

Washington Economic Outlook

Presented to
Workforce Training and Education Coordinating Board

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Des Moines, Washington



WASHINGTON STATE
ECONOMIC AND REVENUE FORECAST COUNCIL



Summary

- The preliminary economic forecast expects slightly lower U.S. GDP and WA personal income but slightly higher WA employment than in February
- Oil prices are higher than in February
- The forecast assumes the Federal Reserve will increase interest rates this month and in September
- Risks to the baseline remain slow global and U.S. economic growth, the impact of a stronger dollar on exports, and weaker manufacturing activity



Economic news continues to suggest risks to forecast

Upside:

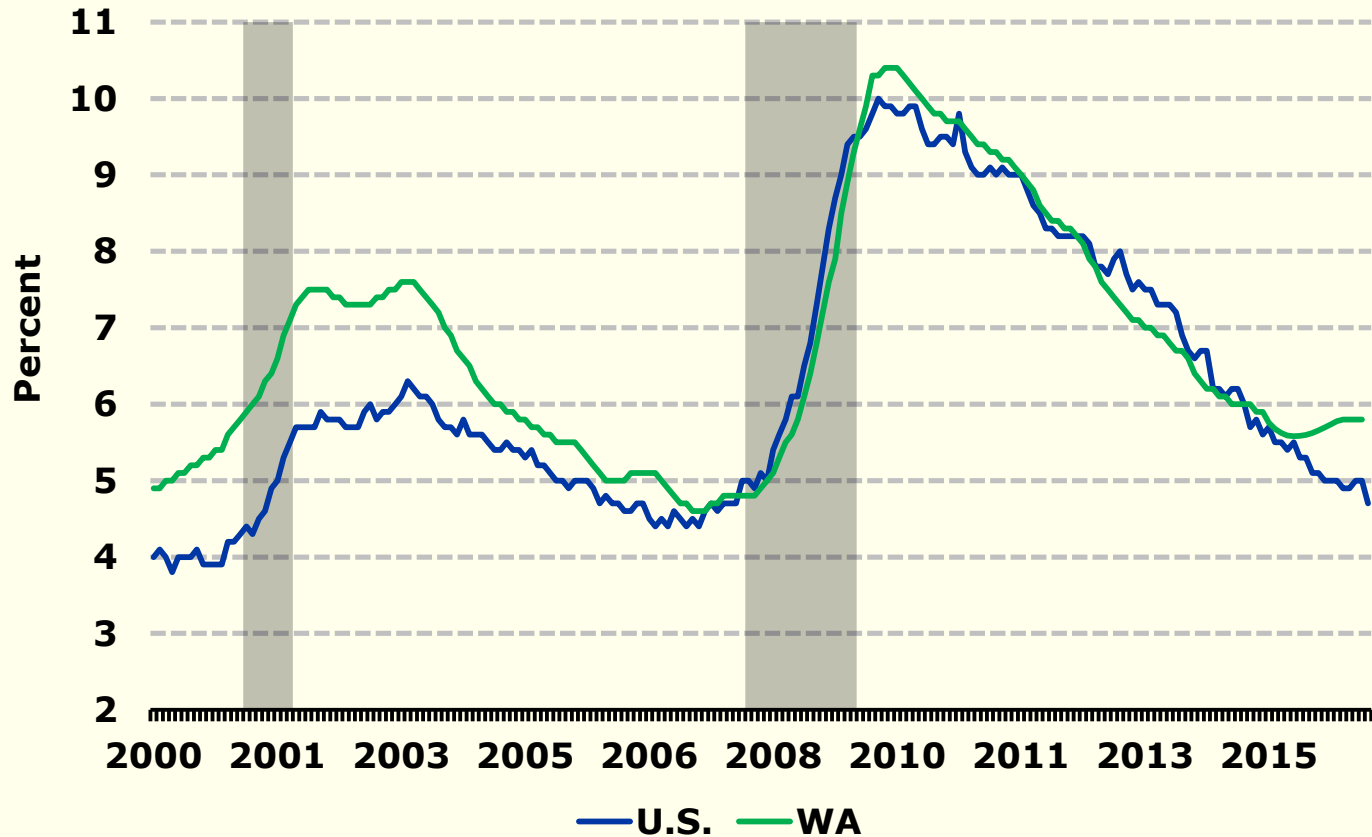
- Stronger than expected job growth
- Rising wage growth
- Stronger housing starts and home sales (new and existing)

Downside:

- Slowing global economy
- Slower U.S. GDP growth
- Negative impact of stronger dollar on exports
- Weaker nonresidential construction



U.S., WA unemployment rates trending down



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Source: Bureau of Labor Statistics; U.S. data through May 2016; WA data through Apr. 2016

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Number of long-term unemployed workers remains above pre-recession levels

Long-term unemployed as share of all unemployed:

Aug. 2011: 45%

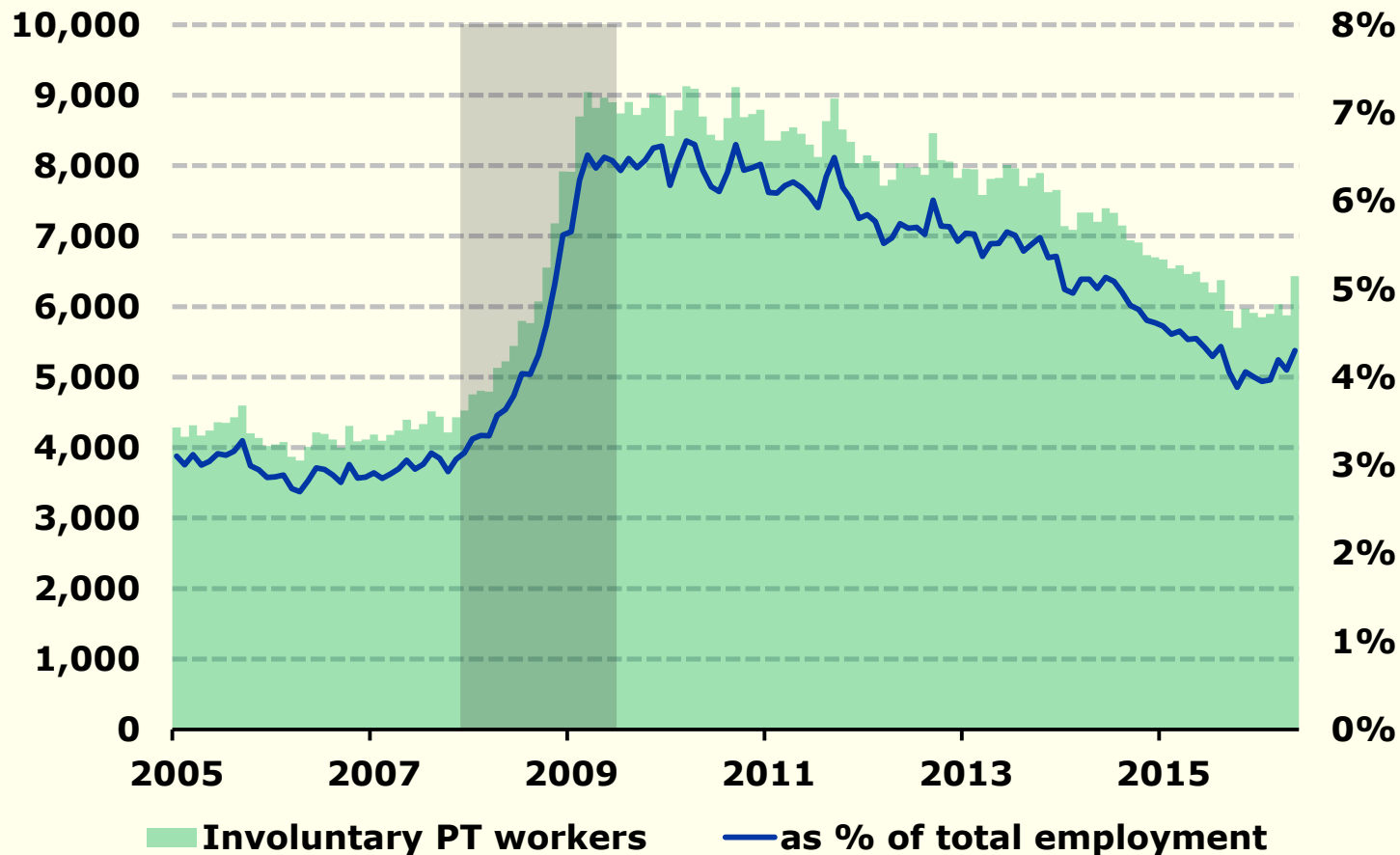
May 2016: 25%



Source: Bureau of Labor Statistics; U.S. data through May 2016



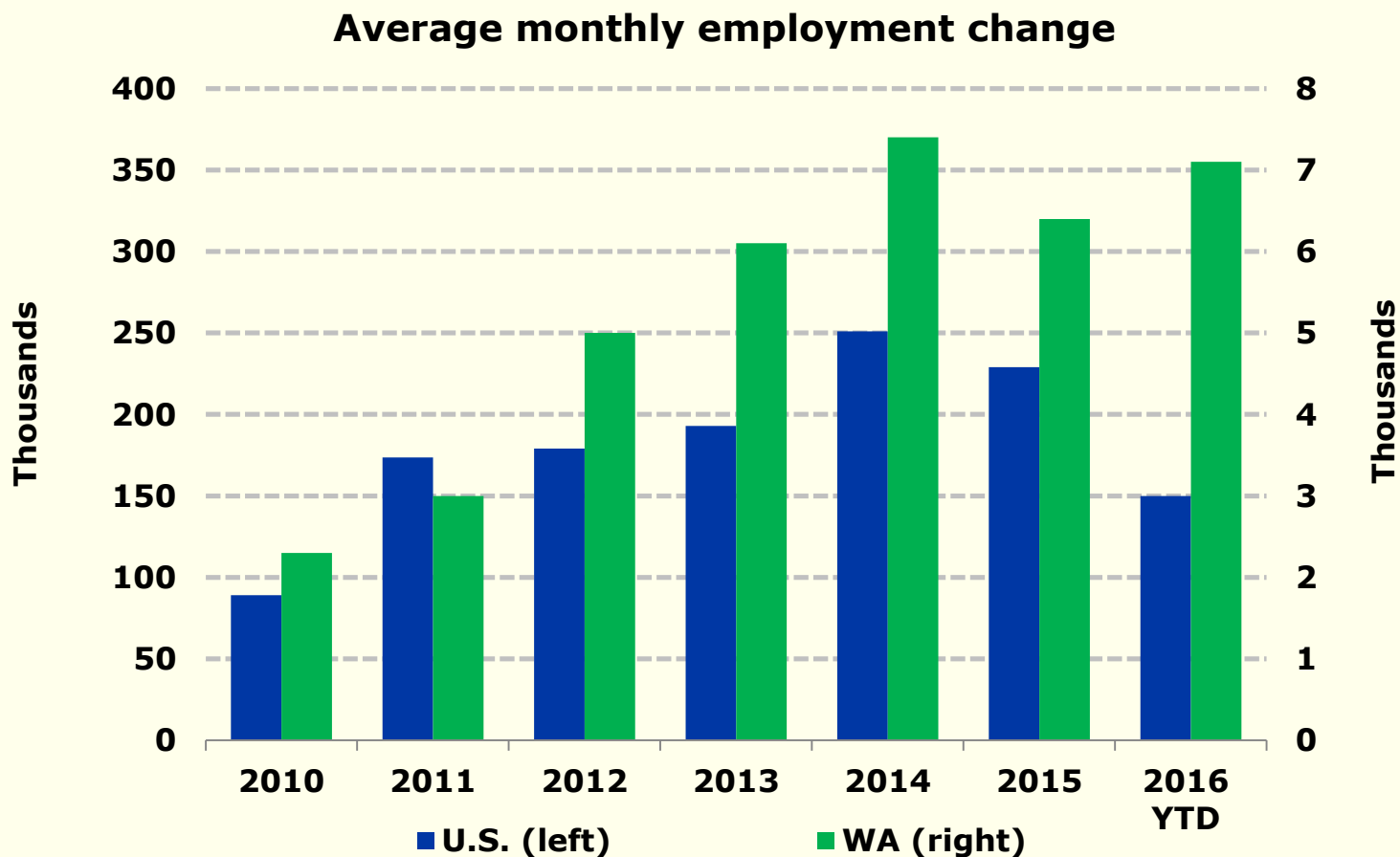
Involuntary part-time employment remains above pre-recession levels



Source: U.S. Bureau of Labor Statistics; U.S. data through May 2016



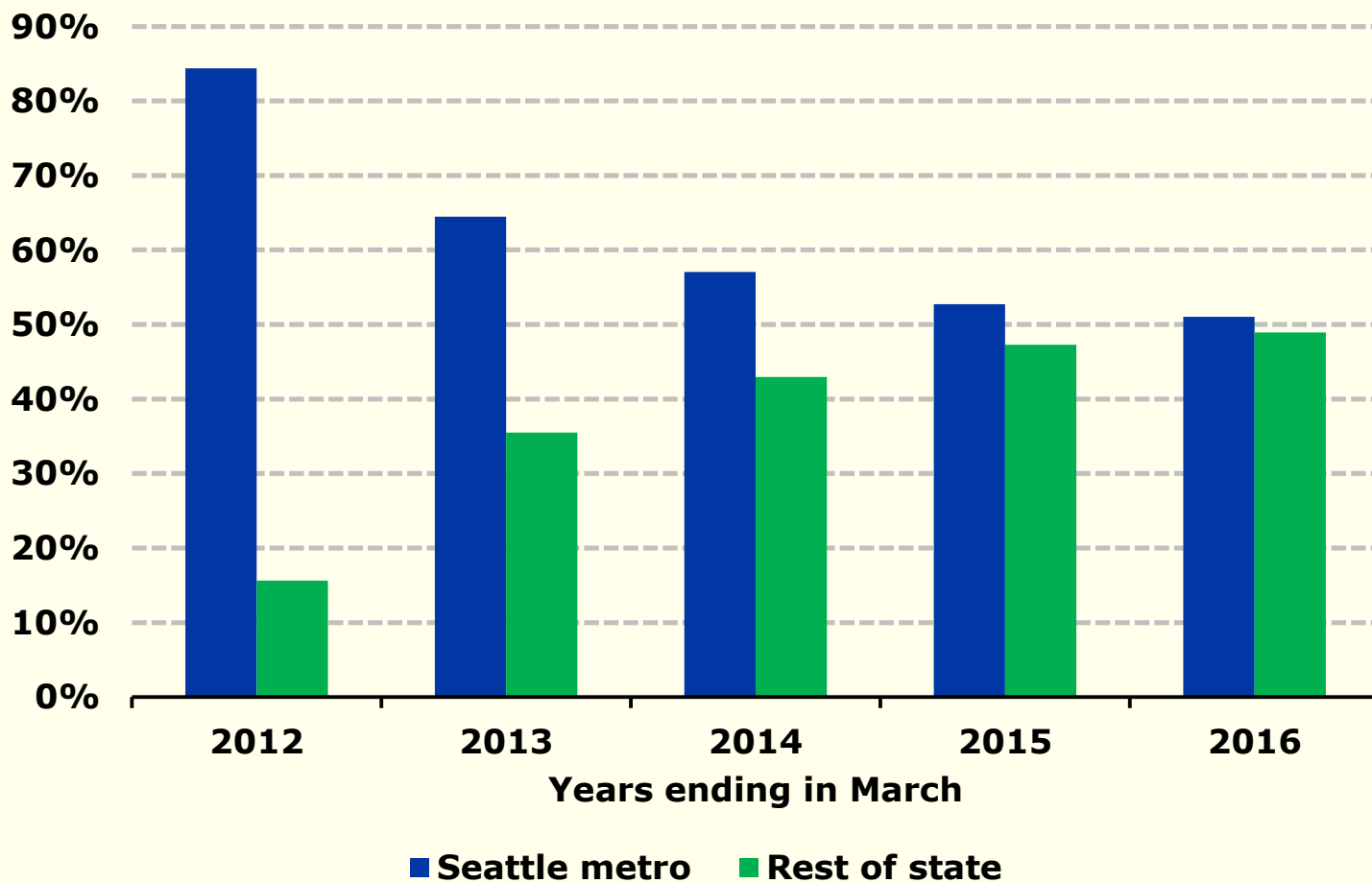
So far in 2016, employment change in WA a bit stronger than last year



Source: Bureau of Labor Statistics, ERFC; WA data through Apr. 2016, U.S. data through May 2016



