

Appendix B - Regional Forecasts and Bellevue's Key Industry Groups

As noted in the profile's Employment Chapter, Bellevue's strengths match well with industry sectors expected to experience substantial growth in the Puget Sound region. This appendix provides an overview of regional and county industry-specific employment forecasts and looks at these forecasts' potential implications for the future growth of key industry groups in Bellevue. The information presented here is drawn primarily and, in large portion, directly from the analysis that Berk & Associates prepared for integration into the profile.¹

Forecasts Consulted

Understanding the future of Bellevue's economy requires understanding how the future of the national and global economy will affect economic conditions in Bellevue. Econometric forecasts consulted draw from several decades of economic trends in the local, regional and national economies to provide predictions of how the regional and King County economy will respond to conditions expected nationally and globally.

The analysis supplied by Berk & Associates focused on the outlook in the near term and relied primarily on employment forecasts by Conway Pedersen Economics, Inc. published in their quarterly newsletter, *The Puget Sound Economic Forecaster* newsletter. The newsletter published in December 2004 provided the most recent forecast available at the time the analysis was prepared. The table on page 200 of this profile shows Conway and Pedersen's regional employment trends and forecasts by industry sector for 2003 to 2006. Estimates of 2003 employment in Bellevue for each of these industries are shown alongside the regional figures.²

Berk also examined longer-term state-wide and county-level employment forecasts prepared by the Washington State Employment Security Department (ESD). However, the ESD forecasts available at the time the Berk analysis was conducted are somewhat dated.³ The table on page 202 shows ESD's industry employment forecasts for King County for the period between 2002 and 2012.

Overview of Regional Industry Forecasts

Key private employment drivers (the largest and rapidly growing sectors) within the regional economy include Professional and Business Services, Information, and Aerospace (Manufacturing), highlighted in bold in the table shown on page 200. Professional and Business Services are forecast to grow the most rapidly, with 6.3 percent growth in 2005 and 5.3 percent growth in 2006, adding 25,500 jobs regionally during the next two years. Aerospace jobs rank second in terms of regional percentage growth, with 4.6 percent growth forecast in 2005 and 5.1 percent growth forecast in 2006. Job growth in the Information sector ranks third, with a 3.1 percent increase forecast for 2005 and 3.3 percent growth forecast for 2006.

Regional Forecasts for Key Industry Groups in Bellevue's Economy

Berk & Associates identified the following key sectors and industry groups in Bellevue based on an assessment of the 2003 covered employment data. Bellevue covered employment figures in each of these industry groups are shown below rounded and in parentheses.

- **Professional and Business Services and Information** (29,700 jobs)
 - **Computer Systems Design, Software Publishers and Internet Services** (8,200 jobs)
 - **Architectural, Engineering and Related Services and Management, Scientific and Technical Consulting Services** (4,400 jobs; total for both groups combined)
 - **Wireless Telecommunications** (3,600 jobs)
 - **Other Professional and Business Services:** Accounting, Tax Preparation, Bookkeeping and Payroll Services (2,000 jobs) and Scientific Research and Development Services (1,500 jobs)
- **Retail** (12,400 jobs)
- **Health Care and Social Assistance** (9,150 jobs)

Within the region overall, the Professional and Business Services and Information sectors are both forecasted to have strong growth in the short term, and both have high concentrations of jobs in Bellevue. Bellevue's prominence in Professional and Business Services sector and Information defines a large part of the city's identity in the regional economy. Per Berk's analysis, employment in these two sectors together accounts for roughly 31 percent of private-sector employment in Bellevue, significantly greater than the 24 percent share of countywide private-sector employment in these two sectors. Bellevue's concentration of Services jobs has come with a substantial concentration of office space in the city. Downtown Bellevue's vacancy rates have recently fallen to rates lower than those in Downtown Seattle and the Puget Sound region as a whole. New construction is underway in the city, signaling developers' confidence in the Downtown market.

