

NeRC

Northwest Economic Research Center
College of Urban and Public Affairs



BEND *Chamber*
ECONOMIC
IMPACT
BREAKFAST
PacificSource
HEALTH PLANS

Economic Update:
As Good As It Gets?
Must All Good Things
Come to an End?

About NERC

Established in 2011

Hosted by the College of Urban and Public Affairs (CUPA)

Directed by Dr. Thomas Potiowsky

Assisted by Dr. Jenny H Liu



NeRC

NORTHWEST ECONOMIC RESEARCH CENTER
COLLEGE OF URBAN AND PUBLIC AFFAIRS
PORTLAND STATE UNIVERSITY

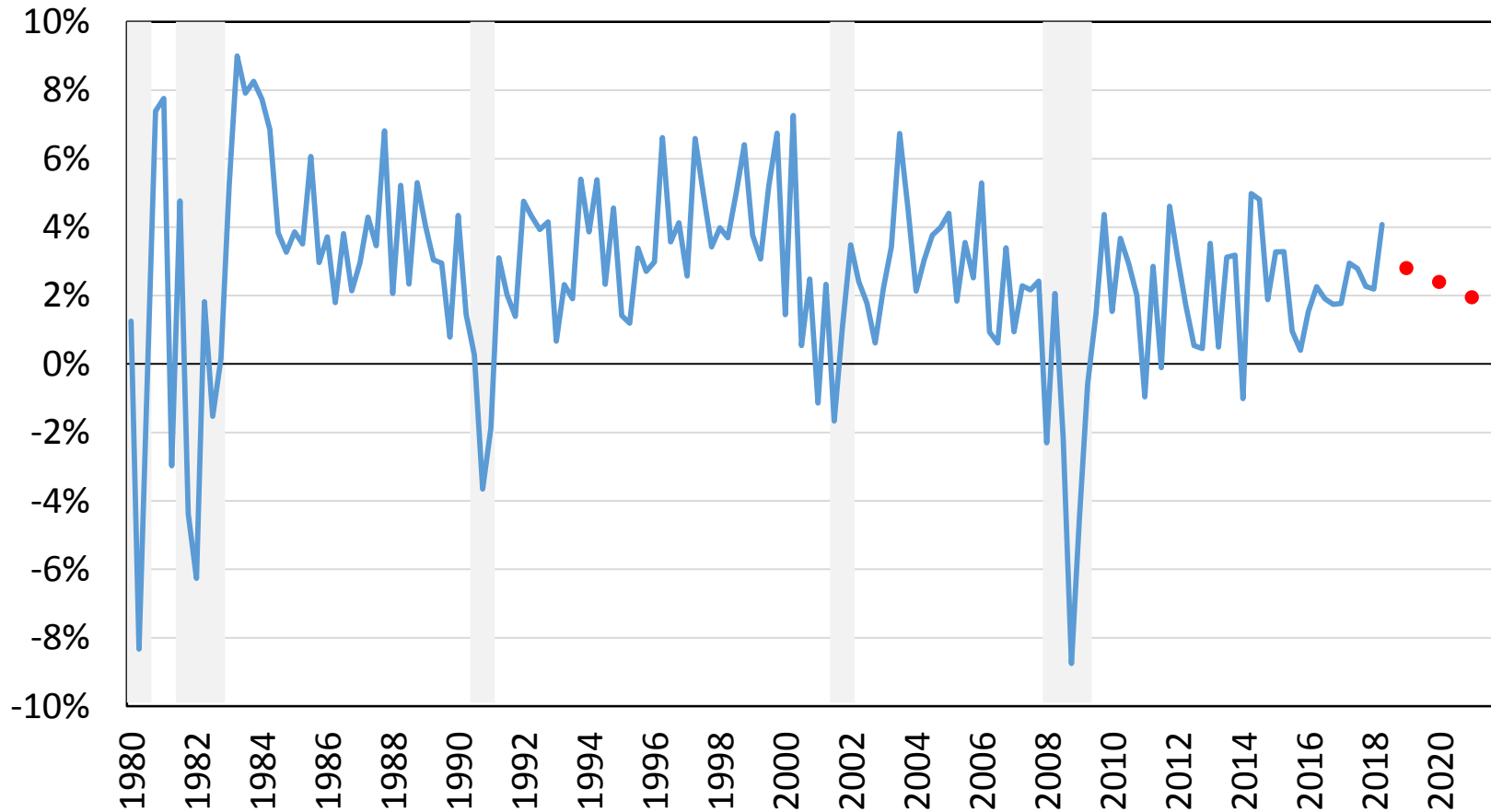
10/28/2018

Photo Credit: www.wheretowillie.com

U.S. Economy and Pacific NW

Gross Domestic Product Growth, U.S.

Annualized Quarterly Percent Change, 1980Q1-2021Q4, dots indicate Fed forecasts



Annual Percentage Change in Real GDP (2009 Dollars)

