



# Economic Vitality Index

Thurston County • Winter 2024 Update



# Thank You **Economic Vitality Index** Sponsors



"As a founding sponsor, South Puget Sound Community College has proudly supported the Economic Vitality Index for many years, recognizing its valuable insights into local economic conditions and its importance for community planning. As a community college, we are deeply committed to partnerships that promote an inclusive economy that stays responsive to the needs of our students. We acknowledge there is still much work ahead, and we believe that our strong network of partners, including the Thurston Economic Development Council, is essential to creating a sustainable, equitable and inclusive Thurston County economy."

**-Dr. Tim Stokes, President, South Puget Sound Community College**



**South Puget Sound**  
COMMUNITY COLLEGE



"The Port of Olympia is honored to support the 2024 Winter edition of the Economic Vitality Index. We are dedicated to fostering a strong and thriving Thurston County and appreciate the continued collaboration of partners who are also focused on regional economic growth. We extend our gratitude to all the incredible partners who work tirelessly to promote the economic vitality and prosperity of Thurston County."

**-Alex Smith, Executive Director, Port of Olympia**



**PORT of OLYMPIA**



"Olympia is dedicated to fostering an inclusive economy that creates opportunities for everyone in our community. Understanding the value of a robust regional economy, we are proud to support the release of the Economic Vitality Index. This resource serves as a guiding tool for our staff, offering both a dynamic time series and a clear snapshot of our local economic conditions."

**-Mike Reid, Economic Development Director, City of Olympia**



# Thurston EDC EVI Q4 2024 Report<sup>1</sup>

It is important to note that while overall the local economy is showing continued stability and growth, it is recognized that numerous macroeconomic and political uncertainties, at both the international and national levels, continue to pose downward risks. This is particularly the case for Thurston, which has a strong public sector. Current forecasted state budgetary shortfalls, along with potential reduced national, state, and local public sector allocations, could mute private sector gains at the county level. However, given the caveats below, Thurston's economy continues to grow and trend in a positive direction.

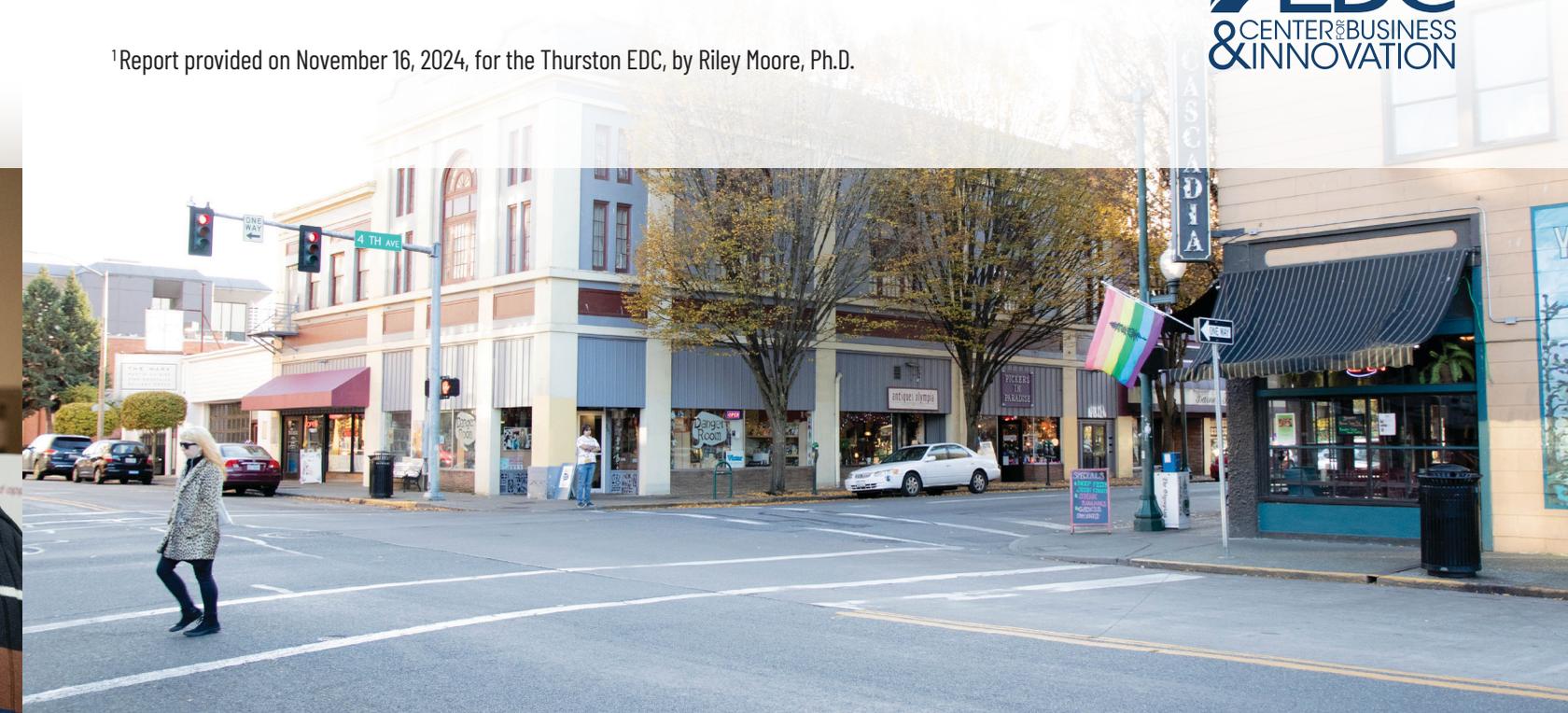
Overall, Thurston County's economy continues to demonstrate strong vitality and resiliency as it trends in a positive direction. Several indices are used to obtain a pulse on how Thurston County's economy is performing and expected to do so soon. The Thurston EDC EVI Leading Composite Index currently stands at its second highest point at 117.2, down just 1.3 points from its post-pandemic high of 118.5. The University of Michigan Consumer Sentiment Index, which has closely mirrored trends seen at the local level (based on past local phone surveys), has also seen a jump of 6.6 points since the Q2 2024 report. However, the Thurston EDC CEO Index did see a drop to 45.1, which is 7.7 points below its Q2 report value of 52.8. It is important to note that this index is an expert survey of local CEOs and 96 percent of the responses were collected after the recent election. It is further worth noting that when looking at fourth quarter responses over the last three years, we have seen a continued positive upward trend of increasing CEO optimism. Their assessments were based on how they felt about conditions within their own industries and the local economy. When asked about the potential for profits over the next year, 41 percent responded YES with 52 percent indicating that their profits would come from an increase in demand. However, it should also be noted that 25 percent indicated that they anticipate needing to raise prices, given the continued uncertainty surrounding inflation.



**—Riley Moore, PhD, MBA**  
Saint Martin's University

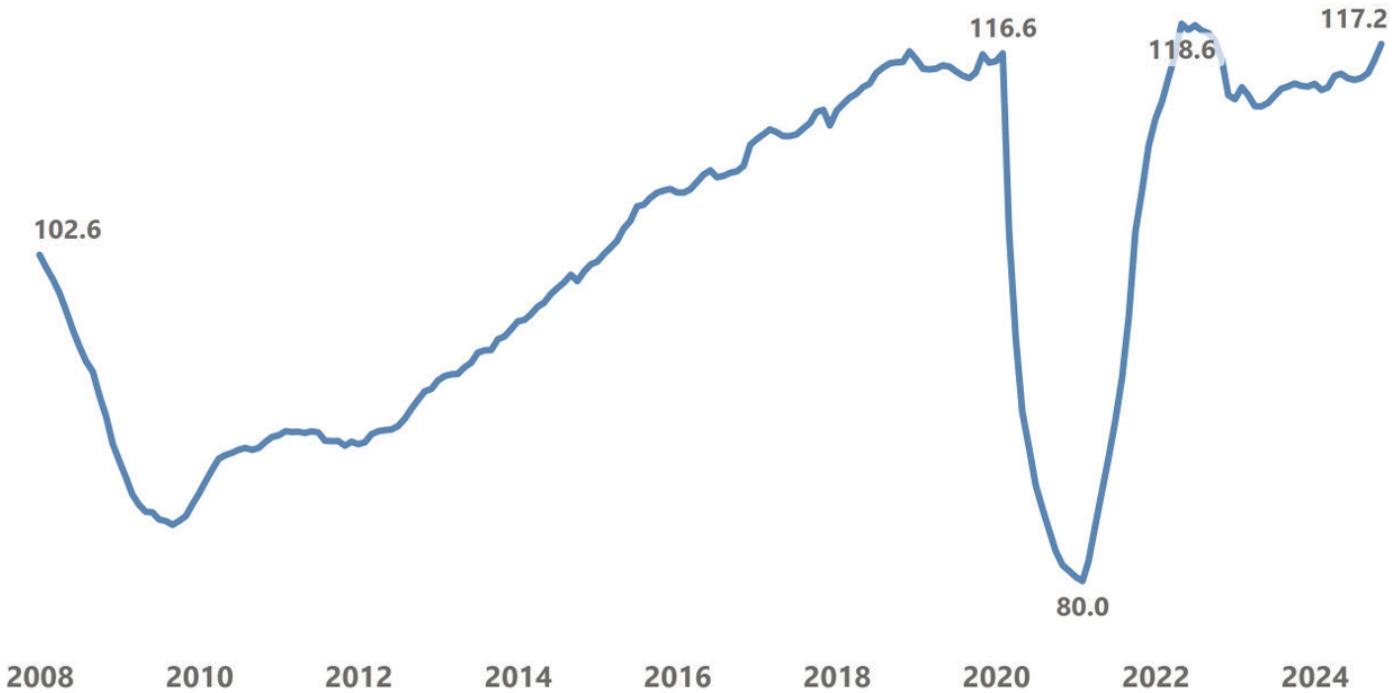


<sup>1</sup>Report provided on November 16, 2024, for the Thurston EDC, by Riley Moore, Ph.D.