Fraction of statewide employment change, Seattle vs. rest of state



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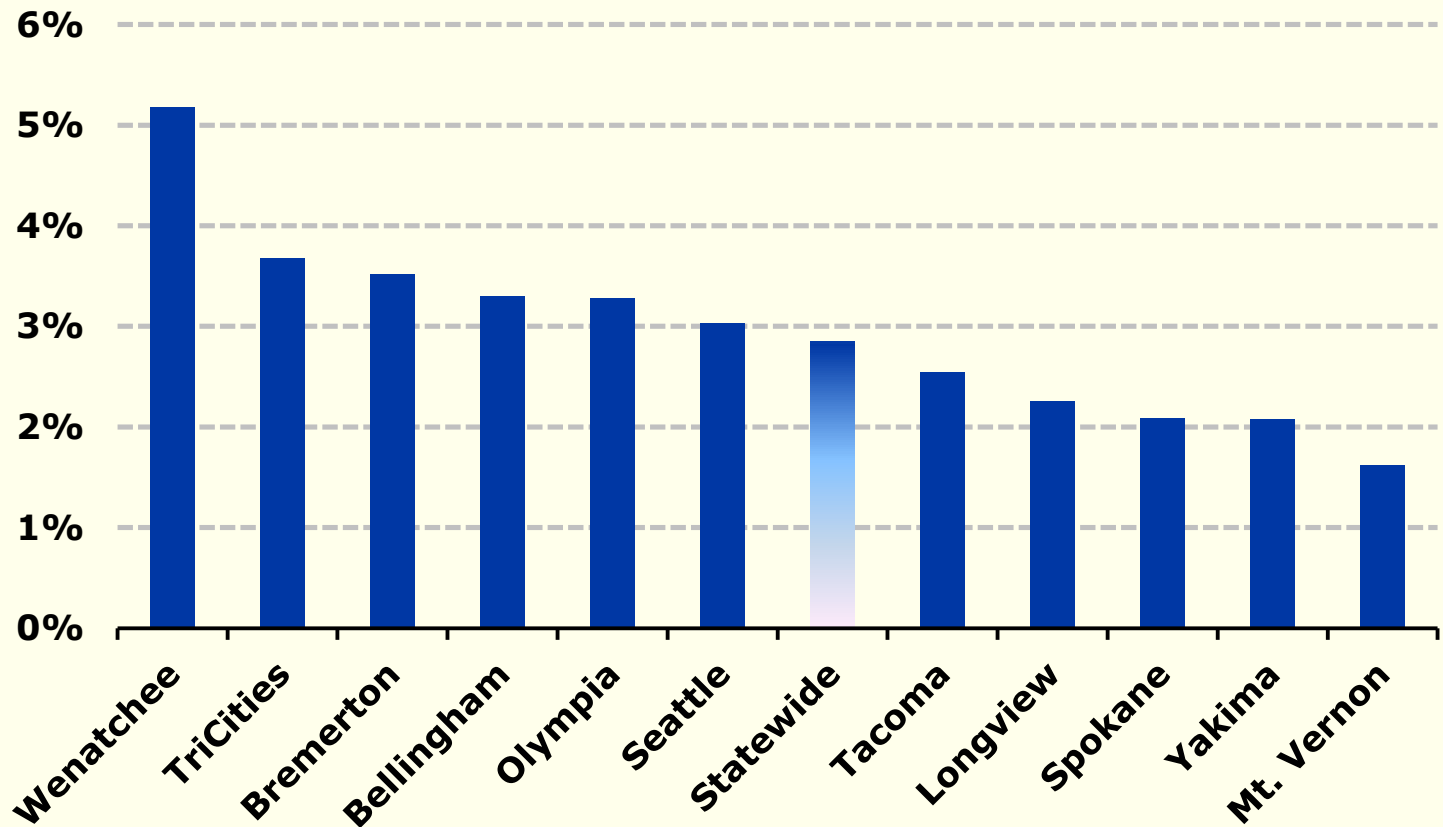
Source: Bureau of Labor Statistics

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Employment growth varied widely across state metro areas

2015 employment growth by metro area





Washington Employment Trends

Washington has gained 394,000 nonfarm jobs since February 2010

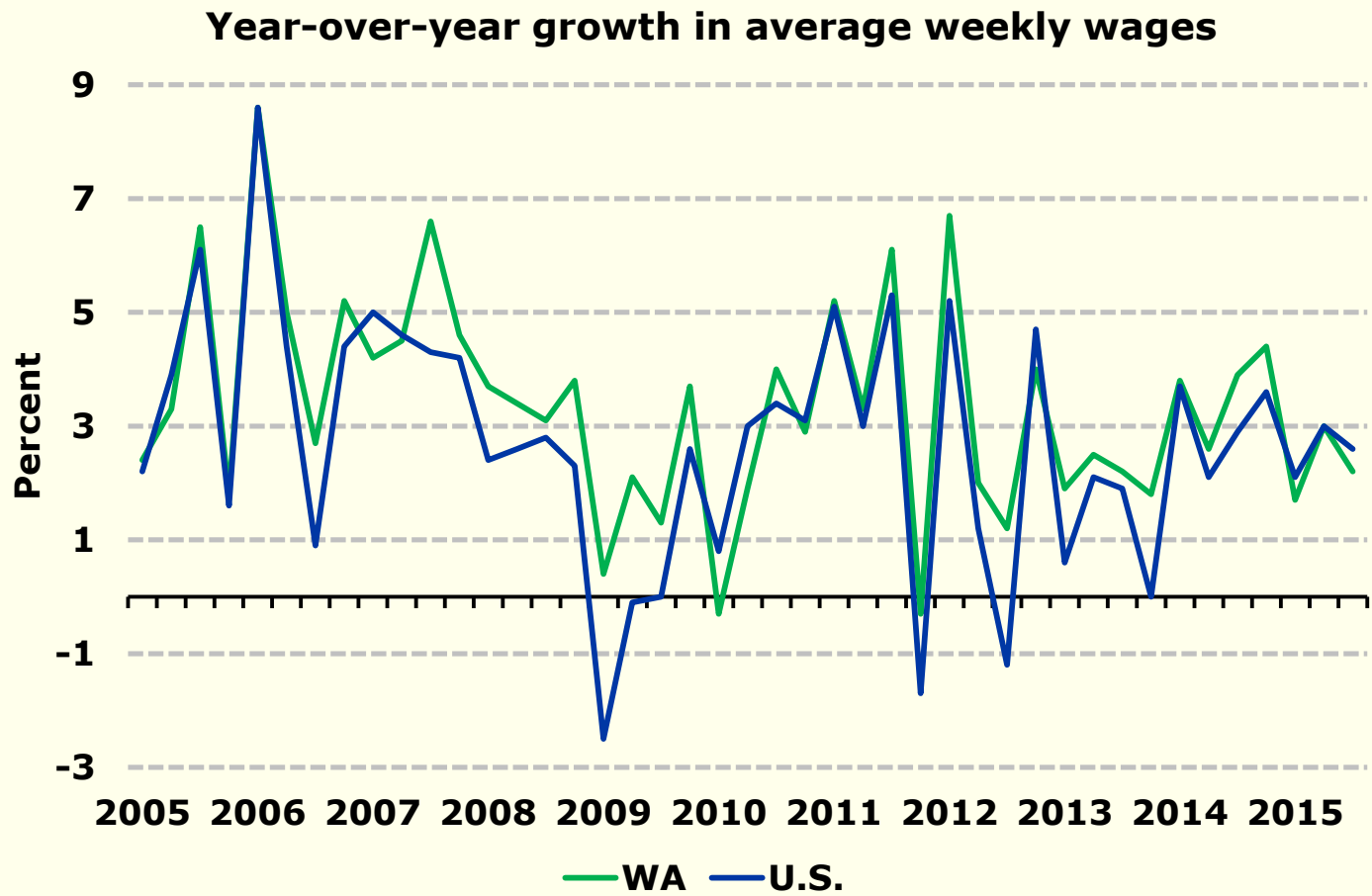
Employment Change since Trough (thousands)



Source: U.S. Dept. of Labor, BLS; ESD; ERFC; data through Apr. 2016



Weekly wages are growing but at a fairly moderate pace



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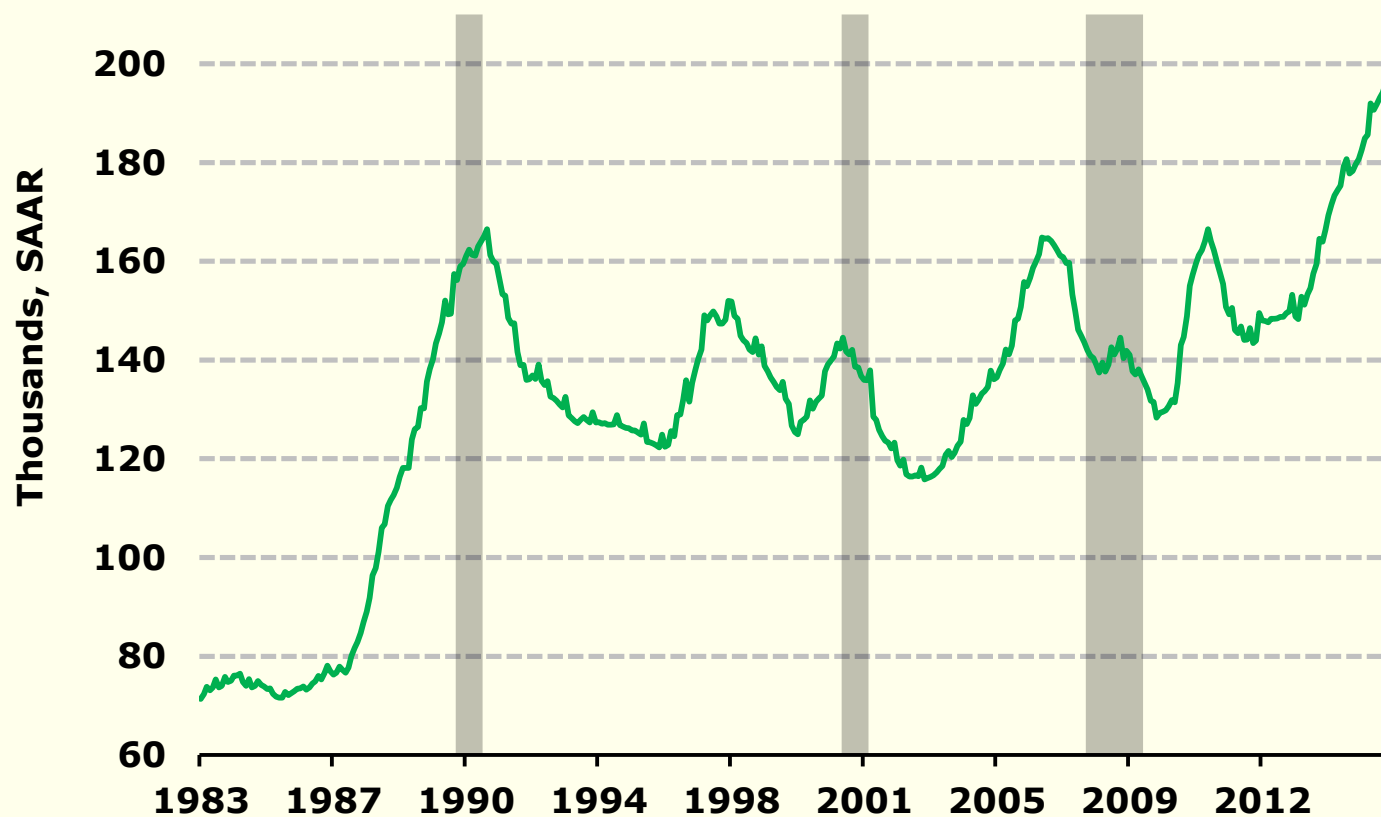
Source: U.S. Bureau of Labor Statistics, quarterly data through 2015 Q3

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WA in-migration continues to climb

Surrendered out of state driver licenses



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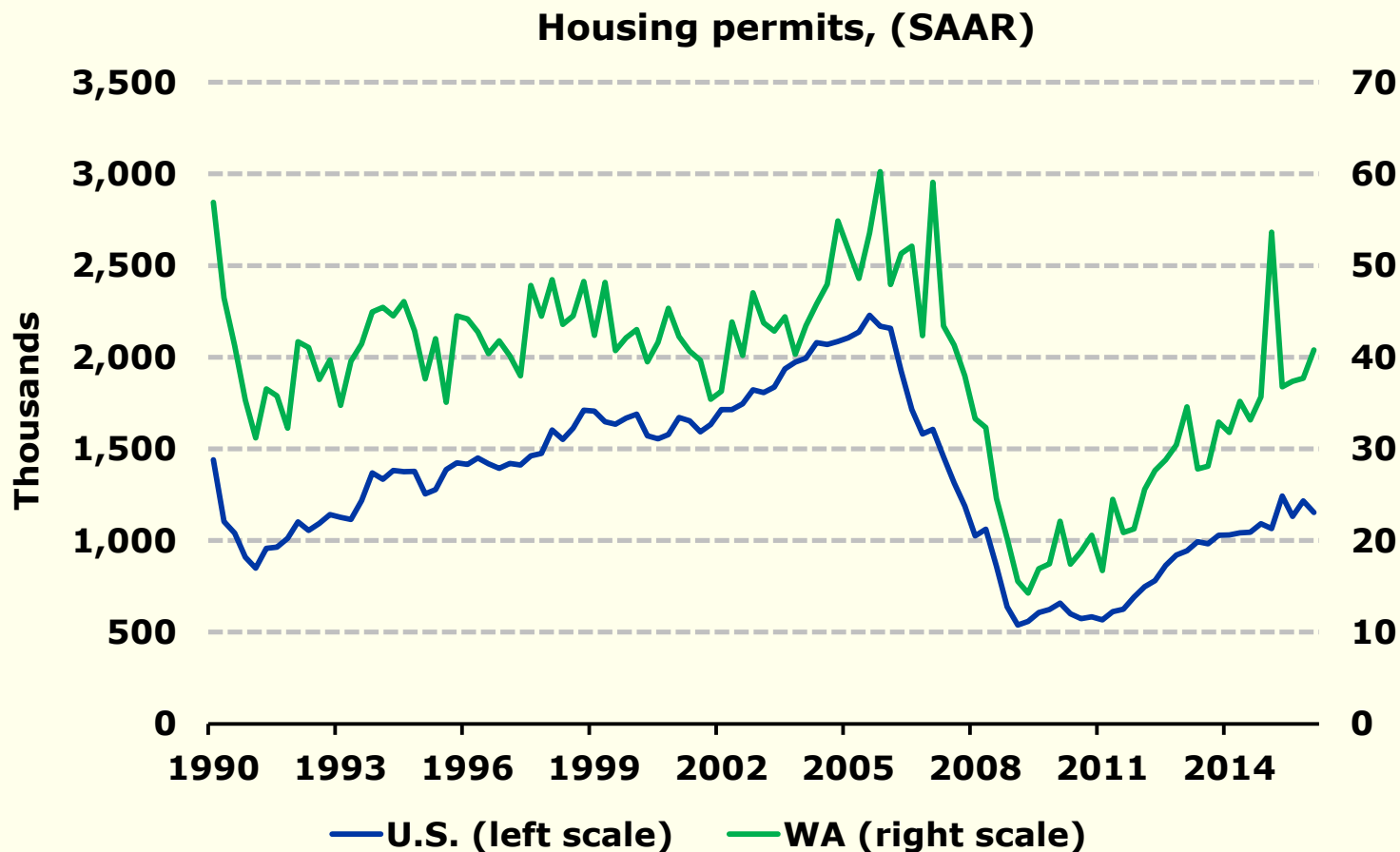
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Source: WA Dept. of Licensing, ERFC; data through Apr. 2016

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Both U.S. and WA housing permits trending up since 2011

