Economic Update

Presented by

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WESTERN WASHINGTON UNIVERSITY

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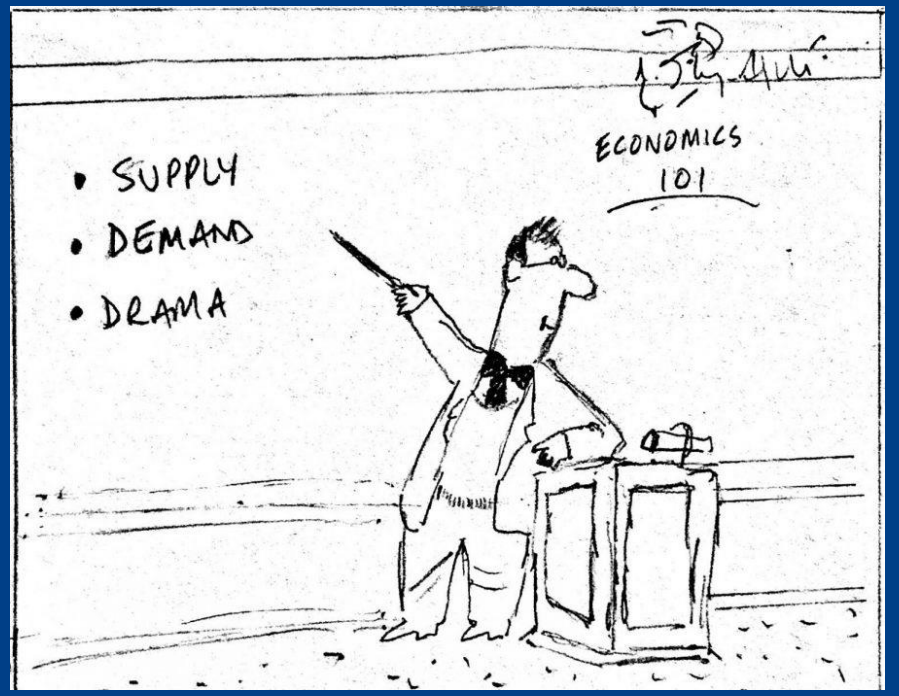
Shelton Mason County Chamber of Commerce

THE PUGET SOUND ECONOMIC FORECASTER

How do you sum it up?

- Things we know
- Things we think we know
- Things we do not know

… and how to know the difference.



The Economy

- Fundamentally… fine
  - As in before COVID
  - Not the same as perfect – complexity is ok
- Consumer based
  - ~70% of the US economy is driven by consumer behavior
- In transition
  - We have moved from having the main engine being manufacturing (~40% of jobs) to information (~10% of jobs)

The Economy

- Risks / Headwinds
  - Always.
- One of the largest risks?
  - You – the consumer
  - We can talk ourselves into just about any calamity
- Which is why economics is a social science – it is all about how you might act

What is probably on your mind…

- Inflation
- Unemployment/Employment
- Home prices/values
- Supply chain
- 401k balances

What you should being thinking about

- Consumer behavior
- Forecast

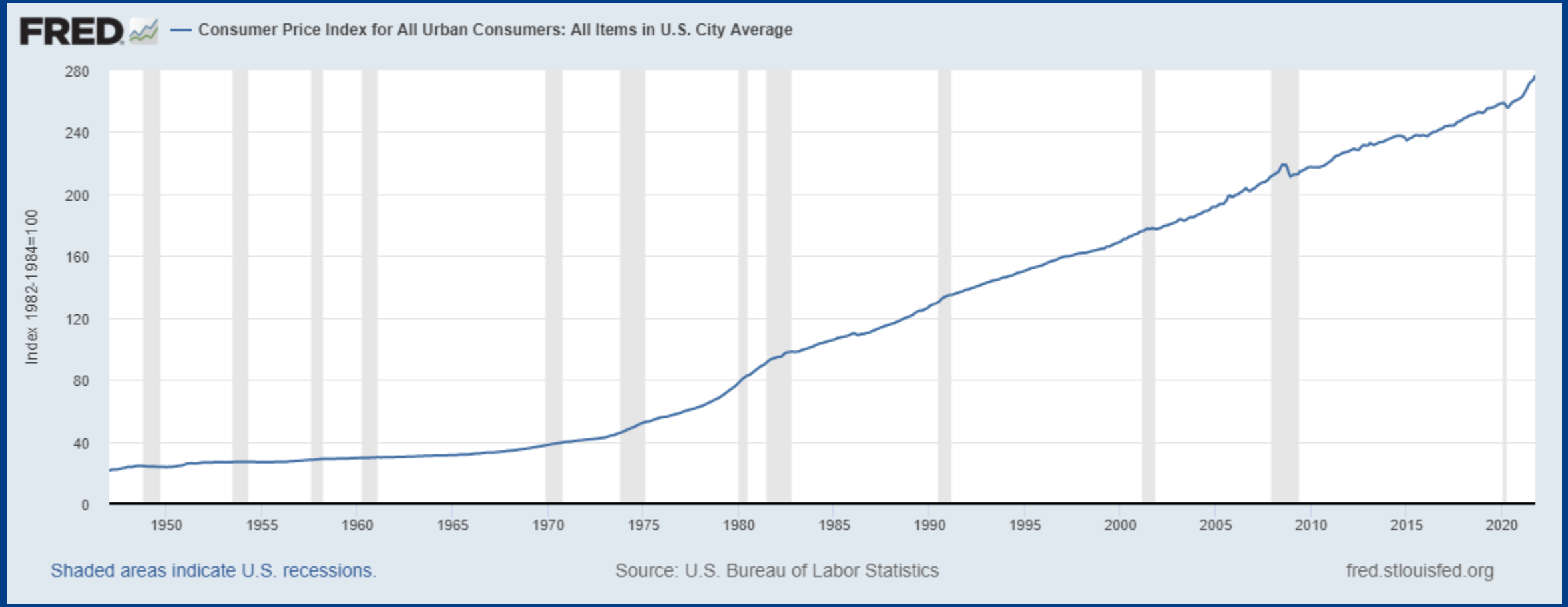
Consumers

- It is complicated.
  - No single set of values or action/reaction sequence
  - Regional variances
  - A lot of partially informed instinct and not a lot of facts

- Is it the Great Resignation or the Great Reset?

