Employment Security Department
WASHINGTON STATE

Washington labor market update

Second quarter 2025

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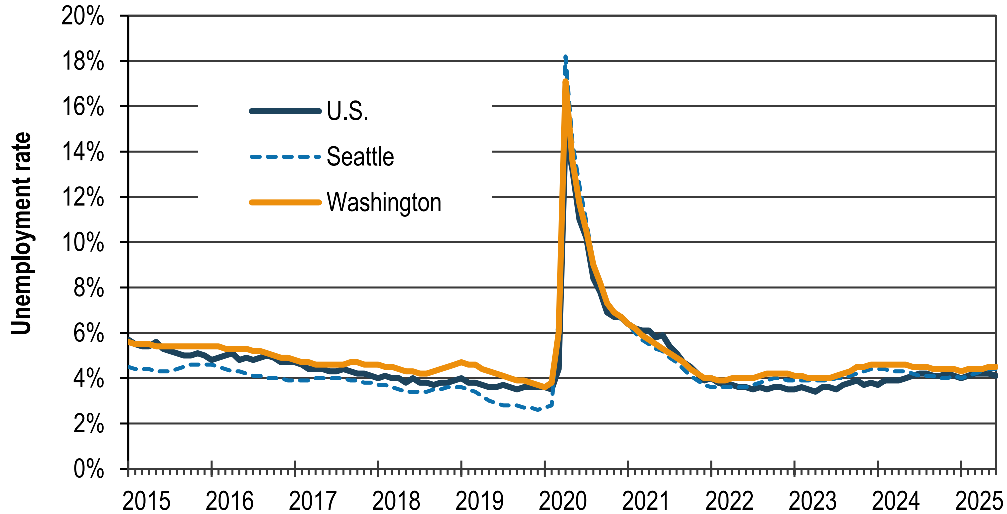
Current labor market conditions

- The unemployment rate increased slightly in the second quarter but has hovered in the mid-4% range for nearly 2 years.
- The statewide unemployment rate in June 2025 was 4.5%.
- Nonfarm employment has been slowing over the past couple years. The first quarter of 2025 was marked by overall declining employment, however hiring picked up during the second quarter. Growth was concentrated in leisure and hospitality, education and health services and construction.
- Washington employers collectively added 2,300 jobs during the second quarter of 2025.
- US trade policy has been shifting over the past several months. Washington employers in agriculture and trade are the most likely to be impacted by tariffs.

It is likely that post-pandemic job recovery and growth approached its limit in late 2024 / early 2025. Both payroll counts and labor force statistics became less dynamic over the past couple years. Job growth slowed, and the size of the labor force and unemployment rates stabilized. Preliminary employment counts in the first quarter of 2025 signaled a shift from slowing growth to net job losses three months in a row but have returned to a slow growth scenario in the second quarter. The unemployment rate increased from 4.4% to 4.5% in May and June 2025. Looking ahead, the Economic and Revenue Forecast Council revised its employment expectations down from 1.0% expected growth to 0.5% growth.

Figure 1: Unemployment rate, seasonally adjusted, Washington, January 2015 to June 2025 and the United States, January 2015 to June 2025.



Source: Washington Employment Security Department/LMIR Division, U.S. Bureau of Labor Statistics/Current Population Survey, Local Area Unemployment Statistics

Unemployment rates in the 4% to 5% range are considered favorable. In these conditions there is still fluid labor market movement. Job seekers have a slight upper hand as employers compete for workers, but job seekers cannot take employment for granted. It is important to keep in mind that the calculation of local and state unemployment rates does not account for differences by industry or other factors that play into individual experiences of unemployment and labor force participation.

The Economic and Revenue Forecast Council (ERFC) estimated in their June forecast that the unemployment rate will remain in the mid- to high-4% range for the next few years. The June 2025 forecast estimates that the average annual unemployment rate for Washington will be 4.4% in 2025, rising to 4.7% in 2026 and 4.9% in 2027 before dropping to 4.8% in 2028 and 4.5% in 2029. The revised unemployment rate projections are higher than those presented in the March forecast.

