

An aerial photograph of a river flowing through a city. The river is dark blue and winds through the urban landscape. On the left bank, there are several large industrial or commercial buildings with white roofs. The right bank is more residential, with many smaller houses and trees. In the background, a bridge with multiple arches spans the river. The sky is blue with some white clouds.

TRIDEC

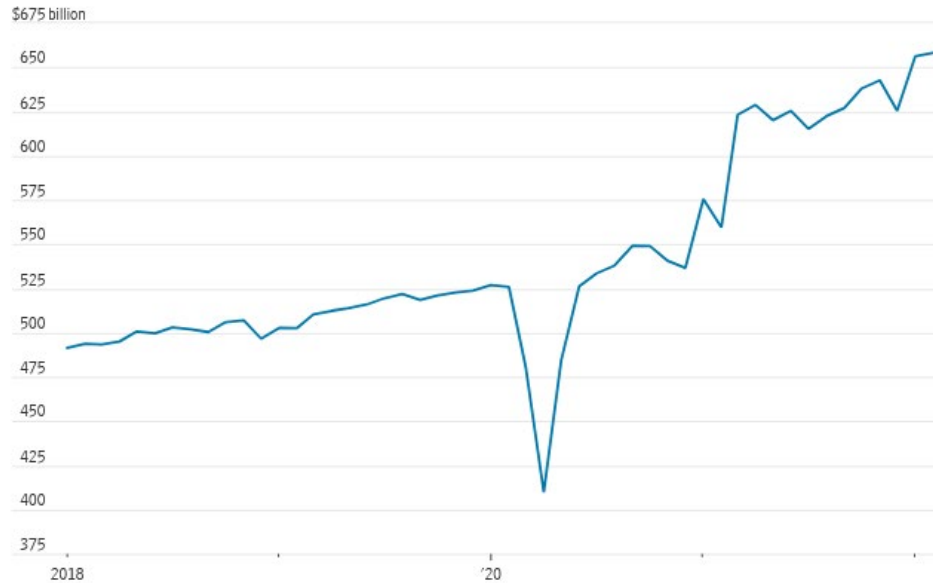
Tri-Cities Regional Economic Outlook

Kris Johnson | March 18, 2022



Economy

National



- Retail sales continue growing
 - 0.3% - February
 - 4.9% - January
- Labor market booming
 - 1.2 million new jobs and higher wages in first 2 months of 2022
- Omicron fading

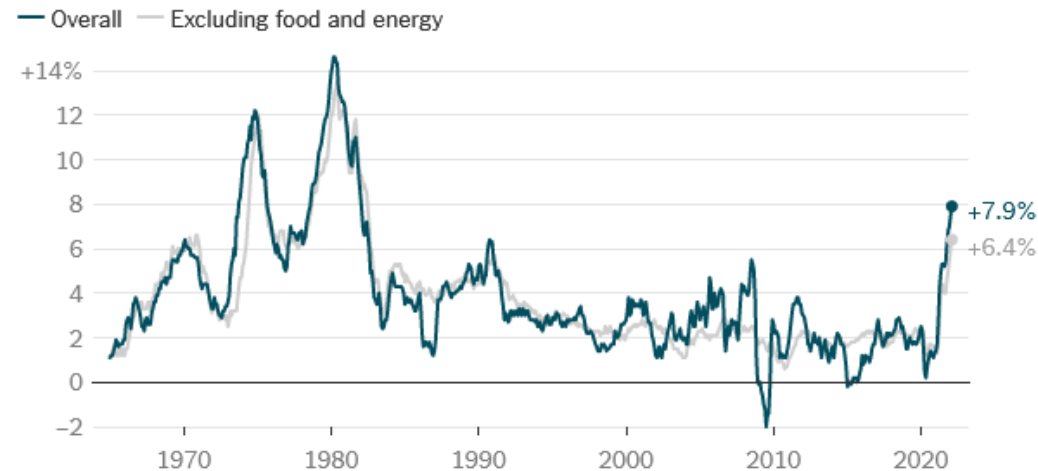
Surging U.S. Inflation Raises Stakes as War Pushes Up Prices



