



# Oregon

## Another Rollercoaster Ride for the Economy

Portland, Oregon

March 12, 2009

Office of Economic Analysis

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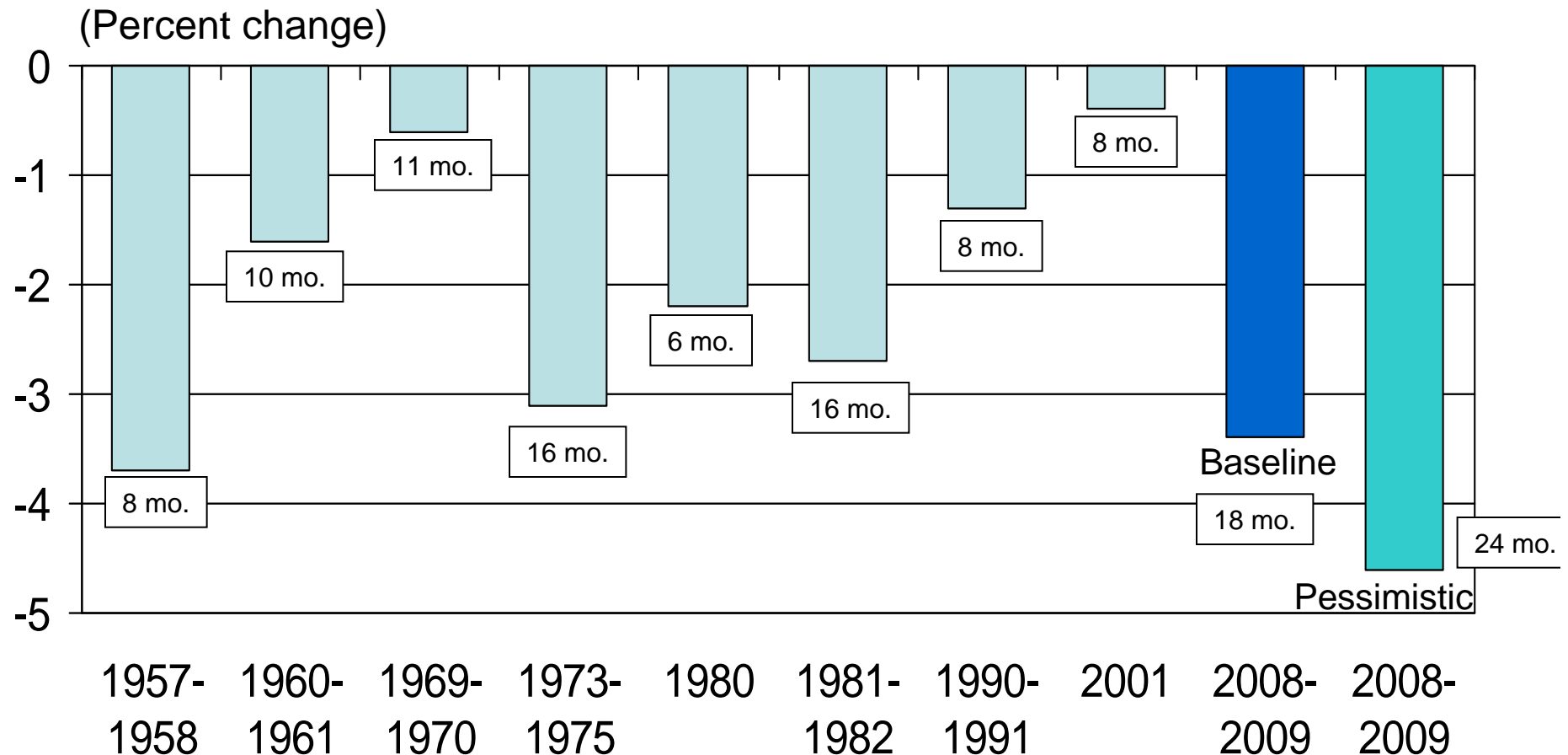
# The U.S. Economy in Recession

- This recession will be long and deep, comparable to the worst in the postwar era
- The global financial crisis has ended the U.S. export boom
- Consumers, businesses, and state & local governments will restrain spending as finances deteriorate
- The CPI will decrease in 2009 for the first time since 1955
- Fiscal stimulus and lower energy prices will help to spark a recovery beginning in late 2009



