



Summer 2024 EVI Short Report



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Introduction

The Thurston Economic Development Council is pleased to share our latest Thurston Economic Vitality Index and Business Confidence Index. These indices and survey results offer insights into the current and future economic conditions in Thurston County. We're encouraged by the county's positive economic outlook, with our Economic Vitality Index nearing pre-pandemic levels and the Business Confidence Index reflecting optimistic responses from our business community about Thurston's economic conditions.

Take a look at **Figure 5: Source of Profits if Expected** (on page 7) for an interesting breakdown of where increases in profits are expected to come from. This year continues the trend of decreased pressure on price increases and an increase in demand and market growth being the primary driver of profits – great news for inflation fatigue.

As we look forward to the next iterations of the Economic Vitality Index, our research team at the Thurston EDC is exploring new and exciting metrics that we hope will expand the usefulness of the EVI to a broader range of individuals. As always, if you have any feedback or questions about the EVI please do not hesitate to email our team directly.

Wishing you a wonderful summer,

Gene Angel

Director of Research and Evaluation
gangel@thurstonedc.com





Thank You Sponsors



South Puget Sound Community College

"South Puget Sound Community College has been a long-time sponsor of the Economic Vitality Index for its insight into local economic conditions and its value for community planning. As a community college we are all-in on partnerships that foster an inclusive economy that is responsive to the needs of our students. We know there's more work to do and that our robust network of partner organizations like those with the Thurston Economic Development Council are key to building the community we can all be proud to call home."

- Tim Stokes, President, South Puget Sound Community College



The Port of Olympia

"The Port of Olympia is proud to support the summer edition of the Economic Vitality Index. Our commitment to a robust and prosperous Thurston County is made possible through the on-going partnerships committed to regional economic development. Thank you to all the wonderful partners working and advocating on behalf of the economic health and vibrancy of Thurston County."

- Alex Smith, Executive Director, Port of Olympia



The City of Olympia

"The City of Olympia is fully committed to an economy that provides opportunity to all of the people in our city. We recognize the importance of a strong regional economy and that's why we are proud to sponsor this release of the Economic Vitality Index. The EVI continues to be a guiding planning document used by our staff and provides both a time-series and a useful snapshot of our local conditions."

- Mike Reid, Economic Development Director, City of Olympia

Thurston EDC EVI Leading Indicator Index

This update¹ provides an overview of Thurston County's economic conditions in Washington. It includes the Thurston EVI Leading Indicators Index, Thurston EDC Business Confidence Index, and UM Consumer Sentiment Index, which reflects local household perceptions.

The Q2 results show a positive trend for Thurston County,² with the composite leading index standing at 116.2, as seen in **Figure 1** (up from 113.1 in Q2 2023 and 114.1 in Q4 2023), indicating likely future economic conditions. This index helps businesses and policymakers plan ahead. Overall, Thurston County's economy is in a favorable state, with the EVI index just slightly below its pre-pandemic high of 116.6.

Figure 1. Thurston EDC Leading Indicator Index, 2008-2024

Thurston County's economic performance has continued to strengthen since last year.

