

City of Spokane Quarterly Economic Indicators

Q1, 2024

May 2, 2024

Overview

Goal: to provide insights about important City trends via data with higher frequency than annual updates

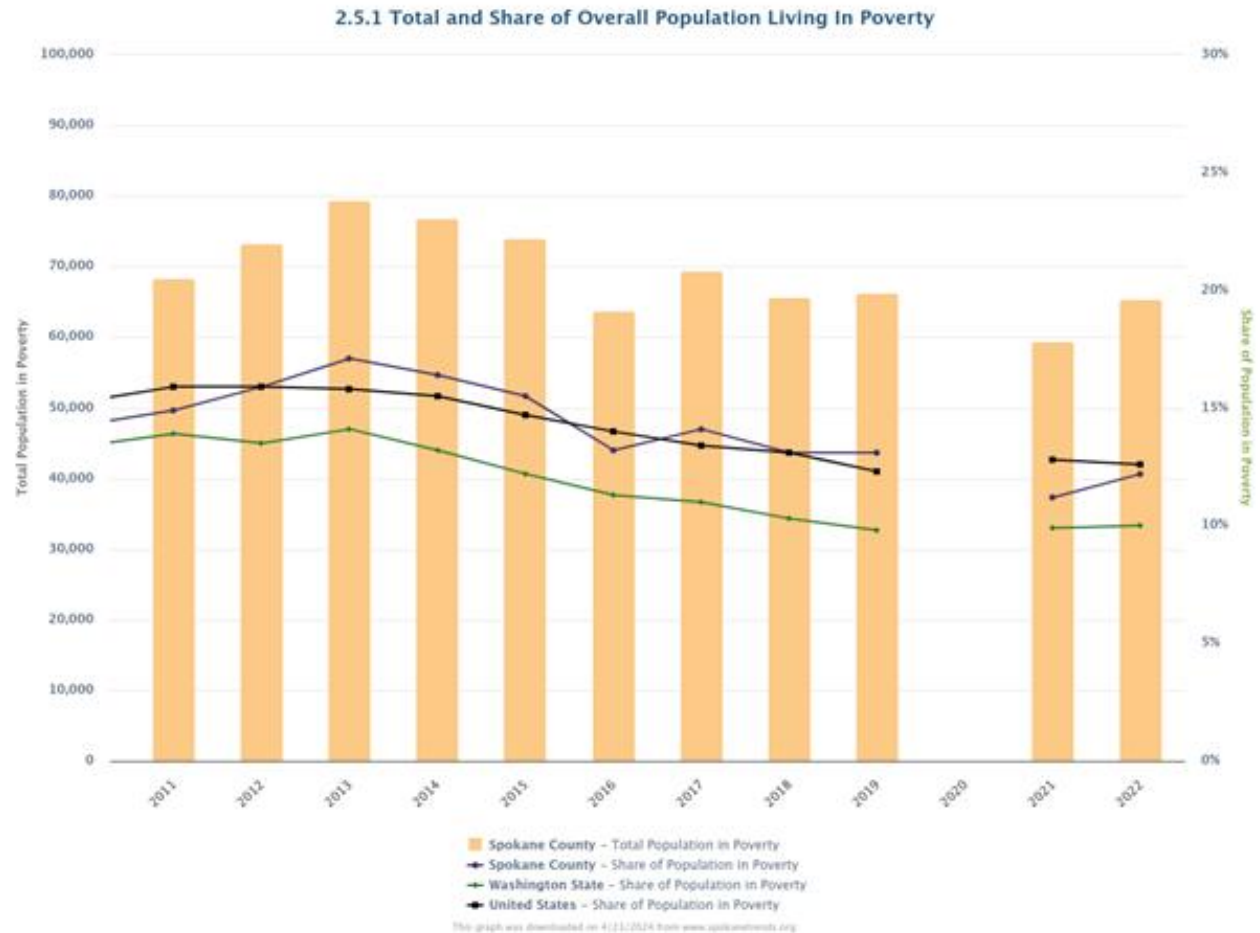
- Track indicators in the following categories :
 - Demographics
 - Labor markets
 - Employment Residential construction
 - Non-residential construction
 - Taxable sales & revenue
- Per the Council's request, the following categories have been added:
 - Government employment
 - Affordability – 2 HAI measures
 - Median household income
- Local indicators are for the City of Spokane, unless noted

Poverty

Spokane County rate has declined since 2013

[Spokane Trends](#)

- Peak in 2013: 17%
- Decline to '21: 11%
- 2022: 12% but not statistically different than 2021
- Spokane County rate now < U.S. rate



Poverty

A very short primer on poverty rate calculations

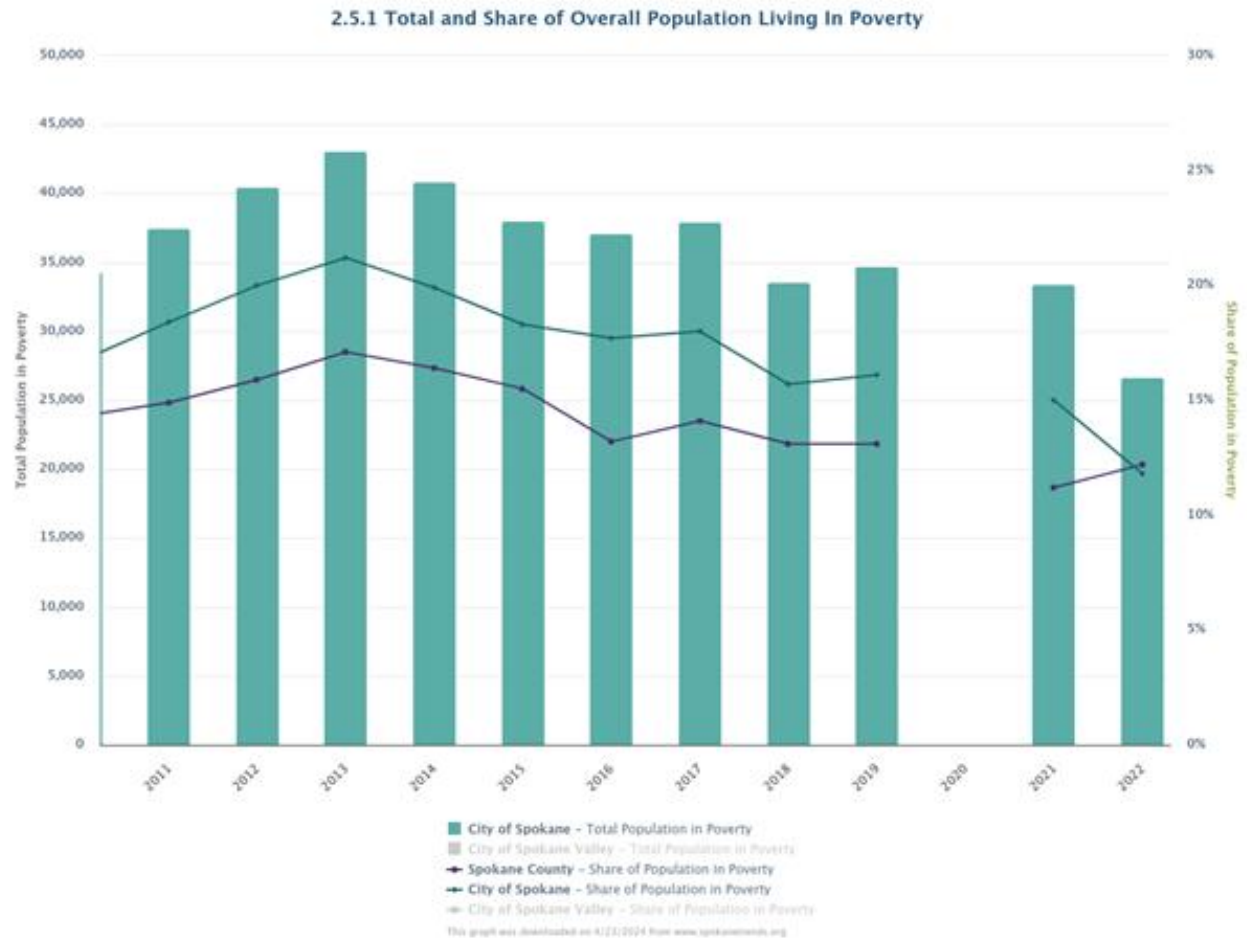
- Federal Poverty Thresholds developed in mid-60s, with the assumption that a “basic” food budget amounted to ~33% of household expenditures.
- Calculations haven’t changed since then, although they’ve increased every year by the CPI
- Thresholds don’t vary by geography, but by family size
- Some critics of the thresholds claim they are too low point to the now much more significant costs of childcare (ALICE); others say too high & point to the distortions caused by omitting non-monetary benefits (e.g. vouchers)
- Census has developed a “supplemental” measure that attempts to address some of both critiques, but it is not available at the county/metro level.

