

Macroeconomic Update & Outlook

Prepared for:



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Oregon State Economist

May 24th, 2017

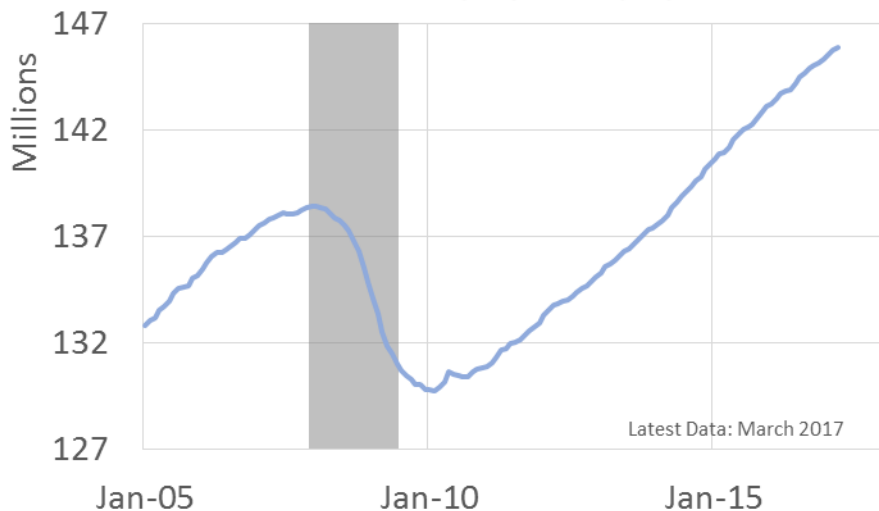
The background of the slide features a large, faint, light blue watermark of the Seal of the State of Oregon. The seal is circular and contains the following elements: an eagle with wings spread at the top; a central shield depicting a ship on the left, a rising sun in the middle, and a plow on the right; a banner below the shield with the text "THE UNION"; and the year "1859" at the bottom. The words "STATE OF OREGON" are written around the perimeter of the seal.

Recent Performance

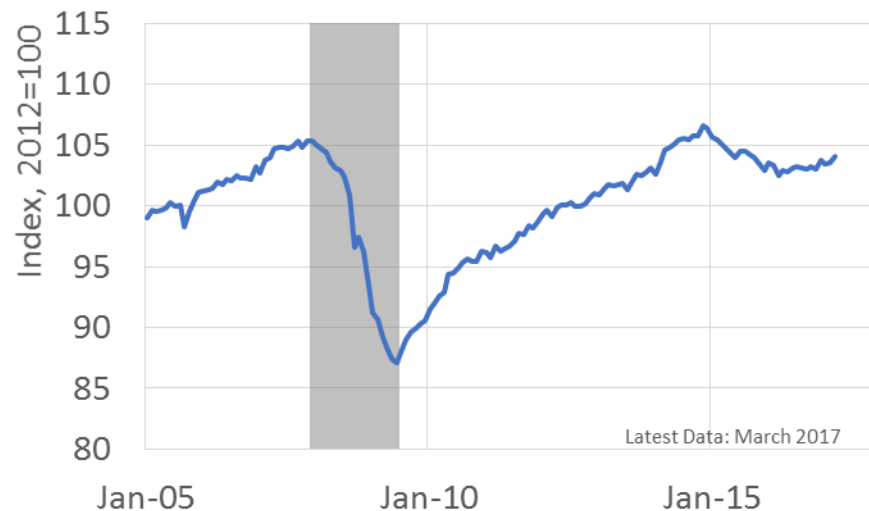


US Current Indicators: Looking Solid

Total Nonfarm Employment (SA)



