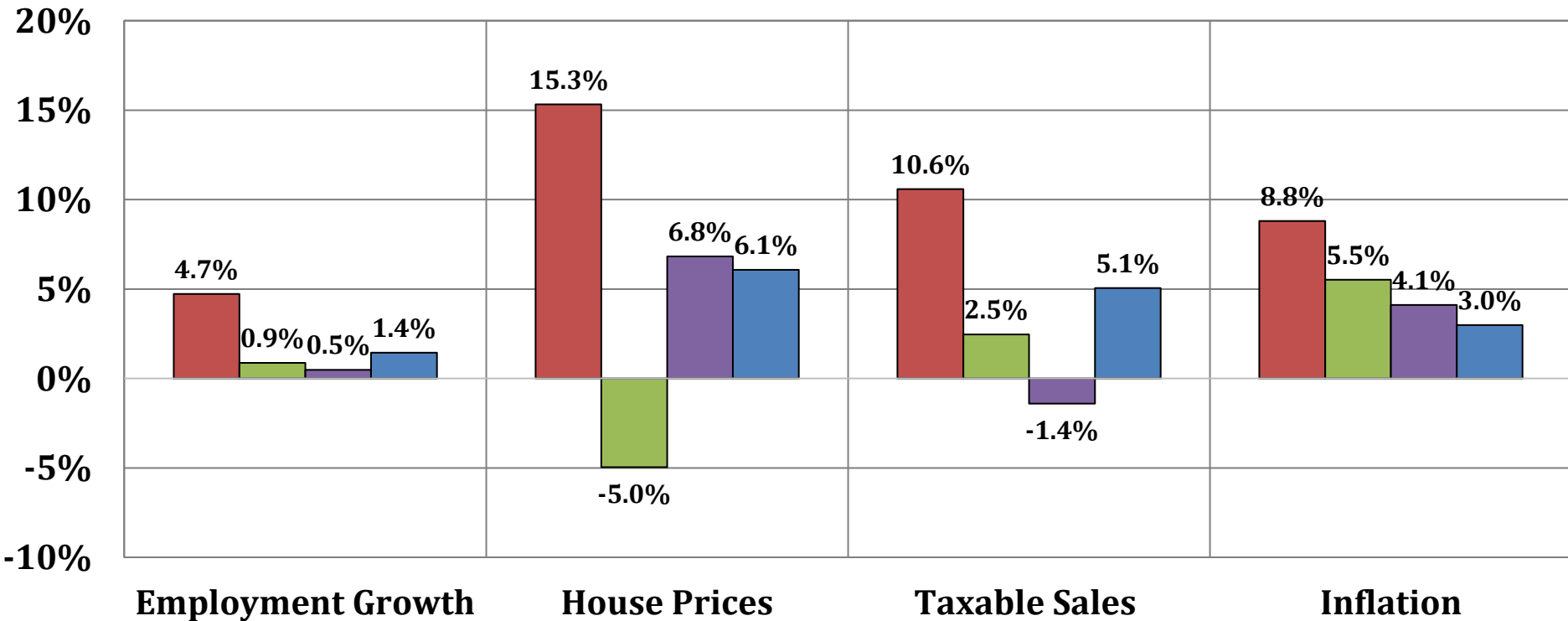
Taxable Sales are running cold; House Prices up nearly 7%



