

Wenatchee MSA (Chelan and Douglas Counties) Labor Area Summary September 2022



Donald W. Meseck, Regional Labor Economist
 Employment Security Department
 Kittitas County WorkSource, 510 N. Pine Street, Ellensburg, WA 98926
 Phone: 509-607-3267
 Email: don.meseck@esd.wa.gov
 Website: <https://esd.wa.gov/labormarketinfo>

Overview

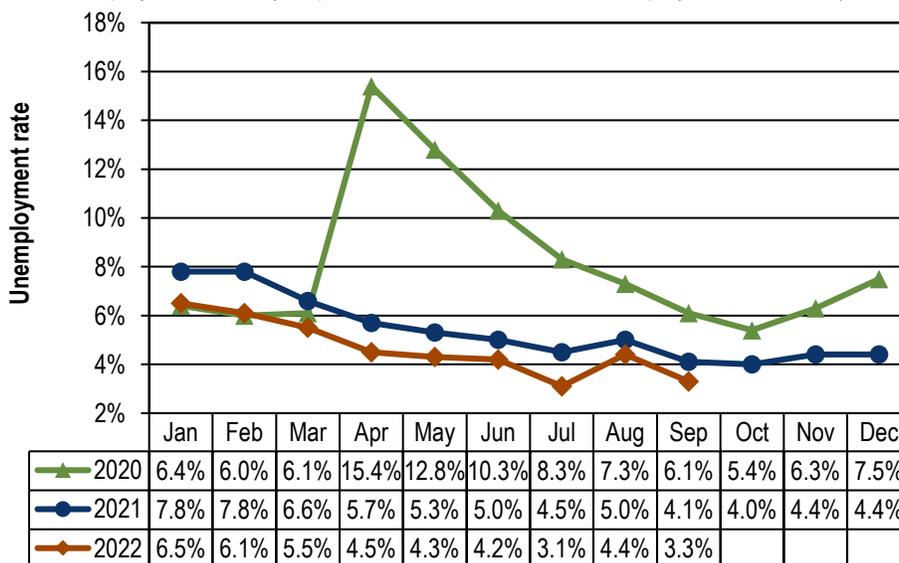
This report provides an update on the Wenatchee Metropolitan Statistical Area (MSA) economy using not seasonally adjusted, nonfarm employment and civilian labor force data. Analysis focuses on year over year (September 2021 and September 2022) and average annual data changes (between 2020 and 2021).

Unemployment rates

Civilian Labor Force (CLF) data show that Washington’s not seasonally adjusted average annual unemployment rate fell from 8.5 percent in 2020 to 5.2 percent in 2021. Between September 2021 and September 2022, the rate dropped from 4.6 to 3.6 percent. This 3.6 percent reading is the lowest rate for the month of September in Washington since state data began to be recorded electronically in 1976.

In the Wenatchee MSA, the average annual unemployment rate fell from 8.2 percent to 5.4 percent between 2020 and 2021. This September’s 3.3 percent reading (*Figure 1*) is the lowest rate for the month of September in the Wenatchee MSA since county-level data began to be recorded electronically in 1990.

Figure 1. Wenatchee MSA unemployment rates, not seasonally adjusted
 Washington state, January 2020 through September 2022
 Source: Employment Security Department/DATA; Local Area Unemployment Statistics (LAUS)



The Wenatchee MSA’s unemployment rate fell by eight-tenths of a percentage point between September 2021 and September 2022.