# HEADLINE INDICATORS

Figure 1. Thurston EVI - Leading Indicators Index (2008-2024)



Source: Thurston EDC

## Thurston EDC EVI Leading Indicator Index

This composite leading index is based on five monthly published indicators deemed to be good economic proxies for Thurston County.<sup>2</sup> A leading index represents conditions likely to occur soon. Thus, the index can serve as a planning tool for businesses and policy makers. The index currently stands at 117.2, as can be seen in Figure 1. This suggests to us that Thurston County continues to move into the post pandemic era of our local economy with a solid foundation.

### 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 shows the index values since January 2010.

The Thurston EDC uses this survey of consumer sentiment as a proxy for local conditions. Historically, this data set has shown results that are very similar to local survey work conducted in Thurston County in the past. This is a very high-quality survey with many decades of data in the time series. Importantly, consumer sentiment is a measure of consumer perception and not necessarily of actual purchasing. Consumers are increasingly optimistic about their spending as sentiment grows to 73.0 up from its all-time low in 2022 of 50.0.

<sup>2</sup> 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.

# HEADLINE INDICATORS

Figure 2. University of Michigan Consumer Sentiment (2010-2024)

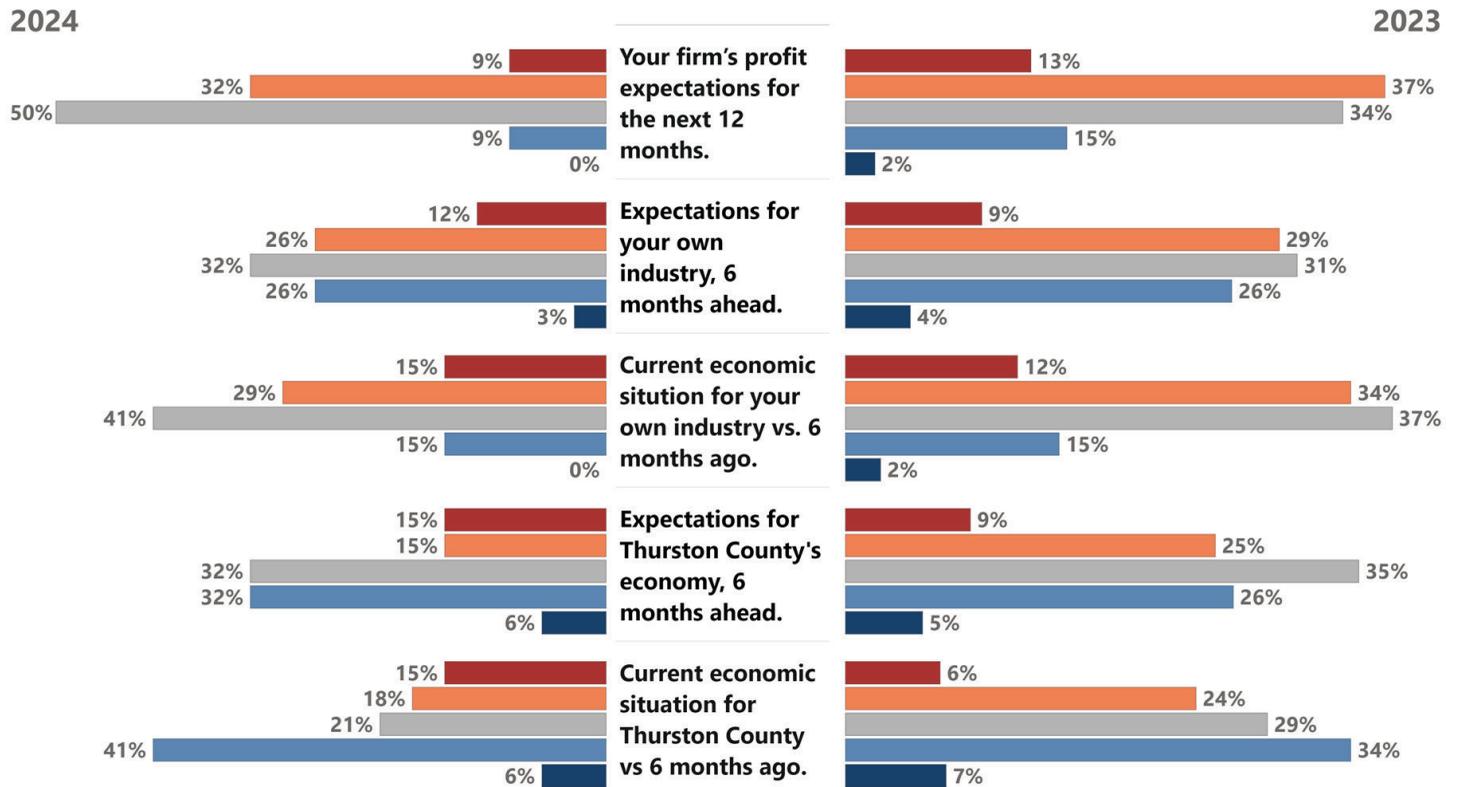


Source: Thurston EDC



# HEADLINE INDICATORS

Figure 3. EDC Business Confidence Survey Q4 2024 vs Q4 2023



Source: Thurston EDC

● Substantially Worse ● Moderately Worse ● Same ● Moderately Better ● Substantially Better

## CEO CONFIDENCE INDEX

Twice a year the Thurston EDC surveys local business leaders to assess their perceptions of Thurston County's economy. These answers are consolidated into a tracked index that helps measure how business perceptions change through time. In this index, values above 50 represent a generally positive outlook and values below 50 represent a generally cautious outlook. Today the index stands at 45.1, a 7.7 point drop from its previous value of 52.8, representing a more pessimistic view of the economy today when compared to our last survey in Summer 2024.

