

City of Spokane Quarterly Economic Indicators

Q2, 2022

July, 2022



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WASHINGTON UNIVERSITY

start something **big**

Overview

- Goal: to provide insights about important City trends via data with higher frequency than annual updates
- Track indicators in the following categories (# of indicators):
 - Population (2)
 - Employment (11)
 - Residential construction (4)
 - Non-residential construction (2)
 - Taxable sales & revenue (3)
- Local indicators are for the City of Spokane, unless noted

Population

City of Spokane is growing.... slowly

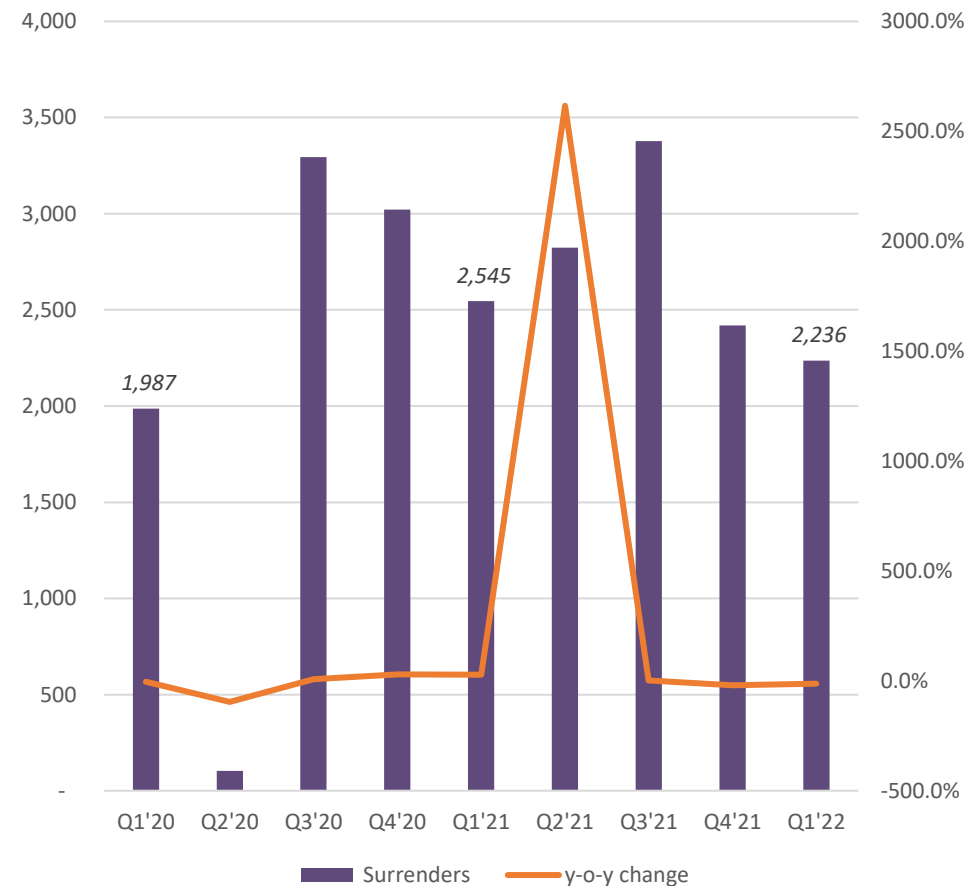
- 2022 OFM population estimates just released
- Spokane County grew the fastest of all large counties – 1.6%
 - WA: 1.2%
- Total Spokane City gain
 - Estimate = 1,500
 - Or, 0.6%
- Fastest y-o-y % growth in:
 - Cheney: 4.3%
 - Liberty Lake: 3.1%
 - Airway Heights: 2.6%
- COS still the 2nd-largest in WA!



Population

County drivers license surrenders: slow growth

- Tracks those moving to the county from out-of-state
 - Doesn't capture in-state moves
- Q1 2022 < lower than Q1 2021 but > Q1 2019
- 2021 total surrenders < 2020 & much lower than 2019
- Rank of “contributing” states in 2021: CA, ID, OR, AZ, TX

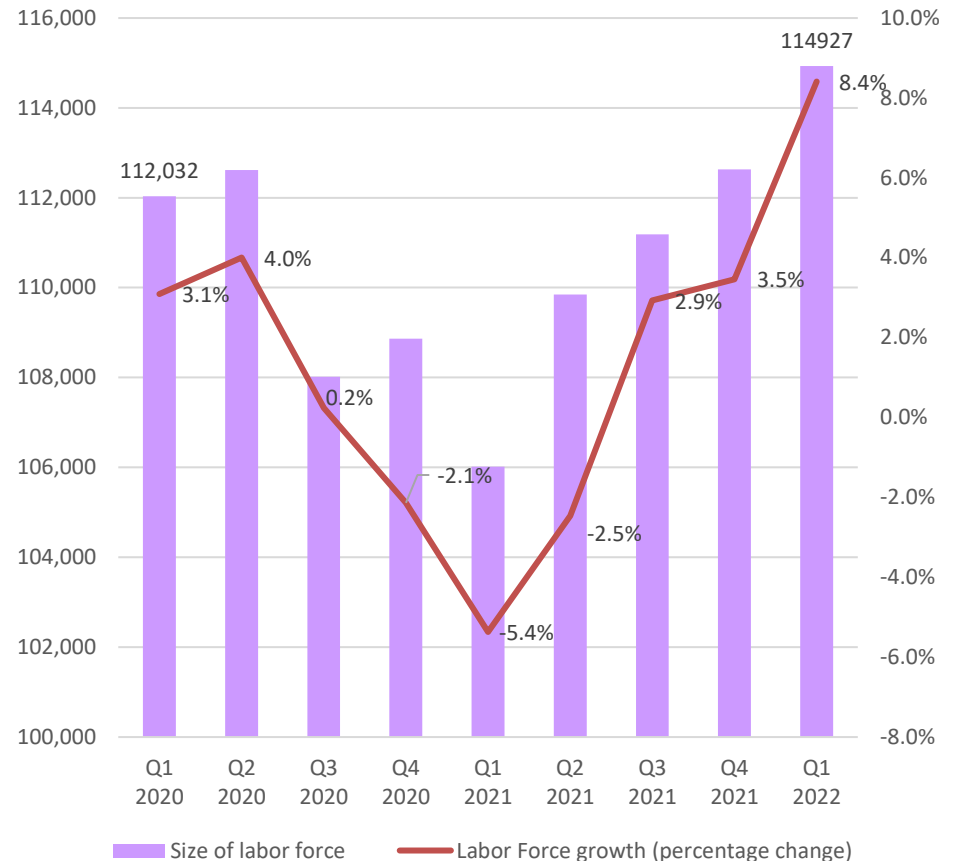


Source: WA Department of Licensing

Labor market

Size of the labor force (& year-to-year change)

- Civilian labor force (CLF) is the sum of those employed plus those unemployed and actively looking for work.
- Since Q1 of 2021, we have had 4 consecutive quarters of strong growth in the CLF
- The labor force over 1st quarter of 2022 grew 8.4% from one year previous – the highest rate of growth in the past three years.
- Total CLF reached a new high at close to 115,000 workers.