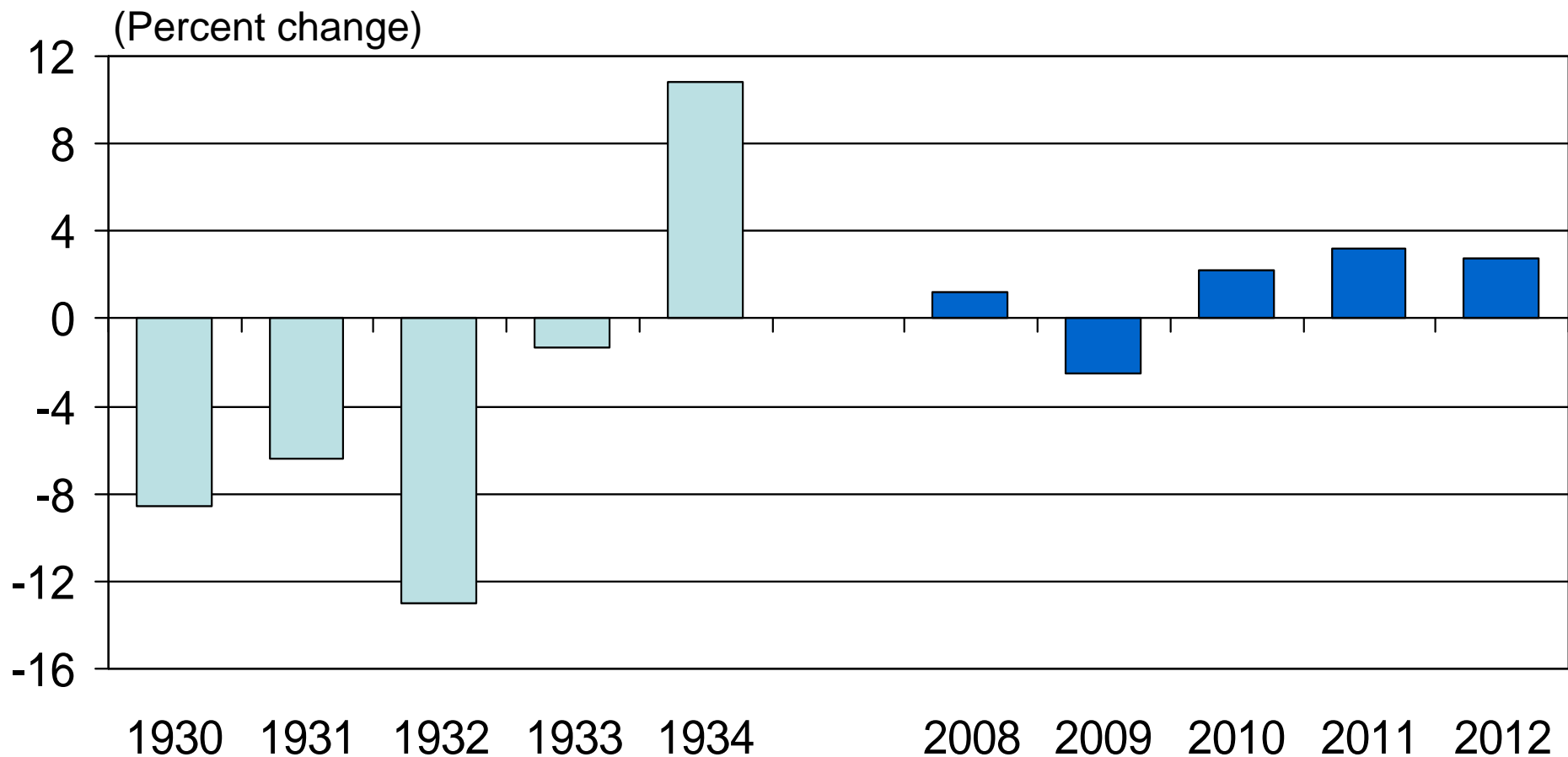


# A Comparison of Declines in Peak-to-Trough GDP in U.S. Recessions





# This Is Not Another Great Depression: U.S. Real GDP





# U.S. Economic Growth by Sector

(Percent change)	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Real GDP	2.0	1.2	-2.5	2.2
Consumption	2.8	0.3	-0.9	2.3
Residential Investment	-17.9	-21.0	-20.8	15.2
Bus. Fixed Investment	4.9	1.9	-15.1	-0.3
Federal Government	2.1	2.8	1.4	1.5
State & Local Govt.	2.3	1.2	0.4	2.9
Exports	8.4	6.4	-7.0	-0.9
Imports	2.2	-3.1	-9.6	6.2





# Other Key U.S. Indicators

(Percent change unless noted)	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
Industrial Production	1.7	-1.6	-7.6	1.0
Payroll Employment	1.1	-0.2	-2.6	0.0
Light Vehicle Sales (Millions)	16.1	13.1	10.3	12.5
Housing Starts (Millions)	1.34	0.91	0.60	0.98
Consumer Price Index	2.9	3.8	-2.2	2.4
Core Consumption Deflator	2.2	2.2	0.9	1.3
Federal Funds Rate (%)	5.0	1.9	0.1	0.9
10-Year Treasury Yield (%)	4.6	3.7	2.3	3.4





# Credit Impacts Ever More Severe

- Home Mortgages
  - Not just a “subprime” problem now
- Consumer
  - Consumer loan standards tightening sharply
  - Home equity pump has dried up
- Government
  - Credit availability for states and localities drying up
- Business
  - Increased credit spreads
  - Commercial paper market shrinking
  - Commercial real estate loan standards much tighter



# Bottom Line on U.S. Economy

- The U.S. recession is deepening and the unemployment rate will top 9% by the end of 2009
- Tightening credit will restrain spending by households, businesses, and state and local governments
- The housing market slide will continue through mid-2009
- Inflation will subside as commodity prices retreat
- The economic recovery will begin next summer, but growth will remain below potential through early 2010
- Risks are concentrated on the downside