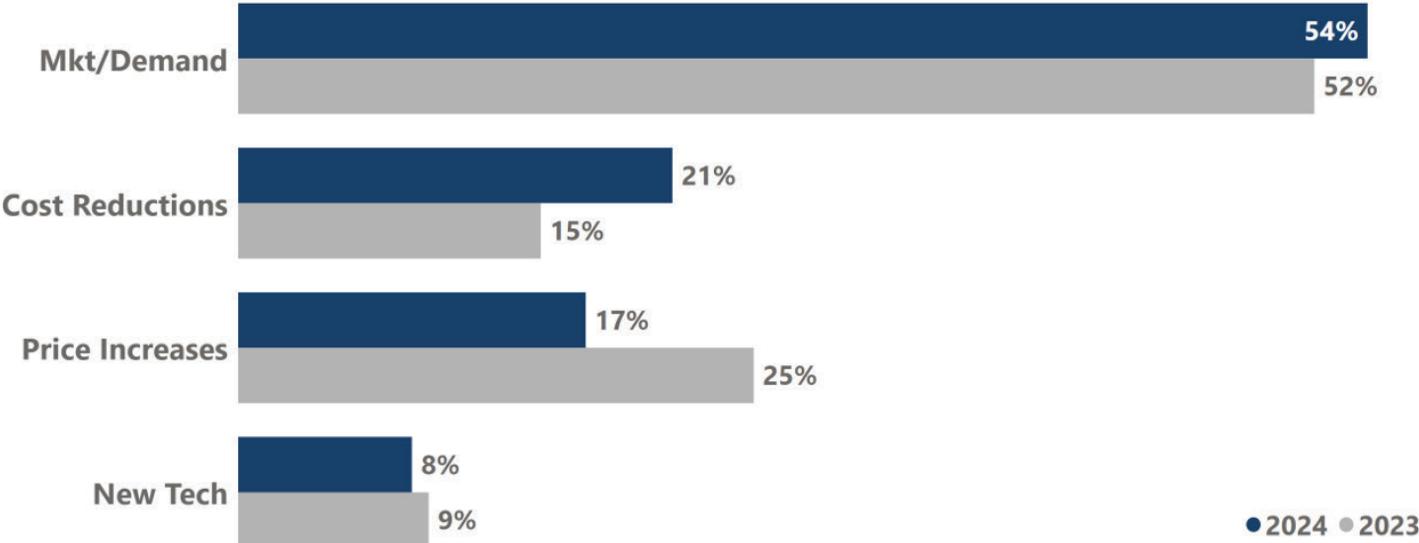


# HEADLINE INDICATORS

## PROFIT EXPECTATIONS

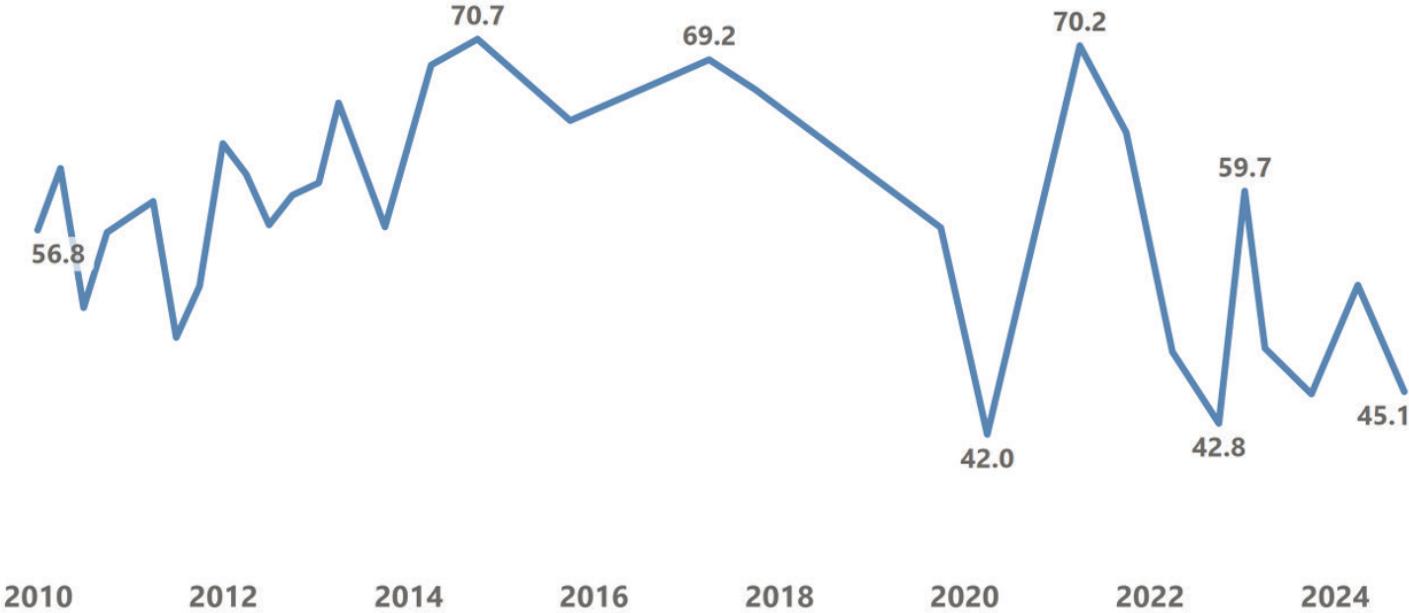
Respondents who participated in our business confidence survey were asked if their profits were increasing or decreasing. Among those whose profits were increasing Figure 4 details the source of those new profits. Market growth and demand continued to be the primary source of new profits, a strong sign for Thurston County's growing economy. Price increases decreased from 25% to 17% which helps boost the case for easing inflation in Thurston County compared to this time last year.

Figure 4. Source of Profits, if Expected – Q4 2024 vs Q4 2023



Source: Thurston EDC

Figure 5. Thurston EDC Business Confidence Index (2010-2024)



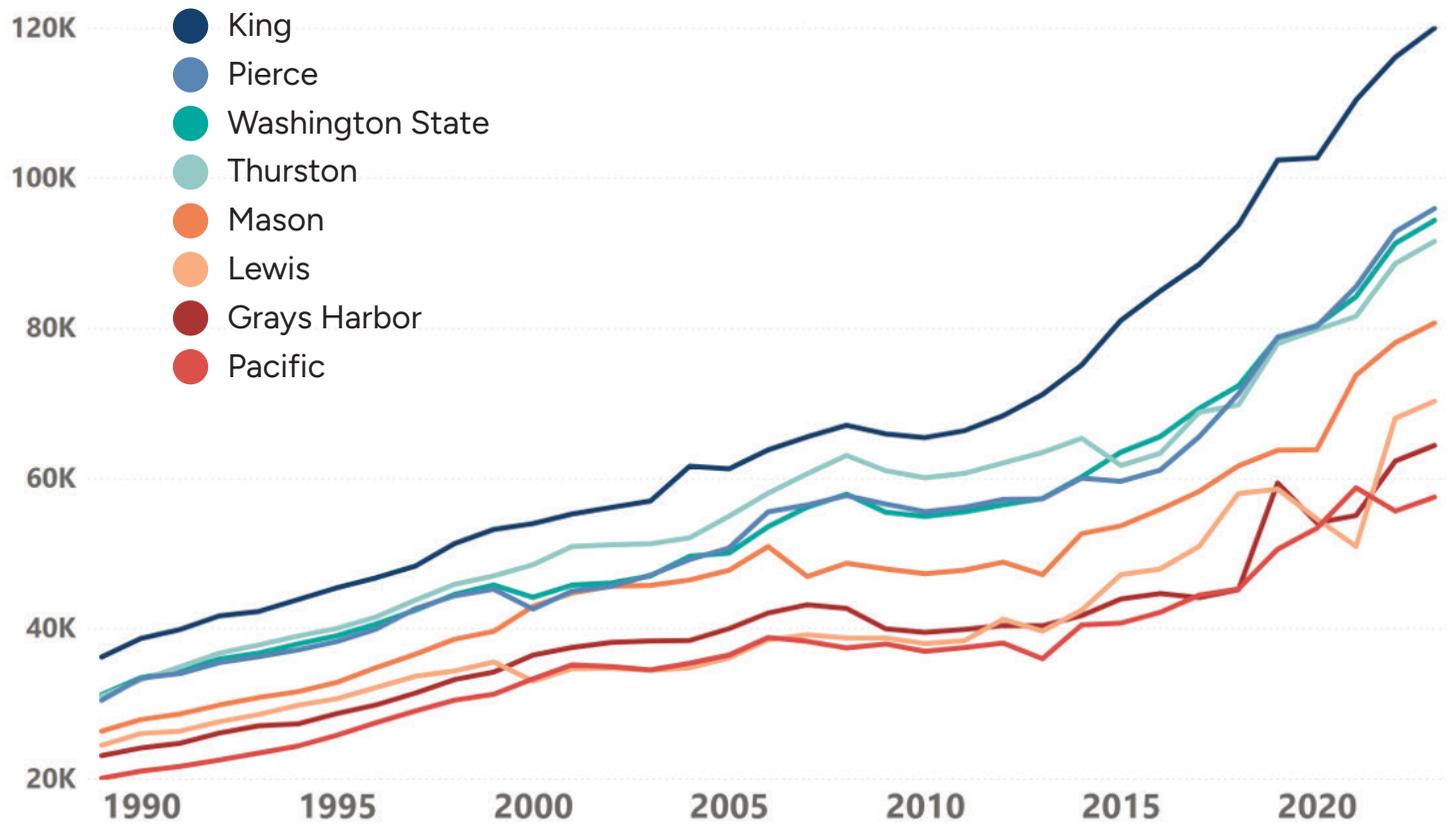
Source: Thurston EDC

# ECONOMIC INDICATORS

## MEDIAN HOUSEHOLD INCOME

The graph shows changes in household income between the years 1989 to 2023 for Washington State and the Counties of King, Thurston, Pierce, Pacific, Mason, Grays Harbor and Lewis. Household incomes continue to rise throughout most of Washington State. Mason County benefited from the largest increase in the Pacific Mountain region at \$80,639, a 58% jump from their 2021 pandemic low of \$50,897. Lewis County has also shown robust, if somewhat erratic, growth from \$57,945 in 2018 to \$70,227 in 2023, an increase of 21%.

