

City of Spokane Quarterly Economic Indicators

Q2, 2023

July, 2023



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WASHINGTON UNIVERSITY

start something **big**

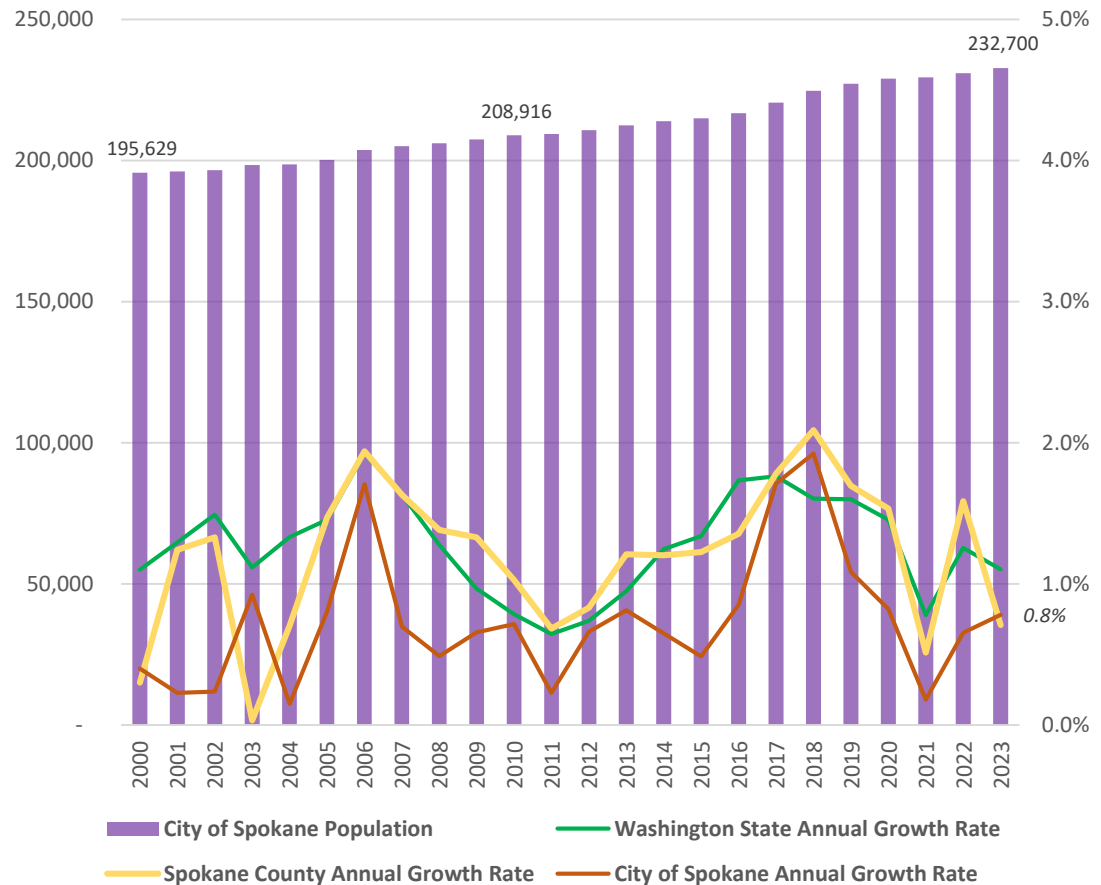
Overview

- 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 (4)
 - Employment (10)
 - Residential construction (4)
 - Non-residential construction (2)
 - Taxable sales & revenue (4)
- Local indicators are for the City of Spokane, unless noted

Population:

2023 estimates do not show a boom

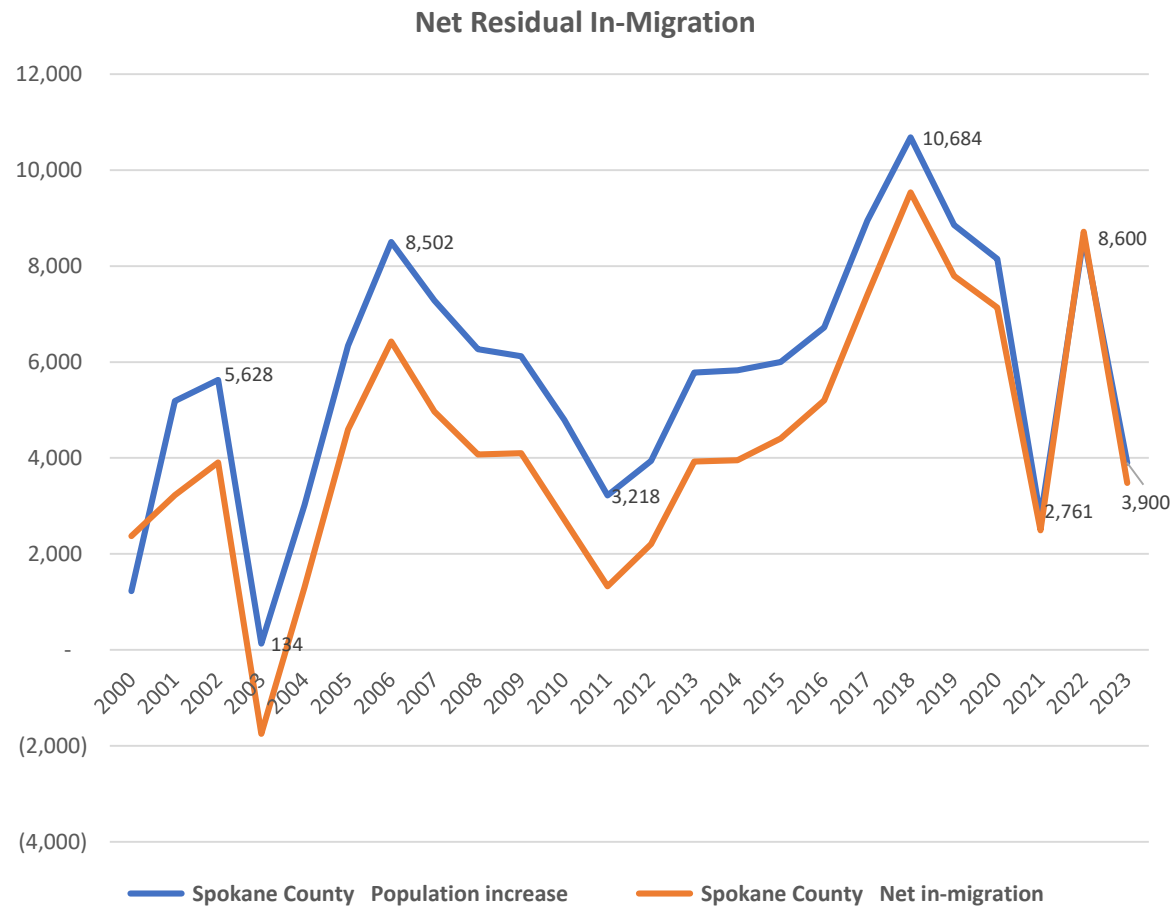
- 2023: ~233,000, or 0.8% annual gain
- Average annual gain past 5 years:
 - City: 0.7%
 - County & WA: 1.2%
- Average gain 2014-18: higher
 - City: 1.1%
 - County WA: 1.5%
- Since '00, City growth in the City has lagged County's & WA (but ahead of U.S.)
- City - hardly a "boomtown"



Population:

Nearly all recent gains stem from in-migration (County)