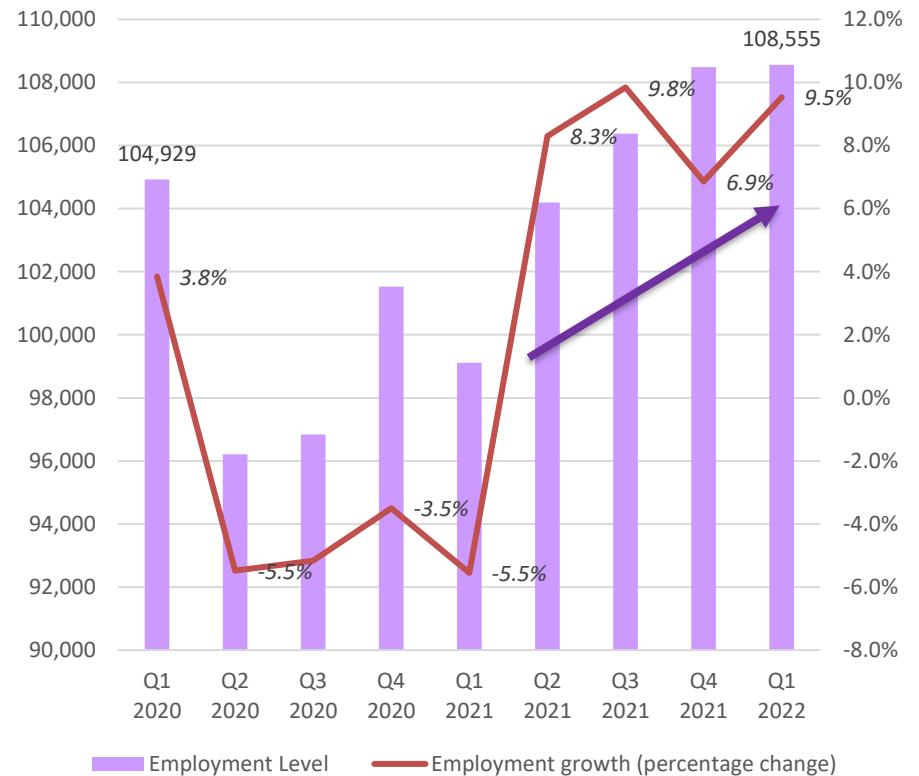


Source: Local Area Unemployment Statistics (LAUS)

Labor market

Number of jobs (& year-to-year change)

- After the pandemic contraction from Q2 2020 to Q1 2021, the City of Spokane has seen four consecutive quarters of strong job growth, peaking at a new high of over 108,500+ jobs.
- Compared to one year ago (Q1, 2021), the number of jobs grew 9.5%.
- This strong job growth should continue as the economy stabilizes at a post-pandemic normal.

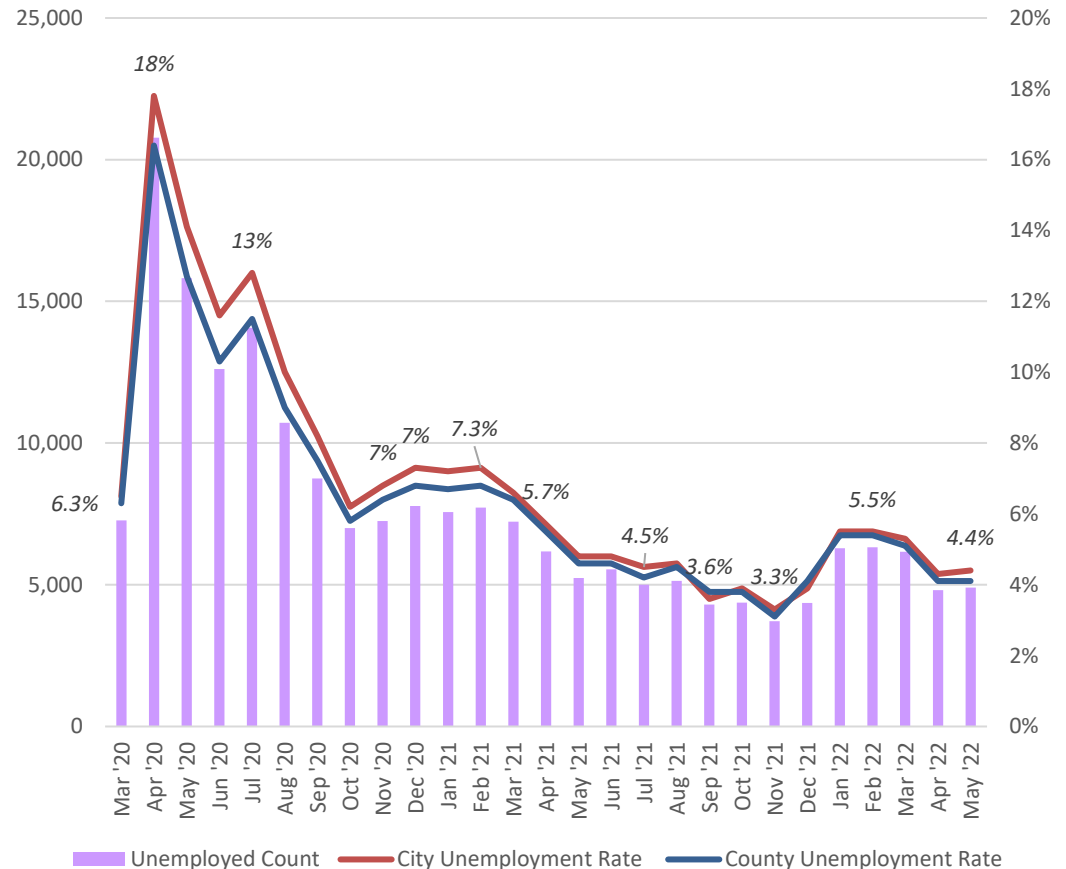


Source: Local Area Unemployment Statistics (LAUS)

Labor market

Monthly unemployment count & rate

- The city's monthly unemployment rate for May 2022 at 4.4% is only slightly above the county level of 4.1%. (The US rate for May was 3.6%.)
- The unemployment rate for May 2022 is slightly below what it was a year ago at 4.8%.
- It seems after dipping to a low of 3.3%, the monthly unemployment is stabilizing.
- Good News: The monthly unemployment rate in May of 2022 is below what it was two years ago just before the pandemic.



Source: Local Area Unemployment Statistics (LAUS)

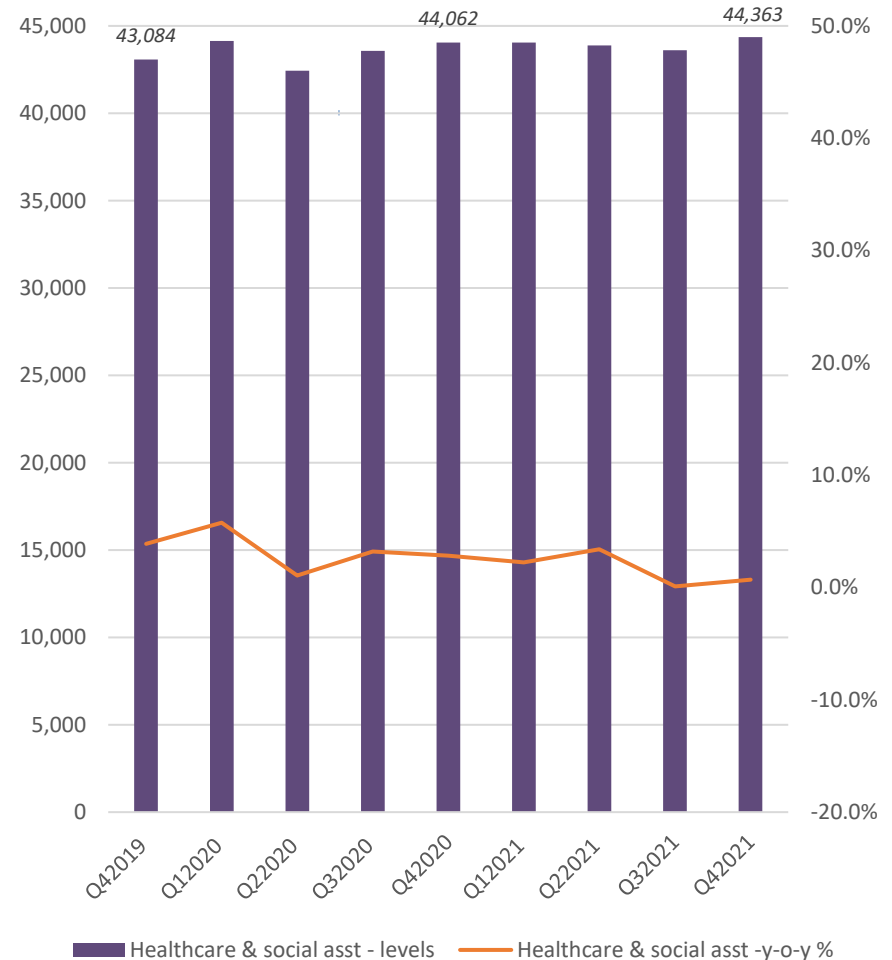
Summary of aggregate employment measures