Let’s start here…

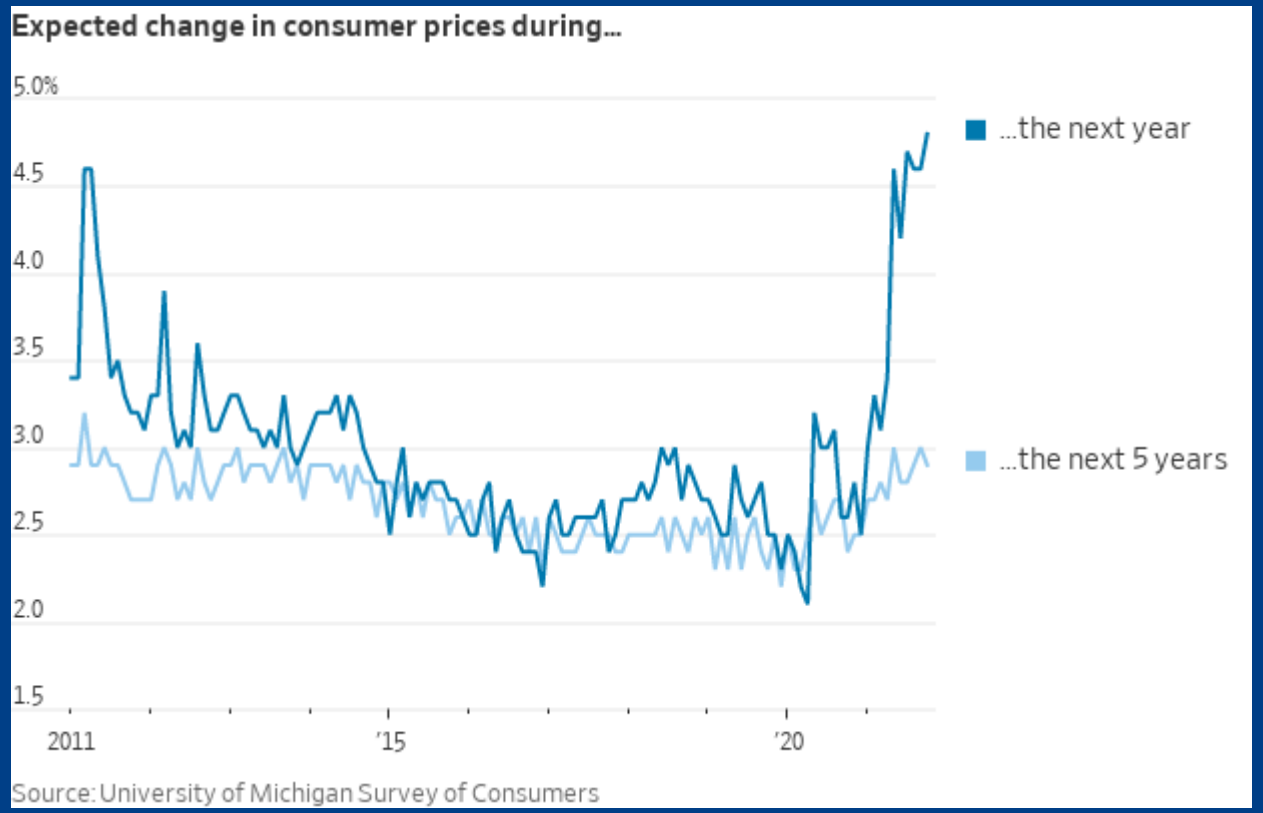
Inflation



Inflation

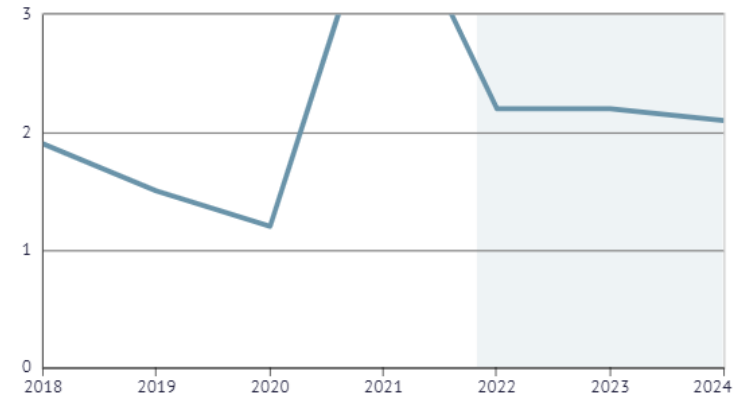
- Should you get excited?
- Is it unexpected?
- Long-term? (sticky V transitory)
- Fed changed target
  - From not more than 3%
  - To average 3%

- Why you should not love CPI



FOMC US Inflation Forecast

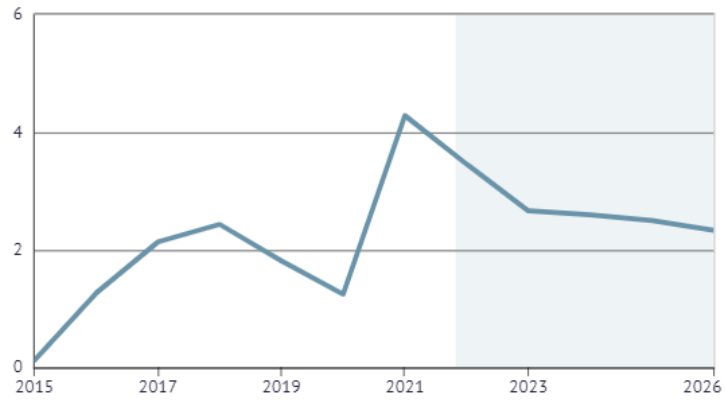
PCE inflation rate: Median projection, Q4 to Q4 % change



Year	2018	2019	2020	2021	2022	2023	2024
%	1.9	1.5	1.2	4.2	2.2	2.2	2.1

IMF US Inflation Forecast

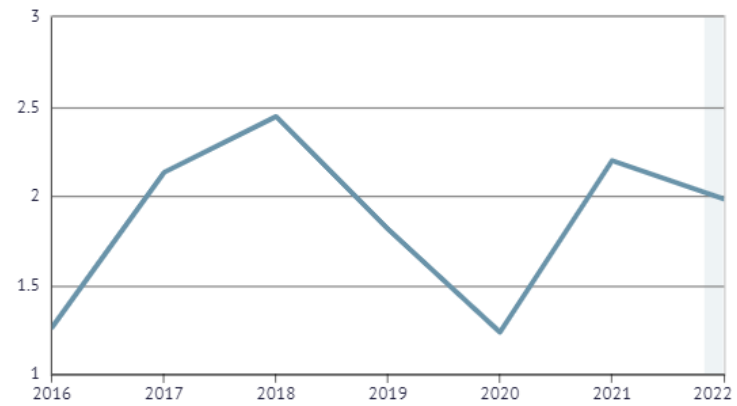
CPI, % change



Year	2018	2019	2020	2021	2022	2023	2024	2025	2026
%	2.4	1.8	1.2	4.3	3.5	2.7	2.6	2.5	2.3