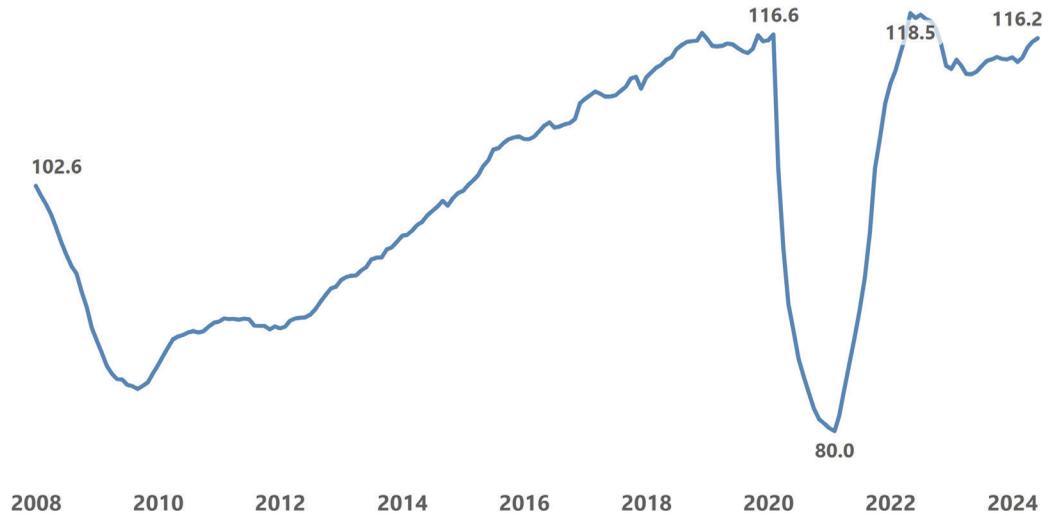
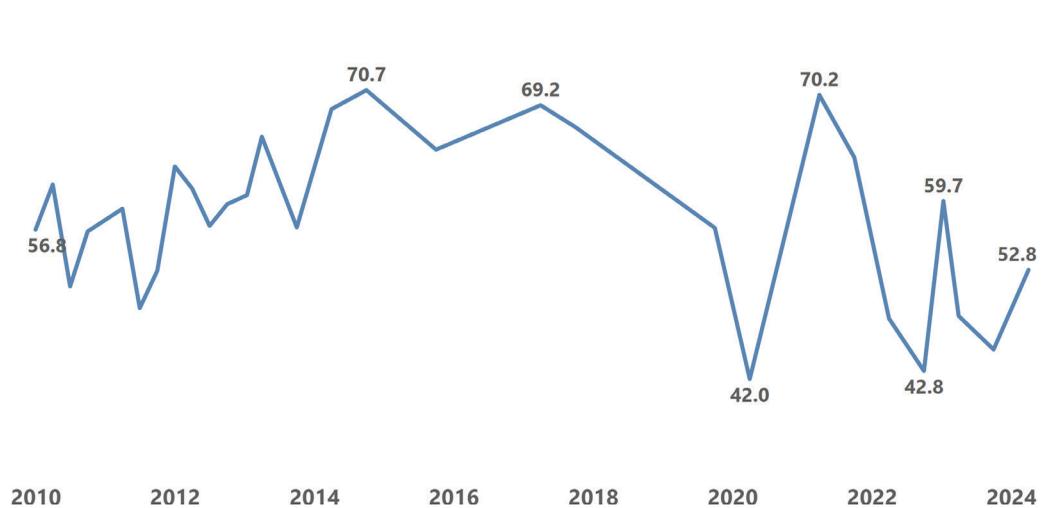


Figure 2. Thurston EDC Business Confidence Index, 2010-2024

Despite some cautionary sentiment, our survey indicates a positive economic outlook from business leaders.



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** above, the index currently stands at 52.8. This is up 10 points from this time last year, and up 7.9 points from what was reported in Q4 2023. Thus, local business leaders and owners are expressing optimism in the state of the local economy. 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 represents an overall positive perception of the economy.

¹ Report provided on June 13, 2024, for the Thurston EDC, by Riley Moore, Ph.D.