March 10, 2022
Jeanna Smialek

How Inflation Is Rising

Year-over-year changes in the Consumer Price Index



Seasonally adjusted • Source: Bureau of Labor Statistics • By The New York Times

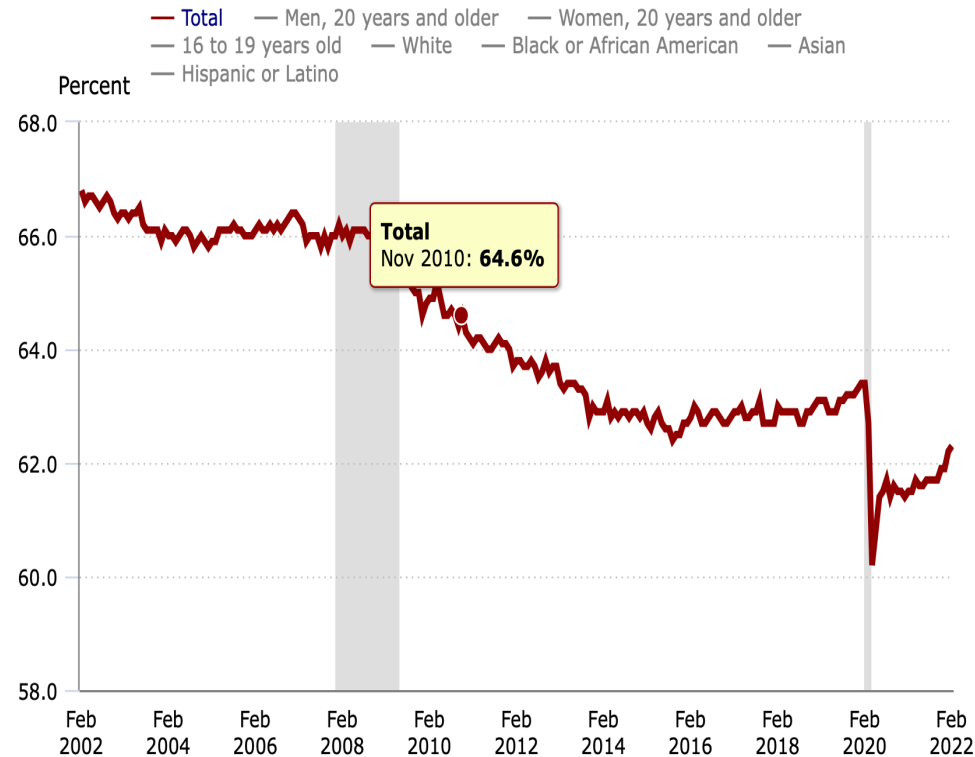


US Economy – Bad News

- Inflation
 - 7.9% - February (highest since 1982)
 - 0.25% interest rate hike Wednesday
 - 6 more rate hikes coming
- Supply chain disruptions
 - New lockdowns in China and Russia-Ukraine war adding to problem

Civilian labor force participation rate, seasonally adjusted

Click and drag within the chart to zoom in on time periods



Hover over chart to view data.

Note: Shaded area represents recession, as determined by the National Bureau of Economic Research.

Persons whose ethnicity is identified as Hispanic or Latino may be of any race.

Source: U.S. Bureau of Labor Statistics.



US Economy – Workforce

- Lack of workers is now biggest concern for many members
- Labor pool shrinking
 - 62.3% - February
 - 63.4% - pre-pandemic
- Record number quit jobs in 2021
 - 47.4 million voluntary quits



Russia-Ukraine War

- Stock market volatility
- Energy prices spike
- Brands exiting Russia
- Enormous global trade implications

From Bloomberg:

“ *An extended conflict between Russia and Ukraine would hit the U.S. economy broadly, with all 50 states affected by the fallout, according to an analysis by Moody's Analytics.* ”

...

Washington and South Carolina, the two states that export the most proportionally to Russia and Ukraine, would be hurt. Shipments affected likely would include transportation equipment from Washington and auto parts from South Carolina.

From Beer to Semiconductors, War Will Hit U.S. State Economies



Economy

Washington

States Whose Unemployment Claims Are Recovering the Quickest

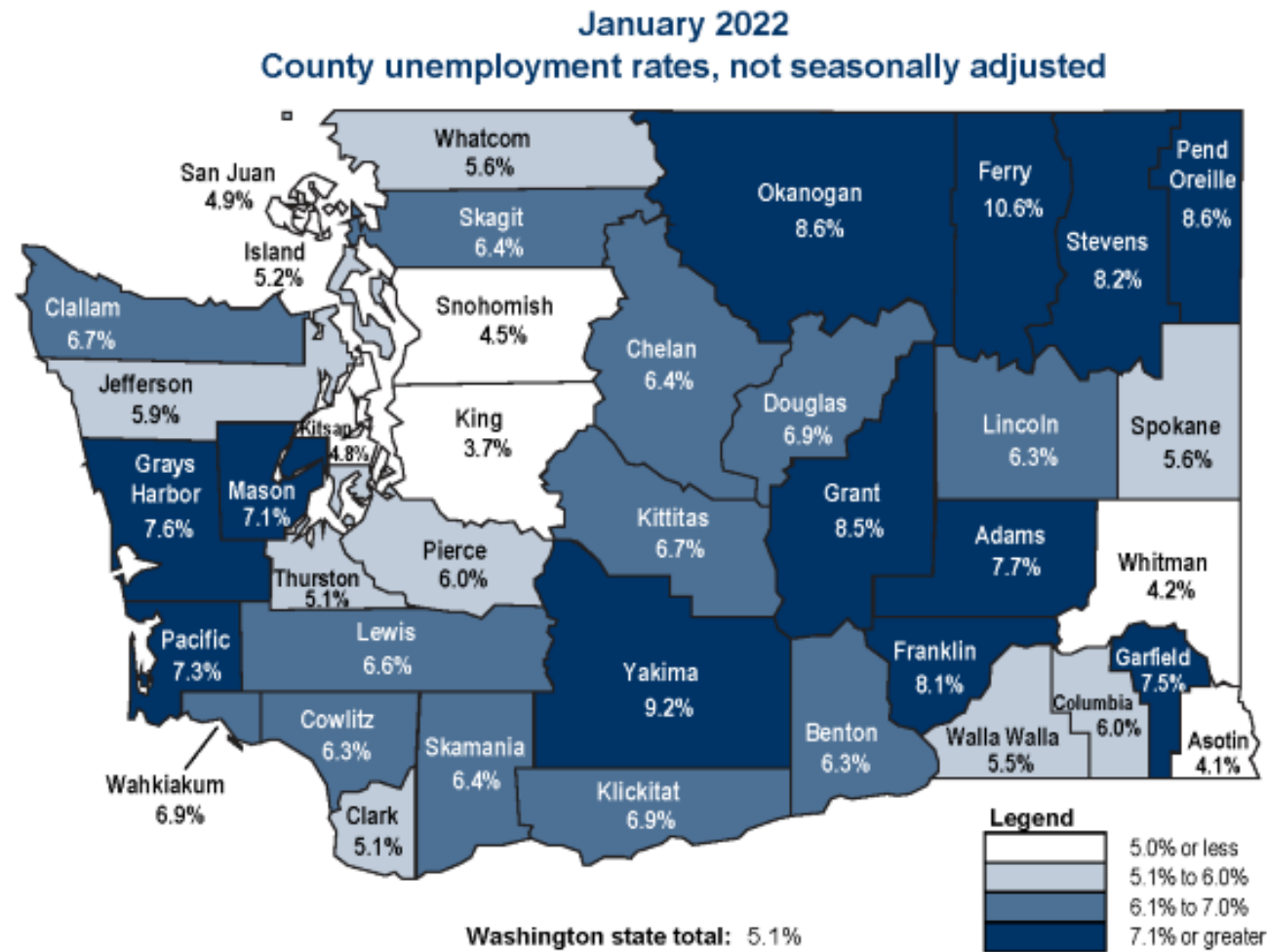
State	Recovered Most Since Last Week ↕	Recovered Most Since Start of COVID-19 Crisis ▲
South Carolina	16	1
Iowa	7	2
Arizona	31	3
Arkansas	3	4
Kansas	49	5
New Jersey	44	6
South Dakota	15	7
Washington	20	8
Pennsylvania	1	9
North Dakota	34	10
Connecticut	32	11
Montana	26	12
Wyoming	38	13
New Hampshire	33	14
New York	48	15
Minnesota	37	16
Oregon	17	17
Vermont	27	18
North Carolina	22	19
Florida	6	20