Poverty

In City of Spokane, decline of rate even steeper

[Spokane Trends](#)

- Peak in 2013: 21%
- 2022: ~12%
- Now ~ to County rate and < U.S. rate

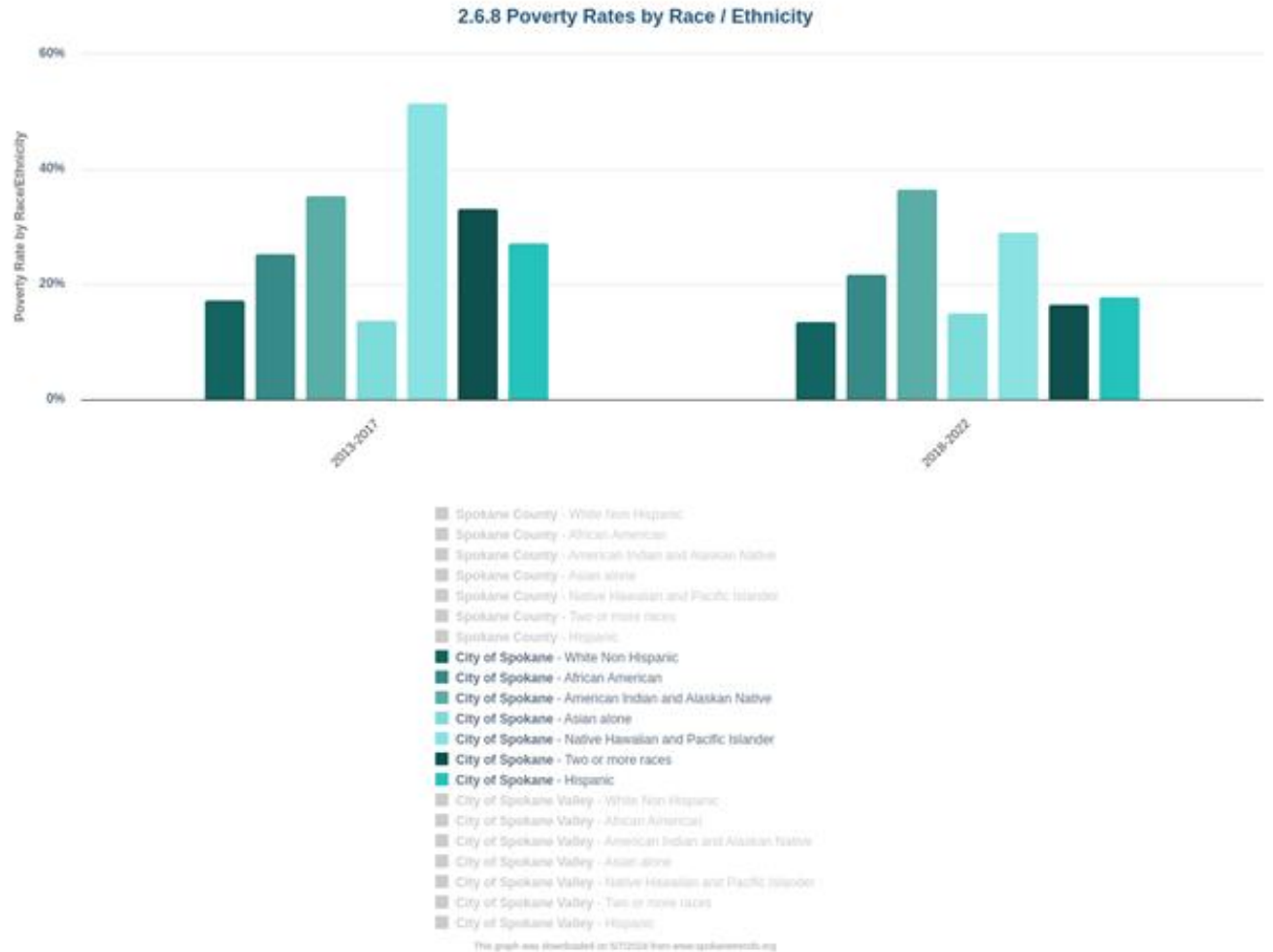


Poverty

Poverty rate varies greatly by race & ethnicity

Spokane Trends

- 2018-2022 Spokane City results
 - Black = 22%
 - AIAN = 37%
 - Asian = 15%
 - NHPI = 29%
 - 2 or more = 17%
 - Hispanic = 18%
 - Non-Hisp White: 14%
- Over time, biggest decreases:
 - NHPI
 - 2 or more races
 - Hispanics/Latinos



Poverty:

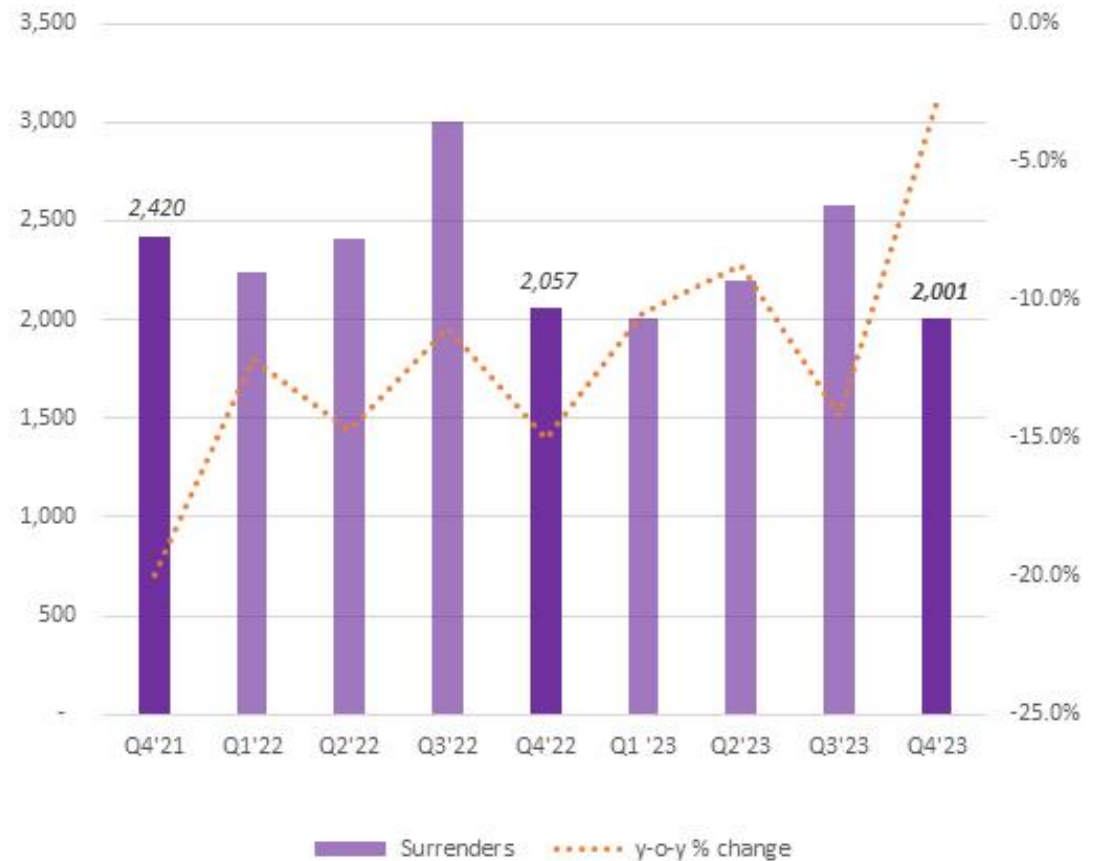
Why do we care?

No explanation needed.....

