

G A R V E Y S C H U B E R T B A R E R

2012 Hospitality Forum

The Little Recovery That Could (or At Least We Hope So!)

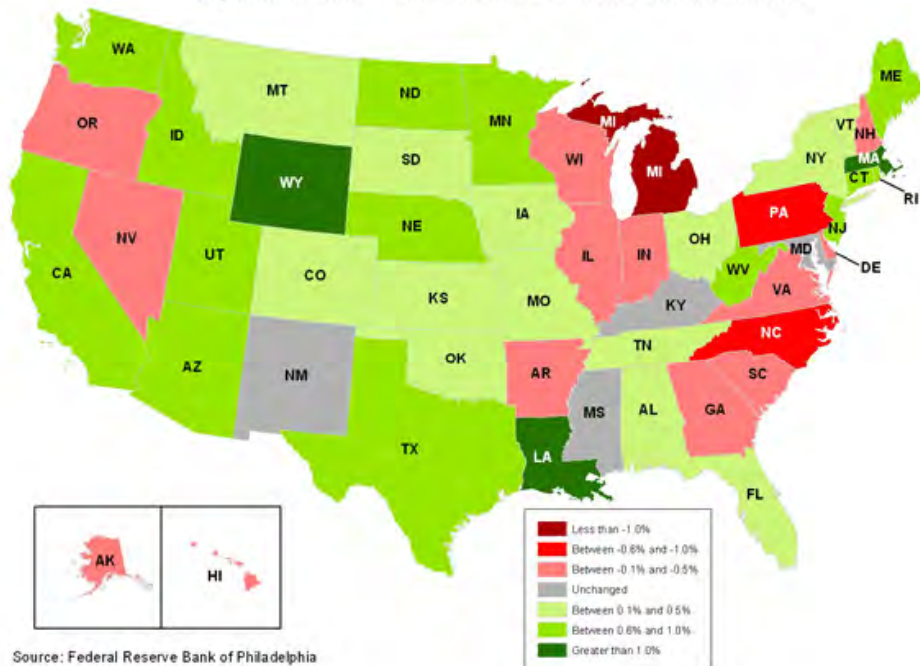
2012 Forecast: Predictions on Oregon's Economic Outlook

March 1, 2012
Portland, Oregon

Tom Potiowsky
Portland State University

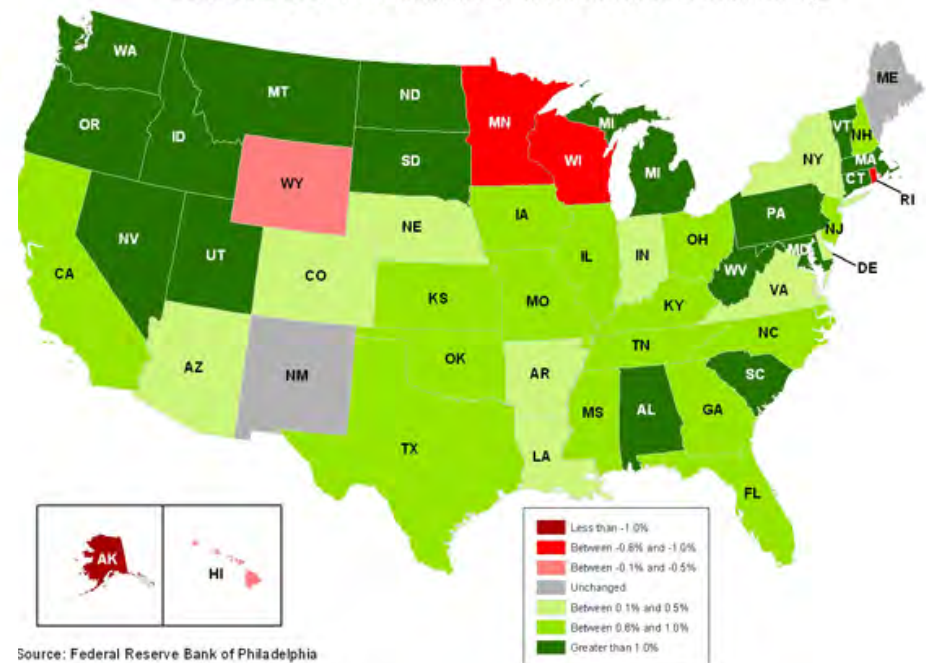
Labor Market Back on Track

September State Coincident Indexes: Three-Month Change



Source: Federal Reserve Bank of Philadelphia

December 2011 State Coincident Indexes: Three-Month Change



Source: Federal Reserve Bank of Philadelphia

Coincident Index Components

- 1) Nonfarm Employment
- 2) Average Hours Worked Manufacturing
- 3) Unemployment Rate
- 4) Inflation Adjusted Wages and Salaries

Long-term growth trended to state GDP.

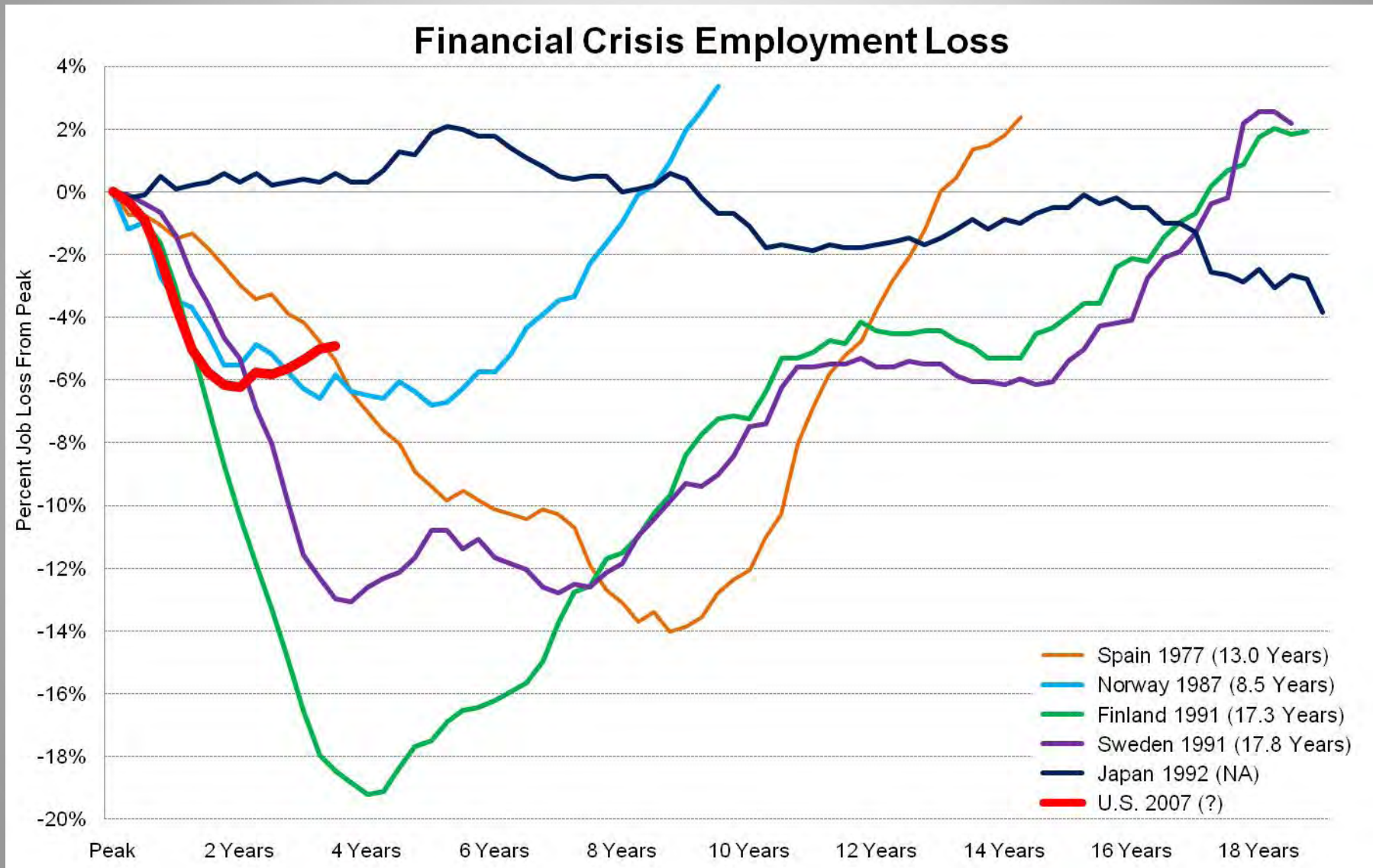
Ever Changing Picture for the US Economy...