Washington Job Recovery

- 31,700 jobs added in February
- Largest increase since last July
- All 13 major industries expanded
- Private sector up 6.4% (172,700 jobs)
- Public sector up 3.5% (19,200 jobs)

Washington Unemployment by Counties



Recovery Vitals – Tri-Cities

Washington in the Making supports Recovery

● Negative Trend ● Neutral ● Positive Trend



Unemployment Rate

4.5% ↓

[VIEW DETAIL →](#)



Net Jobs Created

7.9%
Annual Change, Same Quarter Previous Year.

[VIEW DETAIL →](#)



Median Household Income

\$67.3K ↑

[VIEW DETAIL →](#)



Per Capita Personal income

\$49K ↑

[VIEW DETAIL →](#)



Residential Building Permits

2 ↑
Per 1,000 Residents

[VIEW DETAIL →](#)



Taxable Quarterly Retail Sales

13.8% ↑
From Previous Year

[VIEW DETAIL →](#)



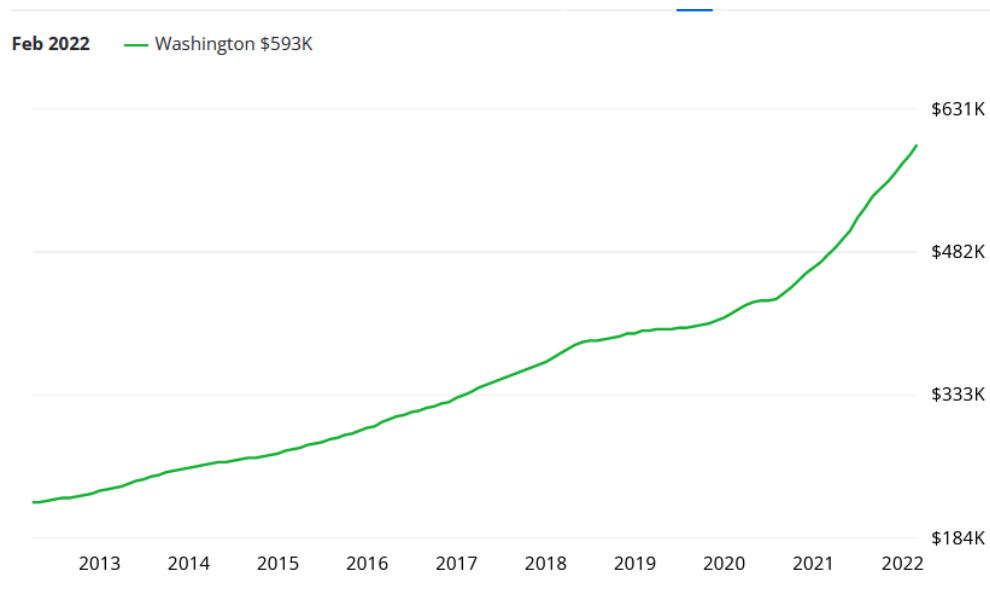
Civilian Labor Force Participation Rate

65.3% ↑

[VIEW DETAIL →](#)