Population:

County drivers license surrenders: 2023 was far lower than prior years

- Tracks those moving to the county from out-of-state
 - Doesn't capture in-state moves; currently, these are larger
- Q4 2023 < lower than Q4 in 2019-2022; negative growth every quarter since Q3 2021
- 2023 < 2024 by ~10%
- Rank of top "contributing" states in ytd: ID, CA, OR, TX, AZ

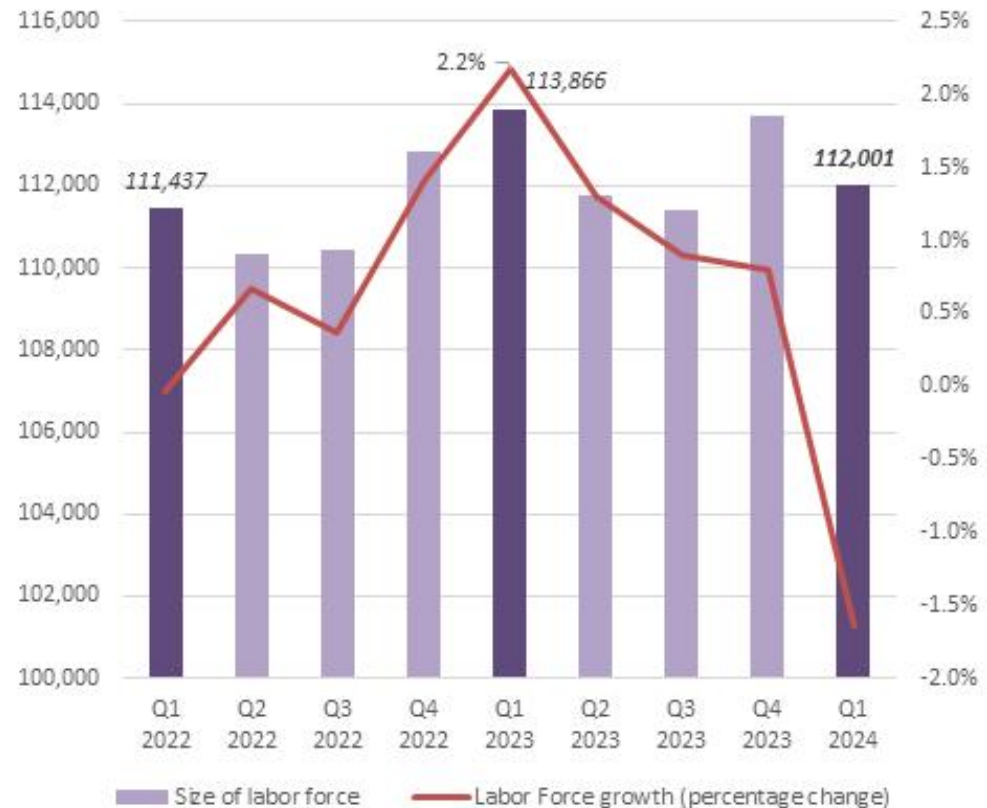


Source: [WA Department of Licensing](#)

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 hitting a peak in Q1 of 2023, the CLF has fallen off slightly but still remains higher than it was in first quarter of 2022.
- The slightly higher CLF (compare to 2 years ago – same quarter) combined with flat employment, is reflected in the uptick of unemployment that we are seeing.



Source: Local Area Unemployment Statistics (LAUS)

Labor market

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

- First quarter of 2024 had nearly same employment level as Q1 of 2022.
- Total number of jobs in the county peaked in Q4 of 2023.
- After strong job growth from Q4 of 2022 to Q4 of 2023, we see some cooling in employment levels at the start of 2024.

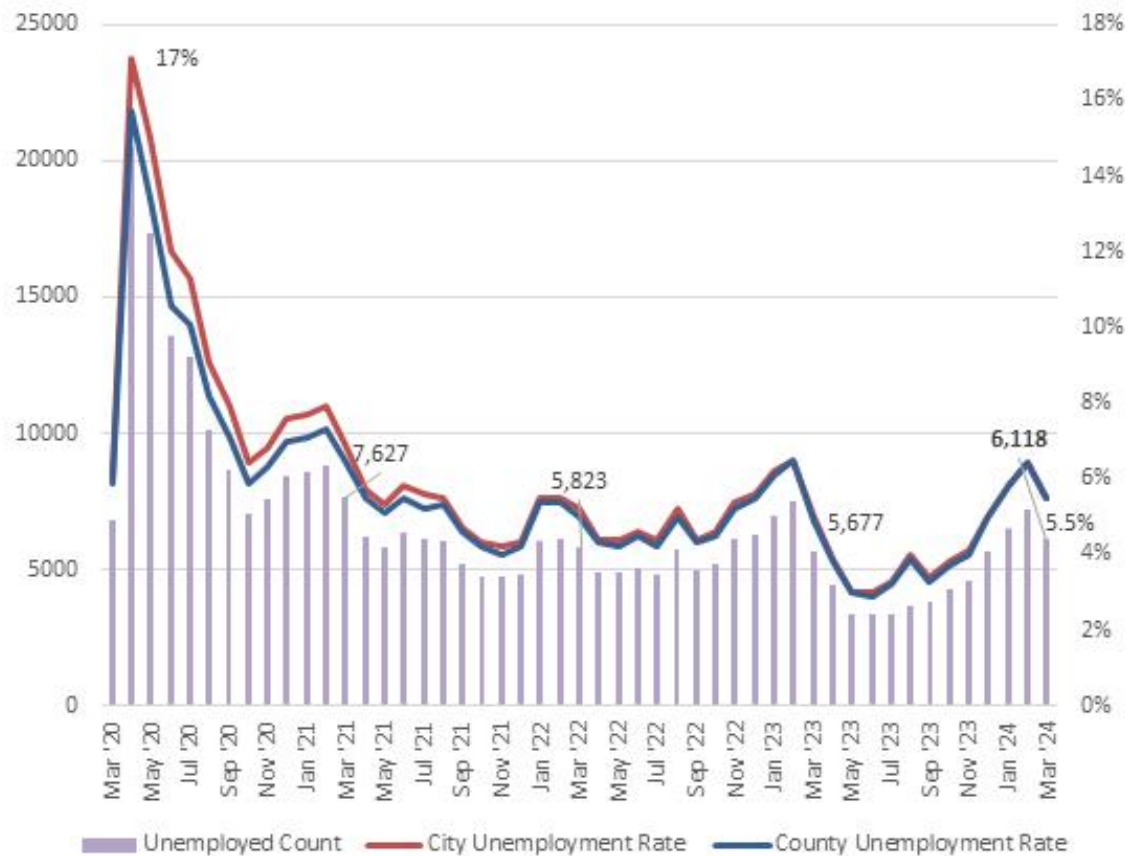


Source: Local Area Unemployment Statistics (LAUS)

Labor market

Monthly unemployment count & rate

- The City's March, 2024 unemployment rate of 5.5% matches the county and is above both the state and nation as well.
 - Washington State 5.1%
 - US 3.8%
- After rising throughout second half of 2023, the total count of unemployed dropped in March.
- Total unemployed in March of 2024 is slightly above one year ago, but below where it was two years ago.



Source: Local Area Unemployment Statistics (LAUS)