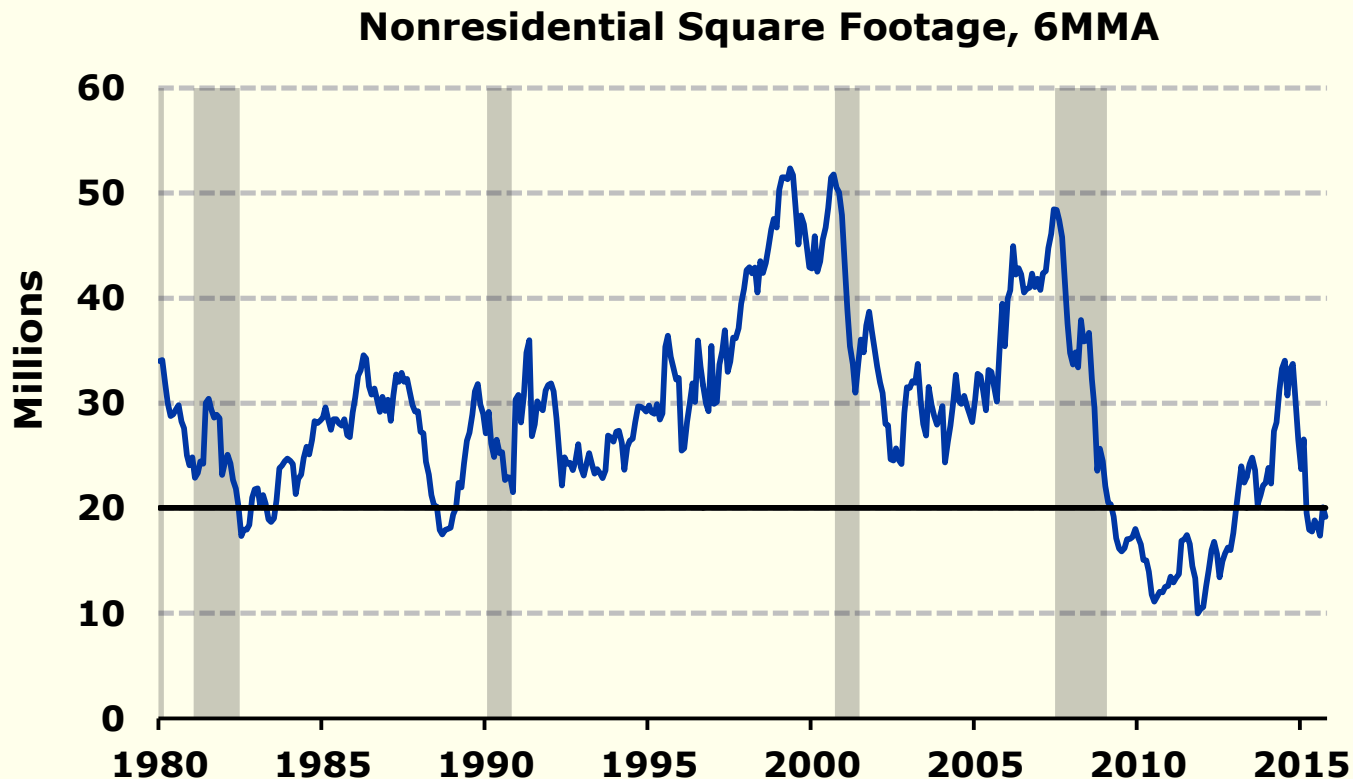


Source: U.S. Census Bureau, data through 2016 Q1



WA nonresidential square footage remains at historic lows

Nonresidential square footage is down 33% Y-O-Y



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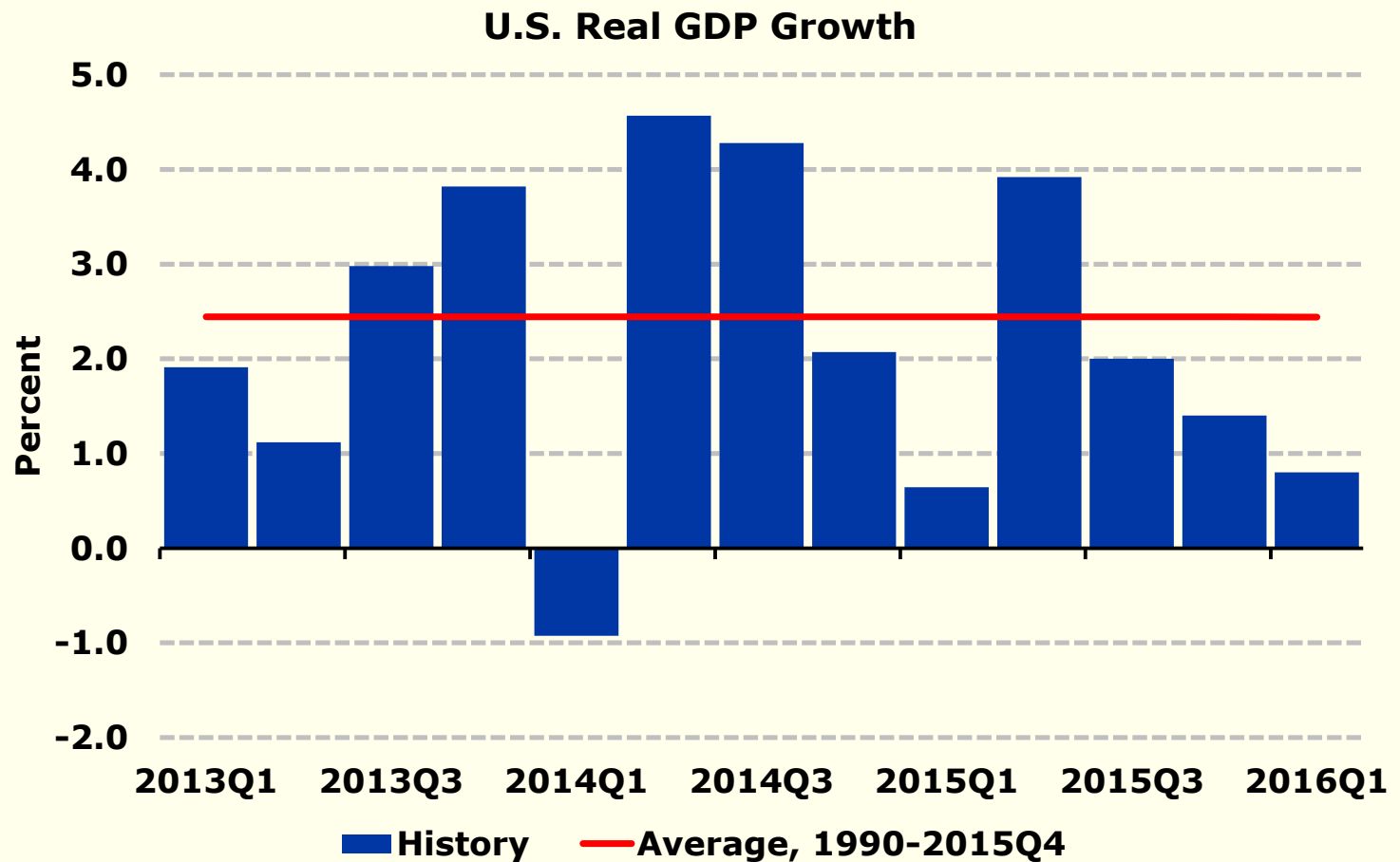
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Source: Dodge, ERFC; data through April 2016

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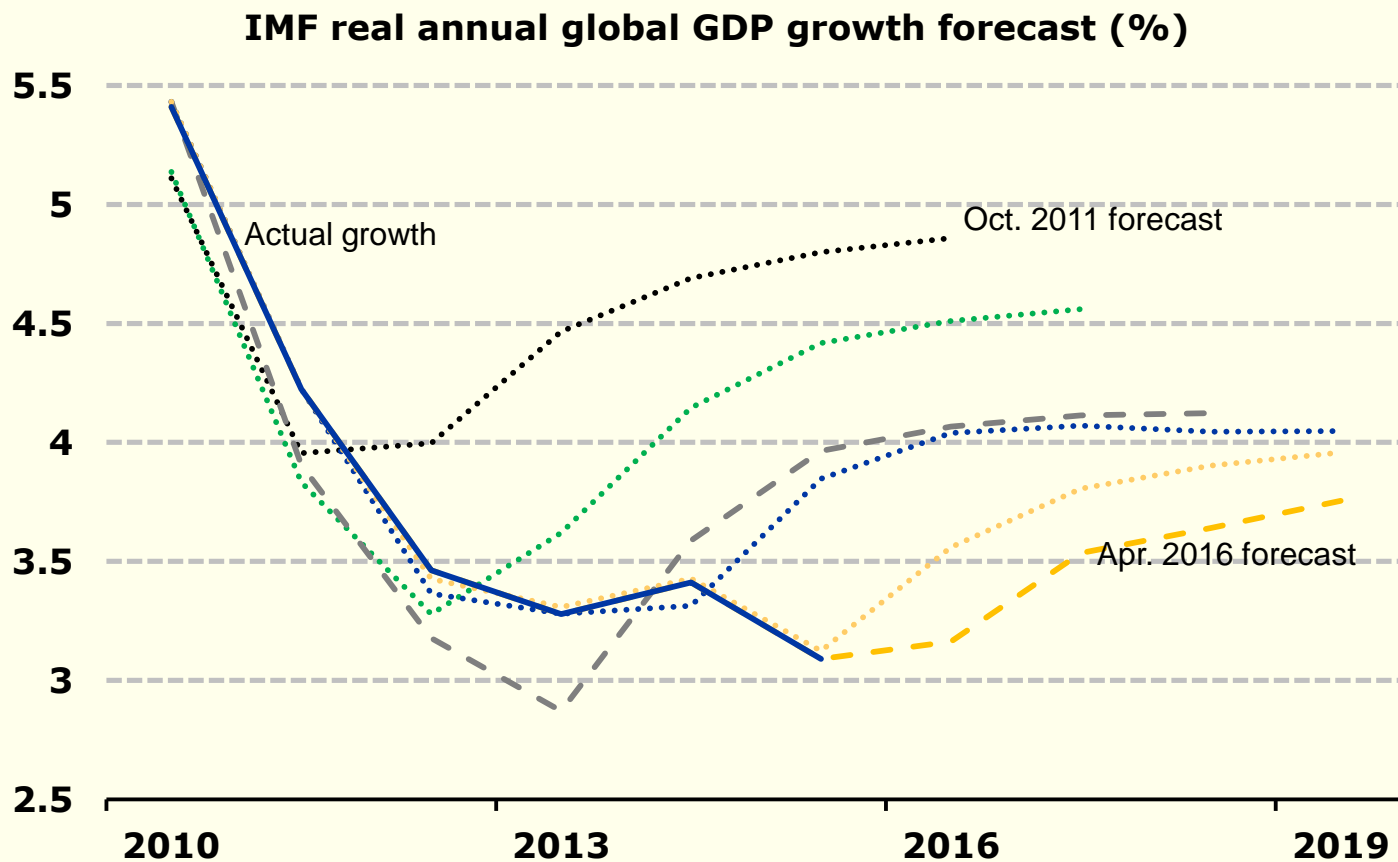


U.S. economic growth weakened in the last three quarters





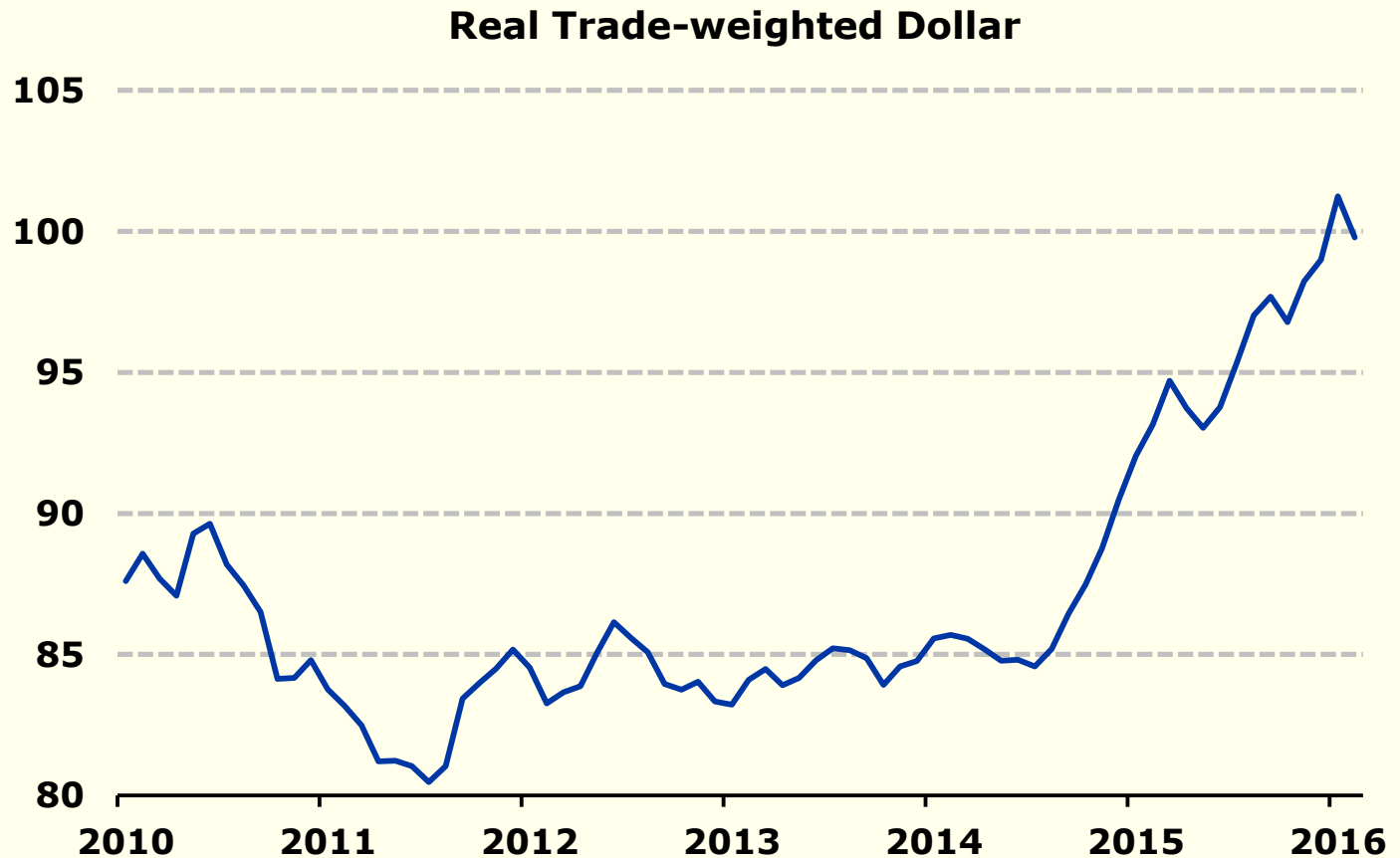
Global GDP forecasts have been consistently revised down



Source: International Monetary Fund, World Economic Outlook; historic data through 2015



The dollar has increased in value relative to currencies of U.S. trading partners