Regional and county forecasts suggest the Professional and Business Services and Information sectors will lead employment growth in the near-term. The *Economic Forecaster* suggests regional employment growth in Professional and Business Services will be 6.3 percent in 2005 and 5.3 percent in 2006, the fastest growth rates in each year among all sectors. Forecasts for the Information sector job growth are 3.1 percent in 2005 and 3.3 percent in 2006. Keeping pace with the regional forecasts would bring Bellevue more than 3,000 jobs during the next two years in the two sectors combined. Between 2003 and 2008, information technology jobs in the region are expected to grow by 6.5 percent annually.

However, the regional outlook for the Information sector, been clouded more recently by consolidations and mergers including the sale of Redmond-based AT&T Wireless to Cingular, which was announced in December and is expected by industry analysts to result in substantial layoffs. Bellevue-headquartered Western Wireless, which is a smaller company than AT&T Wireless, has also been acquired by Alltel, although it is unclear whether this merger will result in layoffs. Still, the trend toward consolidations is expected to have major impacts on regional wireless companies. Wireless telecommunications constitute an important part of Bellevue's Information sector. Given the uncertainties in the growth outlook for wireless telecommunication, Bellevue's telecommunications companies and employees may face challenges in weathering changes in the industry.

The Health Care and Social Assistance subsector is strong in the city, with Overlake Hospital growing and expecting to add jobs in two years with additional expansions to follow.

The Retail sector is strong in Bellevue, serving as a regional draw for shopping. The city has a major regional shopping center in Bellevue Square, as well as several commercial centers that primarily serve nearby customers. **Retail jobs are prevalent in the city and regional forecasts suggest continued growth in regional retail sales.** In the *Puget Sound Economic Forecaster*, Conway and Pedersen forecast regional retail sales to grow 6.1 percent in 2005 and 4.6 percent in 2006 (or about 2 percent and 3 percent respectively after adjusting for inflation). The forecasts cite stronger personal income growth, lower unemployment and steady household growth as key drivers for this growth. **As a regional draw of consumer spending, Bellevue will benefit from increased retail spending. Bellevue's ability to draw regional spending will also be enhanced with major retail components in new mixed use developments such as Lincoln Square.**

Overall, the Berk & Associates analysis concluded that Bellevue is an enviable position, with a large, diverse economy and industries forecast to grow rapidly in the regional economy. Key industry groups such as Information, Professional and Business Services, Health Care, and Retail will continue to provide many employment opportunities for the local and regional labor force. As the economic hub of the Eastside, Bellevue will continue to provide professional services and retail for Eastside residents and workers, as well as for many companies and residents throughout the region.