European Commission US Inflation Forecast

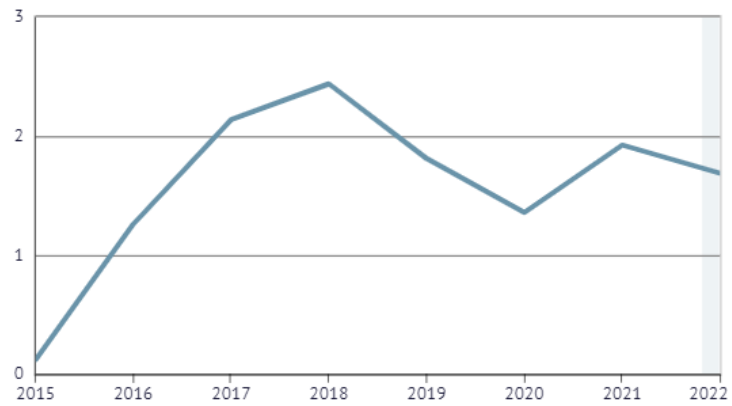
CPI, % change



Year	2016	2017	2018	2019	2020	2021	2022
%	1.3	2.1	2.4	1.8	1.2	2.2	2.0

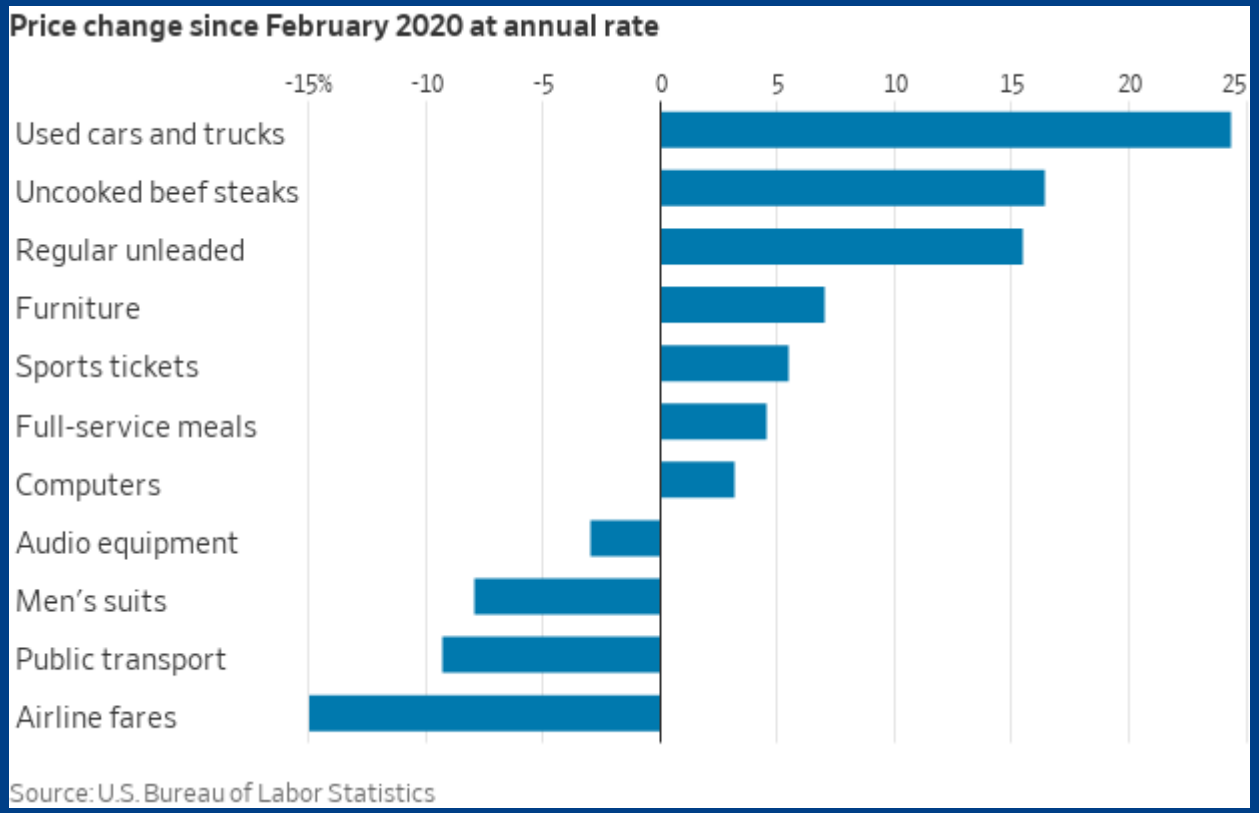
OECD US Inflation Forecast

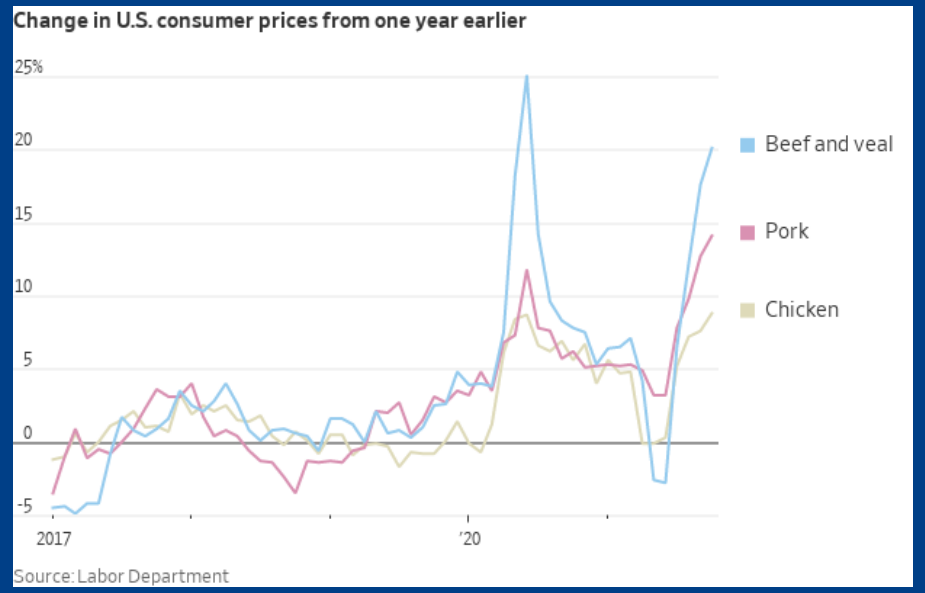
CPI, % change

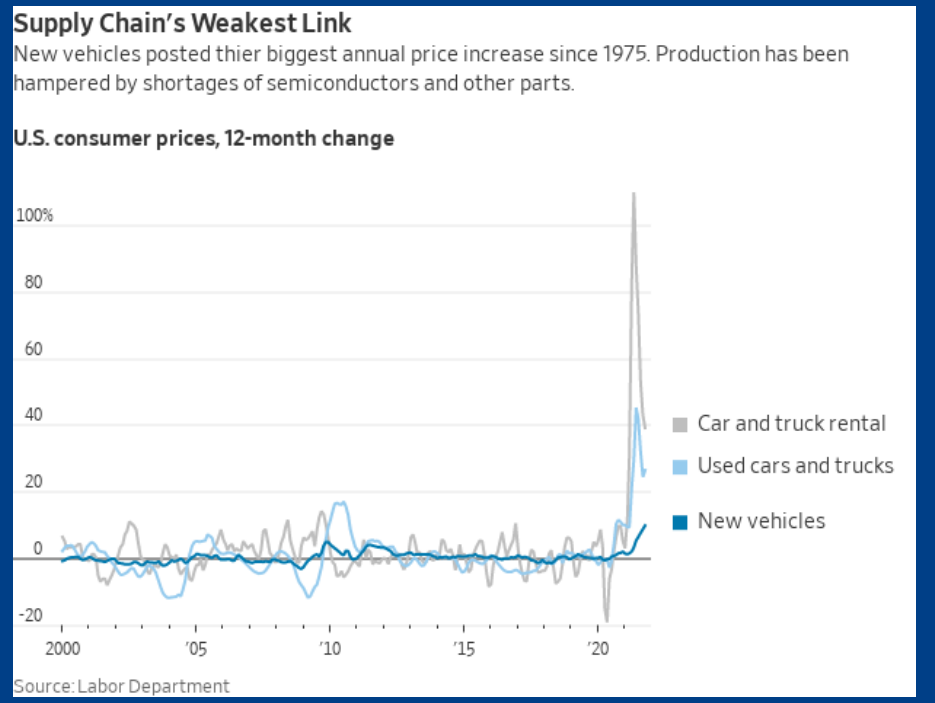