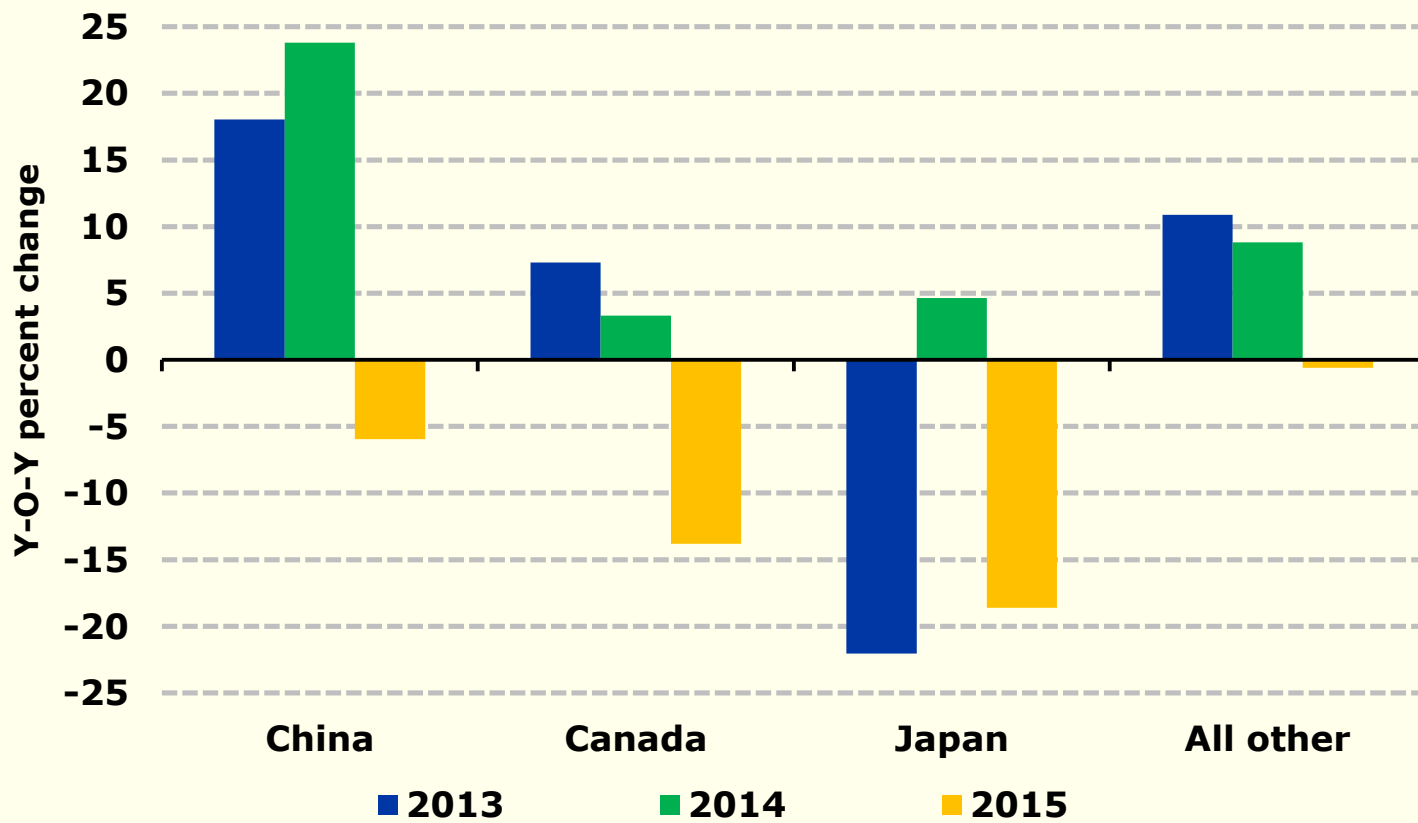


Source: Federal Reserve Bank of St. Louis; data through April 2016



WA exports in 2015 declined for the first time since 2009

Year-over-year growth in export value

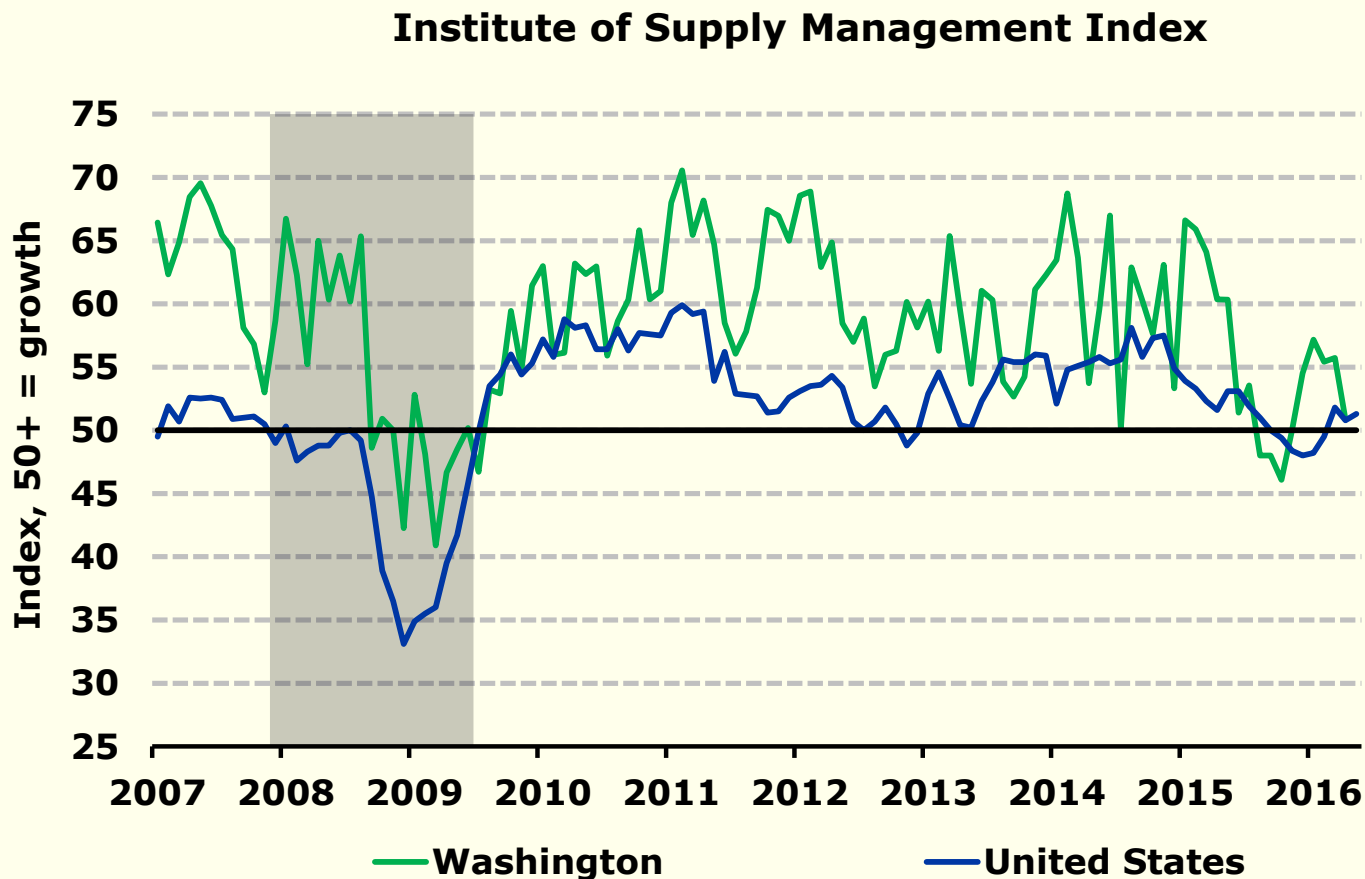


Source: WISERTrade; data through December 2015

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Manufacturing: slower nationally and in Washington



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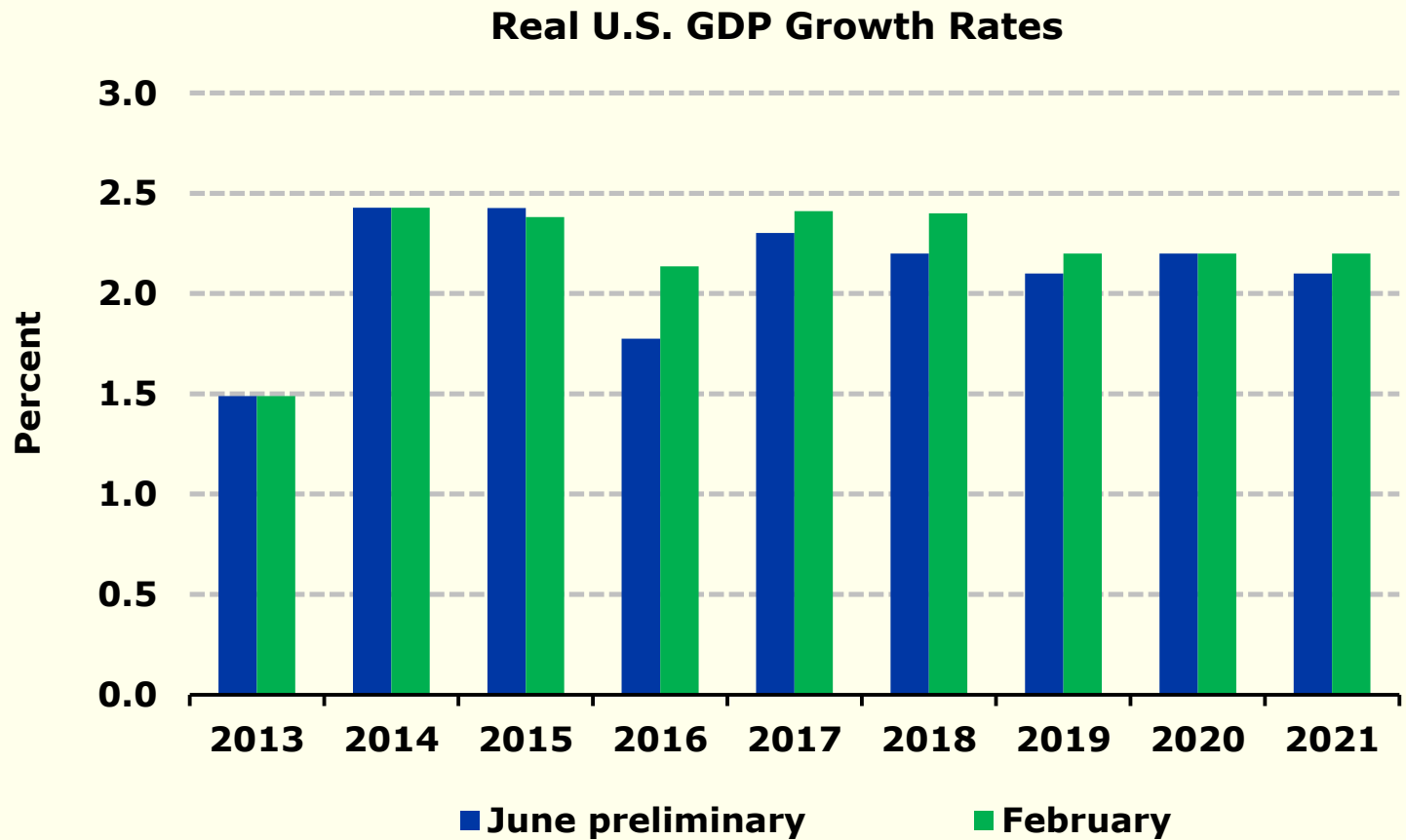
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Source: ISM; U.S. data through May 2016, WA data through Apr. 2016

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Forecasted real GDP growth is slightly lower compared to the February forecast

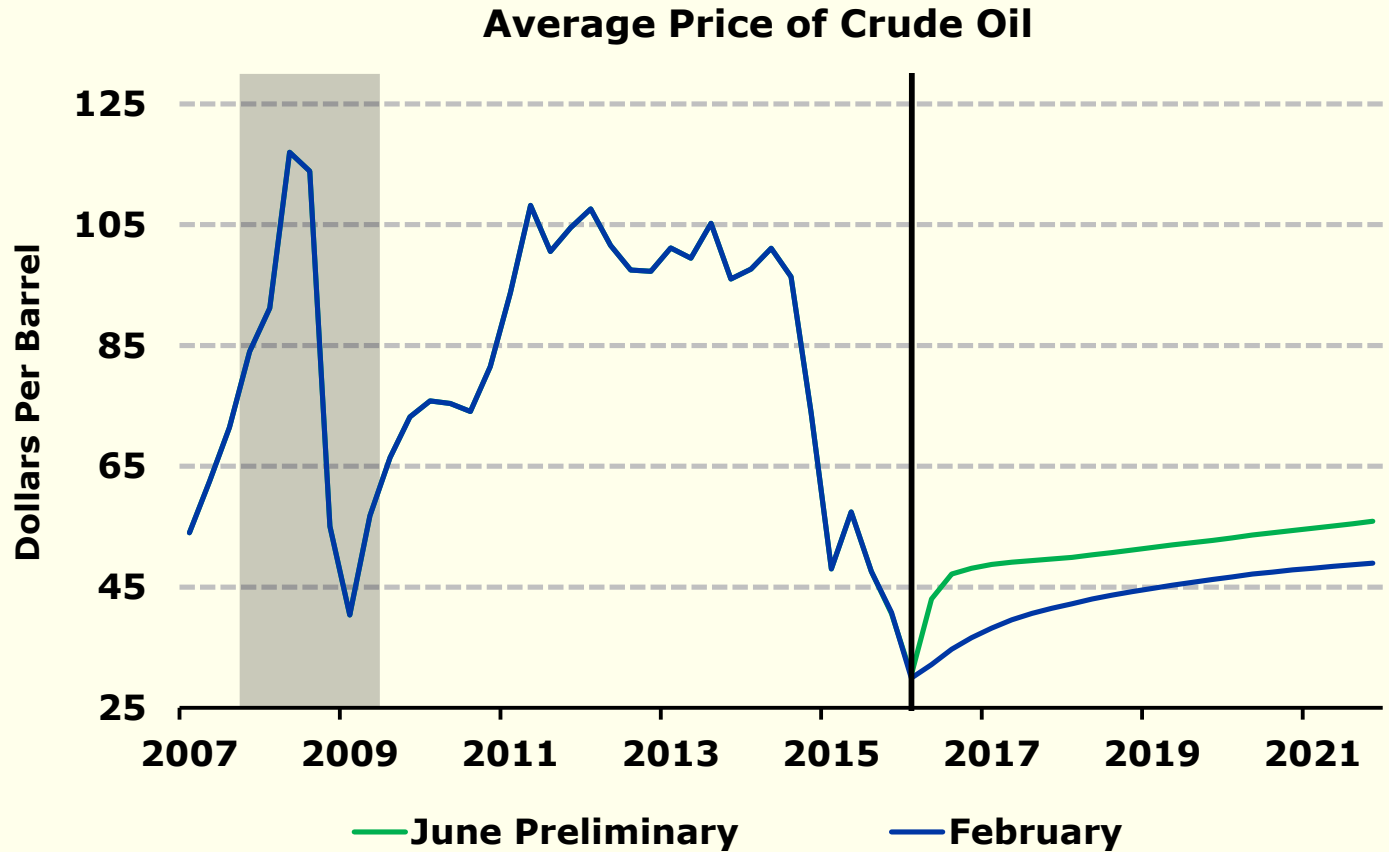


Source: ERFC June 2016 preliminary forecast; historical data through 2015

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Oil prices are higher than in the February forecast



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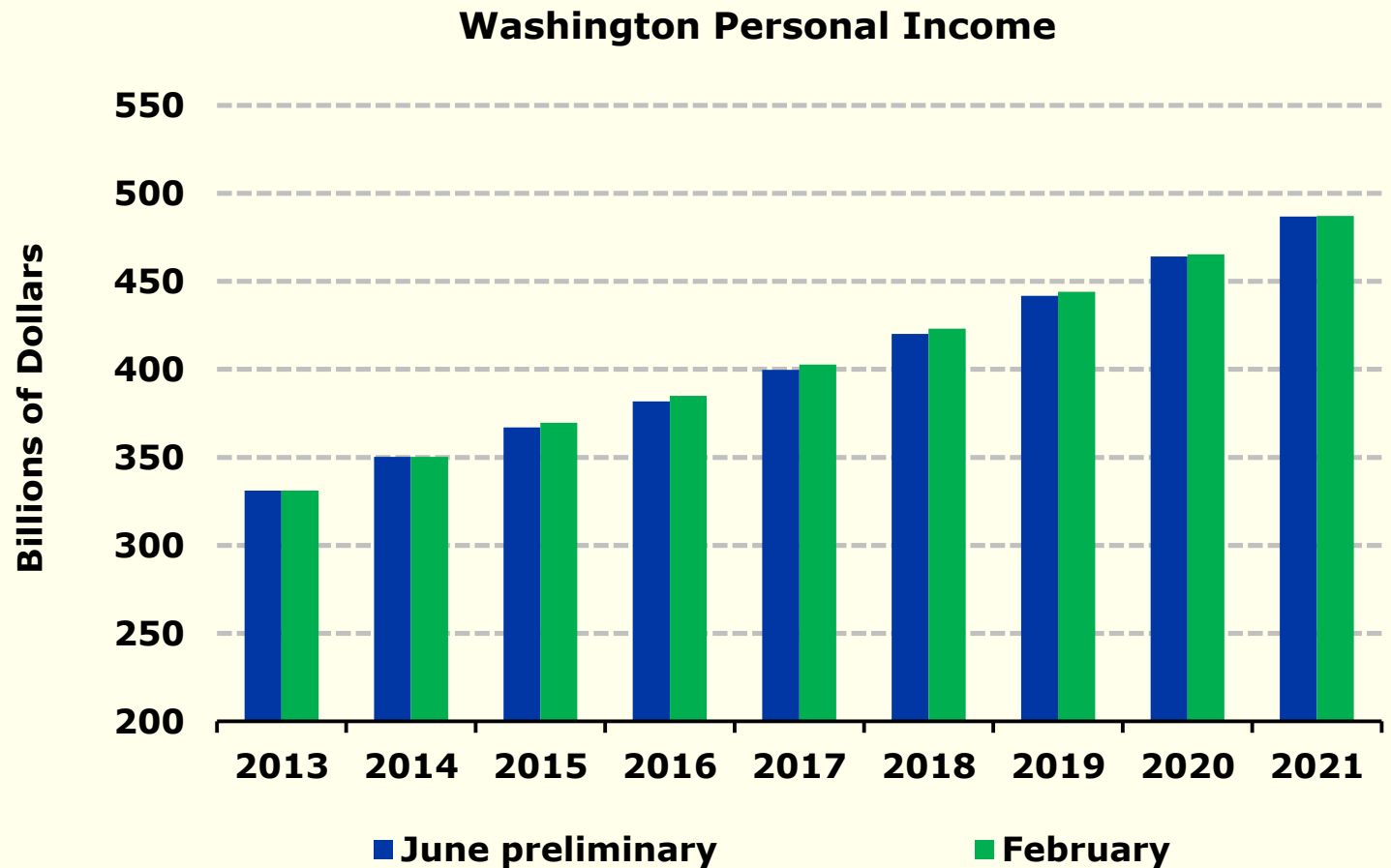
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Source: DOE, ERFC June 2016 Preliminary forecast; historical data through 2016Q1

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Washington personal income is slightly lower compared to the February forecast