Industrial Production



Real Personal Income ex Transfer Payments



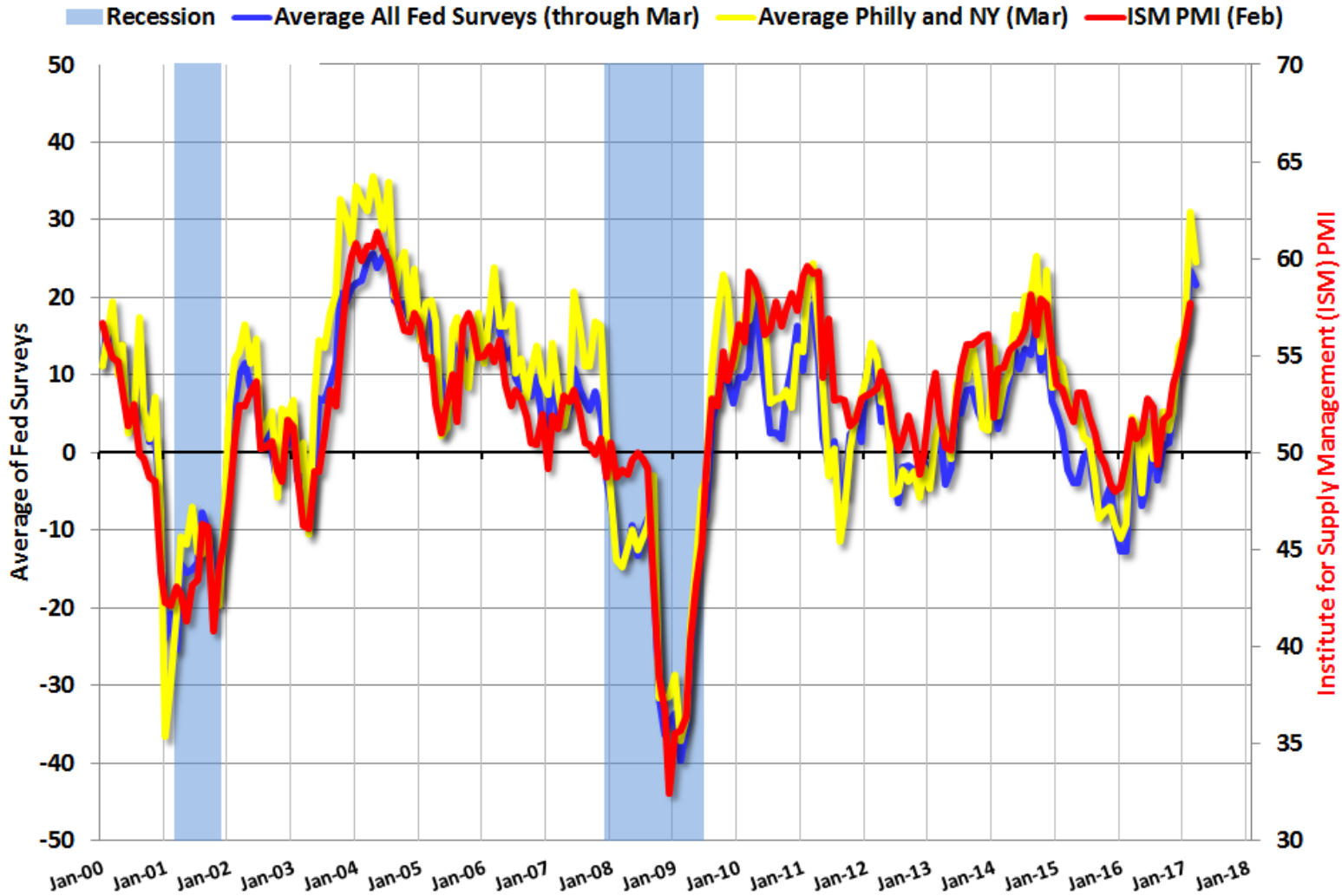
Real Manufacturing and Trade Sales





Pipeline Looks Better

ISM Purchasing Managers' Index (PMI) and Fed Manufacturing Surveys



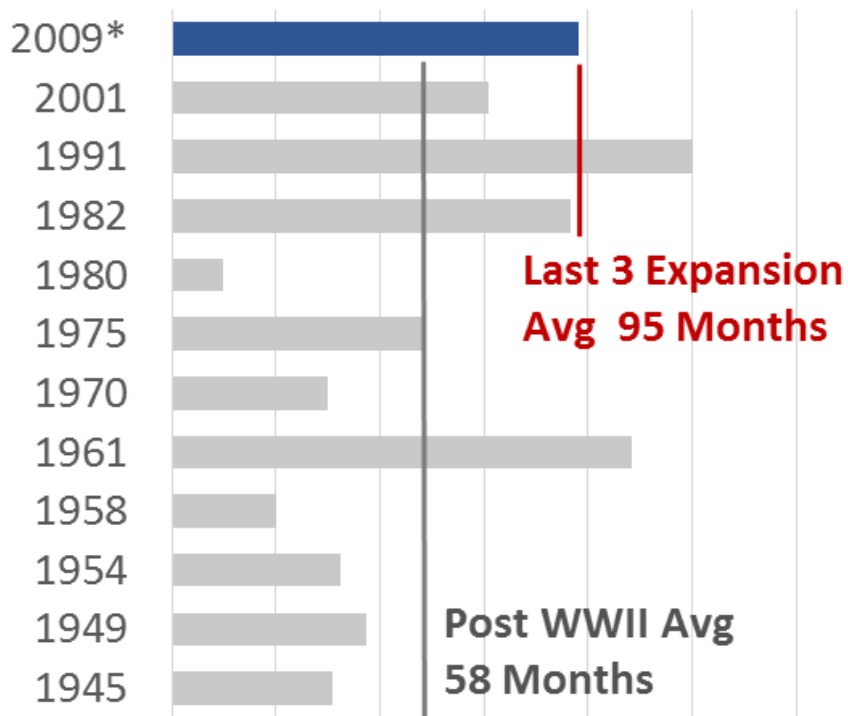


Expansions Do Not Die of Old Age

Postwar U.S. Expansions

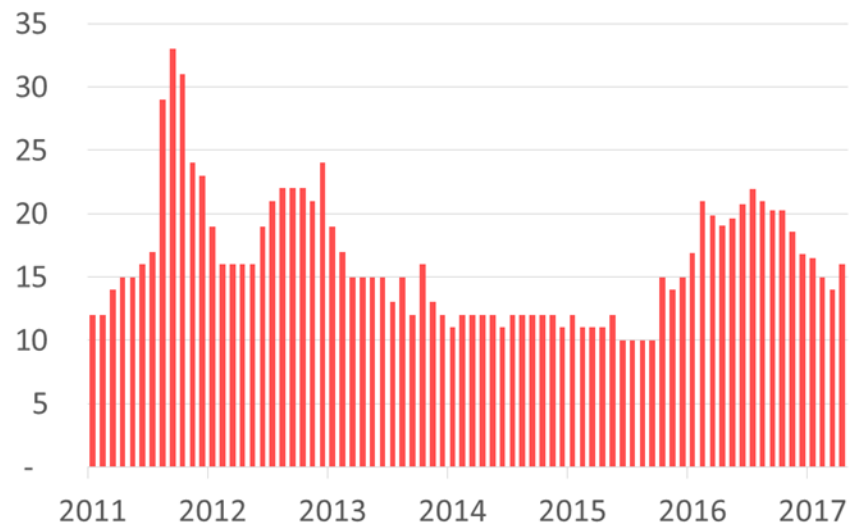
Expansion Length, Years

0 2 4 6 8 10 12



Risk of Recession

Percent Probability U.S. Entering Recession in Next Year



Latest Data: April 2017 | Source: Wall Street Journal

* Current expansion through April 2017

Source: NBER, Oregon Office of Economic Analysis





Feeling Good

Business Optimism Index





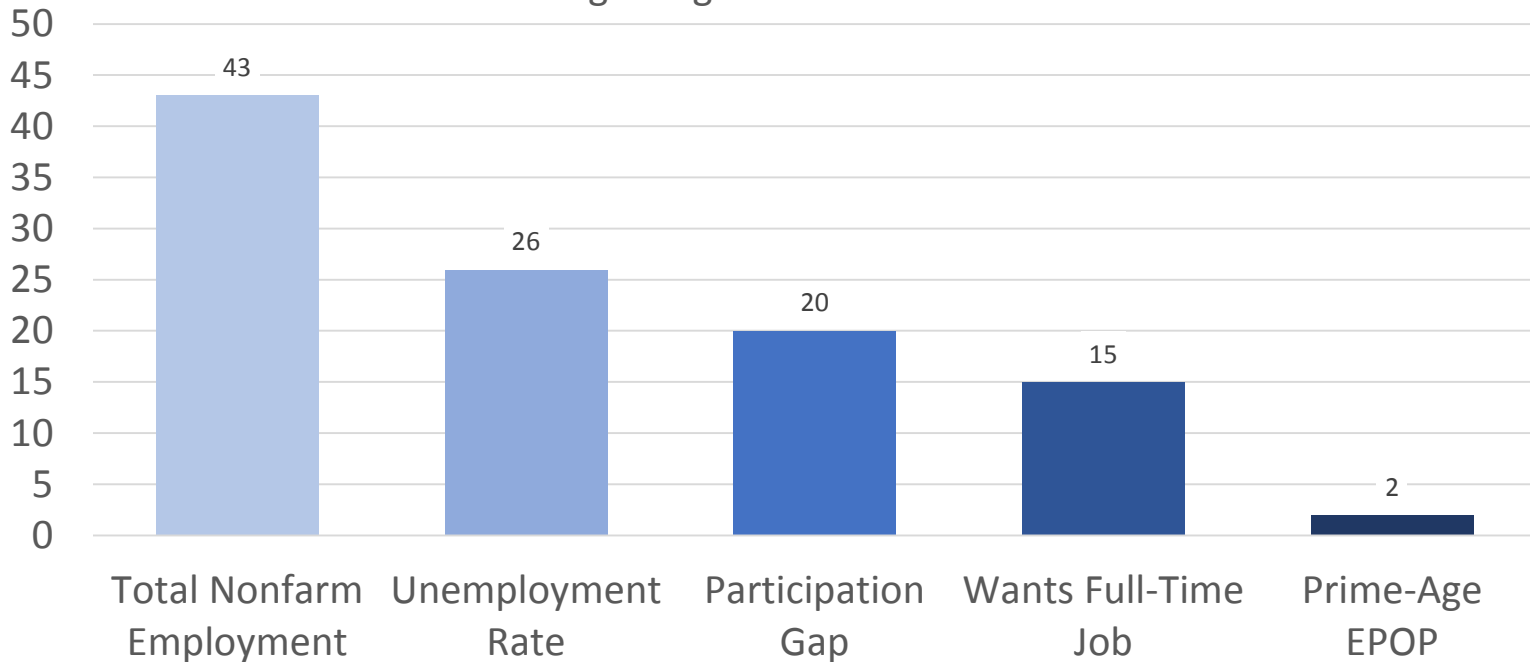
Full Employment?



Healthy State Labor Markets

U.S. States at Full Employment

Number of States Regaining Pre-Great Recession Labor Markets



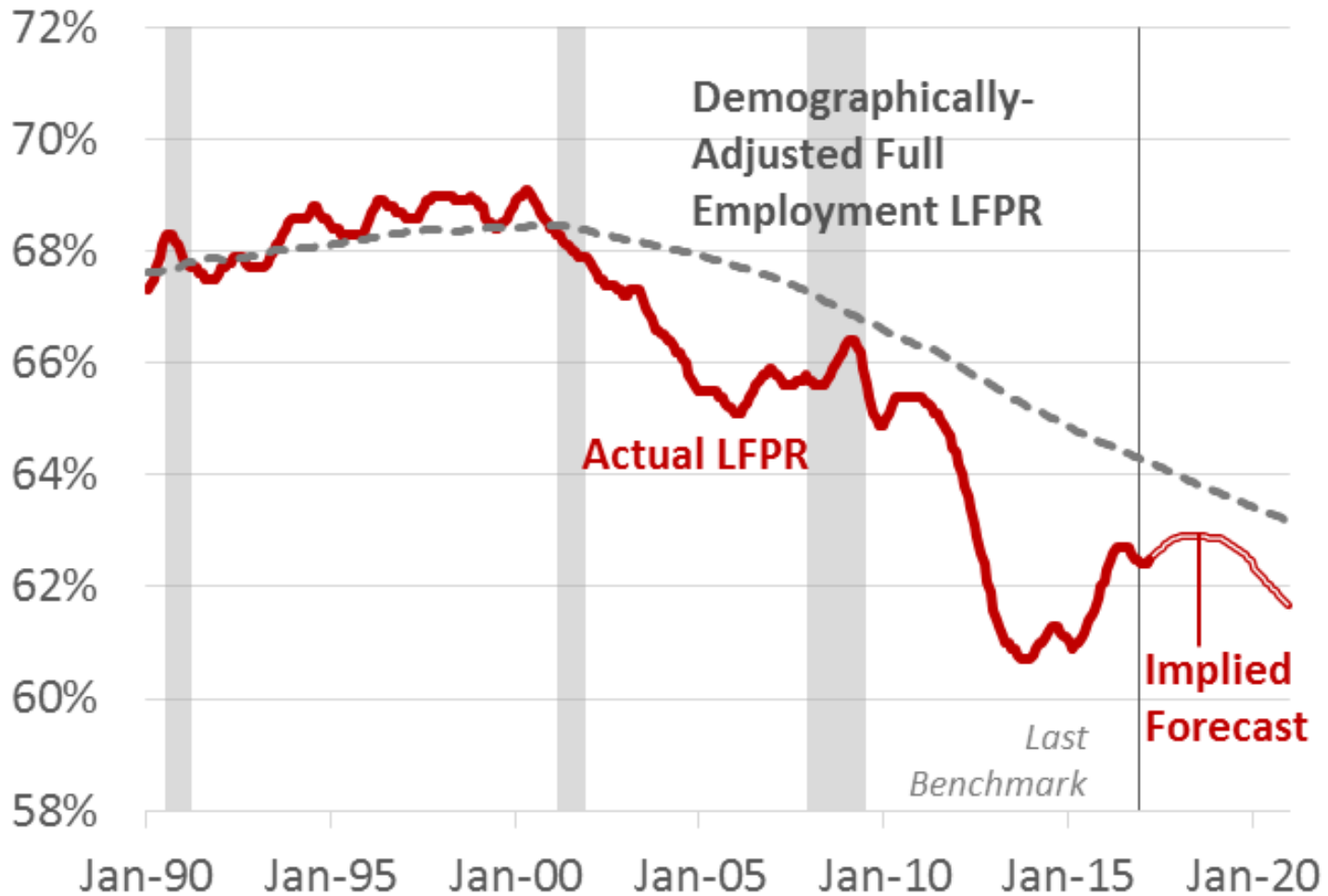
Calculations Total Nonfarm: SA 3MMA, Apr '17 vs pre-recession peak. Discrepancies: AK, ND count as no, MI, OK, RI count as yes. Unemp Rate: if state rate in Apr '17 was lower than or within 0.1% from pre-recession low. Participation Gap: Apr '17 LFPR relative to demographically adjusted full employment LFPR. Wants Full-Time Job: if 2017q1 share of LF that is part-time for economic reasons is below the state's 2005-07 average share. Prime-Age EPOP: 12 MMA, if Mar '17 prime-age EPOP above pre-recession peak prime-age EPOP | Sources: BLS, Census, IPUMS-CPS, Oregon Office of Economic Analysis





Taking Up the Slack

Oregon Labor Force Participation



Latest Data: March 2017 | Source: BLS, Census, OED, Oregon Office of Economic Analysis



Oregon Off
Economic /



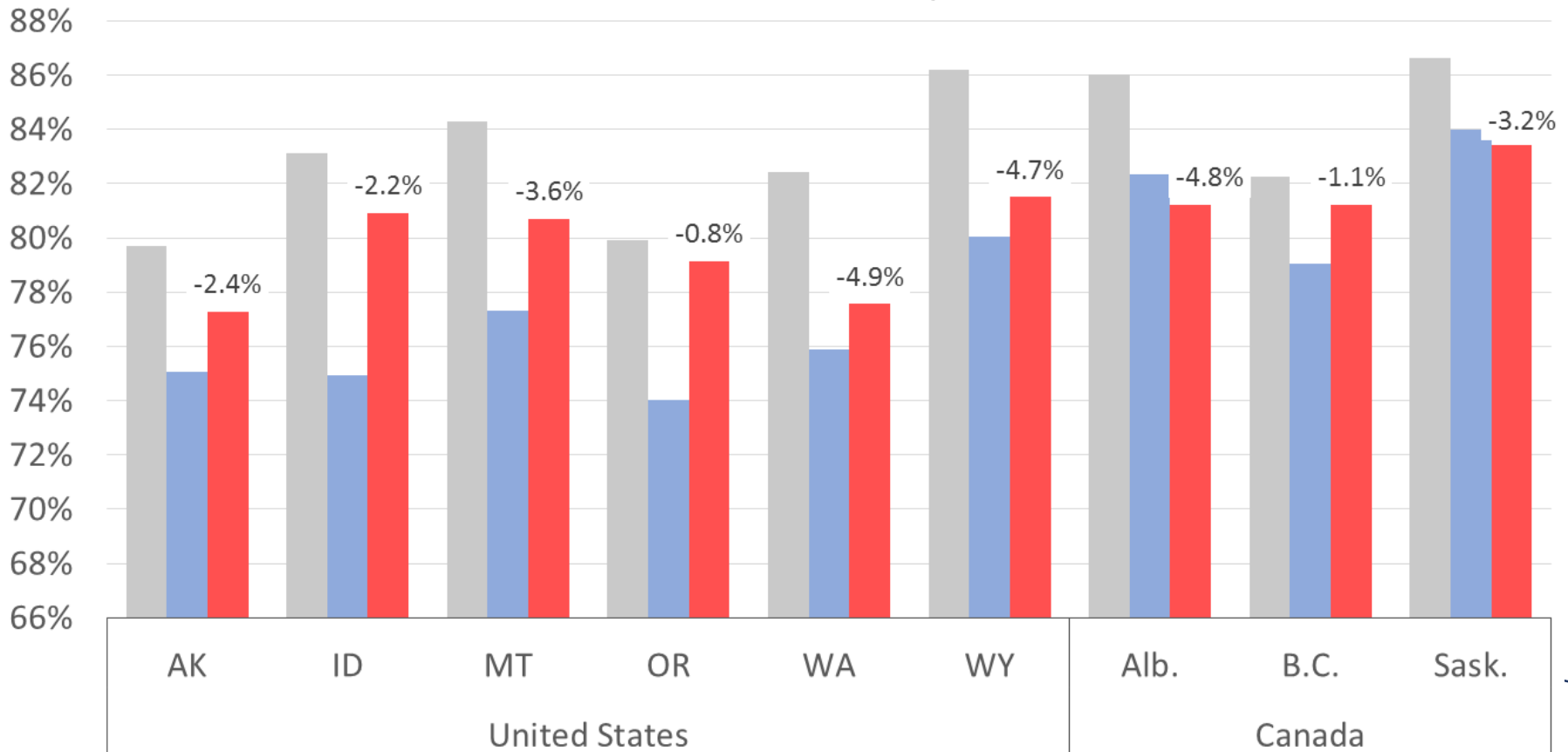


Getting Tighter

Pacific Northwest Employment

Prime-Age EPOP (25-54 Yr Olds with a Job)

■ Pre-Recession Peak ■ Recessionary Low ■ Mar-17



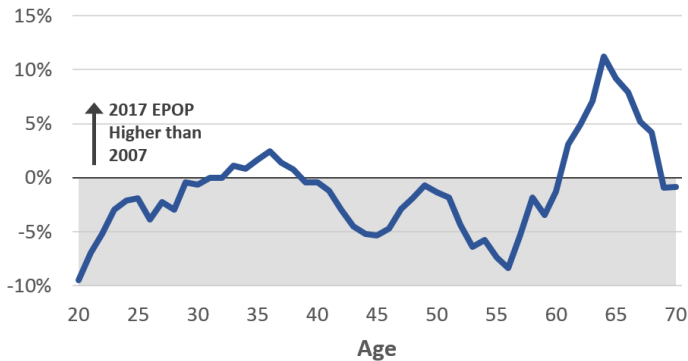


EPOP Across Age Groups

ID has recovered across most age groups. EPOP for middle-aged Idahoans is low. OR looked exactly like this in 2015.

