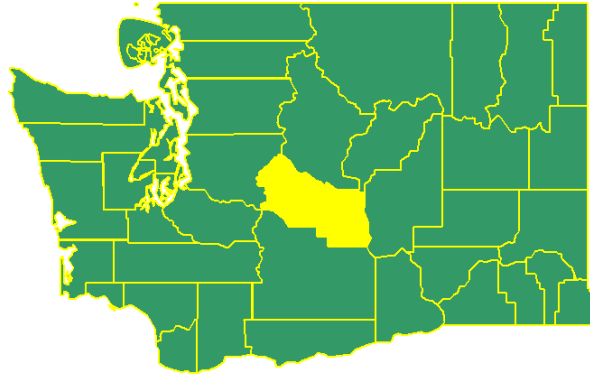


# Taxable Sales, Employment, and Wage Trends in Kittitas County's Retail Trade Sector



Prepared July 19, 2006

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## Taxable Sales, Employment, and Wage Trends in Kittitas County's Retail Trade Sector (July 19, 2006)

### PART 1 - EXECUTIVE SUMMARY

Between 2004 and 2005, local retailers experienced more rapid sales and wage growth, but less rapid employment growth, than did the State. In fact, Kittitas County's retail trade sector got off to a relatively slow start in 2005. Although local taxable retail sales and wages increased during the first two calendar quarters of 2005, covered employment dipped by 0.6 percent in the 1<sup>st</sup> Quarter, and grew a paltry 0.1-percent in the 2<sup>nd</sup> Quarter. By the 3<sup>rd</sup> Quarter however, the local retail sector regained its footing by catching up to Washington's retail sector, in terms of sales, employment, *and* wage growth. By the 4<sup>th</sup> Quarter of 2005, local retail sales, retail employment, and retail wage (i.e., payroll) growth rates surpassed the statewide pace in each of these three categories. Clearly, one could generalize that, "Kittitas County's retail sector started 2005 like a lamb, but finished the year like a lion."

*Taxable retail sales* in Kittitas County jumped 11.6 percent in 2005, besting the rather respectable 8.0-percent clip across Washington. Sales increased in Kittitas County and in Washington during each of the four calendar quarters of 2005. But the timing of the local retail sales growth was more interesting than the annual average figure. Sales growth rates in Kittitas County increased from a respectable 5.1 percent in the 1<sup>st</sup> Quarter of 2005, to 12.1 percent in the 2<sup>nd</sup> Quarter, 16.9 percent in the 3<sup>rd</sup> Quarter, and 11.2 percent in the final quarter of 2005. Across Washington the corresponding 2<sup>nd</sup>, 3<sup>rd</sup>, and 4<sup>th</sup> Quarter sales growth rates were: 7.7 percent, 10.0 percent, and 7.5 percent, respectively. Thus, sales growth rates in the Retail Trade sector were good in Washington in the 2<sup>nd</sup>, 3<sup>rd</sup>, and 4<sup>th</sup> Quarters of 2005, but they were more robust in Kittitas County during these final three quarters of last year. From a dollar-and-cents perspective, the three subsectors in the local retail trade sector that netted the greatest sales increases between 2004 and 2005 were: Motor Vehicle and Parts Dealers, up \$4.29 million; Building Materials and Garden Supply Stores, up \$4.27 million; and General Merchandise Stores, up \$2.4 million. Statewide, the three subsectors that showed the greatest over-the-year sales increases were: General Merchandise Stores, up \$618.8 million; Motor Vehicle and Parts Dealers, up \$560.1 million; and Building Materials and Garden Supply Stores, up \$499.1 million.

*Employment* in Kittitas County's retail trade sector averaged 29 new jobs during 2005 with virtually all of this employment growth occurring in the last half of the year. This equated to a 1.8-percent job growth rate in 2005, slightly less than the 2.5-percent statewide growth rate in Retail Trade. Building Materials and Garden Supply Stores added 20 jobs (up 19.1 percent) last year, with over-the-year growth starting in February 2005 and continuing throughout the rest of the year. It is likely that many of these new jobs were added in Upper County lumber and hardware stores as commercial and residential construction continue at the Suncadia resort community in Roslyn, WA. Food and Beverage Stores also averaged 20 new jobs in 2005 (up 5.8 percent), with all of the expansion occurring in the last half of 2005. Also, ESD data show that between 2004 and 2005: the number of food and beverage stores rose from 18 to 19 in Kittitas County. Motor Vehicle and Parts Dealerships contributed 19 new jobs last year (up 7.2 percent). Conversely, Sporting Goods, Hobby, Book, and Music Stores took a hit during 2005. Average employment nosedived 53.3 percent, as 24 jobs were lost in this subsector. ESD data show that the number of sporting goods, hobby, book, or music stores fell from 13 to 9 during 2005 in Kittitas County. Another six jobs were lost in Gas Stations and Convenience Stores, a 2.6 percent downturn, despite the fact that this subsector averaged 21 stations/stores in both 2004 and 2005.

*Wages, or payrolls*, in the local retail trade sector advanced by \$1.8 million (from \$31.0 million to \$32.8 million) in 2005, a respectable 5.9-percent growth rate, besting the 5.5-percent statewide increase. Three Kittitas County retail trade subsectors increased their payrolls substantially last year: Motor Vehicle and Parts Dealers paid out \$1.0-million more in wages (up 14.8 percent); Building Materials and Garden Supply Stores wages rose by \$668,100 (up 26.8 percent); and Furniture and Home Furnishings Stores increased total wages paid by \$334,800 (up 27.0 percent). The General Merchandise Store subsector actually took a step backwards in 2005. Its total payroll shrank by \$122,200 over the year (down 2.2 percent).

## **Taxable Sales, Employment, and Wage Trends in Kittitas County's Retail Trade Sector (July 19, 2006)**

### **PART 2 – METHODOLOGY AND DEFINITIONS OF TERMS**

This report compares taxable retail sales, with employment and wages covered under the Unemployment Insurance program, for Kittitas County's and Washington's retail trade sectors during the last eight calendar quarters for which data were available. Specifically, this period includes the four calendar quarters of 2004 and of 2005. Local retail trade sectors were designated "major subsectors" by virtue of ranking the dollar value of taxable sales in 2005 of all retail trade sub-sectors and picking the top six. On the basis of this selection process; Motor Vehicle and Parts Dealers, Furniture and Home Furnishings Stores, Building Materials and Hardware Stores, Food and Beverage Stores, Gas Station and Convenience Stores, and General Merchandise Stores were defined as the major retail trade sub-sectors in Kittitas County. Taxable retail sales reflect only those sales subject to retail sales tax. Some retail sales are not subject to tax, and these exempt sales (e.g., food for off-premises consumption, prescription drugs, etc.) are not reflected in these data.

Taxable sales data for the six major Retail Trade sub-sectors in Kittitas County and in Washington were obtained from the Washington State Department of Revenue's (DOR) Quarterly Business Reviews. Employment and wage figures were obtained from the Washington State Employment Security Department (ESD). Retail Trade stores/businesses were categorized using the North American Industry Classification System (NAICS) codes, are identified by NAICS codes 44-45. Hence, for this report we quantified taxable retail sales, employment, and wage changes in Kittitas County's and Washington's retail trade sectors during calendar year 2005 (i.e. between the 1<sup>st</sup> Quarters of 2004 and 2005, between the 2<sup>nd</sup> Quarters of 2004 and 2005, etc.), compared state and local changes, and explained the trends.

To accurately compare wages with employment, one must have wages associated with each employed person. But, the Washington State ESD cannot obtain wage data on workers not covered under the unemployment compensation system. Most sole proprietors and non-covered corporate officers are not covered by the unemployment compensation system. Hence, the number of these jobs (often family members, or relatives, in the case of sole proprietorships) and their earnings are not included in this study. The data are simply not available to ESD. However, sole proprietorships report taxable sales to DOR, and these retail sales figures are captured in this study. The bottom line is that only jobs covered under the unemployment compensation system, and the wages reported for these jobs, were used in this study. This information is commonly referred to as covered employment and wage data. A rule of thumb is that 85-90 percent of wages and employment are included in this "covered wage and employment" category.

In Part 3 of this report, the "characteristics" of Kittitas County's retail trade sector in 2005 is discussed. The methodology was to evaluate the six major local retail subsectors in terms of their taxable sales, annual average employment, and total payroll (or wages paid), and to compare the local percentages with the statewide percentages for these corresponding subsectors. In Part 4 of this report, the "trends" in Kittitas County's retail trade sector are discussed. The methodology was to document and analyze changes that occurred during the last eight calendar quarters (i.e., between 2004 and 2005) in these same six major retail subsectors, locally and statewide. Again, comparisons were made between local trends and statewide trends in corresponding retail trade subsectors.