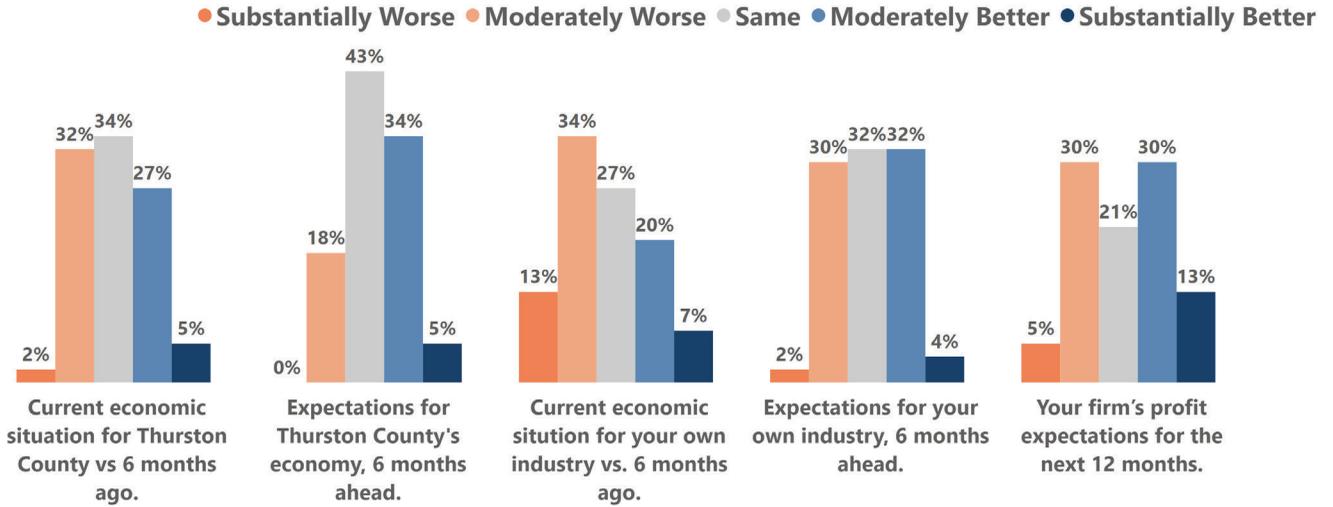
² The indicators include total residential building permits, initial unemployment claims, consumer sentiment, U.S. securities yield spreads, and equity financial instruments deemed to impact the local economy.

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 56 survey responses by CEOs and business owners throughout Thurston County.

