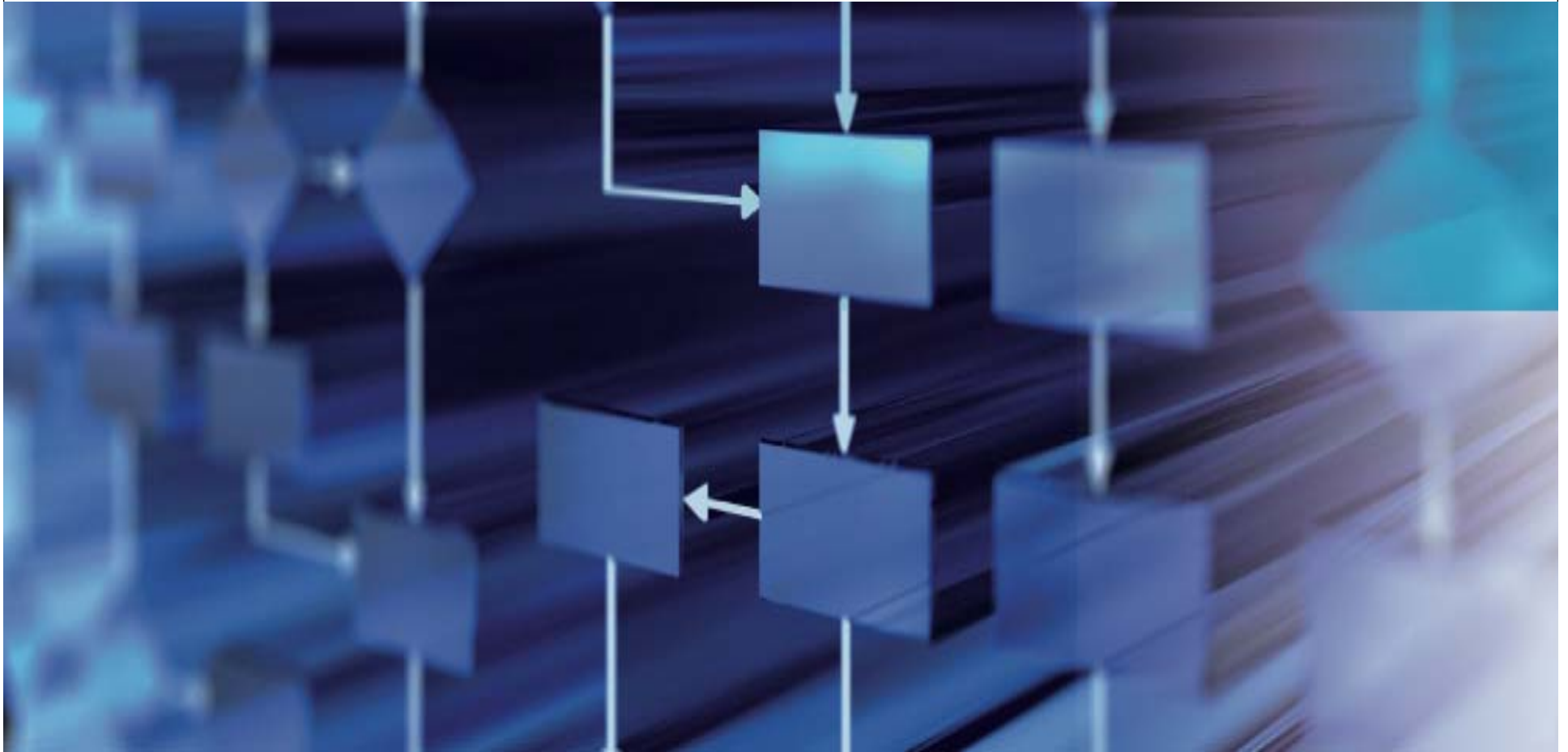


Economic Outlook for the Pacific Northwest

or

If this is recovery, why don't we feel better?



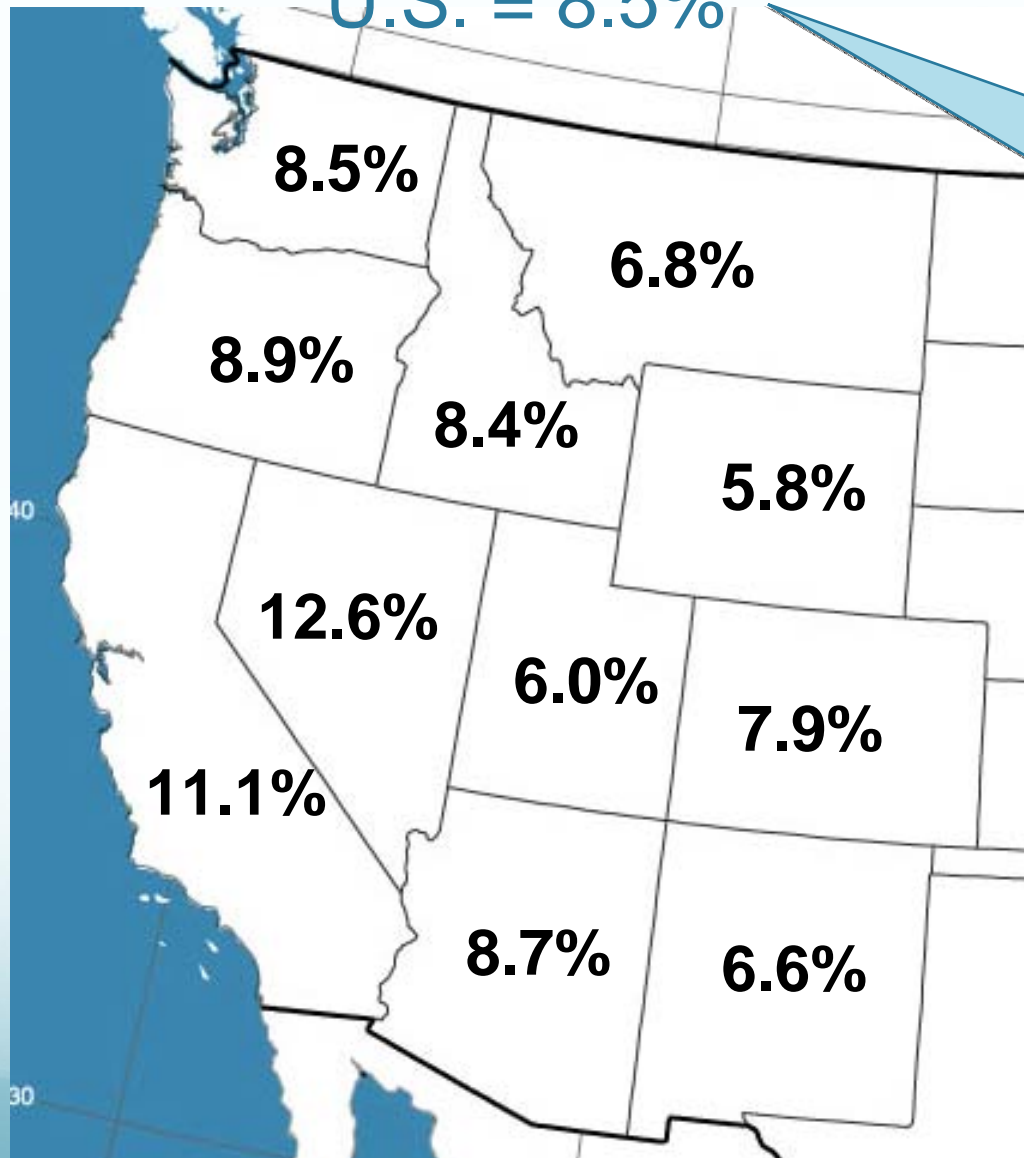
Mark Roberts
Economists.com
January 31, 2012

Outline

- ◆ **What's happening with the economy**
- ◆ **Drivers**
- ◆ **Forecasts: World, U.S., and the PNW**
- ◆ **Your questions**

