



Thurston County
Summer 2023 Update

Economic Vitality Index

THANK YOU TO OUR ECONOMIC VITALITY INDEX SPONSORS:



*"Meeting our
community goals and
addressing the issues
of the day requires*

a strong and informed partnership network that stays up to date on the latest economic data trends. That's why the Port of Olympia is a proud supporter of the Thurston Economic Development Council and of their Summer 2023 Economic Vitality index. Our shared vision for community development in Thurston County is the backbone of our success in meeting the challenges of a modern, prosperous economy head on."

-Sam Gibboney, Executive Director, Port of Olympia



*"South Puget Sound
Community College is
proud to support
local development*

partners like the Thurston Economic Development Council and the Center for Business and Innovation. Through our work together, we strive to build a just and sustainable economy for all who live and work in Thurston County. SPSCC is happy to be a sponsor of the Thurston Economic Development Council's Summer 2023 Economic Vitality Index and to help provide Thurston County access to actionable economic data."

-Tim Stokes, President, South Puget Sound Community College

This update provides an overview of economic conditions for Thurston County, Washington. The report includes the **Thurston EVI Leading Indicators Index** and **Thurston EDC Business Confidence Index**. In addition, the **UM Consumer Sentiment Index** is provided to serve as a proxy for Thurston County household perceptions of the local economy. Overall, local economic conditions are trending in a positive trajectory.

THURSTON EDC EVI LEADING INDICATOR INDEX

This composite leading index is based on five monthly published indicators deemed to be good measures and proxies for Thurston County.¹ A leading index represents conditions that are likely to occur soon. Thus, the index can serve as a possible planning tool for businesses and policy makers. The index currently stands at 113.5 which is down 5 points from the index high (year-over-year) but only 3.1 points lower than its 116.6 height prior to the COVID-19 pandemic, as can be seen in *Figure 1* (on the following page). Currently, conditions have been somewhat stable for 2023 with an upward trend starting to materialize. Thus, conditions for Thurston County's economy are still very favorable relative to what it endured during the COVID-19 pandemic when the index reached its historical low of 80 points.

¹ Report provided on July 6, 2023, for the Thurston EDC by Riley Moore, Ph.D.

² The indicators include total residential building permits, initial unemployment claims, consumer sentiment, U.S. securities yield spreads, and equity financial instruments deemed to impact the local economy.

THURSTON EDC BUSINESS CONFIDENCE INDEX

The Thurston EDC Business Confidence Index³ represents the perceptions of Thurston business leaders. Their perceptions of local business and economic conditions provide insights into the supply side of the economic equation. Further, their access to detailed information on new orders, inventory, customers, prices, suppliers and what kind of financing is available to businesses, serves as a good leading indicator for Thurston County's economy.

As can be seen in *Figure 2*, the index currently stands at 48.3 and has rebounded from Q4 2022's value of 42.8 and is also .3 points up from its year-over-year value of 48.0. It should be noted that a reading of 50 points represents the inflection point where the number of positive and negative responses are equal, representing a neutral stance. Thus, the current index value still represents an overall slightly negative, or cautionary, perception of the economy, on the part of local business leaders, but it is trending towards positive territory.

Figure 1. Thurston EVI – Leading Indicators Index (2008-2023)

