

Yakima County Economy: 2017-in-Review

For: Greater Yakima Chamber of Commerce

By: Donald W. Meseck, Regional Labor Economist,
Washington State Employment Security Department

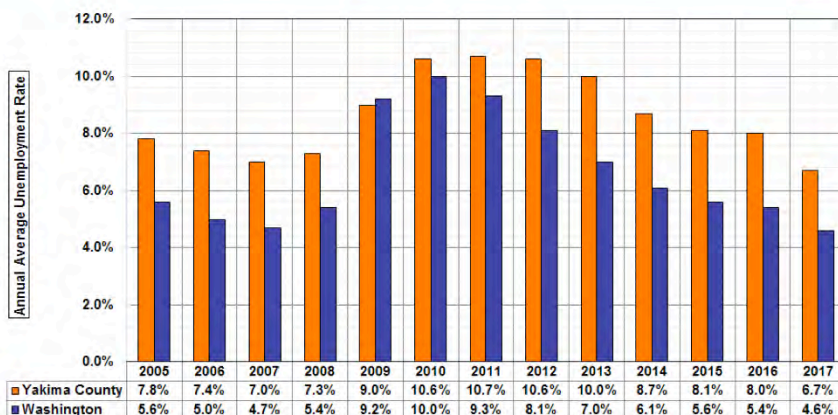
Date: February 12, 2018



My name is Don Meseck, Regional Labor Economist, assigned to the Workforce Information and Technology Services (WITS) Division of the Washington State Employment Security Department.

I provide economic analysis services and Labor Market Information (LMI) for a seven-county area in Washington State. Some of our major clients are: WorkSource offices, the North and South Central Washington Workforce Development Councils, economic development councils, chambers of commerce, ports, public and private sector schools, elected officials, the media, Rotary and Kiwanis clubs, banks, realtors, other businesses, etc. primarily in Adams, Chelan, Douglas, Grant, Kittitas, Okanogan, and Yakima counties.

Annual Average Unemployment Rates in Yakima County and in Washington from 2005-2017 (as of 23 Jan 18)



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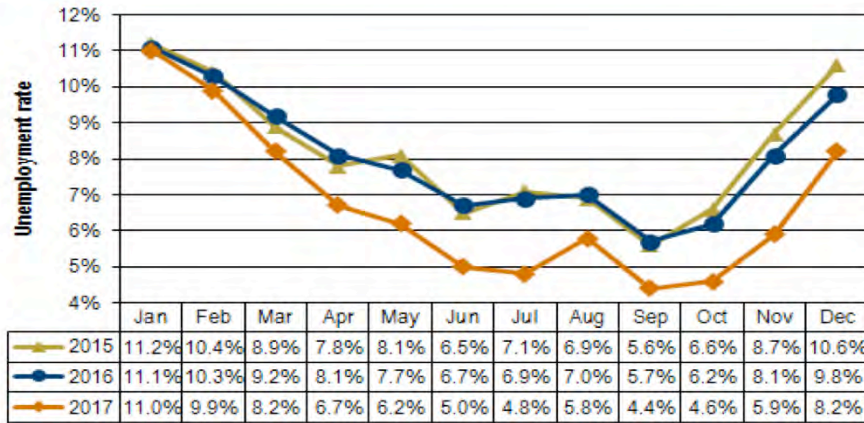
The blue bars in this graph depict annual average unemployment rates in Washington State, while the orange bars depict unemployment rates in Yakima County. Note the rising unemployment rates in both areas, during and immediately after the recent recession (from 2009-2014).

In Yakima County, unemployment rates were in 7-percent range from 2005-2008. The rate reached its pinnacle of 10.7 percent in 2011 before declining in each of the past six consecutive years (2012-2017, inclusive). Not seasonally adjusted rates still lingered at 8.1 and 8.0 percent in 2015 and 2016. But the rate dropped sharply in 2017 to 6.7 percent, the lowest average annual rate for the County since electronic records were implemented in 1990 – 27 years ago.

What helped pushed the local rate down from 8.0 percent in 2016 to 6.7 percent in 2017? Preliminary data show that the number of residents in the Civilian Labor Force (CLF) grew 1.7 percent between 2016 (125,794 residents) and 2017 (127,881) while the number of unemployed residents shrank from 10,055 to 8,530. This means an average of 1,525 fewer Yakima County residents were out of work last year than in 2016 – definitely good economic news.