King County Economic Indicators

2022-2024 Actuals & 20 Year Average

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



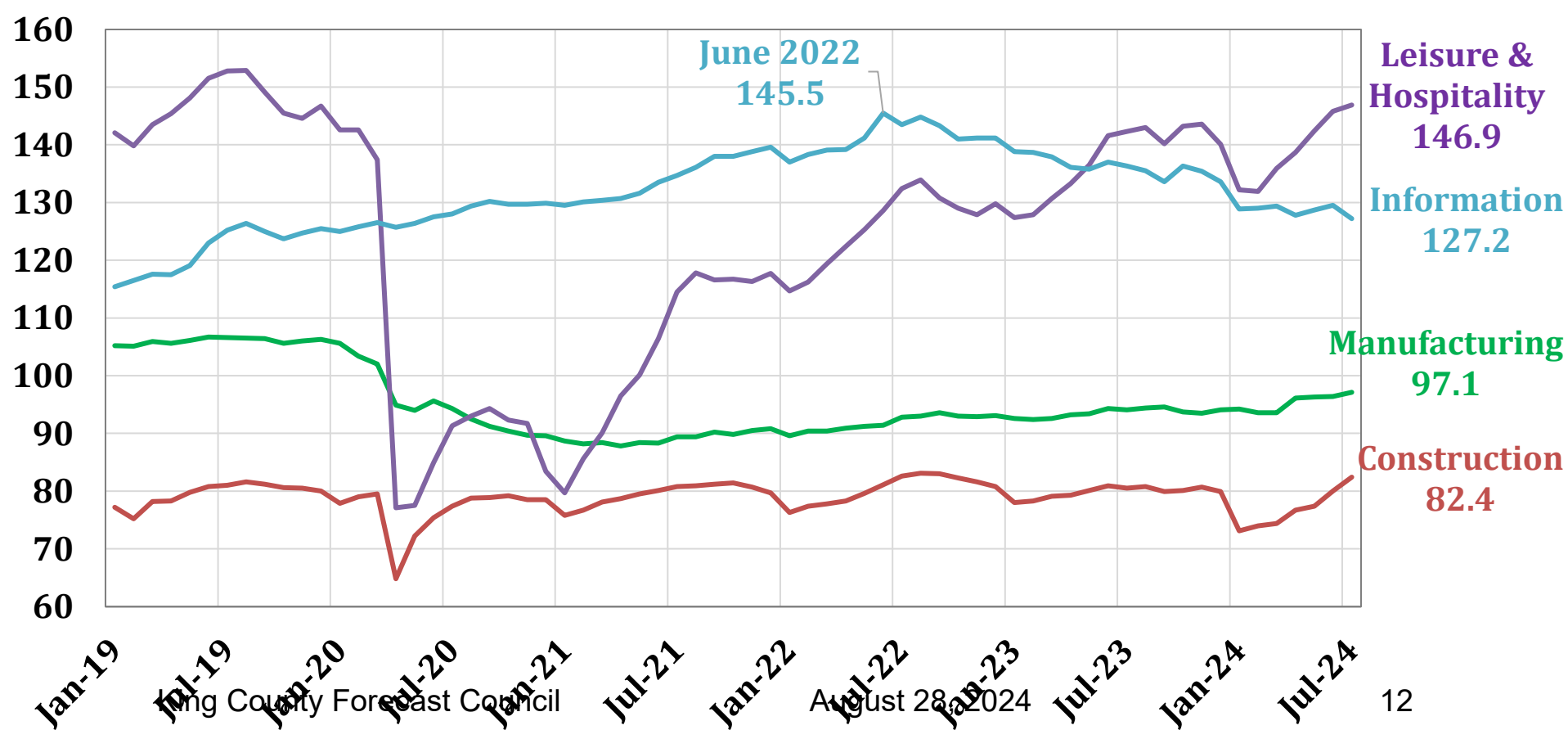
■ 2022 Actual
 ■ 2023 Actual
 ■ 2024 YTD
 ■ 20 year average