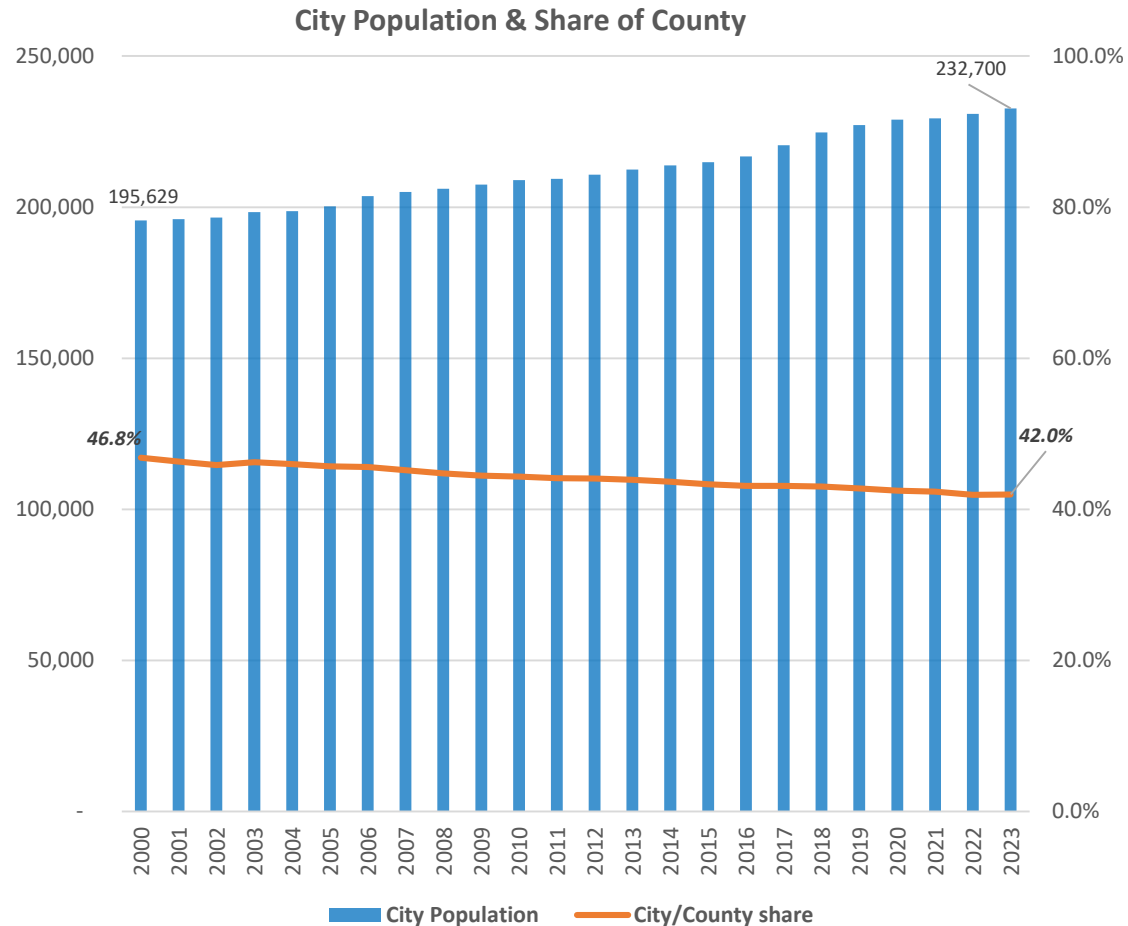
- 2023: of gain of 3,900, ~3,480 from in-migration
- Recent “natural increase” (births – deaths) not nearly as important recently as in prior years



Population:

City shows a declining share of County total

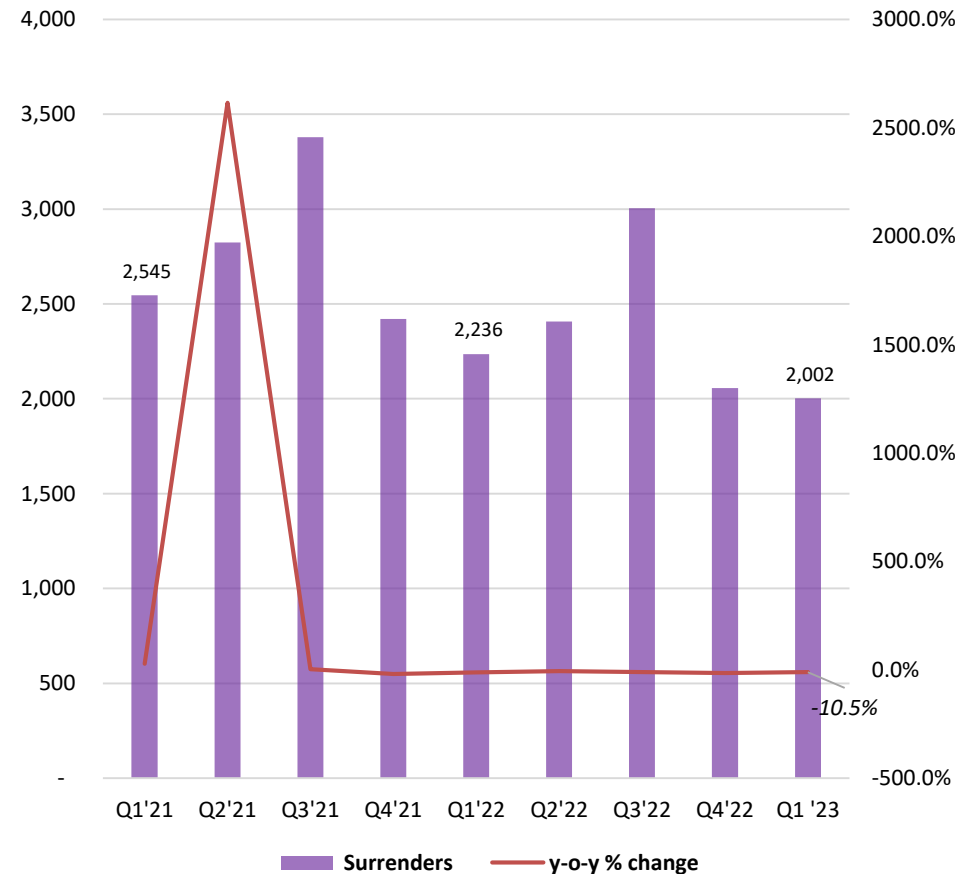
- A consistent decline every year since 2000, except last year.
- If trend from 2000 continues, City will have 40-41% of the County population in 2030



Population

County drivers license surrenders: slowing of 2022 continued into 2023

- Tracks those moving to the county from out-of-state
 - Doesn't capture in-state moves; currently, these are larger
- Q1 2023 < lower than Q1 in 2021, 2020 & 2019!
- 2022 annual surrenders < 2021, 2020 & 2019
- Rank of top "contributing" states in Q1: ID, CA, OR, TX, MT

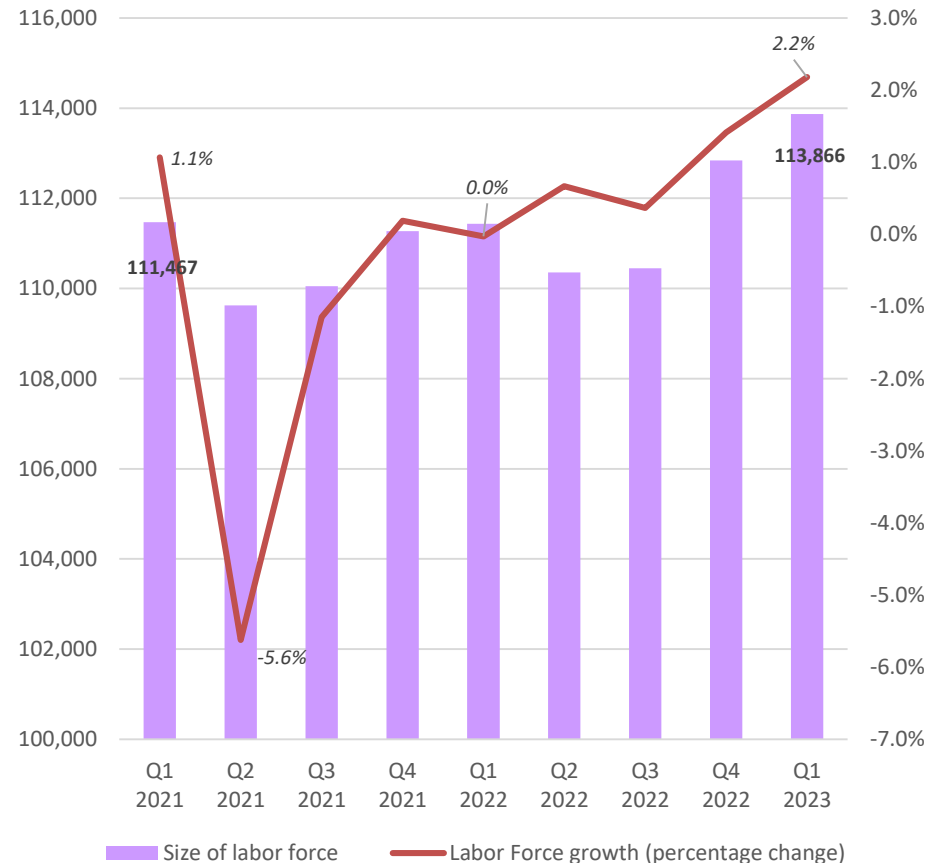


Source: WA Department of Licensing

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.
- After shock of pandemic, the CLF has returned to its regular cyclical behavior and is growing again.
- The labor force in first quarter of 2023 is now above where it was pre-pandemic.
- Total CLF reached a new high at close to 114,000 workers in first quarter of 2023.