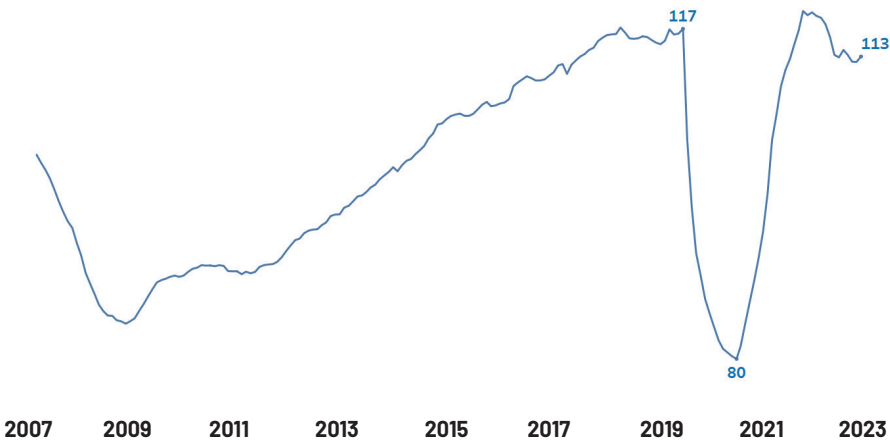


Figure 2. Thurston EDC Business Confidence Index (2010-2023)