## **Taxable Sales, Employment, and Wage Trends in Kittitas County's Retail Trade Sector (July 19, 2006)**

### **PART 3 – CHARACTERISTICS OF KITTITAS COUNTY'S RETAIL TRADE SUBSECTORS IN TERMS OF SALES, EMPLOYMENT, AND WAGES**

The "Other Retail Trade Store" category, as used in Figures 1-6 of this report, accounted for 30 percent of retail sales across Washington in 2005 (see Figure 4) but only 17 percent of all taxable sales in Kittitas County (see Figure 1). This category includes a mish-mash of retail stores encompassing several three-digit NAICS codes/subsectors such as; Electronics and Appliances (NAICS 443), Drug/Health Stores (NAICS 446), Apparel and Accessories (NAICS 448), etc. Hence, Electronics and appliance stores were under-represented last year in Kittitas County in terms of taxable sales. This implies that many residents are purchasing refrigerators, TVs, computers, and cameras outside of Kittitas County and could signal an opportunity for an electronics/appliance retailer to move here to capitalize on an under-served market. Part 3 of this report takes a "snapshot in 2005" of taxable sales, employment, and wages in the following six major retail trade sub-sectors in Kittitas County and in Washington:

**Motor Vehicle and Parts Dealers (NAICS 441)** - In 2005, Motor Vehicle and Parts Dealers generated more sales than any other retail subsector countywide and accounted for 28 percent, or \$56.3 million, of the \$208.5 million of total taxable retail sales (see Figure 1). Across Washington, Motor Vehicle and Parts Dealers also generated more taxable sales than any other retail subsector by tallying 26 percent, or \$12.0 billion, of the State's \$46.1 billion in taxable retail sales (see Figure 4). Roughly 28-percent of all retail sales in Kittitas County were generated at Motor Vehicle and Parts Dealers, versus 26-percent of total taxable retail statewide. Thus, this subsector accounted for a little over a quarter of all taxable retail sales – locally and statewide. Despite the considerable sales revenue contributed by these establishments, primarily due to the sale of big-ticket items such as automobiles, trucks, and RV's; they provided only 17 percent of all retail trade jobs in Kittitas County (see Figure 2) and only 13 percent of all retail jobs across Washington (see Figure 5). However, Motor Vehicle and Parts Dealers is the highest paying retail trade subsector locally, mainly because so many of these jobs are full-time.

**Home Furniture and Furnishings Stores (NAICS 442)** – Whether evaluating sales, employment, or wage data for this subsector, statewide or locally, home furniture stores are remarkably consistent. For example, in 2005 in Kittitas County: this category accounted for three percent of retail trade sales, five percent retail employment, and five percent of retail wages. The statewide percentages were very close to these countywide figures.

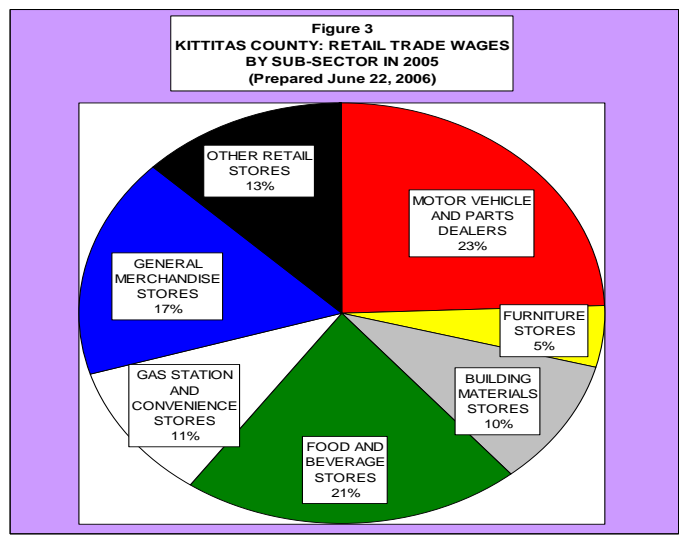
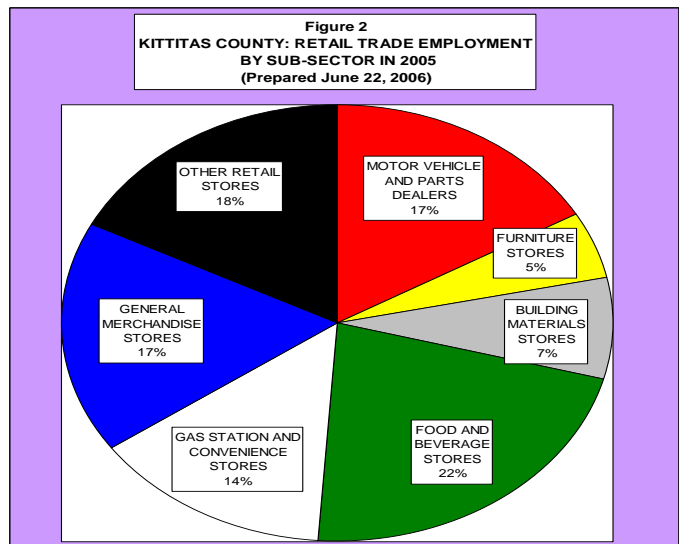
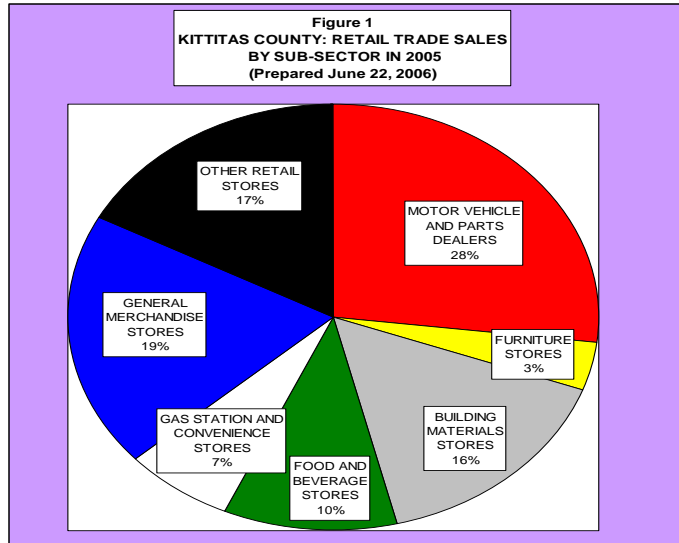
**Building Materials and Garden Supply Stores (NAICS 444)** – On a percentage basis, more retail sales were transacted last year in this subsector in Kittitas County than in Washington. About 16 percent of all taxable retail sales made in Kittitas County (see Figure 1) took place at Building Material and Hardware Stores versus only 11 percent statewide (see Figure 4). In terms of taxable sales, this subsector ranked third out of the six major local retail categories; tallying \$32.7 million in 2005.

**Food and Beverage Stores (NAICS 445)** - Food and Beverage Stores tallied only 10 percent of sales across the County, but provided 22 percent of all retail jobs (see Figure 2) and 21 percent of all retail trade wages (see Figure 3). Similar to Kittitas County, Washington's Food and Beverage Store sales comprised only 6 percent of total taxable retail sales during 2005, but provided 19 percent of all retail jobs (see Figure 5) and 17 percent of all retail wages (see Figure 6).