Housing Market



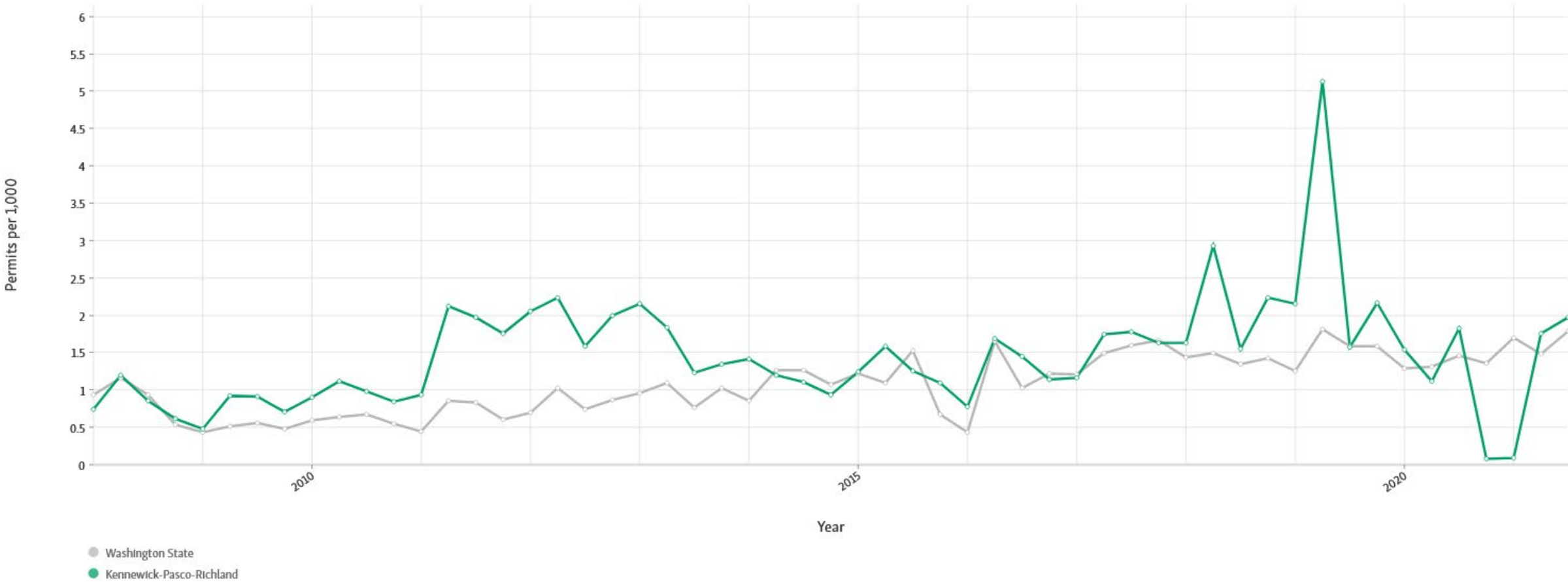
- Still soaring
 - Will rising interest rates cool market?
-
- | | |
|--------------|--------------------|
| • Washington | \$593,897 (+24.1%) |
| • Richland | \$441,793 (+24.1%) |
| • Kennewick | \$408,628 (+25.0%) |
| • Pasco | \$393,050 (+26.2%) |

Permits per 1,000 Residents **Kennewick-Pasco-Richland**

COMPARE TO REGION: ⓘ

Washington State

▼





Policy

State of the State: Washington Critical Issues

Awash in new taxes.



Costs have been going up for years, but legislators continue to debate policies that would increase the tax burden on Washington employers.

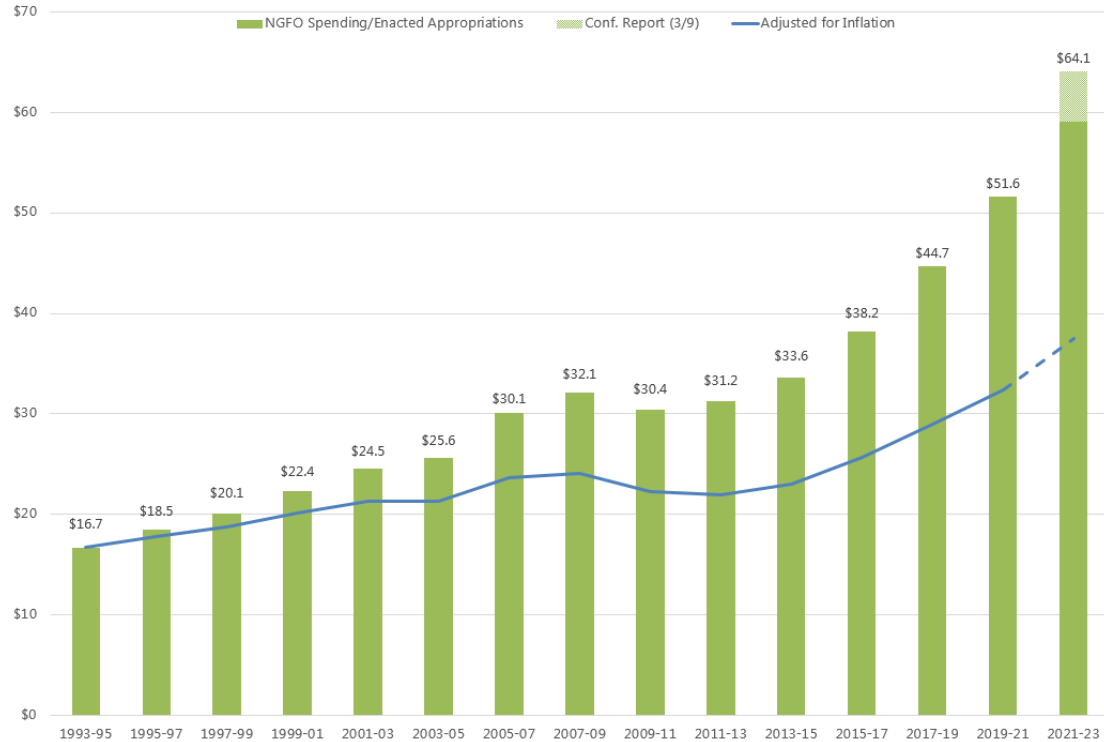
Over the last three legislative sessions, lawmakers passed 22 tax increases raising \$40 billion over 10 years.