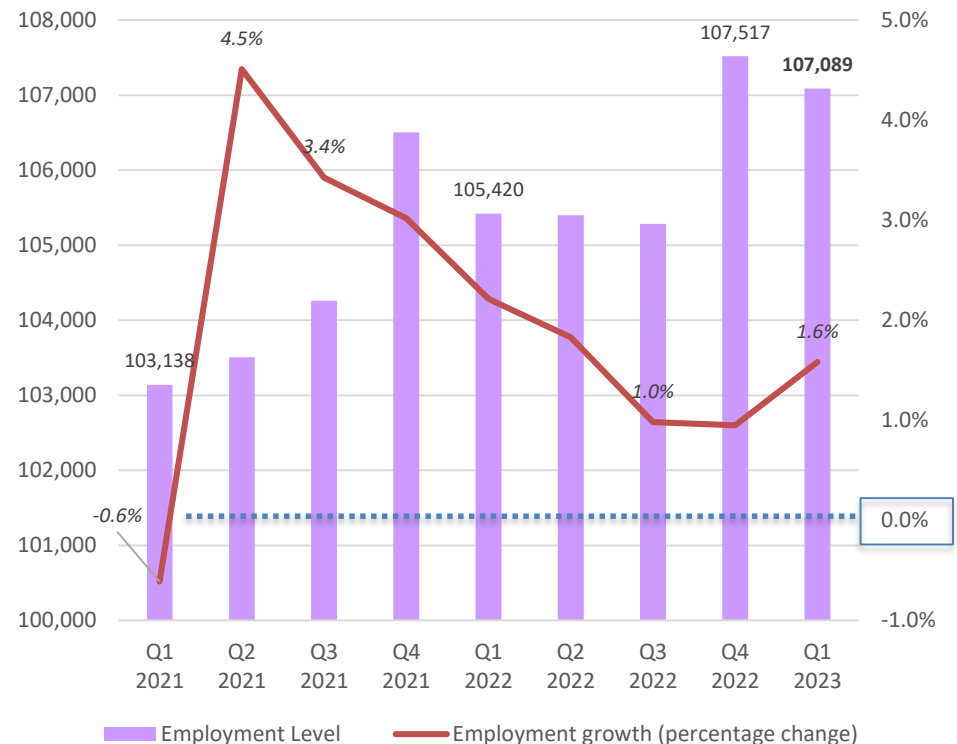


Source: Local Area Unemployment Statistics (LAUS)

Labor market

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

- Last two quarters (Q4 of 2022 & Q1 of 2023) have finally seen employment levels above pre-pandemic levels.
- Q4 of 2022 was all-time high. (March of 2023 the monthly total exceeded 108,000.)
- Since Q1 of 2021, there has been an average increase of around 2,000 more jobs per year.
- The local economy seems to have recovered from the shock of the pandemic and is returning to a new normal.

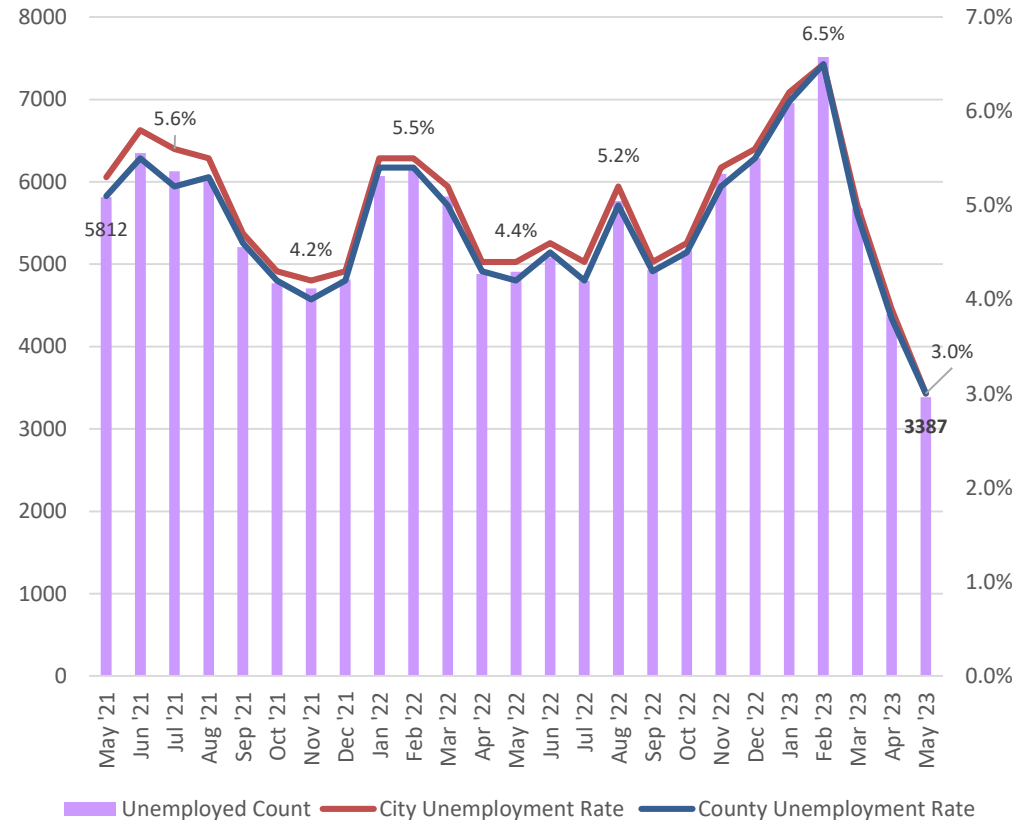


Source: Local Area Unemployment Statistics (LAUS)

Labor market

Monthly unemployment count & rate

- The city's May unemployment number of 3,000 matched the county's rate and exceeded both the state and nation.
 - Washington State 3.3%
 - US 3.7%
- The first five months of 2023 have seen a strong drop in unemployment count and rate from 6.5% to 3.0%.



Source: Local Area Unemployment Statistics (LAUS)

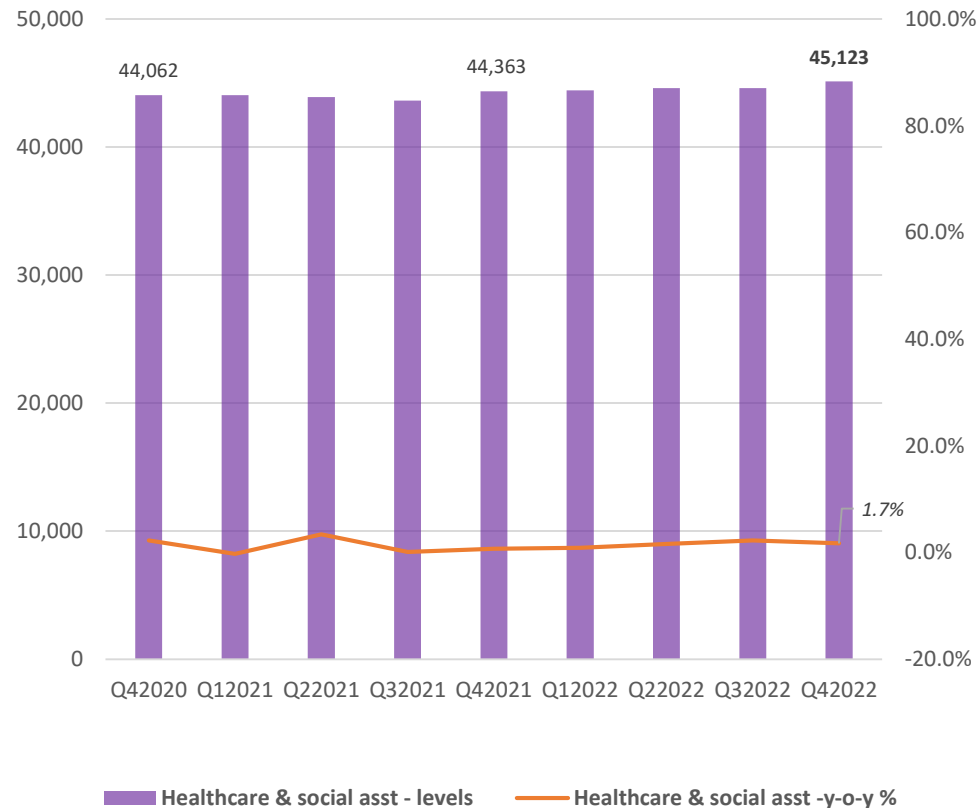
Summary of aggregate employment measures

- The **CLF** has been growing steadily since first quarter of last year (2022) and is approaching 114K.
- Both Q4 2022 & Q1 of 2023 have shown record high levels of **employment** at over 107K jobs. Although job growth continues, it is showing signs of slowing.
- The May **unemployment rate** for the City matches the rate for the county overall and at 3.0% is BELOW both the state and national average.