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



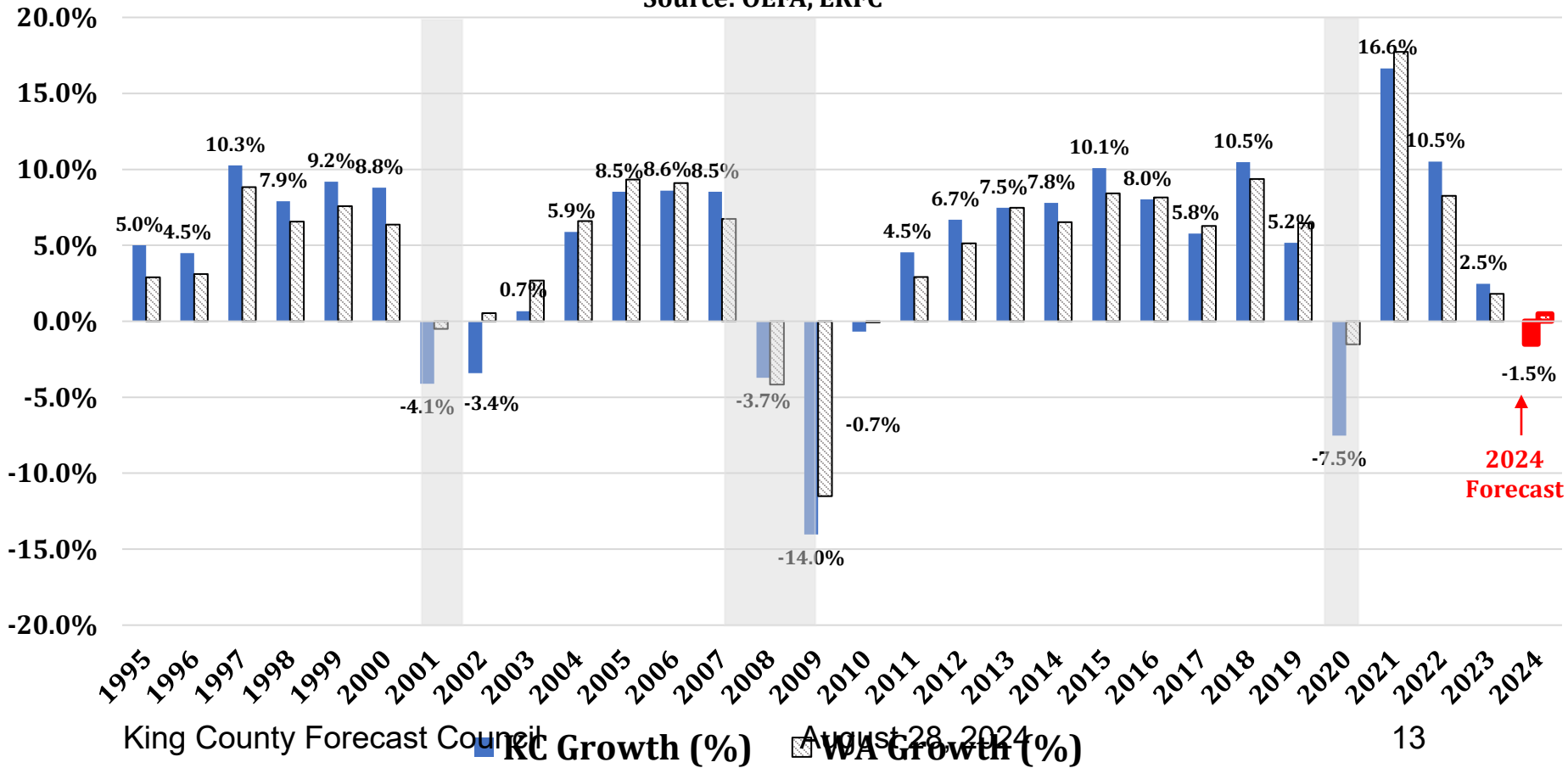
Taxable sales have declined in recessionary periods