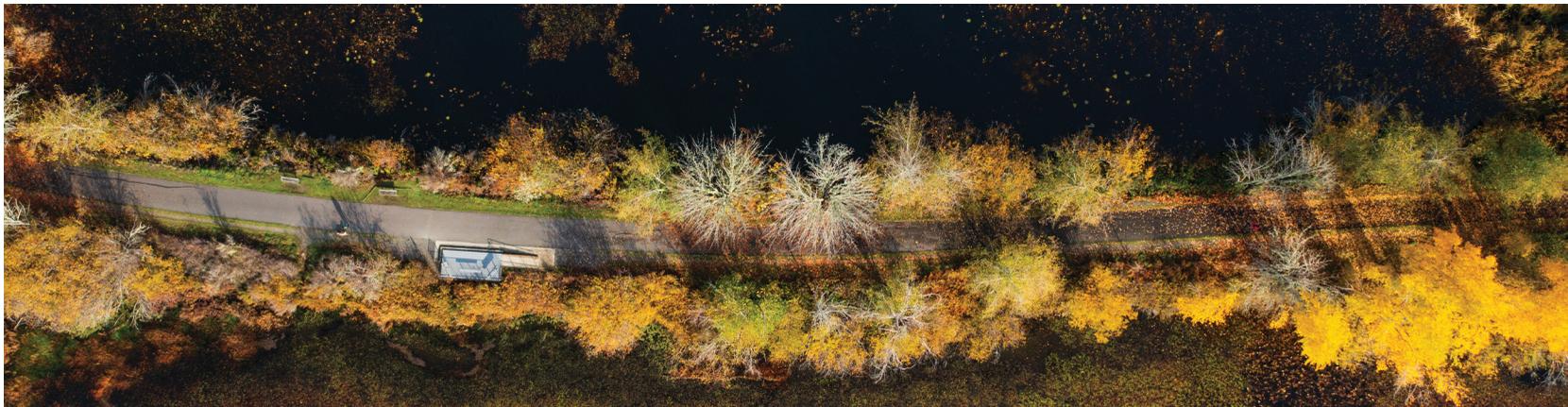
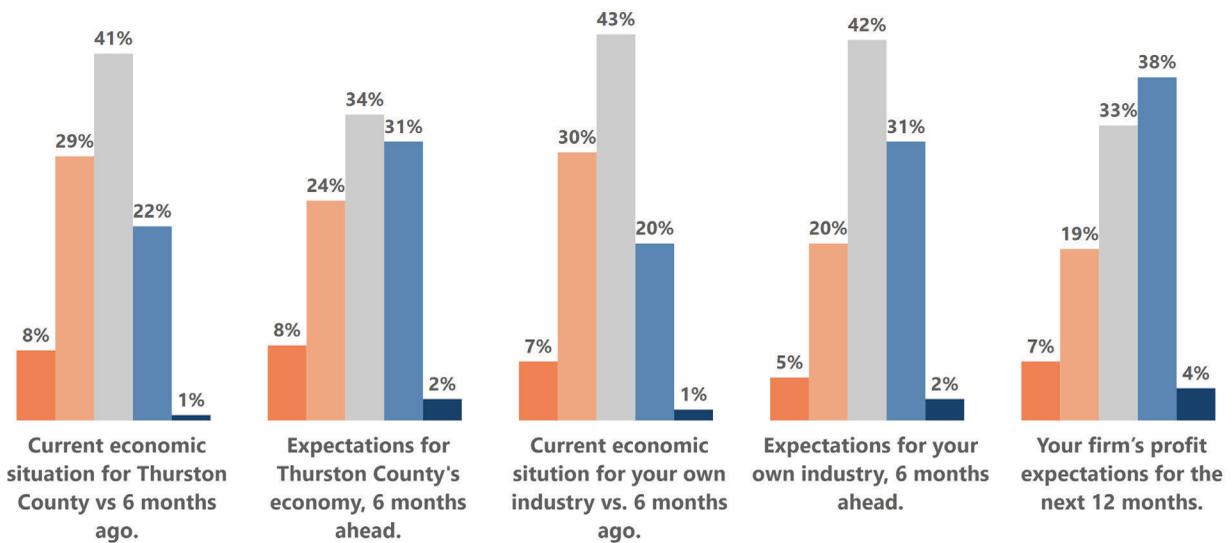
Figure 3, below compares the business confidence survey responses from Q2 2023 and Q2 2024. The comparisons show increases in 'substantially better' and 'moderately better' responses both for the local economy and within respondents' own industries, relative to Q2 2023. However, it should be noted that some respondents were more cautious, as reflected in a slight increase in 'moderately worse' responses across multiple categories, contributing to the current index value of 52.8.