The outlook for growth in the U.S. economy looks mostly unchanged from that of three months ago, according to 45 forecasters surveyed by the Federal Reserve Bank of Philadelphia. **Stronger conditions in the labor market accompany the nearly unchanged outlook for real output.** (February 10, 2012)

	Real GDP (%)		Unemployment Rate (%)		Payrolls (000s/month)	
	Previous	New	Previous	New	Previous	New
<i>Quarterly data:</i>						
2012:Q1	2.4	2.2	8.9	8.4	121.0	160.1
2012:Q2	2.4	2.3	8.9	8.3	126.3	141.9
2012:Q3	2.8	2.6	8.8	8.2	152.4	145.2
2012:Q4	2.7	3.0	8.7	8.1	126.3	161.7
2013:Q1	N.A.	2.8	N.A.	8.0	N.A.	155.9
<i>Annual data (projections are based on annual-average levels):</i>						
2012	2.4	2.3	8.8	8.3	123.2	144.1
2013	2.7	2.7	8.4	7.9	N.A.	162.9
2014	3.5	3.0	7.8	7.4	N.A.	N.A.
2015	N.A.	3.1	N.A.	6.7	N.A.	N.A.

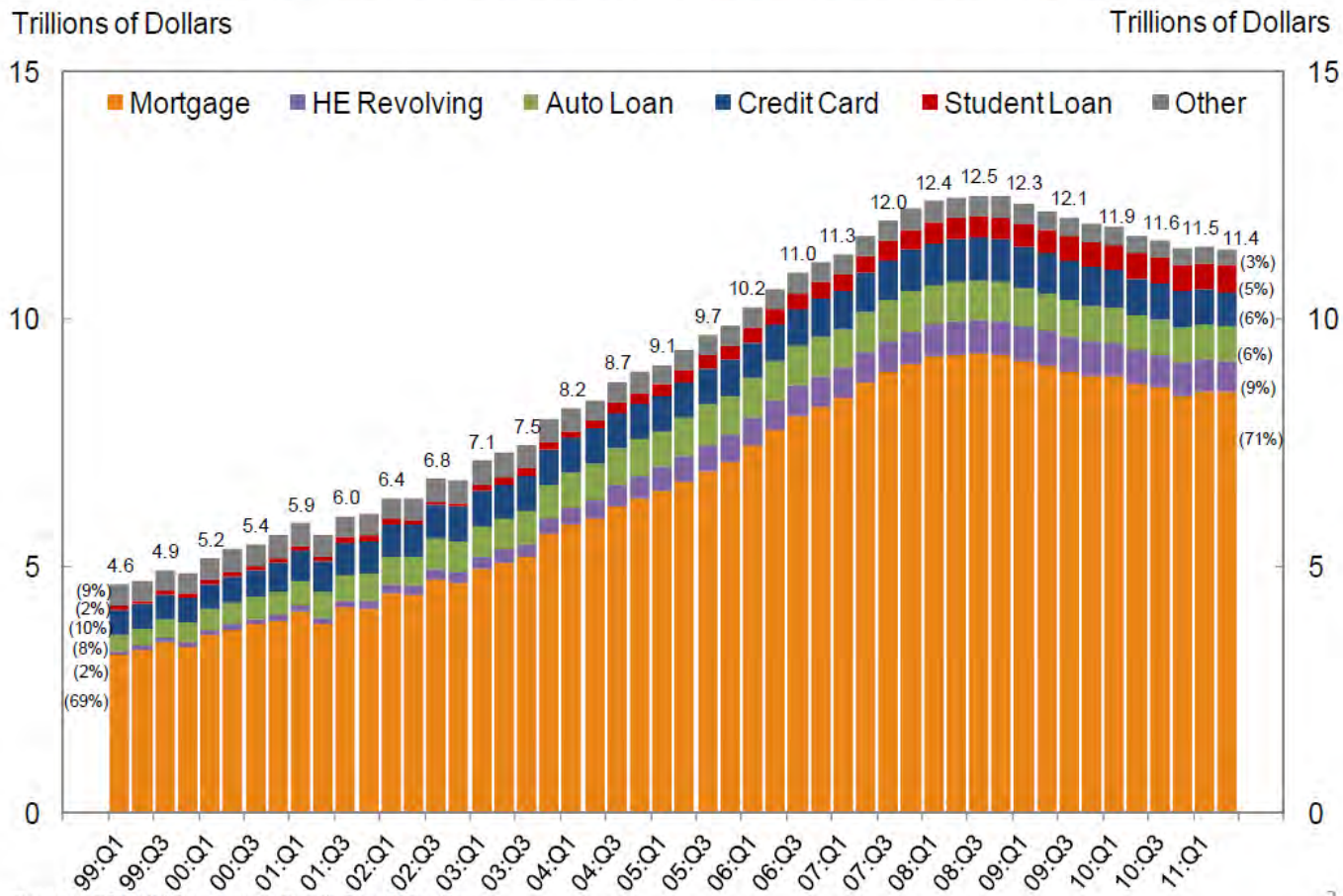
Reinhart & Rogoff
"The Aftermath of
Financial Crises"