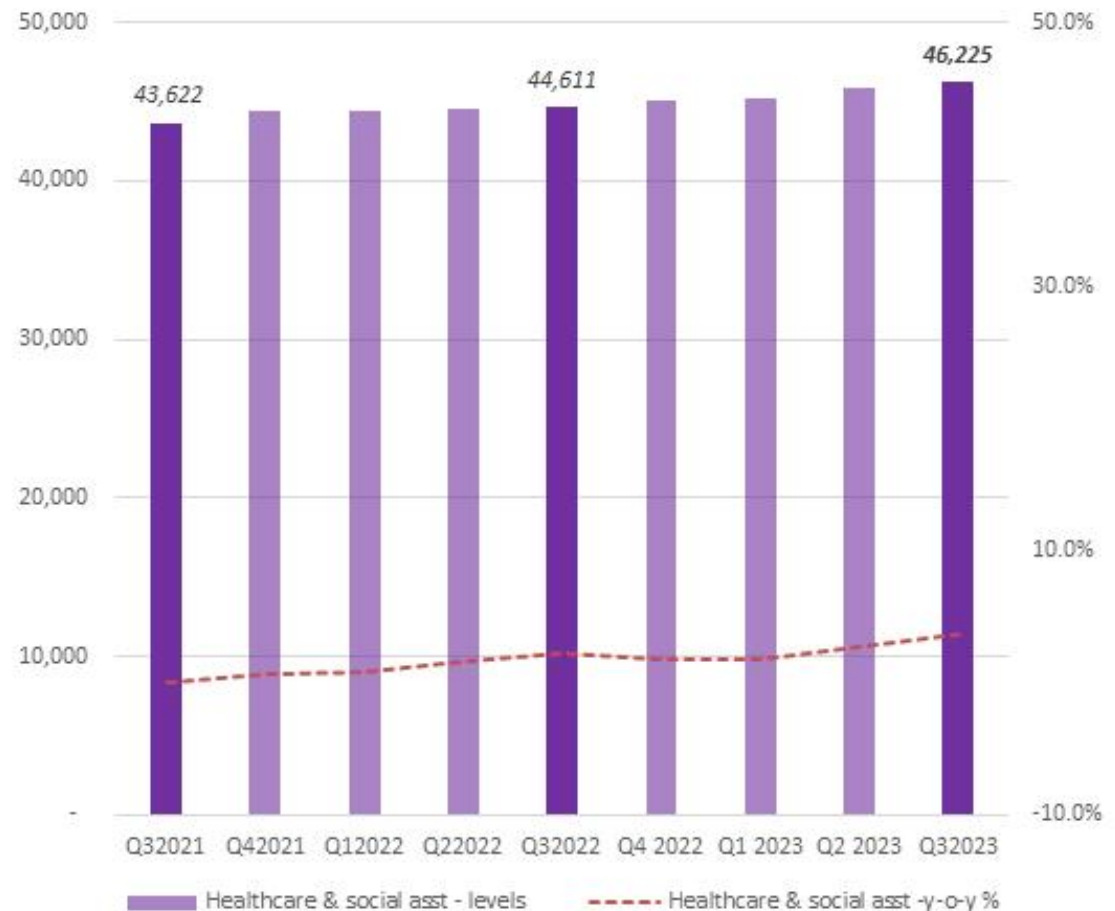
Summary of aggregate employment measures

- Seeing some cooling of CLF in first quarter of 2024 after 5 quarters of strong growth. The CLF of over 112,000 is above where it was two years ago (same quarter).
- There is always a contraction in Q1 (cyclical), but first quarter of 2024 is below what it was a year ago. Yet, employment in Q1 of 2024 is still above where it was in 2022.
- The March **unemployment rate (5.5%)** for the City matches the county and is just slightly above the state. The number of unemployed is slightly higher than both 2022 & 2023.

Key sectors

Quarterly employment in County Healthcare & Social Assistance

- Includes: ambulatory care, hospitals, social assistance, & nursing/residential care
- 4 quarter average: ~45,600; 19% of County workforce
- Count now > Q3 2019 by 8%
- 2022 average annual wage: \$60,277 (vs. \$59,553 for all jobs in County)

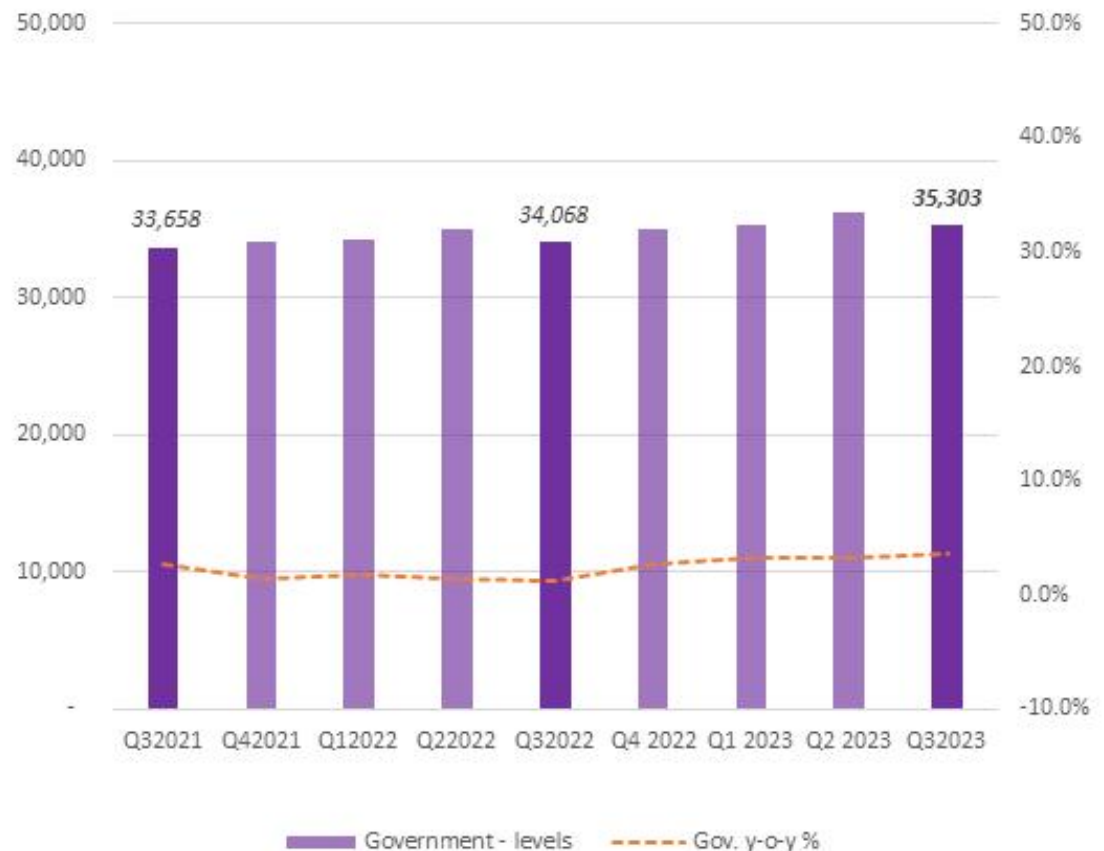


Source: [WA ESD, Covered Employment](#)

Key sectors

Quarterly employment in Government in County has grown very slowly

- Government consists of
 - Federal (14%)
 - State (24%)
 - Local (62%)
(2022 annual average)
- Local government – mostly public schools
(~ half in WA; likely higher here)
- Q3 2023 Government employment > Q3 2019 by 2%

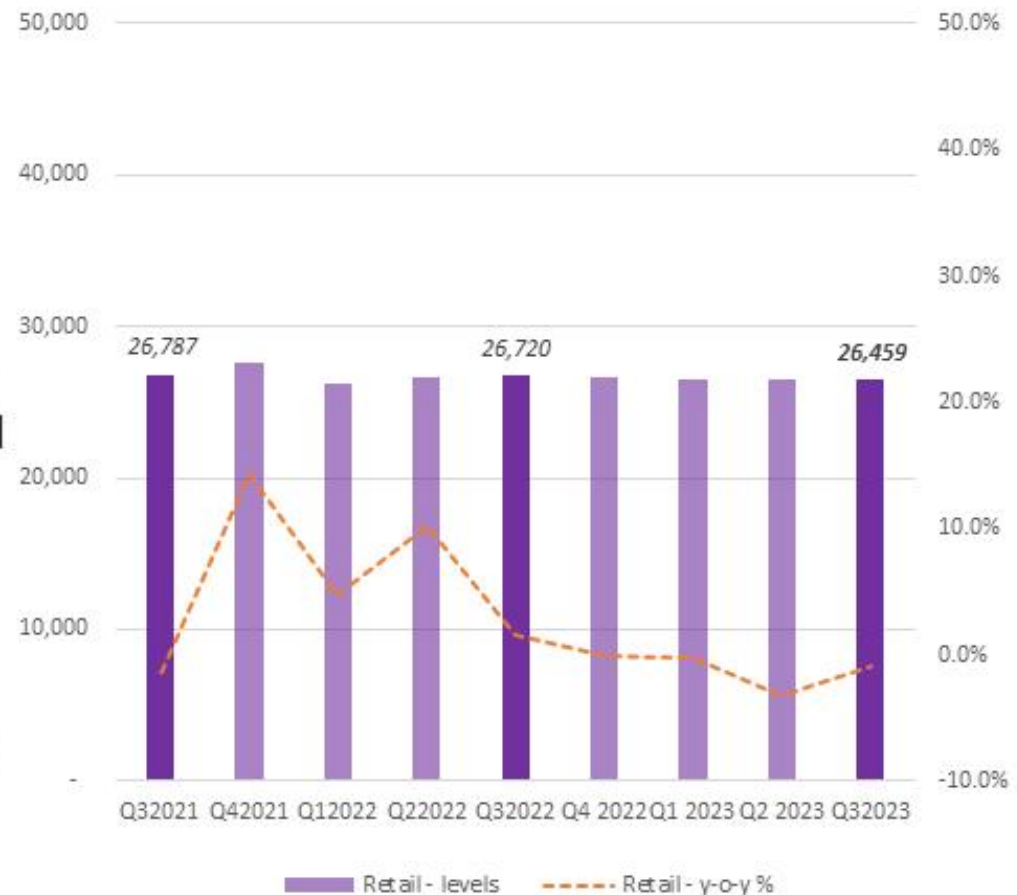


Source: [WA ESD, Covered Employment](#)