Idaho Employment-Population Ratio

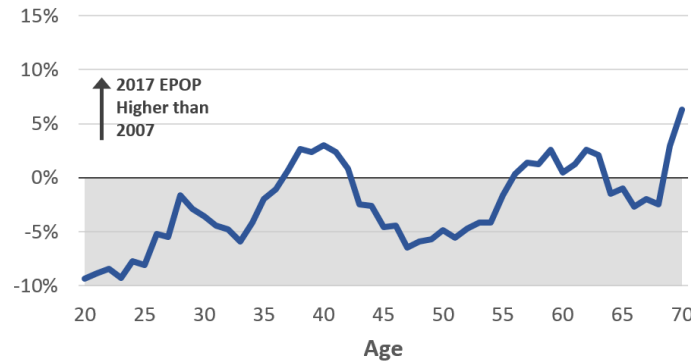
Comparing 2017 EPOP by Age to 2007 EPOP by Age



Data shown are averages for 5 year age cohorts, e.g. the data for 30 year olds is the average EPOP of 28 to 32 year olds. Source: IPUMS-CPS, Oregon Office of Economic Analysis

Montana Employment-Population Ratio

Comparing 2017 EPOP by Age to 2007 EPOP by Age



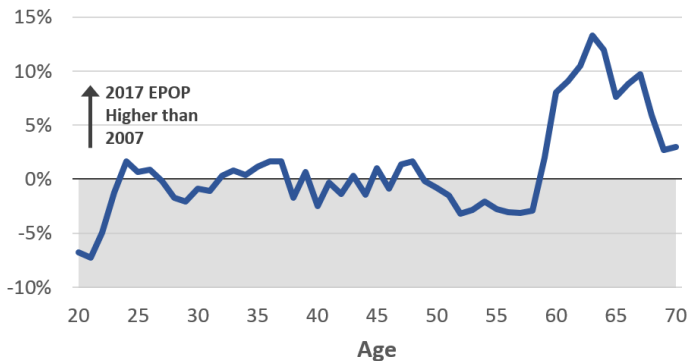
Data shown are averages for 5 year age cohorts, e.g. the data for 30 year olds is the average EPOP of 28 to 32 year olds. Source: IPUMS-CPS, Oregon Office of Economic Analysis

MT generally lower across all age groups, with noisy data.

OR has recovered across all age cohorts. Except teenagers

Oregon Employment-Population Ratio

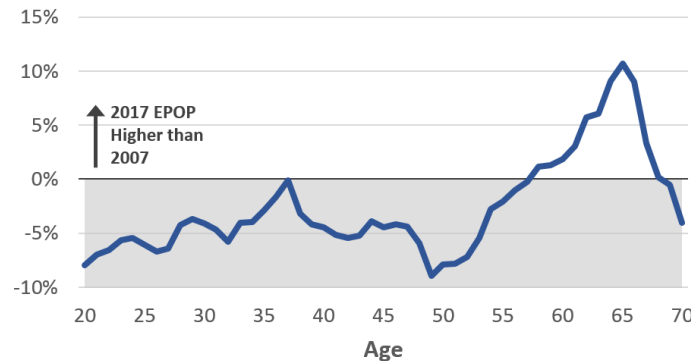
Comparing 2017 EPOP by Age to 2007 EPOP by Age



Data shown are averages for 5 year age cohorts, e.g. the data for 30 year olds is the average EPOP of 28 to 32 year olds. Source: IPUMS-CPS, Oregon Office of Economic Analysis

Washington Employment-Population Ratio

Comparing 2017 EPOP by Age to 2007 EPOP by Age



Data shown are averages for 5 year age cohorts, e.g. the data for 30 year olds is the average EPOP of 28 to 32 year olds. Source: IPUMS-CPS, Oregon Office of Economic Analysis

WA low across most age groups. Larger share of 60+ working, as seen in nearly all states.

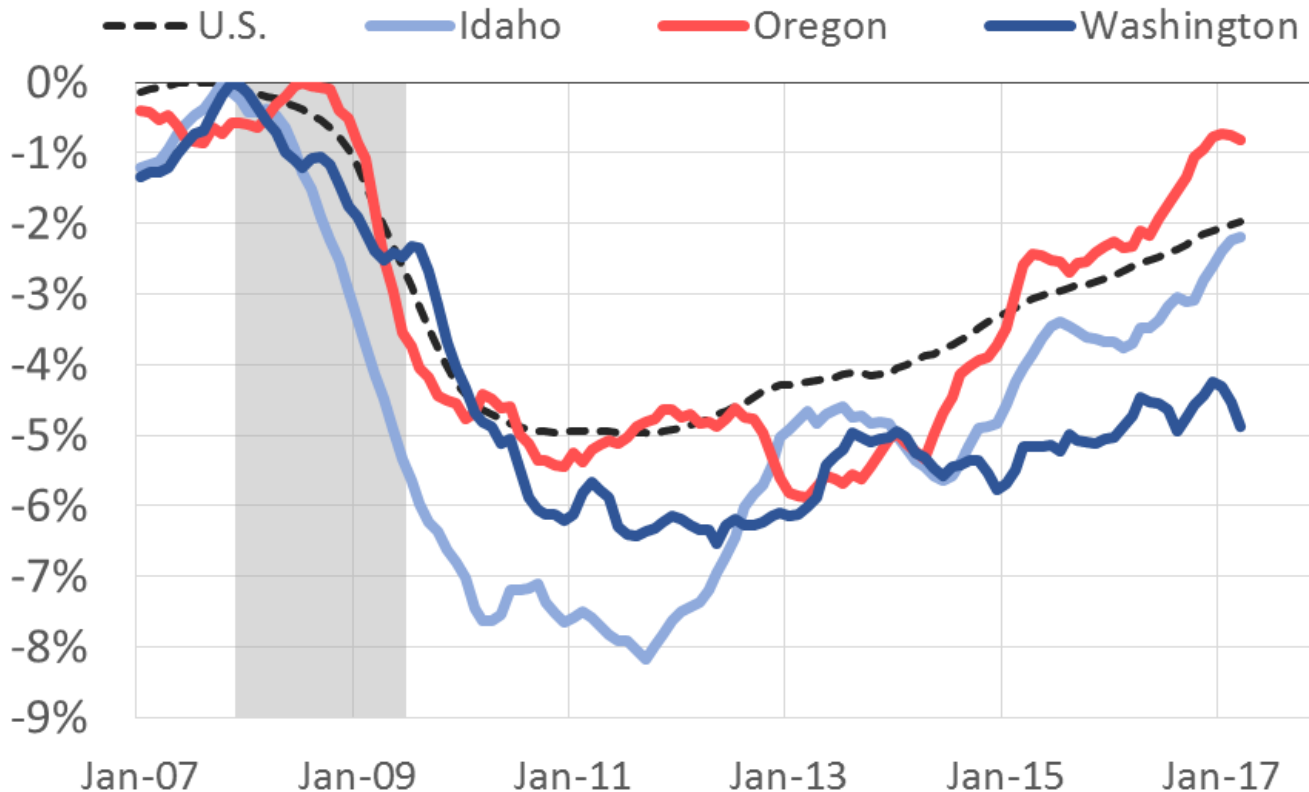




Getting Tighter

Pacific Northwest Employment - US

Share of 25-54 Yr Olds with a Job (Prime-Age EPOP)
Percentage Point Change from Pre-Great Recession Peak



Latest Data: March 2017 | Source: IPUMS-CPS, Oregon Office of Economic Analysis

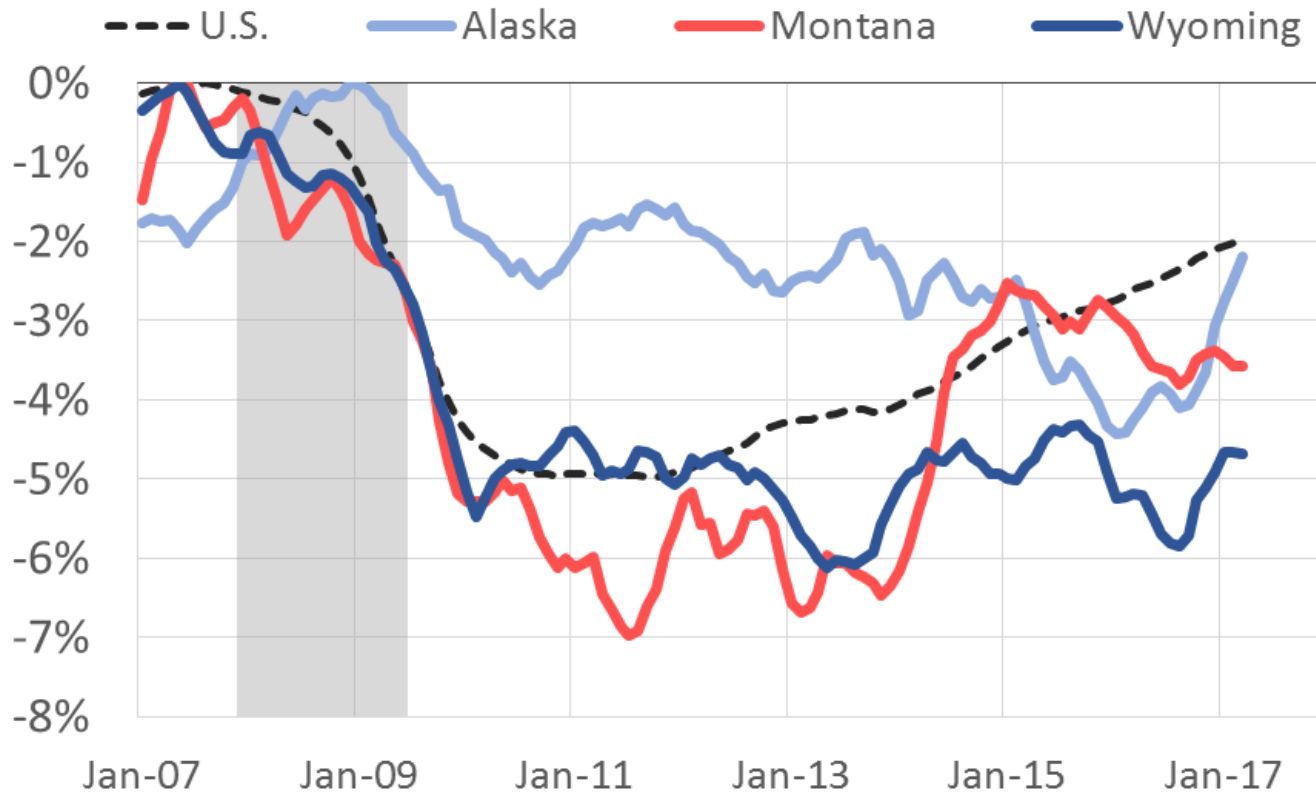




Getting Tighter?