Unemployment remains unacceptably high

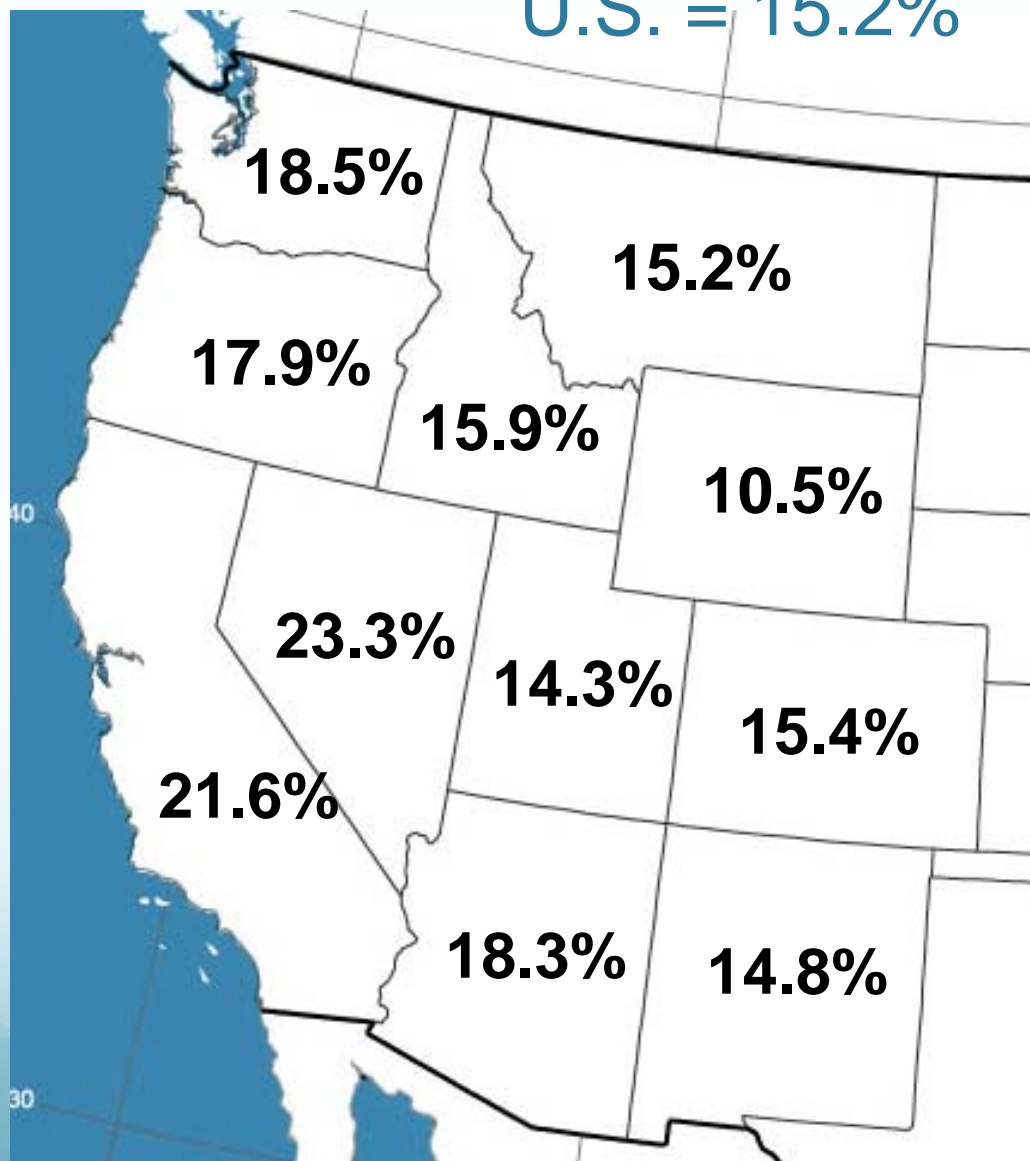
U.S. = 8.5%



13.1 million actively seeking work

More inclusive measure of unemployment is even higher

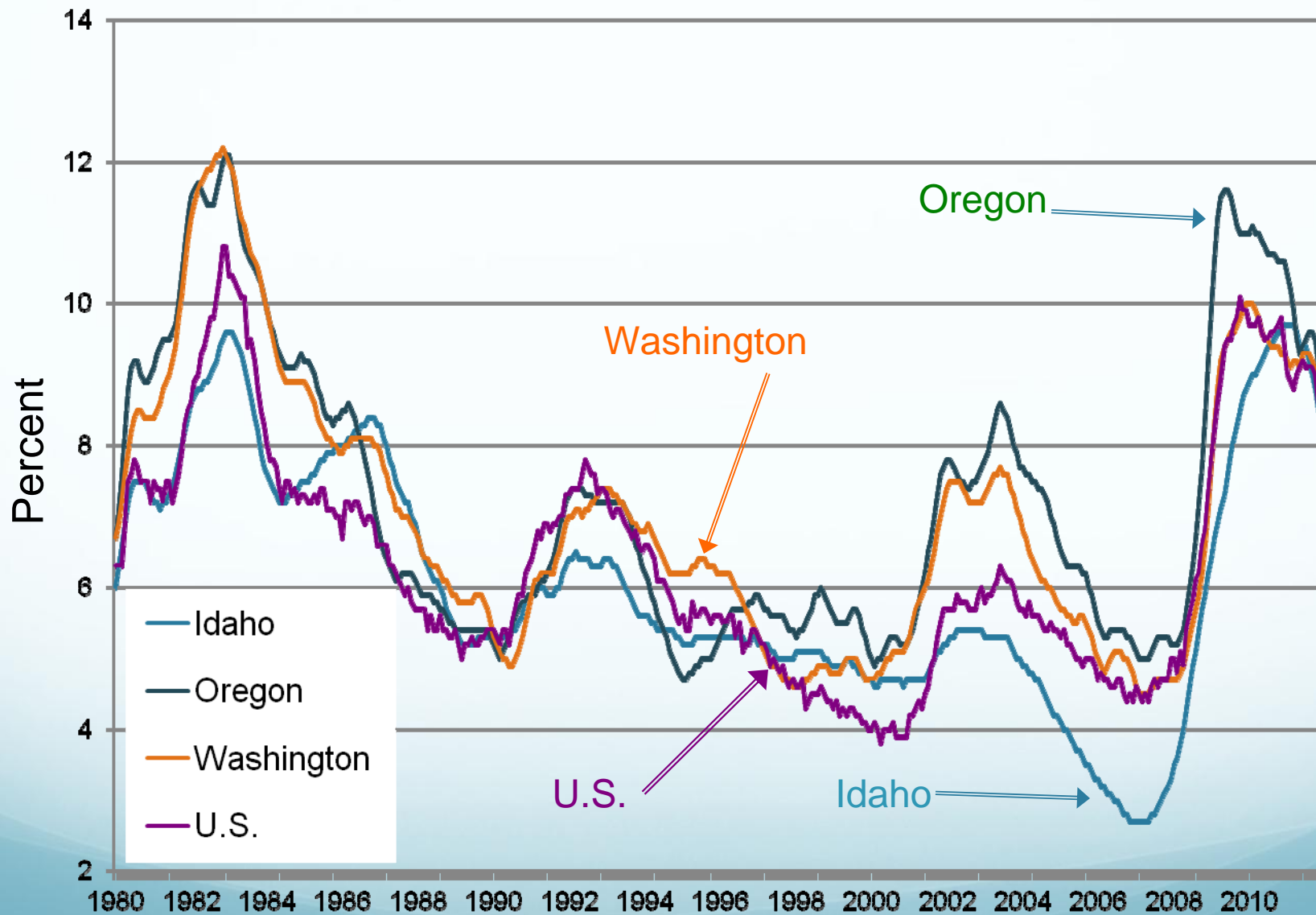
U.S. = 15.2%



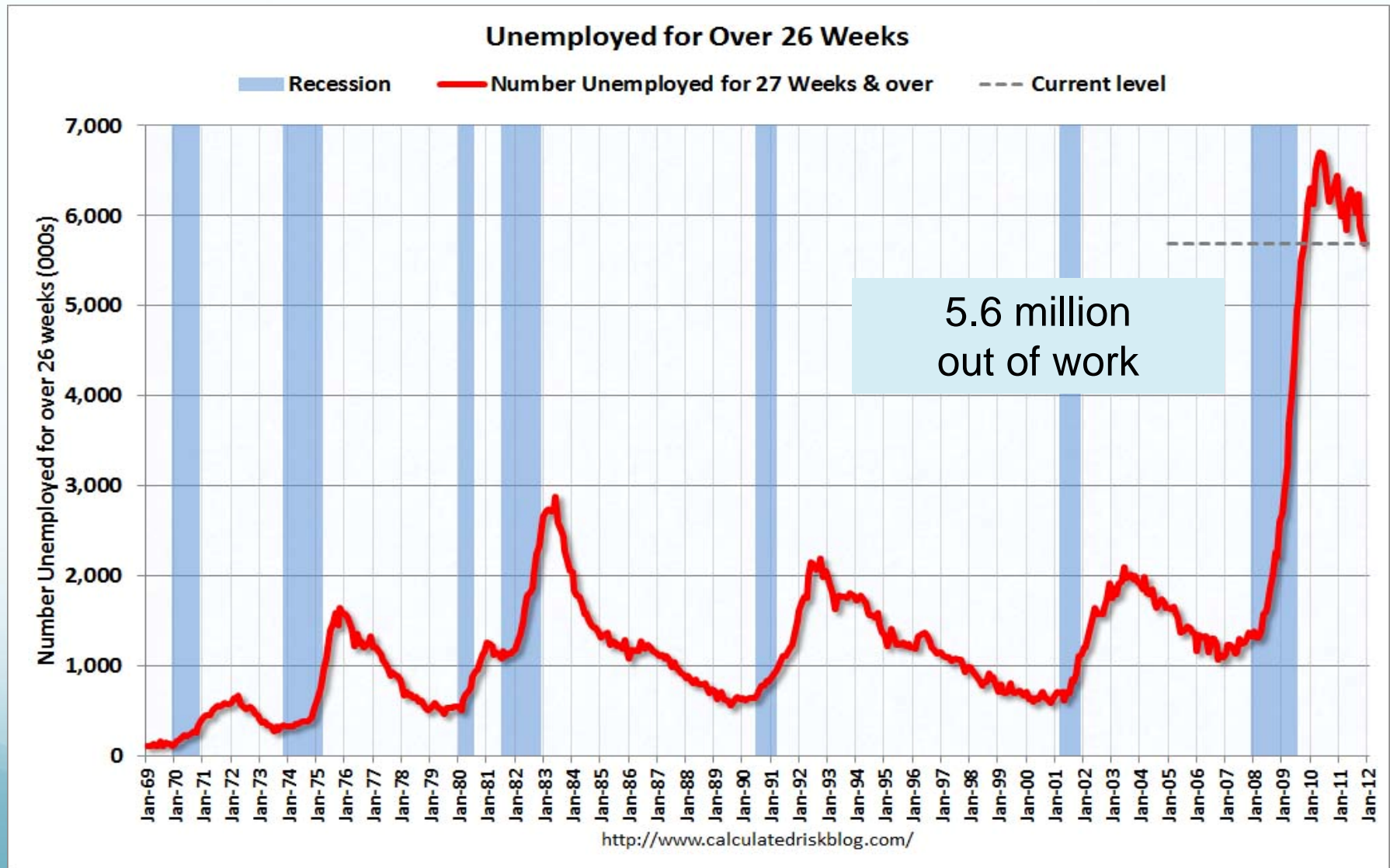
This measure (U-6) includes:

- Discouraged workers
- Part-time workers who want full-time positions

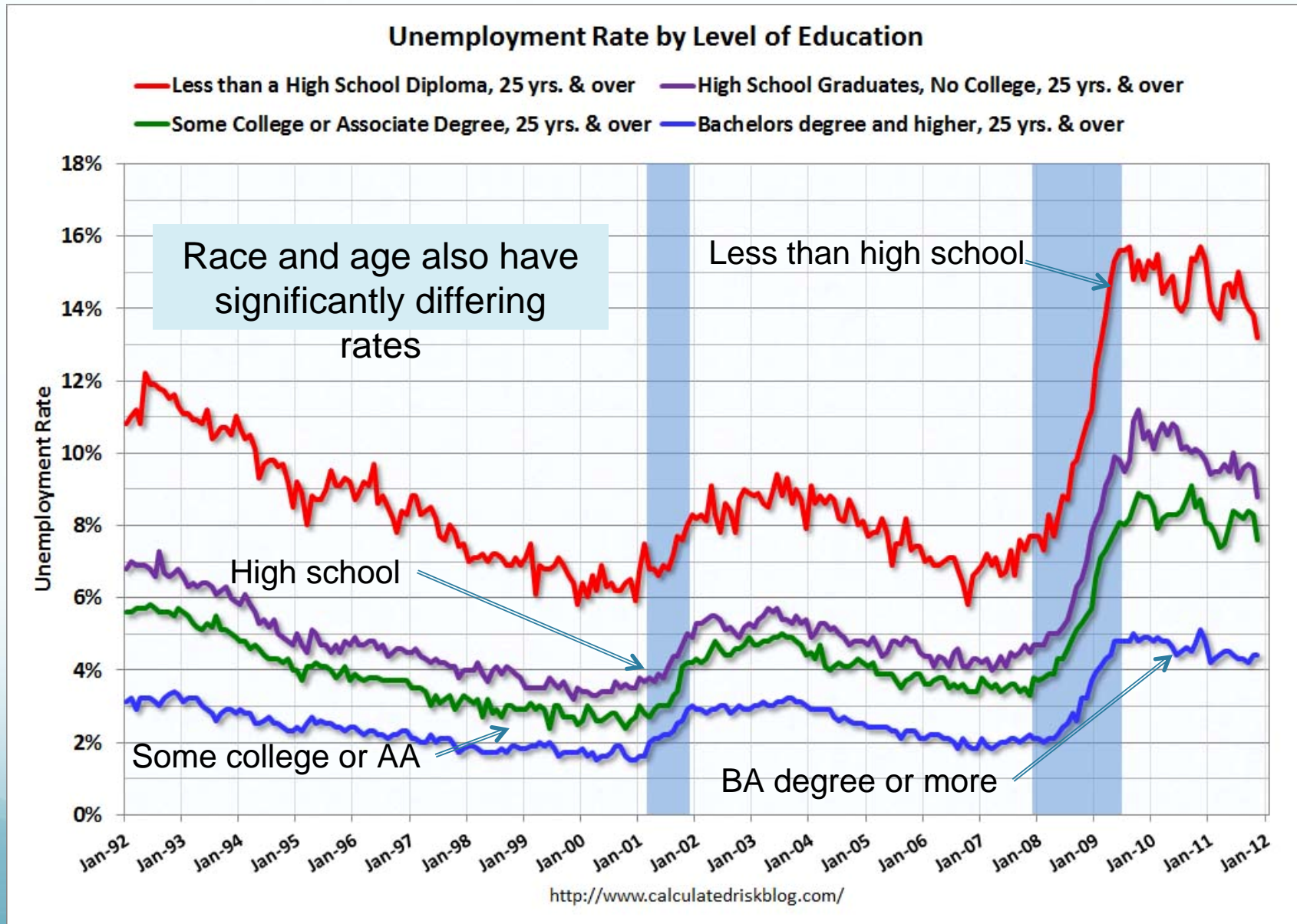
PNW unemployment rate is slowly declining