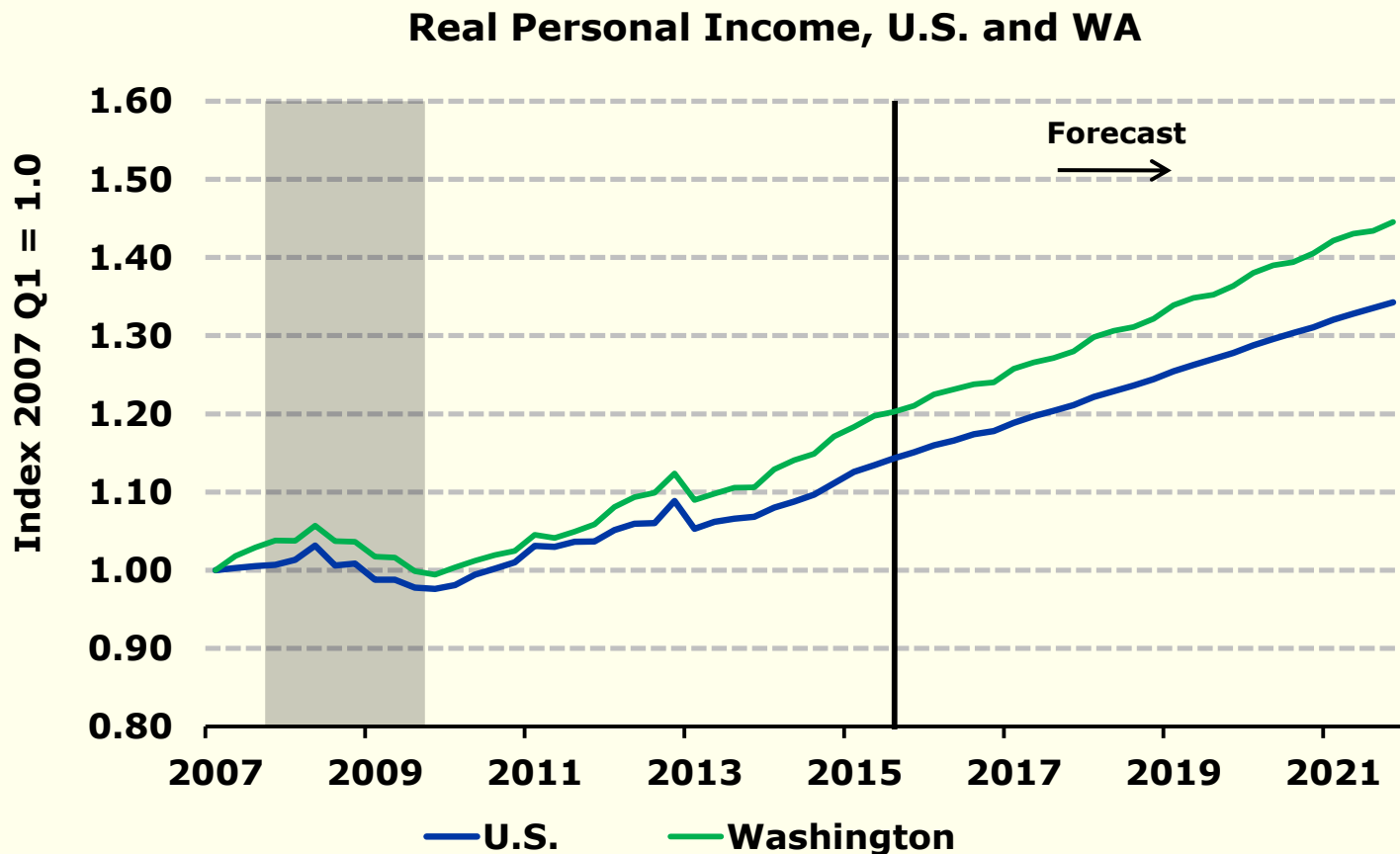


Source: ERFC June 2016 forecast; historical data through 2015

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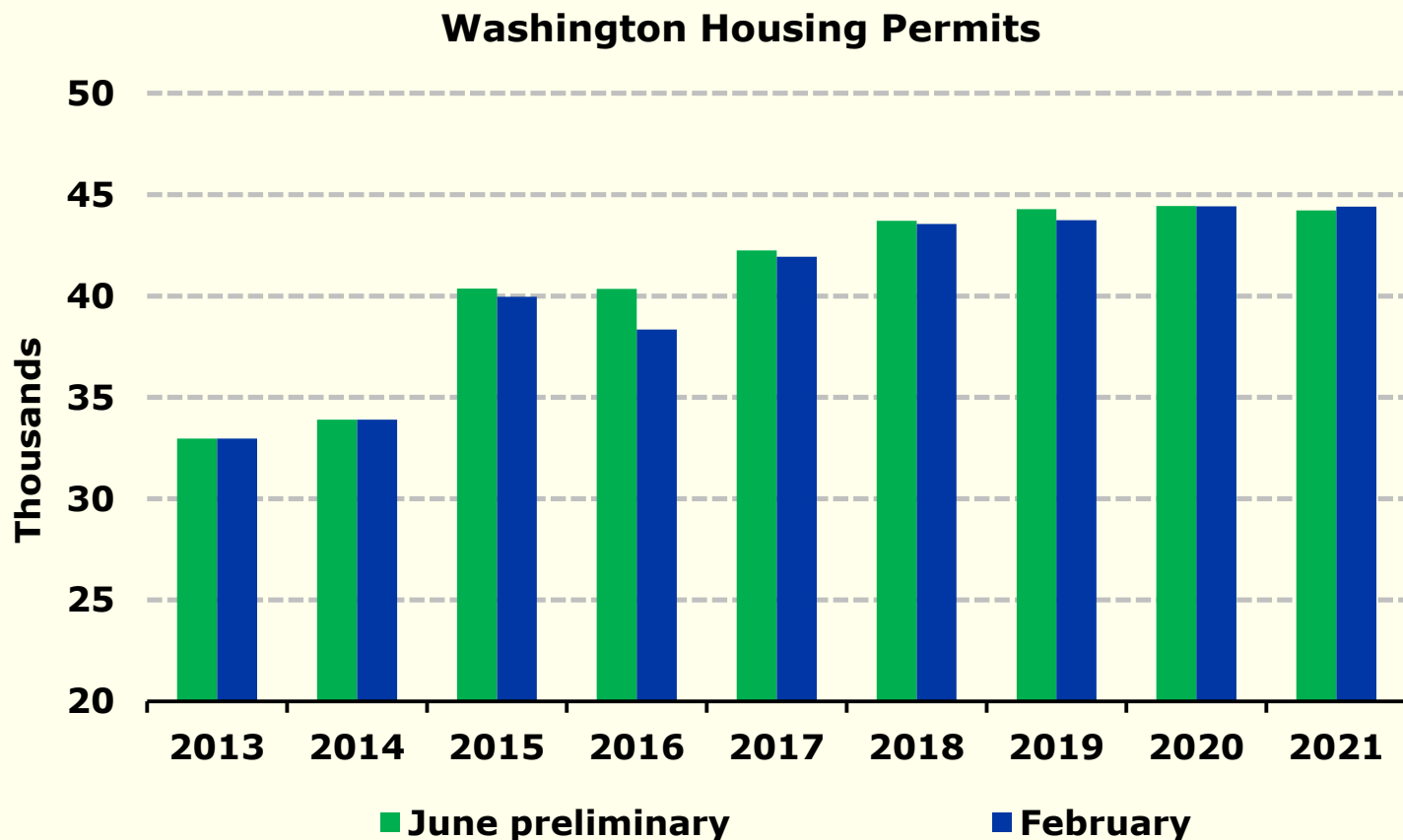


State personal income will continue to grow slightly faster than the U.S.



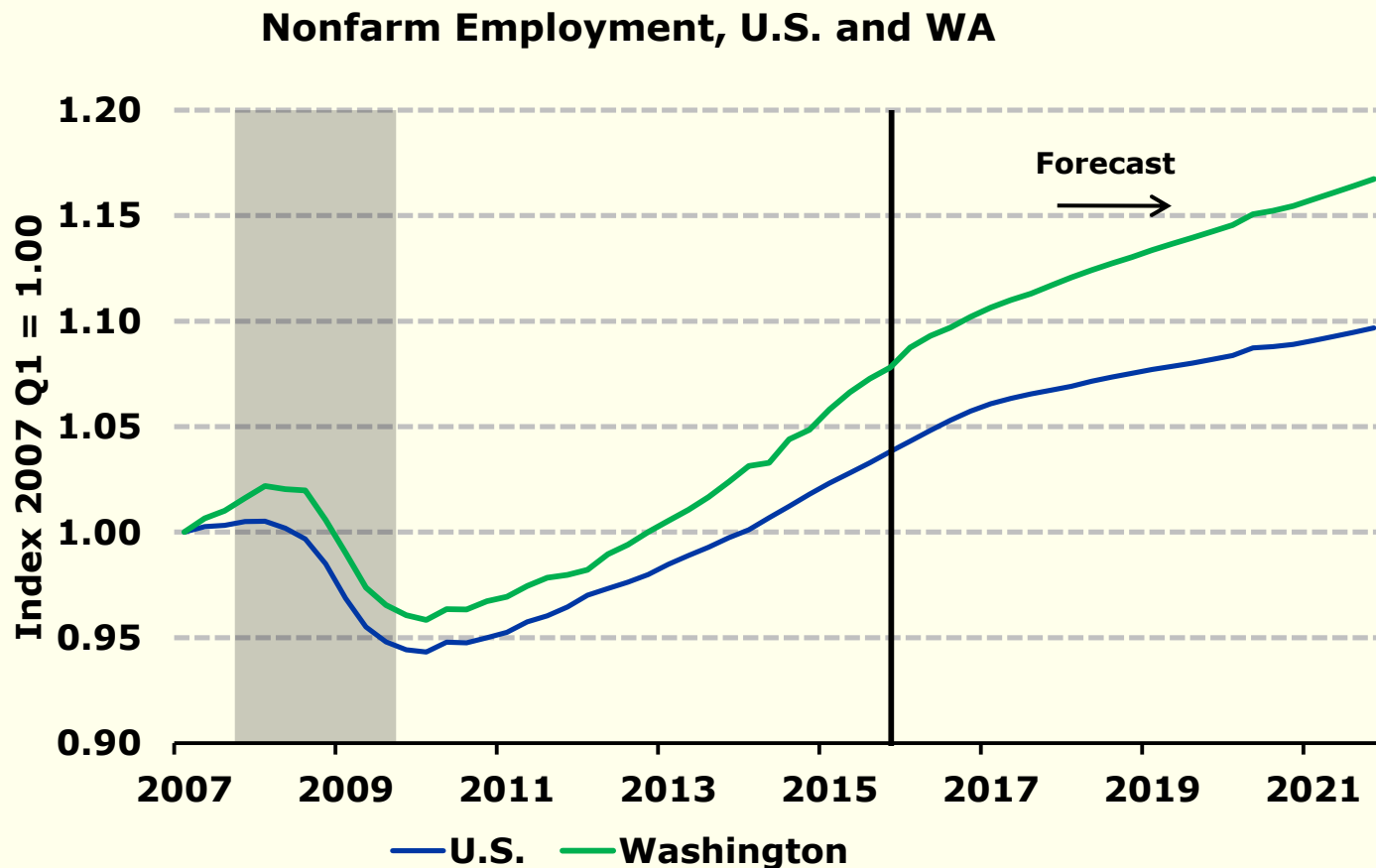


Washington housing permits forecast is higher for 2016–2019 compared to February





Washington employment will continue to grow slightly faster than the U.S.

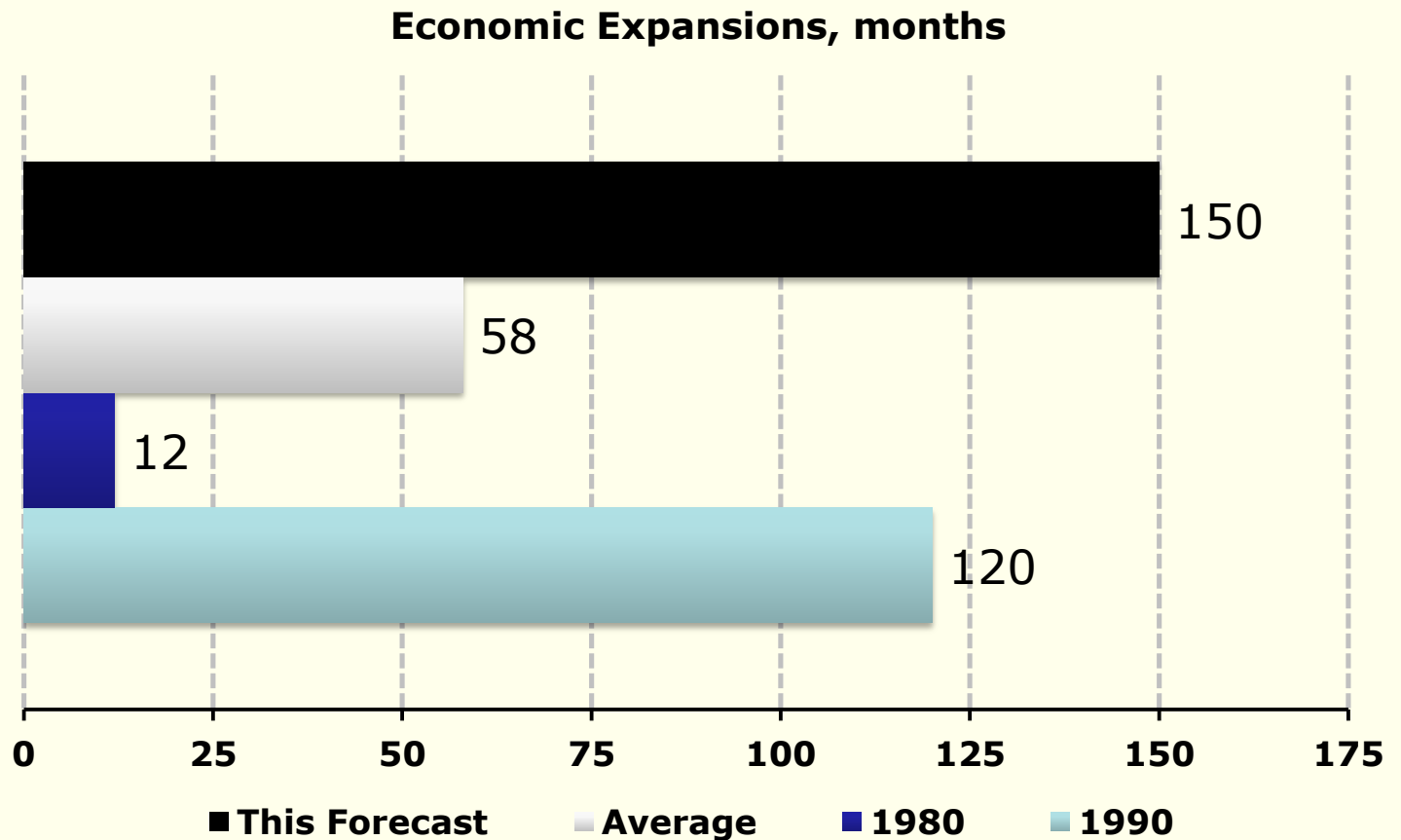


Source: ERFC June 2016 Preliminary forecast; historical data through 2016Q1

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U.S. Economic Expansions since 1945



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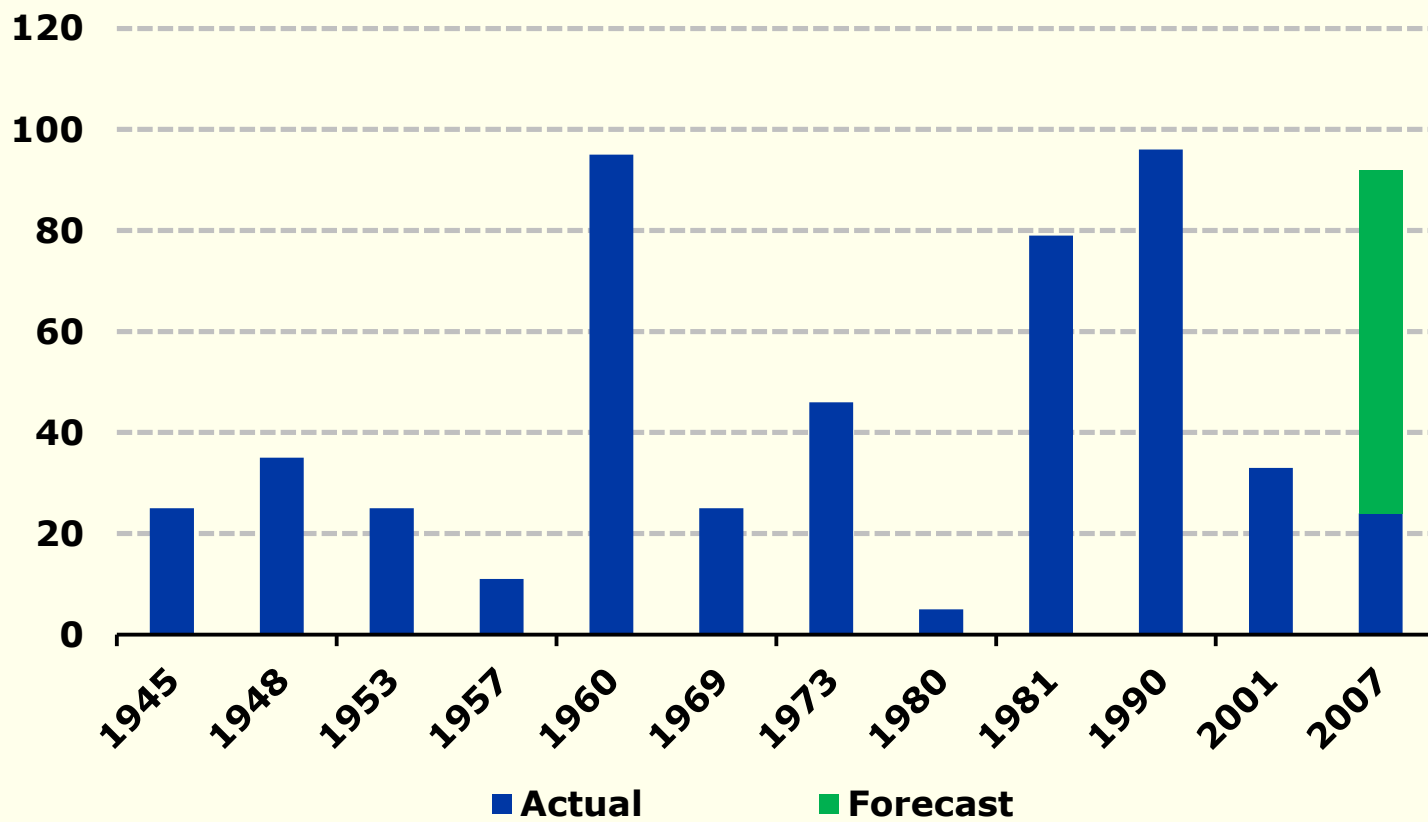
Sources: NBER, ERFC June 2016 preliminary forecast