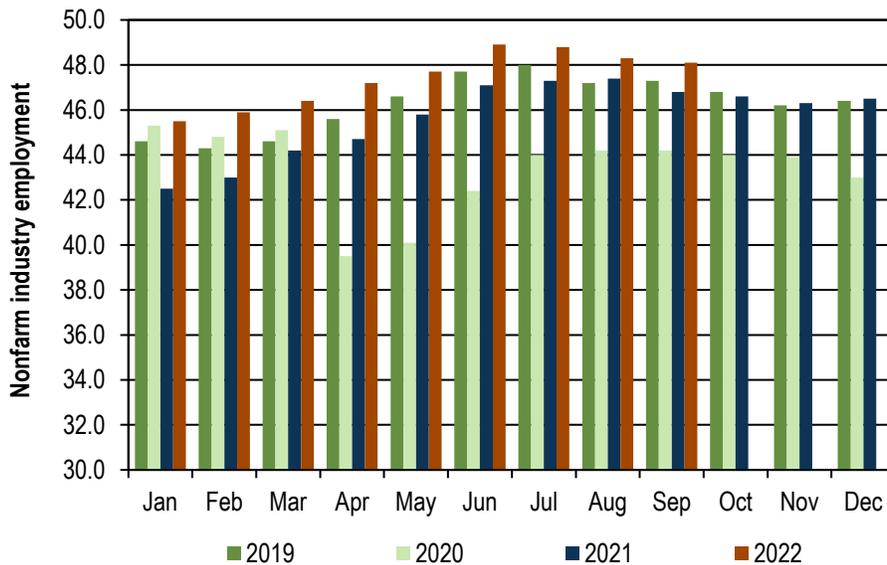
Total nonfarm employment

Between 2020 and 2021, estimates indicate that Washington’s labor market provided 81,100 more nonfarm jobs, an average annual increase of 2.5 percent. Year over year, Washington's nonfarm market has expanded in each of the past 18 months (April 2021 through September 2022). This September, business and government organizations statewide tallied 3,565,500 jobs (not seasonally adjusted) compared with 3,417,400 in September 2021, up by 149,100 jobs and 4.4 percent.

The Wenatchee MSA’s economy added 2,300 jobs during 2021, a 5.3 percent upturn, more robust than Washington’s 2.5 percent growth rate between 2020 and 2021. Year over year, the Wenatchee MSA's nonfarm market contracted for 12 months (April 2020 through March 2021) prior to employment increases during the past 18 months (April 2021 through September 2022), as shown in *Figure 4*. This September, total nonfarm employment netted 1,300 more jobs than the 46,800 jobs tallied in September 2021 (*Figures 2 and 3*), a 2.8 percent increase. In fact, the two-county Wenatchee MSA economy provided 800 more nonfarm jobs (up 1.7 percent) in September 2022 (48,100 jobs) than in the pre-COVID era of September 2019 (47,300 jobs), an indication that the nonfarm market has rebounded above pre-pandemic levels.

Figure 2. Wenatchee MSA nonfarm industry employment, not seasonally adjusted, in thousands
Washington state, January 2019 through September 2022

Source: Employment Security Department/DATA; Current Employment Statistics (CES)



Nonfarm employment in the Wenatchee MSA increased by 2.8 percent between September 2021 and September 2022.

Employment and unemployment

Washington’s Civilian Labor Force (CLF) edged downward by 15,964 residents (a -0.4 percent downturn) between 2020 and 2021. This year-over-year labor force contraction occurred in the first six months of 2021. Since then, the state’s CLF has either stabilized or expanded during each of the past 15 months (July 2021 through September 2022). Washington’s labor force grew by 62,908 residents (up 1.6 percent), from 3,943,513 residents in September 2021 to 4,006,421 this September.

The Wenatchee MSA’s CLF revived from 66,257 residents in 2020 to 66,818 in 2021, a 0.8 percent upturn. However, year over year, the local Civilian Labor Force has retrenched in each of the past four months (June through September 2022). Current Local Area Unemployment Statistics (LAUS) estimates indicate that there were 823 fewer Chelan or Douglas County residents in the CLF in September 2022 than in September 2021, a -1.2 percent downturn (*Figure 3*). Fortunately, the number of unemployed residents in the Wenatchee MSA dropped from 2,860 in September 2021 to 2,282 in September 2022, a

substantial -20.2 percent decrease (*Figure 3*). This noteworthy decline in the number of unemployed helped depress the local unemployment rate from 4.1 percent in September 2021 to the 3.3 percent reading in September 2022 – a historical low unemployment rate for the month of September in this two-county MSA. Despite this low unemployment rate in September 2022, all local labor force trends are not positive, especially when compared with the pre-COVID era of 2019. Specifically, the Wenatchee MSA's Civilian Labor Force (CLF) contracted in each of the five months from May through September 2022 below the corresponding five months in 2019 (i.e., in the pre-COVID era). Local CLF loss rates from May through September 2019 compared with May through September 2022, respectively, were -1.1 percent, -2.6 percent, -4.8 percent, -1.1 percent, and -2.4 percent. These downturns indicate that the Wenatchee MSA's labor force (or "labor pool") shrank during this most recent five-month timeframe when compared with the pre-pandemic labor force – a trend to watch in the months ahead.