- After coming through the pandemic-induced contraction, the **size of the labor force** in the fourth quarter of 2021 finally surpassed its previous high in Q2 of 2020 and is continuing to grow, approaching 115,000. The rate of growth for Q1 of 2022 was relatively high at 8.4%. Although the CLF will continue to grow, it may not sustain that high of a growth rate.
- **Employment levels** in the first quarter of 2022 reached a new high topping out over 108,500 and increased almost 10% from same quarter previous year.
- The monthly **unemployment rate** for the City has stabilized around 4.4% and is still below where it was two years ago before the pandemic. The city's unemployment is only slightly higher than the county's rate overall.

Key sectors

Quarterly employment in County Healthcare & Social Assistance

- Includes: ambulatory care, hospitals, social assistance, & nursing/residential care
- County's largest sector showed growth pre-pandemic but little growth since
- 9 quarter average employment: ~ 43,611 (up just a bit from last quarter)
- Count now > Q4 2019 & Q4 2020
- 2021 average annual wage: \$57,275 (vs. \$57,300 for all jobs in County)

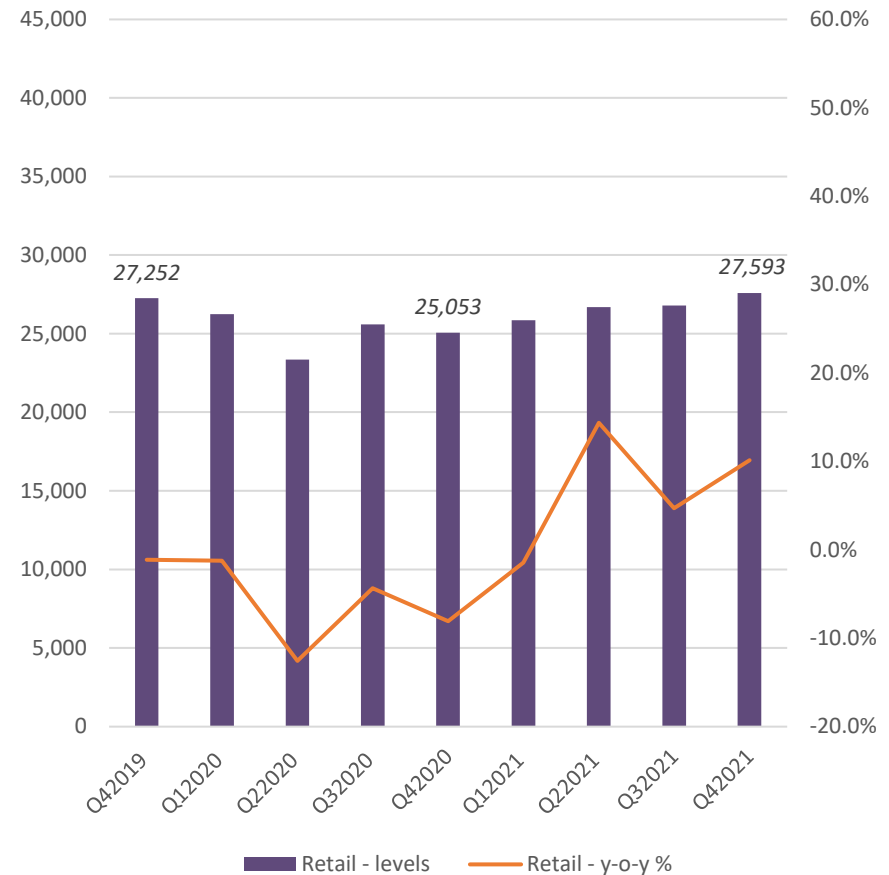


Source: WA Dept. of Employment Security, QCEW

Key sectors

Quarterly employment in County Retailing

- 3rd-largest sector
- 9 qtr. average employment: ~26,042
- Among key sectors, its % decline in Q2 2020 was the 2nd worst
- Count now > Q4 2019
- 2021 ave. annual wage: \$39,806 (vs. \$57,300 for all jobs in County)

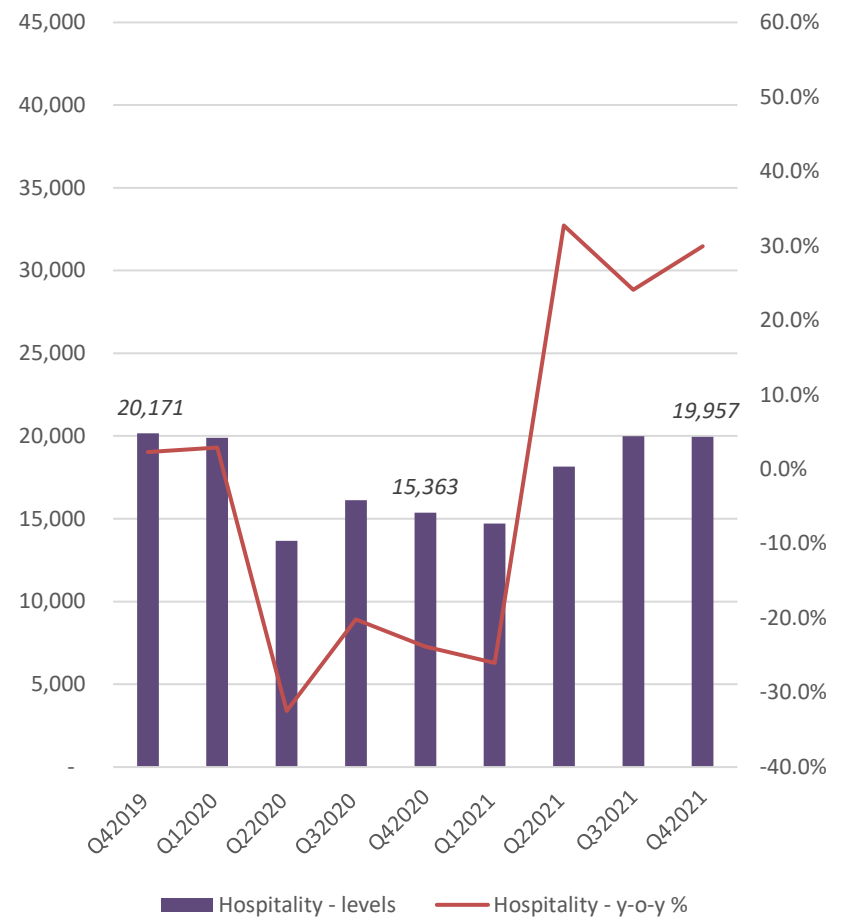


Source: WA Dept. of Employment Security, QCEW

Key sectors

Quarterly employment in County Hospitality

- Hospitality composed of lodging, restaurants, bars, coffee shops, caterers – 4th largest sector
- It's pandemic blow was worst of all the large sectors
- Huge recovery in 2021. Count now almost = to 2019 Q4
- 9 qtr. ave. employment: 17,559
- 2021 AA wage: \$25,620 (37% increase)!