Washington's unemployment rate has been moving in the right direction (i.e., downward) for seven consecutive years (2011-2017, inclusive).

Unemployment Rates in Yakima County: From January 2015-December 2017



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This slide provides monthly unemployment rates in Yakima County from January 2015 up to and including December 2017.

The unemployment rate fell from 9.8 percent in December 2016 to 8.2 percent in December 2017, an appreciable one and six-tenths points drop as the number of residents entering the labor force decreased slightly while the number of unemployed decreased sharply (see *Slide 4*).

Monthly unemployment rates have been registering year-over-year declines for 15 consecutive months (October 2016 through December 2017) – great news for the local economy.

Yakima County's Civilian Labor Force: From December 2016-December 2017

Yakima County	Preliminary Dec-17	Revised Dec-16	Change	
			Dec-16 Dec-17	Dec-16 Dec-17 %
Labor force and unemployment				
Civilian labor force	119,520	121,626	-2,106	-1.7%
Resident employment	109,669	109,765	-96	-0.1%
Unemployment	9,851	11,861	-2,010	-16.9%
Unemployment rate	8.2	9.8	-1.6	



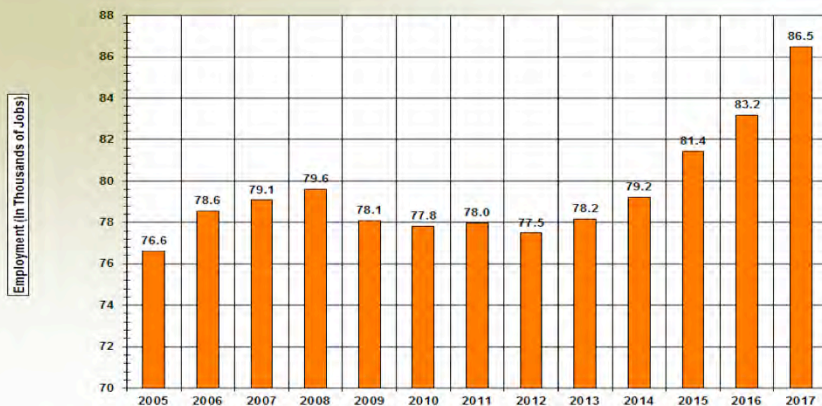
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The most current, monthly snapshot of the local labor market shows that Yakima County's Civilian Labor Force (CLF) has contracted year over year for the past two months, falling 1.7 percent between the Decembers of 2016 and 2017, from 121,626 to 119,520 residents, equating to 2,106 fewer residents in the CLF this past December. A shrinking labor force is just about never good economic news, but the most likely explanation for the contraction in December 2017 is that agricultural employment was less this past December versus in the same month one-year prior. Fortunately, the number of unemployed residents plummeted 16.9 percent and by 2,010 residents, to 9,851 in December 2017 from 11,861 in December 2016.

Hence, Yakima County's unemployment rate fell from 9.8 percent in December 2016 to 8.2 percent this December.

Particularly noteworthy: the rate has been posting year over year declines now for the past 15 months (October 2016 through December 2017) and the December 2017 unemployment rate for Yakima County is the lowest reading for the month of December since electronic records were implemented in 1990 – 27 years ago.

Yakima County: Total nonfarm employment from 2005-2017 (as of 23 Jan 18)