2022 Legislative Session Message

- Economy is *recovering*, has not *recovered*
- Employers struggling with rising costs from inflation and years-long tax spree, labor shortages, supply chain
- Last year – Do No Harm
- This year – New opportunity to be Champions for the Economy

NGFO Appropriations
(Billions of Dollars)



2022 Legislative Session Outcomes

- 60-day session
- Continued multi-year spending spree
- Added \$5 billion to 2021-2023 budget
- 24% higher than previous budget
- 50% higher than 2017

Positive Outcomes

Passed

- Limits on UI taxes
- Delayed long-term care
- Health care reciprocity
- Raise gross receipts threshold for B&O
- Defer/exempt construction sales tax

Failed

- Ergonomics
- Nurse staffing
- Natural gas
- Multiple private right of action

Transportation

- Move Ahead Washington
- Nearly \$17 billion over 16 years
- No gas tax but uses \$5.4 billion from Climate Commitment Act
- \$2.8 billion transferred from operating budget
- Fully funds fish passage barrier removal
- Four new ferries
- \$1 billion for I-5 crossing in Vancouver
- \$2.4 billion in new fees
- Few projects in Eastern Washington

MOVE AHEAD WA

INVESTING IN OUR COMMUNITIES

- \$3 billion towards preservation and maintenance
- \$5.4 billion to carbon reduction and expanding multimodal options
- \$3.1 billion for transit
- \$50 million to walking and biking projects in historically underfunded communities

OPINION

Legislature missed unique opportunity for real tax relief

Despite a mountain of money and bipartisan proposals to ease the state's tax burden, legislators this year sidestepped their chance to provide Washington families and employers with meaningful, broad-based tax relief.

Budget-writers in Olympia had a record budget surplus, providing the perfect opportunity to help ease the burden on employers and taxpayers across the state. In mid-February, state officials released the latest economic forecast and it showed revenue up again, this time to the tune of \$2.8 billion. That was on top of multiple previous forecasts showing strong growth.

Between the surging state treasury and a \$2.1 billion drop in the cost of continuing services, lawmakers had a roughly \$14 billion surplus to work with as they entered the final days of the legislative session, not counting billions in one-time federal relief funds and state reserves.

All of this meant there was never a better time for budget-writers to be champions for the economy and to provide needed tax relief and support for Washington employers and employees as they face dramatic increases in the cost of gas and rising inflation throughout the economy.

We've seen lawmakers in other states – both Democrats and Republicans – when presented with big budget surpluses, adopt a variety of tax cuts, so it's especially disappointing that our lawmakers in Washington were so intensely focused on spending and couldn't find a way to give back some of the surplus to allow employ-



Kris Johnson
Association of
Washington
Business

GUEST COLUMN

ers to reinvest in their businesses and create jobs.

The website Stateline reported that in Illinois, Democratic Gov.

J.B. Pritzker wanted to freeze the gas tax for a year, suspend grocery taxes for a year and give property

owners a refund up to \$300. Lawmakers in New York, Maryland, South Carolina, Mississippi, Connecticut, New Mexico and Iowa, to name a few others, were also debating various forms of tax cuts.

Here in Washington, lawmakers introduced tax relief bills this year. The proposals include Senate Bill 5957, which would have cut the business and occupation (B&O) tax for manufacturers roughly in half. Given unanimous passage last year of a bill calling on the state to double the manufacturing sector in Washington in 10 years, it would have been an especially timely move.

"Now is the year to do it," said the bill's sponsor Sen. Mark Mullet, D-Issaquah.

Other tax relief proposals include Senate Bill 5932, would have reduced the state's sales tax by a full 1%, and Senate

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Missed Opportunities

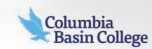
- \$14 billion surplus
- No sales tax reduction
- No B&O reduction for manufacturers
- 25% increase in budget
- \$2.5 billion in transportation fees

Thank You for Investing in Washington's Future Workforce!

This year, Washington employers demonstrated their commitment to Washington's future workforce by participating in the launch of the Washington Workforce Portal — a new tool connecting students with real-world job experience in their local communities.

Already more than 300 students are registered and 150 internship opportunities were made available this summer in Spokane and the Tri-Cities.

Special thanks to our lead partners:



ANR Group Inc.
Battelle/Pacific Northwest National Laboratory
Broetje Family Trust
Cadwell
Central Plateau Cleanup Company
Commellini Estate
Community Health Association of Spokane
Compliance Services International
Gesa Credit Union
Hanford Mission Integration Solutions
Ignite Northwest
J.R. Simplot Company
K&I Wealth Management Inc
League of Education Voters
Life Science Washington Institute
Lutheran Community Services Northwest
McGee Air Services
Nilson & Oord, PLLC
PS Media

Rock Project Management Services, LLC
Sage Investment Group
Scout Clean Energy
Skyview Law, PLLC
Spokane Service Team - AmeriCorps
STCU
Stewart-Longhurst PS
The Tomberg Family Philanthropies
Tri-City Dust Devils
United Way of Benton & Franklin Counties
U.S. Congressman Dan Newhouse
Washington Environmental Council
Washington River Protection Solutions
Washington STEM
Washington Trust Bank
Winescape
XL Sci-Tech Inc.
YWCA of Spokane

The Washington Workforce Portal is a project of the AWB Institute. It is a statewide platform that connects young people to real-world work-based learning opportunities.

Employers can post positions and students can search and apply for internships at washingtonworkforceportal.org.