Key sectors

Quarterly employment in County Retailing continues to decline

- 2nd-largest private sector
- 4 qtr. average employment: 26,560, or ~11% of County
- Strong recovery in 2021, but the decline begun in 2022 has stayed
- 2023 Q3 count ~ same as 2019 Q3
- 2022 ave. annual wage: \$41,435 (vs. \$59,553 for all County jobs)



Source: [WA ESD, Covered Employment](#)

Key sectors

Quarterly employment in County Hospitality now shows little change

- Hospitality composed of lodging, restaurants, bars, coffee shops, caterers – 3rd largest private sector
- Dramatic & complete recovery from 2020
- Q3 2023 > Q3 2019 employment, by 5%
- 2022 AA wage: \$26,789 (vs. \$59,553 for all jobs in County)



Source: WA Dept. of Employment Security, QCEW

Key Sectors

Quarterly employment in County Manufacturing – growing but very slowly

- 4th largest private sector
- Large multiplier effects
- Modest recovery continues
- Q3 2023 > Q3 2019, by 0.5%
- AAW in 2022: \$63,836 (vs. \$59,553 for all jobs in County)

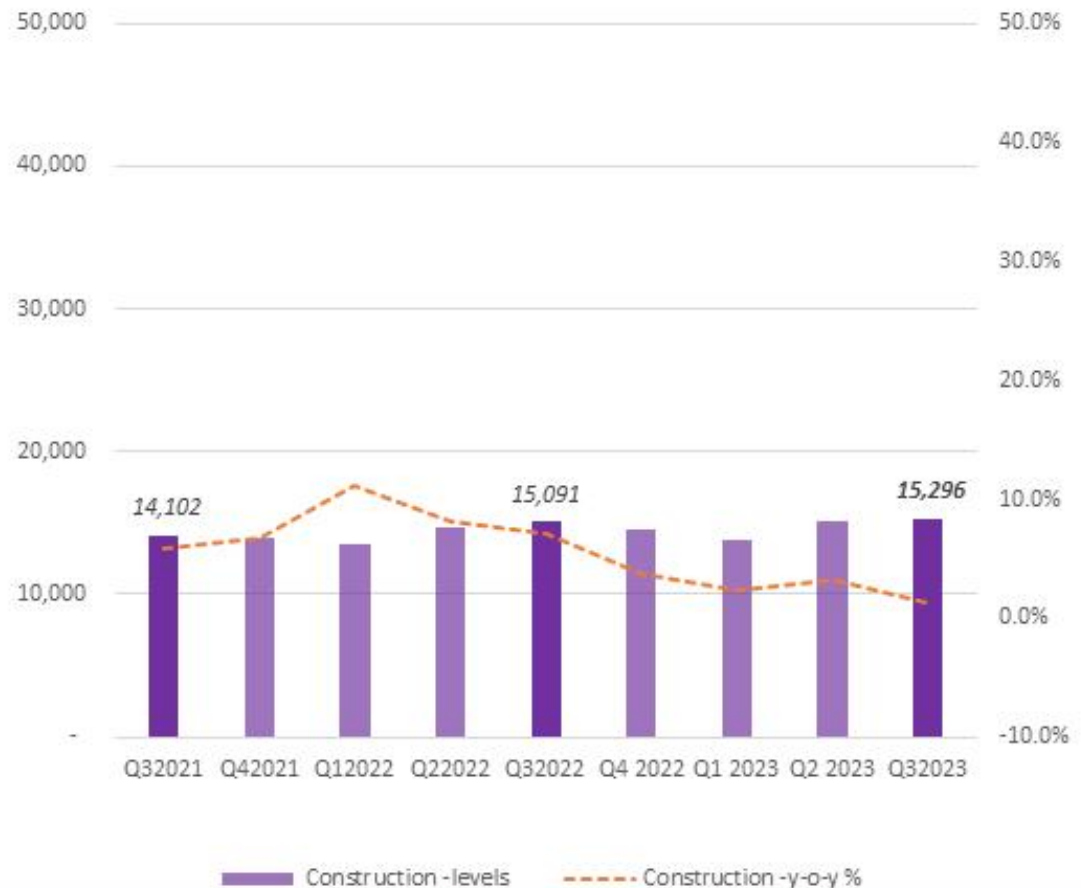


Source: [WA ESD, Covered Employment](#)

Key Sectors:

Quarterly employment in County Construction – growth now slowing

- 5th largest private sector
- Healthy recovery from pandemic of all major sectors
- Q3 2023 > Q3 2019, by 11%
- AA Wage in 2022: \$62,994 (vs. \$59,553 for all jobs in County)



Source: [WA ESD, Covered Employment](#)

Key sectors

Quarterly employment in County Professional & Technical services – growth has also softened

- Consists of “white collar”/knowledge occupations – lawyers, accountants, architects, engineers, consultants
- Fastest % recovery from pandemic among all larger sectors
- Q3 2023 > Q3 2019, by +13%
- 2022 AA wage: ~\$82,942 (vs. \$59,553 for all County jobs)

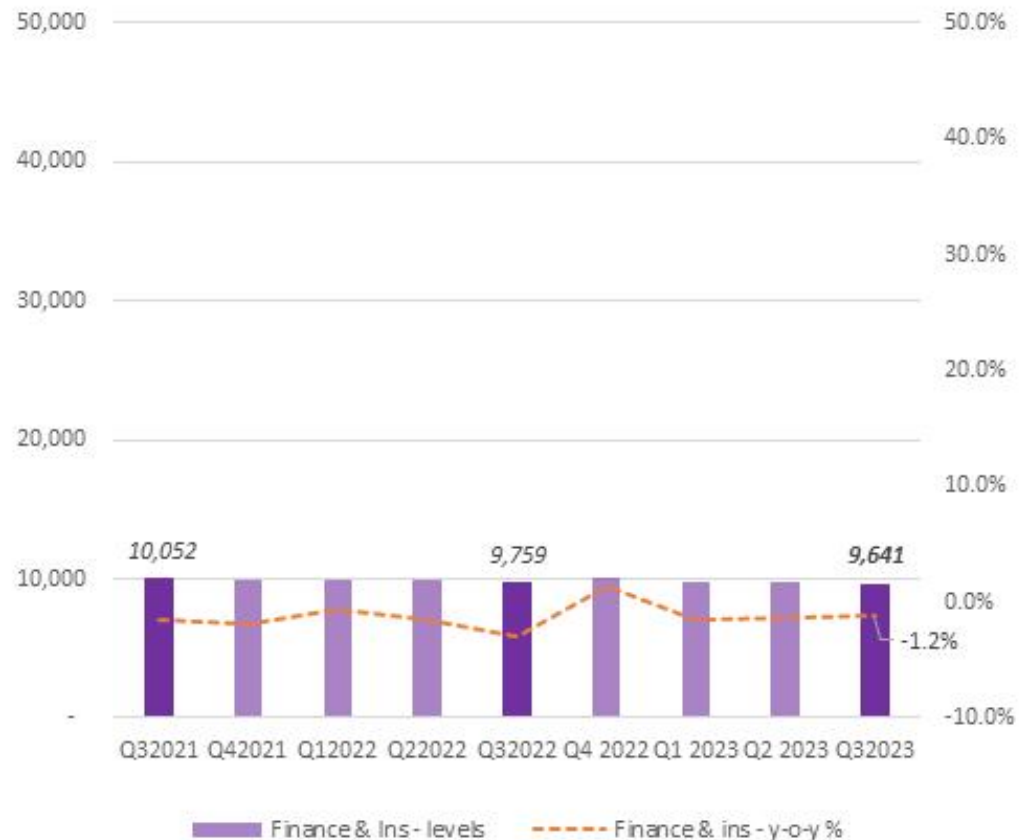


Source: [WA ESD, Covered Employment](#)

Key sectors

Quarterly employment in County Finance & Insurance

- 11th largest private sector, but typically locates in urban settings
- Continuous decline from 2021 through present
- Q3 2023 headcount: 2% less than Q3 2019
- 2022 average annual wage: \$100,420 (vs. \$59,553 for all jobs in County)
- Source: [WA ESD, Covered Employment](#)