Long-duration unemployment remains at very high levels

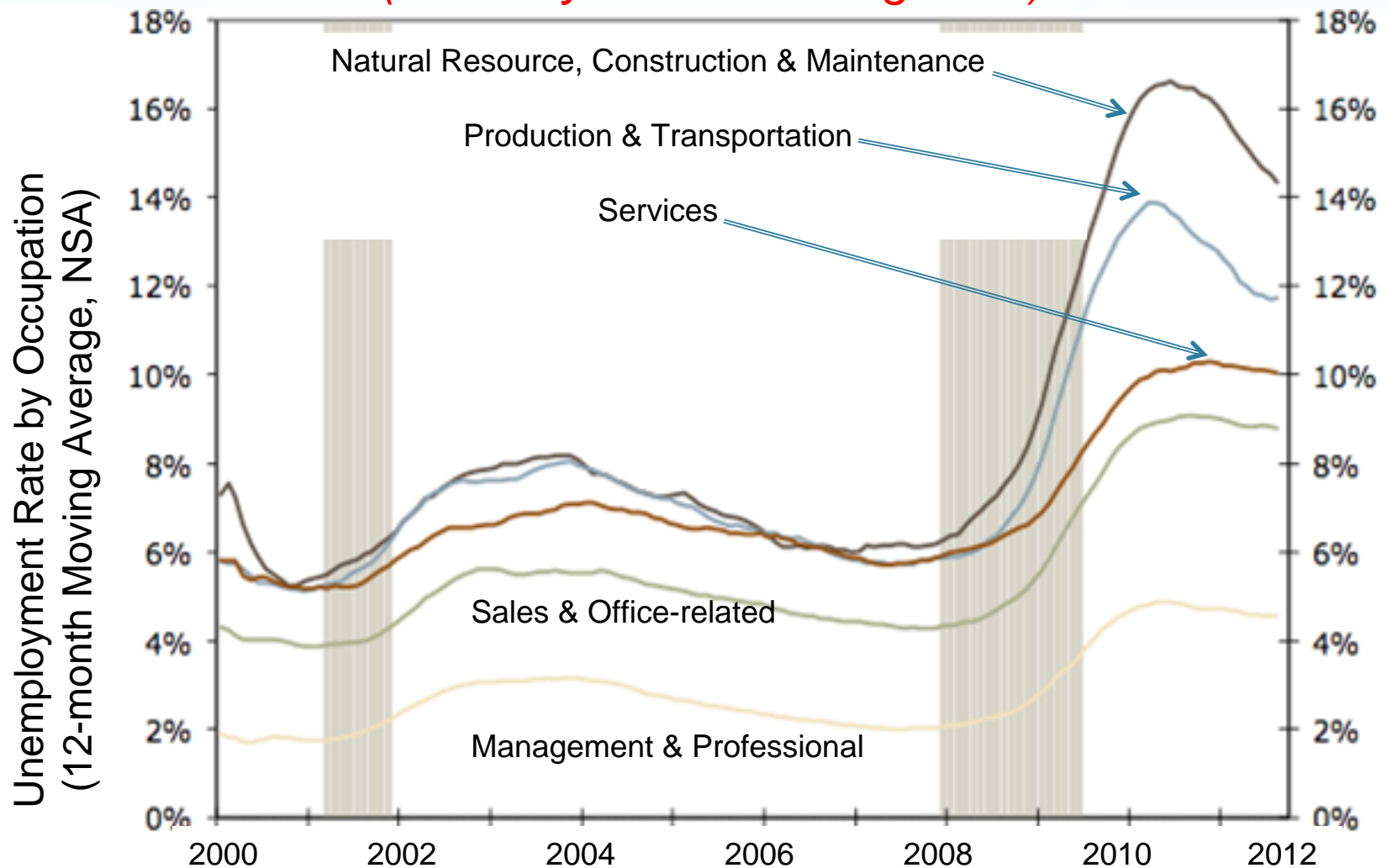


Less education translates into worse unemployment



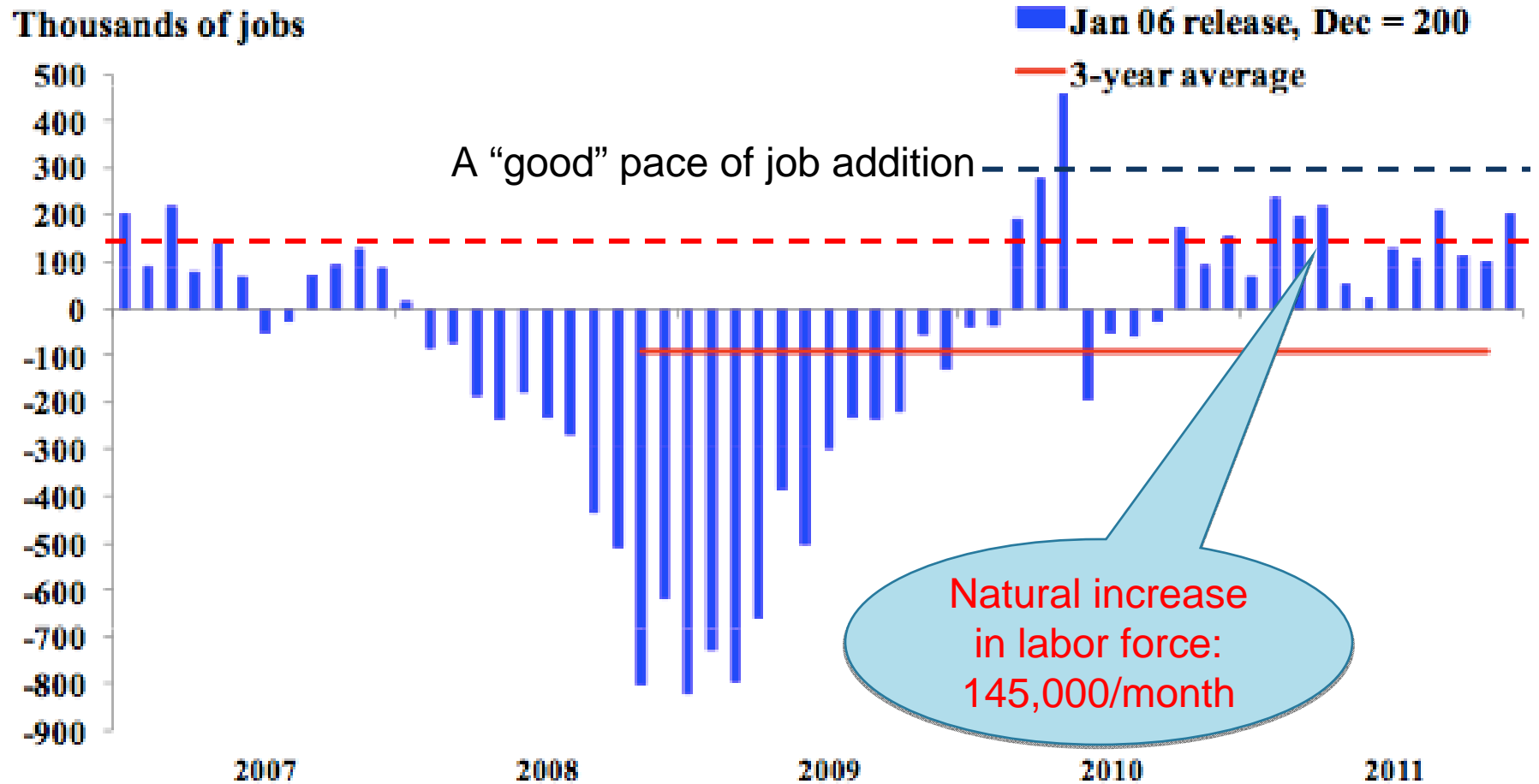
Many traditionally “middle-class” jobs have been lost in the “Great Recession”

(and may not be coming back)



Department of Labor and Wells Fargo Securities, LLC

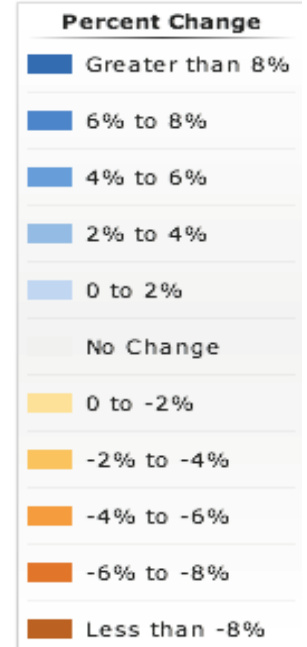
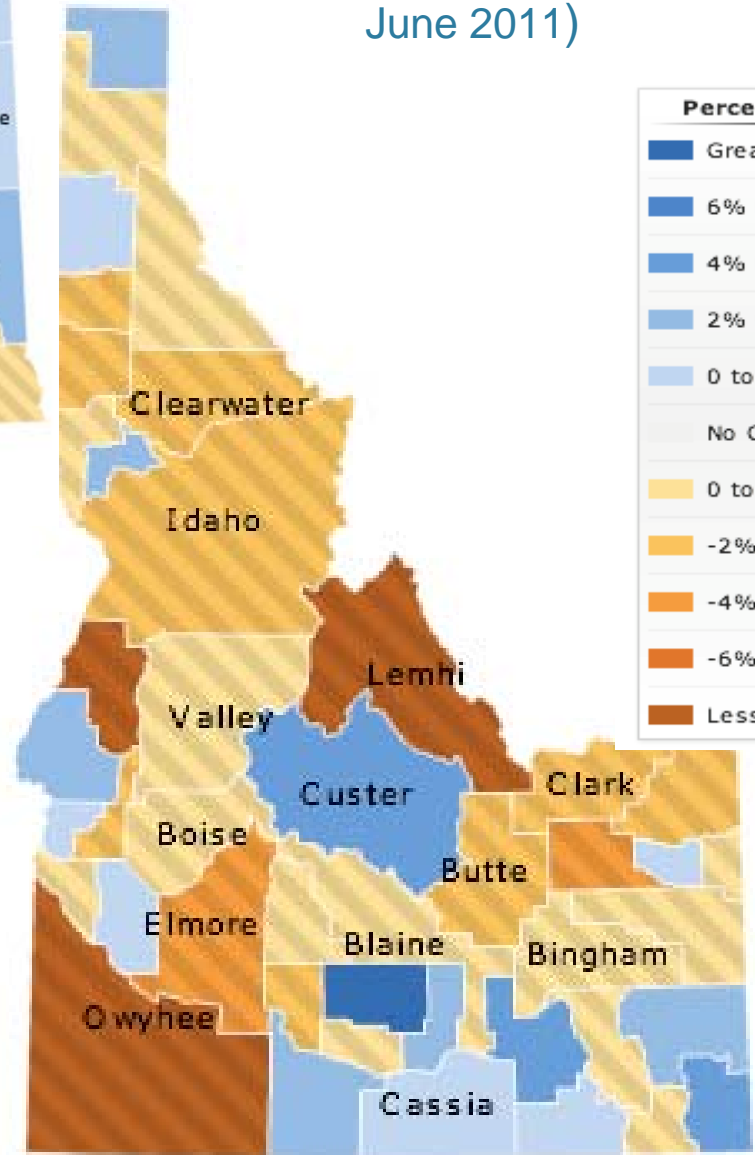
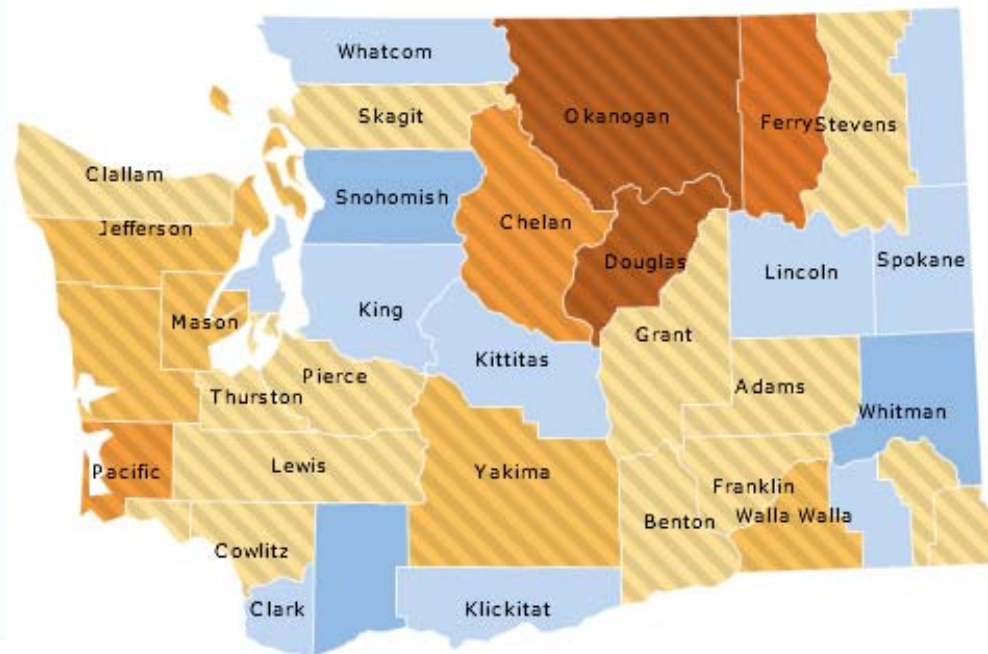
The economy continues to add jobsbut very slowly