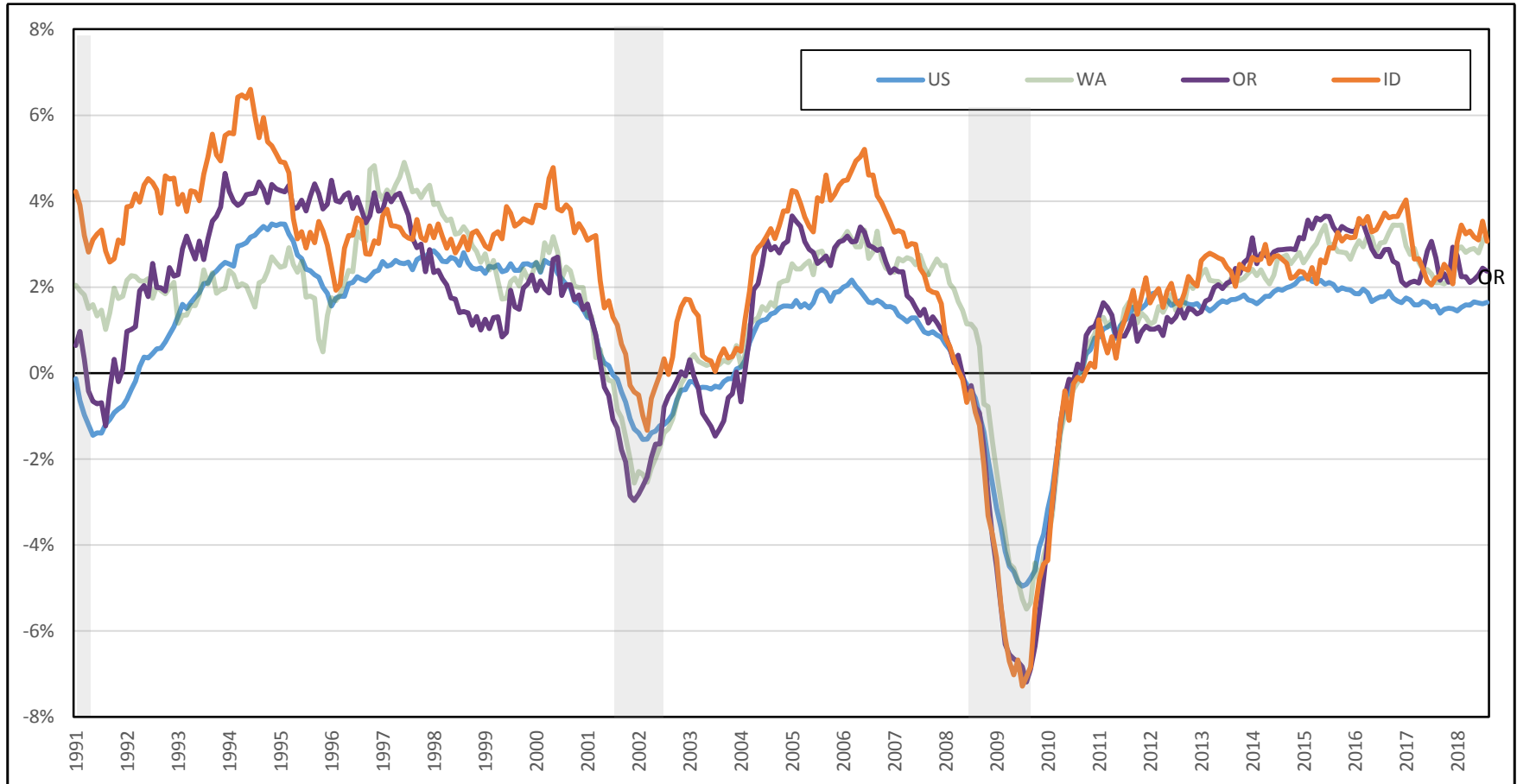


Components of Real GDP for 2018 for 2nd Quarter

- Consumer Spending ↑ Durables strong ↑; personal savings ↓
but up over 2017
- Business Investment ↓ slightly
 - Total Nonresidential structures ↑ helped by mining and wells – commercial and health care ↓; manufacturing ↓; power and communications ↑
 - Equipment ↑ lead by computer
- Housing ↓
 - After an okay 4Q 2017, weakness in Q1 and Q2 this year in both single and multifamily
- Net International Trade ↑ agricultural goods ↑ 100.7% (soybeans)
- Government ↑
 - Fed spending ↑ Defense ↑ Nondefense flat
 - Local and State ↑

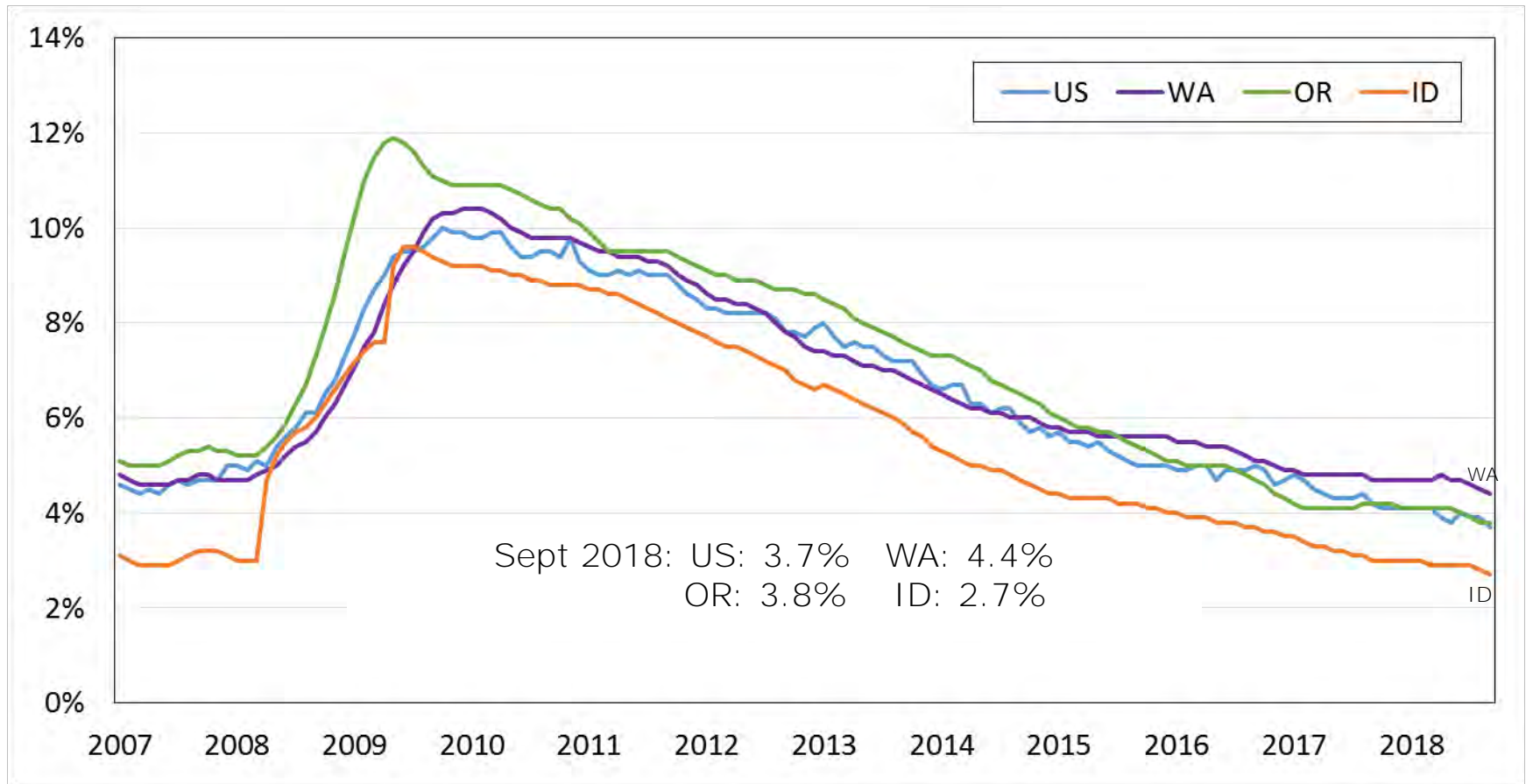
Total Nonfarm Employment: U.S., WA, OR, ID