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Initial slow recovery points to extended expansion

Months of Recovery After Reaching Previous Peak in Employment



Sources: NBER, BLS, ERFC June preliminary 2016 forecast; historic data through April 2016

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Forecast conclusions

- The U.S. economic forecast is slightly weaker than in February but we continue to expect moderate growth
- Washington is continuing to outperform the nation by a small margin; we expect this to be the case through the forecast period
- Threats to economic expansion include slower international economic growth, the impact of a stronger dollar on exports, and a slowdown in manufacturing
- The next monthly revenue collection report will be available on June 13th and the revenue forecast will be presented on June 15th



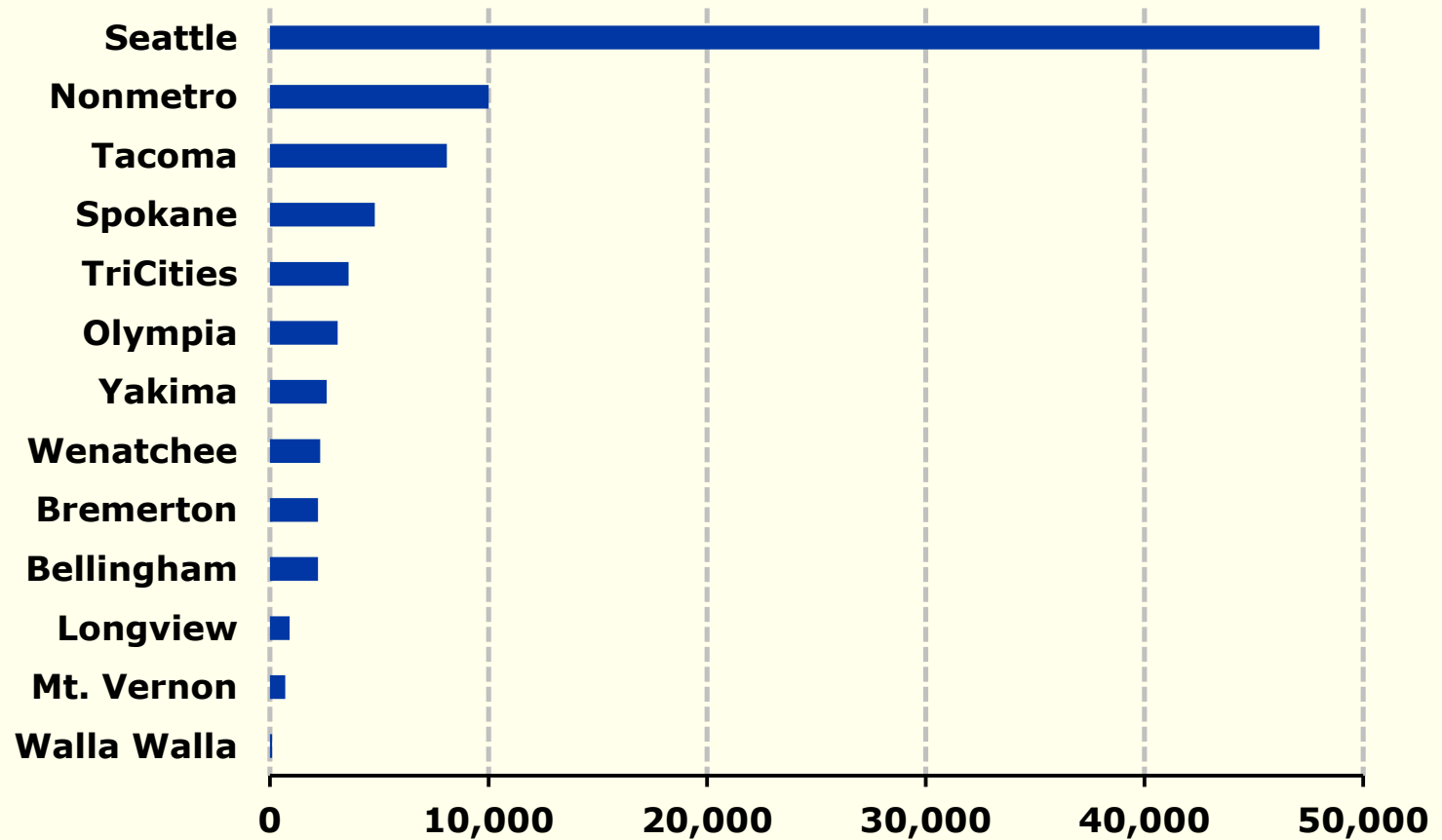
Data sources for employment by industry and geography

- Current Employment Statistics – U.S. Bureau of Labor Statistics/Employment Security Dept
 - Monthly nonfarm employment data by industry and metropolitan area
 - Smaller metro areas may lack industry detail
- Business Employment Dynamics – U.S. Bureau of Labor Statistics
 - Gross job gains and losses by industry
 - Gross job gains for new vs. expanding firms
 - Gross job losses for closing vs. contracting firms
 - Statewide data only



Net new jobs created in 2015 by metro area

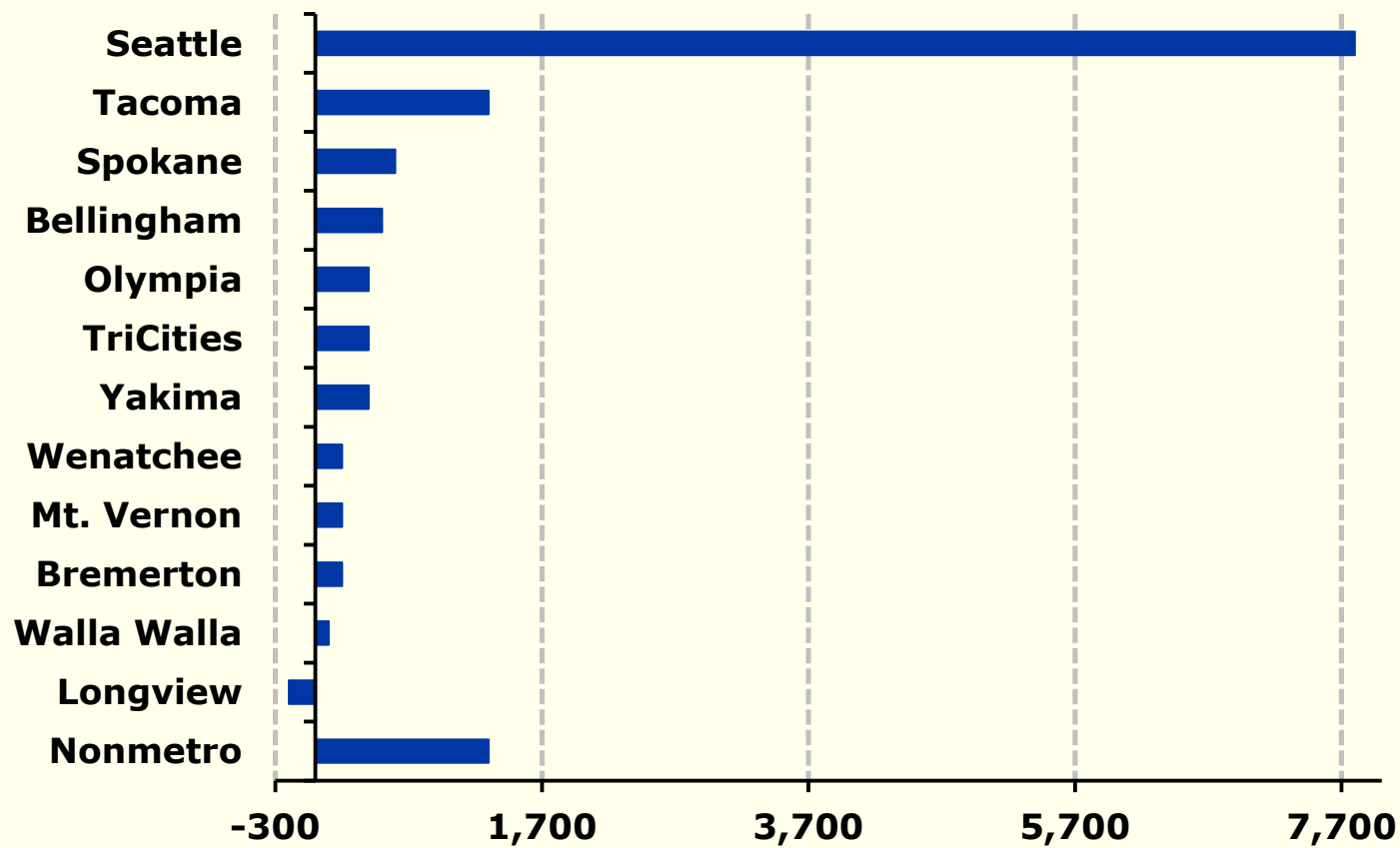
54% of net new jobs in WA in 2015 were in the Seattle metro area



Source: U.S. Bureau of Labor Statistics, Current Employment Statistics

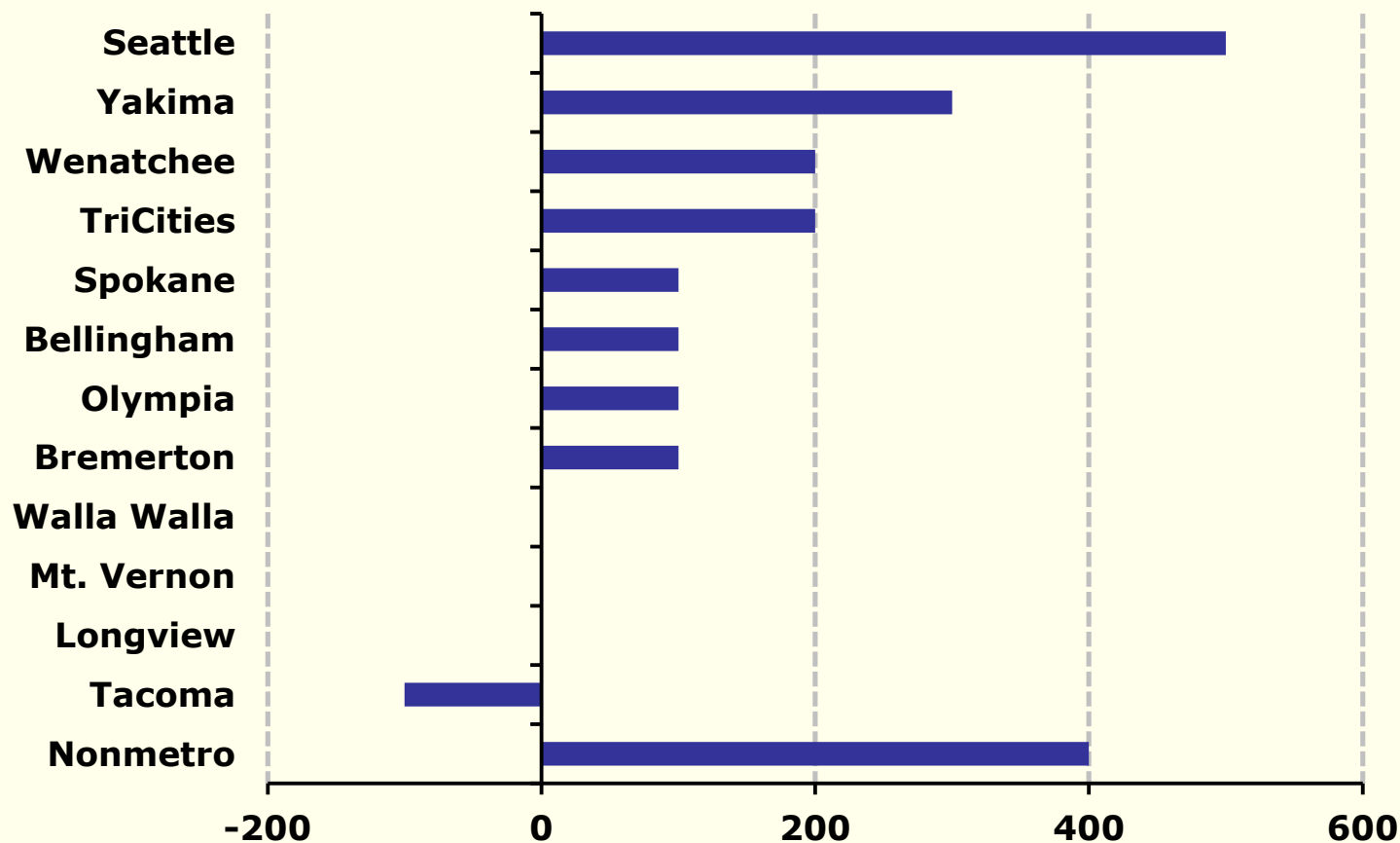


2015 net new Construction, Mining and Logging jobs by metro area





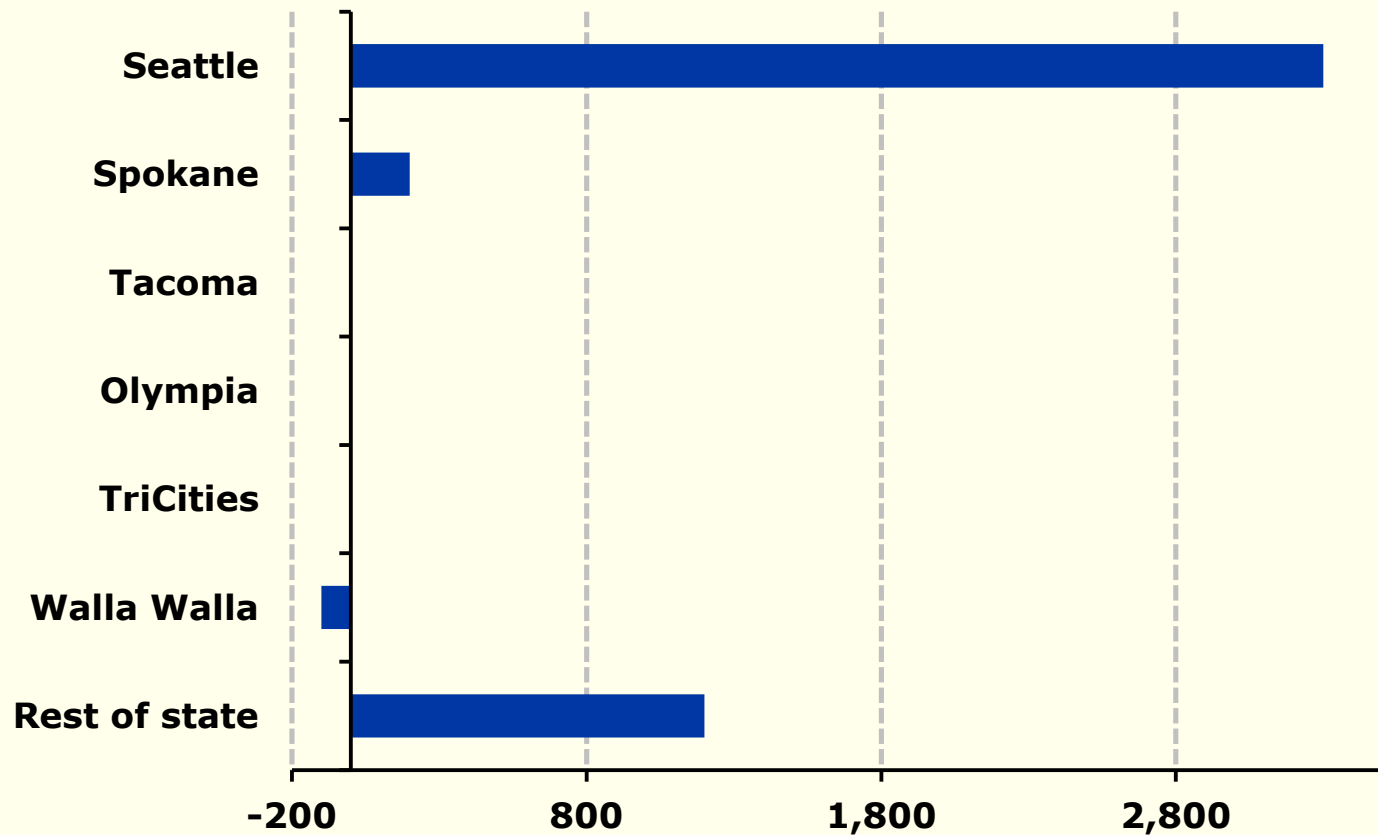
2015 net new Manufacturing jobs by metro area