Source: CES Data, LMPA, ESD



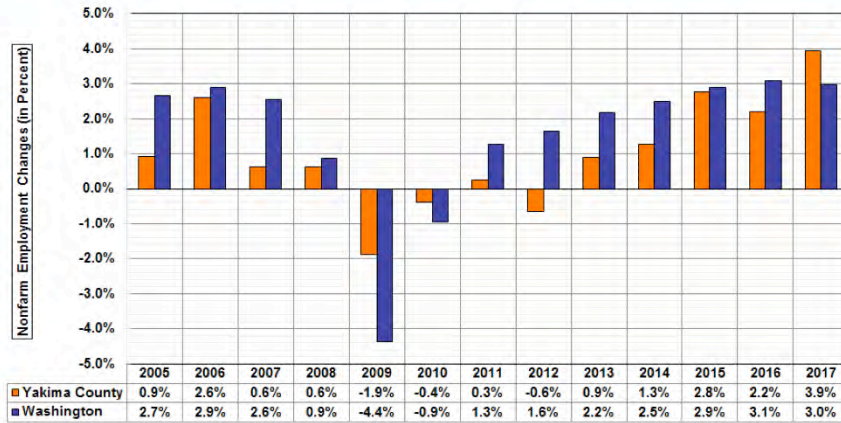
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The National Bureau of Economic Research (NBER) announced that the national recession occurred from December 2007 through June 2009. But, the effects of the recession hit Yakima County's nonfarm labor market heavily in 2009, 2010, and again in 2012. Please note: nonfarm employment data do not count agricultural jobs. Nonfarm figures are derived from Current Employment Statistics (CES) data/estimates (i.e., from CES quarterly benchmarked data, not seasonally adjusted) at the county, state, and national levels.

The "pre-recession" peak for nonfarm employment was in 2008 when the local economy provided 79,600 jobs. Then the recession hit and it took seven years, until 2015, for the Yakima County economy to regain (and slightly exceed) this level of employment. In 2015 nonfarm employment averaged 81,400. The "valley" of our local recession here in Yakima County occurred in 2012, when nonfarm employment averaged just 77,500.

An important takeaway: the recent recession hit the local nonfarm market harder than the total covered employment job market. It took seven years (from 2008-2015) for the nonfarm economy to regain the number of jobs lost; but it took only three years, from 2008-2011 for total covered employment (which includes agricultural jobs) to bounce back to the pre-recession peak.

Yakima County and Washington: Average annual nonfarm employment changes from 2005 to 2017 (as of 23 Jan 18)



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In this slide, the blue bars depict over-the-year employment changes in Washington State, while the orange bars depict over-the-year employment changes in Yakima County. Note that:

- Washington’s nonfarm economy lost jobs more rapidly than Yakima County during the recession in 2009 and 2010.
- In each of the next six years since the recession (2011 through 2016, inclusive) local nonfarm job growth has lagged the growth pace statewide.
- In 2017, the number of nonfarm jobs in Yakima increased 3.9 percent versus 3.0 percent in Washington State. This is “news.” In fact, 2017 was the first year in at least the past 13 years (2005-2017) that Yakima County’s nonfarm employment has grown more rapidly than Washington’s nonfarm employment.

Yakima County - Nonfarm job growth in major industries from 2016 to 2017

Industry	Ann. Avg. Employment in 2016	Ann. Avg. Employment in 2017	Job Change	Percent Change
Total Nonfarm	83.2	86.5	3.3	3.9%
Total Private	65.7	68.5	2.8	4.2%
Goods Producing	12.4	12.7	0.3	2.4%
Mining, Logging, and Construction	3.8	3.9	0.1	1.7%
Manufacturing	8.5	8.8	0.2	2.7%
Nondurable Goods	5.4	5.6	0.2	3.4%
Service Providing	70.8	73.8	3.0	4.2%
Private Service Providing	53.3	55.8	2.5	4.7%
Trade, Transportation, and Utilities	19.1	19.3	0.2	1.0%
Wholesale Trade	4.5	4.6	0.1	2.2%
Retail Trade	11.0	11.0	0.1	0.8%
Transportation and Utilities	3.7	3.7	(0.0)	-0.2%
Professional and Business Services	4.1	5.6	1.5	37.4%
Education and Health Services	16.7	17.3	0.6	3.4%
Health Care and Social Assistance	15.4	16.0	0.5	3.5%
Leisure and Hospitality	7.6	7.8	0.3	3.5%
Food Services	5.6	5.8	0.2	3.9%
Government	17.5	18.0	0.5	2.8%
Federal Government	1.2	1.2	0.0	0.0%
State Government	2.8	2.8	0.0	0.9%
Local Government	13.5	14.0	0.5	3.5%