Figure 3. Wenatchee MSA labor force and industry employment, not seasonally adjusted
Washington state, September 2022

Source: Employment Security Department/DATA; Local Area Unemployment Statistics (LAUS), Current Employment Statistics (CES)

| Wenatchee MSA | Preliminary Sep-22 | Revised Aug-22 | Revised Sep-21 | Change | | Percent change |
|---|-----------------------|-------------------|-------------------|--------|--------|----------------|
| | | | | Aug-22 | Sep-21 | Sep-21 |
| | | | | Sep-22 | Sep-22 | Sep-22 |
| Labor force and unemployment | | | | | | |
| Civilian labor force | 68,275 | 70,011 | 69,098 | -1,736 | -823 | -1.2% |
| Resident employment | 65,993 | 66,962 | 66,238 | -969 | -245 | -0.4% |
| Unemployment | 2,282 | 3,049 | 2,860 | -767 | -578 | -20.2% |
| Unemployment rate | 3.3 | 4.4 | 4.1 | -1.1 | -0.8 | |
| Industry employment (numbers are in thousands) | | | | | | |
| Total nonfarm ¹ | 48.1 | 48.3 | 46.8 | -0.2 | 1.3 | 2.8% |
| Total private | 39.2 | 39.3 | 37.8 | -0.1 | 1.4 | 3.7% |
| Goods producing | 6.1 | 6.1 | 6.0 | 0.0 | 0.1 | 1.7% |
| Mining, logging and construction | 3.3 | 3.3 | 3.3 | 0.0 | 0.0 | 0.0% |
| Manufacturing | 2.8 | 2.8 | 2.7 | 0.0 | 0.1 | 3.7% |
| Service providing | 42.0 | 42.2 | 40.8 | -0.2 | 1.2 | 2.9% |
| Private services providing | 33.1 | 33.2 | 31.8 | -0.1 | 1.3 | 4.1% |
| Trade, transportation, warehousing and utilities | 9.9 | 10.1 | 9.9 | -0.2 | 0.0 | 0.0% |
| Retail trade | 6.6 | 6.7 | 6.6 | -0.1 | 0.0 | 0.0% |
| Education and health services | 8.3 | 8.2 | 7.8 | 0.1 | 0.5 | 6.4% |
| Leisure and hospitality | 7.1 | 7.2 | 6.7 | -0.1 | 0.4 | 6.0% |
| Government | 8.9 | 9.0 | 9.0 | -0.1 | -0.1 | -1.1% |
| Federal government | 1.0 | 1.0 | 0.9 | 0.0 | 0.1 | 11.1% |
| State government | 1.0 | 1.0 | 1.2 | 0.0 | -0.2 | -16.7% |
| Local government | 6.9 | 7.0 | 6.9 | -0.1 | 0.0 | 0.0% |
| Workers in labor/management disputes | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |

¹ Excludes proprietors, self-employed, members of the armed services, workers in private households and agriculture. Includes all full- and part-time wage and salary workers receiving pay during the pay period including the 12th of the month. Columns may not add due to rounding.

