

# City of Spokane Quarterly Economic Indicators

Q3, 2023

*October, 2023*



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WASHINGTON UNIVERSITY

start something **big**

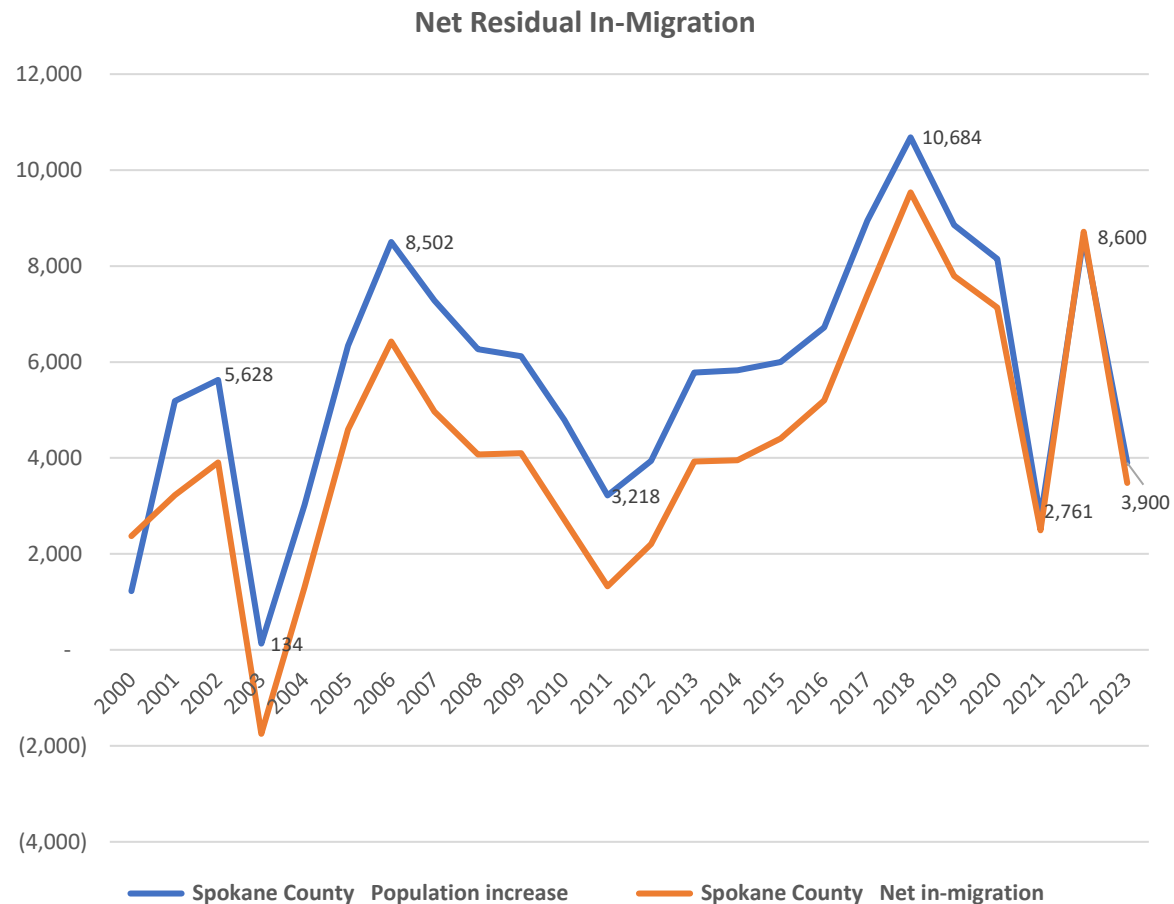
# Overview

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

## Population:

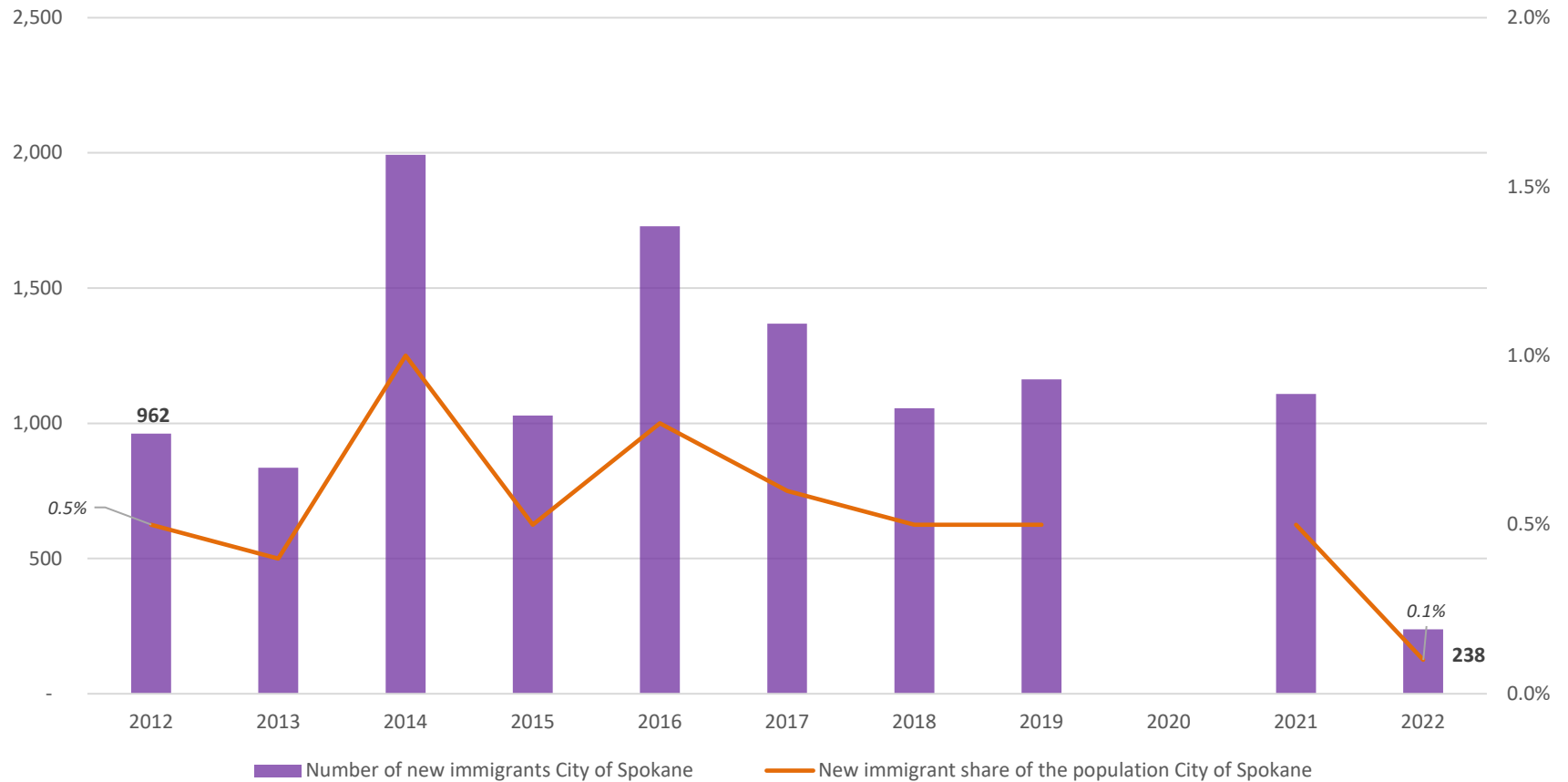
# Nearly all recent gains stem from in-migration (County)

- 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



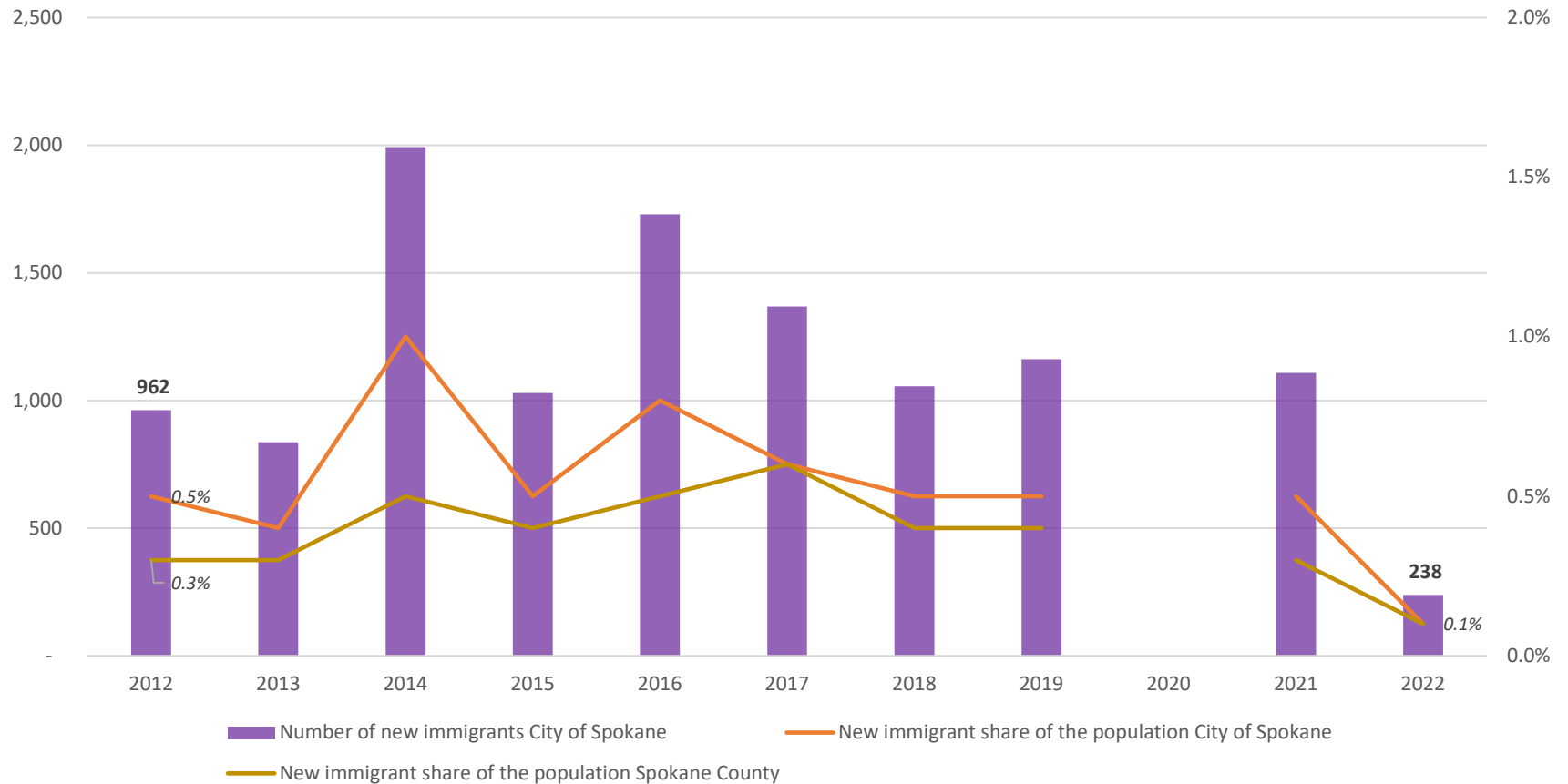
## Population:

# Immigration dropped dramatically in 2022



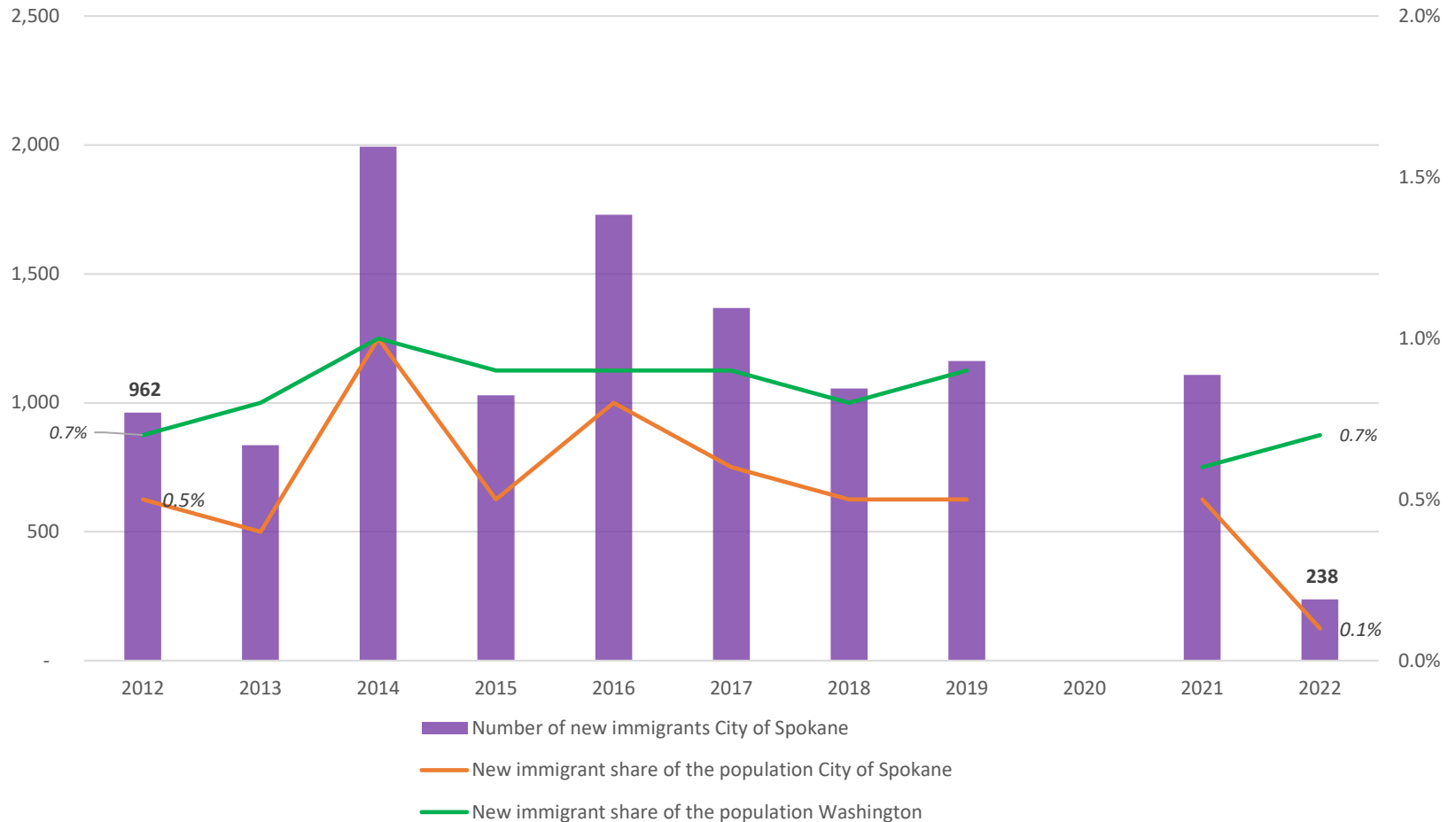
## Population:

# City immigration has been higher than County's



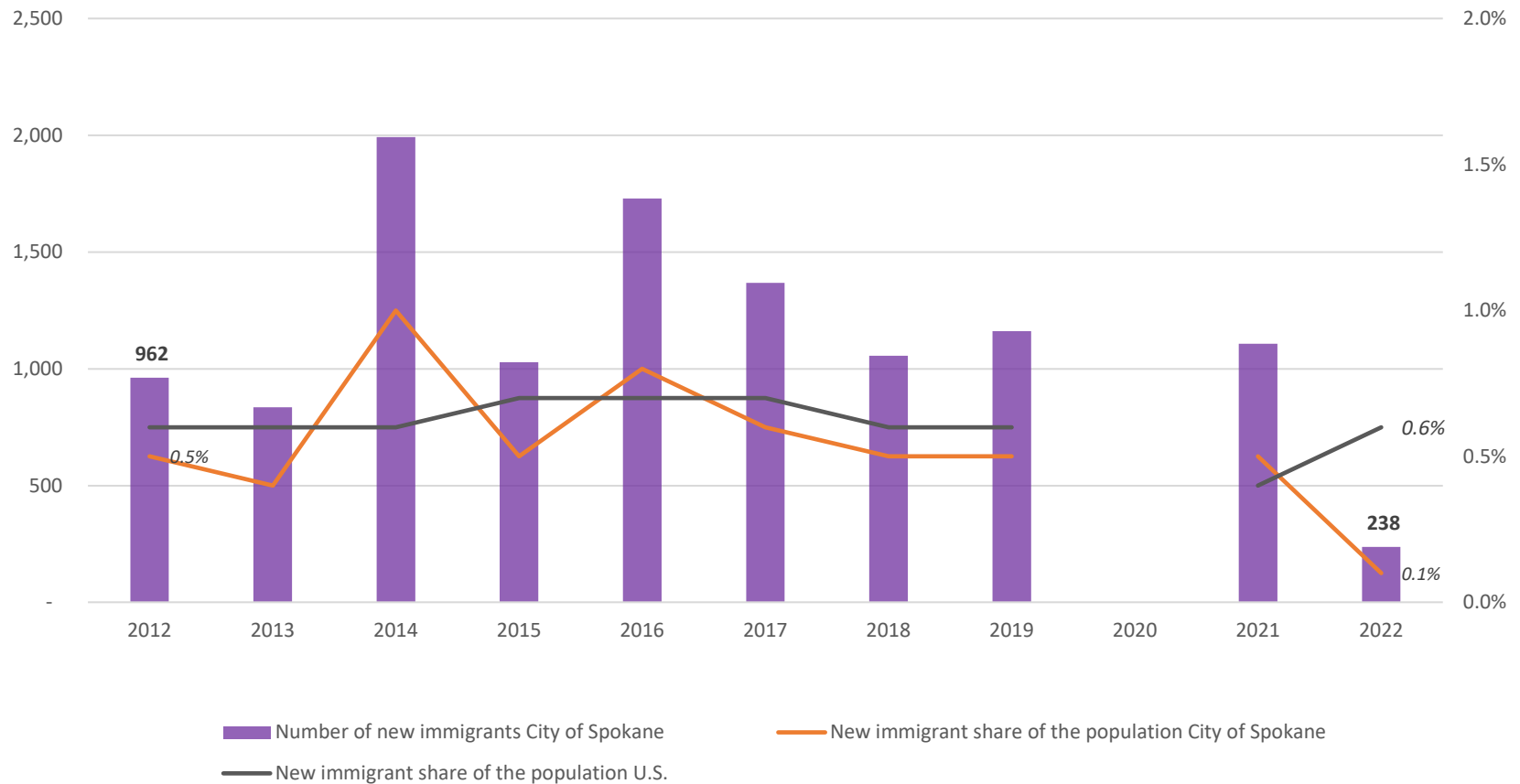
## Population:

# City immigration has been much less than WA's



## Population:

# City immigration has been a bit less than in U.S.



## *Population:*

# Why do we care about immigration?

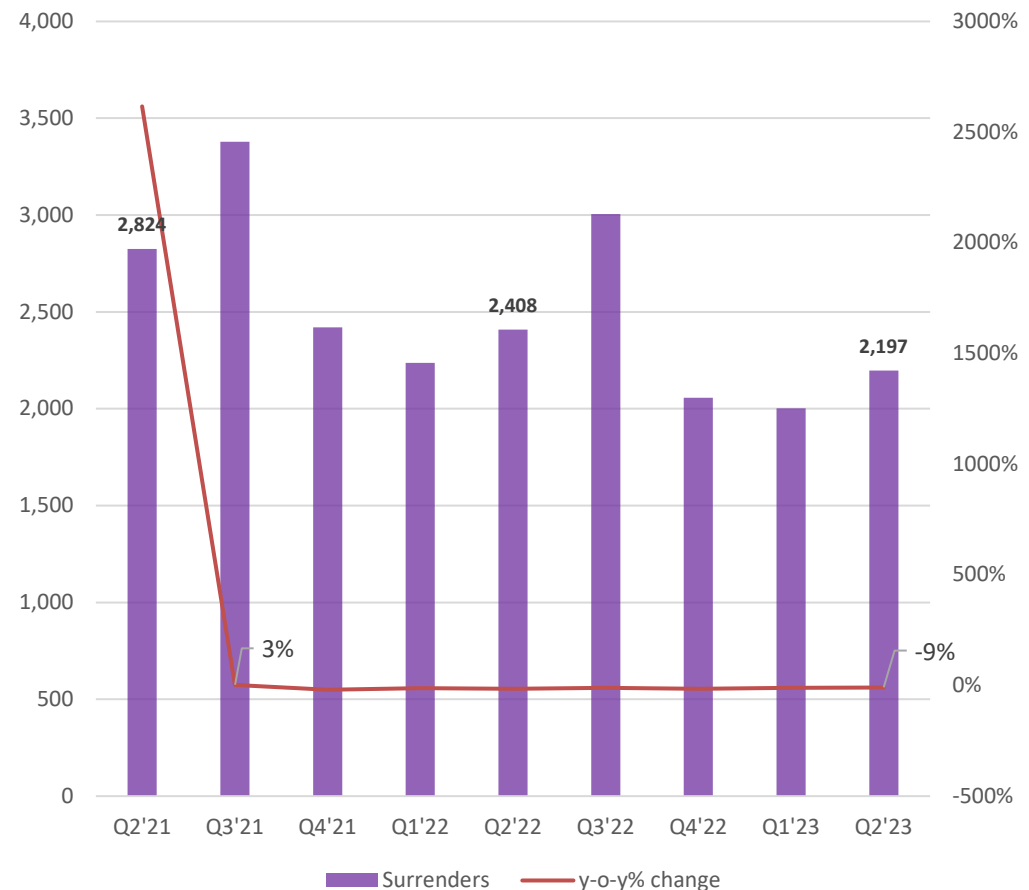
- Significant contribution to our workforce
  - Long-term forecast for a “tight” labor supply, here and elsewhere
  - Immigrants “participate” in the labor force at the very highest rates
  - Many take jobs difficult to fill
- Immigrants start businesses at a higher rate than others
  - Some estimates as high as 25% of all new firms coming from immigrants
  - Recent [Census/NBER](#) study confirms immigrants’ higher rate
- Contribute to racial/ethnic & cultural diversity
  - Largest contributors, nationally, to immigrant streams: Mexico, India & China



## Population

# County drivers license surrenders: slowing of 2022 has continued into 2023

- Tracks those moving to the county from out-of-state
  - Doesn't capture in-state moves; currently, these are larger
- Q2 2023 < lower than Q2 in 2019-2022
- Rank of top “contributing” states in ytd: ID, CA, OR, TX, AZ

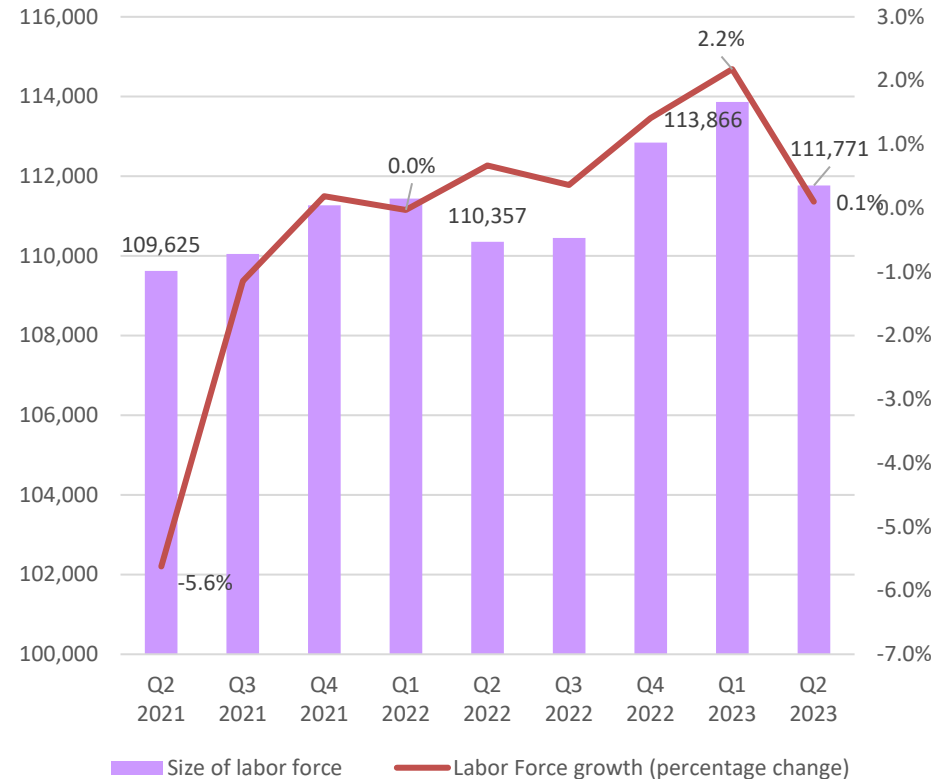


Source: WA Department of Licensing

## 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 shock of pandemic, the CLF has returned to its regular cyclical behavior and is growing again at about 1,000 more workers per year.
- The labor force in second 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 but dropped slightly in Q2 of 2023.

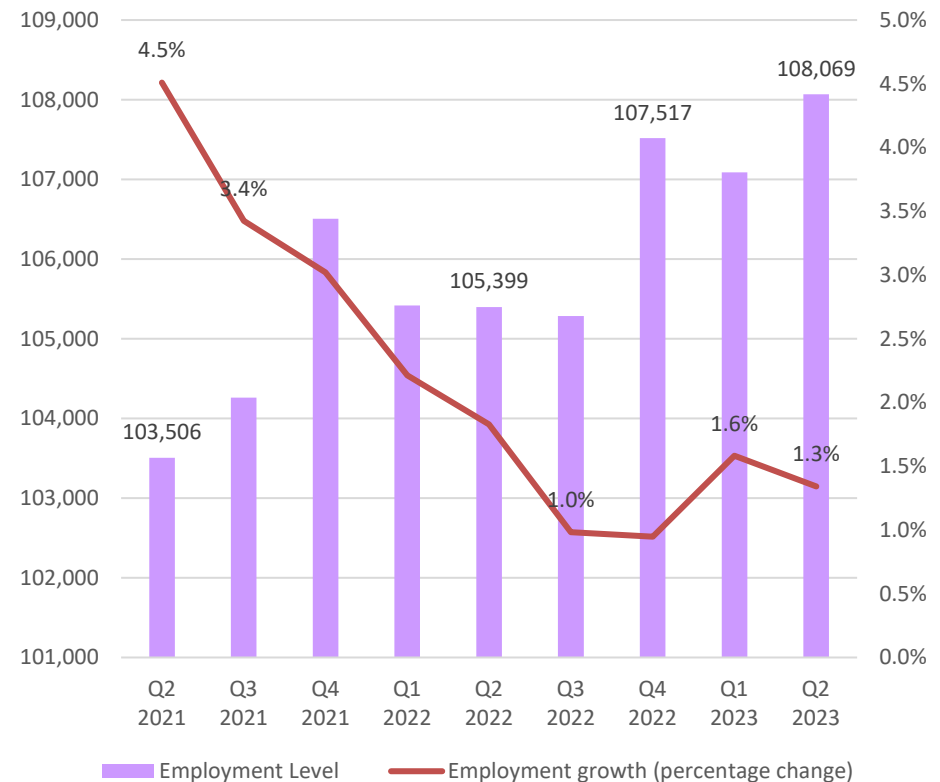


Source: Local Area Unemployment Statistics (LAUS)

## Labor market

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

- Second quarter of 2023 saw an all-time high with more than 108K jobs across the city.
- Since Q2 of 2021, employment has increased by more than 4,500 workers with 2,700 in just last year.
- Strong job growth in the last three quarters.