Employment Losses



Consumer Debt

Total Debt Balance and its Composition



Recent Oregon Trends

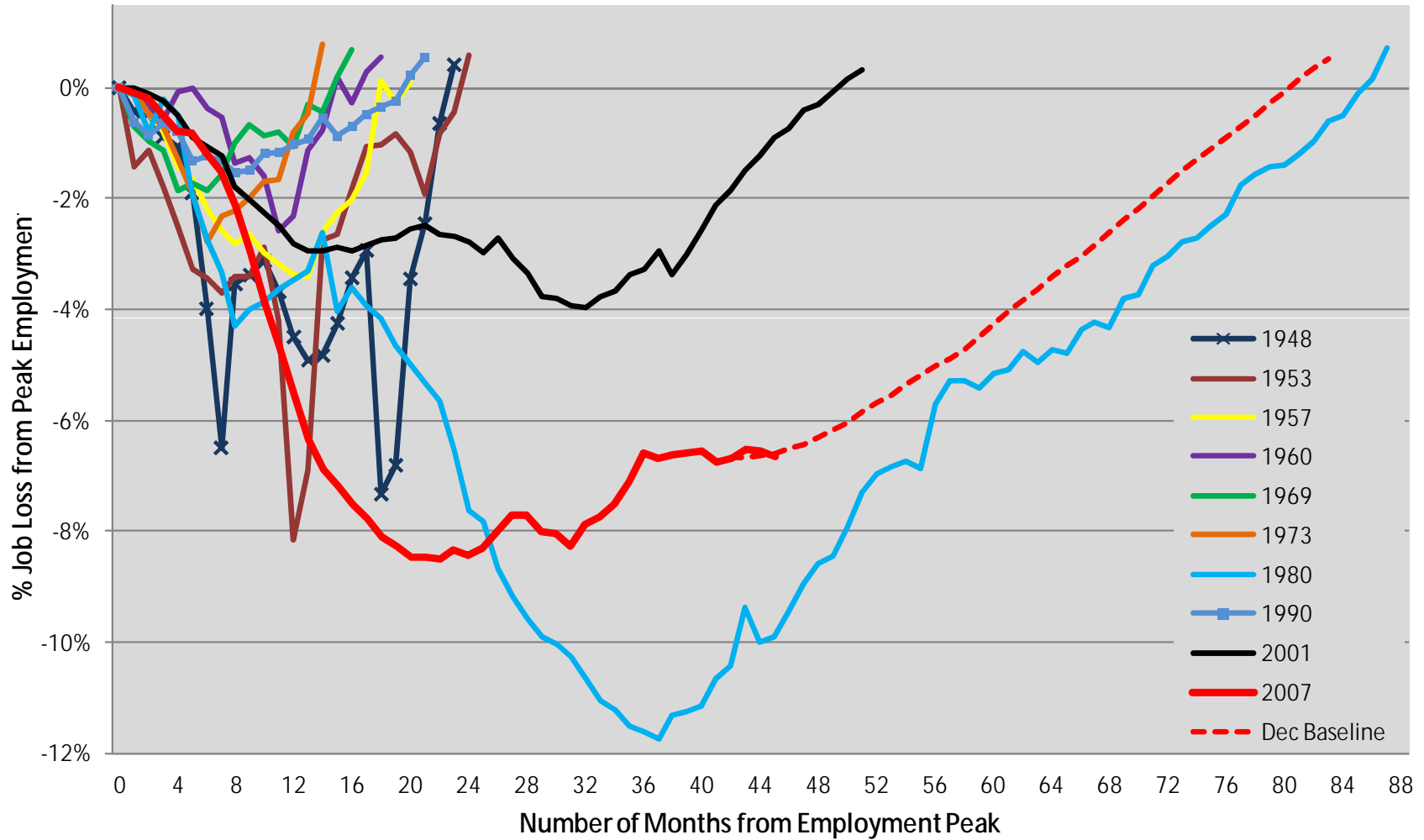
Recent Oregon Economy Facts

- 8.9% unemployment rate for Dec 2011 (US Jan. at 8.3%) is down from the highest rate of 11.6% in May and June 2009. The 2011 average was 9.5%; 2010 average was 10.8%.
- 23rd fastest job growth at 1.08% for all states for December 2011 over December 2010.
- Total nonfarm employment increased 1.26% year-over-year for the 4th quarter of 2011. S.A. job gains in 12 of the last 16 months since Oct. 2010 (Mar, Jul, Oct, Nov down). Total nonfarm up 31,000 since Sept 2010 with the private sector up 34,300. Essentially no job gains since February 2011 (but bump up in Dec 2011 of 2,400).
- 4.49% personal income growth for 3rd quarter of 2011 over 3rd quarter of 2010. Annualized 3rd quarter 2011 growth at -0.25%.
- Oregon exports increased 18.6% in 2010 compared to 2009. November YTD in 2011 up 3.8% over November YTD 2010.

Comparing OR's Business Cycles

(through December 2011)

Oregon Employment Loss by Recession



Risks to the US Economic Outlook and Spillover to Oregon...?

Near term risks

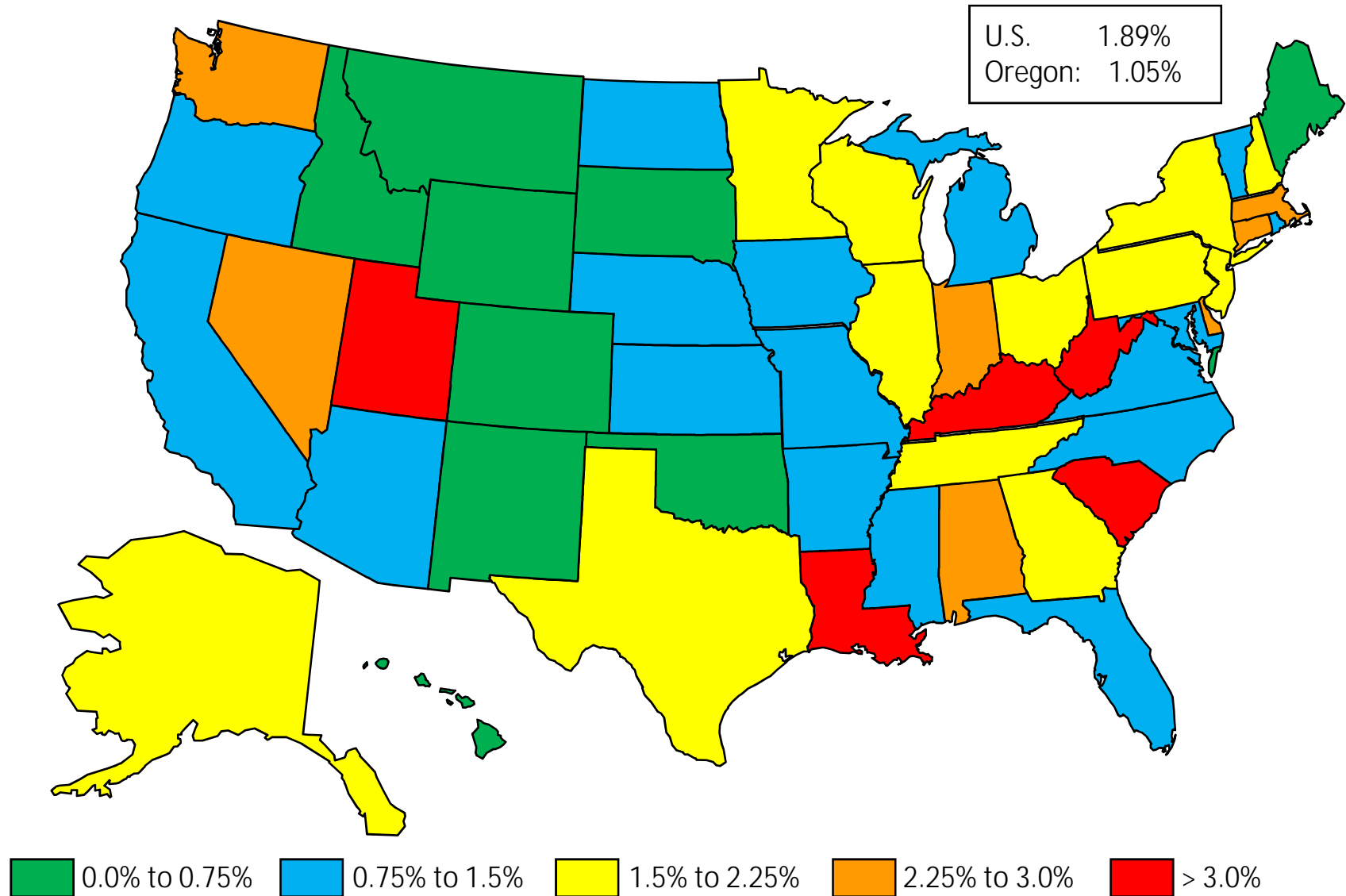
- ✓ European Sovereign Debt Issues (Who's next?)
- ✓ Federal Deficit and Debt Ceiling Debates
- ✓ Housing Market Stays Depressed
- ✓ Middle East Unrest and Oil Prices (Iran, Syria, Israel? otherwise looking better)
- ✓ China's Economy and Currency Policies
- ✓ State and Local Governments

• Upside

- Financial Markets Return More Quickly to Normal
- Some Commodity Price Retreats (Oil↑ Natural Gas↓ and Food)
- Greater Business and Consumer optimism and spending (Maybe?)
- More Robust Global Growth, Emerging Markets Lead the Way
- Near Term Outlook for low inflation and interest rates

Exports to Europe

(Percent of State GDP, 2010)