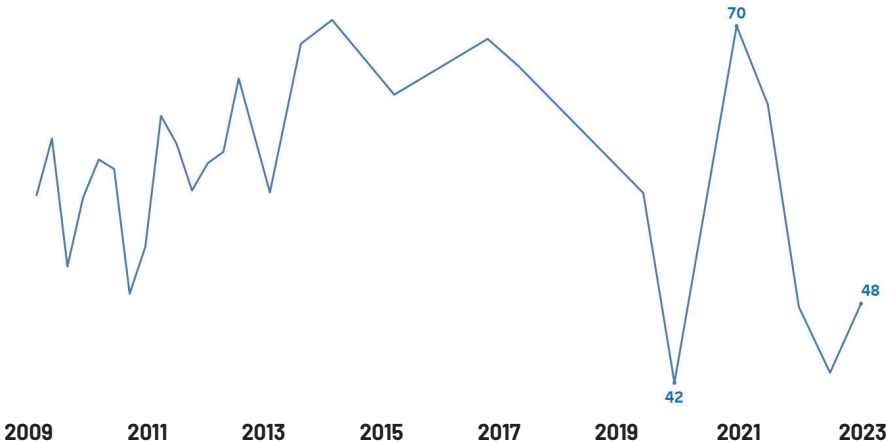


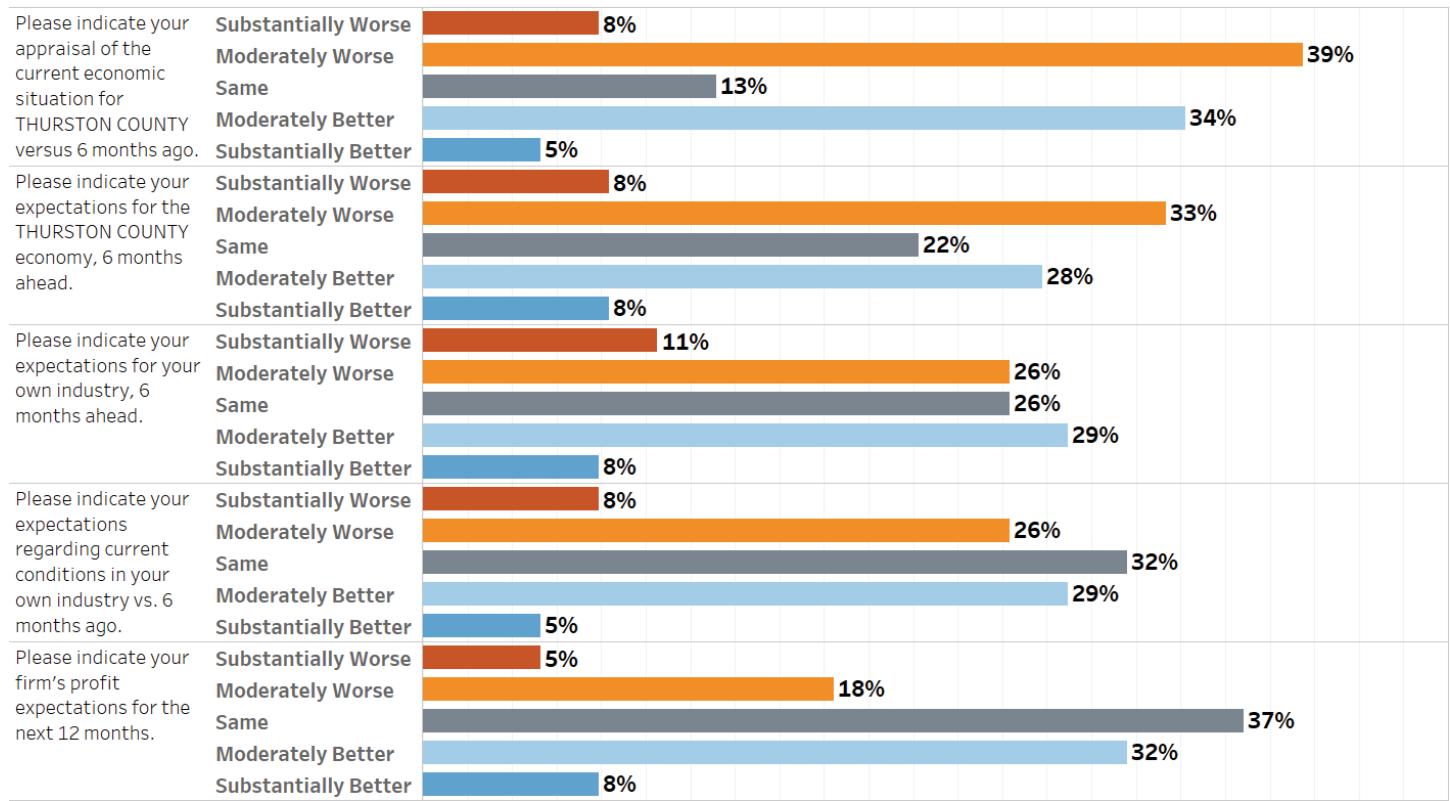
Figure 3 (on the following page) compares the business confidence survey Q2 2022 and Q2 2023 responses. As can be seen from the comparisons, most of the respondents are trending towards a more neutral, as well as an increasingly optimistic stance going forward, for both the local economy, as well as within their own industries, relative to Q2 2022.

When assessing the potential for future profits, a comparison of Q2 2022 and Q2 2023 responses, in *Figure 4* below, shows that the biggest changes have been in the 'cost reduction' and 'price increase' categories. A cost reduction focus has increased 18 percent while the emphasis on price increases has dropped 24 percent. Further, there was an 11 percent increase in expecting 'market demand and growth' to be the source of future profits. Finally, the number of respondents that indicated that they would rely on new technology decreased 4 percent from Q2 2022.

³ Results are based on the Thurston EDC's recent email-based 'expert survey' of Thurston leaders conducted by Gene Angel and Connor Tibke, Director of Research and Evaluation, and Research Coordinator, respectively for the Thurston EDC. The results are based on 168 survey responses.

Figure 3. Responses to individual questions, Thurston EDC Business Confidence Survey, Q2 2022 vs. Q2 2023.