	2015	2016	2017	2018	2019	2020	2021	2022
%	0.1	1.3	2.1	2.4	1.8	1.4	1.9	1.7

The trouble with CPI







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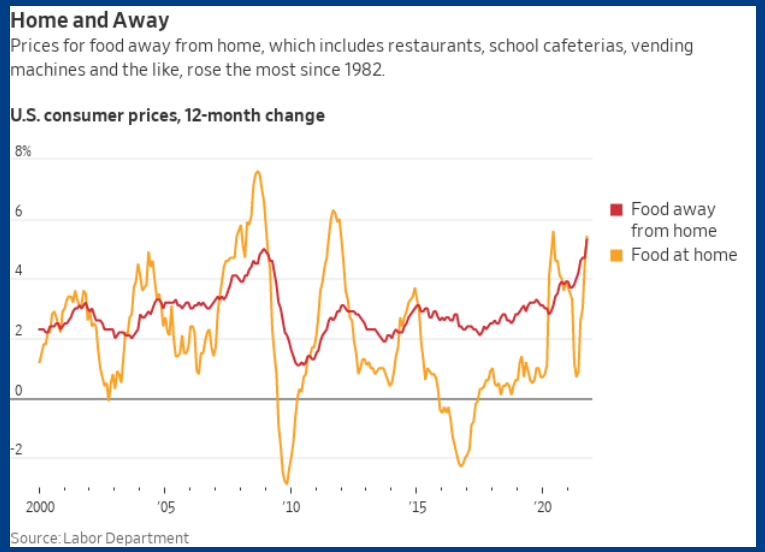
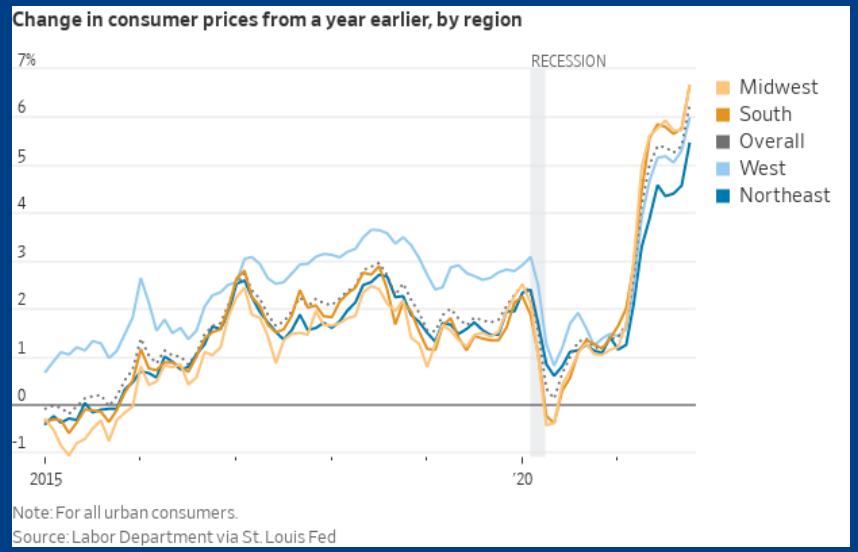
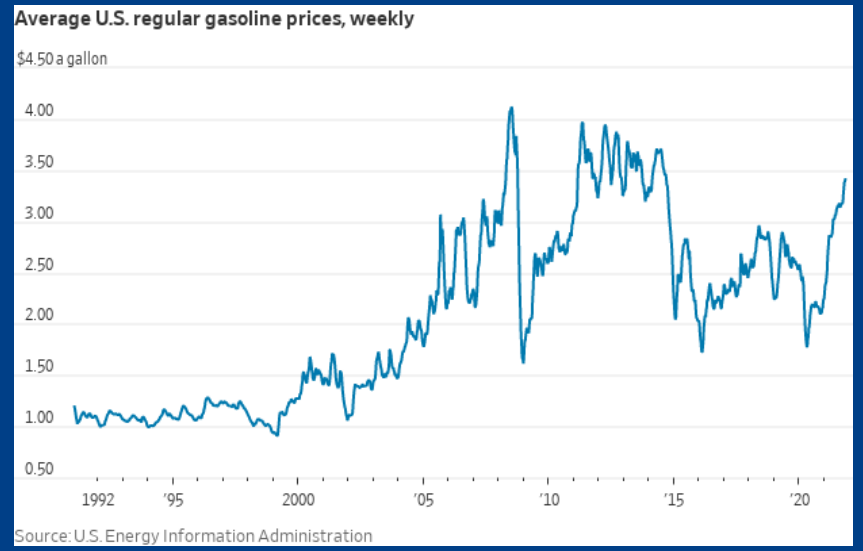
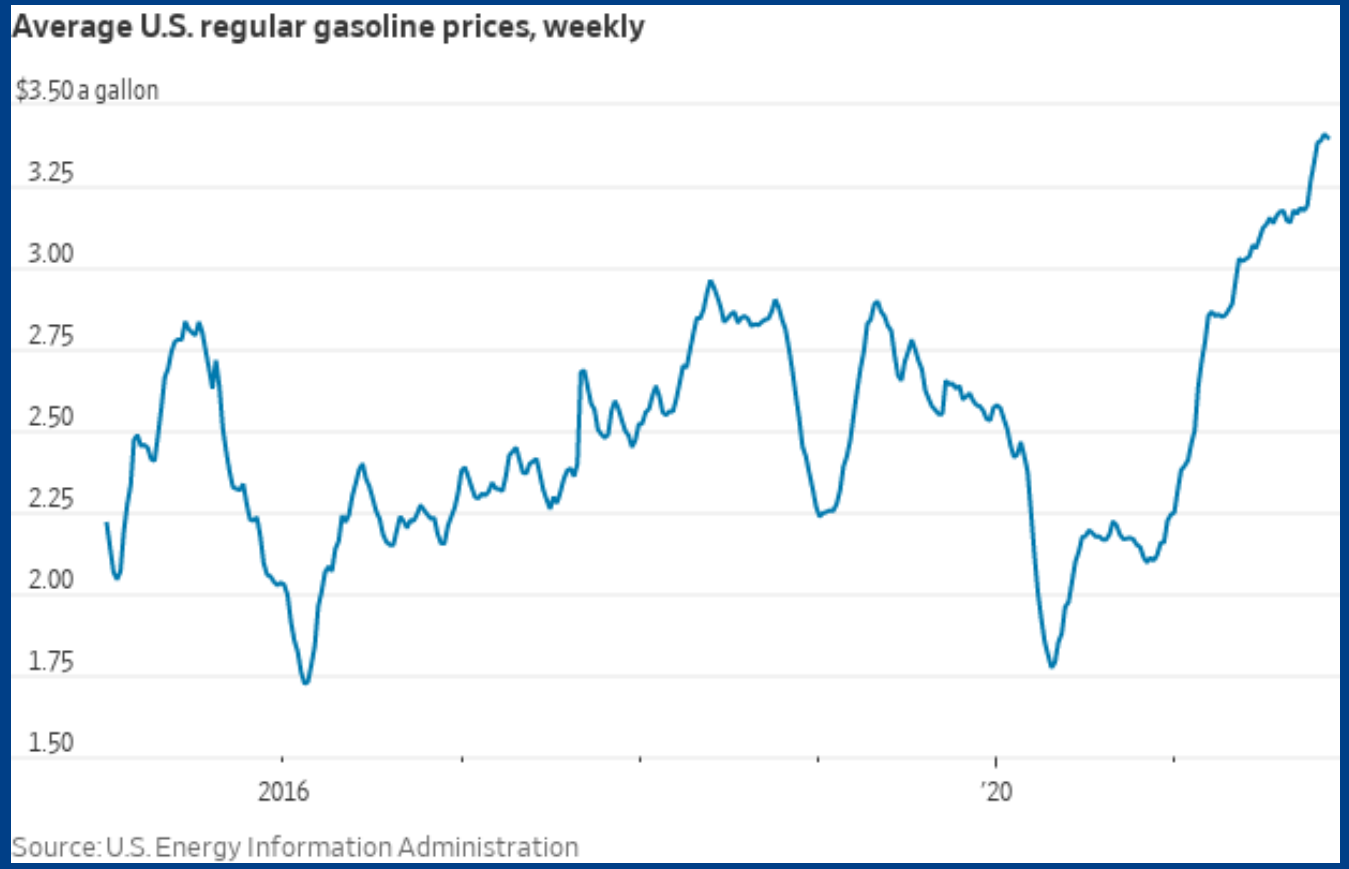