Pacific Northwest Employment - US

Share of 25-54 Yr Olds with a Job (Prime-Age EPOP)
Percentage Point Change from Pre-Great Recession Peak



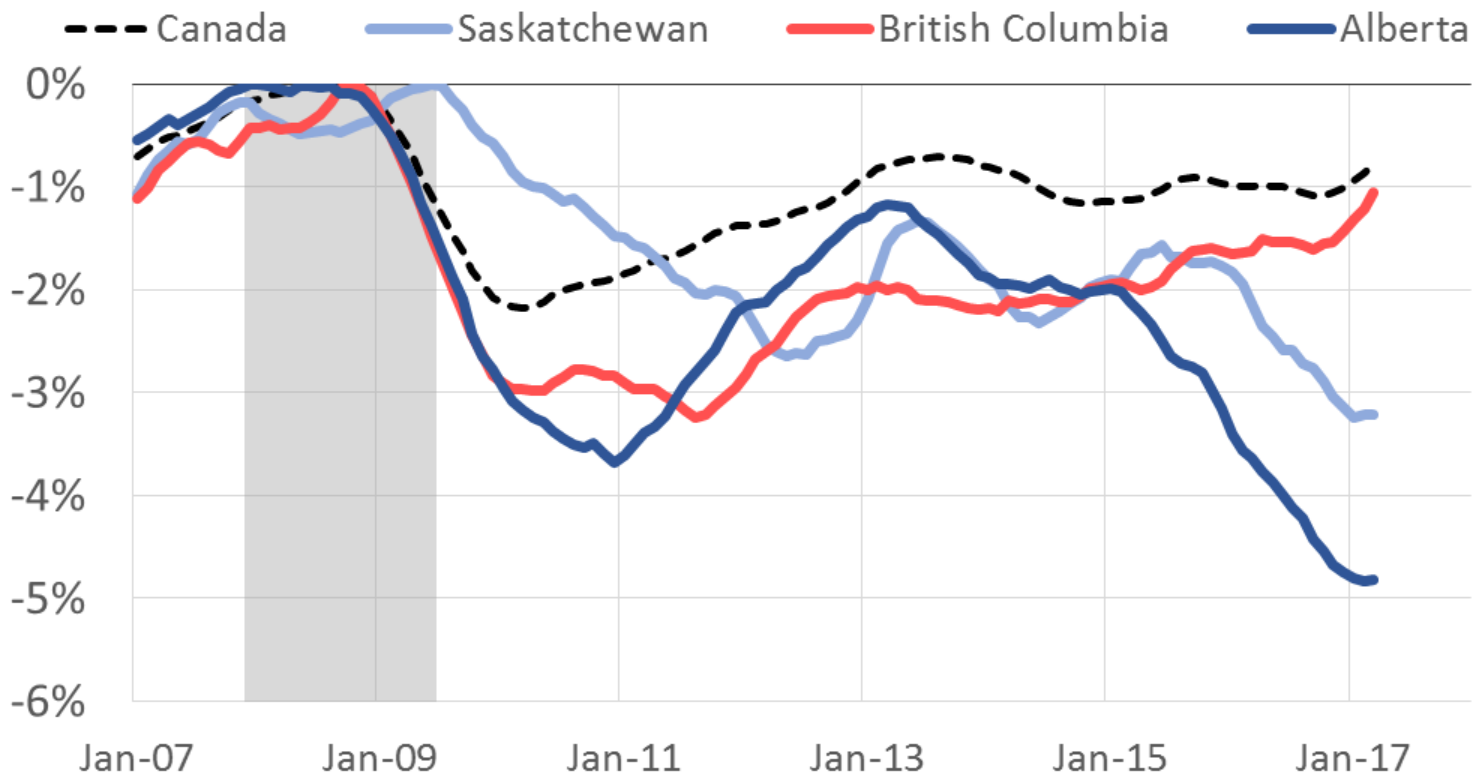


Getting Tighter?

Pacific Northwest Employment - Canada

Share of 25-54 Yr Olds with a Job (Prime-Age EPOP)

Percentage Point Change from Pre-Great Recession Peak



Latest Data: March 2017 | Source: Statistics Canada, Oregon Office of Economic Analysis

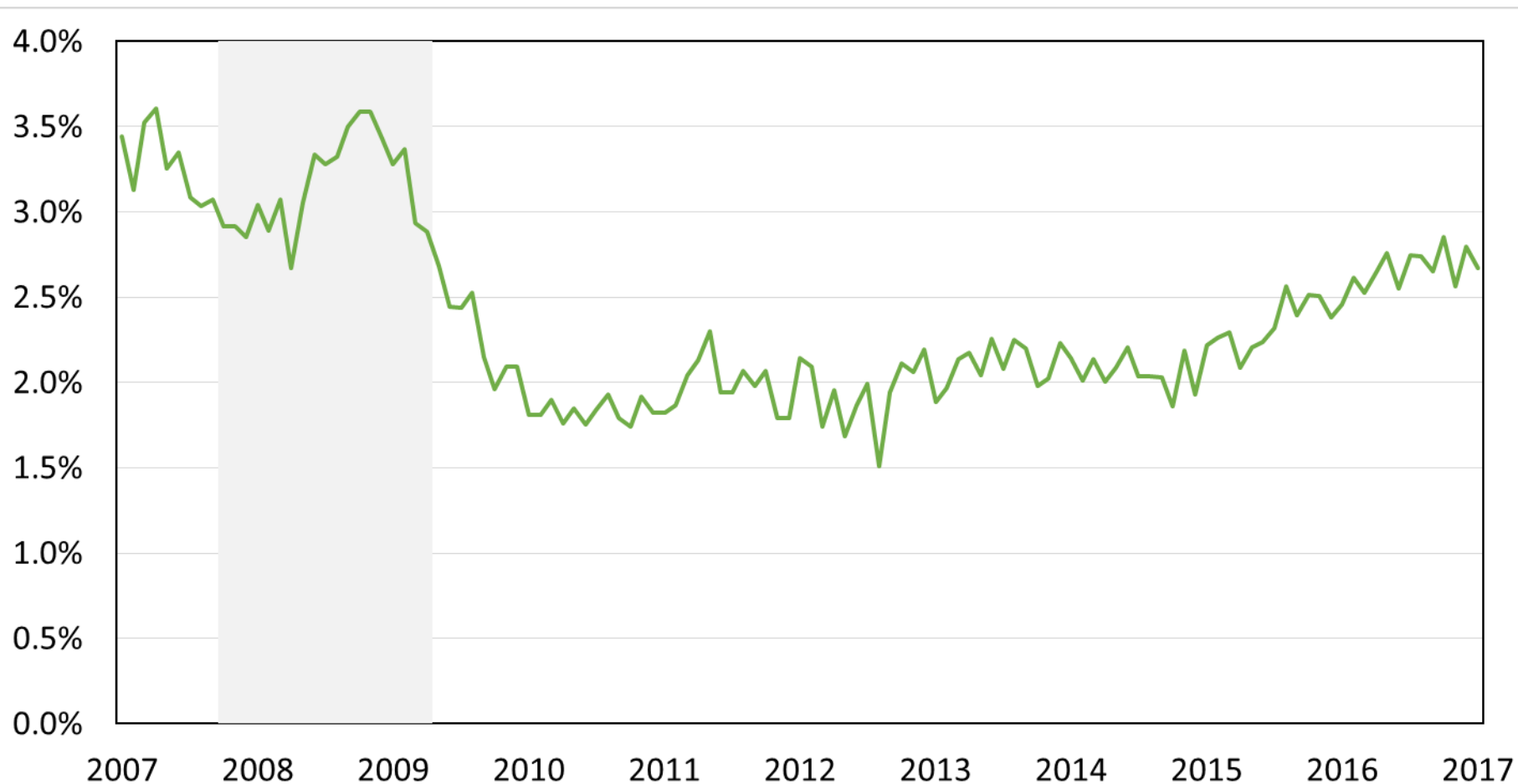




The Ultimate Test

Average Hourly Earnings

Y/Y Percent Change, Seasonally Adjusted, 2007- March 2017



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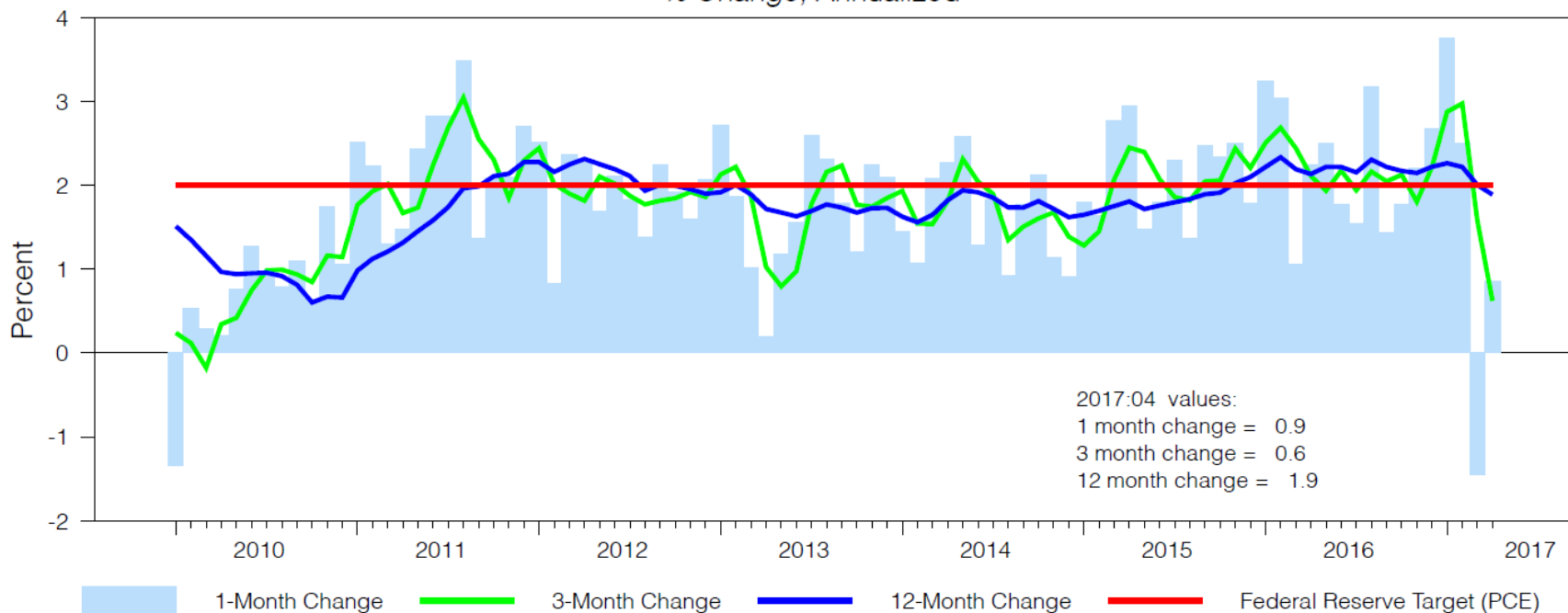
Prices and the Fed