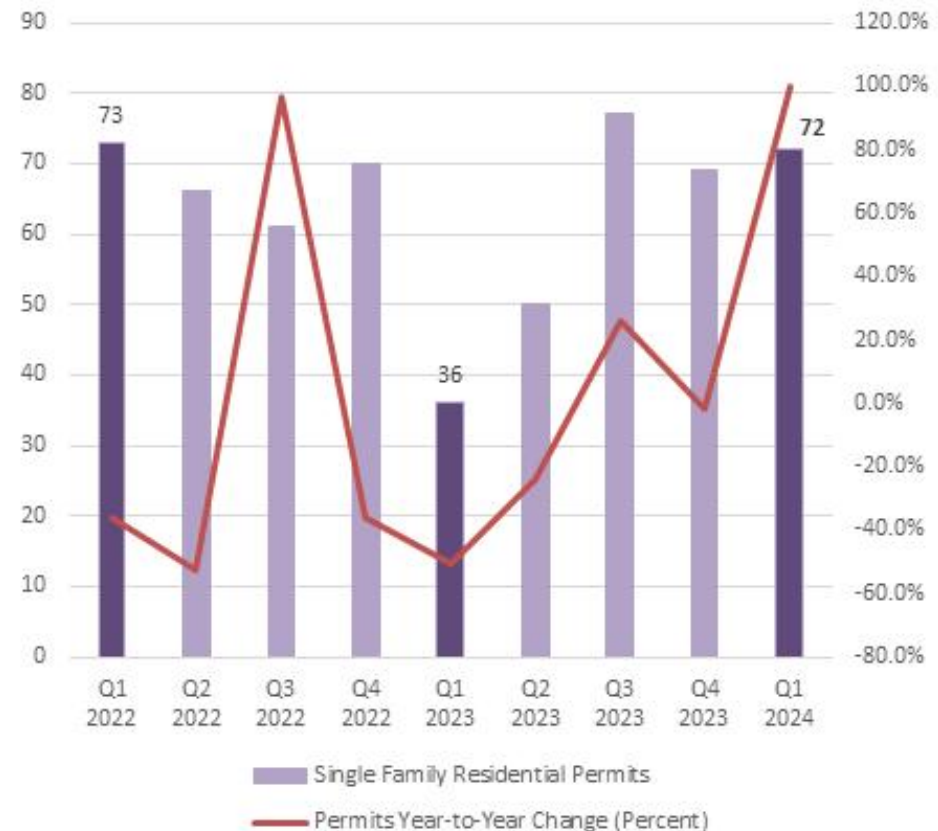
Summary of sector performance, as measured by employment

- All of the largest sectors by employment in the county show employment > level in 2019 except Finance/insurance .
- In *percentage* terms, employment in **professional & technical services** sector has grown the fastest (13%) of the large sectors from Q3 2019.
- In *total* terms, employment in Spokane's **health care & social assistance** has added the greatest number of jobs (~3,500) since Q3 2019.

Housing

Residential building permits, single-family

- After the surge of building post-pandemic, single family construction has stabilized.
- Although the number of single family home permits in Q1 of 2024 is twice what it was a year ago, it matches the level of permitting back in Q1 of 2022.
- Except for first half of 2023, quarterly permitting for single family homes has been consistent.
- 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 continues to be **strong** – faster than single-family home construction.
- Although Q1 of 2024 permitting is down from Q1 of 2023, it is still much higher than 2 years previous.
- Most of the permitting (119 units) in Q1 of 2024 is in larger apartment building(s) of 5 or more units.

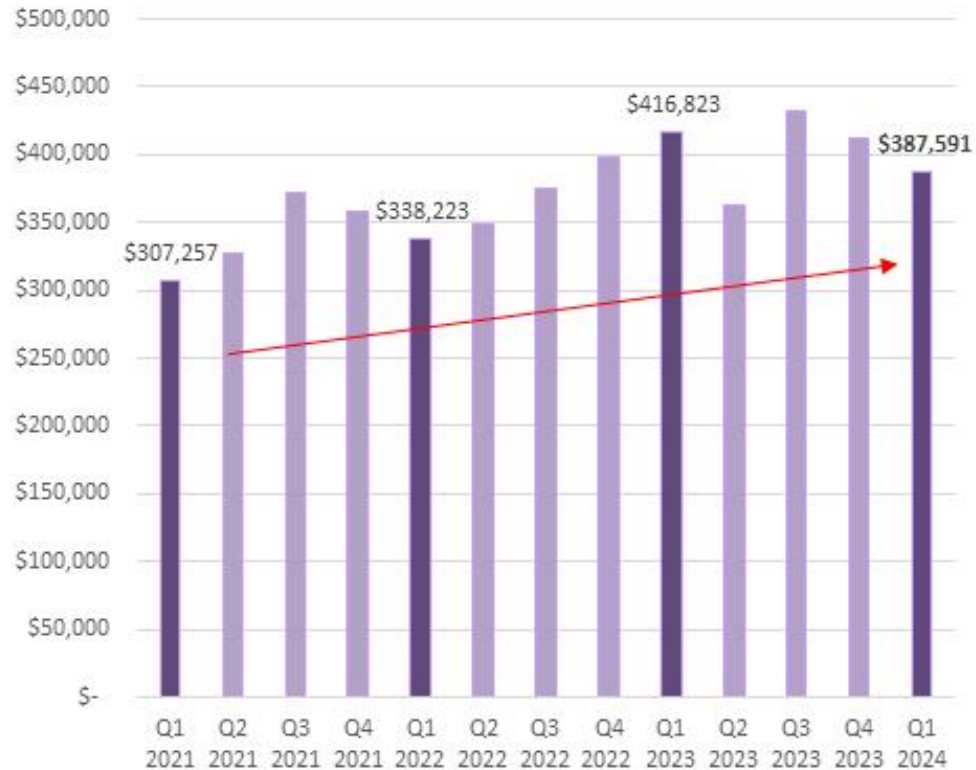


Source: City of Spokane

Housing

Average value of permitted single family residence

- After climbing to a peak over \$416K one year ago, the average value of permitted single-family residences dipped slightly to \$388K.
- The average value of permitted SF residences has increased over \$50,000 since same quarter, 2022.
- Since Q1 of 2021, the average value of permitted single family residences has **increased over 25%**.



Source: City of Spokane

Housing

Average value of permitted multi-family units

- Not only are more units being built, but they are of higher permitted value.
- In just the past year, permitted multi-family units have increased in value by 45%.
- Permitted MF units have increased in value over 70% since 2021 (three years ago).

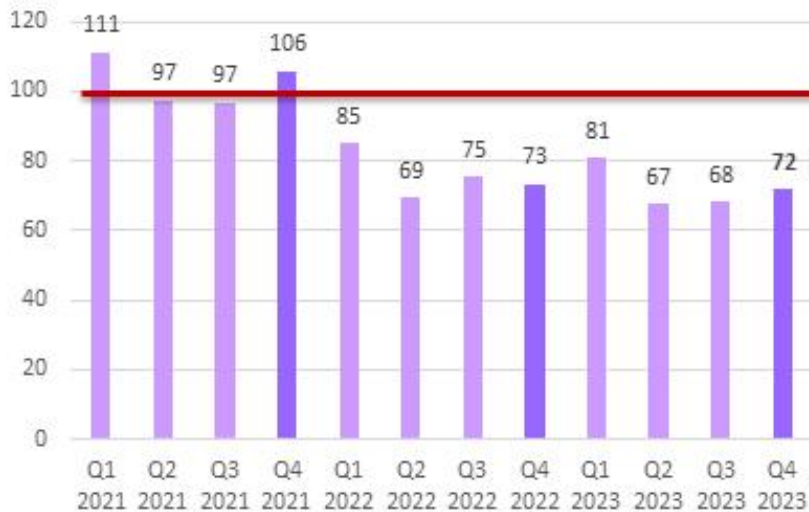


Source: City of Spokane

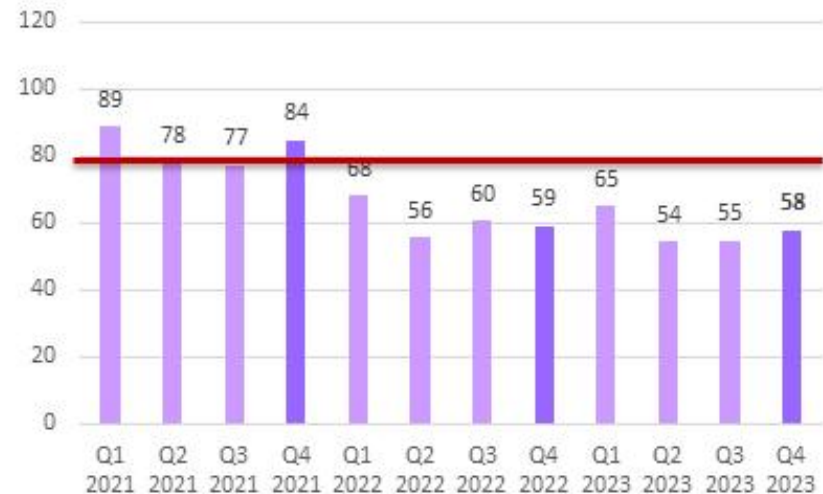
Housing

HAI: Housing Affordability Indices (Homeowners)