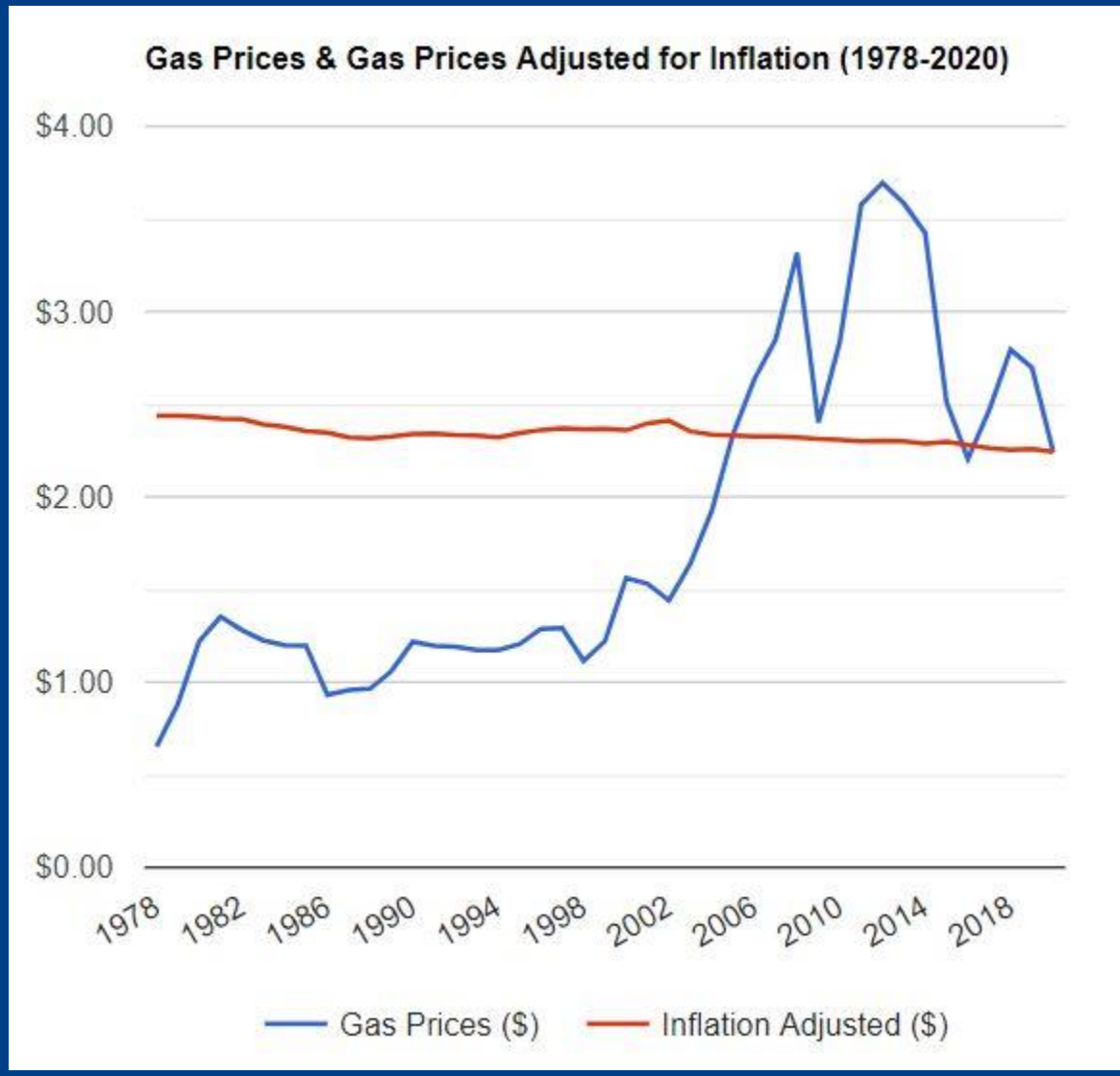




The trouble with inflation metrics

- Real dollars



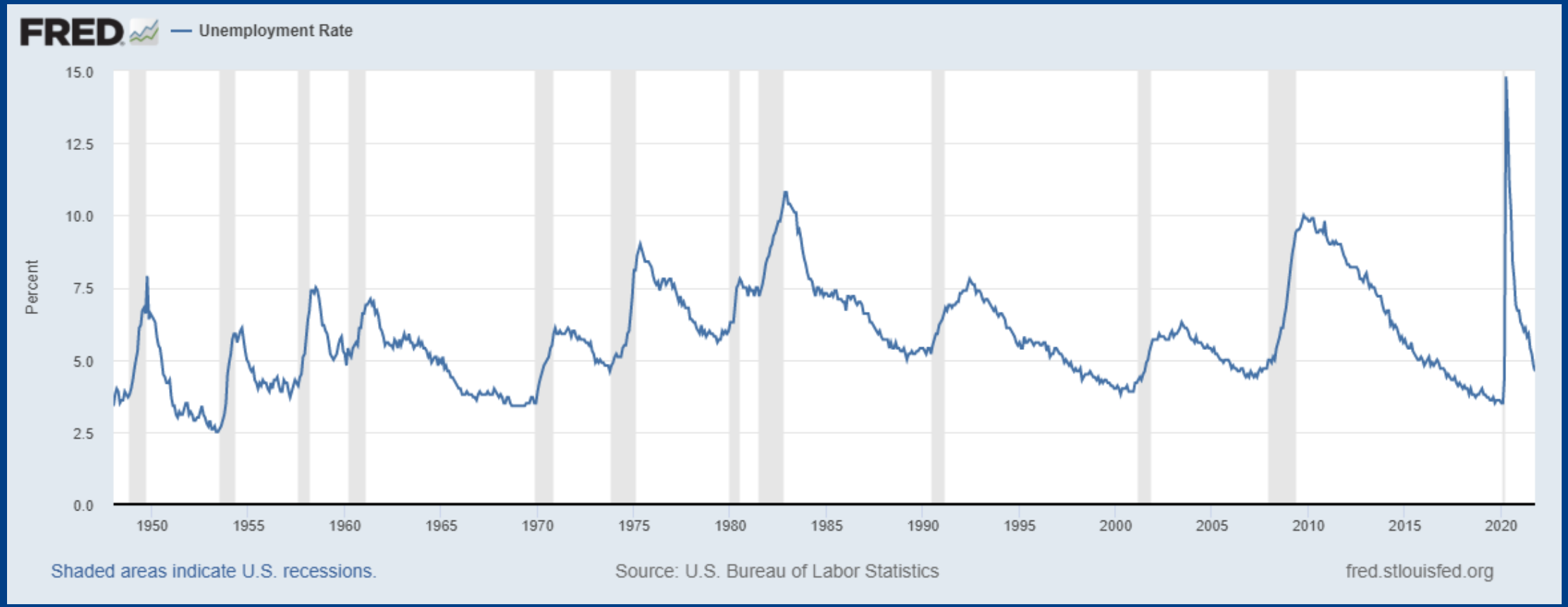


Employment / Unemployment

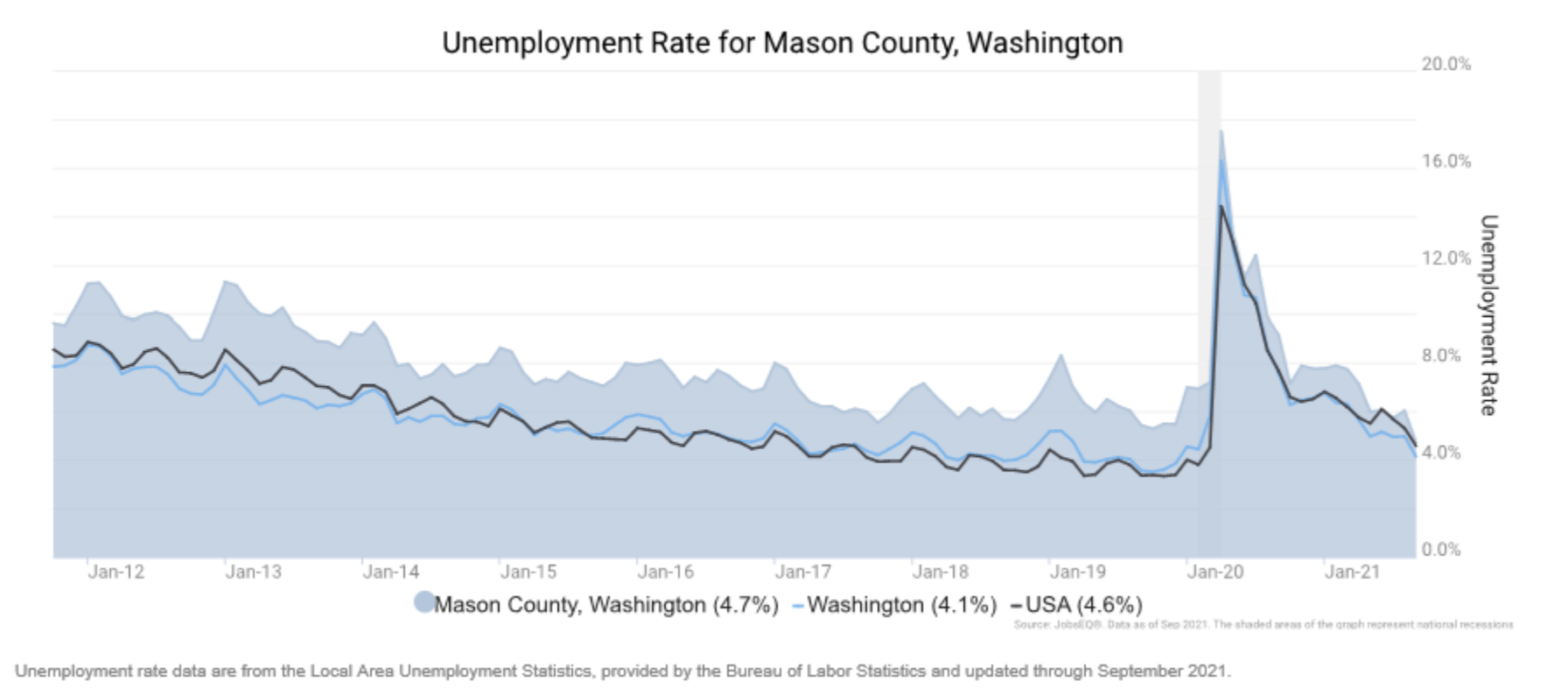
- But no one wants to work!
  - Or, everyone is quitting!

- We are challenged by how we understand employment
  - (Looking for work / total workforce) seems simple but it is not what we are actually talking about
  - Workforce participation is an important metric to meet
  - Natural rate of unemployment
  - Quit rate and why it will be high (~3% per month) for another 10 months

Unemployment

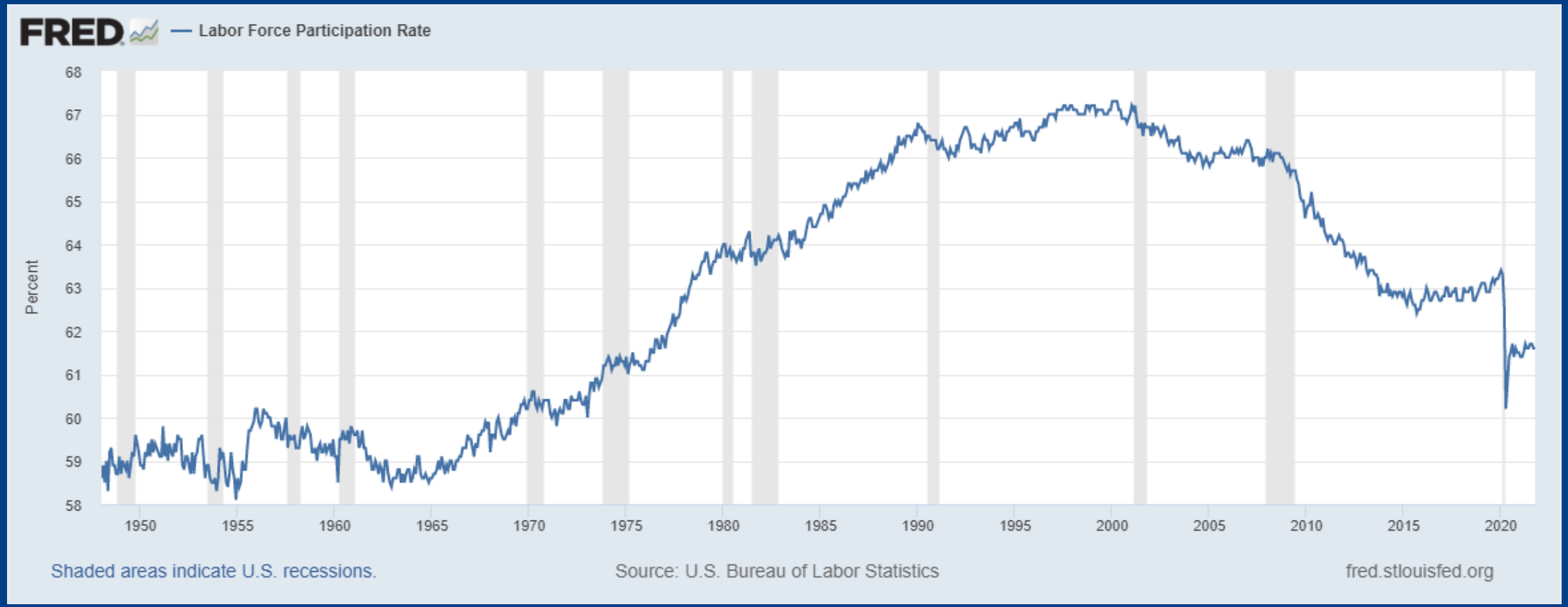


Local Unemployment



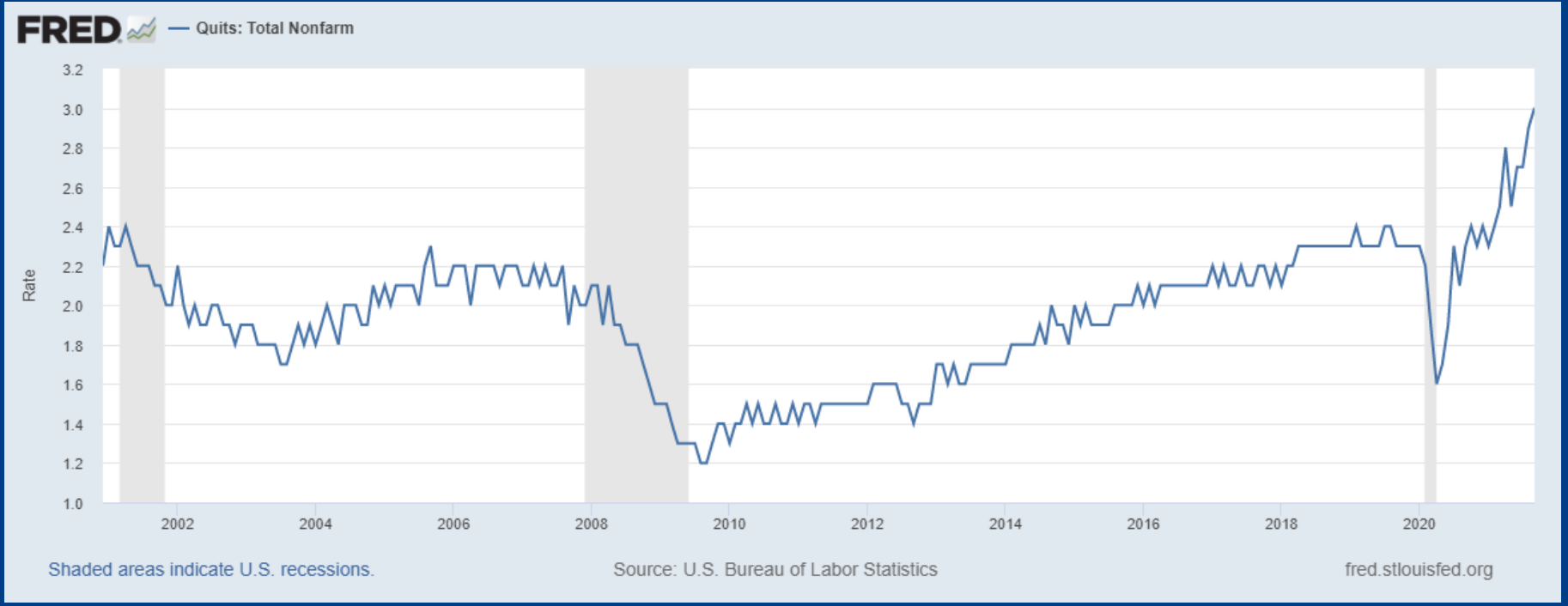
Unemployment rate data are from the Local Area Unemployment Statistics, provided by the Bureau of Labor Statistics and updated through September 2021.

