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economic analysis

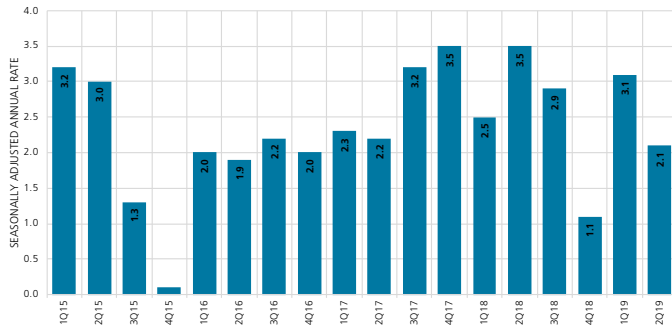
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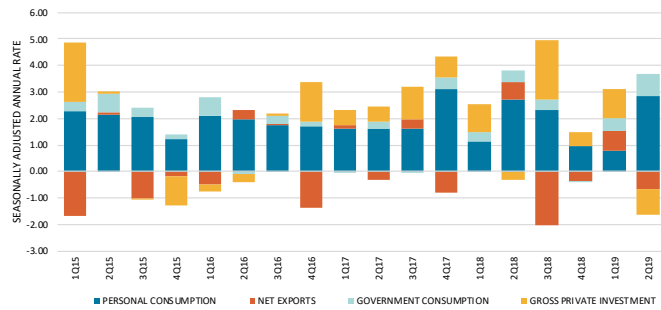
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REAL GDP



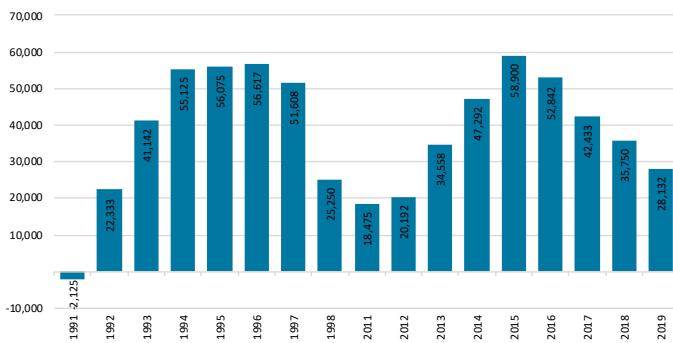
U.S. Bureau of Economic Analysis

GDP GROWTH BY CONTRIBUTING SECTOR



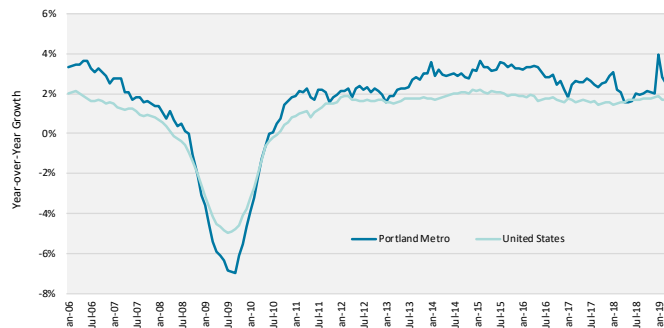
U.S. Bureau of Economic Analysis

NONFARM EMPLOYMENT GROWTH- OREGON CES DATA



U.S. Oregon Employment Department, Current Employment Statistics

ANNUALIZED EMPLOYMENT CHANGE BY MONTH



CES Employment, State of Oregon and BLS

The current expansion cycle continued through the third quarter of 2019. Gross Domestic Product (GDP) is currently estimated to have expanding at an annualized rate of 1.9% during the quarter, reflecting a modest slowing from the previous quarter.

As with last quarter, economic growth at the national level has been driven by personal consumption, with limited support from government consumption. Declines in private investment and net exports were lower than in the second quarter. The tight labor market and continued employment growth has led to growth in aggregate as well as per capita wages.

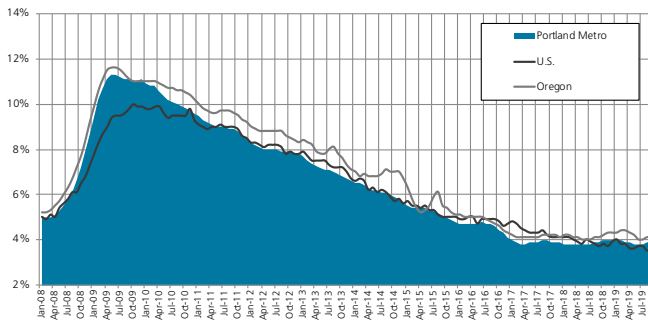
The expansion is projected to continue at the national level over the next several years, with GDP growth continuing but at a reduced rate. Tariffs on US-China trade flows and a reduction in fiscal stimulus are expected to contribute to this slowdown. As with the last few quarters, consumer spending is projected to be strong, supported by gains in employment, real wages, and household wealth. The Federal Reserve is expected to reduce federal funds rates by another 25 basis points in December and then move to a neutral stance.