Figure 6. Median Household Income Select Geographies (Inflation Adjusted), 1989-2023



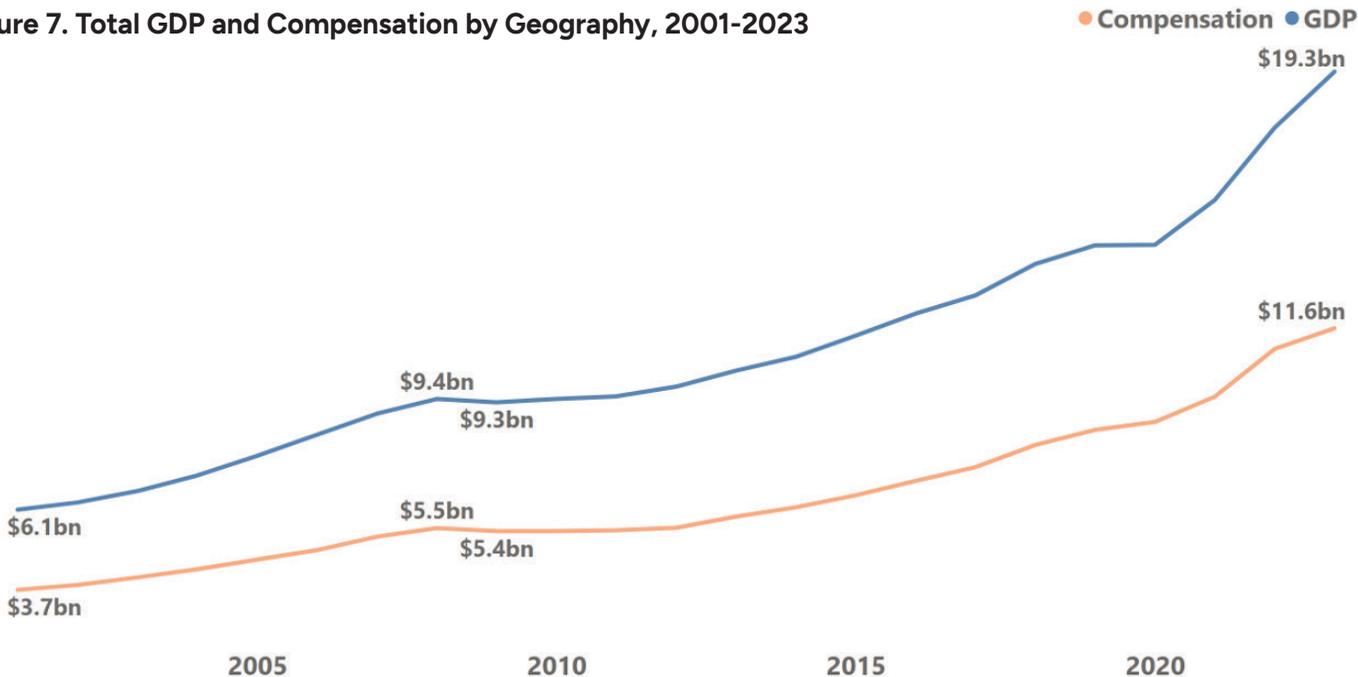
Source: Thurston Regional Planning Council

## GROSS DOMESTIC PRODUCT (GDP) & COMPENSATION

Both GDP and compensation were impacted in Thurston County by the COVID-19 pandemic, but as the local recovery continues in our area, we see both GDP and total compensation once again moving upward. As of 2023, the current GDP was valued at \$19.3B and total compensation at \$11.6B representing a 9.6% and 5.7% increase, respectively.

# ECONOMIC INDICATORS

Figure 7. Total GDP and Compensation by Geography, 2001-2023

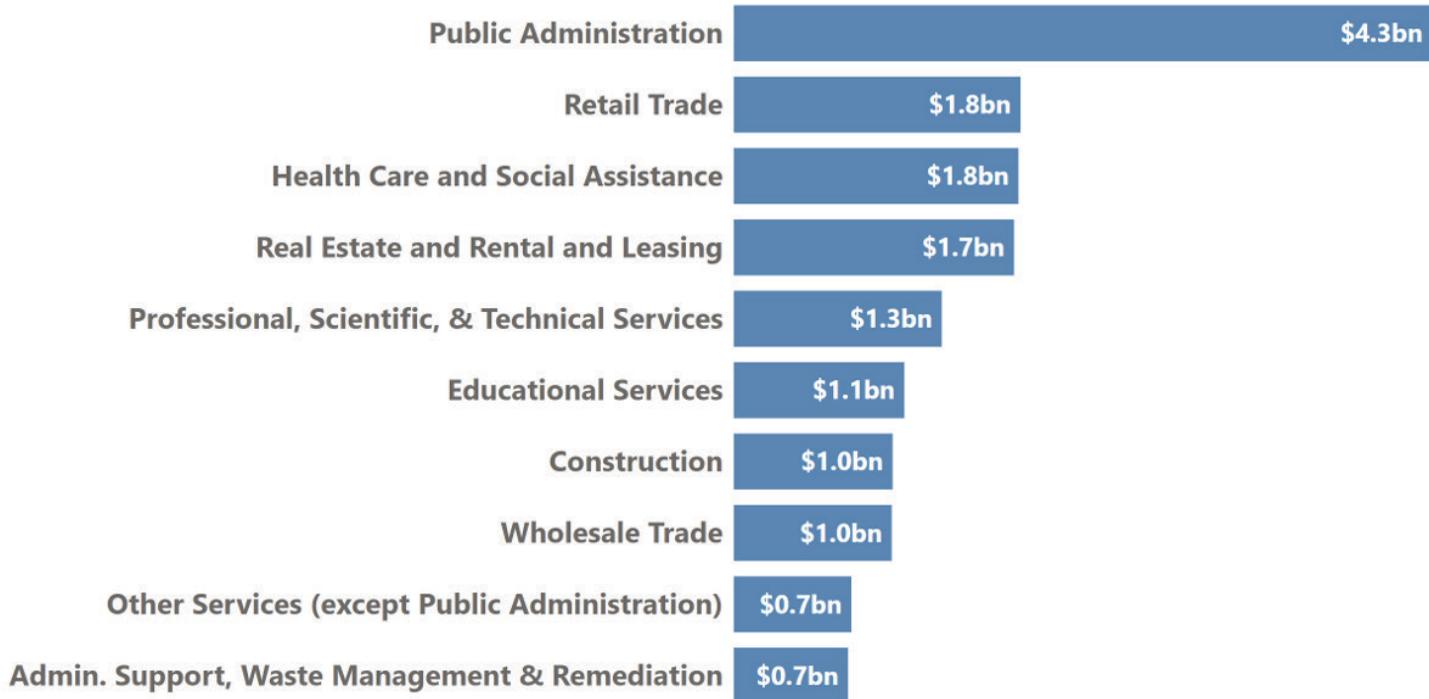


Source: JobsEQ

## INDUSTRY SECTORS

Thurston County continues to benefit from a diverse set of local industries anchored by strong public employment. Public Administration is still the largest sector with output at \$4.3B. Retail Trade has moved into second place at \$1.8B. Healthcare and Social Assistance moves down from second to third place at \$1.8B and Real Estate and Rental and Leasing moves down from third to fourth place at \$1.7B.