HAI: All Homebuyers (City of Spokane)



HAI: First-time Homebuyers (Spokane)

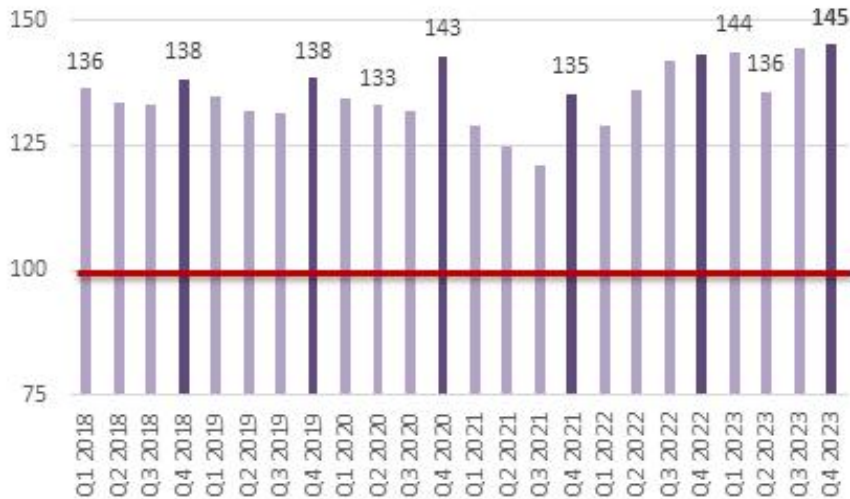


- The HAI is an index relating expenses related to mortgage and income.
- HAI All = 100 (red line) means: a household with the city's median income has exactly enough income to qualify for a mortgage on a home priced at the median for that city.
- HAI First-time = 100 (red line) : A value of 100 means that a household with 70% of the city's median income has exactly enough income to qualify for a mortgage on a home priced at 85% of the median for that city.
- As expected affordability is lower for first-time buyers, but last two years have not seen a big reduction in affordability in housing markets. Source: WCRER

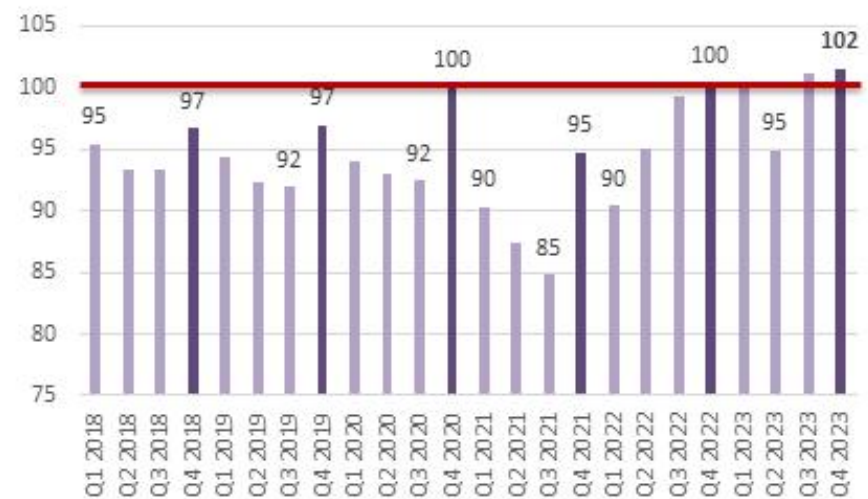
Housing

HAI: Housing Affordability (Renters)

HAI: All Renters (City of Spokane)



HAI: All Transitional Renters (City of Spokane)

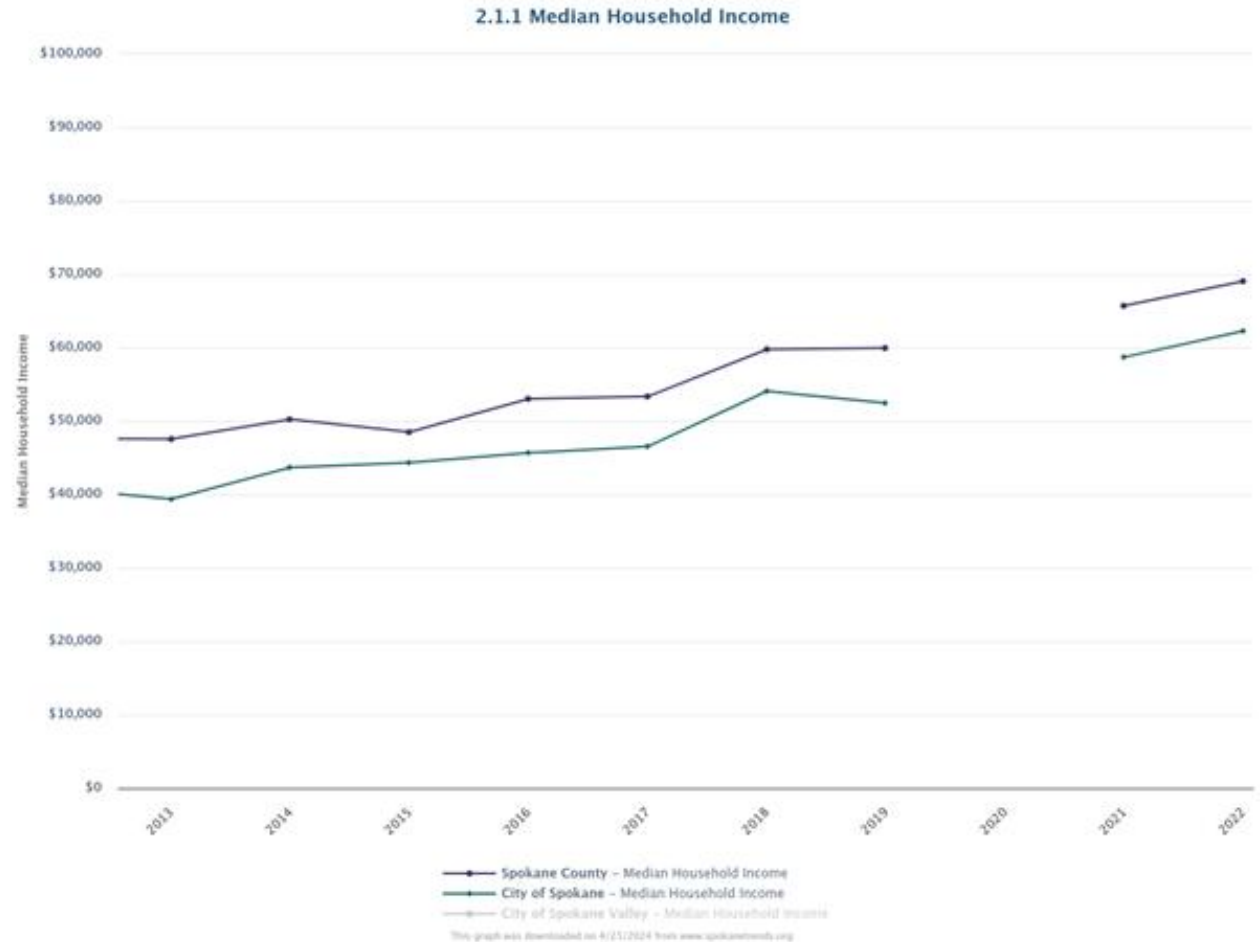


- HAI All Renters: A value of 100 indicates that a household earning the city's median income can afford an average priced rental apartment without being overburdened.
- HAI Transitional Renters: A value of 100 indicates that a household earning 70% of the city's median household income can afford to pay the average rent without being overburdened.
- While most renting households would find rents to be more affordable, transitional renters (70% of median household income or less) find renting in Spokane to be relatively more expensive.
- Source: WCRER