Little Price Growth This Year

Core CPI, 1-, 3-, and 12-Month Change

% Change, Annualized



Data via FRED * Chart created: 05/15/2017 11:33

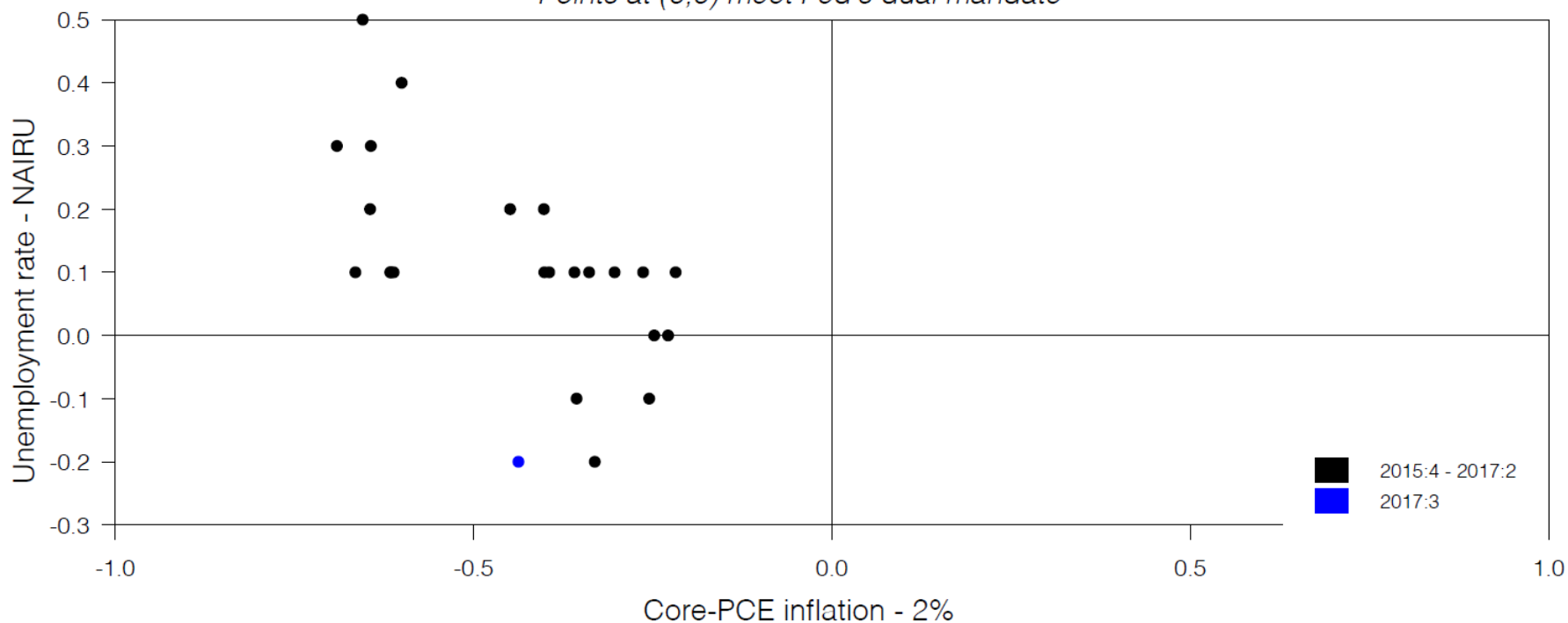




Fed Policy Is Stuck

Missing Mandates?

Points at (0,0) meet Fed's dual mandate



NAIRU defined as median forecast of longer-run unemployment in the Federal Reserve Summary of Economic Projections
Data via FRED * Chart created: 05/17/2017 09:54

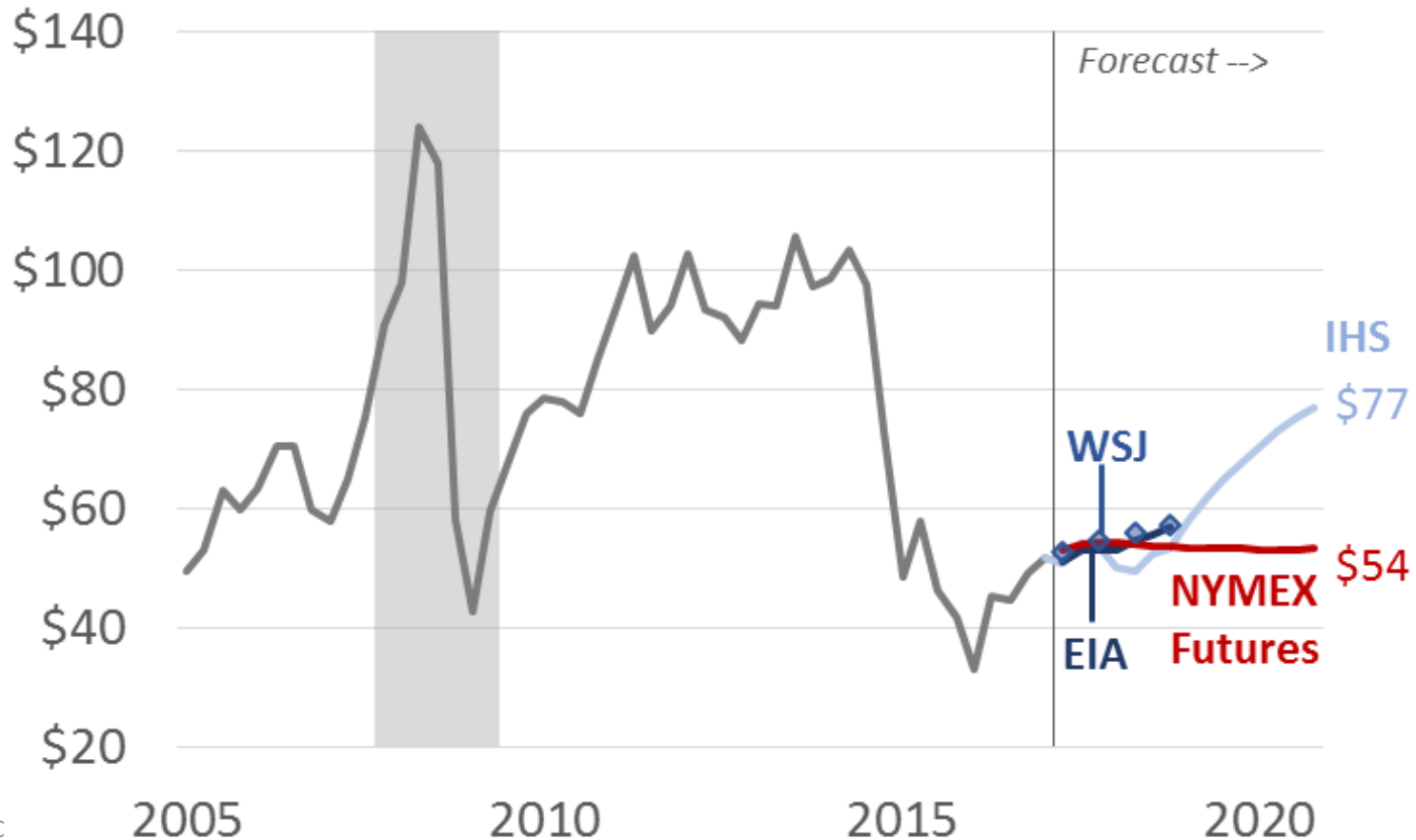




Clear Near-Term Consensus

Oil Prices

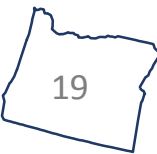
Price per barrel, West Texas Intermediate



Source: IHS, EIA, CME Group, WSJ, Oregon Office of Economic Analysis



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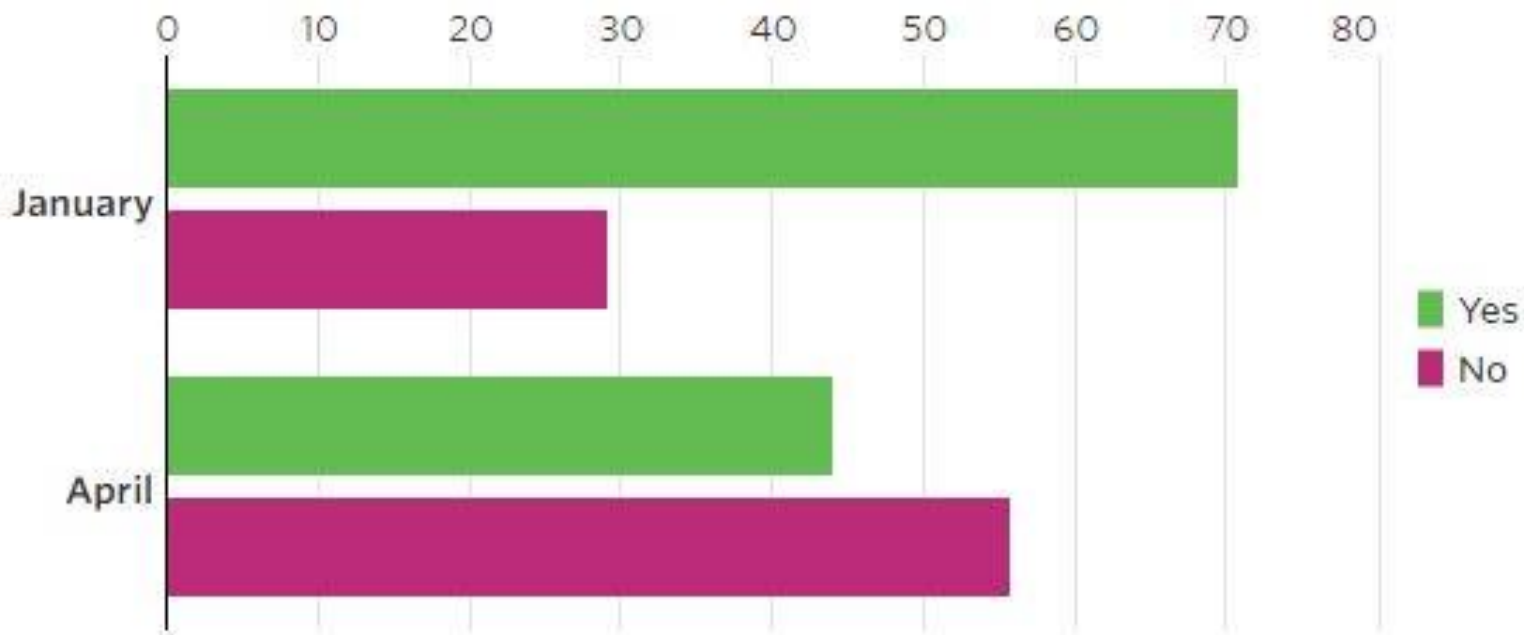


Risks: Fiscal Policy and Housing



Not a Big Deal?

Do your forecasts include significant changes in fiscal policy, such as tax cuts or infrastructure spending?