Key sectors

Quarterly employment in County Healthcare & Social Assistance

- Includes: ambulatory care, hospitals, social assistance, & nursing/residential care
- County's largest sector grew by ~1,800 in '22
- 4 quarter average: 44,502
- Count now nearly 2,000 > Q4 2019
- 2021 average annual wage: \$60,176 (vs. \$59,541 for all jobs in County)

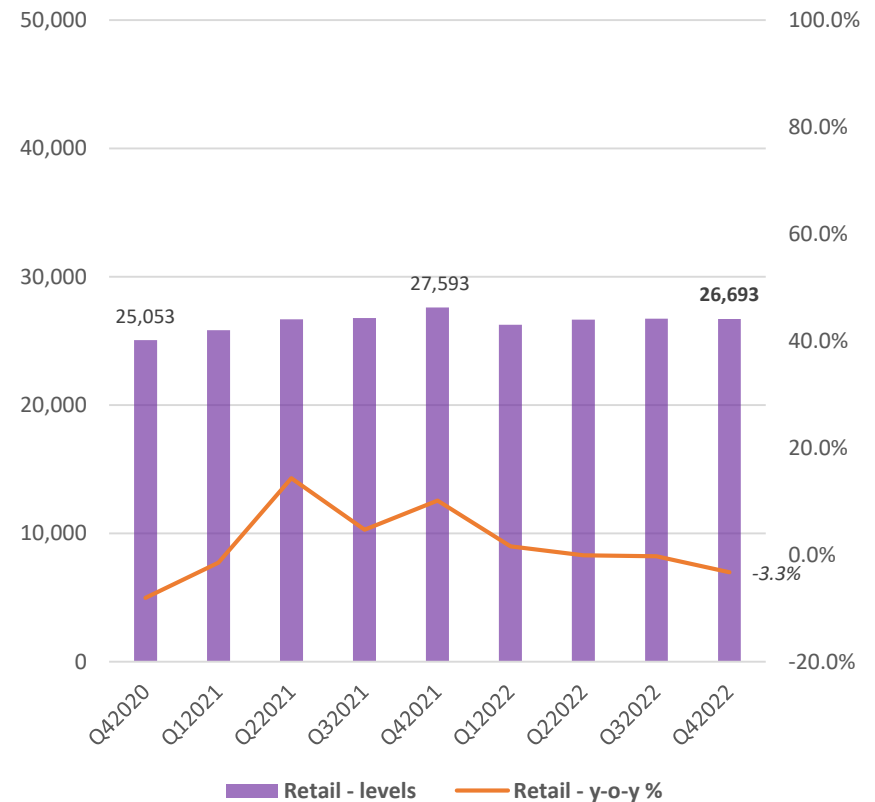


Source: WA Dept. of Employment Security, QCEW

Key sectors

Quarterly employment in County Retailing

- 2nd-largest private sector
- Strong recovery in 2021, but declined in 2022
- 4 qtr. average employment: 26,581
- 2022 count ~ same as 2019
- 2021 ave. annual wage: \$41,435
(vs. \$59,541 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
- Recovery complete in 2022
- 2022 average employment: 20,750 vs. 19,990 in 2019
- 2021 AA wage: \$26,775 (vs. \$59,541 for all jobs in County)



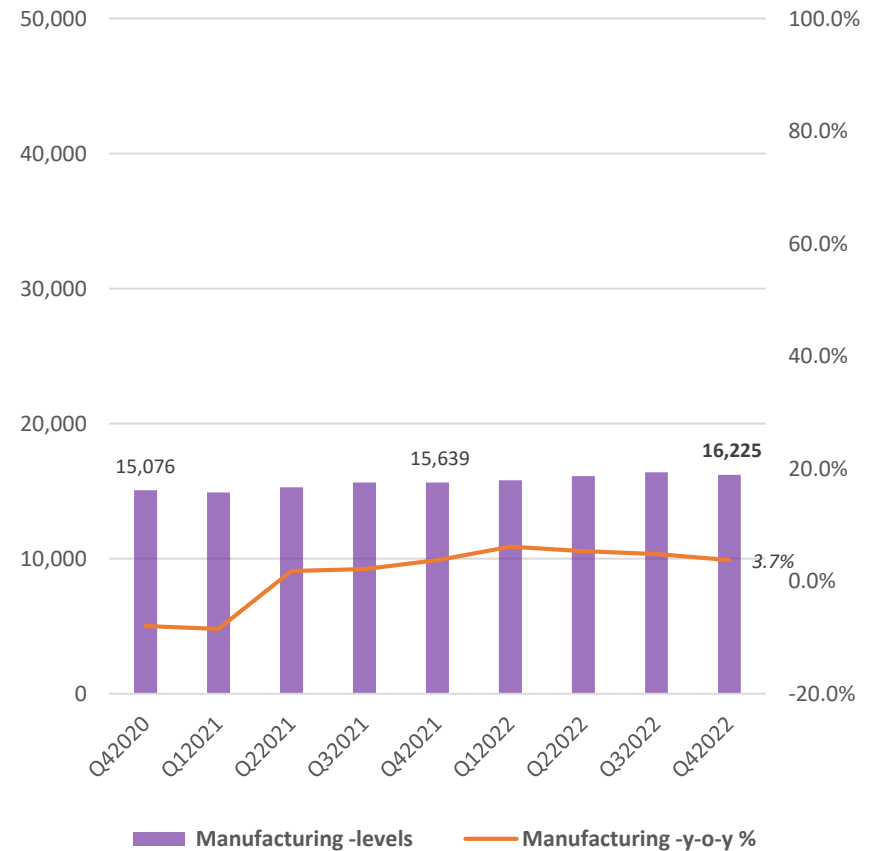
Source: WA Dept. of Employment Security, QCEW

Key Sectors

Quarterly employment in County Manufacturing

- 5th largest sector
- Modest recovery in 2022 from '21
- Q4 count > Q4 2020 & 2021
- But 2022 ave. employment ~250 < 2019 ave. employment
- AAW in 2021: \$63,565 (vs. \$59,541 for all jobs in County)

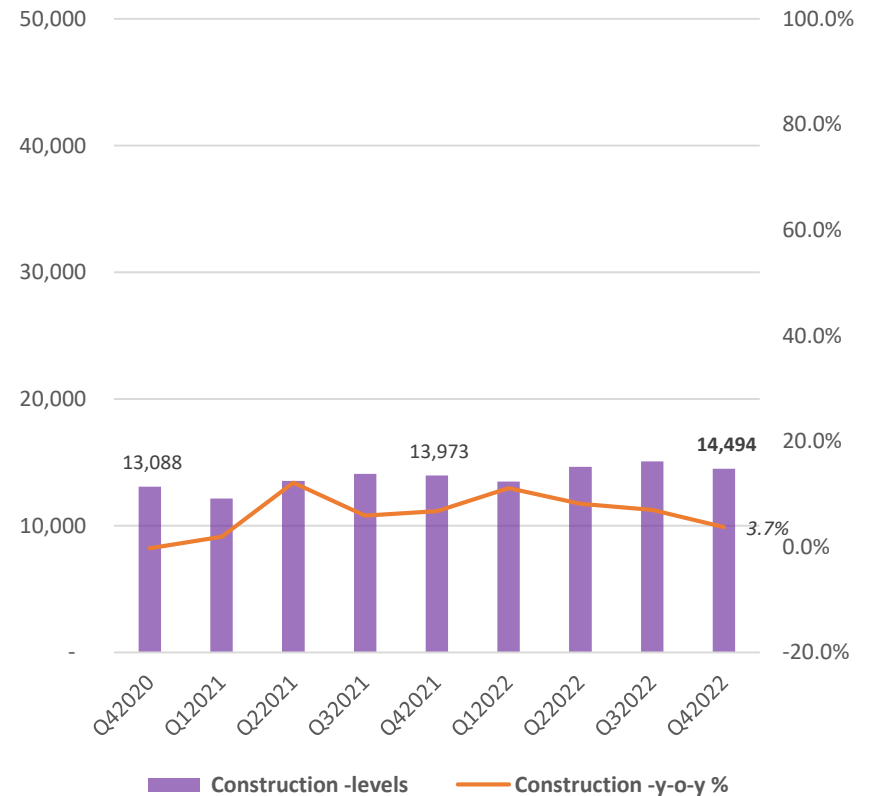
Source: WA Dept. of Employment Security, QCEW