City sales activities

Income drives spending & taxable retail sales: City Median Household Income has increased modestly

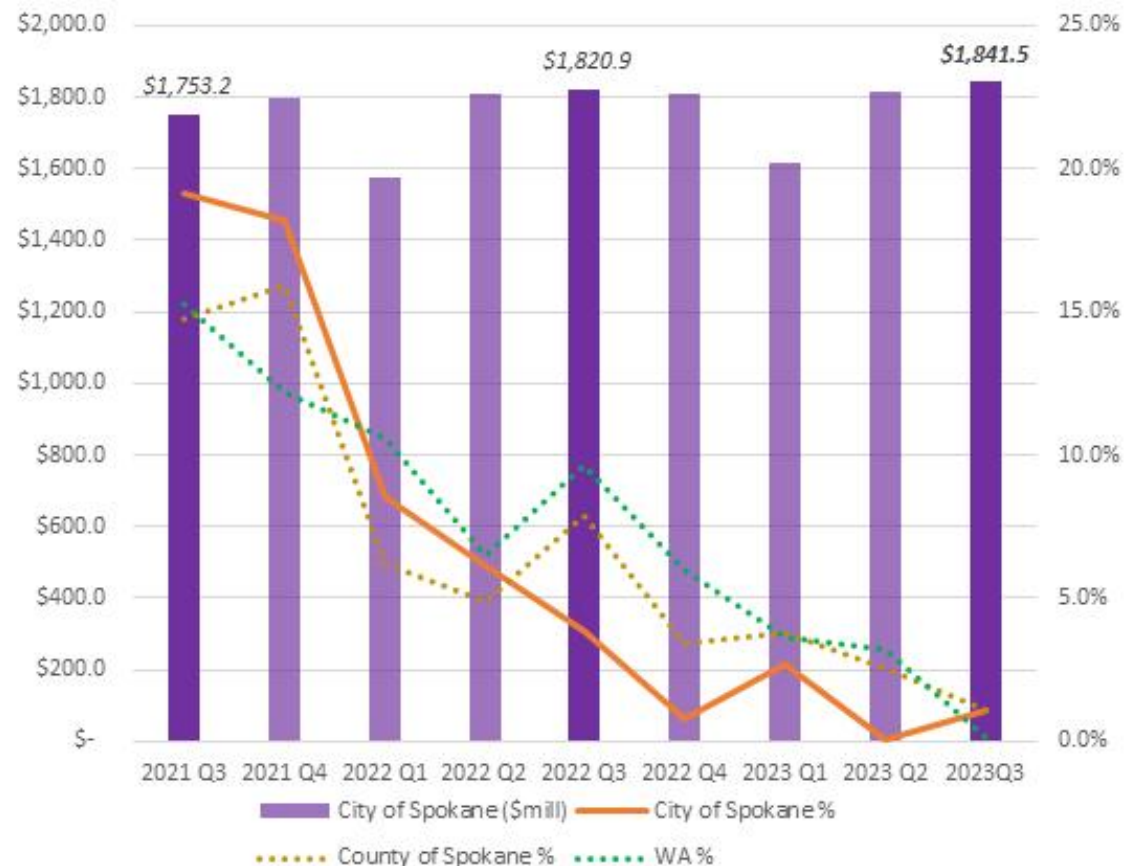
- City MHI in '22: \$63,300
 - County: \$69,000
 - U.S. : \$74,750
 - WA: \$91,300
- City MHI consistently < County MHI over decade
- Since 2017, however, City MHI growing considerably faster than County & U.S. MHI
- [Spokane Trends](#)



City sales activity

Quarterly taxable retail sales growth continued to slow

- Q3 of 2023
 - Year-over-year growth: 1.1%
 - Much higher than same quarter in 2019: by 23%
- Q4 growth likely to be low, say ~1%, 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!



Source: WA State Department of Revenue

WA taxable retail sales experienced a major slowdown in 2023: 1% growth vs. 8% in 2022. Q1 2024, however: +4% y-o-y % increase

WA Taxable Retail Sales & Year-over-year Growth Rate



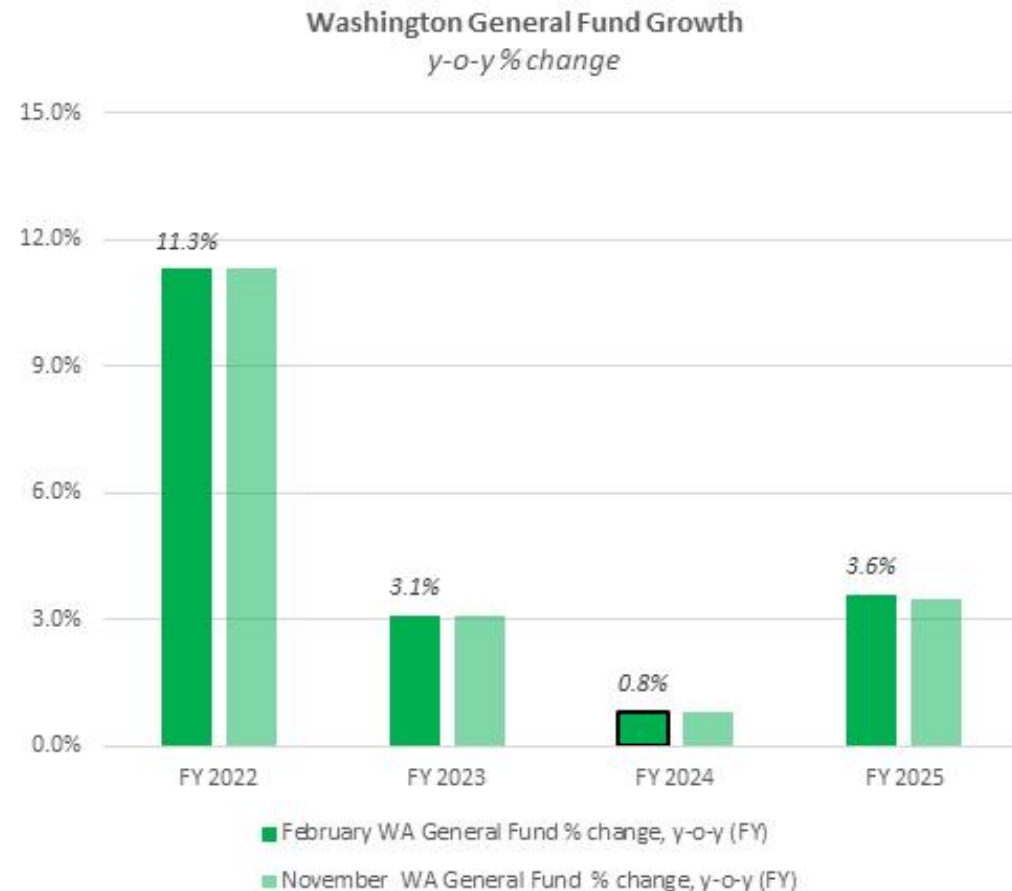
A look ahead at WA economy by the Economic & Revenue Forecast Council *(February '24 release)*

- 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 slightly higher 2024 PI and a bit lower PI for 2025 than in November



The ERFC's outlook on WA's General Fund (GF) suggests a return to "normal" (February, 2024)

- These are WA fiscal years
- Composition of WA GF a bit different from City of Spokane's, but dominated by retail sales, as here.
- Little change in the GF forecast from November
- ERFC expects a rebound in the second half of 2024 & 1st half of 2025



Summary observations

- **WA State *Personal Income* forecast** from February for CY 2024 now higher than earlier forecasts – mid-single digit growth
- **WA State *GF Revenue*** – little change from February forecast; slow growth through the summer, picking up modestly in the second half of 2024
- The **City** might expect a similar outcome. ***Taxable retail sales* growth** for City in 2023 likely grew 1-2%.
 - 2024 likely to be weak in first half, picking up in 2nd half.
 - This assumes that the ERFC forecasts accurately. In recent years, their forecasts have been underestimates.

Institute for Public Policy & Economic Analysis

Kelley Cullen, Ph.D.

D. Patrick Jones, Ph.D.

kcullen@ewu.edu, dpjones@ewu.edu

[Spokane Trends](#)

509.828.1365 | 509.828.1246



EASTERN
WASHINGTON UNIVERSITY

start something **big**