# Foreclosure Statistics

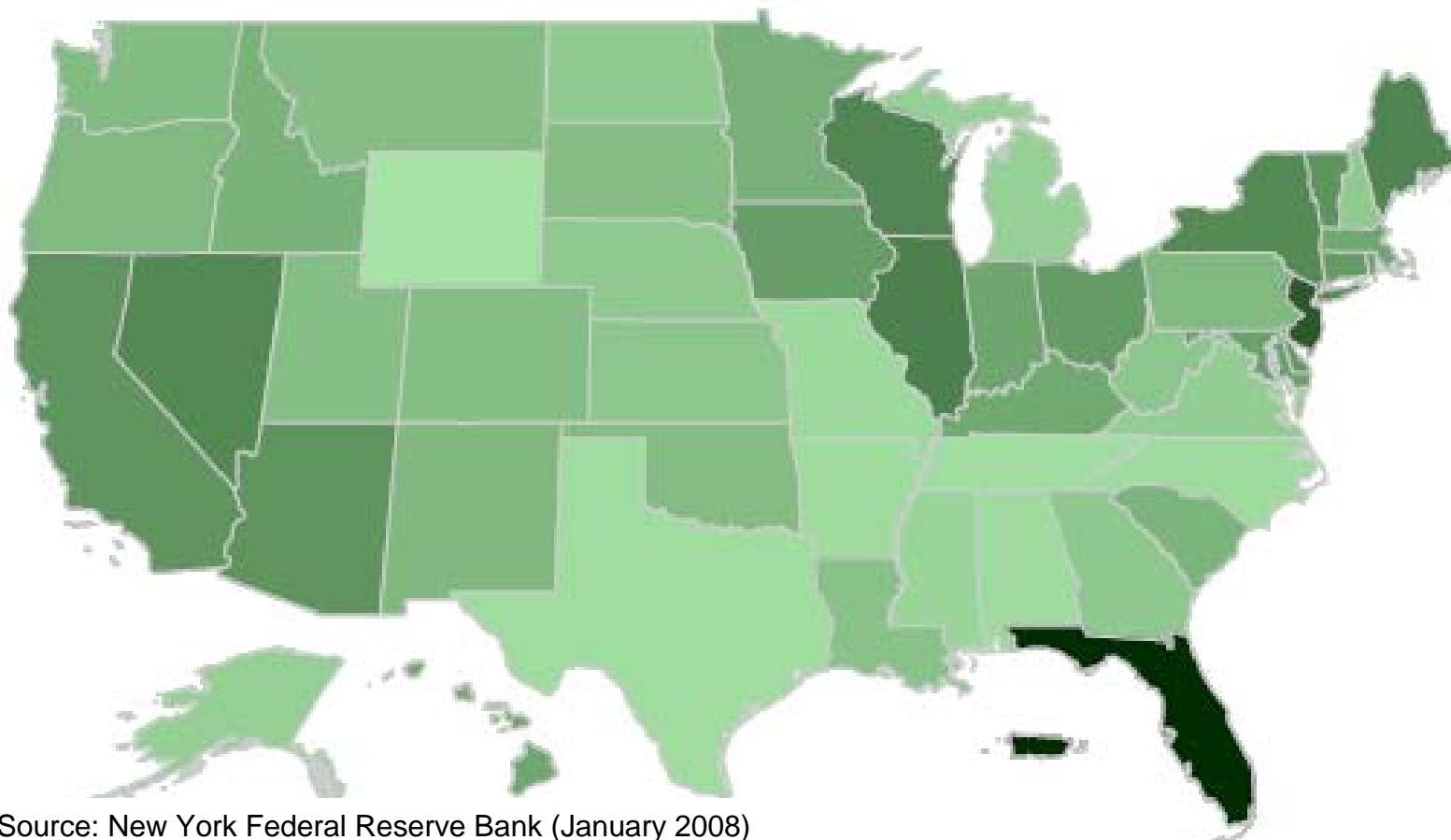
State	Percent in Foreclosure	Rank
Alaska	1.7%	48
California	8.3%	3
Idaho	3.8%	37
Montana	2.0%	47
Nevada	11.2%	2
Oregon	3.2%	44
Washington	3.0%	45
Wyoming	1.7%	48
<i>US</i>	<i>6.3%</i>	

Source: Mortgage Broker's Association (Fourth Quarter 2008)