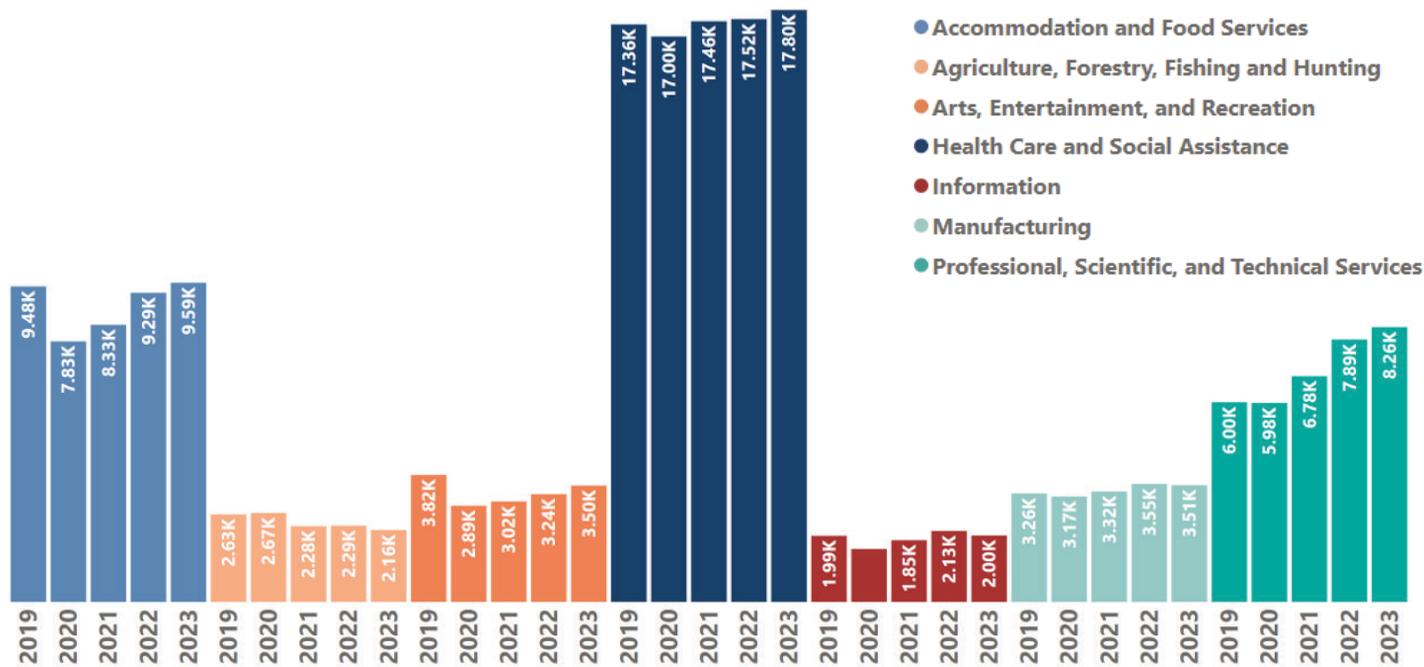
Figure 8. Top 10 Industry Sectors by Output, 2023



Source: JobsEQ

# ECONOMIC INDICATORS

Figure 9. Industry Employment Change by Year, 2019-2023



Source: JobsEQ

## TARGET INDUSTRY EMPLOYMENT CHANGE

Most target industry sectors experienced growth or continued stability in 2023 compared to their 2022 employment numbers signifying that an on-going COVID-19 recovery has continued to manifest in Thurston County.

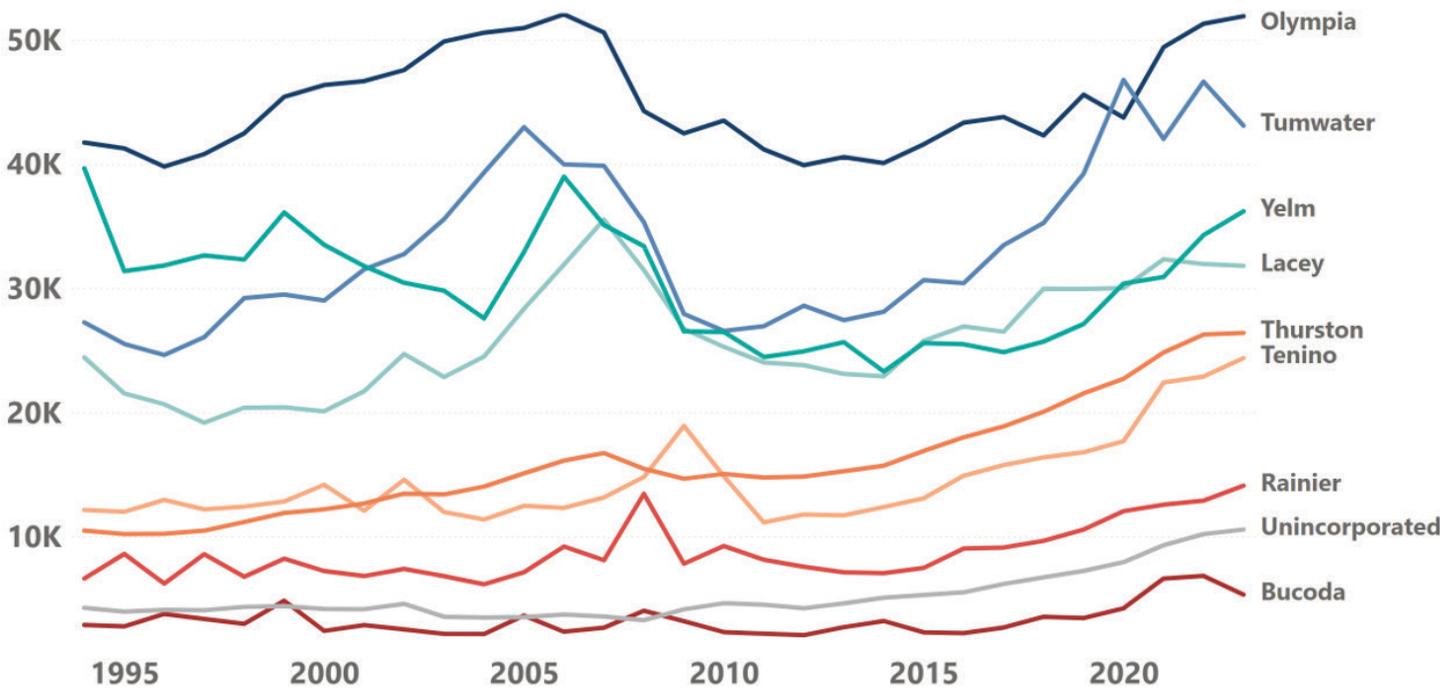
The industry sectors of Healthcare and Social Assistance, Manufacturing, and Professional, Scientific and Technical Services have now surpassed their pre-pandemic highs in 2019. Significant effort still needs to be concentrated on the industry sectors of Accommodation and Food Services, Agriculture, Forestry, Fishing and Hunting, and Information as they all have not recovered to their pre-pandemic employment levels. Agriculture continues to shed employment figures year-over-year.

## TAXABLE RETAIL SALES

As an economy grows so does the taxable revenue available for public sector expenditure. This flow of tax revenue is one of the bedrock resources needed for stable budgetary planning in our community. When adjusted for population, per capita taxable sales isolate economic effects away from general population growth. The City of Olympia continues to lead other Thurston County jurisdictions in per capita revenue for 2023 at \$51,895. Yelm has surpassed Lacey's per capita taxable sales with \$36,199, these two communities typically track each other quite closely.

# ECONOMIC INDICATORS

Figure 10. Per Capita Retail Sales by Jurisdiction (Inflation Adjusted), 1994-2023



Source: Thurston Regional Planning Council & WA Department of Revenue

| Jurisdiction    | 2023     |
|-----------------|----------|
| Bucoda          | \$5,346  |
| Lacey           | \$31,807 |
| Olympia         | \$51,895 |
| Rainier         | \$14,120 |
| Tenino          | \$24,384 |
| Tumwater        | \$43,089 |
| Yelm            | \$36,199 |
| Unincorporated  | \$10,586 |
| Thurston County | \$26,415 |

Source: Bureau of Economic Analysis



# HOUSING & LIVABILITY

## HOUSING AFFORDABILITY INDEX

The index comes from the Washington Center for Real Estate Research at the University of Washington and measures housing affordability for both middle-income earners and first-time homebuyers within Washington State and Thurston County. A value of 100 on the index means that home prices and worker salaries are in parity. A value above 100 would indicate that housing remains affordable and a value below 100 would indicate that housing is not affordable when compared to worker salaries.