AWB Institute

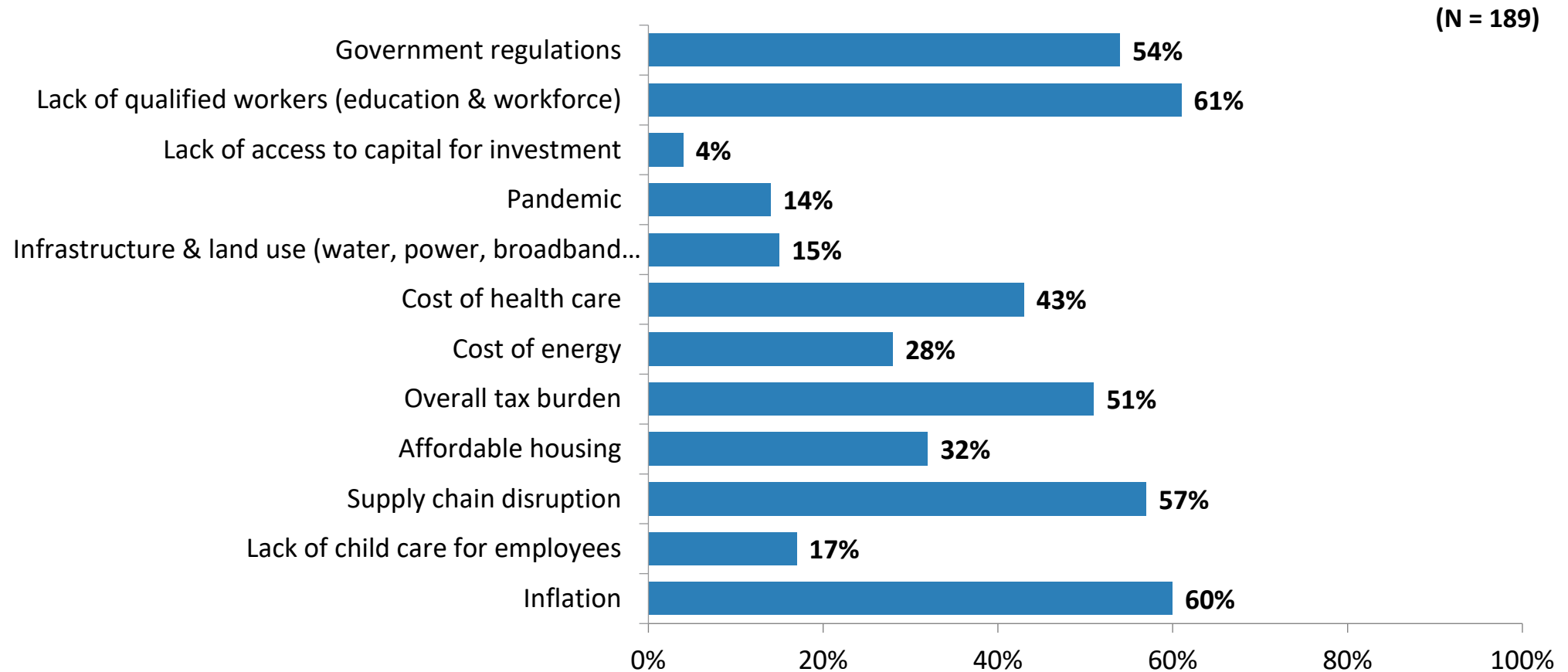
- Washington Workforce Portal
 - Successful launch in Spokane and Tri-Cities
 - More than 300 students registered
 - 150+ internship opportunities
- Remote Worker Certification
 - Piloted in Wenatchee
 - Expanding statewide