Source: U.S. Bureau of Labor Statistics, Current Employment Statistics



2015 net new Information jobs by metro area



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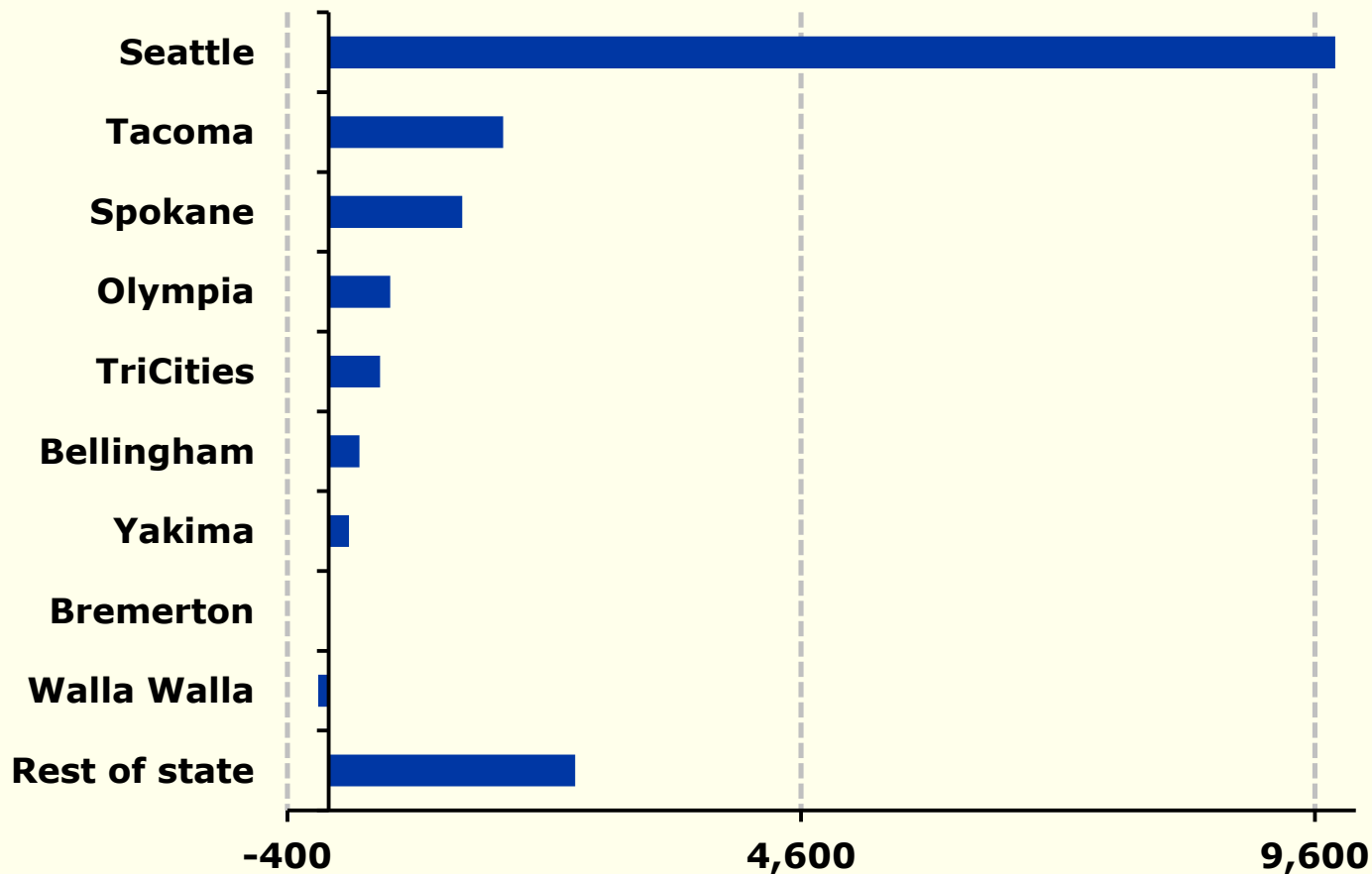
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Source: U.S. Bureau of Labor Statistics, Current Employment Statistics

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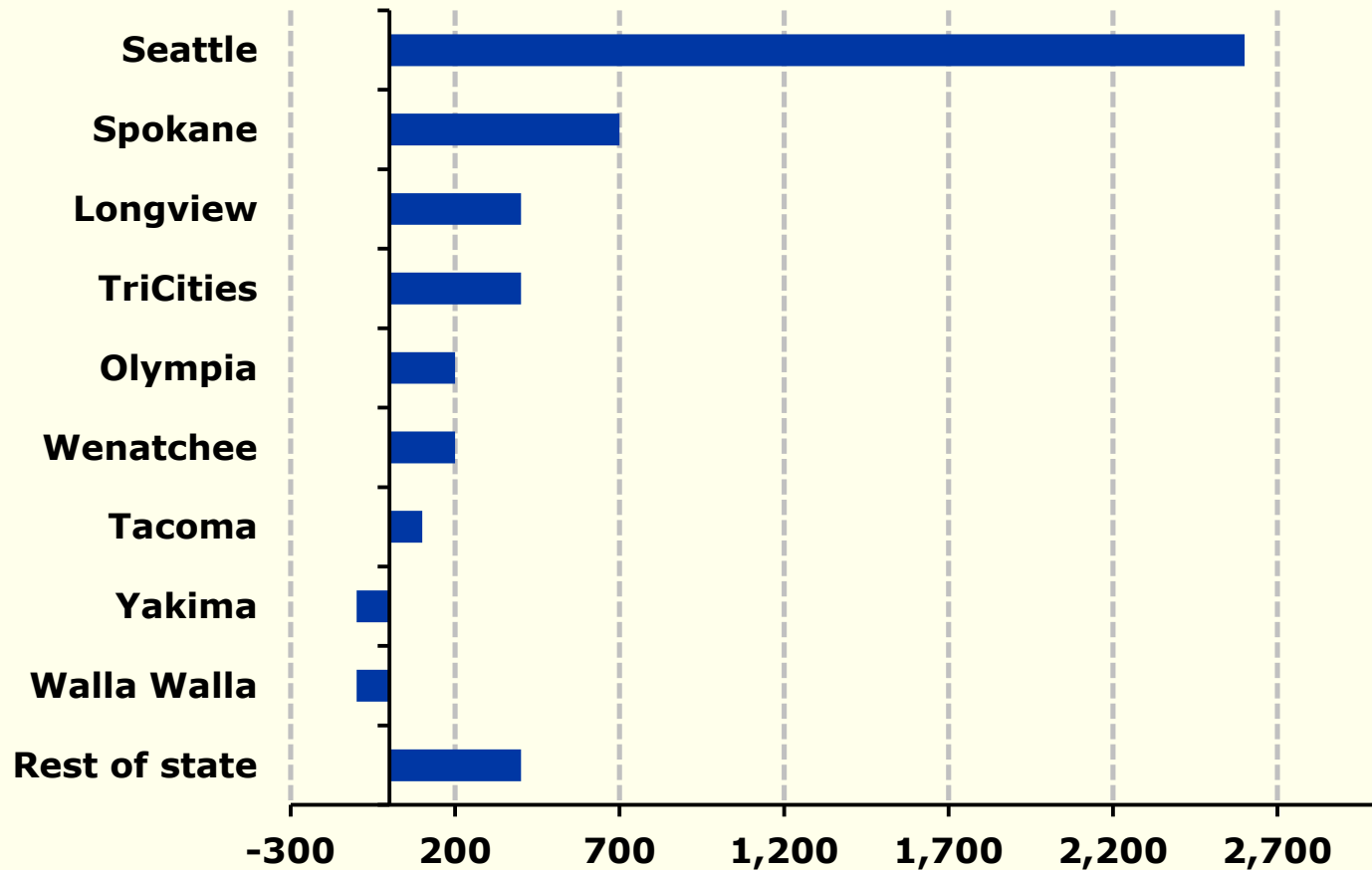
2015 net new Professional & Business Service jobs by metro area



Source: U.S. Bureau of Labor Statistics, Current Employment Statistics



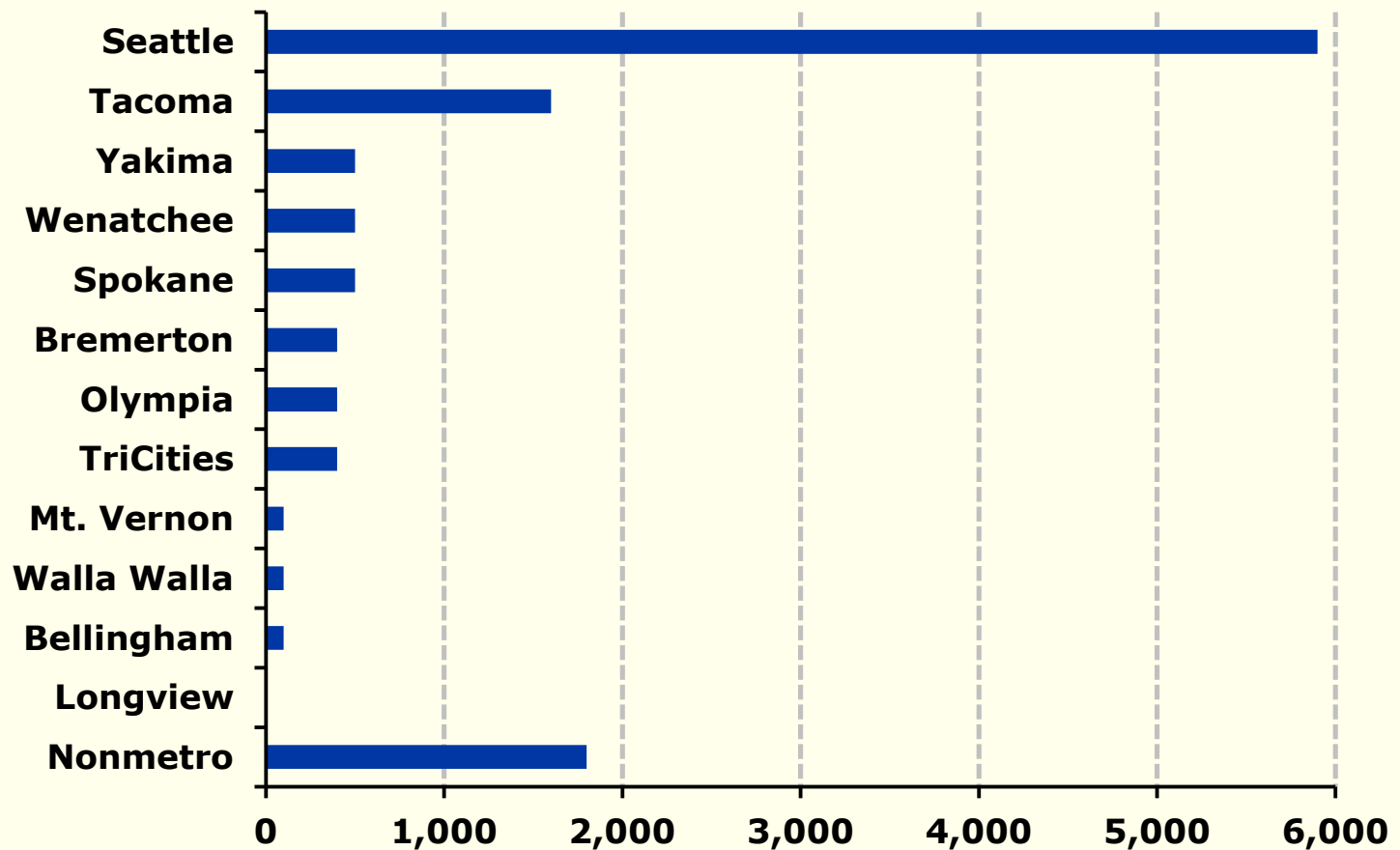
2015 net new Education & Health Service jobs by metro area



Source: U.S. Bureau of Labor Statistics, Current Employment Statistics



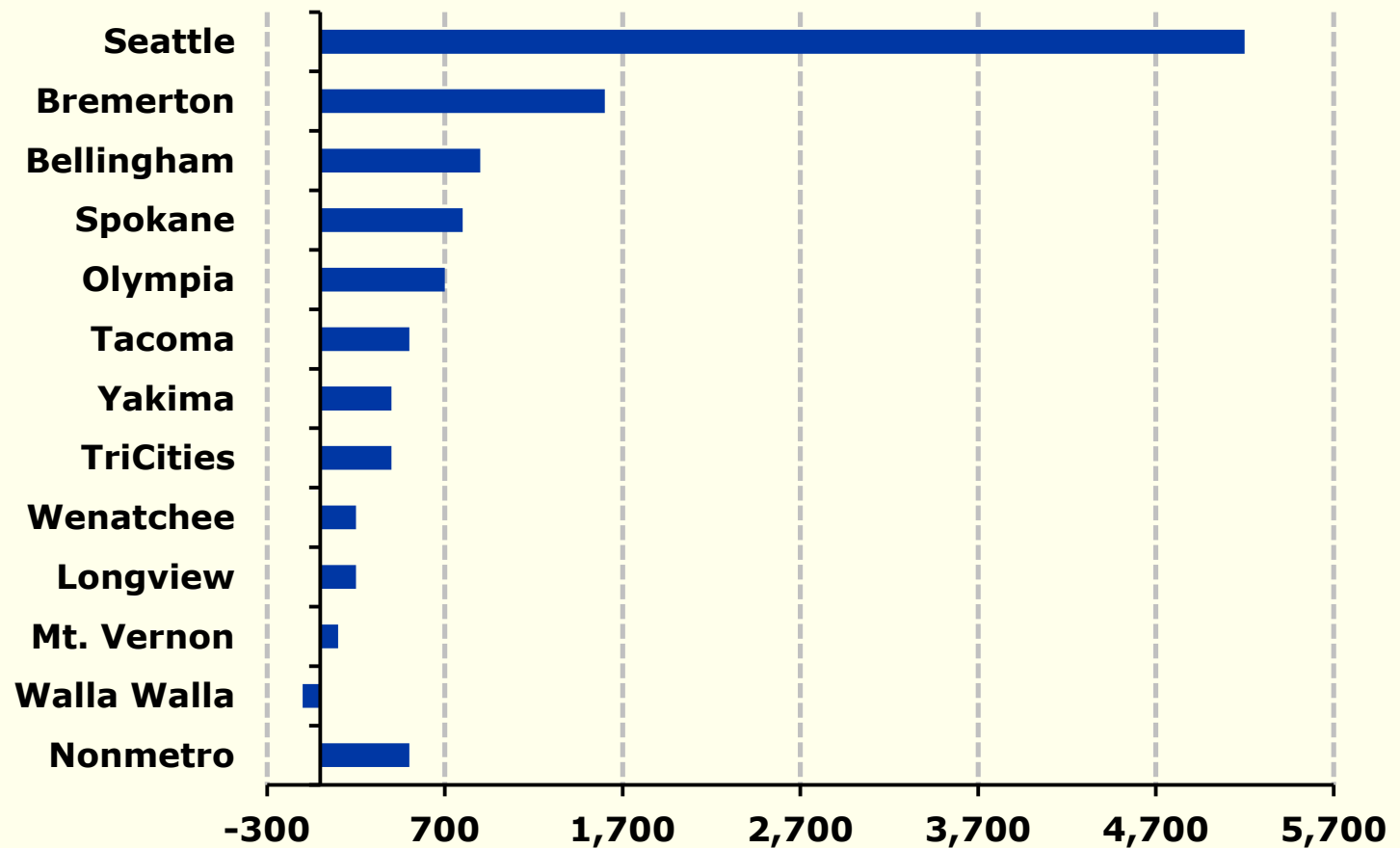
2015 net new Leisure & Hospitality jobs by metro area