	Bellevue Covered Employment [^]	Employment Trends and Forecasts for the Puget Sound Region 2003 to 2006 Total Employment (thousands)										
							2003-2004		2004-2005		2005-2006	
		2003	2003	2004	2005	2006	Act. Chg.	% Chg.	Act. Chg.	% Chg.	Act. Chg.	% Chg.
Total	101,802 (Actual is higher. See note [^] .)	1,651.0	1,681.6	1,725.0	1,761.6	30.6	1.9%	43.4	2.6%	36.6	2.1%	
Goods Producing	10,450	267.6	266.9	273.7	280.1	-0.7	-0.3%	6.8	2.5%	6.4	2.3%	
Natural Resources and Mining	73	2.0	2.0	2.0	2.0	0.0	0.0%	0.0	0.0%	0.0	0.0%	
Construction	4,572	96.0	100.2	102.8	104.6	4.2	4.4%	2.6	2.6%	1.8	1.8%	
Manufacturing	5,805	169.5	164.7	168.9	173.5	-4.8	-2.8%	4.2	2.6%	4.6	2.7%	
Aerospace	*	64.5	60.4	63.2	66.4	-4.1	-6.4%	2.8	4.6%	3.2	5.1%	
Other Durable Goods	*	66.8	66.6	67.9	69.0	-0.2	-0.3%	1.3	2.0%	1.1	1.6%	
Nondurable Goods	*	38.3	37.7	37.8	38.1	-0.6	-1.6%	0.1	0.3%	0.3	0.8%	
Services Producing	84,492	1,383.4	1,414.7	1,451.3	1,481.5	31.3	2.3%	36.6	2.6%	30.2	2.1%	
Wholesale and Retail Trade	18,505	259.0	262.9	266.8	269.3	3.9	1.5%	3.9	1.5%	2.5	0.9%	
Transportation, Warehousing, Utilities	1,525	60.0	63.2	64.4	65.6	3.2	5.3%	1.2	1.9%	1.2	1.9%	
Information	9,583	76.6	77.4	79.8	82.4	0.8	1.0%	2.4	3.1%	2.6	3.3%	
Financial Activities	11,503	107.3	109.4	111.0	111.7	2.1	2.0%	1.6	1.5%	0.7	0.6%	
Professional and Business Services	20,161	204.3	213.4	226.9	238.9	9.1	4.5%	13.5	6.3%	12.0	5.3%	
Other Services	23,215	397.5	409.2	419.5	426.7	11.7	2.9%	10.3	2.5%	7.2	1.7%	
Government	6,860	278.6	279.2	282.9	287.0	0.6	0.2%	3.7	1.3%	4.1	1.4%	
State and Local		229.1	229.9	233.2	237.1	0.8	0.3%	3.3	1.4%	3.9	1.7%	
Federal		49.5	49.3	49.6	49.8	-0.2	-0.4%	0.3	0.6%	0.2	0.4%	

[^]Covered employment data include only employees covered by state unemployment insurance programs, which exclude proprietors and some other exempted employees. The covered employment figures for Bellevue shown in this table only include jobs at business locations that could be geocoded. Total and sector-specific covered employment figures are somewhat higher. (Total covered employment in Bellevue was 110,774 in 2003 based on PSRC's published city estimates). The Bellevue estimate of "Utilities" excludes Bellevue employees at publicly owned utility providers. Government jobs include all public sector employment, including government and education. *Figures suppressed due to confidentiality requirements associated with covered employment database. Sources: Bellevue figures from Puget Sound Regional Council; Regional figures from *The Puget Sound Economic Forecaster*, Conway Pedersen Economics, Inc. (2004)

Overview of Long-Term Economic Forecasts

This section provides a summary of long-term employment forecasts and likely implications of these forecasts for Bellevue's economy with a focus on industry groups that are especially key in Bellevue.

Long-term Puget Sound region employment forecasts from 2006 to 2014, published in Conway and Pedersen's *Economic Forecaster*, indicate that total regional employment is likely to continue to grow by about 2.3 percent annually until 2010. After 2010, the *Economic Forecaster* projects that regional employment growth will slow to 1.5 percent annually until 2014. The forecast employment slow-down in 2010 is due, in part, to the decrease projected around that time in aerospace employment. Between 2005 and 2010, aerospace employment is forecast to increase by about 14,000 jobs (4.1 percent annually), but between 2010 and 2014 the industry is expected to lose close to 10,000 jobs.

The Washington State Employment Security Department (ESD) publishes long-term (five- and ten-year) industry employment projections on an annual basis. The pair of long-term forecasts most recently available at the time Berk conducted their analysis was published by ESD in late 2003. These are for the periods 2002 to 2007 and 2007 to 2012. The ESD forecasts provide an additional perspective on future employment trends. The ESD forecasts are at the county level, which is a finer geographic level than reflected in Conway and Pedersen's forecasts, and the ESD forecasts also provide more detailed categories for many industry sectors.