Just over 30% of economists surveyed in The Wall Street Journal's November survey saw a risk of the US entering a recession in the next year. This number is elevated but reflects an improvement over the 34% rate in the October survey. The catalysts for the next recession cited most often are inventory imbalances, oil supply shocks, and monetary policy error and/or fiscal tightening. Global growth is expected to continue to slow. Europe has seen reductions in exports and capital investments, while China's growth has slowed significantly.

Employment growth has continued within the State of Oregon, with the rate of growth slowing as well. While growth early in the recent expansion cycle was led by the Portland metro area, the remainder of the State has largely done well over the last several years. Key concerns at a statewide level include labor shortages due to a tight labor market as well as uncertainty regarding the impact of the new gross receipts tax.

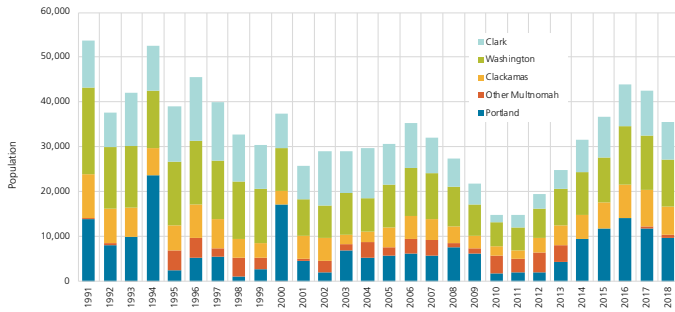
The Portland MSA is currently on track to add roughly 25,000 new jobs in 2019, representing a year over year growth rate of 2.1%. The region continues to outperform the nation as a whole in terms of employment growth, but the differential is narrowing.

UNEMPLOYMENT RATE, SEASONALLY ADJUSTED



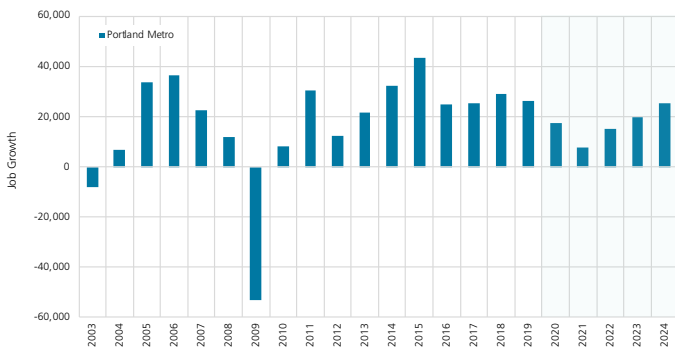
Local Area Unemployment Statistics (LAUS)

POPULATION GROWTH BY COUNTY



PSU Population Research Center

PORTLAND METRO EMPLOYMENT GROWTH



QCEW and CES Employment, State of Oregon and Johnson Economics

Labor force availability is expected to represent a significant challenge to ongoing expansion. The local unemployment rate was estimated at 3.9% in September 2019, which is slightly above the national rate of 3.6% and below the statewide rate of 4.1%.

With the labor market historically tight, the ability of the local and national economy to continue to expand will be dependent upon growth in the labor force as well as productivity. The Portland metro area has been able to attract significant levels of in migration over the last few decades, and this influx of new residents as supported economic expansion as well as providing support for the residential markets.

The rate of population growth declined somewhat in 2018, largely reflecting a reduction in growth in the City of Portland. The suburban markets continue to perform well with available residential capacity in Washington, Clark, and Clackamas counties.

We are expecting a continued deceleration of growth over the next few years due to a national slowdown as well as increased tightness in the local labor force.

The current expansion cycle has been atypical in terms of residential market response, with housing production unusually low. This has led to significant price escalation in most expanding markets, most notably on the West Coast. After peaking pre-recession at roughly 69% in 2005, the homeownership rate declined to just over 63% in 2016 and has since that time risen to just over 64%.

The rate in the Portland metro area has shown some increase over the last two years, but the pattern is not as clear. Some of this is related to a significantly smaller sample set in the local data.