YoY Growth Rate, Monthly, January 1991-August 2018



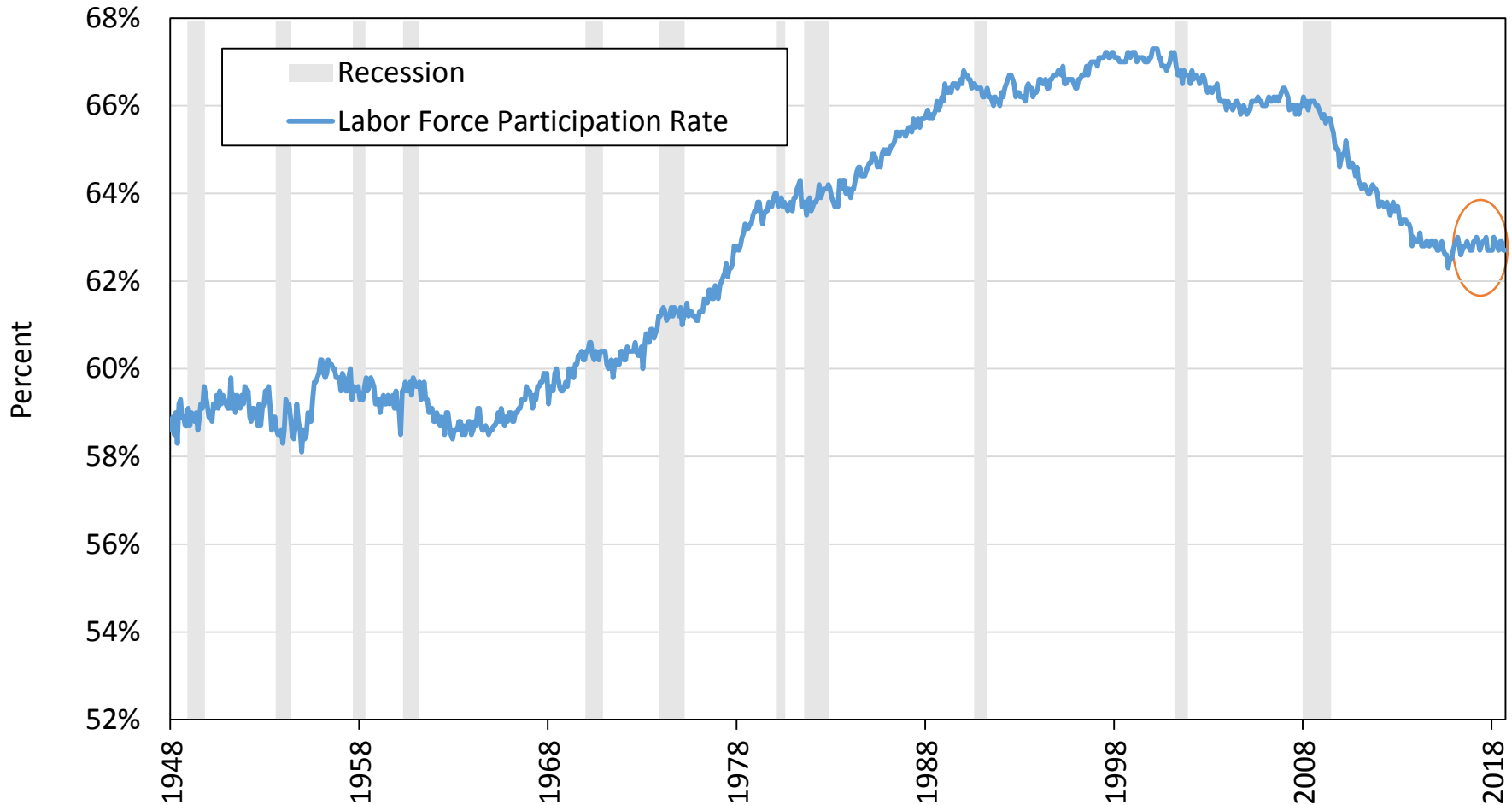
Civilian Unemployment Rate

Seasonally adjusted, Monthly, Jan 2007 – September 2018



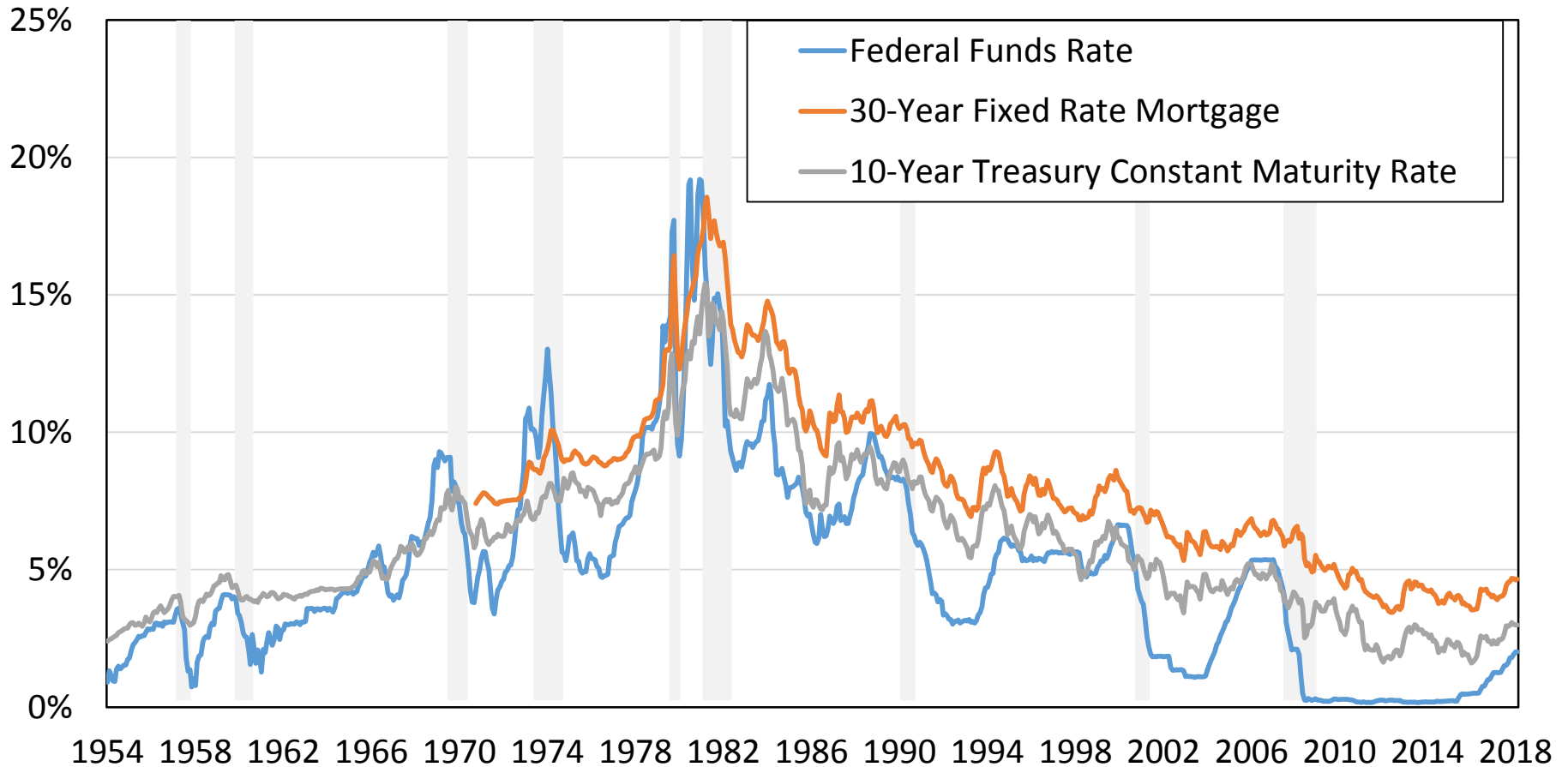
US Civilian Labor Force Participation Rate

Seasonally Adjusted, Monthly, Jan 1948 - Sept 2018



Various Interest Rates

Percent, Monthly, July 1954-August 2018

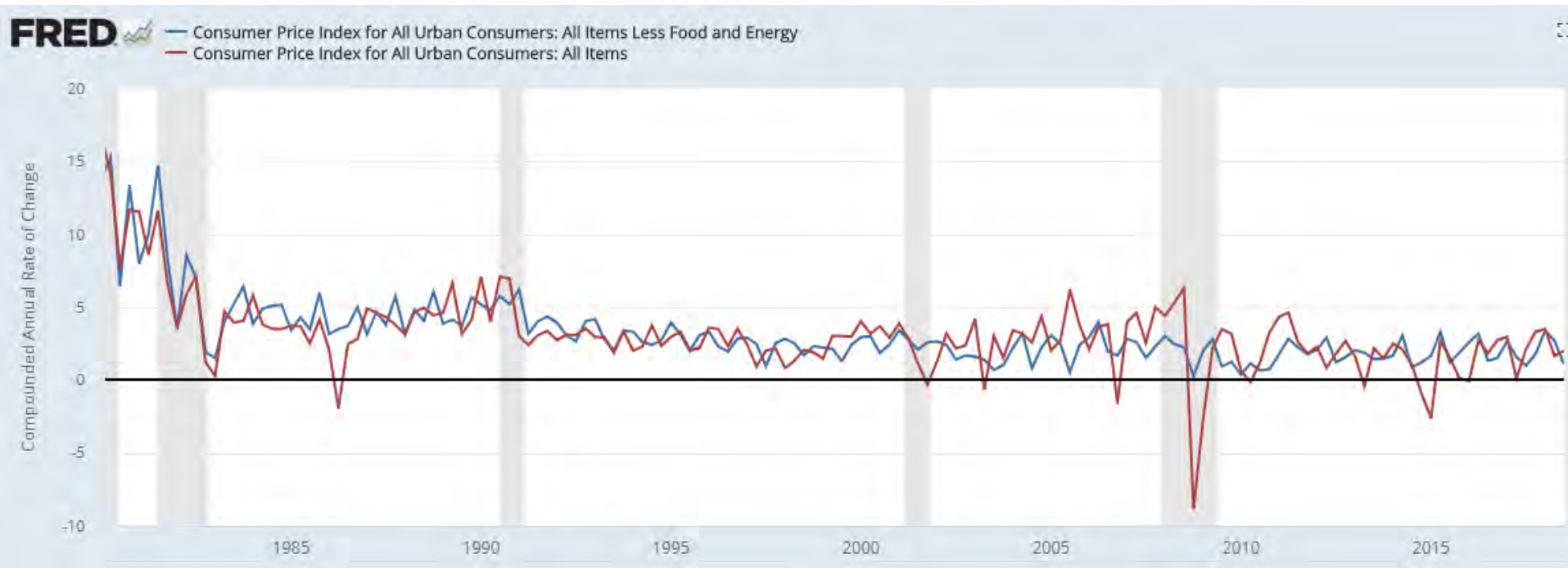


Economy MIA: Inflation and Faster Wage Increases



Consumer Price Index

Annualized Quarterly Rate of Change
1980 – Q2 2018



RIP: The Portland-Salem Consumer Price Index is Discontinued

Average Annual Rates of Change			
Year	US CPI-U	Portland-Salem CPI-U	West CPI-U
2015	-0.4%	1.2%	1.2%
2016	1.0%	2.1%	1.9%
2017	2.1%	4.2%	2.8%