Source: Bureau of Labor Statistics

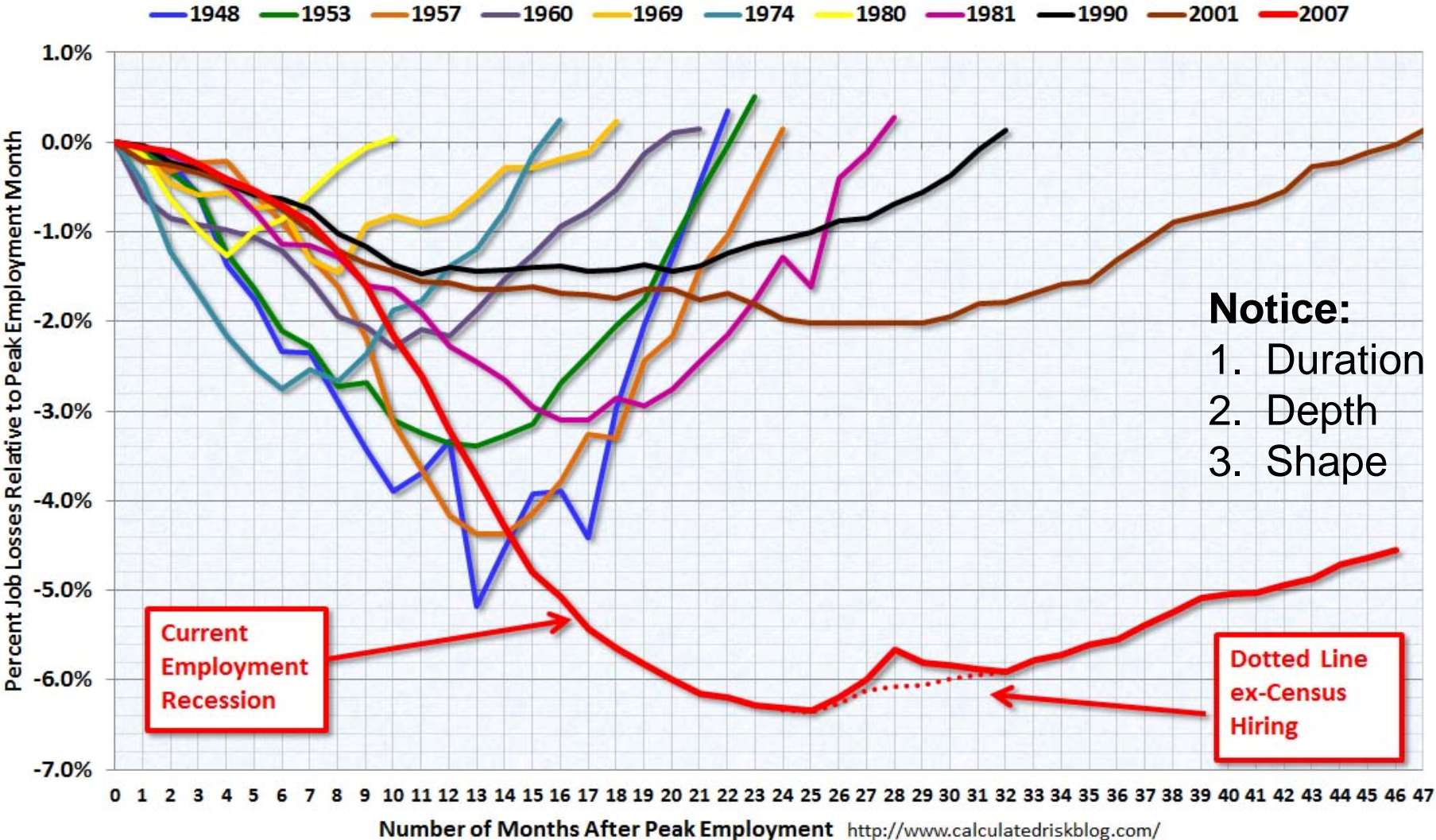
<http://www.dallasfed.org>

...but many rural PNW counties are losing jobs
 (12-month change in employment, ending June 2011)



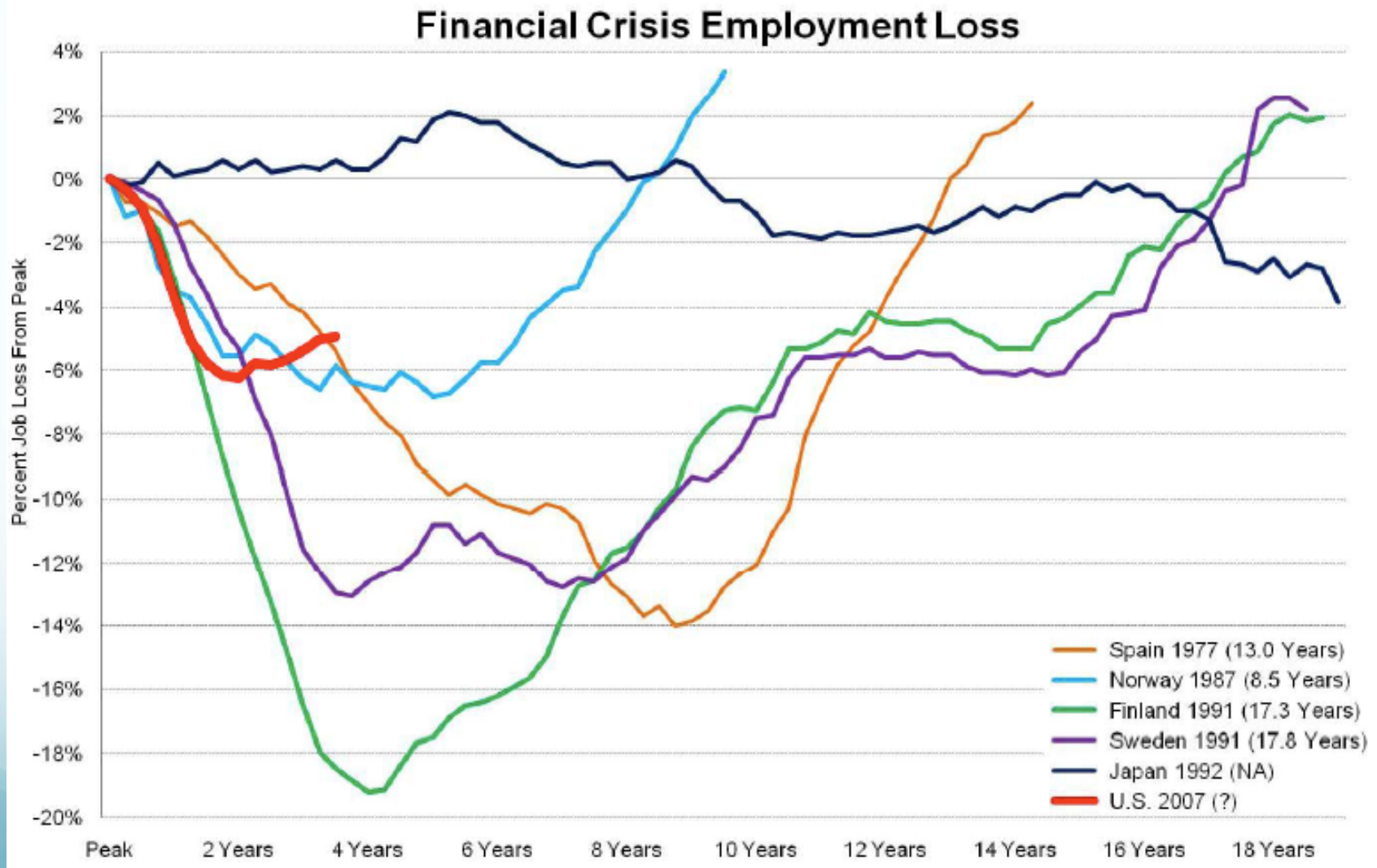
The “Great Recession”: Deep and long

Percent Job Losses in Post WWII Recessions

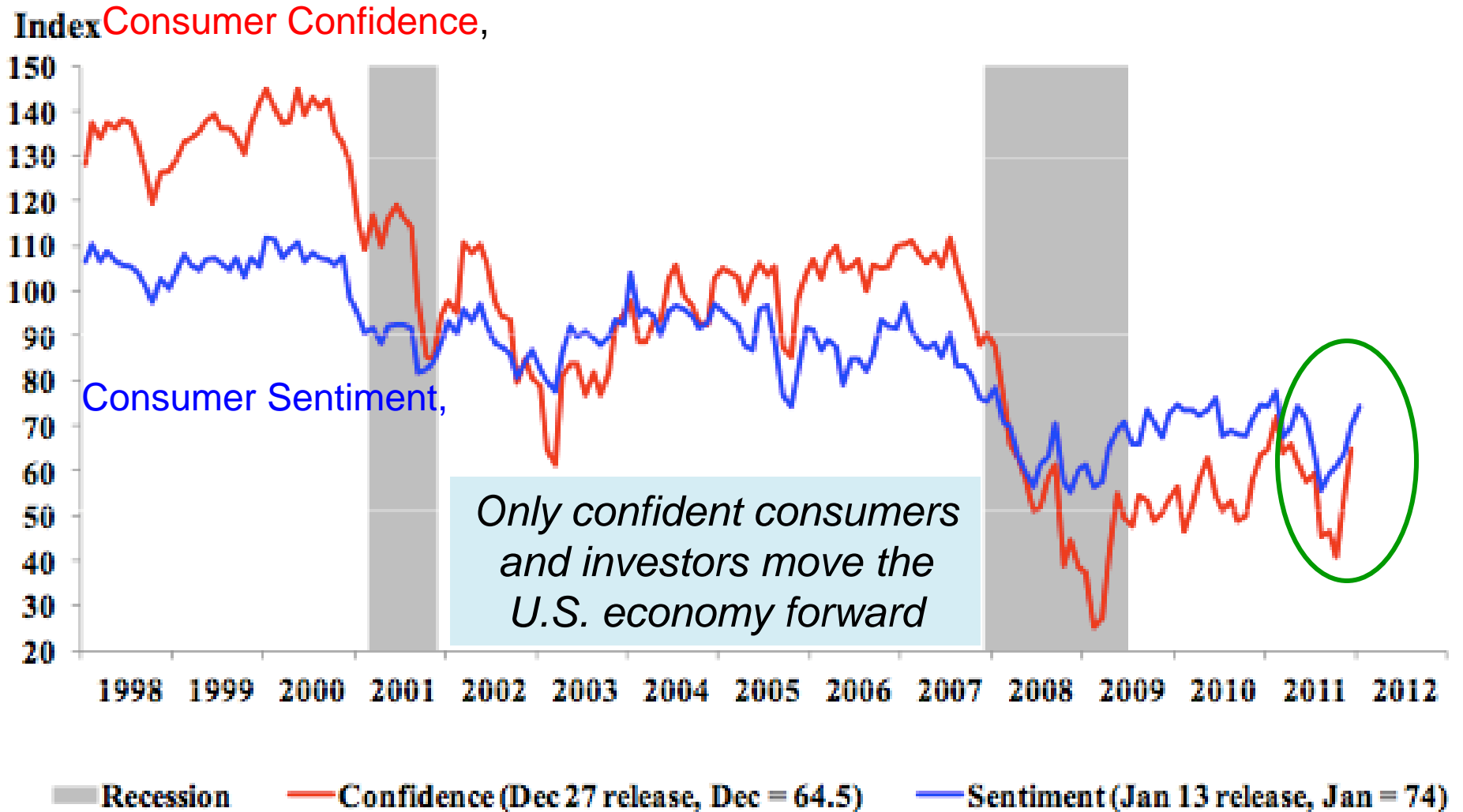


Source: Percent Job Losses in Post WWII Recessions, November, posted on Dec 2, 2011

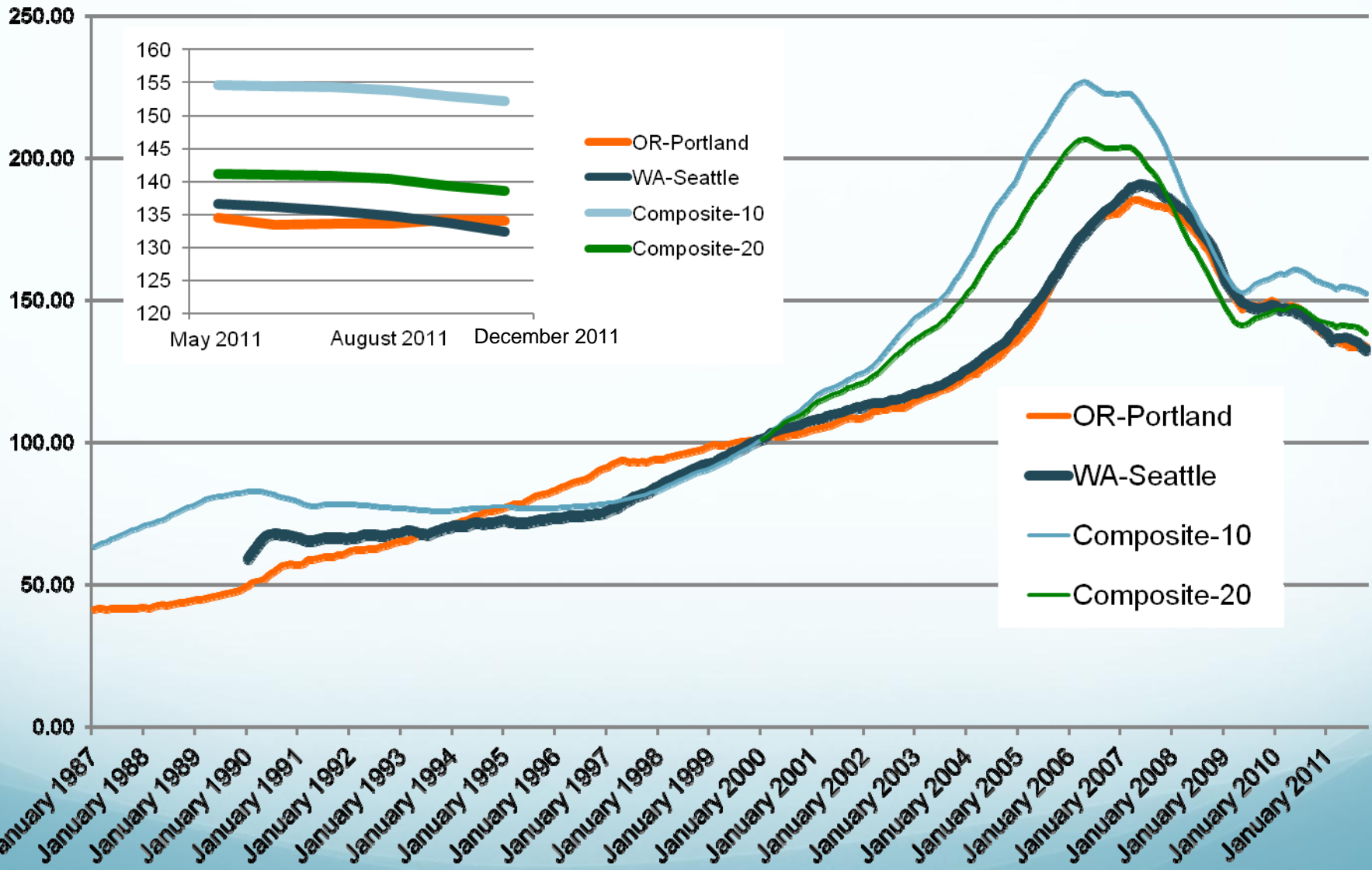
Financial crises have long recovery periods