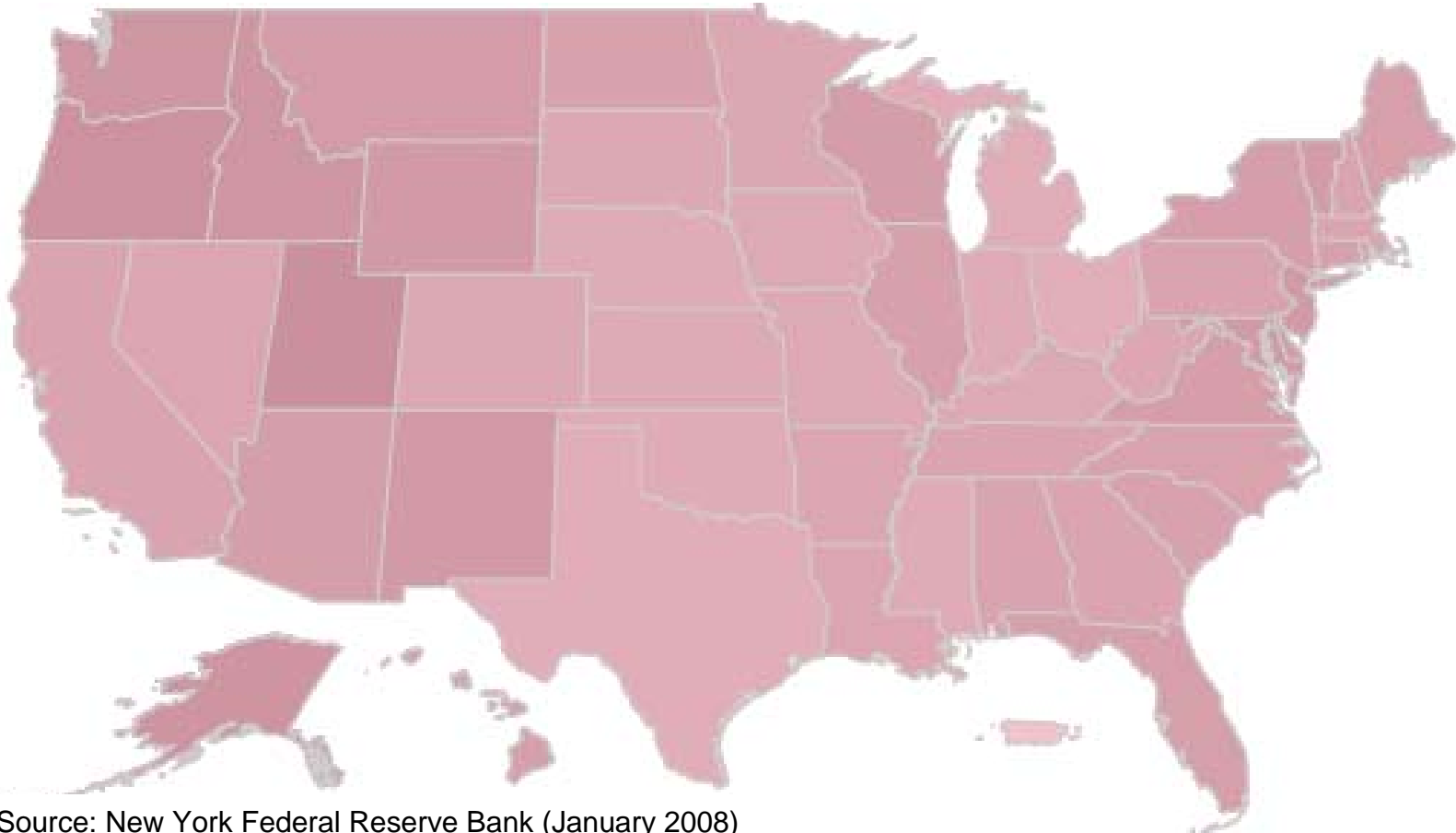


# Share of Foreclosures





# Share of Mortgages Resetting



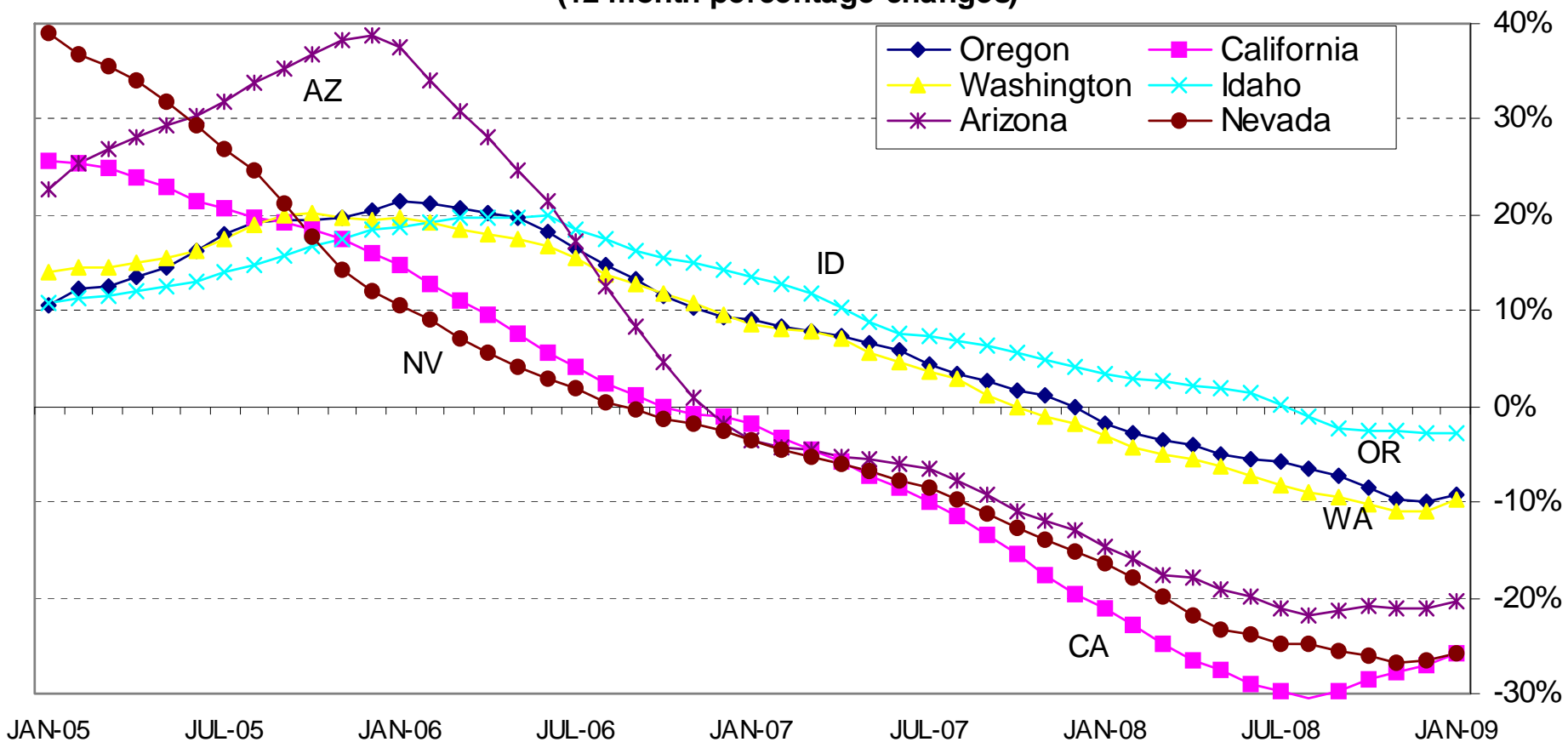
Source: New York Federal Reserve Bank (January 2008)