Key Sectors

Quarterly employment in County Construction

- 6th largest sector
- Strong recovery from pandemic
- Ave. 2022 employment = 14,432
- 2022 average count now ~1,700 > 2019 average
- AA Wage in 2022: \$63,078 (vs. \$59,541 for all jobs in County)

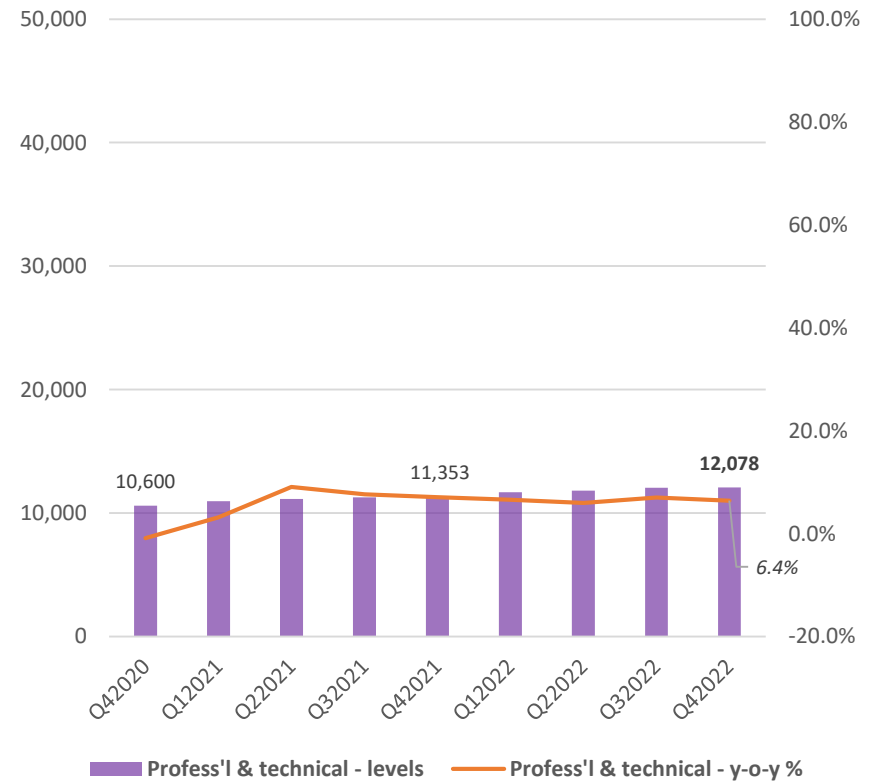


Source: WA Dept. of Employment Security, QCEW

Key sectors

Quarterly employment in County Professional & Technical services

- Consists of “white collar”/knowledge occupations – lawyers, accountants, architects, engineers, consultants
- Largest % increase of all sectors during pandemic, over 2019
- Q4 2022 employment 1,500 > Q42020
- 2022 average employment ~ 11,900
- 2022 AA wage: ~\$83,033 (vs. \$59,541 for all jobs in County)

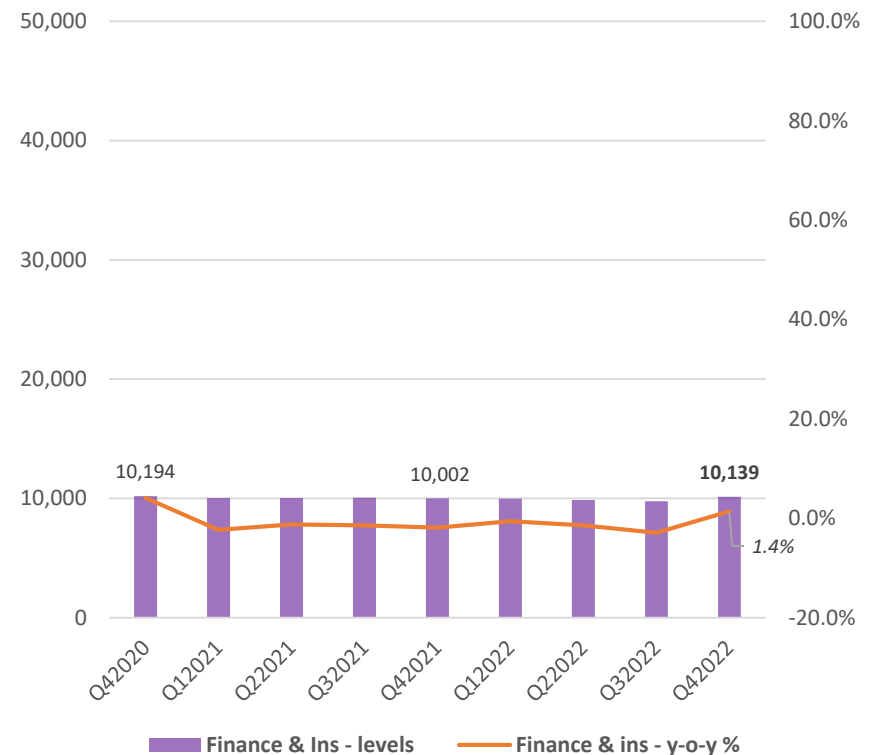


Source: WA Dept. of Employment Security, QCEW

Key sectors

Quarterly employment in County Finance & Insurance

- 9th largest sector
- Decline in 2021 continued in 2022
- But...2022 average employment: 9,937 vs. 9,827 in 2019
- 2022 average annual wage: \$100,234 (vs. \$59,541 for all jobs in County)



Source: WA Dept. of Employment Security, QCEW

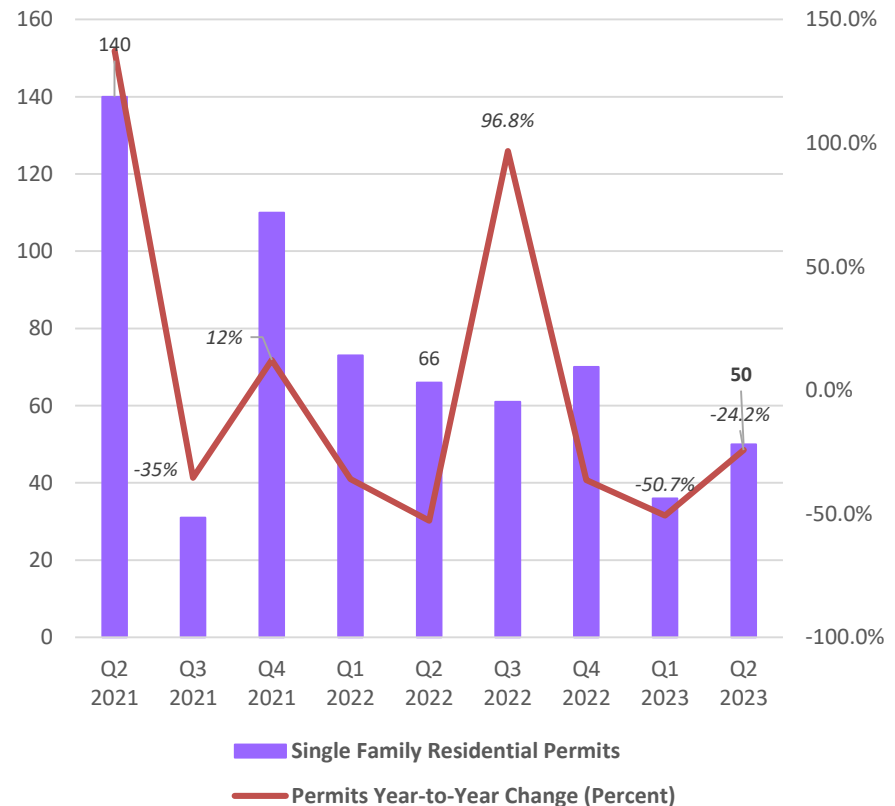
Summary of sector performance, as measured by employment

- With exception of retail and manufacturing, the largest sectors by employment in the county show average employment levels in 2022 > 2019.
- In *percentage* terms, employment in **professional & technical services** sector has grown the fastest (13%) of the large sectors since 2019.
- In *total* terms, employment in Spokane's **health care & social assistance** has added the greatest number of jobs (~2,000) since 2019.