Consumer Confidence slowly climbing from historic lows

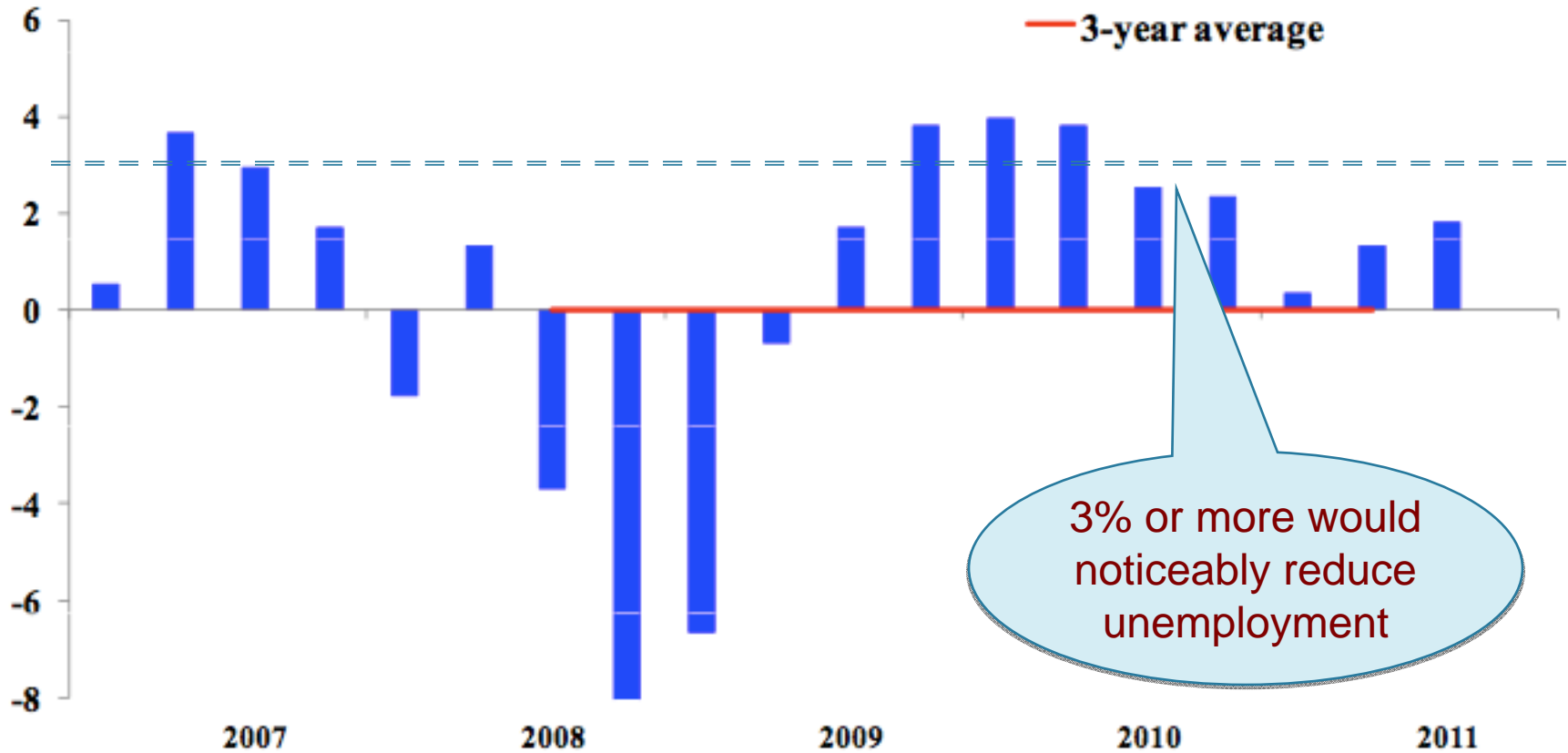


Housing prices continue to soften



Real GDP remains very slow

1-quarter % change,
annualized

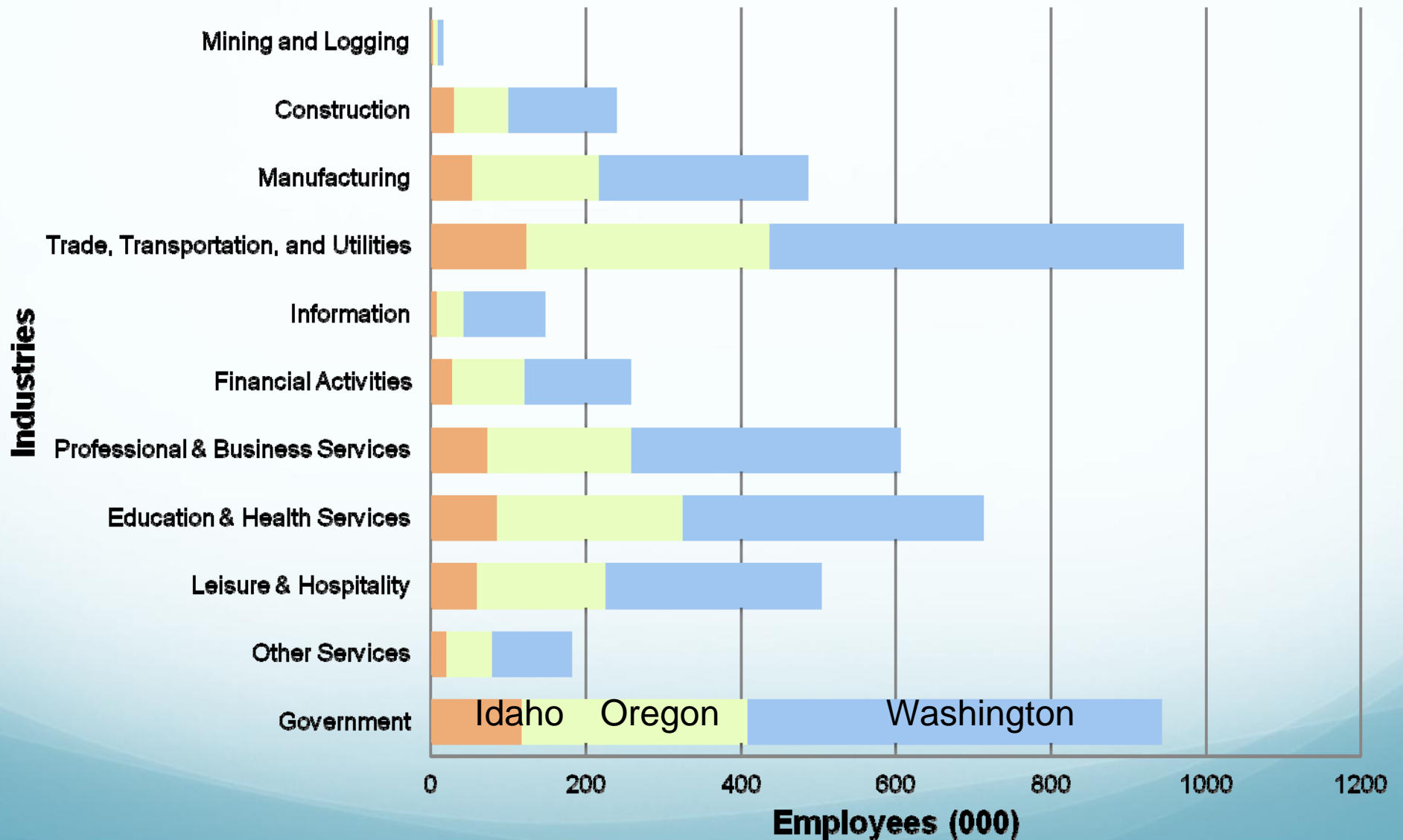


Source: Bureau of Economic Analysis

<http://www.dallasfed.org>

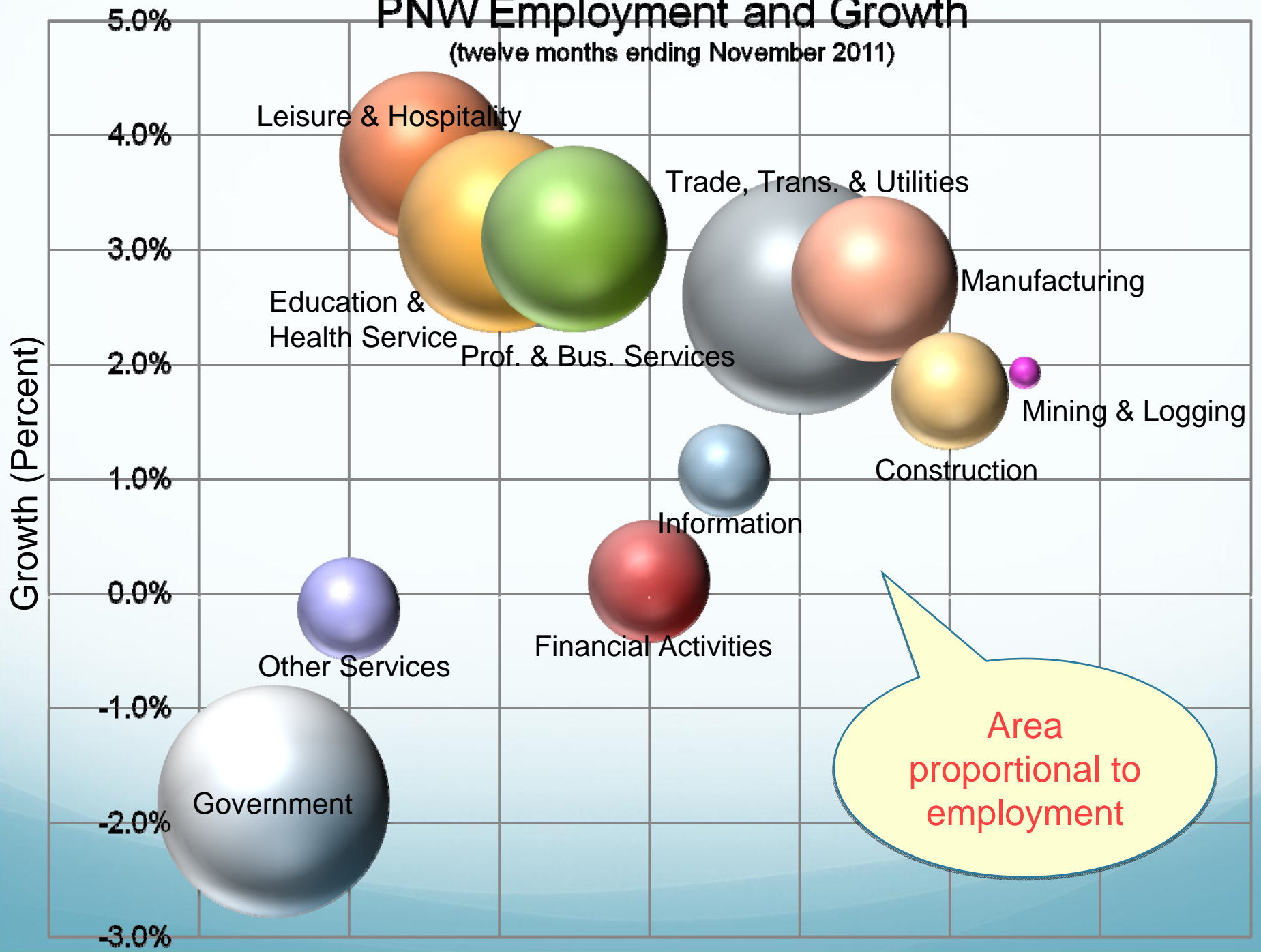
Focus on PNW Employment

Non-Agriculture
(as of November 2011)