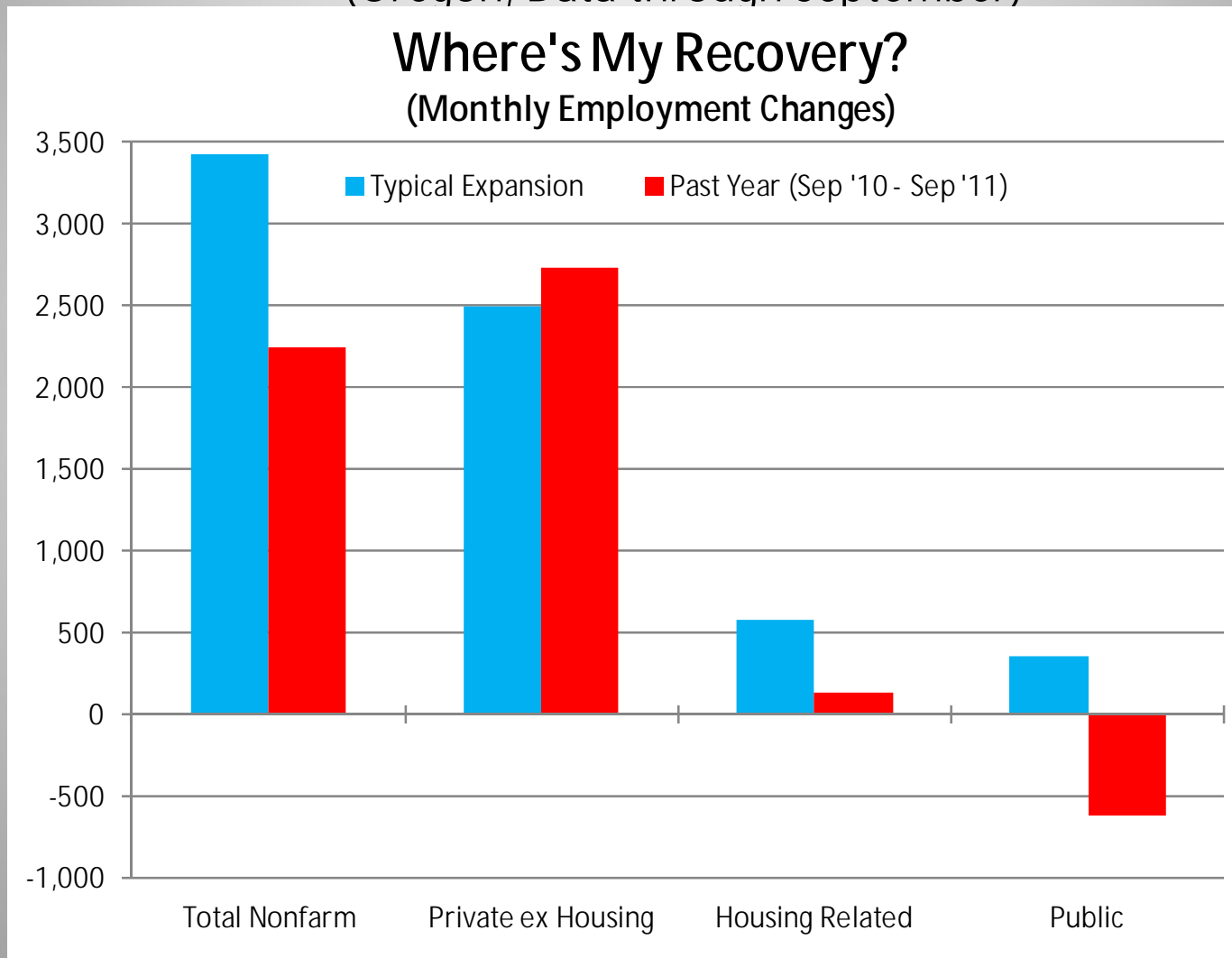
Oregon Exports and APEC Member Countries

2010 Data			
Country	Amount (\$ Millions)	2010 Rank	Percent of All Oregon Exports
China	\$4,046.9	1	22.9%
Malaysia	\$2,667.4	2	15.1%
Canada	\$2,423.9	3	13.7%
Japan	\$1,367.1	4	7.7%
Korea, Republic Of	\$936.6	5	5.3%
Taiwan	\$669.9	6	3.8%
Singapore	\$324.9	10	1.8%
Philippines	\$322.7	11	1.8%
Hong Kong	\$299.6	13	1.7%
Australia	\$253.2	14	1.4%
Mexico	\$233.2	15	1.3%
Vietnam	\$181.2	17	1.0%
Indonesia	\$126.0	19	0.7%
Thailand	\$124.8	20	0.7%
Russia	\$56.9	29	0.3%
Chile	\$51.2	33	0.3%
Peru	\$50.2	34	0.3%
New Zealand	\$28.1	42	0.2%
Papua New Guinea	\$15.4	49	0.1%
Brunei	\$0.4	116	0.0%
Cambodia	\$0.4	123	0.0%
APEC SUM	\$14,180.1	---	80.2%

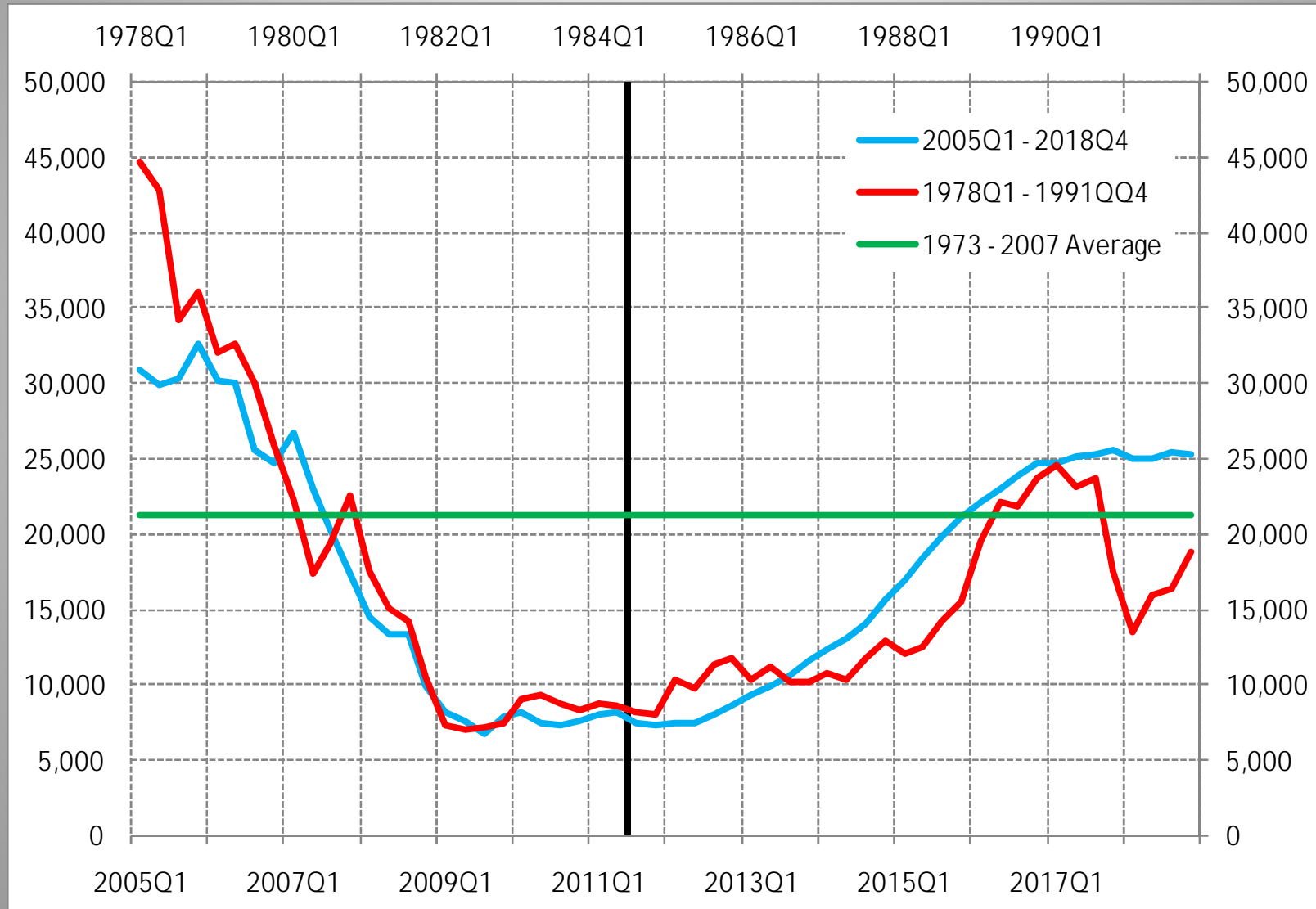
Top 6 = 68.5%

Two Main Drags on Growth to the Oregon Economy

(Oregon, Data through September)