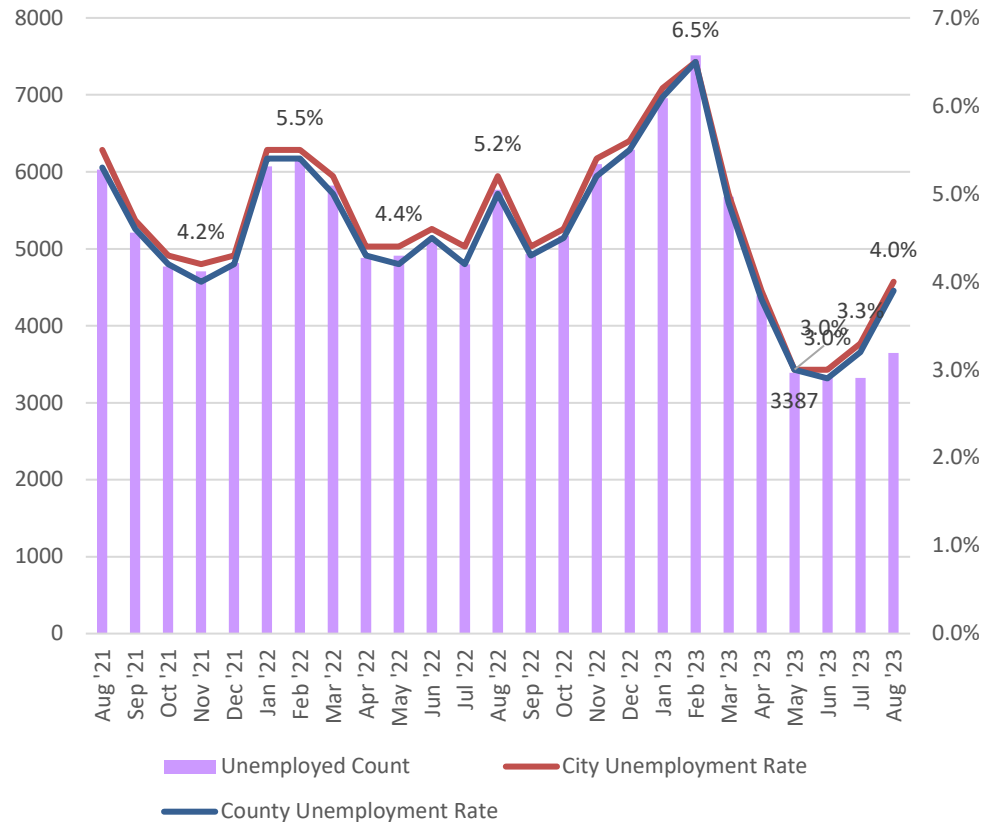


Source: Local Area Unemployment Statistics (LAUS)

## Labor market

# Monthly unemployment count & rate

- The city's August unemployment number of 4.0% nearly matching the county and above both the state and nation as well.
  - Washington State 3.4%
  - US 3.6%
- After six months of decreases in the total number of unemployed, August saw a slight uptick of about 300 persons.



Source: Local Area Unemployment Statistics (LAUS)

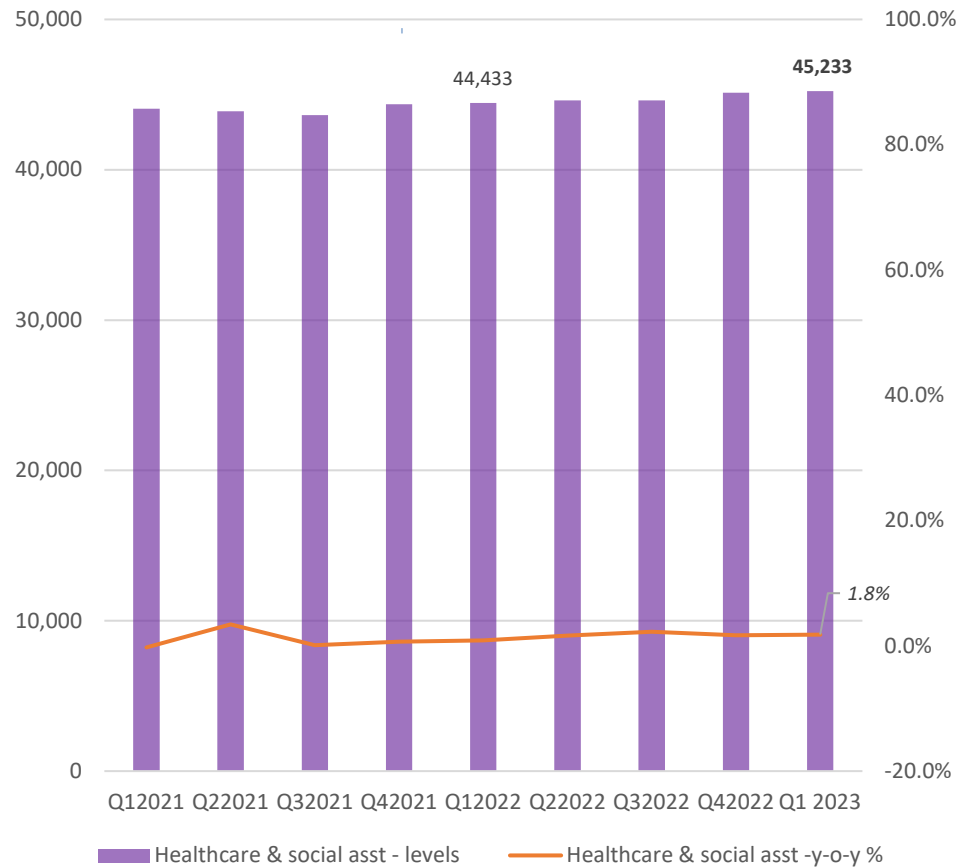
# Summary of aggregate employment measures

- Although it looked like the civilian labor force (CLF) was heading towards 114K, it took a slight dip in Q2 of 2023 and is presently just under 112K.
- Strong job growth continues for the city, last three quarters especially. Now at an all-time high for quarterly employment – more than 108K jobs.
- The August **unemployment rate (3.0%)** for the City is below the rate for the county, state and nation. A tight labor market persists across the city.

## Key sectors

# Quarterly employment in County Healthcare & Social Assistance

- Includes: ambulatory care, hospitals, social assistance, & nursing/residential care
- 4 quarter average: 44,502, 19% of County workforce
- Count now nearly 3,000 > Q4 2019, or 8%
- 2022 average annual wage: \$60,277 (vs. \$59,553 for all jobs in County)

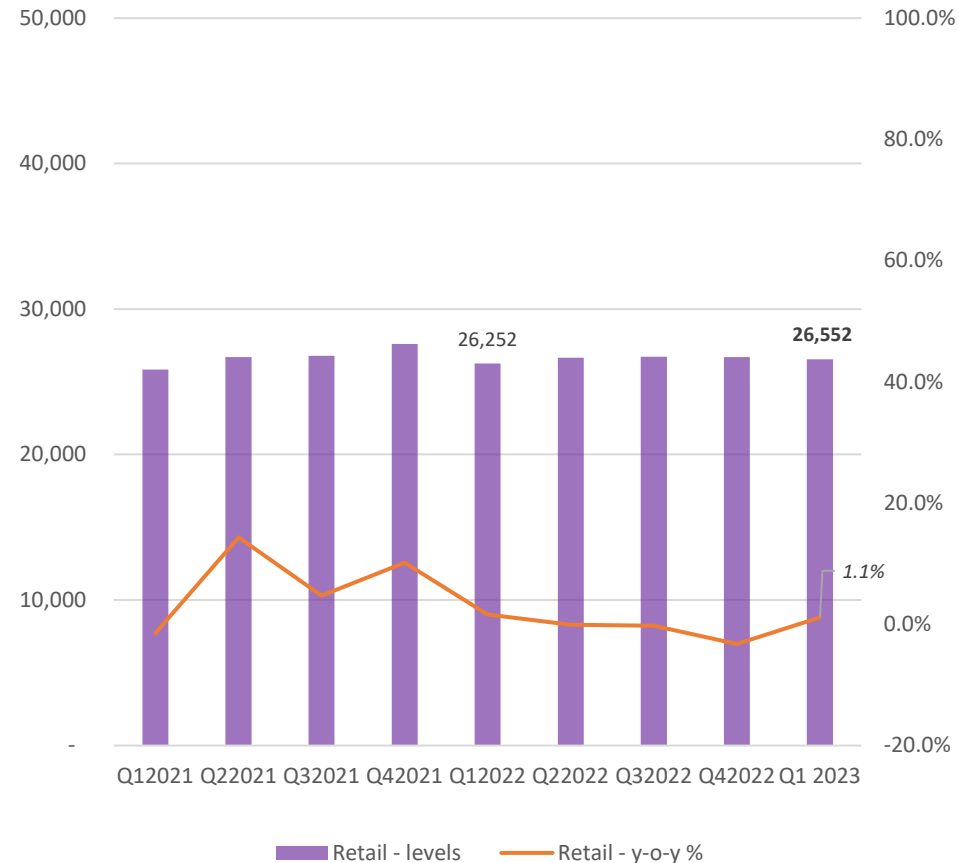


Source: WA Dept. of Employment Security, QCEW

## Key sectors

# Quarterly employment in County Retailing

- 2nd-largest private sector
- 4 qtr. average employment: 26,656, or ~11% of Count workforce
- Strong recovery in 2021, but declined in 2022, w/ recent gain
- 2023 Q1 count ~ same as 2019 Q1
- 2022 ave. annual wage: \$41,435 (vs. \$59,553 for all jobs in County)

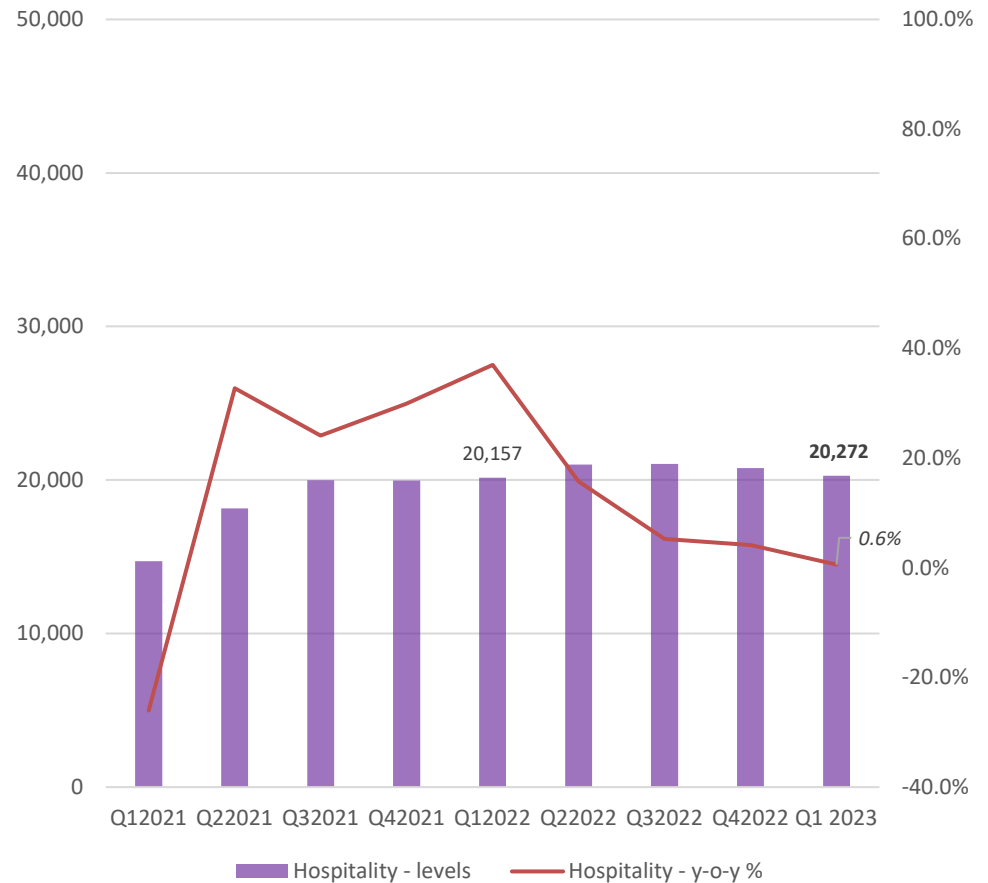


Source: WA Dept. of Employment Security, QCEW

## Key sectors

# Quarterly employment in County Hospitality

- Hospitality composed of lodging, restaurants, bars, coffee shops, caterers – 3rd largest private sector
- It's pandemic blow was worst of all the large sectors; now completely recovered
- Q1 2023 employment > Q1 2019 employment by 5%
- 2022 AA wage: \$26,789 (vs. \$59,553 for all jobs in County)



Source: WA Dept. of Employment Security, QCEW

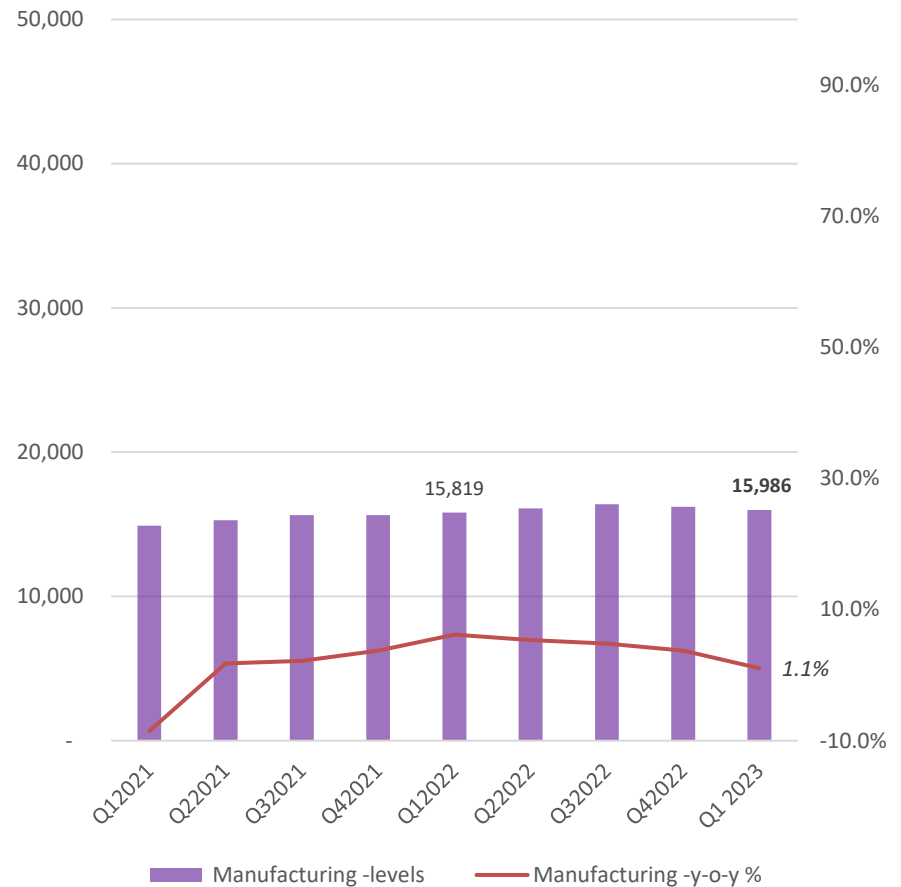


## Key Sectors

# Quarterly employment in County Manufacturing

- 4th largest private sector
- Large multiplier effects
- Modest recovery continues
- Q1 2023 count > Q1 2020 - 2021 but still < Q1 2019 (by 1%)
- AAW in 2022: \$63,836 (vs. \$59,553 for all jobs in County)