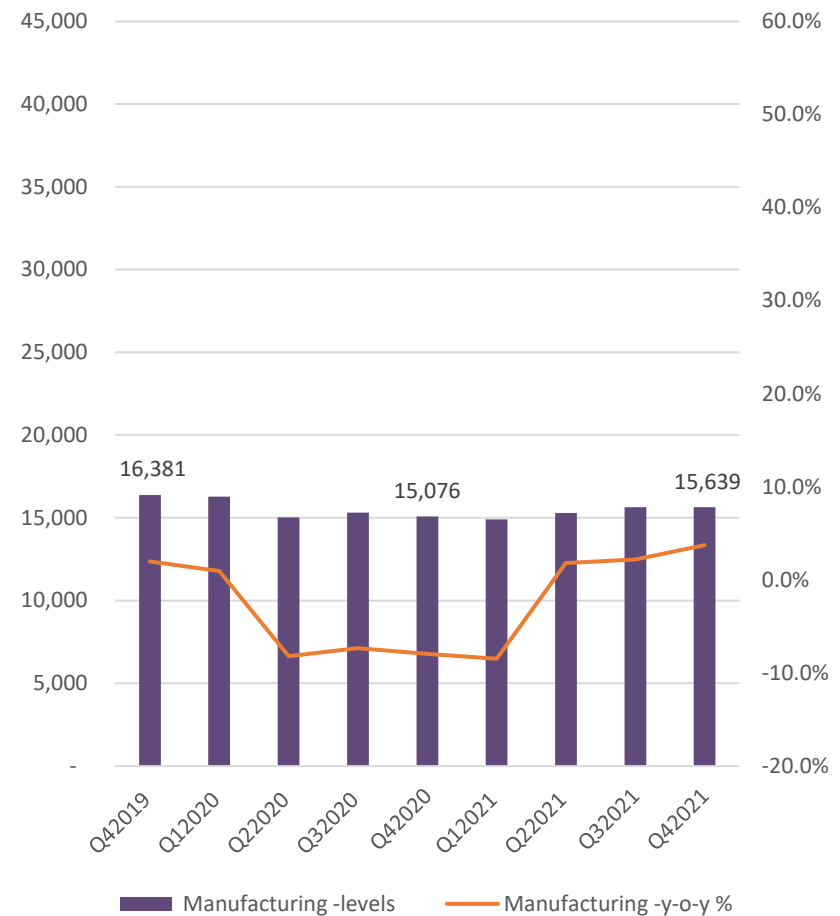


Source: WA Dept. of Employment Security, QCEW

Key Sectors

Quarterly employment in County Manufacturing

- 5th largest sector
- Ave 9 qtr. employment = 15,505
- Still not a complete recovery from the pandemic
- Count in Q4 2021 < Q4 2019
- AAW in 2021: \$61,172
(vs. 2021 overall average: \$57,300)



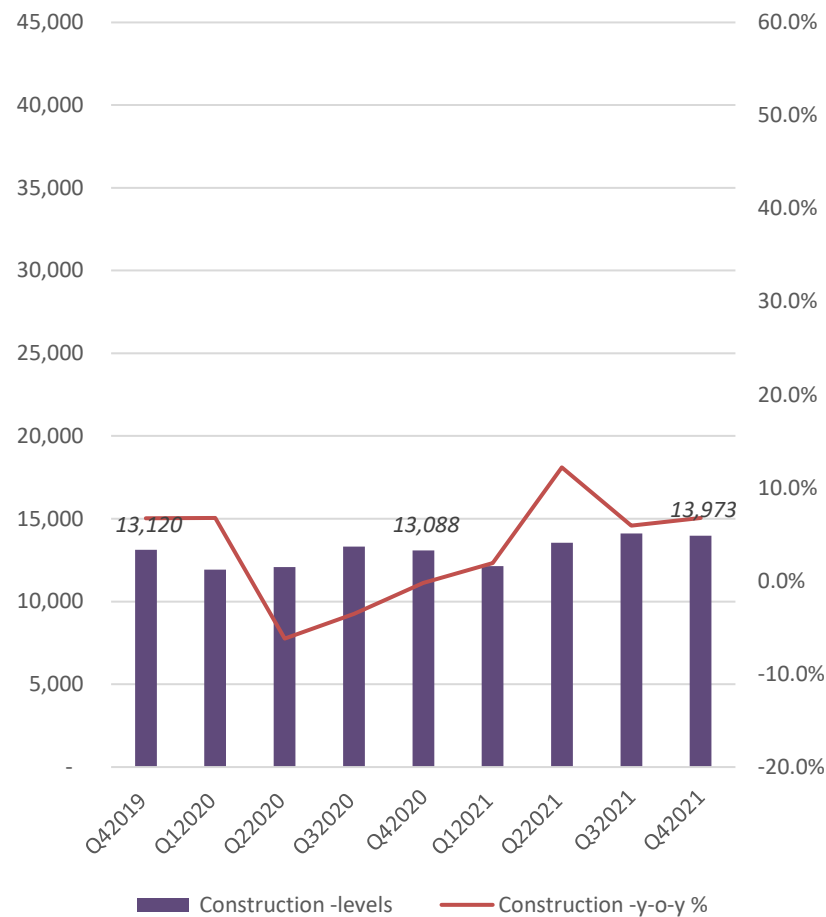
Source: WA Dept. of Employment Security, QCEW

Key Sectors

Quarterly employment in County Construction

- 6th largest sector
- Ave 9 qtr. employment = 13,032
- Very little employment loss during worst of the pandemic
- Count in Q4 2021 > Q4 2019
- AAW in 2021: \$61,152
(vs. 2021 overall average: \$57,300)

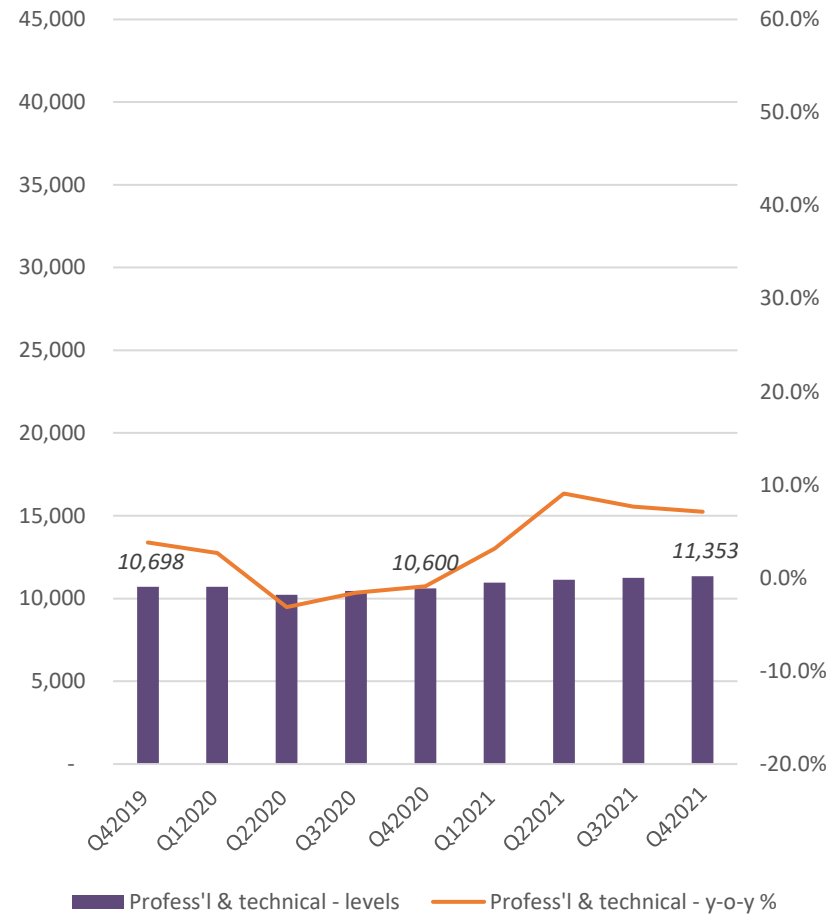
Source: WA Dept. of Employment Security, QCEW



Key sectors

Quarterly employment in County Professional & Technical services

- Consists of “white collar”/knowledge occupations – lawyers, accountants, architects, engineers, consultants
- Modest changes during pandemic
- Q4 2021 employment > Q4 2019
- 9 qtr. average employment = 10,819
- 2021 AA wage: ~\$82,052 (19% increase!)