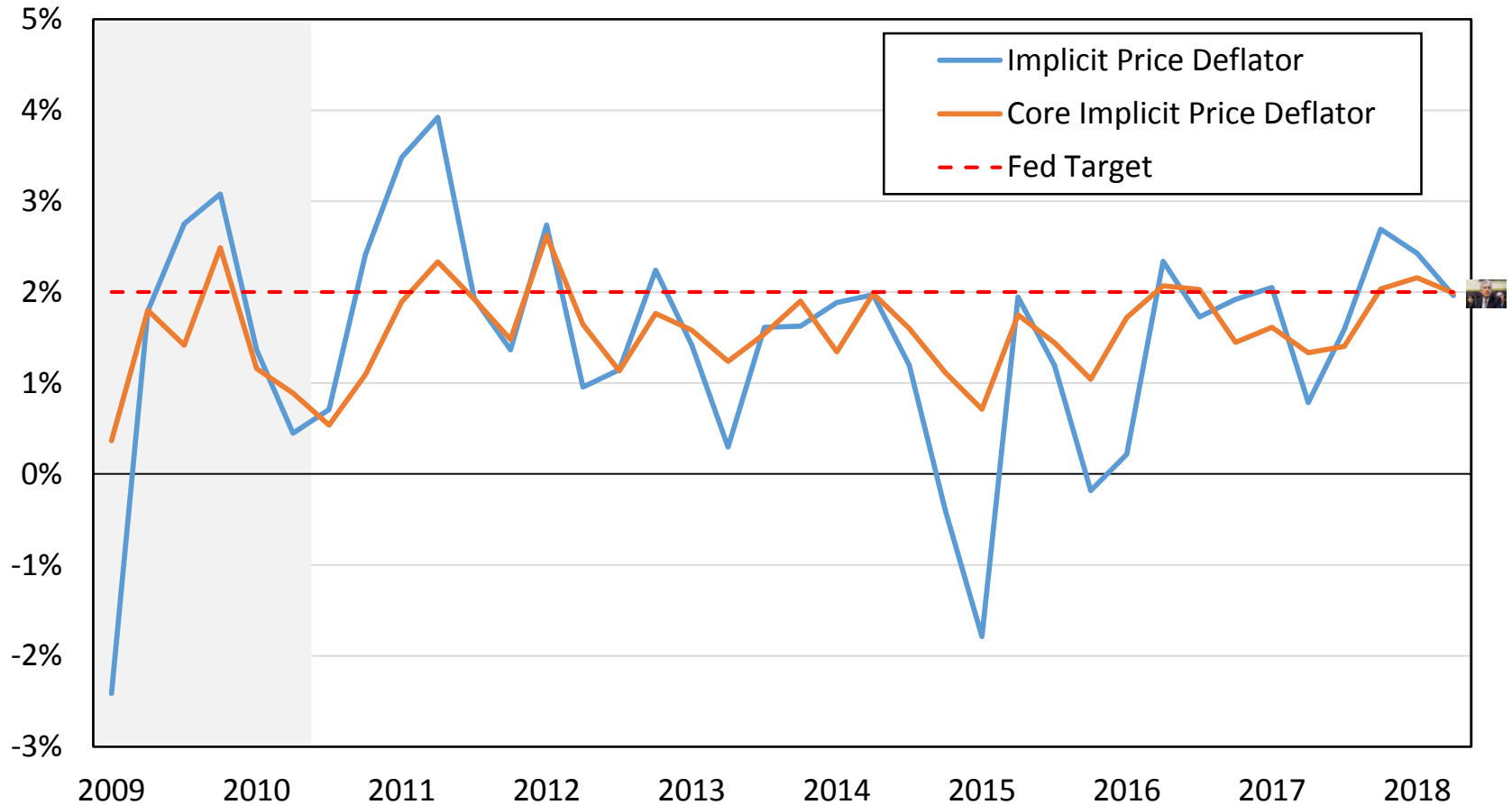
Source: BLS

Average Annual Rates of Change Year-over-Year			
Year	US CPI-U	West CPI-U	Pacific CPI-U*
1st Half 2018	2.6%	3.3%	3.2%

* 1st half 2017 not available.
Annualized from 1st half of 2018

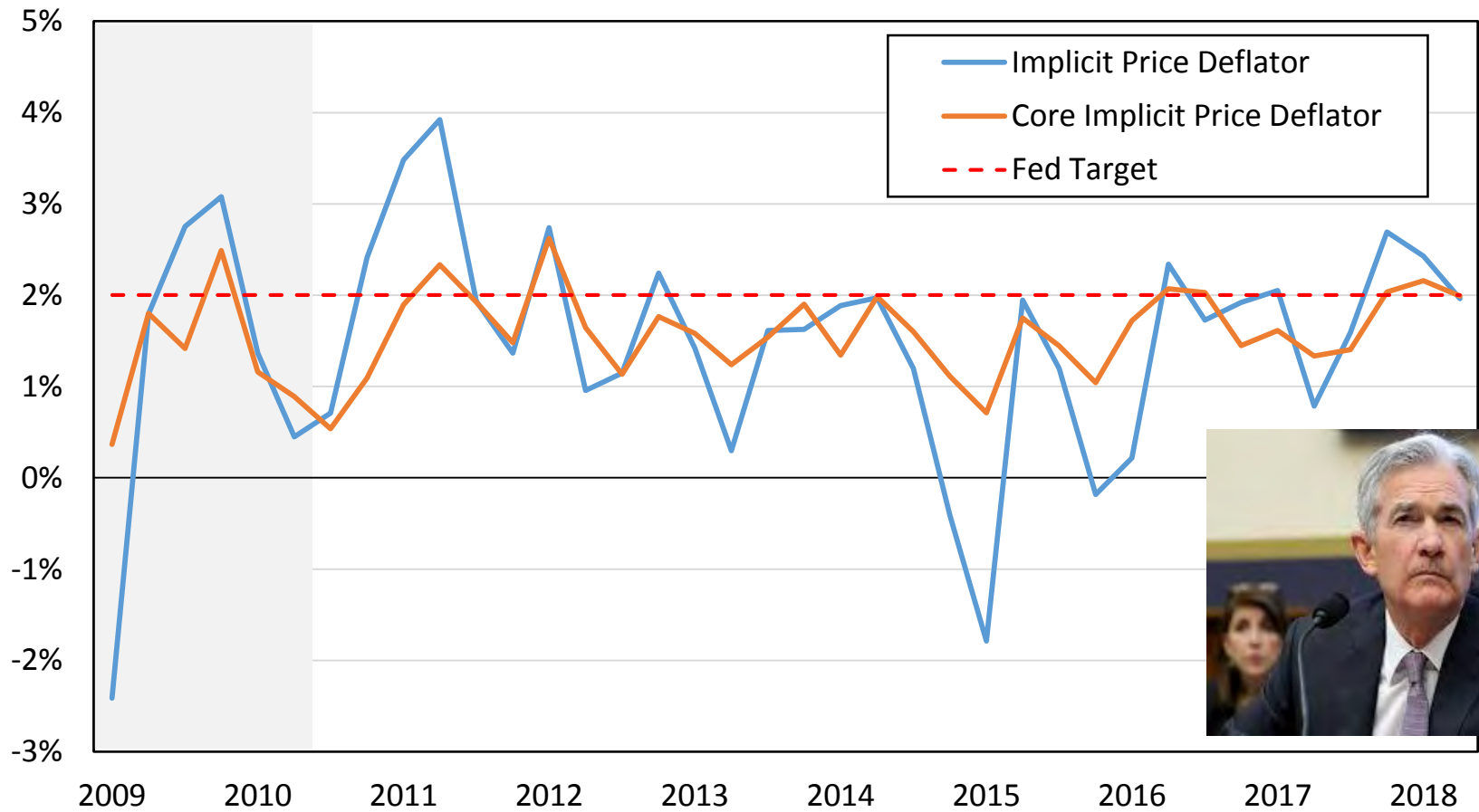
PCE Implicit Price Deflators

Continuously Compounded Annual Rate of Change, Quarterly, Seasonally Adjusted, 2009 Q1-2018 Q2