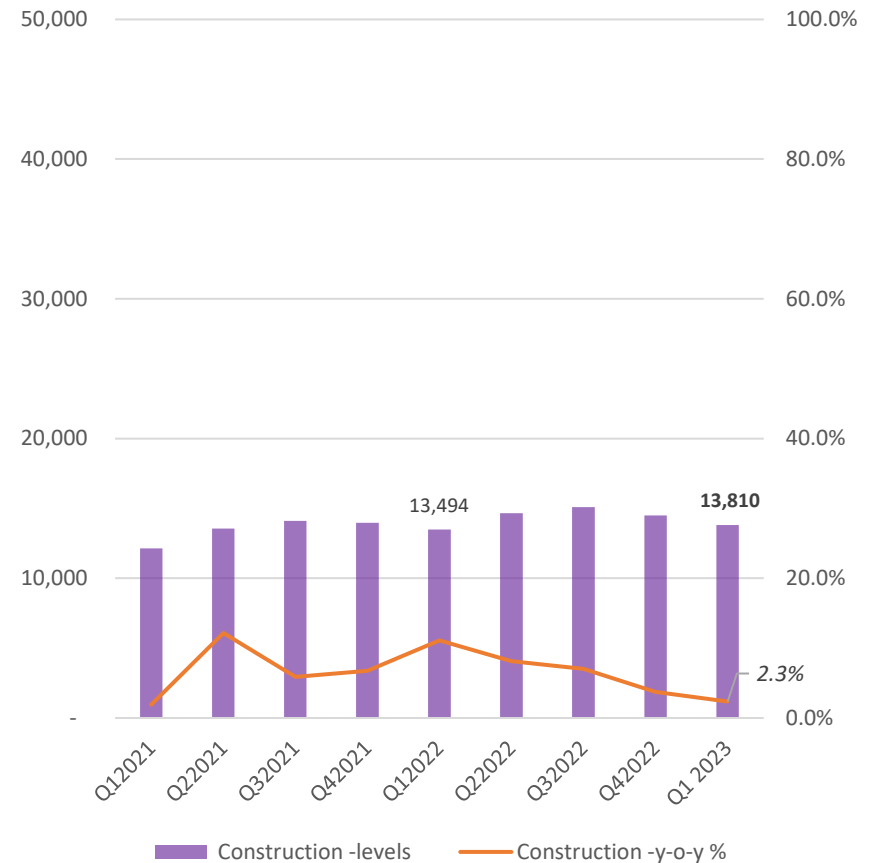
Source: WA Dept. of Employment Security, QCEW



## Key Sectors

# Quarterly employment in County Construction

- 5<sup>th</sup> largest private sector
- Strongest recovery from pandemic of all major sectors
- Q1 2023 > Q1 2019 by 24%!
- AA Wage in 2022: \$62,994 (vs. \$59,553 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
- 2<sup>nd</sup> largest recovery, among all sectors, in percentage growth from the pandemic
- Q1 2023 employment 1,600 > Q1 2019, or +14%
- 2022 AA wage: ~\$82,942 (vs. \$59,553 for all jobs in County)

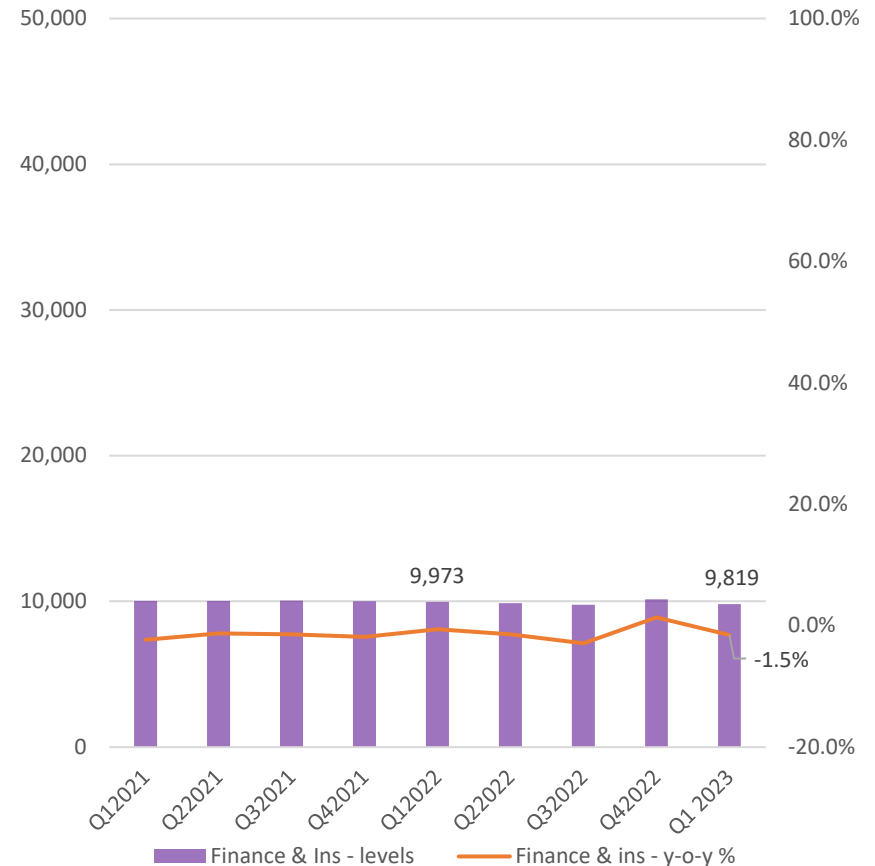


Source: WA Dept. of Employment Security, QCEW

## Key sectors

# Quarterly employment in County Finance & Insurance

- 11<sup>th</sup> largest private sector, but typically locates in urban settings
- Continuous decline from 2021 through present
- Still...Q1 2023 headcount > Q1 2019 by 1%
- 2022 average annual wage: \$100,420 (vs. \$59,553 for all jobs in County)



Source: WA Dept. of Employment Security, QCEW

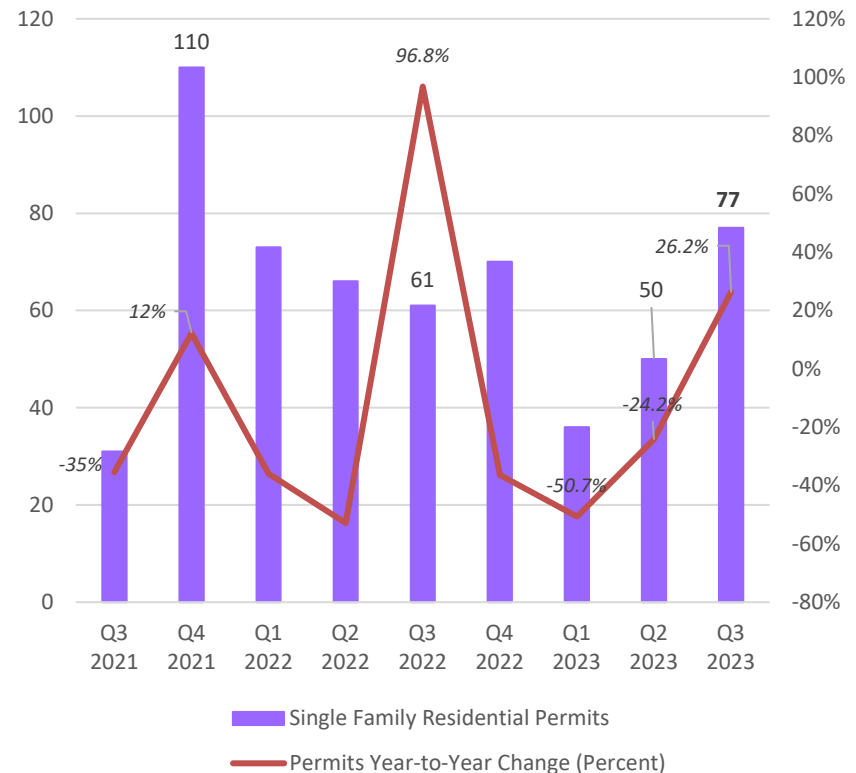
# Summary of sector performance, as measured by employment

- **All** of the largest sectors by employment in the county show employment levels in Q1 2023 > Q1 2019, except manufacturing
- In *percentage* terms, employment in **construction** sector has grown the fastest (24%) of the large sectors from Q1 2019.
- In *total* terms, employment in Spokane's **health care & social assistance** has added the greatest number of jobs (~3,000) since Q1 2019.

# Housing

## Residential building permits, single-family

- After a slow first quarter of permitting for single-family homes, Q2 & Q3 have seen increasing numbers of permits
- Third quarter single-family permits are up over 25% from same quarter last year.
- In 2022, there were 270 new single-family houses permitted – approximately the same as in 2018 & 2019 (pre-pandemic.) Q3 is only at 158 so far – slower pace than last year.
- 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.
- Big jump in Q3 of 2023 to 444 new units.
- First nine months of 2023 have seen nearly 1,000 new permitted multi-family units, suggesting another large spike in 2023.
- 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.

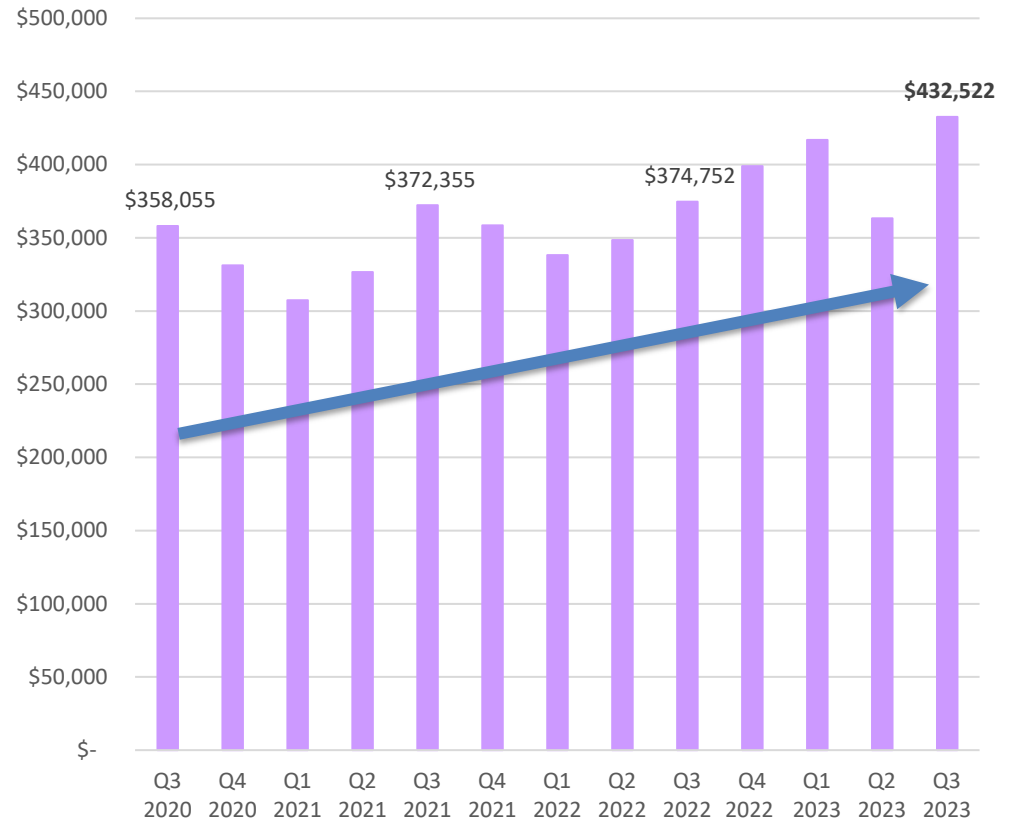
Source: City of Spokane



# Housing

## Average value of permitted single family residence

- Average value of permitted single-family residences continues to climb to a new high of over \$430K.
- The average value of permitted SF residence in Q3 of 2023 is still above the same quarter for the last two years.
- Since Q3 of 2020, the average value of permitted single family residences has **increased nearly 20%**.



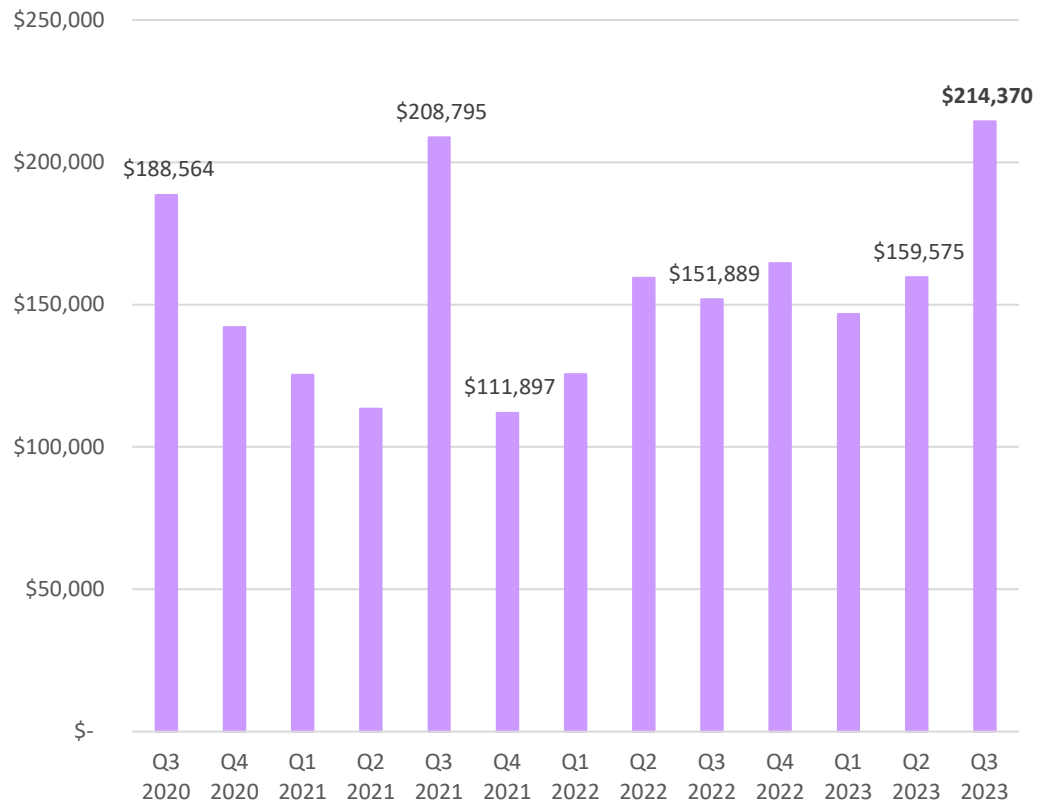
Source: City of Spokane



# Housing

## Average value of permitted multi-family units

- First nine months of 2023 saw the permitting of over 1,000 new apartments & duplexes.
- Third quarter permitting suggests higher valued units are being added -- \$214K average.
- Third quarter of 2023 has a permitting value similar to what it was two years ago in Q3 of 2021.