Workforce Participation



Employment

- Why are people out of the workforce?
- Is it permanent?
- Are there trends/patterns?



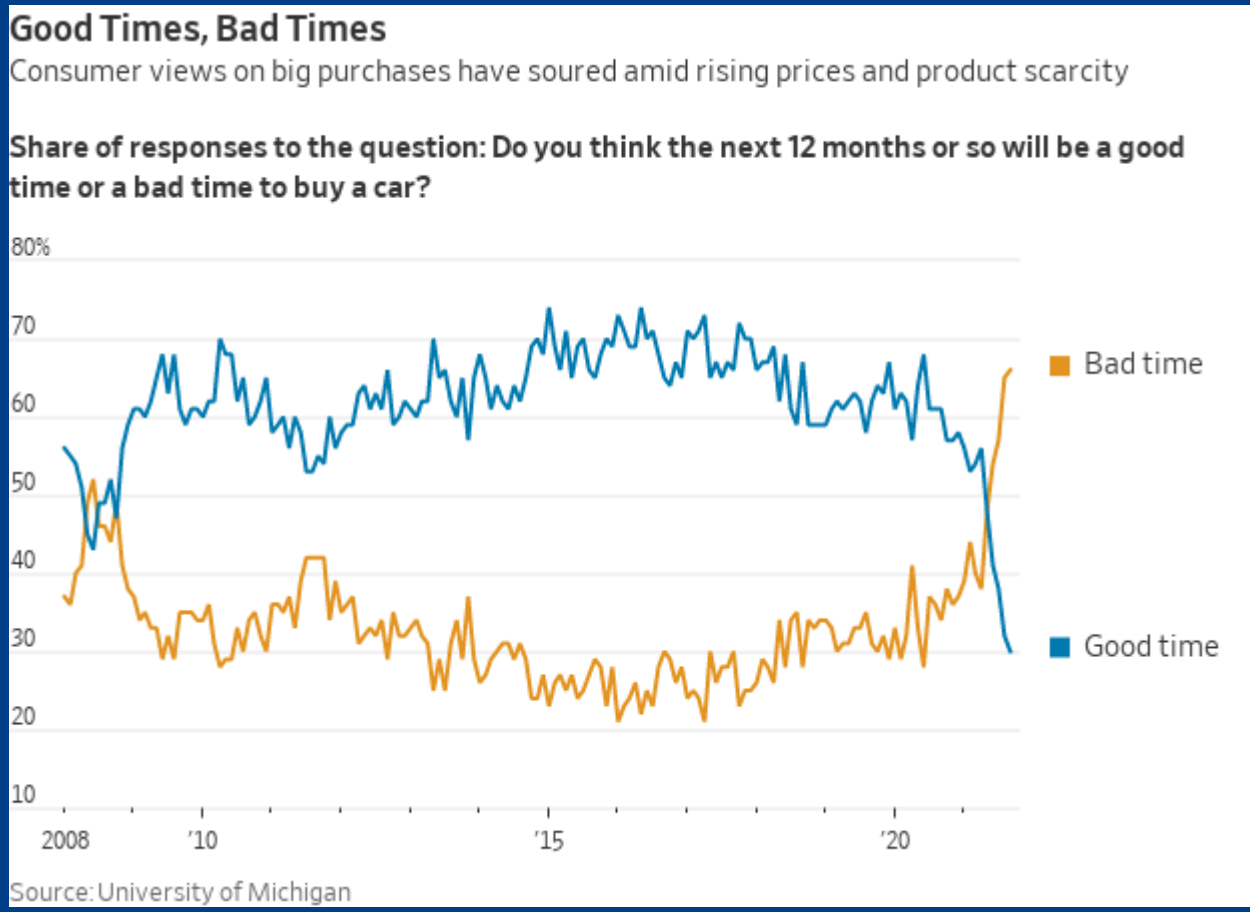
Consumers…. (you!)

- From the headlines
  - High inflation – increasing prices
  - No one wants to work
  - Etc.

- From the driving force of the economy
  - Let’s go shopping!
    - (but I am really nervous because of other people)

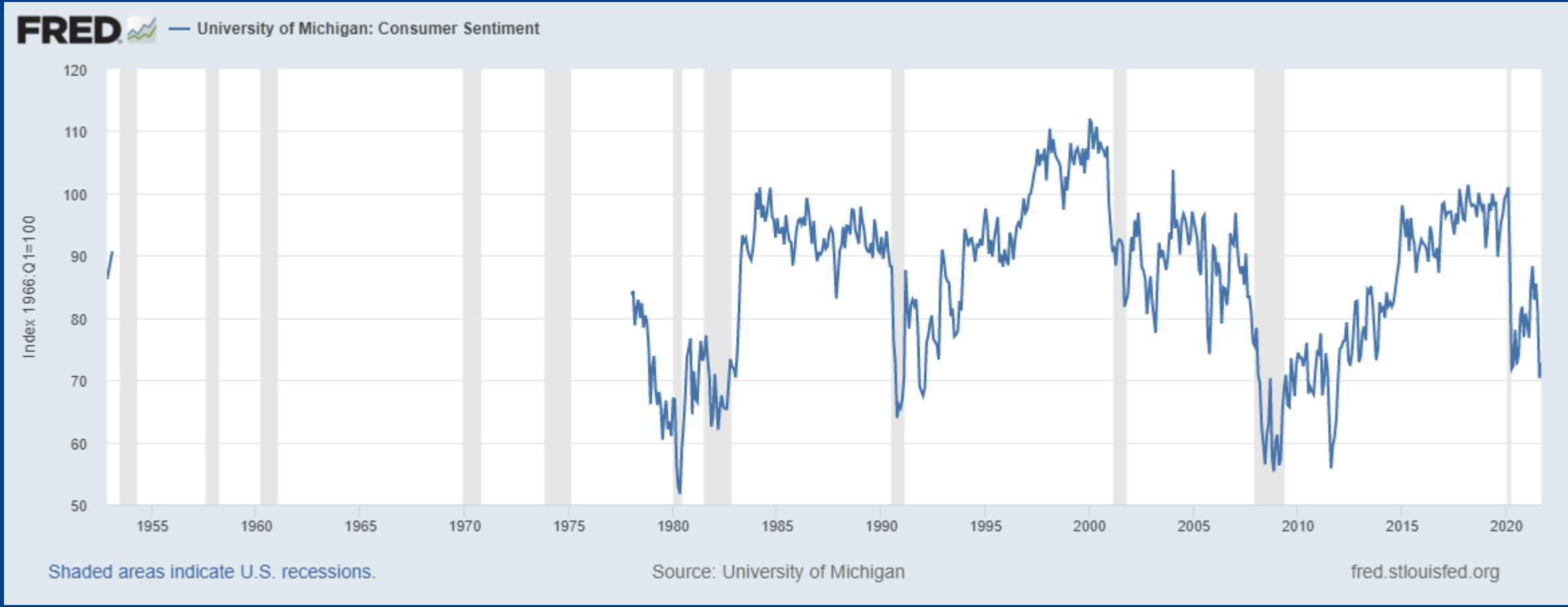
Consumer Confidence

- We can talk ourselves into economic consequences by what we present
- What do you take away from this chart?