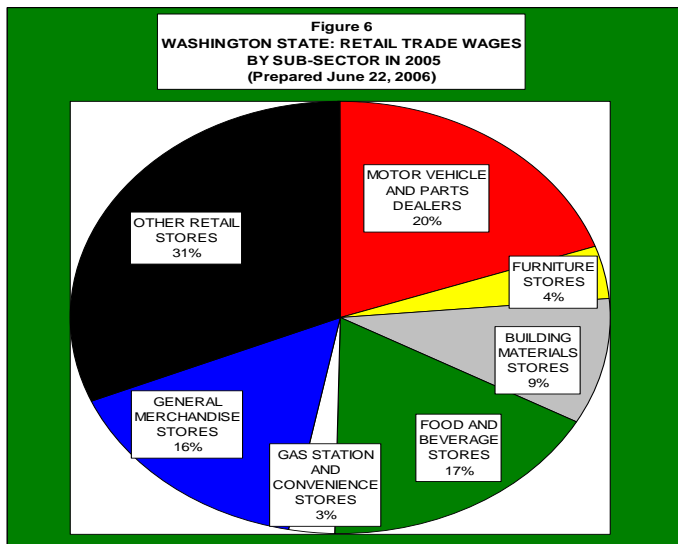
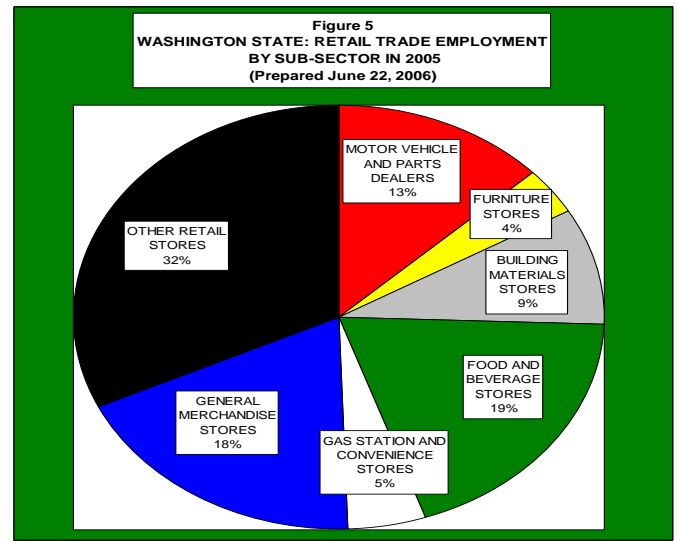
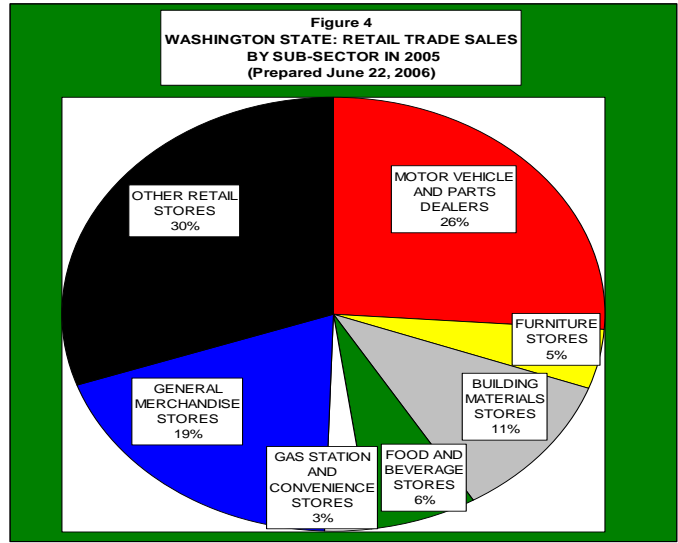
**Gasoline Stations and Convenience Stores (NAICS 447)** – Approximately 14 percent of all retail trade jobs in Kittitas County were at Gas Stations and Convenience Stores, versus a five-percent ratio in Washington. This subsector provided 11 percent of retail trade sector wages/payrolls countywide (see Figure 3), versus a statewide figure of only three percent (see Figure 6).

**General Merchandise Stores (NAICS 452)** – These stores accounted for almost one out of every five retail sales dollar spent in the county and in the state in 2005. This subsector ranked second out of the six major local retail categories in taxable retail sales; tallying \$40.6 million in 2005.

**Taxable Sales, Employment, and Wage Trends in  
Kittitas County's Retail Trade Sector (July 19, 2006)**



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**PART 4 - TRENDS IN TAXABLE SALES, EMPLOYMENT, AND WAGES  
IN KITTITAS COUNTY'S RETAIL TRADE SECTOR BETWEEN 2004 AND 2005**

Whereas Part 3 of this report provides a "snapshot" of the structure of the local and statewide retail trade sectors in 2005, Part 4 provides a "trend analysis" specifying how sales, employment, and wages in Retail Trade changed during the past year. In aggregate, taxable retail sales increased \$21.8 million throughout Kittitas County in 2005, a substantial 11.6-percent growth rate, better than the statewide pace of 8.0 percent (see Table 1). Local retail trade stores provided 29 more jobs in 2005 than in 2004, a modest 1.8-percent pace of growth, not quite as strong as the 2.5-percent rate across Washington. Local retail provided \$1.8 million more in wages over the year, for a respectable 5.9-percent growth rate, roughly comparable to the statewide 5.5-percent pace. However, the six major retail trade subsectors evaluated in this study did not undergo constant sales, employment, and wage growth throughout every quarter of 2005, as the balance of this report will discuss.

<b>Table 1: The Retail Trade Sector in Kittitas County and Washington in 2004 and 2005: Taxable Retail Sales, Covered Employment, and Covered Wages</b>				
	<b>2004</b>	<b>2005</b>	<b>2004-2005 Numerical Change</b>	<b>2004-2005 Percentage Change</b>
<b>Sales (Kittitas County)</b>	\$186,758,910	\$208,511,083	\$21,752,173	11.6%
<b>Sales (Washington)</b>	\$42,720,163,531	\$46,148,600,598	\$3,428,437,067	8.0%
<b>Employment (Kittitas County)</b>	1,609	1,638	29	1.8%
<b>Employment (Washington)</b>	302,860	310,410	7,550	2.5%
<b>Wages (Kittitas County)</b>	\$31,000,760	\$32,837,580	\$1,836,820	5.9%
<b>Wages (Washington)</b>	\$8,056,750,960	\$8,502,892,690	\$446,141,730	5.5%

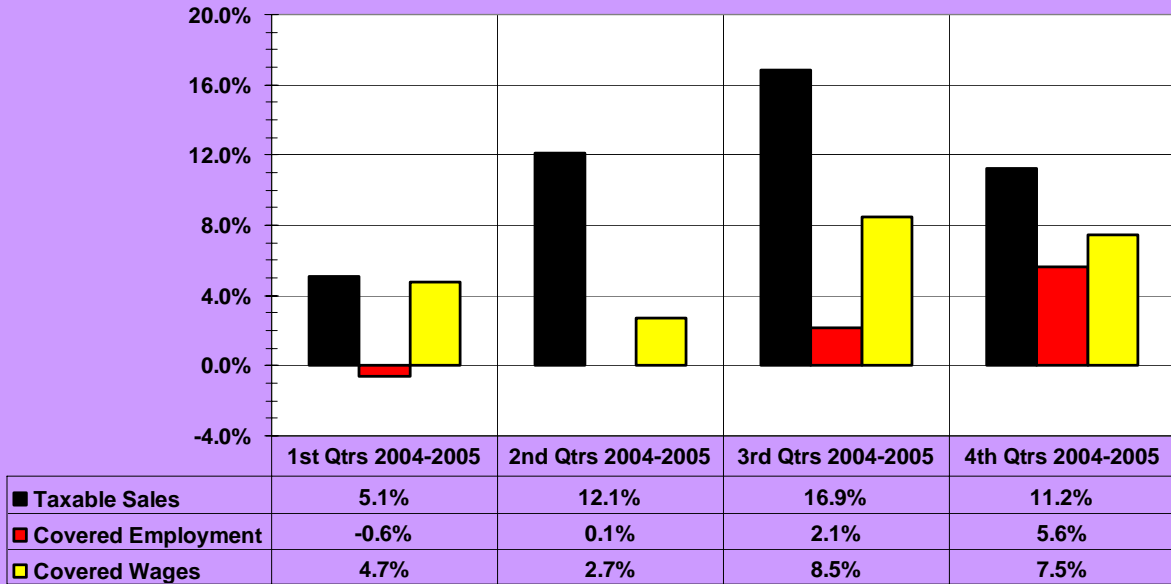
Virtually all of Kittitas County's job growth occurred in the last half of 2005 (see Figure 7) whereas across Washington, the retail trade sector added jobs at roughly a two-percent pace all year (see Figure 8). Local retail trade employers began hiring in the 3<sup>rd</sup> and 4<sup>th</sup> Quarters in response to strong sales, which jumped 12.1 percent countywide in the 2<sup>nd</sup> Quarter, and 16.9 percent in the 3<sup>rd</sup> Quarter. Wage rates also improved in the last two quarters of 2005, by virtue of employees being able to work more hours, or through pay increases. In the 3<sup>rd</sup> Quarter payrolls rose 8.5 percent and employment rose 2.1 percent; and in the 4<sup>th</sup> Quarter payrolls increased 7.5 percent while employment increased 5.6 percent.