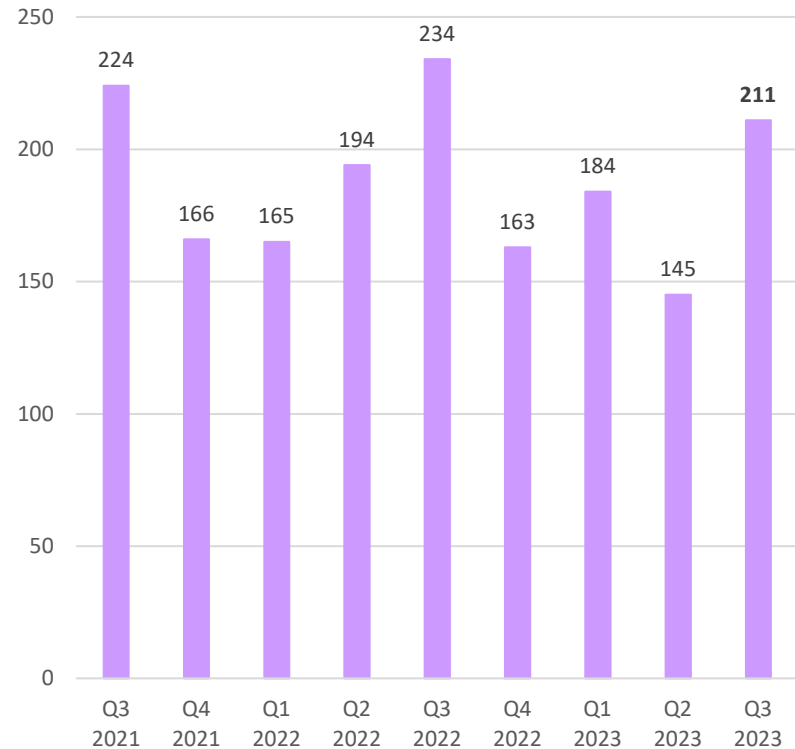


Source: City of Spokane

## 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.
- NR permits in third quarter of 2023 is similar to what it was in 2021 & 2022.



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 9 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 2<sup>nd</sup> half of '22.
- Remodels / Additions made up the bulk of permitting activity.
- Overall, a variety of non-residential construction ( new or remodeling) is ongoing throughout the city.



Source: City of Spokane

# Summary of building permit measures

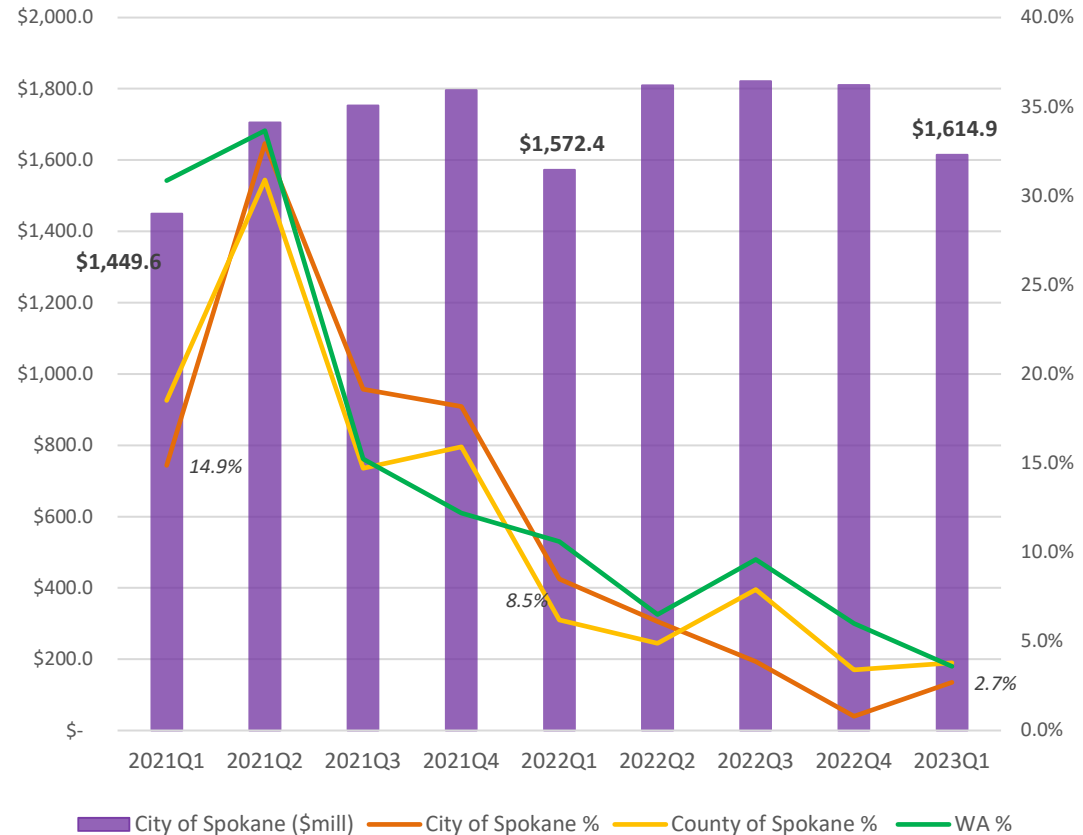
- Both the quantity and permitted value of single-family homes is rising to meet hot demand for houses. In third quarter, the average permitted single-family home was over \$430K.
- Amount of permitting for **NEW multi-family units** (duplexes or apartments) saw large increases in 2022 and is continuing strong through first six months of 2023. The average value of new multi-family units is over \$200K.
- 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 Q1 2021-Q1 2023

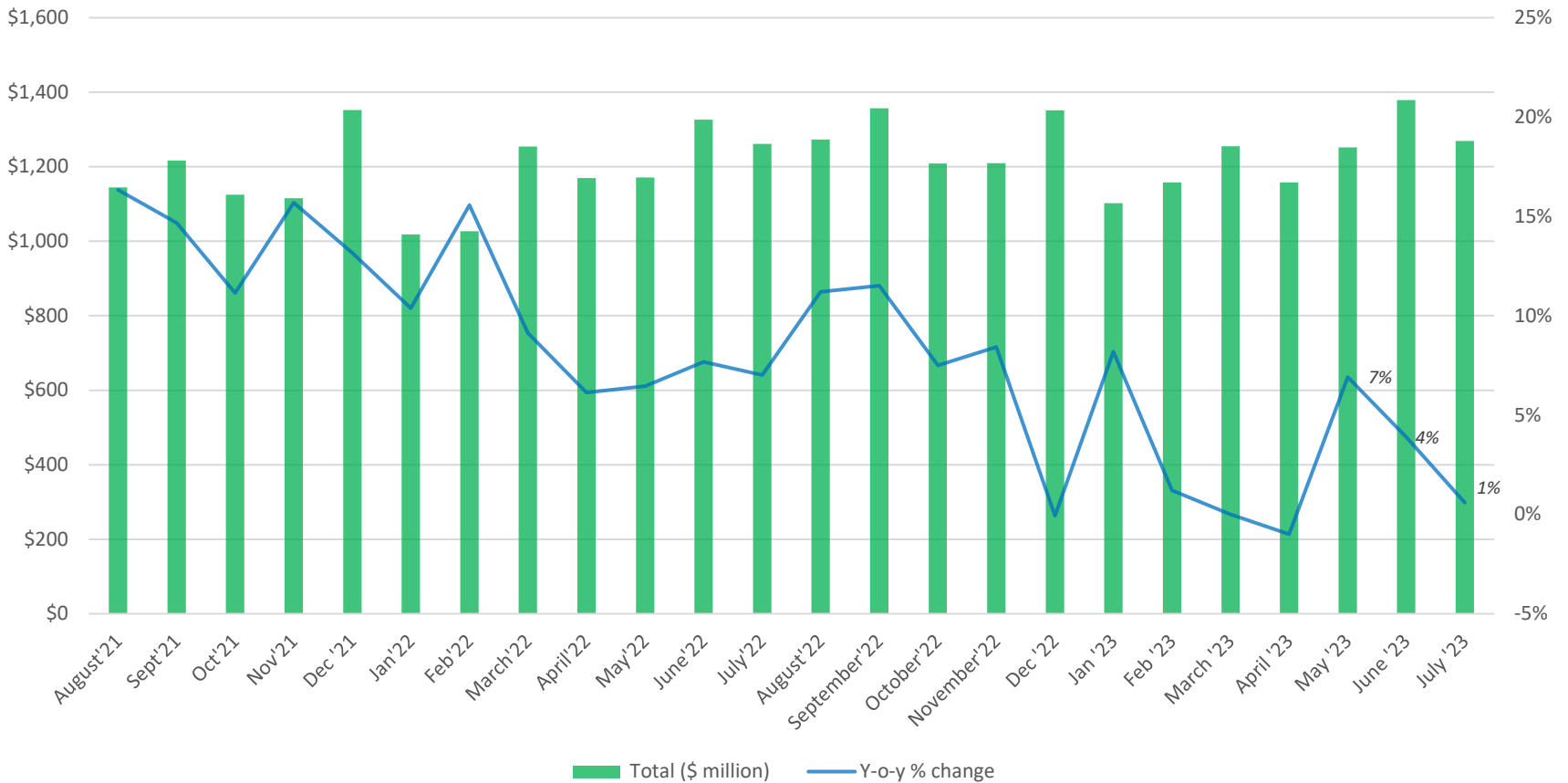
- Q1 of 2023
  - Year-over-year growth: 2.7%
  - Level much higher than same quarter in 2020 (\$1,262M)
- Q2 '23 likely to show a low single digit y-o-y % gains, if WA serves as a reasonable guide
  - And it does....
  - The correlation between WA state and City of Spokane taxable retail sales is 0.995!

\$ (millions) & year-over % change



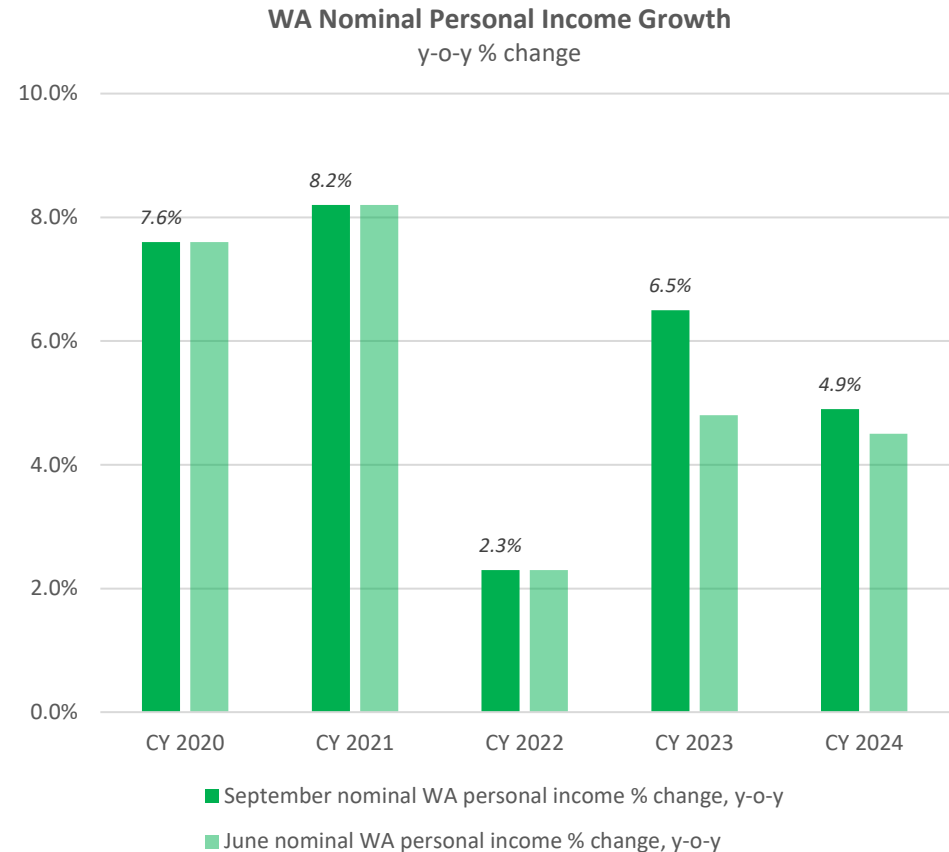
Source: WA State Department of Revenue

# WA recent taxable retail sales: generally a positive rate, but slowing; 2023 average to-date = 3%



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

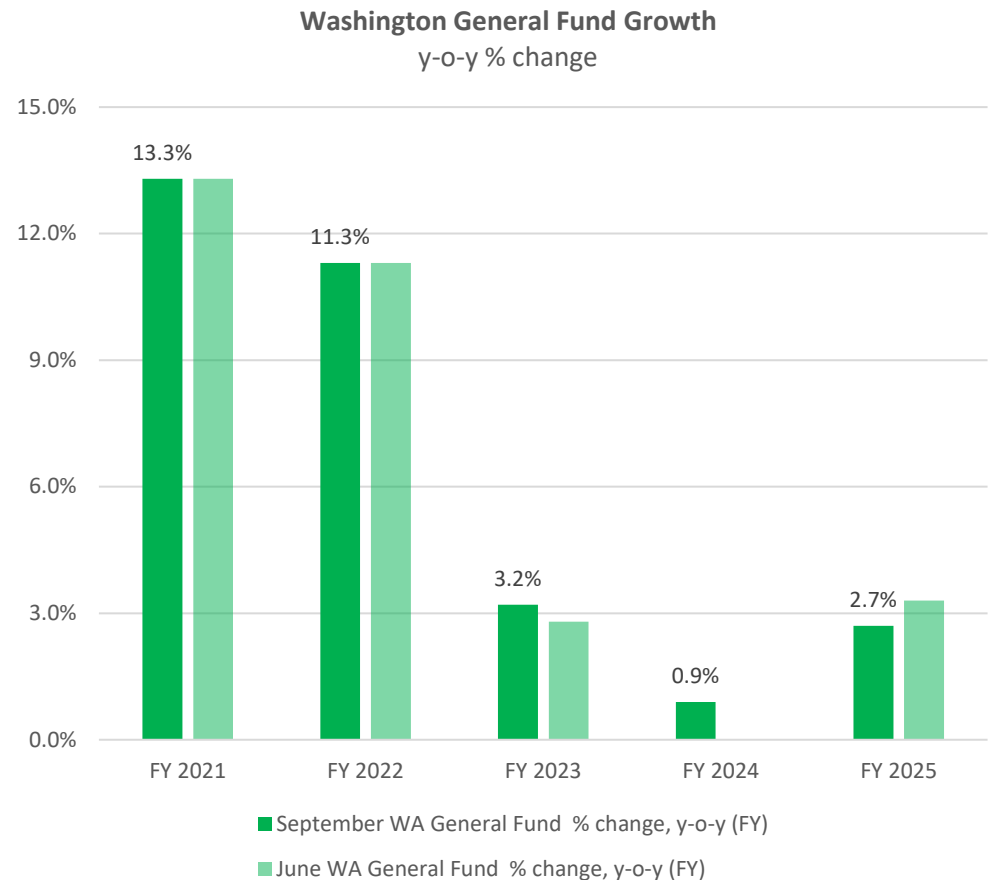
- Measure is personal income (PI) = wages + investments + transfer payments
- PI highly correlated with spending
  - (r = 0.98 for City of Spokane taxable retail sales & County PI)
- PI-Spokane highly correlated w/ PI-WA
- ERFC now projecting a much higher 2023 PI result and a bit higher for 2024