Annual Growth Rates of Taxable Sales Since 1995

King County and Washington State, Shaded areas indicate Recession

Source: OEFA, ERFC

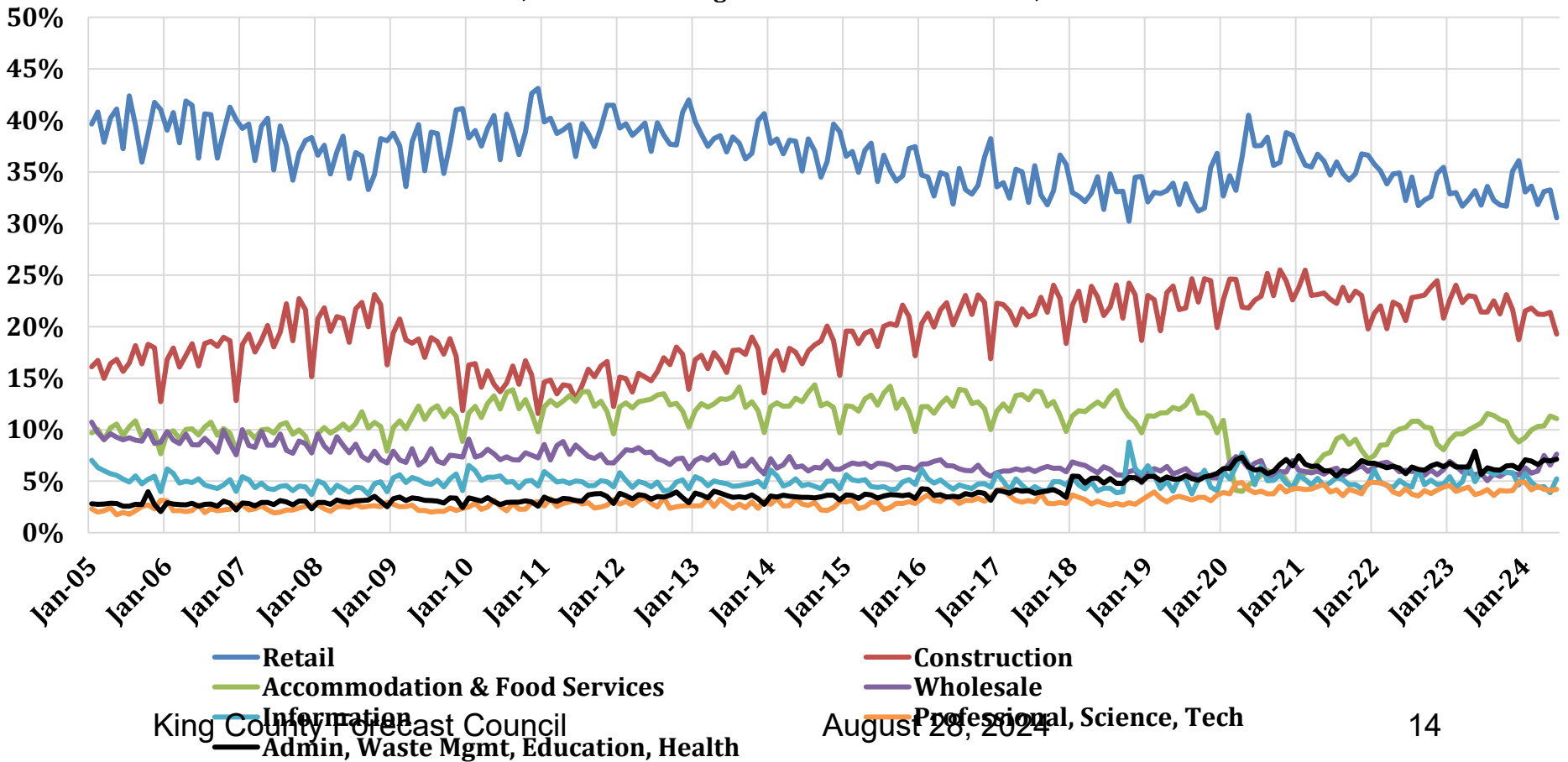


Retail & Construction taxable sales are in retreat



Industry Share of Total KC Taxable Sales

By 2-Digit NAICS : Construction 23, Retail 44-45, Wholesale 42, Information 51, Professional-Science-Tech 54, Admin-Waste Mgmt-Education-Health 55-62, Accommodation & Food Service



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King County Taxable Sales – 1st Half 2024 Which Sectors are Up and Down?

Industry Sector	\$ Change	% Chg	% of Taxable Sales
Sectors With Big Gains – Top 5			
Wholesale	\$ 234,923,384	8.6%	6.8%
Accommodations, Food Services	\$ 177,667,456	4.0%	10.6%
Management, Education and Health Services	\$ 139,482,649	4.7%	7.1%
Transportation and Warehousing	\$ 83,280,107	12.5%	1.7%
Professional, Scientific, Technical Services	\$ 64,607,043	3.5%	4.4%
Sectors with Big Losses – Top 5			
Construction	\$ (868,927,900)	-8.5%	21.3%
Information	\$ (317,599,233)	-13.0%	4.8%
Retail Trade	\$ (170,830,451)	-1.2%	33.0%
Manufacturing	\$ (44,906,139)	-4.1%	2.4%
Real Estate, Rental, Leasing	\$ (28,857,199)	-2.7%	2.3%
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King County Taxable Sales Forecast