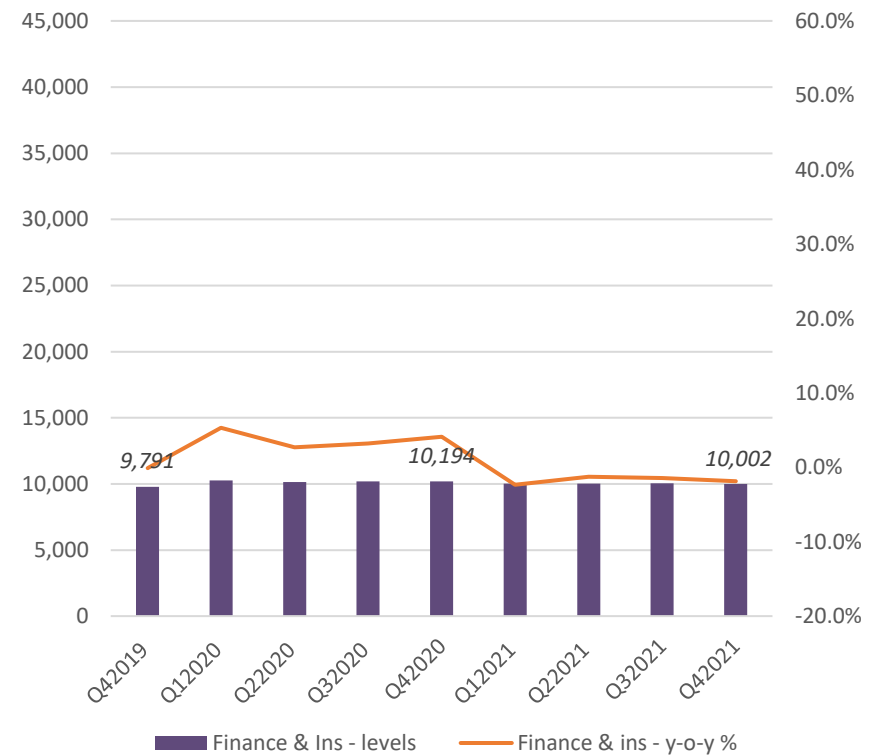


Source: WA Dept. of Employment Security, QCEW

Key sectors

Quarterly employment in County Finance & Insurance

- 9th largest sector
- 9-quarter average employment: ~10,079 (slow growth)
- Recent, slight y-o-y decline but now > 2019 Q4 levels
- 2020 average annual wage: \$99,968 (9% increase)



Source: WA Dept. of Employment Security, QCEW

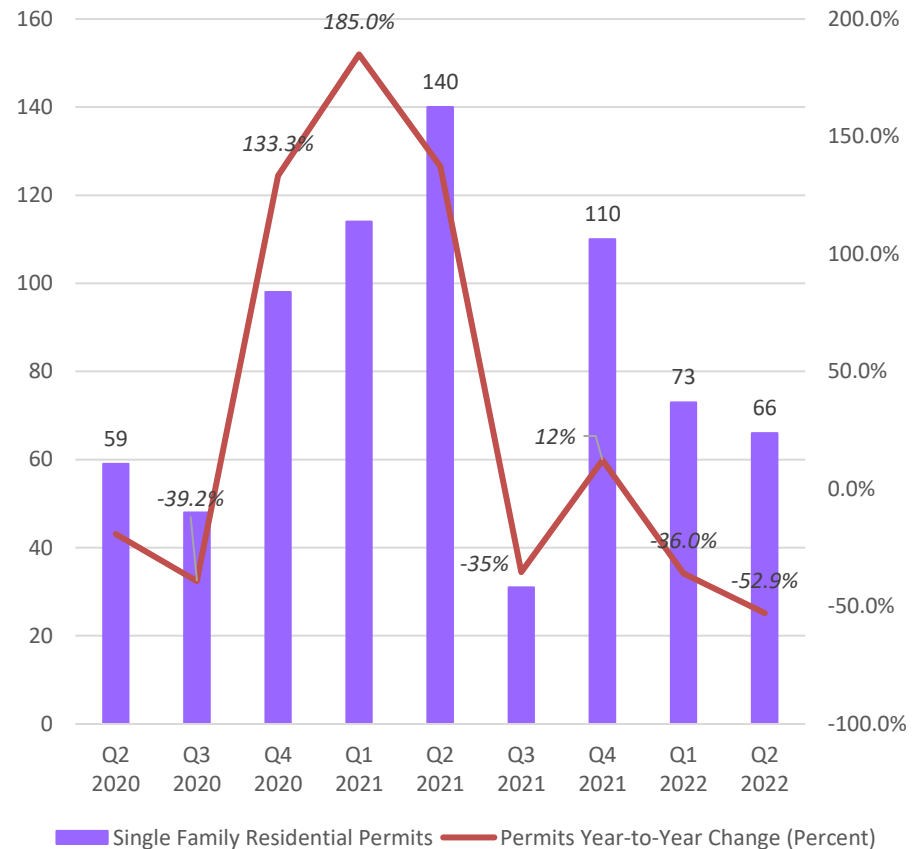
Summary of sector performance, as measured by employment

- With the exception of hospitality & manufacturing, largest sectors by employment in the county for Q4 2021 now show **employment levels** > same quarter in 2019.
- In percentage terms, Spokane's **professional & technical services sector** has grown the fastest (6%) of the large sectors over past two years
- **Wage growth** has been robust for several sectors
 - Hospitality average annual wage (AAW) increased by 37% over past year!
 - Finance & insurance AAW now nearly \$100,000

Housing

Residential building permits, single-family

- Although Q2 of 2022 is below what it was a year ago (Q2 2021), single-family new construction permits were up slightly from Q1 of 2020 (start of the pandemic).
- Second quarter of 2022 was only slightly lower than the first quarter of 2022.
- New construction of single-family residences continues to be strong but is stabilizing after the impact of the pandemic.