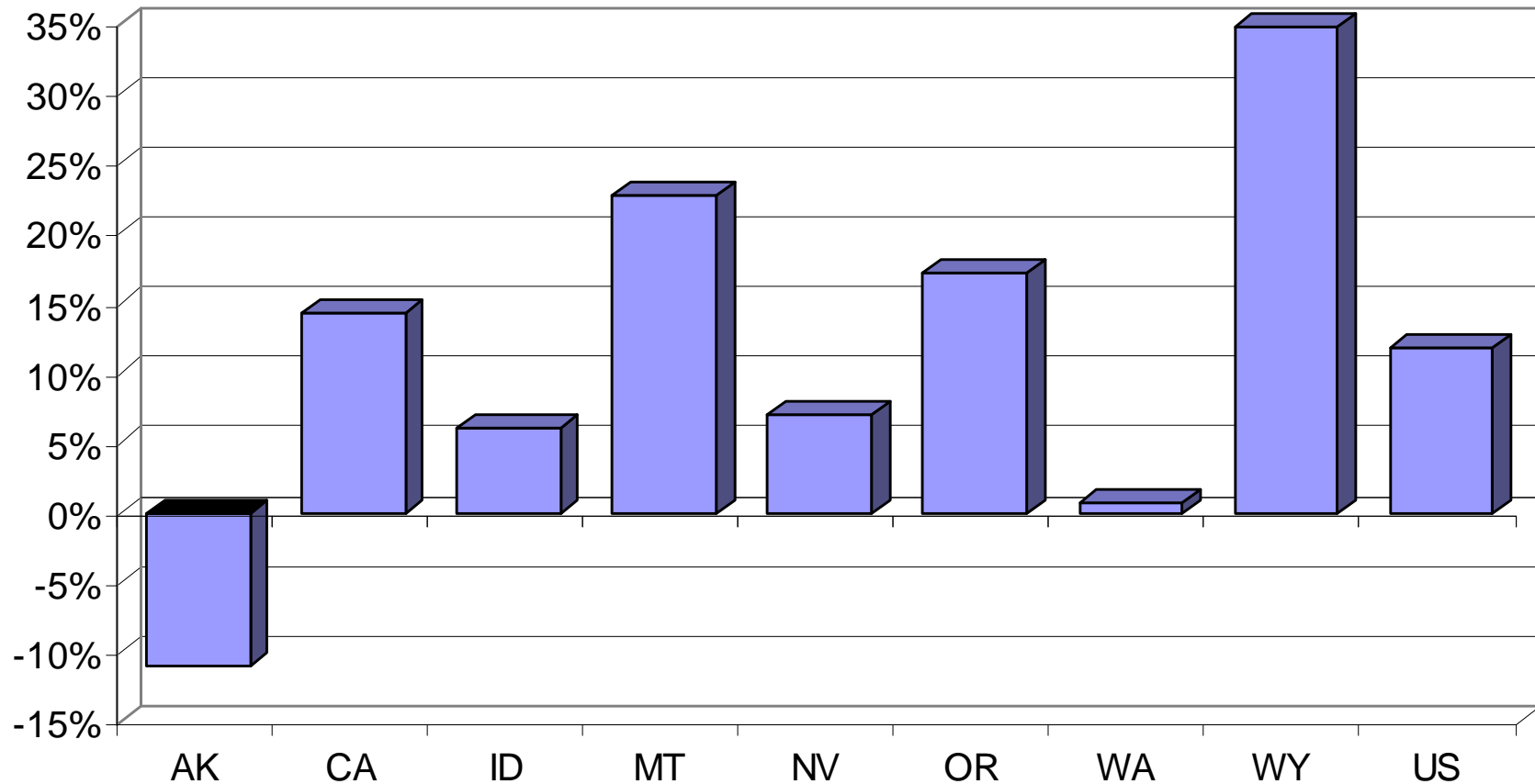
# Oregon was Late to the Run Up in Prices (Jan 2005 - Jan 2009)

## Housing Price Index (12-month percentage changes)





# 2008 State Export Growth



Source: WISERTrade





# Unsustainably Bad?

- “...at the current pace of housing starts, it would take 236 years to replace all the homes in the U.S...homes are normally built at a pace that would replace the existing stock of houses every 75 years...it would take 23.4 years to replace all the cars and trucks now on the road in the U.S. Normally, the replacement rate for auto sales is about 13 years.”

- *Brian S. Wesbury  
and Robert Stein, Forbes*





# Recent Oregon Economy Facts

- 9.9% unemployment rate for January 2009 (January US rate is 7.6%) is up from the latest lowest rate of 5.0% in April 2007. Oregon's unemployment rate for June 5.5% matched the US rate. Oregon's rate had been above the US rate for past 12 years.
- 41st fastest job growth at -2.6% for all states for December 2008 over December 2007.
- Total nonfarm employment dropped -2.5% year-over-year for the 4th quarter of 2008 (preliminary data). Job losses (S.A.) for February thru June, and August thru December 2008.
- 3.8% personal income growth for 3rd quarter of 2008 over 3rd quarter of 2007. Annualized 3rd quarter 2008 growth at 1.1%.
- Oregon exports fell 6.0% in the 4<sup>th</sup> quarter compared to the same period last year and finished 2008 up 17% over 2007. (Export growth is expected to continue to decline with global economic slowing)