Housing

Residential building permits, single-family

- First half of 2023 (Q1 & Q2) saw about 30% lower permitting activity than the same two quarters previous two years.
- New construction of single-family residences continues to be strong but is stabilizing after the impact of the pandemic.
- In 2022, there were 270 new single-family houses permitted – approximately the same as in 2018 & 2019 (pre-pandemic.)
- Since 2018, population has grown 5% (by 28,000 people).

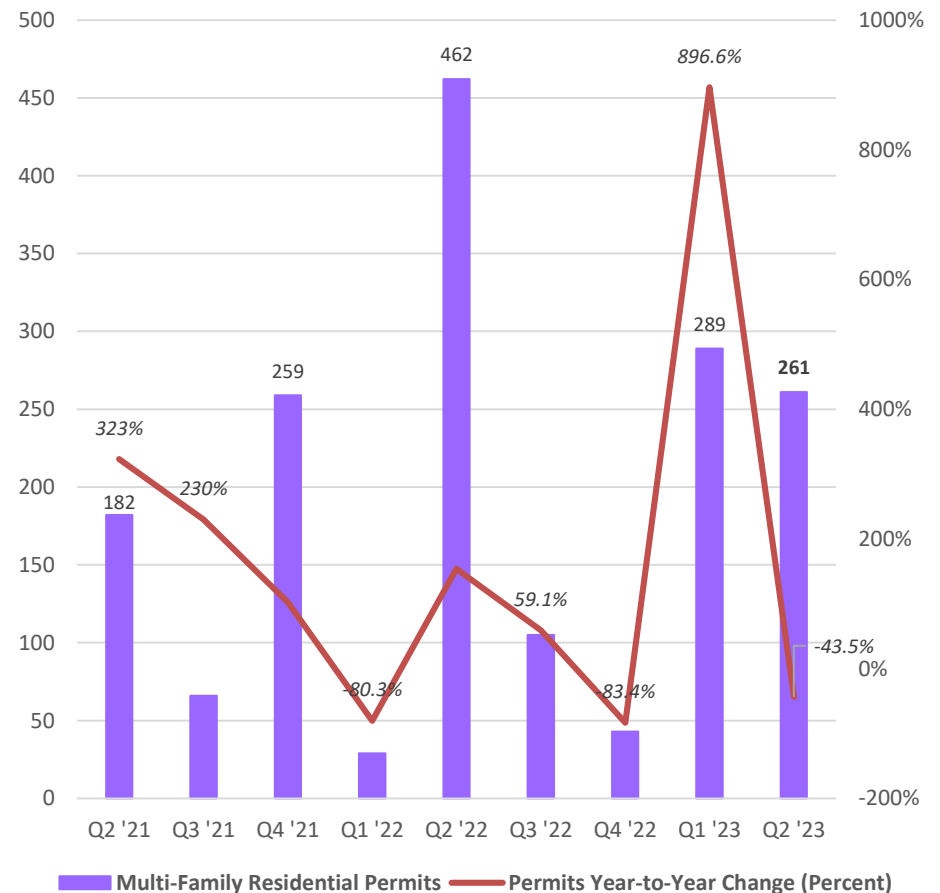


Source: City of Spokane

Housing

Multi-family building permits, by units

- Construction of multi-family housing units is **very strong** – faster than single-family home construction.
- Annual permits in 2022 nearly matched 2021 (immediate spike after pandemic) and are more than 4x the level in 2019 (pre-pandemic).
- First six months of 2023 have seen 550 permitted multi-family units, suggesting another large spike in 2023.
- MF permits are up 12% from the first half of 2022 and up 67% from first half of 2021.
- In addition to permitted NEW construction, there have been 34 units converted / remodeled (**change in use**) to multi-family units in the first six months of 2023 alone. In 2022, there were 236 units converted to multi-family units.

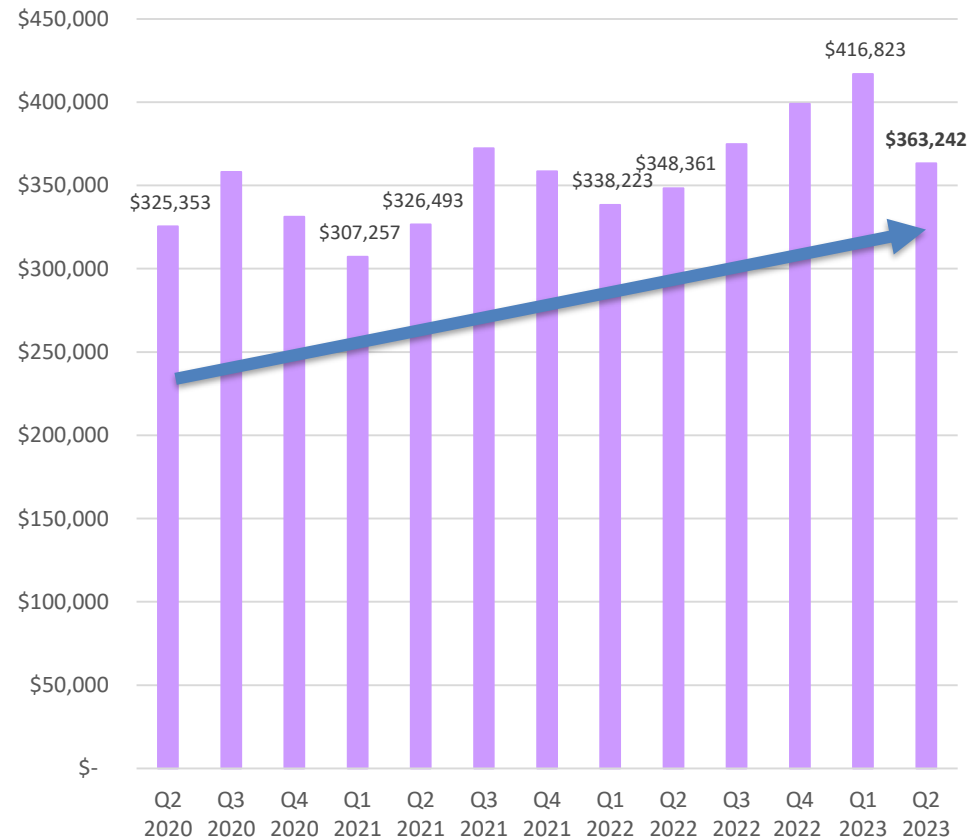


Source: City of Spokane

Housing

Average value of permitted single family residence

- After reaching **new high of almost \$416,823** in Q1, the average permitted value for SF homes fell off.
- The average value of permitted SF residence in Q2 of 2023 is still above the same quarter for the last two years.
- Since Q2 of 2020, the average value of permitted single family residences has **increased nearly 12%**.