Q2 2022



Q2 2023

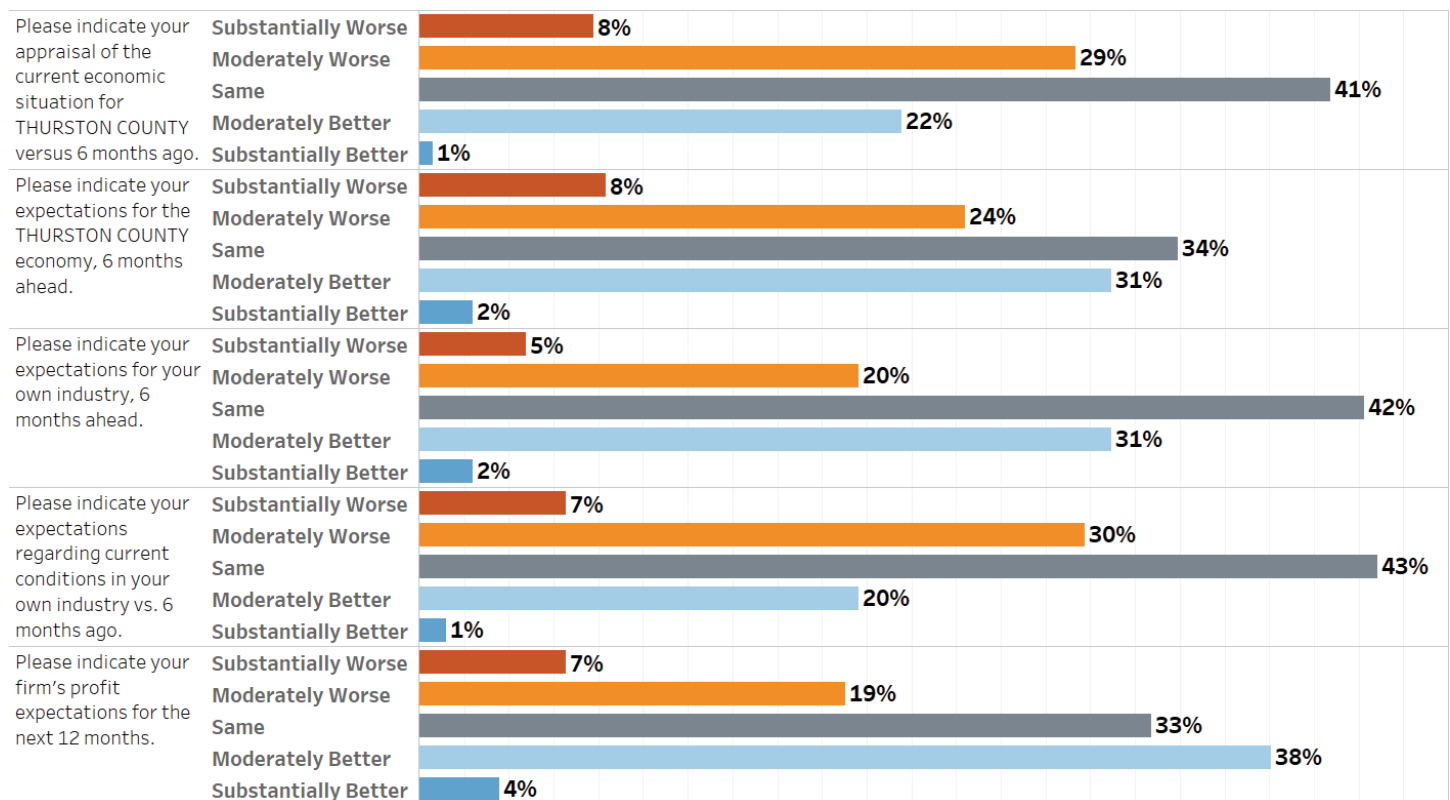
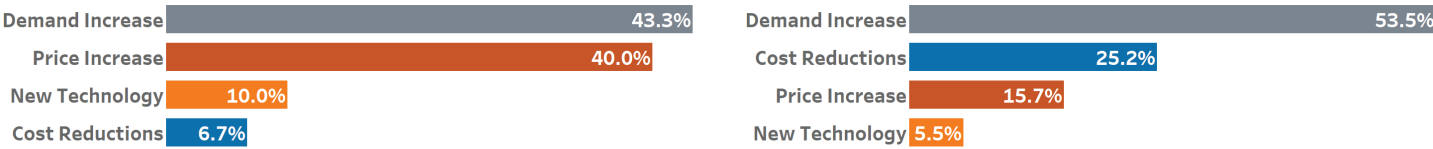


Figure 4. Source of profits, if expected, Thurston EDC Business Survey, Q2 2022 vs. Q2 2023 Comparison.