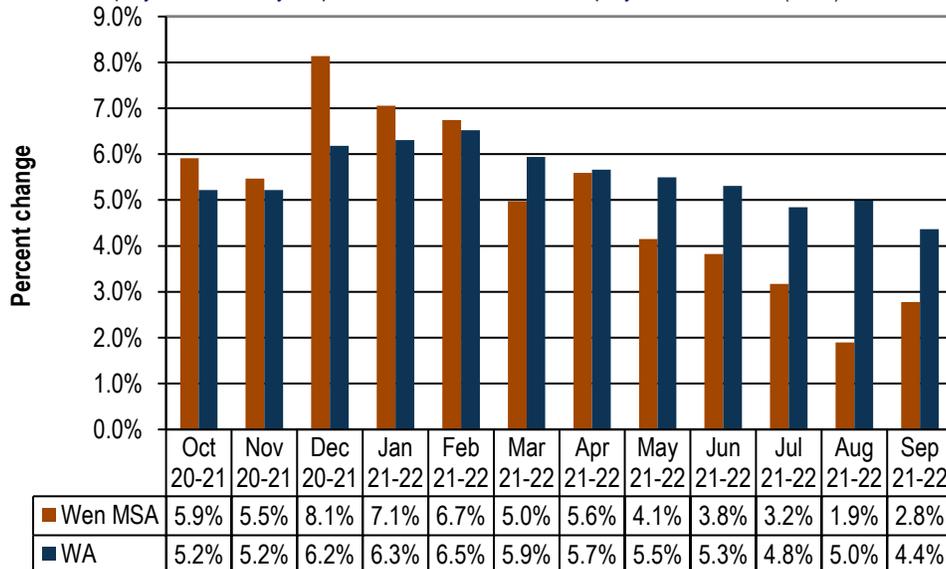
The Wenatchee MSA nonfarm market provided 48,100 jobs in September 2022, a gain of 1,300 jobs since September 2021.

Nonfarm industry employment

Year over year, the Wenatchee MSA's nonfarm market contracted for 12 months (April 2020 through March 2021) prior to employment increases during each of the past 18 months (April 2021 through September 2022). Between September 2021 and September 2022, total nonfarm employment in Chelan and Douglas counties (the Wenatchee MSA) rose from 46,800 to 48,100 jobs, a 1,300 job and 2.8 percent upturn, somewhat slower than Washington's nonfarm job growth pace of 4.4 percent during this period. In fact, in each of the past seven months (March through September 2022) the local nonfarm economy has added jobs at slightly lower growth rates than across Washington state (*Figure 4*).

Figure 4: Wenatchee MSA and Washington state total nonfarm employment changes
Washington state, October 2021 through September 2022

Source: Employment Security Department/DATA; Current Employment Statistics (CES)



Year over year, the Wenatchee MSA's nonfarm market contracted from April 2020 through March 2021 but has expanded in each of the past 18 months (April 2021 through September 2022). Washington's nonfarm market also retrenched from April 2020 through September 2021 prior to expanding from April 2021 through September 2022.

Summaries of employment changes/trends between September 2021 and September 2022 for three local industries (construction, education and health services, and leisure and hospitality) are provided as follows:

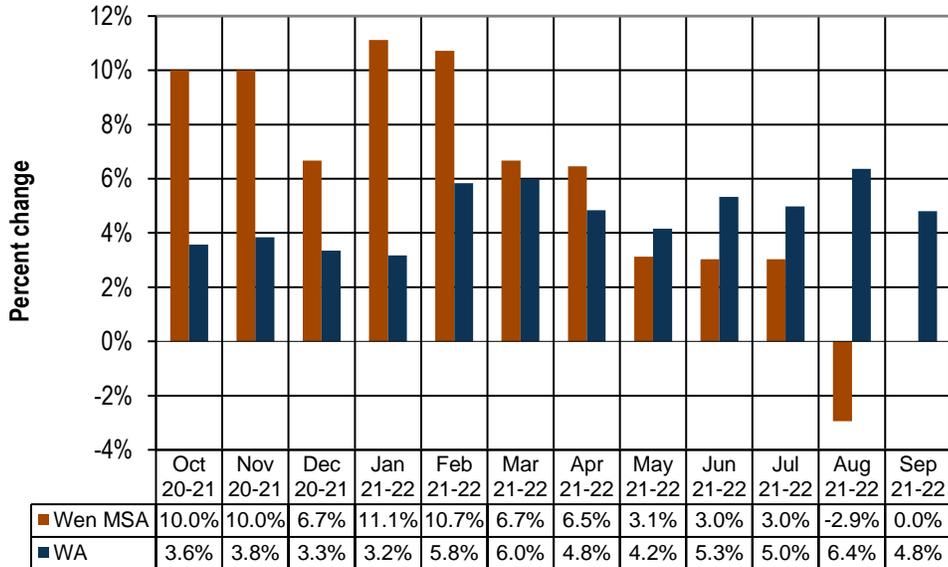
- In the mining, logging and construction category (*Figure 3*), most jobs are in “construction.” Year over year, construction employment in Yakima County has either stabilized or increased in each of the 18 months from April 2021 through September 2022 (as partially shown in *Figure 5*). This September, construction provided approximately 3,300 jobs in the MSA, the same number as is September 2021 (*Figure 3*). According to the *September 2022 Real Estate Snapshot* newsletter published by Pacific Appraisal Associates there were 58 fewer closed sales of single-family homes or condominiums in the first nine months of 2022 in the Wenatchee Market (i.e., in Wenatchee, Malaga, East Wenatchee, Orondo, and Rock Island, WA) compared with closed sales from January through September 2021. This equated to a -7.6 percent downturn as closed sales fell from 759 (January through September 2021) to 701 (January through December 2022). Simultaneously, the number of active listings has skyrocketed from 88 listings in September 2021 to 175 in September 2022 (up by 87 listings and 98.9 percent); hence, many more units are currently “on the market.” Reference home prices in the Wenatchee market; they’ve been surging. This *Real Estate Snapshot* newsletter stated that the median sales price of homes/condos sold in the Wenatchee market accelerated from approximately \$435,000 Year-to-Date (YTD) in September 2021 to \$500,000 YTD in September 2022, a jump of 14.9 percent. Statewide, construction employment