Tax Year	Value	Annual Growth	% Change from July 2024 Forecast	\$ Change from July 2024 Forecast
2022	\$91,168,764,291	10.51%	0.00%	\$0
2023	\$93,418,705,575	2.47%	0.00%	\$0
2024	\$92,002,959,117	-1.52%	-1.77%	(\$1,661,048,222)
2025	\$95,801,594,832	4.13%	-1.22%	(\$1,185,329,826)
2026	\$99,467,910,433	3.83%	-1.81%	(\$1,831,750,640)
2027	\$102,916,949,457	3.47%	-2.75%	(\$2,912,129,685)
2028	\$107,379,711,508	4.34%	-2.38%	(\$2,618,490,764)
2029	\$112,407,717,754	4.68%	-1.68%	(\$1,918,994,861)
2030	\$117,443,587,258	4.48%	-1.93%	(\$2,305,509,617)
2031	\$121,557,493,808	3.50%	-1.96%	(\$2,428,512,393)
2032	\$126,571,407,779	4.12%	-2.20%	(\$2,842,504,180)
2033	\$130,930,884,203	3.44%	-1.92%	(\$2,564,836,891)

King County Forecast Council

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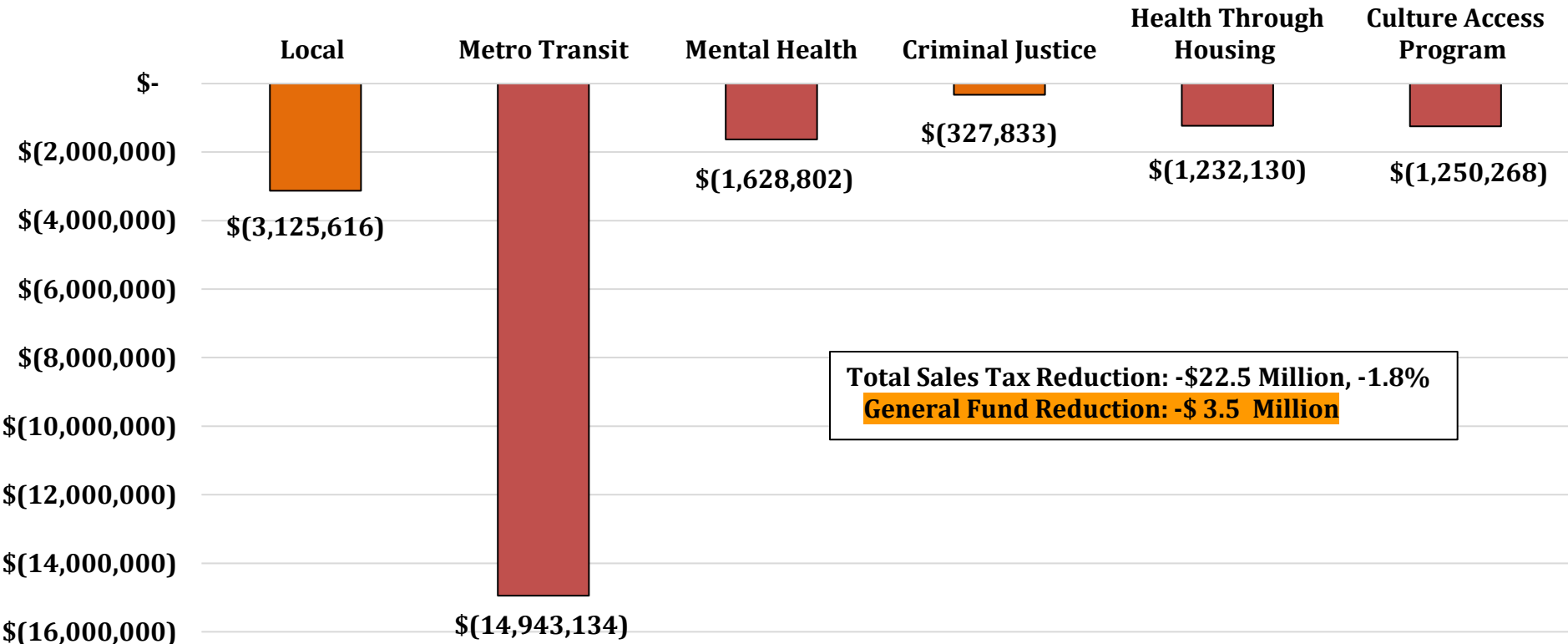
Lower 2024 first-half taxable sales means lower sales tax revenues