PCE Implicit Price Deflators

Continuously Compounded Annual Rate of Change, Quarterly, Seasonally Adjusted, 2009 Q1-2018 Q2



FRED — Average Hourly Earnings of All Employees: Total Private/Consumer Price Index for All Urban Consumers: All Items



Shaded areas indicate U.S. recessions

Source: U.S. Bureau of Labor Statistics

myf.red/g/lyju

FRED — Average Hourly Earnings of All Employees: Total Private

US 2007Q1 to 2018Q3



Shaded areas indicate U.S. recessions

Source: U.S. Bureau of Labor Statistics

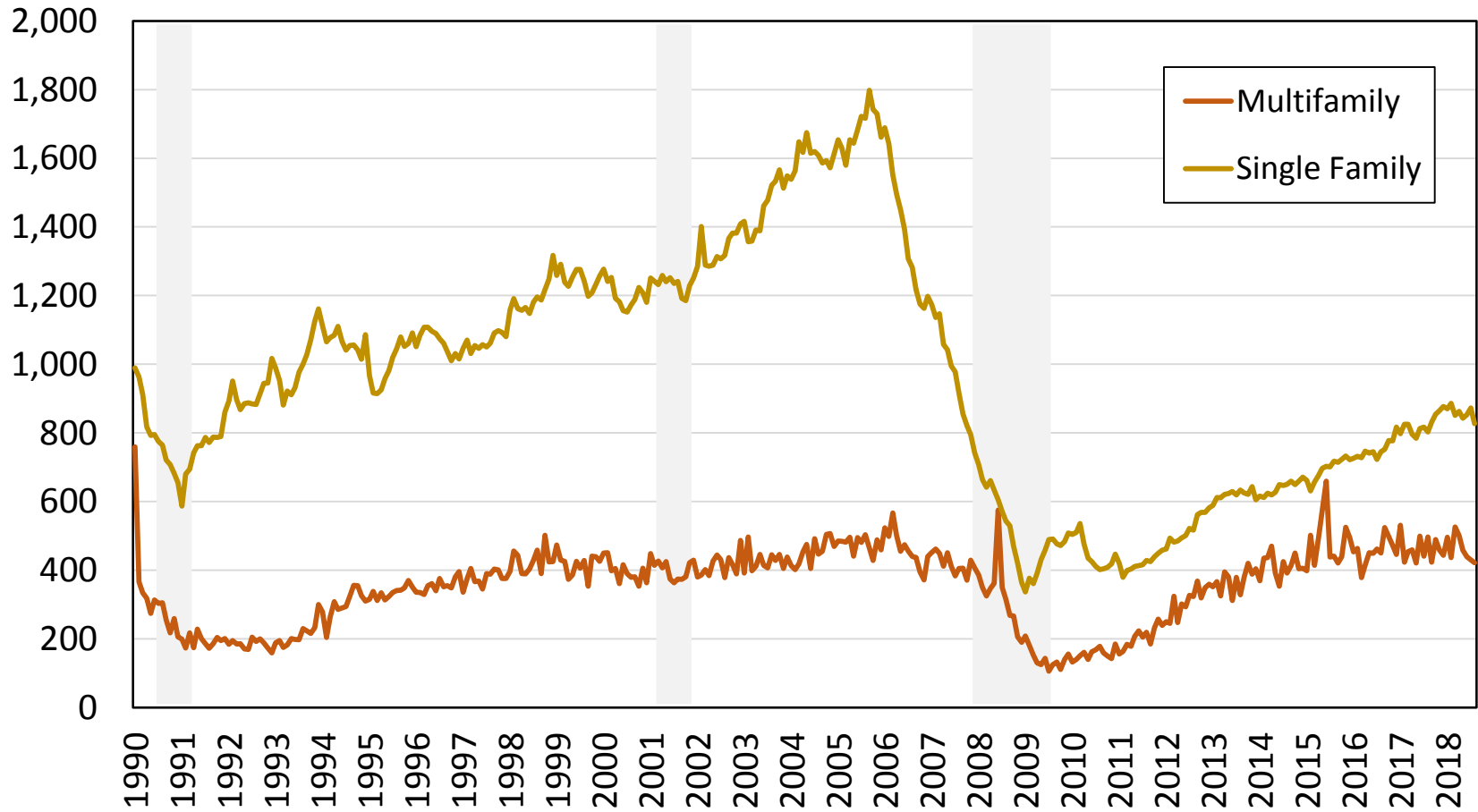
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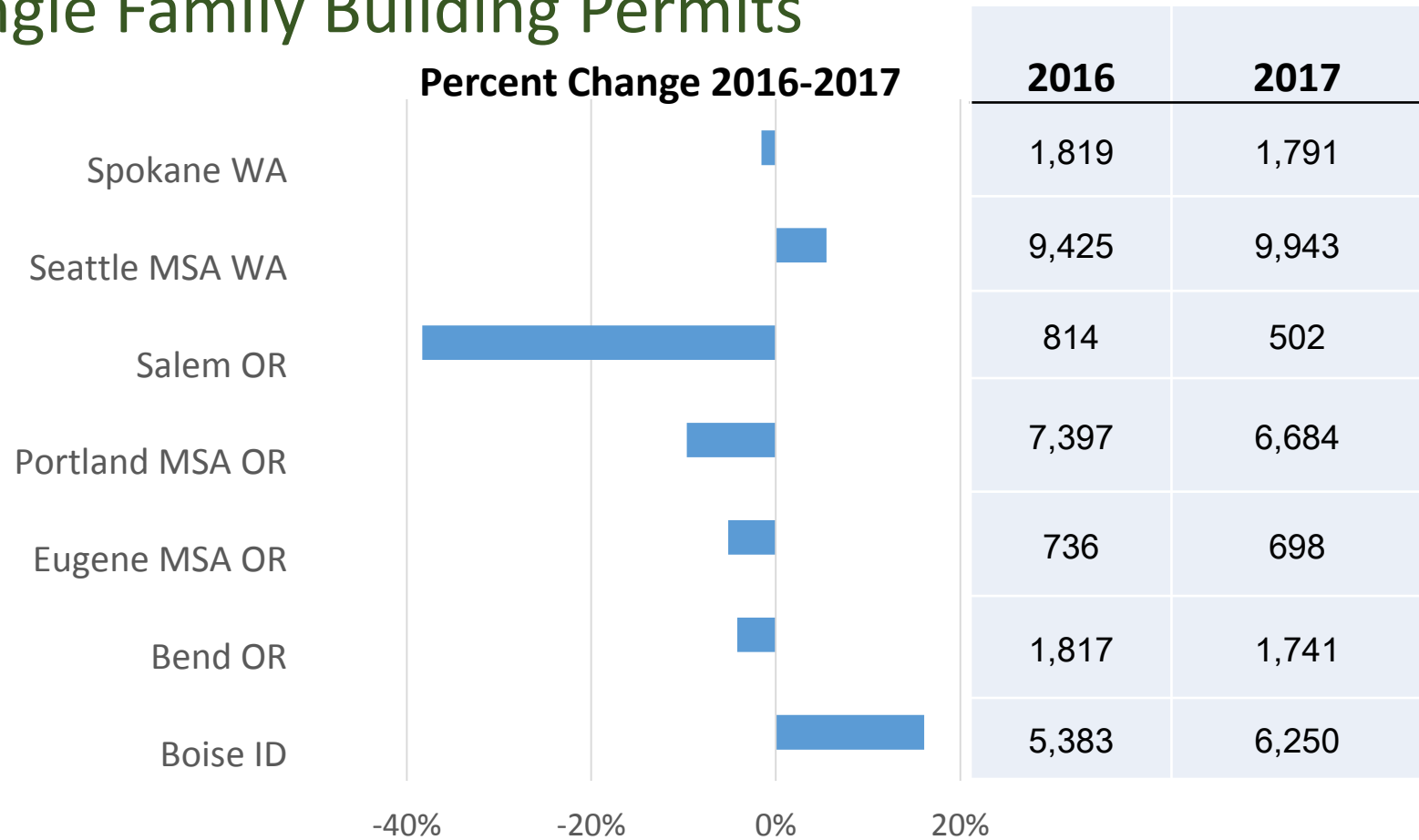
Housing

