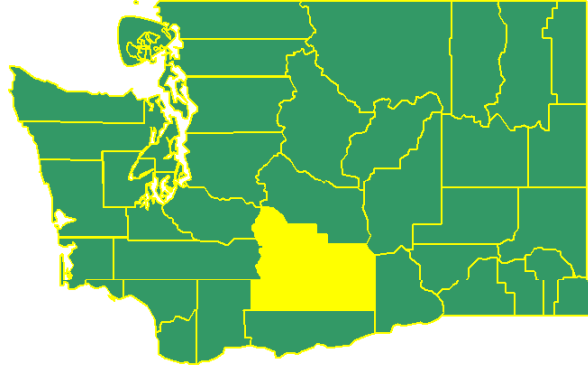


The Yakima County Labor Economy: 2005 in Review



Prepared January 26, 2006

By Donald W. Meseck, Regional Labor Economist

Labor Market and Economic Analysis Branch, WA State Employment Security

Out-stationed at Central Washington University, Ellensburg, WA

Telephone: (509) 963-2606, FAX (509) 963-1992

E-mail: dmeseck@esd.wa.gov

LMEA Home Page: <http://www.workforceexplorer.com/>

Executive Summary

The Yakima County economy had a reasonably good year in 2005. Nonagricultural wage and salary employment averaged 76,200 jobs last year, a respectable annual growth rate of 1.5 percent. Across Washington the labor market expanded at a more robust pace of 2.8 percent during 2005. An encouraging sign for the local economy was the timing of this job growth. Hiring livened up in Yakima County in the 4th Quarter of 2005 during which jobs were added at a 2.5-percent clip. This was a substantial improvement from the marginal 0.8-percent pace countywide in the 3rd Quarter, and approached the strong 3.0-percent 4th Quarter pace of job growth across Washington. That's right, the statewide economy ended the year with a "bang" too. The annual average unemployment rate for Yakima County was 7.7 percent in 2005, down from 8.6 percent in 2004, and 9.7 percent in 2003.

Changes in Nonagricultural Employment Between December 2004 and December 2005

Between the Decembers of 2004 and 2005, total nonagricultural payroll employment across Yakima County increased to 77,200 jobs, a gain of 2,300 jobs or a 3.1-percent upturn (see Table 1). On the downside, Wholesale Trade provided 400 fewer jobs over the year (primarily in fresh fruit packinghouses), as this year's smaller apple harvest required a smaller number of packers, sorters, and graders to handle the 2005 apple crop. Also, Durable Goods Manufacturing netted a 200-job loss over the year. Despite the abovementioned job losses, the Yakima County job market emerged quite healthy in December 2005 as several industries combined to offset these downturns. Topping the list was Leisure and Hospitality (i.e., hotels, and especially restaurants), which added 700 new jobs between the Decembers of 2004 and 2005. Non-Durable Goods Manufacturing (i.e., Yakima County's food processors), Health Services, and Local Government, each supplied 600 new jobs over the year – impressive gains. Natural Resources, Mining, and Construction employed 400 more people in December

The Yakima County Labor Economy: 2005 in Review

2005 than in the corresponding month one-year prior. The combined Transportation, Warehousing, and Utilities category was boosted by a 200-job increase. Clearly, good economic news outweighed the bad for the Yakima County labor market as 2005 drew to a close.

Professional and Business Services closed out the final month of 2005 by providing about 100 more jobs than in December 2004, a modest 2.4-percent upturn. However, this industry will likely be a rising star, from an employment perspective in 2006. HouseValues Inc., a Kirkland-based online subscription service for real estate agents and mortgage bankers is classified a professional, and business services employer. This firm just opened a satellite office in Yakima in January 2006, and initiated training of 38 new employees, according to the *Yakima Herald-Republic*. HouseValues could grow into one of the county's largest companies in a best-case scenario, and eventually employ as many as 500-600 people, according to the January 2006 edition of the *Yakima Valley Business Journal*.