2024 Sales Tax Increments For August Forecast

Change in 2024 Sales Taxes from July to August 2024 Forecast

Source: OEFA



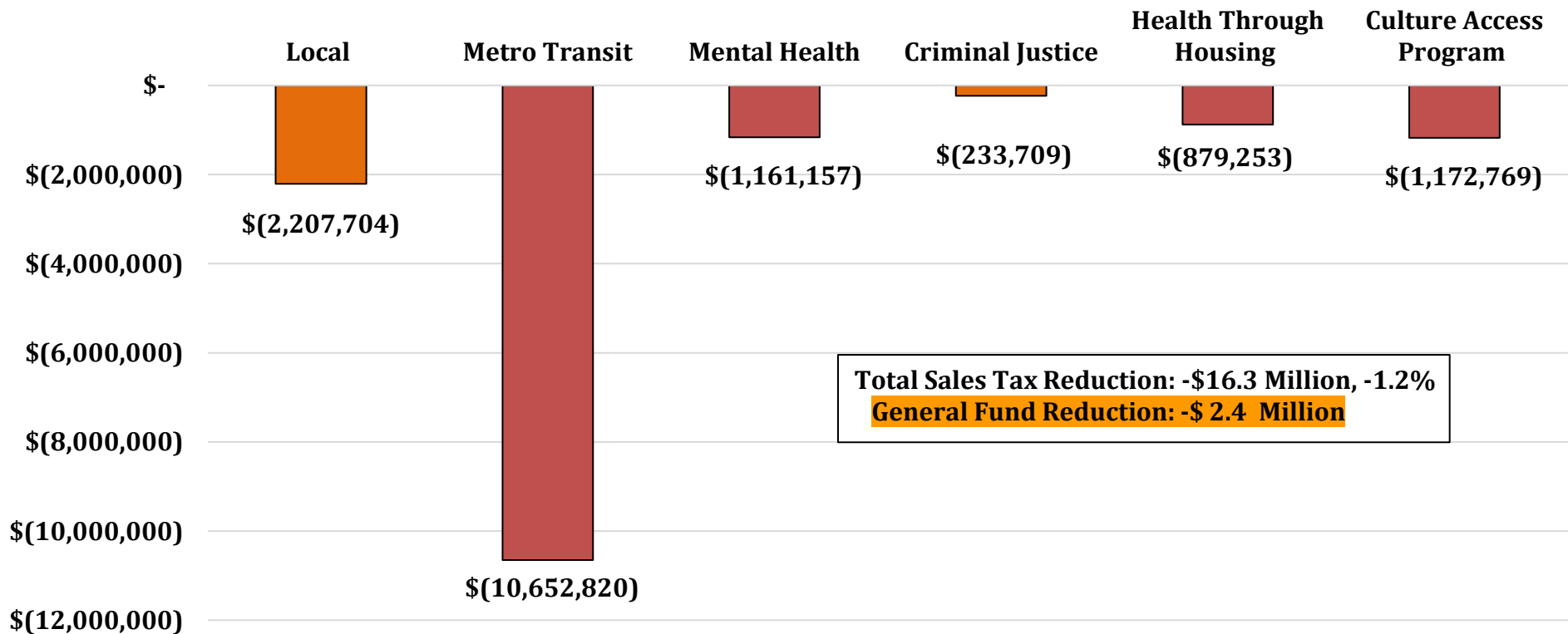
Similar incremental drops are expected for 2025



2025 Sales Tax Increments For August Forecast

Change in 2025 Sales Taxes from July to August 2024 Forecast

Source: OEFA



Countywide Assessed Value Forecast

Tax Year	Value	Annual Growth	% Change from July 2024 Forecast	\$ Change from July 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	\$877,881,002,400	5.38%	0.00%	(\$402,802)
2026	\$929,382,384,501	5.87%	-0.44%	(\$4,066,090,167)
2027	\$972,466,425,277	4.64%	-1.34%	(\$13,172,743,987)
2028	\$1,015,575,970,720	4.43%	-1.61%	(\$16,580,052,439)
2029	\$1,060,768,003,254	4.45%	-1.47%	(\$15,801,844,926)
2030	\$1,111,334,514,215	4.77%	-1.15%	(\$12,895,697,237)
2031	\$1,161,555,543,300	4.52%	-0.53%	(\$6,187,281,250)
2032	\$1,215,639,539,579	4.66%	0.25%	\$3,050,978,023
2033	\$1,259,132,190,457	3.58%	0.00%	(\$27,808,097)