In Kittitas County, the Furniture and Home Furnishings Stores subsector experienced over-the-year increases in taxable sales (Figure 11) and accelerating taxable retail sales growth rates (see Figure 9) in each successive quarter of 2005. Of the six major retail subsectors evaluated in this study, Furniture and Home Furnishings Stores had the fastest annual average sales growth rates in 2005; locally (28.9 percent) and statewide (16.2 percent). Here in Kittitas County sales in this subsector jumped by 16.6 percent, by 18.9 percent, by 23.2 percent, and by 50.2 percent respectively, in the 1<sup>st</sup> through the 4<sup>th</sup> Quarters of 2005. Also, ESD data show that between 2004 and 2005: the number of furniture and home furniture stores rose from six to seven in the county, employment grew by ten jobs, and that this subsector provided \$334,750 more in payrolls (from \$1.24 million in 2004 to \$1.58 million in 2005). Furniture and Home Furnishings Stores in Washington also underwent strong sales growth in 2005 (see Figure 10), but the growth rates did not accelerate throughout each quarter, as they did in Kittitas County.

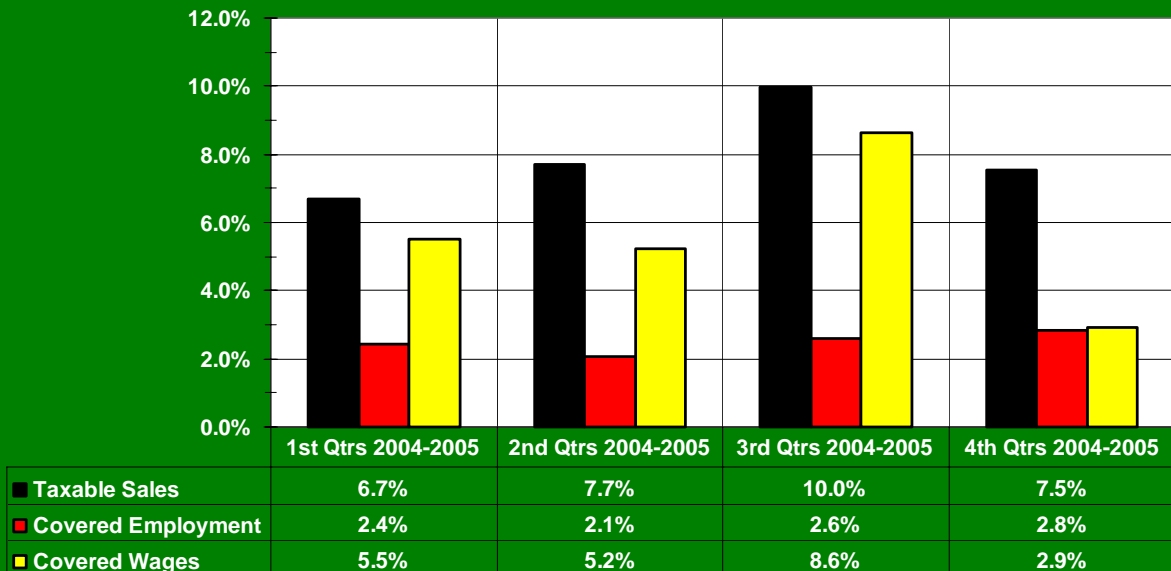
The three subsectors in the local retail trade sector that netted the greatest sales increases between 2004 and 2005 were: Motor Vehicle and Parts Dealers, up \$4.29 million; Building Materials and Garden Supply Stores, up \$4.27 million; and General Merchandise Stores, up \$2.4 million (see Figure 11). Statewide, the three subsectors that showed the greatest over-the-year sales increases were: General Merchandise Stores, up \$618.8 million; Motor Vehicle and Parts Dealers, up \$560.1 million; and Building Materials and Garden Supply Stores, up \$499.1 million (see Figure 12).

**Taxable Sales, Employment, and Wage Trends in  
Kittitas County's Retail Trade Sector (July 19, 2006)**

**Figure 7  
KITKITAS COUNTY: OVER-THE-YEAR CHANGES IN TAXABLE SALES, EMPLOYMENT AND  
WAGES IN THE RETAIL TRADE SECTOR FROM 1ST-4TH QUARTERS OF 2005  
(Prepared May 29, 2006)**

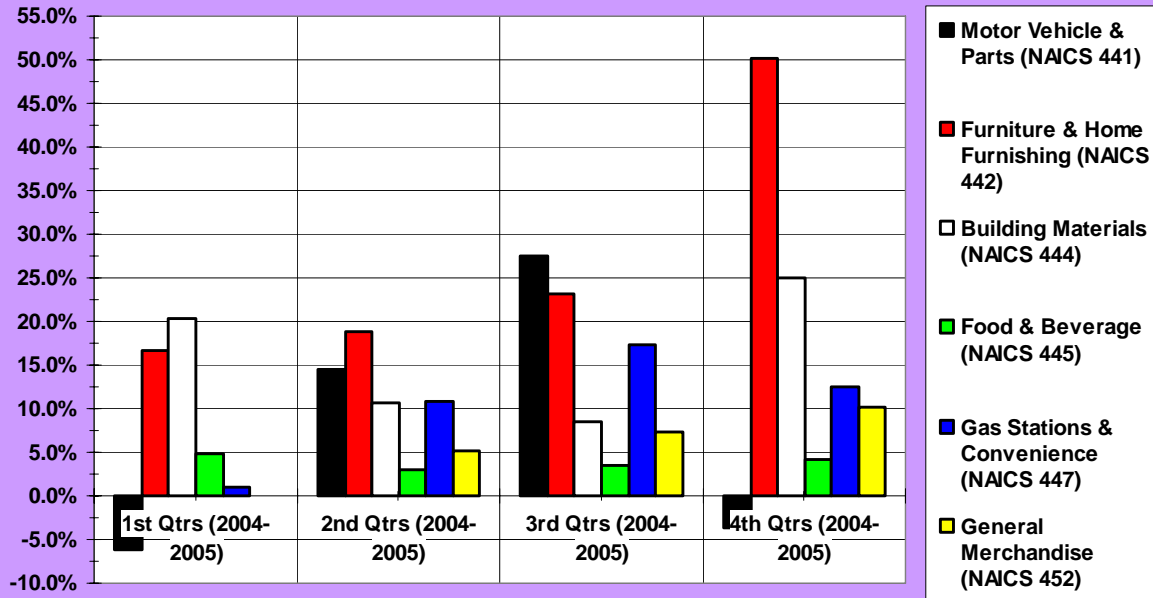


**Figure 8  
WASHINGTON STATE: OVER-THE-YEAR CHANGES IN SALES, EMPLOYMENT AND WAGES  
IN RETAIL TRADE STORES FROM 1ST-4TH QUARTERS OF 2005  
(Prepared May 29, 2006)**