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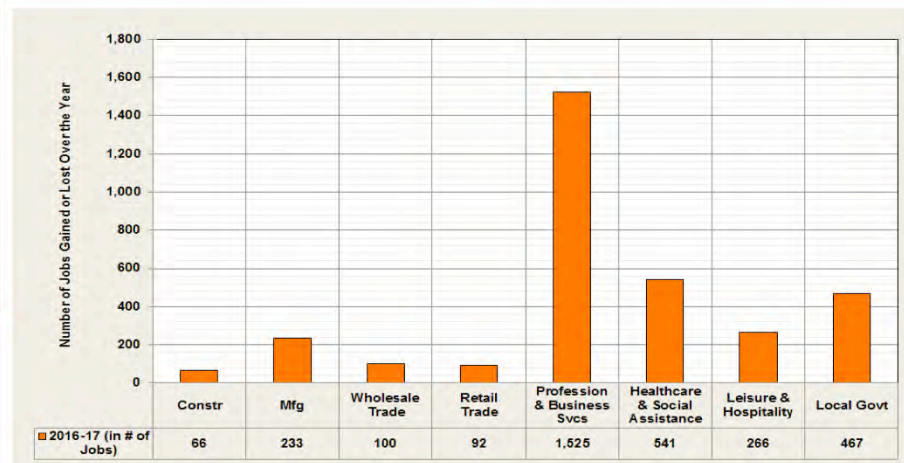


The 86,500 jobs provided across Yakima County in 2017 was a substantial 3,300-job and 3.9-percent upturn over the 83,200 jobs tallied in 2016.

Note that no major industry lost a *significant* number of jobs in 2017. True, transportation and private utilities (primarily trucking firms) edged downwards from 3,658 jobs to 3,650 between 2016 to 2017, but this 0.2-percent downturn was rounded no net job change during this timeframe. Please also note that every other major industry netted more jobs in 2017 than in 2016. Although federal and state government employment stabilized in 2017, local government rose by 500, a 3.5-percent advance – hence the major category of “Government” rose by 500.

Since this table is a little hard to read, I graphed annual average gains and losses during 2017 for eight of Yakima County’s major industries in the chart on the next slide.

Summary of job gains/losses (in #) in Yakima County nonfarm industries from 2016 to 2017



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This figure summarizes annual average nonfarm employment changes, in numbers of jobs, in Yakima County between 2016 and 2017:

Professional and business services consists of a diverse set of niche industries, ranging from computer systems design and accounting/tax preparation services to landscaping and janitorial services, legal services and temporary employment services. Within professional and business services, temporary employment services likely accounted for much of this 1,525-job surge - an encouraging indicator.

Two other local industries netted over 400 more jobs in 2017 than in the prior year: private health services (up 541 jobs) and local government (up 467 jobs). Local government includes public school districts, police and fire departments, county and city administration and ports, tribal employment, and public health services.

Yakima County: Comparison of 2017 Employment Projections (made on 13 Mar 17) with Current Data (as of 23 Jan 18)

On 13 March 2017	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	An Avg
2017 (Projected)	82.8	85.1	85.2	85.8	84.7
2016	81.1	83.6	83.2	84.1	83.0
2016-2017 (in #)	1.7	1.5	2.0	1.6	1.7
2016-2017 (in %)	2.0%	1.8%	2.4%	2.0%	2.0%
On 12 February 2018:	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	An Avg
2017 (Actual, as of 23 Jan 18)	83.1	87.2	87.6	88.0	86.5
2016	81.3	83.7	83.9	83.9	83.2
2016-2017 (in #)	1.8	3.5	3.7	4.1	3.3
2016-2017 (in %)	2.2%	4.2%	4.4%	4.9%	3.9%