Figure 3. Thurston EDC Business Confidence Survey - Q2 2024 vs Q2 2023

Q2 2024



Q2 2023

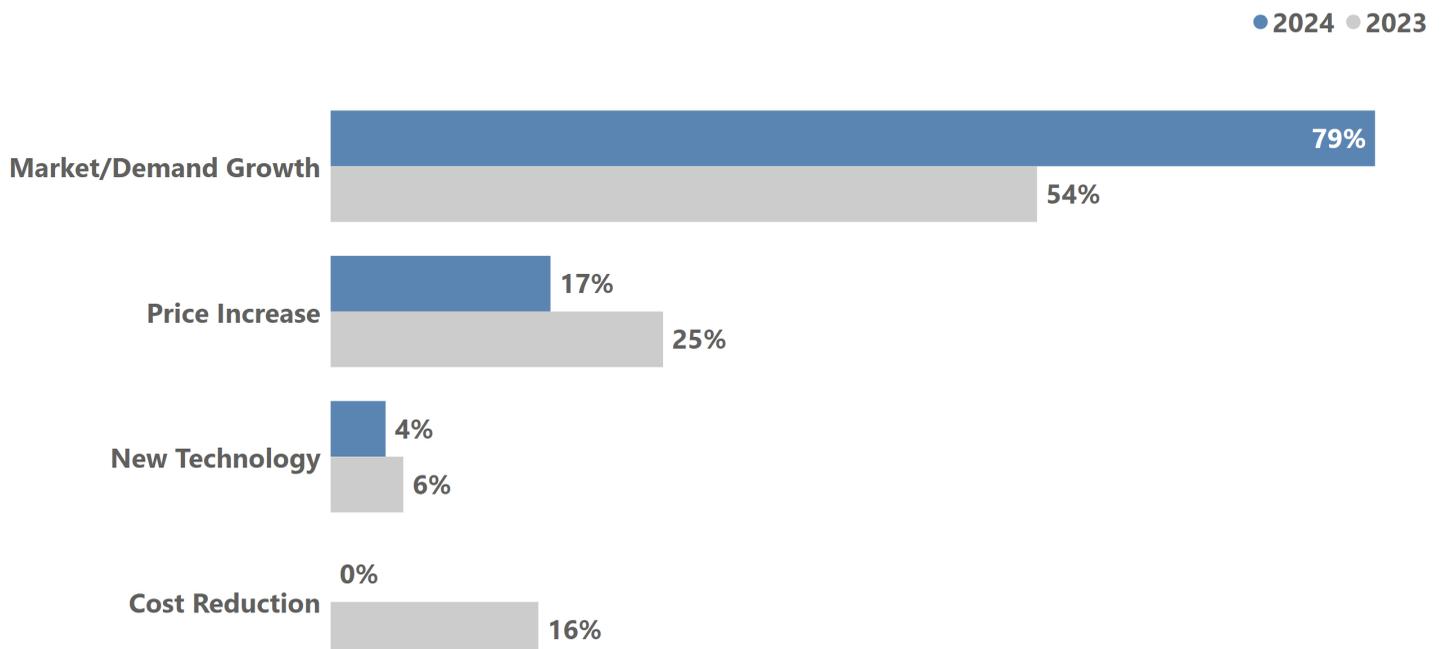




When assessing the potential for future profits, the category 'market/demand growth' saw a significant increase of 25 percent between Q2 2023 and Q2 2024 responses, as seen in **Figure 4** below. Furthermore, the focus of cost reductions has disappeared, compared to this time last year.

Similarly, concern about 'price increases' only increased by one percent from Q2 2023, suggesting reduced inflation worries. Interestingly, the percentage of respondents planning to rely on new technology dropped by two points from Q2 2023, indicating that increased demand is now the primary driver for projected profits.

Figure 4. Source of Profits, if Expected - Thurston EDC Business Confidence Survey
Q2 2024 vs. Q2 2023