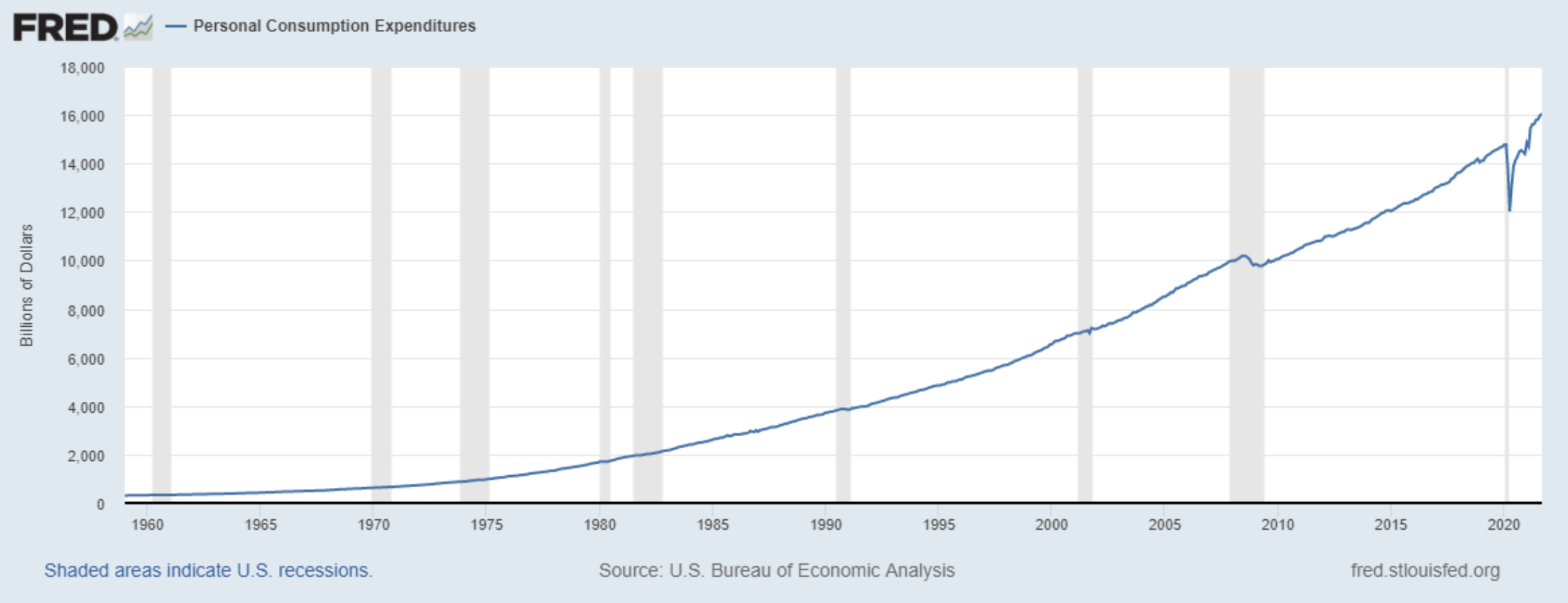
Consumer Confidence

- You get data like this…

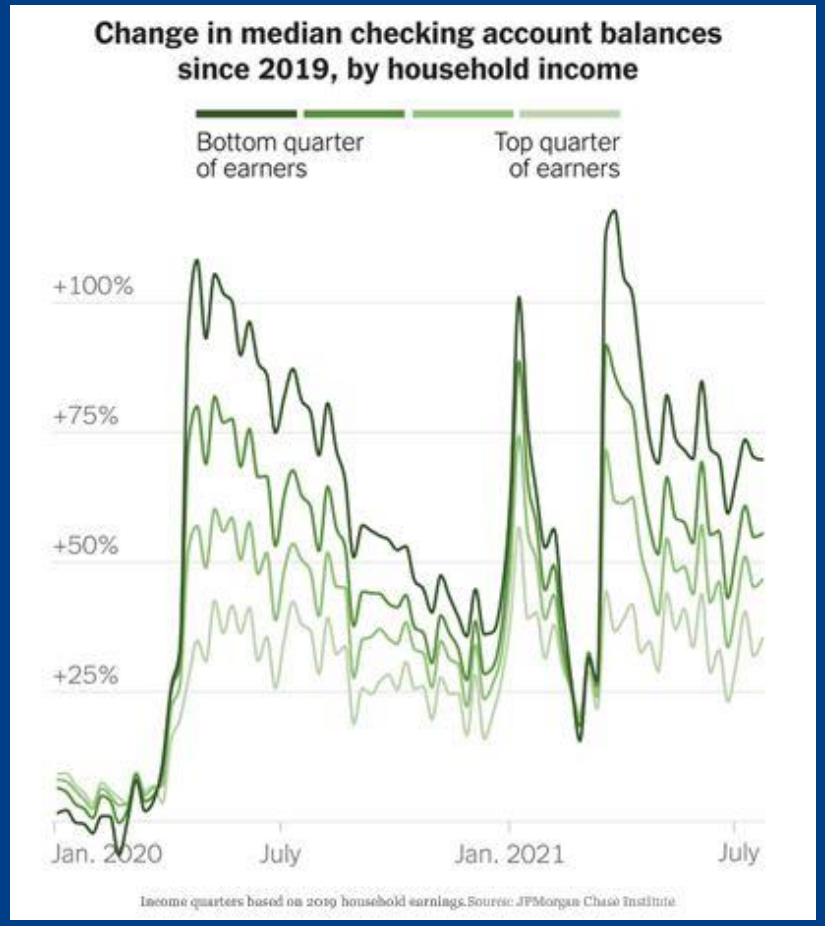


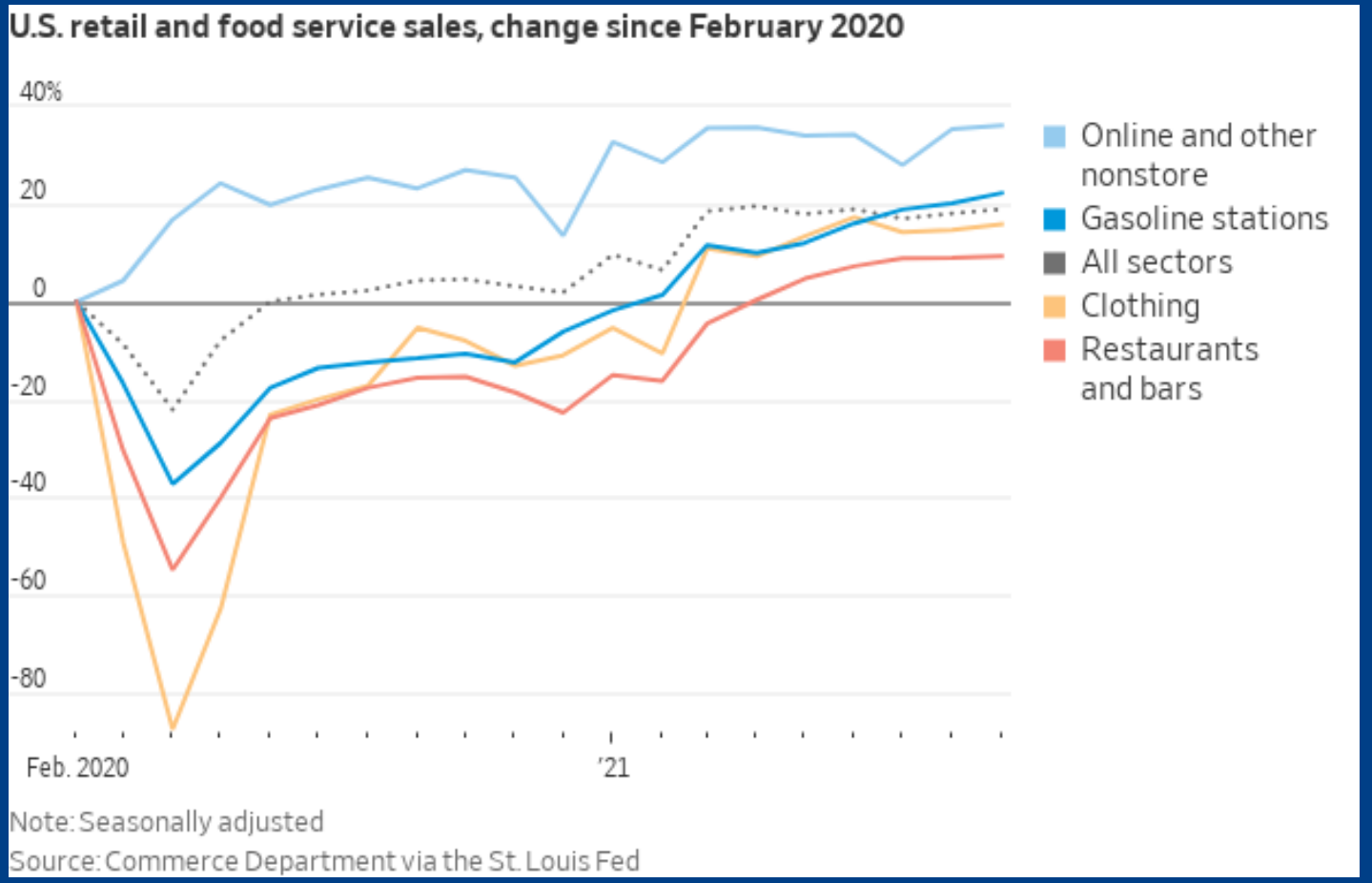
Consumption Expenditures

- With actual behavior like this



Household behaviors

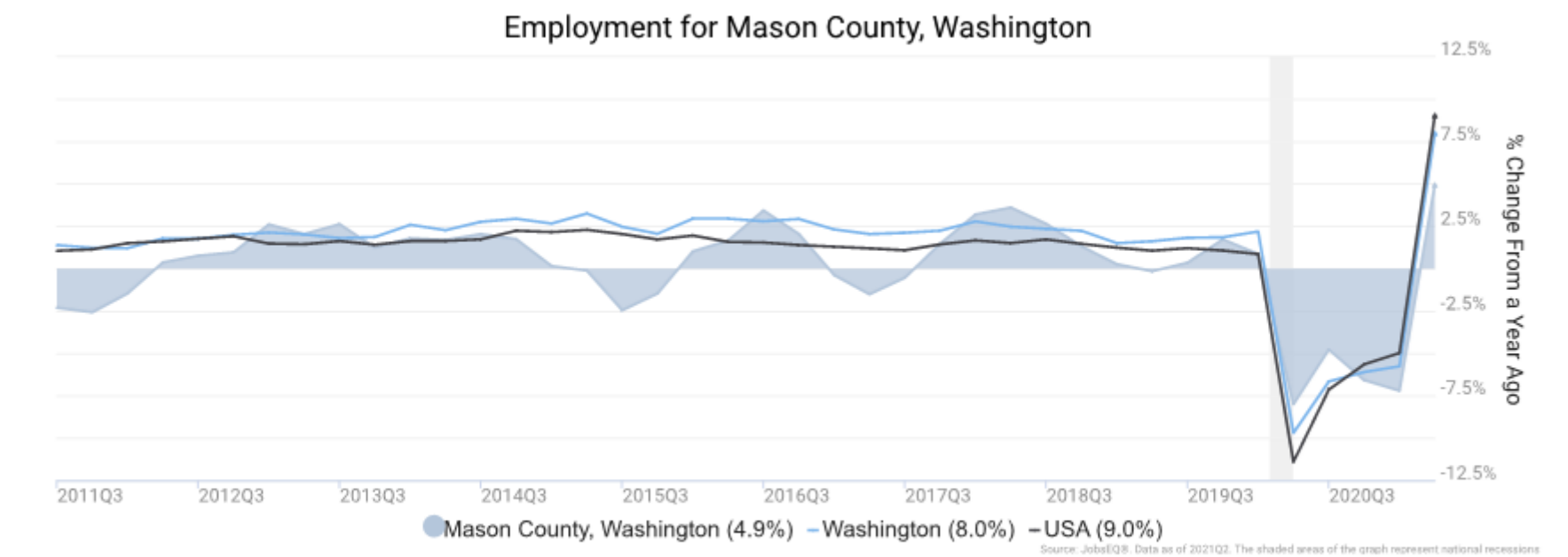




Where are we going then?

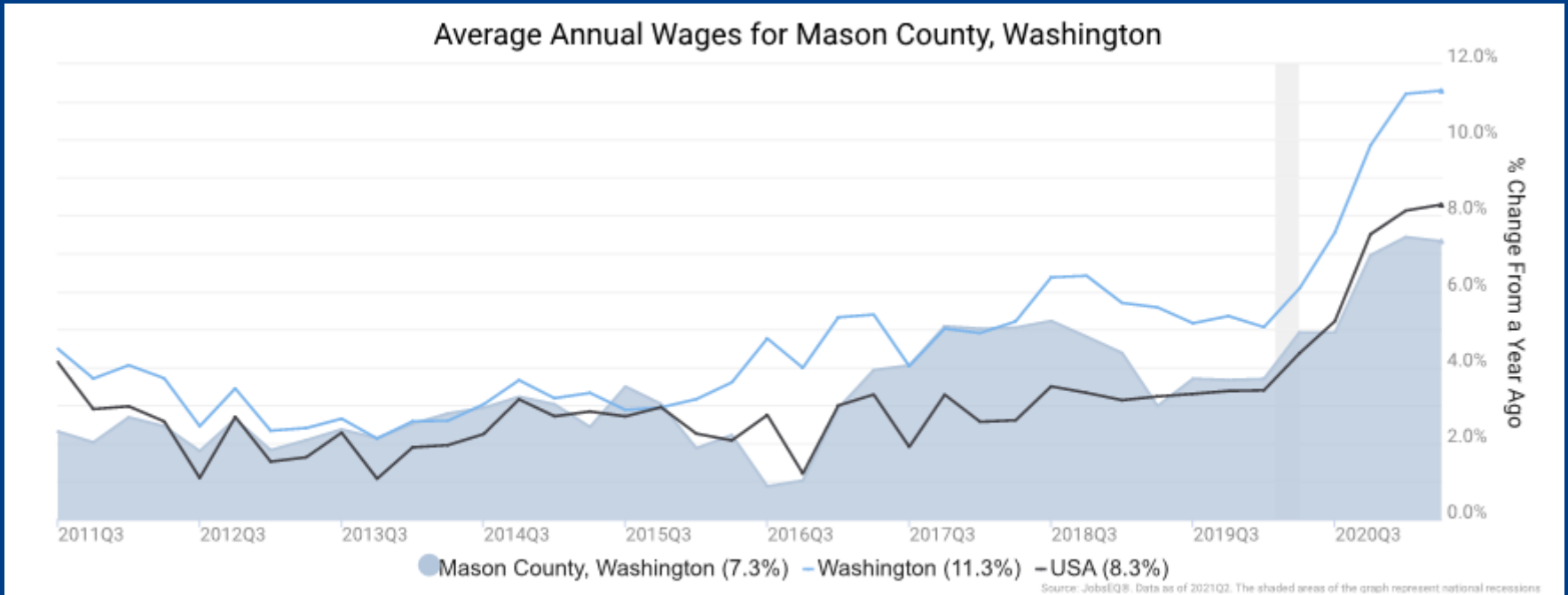
- In the next 12 months in Mason County….
  - 2,742 jobs projected to become open
    - (your employers have placed nearly 900 help wanted ads in the last 3 months)
  - 839 will be new roles (5.6% growth)
    - Largest number will have an average wage of ~$40,000
      - Your mean wage is $54,000
    - In the last 5 years you have lost 168 net jobs
  - Wages are growing but slower than national or state
    - Cost of living is 25 points lower than state average (105.1 versus 130.4)

Employment



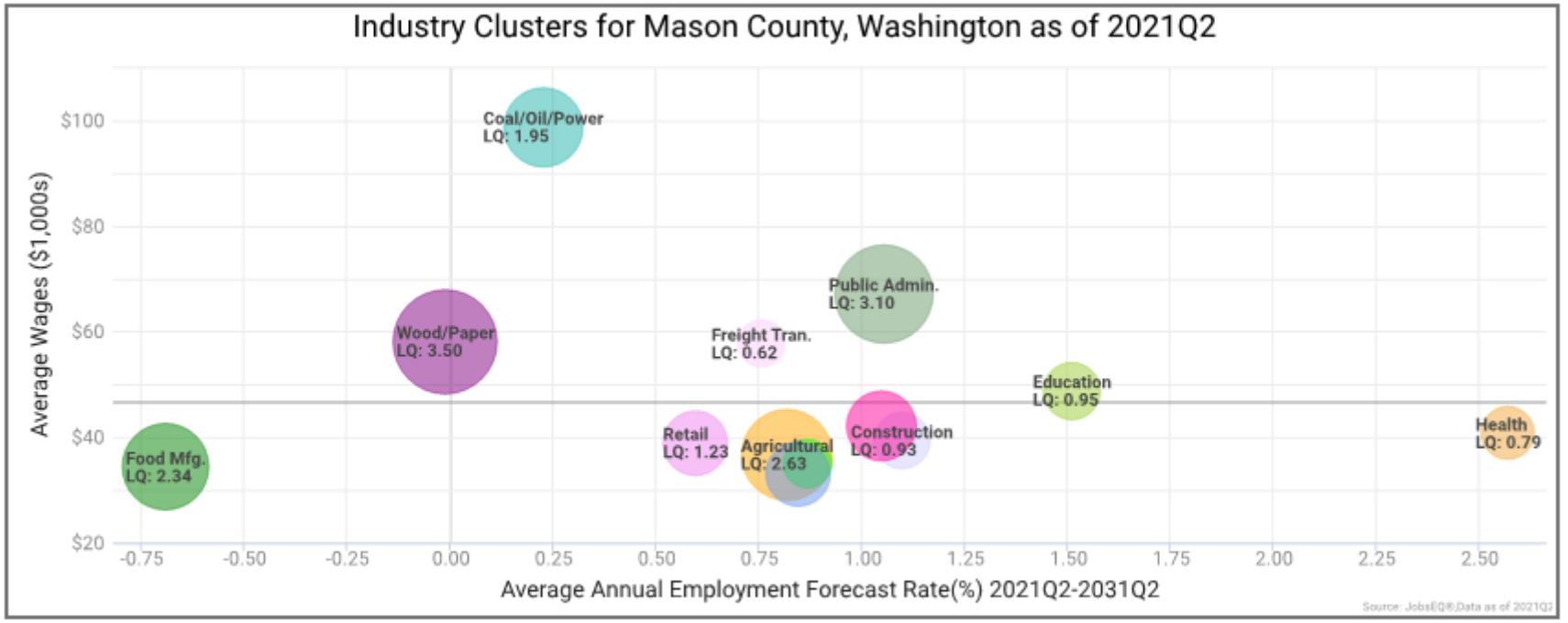
Employment data are derived from the Quarterly Census of Employment and Wages, provided by the Bureau of Labor Statistics and imputed where necessary. Data are updated through 2021Q1 with preliminary estimates updated to 2021Q2.

Wages



Annual average wages per worker data are derived from the Quarterly Census of Employment and Wages, provided by the Bureau of Labor Statistics and imputed where necessary. Data are updated through 2021Q1 with preliminary estimates updated to 2021Q2.

Clusters



Location quotient and average wage data are derived from the Quarterly Census of Employment and Wages, provided by the Bureau of Labor Statistics, imputed where necessary, and updated through 2021Q1 with preliminary estimates updated to 2021Q2. Forecast employment growth uses national projections from the Bureau of Labor Statistics adapted for regional growth patterns.

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