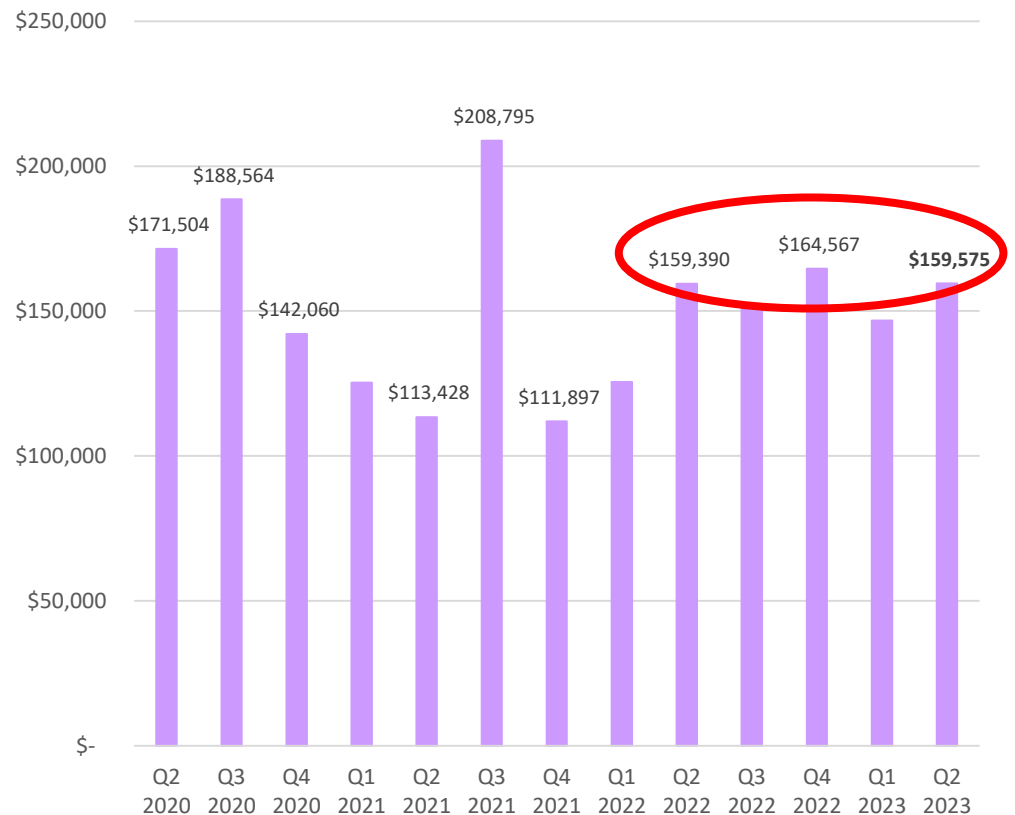


Source: City of Spokane

Housing

Average value of permitted multi-family units

- First six months of 2023 saw the permitting of over 550 new apartments & duplexes at an average value of just under \$160,000.
- Last four quarters have seen permitting values for MF units level off at around \$160K. Previous five quarters hovered around \$120K.

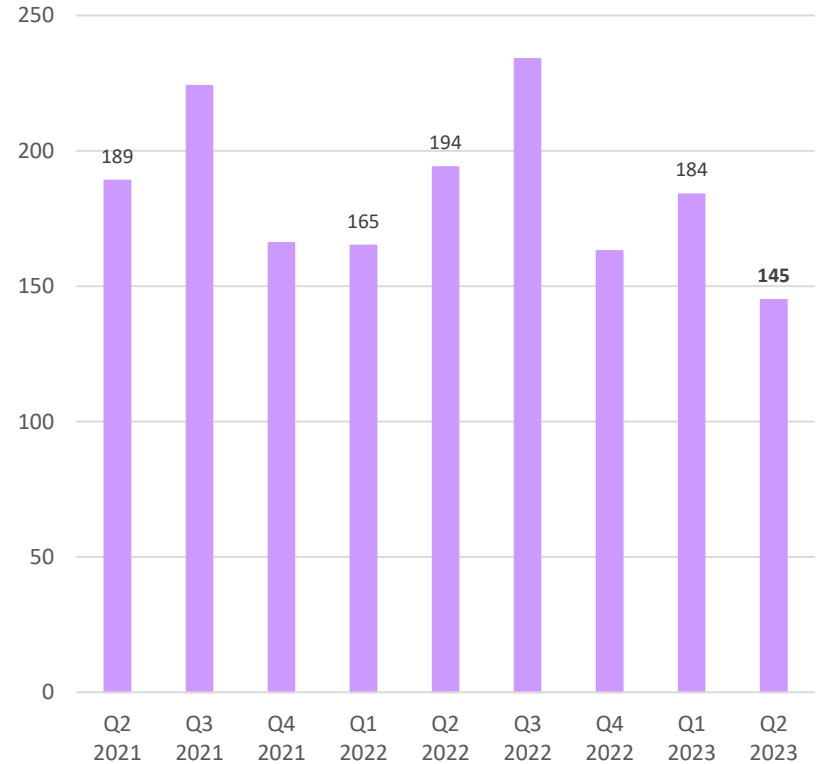


Source: City of Spokane

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.
- NR permits through first 6 months of 2023 slightly below (-8%) the first 6 months of 2021 & 2022. Only about 30 fewer permits over the 6 months.

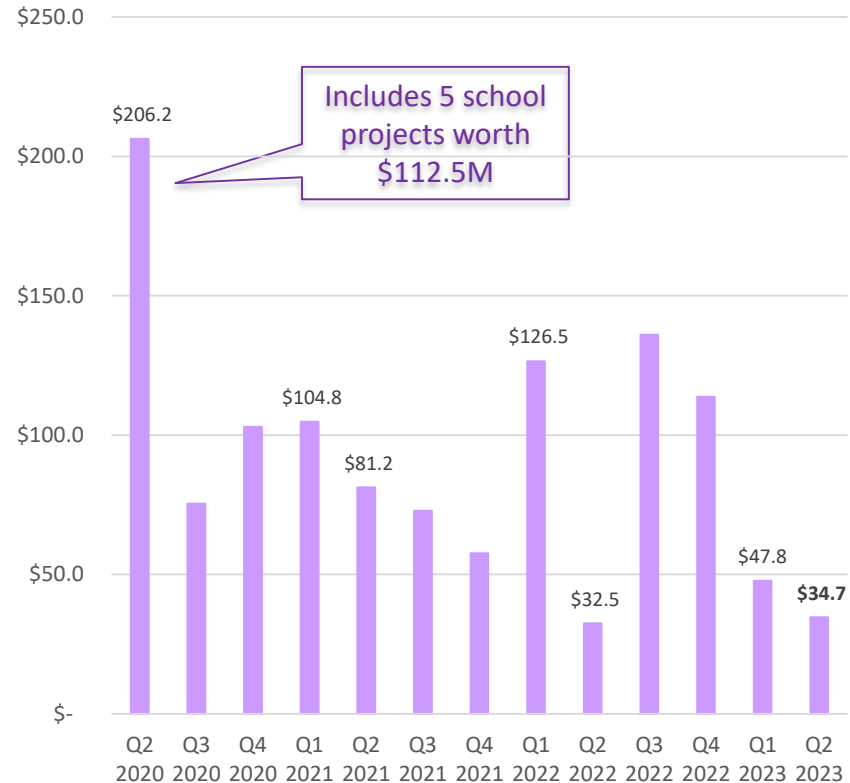


Source: City of Spokane

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.
- First 6 months of 2023 have seen only about half the value of permitting as previous two years (2021, 2022). Could be due to strong permitting in 2nd half of '22.
- Remodels / Additions made up the bulk of permitting activity in Q1 & Q2 of 2023's total permitted value.
- Overall, a variety of non-residential construction (new or remodeling) is ongoing throughout the city.