# Historical Comparison

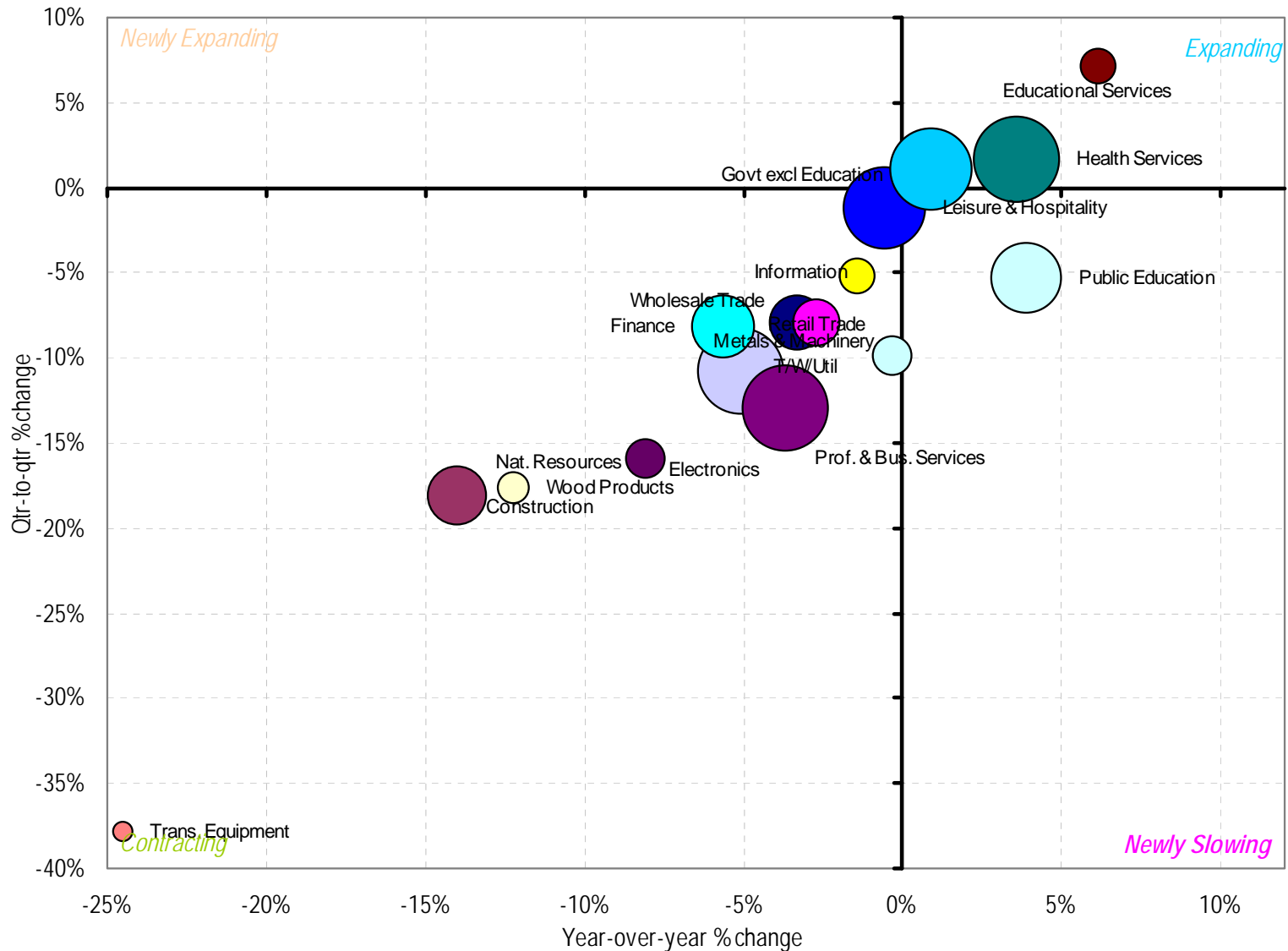
Recession	1981-82	1980-82	1990-91		2001		2008-?? *	
	U.S.	Oregon	U.S.	Oregon	U.S.	Oregon	U.S.	Oregon
Employment								
Loss (in 000s)	2,734.3	123.3	1,498.3	12.3	2,657.3	60.1	5,943.5	100.7
% Change	(2.99)	(11.50)	(1.37)	(0.97)	(2.01)	(3.69)	(4.31)	(5.79)
Duration								
Peak-to-Trough	5 Qtrs	12 Qtrs	5 Qtrs	3 Qtrs	9 Qtrs	10 Qtrs	8 Qtrs	8 Qtrs
Return to Peak	8 Qtrs	28 Qtrs	10 Qtrs	5 Qtrs	15 Qtrs	16 Qtrs	18 Qtrs	19 Qtrs