Source: U.S. Bureau of Labor Statistics, Current Employment Statistics



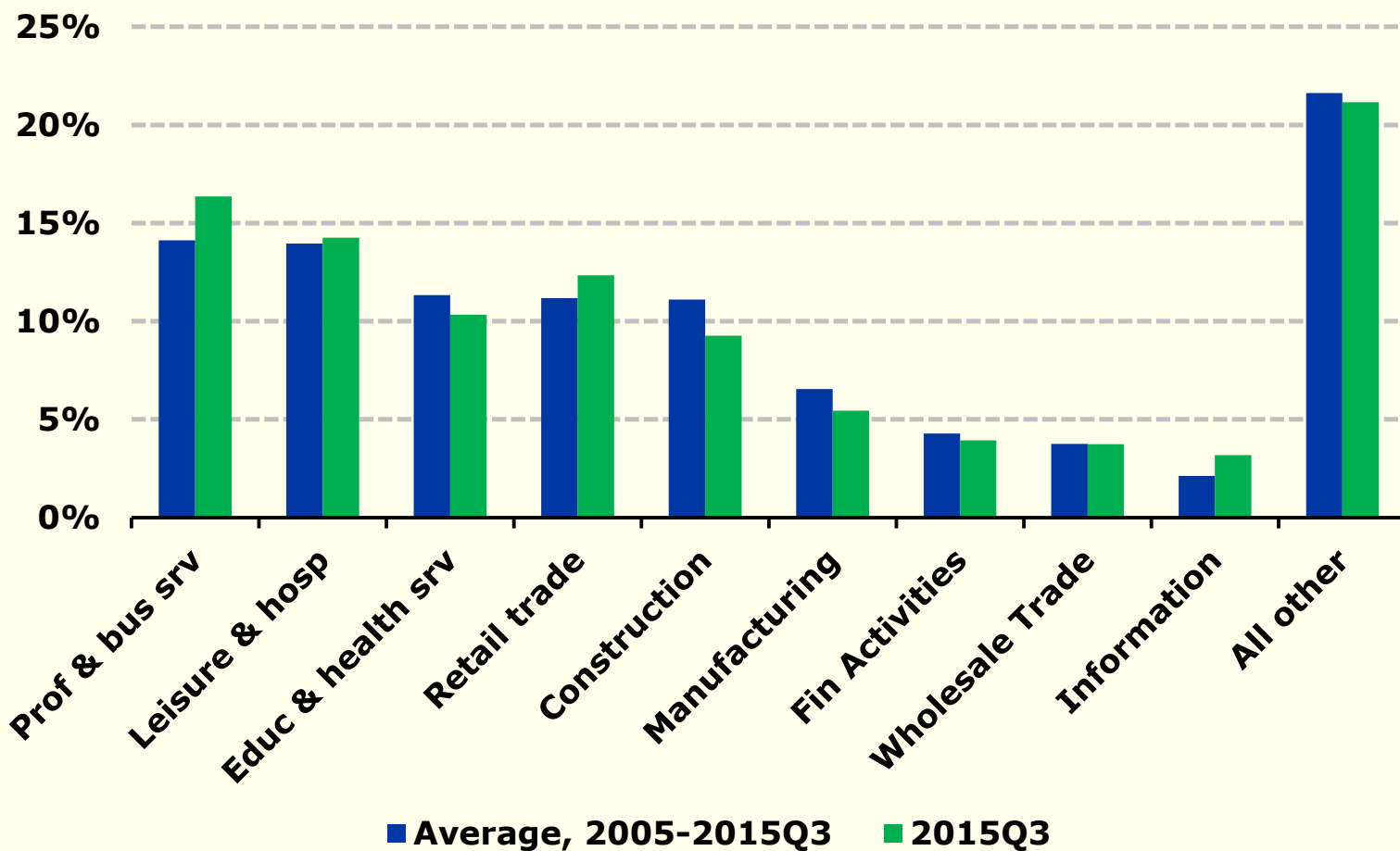
2015 net new Government jobs by metro area



Source: U.S. Bureau of Labor Statistics, Current Employment Statistics



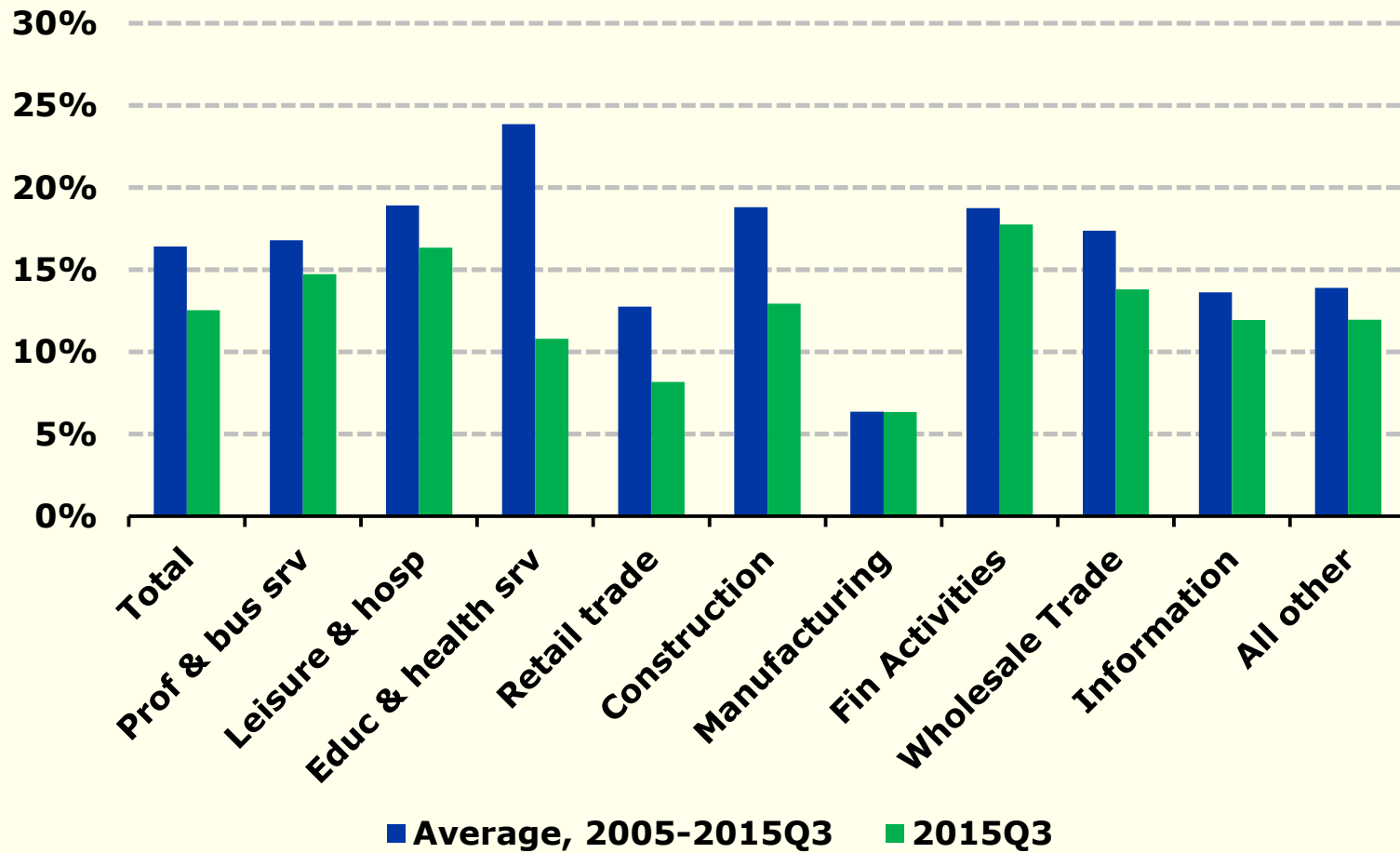
Share of WA private sector gross job gains by industry





Share of WA private sector gross job gains created by new firms

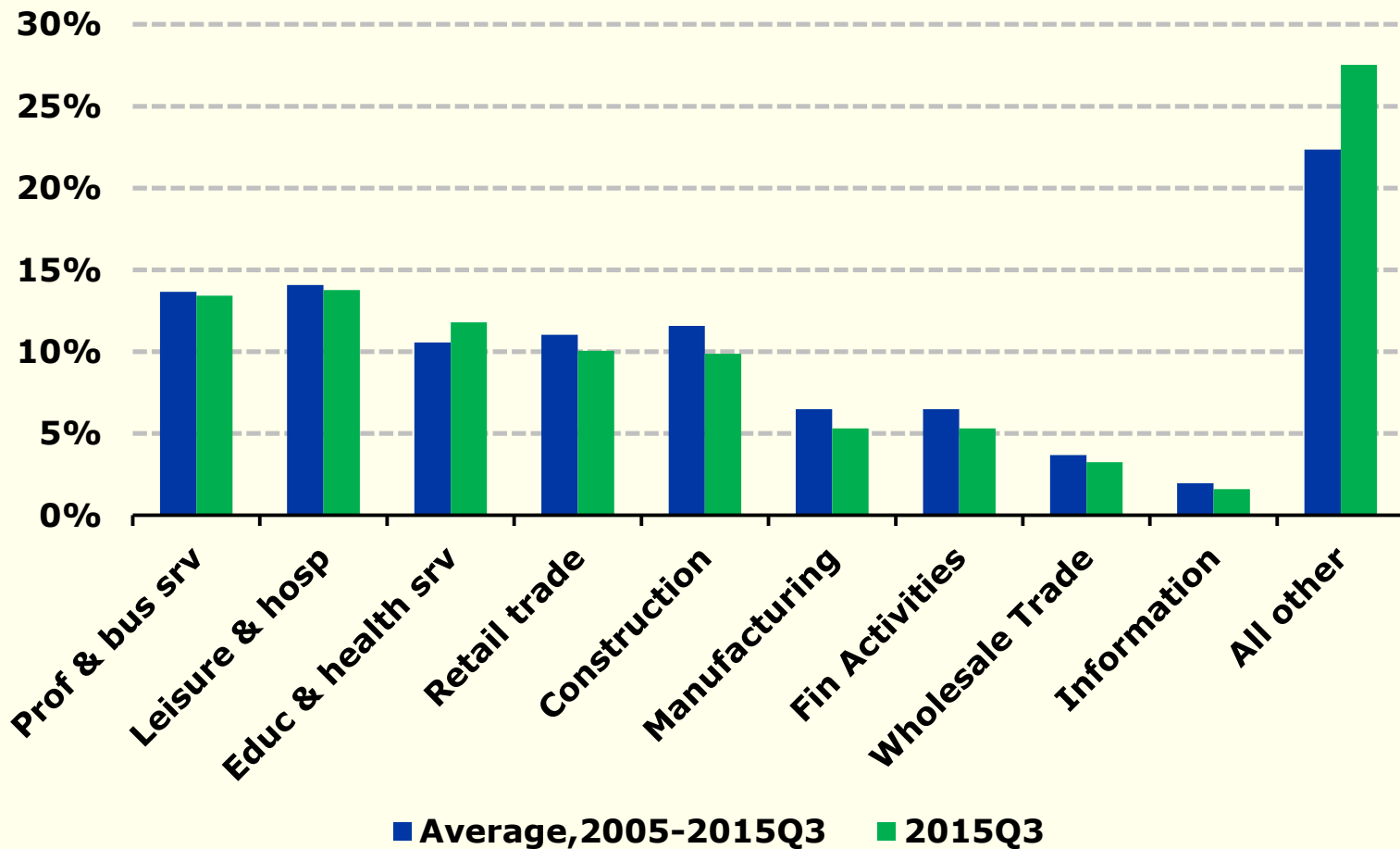
Since 2005, 84% of new jobs in WA were created by existing firms



Source: U.S. Bureau of Labor Statistics, Business Employment Dynamics, data through 2015Q3



Share of WA private sector gross job losses by industry





David Autor and others: Labor market polarization

- Labor market polarization – growth of low education, low wage jobs and high education, high wage jobs; decline in medium education, medium wage jobs
- Non-routine tasks least likely to be successfully computerized
 - “Manual” tasks requiring situational adaptability, visual recognition, in-person interactions
 - Food preparation and serving
 - Janitorial, cleaning, grounds maintenance
 - Home health aides
 - “Abstract” tasks requiring analytical capability, communications skills, expert mastery
 - Professional, technical, managerial occupations

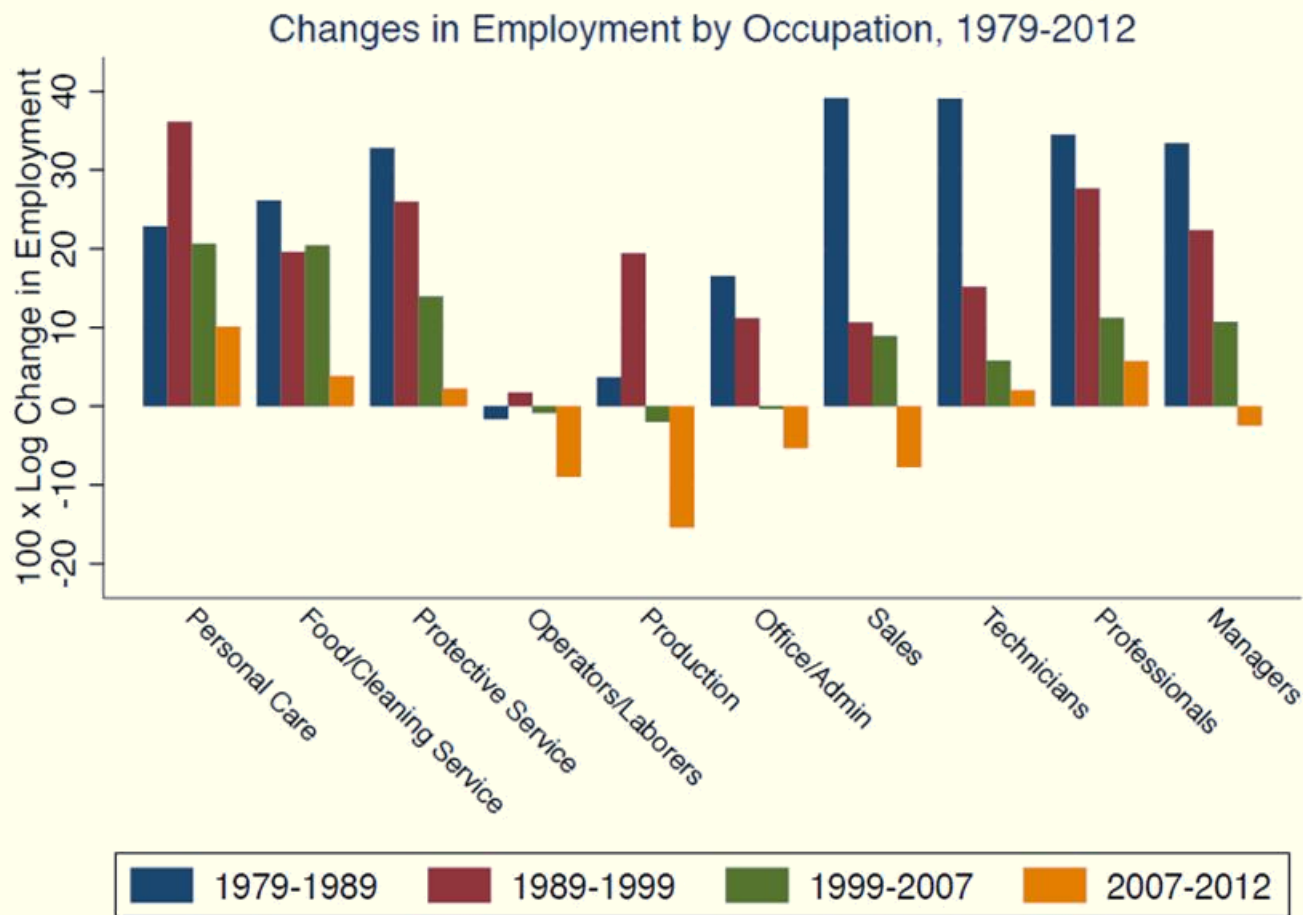


David Autor and others: Labor market polarization

- Medium education, medium wage jobs involving routine, codifiable tasks most amenable to computerization
 - Bookkeeping
 - Clerical and secretarial occupations
 - Repetitive production tasks
- Technology can substitute directly for labor performing routine tasks or can encourage substitution of cheaper foreign labor for domestic labor performing routine tasks
- Technology can also complement certain tasks, raising the productivity and wages of workers with those skills



Percentage Changes in Employment by Occupation, 1979 - 2012





Questions



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360-534-1560**

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