U.S. Housing Permits by Type

Thousands of Units, Monthly, Seasonally Adjusted, January 1990-August 2018

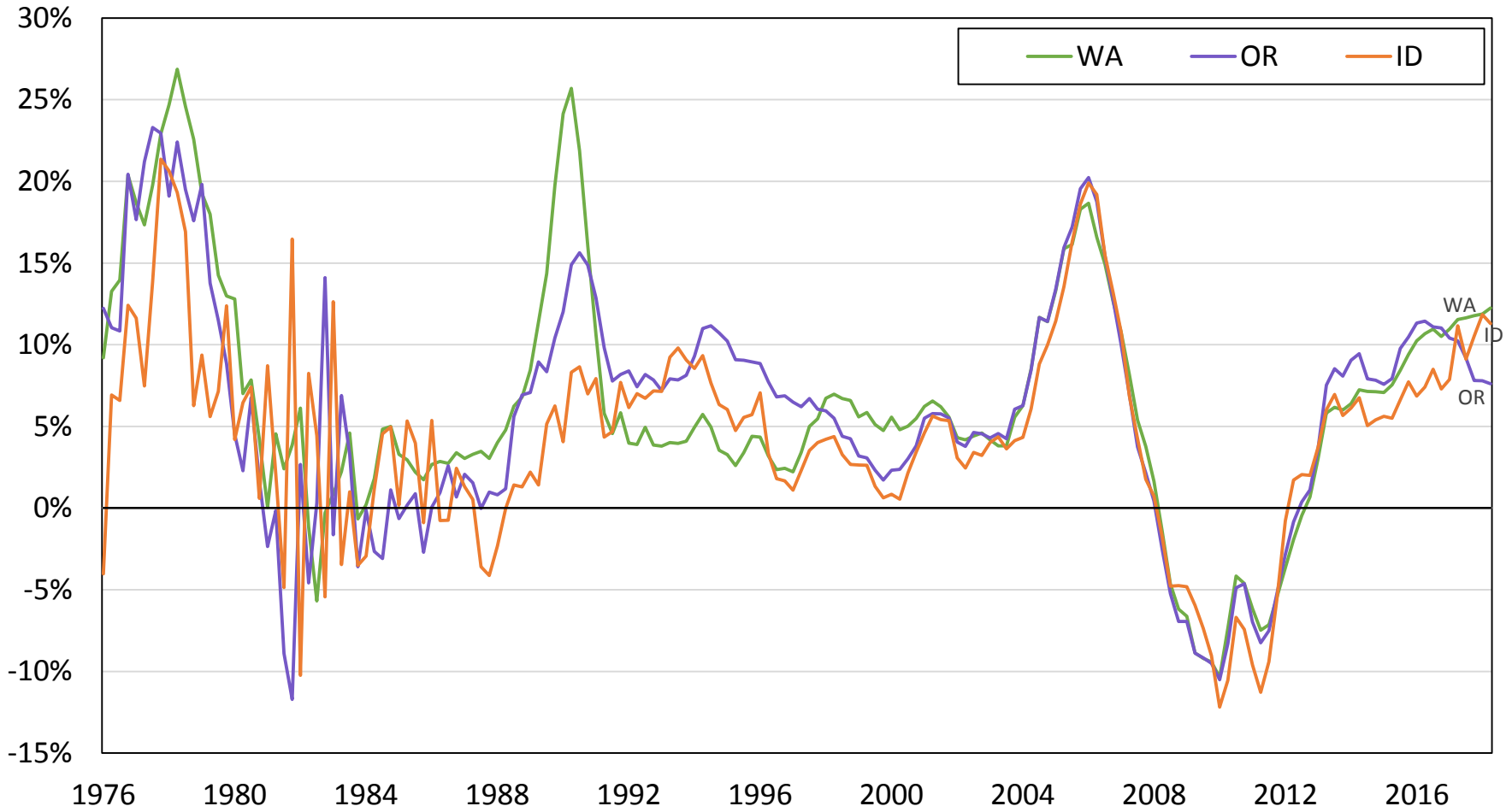


Oregon, Washington, and Idaho Cities and MSAs Single Family Building Permits



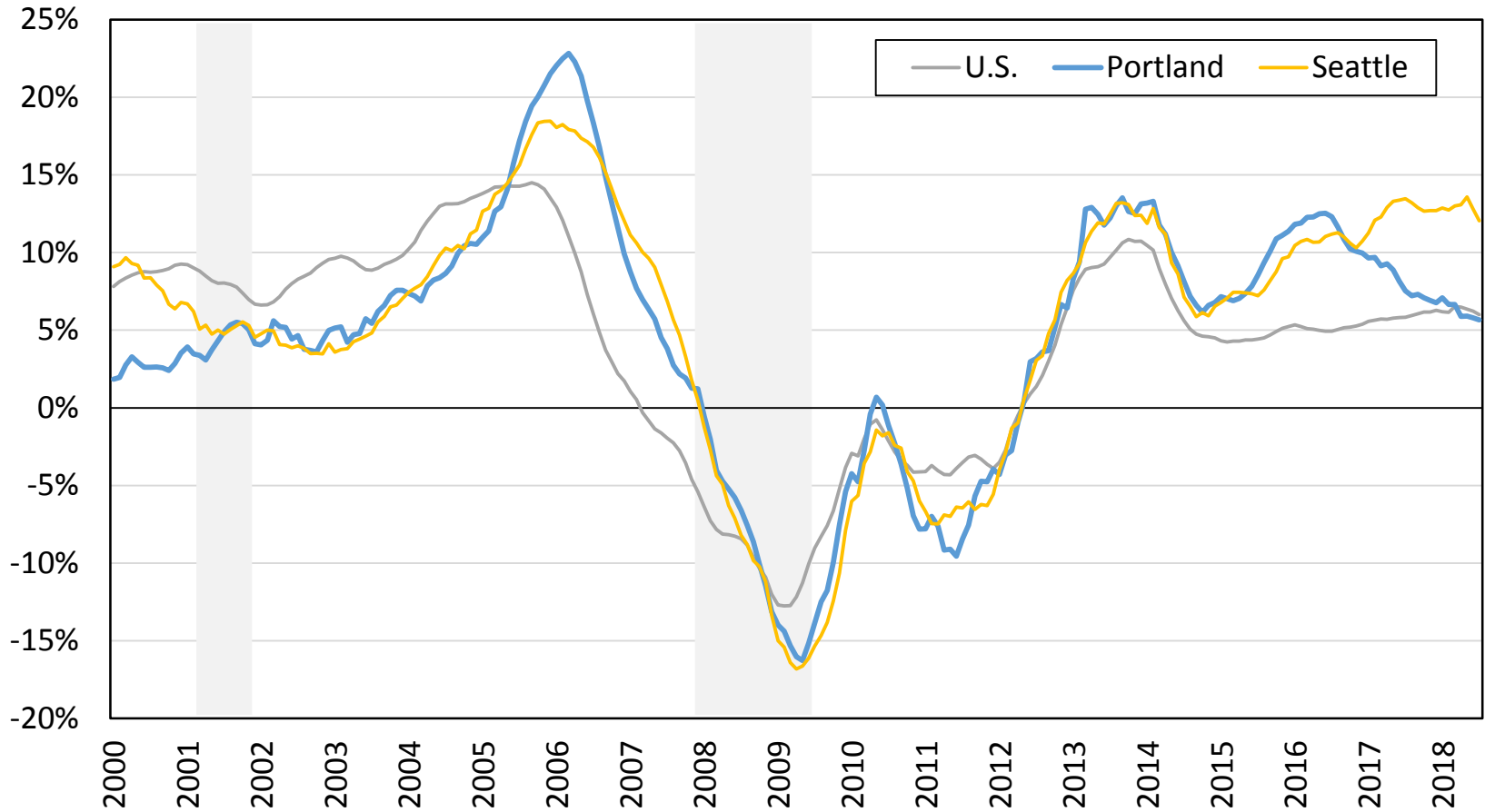
Source: U.S. Census Bureau; National Association of Home Builders