Table 1 DECEMBER 2005 NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT IN YAKIMA COUNTY (in Thousands) (Prepared January 17, 2006)							
	Dec 2005 ¹	Nov 2005	Dec 2004	CHANGE ³		% CHANGE	
				Nov 05 Dec 05	Dec 04 Dec 05	Nov 05 Dec 05	Dec 04 Dec 05
TOTAL NONFARM²	77.2	77.8	74.9	-0.6	2.3	-0.8%	3.1%
TOTAL PRIVATE	59.8	60.3	58.1	-0.5	1.7	-0.8%	2.9%
GOODS PRODUCING	13.1	13.7	12.3	-0.6	0.8	-4.4%	6.5%
NATURAL RESOURCES, MINING, AND CONSTRUCTION	3.7	3.7	3.3	0.0	0.4	0.0%	12.1%
MANUFACTURING	9.4	10.0	9.0	-0.6	0.4	-6.0%	4.4%
Durable Goods	4.0	4.0	4.2	0.0	-0.2	0.0%	-4.8%
Non-Durable Goods	5.4	6.0	4.8	-0.6	0.6	-10.0%	12.5%
SERVICES PROVIDING	64.1	64.1	62.6	0.0	1.5	0.0%	2.4%
WHOLESALE TRADE	3.7	3.7	4.1	0.0	-0.4	0.0%	-9.8%
RETAIL TRADE	9.5	9.4	9.7	0.1	-0.2	1.1%	-2.1%
TRANSPORTATION, WAREHOUSING, and UTILITIES	3.2	3.2	3.0	0.0	0.2	0.0%	6.7%
PROFESSIONAL AND BUSINESS SERVICES	4.2	4.2	4.1	0.0	0.1	0.0%	2.4%
HEALTH SERVICES	11.6	11.5	11.0	0.1	0.6	0.9%	5.5%
LEISURE AND HOSPITALITY	7.0	6.9	6.3	0.1	0.7	1.4%	11.1%
GOVERNMENT	17.4	17.5	16.8	-0.1	0.6	-0.6%	3.6%
Federal Government	1.3	1.3	1.3	0.0	0.0	0.0%	0.0%
State Government	3.0	3.0	3.0	0.0	0.0	0.0%	0.0%
Local Government	13.1	13.2	12.5	-0.1	0.6	-0.8%	4.8%
Workers in Labor Disputes	0.0	0.0	0.1	0.0	-0.1	XXX	XXX

¹ Preliminary employment estimates.
² Excludes proprietors, the self-employed, members of the Armed Services, unpaid family members, workers in private households, and agricultural workers. Includes all full and part-time wage and salary workers receiving pay during the pay period including the 12th of the month, by place of work.
³ Differences in industry employment of 100 or less may not be significant due to rounding.

**Annual Average Changes in Nonagricultural Employment
Between 2004 and 2005**

Preliminary estimates indicate that the Yakima County economy grew a respectable 1.5-percent during 2005, most of which was attributable to strong hiring in the 4th Quarter of 2005 (see Figure 2-A). Quarterly job growth-rates in Yakima County throughout 2005 were: 1.4 percent in the 1st Quarter, 1.1 percent in the 2nd Quarter, 0.8 percent in the 3rd Quarter, and a very strong 2.5-percent increase in the 4th Quarter of the year. On an annual average basis, Washington's job market advanced in 2005 at the more noteworthy clip of 2.8-percent (see Figure 2-B). Job growth rates were strong statewide throughout 2005 starting with 2.7-percent in each of the first two calendar quarters, a 2.8-percent growth rate in the 3rd Quarter, and an even more robust 3.0-percent pace in the 4th Quarter.

In Yakima County, three major industries lost a significant number of jobs and six major industries gained a significant number of jobs during 2005 (see Figure 2-C). Following is a summary of changes (by number of jobs and by percent) that occurred in these industries:

- Local Government and Leisure and Hospitality (primarily at hotels and restaurants) each grew by approximately 400 jobs during 2005. This equated to a 3.3-percent annual growth rate in Local Government and a more lively 5.8-percent growth rate in Leisure and Hospitality (see Figure 2-D). This latter figure illustrates that, on a percentage basis, the fastest growing industry in the county last year was Leisure and Hospitality.
- Health Services and Non-Durable Goods Manufacturing (i.e., the food processing industry) averaged 300 new jobs apiece. Hiring amongst Yakima County's non-durable goods manufacturers is somewhat of a surprise. This industry saw payrolls dwindle 4.9 percent in 2002, fall 5.0 percent in 2003, decrease 9.2 percent in 2004, but finally rise 3.8-percent in 2005. One firm that will likely be hiring workers in the near future, according to the January 2006 edition of the *Yakima Valley Business Journal*, is Washington Beef in Toppenish. This firm is "in the final phase of a \$20-million expansion project that should be completed April 2006. The expansion will allow for a 20 percent production increase." The article continues by saying: "About 75 new jobs will be created as a result."
- Natural Resources, Mining, and Construction employed 200 more people in 2005 than in 2004. Virtually all of these jobs were in construction. Sales of new and existing homes and properties validate estimates showing robust increases in construction employment. According to the December 2005 "Headwaters - The Source" (newsletter published by KMW Enterprises LLC), residential and commercial real estate sales were 9.6-percent higher in 2005 than in 2004 across Yakima County. There were 4,625 units sold from January – December 2004 and 5,071 units sold from January - December 2005. The value of these residences and commercial structures increased an impressive 25.8 percent in the corresponding period, from \$698.3 million to \$878.7 million. Natural Resources, Mining, and Construction was the second-fastest growing industry in Yakima County in 2005 (again, please see Figure 2-D).
- The Transportation, Warehousing, and Utilities category grew by 100 over the year, primarily due to hiring at the Wal-Mart and the Ace Hardware distribution centers.
- Retail Trade and Wholesale Trade (i.e., the fresh fruit packing industry) each saw payrolls dwindle by about 100 jobs over the year.
- Durable Goods Manufacturing was at the bottom of the list in terms of the number of jobs lost last year, averaging a 200-job over-the-year downturn. Part of the Durable Goods Manufacturing downturn was due to the closure of Yakima Resources sawmill in the summer of 2005, when 115 workers lost their jobs. The downturn was exacerbated as Transportation Equipment Manufacturing, an industry that traditionally employs over 1,000 people countywide, provided fewer jobs in 2005 than in 2004. Trail Wagons, a recreational vehicle (RV) manufacturer that once employed more than 162 people, according to a November 19, 2005 article in *The Yakima Herald-Republic*, began downsizing in early 2005. The situation did not improve for this RV maker. Trail Wagons-Chinook Properties recently defaulted on a \$4-million bank loan, prompting a judge to remove the owner from control and put the company into receivership.

Figure 2-A
YAKIMA COUNTY: TOTAL NONAGRICULTURAL EMPLOYMENT
FROM JANUARY 2003 TO DECEMBER 2005
 (Prepared January 17, 2006)

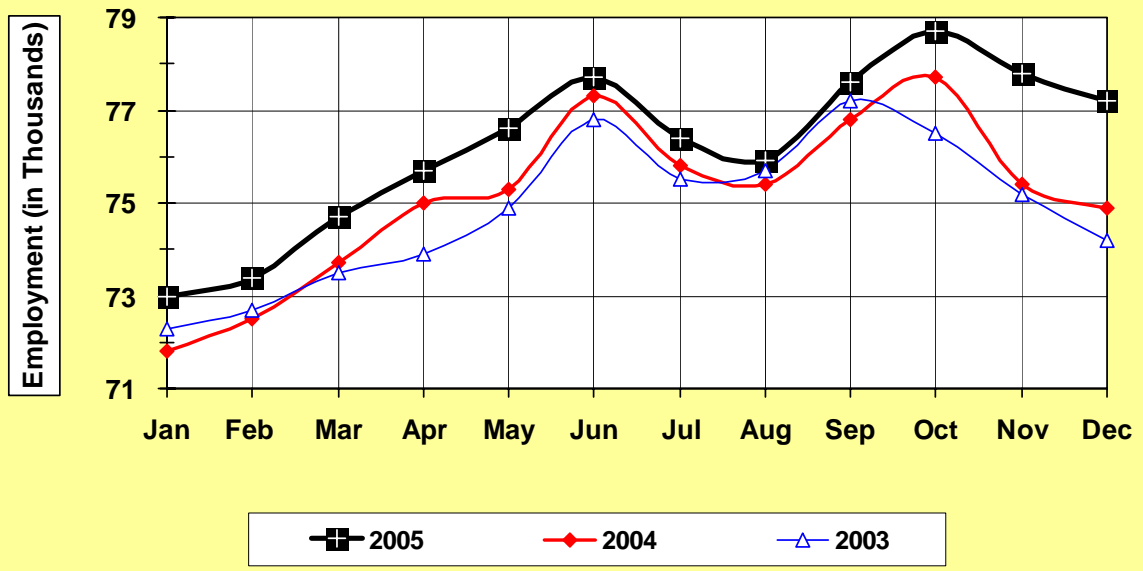


Figure 2-B
WASHINGTON STATE: TOTAL NONAGRICULTURAL EMPLOYMENT
FROM JANUARY 2003 TO DECEMBER 2005
 (Prepared January 17, 2006)