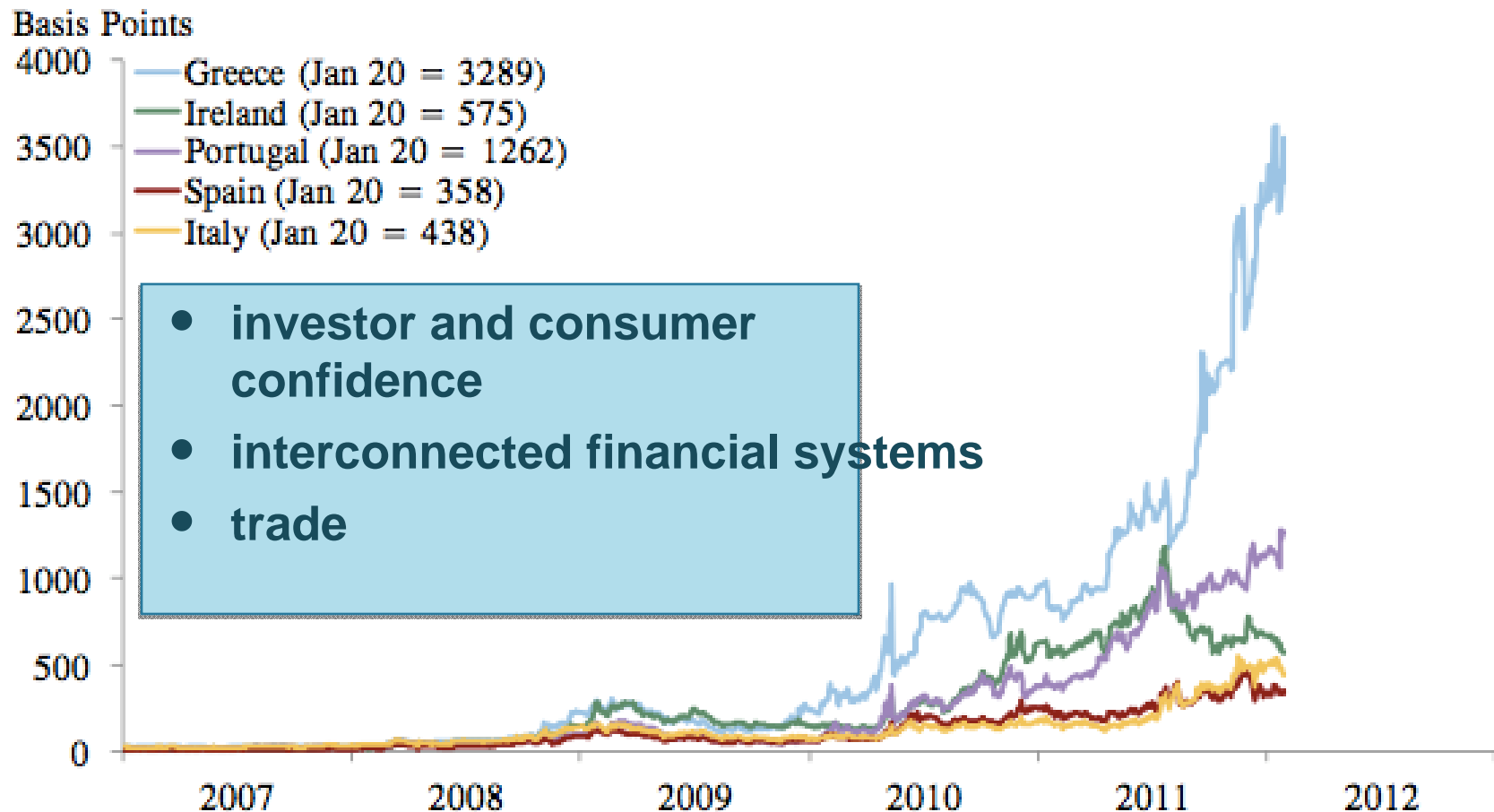


PNW Employment and Growth

(twelve months ending November 2011)



Euro-Crisis single biggest risk to world economy



Note: German 10-year bond rate equals 0 fr reference.

NOTE: The chart shows the spread, or difference, in interest rates between 10-year government bonds for various countries and German 10-year government bonds.

Looking Forward



Driver#1: Globalization



Global

Geo—Political Environment
 Financial Markets/Interest rates
 Emerging and Developed Markets
 Investment choices
 Oil and other energy prices
 Commodity prices
 Supply Chains
 Technology



National

Economy
 Political Environment
 Policy Environment
 Oil Prices & Natural Gas
 Prices
 Commodity Prices
 Technology
 Financial Markets/Interest rates

Implication:
 What happens
 in Athens,
 London, or
 China impacts
 each of us



WECC

Regional economy
 Policy environment
 Loads & Resources
 Power & Gas Markets
 Reliability
 Resource & Trans. Investments

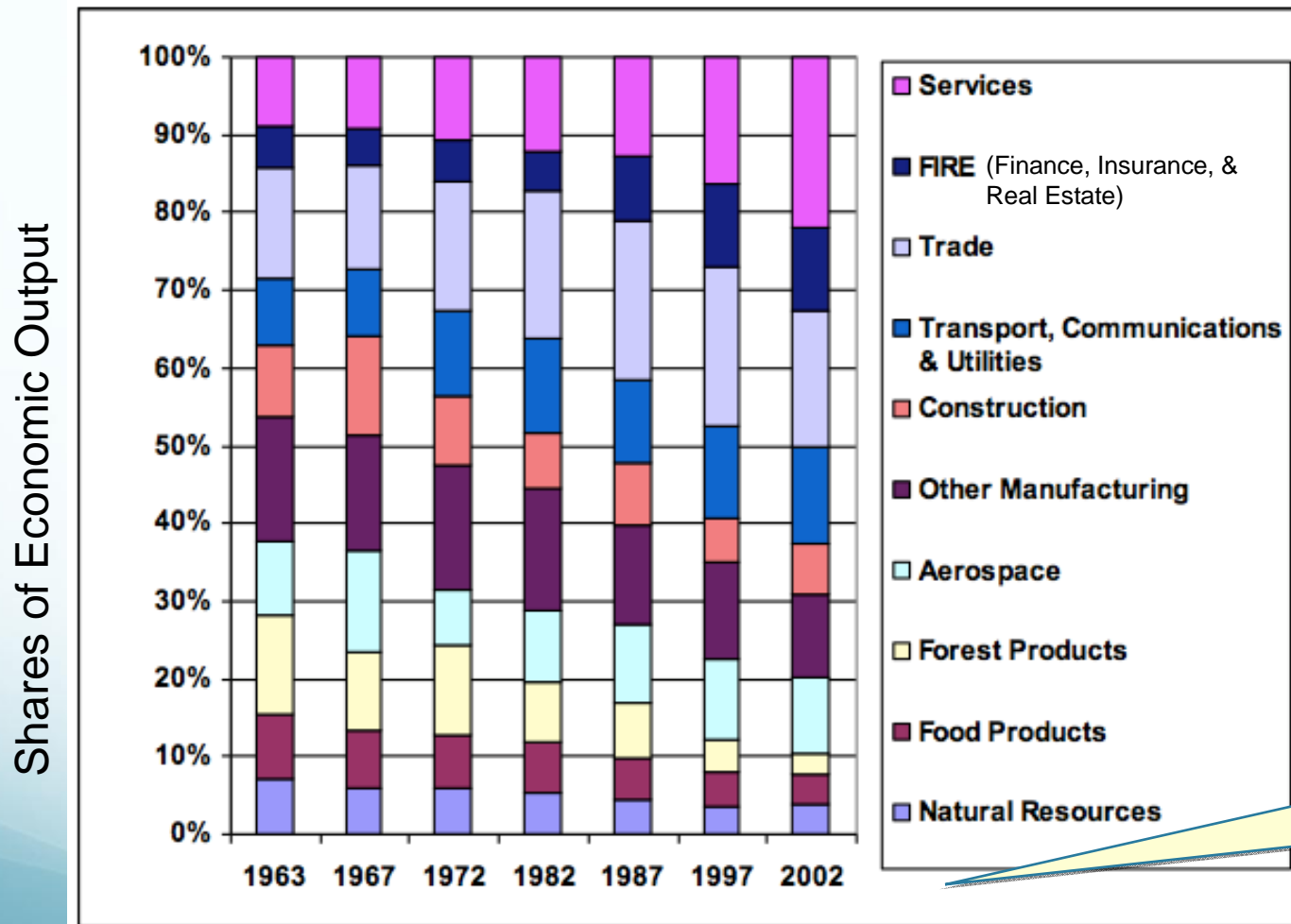


PNW

Regional and export economy
 Loads & Resources
 Power & Gas Markets
 Reliability
 Resource & Transmission Investments

Driver #2: Economies evolving from natural resources to services

Example: State of Washington



Implications:

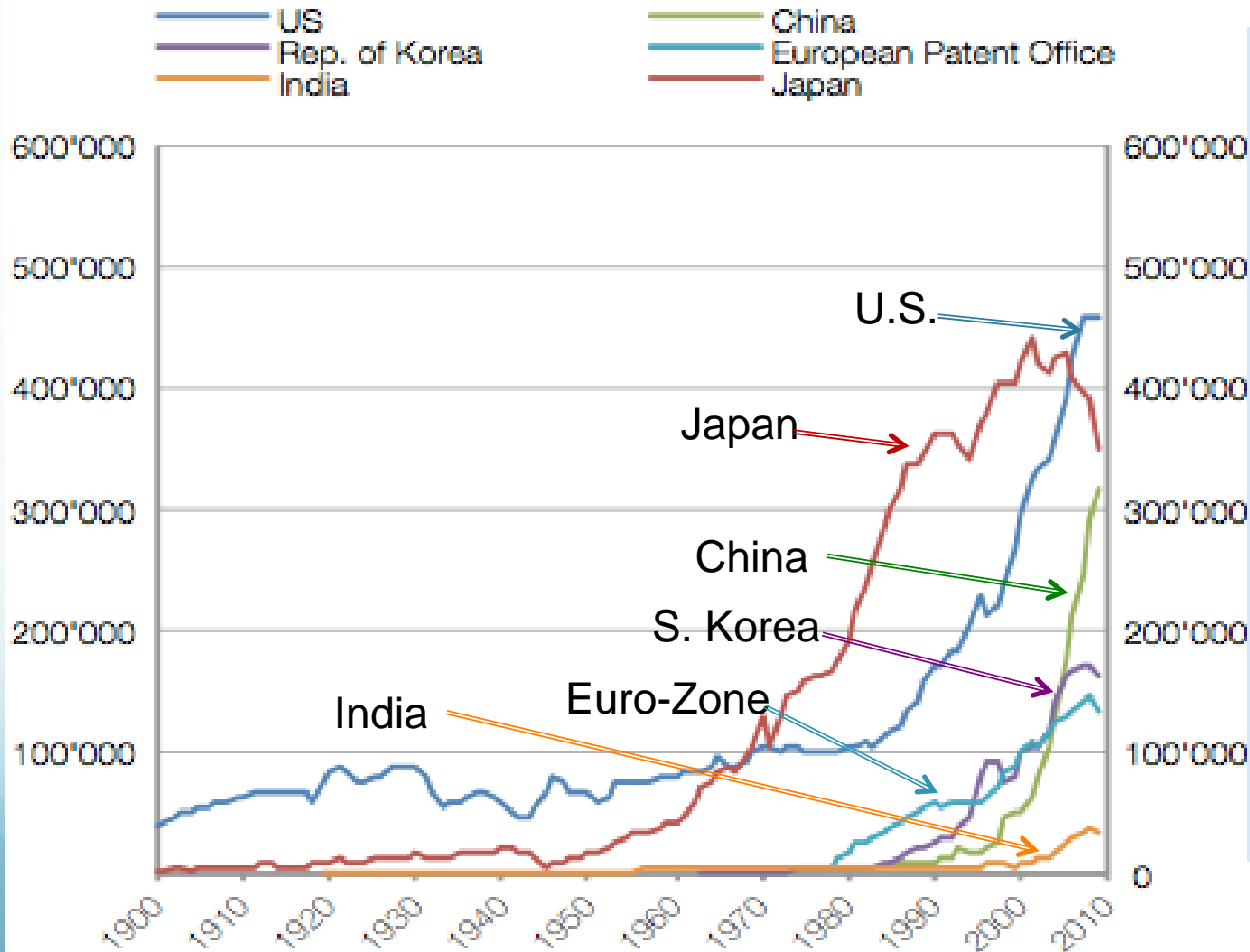
- Urban locations
- “Good” jobs require advanced training
- Relatively low energy use per output