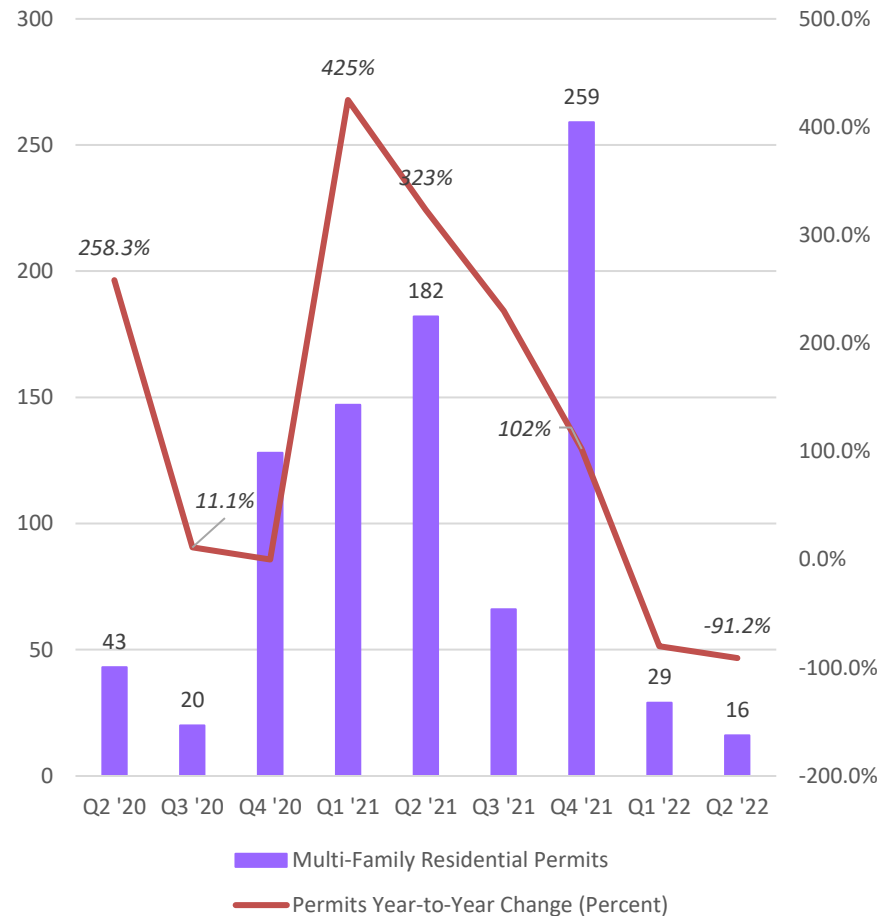


Source: City of Spokane

Housing

Multi-family building permits, by units

- Second quarter of 2022 had lower levels of new multi-family building permits compared to Q1 of 2020 (pre-pandemic).
- The large amount of permitting activity in Q4 of 2021 (in particular) could be due to some pent-up demand from the pandemic year of 2020. The current level of new multi-family permitting could be a post pandemic return to normal.
- Permitting levels in first half of 2022 are very similar to the first half of 2020.

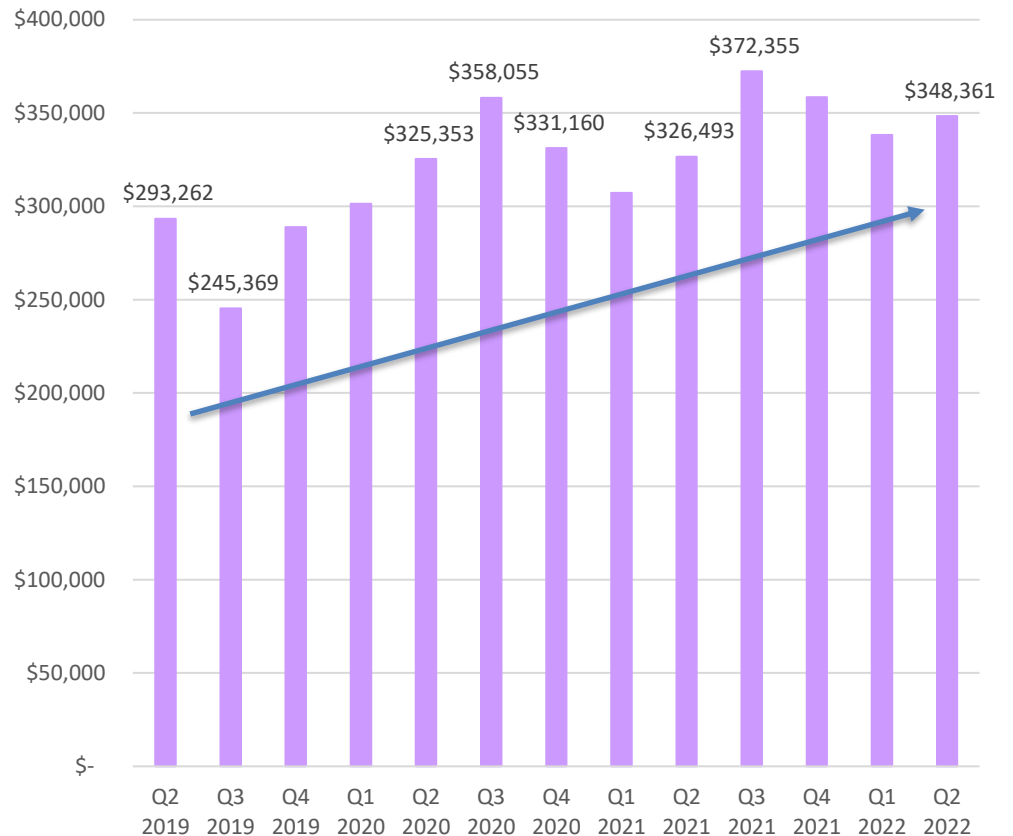


Source: City of Spokane

Housing

Average value of permitted single family residence

- Second quarter of 2022 had higher average value of permitted single family residences than same quarter previous three years.
- Since Q2 of 2019, the average value of permitted single family residences has increased 18% (roughly 6% per year).
- Since Q1 of 2020, the average value of permitted single family residences has consistently been above \$300K.
- Some of this increase in value can be attributed to the hot housing market in the area and the rising median home resale price.

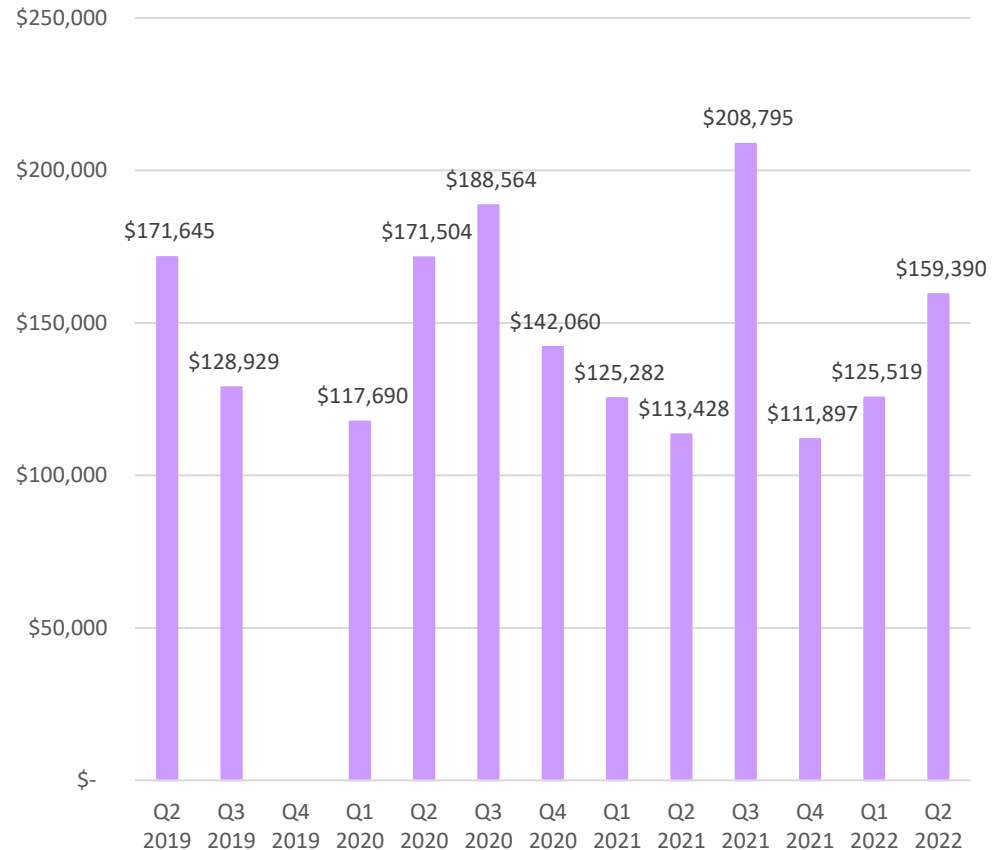


Source: City of Spokane

Housing

Average value of permitted multi-family units

- The average value of permitted multi-family units is more volatile than single family units due to the variety of construction projects.
- Second quarter of 2022 saw the permitting of 344 new apartments & duplexes at an average value of \$159,390 – apartment permits worth approximately \$70M!
- Second quarter of 2022 had average value of permitted multi-family units were below where they were in second quarter of both 2020 & 2021.