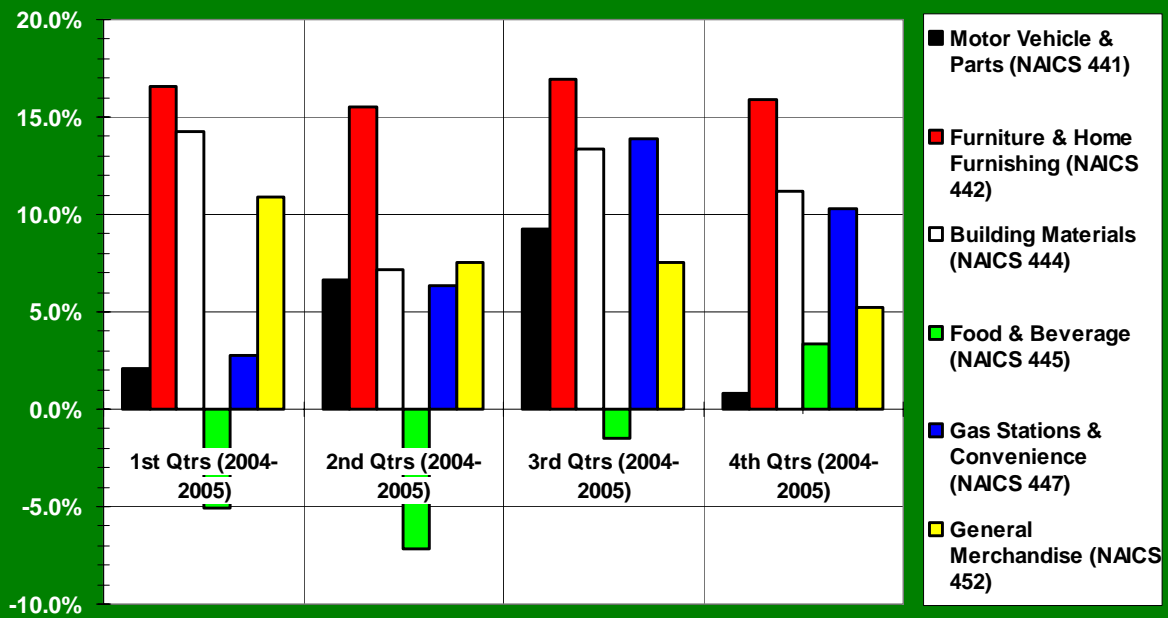


Taxable Sales, Employment, and Wage Trends in  
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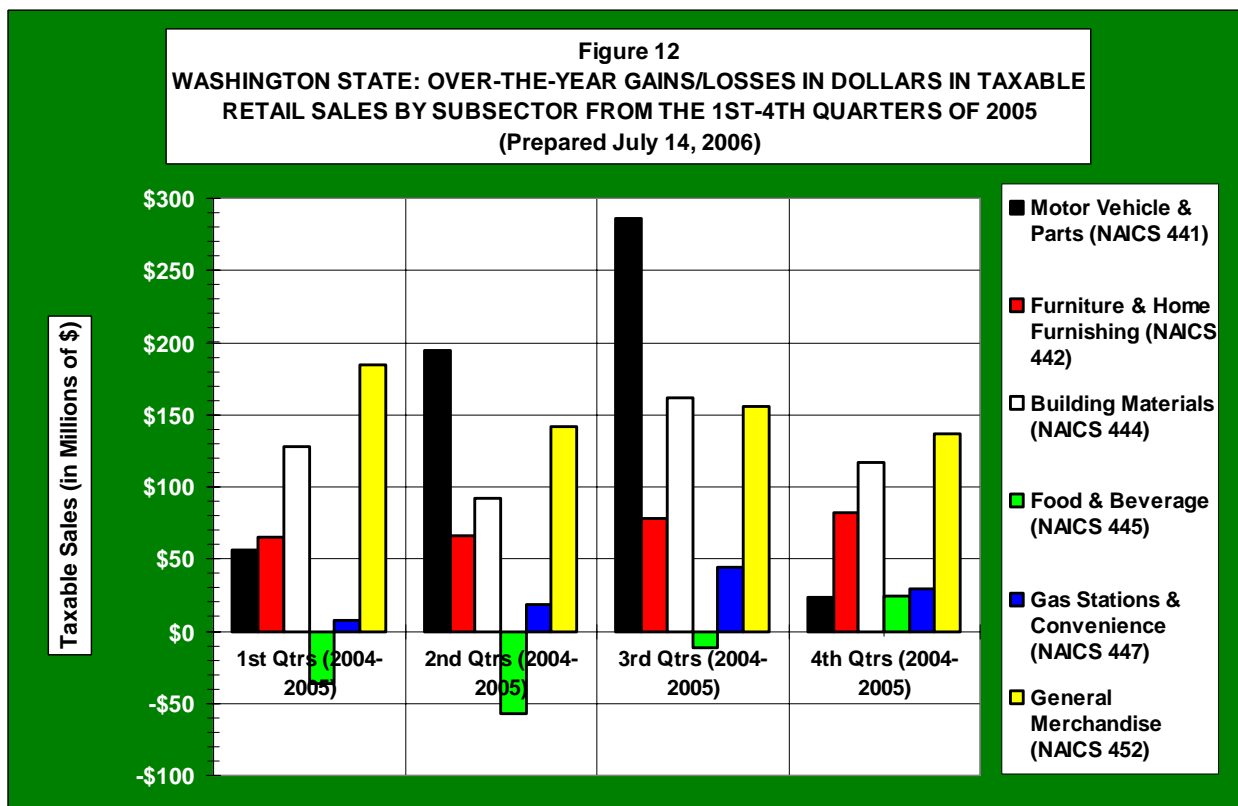
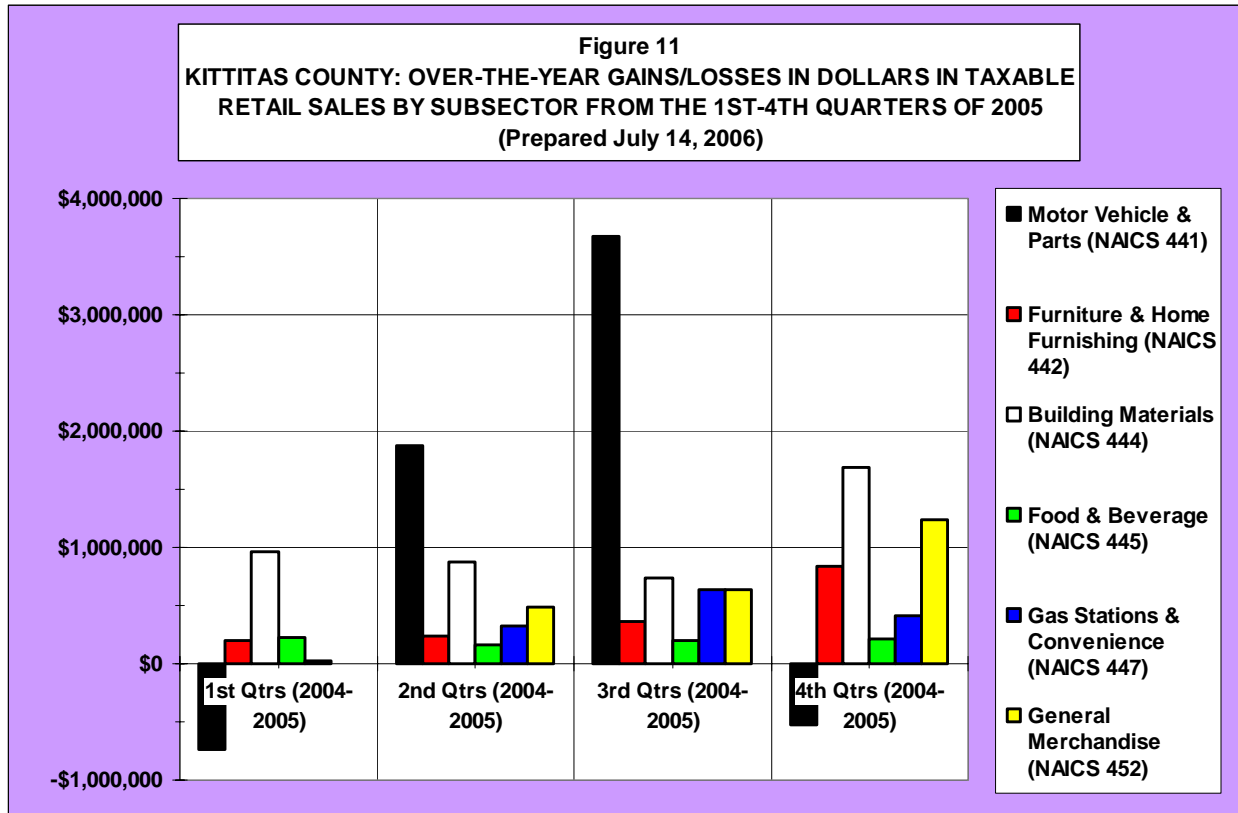
**Figure 9**  
**KITTITAS COUNTY: OVER-THE-YEAR GAINS/LOSSES IN PERCENT IN TAXABLE**  
**RETAIL SALES BY SUBSECTOR FROM THE 1ST-4TH QUARTERS OF 2005**  
(Prepared July 14, 2006)



**Figure 10**  
**WASHINGTON STATE: OVER-THE-YEAR GAINS/LOSSES IN PERCENT IN TAXABLE**  
**RETAIL SALES BY SUBSECTOR FROM THE 1ST-4TH QUARTERS OF 2005**  
(Prepared July 14, 2006)