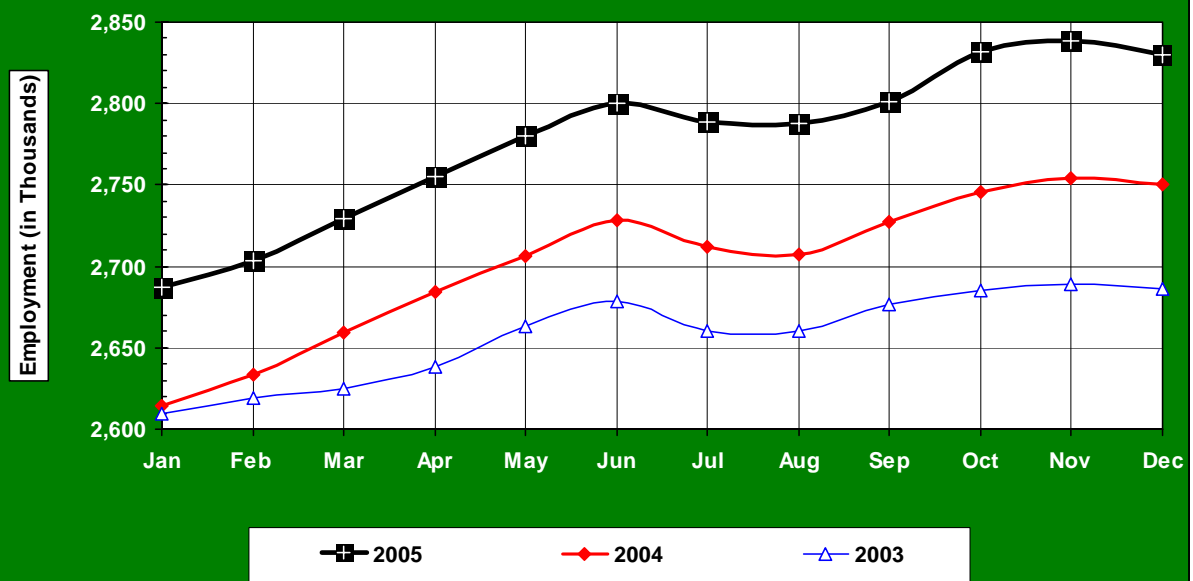


Figure 2-C
YAKIMA COUNTY: RANKING OF INDUSTRIES BY NUMBER OF JOBS
GAINED OR LOST BETWEEN 2004 AND 2005
 (Prepared January 20, 2006)