Service jobs projected to be 79% in 2018#

Source: Applying Shift-Share Analysis to Structural Change in Input- Output Models: Evidence from Seven Washington State I/O Models
 William B. Beyers, U.W., Seattle Ta-Win Lin, OFM, Olympia
 # - <http://www.bls.gov/news.release/pdf/ecopro.pdf>, 12/10/11

Driver #3: Technological change accelerating

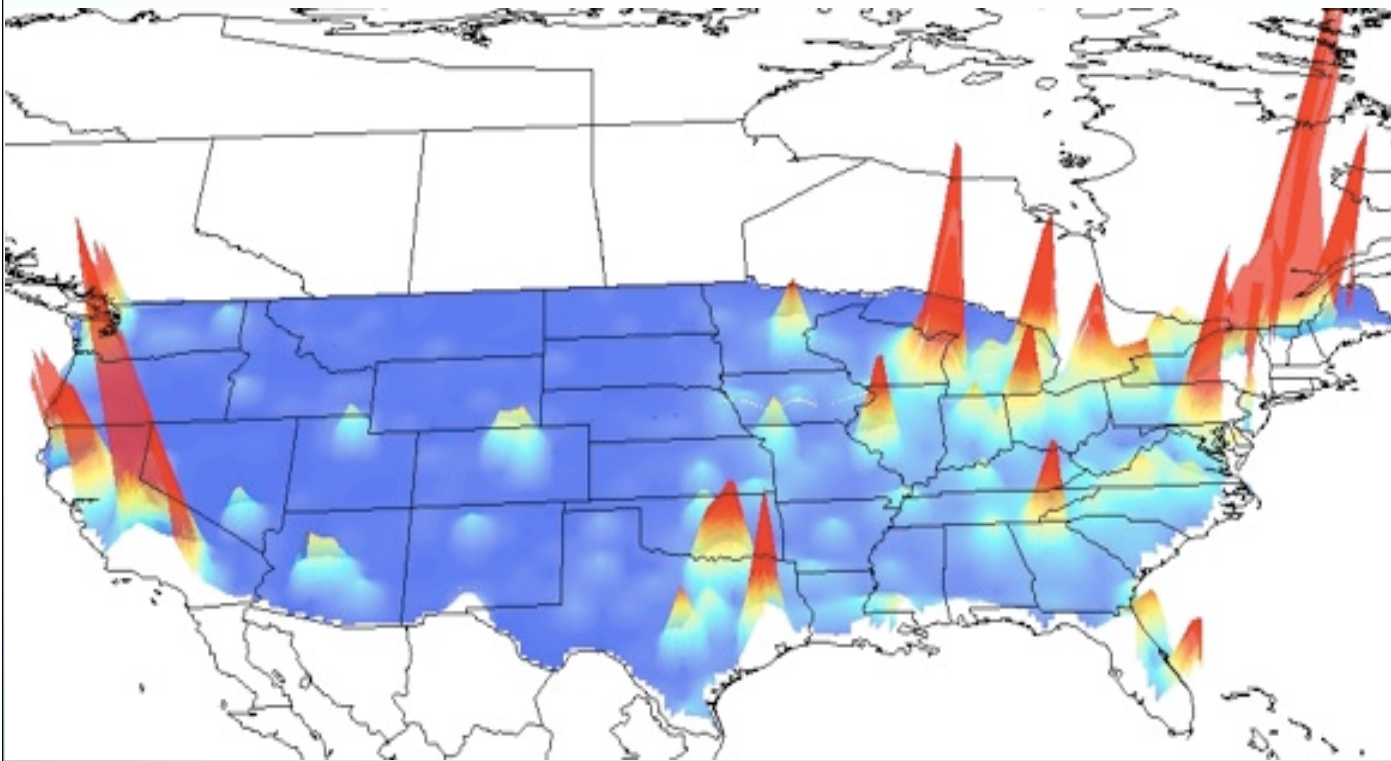
Patent applications at selected offices, 1900-2010



Implications:

- Change, of all types, accelerates
- Increases productivity
- Reduces labor requirement
- Increases training and education requirement
- Favors higher wage jobs

Driver #4: Increasing urbanization nationally and worldwide



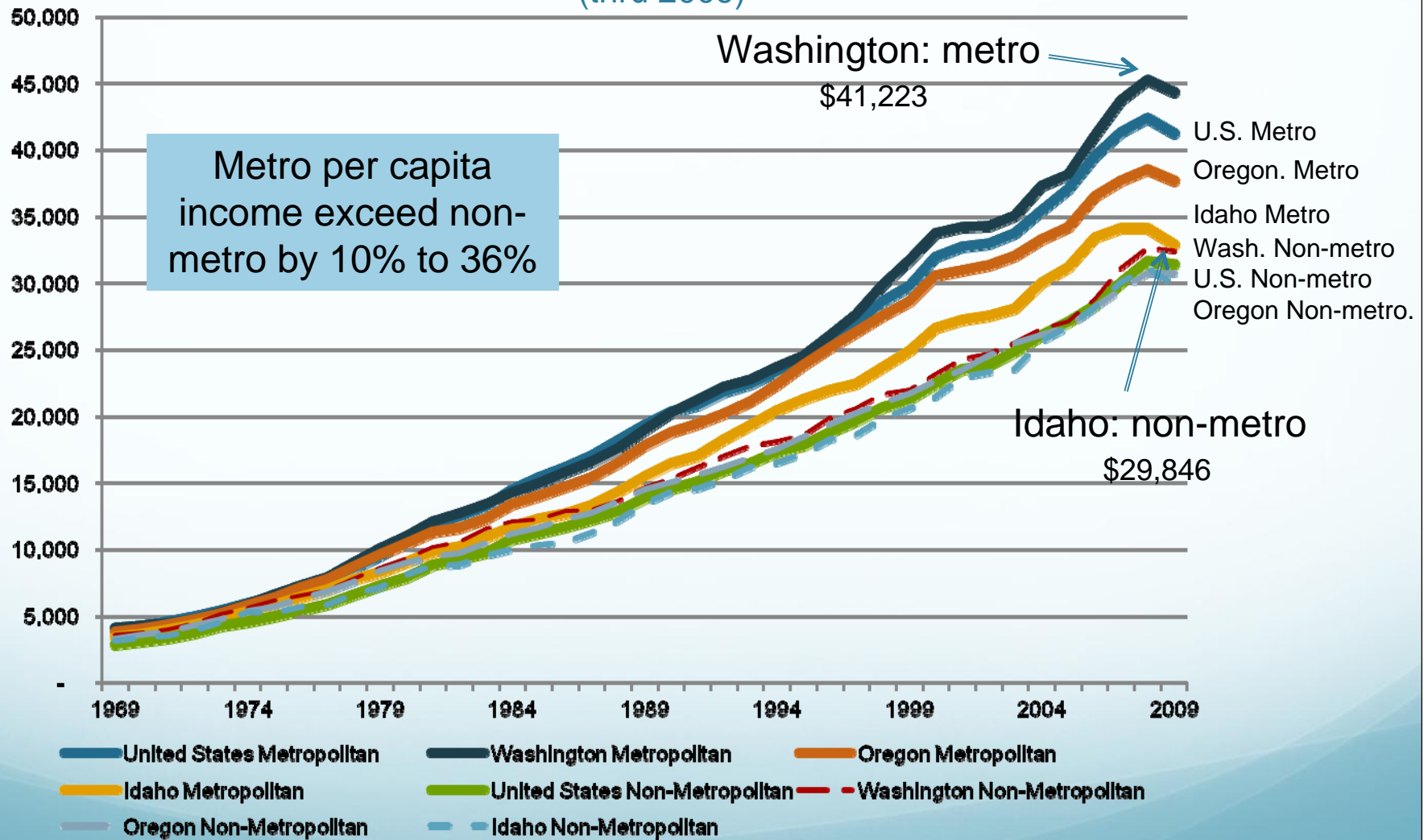
Implications:

- Reflects / favors service economy
- Differences between urban/rural areas heightened

Map of estimated county level production of goods and services- \$2005

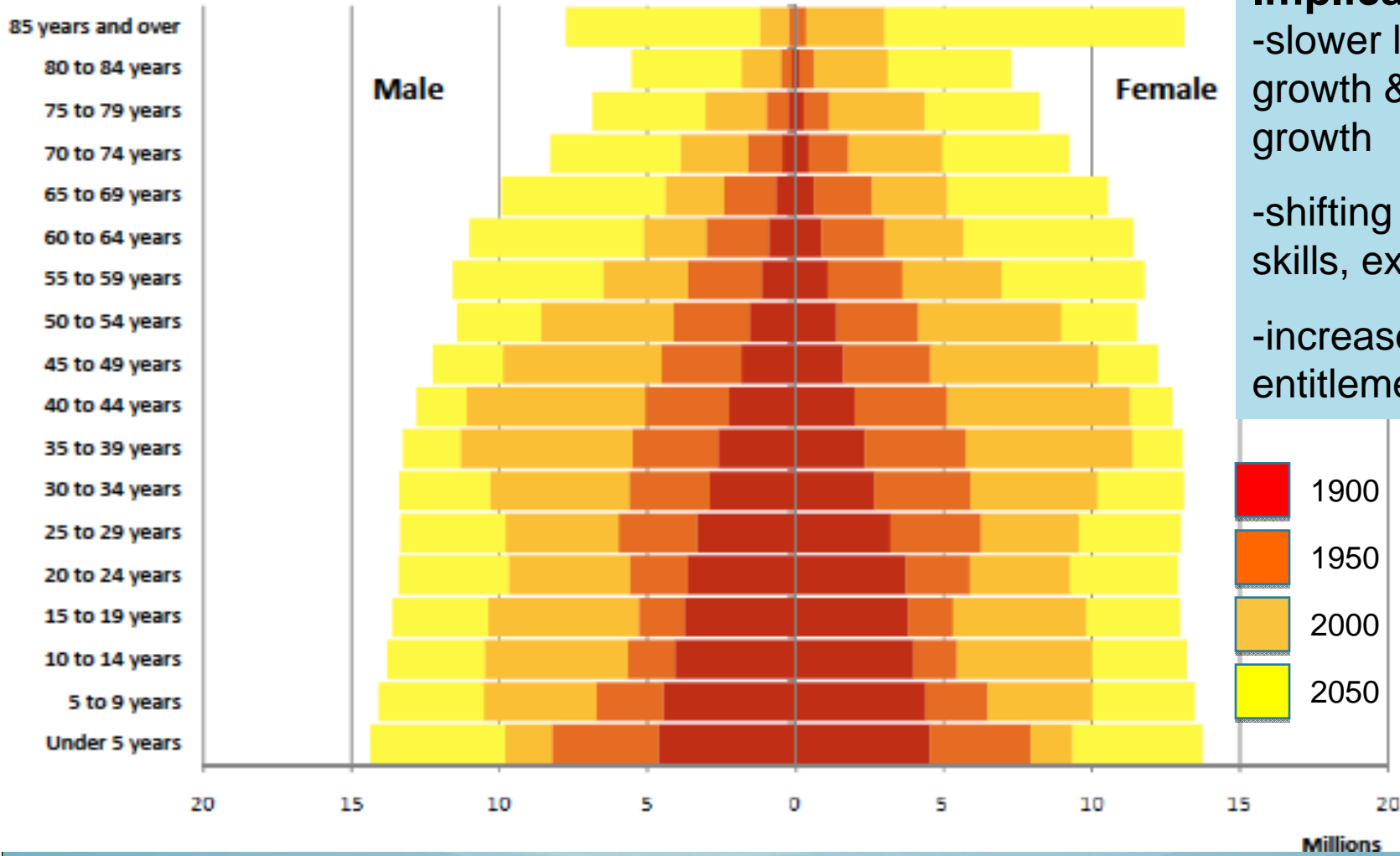
Per capita income in metro areas has outpaced per capita income in non-metro areas

(thru 2009)



Driver #5: Aging Population

U.S. Population Pyramid, 1900-2050



Implications:

- slower labor force growth & economic growth
- shifting values, skills, expectations
- increased entitlement costs