\* Estimates based on Global Insight and OEA forecasts



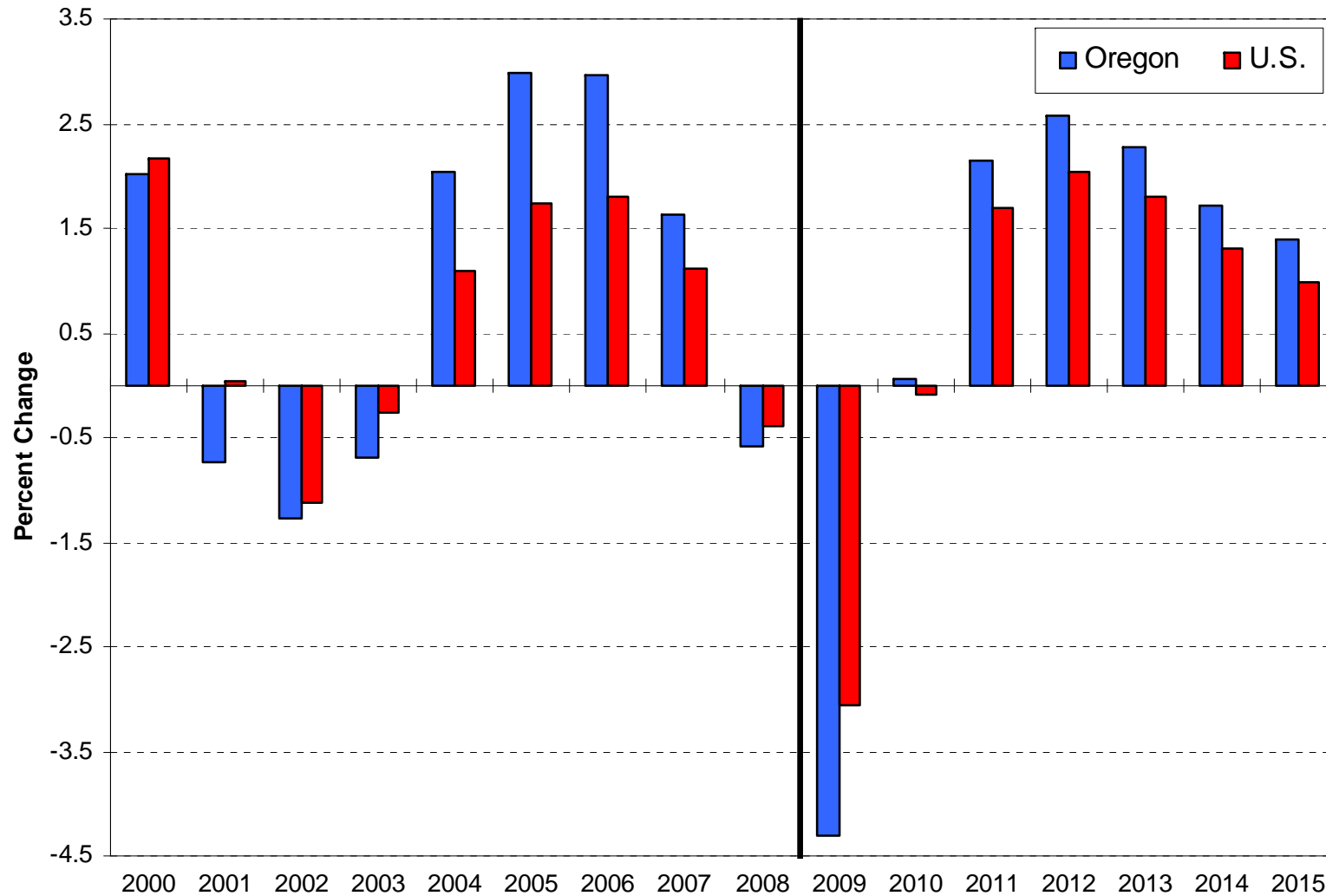


# The southwest flight continues... (4<sup>th</sup> Quarter 2008)



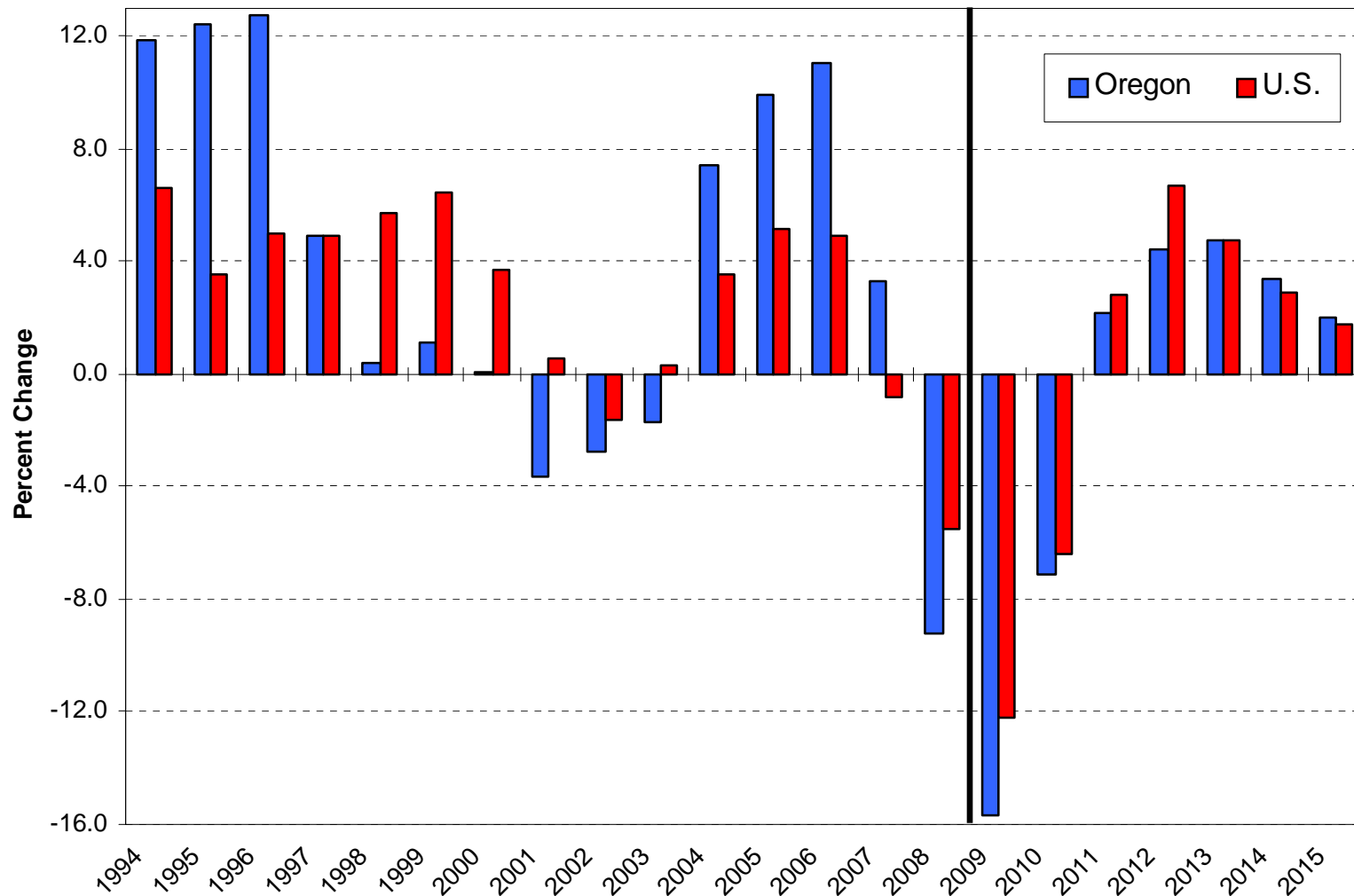


# Total Non-farm Employment (Annual Percent Change)



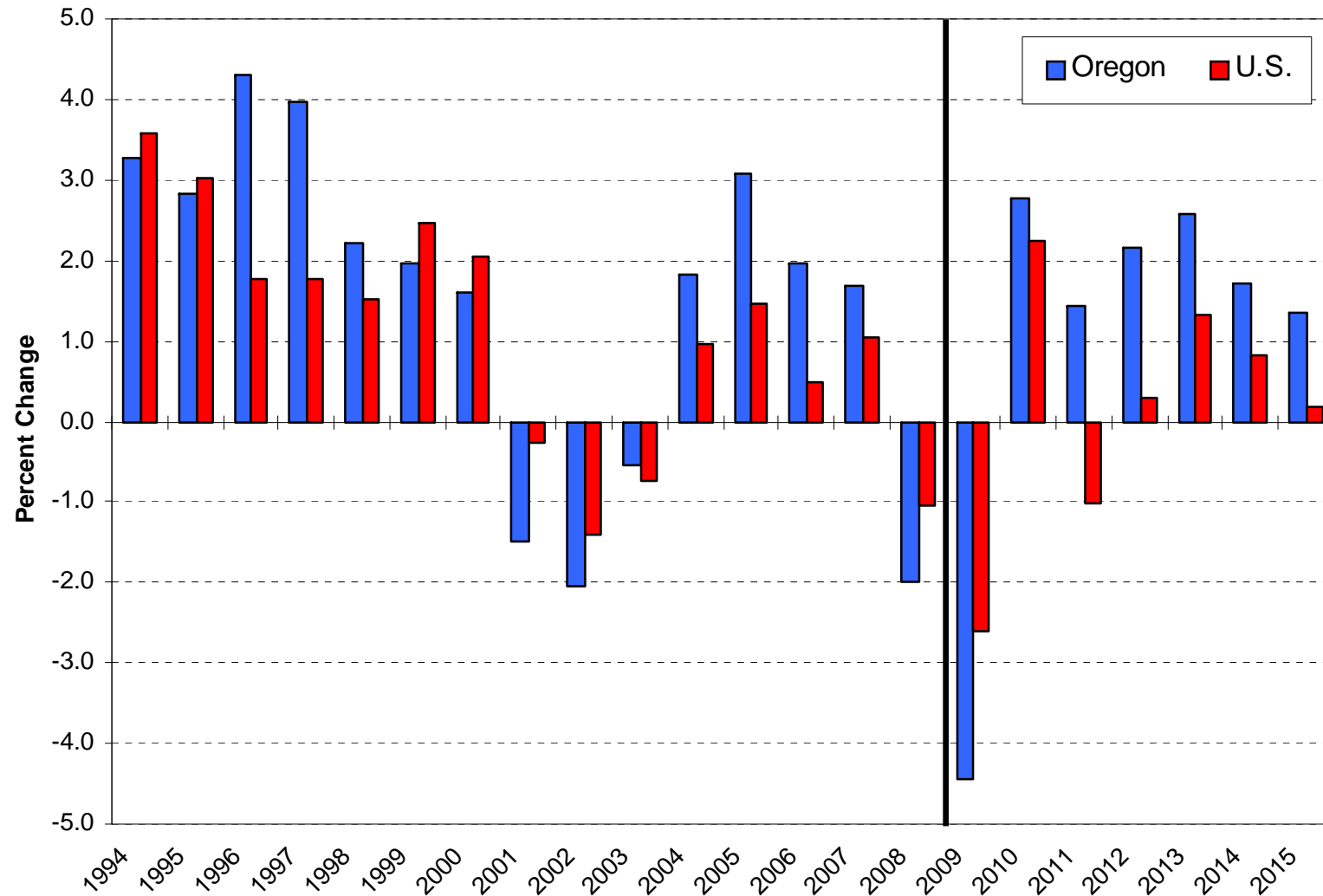


# Construction Industry Employment (Annual Percent Change)





# Retail Trade Industry Employment (Annual Percent Change)





## Remember, we were likely in a recession before the full force of the financial crisis hit...

- Housing is down but surviving better than CA, AZ, NV, FL and many other states.
- Sales tax states are having a harder time relative to income tax states. The consumer is MIA.
- Strong correlation between states that had the biggest housing bubble and the biggest budget problems.
- Oregon will fare worse to the extent the recession is full blown across all sectors.





# For More Information

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