The table on the following page shows the ESD forecasts for King County employment overall and in *those sectors that Berk & Associates identified as key in Bellevue*. The ESD forecasts project moderate employment growth overall in King County for the 2002 to 2007 and the 2007 to 2012 time periods. During both of these forecast periods, ESD projects that jobs in Professional and Business Services, Information, and Educational and Health services, which are among Bellevue's key sectors, will be added at faster rates than will jobs in the overall economy, providing another indication that Bellevue's industry mix places the city in an auspicious position for future employment growth.⁴

Long-Term Employment Forecasts for King County 2002 to 2012					
NAICS Industry Title	King County Total Employment (thousands)			King County Annual Average Growth Rates	
	Estimated 2002	Projected 2007 2012		2002-2007	2007-2012
Total Non-farm Employment	1,127.5	1,213.1	1,319.8	1.5%	1.7%
Key Sectors for Bellevue:					
Retail Trade	115.0	122.6	131.0	1.3%	1.3%
Professional and Business Services	162.9	188.5	215.9	3.0%	2.8%
Professional, Scientific and Technical Services	81.4	92.6	105.9	2.6%	2.7%
Legal Services	12.2	13.1	14.0	1.4%	1.3%
Accounting, Tax Prep, Bookkeeping & Payroll	8.5	9.3	9.7	1.8%	0.8%
Architectural, Engineering and Related	16.4	18.8	21.8	2.8%	3.0%
Computer Systems Design and Related	17.4	19.8	23.4	2.6%	3.4%
Management of Companies and Enterprises	20.9	24.9	28.0	3.6%	2.4%
Information	69.2	79.1	90.8	2.7%	2.8%
Software Publishers	34.7	42.1	48.9	3.9%	3.0%
Telecommunications	19.1	21.1	24.3	2.0%	2.9%
Wired Telecommunications Carriers	4.9	4.9	5.2	0.0%	1.2%
Wireless Telecom Carriers, except Satellite	10.7	12.5	14.8	3.2%	3.4%
Educational and Health Services	113.2	123.5	134.2	1.8%	1.7%
Educational Services	19.1	21.2	23.1	2.1%	1.7%
Ambulatory Health Care Services	37.8	41.2	44.8	1.7%	1.7%
Hospitals	23.5	25.4	27.5	1.6%	1.6%
Nursing and Residential Care Facilities	15.9	17.4	19.0	1.8%	1.8%
Social Assistance	16.9	18.3	19.8	1.6%	1.6%

Source: Source: Washington Employment Security Department, November 2003.
See ESD's website <http://www.workforceexplorer.com> for more recent updates of long-term industry employment projections.

ENDNOTES

¹ “Perspectives on Future Economic Trends and Forecasts for the City of Bellevue Economic Profile,” Berk & Associates, April 2005.

² Employment figures for Bellevue were supplied by PSRC and are for geocoded covered employment only. Total covered employment figures are somewhat higher than those reflected in the table. Data in this analysis are based on NAICS industry groupings which are not directly comparable to SIC industry categories used in several other parts of this profile.

³ PSRC produces regional 30-year forecasts, including projections for zones within cities (“small areas”), as part of its travel demand modeling process. However, the industry detail on these forecasts does not go below the major sector level.

⁴ESD’s projected King County industry growth rates for the period 2002 to 2007 are generally lower than the rates in Conway and Pedersen’s shorter-term regional forecasts for the period 2004 to 2006, partly because the ESD’s forecasts include the recessionary year 2002. Also, ESD forecasts referenced in this section are those released in late 2003 and are less current than Conway and Pedersen’s projections. This is important to keep in mind because trends occurring during the recent past couple of years greatly affect an understanding of what might happen during the next few years. A more recent update of ESD’s long-term forecasts (albeit still with a beginning year of 2002) became available just as the profile was being readied for printing. (Under contractual requirements with the Bureau of Labor Statistics, the base year for ESD’s long-term forecasts, will not shift to 2004 until ESD releases another update in 2006). ESD’s May 2005 forecast release also included short-term forecasts for 2004 to 2006. For details, see ESD’s website <http://www.workforceexplorer.com>.