**Taxable Sales, Employment, and Wage Trends in  
Kittitas County's Retail Trade Sector (July 19, 2006)**



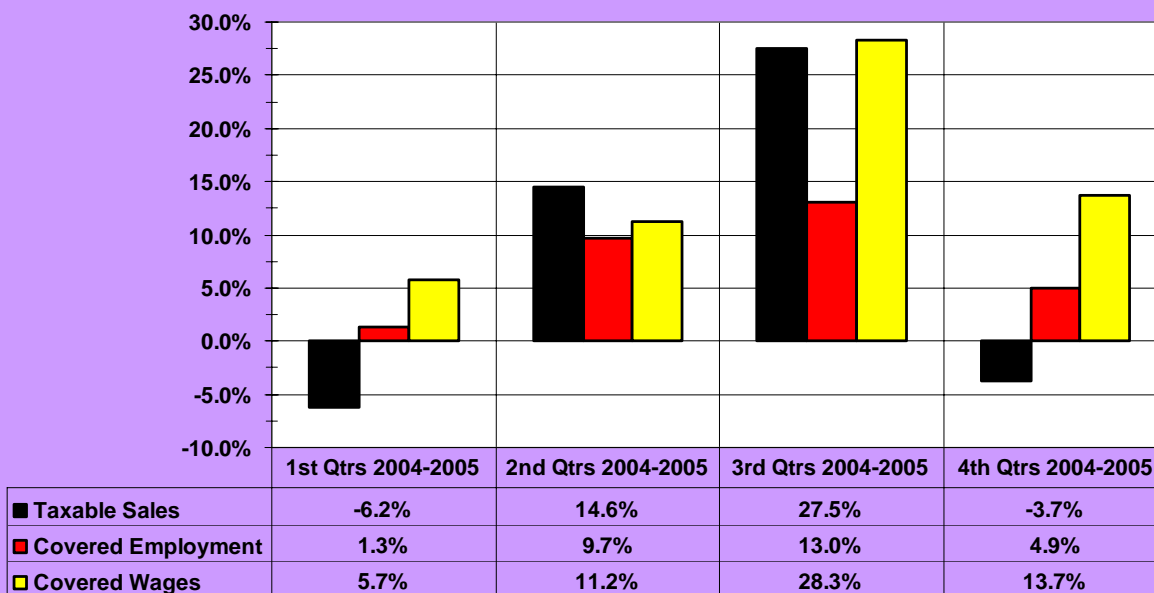
**Taxable Sales, Employment, and Wage Trends in  
Kittitas County's Retail Trade Sector (July 19, 2006)**

**Trends in Motor Vehicle and Parts Dealers (NAICS 441)** – Sales, employment, and wage performance trends for the Motor Vehicle and Parts Dealers subsector were similar last year in Kittitas County and in Washington. Sales, employment, and wages increased across Washington in each of the last four quarters. Sales were particularly robust statewide in the 2<sup>nd</sup> and 3<sup>rd</sup> Quarters of 2005, with sales growing by 6.6 percent and 9.3 percent, respectively. Taxable sales were stronger in Kittitas County in the 2<sup>nd</sup> and 3<sup>rd</sup> quarters, as growth rates shot up to 14.6 and 27.5 percent, respectively (see Figure 13). Although the county saw some negative sales growth in the 1<sup>st</sup> and 4<sup>th</sup> Quarters, the healthy gains in the middle of the year more than compensated. In aggregate, taxable sales at Motor Vehicle and Parts Dealers increased by \$4.29 million in 2005, more than in any other retail subsector countywide.

Employment growth in Motor Vehicle and Parts Dealers peaked at 13 percent in the 3<sup>rd</sup> Quarter in Kittitas, surpassing the statewide peak of just 1.5 percent in this period. On an annual average basis, this subsector fared better locally than statewide, with a 7.2-percent job growth pace here in Kittitas County (a 19-job over-the-year advance) versus a 0.9-percent growth rate across Washington (a 380-job increase). A new RV dealership opened in 2005 in Kittitas County, which certainly helped the local employment and wage figures in this subsector.

Wages/payrolls both locally and at statewide grew during all four quarters of 2005 backed by; strong sales growth and the highly commissioned-based payment schemes of auto dealerships. Workers at Kittitas County's motor vehicle and parts dealerships were paid roughly 70 percent of what their Washington State counterparts earned in 2004 and 2005. Last year, local Motor Vehicle and Parts Dealers employees made \$29,344 per year versus an annual average salary of \$40,916 statewide, likely due to the limited number of high-end auto, RV, and boat dealerships in Kittitas County (where commissions/salaries of sales people can be higher). Nevertheless, Motor Vehicle and Parts Dealers is the highest paying retail trade subsector locally, primarily because so many of these jobs are full-time.

**Figure 13**  
**KITTITAS COUNTY: OVER-THE-YEAR CHANGES IN SALES, EMPLOYMENT, AND WAGES**  
**AT MOTOR VEHICLE AND PARTS DEALERS (NAICS 441)**  
(Prepared May 14, 2006)

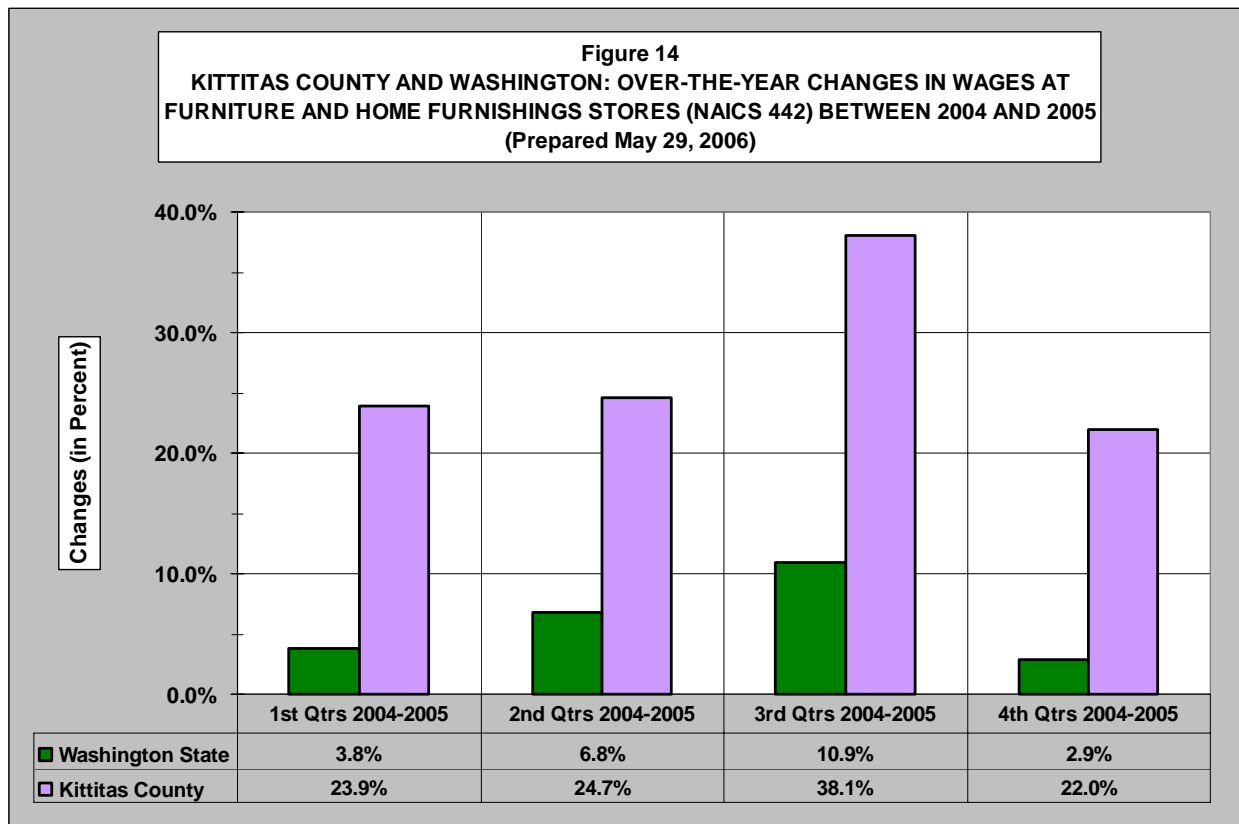


**Taxable Sales, Employment, and Wage Trends in Kittitas County's Retail Trade Sector (July 19, 2006)**

**Trends in Home Furniture and Furnishings Stores (NAICS 442)** – Workers at Kittitas County's furniture and home furnishing stores were paid significantly less than their Washington State counterparts during 2004 and 2005. During 2004 for example, Furniture and Home Furnishings employees in Kittitas County made \$16,991 per year, much less than the annual average salary of \$28,173 for their statewide counterparts. In 2005 that wage gap began to narrow as Kittitas County's Furniture and Home Furnishing store employees earned \$19,326 per year just 66 percent less than the \$28,998 figure across Washington compared to 60 percent wage differential the year before. Similar to the Motor Vehicle and Parts Dealers sub-sector, some of this differential can be explained by the absence of high-end dealers who pay large commissions.

Kittitas County's quarterly taxable sales at furniture and home furnishing stores were strong and steadily increasing in 2005. Taxable sales in this category grew at the same rate in Kittitas County as in Washington in the 1<sup>st</sup> Quarter, and then pulled ahead with growth rates increasing up to 50.2 percent in the 4<sup>th</sup> quarter. Comparatively, Washington State's taxable sales increased by a steady, healthy rate right around 16 percent in all four quarters.