Source: Wall Street Journal Survey of Economists

THE WALL STREET JOURNAL

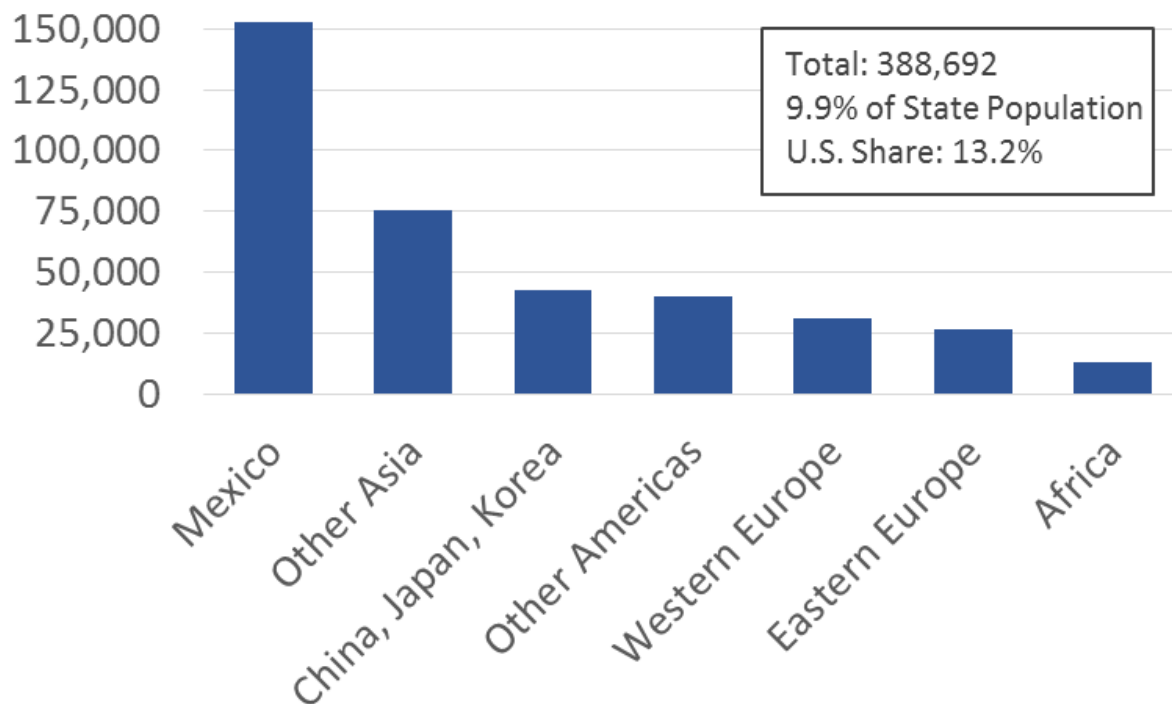




International Migration

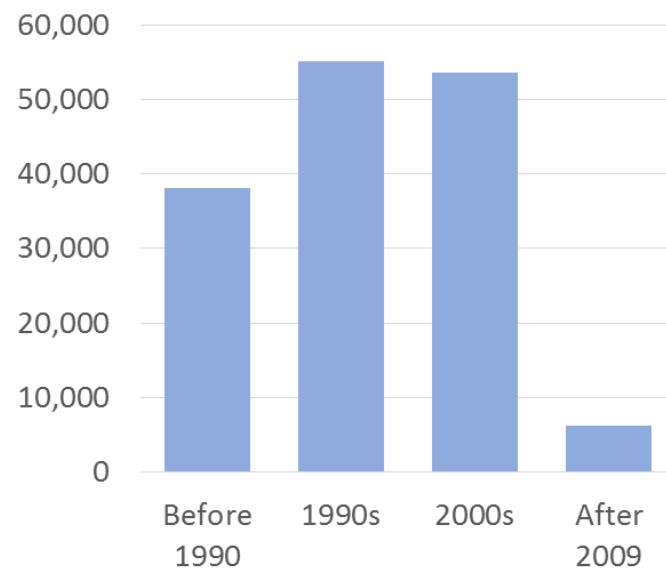
Foreign-Born Oregon Residents

2015 American Community Survey



Mexican-Born Oregon Residents

Year of Entry to U.S.