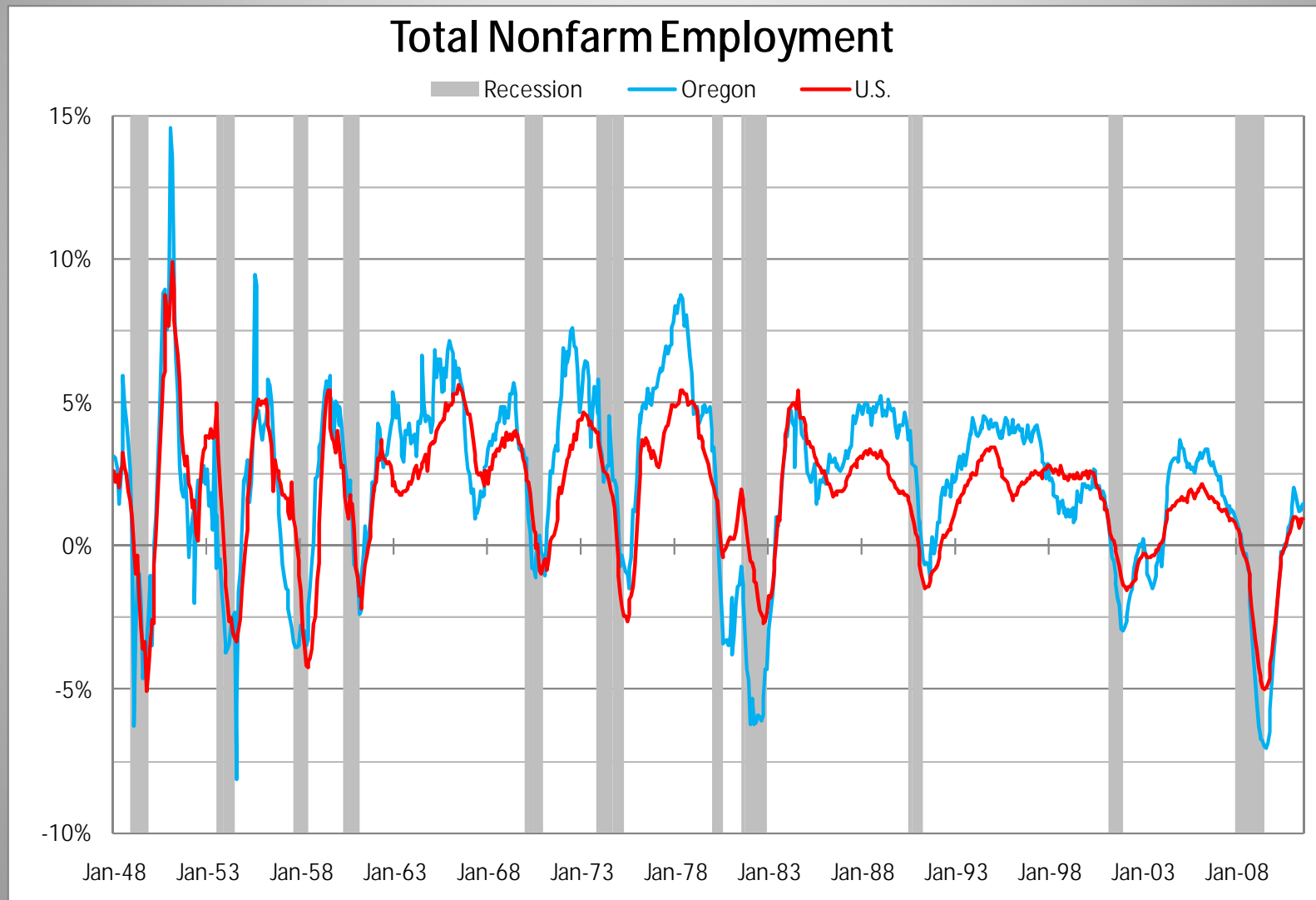
Oregon Housing Starts



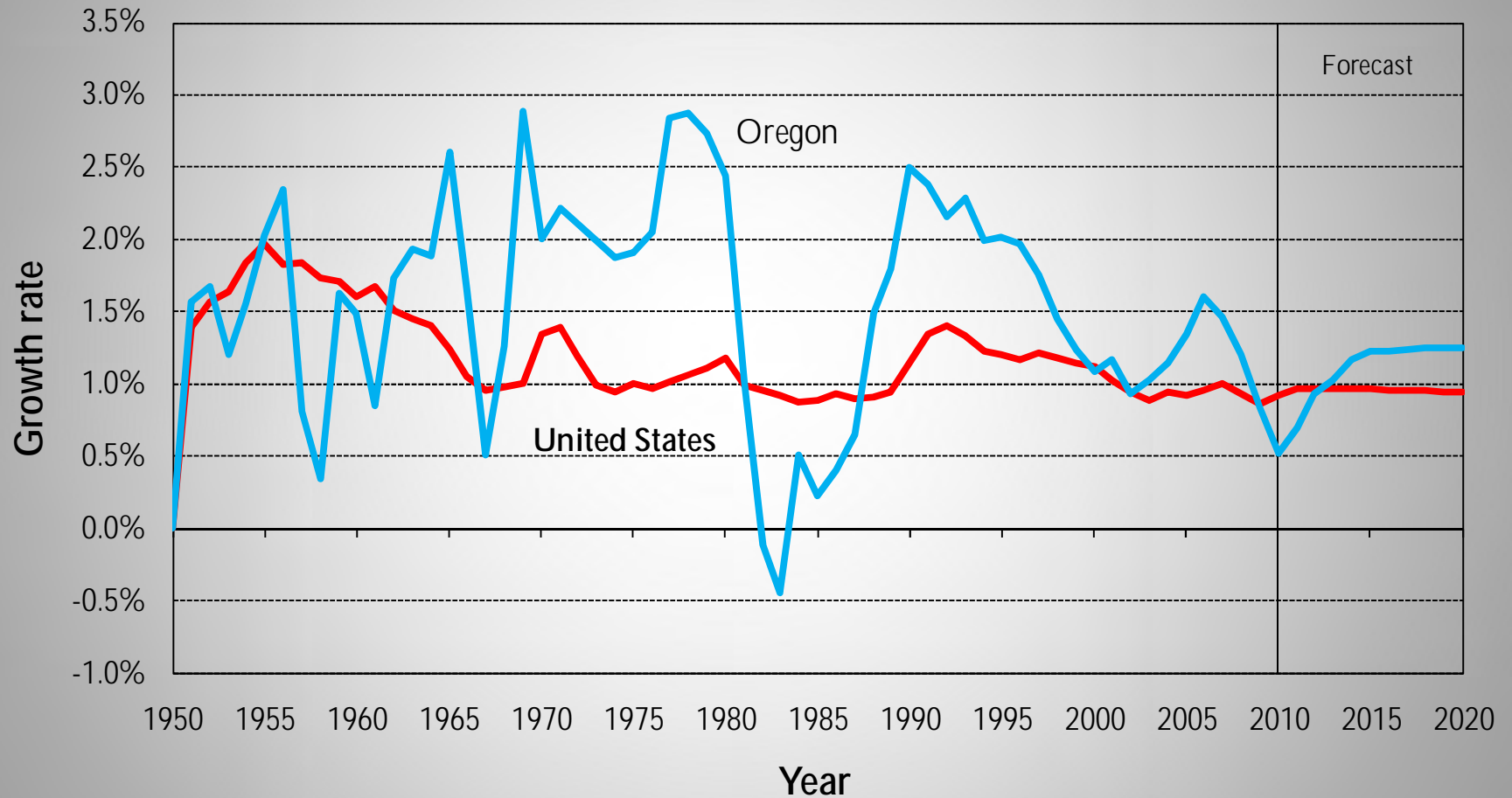
Long Run Forecasting

Oregon Is More Volatile