Additionally, employment and wage growth in Kittitas County's Furniture and Home Furnishings category outpaced that of Washington all four quarters of 2004. Specifically, Furniture and Home Furnishings added 10 new jobs and \$116,000 more in wages paid in the 3<sup>rd</sup> Quarter of 2005, up 38 percent from the previous year (see Figure 14). This strong growth is backed by growth in construction as owners begin to fill new properties with sofas and shelving units. Clearly, businesses in this sub-sector have been profiting from current increases in residential and commercial construction activity in Kittitas County.



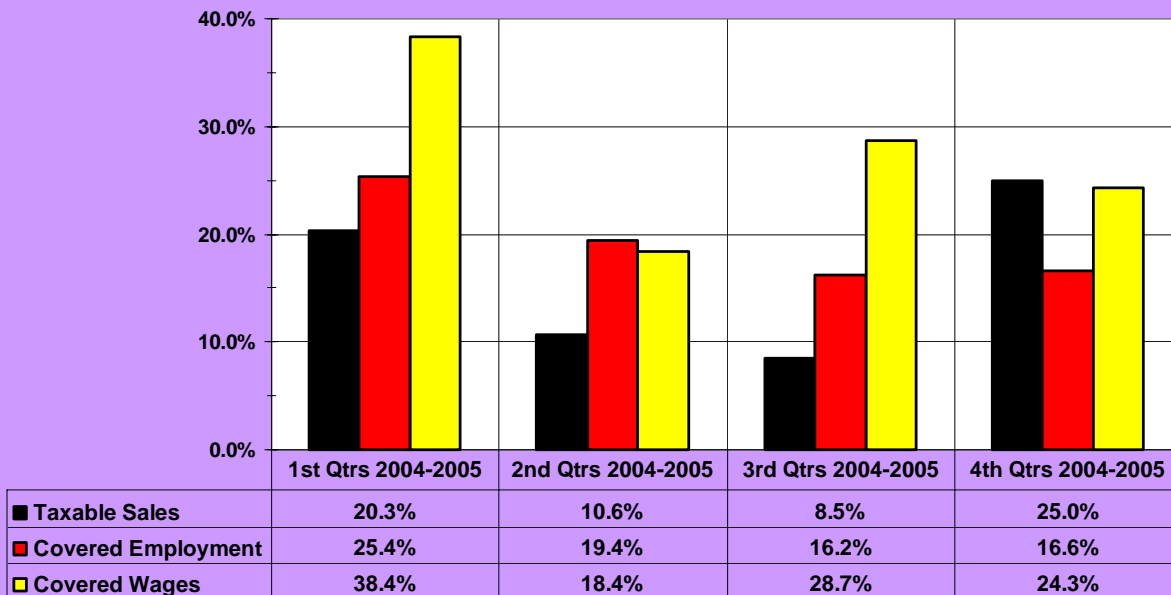
**Taxable Sales, Employment, and Wage Trends in Kittitas County's Retail Trade Sector (July 19, 2006)**

**Trends in Building Materials and Garden Supply Stores (NAICS 444)** – In 2004, workers in Kittitas County's Building Materials and Hardware Stores earned 85 percent of their counterparts statewide. In 2005, Building Materials and Hardware employees in Kittitas County averaged only \$25,764 per year, or 86 percent of the annual average salary in Washington of \$29,860.

Employment and wages paid at Kittitas County's Building Materials and Garden Supply Stores increased in 2005, though at a generally decreasing rate. Similarly, taxable retail sales were in a growth-mode countywide throughout the past year. For example, during the 4th quarter of 2005, over-the-year changes in taxable sales in Kittitas County skyrocketed 25 percent in the subsector (see Figure 15), surpassing the fairly robust 11.2 percent statewide growth rate. Kittitas County's Building Materials and Garden Supply Stores employment also grew considerably, with 25.4 percent growth in the 1<sup>st</sup> quarter moving down to the still-impressive 16.6 percent in the 4<sup>th</sup> quarter. Wages increased countywide as much as 38.4 percent in the 1<sup>st</sup> Quarter to a "low" of 18.4 percent in the 2<sup>nd</sup> Quarter, surpassing the statewide wage growth rates ranging from 1.7 to 14.9 percent.

It is no secret that construction activity has been brisk in Kittitas County over the last couple of years. Contractors and homeowners need building materials, tools, and equipment to complete their construction and landscaping projects. Robust construction activity in Ellensburg (associated with residential construction and building projects at CWU) and in the Roslyn vicinity (associated with development of Suncadia) is driving much of this taxable sales upswing at building material and garden supply stores. Whether from a sales, employment, or wage trend perspective; 2005 was a great year for Building Material and Garden Supply Stores. Kittitas County retailers netted almost 30 new jobs in 2005, and two-thirds of those new jobs were generated at building material and/or garden supply stores. Washington saw 1,090 new jobs generated by this subsector last year, a 4.2 percent upturn. Kittitas County saw 20 new jobs generated in this subsector in 2005, a substantial 19.1-percent increase.

**Figure 15**  
**KITTITAS COUNTY: OVER-THE-YEAR CHANGES IN SALES, EMPLOYMENT, AND WAGES AT BUILDING MATERIALS STORES (NAICS 444) FROM 1ST-4TH QUARTERS OF 2005**  
 (Prepared May 23, 2006)

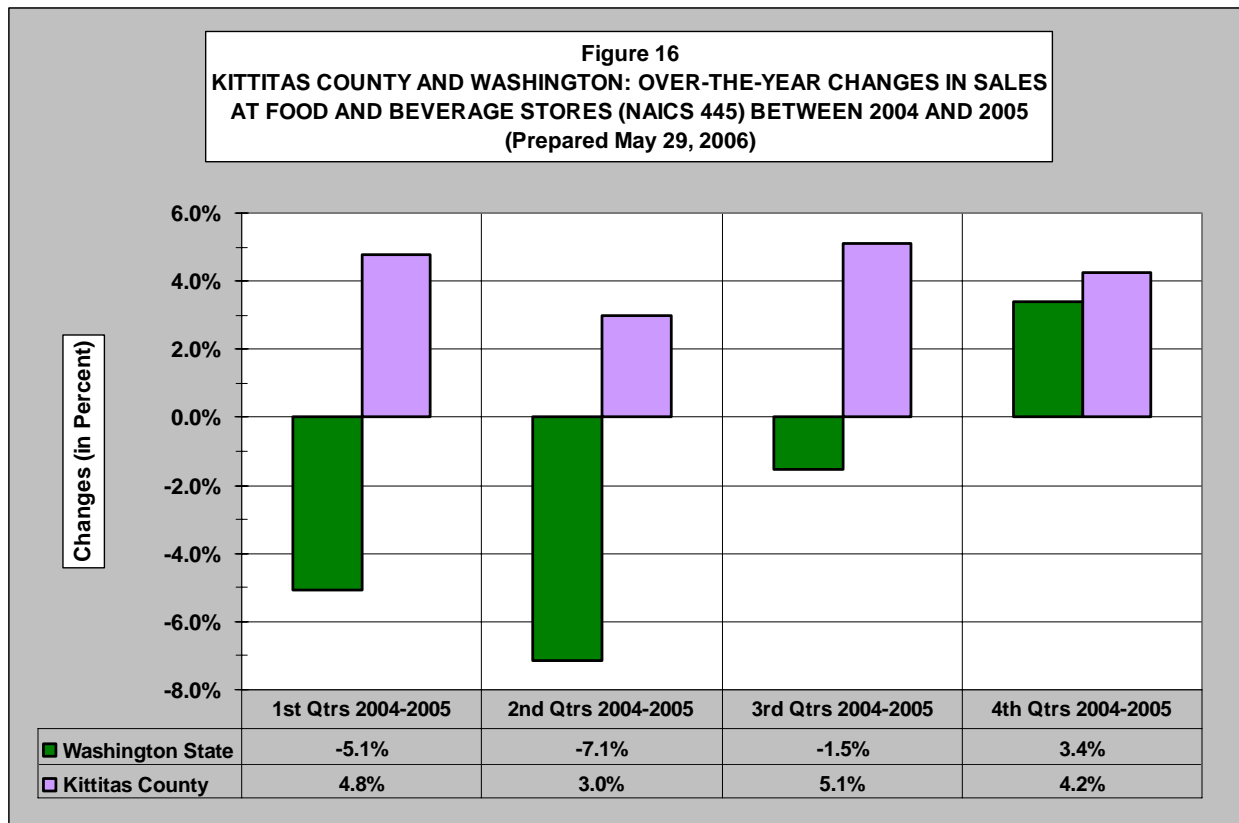


**Taxable Sales, Employment, and Wage Trends in  
Kittitas County's Retail Trade Sector (July 19, 2006)**

**Trends in Food and Beverage Stores (NAICS 445)** – In 2005, Food and Beverage Store sales trends in Kittitas County varied from those across Washington. Sales statewide dipped 5.1 and 7.1 percent in the 1<sup>st</sup> and 2<sup>nd</sup> Quarters; while growth remained steady in Kittitas County, between 3 and 5.1 percent all year (see Figure 16). Though sales at the state level began to recover in the last two quarters of 2005, this downward movement may represent a shift in food purchases from grocery stores to larger general merchandise stores. Although this substitution trend is now happening only at the state level, county residents could see a similar transition when more general merchandise stores enter the area.