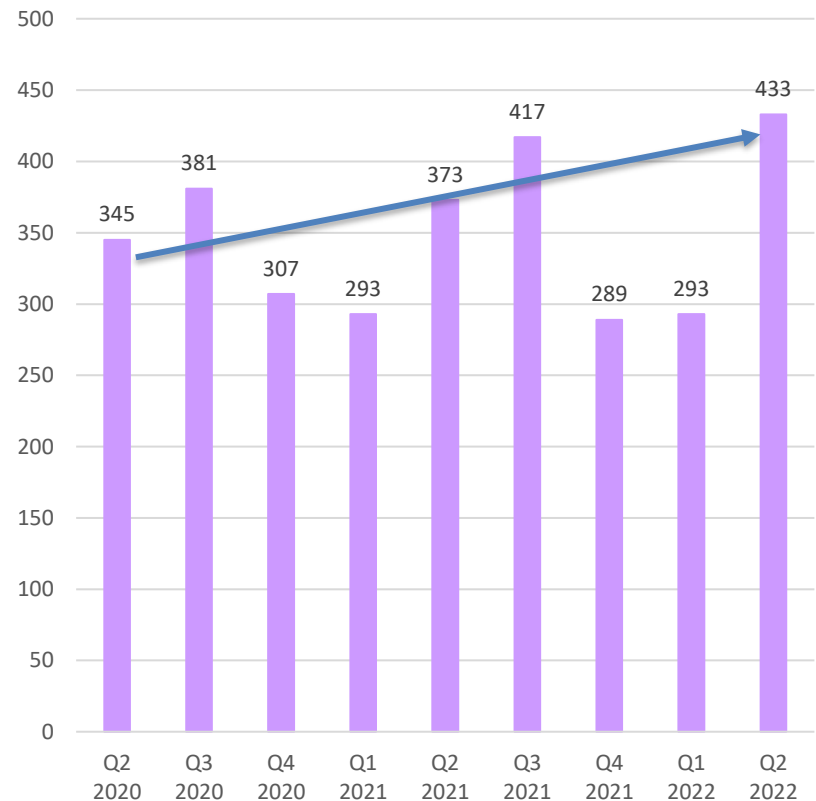
Source: City of Spokane

Commercial & public development

Total number of non-residential permits

- Measures all non-residential new construction & remodel permits issued by the City of Spokane.
- Includes commercial, industrial as well as public works (schools, cell towers, hospitals)
- Strong cyclical pattern with less activity in Q4 & Q1 typically, due to weather.
- Second quarter of 2022 reached the highest level of permitting in at least five years. Notice the overall upward trend.
- Non-residential construction is strong and stable.

Source: City of Spokane

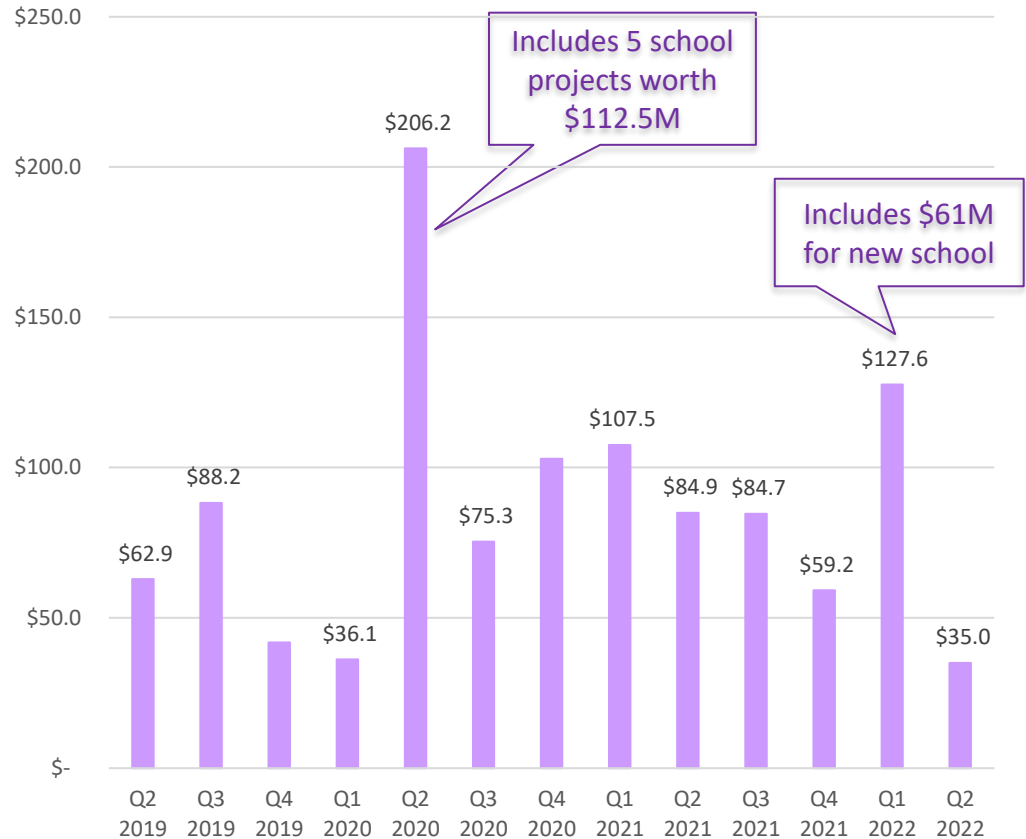


Commercial & public development

Total value of non-residential permits (\$m)

- Total permitted valuation of all non-residential permits issued by the City of Spokane (in \$millions) includes new construction & remodels.
- Because Q1 of 2022 was so strong, Q2 of 2022 could be a natural adjustment back to normal levels of permitting.
- Second quarter of 2022 had similar level of non-residential permitting as Q1 of 2020.
- Q1 of 2022 non-residential new construction included \$61M for new schools/educational buildings and \$25M hospital buildings.
- Overall, a variety of non-residential construction (either new or remodeling) is ongoing throughout the city.

Source: City of Spokane



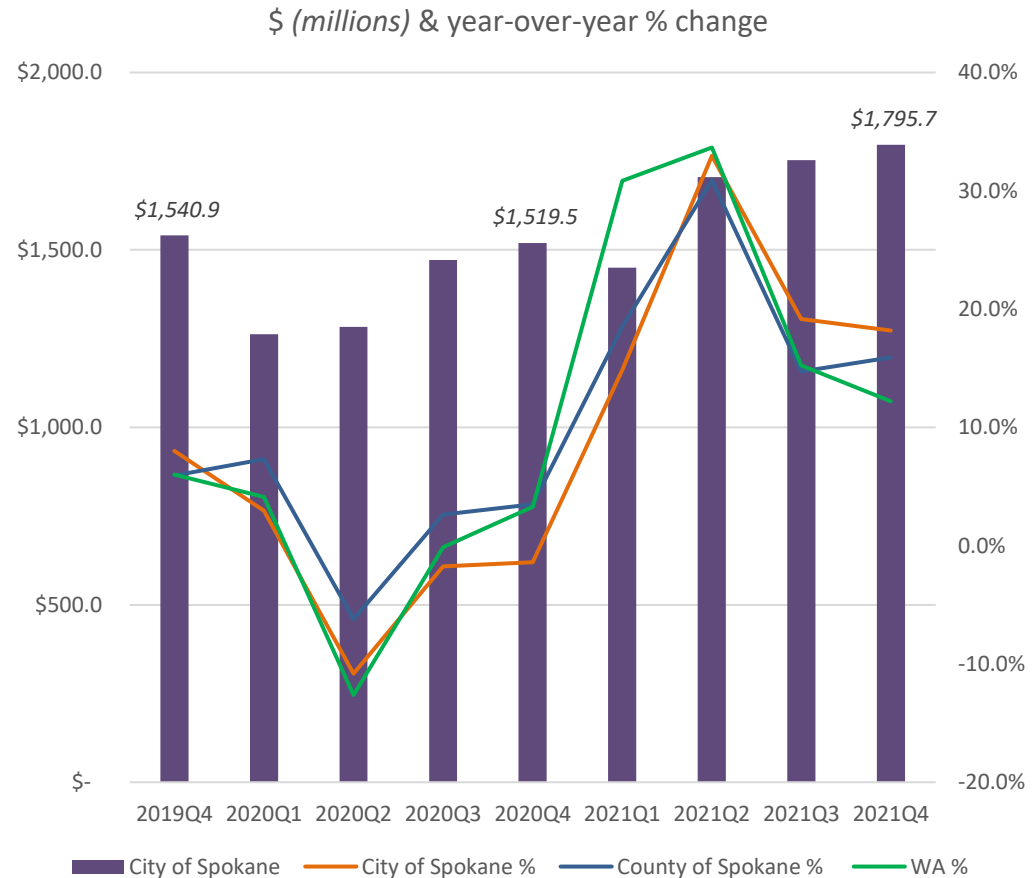
Summary of building permit measures

- Amount of permitting for **NEW single-family residences** seems to be stabilizing to pre-pandemic levels, although the value of the new residences is steadily increasing – up 18% over last three years.
- Amount of permitting for **NEW multi-family units** (duplexes or apartments) also seems to be stabilizing after the shock of the pandemic. The average value of new multi-family units being built is around \$160,000.
- The quantity of **non-residential** permitting has consistently increased year-over-year (same quarter) in the last three years.