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

*(September, 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.
- September forecast more optimistic than June, except for FY25





# Summary observations

- **Taxable retail sales growth** for City in early 2023 in the low mid-single digits, likely to continue this year
- **WA State *Personal Income* forecast** from September for CYs 23 & 24 now anticipates somewhat faster growth than 3 months ago
- **WA State GF Revenue** forecast from September for FYs '24 & '25 now anticipates some growth (~1%) this year vs. none in June, but slightly lower growth (2.7%) for FY25 than in June
- 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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# A Glance at the Future of Spokane's Workforce

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**Presentation to the Workforce Summit**

December 6, 2023

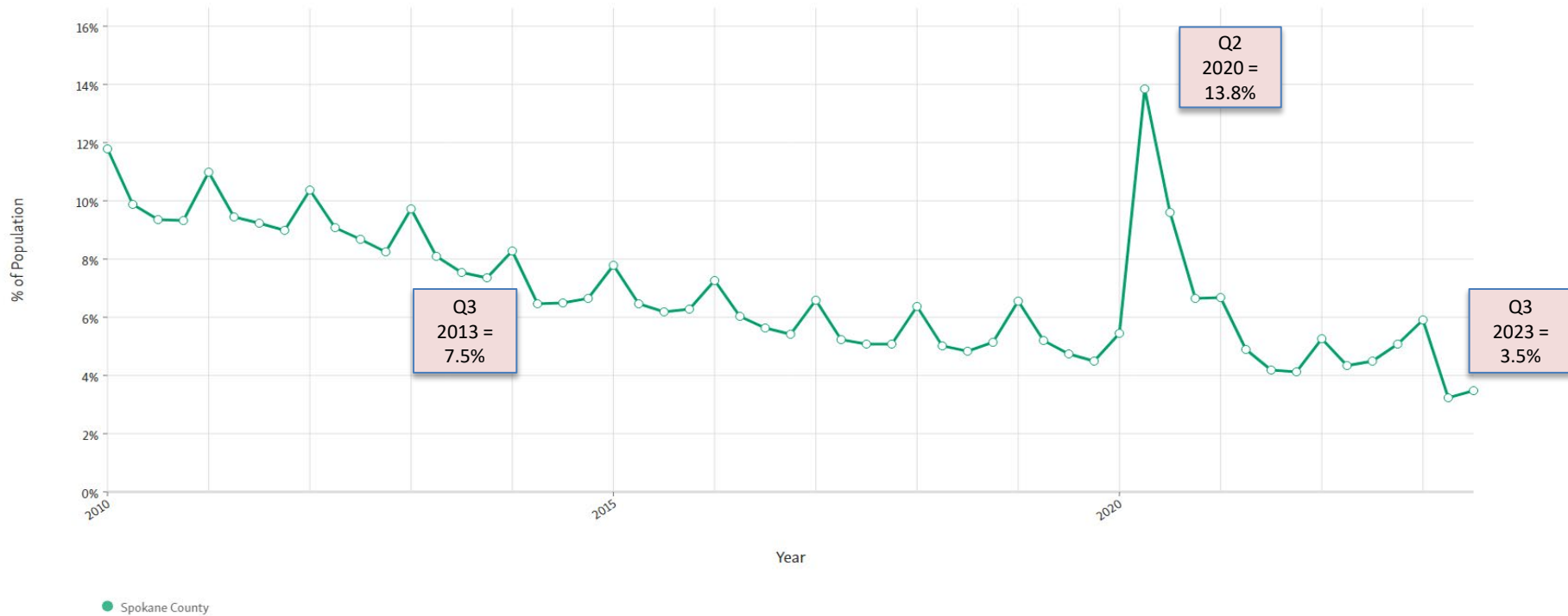
# We have a labor supply challenge in Spokane & it's likely to remain

[AWB Vitals](#)

## Unemployment Rate Spokane County

COMPARE TO REGION: ⓘ

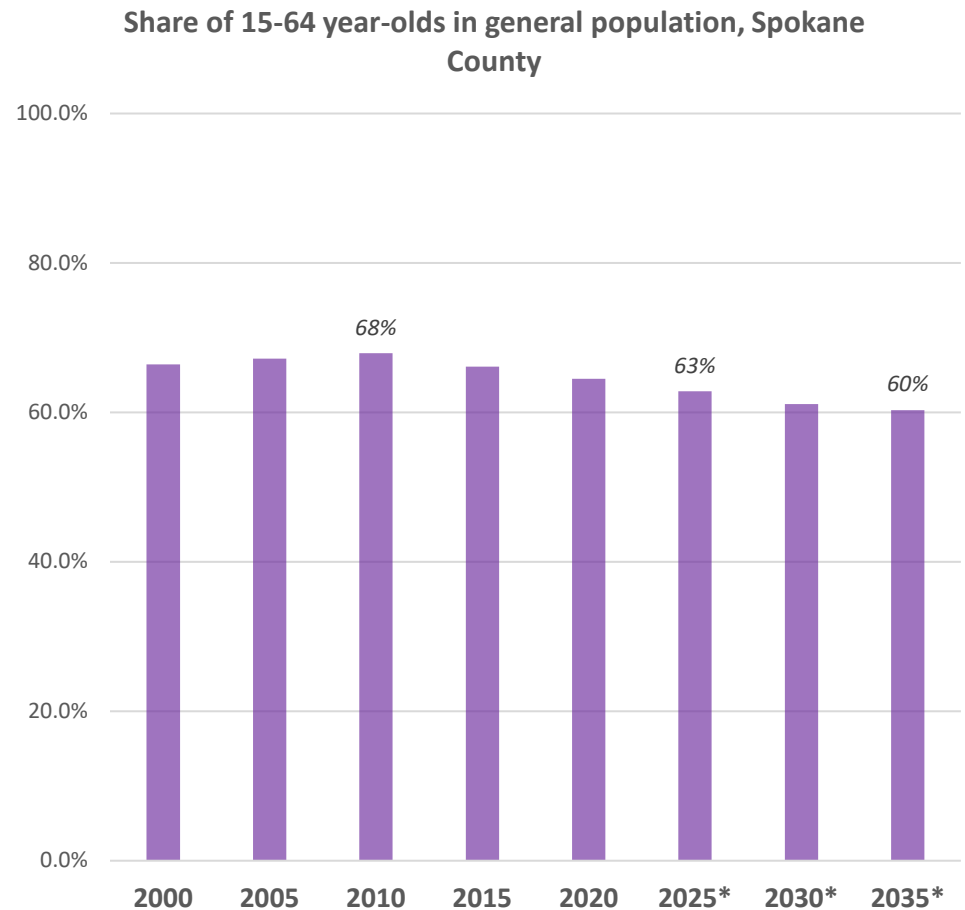
No Comparison



# Why? Among other factors, population is aging & its labor force participation rate dropping

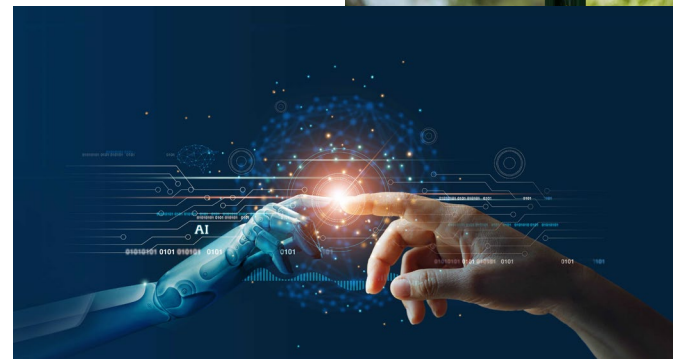
- Boomers are not being replaced by subsequent generations
- And... residents are not working as much as before <-> a falling labor force participation rate here:
  - 2000: 66%
  - 2010: 62%
  - 2022: 59%
  - These are < WA & U.S. participation rates

[Spokane Trends](#)  
[WA OFM](#)



# Consequences of declining labor force & its participation rate?

- Obvious: difficulty in filling jobs
- Less obvious: pressures to increase wages, boosting inflation
- Longer-term: an incentive to find substitutes for workers
  - Typically: machines (capital)
  - Now: computers (generative AI)
  - Remains to be seen, however, how much automation generally, and AI specifically, will replace people



# What can be done to counter demographics & to foster greater participation? Consider some special groups:

- Seniors
- Youth
- Women
- Disabled
- Immigrants



# Today, will consider future need (demand) for occupations

- State labor economists create a forecast for each year of the following decade
- Also done for each of the 12 Workforce Development Areas
- Spokane MSA a WDA, with 730 occupations
- Several insights – focusing on the “near-future,” i.e. through 2026





# About the Spokane MSA labor market

- 4 counties
- 2022 employment ~275K
- Predicted 2026 employment ~290K
- Typical growth ~1.5%/year
- ESD forecasts average annual total *job openings* at ~**41,400**



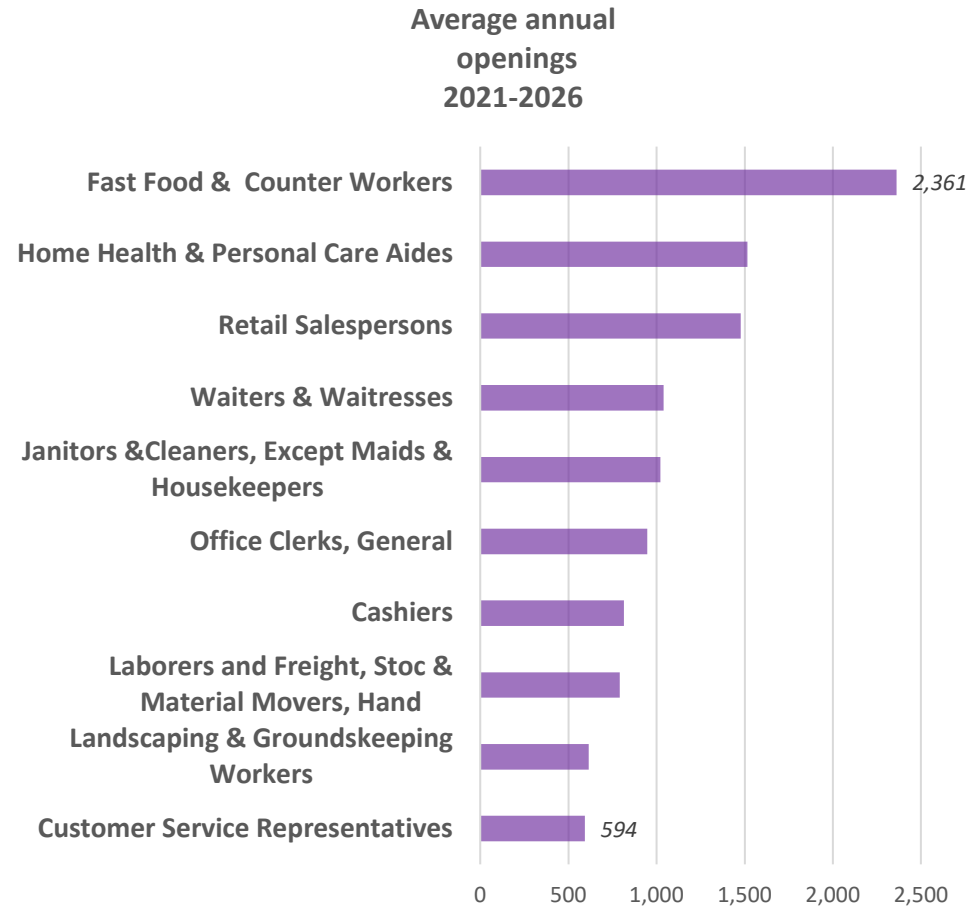
# 1<sup>st</sup> takeaway – the majority of future (& present) job openings is not due to economic growth

- Job postings – 3 sources
  - Growth of the economy
  - “Separations”
    - Retirements
    - Changing occupation
- Jobs with separations must be re-filled, unless:
  - Industry declines
  - Automation occurs
- Forecast for Spokane for '21-'26 – about 87% openings due to separations



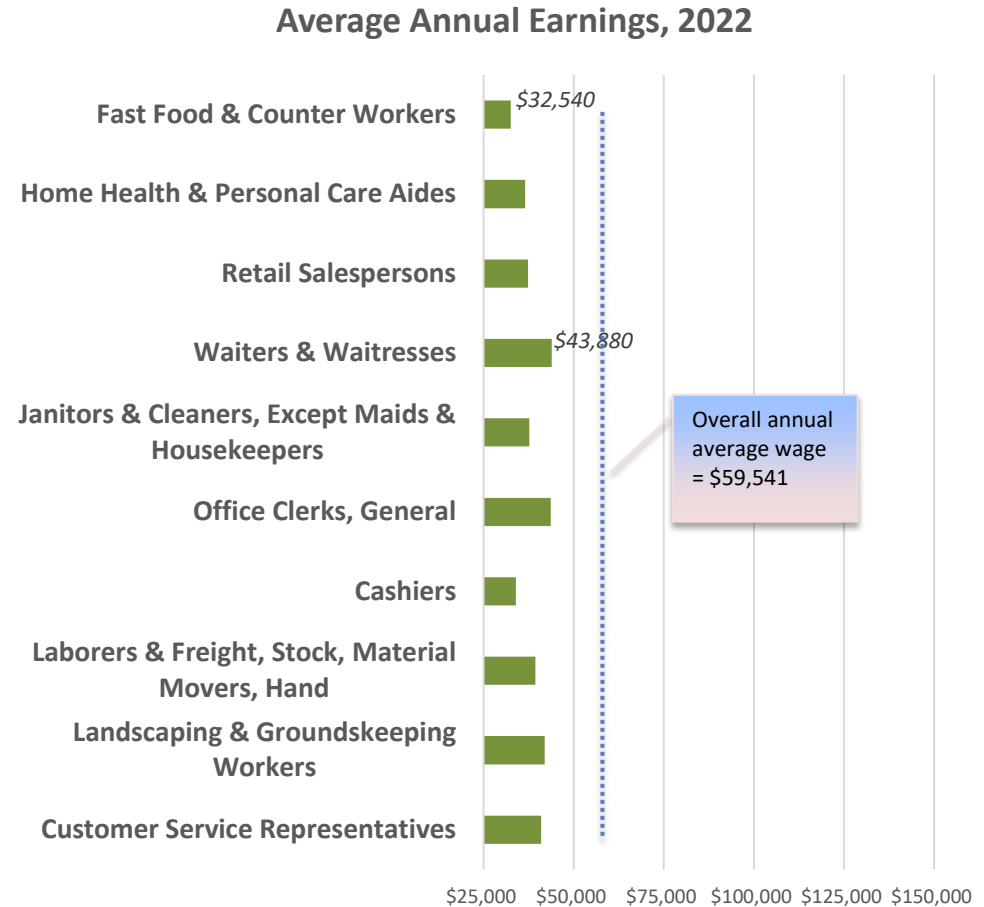
## 2<sup>nd</sup> takeaway – little formal training needed for the forecasted top 10 job openings in the Spokane WDA

- These 10 amount to 27% of the forecasted total of 41,400
- “High churn” occupations
- Formal training minimal
- Challenge – is there a willingness of residents to take these jobs?