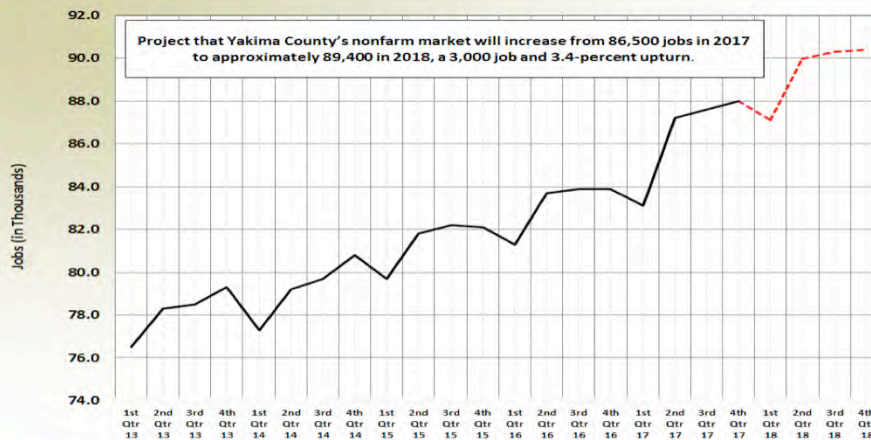
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A comparison of my total nonfarm employment *projections* for 2017 for Yakima County (made in March 2017) versus *actual* nonfarm employment for 2017 (made in February 2018 using current data as of 23 January 2018) follows:

- *In March 2017*, my projection was that the number of total nonfarm jobs in Yakima County would increase from 83,000 in 2016 to 84,700 in 2017, a 1,700-job and a 1.7-percent upturn. Since then, 2016 average annual nonfarm employment was revised upward by our agency from 83,000 jobs to 83,200, an modest 200 job adjustment. Hence, my “forecast” made in March 2017, using a two-year link-relative formula, was that the local nonfarm economy would net 1,700 new jobs in 2017, a 1.7 percent upturn.
- *In February 2018*, current employment statistics (CES) data show that Yakima County’s nonfarm market *actually* increased from 83,200 jobs in 2016 to 86,500 jobs in 2017, a 3,300-job and 3.9-percent upturn. Clearly I underestimated the strength of Yakima County’s economy in the last three calendar quarters of 2017.
- So, how about an estimate/forecast for local nonfarm job growth in 2018?

Projected nonfarm job growth in Yakima County for 1st-4th Quarters 2018



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Must admit that I do not know with a great deal of confidence what the future holds for the Yakima County economy. It is hard to develop a model to project employment at the county level since employment is often driven by individual business decisions (i.e., one or two large firms opening or closing in Yakima County can throw all industrial employment projections “out of the window”).

Nevertheless, using a 3-year link-relative formula, project that Yakima County's nonfarm market will increase from 86,500 jobs in 2017 to approximately 89,400 in 2018, a 3,000 job and 3.4-percent upturn. Specifically:

- Project a 4.0 percent upturn (up 4,000 jobs) between the 1st Qtrs. of 2017-18.
- Project a 3.2 percent upturn (up 2,800 jobs) between the 2nd Qtrs. of 2017-18.
- Project a 3.1 percent upturn (up 2,700 jobs) between the 3rd Qtrs. of 2017-18.
- Project a 2.4 percent upturn (up 2,400 jobs) between the 4th Qtrs. of 2017-18.

A limitation of these quarterly and annual projections is that they are limited by past performances of the Yakima County economy during 2005-2017. Except for the recession years of 2009 and 2010 and the strong economic year of 2017, local nonfarm job growth rates have generally lagged behind the State. But, this “stubby pencil” nonfarm employment projection for 2018 is for another year of relatively strong nonfarm job growth in Yakima County. Time will tell. . .

Although agriculture continues to be a pillar of the local economy, nonfarm job growth in 2017 “carried the day”

- Yakima County’s unemployment rate fell from 8.0 in 2016 to 6.7 percent in 2017 – the lowest average annual rate since at least 1990 (the past 27 years).
- Yakima County’s Civilian Labor Force (CLF) grew from 125,794 residents in 2016 to 127,881 in 2017, up 1.7 percent. WA’s CLF grew at a 2.1 percent clip.
- Nonfarm employment averaged 86,500 in 2017, up 3,300 jobs and 3.9 percent since 2016. (WA’s nonfarm growth was 3.1 percent.) Although professional and business services accounted for nearly half of all new jobs in 2017, most major local industries grew in the two- to three-percent range.



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(Self explanatory)

“Yakima County Economy: 2017-in-Review” Point of contact

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Would like to express my appreciation to Thane Phelan (Greater Yakima Chamber of Commerce) and to Bob Gerst (John I. Haas, Inc.) for asking me to participate in this panel discussion today.

Are there any questions?