City sales activity

Quarterly taxable retail sales in 2019-2021

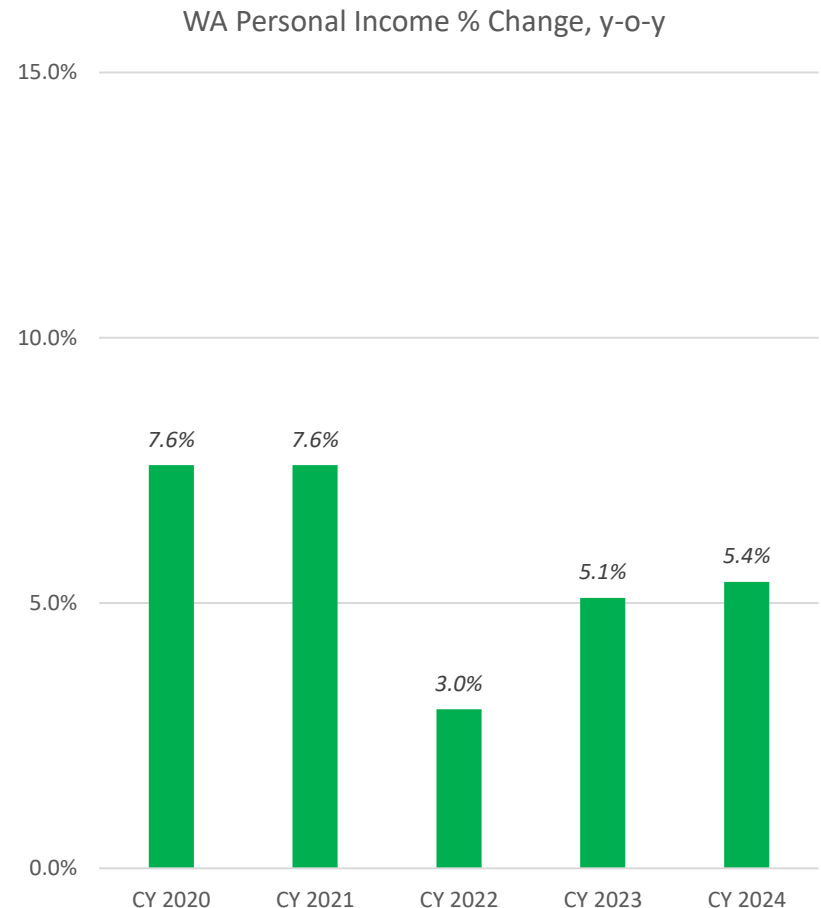
- Another very strong gain in Q4 2021
 - Year-over-year: 18%
 - Now much higher than same quarter two years ago
- Q1 likely to show a double digit y-o-y gain, if WA state serves as a reasonable guide
 - And it does....
 - The correlation between WA state and City of Spokane taxable retail sales is 0.995!
 - But....rest of 2022?



Source: [Spokane Trends](#) (data from WA State Department of Revenue)

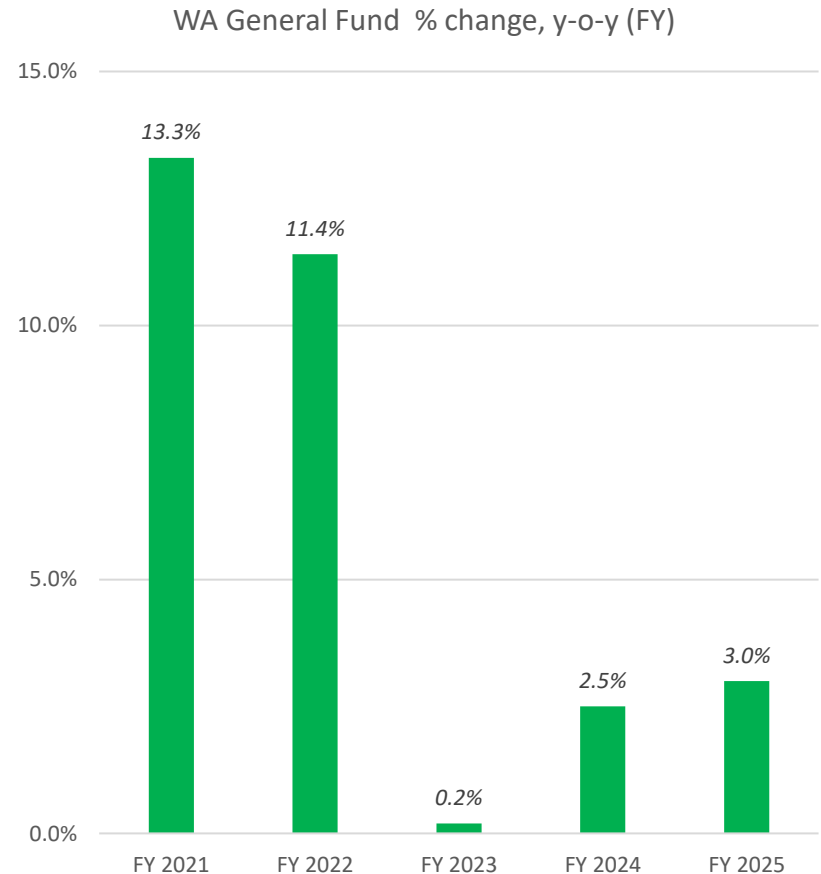
A look ahead at WA economy by the Economic & Revenue Forecast Council *(June, '22 release)*

- Personal income (PI) = wages + investments + transfer payments
- PI highly correlated with spending
 - (r = 0.975 for City of Spokane taxable retail sales & County income)
- PI-Spokane highly correlated with PI-WA
- ERFC projecting a large drop in the rate of increase of personal income for CY 2022, but less than in Nov 21
- If correct, this implies a large drop in growth rate of taxable retail spending



The ERFC's outlook on WA General Fund (GF) revenue *(June, '22 release)*

- These are WA fiscal years
- ~ Half of GF revenue is from taxable retail sales
- WA & City of Spokane taxable retail sales are highly correlated ($r = 0.995$)
- Big upward adjustment for FY 22, but strong decrease for FY23 & some decrease for FY 2024, compared to February forecast



Summary observations

- **Taxable retail sales** in the City for 2021 definitely ended the year with a y-o-y % increase in the mid-teens & at levels higher than 2019
 - City taxable retail sales are tracking closely those in WA state
 - WA state taxable retail sales for the 2nd quarter show a deceleration in growth to single digits
- **WA State General Fund forecast** for 2nd half 2022 & first half of 2023 anticipates almost no sales tax growth. The City might expect a similar outcome for sales tax, although COS has “outperformed” WA recently.
- This assumes that the ERFC forecasts accurately. In recent years, their forecasts have been underestimates.

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[Spokane Trends](#)

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