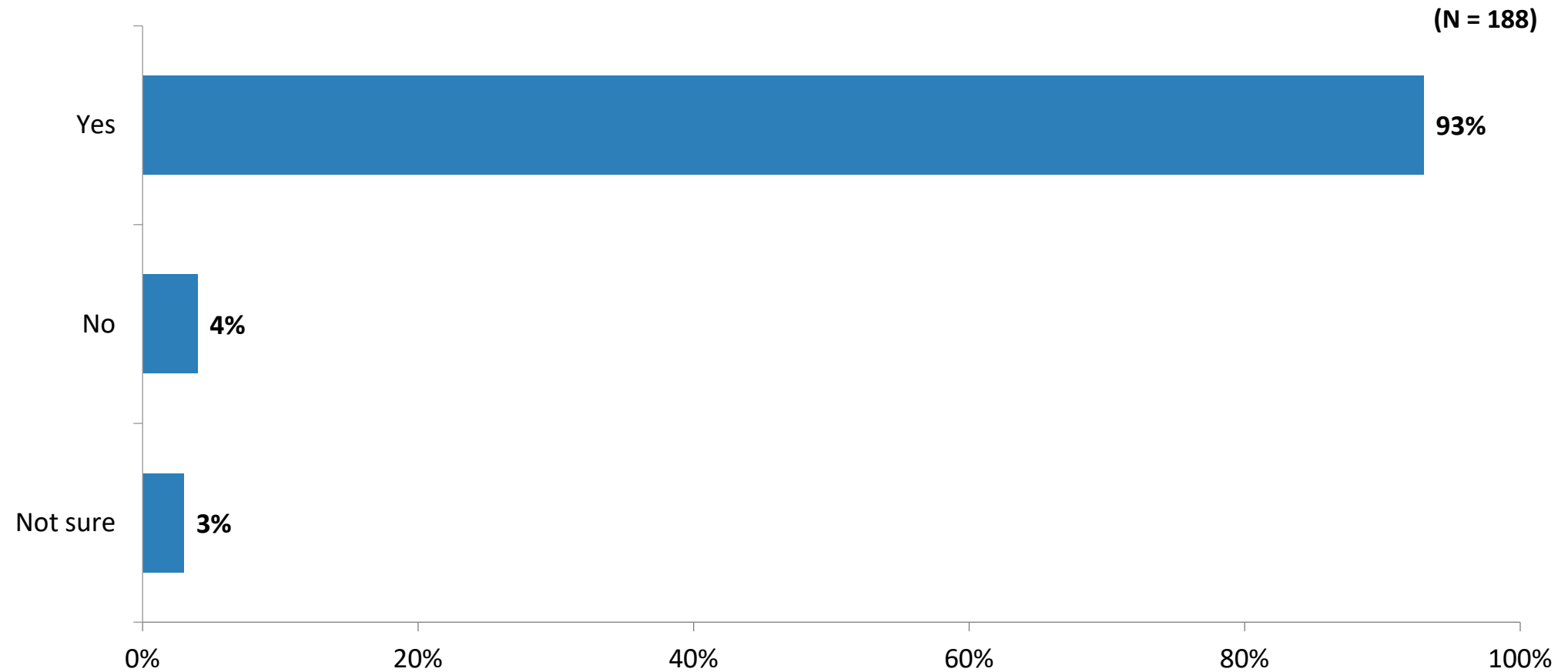
Employer Survey

Spring 2022

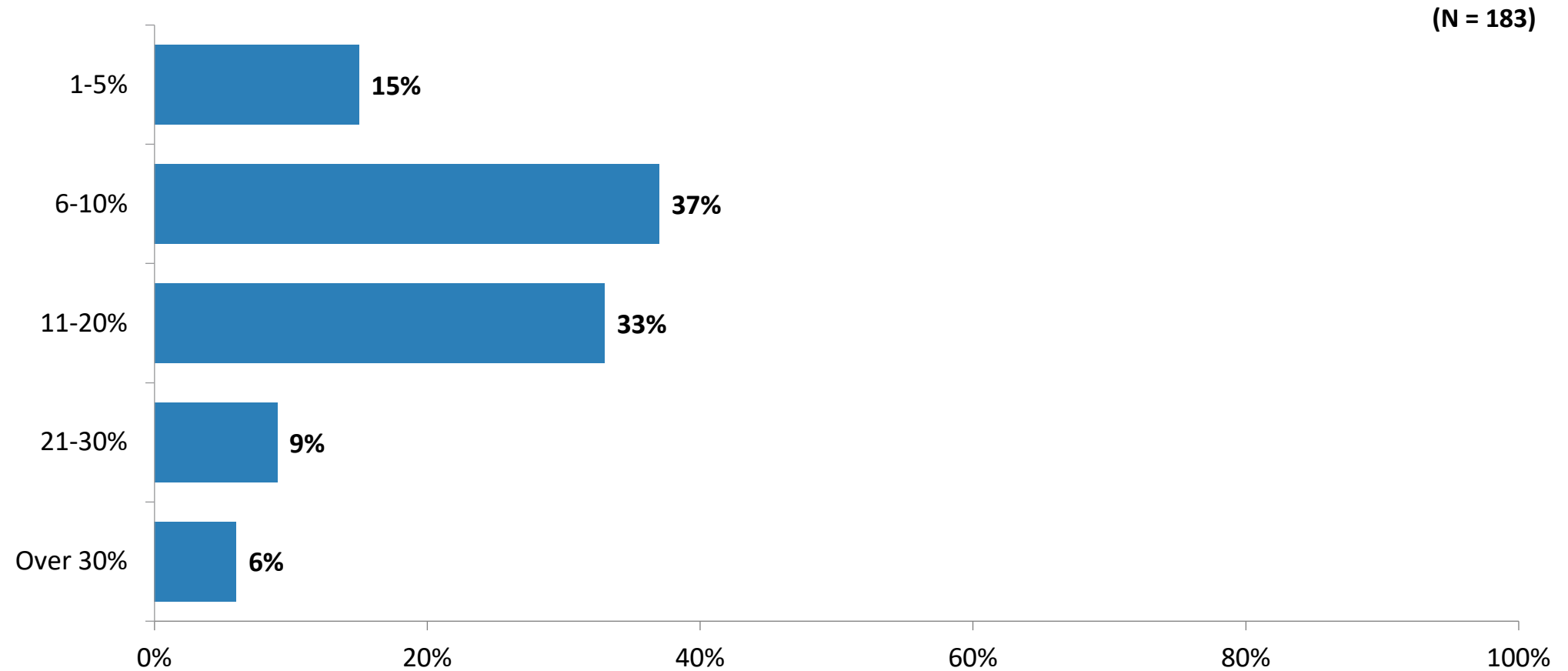
In your opinion, what are the most important challenges facing Washington employers today?



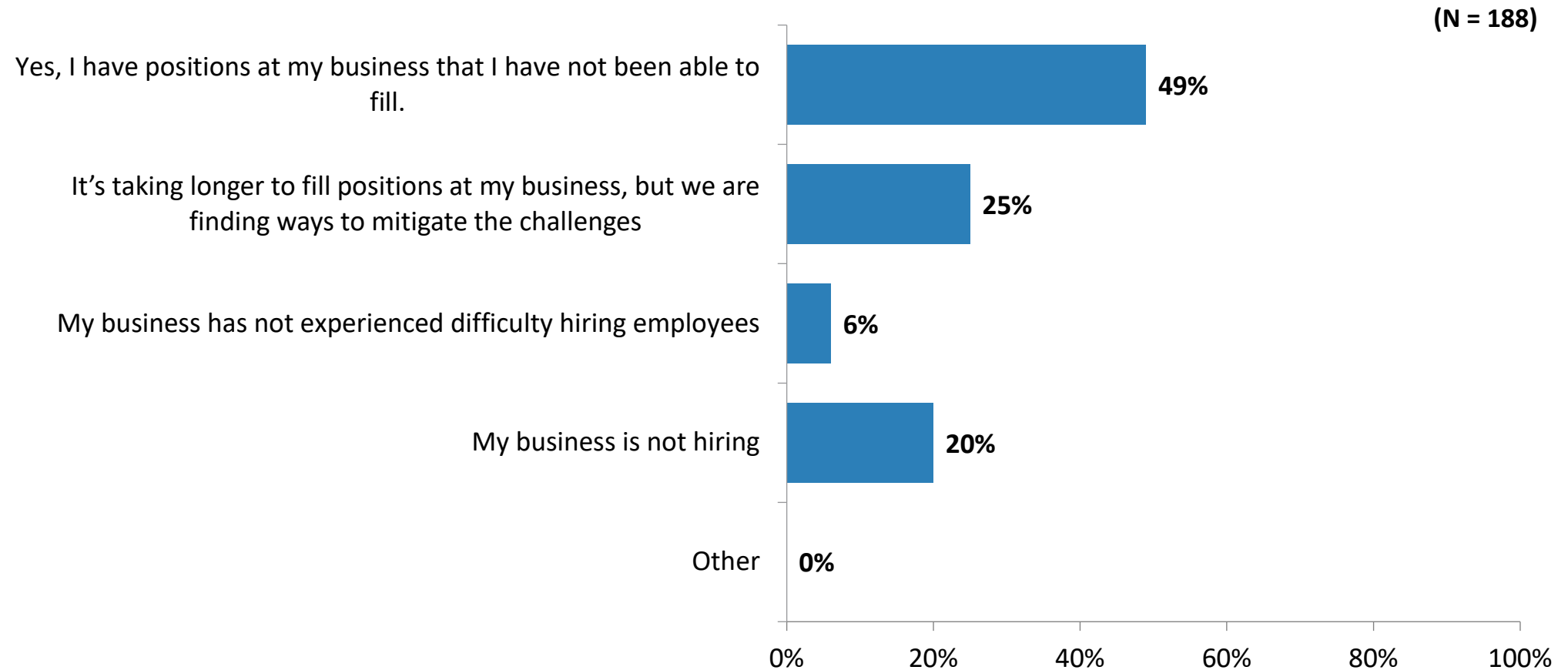
Inflation is rising at the fastest rate in decades. Has inflation increased your costs to do business?