Source: Census, Oregon Office of Economic Analysis

Source: Census, Oregon Office of Economic Analysis



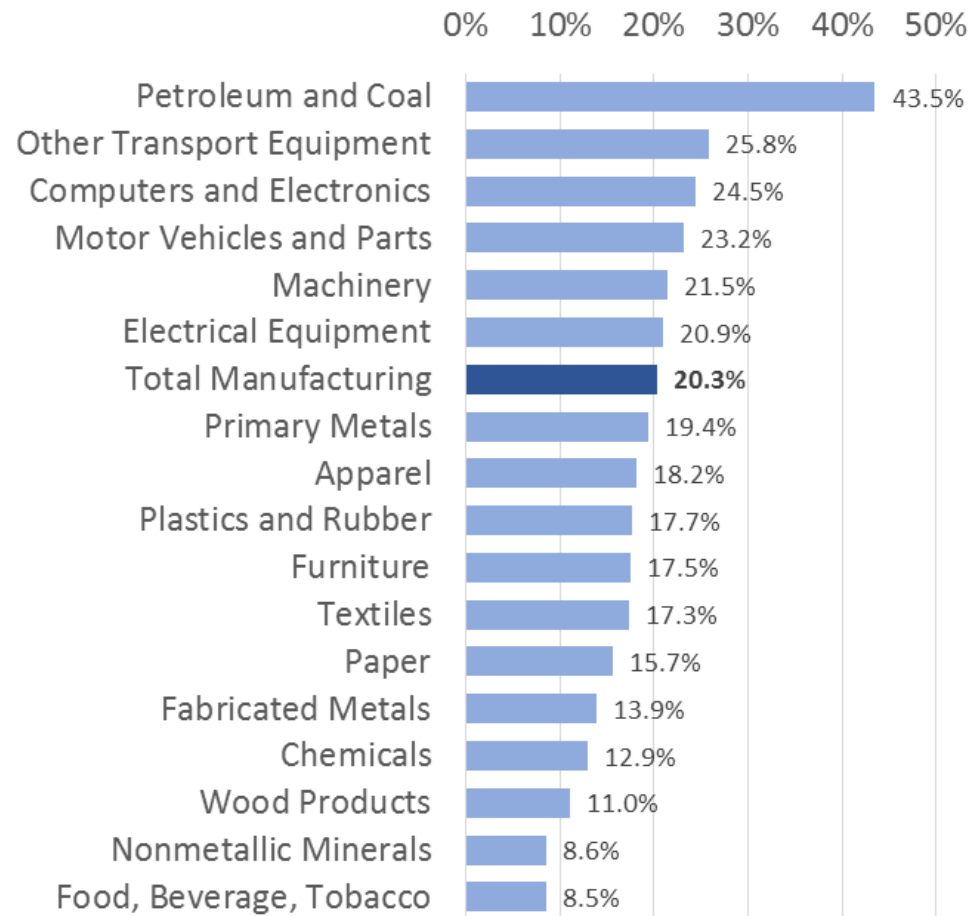
Oregon Office of
Economic Analysis





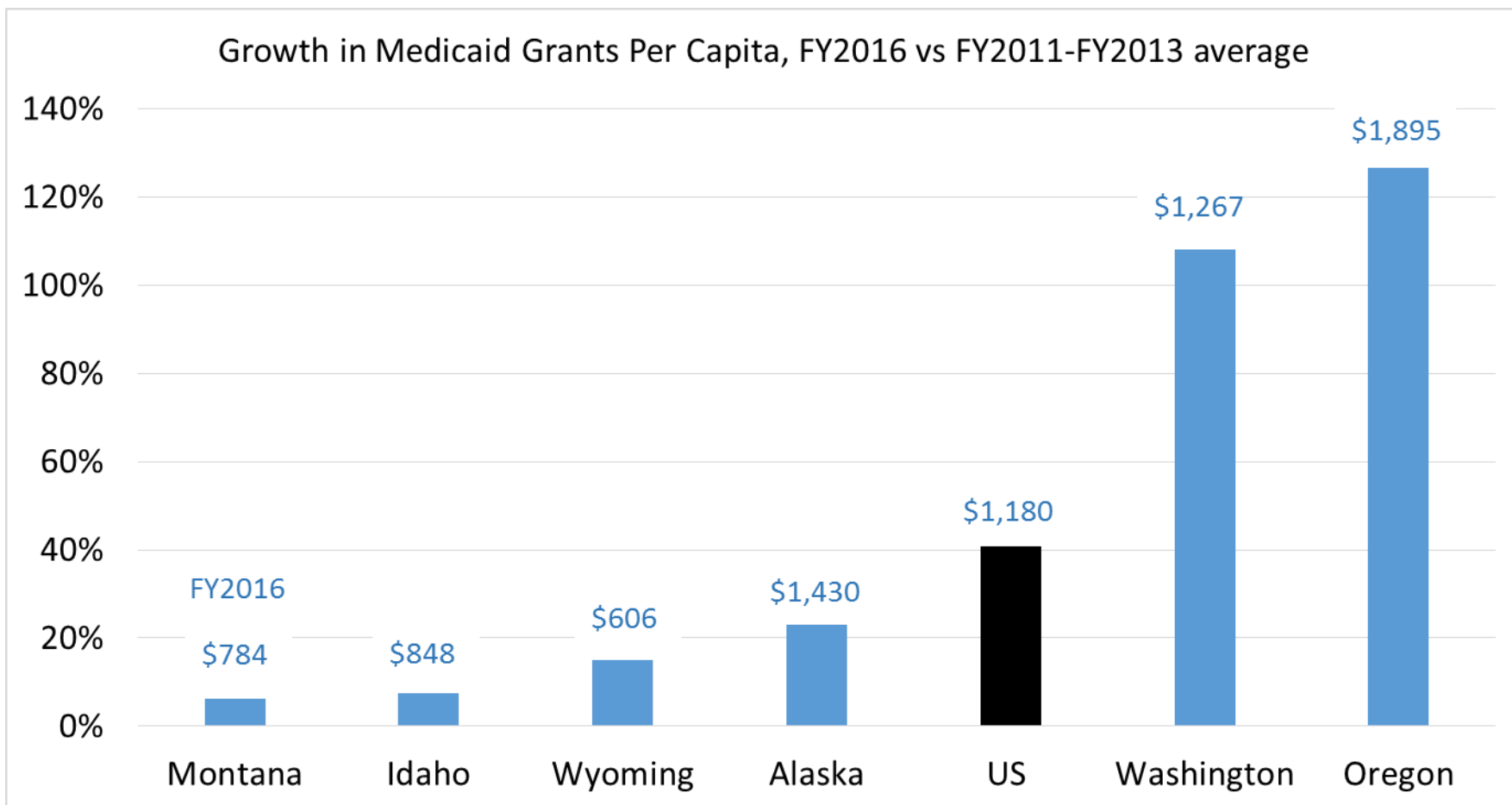
Global Supply Chains

Share of Intermediate Goods Imported by Manufacturers, 2014





Medicaid Expansion

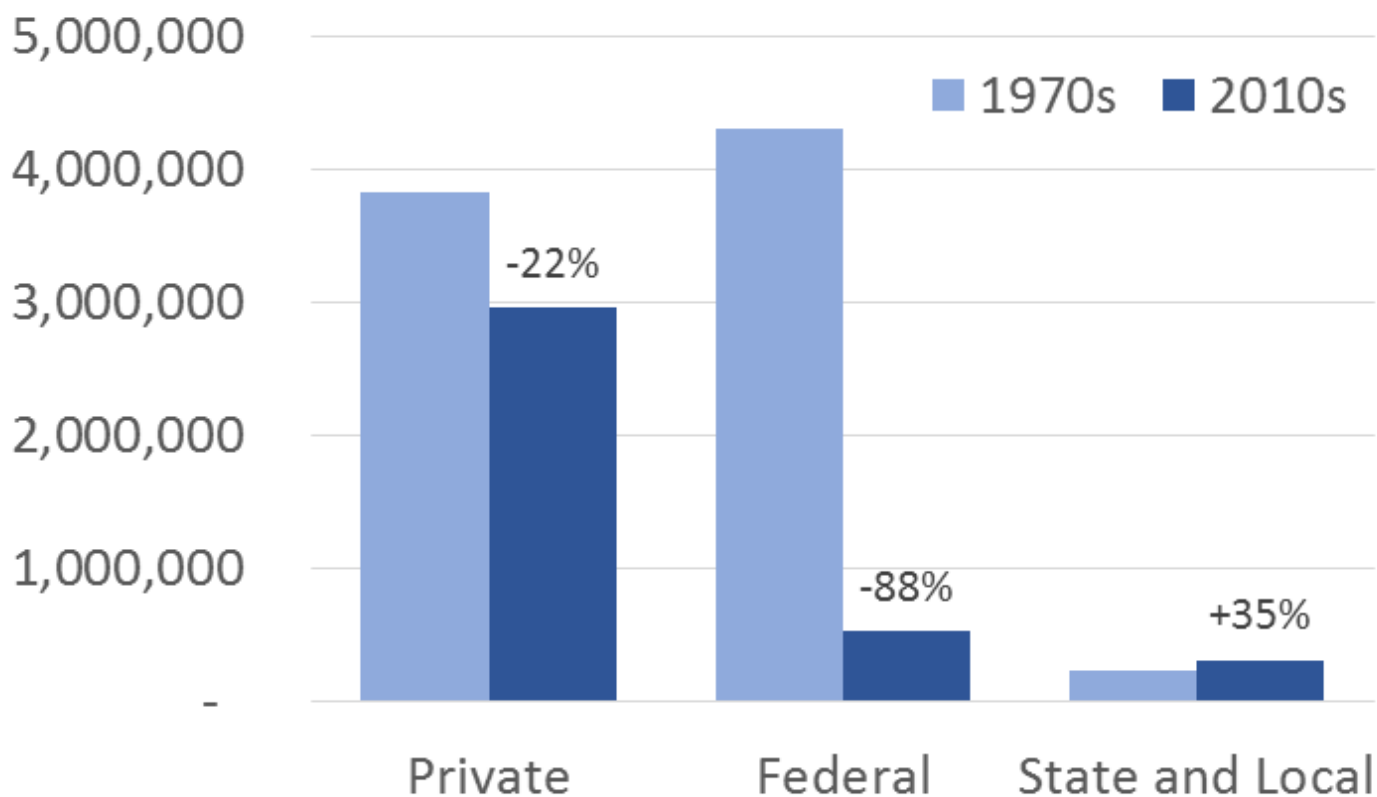




Federal Lands

Oregon Timber Harvest

Annual Average, Millions of Boardfeet



Source: Oregon Dept. of Forestry, Oregon Office of Economic Analysis



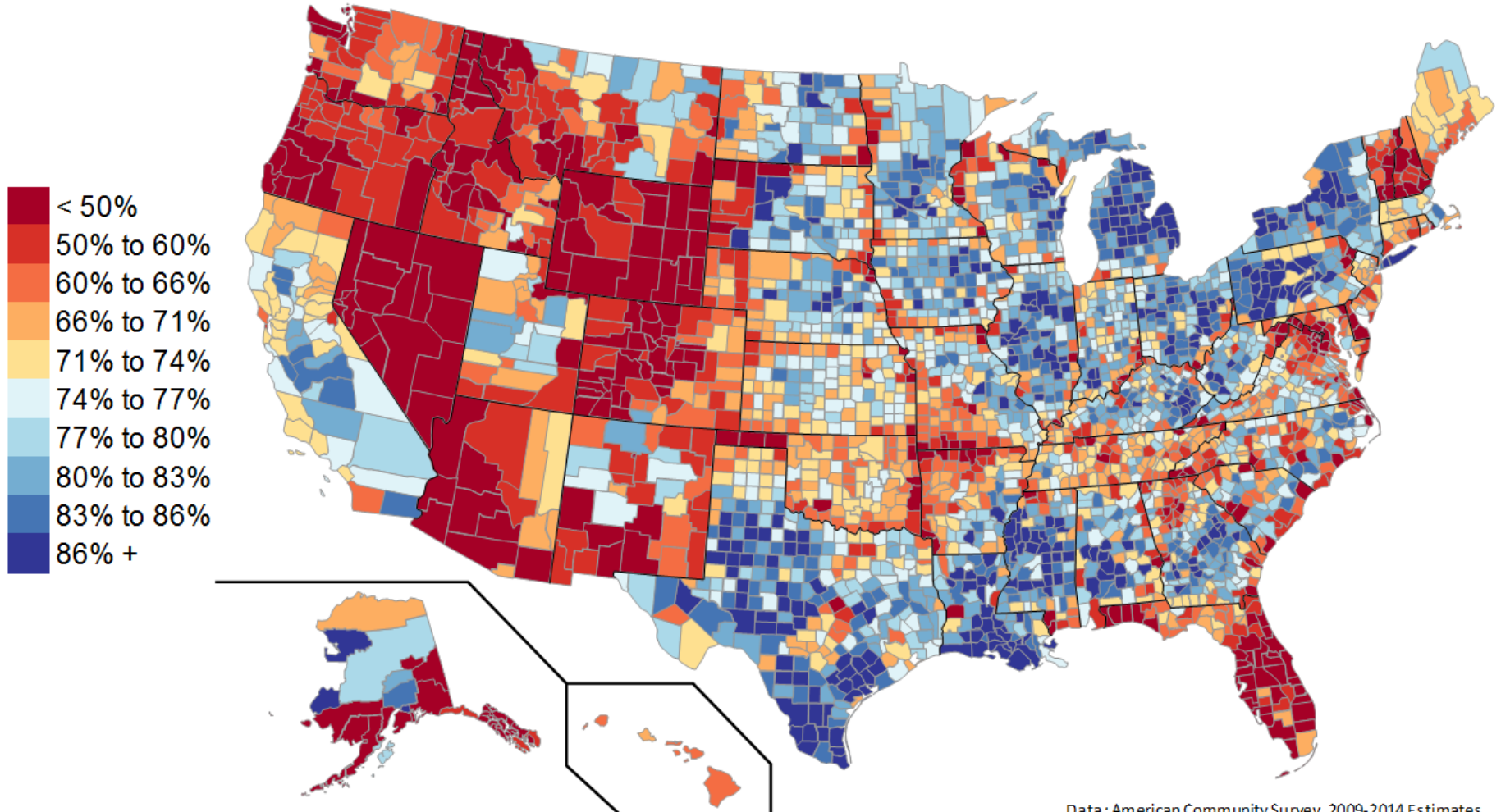
Oregon Office of
Economic Analysis





Our Regional Advantage

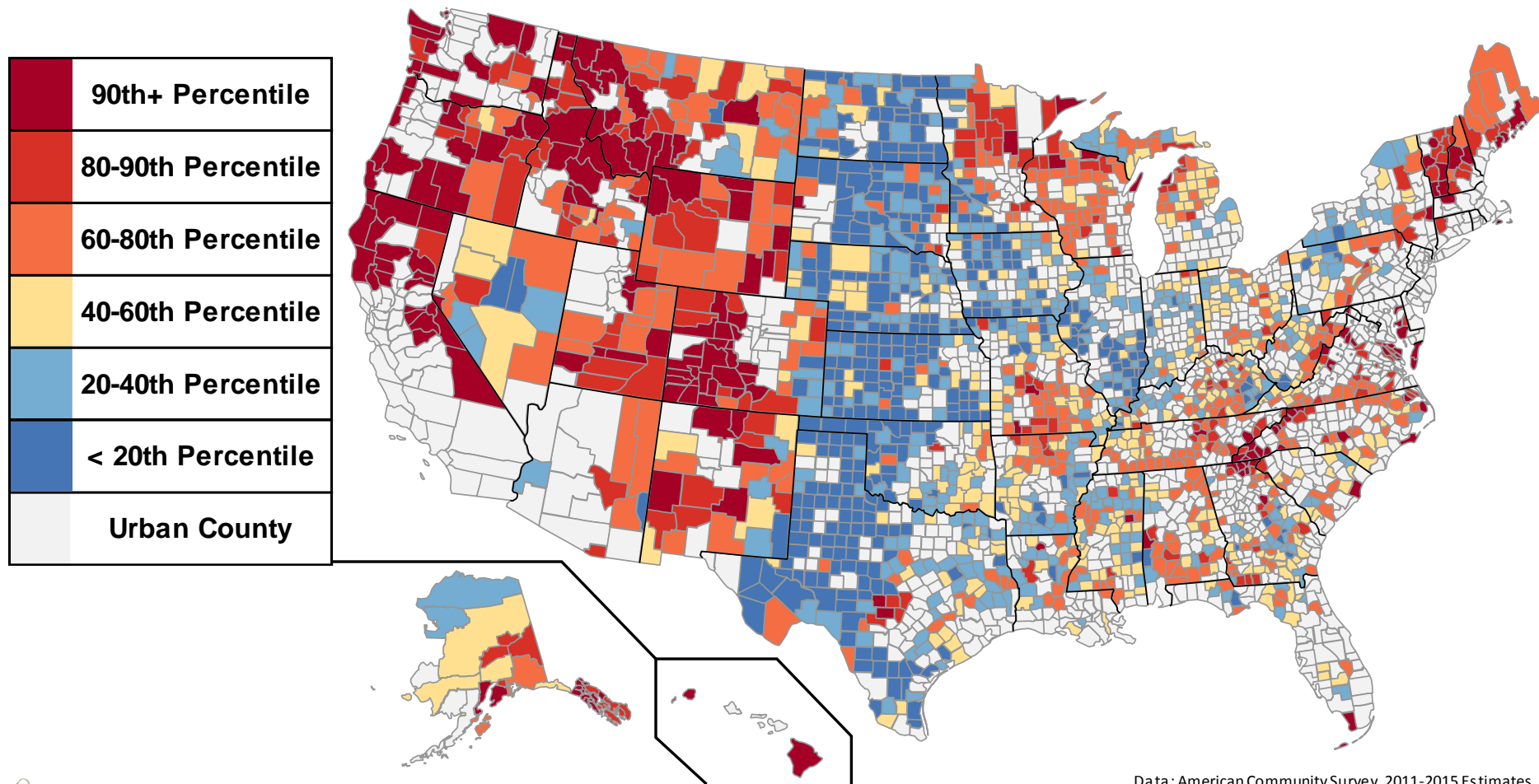
U.S. Born Population Living in State of Birth, 2014





Risk: Housing Affordability: Not Just an Urban Issue

Rural Housing Affordability (Price to Income Ratio)



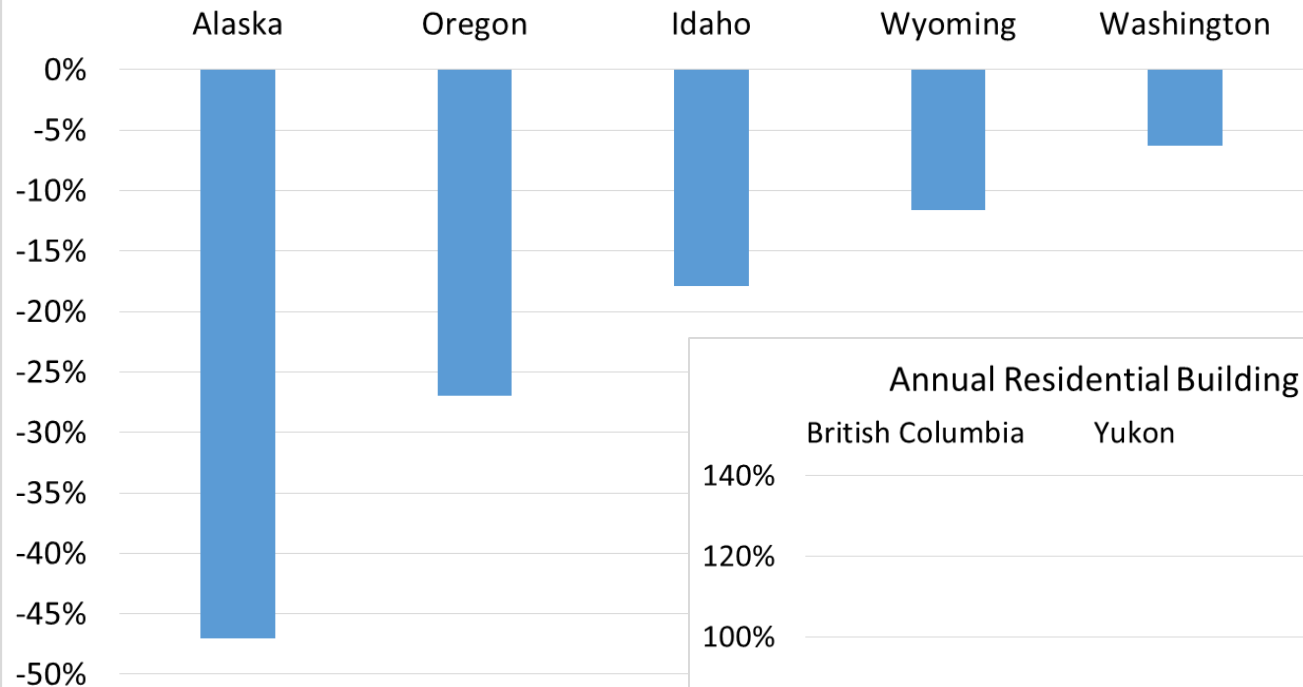
Data: American Community Survey, 2011-2015 Estimates
Source: Census, Oregon Office of Economic Analysis
Map Template: www.clearlyandsimply.com