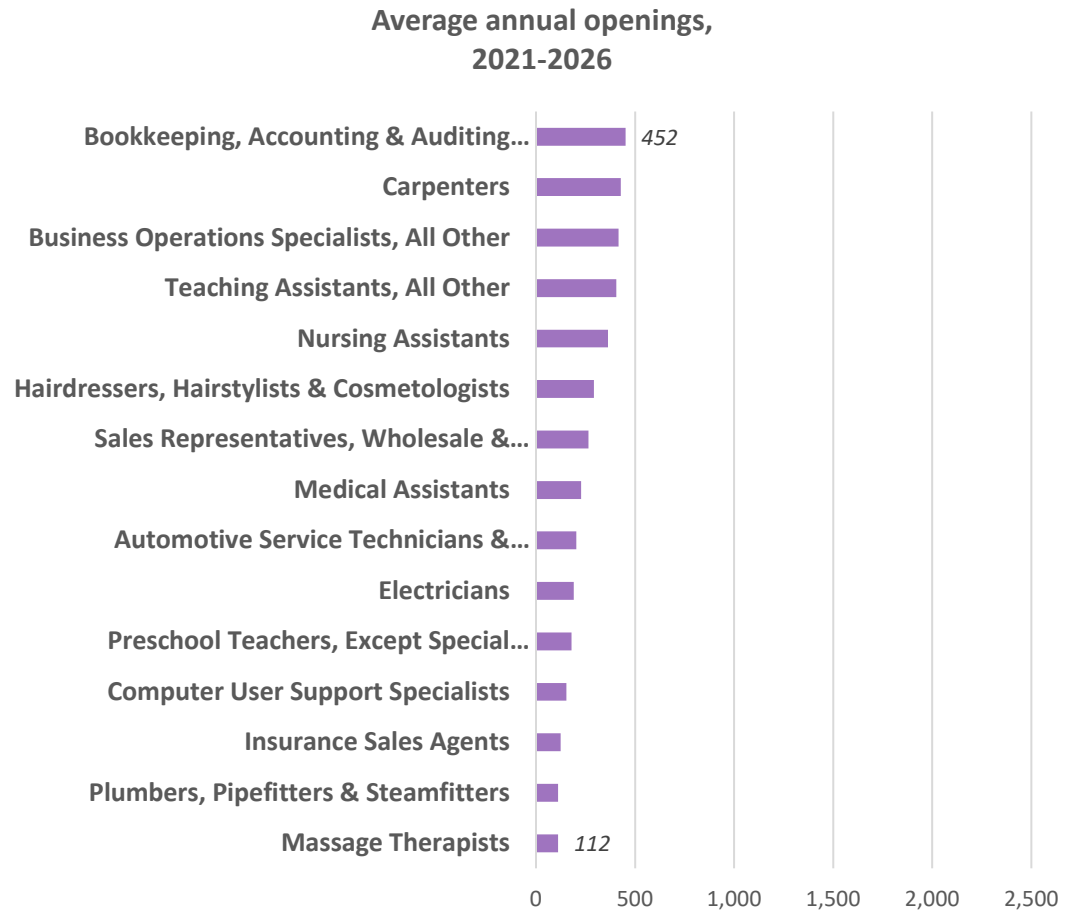
# Low training levels leads to low earnings

- Range: \$32,540 - \$43,880
- Often part-time
- 8% of these openings due to economic growth
- Likely that few retire from these positions, so most openings due to leaving the occupation



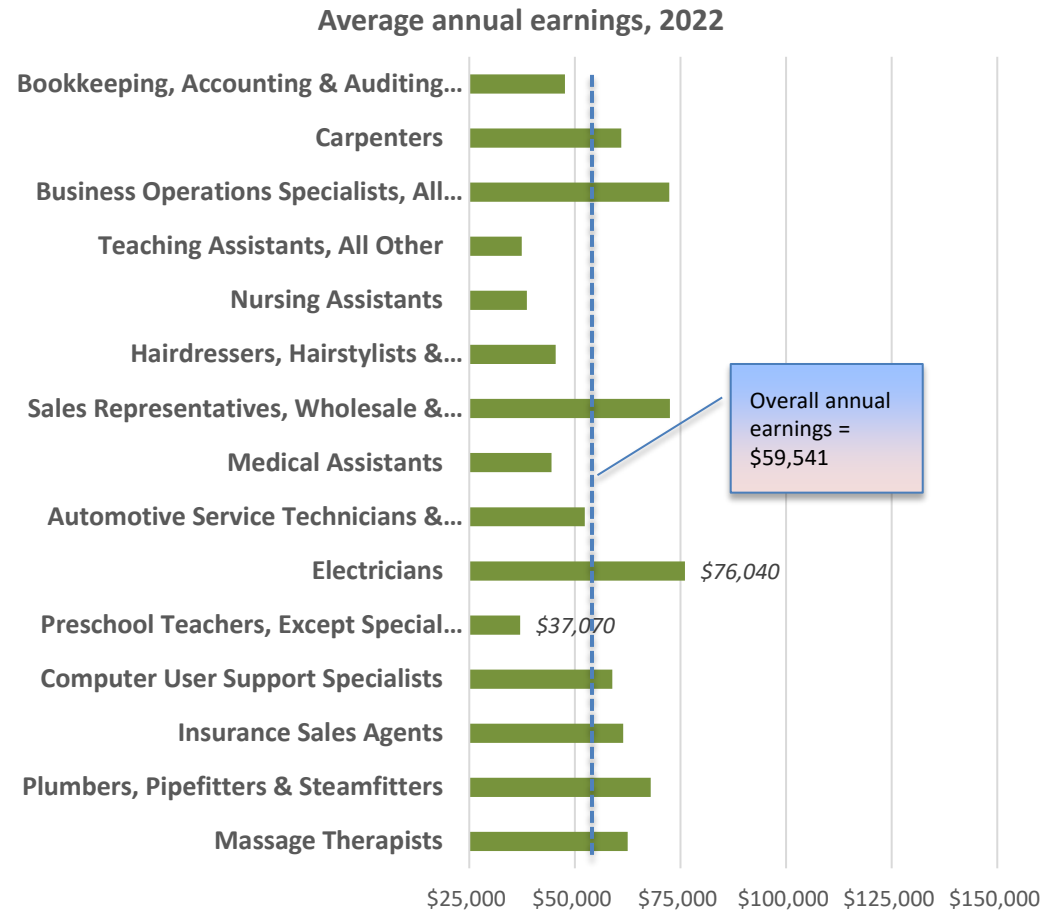
## 3rd takeaway: Top 15 job openings for occupations requiring apprenticeships, community college or trade schools amount to a smaller share of total openings

- Sum to 9% of total openings in the Spokane WDA
- A mix of preparation: apprenticeships, trade schools & community college
- All these openings ~ at least 6,400/year
- Most of these occupations are full-time



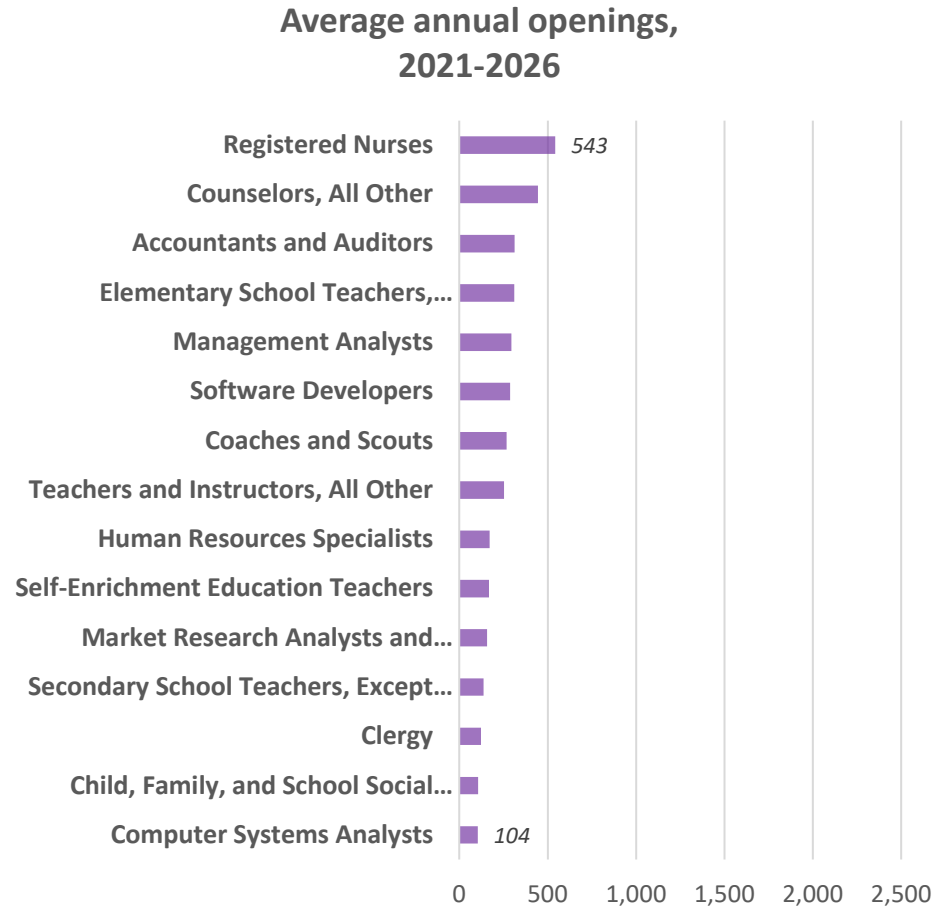
# About half of these occupations pay more than Spokane's average annual wage

- Range: \$37,070-76,040
- Simple average = \$55,725
- Some likely part-time
- About 14% of these openings due to economic growth



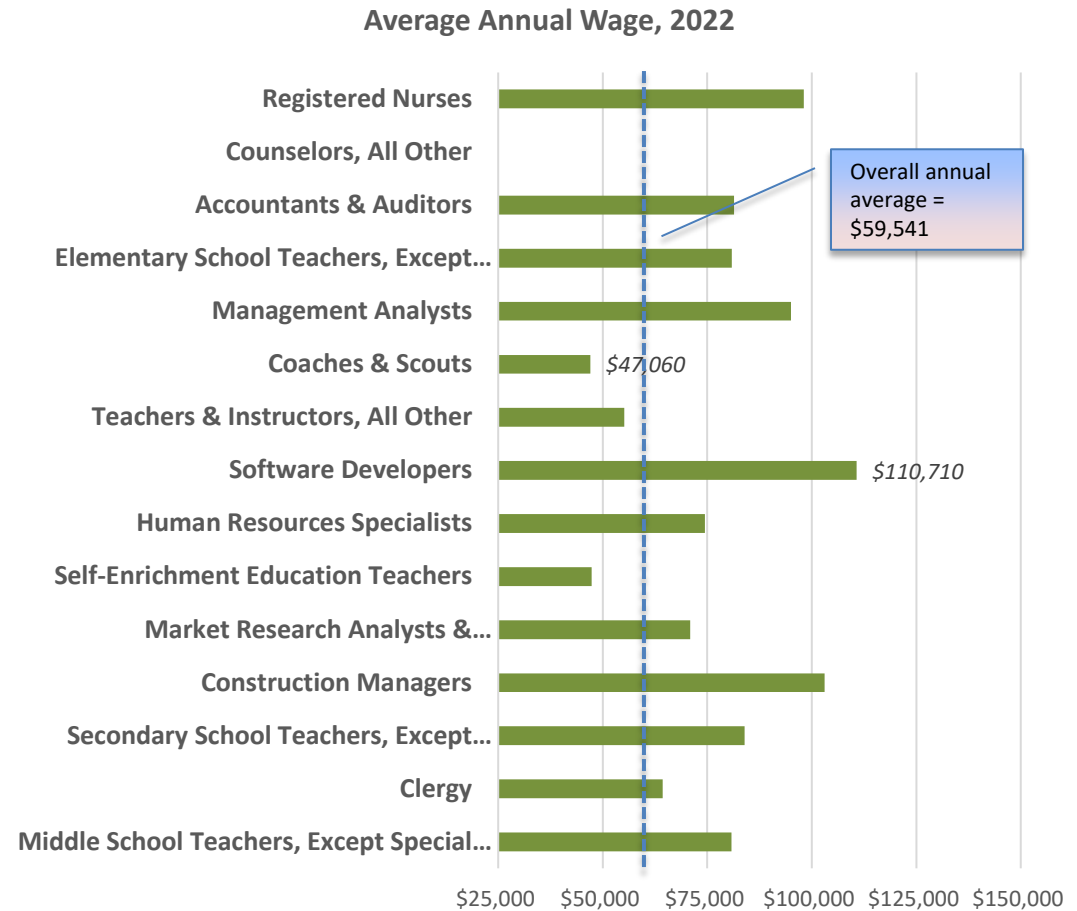
## 4<sup>th</sup> takeaway: Top 15 job openings requiring Bachelor's degree in Spokane represent a mix of disciplines

- Health, business & education dominate
- These 15 sum to 11% of total openings per year
- *All* openings requiring a Bachelor's ~ at least 5,800
- Excludes those occupations that require post-Bachelor education
- This mix is much different than that of WA & of the Tri Cities