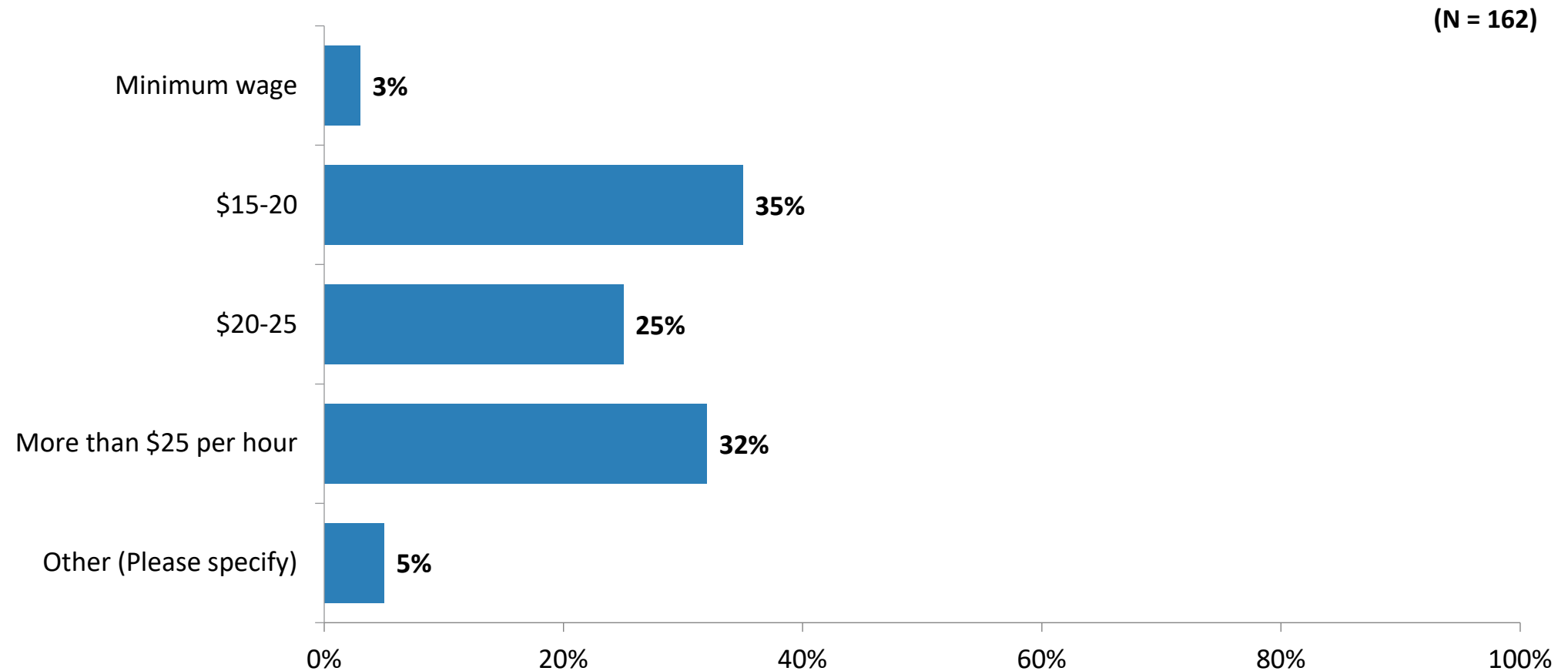
If inflation has increased your business costs, how much have your costs gone up?



Is your business experiencing difficulty finding enough workers?



What is your starting wage or salary for the positions you're seeking to fill?





Tri-Cities



Diverse Economy

- *PNNL*
- *Agriculture*
- *Food Processing*
- *Energy*
- *Medical*
- *Hanford*
- *Manufacturing*
- *Higher Education*



PNNL

- Economic Impact
 - \$1.1 billion annual spending
 - 4,486 Washington staff members
 - \$1.59 billion – total economic output



Economic Activity

- Amazon
 - Two of the largest distribution centers in North America
 - 1,500 new workers
- Food processing
 - Darigold
 - Reser's



Snake River Dams

- Hydro system is the lifeblood of this region
- Transformed the economy
- Helps growers feed the world
- Low-cost, renewable electricity is one of our few competitive advantages
- 40% of our baseload power comes from reliable, clean renewable hydropower



New Development

- Vista Field
- Public Market @ Columbia River Warehouse
- Trios' new \$22 million birth center
- Drive-thru cake-shake service

Thank you



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