Consumer Sentiment

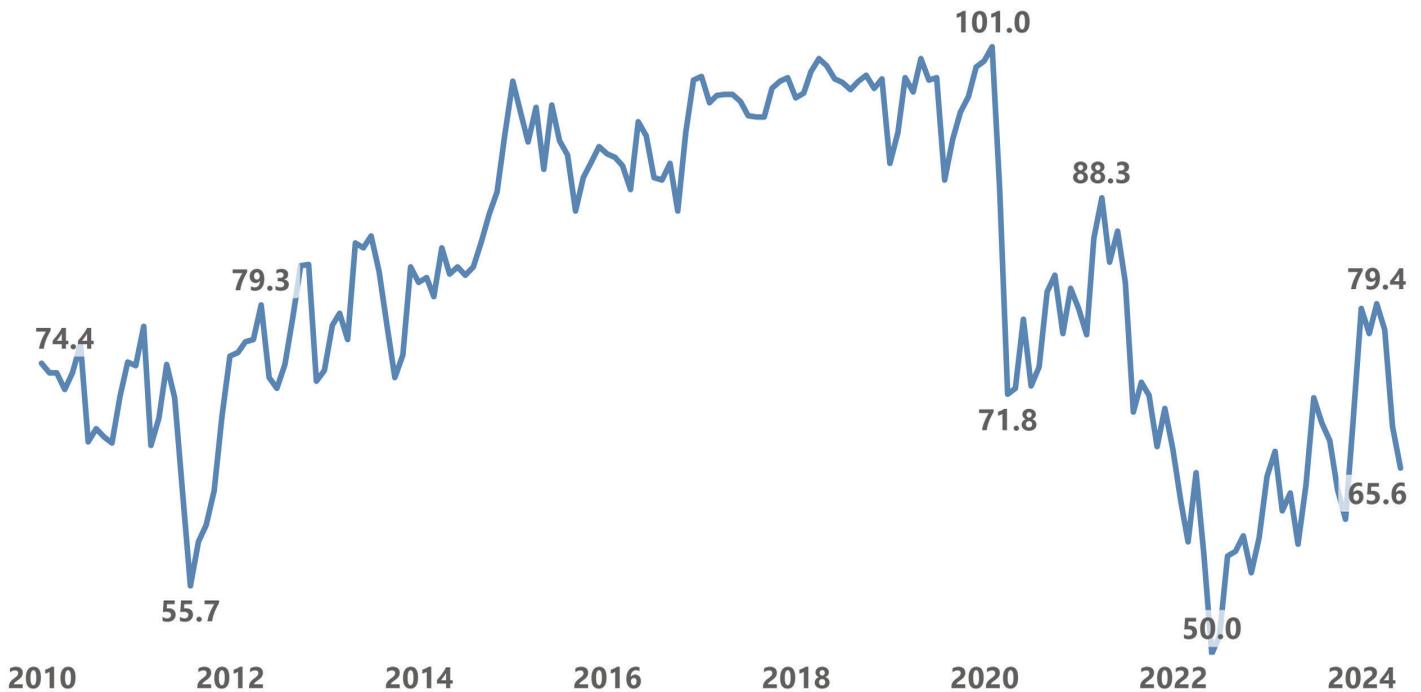
Consumer and household expenditures are a major driver of economic growth at both the local and national levels. The University of Michigan (UM) conducts a national survey of consumer sentiment every month and **Figure 5** below shows the index values since January 2010.

In the past, Thurston EDC conducted a local consumer confidence survey that closely mirrored the UM survey. However, changes in communication habits, such as the shift from landlines to cell phones, have made local surveys more challenging and costly. As a result, the UM index now serves as a reliable proxy due to its close alignment with local conditions.

As of June 2024, the UM index stands at 65.6, up 1.3 points from June 2023 (64.2). Although it has decreased from its peak of 79.4 in March 2024, it's important to note that household surveys are more susceptible to being influenced by media coverage and current events compared to business surveys. Therefore, while there has been a good deal of volatility in the index over this last year, it is still trending upward from its low of 50 in June 2022.

Figure 5. UM Index of Consumer Sentiment, 2010-2024

While the index is currently down from a recent high in March, the data are still trending upward.



Conclusions

In summary, conditions for Thurston County are positive overall, as indicated by the Thurston EDC EVI Leading Composite Index. Further, perceptions from business leaders reflect more optimistic views relative to responses this time last year. Finally, household opinions, which can be more volatile, are also still trending upward and more optimistic than what was reported for Q2 2023.

Overall, Thurston County's economy is demonstrating strong vitality and resiliency as it continues to trend in a positive direction. Further, the local economic conditions appear to be mirroring trends seen at the national level. It is recognized that numerous macroeconomic and political uncertainties, at both the international and national levels, continue to pose downward risk. However, 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 to the JBLM military installation. Also, Thurston's private sector continues to see expansion in commercial and residential construction, driving additional employment opportunities. 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.



Connor Tibke

Research Coordinator

360.464.6053

ctibke@thurstonedc.com

4220 6th Ave SE

Lacey, WA 98503

www.thurstonedc.com