Housing Price Index Percent Change Year over Year (1975 – 2018 Q2)



Case-Shiller Index for Select Areas

YoY Percent Change, Monthly, January 2000 – July 2018



Economic Outlook: Sunny with a Chance of Showers

An economic forecaster is like a cross-eyed javelin thrower: they don't win many accuracy contests, but they keep the crowd's attention.
- Anonymous

Wall Street Journal Forecast Consensus October 2018 Forecast

WSJ Forecast	2018 Q1	2018 Q2	2018 Q3	2018 Q4	2019 Q1	2019 Q2	2019 Q3
GDP Growth (Quarterly)	2.2%	4.2%	3.4%	2.9%	2.5%	2.5%	2.3%

WSJ Forecast	Dec-18	Jun-19	Dec-19	Jun-20	Dec-20	Jun-21	Dec-21
Oil Prices	\$73.72	\$72.13	\$70.86	\$69.52	\$68.27	\$67.37	\$66.33

WSJ Forecast	2016	2017	2018	2019	2020
Housing Starts (millions)	1.17	1.20	1.28	1.31	1.33
Change in Home Prices	6.2%	6.7%	5.5%	4.1%	3.2%

Actual
Forecast

Wall Street Journal Forecast Consensus (Continued)

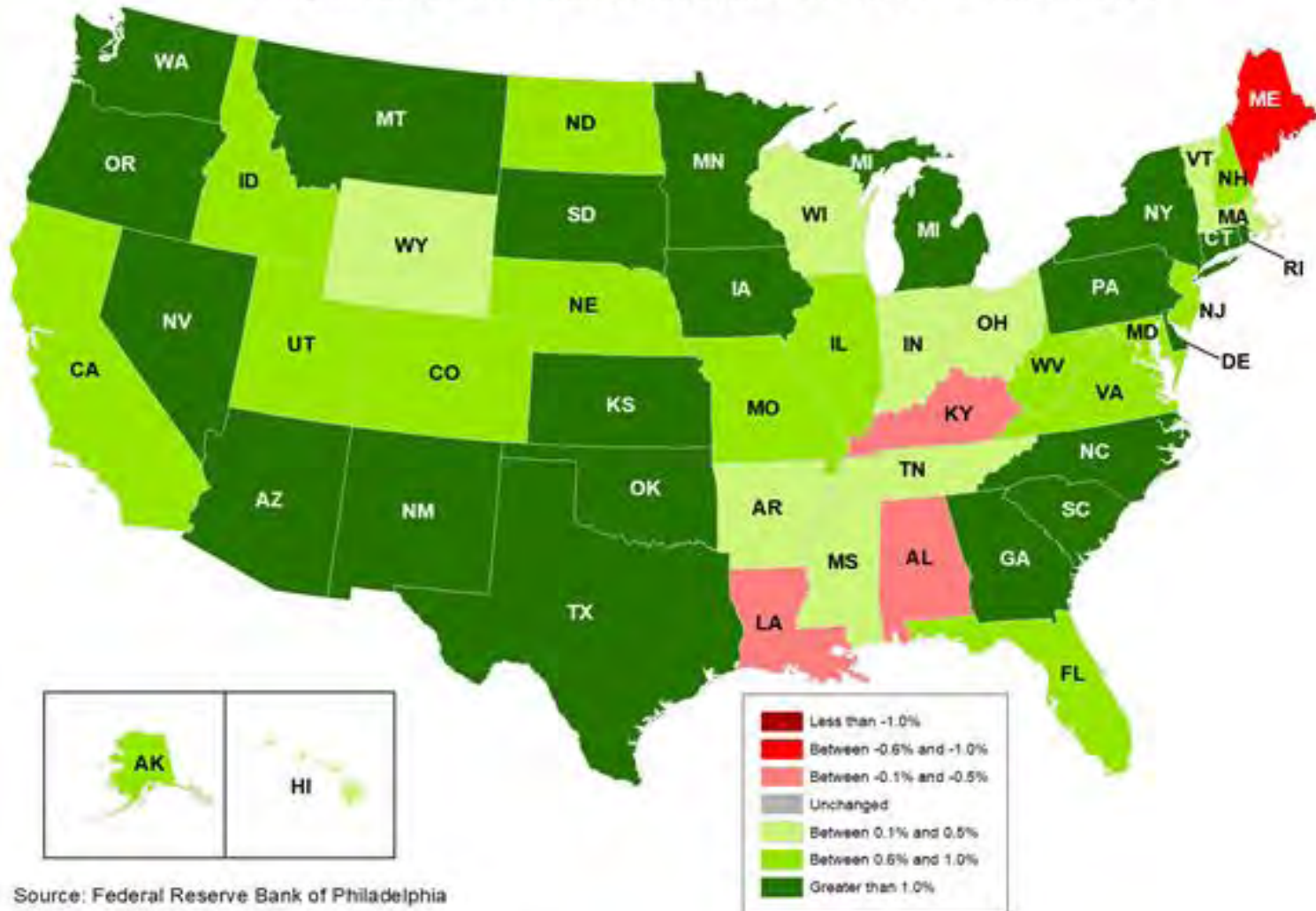
October 2018 Forecast

WSJ Forecast	Jun-18	Dec-18	Jun-19	Dec-19	Jun-20	Dec-20	Jun-21
CPI Growth	0.1%	2.5%	2.4%	2.3%	2.3%	2.3%	2.2%
Unemployment	4.0%	3.7%	3.6%	3.6%	3.7%	3.8%	4.0%
10 Year Note	2.85%	3.24%	3.40%	3.50%	3.49%	3.47%	3.52%
Fed. Funds Rate	1.88%	2.37%	2.82%	3.08%	3.15%	3.07%	3.04%