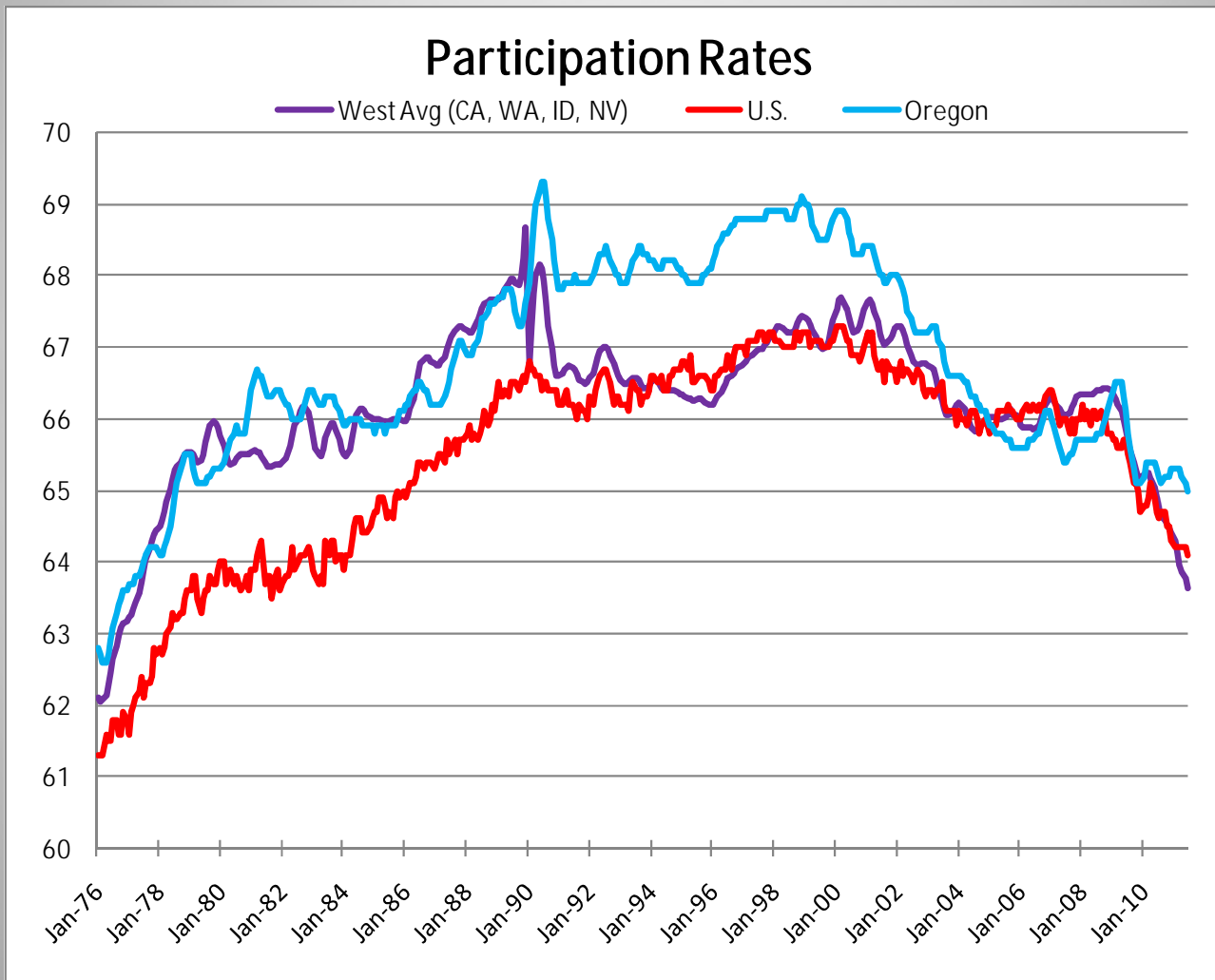
(Data through August)



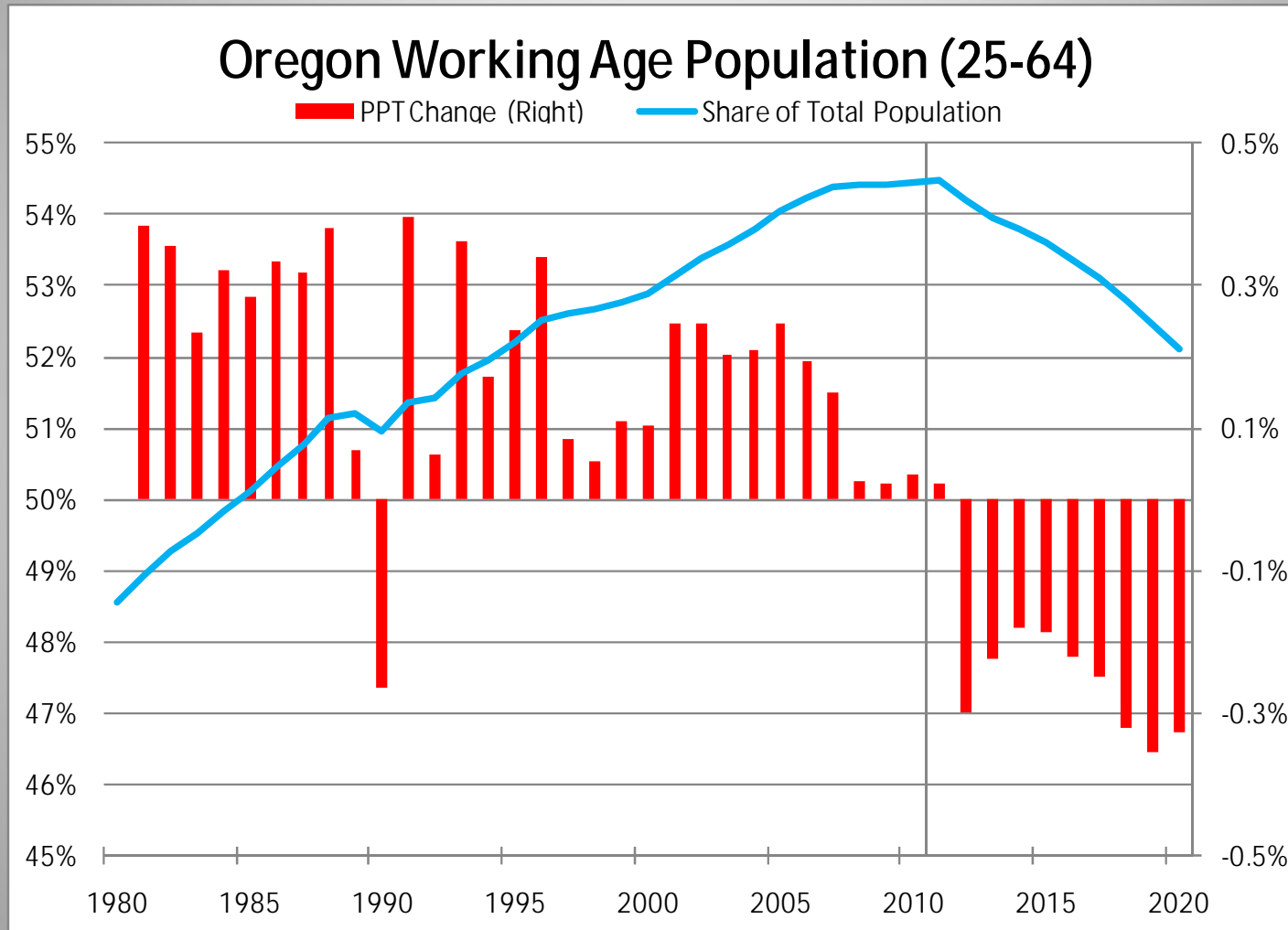
U.S. and Oregon Population Growth Rates: 1950-2020