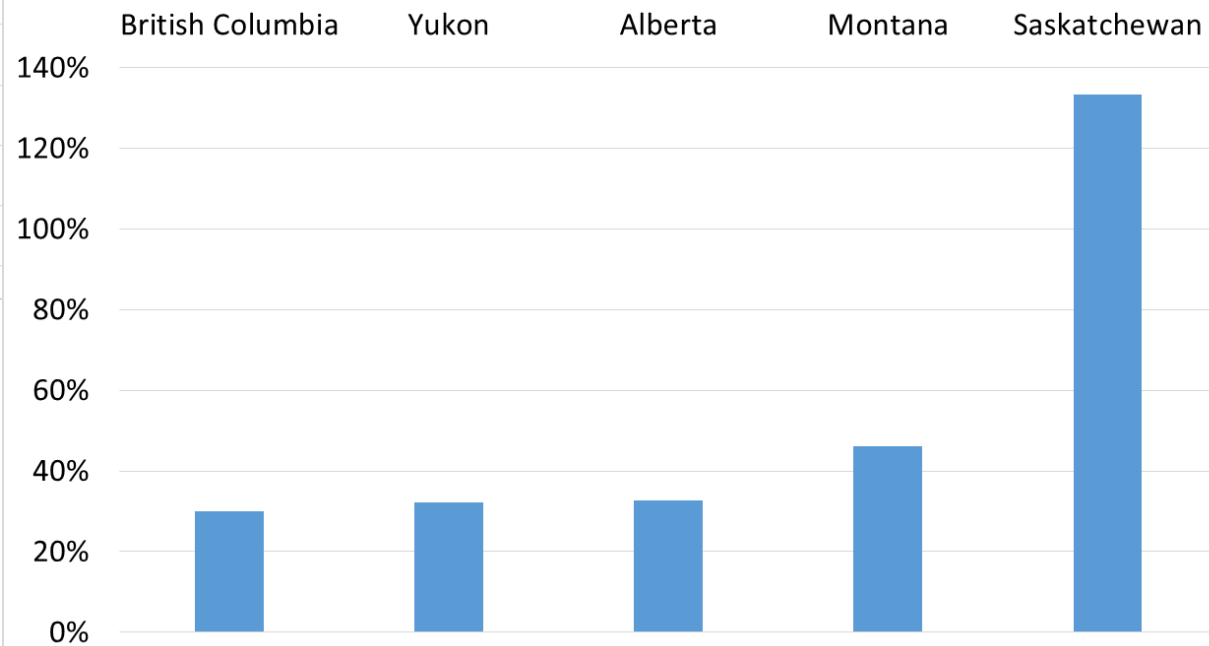


Lack of Building Across Most of the US

Annual Residential Building Permits, 2014-2016 vs 1994-2004



Annual Residential Building Permits, 2014-2016 vs 1994-2004

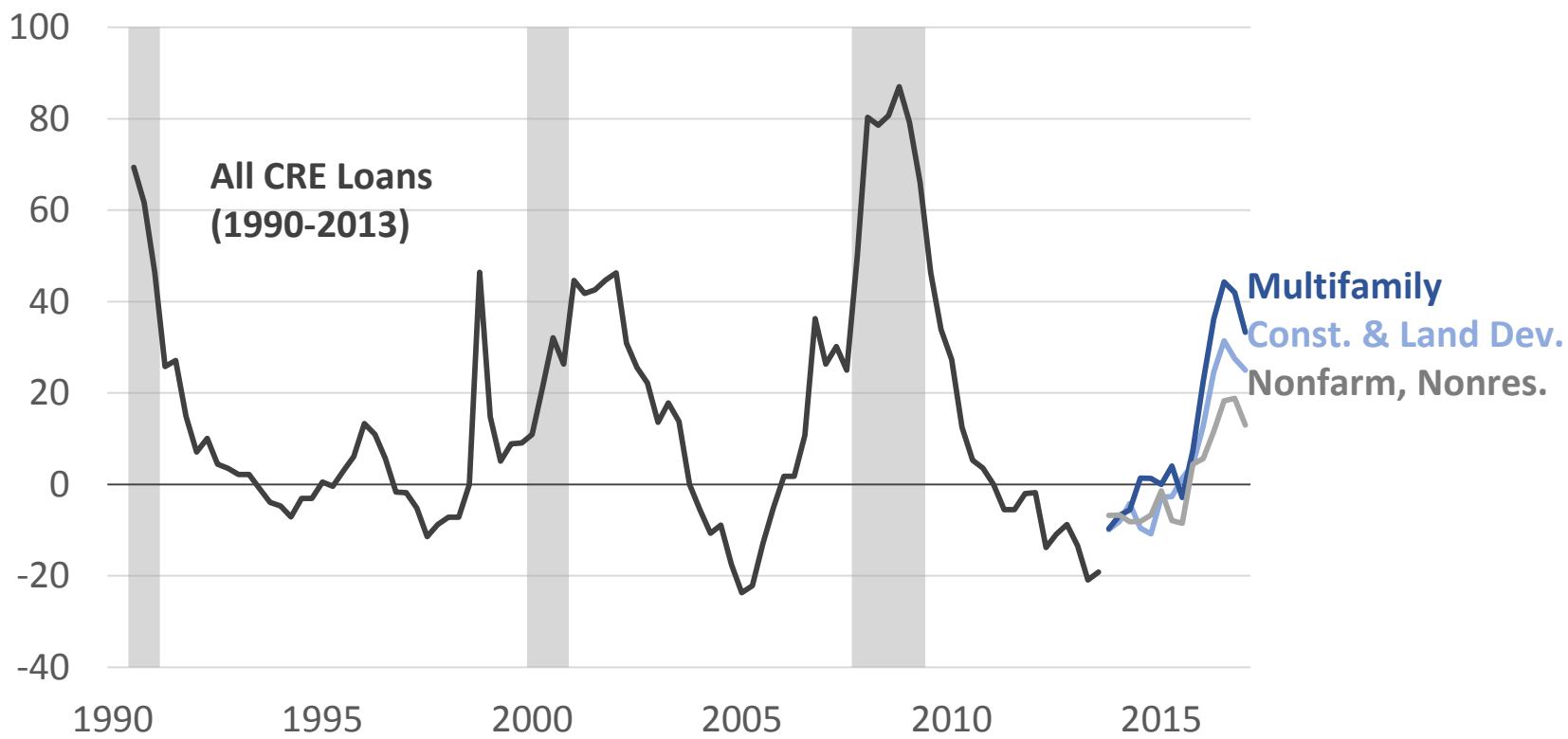




What Is Broken?

Commercial Real Estate Lending Standards

Net Percentage of Domestic Banks Tightening



Latest Data: 2017q1 | Source: Federal Reserve, Oregon Office of Economic Analysis



Oregon Office of
Economic Analysis





Lots and Credit

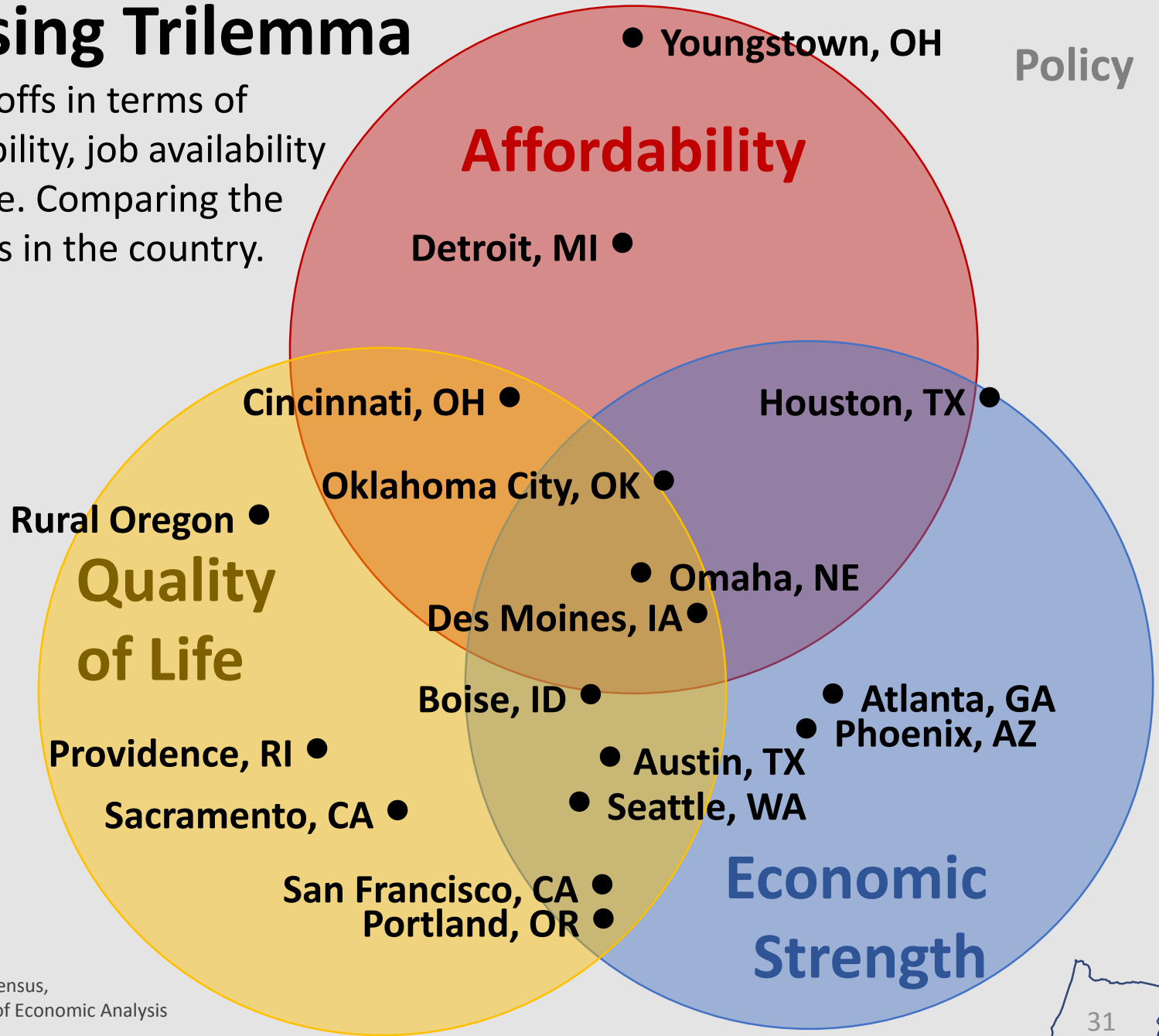
- Dave Crowe, NAHB's former Chief Economist
 - **2014**: “The land shortage is the result of tight credit for developers who have been unable to buy raw land and develop sites for builders.”
<http://eyeonhousing.org/2014/08/builders-confidence-continues-to-build-2/>
 - **2015**: “... lot supply continues to be the biggest concern among builders ... very limited access to capital from regional and community banks ...”
<http://eyeonhousing.org/2015/07/builder-sentiment-reaches-new-high/>



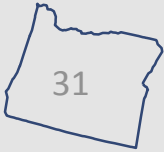
The Housing Trilemma

Cities face tradeoffs in terms of housing affordability, job availability and quality of life. Comparing the 100 largest MSAs in the country.

Policy



Source: David Albouy, BEA, BLS, Census, IHS Global Insight, Oregon Office of Economic Analysis





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