Actual

Forecast

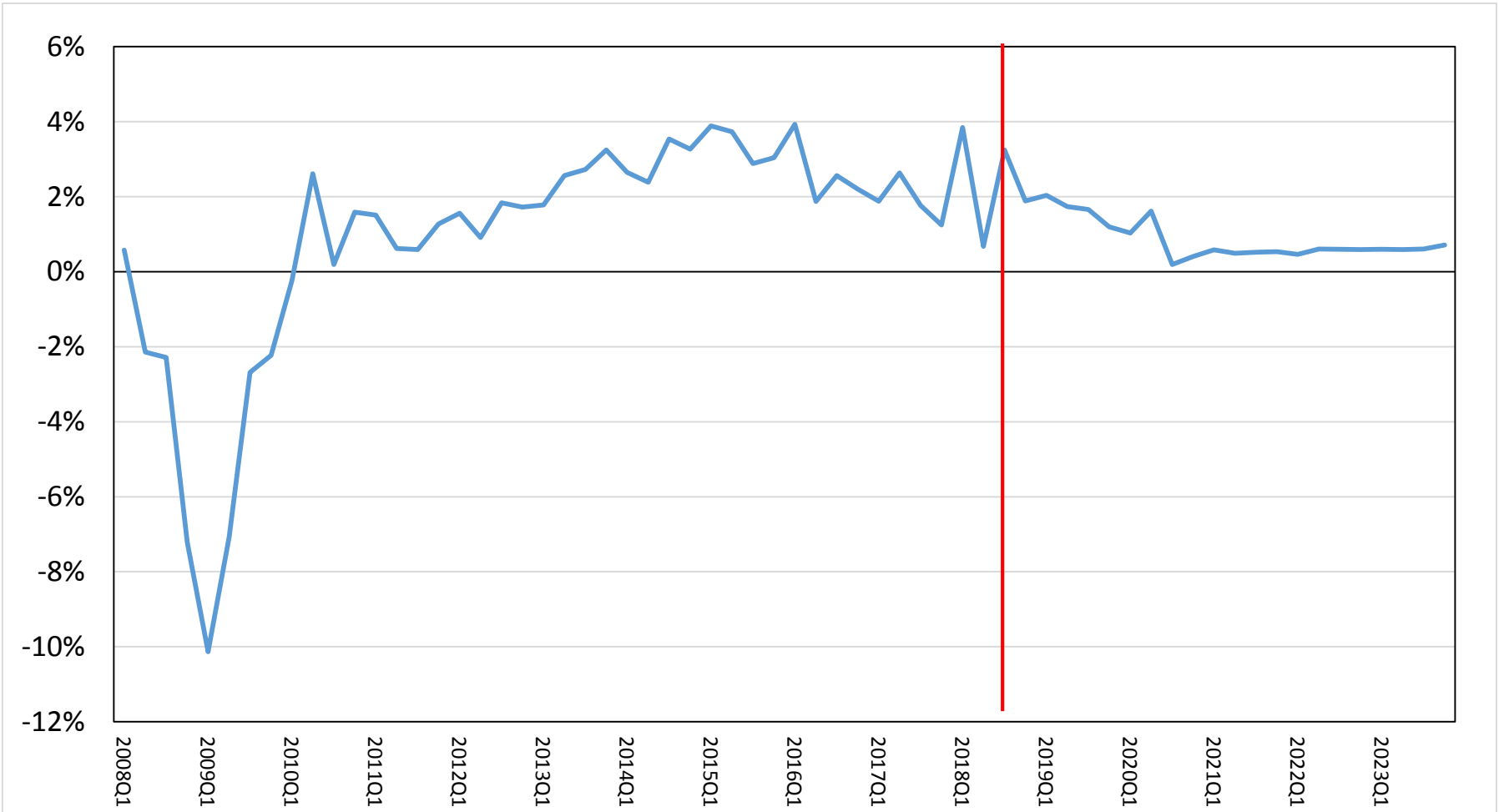
August 2018 State Coincident Indexes: Three-Month Change



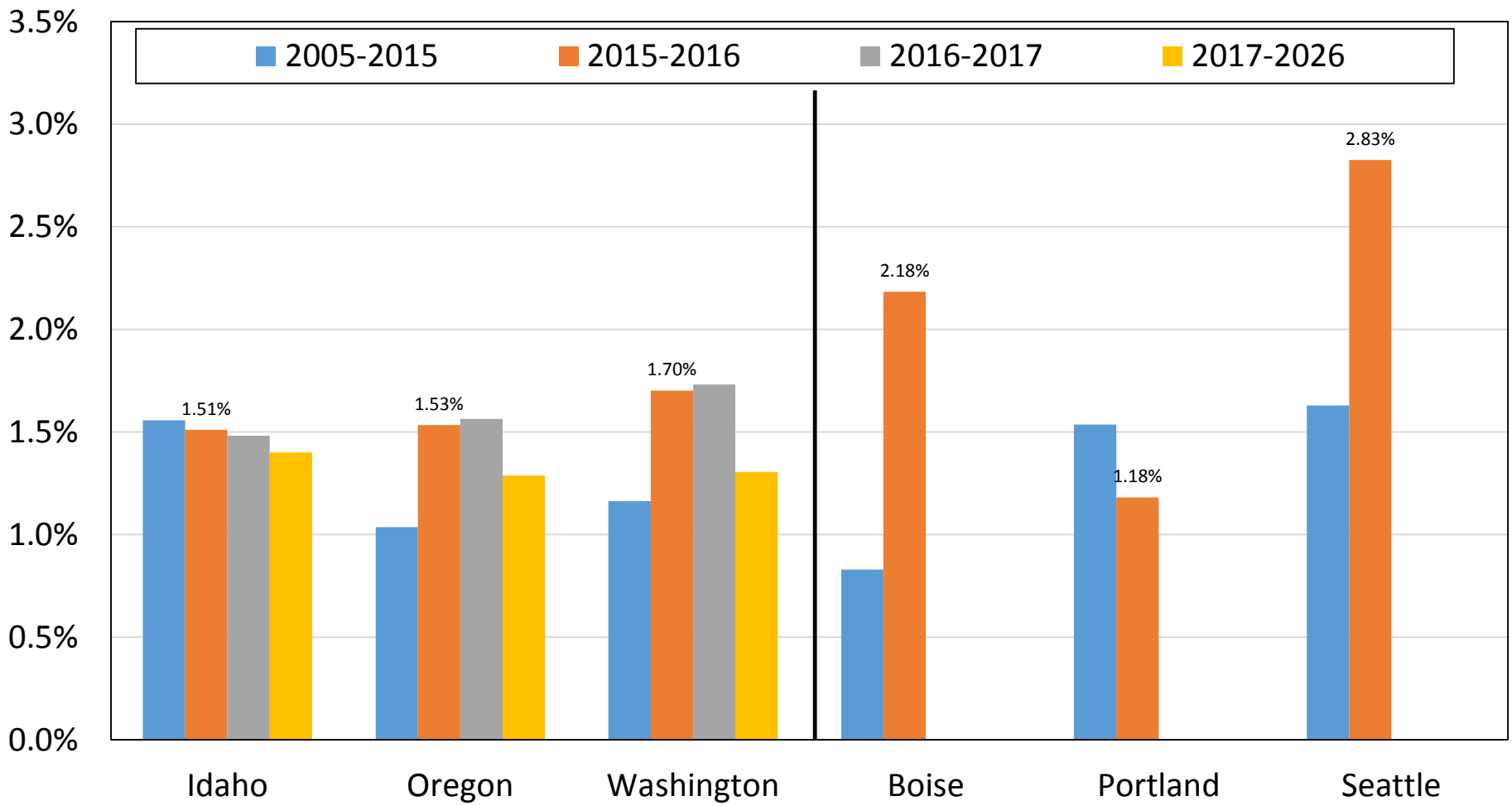
Source: Federal Reserve Bank of Philadelphia

Total Nonfarm Employment: OR

YoY Growth Rate, Quarterly, 2008Q1-2018Q2; 2018Q3-2023Q4



Population growth by selected time period



Headwinds and Tailwinds

Has Old Age Caught Up with the Expansion?

- Janet Yellen: “[I]t’s a myth that expansions die of old age [...] so the fact that this has been quite a long expansion doesn’t lead me to believe that [...] its days are numbered.”
- Robert J. Samuelson: “Sooner or later, old age is fatal.”
- Expansions end because some event unfolds, such as speculative markets, policy, or geopolitical.
- At the moment, there may be hints of bad events, but nothing of the order of the past housing boom and financial crisis.
- The main difference between Yellen and Samuelson is that Samuelson believes senior citizens are prone to bad behavior.

Short Term and a Few Long Term + and – Risks An Incomplete List: Dimmer Prospects or Rosier Outlook?

■ International

- China Growth
- Geopolitical Risks (Name your part of the world...)
- Tariffs and More Tariffs?
- Immigration regulation
- US dollar exchange rate

■ US Domestic

- Fiscal and Monetary Policies, Regulation (Infrastructure Spending, Tax Cuts, Dodd-Frank, Health Care,...)
- Energy Prices (oil continues to firm thru 2018)
- Election Outcomes
- Public Pension Funds
- Income Disparity, Cyber Attacks, Climate Change

■ Closer to Home

- Oregon Budget
- Minimum Wage
- Housing

Contact – Follow NERC

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