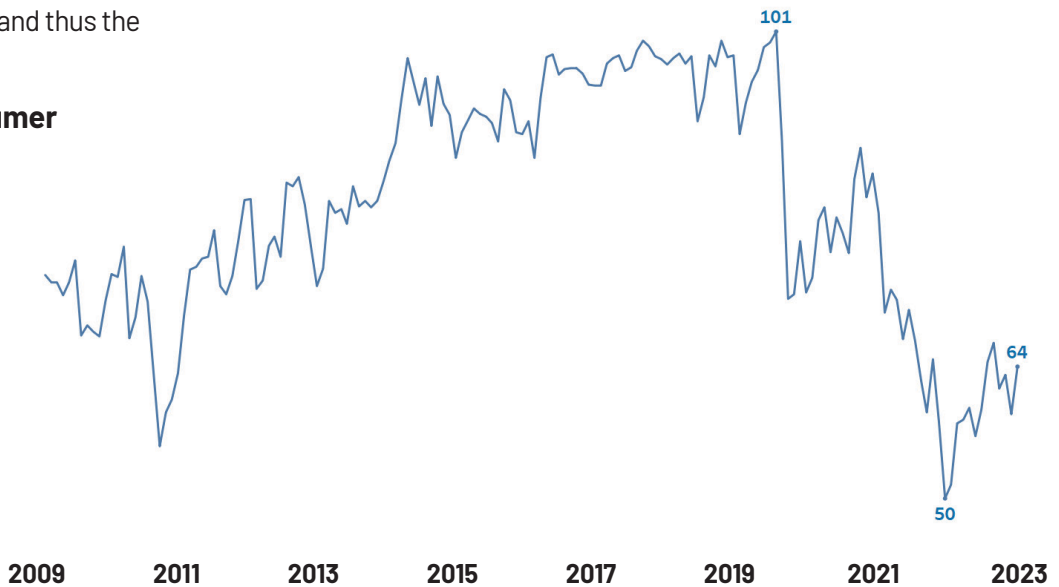
CONSUMER SENTIMENT Consumer and household expenditures are a major driver of economic growth at both the local and national levels. The University of Michigan (UM) conducts a national survey of consumer sentiment every month and Figure 5 below shows the index values since January 2010.

The Thurston EDC has conducted a local consumer confidence survey in the past and it has closely mirrored the UM survey. Changes in household reliance on landlines, and a strong trend towards cellular phones, have made the local efforts more difficult and costly and thus the

UM index is used as a proxy at this point, given how closely it has mirrored local conditions.

As can be noted, the UM index now stands at 64 for June 2023, which is up 14 points from its June 2022 value of 50. It should also be noted that household perception surveys are more susceptible to being influenced by current media coverage and events than business and CEO perception surveys. Overall, consumers are expressing increasing optimism with regards to the state of the economy.

Figure 5. UM Index of Consumer Sentiment (2010-2023).



CONCLUSIONS In summary, conditions for Thurston County are still relatively strong overall as indicated by the Thurston EDC EVI Leading Composite Index. Further, perceptions from business leaders reflect more neutral and optimistic views relative to earlier responses. Finally, household opinions, which can be more volatile, are currently trending upward and more optimistic than what was reported for Q2 2022.

While there are still numerous macroeconomic and political uncertainties, at both the international and national levels, that pose downward risk, Thurston continues to be in a unique position, relative to other counties, due to

the stabilizing influence of its public sector. Thurston is fortunate to host the seat of state government and greatly benefits from its proximity of JBLM. Also, Thurston’s private sector continues to see expansion in commercial and residential construction, driving additional employment opportunities. Further, those that can continue to work remotely, or take advantage of the structural changes brought on by the Gig economy, are able to add an additional buffer to their household savings, to counter any near-term economic uncertainties. Thus, based on the indicators outlined in this report, it is forecasted that Thurston appears to be in a good position and will likely remain so into the near future, relative to other Washington counties.