Both wages paid and employment staggered in Kittitas County last year. Employment growth was dismal in the 1<sup>st</sup> quarter and negative in the 2<sup>nd</sup> Quarter, then recovered with a substantial 17.1 percent growth in the 4<sup>th</sup> Quarter. The remodeling of a couple large food stores in the county no doubt expanded store capacities and set the stage for this employment climb in late 2005. Similarly, covered wages trended downward from Quarters 1 through 3 but recovered at year's end. In direct contrast, Washington state covered wages grew in the first three quarters of 2005 then dropped off at the year end. Wages of Food and Beverage Stores employees were 80.7 percent of those in Washington in 2004 (\$19,809 in Kittitas County and \$24,552 across Washington). This wage differential between county and state food and beverage store employees actually increased in 2005, when a local employee in this subsector earned only 77.2 percent of his/her statewide counterpart (\$19,003 in Kittitas County versus \$24,627 statewide). The annual average wage drop in Kittitas County between 2004 and 2005 was likely caused by the greater use of part-time labor rather than a real decline in wages of full-time employees.

In relative terms, Food and Beverage Stores are *more important* to local and statewide economies where they provide jobs and wages, than they are to the various levels of government onto which they bestow sales tax revenue. For example, during 2005: in Kittitas County, Food and Beverage Stores accounted for just 10 percent of all taxable retail sales; but these stores provided 22 percent of all retail jobs and 21 percent of total retail trade wages. The ratios are roughly similar statewide.



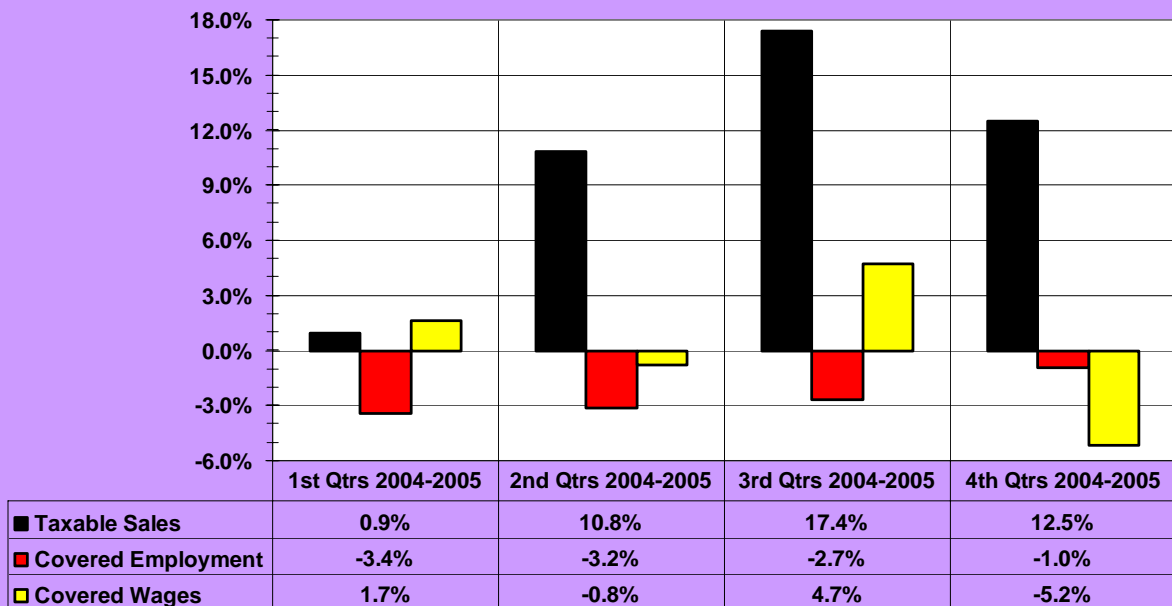
**Taxable Sales, Employment, and Wage Trends in Kittitas County's Retail Trade Sector (July 19, 2006)**

**Trends in Gasoline Stations and Convenience Stores (NAICS 447)** - Employment fell in this subsector in both Kittitas County and Washington State in each quarter of 2005 from the previous year. Wages paid to employees were volatile in both the county and state, recovering marginally in the 3<sup>rd</sup> Quarter only to fall back down again at the year end (see Figure 17). On an annual average basis, gas station employment fell by 6 jobs in 2005, despite a 2.5-percent, 6-job gain in the 4<sup>th</sup> Quarter to be part of the 210 jobs lost statewide. Of the six major retail trade subsectors evaluated in this study, this was the only category which saw employment slip away during the year – locally and statewide. Clearly there have been some changes in business practices at Gasoline Stations and Convenience Stores. Job losses in this subsector could be due partially to the automation of gasoline station purchases and to rising gasoline sales at pumps operated by General Merchandise Stores (NAICS 452).

Despite the bleak trends of employment and wages, gasoline sales growth was strong in 2005, peaking at 13.9 percent in the 3<sup>rd</sup> quarter in Washington State, and at 17.4 percent in Kittitas (see Figure 15). This large, upward trend in sales for the first three quarters is due to the rising prices of gasoline and the relative inelasticity of consumer demand for the product.

In 2005, the average Gasoline Station and Convenience Store employee in Kittitas County earned \$14,692 per year versus an annual average salary of \$15,858 statewide. The small difference in wages (local wages were approximately 93 percent the statewide average), is likely due to the considerable impact of minimum wage laws on gasoline station and convenience store employee wages.

**Figure 17**  
**KITTITAS COUNTY: OVER-THE-YEAR CHANGES IN SALES, EMPLOYMENT, AND WAGES IN GASOLINE STATIONS AND CONVENIENCE STORES (NAICS 447)**  
 (Prepared May 29, 2006)



**Taxable Sales, Employment, and Wage Trends in Kittitas County's Retail Trade Sector (July 19, 2006)**

**Trends in General Merchandise Stores (NAICS 452)** – Similar to Food and Beverage Stores, General Merchandise sales, employment, and wage trends during 2005 were vastly different than those of the state. Taxable sales growth in Kittitas followed an upward trend all four quarters, beginning at minus-0.1 percent and ending at 10.1 percent (see Figure 18). Conversely, at the state-level, sales growth was strong in the first quarter at 10 percent but declined to just 5.2 percent at year's end.

Similarly, the trend was in the right direction for General Merchandise Store employment growth in Kittitas County in 2005. Job growth followed an upward trend in all four quarters despite the fact that the year started out poorly for this subsector, with a minus-4.7-percent job growth pace in the 1<sup>st</sup> Quarter. By year's end however, the hiring situation improved, which these stores experiencing a substantial 7.7-percent 4<sup>th</sup> Quarter growth rate. Statewide, General Merchandise Stores averaged a 3.4-percent growth rate throughout 2005, with the pace slipping from 4.6 percent in the 1<sup>st</sup> Quarter, to 3.1 percent in the 4<sup>th</sup> Quarter. Thus, while General Merchandise hiring seemed to cool somewhat statewide as 2005 progressed, it heated up in Kittitas County.

Wages/payrolls at General Merchandise Stores shrank in each of the first three Quarters of 2005 here in Kittitas County. But, corresponding to rising employment in the last half of 2005, covered wages began to rebound finally expanded a 3.9-percent clip during the 4<sup>th</sup> Quarter. Conversely, wage growth grew the first half of the year in Washington but began to erode towards year end (i.e., the wage growth pace slowed from 7.6 percent the Quarter 2, to 2.9 percent in Quarter 3, to a rather small 1.4-percent rate in Quarter 4. These mirror-image trends, or inverse relationships, complicate an accurate analysis but suggest that County and State general merchandise buying patterns were in direct opposition last year, with employment and wages being affected.