The labor force participation rate in June 2025 was estimated at 62.3% and has been declining slowly over the past several months. The labor force participation rate 12 months ago was 63.6%.

Unemployment insurance claims

Unemployment claims are an imperfect measure of unemployment, with about one in three unemployed individuals filing a claim. Initial and continued claims dropped following the tumult of the pandemic. Initial claims dropped below 5,000 per week during the exceptionally tight labor market of 2022 and increased to about 6,000 per week starting in 2023, which is comparable to claims traffic just before the pandemic. Because initial claims are the point of first contact with the unemployment insurance social safety net, and because the data are aggregated and counted weekly, they can be used as an early indicator of layoff activity. Recent initial claims activity has – on average – been picking up in the last couple years but remains relatively low by historic standards.

Counts of continued claims has climbed since 2022. The most recent count for the 27th week of 2025 was 82,355. Unlike initial claims, the value of continued claims is not that of a leading indicator. Continued claims counts individuals that are collecting unemployment insurance payments every week. The increasing trend tells us that there are more people who are unemployed specifically because they were laid off by their previous employer and suggests that the average length of time spent searching for work may be on the rise.

Figure 2: Washington weekly continued unemployment claims, January 2022-July 2025, seasonally adjusted

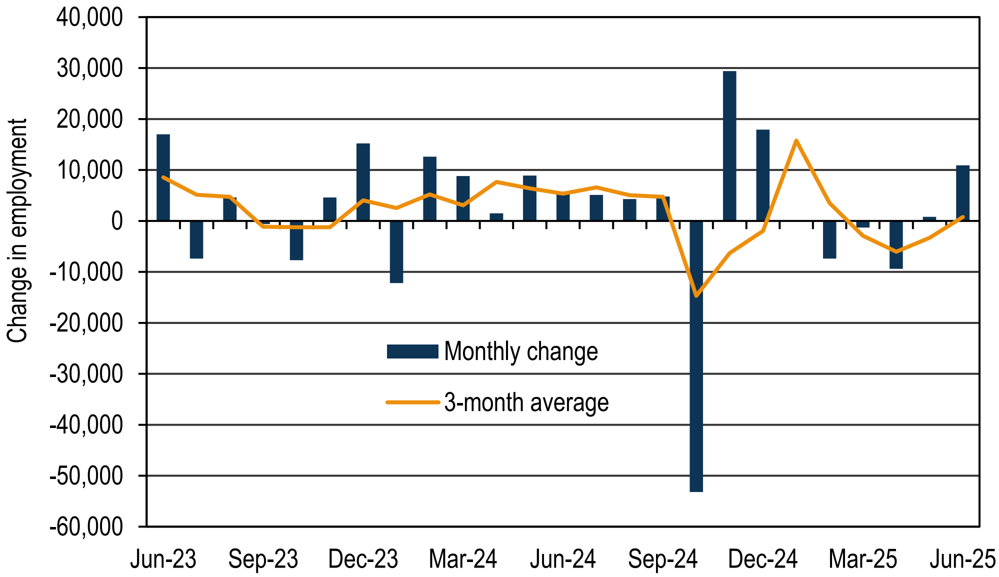
Source: Washington Employment Security Department/LMIR Division

Nonfarm employment

A steady pattern of slow employment growth was briefly disrupted in October 2024 with the Boeing labor dispute. Employment more-or-less rebounded in November and December. The first four months of 2025 brought four consecutive months of unchanged or negative employment growth. Nonfarm employment rebounded slightly in May, and preliminary estimates for June were strong.

- April 2025 (revised) down 9,400
- May 2025 (revised) up 800
- June 2025 (preliminary) up 10,900

Figure 3: Monthly employment change, seasonally adjusted, June 2023 to June 2025



Source: Employment Security Department/LMIR Division; U.S. Bureau of Labor Statistics, Current Employment Statistics

In the second quarter of 2025, employers in seven major industry sectors collectively added jobs and six industry sectors lost net employment. The largest three-month gains were observed in leisure and hospitality, education and health services, and construction. The industry sectors reporting the deepest three-month losses were professional and business services, retail trade, and government.