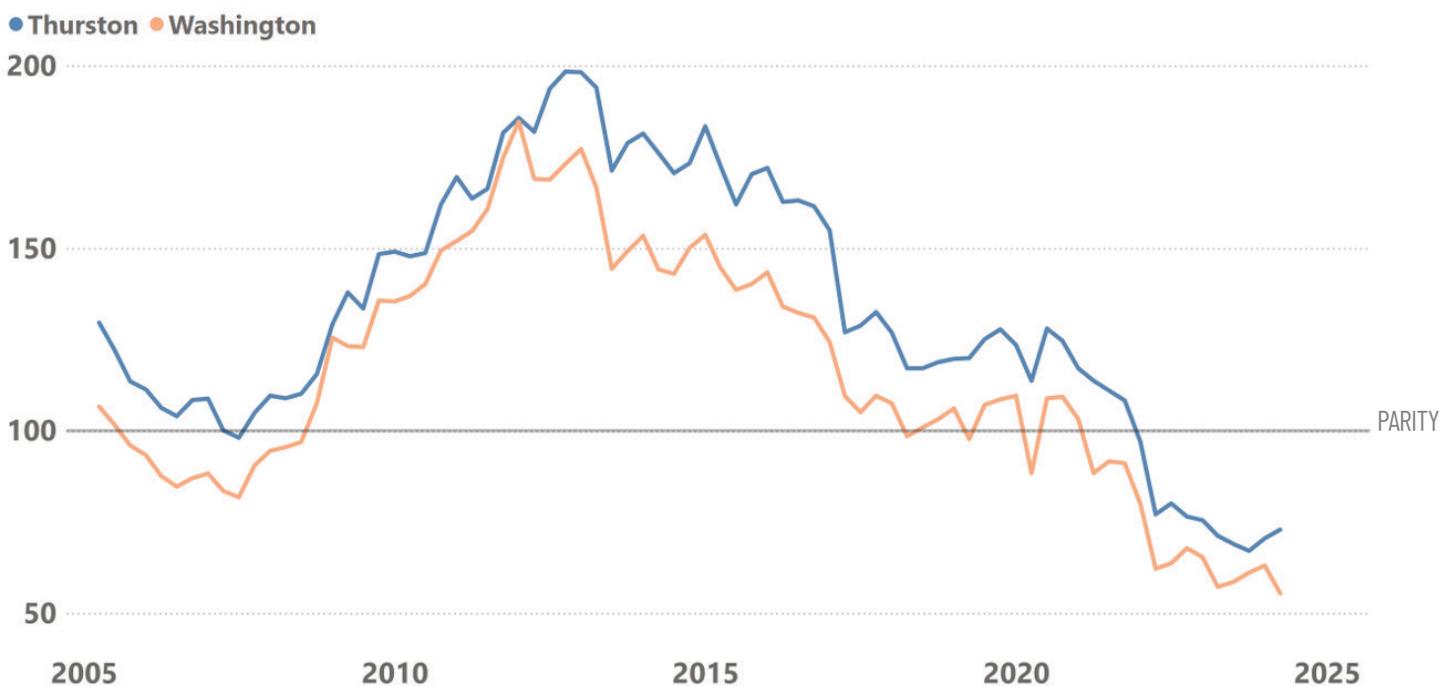
The cost of housing in Washington State has continued (and accelerated) its trend towards a less affordable marketplace for both middle-income and first-time homebuyers. Interestingly, housing affordability in Thurston County has slightly improved for the last 2 quarters but is still trending down. First-time home buyers are particularly at risk in this housing market where Thurston County workers have seen their purchasing power decline immensely over the last ten years from a high value of 113.5 down to the current level of 52.

This gap in housing creates an unsustainable cost-burden on entry level and mid-career professionals as they try to build careers in Washington State and will continue to suppress the economic potential of the region as employers grapple with wages or abandon filling low wage positions all together. This lack of parity in the housing market represents the singular most important economic challenge for our region as it hinders access to workers, suppresses consumer demand and exacerbates issues of generational poverty.

## REGIONAL PRICE PARITIES

The past 4 years have seen a return of price inflation in the global economy, and this impacted Thurston County as well. High inflation rates make it challenging for consumers to conceive of what their purchases will cost even a brief time in the future. This creates economic instability and insecurity along with higher prices. Regional Price Parities (RPP) allow us to examine local price changes relative to national averages in constant dollars. They show us how far a dollar goes in Thurston County compared to the US generally.

**Figure 11. Housing Affordability Index – Middle Income Earners, 2005-2024**



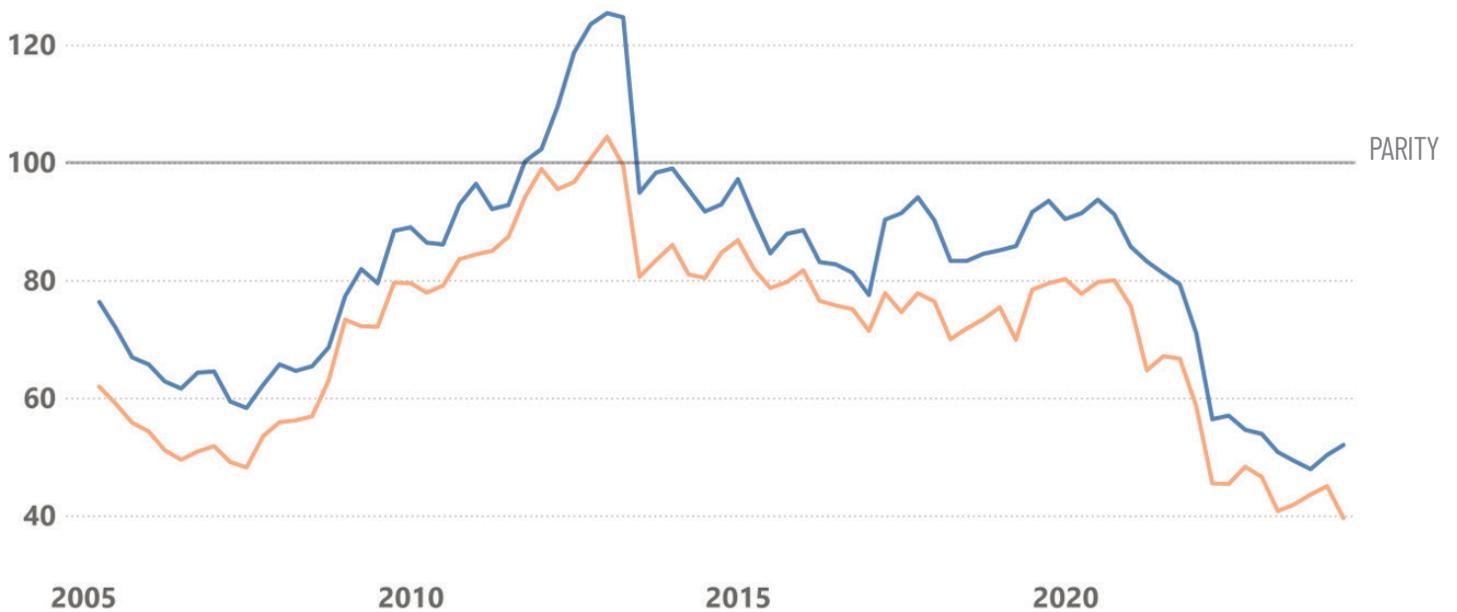
Source: Washington Center for Real Estate Research at the University of Washington

# HOUSING & LIVABILITY

An RPP score of 100 means that the average price of a given basket of goods or services is exactly as expensive in Thurston County as in the US generally. Thurston County enjoys prices that are 17.7% lower for Utility services than the national average, with an RPP of 82.3. However, housing is 20.3% more expensive here, with an RPP of 120.3.

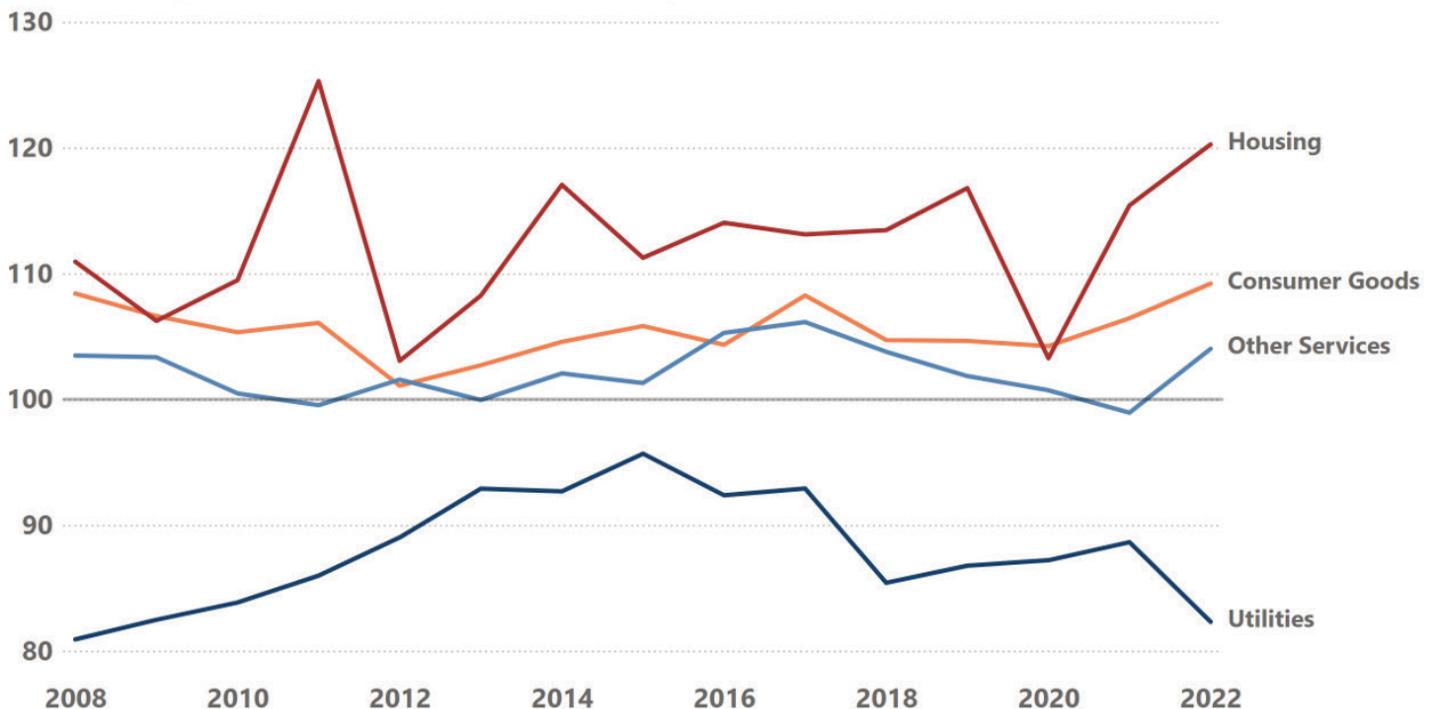
**Figure 12. Housing Affordability Index – First Time Homebuyers, 2005-2024**