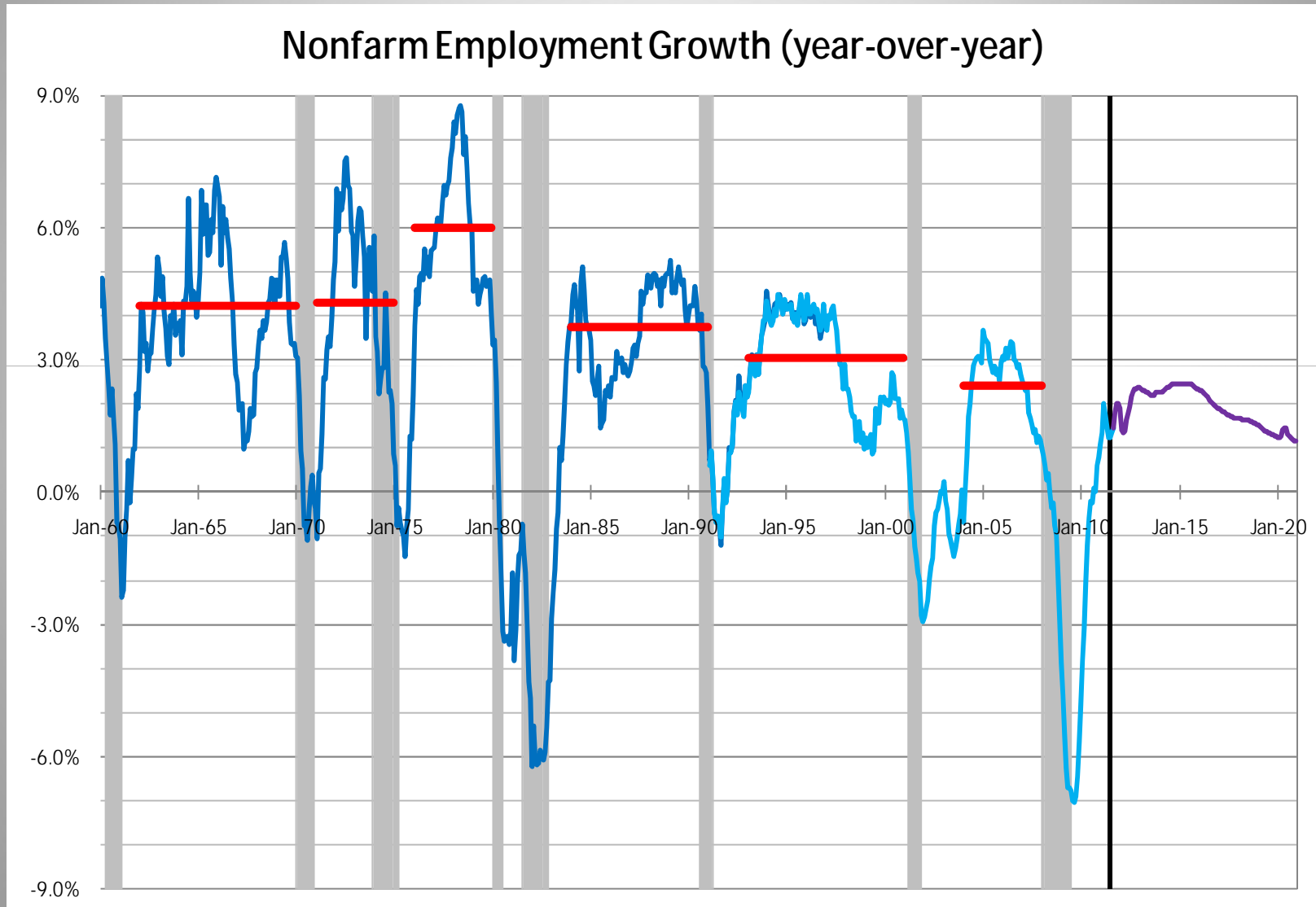
Labor Force Participation Rates



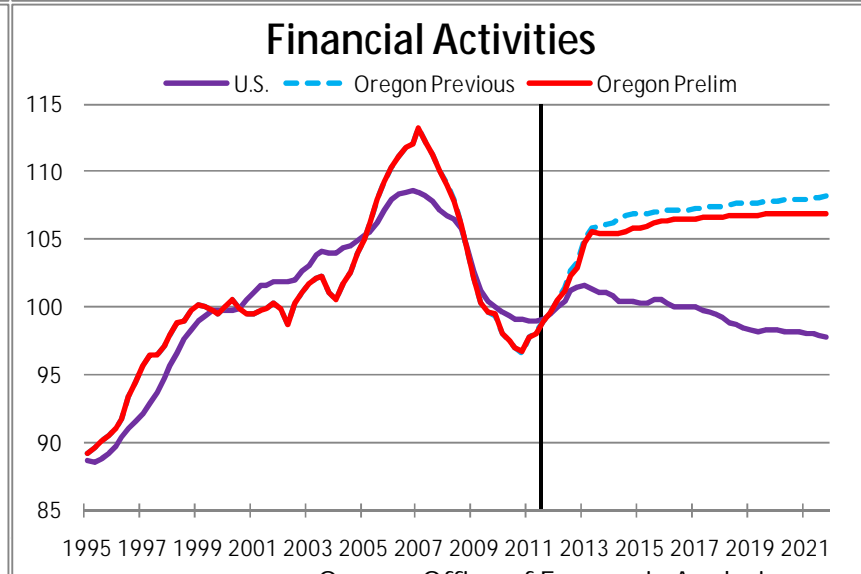
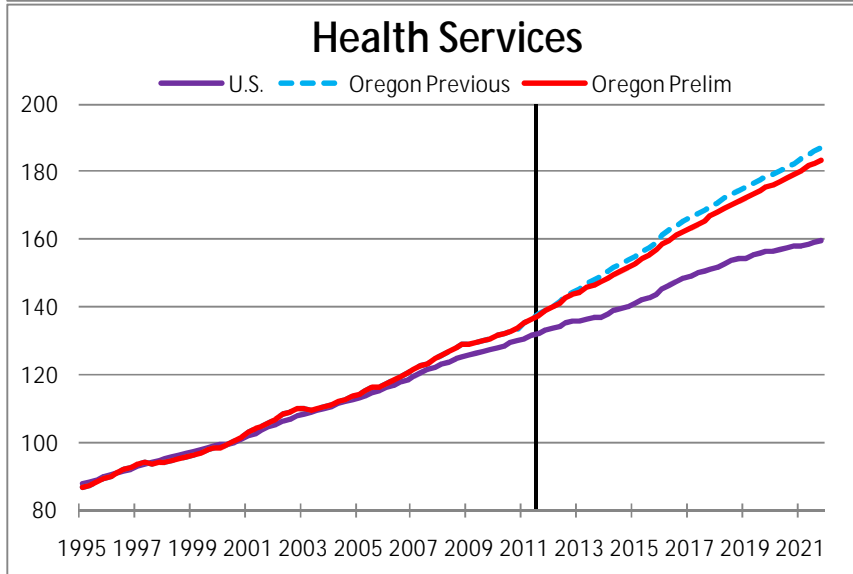
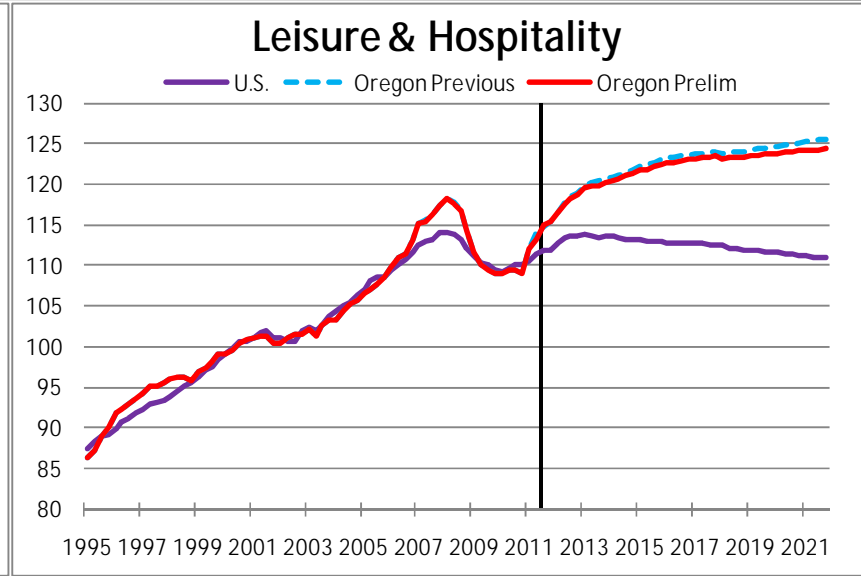
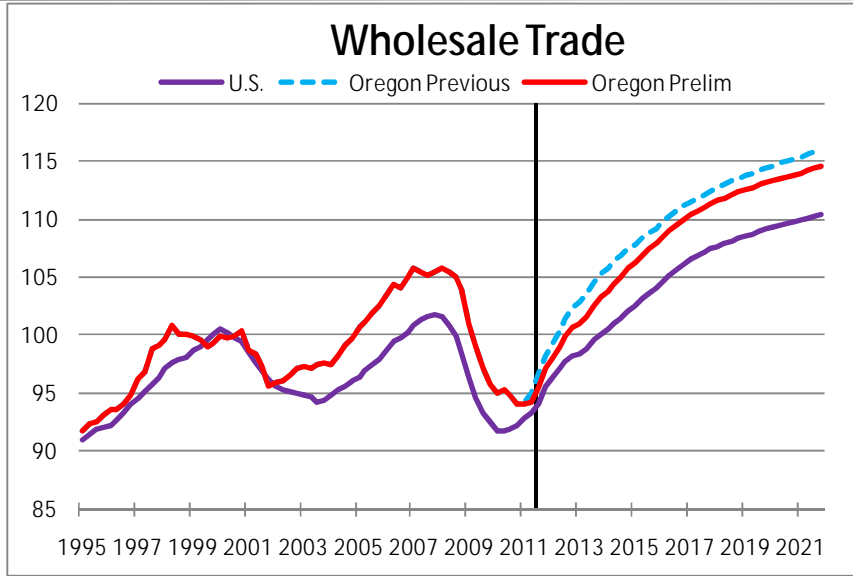
Working Age Cohort Declining