has been rising for 18 months (April 2021 through September 2022). Between September 2021 and September 2022, the number of construction jobs across Washington advanced by 4.8 percent (up 11,000 jobs) from 229,300 jobs to 240,300 (Figure 5). Much of this year-over-year upturn in Washington’s construction industry has occurred amongst specialty trade contractors (i.e., roofing contractors, electrical contractors, plumbing contractors, painting/wall covering contractors, etc.) where the number of jobs grew by 6,800 from 146,800 in September 2021 to 153,600 in September 2022 (up 4.6 percent).

Figure 5: Wenatchee MSA and Washington construction employment changes

Washington state, October 2021 through September 2022

Source: Employment Security Department/DATA; Current Employment Statistics (CES)



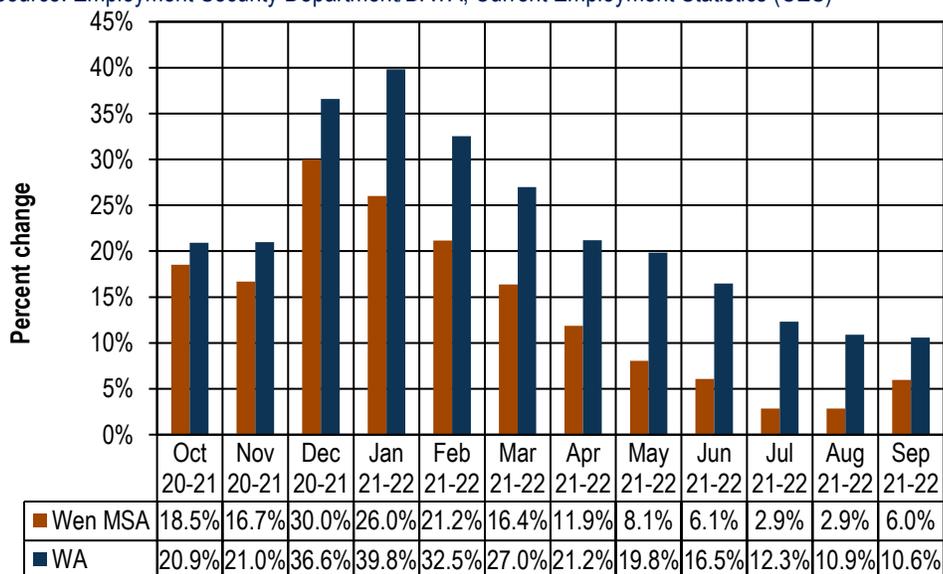
Year over year, construction employment in the Wenatchee MSA expanded from December 2020 through July 2022, contracted this August, and stabilized in September 2022. Statewide, construction employment has been rising for 18 consecutive months (April 2021 through September 2022).