● Thurston ● Washington



Source: Washington Center for Real Estate Research at the University of Washington

**Figure 13. Regional Price Parities – Thurston County/United State Constant Dollars, 2008-2022**



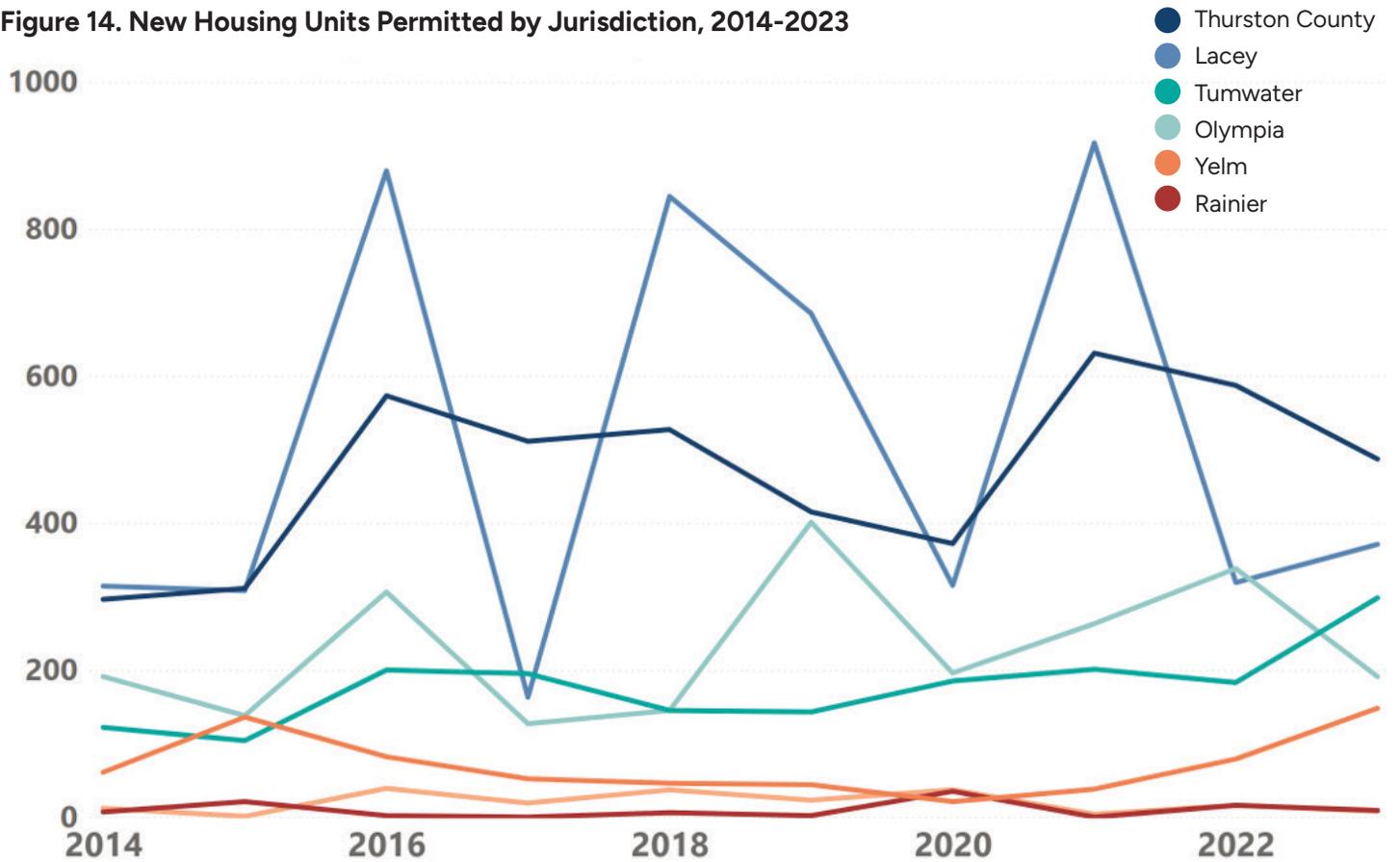
Source: Washington Center for Real Estate Research at the University of Washington

# HOUSING & LIVABILITY

## NEW HOUSING UNIT PERMITTING (RPP)

The number of housing permits issued by a community is a key marker of how much the housing stock will expand or contract relative to demand. Lacey has consistently led other jurisdictions with the pace of new units being permitted year-over-year.

Figure 14. New Housing Units Permitted by Jurisdiction, 2014-2023



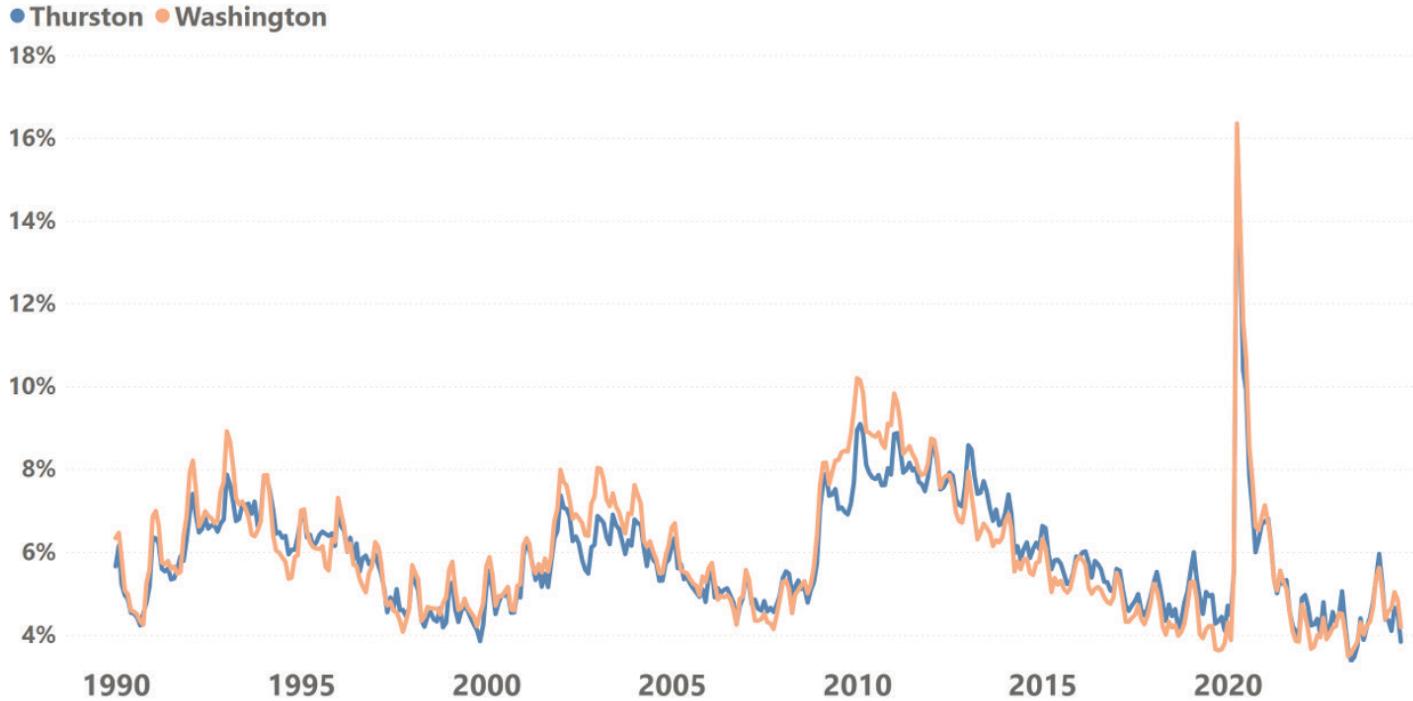
Source: Washington Center for Real Estate Research at the University of Washington



## UNEMPLOYMENT

Unemployment peaked in Thurston County in 2020 at approximately 16%, which was consistent with the Washington State average during COVID-19 but has rapidly recovered since then. Thurston County continues to outperform the Washington State average featuring a current value of 3.8% against the state's 4.2%.