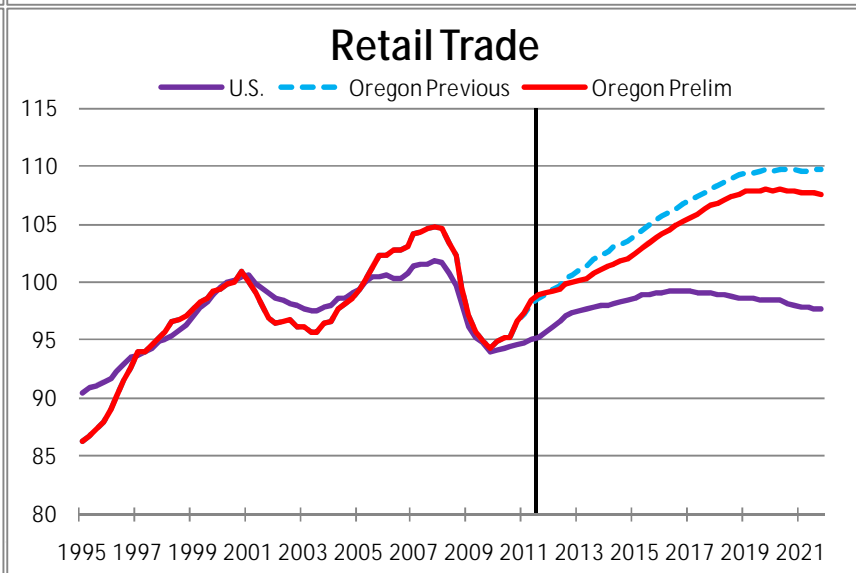
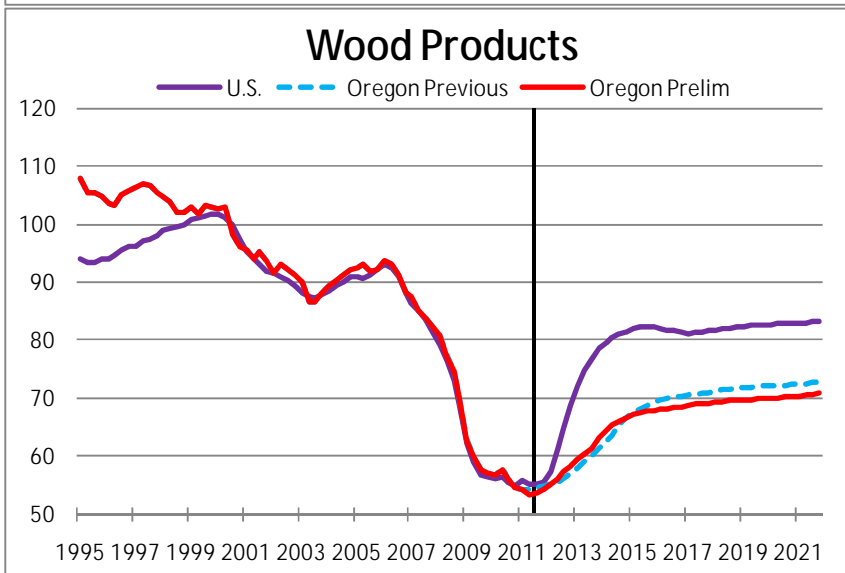
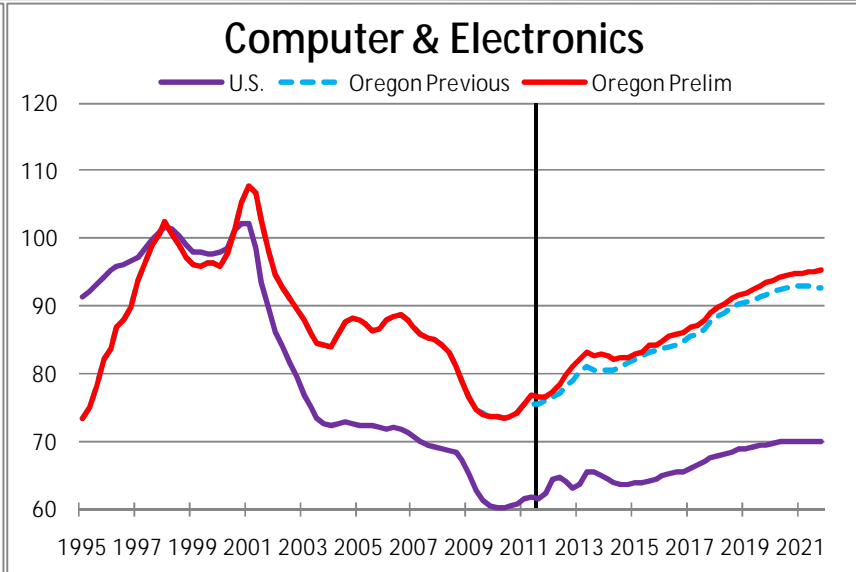
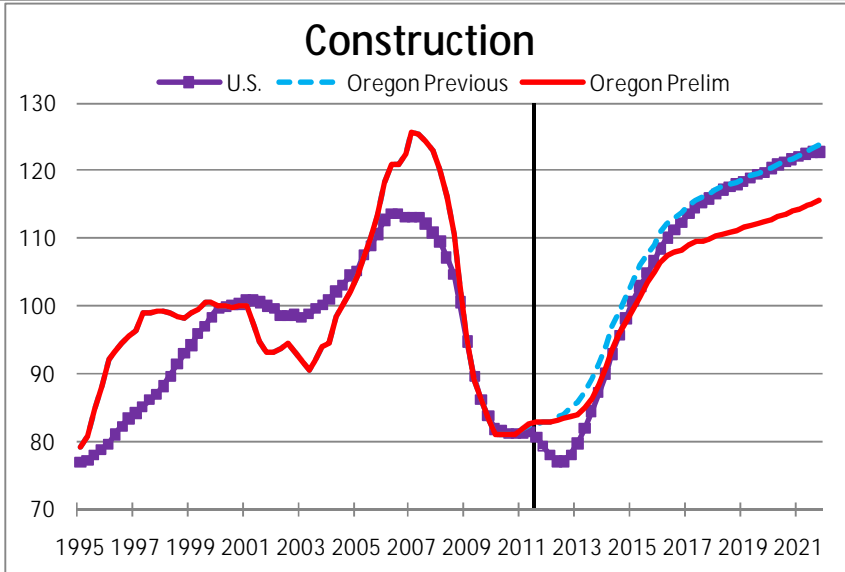
Expansions' Average Growth



Growth Leaders



Growth Laggards



Oregon Expansions Going Forward Will Be Slower

- Oregon will follow the US economy with slower growth compared to past expansions and near term higher risk of returning to recession.
- Manufacturing and exports have lead the way. Traditional boost from housing is not happening this time.
- Oregonians likely behaving similar to the nation – complaining about US Congress, bad economic prospects for the future, but not dropping their spending to the same level as their grumbling.
- Job growth to be subdued rest of this year and into 2012. Employment rises up to previous peak of early 2008 sometime in 2014.

For More Information

Information for the presentation draws from the Oregon Office of Economic Analysis

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