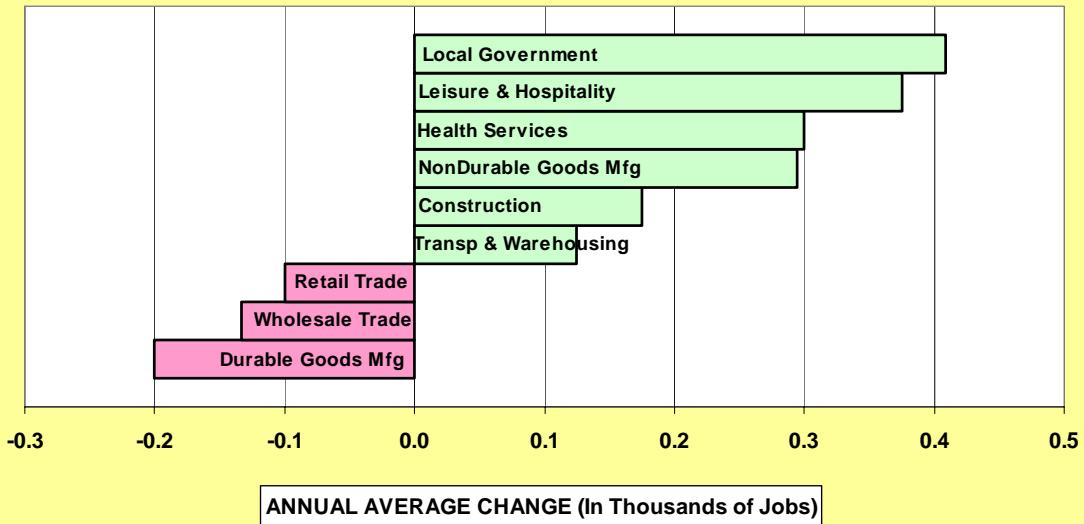
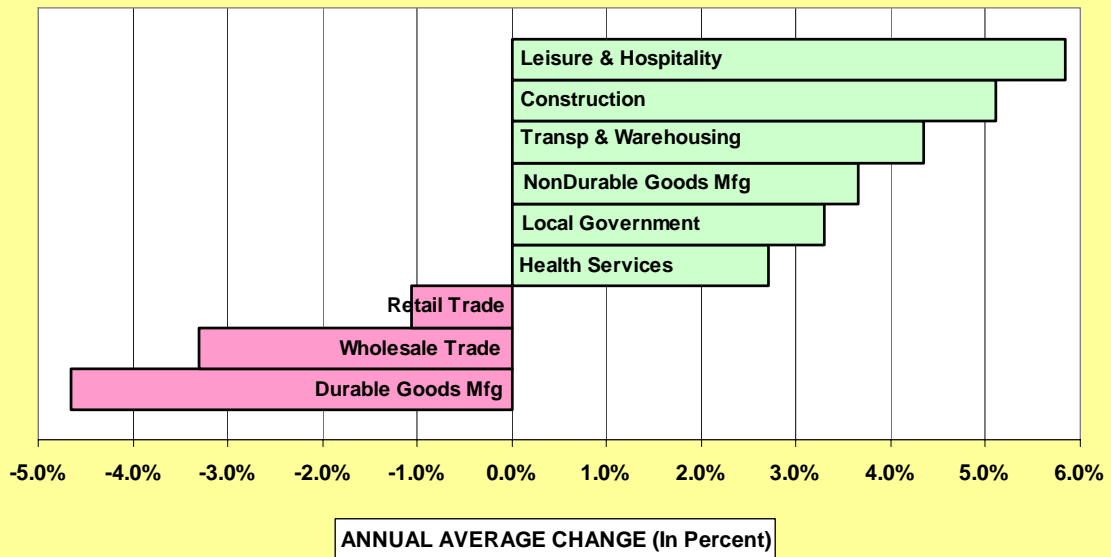


Figure 2-D
YAKIMA COUNTY: RANKING OF INDUSTRIES BY PERCENT OF JOBS
GAINED OR LOST BETWEEN 2004 AND 2005
 (Prepared January 20, 2006)



Unemployment Rates

Statewide, the unemployment rate declined to 5.3 percent this December, a six-tenths point drop below the December 2004 reading of 5.9 percent (see Figure 3). Nonagricultural employment growth across Washington continued to be robust, driven by the relatively stronger economy in the Puget Sound vicinity. This pushed Washington State's unemployment rates for every month of 2005 below those of corresponding months one-year prior. Conversely, Yakima County flirted with higher over-the-year unemployment rates in August and September of 2005. Fortunately, an improving local economy in October, November, and December of 2005 helped depress unemployment rates, and during each month in the 4th Quarter of 2005 the rate dipped below that of corresponding months in the 4th Quarter of 2004. In December 2005 for example, Yakima County's unemployment rate of 9.1 percent was a substantial eight-tenths of a percentage point below the December 2004 figure of 9.8 percent. An estimated 10,500 Yakima County residents were out of work this December versus 11,400 in the December 2004, a 900-person drop in the number of unemployed – another step in the right direction for the local economy.

The unemployment picture has clearly improved, statewide and in Yakima County, over the past two years. Annual average unemployment rates decreased as follows:

- Washington State: From 7.4 percent in 2003 to 6.2 percent in 2004 (a one and two-tenths percentage points drop in the rate), and to 5.5 percent in 2005 (seven-tenths of a point dip).
- Yakima County: From 9.7 percent in 2003 to 8.6 percent in 2004 (a one and one-tenth points drop in the rate), to 7.7 percent in 2005 (a nine-tenths percentage point over-the-year decrease).