Source: City of Spokane

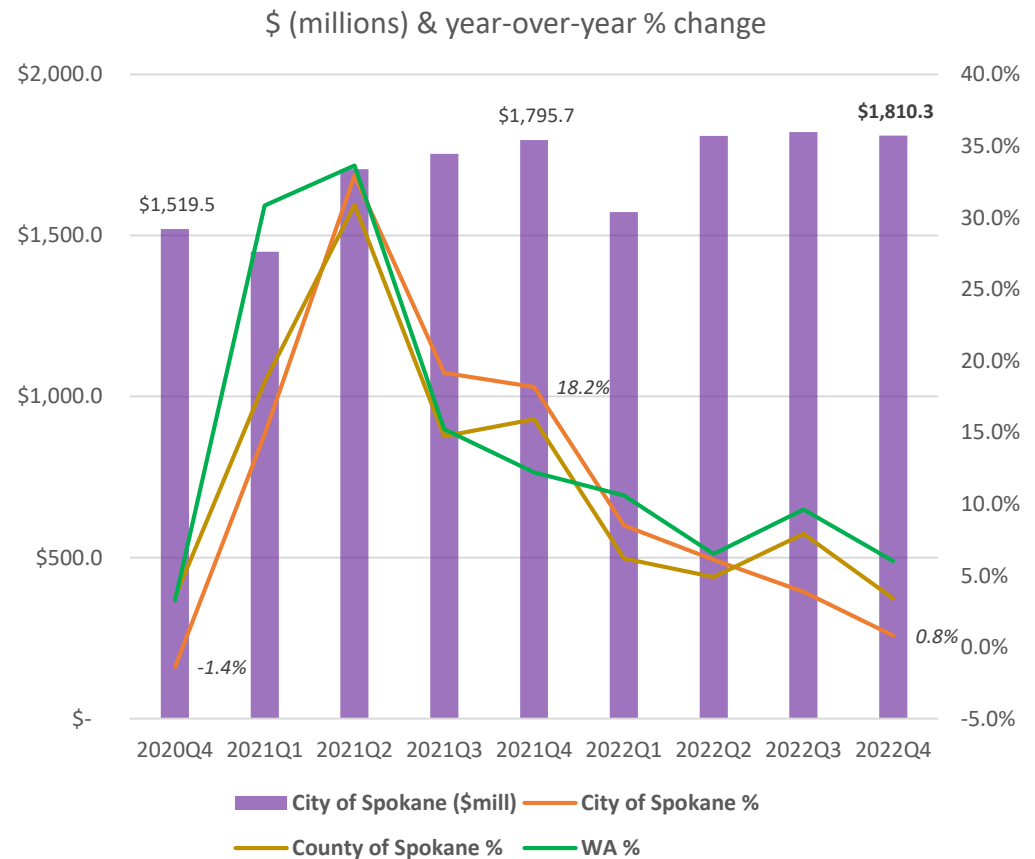
Summary of building permit measures

- Amount of permitting for **NEW single-family residences** is lower for the first six months of 2023 compared to previous two years while population is on the rise. There is evidence of cooling in permitted values of SF residences and values are up only 12% over last two years.
- Amount of permitting for **NEW multi-family units** (duplexes or apartments) saw large increases in 2022 and is continuing strong through first six months of 2023. The average value of new multi-family units is around \$160,000.
- The quantity of **non-residential** permitting and total value of all projects is down slightly compared to the first 6 months of previous two years..
- There continues to be a wide variety of new construction and remodeling being done throughout the county.

City sales activity

Quarterly taxable retail sales Q4 2020-Q4 2022

- Q4 of 2022
 - Year-over-year growth: 0.8%
 - Now much higher than same quarter in 2019 (\$1,498M)
- Q1 '23 likely to show a low single digit y-o-y % gains, if WA serves as a reasonable guide
 - And it does....
 - The correlation between WA state and City of Spokane taxable retail sales is 0.995!
- 2022 growth, as predicted, in mid-single digits: **4.6%**



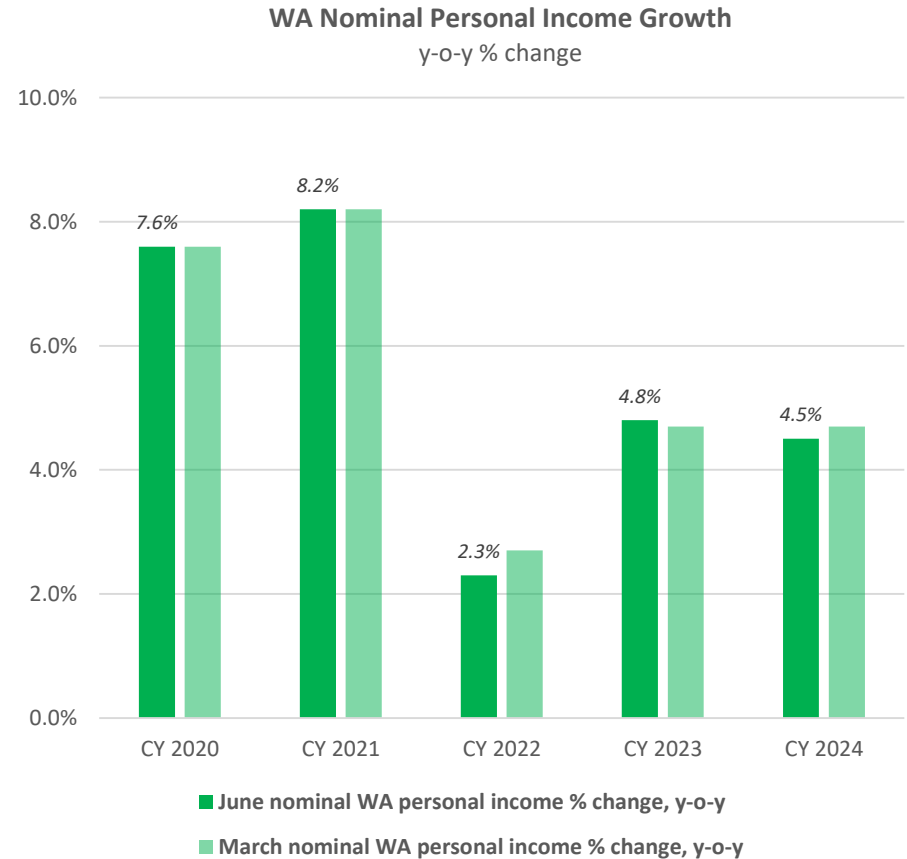
Source: WA State Department of Revenue

WA recent taxable retail sales: generally a positive rate, but irregular & slowing; 2023 ave. to-date = 4%



A look ahead at WA economy by the Economic & Revenue Forecast Council *(June '23 release)*

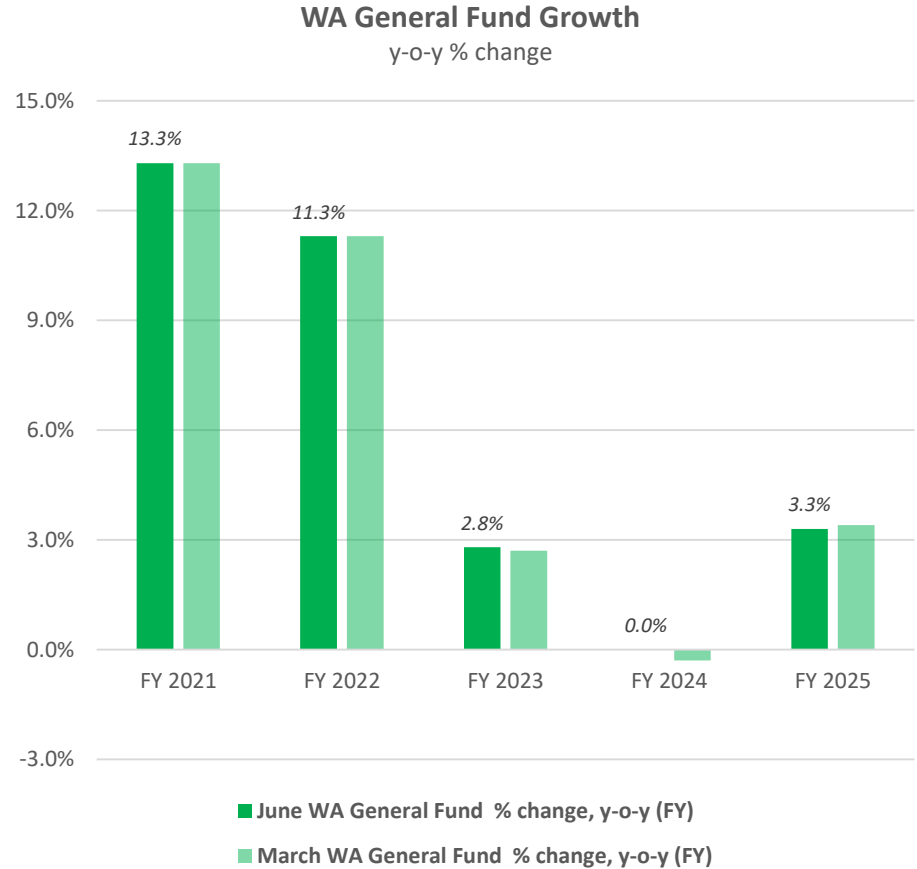
- Measure is personal income (PI) = wages + investments + transfer payments
- PI highly correlated with spending
 - (r = 0.98 for City of Spokane taxable retail sales & County PI)
- PI-Spokane highly correlated w/ PI-WA
- ERFC now projecting little change from prior forecasts, with '23 & '24 y-o-y% growth mid-single digits



The ERFC's outlook on WA's General Fund (GF)

(June, 2023)

- These are WA fiscal years
- Steep decline in FY2023 (1/2 2022 & ½ 2023) generally follows forecast for WA personal income
- Composition of WA GF a bit different from City of Spokane's, but dominated by retail sales, as here.
- June forecast differs little from March forecast; FY 2024 now no longer negative



Summary observations

- **Taxable retail sales** in the City for 2022 shows declining growth from 2021, with an average gain of nearly 5%.
- Taxable retail sales growth for City in early '23 likely to be low mid-single digits
- **WA State General Fund *forecast* from June** for FY24 anticipates zero growth.
 - The City might expect a similar outcome.
 - 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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