# Nearly all these occupations show salaries > overall Spokane average

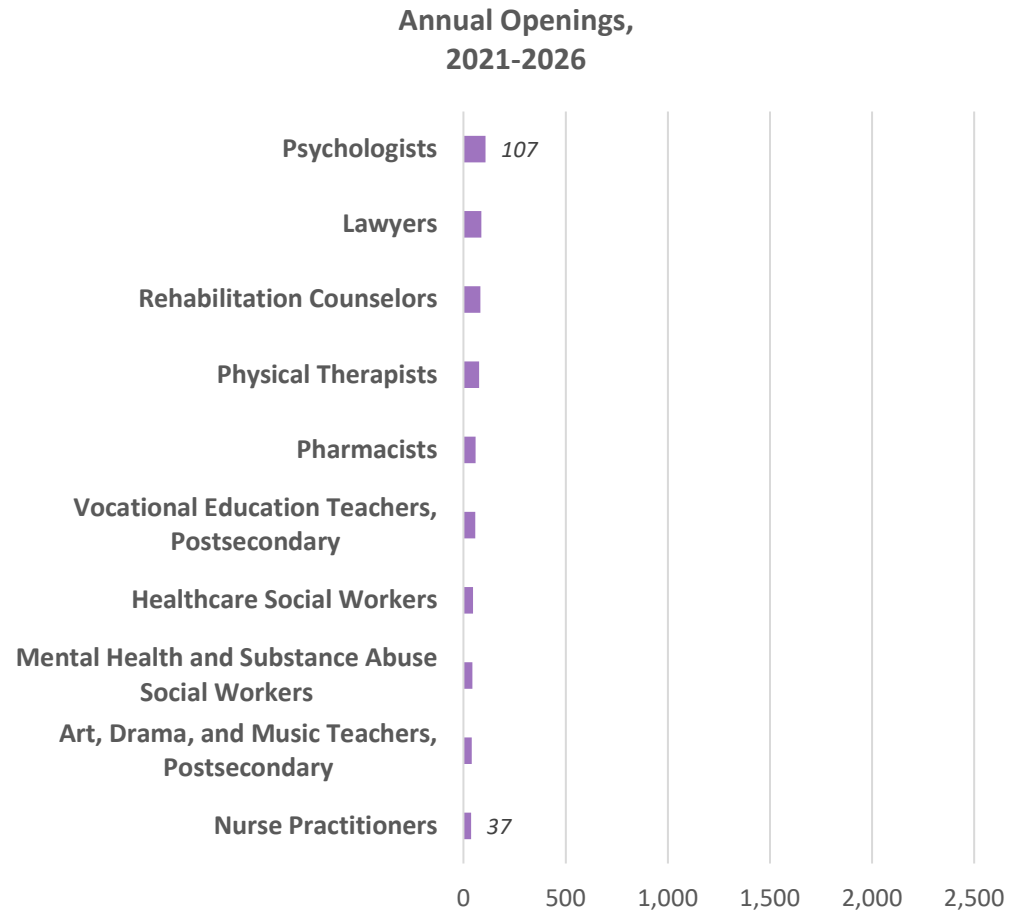
- Range: \$47,360 - \$110,710
- Simple average = \$78,071
- Nearly all full-time





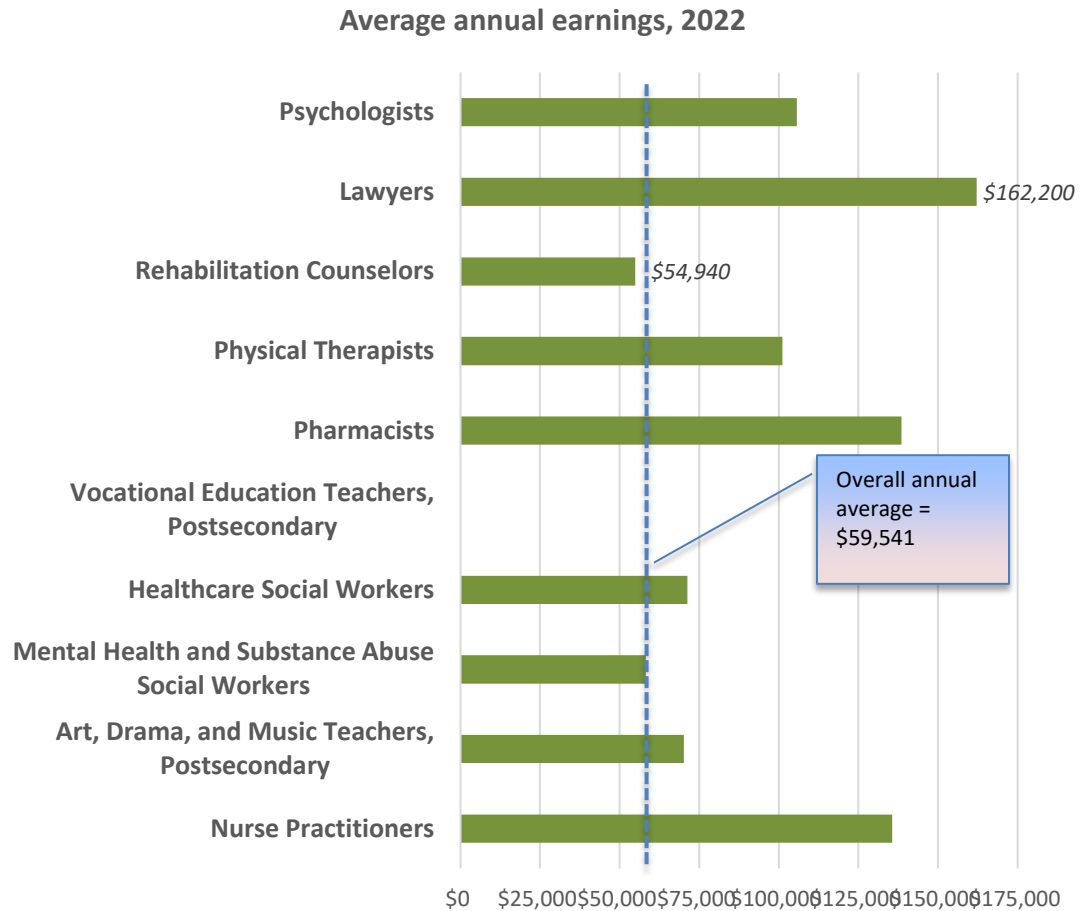
# 5<sup>th</sup> takeaway: Top 10 job openings requiring more than a Bachelor's degree in Spokane are mostly in healthcare

- A much smaller set
- Top 10 amount to ~2% of total annual openings in Spokane
- *All* occupations requiring a post-Bachelor's degree, plus all managers requiring a Bachelor's, amount to ~6% of total annual openings



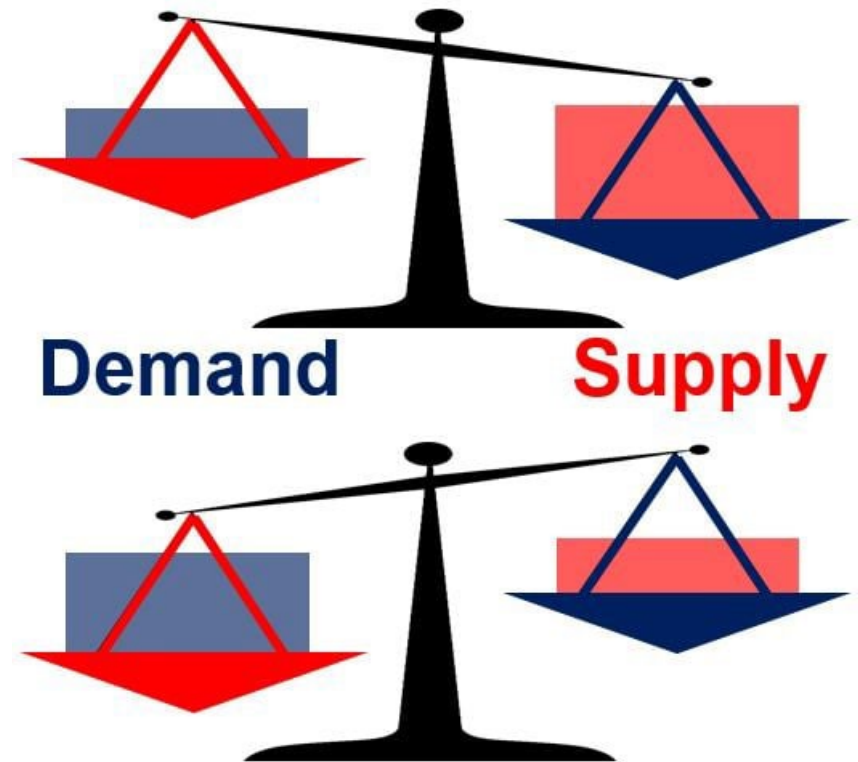
# Spokane salaries for occupations requiring a graduate education are generally high

- All but one occupation with annual earnings > overall county average
- Range, however, is large: \$54,940 - \$162,200
- Simple average: \$99,760



# Is Spokane “producing” enough talent to fill the future pipeline?

- Probably not for most of the openings highlighted (50 occupations represent ~ half of all openings)
- No specific insights into the size of the gap between openings for the trades & “mid-level” occupations. Anecdotally:
  - Salons closing early
  - CNA & MA training now offered by hospitals



# Gap between *local* supply & near-term future demand for occupations requiring a Bachelor's+ is daunting

- Even if all grads from EWU, Gonzaga, Whitworth & WSU Health Sciences stay in the Spokane, there will not be enough grads in:
  - Nursing
  - Accounting & auditing
  - Counseling
  - Elementary education
- 4 county universities are certainly not graduating 8,200/year



# For many occupations, but especially those requiring a Bachelor's+, Spokane higher ed supplies regional and state labor markets

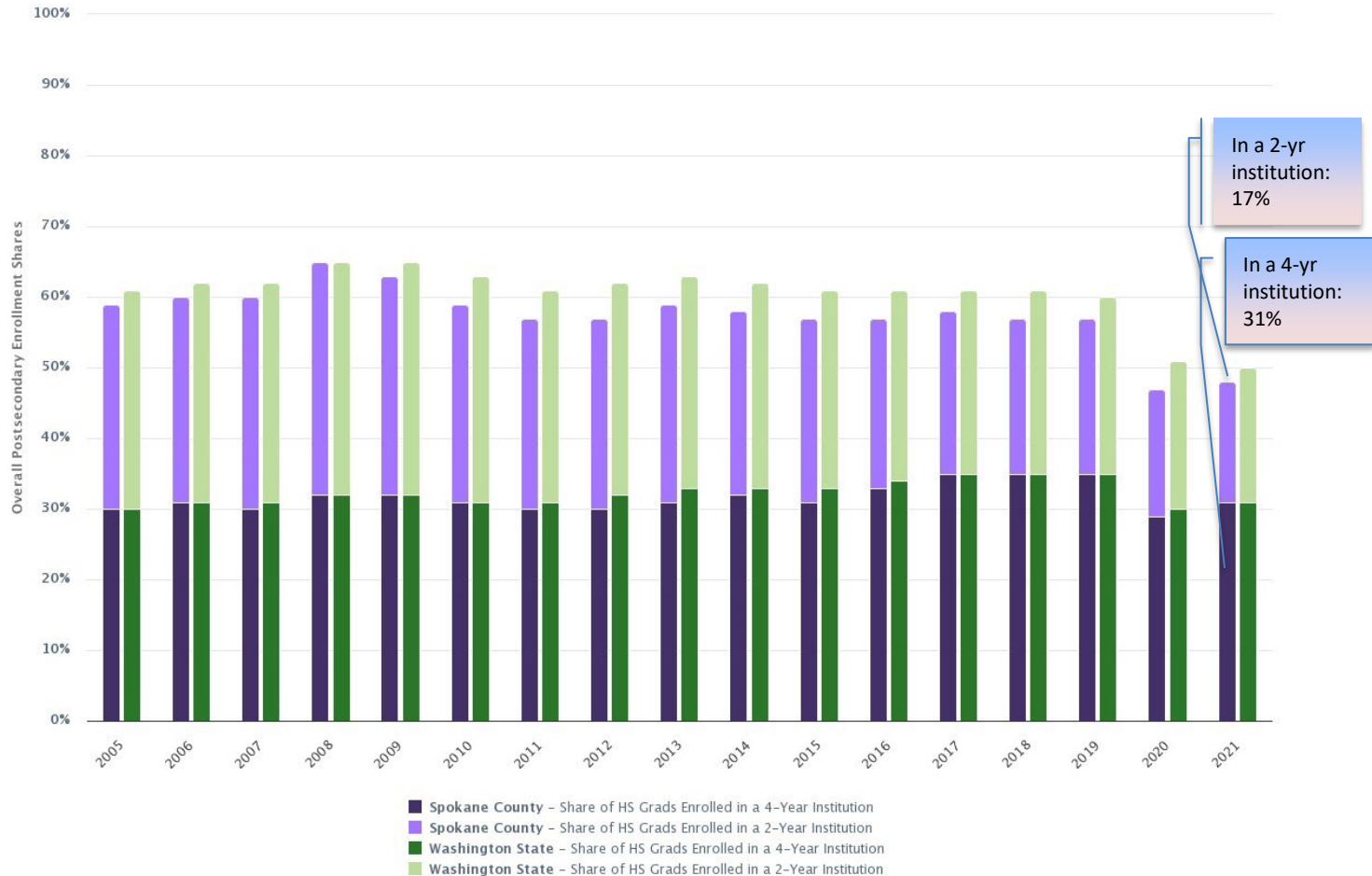
- In prior work, I've shown a huge gap between *statewide-*forecasted demand for many occupations requiring a Bachelor's & statewide issuance of degrees with a "best match"
- Overall, the total gap was ~ 4:1, openings for 4-year grads vs. degrees granted
  - Same top occupations shown
  - Plus – all computer specialties & engineers
- Simply not educating enough, here & throughout WA



# A likely reason: declining post-secondary engagement

ERDC via [Spokane Trends](#)

### 3.5.1 Share of Public High School Students Who Attend Higher Education Institutes within the 1st-Year After High School Graduation



This graph was downloaded on 12/3/2023 from [www.spokanetrends.org](http://www.spokanetrends.org)

## Closing questions

- Should we be concerned about minding the gap in the workforce local supply and demand?
- Or, should we continue to rely on talent from other states?
- If yes to the first question, then *how* do we bring our youth onboard?
  - Are students, high school & older, aware of the opportunities?
  - Are their families?
  - Are those who advise them – teachers, counselors, faculty?
- If yes to the first question, how do we also match the skillsets of other, somewhat overlooked members of our population with appropriate jobs?
- Will generative AI be part of the solution?

# Thank you!

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