Figure 15. Unemployment Change, 1989-2024



Source: JobsEQ



# HOUSING & LIVABILITY

## GINI COEFFICIENT

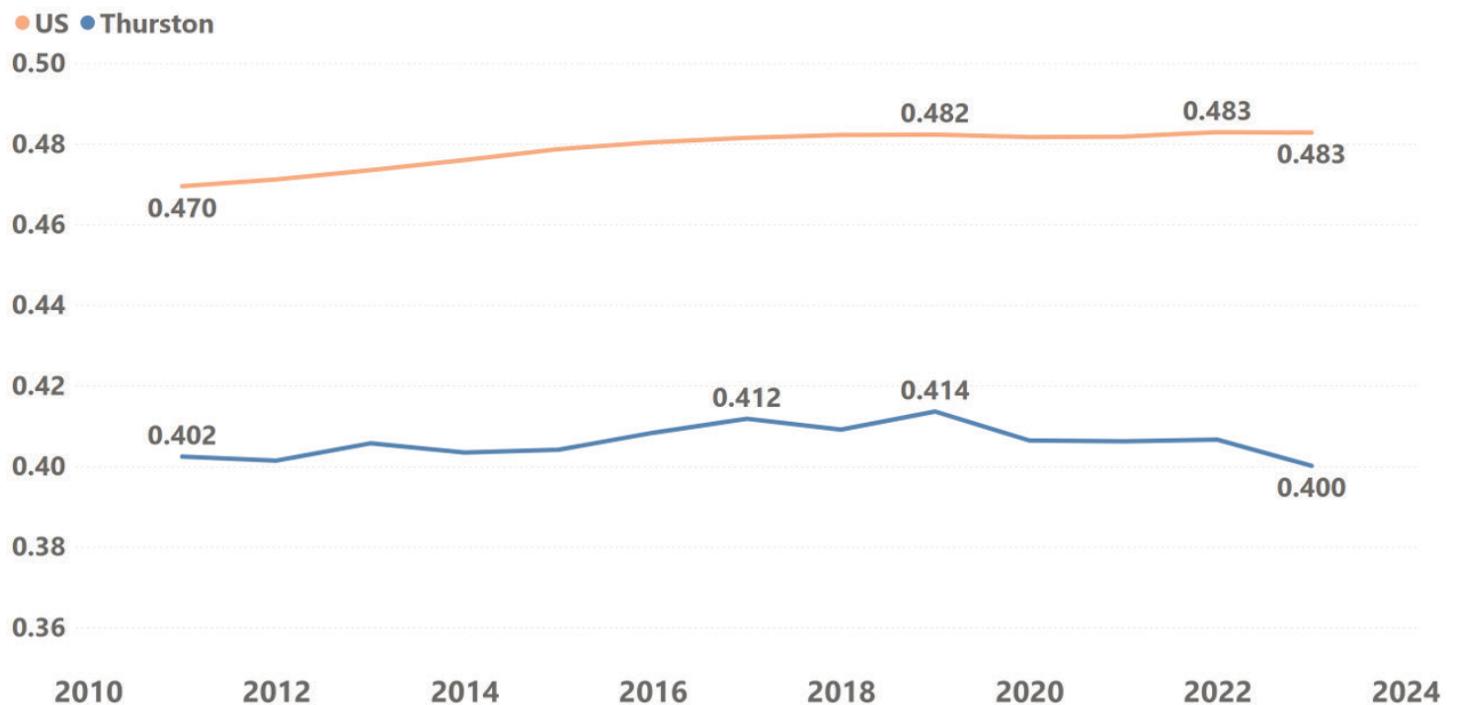
Figure 16 shows the Gini Coefficient, a number that helps us understand how evenly income is distributed among a group of people. Imagine income as a pie shared among everyone:

- A Gini Coefficient of 0 means everyone gets an equal slice of the pie—perfect equality.
- A Gini Coefficient of 1 means one person gets the whole pie, and everyone else gets nothing—perfect inequality.

As of 2023, Thurston County has a Gini Coefficient of 0.4. This lower number indicates that income is more evenly spread among people there compared to other places. In fact, this area's Gini Coefficient is 17.1% lower than the U.S. national average of 0.483, showing that there is less income inequality locally than across the country.

According to the Milken Institute, the Olympia-Lacey-Tumwater MSA has the 4th most equal income distribution in United States as of 2024.<sup>3</sup>

**Figure 16. Gini Coefficient, Thurston County by Year, 2011-2023**



Source: Census Bureau

<sup>3</sup> <https://milkeninstitute.org/sites/default/files/2024-02/BestPerformingCities2024.pdf>



## COST BURDENED HOUSEHOLDS BELOW THE ALICE THRESHOLD

Cost burdened households are those that spend over 30% of their income on housing costs. ALICE is an acronym meaning Asset Limited, Income Constrained, Employed.<sup>4</sup> This is a population of people who are already economically vulnerable and as shown in Figure 18, ALICE renters are overwhelmingly severely cost burdened. This underscores the fact that the most economically precarious individuals are most heavily affected by the deepening housing cost crisis. As shown in Figure 17, even this group experiences severe cost burdens at a rate of 32%

Figure 17. Owner Cost Burden

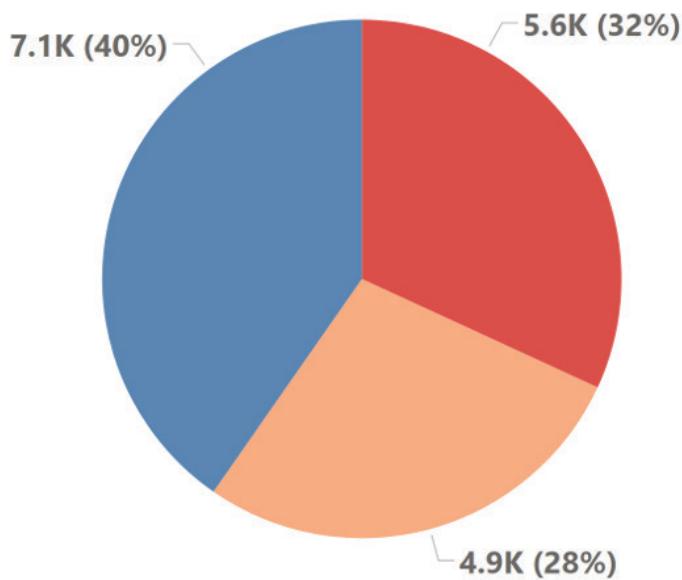
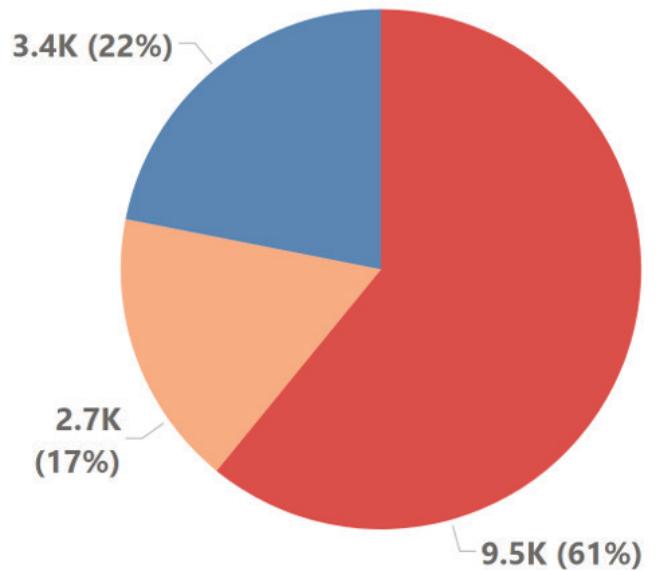


Figure 18. Renter Cost Burden



Source: United Way, United for ALICE

● Severely Burdened ● Burdened ● Not Burdened

<sup>4</sup> <https://www.unitedforalice.org>



# Key Takeaways



**\$19.3B GDP**



**\$11.6B in Total Compensation**



**3.8% Unemployment Rate**



**4th Most Income Equal  
Community in the Nation**





### **A Message from the Thurston EDC Research Team**

*The EDC recognizes the need to have a strong and consistent data driven economic development model. In that spirit, we have invested in expanding our research team to better serve the region's community and economic development decision makers. We encourage you to seek us out for presentations at your local clubs and organizations, to provide specific data analysis on projects of significance, and to act as your data team as you develop your strategic plans.*



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