King County Forecast Council

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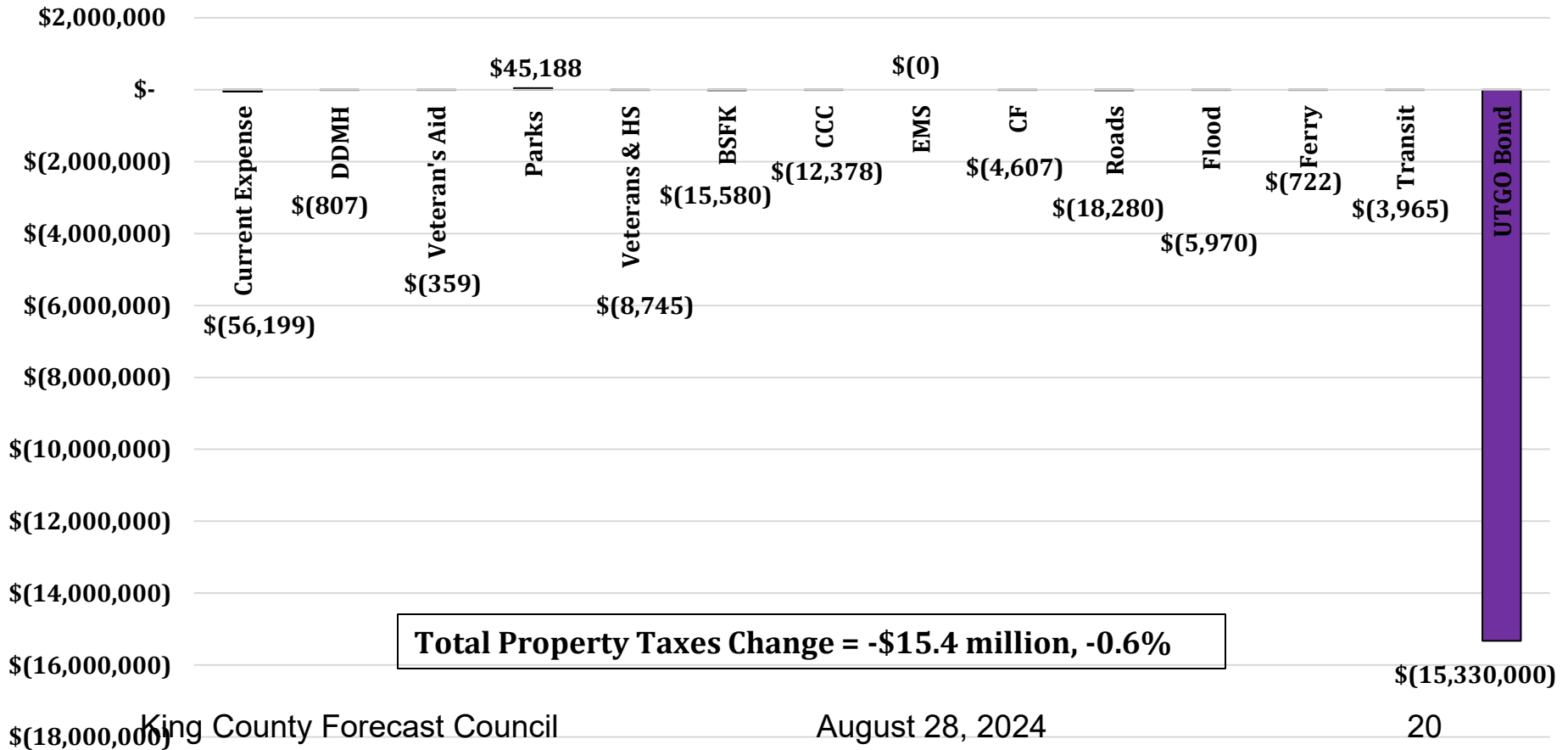
Overall Property Taxes Down \$15.4 Million in 2025 & 2026



2025 & 2026 Biggest Change is Lower UTGO Bond Levy

Incremental Change of Property Tax Levies from July 2024

Source: OEFA



King County Office of Economic and Financial Analysis

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