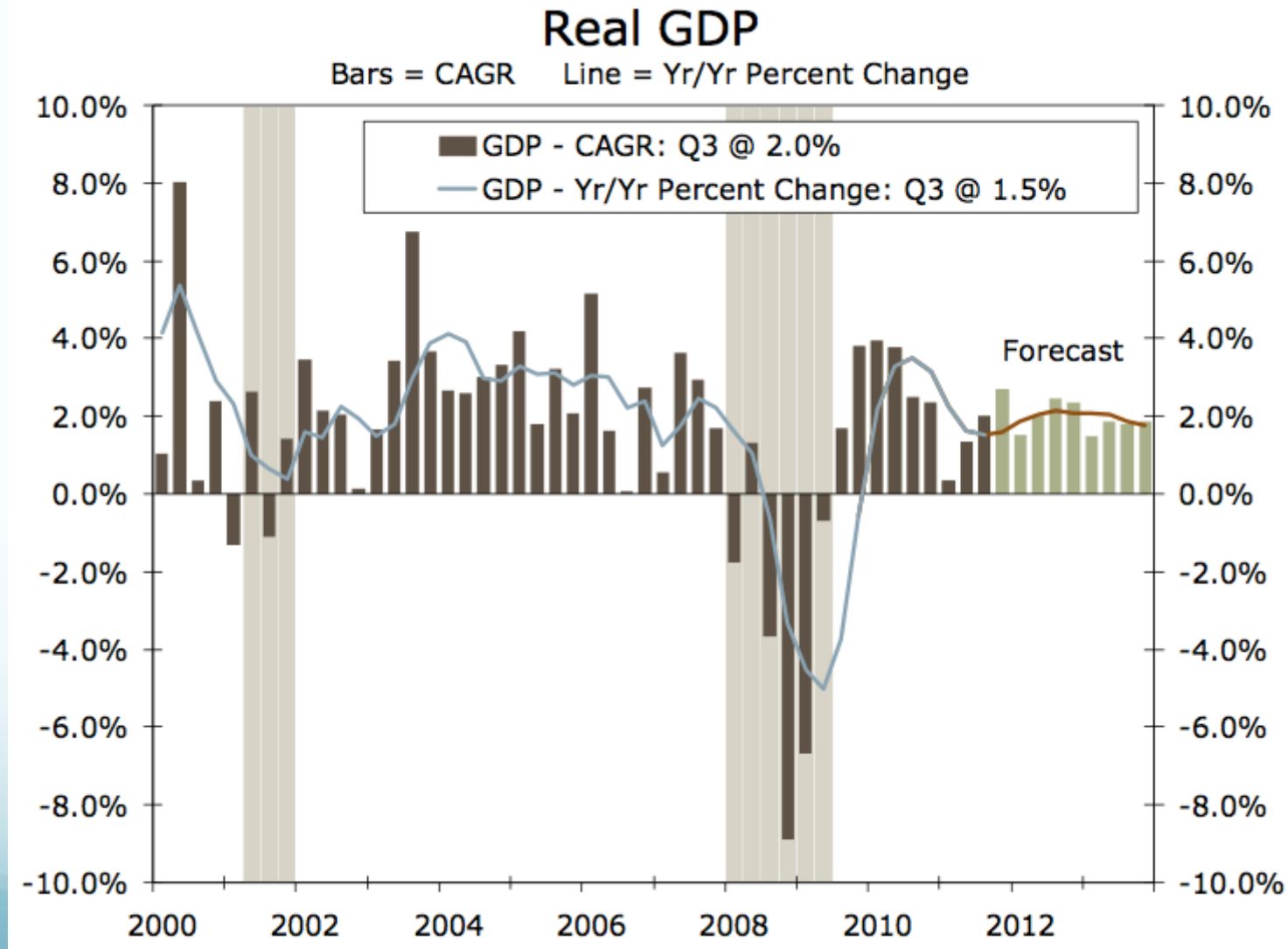
Source: Demography as Destiny Socioeconomic Trends in the Portland Metropolitan Region; **Sheila A. Martin**, Director **Jason R. Jurjevich**, Assistant Director Institute of Portland Metropolitan Studies (IMS) Population Research Center (PRC)

World Economic Growth Forecast

by the
International Monetary Fund

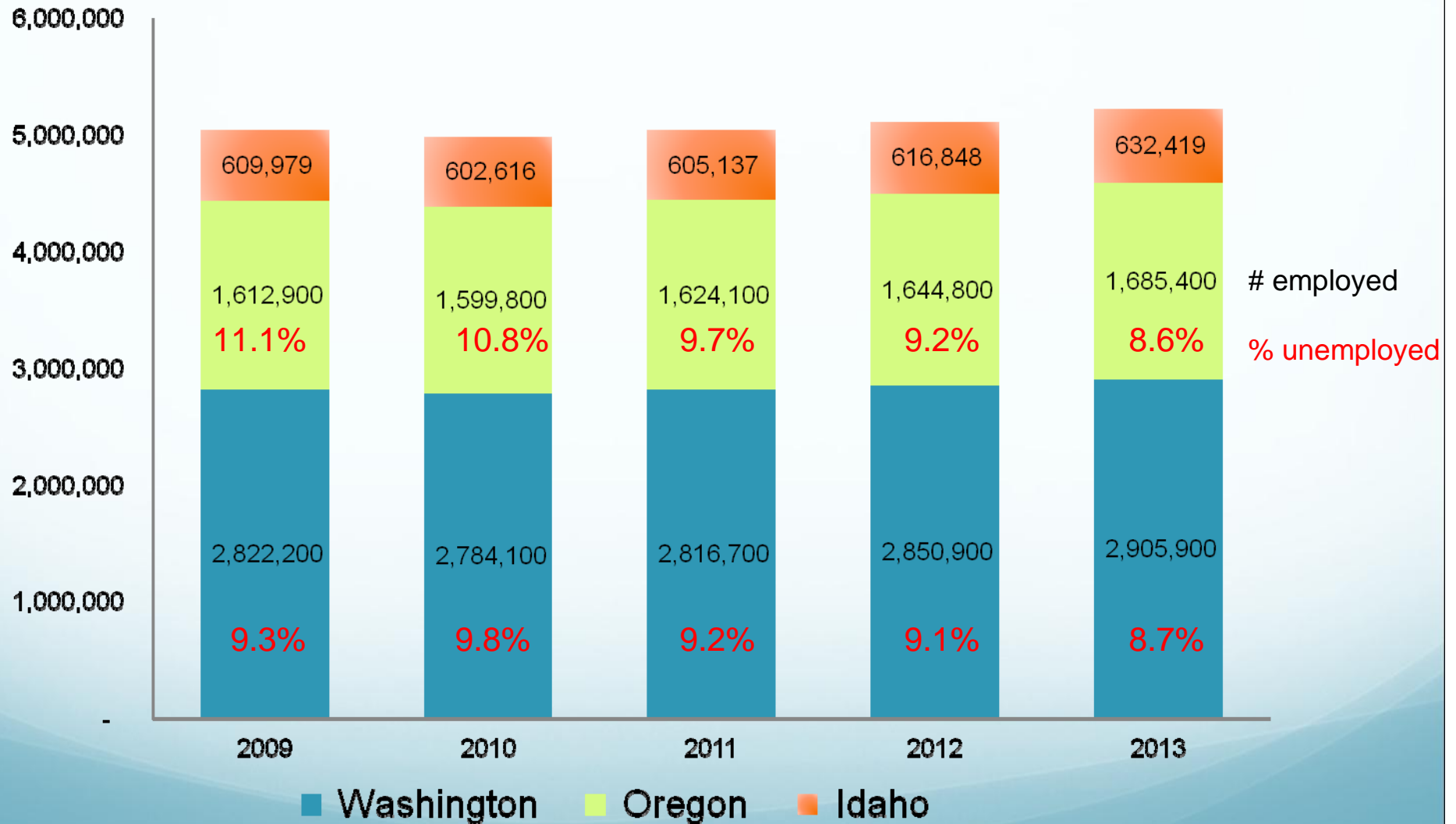
	<u>2011</u>	<u>2012</u>	<u>Current Estimate</u>
World	4.0%	4.0%	3.3% & 3.9%
Euro-Zone	1.6%	1.1%	-0.5%
-Germany	2.7%	1.3%	0.3%
-France	1.7%	1.4%	0.2%
-Greece	-5.0%	-2.0%	NA
-Italy	0.6%	0.3%	-2.2%
U.S.	1.5%	1.8%	1.8%
China	9.5%	9.0%	8.2%
Japan	0.5%	2.3%	1.7%
India	7.8%	7.5%	7.3%
Brazil	3.8%	3.6%	3.0%

Most US forecasts are for 1% to 2% growth



PNW Employment Forecasts

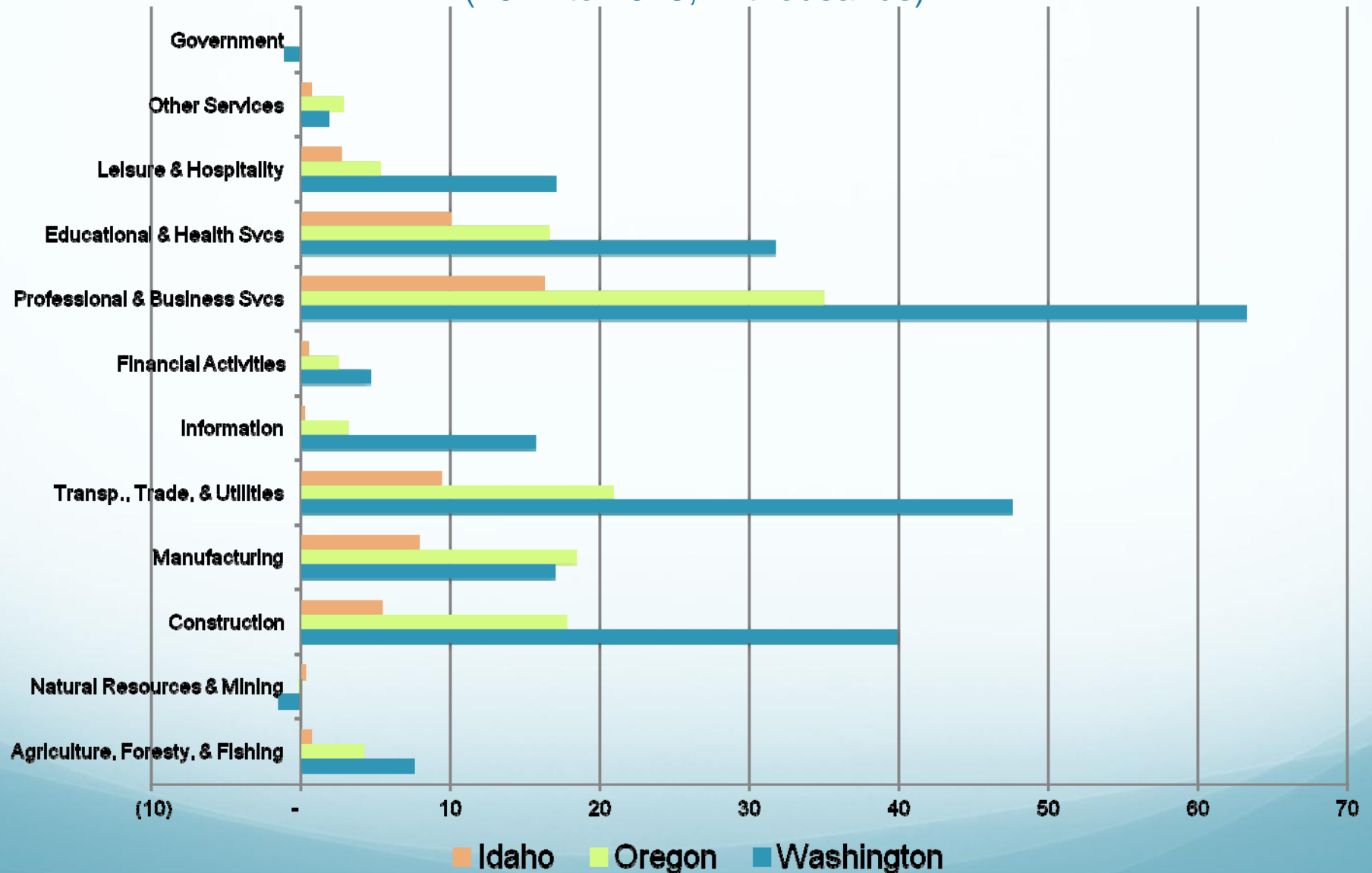
PNW States 'official' forecasts: positive, though slow, growth



Sources: http://dfm.idaho.gov/Publications/EAB/Forecast/2011/October/ieffulldocument_Oct2011.pdf
<http://www.erfc.wa.gov/forecast/documents/t1111.pdf> <http://www.oea.das.state.or.us/DAS/OEA/docs/economic/forecast1211.pdf>

Growth in PNW State Employment

(2011 to 2015, in thousands)



Outlook

◆ What's happening with the economy

- ✓ **Slow growth** – reducing debts & excess housing/other 'bubble' investments
- ✓ **Substantial unemployment; many groups highly impacted**
- ✓ **Movement to service economy; wage disparity**

◆ Drivers and Forecasts: World, U.S., and the PNW

- ✓ **Continued slow growth, unemployment slowly improves**
– U.S. & PNW
- ✓ **Significant risks remain: Euro-crisis, consumer confidence, world 'hot-spot' turmoil**
- ✓ **Election paralysis will defer serious dialogue around drivers, fiscal policy, debt, other critical issues**

Questions?

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