Figure 4: Quarterly employment change, seasonally adjusted, Washington, March to June 2025

Industry	Employment change
Total nonfarm	**2,300**
Leisure and hospitality	6,400
Education and Health Services	5,900
Construction	2,500
Wholesale Trade	2,000
Information	1,600
Other Services	1,300
Manufacturing	1,200
Mining and logging	-200
Transportation, Warehousing and Utilities	-1,200
Financial Activities	-3,700
Government	-4,100
Retail Trade	-4,500
Professional and Business Services	-4,900

Source: Employment Security Department/LMIR Division; U.S. Bureau of Labor Statistics, Current Employment Statistics

Over the past couple years, some industries reached peak levels of employment following the pandemic recession and began to decline. Over the past 12 months, six major industry sectors experienced net job growth and eight experienced net job losses. A recent upturn in leisure and hospitality (up 6,400) was concentrated in food services and drinking places. Education and health services (up 16,300) has been characterized by strong and steady job growth, with the largest gains attributable to ambulatory care (i.e. outpatient health care services). The deepest annual losses were observed in professional and business services, retail trade, and government.

The Economic and Revenue Forecast council's expectations for nonfarm employment weakened slightly in June. Washington employment is projected to grow by 0.5% in 2025, down from the 1.0% projected in the previous forecast.

Figure 5: Change in industry employment, not seasonally adjusted, Washington, net employment change from June 2024 to June 2025

Industry	Employment change
Total nonfarm	**1,900**
Education and health services	14,900
Transportation, warehousing and utilities	7,000
Information	4,800
Leisure and hospitality	3,200
Other services	2,500
Wholesale trade	1,300
Mining and logging	-100
Retail trade	-3,800
Financial activities	-4,100
Government	-4,200
Professional and business services	-4,800
Manufacturing	-5,000
Construction	-9,800

Source: Employment Security Department/LMIR; U.S. Bureau of Labor Statistics, Current Employment Statistics

Spotlight on exposure to tariffs in Washington

US trade policy has broadly shifted toward increased use of tariffs, with adjustments announced frequently. A team within the Labor Market Information and Research (LMIR) division has been exploring trade exposure to understand how changes in international trade policy could affect workers in Washington state. This phase of investigation is limited to exploring industries that produce goods that are traded in the international market, and the number of jobs in Washington that are directly tied to those industries.

When taking trade statistics and employment levels into consideration, the following industries emerge as the most likely to be negatively impacted by decreases in exports due to imposed tariffs:

1. Crop production
2. Transportation equipment manufacturing
3. Computer and electronic manufacturing
4. Machinery manufacturing
5. Food manufacturing

The industries that are the most likely to be positively affected by increased import protection:

1. Transportation equipment manufacturing
2. Computer and electronic product manufacturing
3. Crop production
4. Miscellaneous manufacturing
5. Machinery manufacturing

These results are largely unsurprising, as they are heavily influenced by the total employment shares statewide. We tease out additional nuance by looking at the composition of trade-exposed employment by county. The top 10 import and export exposed counties are:

Figure 6: Top 10 counties by import and export-exposure

Top 10 import-exposed counties

County	Import exposure
Snohomish County	6.88%
Grant County	4.69%
Yakima County	4.50%
Walla Walla County	4.50%
Skagit County	3.81%
Cowlitz County	3.48%
Clark County	3.24%
Franklin County	2.95%
Okanogan County	2.93%
Whatcom County	2.92%

Top 10 export-exposed counties

County	Export exposure
Grant County	6.27%
Yakima County	5.62%
Walla Walla County	5.17%
Okanogan County	4.42%
Douglas County	4.41%
Snohomish County	4.02%
Chelan County	3.60%
Klickitat County	3.53%
Franklin County	3.51%
Adams County	3.25%

Source: Employment Security Department/LMIR; U.S. Bureau of Labor Statistics, Current Employment Statistics

The counties that have the highest trade exposure are those with the highest concentrations of employment in traded goods production.

As policies shift and begin to settle, we will have a clearer picture of what industries will be impacted. We acknowledge and are exploring that impacts could also be felt by industries that move, warehouse, and sell traded goods.