- Between the pre-pandemic year of 2019 and calendar year 2021, average annual education and health services employment rose from 7,600 to 7,800, a 200 job and 2.4 percent upturn. In this combined (private education and health services) category, health services employers across the Wenatchee MSA provide the lion’s share of employment. Year over year, employment in this industry has either stabilized or expanded in each of the past 18 months (April 2021 through September 2022), and since the 4th Quarter of 2021 job growth rates in this industry have been “picking up steam.” Between September 2021 and September 2022, the number of local education and health services jobs advanced from 7,800 to 8,300 respectively, a robust 6.4 percent and 500 job upturn (Figure 3). Statewide this industry has added jobs during each of the past 18 consecutive months (April 2021 through September 2022). Current Employment Statistics (CES) estimates indicate that Washington’s education and health services employers tallied 520,900 jobs this September versus 494,500 in September 2021, a 26,400 job and 5.3 percent upturn. Over half (54.9 percent), or 14,400 of these 26,400 new education and health services jobs generated statewide between September 2021 and Septembers 2022 were in the social assistance subsector (NAICS 624). Social assistance is comprised of the following organizations/businesses: individual and family services, community food and housing, vocational rehabilitation services, and child day care services.

- COVID-19-related layoffs in leisure and hospitality were more severe than layoffs in any other Wenatchee MSA industry during 2020. In fact, of the 2,900 nonfarm jobs lost in 2020 across the MSA, 1,600 jobs, or 55.2 percent, were in the leisure and hospitality sector. Conversely, re-hiring in the local leisure and hospitality industry was stronger than re-hiring in any other Wenatchee MSA industry during 2021. Of the 2,300 nonfarm jobs gained in 2021 across the MSA, 900 jobs, or 39.1 percent, were in the leisure and hospitality sector. Year over year, employment in the local leisure and hospitality industry has increased from April 2021 through September 2022. Between September 2021 and September 2022, leisure and hospitality (primarily hotels, eating and drinking places, and amusement and recreation services) added 400 jobs across the MSA, a 6.0 percent upturn (*Figure 6*), as employment revived from 6,700 jobs to 7,100 (*Figure 3*). In fact, employment in Washington's leisure and hospitality industry has also expanded, year over year, in each of the past 18 months (April 2021 through August 2022). However, the number of leisure and hospitality jobs in the two-county Wenatchee MSA this September (7,100) was still 100 jobs and -1.4 percent less than the 7,200 jobs tallied in the pre-COVID month of September 2019. Hence, as of August 2022, the local leisure and hospitality industry has not quite recovered all jobs lost since the pandemic began. Employment in Washington's leisure and hospitality industry has also expanded for 17 months (April 2021 through September 2022) and at more rapid growth rates than in the Wenatchee MSA during the past 13 months (*Figure 6*). Statewide, leisure and hospitality employment elevated by 32,900 jobs and 10.6 percent between September 2021 (310,500 jobs) and September 2022 (343,400 jobs).

Figure 6: Wenatchee MSA and Washington leisure and hospitality employment changes Washington state, October 2021 through September 2022

Source: Employment Security Department/DATA; Current Employment Statistics (CES)



Year over year, employment in the Wenatchee MSA's leisure and hospitality industry has increased from April 2021 through September 2022. Employment in Washington's leisure and hospitality industry has also expanded from April 2021 through September 2022.

Agricultural employment/production

The Bureau of Labor Statistics' Quarterly Census of Employment and Wage (QCEW) program, conducted by the Washington State Employment Security Department provides agricultural and nonagricultural employment and wages for firms, organizations and individuals whose employees are covered by the Washington State Employment Security Act. Frequently termed "covered" or "QCEW" data, this information provides a reliable data set for comparing employment and wage trends at the county level. In

June 2022, preliminary average annual QCEW data for calendar year 2021 became available. An analysis of industry employment and wage changes from 2011 through 2021 shows that in Chelan County:

- Total covered employment rose from 38,939 in 2011 to 42,332 in 2021, a 3,393 job and 8.7 percent upturn with an annualized growth rate of 0.8 percent. However, agricultural employment (a subset of total covered employment) decreased from 9,419 jobs in 2011 to 8,129 in 2021, a significant downturn of -13.7 percent and loss of 1,290 jobs, equating to an annualized loss rate of -1.5 percent. In 2011, Chelan County's agricultural industry accounted for 24.2 percent of total covered employment; but ten years later (in 2021), this industry provided only 19.2 percent of total covered employment countywide. Hence, the agricultural share of total covered employment sank by five percentage points (from 24.2 to 19.2 percent) in Chelan County during this ten-year period.
- Total covered wages (not adjusted for inflation) rose from \$1.29 billion (in 2011) to \$2.72 billion (in 2021), a \$788.8 million and 61.1 percent upturn with an annualized growth rate of 4.9 percent. The agricultural payroll (a subset of total covered wages) advanced from \$193.4 million in 2011 to \$272.3 million in 2021, a \$78.9 million and 40.8 percent uptrend with an annualized growth rate of 3.5 percent. In 2011, Chelan County's agricultural industry accounted for 15.0 percent of total covered wages, but by 2021, agricultural wages tallied 13.1 percent of total covered payroll; meaning that the agricultural share of total nonfarm payroll decreased by one and nine-tenths percentage points (from 15.0 to 13.1 percent) during this timeframe. This dip in the agricultural share of *wages* (versus total covered *wages/payroll*) in the past ten years (2011-2021) was relatively less severe than five-point drop in the agricultural share of *employment* (versus total covered employment) during this period.
- The agricultural industry is still a “bedrock” to the Chelan County economy. Nevertheless, one could generalize from these 10-year data trends that agriculture (from an employment perspective) has become *relatively* less influential in the local economy. In fact, the number of agricultural jobs actually “peaked” countywide in 2018 at 10,609 jobs (23.5 percent of total covered employment) and then steadily declined in 2019, 2020, and 2021 (19.2 percent of total covered employment). Anecdotal evidence suggests at least three possibilities for this agricultural employment decline in Chelan County: automation, the gradual conversion of some seasonal agricultural jobs to year-round positions, and the increased use of H-2A agricultural labor.

For Douglas County, an analysis of industry employment changes from 2011 through 2021 shows that:

- Total covered employment rose from 10,832 in 2011 to 12,046 in 2021, a 1,214 job and 11.2 percent upturn with an annualized growth rate of 1.1 percent. The number of agricultural jobs (a subset of total covered employment) decreased sharply from 3,030 in 2011 to 2,289 in 2021, a 741 job and -24.5 percent downturn with an annualized loss rate of -2.8 percent. In 2011, Douglas County's agricultural industry accounted for 28.0 percent of total covered employment. In 2021, agricultural employment accounted for only 19.0 percent of total covered employment countywide. Hence, the agricultural share of employment plummeted by nine percentage points (from 28.0 to 19.0 percent) in Douglas County during this ten-year period.
- Total covered wages (not adjusted for inflation) rose from \$320.5 million in 2011 to \$541.7 million in 2021, a \$221.2 million and 69.0 percent upturn with an annualized growth rate of 5.4 percent. The agricultural payroll (a subset of total covered wages) advanced from \$56.2 million in 2011 to \$73.7 million in 2021, a \$17.5 million and 31.2 percent uptrend with an annualized growth rate of 2.8 percent. In 2011, Douglas County's agricultural industry accounted for 17.5 percent of total covered wages, and by 2021, agricultural wages tallied 13.6 percent of total covered payroll. Hence, the agricultural share of *wages* (versus total covered payroll) showed a three and nine-tenths percentage points contraction from 2011 to 2021 whereas agricultural *employment* showed a plunge of nine percentage points during this timeframe.

- The agricultural industry is still very important to the Douglas County economy. But a basic data trend analysis of local employment and wage trends make it clear that this industry has become *relatively* less influential within the local economy between 2011 and 2021. In fact, the number of agricultural jobs actually “peaked” countywide in 2018 at 3,278 jobs (25.3 percent of total covered employment) and then steadily declined in 2019, 2020, and 2021 (19.0 percent of total covered employment). Anecdotal evidence suggests at least three possibilities for this agricultural employment decline in Douglas County: automation, the gradual conversion of some seasonal agricultural jobs to year-round positions, and the increased use of H-2A agricultural labor.

Web link to Monthly Employment Report (MER) for Washington state

<https://esd.wa.gov/labormarketinfo/monthly-employment-report>